



# News Release

## WellPoint Systems Announces Record Third Quarter Revenue

**CALGARY, Alberta – November 12, 2007** – WellPoint Systems Inc. ("WellPoint" or the "Company") (TSX-V: WPS) the premier supplier of innovative software solutions to the energy sector, today announced results for the three and nine-month periods ended September 30, 2007. All dollar amounts are in Canadian dollars unless otherwise stated.

### Operational and Financial Highlights

- Acquired essentially all the assets of Bolo Systems, Inc., a leading provider of integrated multi-tiered financial, land and production accounting solutions for the oil and gas industry in the United States;
- Increased revenue 56% to \$6.7 million for the third quarter ended September 30, 2007 and 98% to \$21.1 million for the first nine months of 2007 over the comparative periods in 2006;
- EBITDA for the third quarter of \$0.5 million compared with \$0.5 million in the third quarter of 2006. EBITDA of \$3.3 million for the first nine months of 2007, up 118% when compared with \$1.5 million for the comparable period of 2006;
- Named the 2007 Microsoft Dynamics™ Partner of the Year for Canada; and
- Reported net income of \$198,208 in the third quarter of 2007 compared with \$10,806 in the third quarter of 2006. Net income was \$1.0 million for the first nine months of 2007 compared to \$173,875 in 2006.

"We continue to generate improving top line performance on a year over year basis thanks to the strategic acquisitions we've made in the last 18 months, however, adjusted EBITDA in the third quarter was partially impacted by some one-time costs related to securing financing for the Bolo acquisition," said Frank Stanford, CEO of WellPoint Systems. "We expect these acquisitions will continue to play an important role in the expansion of our business, especially in the U.S. and key international markets, in future quarters."

### Financial Review

Revenues grew 56% to \$6.7 million in the third quarter of 2007, as compared with \$4.3 million in the third quarter of 2006. The increase for the third quarter was attributable to growth from the 2007 acquisitions of Bolo and iSoft. For the nine month period, revenues grew 98% to \$21.1 million, as compared with \$10.7 million in the same period of 2006. The increase for the nine month period was a result of the growth from the 2007 acquisitions and also from the increase in revenue at Ideas in 2007 compared with the same period in 2006 including software license revenue of \$4.4 million reported in the second quarter of 2007 from a software licensing, professional services and maintenance contract with a South American oil company. This contract represents the largest contract of its kind that the Company has entered into.

Revenue growth from acquired businesses was significant for both the three and nine month periods ended September 30, 2007 as the Company completed three acquisitions since the beginning of 2006. These acquisitions contribute to approximately \$4.7 million, or 70% of total Q3 2007 revenue and \$13.5 million or 64% of total revenues for the nine-months ended September 30, 2007.

Gross profit for the quarter ended September 30, 2007 was \$5.4 million, or 80% of total revenue, compared with \$3.0 million, or 69% of total revenue for the same period in 2006. The increase in



## News Release

gross profit dollars is attributable to the overall increase in revenue while the increase in gross profit percentage can be attributed to the increase in our higher margin maintenance revenue in the quarter and higher professional service revenue with the majority of internal costs related to this revenue included in general and administrative expenses.

For the nine month period ended September 30, 2007 gross profit increased to \$15.2 million, or 72% of total revenue, compared with \$7.9 million, or 74% of total revenue, for the same period in 2006. The increase in gross profit dollars is attributable to the overall increase in revenue while the decrease in gross profit percentage and increase in direct costs can be attributed to the increase in agents commissions included in direct costs in connection with the sale of the Company's solutions primarily in international markets.

General and administrative expenses increased to \$4.9 million for the quarter ended September 30, 2007 as compared with \$2.5 million for the comparable period of 2006. These expenses now represent 72% of revenues as compared to 57% in 2006. The increase in expenses during the quarter include additional salaries and benefits for the increase in staff required to support the growth in professional service revenue, the additional general and administrative expenses related to the two acquisitions in 2007 and professional fees in connection with merger and acquisition and proposed financing transactions that management decided not to proceed with. Salaries and benefits account for the largest portion of the general and administrative expense. General and administrative expenses increased to \$11.9 million for the nine month period ended September 30, 2007 as compared to \$6.4 million for the comparable period of 2006. These expenses now represent 57% of revenues as compared to 60% in 2006. The increase in expenses during the period was due to the same factors that increased expenses in the three month period ended September 30, 2007.

