Enghouse Systems

Software engineered for results

First Quarter Ended January 31, 2023

March 9, 2023

Dear fellow Shareholders,

Revenue for the first quarter of 2023 was $106.4 million compared to $111.1 million in the prior year. Over the last four quarters, revenue in both the Asset and Interactive Management Groups has stabilized significantly, particularly in comparison to the revenue fluctuations that were driven by changing demands throughout the COVID-19 pandemic. Despite the ongoing shift to the cloud, inflation, rising interest rates, economic uncertainty and some competitors experiencing significant financial distress announcing restructuring and employee layoffs, Enghouse continues to operate consistently with positive income and operating cashflows. Enghouse remains well positioned to complete and fund future acquisitions. Subsequent to quarter end, we announced the acquisitions of Qumu and Navita with integrations progressing according to plan.

Net income for the quarter was $17.0 million or $0.31 per diluted share, compared to $21.6 million or $0.39 per diluted share in the same period last year. The decrease in net income is primarily a result of a reduction in software licenses alongside lower gross margins from professional services relating to our large public transportation projects. Adjusted EBITDA was $32.3 million or $0.58 per diluted share, compared to $38.6 million or $0.69 per diluted share in the first quarter of 2022.

Cash flows from operating activities, excluding changes in working capital, were $32.6 million compared to $38.7 million in the prior year. Enghouse closed the quarter with $250.7 million in cash, cash equivalents and short-term investments, compared to $228.1 million at October 31, 2022, with no external debt financing. The cash balance was achieved after making payments of $10.2 million for dividends in the quarter.

Today, the Board of Directors approved the Company's eligible quarterly dividend of $0.22 per common share, an increase of 18.9% over the prior dividend, payable on May 31, 2023, to shareholders of record at the close of business on May 17, 2023. This represents the 15th consecutive year in which the Company increased its dividend by over 10%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of March 9, 2023, 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 2022 MD&A and audited consolidated financial statements and the notes thereto. This MD&A covers the unaudited condensed consolidated interim results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the first quarter ended January 31, 2023.

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 Earnings before Interest, Taxes, Depreciation and Amortization ("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, 2022, 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 vertically focused enterprise software solutions focused on contact centers, video communications, virtual healthcare, telecommunications networks, public safety and the transit market. The Company's two-pronged growth strategy to grow earnings focuses on internal growth and acquisitions, which, to date, have been funded through operating cash flows. The Company has no outstanding 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, media businesses, telecoms, business process service providers, as well as technology and health care providers.

AMG provides a portfolio of software and services solutions to network telecommunication providers, cable operators, media, transit, defence, utilities 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 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 statement of financial position. Deploying capital on acquisitions, shareholder dividends and business acquisitions and replacing it through operating cash flows is pivotal to our strategy.

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 Software as a Service ("Saas") offerings, it is also important to augment and expedite this strategy with new and complementary technology, products and services built by our engineering team or obtained through acquisition. This dual-faceted approach will enable us to provide a broader spectrum of products and services to our customer base more quickly than through organic means alone.

First quarter overview

During the first quarter of 2023, we continued to generate positive cash flows, operating income and profitability. Operationally, progress continues to be made on new and ongoing initiatives. Compared to previous quarters, in which updates were particularly focused on COVID-19, our operating environment has remained relatively consistent over the past four quarters despite the macro environment of rising interest rates and inflation that continue to put pressure on costs. Additionally, competitors particularly in the Customer Experience ("CX") market are facing significant turmoil with one large company filing for bankruptcy during the quarter and large layoffs and restructuring announced by several others. Our continued focus on providing our customers with choice has resulted in maintaining our recurring revenue.

As always, long-term profitable growth is a core value to Enghouse and maintaining positive operating cashflows and profitability remain a high priority while ensuring that sufficient funds are available to finance acquisitions without the need to obtain external financing. Our team continues to focus on finding suitable and appropriate acquisitions on which to deploy the capital generated by our operations. Subsequent to quarter end, Enghouse closed on the acquisitions of both Qumu Corporation ("Qumu") and Mobi All Technologia S.A ("Navita").

