Coveo Solutions Inc.

Management's Discussion and Analysis

For the Year Ended March 31, 2023

Management's Discussion and Analysis of Financial Condition and Results of Operations

As used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Coveo", "we", "us", or "our" refer to Coveo Solutions Inc. and its subsidiaries as constituted on March 31, 2023.

This MD&A dated May 30, 2023, for the three months and years ended March 31, 2023 and March 31, 2022, should be read in conjunction with the Company's audited annual consolidated financial statements along with the related notes thereto for the years ended March 31, 2023 and March 31, 2022. The financial information for the years ended March 31, 2023 and March 31, 2022 presented in this MD&A is derived from the Company's audited annual consolidated financial statements for the years ended March 31, 2023 and March 31, 2022 , which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in U.S. dollars unless otherwise indicated.

Forward-Looking Information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions.

This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "might", "will", "achieve", "occur", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "continue", "target", "opportunity", "strategy", "scheduled", "outlook", "forecast", "projection", or "prospect", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. In addition, any statements that refer to expectations, intentions, projections, or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates, and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: the launch of a substantial issuer bid by Coveo and the terms thereof (including the maximum dollar value of subordinate voting shares we may purchase under the offer, the pricing range for the purchase of subordinate voting shares under the offer, the timing to make the substantial issuer bid offer documents available under our profile on SEDAR and the timing of the commencement and completion of the offer); our intention to apply to the Toronto Stock Exchange to launch a normal course issuer bid (including timing for application and launch thereof); our business plans and strategies (including growth strategies); expectations regarding Coveo's revenue and revenue mix, expenses, investments, and operating results; expectations regarding our ability to successfully retain and expand relationships with existing customers; expectations regarding growth opportunities and our ability to capture an increasing share of addressable markets, including for commerce solutions, and strengthen our competitive position; our environmental, social and governance objectives, vision and strategic goals; and expectations regarding our ability to increase our penetration of international markets and selectively pursue and successfully integrate acquisitions, including in respect of identified cross-selling opportunities.

Forward-looking information is necessarily based on a number of opinions, estimates, and assumptions that we considered appropriate and reasonable as of the date such statements are made. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, actual results may vary from the forward-looking information contained herein. Certain assumptions made in preparing the forward-looking information contained in herein include, without limitation: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to attract new customers, both domestically and internationally; the success of our efforts to expand our product portfolio and market reach; our ability to maintain successful strategic relationships with partners and other third parties; assumptions *regarding our future capital requirements; assumptions regarding available liquidity under our revolving credit facility; the accuracy of our estimates of market opportunity, growth forecasts, and expectations around achieving positive operating cash flow and the timing thereof; our success in identifying and evaluating, as well as financing and integrating, any acquisitions, partnerships, or joint ventures; our ability to execute on our expansion plans; the significant influence of our principal shareholders; and the future impact of the COVID-19 pandemic. Moreover, forward-looking information is subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, that may cause the actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to macro-economic uncertainties and the risk factors described under "Risk Factors" in the Company's most recently filed Annual Information Form ("AIF") available under our profile on SEDAR at www.sedar.com. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made.*

Moreover, we operate in a very competitive and rapidly changing environment. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

You should not rely on this forward-looking information, as actual outcomes and results may differ materially from those contemplated by this forward-looking information as a result of such risks and uncertainties. Additional information will also be set forth in other public filings that we make available under our profile on SEDAR at www.sedar.com from time to time. The forward-looking information provided in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Business Overview

The business of Coveo

Coveo is a market-leading artificial intelligence ("**AI**") platform that enhances search, recommendations, personalization, and merchandising intelligence in digital experiences across commerce, service, website, and workplace applications. Coveo's platform includes analytics and AI models testing capabilities, and can integrate into almost any digital user experience a large enterprise delivers. Our platform is cloud-native SaaS, multi-tenant, API-first, and headless. Our solutions are designed to provide tangible financial value to our customers by helping to drive improvements in conversions, revenue, and margins, reduce the cost to serve, increase customer satisfaction and engagement, and improve employee proficiency and satisfaction. Our AI platform powers relevance for many of the world's most innovative brands, serving millions of people and billions of interactions, and is supported by a large network of global systems integrators and implementation partners.

The Coveo Relevance Cloud™ platform retrieves and indexes structured and/or unstructured content from a variety of internal and external data sources. It then combines this content with click-stream events and behavior patterns. Then, using our AI, machine learning, natural language processing, deep learning, and large language models ("**LLMs**"), the platform helps to determine what users are looking for in real-time, and learns which content delivers optimal outcomes based on a deep understanding of what worked best for others. As more data accumulates, the platform learns to better predict each user's needs, and then automatically recommends personalized content.

We primarily generate revenue from the recurring sale of SaaS subscriptions. Our contracts generally have multi-year terms and are subject to renewal at the end of the subscription term. We sell and distribute our solutions almost exclusively through our direct sales force supported by a large network of global systems integrators and implementation partners. We have also established strategic relationships with leading global technology platforms, including with Salesforce as a Salesforce Summit ISVforce Partner, SAP as an SAP® Endorsed App, and Adobe as an Adobe Accelerate Exchange Partner. We have collaborated with these partners, as well as others, to integrate our solutions within their platforms, enabling users to unify content from multiple sources as well as deploy our usage analytics and machine learning models natively within these applications.

Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends, formulate business plans, and make strategic decisions. These key performance indicators provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

- **SaaS Subscription Revenue:** Our main focus is on growing our SaaS Subscription Revenue. We believe that our ability to increase our SaaS Subscription Revenue, as presented in our financial statements in accordance with IFRS, is an indicator of the success of our growth strategy. The recurring nature and predictability of our SaaS Subscription Revenue provides visibility into future performance, and the upfront annual payments we typically receive on these contracts results in cash flow generation in advance of revenue recognition. Our SaaS Subscription Revenue was $27.1 million for the three months ended March 31, 2023, an increase of $4.0 million or 17% compared to the three months ended March 31, 2022. For the year ended March 31, 2023, SaaS Subscription Revenue was $103.0 million, an increase of $25.1 million or 32% compared to the year ended March 31, 2022.

- **Net Expansion Rate:** We believe that Net Expansion Rate is a useful indicator of our ability to maintain and expand our relationships with our customers over time. This indicator compares our SaaS Annualized Contract Value[1] from the same set of customers across comparable periods. We calculate this rate by considering a cohort of customers at the end of the period 12 months prior to the end of the period selected and dividing the SaaS Annualized Contract Value attributable to that cohort at the end of the current period selected, by the SaaS Annualized Contract Value attributable to that cohort at the beginning of the period 12 months prior to the end of the period selected.

  Expressed as a percentage, the ratio:

  i. Excludes any SaaS Annualized Contract Value from new customers added during the 12 months preceding the end of the period selected;

  ii. Includes incremental SaaS Annualized Contract Value sold to the cohort over the 12 months preceding the end of the period selected;

  iii. Is net of the SaaS Annualized Contract Value from any customers whose subscriptions terminated or decreased over the 12 months preceding the end of the period selected; and

  iv. Includes customers who converted from self-managed (on-premise) licenses and maintenance services to SaaS subscriptions during the 12 months preceding the end of the period selected.

