



# **Xybion Corporation**

## **Q1 Fiscal 2023 Quarterly Results**

### **Conference Call Transcript**

**Date:** August 30, 2022

**Time:** 8:30 AM ET

**Speakers:** **Pradip K. Banerjee, Ph.D., MBA**  
Chair & Chief Executive Officer

**Steve Porfano**  
Chief Financial Officer

**Operator:**

Welcome to Xybion Digital Inc.'s First Quarter Fiscal 2023 Results Conference Call.

Today's call will be providing information and commentary on financial results for three months ended on June 30, 2022. You will hear from Doctor Pradip Banerjee, Chairman and CEO of Xybion, and Steve Porfano, Xybion's Chief Financial Officer.

Following these remarks, Pradip and Steve will take questions from analysts. If you have any questions following the call, you may reach Xybion at [investor@xybion.com](mailto:investor@xybion.com).

First, here are a couple of housekeeping notices. All participants are in listen-only mode for the duration of the call. After the presentation, there will be an opportunity for analysts to ask questions. This call is being recorded and we expect a recording will be available on Xybion's website within 72 hours.

We remind you that today's remarks will include forward-looking statements that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the reader advisory at the bottom of Xybion's news release, which is on their website and on SEDAR. The Company's actual performance could differ materially from these statements.

We'll begin with Xybion's Chairman and CEO, Doctor Pradip Banerjee. Doctor Banerjee?

**Pradip K. Banerjee, Ph.D., MBA:**

Thank you, Gaylin. Good morning, everyone. Thank you, all, for joining us today to review our first quarter of our fiscal 2023 financial results for the year ending March 2023. This is our third quarter reporting a public company. The key growth trends reported in the previous quarters continued through the first quarter.

This quarter our clients continue to adapt more SaaS modules. We remain focused on our SaaS revenue growth strategy, and expect that our SaaS revenues will continue to drive our growth.

For the first quarter, I am pleased to report that the SaaS revenue growth, showing the power of our SaaS platform that can satisfy the end-to-end process needs of our clients and can replace multiple legacy systems by a single Xybion platform, continued.

First let me spend a couple of minutes refreshing your memory, since some of you may not have joined us in the previous calls, about what Xybion does and what is Xybion all about, and reviewing some of our operational KPIs. After I do that, Steve Porfano, our CFO, will review the financial results in more detail; then I will conclude the call with an outlook of our business, after which we are happy to answer questions from analysts and investors.

First I would like to start with my comments by reminding that Xybion is a digital acceleration software company, providing a modern low-code cloud platform on which we have already preconfigured end-to-end vertical softwares for the following domains: pharmaceutical research and development, total digital laboratory management, total predictive compliance risk and quality management, workplace health and safety, and also digital content management. These solutions cover many of the major business processes of the pharmaceutical companies, biotechnology companies, diagnostic labs, generic drugs and specialty pharmas, and health systems. Our solution help our clients speed up innovation, make operating processes more agile, create more efficiencies, reduce compliance risk, and lower cost of operations through digital transformation, so that the critical inventions of new medicines and other new products can be developed, approved, and distributed to the end customers and patients faster.

We have been following a two-prong growth strategy. First, organic growth through our “land and expand” model, through our existing 160-plus clients in 29 countries. We are focused on expanding our customer base to also include the biotechnology companies, and we’re working with these biotechnology clusters in various parts of North America; expand our international footprint, and grow our partner base.

Through the COVID-19 pandemic the digital enablement has become a key trend and requirement for major companies. Most of our 160 clients only have one or two modules of our platform deployed. Today, we are able to sell multiple modules to these customers. We believe that the revenue growth opportunity within our client base is several multiple of current revenues.

The second component is an acquisition strategy, which we are actively pursuing as well, which complements our organic growth by accelerating scale, allowing us to acquire talent more rapidly, and broadening scope of our offerings. We have a pipeline that we’re working through currently.

I am very pleased to report this quarter over quarter growth the June 30 quarter, the subscription revenue was higher by 35.3%. During this quarter, approximately 68% of our revenue was recurring in

nature, and most of our pipeline is now from SaaS opportunities. Annualized recurring revenue, ARR, was over US\$10.11 million, which is up 15.6% year over year. Total revenue was \$3.7 million.

We have been investing very aggressively to scale our SaaS business model globally through aggressively hiring talents in various geographies for business development, hiring subject matter experts and software engineers. These expansions, the pandemic-driven disruptions in the labor market, and some unforeseen delays in some of the implementation project increased our expenses, delayed some of the revenue recognitions for this quarter, and actually resulted in a negative EBITDA for this quarter. Steve will have more details on this.

We are continuing with our organic growth strategy and inorganic growth strategy of acquiring companies that are synergistic with our business and our products, which we think will be accretive to our business.

With that, I would like to introduce Steve Porfano, our Chief Financial Officer, to review our financial results for this quarter. Steve?

**Steve Porfano:**

Thanks, Pradip, and good morning, everyone. I will now comment on our financial performance for the three-month period ended June 30, 2022. I want to remind those on the call that all of our results are cited in U.S. dollars, and all of our financial results are posted on SEDAR.

Comparing Q1 of Fiscal Year '23 to Q1 of Fiscal Year '22, revenues were unchanged at \$3.7 million. Recurring software revenues, which include revenue from software as a service and maintenance, increased by 11.4% or \$0.26 million to \$2.53 million, as compared to \$2.27 million in Q1 of Fiscal 2022. Recurring revenue as a percentage of total revenue for the first quarter was 68% for Q1 2023 as compared to 62% in Q1 of 2022. Revenue from SaaS increased by 35.3% or \$0.32 million to \$1.23 million.

