Enghouse Systems

Software engineered for results

Third Quarter Ended July 31, 2023

September 7, 2023

Dear fellow Shareholders,

We are pleased to present Enghouse's third-quarter results for the three months ending July 31, 2023. This quarter's report encapsulates several financial achievements that highlight our successes for the quarter. These achievements include revenue growth, operating profit improvement and increased cash flow.

Revenue for the third quarter of 2023 was $111.0 million representing an 8.7% increase compared to the same period in the prior year. Of significance, our recurring revenue, which is comprised of SaaS and maintenance services, has expanded 13.8% to $72.3 million. This revenue growth is the result of acquisitions, our strategy around offering customers choice of technology deployment, standing up our own SaaS offerings, training our global go-to-market teams, and investments in demand generation. We have also invested in expanding our acquisition team to drive increased acquisitions activities and future opportunities. These initiatives are generating positive outcomes and have translated into revenue growth along with a positive impact on revenue from foreign exchange.

Our operating profits have improved from both acquisitions and ongoing operations. The integration of the two acquisitions we completed in February 2023, Qumu and Navita, are ahead of plan. Both made positive contributions to adjusted EBITDA this quarter, a noteworthy achievement given QUMU's history of significant losses. Both acquisitions have integrated quickly and evidence our team's ability to acquire, improve profitability and integrate to yield a positive return.

With the integration of last quarter's acquisitions, as well as additional efforts to improve margins, we have increased operating profitability compared to the comparative and preceding quarters. Adjusted EBITDA improved to $33.4 million or $0.60 per diluted share, compared to $32.5 million or $0.59 per diluted share in the third quarter of 2022.

Our cash flow has improved as we closed the quarter with $249.7 million in cash, cash equivalents, and short-term investments with no external debt. This represents an approximate return to our January 31, 2023 cash balance of $250.7 million in just six months, having paid $22.4 million in dividends and deployed $29.0 million on acquisitions subsequently. Cash flows from operating activities, excluding changes in working capital, were $35.5 million compared to $34.1 million in the prior year, improving as a result of our discipline, execution, and continuous cost management.

In addition to these achievements, subsequent to quarter end on August 1, 2023, Enghouse completed the acquisition of substantially all the assets of Lifesize Inc., a cloud communications company. The acquisition was completed for a purchase price of approximately USD $20.7 million, bringing our total capital deployed on acquisitions in the year to over $56.0 million as of August 1, 2023. The macroeconomic environment of increasing interest rates and a more difficult funding environment for technology companies continues to generate more acquisition opportunities for Enghouse that meet our operational and financial criteria.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of September 7, 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 third quarter ended July 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 https://www.sedarplus.ca/.

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 https://www.sedarplus.ca/.

Corporate overview

Enghouse is a Canadian publicly traded company (TSX:ENGH) that provides mission-critical vertically focused enterprise software solutions. Our core technologies are used for 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 is organized around two business segments, the Interactive Management Group ("IMG") and the Asset Management Group ("AMG") due to their unique customer segments and technology offerings.

IMG specializes in contact center and video interaction software and services designed to enhance customer service, increase efficiency and manage customer communications across multiple types of interactions including voice, email, social channels, web chats, text and

video. Products 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 profitable, vertically focused enterprise software company with a diversified product suite and global market presence. Enghouse deploys capital generated from our operating activities on building technology, acquisitions and returning it to shareholders through dividends.

The Company generates the majority of its revenue from recurring revenue streams that 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), we also 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.

Third quarter overview

During the third quarter of 2023, we generated an increase in revenue, operating cash flows and operating income. We also continued the integration of the recent acquisitions of Qumu Corporation ("Qumu") and Mobil All Technologies S.A ("Navita"). Operationally, both businesses were profitable in the third quarter of 2023 with margin improvement. Although these acquisitions were still dilutive to our overall margins this quarter, we are pleased with the integration speed of these recent acquisitions and our achievements of improving Qumu, which had substantial losses over many years prior to Enghouse acquiring it and running it profitably.

We continue to operate our business with operational efficiency and discipline. Through adopting technology that increases our internal operational efficiency, continuous improvements through vendor consolidation, facility optimization and cost management we improved our profitability in the third quarter. While inflation and the demand for business travel continues to result in rising costs, our efforts to reduce costs have resulted in sequential reductions in operating expenses and margin improvements relative to the preceding quarter.

Through the alignment of recent acquisitions with our existing cost structure, research and development expenses have returned to a percentage of revenue consistent with the same period in the prior year. Meanwhile, selling general and administrative expenses have decreased relative to the preceding quarter, but remain higher than the comparative period as a result of recent acquisitions. Internally, we have also reorganized our cash and interest structure to generate higher interest income while keeping our cash readily available to deploy on acquisitions.

