



Enghouse Releases Second Quarter Results

Markham, Ontario – June 10, 2021 – Enghouse Systems Limited (TSX:ENGH) today announced its second quarter unaudited financial results for the period ended April 30, 2021. All the financial information is in Canadian dollars unless otherwise indicated.

Financial and operational highlights for the three and six months ended April 30, 2021 compared to the three and six months ended April 30, 2020 are as follows:

- Revenue achieved was \$117.3 and \$236.4 million, respectively, compared to record revenue of \$140.9 and \$251.6 million;
- Results from operating activities was \$36.9 and \$77.6 million, respectively, compared to \$46.3 and \$77.1 million;
- Net income was \$20.7 and \$41.4 million, respectively, compared to \$27.1 and \$43.2 million;
- Adjusted EBITDA was \$40.2 and \$84.7 million, respectively, compared to \$49.3 and \$84.6 million;
- Cash flows from operating activities excluding changes in working capital was \$42.6 and \$84.3 million, respectively compared to \$50.0 and \$85.2 million.

Although revenue achieved for the quarter was \$117.3 million, compared to record revenue of \$140.9 million in the same period in the prior year, Enghouse continues to generate positive cash flows, operating income and profitability. The decline in revenue was driven primarily by the previous year's significant increase in our Vidyo business that has now returned to levels that are more consistent with pre-COVID volumes. Enghouse continues to expand its cloud offerings and has implemented new initiatives aimed at increasing sales of cloud-based products while offering choice to its customers by providing multi-tenant cloud, private cloud and on-premise solutions to the market.

As previously announced on April 28, 2021, Enghouse signed a \$29 million multi-year agreement with the Norwegian Government to update its National Emergency Fire Services Technology System. The eight-year agreement builds on the success in the Norwegian market with the \$55 million, 12-year agreement with Norwegian Health Care announced in October 2020.

The Company closed the quarter with \$169.6 million in cash, cash equivalents and short-term investments and no debt after paying \$90.5 million in dividends during the quarter. As always, Enghouse prioritizes its long-term growth strategy over quarter-to-quarter results, investing in products while ensuring continued profitability and maximizing operating cashflows. As a result, Enghouse has replenished its acquisition capital, while returning \$83.2 million in special dividends to shareholders.

Quarterly dividends:

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.16 per common share payable on August 31, 2021 to shareholders of record at the close of business on August 17, 2021.

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

For the period ended April 30	Three months				Six months			
	2021	2020	Var (\$)	Var (%)	2021	2020	Var (\$)	Var (%)
Revenue	\$ 117,334	\$ 140,900	(23,566)	(16.7)	\$ 236,434	\$ 251,556	(15,122)	(6.0)
Direct costs	33,533	39,699	(6,166)	(15.5)	65,041	72,176	(7,135)	(9.9)
Revenue, net of direct costs	\$ 83,801	\$ 101,201	(17,400)	(17.2)	\$ 171,393	\$ 179,380	(7,987)	(4.5)
<i>As a % of revenue</i>	71.4%	71.8%			72.5%	71.3%		
Operating expenses	46,852	55,046	(8,194)	(14.9)	93,362	100,806	(7,444)	(7.4)
Special charges	57	(121)	178	147.1	440	1,455	(1,015)	(69.8)
Results from operating activities	\$ 36,892	\$ 46,276	(9,384)	(20.3)	\$ 77,591	\$ 77,119	472	0.6
<i>As a % of revenue</i>	31.4%	32.8%			32.8%	30.7%		
Amortization of acquired software and customer relationships	(10,854)	(11,600)	746	6.4	(21,628)	(21,680)	52	0.2
Foreign exchange gains (losses)	1,587	(393)	1,980	503.8	(1,523)	(46)	(1,477)	(3210.9)
Interest expense – lease obligations	(277)	(300)	23	7.7	(606)	(562)	(44)	(7.8)
Finance income	36	131	(95)	(72.5)	116	482	(366)	(75.9)
Finance expenses	17	(16)	33	206.3	(64)	(34)	(30)	(88.2)
Other (expenses) income	(1,122)	811	(1,933)	(238.3)	(1,446)	397	(1,843)	(464.2)
Income before income taxes	\$ 26,279	\$ 34,909	(8,630)	(24.7)	\$ 52,440	\$ 55,676	(3,236)	(5.8)
Provision for income taxes	5,540	7,820	(2,280)	(29.2)	11,059	12,451	(1,392)	(11.2)
Net Income for the period	\$ 20,739	\$ 27,089	(6,350)	(23.4)	\$ 41,381	\$ 43,225	(1,844)	(4.3)
Basic earnings per share	0.37	0.49	(0.12)	(24.5)	0.75	0.79	(0.04)	(5.1)
Diluted earnings per share	0.37	0.49	(0.12)	(24.5)	0.74	0.78	(0.04)	(5.1)
Operating cash flows	39,155	57,533	(18,378)	(31.9)	59,702	77,466	(17,764)	(22.9)
Operating cash flows excluding changes in working capital	42,600	50,033	(7,433)	(14.9)	84,317	85,216	(899)	(1.1)
Adjusted EBITDA								
Results from operating activities	36,892	46,276			77,591	77,119		
Depreciation	758	758			1,493	1,645		
Depreciation of right-of-use assets	2,492	2,368			5,195	4,391		
Special charges	57	(121)			440	1,455		
Adjusted EBITDA	\$ 40,199	\$ 49,281	(9,082)	(18.4)	\$ 84,719	\$ 84,610	109	0.1
<i>Adjusted EBITDA margin</i>	34.3%	35.0%			35.8%	33.6%		
Adjusted EBITDA per diluted share	\$ 0.72	\$ 0.89	(0.17)	(19.1)	\$ 1.52	\$ 1.53	(0.01)	(0.7)

