



Management's **Discussion and Analysis**

For the Three and Nine Months Ended
December 31, 2023 and 2022



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 December 31, 2023.

This MD&A dated February 5, 2023, for the three and nine months ended December 31, 2023 and December 31, 2022, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements along with the related notes thereto for the three and nine months ended December 31, 2023, as well as with the audited annual consolidated financial statements along with the related notes thereto for the year ended March 31, 2023 and the related management's discussion and analysis of financial condition and results of operations. The financial information for the three and nine months ended December 31, 2023 and December 31, 2022 presented in this MD&A is derived from the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2023, which have been prepared in accordance with the 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"). 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 benefits and performance of Coveo Relevance Generative Answering™; 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 and service solutions, and strengthen our competitive position; our environmental, social and governance objectives, vision and strategic goals; goodwill impairments; 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, expand our relationships with existing customers, and have existing customers renew their subscriptions; our ability to maintain successful strategic relationships with partners and other third parties; market awareness and acceptance of enterprise artificial intelligence ("AI") solutions in general and our products in particular; the market

penetration of our new generative AI solutions, both with new and existing customers, and our ability to capture the generative AI opportunity; our future capital requirements, and availability of capital generally; the accuracy of our estimates of market opportunity, growth forecasts, and expectations around achieving positive operating cash flows and the timing thereof; our success in identifying and evaluating, as well as financing and integrating, any acquisitions, partnerships, or joint ventures; the significant influence of our principal shareholders; our ability to convert pipeline into closed deals, and the timeframe thereof. 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.sedarplus.ca and under "Key Factors Affecting our Performance" of this MD&A. 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.

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.sedarplus.ca 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 has over a decade of experience in helping global enterprises leverage the benefits of AI to improve business outcomes. Our market-leading AI platform powers search, recommendations, and generative answering in digital experiences across commerce, service, website, and workplace applications. Our platform is cloud-native Software as a Service ("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 conversion rates, revenue, and margins, reduce the cost to serve, increase customer satisfaction and engagement, and improve employee proficiency and satisfaction. Our AI platform powers the digital experiences 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.

Coveo's AI platform securely connects to internal sources of content along with a variety of external sources to retrieve and index structured and unstructured content, and combines this content with click-stream events and behavior patterns. 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.

Coveo has been a pioneer in the application of AI within the enterprise. Our Coveo Relevance Generative Answering™ capability integrates LLM technology with Coveo's platform to feed generative AI with a common, secure unified index and real-time content, helping to drive relevance at scale and consistent factuality with secure sources of truth across all channels. This helps to solve some of the key challenges of utilizing generative AI for enterprise use cases.

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 Gold 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.

In March 2023, we announced Coveo Relevance Generative Answering™, a natural extension of our industry-leading AI platform. This innovation integrates LLM technology with the secure indexing and relevance capabilities of the Coveo Platform™. Coveo Relevance Generative Answering™ is a solution that helps to address important challenges in leveraging LLMs for enterprise use cases at scale, including security, accuracy, user experience quality, and cost efficiency. Coveo Relevance Generative Answering™ became generally available to the market on December 15, 2023, after several months of beta testing with early adopters.

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. Certain of these financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers and cannot be reconciled to a directly comparable IFRS measure. 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 flows generation in advance of revenue recognition. Our SaaS Subscription Revenue was \$29.9 million for the three months ended December 31, 2023, an increase of \$3.5 million or 13% compared to the three months ended December 31, 2022. For the nine months ended December 31, 2023, SaaS Subscription Revenue was \$87.8 million, an increase of \$12.0 million or 16% compared to the nine months ended December 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 and a key indicator of the long-term value that we provide to them. This indicator compares our SaaS Annualized Contract Value¹ (“SaaS ACV”) 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 ACV attributable to that cohort at the end of the current period selected, by the SaaS ACV attributable to that cohort at the beginning of the period 12 months prior to the end of the period selected.

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.

