

NEWS RELEASE

Softchoice Announces First Quarter 2024 Results

5/8/2024

- Software & Cloud gross profit increases 9% YoY, driven by strong demand in SMB and Commercial channels for public cloud and security solutions
- Customer base grows by 5% YoY, driven by healthy growth in new accounts and higher customer retention, supported by an expanded salesforce
- Softchoice launches AI Solutions team and establishes leadership position in target market in consulting engagements that prepare customers for Copilot for Microsoft 365 adoption
- Adjusted EBITDA increases 4% YoY due to gross profit growth and cost containment
- LTM cash flow generation enables \$24M return of capital to shareholders and \$68M reduction in consolidated net debt with net leverage declining almost a full turn YoY to 0.7x at end of Q1

TORONTO--(BUSINESS WIRE)-- **Softchoice Corporation** ("Softchoice" or the "Company") (TSX: SFTC) today announced its financial results for the first quarter ("Q1 2024") ended March 31, 2024. Softchoice will hold a conference call/webcast to discuss its results today, May 8, 2024, at 8:30 a.m. ET. Unless otherwise noted, all dollar (\$) amounts are in U.S. dollars.

Quarterly highlights 1

- Gross profit increased 3.3% year-over-year (YoY) with 9.4% growth in Software & Cloud, driven by a larger customer base and solid demand across strategic focus areas including public cloud and security solutions, which offset industry-wide Hardware spending reductions and the non-recurrence of two large software-related orders of approximately \$3.4 million of gross profit on \$31 million in Gross Sales recognized in Q1 2023.
- Adjusted EBITDA increased 4.3% to \$15.1 million due to operating leverage, prudent cost containment and lower variable compensation offsetting the Company's growth investments including an expanded salesforce

and the launch of an Artificial Intelligence ("AI") Solutions team.

- Income from operations increased 10.3%, benefiting from lower amortization expense.
- Net loss per share on a diluted basis was \$0.02 compared with net income per share of \$0.08 in Q1 2023 due to higher unrealized foreign exchange losses and deferred tax expense, while Adjusted EPS on a diluted basis was \$0.07 compared with \$0.12.
- Signed new strategic partnership framework agreement with Microsoft to further enhance our capabilities and capacity to develop, sell, and deliver Microsoft's cloud and digital workplace AI and security solutions, including Microsoft Copilot.
- Launched SAM+, a suite of software asset management solutions and services to efficiently manage the complexities of subscription-based licensing.
- Received the 2024 Google Cloud Public Sector Partner of the Year award for Canada and was named VMware Geo Partner of the Year (North America) by VMware by Broadcom.
- Subsequent to the quarter, was named a Best Workplace in Canada™ by Great Place to Work® for the 19th year in a row in April 2024, ranking 9th among large employers.

Andrew Caprara, Softchoice's Chief Executive Officer, said: 2

"We executed successfully in the first quarter on our three strategic priority areas that we outlined for 2024. We continued building a world-class culture, recording increases in our overall team member retention, salesforce tenure and internal engagement scores, as well as having been named a top 10 workplace in Canada by Great Place to Work®, recognizing our outstanding employee experience and workplace culture. Secondly, our customer growth has returned to pre-pandemic levels driven by a combination of higher retention underpinned by better satisfaction rates, and success in increasing new buying accounts across all sales channels driven by our expanded salesforce. Thirdly, our investments in advanced technical capabilities continued to drive deeper customer relationships and growth in our strategic focus areas of secure, AI-powered cloud and digital workplace solutions supported by our advanced software asset management methodology and capabilities.

"Customer demand for generative AI has been rapidly accelerating, which we are converting through the adoption of Copilot for Microsoft 365. We've taken a leadership position in this space, as measured by the volume of consulting engagements that prepare customers for Copilot adoption. And with the launch of our AI Solutions team in Q1, supported by the activation of our strategic partnership agreement with Microsoft, our focus is on moving customers from generative AI planning and pilot phases into more complex and long-term transformation programs."

Dividends Update 2

- On May 7, 2024, the Board declared a quarterly dividend of Cdn. \$0.13 per Common Share for the period

from April 1, 2024 to June 30, 2024 to be paid on July 12, 2024 to shareholders of record at the close of business on June 28, 2024, representing an approximate 18% increase over Q2 2023. The dividend to which this notice relates is an eligible dividend for tax purposes.

