



**Sylogist Ltd.**

## **Second Quarter 2025 Results Conference Call Transcript**

**Date:** August 14, 2025

**Time:** 8:30 AM ET

**Speakers:** **Alex Balca**  
Corporate Development Analyst

**Bill Wood**  
President and Chief Executive Officer

**Sujeet Kini**  
Chief Financial Officer

**Operator:**

Welcome to the Sylogist Limited Second Quarter 2025 Results Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, then zero.

I would now like to turn the conference over to Alex Balca, Corporate Development with Sylogist. Please go ahead.

**Alex Balca:**

Thank you, Michael, and good morning.

Joining me to discuss Sylogist's second quarter 2025 results are Bill Wood, Sylogist's President and Chief Executive Officer, along with Sujeet Kini, Chief Financial Officer.

This call is being recorded live at 8:30 AM Eastern Time on August 14, 2025.

I'd like to remind everyone that our Q2 2025 press release, MD&A, financial statements, and accompanying notes have been issued and are available for download on SEDAR+. Please note that some of the statements made on the call today may be forward-looking. Actual events or results may differ materially from those expressed or implied, and Sylogist disclaims any intent or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. A complete Safe Harbour statement is available in both our MD&A and press release, as well as on sylogist.com. We encourage all our investors to read it in its entirety.

Additionally, we are reporting our financial results in accordance with IFRS accounting standards, or IFRS. Today, we may also make reference to and discuss non-IFRS performance measures, which should be viewed as supplemental. We have included in our MD&A the definitions of non-IFRS performance measures used by the Company. Furthermore, all the dollar figures expressed on this call are in Canadian dollars unless otherwise stated.

Now, I'll be turning the call over to Bill for his opening remarks. Following that, Sujeet will provide a detailed review of our Q2 financial performance. Bill will then return to conclude with closing comments, after which we will open the line for Q&A.

With that, Bill?

**Bill Wood:**

Thank you, Alex. Good morning, or good afternoon, everyone. Thank you for joining us.

I'm pleased to report that Q2 2025 was another strong quarter for Sylogist, delivering the second highest bookings in Company history, and continuing the SaaS ARR acceleration we established in 2024. These results reinforce our successful transition to a SaaS ARR-driven enterprise, with recurring revenue now comprising 70% of total revenue, a significant milestone in our transformation.

That said, we did experience some unanticipated timing shifts in bookings and ARR recognition this quarter, primarily related to macro timing and customer onboarding delays. Importantly, we expect the postponed ARR to be realized in the coming quarters. I'll walk you through that in more detail shortly.

Most importantly, our strategic focus is working. We're seeing a growing and engaged partner ecosystem, long net revenue retention, driven by loyal customers, an increasing market visibility and pipeline growth across our three core segments.

Bookings grew over 33% year-over-year, driven by new logo acquisition and strong upsell and cross-sell performance. Notably, excluding the large Q1 contract award from the state of Texas, Q2 bookings would have been our all-time high, with increasingly balanced contributions across all three of our strategic markets. Back-to-back record bookings quarters demonstrates the strength of our go-to-market execution, the traction of our 100% SaaS portfolio, and momentum from targeted competitor displacement.

Our partner community continues to scale, contributing significantly to our results. Partner-led deals are seeing win rates exceeding 70%, and our internal-led opportunities are maintaining a win rate above 50%. These results affirm the effectiveness of our product development investments and our partner enablement efforts, especially within SylogistGov.

In the SylogistMission segment, we're seeing accelerated pipeline growth across both our ERP and CRM solutions. As we predicted in our early strategic roadmap, the nonprofit market is responding positively to the value of a fully integrated fundraising to finance platform, a first of its kind. Increasingly, customers are opting for both Sylogist ERP and CRM to replace siloed systems. For more on our positioning competitive advantages, customer advocacy, and partner excitement, I encourage you to visit [sylogist.com](https://sylogist.com), and follow us on our social channels for real-time updates.

