



Enghouse Releases Third Quarter Results

Markham, Ontario – September 7, 2023 – Enghouse Systems Limited (TSX:ENGH) announces its financial performance for the third quarter and unaudited financial results for the period ended July 31, 2023. All figures are denominated in Canadian dollars unless otherwise indicated.

Highlights for the Third Quarter ended July 31, 2023:

- Revenue increased 8.7%, notably, while expanding our recurring revenue 13.8% to \$72.3 million compared to the same period in the prior year.
- Operating profits improved, with a 30.1% EBITDA margin.
- Operating cash flows increased as a result of improved operating profits and cash collections.

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

- Revenue increased to \$111.0 and \$330.9 million, respectively, compared to revenue of \$102.1 and \$319.5 million;
- Results from operating activities were \$30.9 and \$86.4 million, respectively, compared to \$29.8 and \$96.5 million;
- Net income was \$17.6 and \$47.1 million, respectively, compared to \$18.1 and \$57.5 million;
- Adjusted EBITDA was \$33.4 and \$95.9 million, respectively, compared to \$32.5 and \$104.8 million;
- Cash flow from operating activities, excluding changes in working capital, was \$35.5 and \$97.0 million, respectively, compared to \$34.1 and \$107.3 million.

These achievements are largely attributable to the strategic investments channeled into various facets of the business. These include acquisitions, investing in product enhancements, bolstering our SaaS offering, refining our go-to-market capabilities, optimizing internal systems and growing our acquisition team.

Increased revenue, operating profits and cash flows ultimately culminated in our quarter-end holdings of cash, cash equivalents, and short-term investments of \$249.7 million, representing a near return to the January 31, 2023 cash balance of \$250.7 million even after disbursing \$22.4 million in shareholder dividends and \$29.0 million for acquisitions subsequent to January 31st.

Subsequent to quarter end, on August 1, 2023, Enghouse completed the acquisition of substantially all the assets of Lifesize Inc., a cloud communications company. The acquisition was completed for a purchase price of approximately USD \$20.7 million, bringing our total capital deployed on acquisitions in the year to over \$56.0 million as of August 1, 2023. The macroeconomic environment of increasing interest rates and a more difficult funding environment for technology companies continues to generate more acquisition opportunities for Enghouse that meet our financial and operational criteria.

Quarterly dividends:

Today, the Board of Directors approved the Company's eligible quarterly dividend of \$0.22 per common share, payable on November 30, 2023 to shareholders of record at the close of business on November 16, 2023.

Enghouse Systems Limited

Financial Highlights

(unaudited, in thousands of Canadian dollars)

For the period ended July 31	Three months				Nine months			
	2023	2022	Var (\$)	Var (%)	2023	2022	Var (\$)	Var (%)
Revenue	\$ 110,997	\$ 102,111	8,886	8.7	\$ 330,893	\$ 319,525	11,368	3.6
Direct costs	35,872	31,348	4,524	14.4	108,786	97,757	11,029	11.3
Revenue, net of direct costs	\$ 75,125	\$ 70,763	4,362	6.2	\$ 222,107	\$ 221,768	339	0.2
<i>As a % of revenue</i>	67.7%	69.3%			67.1%	69.4%		
Operating expenses	43,901	40,790	3,111	7.6	133,323	124,970	8,353	6.7
Special charges	331	216	115	53.2	2,360	280	2,080	742.9
Results from operating activities	\$ 30,893	\$ 29,757	1,136	3.8	\$ 86,424	\$ 96,518	(10,094)	(10.5)
<i>As a % of revenue</i>	27.8%	29.1%			26.1%	30.2%		
Amortization of acquired software and customer relationships	(9,730)	(8,484)	(1,246)	(14.7)	(28,400)	(27,348)	(1,052)	(3.8)
Foreign exchange (losses) gains	356	1,045	(689)	(65.9)	(1,487)	1,023	(2,510)	(245.4)
Interest expense – lease obligations	(172)	(173)	1	0.6	(531)	(571)	40	7.0
Finance income	1,701	290	1,411	486.6	3,683	541	3,142	580.8
Finance expenses	(5)	(18)	13	72.2	(136)	(62)	(74)	(119.4)
Other (expenses) income	(1,312)	(93)	(1,219)	(1310.8)	(1,967)	930	(2,897)	(311.5)
Income before income taxes	\$ 21,731	\$ 22,324	(593)	(2.7)	\$ 57,586	\$ 71,031	(13,445)	(18.9)
Provision for income taxes	4,164	4,243	(79)	(1.9)	10,460	13,482	(3,022)	(22.4)
Net Income for the period	\$ 17,567	\$ 18,081	(514)	(2.8)	\$ 47,126	\$ 57,549	(10,423)	(18.1)
Basic earnings per share	0.32	0.33	(0.01)	(3.0)	0.85	1.04	(0.19)	(18.3)
Diluted earnings per share	0.32	0.33	(0.01)	(3.0)	0.85	1.03	(0.18)	(17.5)
Operating cash flows	39,020	29,158	9,862	33.8	86,980	84,642	2,338	2.8
Operating cash flows excluding changes in working capital	35,481	34,081	1,400	4.1	96,988	107,334	(10,346)	(9.6)
Adjusted EBITDA								
Results from operating activities	30,893	29,757	1,136	3.8	86,424	96,518	(10,094)	(10.5)
Depreciation	585	665	(80)	12.0	1,824	2,090	(266)	12.7
Depreciation of right-of-use assets	1,606	1,849	(243)	13.1	5,273	5,930	(657)	11.1
Special charges	331	216	115	(53.2)	2,360	280	2,080	(742.9)
Adjusted EBITDA	\$ 33,415	\$ 32,487	928	2.9	\$ 95,881	\$ 104,818	(8,937)	(8.5)
<i>Adjusted EBITDA margin</i>	30.1%	31.8%			29.0%	32.8%		
Adjusted EBITDA per diluted share	\$ 0.60	\$ 0.59	0.01	1.7	\$ 1.73	\$ 1.88	(0.15)	(8.0)

