Enghouse Systems

Software engineered for results

Second Quarter Ended
April 30, 2023

June 12, 2023

Dear fellow Shareholders,

Revenue for the second quarter of 2023 was $113.5 million representing a 6.7% increase compared to the same period in the prior year and reversing the trend of several quarters without year-over-year revenue increases. Our recurring revenue, which is comprised of SaaS and maintenance services, has also expanded 12.4% to $71.6 million. We continue to achieve our objective of profitable growth with results from operating activities of $25.6 million and cash flows from operating activities, excluding changes in working capital, of $28.9 million, which was accomplished in a quarter where we closed two acquisitions that required significant operational improvements. The efforts to integrate and onboard these acquisitions were substantially completed in the quarter.

We closed the quarter with $234.5 million in cash, cash equivalents, and short-term investments with no external debt. This was accomplished while completing two acquisitions for net cash consideration of $25.6 million and paying quarterly dividends of $10.2 million. As always, we remain focused on operating a profitable, cash-flow-positive business generating the necessary capital from our existing operations to fund our acquisition strategy.

Net income for the quarter was $12.5 million or $0.23 per diluted share, compared to $17.9 million or $0.32 per diluted share last year and reflects increased revenue and costs related to acquisitions as well as increased third-party costs of providing services. This also includes special charges related to acquisitions of $2.0 million. Adjusted EBITDA was $30.2 million or $0.54 per diluted share, compared to $33.8 million or $0.61 per diluted share in the second quarter of 2022.

Year-to-date revenue was $219.9 million, compared to revenue of $217.4 million in the prior year. Foreign exchange positively impacted revenue by $4.5 million, while also increasing costs by $2.6 million. Meanwhile, year-to-date results from operating activities were $55.5 million compared to $66.8 million in the prior year. Year-to-date Adjusted EBITDA was $62.5 million or $1.13 per diluted share compared to $72.3 million or $1.30 per diluted share last year. Year-to-date cash flows from operating activities, excluding changes in working capital, were $61.5 million compared to $73.3 million in the prior year. Dividend payments of $20.4 million were also made in the current fiscal year.

As previously announced, Enghouse completed two acquisitions, purchasing Qumu Corporation (“Qumu”) (Nasdaq:QUMU) on February 8, 2023 and Mobi All Technologies S.A (“Navita”) on February 9, 2023. Qumu’s video engagement platform provides video creation, content management and highly scalable delivery solutions that complement Enghouse’s enterprise video suite of products. Navita offers a comprehensive suite of products focused on managing and controlling critical mobile assets as well as telecom and IT expense management. The results from both acquisitions are included in the Interactive Management Group.

Today, the Board of Directors approved the Company’s eligible quarterly dividend of $0.22 per common share, payable on August 31, 2023 to shareholders of record at the close of business on August 17, 2023.

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 12, 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 second quarter ended April 30, 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. Deploying capital on acquisitions and returning it to shareholders through dividends while replacing it through operating cash flows evidences our continued commitment to this objective.

The Company emphasizes the importance of recurring revenue streams to increase 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 (both private cloud and multi-tenant cloud), 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.

Second quarter overview

During the second quarter of 2023, we generated an increase in revenue, positive operating cash flows, operating income profits and completed two acquisitions. Consistent with our strategy, the increase in revenue is mainly a result of acquisitions that have expanded our recurring SaaS revenue base. We continue with our strategy of offering our customers choice around how they deploy our technology whether on-premise or in the cloud. Furthermore, our products are "cloud-vendor agnostic" offering options to our customers to use their preferred cloud providers. Offering choice has been an important factor in winning and retaining customers.

As we see a growing demand for SaaS, as with all our revenue streams, we are careful to ensure that this is achieved without sacrificing profitability. This is particularly important as we observe some competitors reducing prices to retain revenue growth without achieving profitability. Our pricing is set to provide profitable margins.

We continue to diligently manage our costs to correspond with revenues to achieve consistent profitability. Global inflation continues to impact our expenses, resulting in rising costs for personnel and other expenses, but we continue to focus on cost reductions in overhead areas such as facilities to maintain our profitability and cash flows. The acquisitions of Qumu and Navita led to an increase in both costs and special charges during the quarter while we effect their integration into Enghouse, the costs of which are expected to decrease in the third quarter.

During the quarter, restricted, deferred, and performance share unit plans for designated employees, directors and executives were approved by shareholders. No units have yet been issued under any of the plans.

The acquisitions of Qumu and Navita extended our presence in the enterprise video market and expense management market and broadened our SaaS revenue base. The efforts to onboard and integrate both acquisitions have been successful, as we have substantially completed their integration.

