

# 20-20 Technologies Reports Third Quarter Results for Fiscal 2011

LAVAL, QUEBEC, September 12, 2011 -- 20-20 Technologies Inc. (TSX: TWT), the world leader in 3D interior design and furniture manufacturing software, today announced its results for the third quarter ended July 31, 2011. All amounts are in US dollars unless otherwise indicated.

## Third Quarter Highlights

- Revenues of \$17.4 million, up 17.6% compared to last year
- Net earnings stood at \$0.4 million or \$0.02 per share compared to \$0.8 million or \$0.04 per share last year
- Office sector revenues increased by 27.4%, fuelled by Visual Impression launched earlier this year
- Revenues from International markets increased 47.6% over 2010
- EBITDA at \$1.6 million (\$1.9 million in constant dollars) compared to \$1.4 million in 2010

“In the context of continuing difficult overall market conditions, we are pleased by third quarter revenue growth and by the performance of all three of the Company’s sectors,” said Chief Executive Officer Jean-François Grou. “During the quarter, we observed no improvement or deterioration in the U.S., our largest market. In Europe, our closet and bathroom solutions registered solid year-over-year growth, while inSight maintained its momentum of the past few quarters. International markets represent an increasing percentage of revenues and show no signs of slowing.

“Maintenance revenues, representing over 40% of total revenues, hit bottom in the fourth quarter of 2010 and, as expected, have steadily increased together with the contribution of overall license growth registered in the past few quarters,” Mr. Grou added.

“While our EBITDA in constant dollars has remained relatively stable in the past few quarters, we remain committed to improving profitability while directing sufficient resources to our sales and marketing efforts in high-growth areas.”

## THIRD QUARTER RESULTS

Revenues increased 17.6% to \$17.4 million, compared with \$14.8 million a year ago. The positive impact of exchange rates was \$0.9 million; without this impact, revenues would have increased by 11.7%. All three sectors registered positive growth during the quarter.

Revenues from all geographic regions increased, with continued strong contribution from International markets and stable but soft market conditions in the U.S. As percentages of total revenues, North America, Europe and International markets represented 48.2%, 45.4% and 6.4% respectively.

Home sector revenues, accounting for 52.4% of total revenues, reached \$9.1 million, up 13.9% over the previous year. License revenues increased by 16.1% over 2010.

Europe and International markets were the main contributors to revenue growth in this sector, fuelled to a large extent by closet solutions.

Manufacturing sector revenues, which accounted for 30.3% of total revenues, increased by 19.1% to \$5.3 million. License revenues increased by 18.3% or \$0.3 million, while maintenance and other recurring revenues were up by 9.6% and professional services were up by 35.4%. The momentum of manufacturing solutions in Europe and International markets remains very strong, supported by a solid pipeline following the European launch of inSight in 2010.

Office sector revenues reached \$3.0 million, up 27.4% over the previous year, and remained relatively flat sequentially. The office sector is benefiting from stabilizing market conditions in the North American office industry and the introduction of Visual Impression, launched early in 2011. This contributed to License revenue growth of 54.4% for the third quarter over last year. Revenues from professional services continued to benefit from license revenue growth and increased by 33.5%.

Maintenance and other recurring services revenues increased by 7.9% to \$7.6 million, largely reflecting increased revenues in North America with contract renewals and some price increases. Revenues from International markets increased by 30.6% over a small revenue base, while revenues from Europe remained stable. As indicated in prior quarters, with retention rates relatively stable and license growth registered in the past few quarters, maintenance revenues should continue to trend up gradually on a sequential basis in the coming quarters.

In the third quarter of 2011, operating expenses in total increased by \$1.4 million over the same period last year, essentially in Sales & Marketing, largely due to exchange rate variations of \$0.8 million, particularly in European currencies, effectively offsetting the corresponding benefit in our revenue growth due to currency fluctuations.

#### **EBITDA**

EBITDA reached \$1.6 million or 9.4% of revenues from \$1.4 million or 9.5% of revenues a year ago. The increase in EBITDA is due largely to higher revenues. In constant dollars, EBITDA would have been \$1.9 million or 10.8% of revenues.

