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## Enghouse Releases First Quarter Results

FOR IMMEDIATE RELEASE

**Markham, Ontario – March 5, 2020** – Enghouse Systems Limited (TSX:ENGH) today announced its first quarter (unaudited) financial results for the period ended January 31, 2020. All of the financial information is in Canadian dollars unless otherwise indicated.

Revenue for the first quarter was \$110.7 million, a 28.6% increase compared to revenue of \$86.0 million in the first quarter of the prior year primarily as a result of incremental contributions from acquisitions. Results from operating activities were \$30.8 million compared to \$25.8 million in the prior year's first quarter and reflect the impact of changes in product mix on gross margins. Operating expenses of \$47.3 million reflect incremental operating costs related to newly acquired operations and increased non-cash amortization charges.

Net income for the quarter was \$16.1 million or \$0.29 per diluted share and includes \$1.6 million in special charges and approximately \$3.0 million in incremental amortization charges related to acquisitions.

Adjusted EBITDA for the first quarter was \$35.3 million or \$0.64 per diluted share, compared to \$26.3 million or \$0.48 per diluted share last year, with the increase being attributable to incremental revenue contributions from acquisitions as well as the impact of depreciation of right-of-use assets, as now required under the new lease accounting standard (IFRS 16).

Cash flows from operating activities excluding changes in working capital were \$35.2 million compared to \$27.1 million last quarter, an increase of 29.7%. As a result, Enghouse closed the quarter with \$116.3 million in cash, cash equivalents and short-term investments, compared to \$150.3 million at October 31, 2019. The cash balance was achieved after payments of \$6.0 million for cash dividends and \$48.9 million (net of cash acquired) for acquisitions concluded in the current quarter and \$0.5 million for acquisitions closed in prior years.

On December 31, 2019, Enghouse completed the acquisition of Dialogic and commenced integration into its Asset Management and Interactive segments. Dialogic reported revenue consistent with expectations, which is typically lower in January, and was not accretive to earnings in their first month following acquisition. Restructuring initiatives have been implemented that should improve operating performance in the coming quarters.

### Quarterly Dividend

Today, the Board of Directors approved a 22.7% increase to the Company's eligible quarterly dividend from \$0.11 per common share to \$0.135 per common share, payable on May 29, 2020 to shareholders of record at the close of business on May 15, 2020. Enghouse has now increased its dividend in each of the past twelve years, by over 10% each year.

### Conference Call

A conference call to discuss the results will be held on Friday, March 6, 2020 at 8:45 a.m. EST. To participate, please call +1-647-792-1278 or North American Toll-Free +1-888-504-7961. Confirmation code: 2744315.

## 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).

## Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities for the three months ended January 31, 2020:

(in thousands of Canadian dollars except per share amounts)

For the period ended January 31	Three months		
	2020	2019	Variance
	\$	\$	\$
Total revenue	110,656	86,045	24,611
Results from operating activities	30,843	25,795	5,048
Depreciation	887	530	357
Depreciation – right-of-use asset	2,023	-	2,023
Special charges	1,576	-	1,576
<b>Adjusted EBITDA</b>	<b>35,329</b>	<b>26,325</b>	<b>9,004</b>
<i>Adjusted EBITDA margin</i>	31.9%	30.6%	
<b>Adjusted EBITDA per diluted share</b>	<b>0.64</b>	<b>0.48</b>	<b>0.16</b>

## Non-IFRS Measures

*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.*

# Enghouse Systems Limited

## Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)  
(Unaudited)

