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## **Enghouse Releases Third Quarter Results**

FOR IMMEDIATE RELEASE

**Markham, Ontario – (September 6, 2012)** – Enghouse Systems Limited (TSX:ESL) today announced its unaudited third quarter financial results for the period ended July 31, 2012.

Third quarter revenue was \$35.4 million, compared to \$31.8 million in the corresponding quarter last year. Results from operating activities for the quarter were \$8.3 million compared to \$8.5 million in the prior year's third quarter. Net income for the third quarter was \$4.3 million or \$0.16 per diluted share compared to the prior year's third quarter net income of \$4.6 million or \$0.18 per diluted share. Adjusted EBITDA for the quarter was \$9.2 million or \$0.35 per diluted share compared to \$8.8 million or \$0.34 per diluted share last year. On a year to date basis Adjusted EBITDA was \$24.9 million or \$0.96 per diluted share compared to \$22.6 million or \$0.89 per diluted share last year.

The increase in revenue continues to reflect incremental revenue contributions from acquisitions, including recently acquired Zeacom Group Limited ("Zecom"), which closed on June 1, 2012. Revenue also reflects improved hosted and maintenance services contributions of \$19.4 million in the quarter, an increase of 28% over last year, largely as a result of incremental hosted revenue contributions from recently acquired CustomCall Data Systems Inc. ("CustomCall"). Hosted and maintenance revenue accounted for 55% of the Company's total revenue in the quarter. On a year to date basis, revenue was \$97.4 million up from \$90.7 million, while net income increased to \$12.5 million or \$0.48 per diluted share from \$9.7 million or \$0.38 per diluted share in the prior year.

Operating expenses increased to \$17.5 million from \$15.4 million in the prior year's third quarter and include operating and acquisition related restructuring charges of \$0.5 million related to recently acquired Zeacom and a full quarter's operating costs related to CustomCall. Research and development costs increased to \$5.3 million from \$3.7 million in the prior year's third quarter as the Company increased its software investment. Non-cash amortization charges were \$2.9 million compared to \$2.7 million last year and include amortization of acquired software and customer relationships from acquisitions.

The Company closed the quarter with \$79.7 million in cash, cash equivalents and short-term investments, which is after the payment of approximately \$26.7 million related to the acquisitions. Enghouse continues to have no long-term debt and did not repurchase any shares in the quarter.

The Board of Directors also announced today an eligible quarterly dividend of \$0.065 per common share, payable on November 30, 2012 to shareholders of record at the close of business on November 16, 2012.

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](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:

	<b>Three Months ended</b>		<b>Nine Months ended</b>	
	<b>July 31, 2012</b>	<b>July 31, 2011</b>	<b>July 31, 2012</b>	<b>July 31, 2011</b>
<b>Total Revenue</b>	<b>\$ 35,427</b>	<b>\$ 31,820</b>	<b>\$ 97,416</b>	<b>\$ 90,723</b>
Net income for the period	4,288	4,577	12,528	9,720
Provision for income taxes	1,244	1,625	3,873	3,309
Depreciation of property, plant and equipment	377	261	942	817
Amortization of acquired software and customer relationships	2,949	2,670	7,770	7,604
Finance income	(194)	(150)	(698)	(414)
Finance expenses	72	54	183	152
Other income	(13)	(256)	(168)	(327)
Special charges	491	-	491	1,775
<b>Adjusted EBITDA</b>	<b>\$ 9,214</b>	<b>\$ 8,781</b>	<b>\$ 24,921</b>	<b>\$ 22,636</b>
<b>Adjusted EBITDA margin</b>	<b>26%</b>	<b>27%</b>	<b>26%</b>	<b>25%</b>
<b>Adjusted EBITDA per diluted share</b>	<b>\$ 0.35</b>	<b>\$ 0.34</b>	<b>\$ 0.96</b>	<b>\$ 0.89</b>

# Enghouse Systems Limited

## Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

(Unaudited)

	July 31, 2012	October 31, 2011	November 1, 2010
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 39,863	\$ 65,624	\$ 46,640
Short-term investments	39,837	33,967	31,627
Accounts receivable, net	31,573	23,006	24,500
Income tax receivable	-	-	591
Prepaid expenses and other assets	4,111	3,479	3,360
	<b>115,384</b>	<b>126,076</b>	<b>106,718</b>
<b>Non-current assets:</b>			
Property, plant and equipment	3,562	1,543	1,588
Acquired software and customer relationships	45,654	29,709	34,330
Goodwill	62,933	43,734	35,137
Deferred income taxes	11,041	11,138	3,478
	<b>123,190</b>	<b>86,124</b>	<b>74,533</b>
<b>Total assets</b>	<b>\$ 238,574</b>	<b>\$ 212,200</b>	<b>\$ 181,251</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trade payables	\$ 25,478	\$ 22,686	\$ 18,808
Income taxes payable	3,330	2,878	-
Dividends payable	1,669	1,267	1,007
Accrued provisions	1,887	2,442	1,307
Deferred revenue	40,977	28,933	26,040
	<b>73,341</b>	<b>58,206</b>	<b>47,162</b>
<b>Non-current liabilities:</b>			
Deferred income tax liabilities	14,476	10,743	12,571
Long-term income taxes payable	56	420	522
Deferred revenue	1,214	1,404	790
<b>Total liabilities</b>	<b>89,087</b>	<b>70,773</b>	<b>61,045</b>
<b>Shareholders' Equity</b>			
Share capital	55,085	52,134	50,705
Contributed surplus	2,838	2,970	2,653
Retained earnings	93,208	85,288	66,546
Accumulated other comprehensive (loss) gain	(1,644)	1,035	302
<b>Total equity</b>	<b>149,487</b>	<b>141,427</b>	<b>120,206</b>
<b>Total liabilities and equity</b>	<b>\$ 238,574</b>	<b>\$ 212,200</b>	<b>\$ 181,251</b>

