



# News Release

## WELLPOINT SYSTEMS REPORTS RECORD 2009 FIRST QUARTER REVENUE AND EBITDA

**CALGARY, Alberta – April 27, 2009** – WellPoint Systems Inc., (“WellPoint” or the “Company”) (TSX-V:WPS), a leading provider of software and related solutions to the energy industry, today announced its financial results for the quarter ended March 31, 2009. All monetary values are in Canadian dollars unless otherwise indicated.

### First Quarter Financial Highlights

In thousands (CDN\$)			\$ Change	% Change
	2009	2008	2008 - 2009	2008 - 2009
Revenue	10,384	9,520	864	9.1%
Gross Profit	7,059	5,393	1,666	30.9%
Adjusted EBITDA	2,588	(436)	3,024	693.6%
Cash on hand	1,462	406	1,056	260.1%

### First Quarter 2009 Highlights

- Increased total revenue by 9.1% to \$10.4 million, compared with \$9.5 million in 2008;
- Generated \$2.6 million of Adjusted EBITDA compared to an Adjusted EBITDA loss of (\$0.4) million in 2008;
- Delivered US\$1.0 million of the previously announced license sale to WellPoint’s new Middle Eastern channel partner, QMENA for WellPoint’s Microsoft Dynamics AX solutions;
- Increased non-Canadian revenue by \$0.9 million to \$8.5 million from \$7.6 million in 2008;
- Increased the Company’s cash balance by \$1.1 million and decreased working capital deficiency by \$1.5 million;
- Increased customer base by eight customers;
- Added additional licenses to twenty-four current customers; and
- Released WellPoint Integrated Suite (WIS) 5.0, an oil and gas software application suite powered by Microsoft Dynamics AX 2009.



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“The improved results we achieved in the first quarter reflect early progress against our long-term strategy to deliver sustained growth with profitability,” said Mr. Richard Slack, CEO and President of WellPoint Systems. “Although the ongoing economic downturn has presented unique challenges, we are confident that we have taken the necessary steps to build sustainable growth and profitability going forward. Many of the initiatives that we undertook in late 2008 and early 2009, designed to reduce costs and drive efficiencies, are only now beginning to bear fruit. We managed to do this while keeping much of our team intact and are particularly thankful to our dedicated employees who have contributed greatly in delivering these positive results.”

## First Quarter Financial Review

Overall revenues for the first quarter of 2009 increased by \$0.9 million as compared with the first quarter of 2008. License revenue increased to \$3.4 million from \$3.0 million in 2008. License revenue for 2009 includes \$1.2 million of revenue from the Company’s previously announced license sale to QMENA. License revenue for 2008 includes \$0.7 million of license revenue for BOLO which was carried over from 2007 due to the application of certain GAAP revenue recognition principals. If the affect of both the 2007 revenue carryover to 2008 and the 2009 QMENA revenue are factored out, license revenue for 2009 was relatively flat as compared to 2008. This is meaningful given the current general economic climate. Maintenance revenue grew to \$3.1 million in 2009 from \$2.4 million in 2008, an increase of 32.1%, due to growth in the Company’s customer base. WellPoint now provides maintenance to 433 customers worldwide and continues to achieve maintenance and support customer retention rates of approximately 99%. Professional services revenue decreased by \$0.4 million in the first quarter of 2009 as compared with the same period of the prior year. Demand for professional services is significantly affected by the Company’s license sales. During the fourth quarter of 2008 the Company experienced weak license sales which had a negative impact on the Company’s first quarter professional services revenue. In the first quarter of 2008, the Company was working on a large implementation in South America. This implementation was predominately complete in the third quarter of 2008 which also contributed to the drop in the 2009 first quarter professional services revenue. Further impacting the professional services revenue is the continued instability in general economic climate with customers choosing to preserve cash and defer implementations and software enhancements until conditions improve.

Revenue from outside of Canada increased to \$8.5 million in the first quarter of 2009 from \$7.6 million in 2008. This was primarily due to the completion of the \$1.2 million license sale to QMENA.





