



Coveo Solutions Inc.

# **Condensed Interim Consolidated Financial Statements (Unaudited)**

For the Three Months Ended June 30, 2022 and 2021  
(expressed in thousands of US dollars)

Coveo Solutions Inc.  
Condensed Interim Consolidated Statements of Financial Position  
(Unaudited)

As at June 30, 2022 and March 31, 2022

(expressed in thousands of US dollars)

	Notes	June 30, 2022	March 31, 2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		217,668	223,072
Trade and other receivables	4	19,896	25,476
Refundable tax credits		6,020	10,443
Prepaid expenses		5,560	5,861
		249,144	264,852
<b>Non-current assets</b>			
Contract acquisition costs	5	10,760	10,858
Property and equipment		7,989	8,704
Intangible assets		18,262	20,605
Right-of-use assets		8,777	9,255
Deferred tax assets		4,357	4,616
Goodwill		25,386	26,610
<b>Total assets</b>		<b>324,675</b>	<b>345,500</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities	6	20,585	22,910
Current portion of deferred revenue		47,710	49,879
Current portion of lease obligations		1,868	1,916
		70,163	74,705
<b>Non-current liabilities</b>			
Deferred revenue		319	513
Lease obligations		10,559	11,169
Deferred tax liabilities		3,232	3,677
<b>Total liabilities</b>		<b>84,273</b>	<b>90,064</b>
<b>Shareholders' equity</b>			
Share capital	7	860,774	859,944
Contributed surplus		20,552	15,295
Deficit		(604,775)	(592,256)
Accumulated other comprehensive loss		(36,149)	(27,547)
<b>Total shareholders' equity</b>		<b>240,402</b>	<b>255,436</b>
<b>Total liabilities and shareholders' equity</b>		<b>324,675</b>	<b>345,500</b>

Approved by the Board of Directors

(signed) Louis Têtu Director

(signed) Fay Sien Goon Director

The accompanying notes are an integral part of these consolidated financial statements.

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)  
(Unaudited)

For the three months ended June 30, 2022 and 2021

(expressed in thousands of US dollars, except number of shares)

	Notes	Number	Share capital	Conversion rights Series A	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity (deficiency)
			\$	\$	\$	\$	\$	\$
<b>Balance as at March 31, 2021</b>		<b>22,340,441</b>	<b>16,957</b>	<b>1,105</b>	<b>5,794</b>	<b>(995,774)</b>	<b>(27,161)</b>	<b>(999,079)</b>
Net income		-	-	-	-	73,236	-	73,236
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(16,074)	(16,074)
Total comprehensive income								57,162
Share-based payments	8	-	-	-	704	-	-	704
Exercise of stock options	8	63,513	90	-	(27)	-	-	63
<b>Balance as at June 30, 2021</b>		<b>22,403,954</b>	<b>17,047</b>	<b>1,105</b>	<b>6,471</b>	<b>(922,538)</b>	<b>(43,235)</b>	<b>(941,150)</b>
<b>Balance as at March 31, 2022</b>		<b>103,747,326</b>	<b>859,944</b>	<b>-</b>	<b>15,295</b>	<b>(592,256)</b>	<b>(27,547)</b>	<b>255,436</b>
Net loss		-	-	-	-	(12,519)	-	(12,519)
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(8,602)	(8,602)
Total comprehensive loss								(21,121)
Share-based payments	8	-	-	-	5,796	-	-	5,796
Exercise of stock options and release of share-based awards	8	275,009	830	-	(539)	-	-	291
<b>Balance as at June 30, 2022</b>		<b>104,022,335</b>	<b>860,774</b>	<b>-</b>	<b>20,552</b>	<b>(604,775)</b>	<b>(36,149)</b>	<b>240,402</b>

The accompanying notes are an integral part of these consolidated financial statements.

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Unaudited)

For the three months ended June 30, 2022 and 2021

(expressed in thousands of US dollars, except number of share data)

