

TECSYS INC. - TSX:TCS

2009 THIRD QUARTER RESULTS

FINANCIAL ANALYSTS CALL – FEBRUARY 24, 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 third quarter of fiscal year 2009. 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.

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:

During the quarter, in spite of the economic conditions, we remained profitable. The quarter's business included a mix of contracts with existing customers as well as new accounts, and we saw the successful deployments of our software at twenty two customers across our business Units. Although the economic climate clearly impacted decision-making, resulting in slower product sales, the total value of project bookings of products and services with existing customers continued at a solid pace; rising to \$6.6 million. We also generated \$ 1.8 million cash from operations and ended the quarter with \$20.6 million in backlog.

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

Before we start, I would like to point out that from a comparison point of view, it's not exactly a level playing field to compare Q3, 2009 to Q3, 2008 for two key reasons:

1. The economic climate in 2008 was significantly better than 2009 during this period
2. Q3, 2008 was an exceptionally good quarter in which we posted record financial results with revenue growth of 17%

With this in mind, let's now review the financial results of Q3, 2009:

Total revenue for the third quarter of fiscal 2009 was \$9.6 million compared to \$10.7 million for the same period of last fiscal year. 33% of total revenue was contributed by products sales while 64% came from services.

Gross margin for the quarter was 42% compared to 44% in Q3 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 third quarter, services margin improved to 39% from 38% for the same period of last fiscal year.

Earnings from operations for Q3, 2009 were \$329K compared to \$842K for Q3 of last fiscal year. EBITDA was \$480K in Q3, 2009 compared to one million one hundred and eight thousand dollars in Q3 of last fiscal year.

Net earnings for the third quarter, 2009 were \$97K or one cent per share, compared to \$723K or six cents per share in the same quarter of last fiscal year. Net earnings for Q3, 2009 were achieved after accounting for an exchange loss of \$86K, net interest income of \$4K, share of net loss and amortization of \$27K for intangible assets of a company in which TECSYS has an equity interest, and a provision for Asset Backed Commercial Paper holdings of \$123K.

Now turning to the financial highlights of the nine months:

For the nine months ended January 31st, 2009 revenue increased 6% to \$30.6 million from \$28.9 million in the same period of last fiscal year. 40% of the revenue was contributed by product sales, while services contributed 58% to this revenue.

Earnings from operations for the first nine months, 2009 were \$1,366K compared to \$1,960K for the same period in last fiscal year. EBITDA for the first nine months, 2009 was \$2,155K compared to \$2,162K for the same period in last fiscal year.

Net earnings for the first nine months, 2009 were \$1,015K or eight cents per share compared to \$1,214K or nine cents per share for the same period of the prior fiscal year. These earnings were achieved after accounting for an exchange loss of \$163K, net interest expense of \$13K, a share of net loss and amortization of intangible asset of \$52K from a company in which TECSYS has an equity interest, and a provision for Asset Backed Commercial Paper holdings of \$123K.

In terms of business highlights:

During the quarter we have signed a number of agreements with existing clients for products and services, and won the business of four new accounts including:

- The Department of Health for a large US City
- A Gas & Welding Supplies distributor in Texas
- Two industrial distributors in Canada

The Department of health for a major city in the US has licensed our EliteSeries order management and warehouse management software solutions to implement across a network of three warehouses. They have selected TECSYS to improve the following:

1. Warehouse productivity during emergency responses
2. The quality of Command and Control in decision making
3. The day-to-day tracking of medical, communications and inventory across their supply chain network

We are pleased with this win, and we are delighted to add this customer to our growing number of hospital supply network customers.

From a services' perspective, we have completed the go live of twenty two projects across our four business units. Key accounts which went live during the quarter include: VHA and Amerisource in the healthcare sector, three heavy equipment dealers, Entertainment One, Canon USA, and Toyota Canada in the high-volume distribution sector.

I would like now to give you a little more detail on a couple of the major accounts which went live during the quarter:

VHA, a recent TECSYS customer, is the national healthcare alliance that serves more than 1,400 hospitals and 23,000 non-acute health care organizations across the United States.

In January of this year, VHA announced the formation of Mid-America Service Solutions LLC. Mid-America is a Consolidated Services Center or CSC with annual supplies' purchases in excess of \$520 million. CSC is designed to advance supply chain efficiency, decrease costs, streamline operations and help VHA's alliance hospitals elevate supply chain performance to levels enjoyed by other industries.

Typically in the hospital supply network industry, a CSC is a centralized warehouse facility which stocks supplies and healthcare products needed across a network of hospitals and clinics. These centralized facilities, when deployed with our software have been able to improve fill rate, increase labor productivity, reduce cost of supplies and help reduce the number of incidents associated with the wrong administration of drugs to patients.

VHA's CSC, one of our most recent go lives, is the latest enhancement to VHA's supply network strategy that focuses on connecting members and suppliers in unique and valuable ways at the regional level. We are pleased to have them as one of our healthcare customers and look forward to our continued success and growth in this account as VHA moves forward to further deploy our solutions across their hospital supply network in the years to come.

During the quarter, business development initiatives and services to existing customers in the heavy equipment sector continued to be fairly active. Major go-lives in this sector included the deployment of our warehouse management at two parts additional distribution centers.

These two distribution centers are now automated; with system-directed inventory putaway and picking, all transactions recorded electronically through RF technology, and customer tracking of parts and orders enabled through our technology. With TECSYS these two dealers are today empowered to:

- Reduce labor cost by as much as 34%
- Improve order accuracy to over 99% and
- Virtually eliminate time wasted looking for a part or a transaction in their supply chain
- And as a result significantly improve customer satisfaction

From the perspective of returns to shareholders, and as part of our Normal Course Issuer Bid, we have purchased during the quarter at an average price of \$1.23 per share, 80,000 of TECSYS' outstanding common shares for cancellation, and today, the board of directors has declared a two cents per share dividend, to be paid on March 31st, 2009 to shareholders of record at the close of business on March 12, 2009. This is in keeping with the dividend policy announced last year.

In summary:

- We continued to be profitable
- Our annualized return-on-equity was equal to 8.7% in the first nine months of fiscal 2009 compared to 10.5% for the same period in last fiscal year.
- Our business development initiatives continue to be strong and our sales pipeline continues to be healthy
- Moving forward, we remain cautiously optimistic about our business development initiatives while continuing to monitor the changing landscape
- During the quarter, the Company generated \$1.6M cash from operations, and at the end of the quarter, cash and cash equivalents amounted to \$8.2M compared to \$6.7M at the end of Q2, 2009 with no significant long term debt.
- Backlog, at the end of the third quarter, stood at \$20.6 M, up from \$20.1M at the end of Q2 of this fiscal year.

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