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)
(unaudited)

	As at July 31, 2023	As at October 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 248,784	\$ 225,104
Short-term investments	892	2,950
Accounts receivable	91,724	93,104
Prepaid expenses and other assets	14,590	12,848
Income taxes recoverable	-	492
	355,990	334,498
Non-current assets:		
Property and equipment	3,384	4,186
Right-of-use assets	13,408	20,063
Intangible assets	89,644	85,902
Goodwill	252,257	230,002
Deferred income tax assets	31,290	30,347
	389,983	370,500
	\$ 745,973	\$ 704,998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 60,632	\$ 60,525
Income taxes payable	1,893	-
Dividends payable	12,159	10,221
Provisions	1,999	3,183
Deferred revenue	102,018	83,122
Lease obligations	6,304	6,822
	185,005	163,873
Non-current liabilities:		
Income taxes payable	1,266	2,576
Deferred income tax liabilities	15,560	12,038
Deferred revenue	5,095	3,470
Net employee defined-benefit obligation	1,972	1,821
Lease obligations	7,047	13,055
	30,940	32,960
	215,945	196,833
Shareholders' equity:		
Share capital	107,728	107,007
Contributed surplus	10,036	8,882
Retained earnings	413,829	401,247
Accumulated other comprehensive loss	(1,565)	(8,971)
	530,028	508,165
	\$ 745,973	\$ 704,998

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	
	2023	2022	2023	2022
Revenue				
Software licenses	\$ 19,836	\$ 19,816	\$ 62,587	\$ 65,014
SaaS and maintenance services	72,302	63,530	210,439	193,702
Professional services	15,904	16,751	50,790	52,582
Hardware	2,955	2,014	7,077	8,227
	110,997	102,111	330,893	319,525
Direct costs				
Software licenses	720	1,023	2,288	3,636
Services	33,476	29,014	102,694	89,168
Hardware	1,676	1,311	3,804	4,953
	35,872	31,348	108,786	97,757
Revenue, net of direct costs	75,125	70,763	222,107	221,768
Operating expenses				
Selling, general and administrative	22,454	20,572	67,187	62,876
Research and development	19,256	17,704	59,039	54,074
Depreciation	585	665	1,824	2,090
Depreciation of right-of-use assets	1,606	1,849	5,273	5,930
Special charges	331	216	2,360	280
	44,232	41,006	135,683	125,250
Results from operating activities	30,893	29,757	86,424	96,518
Amortization of acquired software and customer relationships	(9,730)	(8,484)	(28,400)	(27,348)
Foreign exchange gains (losses)	356	1,045	(1,487)	1,023
Interest expense – lease obligations	(172)	(173)	(531)	(571)
Finance income	1,701	290	3,683	541
Finance expenses	(5)	(18)	(136)	(62)
Other (expenses) income	(1,312)	(93)	(1,967)	930
Income before income taxes	21,731	22,324	57,586	71,031
Provision for income taxes	4,164	4,243	10,460	13,482
Net income for the period	17,567	18,081	47,126	57,549
<u>Item that may be subsequently reclassified to income:</u>				
Cumulative translation adjustment	(13,632)	(7,194)	7,406	(12,266)
Other comprehensive (loss) income	(13,632)	(7,194)	7,406	(12,266)
Comprehensive income	\$ 3,935	\$ 10,887	\$ 54,532	\$ 45,283
Earnings per share				
Basic	\$ 0.32	\$ 0.33	\$ 0.85	\$ 1.04
Diluted	\$ 0.32	\$ 0.33	\$ 0.85	\$ 1.03