	Notes	Three months ended June 30,	
		2022	2021
		\$	\$
<b>Revenue</b>	10		
SaaS subscription		24,003	16,316
Self-managed licenses and maintenance		324	714
<b>Product revenue</b>		<b>24,327</b>	<b>17,030</b>
Professional services		2,135	1,194
<b>Total revenue</b>		<b>26,462</b>	<b>18,224</b>
<b>Cost of revenue</b>			
Product		4,758	3,398
Professional services		1,977	958
<b>Total cost of revenue</b>		<b>6,735</b>	<b>4,356</b>
<b>Gross profit</b>		<b>19,727</b>	<b>13,868</b>
<b>Operating expenses</b>			
Sales and marketing		14,561	10,873
Research and product development		9,132	4,842
General and administrative		7,093	4,146
Depreciation of property and equipment		692	649
Amortization of intangible assets		1,161	26
Depreciation of right-of-use assets		397	383
<b>Total operating expenses</b>		<b>33,036</b>	<b>20,919</b>
<b>Operating loss</b>		<b>(13,309)</b>	<b>(7,051)</b>
Change in redeemable preferred shares – conversion rights component fair value		-	(69,476)
Net financial expenses (income)		(399)	4,804
Foreign exchange loss (gain)		(500)	433
<b>Income (loss) before income tax expense (recovery)</b>		<b>(12,410)</b>	<b>57,188</b>
Income tax expense (recovery)		109	(16,048)
<b>Net income (loss)</b>		<b>(12,519)</b>	<b>73,236</b>
<b>Other comprehensive income (loss)</b>			
Items that may be reclassified to the consolidated statements of income (loss):			
Foreign currency differences on translation to presentation currency		(8,602)	(16,074)
<b>Total comprehensive income (loss)</b>		<b>(21,121)</b>	<b>57,162</b>
<b>Net income (loss) per share</b>	9		
Basic		(0.12)	3.27
Diluted		(0.12)	(0.08)

The accompanying notes are an integral part of these consolidated financial statements.

Coveo Solutions Inc.  
Condensed Interim Consolidated Statements of Cash Flows  
(Unaudited)

For the three months ended June 30, 2022 and 2021

(expressed in thousands of US dollars)

	Notes	Three months ended June 30,	
		2022	2021
		\$	\$
<b>Cash flows from (used in) operating activities</b>			
Net income (loss)		(12,519)	73,236
Items not affecting cash			
Amortization of contract acquisition costs	5	1,077	887
Depreciation of property and equipment		692	649
Amortization of intangible assets		1,161	26
Depreciation of right-of-use assets		397	383
Interest accretion		-	4,556
Change in redeemable preferred shares – conversion rights component fair value		-	(69,476)
Share-based payments	8	5,796	704
Interest on lease obligations		170	191
Change in fair value of short-term investments		-	52
Variation of deferred tax assets and liabilities		83	(16,075)
Unrealized foreign exchange loss (gain)		(500)	337
Changes in non-cash working capital items	12	5,048	(1,989)
		<b>1,405</b>	<b>(6,519)</b>
<b>Cash flows from (used in) investing activities</b>			
Proceeds from disposal of short-term investments		-	13,845
Additions to property and equipment		(527)	(368)
Additions to intangible assets		(5)	(226)
		<b>(532)</b>	<b>13,251</b>
<b>Cash flows from (used in) financing activities</b>			
Proceeds from exercise of stock options	8	291	63
Payments on lease obligations net of lease incentives received		(633)	(527)
		<b>(342)</b>	<b>(464)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(5,935)	97
<b>Increase (decrease) in cash and cash equivalents during the period</b>		<b>(5,404)</b>	<b>6,365</b>
Cash and cash equivalents – beginning of period		223,072	55,399
<b>Cash and cash equivalents – end of period</b>		<b>217,668</b>	<b>61,764</b>

The accompanying notes are an integral part of these consolidated financial statements.

June 30, 2022

(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)

## 1. Incorporation and nature of activities

Coveo Solutions Inc. ("Coveo" or the "Company") is incorporated under the Canada Business Corporations Act. Its head office is located at 3175 Chemin des Quatre-Bourgeois, Suite 200, Quebec, Quebec, Canada. Coveo provides applied artificial intelligence ("AI") solutions that enables enterprises to deliver relevant digital experiences at scale. Coveo's software as a service ("SaaS") native, multi-tenant platform transform search, recommendations, personalization and merchandizing solutions into digital experiences to provide connected relevance for multiple-use cases across commerce, service, website, and workplace applications.

The Company's shares are listed on the Toronto Stock Exchange under the stock symbol "CVO".

## 2. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Certain information and disclosures have been omitted or condensed. The accounting policies and methods of computation described in the annual audited consolidated financial statements for the year ended March 31, 2022 were applied consistently in the preparation of these unaudited condensed interim consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read together with the Company's audited consolidated financial statements for the year ended March 31, 2022.

### *Seasonality of interim operations*

The operations of the Company can be seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full year or any future period.

### *Use of estimates and judgements*

In preparing these unaudited condensed interim consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of uncertainty were the same as those applied to the consolidated financial statements for the year ended March 31, 2022.

## 3. Accounting policies

### *New Accounting Policies Applied*

These amendments or improvements apply to annual periods beginning on or after January 1, 2022.

