

TECSYS INC. - TSX:TCS

2010 THIRD QUARTER RESULTS

FINANCIAL ANALYSTS CALL – FEBRUARY 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 third 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, Q3 was a reasonable quarter, considering that the economic recovery is “Nascent” as the bankers like to say. We posted positive results and continued to generate cash. We made good headway in our business development initiatives with prospective clients across our business units, and, although we are in a leading position in a number of these opportunities, Q3’s revenue was impacted by the slower than usual decision making and by the significantly lower US Dollar. While prospects and clients are taking longer to make and finalize decisions given the economy, our pipeline is significantly more active than it has been since 2008. I am pleased to report that we continued to win business and our client base continued to invest in our solutions and services throughout the quarter, culminating in a number of new agreements as well as our

services organization's continuing deployments of our software at client sites with fifteen go-lives during the quarter.

Furthermore, early in December, we announced Visual Logistics, an industry first, innovative technology that clearly differentiates TECSYS in the supply chain management space and provides us with a new advantage against the competition in warehouse management business opportunities.

Now turning to the financial highlights of the quarter:

Revenue for the third quarter of fiscal 2010 was \$8.8 million compared to \$9.6 million in Q3, 2009. 32% of revenue was derived from products sales while 65% came from recurring maintenance fees as well as services delivered during the quarter. The decline in revenue was primarily attributable to the weakening of the U.S. Dollar. The average U.S. dollar to Canadian dollar exchange rate was CA\$1.2263 during Q3, 2009 compared to 1.0523 during Q3, 2010, impacting revenue by \$750K in Q3, 2010.

Total gross margin percentage in the third quarter of fiscal 2010 was 44% compared to 42% in the same period of fiscal 2009. The increase is attributable to a higher margin on third party products and stable services margin.

Earnings from operations for Q3, 2010 were \$142K compared to \$329K for Q3, 2009. EBITDA was \$458K in Q3, 2010 compared to \$480K in Q3 of last fiscal year.

Net earnings for the quarter were \$62K or zero cents per share compared to \$97K or one cent per share in Q3, 2009. Net earnings for the quarter were achieved after accounting for interest expense of \$6K, foreign exchange losses of \$27K and a share of net loss and amortization of intangible assets of \$47K from a company in which TECSYS has an equity interest. This \$47K hit is largely resulting from the government devaluation of the Venezuelan Bolivar that was announced in January. During the quarter, we generated \$617K cash from operations. While this is down from \$1.622M for the same quarter last year, the change is due to our annual government tax credit check which we received in January last year, but is expected in early March this year.

In terms of the year- to-date financial highlights:

Revenue for the first nine months, 2010 was \$27.9M compared to \$30.6M for the same period of last fiscal year, primarily due to a decrease in hardware sales. However, the Company's proprietary product revenue in the first nine months, 2010 increased by \$479K or 11% compared to the same period in last year reflecting our continued vertical market focus with sales of our own proprietary software.

Earnings from operations for the first nine months, 2010 were \$1,255K compared to \$1,366K for the same period in last fiscal year. EBITDA for the first nine months, 2010 was \$2,032K compared to \$2,155K for the same period in 2009.

Net earnings for the first nine months, 2010 were \$916K or \$0.07 per share compared to \$1,015K or \$0.08 per share for the same period of the prior fiscal year. Net earnings for the first nine months were achieved after accounting for net interest expense of \$4K, foreign exchange losses of \$221K and a share of net loss and amortization of intangible assets of \$96K from a company in which TECSYS has an equity interest.

For the first nine months of fiscal 2010, annualized return-on-equity was equal to 7.6% compared to 8.7% for the same period in last fiscal year.

As you take a look at the details inside these year to date numbers, you will see that our vertical market approach is continuing to take hold. Higher proprietary product sales, less third party sales and less custom work. This all translates to higher gross margin and a much more scalable business.

In terms of business highlights:

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

- Three healthcare products distributors
- One major third party logistics services provider to a major healthcare products manufacturer
- Three import-to-retail distributors

- An ecommerce site for tropical retail goods and services
- Five office products distributors
- Eight industrial distributors

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

Now I would like to briefly comment on two key initiatives which we believe will further strengthen and help grow our business development:

First, during the quarter we announced Visual Logistics, our latest innovation in supply chain management. After years of technological standstill in the industry, our new technology represents a breakthrough that we believe can revolutionize the logistical process. Visual Logistics leverages visual communication for system-directed tasks in a way that is faster, significantly more understandable by workers and will drive increased throughput and accuracy in the critical supply chain organizations that we serve.

The fundamental business case for Visual Logistics is based on the ability to increase throughput in the warehouse; any increase in the number of products that can be picked, packaged and shipped accurately results in lower labor costs and improved bottom line for distribution operations.

Furthermore, during the quarter, we also started the process to target a new vertical; the Higher Education market of Colleges and Universities. The Higher Education market is significant with virtually no technology in their supply chain, very similar in dynamics and business case to the hospital supply network market we are leading.

Recently, we won the business of Liberty University, a large organization in the Higher Education sector. With over 12,000 residential and 42,000 distance education students, Liberty University is the world's largest Christian university. It has over 3.2 million square feet of facilities and a campus that stretches more than 5,000 acres, making it a significant challenge for supply chain management. Just like most Higher Education organizations,

Liberty needed to focus on its supply chain infrastructure. Its Information Technology and operational management made it their priority to select and deploy a warehouse management system to manage the University's assets and supplies across its campuses. On the recommendation of Gartner, the world's leading information technology research and advisory company, Liberty evaluated and then selected our software.

Liberty is planning an aggressive integration solution that will automate receiving, put away and shipping/delivery. TECSYS' WMS will be the hub for interconnecting to Banner, the world's most widely-used collegiate administrative suite for Higher Education. This interconnection will help us penetrate this sector moving forward.

In summary:

- Year-to-date proprietary product sales are up 11%
- Our business development initiatives continue to be strong and our sales pipeline is the most active since 2008.
- At the end of Q3, 2010 annualized recurring revenue was \$13.2M.
- Cash, cash equivalent and other short-term investments amounted to \$7.5M at the end of Q3, 2010, the same as at the end of the same period in last fiscal year with no significant long-term debt.
- At the end of Q3, 2010, backlog was \$17.8M

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