

**TECSYS INC.**  
**Second Quarter FY2017 Results**  
**Financial Analyst Call**  
**Friday, December 2, 8:30am**

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**Operator**

Good morning, everyone, and thank you for standing by. Welcome to the Tecsys Third Quarter Fiscal 2017 Results conference call. At this time all participants are in listen only mode. Following the presentation, we will conduct a question and answer session and instructions will be provided at that time for you to queue up for a question.

Please note that the complete third quarter report, including MD&A and financial statements were filed on (CDAR) after market close on February 28, 2017. All dollar amounts are expressed in Canadian currency, are procured in accordance with international financial reporting standards and are unaudited.

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 statements.

I would like to remind you that this call is being recorded today, Wednesday, March 1, 2017 at 8:30 am Eastern. I would now like to turn the conference over to Mr. Peter Brereton, Chief Executive Officer of Tecsys. Please go ahead.

**Peter Brereton**

Thank you. Good morning everyone. We appreciate you joining us for today's call. Yesterday after market closed week issued our unaudited fiscal 2017 third-quarter financial results, and a copy of those results is available on our Website at [tecsys.com](http://tecsys.com).

Joining me today is Berty Ho, our Chief Financial Officer. I'll start by summarizing the key events for the quarter and reviewing our Q3 financial results. I will then close with a few comments and their outlook for the remainder of fiscal '17 followed by a Q&A session.

The third quarter of 2017 was a solid quarter with growth in revenue, gross margin, and EBITDA while we continued our disciplined approach to operating expenses. Total contract value bookings were 14.6 million, a 62% increase compared to 9 million booked in Q3 of 2016. A significant portion of this growth was for new nodules with existing customers amounting to 13.8 million, almost double the 7.1 million in contracts from existing customers we signed in Q3 of last year.

Included in the contracts are two significant agreements were 3.3 million, with IDNs or hospital that works that are WMS customers, that is Warehouse Management Customers, one of them adding point of view solutions. This demonstrates the strong relationships our sales and services teams have built with our hospital customers and puts them in a great position to offer additional solutions. We estimate we're only about 12% penetrated in our hospital network customers so there is significant upside.

In the quarter, the momentum we have been seeing in the past fiscal year in signing complex distribution contracts with existing customers continue to grow with three significant contracts added, altogether amounting to 4.7 million. One of the new contracts is a warehouse solution for a contract manufacturer. It is an implementation at just one of their locations, and with 20 others in North America there may be opportunities for expansion. It's also important to note that this is our first solutions sold through a channel partner.

The second new contract we signed in the quarter was a fully global distribution solution that was signed through our UK office. This office was established in September of 2015 and is headed by Mark Hawksley, VP with Global Services and Strategic Initiatives for Europe.

Mark has over 30 years of supply chain software experience and worked with us in Montréal for several years. His experience and knowledge of our solutions has generated several opportunities for the pipeline from both the UK and Europe.

Now looking at the financial results in more detail, total revenue in the quarter was 17.4 million, up 11% over 15.6 million achieved in Q3 of 2016. On a trailing 12 month basis revenue was up 15% to 71.1 million for the 12 months ending January 31, 2017 from 62 million for the same period ending January 31, 2016.

Recurring revenue on an annualized basis was 26.1 million representing 37% of trailing 12 month revenue. For the quarter proprietary product revenue increased by 8% to 2.7 million largely the result of higher hardware technology sales to a US IDN.

Third-party products revenue stayed relatively flat quarter over quarter at 2.2 million. Our services revenues, which includes support and implementation, grew by 12% to 11.8 million. The increase is a result of higher professional and support revenues and is a reflection of our success at growing our relationship with our base accounts.

Gross margin for the third quarter of fiscal 2017 was 8.9 million, a 13% increase compared to 7.9 million in the third quarter of 2016. The improvement is primarily the result of higher margin from services, which was 50% in Q3 of 2017 compared to 45% in the same quarter prior year.

For the trailing 12 months ended January 31, 2017, gross margin was 36.5 million representing 51% of revenue, and up 18% over the 30.9 million or 50% of revenue achieved in the 12 months ended January 31, 2016.