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 inflation, seasonality, foreign exchange, timing of new acquisitions, geopolitical changes (including the war in Ukraine), COVID-19, 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	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Revenue	**$ 110,997**	**$ 113,461**	**$ 106,435**	**$ 108,060**	**$ 102,111**	**$ 106,312**	**$ 111,102**	**$ 113,099**
Direct costs	35,872	38,106	34,808	32,340	31,348	33,581	32,828	31,149
Revenue, net of direct costs	**$ 75,125**	**$ 75,355**	**$ 71,627**	**$ 75,720**	**$ 70,763**	**$ 72,731**	**$ 78,274**	**$ 81,950**
As a % of revenue	*67.7%*	66.4%	*67.3%*	*70.1%*	*69.3%*	68.4%	*70.5%*	*72.5%*
Operating expenses	43,901	47,712	41,710	42,448	40,790	41,629	42,551	42,784
Special charges	331	2,001	28	123	216	46	18	31
Results from operating activities	**$ 30,893**	**$ 25,642**	**$ 29,889**	**$ 33,149**	**$ 29,757**	**$ 31,056**	**$ 35,705**	**$ 39,135**
As a % of revenue	*27.8%*	22.6%	*28.1%*	*30.7%*	*29.1%*	29.2%	32.1%	34.6%
Amortization	(9,730)	(9,838)	(8,832)	(8,826)	(8,484)	(9,207)	(9,657)	(10,438)
Other	568	(628)	(378)	884	1,051	242	568	(724)
Income before income taxes	**$ 21,731**	**$ 15,176**	**$ 20,679**	**$ 25,207**	**$ 22,324**	**$ 22,091**	**$ 26,616**	**$ 27,973**
Provision for (recovery of) income taxes	4,164	2,640	3,656	(11,742)	4,243	4,220	5,019	(2,213)
Net Income for the period	**$ 17,567**	**$ 12,536**	**$ 17,023**	**$ 36,949**	**$ 18,081**	**$ 17,871**	**$ 21,597**	**$ 30,186**
Basic earnings per share	0.32	0.23	0.31	0.67	0.33	0.32	0.39	0.54
Diluted earnings per share	0.32	0.23	0.31	0.67	0.33	0.32	0.39	0.54
Operating cash flows	39,020	18,698	29,262	18,539	29,158	31,142	24,342	25,206
Operating cash flows excl. changes in working capital	35,481	28,875	32,632	37,740	34,081	34,510	38,743	42,385
Cash and short-term investments	249,676	234,488	250,664	228,054	229,485	231,218	214,814	198,834
Total assets	745,973	775,549	737,906	704,998	670,400	688,882	699,284	674,624
Adjusted EBITDA:								
Results from operating activities	30,893	25,642	29,889	33,149	29,757	31,056	35,705	39,135
Depreciation	585	613	626	709	665	705	720	791
Depreciation of right-of-use assets	1,606	1,931	1,736	1,824	1,849	1,969	2,112	2,168
Special charges	331	2,001	28	123	216	46	18	31
Adjusted EBITDA	**$ 33,415**	**$ 30,187**	**$ 32,279**	**$ 35,805**	**$ 32,487**	**$ 33,776**	**$ 38,555**	**$ 42,125**
Adjusted EBITDA margin	*30.1%*	26.6%	*30.3%*	*33.1%*	*31.8%*	*31.8%*	*34.7%*	*37.2%*
Adjusted EBITDA per diluted share	**$ 0.60**	**$ 0.54**	**$ 0.58**	**$ 0.65**	**$ 0.59**	**$ 0.61**	**$ 0.69**	**$ 0.75**

Results of operations

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

	Three months				Nine months			
For the period ended July 31	**2023**	**2022**	**Var ($)**	**Var (%)**	**2023**	**2022**	**Var ($)**	**Var (%)**
Revenue	**$ 110,997**	**$ 102,111**	**8,886**	**8.7**	**$ 330,893**	**$ 319,525**	**11,368**	***3.6***
Direct costs	35,872	31,348	4,524	14.4	108,786	97,757	11,029	*11.3*
Revenue, net of direct costs	**$ 75,125**	**$ 70,763**	**4,362**	**6.2**	**$ 222,107**	**$ 221,768**	**339**	***0.2***
As a % of revenue	*67.7%*	*69.3%*			*67.1%*	*69.4%*		
Operating expenses	43,901	40,790	3,111	7.6	133,323	124,970	8,353	*6.7*
Special charges	331	216	115	53.2	2,360	280	2,080	*742.9*
Results from operating activities	**$ 30,893**	**$ 29,757**	**1,136**	**3.8**	**$ 86,424**	**$ 96,518**	**(10,094)**	***(10.5)***
As a % of revenue	*27.8%*	*29.1%*			*26.1%*	*30.2%*		
Amortization of acquired software and customer relationships	(9,730)	(8,484)	(1,246)	(14.7)	(28,400)	(27,348)	(1,052)	*(3.8)*
Foreign exchange gains (losses)	356	1,045	(689)	(65.9)	(1,487)	1,023	(2,510)	*(245.4)*
Interest expense – lease obligations	(172)	(173)	1	0.6	(531)	(571)	40	*7.0*
Finance income	1,701	290	1,411	486.6	3,683	541	3,142	*580.8*
Finance expenses	(5)	(18)	13	72.2	(136)	(62)	(74)	*(119.4)*
Other (expenses) income	(1,312)	(93)	(1,219)	(1310.8)	(1,967)	930	(2,897)	*(311.5)*
Income before income taxes	**$ 21,731**	**$ 22,324**	**(593)**	**(2.7)**	**$ 57,586**	**$ 71,031**	**(13,445)**	***(18.9)***
Provision for income taxes	4,164	4,243	(79)	(1.9)	10,460	13,482	(3,022)	*(22.4)*
Net Income for the period	**$ 17,567**	**$ 18,081**	**(514)**	**(2.8)**	**$ 47,126**	**$ 57,549**	**(10,423)**	***(18.1)***
Basic earnings per share	0.32	0.33	(0.01)	(3.0)	0.85	1.04	(0.19)	*(18.3)*
Diluted earnings per share	0.32	0.33	(0.01)	(3.0)	0.85	1.03	(0.18)	*(17.5)*
Operating cash flows	39,020	29,158	9,862	33.8	86,980	84,642	2,338	*2.8*
Operating cash flows excluding changes in working capital	35,481	34,081	1,400	4.1	96,988	107,334	(10,346)	*(9.6)*

