coveo™

AI is Transforming the Business World

Coveo is Leading the Way

2023 Annual Report

Fiscal Year Ended March 31, 2023

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Coveo at a Glance

Coveo accelerates the application of **AI platforms** in enterprises, helping them **personalize** and **profitize** experiences at scale.

AI is both powerful and brutal for business. We believe that enterprises will either adopt AI to deliver the experiences people expect while maximizing profitability, or their competitors will do it first. This is already evident with digital and AI-first companies disrupting almost every industry, including many Coveo customers leading their industries across technology, manufacturing, distribution, consumer goods, healthcare, retail, and financial services, among others.

We are in the experience economy, forged by digital leaders, where we believe people expect to be served online in highly individualized ways, at every interaction throughout their digital journeys, from websites, to ecommerce, to customer service, and into the workplace. We believe enterprises must adapt to win in this experience economy, and deliver large volumes and variety of content or products to large and diversified audiences, something that is not humanly possible when interactions must be personalized and profitized. In this world of persons not personas, where profit rules, we believe **the adoption of AI to manage digital experiences is an imperative for enterprises**.

Our **Coveo Relevance Cloud**™ AI platform helps to transform digital experiences in ecommerce, customer service, websites, and workplace.

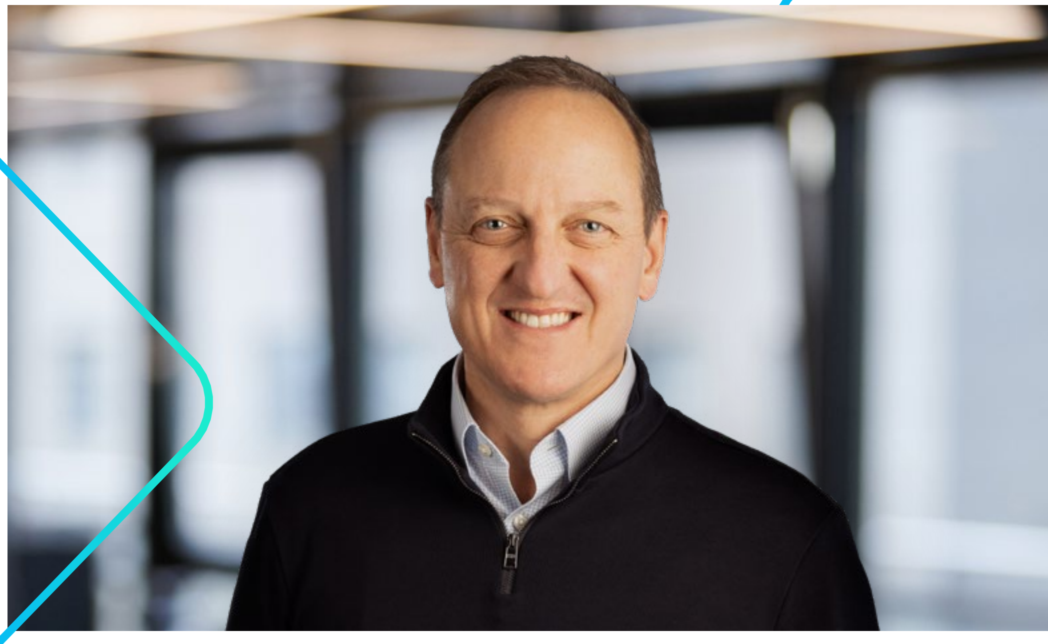
The **Coveo Relevance Cloud** is a market-leading AI platform that enhances search, recommendations, personalization, and merchandising intelligence in digital experiences across commerce, service, website, and workplace applications. Coveo's platform includes analytics and AI model testing capabilities, and can easily integrate into almost any digital user experience a large enterprise delivers. Our platform is cloud-native SaaS, multi-tenant, API-first, and headless.

The advancements in generative AI create an incredible opportunity for Coveo. We believe the worlds of intelligent search, self-service conversational, advisory, and prescriptive experiences are converging into a new, more modern digital experience paradigm, driven by advancements in Large Language Models (LLMs). We have extensive experience with the application of AI within the enterprise and have worked for years with LLMs to deliver functionality such as Smart Snippets and Case Classification. This year, we also introduced our **Relevance Generative Answering** capability, which integrates LLM technologies with Coveo's platform to help feed generative AI with a common, secure unified index and real-time content. This helps to drive relevance at scale, consistent factuality, secure sources of truth across all channels, and specifically helps to solve some of the key challenges found with platforms such as ChatGPT for the enterprise.

We help hundreds of the world's leading brands create tangible financial value. We help boost overall profitability by driving improvements in conversion to increase revenue, reducing cost-to-serve, increasing customer satisfaction and website engagement, and improving employee proficiency and satisfaction.

Caleres, a 140 year-old retail leader and parent company of Famous Footwear, saw a 21% increase in revenue from our Coveo Search and a 74% increase in revenue from our Coveo Recommendations. In customer service, our customer athenahealth has been able to put the right information, into the right hands, at the right time. Using Coveo, the company's tier 1 customer support agents are ramping up faster and handling more cases on their own, resulting in an amazing 50% reduction in case escalations.

We believe our platform is differentiated by its sophisticated applied AI, designed to deliver highly relevant, bespoke digital experiences that drive superior business outcomes. In addition, we believe our platform's scalability, rapid time to value, enterprise-grade security and compliance, and native integrations with other third-party technology applications, with alliances such as Salesforce, SAP, and Adobe, set us apart from competitors.



Louis Têtu
Chairman and CEO

Message to Our **Shareholders**

For Fiscal 2023, I am pleased to report that Coveo had a successful first full year as a public company. Our unwavering focus on high ROI solutions that optimize business outcomes for large enterprises resulted in **$112 million** in total revenue for the year, with a year-over-year SaaS Subscription Revenue **growth rate of 32%**.

We also meaningfully accelerated our path to profitability while continuing to make focused investments to further our market leadership position and support our growth ambitions. Additionally, we believe the recent launch of ChatGPT creates an inflection point in demand for Generative AI using Large Language Models and, more broadly, AI-powered experiences, both a gamechanger for Coveo and the value we can provide to customers given our expertise in both. As Microsoft CEO Satya Nadella recently told CNBC about the application of LLMs to search, "AI-powered search is the biggest thing to happen to our company in my nine years as a CEO." I strongly believe Coveo has never been in a better position, both competitively and operationally.

In last year's shareholder letter, I highlighted the evolution of the Coveo Relevance Cloud platform in meeting the complex needs of our enterprise customers and the critical role of AI in enabling businesses to deliver relevant digital experiences at scale. Today, this remains as true as ever, with the rapid pace of innovation in the market and the heightened realization by enterprises of the need to leverage applied AI models to deliver competitive experiences. And while delivering relevant digital experiences is critical, optimizing for business outcomes, and in particular for revenue, costs, and profitability, is paramount. Our AI platform allows our enterprise customers to do both, or as we call it, to personalize and "profitize"— to optimize for business outcomes like driving increased revenue, lower costs, and higher profits, all while delivering a connected digital experience personalized for individuals, persons not personas.

Coveo is committed to helping our customers profitize through targeted high-ROI use cases. Profitizing through AI is applicable to our commerce line of business by driving revenue increases, but also to others such as service, where we can drive cost savings through intelligent self-service, case deflection, and improved agent efficiency. Our dedicated sales teams and financial analysts work closely with both prospective and existing customers to quantify and monitor the key value drivers that are associated with deploying our AI-powered platform. Through our Business Value Assessment (BVA) process, we are able to clearly articulate the value that the Coveo Relevance Cloud platform can deliver and provide a success plan that can be measured over time. Our focus on high-ROI solutions has yielded positive results from our BVA efforts, and we see this as just the beginning as enterprises continue to prioritize the deployment of profitable solutions using AI.

The convergence of intelligent search, self-service conversational, advisory, and prescriptive experiences is shaping a new digital experience paradigm. As pioneers in applying AI within enterprises, we have worked with LLMs embedded in the Coveo Relevance Cloud platform. Our recently announced Relevance Generative Answering capability takes the integration of LLM technology and Coveo's platform to the next level, delivering relevance at scale and ensuring consistent factuality across all conversational channels. With our unparalleled ability to securely ingest, index, and unify massive volumes of disparate content, Coveo is uniquely positioned to bring LLM advancements to enterprises, solving the #1 challenge of generative AI within the enterprise. This belief issupported by the significant interest we have received from our customers.

Commerce continued to be our fastest growing line of business in fiscal 2023, with record bookings and new transactions with leading global customers.

We believe our recent release of the Coveo Merchandising Hub, which is the culmination of the integration of Qubit's technology into our platform, gives us an unmatched offering in commerce. We are also very excited about our collaboration with Scale AI, a global AI innovation cluster funded by the governments of Canada and Quebec, to develop additional proprietary, cutting-edge machine learning and personalization algorithms, which we believe will further enhance our leadership position in commerce and increase our competitive moat. These algorithms will consider factors such as margins, storage costs, shipping costs, disposal costs, and return costs, in addition to revenue generated, to optimize the end-customer's full basket profitability, while maximizing relevance for customers. Our goal is to empower merchandisers with profitability-aware analytics, recommended actions, and statistical analyses so they can make informed decisions that benefit their bottom line.

Our strategic channel partner ecosystem is thriving. We are thrilled with the recent announcement of our platform as an SAP® Endorsed App globally, and we believe this global alliance will contribute meaningfully to our future growth. SAP is the global leader in enterprise B2B and B2C commerce and a natural partner for us, with Coveo's platform strongly complementing composable SAP Commerce Cloud. We expect the co-marketing benefits from this important relationship to have a significant impact on our platform's penetration within SAP's vast global customer base in eCommerce. Additionally, our key partner integrations with Salesforce, Adobe, and others, along with our extensive network of systems integrator partners, continue to be essential channels for our growth.

Throughout the year, we continued to successfully execute on our strategic plans, which included focused investments and the prudent use of capital. These successes would not have been possible without the tireless efforts of our leadership team and employees, and I am extremely proud of their dedication. I must also mention that Jean Laviqueur, who announced his intention to retire as CFO in March of this year, has been instrumental in building the world-class G&A infrastructure that has helped enable our team's achievements. Thanks to his invaluable efforts and expertise, we have a firm foundation from which to attain new heights as an organization. As a friend and brilliant business partner for over three decades, I am sad to see Jean go, but excited for the next chapter in Coveo's story working with our new CFO Brandon Nussey.

Beyond the solutions we bring to our customers, our commitment to making a difference in key global social issues through the democratization of access to knowledge and education remains strong through our 1% pledge. I am extremely proud of what we have accomplished this year through the efforts and commitment of all Coveans, including over 1,950 volunteer hours and C$925,000 in donations (across our 1% pledge and United Way campaign) from Coveo and its employees in calendar year 2022, and we continue to set an example of how companies can make a difference in their communities and around the world. Visit **coveo.com/en/esg** for more information on our important work.

Today, our AI solutions are more relevant than ever before and mission-critical for enterprises. We believe customers that subscribe to our AI platform receive an ongoing subscription to our AI innovation, fueled by the compounded network of Coveo global enterprise clients, and a solution to help them profitize and modernize their operations, enabling them to better compete and weather a challenging macroeconomic environment. We are proud of what we have accomplished in the last year, and excited for the future as we truly believe the market we play in is at an inflection point.

