

TECSYS INC. - TSX: TCS

2014 FOURTH QUARTER RESULTS

FINANCIAL ANALYSTS CALL

TUESDAY, JULY 8, 2014, 4:30 P.M. EDT

Operator:

Good afternoon, ladies and gentlemen. Thank you for standing by. Welcome to the TECSYS 2014 Fiscal Fourth Quarter and Full Year Financial Results Conference Call. At this time, all participants are in a listen-only mode. Following the presentation, we will conduct a question and answer session. Instructions will be provided at that time for you to queue up for questions.

If anyone has any difficulties hearing the conference, please press the Star 0 for operator assistance at any time. Please note that the complete annual report, including the MD&A and financial statements will be filed by TECSYS on SEDAR by July 28, 2014. The results for fiscal 2014 are audited. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards.

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.

I would like to remind everyone that this call is being recorded on Tuesday, July 8th, 2014, at 4:30 pm Eastern Time. I would now like to turn the conference over to Mr. Peter Brereton, Chief Executive Officer at TECSYS. Please go ahead, sir.

Peter Brereton:

Good afternoon everyone, and thank you for joining us on today's call.

With me today is Berty Ho, our CFO. Earlier we issued our fourth quarter and fiscal 2014 results by press release, and a copy of that release is available on our website at Tecsys.com.

I'll start by summarizing the key events in the quarter and review our financial results for both the fiscal year and the quarter.

I will then close with a few comments on the year as well as the acquisition we completed in May, followed by a Q&A for analysts and media.

We continued building momentum this quarter as we started to show the Company's earning potential, tripling our net profit compared to the fourth quarter of fiscal 2013.

Our services organization continued improving their results as they become more proficient, delivering solid top line growth and expanding their gross profit margin to 35% from 29% in 2013.

The strong demand for third-party products continued as existing customers replace hardware at the end of its lifecycle.

Proprietary software sales grew 38% on strong demand from our base accounts. These license sales were boosted by a combination of our new 9.x series product line, now fully re-written in Java and the approach our new services leadership has brought to the Company. This focus has quickly improved our ability to engage our clients and develop deeper relationships with them.

Overall bookings grew in the quarter by \$0.4M to \$9M (in comparison to Q4 FY2013), again on strong demand from our base accounts. We exited the year with a record \$29.2M in backlog while recurring revenue for the year was \$17.6M or 37.8% of total revenue.

This quarter marked an excellent end to a transformational year for the Company and we remain excited for fiscal 2015. With that, I will now walk through the financial details.

Financial Results

In the quarter we grew total revenue by 12% to \$12.5M. As a percentage of total revenue, products accounted for 34% and services 63%, compared to 31% and 66% respectively, in the fourth quarter of last year.

License revenue improved 38% to \$2.7M compared to last year. Our total contract bookings grew by \$0.4M to \$9.0M, signing six new clients in the quarter with a total contract value of \$1.8M. As I mentioned earlier, strong demand from our existing accounts drove new orders in the quarter, reflecting our focus on building deeper relationships with our clients.

Services revenue was \$7.8M, higher by 6% compared to Q4 2013. Along with growing their revenue, the team continued delivering improved efficiency, expanding their margins to 35% from 29% in same period last year.

Profit from operations for the fourth quarter 2014 was \$0.76M or 6% of revenue, compared to \$0.26M or 2% of revenue in 2013.

EBITDA increased to \$1.26M in the fourth quarter 2014 compared to \$0.75M in Q4 last year.

Net profit for the quarter more than tripled to \$0.64M or \$0.06 per share, from \$0.18M or \$0.02 per share.

For the year:

Revenue increased 6% to \$46.6M in 2014 compared to \$43.8M in 2013

Our services team delivered an excellent year, growing their revenue \$2.7M or 10% in fiscal 2014. As I have mentioned, the investment we made in our staff and leadership was a key catalyst for our growth as we improved our capacity and focus. The impact that these changes had on our bottom line was material as we were able to grow our Services gross profit margin to 35% from 27% in 2013.

Profit from operations was \$2.3M for the year, compared to \$1.3M in 2013. EBITDA for fiscal 2014 was \$4.1M compared for \$3.0M in 2013.

The Company recorded a net profit of \$1.8M or \$0.16 per common share in fiscal 2014, compared to \$0.89M or \$0.08 per share in 2013.

We ended the year with a strong cash position of \$8.8M, compared to \$5.3M at the end of 2013.

TECSYS also announced that the Company's Board of Directors has approved changing the dividend policy from a semi-annual basis to a quarterly basis. To this effect, the Board has declared a quarterly dividend of \$0.0225 per share, an increase of 12.5%, to be paid on August 6, 2014 to shareholders of record on July 22, 2014.

CONCLUSION

In 2014 we successfully improved the Company operationally, laying the foundation needed to handle the greater volume of projects we see coming through our pipeline.

We entered fiscal 2015 with the business as strong as it has been in recent years. We have improved our bottom line through investing in our staff and leadership. Our backlog, recurring revenue and sales pipeline continue to grow, underpinning the stability in our Company, and with growth in our key markets, the Company will continue growing through fiscal 2015.

The North American healthcare market continues to search for ways to reduce costs and improve efficiencies. TECSYS has become synonymous for providing the best supply chain solutions in healthcare, and we are seeing this leadership position drive business from across North America into our doors.

Our stability has allowed us to be bold and take advantage of new opportunities. In May 2014, we bought Logi-D, a leading provider of point-of-use supply chain automation technologies serving hospitals and healthcare organization. Logi-D's technology complements our existing solution incredibly well, and provides practical and easy-to-use solutions for managing inventory at the point-of-use.

In addition to expanding our solution's functionality, we have significantly expanded our addressable market and existing customer base. Logi-D's products open new opportunities for us to sell to individual hospitals in North America which drastically expands our addressable market in healthcare beyond our 300 addressable IDNs.

Moving forward we are focused on extending our leadership positions in both our key markets. In healthcare we now have the products, leadership and team to accelerate our growth, and we will take steps to convert more opportunities. In the complex distribution market we are working hard to raise our awareness as a specialized leader. Our WMS solution continues to win accolades, this year winning Frost & Sullivan's Technology Innovation Leadership Award, and we will leverage our position as a recognized technology leader to further grow the Company.

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