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 SaaS offerings rather than on-premise solutions. Our quarterly results may also be influenced by COVID-19, foreign exchange, inflation, timing of new acquisitions, geopolitical changes 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	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	**$ 106,435**	**$ 108,060**	**$ 102,111**	**$ 106,312**	**$ 111,102**	**$ 113,099**	**$ 117,644**	**$ 117,334**
Direct costs	34,808	32,340	31,348	33,581	32,828	31,149	33,437	33,533
Revenue, net of direct costs	**$ 71,627**	**$ 75,720**	**$ 70,763**	**$ 72,731**	**$ 78,274**	**$ 81,950**	**$ 84,207**	**$ 83,801**
As a % of revenue	*67.3%*	*70.1%*	*69.3%*	68.4%	*70.5%*	*72.5%*	*71.6%*	*71.4%*
Operating expenses	41,710	42,448	40,790	41,629	42,551	42,784	45,267	46,852
Special charges	28	123	216	46	18	31	433	57
Results from operating activities	**$ 29,889**	**$ 33,149**	**$ 29,757**	**$ 31,056**	**$ 35,705**	**$ 39,135**	**$ 38,507**	**$ 36,892**
As a % of revenue	*28.1%*	*30.7%*	*29.1%*	29.2%	32.1%	34.6%	*32.7%*	*31.4%*
Amortization	(8,832)	(8,826)	(8,484)	(9,207)	(9,657)	(10,438)	(10,355)	(10,854)
Other	(378)	884	1,051	242	568	(724)	(1,147)	241
Income before income taxes	**$ 20,679**	**$ 25,207**	**$ 22,324**	**$ 22,091**	**$ 26,616**	**$ 27,973**	**$ 27,005**	**$ 26,279**
Provision for (recovery of) income taxes	3,656	(11,742)	4,243	4,220	5,019	(2,213)	5,778	5,540
Net Income for the period	**$ 17,023**	**$ 36,949**	**$ 18,081**	**$ 17,871**	**$ 21,597**	**$ 30,186**	**$ 21,227**	**$ 20,739**
Basic earnings per share	0.31	0.67	0.33	0.32	0.39	0.54	0.38	0.37
Diluted earnings per share	0.31	0.67	0.33	0.32	0.39	0.54	0.38	0.37
Operating cash flows	29,262	18,539	29,158	31,142	24,342	25,206	33,552	39,155
Operating cash flows excluding changes in working capital	32,632	37,740	34,081	34,510	38,743	42,385	41,105	42,600
Cash and short-term investments	250,664	228,054	229,485	231,218	214,814	198,834	187,797	169,573
Total assets	737,906	704,998	670,400	688,882	699,284	674,624	687,064	683,464
Adjusted EBITDA:								
Results from operating activities	29,889	33,149	29,757	31,056	35,705	39,135	38,507	36,892
Depreciation	626	709	665	705	720	791	719	758
Depreciation of right-of-use assets	1,736	1,824	1,849	1,969	2,112	2,168	2,006	2,492
Special charges	28	123	216	46	18	31	433	57
Adjusted EBITDA	**$ 32,279**	**$ 35,805**	**$ 32,487**	**$ 33,776**	**$ 38,555**	**$ 42,125**	**$ 41,665**	**$ 40,199**
Adjusted EBITDA margin	*30.3%*	*33.1%*	*31.8%*	*31.8%*	*34.7%*	*37.2%*	*35.4%*	*34.3%*
Adjusted EBITDA per diluted share	**$ 0.58**	**$ 0.65**	**$ 0.59**	**$ 0.61**	**$ 0.69**	**$ 0.75**	**$ 0.75**	**$ 0.72**

Results of operations

The following table provides details regarding operating results for the three months ended January 31, 2023.

For the period ended January 31	Three months 2023	2022	Var ($)	Var (%)
Revenue	**$ 106,435**	**$ 111,102**	**(4,667)**	***(4.2)***
Direct costs	34,808	32,828	1,980	*6.0*
Revenue, net of direct costs	**$ 71,627**	**$ 78,274**	**(6,647)**	***(8.5)***
As a % of revenue	*67.3%*	*70.5%*		
Operating expenses	41,710	42,551	(841)	*(2.0)*
Special charges	28	18	10	*55.6*
Results from operating activities	**$ 29,889**	**$ 35,705**	**(5,816)**	***(16.3)***
As a % of revenue	*28.1%*	*32.1%*		
Amortization of acquired software and customer relationships	(8,832)	(9,657)	825	*8.5*
Foreign exchange losses	(1,053)	(336)	(717)	*(213.4)*
Interest expense – lease obligations	(167)	(202)	35	*17.3*
Finance income	976	129	847	*656.6*
Finance expenses	(7)	(23)	16	*69.6*
Other (expenses) income	(127)	1,000	(1,127)	*(112.7)*
Income before income taxes	**$ 20,679**	**$ 26,616**	**(5,937)**	***(22.3)***
Provision for income taxes	3,656	5,019	(1,363)	*(27.2)*
Net Income for the period	**$ 17,023**	**$ 21,597**	**(4,574)**	***(21.2)***
Basic earnings per share	0.31	0.39	(0.08)	*(20.5)*
Diluted earnings per share	0.31	0.39	(0.08)	*(20.5)*
Operating cash flows	29,262	24,342	4,920	*20.2*
Operating cash flows excluding changes in working capital	32,632	38,743	(6,111)	*(15.8)*

Revenue

The following table provides details regarding revenue for the three months ended January 31, 2023.

