

Boardwalktech Software Corp.

First Quarter 2024 Earnings Conference Call

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CORPORATE PARTICIPANTS

Graham Farrell

Boardwalktech Software Corp. — Investor Relations

Andy Duncan

Boardwalktech Software Corp. — President & Chief Executive Officer

Charlie Glavin

Boardwalktech Software Corp. — Chief Financial Officer & Secretary

CONFERENCE CALL PARTICIPANTS

Mike Stevens

Echelon Wealth Partners — Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Boardwalktech Software Corporation First Quarter 2024 Earnings Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Thursday, August 24, 2023.

I would now like to turn the conference over to Mr. Graham Farrell. Please go ahead, sir.

Graham Farrell — Investor Relations, Boardwalktech Software Corp.

Thank you, operator. Good afternoon and welcome, everyone, to Boardwalktech's quarterly conference call. This call will cover Boardwalktech's financial and operating results for first quarter of fiscal 2024 period ended June 30, 2023. Following our prepared remarks, we will open the conference call to a question-and-answer session. Our call today will be led by Boardwalk Tech's President and Chief Executive Officer, Andy Duncan, along with the Company's Chief Financial Officer, Charlie Glavin.

Before we begin with our formal remarks, I'd like to remind everyone that some of the statements on this conference call may be forward-looking statements. Forward-looking statements may include, but are not necessarily limited to, financial projections or other statements of the Company's plans, objectives, expectations, or intentions. These matters involve certain risks and uncertainties. The

Company's actual results may differ significantly from those projected or suggested in any forward-looking statements due to a variety of factors, which are discussed in detail in our regulatory filings.

Today we issued our first quarter fiscal 2024 financial results, a copy of which is available in the Investor Relations section on our website, boardwalktech.com, and posted on SEDAR.

I would like to remind everyone that today's call is being recorded on Thursday, August 24, 2023.

I will now turn the call over to the President and Chief Executive Officer of Boardwalktech, Andy Duncan. Please go ahead, Andy.

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

Thank you, Graham. I would like to welcome everyone to Boardwalktech's quarterly earnings call to discuss the Company's financial results for the first quarter of fiscal 2024 ended June 30, 2023. It feels like it was just yesterday since we spoke to you and, in many respects, it was. Given the short time between our year-end call at the end of July and today's call, there's not a lot to update you on outside of the growth that we continue to experience in our SaaS revenue and ARR.

Before I pass this call over to Charlie to discuss our financial performance, I'd like to highlight a few areas of importance regarding the trajectory of the business:

First, while we did experience some summer lull, as expected and discussed last month, not only did our license revenue increase sequentially for the quarter but in August we saw a pickup in customer activity and business development pipeline, including a few customers we had previously removed from

our pipeline but have now reengaged with a fairly deliberate effort. We actually have contracts out for execution, so we are confident that we will be able to announce some of these new partnerships and deals in the upcoming weeks and months.

Second, our financial guidance of \$8.5 million to \$10 million in revenue for fiscal 2024 remains intact and this would represent an approximate 45% year-over-year growth, consistent with the organic growth of our SaaS business.

Third, there was a lot of discussion on our last call about a particular customer who had been delayed. The product we developed is new, it's called our Radius Control Tower product, and it's built on our Digital Ledger platform, which is focused on supply chain visibility and particularly increasing on-time order fulfillment by reducing charge-offs, adjustments, and managing service tickets better. While the product has been live for a while, the customer did take the opportunity before final sign-off on our license extension to request and test new areas of efficiency and ROI. While this near-term delay has been a bit frustrating, not just to investors but our team as well, we believe that these new requests have actually enhanced our product for better long-term success. It's been exciting to partner with this Fortune 50 Company and demonstrate the power of our solution.

And lastly, as we roll out our product roadmap to our new and existing enterprise clients, we anticipate our land-and-expand growth will drive our bottom line closer to and then through profitability.

With that, I'd like to pass the call over to Charlie to walk you through the Company's financial performance and outlook. Go ahead, Charlie.

Charlie Glavin — Chief Financial Officer & Secretary, Boardwalktech Software Corp.

Thanks, Andy.