While our underlying business momentum remains strong, we did experience some market-driven disruptions and ARR recognition delays in the quarter. DOGE funding reductions impacted a small group of legacy Health and Human Service customers, leading to additional reorganizations and in-country office closures. Based on customer feedback, we believe these impacts have now largely run their course.

Some ARR originally anticipated in Q2 was deferred due to extended decision cycles in the SylogistEd sector as school districts paused to assess evolving U.S. Department of Education guidance. Encouragingly, we're already seeing these decisions resume.

Secondly, slower than expected implementations in SylogistGov's municipal market, mostly due to partner pacing and customer availability and caution. We view these delays as temporary and are seeing partners ramp up investment and staffing to accelerate go-lives. It's worth noting, SylogistGov's municipal pipeline is now our fastest-growing, and we continue to operate in a favorable competitive environment.

With that, I'll turn it over to Sujeet to walk you through the detailed financials for the quarter. Sujeet?

**Sujeet Kini:**

Thank you, Bill, and good morning and a very good day to everybody.

Before diving into the numbers, I'd like to remind you, like I did last quarter as well, that we had divested our managed IT services division in Q2 of 2024. Therefore, to provide a clearer comparison, all financial comparisons that we talk about today exclude that divestiture.

Our Q2 results reinforce our continuing transition to assess driven enterprise with a clear focus on growing ARR. From a financial highlights perspective, revenue for Q2 came in at \$15.7 million for the current quarter. In terms of its component parts, SaaS subscription revenue grew 13% year-over-year.

Maintenance and support revenue declined 14% year-over-year on account of the impact of the DOGE-related cutbacks that Bill just highlighted. This has caused ARR compression in the range of approximately \$550,000 for Q2, and an overall impact of \$1.4 million for the first half of this year. These reductions were, in the main, due to external factors and not related to our solutions per se, or levels of customer satisfaction. Additionally, our project services revenue declined to \$4.2 million this quarter compared to \$9 million for Q2 of 2024. This decline is related to our purposeful shift to a partner-led implementation strategy.

As Bill pointed out, recurring revenue now represents 70% of total revenue, up from 62% at the same time last year. From an ARR growth perspective, total ARR at the end of the current quarter was \$43.8 million, with SaaS ARR growing to \$31.7 million, up 12.5% year-over-year. And, SaaS NRR continues to remain steady at 107%.

On the gross margin front, Q2 gross margin was 58% for the current quarter, compared to 62% in the same period last year. This compression in gross margin is primarily due to margin compression within our project services business, and also, additionally, attributable to nuances around the accounting for costs relating to our VSS, that is our Victim Services Suite contracts.

On the expenses front, G&A decreased by \$0.6 million in Q2, to \$2.5 million, and is currently at 16% of revenue versus 19% last year. This reduction is due to lower administrative expenses and professional fees.

On the sales and marketing front, Q2 sales and marketing expenses rose, as we anticipated, to \$2 million in the current quarter versus \$1.6 million last year, at 13% of revenues versus 10% last year. This reflects increased investments in our programmatic marketing spend, which in large part has driven the robust pipeline and bookings growth that Bill just referred to.

On the R&D front, gross R&D—so that is R&D spend inclusive of capitalized development, gross R&D spend for Q2 was \$2.8 million, at 18% of revenue versus 15% last year. This increase is primarily related to higher third party costs in the current quarter.

At this point, I would like to point out that due to the significantly lower levels of capitalized development spend in the current quarter, our net R&D spend increased by \$1.1 million year-over-year. This was due to significantly decreased levels of capitalized development, and we expect this trend to continue.

From an Adjusted EBITDA perspective, our Q2 Adjusted EBITDA was \$2.4 million, at a 15% margin, versus a 26% Adjusted EBITDA margin last year. Our Adjusted EBITDA margins for the current quarter were impacted primarily by the margin compression and project services revenue and, as I talked about earlier, the significantly lower levels of capitalized development costs. Additionally, for comparison purposes only, I would like to point out that the decreased level of capital in the current quarter versus the same quarter last year had a negative 6% impact on our Adjusted EBITDA for the current quarter.

