Third Quarter Ended
July 31, 2021

Enghouse Systems
Software engineered for results

September 9, 2021

Dear fellow Shareholders,

Revenue for the third quarter was $117.6 million compared to revenue of $131.3 million in the prior year when Enghouse recognized a surge in revenue from its remote-work and visual computing solutions during the early stages of the COVID-19 pandemic. Similar to the second quarter of 2021, our revenue trend has now returned to levels that are more consistent with pre-COVID volumes. As always, we continue to focus on generating positive cash flows, operating income and profitability.

Net income for the quarter was $21.2 million or $0.38 per diluted share, compared to $26.0 million or $0.46 per diluted share last year. Adjusted EBITDA was $41.7 million or $0.75 per diluted share, compared to $45.6 million or $0.81 per diluted share in the third quarter of 2020. These decreases are attributable to the exceptional revenue achieved in the third quarter of 2020 and the unfavourable impact of foreign exchange, particularly the U.S. dollar and Euro over the prior year. Adjusted EBITDA margins showed improvement, increasing to 35.4% compared to 34.7% in the same period in the prior year as we continue to focus on profitable growth. This represents our sixth consecutive quarter of achieving Adjusted EBITDA of over $40 million.

Year-to-date revenue was $354.1 million, compared to revenue of $382.9 million in the prior year, a decrease of 7.5%. Year-to-date results from operating activities were $116.1 million compared to $119.3 million in the prior year, a decrease of 2.7%. Year-to-date adjusted EBITDA was $126.4 million or $2.26 per diluted share compared to $130.2 million or $2.35 per diluted share last year. Adjusted EBITDA margins increased from 34.0% to 35.7% for the current year to date period.

Year-to-date cash flows from operating activities, excluding changes in working capital, were $125.4 million compared to $130.5 million in the prior year. Enghouse closed the quarter with $187.8 million in cash, cash equivalents and short-term investments, with no debt compared to $251.8 million at October 31, 2020 and $169.6 million as of April 30, 2021. The cash balance was achieved after making payments of $36.3 million for acquisitions and $106.9 million for dividends this year.

During the quarter, Enghouse completed two tuck-in acquisitions, adding Nebu BV on June 3, 2021 and Momindum SAS on July 7, 2021. Nebu is an Amsterdam-based provider of market research and data analytics software solutions, which augments our existing market research and survey solutions. Momindum is an enterprise software provider of a secure, SaaS based platform for virtual events, recording, editing and sharing interactive video presentations. Momindum is complementary to our Vidyo offering and broadens our video collaboration solutions.

Today, the Board of Directors approved the Company's eligible quarterly dividend of $0.16 per common share, payable on November 30, 2021 to shareholders of record at the close of business on November 16, 2021.

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 September 9, 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 third quarter ended July 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, defence 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.

Third quarter overview

Similar to the second quarter of 2021, we continue to experience a loosening of physical distancing requirements as vaccines continue to be delivered in most major regions and have completed more of our planned on-site professional service work compared to other quarters that experienced more significant COVID-19 related delays. This resulted in a 16.9% increase in professional services revenue in the quarter. Compared to the third quarter of 2020 sales have returned to volumes that are more consistent with pre-COVID volumes, primarily for Vidyo license revenue. Meanwhile, collections remain strong and we continue to experience cost savings from remote work arrangements, decreased headcount and reduced expenditure on our physical footprint, which has further improved operating margins.

We are continuing our efforts to attract, convert and retain customers who require cloud-based solutions, particularly for our Interactive Management Group. Although focus on cloud-based solutions is increasing, we continue to provide flexibility and choice and remain committed to servicing our customers who have strict on-premise or private cloud requirements that competing products fail to satisfy.