Revenue

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

	Three months			Nine months		
For the period ended July 31	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Software licenses	$ 19,836	$ 19,816	$ 20	$ 62,587	$ 65,014	$ (2,427)
SaaS and maintenance services	72,302	63,530	8,772	210,439	193,702	16,737
Professional services	15,904	16,751	(847)	50,790	52,582	(1,792)
Hardware	2,955	2,014	941	7,077	8,227	(1,150)
Revenue	**$ 110,997**	**$ 102,111**	**$ 8,886**	**$ 330,893**	**$ 319,525**	**$ 11,368**
Interactive Management Group	64,302	55,077	9,225	186,733	174,166	12,567
Asset Management Group	46,695	47,034	(339)	144,160	145,359	(1,199)
Revenue	**$ 110,997**	**$ 102,111**	**$ 8,886**	**$ 330,893**	**$ 319,525**	**$ 11,368**

Revenue for the three months ended July 31, 2023 was $111.0 million, an increase of 8.7% from the same period in the prior year. The variance is explained by:

- An increase of $8.8 million in SaaS and maintenance revenue as a result of increased SaaS revenue from contact center products, inclusive of acquisitions. SaaS and maintenance services are an important source of revenue given its predictable and recurring nature and represented 65.1% of total revenues for the period, an increase from 62.2% in the comparative period.
- Relatively consistent revenue from software licenses, with an increase in hardware sales. Professional services are typically lower in the third quarter while year-over-year professional services revenue declined as a result of comparably higher revenue from our large transportation contracts that are now approaching their maintenance phase and require less professional services.
- These increases are inclusive of an overall increase in revenue of $4.9 million as a result of foreign exchange.

Revenue for the nine months ended July 31, 2023 was $330.9 million, an increase of $11.4 million or 3.6% from the same period in the prior year. This increase is primarily attributable to a $16.7 million increase in SaaS revenue from contact center products, inclusive of acquisitions, partially offset by lower software license and professional services revenue. These increases are inclusive of favourable foreign exchange of $9.4 million.

Interactive Management Group

IMG revenue for the three months ended July 31, 2023 was $64.3 million, an increase of $9.2 million or 16.7% from the same period in the prior year. The increase in IMG revenue was driven mostly by an increase in SaaS and maintenance revenue, attributable to increased SaaS revenue from contact center products, inclusive of acquisitions, in addition to $3.3 million as a result of favourable foreign exchange.

Revenue for the nine months ended July 31, 2023 was $186.7 million, an increase of $12.6 million or 7.2% 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. Additionally, there was a $6.3 million favourable impact related to foreign exchange.

Asset Management Group

AMG revenue for the three months ended July 31, 2023 was $46.7 million, a decrease of $0.3 million or 0.7% from same period in the prior year. Revenue for the nine months ended July 31, 2023 was $144.2 million, a decrease of $1.2 million or 0.8% from the same period in the prior year. Results for the three months ended were negatively impacted by lower revenue from professional services and software licenses, partially offset by higher revenue from hardware sales. Additionally, there was a $1.6 million favourable impact related to foreign exchange.

Results for the nine months ended were negatively impacted by lower revenue from professional services, software licenses and hardware sales. The favourable foreign exchange impact was $3.1 million.

Direct costs

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

	Three months			Nine months		
For the period ended July 31	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Software licenses	$ 720	$ 1,023	$ (303)	$ 2,288	$ 3,636	$ (1,348)
Services	33,476	29,014	4,462	102,694	89,168	13,526
Hardware	1,676	1,311	365	3,804	4,953	(1,149)
Direct Costs	**$ 35,872**	**$ 31,348**	**$ 4,524**	**$ 108,786**	**$ 97,757**	**$ 11,029**
As a % of associated revenue						
Software licenses	*3.6%*	*5.2%*		*3.7%*	*5.6%*	
Services	*38.0%*	*36.1%*		*39.3%*	*36.2%*	
Hardware	*56.7%*	*65.1%*		*53.8%*	*60.2%*	
Total	*32.3%*	*30.7%*		*32.9%*	*30.6%*	
Interactive Management Group	18,884	15,508	3,376	54,451	46,264	8,187
Asset Management Group	16,988	15,840	1,148	54,335	51,493	2,842
Direct Costs	**$ 35,872**	**$ 31,348**	**$ 4,524**	**$ 108,786**	**$ 97,757**	**$ 11,029**
As a % of associated revenue						
Interactive Management Group	*29.4%*	*28.2%*		*29.2%*	*26.6%*	
Asset Management Group	*36.4%*	*33.7%*		*37.7%*	*35.4%*	

Direct costs for the three months ended July 31, 2023 were $35.9 million or 32.3% of revenue compared to $31.3 million or 30.7% of revenue in the same period in the prior year. Overall margins declined as a result of a shift in product mix towards lower-margin services revenue combined with an increased cost of providing services. The lower services margins resulted from continued use of subcontractors on our large transportation project implementations and recent acquisitions. This is combined with an increased proportion of SaaS revenue that carries a lower margin percentage than maintenance.

