November 14, 2023

Alithya reports second quarter fiscal 2024 results

Alithya

alithya.com

Presenters

Paul Raymond

President and
Chief Executive Officer

Claude Thibault

Chief Financial Officer

Forward looking statements and non-IFRS measures

Forward looking statements

Our presentations may contain "forward-looking information" within the meaning of applicable Canadian securities laws and "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and other applicable U.S. safe harbours (collectively "forward-looking statements"). These information and statements include, without limitation, estimates, plans, expectations, forecasts, projections and other information and statements regarding the future growth, results of operations, performance and business prospects of Alithya that do not exclusively relate to historical facts or which refer to the characterizations of future events or circumstances, including information or statements regarding our expectations of clients' demands for our services, our ability to generate sufficient earnings to support our operations, our ability to take advantage of business opportunities and meet our goals set in our three-year strategic plan, our ability to maintain and develop our business, including by broadening the scope of our service offerings, entering into new contracts and penetrating new markets, our strategy, future operations, and prospects, including our expectations regarding future revenue resulting from bookings and backlogs, our ability to service our debt, renew our credit facility and raise additional capital, and our estimates regarding our financial performance.

Although management believes the expectations reflected in Alithya's forward-looking statements were reasonable as at the date they were made, forward-looking statements are based on the opinions, assumptions and estimates of management and, as such, are subject to a variety of risks and uncertainties, many of which are beyond Alithya's control, and which could cause actual events or results to differ materially from those expressed or implied in such statements. Such risks and uncertainties include but are not limited to those discussed in Alithya's Management's Discussion and Analysis for the year ended March 31, 2023, as well as in other materials made public, including documents filed with Canadian and U.S. securities regulatory authorities from time to time and which are available on SEDAR+ at www.sedarplus.com and EDGAR at www.sec.gov. Forward-looking statements contained herein and expressed in our presentations are expressly qualified in their entirety by these cautionary statements and are made only as of the date hereof. Alithya expressly disclaims any obligation to update or revise any forward-looking statements, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by applicable law. Investors are cautioned not to place undue reliance on forward-looking statements since actual results may vary materially from them.

Non-IFRS and other financial measures

Alithya reports its financial results in accordance with IFRS. Alithya uses a number of financial measures when assessing its results and measuring overall performance. Some of these financial measures are not calculated in accordance with IFRS. Regulation 52-112 respecting Non-IFRS and Other Financial Measures Disclosure ("Regulation 52-112") prescribes disclosure requirements that apply to the following types of measures used by Alithya: (i) non-IFRS financial measures and (ii) other financial measures.

In our presentations, the following non-IFRS and other financial measures are used: Adjusted Net (Loss) Earnings, Adjusted Net (Loss) Earnings per Share; EBITDA; EBITDA Margin; Adjusted EBITDA; Adjusted EBITDA Margin; Constant Dollar Revenue; Constant Dollar Growth; Net Debt; Net Debt over Trailing Twelve Months (TTM) Adjusted EBITDA; Gross Margin as a Percentage of Revenues; Selling, General and Administrative Expenses as a Percentage of Revenues; Bookings; Book-to-Bill Ratio; Backlog; and DSO. Additional details for these non-IFRS and other financial measures can be found in section 5 titled "Non-IFRS and Other Financial Measures" of Alithya's Management Discussion & Analysis for the quarter ended September 30, 2023 (the "MD&A"), filed on SEDAR+ at www.sedarplus.com and EDGAR at www.edgar.gov, which includes explanations of the composition and usefulness of these non-IFRS and other financial measures. Reconciliations of non-IFRS measures to the most directly comparable IFRS measures are also provided in the MD&A. These measures are provided as additional information to complement IFRS measures by providing further understanding of our results of operations from our perspective. These measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. They should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with IFRS. They are used to provide investors with additional insight of our operating performance and thus highlight trends in Alithya's business that may not otherwise be apparent when relying solely on IFRS measures.

All amounts are in Canadian dollars unless otherwise indicated.

