



Enghouse Releases Fourth Quarter and Year-end Results and Announces Special Dividend

FOR IMMEDIATE RELEASE

Markham, Ontario – December 17, 2020 – Enghouse Systems Limited (TSX:ENGH) today announced its fourth quarter (unaudited) and year-end financial results for the period ended October 31, 2020. All the financial information is in Canadian dollars unless otherwise indicated.

Key financial and operational highlights for the three months ended October 31, 2020 (compared to the same period in 2019) are as follows:

- Revenue grew 10.6% to \$120.9 million;
- Results from operating activities increased 31.2% to \$42.7 million;
- Net income increased 19.0% to \$29.4 million;
- Adjusted EBITDA increased 37.1% to \$46.6 million;
- Cash flows from operating activities excluding changes in working capital increased 41.8% to \$48.0 million.

Key financial and operational highlights for the year ended October 31, 2020 (compared to the same period in 2019) are as follows:

- Revenue grew 30.6% to \$503.8 million;
- Results from operating activities increased 44.7% to \$162.0 million;
- Net income increased 39.2% to \$98.6 million or \$1.77 per diluted share;
- Adjusted EBITDA increased 53.0% to \$176.8 million;
- Cash flows from operating activities excluding changes in working capital increased 50.6% to \$178.5 million;
- Cash, cash equivalents and short-term investments were \$251.8 million, an increase from \$150.3 million at October 31, 2019, which was achieved after making payments of \$27.0 million for dividends and \$43.9 million for acquisitions;

In both the quarter and year, the Company experienced growth from internal sources and from acquisitions. Internal growth includes the expansion of the acquired businesses, particularly Vidyo, since acquisition.

COVID-19 had an unprecedented effect on business during fiscal 2020. While the full impact of the pandemic remains to be seen, it will continue to change the way Enghouse conducts business and interacts with customers and technology. The pandemic led to increased demand for our remote-work and visual computing solutions leading to a surge in revenue, particularly in our second quarter at the outbreak of the pandemic.

Reflecting upon the year, Enghouse is proud to have been listed in the Toronto Stock Exchange's *TSX30 for 2020* list that tallies the top-performing stocks over the past three years citing our 185% growth in share price between June 30, 2017 and June 30, 2020 (Source: <https://money.tmx.com/en/tsx30>).

Although the world is changing at an unprecedented pace, bringing innovation to how we conduct business, the Company's core values remain unchanged. Going forward, Enghouse continues to seek accretive acquisitions to grow its revenue and further expand its product suite and geographic reach, while maintaining its commitment to profitable growth in accordance with its disciplined business model. Management remains focused on running the business consistent with its value for money philosophy that it believes provides shareholder value in the long-term.

Quarterly Dividend:

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.135 per common share, payable on February 26, 2021 to shareholders of record at the close of business on February 12, 2021.

Special Dividend:

Today, with our substantial cash balance, no debt and significant operating cash flow, the Board of Directors also approved a special dividend of \$1.50 per common share, payable on February 16, 2021 to shareholders of record at the close of business on January 15, 2021. With low interest rates and the ability to acquire additional funding, as needed, the Company believes that after returning these funds to shareholders it continues to have the necessary funding available for its acquisition activities.

Enghouse Systems Limited Financial Highlights

(in thousands of Canadian dollars)