Direct costs for the nine months ended July 31, 2023 were $108.8 million or 32.9% of revenue compared to $97.8 million or 30.6% 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 July 31, 2023 were $18.9 million or 29.4% of segment revenue compared to $15.5 million or 28.2% 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 and maintenance revenue towards increased SaaS revenue.

IMG direct costs for the nine months ended July 31, 2023 were $54.5 million or 29.2% of segment revenue compared to $46.3 million or 26.6% 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 $17.0 million or 36.4% of segment revenue for the three months ended July 31, 2023 compared to $15.8 million or 33.7% 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 higher proportion of hardware sales.

AMG direct costs for the nine months ended July 31, 2023 were $54.3 million or 37.7% of segment revenue compared to $51.5 million or 35.4% of revenue in the same period in the prior year with the increase being attributable to the same factors discussed for the three-month period.

Revenue, net of direct costs

Revenue, net of direct costs for the three months ended July 31, 2023 increased by $4.4 million to $75.1 million or 67.7% of revenue compared to $70.8 million or 69.3% in the same period in the prior year. The increase in revenue, net of direct costs, is attributable to increased revenue despite an increase in direct costs as a result of the shift from higher margin license and maintenance revenue towards SaaS revenue.

Revenue, net of direct costs for the nine months ended July 31, 2023 increased by $0.3 million to $222.1 million or 67.1% of revenue compared to $221.8 million or 69.4% in the same period in the prior year. The increase is a result of higher revenue offset by relatively higher direct costs from recent acquisitions related to product mix.

Operating expenses

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

	Three months			Nine months		
For the period ended July 31	**2023**	**2022**	**Variance**	**2023**	**2022**	**Variance**
Selling, general and administrative	$ 22,454	$ 20,572	$ 1,882	$ 67,187	$ 62,876	$ 4,311
Research and development	19,256	17,704	1,552	59,039	54,074	4,965
Depreciation	585	665	(80)	1,824	2,090	(266)
Depreciation of right-of-use assets	1,606	1,849	(243)	5,273	5,930	(657)
Special charges	331	216	115	2,360	280	2,080
Operating expenses	**$ 44,232**	**$ 41,006**	**$ 3,226**	**$ 135,683**	**$ 125,250**	**$ 10,433**
As a % of total revenue						
Selling, general and administrative	*20.2%*	*20.1%*		*20.3%*	*19.7%*	
Research and development	*17.3%*	*17.3%*		*17.8%*	*16.9%*	
Depreciation	*0.5%*	*0.7%*		*0.6%*	*0.7%*	
Depreciation of right-of-use assets	*1.4%*	*1.8%*		*1.6%*	*1.9%*	
Special charges	*0.3%*	*0.2%*		*0.7%*	*0.1%*	
Operating expenses	*39.8%*	*40.2%*		*41.0%*	*39.2%*	

Operating expenses for the three months ended July 31, 2023 totaled $44.2 million, an increase of $3.2 million or 7.9% compared to the same period in the prior year. The variance is largely explained by:

- An increase of $1.9 million in selling, general and administrative costs related to recent acquisitions.
- An increase of $1.6 million in research and development expenses resulting from increased expenditure related to recent acquisitions. Research and development expenses compared to revenue remained relatively consistent at 17.3% of revenue, consistent with the same period in the prior year.

- An increase of $0.1 million in special charges, attributable to acquisitions.
- These increases are inclusive of the impacts of unfavorable foreign exchange variances that increased all costs by $3.2 million.

Operating expenses for the nine months ended July 31, 2023 totaled $135.7 million, an increase of $10.4 million or 8.3% from the same period in the prior year. The variance is attributable to the factors discussed above as well as increased special charges related to acquisitions, despite a reduction in depreciation and depreciation of right-of-use assets from closing facilities. Foreign exchange increased all operating costs by $6.1 million for the period.

Foreign exchange

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

During the three months ended July 31, 2023, the Canadian dollar weakened against most major currencies compared to the same period in the prior year. As result, in the third quarter, there was a positive impact to revenue of $4.9 million reported in Canadian dollars, while operating and direct costs were higher by $3.2 million compared to the same period in the prior year. The movements in foreign exchange rates were particularly prevalent with the U.S. dollar, pound sterling, and euro. Year to date, the same impacts accounted for a $9.4 million favourable impact on revenue and a $6.1 million unfavourable impact on costs.

For the three months ended July 31, 2023, we recognized foreign exchange gains of $0.4 million related to foreign currency denominated monetary assets and liabilities in the current period compared to gains of $1.0 million in the same period in the prior year. The gain 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 nine months ended July 31, 2023, we recognized $1.5 million of foreign exchange losses related to foreign currency denominated monetary assets and liabilities, compared to $1.0 million of foreign exchange gains 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 nine months ended July 31, 2023 increased by $1.2 million to $9.7 million and increased by $1.1 million to $28.4 million, respectively, compared to the same periods in the prior year. Both variances are attributable to incremental amortization from recent acquisitions.