For the year ended December 31, 2025, we are updating our outlook as follows. We anticipate SaaS ARR year-over-year growth in the low teens percentage range, a gross margin of approximately 60%, and an Adjusted EBITDA margin in the high teens percentage range. This updated outlook is being driven by the following factors.

The first is the elongated sale cycle that they'll refer to in our education market, and slower than anticipated time to SaaS revenue recognition in our municipal government market. The second factor is the finalization of the accounting characterization of revenue and costs relating to our Victim Services Suite revenue contracts. The third factor is our expectation around significantly lower levels of capitalized development for the remainder of the year.

Finally, we ended Q2 with \$4.8 million in cash. I will remind everyone that the end of Q2 is typically our lowest cash balance point in the year and in line with our invoicing seasonality.

With that, I'll hand it back to you, Bill. Bill?

**Bill Wood:**

Thanks, Sujeet.

With all three of our leading SaaS platforms in market, a productive and expanding partner ecosystem, strong customer advocacy, and ongoing success in competitor displacement, we are well-positioned to deliver scalable, repeatable growth. While this quarter came with some ARR timing headwinds that led us to adjust our full-year outlook, as Sujeet outlined, we remain confident these are delays, not losses, and we expect these deferrals to positively impact future quarters.

The journey from a legacy on-prem provider to a fully SaaS customer-focused company has required deep structural transformation across Sylogist. Thanks to the dedication of our team and leadership, we are now fundamentally different and stronger company than we were even a year ago. From where I stand, our competitive position, execution discipline, and market momentum has never been stronger. We're excited about the road ahead and the value we're creating for customers, partners, and shareholders alike.

With that, let's open up the floor to some questions.

**Operator:**

Thank you. We will now begin the question-and-answer session.

To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We'll pause for a moment as callers join the queue.

Your first question comes from Gavin Fairweather with Cormark. Please go ahead.

**Gavin Fairweather:**

Oh, hey. Good morning. Thanks for taking my questions. Maybe I'll just start on booking. \$17 million was great to see. I'm hoping you could just discuss the mix in there. It sounds like it was kind of broadly based across verticals. Maybe you could talk about the mix of SaaS versus services, and were there any kind of big, chunky deals in there that really helped drive that number, or was it fairly distributed?

**Bill Wood:**

Good morning, Gavin. Thanks for your question.

I don't know if we'll break out the actual SaaS and professional service. I'll defer to Sujeet on that. I will say that the blend was very healthy across all three segments. Importantly, there wasn't anything that was materially chunky that would skew it north in terms of the velocity of the bookings overall. We really saw a good blend of all platforms kind of firing in terms of the deal closing, the partner success that I mentioned before. So yes, it was just a really strong quarter for us in terms of the blend and the performance of our efforts.

**Gavin Fairweather:**

That's great to hear. Then maybe kind of a related topic, maybe touching on pipeline, I think in the past you've provided some metrics in terms of pipeline growth. It sounds like you're continuing to see good momentum in the sales funnel. Any additional comments you could provide on the pipeline?

**Bill Wood:**

I'll defer to Sujeet on that, but I will say, specifically the blend that I mentioned just a moment ago is, I guess, the most positive outcome of what we're seeing in terms of our motions overall, the products. I think that the corresponding kind of pullback on our capitalization of our development efforts speaks to the fact of a lot of the lift is now behind us, our platforms, our in-market, the uptake, their live in customers and serving them well. So, I believe that the pipeline is reflective of that, and further leaning, as I mentioned, in terms of our partners who are getting their legs underneath them even more and more on a monthly basis and really having incredible success out there, winning deals that they're Soliciting, so very pleased on that front.

Anything to add there, Sujeet?

**Sujeet Kini:**

No, Bill. I mean, excellent summary. Gavin, from a pipeline perspective, I think the only thing I would add there, and I will guide back to our prepared comments at the beginning of this call, we are seeing very good traction from the point of view of the investments we're making from a sales and marketing perspective.