The acquisitions of Nebu BV ("Nebu") and Momindum SAS ("Momindum"), both completed during the quarter, extend our presence in the market research and video communications sectors enabling us to capture additional opportunities within these markets. Efforts to onboard the Nebu and Momindum team and align their processes were 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 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	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	**$ 117,644**	**$ 117,334**	**$ 119,100**	**$ 120,898**	**$ 131,324**	**$ 140,900**	**$ 110,656**	**$ 109,331**
Direct costs	33,437	33,533	31,508	33,261	39,740	39,699	32,477	32,382
Revenue, net of direct costs	**$ 84,207**	**$ 83,801**	**$ 87,592**	**$ 87,637**	**$ 91,584**	**$ 101,201**	**$ 78,179**	**$ 76,949**
As a % of revenue	*71.6%*	*71.4%*	*73.5%*	*72.5%*	*69.7%*	*71.8%*	*70.7%*	*70.4%*
Operating expenses	45,267	46,852	46,510	44,952	49,351	55,046	45,760	43,731
Special charges	433	57	383	(12)	35	(121)	1,576	677
Results from operating activities	**$ 38,507**	**$ 36,892**	**$ 40,699**	**$ 42,697**	**$ 42,198**	**$ 46,276**	**$ 30,843**	**$ 32,541**
As a % of revenue	*32.7%*	*31.4%*	*34.2%*	*35.3%*	*32.1%*	*32.8%*	*27.9%*	*29.8%*
Amortization	(10,355)	(10,854)	(10,774)	(10,958)	(11,502)	(11,600)	(10,080)	(9,244)
Other	(1,147)	241	(3,764)	1,055	2,627	233	4	1,719
Income before income taxes	**$ 27,005**	**$ 26,279**	**$ 26,161**	**$ 32,794**	**$ 33,323**	**$ 34,909**	**$ 20,767**	**$ 25,016**
Provision for income taxes	5,778	5,540	5,519	3,422	7,330	7,820	4,631	329
Net Income for the period	**$ 21,227**	**$ 20,739**	**$ 20,642**	**$ 29,372**	**$ 25,993**	**$ 27,089**	**$ 16,136**	**$ 24,687**
Basic earnings per share	0.38	0.37	0.37	0.53	0.47	0.49	0.29	0.45
Diluted earnings per share	0.38	0.37	0.37	0.52	0.46	0.49	0.29	0.45
Operating cash flows	33,552	39,155	20,545	34,989	55,690	57,533	19,933	21,729
Operating cash flows excluding changes in working capital	41,105	42,600	41,715	48,008	45,294	50,033	35,183	33,854
Cash and short-term investments	187,797	169,573	230,371	251,791	228,938	168,089	116,329	150,269
Total assets	687,064	683,464	793,093	763,646	758,099	743,081	691,556	590,600
Adjusted EBITDA:								
Results from operating activities	38,507	36,892	40,699	42,697	42,198	46,276	30,843	32,541
Depreciation	719	758	735	795	801	758	887	804
Depreciation of right-of-use assets	2,006	2,492	2,703	3,158	2,534	2,368	2,023	-
Special charges	433	57	383	(12)	35	(121)	1,576	677
Adjusted EBITDA	**$ 41,665**	**$ 40,199**	**$ 44,520**	**$ 46,638**	**$ 45,568**	**$ 49,281**	**$ 35,329**	**$ 34,022**
Adjusted EBITDA margin	*35.4%*	*34.3%*	*37.4%*	*38.6%*	*34.7%*	*35.0%*	*31.9%*	*31.1%*
Adjusted EBITDA per diluted share	**$ 0.75**	**$ 0.72**	**$ 0.80**	**$ 0.83**	**$ 0.81**	**$ 0.89**	**$ 0.64**	**$ 0.62**

Results of Operations

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

	Three months						Nine months					
For the period ended July 31		**2021**		**2020**	**Var ($)**	**Var (%)**		**2021**		**2020**	**Var ($)**	**Var (%)**
Revenue	$	**117,644**	$	**131,324**	**(13,680)**	***(10.4)***	$	**354,078**	$	**382,880**	**(28,802)**	***(7.5)***
Direct costs		33,437		39,740	(6,303)	*(15.9)*		98,478		111,916	(13,438)	*(12.0)*
Revenue, net of direct costs	$	**84,207**	$	**91,584**	**(7,377)**	***(8.1)***	$	**255,600**	$	**270,964**	**(15,364)**	***(5.7)***
As a % of revenue		*71.6%*		*69.7%*				*72.2%*		*70.8%*		
Operating expenses		45,267		49,351	(4,084)	*(8.3)*		138,629		150,157	(11,528)	*(7.7)*
Special charges		433		35	398	*n.a.*		873		1,490	(617)	*(41.4)*
Results from operating activities	$	**38,507**	$	**42,198**	**(3,691)**	***(8.7)***	$	**116,098**	$	**119,317**	**(3,219)**	***(2.7)***
As a % of revenue		*32.7%*		*32.1%*				*32.8%*		*31.2%*		
Amortization of acquired software and customer relationships		(10,355)		(11,502)	1,147	*10.0*		(31,983)		(33,182)	1,199	*3.6*
Foreign exchange losses		(453)		(1,102)	649	*58.9*		(1,976)		(1,148)	(828)	*(72.1)*
Interest expense – lease obligations		(212)		(302)	90	*29.8*		(818)		(864)	46	*5.3*
Finance income		46		209	(163)	*(78.0)*		162		691	(529)	*(76.6)*
Finance expenses		(12)		(5)	(7)	*(140.0)*		(76)		(39)	(37)	*(94.9)*
Other (expenses) income		(516)		3,827	(4,343)	*(113.5)*		(1,962)		4,224	(6,186)	*(146.4)*
Income before income taxes	$	**27,005**	$	**33,323**	**(6,318)**	***(19.0)***	$	**79,445**	$	**88,999**	**(9,554)**	***(10.7)***
Provision for income taxes		5,778		7,330	(1,552)	*(21.2)*		16,837		19,781	(2,944)	*(14.9)*
Net Income for the period	$	**21,227**	$	**25,993**	**(4,766)**	**(18.3)**	$	**62,608**	$	**69,218**	**(6,610)**	***(9.5)***
Basic earnings per share		0.38		0.47	(0.09)	*(19.1)*		1.13		1.26	(0.13)	*(10.3)*
Diluted earnings per share		0.38		0.46	(0.08)	*(17.4)*		1.12		1.25	(0.13)	*(10.4)*
Operating cash flows		33,552		55,690	(22,138)	*(39.8)*		93,254		133,156	(39,902)	*(30.0)*
Operating cash flows excluding changes in working capital		41,105		45,294	(4,189)	*(9.2)*		125,422		130,510	(5,088)	*(3.9)*

