Enghouse Systems

Software engineered for results

First Quarter Ended January 31, 2024

March 13, 2024

Dear fellow Shareholders,

We are pleased to announce first quarter results for the three months ending January 31, 2024. This period marked another quarter of revenue growth, improved profitability and positive cash flows, reflecting the successful implementation of our strategy. This includes offering diverse customer choices, strong operational execution, robust products, effective integration of acquisitions and our strong commitment to customer service. As the software market transitions towards SaaS offerings, we continue to adapt the Company to meet our customers' evolving preferences shifting from on-premise software solutions to providing a comprehensive range of options including SaaS in both private cloud or multi-tenanted cloud environments.

In light of the growing recognition of artificial intelligence ("AI") technologies, prompted by the launch of numerous new applications in the market, we would like to affirm our commitment to AI. Our approach encompasses two core components, adopting tools to improve the efficiency of the overall workforce and the development of AI-enhanced products for our customers, thereby improving the value of our technology solutions. While we plan to continue developing these AI initiatives into the foreseeable future, the potential positive impacts to our business are still in relatively early stages.

Revenue for the first quarter of 2024 was $120.5 million, representing a 13.2% increase compared to the same period in the prior year. This growth reflects a shift towards recurring SaaS and maintenance services revenue, which substantially increased our more predictable recurring revenues. This is confirmed through our first quarter 2024 results, where SaaS and maintenance services revenue has increased by 27.2% compared to the same period in the prior year and represents 70.2% of total revenues for the period, increasing from 62.5% in the comparative period.

As we move through the transition towards increasing contributions from SaaS, we have improved our overall profitability despite SaaS gross margins being lower compared to those from on-premise offerings, underscoring our commitment to long-term value creation. Adjusted EBITDA increased by 7.4% to $34.7 million or $0.63 per diluted share, compared to $32.3 million or $0.58 per diluted share in the first quarter of 2023. Net income also increased in the quarter to $18.1 million or $0.33 per diluted share, compared to $17.0 million or $0.31 per diluted share, reported in the same period last year.

Cash flows from operating activities, excluding changes in working capital, were $35.6 million compared to $32.6 million in the prior year. Enghouse closed the quarter with $247.4 million in cash, cash equivalents and short-term investments, compared to $240.4 million at October 31, 2023, with no outstanding external debt financing. The year-on-year growth in cash balances was achieved while returning $12.2 million to shareholders through dividends.

In addition to these achievements, subsequent to quarter-end on February 12, 2024, Enghouse completed the acquisition of the assets of the Mediasite business from Sonic Foundry. The acquisition was completed for a purchase price of US $15.5 million. Mediasite's comprehensive product suite will augment the Company's existing video offering and expand our footprint into Japan. Integration with Enghouse's Interactive Management Group has already commenced.

Today, the Board of Directors approved an increase in the Company's eligible quarterly dividend to $0.26 per common share, an increase of 18.2% over the prior dividend, payable on May 31, 2024, to shareholders of record at the close of business on May 17, 2024. This represents the 16th consecutive year in which the Company increased its dividend by over 10%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") has been prepared as of March 13, 2024 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 2023 MD&A and audited consolidated financial statements and the notes thereto. This MD&A covers the unaudited condensed consolidated interim results of operations, financial condition and cash flows of Enghouse Systems and its subsidiaries, all wholly owned, for the first quarter ended January 31, 2024.

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.sedarplus.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, 2023, 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.sedarplus.com.

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 organic growth and acquisitions, which, to date, have been funded through operating cash flows as the Company has no outstanding external debt financing. 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 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, video health monitoring, video room systems, 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, technology and health care providers.

AMG provides a portfolio of software and services solutions to network telecommunication providers, cable operators, media, transit, defence, utilities, government 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 and security sectors.

Enghouse continues to focus on building a vertically focused enterprise software company with a diversified product suite and global market presence. Enghouse's financial goals are to generate positive returns and cash flows from operating activities and deploy the capital generated on building technology, funding 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 enables us to broaden the spectrum of products and services available to our customer base more quickly than through organic means alone.

First quarter overview

In the first quarter of fiscal year 2024, Enghouse continued to align its product offerings with evolving market demands, specifically the growing shift in demand towards SaaS, which is recurring in nature. This transition is indicative of our adaptability, ensuring we remain focused on technological advancements and providing our customers with choice while securing a more predictable and resilient revenue stream. In doing so, we continued to generate positive operating cash flows, operating income and profitability.

The successful execution of our operational and acquisition strategies is underpinned by our commitment to our customers. The integration of recent acquisitions into our portfolio continues to strengthen our market position and enhance our ability to address the diverse needs of our customers, further contributing to the Company's financial health.

Looking ahead, we remain dedicated to expanding our product offerings to include SaaS deployment options and continue to invest in research and development, which represented 17.7% of revenue in the quarter. Our approach is geared towards enhancing our products and exploring new avenues for innovation to meet and exceed customer expectations. Subsequent to quarter end, Enghouse further expanded its video product suite, completing the acquisition of the Mediasite SaaS video recording and streaming business from Sonic Foundry, Inc.

