



Enghouse Releases Fourth Quarter and Year End Results

Markham, Ontario – December 16, 2021 – Enghouse Systems Limited (TSX:ENGH) today announced its fourth quarter (unaudited) and year-end financial results for period ended October 31, 2021. All the financial information is in Canadian dollars unless otherwise indicated.

Financial and operational highlights for the three and twelve months ended October 31, 2021 compared to the three and twelve months ended October 31, 2020 are as follows:

- Revenue achieved was \$113.1 and \$467.2 million, respectively, compared to revenue of \$120.9 and \$503.8 million;
- Results from operating activities was \$39.1 and \$155.2 million, respectively, compared to \$42.7 and \$162.0 million;
- Net income was \$30.2 and \$92.8 million, respectively, compared to \$29.4 and \$98.6 million;
- Adjusted EBITDA was \$42.1 and \$168.5 million, respectively, compared to \$46.6 and \$176.8 million while Adjusted EBITDA margins increased from 35.1% to 36.1% for the year.
- Cash flows from operating activities excluding changes in working capital was \$42.4 and \$167.8 million, respectively compared to \$48.0 and \$178.5 million.

Fiscal 2021 was another year of positive income and operating cash flows, improved Adjusted EBITDA margins and record distributions to shareholders. Although record revenue was not achieved this year, we again demonstrated the benefit of maintaining our financial discipline during times of significant market fluctuations. For the year, Enghouse achieved adjusted EBITDA margins of 36.1% and cash flows from operations, excluding changes in working capital, of \$167.8 million.

Revenue for the quarter was \$113.1 million, compared to revenue of \$120.9 million in the same period in the prior year. The decrease reflects exceptional revenue in the comparative period as a result of COVID-19 related demand in addition to unfavourable foreign exchange. Similar to the second and third quarters of 2021, the comparatively higher revenue last year was driven primarily by the previous year's significant increase in our Vidyo business that has returned to levels more consistent with pre-COVID volumes. Revenue for the quarter was negatively impacted by \$4.4 million as a result of foreign exchange as the Canadian dollar strengthened against the U.S. dollar and Euro.

Enghouse closed the quarter with \$198.8 million in cash, cash equivalents and short-term investments, compared to \$251.8 million at October 31, 2020. The cash balance was achieved after making payments of \$35.6 million for acquisitions and \$115.7 million for dividends this year, inclusive of \$83.2 million of special dividends.

Changes in the macroeconomic environment, caused by COVID or other factors, continue to impact our business. We closed three acquisitions during the year that met our return-on-investment criteria. However, acquisitions in the technology marketplace continue to be priced at prohibitively higher valuations that do not support our return-on-investment objective.

Going forward, we continue to seek earnings-accretive acquisitions to grow our revenue and further expand both our product suite and geographic reach, while maintaining our commitment to profitable growth in accordance with our disciplined business model. We continue to operate our business consistent with our value-for-money philosophy that we believe provides shareholder value in the long-term.

Quarterly dividends:

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.16 per common share payable on February 28, 2022 to shareholders of record at the close of business on February 14, 2022.

Enghouse Systems Limited
Financial Highlights
(unaudited, in thousands of Canadian dollars)

