

Halogen Announces Fourth Quarter and Full Year 2015 Results

- *Delivers total revenue growth of 14%, including 15% recurring revenue growth*

Ottawa, ON – February 25, 2016 – [Halogen Software Inc.](#) (“Halogen” or the “Company”) (TSX: HGN), a leading provider of cloud-based talent management solutions, today announced its financial results for the three and twelve months ended December 31, 2015. All figures are stated in United States dollars unless otherwise noted.

Fourth Quarter 2015 Financial and Operational Highlights:

- Recurring revenue increased 15% from Q4 2014 to \$15.7 million, representing 91% of total revenue in the quarter.
- Total revenue increased 14% from Q4 2014 to \$17.2 million.
- Deferred revenue rose 12% year-over-year to \$36.9 million.
- Dollar retention continued to be more than 100%¹.
- The Company added key customers across all regions and strategic verticals including: healthcare organizations like Exeter Health Resources, Mississippi Baptist Health Systems, and VillageCare of New York; professional services firms such as Synpulse Schweiz in Switzerland, and the British Medical Association in the UK; financial services firms like Texas Regional Bank, and Nexus Insurance Brokers in the UAE; and global wins in manufacturing, construction and transport, with NEC Display solutions, Sydney Airport Authority in Australia, and Gazprom Marketing and Trading in the UK.
- The company launched version 12 of the Halogen TalentSpace suite, featuring an enhanced user experience, improved Talent Profile capabilities, new additions to Halogen’s reporting framework, and additional language support.
- Halogen released a cloud-based service called Halogen TalentSpace Connect[™], which is built on the Dell Boomi platform and gives customers a two-way seamless, secure connection between their HRIS systems of record and their Halogen solutions.
- Nucleus Research positioned Halogen as a leader in their Talent Management Technology Value Matrix report.
- End-user review site G2Crowd recognized Halogen as a leader in Talent Management, Performance Management and Learning Management solutions reports.
- The company was a recipient of the Brandon Hall Group Bronze Excellence Award for Innovation in Leadership Development.

¹ Calculated by taking the annualized recurring revenue of customers at the beginning of a 12-month period and dividing it into annualized recurring revenue for those same customers at the end of the period.

Full Year 2015 Financial Highlights

- Recurring revenue increased 17% from 2014 to \$59.5 million, representing 91% of total revenue in the year.
- Total revenue increased 16% over 2014 to a record \$65.7 million.
- Total cash and investments of \$36.1 million at December 31, 2015.
- Under a Normal Course Issuer Bid to purchase up to a maximum of 600,000 common shares, Halogen purchased and cancelled a total of 376,743 common shares for approximately \$2.4 million in 2015, including 256,100 shares for approximately \$1.5 million in the fourth quarter of 2015.

“I am pleased with our fourth quarter financial performance; our revenue was above our guidance range and we continued improvement to our adjusted EBITDA”, said Les Rechan, Halogen's CEO. “Looking ahead, in 2016 we will continue to expand our product capabilities, focusing on innovation in next-generation performance management, which is at the core of the Halogen TalentSpace suite. We'll also continue expanding partnerships and integration capabilities, such as those announced to improve HRIS connectivity, and our strategic talent acquisition partnership with Jobvite. Our strategy focuses on growing our market share and existing customer share of wallet, by delivering solutions that amplify our competitive differentiation while helping our customers drive superior business outcomes. We'll refine our go-to-market strategy and align our investments in 2016 to improve our execution and productivity. We've already made significant progress on these initiatives, which we believe will position us to deliver even greater value to our customers, and drive profitable growth for Halogen.”

Financial Review

Halogen's recurring revenue in the fourth quarter of 2015 was \$15.7 million, a 15% increase over Q4 2014. Total revenue increased 14% over Q4 2014 to \$17.2 million, driven by new customer additions, and the expansion of seats and modules to existing customers. In the fourth quarter of 2015, approximately 80% of revenue was generated from customers located in the United States (78% in Q4 2014), 9% in Canada (10% in Q4 2014) and 11% in international markets (12% in Q4 2014).

Gross margin was \$12.9 million, or 75% of total revenue, in the fourth quarter of 2015, compared to \$10.7 million, or 71% of total revenue, in Q4 2014.

Net loss was \$2.6 million in the fourth quarter of 2015 as compared to a loss of \$4.9 million in Q4 2014. Adjusted EBITDA² was \$(0.1) million in Q4 2015 compared to \$(2.6) million in Q4 2014; Adjusted EBITDA per share was \$(0.00) in Q4 2015, compared to \$(0.12) per share in Q4 2014.