On behalf of our team, I want to thank all our valued customers, dedicated employees, and our shareholders for your continued support of Coveo.

Today, we believe our **AI solutions** are more **relevant** than ever before and **mission-critical** for enterprises.

Financial **Highlights**

30%
FY'23
Total Revenue Growth
(Year-over-Year)

32%
FY'23
SaaS Subscription
Revenue[1] Growth (Year-over-Year)

$112M
FY'23
Total Revenue

92%
FY'23
Total Revenue from
SaaS Subscription[1]

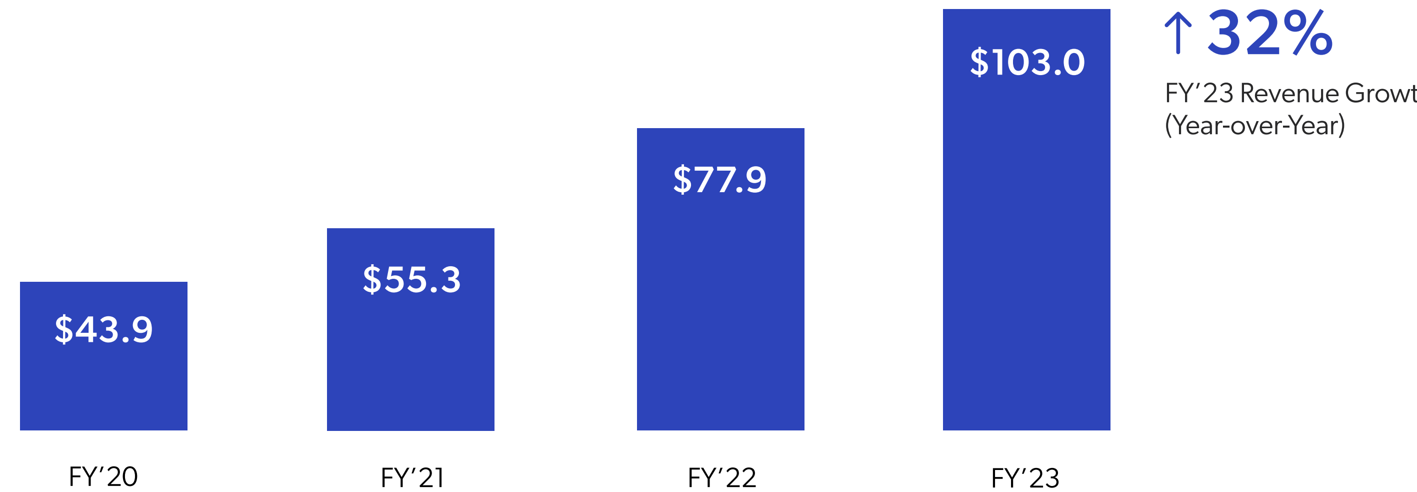
28%
FY'23
Current SaaS Subscription
Remaining Performance
Obligations[1] Growth
(Year-over-Year)

650+
SaaS Subscription
Customers

110%
Net Expansion Rate[1]
as of March 31, 2023

Digital Experience AI Platform Leader

Rapidly-growing historical SaaS Subscription Revenue[1]
(in $US million)



Who We Are

- Global leader in applied AI solutions, enabling enterprises to personalize and profitize every experience at scale
- Extensive experience with the application of LLMs within the enterprise
- Loyal customer base that includes many of the world's leading global brands
- Experienced management team with meaningful ownership stake
- A single cloud-native, multi-tenant, headless AI platform providing commerce, service, website, and workplace solutions
- Multiple compounding vectors available for future growth
- Large total addressable market

1 SaaS Subscription Revenue, Current SaaS Subscription Remaining Performance Obligations and Net Expansion Rate are key performance indicators of Coveo. Please see the "Key Performance Indicators" section of the accompanying MD&A.

Please refer to the "Forward-looking information" section of the accompanying MD&A for a cautionary statement regarding forward-looking statements and forward-looking information included in this Annual Report.

Our **AI Platform**

Powered by coveo ai™

Coveo AI helps businesses enhance relevance into every digital experience

The **Coveo Relevance Cloud** platform is the **intelligence behind** the relevant experiences people expect

Our single cloud-native SaaS, multi-tenant, API-first, headless Coveo Relevance Cloud platform optimizes relevance in omnichannel digital experiences. It leverages AI models designed for search, recommendations, personalization, and merchandising, and provides testing and analytics capabilities.

Our AI platform:

- Retrieves and securely indexes structured and/or unstructured content from a plethora of siloed internal and external data sources.
- Combines this content with click-stream events and behaviour patterns.
- Uses our AI, machine learning, natural language processing, deep learning, and LLMs to determine what users are looking for in real-time. It learns which content delivers optimal outcomes based on a deep understanding of what worked best for others.
- Learns to better predict each user's needs as more data accumulates, and then automatically recommends personalized content.
- Heightens relevance in each interaction to the next through signal collection, creating a high velocity network effect of continuously improving relevance.
- Will combine LLMs with the Company's leading secure unified indexing capabilities. Coveo, with over a decade of experience in AI, is well-positioned to help make LLMs and their associated technologies enterprise-ready. Coveo's Relevance Generative Answering solution prioritizes security, privacy, real-time content, linkages to sources of truth, relevance and factuality. The beta version is expected to be available for customers with self-service use cases starting this summer.
- Serves enterprises of all sizes across teams, use cases, channels, and regions. It can scale to very large volumes and complex deployments, with robust security designed to protect customers and business data.
- Enables business to deliver digital relevance and personalization at scale across any channel, helping them to win in the digital experience economy and improve business outcomes to drive significant return on investment.

Our Partnerships

Coveo is supported by a large network of global systems integrators and implementation partners.
Coveo is a Salesforce Summit ISVforce Partner, an SAP® Endorsed App, and an Adobe Accelerate Exchange Partner.

salesforce PARTNER

SAP Endorsed Apps
Premium Certified

Adobe
Exchange Partner
ACCELERATE

Our Recognitions

MandM Direct: winner of the Digital Impact Award in Modern Retail U.K.'s Good Retail Awards 2022.

GOOD RETAIL AWARDS 2022

Winner of Ecommerce Innovation by UK Ecommerce Awards and Coveo customer Kurt Geiger also won silver for best ecommerce website in the Fashion/Apparel or Footwear category.

UK eCOMMERCE AWARDS 2022 SILVER

Consistently recognized as a leader by top analyst firms & customers.

2022-2023 — 2023 Champion Enterprise Search Data Quadrant Software Reviews

5 consecutive years — 2021 A Leader Forrester Wave Cognitive Search Forrester

7 consecutive years — 2022 A Leader Magic Quadrant for Insight Engines Gartner[1]

1 Gartner™, Magic Quadrant™ for Insight Engines, Stephen Emmott, Anthony Mullen, David Pidsley, Tim Nelms, 12 December 2022. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. The Gartner content described herein (the "Gartner Content") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Gartner Content speaks as of its original publication date (and not as of the date of this Annual Report), and the opinions expressed in the Gartner Content are subject to change without notice.

Our Customers

Our AI platform powers relevance in the digital experiences of the world's most innovative brands, serving **millions of people** and **billions of interactions**.

salesforce
CALERES EST 1878
xero
Unity
Medallia
NetApp
Honeywell
f5
UWHealth
Hewlett Packard Enterprise
SANFORD HEALTH
Lee Valley
smarsh
Dropbox
FleetPride HEAVY DUTY PARTS & SERVICE
Informatica
BRP
RingCentral
PET SUPPLIES PLUS
athenahealth

Doing Our Part Through **ESG** and **1% Pledge**

In November 2021, Coveo joined the Pledge 1% movement and committed to donate 1% of our time, products, profit, and equity to non-profits. We chose the democratization of knowledge and education to be at the center of our 1% pledge. Our initiatives prioritize programs for young people in vulnerable social groups. Below are the results of our first full fiscal year under our pledge:

- **1% Time**
  In 2022, Coveo created a 1% Time Pledge Committee with the aim of reigniting Coveo's long-standing tradition of volunteering, which had been put on hold due to the pandemic. Since then, we've established a solid foundation and focused on building relationships with partner organizations, enabling us to provide both skill-based and event-based volunteering opportunities. Thanks to these collaborations, our employees have volunteered a total of over 1,950 hours over the last year, and in fiscal year 2024, our goal is to increase our volunteer hours to 3,000, representing a growth rate of more than 50%.

- **1% Product**
  We take pride in our partnership with Alloprof, an organization that we have provided our product to at no cost. By doing so, we have contributed to an innovative solution that empowers students, parents, and teachers to efficiently and effectively access knowledge, saving them time and also allowing Alloprof to deliver a streamlined and personalized service to their clients. We are committed to increasing our support to other organizations in need through access to our product in the years to come.

- **1% Equity**
  In pursuit of our 1% pledge mission to democratize education, we support non-profit organizations that provide learning opportunities and skill development in underserved communities. We are proud to have donated over C$550,000 to our four primary partners allowing them to reach thousands of children across North America:

  - Actua: a leader in STEM education outreach
  - LOVE Quebec: supporting mental emotional and social health
  - Pour3Points: coaching children through sport for success in school and in life
  - Girstart: fun, hands-on STEM programs for girls

  We will continue to build long-term relationships with these organizations beyond our donations with skills-based volunteering by our employees, resource-sharing, and asset donations.

- **United Nations Sustainable Development Goals**
  At Coveo, we focus our efforts on impacting 5 of the 17 United Nations Sustainable Development Goals: good health and well-being; quality of education; gender equality; reduced inequalities; and decent work and economic growth.

  SUSTAINABLE DEVELOPMENT GOALS

- **Centraide**
  Since 2006, Coveo has been proud to support Centraide, an organization that is making a real difference in the lives of people in our communities. Each year, Coveo organizes an employee campaign to generate donations for Centraide. As part of this effort, for every dollar donated by an employee, Coveo also contributes $1. For calendar year 2023, Coveo and its employees committed over C$380,000 in donations to Centraide, bringing total contribution to more than C$1,700,000 since the beginning of the partnership.

  Centraide

ESG Environment, Social, and Governance

Environmental Social Governance

At Coveo, we understand our impact on the planet and the people around us, from our employees to our communities. We are committed to fostering a positive impact and growing that influence each year.

- **Environment**
  As a technology company offering digital solutions, we acknowledge our impact on the environment and are committed to reducing our footprint. We pledge to adopt sustainable practices through governance and tracking, with a plan to measure our environmental impact starting in fiscal 2024. We will establish a comprehensive portrait of our impact, from suppliers to waste management and cloud operations. With this information, we will set ambitious environmental goals and continue to give back through our 1% pledge to environmental charities.

- **Employee Wellbeing**
  As an organization, we prioritize the wellbeing of our employees. We understand that a positive work environment is essential for not only our employees' mental and physical health, but also for the success of our company. We are committed to providing a safe, comfortable work environment, healthcare, mental health and wellness programs, flexible work options, open communication, physical activity promotions, a positive work culture, and professional development opportunities. We believe in a holistic approach that addresses physical, mental, and emotional health, work-life balance, and job satisfaction.