Before I begin, I'd like to take a moment to remind our listeners that all figures reported on today's call are in U.S. dollars and that our fiscal year end is March 31, with all reported figures based on IFRS standards, unless otherwise specified. Additional details can be found in our financial statement and MDA filed on SEDAR.

Total revenue for the first quarter of fiscal 2024 was \$1.6 million versus the \$1.5 million we reported last year despite a 46% decline in professional services revenue. More importantly, the revenue from new and recurring SaaS licenses grew 23% year over year and was up 9% sequentially. Recurring revenue from these SaaS licenses has grown at a 43% CAGR over the last three years and, based on recent customer engagements, we expect this type of growth rate to continue. While the Company does expect a modest rebound in revenue from professional services, as evidenced by recently reported quarters, professional services levels are expected to continue to fluctuate on a quarter-to-quarter basis as new projects commence. Last quarter, professional services only accounted for 15% of total revenue and this is why we have not relied upon professional service revenue growth within our overall guidance.

The Company defines annualized recurring revenue, or ARR, as a non-IFRS metric, as the annual recurring revenue expected based on licensed subscriptions and recurring services revenue recognized in the recent quarter. ARR at the end of this June reached another historic high of \$5.8 million, a 7% sequential improvement, even without the delayed license extension that Andy mentioned. It should be noted that this new historic high for our ARR is expected to continue to set new levels going forward.

Gross margin for the first quarter of fiscal 2024 was 90%, which is comparable to the 90.2% levels both in the fourth quarter as well as the first quarter of fiscal 2023, consistent with our prior guidance that investors should continue to expect comparable margins to the 90% level we have reported.

Net loss for the first quarter of fiscal 2024 was \$930,000 or a loss of \$0.02 per basic and diluted share versus an \$850,000 loss or \$0.02 per share in the first quarter of fiscal 2023 and \$860,000 loss last quarter.

Adjusted operating expenses were flat sequentially, but we do expect to make selective expenditures in sales, marketing, and services to enable upside growth as opportunities are beginning to outpace our resources. The point being that we continue to be diligent in spending and not cutting our way to profitability but growing our way to success.

Net IFRS net loss, as defined in our filed MDA, for the first quarter of fiscal 2024 totaled \$516,000 or a loss of \$0.01 per basic and diluted share, a modest change from the \$557,000 non-IFRS loss in the fourth quarter.

Adjusted EBITDA for the quarter was a loss of \$511,000 versus the loss of \$431,000 last quarter and \$260,000 loss in the first quarter of fiscal 2023, as the pause in our EBITDA improvement was due primarily to the lower professional services revenue in the quarter. Longer term, we are relying upon the growth in recurring licenses, not services, to enhance and sustain profitability.

The Company finished the first quarter of fiscal 2024 with \$2.9 million of cash and receivables, as collection of the large annual license renewal occurred after the quarter closed. Moreover, if you look at

a moving average over the last two quarters, both cash from operations and total cash flow was positive; thus, given the Company's revenue growth and outlook, the Company continues to believe that it has sufficient funds to hit this guidance, but we do acknowledge that additional resources in sales and marketing would lay the foundations for the upside growth we've alluded to.

And with that, let me turn the call back over to Andy.

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

Thank you, Charlie.

We have told our investors that every day our team wakes up looking to increase our ARR by providing new and existing customers with a high ROI solution to address their issues, specifically in the supply chain.

On our last call, investors asked why we felt confident about our guidance and, if confidentiality allowed, that would be based on the customer activity we are experiencing. As we close these deals in turn, this will continue to let our numbers do the talking while providing exceptional value to our customers and investors.

With that, operator, we'd be very happy to take any questions now. Thank you.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the one on your touchtone phone. You will hear a three-tone prompt acknowledging your request. Questions will be taken in the order received. Should you wish to cancel your request, please press the star followed by the two. If you are using a speakerphone, please lift the handset before pressing any keys. Once again, that is star one should you wish to ask a question.

Your first question is from Mike Stevens from Echelon Wealth Partners. Please ask your question.

Mike Stevens — Analyst, Echelon Wealth Partners

Good afternoon and thanks for taking the time to answer a couple questions here. In relation to that referenced contract delay, maybe if you're able to give any more color on, you know, how long do you anticipate that ROI efficiency process taking? And also, could you give any indication of what that could do to your ARR? If you can't, that's understandable. And also, are you able to collect professional services revenues while you're fulfilling that project?

