



Earnings Call – Q3 - FY23

July 6, 2023



With the exception of historical information, the matters discussed in this presentation are forward-looking statements that involve a number of risks and uncertainties. Words like “believe,” “expect” and “anticipate” mean that these are our best estimates as of this writing, but that there can be no assurances that expected or anticipated results or events will actually take place, so our actual future results could differ significantly from those statements. Factors that could cause or contribute to such differences include, but are not limited to: our ability to maintain our competitive advantages, acceptance of new software and improved versions of our existing software by our customers, the general economics of the pharmaceutical industry, our ability to finance growth, our ability to continue to attract and retain highly qualified technical staff, our ability to successfully integrate the recently acquired Immunetrics business with our own, as well as expenses we may incur in connection therewith, and a sustainable market. Further information on our risk factors is contained in our quarterly and annual reports and filed with the U.S. Securities and Exchange Commission.

\$16M

Revenue

\$0.20

Diluted EPS

40%

Adj. EBITDA as %
of Revenue

\$16M

Backlog

- Third quarter results in line with guidance
- Business Highlights
 - Revenue seasonality impacted by shift in software renewal timing as expected
 - Underlying market conditions continue as experienced for several quarters
 - Small biotech pull back
 - Large Pharma spending cautiousness
 - CRO segment reducing costs
 - Solid EPS and EBITDA performance
 - Immunetrics Acquisition completed on June 16, 2023, after close of third quarter

Third Quarter Software Highlights



General

- Overall software revenue growth of 10%
- Renewal pattern and revenue seasonality shifting as anticipated
- Continued market spending cautiousness
- University+ program has 299 individual licenses across 56 countries
- Good yield on price increase

GastroPlus®

-2%

Q3 Revenue
Decline

- 4 new customers
- 13 upsells to existing customers
- 26 peer reviewed journal articles published in Q3

-1%

YTD Revenue
Decline

MonolixSuite®

+84%

Q3 Revenue
Growth

- 10 new customers
- 2 upsells to existing customers

+14%

YTD Revenue
Growth

ADMET Predictor®

+9%

Q3 Revenue
Growth

- 3 new customers
- 6 upsells to existing customers

-5%

YTD Revenue
Decline

Third Quarter Services Highlights



General

- Overall services revenue growth 5%
- Total backlog \$15.7M – projects to be performed within 12 months decreased from 80% to 77%
- Successful recruiting quarter (3 new hires, 10 YTD)
- 212 total projects worked on during the quarter

PKPD

+2%

Q3 Revenue
Growth

- Higher margin time and materials contracts represented 42% of business this quarter

+14%

YTD Revenue
Growth

QSP/QST

+6%

Q3 Revenue
Growth

- Improved performance

-20%

YTD Revenue
Decline

PBPK

+5%

Q3 Revenue
Growth

- Continued momentum in this fast-growing segment

+31%

YTD Revenue
Growth

Capital Allocation Strategy Update



- Product R&D
- Employee Recruiting and Retention
- Enterprise Technologies

INTERNAL
INVESTMENT

CORPORATE
DEVELOPMENT

- Acquisitions
- Strategic investments and partnerships
- Immunetrics acquisition consummated in Q4

- Maintain current level
- \$0.06 per share paid Feb. 6th
- \$0.06 per share paid May 1st
- \$0.06 per share payable August 7th

DIVIDENDS
PAYMENTS

SHARE
REPURCHASES

- \$50M share repurchase program authorized
- \$20M accelerated share repurchase (ASR) implemented and completed in Q3

Increases breadth and depth of QSP expertise and range of therapeutic applications

Rationale

- Immunetrics is a modeling and simulation company focused on accelerating drug development in oncology, immunology, and autoimmune diseases
- Increases offering areas among the fastest growing therapeutics
- Strengthens the already-robust quantitative systems pharmacology (“QSP”) expertise at Simulations Plus
- QSP is a rapidly growing field of biomedical research
- Expands the range of therapeutic areas addressed by its software and services
- Increases the therapeutic areas addressed by Simulations Plus QSP models by more than 50%
- Leverages existing infrastructure by expanding therapeutic resources into largely underserved areas, including immunology and oncology