Finance Income

Finance income, which is primarily comprised of interest income on cash accounts, for the three months ended July 31, 2023 increased by $1.4 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 nine months ended July 31, 2023, finance income increased by $3.1 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 July 31, 2023 increased by $1.2 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 losses in the comparative period. For the nine months ended July 31, 2023, other expenses increased by $2.9 million compared to the same period in the prior year. The increase 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 July 31, 2023 decreased by $0.1 million to $4.2 million, compared to the same period in the prior year. For the three and nine months ended July 31, 2023, our effective tax rates were 19.2% and 18.2%, respectively, compared to 19.0% for each of the three and nine month periods in the prior year.

Net income

Net income for the three months ended July 31, 2023 decreased by $0.5 million to $17.6 million, compared to the same period in the prior year. The decrease is primarily attributable to increased amortization from acquisitions and unrealized losses on investments despite higher results from operations and increased finance income. For the nine months ended July 31, 2023, net income decreased by $10.4 million to $47.1 million, compared to the same period in the prior year. The decrease is primarily as a result of higher operating costs incurred as acquisitions were onboarded.

For the three and nine months ended July 31, 2023, diluted earnings per share were $0.32 and $0.85, respectively, compared to $0.33 and $1.03 in the same periods in the prior year.

Cash flows from operating activities

For the three months ended July 31, 2023, cash flows from operating activities were $39.0 million compared to $29.2 million in the same period in the prior year. The increase in operating cash flow reflects increased collections, lower taxes paid and increased finance income.

For the nine months ended July 31, 2023, cash flows from operating activities were $87.0 million compared to $84.6 million in the same period in the prior year. The increase in operating cash flow reflects favourable working capital adjustments relative to the comparative period, which mitigated reduced contributions from lower net income.

Operating cash flows excluding changes in non-cash working capital items for the three and nine months ended July 31, 2023 increased by 4.1% to $35.5 million and decreased by 9.6% to $97.0 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 nine months ended July 31, 2023.

For the period ended July 31	Three months			Nine months		
	2023	2022	Variance	2023	2022	Variance
Revenue	$ 110,997	$ 102,111	$ 8,886	$ 330,893	$ 319,525	$ 11,368
Results from operating activities	30,893	29,757	1,136	86,424	96,518	(10,094)
Depreciation	585	665	(80)	1,824	2,090	(266)
Depreciation of right-of-use assets	1,606	1,849	(243)	5,273	5,930	(657)
Special charges	331	216	115	2,360	280	2,080
Adjusted EBITDA	**$ 33,415**	**$ 32,487**	**$ 928**	**$ 95,881**	**$ 104,818**	**$ (8,937)**
Adjusted EBITDA margin	*30.1%*	*31.8%*		*29.0%*	*32.8%*	
Adjusted EBITDA per diluted share	**$ 0.60**	**$ 0.59**	**$ 0.01**	**$ 1.73**	**$ 1.88**	**$ (0.15)**

Adjusted EBITDA for the three and nine months ended July 31, 2023 increased by $0.9 million and decreased by $8.9 million, respectively, compared to the same periods in the prior year. The increase in the quarter is primarily a result of increased SaaS and maintenance services revenue and the net favorable foreign exchange impact on revenue and costs. The year-to-date decrease is primarily attributable to higher cost of services in the first two quarters of the year.

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 $249.7 million, compared to the October 31, 2022 balance of $228.1 million. For the nine months ended July 31, 2023, cash, cash equivalents and short-term investments increased by a total of $21.6 million compared to an increase of $30.7 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 $29.0 million on acquisitions and paying $32.6 million in dividends.

At July 31, 2023, working capital was $171.0 million compared to $170.6 million at the end of prior year and remained relatively consistent despite completing two acquisitions and returning 16.2% more to shareholders via dividends. 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 September 7, 2023. During the third quarter, no stock options were exercised in either fiscal 2023 or 2022. The Company granted 130,000 options in the first three quarters of 2023 compared to 430,000 options granted in the first three 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 three quarters of fiscal 2023. 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. 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 July 31, 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 July 31, 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 July 31, 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 (*https://www.sedarplus.ca/*). The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of September 7, 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 July 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 *https://www.sedarplus.ca/* and on our website at *www.enghouse.com*.