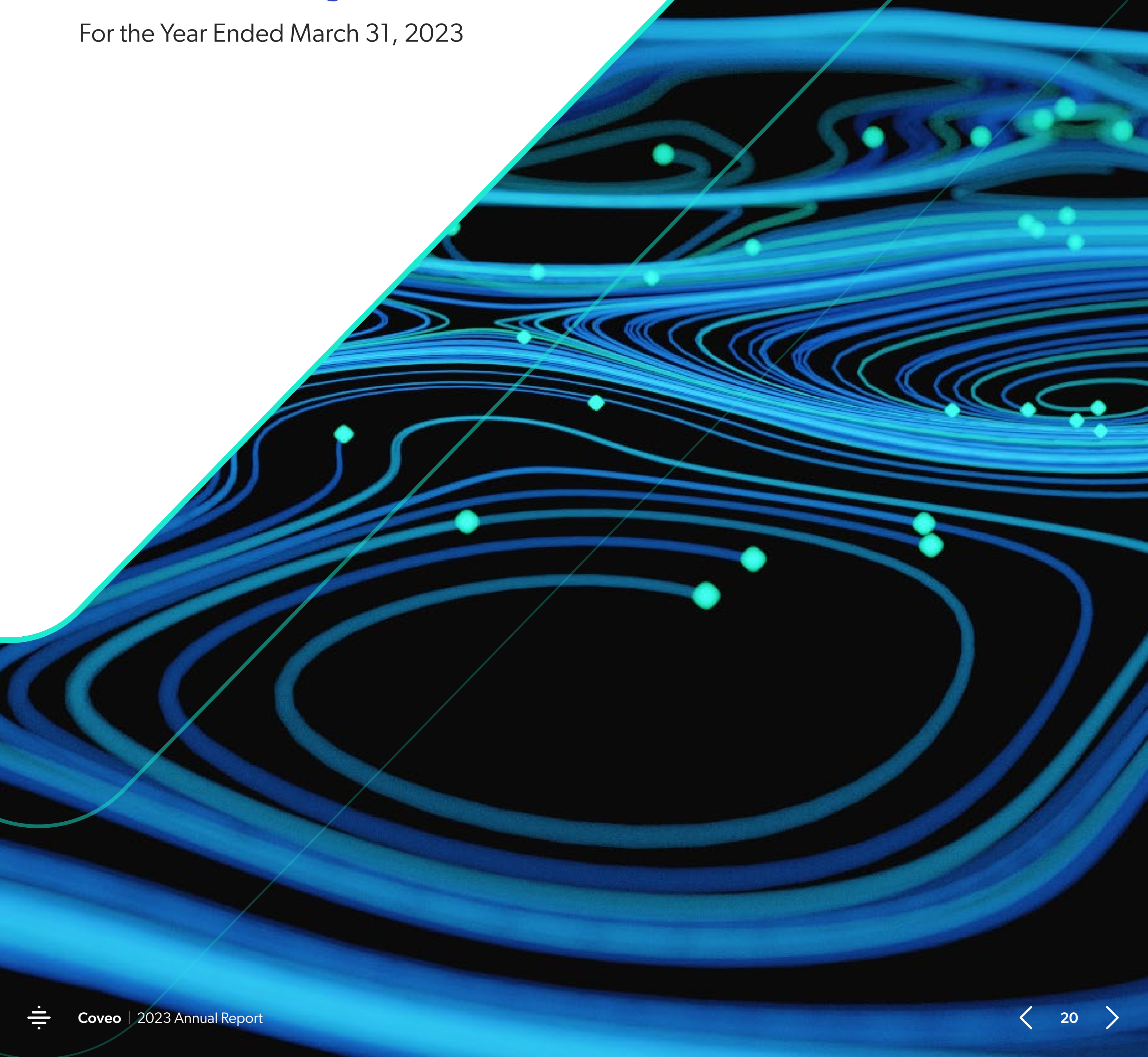
- **Corporate and Data Governance**
  We commit to adhering to the highest levels of corporate governance, and to doing what is right for all of our stakeholders, including our shareholders, employees, customers, and communities. Our Risk and Governance committee oversees our ESG strategy at the Board level. The Committee closely monitors emerging corporate governance trends, assisted by management, our internal corporate affairs team, and world-class external experts, with the objective of maintaining a strong corporate governance framework. One of the main topics of focus of the Committee is the protection of the data processed by our Coveo Relevance Cloud platform. We have dedicated compliance, privacy and security teams that work together to ensure appropriate safeguards are implemented to always protect customer data in compliance with applicable laws and best industry practices.

- **Diversity & Inclusion**
  At Coveo, we highly value diversity of opinions, equity, and inclusion. We believe a diverse workforce generates better ideas and innovations to solve complex problems, and we continuously work to eliminate biases and provide resources to every employee to promote inclusion. In 2020, we established a Diversity & Inclusion committee, and in 2022, we founded our Professional Women's Network committee to inform, train, and inspire our workforce. Through our 1% pledge, we expanded our partnerships with several Canadian organizations promoting diversity in technology, such as Tech Spark Canada, Society for Canadian Women in Science and Technology, and the Indigenous Friends Association.

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:

	Three months ended March 31,		Year ended March 31,	
In thousands of U.S. dollars	2023	2022	2023	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

	Three months ended March 31,				Year ended March 31,			
In thousands of U.S. dollars	2023	2022	Change		2023	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,				Year ended March 31,			
	2023	2022	Change		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,				Year ended March 31,			
	2023	2022	Change		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

In thousands of U.S. dollars	Three months ended March 31, 2023	2022	Change		Year ended March 31, 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

In thousands of U.S. dollars	As of and for the year ended March 31, 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.

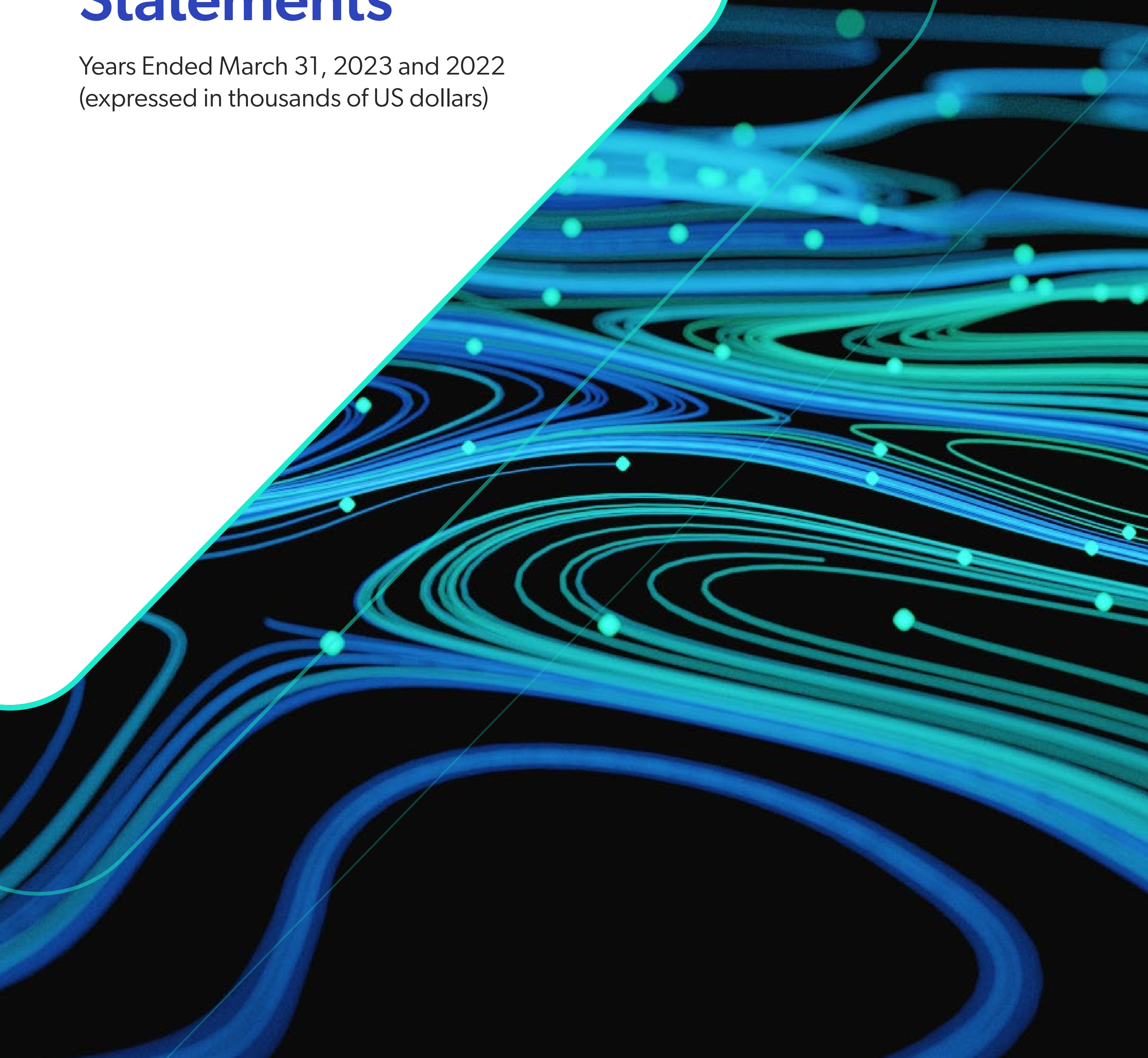
Additional Information

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

Coveo Solutions Inc.

Consolidated Financial Statements

Years Ended March 31, 2023 and 2022
(expressed in thousands of US dollars)



Independent auditor's report

To the Shareholders of Coveo Solutions Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Coveo Solutions Inc. and its subsidiaries (together, the Company) as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2023 and 2022;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Allocation of the transaction price to multiple performance obligations in contracts with customers *Refer to note 3 – Significant accounting policies, note 4 – Significant accounting judgments, estimates, and assumptions and note 18 – Revenue* The total revenue for the year is $112.0 million. The Company's contracts with customers often include the delivery of multiple products and services. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for separately. The total transaction price is determined at the inception of the contract and allocated to each distinct performance obligation based on their relative standalone selling price (SSP). Judgment is required in determining the relative SSP for distinct performance obligations. Management determines the relative SSP for subscription and professional services based on observable prices for the same or similar services, market conditions and entity-specific factors such as pricing practices. We considered this a key audit matter due to the significant judgments and assumptions used by management to estimate the relative SSP for subscription and professional services within a contract or contracts with a customer. This in turn resulted in significant audit effort and subjectivity in performing procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the relative SSP for subscription and professional services, which included the following: – Tested the effectiveness of controls relating to the revenue recognition process, including controls over the determination of relative SSP for subscription and professional services. – Tested a sample of revenue transactions by i) agreeing key contractual terms back to signed contracts, including contract amendments and correspondence with customers, where applicable, and ii) recalculating the allocation of the revenue based on the relative SSP determined by management's assessment. – Evaluated the reasonableness of the relative SSP related to subscription and professional services determined by management's assessment by considering the sales of similar products and services, bundled or standalone, and the Company's pricing practices.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Pascale Lavoie.

/s/PricewaterhouseCoopers LLP[1]

Québec, Quebec
May 30, 2023

[1] CPA auditor, public accountancy permit No. A124423

Coveo Solutions Inc.

