Enghouse Systems

Software engineered for results

First Quarter Ended January 31, 2025

March 10, 2025

Dear fellow Shareholders,

We are pleased to share our first quarter results for the three months ending January 31, 2025. Our focus remains on steady execution, strategic acquisitions, and disciplined capital allocation. As we navigate rapidly evolving global economic and geopolitical conditions, our ability to generate strong cash flows and maintain financial stability underscores the strength of our business model. With a diversified product suite and geographic operating base, we believe we are well positioned to respond to emerging trends.

Revenue for the first quarter of 2025 was $124.0 million, representing a 2.9% increase compared to the same period in the prior year. This reflects the ongoing shift towards SaaS and maintenance services revenue, which increased by 4.0% compared to the same period in the prior year, growing our more predictable recurring revenue streams. SaaS and maintenance services revenue now represents 70.9% of total revenues for the period, increasing from 70.2% in the comparative period.

As SaaS increases in the marketplace, our ability to offer choice of deployment, both on-premise and in the cloud, has allowed us to preserve both one-time and recurring revenue streams. This flexibility allows us to attract customers who have this requirement while also broadening our scope of acquisitions. To augment this, we continue to invest prudently in artificial intelligence ("AI"), ensuring a clear path to monetization by helping customers automate and streamline their operations as well as Enghouse implementing AI internally. As we address evolving market dynamics, we remain focused on operational efficiency, scalability, and long-term shareholder value creation.

In the quarter, net income increased to $21.9 million or $0.40 per diluted share, compared to $18.1 million or $0.33 per diluted share, reported in the same period last year. Adjusted EBITDA was $33.1 million or $0.60 per diluted share, compared to $34.7 million or $0.63 per diluted share in the first quarter of 2024.

Our cash flow remains robust, demonstrating the resilience of our operations. Cash flows from operating activities, excluding changes in working capital, were $37.7 million compared to $35.6 million in the prior year. During the first quarter we returned $14.4 million to shareholders through dividends and repurchased $6.0 million of our common shares. Enghouse closed the quarter with $271.1 million in cash, cash equivalents and short-term investments, compared to $274.7 million at October 31, 2024, with no outstanding external debt financing.

In addition to these achievements, on December 16, 2024, Enghouse completed the acquisition of Aculab PLC ("Aculab"). Aculab offers a cutting-edge suite of solutions designed to elevate communication and security experiences, including AI-driven answering machine detection and advanced voice and face biometric technology.

On March 4, 2025, the Company announced the acquisition of Margento R&D d.o.o., a European provider of transit fare collection, account-based ticketing, automatic vehicle tracking, and payment solutions based in Slovenia. Margento has a scalable and easy to deploy Mobility as a Service platform providing a unique user-centric mobile transit experience that will fit well within our portfolio.

Today, the Board of Directors approved an increase of 15.4% in the Company's eligible quarterly dividend to $0.30 per common share, payable on May 30, 2025, to shareholders of record at the close of business on May 16, 2025. This represents the 17th 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 10, 2025 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 2024 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, 2025.

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, 2024, 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 a wide range of mission critical vertically focused enterprise software solutions. Our core technologies are used for contact centers, video communications, virtual healthcare, education, telecommunications networks, IPTV, public safety and transit. The Company's two-pronged strategy to grow earnings focuses on both organic growth and acquisitions, which, to date, have been funded only through cash flows from operating activities 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 by increasing efficiency and managing 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 capture technology, video room systems,

interactive voice response, artificial intelligence tools, 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, education, 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, transportation, defence, utilities, government and public safety companies. Its products include network infrastructure, Operations Support Systems, Business Support Systems and revenue generation solutions such as video streaming and cloud IPTV 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 grow our business profitably, generating positive returns and cash flows from operating activities that we deploy on building high quality products, funding acquisitions and returning 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 augment and expedite this strategy through acquisitions. 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 2025, Enghouse delivered revenue of $124.0 million, driven by our diverse portfolio of software and SaaS solutions. Recurring revenue increased to $87.9 million and continues to represent a significant portion of our total revenues, reinforcing our commitment to long-term customer relationships. We continue to balance revenue growth with profitability as the market transitions from on-premise systems to cloud offerings, by offering customers choice in platform deployment. We reported net income of $21.9 million and adjusted EBITDA of $33.1 million in the first quarter.

With a strong cash position of over $270 million and consistently positive cash flows from operating activities, we remain focused on driving profitable growth and funding future acquisition opportunities. In the quarter we returned $14.4 million to shareholders through dividends and repurchased $6.0 million of our common shares.

In addition to these achievements, on December 16, 2024, Enghouse completed the acquisition of Aculab PLC ("Aculab"). Aculab offers a cutting-edge suite of solutions designed to elevate communication and security experiences, including AI-driven answering machine detection and advanced voice and face biometric technology. Aculab was integrated within Enghouse's Interactive Management Group.

As we move forward, our commitment to enhancing shareholder value and delivering long-term growth remains unchanged. With increasing geopolitical uncertainties and fluctuating market sentiment, we believe our globally diversified customer base and operations, combined with our strong financial position, will better allow us to respond to rapidly changing market conditions.

