Sylogist Ltd.

Second Quarter 2024 Results Conference Call

Transcript

Date: **August 8, 2024**

Time: **8:30 AM ET**

Speakers:

Bill Wood
President and Chief Executive Officer

Sujeet Kini
Chief Financial Officer

Operator:
Welcome to the Sylogist Limited Second Quarter 2024 Conference Call and Webcast

As a reminder, all the 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 Jennifer Smith with LodeRock Advisors. Please go ahead.

Jennifer Smith:
Thank you, Gaylene, and good morning.

Joining me to discuss Sylogist's Q2 fiscal 2024 results are Bill Wood, Sylogist's President and Chief Executive Officer, and Sujeet Kini, Chief Financial Officer. This call is being recorded live at 8:30 a.m. Eastern Time on August 8, 2024.

Our Q2 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 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. The complete Safe Harbour statement is available in both our MD&A and press release, as well as on sylogist.com. We encourage our investors to read it in its entirety.

We are reporting our financial results in accordance with International Financial Reporting Standards, or IFRS, before we will also discuss non-GAAP performance measures, which should be reviewed as supplemental. The MD&A contains definitions of each one used in our reporting. All of the dollar figures expressed on this call are in Canadian unless otherwise noted.

I'll turn it over to Bill first with opening remarks, then Sujeet will review our Q2 financial performance, after which Bill will conclude scripted remarks, at which time we will open it up for questions.

With that, Bill?

Bill Wood:
Thank you, Jen. Good morning and good afternoon to those of you joining us overseas.

Building on a strong Q1, we're very pleased with an even better performance in Q2. We saw increasing momentum across the business, driven by strong customer advocacy and our investments over the last 24 months to position Sylogist as a leader in the markets we serve. Our team is executing really well, setting us up for further SaaS ARR growth in the back half of the year and beyond. That confidence is underpinned by our performance across a range of key leading indicators.

We achieved record bookings of $12.9 million in the quarter, growing 112% year-over-year and 42% quarter-over-quarter, reflecting increasing success with new logos and cross-sells alike. Also over $3 million, or nearly 25% of our record Q2 bookings came from our SylogistEd sector, confirming the acceleration I've been signalling we were on the verge of in North Carolina.

To that end, we're seeing increasing momentum across all three strategic markets, SylogistMission, Ed and Gov, and we're highly competitive when we're at the table, with our overall win rate moving even higher to over 60% in Q2, largely due to our increasing success in displacing targeted competitors, as we expected.

We continue to make investments to build out and empower our partner community and it's bearing fruit. Partner-attached bookings represented 21% of total bookings in the quarter. However, recall that we don't yet engage partners in our SylogistEd sector, and as I just quantified, it was truly a breakout bookings quarter in our Ed segment.

In our SylogistMission and SylogistGov sectors, so net of SylogistEd, partner-attached bookings came in at 27% of total bookings.

As we execute our channel strategy, we're handing off lower margin project service revenue to our partners and replacing it with higher margin SaaS ARR. That handoff is occurring at a faster rate than we anticipated.

In response, we correspondingly added to our internal project service team to train and empower the quickly expanding partner community and, in parallel, deliver SylogistMission and Gov project services to customers directly. As the community of high-quality partners expands, it's creating increased sales and project service handoff capacity for Sylogist in 2025 and beyond.

New logo wins and cross-selling success are driving continued strength in our SaaS ARR and our SaaS net revenue retention. Our SaaS ARR increased by 17% year-over-year to just shy of $30 million. And SaaS ARR bookings as a percentage of total bookings grew from 50% in Q1 to 68% in Q2. That's exactly the value creation trajectory we want to see.

Expanded platform functionality, cross-selling success, and our continued focus on customer wellness pushed our overall SaaS NRR up to 109% from 106% last quarter. I want to highlight that we saw our SaaS NRR in the SylogistMission to grow to 125% in Q2. This is a clear example of our land and expand strategy in action, made possible by our modern integrated SaaS platforms and happy customers. In fact, our largest TCV booking in the quarter was a SylogistMission CRM cross-sell to an existing SylogistMission ERP customer. I want to call out that it was also a targeted competitor displacement, confirming that our integrated platforms are changing the competitive landscape as we envisioned they would. Going forward, we expect an increasing balance of bookings contribution from all three strategic markets.

