Enghouse Systems
Software engineered for results

Second Quarter
Ended April 30, 2022

June 7, 2022

Dear fellow Shareholders,

Revenue for the second quarter of 2022 was $106.3 million with results from operating activities of $31.1 million and cash flows from operating activities excluding changes in working capital of $34.5 million. As a result, we closed the quarter with $231.2 million in cash, cash equivalents, and short-term investments with no external debt. We remain focused on operating a profitable, cash flow positive business that generates the necessary capital to fund our acquisition strategy without the need for financing.

Revenue for the second quarter of 2022 was down from $117.3 million in the same period of the prior year and was negatively impacted by $3.7 million as a result of unfavourable foreign exchange as European currencies have come under pressure with the recent conflict in Ukraine. Excluding the impact of foreign exchange, our Asset Management Group had comparable revenues to the second quarter of 2021. Our Interactive Management Group is experiencing increased competition from cloud solutions providers as the market shifts towards the cloud as more businesses adopt work from home operating models. While we differentiate ourselves from our competitors by providing customers choice between on-premise solutions, private cloud and multi-tenant cloud offerings we are augmenting our existing channel-partner model with additional focus on our direct go-to-market approach for our cloud solution that is still in the early stages of its global roll-out.

Net income for the quarter was $17.9 million or $0.32 per diluted share, compared to $20.7 million or $0.37 per diluted share last year. The decrease in net income is a result of lower revenue despite decreased operating expenses relative to the comparative period. Adjusted EBITDA was $33.8 million or $0.61 per diluted share, compared to $40.2 million or $0.72 per diluted share in the second quarter of 2021.

Year-to-date revenue was $217.4 million, compared to revenue of $236.4 million in the prior year. Revenue was negatively impacted by $8.1 million due to foreign exchange fluctuations. Meanwhile, year-to-date results from operating activities were $66.8 million compared to $77.6 million in the prior year. Year-to-date Adjusted EBITDA was $72.3 million or $1.30 per diluted share compared to $84.7 million or $1.52 per diluted share last year. Year-to-date cash flows from operating activities, excluding changes in working capital, were $73.3 million compared to $84.3 million in the prior year. Dividend payments of $17.8 million were also made during the period.

Today, the Board of Directors approved the Company’s eligible quarterly dividend of $0.185 per common share, payable on August 31, 2022 to shareholders of record at the close of business on August 17, 2022. This payment represents an increase of 16% compared to the prior year.

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 June 7, 2022 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 2021 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 second quarter ended April 30, 2022.

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, Adjusted EBITDA margin, and Adjusted EBITDA per diluted share 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, including its Annual Information Form, 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, 2021, 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 vertical enterprise software solutions focused on contact centers, video communications, healthcare, telecommunications networks, public safety and the transit market. The Company's two-pronged strategy to grow earnings focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company has no external debt financing and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG").

IMG specializes in contact center and 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, social channels, web chats, text and video. Core technologies include contact center, video collaboration, interactive voice response, artificial intelligence, outbound dialers, attendant console, agent performance optimization, customer survey, 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 financial services companies, telecoms, business process service providers, as well as technology and health care providers.

AMG provides a portfolio of software and services solutions across a number of verticals, such as cable operators, network telecommunication providers, media, transit, defence, utilities 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 transit e-ticketing, automated fare collections, fleet routing, dispatch, scheduling, 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, vertically focused enterprise software company with a diversified product suite and global market presence. The Company remains focused on generating positive operating cash flows and having a strong balance sheet. Deploying capital on acquisitions and replacing it through operating cash flows is pivotal to our 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, including expanding our hosted solution offerings, 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 enables us to provide a broader spectrum of products and services to our customer base more quickly than through organic means alone.

Second quarter overview

During the second quarter of 2022, we continued to generate positive operating cash flows, operating income and profits but experienced a decline in revenue. This decline is primarily attributable to IMG, which includes our Vidyo revenue where customers are rapidly deploying cloud solutions to address work from home operating models for their contact center agents. Foreign exchange also had a negative impact on revenue of $3.7 million for the quarter.

Although our focus on providing cloud-based solutions is increasing, we continue to provide flexibility and choice and remain committed to servicing our customers who may have strict on-premise or private cloud requirements that competing products may fail to satisfy. As we see a growing demand for cloud-based recurring revenue solutions, as with all our revenue streams, we are careful to ensure that this is achieved without sacrificing profitability, particularly as we observe some competitors reducing prices in an effort to retain revenue growth without achieving profitability. As a result, we are also focused on ensuring our pricing is set appropriately to provide adequate margins in an inflationary environment.

Global inflation has also impacted our expenses. While we remain focused on profitability and controlling costs, inflationary cost increases have resulted in rising costs for personnel and other expenses. We continue to focus on cost reductions in overhead areas such as facilities while diligently scaling our operating costs to revenues.

We are continuing to monitor the situation in Ukraine. The conflict has not significantly impacted our operations. Our third-party contractors in Ukraine are safe and accounted for and continue to operate effectively without major interruptions to their work.

