



**Enghouse Systems**

Software engineered for results

**NEWS**

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## **Enghouse Releases Fourth Quarter and Year End Results, Completing Another Strong Year**

FOR IMMEDIATE RELEASE

**Markham, Ontario – December 14, 2017 – Enghouse Systems Limited (TSX:ENGH)** today announced its fourth quarter (unaudited) and year-end financial results for the period ended October 31, 2017.

Revenue increased to \$325.4 million for the fiscal year, compared to revenue of \$308.0 million in the previous fiscal year, resulting in another record year for the Company. Revenue includes \$165.8 million from hosted and maintenance services, an increase of 7.4%. For the fiscal year, foreign exchange negatively impacted revenue by approximately \$9.5 million compared to the prior year.

Operating expenses were \$137.6 million for the fiscal year compared to \$129.5 million in the prior fiscal year as a result of incremental costs related to acquired operations. Results from operating activities were \$87.4 million compared to \$81.7 million last year, an increase of 7.0%. The stronger Canadian dollar combined with the impact of revaluation of foreign currency denominated balance sheet positions negatively impacted results from operating activities by \$15.7 million compared to the prior year.

Net income for the fiscal year was \$50.8 million or \$1.87 per diluted share compared to \$47.3 million or \$1.74 per diluted share in the prior year. Adjusted EBITDA for the fiscal year was \$90.8 million or \$3.33 per diluted share compared to \$86.4 million or \$3.18 per diluted share last year, an increase of 5.0%.

Fourth quarter revenue was \$84.2 million, an increase of 7.0% over revenue of \$78.7 million in the fourth quarter last year. Revenue in the quarter reflects incremental contributions from acquisitions, mitigated by the unfavourable impact of foreign exchange of approximately \$1.3 million.

Operating expenses were \$35.1 million compared to \$29.4 million in the prior year's fourth quarter, and include incremental operating costs related to acquisitions. Non-cash amortization charges related to acquired software and customer relationships in the quarter were \$7.0 million compared to \$7.2 million in the prior year's fourth quarter. Results from operating activities for the quarter were \$23.8 million compared to \$25.3 million in the prior year's fourth quarter. On a net basis, foreign exchange for the current quarter, measured on the same basis as noted above, negatively impacted results from operating activities by \$4.7 million compared to the prior year's fourth quarter.

Net income before tax for the quarter was \$19.9 million compared to \$18.9 million in the prior year's fourth quarter. Income tax expense was \$1.0 million in the current quarter versus an income tax recovery of \$1.1 million recorded in the comparative quarter last year. As a result, net income for the quarter was \$18.9 million or \$0.69 per diluted share, compared to the prior year's fourth quarter net income of \$19.9 million, or \$0.73 per diluted share. Adjusted EBITDA for the quarter was \$24.8 million or \$0.91 per diluted share compared to \$26.6 million or \$0.98 per diluted share in last year's fourth quarter.

Enghouse generated cash flows from operations of \$29.1 million in the quarter compared to \$15.8 million in the prior year's fourth quarter, which was attributable to operating results and strong cash collections. Cash flows generated from operations for the fiscal year were \$83.2 million compared to \$59.7 million in the prior fiscal year, an increase of 39.4%. Enghouse closed the year with a record \$130.3 million in cash, cash equivalents and short-term investments, compared to \$85.9 million at October 31, 2016. The cash balance was achieved after payment of \$21.3 million for acquisitions (net of cash acquired), \$16.2 million for dividends and includes \$2.2 million received from the sale of an equity investment at year end.

Today, the Board of Directors approved an eligible quarterly dividend of \$0.16 per common share, payable on February 28, 2018 to shareholders of record at the close of business on February 14, 2018.

