



Condensed Interim **Consolidated** **Financial** **Statements**

(unaudited)

For the Three and Nine Months
Ended December 31, 2023 and 2022
(expressed in thousands of US dollars)

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

As at December 31, 2023 and March 31, 2023

(expressed in thousands of US dollars)

	Notes	December 31, 2023	March 31, 2023
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		163,118	198,452
Trade and other receivables	3	33,678	24,233
Government assistance		11,413	7,142
Prepaid expenses		6,957	8,707
		215,166	238,534
Non-current assets			
Contract acquisition costs		10,541	11,148
Property and equipment		6,170	6,846
Intangible assets	5	9,502	15,107
Right-of-use assets		6,557	7,645
Deferred tax assets		3,817	3,896
Goodwill		26,092	25,642
Total assets		277,845	308,818
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	4	21,917	21,435
Deferred revenue		64,145	55,260
Current portion of lease obligations		2,083	1,929
		88,145	78,624
Non-current liabilities			
Lease obligations		7,604	8,940
Deferred tax liabilities		1,723	2,721
Total liabilities		97,472	90,285
Shareholders' Equity			
Share capital	6	834,370	868,409
Contributed surplus		37,613	25,949
Deficit		(651,548)	(631,988)
Accumulated other comprehensive loss		(40,062)	(43,837)
Total shareholders' equity		180,373	218,533
Total liabilities and shareholders' equity		277,845	308,818

Approved by the Board of Directors

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

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

Coveo Solutions Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

For the nine months ended December 31, 2023 and 2022

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

	Notes	Number	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
			\$	\$	\$	\$	\$
Balance as at March 31, 2022		103,747,326	859,944	15,295	(592,256)	(27,547)	255,436
Net loss		-	-	-	(32,499)	-	(32,499)
Foreign currency differences on translation to presentation currency		-	-	-	-	(17,281)	(17,281)
Total comprehensive loss							(49,780)
Share-based payments	7	-	-	15,628	-	-	15,628
Exercise of stock options	7	908,935	2,212	(633)	-	-	1,579
Settlement of share-based awards, net of shares withheld for taxes		367,773	3,705	(4,341)	-	-	(636)
Balance as at December 31, 2022		105,024,034	865,861	25,949	(624,755)	(44,828)	222,227
Balance as at March 31, 2023		105,491,290	868,409	25,949	(631,988)	(43,837)	218,533
Net loss		-	-	-	(19,560)	-	(19,560)
Foreign currency differences on translation to presentation currency		-	-	-	-	3,775	3,775
Total comprehensive loss							(15,785)
Share-based payments	7	-	-	11,759	-	-	11,759
Exercise of stock options	7	719,531	1,957	(565)	-	-	1,392
Settlement of share-based awards, net of shares withheld for taxes		369,482	2,906	(4,230)	-	-	(1,324)
Shares repurchased and cancelled	6	(4,399,794)	(38,902)	9,253	-	-	(29,649)
Repurchase of stock options	7	-	-	(4,553)	-	-	(4,553)
Balance as at December 31, 2023		102,180,509	834,370	37,613	(651,548)	(40,062)	180,373

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

Coveo Solutions Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

For the three and nine months ended December 31, 2023 and 2022

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

	Notes	Three months ended December 31,		Nine months ended December 31,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenue	9				
SaaS subscription		29,901	26,389	87,842	75,861
Self-managed licenses and maintenance		-	298	-	912
Product revenue		29,901	26,687	87,842	76,773
Professional services		1,860	1,810	5,670	6,119
Total revenue		31,761	28,497	93,512	82,892
Cost of revenue					
Product		5,731	4,948	16,182	14,455
Professional services		1,439	1,656	4,467	5,455
Total cost of revenue		7,170	6,604	20,649	19,910
Gross profit		24,591	21,893	72,863	62,982
Operating expenses					
Sales and marketing		13,788	13,728	41,146	42,450
Research and product development		9,153	8,705	27,035	26,800
General and administrative		6,409	8,102	20,032	22,917
Depreciation of property and equipment		605	599	1,777	1,951
Amortization and impairment of intangible assets	5	721	1,072	5,926	3,337
Depreciation of right-of-use assets		383	388	1,182	1,181
Total operating expenses		31,059	32,594	97,098	98,636
Operating loss		(6,468)	(10,701)	(24,235)	(35,654)
Net financial revenue		(1,663)	(1,485)	(4,970)	(2,904)
Foreign exchange loss (gain)		1,583	735	1,327	(581)
Loss before income tax expense (recovery)		(6,388)	(9,951)	(20,592)	(32,169)
Income tax expense (recovery)		(236)	96	(1,032)	330
Net loss		(6,152)	(10,047)	(19,560)	(32,499)
Other comprehensive loss					
Items that may be reclassified to the consolidated statements of loss					
Foreign currency differences on translation to presentation currency		4,131	5,282	3,775	(17,281)
Total comprehensive loss		(2,021)	(4,765)	(15,785)	(49,780)
Net loss per share – basic and diluted	8	(0.06)	(0.10)	(0.19)	(0.31)