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 as well as fluctuations in usage volumes of our software or customers selecting cloud based hosted offerings rather than on-premise solutions. Our quarterly results may also be influenced by COVID-19, foreign exchange, timing of new acquisitions, geopolitical changes (including the war in Ukraine). as well as 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	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Revenue	**$ 106,312**	**$ 111,102**	**$ 113,099**	**$ 117,644**	**$ 117,334**	**$ 119,100**	**$ 120,898**	**$ 131,324**
Direct costs	33,581	32,828	31,149	33,437	33,533	31,508	33,261	39,740
Revenue, net of direct costs	**$ 72,731**	**$ 78,274**	**$ 81,950**	**$ 84,207**	**$ 83,801**	**$ 87,592**	**$ 87,637**	**$ 91,584**
As a % of revenue	*68.4%*	*70.5%*	*72.5%*	*71.6%*	*71.4%*	*73.5%*	*72.5%*	*69.7%*
Operating expenses	41,629	42,551	42,784	45,267	46,852	46,510	44,952	49,351
Special charges	46	18	31	433	57	383	(12)	35
Results from operating activities	**$ 31,056**	**$ 35,705**	**$ 39,135**	**$ 38,507**	**$ 36,892**	**$ 40,699**	**$ 42,697**	**$ 42,198**
As a % of revenue	*29.2%*	32.1%	34.6%	32.7%	*31.4%*	*34.2%*	*35.3%*	*32.1%*
Amortization	(9,207)	(9,657)	(10,438)	(10,355)	(10,854)	(10,774)	(10,958)	(11,502)
Other	242	568	(724)	(1,147)	241	(3,764)	1,055	2,627
Income before income taxes	**$ 22,091**	**$ 26,616**	**$ 27,973**	**$ 27,005**	**$ 26,279**	**$ 26,161**	**$ 32,794**	**$ 33,323**
Provision for (recovery of) income taxes	4,220	5,019	(2,213)	5,778	5,540	5,519	3,422	7,330
Net Income for the period	**$ 17,871**	**$ 21,597**	**$ 30,186**	**$ 21,227**	**$ 20,739**	**$ 20,642**	**$ 29,372**	**$ 25,993**
Basic earnings per share	0.32	0.39	0.54	0.38	0.37	0.37	0.53	0.47
Diluted earnings per share	0.32	0.39	0.54	0.38	0.37	0.37	0.52	0.46
Operating cash flows	31,142	24,342	25,206	33,552	39,155	20,545	34,989	55,690
Operating cash flows excl. changes in working capital	34,510	38,743	42,385	41,105	42,600	41,715	48,008	45,294
Cash and short-term investments	231,218	214,814	198,834	187,797	169,573	230,371	251,791	228,938
Total assets	688,882	699,284	674,624	687,064	683,464	793,093	763,646	758,099
Adjusted EBITDA:								
Results from operating activities	31,056	35,705	39,135	38,507	36,892	40,699	42,697	42,198
Depreciation	705	720	791	719	758	735	795	801
Depreciation of right-of-use assets	1,969	2,112	2,168	2,006	2,492	2,703	3,158	2,534
Special charges	46	18	31	433	57	383	(12)	35
Adjusted EBITDA	**$ 33,776**	**$ 38,555**	**$ 42,125**	**$ 41,665**	**$ 40,199**	**$ 44,520**	**$ 46,638**	**$ 45,568**
Adjusted EBITDA margin	*31.8%*	*34.7%*	*37.2%*	*35.4%*	*34.3%*	*37.4%*	*38.6%*	*34.7%*
Adjusted EBITDA per diluted share	**$ 0.61**	**$ 0.69**	**$ 0.75**	**$ 0.75**	**$ 0.72**	**$ 0.80**	**$ 0.83**	**$ 0.81**

Results of Operations

The following table provides details regarding operating results for the three and six months ended April 30, 2022.

For the period ended April 30	Three months 2022	2021	Var ($)	Var (%)	Six months 2022	2021	Var ($)	Var (%)
Revenue	**$ 106,312**	**$ 117,334**	**(11,022)**	**(9.4)**	**$ 217,414**	**$ 236,434**	**(19,020)**	***(8.0)***
Direct costs	33,581	33,533	48	0.1	66,409	65,041	1,368	*2.1*
Revenue, net of direct costs	**$ 72,731**	**$ 83,801**	**(11,070)**	**(13.2)**	**$ 151,005**	**$ 171,393**	**(20,388)**	***(11.9)***
As a % of revenue	*68.4%*	*71.4%*			*69.5%*	*72.5%*		
Operating expenses	41,629	46,852	(5,223)	(11.1)	84,180	93,362	(9,182)	*(9.8)*
Special charges	46	57	(11)	(19.3)	64	440	(376)	*(85.5)*
Results from operating activities	**$ 31,056**	**$ 36,892**	**(5,836)**	**(15.8)**	**$ 66,761**	**$ 77,591**	**(10,830)**	***(14.0)***
As a % of revenue	*29.2%*	*31.4%*			*30.7%*	*32.8%*		
Amortization of acquired software and customer relationships	(9,207)	(10,854)	1,647	15.2	(18,864)	(21,628)	2,764	*12.8*
Foreign exchange gains (losses)	314	1,587	(1,273)	(80.2)	(22)	(1,523)	1,501	*98.6*
Interest expense – lease obligations	(196)	(277)	81	29.2	(398)	(606)	208	*34.3*
Finance income	122	36	86	238.9	251	116	135	*116.4*
Finance expenses	(21)	17	(38)	(223.5)	(44)	(64)	20	*31.3*
Other income (expenses)	23	(1,122)	1,145	102.0	1,023	(1,446)	2,469	*170.7*
Income before income taxes	**$ 22,091**	**$ 26,279**	**(4,188)**	**(15.9)**	**$ 48,707**	**$ 52,440**	**(3,733)**	***(7.1)***
Provision for income taxes	4,220	5,540	(1,320)	(23.8)	9,239	11,059	(1,820)	*(16.5)*
Net Income for the period	**$ 17,871**	**$ 20,739**	**(2,868)**	**(13.8)**	**$ 39,468**	**$ 41,381**	**(1,913)**	***(4.6)***
Basic earnings per share	0.32	0.37	(0.05)	(13.5)	0.71	0.75	(0.04)	*(5.3)*
Diluted earnings per share	0.32	0.37	(0.05)	(13.5)	0.71	0.74	(0.03)	*(4.1)*
Operating cash flows	31,142	39,155	(8,013)	(20.5)	55,484	59,702	(4,218)	*(7.1)*
Operating cash flows excluding changes in working capital	34,510	42,600	(8,090)	(19.0)	73,253	84,317	(11,064)	*(13.1)*

Revenue

The following table provides details regarding revenue for the three and six months ended April 30, 2022.

