

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

For the period ended July 31	Three months				Nine months			
	2020	2019	Variance		2020	2019	Variance	
	\$	\$	\$	%	\$	\$	\$	%
Revenue	131,324	101,274	30,050	29.7	382,880	276,522	106,358	38.5
Direct costs	39,740	31,749	7,991	25.2	111,916	86,421	25,495	29.5
Revenue, net of direct costs	91,584	69,525	22,059	31.7	270,964	190,101	80,863	42.5
<i>As a % of revenue</i>	69.7%	68.7%			70.8%	68.7%		
Operating expenses	49,351	42,038	7,313	17.4	150,157	110,142	40,015	36.3
Special charges	35	470	(435)	(92.6)	1,490	526	964	183.3
Results from operating activities	42,198	27,017	15,181	56.2	119,317	79,433	39,884	50.2
<i>As a % of revenue</i>	32.1%	26.7%			31.2%	28.7%		
Amortization of acquired software and customer relationships	(11,502)	(8,453)	(3,049)	(36.1)	(33,182)	(22,453)	(10,729)	(47.8)
Foreign exchange (losses) gains	(1,102)	(131)	(971)	(741.2)	(1,148)	433	(1,581)	(365.1)
Interest expense – lease obligations	(302)	-	(302)	-	(864)	-	(864)	-
Finance income	209	469	(260)	(55.4)	691	1,474	(783)	(53.1)
Finance expenses	(5)	(11)	6	54.5	(39)	(66)	27	40.9
Other income	3,827	(64)	3,891	6079.7	4,224	411	3,813	927.7
Income before income taxes	33,323	18,827	14,496	77.0	88,999	59,232	29,767	50.3
Provision for income taxes	7,330	4,166	3,164	75.9	19,781	13,070	6,711	51.3
Net Income for the period	25,993	14,661	11,332	77.3	69,218	46,162	23,056	49.9
Basic earnings per share	0.47	0.27	0.20	74.1	1.26	0.84	0.42	50.0
Diluted earnings per share	0.46	0.27	0.19	70.4	1.25	0.84	0.41	48.8
Operating cash flows	55,690	13,862	41,828	301.7	133,156	59,646	73,510	123.2
Operating cash flows excluding changes in working capital	45,294	28,531	16,763	58.8	130,510	84,662	45,848	54.2
Adjusted EBITDA								
Results from operating activities	42,198	27,017	15,181	56.2	119,317	79,433	39,884	50.2
Depreciation	801	570	231	40.5	2,446	1,599	847	53.0
Depreciation of right-of-use asset	2,534	-	2,534	-	6,925	-	6,925	-
Special charges	35	470	(435)	(92.6)	1,490	526	964	183.3
Adjusted EBITDA	45,568	28,057	17,511	62.4	130,178	81,558	48,620	59.6
<i>Adjusted EBITDA margin</i>	34.7%	27.7%			34.0%	29.5%		
Adjusted EBITDA per diluted share	0.81	0.51	0.30	58.8	2.35	1.48	0.87	58.8

Enghouse Systems Limited
Consolidated Interim Statements of Financial Position
(Unaudited, in thousands of Canadian dollars)

	As at July 31, 2020	As at October 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 219,423	\$ 144,764
Short-term investments	9,515	5,505
Accounts receivable	98,360	84,982
Prepaid expenses and other assets	12,346	11,147
	339,644	246,398
Non-current assets:		
Property and equipment	6,554	6,280
Right-of-use assets	38,457	-
Intangible assets	135,831	121,885
Goodwill	221,540	203,298
Deferred income tax assets	16,073	12,739
	418,455	344,202
	\$ 758,099	\$ 590,600
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 74,288	\$ 62,813
Income taxes payable	15,459	6,953
Dividends payable	7,463	6,021
Provisions	6,139	6,536
Deferred revenue	106,033	78,405
Lease obligations	8,370	-
Current portion of long-term loans	269	249
	218,021	160,977
Non-current liabilities:		
Non-current portion of income taxes payable	3,854	4,434
Deferred income tax liabilities	15,868	16,197
Deferred revenue	6,304	3,665
Net employee defined benefit obligation	2,896	2,380
Lease obligations	28,969	-
Long-term loans	875	874
	58,766	27,550
	276,787	188,527
Shareholders' equity		
Share capital	98,527	81,576
Contributed surplus	5,366	6,677
Retained earnings	357,478	309,198
Accumulated other comprehensive income	19,941	4,622
	481,312	402,073
	\$ 758,099	\$ 590,600

