



Enghouse Releases Fourth Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – (December 17, 2013) – Enghouse Systems Limited (TSX:ESL) today announced its fourth quarter (unaudited) and year-end financial results for the period ended October 31, 2013.

Revenue increased by 32% to \$179.9 million for the fiscal year, compared to revenue of \$136.4 million in the previous fiscal year, culminating in another record year as the Company continues to execute its acquisition strategy. Income from operating activities was \$40.7 million compared to \$33.2 million last year, an increase of 23%. Net income for the fiscal year was \$24.3 million or \$0.92 per diluted share compared to \$20.9 million or \$0.80 per diluted share in the prior year. Adjusted EBITDA for the fiscal year was \$44.9 million or \$1.69 per diluted share compared to \$35.1 million or \$1.35 per diluted share last year.

Revenue for the fourth quarter was \$47.2 million, an increase of 21% over last year's fourth quarter revenue of \$39.0 million. Income from operating activities for the quarter was \$12.0 million compared to \$9.7 million last year, an increase of 23%. Net income for the quarter was \$9.7 million or \$0.36 per diluted share compared to \$8.3 million or \$0.32 per diluted share last year. Adjusted EBITDA for the quarter was \$12.4 million or \$0.46 per diluted share compared to \$10.2 million or \$0.39 per diluted share last year.

Increased revenue in the quarter reflects incremental revenue from acquisitions including nominal contributions from recent acquisitions, Safeharbor Knowledge Solutions, acquired September 6, 2013 and Andtek GmbH, acquired October 7, 2013. Revenue also includes hosted and maintenance services revenue of \$24.3 million in the quarter, an increase of 21% over last year's fourth quarter. In fiscal 2013, hosted and services revenue was \$91.8 million compared to \$71.6 million in fiscal 2012 and is attributable to contributions from recent acquisitions and an increase in organic hosted and maintenance services revenue. Software license revenue was \$58.9 million compared to \$45.1 million, an increase of 31% over fiscal 2012.

Operating expenses were \$21.5 million for the quarter and \$88.1 million for the fiscal year compared to \$18.4 million and \$66.5 million respectively last year as a result of the incremental cost of acquired operations. This also includes research and development costs of \$7.9 million and \$30.5 million in the quarter and year, respectively, consistent with the Company's continued investment in software development. Non-cash amortization charges for the year were \$15.6 million compared to \$11.0 million in the prior fiscal year and relate to incremental amortization charges for acquired software and customer relationship intangibles recorded on the current year's acquisitions.

The Company closed the year with \$90.3 million in cash, cash equivalents and short-term investments, after the payment of approximately \$25.0 million related to acquisitions and \$7.5 million to dividends for the year. The Company generated operating cash flows before non-cash working capital items of \$44.1 million in the year compared to \$36.2 million in 2012. Enghouse continues to have no long-term debt.

As previously announced, on November 4, 2013 the Company acquired 100% of the issued and outstanding common shares of Information Access Technologies Inc. ("IAT"). IAT is a dynamic company specializing in innovative communication technology which enables companies to design, execute and measure customer communication campaigns for a variety of marketing, customer care and payment processing markets. IAT solutions add premise and hosted products and services for both outbound dialing and broadcast messaging and will be included in the Interactive Management Group results in fiscal 2014. The Company continues to seek further acquisitions to continue to grow its market share globally.

The Board of Directors also announced today an eligible quarterly dividend of \$0.08 per common share, payable on February 28, 2014 to shareholders of record at the close of business on February 14, 2014.

A conference call to discuss the results will be held on Wednesday, December 18, 2013 at 8:45 a.m. EST. To participate, please call 416-216-4169 (PIN 8836 010#) or North American Toll-Free 1-866-229-4144 (PIN 8836 610#).