For the period ended April 30	Three months 2022	2021	Variance	Six months 2022	2021	Variance
Software licenses	$ 21,420	$ 25,167	$ (3,747)	$ 45,198	$ 53,467	$ (8,269)
Hosted and maintenance services	63,745	70,402	(6,657)	130,172	142,645	(12,473)
Professional services	17,879	18,468	(589)	35,831	34,297	1,534
Hardware	3,268	3,297	(29)	6,213	6,025	188
Revenue	**$ 106,312**	**$ 117,334**	**$ (11,022)**	**$ 217,414**	**$ 236,434**	**$ (19,020)**
Interactive Management Group	57,218	65,879	(8,661)	119,089	136,182	(17,093)
Asset Management Group	49,094	51,455	(2,361)	98,325	100,252	(1,927)
Revenue	**$ 106,312**	**$ 117,334**	**$ (11,022)**	**$ 217,414**	**$ 236,434**	**$ (19,020)**

Revenue for the three months ended April 30, 2022 was $106.3 million, a decrease of 9.4% from the same period in the prior year. The variance is explained by:

- A decrease of $6.7 million in hosted and maintenance revenue, primarily attributable to lower maintenance resulting from attrition on existing agreements including our Vidyo offerings. This reflects reduced sales and renewals of our Interactive products during the quarter as customers critically examine expenses in the current inflationary environment. Hosted and maintenance services represent an important strategic source of revenue given its predictable and recurring nature and represented 60.0% of total revenues for both the current and comparative periods.

- A decrease of $3.7 million in software revenue primarily from reduced sales of Interactive product as customers express an increasing preference for hosted solutions. Hosted revenue is recognized over time, as opposed to point-in-time recognition as with software licenses.
- These decreases are inclusive of an overall decrease of $3.7 million as a result of foreign exchange.

Revenue for the six months ended April 30, 2022 was $217.4 million, a decrease of $19.0 million or 8.0% from the same period in the prior year. The variance is primarily attributable to the same factors discussed for the three-month period in addition to a greater impact from declines in Vidyo revenue experienced as compared to the first quarter of 2021, which was the tail-end of the period of increased demand as a result of COVID-19. This has been partially offset by an increase of $1.5 million in professional services revenue primarily due to comparatively larger professional services contracts related to significant transportation and public safety projects.

Interactive Management Group

IMG revenue for the three months ended April 30, 2022 was $57.2 million, a decrease of $8.7 million or 13.1% from the same period in the prior year. The decline in revenue is attributable to foreign exchange and reduced license sales and maintenance renewals as customers critically examine expenses in the current inflationary environment along with shifting preference towards cloud solutions. This was seen predominantly in the contact center market and has resulted in increased competition, particularly with cloud-centric solution providers. Many competitors do not support on-premise solutions, while we offer the choice between both alternatives, but have less brand awareness of our cloud solutions. In response, we are augmenting our existing channel-partner model with additional focus on our direct go-to-market approach for our cloud solution that is still in the early stages of its global roll-out.

Revenue for the six months ended April 30, 2022 was $119.1 million, a decrease of $17.1 million or 12.6% from the same period in the prior year. The decrease is primarily the result of lower license and maintenance revenue as previously mentioned.

Asset Management Group

AMG revenue for the three months ended April 30, 2022 was $49.1 million, a decrease of $2.4 million or 4.6% from same period in the prior year. Revenue for the six months ended April 30, 2022 was $98.3 million, a decrease of $1.9 million or 1.9% from the same period in the prior year. The decreases are primarily the result of unfavourable foreign exchange.

Direct Costs

The following table provides details regarding direct costs for the three and six months ended April 30, 2022.

	Three months			Six months		
For the period ended April 30	**2022**	**2021**	**Variance**	**2022**	**2021**	**Variance**
Software licenses	$ 1,286	$ 1,485	$ (199)	$ 2,613	$ 2,686	$ (73)
Services	30,560	30,143	417	60,154	58,615	1,539
Hardware	1,735	1,905	(170)	3,642	3,740	(98)
Direct Costs	**$ 33,581**	**$ 33,533**	**$ 48**	**$ 66,409**	**$ 65,041**	**$ 1,368**
As a % of associated revenue						
Software licenses	*6.0%*	*5.9%*		*5.8%*	*5.0%*	
Services	*37.4%*	*33.9%*		*36.2%*	*33.1%*	
Hardware	*53.1%*	*57.8%*		*58.6%*	*62.1%*	
Total	*31.6%*	*28.6%*		*30.5%*	*27.5%*	
Interactive Management Group	15,313	16,930	(1,617)	30,756	32,387	(1,631)
Asset Management Group	18,268	16,603	1,665	35,653	32,654	2,999
Direct Costs	**$ 33,581**	**$ 33,533**	**$ 48**	**$ 66,409**	**$ 65,041**	**$ 1,368**
As a % of associated revenue						
Interactive Management Group	*26.8%*	*25.7%*		*25.8%*	*23.8%*	
Asset Management Group	*37.2%*	*32.3%*		*36.3%*	*32.6%*	

Direct costs for the three months ended April 30, 2022 were $33.6 million or 31.6% of revenue compared to $33.5 million or 28.6% of revenue in the same period in the prior year. Overall margins declined as a result of a greater proportion of our revenue coming from services compared to higher margin license revenue in addition to increased costs of services that have eroded margins compared to the second quarter of 2021. The increased cost of services is primarily attributable to several large transportation contracts where we have hired employees and subcontractors to obtain project-specific expertise that require an initial training period to become fully productive. Although not the primary cause, inflation is also contributing to cost increases.

Direct costs for the six months ended April 30, 2022 were $66.4 million or 30.5% of revenue compared to $65.0 million or 27.5% of revenue in the same period in the prior year. The decrease in margins is primarily attributable to a shift in product mix away from higher-margin license revenue towards lower-margin services revenue, in addition to higher costs related to providing services in the current year.