	As at January 31, 2020	As at October 31, 2019
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 111,451	\$ 144,764
Short-term investments	4,878	5,505
Accounts receivable	117,007	84,982
Prepaid expenses and other assets	15,197	11,147
	<b>248,533</b>	<b>246,398</b>
<b>Non-current assets:</b>		
Property and equipment	6,552	6,280
Right-of-use assets	40,713	-
Intangible assets	154,896	121,885
Goodwill	218,016	203,298
Deferred income tax assets	22,846	12,739
	<b>248,533</b>	<b>246,398</b>
<b>Total assets</b>	<b>\$ 691,556</b>	<b>\$ 590,600</b>
<b>Liabilities and Shareholder's Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	65,003	\$ 62,813
Income taxes payable	8,863	6,953
Dividends payable	6,047	6,021
Provisions	7,537	6,536
Deferred revenue	103,078	78,405
Lease obligations	7,993	-
Current portion of long-term loans	249	249
	<b>198,770</b>	<b>160,977</b>
<b>Non-current liabilities:</b>		
Non-current portion of income taxes payable	3,805	4,434
Deferred income tax liabilities	26,089	16,197
Deferred revenue	8,447	3,665
Net employee defined benefit obligation	2,654	2,380
Lease obligations	30,983	-
Long-term loans	810	874
	<b>271,558</b>	<b>188,527</b>
<b>Total liabilities</b>	<b>271,558</b>	<b>188,527</b>
<b>Shareholders' Equity</b>		
Share capital	87,242	81,576
Contributed surplus	6,527	6,677
Retained earnings	319,287	309,198
Accumulated other comprehensive income	6,942	4,622
<b>Total shareholders' equity</b>	<b>419,998</b>	<b>402,073</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 691,556</b>	<b>\$ 590,600</b>

**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	
	2020	2019
<b>Revenue</b>		
Software licenses	\$ 28,400	\$ 18,728
Hosted and maintenance services	64,353	50,813
Professional services	15,183	13,501
Hardware	2,720	3,003
	<b>110,656</b>	<b>86,045</b>
<b>Direct costs</b>		
Software licenses	2,450	1,361
Services	28,346	23,545
Hardware	1,681	2,306
	<b>32,477</b>	<b>27,212</b>
<b>Revenue, net of direct costs</b>	<b>78,179</b>	<b>58,833</b>
<b>Operating expenses</b>		
Selling, general and administrative	24,682	20,456
Research and development	18,168	12,052
Depreciation	887	530
Depreciation – right-of-use assets	2,023	-
Special charges	1,576	-
	<b>47,336</b>	<b>33,038</b>
<b>Results from operating activities</b>	<b>30,843</b>	<b>25,795</b>
Amortization of acquired software and customer relationships	(10,080)	(7,116)
Foreign exchange gains (losses)	347	(110)
Interest expense – lease obligations	(262)	-
Finance income	351	498
Finance expenses	(18)	(31)
Other (expense) income	(414)	28
<b>Income before income taxes</b>	<b>20,767</b>	<b>19,064</b>
<b>Provision for income taxes</b>	<b>4,631</b>	<b>4,100</b>
<b>Net income for the period</b>	<b>\$ 16,136</b>	<b>\$ 14,964</b>
<u>Items that are or may be reclassified subsequently to net income:</u>		
Cumulative translation adjustment	2,320	2,887
<b>Other comprehensive income</b>	<b>2,320</b>	<b>2,887</b>
<b>Comprehensive income</b>	<b>\$ 18,456</b>	<b>\$ 17,851</b>
<b>Earnings per share</b>		
Basic	\$ 0.29	\$ 0.27
Diluted	\$ 0.29	\$ 0.27

# Enghouse Systems Limited

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)

(Unaudited)

	Share capital* #	Share capital \$	Contributed surplus \$	Accumulated other comprehensive income \$	Retained earnings \$	Total \$
<b>As at November 1, 2019</b>	<b>54,737,424</b>	<b>81,576</b>	<b>6,677</b>	<b>4,622</b>	<b>309,198</b>	<b>402,073</b>
Net income	-	-	-	-	16,136	16,136
Cumulative translation adjustment	-	-	-	2,320	-	2,320
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,320</b>	<b>16,136</b>	<b>18,456</b>
Employee share options:						
Value of services recognized	-	-	732	-	-	732
Proceeds on issuing shares	239,500	5,666	(882)	-	-	4,784
Dividends declared	-	-	-	-	(6,047)	(6,047)
<b>As at January 31, 2020</b>	<b>54,976,924</b>	<b>87,242</b>	<b>6,527</b>	<b>6,942</b>	<b>319,287</b>	<b>419,998</b>
<b>As at November 1, 2018, as previously presented</b>	<b>54,580,024</b>	<b>78,997</b>	<b>4,866</b>	<b>5,755</b>	<b>260,506</b>	<b>350,124</b>
IFRS 9 Transitional adjustment	-	-	-	781	(781)	-
IFRS 15 Transitional adjustment	-	-	-	-	1,590	1,590
<b>Adjusted balance as at November 1, 2018</b>	<b>54,580,024</b>	<b>78,997</b>	<b>4,866</b>	<b>6,536</b>	<b>261,315</b>	<b>351,714</b>
Net income	-	-	-	-	14,964	14,964
Cumulative translation adjustment	-	-	-	2,887	-	2,887
<b>Comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,887</b>	<b>14,964</b>	<b>17,851</b>
Employee share options:						
Value of services recognized	-	-	408	-	-	408
Proceeds on issuing shares	58,000	855	(136)	-	-	719
Dividends declared	-	-	-	-	(4,917)	(4,917)
<b>As at January 31, 2019</b>	<b>54,638,024</b>	<b>79,852</b>	<b>5,138</b>	<b>9,423</b>	<b>271,362</b>	<b>365,775</b>