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, as well as changes in staffing and infrastructure. See "Risks and Uncertainties" for more details.

The following table provides details regarding operating results for the past eight quarters:

For the three months ended	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenue	**$ 120,489**	**$ 123,129**	**$ 110,997**	**$ 113,461**	**$ 106,435**	**$ 108,060**	**$ 102,111**	**$ 106,312**
Direct costs	**41,582**	41,213	35,872	38,106	34,808	32,340	31,348	33,581
Revenue, net of direct costs	**$ 78,907**	**$ 81,916**	**$ 75,125**	**$ 75,355**	**$ 71,627**	**$ 75,720**	**$ 70,763**	**$ 72,731**
As a % of revenue	*65.5%*	*66.5%*	*67.7%*	66.4%	*67.3%*	*70.1%*	*69.3%*	68.4%
Operating expenses	46,180	46,115	43,901	47,712	41,710	42,448	40,790	41,629
Special charges	91	117	331	2,001	28	123	216	46
Results from operating activities	$ 32,636	**$ 35,684**	**$ 30,893**	**$ 25,642**	**$ 29,889**	**$ 33,149**	**$ 29,757**	**$ 31,056**
As a % of revenue	*27.1%*	*29.0%*	*27.8%*	22.6%	*28.1%*	*30.7%*	*29.1%*	29.2%
Amortization	(10,374)	(11,205)	(9,730)	(9,838)	(8,832)	(8,826)	(8,484)	(9,207)
Other	380	5,160	568	(628)	(378)	884	1,051	242
Income before income taxes	$ 22,642	**$ 29,639**	**$ 21,731**	**$ 15,176**	**$ 20,679**	**$ 25,207**	**$ 22,324**	**$ 22,091**
Provision for (recovery of) income taxes	4,509	4,517	4,164	2,640	3,656	(11,742)	4,243	4,220
Net Income for the period	**$ 18,133**	**$ 25,122**	**$ 17,567**	**$ 12,536**	**$ 17,023**	**$ 36,949**	**$ 18,081**	**$ 17,871**
Basic earnings per share	0.33	0.45	0.32	0.23	0.31	0.67	0.33	0.32
Diluted earnings per share	0.33	0.45	0.32	0.23	0.31	0.67	0.33	0.32
Operating cash flows	19,899	28,318	39,020	18,698	29,262	18,539	29,158	31,142
Operating cash flows excluding changes in working capital	35,557	43,504	35,481	28,875	32,632	37,740	34,081	34,510
Cash and short-term investments	247,423	240,359	249,676	234,488	250,664	228,054	229,485	231,218
Total assets	800,070	783,670	745,973	775,549	737,906	704,998	670,400	688,882
Adjusted EBITDA:								
Results from operating activities	**32,636**	35,684	30,893	25,642	29,889	33,149	29,757	31,056
Depreciation	494	627	585	613	626	709	665	705
Depreciation of right-of-use assets	1,506	1,491	1,606	1,931	1,736	1,824	1,849	1,969
Special charges	91	117	331	2,001	28	123	216	46
Adjusted EBITDA	**$ 34,727**	**$ 37,919**	**$ 33,415**	**$ 30,187**	**$ 32,279**	**$ 35,805**	**$ 32,487**	**$ 33,776**
Adjusted EBITDA margin	*28.8%*	*30.8%*	*30.1%*	26.6%	*30.3%*	*33.1%*	*31.8%*	*31.8%*
Adjusted EBITDA per diluted share	**$ 0.63**	**$ 0.69**	**$ 0.60**	**$ 0.54**	**$ 0.58**	**$ 0.65**	**$ 0.59**	**$ 0.61**

Results of operations

The following table provides details regarding operating results for the three months ended January 31, 2024.

For the period ended January 31	Three months 2024	2023	Var ($)	Var (%)
Revenue	**$ 120,489**	**$ 106,435**	**14,054**	***13.2***
Direct costs	41,582	34,808	6,774	*19.5*
Revenue, net of direct costs	**$ 78,907**	**$ 71,627**	**7,280**	***10.2***
As a % of revenue	*65.5%*	*67.3%*		
Operating expenses	46,180	41,710	4,470	*10.7*
Special charges	91	28	63	*225.0*
Results from operating activities	**$ 32,636**	**$ 29,889**	**2,747**	***9.2***
As a % of revenue	*27.1%*	*28.1%*		
Amortization of acquired software and customer relationships	(10,374)	(8,832)	(1,542)	*(17.5)*
Foreign exchange losses	(1,717)	(1,053)	(664)	*(63.1)*
Interest expense – lease obligations	(150)	(167)	17	*10.2*
Finance income	2,361	976	1,385	*141.9*
Finance expenses	-	(7)	7	*100.0*
Other expenses	(114)	(127)	13	*10.2*
Income before income taxes	**$ 22,642**	**$ 20,679**	**1,963**	***9.5***
Provision for income taxes	4,509	3,656	853	*23.3*
Net Income for the period	**$ 18,133**	**$ 17,023**	**1,110**	***6.5***
Basic earnings per share	0.33	0.31	0.02	*6.5*
Diluted earnings per share	0.33	0.31	0.02	*6.5*
Operating cash flows	19,899	29,262	(9,363)	*(32.0)*
Operating cash flows excluding changes in working capital	35,557	32,632	2,925	*9.0*

Revenue

The following table provides details regarding revenue for the three months ended January 31, 2024.