For the period ended October 31	Three months				Twelve months			
	2021	2020	Var (\$)	Var (%)	2021	2020	Var (\$)	Var (%)
Revenue	\$ 113,099	\$ 120,898	(7,799)	(6.5)	\$ 467,177	\$ 503,778	(36,601)	(7.3)
Direct costs	31,149	33,261	(2,112)	(6.3)	129,627	145,177	(15,550)	(10.7)
Revenue, net of direct costs	\$ 81,950	\$ 87,637	(5,687)	(6.5)	\$ 337,550	\$ 358,601	(21,051)	(5.9)
<i>As a % of revenue</i>	72.5%	72.5%			72.3%	71.2%		
Operating expenses	42,784	44,952	(2,168)	(4.8)	181,413	195,109	(13,696)	(7.0)
Special charges	31	(12)	43	358.3	904	1,478	(574)	(38.8)
Results from operating activities	\$ 39,135	\$ 42,697	(3,562)	(8.3)	\$ 155,233	\$ 162,014	(6,781)	(4.2)
<i>As a % of revenue</i>	34.6%	35.3%			33.2%	32.2%		
Amortization of acquired software and customer relationships	(10,438)	(10,958)	520	4.7	(42,421)	(44,140)	1,719	3.9
Foreign exchange (losses) gains	(62)	850	(912)	(107.3)	(2,038)	(298)	(1,740)	(583.9)
Interest expense – lease obligations	(218)	(467)	249	53.3	(1,036)	(1,331)	295	22.2
Finance income	52	43	9	20.9	214	734	(520)	(70.8)
Finance expenses	(10)	(42)	32	76.2	(86)	(81)	(5)	(6.2)
Other (expense) income	(486)	671	(1,157)	(172.4)	(2,448)	4,895	(7,343)	(150.0)
Income before income taxes	\$ 27,973	\$ 32,794	(4,821)	(14.7)	\$ 107,418	\$ 121,793	(14,375)	(11.8)
(Recovery of) provision for income taxes	(2,213)	3,422	(5,635)	(164.7)	14,624	23,203	(8,579)	(37.0)
Net Income for the period	\$ 30,186	\$ 29,372	814	2.8	\$ 92,794	\$ 98,590	(5,796)	(5.9)
Basic earnings per share	0.54	0.53	0.01	1.9	1.67	1.79	(0.12)	(6.7)
Diluted earnings per share	0.54	0.52	0.02	3.8	1.66	1.77	(0.11)	(6.2)
Operating cash flows	25,206	34,989	(9,783)	(28.0)	118,460	168,145	(49,685)	(29.5)
Operating cash flows excluding changes in working capital	42,385	48,008	(5,623)	(11.7)	167,807	178,518	(10,711)	(6.0)
Adjusted EBITDA								
Results from operating activities	39,135	42,697	(3,562)	(8.3)	155,233	162,014	(6,781)	(4.2)
Depreciation	791	795	(4)	(0.5)	3,003	3,241	(238)	(7.3)
Depreciation of right-of-use assets	2,168	3,158	(990)	(31.3)	9,369	10,083	(714)	(7.1)
Special charges	31	(12)	43	358.3	904	1,478	(574)	(38.8)
Adjusted EBITDA	\$ 42,125	\$ 46,638	(4,513)	(9.7)	\$ 168,509	\$ 176,816	(8,307)	(4.7)
<i>Adjusted EBITDA margin</i>	37.2%	38.6%			36.1%	35.1%		
Adjusted EBITDA per diluted share	\$ 0.75	\$ 0.84	(0.09)	(10.7)	\$ 3.02	\$ 3.18	(0.16)	(5.0)

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	As at October 31, 2021	As at October 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 195,890	\$ 244,792
Short-term investments	2,944	6,999
Accounts receivable	89,374	90,789
Prepaid expenses and other assets	13,322	14,772
Income taxes recoverable	2,130	-
	303,660	357,352
Non-current assets:		
Property and equipment	6,246	6,301
Right-of-use assets	25,943	42,832
Intangible assets	101,822	123,616
Goodwill	223,021	217,426
Deferred income tax assets	13,932	16,119
	370,964	406,294
	\$ 674,624	\$ 763,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 71,506	\$ 80,339
Income taxes payable	-	13,245
Dividends payable	8,889	7,472
Provisions	5,588	5,697
Deferred revenue	80,614	89,927
Lease obligations	7,941	9,914
	174,538	206,594
Non-current liabilities:		
Income taxes payable	2,949	3,829
Deferred income tax liabilities	13,392	14,782
Deferred revenue	9,111	7,021
Net employee defined benefit obligation	2,663	2,855
Lease obligations	17,660	32,242
	45,775	60,729
	220,313	267,323
Shareholders' equity		
Share capital	106,470	99,405
Contributed surplus	7,406	6,583
Retained earnings	355,019	379,378
Accumulated other comprehensive (loss) income	(14,584)	10,957
	454,311	496,323
	\$ 674,624	\$ 763,646

