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OPERATOR: Good afternoon. My name is Maria, and I will be your conference Operator today. At this time, I would like to welcome everyone to the QHR Technologies, Inc. 2010 Second Quarter conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question at this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

Mr. Hildebrandt, you may now begin.

ALVIN HILDEBRANDT (President and Chief Executive Officer, QHR Technologies, Inc.): Good morning and thank you, Maria, for introducing us here and being our Operator for this conference call. At this time, I'd like to welcome everybody that is on the line to the QHR 2010 Q2 quarterly results call. And that is something that we're quite pleased about, especially given that we've just announced this morning \$5.1 million of revenue – it's a record for us – and I'm pretty pleased about that. Today, I'm calling from downtown Toronto and Charles LaFleche, our Executive VP and CFO, is from Winnipeg. Are you there, Chuck?

CHARLES LAFLECHE (Executive VP Finance and Chief Financial Officer, QHR Technologies, Inc.): I am, where it's nice and sunny.

ALVIN HILDEBRANDT: Okay. It's hot in Toronto.

Before we begin this conference call, I'd like to remind all of you on our presentation that it does contain forward-looking statements that are based upon current expectations and are subject to a number of uncertainties, risks and the actual results may differ materially. Further information on the risks, uncertainties, and assumptions can be found on the QHR disclosure document and on our disclosures on SEDAR and our websites at qhrtechnologies.com.

So in today's conference call, we'll address the Q2 2010 financial results and the comparison to the prior year and the changes since the end of the fiscal year and, to some extent, the last quarter. We will recap how we do, why we feel good about the space, and also speak to some of the market outlook as we view it or as your questions lead us toward.

QHR Technologies is a software and services company that focuses primarily on Canadian healthcare markets, with solutions in two key areas. For organizations such as hospitals, long-term care facilities and, on a broader region, health regions, known as LHINs here in Ontario, or Health Regions elsewhere, we provide enterprise management solutions, specifically human resource applications, payroll, fast scheduling, and financial applications. We help organize, manage their resources and costs with our software.

The second area is for physicians. We provide electronic medical records that take a patient's entire medical file, including their personal demographic information, case history, prescriptions, lab tests, x-rays, and anything that the doctor may want to write on a piece of paper that are usually in those separate paper files you see on the wall, and combine them into a single electronic record. This provides a doctor with better electronic information, instant view of the patients' history, and provides huge administrative and time savings. We provide EMR systems, either through software that the physician installs in his office, or on a hosted basis through our Cloudwerx business unit.

We provide technology solutions and services to help healthcare system track and then manage their costs. We're a mid-range and affordable solution when you compare us to large EMR vendors – that would be for our EMF business – and we know how to implement at small and large sites, and we know what it's like to install a single doctor who is running his or her small business, now or as within our recent Clinicare acquisition, and also on our recent announcement about the Winnipeg Regional Health Authority. We have some of the largest clinics in the country now on our EMR systems.

So, for us to understand the impact of quarter two and why we're excited about it, I'm going to turn it immediately over to Chuck LaFleche in Winnipeg to talk about the financial results. Over to you, Chuck.

CHARLES LAFLECHE: Thanks, Al, and so we're moving from the centre of the universe in Toronto to the heart of the continent here in Winnipeg, Manitoba and thank you, everybody, for joining us. So Q2 2010 was a great quarter for QHR and let me start by making some comments on the balance sheet.

We compare Q2 to December 31, '09, and our cash at the end of Q2, at the end of June 30th was 345,000, which is down about 700,000, but our accounts receivable was up considerably, 1.3 million from the previous quarter. And this was really mainly from some provincial government contracts, and primarily in Ontario, that there were some delays in their payments, not because of us; there were delays to a number of vendors. That's since been corrected, so we're seeing a lot of cash coming in Q3. New business was also written towards the end of Q2, which is all good, again converting to cash in the third quarter but we did have a high AR end of Q2.

In terms of current liabilities, they're down from 7.6 million at December 31, '09, to 4.6 million as of June 30th, so a \$3 million reduction for the first half of the year, which we think is very positive. The largest

portion of this was the pay-down of current liabilities and notes payable to the Clinicare shareholders from cash flow, which is usually higher for QHR in March–April timeframe, just because of the nature of our annual billings which are usually linked to government year ends, which are March 31. We also had \$1 million equity raise on March 25th as well.