For the period ended January 31	Three months 2024	2023	Variance
Software licenses	$ 16,975	$ 20,735	$ (3,760)
SaaS and maintenance services	84,587	66,503	18,084
Professional services	15,945	16,891	(946)
Hardware	2,982	2,306	676
Revenue	**$ 120,489**	**$ 106,435**	**$ 14,054**
Interactive Management Group	76,137	57,852	18,285
Asset Management Group	44,352	48,583	(4,231)
Revenue	**$ 120,489**	**$ 106,435**	**$ 14,054**

Revenue for the three months ended January 31, 2024 was $120.5 million, an increase of $14.1 million or 13.2% from the same period in the prior year. Revenue was positively impacted by $1.6 million as a result of favourable foreign exchange. On a constant-currency basis, the variance is explained by:

- An increase of $17.0 million in SaaS and maintenance services revenue, primarily attributable to higher SaaS and maintenance services revenue inclusive of acquisitions. SaaS and maintenance services continue to represent an important source of revenue given its predictable and recurring nature and represented 70.2% of total revenues for the period and 62.5% for the comparative period.
- A decrease of $4.1 million in software licenses revenue and $1.1 million in professional services revenue, that can vary depending on the timing of transactions, which was offset by a nominal increase in hardware sales.

Interactive Management Group

IMG revenue for the three months ended January 31, 2024 was $76.1 million, an increase of $18.3 million or 31.6% from same period in the prior year. The variance is inclusive of a $1.3 million increase as a result of foreign exchange. On a constant-currency basis, the variance is explained by a $17.0 million increase in revenue, attributable to increased SaaS and maintenance services revenue, inclusive of acquisitions. In addition, a decline in software licenses revenue was offset in equal measure by increases in professional services and hardware revenue.

Asset Management Group

AMG revenue for the three months ended January 31, 2024 was $44.4 million, a decrease of $4.2 million or 8.7% from same period in the prior year. The variance is inclusive of a $0.3 million increase as a result of foreign exchange. On a constant-currency basis, the variance is explained by a $4.3 million decrease in revenue, resulting from the timing of software licenses and professional services revenue.

Direct Costs

The following table provides details regarding direct costs for the three months ended January 31, 2024.

	Three months		
For the period ended January 31	**2024**	**2023**	**Variance**
Software licenses	$ 674	$ 870	$ (196)
Services	39,531	32,425	7,106
Hardware	1,377	1,513	(136)
Direct Costs	**$ 41,582**	**$ 34,808**	**$ 6,774**
As a % of associated revenue			
Software licenses	*4.0%*	*4.2%*	
Services	*39.3%*	*38.9%*	
Hardware	*46.2%*	*65.6%*	
Total	*34.5%*	*32.7%*	
Interactive Management Group	25,406	16,431	8,975
Asset Management Group	16,176	18,377	(2,201)
Direct Costs	**$ 41,582**	**$ 34,808**	**$ 6,774**
As a % of associated revenue			
Interactive Management Group	*33.4%*	*28.4%*	
Asset Management Group	*36.5%*	*37.8%*	

Direct costs for the three months ended January 31, 2024 were $41.6 million or 34.5% of revenue compared to $34.8 million or 32.7% of revenue in the same period in the prior year. Overall margins declined as a result of a shift in product mix towards SaaS services, which have additional costs of cloud computing services and engineering cloud operations personnel costs that are required to provide our SaaS offerings.

Interactive Management Group

IMG direct costs for the three months ended January 31, 2024 were $25.4 million or 33.4% of segment revenue compared to $16.4 million or 28.4% 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 towards SaaS, which has a higher cost of sales relating primarily to cloud computing and costs associated with our engineering cloud operations group.

Asset Management Group

AMG direct costs for the three months ended January 31, 2024 were $16.2 million or 36.5% of segment revenue compared to $18.4 million or 37.8% of revenue in the same period in the prior year. The higher margins are a result of improved margins on professional services revenue attributable to reduced reliance on external contractors as well as improved hardware margins.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended January 31, 2024 increased by $7.3 million to $78.9 million or 65.5% of revenue compared to $71.6 million or 67.3% in the same period in the prior year. This increase in costs on a percentage of revenue basis reflects the shift in product from higher margin on premise license revenue, combined with inflationary pressures. The increase in revenue, net of direct costs, is attributable to increased SaaS and maintenance services revenue despite an increase in direct costs as a result of the shift from higher margin on-premise license revenue.

Operating Expenses

The following table provides details regarding operating expenses for the three months ended January 31, 2024.