Annual recurring revenue from software reached \$10.11 million at June 30, 2022, which is an increase of 15.1% as compared to \$9.26 million at June 30, 2021.

Gross profit for Q1 2023 totalled \$2.07 million, a decrease of 14.9% or \$0.36 million, compared to \$2.43 million in Q1 of Fiscal 2022.

Quarter over quarter, gross margin is affected by the mix of quarterly revenue from licenses, SaaS, and services. As the Company has transitioned to be fully SaaS, license revenue has become more opportunistic and limited to legacy customers. Lower license revenue in Q1 of 2023, as compared to Q1 2022, accounted for approximately one-third of the reduction in the gross margin. The remainder was related to higher than expected implementation costs on some fixed price projects.

On a comparative basis, total operating expenses in Q1 of 2023 grew by 46% over the previous year's first quarter. The drivers of the increased operating expenses were investments made to expand our sales capability, including recruiting and hiring business development and account management personnel, in addition to the ongoing costs associated with being a publicly listed company, that we did not have in Q1 of 2022.

We recorded a net loss of \$0.65 million in Q1 of 2023, as compared to a net income of \$0.26 million for Q1 of 2022. The main reason for the decrease was the higher than expected project costs and increased operating expenses previously mentioned.

The loss on an Adjusted EBITDA basis, which is a non-IFRS measure, was \$0.86 million in Q1 of 2023, and that compares to an Adjusted EBITDA of \$0.39 million in Q1 of 2022, an overall decrease of \$1.25 million.

Turning to our balance sheet, as of June 30, 2022, the Company had \$7.5 million in cash on the balance sheet and zero debt. We believe we have sufficient cash on our balance sheet to continue to support our organic growth objectives.

Now I'd like to turn the call back to Pradip for his final thoughts, prior to opening up to questions.  
Pradip?

**Pradip K. Banerjee, Ph.D., MBA:**

Thank you, Steve.

I would like to mention one event that happened after the June 30th year. On August 16, we have entered into an agreement for a three-year US\$12.2 million credit facility from National Bank of Canada. The outstanding principal amount of the facilities will have a monthly interest rate at prime rate

plus 1% for Canadian dollar loans, and U.S. base rate plus 1% for U.S. dollar loans. I'm very pleased to see a large bank like National Bank of Canada offer us a significant credit facility in support of our strategy. This credit facility will be helpful in executing our acquisition and growth strategies. I would like to thank National Bank of Canada and especially their technology and innovation banking team for their deep knowledge of our sector and offering us this customized solutions. A copy of this credit facility agreement is available on SEDAR at [sedar.com](http://sedar.com).

As I mentioned, we remain focused on our strategy, we're investing in our business model to scale, and this continues as I have discussed in previous calls and submissions.

Our software platform is among the most comprehensive in the market. Our strategic direction is clear and we are staying with it and executing on it.

I'm thankful to our dedicated employees, and look forward to executing our growth strategies and plan, and create values for our shareholders in the years ahead.

Steve and I are here to answer your questions. Gaylin, would you please open the QA part of the call please?

**Operator:**

Our first question is from Julian Hung from Stifel GMP. Please go ahead.

**Julian Hung:**

Hi, this is Julian speaking on behalf of Justin today. My first question is regarding margins, and you mentioned earlier that they were impacted by higher than expected implementation costs. I was wondering, can you provide any insights or details into the nature of these and how many clients did it affect?

**Pradip K. Banerjee, Ph.D., MBA:**

Steve, you want to take that?

**Steve Porfano:**

Sure. Thank you for your question. Right now we have, I would say, four or five, I would say five customers that are in implementation phase for longer than planned. The reasons for that are largely

because we are replacing existing systems at these clients, with quite a bit of detailed functionality, and trying to meet all of their ongoing requirements has taken quite a bit longer than expected.

**Julian Hung:**

Okay. To follow up on that, in terms of revenue recognition, can you discuss the lumpiness of some of the projects that you're taking on, and what's the outlook look like for the rest of Fiscal 2023?

**Pradip K. Banerjee, Ph.D., MBA:**

Let me start and then Steve may add to it. The software sales are usually lumpy, as we are dealing with corporate enterprise customers. As you heard from Steve, some of the implementation, because of either extended client requirements or changes on their side, sometimes get delayed, and that's the lumpiness of the revenue recognition.

Our pipeline is still very strong, and our pipeline, the sales pipeline is actually higher at the end of June 30 period, much higher, than it was at the end of March 31. The outlook, we are still positive, we are still focused on growing the SaaS portfolio, continue to invest in our sales team to grow our business.

We're still positive on the outlook.

**Julian Hung:**

Okay, that was very helpful, thank you so much for taking my questions today.

**Pradip K. Banerjee, Ph.D., MBA:**

Thank you, Julian.

**Operator:**

As there appear to be no further questions, this concludes the question-and-answer session, and I'd like to hand the call back over to Doctor Banerjee for closing remarks.

**Pradip K. Banerjee, Ph.D., MBA:**

Well, thank you. On behalf of all of us, I want to thank you for your interest in Xybion. We are still very excited about our prospect, and thanks to be trading on TSX Ventures. We look forward to sharing our future development with our current and future shareholders. Wish you have a great day. Thank you.

**Operator:**

This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.