



Enghouse Releases First Quarter Results

Markham, Ontario – March 9, 2023 – Enghouse Systems Limited (TSX:ENGH) today announced its first quarter unaudited financial results for the period ended January 31, 2023. All the financial information is in Canadian dollars unless otherwise indicated.

Financial and operational highlights for the three months ended January 31, 2023 compared to the three months ended January 31, 2022 are as follows:

- Revenue achieved was \$106.4 million compared to revenue of \$111.1 million;
- Results from operating activities was \$29.9 million compared to \$35.7 million;
- Net income was \$17.0 million compared to \$21.6 million;
- Adjusted EBITDA was \$32.3 million compared to \$38.6 million;
- Cash flows from operating activities excluding changes in working capital were \$32.6 million compared to \$38.7 million.

Over the last four quarters, revenue in both the Asset and Interactive Management Groups has stabilized significantly, particularly in comparison to the revenue fluctuations that were driven by changing demands throughout the COVID-19 pandemic. Despite the ongoing shift to the cloud, inflation, rising interest rates, economic uncertainty and some competitors experiencing significant financial distress announcing restructuring and employee layoffs, Enghouse continues to operate consistently with positive income and operating cashflows. Enghouse remains well positioned to complete and fund future acquisitions. Subsequent to quarter end, we announced the acquisitions of Qumu and Navita with integrations progressing according to plan.

Net income for the quarter was \$0.31 per diluted share, compared to \$0.39 per diluted share in the same period last year. The decrease in net income is primarily a result of a reduction in software licenses alongside lower gross margins from professional services relating to our large public transportation projects. Adjusted EBITDA was \$32.3 million or \$0.58 per diluted share, compared to \$38.6 million or \$0.69 per diluted share in the first quarter of 2022.

Enghouse closed the quarter with \$250.7 million in cash, cash equivalents and short-term investments, compared to \$228.1 million at October 31, 2022 with no external debt financing. The cash balance was achieved after making payments of \$10.2 million for dividends in the quarter. Enghouse remains focused on its long-term growth strategy, investing in products while ensuring profitability and maximizing operating cashflows. As a result, Enghouse continues to replenish its acquisition capital while annually increasing its eligible quarterly dividend.

Quarterly dividends:

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.22 per common share, an increase of 18.9% over the prior dividend, payable on May 31, 2023 to shareholders of record at the close of business on May 17, 2023. This represents the 15th consecutive year in which the Company increased its dividend by over 10%.

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

For the periods ended January 31	Three months			
	2023	2022	Var (\$)	Var (%)
Revenue	\$ 106,435	\$ 111,102	(4,667)	(4.2)
Direct costs	34,808	32,828	1,980	6.0
Revenue, net of direct costs	\$ 71,627	\$ 78,274	(6,647)	(8.5)
<i>As a % of revenue</i>	67.3%	70.5%		
Operating expenses	41,710	42,551	(841)	(2.0)
Special charges	28	18	10	55.6
Results from operating activities	\$ 29,889	\$ 35,705	(5,816)	(16.3)
<i>As a % of revenue</i>	28.1%	32.1%		
Amortization of acquired software and customer relationships	(8,832)	(9,657)	825	8.5
Foreign exchange losses	(1,053)	(336)	(717)	(213.4)
Interest expense – lease obligations	(167)	(202)	35	17.3
Finance income	976	129	847	656.6
Finance expenses	(7)	(23)	16	69.6
Other (expenses) income	(127)	1,000	(1,127)	(112.7)
Income before income taxes	\$ 20,679	\$ 26,616	(5,937)	(22.3)
Provision for income taxes	3,656	5,019	(1,363)	(27.2)
Net income for the period	\$ 17,023	\$ 21,597	(4,574)	(21.2)
Basic earnings per share	0.31	0.39	(0.08)	(20.5)
Diluted earnings per share	0.31	0.39	(0.08)	(20.5)
Operating cash flows	29,262	24,342	4,920	20.2
Operating cash flows excluding changes in working capital	32,632	38,743	(6,111)	(15.8)
Adjusted EBITDA				
Results from operating activities	29,889	35,705	(5,816)	(16.3)
Depreciation	626	720	(94)	13.1
Depreciation of right-of-use assets	1,736	2,112	(376)	17.8
Special charges	28	18	10	(55.6)
Adjusted EBITDA	\$ 32,279	\$ 38,555	(6,276)	(16.3)
<i>Adjusted EBITDA margin</i>	30.3%	34.7%		
Adjusted EBITDA per diluted share	\$ 0.58	\$ 0.69	(0.11)	(15.9)

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(unaudited)