For the period ended January 31	Three months 2024	2023	Variance
Selling, general and administrative	$ 22,869	$ 20,798	$ 2,071
Research and development	21,311	18,550	2,761
Depreciation	494	626	(132)
Depreciation of right-of-use assets	1,506	1,736	(230)
Special charges	91	28	63
Operating expenses	**$ 46,271**	**$ 41,738**	**$ 4,533**
As a % of total revenue			
Selling, general and administrative	*19.0%*	*19.5%*	
Research and development	*17.7%*	*17.4%*	
Depreciation	*0.4%*	*0.6%*	
Depreciation of right-of-use assets	*1.2%*	*1.6%*	
Special charges	*0.1%*	*0.0%*	
Operating expenses	*38.4%*	*39.2%*	

Operating expenses for the three months ended January 31, 2024 totaled $46.3 million, an increase of $4.5 million or 10.9% compared to the same period in the prior year. The variance is largely explained by:

- An increase of $2.1 million in selling, general and administrative costs related to increased expenditure associated with recent acquisitions.
- An increase of $2.8 million in research and development expenses resulting from increased investment related to recent acquisitions and integrating SaaS deployment options into our product suite. Research and development expenses are equivalent to 17.7% of revenue compared to 17.4% in the same period in the prior year.
- These variances are inclusive of an overall increase in direct costs and operating expenses of $1.0 million as a result of foreign exchange, when compared to the same period in the prior year.

Foreign Exchange

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

During the three months ended January 31, 2024, the Canadian dollar weakened against most major currencies compared to the same period in the prior year. As a result, in the first quarter, there was a positive impact to revenue of $1.6 million reported in Canadian dollars, while operating expenses and direct costs were higher by $1.0 million compared to the same period in prior year. The movements in foreign exchange rates were particularly prevalent with the pound sterling and euro.

For the three months ended January 31, 2024, we recognized foreign exchange losses of $1.7 million related to foreign currency denominated monetary assets and liabilities in the current period compared to losses of $1.1 million in the same period in the prior year. The loss was a result of movements in non-functional currencies on monetary assets and liabilities relative to the functional currencies of the entities recording the gain or loss.

Translation gains or losses incurred upon consolidation of our foreign operations' statements of financial position into Canadian dollars are included in our Accumulated other comprehensive income account on the Unaudited Condensed Consolidated Interim Statements of Financial Position.

Amortization of Software and Customer Relationships

Amortization expense for acquired software and customer relationships for the three months ended January 31, 2024 increased by $1.5 million to $10.4 million compared to the same period in the prior year. The variance is attributable to incremental amortization of acquired software and customer relationships from prior year acquisitions.

Other expenses

Other expenses for the three months ended January 31, 2024 remained relatively consistent to the comparative quarter.

Provision for income taxes

The provision for income taxes for the three months ended January 31, 2024 increased by $0.9 million to $4.5 million, compared to the same period in the prior year. For the three months ended January 31, 2024, our effective tax rate was 19.9% compared to 17.7% for the same period in the prior year. The increase reflects the impact of proportionally higher taxable income earned in higher tax rate jurisdictions and statutory tax rate increases enacted in the U.K.

Net income

Net income for the three months ended January 31, 2024 increased by $1.1 million to $18.1 million, compared to the same period in the prior year. The increase in net income is primarily attributable to increased revenue, net of an increase in direct costs, as a result of the shift from higher margin software licenses and maintenance services revenue towards SaaS revenue.

For the three months ended January 31, 2024, diluted earnings per share was $0.33 compared to $0.31 in the same period in the prior year.

Cash flows from operating activities

For the three months ended January 31, 2024, cash flows from operating activities, excluding changes in working capital, were $35.6 million compared to $32.6 million in the prior year. Cash flows provided from operating activities were $19.9 million compared to $29.3 million in the same period in the prior year due to negative working capital adjustments primarily from increased trade receivables associated with an increase in annual recurring revenue invoicing, net of increases in deferred revenue. Deferred revenue expanded significantly to $135.1 million as of January 31, 2024, due to both our improved renewal processes and the overall increase in recurring revenue as a percentage of total revenue. While both periods reflect comparable increases in deferred revenue from annual recurring revenue renewals, the deferred revenue at the end of January 31, 2024, reflects the increased SaaS and maintenance services revenue base.

Adjusted EBITDA

The table below reconciles Adjusted EBITDA to the most directly comparable IFRS measure, Results from operating activities, for the three months ended January 31, 2024.

For the period ended January 31	Three months		
	2024	2023	Variance
Revenue	$ 120,489	$ 106,435	$ 14,054
Results from operating activities	32,636	29,889	2,747
Depreciation	494	626	(132)
Depreciation of right-of-use assets	1,506	1,736	(230)
Special charges	91	28	63
Adjusted EBITDA	**$ 34,727**	**$ 32,279**	**$ 2,448**
Adjusted EBITDA margin	*28.8%*	*30.3%*	
Adjusted EBITDA per diluted share	**$ 0.63**	**$ 0.58**	**$ 0.05**

Adjusted EBITDA for the three months ended January 31, 2024 increased by $2.4 million compared to the same period in the prior year. The increase is primarily a result of higher SaaS and maintenance services revenue offset by an increase in related direct costs.