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, 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 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue	**$ 113,461**	**$ 106,435**	**$ 108,060**	**$ 102,111**	**$ 106,312**	**$ 111,102**	**$ 113,099**	**$ 117,644**
Direct costs	38,106	34,808	32,340	31,348	33,581	32,828	31,149	33,437
Revenue, net of direct costs	**$ 75,355**	**$ 71,627**	**$ 75,720**	**$ 70,763**	**$ 72,731**	**$ 78,274**	**$ 81,950**	**$ 84,207**
As a % of revenue	*66.4%*	*67.3%*	*70.1%*	*69.3%*	68.4%	*70.5%*	*72.5%*	*71.6%*
Operating expenses	47,712	41,710	42,448	40,790	41,629	42,551	42,784	45,267
Special charges	2,001	28	123	216	46	18	31	433
Results from operating activities	**$ 25,642**	**$ 29,889**	**$ 33,149**	**$ 29,757**	**$ 31,056**	**$ 35,705**	**$ 39,135**	**$ 38,507**
As a % of revenue	*22.6%*	*28.1%*	*30.7%*	*29.1%*	29.2%	32.1%	34.6%	*32.7%*
Amortization	(9,838)	(8,832)	(8,826)	(8,484)	(9,207)	(9,657)	(10,438)	(10,355)
Other	(628)	(378)	884	1,051	242	568	(724)	(1,147)
Income before income taxes	**$ 15,176**	**$ 20,679**	**$ 25,207**	**$ 22,324**	**$ 22,091**	**$ 26,616**	**$ 27,973**	**$ 27,005**
Provision for (recovery of) income taxes	2,640	3,656	(11,742)	4,243	4,220	5,019	(2,213)	5,778
Net Income for the period	**$ 12,536**	**$ 17,023**	**$ 36,949**	**$ 18,081**	**$ 17,871**	**$ 21,597**	**$ 30,186**	**$ 21,227**
Basic earnings per share	0.23	0.31	0.67	0.33	0.32	0.39	0.54	0.38
Diluted earnings per share	0.23	0.31	0.67	0.33	0.32	0.39	0.54	0.38
Operating cash flows	18,698	29,262	18,539	29,158	31,142	24,342	25,206	33,552
Operating cash flows excl. changes in working capital	28,875	32,632	37,740	34,081	34,510	38,743	42,385	41,105
Cash and short-term investments	234,488	250,664	228,054	229,485	231,218	214,814	198,834	187,797
Total assets	775,549	737,906	704,998	670,400	688,882	699,284	674,624	687,064
Adjusted EBITDA:								
Results from operating activities	25,642	29,889	33,149	29,757	31,056	35,705	39,135	38,507
Depreciation	613	626	709	665	705	720	791	719
Depreciation of right-of-use assets	1,931	1,736	1,824	1,849	1,969	2,112	2,168	2,006
Special charges	2,001	28	123	216	46	18	31	433
Adjusted EBITDA	**$ 30,187**	**$ 32,279**	**$ 35,805**	**$ 32,487**	**$ 33,776**	**$ 38,555**	**$ 42,125**	**$ 41,665**
Adjusted EBITDA margin	*26.6%*	*30.3%*	*33.1%*	*31.8%*	*31.8%*	*34.7%*	*37.2%*	*35.4%*
Adjusted EBITDA per diluted share	**$ 0.54**	**$ 0.58**	**$ 0.65**	**$ 0.59**	**$ 0.61**	**$ 0.69**	**$ 0.75**	**$ 0.75**

Results of operations

The following table provides details regarding operating results for the three and six months ended April 30, 2023.

	Three months				Six months			
For the period ended April 30	**2023**	**2022**	**Var ($)**	**Var (%)**	**2023**	**2022**	**Var ($)**	**Var (%)**
Revenue	**$ 113,461**	**$ 106,312**	**7,149**	**6.7**	**$ 219,896**	**$ 217,414**	**2,482**	***1.1***
Direct costs	38,106	33,581	4,525	13.5	72,914	66,409	6,505	*9.8*
Revenue, net of direct costs	**$ 75,355**	**$ 72,731**	**2,624**	**3.6**	**$ 146,982**	**$ 151,005**	**(4,023)**	***(2.7)***
As a % of revenue	*66.4%*	*68.4%*			*66.8%*	*69.5%*		
Operating expenses	47,712	41,629	6,083	14.6	89,422	84,180	5,242	*6.2*
Special charges	2,001	46	1,955	4250.0	2,029	64	1,965	*3070.3*
Results from operating activities	**$ 25,642**	**$ 31,056**	**(5,414)**	**(17.4)**	**$ 55,531**	**$ 66,761**	**(11,230)**	***(16.8)***
As a % of revenue	*22.6%*	*29.2%*			*25.3%*	*30.7%*		
Amortization of acquired software and customer relationships	(9,838)	(9,207)	(631)	(6.9)	(18,670)	(18,864)	194	*1.0*
Foreign exchange (losses) gains	(790)	314	(1,104)	(351.6)	(1,843)	(22)	(1,821)	*(8277.3)*
Interest expense – lease obligations	(192)	(196)	4	2.0	(359)	(398)	39	*9.8*
Finance income	1,006	122	884	724.6	1,982	251	1,731	*689.6*
Finance expenses	(124)	(21)	(103)	(490.5)	(131)	(44)	(87)	*(197.7)*
Other (expenses) income	(528)	23	(551)	(2395.7)	(655)	1,023	(1,678)	*(164.0)*
Income before income taxes	**$ 15,176**	**$ 22,091**	**(6,915)**	**(31.3)**	**$ 35,855**	**$ 48,707**	**(12,852)**	***(26.4)***
Provision for income taxes	2,640	4,220	(1,580)	(37.4)	6,296	9,239	(2,943)	*(31.9)*
Net Income for the period	**$ 12,536**	**$ 17,871**	**(5,335)**	**(29.9)**	**$ 29,559**	**$ 39,468**	**(9,909)**	***(25.1)***
Basic earnings per share	0.23	0.32	(0.09)	(28.1)	0.53	0.71	(0.18)	*(25.4)*
Diluted earnings per share	0.23	0.32	(0.09)	(28.1)	0.53	0.71	(0.18)	*(25.4)*
Operating cash flows	18,698	31,142	(12,444)	(40.0)	47,960	55,484	(7,524)	*(13.6)*
Operating cash flows excluding changes in working capital	28,875	34,510	(5,635)	(16.3)	61,507	73,253	(11,746)	*(16.0)*

Revenue

The following table provides details regarding revenue for the three and six months ended April 30, 2023.