Terms

- Paid Immunetrics shareholders cash consideration of \$15.5 million (includes \$1.8 million hold-back)
- Two future earn-out payments in the aggregate amount of up to \$8 million, based on revenue performance through December 31, 2024



Total Revenue	\$59.3M to \$62.0M
Total Revenue Growth	10% to 15%
Software Revenue Mix	60% to 65%
Services Revenue Mix	35% to 40%
Diluted EPS	\$0.63 to \$0.67 (excl. \$0.09 M&A expense)

(Q423 Immunetrics impact: due to timing of close and seasonality, revenue will be positive but limited and contemplated in our 10%-15% revenue guidance; operating results will be accretive to earnings)

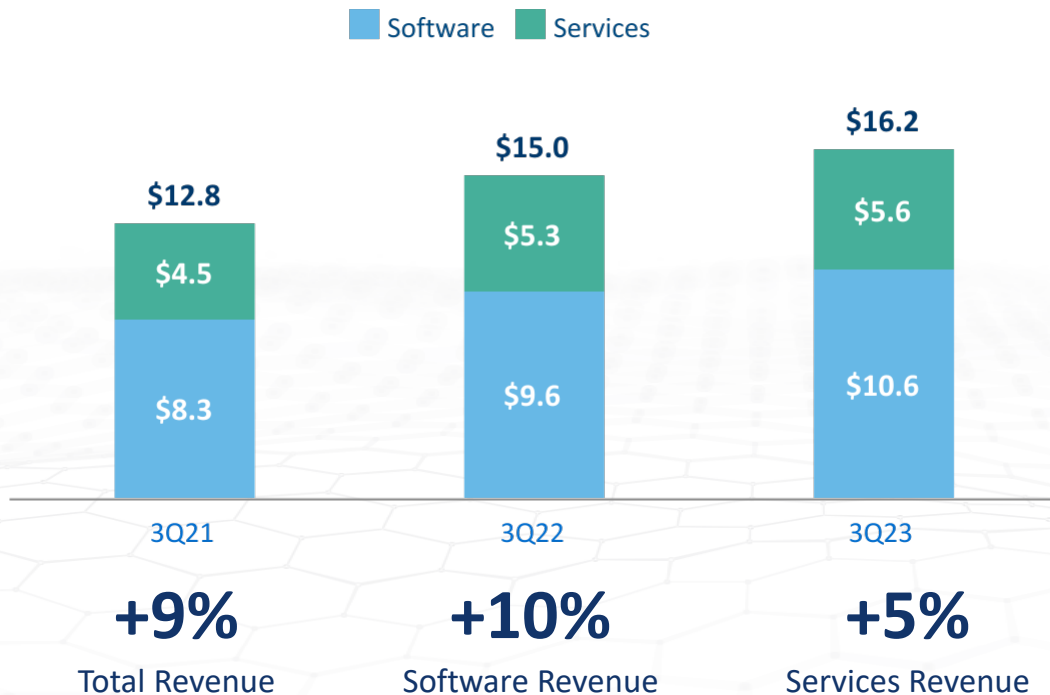
Financial Results

A large blue arrow pointing right, with the text 'Financial Results' inside it. The arrow is composed of a white triangular shape pointing right, which is set against a solid blue background. The text 'Financial Results' is written in a blue, sans-serif font and is positioned within the white triangle.