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(unaudited)

	As at April 30, 2020	As at October 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 165,666	\$ 244,792
Short-term investments	3,907	6,999
Accounts receivable	98,381	90,789
Prepaid expenses and other assets	14,457	14,772
	282,411	357,352
Non-current assets:		
Property and equipment	6,191	6,301
Right-of-use assets	33,947	42,832
Intangible assets	120,624	123,616
Goodwill	220,767	217,426
Deferred income tax assets	19,524	16,119
	401,053	406,294
	\$ 683,464	\$ 763,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 68,161	\$ 80,339
Income taxes payable	9,395	13,245
Dividends payable	8,879	7,472
Provisions	7,345	5,697
Deferred revenue	104,341	89,927
Lease obligations	9,763	9,914
	207,884	206,594
Non-current liabilities:		
Income taxes payable	2,925	3,829
Deferred income tax liabilities	19,881	14,782
Deferred revenue	5,324	7,021
Net employee defined benefit obligation	2,734	2,855
Lease obligations	23,910	32,242
	54,774	60,729
	262,658	267,323
Shareholders' equity		
Share capital	104,483	99,405
Contributed surplus	7,130	6,583
Retained earnings	321,378	379,378
Accumulated other comprehensive (loss) income	(12,185)	10,957
	420,806	496,323
	\$ 683,464	\$ 763,646

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

Periods ended April 30	Three months		Six months	
	2021	2020	2021	2020
Revenue				
Software licenses	\$ 25,167	\$ 48,791	\$ 53,467	\$ 77,191
Hosted and maintenance services	70,402	72,024	142,645	136,377
Professional services	18,468	16,087	34,297	31,270
Hardware	3,297	3,998	6,025	6,718
	117,334	140,900	236,434	251,556
Direct costs				
Software licenses	1,485	3,937	2,686	6,387
Services	30,143	33,080	58,615	61,426
Hardware	1,905	2,682	3,740	4,363
	33,533	39,699	65,041	72,176
Revenue, net of direct costs	83,801	101,201	171,393	179,380
Operating expenses				
Selling, general and administrative	22,208	29,612	45,159	54,294
Research and development	21,394	22,308	41,515	40,476
Depreciation	758	758	1,493	1,645
Depreciation of right-of-use assets	2,492	2,368	5,195	4,391
Special charges	57	(121)	440	1,455
	46,909	54,925	93,802	102,261
Results from operating activities	36,892	46,276	77,591	77,119
Amortization of acquired software and customer relationships	(10,854)	(11,600)	(21,628)	(21,680)
Foreign exchange gains (losses)	1,587	(393)	(1,523)	(46)
Interest expense – lease obligations	(277)	(300)	(606)	(562)
Finance income	36	131	116	482
Finance expenses	17	(16)	(64)	(34)
Other (expenses) income	(1,122)	811	(1,446)	397
Income before income taxes	26,279	34,909	52,440	55,676
Provision for income taxes	5,540	7,820	11,059	12,451
Net income for the period	\$ 20,739	\$ 27,089	\$ 41,381	\$ 43,225
<u>Items that may be subsequently reclassified to income:</u>				
Cumulative translation adjustment	(18,274)	10,140	(23,142)	12,460
Other comprehensive (loss) income	(18,274)	10,140	(23,142)	12,460
Comprehensive income	\$ 2,465	\$ 37,229	\$ 18,239	\$ 55,685
Earnings per share				
Basic	\$ 0.37	\$ 0.49	\$ 0.75	\$ 0.79
Diluted	\$ 0.37	\$ 0.49	\$ 0.74	\$ 0.78

