



Enghouse Releases Second Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – June 7, 2018 – Enghouse Systems Limited (TSX:ENGH) today announced its second quarter (unaudited) financial results for the period ended April 30, 2018.

Second quarter revenue increased to \$85.2 million, compared to revenue of \$79.5 million in the second quarter of the prior year. Income from operating activities was \$24.7 million compared to \$21.9 million in the prior year's second quarter, a 12.8% increase. Net income for the quarter was \$15.3 million, or \$0.56 per diluted share, compared to \$9.0 million, or \$0.33 per diluted share, in the prior year's second quarter, an increase of 70%.

Adjusted EBITDA for the second quarter was \$25.4 million, or \$0.93 per diluted share, compared to \$22.8 million, or \$0.84 per diluted share, last year, with the increase primarily being attributable to contributions from acquisitions.

On a year-to-date basis, revenue was \$170.3 million, compared to revenue of \$158.4 million in the prior year. Income from operating activities was \$49.2 million compared to \$44.0 million in the prior year-to-date, an increase of 11.8%.

Operating expenses before special charges related to restructuring of acquired operations were \$34.4 million compared to \$32.6 million in the prior year's second quarter and include incremental operating costs related to acquisitions. Non-cash amortization charges in the quarter were \$7.4 million compared to \$7.5 million in the prior year's second quarter and include amortization charges for acquired software and customer relationships from acquired operations. On a year-to-date basis, operating expenses before special charges were \$68.2 million, or 40.0% of revenue, compared to \$63.9 million, or 40.3% of revenue last year.

The Company generated strong cash flows from operating activities of \$21.8 million compared to \$18.4 million in the second quarter of 2017. On a year-to-date basis, cash flows from operating activities were \$44.9 million compared to \$29.0 million in the prior year, an increase of 54.8%. As a result, Enghouse closed the quarter with \$155.3 million in cash, cash equivalents and short-term investments, compared to \$130.3 million at October 31, 2017. The cash balance was achieved after year-to-date payments of \$8.6 million in cash dividends, \$9.7 million (net of cash acquired) for acquisitions concluded in the current fiscal year, and \$5.1 million for acquisitions closed in prior periods.

Today, the Board of Directors approved the Company's quarterly dividend of \$0.18 per common share, payable on August 31, 2018 to shareholders of record at the close of business on August 17, 2018.

A conference call to discuss the results will be held on Friday, June 8, 2018 at 8:45 a.m. EST. To participate, please call +1-416-640-5947 or North American Toll-Free +1-888-504-7961. 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		Six Months ended	
	April 30, 2018	April 30, 2017	April 30, 2018	April 30, 2017
Total Revenue	\$ 85,205	\$ 79,543	\$ 170,280	\$ 158,383
Results from operating activities	24,665	21,861	49,177	43,975
Depreciation of property, plant and equipment	659	595	1,329	1,209
Special charges	52	383	181	481
Adjusted EBITDA	\$ 25,376	\$ 22,839	\$ 50,687	\$ 45,665
Adjusted EBITDA margin	29.8%	28.7%	29.8%	28.8%
Adjusted EBITDA per diluted share	\$ 0.93	\$ 0.84	\$ 1.86	\$ 1.68

Enghouse Systems Limited

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

(Unaudited)

	April 30, 2018	October 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 145,615	\$ 120,608
Short-term investments	9,704	9,737
Accounts receivable, net	78,009	71,894
Prepaid expenses and other assets	9,824	8,528
	243,152	210,767
Non-current assets:		
Long-term deposits and accounts receivable, net	1,249	1,002
Property, plant and equipment	5,175	5,322
Intangible assets	74,639	79,714
Goodwill	157,685	150,687
Deferred income tax assets	6,070	14,345
	164,818	150,668
Total assets	\$ 487,970	\$ 461,837
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 46,838	\$ 54,656
Income taxes payable	1,509	6,018
Dividends payable	4,880	4,319
Provisions	357	1,521
Deferred revenue	71,240	59,104
Current portion of long-term loans	533	468
	125,357	126,086
Non-current liabilities:		
Non-current portion of income taxes payable	9,026	-
Deferred income tax liabilities	16,306	21,449
Deferred revenue	5,189	3,337
Net employee defined benefit obligation	2,424	2,328
Long-term loans	1,822	2,238
	24,767	27,112
Total liabilities	160,124	155,438
Shareholders' Equity		
Share capital	74,009	71,422
Contributed surplus	5,191	4,715
Retained earnings	234,703	221,775
Accumulated other comprehensive income	13,943	8,487
Total shareholders' equity	327,846	306,399
Total liabilities and shareholders' equity	\$ 487,970	\$ 461,837