### ***Amendments to IFRS-3 – Reference to Conceptual Framework***

In May 2020, the IASB issued amendments to IFRS 3, "Business Combinations". The amendments update the reference to the Conceptual Framework and add an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The Company concluded there is no impact on its condensed interim consolidated financial statements.

Coveo Solutions Inc.  
Notes to Condensed Interim Consolidated Financial Statements  
(Unaudited)

June 30, 2022

(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)

**Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract**

In May 2020, the IASB issued amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The Company concluded there is no impact on its condensed interim consolidated financial statements.

**Annual Improvements to IFRS 9 – Financial Instruments**

The improvements clarify that in applying the "10 percent" test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The Company concluded there is no impact on its condensed interim consolidated financial statements.

## 4. Trade and other receivables

	June 30, 2022	March 31, 2022
	\$	\$
Trade accounts receivable, net of allowance for expected credit losses	19,019	24,515
Sales tax receivable	804	882
Other	73	79
	<b>19,896</b>	<b>25,476</b>

## 5. Contract acquisition costs

	Three months ended June 30,	
	2022	2021
	\$	\$
Balance at beginning of period	10,858	8,624
Additions	1,116	1,376
Amortization	(1,077)	(887)
Effect of movement in exchange rate	(137)	29
<b>Balance at end of period</b>	<b>10,760</b>	<b>9,142</b>

June 30, 2022

(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)

## 6. Trade payable and accrued liabilities

	June 30, 2022	March 31, 2022
	\$	\$
Trade accounts payable	2,242	2,534
Accrued compensation and benefits	12,441	13,343
Sales taxes payable	528	677
Accrued liabilities	5,374	6,356
	<b>20,585</b>	<b>22,910</b>

## 7. Share capital

The Company's authorized share capital consists of:

- An unlimited number of subordinate voting shares, voting rights at 1 vote per share, entitled to receive dividends on a share-for-share basis at such amounts and form as the Board may from time to time determines, but subject to the rights of the holders of any preferred shares, non-convertible into any other class of shares;
- An unlimited number of multiple voting shares, voting rights at 10 votes per share, entitled to receive dividends on a share-for-share basis at such amounts and form as the Board may from time to time determines, but subject to the rights of the holders of any preferred shares, and convertible on a share-for-share basis into subordinate voting shares;
- An unlimited number of preferred shares, nonvoting, entitled to preference over subordinated voting shares and multiple voting shares with respect to payment of dividends and distribution of assets.

The following table presents the changes in the share capital:

	Three months ended June 30, 2022		Three months ended June 30, 2021	
	Number of shares	Value \$	Number of shares	Value \$
<b>Common shares</b>				
Outstanding - beginning of period	-	-	22,340,441	16,957
Exercise of stock options	-	-	63,513	90
Outstanding – end of period	-	-	22,403,954	17,047
<b>Subordinate voting shares</b>				
Outstanding - beginning of period	44,327,654	396,842	-	-
Conversion from multiple voting shares	3,674,495	28,625	-	-
Release of restricted shares units	33,440	402	-	-
Outstanding – end of period	48,035,589	425,869	-	-
<b>Multiple voting shares</b>				
Outstanding - beginning of period	59,419,672	463,102	-	-
Exercise of stock options	241,569	428	-	-
Conversion to subordinate voting shares	(3,674,495)	(28,625)	-	-
Outstanding – end of period	55,986,746	434,905	-	-
	<b>104,022,335</b>	<b>860,774</b>	<b>22,403,954</b>	<b>17,047</b>



June 30, 2022

(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)

## 8. Share-based payments

### Stock options

The following table presents information about stock options outstanding and exercisable:

	Three months ended June 30, 2022		Three months ended June 30, 2021	
	Number of options	Weighted average exercise price CA \$	Number of options	Weighted average exercise price CA \$
Outstanding - beginning of period	14,599,117	6.71	10,144,356	2.84
Granted	-	-	548,500	12.53
Exercised	(241,569)	1.52	(63,513)	1.23
Forfeited	(211,496)	8.77	(40,640)	5.16
<b>Outstanding – end of period</b>	<b>14,146,052</b>	<b>6.76</b>	<b>10,588,703</b>	<b>3.35</b>
Exercisable – end of period	7,667,908	2.63	6,107,343	2.08

The following table presents information on the stock options issued and outstanding as at June 30, 2022:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$
<b>Range of exercise prices</b>			
CA\$0.47 to CA\$1.50	3,044,130	3.88	1.23
CA\$2.81 to CA\$4.08	4,278,067	6.28	2.93
CA\$5.00 to CA\$10.80	2,986,605	6.81	7.77
CA\$12.19 to CA\$15.75	3,837,250	5.90	14.65
	<b>14,146,052</b>	<b>5.77</b>	<b>6.76</b>

