

## Enghouse Releases Fourth Quarter and Year End Results

**Markham, Ontario** – December 15, 2022 – **Enghouse Systems Limited (TSX:ENGH)** today announced its fourth quarter (unaudited) and year-end financial results for period ended October 31, 2022. All the financial information is in Canadian dollars unless otherwise indicated.

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

- Revenue achieved was \$108.1 and \$427.6 million, respectively, compared to revenue of \$113.1 and \$467.2 million;
- Results from operating activities was \$33.1 and \$129.7 million, respectively, compared to \$39.1 and \$155.2 million;
- Net income was \$36.9 and \$94.5 million, respectively, compared to \$30.2 and \$92.8 million;
- Adjusted EBITDA was \$35.8 and \$140.6 million, respectively, compared to \$42.1 and \$168.5 million while Adjusted EBITDA margins were 33.1% and 32.9%, respectively, compared to 37.2% and 36.1%;
- Cash flows from operating activities excluding changes in working capital was \$37.7 and \$145.1 million, respectively, compared to \$42.4 and \$167.8 million;
- Cash, cash equivalents and short-term investments were \$228.1 million as at October 31, 2022 compared to \$198.8 million at the end of the prior year.

Turbulent global markets, rising interest rates, high inflation and aggressive competition in the technology sector, particularly from vendors offering software-as-a-service (“SaaS”), highlight the environment in which we operated during fiscal 2022. Despite these factors, consistent with our operating approach and strategy, we continued to manage our business with financial discipline once again generating positive operating income and cash flows while increasing quarterly distributions to shareholders for the fourteenth consecutive year. During fiscal 2022 we invested \$72.3 million in research and development activities aimed at on-going product improvements and innovation. We continue with our strategy of offering customers and partners choice, providing various deployment options of private cloud, multi-tenanted cloud or on-premise solutions. We believe offering choice differentiates us in the vertically-focused enterprise-software markets in which we operate and addresses the varying needs of our customers.

In fiscal 2022, we achieved Adjusted EBITDA of \$140.6 million or 32.9% of revenue and cash flows from operations, excluding changes in working capital, of \$145.1 million, closing the year with \$228.1 million in cash, cash equivalents and short-term investments with no external debt. Our capital allocation focused on deploying \$20.2 million for acquisitions, repurchasing \$9.3 million of Enghouse common stock and paying dividends to our shareholders of \$38.3 million.

Revenue for the year was \$427.6 million, compared to \$467.2 million in the prior year. Revenue was negatively impacted by the decline in our Vidyo revenue (post-COVID), in addition to \$15.7 million of unfavourable foreign exchange and the growing shift from on-premise solutions to SaaS. Consistent with our strategy of offering choice, we continued to expand the availability of our SaaS offerings globally, primarily for our customer experience and contact center technologies where demand for SaaS is rapidly growing. Operating Income for the year was \$129.7 million compared to \$155.2 million in the prior year resulting from lower revenue levels. Net income for the year increased to \$94.5 million compared to \$92.8 million in fiscal 2021 as a result of lower non-operating expenses and taxes.

During the year we completed the acquisitions of Competella, NTW and VoicePort broadening our geographic reach and product portfolio, including SaaS offerings. We continue to expand our acquisition pipeline and actively pursue acquisition opportunities. Valuations are generally decreasing in the enterprise software market that we believe are the result of higher debt servicing costs, reduced ability to raise capital and a broader focus on profitability and cash flow in response to economic uncertainty. We are closely monitoring acquisition opportunities as valuations become more aligned with our financial and operating criteria.

We have consistently demonstrated, even during adverse economic conditions, that we can generate positive operating cash flows and augment our cash reserves to be deployed for acquisitions and further investment in our business. We believe that our financial discipline, product approach and commitment to customers, partners and employees will continue to drive long-term shareholder value.

**Quarterly dividends:**

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.185 per common share payable on February 28, 2023 to shareholders of record at the close of business on February 14, 2023.

