



Coveo Solutions Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended December 31, 2022 and 2021
(expressed in thousands of US dollars)

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

As at December 31 and March 31, 2022

(expressed in thousands of US dollars)

	Notes	December 31, 2022	March 31, 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		207,565	223,072
Trade and other receivables	4	20,266	25,476
Refundable tax credits		7,225	10,443
Prepaid expenses		4,573	5,861
		239,629	264,852
Non-current assets			
Contract acquisition costs	5	11,091	10,858
Property and equipment		6,971	8,704
Intangible assets		15,966	20,605
Right-of-use assets		8,032	9,255
Deferred tax assets		3,794	4,616
Goodwill		25,314	26,610
Total assets		310,797	345,500
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6	21,420	22,910
Current portion of deferred revenue		52,656	49,879
Current portion of lease obligations		1,902	1,916
		75,978	74,705
Non-current liabilities			
Deferred revenue		265	513
Lease obligations		9,443	11,169
Deferred tax liabilities		2,884	3,677
Total liabilities		88,570	90,064
Shareholders' equity			
Share capital	7	865,861	859,944
Contributed surplus		25,949	15,295
Deficit		(624,755)	(592,256)
Accumulated other comprehensive loss		(44,828)	(27,547)
Total shareholders' equity		222,227	255,436
Total liabilities and shareholders' equity		310,797	345,500

Approved by the Board of Directors

(signed) Louis Têtu _____ Director

(signed) Fay Sien Goon _____ Director

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

Coveo Solutions Inc.

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

For the nine months ended December 31, 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)
			\$	\$	\$	\$	\$	\$
Balance as at March 31, 2021		22,340,441	16,957	1,105	5,794	(995,774)	(27,161)	(999,079)
Net income		-	-	-	-	437,661	-	437,661
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(2,637)	(2,637)
Total comprehensive income								435,024
Consideration to a shareholder		-	-	-	-	(14,758)	-	(14,758)
Donation of share capital		857,122	10,113	-	-	-	-	10,113
Conversion of redeemable preferred shares		63,356,738	651,645	(1,105)	-	-	-	650,540
Share capital issued		16,620,996	195,920	-	-	-	-	195,920
Share capital issuance costs		-	(16,044)	-	-	-	-	(16,044)
Share-based payments	8	-	-	-	4,327	-	-	4,327
Exercise of stock options	8	187,262	474	-	(137)	-	-	337
Balance as at December 31, 2021		103,362,559	859,065	-	9,984	(572,871)	(29,798)	266,380
Balance as at March 31, 2022		103,747,326	859,944	-	15,295	(592,256)	(27,547)	255,436
Net loss		-	-	-	-	(32,499)	-	(32,499)
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(17,281)	(17,281)
Total comprehensive loss								(49,780)
Share-based payments	8	-	-	-	15,628	-	-	15,628
Exercise of stock options and release of share-based awards, net of shares withheld for taxes	8	1,276,708	5,917	-	(4,974)	-	-	943
Balance as at December 31, 2022		105,024,034	865,861	-	25,949	(624,755)	(44,828)	222,227

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

Coveo Solutions Inc.

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

For the three and nine months ended December 31, 2022 and 2021

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

	Notes	Three months ended December 31,		Nine months ended December 31,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue	10				
SaaS subscription		26,389	21,153	75,861	54,782
Self-managed licenses and maintenance		298	487	912	2,042
Product revenue		26,687	21,640	76,773	56,824
Professional services		1,810	1,603	6,119	4,155
Total revenue		28,497	23,243	82,892	60,979
Cost of revenue					
Product		4,948	4,476	14,455	11,215
Professional services		1,656	1,566	5,455	3,406
Total cost of revenue		6,604	6,042	19,910	14,621
Gross profit		21,893	17,201	62,982	46,358
Operating expenses					
Sales and marketing		13,728	12,182	42,450	33,650
Research and product development		8,705	9,076	26,800	19,446
General and administrative		8,102	17,277	22,917	26,939
Depreciation of property and equipment		599	684	1,951	1,985
Amortization of intangible assets		1,072	1,042	3,337	1,098
Depreciation of right-of-use assets		388	377	1,181	1,138
Total operating expenses		32,594	40,638	98,636	84,256
Operating loss		(10,701)	(23,437)	(35,654)	(37,898)
Change in redeemable preferred shares – conversion rights component fair value		-	(269,200)	-	(299,428)
Net financial expenses (income)		(1,485)	2,930	(2,904)	12,560
Foreign exchange loss (gain)		735	628	(581)	281
Income (loss) before income tax expense (recovery)		(9,951)	242,205	(32,169)	248,689
Income tax expense (recovery)		96	(184,108)	330	(188,972)
Net income (loss)		(10,047)	426,313	(32,499)	437,661
Other comprehensive income (loss)					
Items that may be reclassified to the consolidated statements of income (loss):					
Foreign currency differences on translation to presentation currency		5,282	(6,989)	(17,281)	(2,637)
Total comprehensive income (loss)		(4,765)	419,324	(49,780)	435,024
Net income (loss) per share	9				
Basic		(0.10)	7.65	(0.31)	13.05
Diluted		(0.10)	(0.24)	(0.31)	(0.41)