  We believe that measuring the ability to retain and expand revenue generated from our existing customer base is a key indicator of the long-term value that we provide to customers. Our Net Expansion Rate was 110% as of March 31, 2023 and March 31, 2022.

- **Current SaaS Subscription Remaining Performance Obligations ("SaaS cRPO"):** We believe that SaaS cRPO, as presented in our financial statements in accordance with IFRS, provides visibility into our future performance. This amount represents a forward-looking indicator of anticipated future revenue under contract that has not yet

[1] *"**SaaS Annualized Contract Value**" means the SaaS annualized contract value of a customer's commitments calculated based on the terms of that customer's subscriptions, and represents the committed annualized subscription amount as of the measurement date.*

been recognized as revenue but that is expected to be recognized over the next 12 months. As of March 31, 2023, SaaS cRPO was $95.3 million, an increase of $14.7 million or 18% compared to March 31, 2022.

Non-IFRS Financial Measures and Ratios and Reconciliation of Non-IFRS Financial Measures and Ratios

Non-IFRS financial measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. These measures and ratios are unlikely to be comparable to similar measures and ratios presented by other companies. Rather, non-IFRS financial measures and ratios are provided as additional information to complement financial statements by providing further understanding of our results of operations from management's perspective. Accordingly, these measures and ratios should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We believe that non-IFRS financial measures and ratios are useful in providing supplemental information regarding our performance by excluding certain items that may not be indicative of our business, operating results, or future outlook. Management uses non-IFRS financial measures and ratios to make performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management compensation.

Adjusted Operating Loss

Adjusted Operating Loss is defined as operating loss excluding share-based payments and related expenses, amortization of acquired intangible assets, acquisition-related compensation, transaction-related expenses, charitable contributions, and other one-time or non-cash items.

We believe Adjusted Operating Loss provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as these metrics generally eliminate the effects of certain variables from period to period for reasons unrelated to overall operating performance. We believe similar measures are used widely among others in our industry as a means of evaluating a company's underlying operating performance.

The following table reconciles Adjusted Operating Loss to operating loss for the periods indicated:

	Three months ended March 31,		**Year ended March 31,**	
In thousands of U.S. dollars	**2023**	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Operating loss	**(8,765)**	**(19,360)**	**(44,419)**	**(57,258)**
Share-based payments and related expenses (1)	3,205	9,122	18,704	13,449
Amortization of acquired intangible assets (2)	1,116	1,204	4,449	2,207
Acquisition-related compensation (3)	-	243	407	987
Transaction-related expenses (4)	89	140	413	1,979
Charitable contributions	44	64	209	10,544
Adjusted Operating Loss	**(4,311)**	**(8,587)**	**(20,237)**	**(28,092)**

(1) These expenses relate to issued stock options and share-based awards under our share-based plans to our employees and directors as well as related payroll taxes that are directly attributable to the share-based payments. These costs are included in product and professional services cost of revenue, sales and marketing, research and product development, and general and administrative expenses.

(2) These expenses represent the amortization of intangible assets acquired through the acquisition of Qubit Digital Ltd ("**Qubit**"). These costs are included in amortization of intangible assets.

(3) These expenses relate to non-recurring acquisition-related compensation in connection with acquisitions. These costs are included in product and professional services cost of revenue, and sales and marketing, research and product development, and general and administrative expenses.

(4) These expenses relate to professional, legal, consulting, accounting, advisory, and other fees relating to transactions that would otherwise not have been incurred. These costs are included in general and administrative expenses.

Adjusted Gross Profit Measures and Adjusted Gross Profit (%) Measures

Adjusted Gross Profit, Adjusted Product Gross Profit, and Adjusted Professional Services Gross Profit are respectively defined as gross profit, product gross profit, and professional services gross profit excluding share-based payments and related expenses, acquisition-related compensation, transaction-related expenses, and other one-time or non-cash items. We refer to these measures collectively as our "**Adjusted Gross Profit Measures**". Adjusted Gross Profit (%) is defined as Adjusted Gross Profit as a percentage of total revenue. Adjusted Product Gross Profit (%) is defined as Adjusted Product Gross Profit as a percentage of product revenue. Adjusted Professional Services Gross Profit (%) is defined as Adjusted Professional Services Gross Profit as a percentage of professional services revenue. We refer to these measures collectively as our "**Adjusted Gross Profit (%) Measures**".

We believe that Adjusted Gross Profit Measures and Adjusted Gross Profit (%) Measures provide our management and investors with consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our direct costs and gross profit by excluding the effects of certain variables for reasons unrelated to overall operating performance. We believe they are important supplemental financial measures of our performance, primarily because they and similar measures are used widely among others in our industry as a means of evaluating a company's underlying operating performance.

The table below provides a reconciliation of Adjusted Gross Profit to gross profit, Adjusted Product Gross Profit to product gross profit, and Adjusted Professional Services Gross Profit to professional services gross profit:

	Three months ended March 31,		Year ended March 31,	
In thousands of U.S. dollars	2023	2022	2023	2022
	$	$	$	$
Total revenue	**29,110**	**25,509**	**112,002**	**86,488**
Gross profit	**22,346**	**18,674**	**85,328**	**65,032**
Gross profit (%)	*77%*	*73%*	*76%*	*75%*
Add: Share-based payments and related expenses	221	544	1,261	980
Add: Acquisition-related compensation	-	84	172	247
Adjusted Gross Profit	**22,567**	**19,302**	**86,761**	**66,259**
Adjusted Gross Profit (%)	*78%*	*76%*	*77%*	*77%*
Product revenue	**27,099**	**23,404**	**103,872**	**80,228**
Product cost of revenue	**5,118**	**4,878**	**19,573**	**16,093**
Product gross profit	**21,981**	**18,526**	**84,299**	**64,135**
Product gross profit (%)	*81%*	*79%*	*81%*	*80%*
Add: Share-based payments and related expenses	123	282	697	512
Add: Acquisition-related compensation	-	57	134	94
Adjusted Product Gross Profit	**22,104**	**18,865**	**85,130**	**64,741**
Adjusted Product Gross Profit (%)	*82%*	*81%*	*82%*	*81%*
Professional services revenue	**2,011**	**2,105**	**8,130**	**6,260**
Professional services cost of revenue	**1,646**	**1,957**	**7,101**	**5,363**
Professional services gross profit	**365**	**148**	**1,029**	**897**
Professional services gross profit (%)	*18%*	*7%*	*13%*	*14%*
Add: Share-based payments and related expenses	98	262	564	468
Add: Acquisition-related compensation	-	27	38	153
Adjusted Professional Services Gross Profit	**463**	**437**	**1,631**	**1,518**
Adjusted Professional Services Gross Profit (%)	*23%*	*21%*	*20%*	*24%*

Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures

Adjusted Sales and Marketing Expenses, Adjusted Research and Product Development Expenses, and Adjusted General and Administrative Expenses are respectively defined as sales and marketing expenses, research and product development expenses, and general and administrative expenses excluding share-based payments and related expenses, acquisition-related compensation, transaction-related expenses, charitable contributions, and other one-time or non-cash items. We refer to these measures collectively as our "**Adjusted Operating Expense Measures**". Adjusted Sales and Marketing Expenses (%), Adjusted Research and Product Development Expenses (%), and Adjusted General and Administrative Expenses (%) are respectively defined as Adjusted Sales and Marketing Expenses, Adjusted Research and Product Development Expenses, and Adjusted General and Administrative Expenses as a percentage of total revenue. We refer to these measures collectively as our "**Adjusted Operating Expense (%) Measures**".