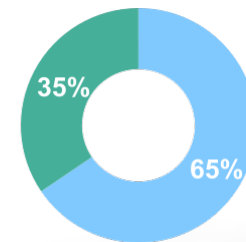
Revenue - Q3



(in millions)

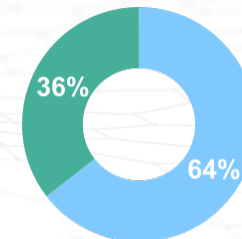


3Q23 Mix



Legend: Software (Blue), Services (Green)

3Q22 Mix

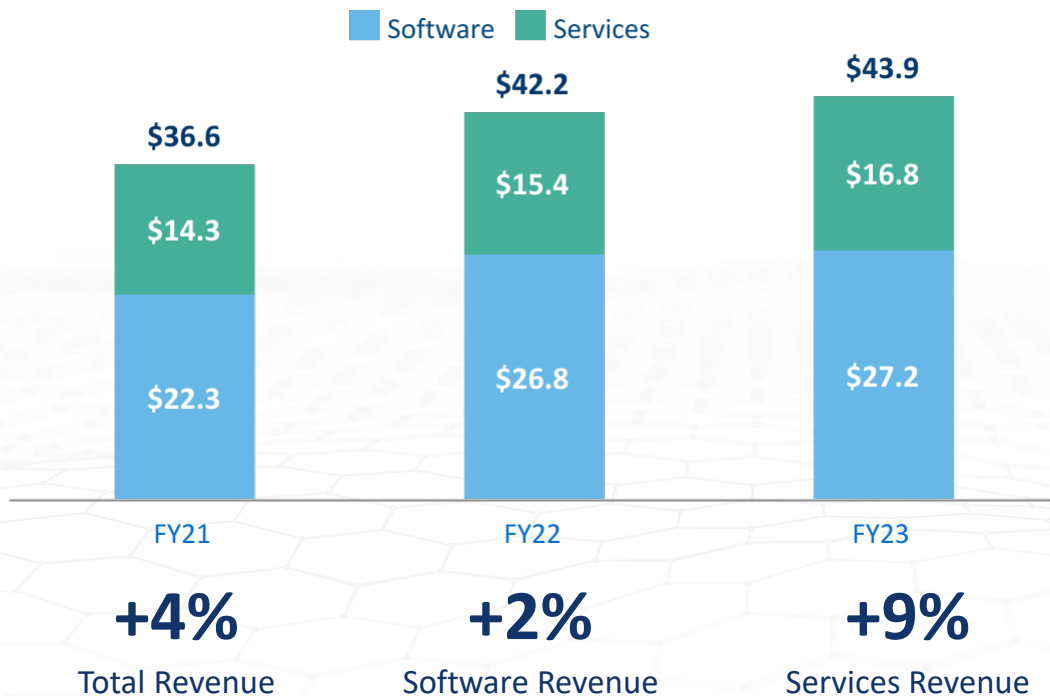


Legend: Software (Blue), Services (Green)

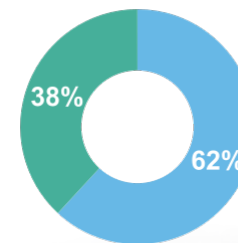
Revenue - YTD



(in millions)