	Three months			Six months		
For the period ended April 30	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Software licenses	$ 22,016	$ 21,420	$ 596	$ 42,751	$ 45,198	$ (2,447)
SaaS and maintenance services	71,634	63,745	7,889	138,137	130,172	7,965
Professional services	17,995	17,879	116	34,886	35,831	(945)
Hardware	1,816	3,268	(1,452)	4,122	6,213	(2,091)
Revenue	**$ 113,461**	**$ 106,312**	**$ 7,149**	**$ 219,896**	**$ 217,414**	**$ 2,482**
Interactive Management Group	64,578	57,218	7,360	122,431	119,089	3,342
Asset Management Group	48,883	49,094	(211)	97,465	98,325	(860)
Revenue	**$ 113,461**	**$ 106,312**	**$ 7,149**	**$ 219,896**	**$ 217,414**	**$ 2,482**

Revenue for the three months ended April 30, 2023 was $113.5 million, an increase of 6.7% from the same period in the prior year. The variance is explained by:

- An increase of $7.9 million in SaaS and maintenance revenue, primarily attributable to the acquisitions of Qumu and Navita. SaaS and maintenance services are an important strategic source of revenue given its predictable and recurring nature and represented 63.1% of total revenues for the period and 60.0% for the comparative period.
- These increases are inclusive of an overall increase in revenue of $3.6 million as a result of foreign exchange.
- Relatively consistent revenue from software licenses and professional services offset by lower hardware revenue.

Revenue for the six months ended April 30, 2023 was $219.9 million, an increase of $2.5 million or 1.1% from the same period in the prior year. This increase is primarily attributable to the factors previously mentioned, mitigated by lower software license revenue in the first quarter of fiscal 2023. This increase is inclusive of a $4.5 million increase related to foreign exchange.

Interactive Management Group

IMG revenue for the three months ended April 30, 2023 was $64.6 million, an increase of $7.4 million or 12.9% from the same period in the prior year. The increase in the IMG revenue was driven mostly by an increase in SaaS and maintenance revenue, attributable to acquisitions.

Revenue for the six months ended April 30, 2023 was $122.4 million, an increase of $3.3 million or 2.8% from the same period in the prior year. The increase is primarily the result of increased SaaS revenue as previously mentioned offsetting lower license revenue.

Asset Management Group

AMG revenue for the three months ended April 30, 2023 was $48.9 million, a decrease of $0.2 million or 0.4% from same period in the prior year. Revenue for the six months ended April 30, 2023 was $97.5 million, a decrease of $0.9 million or 0.9% from the same period in the prior year. Results for both periods were negatively impacted by lower hardware sales partially offset by higher revenue from software licenses.

Direct costs

The following table provides details regarding direct costs for the three and six months ended April 30, 2023.

	Three months			Six months		
For the period ended April 30	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Software licenses	$ 698	$ 1,286	$ (588)	$ 1,568	$ 2,613	$ (1,045)
Services	36,793	30,560	6,233	69,218	60,154	9,064
Hardware	615	1,735	(1,120)	2,128	3,642	(1,514)
Direct Costs	**$ 38,106**	**$ 33,581**	**$ 4,525**	**$ 72,914**	**$ 66,409**	**$ 6,505**
As a % of associated revenue						
Software licenses	*3.2%*	*6.0%*		*3.7%*	*5.8%*	
Services	*41.1%*	*37.4%*		*40.0%*	*36.2%*	
Hardware	*33.9%*	*53.1%*		*51.6%*	*58.6%*	
Total	*33.6%*	*31.6%*		*33.2%*	*30.5%*	
Interactive Management Group	19,133	15,313	3,820	35,564	30,756	4,808
Asset Management Group	18,973	18,268	705	37,350	35,653	1,697
Direct Costs	**$ 38,106**	**$ 33,581**	**$ 4,525**	**$ 72,914**	**$ 66,409**	**$ 6,505**
As a % of associated revenue						
Interactive Management Group	*29.6%*	*26.8%*		*29.0%*	*25.8%*	
Asset Management Group	*38.8%*	*37.2%*		*38.3%*	*36.3%*	

Direct costs for the three months ended April 30, 2023 were $38.1 million or 33.6% of revenue compared to $33.6 million or 31.6% of revenue in the same period in the prior year. Overall margins declined as a result of lower margins generated from acquisitions, increasing services costs in addition to a greater proportion of our revenue coming from services compared to higher-margin license revenue. Although not the primary cause, inflation also contributed to cost increases.

Direct costs for the six months ended April 30, 2023 were $72.9 million or 33.2% of revenue compared to $66.4 million or 30.5% of revenue in the same period in the prior year. The decrease in margins is attributable to the same factors discussed for the three-month period.

Interactive Management Group

IMG direct costs for the three months ended April 30, 2023 were $19.1 million or 29.6% of segment revenue compared to $15.3 million or 26.8% of revenue in the same period in the prior year. The lower margins are a result of acquisitions and 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, 2023 were $35.6 million or 29.0% of segment revenue compared to $30.8 million or 25.8% of revenue in the same period in the prior year attributable to the same factors discussed for the three-month period.

Asset Management Group

AMG direct costs were $19.0 million or 38.8% of segment revenue for the three months ended April 30, 2023 compared to $18.3 million or 37.2% of revenue in the same period in the prior year. The lower margins are primarily a result of increased third-party services costs, inflationary operating cost increases as well as a shift in product mix away from higher margin on-premise software.

AMG direct costs for the six months ended April 30, 2023 were $37.4 million or 38.3% of segment revenue compared to $35.7 million or 36.3% of revenue in the same period in the prior year with the increase being attributable to the factors discussed for the three-month period.

Revenue, net of direct costs

Revenue, net of direct costs for the three months ended April 30, 2023 increased by $2.6 million to $75.4 million or 66.4% of revenue compared to $72.7 million or 68.4% in the same period in the prior year. The increase in revenue, net of direct costs is attributable to increased revenue, favourable foreign exchange and was offset by increased costs of providing professional services.

Revenue, net of direct costs for the six months ended April 30, 2023 decreased by $4.0 million to $147.0 million or 66.8% of revenue compared to $151.0 million or 69.5% in the same period in the prior year. The decrease is a result of increased third party cost of providing services.