Our Q2 takeaways

01 /

Progress on gross margin as a percentage of revenues[1]

Increased to 29.4%

- Higher margin offerings
- Proportionally larger decrease in the number of sub-contractors compared to permanent employees
- Positive impact from the acquisition of Datum's US business

02 /

Continued focus on reducing SG&A spending

Decrease of 1.6% YoY

- Reduction in variable compensation and other non-discretionary costs

03 /

Continued strong bookings[1]

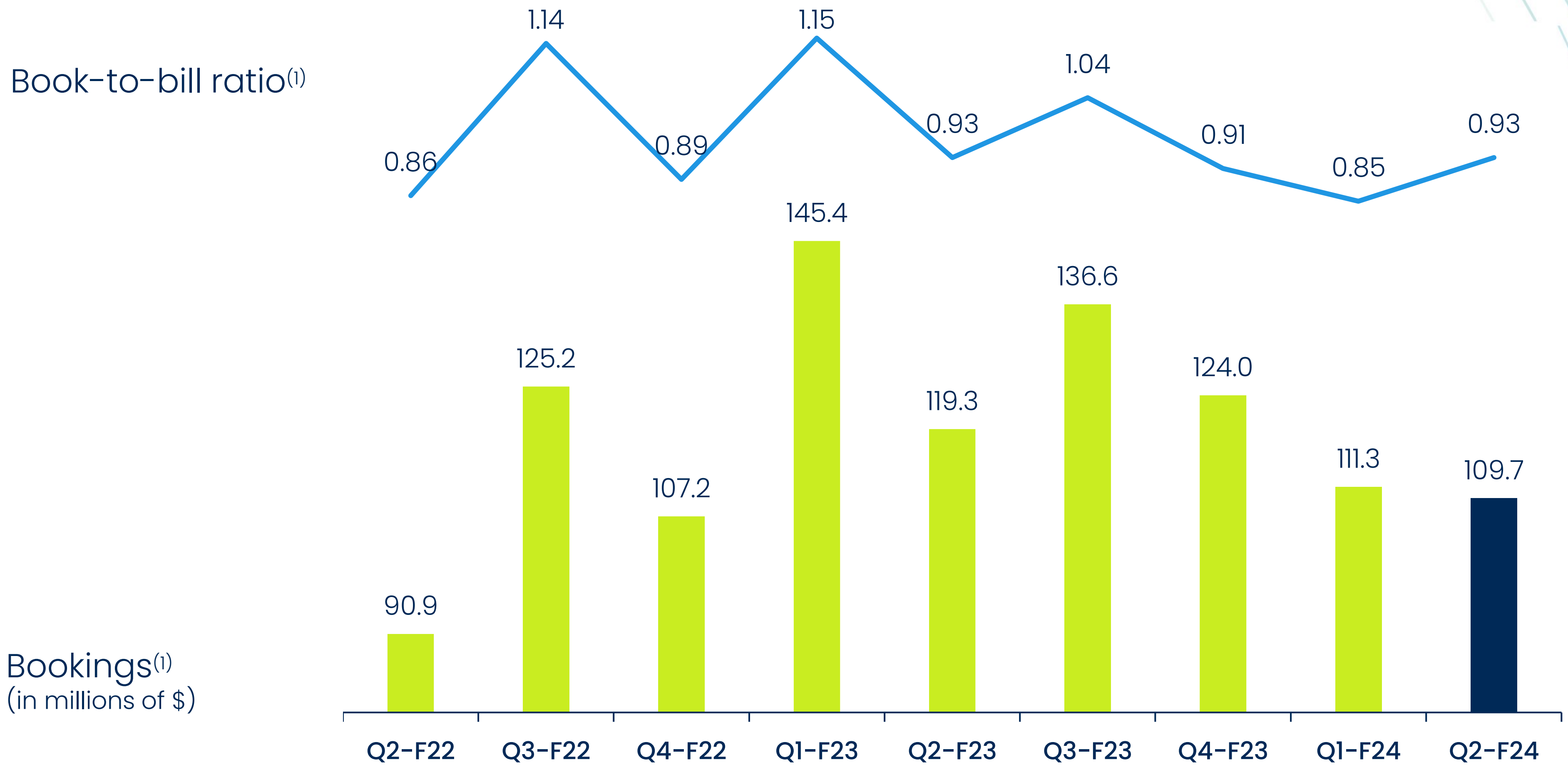
Q2 bookings reached $109.7M; book-to-bill[1] of 1.08[2]

- Despite lower revenues due to weaker conditions in certain areas of the IT services sector and from our Canadian banking sector client base
- Our second quarter encompasses historically slower summer months, and one fewer billing day
- Added 36 new clients in Q2, which is a remarkable number for a company of our size

Alithya

(1) These are other financial measures without a standardized definition under IFRS, which may not be comparable to similar measures used by other issuers. Please refer to the "Forward-Looking Information and Non-IFRS and Other Financial Measures" section of this presentation.
(2) Q2 bookings translated into a book-to-bill ratio of 0.93 for the quarter. The book-to-bill ratio is 1.08 when revenues from the two long-term contracts signed as part of an acquisition in the first quarter of fiscal year 2022 are excluded.