For the period ended January 31	Three months 2023	2022	Variance
Software licenses	$ 20,735	$ 23,778	$ (3,043)
SaaS and maintenance services	66,503	66,427	76
Professional services	16,891	17,952	(1,061)
Hardware	2,306	2,945	(639)
Revenue	**$ 106,435**	**$ 111,102**	**$ (4,667)**
Interactive Management Group	57,852	61,871	(4,019)
Asset Management Group	48,583	49,231	(648)
Revenue	**$ 106,435**	**$ 111,102**	**$ (4,667)**

Revenue for the three months ended January 31, 2023 was $106.4 million, a decrease of $4.7 million or 4.2% from the same period in the prior year. The variance is explained by:

- A decrease of $3.0 million in software revenue primarily from comparably higher sales, particularly of Vidyo, in the first quarter of 2022 driven by the tail-end of increases in COVID-19 related demand as well as higher demand for SaaS solutions in the current year. SaaS revenue is recognized over time, as opposed to point-in-time recognition as with software licenses.
- A decrease of $1.1 million in professional services revenue primarily attributable to an increase in demand for SaaS products, which generally require less professional service work.
- An increase of $0.1 million in SaaS and maintenance revenue, primarily attributable to higher SaaS revenue inclusive of acquisitions and favourable foreign exchange impacts. This was partially offset by declines in both Vidyo SaaS and maintenance. SaaS and

maintenance services continue to represent an important strategic source of revenue given its predictable and recurring nature and represented 62.5% of total revenues for the period and 59.8% for the comparative period.

- Revenue was positively impacted by $0.9 million as a result of foreign exchange.

Interactive Management Group

IMG revenue for the three months ended January 31, 2023 was $57.9 million, a decrease of $4.0 million or 6.5% from same period in the prior year. The decline in revenue is attributable to comparably higher Vidyo revenue in the prior year's first quarter, combined with a growing shift towards SaaS offerings.

Asset Management Group

AMG revenue for the three months ended January 31, 2023 was $48.6 million, a decrease of $0.6 million or 1.3% from same period in the prior year. The variance in AMG revenue is a result of timing differences on large orders. Overall, the operations within AMG remain steady and consistent with prior periods.

Direct Costs

The following table provides details regarding direct costs for the three months ended January 31, 2023.

	Three months		
For the period ended January 31	**2023**	**2022**	**Variance**
Software licenses	$ 870	$ 1,327	$ (457)
Services	32,425	29,594	2,831
Hardware	1,513	1,907	(394)
Direct Costs	**$ 34,808**	**$ 32,828**	**$ 1,980**
As a % of associated revenue			
Software licenses	*4.2%*	*5.6%*	
Services	*38.9%*	*35.1%*	
Hardware	*65.6%*	*64.8%*	
Total	*32.7%*	*29.5%*	
Interactive Management Group	16,431	15,444	987
Asset Management Group	18,377	17,384	993
Direct Costs	**$ 34,808**	**$ 32,828**	**$ 1,980**
As a % of associated revenue			
Interactive Management Group	*28.4%*	*25.0%*	
Asset Management Group	*37.8%*	*35.3%*	

Direct costs for the three months ended January 31, 2023 were $34.8 million or 32.7% of revenue compared to $32.8 million or 29.5% of revenue in the same period in the prior year. Overall margins declined as a result of higher costs of providing professional services, particularly for our large public safety projects where we elected to use a significant amount of third-party outsourcing, in addition to a greater proportion of our revenue coming from services compared to higher margin license revenue in the first quarter of 2022.

Interactive Management Group

IMG direct costs for the three months ended January 31, 2023 were $16.4 million or 28.4% of segment revenue compared to $15.4 million or 25.0% of revenue in the same period in the prior year. The lower margins are a result of a shift in product mix away from higher margin on-premise software combined with inflationary pressures on costs. Furthermore, as SaaS represents an increasingly larger portion of our services revenue, our margin contracts as SaaS requires more third-party costs than maintenance and professional services.