### Restricted share units ("RSUs")

The following table presents information about RSUs outstanding:

	Three months ended June 30, 2022	
	Number of awards	Weighted average grant date fair value CA\$
Outstanding - beginning of period	2,272,987	13.06
Granted	87,300	5.58
Released	(33,440)	15.00
Forfeited	(176,803)	14.04
<b>Outstanding – end of period</b>	<b>2,150,044</b>	<b>12.64</b>

June 30, 2022

(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)

### Deferred share units ("DSUs")

The following table presents information about DSUs outstanding:

	Three months ended June 30, 2022	
	Number of awards	Weighted average grant date fair value CA\$
Outstanding - beginning of period	201,621	12.66
Granted	3,476	8.96
<b>Outstanding – end of period</b>	<b>205,097</b>	<b>12.60</b>

### Share-based payment expense

For the three months ended June 30, 2022, a share-based payment expense of \$5,796 (\$704 for the three months ended June 30, 2021) was recorded in the consolidated statements of income (loss) and comprehensive income (loss) with a corresponding credit to contributed surplus.

## 9. Net income (loss) per share

The following table summarizes the reconciliation of the net income (loss) used in calculating diluted net income (loss) per share:

	Three months ended June 30,	
	2022	2021
	\$	\$
Net income (loss)	(12,519)	73,236
Plus (less):		
Interest accretion on redeemable preferred shares – debt component	-	4,556
Change in redeemable preferred shares – conversion rights component fair value	-	(69,476)
Deferred tax on redeemable preferred shares	-	(16,280)
<b>Net loss used in the diluted net loss per share calculation</b>	<b>(12,519)</b>	<b>(7,964)</b>

Coveo Solutions Inc.  
Notes to Condensed Interim Consolidated Financial Statements  
(Unaudited)

June 30, 2022

(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)

The following table summarizes the reconciliation of the basic weighted average number of outstanding shares and the diluted weighted average number of shares outstanding:

	Three months ended June 30,	
	2022	2021
Basic weighted average number of shares outstanding	103,829,091	22,365,663
Plus dilutive effect of:		
Preferred shares	-	63,356,738
Stock options	-	8,043,275
<b>Diluted weighted average number of shares outstanding</b>	<b>103,829,091</b>	<b>93,765,676</b>

For the three months ended June 30, 2022, a net loss was recorded and therefore there is no adjustment to the net loss and the basic and diluted weighted average number of shares used in the calculation is the same.

For the three months ended June 30, 2021, 546,000 stock options were excluded from diluted weighted average number of shares outstanding as their effect would have been anti-dilutive.

## 10. Revenue

The following table presents revenue of the Company by geographical area:

	Three months ended June 30,	
	2022	2021
	\$	\$
Canada	1,815	997
United States	20,390	15,391
Other	4,257	1,836
	<b>26,462</b>	<b>18,224</b>

As at June 30, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	2023	2024 and thereafter	Total
	\$	\$	\$
SaaS subscription	84,416	75,624	160,040
Self-managed licenses and maintenance	387	-	387
	<b>84,803</b>	<b>75,624</b>	<b>160,427</b>

June 30, 2022

*(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)*

## 11. Employee compensation

The following table presents employee compensation expenses of the Company, excluding refundable tax credits:

	Three months ended June 30,	
	2022	2021
	\$	\$
Salary and other short-term benefits	22,512	17,994
Share-based payment and related expenses	4,475	704
	<b>26,987</b>	<b>18,698</b>

The following table presents share-based payment and related expenses recognized by the Company:

	Three months ended June 30,	
	2022	2021
	\$	\$
Product cost of revenue	182	46
Professional services cost of revenue	144	31
Sales and marketing	1,531	218
Research and product development	1,433	199
General and administrative	1,185	210
	<b>4,475</b>	<b>704</b>

The following table presents tax credit amounts recognized by the Company:

	Three months ended June 30,	
	2022	2021
	\$	\$
Product cost of revenue	276	181
Professional services cost of revenue	79	73
Research and product development	1,085	2,193
	<b>1,440</b>	<b>2,447</b>

June 30, 2022

*(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)*

## 12. Consolidated statements of cash flows

The following table presents the changes in non-cash working capital items:

	Three months ended June 30,	
	2022	2021
	\$	\$
Trade and other receivables	5,202	5,018
Refundable tax credits	4,080	(2,015)
Prepaid expenses	108	(1,023)
Contract acquisition costs	(1,116)	(1,376)
Trade payable and accrued liabilities	(1,404)	(3,947)
Deferred revenue	(1,822)	1,354
	<b>5,048</b>	<b>(1,989)</b>



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The Relevance Company