Lots of emphasis, like we said, on the programmatic marketing spend. Our marketing team is literally zipping across the country, attending conferences. As you know, it's a very collegial business. Everybody knows everybody. You need to have their face out there and talk to people, which is exactly



what they're doing. So, the spend on marketing, we believe, is yielding good results in terms of pipeline growth.

Our CRO has built out a really robust marketing team under a new Head of Marketing, and specific marketing targeted to each of the channels. So, we are very pleased with the traction we're seeing there, as from an ROI perspective is how we think about it. We're very pleased with the ROI that we're getting on our sales and marketing spend.

**Gavin Fairweather:**

Appreciate that. Maybe on Gov, you touched on really good pipeline growth in that vertical, and it sounds like it's been a big contributor to bookings. But maybe can you just discuss where some of the bottlenecks are in terms of getting these contracts live. I think you were working on making some product enhancements to help try and speed that up, so maybe you can just discuss where the bottlenecks are, how you're tackling them, and whether you can see those kind of implementation timelines compressed in the second half.

**Bill Wood:**

Yes, for sure. The Gov is really in prepared comments that I made. It was the partners relative to how they were thinking about their staffing, their readiness, and their ability to move beyond their implementations as they knew it previously, into the implementations and the all-at-once mindset that our city and municipal customers require. So, I think that there was not necessarily a blind spot, but something that they realized they needed more resources to meet the pace of what the customer timeline was going to require, which they're now swinging around resources and making investments to cover.

I will add that we're actually embedding some of our team members to assist with that effort as well in their delivery to help to ensure that those are restarted at the same pace that we're anticipating. I also want to highlight that, in the municipal government market, there's just a lot of time that ultimately important people in some of the cities and towns run with a very small crew. When a person or two is out for a period of time or an extended period of time, it can lead to project delays, and so, to that end, we are helping the partners be more thoughtful about how they stagger around that, how they work around that based on what we've learned over time.

Lastly, I will say that when you get to that Q2 and the yearend that most of municipalities experience, when I reference the word caution, it's the idea of they almost prefer to wait a bit longer and get through their quant of budgeting season and approval of the next budget on their existing system. That came through maybe a little bit more so than our partners and we anticipated, as we scale to more and more, some of the early indicators and early adopters weren't necessarily indicative of some of that. So, we feel that that is just more awareness of how we think about the projects going forward.

**Gavin Fairweather:**

Appreciate that. Then lastly, before I pass the line, in your prepared remarks, you discussed a bit of a shift in terms of how the VSS contracts are accounted for. I'm assuming you're talking about SaaS versus services there. Maybe you can take that Texas contract as an example. I think last quarter you thought that that would be kind of \$4 million of bundled turnkey error. Maybe you can just discuss how the treatment has landed in terms of the SaaS revenue recognition versus services.

**Sujeet Kini:**

Yes. Gavin, I can take that. You were right. When we were originally thinking about this contract and in discussions with accounting experts on this matter, there was initially a fairly strong feeling that this would be more in the nature of an integrated arrangement, almost a bundle. The kind of arrangement, if you will, where effectively the accounting consequence of that is that everything really is recurring revenue and is recorded as such. So really, again, the accounting consequence of that is a higher level of ARR, and everything from an income statement geography perspective being reported within SaaS revenue.

Based upon additional guidance and so on, the considered view is that this is in the nature of a separate arrangement, so essentially it causes an unbundling of the arrangement. So, effectively there is an allocation of revenues to the SaaS portion and allocation of revenues to the project services portion. Without getting into too much detail, the punch line really here is that allocation happens based upon what is called a history of one standard selling prices that apply to such arrangements, and it causes one's project services revenue and one's recurring revenue to be allocated based upon that standard selling price.

The net-net effect of all that is there is an unbundling on the income statement line but, more importantly, from a project services perspective, the costs get allocated at their full value. So there is a

near-term or a short-term deprecatory impact from a gross margin perspective in the initial part of the contract and then, as the contract comes up for its first renewal, it bounces back to the original value of the SaaS ARR. There's a lot I said here, but effectively that is the impact of this arrangement from an accounting perspective.