Operating expenses

The following table provides details regarding operating expenses for the three and six months ended April 30, 2023.

	Three months			Six months		
For the period ended April 30	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Selling, general and administrative	$ 23,935	$ 19,897	$ 4,038	$ 44,733	$ 42,304	$ 2,429
Research and development	21,233	19,058	2,175	39,783	36,370	3,413
Depreciation	613	705	(92)	1,239	1,425	(186)
Depreciation of right-of-use assets	1,931	1,969	(38)	3,667	4,081	(414)
Special charges	2,001	46	1,955	2,029	64	1,965
Operating expenses	**$ 49,713**	**$ 41,675**	**$ 8,038**	**$ 91,451**	**$ 84,244**	**$ 7,207**
As a % of total revenue						
Selling, general and administrative	*21.1%*	*18.7%*		*20.3%*	*19.5%*	
Research and development	*18.7%*	*17.9%*		*18.1%*	*16.7%*	
Depreciation	*0.5%*	*0.7%*		*0.6%*	*0.7%*	
Depreciation of right-of-use assets	*1.7%*	*1.9%*		*1.7%*	*1.9%*	
Special charges	*1.8%*	*0.0%*		*0.9%*	*0.0%*	
Operating expenses	*43.8%*	*39.2%*		*41.6%*	*38.7%*	

Operating expenses for the three months ended April 30, 2023 totaled $49.7 million, an increase of $8.0 million or 19.3% compared to the same period in the prior year. The variance is largely explained by:

- An increase of $4.0 million in selling, general and administrative costs related to increased expenditure related to recent acquisitions.
- An increase of $2.2 million in research and development expense resulting from increased expenditures related to recent acquisitions. Research and development expense is equivalent to 18.7% of revenue compared to 17.9% in the same period in the prior year.
- An increase of $2.0 million in special charges, attributable to acquisitions.
- These increases are inclusive of the impacts of unfavorable foreign exchange variances that increased all costs by $2.2 million.

Operating expenses for the six months ended April 30, 2023 totaled $91.5 million, an increase of $7.2 million or 8.6% from the same period in the prior year. The variance is attributable to the factors discussed above despite a reduction in depreciation and depreciation of right-of-use assets from closing facilities.

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, 2023, the Canadian dollar weakened against most major currencies compared to the same period in the prior year. As result, in the second quarter, there was a positive impact to revenue of $3.6 million reported in Canadian dollars, while operating and direct costs were higher by $2.2 million compared to the same period in the prior year. The movements in foreign exchange rates were particularly prevalent with the U.S. dollar and euro.

For the three months ended April 30, 2023, we recognized foreign exchange losses of $0.8 million related to foreign currency denominated monetary assets and liabilities in the current period compared to gains of $0.3 million in the same period in the prior year. The loss was a result of movements in 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, 2023, we recognized $1.8 million of foreign exchange losses related to foreign currency denominated monetary assets and liabilities, compared to nominal foreign exchange losses in the same period in the prior year.

Amortization of acquired software and customer relationships

Amortization expense for acquired software and customer relationships for the three and six months ended April 30, 2023 increased by $0.6 million to $9.8 million and decreased by $0.2 million to $18.7 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 or fully offset by incremental charges from the current and prior year's acquisitions.

Finance Income

Finance income, which is primarily comprised of interest income on cash accounts, for the three months ended April 30, 2023 increased by $0.9 million relative to the same period in the prior year as a result of increasing interest rates combined with internal efforts to repatriate and move cash into high-interest-bearing regions and accounts. For the six months ended April 30, 2023, finance income increased by $1.7 million compared to the same period in the prior year. The increase is attributable to the same factors discussed for the three-month period.

Other (expenses) income

Other expenses for the three months ended April 30, 2023 increased by $0.6 million relative to the comparative quarter as a result of unrealized losses on investments in equity positions carried at fair value during the quarter compared to nominal unrealized gains in the comparative period. For the six months ended April 30, 2023, other expenses increased by $1.7 million compared to the same period in the prior year. The decrease is attributable to the aforementioned movement in net unrealized investment losses on equity positions carried at fair value compared to unrealized gains in the comparative period.

Provision for income taxes

The provision for income taxes for the three months ended April 30, 2023 decreased by $1.6 million to $2.6 million, compared to the same period in the prior year. For the three and six months ended April 30, 2023, our effective tax rate was 17.4% and 17.6%, respectively, compared to 19.1% and 19.0%, respectively for the three and six month periods in the prior year.

Net income

Net income for the three months ended April 30, 2023 decreased by $5.3 million to $12.5 million, compared to the same period in the prior year. The decrease is primarily a result of increased third-party cost of services, incremental operating costs and special charges related to acquisitions as we work through integrating recent acquisitions into the Enghouse model. For the six months ended April 30, 2023, net income decreased by $9.9 million to $29.6 million for the same reasons mentioned for the three month period.

For the three and six months ended April 30, 2023, diluted earnings per share were $0.23 and $0.53, respectively, compared to $0.32 and $0.71 in the same periods in the prior year.

Cash flows from operating activities

For the three months ended April 30, 2023, cash flows from operating activities were $18.7 million compared to $31.1 million in the same period in the prior year. The decrease in operating cash flow reflects lower net income related to increased cost of providing third party services, incremental costs related to acquisitions and unfavorable working capital adjustments as a result of recognizing revenue previously deferred and decreased payables resulting from paying off pre-acquisition liabilities of acquisitions.

For the six months ended April 30, 2023, cash flows from operating activities were $48.0 million compared to $55.5 million in the same period in the prior year. The decrease in operating cash flow reflects lower net income related to increased cost of providing third party services and incremental costs related to acquisitions. This was partially offset by higher collections of accounts receivable relative to the comparative period.