Compared to the growth in our topline, operating expenses grew marginally in the quarter by 4% to 7.6 million or 44% of revenue from 7.3 million or 47% of revenue in Q3 of 2016.

Sales and marketing expenses were up 2% and G&A expenses were up 5% compared to the same quarter in the prior year, both increases are from higher salaries and then as well as incentives to support our greater sales and support volume.

R&D expenses, net of tax credits, were 2.5 million, up 5% from 2.3 million in Q3 of 2016. We were still capitalizing a small part of our R&D expenses last year so while higher salaries and benefits were part of the reason for the increase there was 140,000 of deferred development costs which decreased expenses in Q3 of 2016.

With what we feel is sufficient infrastructure to support growth, we are committed to continue to control our operating expenses and we expect them to remain essentially flat going forward. We recorded from operations - we recorded profit from operations of 1.3 million in the third quarter of 2017 compared to 604,000 for the same quarter last year.

Although net earnings and EPS was reduced by income tax expense of 405,000, it is important to note that 75% of this was non-cash taxes. The company recorded net earnings of 888,000, or 7 cents per share, compared to 543,000 or 4 cents per share in the same quarter of last year.

EBITDA in the third quarter of 2017 was 1.9 million, up 45% from 1.3 million in Q3 of 2016. This represents an EBITDA margin of 11% compared to 9% in the same quarter of the prior year. Increased higher-margin service revenue against relatively flat operating expenses drove this growth. As stated on previous calls, we are targeting to take EBITDA margins to the high teens and this quarter demonstrates that progress.

Looking at EBITDA on a trailing 12 month basis, we generated 7.5 million for the 12 months ended January 31, 2017, 76% higher than the 4.3 million generated for the 12 months ended January 31, 2016.

We ended the quarter in a strong position with cash and cash equivalents of 10.8 million compared to 9.7 million at April 30, 2016, the end of our last fiscal year.

The company has declared a dividend of 4.5 cents per share to be paid on April 11, 2017 to shareholders of record at the close of business on March 21, 2017.

In summary, the third quarter of fiscal 2017 shows strong results particularly in base account sales and complex distribution. While there is still some uncertainty related to healthcare legislation we remain confident that our offering is well-positioned in the current environment as we help our healthcare customers improve efficiency and productivity driving significant cost savings.

In terms of specific solutions, our OR solution went live late last year at one major hospital network and we are expecting further implementation next quarter. The first phase of the pharmacy point of view solution we developed was shipped last summer and we continue to work out implementation details with our first client.

Tecsys serves a large addressable IDN market, which we estimate at 9.6 billion. Only with our existing customers we estimate the addressable market at more than 450 million, which we are about 12% penetrated. Solutions like our OR solution and pharmacy products will help us both land new customers and expand our relationship with current customers.

Looking forward, we are excited about the opportunities before us. We have a substantial pipeline that covers projects in the US, Canada and Europe, and it covers warehouse management, off-site distribution and healthcare point of views modules. We believe that our unique solutions and close relationship with our

customers combined with careful control of our operating costs will ensure continued success.

With that I will turn the call over for questions.

**Operator**

Thank you very much. Ladies and gentlemen, if you would like to register a question, please press the 1 followed by the 4 on your telephone keypad. You will hear a three tone promptitude knowledge or request. And if your question has already been answered and you would like to withdraw, please press 1 3. And if you are using a speakerphone please let your headset before entering your request. Once again, ladies and gentlemen, for any phone questions please press 1 4 on your telephone. One moment please.

And we have a question from Amr Ezzat with Echelon Wealth Partners. Please go ahead.

**Amr Ezzat**

Good morning, gents. Congrats on a solid quarter. Peter, you mentioned in your prepared remarks that you continue to see some impact from the uncertainty surrounding the Affordable Care Act, I'm just wondering our new accounts in a wait and see mode? How have conversations evolved with clients I guess since the last conference call?

**Peter Brereton**

The sales process continues in the market, and what we continue to see is hospital networks actually initiate search for solutions, go through a search, select us as a vendor, begin to negotiate contracts, get through legal review, get all the way to the end of the sales cycle and then it goes back to the C-Suite for final approval.