And just as a side note, the Clinicare shareholder note, which is of interest to some of you probably, was at 3.2 million at December 31, '09; it was down to 1.35 million by March 31, 2010; down to 846,000 as of the publication of these statements at June 30th. And I can tell you that, as of today, we're down to 580,000 with the balance that we're expecting to be paid out during Q3, so that's moving along.

Now turning to the income statement, what you can plainly see from this morning's press release is we followed up a record quarter in 2010 in Q1. We had a revenue of 4.7 million, with an even greater record this year, of this quarter of 5.1 million; it's sort of our first time over 5, it's a big number for us. That's up 400,000 from the previous quarter. And at 5.1 million, it's \$2.4 million over Q2 2009. And Al and I were talking recently; we can remember two years ago when 2.4 million in and of itself was a great quarter, and now that's an increase from year-to-year, so we're pretty happy about that. And because of this significant quarterly growth, we think it's fairly steady growth, we've inserted a graph; you'll notice there's a

graphical representation of the last eight quarters of growth in our MD&A, and again, when you go from 1.3 million to 5.1 million in eight quarters, we think that's quite an accomplishment for any company.

Now, AI defined the EMS division as the division that looks after long-term care facilities and hospitals with our payroll financial solutions, and that EMS division contributed 775,000, or one third of our overall \$2.4 million revenue growth, in spite of not really having of what we portray, or have become accustomed to, at least every other quarter, are larger software license agreements to announce. In the past, we've had significant spikes in revenue and it was because of winning larger software license agreements. The 2.4 million was really regular EMS business within our client base, increased services and ongoing support and maintenance.

The EMR division, on the physician offices side, grew tremendously and nearly tripled from \$1.6 million in absolute dollars; 900,000 which was generated from the recent acquisitions, so it wasn't all acquisition-based, but the remaining 700,000 that we're pretty proud of was, as AI calls, good old-fashioned organic growth of our products and recurring business, including the start of implementations right here in Manitoba at RWRHA. God bless them. We've been blessed actually with some pretty significant business here in the province. We're pretty happy about that.

EBITDA of 935,382 is about 18—well it's not about; it's exactly 18.3% of revenues, so it's getting close to our internal targets. And as we have indicated previously, it's really without the benefit of larger software license contracts, which we expect to see before the end of the year.

Amortization of intangibles and equipment is obviously higher than 2009, which is a reflection of the increased expensing of the Clinicare acquisition; and our Q2 interest costs of 127,000 is also higher than Q2 2009, which relates to the Clinicare loan payouts expected to be completed in Q3.

Cost of goods is up substantially as a factor of the type of sales, such as 291,000 in hardware costs that are associated with Cloudwerx IT system sales and related data centre costs, and also \$275,000 that went out to Microsoft GP as licensing fees. And quarter-to-quarter, you'll see fluctuations in the cost of sales depending on the product mix and so it's really a function of the product mix, that increase in cost of goods sold.

So as you can see, the 5.1 million in revenue for one quarter and now really just under 10 million for the year-to-date, we're very close to the halfway point of \$20 million target, which we announced, and we expect to continue growing our services business, add to our recurring revenues, and we're still working hard at securing some of those large software

license agreements with new and existing customers as we close out the year.

And now I'll send it back to the centre of the universe, to Al Hildebrandt.

ALVIN HILDEBRANDT: And I'll send it back to our... Yeah, and I just want to follow-up in this, just one minute here, because obviously as the numbers were coming in for the quarter, as we're moving forward, we knew that some of the information was going to be getting better than we had in the previous quarter, and I can tell you with a lot of pride that this is really good to see this \$5 million target and set our sights on, hopefully, the next targets as we keep on raising the bar on the revenue side but not forgetting that it's about earnings, and it's about EPS, and you'll also see a fair bit of stuff in these financials that relate to the cost controls and hopefully some of your questions will lead to (inaudible).

So I'm going to turn it back to Maria in the West Coast, or wherever she is, and open it up for questions at this point. And I think that'll lead both Chuck and myself into other answers here.

OPERATOR: Excellent. At this time I would like to remind everyone, in order to ask a question press star, then the number one on your telephone keypad.

Your first question comes from the line of Gabriel Leung. Your line is open.

GABRIEL LEUNG: Hi, guys, just a quick question here. The... Given the lack of, let's call it material license contributions in the quarter, would you characterize the results you just put out as sort of a baseline results of what you can do on a consistent basis going forward? So should we be expecting sort of, you know, GAAP EPS of \$0.01 consistently, barring any, you know, additional growth on both parts of your businesses?