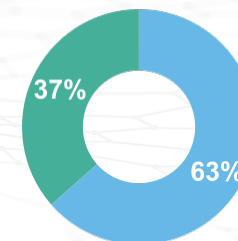


FY23 Mix



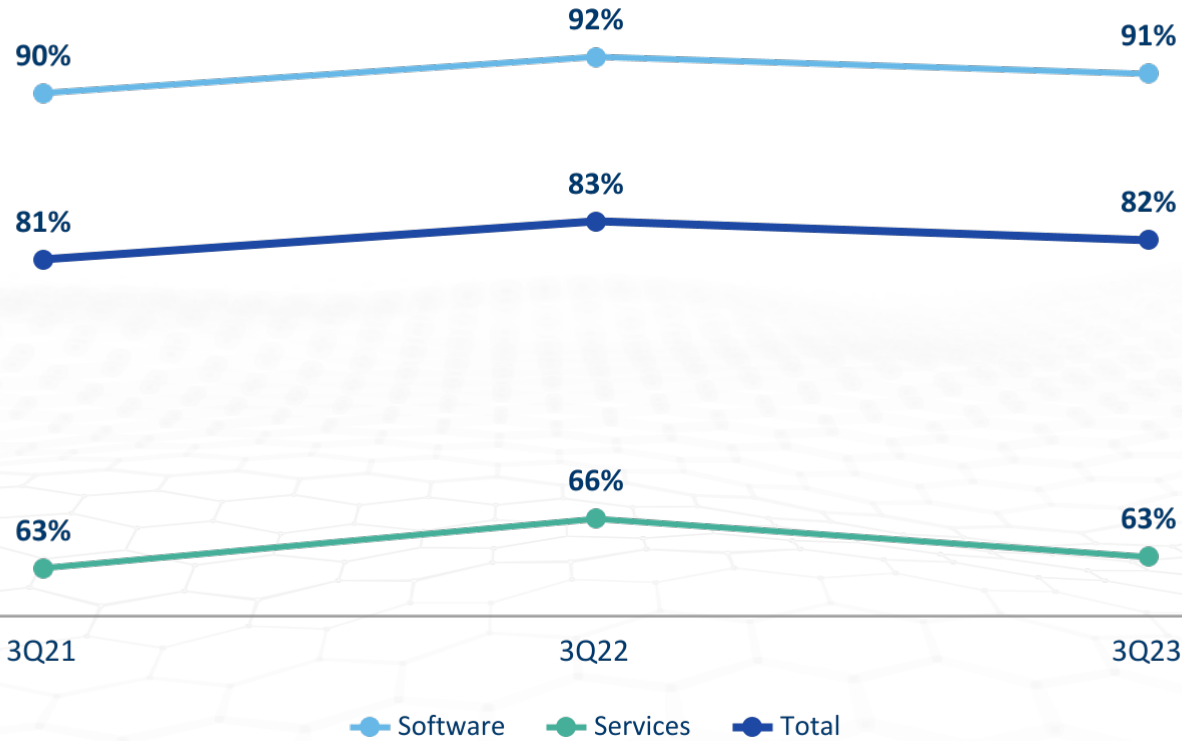
Legend: Software (Blue), Services (Green)