Bookings evolution



The book-to-bill ratio is 1.08 when revenues from the two long-term contracts signed as part of an acquisition in the first quarter of fiscal year 2022 are excluded.

Alithya

(1) These are other financial measures. Please refer to the "Forward-Looking Information and Non-IFRS and Other Financial Measures" section of this presentation and to section 5 titled "Non-IFRS and Other Financial Measures" of the MD&A for an explanation of the composition of these supplemental financial measures.

Quarterly performance

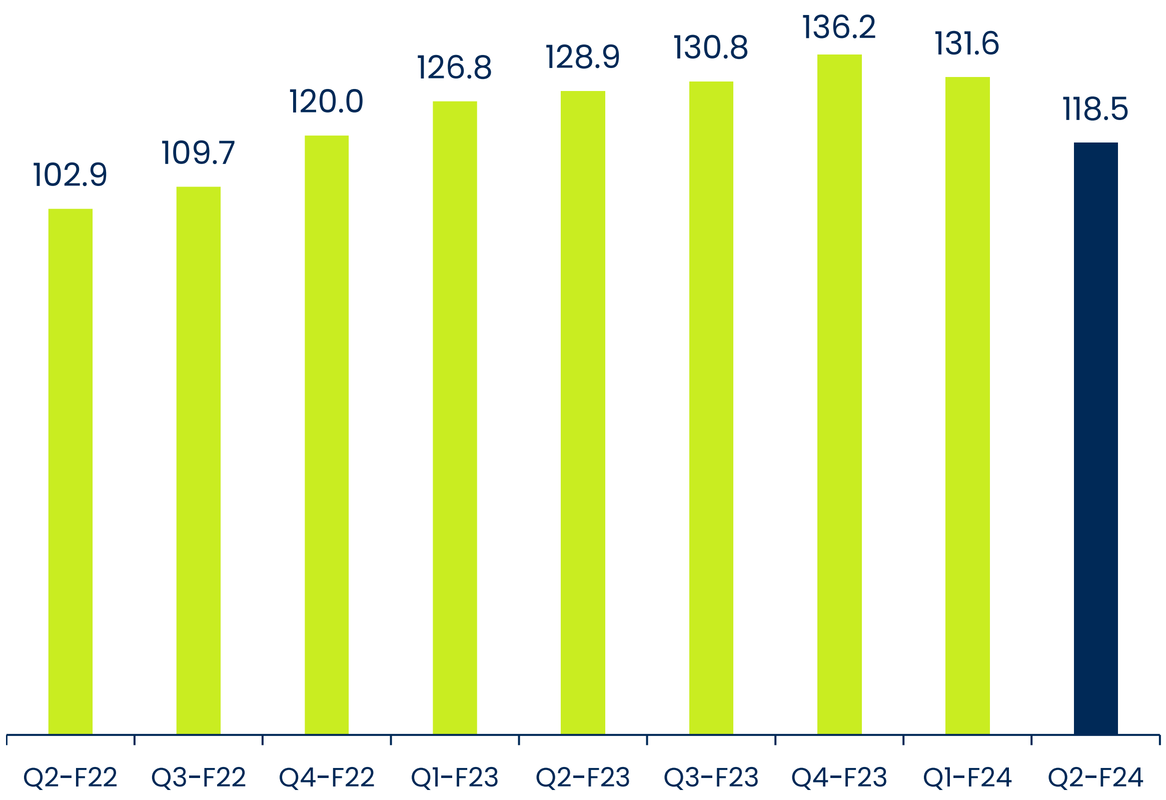
	F2024-Q2	F2023-Q2		
Revenues	$118.5	$128.9M	(8.1%)	▽ Weaker conditions in certain areas of the IT services sector, and significant reduction in IT spending in the Canadian banking sector ▽ One less billable day than in the same quarter last year ▽ Slower project starts
Gross margin	$34.8M 29.4%	$37.8M 29.3%	(7.9%) 10 bps	△ Higher margin offerings △ Continued decrease in the number of subcontractors compared to permanent employees ▽ $1.1M provision recorded due to recoverability uncertainty
SG&A expenses	$29.9M	$30.4M	(1.6%)	△ Decrease in variable compensation, non-cash share-based compensation and recruiting fees ▽ Increase in professional fees, business development costs, travel expenses and discretionary internal projects
Adj. EBITDA(1)	$6.5M	$9.4M	(31.6%)	▽ Decreased revenues and gross margin, including a $1.1M provision on tax credits receivable △ Decreased SG&A expenses
Net loss	($9.2M)	($0.4M)	$8.8M	▽ Decreased due to a $1.1M provision on tax credit receivable, increased net financial expenses, and decreased income tax recovery △ Decreased SG&A expenses and depreciation and amortization expenses
Adj. net (loss) earnings(1)	($0.2M)	$3.4M	($3.6M)	▽ Decreased income tax recovery, decreased gross margin, including a $1.1M provision on tax credit receivable, and increased net financial expenses △ Decreased SG&A expenses, and decreased depreciation of property and equipment and right-of-use assets