Consolidated Statements of Financial Position

As at March 31, 2023 and 2022

(expressed in thousands of US dollars)

	Notes	2023	2022
		$	$
Assets			
Current assets			
Cash and cash equivalents		198,452	223,072
Trade and other receivables	6	24,233	25,476
Government assistance		7,142	10,443
Prepaid expenses		8,707	5,861
		238,534	264,852
Non-current assets			
Contract acquisition costs	7	11,148	10,858
Property and equipment	8	6,846	8,704
Intangible assets	9	15,107	20,605
Right-of-use assets	10	7,645	9,255
Deferred tax assets	22	3,896	4,616
Goodwill	11	25,642	26,610
Total assets		**308,818**	**345,500**
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	13	21,435	22,910
Current portion of deferred revenue	18	55,260	49,879
Current portion of lease obligations	10	1,929	1,916
		78,624	74,705
Non-current liabilities			
Deferred revenue	18	-	513
Lease obligations	10	8,940	11,169
Deferred tax liabilities	22	2,721	3,677
Total liabilities		90,285	90,064
Shareholders' Equity			
Share capital	14	868,409	859,944
Contributed surplus	16	25,949	15,295
Deficit		(631,988)	(592,256)
Accumulated other comprehensive loss		(43,837)	(27,547)
Total shareholders' equity		218,533	255,436
Total liabilities and shareholders' equity		**308,818**	**345,500**

Commitments (note 25)

Subsequent events (note 29)

Approved by the Board of Directors

(Signed) Louis Têtu Director (Signed) Fay Sien Goon Director

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

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the years ended March 31, 2023 and 2022

(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		-	-	-	-	418,276	-	418,276
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(386)	(386)
Total comprehensive income								417,890
Consideration to a shareholder	14	-	-	-	-	(14,758)	-	(14,758)
Donation of share capital	14	857,122	10,113	-	-	-	-	10,113
Conversion of redeemable preferred shares	15	63,356,738	651,645	(1,105)	-	-	-	650,540
Share capital issued	14	16,620,996	195,920	-	-	-	-	195,920
Share capital issuance costs	14	-	(16,299)	-	-	-	-	(16,299)
Share-based payments	16	-	-	-	10,261	-	-	10,261
Exercise of stock options	16	537,203	1,198	-	(350)	-	-	848
Settlement of share-based awards	16	34,826	410	-	(410)	-	-	-
Balance as at March 31, 2022		**103,747,326**	**859,944**	**-**	**15,295**	**(592,256)**	**(27,547)**	**255,436**
Net loss		-	-	-	-	(39,732)	-	(39,732)
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(16,290)	(16,290)
Total comprehensive loss								(56,022)
Share-based payments	16	-	-	-	19,022	-	-	19,022
Exercise of stock options	16	1,101,508	2,456	-	(716)	-	-	1,740
Settlement of share-based awards, net of shares withheld for taxes	16	642,456	6,009	-	(7,652)	-	-	(1,643)
Balance as at March 31, 2023		**105,491,290**	**868,409**	**-**	**25,949**	**(631,988)**	**(43,837)**	**218,533**

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

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the years ended March 31, 2023 and 2022

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

	Notes	2023	2022
		$	$
Revenue	18		
SaaS subscription		102,960	77,853
Self-managed licenses and maintenance		912	2,375
Product revenue		**103,872**	**80,228**
Professional services		8,130	6,260
Total revenue		**112,002**	**86,488**
Cost of revenue			
Product		19,573	16,093
Professional services		7,101	5,363
Total cost of revenue		**26,674**	**21,456**
Gross profit		**85,328**	**65,032**
Operating expenses			
Sales and marketing		57,100	47,771
Research and product development		35,025	30,099
General and administrative		29,042	36,759
Depreciation of property and equipment	8	2,548	2,677
Amortization of intangible assets	9	4,454	3,467
Depreciation of right-of-use assets	10	1,578	1,517
Total operating expenses		**129,747**	**122,290**
Operating loss		**(44,419)**	**(57,258)**
Change in redeemable preferred shares – conversion rights component fair value	15	-	(299,428)
Net financial expenses (revenue)	21	(4,613)	12,501
Foreign exchange loss (gain)		(279)	362
Income (loss) before income tax expense (recovery)		**(39,527)**	**229,307**
Income tax expense (recovery)	22	205	(188,969)
Net income (loss)		**(39,732)**	**418,276**
Other comprehensive income (loss)			
Items that may be reclassified to the consolidated statements of income (loss)			
Foreign currency differences on translation to presentation currency		(16,290)	(386)
Total comprehensive income (loss)		**(56,022)**	**417,890**
Net income (loss) per share	17		
Basic		(0.38)	8.23
Diluted		(0.38)	(0.59)

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

Coveo Solutions Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2023 and 2022

(expressed in thousands of US dollars)

	Notes	2023	2022
		$	$
Cash flows used in operating activities			
Net income (loss)		(39,732)	418,276
Items not affecting cash			
Amortization of contract acquisition costs	7	4,428	3,839
Depreciation of property and equipment	8	2,548	2,677
Amortization of intangible assets	9	4,454	3,467
Depreciation of right-of-use assets	10	1,578	1,517
Interest accretion	15, 21	-	11,906
Change in redeemable preferred shares – conversion rights component fair value	15	-	(299,428)
Donation of share capital	14	-	10,379
Share-based payments	16	19,022	10,261
Change in fair value of short-term investments	21	-	103
Interest on lease obligations	10, 21	630	722
Variation of deferred tax assets and liabilities	22	(2)	(189,211)
Unrealized foreign exchange loss (gain)		(422)	293
Changes in non-cash working capital items	23	1,239	(10,225)
		(6,257)	**(35,424)**
Cash flows from (used in) investing activities			
Business combination, net of cash acquired	5	(675)	(37,591)
Proceeds from disposal of short-term investments		-	76,351
Additions to property and equipment	8	(1,585)	(1,385)
Additions to intangible assets	9	(5)	(757)
		(2,265)	**36,618**
Cash flows from (used in) financing activities			
Share capital issued	14	-	195,920
Share capital issuance costs	14	-	(16,299)
Consideration to a shareholder	14	-	(14,758)
Proceeds from exercise of stock options	16	1,740	848
Tax withholding for net share settlement		(1,643)	-
Payments on lease obligations	10	(2,525)	(2,309)
		(2,428)	**163,402**
Effect of foreign exchange rate changes on cash and cash equivalents		(13,670)	3,077
Increase (decrease) in cash and cash equivalents during the year		**(24,620)**	**167,673**
Cash and cash equivalents – beginning of year		223,072	55,399
Cash and cash equivalents – end of year		**198,452**	**223,072**
Cash		22,036	40,103
Cash equivalents		176,416	182,969

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

1. Incorporation and nature of activities

Coveo Solutions Inc. ("Coveo" or the "Company") is incorporated under the Canada Business Corporations Act. Its head office is located at 3175 Chemin des Quatre-Bourgeois, Suite 200, Quebec, Quebec, Canada. Coveo is an artificial intelligence ("AI") platform that enhance 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. The platform is cloud-native SaaS, multi-tenant, API-first, and headless.

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

2. Basis of presentation and consolidation

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include the accounts of Coveo and its wholly owned subsidiaries, Coveo Software Corp., Coveo Europe B.V. and Qubit Digital Limited.

These consolidated financial statements for the year ended March 31, 2023 were approved by the Board of Directors on May 30, 2023.

Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value and lease obligations measured at present value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Presentation currency

The functional currency of the Company is the Canadian dollar. The consolidated financial statements are presented in thousands of US dollars, except where otherwise indicated. The Company has adopted the US dollar as its presentation currency as it is the most commonly used reporting currency in its industry. The consolidated financial statements are translated into the presentation currency as follows: assets and liabilities are translated at the exchange rate in effect on the date of the consolidated financial position; and revenue and expenses are translated at the monthly average exchange rate. The foreign currency translation adjustment arising from such translation is included in accumulated other comprehensive loss in the consolidated statements of changes in shareholders' equity.

Foreign currency

Each foreign operation determines its own functional currency, and items included in the financial statements of each foreign operation are measured using that functional currency. The functional currency of each entity of the group is the following:

Coveo Solutions Inc.	Canadian dollar
Coveo Software Corp.	US dollar
Coveo Europe B.V.	Euro
Qubit Digital Limited	British pound sterling

Transactions denominated in currencies other than the functional currency are translated into the relevant functional currency as follows:

- monetary assets and liabilities are translated at the exchange rate in effect on the date of the consolidated statements of financial position, and revenue and expenses are translated at the exchange rate in effect on the date of the transaction; and
- non-monetary assets and liabilities measured at historical cost and denominated in a foreign currency are translated using the exchange rate at the date of the transaction, whereas non-monetary items that are measured at fair value and denominated in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses arising from such translation are included in the consolidated statements of income (loss) and comprehensive income (loss).

Consolidation

Subsidiaries are entities controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company. All intercompany transactions, balances, revenue, and expenses between the Company and its subsidiaries have been eliminated.

3. Significant accounting policies

Cash and cash equivalents

Cash comprises cash on deposit at banks and on hand. The Company considers all short term highly liquid investments that are readily convertible into known amounts of cash, with original maturities at their acquisition date of three months or less to be cash equivalent.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment of accounts receivable. The carrying amount of trade and other receivables is reduced through an allowance for expected credit losses, and the amount of any increase in the allowance for expected credit losses is recognized in the consolidated statements of income (loss) and comprehensive income (loss).

The allowance follows the simplified approach under IFRS 9, "Financial instruments", which uses the lifetime expected credit losses for trade receivables. The allowance is estimated based on the Company's collection history, the outstanding amount past the average credit period, observable economic conditions affecting default rate on receivable, and financial hardship specific to the customer. The Company has established a provision matrix using this information, which is used to determine the amount of the expected credit losses at each reporting period. The same factors are considered when determining whether to write off amounts charged to the allowance for expected credit losses against the customer's accounts receivable.

When a trade receivable is uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited to the consolidated statements of income (loss) and comprehensive income (loss).

Government assistance

Government assistance, consisting of grants and refundable tax credits, are recorded as a reduction of the related qualifying expenses, in the period the expenses are incurred, when there is reasonable assurance that the Company has met or will meet the requirements of the approved grant or refundable tax credit program, based on management's interpretation of applicable legislation.

Contract acquisition costs

Contract acquisition costs represent costs that are incremental to the acquisition of customer contracts, which consist mainly of sales commissions and associated payroll taxes and referral fees. The Company determines whether costs should be deferred based on sales compensation plans if the commissions are in fact incremental and would not have occurred without a customer contract.

Contract acquisition costs capitalized related to new revenue contracts are amortized on a straight-line basis over five years, which, although longer than the typical initial contract period, reflects the average period of benefit, including expected contract renewals. In arriving at this average period of benefit, the Company evaluated both qualitative and quantitative factors, which included the estimated life cycles of its offerings and its customer attrition.

Additionally, the Company amortizes capitalized costs in relation to renewals over periods of one and a half year to two-years.

Amortization of contract acquisition costs is recognized in sales and marketing expense in the consolidated statements of income (loss) and comprehensive income (loss). The Company periodically reviews the carrying amount of contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Office improvements	Lease term
Office furniture and equipment	5 years
Computer equipment	3 years

Depreciation methods, useful lives, and the residual values of property and equipment are reviewed annually for any change in circumstances and are adjusted prospectively if appropriate.

Intangible assets

After initial recognition, intangible assets are recorded at cost less accumulated amortization. Intangible assets are depreciated using the straight-line method over their estimated useful lives as follows:

Technology	5 years
Customer relationships	6 years
Others	2 to 20 years

Other intangible assets consist of backlog and trademarks acquired through business combination, as well as patents.