Revenue

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

	Three months						Nine months					
For the period ended July 31		**2021**		**2020**		**Variance**		**2021**		**2020**		**Variance**
Software licenses	$	26,807	$	29,438	$	(2,631)	$	80,274	$	106,629	$	(26,355)
Hosted and maintenance services		68,419		77,356		(8,937)		211,064		213,733		(2,669)
Professional services		18,779		16,059		2,720		53,076		47,329		5,747
Hardware		3,639		8,471		(4,832)		9,664		15,189		(5,525)
Revenue	**$**	**117,644**	**$**	**131,324**	**$**	**(13,680)**	**$**	**354,078**	**$**	**382,880**	**$**	**(28,802)**
Interactive Management Group		65,556		75,151		(9,595)		201,738		227,949		(26,211)
Asset Management Group		52,088		56,173		(4,085)		152,340		154,931		(2,591)
Revenue	**$**	**117,644**	**$**	**131,324**	**$**	**(13,680)**	**$**	**354,078**	**$**	**382,880**	**$**	**(28,802)**

Revenue for the three months ended July 31, 2021 was $117.6 million, a decrease of $13.7 million or 10.4% from the same period in the prior year. The variance is explained by the following:

- A decrease of $8.9 million in hosted and maintenance revenue, primarily attributable to lower hardware support, particularly for Vidyo, as well as a decrease as a result of customers right-sizing operations as they continue to adjust their software requirements to changes in the working environment following the end of the first year of the outbreak of COVID-19. Hosted and maintenance services represent an important strategic source of revenue given its predictable and recurring nature and represented 58.2% of total revenues for the period and 58.9% for the comparative period.
- An overall decrease of $6.2 million as a result of foreign exchange, particularly the U.S. dollar and Euro.
- A decrease of $4.8 million in hardware revenue related to a significant hardware order in the transportation operations recorded in the third quarter of 2020.

- A decrease of $2.6 million in software revenue primarily from exceptional sales, particularly of Vidyo, in the third quarter of 2020.
- An offsetting increase of $2.7 million in professional services revenue primarily as a result of reaching several large project milestones as well as an increased ability to perform work as physical distancing restrictions loosen in some regions.

Revenue for the nine months ended July 31, 2021 was $354.1 million, a decrease of $28.8 million or 7.5% from the same period in the prior year. The variance is primarily a result of the lower software revenue resulting from the surge in COVID-19 related demand at the onset of the pandemic in the comparative period, as well as lower hardware revenue and is inclusive of a decrease of $9.4 million as a result of foreign exchange.

Interactive Management Group

IMG revenue for the three months ended July 31, 2021 was $65.6 million, a decrease of $9.6 million or 12.8% from same period in the prior year. The decline in license revenue is primarily attributable to comparably higher sales of Vidyo, as well as other sales achieved during the surge of demand at the onset of the pandemic during the three months ended July 31, 2020. In turn, the decline in hosted and maintenance revenue is a result of high initial sales in the second and third quarters of 2020, followed by a rightsizing of customer operations as they adjust their software requirements to changes in the working environment at the end of the first year following the outbreak of Covid-19.

Revenue for the nine months ended July 31, 2021 was $201.7 million, a decrease of $26.2 million or 11.5% from same period in the prior year. The decrease is primarily attributable to the same factors discussed for the three months ended July 31, 2021.

Asset Management Group

AMG revenue for the three months ended July 31, 2021 was $52.1 million, a decrease of $4.1 million or 7.3% from same period in the prior year. The variance is primarily explained by a large hardware sale recognized during the three months ended July 31, 2020 related to our transportation business.

Revenue for the nine months ended July 31, 2021 was $152.3 million, a decrease of $2.6 million or 1.7% from the same period in the prior year. The decrease is primarily the result of the aforementioned large hardware sale during the comparative period, partially offset by increased hosted and maintenance services revenue.

Direct Costs

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

	Three months			Nine months		
For the period ended July 31	**2021**	**2020**	**Variance**	**2021**	**2020**	**Variance**
Software licenses	$ 1,334	$ 2,058	$ (724)	$ 4,020	$ 8,445	$ (4,425)
Services	29,633	30,417	(784)	88,248	91,843	(3,595)
Hardware	2,470	7,265	(4,795)	6,210	11,628	(5,418)
Direct Costs	**$ 33,437**	**$ 39,740**	**$ (6,303)**	**$ 98,478**	**$ 111,916**	**$ (13,438)**
Software licenses	*5.0%*	*7.0%*		*5.0%*	*7.9%*	
Services	*34.0%*	*32.6%*		*33.4%*	*35.2%*	
Hardware	*67.9%*	*85.8%*		*64.3%*	*76.6%*	
Total	*28.4%*	*30.3%*		*27.8%*	*29.2%*	
Interactive Management Group	17,273	18,152	(879)	49,660	54,240	(4,580)
Asset Management Group	16,164	21,588	(5,424)	48,818	57,676	(8,858)
Direct Costs	**$ 33,437**	**$ 39,740**	**$ (6,303)**	**$ 98,478**	**$ 111,916**	**$ (13,438)**
As a % of revenue						
Interactive Management Group	*26.3%*	*24.2%*		*24.6%*	*23.8%*	
Asset Management Group	*31.0%*	*38.4%*		*32.0%*	*37.2%*	

Direct costs for the three months ended July 31, 2021 were $33.4 million or 28.4% of revenue compared to $39.7 million or 30.3% of revenue in the same period in the prior year. Overall margins improved as a result of higher margins on both software licenses and hardware following the large lower-margin hardware order in third quarter of 2020.

Direct costs for the nine months ended July 31, 2021 were $98.5 million or 27.8% of revenue compared to $111.9 million or 29.2% of revenue in the same period in the prior year. The improved overall product margin is attributable to higher margins on all products despite a shift in sales mix away from higher-margin software licenses towards services.