Alithya

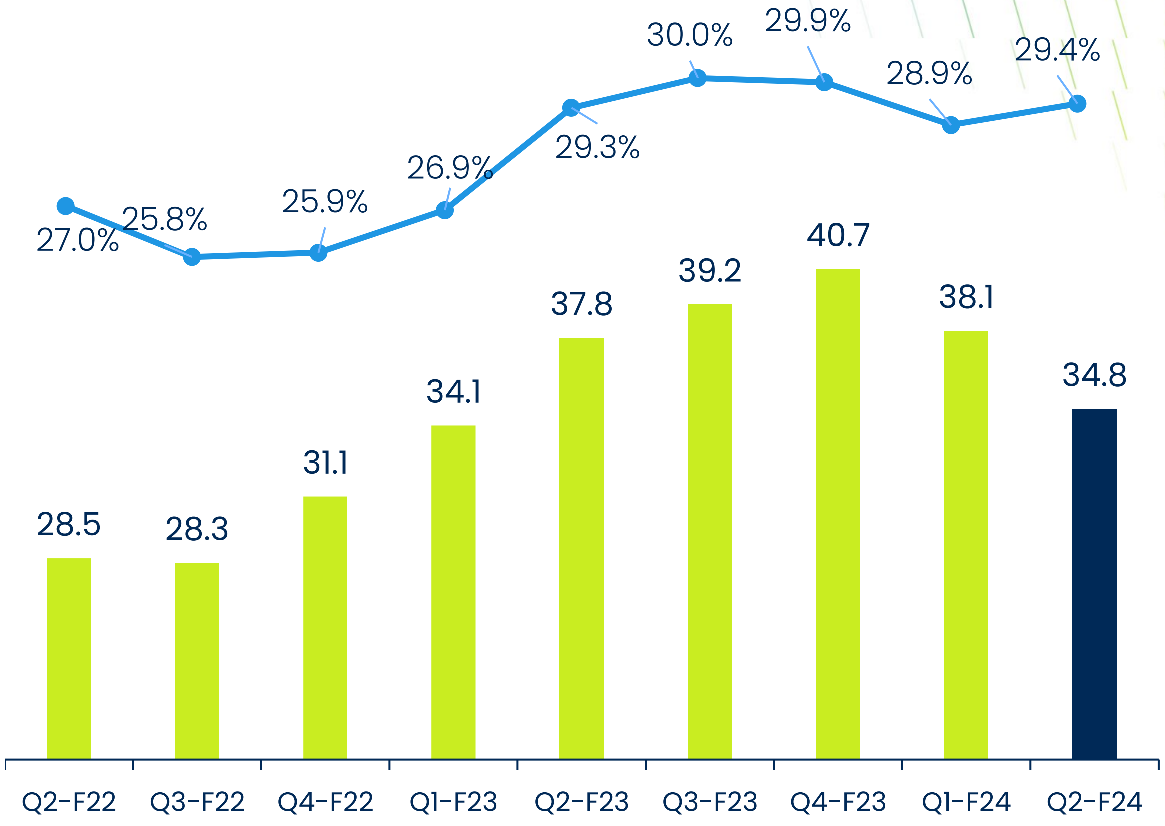
(1) These are non-IFRS financial measures without a standardized definition under IFRS, which may not be comparable to similar measures used by other issuers. Please refer to section 5 of the MD&A for an explanation of its composition and usefulness, and to sections 7.6 and 7.8 of the MD&A for a quantitative reconciliation of Adjusted Net (Loss) Earnings and Adjusted EBITDA to the most directly comparable IFRS measure.

