



## Enghouse Releases Second Quarter Results

FOR IMMEDIATE RELEASE

**Markham, Ontario – (June 5, 2013)** – Enghouse Systems Limited (TSX:ESL) today announced its unaudited second quarter financial results for the period ended April 30, 2013.

Second quarter revenue was \$44.5 million, an increase of 41% over revenue of \$31.5 million in the second quarter last year, with incremental revenue coming from acquisitions. Revenue includes hosted and maintenance services contributions of \$23.4 million in the quarter, an increase of 46% over last year's revenue of \$16.0 million. Adjusted EBITDA for the quarter was \$10.7 million or \$0.40 per diluted share compared to \$7.8 million or \$0.30 per diluted share in last year's second quarter. Results from operating activities for the quarter were \$9.7 million compared to \$7.6 million in the prior year's second quarter and include special charges booked on acquisitions of \$0.6 million in the quarter. Excluding special charges related to restructuring of acquisitions, results from operating activities would be \$10.3 million, an increase of 36% over the prior year. Net income for the second quarter was \$4.9 million or \$0.19 per diluted share compared to the prior year's second quarter net income of \$4.2 million or \$0.16 per share. On a year to date basis, revenue was \$86.5 million compared to \$62.0 million, an increase of 39%. Adjusted EBITDA for the year to date was \$20.3 million or \$0.77 per diluted share compared to \$15.7 million or \$0.60 per share.

Operating expenses increased to \$22.3 million from \$15.7 million in the prior year's second 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 \$3.9 million compared to \$2.4 million in the prior year's second quarter and include amortization charges for acquired software and customer relationships including operations acquired in the current year.

On March 1, 2013 the Company completed the acquisition of Locus Holdings AS ("Locus") of Norway for a cash purchase price of approximately \$12.7 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.

Enghouse closed the quarter with \$80.9 million in cash, cash equivalents and short-term investments, compared to \$80.1 million at January 31, 2013 and \$83.7 million at October 31, 2012. This reflects cash paid in the quarter of approximately \$10.2 million on the acquisition of Locus. It also reflects a cash dividend of \$1.7 million paid in March 2013. The Company continues to have no long-term debt.

The Board of Directors has approved an eligible quarterly dividend to \$0.08 per common share, payable on August 31, 2013 to shareholders of record at the close of business on August 17, 2013.

Enghouse continues to seek further acquisitions to grow its market share.

A conference call to discuss the results will be held on Thursday, June 6, 2013 at 8:45 a.m. EST. To participate, please call 416-849-8296 (PIN 15953109#) in Toronto or North American Toll-Free 1-866-551-3680 (PIN 15953109#).

## 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](http://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		Six Months ended	
	April 30, 2013	April 30, 2012	April 30, 2013	April 30, 2012
<b>Total Revenue</b>	<b>\$ 44,511</b>	<b>\$ 31,456</b>	<b>\$ 86,486</b>	<b>\$ 61,989</b>
Net income for the period	4,903	4,180	8,338	8,240
Provision for income taxes	1,335	1,347	2,248	2,629
Depreciation of property, plant and equipment	410	287	878	565
Amortization of acquired software and customer relationships	3,876	2,383	7,460	4,821
Finance income	(94)	(261)	(427)	(504)
Finance expenses	96	70	177	111
Other income	(448)	(157)	(809)	(155)
Special charges	599	-	2,414	-
<b>Adjusted EBITDA</b>	<b>\$ 10,677</b>	<b>\$ 7,849</b>	<b>\$ 20,279</b>	<b>\$ 15,707</b>
<b>Adjusted EBITDA margin</b>	<b>24%</b>	<b>25%</b>	<b>23%</b>	<b>25%</b>
<b>Adjusted EBITDA per diluted share</b>	<b>\$ 0.40</b>	<b>\$ 0.30</b>	<b>\$ 0.77</b>	<b>\$ 0.60</b>

# Enghouse Systems Limited

## Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

(Unaudited)

