

TECSYS INC. - TSX:TCS

2010 FIRST QUARTER RESULTS

FINANCIAL ANALYSTS CALL – SEPTEMBER 10, 2009

INTRODUCTIONS:

Good afternoon, ladies and gentlemen! Welcome to our presentation. Joining me for this conference call is Berty Ho, our Chief Financial Officer. In this presentation, we will announce the financial results and cover the key business highlights of the first quarter of fiscal year 2010. At the end of the presentation we will have a question and answer period for the analysts and media.

Please note that all dollar amounts are expressed in Canadian 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 Q1 of 2010, our businesses continued to prove resilient, generating cash and delivering positive results, both from operations and net earnings. Through a combination of new business from existing and new clients, a solid backlog, and prudent cost control, the first quarter was reasonably good in spite of the economic climate.

Our focus on proprietary software sales during this downturn is demonstrated by our numbers with sales of our own software and services rising by 4% over Q1 of last fiscal year while sales of third party products dropped by 45%. This improved business mix, more than compensated

for the reduction in overall revenue and drove our Gross margin up to 46% from 39% in Q1 of last year.

Furthermore, we continued to solidify our balance sheet, ending the quarter with cash and cash equivalents and short-term investments of eight million dollars compared to 5.5 million at the end of Q1, 2009, and a solid backlog of 18.4 million.

Now turning to the financial highlights of the quarter:

Revenue for the first quarter of fiscal 2010 was \$9.2 million compared to \$10.2 million in Q1, 2009. 32% of this revenue was derived from products sales while 65% came from services and recurring maintenance fees.

Gross margin for the quarter increased to 46% from 39% in Q1 of last fiscal year. The increase in gross margin is attributable to slower third-party sales and higher services margin of \$518,000 as services' revenues increased significantly while costs remained relatively stable. Services margin during the first quarter of fiscal 2010 increased to 40% compared to 34% for the same period of fiscal 2009, while product margin increased significantly to 63% in Q1, 2010 compared to 49% in Q1, 2009.

Earnings from operations for Q1, 2010 were \$300K compared to \$266K for Q1, 2009. EBITDA was \$455K in Q1, 2010 compared to \$656K Q1 of last fiscal year.

Net earnings were \$108K or one cent per share in Q1, 2010 compared to \$274K or two cents per share in Q1, 2009. Net earnings were achieved after accounting for a net interest income of \$2K, foreign exchange losses of \$168K and a share of net loss and amortization of intangible assets of \$26K from a company in which TECSYS has an equity interest.

In terms of business highlights:

During the quarter, the Company signed agreements with existing clients and new customers including:

- Two Industrial distributors in Ontario
- Music & DVD wholesale distributor in Ontario
- Educational products distributor in Ontario
- Home décor products distributor in Ontario

- Electronic products distributor in Quebec
- Photo equipment and supplies distributor
- Giftware products distributor in Ontario
- A major healthcare services agency in New York
- A distributor of gas and welding products and supplies in Texas

A key win in the quarter was a Gas and Welding Supply Company in the Southern US. This is a leading supplier of high-purity and specialty gases, equipment and services. They provide packaged gas, equipment and services to the industrial, petrochemical, scientific, laboratory and environmental industries. The Company operates in one of the most competitive and diverse market and it is not unusually for them to compete with twenty or more suppliers in a single sales opportunity. They have selected our EliteSeries distribution management applications to reduce operating cost, strengthen their competitive advantage and improve customer service and delivery.

The supply chain management technology available to the packaged gas and welding industry, is very limited. Some distributors have resorted to developing their own solution but the majority has been using legacy systems running on outdated technology. We have differentiated our offering with our distribution expertise and technology specific to this industry and are continuing to win market share.

I am delighted with our success in this vertical and look forward to our continued success moving forward.

From a services' perspective, we completed the deployment of our supply chain execution solutions at twenty customers in Canada, the U.S. and Europe. Key account go-lives included: Orlando Health, Empire CAT and Warren CAT in the heavy equipment dealers sector, SCP Spain, Federated Group, XEROX and Canon USA, among many others in the high-volume distribution sector. I would like to comment on a couple of these key accounts:

First, in the healthcare sector, I am pleased to report that in June of this year, just one year after they have selected our warehouse and distribution management applications, we have successfully completed the deployment of our solutions at Orlando health. As Central Florida's 5th largest employer, Orlando Health's network consists of nine hospitals and care centers, providing high-quality care and service to over 100,000 inpatients and 600,000

outpatients each year. With our healthcare solutions, Orlando Health are now able to provide just-in-time delivery of vital products and supplies to support their vast hospital network and are able to squeeze cost out of their supply chain operations while improving service to patients.

The business significance of our supply chain work in the hospital supply network area is evident by the result of a recently-conducted survey by Marquette University of 1600 critical care, operating rooms and executive nurses across the US. Respondents indicated that 5 to over 20% of their time is been spent on researching for patient supplies. In a 12-hour shift most nurses spend between half an hour to two and a half hours searching for supplies. With our supply chain solutions for healthcare, hospitals are able to eliminate this problem, freeing-up nurses to do their clinical work and at the same time enabling logistics' management to reduce supplies cost by millions of dollars, as experienced by all of our hospital supplies network clients.

With over 200 hospital supply networks in the U.S., we are at the infancy of an adoption trend where TECSYS plays a market-leading role today. I look forward to our continued business development initiatives and further success in this space as the US healthcare sector moves forward in freeing-up cash for capital investments in information technology.

Another key account I would like to talk about briefly is the US distribution operations of a global provider of consumer imaging and information technology, and one of Fortune's most admired companies. Their varied distribution management needs - from totally automated with conveyors and state of the art RFID technology, to lower volume logistics operations with a lesser need of automation - required that they find not only a feature-rich warehouse management system but also a very flexible one. We were delighted that we were selected last year as the standard solution for the distribution operations of such a reputable and quality organization. Over the past few months, four distribution facilities have already been deployed with our software in Texas, Georgia and Virginia, we expect two more to be completed in the next couple of months and ten additional ones in the next year or so.

Returns to Shareholders:

That concludes our review of business highlights. From the perspective of returns to shareholders, and as part of our Normal Course Issuer Bid, during the quarter, we have

purchased 144,340 of our outstanding common shares for cancellation at an average price of \$1.77 per share for the total cost of \$258K.

In addition, as per our dividends policy, and due to our continued positive performance as well as cash generation, the board has declared a two and half cent dividend, a 25% increase over our previously declared dividends, to be paid on October 7, 2009 to shareholders of record on September 23, 2009.

The increase of our dividend underscores our commitment to shareholders and makes dividend distribution on an annual basis equal to approximately 15% of cash from operations generated within the last 12 months.

In summary:

- In spite of the economic slowdown, we continued to be profitable
- We continue to focus on those opportunities where prospective clients are taking advantage of the slower economy to strengthen their supply chain and improve their cost structure.
- Our business development initiatives continue to be strong and our sales pipeline continues to be healthy
- At the end of Q1, 2010, annualized recurring revenue stood at \$12.8M up from \$11.7 M at the end of Q1, 2009. Recurring revenue is principally made-up of annual software maintenance contracts.
- During the quarter, we have generated \$442K cash from operations up from \$47K in Q1, 2009.
- Cash, cash equivalents and short-term investments during the quarter amounted to \$8.0M compared to \$5.5M at the end of Q1, 2009 with no significant long term debt.
- At the end of Q1, 2010, backlog stood at \$18.4M compared to \$19.0M at the end of Q1, 2009 and \$17.1M at the end of Q1, 2008.

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