**Gavin Fairweather:**

You might not answer this, but I'll try anyway. Can you help us understand like \$4 million of SaaS ARR was your original expectation? Can you give us what the new number will be?

**Sujeet Kini:**

From a SaaS ARR perspective, in the first year, the expectation is that the ARR portion will be approximately about \$800,000.

**Gavin Fairweather:**

Appreciate the colour. I'll re-queue.

**Sujeet Kini:**

Yes.

**Operator:**

The next question comes from Suthan Sukumar with Stifel. Please go ahead.

**Suthan Sukumar:**

Good morning, gents. Just a question on the ARR timing headwinds, is this more of a function of deal slippage quarter to quarter implementation delays, or is there something else to consider? Just wondering, if the stars do manage to align to you over the back half of this year, is there still a line of sight to get back to that prior 20% SaaS ARR guide?

**Bill Wood:**

Yes. Good morning, Suthan. Our guidance is reflecting that, because of the cadence of where we are in the year, the likelihood of that happening in the back half of the year is lower than we had anticipated for the reasons that we've outlined. However, as we think about the roll forward, we see the pickup coming in the subsequent quarters unquestionably because of this being postponement, and for the re-

architecture of the revenue that we had assumed based on the VSS, on the guidance that we had received. So, that is the most material portion of the change, is really that component tied to the Texas VSS agreement overall. So yes, we'll push, but we thought just resetting on the guidance side was fair to all relative to what we anticipate here over the next couple of quarters.

**Suthan Sukumar:**

Okay. Got it. Thank you. From a margins perspective, can you speak about some of the areas of investment and your investment priorities beyond what's happening in the R&D line as you think about the growth investment outlook ahead? And, how are you thinking about the sources for operating leverage, call it more mid to longer term, that will support more margin expansion back to the levels that you've been at historically?

**Bill Wood:**

Yes, on the on the investment side, without a doubt, as Sujeet highlighted, we are seeing very strong ROI on our further lean in on our sales and marketing motions. Those are both partner kind of advocacy, as well as the idea of what we're doing directly. Our CRO outlined to us not too long ago, where he said a year ago, I would say very few municipalities in Canada knew about SylogistGov. Now, it would be surprising if nearly every community wasn't aware, based on what they're hearing and what our partners are advocating for, so we'll continue to lean in.

As I said, from when I started, we have a responsibility, once the investment and when we have our platforms, where both the competitive advantages and the market appetite is clear, leaning in will present kind of the rocket fuel for us as we think about scaling and building the business with our partners at our side. We'll continue to look at how, and we provide platforms for our customers, as I've said before, to speak on our behalf. That is why we are seeing the traction is the customers are very pleased with what they're seeing.

It's not just a like for like comparison. I've now gotten to the conversion. But they're seeing material advantages in the new software that's being provided. So, the leaning on sales and marketing is very much in our focus, and partner enablement clearly is something that will continue as we as we push forward.

Our capital expenditure, our overall thesis on that, we continue to look at the pillars, as we've said previously, how we think about paying down debt, how we think about our opportunity for an organic opportunity, as well as the exercise of the NCIB, and investing in the business where we believe it continues to create value-creation long term.

**Suthan Sukumar:**

Okay. Thank you, Bill. Just one last one for me, guys, just on the booking strength. This has obviously been quite impressive to see back to back quarters of this level of performance. Can we talk about what the mix was between net new business and expansions with existing customers? And, on the net news side, how much of that is from competitive displacements?

**Bill Wood:**

I'll defer to Sujeet on if we provide the mix, but I will say on the new, all of them were targeted competitor replacements. These are not bluebirds that came from left or right field. These are very much part of the market motions and the exposure that what we have our site set on relative to specific competitors. So, as I said in my prepared remarks, that is really paying dividends for us in terms of the repeatability of those and the success we're seeing in not only the wins, but the stand up of those customers as well.