Expressed as a percentage, the ratio:

- i. Excludes any SaaS ACV from new customers added during the 12 months preceding the end of the period selected;
- ii. Includes incremental SaaS ACV sold to the cohort over the 12 months preceding the end of the period selected; and
- iii. Is net of the SaaS ACV from any customers whose subscriptions terminated or decreased over the 12 months preceding the end of the period selected.

Our Net Expansion Rate was 105% as of December 31, 2023. Net Expansion Rate as of December 31, 2023 was negatively impacted by customer attrition experienced during the period, as a result of the Company's decision to decrease investment in certain product capabilities that were acquired in October 2021 through the acquisition of Qubit Digital Ltd ("Qubit"). Excluding the customer attrition resulting from this decision², our Net Expansion Rate was 109% as of December 31, 2023. We expect this customer attrition related to Qubit will continue to negatively impact our Net Expansion Rate in the coming quarters.

- **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 been recognized as revenue but that is expected to be recognized over the next 12 months. As of December 31, 2023, SaaS cRPO was \$94.4 million, an increase of \$2.3 million or 2% compared to December 31, 2022.

Factors that may cause our SaaS cRPO to vary from period to period include the following:

- Timing of contract renewals. Customers typically enter into multi-year contracts and renew their contracts at the end of the contract term. The timing of those renewals over the course of the year can cause variability in our SaaS cRPO.
- Contract duration. While we typically enter into multi-year subscription contracts, the duration of our contracts may vary. We sometimes enter into contracts with shorter durations, and for expansion transactions, we often enable the contracts to co-terminate with the existing contract. These changes in contract duration can cause variability in our SaaS cRPO.
- Foreign currency exchange rates. While a majority of our contracts are in U.S. Dollars, we also have a portion of our contracts in other currencies, including the British pound sterling, Euro, and Canadian dollar. Fluctuations in foreign currency exchange rates as of the quarter end date can cause variability in our SaaS cRPO.

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.

² This customer attrition represents subscriptions of certain legacy Qubit customers using Qubit's product capabilities for non-core use cases that ultimately decided to not renew their subscriptions.

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, and impairment of acquired intangible assets, acquisition-related compensation, transaction-related expenses, and other one-time or non-cash items. Effective April 1, 2023, the company's Adjusted Operating Loss no longer includes an adjustment related to charitable donations, and prior periods have been recast to reflect the change.

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:

<i>In thousands of U.S. dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
			\$	\$
Operating loss	(6,468)	(10,701)	(24,235)	(35,654)
Share-based payments and related expenses ⁽¹⁾	4,038	5,364	12,801	15,499
Amortization and impairment of acquired intangible assets ⁽²⁾	720	1,070	5,923	3,333
Acquisition-related compensation ⁽³⁾	-	21	-	407
Transaction-related expenses ⁽⁴⁾	-	324	-	324
Adjusted Operating Loss	(1,710)	(3,922)	(5,511)	(16,091)

(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 and impairment of intangible assets acquired through the acquisition of Qubit. These costs are included in amortization and impairment of intangible assets. It includes an impairment of customer relationships acquired through the business combination with Qubit as described in note 5 of the condensed interim consolidated financial statements for the three and nine months ended December 31, 2023.

(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 Margin 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 Margin is defined as Adjusted Gross Profit as a percentage of total revenue. Adjusted Product Gross Margin is defined as Adjusted Product Gross Profit as a percentage of product revenue. Adjusted Professional Services Gross Margin 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 Margin Measures".

We believe that Adjusted Gross Profit Measures and Adjusted Gross Margin 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 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:

