First Quarter Ended January 31, 2021

Enghouse Systems

Software engineered for results

March 11, 2021

Dear fellow Shareholders,

Revenue for the first quarter was $119.1 million, a 7.6% increase compared to revenue of $110.7 million in the prior year driven largely by an increase in hosted and maintenance revenue. Notably, hosted revenue increased 17.3% to $19.3 million as a result of ongoing initiatives to transition new and existing customers to cloud-based service agreements, particularly in our cloud contact-center business. The continued focus on unlocking cost savings from harmonizing acquisitions and running the business within our principle of value for money resulted in Net income for the quarter of $20.6 million or $0.37 per diluted share, compared to $16.1 million or $0.29 per diluted share last year. Adjusted EBITDA was $44.5 million or $0.80 per diluted share, compared to $35.3 million or $0.64 per diluted share in the first quarter of 2020, an increase of 26.0%.

Cash flows from operating activities, excluding changes in working capital, were $41.7 million compared to $35.2 million in the prior year, an increase of 18.6%. Enghouse closed the quarter with $230.4 million in cash, cash equivalents and short-term investments, compared to $251.8 million at October 31, 2020. The decrease in cash was a result of payments of $27.8 million for acquisitions and $7.5 million for dividends during the quarter, partially offset by increased operating cash flows.

On December 30, 2020, Enghouse acquired 100% of the issued and outstanding common shares of Sociedade Altitude Software Sistemas e Serviços S.A. (“Altitude”). Headquartered in Lisbon, Portugal, Altitude provides omni-channel contact center solutions for small and large organizations, with a focus on the business process outsourcing (BPO) market segment. Its modular software suite supports all media channels and has strong inbound and outbound capabilities for both on-premise and hosted contact center activities.

As previously announced on December 17, 2020 the Board of Directors approved a special dividend of $1.50 per common share, which was paid on February 16, 2021 to shareholders of record at the close of business on January 15, 2021.

Today, the Board of Directors approved the Company’s eligible quarterly dividend of $0.16 per common share, an increase of 18% over the prior dividend, payable on May 31, 2021 to shareholders of record at the close of business on May 17, 2021. This represents the thirteenth consecutive year in which the company increased its dividend by over 10%.

With substantial cash balances, no debt, significant operating cash flow, low interest rates and the ability to access additional capital as needed, we believe that we will continue to have sufficient funding available for operations and additional acquisitions.

Stephen J. Sadler
Chairman of the Board and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of March 11, 2021 and all information contained herein is current as of that date unless otherwise indicated. For a complete understanding of our business environment, risks, trends and uncertainties and the effect of critical accounting policies and estimates on our results, this MD&A should be read in conjunction with Enghouse Systems Limited's ("Enghouse Systems") and its subsidiaries (together "Enghouse", "we" "us" "our" or "the Company") fiscal 2020 MD&A and audited consolidated financial statements and the notes thereto. This MD&A covers the unaudited condensed consolidated interim results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the first quarter ended January 31, 2021.

Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars, stated in thousands, except per share amounts and as otherwise indicated.

This document is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The unaudited Condensed Consolidated Interim Financial Statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

Non-IFRS Measures and Forward-Looking Statements

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, 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 acquired 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.

Certain statements made or incorporated by reference in this MD&A are forward-looking and relate to, among other things, anticipated financial performance, business prospects, strategies, regulatory developments, new services, market forces, commitments and technological developments. By its nature, such forward-looking information is subject to various risks and uncertainties, including those discussed in this MD&A or in documents incorporated by reference in this MD&A, such as Enghouse Systems' Annual Information Form, which could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed herein. Readers are cautioned not to place undue reliance on this forward-looking information, and the Company shall have no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which are filed electronically on SEDAR at www.sedar.com.

For additional information with respect to certain of these risks or factors, reference should be made to the "Risks and Uncertainties" section of the MD&A and notes to the audited consolidated financial statements for the year ended October 31, 2020, as well as to the Company's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, copies of which are filed electronically on SEDAR at www.sedar.com.

Corporate Overview

Enghouse is a Canadian publicly traded company (TSX:ENGH) that provides enterprise software solutions focusing on remote work, visual computing and communications for next generation software defined networks. The Company's two-pronged growth strategy focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company is well capitalized, has no long-term debt and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG").

IMG specializes in customer interaction software and services designed to facilitate remote work, enhance customer service, increase efficiency and manage customer communications across multiple types of interactions including voice, email, web chats, text and video. Core technologies include contact center, video collaboration, interactive voice response, outbound dialers, attendant console, agent performance optimization, business intelligence and analytics that may be deployed in private cloud, multi-tenant cloud or on-premise

environments. IMG's customers are varied and include insurance companies, telecoms, business process service providers, banks as well as technology and health care companies.

AMG provides a portfolio of software and services solutions to a number of verticals such as cable operators, network telecommunication providers, media, transit, defense and public safety companies. Its products include Network infrastructure, Operations Support Systems ("OSS"), Business Support Systems ("BSS"), and revenue generation solutions such as video and Cloud TV solutions. AMG also provides fleet routing, dispatch, scheduling, transit e-ticketing and automated fare collection, communications and emergency control center solutions for the transportation, government, first responders, distribution and security sectors.

Enghouse continues to focus on building a consistently profitable enterprise software company with a diversified product suite and global market presence. The Company remains focused on having a strong balance sheet with large cash reserves. Deploying capital on acquisitions and replacing it through strong operating cash flows is pivotal to our acquisition strategy and allows Enghouse to pursue further acquisitions.

The Company emphasizes the importance of recurring revenue streams to increase shareholder value and the predictability of its operating results. While Enghouse continues to develop and enhance its existing product portfolio to grow organically, it is also important to augment and expedite this strategy with new and complementary technology, products and services obtained through acquisition. This dual-faceted approach will enable us to provide a broader spectrum of products and services to our customer base more quickly than through organic means alone.

First Quarter Overview

Although the extent of the impact of the COVID-19 pandemic has lessened since the initial outbreak we continue to experience procurement delays, and delays of planned onsite professional service work compared to the first quarter of 2020, which did not experience notable COVID-19 related pressures. Although seasonality is typically experienced in the first quarter, the effects were particularly pronounced this quarter as a result of uncertainty over COVID-19 and travel restrictions. Meanwhile collections remain strong and we continue to realize cost savings from remote work arrangements and reduced expenditure on our physical footprint. As the pandemic persists, we continue to focus on our bottom-line to kick off the new fiscal year with a renewed emphasis on creating additional profitability.