I will say, before I hand it over Sujeet to something there, you mentioned about the return to operating leverage. The operating leverage as we see in the business is really tied to that ARR. Ultimately, because of this postponement of the ARR that we anticipated, that's why we're seeing some of this compression. Most specifically, as Sujeet highlighted, how we have to absorb the total cost of the PS, of the professional service delivery, of this monster Texas agreement in a very short window versus what was originally anticipated over a much longer—over the term of the agreement.

That's the major contributor as to why the compression is occurring right now, different than we anticipated. And the idea that, as we move forward, it creates a very bright picture for us as that ARR blossoms and the margin goes way up on that, because it's now not offset by professional service costs that were amortized at all. So, that's a very strong case to where we see that operating margin that we anticipated in the back end coming back into the business, Suthan.

**Suthan Sukumar:**

Thank you. That's helpful.

**Operator:**

Your next question comes from Daniel Rosenberg with Paradigm. Please go ahead.

**Daniel Rosenberg:**

Hi. Good morning, Bill and Sujeet. I just want to come full circle on the VSS contract. In year two, are we to understand that your expectation is still that \$4 million ARR level in terms of bookings or actual accounting treatment?

**Sujeet Kini:**

Dan, I can jump in there. I'm sorry, let me just reset the numbers a little bit. I know we're referring to \$4 million. There might be a little bit of commingling between USD and Canadian dollars from an initial contract perspective from a year one perspective, and these documents are available publicly. It's a \$2 million contracted value from a year one perspective, and that steps up. That's a U.S. dollar value. So effectively, from a Canadian dollar perspective, it's \$3 million on an annualized basis, just on a contract value basis.

I will also say that the \$800,000 number that I just articulated was a U.S. dollar number. So essentially, in terms of year one, the breakout is approximately \$1.2 million on the services side, and another \$800 million on the recurring revenue side. Once one gets into year two of the contract, the characterization changes to becoming the entire \$2 million. I'm speaking U.S. dollar numbers here. The \$2 million effectively becomes the recurring value of the contract.

I hope that clarifies your question, Dan.

**Daniel Rosenberg:**

Yes. Thank you. Then maybe could you speak to—it sounds like you're booking the cost but, from a cash perspective, it's not there, so you should see the cash flow. Maybe just speak to the actual cash treatment, the cash aspect of the contract.

**Sujeet Kini:**

Yes. Essentially, on a contract like this one, in terms of the arrangement with the customer, the invoicing is on a biannual basis. Regardless of whether it's professional services or ARR, the invoicing happens on a biannual basis. So, there is a lag effect from a cash flow perspective as the invoicing happens. And Daniel, to the question that you asked, there is an upfrontedness in terms of the cost, both from a period cost and current perspective, as well as a cash out-the-door perspective, because one is amending money on the implementation, i.e. on the project services side of things. That happens pretty much in a bulk manner in the close talks here. Sorry, in year one.

**Daniel Rosenberg:**

Understood. Thanks for the clarification. Next, just turning to the pipeline, it sounds like record level bookings are in that range. Then your managed services business, we're coming up on a year from when that sale occurred. I was wondering if you could help us think about changes in growth expectations as we look to Q3 and Q4.

**Sujeet Kini:**

Sorry, is the question in the context of the managed services business, are we adjusting downwards the growth expectations? The answer is that, for the managed services business, it was not as material.

**Daniel Rosenberg:**

Okay. So then, maybe expanding on that a bit, the bookings levels are reaching record levels, but you did speak to some elongated timing issues. I'm just curious about how that growth curve looks like. Can you please add some context there?

**Sujeet Kini:**

Yes. Essentially the outlook that we've provided is a reflection of, like you mentioned, the elongation of the time to revenue. I'm speaking on the cost—not on the cost side, not the capital side, the revenue side here. So the change or, if you will, the updating in terms of the outlook is a reflection of the combination of the fact that there is an elongation of the sales cycle as well as the fact that, as we get more robustly into that partner-led delivery motions, there are essentially impacts that are happening from the point of view of the cost as well.

