



Enghouse Releases Fourth Quarter and Year-end Results

FOR IMMEDIATE RELEASE

Markham, Ontario – December 12, 2019 – Enghouse Systems Limited (TSX:ENGH) today announced its fourth quarter (unaudited) and year-end financial results for the period ended October 31, 2019. All of the financial information is in Canadian dollars unless otherwise indicated.

Revenue increased to \$385.9 million for the fiscal year, compared to revenue of \$342.8 million in the previous fiscal year, resulting in another record year for the Company. Revenue includes \$219.6 million from hosted and maintenance services, an increase of 14.9%.

Operating expenses were \$155.1 million for the year compared to \$136.2 million in the prior year as the savings related to operating cost synergies were offset by the incremental costs related to acquired operations. Results from operating activities were \$112.0 million compared to \$103.2 million last year, a 13.9% increase. Operating expenses include special charges of \$1.2 million compared to \$0.4 million last year and reflect the costs related to acquisition restructuring.

Net income for the year was \$70.8 million or \$1.29 per diluted share compared to \$57.7 million or \$1.06 per diluted share in the prior year, an increase of 22.7%. Adjusted EBITDA for the year was \$115.6 million or \$2.10 per diluted share compared to \$106.0 million or \$1.94 per diluted share last year, an increase of 9.0%.

Fourth quarter revenue was \$109.3 million, a 27.4% increase compared to revenue of \$85.8 million in the fourth quarter of the prior year. The revenue increase primarily reflects contributions from acquisitions. Results from operating activities were \$32.5 million compared to \$27.3 million in the prior year's fourth quarter, which reflects the impact due to changes in product mix on gross margins and strong operating margin contributions from acquisitions. Net income for the quarter was \$24.7 million or \$0.45 per diluted share, an increase of 26.3% from \$19.6 million or \$0.36 per diluted share last year.

Adjusted EBITDA for the fourth quarter was \$34.0 million or \$0.62 per diluted share, compared to \$27.9 million or \$0.51 per diluted share last year, with the increase being primarily attributable to incremental revenue contributions from acquisitions.

Operating expenses before special charges related to restructuring of acquired operations were \$43.7 million compared to \$33.5 million in the prior year's fourth quarter and reflect incremental operating costs related to acquisitions. Non-cash amortization charges on acquired software and customer relationships from acquired operations were \$9.2 million for the quarter compared to \$6.4 million in the prior year's fourth quarter.

Enghouse generated cash flows from operating activities of \$21.7 million compared to \$24.0 million in the fourth quarter of the prior year and \$81.4 million for the year compared to \$98.3 million in the prior year. Cash flows from operating activities excluding changes in working capital was \$33.9 million compared to \$29.5 million in the fourth quarter of 2019, an increase of 14.9%. For the year, cash flows from operating activities excluding changes in working capital increased 9.5% to \$118.5 million. Working capital adjustments reduced operating cash flows by \$12.1 million in the quarter and \$37.1 million annually largely as a result of settling liabilities assumed from acquisitions.

Enghouse closed the year with \$150.3 million in cash, cash equivalents and short-term investments, compared to \$193.9 million at October 31, 2018. The cash balance was achieved after payments of \$21.9 million for cash dividends, an increase of 19% from the prior year, as the Company increased its dividend

for the eleventh consecutive year. The cash balance is also after the completion of six acquisitions in the year at a cost of \$101.2 million, net of cash acquired. These complementary acquisitions increased revenue while expanding Enghouse's product portfolio and local presence in new countries.

Late in the fourth quarter Enghouse completed the acquisition of Eptica S.A., which further expanded the Company's footprint in France and added customer engagement software solutions powered by AI to the Company's Interactive portfolio.

Quarterly Dividend

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.11 per common share, payable on February 28, 2020 to shareholders of record at the close of business on February 14, 2020.

Conference Call

A conference call to discuss the results will be held on Friday, December 13, 2019 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: 9069095.

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.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities:

For the periods ended October 31	Three months			Twelve months		
	2019	2018	Variance	2019	2018	Variance
	\$	\$	\$	\$	\$	\$
Total revenue	109,331	85,822	23,509	385,853	342,845	43,008
Results from operating activities	32,541	27,344	5,197	111,974	103,245	8,729
Depreciation	804	542	262	2,403	2,411	(8)
Special charges	677	57	620	1,203	390	813
Adjusted EBITDA	34,022	27,943	6,079	115,580	106,046	9,534
<i>Adjusted EBITDA margin</i>	<i>31.1%</i>	<i>32.6%</i>		<i>30.0%</i>	<i>30.9%</i>	
Adjusted EBITDA per diluted share	0.62	0.51	0.11	2.10	1.94	0.16

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 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)