<i>In thousands of U.S. dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Total revenue	31,761	28,497	93,512	82,892
Gross profit	24,591	21,893	72,863	62,982
<i>Gross margin</i>	<i>77%</i>	<i>77%</i>	<i>78%</i>	<i>76%</i>
Add: Share-based payments and related expenses	319	339	1,098	1,040
Add: Acquisition-related compensation	-	6	-	172
Adjusted Gross Profit	24,910	22,238	73,961	64,194
<i>Adjusted Gross Margin</i>	<i>78%</i>	<i>78%</i>	<i>79%</i>	<i>77%</i>
Product revenue	29,901	26,687	87,842	76,773
Product cost of revenue	5,731	4,948	16,182	14,455
Product gross profit	24,170	21,739	71,660	62,318
<i>Product gross margin</i>	<i>81%</i>	<i>81%</i>	<i>82%</i>	<i>81%</i>
Add: Share-based payments and related expenses	200	182	666	574
Add: Acquisition-related compensation	-	4	-	134
Adjusted Product Gross Profit	24,370	21,925	72,326	63,026
<i>Adjusted Product Gross Margin</i>	<i>82%</i>	<i>82%</i>	<i>82%</i>	<i>82%</i>
Professional services revenue	1,860	1,810	5,670	6,119
Professional services cost of revenue	1,439	1,656	4,467	5,455
Professional services gross profit	421	154	1,203	664
<i>Professional services gross margin</i>	<i>23%</i>	<i>9%</i>	<i>21%</i>	<i>11%</i>
Add: Share-based payments and related expenses	119	157	432	466
Add: Acquisition-related compensation	-	2	-	38
Adjusted Professional Services Gross Profit	540	313	1,635	1,168
<i>Adjusted Professional Services Gross Margin</i>	<i>29%</i>	<i>17%</i>	<i>29%</i>	<i>19%</i>

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, 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". Effective April 1, 2023, the Company's

Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures no longer include an adjustment related to charitable donations, and prior periods have been recast to reflect the change.

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:

<i>In thousands of U.S. dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Sales and marketing expenses	13,788	13,728	41,146	42,450
<i>Sales and marketing expenses (%)</i>	43%	48%	44%	51%
Less: Share-based payments and related expenses	810	1,375	1,747	4,445
Less: Acquisition-related compensation	-	6	-	77
Adjusted Sales and Marketing Expenses	12,978	12,347	39,399	37,928
<i>Adjusted Sales and Marketing Expenses (%)</i>	41%	43%	42%	46%
Research and product development expenses	9,153	8,705	27,035	26,800
<i>Research and product development expenses (%)</i>	29%	31%	29%	32%
Less: Share-based payments and related expenses	1,391	1,487	4,622	4,608
Less: Acquisition-related compensation	-	8	-	143
Adjusted Research and Product Development Expenses	7,762	7,210	22,413	22,049
<i>Adjusted Research and Product Development Expenses (%)</i>	24%	25%	24%	27%
General and administrative expenses	6,409	8,102	20,032	22,917
<i>General and administrative expenses (%)</i>	20%	28%	21%	28%
Less: Share-based payments and related expenses	1,518	2,163	5,334	5,406
Less: Acquisition-related compensation	-	1	-	15
Less: Transaction-related expenses	-	324	-	324
Adjusted General and Administrative Expenses	4,891	5,614	14,698	17,172
<i>Adjusted General and Administrative Expenses (%)</i>	15%	20%	16%	21%

Substantial Issuer Bid

On July 12, 2023, the Company announced that it had repurchased 3,706,194 subordinate voting shares (including 480,000 multiple voting shares on as-converted basis) at a price of C\$8.50 per subordinate voting share, for an aggregate purchase price of approximately \$23.8 million (C\$31.5 million), under a substantial issuer bid launched on May 30, 2023 (the "SIB"). The Company repurchased approximately 3.5% of the total number of its issued and outstanding shares (prior to purchases under the SIB) pursuant to the SIB, as at immediately prior to closing of the SIB. The payment and the settlement of the purchased shares was effected on July 13, 2023.

Normal Course Issuer Bid

On July 10, 2023, the board of directors of the Company approved a normal course issuer bid (the “NCIB”) to purchase for cancellation a maximum of 2,559,247 subordinate voting shares of the Company (the “NCIB Annual Limit”), representing approximately 5% of the subordinate voting shares of the Company issued and outstanding as at July 10, 2023, taking into account the 3,706,194 subordinate voting shares bought back under the SIB that closed on July 12, 2023. The Company is authorized to make purchases under the NCIB during the period starting on July 17, 2023 and ending on July 16, 2024 in accordance with the requirements of the Toronto Stock Exchange (the “TSX”) and applicable securities laws.