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended July 31	Three months		Nine months	
	2023	2022	2023	2022
OPERATING ACTIVITIES				
Net income for the period	\$ 17,567	\$ 18,081	\$ 47,126	\$ 57,549
Adjustments for non-cash items				
Depreciation	585	665	1,824	2,090
Depreciation of right-of-use assets	1,606	1,849	5,273	5,930
Interest expense – lease obligations	172	173	531	571
Amortization of acquired software and customer relationships	9,730	8,484	28,400	27,348
Stock-based compensation expense	340	475	1,271	1,232
Provision for income taxes	4,164	4,243	10,460	13,482
Finance and other expenses (income)	1,317	111	2,103	(868)
	35,481	34,081	96,988	107,334
Changes in non-cash operating working capital	4,367	(1,983)	380	(11,672)
Income taxes paid	(828)	(2,940)	(10,388)	(11,020)
Net cash provided by operating activities	39,020	29,158	86,980	84,642
INVESTING ACTIVITIES				
Net purchase of property and equipment	(436)	(240)	(607)	(598)
Acquisitions, net of cash acquired*	(2,361)	(6,092)	(27,978)	(6,092)
Purchase consideration for prior-year acquisition	(1,245)	-	(1,012)	(408)
Purchase of short-term investments	-	-	(69)	(60)
Net cash used in investing activities	(4,042)	(6,332)	(29,666)	(7,158)
FINANCING ACTIVITIES				
Issuance of share capital	-	-	604	970
Normal course issuer bid repurchases	-	(8,950)	-	(8,950)
Repayment of lease obligations	(1,474)	(1,984)	(5,754)	(6,225)
Dividends paid	(12,160)	(10,284)	(32,606)	(28,062)
Net cash used in financing activities	(13,634)	(21,218)	(37,756)	(42,267)
Impact of foreign exchange on cash and cash equivalents	(4,711)	(3,039)	4,122	(5,161)
Increase (decrease) in cash and cash equivalents	16,633	(1,431)	23,680	30,056
Cash and cash equivalents - beginning of period	232,151	227,377	225,104	195,890
Cash and cash equivalents - end of period	\$ 248,784	\$ 225,946	\$ 248,784	\$ 225,946

* Acquisitions are net of cash acquired of nil and \$2,088 for the three and nine months ended July 31, 2023, respectively, and \$3,647 for both the three and nine months ended July 31, 2022.

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

Three months ended July 31	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	\$ 64,302	\$ 46,695	\$ 110,997	\$ 55,077	\$ 47,034	\$ 102,111
Direct costs	(18,884)	(16,988)	(35,872)	(15,508)	(15,840)	(31,348)
Revenue, net of direct costs	45,418	29,707	75,125	39,569	31,194	70,763
Operating expenses excluding special charges	(20,401)	(10,803)	(31,204)	(17,916)	(11,683)	(29,599)
Depreciation	(403)	(182)	(585)	(557)	(108)	(665)
Depreciation of right-of-use assets	(1,239)	(367)	(1,606)	(1,111)	(738)	(1,849)
Segment profit	\$ 23,375	\$ 18,355	\$ 41,730	\$ 19,985	\$ 18,665	\$ 38,650
Special charges			(331)			(216)
Corporate and shared service expenses			(10,506)			(8,677)
Results from operating activities			\$ 30,893			\$ 29,757

Nine months ended July 31	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	\$ 186,733	\$ 144,160	\$ 330,893	\$ 174,166	\$ 145,359	\$ 319,525
Direct costs	(54,451)	(54,335)	(108,786)	(46,264)	(51,493)	(97,757)
Revenue, net of direct costs	132,282	89,825	222,107	127,902	93,866	221,768
Operating expenses excluding special charges	(62,686)	(34,719)	(97,405)	(56,878)	(33,957)	(90,835)
Depreciation	(1,484)	(340)	(1,824)	(1,753)	(337)	(2,090)
Depreciation of right-of-use assets	(3,280)	(1,993)	(5,273)	(3,630)	(2,300)	(5,930)
Segment profit	\$ 64,832	\$ 52,773	\$ 117,605	\$ 65,641	\$ 57,272	\$ 122,913
Special charges			(2,360)			(280)
Corporate and shared service expenses			(28,821)			(26,115)
Results from operating activities			\$ 86,424			\$ 96,518

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 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.

Conference Call and Webcast

A conference call to discuss the results will be held on Friday, September 8, 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: 06869377. 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.