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-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 measures 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, 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:

	Three Months ended		Year ended	
	October 31, 2013	October 31, 2012	October 31, 2013	October 31, 2012
Total Revenue	\$ 47,171	\$ 38,952	\$ 179,886	\$ 136,368
Income before income taxes	\$ 8,441	\$ 6,706	\$ 27,047	\$ 23,107
Depreciation of property, plant and equipment	440	444	1,743	1,386
Amortization of acquired software and customer relationships	4,083	3,204	15,568	10,974
Finance income	(124)	(289)	(641)	(987)
Finance expenses	55	86	313	269
Other income	(466)	23	(1,582)	(145)
Special charges	-	53	2,491	544
Adjusted EBITDA	\$ 12,429	\$ 10,227	\$ 44,939	\$ 35,148
Adjusted EBITDA margin	26%	26%	25%	26%
Adjusted EBITDA per diluted share	\$ 0.46	\$ 0.39	\$ 1.69	\$ 1.35

Enhouse Systems Limited

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	October 31, 2013	October 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 70,109	\$ 59,544
Short-term investments	20,188	24,108
Accounts receivable, net	36,444	31,368
Prepaid expenses and other assets	5,839	3,853
	132,580	118,873
Non-current assets:		
Property, plant and equipment	3,599	3,365
Intangible assets	132,358	106,995
Deferred income tax assets	9,419	10,477
	145,376	120,837
Total assets	\$ 277,956	\$ 239,710
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,659	\$ 26,053
Income taxes payable	1,555	2,008
Dividends payable	2,083	1,676
Accrued provisions	3,427	1,621
Deferred revenue	39,325	35,935
	79,049	67,293
Non-current liabilities:		
Deferred income tax liabilities	14,482	13,241
Deferred revenue	1,797	1,236
Total liabilities	95,328	81,770
Shareholders' Equity		
Share capital	58,514	55,751
Contributed surplus	3,175	2,847
Retained earnings	115,800	99,371
Accumulated other comprehensive income (loss)	5,139	(29)
Total equity	182,628	157,940
Total liabilities and equity	\$ 277,956	\$ 239,710

Enghouse Systems Limited

Consolidated Interim Statements of Operations and Comprehensive Income

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

	(Unaudited) Three months ended October 31 2013	(Unaudited) October 31 2012	Year ended October 31	
			2013	2012
Revenue				
Software licenses	\$ 15,010	\$ 13,107	\$ 58,887	\$ 45,108
Hosted and maintenance services	24,262	20,114	91,762	71,608
Professional services	6,350	5,210	23,931	18,083
Hardware	1,549	521	5,306	1,569
	47,171	38,952	179,886	136,368
Direct costs				
Software licenses	1,145	1,532	4,336	4,115
Services	11,471	8,861	43,190	31,410
Hardware	1,054	408	3,592	1,134
	13,670	10,801	51,118	36,659
Revenue, net of direct costs	33,501	28,151	128,768	99,709
Operating expenses				
Selling, general and administrative	13,145	11,977	53,366	43,069
Research and development	7,927	5,947	30,463	21,492
Depreciation of property, plant and equipment	440	444	1,743	1,386
Special charges	-	53	2,491	544
	21,512	18,421	88,063	66,491
Results from operating activities	11,989	9,730	40,705	33,218
Amortization of acquired software and customer relationships	(4,083)	(3,204)	(15,568)	(10,974)
Finance income	124	289	641	987
Finance expenses	(55)	(86)	(313)	(269)
Other income	466	(23)	1,582	145
Income before income taxes	8,441	6,706	27,047	23,107
(Recovery of) provision for income taxes	(1,271)	(1,639)	2,700	2,234
Net income for the period	\$ 9,712	\$ 8,345	\$ 24,347	\$ 20,873
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation gain (loss) from foreign operations	5,354	1,652	5,575	(12)
Transfer to net income of realized gains on available for sale investments	(668)	-	(2,869)	(156)
Unrealized gain (loss) on available for sale investments	126	(42)	2,393	(1,111)
Deferred income tax recovery	78	5	69	215
Other comprehensive income (loss)	4,890	1,615	5,168	(1,064)
Comprehensive income	\$ 14,602	\$ 9,960	\$ 29,515	\$ 19,809
Earnings per share				
Basic	\$0.37	\$0.32	\$0.94	\$0.82
Diluted	\$0.36	\$0.32	\$0.92	\$0.80