We believe that Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures provide our management and investors with consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our direct costs by excluding the effects of certain variables for reasons unrelated to overall operating performance. We believe they are important supplemental financial measures of our performance, primarily because they and similar measures are used among others in our industry as a means of evaluating a company's underlying operating performance.

The table below provides a reconciliation of Adjusted Sales and Marketing Expenses to sales and marketing expenses, Adjusted Research and Product Development Expenses to research and product development expenses, and Adjusted General and Administrative Expense to general and administrative expenses:

	Three months ended March 31,		Year ended March 31,	
In thousands of U.S. dollars	2023	2022	2023	2022
	$	$	$	$
Sales and marketing expenses	**14,650**	**14,121**	**57,100**	**47,771**
Sales and marketing expenses (%)	*50%*	*55%*	*51%*	*55%*
Less: Share-based payments and related expenses	993	1,746	5,438	2,899
Less: Acquisition-related compensation	-	51	77	118
Adjusted Sales and Marketing Expenses	**13,657**	**12,324**	**51,585**	**44,754**
Adjusted Sales and Marketing Expenses (%)	*47%*	*48%*	*46%*	*52%*
Research and product development expenses	**8,225**	**10,653**	**35,025**	**30,099**
Research and product development expenses (%)	*28%*	*42%*	*31%*	*35%*
Less: Share-based payments and related expenses	914	2,692	5,522	4,229
Less: Acquisition-related compensation	-	99	143	604
Adjusted Research and Product Development Expenses	**7,311**	**7,862**	**29,360**	**25,266**
Adjusted Research and Product Development Expenses (%)	*25%*	*31%*	*26%*	*29%*
General and administrative expenses	**6,125**	**9,820**	**29,042**	**36,759**
General and administrative expenses (%)	*21%*	*38%*	*26%*	*43%*
Less: Share-based payments and related expenses	1,077	4,140	6,483	5,341
Less: Acquisition-related compensation	-	9	15	18
Less: Transaction-related expenses	89	140	413	1,979
Less: Charitable contributions	44	64	209	10,544
Adjusted General and Administrative Expenses	**4,915**	**5,467**	**21,922**	**18,877**
Adjusted General and Administrative Expenses (%)	*17%*	*21%*	*20%*	*22%*

Authorization of Substantial Issuer Bid

On May 30, 2023, the Company's board of directors authorized a substantial issuer bid to repurchase (the "Offer") its subordinate voting shares for cancellation for a maximum amount of C$40 million. The Offer will proceed by way of a modified Dutch auction, which will allow shareholders who choose to participate in the Offer to select the price, within a range of C$7.00 to C$8.50, at which they wish to tender their shares. The Offer is expected to commence on June 2, 2023, and upon expiry of the Offer, currently anticipated to be by mid-July 2023, the Company will determine the lowest purchase price within the foregoing range (as may be varied) that will allow the Company to purchase the maximum number of shares properly tendered to the Offer, having an aggregate purchase price not exceeding C$40 million.

The Offer will not be conditional upon any minimum number of subordinate voting shares being tendered. The Offer will, however, be subject to other conditions and the Company will reserve the right, subject to applicable laws, to withdraw or amend the Offer, if, at any time prior to the payment of deposited subordinate voting shares, certain events occur, as detailed in the offer documents expected to be filed under the Company's SEDAR profile at www.sedar.com on May 30, 2023.

On May 30, 2023, the Company also announced that subject to market and other conditions and regulatory approvals, it intends to apply to the Toronto Stock Exchange to launch a normal course issuer bid on or around the date of completion of the Offer.

Key Factors Impacting Our Performance

We believe that our goal of driving long-term sustainable growth and stakeholder value depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of the Company's most recent AIF available under our profile on SEDAR at www.sedar.com.

Growing our SaaS customer base

A portion of our future revenue growth is reliant upon the effectiveness of our sales and marketing efforts to secure new customers. In order to maximize our ability to secure new customers, our go-to-market strategy is designed to cover the full spectrum of the buyer journey of an enterprise, from developers to chief experience officers and other executive officers. We believe the flexibility of our go-to-market strategy contributes to our ability to attract new customers and generate revenue growth.

Driving expansion from our existing SaaS customer base

Our future growth will also depend on our ability to maintain and expand our existing customer relationships. Our solutions are designed to drive return on investment for our customers, and as a result, we typically develop long-term relationships with our customers. We believe that the long-term nature of our customer relationships presents us with opportunities to grow these relationships over time.

Growth of our commerce solutions

We have made investments, including the acquisition of Qubit in fiscal year 2022, to build a technology that delivers relevance in digital commerce experiences. Our commerce solutions aim to help drive revenue and profitability growth for both online business-to-business ("**B2B**") and business-to-consumer ("**B2C**") entities by improving purchase conversion rates, increasing cart sizes with upsells, and driving higher customer loyalty. Coveo is also now an SAP® Endorsed App, and will partner with SAP to jointly promote and deliver capabilities that meet B2B and B2C SAP Commerce Cloud customers' needs for merchandising and personalized AI-powered search and recommendations.

Capture the generative AI opportunity

Recently, we announced Coveo's Relevance Generative Answering capability, which combines LLMs with the Company's secure unified indexing capabilities. By utilizing LLMs in a Retrieval Augmented Generation approach, Coveo Relevance Generative Answering aims to deliver the best answer possible for each query, utilizing the latest in enterprise search and relevance technology. The beta version is expected to be available for customers with self-service use cases starting later this year.

Maintain and expand existing platform integrations, and develop new ones

We have demonstrated the ability to develop integrations between our platform and other global technology vendors. Strategic platform integrations are additive to the value proposition of our solutions and promote adoption of our platform. We intend to focus on maintaining and expanding our existing strategic platform integration relationships while also developing new ones.

Geographical expansion

We believe an opportunity exists for us to expand and deepen our international presence, particularly in the Europe Middle-East Africa ("**EMEA**") and Asia Pacific ("**APAC**") regions. A portion of our future revenue growth is dependent on our ability to successfully penetrate these markets.