Enghouse Systems Limited

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	
	2018	2017	2018	2017
Revenue				
Software licenses	\$ 24,703	\$ 23,781	\$ 50,511	\$ 47,989
Hosted and maintenance services	43,940	39,910	86,536	79,076
Professional services	14,472	14,852	28,849	28,820
Hardware	2,090	1,000	4,384	2,498
	85,205	79,543	170,280	158,383
Direct costs				
Software licenses	1,692	1,453	3,727	3,562
Services	23,161	22,606	46,345	44,849
Hardware	1,244	625	2,669	1,626
	26,097	24,684	52,741	50,037
Revenue, net of direct costs	59,108	54,859	117,539	108,346
Operating expenses				
Selling, general and administrative	21,119	20,949	42,548	40,774
Research and development	12,613	11,071	24,304	21,907
Depreciation of property, plant and equipment	659	595	1,329	1,209
Special charges	52	383	181	481
	34,443	32,998	68,362	64,371
Results from operating activities	24,665	21,861	49,177	43,975
Amortization of acquired software and customer relationships	(7,356)	(7,511)	(14,518)	(14,968)
Foreign exchange gains and (losses)	1,407	(2,463)	(1,124)	(2,221)
Finance income	66	60	188	99
Finance expenses	(24)	(57)	(84)	(72)
Other income (expense)	694	(19)	1,436	151
Income before income taxes	19,452	11,871	35,075	26,964
Provision for income taxes	4,134	2,844	12,944	6,204
Net income for the period	\$ 15,318	\$ 9,027	\$ 22,131	\$ 20,760
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation gain from foreign operations	4,052	14,667	5,516	7,978
Unrealized loss on available for sale investments	(393)	(2,352)	(69)	(2,445)
Deferred income tax recovery	52	312	9	324
Other comprehensive income	3,711	12,627	5,456	5,857
Comprehensive income	\$ 19,029	\$ 21,654	\$ 27,587	\$ 26,617
Earnings per share				
Basic	\$ 0.57	\$ 0.34	\$ 0.82	\$ 0.77
Diluted	\$ 0.56	\$ 0.33	\$ 0.81	\$ 0.76

Enghouse Systems Limited

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

(Unaudited)

	Share Capital -number	Share capital \$	Contributed surplus \$	Retained earnings \$	Accumulated other comprehen- sive income (loss) \$	Total \$
Balance – November 1, 2017	26,993,212	71,422	4,715	221,775	8,487	306,399
Net income	-	-	-	22,131	-	22,131
Other comprehensive income (net of tax):						
Cumulative translation adjustment	-	-	-	-	5,516	5,516
Unrealized loss on available-for-sale investments	-	-	-	-	(69)	(69)
Deferred income tax recovery	-	-	-	-	9	9
Comprehensive income for the period	-	-	-	22,131	5,456	27,587
Employee share options:						
Value of services recognized	-	-	935	-	-	935
Proceeds on issuing shares	117,400	2,587	(459)	-	-	2,128
Dividends	-	-	-	(9,203)	-	(9,203)
Balance – April 30, 2018	27,110,612	74,009	5,191	234,703	13,943	327,846
Balance – November 1, 2016	26,906,962	69,555	3,875	187,649	7,469	268,548
Net income	-	-	-	20,760	-	20,760
Other comprehensive income (net of tax):						
Cumulative translation adjustment	-	-	-	-	7,978	7,978
Unrealized loss on available-for-sale investments	-	-	-	-	(2,445)	(2,445)
Deferred income tax recovery	-	-	-	-	324	324
Comprehensive income for the period	-	-	-	20,760	5,857	26,617
Employee share options:						
Value of services recognized	-	-	544	-	-	544
Proceeds on issuing shares	45,500	716	(147)	-	-	569
Dividends	-	-	-	(8,083)	-	(8,083)
Balance – April 30, 2017	26,952,462	70,271	4,272	200,326	13,326	288,195

