



Enghouse Releases Fourth Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – (December 13, 2012) – Enghouse Systems Limited (TSX:ESL) today announced its fourth quarter (unaudited) and year-end financial results for the period ended October 31, 2012.

Revenue increased by 11% to \$136.4 million for the fiscal year, compared to revenue of \$122.6 million in the previous fiscal year, as the Company continues to execute against its acquisition strategy. Results from operating activities were \$33.2 million compared to \$29.3 million last year. Net income for the fiscal year was \$20.9 million or \$0.80 per diluted share compared to \$23.1 million or \$0.90 per diluted share in the prior year, which reflected tax credits of \$7.9 million booked on transition to International Financial Reporting Standards. Adjusted EBITDA for the fiscal year was \$35.1 million or \$1.35 per diluted share compared to \$32.2 million or \$1.26 per diluted share last year.

Revenue for the quarter was \$39.0 million, an increase of 22% over last year's fourth quarter revenue of \$31.8 million. Results from operating activities for the quarter were \$9.7 million compared to \$9.3 million last year. Net income for the quarter was \$8.3 million or \$0.32 per diluted share. Adjusted EBITDA for the quarter was \$10.2 million or \$0.39 per diluted share compared to \$9.6 million or \$0.37 per diluted share last year.

Increased revenue in the quarter reflects incremental revenue from acquisitions including Zeacom and CustomCall acquired earlier in the fiscal year. Revenue also includes hosted and maintenance services revenue of \$20.1 million in the quarter, an increase of 24% over last year's fourth quarter. In fiscal 2012, hosted and services revenue was \$71.6 million reflecting an increase of \$13.1 million over fiscal 2011 attributable to contributions from recent acquisitions and solid performance in organic hosted and maintenance services revenue.

Operating expenses were \$18.4 million for the quarter and \$66.5 million for the fiscal year compared to \$14.7 million and \$59.4 million respectively last year. This includes research and development costs of \$5.9 million and \$21.5 million in the quarter and year, respectively, consistent with the Company's investment in software. Non-cash amortization charges for the year were \$11.0 million compared to \$10.3 million in the prior fiscal year and relate to amortization of acquired software and customer relationships.

The Company closed the year with \$83.7 million in cash, cash equivalents and short-term investments, which is after the payment of approximately \$32.5 million related to the acquisitions and \$5.9 million to dividends. The Company generated operating cash flows before non-cash working capital items of \$36.2 million in the year compared to \$31.8 million in 2011. Enghouse continues to have no long-term debt and did not repurchase any shares in the year.

The Board of Directors also announced today an eligible quarterly dividend of \$0.065 per common share, payable on February 28, 2013 to shareholders of record at the close of business on February 14, 2013.

As previously announced, the Company completed two acquisitions subsequent to year end. On November 1, 2012 the Company acquired 100% of the issued and outstanding common shares of Visionutveckling AB and acquired 100% of the issued and outstanding common shares of Albatross Scandinavia AB on December 1, 2012. Both acquisitions expand the Company's presence in the Nordic region. The Company continues to seek further acquisitions to continue to grow its market share globally.

About Enghouse

Enghouse Systems Limited is a leading global provider of enterprise software solutions serving a variety of distinct vertical markets. Its strategy is to build a larger and more diverse software company through strategic acquisitions and managed growth. Enghouse shares are listed on the Toronto Stock Exchange under the symbol "ESL". Further information about Enghouse may be obtained from the Company's web site at www.enghouse.com.

Non-IFRS Measures

The Company uses non-IFRS measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS do not have standardized meanings and are unlikely to be comparable to similar measures used by other companies. Accordingly, they should not be considered in isolation. The Company uses results from operating activities and Adjusted EBITDA as a measure of operating performance. Therefore, results from operating activities and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Results from operating activities are calculated as net income before amortization of acquired software and customer relationships, finance income, finance expenses, other income, and the provision for income taxes. Results from Adjusted EBITDA are calculated as net income before depreciation of property, plant and equipment, amortization of acquired software and customer relationships, finance income, finance expenses, other income, the provision of income tax and special charges for acquisition related restructuring and transaction costs. Management uses results from operating activities and Adjusted EBITDA to evaluate operating performance as they exclude amortization of software and intangibles (which is an accounting allocation of the cost of software and intangible assets arising on acquisition), any impact of finance and tax related activities, asset depreciation, other income and restructuring costs primarily related to acquisitions.