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

It's a great question, Mike. Thank you for asking it. So, multiple pieces there. With regard to the professional services, we are not collecting any professional services dollars with regard to what we're working on with this particular client. We are live with the client. We continue to make excellent progress. They continue to expand on the metrics, if you will, on what we're working on, which has been terrific and

a continued support of the ROI, and we believe that we're getting quite close to final, final on this. And once we do get this extension completed, it will have a nice effect on the ARR.

Mike Stevens — Analyst, Echelon Wealth Partners

Okay, great. I mean it sounds like you're putting together a pretty good case study for your pipeline to see, so that's exciting.

Turning to the banking sector, you'd mentioned in the MD&A two banking prospects kind of reemerged into your pipeline. Any kind of color behind the reasoning, like what led them to come back? And maybe a follow up there, obviously, as you've alluded to, the sales cycles can be pretty long in this vertical. Anything outside of the obvious that these large banking entities, you know, safety/security is paramount, so you'd expect kind of longer time for a sales cycle. Anything outside of the obvious that slows these processes down that you've seen?

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

No. Again, these are major big banks, as you know. The sales cycle on these take time. I would say that the most encouraging thing with regard to this is our continued expansion and, soon to be announced, some additional teaming partners in this particular space where we're working on deals with these teaming partners that are pretty serious deals. And this is very encouraging. The market, I think, with regard to this, is starting to mature. We've seen a lot more activity over the past few weeks. And we actually were encouraged that a couple of banks had said basically, and again, remember, this is all through [inaudible] quarters where we're partnering with them, where we pitched the banks and they

came back and said, “We’re interested, but not now. We’ve got a few things that are in front of this and we’ll get back to you.” They then reemerge much faster than what we thought that they would saying, “Gee, we really do need now to get serious about this.” So, we’re starting to see an improvement with regard to the number of meetings and the teaming relationships that we’re building, which provide some enthusiasm with regard to our team here and the potential of this going forward.

Charlie Glavin — Chief Financial Officer & Secretary, Boardwalktech Software Corp.

Mike, [inaudible], and I think we’ve addressed this before, it’s actually a good thing sometimes when a customer goes out. The first time Andy pitched me, I didn’t quite believe the platform until I saw it. And so some of these customers, they’ve seen what our platform can do and then often an internal IT or somebody else comes in and says, “No, no, let us try.” That’s what essentially happened in this case. These customers have gone out and said, “Well, let’s try that either internally or another.” And then they come back. The first banking customer that we locked in last year actually had tried over a half dozen over ten years and then they came to us a bit skeptical. And it took a little while. But the other positive thing is now people are starting to see the returns. Word gets around within the banking community, including the IT, and that’s a good thing for us.

So, when people try alternatives, realize it doesn’t work, and they come back to us, that’s actually a positive longer term. A little frustrating near term that we don’t get to close it a little bit quicker but, again, more positive in terms of people validating, no, there’s not an alternative, you were legit, and then they come back.

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

Mike, I would also add on to what Charlie said, one other thing, and that is that we've had several of these teaming partners that have actually reached out and contacted us directly as opposed to us soliciting them saying that they would like to partner with us and they have opportunities and heard what we're doing at this other large bank. And so that's further validation that word is starting to get out and that's, again, a good thing when they call you as opposed to you call them.

Mike Stevens — Analyst, Echelon Wealth Partners

Yeah, no, that's super helpful. And maybe sticking with teaming partners, it was nice to see the revenue contract costs come down as a percentage. And I think that, Charlie, you've talked about this on past calls, but in terms of like the third, let's say there's a third year renewal, like will this percentage here come down again or will it kind of flatline for all future renewals? And then a follow up is should we expect the same sort of economic strategy for any future teaming-related contracts?

Charlie Glavin — Chief Financial Officer & Secretary, Boardwalktech Software Corp.