Interactive Management Group

IMG direct costs for the three months ended July 31, 2021 were $17.3 million or 26.3% of segment revenue compared to $18.2 million or 24.2% of revenue in the same period in the prior year. The lower margins are a result of a shift in product mix away from high-margin software revenue towards lower-margin services revenue combined with a decline in margin on services.

IMG direct costs for the nine months ended July 31, 2021 were $49.7 million or 24.6% of segment revenue compared to $54.2 million or 23.8% of revenue in the same period in the prior year attributable to the same reasons discussed above.

Asset Management Group

AMG direct costs were $16.2 million or 31.0% of segment revenue for the three months ended July 31, 2021 compared to $21.6 million or 38.4% of revenue in the same period in the prior year. The improvement resulted from higher margins on software and hardware combined with a shift in product mix away from lower-margin hardware.

AMG direct costs for the nine months ended July 31, 2021 were $48.8 million or 32.0% of segment revenue for the same period compared to $57.7 million or 37.2% of revenue in the same period in the prior year attributable to the same reasons discussed above.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended July 31, 2021 decreased by $7.4 million to $84.2 million or 71.6% of revenue compared to $91.6 million or 69.7% in the same period in the prior year. The decrease in revenue, net of direct costs is attributable to decreased revenue, and the unfavourable impact of foreign exchange, partially offset by higher overall margins.

Revenue, net of direct costs for the nine months ended July 31, 2021 decreased by $15.4 million to $255.6 million or 72.2% of revenue compared to $271.0 million or 70.8% in the same period in the prior year. The decrease in direct costs is a result of the same factors discussed for the three months ended July 31, 2021.

Operating Expenses

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

	Three months			Nine months		
For the period ended July 31	**2021**	**2020**	**Variance**	**2021**	**2020**	**Variance**
Selling, general and administrative	$ 23,726	$ 25,812	$ (2,086)	$ 68,885	$ 80,106	$ (11,221)
Research and development	18,816	20,204	(1,388)	60,331	60,680	(349)
Depreciation	719	801	(82)	2,212	2,446	(234)
Depreciation of right-of-use assets	2,006	2,534	(528)	7,201	6,925	276
Special charges	433	35	398	873	1,490	(617)
Operating expenses	**$ 45,700**	**$ 49,386**	**$ (3,686)**	**$ 139,502**	**$ 151,647**	**$ (12,145)**
As a % of revenue						
Selling, general and administrative	*20.2%*	*19.7%*		*19.5%*	*20.9%*	
Research and development	*16.0%*	*15.4%*		*17.0%*	*15.8%*	
Depreciation	*0.6%*	*0.6%*		*0.6%*	*0.6%*	
Depreciation of right-of-use assets	*1.7%*	*1.9%*		*2.0%*	*1.8%*	
Special charges	*0.4%*	*0.0%*		*0.2%*	*0.4%*	
Operating expenses	*38.8%*	*37.6%*		*39.4%*	*39.6%*	

Operating expenses for the three months ended July 31, 2021 totaled $45.7 million, a decrease of $3.7 million or 7.5% The variance is largely attributable to:

- A decrease of $2.1 million in selling, general and administrative expense resulting from restructuring initiatives undertaken to leverage post-acquisition operating and administrative cost synergies combined with operating cost efficiencies and the favourable impact of foreign exchange on operating costs.
- A decrease of $1.4 million in research and development expense after integrating R&D resources from the acquisitions into our R&D team. Research and development expense is equivalent to 16.0% of revenue compared to 15.4% in the same period in the prior year as a result of higher revenue in the third quarter of 2020.

Operating expenses for the nine months ended July 31, 2021 totaled $139.5 million, A decrease of $12.1 million or 8.0% from the same period in the prior year. The variance is attributable to the factors discussed above as well as cost savings related to post-acquisition restructuring initiatives undertaken in fiscal 2020.

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 July 31, 2021, the Canadian dollar strengthened against most major currencies in which we operate compared to the same period in the prior year. As result, in the third quarter, there was a negative impact to revenue of $6.2 million reported in Canadian dollars while operating and direct costs were lower by $4.1 million compared to the same period in the prior year.

For the three months ended July 31, 2021, we recognized unrealized foreign exchange losses of $0.5 million related to foreign currency denominated monetary assets and liabilities in the current period compared to losses of $1.1 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 Accumulated other comprehensive income account on the Unaudited Condensed Consolidated Interim Statements of Financial Position.

For the nine months ended July 31, 2021, we recognized $2.0 million of unrealized foreign exchange losses related to foreign currency denominated monetary assets and liabilities in the current period compared to losses of $1.1 million in the same period in the prior year.

Amortization of Software and Customer Relationships

Amortization expense for acquired software and customer relationships for the three and nine months ended July 31, 2021 decreased by $1.1 million to $10.4 million and by $1.2 million to $32.0 million, respectively, compared to the same periods in the prior year. Both variances are attributable to assets previously acquired that have since become fully amortized, partially offset by incremental charges from the current and prior year's acquisitions, which added $3.2 million for the nine months ended July 31, 2021.

Other Expenses

Other expenses for the three months ended July 31, 2021 increased by $4.3 million during the quarter as a result of booking net unrealized losses on investments in equity positions carried at fair value after booking gains in the comparative quarter on the initial rebound of valuations following the onset of the COVID-19 pandemic. For the nine months ended July 31, 2021, Other expenses increased by $6.2 million compared to the same period in the prior year. The increase is attributable to the aforementioned unrealized investment losses, net of realized gains on investments in equity positions carried at fair value.