	April 30, 2013	October 31, 2012
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 60,059	\$ 59,544
Short-term investments	20,881	24,108
Accounts receivable, net	34,674	31,368
Income tax receivable	369	-
Prepaid expenses and other assets	5,785	3,853
	<b>121,768</b>	<b>118,873</b>
<b>Non-current assets:</b>		
Property, plant and equipment	4,007	3,365
Intangibles	126,488	106,995
Deferred income taxes	9,327	10,477
	<b>139,822</b>	<b>120,845</b>
<b>Total assets</b>	<b>\$ 261,590</b>	<b>\$ 239,710</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Trade payables	\$ 34,616	\$ 26,053
Income taxes payable	-	2,008
Dividends payable	2,076	1,676
Accrued provisions	2,531	1,621
Deferred revenue	41,331	35,935
	<b>80,554</b>	<b>67,293</b>
<b>Non-current liabilities:</b>		
Deferred income tax liabilities	14,876	13,241
Deferred revenue	1,350	1,236
<b>Total liabilities</b>	<b>96,780</b>	<b>81,770</b>
<b>Shareholders' Equity</b>		
Share capital	57,615	55,751
Contributed surplus	2,781	2,847
Retained earnings	103,953	99,371
Accumulated other comprehensive gain (loss)	461	(29)
<b>Total shareholders' equity</b>	<b>164,810</b>	<b>157,940</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 261,590</b>	<b>\$ 239,710</b>

# Enghouse Systems Limited

## Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

	Three months ended April 30		Six months ended April 30	
	2013	2012	2013	2012
<b>Revenue</b>				
Software licenses	\$ 13,624	\$ 10,630	\$ 28,688	\$ 21,148
Hosted and maintenance services	23,394	16,040	43,957	32,019
Professional services	6,077	4,406	11,568	8,146
Hardware	1,416	380	2,255	676
	<b>44,511</b>	<b>31,456</b>	<b>86,468</b>	<b>61,989</b>
<b>Direct costs</b>				
Software licenses	649	866	2,078	1,775
Services	10,892	7,086	20,476	13,982
Hardware	1,004	278	1,597	484
	<b>12,545</b>	<b>8,230</b>	<b>24,151</b>	<b>16,241</b>
<b>Revenue, net of direct costs</b>	<b>31,966</b>	<b>23,226</b>	<b>62,317</b>	<b>45,748</b>
<b>Operating expenses</b>				
Selling, general and administrative	13,517	9,976	26,923	19,837
Research and development	7,772	5,401	15,115	10,204
Depreciation of property, plant and equipment	410	287	878	565
Special charges	599	-	2,414	-
	<b>22,298</b>	<b>15,664</b>	<b>45,330</b>	<b>30,606</b>
<b>Results from operating activities</b>	<b>9,668</b>	<b>7,562</b>	<b>16,987</b>	<b>15,142</b>
Amortization of acquired software and customer relationships	(3,876)	(2,383)	(7,460)	(4,821)
Finance income	94	261	427	504
Finance expenses	(96)	(70)	(177)	(111)
Other income	448	157	809	155
	<b>6,238</b>	<b>5,527</b>	<b>10,586</b>	<b>10,869</b>
<b>Income before income taxes</b>	<b>6,238</b>	<b>5,527</b>	<b>10,586</b>	<b>10,869</b>
<b>Provision for income taxes</b>	<b>1,335</b>	<b>1,347</b>	<b>2,248</b>	<b>2,629</b>
<b>Net income for the period</b>	<b>\$ 4,903</b>	<b>\$ 4,180</b>	<b>\$ 8,338</b>	<b>\$ 8,240</b>
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences from foreign operations	(478)	(709)	383	(1,291)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$58); six months – (\$114)	(385)	(132)	(754)	(132)
Unrealized gain (loss) on available for sale investments, net of tax of \$28; six months–\$236	182	14	861	(592)
	<b>(681)</b>	<b>(827)</b>	<b>490</b>	<b>(2,015)</b>
<b>Other comprehensive (loss) income</b>	<b>(681)</b>	<b>(827)</b>	<b>490</b>	<b>(2,015)</b>
<b>Comprehensive income</b>	<b>\$ 4,222</b>	<b>\$ 3,353</b>	<b>\$ 8,828</b>	<b>\$ 6,225</b>
<b>Earnings per share</b>				
Basic and diluted	\$0.19	\$0.16	\$0.32	\$0.32

