



Enghouse Releases Third Quarter Results

Markham, Ontario – September 8, 2022 – Enghouse Systems Limited (TSX:ENGH) today announced its third quarter unaudited financial results for the period ended July 31, 2022. All the financial information is in Canadian dollars unless otherwise indicated.

Financial and operational highlights for the three and nine months ended July 31, 2022 compared to the three and nine months ended July 31, 2021 are as follows:

- Revenue achieved was \$102.1 and \$319.5 million, respectively, compared to revenue of \$117.6 and \$354.1 million;
- Results from operating activities was \$29.8 and \$96.5 million, respectively, compared to \$38.5 and \$116.1 million;
- Net income was \$18.1 and \$57.5 million, respectively, compared to \$21.2 and \$62.6 million;
- Adjusted EBITDA was \$32.5 and \$104.8 million, respectively, compared to \$41.7 and \$126.4 million;
- Cash flows from operating activities excluding changes in working capital was \$34.1 and \$107.3 million, respectively, compared to \$41.1 and \$125.4 million.

Revenue for the third quarter of 2022 was \$102.1 million with results from operating activities of \$29.8 million and cash flows from operating activities excluding changes in working capital of \$34.1 million. As a result, we closed the quarter with \$229.5 million in cash, cash equivalents, and short-term investments with no external debt. This was accomplished while completing two acquisitions for \$6.1 million, paying quarterly dividends of \$10.3 million and repurchasing \$9.0 million of common stock from shareholders. We remain focused on operating a profitable, cash-flow-positive business generating the necessary capital to fund our acquisition strategy without the need for financing.

Revenue for the third quarter of 2022 was down from \$117.6 million in the same period in the prior year and was negatively impacted by \$3.6 million as a result of foreign exchange as European currencies continue to devalue as a result of the conflict in Ukraine. Our Interactive Management Group (“IMG”) continues to experience a market shift from on-premise perpetual licensing towards software as a service (“SaaS”) cloud offerings. This has translated into a decrease in overall IMG revenue despite increased sales of our cloud products. Revenue in our Asset Management Group (“AMG”), on a constant-currency basis, remains consistent this fiscal year compared to prior year.

Net income for the quarter was \$18.1 million or \$0.33 per diluted share, compared to \$21.2 million or \$0.38 per diluted share last year. The decrease is a result of lower revenue net of decreased operating expenses relative to the comparative period. Adjusted EBITDA was \$32.5 million or \$0.59 per diluted share, compared to \$41.7 million or \$0.75 per diluted share in the third quarter of 2021.

Enghouse completed two acquisitions late in the quarter, purchasing Competella AB on June 23, 2022 and NTW Software GmbH on July 6, 2022. Competella AB offers a complete contact center platform focused on the Scandinavian and Swiss markets with both a SaaS and on-premise solution. NTW Software GmbH provides an attendant console and contact center offering for organizations that have adopted the Cisco communications platform. Both acquisitions augment our contact center offerings and broaden our cloud hosted solutions portfolio. We believe that acquisition valuations are becoming more favourable in this environment as rising interest rates increases debt servicing costs and reduces profitability for many companies in the technology segment.

Quarterly dividends:

Today, the Board of Directors approved the Company’s eligible quarterly dividend of \$0.185 per common share, payable on November 30, 2022 to shareholders of record at the close of business on November 16, 2022.

Enghouse Systems Limited

Financial Highlights

(unaudited, in thousands of Canadian dollars)