And the C-Suite at this point is just so distracted they're ending up saying, you know what, and we're not taking off any major capital projects right now until we get our sort of go forward playbooks sorted out based on the new landscape.

So we're seeing a number of deals that are sort of hung up right at that final stage. And we, you know, we believe the logjam is about to break. You know, none of them are planning to actually wait until sort of the whole Affordable Care Act thing is completely sorted out. They just feel like they're landscape changed substantially and they need a new plan going forward that sort of takes into account all the different possibilities.

So we're, you know, looking at a completely warped pipeline at this point. I mean, we would expect the pipeline to be majority healthcare based on our experience over the last few years, but at this point it's beyond majority, it's into sort of vast majority of the pipeline are these healthcare opportunities. And you know, we expect them to begin to start to move soon.

In the base accounts as, you know, as I mentioned in my remarks, where the projects tend to be somewhat - a little bit smaller, require a lot less capital because, you know, a lot of our new account projects, even though our deal me only be \$1-1/2 million, you know, it may require a 10 million, 15 million or 20 million spent to drive the entire project for the hospital network, whereas in the base account, the add-on projects, the deals may be the same size for us but for the account there is a lot less sort of ancillary collateral spend so they tend to be smaller from that standpoint.

And those seem to be moving ahead at a great pace. So, you know, hence our, you know, our bookings in the days both for the quarter and year-to-date are very strong.

**Amr Ezzat**

Understood then, as a follow-up I guess, the new account signings, the contract value is a little smaller than your typical new accounts. Is that a function of what you just described like all this I guess like the Affordable Care Act and so on?

**Peter Brereton**

Well, I mean, the new accounts in the quarter were really in complex distribution. One of them I would say it was more of a small to medium-sized account. The other one is actually really a two-phase agreement. We are only counting in the bookings the first phase of the agreement. And the first phase was roughly 25% of the agreement.

So as the second phase - we clearly expect the second phase to come through. As the second phase comes through there's about another, while it'll roughly quadrupled the size of the deal...

**Peter Brereton**

...we'll see how that plays out.

**Amr Ezzat**

Understood. Then would you mind giving us – I'm not sure if I missed the revenue split between healthcare and complex distribution for the quarter.

**Berty Ho**

I think on a year-to-date basis, where close to about mid-40s in terms of the healthcare compared to obviously 55 in the complex.

**Amr Ezzat**

Understood. Then maybe you can give us an update on the traction you're getting with your channel partners. You did mention that on the complex distribution side

that contract was done three channel partner. Any traction on the healthcare side with the channel partners or...

**Peter Brereton**

On the healthcare side we are really seeing, you know, we're not so much actually selling products through channel partners in that case but we are working with them as service partners. And they are now active in our accounts. We have two, one is the hospital network that is active in a number of our accounts existing with implementations; and the other is sort of more than integration partner and they are also active now in a number of our accounts existing with implementation and integration work and so on. So we're pleased with our progress there.

The particular deal we mentioned in the quarter was actually sold through - directly through channel partners. They literally brought the opportunity to us. And, you know, we're obviously looking for more of the same. We actually have another channel partner that's actually in ongoing training with us as part of an ongoing on boarding process. They're actually in Montréal this week again. And we, you know, expect to start to see some business through them in the near term.

**Amr Ezzat**

Awesome. Then maybe just one last one. On the cost side of the equation, great job with the cost execution but I'm trying to get a sense of utilization levels if you will. You mentioned you expect OpEx to remain flat or flat-ish. How much revenue can you generate at this level of OpEx?

**Peter Brereton**

You know, I think from an OpEx standpoint, you know, we don't see, I mean, these are sort of almost expansion-related decisions. I mean, if we held OpEx flat for an entire another year I think we could continue a very healthy growth rate for another year. You know, could we grow beyond that? Probably not.

At some point we need to begin to further expand our base account team, add a couple more people into the base account team, and probably add a couple more people into the complex distribution sales team.

Those are areas where we see need for some expansion. You know, R&D I think is fine for the time being. I could see us needing to grow R&D a little bit towards the end of next fiscal year as we've got some sort of upcoming projects we need to put more muscle into.