During the nine months ended December 31, 2023, the Company also announced that, in connection with the NCIB, it entered into an automatic securities purchase plan (the “ASPP”). The ASPP is intended to allow for the purchase of subordinate voting shares under the NCIB at times when Coveo would ordinarily not be permitted to purchase its securities due to regulatory restrictions and customary self-imposed blackout periods. Pursuant to the ASPP, purchases can be made by the designated broker based on pre-established purchasing parameters, without further instructions by Coveo, in compliance with the rules of the TSX, applicable securities laws, and the terms of the ASPP.

During the nine months ended December 31, 2023, the Company repurchased for cancellation a total of 1,393,600 securities for total consideration of \$9.9 million. This was comprised of 693,600 subordinate voting shares (for a total consideration of \$5.3 million) and 700,000 stock options of the Company repurchased in reliance upon a separate statutory issuer bid exemption at a price representing a discount of 5% to the prevailing market price of the subordinate voting shares at the time of execution, less the exercise price of such options (for a total consideration of \$4.6 million). A copy of the Company’s Form 12 – *Notice of intention to make a normal course issuer bid* may be obtained without charge by security holders by contacting investors@coveo.com.

Base Shelf Prospectus

On January 26, 2024, the Company filed a final base shelf prospectus with the securities regulatory authorities in each of the provinces and territories of Canada. The base shelf prospectus will allow Coveo to issue subordinate voting shares, preferred shares, debt securities, warrants, subscription receipts, units, or any combination thereof, up to an amount of approximately \$260 million (C\$350 million), during the 25-month period that the base shelf prospectus is effective. A copy of the final base shelf prospectus of the Company is available under its SEDAR+ profile at www.sedarplus.ca.

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.sedarplus.ca.

Attracting new customers, and having our existing customers renew their subscriptions and purchase additional subscriptions

Our future growth in revenue depends, in part, on our ability to attract new customers. Although the demand for search, recommendations, and generative answering solutions has grown in recent years, the market for these platforms and applications continues to evolve rapidly. While we believe the flexibility and the spectrum of our go-to-market strategy contributes substantially to our ability to attract new customers and drive expansion within our installed base, our success will depend to a substantial extent on the widespread adoption of our solutions.

Additionally, our future success depends, in part, on our ability to upsell existing use cases, cross-sell new use cases, and ultimately convert existing customers to enterprise-wide subscriptions, as well as our customers renewing their subscriptions when their contract term expires. Our customers generally have no contractual obligation to renew,

upgrade, or expand their subscriptions during or after the terms of their existing subscriptions expire. Our customers' retention, renewal, and/or expansion commitments may decline or fluctuate as a result of a number of factors, including, but not limited to, increased competition in the AI space, extraneous factors such as allocation of capital in a challenging macroeconomic environment and, more generally, the effects of global economic conditions, and other factors such as their satisfaction with our solutions, use cases, functionalities, and our customer support or success services, the pricing of our subscriptions or competing solutions, changes in their budgets, and changes in our customers' financial conditions. While we believe that the quality and differentiation of our products provides us with an advantage against our competitors, in order for us to maintain or improve our results of operations, it is important that our customers retain, renew, or expand their subscriptions with us. See also *"Our growth depends on our ability to attract new customers and on our existing customers renewing their subscriptions and purchasing additional subscriptions from us"* in the risk factors section of our AIF.

Capture the generative AI opportunity

Generative AI stands as a pivotal opportunity and core focus for Coveo, and our results of operations may be affected by our ability to capture the opportunity in a timely and effective manner. While we believe that Coveo Relevance Generative Answering™ will be a market-leading generative AI solution for a number of use cases, there is no assurance that we will be able to market and sell such solutions effectively, and that our investments in such solutions will yield the desired benefits. Generative AI and LLMs remain nascent and emerging technologies, and as with any emerging technologies, existing and new competitors are entering the space at a rapid pace, which can increase market awareness but also can sometimes attract unnecessary attention and/or negative or prejudicial press. Our success in capturing the generative AI opportunity will depend in part on our ability to differentiate our generative AI offering from that of existing and new competitors, to successfully position the Company and navigate through the hype in the market surrounding this technology, to adapt our go-to-market strategy when necessary, and to continue to effectively position Coveo as a leader in the space. See also *"We are incorporating generative artificial intelligence into some of our products. This technology is new and developing, may present both compliance risks and reputational risks, and may require strategic investments"* in the risk factors section of our AIF.

