

**TECSYS INC. - TSX: TCS**  
**2013 FOURTH QUARTER RESULTS**  
**FINANCIAL ANALYSTS CALL**  
TUESDAY JULY 9, 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 fourth quarter and 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).

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:**

I am pleased to report that in the fourth quarter of fiscal 2013, total bookings were the highest in the company's history. We won the business of ten new clients with five major companies leading the charge, of which three are in Healthcare and two are high profile brand names. We also saw significant reinvestment in our products and services by forty-five of our existing customers and our backlog grew to over 27 million compared to last year. Right after the end of the quarter, we were pleased to see that we were recognized again by

Gartner as visionaries, reinforcing our market position in the competitive landscape.

**New clients won in the quarter included:**

- A leading manufacturer and distributor of medical products in the healthcare industry.
- Two major health systems in the U.S.: A total of four won in fiscal 2013.
- Two complex distribution operations in Canada; a high profile brand name in outdoors living products and a networking products company.
- Five industrial and giftware SMB distributors in Canada.

Growth of the top line in the quarter was modest with total revenue for the quarter increasing 3% to \$11.1M compared to \$10.8M in Q4, 2012

From a services perspective, our investment in infrastructure is continuing to payoff; services revenue was up by 22% in Q4, 2013 compared to the same period in 2012 with services gross profit also improving significantly.

As a percentage of total revenue, our license revenue accounted for 18%, 3<sup>rd</sup> party products for 13% and services for 66% compared to 28%, 14% and 56%, respectively in the fourth quarter of last year. Deferred License Fees rose by 178K in the quarter.

Profit from operations for the fourth quarter, 2013 was \$256K compared to \$735K in Q4, 2012. EBITDA for the quarter was \$748K compared to \$1,273K in Q4 of last fiscal year. Net profit for Q4, 2013 was \$181K or \$0.02 per share compared to \$473K or \$0.04 per share for Q4, 2012.

Year over year, overall revenue increased by 11% to \$43.8M in 2013 compared to \$39.5M in 2012. This was an investment year. We increased gross R&D by 20%, while also investing heavily in our services organization with average headcount in services up by 31%. It is beginning to pay off, with license fees up 27% for the year, and services revenue beginning to rise significantly toward

the end of the year, up by 22% in Q4, compared to the same period in 2012. Profit from operations for 2013 was \$1,268K compared to \$1,455K for the same period of last fiscal year. EBITDA for fiscal year 2013 was \$2,966K compared to \$3,075K for the same period in 2012.

Net profit for 2013 was \$885K or \$0.08 per share compared to \$1,057K or \$0.09 per share for 2012. Net profit, adjusted for the impact of option expense due to the rising share price, was about \$1,127K in fiscal 2013 compared to \$1,124K in fiscal 2012, or \$0.10 per share for both periods.

From the perspective of returns to investors, in 2013 we have returned to our shareholders in excess of \$1.2 million; \$800K in the form of dividends and \$462K for buying back our common shares for cancellation under the NCIB. That concludes our review of Q4 and fiscal 2013.

A couple of highlights of the quarter I would like to elaborate on. The first is a leading manufacturer and distributor of some 4000 healthcare products for the homecare, long-term care, primary care, and acute care markets. They needed to modernize their supply chain infrastructure to reduce costs associated with their distribution processes. We met them for the first time in January of this year, and by April, after seeing most of the major players in the warehouse management industry, they quickly decided in our favour. This is not only a relatively fast win but also a strategic one for TECSYS; they are a supplier to health systems as well as healthcare distributors, both of which are key customers to TECSYS, and the synergy is evident.

The second is a regional cooperative service organization in the U.S. They serve a number of hospitals, clinics and other healthcare entities in their region. Their supply chain objectives include self-distribution, reduction of operating costs and increase of efficiencies, all of which are key performance indicators in our value proposition to health systems. Their distribution organization carries 3000 products in inventory, stocked with all essential items to be able to deliver only what their customers need on a daily basis. In essence, delivering the right

products, at the right place with 100% visibility and accuracy is essential. They needed to enhance their supply chain processes and procedures to ensure that they can quickly and efficiently fulfill the continuous needs of their member hospitals. Their ultimate goal is to be one of the greatest innovators in supply chain technologies. We were pleased that they have selected our solutions to meet their objectives as they look forward to deploy our applications to start reaping their benefits in the coming months.

Our wins in health systems, reinforce our continued acceptance and leadership in this market. Against this backdrop we are well positioned and are very pleased with Gartner's continued reaffirmation of our abilities. In their most recent report they said: "The vendor is an innovator and does a commendable job of commercializing its innovations intrinsically across its products as well as specifically to its target vertical industries."

**In conclusion:**

- Bookings for the quarter were an all-time high with year-to-date results surpassing last year's; 11% in total revenue and 27% in our licences fees.
- This was an investment year, and the returns are starting to show.
- We continued to win in health systems, adding four major organizations into our customer base.
- The market climate continues to be strong. According to Gartner the market for supply chain management applications is estimated to grow 7.7% in calendar 2013 and secure 9% CAGR through to 2016.
- At the end of Q4, 2013, annualized recurring revenue in Canadian currency increased to \$15.4M compared to \$14.8M at the end of Q4, 2012.
- Backlog increased to \$27.2M at the end of Q4, 2013 from \$26.3M at the end of Q4, 2012.
- Our pipeline is solid, our business opportunities are strong, and we intend to make the most of them.

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