A conference call to discuss the results will be held on Friday December 15, 2017 at 8:45 a.m. EST. To participate, please call 416-640-5946 or North American Toll-Free 1-866-233-4606. 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](http://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		Year ended	
	October 31, 2017	October 31, 2016	October 31, 2017	October 31, 2016
<b>Total Revenue</b>	<b>\$ 84,229</b>	<b>\$ 78,726</b>	<b>\$ 325,368</b>	<b>\$ 307,983</b>
<b>Results from operating activities</b>	<b>\$ 23,803</b>	<b>\$ 25,284</b>	<b>\$ 87,373</b>	<b>\$ 81,666</b>
Depreciation of property, plant and equipment	609	991	2,437	3,438
Special charges	370	360	984	1,330
<b>Adjusted EBITDA</b>	<b>\$ 24,782</b>	<b>\$ 26,635</b>	<b>\$ 90,794</b>	<b>\$ 86,434</b>
<b>Adjusted EBITDA margin</b>	<b>29.4%</b>	<b>33.8%</b>	<b>27.9%</b>	<b>28.1%</b>
<b>Adjusted EBITDA per diluted share</b>	<b>\$ 0.91</b>	<b>\$ 0.98</b>	<b>\$ 3.33</b>	<b>\$ 3.18</b>

# Enghouse Systems Limited

## Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	As at October 31, 2017	As At October 31, 2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 120,608	\$ 78,436
Short-term investments	9,737	7,423
Accounts receivable, net	71,894	73,588
Prepaid expenses and other assets	8,528	9,720
	<b>210,767</b>	<b>169,167</b>
<b>Non-current assets:</b>		
Long-term deposits and accounts receivable, net	1,002	1,357
Property, plant and equipment	5,322	5,696
Intangible assets	79,714	86,632
Goodwill	150,687	144,578
Deferred income tax assets	14,345	11,765
	<b>261,068</b>	<b>261,028</b>
<b>Total assets</b>	<b>\$ 461,837</b>	<b>\$ 419,195</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 54,656	\$ 55,440
Income taxes payable	6,018	5,139
Dividends payable	4,319	3,767
Provisions	1,521	2,111
Deferred revenue	59,104	54,300
Current portion of long-term loans	468	-
	<b>126,086</b>	<b>120,757</b>
<b>Non-current liabilities:</b>		
Deferred income tax liabilities	21,449	21,053
Deferred revenue	3,337	4,788
Net employee defined benefit obligation	2,328	-
Long-term loans	2,238	4,049
	<b>29,352</b>	<b>30,890</b>
<b>Total liabilities</b>	<b>155,438</b>	<b>150,647</b>
<b>Shareholders' Equity</b>		
Share capital	71,422	69,555
Contributed surplus	4,715	3,875
Retained earnings	221,775	187,649
Accumulated other comprehensive income	8,487	7,469
<b>Total shareholders' equity</b>	<b>306,399</b>	<b>268,548</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 461,837</b>	<b>\$ 419,195</b>