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

For the period ended October 31	Three months				Twelve months			
	2022	2021	Var (\$)	Var (%)	2022	2021	Var (\$)	Var (%)
<b>Revenue</b>	\$ 108,060	\$ 113,099	(5,039)	(4.5)	\$ 427,585	\$ 467,177	(39,592)	(8.5)
Direct costs	32,340	31,149	1,191	3.8	130,097	129,627	470	0.4
<b>Revenue, net of direct costs</b>	\$ 75,720	\$ 81,950	(6,230)	(7.6)	\$ 297,488	\$ 337,550	(40,062)	(11.9)
<i>As a % of revenue</i>	70.1%	72.5%			69.6%	72.3%		
Operating expenses	42,448	42,784	(336)	(0.8)	167,418	181,413	(13,995)	(7.7)
Special charges	123	31	92	296.8	403	904	(501)	(55.4)
<b>Results from operating activities</b>	\$ 33,149	\$ 39,135	(5,986)	(15.3)	\$ 129,667	\$ 155,233	(25,566)	(16.5)
<i>As a % of revenue</i>	30.7%	34.6%			30.3%	33.2%		
Amortization of acquired software and customer relationships	(8,826)	(10,438)	1,612	15.4	(36,174)	(42,421)	6,247	14.7
Foreign exchange gains (losses)	931	(62)	993	n/a	1,954	(2,038)	3,992	195.9
Interest expense – lease obligations	(164)	(218)	54	24.8	(735)	(1,036)	301	29.1
Finance income	651	52	599	n/a	1,192	214	978	457.0
Finance expenses	(27)	(10)	(17)	(170.0)	(89)	(86)	(3)	(3.5)
Other (expense) income	(507)	(486)	(21)	(4.3)	423	(2,448)	2,871	117.3
<b>Income before income taxes</b>	\$ 25,207	\$ 27,973	(2,766)	(9.9)	\$ 96,238	\$ 107,418	(11,180)	(10.4)
(Recovery of) provision for income taxes	(11,742)	(2,213)	(9,529)	(430.6)	1,740	14,624	(12,884)	(88.1)
<b>Net Income for the period</b>	\$ 36,949	\$ 30,186	6,763	22.4	\$ 94,498	\$ 92,794	1,704	1.8
Basic earnings per share	0.67	0.54	0.13	24.1	1.70	1.67	0.03	1.8
Diluted earnings per share	0.67	0.54	0.13	24.1	1.70	1.66	0.04	2.4
Operating cash flows	18,539	25,206	(6,667)	(26.5)	103,181	118,460	(15,279)	(12.9)
Operating cash flows excluding changes in working capital	37,740	42,385	(4,645)	(11.0)	145,074	167,807	(22,733)	(13.5)
<b>Adjusted EBITDA</b>								
Results from operating activities	33,149	39,135	(5,986)	(15.3)	129,667	155,233	(25,566)	(16.5)
Depreciation	709	791	(82)	(10.4)	2,799	3,003	(204)	(6.8)
Depreciation of right-of-use assets	1,824	2,168	(344)	(15.9)	7,754	9,369	(1,615)	(17.2)
Special charges	123	31	92	296.8	403	904	(501)	(55.4)
<b>Adjusted EBITDA</b>	\$ 35,805	\$ 42,125	(6,320)	(15.0)	\$ 140,623	\$ 168,509	(27,886)	(16.5)
<i>Adjusted EBITDA margin</i>	33.1%	37.2%			32.9%	36.1%		
<b>Adjusted EBITDA per diluted share</b>	\$ 0.65	\$ 0.75	(0.11)	(14.7)	\$ 2.53	\$ 3.02	(0.49)	(16.2)

## Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	As at October 31, 2022	As at October 31, 2021
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 225,104	\$ 195,890
Short-term investments	2,950	2,944
Accounts receivable	93,104	89,374
Prepaid expenses and other assets	12,848	13,322
Income taxes recoverable	492	2,130
	<b>334,498</b>	<b>303,660</b>
<b>Non-current assets:</b>		
Property and equipment	4,186	6,246
Right-of-use assets	20,063	25,943
Intangible assets	85,902	101,822
Goodwill	230,002	223,021
Deferred income tax assets	30,347	13,932
	<b>370,500</b>	<b>370,964</b>
	<b>\$ 704,998</b>	<b>\$ 674,624</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 60,525	\$ 71,506
Dividends payable	10,221	8,889
Provisions	3,183	5,588
Deferred revenue	83,122	80,614
Lease obligations	6,822	7,941
	<b>163,873</b>	<b>174,538</b>
<b>Non-current liabilities:</b>		
Income taxes payable	2,576	2,949
Deferred income tax liabilities	12,038	13,392
Deferred revenue	3,470	9,111
Net employee defined benefit obligation	1,821	2,663
Lease obligations	13,055	17,660
	<b>32,960</b>	<b>45,775</b>
	<b>196,833</b>	<b>220,313</b>
<b>Shareholders' equity</b>		
Share capital	107,007	106,470
Contributed surplus	8,882	7,406
Retained earnings	401,247	355,019
Accumulated other comprehensive loss	(8,971)	(14,584)
	<b>508,165</b>	<b>454,311</b>
	<b>\$ 704,998</b>	<b>\$ 674,624</b>

