



Enghouse Releases First Quarter Results

Markham, Ontario – March 11, 2021 – Enghouse Systems Limited (TSX:ENGH) today announced its first quarter (unaudited) financial results for the period ended January 31, 2021. All the financial information is in Canadian dollars unless otherwise indicated.

Key financial and operational highlights for the three months ended January 31, 2021 (compared to the same period in 2020) are as follows:

- Revenue grew 7.6% to \$119.1 million;
- Results from operating activities increased 32.0% to \$40.7 million;
- Net income increased 27.9% to \$20.6 million;
- Adjusted EBITDA increased 26.0% to \$44.5 million;
- Cash flows from operating activities excluding changes in working capital increased 18.6% to \$41.7 million, closing the quarter with \$230.4 million in cash, cash equivalents and short-term investments.

In the first quarter of 2021, hosted revenue increased 17.3% to \$19.3 million as a result of ongoing initiatives to transition new and existing customers to cloud-based service agreements, notably in Enghouse's cloud contact-center business. Meanwhile, seasonality that is typically experienced in the first quarter was further exacerbated as a result of COVID-19 related lock-downs. This delayed some professional services and hardware deployments that require in-person integration and customization.

Enghouse continues to realize cost savings from remote work arrangements and reduced expenditure on its physical footprint, as the pandemic persists, with most countries experiencing a second wave. The Company's adjusted EBITDA margins increased from 31.9% to 37.4% as Enghouse continues to realize efficiencies related to increased scale after quickly integrating acquisitions and reduced travel costs.

On December 30, 2020, Enghouse acquired 100% of the issued and outstanding common shares of Sociedade Alitude Software Sistemas e Serviços S.A. ("Alitude"). Headquartered in Lisbon, Portugal, Alitude provides omni-channel contact center solutions for small and large organizations, with a focus on the business process outsourcing market segment. Its modular software suite supports all media channels and has strong inbound and outbound capabilities for both on premise and hosted contact center activities.

The acquisition of Alitude extends our presence to Portugal and further expands our operations in Spain, Brazil and Mexico enabling us to capture additional opportunities within these markets. Efforts to onboard the Alitude team and align their processes with those of Enghouse were almost completed by the end of the first quarter.

Dividends:

As previously announced on December 17, 2020, the Board of Directors approved a special dividend of \$1.50 per common share, which was paid on February 16, 2021 to shareholders of record at the close of business on January 15, 2021.

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.16 per common share, an increase of 18% over the prior dividend, payable on May 31, 2021 to shareholders of record at the close of business on May 17, 2021. This represents the thirteenth consecutive year in which the company increased its dividend by over 10%.

With substantial cash balances, no debt, significant operating cash flow, low interest rates and the ability to access additional capital, as needed, we believe that we will continue to have sufficient funding available for operations and additional acquisitions.

Enhouse Systems Limited
Financial Highlights
(in thousands of Canadian dollars)

| For the period ended January 31 | Three months | | | |
|--|--------------|------------|----------|---------|
| | 2021 | 2020 | Var (\$) | Var (%) |
| Revenue | \$ 119,100 | \$ 110,656 | 8,444 | 7.6 |
| Direct costs | 31,508 | 32,477 | (969) | (3.0) |
| Revenue, net of direct costs | \$ 87,592 | \$ 78,179 | 9,413 | 12.0 |
| <i>As a % of revenue</i> | 73.5% | 70.7% | | |
| Operating expenses | 46,510 | 45,760 | 750 | 1.6 |
| Special charges | 383 | 1,576 | (1,193) | (75.7) |
| Results from operating activities | \$ 40,699 | \$ 30,843 | 9,856 | 32.0 |
| <i>As a % of revenue</i> | 34.2% | 27.9% | | |
| Amortization of acquired software and customer relationships | (10,774) | (10,080) | (694) | (6.9) |
| Foreign exchange gains (losses) | (3,110) | 347 | (3,457) | (996.3) |
| Interest expense – lease obligations | (329) | (262) | (67) | - |
| Finance income | 80 | 351 | (271) | (77.2) |
| Finance expenses | (81) | (18) | (63) | (350.0) |
| Other income | (324) | (414) | 90 | 21.7 |
| Income before income taxes | \$ 26,161 | \$ 20,767 | 5,394 | 26.0 |
| Provision for income taxes | 5,519 | 4,631 | 888 | 19.2 |
| Net Income for the period | \$ 20,642 | \$ 16,136 | 4,506 | 27.9 |
| Basic earnings per share | 0.37 | 0.29 | 0.08 | 27.6 |
| Diluted earnings per share | 0.37 | 0.29 | 0.08 | 27.6 |
| Operating cash flows | 20,545 | 19,933 | 612 | 3.1 |
| Operating cash flows excluding changes in working capital | 41,715 | 35,183 | 6,532 | 18.6 |
| Adjusted EBITDA | | | | |
| Results from operating activities | 40,699 | 30,843 | 9,856 | 32.0 |
| Depreciation | 735 | 887 | (152) | (17.1) |
| Depreciation of right-of-use assets | 2,703 | 2,023 | 680 | 33.6 |
| Special charges | 383 | 1,576 | (1,193) | (75.7) |
| Adjusted EBITDA | \$ 44,520 | \$ 35,329 | 9,191 | 26.0 |
| <i>Adjusted EBITDA margin</i> | 37.4% | 31.9% | | |
| Adjusted EBITDA per diluted share | \$ 0.80 | \$ 0.64 | 0.16 | 25.0 |