Asset Management Group

AMG direct costs for the three months ended January 31, 2023 were $18.4 million or 37.8% of segment revenue compared to $17.4 million or 35.3% of revenue in the same period in the prior year. The lower margins are a result of the negative impact from lower-margin services revenue related to previously announced large public safety contracts in Norway.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended January 31, 2023 decreased by $6.6 million to $71.6 million or 67.3% of revenue compared to $78.3 million or 70.5% in the same period in the prior year. The decrease in revenue, net of direct costs is attributable to decreased revenue and lower margins related to the shift in the product mix.

Operating Expenses

The following table provides details regarding operating expenses for the three months ended January 31, 2023.

	Three months		
For the period ended January 31	**2023**	**2022**	**Variance**
Selling, general and administrative	$ 20,798	$ 22,407	$ (1,609)
Research and development	18,550	17,312	1,238
Depreciation	626	720	(94)
Depreciation of right-of-use assets	1,736	2,112	(376)
Special charges	28	18	10
Operating expenses	**$ 41,738**	**$ 42,569**	**$ (831)**
As a % of total revenue			
Selling, general and administrative	*19.5%*	*20.2%*	
Research and development	*17.4%*	*15.6%*	
Depreciation	*0.6%*	*0.6%*	
Depreciation of right-of-use assets	*1.6%*	*1.9%*	
Special charges	*0.0%*	*0.0%*	
Operating expenses	*39.2%*	*38.3%*	

Operating expenses for the three months ended January 31, 2023 totaled $41.7 million, a decrease of $0.8 million or 2.0%. The variance is largely explained by:

- A decrease of $1.6 million in selling, general and administrative costs resulting from scaling costs with revenue including personnel, facilities and other costs.
- A decrease of $0.4 million in depreciation of right-of-use assets resulting from reducing our physical office footprint.
- An offsetting increase of $1.2 million in research and development expense as a result of reduced R&D tax incentives in the current period, in addition to continued investment in ongoing product innovation and the onboarding of additional research resources associated with recent acquisitions.
- These variances are inclusive of an overall increase in direct costs and operating expenses of $0.5 million as a result of foreign exchange, when compared to the same period in 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 January 31, 2023, the Canadian dollar weakened against the U.S. dollar but appreciated against most major European currencies compared to the same period in the prior year. As result, in the first quarter, there was a positive impact to revenue of $0.9 million reported in Canadian dollars while operating and direct costs were higher by $0.5 million compared to the same period in the prior year.

For the three months ended January 31, 2023, we recognized foreign exchange losses of $1.1 million related to foreign currency denominated monetary assets and liabilities in the current period compared to losses of $0.3 million in the same period in the prior year. The loss was 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.

Amortization of Software and Customer Relationships

Amortization expense for acquired software and customer relationships for the three months ended January 31, 2023, decreased by $0.8 million to $8.8 million compared to the same period in the prior year. The variance is attributable to assets previously acquired that have since become fully amortized, partially offset by incremental charges from the prior year's acquisitions.

Other (expenses) income

Other (expenses) income for the three months ended January 31, 2023 decreased by $1.1 million relative to the comparative quarter as a result of recording net unrealized losses on investments in equity positions carried at fair value after booking unrealized gains in the comparative quarter.

Provision for income taxes

Income tax expense for the three months ended January 31, 2023 decreased by $1.4 million to $3.7 million, compared to the same period in the prior year. For the three months ended January 31, 2023, our effective tax rate was 17.7% compared to 18.9%, for the same period in the prior year.

Net income

Net income for the three months ended January 31, 2023 decreased by $4.6 million to $17.0 million, compared to the same period in the prior year. The decrease in net income is primarily the result of lower revenue and higher cost of services despite reductions in operating expenses as compared to the same period in the prior year.

For the three months ended January 31, 2023, diluted earnings per share was $0.31 compared to $0.39 in the same period in the prior year.

Cash flows from operating activities

For the three months ended January 31, 2023, cash flows from operating activities were $29.3 million compared to $24.3 million in the same period in the prior year. The increase in operating cash flow is a result of improved working capital and primarily reflects improved collections on lower revenue in addition to reduced cash outflows pertaining to liabilities. Both periods reflect increased deferred revenue from annual maintenance renewals.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities, for the three months ended January 31, 2023.

For the period ended January 31	Three months		
	2023	2022	Variance
Revenue	$ 106,435	$ 111,102	$ (4,667)
Results from operating activities	29,889	35,705	(5,816)
Depreciation	626	720	(94)
Depreciation of right-of-use assets	1,736	2,112	(376)
Special charges	28	18	10
Adjusted EBITDA	**$ 32,279**	**$ 38,555**	**$ (6,276)**
Adjusted EBITDA margin	*30.3%*	*34.7%*	
Adjusted EBITDA per diluted share	**$ 0.58**	**$ 0.69**	**$ (0.11)**

Adjusted EBITDA for the three months ended January 31, 2023 decreased by $6.3 million compared to the same period in the prior year. The decrease is primarily a result of higher revenue and margins in the comparative period.