Notice of no auditor review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended July 31, 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 July 31, 2023	As at October 31, 2022
ASSETS			
Current assets:			
Cash and cash equivalents		$ 248,784	$ 225,104
Short-term investments		892	2,950
Accounts receivable		91,724	93,104
Prepaid expenses and other assets		14,590	12,848
Income taxes recoverable		-	492
		355,990	**334,498**
Non-current assets:			
Property and equipment		3,384	4,186
Right-of-use assets		13,408	20,063
Intangible assets	4	89,644	85,902
Goodwill	4	252,257	230,002
Deferred income tax assets		31,290	30,347
		389,983	**370,500**
		$ 745,973	**$ 704,998**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 60,632	$ 60,525
Income taxes payable		1,893	-
Dividends payable		12,159	10,221
Provisions	5	1,999	3,183
Deferred revenue		102,018	83,122
Lease obligations		6,304	6,822
		185,005	**163,873**
Non-current liabilities:			
Income taxes payable		1,266	2,576
Deferred income tax liabilities		15,560	12,038
Deferred revenue		5,095	3,470
Net employee defined-benefit obligation		1,972	1,821
Lease obligations		7,047	13,055
		30,940	**32,960**
		215,945	**196,833**
Shareholders' equity:			
Share capital		107,728	107,007
Contributed surplus		10,036	8,882
Retained earnings		413,829	401,247
Accumulated other comprehensive loss	6	(1,565)	(8,971)
		530,028	**508,165**
		$ 745,973	**$ 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 July 31	Notes	Three months 2023	Three months 2022	Nine months 2023	Nine months 2022
Revenue:					
Software licenses		$ 19,836	$ 19,816	$ 62,587	$ 65,014
SaaS and maintenance services		72,302	63,530	210,439	193,702
Professional services		15,904	16,751	50,790	52,582
Hardware		2,955	2,014	7,077	8,227
		110,997	**102,111**	**330,893**	**319,525**
Direct costs:					
Software licenses		720	1,023	2,288	3,636
Services		33,476	29,014	102,694	89,168
Hardware		1,676	1,311	3,804	4,953
		35,872	31,348	108,786	97,757
Revenue, net of direct costs		**75,125**	**70,763**	**222,107**	**221,768**
Operating expenses:					
Selling, general and administrative		22,454	20,572	67,187	62,876
Research and development		19,256	17,704	59,039	54,074
Depreciation		585	665	1,824	2,090
Depreciation of right-of-use assets		1,606	1,849	5,273	5,930
Special charges		331	216	2,360	280
		44,232	**41,006**	**135,683**	**125,250**
Results from operating activities		**30,893**	**29,757**	**86,424**	**96,518**
Amortization of acquired software and customer relationships	4	(9,730)	(8,484)	(28,400)	(27,348)
Foreign exchange gains (losses)		356	1,045	(1,487)	1,023
Interest expense – lease obligations		(172)	(173)	(531)	(571)
Finance income		1,701	290	3,683	541
Finance expenses		(5)	(18)	(136)	(62)
Other (expenses) income		(1,312)	(93)	(1,967)	930
Income before income taxes		**21,731**	**22,324**	**57,586**	**71,031**
Provision for income taxes	8	4,164	4,243	10,460	13,482
Net income for the period		**17,567**	**18,081**	**47,126**	**57,549**
Item that may be subsequently reclassified to income:					
Cumulative translation adjustment		(13,632)	(7,194)	7,406	(12,266)
Other comprehensive (loss) income		**(13,632)**	**(7,194)**	**7,406**	**(12,266)**
Comprehensive income		**$ 3,935**	**$ 10,887**	**$ 54,532**	**$ 45,283**
Earnings per share					
Basic	9	$ 0.32	$ 0.33	$ 0.85	$ 1.04
Diluted	9	$ 0.32	$ 0.33	$ 0.85	$ 1.03

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	-	-	-	-	47,126	47,126
Cumulative translation adjustment (Note 6)	-	-	-	7,406	-	7,406
Comprehensive income	**-**	**$ -**	**$ -**	**$ 7,406**	**$ 47,126**	**$ 54,532**
Employee share options:						
Value of services recognized	-	-	1,271	-	-	1,271
Proceeds from issuance of shares	20,000	721	(117)	-	-	604
Dividends declared (Note 6)	-	-	-	-	(34,544)	(34,544)
As at July 31, 2023	**55,270,239**	**$ 107,728**	**$ 10,036**	**$ (1,565)**	**$ 413,829**	**$ 530,028**
As at November 1, 2021	**55,553,424**	**$ 106,470**	**$ 7,406**	**$ (14,584)**	**$ 355,019**	**$ 454,311**
Net income for the period	-	-	-	-	57,549	57,549
Cumulative translation adjustment (Note 6)	-	-	-	(12,266)	-	(12,266)
Comprehensive income	**-**	**$ -**	**$ -**	**$ (12,266)**	**$ 57,549**	**$ 45,283**
Employee share options:						
Value of services recognized	-	-	1,232	-	-	1,232
Proceeds from issuance of shares	40,000	1,202	(232)	-	-	970
Normal course issuer bid repurchases (Note 6)	(330,185)	(640)	-	-	(8,310)	(8,950)
Dividends declared (Note 6)	-	-	-	-	(29,397)	(29,397)
As at July 31, 2022	**55,263,239**	**$ 107,032**	**$ 8,406**	**$ (26,850)**	**$ 374,861**	**$ 463,449**

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

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended July 31	Notes	Three months 2023	Three months 2022	Nine months 2023	Nine months 2022
OPERATING ACTIVITIES					
Net income for the period		$ 17,567	$ 18,081	$ 47,126	$ 57,549
Adjustments for non-cash items					
Depreciation		585	665	1,824	2,090
Depreciation of right-of-use assets		1,606	1,849	5,273	5,930
Interest expense – lease obligations		172	173	531	571
Amortization of acquired software and customer relationships	4	9,730	8,484	28,400	27,348
Stock-based compensation expense	7	340	475	1,271	1,232
Provision for income taxes		4,164	4,243	10,460	13,482
Finance and other expenses (income)		1,317	111	2,103	(868)
		35,481	**34,081**	**96,988**	**107,334**
Changes in non-cash operating working capital	13	4,367	(1,983)	380	(11,672)
Income taxes paid		(828)	(2,940)	(10,388)	(11,020)
Net cash provided by operating activities		**39,020**	**29,158**	**86,980**	**84,642**
INVESTING ACTIVITIES					
Net purchase of property and equipment		(436)	(240)	(607)	(598)
Acquisitions, net of cash acquired*	10	(2,361)	(6,092)	(27,978)	(6,092)
Purchase consideration for prior-year acquisitions	10	(1,245)	-	(1,012)	(408)
Purchase of short-term investments		-	-	(69)	(60)
Net cash used in investing activities		**(4,042)**	**(6,332)**	**(29,666)**	**(7,158)**
FINANCING ACTIVITIES					
Issuance of share capital		-	-	604	970
Normal course issuer bid repurchases		-	(8,950)	-	(8,950)
Repayment of lease obligations		(1,474)	(1,984)	(5,754)	(6,225)
Dividends paid		(12,160)	(10,284)	(32,606)	(28,062)
Net cash used in financing activities		**(13,634)**	**(21,218)**	**(37,756)**	**(42,267)**
Impact of foreign exchange on cash and cash equivalents		(4,711)	(3,039)	4,122	(5,161)
Increase (decrease) in cash and cash equivalents		**16,633**	**(1,431)**	**23,680**	**30,056**
Cash and cash equivalents - beginning of period		232,151	227,377	225,104	195,890
Cash and cash equivalents - end of period		**$ 248,784**	**$ 225,946**	**$ 248,784**	**$ 225,946**