Income Tax Expense

Income tax expense for the three months ended July 31, 2021 decreased by $1.6 million to $5.8 million, compared to the same period in the prior year. For the three months ended July 31, 2021, our effective tax rate was 21.4% compared to 22.0%, respectively, for the same period in the prior year.

Net Income

Net income for the three months ended July 31, 2021 decreased by $4.8 million to $21.2 million, compared to the same period in the prior year. The decrease is the result of exceptional COVID-19 related demand experienced during the comparative period. For the nine months ended July 31, 2021 Net income decreased $6.6 million to $62.6 million, primarily as a result of the same factors discussed for the three months ended July 31, 2021.

For the three and nine months ended July 31, 2021, diluted earnings per share was $0.38 and $1.12, respectively, compared to $0.46 and $1.25 in the same periods in the prior year.

Cash Flows from Operating Activities

For the three months ended July 31, 2021, cash flows from operating activities were $33.6 million compared to $55.7 million in the same period in the prior year. The decrease in operating cash flow reflects:

- A $0.9 million decrease in non-cash operating working capital measured against a comparably significant increase of $17.6 million in the same period in the prior year resulting from exceptional collections and net of decreases in deferred revenue during the comparative period.
- A decrease in net income as a result of lower revenue compared to exceptional revenues in the three months ended July 31, 2020.

For the nine months ended July 31, 2021, cash flows from operating activities were $93.3 million compared to $133.2 million in the same period in the prior year. The decrease in operating cash flow reflects unfavourable working capital adjustments including increased income taxes paid in the current year (as a result of record income in fiscal 2020) as well as decreases in non-cash operating capital, primarily as a result of a decrease in payables and accrued liabilities resulting from payments of liabilities assumed from Altitude following acquisition.

Adjusted EBITDA

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

For the period ended July 31	Three months			Nine months		
	2021	2020	Variance	2021	2020	Variance
Total revenue	$ 117,644	$ 131,324	$ (13,680)	$ 354,078	$ 382,880	$ (28,802)
Results from operating activities	38,507	42,198	(3,691)	116,098	119,317	(3,219)
Depreciation	719	801	(82)	2,212	2,446	(234)
Depreciation of right-of-use assets	2,006	2,534	(528)	7,201	6,925	276
Special charges	433	35	398	873	1,490	(617)
Adjusted EBITDA	**$ 41,665**	**$ 45,568**	**$ (3,903)**	**$ 126,384**	**$ 130,178**	**$ (3,794)**
Adjusted EBITDA margin	*35.4%*	*34.7%*		*35.7%*	*34.0%*	
Adjusted EBITDA per diluted share	**$ 0.75**	**$ 0.81**	**$ (0.06)**	**$ 2.26**	**$ 2.35**	**$ (0.09)**

Adjusted EBITDA for the three and nine months ended July 31, 2021 decreased by $3.9 million and $3.8 million, respectively, compared to the same periods in the prior year. The decrease in adjusted EBITDA is primarily a result of lower revenue relative to exceptional revenue experienced during the three months ended July 31, 2020.

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 $187.8 million, compared to the October 31, 2020 balance of $251.8 million. For the nine months ended July 31, 2021, cash decreased by a total of $60.4 million compared to an increase of $74.7 million over the same period in the prior year. The decrease is the result of returning $106.9 million in dividends to shareholders combined with $36.1 million spent to acquire Altitude, Nebu and Momindum. This was partially offset by positive operating cash flows of $93.3 million.

For the nine months ended July 31, 2021 working capital was $102.4 million compared to $150.8 million at the end of prior year. The decrease in working capital is predominately a result of the aforementioned factors. Management is confident that the Company has the funds necessary to meet its existing and future financial operating commitments and dividend strategy. Future acquisition growth may be funded through a combination of cash, debt and equity consideration, which could cause dilution to existing shareholders.

Capital Stock

The Company had 55,516,924 Common Shares issued and outstanding as at September 9, 2021. During the quarter, 22,000 stock options were exercised contributing $0.7 million in cash compared to 268,000 stock options and $7.8 million in cash to the Company in the same period in the prior year. The Company granted 35,000 options in the first three quarters of 2021 compared to 310,000 options granted in the first three quarters of the prior year.

