



Enghouse Releases Second Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – June 9, 2016 – Enghouse Systems Limited (TSX:ESL) today announced its second quarter (unaudited) financial results for the period ended April 30, 2016.

Second quarter revenue was \$78.5 million, an increase of 14.3% over revenue of \$68.7 million in the second quarter last year. On a year to date basis, revenue was \$152.9 million compared to \$131.7 million last year, an increase of 16.1%. The revenue increase primarily reflects incremental revenue contributions from acquisitions and the favorable impact of foreign exchange compared to last year. Hosted and maintenance services revenue was \$38.3 million in the quarter, an increase of 13.7% over the same period last year.

Adjusted EBITDA for the quarter was \$19.3 million (\$0.71 per diluted share) compared to \$16.2 million (\$0.60 per diluted share) in last year's second quarter. Adjusted EBITDA for the year to date was \$38.4 million (\$1.41 per diluted share) compared to \$32.4 million (\$1.20 per diluted share) last year, an increase of 18.4%.

Net income for the quarter was \$8.5 million (\$0.31 per diluted share) compared to the prior year's second quarter net income of \$7.6 million (\$0.28 per diluted share). Results from operating activities for the quarter were \$18.1 million compared to \$15.5 million in the prior year's second quarter, an increase of 16.9% over the prior year.

Operating expenses before special charges related to restructuring of acquired operations were \$35.2 million compared to \$31.0 million in the prior year's second quarter and reflect incremental operating costs related to acquisitions. Non-cash amortization charges in the quarter were \$7.0 million compared to \$5.7 million in the prior year's second quarter and include amortization charges for acquired software and customer relationships from acquired operations. Operating expenses in the quarter also include \$11.5 million, or 14.6% of revenue in research and development related expenses compared to \$10.8 million or 15.7% in prior year's second quarter.

Enghouse generated cash flows from operations of \$20.7 million in the quarter and closed the quarter with \$85.1 million in cash, cash equivalents and short-term investments, compared to \$98.4 million at October 31, 2015. The cash balance was achieved after year-to-date payments comprised of \$26.0 million (net of cash acquired) for CTI Group (Holdings) Inc. acquired on December 7, 2015, \$3.3 million (net of cash acquired and holdbacks) for CellVision AS acquired on March 4, 2016, \$3.4 million for prior period acquisitions and \$6.4 million in dividends paid. The Company continues to have no debt.

The Board of Directors has approved an eligible quarterly dividend of \$0.14 per common share, payable on August 31, 2016 to shareholders of record at the close of business on August 17, 2016.

Subsequent to quarter end, Enghouse acquired the assets of NetBoss Technologies, Inc. ("NetBoss") for a purchase price of approximately \$9.3 million subject to certain price adjustments. Headquartered in Sebastian, Florida, NetBoss provides an integrated Service Assurance platform encompassing fault and performance management, service correlation and customer analytics and will be integrated into the Asset Management Group. Enghouse remains committed to its acquisition strategy and continues to see accretive acquisitions.

A conference call to discuss the results will be held on Friday June 10, 2016 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 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 results from operating activities adjusted for depreciation of property, plant and equipment, 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 the most directly comparable IFRS measure, Results from operating activities:

	Three Months ended		Six Months ended	
	April 30, 2016	April 30, 2015	April 30, 2016	April 30, 2015
Total Revenue	\$ 78,537	\$ 68,701	\$ 152,907	\$ 131,720
Results from operating activities	18,116	15,500	35,959	31,075
Depreciation of property, plant and equipment	791	682	1,617	1,274
Special charges	412	55	819	79
Adjusted EBITDA	\$ 19,319	\$ 16,237	\$ 38,395	\$ 32,428
Adjusted EBITDA margin	24.6%	23.6%	25.1%	24.6%
Adjusted EBITDA per diluted share	\$ 0.71	\$ 0.60	\$ 1.41	\$ 1.20

