



Enghouse Releases First Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – March 8, 2018 – Enghouse Systems Limited (TSX:ENGH) today announced its first quarter (unaudited) financial results for the period ended January 31, 2018.

First quarter revenue increased to \$85.1 million, compared to revenue of \$78.8 million in the first quarter of the prior year. Income from operating activities was \$22.0 million, which includes a foreign exchange balance sheet loss of \$2.5 million, compared to \$22.4 million in prior year's first quarter, which had a foreign exchange gain of \$0.2 million. Net income for the quarter was \$6.8 million or \$0.25 per diluted share compared to \$11.7 million or \$0.43 per diluted share in the prior year's first quarter, with the decrease being attributable to tax charges related to the enactment of the United States Tax Cuts and Jobs Act on December 22, 2017 and the foreign exchange balance sheet loss.

Adjusted EBITDA for the first quarter was \$25.3 million or \$0.93 per diluted share compared to \$22.8 million or \$0.84 per diluted share last year, with the increase being attributable to contributions from acquisitions and stronger license sales in certain regions. To normalize results for the significant volatility in foreign exchange rates over the past couple of years, the definition of Adjusted EBITDA has been revised this quarter to exclude foreign exchange balance sheet gains and losses. Both current quarter and prior period comparatives figures have been restated accordingly.

Operating expenses before special charges related to restructuring of acquired operations were \$36.3 million compared to \$31.0 million in the prior year's first quarter and reflect incremental operating costs related to acquisitions and foreign exchange losses on assets and liabilities including intercompany accounts. Non-cash amortization charges in the quarter were \$7.2 million compared to \$7.5 million in the prior year's first quarter, and include amortization charges for acquired software and customer relationships from acquired operations.

The Company generated strong cash flows from operating activities of \$23.1 million compared to \$10.7 million in the first quarter of 2017, an increase of 116%. As a result, Enghouse closed the quarter with \$145.0 million in cash, cash equivalents and short-term investments, compared to \$130.3 million at October 31, 2017. The cash balance was achieved after payment of \$4.3 million in cash dividends and \$4.9 million for acquisitions.

In January, Enghouse named Vince Mifsud as President with responsibility for the Company's worldwide sales, operating and finance units. Mr. Mifsud has established an impressive track record in the SaaS and enterprise software industry, helping grow technology companies in Canada.

Today, the Board of Directors approved an increase to the Company's eligible quarterly dividend to \$0.18 per common share, payable on May 31, 2018 to shareholders of record at the close of business on May 17, 2018. Enghouse has now increased its dividend in each of the past ten years, by over 10% each year.

A conference call to discuss the results will be held on Friday, March 9, 2018 at 8:45 a.m. EST. To participate, please call +1-416-204-9269 or North American Toll-Free +1-800-499-4035. 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 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 "ENGH". 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 results from operating activities adjusted for depreciation of property, plant and equipment, foreign exchange gains and losses, 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, foreign exchange gains and losses, other income and restructuring costs primarily related to acquisitions.

Adjusted EBITDA:

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities:

	Three Months ended	
	January 31, 2018	January 31, 2017
Total Revenue	\$ 85,075	\$ 78,840
Results from operating activities	21,981	22,356
Depreciation of property, plant and equipment	670	614
Foreign exchange losses and (gains)	2,531	(242)
Special charges	129	98
Adjusted EBITDA	\$25,311	\$ 22,826
Adjusted EBITDA margin	29.8%	29.0%
Adjusted EBITDA per diluted share	\$0.93	\$ 0.84

Enghouse Systems Limited
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	January 31, 2018	October 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 135,936	\$ 120,608
Short-term investments	9,031	9,737
Accounts receivable, net	73,269	71,894
Prepaid expenses and other assets	9,853	8,528
	228,089	210,767
Non-current assets:		
Long-term deposits and accounts receivable, net	1,207	1,002
Property, plant and equipment	5,473	5,322
Intangible assets	75,457	79,714
Goodwill	151,393	150,687
Deferred income tax assets	10,065	14,345
	228,089	210,767
Total assets	\$ 471,684	\$ 461,837
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 51,471	\$ 54,656
Income taxes payable	6,253	6,018
Dividends payable	4,323	4,319
Provisions	924	1,521
Deferred revenue	65,889	59,104
Current portion of long-term loans	452	468
	129,312	126,086
Non-current liabilities:		
Non-current portion of income taxes payable	7,917	-
Deferred income tax liabilities	15,501	21,449
Deferred revenue	2,907	3,337
Net employee defined benefit obligation	2,377	2,328
Long-term loans	1,893	2,238
	159,907	155,438
Total liabilities	159,907	155,438
Shareholders' Equity		
Share capital	72,312	71,422
Contributed surplus	4,968	4,715
Retained earnings	224,265	221,775
Accumulated other comprehensive income	10,232	8,487
Total shareholders' equity	311,777	306,399
Total liabilities and shareholders' equity	\$ 471,684	\$ 461,837