Enghouse Systems renewed its Normal Course Issuer Bid for a further year commencing April 30, 2021 and expiring April 29, 2022, whereby it may repurchase up to a maximum of 3,000,000 common shares of the Company. The Company did not repurchase any shares of its common stock in the current or prior quarterly periods 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 September 9, 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 July 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 and nine months ended July 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 July 31, 2021	As at October 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents		$ 184,429	$ 244,792
Short-term investments		3,368	6,999
Accounts receivable		94,266	90,789
Prepaid expenses and other assets		12,645	14,772
		294,708	**357,352**
Non-current assets:			
Property and equipment		5,931	6,301
Right-of-use assets		29,957	42,832
Intangible assets	4	113,447	123,616
Goodwill	4	226,852	217,426
Deferred income tax assets		16,169	16,119
		392,356	**406,294**
		$ 687,064	**$ 763,646**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 71,138	$ 80,339
Income taxes payable		5,089	13,245
Dividends payable		8,883	7,472
Provisions	5	6,657	5,697
Deferred revenue		92,197	89,927
Lease obligations		8,387	9,914
		192,351	**206,594**
Non-current liabilities:			
Income taxes payable		2,967	3,829
Deferred income tax liabilities		19,256	14,782
Deferred revenue		10,631	7,021
Net employee defined benefit obligation		2,739	2,855
Lease obligations		21,071	32,242
		56,664	**60,729**
		249,015	**267,323**
Shareholders' equity			
Share capital		105,276	99,405
Contributed surplus		7,283	6,583
Retained earnings		333,722	379,378
Accumulated other comprehensive (loss) income	6	(8,232)	10,957
		438,049	**496,323**
		$ 687,064	**$ 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 July 31	Notes	Three months 2021	Three months 2020	Nine months 2021	Nine months 2020
Revenue					
Software licenses		$ 26,807	$ 29,438	$ 80,274	$ 106,629
Hosted and maintenance services		68,419	77,356	211,064	213,733
Professional services		18,779	16,059	53,076	47,329
Hardware		3,639	8,471	9,664	15,189
		117,644	**131,324**	**354,078**	**382,880**
Direct costs					
Software licenses		1,334	2,058	4,020	8,445
Services		29,633	30,417	88,248	91,843
Hardware		2,470	7,265	6,210	11,628
		33,437	39,740	98,478	111,916
Revenue, net of direct costs		**84,207**	**91,584**	**255,600**	**270,964**
Operating expenses					
Selling, general and administrative		23,726	25,812	68,885	80,106
Research and development		18,816	20,204	60,331	60,680
Depreciation		719	801	2,212	2,446
Depreciation of right-of-use assets		2,006	2,534	7,201	6,925
Special charges		433	35	873	1,490
		45,700	**49,386**	**139,502**	**151,647**
Results from operating activities		**38,507**	**42,198**	**116,098**	**119,317**
Amortization of acquired software and customer relationships	4	(10,355)	(11,502)	(31,983)	(33,182)
Foreign exchange losses		(453)	(1,102)	(1,976)	(1,148)
Interest expense – lease obligations		(212)	(302)	(818)	(864)
Finance income		46	209	162	691
Finance expenses		(12)	(5)	(76)	(39)
Other (expenses) income		(516)	3,827	(1,962)	4,224
Income before income taxes		**27,005**	**33,323**	**79,445**	**88,999**
Provision for income taxes	8	5,778	7,330	16,837	19,781
Net income for the period		**$ 21,227**	**$ 25,993**	**$ 62,608**	**$ 69,218**
Items that may be subsequently reclassified to income:					
Cumulative translation adjustment		3,953	2,868	(19,189)	15,319
Other comprehensive income (loss)		**3,953**	**2,868**	**(19,189)**	**15,319**
Comprehensive income		**$ 25,180**	**$ 28,861**	**$ 43,419**	**$ 84,537**
Earnings per share					
Basic	9	$ 0.38	$ 0.47	$ 1.13	$ 1.26
Diluted	9	$ 0.38	$ 0.46	$ 1.12	$ 1.25

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 (loss) income		Retained earnings		Total
As at November 1, 2020	**55,348,924**	**$**	**99,405**	**$**	**6,583**	**$**	**10,957**	**$**	**379,378**	**$**	**496,323**
Net income for the period	-		-		-		-		62,608		62,608
Cumulative translation adjustment (Note 6)	-		-		-		(19,189)		-		(19,189)
Comprehensive income (loss)	**-**	**$**	**-**	**$**	**-**	**$**	**(19,189)**	**$**	**62,608**	**$**	**43,419**
Employee share options:											
Value of services recognized	-		-		1,725		-		-		1,725
Proceeds on issuing shares	168,000		5,871		(1,025)		-		-		4,846
Dividends declared (Note 6)	-		-		-		-		(108,264)		(108,264)
As at July 31, 2021	**55,516,924**	**$**	**105,276**	**$**	**7,283**	**$**	**(8,232)**	**$**	**333,722**	**$**	**438,049**
As at November 1, 2019	**54,737,424**	**$**	**81,576**	**$**	**6,677**	**$**	**4,622**	**$**	**309,198**	**$**	**402,073**
Net income for the period	-		-		-		-		69,218		69,218
Cumulative translation adjustment (Note 6)	-		-		-		15,319		-		15,319
Comprehensive income	**-**	**$**	**-**	**$**	**-**	**$**	**15,319**	**$**	**69,218**	**$**	**84,537**
Employee share options:											
Value of services recognized	-		-		2,279		-		-		2,279
Proceeds on issuing shares	547,500		16,951		(3,590)		-		-		13,361
Dividends declared (Note 6)	-		-		-		-		(20,938)		(20,938)
As at July 31, 2020	**55,284,924**	**$**	**98,527**	**$**	**5,366**	**$**	**19,941**	**$**	**357,478**	**$**	**481,312**