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 and demand for large perpetual and term software license orders, professional services 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 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Revenue	**$ 124,000**	**$ 125,702**	**$ 130,501**	**$ 125,813**	**$ 120,489**	**$ 123,129**	**$ 110,997**	**$ 113,461**
Direct costs	**44,463**	44,967	45,836	43,201	41,582	41,213	35,872	38,106
Revenue, net of direct costs	**$ 79,537**	**$ 80,735**	**$ 84,665**	**$ 82,612**	**$ 78,907**	**$ 81,916**	**$ 75,125**	**$ 75,355**
As a % of revenue	*64.1%*	*64.2%*	*64.9%*	*65.7%*	*65.5%*	*66.5%*	*67.7%*	66.4%
Operating expenses	48,457	47,133	49,120	49,031	46,180	46,115	43,901	47,712
Special charges	91	169	1,243	106	91	117	331	2,001
Results from operating activities	$ 30,989	**$ 33,433**	**$ 34,302**	**$ 33,475**	**$ 32,636**	**$ 35,684**	**$ 30,893**	**$ 25,642**
As a % of revenue	*25.0%*	*26.6%*	*26.3%*	*26.6%*	*27.1%*	*29.0%*	*27.8%*	22.6%
Amortization	(8,479)	(9,322)	(9,663)	(11,146)	(10,374)	(11,205)	(9,730)	(9,838)
Other	4,781	4,137	832	2,576	380	5,160	568	(628)
Income before income taxes	$ 27,291	**$ 28,248**	**$ 25,471**	**$ 24,905**	**$ 22,642**	**$ 29,639**	**$ 21,731**	**$ 15,176**
Provision for income taxes	5,387	5,607	4,891	4,931	4,509	4,517	4,164	2,640
Net Income for the period	**$ 21,904**	**$ 22,641**	**$ 20,580**	**$ 19,974**	**$ 18,133**	**$ 25,122**	**$ 17,567**	**$ 12,536**
Basic earnings per share	**0.40**	0.41	0.37	0.36	0.33	0.45	0.32	0.23
Diluted earnings per share	**0.40**	0.41	0.37	0.36	0.33	0.45	0.32	0.23
Cash flows from operating activities	21,249	31,583	40,333	40,256	19,899	28,318	39,020	18,698
Cash flows from operating activities excluding changes in working capital	37,741	40,270	37,363	38,613	35,557	43,504	35,481	28,875
Cash and short-term investments	271,088	274,727	258,693	263,772	247,423	240,359	249,676	234,488
Total assets	865,393	833,493	840,837	822,065	800,070	783,670	745,973	775,549
Adjusted EBITDA:								
Results from operating activities	**30,989**	33,433	34,302	33,475	32,636	35,684	30,893	25,642
Depreciation	653	655	647	551	494	627	585	613
Depreciation of right-of-use assets	1,378	1,375	1,530	1,570	1,506	1,491	1,606	1,931
Special charges	91	169	1,243	106	91	117	331	2,001
Adjusted EBITDA	**$ 33,111**	**$ 35,632**	**$ 37,722**	**$ 35,702**	**$ 34,727**	**$ 37,919**	**$ 33,415**	**$ 30,187**
Adjusted EBITDA margin	*26.7%*	*28.3%*	*28.9%*	*28.4%*	*28.8%*	*30.8%*	*30.1%*	26.6%
Adjusted EBITDA per diluted share	**$ 0.60**	**$ 0.64**	**$ 0.68**	**$ 0.64**	**$ 0.63**	**$ 0.69**	**$ 0.60**	**$ 0.54**

Results of operations

The following table provides details regarding operating results for the three months ended January 31, 2025.

For the period ended January 31	Three months 2025	2024	Var ($)	Var (%)
Revenue	**$ 124,000**	**$ 120,489**	**3,511**	***2.9***
Direct costs	44,463	41,582	2,881	*6.9*
Revenue, net of direct costs	**$ 79,537**	**$ 78,907**	**630**	***0.8***
As a % of revenue	*64.1%*	*65.5%*		
Operating expenses	48,457	46,180	2,277	*4.9*
Special charges	91	91	0	*0.0*
Results from operating activities	**$ 30,989**	**$ 32,636**	**(1,647)**	***(5.0)***
As a % of revenue	*25.0%*	*27.1%*		
Amortization of acquired software and customer relationships	(8,479)	(10,374)	1,895	*18.3*
Foreign exchange gains (losses)	2,309	(1,717)	4,026	*234.5*
Interest expense – lease obligations	(128)	(150)	22	*14.7*
Finance income	2,304	2,361	(57)	*(2.4)*
Finance expenses	(3)	-	(3)	-
Other income (expense)	299	(114)	413	*362.3*
Income before income taxes	**$ 27,291**	**$ 22,642**	**4,649**	***20.5***
Provision for income taxes	5,387	4,509	878	*19.5*
Net Income for the period	**$ 21,904**	**$ 18,133**	**3,771**	***20.8***
Basic earnings per share	0.40	0.33	0.07	*21.2*
Diluted earnings per share	0.40	0.33	0.07	*21.2*
Cash flows from operating activities	21,249	19,899	1,350	*6.8*
Cash flows from operating activities excluding changes in working capital	37,741	35,557	2,184	*6.1*

Revenue

The following table provides details regarding revenue for the three months ended January 31, 2025.

