



Enghouse Releases First Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – (March 5, 2013) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited first quarter financial results for the period ended January 31, 2013.

First quarter revenue was \$42.0 million, an increase of 37% over revenue of \$30.5 million in the first quarter last year. The increase in revenue was primarily the result of incremental revenue contributions from acquisitions. Revenue reflects hosted and maintenance services contributions of \$20.6 million in the quarter, an increase of 29% over last year. Adjusted EBITDA for the quarter was \$9.6 million or \$0.36 per diluted share compared to \$7.9 million or \$0.30 per diluted share in last year's first quarter. Results from operating activities for the quarter were \$7.3 million compared to \$7.6 million in the prior year's first quarter as a result of special charges booked on acquisitions of \$1.8 million in the quarter. Excluding special charges related to restructuring of acquisitions, results from operating activities would be \$9.1 million, an increase of 20% over the prior year. Net income for the first quarter was \$3.4 million or \$0.13 per diluted share compared to the prior year's first quarter net income of \$4.1 million or \$0.16 per share.

Operating expenses increased to \$23.0 from \$14.9 million in the prior year's first quarter and include incremental operating costs related to acquisitions as well as special charges related to restructuring of acquired operations. Non-cash amortization charges in the quarter were \$3.6 million and include amortization charges for acquired software and customer relationships from acquired operations.

Enghouse closed the quarter with \$80.1 million in cash, cash equivalents and short-term investments, compared to \$83.7 million at October 31, 2012. This reflects cash paid of nearly \$10.0 million for the acquisitions of Visionutveckling AB and Albatross Scandinavia AB completed in the quarter. It also reflects a cash dividend paid of \$1.7 million. The Company continues to have no long-term debt.

On March 1, 2013 the Company completed the acquisition of Locus Holdings AS ("Locus") of Norway for a cash purchase price of approximately \$14.0 million, subject to certain price adjustments. Locus is a leading supplier of fleet management solutions for the Public Safety and Transport & Logistics (including Security) sectors in the Scandinavian market and has a dominant position in the Norwegian Public Safety sector. Its products are installed in police cars, ambulances, rescue helicopters and fire brigades. Locus's transportation, logistics and M2M products are also well established in these markets.

The Board of Directors also has approved a 23% increase in its eligible quarterly dividend to \$0.08 per common share, payable on May 31, 2013 to shareholders of record at the close of business on May 17, 2013. Enghouse has increased its dividend in each of the past five years.

Enghouse remains committed to diversifying its revenue stream and accelerating its expansion into new markets and continues to seek further acquisitions to grow its market share.

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 | |
|--|---------------------------|-------------------------|
| | January 31, 2013 | January 31, 2012 |
| Total Revenue | \$ 41,957 | \$ 30,533 |
| Net income for the period | 3,435 | 4,060 |
| Provision for income taxes | 913 | 1,282 |
| Depreciation of property, plant and equipment | 468 | 278 |
| Amortization of acquired software and customer relationships | 3,584 | 2,438 |
| Finance income | (333) | (243) |
| Finance expenses | 81 | 41 |
| Other (income) expense | (361) | 2 |
| Special charges | 1,815 | - |
| Adjusted EBITDA | \$ 9,602 | \$ 7,860 |
| Adjusted EBITDA margin | 23% | 26% |
| Adjusted EBITDA per diluted share | \$ 0.36 | \$ 0.30 |

Enhouse Systems Limited

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)
(Unaudited)