On December 17, 2020, the Board of Directors approved a special dividend of $1.50 per common share, payable on February 16, 2021 to shareholders of record at the close of business on January 15, 2021.

On December 30, 2020, Enghouse acquired 100% of the issued and outstanding common shares of Sociedade Altitude Software Sistemas e Serviços S.A. ("Altitude"). Headquartered in Lisbon, Portugal, Altitude provides omni-channel contact center solutions for small and large organizations, with a focus on the business process outsourcing market segment. Its modular software suite supports all media channels and has strong inbound and outbound capabilities for both on-premise and hosted contact center activities.

The acquisition of Altitude extends our presence to Portugal and further expands our operations in Spain, Brazil and Mexico enabling us to capture additional opportunities within these markets. Efforts to onboard the Altitude team and align their processes are well underway as of the close of the quarter.

Quarterly Results of Operations

The following table sets forth certain unaudited information for each of the eight most recent quarters. Our operating results may fluctuate quarterly, mainly as a result of the timing of certain large software license and hardware sales. Our quarterly results may also be influenced by COVID-19, foreign exchange, timing of new acquisitions, and changes in staffing and infrastructure. See "Risks and Uncertainties" for more details.

The following table provides details regarding operating results for the past eight quarters:

For the three months ended	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue	**$ 119,100**	**$ 120,898**	**$ 131,324**	**$ 140,900**	**$ 110,656**	**$ 109,331**	**$ 101,274**	**$ 89,203**
Direct costs	31,508	33,261	39,740	39,699	32,477	32,382	31,749	27,460
Revenue, net of direct costs	**$ 87,592**	**$ 87,637**	**$ 91,584**	**$ 101,201**	**$ 78,179**	**$ 76,949**	**$ 69,525**	**$ 61,743**
As a % of revenue	*73.5%*	72.5%	69.7%	71.8%	*70.7%*	*70.4%*	*68.7%*	*69.2%*
Operating expenses	46,510	44,952	49,351	55,046	45,760	43,731	42,038	35,066
Special charges	383	(12)	35	(121)	1,576	677	470	56
Results from operating activities	**$ 40,699**	**$ 42,697**	**$ 42,198**	**$ 46,276**	**$ 30,843**	**$ 32,541**	**$ 27,017**	**$ 26,621**
As a % of revenue	*34.2%*	35.3%	32.1%	*32.8%*	*27.9%*	*29.8%*	*26.7%*	*29.8%*
Amortization	(10,774)	(10,958)	(11,502)	(11,600)	(10,080)	(9,244)	(8,453)	(6,884)
Other	(3,764)	1,055	2,627	233	4	1,719	263	1,604
Income before income taxes	**$ 26,161**	**$ 32,794**	**$ 33,323**	**$ 34,909**	**$ 20,767**	**$ 25,016**	**$ 18,827**	**$ 21,341**
Provision for income taxes	5,519	3,422	7,330	7,820	4,631	329	4,166	4,804
Net Income for the period	**$ 20,642**	**$ 29,372**	**$ 25,993**	**$ 27,089**	**$ 16,136**	**$ 24,687**	**$ 14,661**	**$ 16,537**
Basic earnings per share	0.37	0.53	0.47	0.49	0.29	0.45	0.27	0.30
Diluted earnings per share	0.37	0.52	0.46	0.49	0.29	0.45	0.27	0.30
Operating cash flows	20,545	34,989	55,690	57,533	19,933	21,729	13,862	21,630
Operating cash flows excluding changes in working capital	41,715	48,008	45,294	50,033	35,183	33,854	28,531	29,010
Cash and short-term investments	230,371	251,791	228,938	168,089	116,329	150,269	141,334	205,519
Total assets	793,093	763,646	758,099	743,081	691,556	590,600	575,084	540,351
Adjusted EBITDA:								
Results from operating activities	40,699	42,697	42,198	46,276	30,843	32,541	27,017	26,621
Depreciation	735	795	801	758	887	804	570	499
Depreciation of right-of-use assets	2,703	3,158	2,534	2,368	2,023	-	-	-
Special charges	383	(12)	35	(121)	1,576	677	470	56
Adjusted EBITDA	**$ 44,520**	**$ 46,638**	**$ 45,568**	**$ 49,281**	**$ 35,329**	**$ 34,022**	**$ 28,057**	**$ 27,176**
Adjusted EBITDA margin	*37.4%*	38.6%	*34.7%*	*35.0%*	*31.9%*	*31.1%*	*27.7%*	*30.5%*
Adjusted EBITDA per diluted share	**$ 0.80**	**$ 0.83**	**$ 0.81**	**$ 0.89**	**$ 0.64**	**$ 0.62**	**$ 0.51**	**$ 0.49**

Results of Operations

The following table provides details regarding operating results for the three months ended January 31, 2021.

For the period ended January 31	Three months 2021	2020	Var ($)	Var (%)
Revenue	**$ 119,100**	**$ 110,656**	**8,444**	***7.6***
Direct costs	31,508	32,477	(969)	*(3.0)*
Revenue, net of direct costs	**$ 87,592**	**$ 78,179**	**9,413**	***12.0***
As a % of revenue	*73.5%*	*70.7%*		
Operating expenses	46,510	45,760	750	*1.6*
Special charges	383	1,576	(1,193)	*(75.7)*
Results from operating activities	**$ 40,699**	**$ 30,843**	**9,856**	***32.0***
As a % of revenue	*34.2%*	*27.9%*		
Amortization of acquired software and customer relationships	(10,774)	(10,080)	(694)	*(6.9)*
Foreign exchange (losses) gains	(3,110)	347	(3,457)	*(996.3)*
Interest expense – lease obligations	(329)	(262)	(67)	*(25.6)*
Finance income	80	351	(271)	*(77.2)*
Finance expenses	(81)	(18)	(63)	*(350.0)*
Other income	(324)	(414)	90	*21.7*
Income before income taxes	**$ 26,161**	**$ 20,767**	**5,394**	***26.0***
Provision for income taxes	5,519	4,631	888	*19.2*
Net Income for the period	**$ 20,642**	**$ 16,136**	**4,506**	**27.9**
Basic earnings per share	0.37	0.29	0.08	*27.6*
Diluted earnings per share	0.37	0.29	0.08	*27.6*
Operating cash flows	20,545	19,933	612	*3.1*
Operating cash flows excluding changes in working capital	41,715	35,183	6,532	*18.6*

Revenue

The following table provides details regarding revenue for the three months ended January 31, 2021.