ALVIN HILDEBRANDT: Well on the revenue side... It's Al here, Gabriel. On the revenue side, we still sell some licensing to existing and other client base here. The... and so there's always some of that inside (unintelligible); in fact, each of the last three quarters was about, you know, probably 4 to \$500,000 of licensing revenue in those quarters, but nothing that we would characterize a, as a large deal like we've done in the past, where we've announced, like \$1 million contract. So the revenue line, we're pretty consistent on that area.

Earnings, obviously, was a factor of what expenses come through and what you invest into, and we think we've got that in hand and it should be pretty close to that type of revenue numbers. Of course, we're shooting for those targets on a yearly basis, and we've got a ways to go yet before we meet our full target on the earnings part.

GABRIEL LEUNG: On that front then, are you, are there any plans, near-term plans to increase the current operating expense base?

ALVIN HILDEBRANDT: No, I think you would see it stay consistent or slightly down from where it is on this last quarter, which is down, obviously, as we mentioned from the first quarter.

GABRIEL LEUNG: Right, okay. Just drilling down to your key businesses, I guess on the EMS side first. You know, you announced a bunch of umbrella contracts, I guess, in Ontario in 2009 and prior. Can you give us a sense of where those contracts currently stand, you know, what are your expectations in terms of license orders, I guess, over the course of 2010 and beyond?

ALVIN HILDEBRANDT: The RFPs were public RFPs for our broad range of our products and related services. Those services have been coming through, as we announced in May, in this quarter; we announced over a \$1 million services contract and those have been delivered in quarter two and quarter three. They will continue to be serviced services and then as the customers – not just one customer in Ontario, but elsewhere as well – as they chew up the... or make use of the licenses that they'd ordered, either in terms of number of seats if it's on the financial basis or our financial products, or number of employees if it's based on the payroll side, then they have to purchase more licenses for those

agreements which then would kick in. But they've typically done those in larger blocks. And that's an ongoing process; I see nothing in the way of it not completing and continuing, but we just have to wait for those orders to materialize.

GABRIEL LEUNG: Okay. And then on the EMR side, maybe you can give us a status update on the recent deal with Winnipeg Regional Health, and how is that deployment currently progressing, sort of where are you right now in terms of the deployment?

ALVIN HILDEBRANDT: Okay, the Winnipeg one was an RFP that was done... First of all, let's just step it back one question. We had participated in an RFP process for Manitoba, to be one of four vendors in Manitoba and, ironically, Clinicare before we acquired them or we announced it, was also another vendor, so two of the four vendors are us in Manitoba. Winnipeg then went out and did a separate RFP to make sure that it could handle it for all of their individual doctors at their clinics, and there's hundreds of doctors involved with that. And at this point here, they're already rolling out; I believe we're about a third of the way through with that one already in terms of implementation so its revenue should start kicking in. Most of it is going to be starting in Q3 in terms of the uptick in that area, but they're coming along and it seems to be bringing along other people within the city as well that are add-ons to that part.

GABRIEL LEUNG: And can you give us an update on where your physician count currently stands and sort of broken up into the two divisions if you can?

ALVIN HILDEBRANDT: Right. At the end of Q1, we announced in the MD&A in Q1 there was 3,300 doctors and 2,000 on EMR. At the end of Q2, which is at June, we were at 3,500 doctors and 2,200 on EMR, and we're going to have to do an update on that in the next few weeks here; likely be some additional news on that. Well, we'll do an update but there should be a little bit higher than that based on where we're at in Q3 at this point here.

GABRIEL LEUNG: Okay. And any update on the CFO search?

ALVIN HILDEBRANDT: On the...?

GABRIEL LEUNG: CFO.

ALVIN HILDEBRANDT: Well, at this point, it's working well with what we've got going. We've got other resources in Kelowna that we brought in and, you know, Chuck is the interim CFO and it's all working well at this point here, so we haven't been doing too much in that area as we've been getting everything working well in the accounting area. So when that happens, we'll let everybody know.

GABRIEL LEUNG: Okay, perfect. Thanks a lot, guys.

OPERATOR: Again, if you'd like to ask a question, press star, one on your telephone keypad. Your next question comes from the line of Calvin Cheng. Your line is open.