| | January 31, 2013 | October 31, 2012 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 50,535 | \$ 59,544 |
| Short-term investments | 29,516 | 24,108 |
| Accounts receivable, net | 38,114 | 31,368 |
| Income tax receivable | 151 | - |
| Prepaid expenses and other assets | 4,610 | 3,853 |
| | 122,926 | 118,873 |
| Non-current assets: | | |
| Property, plant and equipment | 3,512 | 3,365 |
| Intangibles | 117,073 | 106,995 |
| Deferred income taxes | 8,318 | 10,477 |
| | 128,903 | 120,837 |
| Total assets | \$ 251,829 | \$ 239,710 |
| Liabilities | | |
| Current liabilities: | | |
| Trade payables | \$ 29,419 | \$ 26,053 |
| Income taxes payable | - | 2,008 |
| Dividends payable | 1,680 | 1,676 |
| Accrued provisions | 2,876 | 1,621 |
| Deferred revenue | 41,590 | 35,935 |
| | 75,565 | 67,293 |
| Non-current liabilities: | | |
| Deferred income tax liabilities | 13,433 | 13,241 |
| Deferred revenue | 1,303 | 1,236 |
| Total liabilities | 90,301 | 81,770 |
| Shareholders' Equity | | |
| Share capital | 56,460 | 55,751 |
| Contributed surplus | 2,800 | 2,847 |
| Retained earnings | 101,126 | 99,371 |
| Accumulated other comprehensive gain (loss) | 1,142 | (29) |
| Total shareholders' equity | 161,528 | 157,940 |
| Total liabilities and shareholders' equity | \$ 251,829 | \$ 239,710 |

Enghouse Systems Limited

Consolidated Interim Statements of Operations and Comprehensive Income

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

| | Quarter ended January 31, | |
|--|---------------------------|------------------------|
| | 2013 | 2012 |
| Revenue | | |
| Software licenses | \$ 15,064 | \$ 10,518 |
| Hosted and maintenance services | 20,563 | 15,979 |
| Professional services | 5,491 | 3,740 |
| Hardware | 839 | 296 |
| | <u>41,957</u> | <u>30,533</u> |
| Direct costs | | |
| Software licenses | 1,429 | 909 |
| Services | 9,584 | 6,896 |
| Hardware | 593 | 206 |
| | <u>11,606</u> | <u>8,011</u> |
| Revenue, net of direct costs | 30,351 | 22,522 |
| Operating expenses | | |
| Selling, general and administrative | 13,406 | 9,861 |
| Research and development | 7,343 | 4,803 |
| Depreciation of property, plant and equipment | 468 | 278 |
| Special charges | 1,815 | - |
| | <u>23,032</u> | <u>14,942</u> |
| Results from operating activities | 7,319 | 7,580 |
| Amortization of acquired software and customer relationships | (3,584) | (2,438) |
| Finance income | 333 | 243 |
| Finance expenses | (81) | (41) |
| Other income (expense) | 361 | (2) |
| | <u>4,348</u> | <u>5,342</u> |
| Income before income taxes | 4,348 | 5,342 |
| Provision for income taxes | <u>913</u> | <u>1,282</u> |
| Net income for the period | <u>\$ 3,435</u> | <u>\$ 4,060</u> |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | |
| Foreign currency translation differences from foreign operations | 861 | (582) |
| Transfer to net income of realized gains on available for sale investments, net of tax of (\$56); Q1/2012 – \$- | (369) | - |
| Unrealized gain (loss) on available for sale investments, net of tax of \$103; Q1/2012 – (\$194) | 679 | (614) |
| Unrealized foreign currency translation gain on available for sale investments, net of tax of \$-; Q1/2012 – \$3 | - | 8 |
| Other comprehensive income (loss) | <u>1,171</u> | <u>(1,188)</u> |
| Comprehensive income | <u>\$ 4,606</u> | <u>\$ 2,872</u> |
| Earnings per share | | |
| Basic and diluted | \$0.13 | \$0.16 |

