

## ATS Q1 2009 Earnings Call Script

### OPENING OF CALL/OPERATOR:

**OPERATOR:** Welcome to the ATS Corporation First Quarter 2009 Conference Call. During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session.

And now I would like to turn the program over to Joann O'Connell, Vice President of Investor Relations.

**MODERATOR (J. O'Connell):** Thank you. Good afternoon and thank you for joining us to review our first quarter 2009 results. With us this afternoon from ATS Corporation are Dr. Edward Bersoff, Chairman, President and Chief Executive Officer and Ms. Pamela Little, Executive Vice President and Chief Financial Officer.

Before I review the structure of this evening's call, I would like to read the safe harbor statement.

*This conference call could contain forward looking statements about ATS Corporation within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements are statements that are not historical fact. Such forward looking statements are based upon the current belief and expectations of ATS' management and are subject to risks and uncertainties, which could cause actual results to differ from the forward looking statements. Such risks are more fully discussed in ATS' filings with the Securities and Exchange Commission. The information set forth herein should be considered in light of such risks. ATS Corporation does not assume any obligation to update the information contained in this conference call.*

At this time, I would like to outline the agenda for today's call:

- First, Dr. Bersoff will offer opening remarks.
- Next, Ms. Little will briefly review ATS Corporation's first quarter financial results.
- Finally, Dr. Bersoff will review operating results and offer concluding remarks.
- At the completion of Dr. Bersoff's remarks, the Company will open the call to take your questions.

At this time, I would like to turn the call over to Dr. Edward Bersoff, Chairman, President and Chief Executive Officer of ATS Corporation.

Ed?

## **OPENING REMARKS:**

**E. BERSOFF:** Good afternoon and thank you all for joining us today to review ATS Corporation's first quarter 2009 financial and operational performance.

We started the year with over \$17 million in new contract awards in the first few weeks, including work with the Defense Security Service, a new contract and new customer for us and work with the Federal Election Commission, a recompleted contract for a long term customer. Combining these wins with other extensions and incremental fundings, our total bookings for the quarter were \$28 million, resulting in a book to bill ratio greater than one.

We're also pleased that our EBITDA margins continue to exceed our targets and we were able to pay down over \$5 million of debt since the end of 2008.

I will discuss our operational challenges and accomplishments for the quarter in greater detail and outline our continued initiatives for 2009, after Pamela provides the financial details of the first quarter.

Pamela?

## **FINANCIAL RESULTS:**

**P. LITTLE:** We will begin with our GAAP results, followed by our Earnings Before Interest, Taxes, Depreciation, Amortization and then explain the difference.

For the quarter ended March 31, 2009, we recorded \$27.2 million in revenue. Revenue for the quarter decreased by approximately 22% over the first quarter of 2008 revenue of \$34.9 million. Revenue from commercial contracts decreased by 46% and revenue from civilian and defense contracts decreased by 15% over the first quarter of 2008.

Operating income and net income for the quarter was \$1.7 million and \$426,000 or \$0.02 per diluted share, respectively, an increase from operating income of \$1.1 million and net income of \$275,000 for the first quarter of 2008.

Let me now turn to our internal metrics of performance and highlight how we look at our results. As I said a moment ago, our reported net income was \$426,000 for the quarter. We incurred depreciation and amortization expenses of approximately \$784,000, net interest of \$774,000 and taxes of \$484,000. Adding these expenses to our net income results in an EBITDA of \$2.5 million and an associated EBITDA margin of 9.1%.

In accordance with Reg G, I would like to take a moment to walk you through a reconciliation of the first quarter EBITDA. Our GAAP net income was

reported at \$426,000. To this amount, we add taxes of \$484,000 and interest expense of \$784,000. Further adding back our depreciation and amortization expense of \$784,000 results in a first quarter EBITDA of \$2.5 million.

Other measures of performance that we monitor regularly include days sales outstanding or DSO and contract backlog. At March 31, our DSO was at 79 days. Our DSO decreased from 86 days at the end of December 31, 2008 due to improving our processes to collect receivables and resolving most of the outstanding issues we inherited from the acquisition of Number Six Software in late 2007. We believe we can continue to bring the DSO down over the course of 2009.

Our contract backlog at March 31 was \$179.2 million, of which \$55.9 million is funded.

Additionally, as of March 31, 2009, the balance on the revolving credit facility was \$27.7 million and we had approximately \$3.9 million in promissory notes, both related to the acquisitions we made in 2007. Since December 31, 2008, we paid down approximately \$5.6 million in total debt, or 15% of the total balance.

Our results today continue to show our ability to deliver strong margins and pay down our debt, even with weakness in revenue. This concludes my review of the financials and I would now like to turn the call back over to Ed.

Ed?

## **OPERATING RESULTS**

**E. BERSOFF:** Thank you, Pamela. George Troendle, our Chief Operating Officer is unable to join us for the call today because he is visiting one of our out of town customers, but I would like to take this opportunity to highlight several of our operational challenges and accomplishments in the first quarter.

As Pamela mentioned earlier, our revenues were down 22% from the first quarter of 2008, with most of the decline coming from our commercial business areas. For the first time since the issues emerged at Fannie Mae, we experienced a significant, but temporary downturn in our business with this customer, as it reorganized to operate under government conservatorship. As of today, we've seen that business recover to nearly comparable levels as last year and expect continued improvement in the next few months. While our commercial business overall experienced challenges and delays in booking new business, the majority of the shortfall came from Fannie Mae. Our government business performed within our expectations.

Despite these challenges, we're please to report several accomplishments for the quarter, including:

1. Exceeding our targeted EBITDA margin of 9%, even with continued investment in our business development group including several strategic key hires;
2. Achieving a book to bill ratio greater than 1;
3. Securing a prime position on the Alliant contract, which we believe will be an attractive vehicle for existing and new customers, and a strong avenue of growth for us; and
4. Paying down another \$5 million in debt.

As I stated in our fourth quarter 2008 earnings call in March, we have outlined the following additional priority initiatives for 2009:

1. Continuing investment as needed in business development to increase our bid pipeline and backlog;
2. Continuing to maintain at least 9% EBITDA margins; and
3. Initiating a stock repurchase program, to the extent we have sufficient cash flow, as we believe the current market value of our shares does not accurately reflect the underlying value of the company.

### **CONCLUDING REMARKS:**

**E. BERSOFF:** We remain confident in the fundamentals of our business and our ability to achieve our long term growth strategy. We're optimistic that we'll achieve revenue growth in subsequent quarters for the remainder of year, which will allow us to make up for some of the shortfalls we experienced in the first quarter. As a result, our guidance for the year is \$129 million to \$135 million of revenue and \$11.5 to \$13 million of EBITDA, which is unchanged from previous estimates.

This concludes my remarks. At this point, we would like to open the call to questions.

### **AFTER Q&A:**

**E. BERSOFF:** Thank you for your time and attention. We look forward to speaking with each of you over the coming months and thank you again for your support.