#### **Net Earnings**

The Company generated net earnings of \$0.4 million or \$0.02 per share, compared with net earnings of \$0.8 million or \$0.04 per share, a year ago. The negative impact of exchanges rates on earnings was \$0.2 million.

#### **Balance Sheet**

The Company maintained a solid balance sheet with cash and cash equivalents of \$11.6 million compared with \$19.8 million for the previous year. Long-term debt was reduced by \$8.9 million when compared with last year and stood at \$5.0 million, including the current portion, as of July 31, 2011.

## **Outlook**

“Despite recent events in the U.S. and some signs of deteriorating economic conditions, we have not perceived any negative impact on our customer base or sales pipeline at this stage,” Mr. Grou stated. “In Europe, market conditions are gradually improving, and demand from emerging markets remains strong. The outlook for International markets, China in particular, appears very bullish, and we remain in a phase of building momentum.

“As indicated in the past few quarters, we remain focused on maintaining equilibrium between short-term profitability and investing for the next phase of growth. We continue to face strong headwinds from uncertain and volatile economic conditions in many of our markets. However, unless market conditions change significantly, we do not intend to change our strategy as we are convinced that this is the best avenue for creating value for shareholders,” Mr. Grou concluded.

## **Conference Call Information**

20-20 will host a conference call to discuss the third quarter results September 12, 2011 at 2:00 p.m. (EDT). The call will be accessible by telephone at 1-800-731-5319, or 514-807-8791. An audio replay of the conference call will be available until midnight, September 19, 2011. To access it, dial 1-877-289-8525 and enter the pass code: 4470350#.

Please note that 20-20 Technologies' full financials and MD&A are available on SEDAR as well as on the Company's web site, [www.2020technologies.com](http://www.2020technologies.com).

## **About 20-20 Technologies Inc.**

20-20 Technologies is the world's leading provider of computer-aided design, business and manufacturing software tailored for the interior design and furniture industries. Dealers and retailers use our desktop and Web-based products and solutions for the home and office markets. 20-20 offers a unique end-to-end solution, integrating the entire breadth of functions in interior design. It provides a bridge for data communication from the point-of-sale to manufacturing, including computer-aided engineering and plant floor automation software. Operating in eleven countries with more than 500 employees and an extensive network of partners worldwide, 20-20 is a publicly traded company (TWT) on the Toronto Stock Exchange (TSX). For more information, visit [www.2020technologies.com](http://www.2020technologies.com).

## **NON-GAAP MEASURE**

References in this press release to the term "EBITDA" are related to cash earnings. EBITDA is defined for these purposes as Operating Income before non recurring charges plus amortization and depreciation expenses. EBITDA is not a recognized measure under GAAP in Canada and may not be comparable to similar measures used by other companies.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this news release constitute forward-looking information within the meaning of securities laws.

Implicit in this information, particularly in respect of future operating results and economic performance of the Company are assumptions regarding projected revenue and expenses. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company are subject to a number of risks and uncertainties, including general economic, market and business conditions and could differ materially from what is currently expected.

For more comprehensive information on these risks and uncertainties, please refer to our most recently filed annual information form, available at [www.sedar.com](http://www.sedar.com). Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to do so, we are under no obligation and do not undertake to update this information at any particular time unless required by applicable securities law.

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**20-20 Technologies Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands of U.S. dollars)

	July 31, 2011 (Unaudited) \$	October 31, 2010 (Audited) \$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	11,610	14,681
Accounts receivable	20,127	16,685
Income taxes receivable	204	102
Contracts in progress	174	178
Prepaid expenses	1,316	1,019
Income tax credits recoverable	590	984
Future income taxes	250	263
	<b>34,271</b>	<b>33,912</b>
Property and equipment	2,380	2,345
Intangibles	6,596	6,968
Goodwill	65,661	61,472
Income tax credits recoverable	3,640	2,304
Future income taxes	1,686	2,745
Other assets	1,235	1,160
	<b>115,469</b>	<b>110,906</b>
<b>LIABILITIES</b>		
Current liabilities		
Bank loan	-	148
Accounts payable	12,050	11,907
Income taxes payable	725	413
Deferred revenue	16,273	13,644
Installment on long-term debt	2,125	2,833
Future income taxes	476	207
	<b>31,649</b>	<b>29,152</b>
Long-term debt	2,864	4,710
Leasehold inducements	285	279
Future income taxes	1,350	3,392
	<b>36,148</b>	<b>37,533</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	58,346	58,569
Common stock options and warrants	1,709	1,553
Contributed surplus	1,040	1,050
Deficit	(946)	(1,979)
Accumulated other comprehensive income	19,172	14,180
	<b>18,226</b>	<b>12,201</b>
	<b>79,321</b>	<b>73,373</b>
	<b>115,469</b>	<b>110,906</b>