I also want to highlight that in Q2 our revenue per employee grew 7% year-over-year to $338,000 due to increased operating efficiency.

I'll pause here and let Sujeet take you through our financial performance for the quarter in a little bit more detail. Sujeet?

Sujeet Kini:
Thank you, Bill, and good morning and good afternoon everybody.

Our Q2 results demonstrate the momentum we are building in transforming Sylogist into a SaaS leader in the public sector, while staying focused on the successful execution of our profitable growth plan.

Total revenue for the quarter was $17.4 million and, as Bill highlighted, our results were led by 17% growth in our SaaS subscription revenue. This growth was partially offset by an anticipated decrease in Project Services revenue related to our strategic shift to a partner-led delivery model. We also note that SaaS subscription revenue came in at 67% of total recurring revenue for Q2 2024, compared to 64% of total recurring revenue for the same period last year.

From a market segment perspective, overall revenue growth was driven primarily by the growth in our SylogistMission segment that grew at 20% year-over-year, followed by our SylogistEd segment that grew by 7% year-over-year.

SaaS ARR, as Bill pointed out, was 109%, up from 106% at the end of the first quarter of 2024.

Our gross profit margin for Q2 2024 was relatively consistent at 60% compared to 61% for Q2 2023.

Total operating expenses for Q2 '24 were relatively consistent at 34% of revenue compared with 35% during the same period last year.

G&A expenses at $3.2 million in Q2 2024 decreased by $0.3 million compared with the corresponding period last year, coming in at 18% of revenues compared to 21% of revenues in Q2 2023. This decrease in G&A is a result of lower recruitment expenses due to the hiring of an internal recruiter and other miscellaneous savings in the current quarter.

Sales and marketing expenses for Q2 2024 were $1.7 million, or 10% of revenue compared to $1.5 million or 9% of revenue in the same period last year. This increase in sales and marketing expense was due to anticipated strategic investments made in additional sales quota-bearing headcount and increased programmatic spending that we are already seeing results from. Our sales and marketing full-time employee headcount has increased to 24 people at the end of Q2 2024, up from 21 people at the end of Q2 2023.

Net R&D expenses for Q2 2024 were consistent at $0.9 million for both Q2 2024 and Q2 2023. Gross R&D expenses were $2.5 million compared to $2.1 million for the same period last year, a 19% increase which was driven by higher levels of capitalized development relating to continued innovation, primarily associated with readying our SylogistEd and SylogistGov platforms for market.

Adjusted EBITDA for Q2 2024 was $4.5 million, and Adjusted EBITDA margin was up slightly at 26.0% in the current quarter compared to 25.8% in Q2 2023.

At the end of Q1 2024, we had $5 million in cash. This level of cash is in line with the seasonality of our operations and our customer renewal cycles.

Finally, I will bring your attention to our previously announced divestiture of our non-strategic Managed IT Services division. In addition, we completed at the very end of the current quarter, the sale of a physical asset, a building owned by us that came to us via the Municipal Accounting Systems acquisition in 2021 for $0.8 million. It is important to note that the cash related to the sale was received on July 1, 2024.

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

Bill Wood:
Thanks, Sujeet. Over the past several quarters, we've outlined our plan to shift to a partner-driven model with a focus on growing highly repeatable and scalable operating motions and SaaS revenue recognition capacity. Our Q2 results demonstrate that we're making real progress against our plan, and we're just beginning to see the compounding effect we expect it will have on shareholder value creation over time.

To the credit of the hard work and determination of Sylogist team members, we're well along with our transformation from a siloed software company to a highly-aligned leading software provider to our target markets. And as we step on the go-to-market gas, our strategy and investments are already paying dividends, and we see an incredible value creation opportunity ahead.

With that, let's take 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're using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

Our first question is from Amr Ezzat with Ventum Capital Markets. Please go ahead.

Amr Ezzat:
Bill and Sujeet, good morning and congrats on a strong quarter.

If we could start with the bookings, you're going from record-to-record. Can you speak to the strong pace during the quarter, how much of it was displacement versus growing wallet share within existing clients?

Bill Wood:
Yes. Good morning, Amr. Thanks for joining us.