The table below reconciles Adjusted EBITDA to net income:

	Three Months ended		Year ended	
	October 31, 2012	October 31, 2011	October 31, 2012	October 31, 2011
Total Revenue	\$ 38,952	\$ 31,836	\$ 136,368	\$ 122,559
Net income for the period	\$ 8,345	13,345	20,873	23,065
Provision for income taxes	(1,639)	(5,884)	2,234	(2,575)
Depreciation of property, plant and equipment	444	285	1,386	1,102
Amortization of acquired software and customer relationships	3,204	2,687	10,974	10,291
Finance income	(289)	(278)	(987)	(692)
Finance expenses	86	49	269	201
Other income	23	(629)	(145)	(956)
Special charges	53	-	544	1,775
Adjusted EBITDA	\$ 10,227	\$ 9,575	\$ 35,148	\$ 32,211
Adjusted EBITDA margin	26%	30%	26%	26%
Adjusted EBITDA per diluted share	\$ 0.39	\$ 0.37	\$ 1.35	\$ 1.26

Enhouse Systems Limited

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

(Unaudited)

	October 31, 2012	October 31, 2011	November 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 59,544	\$ 65,624	\$ 46,640
Short-term investments	24,108	33,967	31,627
Accounts receivable, net	31,368	23,006	24,500
Income tax receivable	-	-	591
Prepaid expenses and other assets	3,853	3,479	3,360
	118,873	126,076	106,718
Non-current assets:			
Property, plant and equipment	3,365	1,543	1,588
Acquired software and customer relationships	42,637	29,709	34,330
Goodwill	64,358	44,242	35,137
Deferred income taxes	10,477	9,548	3,478
	\$ 239,710	\$ 211,118	\$ 181,251
Liabilities			
Current liabilities:			
Trade payables	\$ 26,053	\$ 22,686	\$ 18,808
Income taxes payable	2,008	3,520	-
Dividends payable	1,676	1,267	1,007
Accrued provisions	1,621	2,442	1,307
Deferred revenue	35,935	28,933	26,040
	67,293	58,848	47,162
Non-current liabilities:			
Deferred income tax liabilities	13,241	9,525	12,571
Long-term income taxes payable	-	420	522
Deferred revenue	1,236	1,404	790
Total liabilities	81,770	70,197	61,045
Shareholders' Equity			
Share capital	55,751	52,134	50,705
Contributed surplus	2,847	2,970	2,653
Retained earnings	99,371	84,782	66,546
Accumulated other comprehensive (loss) gain	(29)	1,035	302
Total equity	157,940	140,921	120,206
Total liabilities and equity	\$ 239,710	\$ 211,118	\$ 181,251

Enghouse Systems Limited

Consolidated Interim Statements of Operations and Comprehensive Income

(in thousands of Canadian dollars, except per share amounts)
(Unaudited)

	Three months ended October 31		Year ended October 31	
	2012	2011	2012	2011
Revenue				
Software licenses	\$ 13,107	\$ 11,386	\$ 45,108	\$ 45,691
Hosted and maintenance services	20,114	16,182	71,608	58,526
Professional services	5,210	4,049	18,083	15,734
Hardware	521	219	1,569	2,608
	38,952	31,836	136,368	122,559
Direct costs				
Software licenses	1,532	769	4,115	5,208
Services	8,861	6,871	31,410	26,635
Hardware	408	237	1,134	1,966
	10,801	7,877	36,659	33,809
Revenue, net of direct costs	28,151	23,959	99,709	88,750
Operating expenses				
Selling, general and administrative	11,977	10,171	43,069	40,861
Research and development	5,947	4,213	21,492	15,678
Depreciation of property, plant and equipment	444	285	1,386	1,102
Special charges	53	-	544	1,775
	18,421	14,669	66,491	59,416
Results from operating activities	9,730	9,290	33,218	29,334
Amortization of acquired software and customer relationships	(3,204)	(2,687)	(10,974)	(10,291)
Finance income	289	278	987	692
Finance expenses	(86)	(49)	(269)	(201)
Other income	(23)	629	145	956
	6,706	7,461	23,107	20,490
Income before income taxes	6,706	7,461	23,107	20,490
Provision for (recovery of) income taxes	(1,639)	(5,884)	2,234	(2,575)
Net income for the period	\$ 8,345	\$ 13,345	\$ 20,873	\$ 23,065
Foreign currency translation differences from foreign operations	1,652	2,800	(12)	(763)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$nil); 2012 – (\$24)	-	(532)	(132)	(674)
Unrealized (loss) gain on available for sale investments, net of tax of (\$7); 2012 – (\$173)	(37)	1,377	(928)	2,112
Unrealized foreign currency translation gain on available for sale investments, net of tax of \$nil; 2012 - \$1	-	127	8	58
Other comprehensive income (loss)	1,615	3,772	(1,064)	733
Comprehensive income	\$ 9,960	\$ 17,117	\$ 19,809	\$ 23,798
Earnings per share				
Basic	\$0.32	\$0.53	\$0.82	\$0.91
Diluted	\$0.32	\$0.52	\$0.80	\$0.90

Enghouse Systems Limited

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

(Unaudited)

