

TECSYS INC. - TSX: TCS
2013 FIRST QUARTER RESULTS
FINANCIAL ANALYSTS CALL
THURSDAY SEPTEMBER 6, 2012, 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 2013. 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) 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:

Q1 was a terrific quarter with all of our KPI's showing significant growth as well as profitability, reflecting our leadership in the supply chain execution space and our strong ability to compete and win business from our current and prospective customers. It has become evident that our supply chain execution offerings are the best on the market today, we certainly believe they are and the market is beginning to agree with us. It is a great position to be in.

Momentum from Q3 and Q4, 2012 continued in this quarter. A combination of a substantial number of contracts from existing customers, delivery of services and winning new clients have contributed to hefty increases in all areas of our business and enabled us to reach one of the highest revenue increases in our history. We have achieved substantial growth in revenue compared to last year for both products and services, driving gross profit up by 38% and resulting in a ten cent EPS. Furthermore, our investment in our services infrastructure is starting to pay off; we were able to increase delivery to our clients and complete the deployment of nineteen customer sites that contributed to a 12% increase in services revenue in Q1, 2013 compared to Q1 of last year.

Now turning to the Remaining highlights of the quarter:

Revenue increased by 28% to \$11.5M in Q1 of fiscal 2013 compared to \$9.0M in Q1 of fiscal 2012.

As a percentage of total revenue, products accounted for 39% and services delivered during the quarter for 58% compared to 32% and 66% respectively for the same period of last year.

Products revenue increased by 57% to \$4.5 million in Q1, 2013 compared to \$2.9 million for Q1, 2012. A significant portion of this increase was contributed by our proprietary products which accounted for \$1.9 million of the increase. The quarter marked a significant growth in bookings, reaching \$5.0 million in Q1, 2013 compared to \$2.9 million for the same period of the previous year.

Our proprietary product contribution during the quarter drove gross profit up by 38% to \$5.4 million compared to \$3.9 million for the same period last year and gross profit percentage to 47% in Q1, 2013 compared to 44% in Q1 of last year.

Profit from operations increased substantially to \$1,048K in Q1, 2013 compared to 172K in Q1, 2012. EBITDA also increased substantially in Q1, 2013 growing to \$1,633K compared to \$530K for Q1 of last year.

From a net profit perspective, I am very pleased to report that in Q1, 2013 we improved profitability to \$1,125K or \$0.10 per share, compared to \$146K or \$0.01 per share for the first quarter of last year.

As a result of this performance and our continued ability to generate cash, the Board of Directors has increased the semi-annual dividend by 16.7% to three and a half cents and has declared a semi-annual dividend to be paid on October 5, 2012 to shareholders of record on September 21, 2012.

Business Highlights:

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

- Three in the healthcare sector
- Fifteen in general high-volume distribution
- Thirteen in the SMB sector

That concludes our review of Q1 of fiscal 2013. Now I would like to comment on recurring revenue and major accounts.

Recurring revenue continues to be a strategic focus for our management. Our ability to capture major accounts, particularly in the past five years, has significantly improved and solidified our recurring revenue stream. Between the end of fiscal 2008 and the end of fiscal 2012, our recurring revenue stream has grown by 30% from \$11.4 million in 2008 to \$14.8 million at the end of fiscal 2012 in spite of the economic climate.

Among the many agreements signed this quarter was a major contract with an existing customer, a Fortune 500 manufacturer and distributor. The contract, which contributed significantly to this quarter's growth and profitability, is for a proprietary license for our warehouse and transportation management software and related consulting and support services.

We are delighted with this quality organization's continued investment and standardization on our supply chain execution solutions for their complex distribution network; a distribution network comprised of 16 distribution sites serving 30 business divisions across the U.S.

With our supply chain execution solutions already deployed at many of their distribution centres, we are pleased to continue to assist this major customer in realizing their vision of deploying high ROI, innovative technology through a step-by-step business process change that considers their business needs first.

We have delivered on that, and this is precisely the reason why they have standardized on TECSYS across their supply chain and have removed other competitive systems they had deployed over the years.

We look forward to continue growing with this major account and to the opportunity to win other clients that will help us grow and nurture our leading stance in the supply chain execution space moving forward.

In summary:

- Q1 was a great quarter; revenue was up by 28%, one of the highest we have seen as the momentum from Q3 and Q4 of last fiscal year continued.
- Gross profit and EBITDA improved significantly and we continued to be profitable posting ten cents EPS for the quarter.
- Annualized recurring revenue increased to \$15.6 million at the end of Q1, 2013, up from \$13.8 million at the end of Q1, 2012.
- Backlog at the end of Q1, 2013, increased by over 28% to reach \$26.2 million from \$20.4 million at the end of Q1 of last year.
- Our cash position continues to be strong, and
- With this level of solid and growing backlog, our strong sales pipeline and improved market and economic climates, we feel very positive about the opportunities ahead.

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