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 $250.7 million, compared to the October 31, 2022, balance of $228.1 million. For the three months ended January 31, 2023, cash, cash equivalents and short-term investments increased by a total of $22.6 million compared to a decrease of $16.0 million over the same period in the prior year. The increase is the result of continued positive operating cash flows combined with diligent cash management.

At January 31, 2023, working capital was $189.9 million compared to $170.6 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 55,270,239 Common Shares issued and outstanding as at March 9, 2023. During the quarter, 20,000 stock options were exercised contributing $0.6 million in cash compared to no stock options exercised in the same period in the prior year. The Company did not grant any options in either of the first quarters of 2023 or 2022.

The Company did not repurchase any shares of its common stock in the current period under its Normal Course Issuer Bid, which expires May 1, 2023, allowing the Company to repurchase up to a maximum of 3,000,000 common shares of Enghouse. In Fiscal 2022, the Company repurchased and cancelled 343,185 common shares at a weighted average price of $27.15 per share for a total cost of $9.3 million.

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, 2022, which is available on SEDAR (*www.sedar.com*). The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 9, 2023, the date the Board of Directors approved the unaudited condensed consolidated interim financial statements.

Environmental, Social, Governance ("ESG"):

Enghouse is committed to fulfilling its Environmental, Social and Governance ("ESG") responsibilities. Reducing our physical footprint results in a positive environmental impact while providing cost-savings. Encouraging diversity in our workforce and supporting our employees creates a work environment that we believe increases productivity and reduces turnover. We also believe good governance protects our operations and assets while all three elements help ensure a strong standing within the broader community.

Additional information on ESG can be found in our Annual Information Form ("AIF"). Further supplementing the information contained in our AIF, our ESG policies are published on our website linked at: *https://www.enghouse.com/investors/environmental-social-governance/*

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, 2022,

contained in the Company's 2022 Annual Report to Shareholders and all such risks and uncertainties are incorporated herein by reference.

As the magnitude and duration of the COVID-19 pandemic continues to evolve we continue to monitor the situation and its impact on the business. 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, 2022, 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, 2022, 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, 2022, the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and the requirements of NI 52-109. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes to the Company's internal control over financial reporting during the quarter ended January 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional information

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

Notice of no auditor review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended January 31, 2023 have been prepared by and are the responsibility of the Company's management.

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

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars) (unaudited)	Notes	As at January 31, 2023	As at October 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		$ 247,801	$ 225,104
Short-term investments		2,863	2,950
Accounts receivable		106,461	93,104
Prepaid expenses and other assets		14,567	12,848
Income taxes recoverable		-	492
		371,692	**334,498**
Non-current assets:			
Property and equipment		3,802	4,186
Right-of-use assets		18,469	20,063
Intangible assets	4	78,343	85,902
Goodwill	4	234,101	230,002
Deferred income tax assets		31,499	30,347
		366,214	**370,500**
		$ 737,906	**$ 704,998**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 57,906	$ 60,525
Income taxes payable		32	-
Dividends payable		10,224	10,221
Provisions	5	2,640	3,183
Deferred revenue		103,535	83,122
Lease obligations		7,495	6,822
		181,832	**163,873**
Non-current liabilities:			
Income taxes payable		1,283	2,576
Deferred income tax liabilities		12,672	12,038
Deferred revenue		3,717	3,470
Net employee defined benefit obligation		1,960	1,821
Lease obligations		10,673	13,055
		30,305	**32,960**
		212,137	**196,833**
Shareholders' equity			
Share capital		107,728	107,007
Contributed surplus		9,223	8,882
Retained earnings		408,046	401,247
Accumulated other comprehensive income (loss)	6	772	(8,971)
		525,769	**508,165**
		$ 737,906	**$ 704,998**