Depreciation methods, useful lives, and the residual values of intangible assets are reviewed annually for any change in circumstances and are adjusted prospectively if appropriate.

Impairment of long-lived assets

The Company evaluates its property and equipment and definite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units or "CGU").

Right-of-use assets and lease obligations

The Company assesses at contract inception whether a contract is, or contains, a lease, which is when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease obligations representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Office leases	Between 6 and 9 years

The right-of-use assets are also subject to impairment.

Lease obligations

At the commencement date of the lease, the Company recognizes lease obligations measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease obligations is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease obligations is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net tangible and identifiable intangible assets acquired in a business combination and is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Company tests for impairment the carrying value of goodwill in accordance with IAS 36, "Impairment of Assets", on an annual basis or more frequently if events or a change in circumstances indicate that it is more likely than not that the fair value of the goodwill is below its carrying amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss reversals are not allowed for goodwill.

Business combinations

The Company accounts for business combinations using the acquisition method. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to reasonably value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statement of income (loss) and comprehensive income (loss).

Revenue recognition and deferred revenue

The Company generates revenue primarily in the form of SaaS subscriptions, self-managed licenses and maintenance, and professional services. The Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Company performs the following steps:

- Identification of the contract with a customer;
- Determination of whether the promised goods or services are performance obligations;
- Measurement of transaction price;
- Allocation of the transaction price to the performance obligations; and
- Recognition of revenue when the Company satisfies each performance obligation.

The Company's arrangements with customers can include multiple services or performance obligations. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted separately. Specifically, the Company considers the distinct performance obligations to be the SaaS subscription, the self-managed licenses, the maintenance and support on the self-managed licenses, and the professional services.

The total transaction price is determined at the inception of the contract and allocated to each distinct performance obligation based on their relative standalone selling prices ("SSP"). The Company determined the SSP by considering internal evidence such as normal or consistently applied SSP. The determination of SSP is made through consultation with an approval by management, taking into consideration the Company's go-to-market strategy. As the Company's go-to-market strategies evolve, the Company may modify its pricing practices in the future, which could result in changes in relative SSP. Discounts are allocated to each performance obligation that they relate to based on their relative SSP.

The Company generally invoices annually in advance and receives payment from its customer on the invoice due date. In instances where the timing of revenue recognition differs from the timing of invoicing and subsequent payment, it was determined the Company's contracts generally do not include a significant financing component.

Sales taxes collected from customers and remitted to government authorities are excluded from revenue.

SaaS subscription and self-managed licenses and maintenance

The Company's SaaS subscription revenue services allow customers to access and use the Company's multi-tenant software over the contract period without taking possession of the software. SaaS services are provided on a subscription basis and recognized ratably over the term of the contract as the Company satisfies the performance obligation.

Self-managed licenses revenue includes self-managed term licenses and perpetual licenses and the related maintenance and support fees. Self-managed licenses provide customers with a right to use the software as it exists when made available. Revenue from term licenses and perpetual licenses is recognized at the point in time when the software is made available to the customer and is recorded within self-managed licenses and maintenance.

Maintenance fees primarily consist of fees for maintenance services (including support and unspecified upgrades and enhancements when and if they are available) and are recognized ratably over the contract term within self-managed licenses and maintenance.

Professional services

Professional services are provided for implementation and configuration of SaaS subscriptions. The Company's professional services are generally not essential to the functionality of the software. They are typically time-based arrangements and revenue is recognized as these services are performed. In certain circumstances, the Company enters 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.

Deferred revenue

Deferred revenue consists of amounts invoiced in advance of revenue recognition for the products and services described above. The Company recognizes deferred revenue as revenue only when the revenue recognition criteria have been met.

Income taxes

Current tax

The current tax payable is based on taxable income for the year. Taxable income (loss) differs from pre-tax income (loss) as reported in the consolidated statements of income (loss) and comprehensive income (loss) because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit or the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax

Current and deferred tax are recognized as an expense or income in the consolidated statements of income (loss) and comprehensive income (loss), except when they relate to items that are recognized outside of profit or loss (whether in other comprehensive income (loss) or directly in equity), in which case the tax is also recognized outside of profit or loss.

Share-based payments

The Company uses the fair value-based method to measure share-based payments for all awards made to directors, employees, and consultants. The grant date fair value is determined using the Black-Scholes model for stock options as well as non-market performance-based stock options and using the Monte Carlo model for market performance-based stock options.

The fair value of the restricted share units ("RSUs"), deferred share units ("DSUs"), and performance share units ("PSUs") is measured using the fair value of the Company's shares as if the units were vested and issued on the grant date.

For market performance-based stock options, the market conditions are considered in the fair value estimated at the grant date and this fair value is not revised subsequently. For non-market performance-based stock options and for PSUs, the Company estimates the expected outcome of the performance targets and how many options and PSUs are expected to vest. The Company revises those estimates and related expense until the final outcome is known.

The grant date fair value of share-based payments granted is recognized as an expense, with a corresponding increase in the equity, over the vesting period of the awards. The Company also estimates forfeitures at the time of grant and revises its estimates in subsequent periods if actual forfeitures differ from these estimates.

Net income (loss) per share

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders of the Company by the basic weighted average number of outstanding common shares.

Diluted income (loss) per share is computed similarly but reflects the potential dilution that would occur if dilutive conversion rights or options were exercised. The Company has issued preferred shares with conversion rights (Series A to F) and share-based awards that are potentially dilutive instruments. For preferred shares, both earnings and the weighted average number of shares are adjusted for the impact of the dilutive conversion rights as applicable. For stock options and share-based awards, only the weighted average number of shares are adjusted for the impact of the options using the treasury share method. Diluted net income (loss) per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Operating segments

Operating segments are components of a company engaged in business activities that earn revenues and incur expenses, whose results are reviewed and monitored regularly by the Company's Chief Operating Decision-Maker ("CODM") in order to make decisions, direct resources to its operations and evaluate its results, and for which discrete information is available. The CODM is a function comprising the Chief Executive Officer and the Chief Financial Officer. Information is reviewed on a consolidated basis and as such, the Company has determined that it has one operating segment.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the consolidated statements of income (loss) and comprehensive income (loss).

Financial assets

The Company determines the classification of its financial assets at initial recognition. The Company's financial assets are classified as follows:

Financial instrument	Classification
Cash and cash equivalents	Amortized cost
Trade and other receivables, excluding sales taxes receivable	Amortized cost

<u>Amortized cost</u>

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on derecognition are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

Financial instrument	Classification
Trade payable and accrued liabilities – excluding sales taxes payable	Amortized cost

<u>Amortized cost</u>

Subsequent to initial recognition, financial liabilities at amortized cost are measured using the effective interest rate method. They are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Otherwise, they are presented as non-current liabilities.

FVTPL

Changes in items carried at fair value are recorded in the consolidated statements of income (loss) and comprehensive income (loss). The Company assesses whether embedded derivative financial instruments are required to be separated from host contracts when the Company first becomes party to the contract.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled, or they expire.

New accounting standards and interpretation adopted

These following amendments and improvements were adopted on April 1, 2022.

- Reference to Conceptual Framework (Amendments to IFRS 3): The amendments update the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37): 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.
- Financial Instruments (Annual Improvement to IFRS 9): The improvements clarifies 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 consolidated financial statements.

New accounting standards and interpretation issued but not yet adopted

These amendments will apply on April 1, 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1): Entities will be required to disclose material accounting policies instead of significant accounting policies. Entities will use a four-step materiality process in order to determine which accounting policies should be disclosed going forward.
- Definition of Accounting Estimates (Amendments to IAS 8): The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12): The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

These amendments are not expected to have a significant impact on the Company’s consolidated financial statements.

These amendments will apply on April 1, 2024:

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1): The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

4. Significant accounting judgments, estimates, and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, expenses, and disclosure of contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and judgments include, but are not limited to, the allocation of the transaction price to performance obligations, recognition of income taxes and deferred income tax assets, valuation of share-based payments, business combinations, and impairment of non-financial assets. Estimates and assumptions are reviewed periodically, and the effects of revisions are recorded in the consolidated financial statements in the period in which the estimates are revised and in any future periods affected.

Allocation of transaction price to performance obligations

The determination of the SSP for distinct performance obligations can require judgment and estimates. The Company estimates SSP for bundled items such as SaaS subscription and self-managed licenses and maintenance in subscription arrangements that are not sold separately. The Company uses a range of amounts to estimate SSP when it sells each of the products and services and determines whether there is a discount that needs to be allocated based on the relative SSP of the various products and services. SSP for subscriptions and professional services is established based on observable prices for the same or similar services, market conditions, and entity-specific factors such as pricing practices. SSP for maintenance and support bundled in self-managed license arrangements is established as a percentage of the license fee as supported by third party evidence and internal analysis of similar vendor contracts.

Income taxes

The Company is subject to income tax laws and regulations in some jurisdictions. Under these laws and regulations, uncertainties exist with respect to the interpretation of complex tax laws and regulations and the amount and timing of future taxable income. Management has made reasonable estimates and assumptions to determine the amount of tax assets and tax liabilities that can be recognized in the consolidated financial statements, based upon the likely timing and level of anticipated future taxable income together with tax planning strategies.

Deferred income tax assets

Management exercises judgment in the assessment of the probability of future taxable income, to estimate the extent to which deferred income tax assets can be realized. Estimates are based on the Company’s most recent approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules and tax planning strategies in the various jurisdictions in which the Company operates are carefully taken into consideration. Management uses judgment to assess specific facts and circumstances to evaluate legal, economic, or other uncertainties.

Share-based payments

The Company uses the Black-Scholes valuation model and the Monte Carlo valuation model to determine the fair value of equity settled stock options. Estimates are required for inputs to these models including the exercise price of the option and current price of the underlying share, the expected term of the option, the expected volatility of the underlying share for the expected term of the option, the expected dividend yield on the underlying share for the expected term of the option, and the risk-fee interest rate for the expected term of the award. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate. The assumptions and estimates used are further outlined in note 16.

The expense recognized for performance-based stock-options is based on an estimation of the probability of achieving the market and non-market conditions and the timing of the achieving of the market condition, which is difficult to predict. The final expense is only determinable when the outcome is known.

Business combinations

Business combinations are accounted for in accordance with the acquisition method. The consideration transferred and the acquiree's identifiable assets, liabilities and contingent liabilities are measured at their fair value. The Company uses valuation techniques to determine the fair value of identifiable intangible assets acquired, which are based on a forecast of total expected future net discounted cashflows. The valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

Impairment of non-financial assets

The Company's impairment test for goodwill is based on internal estimates of fair value less costs of disposal calculations and uses valuation models based on market approach. Key assumptions on which management has based its determination of fair value less costs of disposal include revenue multiple of companies deemed to be similar to the Company. This estimate, including the methodology used, the assessment of CGUs and how goodwill is allocated, can have a material impact on the respective values and ultimately the amount of any goodwill impairment.

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

5. Business combination

On October 14, 2021, the Company completed the acquisition of all of the shares of Qubit Digital Limited ("Qubit"). Incorporated in the United Kingdom, Qubit is a leader in AI-powered personalization solutions for merchandising teams. The total consideration of $42,326 consisted of $40,225 paid in cash on the closing date and $2,101 paid subsequently.