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

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

For the nine months ended December 31, 2022 and 2021

(expressed in thousands of US dollars)

	Notes	Nine months ended December 31,	
		2022	2021
		\$	\$
Cash flows from (used in) operating activities			
Net income (loss)		(32,499)	437,661
Items not affecting cash			
Amortization of contract acquisition costs	5	3,302	2,797
Depreciation of property and equipment		1,951	1,985
Amortization of intangible assets		3,337	1,098
Depreciation of right-of-use assets		1,181	1,138
Interest accretion		-	11,906
Change in redeemable preferred shares – conversion rights component fair value		-	(299,428)
Donation of share capital		-	10,379
Share-based payments	8	15,628	4,327
Interest on lease obligations		482	550
Change in fair value of short-term investments		-	103
Variation of deferred tax assets and liabilities		323	(189,062)
Unrealized foreign exchange loss (gain)		(581)	232
Changes in non-cash working capital items	12	7,728	(7,254)
		852	(23,568)
Cash flows from (used in) investing activities			
Business combination, net of cash acquired		(475)	(38,667)
Proceeds from disposal of short-term investments		-	76,351
Additions to property and equipment		(1,046)	(1,118)
Additions to intangible assets		(5)	(756)
		(1,526)	35,810
Cash flows from (used in) financing activities			
Share capital issued		-	195,920
Share capital issuance costs		-	(14,477)
Consideration to a shareholder		-	(14,758)
Proceeds from exercise of stock options	8	1,579	337
Tax withholding for net share settlement		(599)	-
Payments on lease obligations		(1,889)	(1,683)
		(909)	165,339
Effect of foreign exchange rate changes on cash and cash equivalents		(13,924)	703
Increase (decrease) in cash and cash equivalents during the period		(15,507)	178,284
Cash and cash equivalents – beginning of period		223,072	55,399
Cash and cash equivalents – end of period		207,565	233,683

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

December 31, 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 is an AI-powered relevance platform that injects search, recommendations, personalization, and merchandising intelligence into digital experiences such as commerce, service, website, and workplace applications. Coveo's platform is cloud-native SaaS, multi-tenant, API-first, and headless, and can integrate into almost any digital experience.

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 standard changes

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)

December 31, 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

	December 31, 2022	March 31, 2022
	\$	\$
Trade accounts receivable, net of allowance for expected credit losses	19,298	24,515
Sales tax receivable	423	882
Other	545	79
	20,266	25,476

5. Contract acquisition costs

	Nine months ended December 31,	
	2022	2021
	\$	\$
Balance at beginning of period	10,858	8,624
Additions	3,797	4,742
Amortization	(3,302)	(2,797)
Effect of movement in exchange rate	(262)	(31)
Balance at end of period	11,091	10,538

6. Trade payable and accrued liabilities

	December 31, 2022	March 31, 2022
	\$	\$
Trade accounts payable	2,326	2,534
Accrued compensation and benefits	12,713	13,343
Sales taxes payable	423	677
Accrued liabilities	5,958	6,356
	21,420	22,910

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

December 31, 2022

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

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:

	Nine months ended December 31, 2022		Nine months ended December 31, 2021	
	Number of shares	Value \$	Number of shares	Value \$
Common shares				
Outstanding – beginning of period	-	-	22,340,441	16,957
Exercise of stock options	-	-	145,937	362
Amendment and redesignation of common shares to multiple voting shares	-	-	(22,486,378)	(17,319)
Outstanding – end of period	-	-	-	-
Subordinate voting shares				
Outstanding – beginning of period	44,327,654	396,842	-	-
Conversion from multiple voting shares	7,186,125	55,674	27,205,999	213,089
Share capital issued	-	-	16,620,996	195,920
Share capital issuance costs	-	-	-	(16,044)
Release of share-based awards, net of shares withheld for taxes	367,773	3,705	-	-
Outstanding – end of period	51,881,552	456,221	43,826,995	392,965
Multiple voting shares				
Outstanding – beginning of period	59,419,672	463,102	-	-
Donation of share capital	-	-	857,122	10,113
Amendment and redesignation of common shares to multiple voting shares	-	-	22,486,378	17,319
Conversion from redeemable preferred shares	-	-	63,356,738	651,645
Exercise of stock options	908,935	2,212	41,325	112
Conversion to subordinate voting shares	(7,186,125)	(55,674)	(27,205,999)	(213,089)
Outstanding – end of period	53,142,482	409,640	59,535,564	466,100
	105,024,034	865,861	103,362,559	859,065