You know, the upward pressure on costs, I would say related to growth, is really more on the services costs where we continue to, I mean, you saw it go up against on this quarter, I mean, services expenses will continue to rise. You know, we don't really expect gross margins in services to rise dramatically from here, although with the, you know, with the economy of scale that we get in the maintenance and support area it should continue to sort of drift upwards. But, you know, by and large we will have to sort of add services expenses in lockstep with services revenue growth.

**Amr Ezzat**

Understood. Many thanks, and again congratulations.

**Peter Brereton**

Great.

**Berty Ho**

Thank you.

**Peter Brereton**

Thanks, Amr.

**Operator**

Ladies and gentlemen, as a reminder once again if you'd like to register a question please press 1 4 on your telephone keypad. Our next question comes from the line of Nick Agostino, Laurentian Bank Securities. Please go ahead.

**Chris Martino**

Good morning. Actually it's Chris Martino standing in for Nick.

**Chris Martino**

Morning. In terms of IDN – good morning. In terms of IDN prospects, are you still targeting 6 to 8 wins for the year? And the two wins this quarter, I believe those both classified.

**Peter Brereton**

So the two wins this quarter were not IDNs, they were in complex distribution so at this point we actually stand only act one new IDN for the year. So in answer to your question, yes, we are still targeting five or six IDNs for the year, but a lot is going to depend on when this sort of log jam really breaks in the hospital market in the US for new accounts. As I say, you know, the pipeline is very full of IDNs that plan to move ahead in the very near term. We've already been through contract negotiations with a lot of them. We are just waiting for ink on paper. So we will see how that works out.

You know, at this point we have 60 days to go so there's no question that it's increasingly looking complicated to get another four or five done in the next 60 days but it's not impossible. The opportunities are there in the pipeline and they seem to have every intention of moving ahead. So, you know, we'll see what the next 60 days brings.

But, you know, certainly we expect there is going to be a bit of a snap back here as the market sort of catches up after this, you know, certainly what we see and what

we've heard from others in the marketplace is an election related slowdown in capital spending.

**Chris Martino**

All right, okay. Secondly, is the UK an area where you are expecting more growth like following that contract? Like how does the pipeline look there?

**Peter Brereton**

You know, we've been trying to sort of build a beachhead in the UK and Western Europe. And you know, in a sense the challenge always is you need local references and to some extent local services people in order to be an effective competitor in the market. So the first few deals are always the biggest challenge.

So we're trying to get sort of sell a couple a year over there, get them done, it been really successful, happy, referenceable, etcetera, before we actually begin to put sort of dedicated fleet on the street over there looking for new accounts. So we certainly expect at this point we've got other opportunities over there, we certainly expect to be able to do a couple of deals a year over there for the next little while before we start to ramp up more aggressively there..

**Chris Martino**

Okay thanks. And one more, can you provide any color on the One Sprint solution if possible? Have you had any implementations there yet? And then I will pass...

**Peter Brereton**

We actually have two One Sprint implementations underway right now as we speak. So that is a - that's a good move forward on that. Getting that one out of the chute took longer than we thought, but some of that I think was even the sales team getting used to a completely different way of selling the solution. But I'm happy to report that I think we're making some good headway on that.

**Chris Martino**

Thank you.

**Peter Brereton**

Great, thank you.

**Operator**

Ladies and gentlemen, once again as a reminder for any questions please press the 1 followed by the 4 on your telephone. Our next question comes from the line of Hubert Mack with Cormark Securities. Please go ahead.

**Hubert Mack**

Hey, guys. You guys had a very strong bookings quarter here, can you maybe comment on whether there is some push out deals that were -- came in this quarter because I think last quarter you suggested, you know, the environment plan was delay some deals. So can you sort of quantify that if possible and just kind of give some commentary on the bookings, whether some of those deals came through?

**Peter Brereton**

Sure, I would say, Berty, tell me if you agree...

**Berty Ho**

Yes.

**Peter Brereton**

....but I would say there was one particularly that literally missed Q2 by, like, hours. It had to do with a flight, somebody having to get onto a flight and couldn't wait to sign an agreement kind of thing. And that was worth maybe what...

**Peter Brereton**

...800,000.

**Berty Ho**

...Peter, right?