	As at October 31, 2019	As at October 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 144,764	\$ 187,551
Short-term investments	5,505	6,386
Accounts receivable	84,982	62,085
Prepaid expenses and other assets	11,147	8,951
	246,398	264,973
Non-current assets:		
Property and equipment	6,280	5,279
Intangible assets	121,885	59,895
Goodwill	203,298	155,419
Deferred income tax assets	12,739	9,634
	244,202	230,227
Total assets	\$ 590,600	\$ 495,200
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 62,813	\$ 44,271
Income taxes payable	6,953	4,904
Dividends payable	6,021	4,912
Provisions	6,536	268
Deferred revenue	78,405	64,020
Current portion of long-term loans	249	122
	160,977	118,497
Non-current liabilities:		
Non-current portion of income taxes payable	4,434	7,466
Deferred income tax liabilities	16,197	13,115
Deferred revenue	3,665	2,169
Net employee defined benefit obligation	2,380	2,354
Long-term loans	874	1,475
	27,550	23,579
Total liabilities	188,527	145,076
Shareholders' Equity		
Share capital	81,576	78,997
Contributed surplus	6,677	4,866
Retained earnings	309,198	260,506
Accumulated other comprehensive income	4,622	5,755
Total shareholders' equity	402,073	350,124
Total liabilities and shareholders' equity	\$ 590,600	\$ 495,200

Enghouse Systems Limited

Condensed 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	
	2019 (Unaudited)	2018 (Unaudited)	2019	2018
Revenue				
Software licenses	\$ 26,765	\$ 20,260	\$ 89,093	\$ 85,682
Hosted and maintenance services	60,931	48,459	219,630	191,080
Professional services	16,962	15,294	60,889	58,266
Hardware	4,673	1,809	16,241	7,817
	109,331	85,822	385,853	342,845
Direct costs				
Software licenses	1,403	1,396	5,461	6,863
Services	27,156	22,431	101,281	91,766
Hardware	3,823	1,066	12,061	4,793
	32,382	24,893	118,803	103,422
Revenue, net of direct costs	76,949	60,929	267,050	239,423
Operating expenses				
Selling, general and administrative	25,635	21,777	92,421	86,209
Research and development	17,292	11,209	59,049	47,168
Depreciation	804	542	2,403	2,411
Special charges	677	57	1,203	390
	44,408	33,585	155,076	136,178
Results from operating activities	32,541	27,344	111,974	103,245
Amortization of acquired software and customer relationships	(9,244)	(6,386)	(31,697)	(28,149)
Foreign exchange (loss) gains	(367)	1,064	66	599
Finance income	331	198	1,805	476
Finance expenses	(10)	(79)	(76)	(213)
Other income	1,765	136	2,176	2,076
	25,016	22,277	84,248	78,034
Income before income taxes	25,016	22,277	84,248	78,034
Provision for income taxes	329	2,725	13,399	20,289
Net income for the period	\$ 24,687	\$ 19,552	\$ 70,849	\$ 57,745
<u>Items that are or may be reclassified subsequently to profit or loss:</u>				
Cumulative translation adjustment	2,171	(3,350)	(1,795)	(2,019)
Unrealized loss on investments in equity securities designated at FVOCI	-	(1,673)	-	(822)
Deferred income tax (expense) recovery	(119)	222	(119)	109
Other comprehensive income (loss)	2,052	(4,801)	(1,914)	(2,732)
Comprehensive income	\$ 26,739	\$ 14,751	\$ 68,935	\$ 55,013
Earnings per share				
Basic	\$ 0.45	\$ 0.36	\$ 1.30	\$ 1.06
Diluted	\$ 0.45	\$ 0.36	\$ 1.29	\$ 1.06

Enghouse Systems Limited

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)

	Share capital # *	Share capital \$	Contributed surplus \$	Accumulated other comprehensive (loss) income \$	Retained earnings \$	Total \$
As at November 1, 2018 as previously presented	54,580,024	78,997	4,866	5,755	260,506	350,124
IFRS 9 transition adjustment	-	-	-	781	(781)	-
IFRS 15 transition adjustment	-	-	-	-	1,590	1,590
Adjusted balance as at November 1, 2018	54,580,024	78,997	4,866	6,536	261,315	351,714
Net income for the year	-	-	-	-	70,849	70,849
Cumulative translation adjustment	-	-	-	(1,795)	-	(1,795)
Deferred income tax expense	-	-	-	(119)	-	(119)
Comprehensive income for the year	-	-	-	(1,914)	70,849	68,935
Employee share options:						
Value of services recognized	-	-	2,268	-	-	2,268
Proceeds on issuing shares	157,400	2,579	(457)	-	-	2,122
Dividends declared	-	-	-	-	(22,966)	(22,966)
As at October 31, 2019	54,737,424	81,576	6,677	4,622	309,198	402,073
As at November 1, 2017	53,986,424	71,422	4,715	8,487	221,775	306,399
Net income for the year	-	-	-	-	57,745	57,745
Cumulative translation adjustment	-	-	-	(2,019)	-	(2,019)
Unrealized losses on investments in equity securities designated at FVOCI	-	-	-	(822)	-	(822)
Deferred income tax recovery	-	-	-	109	-	109
Comprehensive income for the year	-	-	-	(2,732)	57,745	55,013
Employee share options:						
Value of services recognized	-	-	1,545	-	-	1,545
Proceeds on issuing shares	593,600	7,575	(1,394)	-	-	6,181
Dividends declared	-	-	-	-	(19,014)	(19,014)
As at October 31, 2018	54,580,024	78,997	4,866	5,755	260,506	350,124