Then, as Bill pointed out, there's a specificity in terms of what we're seeing on the education side as well as the municipal government market. That is the reason why we're updating the outlook. It is not per se because of any sense of bookings per se being impacted, which is we see the bookings as really being driven by the growth in the pipeline, and that's how we think about the booking.

I hope I'm answering your question, and I hope I'm understanding your question.

**Daniel Rosenberg:**

Yes.

**Bill Wood:**

Let me just say, I think our booking outlook in the coming quarters and ahead into '26 remains very strong. I will say it is very encouraging, from the increasingly balanced perspective, that that bookings pipeline includes across all of our platforms and all the segments. We're seeing the engine really start to fire up in terms of the product competitiveness, partner efficacy, our marketing motions leading to win rates that are incredibly high, and increasing market appetite. So we feel very good about the bookings outlook as we think about to go forward. This is kind of some of the temporary things that we saw kind of disrupt Q2. We see those largely working themselves out here in the back half of the year.

**Daniel Rosenberg:**

Thanks for that. Lastly for me, you did mention very strong win rates with your partner channel, as well as internally. I'm just wondering how you think about any levers there? Is it really about just pushing more business through the partner channels that are winning successfully? How do you think about maximizing the opportunity?

**Bill Wood:**

Yes, it's a great question. We think about it in terms of the awareness that I'm saying is now kind of those investments and why we're leaning on the marketing side, but I really want to stress the idea of the partner-attached deals are now becoming more partner-led deals, where they are identifying where—and some of them are within the cohorts of large customer communities on Great Plains or other systems that maybe have been implemented within these segments for a long time, where they now have increased confidence in where and what we offer and their ability to go in and start transitioning those larger flocks. So, we feel very good about the partner excitement around what they



now feel is a very viable and exciting solution for them to introduce to the cohorts of existing customers that they have.

So that, Daniel, is a real exciting kind of chapter that is just starting to unfold, where they have sight lines to opportunities that even our marketing motions may not have uncovered because of the relationships they have. That's an exciting accelerator for us, and one of the pillars of the partner thesis is we believed that they have cohorts of customers that they have significant influence around in terms of decision making.

**Daniel Rosenberg:**

Good to hear. Thanks for taking my questions. I'll pass the line.

**Operator:**

Once again, if you have a question, please press star, then one.

Your next question comes from Amr Ezzat with Ventum Financial. Please go ahead.

**Andre:**

Hey, good morning. Thanks for taking my questions. This is Andre, on the behalf of Amr. Starting, can you give us some more colour on the revenue decline admission? Is it strictly on the NGO customers due to the U.S. federal cut, or was there any other incremental impact?

**Bill Wood:**

Yes. Good morning, Andrew. Thank you.

It is predominantly what we mentioned in our comments relative to the further DOGE cuts and the impact that it caused. It's a very small handful of our customers, but the materiality of those in the past has led to—as they think about re-organization. The biggest part was some of the in-country. There are global charities on the Health and Human Service side, so they're actually collapsing some of the in-country footprints that they had at a greater rate than they anticipated in the initial take that DOGE was going to cause them to have to do. The majority of that is what we saw on the pressure there was as we said.

**Sujeet Kini:**

Yes, and Andre, sorry, I'll just jump in supplementary there, to add to Bill's comments. If your question is on a gross top-line basis, in addition to what Bill said, really the bulk and the big driver of the reduction in admission was on the project services, like in terms of pure SaaS subscriptions, we still maintained, and we slightly added, both from an ARR perspective as well as a revenue perspective. Of course, like Bill said, offset by the impact of the DOGE reductions. But just from a headline perspective and from a numbers perspective, I do want to emphasize that the vast and predominant amount of the reduction in admission is on the country project services, the one-time, non-recording project services.

**Andre:**

Okay, great. Thanks. That's helpful. Should we think of Q2 as the peak OpEx intensity, or will investments continue into the second half?

**Sujeet Kini:**

We would—the way we see it is—sorry. Go ahead, Bill. I'll jump in after you.