**Peter Brereton**

Well it slipped out of Q2 into Q3.

**Peter Brereton**

Right.

**Berty Ho**

Yes, that one was probably somewhere about \$1.5 million, Peter.

**Peter Brereton**

Okay right.

**Berty Ho**

And then, you know, Hubert, just remember there's always some of that happening from quarter to quarter. This is not unusual, right. In some quarters, yes, there might be more but, you know, typically we do have a deal that, you know, at the end of a specific quarter just slipped in and get closed, you know, sometime the following day, actually, as Peter mentioned.

**Peter Brereton**

Yes, I would say, though, Hubert to answer your question too, the healthcare deals, it was really the IDN deals that we were talking about the end of Q2...

**Berty Ho**

Right.

**Peter Brereton**

That were sort of just slipping. And they are still slipping. Like that group of deals is the group that, as I mentioned, are still really sitting in the pipeline. And, you know, that we expect to break at some point soon. But, you know, sitting here today I couldn't honestly predict whether it will be, you know, the majority - I'm very confident that a couple of them will come in actually shortly but the bulk of them, you know, will that be in the spring or the summer, you know, it's kind of hard to call it.

**Hubert Mack**

Okay so just to be clear then, in this quarter's bookings the strength really didn't come from any deals coming through, really it was just a good quarter in general across sort of your verticals?

**Peter Brereton**

Yes. Yes, that's a fair statement.

**Hubert Mack**

Okay, and the reason I'm asking that is because obviously your quarter was strong here and a lot of it was coming from the existing base here. So, you know, in light of that, do you expect that bookings strength to continue in the existing base? And on that note, you know, if these IDNs come through, which are new customers, you know, are we looking at an elevated level of bookings here going forward?

**Peter Brereton**

You know, I mean, that's obviously predicting level of bookings going forward is difficult. But I do think the base is going to continue to invest at, you know, at quite a reasonable pace. I mean, we're rolling out a number of new modules that the base is – sees, you know, strong value in so, you know, that's driving some of the increased based on bookings.

And yet, you know, the new account, as I say, on the new account side I believe there will be a catch up at some point. We've seen this before in the hospital market, something changes politically, you know, they all go on hold to some extent, but then as the sort of – as they regain clarity on the new political environment there's a catch-up phase. And that has happened to us in the past.

You know, as I've often told investors, it's one of the advantages I think for us continuing to play in two markets because, you know, while healthcare is a strong long-term market, you know, huge portion of the economy, strong balance sheet, strong ability to invest, great need for supply-chain solutions, sort of all good things, at the same time they're substantially affected by sort of political change. And, you know, that's where it's great to be straddling two markets where we can, you know, continue to drive growth in business in complex distribution while, you know, healthcare takes a bit of a hiatus here.

### **Hubert Mack**

And then just to that point about the delays in the IDNs, like, you know, things like you have seen a number of them that are kind of pushed out. Are there any sort of commonality or themes that a lot of these potential customers are waiting for before they move forward with the decision or is this just sort of a try to figure out how to rearrange the budgets?

### **Peter Brereton**

The commonality seems to be that they are sort of re-looking at capital allocations based on sort of what they think they can count on going forward and what they are so sure they can count on going forward anymore.

There's a couple of exceptions. I know one of them for instance is delayed going forward until they finish another major IT project, but, you know, we've always had those kind of things. I mean, typically in this kind of market there is always one or

two of them that have a, you know, internal project that took six months longer than they thought and so that delays our project.

But if I look at the bulk of them, the bulk of them has to do with, you know, then re-looking at cash flows and capital allocations based on some of the market changes.

### **Hubert Mack**

Okay. And then on the complex distribution, it sounds like you guys have another decent quarter here in terms of bookings. Can you kind of give some color, how do you guys think about the trajectory of this business here going forward?

### **Peter Brereton**

Well, I mean, as I see it, you know, that first year, I mean, we launched the new complex distribution sales team in fiscal 2016. And, you know, sort of simple math, it takes a couple million bucks to launch a new sales team. The first year they did 4.4 million in bookings. Our average gross margin is about 50% some sort of simple math, first year, yes it was worth launching the team.