We're not going to get in specific to the numbers, but I did highlight that the acceleration in the Ed sector really was a major contributor. It was a material lift from where we had been in terms of bookings in the past. We did highlight the cross-sell for a reason. It was the largest TCV booking, but it's happening more and more as we're purposely reaching out to customers and making the case as to why our integrated platforms offer them new benefits.

We feel very good about the acceleration on both fronts, new bookings as well as cross-sell, both we feel are real contributors for us going forward.

Amr Ezzat:
Fantastic. Then just back on the Ed side, that 25% number you gave, is that 25% of the growth or 25% of the total dollar bookings? I missed that.

Bill Wood:
Twenty-five percent of the total dollar bookings.

Amr Ezzat:
Okay. Is that specific to North Carolina? Are there other states that we should be thinking about? Any colour you can give us there?

Bill Wood:

Currently, only in North Carolina are contributing to that breakout pace that we talked about. Other states to come, as I've signalled in the past.

Amr Ezzat:

Fantastic. Then the execution, I guess, of these new bookings are a summer of 2024 event, correct?

Bill Wood:

Meaning new bookings? I'm unclear. Amr, maybe say it again.

Amr Ezzat:

Sorry. I meant these new bookings; you guys are executing on these projects currently in 2024?

Bill Wood:

We are. We are, and we have both activities going on in terms of now delivering on those bookings, as well as continuing to gain pipeline activity within that sector as well and elsewhere.

Amr Ezzat:

Fantastic.

Appreciate your comments on your channel strategy. Do you have channel partners working on implementations independently yet, or do you still have your PS professionals (inaudible 17:07)? I'm just trying to understand your pace, I guess, of handing off the implementations.

Bill Wood:

Yes, it's a good question. We have now transitioned with a number of them, from us leading and them shadowing to the other way around them leading and us shadowing. I think that's a very good transition and a natural transition that we had said was our plan. That's happening now within the original cohort that joined us in the past quarters. Now we are adding more partners where we're still at the front and they're shadowing.

That overall momentum, as I mentioned in my comments, really gives us confidence overall in our capacity, not just in implementation, but in sales activity, broader sales activity in '25.

Amr Ezzat:

Then your PS professionals would all be focused, or mostly be focused on Ed, I guess, going forward. Is that a fair statement?

Bill Wood:

No, I don't think so, no. We see a continued role, certainly through '25 and beyond, where our Professional Services teams, given nuances or particular needs within the market where we'll be delivering directly. But for the foreseeable future in Ed, we see it nearly 100% direct without partners at this time.

Amr Ezzat:

Fantastic. Just one last one. Any updates you can share with us on SylogistPay?

Bill Wood:

Not at this time. Stay tuned.

Amr Ezzat:

Okay. I'll pass the line. Thank you and congrats again.

Bill Wood:

Thanks, Amr.

Operator:

The next question is from Gavin Fairweather with Cormark Securities. Please go ahead.

Gavin Fairweather:

Hey, good morning and congrats on the strong numbers. Maybe just to start out on it from a vertical perspective, Mission keeps putting up the numbers, strong growth this quarter, 20%. Curious, when you look into the pipe and see what's going on in the competitor landscape and think about that cross-sell opportunity, how confident are you that this level of performance can be maintained?

Bill Wood:

Hey, good morning, Gavin. We feel good. Again, we feel that our targeted competitor displacement campaign is broadening, and we feel that the word is getting out within targeted communities of what we provide, and the outcomes are now becoming more where we can stand on the success that we're having with those customers who tell two friends, and they tell four friends and so on. That's a powerful accelerator for us as we think about it. And not only selling to the pain point of either ERP or fundraising in that sector, ultimately, how we can then pull in other IP over time. So, we feel confident in our ability to continue to drive the Mission segment forward.

Gavin Fairweather:

I feel like we've been seeing that cross-sell between Navigator and Mission CRM has really been quite a strong growth engine for a number of years. How much runway do you have or how do you size up kind of the opportunity to execute on that integrated system going forward?

Bill Wood:

I just want to parse it out a little bit, and I don't mean to mince words there, but really only within the last 12 months would, I would say there has been any earnest positioning of both CRM on top of ERP. That was through the acquisition that we made, there was work to do in terms of making sure that it wasn't just talked about as two systems that could work together, but really how we push that forward in terms of integration that brought new features to customers in the competitive landscape. So, I feel very good about not only within the base, but new logos where we can cross-sell those, maybe not right out of the chute. Usually, an organization is going to not try to eat the elephant all at the same time but start with where their primary pain point is and then pull in the other major mission critical system. In the non-profit sector, the two mission critical systems are their fundraising and their ERP, so we feel very good that once we get there, they're heavily moated for the future.

