

# **TECSYS INC. – TSX:TCS**

## **FIRST QUARTER RESULTS, FISCAL YEAR 2008**

### **FINANCIAL ANALYSTS CALL – SEPTEMBER 11, 2007**

#### **INTRODUCTIONS:**

Good afternoon, ladies and gentlemen! Welcome to our presentation of the First Quarter results of Fiscal Year 2008.

I am here today with Berty Ho, our Chief Financial Officer.

#### **Agenda:**

In our presentation, we will announce the results for the first quarter of fiscal year 2008, we will also cover some of the key business highlights during the quarter. Towards the end of the call, we will open it up for questions.

Please note that all dollar amounts are expressed in U.S. currency and are reported in accordance with Canadian GAAP and are unaudited.

Some of the statements in this conference call relate to matters that are not historical fact, but which are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance and are subject to a number of uncertainties, including but not limited to future economic conditions, and other factors beyond the control of TECSYS Inc., which could cause actual results to differ materially from such statements.

## **Overview:**

In the first quarter of fiscal year 2008, our momentum continued with positive achievements. We signed a number of agreements with new and existing customers, increased our margins, and achieved positive earnings. I am pleased with our continued progress!

### **Allow me to go through the financial highlights of the quarter:**

Revenue for Q1 for fiscal year 2008 was \$7.8 million, equal to the first quarter revenues for the last year. At the end of the quarter, deferred license revenue was \$2.2 million up from \$1.7 million from the end of the fourth quarter for fiscal year 2007, an increase of \$456K, and up from \$1.0M at the end of the first quarter of fiscal year 2007; an increase of \$1.2M.

Earnings from operations for the quarter were \$141K compared to a loss from operations of \$256K for Q1 of last fiscal year. From an EBITDA perspective, we have achieved \$300K in Q1 of this fiscal year compared \$52K to Q1 of last fiscal year.

In addition, our margins have improved! Gross margin percentage increased to 44% in Q1 of this fiscal year compared to 40% in Q1 of last fiscal year. This gross margin improvement reflects an increase in gross margin of both products and services in Q1 of this fiscal year compared to Q1 of last fiscal year. From an operating expenses point of view, total operating expenses decreased by 2% from \$3.4 million in Q1 of last fiscal year to \$3.3 million in Q1 of this fiscal year.

After a foreign exchange loss of \$128K, net earnings for Q1 of this fiscal year were \$82K or one cent per share compared to a net loss of \$174K or one cent per share for Q1 of last fiscal year.

Q1 demonstrates the continued improvement to our financial results that have seen a major shift to profitability during the last three quarters. I am particularly pleased with the wins in the markets we have focused on, the substantial growth in our deferred license fees and with the successful deployment of a record number of key accounts in healthcare, heavy equipment dealers and high volume distributors that went live on our solutions in this quarter.

## **Now turning to some of our business highlights:**

During the quarter, we won five new customers, signed a number of upgrades with existing customers and completed thirteen Go-Lives. Allow me to comment on a couple of the key market segments:

- In the healthcare market space, we have signed another major customer, entered into new agreements with three existing customers in the US, and completed the deployment of three healthcare projects. The new customer win, represents another addition to our portfolio of IDN's, or Integrated Delivery Networks. This customer is a diversified regional health care organization which serves 22 counties in the south central part of the US. It provides a broad range of acute diagnostic and therapeutic services through a community hospital system, a regional network of more than 30 primary and specialty clinics, and nursing homes. This regional IDN signed for our distribution and warehouse management capabilities on a hosted basis to better serve their customers and to improve the health of the people of that region by providing conveniently accessible, cost-effective health care of the highest quality.

I am pleased to see that we continue to penetrate the healthcare space. It is a solid market with a good source of recurring, profitable revenue.

- From a deployment point of view in healthcare, Life Science Logistics or LSL, a third party logistics provider who also signed with us on a hosting basis a few months ago, went live in Q1. To meet the needs of the Life Sciences and healthcare industries, LSL set up two cGMP-compliant (cGMP is the FDA's "current Good Manufacturing Processes) facilities one in Louisville, Kentucky and the second is a 405,000 square foot warehouse operation in the Dallas Fort Worth area. Both facilities serve LSL's Pharmaceutical, Med-device and biotech manufacturers target markets. With this deployment, Life Science Logistics now

has a fully redundant remotely hosted ERP application that includes Order Management, Warehouse Management, Transportation Management and Financial Management. The system supports the Order to Cash model and includes “charge back” and Accounts Receivables functionality which is critical in today’s Healthcare environment.

- Also in healthcare we have deployed a major IDN in Central Canada. This regional health authority is comprised of nine hospitals, 39 personal care homes and 20 community health offices. Most of this IDN’s systems were manual and had dated mainframe application. With TECSYS now being their partner of choice for all supply chain practices, this regional health authority will be reducing cost and creating positive change in people's health and well being as a result of their improved infrastructure.
- In our heavy equipment market focus, we have signed two agreements; one with an existing customer and another with a new customer. The new customer is a major Dealer with nine distribution and customer services outlets in the central part of the US. This dealer acquired our warehouse management system to manage their parts distribution and improve customer service, a typical need shared by most of these dealers. The addition of this new customer brings our market share close to 15% of the North American Caterpillar dealer market, as we strive to be the number one supplier in this space.
- From a deployment point of view in the heavy equipment market, we have completed the deployment of our warehouse management system at Wagner equipment. With 31 facilities and over 1300 people, Wagner is one of the largest Caterpillar dealers and the exclusive provider of Caterpillar products and services in Colorado, New Mexico and far-west Texas. The company needed to move away from its labour-intensive logistics operations and deploy a warehouse management system compatible with the Caterpillar dealer environment. As importantly, it needed a system that provides clear visibility across the enterprise and supports, in real-time, its vital customer services operations. Now with

TECSYS, Wagner's management is in control of their entire logistics process, inbound and outbound. The Company is seeing the value and expects to recoup their investment within 18 months.

In summary, our focus on selected market segments has proven to pay dividends, from both a sales and cost point of view. We made \$141K in operations and grew our deferred license fees by \$456K. Moving forward, we continue our initiatives of driving sales and improving our margins as we strive for improved shareholders returns.

**That concludes our presentation. Thank you for your attention, we will now open it up for questions.**