The Company incurred acquisition-related costs of $1,829 which have been recorded in general and administrative expenses in the consolidated statements of income (loss) and comprehensive income (loss).

The following table summarizes the final allocation of consideration paid and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date:

	$
Assets	
Cash	4,060
Government assistance	1,499
Trade and other receivables	1,552
Property and equipment	107
Technology	8,700
Customer relationships	13,100
Other intangible assets	1,600
Goodwill	25,970
Total assets	**56,588**
Liabilities	
Trade payable and accrued liabilities	5,437
Deferred revenue	4,458
Deferred tax liabilities	4,367
Total liabilities	**14,262**
Fair value of net assets acquired	42,326
Less: Cash acquired	4,060
	38,266

The goodwill related to the acquisition of Qubit is composed of the acquired workforce as well as the benefits of adding scale to Coveo's commerce solutions and increasing its go-to-market presence in Europe. $9,080 of the goodwill recognized at acquisition is deductible for tax purposes.

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

6. Trade and other receivables

	2023	2022
	$	$
Trade accounts receivable	22,592	24,621
Sales tax receivable	1,306	882
Other	420	79
Allowance for expected credit losses	(85)	(106)
	24,233	**25,476**

The following table presents the movement in the allowance for expected credit losses:

	2023	2022
	$	$
Balance at beginning	106	455
Provision for expected credit losses	4	100
Write-offs	(23)	(448)
Effect of movement in exchange rate	(2)	(1)
Balance at end	**85**	**106**

7. Contract acquisition costs

	2023	2022
	$	$
Balance at beginning	10,858	8,624
Additions	4,961	6,087
Amortization	(4,428)	(3,839)
Effect of movement in exchange rate	(243)	(14)
Balance at end	**11,148**	**10,858**

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

8. Property and equipment

	2023			
	Office improvements	**Office furniture and equipment**	**Computer equipment**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance at beginning	9,479	1,177	7,285	17,941
Additions	391	43	885	1,319
Disposals and write-offs	-	-	(1,445)	(1,445)
Effect of movement in exchange rate	(735)	(92)	(552)	(1,379)
Balance at end	**9,135**	**1,128**	**6,173**	**16,436**
Accumulated depreciation				
Balance at beginning	3,300	768	5,169	9,237
Depreciation	1,144	154	1,250	2,548
Disposals and write-offs	-	-	(1,445)	(1,445)
Effect of movement in exchange rate	(285)	(63)	(402)	(750)
Balance at end	**4,159**	**859**	**4,572**	**9,590**
Net carrying value as at March 31, 2023	**4,976**	**269**	**1,601**	**6,846**

	2022			
	Office improvements	**Office furniture and equipment**	**Computer equipment**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance at beginning	9,245	1,119	5,931	16,295
Additions	166	50	1,422	1,638
Additions through business combination	-	-	107	107
Disposals and write-offs	-	-	(213)	(213)
Effect of movement in exchange rate	68	8	38	114
Balance at end	**9,479**	**1,177**	**7,285**	**17,941**
Accumulated depreciation				
Balance at beginning	2,092	540	4,086	6,718
Depreciation	1,188	223	1,266	2,677
Disposals and write-offs	-	-	(213)	(213)
Effect of movement in exchange rate	20	5	30	55
Balance at end	**3,300**	**768**	**5,169**	**9,237**
Net carrying value as at March 31, 2022	**6,179**	**409**	**2,116**	**8,704**

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

9. Intangible assets

	2023			
	Technology	Customer relationships	Others	Total
	$	$	$	$
Cost				
Balance at beginning	8,386	12,783	2,881	24,050
Additions	-	-	5	5
Effect of movement in exchange rate	(500)	(504)	(175)	(1,179)
Balance at end	**7,886**	**12,279**	**2,711**	**22,876**
Accumulated amortization				
Balance at beginning	768	976	1,701	3,445
Amortization	1,546	2,020	888	4,454
Effect of movement in exchange rate	(14)	(12)	(104)	(130)
Balance at end	**2,300**	**2,984**	**2,485**	**7,769**
Net carrying value as at March 31, 2023	**5,586**	**9,295**	**226**	**15,107**

	2022			
	Technology	Customer relationships	Others	Total
	$	$	$	$
Cost				
Balance at beginning	261	-	1,161	1,422
Additions	-	-	757	757
Additions through business combination	8,700	13,100	1,600	23,400
Disposals	(259)	-	(581)	(840)
Effect of movement in exchange rate	(316)	(317)	(56)	(689)
Balance at end	**8,386**	**12,783**	**2,881**	**24,050**
Accumulated amortization				
Balance at beginning	261	-	577	838
Amortization	785	986	1,696	3,467
Disposals	(259)	-	(581)	(840)
Effect of movement in exchange rate	(19)	(10)	9	(20)
Balance at end	**768**	**976**	**1,701**	**3,445**
Net carrying value as at March 31, 2022	**7,618**	**11,807**	**1,180**	**20,605**

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

10. Right-of-use assets and lease obligations

The following table presents changes in the right-of-use assets balance:

	2023	2022
	$	**$**
Balance at beginning	9,255	10,268
Additions	195	-
Modifications to lease contracts	457	428
Depreciation	(1,578)	(1,517)
Effect of movement in exchange rate	(684)	76
Balance at end	**7,645**	**9,255**

The following table presents changes in the lease obligations:

	2023	2022
	$	**$**
Balance at beginning	13,085	14,143
Additions	195	-
Modifications to lease contracts	457	428
Payments	(2,525)	(2,309)
Interest expense on lease obligations	630	722
Effect of movement in exchange rate	(973)	101
Balance at end	**10,869**	**13,085**
Current portion	1,929	1,916
Non-current portion	8,940	11,169

The Company has office leases in Canada. Expenses relating to short-term leases and low-value assets are not significant.

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

11. Goodwill

	2023	2022
	$	$
Balance at beginning	26,610	1,247
Business combination	-	25,970
Effect of movement in exchange rate	(968)	(607)
Balance at end	**25,642**	**26,610**

Goodwill is allocated to the Company as a whole CGU. The Company used a market-based approach (revenue multiple) to perform its annual goodwill impairment test. The fair value estimate is based on assumed revenue multiples of companies deemed to be similar to the Company. With revenue being higher than the CGU carrying amount, even if the Company uses a multiple of 1.0x, the recoverable amount of the CGU exceeds the carrying value. Therefore, no impairment loss has been recognized as at March 31, 2023 and 2022.

12. Credit facility

Effective April 30, 2021, the Company entered into the first amendment to the loan agreement with Comerica Bank, which provides for a $50,000 revolving credit facility bearing interest at prime rate either for advances denominated in Canadian dollars or in US dollars, available until April 28, 2024. On May 25, 2021, the Company entered into the second amendment of the loan agreement to provide that, for advances denominated in Canadian dollars, such prime rate shall in no event be less than 1% per annum. As at March 31, 2023 and 2022, the Company has not drawn on the credit facility and was in compliance with the credit facility covenants.

13. Trade payable and accrued liabilities

	2023	2022
	$	$
Trade accounts payable	3,070	2,534
Accrued compensation and benefits	12,755	13,343
Sales taxes payable	390	677
Income taxes payable	124	-
Accrued liabilities	5,096	6,356
	21,435	**22,910**

14. 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 times and in such amounts and form as the Board may from time to time determine, 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 times and in such amounts and form as the Board may from time to time determine, but subject to the rights of the holders of any preferred shares, and convertible on a share-for-share basis into subordinate voting shares; and
- 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.

Initial public offering (IPO), private placement, and exercise of over-allotment by the underwriters

Effective November 24, 2021, the Company completed the closing of its IPO. On that date, immediately prior to the completion of the IPO, the Company completed the following transactions (the "Reorganization"):

- Amended and redesignated common shares as multiple voting shares;
- Created a new class of an unlimited number of subordinate voting shares;
- Created a new class of an unlimited number of preferred shares, issuable in series;
- Converted all existing preferred shares into multiple voting shares on a one-for-one basis; and
- Repealed and deleted all existing preferred shares from the authorized share capital of the Company upon completion of the IPO.

Since the Reorganization, 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 times and in such amounts and form as the Board may from time to time determine, 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 times and in such amounts and form as the Board may from time to time determine, but subject to the rights of the holders of any preferred shares, and convertible on a share-for-share basis into subordinate voting shares; and
- 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.

On November 24, 2021, the Company completed its IPO and issued 14,340,000 subordinate voting shares at CA$15 per share, for total gross proceeds of $169,197. Share issuance costs amounted to $14,844, resulting in net cash proceeds of $154,353.

Concurrently with the closing of the IPO, the Company also completed a private placement of 129,996 additional subordinate voting shares at CA$15 per share, for total gross proceeds of $1,534.

Following the close of the IPO, on December 1, 2021, the over-allotment option granted to the underwriters to purchase up to an additional 2,151,000 subordinate voting shares at a price of CA$15 per share was exercised in full, generating additional gross proceeds to the Company of $25,189. Share issuance costs amounted to $1,455, resulting in net cash proceeds of $23,734.

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

Other transactions

On October 25, 2021, the Company entered into an agreement with a shareholder pursuant to which such shareholder has disposed of and assigned certain rights to the Company in consideration of a cash payment of $14,758 from the Company, accounted for as an increase in deficit in the consolidated statement of changes in shareholder's equity (deficiency).

In addition, effective November 24, 2021, immediately prior to the completion of the Company's IPO, the Company donated $10,113 to charities, which was paid by issuing 857,122 multiple voting shares at a price of CA$15 per share.

The following table presents the changes in the share capital:

	2023		2022	
	Number of shares	Value $	Number of shares	Value $
Common shares				
Balance at beginning of year	-	-	22,340,441	16,957
Exercise of stock options	-	-	145,937	362
Amendment and redesignation of common shares to multiple voting shares	-	-	(22,486,378)	(17,319)
Outstanding – end of year	-	-	-	-
Subordinate voting shares				
Balance at beginning of year	44,327,654	396,842	-	-
Conversion from multiple voting shares	7,475,883	57,904	27,671,832	216,811
Share capital issued	-	-	16,620,996	195,920
Share capital issuance costs	-	-	-	(16,299)
Settlement of restricted shares units, net of shares withheld for taxes	633,296	6,009	34,826	410
Settlement of deferred share units	9,160	-	-	-
Outstanding – end of year	52,445,993	460,755	44,327,654	396,842
Multiple voting shares				
Balance at beginning of year	59,419,672	463,102	-	-
Donation of share capital	-	-	857,122	10,113
Amendment and redesignation of common shares to multiple voting shares	-	-	22,486,378	17,319
Conversion from redeemable preferred shares	-	-	63,356,738	651,645
Exercise of stock options	1,101,508	2,456	391,266	836
Conversion to subordinate voting shares	(7,475,883)	(57,904)	(27,671,832)	(216,811)
Outstanding – end of year	53,045,297	407,654	59,419,672	463,102
	105,491,290	**868,409**	**103,747,326**	**859,944**

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

15. Redeemable preferred shares

On November 24, 2021, immediately prior to the Company's IPO, there were 8,480,397 Series A, 11,103,401 Series B, 13,740,144 Series C, 11,366,847 Series D, 6,659,423 Series E, and 12,006,526 Series F preferred shares outstanding.