# Enghouse Systems Limited

## Condensed Consolidated Interim 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 \$
<b>Balance – November 1, 2012</b>	<b>25,780,562</b>	<b>55,751</b>	<b>2,847</b>	<b>(29)</b>	<b>99,371</b>	<b>157,940</b>
Net income	-	-	-	-	8,338	8,338
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	383	-	(383)
Transfer to net income of realized gains on available-for-sale investments, net of tax	-	-	-	(754)	-	(754)
Unrealized gain (loss) on available-for-sale investments, net of tax	-	-	-	861	-	861
<b>Comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>490</b>	<b>8,338</b>	<b>8,828</b>
Employee share options:						
Value of services recognized	-	-	423	-	-	423
Proceeds on issuing shares	172,400	1,864	(489)	-	-	1,375
Dividends	-	-	-	-	(3,756)	(3,756)
<b>Balance – April 30, 2013</b>	<b>25,952,962</b>	<b>57,615</b>	<b>2,781</b>	<b>461</b>	<b>103,953</b>	<b>164,810</b>
<b>Balance – November 1, 2011</b>	<b>25,337,262</b>	<b>52,134</b>	<b>2,970</b>	<b>1,035</b>	<b>84,782</b>	<b>140,921</b>
Net income	-	-	-	-	8,240	8,240
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(1,291)	-	(1,291)
Transfer to net income of realized gain on available-for-sale investments, net of tax	-	-	-	(132)	-	(132)
Unrealized gain (loss) on available-for-sale investments, net of tax	-	-	-	(592)	-	(592)
<b>Comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,015)</b>	<b>8,240</b>	<b>6,225</b>
Employee share options:						
Value of services recognized	-	-	286	-	-	286
Proceeds on issuing shares	268,300	2,398	(522)	-	-	1,876
Dividends	-	-	-	-	(2,939)	(2,939)
<b>Balance – April 30, 2012</b>	<b>25,605,562</b>	<b>54,532</b>	<b>2,734</b>	<b>(980)</b>	<b>90,083</b>	<b>146,369</b>

# Enghouse Systems Limited

## Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended April 30		Six months ended April 30	
	2013	2012	2013	2012
<b>Cash flows from operating activities</b>				
Net income	\$ 4,903	\$ 4,180	\$ 8,338	\$ 8,240
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	410	287	878	565
Amortization of acquired software and customer relationships	3,876	2,383	7,460	4,821
Stock-based compensation expense	286	120	423	286
Income tax expense	1,335	1,347	2,248	2,629
Finance expenses and other income	(352)	(87)	(632)	(44)
	<b>10,458</b>	<b>8,230</b>	<b>18,715</b>	<b>16,497</b>
Changes in non-cash operating working capital	(997)	225	(250)	(4,970)
Income tax paid	(601)	(1,295)	(2,786)	(1,828)
<b>Net cash flows from operating activities</b>	<b>8,860</b>	<b>7,160</b>	<b>15,679</b>	<b>9,699</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, net	(677)	(1,178)	(971)	(1,669)
Acquisitions, net of cash acquired of \$3,617	(6,846)	(5,802)	(16,831)	(5,802)
Net sale (purchase) of short-term investments	8,817	(9,583)	4,715	(10,559)
<b>Net cash flows used in investing activities</b>	<b>1,294</b>	<b>(16,563)</b>	<b>(13,087)</b>	<b>(18,030)</b>
<b>Cash flows from financing activities</b>				
Issuance of share capital	850	749	1,375	1,876
Payment of cash dividend	(1,680)	(1,275)	(3,356)	(2,542)
<b>Net cash flows used in financing activities</b>	<b>(830)</b>	<b>(526)</b>	<b>(1,981)</b>	<b>(666)</b>
Effect of currency translation adjustments on cash and cash equivalents	200	(655)	(96)	(240)
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>9,524</b>	<b>(10,584)</b>	<b>515</b>	<b>(9,237)</b>
Cash and cash equivalents- beginning of period	50,535	66,971	59,544	65,624
<b>Cash and cash equivalents - end of period</b>	<b>\$ 60,059</b>	<b>\$ 56,387</b>	<b>\$ 60,059</b>	<b>\$ 56,387</b>

**Enghouse Systems Limited**  
**Selected Segment Reporting Information**

(in thousands of Canadian dollars)  
(Unaudited)

	For the three months ended		For the six months ended	
	April 30		April 30	
	2013	2012	2013	2012
<b>Revenue:</b>				
Asset Management Group	\$ 8,243	\$ 3,723	\$ 13,489	\$ 6,794
Interactive Management Group	36,268	27,733	72,979	55,195
<b>Total</b>	<b>\$ 44,511</b>	<b>\$ 31,456</b>	<b>\$ 86,468</b>	<b>\$ 61,989</b>
<b>Segment Profit (EBIT):</b>				
Asset Management Group	\$ 151	\$ 193	\$ 955	\$ 902
Interactive Management Group	6,683	5,768	10,480	11,047
Corporate expenses	(1,042)	(782)	(1,908)	(1,628)
Finance income	94	261	427	504
Finance expenses	(96)	(70)	(177)	(111)
Other income	448	157	809	155
<b>Total</b>	<b>\$ 6,238</b>	<b>\$ 5,527</b>	<b>\$ 10,586</b>	<b>\$ 10,869</b>

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