	As at January 31, 2023	As at October 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 247,801	\$ 225,104
Short-term investments	2,863	2,950
Accounts receivable	106,461	93,104
Prepaid expenses and other assets	14,567	12,848
Income taxes recoverable	-	492
	371,692	334,498
Non-current assets:		
Property and equipment	3,802	4,186
Right-of-use assets	18,469	20,063
Intangible assets	78,343	85,902
Goodwill	234,101	230,002
Deferred income tax assets	31,499	30,347
	366,214	370,500
	\$ 737,906	\$ 704,998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 57,906	\$ 60,525
Income taxes payable	32	-
Dividends payable	10,224	10,221
Provisions	2,640	3,183
Deferred revenue	103,535	83,122
Lease obligations	7,495	6,822
	181,832	163,873
Non-current liabilities:		
Income taxes payable	1,283	2,576
Deferred income tax liabilities	12,672	12,038
Deferred revenue	3,717	3,470
Net employee defined benefit obligation	1,960	1,821
Lease obligations	10,673	13,055
	30,305	32,960
	212,137	196,833
Shareholders' equity		
Share capital	107,728	107,007
Contributed surplus	9,223	8,882
Retained earnings	408,046	401,247
Accumulated other comprehensive income (loss)	772	(8,971)
	525,769	508,165
	\$ 737,906	\$ 704,998

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	
	2023	2022
Revenue		
Software licenses	\$ 20,735	\$ 23,778
SaaS and maintenance services	66,503	66,427
Professional services	16,891	17,952
Hardware	2,306	2,945
	106,435	111,102
Direct costs		
Software licenses	870	1,327
Services	32,425	29,594
Hardware	1,513	1,907
	34,808	32,828
Revenue, net of direct costs	71,627	78,274
Operating expenses		
Selling, general and administrative	20,798	22,407
Research and development	18,550	17,312
Depreciation	626	720
Depreciation of right-of-use assets	1,736	2,112
Special charges	28	18
	41,738	42,569
Results from operating activities	29,889	35,705
Amortization of acquired software and customer relationships	(8,832)	(9,657)
Foreign exchange losses	(1,053)	(336)
Interest expense – lease obligations	(167)	(202)
Finance income	976	129
Finance expenses	(7)	(23)
Other (expenses) income	(127)	1,000
Income before income taxes	20,679	26,616
Provision for income taxes	3,656	5,019
Net income for the period	\$ 17,023	\$ 21,597
<u>Items that may be subsequently reclassified to income:</u>		
Cumulative translation adjustment	9,743	4,126
Other comprehensive income	9,743	4,126
Comprehensive income	\$ 26,766	\$ 25,723
Earnings per share		
Basic	\$ 0.31	\$ 0.39
Diluted	\$ 0.31	\$ 0.39

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended January 31	Three months	
	2023	2022
OPERATING ACTIVITIES		
Net income for the period	\$ 17,023	\$ 21,597
Adjustments for non-cash items		
Depreciation	626	720
Depreciation of right-of-use assets	1,736	2,112
Interest expense – lease obligations	167	202
Amortization of acquired software and customer relationships	8,832	9,657
Stock-based compensation expense	458	413
Provision for income taxes	3,656	5,019
Finance and other expenses (income)	134	(977)
	32,632	38,743
Changes in non-cash operating working capital	2,002	(11,202)
Income taxes paid	(5,372)	(3,199)
Net cash provided by operating activities	29,262	24,342
INVESTING ACTIVITIES		
Net (purchase) sale of property and equipment	(105)	235
Purchase of short-term investments	(69)	-
Net cash (used in) provided by investing activities	(174)	235
FINANCING ACTIVITIES		
Issuance of share capital	604	-
Repayment of lease obligations	(1,810)	(2,093)
Dividends paid	(10,221)	(8,889)
Net cash used in financing activities	(11,427)	(10,982)
Impact of foreign exchange on cash and cash equivalents	5,036	1,414
Increase in cash and cash equivalents	22,697	15,009
Cash and cash equivalents – beginning of period	225,104	195,890
Cash and cash equivalents – end of period	\$ 247,801	\$ 210,899

Enghouse Systems Limited

Segment Reporting Information

(in thousands of Canadian dollars)

Three months ended January 31	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	\$ 57,852	\$ 48,583	\$ 106,435	\$ 61,871	\$ 49,231	\$ 111,102
Direct costs	(16,431)	(18,377)	(34,808)	(15,444)	(17,384)	(32,828)
Revenue, net of direct costs	41,421	30,206	71,627	46,427	31,847	78,274
Operating expenses excluding special charges	(19,250)	(11,321)	(30,571)	(19,551)	(11,172)	(30,723)
Depreciation	(537)	(89)	(626)	(596)	(124)	(720)
Depreciation of right-of-use assets	(1,100)	(636)	(1,736)	(1,327)	(785)	(2,112)
Segment profit	\$ 20,534	\$ 18,160	\$ 38,694	\$ 24,953	\$ 19,766	\$ 44,719
Special charges			(28)			(18)
Corporate and shared service expenses			(8,777)			(8,996)
Results from operating activities			\$ 29,889			\$ 35,705

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 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, March 10, 2023 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: 09140113. 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.