** Acquisitions are net of cash acquired of nil and $2,088 for the three and nine months ended July 31, 2023, respectively, and $3,647 for both the three and nine months ended July 31, 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 mission-critical vertically focused enterprise software solutions. Our core technologies are used for 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 is organized around two business segments, the Interactive Management Group ("IMG") and the Asset Management Group ("AMG") due to their unique customer segments and technology offerings.

IMG specializes in contact center and video interaction software and services designed to enhance customer service, increase efficiency and manage customer communications across multiple types of interactions including voice, email, social channels, web chats, text and video. Products 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 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 September 7, 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 September 7, 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 July 31, 2023					
Opening net book value	$ 47,585	$ -	$ 38,317	$ 85,902	$ 230,002
Acquisitions	15,203	-	15,931	31,134	19,150
Amortization	(17,867)	-	(10,533)	(28,400)	-
Exchange difference	466	-	542	1,008	3,105
Closing net book value	**$ 45,387**	**$ -**	**$ 44,257**	**$ 89,644**	**$ 252,257**
As at July 31, 2023					
Cost	$ 282,186	$ -	$ 192,218	$ 474,404	$ 252,257
Accumulated amortization	(236,799)	-	(147,961)	(384,760)	-
Net book value	**$ 45,387**	**$ -**	**$ 44,257**	**$ 89,644**	**$ 252,257**

** 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 July 31, 2022					
Opening net book value	$ 56,804	$ 132	$ 44,886	$ 101,822	$ 223,021
Acquisition (Note 10)	5,463	-	3,282	8,745	3,681
Purchase price adjustments	-	-	-	-	(1,087)
Amortization	(16,269)	(132)	(10,947)	(27,348)	-
Exchange difference	(571)	-	(943)	(1,514)	(7,183)
Closing net book value	**$ 45,427**	**$ -**	**$ 36,278**	**$ 81,705**	**$ 218,432**
As at July 31, 2022					
Cost	$ 261,044	$ -	$ 172,518	$ 433,562	$ 218,432
Accumulated amortization	(215,617)	-	(136,240)	(351,857)	-
Net book value	**$ 45,427**	**$ -**	**$ 36,278**	**$ 81,705**	**$ 218,432**

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.

Nine months ended July 31	2023	2022
At beginning of period	**$ 3,183**	**$ 5,588**
Additions	993	209
Reversed	(1,438)	(1,710)
Utilized during the period	(803)	(937)
Effect of movements in foreign exchange	64	145
At end of period	**$ 1,999**	**$ 3,295**

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 July 31, 2023. There were no Class A and no Class B preference shares issued and outstanding as at either July 31, 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 three quarters of fiscal 2023. The Company repurchased and cancelled 330,185 common shares at a weighted average price of $27.11 per share for a total cost of $9.0 million, during the three and nine months ended July 31, 2022.

Dividends

During the three months ended July 31, 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 $0.22 compared to $0.185 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	7,406	-	7,406
As at July 31, 2023	**$ (1,446)**	**$ (119)**	**$ (1,565)**
As at November 1, 2021	$ (14,465)	$ (119)	$ (14,584)
Cumulative translation adjustment	(12,266)	-	(12,266)
As at July 31, 2022	**$ (26,731)**	**$ (119)**	**$ (26,850)**

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 (July 31, 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 July 31, 2023 and 2022, and changes during the period ended on those dates, is presented as follows:

Three months ended July 31	Number of options		Weighted average exercise price	
	2023	2022	2023	2022
Outstanding at beginning of period	1,467,500	1,463,500	$ 36.22	$ 36.31
Granted	60,000	-	35.02	-
Forfeited	(51,000)	-	41.49	-
Outstanding at end of period	**1,476,500**	**1,463,500**	**$ 35.99**	**$ 36.31**
Exercisable at end of period	**853,500**	**678,500**	**$ 35.19**	**$ 33.95**

Nine months ended July 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
Granted	130,000	430,000	35.35	34.71
Exercised	(20,000)	(40,000)	30.21	24.24
Forfeited	(97,000)	(67,000)	41.21	41.20
Outstanding at end of period	**1,476,500**	**1,463,500**	**$ 35.99**	**$ 36.31**
Exercisable at end of period	**853,500**	**678,500**	**$ 35.19**	**$ 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 $0.3 million and $1.3 million for the three and nine months ended July 31, 2023, compared to $0.5 million and $1.2 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 nine months ended July 31	2023	2022
Risk-free interest rate	3.59%	1.73%
Estimated volatility	31%	29%
Dividend yield	$ 0.88	$ 0.74
Expected life (in years)	5.1	5.0
Weighted average fair value	$ 9.14	$ 7.65
Weighted average share price at grant date	$35.35	$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. 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 July 31, 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 July 31, 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 July 31, 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 July 31, 2023, the Company recorded a provision for income taxes of $4.2 million (19.2% effective tax rate) as compared to a provision of $4.2 million (19.0%) for the same period in the prior year.