Interactive Management Group

IMG direct costs for the three months ended April 30, 2022 were $15.3 million or 26.8% of segment revenue compared to $16.9 million or 25.7% of revenue in the same period in the prior year. The lower margins are a result of an increase in the cost of providing services combined with a shift in product mix away from higher-margin on-premise software.

IMG direct costs for the six months ended April 30, 2022 were $30.8 million or 25.8% of segment revenue compared to $32.4 million or 23.8% of revenue in the same period in the prior year attributable to the factors discussed for the three months ended April 30, 2022.

Asset Management Group

AMG direct costs were $18.3 million or 37.2% of segment revenue for the three months ended April 30, 2022 compared to $16.6 million or 32.3% of revenue in the same period in the prior year. The lower margins are primarily a result of cost increases on providing services as a result of hiring additional employees and subcontractors for our large transportation contracts as previously mentioned.

AMG direct costs for the six months ended April 30, 2022 were $35.7 million or 36.3% of segment revenue for the same period compared to $32.7 million or 32.6% of revenue in the same period in the prior year with the increase attributable to the same factors discussed above.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended April 30, 2022 decreased by $11.1 million to $72.7 million or 68.4% of revenue compared to $83.8 million or 71.4% in the same period in the prior year. The decrease in revenue, net of direct costs is attributable to decreased revenue, unfavourable foreign exchange and increased costs of providing professional services.

Revenue, net of direct costs for the six months ended April 30, 2022 decreased by $20.4 million to $151.0 million or 69.5% of revenue compared to $171.4 million or 72.5% in the same period in the prior year. The decrease is a result of the same factors discussed for the three months ended April 30, 2022.

Operating Expenses

The following table provides details regarding operating expenses for the three and six months ended April 30, 2022.

	Three months			Six months		
For the period ended April 30	**2022**	**2021**	**Variance**	**2022**	**2021**	**Variance**
Selling, general and administrative	$ 19,897	$ 22,208	$ (2,311)	$ 42,304	$ 45,159	$ (2,855)
Research and development	19,058	21,394	(2,336)	36,370	41,515	(5,145)
Depreciation	705	758	(53)	1,425	1,493	(68)
Depreciation of right-of-use assets	1,969	2,492	(523)	4,081	5,195	(1,114)
Special charges	46	57	(11)	64	440	(376)
Operating expenses	**$ 41,675**	**$ 46,909**	**$ (5,234)**	**$ 84,244**	**$ 93,802**	**$ (9,558)**
As a % of total revenue						
Selling, general and administrative	*18.7%*	*18.9%*		*19.5%*	*19.1%*	
Research and development	*17.9%*	*18.2%*		*16.7%*	*17.6%*	
Depreciation	*0.7%*	*0.6%*		*0.7%*	*0.6%*	
Depreciation of right-of-use assets	*1.9%*	*2.1%*		*1.9%*	*2.2%*	
Special charges	*0.0%*	*0.0%*		*0.0%*	*0.2%*	
Operating expenses	*39.2%*	*40.0%*		*38.7%*	*39.7%*	

Operating expenses for the three months ended April 30, 2022 totaled $41.7 million, a decrease of $5.2 million or 11.2%. The variance is largely explained by:

- A decrease of $2.3 million in research and development expense as a result of cost savings achieved through transferring a portion of our software-engineering resources to more cost-effective geographic regions in addition to several research and development tax credits. Research and development expense is equivalent to 17.9% of revenue compared to 18.2% in the same period in the prior year.
- A decrease of $2.3 million in selling, general and administrative costs related to reduced headcount costs and other cost savings achieved. This was achieved despite not receiving COVID-19 related government support grants that were recognized as a reduction to expense during the comparative period.
- A decrease of $0.5 million in depreciation of right-of-use assets resulting from reducing our physical office footprint.
- These decreases are inclusive of an overall decrease in operating expenses of $2.9 million as a result of foreign exchange, when compared to the prior year.

Operating expenses for the six months ended April 30, 2022 totaled $84.2 million, a decrease of $9.6 million or 10.2% from the same period in the prior year. The variance is attributable to the factors discussed above. Operating expenses as a percentage of revenue have decreased in both the three and six months ended April 30, 2022 compared to the prior year.

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 April 30, 2022, the Canadian dollar strengthened against most major currencies compared to the same period in the prior year. As result, in the second quarter, there was a negative impact to revenue of $3.7 million reported in Canadian dollars while operating and direct costs were lower by $2.9 million compared to the same period in the prior year. The movements in foreign exchange rates were particularly prevalent with European currencies.

For the three months ended April 30, 2022, we recognized foreign exchange gains of $0.3 million related to foreign currency denominated monetary assets and liabilities in the current period compared to gains of $1.6 million in the same period in the prior year. The gains were a result of movements in non-functional currencies on monetary assets and liabilities relative to the functional currencies of the entities recording the gain or loss.

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 six months ended April 30, 2022, we recognized nominal foreign exchange losses related to foreign currency denominated monetary assets and liabilities in the current period, compared to $1.5 million of unrealized foreign exchange losses 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 six months ended April 30, 2022 decreased by $1.6 million to $9.2 million and by $2.8 million to $18.9 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 prior year's acquisitions, which added $1.4 million for the six months ended April 30, 2022.

Other income

Other income for the three months ended April 30, 2022 increased by $1.1 million relative to the comparative quarter as a result of nominal unrealized gains on investments in equity positions carried at fair value during the quarter compared to large unrealized losses in the comparative period. For the six months ended April 30, 2022, other income increased by $2.5 million compared to the same period in the prior year. The increase is attributable to the aforementioned movement in net unrealized investment gains and losses on equity positions carried at fair value.

Income tax expense

Income tax expense for the three months ended April 30, 2022 decreased by $1.3 million to $4.2 million, compared to the same period in the prior year. For the three and six months ended April 30, 2022, our effective tax rate was 19.1% and 19.0%, respectively, compared to 21.1%, for both periods in the prior year.

