



Enghouse Releases Second Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – June 10, 2015 – Enghouse Systems Limited (TSX:ESL) today announced its unaudited second quarter financial results for the period ended April 30, 2015.

Second quarter revenue was \$68.7 million, an increase of 25% over revenue of \$55.0 million in the second quarter last year. On a year to date basis, revenue was \$131.7 million compared to \$102.4 million last year, an increase of 29%. The revenue increase primarily reflects incremental revenue contributions from acquisitions. Hosted and maintenance services revenue was \$33.7 million in the quarter, an increase of 19% over the same period last year.

Adjusted EBITDA for the quarter was \$16.2 million (\$0.60 per diluted share) compared to \$13.9 million (\$0.52 per diluted share) in last year's second quarter. Adjusted EBITDA for the year to date was \$32.4 million (\$1.20 per diluted share) compared to \$26.0 million (\$0.97 per diluted share) last year, an increase of 25%.

Net income for the quarter was \$7.6 million (\$0.28 per diluted share) compared to the prior year's second quarter net income of \$6.6 million (\$0.24 per diluted share). Results from operating activities for the quarter were \$15.5 million compared to \$12.5 million in the prior year's second quarter, an increase of 24% over the prior year.

Operating expenses before special charges related to restructuring of acquired operations were \$31.0 million compared to \$25.5 million in the prior year's second quarter and primarily includes incremental operating costs related to acquisitions. Non-cash amortization charges in the quarter were \$5.7 million compared to \$4.2 million in the prior year's second quarter and include amortization charges for acquired software and customer relationships from acquired operations.

Enghouse generated cash flows from operations of \$12.2 million in the quarter and closed the quarter with \$88.5 million in cash, cash equivalents and short-term investments, compared to \$84.9 million at October 31, 2014. The cash balance was achieved after net cash paid of \$19.8 million for the acquisition of CDRator A/S, completed March 3, 2015 and dividends of \$5.2 million paid year to date. The Company continues to have no debt.

The Board of Directors has approved an eligible quarterly dividend of \$0.12 per common share, payable on August 28, 2015 to shareholders of record at the close of business on August 14, 2015.

Subsequent to quarter end, Enghouse completed the acquisition of Reitek S.p.A, a leading provider of omni-channel contact center solutions for enterprises, expanding the Company's footprint in Italy. Enghouse remains committed to diversifying its revenue stream and continues to seek accretive acquisitions to grow its market share.

A conference call to discuss the results will be held on Thursday, June 11, 2015 at 8:45 a.m. EST. To participate, please call 416-640-5946 or North American Toll-Free 1-866-233-4585. No PIN required.

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, profitable and more diverse software company through strategic acquisitions targeting the Contact Center, Networks (OSS/BSS) and Transportation/Public Safety sectors. Enghouse shares are listed on the Toronto Stock Exchange under the symbol "ESL". Further information about Enghouse may be obtained from the Company's website at www.enghouse.com.

Non-GAAP Measures

The Company uses non-GAAP measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than GAAP 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 Adjusted EBITDA as a measure of operating performance. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is calculated as income before income taxes adjusted for depreciation of property, plant and equipment, amortization of acquired software and customer relationships, finance income, finance expenses, other income, litigation settlements and special charges for acquisition related restructuring costs. Management uses Adjusted EBITDA to evaluate operating performance as it excludes 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.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to income before income taxes:

(In thousands of Canadian dollars)

(Unaudited)

	Three Months ended		Six Months ended	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014
Total Revenue	\$ 68,701	\$ 54,951	\$ 131,720	\$ 102,443
Income before income taxes	9,705	8,301	11,165	16,003
Depreciation of property, plant and equipment	682	566	1,274	1,095
Amortization of acquired software and customer relationships	5,734	4,231	11,088	8,141
Finance income	(51)	(124)	(164)	(267)
Finance expenses	170	75	287	133
Other income	(58)	(1)	(75)	(8)
Litigation settlements	-	-	8,774	-
Special charges	55	810	79	922
Adjusted EBITDA	\$ 16,237	\$ 13,858	\$ 32,428	\$ 26,019
Adjusted EBITDA margin	24%	25%	25%	25%
Adjusted EBITDA per diluted share	\$ 0.60	\$ 0.52	\$ 1.20	\$ 0.97