For the period ended January 31	Three months 2021	2020	Variance
Software licenses	$ 28,300	$ 28,400	$ (100)
Hosted and maintenance services	72,243	64,353	7,890
Professional services	15,829	15,183	646
Hardware	2,728	2,720	8
Revenue	**$ 119,100**	**$ 110,656**	**$ 8,444**
Interactive Management Group	70,303	62,873	7,430
Asset Management Group	48,797	47,783	1,014
Revenue	**$ 119,100**	**$ 110,656**	**$ 8,444**

Revenue for the three months ended January 31, 2021 was $119.1 million, an increase of $8.4 million or 7.6% from the same period in the prior year. The variance is explained by:

- An increase of $7.9 million in hosted and maintenance revenue, primarily attributable to hosted Vidyo sales as well as incremental net maintenance on license sales. Hosted and maintenance services represent an important strategic source of revenue given its predictable and recurring nature and represented 60.7% of total revenues for the period (2020–58.2%). The percentage increase in contributions from hosted and maintenance revenue is attributable to a proportionate increase in recurring revenue including recurring revenue from deals signed in fiscal 2020.
- An increase of $0.6 million in Professional services revenue primarily as a result of increased scale of operations as well as variations in timing of service delivery.

Interactive Management Group

IMG revenue for the three months ended January 31, 2021 was $70.3 million, an increase of $7.4 million or 11.8% from same period in the prior year. The variance is primarily explained by:

- An increase of $5.1 million in hosted and maintenance revenue, which includes maintenance on new license sales and incremental hosted revenue.
- An increase of $2.6 million in software license revenue primarily attributable to increased sales of Dialogic products and the addition of Altitude.

Asset Management Group

AMG revenue for the three months ended January 31, 2021 was $48.8 million, an increase of $1.0 million or 2.1% from same period in the prior year. The variance is primarily explained by:

- An increase of $3.5 million in hosted and maintenance revenue primarily attributable to new product offerings from Dialogic.
- A partially offsetting decrease of $2.8 million in license revenue largely attributable to two large telecommunications deals in the first quarter of the comparative period.

Direct Costs

The following table provides details regarding direct costs for the three months ended January 31, 2021.

	Three months		
For the period ended January 31	**2021**	**2020**	**Variance**
Software licenses	$ 1,201	$ 2,450	$ (1,249)
Services	28,472	28,346	126
Hardware	1,835	1,681	154
Direct Costs	**$ 31,508**	**$ 32,477**	**$ (969)**
Software licenses	*4.2%*	*8.6%*	
Services	*32.3%*	*35.6%*	
Hardware	*67.3%*	*61.8%*	
Total	***26.5%***	***29.3%***	
Interactive Management Group	15,457	15,214	243
Asset Management Group	16,051	17,263	(1,212)
Direct Costs	**$ 31,508**	**$ 32,477**	**$ (969)**
As a % of revenue			
Interactive Management Group	*22.0%*	*24.2%*	
Asset Management Group	*32.9%*	*36.1%*	

Direct costs for the three months ended January 31, 2021 were $31.5 million or 26.5% of revenue compared to $32.5 million or 29.3% of revenue in the same period in the prior year. Overall margins improved as a result of continued cost containment initiatives as acquisitions in the comparative periods have been well integrated into our existing business and cost savings realized. Margins on software as well as both services were improved while the margin on hardware declined.

Interactive Management Group

IMG direct costs for the three months ended January 31, 2021 were $15.5 million or 22.0% of segment revenue compared to $15.2 million or 24.2% of revenue in the same period in the prior year. Direct costs remained relatively flat despite an overall increase in revenue with higher margins achieved on software, services and hardware.

Asset Management Group

AMG direct costs were $16.1 million or 32.9% of segment revenue for the three months ended January 31, 2021 compared to $17.3 million or 36.1% of revenue in the same period in the prior year. The decrease in direct cost was achieved despite an overall increase in revenue as a result of higher margins achieved for all revenue types except hardware.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended January 31, 2021 increased by $9.4 million to $87.6 million or 73.5% of revenue compared to $78.2 million or 70.7% in the same period in the prior year. The increase in revenue, net of direct costs is attributable to higher margins on products and services combined with increased revenue.

Operating Expenses

The following table provides details regarding operating expenses for the three months ended January 31, 2021.

	Three months		
For the period ended January 31	**2021**	**2020**	**Variance**
Selling, general and administrative	$ 22,951	$ 24,682	$ (1,731)
Research and development	20,121	18,168	1,953
Depreciation	735	887	(152)
Depreciation of right-of-use assets	2,703	2,023	680
Special charges	383	1,576	(1,193)
Operating expenses	**$ 46,893**	**$ 47,336**	**$ (443)**
As a % of revenue			
Selling, general and administrative	*19.3%*	*22.3%*	
Research and development	*16.9%*	*16.4%*	
Depreciation	*0.6%*	*0.8%*	
Depreciation of right-of-use assets	*2.3%*	*1.8%*	
Special charges	*0.3%*	*1.4%*	
Operating expenses	*39.4%*	*42.8%*	

Operating expenses for the three months ended January 31, 2021 totaled $46.9 million, a decrease of $0.4 million or 0.9% despite revenue growth of 7.6% compared to the same period in prior year. The variance is further explained by:

- A decrease of $1.7 million in selling, general and administrative expense. Despite revenue growth and additional scale from acquisitions, costs were reduced as a result of cost containment initiatives combined with reduced travel expenses due to COVID-19 as well as cost efficiencies attributable to increased scale. Expenses were also reduced as a result of reduced vacation accruals that increased each quarter since the start of the pandemic in 2020 but were used or expired as of December 31, 2020.
- A decrease of $1.2 million in Special charges, primarily as a result of reduced acquisition related costs compared to the comparative period where Dialogic, a comparatively larger acquisition than Altitude, was acquired.
- A partially offsetting increase of $2.0 million in research and development expense. Research and development expense is equivalent to 16.9% of revenue compared to 16.4% in the same period in the prior year. Research and development expense increased as a result of increased scale of operations while remaining relatively consistent as a percentage of revenue.
- A partially offsetting increase of $0.7 in depreciation of right-of-use assets as a result of the addition of new facilities from acquisitions, particularly Dialogic.