Supplementary Measures for the trailing twelve months (LTM) period ended March 31, 2024¹

- Revenue Retention Rate was 98%, with the decline in Hardware Gross Sales offsetting increased Customer retention and increased Software & Cloud Gross Sales. SMB and Commercial revenue retention continued to trend at or above 100%, offset by a decline in Enterprise revenue retention driven by a decrease in Hardware Gross Sales.
- Customers increased 4.6% to 4,952 at March 31, 2024, an increase of 216 compared to March 31, 2023, driven by an expanded salesforce.
- Account Executives increased by 12% to 508 at March 31, 2024 compared with 453 a year prior. Average LTM Account Executives were 465, a 5% increase over the prior LTM period.
- Gross Profit per Customer declined to approximately \$67,000 from \$69,000 in the prior LTM period primarily due to a decrease in Hardware Gross Profit Per Customer stemming from industry wide weakness.
- Net cash from operating activities increased 148% to \$93.3 million due to an increase in profits and effective working capital management. Free Cash Flow decreased by 9.3% to \$48.8 million with the increase in Adjusted EBITDA offset by higher tax payments.

Financial Summary¹

US\$ M except per share amounts, percentages and ratios

Operations	Q1 2024	Q1 2023	Change %	Change in Constant Currency*
Gross Sales	480.3	506.0	(5.1)%	
Net sales	169.8	208.8	(18.7)%	
Gross profit	76.6	74.2	3.3%	3.0%
as a percentage of Gross Sales	16.0%	14.7%		
Adjusted EBITDA	15.1	14.5	4.3%	3.9%
as a Percentage of Gross Profit	19.8%	19.6%		
Income from operations	10.6	9.6	10.3%	
Net (loss) income	(1.0)	4.5	NMF	
Net (loss) income per Diluted Share	(\$0.02)	\$0.08	NMF	
Adjusted Net Income	4.4	7.1	(37.6%)	
Adjusted EPS (Diluted)	\$0.07	\$0.12	(41.7%)	

Cash flow	Q1 2024	Q1 2023	Change %	LTM to Mar.	LTM to Mar.	%
				31,	31,	
						3

			2024	2023
Net cash provided by operating activities, excluding change in non-cash operating working capital	3.1	9.7	(67.7%)	58.2
Net cash provided by operating activities	(23.6)	(17.1)	38.3%	50.5
Free Cash Flow				15.1%
Dividend per share	Cdn. \$0.13	Cdn. \$0.11	18.2%	48.8
				53.8
				Cdn. \$0.46
				Cdn. \$0.38
				21.1%

Financial Position, as at:	Mar. 31, 2024	Mar. 31, 2023
Loans and borrowings less Cash	51.4	115.8
Consolidated net debt** to Adjusted EBITDA ratio	0.7	1.5

Gross Sales and Gross Profit by IT Solution Type and Sales Channel

	Q1 2024	Q1 2023	Change %	Change in Constant Currency* %
Gross Sales by IT Solution Type*:				
Software & Cloud	358.0	364.4	(1.8)%	
Services	28.0	27.6	1.8%	
Hardware	94.3	114.1	(17.3)%	
Gross Profit by IT Solution Type:				
Software & Cloud	53.0	48.4	9.4%	9.3%
as a percentage of Gross Sales	14.8%	13.3%		
Services	8.0	7.9	1.3%	1.1%
as a percentage of Gross Sales	28.5%	28.6%		
Hardware	15.6	17.9	(12.7)%	(13.2)%
as a percentage of Gross Sales	16.5%	15.7%		
Gross Sales by Sales Channel*:				
SMB	134.4	107.8	24.6%	
Commercial	238.3	244.5	(2.5)%	
Enterprise	107.6	153.7	(30.0)%	
Gross Profit by Sales Channel:				
SMB	20.7	16.7	23.8%	17.8%
as a percentage of Gross Sales	15.4%	15.5%		
Commercial	42.1	41.0	2.5%	4.7%
as a percentage of Gross Sales	17.7%	16.8%		
Enterprise	13.9	16.5	(15.8)%	(16.1)%
as a percentage of Gross Sales	12.9%	10.7%		

Amounts may not add to total due to rounding

* Q1 2024 in Constant Currency is translated at the average foreign exchange rate of Q1 2023, which was \$0.74 CAD/USD.

** Consolidated net debt equates to loans and borrowings plus lease liabilities less cash-on-hand

Quarterly Conference Call

Softchoice's management team will hold a conference call to discuss our Q1 2024 results today at 8:30 a.m. (ET).