Gavin Fairweather:

Got it. Then just looking at the bookings overall this quarter, clearly, you're seeing good returns on your increased spend. I think you said 24 people in sales and marketing, and you've also kind of ramped up events and marketing spend as well, and I think you referenced kind of stepping on the gas. What are you thinking from a go-to-market investment perspective? Where are the buckets where perhaps you could turn up the dial a little bit and keep the bookings momentum going?

Bill Wood:
It's really about awareness. We feel very good about where we are on the ERP landscape, the idea of where we are in the CRM landscape within targeted competitor communities and elsewhere. That is a relatively—in the context of years of awareness, that's a relatively new offering that is growing in popularity, so we need to continue to raise the flag on that flagpole in terms of duo offering within the Mission and non-profit community.

On the Gov and Ed, we wanted to make sure that our motions were relating to results and that is now being proved out. The marketing efforts and sales efforts continue to be refined in our messaging. We feel really, really positive about what we're seeing on the Ed side, the bookings clearly, but the activity we're also seeing on the Gov side is really, really encouraging in terms of our pipeline build. We see the opportunity for those deals matriculating, not with some of the seasonality of Ed, but really throughout the year as we think about 2025 and even the back half of this year.

Gavin Fairweather:
Got it. Then just lastly from me, now that you're seeing good momentum in all of your verticals and in the pipeline, is M&A becoming a greater focus of the management team? Curious what the deal landscape looks like there right now.

Bill Wood:
It continues to be a focus for us. It isn’t an or, it’s an and for us and we've continued to be really diligent on that front.

I would say that the landscape there's certainly plenty of visibility and talk of deals that are going on in the space. We continue to look for the right opportunities, not just trying to find a way to add revenue that doesn't make sense and could be a distraction that doesn't really synergistic with our other efforts. We do see strategic M&A as an accelerator for us going forward, but the key there is that strategic as we've said quarter-over-quarter-over-quarter. But we do see that with more of the core, more of the base, where can we add complementary IP? Where can we add talent? Where can we add customer density? All of those things are attractive to us and we continue to have a pretty high appetite on the acquisition front. It's just got to be the right result.

Gavin Fairweather:

Got it. I'll was the line. Thanks so much.

Bill Wood:

Thanks, Gavin.

Operator:

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

Suthan Sukumar:

Good morning, gents, and congrats on a strong quarter.

For my first question I wanted to touch on some of the early encouraging progress you're seeing in Ed and Government on back of the new product rollouts. Can you share some more colour on some of the success proof points you were seeing to date on the go-to-market front with these product rollouts' verticals, and what do you anticipate next steps to be to help drive sustained growth here?

Bill Wood:

Good morning, Suthan. Thanks for joining.

The success, really, there's one thing to be seeing a building pipeline. There's one thing to then close those deals, have them sign on, commit to that kind of five-year horizon that we have earned the right to ask them for in terms of our contracting motions, so that is very positive. But in the end, standing them up successfully and then standing on their shoulders relative to how we use them as ambassadors with colleagues and peers and proof examples of not only the software doing all and more than they imagined they could with their prior system, but ultimately how well can they exercise it and use it to gain that advantage.

We're now through, successfully through those gates with our early adopters and now with the deal flow activity going on and activating more partners on the Gov side we feel very positive about what we're seeing flowing into the pipeline. They are within our ICP, and that is very good in terms of our marketing motions, creating awareness and bringing in the right kind of organizations that we feel we can be successful with. To that end, it's just we're farther down the path now in not only the early stage of early adopters to now them using the systems and being able to point to those as we look to expand our marketing efforts in both segments.

Suthan Sukumar:

Great. That's helpful colour. I also wanted to touch on some of that land and expand commentary that you discussed earlier. Particularly in Mission, can we expand on where you're seeing kind of the typical—rather could you kind of help me understand what the typical land and expand motion is within Mission? Is it just really the cross-sell of CRM to ERP or vice versa, or are there other product capabilities and functionality that really drive what the expansion motion could look like longer term?