Foreign Exchange

The majority of our revenue is from sales denominated in foreign currencies. We do not hedge foreign currency exposure as most of our major international operations fund operating expenses with local operating cash flow surpluses that provide a natural hedge. While foreign exchange may have a significant impact on both revenue and expenses, the net impact to results from operating activities is lessened. This will also affect the relative cost of foreign currency denominated acquisitions stated in Canadian dollars.

During the three months ended January 31, 2021, the Canadian dollar weakened against most major currencies other than U.S. dollar compared to the same period in the prior year. As result, in the first quarter, there was a positive impact to revenue of $1.0 million reported in Canadian dollars and operating costs were higher by $1.0 million compared to the same period in the prior year.

For the three months ended January 31, 2021, we recognized unrealized foreign exchange losses of $3.1 million related to foreign currency denominated monetary assets and liabilities in the current period compared to gains of $0.3 million in the same period in the prior year. The loss was a result of movements in the Canadian dollar against international currencies on Canadian dollar denominated monetary assets and liabilities on functional currency books denominated in foreign currencies.

Translation gains or losses incurred upon consolidation of our foreign operations' statements of financial position into Canadian dollars are included in our Cumulative translation adjustment account on the Unaudited Condensed Consolidated Interim Statements of Operations and Comprehensive Income.

Amortization of Software and Customer Relationships

Amortization expense for acquired software and customer relationships for the three months ended January 31, 2021 increased by $0.7 million to $10.8 million, compared to the same period in the prior year. The variance is attributable to incremental charges from acquisitions, which added $1.8 million for the three months ended January 31, 2021.

Other expense

Other expense for the three months ended January 31, 2021 was lower by $0.1 million during the quarter as a result of unrealized losses, net of increased realized gains on investments in equity positions carried at fair value.

Income Tax Expense

Income tax expense for the three months ended January 31, 2021 increased by $0.9 million to $5.5 million, compared to the same period in the prior year. For the three months ended January 31, 2021, our effective tax rate was 21.1% compared to 22.3% for the same period in the prior year.

Net Income

Net income for the three months ended January 31, 2021 increased by $4.5 million to $20.6 million compared to the same period in the prior year. The increased profitability primarily reflects both higher hosted and maintenance revenue combined with operating cost savings and margin improvements achieved.

For the three months ended January 31, 2021, diluted earnings per share was $0.37 compared to $0.29 in the same period in the prior year.

Cash flows from operating Activities

For three months ended January 31, 2021, operating cash flows excluding changes in working capital increased 18.6% to $41.7 million on improved operating profitability. Cash flows from operating activities were $20.5 million compared to $19.9 million in the same period in the prior year. The increase in cash flows from operating activities reflects:

- An increase in net income as a result of higher revenue combined with improved margins and operating cost synergies.
- A decrease in working capital primarily as a result of increased tax installment payments and payments/drawdowns of accruals. Accounts receivable balances also increased reflecting balances acquired in the Altitude acquisition as well as incremental annual maintenance and hosted billings, typically issued at the beginning of the new calendar year, net of related deferred revenue.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities, for the three months ended January 31, 2021.

For the period ended January 31	Three months		
	2021	2020	Variance
Total revenue	$ 119,100	$ 110,656	$ 8,444
Results from operating activities	**40,699**	**30,843**	9,856
Depreciation	735	887	(152)
Depreciation of right-of-use assets	2,703	2,023	680
Special charges	383	1,576	(1,193)
Adjusted EBITDA	**$ 44,520**	**$ 35,329**	**$ 9,191**
Adjusted EBITDA margin	*37.4%*	*31.9%*	
Adjusted EBITDA per diluted share	**$ 0.80**	**$ 0.64**	**$ 0.16**

Adjusted EBITDA for the three months ended January 31, 2021 increased by $9.2 million compared to the same period in the prior year. The increase in adjusted EBITDA primarily reflects higher revenue, net of direct costs as a result of both increased hosted and maintenance revenue, combined with improved margins.

Special charges, primarily reflecting acquisition related restructuring charges, have been excluded from adjusted EBITDA along with depreciation of property and equipment as well as right-of-use assets.

Liquidity and cash reserves

We closed the period with cash and short-term investments of $230.4 million, compared to the October 31, 2020 balance of $251.8 million. This reduction primarily reflects $27.8 million of net cash spent on acquisitions including Altitude and a payment of $7.5 million for dividends. The decreases were partially offset by positive operating cash flows. Collection of receivables continues to remain strong despite COVID-19, but receivable balances were higher at the end of the quarter as a result of annual maintenance renewals and acquired receivable balances from Altitude.

For the three months ended January 31, 2021, cash decreased by a total of $18.8 million compared to a decrease of $33.3 million over the same period in the prior year. The decrease was less than the comparative period as a result of higher cash flows from operating activities of $20.5 million compared to $19.9 million offset by cash outflows of $26.0 million in investing activities, primarily acquisitions, compared to $49.9 million in the same period in the prior year. The ability to generate strong operating cash flows is pivotal to our acquisition strategy, which enables us to pursue further acquisitions.

For the three months ended January 31, 2021 working capital was $52.9 million compared to $150.8 million at the end of 2020. The decrease in working capital is predominately a result of the December 17, 2020 declaration of a special dividend of $1.50 per share payable on February 16, 2021 but accrued at closing on January 31, 2021. Management is confident that the Company has the funds necessary to meet its existing and future financial operating commitments and dividend strategy and acquisition funding.