For the period ended January 31	Three months 2025	2024	Variance
Software licenses	$ 17,781	$ 16,975	$ 806
SaaS and maintenance services	87,932	84,587	3,345
Professional services	16,108	15,945	163
Hardware	2,179	2,982	(803)
Revenue	**$ 124,000**	**$ 120,489**	**$ 3,511**
Interactive Management Group	73,221	76,137	(2,916)
Asset Management Group	50,779	44,352	6,427
Revenue	**$ 124,000**	**$ 120,489**	**$ 3,511**

Revenue for the three months ended January 31, 2025 was $124.0 million, an increase of $3.5 million or 2.9% from the same period in the prior year. Revenue was positively impacted by $3.1 million as a result of favourable foreign exchange. On a constant-currency basis, the variance is explained by:

- An increase of $1.2 million in SaaS and maintenance services revenue, primarily attributable to acquisitions. SaaS and maintenance services are an important strategic source of revenue given their predictable and recurring nature and represented 70.9% of total revenues for the period and 70.2% for the comparative period.
- A decrease of $0.9 million in hardware sales revenue and $0.2 million in professional services revenue, that can vary depending on the timing of transactions, which was offset by a $0.3 million increase in software licenses revenue.

Interactive Management Group

IMG revenue for the three months ended January 31, 2025 was $73.2 million, a decrease of $2.9 million or 3.8% from same period in the prior year. The variance is inclusive of a $1.8 million increase as a result of foreign exchange. On a constant-currency basis, the variance is explained by a $3.0 million decrease in SaaS and maintenance services revenue, primarily attributable to reductions from prior year acquisitions reflecting customer's decisions pre-acquisition mitigated by contributions from current year acquisitions, a $1.0 million decrease in software licenses revenue, a $0.6 million decrease in professional services revenue and a $0.1 million decrease in hardware sales revenue.

Asset Management Group

AMG revenue for the three months ended January 31, 2025 was $50.8 million, an increase of $6.4 million or 14.5% 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 $4.2 million increase in SaaS and maintenance services revenue, primarily related to the SeaChange acquisition, as well as an increase of $1.3 million in software licenses revenue resulting from the timing of software licenses orders and an increase of $0.4 million in professional services revenue. This was partially offset by a decrease of $0.8 million in hardware sales revenue.

Direct Costs

The following table provides details regarding direct costs for the three months ended January 31, 2025.

	Three months		
For the period ended January 31	**2025**	**2024**	**Variance**
Software licenses	$ 736	$ 674	$ 62
Services	42,497	39,531	2,966
Hardware	1,230	1,377	(147)
Direct Costs	**$ 44,463**	**$ 41,582**	**$ 2,881**
As a % of associated revenue			
Software licenses	*4.1%*	*4.0%*	
Services	*40.8%*	*39.3%*	
Hardware	*56.4%*	*46.2%*	
Total	*35.9%*	*34.5%*	
Interactive Management Group	25,713	25,406	307
Asset Management Group	18,750	16,176	2,574
Direct Costs	**$ 44,463**	**$ 41,582**	**$ 2,881**
As a % of associated revenue			
Interactive Management Group	*35.1%*	*33.4%*	
Asset Management Group	*36.9%*	*36.5%*	
Revenue, net of Direct Costs	**$ 79,537**	**$ 78,907**	**$ 630**
As a % of revenue	*64.1%*	*65.5%*	

Direct costs for the three months ended January 31, 2025 were $44.5 million or 35.9% of revenue compared to $41.6 million or 34.5% of revenue in the same period in the prior year. Overall margins declined as a result of the ongoing 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 as well as lower deal specific hardware margins in the quarter.

Interactive Management Group

IMG direct costs for the three months ended January 31, 2025 were $25.7 million or 35.1% of segment revenue compared to $25.4 million or 33.4% of revenue in the same period in the prior year. The lower margins are primarily due to the 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, 2025 were $18.8 million or 36.9% of segment revenue compared to $16.2 million or 36.5% of revenue in the same period in the prior year. The lower margins are a result of higher deal specific hardware costs.

Revenue, Net of Direct Costs

Revenue, net of direct costs for the three months ended January 31, 2025 increased by $0.6 million to $79.5 million or 64.1% of revenue compared to $78.9 million or 65.5% in the same period in the prior year. While revenue, net of direct costs increased as a result of increased SaaS and maintenance services revenue, the increase in direct costs as a percentage of revenue reflects the relative increase in direct costs related primarily to cloud computing for SaaS related revenue compared to on-premise software licenses revenue.