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

Periods ended January 31	Notes	Three months 2023	2022
Revenue			
Software licenses		$ 20,735	$ 23,778
SaaS and maintenance services		66,503	66,427
Professional services		16,891	17,952
Hardware		2,306	2,945
		106,435	**111,102**
Direct costs			
Software licenses		870	1,327
Services		32,425	29,594
Hardware		1,513	1,907
		34,808	32,828
Revenue, net of direct costs		**71,627**	**78,274**
Operating expenses			
Selling, general and administrative		20,798	22,407
Research and development		18,550	17,312
Depreciation		626	720
Depreciation of right-of-use assets		1,736	2,112
Special charges		28	18
		41,738	**42,569**
Results from operating activities		**29,889**	**35,705**
Amortization of acquired software and customer relationships	4	(8,832)	(9,657)
Foreign exchange losses		(1,053)	(336)
Interest expense – lease obligations		(167)	(202)
Finance income		976	129
Finance expenses		(7)	(23)
Other (expenses) income		(127)	1,000
Income before income taxes		**20,679**	**26,616**
Provision for income taxes	8	3,656	5,019
Net income for the period		**$ 17,023**	**$ 21,597**
Items that may be subsequently reclassified to income:			
Cumulative translation adjustment		9,743	4,126
Other comprehensive income		**9,743**	**4,126**
Comprehensive income		**$ 26,766**	**$ 25,723**
Earnings per share			
Basic	9	$ 0.31	$ 0.39
Diluted	9	$ 0.31	$ 0.39

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, 2022	**55,250,239**	**$ 107,007**	**$ 8,882**	**$ (8,971)**	**$ 401,247**	**$ 508,165**
Net income for the period	-	-	-	-	17,023	17,023
Cumulative translation adjustment (Note 6)	-	-	-	9,743	-	9,743
Comprehensive income	**-**	**$ -**	**$ -**	**$ 9,743**	**$ 17,023**	**$ 26,766**
Employee share options:						
Value of services recognized	-	-	458	-	-	458
Proceeds on issuing shares	20,000	721	(117)	-	-	604
Dividends declared (Note 6)	-	-	-	-	(10,224)	(10,224)
As at January 31, 2023	**55,270,239**	**$ 107,728**	**$ 9,223**	**$ 772**	**$ 408,046**	**$ 525,769**
As at November 1, 2021	**55,553,424**	**$ 106,470**	**$ 7,406**	**$ (14,584)**	**$ 355,019**	**$ 454,311**
Net income for the period	-	-	-	-	21,597	21,597
Cumulative translation adjustment (Note 6)	-	-	-	4,126	-	4,126
Comprehensive income	**-**	**$ -**	**$ -**	**$ 4,126**	**$ 21,597**	**$ 25,723**
Employee share options:						
Value of services recognized	-	-	413	-	-	413
Dividends declared (Note 6)	-	-	-	-	(8,889)	(8,889)
As at January 31, 2022	**55,553,424**	**$ 106,470**	**$ 7,819**	**$ (10,458)**	**$ 367,727**	**$ 471,558**

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

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended January 31	Notes	Three months 2023	2022
OPERATING ACTIVITIES			
Net income for the period		$ 17,023	$ 21,597
Adjustments for non-cash items			
Depreciation		626	720
Depreciation of right-of-use assets		1,736	2,112
Interest expense – lease obligations		167	202
Amortization of acquired software and customer relationships	4	8,832	9,657
Stock-based compensation expense	7	458	413
Provision for income taxes		3,656	5,019
Finance and other expenses (income)		134	(977)
		32,632	**38,743**
Changes in non-cash operating working capital	13	2,002	(11,202)
Income taxes paid		(5,372)	(3,199)
Net cash provided by operating activities		**29,262**	**24,342**
INVESTING ACTIVITIES			
Net (purchase) sale of property and equipment		(105)	235
Purchase of short-term investments		(69)	-
Net cash (used in) provided by investing activities		**(174)**	**235**
FINANCING ACTIVITIES			
Issuance of share capital		604	-
Repayment of lease obligations		(1,810)	(2,093)
Dividends paid		(10,221)	(8,889)
Net cash used in financing activities		**(11,427)**	**(10,982)**
Impact of foreign exchange on cash and cash equivalents		5,036	1,414
Increase in cash and cash equivalents		**22,697**	**15,009**
Cash and cash equivalents – beginning of period		225,104	195,890
Cash and cash equivalents – end of period		**$ 247,801**	**$ 210,899**

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 to network telecommunication providers, cable operators, 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, Portugal and Austria.

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, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Board of Directors, on the recommendation of its Audit Committee, approved these unaudited condensed consolidated interim financial statements for issue on March 9, 2023.

(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 2022 audited annual consolidated financial statements, except as disclosed herein. They have been prepared on a going concern basis, using historical cost, except for investments in equity securities designated at fair value through profit or loss, certain assets and liabilities initially recognized in connection with business combinations and derivative financial instruments, which are measured at fair value.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 9, 2023.

(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.

(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, 2022.

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 annual consolidated financial statements for the year ended October 31, 2022.