Enghouse Systems Limited
Condensed Consolidated Interim Statements of Operations and Comprehensive Income
(Unaudited, in thousands of Canadian dollars)

Periods ended July 31	Three months		Nine months	
	2020	2019	2020	2019
Revenue				
Software licenses	\$ 29,438	\$ 22,081	\$ 106,629	\$ 62,328
Hosted and maintenance services	77,356	58,416	213,733	158,699
Professional services	16,059	15,281	47,329	43,927
Hardware	8,471	5,496	15,189	11,568
	131,324	101,274	382,880	276,522
Direct costs				
Software licenses	2,058	1,327	8,445	4,058
Services	30,417	26,399	91,843	74,125
Hardware	7,265	4,023	11,628	8,238
	39,740	31,749	111,916	86,421
Revenue, net of direct costs	91,584	69,525	270,964	190,101
Operating expenses				
Selling, general and administrative	25,812	24,890	80,106	66,786
Research and development	20,204	16,578	60,680	41,757
Depreciation	801	570	2,446	1,599
Depreciation of right-of-use assets	2,534	-	6,925	-
Special charges	35	470	1,490	526
	49,386	42,508	151,647	110,668
Results from operating activities	42,198	27,017	119,317	79,433
Amortization of acquired software and customer relationships	(11,502)	(8,453)	(33,182)	(22,453)
Foreign exchange (losses) gains	(1,102)	(131)	(1,148)	433
Interest expense – lease obligations	(302)	-	(864)	-
Finance income	209	469	691	1,474
Finance expenses	(5)	(11)	(39)	(66)
Other income (expense)	3,827	(64)	4,224	411
Income before income taxes	33,323	18,827	88,999	59,232
Provision for income taxes	7,330	4,166	19,781	13,070
Net income for the period	\$ 25,993	\$ 14,661	\$ 69,218	\$ 46,162
<u>Items that may be subsequently reclassified to income:</u>				
Cumulative translation adjustment	2,868	(9,947)	15,319	(3,966)
Other comprehensive income (loss)	2,868	(9,947)	15,319	(3,966)
Comprehensive income	\$ 28,861	\$ 4,714	\$ 84,537	\$ 42,196
Earnings per share				
Basic	\$ 0.47	\$ 0.27	\$ 1.26	\$ 0.84
Diluted	\$ 0.46	\$ 0.27	\$ 1.25	\$ 0.84

Enghouse Systems Limited
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited, in thousands of Canadian dollars)