Operating Expenses

The following table provides details regarding operating expenses for the three months ended January 31, 2025.

	Three months		
For the period ended January 31	**2025**	**2024**	**Variance**
Selling, general and administrative	$ 23,636	$ 22,869	$ 767
Research and development	22,790	21,311	1,479
Depreciation	653	494	159
Depreciation of right-of-use assets	1,378	1,506	(128)
Special charges	91	91	0
Operating expenses	**$ 48,548**	**$ 46,271**	**$ 2,277**
As a % of total revenue			
Selling, general and administrative	*19.1%*	*19.0%*	
Research and development	*18.4%*	*17.7%*	
Depreciation	*0.5%*	*0.4%*	
Depreciation of right-of-use assets	*1.1%*	*1.2%*	
Special charges	*0.1%*	*0.1%*	
Operating expenses	*39.2%*	*38.4%*	

Operating expenses for the three months ended January 31, 2025 totaled $48.5 million, an increase of $2.3 million or 4.9% compared to the same period in the prior year. The variance is largely explained by:

- An increase of $1.5 million in research and development expenses resulting from increased investment related to recent acquisitions and integrating SaaS deployment options and AI features into our product suite, offset by realizing efficiencies in our existing business. Research and development expenses are equivalent to 18.4% of revenue compared to 17.7% in the same period in the prior year.
- An increase of $0.8 million in selling, general and administrative costs resulting from increased expenditures associated with recent acquisitions, offset by reductions in costs associated with existing businesses. Selling, general and administrative expenses are equivalent to 19.1% of revenue compared to 19.0% in the same period in the prior year.
- These variances are inclusive of an overall increase in direct costs and operating expenses of $2.3 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 cash flow from operating activities surpluses that provide a natural hedge. While foreign exchange may have a significant impact on both revenue and expenses, the net impact on 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, 2025, 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 $3.1 million reported in Canadian dollars, while operating expenses and direct costs were higher by $2.3 million compared to the same period in prior year. The movements in foreign exchange rates were particularly prevalent with the pound sterling and the US dollar.

For the three months ended January 31, 2025, we recognized foreign exchange gains of $2.3 million related to foreign currency denominated monetary assets and liabilities in the current period compared to losses of $1.7 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.

Amortization of Software and Customer Relationships

Amortization expense for acquired software and customer relationships for the three months ended January 31, 2025 decreased by $1.9 million to $8.5 million compared to the same period in the prior year. The variance is attributable to expiring amortization, net of incremental amortization of acquired software and customer relationships from current and prior year acquisitions.

Other income (expense)

Other income (expense) for the three months ended January 31, 2025 increased by $0.4 million compared to the same period in the prior year as a result of increased unrealized gains in the current quarter compared to nominal net unrealized losses in the same period in the prior year.

Provision for income taxes

The provision for income taxes for the three months ended January 31, 2025 increased by $0.9 million to $5.4 million, compared to the same period in the prior year. For the three months ended January 31, 2025, our effective tax rate was 19.7% compared to 19.9% for the same period in the prior year. The reflects increased income before income taxes in the current year's first quarter.

Net income

Net income for the three months ended January 31, 2025 increased by $3.8 million to $21.9 million, compared to the same period in the prior year. The increase in net income is primarily attributable to reduced amortization charges and favorable foreign exchange gains.

For the three months ended January 31, 2025, diluted earnings per share was $0.40 compared to $0.33 in the same period in the prior year.

Cash flows from operating activities

For the three months ended January 31, 2025, cash flows from operating activities, excluding changes in working capital, were $37.7 million compared to $35.6 million in the prior year. Cash flows provided from operating activities were $21.2 million compared to $19.9 million in the same period in the prior year as a result of incremental profitability and comparably lower net negative working capital adjustments related to improved collections on annual recurring revenue renewals. Deferred revenue increased by $20.1 million to $142.3 million as of January 31, 2025 related to annual recurring revenue renewals on the larger 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, 2025.

For the period ended January 31	Three months		
	2025	2024	Variance
Revenue	$ 124,000	$ 120,489	$ 3,511
Results from operating activities	30,989	32,636	(1,647)
Depreciation	653	494	159
Depreciation of right-of-use assets	1,378	1,506	(128)
Special charges	91	91	0
Adjusted EBITDA	**$ 33,111**	**$ 34,727**	**$ (1,616)**
Adjusted EBITDA margin	*26.7%*	*28.8%*	
Adjusted EBITDA per diluted share	**$ 0.60**	**$ 0.63**	**$ (0.03)**

Adjusted EBITDA for the three months ended January 31, 2025 decreased by $1.6 million compared to the same period in the prior year. The decrease is primarily a result of margin compression from the product mix shift to lower margin revenue streams.

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 $271.1 million, compared to the record October 31, 2024 balance of $274.7 million. For the three months ended January 31, 2025, cash and cash equivalents decreased by a total of $3.9 million compared to an increase of $7.2 million over the same period in the prior year. The decrease in cash and cash equivalents in the quarter reflects continued positive cash flows from operating activities net of acquisitions, dividend payments and share repurchases completed in the quarter.