Long-term performance trends

Revenues
(in millions of $)



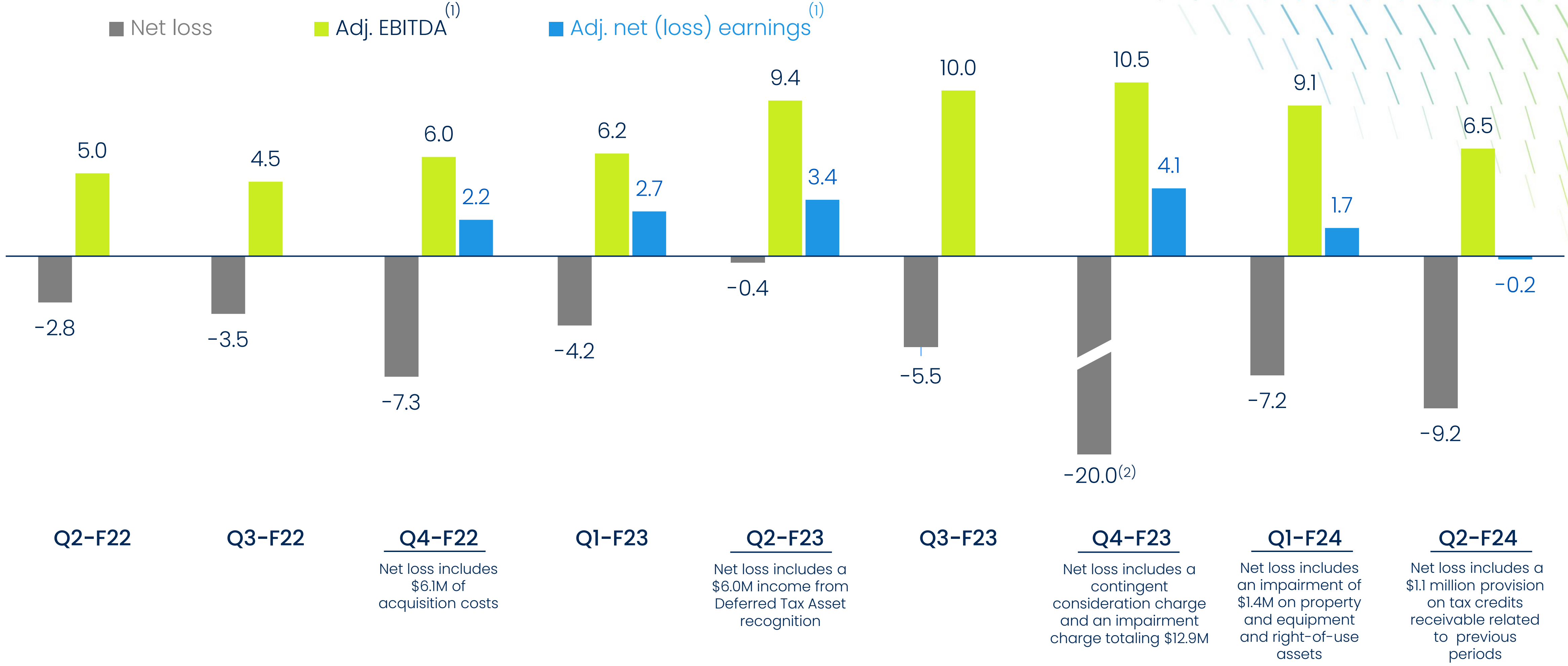
Gross margin
(in millions of $, except for gross margin as percentage of revenues)



Alithya

Long-term performance trends

(in millions of $)



Alithya

(1) These are non-IFRS financial measures without a standardized definition under IFRS, which may not be comparable to similar measures used by other issuers. Please refer to section 5 of the MD&A for a definition and quantitative reconciliation of Adjusted Net (Loss) Earnings and Adjusted EBITDA to the most directly comparable IFRS measure.