FY22 Mix

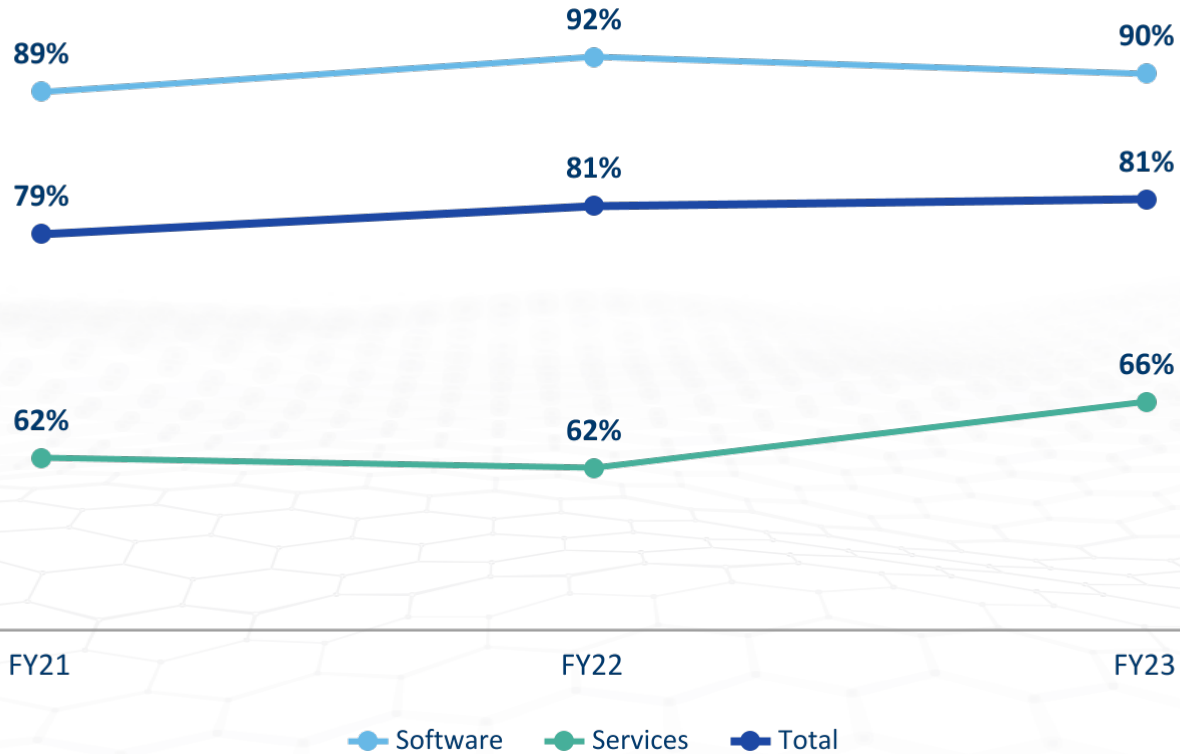


Legend: Software (Blue), Services (Green)

