

TECSYS INC. - TSX:TCS

SECOND QUARTER RESULTS, FISCAL YEAR 2008

FINANCIAL ANALYSTS CALL – NOVEMBER 27, 2007

INTRODUCTIONS:

Good afternoon, ladies and gentlemen! Welcome to our presentation of the Second 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 Second 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:

With the highest operating earnings in the history of TECSYS, Q2 was a great quarter! We continued our momentum of the past few quarters and grew our top line substantially by signing a number of agreements with new and existing customers. We also increased our margins substantially and further improved our earnings. It is certainly gratifying to see the results of our strategic focus on specific profitable market segments and the determination of our management team to continue to improve our results. I am pleased with where we are today!

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

Revenue for Q2 for fiscal year 2008 was \$9.7 million, 29% higher than the second quarter of last fiscal year. Product revenue soared to \$4.5 million during the quarter, a 56% increase over last year's, while Services revenue grew by 13% reaching \$5 million in the same period.

During the quarter, the Company changed its software license policy resulting in more rapid recognition of license revenue. In spite of this change, deferred license revenue increased during the quarter from \$2.2M to \$2.5M. This

Earnings from operations for the quarter were \$993K compared to a loss from operations of \$644K for Q2 of last fiscal year. From an EBITDA perspective, we have achieved a substantial improvement compared to Q2 of last fiscal year. EBITDA for Q2 of this fiscal year increased to \$749K compared to a negative EBITDA of \$411K for Q2 of last fiscal year. I am pleased with these achievements and with our continued progress!

In addition, in spite of the rising Canadian dollar, margins have improved substantially! Gross margin percentage increased to 49% in Q2 of this fiscal year compared to 36% in Q2 of last fiscal year. This gross margin improvement reflects an increase in gross margin of both products and services in Q2 of this fiscal year compared to Q2 of last fiscal year.

During the quarter we have taken a provision of approximately 5% or \$263K against TECSYS' ABCP holdings. This provision was calculated using discounted cash flows and a combination

of liquidity and credit risk factors based on the information available to management at this point in time. TECSYS' ABCP holdings are all "SERIES A" with over 98% of these holdings continuing to be rated as "AAA". However, due to scarcity of information on this subject, TECSYS' management cannot be more precise at this time. We will continue to keep a close eye on the development of an anticipated solution to the ABCP issue by the financial community, and we will inform our stakeholders accordingly of the relevant information as it becomes available to us.

After accounting for the \$263K ABCP provision and a foreign exchange loss of \$327K, net earnings for Q2 of this fiscal year were \$427K or three cents per share compared to a net loss of \$691K or five cents per share for Q2 of last fiscal year.

In spite of currency head winds and the ABCP provision, we continued our path towards continued financial improvements and the strengthening of our market positions particularly in the healthcare and heavy equipment market segments.

For the six months ended October 31, 2007, revenue increased by 14% to 17.5 million dollars compared to 15.4 million in the same period of the prior fiscal year. Earnings from operations for the first half of this fiscal year were \$1.1 million dollars compared to loss from operations of \$900K in the same period of the prior fiscal year. After accounting for an exchange loss of \$455K, net interest income of \$97K and the \$263K provision for ABCP holdings, net earnings for the first half of fiscal year 2008 were \$509K or four cents per share compared to a net loss of \$865K or six cents per share for the same period of the prior fiscal year.

Now turning to some of our business highlights:

During the quarter, we won four new customers, signed a number of upgrades with existing customers and completed sixteen Go-Lives. Allow me to comment on the significant achievements during the quarter:

- Towards the end of the quarter, we signed a major North American wholesaler of periodicals and books. The company distributes to major retailers and has an

infrastructure that effectively receives, processes, delivers and tracks a high volume of periodical copies every year. This customer has licensed the full suite of the EliteSeries product line to effectively manage their supply chain.

- In the heavy equipment distribution market, we signed a major Caterpillar dealer in the south western part of the United States, increasing our market share in this space beyond the 15% we talked about last quarter. With over 100,000 square miles of territory in four major population areas, this factory authorized Caterpillar dealer is a full service provider of sales, lease and rental of a full line of Caterpillar equipment. They have acquired our warehouse management system to streamline their supply chain, manage their parts distribution and improve customer service. Today, TECSYS is undoubtedly the leading provider of logistics solutions to this industry as we continue to penetrate this market successfully.
- We continued to entrench ourselves in the healthcare market by leveraging our existing customer base and expanding our coverage in their supply chain network. Recently we completed the go-live of our warehouse management system in a new facility for one of our healthcare distribution customers; a fortune 100 healthcare company. This customer provides products and services to hospitals, physician offices and pharmacies. They develop market-leading technologies, manufacture medical and surgical products and are one of the largest distributors of pharmaceuticals and medical supplies worldwide. A TECSYS customer for several years, they are a great partner and great source of recurring business.
- Also in healthcare we completed the deployment of our system for a leading pharmaceutical marketing services supplier. This customer offers comprehensive marketing solutions to members of the healthcare community while helping pharmaceutical companies meet the challenges of communicating with physicians and patients. For more than two decades, this customer has gained the trust of industry leaders because of their expertise, dedication to accuracy and research, and ability to keep pace with technological advancements and regulatory changes. They have been a TECSYS customer for close to three years and have recently upgraded to the latest version of our EliteSeries Suite.

- In our other high-volume distribution market segments such as import to retail, general wholesale and third party logistics, we signed two new customers, one of which is a major hardware wholesaler in the US. We also signed a substantial number of customer upgrades.

On the investment front, as part of our Normal Course Issuer Bid, we purchased 401,200 TECSYS shares during the first six months of the fiscal year at an average price of US \$1.36 for a total investment of US \$556,000. Furthermore, we increased our ownership in TECSYS Latin America or TLA, from 22% to 30%. TLA is a long standing partner of TECSYS that has exclusively distributed our supply chain software in Central and South America for a decade.

In summary, it was another great quarter. All KPI's are going in the right direction:

- Revenue and margins are up
- Expenses are within our expectations
- Operating and net earnings are in good shape
- DSO for Q2 was at 77 days, lower than Q1 of 83 days, and substantially lower than last year's Q2 of 88 days
- Backlog at the end of Q2, 2008 was \$17.8 million up from \$16 million at the end of Q1
- Our sales pipeline is healthier than ever
- We continued to generate cash. Generating \$4.4M in the last 4 quarters and \$1.3M in the last quarter alone.

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