DATE: Wednesday, May 8, 2024

TIME: 8:30 a.m. Eastern Time

WEBCAST: <https://app.webinar.net/D4y2dzOQ387>

A link to the webcast will also be available on the Events page of the Investors section of Softchoice's website at <http://investors.softchoice.com>. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast. An archived replay of the webcast will be available for 90 days.

DIAL-IN: To join the conference call without operator assistance, you may register and enter your phone number at <https://emportal.ink/3PKSecU> to receive an instant automated call back. You can also dial direct to be entered to the call by an Operator: 416-764-8659 or 1-888-664-6392.

TAPED REPLAY: 416-764-8677 or 1-888-390-0541, Replay Code 504830 # (Available until May 15, 2024)

Capitalized Terms

Capitalized terms used in this release and terms we use to describe our IT solution types, including Software & Cloud, Services, and Hardware and sales channels including SMB, Commercial, and Enterprise, as well as other measures such as Customer, Gross Profit per Customer, Revenue Retention Rate, and Constant Currency, are described in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2024 and March 31, 2023 (the "Q1 2024 MD&A"), and/or our annual information form dated March 27, 2024 (the "AIF") filed on SEDAR+ (as defined below) and available on the Company's investor relations website <http://investors.softchoice.com>.

1 Non-IFRS Measures

This news release makes reference to certain non-IFRS measures and other measures. These measures are not recognized measures under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including "Gross Sales", "Adjusted EBITDA", "Adjusted EBITDA as a Percentage of Gross Profit", "Adjusted Cash Operating Expenses", "Adjusted Net Income (Loss)", "Adjusted EPS", and "Free Cash Flow". These non-IFRS measures and other measures are used to provide investors with supplemental measures of our operating performance and thus

highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. Our management uses these non-IFRS measures and other measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. We also believe that securities analysts, investors and other interested parties frequently use certain of these non-IFRS measures and other measures in the evaluation of issuers. As required by Canadian securities laws, we reconcile the non-IFRS measures to the most comparable IFRS measures. For more information on non-IFRS measures and other measures, see the Q1 2024 MD&A filed on SEDAR+ and available on the Company's investor relations website <http://investors.softchoice.com>.

Reconciliations of Non-IFRS Financial Measures

(Information in thousands of U.S. dollars, unless otherwise stated)	Three Months Ended March 31,	
	2024	2023
Reconciliation of Net Sales to Gross Sales		
Net sales	169,760	208,816
Net adjustment for sales transacted as agent	310,557	297,226
Gross Sales	480,317	506,042
Reconciliation of Operating Expenses to Adjusted Cash Operating Expenses		
Operating expenses	65,985	64,559
Depreciation and amortization	(2,413)	(4,741)
Equity-settled share-based compensation and other costs (1)	(2,098)	(160)
Non-recurring compensation and other costs (2)	–	(95)
Business transformation non-recurring costs (3)	–	(3)
Non-recurring legal recovery (4)	–	115
Adjusted Cash Operating Expenses	61,474	59,675
Reconciliation of Income from operations to Adjusted EBITDA		
Income from operations	10,630	9,640
Depreciation and amortization	2,413	4,741
Equity-settled share-based compensation and other costs (1)	2,098	160
Non-recurring compensation and other costs (2)	–	95
Business transformation non-recurring costs (3)	–	3
Non-recurring legal recovery (4)	–	(115)
Adjusted EBITDA	15,141	14,524
Adjusted EBITDA as a Percentage of Gross Profit (5)	19.8%	19.6%
Reconciliation of Net Income to Adjusted Net Income		
Net (loss) income	(1,028)	4,537
Amortization of intangible assets	585	3,164
Equity-settled share-based compensation and other costs (1)	2,098	160
Non-recurring compensation and other costs (2)	–	95
Business transformation non-recurring costs (3)	–	3
Non-recurring legal recovery (4)	–	(115)
Loss on lease modification	–	4
Foreign exchange loss (6)	3,934	121
Related tax effects (7)	(1,149)	(848)
Adjusted Net Income	4,440	7,121

Weighted Average Number of Shares (Basic)	59,814,323	58,058,765
Weighted Average Number of Shares (Diluted)	59,943,973	60,457,312
Adjusted EPS (Basic) (8)	0.07	0.12
Adjusted EPS (Diluted) (8)	0.07	0.12

The following measures are reported on a trailing twelve-month basis only:

	Trailing Twelve-Months Ended March 31,	
	2024	2023
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow		
Net cash provided by operating activities	93,337	37,711
Adjusted for:		
Change in noncash working capital	(35,175)	12,822
Maintenance Capex	(3,182)	(3,764)
Principal lease payments	(4,933)	(4,905)
Realized foreign exchange (gain) loss	(1,234)	11,938
Free Cash Flow	48,813	53,802

