



Coveo Solutions Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended September 30, 2022 and 2021
(expressed in thousands of US dollars)

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

As at September 30 and March 31, 2022

(expressed in thousands of US dollars)

	Notes	September 30, 2022	March 31, 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		204,817	223,072
Trade and other receivables	4	25,327	25,476
Refundable tax credits		5,923	10,443
Prepaid expenses		4,940	5,861
		241,007	264,852
Non-current assets			
Contract acquisition costs	5	10,572	10,858
Property and equipment		7,185	8,704
Intangible assets		16,012	20,605
Right-of-use assets		7,911	9,255
Deferred tax assets		4,079	4,616
Goodwill		24,114	26,610
Total assets		310,880	345,500
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	6	20,287	22,910
Current portion of deferred revenue		53,047	49,879
Current portion of lease obligations		1,803	1,916
		75,137	74,705
Non-current liabilities			
Deferred revenue		398	513
Lease obligations		9,453	11,169
Deferred tax liabilities		2,806	3,677
Total liabilities		87,794	90,064
Shareholders' equity			
Share capital	7	862,742	859,944
Contributed surplus		25,162	15,295
Deficit		(614,708)	(592,256)
Accumulated other comprehensive loss		(50,110)	(27,547)
Total shareholders' equity		223,086	255,436
Total liabilities and shareholders' equity		310,880	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 six months ended September 30, 2022 and 2021

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

	Notes	Number	Share capital	Conversion rights Series A	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total shareholders' equity (deficiency)
			\$	\$	\$	\$	\$	\$
Balance as at March 31, 2021		22,340,441	16,957	1,105	5,794	(995,774)	(27,161)	(999,079)
Net income		-	-	-	-	11,348	-	11,348
Foreign currency differences on translation to presentation currency		-	-	-	-	-	4,352	4,352
Total comprehensive income								15,700
Share-based payments	8	-	-	-	1,474	-	-	1,474
Exercise of stock options	8	93,335	171	-	(49)	-	-	122
Balance as at September 30, 2021		22,433,776	17,128	1,105	7,219	(984,426)	(22,809)	(981,783)
Balance as at March 31, 2022		103,747,326	859,944	-	15,295	(592,256)	(27,547)	255,436
Net loss		-	-	-	-	(22,452)	-	(22,452)
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(22,563)	(22,563)
Total comprehensive loss								(45,015)
Share-based payments	8	-	-	-	11,138	-	-	11,138
Exercise of stock options and release of share-based awards	8	920,717	2,798	-	(1,271)	-	-	1,527
Balance as at September 30, 2022		104,668,043	862,742	-	25,162	(614,708)	(50,110)	223,086

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 six months ended September 30, 2022 and 2021

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

	Notes	Three months ended September 30,		Six months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenue	10				
SaaS subscription		25,469	17,313	49,472	33,629
Self-managed licenses and maintenance		290	841	614	1,555
Product revenue		25,759	18,154	50,086	35,184
Professional services		2,174	1,358	4,309	2,552
Total revenue		27,933	19,512	54,395	37,736
Cost of revenue					
Product		4,749	3,341	9,507	6,739
Professional services		1,822	882	3,799	1,840
Total cost of revenue		6,571	4,223	13,306	8,579
Gross profit		21,362	15,289	41,089	29,157
Operating expenses					
Sales and marketing		14,161	10,595	28,722	21,468
Research and product development		8,963	5,528	18,095	10,370
General and administrative		7,722	5,516	14,815	9,662
Depreciation of property and equipment		660	652	1,352	1,301
Amortization of intangible assets		1,104	30	2,265	56
Depreciation of right-of-use assets		396	378	793	761
Total operating expenses		33,006	22,699	66,042	43,618
Operating loss		(11,644)	(7,410)	(24,953)	(14,461)
Change in redeemable preferred shares – conversion rights component fair value		-	39,248	-	(30,228)
Net financial expenses (income)		(1,020)	4,826	(1,419)	9,630
Foreign exchange gain		(816)	(780)	(1,316)	(347)
Income (loss) before income tax expense (recovery)		(9,808)	(50,704)	(22,218)	6,484
Income tax expense (recovery)		125	11,184	234	(4,864)
Net income (loss)		(9,933)	(61,888)	(22,452)	11,348
Other comprehensive income (loss)					
Items that may be reclassified to the consolidated statements of income (loss):					
Foreign currency differences on translation to presentation currency		(13,961)	20,426	(22,563)	4,352
Total comprehensive income (loss)		(23,894)	(41,462)	(45,015)	15,700
Net income (loss) per share	9				
Basic		(0.10)	(2.76)	(0.22)	0.51
Diluted		(0.10)	(2.76)	(0.22)	(0.16)