For the period ended October 31	Three months (unaudited)				Twelve months			
	2020	2019	Var (\$)	Var (%)	2020	2019	Var (\$)	Var (%)
Revenue	\$ 120,898	\$ 109,331	11,567	10.6	\$ 503,778	\$ 385,853	117,925	30.6
Direct costs	33,261	32,382	879	2.7	145,177	118,803	26,374	22.2
Revenue, net of direct costs	\$ 87,637	\$ 76,949	10,688	13.9	\$ 358,601	\$ 267,050	91,551	34.3
<i>As a % of revenue</i>	72.5%	70.4%			71.2%	69.2%		
Operating expenses	44,952	43,731	1,221	2.8	195,109	153,873	41,236	26.8
Special charges	(12)	677	(689)	(101.8)	1,478	1,203	275	22.9
Results from operating activities	\$ 42,697	\$ 32,541	10,156	31.2	\$ 162,014	\$ 111,974	50,040	44.7
<i>As a % of revenue</i>	35.3%	29.8%			32.2%	29.0%		
Amortization of acquired software and customer relationships	(10,958)	(9,244)	(1,714)	(18.5)	(44,140)	(31,697)	(12,443)	(39.3)
Foreign exchange gains (losses)	850	(367)	1,217	331.6	(298)	66	(364)	(551.5)
Interest expense – lease obligations	(467)	-	(467)	-	(1,331)	-	(1,331)	-
Finance income	43	331	(288)	(87.0)	734	1,805	(1,071)	(59.3)
Finance expenses	(42)	(10)	(32)	(320.0)	(81)	(76)	(5)	(6.6)
Other income	671	1,765	(1,094)	(62.0)	4,895	2,176	2,719	125.0
Income before income taxes	\$ 32,794	\$ 25,016	7,778	31.1	\$ 121,793	\$ 84,248	37,545	44.6
Provision for income taxes	3,422	329	3,093	940.1	23,203	13,399	9,804	73.2
Net Income for the period	\$ 29,372	\$ 24,687	4,685	19.0	\$ 98,590	\$ 70,849	27,741	39.2
Basic earnings per share	0.53	0.45	0.08	17.8	1.79	1.30	0.49	37.7
Diluted earnings per share	0.52	0.45	0.07	15.6	1.77	1.29	0.48	37.2
Operating cash flows	34,989	21,729	13,260	61.0	168,145	81,375	86,770	106.6
Operating cash flows excluding changes in working capital	48,008	33,854	14,154	41.8	178,518	118,516	60,002	50.6
Adjusted EBITDA								
Results from operating activities	42,697	32,541	10,156	31.2	162,014	111,974	50,040	44.7
Depreciation	795	804	(9)	(1.1)	3,241	2,403	838	34.9
Depreciation of right-of-use assets	3,158	-	3,158	-	10,083	-	10,083	-
Special charges	(12)	677	(689)	(101.8)	1,478	1,203	275	22.9
Adjusted EBITDA	\$ 46,638	\$ 34,022	12,616	37.1	\$ 176,816	\$ 115,580	61,236	53.0
<i>Adjusted EBITDA margin</i>	38.6%	31.1%			35.1%	30.0%		
Adjusted EBITDA per diluted share	\$ 0.83	\$ 0.62	0.21	34.7	\$ 3.18	\$ 2.10	1.08	51.5

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	As at October 31, 2020	As at October 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 244,792	\$ 144,764
Short-term investments	6,999	5,505
Accounts receivable	90,789	84,982
Prepaid expenses and other assets	14,772	11,147
	357,352	246,398
Non-current assets:		
Property and equipment	6,301	6,280
Right-of-use assets	42,832	-
Intangible assets	123,616	121,885
Goodwill	217,426	203,298
Deferred income tax assets	16,119	12,739
	406,294	344,202
	\$ 763,646	\$ 590,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 80,339	\$ 62,813
Income taxes payable	13,245	6,953
Dividends payable	7,472	6,021
Provisions	5,697	6,536
Deferred revenue	89,927	78,405
Lease obligations	9,914	-
Current portion of long-term loans	-	249
	206,594	160,977
Non-current liabilities:		
Income taxes payable	3,829	4,434
Deferred income tax liabilities	14,782	16,197
Deferred revenue	7,021	3,665
Net employee defined benefit obligation	2,855	2,380
Lease obligations	32,242	-
Long-term loans	-	874
	60,729	27,550
	267,323	188,527
Shareholders' equity		
Share capital	99,405	81,576
Contributed surplus	6,583	6,677
Retained earnings	379,378	309,198
Accumulated other comprehensive income	10,957	4,622
	496,323	402,073
	\$ 763,646	\$ 590,600