**20-20 Technologies Inc.**  
**CONSOLIDATED EARNINGS**

(Amounts in thousands of U.S. dollars, except per share data)

(Unaudited)	Three months ended July 31		Nine months ended July 31	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Revenues</b>	<b>17,409</b>	14,806	<b>50,836</b>	48,565
<b>Cost of revenues</b>	<b>4,838</b>	3,973	<b>14,082</b>	12,482
<b>Gross margin</b>	<b>12,571</b>	10,833	<b>36,754</b>	36,083
Operating expenses				
Sales and marketing	5,347	4,126	15,107	12,891
Research and development	2,978	3,091	8,638	9,333
General and administrative	3,344	3,081	10,452	9,736
Restructuration expense	(3)	-	(198)	-
Stock-based compensation	123	66	192	358
	<b>11,789</b>	10,364	<b>34,191</b>	32,318
<b>Operating income</b>	<b>782</b>	469	<b>2,563</b>	3,765
Financial expenses				
Bank charges and interest expense, net	220	273	700	972
Exchange loss (gain)	30	(838)	494	614
	<b>250</b>	(565)	<b>1,194</b>	1,586
Non-controlling interest	-	(4)	-	35
<b>Earnings before income taxes</b>	<b>532</b>	1,038	<b>1,369</b>	2,144
Income taxes				
Current	133	328	1,144	1,128
Future	(4)	(130)	(808)	(559)
	<b>129</b>	198	<b>336</b>	569
<b>Net earnings</b>	<b>403</b>	840	<b>1,033</b>	1,575
Earnings per share				
Basic and Diluted	<b>0.02</b>	0.04	<b>0.05</b>	0.08

**20-20 Technologies Inc.**  
**CONSOLIDATED CASH FLOWS**  
(Amounts in thousands of U.S. dollars)

(Unaudited)	Three months ended		Nine months ended	
	2011	July 31 2010	2011	July 31 2010
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net earnings	403	840	1,033	1,575
Non-cash items				
Amortization	853	941	2,580	2,917
Leasehold inducements	(35)	(20)	(78)	(61)
Stock-based compensation	110	54	167	324
Capitalized interest on long term debt	12	12	36	52
Non-controlling interest	-	(4)	-	35
Future income taxes	(4)	(130)	(808)	(559)
Unrealized gain on long term debt exchange	-	245	-	(314)
Unrealized loss (gain) on forward exchange contracts and currency options	(291)	43	(196)	26
Changes in working capital items	270	(2,214)	(1,604)	(3,759)
Cash flows from (used in) operating activities	1,318	(233)	1,130	236
<b>INVESTING ACTIVITIES</b>				
Business acquisition	-	-	(137)	98
Property and equipment – acquired	(130)	(268)	(726)	(747)
Intangible assets – acquired	(324)	(24)	(879)	(24)
Product of disposition of property and equipment	2	(2)	24	41
Other assets	8	(6)	3	(3)
Cash flows used in investing activities	(444)	(300)	(1,715)	(635)
<b>FINANCING ACTIVITIES</b>				
Repayment of bank loan	-	-	(148)	-
Long-term debt	1,047	-	1,152	1,300
Repayment of long-term debt	(175)	(2,000)	(4,253)	(5,382)
Leasehold inducements	67	-	67	-
Common shares repurchased	(205)	-	(233)	-
Cash flows from (used in) financing activities	734	(2,000)	(3,415)	(4,082)
Effect of changes in exchange rate on cash held in foreign currencies	(135)	(370)	929	1,051
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,473</b>	<b>(2,903)</b>	<b>(3,071)</b>	<b>(3,430)</b>
Cash and cash equivalents, beginning of period	10,137	22,694	14,681	23,221
Cash and cash equivalents, end of period	11,610	19,791	11,610	19,791