Successfully executing on future acquisitions

We intend to augment our capabilities and organic growth with targeted strategic acquisitions. Critical to our success is continuing to be highly disciplined in integrating acquisitions into our Company in a manner that allows us to fulfill the potential that these acquisitions could bring.

Macroeconomic environment

Our performance is subject to worldwide economic conditions and global events, including geopolitical, economic, social, and environmental risks that may impact our operations or our customers' operations. The current deterioration in general economic conditions, including labor shortages and the rates of unemployment, increased inflation, and increased interest rates may adversely affect customer spending and customer debt levels, and as a result, adversely affect our financial performance. Economic and geopolitical uncertainties, including those related to the collapse or near-collapse of major financial institutions in the United States and around the world, Russia's invasion of Ukraine, and the COVID-19 pandemic may further amplify such risks. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations. While we do not have any material exposure to Russia or Ukraine, there are other geopolitical and macroeconomic risks that are outside of our control that could impact our business, financial condition, or results of operations. Please refer to the "Risk Factors" section of our most recently filed AIF available under our profile on SEDAR at www.sedar.com for additional details.

Foreign exchange risk

Our financial results are reported in U.S. dollars and our functional currency is the Canadian dollar, with the exception of our subsidiaries in United States (U.S. dollar), United Kingdom (British pound sterling), and the Netherlands (Euro). We derive most of our revenue in U.S. dollars, while our headquarters and a significant portion of our employees are located in Canada. As such, an important portion of our operating expenses are transacted in Canadian dollars. Some portion of our sales and operating expenses are also in currencies other than the U.S. dollar, including primarily Euros and British pound sterling. Fluctuations in relative currency values against the U.S. dollar could thus have an impact on our results of operations.

Key Components of Results of Operations

Revenue

SaaS Subscription Revenue. SaaS Subscription Revenue is primarily comprised of fees for the provisioning of the Coveo Relevance Cloud™ platform and the related customer support and success plans. SaaS subscriptions are generally sold for a fixed fee and revenue is recognized rateably over the term of the contract as the Company satisfies the performance obligation.

Our contracts generally have multi-year terms, are subject to renewal at the end of the subscription term, and generally do not provide for a right to terminate the subscription for convenience, other than in accordance with applicable laws. As a result, a significant portion of the SaaS Subscription Revenue that we recognize in each period is attributable to subscriptions entered into during previous periods. The Company generally invoices annually in advance and receives payment from its customers on the invoice due date. To the extent we invoice our customers in advance of revenue recognition, we record deferred revenue.

Professional services. Professional services revenue is earned for the implementation and configuration of our platform in connection with SaaS subscriptions. These services are typically time-based arrangements, with revenue recognized as these services are performed. In certain circumstances, we enter into arrangements for professional services on a fixed price basis. In these cases, revenue is recognized by reference to the stage of completion of the contract.

Cost of revenue

Product cost of revenue. Product cost of revenue includes personnel and overhead costs, including share-based payments and related expenses, associated with our customer success, customer support, and data hosting teams, and the cost of data hosting services.

Professional services cost of revenue. Professional services cost of revenue consists of personnel, including share-based payments and related expenses, and other overhead costs related to implementation teams supporting initial deployments, training services, and subsequent stand-alone engagements for additional services.

We intend to incur additional expenses in data hosting, customer success, customer support, and professional services as we expand our customer base. The level and timing of these additional expenses could affect our cost of revenue in the future.

Sales and marketing expenses

Sales and marketing expenses consist primarily of personnel and related costs, including share-based payments and related expenses, for our sales and marketing teams. This includes salaries and benefits, contract acquisition costs (including commissions earned by sales personnel and fees paid to our partners), support and training related to our partner programs, and marketing expenses focused on business development and sales.

As we grow our revenue, we plan to continue to invest in sales and marketing by expanding our domestic and international headcount, building brand awareness via marketing programs and outbound lead generation, and developing and expanding relationships with our implementation partners. Over time, we expect sales and marketing expenses will decline as a percentage of total revenue as we achieve additional economies of scale as our revenue grows.

*Research and product development ("**R&D**") expenses*

R&D expenses consist primarily of personnel and related costs, including share-based payments and related expenses, for the teams responsible for the ongoing research, development, and product management of our solutions. These expenses are recorded net of applicable government assistance.

We expect that our spending on R&D will increase in absolute dollars as we expand our R&D and product management teams to continue to add new features and capabilities to our platform. We expect research and development expenses to decline as a percentage of total revenue as we achieve additional economies of scale as our revenue grows.

General and administrative expenses

General and administrative expenses consist of employee expenses, including share-based payments and related expenses, associated with administrative functions of the business, including finance, accounting, legal, administrative, human resources, procurement, information systems, and information technology, as well as professional fees and other corporate expenses.

We expect that general and administrative expenses will increase in absolute dollars in the future as we invest in our infrastructure and incur additional employee-related costs and professional fees related to the growth of our business, including our international expansion. Over time, we expect general and administrative expenses to decrease as a percentage of total revenue as we focus on processes, systems, and controls to enable our internal administrative functions to scale with the growth of our business.

Results of Operations

The following table sets forth our results of operations:

In thousands of U.S. dollars, except per share data	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
	$	$	$	$
Revenue				
SaaS subscription	27,099	23,071	102,960	77,853
Self-managed licenses and maintenance	-	333	912	2,375
Product revenue	**27,099**	**23,404**	**103,872**	**80,228**
Professional services	2,011	2,105	8,130	6,260
Total revenue	**29,110**	**25,509**	**112,002**	**86,488**
Cost of revenue				
Product	5,118	4,878	19,573	16,093
Professional services	1,646	1,957	7,101	5,363
Total cost of revenue	**6,764**	**6,835**	**26,674**	**21,456**
Gross profit	**22,346**	**18,674**	**85,328**	**65,032**
Operating expenses				
Sales and marketing	14,650	14,121	57,100	47,771
Research and product development	8,225	10,653	35,025	30,099
General and administrative	6,125	9,820	29,042	36,759
Depreciation of property and equipment	597	692	2,548	2,677
Amortization of intangible assets	1,117	2,369	4,454	3,467
Depreciation of right-of-use assets	397	379	1,578	1,517
Total operating expenses	**31,111**	**38,034**	**129,747**	**122,290**
Operating loss	**(8,765)**	**(19,360)**	**(44,419)**	**(57,258)**
Change in redeemable preferred shares conversion rights component fair value	-	-	-	(299,428)
Net financial expenses (revenue)	(1,709)	(59)	(4,613)	12,501
Foreign exchange loss (gain)	302	81	(279)	362
Income (loss) before income tax expense (recovery)	**(7,358)**	**(19,382)**	**(39,527)**	**229,307**
Income tax expense (recovery)	(125)	3	205	(188,969)
Net income (loss)	**(7,233)**	**(19,385)**	**(39,732)**	**418,276**
Net income (loss) per share				
Basic	(0.07)	(0.19)	(0.38)	8.23
Diluted	(0.07)	(0.19)	(0.38)	(0.59)