Enghouse Systems Limited

Consolidated Interim Statements of Operations and Comprehensive Income

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

	Three months ended January 31,	
	2018	2017
Revenue		
Software licenses	\$ 25,808	\$ 24,208
Hosted and maintenance services	42,596	39,166
Professional services	14,377	13,968
Hardware	2,294	1,498
	<u>85,075</u>	<u>78,840</u>
Direct costs		
Software licenses	2,035	2,109
Services	23,184	22,243
Hardware	1,425	1,001
	<u>26,644</u>	<u>25,353</u>
Revenue, net of direct costs	58,431	53,487
Operating expenses		
Selling, general and administrative	21,429	19,825
Research and development	11,691	10,836
Depreciation of property, plant and equipment	670	614
Foreign exchange losses and (gains)	2,531	(242)
Special charges	129	98
	<u>36,450</u>	<u>31,131</u>
Results from operating activities	21,981	22,356
Amortization of acquired software and customer relationships	(7,162)	(7,457)
Finance income	122	39
Finance expenses	(60)	(15)
Other income	742	170
	<u>15,623</u>	<u>15,093</u>
Income before income taxes	15,623	15,093
Provision for income taxes	<u>8,810</u>	<u>3,360</u>
Net income for the period	\$ 6,813	\$ 11,733
<u>Items that are or may be reclassified subsequently to profit or loss:</u>		
Foreign currency translation gain (loss) from foreign operations	1,464	(6,689)
Unrealized gain (loss) on available for sale investments	324	(93)
Deferred income tax (expense) recovery	(43)	12
	<u>1,745</u>	<u>(6,770)</u>
Other comprehensive income (loss)	1,745	(6,770)
Comprehensive income	\$ 8,558	\$ 4,963
Earnings per share		
Basic	\$ 0.25	\$ 0.44
Diluted	\$ 0.25	\$ 0.43

Enghouse Systems Limited

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Share Capital -number	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Retained earnings \$	Total \$
Balance – November 1, 2017	26,993,212	71,422	4,715	8,487	221,775	306,399
Net income	-	-	-	-	6,813	6,813
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	1,464	-	1,464
Unrealized loss on available-for-sale investments	-	-	-	324	-	324
Deferred income tax expense	-	-	-	(43)	-	(43)
Comprehensive income for the period	-	-	-	1,745	6,813	8,558
Employee share options:						
Value of services recognized	-	-	399	-	-	399
Proceeds on issuing shares	35,200	890	(146)	-	-	744
Dividends	-	-	-	-	(4,323)	(4,323)
Balance – January 31, 2018	27,028,412	72,312	4,968	10,232	224,265	311,777
Balance – November 1, 2016	26,906,962	69,555	3,875	7,469	187,649	268,548
Net income	-	-	-	-	11,733	11,733
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(6,689)	-	(6,689)
Unrealized loss on available-for-sale investments	-	-	-	(93)	-	(93)
Deferred income tax recovery	-	-	-	12	-	12
Comprehensive income for the period	-	-	-	(6,770)	11,733	4,963
Employee share options:						
Value of services recognized	-	-	188	-	-	188
Proceeds on issuing shares	29,500	458	(94)	-	-	364
Dividends	-	-	-	-	(3,771)	(3,771)
Balance – January 31, 2017	26,936,462	70,013	3,969	699	195,611	270,292

Enghouse Systems Limited
Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)

	Three months ended January 31,	
	2018	2017
Cash flows from operating activities		
Net income for the period	\$ 6,813	\$ 11,733
Adjustments for:		
Depreciation of property, plant and equipment	670	614
Amortization of acquired software and customer relationships	7,162	7,457
Stock-based compensation expense	399	188
Provision for income tax	8,810	3,360
Finance expenses and other income	(682)	(155)
	23,172	23,197
Changes in non-cash operating working capital	2,913	(7,926)
Income tax paid	(2,980)	(4,596)
Net cash flows from operating activities	23,105	10,675
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(600)	(565)
Purchase of other software	-	(489)
Acquisitions, net of cash acquired \$1,068 (2017-\$Nil)	(2,991)	-
Purchase consideration for prior period acquisitions	(1,926)	(393)
Net purchase of short-term investments	985	(608)
Net cash flows used in investing activities	(4,532)	(2,055)
Cash flows from financing activities		
Issuance of share capital	744	364
Repayment of loans	(368)	(1,667)
Payment of cash dividend	(4,319)	(3,767)
Net cash flows used in financing activities	(3,943)	(5,070)
Effect of currency translation adjustments on cash and cash equivalents	698	(1,342)
Net increase in cash and cash equivalents during the period	15,328	2,208
Cash and cash equivalents - beginning of period	120,608	78,436
Cash and cash equivalents - end of period	\$ 135,936	\$ 80,644

Enghouse Systems Limited

Selected Segment Reporting Information

(In thousands of Canadian dollars)

(Unaudited)

	For the three months ended January 31	
	2018	2017
Revenue:		
Asset Management Group	\$ 36,680	\$ 31,286
Interactive Management Group	48,395	47,554
Total	\$ 85,075	\$ 78,840
Asset Management Group:		
- Segment profit before special charges	\$10,414	\$ 8,433
- Special charges	(129)	96
Asset Management Group profit	\$ 10,285	\$ 8,529
Interactive Management Group:		
- Segment profit before special charges	\$ 14,194	\$ 15,768
- Special charges	-	(194)
Interactive Management Group profit	\$ 14,194	\$ 15,574
Corporate expenses	(2,498)	(1,747)
Results from operating activities	\$ 21,981	\$ 22,356
Amortization of acquired software and customer relationships	(7,162)	(7,457)
Finance income	122	39
Finance expenses	(60)	(15)
Other income	742	170
Income before income taxes	\$ 15,623	\$ 15,093

For further information please contact:

Sam Anidjar
Vice President, Corporate Development
 Enghouse Systems Limited
 Tel: (905) 946-3200
 Email: investor@enghouse.com