Operating cash flows excluding changes in non-cash working capital items for the three and six months ended April 30, 2023 decreased by 16.3% and 16.0% to $28.9 million and $61.5 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, 2023.

For the period ended April 30	Three months			Six months		
	2023	2022	Variance	2023	2022	Variance
Revenue	$ 113,461	$ 106,312	$ 7,149	$ 219,896	$ 217,414	$ 2,482
Results from operating activities	25,642	31,056	(5,414)	55,531	66,761	(11,230)
Depreciation	613	705	(92)	1,239	1,425	(186)
Depreciation of right-of-use assets	1,931	1,969	(38)	3,667	4,081	(414)
Special charges	2,001	46	1,955	2,029	64	1,965
Adjusted EBITDA	**$ 30,187**	**$ 33,776**	**$ (3,589)**	**$ 62,466**	**$ 72,331**	**$ (9,865)**
Adjusted EBITDA margin	*26.6%*	*31.8%*		*28.4%*	*33.3%*	
Adjusted EBITDA per diluted share	**$ 0.54**	**$ 0.61**	**$ (0.07)**	**$ 1.13**	**$ 1.30**	**$ (0.17)**

Adjusted EBITDA for the three and six months ended April 30, 2023 decreased by $3.6 million and $9.9 million, respectively, compared to the same periods in the prior year. The decreases are primarily a result of increased costs related to providing services and incremental operating costs related to acquisitions during integration despite higher revenue.

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 $234.5 million, compared to the October 31, 2022 balance of $228.1 million. For the six months ended April 30, 2023, cash, cash equivalents and short-term investments increased by a total of $6.4 million compared to an increase of $32.4 million over the same period in the prior year in which no acquisitions were made. The increase in cash, cash equivalents and short-term investments is the result of continued positive operating cash flows in the current period, despite spending $25.6 million on acquisitions and paying $10.2 million in dividends.

At April 30, 2023, working capital was $157.2 million compared to $170.6 million at the end of prior year. The decrease in working capital is predominately a result of funding two acquisitions in the quarter. 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 June 12, 2023. During the quarter, no stock options were exercised compared to 40,000 stock options and $1.0 million in cash for the Company in the same period in the prior year. The

Company granted 70,000 options in the first two quarters of 2023 compared to 430,000 options granted in the first two quarters of the prior year.

The Company renewed its Normal Course Issuer Bid commencing May 2, 2023 and expiring May 1, 2024, allowing the Company to repurchase up to a maximum of 3,000,000 common shares of Enghouse. The Company did not repurchase any common shares in the first two quarters 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.

Share Unit Plan

On March 9, 2023, a new Share Unit Plan (the "Unit Plan") was approved by shareholders. Under the Unit Plan, certain officers and employees may receive restricted share units ("RSUs") and performance share units ("PSUs"). The maximum number of shares reserved for issuance under the Unit Plan is a fixed 700,000. RSUs and PSUs will vest in a period specified by the Compensation Committee, which shall be not later than December 15th of the third year following the year in which the eligible participant performed the services related to the grant. PSUs will also be subject to performance conditions that are approved by the Board and Compensation Committee.

RSUs

Upon vesting, RSUs will be paid in either cash or an issue of common shares from treasury. The Corporation expects to settle all RSUs with common shares. The share-based payment expense will be recognized evenly over the vesting period. As at April 30, 2023, there were no RSUs awarded or vested.

PSUs

PSUs granted will be a bonus for services in the year the award is granted. Depending on the specific purpose of the award, the Compensation Committee will determine the associated performance metrics, weightings and performance period. Performance metrics may include financial, (including, without limitation, common share price), personal, operational or transaction-based performance criteria. These metrics may be measured on an absolute basis, or at the sole election of the Board and Compensation Committee, may result in the percentage of vested PSUs in a grant exceeding 100%, but to a maximum of 200%. As at April 30, 2023, there were no PSUs awarded or vested.

Deferred Share Unit Plan

On March 9, 2023, a new Deferred Share Unit Plan (the "DSU Plan") was approved by shareholders. The maximum number of common shares reserved for issuance under the DSU Plan is a fixed 80,000. Under the DSU Plan, non-executive directors of the Corporation may elect to defer a portion of their compensation until they leave the Board and have the value of such portion fluctuate with the value of common shares. The purpose of the DSU Plan is to attract and retain qualified persons to serve on the Board. As at April 30, 2023, there were no DSUs awarded or vested.

Off-statement of financial Position arrangements

The Company has 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

The Company has not entered into any transactions with related parties during the period, other than transactions with wholly-owned subsidiaries 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.

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 June 12, 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 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.