At January 31, 2025, working capital was $175.0 million compared to $171.9 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 associated with the annual billing cycle of a significant amount of our SaaS and maintenance services contracts. 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 55,155,491 Common Shares issued and outstanding as at March 10, 2025. During the quarter, no stock options were exercised compared to 143,000 stock options exercised in the same period in the prior year, which contributed $4.3 million. The Company did not grant any options in either of the first quarters of 2025 or 2024.

The Company renewed its Normal Course Issuer Bid commencing May 7, 2024 and expiring May 6, 2025, allowing the Company to repurchase up to a maximum of 3,000,000 common shares of Enghouse. The Company repurchased and cancelled 218,710 common shares at a weighted average price of $27.21 per share for a total cost of $6.0 million in the first quarter compared to no repurchase in the same period in the prior year.

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 ("Committee"), which shall be not later than December 15th of the third year following the year in which the eligible participant performed the services related to the grant. PSUs will also be subject to performance conditions that are approved by the Board and Committee.

RSUs

Upon vesting, RSUs will be paid in either cash or an issuance of common shares, at the discretion of the Committee. The Company plans to settle all RSUs with common shares. The share-based payment expense will be recognized evenly over the vesting period. As at January 31, 2025, 2,061 RSUs were outstanding.

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 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 Committee, may result in the percentage of vested PSUs in a grant exceeding 100%, but to a maximum of 200%. Upon vesting, PSUs will be paid in either cash or an issuance of common shares, at the discretion of the Committee. The Company plans to settle all PSUs with issuance of common shares. The share-based payment expense relating to market-based performance conditions will be recognized evenly over the vesting period, while the share-based payment expense relating to non-market performance conditions will be recognized over the vesting period, subject to measurement adjustments. As at January 31, 2025, 15,404 PSUs were outstanding.

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 Company 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. DSUs will be paid in either cash or an issuance of common shares, at the discretion of the Committee. The Company plans to settle all DSUs with issuance of common shares. The share-based payment expense of DSUs will be recognized upon grant, when the DSUs vest. As at January 31, 2025, 8,423 DSUs were granted and vested.

Off-statement of financial Position arrangements

We have not entered into off-statement of financial position financing arrangements. Except for operating leases and other low probability and/or immeasurable contingencies (not accrued in accordance with IFRS), all commitments are reflected on our Unaudited Condensed Consolidated Interim Statements of Financial Position.

Transactions with related parties

We have not entered into any transactions with related parties during the period, other than transactions with wholly-owned subsidiaries and us 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, 2024, 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 10, 2025, 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.

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, 2024, contained in the Company's 2024 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 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, 2024, 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, 2024, 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, 2024, 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, 2025 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, 2025 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, 2025	As at October 31, 2024
ASSETS			
Current assets:			
Cash and cash equivalents		$ 270,304	$ 274,240
Short-term investments		784	487
Accounts receivable		114,592	92,348
Prepaid expenses and other assets		19,061	16,100
		404,741	**383,175**
Non-current assets:			
Property and equipment		4,059	4,192
Right-of-use assets		11,771	11,473
Intangible assets	4	96,552	98,594
Goodwill	4	320,997	309,831
Deferred income tax assets		27,273	26,228
		460,652	**450,318**
		$ 865,393	**$ 833,493**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities		$ 67,970	$ 70,087
Income taxes payable		7,849	5,525
Dividends payable		14,340	14,397
Provisions	5	1,777	1,834
Deferred revenue		132,397	114,080
Lease obligations		5,381	5,344
		229,714	**211,267**
Non-current liabilities:			
Deferred income tax liabilities		10,486	10,500
Deferred revenue		9,903	8,094
Net employee defined benefit obligation		2,075	2,081
Lease obligations		6,115	5,744
		28,579	**26,419**
		258,293	**237,686**
Shareholders' equity			
Share capital		117,750	118,217
Contributed surplus		9,878	9,764
Retained earnings		448,823	446,748
Accumulated other comprehensive income	6	30,649	21,078
		607,100	**595,807**
		$ 865,393	**$ 833,493**

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 2025	2024
Revenue			
Software licenses		$ 17,781	$ 16,975
SaaS and maintenance services		87,932	84,587
Professional services		16,108	15,945
Hardware		2,179	2,982
		124,000	**120,489**
Direct costs			
Software licenses		736	674
Services		42,497	39,531
Hardware		1,230	1,377
		44,463	41,582
Revenue, net of direct costs		**79,537**	**78,907**
Operating expenses			
Selling, general and administrative		23,636	22,869
Research and development		22,790	21,311
Depreciation		653	494
Depreciation of right-of-use assets		1,378	1,506
Special charges		91	91
		48,548	**46,271**
Results from operating activities		**30,989**	**32,636**
Amortization of acquired software and customer relationships	4	(8,479)	(10,374)
Foreign exchange gains (losses)		2,309	(1,717)
Interest expense – lease obligations		(128)	(150)
Finance income		2,304	2,361
Finance expenses		(3)	-
Other income (expense)		299	(114)
Income before income taxes		**27,291**	**22,642**
Provision for income taxes	8	5,387	4,509
Net income for the period		**$ 21,904**	**$ 18,133**
Items that may be subsequently reclassified to income:			
Cumulative translation adjustment		9,571	(8,017)
Other comprehensive income (loss)		**9,571**	**(8,017)**
Comprehensive income		**$ 31,475**	**$ 10,116**
Earnings per share			
Basic	9	**$ 0.40**	$ 0.33
Diluted	9	**$ 0.40**	$ 0.33