Notes (Refer to the Q1 2024 MD&A for description of the sections with parentheses within these Notes)

- (1)These expenses represent costs recognized in connection with the Company's legacy option plan and omnibus long-term equity incentive plan, pursuant to which options granted are fair valued at the time of grant using the Black-Scholes option pricing model and adjusted for any plan modifications, and expenses related to Restricted share units ("RSUs") and Deferred share units ("DSUs") (as defined below). Beginning in Q3 2023, these expenses include the employer match contributions to the ESPP.
- (2)These expenses include compensation costs relating to severance and other costs comprised of professional, legal, consulting, accounting and management fees that are non-recurring and are sporadic in nature.
- (3)All non-recurring costs relating to the business transformation initiative were segregated for tracking purposes and are monitored on a regular basis. The costs relate to the implementation and system enhancements for the business transformation. A total of \$51 million was invested in operating and capital expenditures towards the business transformation initiative and related system enhancements.
- (4)The Company has settled certain legal claims, without admission of liability or wrongdoing, in respect of U.S. wage and hour disputes and in Q1 2023, the Company received \$0.1 million related to this matter.
- (5)Adjusted EBITDA as a Percentage of Gross Profit is calculated as Adjusted EBITDA divided by gross profit. See "Non-IFRS Measures and Other Measures – Non-IFRS Measures – Adjusted EBITDA and Adjusted EBITDA as a Percentage of Gross Profit".
- (6)Foreign exchange loss includes both realized and unrealized amounts.
- (7)This relates to the tax effects of the adjusting items, which was calculated by applying the statutory tax rate of 26.5% and adjusting for any permanent differences and capital losses.
- (8)Basic Adjusted EPS is calculated using the weighted average number of shares outstanding during the period. Diluted Adjusted EPS includes the dilutive impact of the stock options in addition to the weighted average number of shares outstanding during the period. See "Non-IFRS Measures and Other Measures – Non-IFRS Measures – Adjusted Net Income and Adjusted EPS".

2 Forward-Looking Statements

This news release contains "forward-looking information" within the meaning of applicable securities laws in Canada.

Forward-looking information may relate to our future business, financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, addressable markets, market share, budgets, operations, financial results, taxes, dividend policy, Normal Course Issuer Bid ("NCIB"), operating environment, business plans and objectives. Particularly, information regarding our

expectations of future results, performance, growth, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "budget", "scheduled", "estimates", "outlook", "financial outlook", "forecasts", "projection", "prospects", "strategy", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", "will", "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances.

Forward-looking information may include, among other things: (i) the Company's expectations regarding its financial performance and future market share growth, including among others, organic growth; (ii) the Company's expectations regarding industry and market trends, growth rates and growth strategies; (iii) the Company's business plans and strategies; (iv) the Company's ability to retain customers and increase margin per customer; (v) the Company's relationship and status with technology partners; (vi) the Company's growth strategies, future organic growth, and competitive position in the IT industry; (vii) the Company's dividend program, dividend rates, any special dividend and increases or progressive increases in dividends; (viii) the Company's NCIB program and the purchase of Common Shares in connection with such program; (ix) the impact of macroeconomic conditions and remote and hybrid work on our business, financial position, results of operations and/or cashflows; (x) the use, adoption, integration and growth of AI tools, products, services and solutions, including any growth, leadership position or business changes resulting from AI or the AI solutions team; and (xi) the leverage and range of net leverage and the Company's ability or desire to remain within any optimal leverage parameters.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as at the date such statements are made, and are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in our Q4 2023 MD&A and under "Risk Factors" in the AIF. A copy of the AIF can be accessed under our profile on the System for Electronic Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca and on our website at investors.softchoice.com. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as at the date made. Softchoice does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required under applicable securities laws.

About Softchoice

Softchoice (TSX: SFTC) is a software- and cloud-focused IT solutions provider that equips organizations to be agile, innovative, and secure, and people to be engaged, connected and creative at work. We do this by delivering secure, AI-powered cloud and digital workplace solutions supported by our advanced software asset management methodology and capabilities. Through our ROI customer success framework, we create value for our customers by reducing their IT spending, optimizing their technology, and supporting business-driven innovation. We are a highly engaged, high-performing team that is welcoming, inclusive, and diverse in thought and experience, and are a certified Great Place to Work® in Canada and the United States. To learn more about us, visit www.softchoice.com.

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