Periods ended July 31	Three months		Nine months	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Net income for the period	\$ 25,993	\$ 14,661	\$ 69,218	\$ 46,162
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	801	570	2,446	1,599
Depreciation of right-of-use assets	2,534	-	6,925	-
Interest expense – lease obligations	302	-	864	-
Amortization of acquired software and customer relationships	11,502	8,453	33,182	22,453
Stock-based compensation expense	654	606	2,279	1,723
Provision for income taxes	7,330	4,166	19,781	13,070
Finance expenses and other (income) expenses	(3,822)	75	(4,185)	(345)
	45,294	28,531	130,510	84,662
Changes in non-cash operating working capital	17,614	(10,174)	18,150	(10,801)
Income taxes paid	(7,218)	(4,495)	(15,504)	(14,215)
Net cash provided by operating activities	55,690	13,862	133,156	59,646
INVESTING ACTIVITIES				
Purchase of property and equipment	(458)	(559)	(1,902)	(1,340)
Acquisitions, net of cash acquired*	1,103	(68,667)	(46,561)	(94,233)
Purchase consideration for prior-year acquisitions	3,201	-	2,655	(1,105)
Purchase of short-term investments	233	743	(1,569)	(1,110)
Net cash provided by (used in) investing activities	4,079	(68,483)	(47,377)	(97,788)
FINANCING ACTIVITIES				
Interest paid on lease obligations	(302)	-	(864)	-
Issuance of share capital	7,789	563	13,361	1,348
Repayment of loans	-	-	(62)	(957)
Repayment of lease obligations	(2,181)	-	(6,071)	-
Dividends paid	(7,427)	(6,011)	(19,496)	(15,840)
Net cash used in financing activities	(2,121)	(5,448)	(13,132)	(15,449)
Effect of currency translation adjustments on cash and cash equivalents	(555)	(3,393)	2,012	(538)
Increase (decrease) in cash and cash equivalents	57,093	(63,462)	74,659	(54,129)
Cash and cash equivalents - beginning of period	162,330	196,884	144,764	187,551
Cash and cash equivalents - end of period	\$ 219,423	\$ 133,422	\$ 219,423	\$ 133,422

* Acquisitions are net of cash acquired of nil and \$6,906 for the three and nine months ended July 31, 2020, respectively, and \$27,683 and \$33,965 for the three and nine months ended July 31, 2019, respectively.

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

Three months ended July 31, 2020	IMG	AMG	Total
Revenue	\$ 75,151	\$ 56,173	\$ 131,324
Direct costs	(18,152)	(21,588)	(39,740)
Revenue, net of direct costs	56,999	34,585	91,584
Operating expenses excluding special charges	(22,871)	(12,735)	(35,606)
Depreciation of property and equipment	(646)	(155)	(801)
Depreciation of right-of-use assets	(1,447)	(1,087)	(2,534)
Segment profit	\$ 32,035	\$ 20,608	\$ 52,643
Special charges			(35)
Corporate and shared service expenses			(10,410)
Results from operating activities			\$ 42,198

Three months ended July 31, 2019	IMG	AMG	Total
Revenue	\$ 56,869	\$ 44,405	\$ 101,274
Direct costs	(14,838)	(16,911)	(31,749)
Revenue, net of direct costs	42,031	27,494	69,525
Operating expenses excluding special charges	(20,163)	(12,506)	(32,669)
Depreciation of property and equipment	(404)	(166)	(570)
Segment profit	\$ 21,464	\$ 14,822	\$ 36,286
Special charges			(470)
Corporate and shared service expenses			(8,799)
Results from operating activities			\$ 27,017

Nine months ended July 31, 2020	IMG	AMG	Total
Revenue	\$ 227,949	\$ 154,931	\$ 382,880
Direct costs	(54,240)	(57,676)	(111,916)
Revenue, net of direct costs	173,709	97,255	270,964
Operating expenses excluding special charges	(69,722)	(40,815)	(110,537)
Depreciation of property and equipment	(1,619)	(827)	(2,446)
Depreciation of right-of-use assets	(3,891)	(3,034)	(6,925)
Segment profit	\$ 98,477	\$ 52,579	\$ 151,056
Special charges			(1,490)
Corporate and shared service expenses			(30,249)
Results from operating activities			\$ 119,317

Nine months ended July 31, 2019	IMG	AMG	Total
Revenue	\$ 144,863	\$ 131,659	\$ 276,522
Direct costs	(37,877)	(48,544)	(86,421)
Revenue, net of direct costs	106,986	83,115	190,101
Operating expenses excluding special charges	(51,642)	(34,363)	(86,005)
Depreciation of property and equipment	(1,184)	(415)	(1,599)
Segment profit	\$ 54,160	\$ 48,337	\$ 102,497
Special charges			(526)
Corporate and shared service expenses			(22,538)
Results from operating activities			\$ 79,433