Consolidated Statements of Operations and Comprehensive Income

(in thousands of Canadian dollars except per share amounts)

	Three months ended October 31		Year ended October 31	
	2020 (Unaudited)	2019 (Unaudited)	2020	2019
Revenue				
Software licenses	\$ 27,658	\$ 26,765	\$ 134,287	\$ 89,093
Hosted and maintenance services	73,037	60,931	286,770	219,630
Professional services	16,906	16,962	64,235	60,889
Hardware	3,297	4,673	18,486	16,241
	120,898	109,331	503,778	385,853
Direct costs				
Software licenses	1,649	1,403	10,094	5,461
Services	29,557	27,156	121,400	101,281
Hardware	2,055	3,823	13,683	12,061
	33,261	32,382	145,177	118,803
Revenue, net of direct costs	87,637	76,949	358,601	267,050
Operating expenses				
Selling, general and administrative	21,922	25,635	102,028	92,421
Research and development	19,077	17,292	79,757	59,049
Depreciation	795	804	3,241	2,403
Depreciation of right-of-use assets	3,158	-	10,083	-
Special charges	(12)	677	1,478	1,203
	44,940	44,408	196,587	155,076
Results from operating activities	42,697	32,541	162,014	111,974
Amortization of acquired software and customer relationships	(10,958)	(9,244)	(44,140)	(31,697)
Foreign exchange gains (losses)	850	(367)	(298)	66
Interest expense – lease obligations	(467)	-	(1,331)	-
Finance income	43	331	734	1,805
Finance expenses	(42)	(10)	(81)	(76)
Other income	671	1,765	4,895	2,176
Income before income taxes	32,794	25,016	121,793	84,248
Provision for income taxes	3,422	329	23,203	13,399
Net income for the period	\$ 29,372	\$ 24,687	\$ 98,590	\$ 70,849
<u>Items that may be subsequently reclassified to income:</u>				
Cumulative translation adjustment	(8,984)	(2,171)	6,335	(1,795)
Deferred income tax expense	-	(119)	-	(119)
Other comprehensive (loss) income	(8,984)	2,052	6,335	(1,914)
Comprehensive income	\$ 20,388	\$ 26,739	\$ 104,925	\$ 68,935
Earnings per share				
Basic	\$ 0.53	\$ 0.45	\$ 1.79	\$ 1.30
Diluted	\$ 0.52	\$ 0.45	\$ 1.77	\$ 1.29

Consolidated Statements of Cash Flows				
<i>(in thousands of Canadian dollars)</i>				
	Three months ended October 31		Year ended October 31	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)		
OPERATING ACTIVITIES				
Net income for the period	\$ 29,372	\$ 24,687	\$ 98,590	\$ 70,849
Adjustments for non-cash items				
Depreciation	795	804	3,241	2,403
Depreciation of right-of-use assets	3,158	-	10,083	-
Interest expense – lease obligations	467	-	1,331	-
Amortization of acquired software and customer relationships	10,958	9,244	44,140	31,697
Stock-based compensation expense	465	545	2,744	2,268
Provision for income taxes	3,422	329	23,203	13,399
Finance expenses and other (income) expenses	(629)	(1,755)	(4,814)	(2,100)
	\$ 48,008	\$ 33,854	\$ 178,518	\$ 118,516
Changes in non-cash operating working capital	(8,762)	(4,931)	9,388	(15,732)
Income taxes paid	(4,257)	(7,194)	(19,761)	(21,409)
Net cash provided by operating activities	\$ 34,989	\$ 21,729	\$ 168,145	\$ 81,375
INVESTING ACTIVITIES				
Purchase of property and equipment	(638)	(815)	(2,540)	(2,155)
Acquisitions, net of cash acquired*	-	(6,986)	(43,454)	(101,219)
Purchase consideration for prior-period acquisitions	-	-	(452)	(1,105)
Sale of short-term investments	2,948	2,819	1,379	1,709
Net cash provided by (used in) investing activities	\$ 2,310	\$ (4,982)	\$ (45,067)	\$ (102,770)
FINANCING ACTIVITIES				
Issuance of share capital	1,630	774	14,991	2,122
Repayment of loans	(66)	(495)	(128)	(1,452)
Repayment of lease obligations	(3,285)	-	(10,220)	-
Dividends paid	(7,463)	(6,017)	(26,959)	(21,857)
Net cash used in financing activities	\$ (9,184)	\$ (5,738)	\$ (22,316)	\$ (21,187)
Impact of foreign exchange on cash and cash equivalents	(2,746)	333	(734)	(205)
Increase (decrease) in cash and cash equivalents	\$ 25,369	\$ 11,342	\$ 100,028	\$ (42,787)
Cash and cash equivalents - beginning of period	219,423	133,422	144,764	187,551
Cash and cash equivalents - end of period	\$ 244,792	\$ 144,764	\$ 244,792	\$ 144,764