Consolidated Statement of Operations and Comprehensive Income

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

Periods ended October 31	Three months		Twelve months	
	2021 (unaudited)	2020 (Unaudited)	2021	2020
Revenue				
Software licenses	\$ 24,798	\$ 27,658	\$ 105,072	\$ 134,287
Hosted and maintenance services	67,917	73,037	278,981	286,770
Professional services	18,121	16,906	71,197	64,235
Hardware	2,263	3,297	11,927	18,486
	113,099	120,898	467,177	503,778
Direct costs				
Software licenses	535	1,649	4,555	10,094
Services	29,422	29,557	117,670	121,400
Hardware	1,192	2,055	7,402	13,683
	31,149	33,261	129,627	145,177
Revenue, net of direct costs	81,950	87,637	337,550	358,601
Operating expenses				
Selling, general and administrative	22,959	21,922	91,844	102,028
Research and development	16,866	19,077	77,197	79,757
Depreciation	791	795	3,003	3,241
Depreciation of right-of-use assets	2,168	3,158	9,369	10,083
Special charges	31	(12)	904	1,478
	42,815	44,940	182,317	196,587
Results from operating activities	39,135	42,697	155,233	162,014
Amortization of acquired software and customer relationships	(10,438)	(10,958)	(42,421)	(44,140)
Foreign exchange (losses) gains	(62)	850	(2,038)	(298)
Interest expense – lease obligations	(218)	(467)	(1,036)	(1,331)
Finance income	52	43	214	734
Finance expenses	(10)	(42)	(86)	(81)
Other (expense) income	(486)	671	(2,448)	4,895
Income before income taxes	27,973	32,794	107,418	121,793
(Recovery of) provision for income taxes	(2,213)	3,422	14,624	23,203
Net income for the period	\$ 30,186	\$ 29,372	\$ 92,794	\$ 98,590
Items that may be subsequently reclassified to income:				
Cumulative translation adjustment	(6,352)	(8,984)	(25,541)	6,335
Other comprehensive (loss) income	(6,352)	(8,984)	(25,541)	6,335
Comprehensive income	\$ 23,834	\$ 20,388	\$ 67,253	\$ 104,925
Earnings per share				
Basic	\$ 0.54	\$ 0.53	\$ 1.67	\$ 1.79
Diluted	\$ 0.54	\$ 0.52	\$ 1.66	\$ 1.77