For the period ended July 31	Three months				Nine months			
	2022	2021	Var (\$)	Var (%)	2022	2021	Var (\$)	Var (%)
Revenue	\$ 102,111	\$ 117,644	(15,533)	(13.2)	\$ 319,525	\$ 354,078	(34,553)	(9.8)
Direct costs	31,348	33,437	(2,089)	(6.2)	97,757	98,478	(721)	(0.7)
Revenue, net of direct costs	\$ 70,763	\$ 84,207	(13,444)	(16.0)	\$ 221,768	\$ 255,600	(33,832)	(13.2)
<i>As a % of revenue</i>	69.3%	71.6%			69.4%	72.2%		
Operating expenses	40,790	45,267	(4,477)	(9.9)	124,970	138,629	(13,659)	(9.9)
Special charges	216	433	(217)	(50.1)	280	873	(593)	(67.9)
Results from operating activities	\$ 29,757	\$ 38,507	(8,750)	(22.7)	\$ 96,518	\$ 116,098	(19,580)	(16.9)
<i>As a % of revenue</i>	29.1%	32.7%			30.2%	32.8%		
Amortization of acquired software and customer relationships	(8,484)	(10,355)	1,871	18.1	(27,348)	(31,983)	4,635	14.5
Foreign exchange gains (losses)	1,045	(453)	1,498	330.7	1,023	(1,976)	2,999	151.8
Interest expense – lease obligations	(173)	(212)	39	18.4	(571)	(818)	247	30.2
Finance income	290	46	244	530.4	541	162	379	234.0
Finance expenses	(18)	(12)	(6)	(50.0)	(62)	(76)	14	18.4
Other (expenses) income	(93)	(516)	423	82.0	930	(1,962)	2,892	147.4
Income before income taxes	\$ 22,324	\$ 27,005	(4,681)	(17.3)	\$ 71,031	\$ 79,445	(8,414)	(10.6)
Provision for income taxes	4,243	5,778	(1,535)	(26.6)	13,482	16,837	(3,355)	(19.9)
Net Income for the period	\$ 18,081	\$ 21,227	(3,146)	(14.8)	\$ 57,549	\$ 62,608	(5,059)	(8.1)
Basic earnings per share	0.33	0.38	(0.05)	(13.2)	1.04	1.13	(0.09)	(8.0)
Diluted earnings per share	0.33	0.38	(0.05)	(13.2)	1.03	1.12	(0.09)	(8.0)
Operating cash flows	29,158	33,552	(4,394)	(13.1)	84,642	93,254	(8,612)	(9.2)
Operating cash flows excluding changes in working capital	34,081	41,105	(7,024)	(17.1)	107,334	125,422	(18,088)	(14.4)
Adjusted EBITDA								
Results from operating activities	29,757	38,507	(8,750)	(22.7)	96,518	116,098	(19,580)	(16.9)
Depreciation	665	719	(54)	7.5	2,090	2,212	(122)	5.5
Depreciation of right-of-use assets	1,849	2,006	(157)	7.8	5,930	7,201	(1,271)	17.7
Special charges	216	433	(217)	50.1	280	873	(593)	67.9
Adjusted EBITDA	\$ 32,487	\$ 41,665	(9,178)	(22.0)	\$ 104,818	\$ 126,384	(21,566)	(17.1)
<i>Adjusted EBITDA margin</i>	31.8%	35.4%			32.8%	35.7%		
Adjusted EBITDA per diluted share	\$ 0.59	\$ 0.75	(0.16)	(21.3)	\$ 1.88	\$ 2.26	(0.38)	(16.8)

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(unaudited)

	As at July 31, 2022	As at October 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 225,946	\$ 195,890
Short-term investments	3,539	2,944
Accounts receivable	86,002	89,374
Prepaid expenses and other assets	14,639	13,322
Income taxes recoverable	-	2,130
	330,126	303,660
Non-current assets:		
Property and equipment	4,249	6,246
Right-of-use assets	20,686	25,943
Intangible assets	81,705	101,822
Goodwill	218,432	223,021
Deferred income tax assets	15,202	13,932
	340,274	370,964
	\$ 670,400	\$ 674,624
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 59,507	\$ 71,506
Income taxes payable	3,589	-
Dividends payable	10,224	8,889
Provisions	3,295	5,588
Deferred revenue	87,409	80,614
Lease obligations	7,032	7,941
	171,056	174,538
Non-current liabilities:		
Income taxes payable	2,420	2,949
Deferred income tax liabilities	12,272	13,392
Deferred revenue	5,307	9,111
Net employee defined-benefit obligation	2,443	2,663
Lease obligations	13,453	17,660
	35,895	45,775
	206,951	220,313
Shareholders' equity:		
Share capital	107,032	106,470
Contributed surplus	8,406	7,406
Retained earnings	374,861	355,019
Accumulated other comprehensive loss	(26,850)	(14,584)
	463,449	454,311
	\$ 670,400	\$ 674,624