December 31, 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:

	Nine months ended December 31, 2022		Nine months ended December 31, 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	117,000	7.38	3,962,000	14.59
Exercised	(908,935)	2.23	(187,262)	2.25
Forfeited	(341,985)	7.79	(287,578)	5.84
Outstanding – end of period	13,465,197	6.99	13,631,516	6.20
Exercisable – end of period	7,420,858	2.84	6,889,821	2.26

The following table presents information on the stock options issued and outstanding as at December 31, 2022:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$
Range of exercise prices			
CA\$0.47 to CA\$1.50	2,821,821	3.35	1.22
CA\$2.81 to CA\$4.08	3,792,743	5.75	2.93
CA\$5.00 to CA\$10.80	3,038,352	6.23	7.77
CA\$12.19 to CA\$15.75	3,812,281	5.37	14.66
	13,465,197	5.25	6.99

Restricted share units ("RSUs")

The following table presents information about RSUs outstanding:

	Nine months ended December 31, 2022		Nine months ended December 31, 2021	
	Number of RSUs	Weighted average exercise price CA\$	Number of RSUs	Weighted average exercise price CA\$
Outstanding – beginning of period	2,272,987	13.06	-	-
Granted	893,590	7.20	1,374,673	15.00
Released	(494,735)	13.34	-	-
Forfeited	(286,917)	13.88	-	-
Outstanding – end of period	2,384,925	10.71	1,374,673	15.00

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(Unaudited)

December 31, 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:

	Nine months ended December 31, 2022	
	Number of DSUs	Weighted average grant date fair value CA\$
Outstanding – beginning of period	201,621	12.66
Granted	277,934	5.97
Released	(9,160)	15.00
Forfeited	(2,174)	15.00
Outstanding – end of period	468,221	8.63

Share-based payments expense

For the three months ended December 31, 2022, share-based payments expense of \$4,490 (\$2,853 for the three months ended December 31, 2021) was recorded in the consolidated statements of income (loss) and comprehensive income (loss) with a corresponding credit to contributed surplus.

For the nine months ended December 31, 2022, share-based payments expense of \$15,628 (\$4,327 for the nine months ended December 31, 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 loss per share:

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income (loss)	(10,047)	426,313	(32,499)	437,661
Plus (less):				
Interest accretion on redeemable preferred shares - debt component	-	2,753	-	11,906
Change in redeemable preferred shares - conversion rights component fair value	-	(269,200)	-	(299,428)
Deferred tax on redeemable preferred shares	-	(184,352)	-	(189,722)
Net loss used in the diluted net loss per share calculation	(10,047)	(24,486)	(32,499)	(39,583)

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

December 31, 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 December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Basic weighted average number of shares outstanding	104,825,521	55,701,559	104,336,957	33,537,536
Plus dilutive effect of:				
Preferred shares	-	37,187,651	-	54,601,989
Stock options	-	8,179,623	-	7,943,282
RSU	-	567,800	-	189,955
Diluted weighted average number of shares outstanding	104,825,521	101,636,633	104,336,957	96,272,762

For the three and nine months ended December 31, 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 and nine months ended December 31, 2021, 1,414,250 and 501,025 stock options, respectively, 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 December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Canada	1,692	1,160	5,289	3,205
United States	21,669	18,336	63,101	50,226
Other	5,136	3,747	14,502	7,548
	28,497	23,243	82,892	60,979

As at December 31, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	Current	Non-current	Total
	\$	\$	\$
SaaS subscription	92,112	66,361	158,473

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(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 December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salary and other short-term benefits	21,118	22,025	65,082	57,678
Share-based payments and related expenses	5,364	2,853	15,499	4,327
	26,482	24,878	80,581	62,005

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Product cost of revenue	182	140	574	230
Professional services cost of revenue	157	132	466	206
Sales and marketing	1,375	695	4,445	1,153
Research and product development	1,487	1,100	4,608	1,537
General and administrative	2,163	786	5,406	1,201
	5,364	2,853	15,499	4,327

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Product cost of revenue	221	219	696	598
Professional services cost of revenue	88	78	248	234
Research and product development	996	839	2,987	4,532
	1,305	1,136	3,931	5,364

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(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:

	Nine months ended December 31,	
	2022	2021
	\$	\$
Trade and other receivables	4,591	(556)
Government assistance	2,571	(3,684)
Prepaid expenses	882	(462)
Contract acquisition costs	(3,797)	(4,742)
Trade payable and accrued liabilities	226	(1,457)
Deferred revenue	3,255	3,647
	7,728	(7,254)



coveo™

The Relevance Company