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Gross profit was \$7.1 million (68% of total revenue) compared with \$5.4 million (56.7% of total revenue) for the first quarter of 2008. The \$1.7 million (30.9%) increase in gross profit is attributed primarily to the Company's revenue mix. During the first quarter of 2009 compared with the same period of the prior year, the Company increased its sales of higher margin license and maintenance revenue by \$1.2 million and decreased its lower margin professional services revenue by \$0.3 million. This shift in revenue mix resulted in an increase in both gross profit and gross margin.

SG&A decreased to \$2.6 million (25.4% of revenue) compared with \$3.3 million (34.4% of revenue) in the first quarter of 2008. The decrease in SG&A costs is a result of various cost reduction efforts implemented during the latter half of 2008. Further, due to the negative general economic climate, the Company took additional steps in 2009 to reduce SG&A expenses by rolling back salaries at its North American operations by 10%. Further impacting the comparison between the Company's 2008 and 2009 SG&A costs is the decision by the Company to stop capitalizing research and development costs in 2009. In 2008 a portion of the Company's SG&A costs were allocated to research and development and capitalized. Had these costs not been capitalized in 2008, the comparative change in SG&A would have been even greater.

Facilities expenses decreased to \$0.38 million compared with \$0.44 million in the first quarter of 2008. The decrease primarily relates to consolidation of the Company's offices in Calgary.

In 2009, the Company incurred research and development expenses of \$1.5 million (14.2% of revenue) compared with \$1.0 million (10.8% of revenue) for the comparable period in 2008. The increase in current research and development is related to a decision to stop capitalizing research and development expenses as they no longer meet the criteria for capitalization. When compared with development expenditures capitalized in the 2008, the Company's investment in research and development appears to have decreased by \$0.7 million. However, this decrease is primarily attributable to various cost reduction efforts implemented during the latter half of 2008. Further, due to the negative general economic climate, the Company took additional steps in 2009 to reduce research and development expenses by rolling back salaries at its North American operations by 10%. In 2008 a portion of the Company's SG&A costs were allocated to research and development and capitalized. Had these costs not been capitalized in 2008, the comparative change in research and development costs would have been significantly smaller. For greater clarity, the Company is continuing to invest in research and development projects with the same vigor as in 2008, however the reduction in the current year expenditure is related entirely to cost optimizations and a reallocation of costs between research and development expenditures and SG&A (please see SG&A section above).



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WellPoint Systems is committed to enhancing its position as a leading provider of software and related solutions within the energy and natural resources industries. The Company will increase its investment in the development of new and innovative products utilizing the Microsoft AX Dynamics architecture. This investment is a fundamental requirement as WellPoint Systems continues to build products that meet the needs of its customers.

Depreciation and amortization expenses decreased to \$0.9 million compared with \$1.2 million for the first quarter of 2008. The decrease primarily relates to the Company's decision to write-off a significant portion of its deferred development costs in the third quarter of 2008. Since these costs have been written off, there is no longer a requirement to amortize the expenses.

Interest expenses increased to \$1.4 million as compared with \$0.9 million for the first quarter of 2008. The increase primarily stems from the new financings in 2008. As at March 31, 2009, the Company had notes payable, capital leases and convertible debt with a carrying value of approximately \$35.6 million with an effective annual interest rate of approximately 16.0%

Most of the Company's businesses are organized geographically so that many expenses are incurred in the same currency as the revenue generated, which mitigates some exposure to currency fluctuations. Following the acquisition of BOLO in 2007, the Company significantly increased its net liabilities denominated in United States dollars in connection with notes payable issued in connection with the acquisition along with US convertible debentures needed to complete the acquisition. The Company has not entered into any forward hedging contracts and therefore experiences gains and losses relating to foreign exchange. The loss for the three months ended March 31, 2009 was \$0.8 million (2007 – \$0.5 million).

For the first quarter of 2008 the tax recovery was \$0.1 million compared with a tax recovery of \$0.4 million in the same period of the prior year. The tax recovery is primarily as a result of the Company's operations in the US.