Enhouse Systems Limited

Consolidated Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	April 30, 2015	October 31, 2014
Assets		
Current assets		
Cash and cash equivalents	\$ 78,463	\$ 72,780
Short-term investments	10,078	12,084
Accounts receivable, net	59,969	54,341
Prepaid expenses and other assets	8,377	7,571
	156,887	146,776
Non-current assets		
Property, plant and equipment	4,469	4,020
Intangible assets	180,730	166,548
Deferred income tax assets	10,828	10,427
	\$ 352,914	\$ 327,771
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 42,623	\$ 41,297
Income taxes payable	107	2,644
Dividends payable	3,154	2,616
Provisions	13,330	3,407
Deferred revenue	56,990	47,745
	116,204	97,709
Non-current liabilities		
Deferred income tax liabilities	20,853	19,930
Deferred revenue	1,710	1,877
	138,767	119,516
Shareholders' Equity		
Share capital	60,924	59,746
Contributed surplus	4,164	3,782
Retained earnings	139,887	135,554
Accumulated other comprehensive income	9,172	9,173
Total shareholders' equity	214,147	208,255
Total liabilities and shareholders' equity	\$ 352,914	\$ 327,771

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	
	2015	2014	2015	2014
Revenue				
Software licenses	\$ 21,084	\$ 18,872	\$ 40,696	\$ 34,635
Hosted and maintenance services	33,687	28,345	65,946	53,359
Professional services	12,412	6,100	21,333	11,232
Hardware	1,518	1,634	3,745	3,217
	68,701	54,951	131,720	102,443
Direct costs				
Software licenses	1,966	1,684	3,643	2,884
Services	19,131	13,377	35,915	25,093
Hardware	1,082	1,078	2,415	2,097
	22,179	16,139	41,973	30,074
Revenue, net of direct costs	46,522	38,812	89,747	72,369
Operating expenses				
Selling, general and administrative	19,493	15,514	36,637	28,190
Research and development	10,792	9,440	20,682	18,160
Depreciation of property, plant and equipment	682	566	1,274	1,095
Special charges	55	810	79	922
	31,022	26,330	58,672	48,367
Results from operating activities	15,500	12,482	31,075	24,002
Litigation settlements	-	-	(8,774)	-
Amortization of acquired software and customer relationships	(5,734)	(4,231)	(11,088)	(8,141)
Finance income	51	124	164	267
Finance expenses	(170)	(75)	(287)	(133)
Other income	58	1	75	8
	9,705	8,301	11,165	16,003
Income before income taxes	9,705	8,301	11,165	16,003
Provision for income taxes	2,137	1,743	1,058	3,273
Net income for the period	\$ 7,568	\$ 6,558	\$ 10,107	\$ 12,730
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences from foreign operations	(9,501)	751	(95)	10,521
Transfer to net income of realized gains on available for sale investments	(74)	(17)	(74)	(37)
Unrealized (loss) gain on available for sale investments	(6)	(40)	182	(57)
Deferred income tax recovery (expense)	11	7	(14)	12
	(9,570)	701	(1)	10,439
Other comprehensive (loss) income	(9,570)	701	(1)	10,439
Comprehensive (loss) income	\$ (2,002)	\$ 7,259	\$ 10,106	\$ 23,169
Earnings per share				
Basic	\$ 0.29	\$ 0.25	\$ 0.39	\$ 0.49
Diluted	\$ 0.28	\$ 0.24	\$ 0.37	\$ 0.47