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 $247.4 million, compared to the October 31, 2023 balance of $240.4 million. For the three months ended January 31, 2024, cash, cash equivalents and short-term investments increased by a total of $7.0 million compared to an increase of $22.6 million over the same period in the prior year. The increase in cash, cash

equivalents and short-term investments in the quarter reflects continued positive cash flows from operating activities resulting from ongoing cash management initiatives.

At January 31, 2024, working capital was $170.7 million compared to $151.9 million at the end of prior year. The increase in working capital is predominately a result of the aforementioned factors as well as increased accounts receivables, net of the related increase in deferred revenue. 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 55,399,617 Common Shares issued and outstanding as at March 13, 2024. During the quarter, 143,000 stock options were exercised, contributing $4.3 million in cash compared to 20,000 stock options exercised in the same period in the prior year, which contributed $0.6 million. The Company did not grant any options in either of the first quarters of 2024 or 2023.

The Company did not repurchase any shares of its common stock in the current period under its Normal Course Issuer Bid. The bid expires May 1, 2024, and allows the Company to repurchase up to a maximum of 3,000,000 common shares of Enghouse. In Fiscal 2023, the Company repurchased and cancelled 13,622 common shares at a weighted average price of $31.16 per share for a total cost of $0.4 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 Company expects to settle all RSUs with common shares. The share-based payment expense will be recognized evenly over the vesting period. As at January 31, 2024, no RSUs were awarded and none 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 January 31, 2024, no PSUs were awarded and none 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 January 31, 2024, no DSUs were awarded and none 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 material 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 material accounting policies are described in Note 3 of the audited consolidated financial statements as at October 31, 2023, which is available on SEDAR (*www.sedarplus.com*). The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 13, 2024, 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, 2023, contained in the Company's 2023 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, 2023, 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, 2023, 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, 2023, the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards established in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and the requirements of NI 52-109. The control framework used by the CEO and the CFO to design the Company's internal control over financial reporting is the "Internal Control – Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

There were no changes to the Company's internal control over financial reporting during the quarter ended January 31, 2024 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.sedarplus.com* and on our website at *www.enghouse.com*.

Notice of no auditor review of Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended January 31, 2024 have been prepared by and are the responsibility of the Company's management.

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

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars) (unaudited)	Notes	As at January 31, 2024	As at October 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents		$ 246,752	$ 239,532
Short-term investments		671	827
Accounts receivable		121,391	93,383
Prepaid expenses and other assets		16,941	15,515
Income taxes recoverable		-	114
		385,755	**349,371**
Non-current assets:			
Property and equipment		3,128	3,273
Right-of-use assets		10,686	12,242
Intangible assets	4	96,693	109,659
Goodwill	4	276,902	280,241
Deferred income tax assets		26,906	28,884
		414,315	**434,299**
		$ 800,070	**$ 783,670**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 64,862	$ 67,769
Income taxes payable		3,158	-
Dividends payable		12,188	12,156
Provisions	5	1,417	2,238
Deferred revenue		127,916	109,019
Lease obligations		5,548	6,322
		215,089	**197,504**
Non-current liabilities:			
Income taxes payable		-	1,333
Deferred income tax liabilities		12,772	13,340
Deferred revenue		7,167	8,170
Net employee defined benefit obligation		1,878	1,912
Lease obligations		5,318	6,080
		27,135	**30,835**
		242,224	**228,339**
Shareholders' equity			
Share capital		112,867	107,701
Contributed surplus		9,825	10,404
Retained earnings		432,342	426,397
Accumulated other comprehensive income	6	2,812	10,829
		557,846	**555,331**
		$ 800,070	**$ 783,670**

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Income

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

Periods ended January 31	Notes	Three months 2024	2023
Revenue			
Software licenses		$ 16,975	$ 20,735
SaaS and maintenance services		84,587	66,503
Professional services		15,945	16,891
Hardware		2,982	2,306
		120,489	**106,435**
Direct costs			
Software licenses		674	870
Services		39,531	32,425
Hardware		1,377	1,513
		41,582	34,808
Revenue, net of direct costs		**78,907**	**71,627**
Operating expenses			
Selling, general and administrative		22,869	20,798
Research and development		21,311	18,550
Depreciation		494	626
Depreciation of right-of-use assets		1,506	1,736
Special charges		91	28
		46,271	**41,738**
Results from operating activities		**32,636**	**29,889**
Amortization of acquired software and customer relationships	4	(10,374)	(8,832)
Foreign exchange losses		(1,717)	(1,053)
Interest expense – lease obligations		(150)	(167)
Finance income		2,361	976
Finance expenses		-	(7)
Other expenses		(114)	(127)
Income before income taxes		**22,642**	**20,679**
Provision for income taxes	8	4,509	3,656
Net income for the period		**$ 18,133**	**$ 17,023**
Items that may be subsequently reclassified to income:			
Cumulative translation adjustment		(8,017)	9,743
Other comprehensive (loss) income		**(8,017)**	**9,743**
Comprehensive income		**$ 10,116**	**$ 26,766**
Earnings per share			
Basic	9	$ 0.33	$ 0.31
Diluted	9	$ 0.33	$ 0.31