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, 2024	**55,374,201**	**$ 118,217**	**$ 9,764**	**$ 21,078**	**$ 446,748**	**$ 595,807**
Net income for the period	-	-	-	-	21,904	21,904
Cumulative translation adjustment (Note 6)	-	-	-	9,571	-	9,571
Comprehensive income	**-**	**$ -**	**$ -**	**$ 9,571**	**$ 21,904**	**$ 31,475**
Employee share-based compensation:						
Value of services recognized	-	-	114	-	(6)	108
Normal course issuer bid share repurchases (Note 6)	(218,710)	(467)	-	-	(5,483)	(5,950)
Dividends declared (Note 6)	-	-	-	-	(14,340)	(14,340)
As at January 31, 2025	**55,155,491**	**$ 117,750**	**$ 9,878**	**$ 30,649**	**$ 448,823**	**$ 607,100**
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-based compensation:						
Value of services recognized	-	-	277	-	-	277
Issuance of 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**

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 2025	2024
OPERATING ACTIVITIES			
Net income for the period		$ 21,904	$ 18,133
Adjustments for non-cash items			
Depreciation		653	494
Depreciation of right-of-use assets		1,378	1,506
Interest expense – lease obligations		128	150
Amortization of acquired software and customer relationships	4	8,479	10,374
Stock-based compensation expense	7	108	277
Provision for income taxes		5,387	4,509
Finance expenses and other (income) expense		(296)	114
		37,741	**35,557**
Changes in non-cash operating working capital	13	(11,891)	(13,140)
Income taxes paid		(4,601)	(2,518)
Net cash provided by operating activities		**21,249**	**19,899**
INVESTING ACTIVITIES			
Purchase of property and equipment, net		(404)	(360)
Acquisition, net of cash acquired*	10	(6,586)	-
Recovery of purchase consideration for prior-year acquisitions		-	171
Net cash used in investing activities		**(6,990)**	**(189)**
FINANCING ACTIVITIES			
Issuance of share capital		-	4,310
Normal course issuer bid share repurchases		(5,950)	-
Repayment of lease obligations		(1,374)	(1,602)
Dividends paid		(14,397)	(12,156)
Net cash used in financing activities		**(21,721)**	**(9,448)**
Impact of foreign exchange on cash and cash equivalents		3,526	(3,042)
(Decrease) increase in cash and cash equivalents		**(3,936)**	**7,220**
Cash and cash equivalents – beginning of period		274,240	239,532
Cash and cash equivalents – end of period		**$ 270,304**	**$ 246,752**

**Acquisitions are net of cash acquired of $2,620 for the three months ended January 31, 2025 and nil for the three months ended January 31, 2024.*

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

1. Description of the Business and Reporting Entity

Enghouse Systems Limited ("Enghouse Systems") and its subsidiaries (together "Enghouse", "our" or the "Company") provides a wide range of mission critical vertically focused enterprise software solutions. Our core technologies are used for contact centers, video communications, virtual healthcare, education, telecommunications networks, IPTV, public safety and transit. The Company's two-pronged strategy to grow earnings focuses on both organic growth and acquisitions, which, to date, have been funded only through cash flows from operating activities 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 by increasing efficiency and managing 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 capture technology, video room systems, interactive voice response, artificial intelligence tools, 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, education, telecoms, business process service providers, technology and healthcare providers.

AMG provides a portfolio of software and services solutions to network telecommunication providers, cable operators, media, transit, transportation, defence, utilities, government and public safety companies. Its products include network infrastructure, Operations Support Systems, Business Support Systems and revenue generation solutions such as video streaming and cloud IPTV 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 a Canadian publicly traded company (TSX: ENGH) that 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, Poland 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, 2024, 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 10, 2025.

(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 material accounting policies disclosed in Note 3 of the Company's 2024 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 10, 2025.

(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, 2024.