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 April 30, 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 and six months ended April 30, 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 April 30, 2023	As at October 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		$ 232,151	$ 225,104
Short-term investments		2,337	2,950
Accounts receivable		109,320	93,104
Prepaid expenses and other assets		16,267	12,848
Income taxes recoverable		739	492
		360,814	**334,498**
Non-current assets:			
Property and equipment		3,658	4,186
Right-of-use assets		17,461	20,063
Intangible assets	4	101,804	85,902
Goodwill	4	258,992	230,002
Deferred income tax assets		32,820	30,347
		414,735	**370,500**
		$ 775,549	**$ 704,998**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 67,842	$ 60,525
Dividends payable		12,159	10,221
Provisions	5	3,171	3,183
Deferred revenue		113,137	83,122
Lease obligations		7,314	6,822
		203,623	**163,873**
Non-current liabilities:			
Income taxes payable		1,305	2,576
Deferred income tax liabilities		17,049	12,038
Deferred revenue		3,976	3,470
Net employee defined-benefit obligation		2,027	1,821
Lease obligations		9,655	13,055
		34,012	**32,960**
		237,635	**196,833**
Shareholders' equity:			
Share capital		107,728	107,007
Contributed surplus		9,696	8,882
Retained earnings		408,423	401,247
Accumulated other comprehensive income (loss)	6	12,067	(8,971)
		537,914	**508,165**
		$ 775,549	**$ 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 April 30	Notes	Three months 2023	Three months 2022	Six months 2023	Six months 2022
Revenue					
Software licenses		$ 22,016	$ 21,420	$ 42,751	$ 45,198
SaaS and maintenance services		71,634	63,745	138,137	130,172
Professional services		17,995	17,879	34,886	35,831
Hardware		1,816	3,268	4,122	6,213
		113,461	**106,312**	**219,896**	**217,414**
Direct costs					
Software licenses		698	1,286	1,568	2,613
Services		36,793	30,560	69,218	60,154
Hardware		615	1,735	2,128	3,642
		38,106	33,581	72,914	66,409
Revenue, net of direct costs		**75,355**	**72,731**	**146,982**	**151,005**
Operating expenses					
Selling, general and administrative		23,935	19,897	44,733	42,304
Research and development		21,233	19,058	39,783	36,370
Depreciation		613	705	1,239	1,425
Depreciation of right-of-use assets		1,931	1,969	3,667	4,081
Special charges		2,001	46	2,029	64
		49,713	**41,675**	**91,451**	**84,244**
Results from operating activities		**25,642**	**31,056**	**55,531**	**66,761**
Amortization of acquired software and customer relationships	4	(9,838)	(9,207)	(18,670)	(18,864)
Foreign exchange (losses) gains		(790)	314	(1,843)	(22)
Interest expense – lease obligations		(192)	(196)	(359)	(398)
Finance income		1,006	122	1,982	251
Finance expenses		(124)	(21)	(131)	(44)
Other (expenses) income		(528)	23	(655)	1,023
Income before income taxes		**15,176**	**22,091**	**35,855**	**48,707**
Provision for income taxes	8	2,640	4,220	6,296	9,239
Net income for the period		**12,536**	**17,871**	**29,559**	**39,468**
Item that may be subsequently reclassified to income:					
Cumulative translation adjustment		11,295	(9,198)	21,038	(5,072)
Other comprehensive income (loss)		**11,295**	**(9,198)**	**21,038**	**(5,072)**
Comprehensive income		**$ 23,831**	**$ 8,673**	**$ 50,597**	**$ 34,396**
Earnings per share					
Basic	9	$ 0.23	$ 0.32	$ 0.53	$ 0.71
Diluted	9	$ 0.23	$ 0.32	$ 0.53	$ 0.71

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars) (unaudited)	Share capital (#)	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	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	-	-	-	-	29,559	29,559
Cumulative translation adjustment (Note 6)	-	-	-	21,038	-	21,038
Comprehensive income	**-**	**$ -**	**$ -**	**$ 21,038**	**$ 29,559**	**$ 50,597**
Employee share options:						
Value of services recognized	-	-	931	-	-	931
Proceeds from issuance of shares	20,000	721	(117)	-	-	604
Dividends declared (Note 6)	-	-	-	-	(22,383)	(22,383)
As at April 30, 2023	**55,270,239**	**$ 107,728**	**$ 9,696**	**$ 12,067**	**$ 408,423**	**$ 537,914**
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 from issuance of 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**

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 2023	Three months 2022	Six months 2023	Six months 2022
OPERATING ACTIVITIES					
Net income for the period		$ 12,536	$ 17,871	$ 29,559	$ 39,468
Adjustments for non-cash items					
Depreciation		613	705	1,239	1,425
Depreciation of right-of-use assets		1,931	1,969	3,667	4,081
Interest expense – lease obligations		192	196	359	398
Amortization of acquired software and customer relationships	4	9,838	9,207	18,670	18,864
Stock-based compensation expense	7	473	344	931	757
Provision for income taxes		2,640	4,220	6,296	9,239
Finance and other expenses (income)		652	(2)	786	(979)
		28,875	**34,510**	**61,507**	**73,253**
Changes in non-cash operating working capital	13	(5,989)	1,513	(3,987)	(9,689)
Income taxes paid		(4,188)	(4,881)	(9,560)	(8,080)
Net cash provided by operating activities		**18,698**	**31,142**	**47,960**	**55,484**
INVESTING ACTIVITIES					
Net purchase of property and equipment		(66)	(593)	(171)	(358)
Acquisitions, net of cash acquired*	10	(25,617)	-	(25,617)	-
Purchase consideration for prior-year acquisitions	10	233	(408)	233	(408)
Purchase of short-term investments		-	(60)	(69)	(60)
Net cash used in investing activities		**(25,450)**	**(1,061)**	**(25,624)**	**(826)**
FINANCING ACTIVITIES					
Issuance of share capital		-	970	604	970
Repayment of lease obligations		(2,470)	(2,148)	(4,280)	(4,241)
Dividends paid		(10,225)	(8,889)	(20,446)	(17,778)
Net cash used in financing activities		**(12,695)**	**(10,067)**	**(24,122)**	**(21,049)**
Impact of foreign exchange on cash and cash equivalents		3,797	(3,536)	8,833	(2,122)
(Decrease) increase in cash and cash equivalents		**(15,650)**	**16,478**	**7,047**	**31,487**
Cash and cash equivalents - beginning of period		247,801	210,899	225,104	195,890
Cash and cash equivalents - end of period		**$ 232,151**	**$ 227,377**	**$ 232,151**	**$ 227,377**

** Acquisitions are net of cash acquired of $2,088 for the three and six months ended April 30, 2023 and $Nil for the three and six months ended April 30, 2022.*

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"). These unaudited condensed consolidated interim financial statements were approved by the Audit Committee of the Board of Directors for issue on June 12, 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 June 12, 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 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 April 30, 2023					
Opening net book value	$ 47,585	$ -	$ 38,317	$ 85,902	$ 230,002
Acquisitions	15,203	-	15,931	31,134	19,606
Amortization	(11,807)	-	(6,863)	(18,670)	-
Exchange difference	1,608	-	1,830	3,438	9,384
Closing net book value	**$ 52,589**	**$ -**	**$ 49,215**	**$ 101,804**	**$ 258,992**
As at April 30, 2023					
Cost	$ 282,186	$ -	$ 192,218	$ 474,404	$ 258,992
Accumulated amortization	(229,597)	-	(143,003)	(372,600)	-
Net book value	**$ 52,589**	**$ -**	**$ 49,215**	**$ 101,804**	**$ 258,992**

** 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 intangible assets	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**

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.