# Enghouse Systems Limited

## Consolidated Interim Statements of Operations and Comprehensive Income

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

	Three months ended July 31		Nine months ended July 31	
	2012	2011	2012	2011
<b>Revenue</b>				
Software licenses	\$ 10,853	\$ 11,842	\$ 32,001	\$ 34,305
Hosted and maintenance services	19,475	15,190	51,494	42,344
Professional services	4,727	4,272	12,873	11,685
Hardware	372	516	1,048	2,389
	<b>35,427</b>	<b>31,820</b>	<b>97,416</b>	<b>90,723</b>
<b>Direct costs</b>				
Software licenses	808	909	2,583	4,439
Services	8,567	6,684	22,549	19,764
Hardware	242	317	726	1,729
	<b>9,617</b>	<b>7,910</b>	<b>25,858</b>	<b>25,932</b>
<b>Revenue, net of direct costs</b>	<b>25,810</b>	<b>23,910</b>	<b>71,558</b>	<b>64,791</b>
<b>Operating expenses</b>				
Selling, general and administrative	11,255	11,403	31,092	30,690
Research and development	5,341	3,726	15,545	11,465
Depreciation of property, plant and equipment	377	261	942	817
Special charges	491	-	491	1,775
	<b>17,464</b>	<b>15,390</b>	<b>48,070</b>	<b>44,747</b>
<b>Results from operating activities</b>	<b>8,346</b>	<b>8,520</b>	<b>23,488</b>	<b>20,044</b>
Amortization of acquired software and customer relationships	(2,949)	(2,670)	(7,770)	(7,604)
Finance income	194	150	698	414
Finance expenses	(72)	(54)	(183)	(152)
Other income	13	256	168	327
	<b>5,532</b>	<b>6,202</b>	<b>16,401</b>	<b>13,029</b>
<b>Income before income taxes</b>	<b>5,532</b>	<b>6,202</b>	<b>16,401</b>	<b>13,029</b>
<b>Provision for income taxes</b>	<b>1,244</b>	<b>1,625</b>	<b>3,873</b>	<b>3,309</b>
<b>Net income for the period</b>	<b>\$ 4,288</b>	<b>\$ 4,577</b>	<b>\$ 12,528</b>	<b>\$ 9,720</b>
Foreign currency translation differences from foreign operations	(373)	(409)	(1,664)	(3,563)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$nil); nine months – (\$24)	-	(51)	(132)	(142)
Unrealized (loss) gain on available for sale investments, net of tax of (\$54); nine months – (\$166)	(291)	254	(891)	735
Unrealized foreign currency translation gain (loss) on available for sale investments, net of tax of \$nil; nine months - \$1	-	4	8	(69)
<b>Other comprehensive loss</b>	<b>(664)</b>	<b>(202)</b>	<b>(2,679)</b>	<b>(3,039)</b>
<b>Comprehensive income</b>	<b>\$ 3,624</b>	<b>\$ 4,375</b>	<b>\$ 9,849</b>	<b>\$ 6,681</b>
<b>Earnings per share</b>				
Basic	\$ 0.17	\$ 0.18	\$ 0.49	\$ 0.39
Diluted	\$ 0.16	\$ 0.18	\$ 0.48	\$ 0.38