Net income

Net income for the three months ended April 30, 2022 decreased by $2.9 million to $17.9 million, compared to the same period in the prior year. The decrease is primarily a result of decreased revenue, net of direct costs, despite decreased operating expenses . For the six months ended April 30, 2022, net income decreased by $1.9 million to $39.5 million for the same reasons mentioned for the three months ended April 30,2022.

For the three and six months ended April 30, 2022, diluted earnings per share were $0.32 and $0.71, respectively, compared to $0.37 and $0.74 in the same periods in the prior year.

Cash flows from operating activities

For the three months ended April 30, 2022, cash flows from operating activities were $31.1 million compared to $39.2 million in the same period in the prior year. The decrease in operating cash flow reflects the decrease in net income as a result of lower revenue during the current quarter despite decreased operating expenses.

For the six months ended April 30, 2022, cash flows from operating activities were $55.5 million compared to $59.7 million in the same period in the prior year. The decrease in operating cash flow reflects lower revenue, partially offset by reduced operating expenses and lower taxes paid.

Operating cash flows excluding changes in non-cash working capital items for the three and six months ended April 30, 2022 decreased by 19.0% and 13.1% to $34.5 million and $73.3 million, respectively compared to the same periods in the prior year.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, results from operating activities, for the three and six months ended April 30, 2022.

For the period ended April 30	Three months			Six months		
	2022	2021	Variance	2022	2021	Variance
Revenue	$ 106,312	$ 117,334	$ (11,022)	$ 217,414	$ 236,434	$ (19,020)
Results from operating activities	31,056	36,892	(5,836)	66,761	77,591	(10,830)
Depreciation	705	758	(53)	1,425	1,493	(68)
Depreciation of right-of-use assets	1,969	2,492	(523)	4,081	5,195	(1,114)
Special charges	46	57	(11)	64	440	(376)
Adjusted EBITDA	**$ 33,776**	**$ 40,199**	**$ (6,423)**	**$ 72,331**	**$ 84,719**	**$ (12,388)**
Adjusted EBITDA margin	*31.8%*	*34.3%*		*33.3%*	*35.8%*	
Adjusted EBITDA per diluted share	**$ 0.61**	**$ 0.72**	**$ (0.11)**	**$ 1.30**	**$ 1.52**	**$ (0.22)**

Adjusted EBITDA for the three and six months ended April 30, 2022 decreased by $6.4 million and $12.4 million, respectively, compared to the same periods in the prior year. The decreases are primarily a result of higher revenue in the comparative periods.

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

Liquidity and cash reserves

We closed the period with cash, cash equivalents and short-term investments of $231.2 million, compared to the October 31, 2021 balance of $198.8 million. For the six months ended April 30, 2022, cash, cash equivalents and short-term investments increased by a total of $32.4 million compared to a decrease of $82.2 million over the same period in the prior year. The increase is the result of continued positive operating cash flows in the current period while the comparative period results included the payment of $83.2 million in special dividends to shareholders and payment of the Altitude acquisition completed in the first quarter of 2021.

At April 30, 2022 , working capital was $166.5 million compared to $129.1 million at the end of prior year. The increase 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 55,593,424 Common Shares issued and outstanding as at June 7, 2022. During the year, 40,000 stock options were exercised in the first two quarters of 2022 contributing $1.0 million in cash compared to 142,000 stock options and $4.0 million in cash for the Company in the same period in the prior year. The Company granted 430,000 options in the first two quarters of 2022 compared to 35,000 options granted in the first two quarters of the prior year.

The Company did not repurchase any shares of its common stock in the current or prior quarterly periods under its Normal Course Issuer Bid, which was renewed for a further year commencing May 2, 2022 and expiring May 1, 2023, allowing the Company to repurchase up to a maximum of 3,000,000 common shares of Enghouse.

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, 2021, 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 June 7, 2022, 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, 2021, contained in the Company’s 2021 Annual Report to Shareholders and all such risks and uncertainties are incorporated herein by reference.

As an update to the risks previously noted, the COVID-19 pandemic continues to evolve with the recent reduction in cases and tapering of restrictive measures in many countries. However, we will continue to monitor the situation and its impact on the business as potential new variants arise. We are also closely monitoring the recent events in Ukraine. Although, we engage Ukraine-based external contractors for a small portion of our development and professional services they continue to operate and we are monitoring the situation closely. Of additional concern are the inflationary impacts of the aforementioned risks and macro-economic factors that could impact operating costs and profitability.

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, 2021, 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, 2021, 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, 2021, 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 April 30, 2022 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 six months ended April 30, 2022 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 April 30, 2022	As at October 31, 2021
ASSETS			
Current assets:			
Cash and cash equivalents		$ 227,377	$ 195,890
Short-term investments		3,841	2,944
Accounts receivable		98,592	89,374
Prepaid expenses and other assets		14,536	13,322
Income taxes recoverable		-	2,130
		344,346	**303,660**
Non-current assets:			
Property and equipment		4,766	6,246
Right-of-use assets		22,741	25,943
Intangible assets	4	82,462	101,822
Goodwill	4	218,019	223,021
Deferred income tax assets		16,548	13,932
		344,536	**370,964**
		$ 688,882	**$ 674,624**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 59,055	$ 71,506
Income taxes payable		1,957	-
Dividends payable		10,285	8,889
Provisions	5	3,389	5,588
Deferred revenue		95,685	80,614
Lease obligations		7,447	7,941
		177,818	**174,538**
Non-current liabilities:			
Income taxes payable		2,414	2,949
Deferred income tax liabilities		11,770	13,392
Deferred revenue		8,032	9,111
Net employee defined benefit obligation		2,518	2,663
Lease obligations		15,069	17,660
		39,803	**45,775**
		217,621	**220,313**
Shareholders' equity			
Share capital		107,672	106,470
Contributed surplus		7,931	7,406
Retained earnings		375,314	355,019
Accumulated other comprehensive loss	6	(19,656)	(14,584)
		471,261	**454,311**
		$ 688,882	**$ 674,624**