CALVIN CHENG: Can you remind us a little bit about the funding programs for Saskatchewan and Manitoba and how that sort of translated into doctor decisions' uptick in the past? And, I guess, the reason why I'm asking that is just what do you expect in terms of potential funding out of, I guess Ontario, to perhaps drive a bit of a catalyst?

ALVIN HILDEBRANDT: Okay, each of the... First of all, on the EMS business, we've always been driven by RFPs, in that we've been participating for years. In the physician space, most of the decisions are made by individual physicians, until a time when the government started introducing a funding program for their doctors, and that started in BC, then Alberta, and Saskatchewan and Manitoba followed on in that area. Two years ago, we were fortunate to be one of the four vendors in both Saskatchewan and Manitoba. I think what Manitoba and Saskatchewan, to their credit – and maybe it's a small, smaller roots or whatever – but they brought in a broader group of users, physicians, users, clinical managers, MOAs; they had a pretty broad set of people looking at it, and they also had a lot of people that had been on EMR systems for years, and so those decisions helped us in that area.

We had originally, when we were on the list in Saskatchewan, already had acquired in 2006 two vendors in Saskatchewan, which... so we were already servicing about 400 doctors in Saskatchewan at that point. And, of course, once they had a good track level of (phon) servicing, then they moved toward the funded systems, which really stalled it for quite awhile, almost a year and a half, then it was easy for them to stick with us. Saskatchewan's got a great funding program; they get \$500 a month, plus \$1 per patient, and... but the doctors basically had to wait until the funding package came through. And I believe currently the... you know, we have about 90 percent of all of the funded EMRs in the Province, and that really was a tipping point for us when a lot of the Clinicare sites, prior to us even acquiring Clinicare, started moving to us, with or with no funding.

In Manitoba, we won as I said two positions in that one there, with the acquisition of Clinicare, and they are expected to make an announcement shortly, in the next month or so, about their funding package that they're planning on offering doctors. But currently, we're getting the business in Manitoba, which I believe is already over half of the business on the EMR side, based upon no guarantee of funding, just that we're one of the approved vendors.

So your other lead-in question may be all in BC. BC has recently, in this last month has announced a funding package for specialists. Of course, specialists was our roots, and there's over 300 specialists in BC on our system and that program is going to be rolled out at the end of September, so we'll see if that has an impact on their buying decisions. We think it will, but it's something that we'll see at this point here.

And Ontario, Ontario is well publicized. Ontario has had several major funding projects going through Ontario MD. There's a list of qualified vendors in Ontario, including Clinicare, that the customers can purchase and get funded for, and I believe it's about a \$30,000 package over a three-year time period to buy equipment and software and services over that time period. And this latest round of funding that they announced last fall, 236 million, was for the next 6,000 doctors and, of course, there's about a dozen vendors out there all fighting for that business.

CALVIN CHENG: Great, that's all I had, Al. Thanks.

ALVIN HILDEBRANDT: Okay.

OPERATOR: There are no further questions for you at this time. Mr. Hildebrandt, I turn the call back over to yourself.

ALVIN HILDEBRANDT: Okay, and just let me know if there's any other questions that pop up there. But I'd just like to close and I know everybody's busy with their own schedule they have going. I really want to

thank everybody for their support and interest in what QHR is doing. We really do believe we are at the forefront of a lot of stuff that is going on well in healthcare. Healthcare has its problems and has the issues to deal with in terms of cost containment, and we believe that, in multiple jurisdictions, in multiple product lines, we're one of those that provincial governments and other customers are betting on in larger scale and investing into so that we can build up our resources in this area.

And as an example, we've made a fairly big stake in Ontario. We now have about 25 employees in Ontario and those are all leading to additional services that we're doing for those organizations and building it up. And obviously, that all leads to other things and, as shareholders or people representing shareholder buying interest, we do believe that, you know, what you see this quarter should also continue on and keep on growing. Of course, don't expect us to hit \$6 million the next month here, but we are growing and are doing our best and working hard at this part of it.

So I thank you for everything and look forward to any individual questions that you may have, that you may want to send us or meet with us individually. Is any other questions there Maria?

OPERATOR: There is not.

ALVIN HILDEBRANDT: Okay. Well, Chuck, any closing comments from your side there?

CHARLES LAFLECHE: No, just want to thank everybody.

ALVIN HILDEBRANDT: Okay, so I'd just leave it with you and if you have any questions, just get a hold of us and look forward to having a very good report in Q3.

OPERATOR: This concludes today's conference call. You may now disconnect.