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, 2024. The Company has not early adopted any 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, 2024				
Cost	$ 318,075	$ 212,635	$ 530,710	$ 309,831
Accumulated amortization	(264,863)	(167,253)	(432,116)	-
Net book value	**$ 53,212**	**$ 45,382**	**$ 98,594**	**$ 309,831**
Period ended January 31, 2025				
Opening net book value	$ 53,212	$ 45,382	$ 98,594	$ 309,831
Acquisitions	2,600	766	3,366	4,456
Amortization	(4,527)	(3,952)	(8,479)	-
Exchange difference	1,727	1,344	3,071	6,710
Closing net book value	**$ 53,012**	**$ 43,540**	**$ 96,552**	**$ 320,997**
As at January 31, 2025				
Cost	320,675	213,401	534,076	320,997
Accumulated amortization	(267,663)	(169,861)	(437,524)	-
Net book value	**$ 53,012**	**$ 43,540**	**$ 96,552**	**$ 320,997**

	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**

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	2025	2024
At beginning of period	**$ 1,834**	**$ 2,238**
Additions	-	58
Reversed	(3)	(516)
Utilized during the period	(66)	(341)
Effect of movements in foreign exchange	12	(22)
At end of period	**$ 1,777**	**$ 1,417**

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 55,155,491 common shares outstanding as at January 31, 2025. There were no Class A and no Class B preference shares issued and outstanding as at either January 31, 2025 or October 31, 2024.

Normal Course Issuer Bid Repurchases

On May 7, 2024, 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 6, 2025. The Company repurchased and cancelled 218,710 common shares in the first quarter of fiscal 2025 at a weighted average price of $27.21 per share for a total cost of $6.0 million compared to no repurchases of common shares in the first quarter of fiscal 2024.

Dividends

During the three months ended January 31, 2025, the Company declared and paid dividends of $0.26 per common share compared to $0.22 per common share 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, 2024	$ 21,197	$ (119)	$ 21,078
Cumulative translation adjustment	9,571	-	9,571
As at January 31, 2025	**$ 30,768**	**$ (119)**	**$ 30,649**
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**

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 2,736,900 (January 31, 2024 – 2,906,900) 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, 2025 and 2024, 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	
	2025	2024	2025	2024
Outstanding at beginning of period	1,414,500	1,481,500	$ 36.43	$ 35.97
Exercised	-	(143,000)	-	30.13
Forfeited	(139,000)	(28,000)	37.03	38.74
Outstanding at end of period	**1,275,500**	**1,310,500**	**$ 36.37**	**$ 36.55**
Exercisable at end of period	**694,500**	**704,500**	**$ 38.69**	**$ 36.13**

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 $0.1 million for the three months ended January 31, 2025, compared to $0.3 million in the same period in the prior year.

For any 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 that reflects the expected life of the options. No options were granted in either the three months ended January 31, 2025 or 2024.

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 ("Committee"), which shall be no later than December 15th of the third year following the year in which the eligible participant performed the services related to the grant. PSUs will also be subject to performance conditions that are approved by the Board and Committee.

RSUs

Upon vesting, RSUs will be paid in either cash or an issuance of common shares, at the discretion of the Committee. The Company plans to settle all RSUs with common shares. The share-based payment expense will be recognized evenly over the vesting period.

A summary of the status of the Company's RSUs as at January 31, 2025 and 2024, and changes during the quarter ended on those dates, is presented as follows:

Three months ended January 31	RSUs	
	2025	2024
Outstanding at beginning of period	-	-
Granted	2,061	-
Outstanding at end of period	**2,061**	**-**

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 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 Committee, may result in the percentage of vested PSUs in a grant exceeding 100%, but to a maximum of 200%. Upon vesting, PSUs will be paid in either cash or an issuance of common shares, at the discretion of the Committee. The Company plans to settle all PSUs with issuance of common shares. The share-based payment expense relating to market-based performance conditions will be recognized evenly over the vesting period, while the share-based payment expense relating to non-market performance conditions will be recognized over the vesting period, subject to measurement adjustments.

A summary of the status of the Company's PSUs as at January 31, 2025 and 2024, and changes during the quarter ended on those dates, is presented as follows:

Three months ended January 31	PSUs	
	2025	2024
Outstanding at beginning of period	25,447	-
Forfeited	(10,179)	-
Dividend equivalent unit issued	136	-
Outstanding at end of period	**15,404**	**-**

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 Company 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. DSUs will be paid in either cash or an issuance of common shares, at the discretion of the Committee. The Company plans to settle all DSUs with issuance of common shares. The share-based payment expense of DSUs will be recognized upon grant, when the DSUs vest. A summary of the status of the Company's DSUs as at January 31, 2025 and 2024, and changes during the period ended on those dates, is presented as follows:

Three months ended January 31	DSUs	
	2025	2024
Outstanding at beginning of period	5,512	-
Granted	2,862	-
Dividend equivalent unit issued	49	-
Outstanding at end of period	**8,423**	**-**

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 income before income taxes 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, 2025, the Company recorded a provision for income taxes of $5.4 million (19.7% effective tax rate) as compared with a provision for income taxes of $4.5 million (19.9%) in the prior year's first quarter.

9. Earnings per Share

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

Periods ended January 31	Three months	
	2025	2024
Net income for the period	$ 21,904	$ 18,133
Weighted average number of common shares outstanding ('000s)	55,311	55,290
Basic earnings per share	**$ 0.40**	**$ 0.33**

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 has stock options, RSUs and PSUs as being potentially dilutive to common shares. 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, RSUs and PSUs. 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, RSUs and PSUs.