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)

		Three months		Six months	
Periods ended April 30	Notes	**2022**	**2021**	**2022**	**2021**
Revenue					
Software licenses		$ 21,420	$ 25,167	$ 45,198	$ 53,467
Hosted and maintenance services		63,745	70,402	130,172	142,645
Professional services		17,879	18,468	35,831	34,297
Hardware		3,268	3,297	6,213	6,025
		106,312	**117,334**	**217,414**	**236,434**
Direct costs					
Software licenses		1,286	1,485	2,613	2,686
Services		30,560	30,143	60,154	58,615
Hardware		1,735	1,905	3,642	3,740
		33,581	33,533	66,409	65,041
Revenue, net of direct costs		**72,731**	**83,801**	**151,005**	**171,393**
Operating expenses					
Selling, general and administrative		19,897	22,208	42,304	45,159
Research and development		19,058	21,394	36,370	41,515
Depreciation		705	758	1,425	1,493
Depreciation of right-of-use assets		1,969	2,492	4,081	5,195
Special charges		46	57	64	440
		41,675	**46,909**	**84,244**	**93,802**
Results from operating activities		**31,056**	**36,892**	**66,761**	**77,591**
Amortization of acquired software and customer relationships	4	(9,207)	(10,854)	(18,864)	(21,628)
Foreign exchange gains (losses)		314	1,587	(22)	(1,523)
Interest expense – lease obligations		(196)	(277)	(398)	(606)
Finance income		122	36	251	116
Finance expenses		(21)	17	(44)	(64)
Other income (expenses)		23	(1,122)	1,023	(1,446)
Income before income taxes		**22,091**	**26,279**	**48,707**	**52,440**
Provision for income taxes	8	4,220	5,540	9,239	11,059
Net income for the period		**$ 17,871**	**$ 20,739**	**$ 39,468**	**$ 41,381**
Items that may be subsequently reclassified to income:					
Cumulative translation adjustment		(9,198)	(18,274)	(5,072)	(23,142)
Other comprehensive loss		**(9,198)**	**(18,274)**	**(5,072)**	**(23,142)**
Comprehensive income		**$ 8,673**	**$ 2,465**	**$ 34,396**	**$ 18,239**
Earnings per share					
Basic	9	$ 0.32	$ 0.37	$ 0.71	$ 0.75
Diluted	9	$ 0.32	$ 0.37	$ 0.71	$ 0.74

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		Retained earnings		Total
As at November 1, 2021	**55,553,424**	**$**	**106,470**	**$**	**7,406**	**$**	**(14,584)**	**$**	**355,019**	**$**	**454,311**
Net income for the period	-		-		-		-		39,468		39,468
Cumulative translation adjustment (Note 6)	-		-		-		(5,072)		-		(5,072)
Comprehensive income	**-**	**$**	**-**	**$**	**-**	**$**	**(5,072)**	**$**	**39,468**	**$**	**34,396**
Employee share options:											
Value of services recognized	-		-		757		-		-		757
Proceeds on issuing shares	40,000		1,202		(232)		-		-		970
Dividends declared (Note 6)	-		-		-		-		(19,173)		(19,173)
As at April 30, 2022	**55,593,424**	**$**	**107,672**	**$**	**7,931**	**$**	**(19,656)**	**$**	**375,314**	**$**	**471,261**
As at November 1, 2020	**55,348,924**	**$**	**99,405**	**$**	**6,583**	**$**	**10,957**	**$**	**379,378**	**$**	**496,323**
Net income for the period	-		-		-		-		41,381		41,381
Cumulative translation adjustment (Note 6)	-		-		-		(23,142)		-		(23,142)
Comprehensive income	**-**	**$**	**-**	**$**	**-**	**$**	**(23,142)**	**$**	**41,381**	**$**	**18,239**
Employee share options:											
Value of services recognized	-		-		1,445		-		-		1,445
Proceeds on issuing shares	146,000		5,078		(898)		-		-		4,180
Dividends declared (Note 6)	-		-		-		-		(99,381)		(99,381)
As at April 30, 2021	**55,494,924**	**$**	**104,483**	**$**	**7,130**	**$**	**(12,185)**	**$**	**321,378**	**$**	**420,806**

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 April 30	Notes	Three months 2022	Three months 2021	Six months 2022	Six months 2021
OPERATING ACTIVITIES					
Net income for the period		$ 17,871	$ 20,739	$ 39,468	$ 41,381
Adjustments for non-cash items					
Depreciation		705	758	1,425	1,493
Depreciation of right-of-use assets		1,969	2,492	4,081	5,195
Interest expense – lease obligations		196	277	398	606
Amortization of acquired software and customer relationships	4	9,207	10,854	18,864	21,628
Stock-based compensation expense	7	344	835	757	1,445
Provision for income taxes		4,220	5,540	9,239	11,059
Finance and other (income) expense		(2)	1,105	(979)	1,510
		34,510	**42,600**	**73,253**	**84,317**
Changes in non-cash operating working capital	13	1,513	2,440	(9,689)	(8,915)
Income taxes paid		(4,881)	(5,885)	(8,080)	(15,700)
Net cash provided by operating activities		**31,142**	**39,155**	**55,484**	**59,702**
INVESTING ACTIVITIES					
Net purchase of property and equipment		(593)	(666)	(358)	(1,344)
Acquisitions, net of cash acquired*	10	-	(3,810)	-	(32,300)
Purchase consideration for prior-year acquisition	10	(408)	444	(408)	1,105
(Purchase) sale of short-term investments		(60)	(932)	(60)	1,614
Net cash used in investing activities		**(1,061)**	**(4,964)**	**(826)**	**(30,925)**
FINANCING ACTIVITIES					
Issuance of share capital		970	4,028	970	4,180
Repayment of lease obligations		(2,148)	(2,091)	(4,241)	(4,921)
Dividends paid		(8,889)	(90,502)	(17,778)	(97,974)
Net cash used in financing activities		**(10,067)**	**(88,565)**	**(21,049)**	**(98,715)**
Impact of foreign exchange on cash and cash equivalents		(3,536)	(5,937)	(2,122)	(9,188)
Increase (decrease) in cash and cash equivalents		**16,478**	**(60,311)**	**31,487**	**(79,126)**
Cash and cash equivalents - beginning of period		210,899	225,977	195,890	244,792
Cash and cash equivalents - end of period		**$ 227,377**	**$ 165,666**	**$ 227,377**	**$ 165,666**

