TECSYS INC. - TSX:TCS

2009 FOURTH QUARTER RESULTS

FINANCIAL ANALYSTS CALL – JULY 7, 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 2009 fourth quarter and full fiscal year. 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:

Q4, 2009 was a strong quarter for TECSYS, particularly when considering the generally slumping economy:

- Revenue was almost equal to a record quarter in Q4 of 2008 with improved profitability.
- We also signed substantial business with existing clients and with five new customers.
- We continued to increase our market share across our businesses, most notably, reaching 16% market share in the Caterpillar dealer sector.
- We introduced an exciting new product release, EliteSeries 8, a dynamic product technology unparalleled in the industry.

- Furthermore, we continued to generate cash from operations, solidifying our balance sheet, and ending the year with cash and short-term and other investments of 7.8 million dollars, and with 20.4 million dollars in backlog.

I am pleased with these achievements.

Allow me now to go through the financial highlights of the quarter:
Revenue for the fourth quarter of fiscal 2009 was $10.4 million compared to $10.6 million for the same period of last fiscal year. 35% of this revenue was derived from products sales while 62% came from services.

Gross margin for the quarter increased to 49% from 47% in Q4 of last fiscal year. Gross margin was positively impacted by the improvement in services gross margin and a lower proportion of 3rd party product sales. In the quarter, services margin improved to 39% from 37% in the same period of last fiscal year, and product margin increased significantly to 70% in Q4, 2009 compared to 62% in Q4, 2008.

Earnings from operations in Q4, 2009 were $815K compared to an adjusted $895K for the same quarter of last fiscal year which included a non-refundable tax credit of $641K for a total of $1,536K. EBITDA for Q4, 2009 was $982K compared to an adjusted $445K for Q4 of last fiscal year which included a non-refundable tax credit of $641K for a total of $1,086K.

Net earnings for Q4, 2009 were $572K or four cents per share compared to $49K or zero cents per share in Q4, 2008. Net earnings were achieved after accounting for a net interest expense of $3K, foreign exchange losses of $117K, a further write-down on the Company's Asset-Backed Commercial Paper of $115K, and a share of net loss and amortization of intangible asset of $8K from a company in which TECSYS has an equity interest.

Now turning to the financial highlights of the full fiscal year:
For the full 2009 fiscal year, revenue increased 4% to $41 million from $39.5 million for 2008. 38% of the revenue came from product sales, while services contributed 59% to this revenue.

Earnings from operations for 2009 were $2,181K compared to an adjusted $2,855K for the same period in last fiscal year which included a non-refundable tax credit of $641K for a total of $3,496K. EBITDA reached $3,138K in fiscal 2009 compared to an adjusted $2,607K for fiscal year 2008 which included a non-refundable tax credit of $641K for a total of $3,248K.

Net earnings for 2009 were $1,587K or twelve cents per share compared to $1,263K or nine cents per share for the same period of the prior fiscal year. Net earnings were achieved after accounting for a net interest expense of $16K, foreign exchange losses of $280K, a write-down on the Company's Asset-Backed Commercial Paper of $238K, and a share of net loss and amortization of intangible asset of $60K from a company in which TECSYS has an equity interest.

In terms of business highlights:

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

- Two heavy equipment dealers, one in Ohio and the second in Missouri
- Two distributors in Ontario; a supplier of educational products and an industrial distributor ….and
- A 3rd party logistics provider in Wisconsin

From a services' perspective, we completed the go-live of thirty software implementations for customers in Canada, the U.S. and Europe. Key account go-lives during the quarter included: Providence Heath & Services and Orlando Regional Health Services in the hospital supply network sector, Warren CAT and Riggs CAT in the heavy equipment dealers sector, Canon USA, SCP Portugal and Robinson Home Products among others in the high-volume distribution sector.

During the quarter, we have released an exciting new version, release 8 of our product suite the EliteSeries. We believe that release 8 is the industry's most dynamic, integrated suite of applications that empowers high-volume distributors with advanced, rich-content technology that caters to the specific information needs of every type of user. Whether an inventory clerk in the warehouse, executive in the board room or sales rep on the road, it extends specific information about their supply chain, such as inventory levels, pictures or product specs, status of order etc., and delivers that information to any browser-based device as per the user preferences and allowed security level.