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

In thousands of U.S. dollars	Three months ended March 31, 2023	Three months ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
	$	$	$	$
Share-based payments and related expenses				
Product cost of revenue	123	282	697	512
Professional services cost of revenue	98	262	564	468
Sales and marketing	993	1,746	5,438	2,899
Research and product development	914	2,692	5,522	4,229
General and administrative	1,077	4,140	6,483	5,341
Share-based payments and related expenses	**3,205**	**9,122**	**18,704**	**13,449**

Results of Operations for the Three Months and Years Ended March 31, 2023 and March 31, 2022

Revenue

In thousands of U.S. dollars	Three months ended March 31, 2023	Three months ended March 31, 2022	Change		Year ended March 31, 2023	Year ended March 31, 2022	Change	
	$	$	$	%	$	$	$	%
Revenue								
SaaS subscription	27,099	23,071	4,028	17%	102,960	77,853	25,107	32%
Self-managed licenses and maintenance	-	333	(333)	(100%)	912	2,375	(1,463)	(62%)
Product revenue	**27,099**	**23,404**	**3,695**	**16%**	**103,872**	**80,228**	**23,644**	**29%**
Professional services	2,011	2,105	(94)	(4%)	8,130	6,260	1,870	30%
Total revenue	**29,110**	**25,509**	**3,601**	**14%**	**112,002**	**86,488**	**25,514**	**30%**
Percentage of total revenue:								
SaaS subscription	93%	90%			92%	90%		
Self-managed licenses and maintenance	-	1%			1%	3%		
Product revenue	**93%**	**92%**			**93%**	**93%**		
Professional services	7%	8%			7%	7%		
Total revenue	**100%**	**100%**			**100%**	**100%**		

Product revenue

SaaS Subscription Revenue increased for the three months and year ended March 31, 2023 due to the continued adoption of our solutions that led to incremental revenue from new customers, as well as expansion transactions that increased our revenue with our existing base of customers. Compared to prior periods, the foreign exchange rates on product revenue in currencies other than the U.S. dollar had a negative impact of $0.4 million and $2.0 million for the three months and year ended March 31, 2023, respectively.

As we announced the decision to no longer support our on-premise product offerings, some customers did not renew their self-managed licenses and maintenance as they chose not to migrate to our cloud solutions. All contracts for self-managed licenses and maintenance were terminated as of December 31, 2022.

Professional services

Professional services revenue slightly decreased for the three months ended March 31, 2023 as compared to three months ended March 31, 2022 as more implementation partners were involved in the delivery of our solutions.

The increase in professional services revenue for the year ended March 31, 2023 was driven by the growth of our business and our commerce solutions, which resulted in an increase in billable hours and hourly rates for our professional services organization. This increase was partially offset by the additional involvement of our implementation partners as described above.

Cost of revenue

	Three months ended March 31,				Year ended March 31,			
In thousands of U.S. dollars	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Cost of revenue								
Product	5,118	4,878	240	5%	19,573	16,093	3,480	22%
Professional services	1,646	1,957	(311)	(16%)	7,101	5,363	1,738	32%
Total cost of revenue	**6,764**	**6,835**	**(71)**	**(1%)**	**26,674**	**21,456**	**5,218**	**24%**
Gross profit (%)								
Product	81%	79%			81%	80%		
Professional services	18%	7%			13%	14%		
Gross profit	**77%**	**73%**			**76%**	**75%**		

Product

Product cost of revenue for the three months and year ended March 31, 2023 increased due to the growth of our customer base, which resulted in an increase in hosting expenses of $0.3 million, as well as an increase in labor costs of $0.1 million, partially offset by a decrease in share-based awards and related expenses of $0.2 million.

For the year ended March 31, 2023, we incurred additional hosting expenses of $2.0 million and an increase in labor costs of $1.5 million, including additional costs related to the acquisition of Qubit in October 2021. Our product gross profit (%) for the three months and year ended March 31, 2023 increased, mainly driven by our continuous efforts to optimize hosting expenses and other costs.

Professional services

For the three months ended March 31, 2023, professional services cost of revenue decreased, primarily driven by a decrease in share-based payments and related expenses of $0.2 million and the reduction in labor costs and consulting fees by $0.1 million compared to the three months ended March 31, 2022. The increase in professional services gross profit (%) was mainly driven by the improvement of the professional services gross profit (%) of Qubit.

The increase in professional services cost of revenue for the year ended March 31, 2023 was mainly driven by the increase in professional services revenue, which required additional labor costs of $0.9 million and additional consulting fees of $0.6 million, and the increase in share-based payments and related expenses by $0.1 million.

Product and professional services cost of revenue were also favorably impacted by the strengthening of the U.S. dollar compared to the Canadian dollar.

Operating expenses

Sales and marketing expenses

In thousands of U.S. dollars	Three months ended March 31, 2023	2022	Change		Year ended March 31, 2023	2022	Change	
	$	$	$	%	$	$	$	%
Sales and marketing	14,650	14,121	529	4%	57,100	47,771	9,329	20%
Percentage of total revenue	50%	55%			51%	55%		

The increase in sales and marketing expenses for the three months ended March 31, 2023 was largely attributable to incremental spending on marketing programs and consulting fees of $0.5 million, additional attendance at in-person events and related travel fees of $0.4 million, and increased partnership fees by $0.3 million, partially offset by a decrease in share-based payments and related expenses of $0.8 million.

For the year ended March 31, 2023, sales and marketing expenses increased mainly due to additional share-based payments and related expenses of $2.5 million, additional attendance at in-person events and related travel fees of $2.5 million, an increase in labor costs and commissions of $2.1 million, incremental spending on marketing programs and consulting fees of $1.6 million, and increased partnership fees of $0.9 million. These variances include the impact of the acquisition of Qubit.

For the three months and year ended March 31, 2023, sales and marketing expenses as a percentage of total revenue decreased due to the result of initiatives related to improving our operational efficiency.

Research and product development expenses

In thousands of U.S. dollars	Three months ended March 31, 2023	2022	Change		Year ended March 31, 2023	2022	Change	
	$	$	$	%	$	$	$	%
Research and product development	8,225	10,653	(2,428)	(23%)	35,025	30,099	4,926	16%
Percentage of total revenue	28%	42%			31%	35%		

For the three months ended March 31, 2023, R&D expenses decreased mainly due to a decrease in share-based payments and related expenses of $1.8 million and an increase in government assistance of $1.4 million, which was largely attributable to our participation in the SCALE AI – Canadian Artificial Intelligence Supercluster program. Our participation in this program will be active until March 2024. The decrease in R&D expenses was partially offset by an increase in consulting fees of $0.6 million.

R&D expenses increased for the year ended March 31, 2023 due to an increase in labor costs of $2.3 million, as well as additional share-based payments and related expenses of $1.3 million, an increase in consulting fees of $0.7 million, and an increase in hosting expenses of $0.6 million. These variances include the impact of the acquisition of Qubit.

