

**TECSYS INC. - TSX: TCS**  
**2014 SECOND QUARTER RESULTS**  
**FINANCIAL ANALYSTS CALL**  
**TUESDAY NOVEMBER 26, 2013, 4:30 P.M. EST**

**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 second 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 the complete second quarter report, including the MD&A and financial statements, will be filed on SEDAR by December 13, 2013. 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, including the question and answer period, may include forward looking statements that are based on management's beliefs and assumptions. Actual results may differ materially from such statements.

**Overview:**

We made significant strides in all of our financial metrics during the quarter reaching new highs in revenue, backlog and recurring revenue. Total bookings were up by 39%, and proprietary license revenue increased by 21% compared to last year's 2nd quarter. We also leveraged our expanded infrastructure in services to deliver a significant number of go lives and to improve services revenue and margin during the quarter. From a new business perspective, we signed seven new accounts. We also expanded our business with existing clients in forty new contracts from across our business units. So we are pleased with the quarter, now let me walk you through the details.

## **Financial Results:**

Revenue for the quarter increased by 8% to \$11.7M compared to \$10.7M in Q2 of 2013. As a percentage of total revenue, products accounted for 34% and services for 63% in the second quarter of 2014 compared to 33% and 65%, respectively for the second quarter of last year.

Total contract bookings reached \$7.1M in Q2, 2104 significantly better than the first quarter of 2014 and 39% higher than the \$5.1M achieved in the second quarter of last fiscal year. On the license revenue front, we were pleased to see the 21% increase in proprietary license revenue in Q2, 2014 compared to last year's already high growth quarter as we continued to focus on our high margin software sales.

New accounts included:

- An award winning, regional and national leader in providing health care services in the U.S.
- A fortune 100 healthcare provider expanding their business into their Canadian operations.
- Canada's largest AWSA (Agricultural Warehousing Standards Association) certified public warehousing company
- A premier energy company serving 4.4 million customers in the U.S.
- Three industrial distributors in Canada

From a services perspective, 12 accounts went live on our software during the quarter in Canada and U.S. Four of those accounts were from our industrial and giftware distribution SMB sector and eight accounts from our enterprise business unit. The return on investment in our services infrastructure is evident. Services revenue and margin responded positively in the last three quarters as newer resources became productive following their initiation and education cycle. Major accounts that went live include:

- A major health system in the US

- Two service parts operations of multi-billion dollar heavy equipment companies
- Four general high volume distribution operations; most notably one of the largest banks in the US and a Fortune 100 imaging products manufacturer/distributor.
- One of the largest DVD distributors in North America.

Profit from operations for the second quarter, 2014 was \$748K compared to \$428K in Q2, 2013. EBITDA increased 93% to \$1,181K in Q2, 2014 compared to \$613K in Q2 of last year. Net profit for Q2, 2014 increased substantially to \$605K or \$0.05 per share compared to \$122K or \$0.01 per share for Q2, 2013.

**In terms of the financial highlights of the first half of fiscal 2014:**

Revenue for the first half remained the same at \$22.3M compared to the same period of last fiscal year. In this context, I would like to point out that Q1 of last year included a major customer base contract which contributed significantly to the Company's 28% revenue growth compared to Q1, 2012, as well as making a very noteworthy contribution to product revenue, profit from operations and net earnings.

Profit from operations for the first half of 2014 was \$919K compared to \$1,476K for the same period in last year. EBITDA for the first half, 2014 was \$1,760K compared to \$2,246K for the first half of 2013.

Net profit for the first half, 2014 was \$688K or \$0.06 per share compared to \$1,247K or \$0.11 per share for the same period of the prior fiscal year. That concludes the financial highlights of the first half.

Taking another look at our market position in health systems. I would like to reiterate to our investors that for more than a decade, our software solutions have enabled health systems or IDNs to transform their infrastructures into efficient and effective supply chains, saving them millions of dollars annually, while helping them improve service to patients. Our long-standing leadership has been recognized by Gartner as the innovative visionary in this space, with a

dominant market share and high degree of mind share among health system customers. We have invested in developing this market; it is a slow moving market, but our efforts are starting to payoff, enabling us to win the business of five major health systems' in the last five quarters including the last one in Q2 of 2014. We are pleased with these wins and look forward to the opportunities ahead.

From a major business development perspective, early in October, we hosted one of the largest gatherings of our customers in a user conference setting. Our user conference is educational and customer centric where we launch new products and new versions of products and services to our existing customer base. I am pleased to report that this conference was highly regarded by our customers with significant interest being shown in the new versions of our products as well as in new products we have introduced in recent months. We are excited about these opportunities and we are making every effort to transform these interests into business.

In closing, I would like to point out that cash generated from operating activities prior to changes in non-cash working capital amounted to \$1,164K in Q2, 2014 compared to \$934K in Q2, 2013. Cash and cash equivalents amounted to \$4.2M at the end of Q2, 2014 compared to \$5.3M at the start of the fiscal year.

We are excited about the market opportunity ahead. The combination of our strong backlog, a larger services team and a solid sales pipeline put us in a good position moving forward.

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