



Enghouse Releases First Quarter Results and Increases Quarterly Dividend

FOR IMMEDIATE RELEASE

Markham, Ontario – (March 4, 2014) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited first quarter financial results for the period ended January 31, 2014.

First quarter revenue was \$47.5 million, an increase of 13% over revenue of \$42.0 million in the first quarter last year. The increase in revenue was primarily the result of incremental revenue contributions from acquisitions. Revenue reflects hosted and maintenance services contributions of \$25.0 million in the quarter, an increase of 22% over last year. Adjusted EBITDA for the quarter was \$12.2 million or \$0.45 per diluted share compared to \$9.6 million or \$0.36 per diluted share in last year's first quarter. Results from operating activities for the quarter were \$11.5 million compared to \$7.3 million in the prior year's first quarter, an increase of 57% over the prior year. Net income for the quarter was \$6.2 million or \$0.23 per diluted share compared to the prior year's first quarter net income of \$3.4 million or \$0.13 per share.

Operating expenses before special charges related to restructuring of acquired operations were \$21.9 million compared to \$21.2 million in the prior year's first quarter and reflect incremental costs of acquired operations. Of note, as a percentage of revenue, operating expenses before special charges decreased from 50.6% to 46.2% in the quarter. Non-cash amortization charges in the quarter were \$3.9 million and include amortization charges for acquired software and customer relationships from acquired operations.

Enghouse closed the quarter with \$100.1 million in cash, cash equivalents and short-term investments, compared to \$90.3 million at October 31, 2013. This is after cash paid of \$2.2 million for acquisitions completed in the quarter and cash dividends of \$2.1 million paid in the quarter. The Company continues to have no long-term debt.

Effective March 3, 2014 the Company completed the acquisition of IT Sonix AG ("IT Sonix"). IT Sonix is a software provider specializing in the outbound contact center solutions with offices in Germany, Italy and the UK. IT Sonix's products are installed in 10 of the 30 largest German contact centers and can be deployed as an on-premise, hosted offering or SAAS solution.

The Board of Directors also approved a 25% increase in its eligible quarterly dividend to \$0.10 per common share, payable on May 30, 2014 to shareholders of record at the close of business on May 16, 2014. Enghouse has increased its dividend in each of the past six years.

Enghouse remains committed to diversifying its revenue stream and accelerating its expansion into new markets such as Germany and continues to seek accretive acquisitions to grow its market share.

A conference call to discuss the results will be held on Wednesday, March 5, 2014 at 8:45 a.m. EST. To participate, please call 1-416-850-9144 or North American Toll-Free 1-866-400-3310. No PIN is 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 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 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, 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	
	January 31, 2014	January 31, 2013
Total Revenue	\$ 47,492	\$ 41,957
Income before income taxes	7,702	4,348
Depreciation of property, plant and equipment	529	468
Amortization of acquired software and customer relationships	3,910	3,584
Finance income	(143)	(333)
Finance expenses	58	81
Other income	(7)	(361)
Special charges	112	1,815
Adjusted EBITDA	\$12,161	\$ 9,602
Adjusted EBITDA margin	26%	23%
Adjusted EBITDA per diluted share	\$0.45	\$ 0.36

Enghouse Systems Limited

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

(Unaudited)

	January 31, 2014	October 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,997	\$ 70,109
Short-term investments	23,084	20,188
Accounts receivable, net	43,103	36,444
Prepaid expenses and other assets	7,321	5,839
	150,505	132,580
Non-current assets:		
Property, plant and equipment	3,921	3,599
Intangible assets	138,912	132,358
Deferred income tax assets	10,339	9,419
	152,172	175,376
Total assets	\$ 302,677	\$ 307,956
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,397	\$ 32,659
Income taxes payable	2,468	1,555
Dividends payable	2,087	2,083
Accrued provisions	3,020	3,427
Deferred revenue	49,408	39,325
	89,380	79,049
Non-current liabilities:		
Deferred income tax liabilities	15,389	14,482
Deferred revenue	1,937	1,797
	17,326	16,279
Total liabilities	106,706	95,328
Shareholders' Equity		
Share capital	58,994	58,514
Contributed surplus	3,215	3,175
Retained earnings	119,885	115,800
Accumulated other comprehensive income	14,877	5,139
	196,971	182,628
Total shareholders' equity	196,971	182,628
Total liabilities and shareholders' equity	\$ 303,677	\$ 277,956