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

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

For the nine months ended December 31, 2023 and 2022

(expressed in thousands of US dollars)

	Notes	Nine months ended December 31,	
		2023	2022
		\$	\$
Cash flows from (used in) operating activities			
Net loss		(19,560)	(32,499)
Items not affecting cash			
Amortization of contract acquisition costs		3,337	3,302
Depreciation of property and equipment		1,777	1,951
Amortization and impairment of intangible assets	5	5,926	3,337
Depreciation of right-of-use assets		1,182	1,181
Share-based payments	7	11,759	15,628
Interest on lease obligations		407	482
Variation of deferred tax assets and liabilities		(987)	323
Unrealized foreign exchange loss (gain)		1,113	(581)
Changes in non-cash working capital items	11	(5,388)	7,728
		(434)	852
Cash flows used in investing activities			
Business combination, net of cash acquired		-	(475)
Additions to property and equipment		(953)	(1,046)
Additions to intangible assets		(23)	(5)
		(976)	(1,526)
Cash flows used in financing activities			
Proceeds from exercise of stock options		1,392	1,579
Tax withholding for net share settlement		(1,267)	(599)
Payments on lease obligations		(1,750)	(1,889)
Shares repurchased and cancelled	6	(29,649)	-
Repurchase of stock options	7	(4,553)	-
		(35,827)	(909)
Effect of foreign exchange rate changes on cash and cash equivalents		1,903	(13,924)
Decrease in cash and cash equivalents during the period		(35,334)	(15,507)
Cash and cash equivalents – beginning of period		198,452	223,072
Cash and cash equivalents – end of period		163,118	207,565
Cash		21,854	51,170
Cash equivalents		141,264	156,395

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

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

For the three and nine months ended December 31, 2023 and 2022

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

1. Incorporation and nature of activities

Coveo Solutions Inc. ("Coveo" or the "Company") is incorporated under the Canada Business Corporations Act. Its head office is located at 3175 Chemin des Quatre-Bourgeois, Suite 200, Quebec, Quebec, Canada. Coveo powers search, recommendations, and generative answering in digital experiences. The Company's Software as a Service ("SaaS") artificial intelligence ("AI") platform and suite of AI and generative AI models are designed to transform digital experiences across commerce, service, website, and workplace applications.

The Company's subordinate voting shares are listed on the Toronto Stock Exchange (the "TSX") under the stock symbol "CVO".

2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Certain information and disclosures have been omitted or condensed. The accounting policies and methods of computation described in the annual audited consolidated financial statements for the year ended March 31, 2023 were applied consistently in the preparation of these unaudited condensed interim consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read together with the Company's audited consolidated financial statements for the year ended March 31, 2023.

These condensed interim consolidated financial statements have been approved by the Board of Directors and authorized for issuance on February 5, 2024.

Seasonality of interim operations

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

Use of estimates and judgements

In preparing these unaudited condensed interim consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended March 31, 2023.

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

For the three and nine months ended December 31, 2023 and 2022

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

3. Trade and other receivables

	December 31, 2023	March 31, 2023
	\$	\$
Trade accounts receivable	32,452	22,592
Sales tax receivable	712	1,306
Other	592	420
Allowance for expected credit losses	(78)	(85)
	33,678	24,233

4. Trade payable and accrued liabilities

	December 31, 2023	March 31, 2023
	\$	\$
Trade accounts payable	2,369	3,070
Accrued compensation and benefits	13,195	12,755
Sales taxes payable	655	390
Income taxes payable	-	124
Accrued liabilities	5,698	5,096
	21,917	21,435

5. Intangible assets

During the nine months ended December 31, 2023, following customer attrition experienced as a result of the Company's decision to decrease investment in certain acquired Qubit Digital Ltd ("Qubit") product capabilities, the Company reassessed the value of its customer relationships acquired through the business combination with Qubit. Using a discounted cash flow model with a discount rate of 11.1%, the intangible assets fair value was estimated at \$5,000. Such reassessment resulted in an impairment loss of \$3,200. This loss is included in amortization and impairment of intangible assets in the condensed interim consolidated statement of loss.