Growth of our commerce solutions

We have invested, and expect to continue to invest, to build a technology that delivers search, recommendations, and 1:1 personalization in digital commerce experiences, and that ultimately aims to drive revenue and profitability growth for our customers. Our intention to accelerate the adoption of commerce solutions as one of our core growth strategies exposes us to a number of risks related to the launch of new solutions, and as with our generative AI solutions, the marketability of our commerce solutions could be significantly affected by the perceived value associated with our commerce solutions and those of new or existing competing technologies. Additionally, the commerce market is intensely competitive, and we often must prove that the benefits provided by our platform are substantially superior than those of our competitors. If our commerce solutions do not achieve widespread adoption or there is a reduction in demand for such solutions due to a lack of customer acceptance, technological challenges, competing products, privacy concerns, decreases in corporate spending, weakening economic conditions, or otherwise, it could result in decreased revenue growth rates or reduced customer retention rates. See also *"Our growth strategy involves building on the recent momentum of our commerce solutions"* in the risk factors section of our AIF.

Maintain and expand platform partnerships

We anticipate that our current operations and the growth of our business will continue to depend partly on third-party relationships, most importantly with our strategic partners with whom we maintain platform integrations. If any of our strategic partners temporarily or permanently cease operations, face financial distress or other business disruptions, if any of the agreements we have entered into with such strategic partners are terminated or not renewed without adequate transition arrangements, or if any of our strategic partners develop their own AI solutions to replace one or more of the solutions we offer through their platforms, our business, financial condition, and results of operations may be harmed. We recently expanded our partnership with SAP® Commerce Cloud as an SAP® Endorsed App. We expect this expanded partnership to be a driver of our growth going forward, and that SaaS Subscription Revenue generated from fees paid to

us by users of SAP® will become a larger portion of our total revenue in the future. Our agreements with such strategic partners are typically non-exclusive and do not typically prohibit them from working with our competitors or, as discussed above, from offering competing products. These partners may choose to terminate their relationship with us or, as discussed above, to make material changes to their businesses, products, or services, each of which could have an adverse effect on our business, financial condition, and results of operations. See also *“Our current operations and growth depend in part on the success of our strategic relationships with third parties, including strategic partners”* in the risk factors section of our AIF.

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. Such conditions and events may adversely affect customer confidence, customer spending, including on IT projects, customer discretionary income, and/or changes in customer purchasing habits. The current deterioration in general economic conditions, including labor shortages and the rates of unemployment, increased inflation, prospects of a recession, and increased interest rates may adversely affect customer spending and customer debt levels, and as a result, adversely affect our financial performance. Economic downturns may adversely impact our customers who may decide not to renew their subscription to our services or potential customers who may decide not to subscribe to our services to conserve cash. Weakening economic conditions may also adversely affect third parties, including suppliers and partners, with whom we have entered into relationships and upon whom we depend in order to operate and grow our business. A severe or prolonged economic downturn, including a recession or depression, could impact our business, including our revenue and our ability to raise additional capital when needed on favorable terms or at all. See also *“The impact of worldwide geopolitical, economic conditions such as inflation and changes in interest rates, including the resulting effect on the operations, our spending and on consumer spending, may adversely affect our business, operating results and financial condition”* in the risk factors section of our AIF.

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 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.

Costs of revenue and operating expenses

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.

Sales and marketing expenses. Sales and marketing expenses consist of personnel and related costs, including share-based payments and related expenses, for our sales and marketing teams and marketing and partner programs. 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.

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.