**Bill Wood:**

No. Go ahead, Sujeet. I apologize. Go ahead.

**Sujeet Kini:**

No, no. So Andre, the answer is we think thoughtfully through each quarter. We will continue to invest where we get the max ROI, and we did talk about in our preparatory comments. We did talk about the investments in sales and marketing, and the investments from the point of view of essentially supporting pipeline growth and so on and so forth. From a profile perspective, we really want to stay away from comments around a quarter being a people or trust point kind of thing. I mean, we will continue to invest where we see the best ROI, but we also think the operating expense sort of nature of Q2 will continue into Q3 with selected targeted investments where we see max ROI.

**Andre:**

Okay, thanks. One last one here, I may have missed it, but I didn't see SaaS RPO disclosed this quarter. If it wasn't included, could you provide the number? On that, I understand that there's an elongation of the sales cycle, but could you give us a little more colour on the pace of converting bookings into revenues?

**Sujeet Kini:**

Yes. On the RPO front, we can confirm that the RPO number itself, the total RPO, which, for the benefit of everybody, definitionally is the value of the deferred revenue, which is visible on the balance sheet, plus the value of SaaS ARR contracts not converted into revenue, plus project services revenue.

Andre, to your question, it is more or less exactly the same number as it was last year, slightly above what it was the same time last year. Sorry, what was the second part of your question, Andre?

**Andre:**

Thanks. Yes, and the second part was, on that, I do understand that there's an elongation of the sales cycle, but could you provide us a bit more colour on the pace of converting bookings into revenues?

**Sujeet Kini:**

It does vary by segment, Andre. We typically do not get into guiding on the specificity around revenue conversion cycles by segment, but there are characteristics that are specific to the Ed market and the Gov market. The Ed tends to be even more elongated because of just the nature of school years and when we can go in and do implementations and so on. Similarly, on the Gov side, there are nuances around the Gov market, also specific to the states in which the municipalities are located. So, we do not really get into that level specifically, but we can confirm that it does vary by the vertical of the segment that one is looking at.

**Bill Wood:**

Yes, let me add to that, because I think it is real important to clarify one portion there. What we're also seeing in the Ed and Gov space is what we had originally and foundationally I've seen for a very long time, where there was more of an attitude of I have this very narrow window to be able to work with. Now, that certainly applies to a student information system being swapped out and so on, but we're seeing a very marked change that this idea that it all has to happen in this tight window when it only comes up once a year is collapsing, and our partners are really an effective tool for that.

So, other than in the prepared comments that we offered in terms of some of the Gov implementation delays and what was associated with that, we don't see that in any way being pervasive elsewhere in terms of the implementations. But I do want to highlight that a major shift is we're not going to have to wait necessarily until next year for this to matriculate. We see now more of the normal cadence where we can—much like the rest of our other markets, they're willing. And school districts, in terms of their

ERP, they think about a year end, which is ultimately a calendar component as well as a budget component. There are other windows where we are having very good conversations, and it makes a lot of sense for them and us to be able to have more windows throughout the year.

In our partners on the Gov side, where it's 100% delivery, they're implementing and starting projects with our municipal customers every month. And so, that's an important sea change that I want to point out, that that allows us to think about ARR recognition, and as well as some of the postponement doesn't necessarily mean a postponement for a 12-month period. I want to highlight that, and that's a very important component that we are now seeing and we have more influence over.

**Andre:**

Great. Thanks for taking my questions, guys. I'll pass the line here.

**Operator:**

This concludes the question-and-answer session. I would like to turn the conference back over to Bill Wood for closing remarks.

**Bill Wood:**

Yes, I just want to say thank you again for your continued support and confidence. I also want to extend a special thank you to our customers for your trust and your advocacy, and to every Sylogist team member for your unwavering commitment, energy and determination. It's making a difference at Sylogist, and Sylogist is at a very good place relative to as we think about to go forward.

Thank you all for joining. Have a great day, and be well.

**Operator:**

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