Adjusted EBITDA reconciliation <i>(\$000's except per share amounts)</i>	3 months ended Dec. 31,		12 months ended Dec. 31,	
	2015	2014	2015	2014
Net income (loss)	\$ (2,632)	\$ (4,871)	\$ (13,475)	\$ (15,384)
Interest (income) expense and other, net	(16)	(43)	(81)	(229)
Foreign exchange (gain) loss	1,144	1,134	6,326	2,742
Income tax expense	57	36	214	113
Depreciation and amortization	1,014	959	3,961	3,314
Share-based compensation	330	178	457	739
Adjusted EBITDA	\$ (103)	\$ (2,607)	\$ (2,598)	\$ (8,705)
Adjusted EBITDA per share	\$ (0.00)	\$ (0.12)	\$ (0.12)	\$ (0.40)

Total cash and investments was \$36.1 million at December 31, 2015 compared to \$44.2 million at December 31, 2014. Deferred revenue was \$36.9 million at quarter-end, compared to \$33.3 million at September 30, 2015 and \$32.8 million at December 31, 2014.

First Quarter and Full Year 2016 Financial Guidance

For the first quarter of 2016, the Company is expecting:

- Recurring revenue in the range of \$15.7 to \$15.9 million
- Total revenue in the range of \$17.2 to \$17.4 million

For the full year 2016, the Company is expecting:

- Recurring revenue in the range of \$66.1 to \$67.1 million
- Total revenue in the range of \$72.6 to \$73.6 million
- Adjusted EBITDA in the range of \$0.5 million to \$1.0 million

2015 Financial Statements and Management's Discussion and Analysis

Halogen's Management's Discussion and Analysis and Consolidated Financial Statements for the year ended December 31, 2015 will be available on SEDAR (www.sedar.com) and on the Halogen website at <http://ir.halogensoftware.com>.

² Adjusted EBITDA is a non-IFRS measure defined by the Company as earnings before interest income or expense, other income, depreciation and amortization, share-based compensation, foreign exchange gains or losses and loss related to change in fair value of redeemable preferred shares. Adjusted EBITDA per share is calculated by dividing the Adjusted EBITDA by the weighted average number of shares outstanding in each period. Adjusted EBITDA and Adjusted EBITDA per share do not have a uniform definition. Our definition will likely differ from the definitions used by other companies, including peer companies, and therefore comparability may be limited. Thus, our non-IFRS measure of Adjusted EBITDA and Adjusted EBITDA per share should be considered in addition to, not as a substitute for, or in isolation from, measures prepared in accordance with IFRS. There are inherent limitations with non-IFRS measures; we compensate for these limitations by reconciling Adjusted EBITDA to the most comparable IFRS financial measure. Management encourages investors and others to review our financial information in its entirety, not to rely on any single financial measure, and to view our non-IFRS financial measures in conjunction with the most comparable IFRS financial measures.

Conference Call and Webcast

Halogen will hold a conference call to discuss its fourth quarter and full year 2015 results today (Thursday, February 25, 2016) at 5:00 p.m. (ET). The call will be hosted by Les Rechan, President and CEO, and Pete Low, CFO. To participate in the call, please dial 647-427-7450 or 1-888-231-8191 (Conference ID: 27552776) ten minutes prior to the scheduled start of the call. A replay of the conference call will be available until 11:59 p.m. (ET) on March 3, 2016 by calling 416-849-0833 or 1-855-859-2056. The conference call will be webcast live at <http://bit.ly/1mZ0VRr>.

Forward-looking Statements

Certain statements in this release, including those that express management's expectations or estimates of our future performance, are "forward-looking statements" which reflect the Company's current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "estimates", "predicts" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements.

The Company has based these forward-looking statements on its current expectations and projections at the time the statements were originally made or at the time the information was originally provided, about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and it cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including without limitation, those risks and uncertainties discussed in the Company's Prospectus and other filings on SEDAR.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those expressed or implied by the forward-looking statements contained herein. These factors should be considered carefully and prospective investors should not place undue reliance on these forward-looking statements. Although the forward-looking statements contained herein are based upon what the Company currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The Company does not intend, and the Company does not assume, any obligation to update or revise these forward-looking statements to reflect new events or circumstances.

About Halogen Software

Halogen Software (TSX: HGN) offers an organically built cloud-based talent management suite that reinforces and drives higher employee performance across all talent programs — whether that is recruiting, performance management, learning and development, succession planning or compensation. With over 2,100 customers worldwide, Halogen Software has been recognized as a market leader by major business analysts and has garnered the highest customer satisfaction ratings in the industry. Halogen Software's powerful, yet simple-to-use solutions, which also include industry-vertical editions, are used by organizations that want to build a world-class workforce that is aligned, inspired and focused on delivering exceptional results. For more information, visit: <http://www.halogensoftware.com>. Subscribe to Halogen Software's TalentSpace blog: <http://www.halogensoftware.com/blog/> or follow Halogen Software on Twitter: <http://twitter.com/HalogenSoftware>.