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 July 31	Notes	Three months 2021	Three months 2020	Nine months 2021	Nine months 2020
OPERATING ACTIVITIES					
Net income for the period		$ 21,227	$ 25,993	$ 62,608	$ 69,218
Adjustments to reconcile net income to net cash provided by operating activities					
Depreciation		719	801	2,212	2,446
Depreciation of right-of-use assets		2,006	2,534	7,201	6,925
Interest expense – lease obligations		212	302	818	864
Amortization of acquired software and customer relationships	4	10,355	11,502	31,983	33,182
Stock-based compensation expense	7	280	654	1,725	2,279
Provision for income taxes		5,778	7,330	16,837	19,781
Finance expenses and other expenses (income)		528	(3,822)	2,038	(4,185)
		41,105	**45,294**	**125,422**	**130,510**
Changes in non-cash operating working capital	13	(942)	17,614	(9,857)	18,150
Income taxes paid		(6,611)	(7,218)	(22,311)	(15,504)
Net cash provided by operating activities		**33,552**	**55,690**	**93,254**	**133,156**
INVESTING ACTIVITIES					
Purchase of property and equipment		(505)	(458)	(1,849)	(1,902)
Acquisitions, net of cash acquired*	10	(3,837)	1,103	(36,137)	(46,561)
Purchase consideration for prior-year acquisitions	10	(1,263)	3,201	(158)	2,655
(Purchase) sale of short-term investments		(44)	233	1,570	(1,569)
Net cash (used in) provided by investing activities		**(5,649)**	**4,079**	**(36,574)**	**(47,377)**
FINANCING ACTIVITIES					
Issuance of share capital		666	7,789	4,846	13,361
Repayment of loans		-	-	-	(62)
Repayment of lease obligations		(2,398)	(2,483)	(7,319)	(6,935)
Dividends paid		(8,879)	(7,427)	(106,853)	(19,496)
Net cash used in financing activities		**(10,611)**	**(2,121)**	**(109,326)**	**(13,132)**
Impact of foreign exchange on cash and cash equivalents		1,471	(555)	(7,717)	2,012
Increase (decrease) in cash and cash equivalents		**18,763**	**57,093**	**(60,363)**	**74,659**
Cash and cash equivalents - beginning of period		165,666	162,330	244,792	144,764
Cash and cash equivalents - end of period		**$ 184,429**	**$ 219,423**	**$ 184,429**	**$ 219,423**

** Acquisitions are net of cash acquired of $2,150 and $3,613 for the three and nine months ended July 31, 2021, respectively, and nil and $6,906 for the three and nine months ended July 31, 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, defence 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 Limited 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 September 9, 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. 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 September 9, 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 the Company's functional currency.

(in thousands of Canadian dollars, except as indicated)

(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 July 31, 2021					
Opening net book value	$ 72,077	$ 769	$ 50,770	$ 123,616	$ 217,426
Acquisitions	13,100	-	15,176	28,276	19,145
Amortization	(18,269)	(532)	(13,182)	(31,983)	-
Exchange difference	(3,309)	(6)	(3,147)	(6,462)	(9,719)
Closing net book value	**$ 63,599**	**$ 231**	**$ 49,617**	**$ 113,447**	**$ 226,852**
At July 31, 2021					
Cost	255,566	3,592	169,044	428,202	226,852
Accumulated amortization	(191,967)	(3,361)	(119,427)	(314,755)	-
Net book value	**$ 63,599**	**$ 231**	**$ 49,617**	**$ 113,447**	**$ 226,852**

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	3,926
Utilized during the period	(2,606)
Effect of movements in foreign exchange	(360)
At July 31, 2021	**$ 6,657**

(in thousands of Canadian dollars, except as indicated)

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 55,516,924 common shares outstanding as at July 31, 2021. There were no Class A and no Class B preference shares issued and outstanding as at either July 31, 2021 or October 31, 2020.

Common Share Repurchase Plan

On April 26, 2021, the Company renewed its common share repurchase plan, whereby it may repurchase up to a maximum of 3,000,000 common shares of the Company, expiring on April 29, 2022. The Company did not repurchase any common shares in the first three quarters of either fiscal 2021 or 2020.

Dividends

During the three months ended July 31, 2021, the Company declared dividends of $0.16 per common share compared to $0.135 per common share in the prior period, and paid dividends of $0.16 compared to $0.135 during the same period in the prior year.

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

Accumulated Other Comprehensive Income (loss)

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

		Translation of foreign operations		Unrealized 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		(19,189)		-		(19,189)
At July 31, 2021	**$**	**(8,113)**	**$**	**(119)**	**$**	**(8,232)**

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 3,146,400 (July 31, 2020 – 3,378,400) 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.

(in thousands of Canadian dollars, except as indicated)

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

Three months ended July 31	Number of options		Weighted average exercise price			
	2021	2020		2021		2020
Outstanding at beginning of period	1,276,000	1,775,000	$	36.99	$	34.29
Granted	-	-		-	$	-
Exercised	(22,000)	(268,000)		30.21		29.07
Forfeited	(48,000)	-		49.04		-
Outstanding at end of period	**1,206,000**	**1,507,000**	**$**	**36.64**	**$**	**35.22**
Exercisable at end of period	**451,500**	**306,000**	**$**	**31.49**	**$**	**27.01**

Nine months ended July 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	35,000	310,000		61.41		46.10
Exercised	(168,000)	(547,500)		28.85		24.40
Forfeited	(48,000)	-		49.04		-
Outstanding at end of period	**1,206,000**	**1,507,000**	**$**	**36.64**	**$**	**35.22**
Exercisable at end of period	**451,500**	**306,000**	**$**	**31.49**	**$**	**27.01**

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 $0.3 million and $1.7 million for the three and nine months ended July 31, 2021, respectively, compared to $0.7 million and $2.3 million in the same periods 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.