Due to the factors discussed above, the net loss for the first quarter of 2009 was \$0.5 million compared with a net loss of \$2.3 million for the first quarter of 2008. Basic and diluted net loss per share was (\$0.01) compared with a net loss per share of (\$0.5) for the first quarter of 2008.

Adjusted EBITDA was \$2.6 million compared to an Adjusted EBITDA loss of (\$0.5) million for the first quarter of 2008. The \$3.1 million increase in Adjusted EBITDA was the result of the \$1.7 million increase in gross profit and reduced operating costs as discussed above.



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## Outlook

During 2008, the Company has invested significant capital and management resources to integrate the BOLO and iSoft acquisitions into WellPoint Systems. In 2009, with the acquisitions now in place, the Company will focus on increasing its net income and Adjusted EBITDA and expects to advance on many fronts, through the following initiatives:

- Establishing deeper partnerships across the globe, including expanded and new agent relationships in international markets. In 2009, the Company particularly intends to focus its activities on increasing market share and driving revenue from opportunities primarily in the North American and Middle Eastern markets;
- Increasing sales and marketing of WellPoint Energy Broker in the North American and Middle Eastern markets and WellPoint EAM and WellPoint EFM solutions worldwide;
- Continuing development and marketing of BOLO and Ideas to increase market share;
- Continuing development of the WellPoint EAM, WellPoint EFM, and WellPoint Energy Broker solutions to expand functionality and better conform with best practices in the computer software industry; and
- Increasing operational efficiencies.

In the first quarter of 2009, the Company recorded US\$1.0 million in revenue from the agreement the Company signed on December 24, 2008 with Quorum MENA Limited ("QMENA"), for a license sale of US\$2.0 million. The Company will record the balance of the revenue in the second quarter of 2009.

Although the Company anticipates it will continue to post net losses in 2009, the Company anticipates posting improved Adjusted EBITDA. The Company will be in a net loss position primarily as a result of non-cash interest accretion on its convertible debentures. As such, investors may choose to use Adjusted EBITDA as an indicator of future earning potential and value.

The information contained in this news release is in summary form and should be read in conjunction with the Company's audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2008 and quarter ended March 31, 2009. Those documents are available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at [www.sedar.com](http://www.sedar.com).





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## Notes

(1) "EBITDA" is a financial measure that does not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. EBITDA is a measure of the Company's operating profitability. EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, assets are amortized or how results are taxed in various jurisdictions. Adjusted EBITDA is Standardized EBITDA<sup>1</sup>, excluding foreign exchange gains primarily related to the US dollar denominated debt of the Company and can vary significantly depending on exchange rate fluctuations, which are beyond the control of the Company, and write downs of deferred development and intangible costs, goodwill impairment, financing costs, stock based compensation, fees and expenses on settlement of debt and losses on extinguishment of debt and after deducting the annual amount invested in respect of deferred development costs, which, with the implementation of International Financial Reporting Standards in the year ended December 31, 2011, will generally be required to be expensed on an annual basis.

(2) "Gross Profit" is a financial measure that does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. Gross profit is provided to assist investors in determining WellPoint's ability to generate earnings from the sales of its products and services. Gross profit is calculated by subtracting direct expenses from revenue.

## About WellPoint Systems Inc.

WellPoint provides premier software and related services for managing critical operations within the energy industry. As a Microsoft Gold Certified Partner since 2005, WellPoint is the only Independent Software Vendor (ISV) and Microsoft Dynamics partner dedicated to the energy sector. It is breaking new ground with the creation of a more comprehensive, integrated energy software suite based on existing Microsoft ERP technology that utilizes state-of-the-art Dynamics AX® and .NET architectures. WellPoint also provides software and services under the BOLO, IDEAS International and iSoft brands.

Founded in 1997, Calgary-based WellPoint Systems also has major operations in Denver, CO, Houston, TX, Livingston, NJ, Tampa, FL, Tunis, Tunisia and Pretoria, South Africa. WellPoint is publicly traded on the TSX Venture Exchange under the symbol WPS.