Enghouse Systems Limited

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

(Unaudited)

	April 30, 2016	October 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 80,128	\$ 94,131
Short-term investments	5,011	4,306
Accounts receivable, net	76,392	60,765
Prepaid expenses and other assets	9,446	8,330
	170,977	167,532
Non-current assets		
Property, plant and equipment	6,052	5,039
Intangible assets	75,982	68,976
Goodwill	134,748	123,868
Deferred income tax assets	7,413	10,600
	170,977	167,532
Total assets	\$ 395,172	\$ 376,015
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 49,268	\$ 51,284
Income taxes payable	1,769	2,680
Dividends payable	3,754	3,190
Provisions	4,179	3,335
Deferred revenue	60,516	48,694
	119,486	109,183
Non-current liabilities		
Deferred income tax liabilities	22,563	20,022
Deferred revenue	6,319	3,458
	148,368	132,663
Total liabilities	148,368	132,663
Shareholders' Equity		
Share capital	67,301	64,203
Contributed surplus	4,015	4,029
Retained earnings	164,876	154,866
Accumulated other comprehensive income	10,612	20,254
Total shareholders' equity	246,804	243,352
Total liabilities and shareholders' equity	\$ 395,172	\$ 376,015

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	
	2016	2015	2016	2015
Revenue				
Software licenses	\$ 24,444	\$ 21,084	\$ 45,214	\$ 40,696
Hosted and maintenance services	38,300	33,687	76,106	65,946
Professional services	14,482	12,412	28,917	21,333
Hardware	1,311	1,518	2,670	3,745
	78,537	68,701	152,907	131,720
Direct costs				
Software licenses	1,203	1,966	2,360	3,643
Services	22,698	19,131	44,488	35,915
Hardware	925	1,082	1,730	2,415
	24,826	22,179	48,578	41,973
Revenue, net of direct costs	53,711	46,522	104,329	89,747
Operating expenses				
Selling, general and administrative	22,915	19,493	43,056	36,637
Research and development	11,477	10,792	22,878	20,682
Depreciation of property, plant and equipment	791	682	1,617	1,274
Special charges	412	55	819	79
	35,595	31,022	68,370	58,672
Results from operating activities	18,116	15,500	35,959	31,075
Litigation settlements	-	-	-	(8,774)
Amortization of acquired software and customer relationships	(7,008)	(5,734)	(13,848)	(11,088)
Finance income	21	51	54	164
Finance expenses	(87)	(170)	(168)	(287)
Other income	22	58	55	75
	11,064	9,705	22,052	11,165
Income before income taxes	11,064	9,705	22,052	11,165
Provision for income taxes	2,544	2,137	5,071	1,058
Net income for the period	\$ 8,520	\$ 7,568	\$ 16,981	\$ 10,107
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences from foreign operations	(18,240)	(9,501)	(9,457)	(95)
Transfer to net income of realized gains on available for sale investments	-	(74)	(14)	(74)
Unrealized (loss) gain on available for sale investments	(60)	(6)	(199)	182
Deferred income tax recovery (expense)	8	11	28	(14)
	(18,292)	(9,570)	(9,642)	(1)
Other comprehensive (loss) income	(18,292)	(9,570)	(9,642)	(1)
Comprehensive (loss) income	\$ (9,772)	\$ (2,002)	\$ 7,339	\$ 10,106
Earnings per share				
Basic	\$ 0.32	\$ 0.29	\$ 0.63	\$ 0.39
Diluted	\$ 0.31	\$ 0.28	\$ 0.62	\$ 0.37