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HALOGEN SOFTWARE INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
Three and twelve month periods ended December 31, 2015 and 2014
(in United States dollars, tabular amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
Revenue				
Recurring	\$ 15,650	\$ 13,592	\$ 59,529	\$ 50,771
Professional services	1,504	1,498	6,163	5,828
License	-	-	-	60
	17,154	15,090	65,692	56,659
Cost of revenue				
Recurring	3,073	3,145	12,339	11,544
Professional services	1,186	1,199	4,873	4,404
License	-	-	-	14
	4,259	4,344	17,212	15,692
Gross margin	12,895	10,746	48,480	40,697
Expenses				
Sales and marketing	8,604	8,450	33,086	30,330
Research and development	3,232	3,034	12,750	12,191
General and administrative	2,506	3,006	9,660	10,934
Foreign exchange (gain) loss	1,144	1,134	6,326	2,742
	15,486	15,624	61,822	56,197
Operating income (loss)	(2,591)	(4,878)	(13,342)	(15,500)
Loss related to change in fair value of redeemable preferred shares	-	-	-	-
Interest and other income	16	43	81	229
Interest expense	-	-	-	-
Income (loss) before income taxes	(2,575)	(4,835)	(13,261)	(15,271)
Income tax expense (recovery)	57	36	214	113
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	\$ (2,632)	\$ (4,871)	\$ (13,475)	\$ (15,384)
Basic and diluted earnings (loss) per share	\$ (0.12)	\$ (0.22)	\$ (0.61)	\$ (0.71)
Weighted average number of basic and diluted common shares outstanding	22,027,299	21,897,707	22,002,999	21,799,313

HALOGEN SOFTWARE INC.

Condensed Consolidated Interim Statements of Financial Position
 As at December 31, 2015 and December 31, 2014
 (in United States dollars, tabular amounts in thousands)
 (Unaudited)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 36,133	\$ 44,247
Trade receivables (net)	12,458	12,386
Prepaid expenses	1,912	2,234
	<u>50,503</u>	<u>58,867</u>
Non-current assets		
Property and equipment	6,806	7,995
Intangible assets	2,287	1,982
Other long-term assets	329	231
	<u>\$ 59,925</u>	<u>\$ 69,075</u>
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 8,204	\$ 7,793
Derivative liabilities	2,632	1,025
Deferred revenue	36,922	32,836
Deferred leasehold inducement	339	341
	<u>48,097</u>	<u>41,995</u>
Non-current liabilities		
Deferred leasehold inducement	289	623
	<u>48,386</u>	<u>42,618</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital	69,663	69,806
Share compensation reserve	1,330	1,443
Retained earnings (deficit)	(59,454)	(44,792)
	<u>11,539</u>	<u>26,457</u>
	<u>\$ 59,925</u>	<u>\$ 69,075</u>

HALOGEN SOFTWARE INC.

Condensed Consolidated Interim Statements of Cash Flows

Three and twelve month periods ended December 31, 2015 and 2014

(in United States dollars, tabular amounts in thousands)

(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss)	\$ (2,632)	\$ (4,871)	\$ (13,475)	\$ (15,384)
Items not affecting cash:				
Depreciation and amortization	1,014	959	3,961	3,314
Loss related to change in fair value of redeemable preferred shares	-	-	-	-
Share-based compensation	330	178	457	739
Unrealized foreign exchange (gain) loss	(184)	848	2,655	2,232
Deferred leasehold inducement	(80)	291	(334)	377
Net changes in non-cash working capital items	1,350	1,390	4,719	3,983
	(202)	(1,205)	(2,017)	(4,739)
INVESTING ACTIVITIES				
Purchase of property and equipment	(846)	(998)	(1,877)	(4,753)
Purchase of intangible assets	(711)	(9)	(1,200)	(908)
Change in other long-term assets	204	49	(99)	(231)
Maturity of investments	-	6,100	3	17,952
Purchase of investments	-	(64)	(3)	(206)
	(1,761)	5,078	3,176	11,854
FINANCING ACTIVITIES				
Issuance of share capital	16	6	484	220
Issuance costs of share capital	-	-	-	-
Repayment of long-term debt	-	-	-	(53)
Repurchase of common shares	(1,525)	-	(2,384)	-
	(1,509)	6	(1,900)	167
Effect of exchange rate changes on cash and cash equivalents	(62)	(396)	(1,021)	(440)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,534)	3,483	(8,144)	6,842
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	39,667	40,764	44,247	37,405
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 36,133	\$ 44,247	\$ 36,133	\$ 44,247