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 \$
Balance – November 1, 2014	26,163,962	59,746	3,782	9,173	135,554	208,255
Net income	-	-	-	-	10,107	10,107
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	(95)	-	(95)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(74)	-	(74)
Unrealized gain on available-for-sale investments	-	-	-	182	-	182
Deferred income tax expense	-	-	-	(14)	-	(14)
Comprehensive income for the period	-	-	-	(1)	10,107	10,106
Employee share options:						
Value of services recognized	-	-	622	-	-	622
Proceeds on issuing shares	121,500	1,178	(240)	-	-	938
Dividends	-	-	-	-	(5,774)	(5,774)
Balance – April 30, 2015	26,285,462	60,924	4,164	9,172	139,887	214,147
Balance – November 1, 2013	26,042,962	58,514	3,175	5,139	115,800	182,628
Net income	-	-	-	-	12,730	12,730
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	10,521	-	10,521
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(37)	-	(37)
Unrealized loss on available-for-sale investments	-	-	-	(57)	-	(57)
Deferred income tax recovery	-	-	-	12	-	12
Comprehensive income for the period	-	-	-	10,439	12,730	23,169
Employee share options:						
Value of services recognized	-	-	364	-	-	364
Proceeds on issuing shares	83,500	922	(207)	-	-	715
Dividends	-	-	-	-	(4,700)	(4,700)
Balance – April 30, 2014	26,126,462	59,436	3,332	15,578	123,830	202,176

Enghouse Systems Limited

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Three months ended April 30 2015	2014	Six months ended April 30 2015	2014
Cash flows from operating activities				
Net income	\$ 7,568	\$ 6,558	\$ 10,107	\$ 12,730
Adjustments for:				
Depreciation of property, plant and equipment	682	566	1,274	1,095
Amortization of acquired software and customer relationships	5,734	4,231	11,088	8,141
Stock-based compensation expense	317	205	622	364
Provision for income taxes	2,137	1,743	1,058	3,273
Finance expenses and other income	112	74	212	125
	16,550	13,377	24,361	25,728
Changes in non-cash operating working capital	(2,250)	2,874	9,556	1,214
Income tax paid	(2,093)	(2,385)	(4,068)	(3,172)
Net cash flows from operating activities	12,207	13,866	29,849	23,770
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(395)	(131)	(1,457)	(788)
Acquisitions, net of cash acquired of \$4,015 (\$969 - 2014)	(19,818)	(8,282)	(19,818)	(10,060)
Purchase consideration for prior period acquisitions	(271)	(3,040)	(683)	(3,422)
Net sale of short-term investments	4,422	4,861	2,347	3,246
Net cash flows used in investing activities	(16,062)	(6,592)	(19,611)	(11,024)
Cash flows from financing activities				
Issuance of share capital	673	354	938	715
Payment of cash dividend	(2,621)	(2,087)	(5,237)	(4,170)
Net cash flows used in financing activities	(1,948)	(1,733)	(4,299)	(3,455)
Effect of currency translation adjustments on cash and cash equivalents	(2,625)	264	(256)	3,402
Net (decrease) increase in cash and cash equivalents during the period	(8,428)	5,805	5,683	12,693
Cash and cash equivalents- beginning of period	86,891	76,997	72,780	70,109
Cash and cash equivalents - end of period	\$ 78,463	\$ 82,802	\$ 78,463	\$ 82,802

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

	For the three months ended April 30		For the six months ended April 30	
	2015	2014	2015	2014
Revenue:				
Asset Management Group	\$ 23,820	\$ 11,054	\$ 43,087	\$ 20,746
Interactive Management Group	44,881	43,897	88,633	81,697
Total	\$ 68,701	\$ 54,951	\$ 131,720	\$ 102,443
Segment Profit:				
Asset Management Group	\$ 5,467	\$ 2,748	\$ 10,527	\$ 4,955
Interactive Management Group	11,480	11,100	23,778	21,705
Corporate expenses	(1,447)	(1,366)	(3,230)	(2,658)
Amortization of acquired software and customer relationships	(5,734)	(4,231)	(11,088)	(8,141)
Finance income	51	124	164	267
Finance expenses	(170)	(75)	(287)	(133)
Other income	58	1	75	8
Litigation settlements	-	-	(8,774)	-
Total	\$ 9,705	\$ 8,301	\$ 11,165	\$ 16,003

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For further information please contact:

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