\* On January 25, 2019, the Company completed a share split whereby each issued and outstanding common share has been effectively doubled. All references to capital stock, options and per share data have been adjusted retrospectively to reflect the Company's two for one share split for the period ended January 31, 2019.

# Enghouse Systems Limited

## Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)  
(Unaudited)

	Three months ended January 31	
	2020	2019
<b>Cash flows from operating activities</b>		
Net income	\$ 16,136	\$ 14,964
<b>Adjustments for:</b>		
Depreciation	887	530
Depreciation of right-of-use assets	2,023	-
Interest expense on lease obligations	262	-
Amortization of acquired software and customer relationships	10,080	7,116
Stock-based compensation expense	732	408
Provision for income taxes	4,631	4,100
Finance expenses and other expense (income)	432	3
	<b>35,183</b>	<b>27,121</b>
Changes in non-cash operating working capital	(10,300)	1,423
Income taxes paid	(4,950)	(4,390)
<b>Net cash flows from operating activities</b>	<b>19,933</b>	<b>24,154</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(439)	(209)
Acquisitions, net of cash acquired of \$6,905 (2019—\$6,139)	(48,899)	(22,396)
Purchase consideration for prior year acquisitions	(546)	(1,105)
Purchase of short-term investments	(7)	(6,108)
<b>Net cash flows used in investing activities</b>	<b>(49,891)</b>	<b>(29,818)</b>
<b>Cash flows from financing activities</b>		
Interest paid on lease obligations	(262)	-
Issuance of share capital	4,784	719
Repayment of loans	(62)	(957)
Repayment of lease obligations	(2,604)	-
Dividends paid	(6,021)	(4,912)
<b>Net cash flows used in financing activities</b>	<b>(4,165)</b>	<b>(5,150)</b>
Effect of currency translation adjustments on cash and cash equivalents	810	1,264
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(33,313)</b>	<b>(9,550)</b>
Cash and cash equivalents - beginning of period	144,764	187,551
<b>Cash and cash equivalents - end of period</b>	<b>\$ 111,451</b>	<b>\$ 178,001</b>

# Enghouse Systems Limited

## Segment Reporting Information

(In thousands of Canadian dollars)

(Unaudited)

### Three months ended January 31, 2020

	<b>IMG</b>	<b>AMG</b>	<b>Total</b>
Revenue	\$ 62,873	\$ 47,783	\$ 110,656
Direct costs	(15,214)	(17,263)	(32,477)
<b>Revenue net of direct costs</b>	<b>47,659</b>	<b>30,520</b>	<b>78,179</b>
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)
<b>Segment profit</b>	<b>\$ 24,927</b>	<b>\$ 16,455</b>	<b>\$ 41,382</b>
Special charges			(1,576)
Corporate and shared service expenses			(8,963)
<b>Results from operating activities</b>			<b>\$ 30,843</b>

### Three months ended January 31, 2019

	<b>IMG</b>	<b>AMG</b>	<b>Total</b>
Revenue	\$ 43,464	\$ 42,581	\$ 86,045
Direct costs	(11,275)	(15,937)	(27,212)
<b>Revenue net of direct costs</b>	<b>32,189</b>	<b>26,644</b>	<b>58,833</b>
Operating expenses excluding special charges	(15,062)	(10,829)	(25,891)
Depreciation of property and equipment	(403)	(127)	(530)
<b>Segment profit</b>	<b>\$ 16,724</b>	<b>\$ 15,688</b>	<b>\$ 32,412</b>
Special charges			-
Corporate and shared service expenses			(6,617)
<b>Results from operating activities</b>			<b>\$ 25,795</b>

### For further information please contact:

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