Following the acquisition of Bolo in August 2007, the Company significantly increased its net liabilities denominated in United States dollars in connection with approximately US\$20 million of term notes payable and term loan payable issued in connection with the acquisition. During the third quarter of 2007, following the acquisition of Bolo, the Canadian dollar strengthened vs. the United States dollar and accordingly the Company recorded a foreign exchange gain of \$1.1 million in the quarter.

Management uses Adjusted EBITDA (earnings before interest, taxes, foreign exchange, depreciation and amortization) as the best indicator of profitability. Adjusted EBITDA was \$0.5 million, or 8% of total revenue, for the third quarter of 2007 as compared with \$0.5 million, or 12% of total revenue for the third quarter of 2006. The decrease in the Adjusted EBITDA percentage of total revenue is primarily related to the higher proportion of lower margin professional services revenue recorded in the third quarter ended September 30, 2007 and \$0.2 million of professional fees in connection with merger and acquisition and proposed financing transactions that management decided not to proceed with and which were included in general and administrative expenses in the third quarter of 2007.

For the nine months ended September 30, 2007, Adjusted EBITDA was \$3.3 million, or 15% of total revenue, compared with \$1.5 million, or 14% of total revenue, for the same period of 2006, an increase of \$1.8 million. The increase in the Adjusted EBITDA percentage of total revenue is primarily due to the strong license revenue from sales in international markets, including software license revenue of \$4.4 million from the signing of a software licensing, professional services and maintenance contract with a South American oil company in second quarter of 2007.



# News Release

Net income increased to \$0.2 million for the quarter ended September 30, 2007 as compared with nil for the comparable period in 2006. Net income increased to \$1.0 million for the nine months ended September 30, 2007 as compared to \$0.2 million for the comparable period of 2006. The increases in 2007 are primarily a result of the significant increase in revenue that primarily resulted from acquisitions.

Working capital totaled approximately nil at September 30, 2007. At September 30, 2007, the Company had an operating credit facility in place with the Company's banker, The Royal Bank of Canada, in the amount of \$2.5 million. As at September 30, 2007 the Company had drawn \$1.8 million on this facility.

## **Progress toward WellPoint's 2007 key strategy points:**

1. Exploit receptive U.S. & International markets.
  - U.S. and International revenue represented 63% of total revenue for the first nine months of 2007.
2. Pursue strategic acquisitions and partnerships that complement a focused corporate strategy.
  - Acquired essentially all the assets of Bolo Systems, Inc. on August 13, 2007;
  - WellPoint now owns the most valuable piece of mining intellectual property in the Microsoft application world with the first quarter 2007 acquisition of iSoft; and
  - WellPoint continues to look for new acquisition opportunities.
3. Leverage a differentiated relationship with Microsoft.
  - Named the 2007 Microsoft Dynamics™ Partner of the Year for Canada.

The Company's quarterly financial statements and management's discussion and analysis are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **(1) Non-GAAP Financial Measure**

In addition to providing earnings measures in accordance with Generally Accepted Accounting Principles (GAAP), WellPoint presents a non-GAAP earnings measure. This is earnings before interest, taxes, depreciation and amortization and foreign exchange (Adjusted EBITDA). This measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other companies. Adjusted EBITDA is provided to assist investors in determining the ability of WellPoint to generate cash from operations, to service the interest on indebtedness and to fund deferred development costs. A reconciliation of Adjusted EBITDA to a GAAP financial measure is shown below:



## News Release

	Three months ended September 30		Nine months ended September 30	
	2007 (\$)	2006	2007 (\$)	2006
<b>Adjusted EBITDA</b>	<b>507,461</b>	<b>515,931</b>	<b>3,266,764</b>	<b>1,497,155</b>
<b>Add(deduct)</b>				
Foreign exchange gain	1,121,806	802	1,106,268	21,216
Depreciation and amortization	(729,944)	(354,138)	(1,614,965)	(903,497)
Interest	(607,729)	(147,333)	(974,200)	(436,543)
Income taxes	(93,386)	(4,456)	(758,692)	(4,456)
<b>Net income-GAAP financial measure</b>	<b>198,208</b>	<b>10,806</b>	<b>1,025,175</b>	<b>173,875</b>



# News Release

## **About WellPoint Systems Inc.**

WellPoint Systems provides premier software and related services for managing critical operations within the energy industry. Aligning tightly with Microsoft Corporation, 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<sup>®</sup> and .NET architectures. WellPoint became a Microsoft Gold Certified Partner in 2005.

Founded in 1997, Calgary-based WellPoint Systems also has major operations in Houston, TX, Livingston, NJ, Tampa, FL, Tunis, Tunisia and Moscow, Russia.

WellPoint is publicly traded on the TSX Venture Exchange under the symbol WPS.

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