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 to incur additional costs of revenue in data hosting (including related to LLMs), 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. We are committed to sustained investment in sales and marketing initiatives aimed at enhancing brand awareness within our target audience and cultivating a robust sales pipeline. 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, including related to Coveo Relevance Generative Answering™. 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 consulting fees related to the growth of our business. Over time, we expect sales and marketing expenses, R&D expenses, and general and administrative expenses to decline as a percentage of total revenue as we achieve additional economies of scale as our revenue grows.

Results of Operations

The following table sets forth our results of operations:

<i>In thousands of U.S. dollars, except per share data</i>	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue				
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	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)
Net loss per share – Basic and diluted	(0.06)	(0.10)	(0.19)	(0.31)

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

<i>In thousands of U.S. dollars</i>	Three months ended December 31,		Nine months ended December 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Share-based payments and related expenses				
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
Share-based payments and related expenses	4,038	5,364	12,801	15,499

Results of Operations for the Three and Nine Months Ended December 31, 2023 and December 31, 2022

Revenue

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
Revenue								
SaaS subscription	29,901	26,389	3,512	13%	87,842	75,861	11,981	16%
Self-managed licenses and maintenance	-	298	(298)	(100%)	-	912	(912)	(100%)
Product revenue	29,901	26,687	3,214	12%	87,842	76,773	11,069	14%
Professional services	1,860	1,810	50	3%	5,670	6,119	(449)	(7%)
Total revenue	31,761	28,497	3,264	11%	93,512	82,892	10,620	13%
Percentage of total revenue:								
SaaS subscription	94%	93%			94%	92%		
Self-managed licenses and maintenance	-	1%			-	1%		
Product revenue	94%	94%			94%	93%		
Professional services	6%	6%			6%	7%		
Total revenue	100%	100%			100%	100%		

Product revenue

SaaS Subscription Revenue increased for the three and nine months ended December 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. This growth was partially offset by customer attrition related to the Company's decision to decrease investment in certain acquired Qubit product capabilities.

Professional services revenue

Professional services revenue increased slightly for the three months ended December 31, 2023 as compared to the three months ended December 31, 2022. For the nine months ended December 31, 2023, professional services revenue

decreased as a greater proportion of our incremental revenue came from expand transactions with our existing base of customers, which typically results in lower professional services revenue as compared to incremental revenue from new customers. Moreover, more implementations have been led by partners and customers themselves, also reducing professional services revenue.

Cost of revenue

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
Cost of revenue								
Product	5,731	4,948	783	16%	16,182	14,455	1,727	12%
Professional services	1,439	1,656	(217)	(13%)	4,467	5,455	(988)	(18%)
Total cost of revenue	7,170	6,604	566	9%	20,649	19,910	739	4%
Gross margin								
Product	81%	81%			82%	81%		
Professional services	23%	9%			21%	11%		
Gross margin	77%	77%			78%	76%		

Product

Product cost of revenue for the three and nine months ended December 31, 2023 increased due to additional hosting expenses of \$0.6 million and \$1.6 million, respectively, related to the growth of our customer base. For the three months ended December 31, 2023, product gross margin was in-line with the prior period and slightly better than the prior period for the nine months ended December 31, 2023. Our continuous efforts to optimize our hosting expenses and other product costs were offset by incremental costs incurred for certain new products and features, including Coveo Relevance Generative Answering™.

Professional services

For the three and nine months ended December 31, 2023, professional services cost of revenue decreased, primarily driven by a decrease in consulting fees of \$0.3 million and \$0.7 million, respectively. The nine months ended December 31, 2023 was also impacted by a reduction in labor costs of \$0.2 million as compared to the nine months ended December 31, 2022. The increase in professional services gross margin was primarily driven by a higher utilization rate of our professional services team.

Product and professional services cost of revenue were also favorably impacted by the strengthening of the U.S. dollar compared to the Canadian dollar for the nine months ended December 31, 2023.

Operating expenses

Sales and marketing expenses

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
Sales and marketing	13,788	13,728	60	-%	41,146	42,450	(1,304)	(3%)
Percentage of total revenue	43%	48%			44%	51%		

Sales and marketing expenses for the three months ended December 31, 2023 were generally in-line with the prior period as a result of additional fees paid to our partners and labor costs of \$0.6 million, offset by a reduction in share-based payments and related expenses of a similar amount.