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

Periods ended July 31	Three months		Nine months	
	2022	2021	2022	2021
Revenue				
Software licenses	\$ 19,816	\$ 26,807	\$ 65,014	\$ 80,274
Hosted and maintenance services	63,530	68,419	193,702	211,064
Professional services	16,751	18,779	52,582	53,076
Hardware	2,014	3,639	8,227	9,664
	102,111	117,644	319,525	354,078
Direct costs				
Software licenses	1,023	1,334	3,636	4,020
Services	29,014	29,633	89,168	88,248
Hardware	1,311	2,470	4,953	6,210
	31,348	33,437	97,757	98,478
Revenue, net of direct costs	70,763	84,207	221,768	255,600
Operating expenses				
Selling, general and administrative	20,572	23,726	62,876	68,885
Research and development	17,704	18,816	54,074	60,331
Depreciation	665	719	2,090	2,212
Depreciation of right-of-use assets	1,849	2,006	5,930	7,201
Special charges	216	433	280	873
	41,006	45,700	125,250	139,502
Results from operating activities	29,757	38,507	96,518	116,098
Amortization of acquired software and customer relationships	(8,484)	(10,355)	(27,348)	(31,983)
Foreign exchange gains (losses)	1,045	(453)	1,023	(1,976)
Interest expense – lease obligations	(173)	(212)	(571)	(818)
Finance income	290	46	541	162
Finance expenses	(18)	(12)	(62)	(76)
Other (expenses) income	(93)	(516)	930	(1,962)
Income before income taxes	22,324	27,005	71,031	79,445
Provision for income taxes	4,243	5,778	13,482	16,837
Net income for the period	\$ 18,081	\$ 21,227	\$ 57,549	\$ 62,608
<u>Items that may be subsequently reclassified to income:</u>				
Cumulative translation adjustment	(7,194)	3,953	(12,266)	(19,189)
Other comprehensive (loss) income	(7,194)	3,953	(12,266)	(19,189)
Comprehensive income	\$ 10,887	\$ 25,180	\$ 45,283	\$ 43,419
Earnings per share				
Basic	\$ 0.33	\$ 0.38	\$ 1.04	\$ 1.13
Diluted	\$ 0.33	\$ 0.38	\$ 1.03	\$ 1.12

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended July 31	Three months		Nine months	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net income for the period	\$ 18,081	\$ 21,227	\$ 57,549	\$ 62,608
Adjustments for non-cash items				
Depreciation	665	719	2,090	2,212
Depreciation of right-of-use assets	1,849	2,006	5,930	7,201
Interest expense – lease obligations	173	212	571	818
Amortization of acquired software and customer relationships	8,484	10,355	27,348	31,983
Stock-based compensation expense	475	280	1,232	1,725
Provision for income taxes	4,243	5,778	13,482	16,837
Finance and other expenses (income)	111	528	(868)	2,038
	34,081	41,105	107,334	125,422
Changes in non-cash operating working capital	(1,983)	(942)	(11,672)	(9,857)
Income taxes paid	(2,940)	(6,611)	(11,020)	(22,311)
Net cash provided by operating activities	29,158	33,552	84,642	93,254
INVESTING ACTIVITIES				
Net purchase of property and equipment	(240)	(505)	(598)	(1,849)
Acquisitions, net of cash acquired*	(6,092)	(3,837)	(6,092)	(36,137)
Purchase consideration for prior-year acquisition	-	(1,263)	(408)	(158)
(Purchase) sale of short-term investments	-	(44)	(60)	1,570
Net cash used in investing activities	(6,332)	(5,649)	(7,158)	(36,574)
FINANCING ACTIVITIES				
Issuance of share capital	-	666	970	4,846
Normal course issuer bid repurchases	(8,950)	-	(8,950)	-
Repayment of lease obligations	(1,984)	(2,398)	(6,225)	(7,319)
Dividends paid	(10,284)	(8,879)	(28,062)	(106,853)
Net cash used in financing activities	(21,218)	(10,611)	(42,267)	(109,326)
Impact of foreign exchange on cash and cash equivalents	(3,039)	1,471	(5,161)	(7,717)
(Decrease) increase in cash and cash equivalents	(1,431)	18,763	30,056	(60,363)
Cash and cash equivalents - beginning of period	227,377	165,666	195,890	244,792
Cash and cash equivalents - end of period	\$ 225,946	\$ 184,429	\$ 225,946	\$ 184,429