Capital Stock

The Company had 55,352,924 Common Shares issued and outstanding as at March 11, 2021. During the quarter, 4,000 stock options were exercised contributing $0.2 million in cash compared to 239,500 stock options exercised and $4.8 million in cash to the Company in the same period in the prior year. The Company did not grant any options in the first quarter of 2021 compared to 300,000 in the first quarter of the prior year.

Enghouse Systems renewed its Normal Course Issuer Bid for a further year commencing April 30, 2020 and expiring April 29, 2021, whereby it may repurchase up to a maximum of 4,188,532 common shares of the Company. The Company did not repurchase any shares of its common stock in the three months ending January 31, 2021 or 2020 under its Normal Course Issuer Bid.

Off-Statement of Financial Position Arrangements

We have not entered into off-statement of financial position financing arrangements. Except for operating leases and other low probability and/or immeasurable contingencies (not accrued in accordance with IFRS), all commitments are reflected on our unaudited Condensed Consolidated Interim Statements of Financial Position.

Transactions with Related Parties

We have not entered into any transactions with related parties during the period, other than transactions between wholly-owned subsidiaries and us in the normal course of business, which are eliminated on consolidation.

Basis of Preparation and Significant Accounting Policies

The unaudited condensed consolidated interim financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our significant accounting policies are described in Note 3 of the audited consolidated financial statements as at October 31, 2020, which is available on SEDAR (*www.sedar.com*). The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 11, 2021, the date the Board of Directors approved the unaudited condensed consolidated interim financial statements.

Risks and Uncertainties

The primary risks and uncertainties that affect or may affect the Company and its business, financial condition, and results of operations remain substantially unchanged from those discussed in the Company's latest Annual Information Form and its Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended October 31, 2020, contained in the Company's 2020 Annual Report to Shareholders and all such risks and uncertainties are incorporated herein by reference.

Controls and Procedures

In compliance with the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), the Company has filed with applicable Canadian securities regulatory authorities, certificates signed by its Chief Executive Officer ("CEO") and Vice President Finance in capacity as Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design of internal controls over financial reporting.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed under the supervision of the CEO and CFO, with the participation of other management, to provide reasonable assurance that all relevant information required to be disclosed by us is recorded, processed, summarized and reported on a timely basis to senior management, as appropriate, to allow timely decisions regarding required public disclosure. Pursuant to NI 52-109, as of October 31, 2020, an evaluation of the effectiveness of our disclosure controls and procedures was carried out under the supervision of the CEO and CFO. Based on this evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective. This evaluation considered our disclosure policy, a sub-certification process and the functioning of our Disclosure Committee.

Internal controls over financial reporting

The Company's CEO and CFO are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in accordance with IFRS.

As at October 31, 2020 an evaluation was carried out of the effectiveness of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting. Based on that evaluation, the Company's CEO and CFO have concluded that, as at October 31, 2020, the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and the requirements of NI 52-109. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes to the Company's internal control over financial reporting during the quarter ended January 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

Additional information relating to the Company including our most recently completed Annual Information Form ("AIF") is available on SEDAR at *www.sedar.com* and on our website at *www.enghouse.com*.

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended January 31, 2021 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars) (unaudited)	Notes	As at January 31, 2021	As at October 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents		$ 225,977	$ 244,792
Short-term investments		4,394	6,999
Accounts receivable		115,830	90,789
Prepaid expenses and other assets		16,478	14,772
		362,679	**357,352**
Non-current assets:			
Property and equipment		6,754	6,301
Right-of-use assets		37,983	42,832
Intangible assets	4	136,887	123,616
Goodwill	4	229,569	217,426
Deferred income tax assets		19,221	16,119
		430,414	**406,294**
		$ 793,093	**$ 763,646**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 83,633	$ 80,339
Income taxes payable		10,328	13,245
Dividends payable		90,502	7,472
Provisions	5	8,745	5,697
Deferred revenue		108,051	89,927
Lease obligations		8,537	9,914
		309,796	**206,594**
Non-current liabilities:			
Income taxes payable		3,043	3,829
Deferred income tax liabilities		21,195	14,782
Deferred revenue		5,314	7,021
Net employee defined benefit obligation		2,859	2,855
Lease obligations		28,529	32,242
		60,940	**60,729**
		370,736	**267,323**
Shareholders' equity			
Share capital		99,594	99,405
Contributed surplus		7,156	6,583
Retained earnings		309,518	379,378
Accumulated other comprehensive income	6	6,089	10,957
		422,357	**496,323**
		$ 793,093	**$ 763,646**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

Periods ended January 31	Notes	Three months 2021	2020
Revenue			
Software licenses		$ 28,300	$ 28,400
Hosted and maintenance services		72,243	64,353
Professional services		15,829	15,183
Hardware		2,728	2,720
		119,100	**110,656**
Direct costs			
Software licenses		1,201	2,450
Services		28,472	28,346
Hardware		1,835	1,681
		31,508	32,477
Revenue, net of direct costs		**87,592**	**78,179**
Operating expenses			
Selling, general and administrative		22,951	24,682
Research and development		20,121	18,168
Depreciation		735	887
Depreciation of right-of-use assets		2,703	2,023
Special charges		383	1,576
		46,893	**47,336**
Results from operating activities		**40,699**	**30,843**
Amortization of acquired software and customer relationships	4	(10,774)	(10,080)
Foreign exchange (losses) gains		(3,110)	347
Interest expense – lease obligations		(329)	(262)
Finance income		80	351
Finance expenses		(81)	(18)
Other expense		(324)	(414)
Income before income taxes		**26,161**	**20,767**
Provision for income taxes	8	5,519	4,631
Net income for the period		**$ 20,642**	**$ 16,136**
Items that may be subsequently reclassified to income:			
Cumulative translation adjustment		(4,868)	2,320
Other comprehensive (loss) income		**(4,868)**	**2,320**
Comprehensive income		**$ 15,774**	**$ 18,456**
Earnings per share			
Basic	9	$ 0.37	$ 0.29
Diluted	9	$ 0.37	$ 0.29

