

TECSYS INC. - TSX: TCS
2014 FIRST QUARTER RESULTS
FINANCIAL ANALYSTS CALL
THURSDAY SEPTEMBER 5, 2013, 4:30 P.M. EDT

INTRODUCTIONS:

Good afternoon, ladies and gentlemen! Welcome to our presentation. Joining me for this conference call is Berty Ho, our CFO. In this presentation, we will announce the financial results and cover the key business highlights of the first quarter of fiscal year 2014. 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 prepared in accordance with the International Financial Reporting Standards (IFRS).

Some of the statements in this conference call may include forward looking statements that are based on management's beliefs and assumptions. Actual results may differ materially from such statements.

Overview:

Key achievements in Q1, 2014 include improvements in services revenue and margin, the signing of five new customers and a significant number of contracts with existing clients from across our business units. We also generated \$2.3 million in cash from operations and our backlog remained solid at over 26 million. Towards the end of the quarter we made a significant product announcement targeting the highest expense and highest revenue generating hospital entity – the Operating room.

Financial Results:

Revenue was \$10.6M in Q1 of fiscal 2014 compared to \$11.5M in Q1 of last 2013. I would like to point out that the first quarter of last fiscal year included a major contract with one of our existing clients which contributed significantly to the 28% revenue growth of Q1 of last year and the substantial EBITDA and reported profitability.

Major highlights of this quarter include winning the business of one of the largest banks in the U.S., and a leading operator of home and office beverage delivery in the U.S.

As a percentage of total revenue, products accounted for 30% and services for 67% in the first quarter of 2014 compared to 39% and 58%, respectively for the first quarter of last year.

New accounts bookings are typically slow in the first quarter, although this year we booked approximately \$1.7M of total contract value on the new account front, up from approximately \$300K in the first quarter of last year.

On the license revenue front, Q1, 2014 was a more typical quarter as opposed to last year's unusual high-growth first quarter. This is primarily due to the major contract I have mentioned earlier, making the comparison unusual.

From a services perspective, after several quarters of heavy investment in services infrastructure, we saw services revenue starting to respond positively in the last two quarters. Services revenue for Q1, 2014 was up by 6% to \$7.1 million with margin increasing from 28% in Q1 of last year to 33% in Q1 of this year.

Services initiatives included the deployment of our supply chain solutions at thirteen customers in Canada and the United States. One of the most notable ones is the go-live of a Fortune 100, leading supplier of healthcare products and wellness services to millions of people across the U.S. Our warehouse

management solution is key to their highly automated closed-loop distribution system of prescription drugs for home deliveries.

Profit from operations for the first quarter, 2014 was \$171K compared to \$1,048K in Q1, 2013. EBITDA was \$579K in Q1, 2014 compared to \$1,633K in Q1 of last year. Net profit for Q1, 2014 was \$83K or \$0.01 per share compared to \$1,125K or \$0.10 per share for Q1, 2013.

One of our other business achievements during the quarter was the signing of a partnership agreement with the Warehousing Education Research Council or WERC, to include the metrics of their annual survey in our business intelligence solutions. WERC's annual survey provides a benchmark of key metrics by industry and type from organizations in the manufacturing and distribution sectors. Adding these metrics to our business intelligence tool kit makes our solution more powerful and even more unique in the competitive landscape.

Also during the quarter, as mentioned in the start of our presentation, we announced the OR Inventory Manager for hospitals operating rooms. This is an innovative solution that is designed to optimize the supply chain process, reduce costs and capture millions of dollars of expenses for billing and revenue recognition purposes.

Operating rooms contribute more than 40% of the hospital's total expenses and 70% of revenue, making the OR supply chain very critical to the hospital business model as well as to patient care. We are very excited about this product, the market opportunity is significant and early signs since its release show that interest level from the market looks promising.

In closing, I would like to point out that our cash position is solid. During the quarter we have generated \$2.3 million from operating activities with cash and cash equivalents increasing to \$6.8 million at the end of the quarter.

We are excited about market opportunity of our new cutting-edge supply chain product for the Hospital Operating Room. The combination of our strong backlog, a larger services team and a solid sales pipeline put us in a good position moving forward.

Last but not least, I am pleased to report that the Company's Board of Directors has declared a semi-annual dividend of \$0.035/share, to be paid on October 4, 2013 to shareholders of record on September 20, 2013. That concludes our presentation. Thank you for your participation, we will now open it up for questions.