# Enghouse Systems Limited

## Consolidated Interim Statements of Operations and Comprehensive Income

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

	Three months ended October 31		Year ended October 31	
	2017 (Unaudited)	2016 (Unaudited)	2017	2016
<b>Revenue</b>				
Software licenses	\$ 24,746	\$ 24,261	\$ 97,215	\$ 93,411
Hosted and maintenance services	43,315	38,383	165,802	152,368
Professional services	14,193	15,415	55,992	57,842
Hardware	1,975	667	6,359	4,362
	<b>84,229</b>	<b>78,726</b>	<b>325,368</b>	<b>307,983</b>
<b>Direct costs</b>				
Software licenses	1,597	1,399	6,908	5,477
Services	22,458	21,813	89,518	88,210
Hardware	1,268	847	3,921	3,180
	<b>25,323</b>	<b>24,059</b>	<b>100,347</b>	<b>96,867</b>
<b>Revenue, net of direct costs</b>	<b>58,906</b>	<b>54,667</b>	<b>225,021</b>	<b>211,116</b>
<b>Operating expenses</b>				
Selling, general and administrative	22,991	17,618	89,662	79,965
Research and development	11,133	10,414	44,565	44,717
Depreciation of property, plant and equipment	609	991	2,437	3,438
Special charges	370	360	984	1,330
	<b>35,103</b>	<b>29,383</b>	<b>137,648</b>	<b>129,450</b>
<b>Results from operating activities</b>	<b>23,803</b>	<b>25,284</b>	<b>87,373</b>	<b>81,666</b>
Amortization of acquired software and customer relationships	(7,040)	(7,185)	(29,405)	(28,042)
Finance income	121	50	252	123
Finance expenses	(48)	(22)	(185)	(78)
Other income	3,085	733	3,186	797
	<b>19,921</b>	<b>18,860</b>	<b>61,221</b>	<b>54,466</b>
<b>Income before income taxes</b>	<b>19,921</b>	<b>18,860</b>	<b>61,221</b>	<b>54,466</b>
(Recovery of) provision for income taxes				
Current income tax expense	7,630	5,088	16,809	14,033
Deferred income tax recovery	(6,609)	(6,140)	(6,430)	(6,843)
	<b>1,021</b>	<b>(1,052)</b>	<b>10,379</b>	<b>7,190</b>
<b>Net income for the period</b>	<b>\$ 18,900</b>	<b>\$ 19,912</b>	<b>\$ 50,842</b>	<b>\$ 47,276</b>
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation differences from foreign operations	5,464	(2,102)	1,345	(12,737)
Transfer to net income of realized gains on available for sale investments	-	-	-	(14)
Unrealized gain (loss) on available for sale investments	2,064	766	(376)	(42)
Deferred income tax (expense) recovery	(274)	(101)	49	8
	<b>7,254</b>	<b>(1,437)</b>	<b>1,018</b>	<b>(12,785)</b>
<b>Other comprehensive (loss) income</b>	<b>7,254</b>	<b>(1,437)</b>	<b>1,018</b>	<b>(12,785)</b>
<b>Comprehensive income</b>	<b>\$ 26,154</b>	<b>\$ 18,475</b>	<b>\$ 51,860</b>	<b>\$ 34,491</b>
<b>Earnings per share</b>				
Basic	\$ 0.70	\$ 0.74	\$ 1.89	\$ 1.76
Diluted	\$ 0.69	\$ 0.73	\$ 1.87	\$ 1.74

# 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 \$
<b>Balance – November 1, 2016</b>	<b>26,906,962</b>	<b>69,555</b>	<b>3,875</b>	<b>7,469</b>	<b>187,649</b>	<b>268,548</b>
Net income	-	-	-	-	50,842	50,842
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	1,345	-	1,345
Transfer to net income of realized gains on available-for-sale investments	-	-	-	-	-	-
Unrealized losses on available-for-sale investments	-	-	-	(376)	-	(376)
Deferred income tax recovery	-	-	-	49	-	49
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,487</b>	<b>238,491</b>	<b>320,408</b>
Employee share options:						
Value of services recognized	-	-	1,148	-	-	1,148
Proceeds on issuing shares	86,250	1,867	(308)	-	-	1,559
Dividends	-	-	-	-	(16,716)	(16,716)
<b>Balance – October 31, 2017</b>	<b>26,993,212</b>	<b>71,422</b>	<b>4,715</b>	<b>8,487</b>	<b>221,775</b>	<b>306,399</b>
<b>Balance – November 1, 2015</b>	<b>26,587,262</b>	<b>64,203</b>	<b>4,029</b>	<b>20,254</b>	<b>154,866</b>	<b>243,352</b>
Net income	-	-	-	-	47,276	47,276
Other Comprehensive Income (net of tax):						
Cumulative Translation Adjustment	-	-	-	(12,737)	-	(12,737)
Transfer to net income of realized gains on available-for-sale investments	-	-	-	(14)	-	(14)
Unrealized losses on available-for-sale investments	-	-	-	(42)	-	(42)
Deferred income tax recovery	-	-	-	8	-	8
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,785)</b>	<b>47,276</b>	<b>34,491</b>
Employee share options:						
Value of services recognized	-	-	892	-	-	892
Proceeds on issuing shares	319,700	5,352	(1,046)	-	-	4,306
Dividends	-	-	-	-	(14,493)	(14,493)
<b>Balance – October 31, 2016</b>	<b>26,906,962</b>	<b>69,555</b>	<b>3,875</b>	<b>7,469</b>	<b>187,649</b>	<b>268,548</b>