Sales and marketing expenses decreased for the nine months ended December 31, 2023, primarily due to a decrease in share-based payments and related expenses of \$2.7 million mostly due to an expense reversal following the departure of a member of our senior management team. This decrease was partially offset by an increase in consulting fees of \$0.7 million and an increase in fees paid to our partners of \$0.8 million due to the growth of our business related to those partners.

For the three and nine months ended December 31, 2023, excluding the effect of the reduction in share-based payments and related expenses and the acquisition-related compensation, sales and marketing expenses as a percentage of total revenue would have decreased by 2% and 4%, respectively, as a result of initiatives related to improving our operational efficiency.

Research and product development expenses

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
Research and product development	9,153	8,705	448	5%	27,035	26,800	235	1%
Percentage of total revenue	29%	31%			29%	32%		

For the three months ended December 31, 2023, R&D expenses increased driven by additional labor costs of \$1.0 million. This increase was partially offset by a net increase in government assistance of \$0.4 million, which includes our participation in the SCALE AI – Canadian Artificial Intelligence Supercluster program (“SCALE AI”).

R&D expenses increased for the nine months ended December 31, 2023 as compared to the nine months ended December 31, 2022, mostly due to an increase in labor costs of \$1.8 million, partially offset by a net increase in government assistance of \$1.2 million, which includes our participation in SCALE AI and a reduction in other costs of \$0.4 million following various efficiency initiatives. For this period, the Company also benefited from the strengthening of the U.S. dollar compared to the Canadian dollar.

The implementation of efficiency initiatives to enable our R&D functions to scale effectively helped to drive lower R&D expenses as a percentage of total revenue.

General and administrative expenses

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
General and administrative	6,409	8,102	(1,693)	(21%)	20,032	22,917	(2,885)	(13%)
Percentage of total revenue	20%	28%			21%	28%		

General and administrative expenses decreased for the three months ended December 31, 2023 primarily due to a decrease in share-based payments and related expenses of \$0.6 million, a decrease in consulting fees of \$0.4 million, and a decrease in transaction-related expenses of \$0.3 million.

For the nine months ended December 31, 2023, general and administrative expenses decreased, mainly driven by a reduction in consulting fees of \$1.1 million, a decrease in labor costs of \$0.9 million, a decrease in transaction-related expenses of \$0.3 million, and a reduction in other costs of \$0.6 million. For this period, the Company also benefited from the strengthening of the U.S. dollar compared to the Canadian dollar.

The Company has also implemented efficiency initiatives to enable our administrative functions to scale effectively, which helped to drive lower general and administrative expenses as a percentage of total revenue.

Other operating expenses

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
Depreciation of property and equipment	605	599	6	1%	1,777	1,951	(174)	(9%)
Amortization and impairment of intangible assets	721	1,072	(351)	(33%)	5,926	3,337	2,589	78%
Depreciation of right-of-use assets	383	388	(5)	(1%)	1,182	1,181	1	-%
	1,709	2,059	(350)	(17%)	8,885	6,469	2,416	37%

Depreciation of property and equipment for the three months ended December 31, 2023 was in-line with the three months ended December 31, 2022. For the nine months ended December 31, 2023, depreciation of property and equipment slightly decreased as compared to the nine months ended December 31, 2022, due to a slight decrease in property and equipment investments.

For the three months ended December 31, 2023, amortization and impairment of intangible assets decreased as compared to the three months ended December 31, 2022 driven by the reduction intangible assets following the impairment described below and the full amortization of the backlog and trademarks.

During the quarter ended September 30, 2023, following customer attrition experienced as a result of the Company's decision to decrease investment in certain acquired Qubit product capabilities, the Company reassessed the value of its customer relationships acquired through the business combination with Qubit. Such reassessment resulted in an impairment loss of \$3.2 million. As a result, amortization and impairment of intangible assets increased for the nine months ended December 31, 2023 as compared to the previous period.