* Acquisitions are net of cash acquired of \$3,647 for the three and nine months ended July 31, 2022 and \$2,150 and \$3,613 for the three and nine months ended July 31, 2021, respectively.

Enhouse Systems Limited

Segment Reporting Information

(in thousands of Canadian dollars)

Three months ended July 31, 2022		IMG	AMG	Total
Revenue	\$	55,077	\$ 47,034	\$ 102,111
Direct costs		(15,508)	(15,840)	(31,348)
Revenue, net of direct costs		39,569	31,194	70,763
Operating expenses excluding special charges		(17,915)	(11,684)	(29,599)
Depreciation		(557)	(108)	(665)
Depreciation of right-of-use assets		(1,111)	(738)	(1,849)
Segment profit	\$	19,986	\$ 18,664	\$ 38,650
Special charges				(216)
Corporate and shared service expenses				(8,677)
Results from operating activities			\$	29,757

Three months ended July 31, 2021		IMG	AMG	Total
Revenue	\$	65,556	\$ 52,088	\$ 117,644
Direct costs		(17,273)	(16,164)	(33,437)
Revenue, net of direct costs		48,283	35,924	84,207
Operating expenses excluding special charges		(21,822)	(11,718)	(33,540)
Depreciation		(607)	(112)	(719)
Depreciation of right-of-use assets		(1,203)	(803)	(2,006)
Segment profit	\$	24,651	\$ 23,291	\$ 47,942
Special charges				(433)
Corporate and shared service expenses				(9,002)
Results from operating activities			\$	38,507

Nine months ended July 31, 2022		IMG	AMG	Total
Revenue	\$	174,166	\$ 145,359	\$ 319,525
Direct costs		(46,264)	(51,493)	(97,757)
Revenue, net of direct costs		127,902	93,866	221,768
Operating expenses excluding special charges		(56,877)	(33,958)	(90,835)
Depreciation		(1,753)	(337)	(2,090)
Depreciation of right-of-use assets		(3,630)	(2,300)	(5,930)
Segment profit	\$	65,642	\$ 57,271	\$ 122,913
Special charges				(280)
Corporate and shared service expenses				(26,115)
Results from operating activities			\$	96,518

Nine months ended July 31, 2021		IMG	AMG	Total
Revenue	\$	201,738	\$ 152,340	\$ 354,078
Direct costs		(49,660)	(48,818)	(98,478)
Revenue, net of direct costs		152,078	103,522	255,600
Operating expenses excluding special charges		(68,559)	(36,057)	(104,616)
Depreciation		(1,902)	(310)	(2,212)
Depreciation of right-of-use assets		(4,687)	(2,514)	(7,201)
Segment profit	\$	76,930	\$ 64,641	\$ 141,571
Special charges				(873)
Corporate and shared service expenses				(24,600)
Results from operating activities			\$	116,098

About Enghouse

Enghouse is a Canadian publicly traded company (TSX:ENGH) that provides vertical enterprise software solutions focused on contact centers, video communications, healthcare, telecommunications networks, public safety and the transit market. The Company's two-pronged strategy to grow earnings focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company has no external debt financing and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG"). 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, September 9, 2022 at 8:45 a.m. EST. To participate, please call +1-416-764-8646 or North American Toll-Free +1-888-396-8049. Confirmation code: 56625798. A webcast is also available at: <https://www.enghouse.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.