Enghouse Systems Limited

Consolidated 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, 2015	26,587,262	64,203	4,029	20,254	154,866	243,352
Net income	-	-	-	-	16,981	16,981
Other Comprehensive Income:						
Cumulative Translation Adjustment	-	-	-	(9,457)	-	(9,457)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(14)	-	(14)
Unrealized gain on available-for-sale investments	-	-	-	(199)	-	(199)
Deferred income tax recovery	-	-	-	28	-	28
Comprehensive income for the period	-	-	-	(9,642)	16,981	7,339
Employee share options:						
Value of services recognized	-	-	576	-	-	576
Proceeds on issuing shares	225,700	3,098	(590)	-	-	2,508
Dividends	-	-	-	-	(6,971)	(6,971)
Balance – April 30, 2016	26,812,962	67,301	4,015	10,612	164,876	246,804
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

Enghouse Systems Limited

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended April 30		Six months ended April 30	
	2016	2015	2016	2015
Cash flows from operating activities				
Net income	\$ 8,520	\$ 7,568	\$ 16,981	\$ 10,107
Adjustments for:				
Depreciation of property, plant and equipment	791	682	1,617	1,274
Amortization of acquired software and customer relationships	7,008	5,734	13,848	11,088
Stock-based compensation expense	251	317	576	622
Provision for income taxes	2,544	2,137	5,071	1,058
Finance expenses and other income	65	112	113	212
	19,179	16,550	38,206	24,361
Changes in non-cash operating working capital	4,122	(2,250)	(6,502)	9,556
Income tax paid	(2,608)	(2,093)	(4,105)	(4,068)
Net cash flows from operating activities	20,693	12,207	27,599	29,849
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(1,001)	(395)	(2,319)	(1,457)
Purchase of other software	(485)	-	(619)	-
Acquisitions, net of cash acquired of \$2,202 (\$4,015 - 2015)	(3,334)	(19,818)	(29,353)	(19,818)
Purchase consideration for prior period acquisitions	(2,753)	(271)	(3,443)	(683)
Net sale of short-term investments	350	4,422	(695)	2,347
Net cash flows used in investing activities	(7,223)	(16,062)	(36,429)	(19,611)
Cash flows from financing activities				
Issuance of share capital	11	673	2,508	938
Payment of cash dividend	(3,218)	(2,621)	(6,408)	(5,237)
Net cash flows used in financing activities	(3,207)	(1,948)	(3,900)	(4,299)
Effect of currency translation adjustments on cash and cash equivalents	(4,449)	(2,625)	(1,273)	(256)
Net (decrease) increase in cash and cash equivalents during the period	5,814	(8,428)	(14,003)	5,683
Cash and cash equivalents- beginning of period	74,314	86,891	94,131	72,780
Cash and cash equivalents - end of period	\$ 80,128	\$ 78,463	\$ 80,128	\$ 78,463

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	
	2016	2015	2016	2015
Revenue:				
Asset Management Group	\$ 29,849	\$ 23,820	\$ 55,607	\$ 43,087
Interactive Management Group	48,688	44,881	97,300	88,633
Total	\$ 78,537	\$ 68,701	\$ 152,907	\$ 131,720
Asset Management Group:				
- Segment profit before special charges	\$ 7,321	\$ 5,467	\$ 13,228	\$ 10,527
- Special charges	(288)	-	(513)	-
Asset Management Group profit	\$ 7,033	\$ 5,467	\$ 12,715	\$ 10,527
Interactive Management Group:				
- Segment profit before special charges	\$ 12,906	\$ 11,535	\$ 27,629	\$ 23,857
- Special charges	(124)	(55)	(306)	(79)
Interactive Management Group profit	\$ 12,782	\$ 11,480	\$ 27,323	\$ 23,778
Corporate expenses	(1,699)	(1,447)	(4,079)	(3,230)
Results from operating activities	\$ 18,116	\$ 15,500	\$ 35,959	\$ 31,075
Amortization of acquired software and customer relationships	(7,008)	(5,734)	(13,848)	(8,774)
Litigation settlements	-	-	-	(11,088)
Finance income	21	51	54	164
Finance expenses	(87)	(170)	(168)	(287)
Other income	22	58	55	75
Income before income taxes	\$ 11,064	\$ 9,705	\$ 22,052	\$ 11,165

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