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

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars) (unaudited)	Share capital (#)	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings	Total
As at November 1, 2023	**55,256,617**	**$ 107,701**	**$ 10,404**	**$ 10,829**	**$ 426,397**	**$ 555,331**
Net income for the period	-	-	-	-	18,133	18,133
Cumulative translation adjustment (Note 6)	-	-	-	(8,017)	-	(8,017)
Comprehensive income	**-**	**$ -**	**$ -**	**$ (8,017)**	**$ 18,133**	**$ 10,116**
Employee share options:						
Value of services recognized	-	-	277	-	-	277
Proceeds on issuing shares	143,000	5,166	(856)	-	-	4,310
Dividends declared (Note 6)	-	-	-	-	(12,188)	(12,188)
As at January 31, 2024	**55,399,617**	**$ 112,867**	**$ 9,825**	**$ 2,812**	**$ 432,342**	**$ 557,846**
As at November 1, 2022	**55,250,239**	**$ 107,007**	**$ 8,882**	**$ (8,971)**	**$ 401,247**	**$ 508,165**
Net income for the period	-	-	-	-	17,023	17,023
Cumulative translation adjustment (Note 6)	-	-	-	9,743	-	9,743
Comprehensive income	**-**	**$ -**	**$ -**	**$ 9,743**	**$ 17,023**	**$ 26,766**
Employee share options:						
Value of services recognized	-	-	458	-	-	458
Proceeds on issuing shares	20,000	721	(117)	-	-	604
Dividends declared (Note 6)	-	-	-	-	(10,224)	(10,224)
As at January 31, 2023	**55,270,239**	**$ 107,728**	**$ 9,223**	**$ 772**	**$ 408,046**	**$ 525,769**

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

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

Periods ended January 31	Notes	Three months 2024	2023
OPERATING ACTIVITIES			
Net income for the period		$ 18,133	$ 17,023
Adjustments for non-cash items			
Depreciation		494	626
Depreciation of right-of-use assets		1,506	1,736
Interest expense – lease obligations		150	167
Amortization of acquired software and customer relationships	4	10,374	8,832
Stock-based compensation expense	7	277	458
Provision for income taxes		4,509	3,656
Finance and other expenses		114	134
		35,557	**32,632**
Changes in non-cash operating working capital	13	(13,140)	2,002
Income taxes paid		(2,518)	(5,372)
Net cash provided by operating activities		**19,899**	**29,262**
INVESTING ACTIVITIES			
Purchase of property and equipment, net		(360)	(105)
Recovery of purchase consideration for prior-year acquisitions		171	-
Purchase of short-term investments, net		-	(69)
Net cash used in investing activities		**(189)**	**(174)**
FINANCING ACTIVITIES			
Issuance of share capital		4,310	604
Repayment of lease obligations		(1,602)	(1,810)
Dividends paid		(12,156)	(10,221)
Net cash used in financing activities		**(9,448)**	**(11,427)**
Impact of foreign exchange on cash and cash equivalents		(3,042)	5,036
Increase in cash and cash equivalents		**7,220**	**22,697**
Cash and cash equivalents – beginning of period		239,532	225,104
Cash and cash equivalents – end of period		**$ 246,752**	**$ 247,801**

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

1. Description of the Business and Reporting Entity

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 organic growth and acquisitions, which, to date, have been funded through operating cash flows as the Company has no outstanding external debt financing. 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 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, video health monitoring, video room systems, 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, technology and health care providers.

AMG provides a portfolio of software and services solutions to network telecommunication providers, cable operators, media, transit, defense, utilities, government 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 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, 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, 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Board of Directors, on the recommendation of its Audit Committee, approved these unaudited condensed consolidated interim financial statements for issue on March 13, 2024.

(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 2023 audited annual consolidated financial statements, except as disclosed herein. They have been prepared on a going concern basis, using historical cost, except for investments in equity securities designated at fair value through profit or loss, certain assets and liabilities initially recognized in connection with business combinations and derivative financial instruments, which are measured at fair value.

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 13, 2024.

(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, 2023.

3. Material Accounting Policies

The material accounting policies used in preparing these unaudited condensed consolidated interim financial statements are unchanged from those disclosed in the Company's audited annual consolidated financial statements for the year ended October 31, 2023, except for the below:

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after January 1, 2023, including Amendments to IFRS 17, Insurance Contracts; Amendments to IAS 1, Presentation of Financial Statements – Disclosure of Accounting Policies; Amendments to IAS 8, Accounting Policies – Changes in Accounting Estimates and Errors; Amendments to IAS 12, Deferred Tax Related to Assets and Liabilities from a Single Transaction; and Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules. The amendments had no material impact on the unaudited condensed consolidated interim financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies have been applied consistently by the Company's subsidiaries.