The Company has also implemented efficiency initiatives to enable our R&D functions to scale effectively and benefited from the strengthening of the U.S. dollar compared to the Canadian dollar, both of which helped to drive lower R&D expenses as a percentage of total revenue.

General and administrative expenses

In thousands of U.S. dollars	Three months ended March 31, 2023	2022	Change		Year ended March 31, 2023	2022	Change	
	$	$	$	%	$	$	$	%
General and administrative	6,125	9,820	(3,695)	(38%)	29,042	36,759	(7,717)	(21%)
Percentage of total revenue	21%	38%			26%	43%		

For the three months ended March 31, 2023, general and administrative expenses decreased mainly due to a decrease in share-based payments and related expenses of $3.1 million, as well as a decrease in consulting fees of $0.5 million related to additional costs incurred during our first year operating as a public company.

General and administrative expenses decreased for the year ended March 31, 2023 as a result of the one-time effect of our Pledge 1% donation of $10.4 million and a decrease in transaction-related expenses of $1.6 million, which was mainly driven by fees related to our Initial Public Offering ("**IPO**") and the acquisition of Qubit. These decreases were partially offset by incremental costs related to operating as a public company of $1.4 million, an increase in labor costs and travel of $1.2 million, additional share-based payments and related expenses of $1.1 million, and various other expenses incurred to support our business of $0.6 million. These variances include the impact of the acquisition of Qubit.

The Company has also implemented efficiency initiatives to enable our administrative functions to scale effectively and benefited from the strengthening of the U.S. dollar compared to the Canadian dollar, both of which helped to drive lower general and administrative expenses as a percentage of total revenue.

Other operating expenses

In thousands of U.S. dollars	Three months ended March 31, 2023	2022	Change		Year ended March 31, 2023	2022	Change	
	$	$	$	%	$	$	$	%
Depreciation of property and equipment	597	692	(95)	(14%)	2,548	2,677	(129)	(5%)
Amortization of intangible assets	1,117	2,369	(1,252)	(53%)	4,454	3,467	987	28%
Depreciation of right-of-use assets	397	379	18	5%	1,578	1,517	61	4%
	2,111	**3,440**	**(1,329)**	**(39%)**	**8,580**	**7,661**	**919**	**12%**

Depreciation of property and equipment for the three months and year ended March 31, 2023 was generally in-line with the three months and year ended March 31, 2022.

Amortization of intangible assets for the three months ended March 31, 2023 decreased as compared to the three months ended March 31, 2022 following the end of the amortization period of certain intangible assets. The amortization of intangible assets for the year ended March 31, 2023 increased compared to the year ended March 31, 2022, primarily driven by the amortization of intangible assets from the acquisition of Qubit.

Depreciation of right-of-use assets for the three months and year ended March 31, 2023 was in-line with the three months and year ended March 31, 2022.

Other expenses

	Three months ended March 31,				Year ended March 31,			
In thousands of U.S. dollars	2023	2022	Change		2023	2022	Change	
	$	$	$	%	$	$	$	%
Change in redeemable preferred shares conversion rights component fair value	-	-	-	-	-	(299,428)	299,428	(100%)
Net financial expenses (revenue)	(1,709)	(59)	(1,650)	2,797%	(4,613)	12,501	(17,114)	(137%)
Foreign exchange loss (gain)	302	81	221	273%	(279)	362	(641)	(177%)
Income tax expense (recovery)	(125)	3	(128)	4,267%	205	(188,969)	189,174	(100%)

Change in redeemable preferred shares conversion rights component fair value had no impact for the three months and year ended March 31, 2023 and for the three months ended March 31, 2022. For the year ended March 31, 2022, this item was driven by changes in the conversion rights component fair value of our Series B, C, D, E, and F redeemable preferred shares. The redeemable preferred shares were converted into multiple voting shares in connection with the reorganization completed immediately prior to the closing of our IPO and we do not expect any future impact.

For the three months and year ended March 31, 2023 and for the three months ended March 31, 2022, we were in a position of net financial revenue compared to net financial expenses for the year ended March 31, 2022. Interest income was driven by higher cash balance invested and an increase in interest rates compared to comparative periods. During the year ended March 31, 2022, interest accretion was recognized in connection with the redeemable preferred shares.

Foreign exchange gain and loss result from transactions denominated in currencies other than the functional currencies and translated into the relevant functional currency. The foreign exchange loss for the three months ended March 31, 2023 and the foreign exchange gain for the year ended March 31, 2023 were mainly driven by the operations denominated in U.S. dollars of Coveo Solutions Inc., which uses the Canadian dollar as its functional currency.

For the three months and year ended March 31, 2023, as well as for the three months ended March 31, 2022, we recorded an income tax expense as opposed to an income tax recovery for the year ended March 31, 2022. The income tax recovery for the year ended March 31, 2022 was largely attributable to deferred taxes related to the redeemable preferred shares conversion rights and debt components that were reversed following the conversion of the preferred shares. We do not expect any future impact related to the preferred shares.

Selected Annual Information

	As of and for the year ended March 31,		
In thousands of U.S. dollars	2023	2022	2021
	$	$	$
Total revenue	112,002	86,488	64,857
Net income (loss)	(39,732)	418,276	(600,025)
Net income (loss) per share – basic	(0.38)	8.23	(32.64)
Net loss per share – diluted	(0.38)	(0.59)	(32.64)
Total assets	308,818	345,500	194,041
Redeemable preferred share (debt and conversion rights components)	-	-	938,354
Total liabilities	90,285	90,064	1,193,120

See “Results of Operations” in this MD&A for a more detailed discussion of the year-over-year changes in total revenue and net income (loss).

Total assets

The decrease in total assets as of March 31, 2023 as compared to March 31, 2022 was mainly driven by the decrease in cash and cash equivalents as described below. The variance was also driven by a decrease in intangible assets and property and equipment due to amortization and depreciation, as well as a decrease in government assistance receivable as we collected tax credits for the year ended March 31, 2021 and for the period until our IPO during the year ended March 31, 2022.

Redeemable preferred shares

The redeemable preferred shares liability was reduced to $Nil following completion of a reorganization of the capital whereby all of the Company's issued and outstanding classes of redeemable preferred shares were converted into multiple voting shares on a one-for-one basis, and the Company's articles were then amended to repeal and remove all existing preferred shares from the authorized share capital of the Company.

Total liabilities

The slight increase in total liabilities was mainly driven by an increase in deferred revenue largely offset by a decrease in lease obligations, deferred tax liabilities, and trade payable and accrued liabilities.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters immediately preceding and including the quarter ended March 31, 2023. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements and the unaudited condensed interim financial statements. This data should be read in conjunction with our audited consolidated financial statements, and the unaudited condensed interim financial statements, and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full-year or any future period.