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended April 30	Three months		Six months	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net income for the period	\$ 20,739	\$ 27,089	\$ 41,381	\$ 43,225
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	758	758	1,493	1,645
Depreciation of right-of-use assets	2,492	2,368	5,195	4,391
Interest expense – lease obligations	277	300	606	562
Amortization of acquired software and customer relationships	10,854	11,600	21,628	21,680
Stock-based compensation expense	835	893	1,445	1,625
Provision for income taxes	5,540	7,820	11,059	12,451
Finance expenses and other expenses (income)	1,105	(795)	1,510	(363)
	42,600	50,033	84,317	85,216
Changes in non-cash operating working capital	2,440	10,836	(8,915)	536
Income taxes paid	(5,885)	(3,336)	(15,700)	(8,286)
Net cash provided by operating activities	39,155	57,533	59,702	77,466
INVESTING ACTIVITIES				
Purchase of property and equipment	(666)	(1,005)	(1,344)	(1,444)
Acquisitions, net of cash acquired*	(3,810)	1,235	(32,300)	(47,664)
Purchase consideration for prior-year acquisitions	444	-	1,105	(546)
Purchase of short-term investments	(932)	(1,795)	1,614	(1,802)
Net cash provided by (used in) investing activities	(4,964)	(1,565)	(30,925)	(51,456)
FINANCING ACTIVITIES				
Issuance of share capital	4,028	788	4,180	5,572
Repayment of loans	-	-	-	(62)
Repayment of lease obligations	(2,091)	(1,586)	(4,921)	(4,452)
Dividends paid	(90,502)	(6,048)	(97,974)	(12,069)
Net cash used in financing activities	(88,565)	(6,846)	(98,715)	(11,011)
Impact of foreign exchange on cash and cash equivalents	(5,937)	1,757	(9,188)	2,567
(Decrease) increase in cash and cash equivalents	(60,311)	50,879	(79,126)	17,566
Cash and cash equivalents - beginning of period	225,977	111,451	244,792	144,764
Cash and cash equivalents - end of period	\$ 165,666	\$ 162,330	\$ 165,666	\$ 162,330

* Acquisitions are net of cash acquired of nil and \$1,463 for the three and six months ended April 30, 2021, respectively, and nil and \$6,906 for the three and six months ended April 30, 2020, respectively.

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

Three months ended April 30, 2021	IMG		AMG		Total
Revenue	\$	65,879	\$	51,455	\$ 117,334
Direct costs		(16,930)		(16,603)	(33,533)
Revenue, net of direct costs		48,949		34,852	83,801
Operating expenses excluding special charges		(24,074)		(12,214)	(36,288)
Depreciation of property and equipment		(624)		(134)	(758)
Depreciation of right-of-use assets		(1,666)		(826)	(2,492)
Segment profit	\$	22,585	\$	21,678	\$ 44,263
Special charges					(57)
Corporate and shared service expenses					(7,314)
Results from operating activities				\$	36,892

Three months ended April 30, 2020	IMG		AMG		Total
Revenue	\$	89,925	\$	50,975	\$ 140,900
Direct costs		(20,874)		(18,825)	(39,699)
Revenue, net of direct costs		69,051		32,150	101,201
Operating expenses excluding special charges		(25,632)		(15,412)	(41,044)
Depreciation of property and equipment		(518)		(240)	(758)
Depreciation of right-of-use assets		(1,386)		(982)	(2,368)
Segment profit	\$	41,515	\$	15,516	\$ 57,031
Special charges					121
Corporate and shared service expenses					(10,876)
Results from operating activities				\$	46,276

Six months ended April 30, 2021	IMG		AMG		Total
Revenue	\$	136,182	\$	100,252	\$ 236,434
Direct costs		(32,387)		(32,654)	(65,041)
Revenue, net of direct costs		103,795		67,598	171,393
Operating expenses excluding special charges		(46,737)		(24,339)	(71,076)
Depreciation of property and equipment		(1,295)		(198)	(1,493)
Depreciation of right-of-use assets		(3,484)		(1,711)	(5,195)
Segment profit	\$	52,279	\$	41,350	\$ 93,629
Special charges					(440)
Corporate and shared service expenses					(15,598)
Results from operating activities				\$	77,591

Six months ended April 30, 2020	IMG		AMG		Total
Revenue	\$	152,798	\$	98,758	\$ 251,556
Direct costs		(36,088)		(36,088)	(72,176)
Revenue, net of direct costs		116,710		62,670	179,380
Operating expenses excluding special charges		(46,851)		(28,080)	(74,931)
Depreciation of property and equipment		(973)		(672)	(1,645)
Depreciation of right-of-use assets		(2,444)		(1,947)	(4,391)
Segment profit	\$	66,442	\$	31,971	\$ 98,413
Special charges					(1,455)
Corporate and shared service expenses					(19,839)
Results from operating activities				\$	77,119

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, June 11, 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: 8298201. A webcast is also available at: <https://www.enghouse.com/investors.php>.

For further information please contact:

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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.