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Periods ended October 31	Three months		Twelve months	
	2021 (Unaudited)	2020 (Unaudited)	2021	2020
OPERATING ACTIVITIES				
Net income for the period	\$ 30,186	\$ 29,372	\$ 92,794	\$ 98,590
Adjustments for non-cash items				
Depreciation	791	795	3,003	3,241
Depreciation of right-of-use assets	2,168	3,158	9,369	10,083
Interest expense – lease obligations	218	467	1,036	1,331
Amortization of acquired software and customer relationships	10,438	10,958	42,421	44,140
Stock-based compensation expense	301	465	2,026	2,744
Provision for income taxes	(2,213)	3,422	14,624	23,203
Finance expenses and other expense (income)	496	(629)	2,534	(4,814)
	42,385	48,008	167,807	178,518
Changes in non-cash operating working capital	(11,814)	(8,762)	(21,671)	9,388
Income taxes paid	(5,365)	(4,257)	(27,676)	(19,761)
Net cash provided by operating activities	25,206	34,989	118,460	168,145
INVESTING ACTIVITIES				
Purchase of property and equipment	(1,484)	(638)	(3,333)	(2,540)
Acquisitions, net of cash acquired*	661	-	(35,476)	(43,454)
Purchase consideration for prior-year acquisitions	-	-	(158)	(452)
(Purchase) sale of short-term investments	(218)	2,948	1,352	1,379
Net cash (used in) provided by investing activities	(1,041)	2,310	(37,615)	(45,067)
FINANCING ACTIVITIES				
Issuance of share capital	1,016	1,630	5,862	14,991
Repayment of loans	-	(66)	-	(128)
Repayment of lease obligations	(2,314)	(3,285)	(9,633)	(10,220)
Dividends paid	(8,883)	(7,463)	(115,736)	(26,959)
Net cash used in financing activities	(10,181)	(9,184)	(119,507)	(22,316)
Impact of foreign exchange on cash and cash equivalents	(2,523)	(2,746)	(10,240)	(734)
Increase (decrease) in cash and cash equivalents	11,461	25,369	(48,902)	100,028
Cash and cash equivalents - beginning of period	184,429	219,423	244,792	144,764
Cash and cash equivalents - end of period	\$ 195,890	\$ 244,792	\$ 195,890	\$ 244,792

* Acquisitions are net of cash acquired of nil and \$3,613 for the quarter and year ended October 31, 2021, respectively, and nil and \$6,906 for the quarter and year ended October 31, 2020, respectively.

Enghouse Systems Limited

Segment Reporting Information

(in thousands of Canadian dollars)

For the period ended October 31, 2021	Three months			Twelve months		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	\$ 66,846	\$ 46,253	\$ 113,099	\$ 268,584	\$ 198,593	\$ 467,177
Direct costs	(15,281)	(15,868)	(31,149)	(64,941)	(64,686)	(129,627)
Revenue, net of direct costs	51,565	30,385	81,950	203,643	133,907	337,550
Operating expenses excluding special charges	(19,505)	(13,249)	(32,754)	(88,064)	(49,306)	(137,370)
Depreciation of property and equipment	(668)	(123)	(791)	(2,570)	(433)	(3,003)
Depreciation of right-of-use assets	(1,213)	(955)	(2,168)	(5,900)	(3,469)	(9,369)
Segment profit	\$ 30,179	\$ 16,058	\$ 46,237	\$ 107,109	\$ 80,699	\$ 187,808
Special charges			(31)			(904)
Corporate and shared service expenses			(7,071)			(31,671)
Results from operating activities			\$ 39,135			\$ 155,233

For the period ended October 31, 2020	Three months			Twelve months		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	\$ 70,927	\$ 49,971	\$ 120,898	\$ 298,876	\$ 204,902	\$ 503,778
Direct costs	(16,055)	(17,206)	(33,261)	(70,295)	(74,882)	(145,177)
Revenue, net of direct costs	54,872	32,765	87,637	228,581	130,020	358,601
Operating expenses excluding special charges	(24,153)	(11,105)	(35,258)	(93,875)	(51,920)	(145,795)
Depreciation of property and equipment	(678)	(117)	(795)	(2,297)	(944)	(3,241)
Depreciation of right-of-use assets	(2,732)	(426)	(3,158)	(6,623)	(3,460)	(10,083)
Segment profit	\$ 27,309	\$ 21,117	\$ 48,426	\$ 125,786	\$ 73,696	\$ 199,482
Special charges			12			(1,478)
Corporate and shared service expenses			(5,741)			(35,990)
Results from operating activities			\$ 42,697			\$ 162,014

About Enghouse

Enghouse is a Canadian publicly traded company (TSX:ENGH) that provides enterprise software solutions focusing on contact centers, video communications, remote work, communications for next generation software defined networks, public safety and the transit market. 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 has no debt financing 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 17, 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: 5379462. 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, Adjusted EBITDA margin and Adjusted EBITDA per diluted share as measures of operating performance. Therefore, these collective Adjusted EBITDA measures 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.