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 January 31,	
	2014	2013
Revenue		
Software licenses	\$ 15,763	\$ 15,064
Hosted and maintenance services	25,014	20,563
Professional services	5,132	5,491
Hardware	1,583	839
	<u>47,492</u>	<u>41,957</u>
Direct costs		
Software licenses	1,200	1,429
Services	11,716	9,584
Hardware	1,019	593
	<u>13,935</u>	<u>11,606</u>
Revenue, net of direct costs	33,557	30,351
Operating expenses		
Selling, general and administrative	12,676	13,406
Research and development	8,720	7,343
Depreciation of property, plant and equipment	529	468
Special charges	112	1,815
	<u>22,037</u>	<u>23,032</u>
Results from operating activities	11,520	7,319
Amortization of acquired software and customer relationships	(3,910)	(3,584)
Finance income	143	333
Finance expenses	(58)	(81)
Other income	7	361
	<u>7,702</u>	<u>4,348</u>
Income before income taxes	7,702	4,348
Provision for income taxes	<u>1,530</u>	<u>913</u>
Net income for the period	<u>\$ 6,172</u>	<u>\$ 3,435</u>
<u>Items that are or may be reclassified subsequently to profit or loss:</u>		
Foreign currency translation gain from foreign operations	9,770	861
Transfer to net income of realized gains on available for sale investments	(20)	(425)
Unrealized (loss) gain on available for sale investments	(17)	782
Deferred income tax recovery (expense)	5	(47)
	<u>9,738</u>	<u>1,171</u>
Other comprehensive income	9,738	1,171
Comprehensive income	<u>\$ 15,910</u>	<u>\$ 4,606</u>
Earnings per share		
Basic	\$ 0.24	\$ 0.13
Diluted	\$ 0.23	\$ 0.13

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, 2013	26,042,962	58,514	3,175	5,139	115,800	182,628
Net income	-	-	-	-	6,172	6,172
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	9,770	-	9,770
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(20)	-	(20)
Unrealized loss on available-for-sale investments	-	-	-	(17)	-	(17)
Deferred income tax recovery	-	-	-	5	-	5
Comprehensive income for the period	-	-	-	9,738	6,172	15,910
Employee share options:						
Value of services recognized	-	-	159	-	-	159
Proceeds on issuing shares	44,000	480	(119)	-	-	361
Dividends	-	-	-	-	(2,087)	(2,087)
Balance – January 31, 2014	26,086,962	58,994	3,215	14,877	119,885	196,971
Balance – November 1, 2012	25,780,562	55,751	2,847	(29)	99,371	157,940
Net income	-	-	-	-	3,435	3,435
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	861	-	861
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(425)	-	(425)
Unrealized gain on available-for-sale investments	-	-	-	782	-	782
Deferred income tax expense	-	-	-	(47)	-	(47)
Comprehensive income for the period	-	-	-	1,171	3,435	4,606
Employee share options:						
Value of services recognized	-	-	137	-	-	137
Proceeds on issuing shares	70,400	709	(184)	-	-	525
Dividends	-	-	-	-	(1,680)	(1,680)
Balance – January 31, 2013	25,850,962	56,460	2,800	1,142	101,126	161,528

Enghouse Systems Limited

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(Unaudited)

	Three months ended January 31,	
	2014	2013
Cash flows from operating activities		
Net income for the period	\$ 6,172	\$ 3,435
Adjustments for:		
Depreciation of property, plant and equipment	529	468
Amortization of acquired software and customer relationships	3,910	3,584
Stock-based compensation expense	159	137
Income tax expense	1,530	913
Finance expenses and other income	51	(280)
	12,351	8,257
Changes in non-cash operating working capital	(1,660)	71
Income tax paid	(787)	(2,185)
Net cash flows from operating activities	9,904	6,143
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(657)	(294)
Acquisitions, net of cash acquired of \$334 (2013 - \$196)	(1,778)	(9,985)
Purchase consideration for prior period acquisitions	(382)	-
Net purchase of short-term investments	(1,615)	(4,028)
Net cash flows used in investing activities	(4,432)	(14,307)
Cash flows from financing activities		
Issuance of share capital	361	525
Payment of cash dividend	(2,083)	(1,676)
Net cash flows used in financing activities	(1,722)	(1,151)
Effect of currency translation adjustments on cash and cash equivalents	3,138	306
Net increase (decrease) in cash and cash equivalents during the period	6,888	(9,009)
Cash and cash equivalents- beginning of period	70,109	59,544
Cash and cash equivalents - end of period	\$ 76,997	\$ 50,535

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

	For the three months ended January 31	
	2014	2013
Revenue:		
Asset Management Group	\$ 9,692	\$ 5,245
Interactive Management Group	37,800	36,712
Total	\$ 47,492	\$ 41,957
Segment Profit		
Asset Management Group	\$ 2,206	\$ 1,108
Interactive Management Group	10,606	7,077
Corporate expenses	(1,292)	(866)
Amortization of acquired software and customer relationships	(3,910)	(3,584)
Finance income	143	333
Finance expenses	(58)	(81)
Other income	7	361
Total	\$ 7,702	\$ 4,348

-30 -

For further information please contact:

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