On November 24, 2021, the Company completed the Reorganization of its share 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 delete all existing preferred shares from the authorized share capital of the Company (note 14). The conversion of the outstanding redeemable preferred shares converted into multiple voting shares on a one-for-one basis resulted in 63,356,738 multiple voting shares. In addition, the related deferred tax liabilities were reduced to $Nil upon that conversion.

Series A preferred shares

The redeemable preferred shares debt and conversion rights components were converted into the share capital.

Series B to Series F preferred shares

On November 24, 2021, the redeemable preferred shares conversion rights component was revalued to an amount corresponding to the difference between the fair value of the multiple voting shares issued and the redeemable preferred shares debt component. The change in the redeemable preferred shares conversion rights component was recorded as a change in fair value in the consolidated statements of income (loss) and comprehensive income (loss). The redeemable preferred shares debt and conversion rights components were then converted into the share capital.

The following table presents the changes in the redeemable preferred shares:

	Liability Component			Equity Component
	Face value	Debt component	Conversion rights component (Series B to F)	Conversion rights (Series A)
	$	$	$	$
Balance as at March 31, 2021	**234,424**	**195,701**	**742,653**	**1,105**
Interest accretion	7,736	11,906	-	-
Change in redeemable preferred shares - conversion rights component fair value	-	-	(299,428)	-
Effect of movement in exchange rate	(2,694)	(2,381)	2,089	-
Conversion to share capital	(239,466)	(205,226)	(445,314)	(1,105)
Balance as at March 31, 2022 and March 31, 2023	**-**	**-**	**-**	**-**

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

16. Share-based payments

In 2005, the Company adopted a stock option plan ("the Legacy Option Plan"), which was subsequently amended and restated in 2019. In connection with the IPO, the Company amended the Legacy Option Plan such that outstanding options granted thereunder are exercisable for multiple voting shares and no further awards can be made under the Legacy Option Plan.

In connection with the IPO, the Company also adopted the Omnibus Incentive Plan, which allows the Board to grant long-term share-based awards to eligible participants, including stock options, RSUs, PSUs, and DSUs.

The Company has also made grants of performance-based stock options, RSUs, and DSUs in compliance with an allowance under the rules of the TSX as inducements for executives to enter into contracts of employment with the Company. The terms of such grants are aligned with the terms of comparable awards granted under the Omnibus Incentive Plan. A separate share reserve is maintained for issuance in connection with the exercise or settlement of such awards.

As at March 31, 2023, 8,482,103 multiple voting shares and 17,237,825 subordinate voting shares were reserved for issuance under the Legacy Option Plan, the Omnibus Incentive Plan, and inducements for executives.

Stock options

Stock options granted under the Legacy Option Plan generally vest at a rate of 25% annually over four years and have a term of ten years. Options granted under the Omnibus Plan generally vest at a rate of 25% on the first anniversary of the grant date and in twelve equal quarterly tranches thereafter until fully vested and have a term of five years.

The Company also granted performance-based stock options to certain executives. Non-market performance-based stock options vest based on achieving certain operating targets. They vest at a rate of 25% on the first anniversary of the grant date and in twelve equal quarterly tranches thereafter until fully vested and have a term of five years. Market performance-based stock options vest based on the Company achieving and maintaining certain share price targets. They vest at a rate of 33% on the first anniversary of the grant date and in eight equal quarterly tranches thereafter until fully vested and have a term of six years, assuming attainment of performance conditions.

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

	2023		2022	
	Number of options	Weighted average exercise price CA $	Number of options	Weighted average exercise price CA $
Balance at beginning of year	14,599,117	6.71	10,144,356	2.84
Granted*	601,500	7.89	5,342,106	13.54
Exercised	(1,101,508)	2.04	(537,203)	1.99
Forfeited	(382,800)	7.94	(350,142)	6.34
Outstanding – end of year	**13,716,309**	**7.10**	**14,599,117**	**6.71**
Exercisable – end of year	7,686,813	3.05	6,932,691	2.36

*Includes 4,200,000 market performance-based stock options in 2022 and 472,500 non-market performance-based stock options in 2023.

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

The following table provides summary information on the stock options issued and outstanding as at March 31, 2023:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CA$
Range of exercise prices			
CA$0.47 to CA$1.50	2,644,658	3.26	1.24
CA$2.81 to CA$4.08	3,780,926	5.50	2.93
CA$5.00 to CA$10.80	3,499,196	5.85	7.82
CA$12.19 to CA$15.75	3,791,529	5.11	14.67
Balance at end	**13,716,309**	**5.05**	**7.10**

The following table provides summary information on the stock options issued and outstanding as at March 31, 2022:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CA$
Range of exercise prices			
CA$0.47 to CA$1.50	3,252,230	4.06	1.23
CA$2.81 to CA$4.08	4,345,192	6.55	2.93
CA$5.00 to CA$10.80	3,101,695	7.08	7.78
CA$12.19 to CA$15.75	3,900,000	6.20	14.63
Balance at end	**14,599,117**	**6.01**	**6.71**

The fair value of options granted in each fiscal period has been established using the Black-Scholes option pricing model, except the market performance-based stock options that has been established using the Monte Carlo simulation pricing model, with the following weighted average assumptions:

	2023	2022
Exercise price of the option and current price of the underlying share ($CA)	$7.89	$13.54
Expected term of the option (in years)	4.00	5.57
Expected volatility of the underlying share for the expected term of the option	50%	50%
Expected dividend yield on the underlying share for the expected term of the option	Nil	Nil
Risk-free interest rate for the expected term of the award	3.27%	1.84%
Weighted average fair value of option ($CA)	$3.34	$4.64
Number of options granted	601,500	5,342,106

Share-based awards

RSUs are settled by issuance of shares at the vesting date and generally vest at a rate of 33% on the first anniversary of the grant date and in eight equal quarterly tranches thereafter until fully vested. Certain RSUs can vest over a period up to four years.

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

DSUs generally vest at a rate of 100% on the first anniversary of the grant date and are settled by issuance of shares after the termination date of the holder.

PSUs are settled by issuance of shares at the vesting date and generally vest at a rate of 33% on the first anniversary of the grant date and in eight equal quarterly tranches thereafter until fully vested. 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.

The following tables presents information about RSUs, DSUs, and PSUs outstanding:

2023

	RSU		DSU		PSU	
	Number of awards	Weighted average grant date fair value CA$	Number of awards	Weighted average grant date fair value CA$	Number of awards	Weighted average grant date fair value CA$
Balance at beginning of year	2,272,987	13.06	201,621	12.66	-	-
Granted	2,650,844	7.75	281,572	6.01	184,407	8.01
Settled	(928,082)	12.33	(9,160)	15.00	-	-
Forfeited	(341,797)	13.49	(20,409)	6.86	-	-
Outstanding – end of year	3,653,952	9.35	453,624	8.75	184,407	8.01

2022

	RSU		DSU		PSU	
	Number of awards	Weighted average grant date fair value CA$	Number of awards	Weighted average grant date fair value CA$	Number of awards	Weighted average grant date fair value CA$
Balance at beginning of year	-	-	-	-	-	-
Granted	2,363,842	13.13	201,621	12.66	-	-
Settled	(34,826)	15.00	-	-	-	-
Forfeited	(56,029)	14.84	-	-	-	-
Outstanding – end of year	2,272,987	13.06	201,621	12.66	-	-

Share-based payment expense

For the year ended March 31, 2023, shared-based payment expense of $19,022 ($10,261 in 2022) was recorded in the consolidated statements of income (loss) and comprehensive income (loss) with a corresponding credit to contributed surplus.

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

17. Net income (loss) per share

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

	2023	2022
	$	**$**
Net income (loss)	(39,732)	418,276
Plus (less):		
Interest accretion on redeemable preferred shares – debt component	-	11,906
Change in redeemable preferred shares – conversion rights component fair value	-	(299,428)
Deferred tax on redeemable preferred shares	-	(189,722)
Net loss used in the diluted net loss per share calculation	**(39,732)**	**(58,968)**

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

	2023	2022
Basic weighted average number of shares outstanding	104,572,190	50,811,216
Plus dilutive effect of:		
Preferred shares	-	41,138,485
Stock options	-	7,751,071
RSUs	-	608,232
DSUs	-	52,281
Diluted weighted average number of shares outstanding	**104,572,190**	**100,361,285**

For the year ended March 31, 2023, 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 year ended March 31, 2022, 1,434,393 stock options were excluded from diluted weighted average number of shares outstanding as their effect would have been anti-dilutive.

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

18. Revenue

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

	2023	2022
	$	$
Canada	6,856	4,728
United States	85,109	69,565
Other	20,037	12,195
	112,002	**86,488**

As at March 31, 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	2024	2025 and thereafter	Total
	$	$	$
SaaS subscription	95,348	64,902	160,250

Contract liabilities

As at March 31, 2023, the Company had deferred revenue of $55,260 ($50,392 in 2022). Revenue recognized that was included in the deferred revenue balance at the beginning of the year ended March 31, 2023 was $49,879 ($37,144 in 2022).

19. Employee compensation

The following table presents employee compensation expenses of the Company, excluding government assistance:

	2023	2022
	$	$
Salary and other short-term benefits	88,443	80,655
Share-based payments and related expenses	18,704	13,449
	107,147	**94,104**

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

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

	2023	2022
	$	$
Product cost of revenue	697	512
Professional services cost of revenue	564	468
Sales and marketing	5,438	2,899
Research and product development	5,522	4,229
General and administrative	6,483	5,341
	18,704	**13,449**

20. Government assistance

The following table presents government assistance amounts recognized by the Company:

	2023	2022
	$	$
Product cost of revenue	895	721
Professional services cost of revenue	343	312
Research and product development	5,243	5,400
	6,481	**6,433**

21. Net financial expenses (revenue)

	2023	2022
	$	$
Interest accretion	-	11,906
Interest on lease obligations	630	722
Change in fair value of short-term investments	-	103
Interest revenue	(5,243)	(230)
	(4,613)	**12,501**

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

22. Income taxes

Income tax expense includes the following components:

	2023	2022
	$	$
Current	207	242
Deferred	(2)	(189,211)
	205	**(188,969)**

Deferred income tax expense includes the following components:

	2023	2022
	$	$
Deferred income taxes relating to the origination and reversal of temporary differences	(5,717)	(7,573)
Deferred tax related to Part VI.1	-	(189,722)
Unrecognized deferred income tax assets on temporary deductible differences and unused tax losses	5,715	8,084
	(2)	**(189,211)**

The income tax expense reported, which includes foreign taxes, differs from the amount of the income tax expense computed by applying the Canadian statutory rate as follows:

	2023	2022
	$	$
Income (loss) before tax expense (recovery)	(39,527)	229,307
Income tax expense (recovery) at combined Canadian federal and provincial statutory rate (26.50% in 2023 and 2022)	(10,474)	60,772
Impact of rate differential of foreign jurisdictions	506	311
Non-deductible share-based payments	4,027	2,742
Other non-deductible expenses and non-taxable amounts	415	(71,398)
Deferred tax related to Part VI.1 tax	-	(189,722)
Unrecognized deferred income tax assets on temporary deductible differences and unused tax losses	5,715	8,084
Other	16	242
Total income tax expense (recovery)	**205**	**(188,969)**

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

The changes in the deferred income tax assets and liabilities for the year ended March 31, 2023 are as follows:

