

TECSYS INC. - TSX:TCS

2009 SECOND QUARTER RESULTS

FINANCIAL ANALYSTS CALL – NOVEMBER 25, 2008

INTRODUCTIONS:

Good afternoon, ladies and gentlemen! Welcome to our presentation. I am here with Berty Ho, our Chief Financial Officer. In our presentation, we will announce the results and cover the key business highlights of the second quarter of fiscal year 2009. At the end of the presentation we will open it up for questions.

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

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:

We are pleased to report continued growth in both revenue and earnings, particularly in this business climate. The quarter included a good mix of contracts from our customer base as well as new accounts and we saw a significant number of successful deployments of our software at key accounts in high volume distribution and the healthcare industry.

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

Revenue for the second quarter of fiscal 2009 increased 9% to \$10.7 million compared to \$9.8 million in the second quarter of last fiscal year. Revenue growth was attained through the addition of Streamline, a company we acquired last November, as well as a mix of contributions from new and existing customers, and a significant number of go lives during the quarter.

Product revenue remained at the same level in Q2, 2009 in comparison to Q2, 2008, while services revenue increased by 17% to \$5.9 million compared to \$5.1 million in the same period of last fiscal year

Gross margin for the quarter was 43% compared to 49% in Q2 of last fiscal year. Total gross margin was primarily impacted by the higher contribution of services revenue and third party products to the revenue mix during the period. Earnings from operations for Q2, 2009 were \$771K compared to \$970K for Q2 of last fiscal year.

EBITDA increased 37% to one million and eighteen thousand dollars in Q2, 2009 compared to seven hundred and forty one thousand dollars in Q2 of last fiscal year. The substantial increase in EBITDA is primarily attributable to the significantly lower foreign exchange losses of \$89K in Q2, 2009 compared to \$333K in Q2, 2008, and for the provision of \$250K for changes in fair value of TECSYS' ABCP in Q2, 2008 compared to nil in Q2, 2009.

Net earnings for the quarter increased to \$644K or \$0.05 per share, up from \$414K or \$0.03 per share in the same quarter of last year. These earnings were achieved after accounting for an exchange loss of \$89K, net interest expense of \$12K, a share of net loss and amortization of intangible asset of \$26K from a company in which TECSYS has an equity interest.

Annualized Return on Equity grew from 10.9% in Q2 of last year to 16.5% in the most recent quarter.

We ended the quarter with a \$20,103K backlog, up from \$16,882K at the end of the same quarter of the prior year.

After taking into consideration the changes in the credit market, the additional accrued interest on TECSYS' ABCP, and the appreciation of the face value of the U.S. denominated ABCP, during the three and six-month periods ended October 31, 2008, we have concluded that there was not enough of a material change in the fair value to warrant a change in the valuation of our ABCP. Therefore, there were no adjustments made to the carrying value during the three and six-month periods ended October 31, 2008.

Now turning to the financial highlights of the first half:

For the six months ended October 31st, 2008 revenue increased 15% to \$20.9 million compared to \$18.2 million in the same period of last fiscal year. Earnings from operations in the first half were one million and thirty seven thousand dollars compared to one million one hundred and eighteen thousand dollars for the same period in last fiscal year. From an EBITDA perspective, we have achieved an increase of 59% to one million six hundred and seventy five thousand dollars compared to one million and fifty four thousand dollars in the same period of fiscal 2008.

Net earnings for the first half of fiscal 2009 were \$918K or \$0.07 per share compared to \$491K or \$0.04 per share for the same period of the prior fiscal year. These earnings were achieved after accounting for an exchange loss of \$77K, net interest expense of \$17K, a share of net loss and amortization of intangible asset of \$25K from a company in which TECSYS has an equity interest.

Annualized Return on Equity grew from 6.5% in the first half of last year to 11.9% in the first half of the current year.

Now turning to some of our business highlights:

During the quarter we have signed a number of agreements with existing clients and won the business of seven new accounts including:

- A major University in Illinois
- Five industrial distributors and a third party logistics provider in Canada

Allow me to comment on a couple of our key market sectors:

Last quarter we discussed the market opportunity in the industrial gas and supplies industry. In the second quarter we moved forward in this industry with the successful go live of another distributor on the west coast in the US. This represents another milestone in establishing TECSYS as the technology standard for this industry and another testimonial to our further penetration of this market.

As you may recall, in January of this year, we signed a major North American manufacturer/distributor of consumer electronics products, and one of Fortune's most admired companies in America. This customer has selected TECSYS' warehouse and transportation management systems as the standard solutions for its distribution centres across North America to help achieve their ultimate goal of becoming totally paperless. In Q2, 2009 I am pleased to report that we have successfully completed the go-lives of two distribution centres for this customer that, not only strengthens our ties with this customer, but also reinforce our business development initiatives in the high volume distribution market sector.

On the healthcare front, I would like to report two key achievements. The first is the signing of a major license upgrade of our supply chain system for health care with one of the largest pharmaceutical distributors in North America and an existing customer of TECSYS.

Secondly, I am pleased to report the go-live of Mercy Roi on the latest release of our warehouse management system for healthcare. Mercy Roi is part of the Sister of Mercy Health system; an 18-hospital network based in Saint Louis, Missouri. Mercy Roi has been a TECSYS customer since 2003; they are a supply chain innovator and a show case for our distributions solutions for hospital supply networks. Over a period of time, Mercy Roi has hosted visitors from 670 hospitals across the US. These organizations are seeking to learn about Mercy's supply chain operation which is primarily powered by TECSYS' software.

In fact, when Rick Schooler, CIO of Orlando Health, was planning a warehouse management system to revamp the supply chain at Orlando Health, he paid a visit to Sisters of Mercy before signing with TECSYS at the beginning of this fiscal year.

I am pleased with the industry's support for our hospital supply chain solutions and look forward to our continued success in this sector.

Moving forward, we remain optimistic about our business development initiatives in key verticals with our differentiated offerings while continuing to closely manage our spending in light of the changing landscape. We are all cognisant of a general slow down in the economy, and yet continue to see a willingness to invest in most of our verticals. We'll continue to watch this closely.

During the quarter, we also continued our work to improve the returns for our shareholders, with a combination of a stock buyback program and a dividend program. During the second quarter, we purchased 264,000 shares for cancellation and paid out our second semi-annual \$0.02 per dividend.

In summary:

- Revenue continued to grow
- Expenses are within our expectations
- Earnings have improved
- Our sales pipeline continues to be healthy
- And our vertical focus continues to drive benefits for our customers and solid financial results for the business.

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