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 (loss) \$ | Retained earnings \$ | Total \$ |
|---|-----------------------------|------------------------|------------------------------|--|----------------------------|----------------|
| Balance – November 1, 2012 | 25,780,562 | 55,751 | 2,847 | (29) | 99,371 | 157,940 |
| Net income | - | - | - | - | 3,435 | 3,435 |
| Other Comprehensive Income (net of tax): | | | | | | |
| Cumulative Translation Adjustment | - | - | - | 861 | - | 861 |
| Transfer to net income of realized gains on available-for-sale investments, net of tax | - | - | - | (369) | - | (369) |
| Unrealized gain (loss) on available-for-sale investments, net of tax | - | - | - | 679 | - | 679 |
| Comprehensive income (loss) for the period | - | - | - | 1,171 | 3,435 | 4,606 |
| Employee share options: | | | | | | |
| Value of services recognized | - | - | 137 | - | - | 137 |
| Proceeds on issuing shares | 70,400 | 709 | (184) | - | - | 525 |
| Dividends | - | - | - | - | (1,680) | (1,680) |
| Balance – January 31, 2013 | 25,850,962 | 56,460 | 2,800 | 1,142 | 101,126 | 161,528 |
| Balance – November 1, 2011 | 25,337,262 | 52,134 | 2,970 | 1,035 | 84,782 | 140,921 |
| Net income | - | - | - | - | 4,060 | 4,060 |
| Other Comprehensive Income (net of tax): | | | | | | |
| Cumulative Translation Adjustment | - | - | - | (582) | - | (582) |
| Unrealized gain (loss) on available-for-sale investments, net of tax | - | - | - | (614) | - | (614) |
| Unrealized foreign currency translation gain (loss) on available-for-sale investments, net of tax | - | - | - | 8 | - | 8 |
| Comprehensive income (loss) for the period | - | - | - | (1,188) | 4,060 | 2,872 |
| Employee share options: | | | | | | |
| Value of services recognized | - | - | 166 | - | - | 166 |
| Proceeds on issuing shares | 163,300 | 1,435 | (308) | - | - | 1,127 |
| Dividends | - | - | - | - | (1,275) | (1,275) |
| Balance – January 31, 2012 | 25,500,562 | 53,569 | 2,828 | (153) | 87,657 | 143,811 |

Enghouse Systems Limited

Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(Unaudited)

| | Quarter ended January 31, | |
|---|---------------------------|------------------|
| | 2013 | 2012 |
| Cash flows from operating activities | | |
| Net income | \$ 3,435 | \$ 4,060 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 468 | 278 |
| Amortization of acquired software and customer relationships | 3,584 | 2,438 |
| Stock-based compensation expense | 137 | 166 |
| Income tax expense | 913 | 1,282 |
| Finance expenses and other income | (280) | 43 |
| | 8,257 | 8,267 |
| Changes in non-cash operating working capital | 747 | (4,952) |
| Income tax paid | (2,185) | (533) |
| Net cash flows from operating activities | 6,819 | 2,782 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment, net | (294) | (491) |
| Acquisitions, net of cash acquired of \$196 | (9,985) | (243) |
| Net purchase of short-term investments | (4,102) | (976) |
| Net cash flows used in investing activities | (14,381) | (1,710) |
| Cash flows from financing activities | | |
| Issuance of share capital | 525 | 1,127 |
| Payment of cash dividend | (1,676) | (1,267) |
| Net cash flows used in financing activities | (1,151) | (140) |
| Effect of currency translation adjustments on cash and cash equivalents | (296) | 415 |
| Net (decrease) increase in cash and cash equivalents during the period | (9,009) | 1,347 |
| Cash and cash equivalents- beginning of period | 59,544 | 65,624 |
| Cash and cash equivalents - end of period | \$ 50,535 | \$ 66,971 |

Enghouse Systems Limited
Selected Segment Reporting Information
(in thousands of Canadian dollars)
(Unaudited)

**For the three months ended
January 31**

| | 2013 | 2012 |
|-------------------------------|------------------|------------------|
| Revenue: | | |
| Asset Management Group | \$ 5,245 | \$ 3,071 |
| Interactive Management Group | 36,712 | 27,462 |
| Total | \$ 41,957 | \$ 30,533 |
| | | |
| Segment Profit (EBIT): | | |
| Asset Management Group | \$ 803 | \$ 709 |
| Interactive Management Group | 3,798 | 5,279 |
| Corporate expenses | (866) | (846) |
| Finance income | 333 | 243 |
| Finance expenses | (81) | (41) |
| Other income (expense) | 361 | (2) |
| Total | \$ 4,348 | \$ 5,342 |

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