Gross Margin Trends - Q3



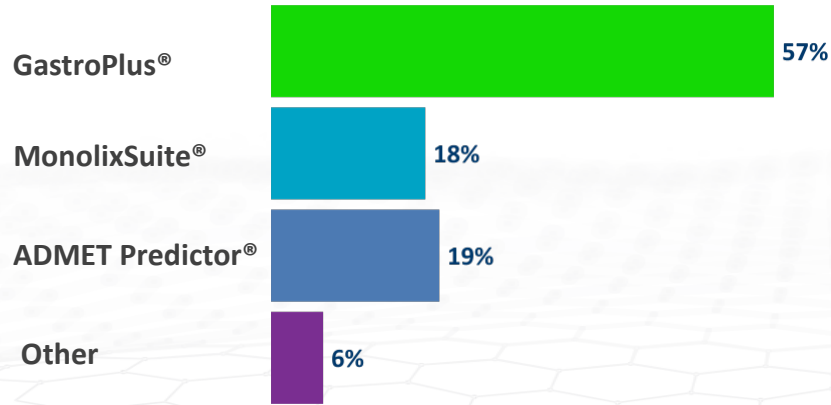
Gross Margin Trends - YTD



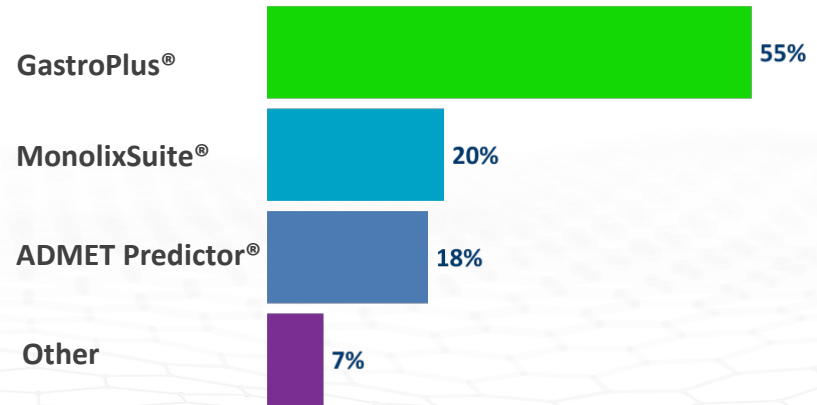
Software Revenue by Product



Q3 FY23



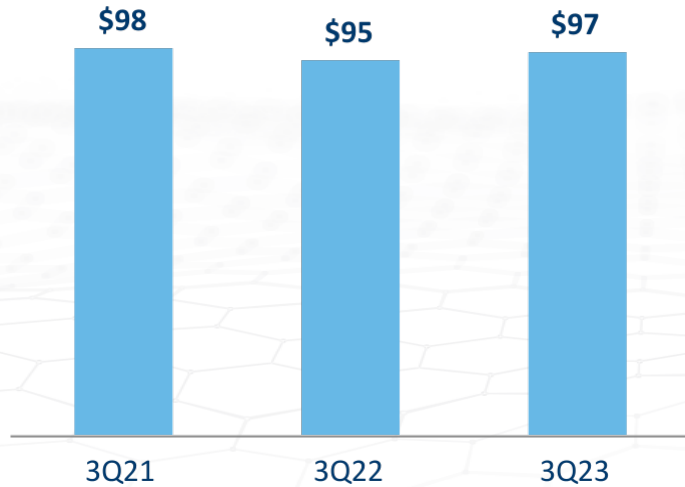
YTD FY23



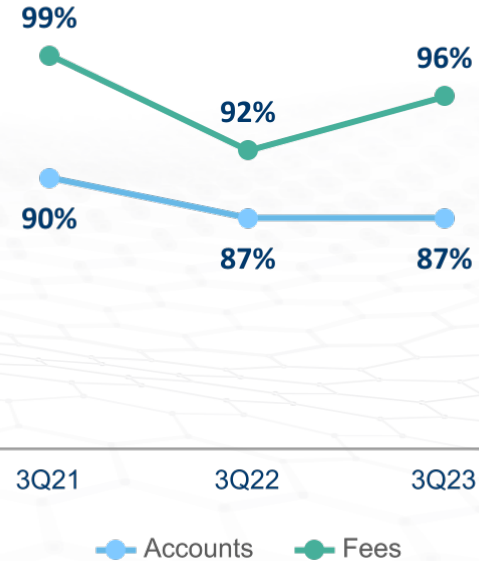
Software Product as % of Software Revenue

Commercial Customers

Avg. Revenue per Customer (in thousands)

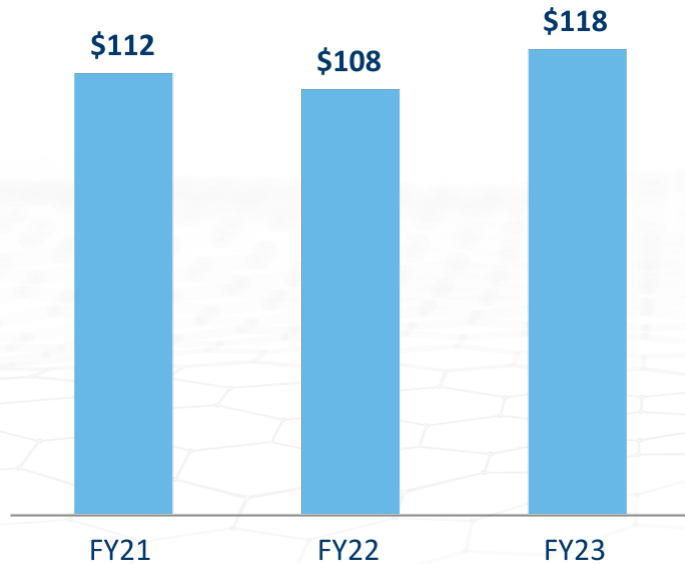


Renewal Rates

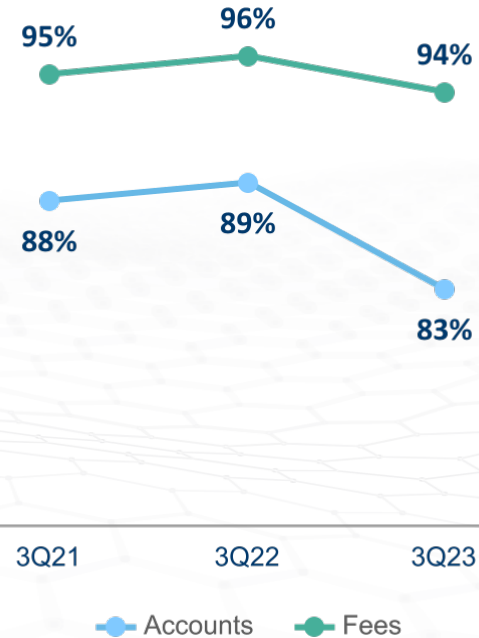


Commercial Customers

Avg. Revenue per Customer (in thousands)