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars) (unaudited)	Share capital (#)	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
As at November 1, 2020	**55,348,924**	**$ 99,405**	**$ 6,583**	**$ 10,957**	**$ 379,378**	**$ 496,323**
Net income for the period	-	-	-	-	20,642	20,642
Cumulative translation adjustment (Note 6)	-	-	-	(4,868)	-	(4,868)
Comprehensive income	**-**	**$ -**	**$ -**	**$ (4,868)**	**$ 20,642**	**$ 15,774**
Employee share options:						
Value of services recognized	-	-	608	-	-	608
Proceeds on issuing shares	4,000	189	(35)	-	-	154
Dividends declared (Note 6)	-	-	-	-	(90,502)	(90,502)
As at January 31, 2021	**55,352,924**	**$ 99,594**	**$ 7,156**	**$ 6,089**	**$ 309,518**	**$ 422,357**
As at November 1, 2019	**54,737,424**	**$ 81,576**	**$ 6,677**	**$ 4,622**	**$ 309,198**	**$ 402,073**
Net income for the period	-	-	-	-	16,136	16,136
Cumulative translation adjustment (Note 6)	-	-	-	2,320	-	2,320
Comprehensive income	**-**	**$ -**	**$ -**	**$ 2,320**	**$ 16,136**	**$ 18,456**
Employee share options:						
Value of services recognized	-	-	732	-	-	732
Proceeds on issuing shares	239,500	5,666	(882)	-	-	4,784
Dividends declared (Note 6)	-	-	-	-	(6,047)	(6,047)
As at January 31, 2020	**54,976,924**	**$ 87,242**	**$ 6,527**	**$ 6,942**	**$ 319,287**	**$ 419,998**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended January 31	Notes	Three months 2021	2020
OPERATING ACTIVITIES			
Net income		$ 20,642	$ 16,136
Adjustments for non-cash items			
Depreciation		735	887
Depreciation of right-of-use assets		2,703	2,023
Interest expense – lease obligations		329	262
Amortization of acquired software and customer relationships		10,774	10,080
Stock-based compensation expense	7	608	732
Provision for income taxes		5,519	4,631
Finance expenses and other (income) expenses		405	432
		41,715	**35,183**
Changes in non-cash operating working capital	13	(11,355)	(10,300)
Income taxes paid		(9,815)	(4,950)
Net cash provided by operating activities		**20,545**	**19,933**
INVESTING ACTIVITIES			
Purchase of property and equipment		(678)	(439)
Acquisitions, net of cash acquired*	10	(27,829)	(49,445)
Sale (purchase) of short-term investments		2,546	(7)
Net cash used in investing activities		**(25,961)**	**(49,891)**
FINANCING ACTIVITIES			
Issuance of share capital		154	4,784
Repayment of loans		-	(62)
Repayment of lease obligations		(2,830)	(2,866)
Dividends paid		(7,472)	(6,021)
Net cash used in financing activities		**(10,148)**	**(4,165)**
Impact of foreign exchange on cash and cash equivalents		(3,251)	810
Decrease in cash and cash equivalents		**(18,815)**	**(33,313)**
Cash and cash equivalents – beginning of period		244,792	144,764
Cash and cash equivalents – end of period		**$ 225,977**	**$ 111,451**

** Acquisitions are net of cash acquired of $1,463 and $6,906 for the three months ended January 31, 2021 and 2020, respectively.*

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

1. Description of the Business and Reporting Entity

Enghouse Systems Limited ("the Company") is a Canadian publicly traded company (TSX:ENGH) that provides enterprise software solutions focusing on remote work, visual computing and communications for next-generation software-defined networks. The Company's two-pronged growth strategy focuses on internal growth and acquisitions. The Company is well capitalized, has no long-term debt and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG").

IMG specializes in customer interaction software and services designed to facilitate remote work, enhance customer service, increase efficiency and manage customer communications across multiple types of interactions including voice, email, web chats, text and video. Core technologies include contact center, video collaboration, interactive voice response, outbound dialers, attendant console, agent performance optimization, business intelligence and analytics that may be deployed in private cloud, multi-tenant cloud or on-premise environments. IMG's customers are varied and include insurance companies, telecoms, business process service providers, banks as well as technology and health care companies.

AMG provides a portfolio of software and services solutions to a number of verticals such as cable operators, network telecommunication providers, media, transit, defense and public safety companies. Its products include Network infrastructure, Operations Support Systems, Business Support Systems, and revenue generation solutions such as video and cloud TV solutions. AMG also provides fleet routing, dispatch, scheduling, transit e-ticketing and automated fare collection, communications and emergency control center solutions for the transportation, government, first responders, distribution and security sectors.

Enghouse Systems is incorporated and domiciled in Canada. The address of its registered office is 80 Tiverton Court, Suite 800, Markham, Ontario, L3R 0G4. The Company has offices around the world including the United States, the United Kingdom, Sweden, Norway, Denmark, the Netherlands, France, Belgium, Brazil, Germany, Ireland, Australia, New Zealand, Israel, Lebanon, Romania, Italy, Spain, Japan, Colombia, Croatia, Russia, China and Portugal.

2. Basis of Preparation and Adoption of International Financial Reporting Standards

(a) Statement of Compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended October 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These unaudited condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors for issue on March 11, 2021.

(b) Basis of Preparation and Measurement

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed consolidated interim financial statements reflect the accounting policies disclosed in Note 3 of the Company's 2020 audited annual consolidated financial statements except as disclosed herein. They have been prepared on a going concern basis, using historical cost, except for investments in equity securities designated at fair value through profit or loss, certain assets and liabilities initially recognized in connection with business combinations, and derivative financial instruments, which are measured at fair value.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 11, 2021.

(c) Functional and Presentation Currency

The Company's subsidiaries generally operate in their local currency environment. Accordingly, items included in the financial statements of each legal entity consolidated within the Enghouse group are measured using the currency of the primary economic

environment in which the legal entity operates (the "functional currency"). The unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also Enghouse Systems' functional currency.

(d) Use of Estimates and Judgments

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements for the year ended October 31, 2020.

3. Significant Accounting Policies

The significant accounting policies used in preparing these unaudited condensed consolidated interim financial statements are unchanged from those disclosed in the Company's audited consolidated financial statements for the year ended October 31, 2020.

The accounting policies have been applied consistently by the Company's subsidiaries.

