



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 Altitude Software Sistemas e Serviços S.A. ("Altitude"). Headquartered in Lisbon, Portugal, Altitude 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 Altitude 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 Altitude 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.

Enhouse 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 Enhouse

Enhouse 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 Enhouse may be obtained from the Company's website at www.enhouse.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.enhouse.com/investors.php>.

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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.