Enghouse Systems Limited

Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

(Unaudited)

	Three months ended		Six months ended	
	April 30		April 30	
	2018	2017	2018	2017
Cash flows from operating activities				
Net income	\$ 15,318	\$ 9,027	\$ 22,131	\$ 20,760
Adjustments for:				
Depreciation of property, plant and equipment	659	595	1,329	1,209
Amortization of acquired software and customer relationships	7,356	7,511	14,518	14,968
Stock-based compensation expense	536	356	935	544
Provision for income taxes	4,134	2,844	12,944	6,204
Finance expenses and other income	(670)	76	(1,352)	(79)
	27,333	20,409	50,505	43,606
Changes in non-cash operating working capital	(2,346)	1,041	567	(6,885)
Income taxes paid	(3,145)	(3,090)	(6,125)	(7,686)
Net cash flows from operating activities	21,842	18,360	44,947	29,035
Cash flows from investing activities				
Purchase of property, plant and equipment, net	(331)	(354)	(931)	(919)
Purchase of other software	-	(731)	-	(1,220)
Acquisitions, net of cash acquired of \$1,235 (2017 - \$3,637)	(6,684)	(16,170)	(9,675)	(16,170)
Purchase consideration for prior period acquisitions	(3,153)	(51)	(5,079)	(444)
Net (purchase) sale of short-term investments	(253)	(722)	732	(1,330)
Net cash flows used in investing activities	(10,421)	(18,028)	(14,953)	(20,083)
Cash flows from financing activities				
Issuance of share capital	1,384	205	2,128	569
Repayment of loans	(33)	-	(401)	(1,667)
Payment of cash dividend	(4,324)	(3,771)	(8,643)	(7,538)
Net cash flows used in financing activities	(2,973)	(3,566)	(6,916)	(8,636)
Effect of currency translation adjustments on cash and cash equivalents	1,231	3,494	1,929	2,152
Net increase in cash and cash equivalents during the period	9,679	260	25,007	2,468
Cash and cash equivalents - beginning of period	135,936	80,644	120,608	78,436
Cash and cash equivalents - end of period	\$ 145,615	\$ 80,904	\$ 145,615	\$ 80,904

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	
	2018	2017	2018	2017
Revenue:				
Asset Management Group	\$ 37,651	\$ 32,466	\$ 74,331	\$ 63,752
Interactive Management Group	47,554	47,077	95,949	94,631
Total	\$ 85,205	\$ 79,543	\$ 170,280	\$ 158,383
Asset Management Group:				
- Segment profit before special charges	\$ 13,015	\$ 9,680	\$ 24,557	\$ 18,016
- Special charges	(52)	(440)	(181)	(344)
Asset Management Group profit	\$ 12,963	\$ 9,240	\$ 24,376	\$ 17,672
Interactive Management Group:				
- Segment profit before special charges	\$ 14,600	\$ 14,218	\$ 30,197	\$ 29,841
- Special charges	-	57	-	(137)
Interactive Management Group profit	\$ 14,600	\$ 14,275	\$ 30,197	\$ 29,704
Corporate expenses	(2,898)	(1,654)	(5,396)	(3,401)
Results from operating activities	\$ 24,665	\$ 21,861	\$ 49,177	\$ 43,975
Amortization of acquired software and customer relationships	(7,356)	(7,511)	(14,518)	(14,968)
Foreign exchange gains and (losses)	1,407	(2,463)	(1,124)	(2,221)
Finance income	66	60	188	99
Finance expenses	(24)	(57)	(84)	(72)
Other income (expense)	694	(19)	1,436	151
Income before income taxes	\$ 19,452	\$ 11,871	\$ 35,075	\$ 26,964

For further information please contact:

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