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, 2012	25,780,562	55,751	2,847	(29)	99,371	157,940
Net income	-	-	-	-	24,347	24,347
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	5,575	-	5,575
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(2,869)	-	(2,869)
Unrealized gain on available-for-sale investments	-	-	-	2,393	-	2,393
Deferred income tax recovery	-	-	-	69	-	69
Comprehensive income for the year	-	-	-	5,168	24,347	29,515
Employee share options:						
Value of services recognized	-	-	1,016	-	-	1,016
Proceeds on issuing shares	262,400	2,763	(688)	-	-	2,075
Dividends	-	-	-	-	(7,918)	(7,918)
Balance – October 31, 2013	26,042,962	58,514	3,175	5,139	115,800	182,628
Balance – November 1, 2011	25,337,262	52,134	2,970	1,035	84,782	140,921
Net income	-	-	-	-	20,873	20,873
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(12)	-	(12)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(156)	-	(156)
Unrealized loss on available-for-sale investments	-	-	-	(1,111)	-	(1,111)
Deferred income tax recovery	-	-	-	215	-	215
Comprehensive (loss) income for the year	-	-	-	(1,064)	20,873	19,809
Employee share options:						
Value of services recognized	-	-	621	-	-	621
Proceeds on issuing shares	443,300	3,617	(744)	-	-	2,873
Dividends	-	-	-	-	(6,284)	(6,284)
Balance – October 31, 2012	25,780,562	55,751	2,847	(29)	99,371	157,940

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

	<i>(Unaudited) (Unaudited)</i>			
	Three months ended		Year ended	
	October 31		October 31	
	2013	2012	2013	2012
Cash flows from operating activities				
Net income	\$ 9,712	\$ 8,345	\$ 24,347	\$ 20,873
Adjustments for:				
Depreciation of property, plant and equipment	440	444	1,743	1,386
Amortization of acquired software and customer relationships	4,083	3,204	15,568	10,974
Stock-based compensation expense	312	119	1,016	621
Income tax (recovery) expense	(1,271)	(1,639)	2,700	2,234
Finance expenses and other income	(411)	109	(1,269)	124
	12,865	10,582	44,105	36,212
Changes in non-cash operating working capital	(10,020)	(4,769)	(7,545)	(8,245)
Income tax paid	(693)	(1,304)	(4,203)	(4,492)
Net cash flows from operating activities	2,152	4,509	32,357	23,475
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(238)	(402)	(1,403)	(2,295)
Acquisitions, net of cash acquired of \$6,004 (2012 - \$810)	(5,221)	-	(22,433)	(32,453)
Purchase consideration for prior period acquisitions	-	-	(2,593)	-
Net proceeds from sale of short-term investments	14,006	17,396	7,948	8,704
Net cash flows from (used in) investing activities	8,547	16,994	(18,481)	(26,044)
Cash flows from financing activities				
Issuance of share capital	491	556	2,075	2,873
Payment of cash dividend	(2,079)	(1,669)	(7,511)	(5,875)
Net cash flows used in financing activities	(1,588)	(1,113)	(5,436)	(3,002)
Effect of currency translation adjustments on cash and cash equivalents	2,206	(709)	2,125	(509)
Net increase (decrease) in cash and cash equivalents during the period	11,317	19,681	10,565	(6,080)
Cash and cash equivalents- beginning of period	58,792	39,863	59,544	65,624
Cash and cash equivalents - end of period	\$ 70,109	\$ 59,544	\$ 70,109	\$ 59,544

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended October 31		For the year ended October 31	
	2013	2012	2013	2012
Revenue:				
Asset Management Group	\$ 10,332	\$ 5,789	\$ 33,804	\$ 17,308
Interactive Management Group	36,839	33,163	146,082	119,060
Total	\$ 47,171	\$ 38,952	\$ 179,886	\$ 136,368
Segment Profit				
Asset Management Group	\$ 2,082	\$ 1,910	\$ 5,039	\$ 3,828
Interactive Management Group	7,006	5,472	24,446	21,902
Corporate expenses	(1,182)	(856)	(4,348)	(3,486)
Finance income	124	289	641	987
Finance expenses	(55)	(86)	(313)	(269)
Other income	466	(23)	1,582	145
Total	\$ 8,441	\$ 6,706	\$ 27,047	\$ 23,107

For further information please contact:

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