4. Intangible Assets and Goodwill

	Acquired software	Customer relationships	Total intangible assets	Goodwill
As at November 1, 2023				
Cost	$ 298,196	$ 203,352	$ 501,548	$ 280,241
Accumulated amortization	(241,649)	(150,240)	(391,889)	-
Net book value	**$ 56,547**	**$ 53,112**	**$ 109,659**	**$ 280,241**
Period ended January 31, 2024				
Opening net book value	$ 56,547	$ 53,112	$ 109,659	$ 280,241
Acquisitions	-	-	-	1,245
Amortization	(6,092)	(4,282)	(10,374)	-
Exchange difference	(1,303)	(1,289)	(2,592)	(4,584)
Closing net book value	**$ 49,152**	**$ 47,541**	**$ 96,693**	**$ 276,902**
As at January 31, 2024				
Cost	298,196	203,352	501,548	276,902
Accumulated amortization	(249,044)	(155,811)	(404,855)	-
Net book value	**$ 49,152**	**$ 47,541**	**$ 96,693**	**$ 276,902**

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

5. Provisions

Provisions include accruals for onerous contracts, legal claims, restructuring and special charges, and are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Three months ended January 31	2024	2023
At beginning of period	**$ 2,238**	**$ 3,183**
Additions	58	-
Reversed	(516)	(431)
Utilized during the period	(341)	(138)
Effect of movements in foreign exchange	(22)	26
At end of period	**$ 1,417**	**$ 2,640**

6. Share Capital and Other Components of Shareholders' Equity

Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares with no par value; an unlimited amount of Class A, redeemable, retractable, non-voting, non-cumulative preference shares; and an unlimited number of Class B, redeemable, retractable, non-voting preference shares. There were 55,399,617 common shares outstanding as at January 31, 2024. There were no Class A and no Class B preference shares issued and outstanding as at either January 31, 2024 or October 31, 2023.

Normal Course Issuer Bid Repurchases

On April 28, 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 quarters of either fiscal 2024 or 2023. In fiscal 2023, the Company repurchased and cancelled 13,622 common shares at a weighted average price of $31.16 per share for a total cost of $0.4 million.

Dividends

During the three months ended January 31, 2024, the Company declared dividends of $0.22 per common share compared to $0.22 per common share in the prior period, and paid dividends of $0.22 compared to $0.185 during the same period in the prior year.

Accumulated Other Comprehensive Income

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

	Translation of foreign operations	Unrealized losses	Total
As at November 1, 2023	$ 10,948	$ (119)	$ 10,829
Cumulative translation adjustment	(8,017)	-	(8,017)
As at January 31, 2024	**$ 2,931**	**$ (119)**	**$ 2,812**
As at November 1, 2022	$ (8,852)	$ (119)	$ (8,971)
Cumulative translation adjustment	9,743	-	9,743
As at January 31, 2023	**$ 891**	**$ (119)**	**$ 772**

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 2,906,900 (January 31, 2023 – 3,049,900) common shares are reserved for options and that the shares reserved for options, which could become exercisable in any one year, will not exceed more than 10% of the issued and outstanding common shares of the Company at the time such options may be exercisable. These options vest at various times over four or five years and expire seven years after the grant date. The exercise price of each option equals the market price of the Company's stock on the date the options are granted.

A summary of the status of the Company's Plan as at January 31, 2024 and 2023, and changes during the periods ended on those dates, is presented as follows:

Three months ended January 31	Number of options		Weighted average exercise price	
	2024	2023	2024	2023
Outstanding at beginning of period	1,481,500	1,463,500	$ 35.97	$ 36.31
Exercised	(143,000)	(20,000)	30.13	30.21
Forfeited	(28,000)	-	38.74	-
Outstanding at end of period	**1,310,500**	**1,443,500**	**$ 36.55**	**$ 36.39**
Exercisable at end of period	**704,500**	**658,500**	**$ 36.13**	**$ 34.07**

The Company uses the fair value method for recording compensation expense related to equity instruments awarded to employees, officers and directors in accordance with IFRS 2, *Share-Based Payments*. For the purposes of expensing stock options, each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The Company recorded a non-cash charge of $0.3 million for the three months ended January 31, 2024, compared to $0.5 million in the same period in the prior year.

For options granted in the period, the fair value of each stock option on the date of the grant was estimated using the Black-Scholes option pricing model. Estimated volatility is calculated on a daily basis using historical closing prices, as adjusted for certain events that management deemed to be non-recurring and non-indicative of future events over a period, which reflects the expected life of the options. No options were granted in either the three months ended January 31, 2024 or 2023.

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 Company expects to settle all RSUs with common shares. The share-based payment expense will be recognized evenly over the vesting period. As at January 31, 2024, no RSUs were awarded and none 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 January 31, 2024, no PSUs were awarded and none 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 January 31, 2024, no DSUs were awarded and none vested.