	Share Capital -number	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Retained earnings \$	Total \$
Balance – November 1, 2011	25,337,262	52,134	2,970	1,035	84,782	140,921
Net income	-	-	-	-	20,873	20,873
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(12)	-	(12)
Transfer to net income of realized gains on available-for-sale investments, net of tax	-	-	-	(132)	-	(132)
Unrealized loss on available-for-sale investments, net of tax	-	-	-	(928)	-	(928)
Unrealized foreign currency translation gain on available-for-sale investments, net of tax	-	-	-	8	-	8
Comprehensive income (loss) for the period	-	-	-	(1,064)	20,873	19,809
Employee share options:						
Value of services recognized	-	-	621	-	-	621
Proceeds on issuing shares	443,300	3,617	(744)	-	-	2,873
Purchase and cancellation of common shares	-	-	-	-	-	-
Dividends	-	-	-	-	(6,284)	(6,284)
Balance – October 31, 2012	25,780,562	55,751	2,847	(29)	99,371	157,940
Balance – November 1, 2010	25,171,662	50,705	2,653	302	66,546	120,206
Net income	-	-	-	-	23,065	23,065
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(763)	-	(763)
Transfer to net income of realized gains on available-for-sale investments, net of tax	-	-	-	(674)	-	(674)
Unrealized gain on available-for-sale investments, net of tax	-	-	-	2,112	-	2,112
Unrealized foreign currency translation gain on available-for-sale investments, net of tax	-	-	-	58	-	58
Comprehensive income (loss) for the period	-	-	-	733	23,065	23,798
Employee share options:						
Value of services recognized	-	-	625	-	-	625
Proceeds on issuing shares	170,400	1,439	(308)	-	-	1,131
Purchase and cancellation of common shares	(4,800)	(10)	-	-	(33)	(43)
Dividends	-	-	-	-	(4,796)	(4,796)
Balance – October 31, 2011	25,337,262	52,134	2,970	1,035	84,782	140,921

Enghouse Systems Limited

Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(Unaudited)

	Three months ended October 31		Year ended October 31	
	2012	2011	2012	2011
Cash flows from operating activities				
Net income	\$ 8,345	\$ 13,345	\$ 20,873	\$ 23,065
Adjustments for:				
Depreciation of property, plant and equipment	444	285	1,386	1,102
Amortization of acquired software and customer relationships	3,204	2,687	10,974	10,291
Stock-based compensation expense	119	132	621	625
Income tax (recovery) expense	(1,639)	(5,884)	2,234	(2,575)
Finance expenses and other income	109	(580)	124	(755)
	10,582	9,985	36,212	31,753
Changes in non-cash operating working capital	(4,071)	(843)	(8,245)	11,061
Income tax paid	(1,304)	(669)	(4,492)	(1,762)
Net cash flows from operating activities	5,207	8,473	23,475	41,052
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(402)	(317)	(2,295)	(947)
Acquisitions, net of cash acquired of \$810 (2011 - \$2,497)	-	(194)	(32,453)	(16,842)
Net proceeds from sale of short-term investments	16,698	4,406	8,704	695
Net cash flows used in investing activities	16,296	3,895	(26,044)	(17,094)
Cash flows from financing activities				
Issuance of share capital	556	667	2,873	1,131
Payment of cash dividend	(1,669)	(1,262)	(5,875)	(4,536)
Purchase and cancellation of common shares	-	-	-	(43)
Net cash flows used in financing activities	(1,113)	(595)	(3,002)	(3,448)
Effect of currency translation adjustments on cash and cash equivalents	(709)	1,579	(509)	(1,526)
Net increase (decrease) in cash and cash equivalents during the period	19,681	13,352	(6,080)	18,984
Cash and cash equivalents- beginning of period	39,863	52,272	65,624	46,640
Cash and cash equivalents - end of period	\$ 59,544	\$ 65,624	\$ 59,544	\$ 65,624

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended October 31		For the year ended October 31	
	2012	2011	2012	2011
Revenue:				
Asset Management Group	\$ 5,789	\$ 3,075	\$ 17,308	\$ 12,842
Interactive Management Group	33,163	28,761	119,060	109,717
Total	\$ 38,952	\$ 31,836	\$ 136,368	\$ 122,559
Segment Profit (EBIT):				
Asset Management Group	\$ 1,910	\$ 747	\$ 3,828	\$ 2,683
Interactive Management Group	5,472	7,077	21,902	19,977
Corporate expenses	(856)	(1,221)	(3,486)	(3,617)
Finance income	289	278	987	692
Finance expenses	(86)	(49)	(269)	(201)
Other income	(23)	629	145	956
Total	\$ 6,706	\$ 7,461	\$ 23,107	\$ 20,490

For further information please contact:

Stephen Sadler
Chief Executive Officer
Enghouse Systems Limited
Tel: (905) 946-3236
Email: investor@enghouse.com