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

For the three and nine months ended December 31, 2023 and 2022

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

6. Share capital

The Company's 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.

The following table presents the changes in the share capital:

	Nine months ended December 31, 2023		Nine months ended December 31, 2022	
	Number of shares	Value \$	Number of shares	Value \$
Subordinate voting shares				
Balance at beginning of period	52,445,993	460,755	44,327,654	396,842
Exercise of stock options	4,499	31	-	-
Conversion from multiple voting shares	4,904,432	36,389	7,186,125	55,674
Settlement of share-based awards, net of shares withheld for taxes	369,482	2,906	367,773	3,705
Shares repurchased and cancelled under SIB	(3,706,194)	(32,834)	-	-
Shares repurchased and cancelled under NCIB	(693,600)	(6,068)	-	-
Outstanding – end of period	53,324,612	461,179	51,881,552	456,221
Multiple voting shares				
Balance at beginning of period	53,045,297	407,654	59,419,672	463,102
Exercise of stock options	715,032	1,926	908,935	2,212
Conversion to subordinate voting shares	(4,904,432)	(36,389)	(7,186,125)	(55,674)
Outstanding – end of period	48,855,897	373,191	53,142,482	409,640
	102,180,509	834,370	105,024,034	865,861

Substantial issuer bid

On July 12, 2023, the Company repurchased for cancellation 3,706,194 subordinate voting shares (including 480,000 multiple voting shares on an as-converted basis) following the completion of a substantial issuer bid ("SIB") at a price of C\$8.50 per subordinate voting share, for a total consideration of \$23,800. An amount of \$32,344 corresponding to the carrying amount of the shares repurchased has been recorded as a reduction of the share capital and an amount of \$8,544 corresponding to the excess of carrying value of the shares repurchased over the purchased price has been recorded within contributed surplus. The Company incurred transaction costs of \$490 in connection with the SIB, which were recorded as a reduction of share capital.

Normal course issuer bid

On July 12, 2023, the board of directors of the Company authorized, and the TSX approved, a normal course issuer bid ("NCIB") to purchase for cancellation a maximum of 2,559,247 subordinate voting shares over the twelve-month period commencing July 17, 2023, and ending no later than July 16, 2024. Purchases pursuant to the NCIB are made on the open market through the facilities of the TSX or alternative trading systems, at the market price at the time of purchase. From the launch of the NCIB on July 17, 2023 to the end of the period on December 31, 2023 (the "NCIB Period"), the Company repurchased for cancellation 693,600 subordinate voting shares for a total consideration of \$5,311. An amount of \$6,020 corresponding to the carrying amount of the shares repurchased has been recorded as a reduction of the share capital and

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

For the three and nine months ended December 31, 2023 and 2022

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

an amount of \$709 corresponding to the excess of carrying value of the shares repurchased over the purchased price has been recorded within contributed surplus. The Company incurred transaction costs of \$48 in connection with the NCIB, which were recorded as a reduction of share capital. During the NCIB Period, the Company also repurchased for cancellation under the NCIB 700,000 stock options of the Company for aggregate consideration of \$4,553 at a discount of 5% to the prevailing market price at the time of execution (note 7).

7. Share-based payments

Stock options

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

	Nine months ended December 31, 2023		Nine months ended December 31, 2022	
	Number of options	Weighted average exercise price CA \$	Number of options	Weighted average exercise price CA \$
Balance at beginning of period	13,716,309	7.10	14,599,117	6.71
Granted ⁽¹⁾	403,546	8.25	117,000	7.38
Exercised	(719,531)	2.61	(908,935)	2.23
Forfeited	(1,034,269)	10.43	(341,985)	7.79
Repurchased for cancellation ⁽²⁾	(700,000)	1.81	-	-
Outstanding – end of period	11,666,055	7.44	13,465,197	6.99
Exercisable – end of period	6,756,247	3.51	7,420,858	2.84

(1) Corresponds to 403,546 Performance Stock Options ("PSOs") with performance based on level of achievement of pre-determined non-market conditions. PSOs that will actually vest vary from 0% to 100% of the number granted, with target vesting at 66.6%.

(2) During the NCIB Period, the Company repurchased for cancellation under the NCIB 700,000 stock options of the Company at a discount of 5% to the prevailing market price from two former executive officers, for an aggregate consideration of \$4,553.