8. Income Taxes

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

For the three months ended January 31, 2024, the Company recorded a provision for income taxes of $4.5 million (19.9% effective tax rate) as compared with a provision for income taxes of $3.7 million (17.7%) in the prior year's first quarter.

9. Earnings per Share

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

Periods ended January 31	Three months	
	2024	2023
Net income for the period	$ 18,133	$ 17,023
Weighted average number of common shares outstanding	55,290	55,260
Basic earnings per share	**$ 0.33**	**$ 0.31**

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

Periods ended January 31	Three months	
	2024	2023
Net income for the period	$ 18,133	$ 17,023
Weighted average number of common shares outstanding	55,290	55,260
Adjustment for stock options	43	51
Weighted average number of common shares outstanding for diluted earnings per share	55,333	55,311
Diluted earnings per share	**$ 0.33**	**$ 0.31**

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 August 1, 2023, the Company acquired substantially all the assets of Lifesize, a cloud communications company. Lifesize's technology offerings are designed to empower enterprises in managing their hybrid workforce more efficiently. Their cloud contact centre solution, which includes workforce management capabilities, enables enterprises to elevate their customer experience delivering unified interactions across all channels.

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 three acquisitions were completed for an aggregate cash purchase price of $57.1 million with $1.9 million remaining in escrow, subject to potential adjustment. Results for all three acquisitions are included in IMG from their respective dates of acquisition.

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

Purchase Price Allocation

	IMG Preliminary 2023
Cash and cash equivalents	$ 2,088
Accounts receivable	11,947
Prepaid expenses and other assets	2,149
Property and equipment	295
Acquired software	31,213
Customer relationships	27,065
Right-of-use assets	183
Goodwill	40,955
Total assets acquired	**$ 115,895**
Current liabilities assumed	$ 49,802
Other long-term liabilities	3,534
Deferred income tax liabilities	4,477
Long term loans	997
Total liabilities assumed	**$ 58,810**
Net assets acquired for consideration	**$ 57,085**

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 material accounting policies.

Three months ended January 31	2024			2023		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 76,137	$ 44,352	$ 120,489	$ 57,852	$ 48,583	$ 106,435
Direct costs	(25,406)	(16,176)	(41,582)	(16,431)	(18,377)	(34,808)
Revenue, net of direct costs	**50,731**	**28,176**	**78,907**	**41,421**	**30,206**	**71,627**
Operating expenses excluding special charges	(21,425)	(11,697)	(33,122)	(19,250)	(11,321)	(30,571)
Depreciation	(377)	(117)	(494)	(537)	(89)	(626)
Depreciation of right-of-use assets	(936)	(570)	(1,506)	(1,100)	(636)	(1,736)
Segment profit	**$ 27,993**	**$ 15,792**	**$ 43,785**	**$ 20,534**	**$ 18,160**	**$ 38,694**
Special charges			(91)			(28)
Corporate and shared service expenses			(11,058)			(8,777)
Results from operating activities			**$ 32,636**			**$ 29,889**

12. Litigation and Contingencies

The Company provides its customers with a qualified indemnity against the infringement of third-party intellectual property rights. From time to time, various owners of patents and copyrighted works send the Company or its customers letters alleging that the Company's products do or might infringe upon the owner's intellectual property rights, and/or suggesting that the Company or its customers should negotiate a license agreement with the owner. The Company's policy is to never knowingly infringe upon any third party's intellectual property rights. Accordingly, where appropriate, the Company forwards any such allegation or licensing request to its outside legal counsel for review. The Company generally attempts to resolve any such matter by informing the owner of the Company's position concerning non-infringement or invalidity. Even though the Company attempts to resolve these matters without litigation, it is always possible that the owner of a patent or copyrighted work will sue the Company.

In response to correspondence from and, in a few instances, litigation instigated by, third-party patent holders, a few of the Company's customers have attempted to tender to the Company the defence of its products under contractual indemnity provisions. With respect to this litigation, and any other litigation the Company becomes involved with, under a contractual indemnity or any other legal theory, the Company has and will continue to consider all its options for resolution and vigorously assert all appropriate defences. There are no material claims outstanding against the Company at January 31, 2024.

13. Changes in Non-Cash Operating Working Capital

For the periods ended January 31 *Source (use) of net cash*	Three months	
	2024	2023
Increase in accounts receivable	$ (29,247)	$ (9,638)
Increase in prepaid expenses and other assets	(1,657)	(1,469)
Decrease in accounts payable and accrued liabilities	(2,288)	(4,247)
Decrease in provisions	(784)	(611)
Increase (decrease) in income taxes payable	821	(96)
Increase in deferred revenue	20,015	18,063
Changes in non-cash operating working capital	**$ (13,140)**	**$ 2,002**

14. Subsequent Events

On February 12, 2024, the Company completed its previously announced acquisition of the Mediasite SaaS video recording and streaming business from Sonic Foundry, Inc. (OTC: SOFO). The acquisition was completed under the terms of a previously announced agreement dated January 4, 2024. The addition of Mediasite expands Enghouse's footprint in the Japanese market and provides its suite of SaaS video software solutions to augment current offerings.