Periods ended January 31	Three months	
	2025	2024
Net income for the period	$ 21,904	$ 18,133
Weighted average number of common shares outstanding ('000s)	55,311	55,290
Adjustment for stock options, RSUs and PSUs	-	43
Weighted average number of common shares outstanding for diluted earnings per share ('000s)	55,311	55,333
Diluted earnings per share	**$ 0.40**	**$ 0.33**

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.

2025 Acquisitions
On December 16, 2024, the Company acquired Aculab PLC ("Aculab"), a provider of on-premise and cloud-based communications and AI software solutions. Aculab offers a cutting-edge suite of solutions designed to elevate communication and security experiences. These include a robust communications platform as a service ("CPaaS"), state-of-the-art AI-driven answering machine detection, advanced voice and face biometrics technologies, as well as high-performance gateways, media processing and signaling products. The acquisition was completed for an aggregate cash purchase price of $10.6 million, with $1.4 million subject to hold-back and potential adjustment. Results for the acquisition are included in IMG from the date of acquisition.

2024 Acquisitions

On May 9, 2024, the Company acquired substantially all of the assets of SeaChange International, Inc. ("SeaChange") related to its IPTV products and services business. SeaChange is a provider of streaming video services, cable TV broadcast platforms and advanced advertising insertion technology. The Company provides their IPTV technology to operators, broadcasters and content owners worldwide to help them deliver the highest quality video experience to consumers. The acquisition was completed for an aggregate cash purchase price of $31.1 million, with $1.4 million held in escrow subject to potential adjustment. Results for the acquisition are included in AMG from the date of acquisition.

On February 12, 2024, the Company acquired substantially all of the assets of Mediasite, a SaaS video recording and streaming business from Sonic Foundry, Inc. (OTC: SOFO). The addition of Mediasite expands Enghouse's footprint in the Japanese market and provides a suite of SaaS video software solutions to augment current offerings. The acquisition was completed for an aggregate cash purchase price of $14.3 million, with $1.4 million subject to hold-back and potential adjustment. Results for the acquisition are included in IMG from the date of acquisition.

Management has established the preliminary purchase 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 2025	AMG Preliminary 2024	IMG Preliminary 2024
Cash and cash equivalents	$ 2,620	$ 245	$ 497
Accounts receivable	2,276	8,082	2,029
Prepaid expenses and other assets	761	2,609	977
Property and equipment	38	903	300
Deferred income tax assets	636	-	140
Acquired software	2,600	10,997	8,882
Customer relationships	766	7,354	1,929
Right-of-use assets	-	-	570
Goodwill	4,456	11,377	12,926
Total assets acquired	**$ 14,153**	**$ 41,567**	**$ 28,250**
Current liabilities assumed	$ 2,419	$ 10,468	$ 13,739
Other long-term liabilities	262	-	254
Deferred income tax liabilities	841	-	-
Total liabilities assumed	**$ 3,522**	**$ 10,468**	**$ 13,993**
Net assets acquired for cash consideration	**$ 10,631**	**$ 31,099**	**$ 14,257**

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	2025			2024		
	IMG	AMG	Total	IMG	AMG	Total
Revenue	$ 73,221	$ 50,779	$ 124,000	$ 76,137	$ 44,352	$ 120,489
Direct costs	(25,713)	(18,750)	(44,463)	(25,406)	(16,176)	(41,582)
Revenue, net of direct costs	**47,508**	**32,029**	**79,537**	**50,731**	**28,176**	**78,907**
Operating expenses excluding special charges	(22,602)	(11,978)	(34,580)	(21,425)	(11,697)	(33,122)
Depreciation	(402)	(251)	(653)	(377)	(117)	(494)
Depreciation of right-of-use assets	(909)	(469)	(1,378)	(936)	(570)	(1,506)
Segment profit	**$ 23,595**	**$ 19,331**	**$ 42,926**	**$ 27,993**	**$ 15,792**	**$ 43,785**
Special charges			(91)			(91)
Corporate and shared service expenses			(11,846)			(11,058)
Results from operating activities			**$ 30,989**			**$ 32,636**

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 January 31, 2025.

13. Changes in Non-Cash Operating Working Capital

For the periods ended January 31 *Source (use) of net cash*	Three months	
	2025	2024
Increase in accounts receivable	$ (18,232)	$ (29,247)
Increase in prepaid expenses and other assets	(1,836)	(1,657)
Decrease in accounts payable and accrued liabilities	(8,776)	(2,288)
Decrease in provisions	(133)	(784)
Increase in income taxes payable	928	821
Increase in deferred revenue	16,158	20,015
Changes in non-cash operating working capital	**$ (11,891)**	**$ (13,140)**

14. Subsequent Events

On March 4, 2025, the Company announced the acquisition of Margento R&D d.o.o., a European provider of transit fare collection, account-based ticketing, automatic vehicle tracking, and payment solutions based in Slovenia. Margento has a scalable and easy to deploy Mobility as a Service platform providing a unique user-centric mobile transit experience. This will augment our existing transportation offerings in the Asset Management Group.