* Acquisitions are net of cash acquired \$Nil for the quarter ended October 31, 2020 (Q4/19-\$2,743); \$6,906 for the year ended October 31, 2020 (2019-\$36,708).

**The Company has applied IFRS 16 "Leases" using the modified retrospective method. Under this method, the comparative information is not restated.

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

Three months ended October 31, 2020 (Unaudited)	IMG	AMG	Total
Revenue	\$ 70,927	\$ 49,971	\$ 120,898
Direct costs	(16,055)	(17,206)	(33,261)
Revenue, net of direct costs	54,872	32,765	87,637
Operating expenses excluding special charges	(24,153)	(11,105)	(35,258)
Depreciation of property and equipment	(678)	(117)	(795)
Depreciation of right-of-use assets	(2,732)	(426)	(3,158)
Segment profit	\$ 27,309	\$ 21,117	\$ 48,426
Special charges			12
Corporate and shared service expenses			(5,741)
Results from operating activities			\$ 42,697

Three months ended October 31, 2019 (Unaudited)	IMG	AMG	Total
Revenue	\$ 60,036	\$ 49,295	\$ 109,331
Direct costs	(15,681)	(16,701)	(32,382)
Revenue, net of direct costs	45,355	32,594	76,949
Operating expenses excluding special charges	(20,382)	(12,858)	(33,240)
Depreciation of property and equipment	(435)	(369)	(804)
Segment profit	\$ 23,538	\$ 19,367	\$ 42,905
Special charges			(677)
Corporate and shared service expenses			(9,687)
Results from operating activities			\$ 32,541

Year ended October 31, 2020	IMG	AMG	Total
Revenue	\$ 298,876	\$ 204,902	\$ 503,778
Direct costs	(70,295)	(74,882)	(145,177)
Revenue, net of direct costs	228,581	130,020	358,601
Operating expenses excluding special charges	(93,875)	(51,920)	(145,795)
Depreciation of property and equipment	(2,297)	(944)	(3,241)
Depreciation of right-of-use assets	(6,623)	(3,460)	(10,083)
Segment profit	\$ 125,786	\$ 73,696	\$ 199,482
Special charges			(1,478)
Corporate and shared service expenses			(35,990)
Results from operating activities			\$ 162,014

Year Ended October 31, 2019	IMG	AMG	Total
Revenue	\$ 204,899	\$ 180,954	\$ 385,853
Direct costs	(53,558)	(65,245)	(118,803)
Revenue, net of direct costs	151,341	115,709	267,050
Operating expenses excluding special charges	(72,024)	(47,221)	(119,245)
Depreciation of property and equipment	(1,619)	(784)	(2,403)
Segment profit	\$ 77,698	\$ 67,704	\$ 145,402
Special charges			(1,203)
Corporate and shared service expenses			(32,225)
Results from operating activities			\$ 111,974

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, December 18, 2020 at 8:45 a.m. EST. To participate, please call +1-647-792-1278 or North American Toll-Free +1-800-504-7961. Confirmation code: 3963967. 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.