4. Intangible Assets and Goodwill

	Acquired Software	Capitalized Software	Customer Relationships	Total Intangibles	Goodwill
At November 1, 2020					
Cost	$ 242,466	$ 3,592	$ 153,868	$ 399,926	$ 217,426
Accumulated amortization	(170,389)	(2,823)	(103,098)	(276,310)	-
Net book value	**$ 72,077**	**$ 769**	**$ 50,770**	**$ 123,616**	**$ 217,426**
Period ended January 31, 2021					
Opening net book value	$ 72,077	$ 769	$ 50,770	$ 123,616	$ 217,426
Acquisitions	12,393	-	13,985	26,378	14,905
Amortization	(6,070)	(178)	(4,526)	(10,774)	-
Exchange difference	(1,103)	(4)	(1,226)	(2,333)	(2,762)
Closing net book value	**$ 77,297**	**$ 587**	**$ 59,003**	**$ 136,887**	**$ 229,569**
At January 31, 2021					
Cost	254,859	3,592	167,853	426,304	229,569
Accumulated amortization	(177,562)	(3,005)	(108,850)	(289,417)	-
Net book value	**$ 77,297**	**$ 587**	**$ 59,003**	**$ 136,887**	**$ 229,569**

5. Provisions

Provisions include accruals for onerous contracts, legal claims, restructuring and special charges, and are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

	Total
At November 1, 2020	**$ 5,697**
Pre-existing provisions assumed from acquisitions	3,686
Utilized during the period	(436)
Effect of movements in foreign exchange	(202)
At January 31, 2021	**$ 8,745**

6. Share Capital and Other Components of Shareholders' Equity

Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value, an unlimited amount of Class A, redeemable, retractable, non-voting, non-cumulative, preference shares and an unlimited number of Class B, redeemable, retractable, non-voting, preference shares. There were 55,352,924 common shares outstanding as at January 31, 2021. There were no Class A and no Class B preference shares issued and outstanding as at either January 31, 2021 or October 31, 2020.

Common Share Repurchase Plan

On April 24, 2020, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 4,188,532 common shares of the Company, expiring on April 29, 2021. The Company did not repurchase any common shares in the first quarters of either fiscal 2021 or 2020.

Dividends

During the three months ended January 31, 2021, the Company declared dividends of $0.135 per common share compared to $0.11 per common share in the prior period and paid dividends of $0.135 compared to $0.11 during the same period during the prior year.

On December 17, 2020, the company also declared a special dividend of $1.50 per common share, payable on February 16, 2021 to shareholders of record at the close of business on January 15, 2021.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income comprises the following separate components of equity:

	Translation of foreign operations	Unrealized gains/losses	Total
At November 1, 2019	$ 4,741	$ (119)	$ 4,622
Cumulative translation adjustment	6,335	-	6,335
At October 31, 2020	**$ 11,076**	**$ (119)**	**$ 10,957**
At November 1, 2020	**$ 11,076**	**$ (119)**	**$ 10,957**
Cumulative translation adjustment	(4,868)	-	(4,868)
At January 31, 2021	**$ 6,208**	**$ (119)**	**$ 6,089**

7. Stock-Based Compensation

The Company has granted options to purchase common shares to certain directors, officers and employees of the Company, pursuant to the terms of the Company's stock option plan (the "Plan"). The Plan provides that a total of 3,310,400 (January 31, 2020 – 3,686,400) common shares are reserved for options and that the shares reserved for options, which could become exercisable in any one year, will not exceed more than 10% of the issued and outstanding common shares of the Company at the time such options may be exercisable. These options vest at various times over four or five years and expire seven years after the grant date. The exercise price of each option equals the market price of the Company's stock on the date the options are granted.

A summary of the status of the Company's Plan as at January 31, 2021 and January 31, 2020, and changes during the period ended on those dates, is presented as follows:

Three months ended January 31	Number of Options		Weighted Average Exercise Price	
	2021	2020	2021	2020
Outstanding at beginning of period	1,387,000	1,744,500	$ 35.50	$ 29.89
Granted	-	300,000	-	45.98
Exercised	(4,000)	(239,500)	38.35	19.97
Outstanding at end of period	**1,383,000**	**1,805,000**	**$ 35.49**	**$ 33.88**
Exercisable at end of period	**328,000**	**418,000**	**$ 27.68**	**$ 25.35**

The Company uses the fair value method for recording compensation expense related to equity instruments awarded to employees, officers and directors in accordance with IFRS 2, *Share Based Payments*. For the purposes of expensing stock options, each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The Company recorded a non-cash charge of $0.6 million for the three months ended January 31, 2021, compared to $0.7 million in the same period in the prior year.

For options granted in the period, the fair value of each stock option on the date of the grant was estimated using the Black-Scholes option pricing model as set out below. Estimated volatility is calculated on a daily basis using historical closing prices, as adjusted for certain events that management deemed to be non-recurring and non-indicative of future events over a period, noted below, which reflects the expected life of the options. No options were granted in the three months ended January 31, 2021.

Options Granted	2020
Risk-free interest rate	1.54%
Estimated volatility	26%
Dividend yield	$0.44
Expected life (in years)	5.0
Weighted average fair value	$10.62
Weighted average share price at grant date	$45.98

8. Income Taxes

Income tax expense is recognized based on management's best estimate of the estimated annual income tax rate expected for the full financial year applied to the pre-tax income for the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and the relative mix of income earned in differing jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined for the consolidated group.

For the three months ended January 31, 2021, the Company recorded a tax expense of $5.5 million (21.1% effective tax rate) as compared with a tax expense of $4.6 million (22.3%) in the prior year's first quarter.

9. Earnings per Share

Basic earnings per share is calculated by dividing Net income by the weighted average number of common shares outstanding during the period.

Periods ended January 31	Three months	
	2021	2020
Net income for the period	$ 20,642	$ 16,136
Weighted average number of common shares outstanding	55,351	54,794
Basic earnings per share	**$ 0.37**	**$ 0.29**

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The Company only has stock options as being potentially dilutive to common shares. For stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the period) based on the monetary value of the subscription rights attached to the stock options. The number of shares calculated above is compared to the number of shares that would have been issued assuming the exercise of the stock options.