Six months ended April 30	2023	2022
At beginning of period	**$ 3,183**	**$ 5,588**
Additions	993	18
Reversed	(847)	(1,702)
Utilized during the period	(265)	(730)
Effect of movements in foreign exchange	107	215
At end of period	**$ 3,171**	**$ 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 number 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 April 30, 2023. There were no Class A and no Class B preference shares issued and outstanding as at either April 30, 2023 or October 31, 2022.

Normal Course Issuer Bid Repurchases

On April 27, 2023, 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, 2024. The Company did not repurchase any common shares in the first two quarters 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 April 30, 2023, the Company declared dividends of $0.22 per common share compared to $0.185 per common share in the comparative period of the prior year, 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	21,038	-	21,038
As at April 30, 2023	**$ 12,186**	**$ (119)**	**$ 12,067**
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)**

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 (April 30, 2022 – 3,069,900) 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 April 30, 2023 and April 30, 2022, 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	
	2023	2022	2023	2022
Outstanding at beginning of period	1,443,500	1,140,500	$ 36.39	$ 36.78
Granted	70,000	430,000	35.64	34.71
Exercised	-	(40,000)	-	24.24
Forfeited	(46,000)	(67,000)	40.89	41.20
Outstanding at end of period	**1,467,500**	**1,463,500**	**$ 36.22**	**$ 36.31**
Exercisable at end of period	**904,500**	**678,500**	**$ 35.55**	**$ 33.95**

Six months ended April 30	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
Granted	70,000	430,000	35.64	34.71
Exercised	(20,000)	(40,000)	30.21	24.24
Forfeited	(46,000)	(67,000)	40.89	41.20
Outstanding at end of period	**1,467,500**	**1,463,500**	**$ 36.22**	**$ 36.31**
Exercisable at end of period	**904,500**	**678,500**	**$ 35.55**	**$ 33.95**

The Company uses the fair value method for recording expenses 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 and $0.9 million for the three and six months ended April 30, 2023, compared to $0.3 million and $0.8 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 in the six months ended April 30	2023	2022
Risk-free interest rate	3.66%	1.73%
Estimated volatility	31%	29%
Dividend yield	$ 0.88	$ 0.74
Expected life (in years)	5.0	5.0
Weighted average fair value	$ 9.19	$ 7.65
Weighted average share price at grant date	$35.64	$34.71

Share Unit Plan

On March 9, 2023, a new Share Unit Plan (the "Unit Plan") was approved by shareholders. Under the Unit Plan, certain officers and employees may receive restricted share units ("RSUs") and performance share units ("PSUs"). The maximum number of shares reserved for issuance under the Unit Plan is a fixed 700,000. RSUs and PSUs will vest in a period specified by the Compensation Committee, which shall be not later than December 15th of the third year following the year in which the eligible participant performed the services related to the grant. PSUs will also be subject to performance conditions that are approved by the Board and Compensation Committee.

RSUs

Upon vesting, RSUs will be paid in either cash or an issue of common shares from treasury. The Corporation expects to settle all RSUs with common shares. The share-based payment expense will be recognized evenly over the vesting period. As at April 30, 2023, there were no RSUs awarded or vested.

PSUs

PSUs granted will be a bonus for services in the year the award is granted. Depending on the specific purpose of the award, the Compensation Committee will determine the associated performance metrics, weightings and performance period. Performance metrics may include financial, (including, without limitation, common share price), personal, operational or transaction-based performance criteria. These metrics may be measured on an absolute basis, or at the sole election of the Board and Compensation Committee, may result in the percentage of vested PSUs in a grant exceeding 100%, but to a maximum of 200%. As at April 30, 2023, there were no PSUs awarded or vested.

Deferred Share Unit Plan

On March 9, 2023, a new Deferred Share Unit Plan (the "DSU Plan") was approved by shareholders. The maximum number of common shares reserved for issuance under the DSU Plan is a fixed 80,000. Under the DSU Plan, non-executive directors of the Corporation may elect to defer a portion of their compensation until they leave the Board and have the value of such portion fluctuate with the value of common shares. The purpose of the DSU Plan is to attract and retain qualified persons to serve on the Board. As at April 30, 2023, there were no DSUs awarded or vested.

8. Income Taxes

The provision for income taxes 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, 2023, the Company recorded a provision for income taxes of $2.6 million (17.4% effective tax rate) as compared with a provision of $4.2 million (19.1%) for the same period in the prior year.

For the six months ended April 30, 2023, the Company recorded a provision for income taxes of $6.3 million (17.6% effective tax rate) as compared with a provision of $9.2 million (19.0%) for the same period in the prior year.

