

TECSYS INC. - TSX:TCS

2010 SECOND QUARTER RESULTS

FINANCIAL ANALYSTS CALL – NOVEMBER 25, 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 second 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:

Overall, Q2 was a solid quarter with continued growth of our proprietary software, achieving the highest license revenue this decade while continuing to improve our returns.

During the quarter we won major new agreements in our healthcare verticals, particularly in the emergency preparedness sector where hospitals and emergency sites in Canada and the US have made a proactive effort to be ready with their supply chains for significant events such as the distribution of H1N1 vaccines. We also completed the deployment of ten major go-lives, all of which have contributed positively to our revenue mix and profitability.

While overall revenue was 7% down, our proprietary software revenue in the product revenue mix increased substantially and enabled us to achieve profitability of six cents per share and a significant increase in gross margin to 48%.

Now turning to the financial highlights of the quarter:

Revenue for the second quarter of fiscal 2010 was \$9.9 million compared to \$10.7 million in Q2, 2009. 42% of this revenue was derived from products sales while 55% came from services and recurring maintenance fees.

The revenue decline during the quarter was due to a decrease in third party products of \$1.1 million compared to Q2 in 2009, and to lower services billings due to slower services bookings during past recessionary quarters. While services bookings have picked up in the second quarter of fiscal 2010, billings of these services will only be realized in a few months, once these projects have been completed. Proprietary licenses revenue, however, was higher by \$765K in Q2 2010 compared to Q2 2009.

Gross margin for the quarter increased to 48% from 43% in Q2 of last fiscal year. The increase in gross margin is primarily attributable to a significant increase in proprietary software and lower 3rd party products in the revenue mix. As a result, product margin increased significantly to 70% in Q2, 2010 from 54% in Q2, 2009, while services margin, decreased to 33% from 36% for the same period of fiscal 2009. The decrease in services margin was primarily due to lower customization services provided during this period.

Earnings from operations for Q2, 2010 were \$813K compared to \$771K for Q2, 2009. EBITDA increased to \$1,118K in Q2, 2010 from \$1,018K in Q2 of last fiscal year.

Net earnings were \$746K or six cents per share in Q2, 2010 compared to \$644K or five cents per share in Q2, 2009. Net earnings were achieved after accounting for foreign exchange losses of \$26K and a share of net loss and amortization of intangible assets of \$23K from a company in which TECSYS has an equity interest.

In terms of the financial highlights of the first half:

For the six months ended October 31st, 2009, revenue was \$19.1 million compared to \$20.9 million in the same period of last fiscal year. Earnings from operations in the first half were \$1,113K compared to \$1,037K for the same period in last fiscal year. EBITDA for the first half of 2010 was \$1,574K compared to \$1,675K in the same period in 2009.

Net earnings for the first half, 2010 were \$854K or seven cents per share compared to \$918K or seven cents per share for the same period of the prior fiscal year. These earnings were achieved after accounting for net interest income of \$2K, foreign exchange losses of \$194K and a share of net loss and amortization of intangible assets of \$49K from a company in which TECSYS has an equity interest.

Annualized Return on Equity in the first half of fiscal 2010 was 10.7% compared to 11.9% for the same period in last fiscal year.

In terms of business highlights:

During the quarter, we signed a number of agreements with existing clients and new customers including:

- A hospital supply network in the state of Washington
- A major emergency preparedness center in Maryland
- A major speciality drug distributor in the U.S.
- A heavy equipment dealer in Saskatchewan
- A packaged gas and welding supplies distributor in North Carolina
- Two Industrial distributors in Ontario
- A major private university in the state of Virginia
- A leading food distributor in Quebec
- Two office supplies distributors in Ontario
- A leading supplier of signs and imaging products across Canada
- A hardware supplier in Quebec
- A construction material supplies distributor in Ontario

I am delighted with these wins. We continue to improve our market share on all fronts. In the heavy equipment vertical market, with our recent win of Kramer Limited in Saskatchewan, we have increased our market share to over 20% in North America. We also expanded our foot print in the packaged gas and welding supplies industry, adding another distributor during the quarter, as we continue to carve out market share away from an old legacy technology provider in this vertical. These additions provide TECSYS, not only with significant credentials in business development initiatives, but also with upgrades and recurring revenue opportunities moving forward.

From a services perspective; we deployed our supply chain execution solutions at sixteen customer sites, five of which were in healthcare, five in high-volume distribution for mid-to-large size clients and six in the SMB sector.

A key driver in the quarter was the heightened emergency preparedness initiatives in Canada and the U.S., as you may be aware, hospitals, clinics and trauma centers have been on alert to respond immediately to adverse event challenges brought about by natural disasters such as hurricanes and flu virus outbreaks like H1N1. Often, their biggest challenge is delivering the right supplies to the right people on-time to save lives and prevent catastrophic fallout.

I would like to comment on a couple of the customers deployed during the quarter:

In Q2, 2010, we have completed the deployment of our software at a major government owned and operated medical supply depot in the U.S. The Center is a national and international source of pharmaceutical and medical supplies for worldwide healthcare facilities. Its mission is to implement and manage a quality, timely and cost effective supply system to ensure that they have the supplies required to provide quality healthcare to their stakeholders internationally.

Tracking down key players, establishing accounts, developing ordering strategies, and finally getting the product to where it is needed can be very time consuming and do nothing but slow response time in responding to emergencies. With our software, emergency preparedness centers are enabled to speed up the flow of activity across their supply network, such as managing inventory, reducing cost, and delivering on time products and supplies to healthcare professionals and patients. Our software has already been deployed at several

hospital networks and is used by healthcare manufacturers and distributors to efficiently distribute vaccines, anti-bodies and med-surge products across North America.

Today, senior government officials at this major supply depot are able to tap into an already established pharmaceutical supply chain network powered by TECSYS and address their emergency responses, nationally and internationally, even during large scale disasters.

Also during the quarter, we completed the deployment of the tenth major emergency preparedness center on our software at a major facility in the north-eastern part of the U.S.

As with the other TECSYS-enabled Emergency Preparedness Centers, our software for healthcare is now empowering this Center to manage its daily supplies and on-time delivery of healthcare products and vaccines from healthcare manufacturers, as well as the Center for Disease Control to Points of Dispense facilities, hospitals and clinics, and finally to end consumer. We are pleased with these go-lives and with our contribution to ensure that emergency preparedness centers are well equipped to manage their supply chains effectively and to deliver on time healthcare supplies to ensure safety to our society.

In summary:

- Q2 was a solid quarter. Proprietary product contribution to the revenue mix continued to strengthen, improving our gross margin and profitability.
- Our business development initiatives continue to be strong and our sales pipeline continues to be healthy
- During Q2, 2010, annualized return on equity increased to 18.7%
- At the end of Q2, 2010 annualized recurring revenue was \$13.1M.
- Cash, cash equivalents and short-term investments during the quarter amounted to \$7.1M compared to \$6.0M at the end of Q2, 2009 with no significant long term debt.
- At the end of Q2, 2010, backlog was \$17.9M

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