Bill Wood:

That’s a great question. Obviously, the CRM to the ERP or vice versa. But we do have a modular architecture in the platform where we have additional IP modules that maybe doesn't mean that they take all of the solution, either one or both solutions, and over time, we can add incremental IP to that to expand the wallet. But what we're seeing additionally is more users. So the lift that we're getting from existing customers upgrade as well as a displacement of competitors, our platforms offer more, and to that end more usability, and to that end the idea that more users can be activated or want to be activated so that they can exercise the system themselves. So that's a very good uptick for us. Additional IP and additional users creates, we think, compounding growth opportunity in terms of the wallet share over time.

Suthan Sukumar:

Agree, that's good validation. When you look forward out over the kind of the medium to long term, and when you look at that mix of bookings from net new and expansions, how do you expect that mix to shift? As you look out here?

Bill Wood:

Net new, I think will continue to expand as a percentage of where we are now because the two new platforms are now in market. So, ultimately, the idea of simply the upgrades--which is a material community, don't get me wrong. That is a very interesting portion of our RPO. But overall, new bookings we see accelerating and that is a really good signal and telltale for us as both awareness and desirability for the platforms continues to expand.

Mission, again, as I said, a little more mature on the ERP side. We have kind of the new kid that we can introduce on the CRM side, which is really exciting. That asset acquisition was a home run relative to what it's done to add innovation and differentiation on the landscape for the not-for-profit space. I said it was really something that I've been chasing for years about how the idea of not just a fundraising system and an ERP system from the same vendor, but ultimately how could that offer a new value proposition and kind of the new way of thinking about engaging with a donor and then being able to make sure that they can be kept abreast of what's going on about their dollars and the impact it's having. We've changed that landscape and that's why I think we are garnering the kind of attention, not only in terms of the cross-sell, but in new logos. We just have a better mousetrap now on that front, on two fronts. So I feel the long-term is very sustainable and I think there's ability for us to continue to dial that up.

And on the Ed and the Gov, that is all new grass for us to mow. We feel very, very good about the early signals and successes we're having, and our pipeline is really strengthening on both sides.

Suthan Sukumar:
That's great. Then, Bill, maybe one last one for me, just on the competitive environment. It sounds like displacement momentum is sustaining. Curious to what you're seeing in the landscape. Is it still the same players that you're going up against, or are there new kind of solution providers coming into the mix as the market evolves here?

Bill Wood:
I will say it's largely the same, and that's a very good thing for us. There is some kind of rebranding, repositioning. Some assets have been acquired and they kind of freshen it up and change the curtains, but the window still doesn't open that well or still has cracks in the panes.

I truly believe that right now that from a competitive landscape standpoint, there isn't any that from an innovation or usability—within our ICP—that offers a better solution. As I've said, these are mission critical systems, so newcomers into this space, it's a heavy lift. There's a high risk for any organization that would kind of bet the farm on somebody that says we're going to build you a new ERP or something to run your school district or something to run your city or town. So to that end, I think some of the unwillingness of our competitors to really go through the discomfort to really bring their systems forward, both into a full SaaS posture, but also from a utilization usability standpoint, not to mention where we think we're ahead of the curve on the AI side. We feel good about where we sit, and we've made the investments and leaned in to make it possible, and now we've kind of earned a little higher soapbox to stand on to talk about it. I don't see that changing anytime soon, and that's a good thing too.

Suthan Sukumar:
Okay. Great. Maybe just one more for me, just on the outlook for continued investment here. What are your priorities here in terms of the investments that you are going to continue making on the OpEx front? Any change in view on sort of the capital being committed on the product and R&D side of things? Just given some of the traction that you're seeing and opportunities that are emerging in the near term?

Bill Wood:
I think our investments, as I see them right now, will remain unchanged from a throttling back and actually we'll be leaning in. We needed to make sure the customer community understood what we were doing and valued us as a partner. That's where it all started. That's if we go back to the early calls. I said we needed to earn our customer confidence back. I feel generally we have done that in a really admirable way, not just in talking, but ultimately delivering and engaging with them at a whole different level. That was the foundation that we could then earn the right to introduce the idea of new technology and our SaaS migration.

The team really delivered on that with the customer's voice throughout, making sure that we weren't just building in a vacuum, but delivering something that fit within our ICP. So, we need to continue.