Periods ended January 31	Three months	
	2021	2020
Net income for the period	$ 20,642	$ 16,136
Weighted average number of common shares outstanding	55,351	54,794
Adjustment for stock options	618	464
Weighted average number of common shares outstanding for diluted EPS	55,969	55,258
Diluted earnings per share	**$ 0.37**	**$ 0.29**

10. Acquisitions

Acquisitions have been recorded under the acquisition method of accounting and results have been included in the unaudited condensed consolidated interim financial statements from their respective acquisition dates. Accordingly, the allocation of the purchase price to assets and liabilities is based on the fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

2021 Acquisitions

On December 30, 2020, Enghouse acquired 100% of the issued and outstanding common shares of Sociedade Altitude Software Sistemas e Serviços S.A. ("Altitude"). Headquartered in Lisbon, Portugal, Altitude provides omni-channel contact center solutions for small and large organizations, with a focus on the business process outsourcing market segment. Its modular software suite supports all media channels and has strong inbound and outbound capabilities for both on premise and hosted contact center activities.

The acquisition was completed for an aggregate purchase price of $34.8 million, with $4.8 million subject holdback and potential adjustment. Results for Altitude are included in IMG from the date of acquisition.

2020 Acquisitions

On December 31, 2019, Enghouse acquired 100% of the issued and outstanding common shares of Dialogic Group Inc. ("Dialogic"). Headquartered in Parsippany, New Jersey, Dialogic partners with leading mobile operators, system integrators and technology developers to deploy its solutions via its worldwide network of offices. Dialogic is an industry leader in media processing software, with a highly scalable solution that supports real-time video conferencing and collaboration applications across all devices. Dialogic's

infrastructure products offer a best-in-class Session Border Controller and several software-based network solutions to communication service providers.

The acquisition was completed for an aggregate purchase price of $53.5 million, with U.S. $2.7 million remaining in escrow that is subject to adjustment. Results for Dialogic are included in both IMG and AMG from the date of acquisition. In April 2020 the Company received U.S. $2.4 million related to consideration originally paid to the sellers that was contingent on achieving certain targets in respect of maintenance renewals. This contingent refund was recorded at its fair value as at the acquisition date based on known information, as well as historical trends, for contract renewals. The U.S. $2.4 million received has been used to settle the contingent refund asset. The difference between the fair value as at the acquisition date and the amount received of U.S. $2.4 million has been recognized through other income in fiscal 2020 as a post-acquisition change in management's estimate of the fair value of the contingent refund asset.

Purchase Price Allocations

	IMG Preliminary 2021
Cash and cash equivalents	$ 1,463
Short-term investments	130
Accounts receivable	9,691
Prepaid expenses and other assets	1,602
Property and equipment	303
Deferred income tax assets	886
Acquired software	12,393
Customer relationships	13,985
Right-of-use assets	2,437
Goodwill	14,905
Total assets acquired	**$ 57,795**
Current liabilities assumed	$ 14,757
Non-current lease obligations	1,875
Deferred income tax liabilities	6,357
Total liabilities assumed	**$ 22,989**
Net assets acquired for consideration	**$ 34,806**

11. Segment Information

The Company has two operating segments, IMG and AMG, and evaluates segment performance based on revenue and results from operations. A description of the Company's segments is provided in Note 1. The accounting policies followed by these segments are the same as those described in the summary of significant accounting policies.

Three months ended January 31, 2021	IMG	AMG	Total
Revenue	$ 70,303	$ 48,797	$ 119,100
Direct costs	(15,457)	(16,051)	(31,508)
Revenue, net of direct costs	**54,846**	**32,746**	**87,592**
Operating expenses excluding special charges	(22,663)	(12,125)	(34,788)
Depreciation of property and equipment	(671)	(64)	(735)
Depreciation of right-of-use assets	(1,818)	(885)	(2,703)
Segment profit	**$ 29,694**	**$ 19,672**	**$ 49,366**
Special charges			(383)
Corporate and shared service expenses			(8,284)
Results from operating activities			**$ 40,699**

Three months ended January 31, 2020	IMG	AMG	Total
Revenue	$ 62,873	$ 47,783	$ 110,656
Direct costs	(15,214)	(17,263)	(32,477)
Revenue, net of direct costs	**47,659**	**30,520**	**78,179**
Operating expenses excluding special charges	(21,219)	(12,668)	(33,887)
Depreciation of property and equipment	(455)	(432)	(887)
Depreciation of right-of-use assets	(1,058)	(965)	(2,023)
Segment profit	**$ 24,927**	**$ 16,455**	**$ 41,382**
Special charges			(1,576)
Corporate and shared service expenses			(8,963)
Results from operating activities			**$ 30,843**

12. Litigation and Contingencies

General

The Company provides its customers with a qualified indemnity against the infringement of third-party intellectual property rights. From time to time, various owners of patents and copyrighted works send the Company or its customers letters alleging that the Company's products do or might infringe upon the owner's intellectual property rights, and/or suggesting that the Company or its customers should negotiate a license agreement with the owner. The Company's policy is to never knowingly infringe upon any third party's intellectual property rights. Accordingly, where appropriate, the Company forwards any such allegation or licensing request to its outside legal counsel for review. The Company generally attempts to resolve any such matter by informing the owner of the Company's position concerning non-infringement or invalidity. Even though the Company attempts to resolve these matters without litigation, it is always possible that the owner of a patent or copyrighted work will sue the Company.

In response to correspondence from and, in a few instances, litigation instigated by, third-party patent holders, a few of the Company's customers have attempted to tender to the Company the defense of its products under contractual indemnity provisions. With respect to this litigation, and any other litigation the Company becomes involved with, under a contractual indemnity or any other legal theory, the Company has and will continue to consider all its options for resolution and vigorously assert all appropriate defenses. There are no material claims outstanding against the Company at January 31, 2021.

13. Changes in Non-Cash Operating Working Capital

For the periods ended January 31	Three months	
	2021	2020
Increase in accounts receivable	$ (15,684)	$ (14,798)
Increase in prepaid expenses and other assets	(194)	(442)
Decrease in accounts payable and accrued liabilities	(10,902)	(14,207)
Increase in provisions	3,115	898
(Decrease) increase in income taxes payable	(1,232)	1,030
Increase in deferred revenue	13,542	17,219
Changes in non-cash operating working capital	**$ (11,355)**	**$ (10,300)**