* On January 25, 2019, the Company completed a share split whereby each issued and outstanding common share has been 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 years ended October 31, 2019 and 2018.

Enghouse Systems Limited
Condensed Consolidated Interim Statements of Cash Flows
(in thousands of Canadian dollars)

	Three months ended October 31		Year ended October 31	
	2019 (Unaudited)	2018 (Unaudited)	2019	2018
Cash flows from operating activities				
Net income for the period	\$ 24,687	\$ 19,552	\$ 70,849	\$ 57,745
Adjustments for:				
Depreciation of property, plant and equipment	804	542	2,403	2,411
Amortization of acquired software and customer relationships	9,244	6,386	31,697	28,149
Stock-based compensation expense	545	374	2,268	1,545
Provision for income taxes	329	2,725	13,399	20,289
Finance expenses and other income	(1,755)	(57)	(2,100)	(1,863)
	33,854	29,522	118,516	108,276
Changes in non-cash operating working capital	(4,931)	(295)	(15,732)	6,313
Income taxes paid	(7,194)	(5,193)	(21,409)	(16,334)
Net cash flows from operating activities	21,729	24,034	81,375	98,255
Cash flows from investing activities				
Purchase of property, plant and equipment	(815)	(706)	(2,155)	(2,244)
Acquisitions, net of cash acquired of \$2,743 (Q4/18 - \$Nil), YTD 2019 - \$36,708 (2018 - \$1,235)	(6,986)	-	(101,219)	(9,675)
Purchase consideration for prior period acquisitions	-	(192)	(1,105)	(7,137)
Sale of short-term investments	2,819	711	1,709	3,197
Net cash flows used in investing activities	(4,982)	(187)	(102,770)	(15,859)
Cash flows from financing activities				
Issuance of share capital	774	1,354	2,122	6,181
Repayment of loans	(495)	(437)	(1,452)	(1,172)
Payment of cash dividend	(6,017)	(4,899)	(21,857)	(18,422)
Net cash flows used in financing activities	(5,738)	(3,982)	(21,187)	(13,413)
Effect of currency translation adjustments on cash and cash equivalents	333	(2,079)	(205)	(2,040)
Net increase (decrease) in cash and cash equivalents during the period	11,342	17,786	(42,787)	66,943
Cash and cash equivalents - beginning of period	133,422	169,765	187,551	120,608
Cash and cash equivalents - end of period	\$ 144,764	\$ 187,551	\$ 144,764	\$ 187,551

Enghouse Systems Limited

Selected Segment Reporting Information

(In thousands of Canadian dollars)

	For the three months ended October 31		For the year ended October 31	
	2019 (Unaudited)	2018 (Unaudited)	2019	2018
Revenue:				
Asset Management Group	\$ 49,295	\$ 40,034	\$ 180,954	\$ 153,559
Interactive Management Group	60,036	45,788	204,899	189,286
Total	\$ 109,331	\$ 85,822	\$ 385,853	\$ 342,845
Asset Management Group:				
- Segment profit before special charges	\$ 16,985	\$ 15,831	\$ 60,327	\$ 54,501
- Special charges	(452)	(57)	(611)	(390)
Asset Management Group profit	\$ 16,533	\$ 15,774	\$ 59,716	\$ 54,111
Interactive Management Group:				
- Segment profit before special charges	\$ 20,082	\$ 14,861	\$ 65,109	\$ 60,782
- Special charges	(225)	-	(592)	-
Interactive Management Group profit	\$ 19,857	\$ 14,861	\$ 64,517	\$ 60,782
Corporate expenses	(3,849)	(3,291)	(12,259)	(11,648)
Results from operating activities	\$ 32,541	\$ 27,344	\$ 111,974	\$ 103,245
Amortization of acquired software and customer relationships	(9,244)	(6,386)	(31,697)	(28,149)
Foreign exchange (loss) gain	(367)	1,064	66	599
Finance income	331	198	1,805	476
Finance expenses	(10)	(79)	(76)	(213)
Other income	1,765	136	2,176	2,076
Income before income taxes	\$ 25,016	\$ 22,277	\$ 84,248	\$ 78,034

For further information please contact:

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