Yeah, I think you kind of nailed it, Mike. In short of publicly disclosing our pricing strategy or teaming strategy, the first deal was essentially more of a sweetheart, because we needed, you know, we had not been in the sector and sort of a breakthrough. So that level in terms of the first couple of contracts will be anticipated to be smaller. A little bit tighter in terms of, again, the teaming is everyone agrees on their respective duties and goes out and execute and in response to that you then get split the fees associated with it. We will always maintain the one-to-one license with the banking or financial services client, but there is a responsibility as far as an obligation. And so, into those subsequent years, this isn't going to be a royalty, for a better way of describing it, Mike. So it's not going to be a long tail. But even if

there was something negotiated on it, yeah, the tail would come down and the amounts would decrease over time. Again, the better way of looking at this is over the period of the contract. You should look at this as being targeted beginning at least at sort of the 65%, 70% contribution margin to the bottom line and then in subsequent years get higher than that as well.

Mike Stevens — Analyst, Echelon Wealth Partners

Right. No, that's great. Last question, just circling back to the Radius products, you mentioned, obviously on the last call, the success that you saw after the Gartner Symposium and some of the conversations that you're having both with new clients or potential new clients and existing customers on the ledger. Any more color that you can offer? I know it's only been less than two months here later.

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

We definitely have deals that have now appeared on the pipeline from contacts and meetings that we had, as well as the presentation that we did on the solution that we delivered to the Fortune 50 Company, and we're pretty enthusiastic, Mike, about the opportunity.

Just to give you a little bit more color, when you have a large company and, for every purchase order that they receive, there's 25 different documents that can flow on average after that, and those documents that come in lots of times come into siloed systems and people don't have the overall visibility on what's happening with the information that's in these documents, such as change of a ship date or something along those lines, we're seeing really tremendous ROI opportunity on some really big companies just by being able to understand and manage the visibility of the information that's flowing in

these documents to be able to do things like move rates, fill rates on a purchase order from 95.5% to 97.5%, and 2% on \$1 billion dollar line of business is a significant amount of money and a very big ROI.

And so, as we are now kind of starting to get our sea legs, if you will, with this first big customer and better understanding those ROI and those KPIs, being able to now have deep conversations with new prospects and existing customers about being able to move the needle at that level, again, there's a lot of enthusiasm about this. We've got our ways to go, we're not solving world hunger here, but we're making really good progress.

Charlie Glavin — Chief Financial Officer & Secretary, Boardwalktech Software Corp.

Mike, to that point and coming out, I think you know the, you know, partner that was also presenting with us at Gartner, keep in mind something I think that we've discussed previously is that when you, you know, this delay [inaudible] we talk about it relative to doing the extra ROI, not only is it helping our customer convince their senior management to deploy our solution internally, but the ROI and the additional marketing research that we're developing coming off of that is allowing us to go out to other prospects as well and reuse that. So it's not just the enhancements that we're doing. But if you take a look at most of the industry studies, if you look at just a testimonial that's good, but when you start having actual case studies and ROI analysis, in other words facts to back you up, pricing tends to increase by at least 45% and your rate of conversion tends to increase by about 3.5x. And so again, that delay, a little frustrating, but think about it as far as now we don't have to go back to prospects and say, trust us, this is a really good solution. We can actually come back with some additional figures and saying, yes, in this case it's 25 documents. In that one it was 50 documents over 35 stakeholders. The more you can use those

facts and market research, the better, I think you know, in terms of closing on your pipeline. And that's why, yeah, short term, it's a little frustrating. Longer term, this is actually, we think, going to be beneficial. And we're already seeing the activity, part of what we alluded to in our prepared comments and MDA.

Mike Stevens — Analyst, Echelon Wealth Partners

Okay. No, that's great. That's it for me and thanks for your time, as always, guys. Appreciate it.

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

Thanks, Mike.

Operator

Thank you. Ladies and gentlemen, once again, please press star one should you wish to ask a question.

There are no questions at this time. Please continue.

Andy Duncan — President & Chief Executive Officer, Boardwalktech Software Corp.

Thank you, operator. I would like to thank everyone for taking the time to join us here today and we truly appreciate your support. We look forward to giving you additional updates on our progress in the near future. Boardwalk will be presenting and holding investor meetings at the Planet Micro Showcase conference in Vancouver on September 6th and 7th, along with investor events later on this autumn. Once again, thank you very much, and have a very pleasant rest of the day.

Operator

Thank you. Ladies and gentlemen, the conference has now ended. Thank you all for joining. You may all disconnect.