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	
	2023	2022	2023	2022
Net income for the period	$ 12,536	$ 17,871	$ 29,559	$ 39,468
Weighted average number of common shares outstanding	55,270	55,573	55,263	55,562
Basic earnings per share	**$ 0.23**	**$ 0.32**	**$ 0.53**	**$ 0.71**

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	
	2023	2022	2023	2022
Net income for the period	$ 12,536	$ 17,871	$ 29,559	$ 39,468
Weighted average number of common shares outstanding	55,270	55,573	55,263	55,562
Adjustment for stock options	173	170	102	286
Weighted average number of common shares outstanding for diluted earnings per share	55,443	55,743	55,365	55,848
Diluted earnings per share	**$ 0.23**	**$ 0.32**	**$ 0.53**	**$ 0.71**

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 fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

2023 Acquisitions

On February 9, 2023, the Company acquired 100% of the issued and outstanding common shares of Mobi All Tecnologia S.A. ("Navita"). Headquartered in Sao Paulo, Brazil, Navita provides SaaS based Enterprise Mobility Management solutions in managing and controlling critical mobile assets as well as telecom and IT expense management.

On February 8, 2023, the Company completed its acquisition of Qumu Corporation ("Qumu") (Nasdaq: QUMU), a global provider of cloud-based enterprise video technology. Under a December 19, 2022 agreement, a wholly owned subsidiary of the Company completed the tender offer for all the outstanding shares of Qumu for USD $0.90 per share in cash.

The two acquisitions were completed for an aggregate cash purchase price of $30.1 million with $2.4 million remaining in holdback, subject to potential adjustment. Results for both acquisitions are included in IMG from their respective dates of acquisition.

2022 Acquisitions

On September 6, 2022, the Company acquired the business assets and certain liabilities of VoicePort LLC ("VoicePort"), 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 $24.9 million with $1.3 million remaining in holdback and $1.4 million (USD $1.0 million) held in escrow, subject to potential adjustment. Results for all acquisitions are included in IMG from their respective dates of acquisition.

Purchase Price Allocations

	IMG Preliminary 2023	IMG Preliminary 2022
Cash and cash equivalents	$ 2,088	$ 3,647
Accounts receivable	6,655	2,405
Prepaid expenses and other assets	1,164	320
Property and equipment	295	207
Deferred income tax assets	1,116	-
Acquired software	15,203	11,402
Customer relationships	15,931	7,051
Right-of-use assets	183	60
Goodwill	19,606	6,051
Total assets acquired	**$ 62,241**	**$ 31,143**
Current liabilities assumed	$ 26,299	$ 4,151
Non-current lease obligations	71	15
Deferred income tax liabilities	5,805	2,052
Total liabilities assumed	**$ 32,175**	**$ 6,218**
Net assets acquired for cash consideration	**$ 30,066**	**$ 24,925**

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	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 64,578	$ 48,883	$ 113,461	$ 57,218	$ 49,094	$ 106,312
Direct costs	(19,133)	(18,973)	(38,106)	(15,313)	(18,268)	(33,581)
Revenue, net of direct costs	**45,445**	**29,910**	**75,355**	**41,905**	**30,826**	**72,731**
Operating expenses excluding special charges	(23,034)	(12,596)	(35,630)	(19,412)	(11,101)	(30,513)
Depreciation	(544)	(69)	(613)	(600)	(105)	(705)
Depreciation of right-of-use assets	(941)	(990)	(1,931)	(1,192)	(777)	(1,969)
Segment profit	**$ 20,926**	**$ 16,255**	**$ 37,181**	**$ 20,701**	**$ 18,843**	**$ 39,544**
Special charges			(2,001)			(46)
Corporate and shared service expenses			(9,538)			(8,442)
Results from operating activities			**$ 25,642**			**$ 31,056**

Six months ended April 30	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 122,431	$ 97,465	$ 219,896	$ 119,089	$ 98,325	$ 217,414
Direct costs	(35,564)	(37,350)	(72,914)	(30,756)	(35,653)	(66,409)
Revenue, net of direct costs	**86,867**	**60,115**	**146,982**	**88,333**	**62,672**	**151,005**
Operating expenses excluding special charges	(42,285)	(23,916)	(66,201)	(38,963)	(22,273)	(61,236)
Depreciation	(1,081)	(158)	(1,239)	(1,196)	(229)	(1,425)
Depreciation of right-of-use assets	(2,041)	(1,626)	(3,667)	(2,519)	(1,562)	(4,081)
Segment profit	**$ 41,460**	**$ 34,415**	**$ 75,875**	**$ 45,655**	**$ 38,608**	**$ 84,263**
Special charges			(2,029)			(64)
Corporate and shared service expenses			(18,315)			(17,438)
Results from operating activities			**$ 55,531**			**$ 66,761**

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 as at April 30, 2023.

13. Changes in Non-Cash Operating Working Capital

Periods ended April 30	Three months		Six months	
	2023	2022	2023	2022
Decrease (increase) in accounts receivable	$ 6,030	$ 6,876	$ (3,608)	$ (12,441)
Increase in prepaid expenses and other assets	(264)	(1,181)	(1,733)	(1,361)
Decrease in accounts payable and accrued liabilities	(4,816)	(329)	(9,063)	(8,305)
Increase (decrease) in provisions	537	(585)	(74)	(2,082)
Decrease in income taxes payable net of recoverable	(608)	(1,020)	(704)	(1,567)
(Decrease) increase in deferred revenue	(6,868)	(2,248)	11,195	16,067
Changes in non-cash operating working capital	**$ (5,989)**	**$ 1,513**	**$ (3,987)**	**$ (9,689)**

Changes in non-cash operating working capital are inclusive of results from acquisitions for the period(s) subsequent to the date that they are acquired.

14. Subsequent Event

On May 17, 2023, Enghouse entered into an asset purchase agreement with Lifesize Inc (“Lifesize”), a global provider of video conferencing and omnichannel contact center solutions, based in Texas. Under the agreement, Enghouse will acquire substantially all of Lifesize’s assets and brands, including Lifesize, Kaptivo, ProScheduler, Serenova and Telstrat. The purchase remains subject to court approval.