I do not have any less appetite to continue to innovate and separate and add more innovation and modules to our platform to expand wallet share and distance us from the competitive landscape.

The go-to-market side we'll continue to lean in and probably increase that in terms of the three markets collectively, now that we have proven out and continue to refine the motions that are leading to success.

From an internal standpoint, we are right now most heavily burdened in terms of our Project Services team that is doing dual roles in helping to stand up and empower our partner community, but also being at the ready to continue to work through the increased bookings and deliver it on time and to the customer's delight. Those things I don't see changing until the early part of '25 when, as I said earlier, more of the true hand-off to partner autonomously on the implementation side starts to lessen that load for us in a dual role.

Suthan Sukumar:
Okay. Great. Thank you for the colour. I'll pass the line.

Bill Wood:
Thank you.

Operator:
Once again, if you have a question, please press star, then on.

The next question is from Daniel Rosenberg with Paradigm. Please go ahead.

Daniel Rosenberg:
Hi. Good morning, Bill and Sujeet. My first question was just around the customer. I was wondering if you could just speak to the demand profile that you see out there from your end users. It's nice to see retention spending going up, but just trying to understand the dynamics on the front lines in terms of budgets, just trends in that areas from your end customers, please.

Bill Wood:
Good morning, Daniel. Thanks for joining.

We're not seeing any budget compression or slowdown whatsoever. We keep our eyes open, especially on the Ed side when the ERRISTA (phonetic 37:58) dollars, and that's what's been heavily written about, in terms of some of those dollars from the Feds in the U.S. starts to dry up in terms of the stimulus package that was there before.

But what they're doing is looking to maintain the classroom capabilities that they have come to now rely on and are still digging out from the COVID effect on the learning gap. But what they're doing is making sure that the mission critical systems they have behind the curtain are very much the ones that serve them well and they are fairly priced and feeling good about that. So, new customers that we thought may kind of go along with the system they had as some of this transition of federal dollars, they are working through that, we're actually seeing them lean in, and some of the competitors that we thought would be a little more difficult to displace, they are saying, “I need to come off that price point that solution was providing or charging me to something that is a better fit for what I need and presents the capabilities that I need.”

That’s happening on the Gov exactly the same way in terms of coming off of legacy systems and they need to get to a modern platform.

The security realities in our sectors is not going away anytime soon; it's only going to get worse. So, some of these and most of these folks that are coming off of legacy systems and trying to get to a full SaaS posture for the security benefits it provides. If they are Microsoft-oriented institution or organization, we're very much at the front of the pack on that.

So, I feel good about the demand profile overall, Daniel. I don't see any slowdown right now in our markets whatsoever; if anything, are dialing up.

Daniel Rosenberg:
Okay. Good to hear. Just one quick financial question. In the quarter, there were some working capital movements that kind of were unfavourable this quarter. Can you help me understand what that looks like going forward? And just for modeling purposes, how we should be thinking about working capital swings.

Sujeet Kini:
Yes, I can take that.

Bill Wood:
Please.

Sujeet Kini:
Good morning, Dan. From a working capital perspective, this ties into the overall seasonality comment that we made in our prepared remarks. Essentially, what happens at this time of the year, from a working capital perspective, Sylogist is really a story of two halves. The first half of the year has a very

different profile from a working capital cash ARR deferred revenue perspective compared to the second half.

Essentially what happens in the second half is we have a large volume of invoices, especially on the education side, that go up. It has kind of a combined effect of positive impacts from cash, cash perspective, free cash flow perspective, accounts receivable perspective, and essentially also that the positive trend on the working capital side. So, nothing sort of underlying here, other than the fact that essentially what you're seeing in the results is the seasonality in terms of our customer invoicing cycles.

Daniel Rosenberg:
Okay. Great. Appreciate that and congrats on another solid quarter. I'll pass the line.

Bill Wood:
Thanks, Dan.

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

Bill Wood:
Yes. I want to thank our long-time investors, as well as welcome and thank the many new investors, both individual and institutional, that are now supporting our efforts.

We've accomplished a great deal in a relatively short period of time, and now we have the opportunity to accelerate value creation, not only in the near term, but for years to come.

Again, thank you for joining our Q2 earnings call. Have a great day.

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