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, 2022					
Cost	$ 266,983	$ -	$ 176,287	$ 443,270	$ 230,002
Accumulated amortization	(219,398)	-	(137,970)	(357,368)	-
Net book value	**$ 47,585**	**$ -**	**$ 38,317**	**$ 85,902**	**$ 230,002**
Period ended January 31, 2023					
Opening net book value	$ 47,585	$ -	$ 38,317	$ 85,902	$ 230,002
Acquisitions	-	-	-	-	42
Amortization	(5,673)	-	(3,159)	(8,832)	-
Exchange difference	560	-	713	1,273	4,057
Closing net book value	**$ 42,472**	**$ -**	**$ 35,871**	**$ 78,343**	**$ 234,101**
As at January 31, 2023					
Cost	266,983	-	176,287	443,270	234,101
Accumulated amortization	(224,511)	-	(140,416)	(364,927)	-
Net book value	**$ 42,472**	**$ -**	**$ 35,871**	**$ 78,343**	**$ 234,101**

** The economic benefit of the previously capitalized software has been fully realized and the assets have been derecognized. As the carrying amount was nil, no gain or loss was recognized upon retirement.*

	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 January 31, 2022					
Opening net book value	$ 56,804	$ 132	$ 44,886	$ 101,822	$ 223,021
Acquisitions	-	-	-	-	(1,173)
Amortization	(5,580)	(63)	(4,014)	(9,657)	-
Exchange difference	488	-	385	873	1,346
Closing net book value	**$ 51,712**	**$ 69**	**$ 41,257**	**$ 93,038**	**$ 223,194**
As at January 31, 2022					
Cost	255,581	3,592	169,236	428,409	223,194
Accumulated amortization	(203,869)	(3,523)	(127,979)	(335,371)	-
Net book value	**$ 51,712**	**$ 69**	**$ 41,257**	**$ 93,038**	**$ 223,194**

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.

Three months ended January 31	2023	2022
At beginning of period	**$ 3,183**	**$ 5,588**
Additions	-	18
Reversed	(431)	(1,457)
Utilized during the period	(138)	(373)
Effect of movements in foreign exchange	26	157
At end of period	**$ 2,640**	**$ 3,933**

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 55,270,239 common shares outstanding as at January 31, 2023. There were no Class A and no Class B preference shares issued and outstanding as at either January 31, 2023 or October 31, 2022.

Normal Course Issuer Bid Repurchases

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 quarter of either fiscal 2023 or 2022. In Fiscal 2022, the Company repurchased and cancelled 343,185 common shares at a weighted average price of $27.15 per share for a total cost of $9.3 million.

Dividends

During the three months ended January 31, 2023, the Company declared dividends of $0.185 per common share compared to $0.16 per common share in the prior period, and paid dividends of $0.185 compared to $0.16 during the same period in the prior year.

Accumulated Other Comprehensive Income (Loss)

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

	Translation of foreign operations	Unrealized losses	Total
As at November 1, 2022	$ (8,852)	$ (119)	$ (8,971)
Cumulative translation adjustment	9,743	-	9,743
As at January 31, 2023	**$ 891**	**$ (119)**	**$ 772**
As at November 1, 2021	$ (14,465)	$ (119)	$ (14,584)
Cumulative translation adjustment	4,126	-	4,126
As at January 31, 2022	**$ (10,339)**	**$ (119)**	**$ (10,458)**

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 3,049,900 (January 31, 2022 – 3,109,900) common shares are reserved for options and that the shares reserved for options, which could become exercisable in any one year, will not exceed more than 10% of the issued and outstanding common shares of the Company at the time such options may be exercisable. These options vest at various times over four or five years and expire seven years after the grant date. The exercise price of each option equals the market price of the Company's stock on the date the options are granted.

A summary of the status of the Company's Plan as at January 31, 2023 and 2022, and changes during the periods ended on those dates, is presented as follows:

Three months ended January 31	Number of options		Weighted average exercise price	
	2023	2022	2023	2022
Outstanding at beginning of period	1,463,500	1,140,500	$ 36.31	$ 36.78
Exercised	(20,000)	-	30.21	-
Outstanding at end of period	**1,443,500**	**1,140,500**	**$ 36.39**	**$ 36.78**
Exercisable at end of period	**658,500**	**523,000**	**$ 34.07**	**$ 31.16**

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 $0.5 million for the three months ended January 31, 2023, compared to $0.4 million in the same period in the prior year.

For options granted in the period, the fair value of each stock option on the date of the grant was estimated using the Black-Scholes option pricing model. 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, which reflects the expected life of the options. No options were granted in the three months ended January 31, 2023 or 2022.

8. Income Taxes

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

For the three months ended January 31, 2023, the Company recorded a tax expense of $3.7 million (17.7% effective tax rate) as compared with a tax expense of $5.0 million (18.9%) in the prior year's first quarter.