	Balance as at March 31, 2022	Credited (charged) to consolidated statements of loss and comprehensive loss	Effect of movement in exchange rate	Balance as at March 31, 2023
	$	$	$	$
Property and equipment	1,548	(1,338)	(83)	127
Intangible assets	124	(124)	-	-
Lease obligations	1,893	1,167	(180)	2,880
Losses carried forward	4,537	(829)	3	3,711
Share-based payment	-	310	-	310
Other	97	(51)	(46)	-
Intangible assets and goodwill	(3,872)	680	236	(2,956)
Right-of-use assets	(2,452)	243	183	(2,026)
Research and development tax credits	(135)	68	67	-
Deferred revenue	(22)	22	-	-
Contract acquisition costs	(779)	(60)	58	(781)
Other	-	(90)	-	(90)
Net deferred tax assets	**939**	**(2)**	**238**	**1,175**
Classified as follows				
Deferred income tax assets	4,616			3,896
Deferred income tax liabilities	(3,677)			(2,721)
	939			**1,175**

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

The changes in the deferred income tax assets and liabilities for the year ended March 31, 2022 were as follows:

	Balance as at March 31, 2021	Credited (charged) to consolidated statements of income and comprehensive income	Business acquisition and other	Effect of movement in exchange rate	Balance as at March 31, 2022
	$	$	$	$	$
Property and equipment	977	563	-	8	1,548
Intangible assets	-	124	-	-	124
Lease obligations	2,317	(445)	-	21	1,893
Losses carried forward	5,643	(1,106)	-	-	4,537
Other	276	(292)	94	19	97
Intangible assets and goodwill	(24)	345	(4,341)	148	(3,872)
Right-of-use assets	(2,721)	287	-	(18)	(2,452)
Part V1.1 tax	(186,249)	189,722	-	(3,473)	-
Research and development tax credits	(134)	-	-	(1)	(135)
Deferred revenue	-	98	(120)	-	(22)
Contract acquisition costs	(662)	(85)	-	(32)	(779)
Net deferred tax assets (liabilities)	**(180,577)**	**189,211**	**(4,367)**	**(3,328)**	**939**
Classified as follows					
Deferred income tax assets	5,672				4,616
Deferred income tax liabilities	(186,249)				(3,677)
	(180,577)				**939**

Unrecognized deferred income tax assets on temporary deductible differences and unused tax losses are as follows:

	2023	2022
	$	$
Temporary deductible differences	13,354	14,677
Losses carried forward	27,034	22,895
	40,388	**37,572**

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

As at March 31, 2023, the Company has accumulated non-capital losses for Canadian federal and provincial income tax purposes. These losses can be carried forward against future years' taxable income and will expire as follows:

	Canada	
	Federal	**Provincial**
	$	**$**
2024	1,011	607
2025	633	513
2026	364	361
2027	1,535	1,498
2028	525	494
2029	710	686
2032	195	183
2033	2,592	2,636
2034	1,719	1,656
2035	1,414	1,374
2036	5,841	5,707
2037	5,865	6,644
2038	4,498	5,241
2039	5,139	5,748
2040	5,087	6,220
2041	25,268	25,981
2042	14,013	13,868
2043	23,403	23,403
	99,812	**102,820**

The remaining net operating losses belonging to the Company's wholly owned subsidiary Coveo Europe B.V. of $50 will be deductible annually based on the exempt long-term prescribed federal interest rate, subject to limitations, and will expire in 2024.

As at March 31, 2023, the Company has available Canadian federal non-refundable investment tax credits of $892 ($801 in 2022) related to research and development expenditures which may be used to reduce Canadian federal income taxes payable in future years. These non-refundable investment tax credits begin to expire in 2029. The Company also has a non-refundable e-business tax credit of $4,922 ($4,103 in 2022) expiring on various dates starting in 2032 which may be used to reduce provincial income taxes payable in future years.

The benefits of these non-refundable investment tax credits have not been recognized in the consolidated financial statements.

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

23. Consolidated statements of cash flows

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

	2023	2022
	$	$
Trade and other receivables	717	(6,506)
Government assistance	2,696	(4,762)
Prepaid expenses	(3,223)	(1,788)
Contract acquisition costs	(4,961)	(6,087)
Trade payable and accrued liabilities	518	577
Deferred revenue	5,492	8,341
	1,239	**(10,225)**

24. Related party transactions

The Company's key management personnel are members of senior management and directors who have the power and responsibility to plan, manage, and control the Company's operations. These transactions are in the normal course of operations and are measured at the exchange amount.

The compensation of key management personnel and directors for the year is as follows:

	2023	2022
	$	$
Salary and other short-term benefits	3,980	3,778
Share-based payments and related expenses	8,669	3,181
	12,649	**6,959**

On October 25, 2021, the Company entered into an agreement with a shareholder, as described in note 14.

25. Commitments

The Company's minimum aggregate commitments amount to approximately $23,870. This amount includes mainly data-hosting agreements and license agreements. Minimum annual installments under these agreements are $14,490 within one year, $9,183 within two years, and $197 within three years.

26. Financial instruments

The Company's activities expose it to a variety of financial risks, including market risk (including fair value, currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

Fair value

The Company measures financial instruments at fair value using a fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company classifies its financial assets and financial liabilities measured at fair value into three levels according to the observability of inputs in their measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted price for identical assets and liabilities in active markets that the Company can access on the measurement date.

Level 2: This level includes measurements based on directly or indirectly observable inputs other than quoted prices included in Level 1. Financial instruments in this category are measured using valuation models or other standard valuation techniques that rely on observable market inputs.

Level 3: The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value of instruments.

As at March 31, 2023 and 2022, the Company does not have any assets or liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis.

The fair value of cash and cash equivalents, trade and other receivables, and trade payable and accrued liabilities is considered to be equal to their respective carrying values due to their short-term maturities.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency transactions originate from certain operations in legal entities of the Company denominated in foreign currencies other than their functional currency. Additional volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rate in effect on the date of the consolidated statements of financial position. The Company's objective in managing its currency risk is to limit its exposure to currencies other than its functional currency.

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

The following table provides a summary of the Company's exposure to the US dollar (USD), Euro (EUR), and the British pound sterling (GBP), expressed in US dollars:

2023	USD	EUR	GBP	Total
	$	$	$	$
Cash and cash equivalents	55,402	642	31	56,075
Trade and other receivables	1,073	286	243	1,602
Trade payable and accrued liabilities	(4,525)	(150)	(246)	(4,921)
Net financial exposure	**51,950**	**778**	**28**	**52,756**

2022	USD	EUR	GBP	Total
	$	$	$	$
Cash and cash equivalents	1,383	115	376	1,874
Trade and other receivables	1,114	357	470	1,941
Trade payable and accrued liabilities	(4,230)	(69)	(1,203)	(5,502)
Net financial exposure	**(1,733)**	**403**	**(357)**	**(1,687)**

The Company is mainly exposed to the currency risk in the entity Coveo Solutions Inc, for the transactions denominated in US dollars converted to the Canadian functional currency. For the year ended March 31, 2023, if the US dollar had strengthened 5% against the Canadian dollar, with all other variables held constant, pre-tax loss for the year would have been $1,862 higher. A 5% weakening of the U.S. dollar against the Canadian dollar would have an equal but opposite effect. The Company does not enter into arrangements to hedge its currency risk exposure.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that its interest rate risk is low since the majority of cash equivalents are fixed rate financial instruments. As at March 31, 2023 and 2022, the Company has not drawn on the credit facility.

Credit and concentration risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, and trade and other receivables. Credit risk with respect to cash and cash equivalents is managed by maintaining low-risk investments with high credit quality financial institutions.

Credit risk associated with trade and other receivables is minimized and inherently managed due to the Company's large and diverse customer base, with no particular concentration of credit risk. Additionally, trade and other receivables balances are monitored on an ongoing basis to ensure allowances for doubtful accounts are established and maintained appropriately.

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

The following table presents the aging of the net trade receivables as at March 31, 2023 and 2022:

	2023	2022
	$	$
Current	19,882	19,540
Past due		
0-30 days	2,405	4,848
31-60 days	184	186
61-90 days	15	-
Greater than 90 days	106	47
	22,592	**24,621**

Liquidity risk

Liquidity risk is the risk that the Company would have insufficient funds in a timely manner to meet its financial obligations as they become due and therefore be unable to honour its financial commitments.

The Company monitors its liquidity requirements on an ongoing basis to ensure it has sufficient cash to meet operational needs and financial commitments. The Company also has access to credit facilities to facilitate liquidity management and ensure the Company's flexibility.

The tables below present the contractual maturities of financial liabilities as at March 31, 2023 and 2022. The amounts disclosed are contractual undiscounted cash flows:

2023

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
	$	$	$	$	$
Trade payable and accrued liabilities	21,435	21,435	21,435	-	-
Lease obligations	10,869	12,648	2,459	7,612	2,577

2022

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
	$	$	$	$	$
Trade payable and accrued liabilities	22,910	22,910	22,910	-	-
Lease obligations	13,085	15,576	2,564	8,734	4,278

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

27. Capital management

The Company's capital is composed of non-current liabilities and shareholders' equity. The general objectives of the Company’s capital management strategy are to support continued growth while preserving capacity to continue operations, to provide benefits to stakeholders, and to provide an adequate return on investment to shareholders through selling the Company's services at prices commensurate with the level of operating risk assumed by the Company.

Management defines the Company's objectives and determines 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.

28. Segmented information

The following table presents non-current assets of the Company by geographical area:

	2023	2022
	$	$
Canada	17,200	20,655
United States	20,990	21,847
United Kingdom	27,843	33,065
Others	355	465
	66,388	**76,032**

Non-current assets exclude financial assets and deferred tax assets, when applicable.

For the years ended March 31, 2023 and 2022, no customer represented more than 10% of the Company’s revenue. Refer to note 18 for revenue information by geographical area.

29. Subsequent events

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. 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 announced 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.

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.

Investor **Information**

Coveo shares

Coveo's subordinate voting shares are traded on the Toronto Stock Exchange (TSX) under the symbol "CVO".

Investor relations

Quarterly and annual reports and other corporate documents are available at **ir.coveo.com** and under our profile on SEDAR at **www.sedar.com**

Transfer agent and registrar

TSX Trust Company
1600-2001 Robert-Bourassa
Montréal, QC, H3A 2A6
www.tsxtrust.com

Auditor

PricewaterhouseCoopers LLP
Chartered Professional Accountants
Quebec City, QC

Corporate information

The following documents pertaining to Coveo's corporate governance practices may be accessed at Coveo's investor relations website (**ir.coveo.com**) or by request at **legal@coveo.com**

- Board and Board Committee charters
- Position description for the Board Chair, the Committee Chairs, and the Chief Executive Officer
- Code of business conduct
- Whistleblower and diversity policies
- Coveo's constating documents

Board members	Board	Audit Committee	Compensation Committee	Risk and Governance Committee
Louis Têtu Chairman and Chief Executive Officer	C			
Laurent Simoneau President and Chief Technology Officer	M			
J. Alberto Yepez	M	M	C	M
Isaac Kim	M			
Shanti Ariker	M	M	M	M
Frédéric Lalonde	M		M	
Valéry Zamuner	M			C
Fay Sien Goon	M	C		

Board and committee composition C — Chair M — Member

2023 Annual Shareholders Meeting

The Annual Shareholders Meeting will be held at 11am ET on Thursday, September 14, 2023.

coveo™