The fair value of options granted has been established using the Black-Scholes option pricing model, with the following weighted average assumptions:

	Nine months ended December 31, 2023
Exercise price of the option and current price of the underlying share (\$CA)	8.25
Expected term of the option (in years)	4.00
Expected volatility of the underlying share for the expected term of the option	50%
Expected dividend yield on the underlying share for the expected term of the option	Nil
Risk-free interest rate for the expected term of the award	3.88%
Weighted average fair value of option (\$CA)	3.55

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

For the three and nine months ended December 31, 2023 and 2022

(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 December 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	1,737,249	2.42	1.17
CA\$2.81 to CA\$4.08	3,408,099	4.72	2.92
CA\$5.00 to CA\$10.80	2,795,116	5.23	7.14
CA\$12.19 to CA\$15.75	3,725,591	4.29	14.71
Balance at end of period	11,666,055	4.36	7.44

Share-based awards

The following tables presents information about restricted share units ("RSUs"), deferred share units ("DSUs") and performance share units ("PSUs") outstanding:

Nine months ended December 31, 2023

	RSUs		DSUs		PSUs ⁽¹⁾	
	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 period	3,653,952	9.35	453,624	8.75	184,407	8.01
Granted	451,562	9.48	150,157	10.18	14,300	10.29
Settled	(538,656)	10.79	(35,750)	9.55	-	-
Forfeited	(454,346)	9.67	(100,000)	10.50	(17,858)	8.01
Outstanding – end of period	3,112,512	9.08	468,031	8.77	180,849	8.19

(1) PSUs are based on the level of achievement of pre-determined non-market conditions. PSUs that will actually vest vary from 0% to 150% of the number granted, with target vesting at 100%.

Nine months ended December 31, 2022

	RSUs		DSUs		PSUs	
	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 period	2,272,987	13.06	201,621	12.66	-	-
Granted	893,590	7.20	277,934	5.97	-	-
Settled	(494,735)	13.34	(9,160)	15.00	-	-
Forfeited	(286,917)	13.88	(2,174)	15.00	-	-
Outstanding – end of period	2,384,925	10.71	468,221	8.63	-	-

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

For the three and nine months ended December 31, 2023 and 2022

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

Share-based payment expense

For the three months ended December 31, 2023, a share-based payment expense of \$3,959 (\$4,490 in 2022) was recorded in the interim condensed consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus.

For the nine months ended December 31, 2023, a share-based payment expense of \$11,759 (\$15,628 in 2022) was recorded in the interim condensed consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus.

8. Net loss per share

The Company has stock options and share-based awards as potentially dilutive securities. Diluted net loss per share excludes all potentially dilutive shares if their effect is anti-dilutive. For the three and nine months ended December 31, 2023 and 2022, a net loss was recorded and therefore, all potentially dilutive shares have been excluded from the calculation of the diluted net loss per share because their effect would have been anti-dilutive. Consequently, the basic and diluted number of shares is the same.

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
Net loss	(6,152)	(10,047)	(19,560)	(32,499)
Weighted average number of shares outstanding – basic and diluted	102,471,561	104,825,521	103,601,713	104,336,957
Net loss per share – basic and diluted	(0.06)	(0.10)	(0.19)	(0.31)

The weighted average number of potentially dilutive shares that are not included in the diluted net loss per share calculation because they would be anti-dilutive was 15,600,035 and 16,530,359 stock options and share-based awards for the three and nine months ended December 31, 2023, respectively (16,600,386 and 16,665,867 in 2022). This weighted average number includes all of the Company's issued and outstanding potentially dilutive shares notwithstanding exercise prices, as applicable.

9. Revenue

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

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Canada	1,742	1,692	5,037	5,289
United States	24,157	21,669	70,687	63,101
Other	5,862	5,136	17,788	14,502
	31,761	28,497	93,512	82,892

As at December 31, 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of SaaS subscriptions is \$152,810, of which \$94,404 is current and \$58,406 is non-current.

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

For the three and nine months ended December 31, 2023 and 2022

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

10. Employee compensation

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

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salary and other short-term benefits	22,077	21,118	65,963	65,082
Share-based payments and related expenses	4,038	5,364	12,801	15,499
	26,115	26,482	78,764	80,581

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

	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Product cost of revenue	200	182	666	574
Professional services cost of revenue	119	157	432	466
Sales and marketing	810	1,375	1,747	4,445
Research and product development	1,391	1,487	4,622	4,608
General and administrative	1,518	2,163	5,334	5,406
	4,038	5,364	12,801	15,499

11. Consolidated statements of cash flows

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

	Nine months ended December 31,	
	2023	2022
	\$	\$
Trade and other receivables	(9,097)	4,591
Government assistance	(3,995)	2,571
Prepaid expenses	1,855	882
Contract acquisition costs	(2,646)	(3,797)
Trade payable and accrued liabilities	(21)	226
Deferred revenue	8,516	3,255
	(5,388)	7,728



coveo™