9. Earnings per Share

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

Periods ended January 31	Three months	
	2023	2022
Net income for the period	$ 17,023	$ 21,597
Weighted average number of common shares outstanding	55,260	55,553
Basic earnings per share	**$ 0.31**	**$ 0.39**

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

Periods ended January 31	Three months	
	2023	2022
Net income for the period	$ 17,023	$ 21,597
Weighted average number of common shares outstanding	55,260	55,553
Adjustment for stock options	51	299
Weighted average number of common shares outstanding for diluted earnings per share	55,311	55,852
Diluted earnings per share	**$ 0.31**	**$ 0.39**

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.

2022 Acquisitions

On September 6, 2022, the Company acquired the business assets and certain liabilities of VoicePort LLC, a provider of SaaS automated solutions for the media industry based in Rochester, New York.

On July 6, 2022, the Company acquired 100% of the issued and outstanding common shares of NTW Software GmbH ("NTW"). Headquartered in Innsbruck, Austria, NTW provides a suite of products, ranging from attendant console to contact centers for organizations of all sizes primarily within the Cisco market segment.

On June 23, 2022, the Company acquired 100% of the issued and outstanding common shares of Competella AB ("Competella"). Headquartered in Stockholm, Sweden, Competella provides a complete SaaS contact center platform created to enhance the offerings of Microsoft Teams and is focused on the Small and Midsize Business segment of the market.

The three acquisitions were completed for an aggregate cash purchase price of $25.2 million with $1.2 million remaining in holdback and $2.7 million (USD $2.0 million) held in escrow, subject to potential adjustment. Results for all acquisitions are included in IMG from their respective dates of acquisition.

Management has established the preliminary price allocation taking into account all relevant information at the time of preparing these notes to the unaudited condensed consolidated interim financial statements. The purchase price allocations have not been finalized, subject to receipt of additional information related to the settlement of the holdback obligations.

Purchase Price Allocation

	IMG Preliminary 2022
Cash and cash equivalents	$ 3,647
Accounts receivable	2,429
Prepaid expenses and other assets	320
Property and equipment	207
Acquired software	11,402
Customer relationships	7,051
Right-of-use assets	60
Goodwill	6,239
Total assets acquired	**$ 31,355**
Current liabilities assumed	$ 4,134
Non-current lease obligations	15
Deferred income tax liabilities	2,052
Total liabilities assumed	**$ 6,201**
Net assets acquired for consideration	**$ 25,154**

11. Segment Information

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

Three months ended January 31	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 57,852	$ 48,583	$ 106,435	$ 61,871	$ 49,231	$ 111,102
Direct costs	(16,431)	(18,377)	(34,808)	(15,444)	(17,384)	(32,828)
Revenue, net of direct costs	**41,421**	**30,206**	**71,627**	**46,427**	**31,847**	**78,274**
Operating expenses excluding special charges	(19,250)	(11,321)	(30,571)	(19,551)	(11,172)	(30,723)
Depreciation	(537)	(89)	(626)	(596)	(124)	(720)
Depreciation of right-of-use assets	(1,100)	(636)	(1,736)	(1,327)	(785)	(2,112)
Segment profit	**$ 20,534**	**$ 18,160**	**$ 38,694**	**$ 24,953**	**$ 19,766**	**$ 44,719**
Special charges			(28)			(18)
Corporate and shared service expenses			(8,777)			(8,996)
Results from operating activities			**$ 29,889**			**$ 35,705**

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 January 31, 2023.

13. Changes in Non-Cash Operating Working Capital

For the periods ended January 31 *Source (use) of net cash*	Three months	
	2023	2022
Increase in accounts receivable	$ (9,638)	$ (19,317)
Increase in prepaid expenses and other assets	(1,469)	(180)
Decrease in accounts payable and accrued liabilities	(4,247)	(7,976)
Decrease in provisions	(611)	(1,497)
Decrease in income taxes payable	(96)	(547)
Increase in deferred revenue	18,063	18,315
Changes in non-cash operating working capital	**$ 2,002**	**$ (11,202)**

14. Subsequent Events

On February 8, 2023, the Company completed its previously announced acquisition of Qumu Corporation ("Qumu") (Nasdaq:QUMU). Enghouse acquired 100% of the issued and outstanding common shares of Qumu, headquartered in Minneapolis, Minnesota. Qumu's video SaaS solution for the enterprise market expands Enghouse's video offering.

On February 9, 2023, the Company acquired Mobi All Technologia S.A. ("Navita"), a provider of SaaS-based Enterprise Mobility Management solutions ("EMM" device and telecom expense management) based in Sao Paulo, Brazil.