You know, by the second year, which is the year we're in now, they've already done about 8 million, you know, on the new account side. And, you know, I wouldn't be that surprised if they end the year sort of close to the 10 million mark kind of thing. So, you know, and again, sort of same gross margin.

So the math is looking pretty compelling to say hey, this is, you know, this is very much a winning product line. It's very competitive in the market space. There is a lot of deals going down. And, you know, I think the, you know, all the indicators to us are that it's, you know, we need to continue to expand our team. You know, let's grow that team. You know, at some point probably start to break out those teams by geography and look at adding a Western team and an Eastern team in that kind of thing.

But, you know, I think we still got a little more maturity to do before we do that. That's why we are saying sort of we expect OpEx to remain quite flat for the time being. But it certainly looks like, you know, the combination of the functionality about offering and the technology staff we are bringing to market are quite unique and quite appealing to a lot of these prospects.

### **Hubert Mack**

Okay, and then on the margin profile, you know, I think on the call you talked about targeting in the high teens. What sort of timeframe are you looking at? I know, you know, obviously quarters fluctuates but on a sustainable level, like, when – what's the timeframe you're just thinking you could get back started above the 15% EBITDA margin?

### **Peter Brereton**

I mean, our goal is to be there by 2020. I mean, we'll see how that goes. I mean, you know, we're about to start fiscal '18, you know, and we certainly believe that we can be there by the time we hit 100 million in revenue. So, you know, we're looking at sort of getting there over the next, you know, 2 to 3 years kind of thing and we think we are on track to do that.

I mean, you know, one of the things to keep in mind, right, it even when you look at EBITDA from last year to this year, you know, we say for instance we went from whatever it is sort of a 4 million and change to 7 million and change if you are comparing trailing 12 too prior trailing 12. You remember that the prior trailing 12 was actually boosted by R&D capitalization, to the tune of...

### **Peter Brereton**

...about a million bucks. So really inserted trailing 12 versus previous trailing 12 we've gone from sort of, you know, 3 million and change to 7 million and change. So we've made some pretty rapid progress on that as we started to focus on it. And, you know, we think there's a lot more progress to be made.

**Hubert Mack**

Okay, and then just a last one just to kind of go back to healthcare, are you able to quantify sort of how many sort of IDNs you kind of have in the pipeline? Because I think last, you know, a few quarters ago you talked about sort of 20 or so in the pipeline. I mean, this must have been up now given the delays. But like has increased in terms of the pipeline or can you kind of give us color?

**Peter Brereton**

I'm not sure I would save increased, it's more just that the stage is continuing to move forward. Like I, you know, part of it is we don't have a large sales team so there's only so many sort of opportunities we can remain active in. You know, I'd have to look at the latest pipeline. It may be up a little bit. It's more just that we have a lot of deals that are right at the final stage that we, you know, we expect a sort of clear the pipeline and convert quite shortly.

**Hubert Mack**

Okay great. Thanks. I'll pass the line.

**Peter Brereton**

Great, thanks.

**Operator**

Ladies and gentlemen, once again as a reminder for questions please press 1 4 on your telephone keypad. Our next question comes from Gabriel Leung with Beacon Securities Limited. Please go ahead.

**Gabriel Leung**

Good morning, and thanks for taking my questions.

**Peter Brereton**

Good morning.

**Gabriel Leung**

Good morning. A couple things, just on the healthcare side first, you know, would it be safe to say that in terms of the number of networks that you're talking to that are in that sort of final C-Suite, you know, sign off it's probably in the four to five range just to get your – just to get your sort of full year guidance outlook?

**Peter Brereton**

Yes, I mean, that's a fairly safe statement. I mean, that's really why I'm saying, you know, in answer to the question earlier, we still are targeting five or six IDNs, you know, new account IDN names for the year. And, you know, I said yes, you know, although it's sort of getting harder to say that, you know, with a completely straight face when we've only got 60 days left to go in the fiscal year. But, yes, you know, it's in that range that we have that are right in the final stage.

**Gabriel Leung**

And I'm just curious, has there been an instance where one of these networks are sort of in the final signing stage have sort of re-looked at their budgets and have decided to cancel these larger capital projects?