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 six months ended September 30, 2022 and 2021

(expressed in thousands of US dollars)

	Notes	Six months ended September 30,	
		2022	2021
		\$	\$
Cash flows from (used in) operating activities			
Net income (loss)		(22,452)	11,348
Items not affecting cash			
Amortization of contract acquisition costs	5	2,199	1,810
Depreciation of property and equipment		1,352	1,301
Amortization of intangible assets		2,265	56
Depreciation of right-of-use assets		793	761
Interest accretion		-	9,153
Change in redeemable preferred shares – conversion rights component fair value		-	(30,228)
Share-based payments	8	11,138	1,474
Interest on lease obligations		331	374
Change in fair value of short-term investments		-	91
Variation of deferred tax assets and liabilities		196	(4,944)
Unrealized foreign exchange gain		(1,316)	(447)
Changes in non-cash working capital items	12	4,579	(6,394)
		(915)	(15,645)
Cash flows from (used in) investing activities			
Proceeds from disposal of short-term investments		-	29,872
Additions to property and equipment		(709)	(667)
Additions to intangible assets		(5)	(601)
		(714)	28,604
Cash flows from (used in) financing activities			
Proceeds from exercise of stock options	8	1,527	122
Payments on lease obligations		(1,265)	(1,132)
		262	(1,010)
Effect of foreign exchange rate changes on cash and cash equivalents		(16,888)	(171)
Increase (decrease) in cash and cash equivalents during the period		(18,255)	11,778
Cash and cash equivalents – beginning of period		223,072	55,399
Cash and cash equivalents – end of period		204,817	67,177

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

September 30, 2022

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

1. Incorporation and nature of activities

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

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

2. Basis of preparation

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

Seasonality of interim operations

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

Use of estimates and judgements

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

3. Accounting 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)

September 30, 2022

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

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

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

Annual Improvements to IFRS 9 – Financial Instruments

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

4. Trade and other receivables

	September 30, 2022	March 31, 2022
	\$	\$
Trade accounts receivable, net of allowance for expected credit losses	24,619	24,515
Sales tax receivable	626	882
Other	82	79
	25,327	25,476

5. Contract acquisition costs

	Six months ended September 30,	
	2022	2021
	\$	\$
Balance at beginning of period	10,858	8,624
Additions	2,284	2,846
Amortization	(2,199)	(1,810)
Effect of movement in exchange rate	(371)	(32)
Balance at end of period	10,572	9,628

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

September 30, 2022

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

6. Trade payable and accrued liabilities

	September 30, 2022	March 31, 2022
	\$	\$
Trade accounts payable	3,066	2,534
Accrued compensation and benefits	10,825	13,343
Sales taxes payable	673	677
Accrued liabilities	5,723	6,356
	20,287	22,910

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:

	Six months ended September 30, 2022		Six months ended September 30, 2021	
	Number of shares	Value \$	Number of shares	Value \$
Common shares				
Outstanding – beginning of period	-	-	22,340,441	16,957
Exercise of stock options	-	-	93,335	171
Outstanding - end of period	-	-	22,433,776	17,128
Subordinate voting shares				
Outstanding – beginning of period	44,327,654	396,842	-	-
Conversion from multiple voting shares	5,200,803	40,453	-	-
Release of restricted shares units	55,437	657	-	-
Outstanding - end of period	49,583,894	437,952	-	-
Multiple voting shares				
Outstanding – beginning of period	59,419,672	463,102	-	-
Exercise of stock options	865,280	2,141	-	-
Conversion to subordinate voting shares	(5,200,803)	(40,453)	-	-
Outstanding - end of period	55,084,149	424,790	-	-
	104,668,043	862,742	22,433,776	17,128

September 30, 2022

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

8. Share-based payments

Stock options

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

	Six months ended September 30, 2022		Six months ended September 30, 2021	
	Number of options	Weighted average exercise price CA\$	Number of options	Weighted average exercise price CA\$
Outstanding – beginning of period	14,599,117	6.71	10,144,356	2.84
Granted	117,000	7.38	640,000	12.48
Exercised	(865,280)	2.26	(93,335)	1.62
Forfeited	(332,980)	7.80	(131,453)	5.79
Outstanding – end of period	13,517,857	6.97	10,559,568	3.40
Exercisable – end of period	7,248,682	2.72	6,579,230	2.08