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(unaudited)

| | As at January 31, 2021 | As at October 31, 2020 |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 225,977 | \$ 244,792 |
| Short-term investments | 4,394 | 6,999 |
| Accounts receivable | 115,830 | 90,789 |
| Prepaid expenses and other assets | 16,478 | 14,772 |
| | 362,679 | 357,352 |
| Non-current assets: | | |
| Property and equipment | 6,754 | 6,301 |
| Right-of-use assets | 37,983 | 42,832 |
| Intangible assets | 136,887 | 123,616 |
| Goodwill | 229,569 | 217,426 |
| Deferred income tax assets | 19,221 | 16,119 |
| | 430,414 | 406,294 |
| | \$ 793,093 | \$ 763,646 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 83,633 | \$ 80,339 |
| Income taxes payable | 10,328 | 13,245 |
| Dividends payable | 90,502 | 7,472 |
| Provisions | 8,745 | 5,697 |
| Deferred revenue | 108,051 | 89,927 |
| Lease obligations | 8,537 | 9,914 |
| | 309,796 | 206,594 |
| Non-current liabilities: | | |
| Income taxes payable | 3,043 | 3,829 |
| Deferred income tax liabilities | 21,195 | 14,782 |
| Deferred revenue | 5,314 | 7,021 |
| Net employee defined benefit obligation | 2,859 | 2,855 |
| Lease obligations | 28,529 | 32,242 |
| | 60,940 | 60,729 |
| | 370,736 | 267,323 |
| Shareholders' equity | | |
| Share capital | 99,594 | 99,405 |
| Contributed surplus | 7,156 | 6,583 |
| Retained earnings | 309,518 | 379,378 |
| Accumulated other comprehensive income | 6,089 | 10,957 |
| | 422,357 | 496,323 |
| | \$ 793,093 | \$ 763,646 |

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

| Periods ended January 31 | Three months | |
|---|------------------|------------------|
| | 2021 | 2020 |
| Revenue | | |
| Software licenses | \$ 28,300 | \$ 28,400 |
| Hosted and maintenance services | 72,243 | 64,353 |
| Professional services | 15,829 | 15,183 |
| Hardware | 2,728 | 2,720 |
| | 119,100 | 110,656 |
| Direct costs | | |
| Software licenses | 1,201 | 2,450 |
| Services | 28,472 | 28,346 |
| Hardware | 1,835 | 1,681 |
| | 31,508 | 32,477 |
| Revenue, net of direct costs | 87,592 | 78,179 |
| Operating expenses | | |
| Selling, general and administrative | 22,951 | 24,682 |
| Research and development | 20,121 | 18,168 |
| Depreciation | 735 | 887 |
| Depreciation of right-of-use assets | 2,703 | 2,023 |
| Special charges | 383 | 1,576 |
| | 46,893 | 47,336 |
| Results from operating activities | 40,699 | 30,843 |
| Amortization of acquired software and customer relationships | (10,774) | (10,080) |
| Foreign exchange (losses) gains | (3,110) | 347 |
| Interest expense – lease obligations | (329) | (262) |
| Finance income | 80 | 351 |
| Finance expenses | (81) | (18) |
| Other expense | (324) | (414) |
| Income before income taxes | 26,161 | 20,767 |
| Provision for income taxes | 5,519 | 4,631 |
| Net income for the period | \$ 20,642 | \$ 16,136 |
| <u>Items that may be subsequently reclassified to income:</u> | | |
| Cumulative translation adjustment | (4,868) | 2,320 |
| Other comprehensive (loss) income | (4,868) | 2,320 |
| Comprehensive income | \$ 15,774 | \$ 18,456 |
| Earnings per share | | |
| Basic | \$ 0.37 | \$ 0.29 |
| Diluted | \$ 0.37 | \$ 0.29 |