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This document contains forward-looking statements. Some forward looking statements may be identified by words like "expects", "anticipates", "plans", "intends", "indicates" or similar expressions. The statements are not a guarantee of future performance and are inherently subject to risks and uncertainties. The Company's actual results could differ materially from those



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currently anticipated due to a number of factors, including, but not limited to, successful integration of structural changes, including restructuring plans, acquisitions, technical or manufacturing or distribution issues, the competitive environment for the Company's products, the degree of market penetration of the Company's products, and other factors set forth in reports and other documents filed by the Company with Canadian securities regulatory authorities from time to time.

**The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.**



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## WELLPOINT SYSTEMS INC.

Consolidated Balance Sheets (Unaudited)

	March 31 2009	December 31 2008
<b>Assets</b>		
Current assets:		
Cash	\$ 1,462,493	\$ 405,931
Accounts receivable	3,886,491	3,531,851
Prepaid expenses	965,276	745,862
	<u>6,314,260</u>	<u>4,683,644</u>
Property and equipment	1,113,239	1,106,449
Deferred development costs	2,084,922	2,118,586
Intangible assets	15,239,775	15,383,723
Goodwill	25,310,992	24,442,074
Future income taxes	256,715	131,656
	<u>\$50,319,903</u>	<u>\$47,866,132</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,089,885	\$ 5,717,886
Current income tax liability	-	106,096
Deferred revenue	4,672,076	4,876,343
Other deferred credits	54,558	54,558
Current portion of long term notes payable	102,079	98,574
Current portion of capital lease obligations	48,601	45,791
Convertible debentures	1,414,627	1,358,019
	<u>12,381,826</u>	<u>12,257,267</u>
Long term notes payable	6,219,839	6,004,527
Capital lease obligations	47,281	57,829
Other deferred credits	63,652	77,292
Convertible debentures	27,798,982	26,476,034
	<u>46,511,580</u>	<u>44,872,949</u>
Shareholders' equity:		
Share capital	14,497,433	14,497,433
Contributed surplus	1,644,783	1,624,415
Convertible debentures	8,995,967	8,995,967
Accumulated other comprehensive income	5,067,825	3,744,213
Deficit	(26,397,685)	(25,868,845)
	<u>(21,329,860)</u>	<u>(22,124,632)</u>
Total shareholders' equity	3,808,323	2,993,183
	<u>\$50,319,903</u>	<u>\$ 47,866,132</u>





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## WELLPOINT SYSTEMS INC.

Consolidated Statements of Operations and Deficit (unaudited)

For the three months ended March 31

	2009	2008
Revenue:		
License	\$ 3,401,593	\$ 2,959,771
Maintenance	3,120,850	2,363,293
Professional services	3,861,168	4,197,174
	<u>10,383,611</u>	<u>9,520,238</u>
Direct costs	<u>3,324,085</u>	<u>4,127,573</u>
Gross margin	7,059,526	5,392,665
Expenses:		
Sales, general and administrative	2,638,779	3,273,982
Research and development	1,476,487	1,024,527
Interest	1,449,100	931,521
Depreciation and amortization	885,232	1,150,363
Foreign exchange loss	806,900	545,394
Facilities	375,807	436,830
Financing and amortization of debt and note payable issue costs	81,120	93,061
Fees and expenses on settlement of long term note payable	-	614,505
	<u>7,713,425</u>	<u>8,070,183</u>
Loss before income taxes	<u>(653,899)</u>	<u>(2,677,518)</u>
Income taxes		
Future expense (reduction)	(125,059)	(371,496)
Net loss	<u>(528,840)</u>	<u>(2,306,022)</u>
Deficit, beginning of year	(25,868,845)	(3,865,985)
Deficit, end of year	<u>\$(26,397,685)</u>	<u>\$ (6,172,007)</u>
Loss per share, basic and diluted	\$ (0.01)	\$ (0.05)