** Acquisitions are net of cash acquired of nil for the three and six months ended April 30, 2022 and nil and $1,463 for the three and six months ended April 30, 2021, 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 (the "Company") is a Canadian publicly traded company (TSX:ENGH) that provides vertical enterprise software solutions focused on contact centers, video communications, healthcare, telecommunications networks, public safety and the transit market. The Company's two-pronged strategy to grow earnings focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company has no external debt financing and is organized around two business segments: the Interactive Management Group ("IMG") and the Asset Management Group ("AMG").

IMG specializes in contact center and 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, social channels, web chats, text and video. Core technologies include contact center, video collaboration, interactive voice response, artificial intelligence, outbound dialers, attendant console, agent performance optimization, customer survey, 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 financial services companies, telecoms, business process service providers, as well as technology and health care providers.

AMG provides a portfolio of software and services solutions across a number of verticals, such as cable operators, network telecommunication providers, media, transit, defence, utilities 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 transit e-ticketing, automated fare collections, fleet routing, dispatch, scheduling, 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, 2021, 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 June 7, 2022.

(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 2021 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 June 7, 2022.

(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, revenue 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, 2021.

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, 2021.

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
As at November 1, 2021					
Cost	$ 255,581	$ 3,592	$ 169,236	$ 428,409	$ 223,021
Accumulated amortization	(198,777)	(3,460)	(124,350)	(326,587)	-
Net book value	**$ 56,804**	**$ 132**	**$ 44,886**	**$ 101,822**	**$ 223,021**
Period ended April 30, 2022					
Opening net book value	$ 56,804	$ 132	$ 44,886	$ 101,822	$ 223,021
Purchase price adjustments	-	-	-	-	(1,096)
Amortization	(11,065)	(105)	(7,694)	(18,864)	-
Exchange difference	(70)	-	(426)	(496)	(3,906)
Closing net book value	**$ 45,669**	**$ 27**	**$ 36,766**	**$ 82,462**	**$ 218,019**
As at April 30, 2022					
Cost	255,581	3,592	169,236	428,409	218,019
Accumulated amortization	(209,912)	(3,565)	(132,470)	(345,947)	-
Net book value	**$ 45,669**	**$ 27**	**$ 36,766**	**$ 82,462**	**$ 218,019**

(in thousands of Canadian dollars, except as indicated)

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.

At November 1, 2020	**$**	**5,697**
Pre-existing provisions assumed from acquisitions		3,926
Utilized during the period		(3,564)
Effect of movements in foreign exchange		(471)
At October 31, 2021	**$**	**5,588**
At November 1, 2021	**$**	**5,588**
Additional provisions expensed		18
Reversed		(1,702)
Utilized during the period		(730)
Effect of movements in foreign exchange		215
At April 30, 2022	**$**	**3,389**

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 55,593,424 common shares outstanding as at April 30, 2022. There were no Class A and no Class B preference shares issued and outstanding as at either April 30, 2022 or October 31, 2021.

Common Share Repurchase Plan

On April 28, 2022, 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 May 1, 2023. The Company did not repurchase any common shares in the first two quarters of either fiscal 2022 or 2021.

Dividends

During the three months ended April 30, 2022, the Company declared dividends of $0.185 per common share compared to $0.16 per common share in the prior period in the prior-year, and paid dividends of $0.16 compared to $0.135 during the same period in the prior year.

Accumulated Other Comprehensive Loss

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

		Translation of foreign operations		Unrealized losses		Total
As at November 1, 2020	$	11,076	$	(119)	$	10,957
Cumulative translation adjustment		(25,541)		-		(25,541)
As at October 31, 2021	**$**	**(14,465)**	**$**	**(119)**	**$**	**(14,584)**
As at November 1, 2021	$	(14,465)	$	(119)	$	(14,584)
Cumulative translation adjustment		(5,072)		-		(5,072)
As at April 30, 2022	**$**	**(19,537)**	**$**	**(119)**	**$**	**(19,656)**

(in thousands of Canadian dollars, except as indicated)

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 3,069,900 (April 30, 2021 – 3,168,400) 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 April 30, 2022 and 2021, and changes during the period ended on those dates, is presented as follows:

Three months ended April 30	Number of options		Weighted average exercise price	
	2022	2021	2022	2021
Outstanding at beginning of period	1,140,500	1,383,000	$ 36.78	$ 35.49
Granted	430,000	35,000	34.71	$ 61.41
Exercised	(40,000)	(142,000)	24.24	28.37
Forfeited	(67,000)	-	41.20	-
Outstanding at end of period	**1,463,500**	**1,276,000**	**$ 36.31**	**$ 36.99**
Exercisable at end of period	**678,500**	**473,500**	**$ 33.95**	**$ 31.43**

Six months ended April 30	Number of options		Weighted average exercise price	
	2022	2021	2022	2021
Outstanding at beginning of period	1,140,500	1,387,000	$ 36.78	$ 35.50
Granted	430,000	35,000	34.71	61.41
Exercised	(40,000)	(146,000)	24.24	28.64
Forfeited	(67,000)	-	41.20	-
Outstanding at end of period	**1,463,500**	**1,276,000**	**$ 36.31**	**$ 36.99**
Exercisable at end of period	**678,500**	**473,500**	**$ 33.95**	**$ 31.43**