In thousands of U.S. dollars, except per share data	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
	$	$	$	$	$	$	$	$
Revenue								
SaaS subscription	27,099	26,389	25,469	24,003	23,071	21,153	17,313	16,316
Self-managed licenses and maintenance	-	298	290	324	333	487	841	714
Product revenue	**27,099**	**26,687**	**25,759**	**24,327**	**23,404**	**21,640**	**18,154**	**17,030**
Professional services	2,011	1,810	2,174	2,135	2,105	1,603	1,358	1,194
Total revenue	**29,110**	**28,497**	**27,933**	**26,462**	**25,509**	**23,243**	**19,512**	**18,224**
Cost of revenue								
Product	5,118	4,948	4,749	4,758	4,878	4,476	3,341	3,398
Professional services	1,646	1,656	1,822	1,977	1,957	1,566	882	958
Total cost of revenue	**6,764**	**6,604**	**6,571**	**6,735**	**6,835**	**6,042**	**4,223**	**4,356**
Gross profit	**22,346**	**21,893**	**21,362**	**19,727**	**18,674**	**17,201**	**15,289**	**13,868**
Operating expenses								
Sales and marketing	14,650	13,728	14,161	14,561	14,121	12,182	10,595	10,873
Research and product development	8,225	8,705	8,963	9,132	10,653	9,076	5,528	4,842
General and administrative	6,125	8,102	7,722	7,093	9,820	17,277	5,516	4,146
Depreciation of property and equipment	597	599	660	692	692	684	652	649
Amortization of intangible assets	1,117	1,072	1,104	1,161	2,369	1,042	30	26
Depreciation of right-of-use assets	397	388	396	397	379	377	378	383
Total operating expenses	**31,111**	**32,594**	**33,006**	**33,036**	**38,034**	**40,638**	**22,699**	**20,919**
Operating loss	**(8,765)**	**(10,701)**	**(11,644)**	**(13,309)**	**(19,360)**	**(23,437)**	**(7,410)**	**(7,051)**
Change in redeemable preferred shares conversion rights component fair value	-	-	-	-	-	(269,200)	39,248	(69,476)
Net financial expenses (revenue)	(1,709)	(1,485)	(1,020)	(399)	(59)	2,930	4,826	4,804
Foreign exchange loss (gain)	302	735	(816)	(500)	81	628	(780)	433
Income (loss) before income tax expense (recovery)	**(7,358)**	**(9,951)**	**(9,808)**	**(12,410)**	**(19,382)**	**242,205**	**(50,704)**	**57,188**
Income tax expense (recovery)	(125)	96	125	109	3	(184,108)	11,184	(16,048)
Net income (loss)	**(7,233)**	**(10,047)**	**(9,933)**	**(12,519)**	**(19,385)**	**426,313**	**(61,888)**	**73,236**
Net income (loss) per share								
Basic	(0.07)	(0.10)	(0.10)	(0.12)	(0.19)	7.65	(2.76)	3.27
Diluted	(0.07)	(0.10)	(0.10)	(0.12)	(0.19)	(0.24)	(2.76)	(0.08)

Revenue

Our product revenue has increased in each of the last eight quarters, primarily driven by growth in our SaaS Subscription Revenue, partially offset by declines in our self-managed licenses and maintenance revenue. The growth in SaaS Subscription Revenue was driven by the addition of new customers, increased usage of our platform by existing customers through our continued efforts to cross-sell and upsell our solutions, and by the acquisition of Qubit for the three months ended December 31, 2021 and subsequent quarters. Our product revenue is recognized over time on a daily basis. Therefore, our product revenue for the quarters ended March 31 is impacted by a lower number of days as compared to other quarters. The decrease in self-managed licenses and maintenance revenue was driven by our continued efforts to convert these customers to our cloud platform, as well as the deliberate decision to stop supporting our on-premise products as of December 31, 2022.

Professional services revenue has remained mainly in-line as a percentage of total revenue over the last eight quarters and generally increased over time, except for the quarter ended December 31, 2022. The increase in professional services revenue over time was primarily driven by the growth in our business, which resulted in professional services work related to implementations of our platform and ongoing support of our customers. There was also a meaningful increase in professional services revenue as a result of the acquisition of Qubit, which was completed in October 2021.

Cost of revenue

Total cost of revenue generally increased over time mainly due to costs related to supporting a greater number of customers and headcount additions to our customer success and customer support teams, including from the acquisition of Qubit in October 2021. Our cost of revenue has not increased linearly compared to our revenue as a result of our continuous efforts to optimize our costs, including our hosting expenses. Historically, we have experienced a reduction in cost of revenue each year in the quarter ended September 30 due to accrued vacations taken during the summer period, which reduces our labor costs compared to other quarters. Moreover, beginning with the quarter ended June 30, 2022, cost of revenue was also favorably impacted by the strengthening of the U.S. dollar compared to the Canadian dollar.

Gross profit

Our total quarterly gross profit increased sequentially for all periods presented, primarily due to increased SaaS Subscription Revenue.

Operating expenses

Historically, we have experienced a reduction in operating expenses each year in the quarter ended September 30 due to accrued vacations taken during the summer period, which reduces our labor costs compared to other quarters. Moreover, the quarters ended March 31 include additional costs related to social benefits as compared to other quarters due to the reset, at the beginning of each calendar year, of the social benefits that are limited to an annual maximum contribution. The impact of these additional social benefits is greater when compared to quarters ending December 31.

Total operating expenses generally increase over time due to additional headcount required to support our expanding base of customers and product innovation. However, following initiatives related to improving our operating efficiency, total operating expenses have decreased in each of the last four quarters. The quarter ended March 31, 2023 was also favorably impacted by a decrease in share-based payments and related expenses.

Beginning in the quarter ended December 31, 2021, operating expenses from the acquisition of Qubit were included in our financial statements.

During the quarter ended December 31, 2021, we recorded a one-time Pledge 1% equity donation of $10.4 million and transaction-related expenses attributable to our IPO and the acquisition of Qubit. Furthermore, following the Company's IPO in the quarter ended December 31, 2021, the Company was no longer eligible to receive certain reimbursable tax credits which were previously recorded as a reduction of R&D expense. Finally, beginning in the quarter ended

June 30, 2022, our operating results were favorably impacted by the strengthening of the U.S. dollar compared to the Canadian dollar.

See "Results of Operations" in this MD&A for a more detailed discussion of the year-over-year changes in revenue, cost of revenue, and operating expenses.

Liquidity and Capital Resources

Overview

The general objectives of our capital management strategy are to support our continued organic growth while preserving our capacity to continue our operations, to provide benefits to our stakeholders, and to provide an adequate return on investment to our shareholders through selling our services at prices commensurate with the level of operating risk assumed by us.

We define the Company's objectives and determine the amount of capital required consistent with risk levels. This capital structure is continually adjusted depending on changes in the macroeconomic environment and risks of the underlying assets.