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

| Periods ended January 31 | Three months | |
|--|-------------------|-------------------|
| | 2021 | 2020 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 20,642 | \$ 16,136 |
| Adjustments for non-cash items | | |
| Depreciation | 735 | 887 |
| Depreciation of right-of-use assets | 2,703 | 2,023 |
| Interest expense – lease obligations | 329 | 262 |
| Amortization of acquired software and customer relationships | 10,774 | 10,080 |
| Stock-based compensation expense | 608 | 732 |
| Provision for income taxes | 5,519 | 4,631 |
| Finance expenses and other (income) expenses | 405 | 432 |
| | 41,715 | 35,183 |
| Changes in non-cash operating working capital | (11,355) | (10,300) |
| Income taxes paid | (9,815) | (4,950) |
| Net cash provided by operating activities | 20,545 | 19,933 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (678) | (439) |
| Acquisitions, net of cash acquired* | (27,829) | (49,445) |
| Sale (purchase) of short-term investments | 2,546 | (7) |
| Net cash used in investing activities | (25,961) | (49,891) |
| FINANCING ACTIVITIES | | |
| Issuance of share capital | 154 | 4,784 |
| Repayment of loans | - | (62) |
| Repayment of lease obligations | (2,830) | (2,866) |
| Dividends paid | (7,472) | (6,021) |
| Net cash used in financing activities | (10,148) | (4,165) |
| Impact of foreign exchange on cash and cash equivalents | (3,251) | 810 |
| Decrease in cash and cash equivalents | (18,815) | (33,313) |
| Cash and cash equivalents - beginning of period | 244,792 | 144,764 |
| Cash and cash equivalents - end of period | \$ 225,977 | \$ 111,451 |

* Acquisitions are net of cash acquired of \$1,463 and \$6,906 for the three months ended January 31, 2021 and 2020, respectively.

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

| Three months ended January 31, 2021 | IMG | | AMG | | Total |
|--|-----|---------------|-----|---------------|------------------|
| Revenue | \$ | 70,303 | \$ | 48,797 | \$ 119,100 |
| Direct costs | | (15,457) | | (16,051) | (31,508) |
| Revenue, net of direct costs | | 54,846 | | 32,746 | 87,592 |
| Operating expenses excluding special charges | | (22,663) | | (12,125) | (34,788) |
| Depreciation of property and equipment | | (671) | | (64) | (735) |
| Depreciation of right-of-use assets | | (1,818) | | (885) | (2,703) |
| Segment profit | \$ | 29,694 | \$ | 19,672 | \$ 49,366 |
| Special charges | | | | | (383) |
| Corporate and shared service expenses | | | | | (8,284) |
| Results from operating activities | | | | \$ | 40,699 |

| Three months ended January 31, 2020 | IMG | | AMG | | Total |
|--|-----|---------------|-----|---------------|------------------|
| Revenue | \$ | 62,873 | \$ | 47,783 | \$ 110,656 |
| Direct costs | | (15,214) | | (17,263) | (32,477) |
| Revenue, net of direct costs | | 47,659 | | 30,520 | 78,179 |
| Operating expenses excluding special charges | | (21,219) | | (12,668) | (33,887) |
| Depreciation of property and equipment | | (455) | | (432) | (887) |
| Depreciation of right-of-use assets | | (1,058) | | (965) | (2,023) |
| Segment profit | \$ | 24,927 | \$ | 16,455 | \$ 41,382 |
| Special charges | | | | | (1,576) |
| Corporate and shared service expenses | | | | | (8,963) |
| Results from operating activities | | | | \$ | 30,843 |

About Enghouse

Enghouse is a Canadian publicly traded company (TSX:ENGH) that provides enterprise software solutions focusing on remote work, visual computing and communications for next-generation software-defined networks. The Company's two-pronged growth strategy focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company is well capitalized, has no long-term debt and is organized around two business segments: the Interactive Management Group and the Asset Management Group. Further information about Enghouse may be obtained from the Company's website at www.enghouse.com.

Conference Call and Webcast

A conference call to discuss the results will be held on Friday, March 12, 2021 at 8:45 a.m. EST. To participate, please call +1-647-689-4521 or North American Toll-Free +1-833-235-7649. Confirmation code: 5057458. A webcast is also available at: <https://www.enghouse.com/investors.php>.

For further information please contact:

Sam Anidjar
Vice President, Corporate Development
Tel: (905) 946-3200
Email: investor@enghouse.com

The Company uses non-IFRS measures to assess its operating performance. Securities regulations require that companies caution readers that earnings and other measures adjusted to a basis other than IFRS 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 based on results from operating activities adjusted for depreciation of property and equipment and right-of-use assets, 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.