Options granted	2021	2020
Risk-free interest rate	0.58%	1.54%
Estimated volatility	29%	26%
Dividend yield	$0.64	$0.44
Expected life (in years)	5.0	5.0
Weighted average fair value	$14.16	$10.66
Weighted average share price at grant date	$61.41	$46.10

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 July 31, 2021, the Company recorded a tax expense of $5.8 million (21.4% effective tax rate) as compared with a tax expense of $7.3 million (22.0%) in the prior year's third quarter.

(in thousands of Canadian dollars, except as indicated)

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 July 31	Three months		Nine months	
	2021	2020	2021	2020
Net income for the period	$ 21,227	$ 25,993	$ 62,608	$ 69,218
Weighted average number of common shares outstanding	55,514	55,238	55,421	54,975
Basic earnings per share	**$ 0.38**	**$ 0.47**	**$ 1.13**	**$ 1.26**

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 July 31	Three months		Nine months	
	2021	2020	2021	2020
Net income for the period	$ 21,227	$ 25,993	$ 62,608	$ 69,218
Weighted average number of common shares outstanding	55,514	55,238	55,421	54,975
Adjustment for stock options	402	713	461	521
Weighted average number of common shares outstanding for diluted EPS	55,916	55,951	55,882	55,496
Diluted earnings per share	**$ 0.38**	**$ 0.46**	**$ 1.12**	**$ 1.25**

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, the Company 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.

On June 3, 2021, the Company acquired 100% of the issued and outstanding common shares of Nebu BV ("Nebu"). Headquartered in Amsterdam, the Netherlands, Nebu provides market research and data analytics software solution, with a focus on allowing enterprises, researchers and analysts to cover all requirements needed to gain a deep understanding of customer and community behaviours.

On July 7, 2021, the Company acquired 100% of the issued and outstanding common shares of Momindum SAS ("Momindum"). Headquartered in Paris, France, Momindum is an enterprise software provider of a secure, SaaS based platform for virtual events, recording, editing and sharing interactive video presentations. Its solutions are intuitive, economical and easy to set up.

The three acquisitions were completed for an aggregate cash purchase price of $41.6 million, with €1.2 million subject to holdback and €2.3 million in escrow, subject to potential adjustment. Results for all three acquisitions are included in IMG from their respective dates of acquisition.

(in thousands of Canadian dollars, except as indicated)

2020 Acquisitions

On December 31, 2019, the Company 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. $2.4 million remaining in escrow that is subject to potential adjustment. Results for Dialogic are included in both IMG and AMG from the date of acquisition.

Purchase Price Allocation

	IMG Preliminary 2021
Cash and cash equivalents	$ 3,613
Short-term investments	130
Accounts receivable	10,346
Prepaid expenses and other assets	1,787
Property and equipment	306
Deferred income tax assets	888
Acquired software	13,100
Customer relationships	15,176
Right-of-use assets	2,437
Goodwill	19,145
Total assets acquired	**$ 66,928**
Current liabilities assumed	$ 17,910
Non-current lease obligations	1,875
Deferred income tax liabilities	5,548
Total liabilities assumed	**$ 25,333**
Net assets acquired for consideration	**$ 41,595**

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 July 31, 2021	IMG	AMG	Total
Revenue	$ 65,556	$ 52,088	$ 117,644
Direct costs	(17,273)	(16,164)	(33,437)
Revenue, net of direct costs	**48,283**	**35,924**	**84,207**
Operating expenses excluding special charges	(21,822)	(11,718)	(33,540)
Depreciation of property and equipment	(607)	(112)	(719)
Depreciation of right-of-use assets	(1,203)	(803)	(2,006)
Segment profit	**$ 24,651**	**$ 23,291**	**$ 47,942**
Special charges			(433)
Corporate and shared service expenses			(9,002)
Results from operating activities			**$ 38,507**

(in thousands of Canadian dollars, except as indicated)

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**

Nine months ended July 31, 2021		IMG		AMG		Total
Revenue	$	201,738	$	152,340	$	354,078
Direct costs		(49,660)		(48,818)		(98,478)
Revenue, net of direct costs		**152,078**		**103,522**		**255,600**
Operating expenses excluding special charges		(68,559)		(36,057)		(104,616)
Depreciation of property and equipment		(1,902)		(310)		(2,212)
Depreciation of right-of-use assets		(4,687)		(2,514)		(7,201)
Segment profit	**$**	**76,930**	**$**	**64,641**	**$**	**141,571**
Special charges						(873)
Corporate and shared service expenses						(24,600)
Results from operating activities					**$**	**116,098**

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**

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 defence 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 defences. There are no material claims outstanding against the Company at July 31, 2021.

(in thousands of Canadian dollars, except as indicated)

13. Changes in Non-Cash Operating Working Capital

For the periods ended July 31	Three months 2021	Three months 2020	Nine months 2021	Nine months 2020
Decrease in accounts receivable	$ 5,391	$ 27,261	$ 1,772	$ 10,703
Decrease in prepaid expenses and other assets	2,063	4,435	3,224	935
Increase (decrease) in accounts payable and accrued liabilities	1,844	715	(21,073)	(6,016)
(Decrease) increase in provisions	(606)	(599)	1,272	(473)
Decrease in income taxes payable	(782)	(859)	(2,793)	(383)
(Decrease) increase in deferred revenue	(8,852)	(13,339)	7,741	13,384
Changes in non-cash operating working capital	**$ (942)**	**$ 17,614**	**$ (9,857)**	**$ 18,150**