(2) $12.9M of specific non-cash charges. Includes an impairment of $3.7M on property and equipment and right-of-use assets and a contingent consideration of $9.2M related to the acquisition of Datum.

Liquidity and financial position

Net cash used in operating activities was $17.3M, a $16.7M increase from $0.7M used in Q2 F2023

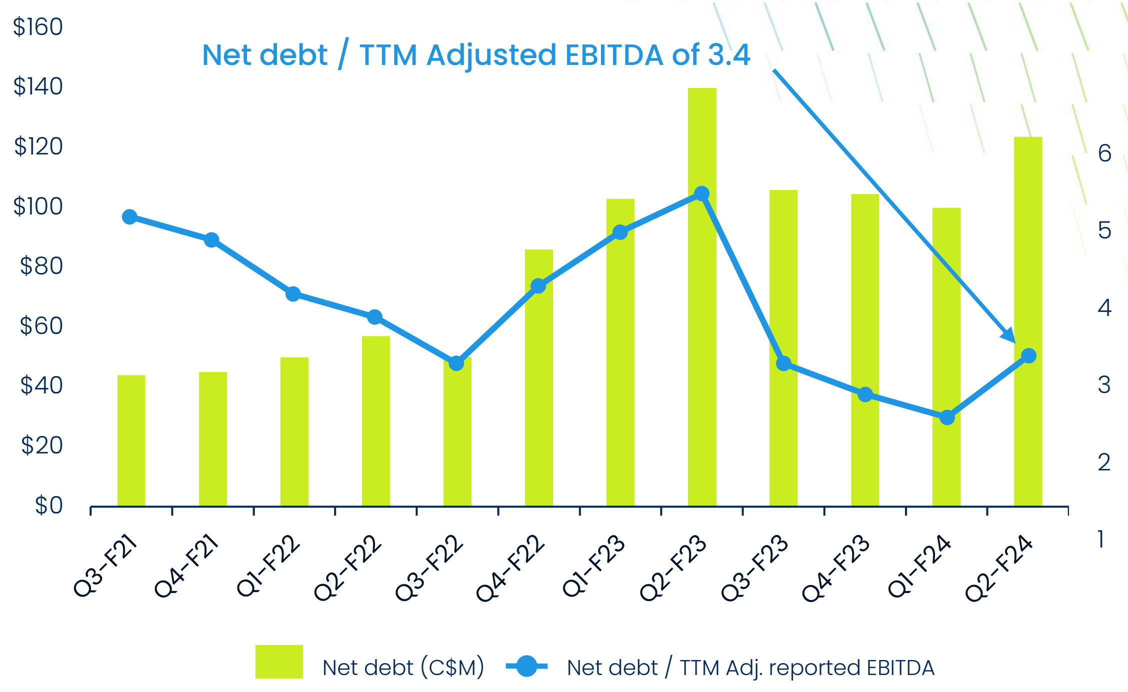
- Resulting primarily from positive $3.7M generated from operations, minus $20.9M of negative changes in non-cash working capital items.

Net Debt[(1)] of $123.7M as of Sep. 30, 2023, representing an increase of $19.1M from $104.6M as of Mar. 31, 2023, mainly explained by cash flow used as noted above

- Financial expenses, lease liabilities, capex and NCIB accounting for the additional increase in Net Debt during Q2.

Increase in Net Debt / TTM Adjusted EBITDA[(1)] ratio:

- Decreased TTM Adjusted EBITDA, combined with increase in debt, increases the ratio to 3.4 from 2.6 on June 30, 2023
- As at September 30, 2023, the Company was in compliance with all of its financial covenants.



Alithya

(1) These are non-IFRS and other financial measures without a standardized definition under IFRS, which may not be comparable to similar measures used by other issuers. The Net Debt/TTM Adjusted EBITDA ratio is calculated by dividing Net Debt by Adjusted EBITDA, on a trailing twelve-month basis. Management believes that this ratio provides information as to the company's leverage levels, similar to bank covenants. Please refer to the "Forward-Looking Information and Non-IFRS and Other Financial Measures" section of this presentation, to section 5 of the MD&A for an explanation of the composition and usefulness of Net Debt and Adjusted EBITDA, and to sections 9.6 and 7.8 of the MD&A for a quantitative reconciliation of Net Debt and Adjusted EBITDA to the most directly comparable IFRS measures.

Questions

Alithya