# Enghouse Systems Limited

## Consolidated Interim 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 \$
<b>Balance – November 1, 2011</b>	<b>25,337,262</b>	<b>52,134</b>	<b>2,970</b>	<b>1,035</b>	<b>85,288</b>	<b>141,427</b>
Net income	-	-	-	-	12,528	12,528
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(1,664)	-	(1,664)
Transfer to net income of realized gains on available-for-sale investments, net of tax	-	-	-	(132)	-	(132)
Unrealized gain (loss) on available-for-sale investments, net of tax	-	-	-	(891)	-	(891)
Unrealized foreign currency translation gain (loss) on available-for-sale investments, net of tax	-	-	-	8	-	8
<b>Comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,679)</b>	<b>12,528</b>	<b>9,849</b>
Employee share options:						
Value of services recognized	-	-	502	-	-	502
Proceeds on issuing shares	332,300	2,951	(634)	-	-	2,317
Purchase and cancellation of common shares	-	-	-	-	-	-
Dividends	-	-	-	-	(4,608)	(4,608)
<b>Balance – July 31, 2012</b>	<b>25,669,562</b>	<b>55,085</b>	<b>2,838</b>	<b>(1,644)</b>	<b>93,208</b>	<b>149,487</b>
<b>Balance – November 1, 2010</b>	<b>25,171,662</b>	<b>50,705</b>	<b>2,653</b>	<b>302</b>	<b>66,546</b>	<b>120,206</b>
Net income	-	-	-	-	9,720	9,720
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(3,563)	-	(3,563)
Transfer to net income of realized gains on available-for-sale investments, net of tax	-	-	-	(142)	-	(142)
Unrealized gain (loss) on available-for-sale investments, net of tax	-	-	-	735	-	735
Unrealized foreign currency translation gain (loss) on available-for-sale investments, net of tax	-	-	-	(69)	-	(69)
<b>Comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,039)</b>	<b>9,720</b>	<b>6,681</b>
Employee share options:						
Value of services recognized	-	-	493	-	-	493
Proceeds on issuing shares	75,400	565	(101)	-	-	464
Purchase and cancellation of common shares	(4,800)	(10)	-	-	(33)	(43)
Dividends	-	-	-	-	(3,529)	(3,529)
<b>Balance – July 31, 2011</b>	<b>25,242,262</b>	<b>51,260</b>	<b>3,045</b>	<b>(2,737)</b>	<b>72,704</b>	<b>124,272</b>

# Enghouse Systems Limited

## Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Net income	\$ 4,288	\$ 4,577	\$ 12,528	\$ 9,720
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	377	261	942	817
Amortization of acquired software and customer relationships	2,949	2,670	7,770	7,604
Stock-based compensation expense	216	168	502	493
Deferred income tax expense	(1,128)	62	(832)	(110)
Finance expenses and other income	59	(202)	15	(175)
Income tax paid	(1,360)	(150)	(3,188)	(1,093)
	<b>5,401</b>	<b>7,386</b>	<b>17,737</b>	<b>17,256</b>
Changes in non-cash operating working capital	3,362	5,813	1,229	15,737
<b>Net cash flows from operating activities</b>	<b>8,763</b>	<b>13,199</b>	<b>18,966</b>	<b>32,993</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, net	(224)	(190)	(1,893)	(630)
Finance income	(194)	(150)	(698)	(414)
Acquisitions, net of cash acquired	(26,651)	-	(32,453)	(16,648)
Net proceeds (purchase) from sale of short-term investments	2,565	(14,363)	(7,994)	(3,711)
<b>Net cash flows used in investing activities</b>	<b>(24,504)</b>	<b>(14,703)</b>	<b>(43,038)</b>	<b>(21,403)</b>
<b>Cash flows from financing activities</b>				
Issuance of share capital	441	324	2,317	464
Payment of cash dividend	(1,664)	(1,260)	(4,206)	(3,274)
Purchase and cancellation of common shares	-	-	-	(43)
<b>Net cash flows used in financing activities</b>	<b>(1,223)</b>	<b>(936)</b>	<b>(1,889)</b>	<b>(2,853)</b>
Effect of currency translation adjustments on cash and cash equivalents	440	206	200	(3,105)
<b>Net (decrease) increase in cash and cash equivalents during the period</b>	<b>(16,524)</b>	<b>(2,234)</b>	<b>(25,761)</b>	<b>5,632</b>
Cash and cash equivalents- beginning of period	56,387	54,506	65,624	46,640
<b>Cash and cash equivalents - end of period</b>	<b>\$ 39,863</b>	<b>\$ 52,272</b>	<b>\$ 39,863</b>	<b>\$ 52,272</b>

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

(in thousands of Canadian dollars)  
(Unaudited)

	For the three months ended		For the nine months ended	
	July 31		July 31	
	2012	2011	2012	2011
<b>Revenue:</b>				
Asset Management Group	\$ 4,725	\$ 3,178	\$ 11,519	\$ 9,767
Interactive Management Group	30,702	28,642	85,897	80,956
<b>Total</b>	<b>\$ 35,427</b>	<b>\$ 31,820</b>	<b>\$ 97,416</b>	<b>\$ 90,723</b>
<b>Segment Profit (EBIT):</b>				
Asset Management Group	\$ 1,016	\$ 934	\$ 1,918	\$ 1,936
Interactive Management Group	5,383	5,685	16,430	12,900
Corporate expenses	(1,002)	(769)	(2,630)	(2,396)
Finance income	194	150	698	414
Finance expenses	(72)	(54)	(183)	(152)
Other income	13	256	168	327
<b>Total</b>	<b>\$ 5,532</b>	<b>\$ 6,202</b>	<b>\$ 16,401</b>	<b>\$ 13,029</b>

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