## Consolidated Statement of Operations and Comprehensive Income

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

Periods ended October 31	Three months		Twelve months	
	2022 (unaudited)	2021 (Unaudited)	2022	2021
<b>Revenue</b>				
Software licenses	\$ 25,588	\$ 24,798	\$ 90,602	\$ 105,072
SaaS and maintenance services	64,575	67,917	258,277	278,981
Professional services	16,066	18,121	68,648	71,197
Hardware	1,831	2,263	10,058	11,927
	<b>108,060</b>	<b>113,099</b>	<b>427,585</b>	<b>467,177</b>
<b>Direct costs</b>				
Software licenses	704	535	4,340	4,555
Services	30,594	29,422	119,762	117,670
Hardware	1,042	1,192	5,995	7,402
	32,340	31,149	130,097	129,627
<b>Revenue, net of direct costs</b>	<b>75,720</b>	<b>81,950</b>	<b>297,488</b>	<b>337,550</b>
<b>Operating expenses</b>				
Selling, general and administrative	21,727	22,959	84,603	91,844
Research and development	18,188	16,866	72,262	77,197
Depreciation	709	791	2,799	3,003
Depreciation of right-of-use assets	1,824	2,168	7,754	9,369
Special charges	123	31	403	904
	<b>42,571</b>	<b>42,815</b>	<b>167,821</b>	<b>182,317</b>
<b>Results from operating activities</b>	<b>33,149</b>	<b>39,135</b>	<b>129,667</b>	<b>155,233</b>
Amortization of acquired software and customer relationships	(8,826)	(10,438)	(36,174)	(42,421)
Foreign exchange gains (losses)	931	(62)	1,954	(2,038)
Interest expense – lease obligations	(164)	(218)	(735)	(1,036)
Finance income	651	52	1,192	214
Finance expenses	(27)	(10)	(89)	(86)
Other (expense) income	(507)	(486)	423	(2,448)
<b>Income before income taxes</b>	<b>25,207</b>	<b>27,973</b>	<b>96,238</b>	<b>107,418</b>
<b>(Recovery of) provision for income taxes</b>	<b>(11,742)</b>	<b>(2,213)</b>	<b>1,740</b>	<b>14,624</b>
<b>Net income for the period</b>	<b>\$ 36,949</b>	<b>\$ 30,186</b>	<b>\$ 94,498</b>	<b>\$ 92,794</b>
<u>Items that may be subsequently reclassified to income:</u>				
Cumulative translation adjustment	17,883	(6,352)	5,613	(25,541)
<b>Other comprehensive income (loss)</b>	<b>17,883</b>	<b>(6,352)</b>	<b>5,613</b>	<b>(25,541)</b>
<b>Comprehensive income</b>	<b>\$ 54,832</b>	<b>\$ 23,834</b>	<b>\$ 100,111</b>	<b>\$ 67,253</b>
<b>Earnings per share</b>				
Basic	\$ 0.67	\$ 0.54	\$ 1.70	\$ 1.67
Diluted	\$ 0.67	\$ 0.54	\$ 1.70	\$ 1.66

## Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Periods ended October 31	Three months		Twelve months	
	2022 (Unaudited)	2021 (Unaudited)	2022	2021
<b>OPERATING ACTIVITIES</b>				
Net income for the period	\$ 36,949	\$ 30,186	\$ 94,498	\$ 92,794
Adjustments for non-cash items				
Depreciation	709	791	2,799	3,003
Depreciation of right-of-use assets	1,824	2,168	7,754	9,369
Interest expense – lease obligations	164	218	735	1,036
Amortization of acquired software and customer relationships	8,826	10,438	36,174	42,421
Stock-based compensation expense	476	301	1,708	2,026
Provision for income taxes	(11,742)	(2,213)	1,740	14,624
Finance expenses and other (expense) income	534	496	(334)	2,534
	<b>37,740</b>	<b>42,385</b>	<b>145,074</b>	<b>167,807</b>
Changes in non-cash operating working capital	(14,467)	(11,814)	(26,139)	(21,671)
Income taxes paid	(4,734)	(5,365)	(15,754)	(27,676)
<b>Net cash provided by operating activities</b>	<b>18,539</b>	<b>25,206</b>	<b>103,181</b>	<b>118,460</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property and equipment, net	(321)	(1,484)	(919)	(3,333)
Acquisitions, net of cash acquired*	(14,139)	661	(20,231)	(35,476)
Recovery (payment) of purchase consideration for prior-year acquisitions	528	-	120	(158)
(Purchase) sale of short-term investments	-	(218)	(60)	1,352
<b>Net cash used in investing activities</b>	<b>(13,932)</b>	<b>(1,041)</b>	<b>(21,090)</b>	<b>(37,615)</b>
<b>FINANCING ACTIVITIES</b>				
Issuance of share capital	-	1,016	971	5,862
Normal course issuer bid share repurchases	(367)	-	(9,318)	-
Repayment of lease obligations	(2,010)	(2,314)	(8,235)	(9,633)
Dividends paid	(10,224)	(8,883)	(38,286)	(115,736)
<b>Net cash used in financing activities</b>	<b>(12,601)</b>	<b>(10,181)</b>	<b>(54,868)</b>	<b>(119,507)</b>
Impact of foreign exchange on cash and cash equivalents	7,152	(2,523)	1,991	(10,240)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(842)</b>	<b>11,461</b>	<b>29,214</b>	<b>(48,902)</b>
Cash and cash equivalents - beginning of period	225,946	184,429	195,890	244,792
<b>Cash and cash equivalents - end of period</b>	<b>\$ 225,104</b>	<b>\$ 195,890</b>	<b>\$ 225,104</b>	<b>\$ 195,890</b>

\* Acquisitions are net of cash acquired of nil and \$3,647 for the quarter and year ended October 31, 2022, respectively and nil and \$3,613 for the quarter and year ended October 31, 2021, respectively.

## Enghouse Systems Limited

### Segment Reporting Information

(in thousands of Canadian dollars)

For the period ended October 31, 2022	Three months			Twelve months		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	\$ 61,759	\$ 46,301	\$ 108,060	\$ 235,925	\$ 191,660	\$ 427,585
Direct costs	(15,815)	(16,525)	(32,340)	(62,079)	(68,018)	(130,097)
<b>Revenue, net of direct costs</b>	<b>45,944</b>	<b>29,776</b>	<b>75,720</b>	<b>173,846</b>	<b>123,642</b>	<b>297,488</b>
Operating expenses excluding special charges	(18,394)	(11,859)	(30,253)	(75,272)	(45,816)	(121,088)
Depreciation	(583)	(126)	(709)	(2,336)	(463)	(2,799)
Depreciation of right-of-use assets	(1,112)	(712)	(1,824)	(4,742)	(3,012)	(7,754)
<b>Segment profit</b>	<b>\$ 25,855</b>	<b>\$ 17,079</b>	<b>\$ 42,934</b>	<b>\$ 91,496</b>	<b>\$ 74,351</b>	<b>\$ 165,847</b>
Special charges			(123)			(403)
Corporate and shared service expenses			(9,662)			(35,777)
<b>Results from operating activities</b>			<b>\$ 33,149</b>			<b>\$ 129,667</b>

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)
<b>Revenue, net of direct costs</b>	<b>51,565</b>	<b>30,385</b>	<b>81,950</b>	<b>203,643</b>	<b>133,907</b>	<b>337,550</b>
Operating expenses excluding special charges	(19,505)	(13,249)	(32,754)	(88,064)	(49,306)	(137,370)
Depreciation	(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)
<b>Segment profit</b>	<b>\$ 30,179</b>	<b>\$ 16,058</b>	<b>\$ 46,237</b>	<b>\$ 107,109</b>	<b>\$ 80,699</b>	<b>\$ 187,808</b>
Special charges			(31)			(904)
Corporate and shared service expenses			(7,071)			(31,671)
<b>Results from operating activities</b>			<b>\$ 39,135</b>			<b>\$ 155,233</b>

#### About Enghouse

Enghouse is a Canadian publicly traded company (TSX:ENGH) that provides enterprise software solutions focusing on contact centers, video communications, virtual healthcare, telecommunications networks, public safety and the transit market. The Company's two-pronged growth strategy to grow earnings focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company has no outstanding external 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](http://www.enghouse.com).

#### Conference Call and Webcast

A conference call to discuss the results will be held on Friday, December 16, 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: 89712281 A webcast is also available at: [www.enghouse.com/investors.php](http://www.enghouse.com/investors.php).

#### For further information please contact:

Sam Anidjar

Vice President, Corporate Development

Tel: (905) 946-3200

Email: [investor@enghouse.com](mailto:investor@enghouse.com)

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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.*