The following table presents information on the stock options issued and outstanding as at September 30, 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	2,854,601	3.58	1.21
CA\$2.81 to CA\$4.08	3,800,468	6.00	2.93
CA\$5.00 to CA\$10.80	3,047,164	6.48	7.77
CA\$12.19 to CA\$15.75	3,815,624	5.63	14.66
	13,517,857	5.49	6.97

Restricted share units ("RSUs")

The following table presents information about RSUs outstanding:

	Six months ended September 30, 2022	
	Number of awards	Weighted average grant date fair value CA\$
Outstanding – beginning of period	2,272,987	13.06
Granted	893,590	7.20
Released	(55,437)	15.00
Forfeited	(244,855)	14.09
Outstanding – end of period	2,866,285	11.11

Coveo Solutions Inc.
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(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:

	Six months ended September 30, 2022	
	Number of awards	Weighted average grant date fair value CA\$
Outstanding – beginning of period	201,621	12.66
Granted	273,154	5.98
Forfeited	(2,174)	15.00
Outstanding – end of period	472,601	8.79

Share-based payment expense

For the three months ended September 30, 2022, share-based payment expense of \$5,342 (\$770 for the three months ended September 30, 2021) was recorded in the consolidated statements of income (loss) and comprehensive income (loss) with a corresponding credit to contributed surplus.

For the six months ended September 30, 2022, share-based payment expense of \$11,138 (\$1,474 for the six months ended September 30, 2021) was recorded in the consolidated statements of income (loss) and comprehensive income (loss) with a corresponding credit to contributed surplus.

9. Net income (loss) per share

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

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net income (loss)	(9,933)	(61,888)	(22,452)	11,348
Plus (less):				
Interest accretion on redeemable preferred shares - debt component	-	-	-	9,153
Change in redeemable preferred shares - conversion rights component fair value	-	-	-	(30,228)
Deferred tax on redeemable preferred shares	-	-	-	(5,370)
Net loss used in the diluted net loss per share calculation	(9,933)	(61,888)	(22,452)	(15,097)

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

September 30, 2022

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

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

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Basic weighted average number of shares outstanding	104,350,739	22,423,629	104,091,340	22,394,967
Plus dilutive effect of:				
Preferred shares	-	-	-	63,356,738
Stock options	-	-	-	7,879,759
Diluted weighted average number of shares outstanding	104,350,739	22,423,629	104,091,340	93,631,464

For the three months ended September 30, 2022 and 2021 as well as for the six months ended September 30, 2022, a net loss was recorded and therefore there is no adjustment to the net loss and the basic and diluted weighted average number of shares used in the calculation is the same.

For the six months ended September 30, 2021, 53,000 stock options were excluded from diluted weighted average number of shares outstanding as their effect would have been anti-dilutive.

10. Revenue

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

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Canada	1,782	1,048	3,597	2,045
United States	21,042	16,499	41,432	31,890
Other	5,109	1,965	9,366	3,801
	27,933	19,512	54,395	37,736

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

	Current	Non-current	Total
	\$	\$	\$
SaaS subscription	88,702	70,717	159,419
Self-managed licenses and maintenance	237	-	237
	88,939	70,717	159,656

Coveo Solutions Inc.
Notes to Condensed Interim Consolidated Financial Statements
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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 September 30,		Six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salary and other short-term benefits	21,452	17,659	43,964	35,653
Share-based payments and related expenses	5,660	770	10,135	1,474
	27,112	18,429	54,099	37,127

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

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Product cost of revenue	210	44	392	90
Professional services cost of revenue	165	43	309	74
Sales and marketing	1,539	240	3,070	458
Research and product development	1,688	238	3,121	437
General and administrative	2,058	205	3,243	415
	5,660	770	10,135	1,474

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

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Product cost of revenue	199	198	475	379
Professional services cost of revenue	81	83	160	156
Research and product development	906	1,500	1,991	3,693
	1,186	1,781	2,626	4,228

Coveo Solutions Inc.
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(Unaudited)

September 30, 2022

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

12. Consolidated statements of cash flows

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

	Six months ended September 30,	
	2022	2021
	\$	\$
Trade and other receivables	(575)	3,831
Government assistance	3,765	(2,906)
Prepaid expenses	395	(1,724)
Contract acquisition costs	(2,284)	(2,846)
Trade payable and accrued liabilities	(1,063)	(1,873)
Deferred revenue	4,341	(876)
	4,579	(6,394)



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The Relevance Company