For the nine months ended July 31, 2023, the Company recorded a provision for income taxes of $10.5 million (18.2% effective tax rate) as compared to a provision of $13.5 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 July 31	Three months		Nine months	
	2023	2022	2023	2022
Net income for the period	$ 17,567	$ 18,081	$ 47,126	$ 57,549
Weighted average number of common shares outstanding	55,270	55,362	55,264	55,530
Basic earnings per share	**$ 0.32**	**$ 0.33**	**$ 0.85**	**$ 1.04**

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

Periods ended July 31	Three months		Nine months	
	2023	2022	2023	2022
Net income for the period	$ 17,567	$ 18,081	$ 47,126	$ 57,549
Weighted average number of common shares outstanding	55,270	55,362	55,264	55,530
Adjustment for stock options	51	18	84	180
Weighted average number of common shares outstanding for diluted earnings per share	55,321	55,380	55,348	55,710
Diluted earnings per share	**$ 0.32**	**$ 0.33**	**$ 0.85**	**$ 1.03**

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 $2.5 million remaining in escrow, 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, 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 (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	7,351	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	19,150	6,051
Total assets acquired	**$ 62,481**	**$ 31,143**
Current liabilities assumed	$ 26,539	$ 4,151
Non-current lease obligations	71	15
Deferred income tax liabilities	5,805	2,052
Total liabilities assumed	**$ 32,415**	**$ 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 July 31	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 64,302	$ 46,695	$ 110,997	$ 55,077	$ 47,034	$ 102,111
Direct costs	(18,884)	(16,988)	(35,872)	(15,508)	(15,840)	(31,348)
Revenue, net of direct costs	**45,418**	**29,707**	**75,125**	**39,569**	**31,194**	**70,763**
Operating expenses excluding special charges	(20,401)	(10,803)	(31,204)	(17,916)	(11,683)	(29,599)
Depreciation	(403)	(182)	(585)	(557)	(108)	(665)
Depreciation of right-of-use assets	(1,239)	(367)	(1,606)	(1,111)	(738)	(1,849)
Segment profit	**$ 23,375**	**$ 18,355**	**$ 41,730**	**$ 19,985**	**$ 18,665**	**$ 38,650**
Special charges			(331)			(216)
Corporate and shared service expenses			(10,506)			(8,677)
Results from operating activities			**$ 30,893**			**$ 29,757**

Nine months ended July 31	2023			2022		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 186,733	$ 144,160	$ 330,893	$ 174,166	$ 145,359	$ 319,525
Direct costs	(54,451)	(54,335)	(108,786)	(46,264)	(51,493)	(97,757)
Revenue, net of direct costs	**132,282**	**89,825**	**222,107**	**127,902**	**93,866**	**221,768**
Operating expenses excluding special charges	(62,686)	(34,719)	(97,405)	(56,878)	(33,957)	(90,835)
Depreciation	(1,484)	(340)	(1,824)	(1,753)	(337)	(2,090)
Depreciation of right-of-use assets	(3,280)	(1,993)	(5,273)	(3,630)	(2,300)	(5,930)
Segment profit	**$ 64,832**	**$ 52,773**	**$ 117,605**	**$ 65,641**	**$ 57,272**	**$ 122,913**
Special charges			(2,360)			(280)
Corporate and shared service expenses			(28,821)			(26,115)
Results from operating activities			**$ 86,424**			**$ 96,518**

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 July 31, 2023.

13. Changes in Non-Cash Operating Working Capital

Periods ended July 31	Three months		Nine months	
	2023	2022	2023	2022
Decrease (increase) in accounts receivable	$ 15,132	$ 11,161	$ 11,524	$ (1,280)
Decrease (increase) in prepaid expenses and other assets	1,315	(92)	(418)	(1,453)
Decrease in accounts payable and accrued liabilities	(3,303)	(2,499)	(12,367)	(10,804)
Decrease in provisions	(1,147)	(47)	(1,220)	(2,129)
(Decrease) increase in 'income taxes payable net of recoverable'	(1,173)	167	(1,877)	(1,400)
(Decrease) increase in deferred revenue	(6,457)	(10,673)	4,738	5,394
Changes in non-cash operating working capital	**$ 4,367**	**$ (1,983)**	**$ 380**	**$ (11,672)**

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 August 1, 2023, Enghouse completed the acquisition of substantially all the assets of Lifesize Inc. ("Lifesize"), a cloud communications company, for a purchase price of approximately USD $20.7 million. Lifesize's technology offerings are designed to empower enterprises in managing their hybrid workforces more efficiently. Their cloud contact center solution, which includes workforce management capabilities, enables enterprises to elevate their customer experience, delivering unified interactions across all channels. Lifesize will be integrated within the Interactive Management Group.