EliteSeries release 8 introduces powerful new technological capability that we believe is destined to strengthen TECSYS' market position and sharpen its competitive edge.

Now, I would like to expand a bit more on a couple of our key markets:

As you may recall, TECSYS serves two important sectors in healthcare; hospital supply networks and speciality drug distribution. For the purpose of this conference call, I would like to focus on Hospital supply networks.

Hospitals are characterized as having ever increasing costs and reduced cash flow. With the supply chain representing millions of dollars, and the second largest expense for hospitals after labour costs; it is certainly a strategic target area for cost reduction and a key target for our business development with our logistics software solutions.

With our logistics software, hospitals are able to significantly reduce expenses and streamline operations. Such key benefits were experienced by a number of hospital network clients such as Mercy Roi in Missouri, Hospital Logistics in the Toronto area, and North Mississippi Health Services among others. North Mississippi has achieved over 14 million dollars in savings since going live on our system, and their on-going savings are accounting for over $8 million dollars annually. Certainly substantial and well worth the investment in TECSYS` software for healthcare.

During the quarter, two key hospital supply networks that went live included:

Providence Health & Services, a seven billion dollar operation with supplies cost in 2008 close to one billion dollars. Providence has 26 hospitals, more than 35 non-acute facilities, physician clinics, a health plan, a liberal arts university and a high school.

Also in the quarter, Orlando health went live on our software. As central Florida's 5th largest employer, Orlando Health's network consists of nine hospitals and care centres in the Greater

Orlando area. The organization employs some 14,000 people and is affiliated with more than 2000 physicians; providing high quality care and services to over 100,000 inpatients and 600,000 outpatients each year. I am pleased with these go-lives and look forward to the benefit they will derive from our healthcare solutions in the months and years to come.

The second market I would like to talk about briefly is the heavy equipment market sector, another key target market for TECSYS. During the quarter, we have added two major Caterpillar dealers:

First Fabick CAT, a major dealer of Caterpillar Equipment serving 99 counties in mid and southern Missouri and southern Illinois. Fabick's services department has more than 160,000 square feet of under-roof service area, and stocks over 120,000 items; a major parts distribution operation that has chosen TECSYS for their warehouse operations. The second dealer is Walker CAT. A 750-employee dealership with eleven distribution, sales and services outlets, Walker is another major dealer serving Ohio and West Virginia, who also selected TECSYS for their warehouse operations.

Both, Fabick and Walker needed to do more with less; to reduce expenses and operate more efficiently with the same number of people, even if they grow. They also needed to increase their fill rate and order accuracy and improve their organization's bottom line. Having witnessed such significant improvements at several dealers who have deployed our software they decided in favor of TECSYS. We are delighted with these two wins.

Today, with 16% market share in North America and growing, TECSYS is quickly becoming the standard technology for Caterpillar dealers' parts distribution operations. In spite of the challenges brought about by the economy, these dealers are continuing to make the decision in favor of our software to streamline their distribution processes and significantly improve their cost structure.

Returns to Shareholders:

That concludes our review of business highlights. From the perspective of returns to shareholders, and as part of our Normal Course Issuer Bid, during fiscal 2009, we have purchased 490,300 of our outstanding common shares for cancellation at an average price of $1.36 per share for the total cost of $667K. In addition, as per our dividends policy and due to our continued positive performance, as well as cash generation, the board has declared two dividends in fiscal 2009, each for two cents, that were paid to shareholders of record in October, 2008 and March 2009, for a total $508K.

In summary:

- We continued to be profitable
- Annualized return-on-equity was significantly higher in Q4, 2009 reaching 14.5% compared to 1.3% in Q4 of last fiscal year. And for the full fiscal year, annualized return-on-equity improved to 10.2% in 2009 compared to 8.3% in 2008.
- 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
- At the end of Q4, 2009 cash and cash equivalents, as well as short-term and other investments amounted to $7.8M compared to $5.7M at the end of Q4, 2008 with no significant long term debt.
- Backlog at the end Q4, 2009 stood at $20.4M compared to $20.6M at the end of Q3, 2009 and up from $19.2M at the end of Q4, 2008.

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