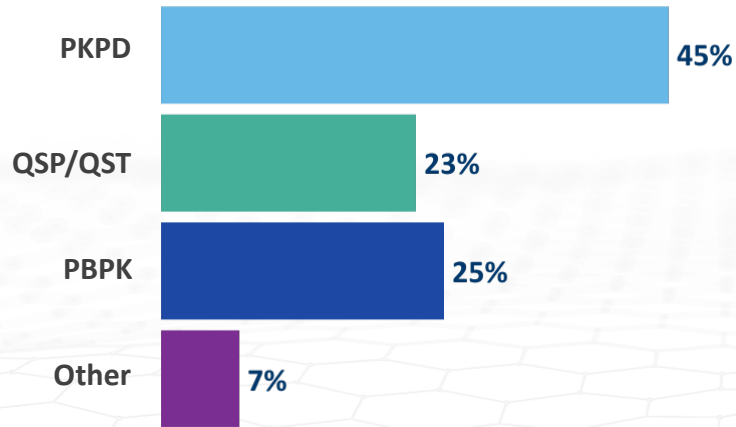
Renewal Rates



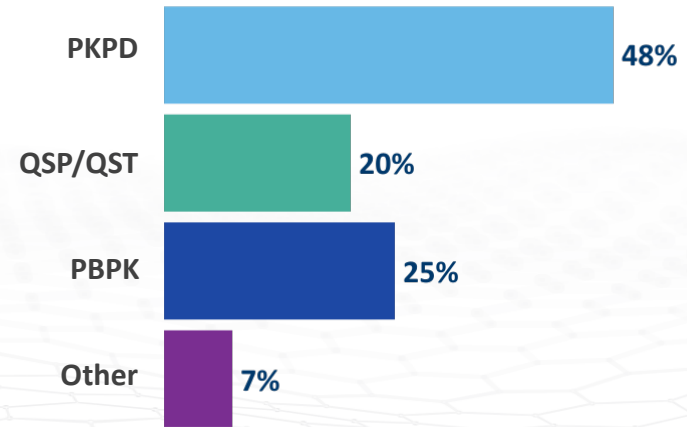
Services Revenue by Type



Q3 FY23

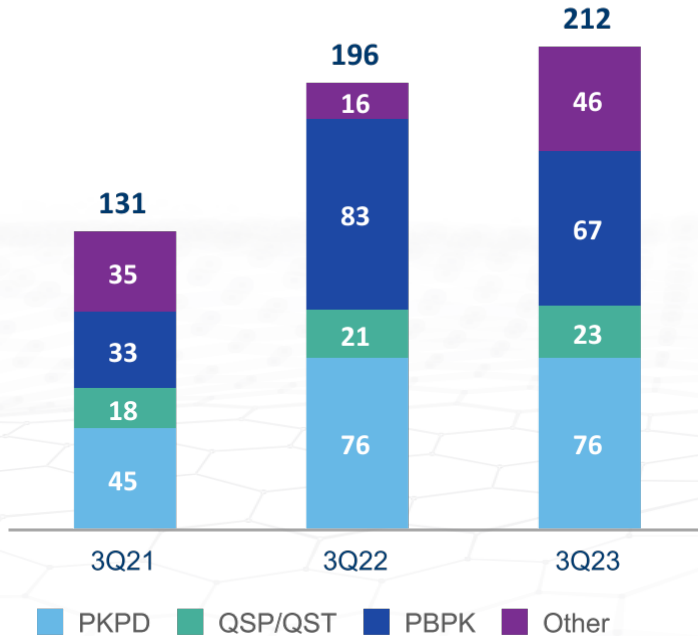


YTD FY23

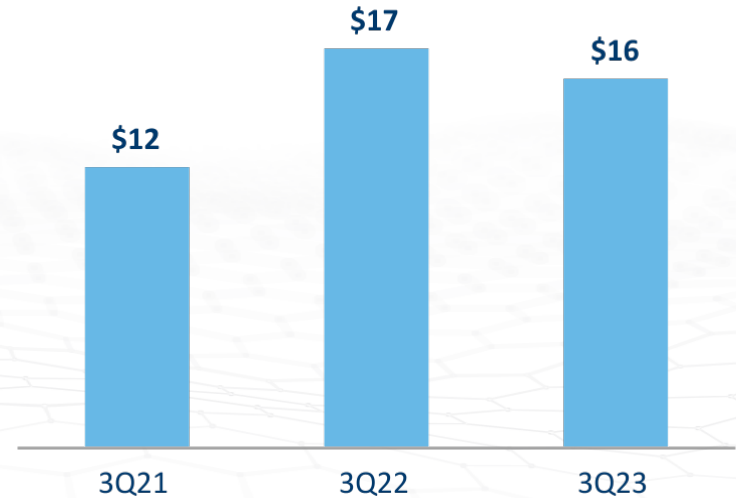


Services Type as % of Services Revenue

Total Projects



Backlog



Income Statement Summary - Q3



(in millions, except Diluted EPS)

	3Q23	% of Rev	3Q22	% of Rev
Revenue	\$16.2	100%	\$15.0	100%
Revenue growth	9%		17%	
Gross profit	13.3	82%	12.4	83%
R&D	0.9	6%	0.7	4%
SG&A	8.2	51%	6.8	45%
Total operating exp	9.2	57%	7.5	50%
Income from operations	4.1	25%	4.9	33%
Income before income taxes	4.9	30%	4.8	32%
Income taxes	(0.9)	6%	(0.7)	5%
Effective tax rate	19%		15%	
Net income	\$4.0	25%	\$4.1	27%
Diluted earnings per share (in dollars)	0.20		0.20	
Adjusted EBITDA	\$6.5	40%	\$6.5	43%

Income Statement Summary - YTD



(in millions, except Diluted EPS)

	3Q23	% of Rev	3Q22	% of Rev
Revenue	\$43.9	100%	\$42.2	100%
Revenue growth	4%		15%	
Gross profit	35.7	81%	34.0	81%
R&D	3.4	8%	2.4	6%
SG&A	23.3	53%	17.4	41%
Total operating exp	26.7	61%	19.8	47%
Income from operations	9.0	20%	14.2	34%
Income before income taxes	11.6	26%	14.2	34%
Income taxes	(2.2)	5%	(2.7)	6%
Effective tax rate	19%		19%	
Net income	\$9.4	21%	\$11.5	27%
Diluted earnings per share (in dollars)	0.46		0.56	
Adjusted EBITDA	\$15.7	36%	\$18.7	44%

Balance Sheet Summary