# Enghouse Systems Limited

## Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Three months ended October 31		Year ended October 31	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)		
<b>Cash flows from operating activities</b>				
Net income	\$ 18,900	\$ 19,912	\$ 50,842	\$ 47,276
<b>Adjustments for:</b>				
Depreciation of property, plant and equipment	609	991	2,437	3,438
Amortization of acquired software and customer relationships	7,040	7,185	29,405	28,042
Stock-based compensation expense	339	144	1,148	892
Income tax expense (recovery)	1,021	(711)	10,379	7,190
Finance expenses and other income	(3,037)	(597)	(3,001)	(719)
	<b>24,872</b>	<b>26,469</b>	<b>91,210</b>	<b>86,119</b>
Changes in non-cash operating working capital	7,064	(6,638)	4,774	(16,237)
Income tax paid	(2,838)	(4,047)	(12,742)	(10,148)
<b>Net cash flows from operating activities</b>	<b>29,098</b>	<b>15,785</b>	<b>83,242</b>	<b>59,735</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, net	(664)	(769)	(1,689)	(3,372)
Purchase of other software	-	(559)	(1,475)	(1,764)
Acquisitions, net of cash acquired of \$3,876 (\$5,230 - 2016)	(2,520)	(15,083)	(18,690)	(51,264)
Purchase consideration for prior period acquisitions	(1,596)	(387)	(2,619)	(4,476)
Proceeds from sale of equity investment	2,188	-	2,188	-
Net proceeds from sale of short-term investments	(1,344)	(2,360)	(2,870)	(2,880)
<b>Net cash flows used in investing activities</b>	<b>(3,936)</b>	<b>(19,158)</b>	<b>(25,155)</b>	<b>(63,756)</b>
<b>Cash flows from financing activities</b>				
Issuance of share capital	746	1,624	1,559	4,306
Repayment of loans	-	-	(1,667)	-
Payment of cash dividend	(4,314)	(3,755)	(16,164)	(13,917)
<b>Net cash flows used in financing activities</b>	<b>(3,568)</b>	<b>(2,131)</b>	<b>(16,272)</b>	<b>(9,611)</b>
Effect of currency translation adjustments on cash and cash equivalents	1,776	(1,574)	357	(2,063)
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>23,370</b>	<b>(7,078)</b>	<b>42,172</b>	<b>(15,695)</b>
Cash and cash equivalents - beginning of period	97,238	85,514	78,436	94,131
<b>Cash and cash equivalents - end of period</b>	<b>\$ 120,608</b>	<b>\$ 78,436</b>	<b>\$ 120,608</b>	<b>\$ 78,436</b>

# Enghouse Systems Limited

## Selected Segment Reporting Information

(In thousands of Canadian dollars)  
(Unaudited)

	For the three months ended October 31		Year ended October 31	
	2017	2016	2017	2016
<b>Revenue:</b>				
Asset Management Group	\$ 34,999	\$ 30,450	\$ 134,700	\$ 115,766
Interactive Management Group	49,230	48,276	190,668	192,217
<b>Total</b>	<b>\$ 84,229</b>	<b>\$ 78,726</b>	<b>\$ 325,368</b>	<b>\$ 307,983</b>
Asset Management Group:				
- Segment profit before special charges	\$ 10,760	\$ 9,853	\$ 38,499	\$ 31,378
- Special charges	(336)	(186)	(813)	(804)
Asset Management Group profit	<b>\$ 10,424</b>	<b>\$ 9,667</b>	<b>\$ 37,686</b>	<b>\$ 30,574</b>
Interactive Management Group:				
- Segment profit before special charges	\$ 16,593	\$ 18,718	\$ 58,572	\$ 60,895
- Special charges	(34)	(174)	(171)	(526)
Interactive Management Group profit	<b>\$ 16,559</b>	<b>\$ 18,544</b>	<b>\$ 58,401</b>	<b>\$ 60,369</b>
Corporate expenses	(3,180)	(2,927)	(8,714)	(9,277)
<b>Results from operating activities</b>	<b>\$ 23,803</b>	<b>\$ 25,284</b>	<b>\$ 87,373</b>	<b>\$ 81,666</b>
Amortization of acquired software and customer relationships	(7,040)	(7,185)	(29,405)	(28,042)
Finance income	121	50	252	123
Finance expenses	(48)	(22)	(185)	(78)
Other income	3,085	733	3,186	797
<b>Income before income taxes</b>	<b>\$ 19,921</b>	<b>\$ 18,860</b>	<b>\$ 61,221</b>	<b>\$ 54,466</b>

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