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 $0.8 million for the three and six months ended April 30, 2022, compared to $0.8 million and $1.4 million, respectively, 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	2022	2021
Risk-free interest rate	1.73%	0.73%
Estimated volatility	29%	29%
Dividend yield	$0.74	$0.64
Expected life (in years)	5.0	5.0
Weighted average fair value	$ 7.65	$14.85
Weighted average share price at grant date	$34.71	$61.41

(in thousands of Canadian dollars, except as indicated)

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 April 30, 2022, the Company recorded a tax expense of $4.2 million (19.1% effective tax rate) as compared with a tax expense of $5.5 million (21.1%) in the prior year's second 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 April 30	Three months		Six months	
	2022	2021	2022	2021
Net income for the period	$ 17,871	$ 20,739	$ 39,468	$ 41,381
Weighted average number of common shares outstanding	55,573	55,412	55,562	55,379
Basic earnings per share	**$ 0.32**	**$ 0.37**	**$ 0.71**	**$ 0.75**

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 April 30	Three months		Six months	
	2022	2021	2022	2021
Net income for the period	$ 17,871	$ 20,739	$ 39,468	$ 41,381
Weighted average number of common shares outstanding	55,573	55,412	55,562	55,379
Adjustment for stock options	170	478	286	510
Weighted average number of common shares outstanding for diluted EPS	55,743	55,890	55,848	55,889
Diluted earnings per share	**$ 0.32**	**$ 0.37**	**$ 0.71**	**$ 0.74**

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.

(in thousands of Canadian dollars, except as indicated)

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 $39.5 million with and €1.9 million remaining in escrow, subject to potential adjustment. Results for all three acquisitions are included in IMG from their respective dates of acquisition.

Purchase Price Allocation

	IMG Final 2021
Cash and cash equivalents	$ 3,613
Short-term investments	130
Accounts receivable	9,900
Prepaid expenses and other assets	1,787
Property and equipment	266
Deferred income tax assets	2,166
Acquired software	13,115
Customer relationships	15,368
Right-of-use assets	2,437
Goodwill	17,188
Total assets acquired	**$ 65,970**
Current liabilities assumed	$ 18,056
Non-current lease obligations	1,875
Deferred income tax liabilities	6,529
Total liabilities assumed	**$ 26,460**
Net assets acquired for cash consideration	**$ 39,510**

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 April 30, 2022	IMG	AMG	Total
Revenue	$ 57,218	$ 49,094	$ 106,312
Direct costs	(15,313)	(18,268)	(33,581)
Revenue, net of direct costs	**41,905**	**30,826**	**72,731**
Operating expenses excluding special charges	(19,412)	(11,101)	(30,513)
Depreciation	(600)	(105)	(705)
Depreciation of right-of-use assets	(1,192)	(777)	(1,969)
Segment profit	**$ 20,701**	**$ 18,843**	**$ 39,544**
Special charges			(46)
Corporate and shared service expenses			(8,442)
Results from operating activities			**$ 31,056**

(in thousands of Canadian dollars, except as indicated)

Three months ended April 30, 2021		IMG		AMG		Total
Revenue	$	65,879	$	51,455	$	117,334
Direct costs		(16,930)		(16,603)		(33,533)
Revenue, net of direct costs		**48,949**		**34,852**		**83,801**
Operating expenses excluding special charges		(24,074)		(12,214)		(36,288)
Depreciation		(624)		(134)		(758)
Depreciation of right-of-use assets		(1,666)		(826)		(2,492)
Segment profit	**$**	**22,585**	**$**	**21,678**	**$**	**44,263**
Special charges						(57)
Corporate and shared service expenses						(7,314)
Results from operating activities					**$**	**36,892**

Six months ended April 30, 2022		IMG		AMG		Total
Revenue	$	119,089	$	98,325	$	217,414
Direct costs		(30,756)		(35,653)		(66,409)
Revenue, net of direct costs		**88,333**		**62,672**		**151,005**
Operating expenses excluding special charges		(38,963)		(22,273)		(61,236)
Depreciation		(1,196)		(229)		(1,425)
Depreciation of right-of-use assets		(2,519)		(1,562)		(4,081)
Segment profit	**$**	**45,655**	**$**	**38,608**	**$**	**84,263**
Special charges						(64)
Corporate and shared service expenses						(17,438)
Results from operating activities					**$**	**66,761**

Six months ended April 30, 2021		IMG		AMG		Total
Revenue	$	136,182	$	100,252	$	236,434
Direct costs		(32,387)		(32,654)		(65,041)
Revenue, net of direct costs		**103,795**		**67,598**		**171,393**
Operating expenses excluding special charges		(46,737)		(24,339)		(71,076)
Depreciation		(1,295)		(198)		(1,493)
Depreciation of right-of-use assets		(3,484)		(1,711)		(5,195)
Segment profit	**$**	**52,279**	**$**	**41,350**	**$**	**93,629**
Special charges						(440)
Corporate and shared service expenses						(15,598)
Results from operating activities					**$**	**77,591**

12. Litigation and Contingencies

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 April 30, 2022.

(in thousands of Canadian dollars, except as indicated)

13. Changes in Non-Cash Operating Working Capital

For the periods ended April 30	Three months		Six months	
	2022	2021	2022	2021
Decrease (increase) in accounts receivable	$ 6,876	$ 12,065	$ (12,441)	$ (3,619)
(Increase) decrease in prepaid expenses and other assets	(1,181)	1,355	(1,361)	1,161
Decrease in accounts payable and accrued liabilities	(329)	(12,015)	(8,305)	(22,917)
(Decrease) increase in provisions	(585)	(1,237)	(2,082)	1,878
Decrease in income taxes payable	(1,020)	(779)	(1,567)	(2,011)
(Decrease) increase in deferred revenue	(2,248)	3,051	16,067	16,593
Changes in non-cash operating working capital	**$ 1,513**	**$ 2,440**	**$ (9,689)**	**$ (8,915)**