(in millions)

	May 31, 2023	August 31, 2022
Cash and short-term investments	\$122.4	\$128.2
Total current assets	\$137.3	146.8
Total assets	\$179.1	\$188.4
Current liabilities	9.0	7.7
Long-term liabilities	0.7	2.4
Total liabilities	9.7	10.1
Shareholders' equity	169.4	178.2
Total liabilities and shareholders' equity	\$179.1	\$188.4

CONTINUED LEADERSHIP POSITION IN BIOSIMULATION MARKET

Delivering on our commitment to scientific leadership

- Internal R&D investment
- Expanding industry and regulatory partnerships
- MIDD+ – 3rd annual SLP sponsored conference

Enhancing our client facing capabilities

- Growth and maturity of business development team
- Focus on expanding our local coverage of EU market
- Focus on supporting accelerated growth in distributor network

Challenges being addressed

- Software renewal timing changes on track
- Small biotech churn
- General market dynamics: inflation, recession & forex

Focus on Capital Allocation

- ASR program has been completed
- Immunetrics acquisition completed in Q4

WELL POSITIONED TO ACHIEVE OUR FY23 GOALS

Questions



The background of the image is a solid blue color. At the bottom, there is a faint, light blue network diagram consisting of numerous small circular nodes connected by thin lines, creating a complex web-like structure that spans across the width of the image.

 *SimulationsPlus*