Cash flows

The following table presents cash and cash equivalents and cash flows from operating, investing, and financing activities:

	Year ended March 31,			
In thousands of U.S. dollars	**2023**	**2022**	**Change**	
	$	$	$	%
Cash and cash equivalents – end of period	198,452	223,072	(24,620)	(11%)
Net cash flow generated from (used in)				
Operating activities	(6,257)	(35,424)	29,167	(82%)
Investing activities	(2,265)	36,618	(38,883)	(106%)
Financing activities	(2,428)	163,402	(165,830)	(101%)
Effect of foreign exchange rate changes on cash and cash equivalents	(13,670)	3,077	(16,747)	(544%)
Net increase (decrease) in cash and cash equivalents	**(24,620)**	**167,673**	**(192,293)**	**(115%)**

Operating activities

For the year ended March 31, 2023, the decrease in cash flow used in operating activities was mainly driven by a decrease in net loss, excluding items not affecting cash, and the positive change in non-cash working capital items, which was primarily driven by the collection of government assistance and a decrease in trade and other receivables.

Investing activities

Cash flow used in investing activities for the year ended March 31, 2023 was mainly driven by investments in office improvements and computer equipment and the balance of purchase price for the acquisition of Qubit. For the year ended March 31, 2022, cash flow generated from investing activities was mainly attributable to proceeds from the disposal of short-term investments, partially offset by cash used for the Qubit acquisition.

Financing activities

Cash flow used in financing activities for the year ended March 31, 2023 was mainly driven by payments on lease obligations and the payment of tax withholding for net share settlement of share-based awards, partially offset by proceeds from the exercise of stock options. For the year ended March 31, 2022, cash flow from financing activities was primarily driven by share capital issued at the completion of the IPO, including the exercise of the over-allotment option and the private placement completed concurrently.

Credit facility

We have a $50.0 million revolving credit facility bearing interest at a variable rate of interest, per annum, announced by Comerica Bank from time to time as its "prime rate" either for advances denominated in Canadian dollars or in U.S. dollars, as applicable (provided that, for advances denominated in Canadian dollars, such "prime rate" shall in no event be less than one percent per annum). As of the date hereof, no amounts have been drawn under this credit facility.

Working capital

Our approach to managing liquidity is to ensure, to the extent possible, that we have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis. In addition to cash and cash equivalents, and as mentioned above, we have a $50.0 million revolving credit facility available that can be drawn to meet ongoing working capital requirements. Our principal cash requirements are for investments in our customer acquisition costs, product and technology, working capital, and selected acquisitions and other value-add transactions we may execute. Given our cash and cash equivalents balance and unused credit facility, we believe we have sufficient liquidity to meet our current and short-term financial obligations. This assessment is a forward-looking statement and involves risks and uncertainties. Our future capital requirements will depend on many factors, including our revenue growth rate, new customer acquisition, expansion, and subscription renewal activity, timing of billing and collecting activities, the timing and extent of spending to support further sales and marketing and research and development efforts, general and administrative expenses to support our growth, including international expansion, the ongoing impact of the COVID-19 pandemic, and the macroeconomic environment. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, or enter into arrangements for other value-add transactions. We may be required to seek additional equity or debt financing to fund these activities. If we are unable to raise additional capital when desired, or on acceptable terms, our business, results of operations, and financial condition could be materially adversely affected. Please refer to a summary of our contractual obligations as documented further below in this MD&A.

Contractual Obligations and Financial Instruments

Contractual obligations

The Company has the following contractual obligations as of March 31, 2023:

	Contractual undiscounted cash flows due by period			
In thousands of U.S. dollars	**Less than a year**	**1 to 5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	21,275	-	-	21,275
Lease obligations	2,459	7,612	2,577	12,648
Total contractual obligations	**23,734**	**7,612**	**2,577**	**33,923**

Financial instruments

Our financial assets include cash and cash equivalents and trade and other receivables that are classified as financial assets at amortized cost. Our financial liabilities include trade payable and accrued liabilities. See note 26 to the audited annual consolidated financial statements for the year ended March 31, 2023.

Capital resources

See note 25 to the audited annual consolidated financial statements for the year ended March 31, 2023 for the Company's minimum aggregate commitments.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Transactions Between Related Parties

See note 24 to the audited annual consolidated financial statements for the year ended March 31, 2023 for the Company's related party transactions.

Significant Accounting Judgments, Estimates, and Assumptions

See note 4 to the audited annual consolidated financial statements for the year ended March 31, 2023.

Future Accounting Standard Changes

See note 3 to the audited annual consolidated financial statements for the year ended March 31, 2023 for a summary of future accounting standard changes.

Controls and Procedures

Disclosure controls and procedures

The Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining our disclosure controls and procedures. We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized, and reported on a timely basis. Our CEO and CFO have evaluated the design of our disclosure controls and procedures at the end of the quarter and based on the evaluation have concluded that the disclosure controls and procedures are effectively designed.

Internal controls over financial reporting

Our internal controls over financial reporting ("**ICFR**") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Our management is responsible for establishing and maintaining adequate ICFR. Management, including our CEO and CFO, does not expect that our ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators requires our CEO and CFO to certify that they are responsible for establishing and maintaining ICFR and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Our CEO and CFO are also responsible for disclosing any changes to our internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of our ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at March 31, 2023, the CEO and the CFO concluded that our ICFR is appropriately designed and effective and there is no material weaknesses that have been identified.

Outstanding Share Information

Coveo is a publicly traded company listed under the symbol "CVO" on the Toronto Stock Exchange. Our authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, of which 54,163,351 subordinate voting shares, 51,522,578 multiple voting shares, and no preferred shares were issued and outstanding as of May 29, 2023.

As of May 29, 2023, there were 8,434,994 stock options outstanding under the Company's Amended and Restated 2009 Stock Option Plan (the "**Legacy Plan**"), as amended (of which 7,646,750 were vested as of such date). Each such option under the Legacy Plan is or will become exercisable for one multiple voting share.

As of May 29, 2023, there were 5,228,674 options issued and outstanding under the Company's Omnibus Incentive Plan (as amended from time to time, the "**Omnibus Plan**") (of which 157,438 were vested as of such date). Each such option under the Omnibus Plan is or will become exercisable for one subordinate voting share.

As of May 29, 2023, there were 3,389,464 restricted share units ("**RSUs**") and 184,407 performance share units ("**PSUs**") issued and outstanding under the Company's Omnibus Plan. Each such RSU and PSU, upon vesting, is settled at the discretion of the Board of Directors through the delivery of subordinate voting shares issued from treasury or purchased on the open market, the payment of the cash equivalent or a combination thereof. The number of PSUs that will actually vest varies from 0% to 150% of the target amount granted, based on the level of achievement of a pre-determined non-market performance measurement at the first anniversary of the grant date.

As of May 29, 2023, there were 422,028 deferred share units ("**DSUs**") outstanding under the Company's Omnibus Plan. Each such DSU will, upon the holder thereof ceasing to be a director, executive officer, employee, or consultant of the Company, in accordance with the Omnibus Plan, be settled at the discretion of the Board of Directors through the delivery of subordinate voting shares issued from treasury or purchased on the open market, the payment of the cash equivalent or a combination thereof.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available under our profile on SEDAR at www.sedar.com.

coveo™