**Peter Brereton**

We haven't seen that. I mean, what we have seen, and this has been ongoing for a number of years in this market, is, you know, right up until you have a signed document you don't know if there's a merge about to happen. And I would say there's a lot of M&A activity in this market and that's where we've sometimes been sideswiped right in the final stages of an agreement. You get right to the end and then suddenly there's announcement that, you know, they've just been bought or they just bought another big IDN and suddenly everything's on hold for a year while they figure out there, you know, their new org structure and landscape and leadership team and so on.

**Gabriel Leung**

Right. And just given that, you know, you seem to be getting some very good bookings from the existing network base, are there any thoughts around from Tecsys's internal perspective to increase investments in that sort of farmer salesforce within the networks?

**Peter Brereton**

Yes, I mean, I think it's probably the next place to invest. You know, it's something we're looking at. We think we can sort of run the way we are for another little bit, but we do think that we'll have to make an investment there. And we think there's some really interesting opportunities there. I mean, if you just – if you just think point of views, and, you know, we're seeing our point of views opportunities sort of following the same progress that, you know, our WMS foray into healthcare followed a number of years back.

You know, when we first entered healthcare with WMS, you know, we signed one account, I think it was two years before we signed the second one. And then, you know, another year or so before we signed the third one. And, you know, we finally started getting white papers and testimonials and then the speed really picked up.

And we're – we feel like we're seeing the same thing on the Point of View side, so we're, you know, it was literally about five years ago we signed the first Point of View agreement with a hospital network, and then a couple years later we signed the second one. It was a year after that we signed the third one. And now within the last 12 months we've signed two of them. So we're sort of seeing the same thing.

As you get the proof you start to get the testimonials, you get the data out about the millions of dollars you can save, and then the activity really starts to accelerate. So, you know, as we're seeing that coming to fruition, we're saying, you know, fairly soon it's going to be time to expand that team to, you know, to sell these solutions into the base.

**Gabriel Leung**

Got it, great. And maybe one last question just on the complex distribution side, Peter, you talked about earlier in your preamble three contracts valid at sort of 4.7 million in bookings. Those are all with existing customers?

**Berty Ho**

That's right, yes.

**Gabriel Leung**

Okay. And you know, the first one you talked about that came from the channel, I guess the contract manufacture you mentioned the deal was basically for one of their locations, you know, if you think about it from a timeline perspective, you know, how long do you think it would take for you to penetrate into the other 19 I guess locations?

**Peter Brereton**

I mean, that varies but typically, I mean, this project is a, you know, being on a fairly rapid implementation so typically the – in that case the first site, you know, would be live within sort of, you know, by sometime in the spring. And then at that point they would be looking at, you know, extending it out to the other one. So typically I would say within, you know, one year of contract signing you're back looking at sort of can you, you know, are they ready to do a broader rollout?

**Gabriel Leung**

And then with the second contract, the UK – the one from the UK, can you provide a little bit more color around that? You mentioned it was a bit of a – it could be a wider – a larger type distribution grid.

**Peter Brereton**

Yes, I mean, that one – that particular one was interesting just because it is a two-phase agreement. There's really sort of a – the agreement was signed as a single

document, like it was a single contract, but it actually has a – a, you know, a pilot phase and then a full phase. So we have, and the client has the option to opt out after the pilot phase. So we have only included in our bookings the, you know, the value of the pilot phase.

But, you know, at this point the project is going well and we have every expectation that it'll continue from the pilot phase into the full phase which would, as we say, roughly quadruple the size of that contract.

**Gabriel Leung**

All right, that's great color. I appreciate it, guys. Thank you.

**Peter Brereton**

Okay thanks.

**Operator**

Ladies and gentlemen, for any questions please press 1 4 on your telephone keypad. One moment please. And, gentlemen, there are no further questions.

**Peter Brereton**

Great, thank you, everyone for your time and as always if you have additional questions don't hesitate to give us a call. And we'll look forward to talking to you after our Q4 results. Thanks. Have a great day.

**Operator**

And, ladies and gentlemen, that does conclude our conference call for today. We thank you for your participation, everyone, have a good rest of the day. You may disconnect your line.

**\*\*\* END \*\*\***