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

Other expenses

<i>In thousands of U.S. dollars</i>	Three months ended December 31,				Nine months ended December 31,			
	2023	2022	Change		2023	2022	Change	
	\$	\$	\$	%	\$	\$	\$	%
Net financial revenue	(1,663)	(1,485)	(178)	12%	(4,970)	(2,904)	(2,066)	71%
Foreign exchange loss (gain)	1,583	735	848	115%	1,327	(581)	1,908	(328%)
Income tax expense (recovery)	(236)	96	(332)	(346%)	(1,032)	330	(1,362)	(413%)

The increase in net financial revenue was driven by an increase in interest income as a result of an increase in interest rates compared to the relevant comparative period. This increase was partially offset by a lower cash balance in the third quarter of fiscal year 2024 as compared to the third quarter of fiscal year 2023.

Foreign exchange loss (gain) results from transactions denominated in currencies other than the functional currencies and translated into the relevant functional currency. The foreign exchange loss or gains were mainly driven by the operations denominated in U.S. dollars of Coveo Solutions Inc., which uses the Canadian dollar as its functional currency.

The income tax recovery for the three months ended December 31, 2023 was mainly driven by the increase of a deferred tax asset on share-based payments and by the reduction of a deferred tax liability on intangible assets, partially offset by a reduction of deferred tax assets for tax loss. In addition to those items, the income tax recovery for the nine months ended December 31, 2023 was positively impacted by the partial reversal of a deferred tax liability by \$0.7 million on intangible assets following the impairment recognized in the second quarter of fiscal year 2024.

Key Balance Sheet Information

<i>In thousands of U.S. dollars</i>	As at December 31,	As at March 31,	Change	
	2023	2023		
	\$	\$	\$	%
Cash and cash equivalents	163,118	198,452	(35,334)	(18%)
Current assets	215,166	238,534	(23,368)	(10%)
Total assets	277,845	308,818	(30,973)	(10%)
Deferred revenue	64,145	55,260	8,885	16%
Total liabilities	97,472	90,285	7,187	8%
Total shareholders' equity	180,373	218,533	(38,160)	(17%)

See "Liquidity and Capital Resources" in this MD&A for a more detailed discussion of the changes in cash and cash equivalents.

Total assets

The decrease in total assets as of December 31, 2023 as compared to March 31, 2023 was mainly driven by the decrease in cash and cash equivalents of \$35.3 million, as detailed in "Liquidity and Capital Resources" section below, by a reduction in prepaid expenses of \$1.8 million following the consumption of prepaid services, as well as a decrease in non-current assets of \$7.6 million driven by the impairment of intangible assets and depreciation and amortization. These decreases were partially offset by an increase in trade and other receivables of \$9.4 million due to the growth of our revenues and the timing of billings and collections, as well as an increase in government assistance receivable of \$4.3 million driven by the timing of the preparation, processing, and payment of our government assistance claims.

Deferred revenue

Deferred revenue increased by \$8.8 million from March 31, 2023 to December 31, 2023. This increase was primarily driven by seasonality of invoicing timing and by the growth of our SaaS Subscription Revenue offset by the revenue recognized during the period.

Total liabilities

The increase in total liabilities was mainly driven by an increase in deferred revenue of \$8.8 million. This increase as partially offset by a decrease in lease obligations of \$1.3 million and a decrease in deferred tax liabilities of \$1.0 million.

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 December 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.

<i>In thousands of U.S. dollars, except per share data</i>	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
SaaS subscription	29,901	29,406	28,535	27,099	26,389	25,469	24,003	23,071
Self-managed licenses and maintenance	-	-	-	-	298	290	324	333
Product revenue	29,901	29,406	28,535	27,099	26,687	25,759	24,327	23,404
Professional services	1,860	1,813	1,997	2,011	1,810	2,174	2,135	2,105
Total revenue	31,761	31,219	30,532	29,110	28,497	27,933	26,462	25,509
Cost of revenue								
Product	5,731	5,323	5,128	5,118	4,948	4,749	4,758	4,878
Professional services	1,439	1,484	1,544	1,646	1,656	1,822	1,977	1,957
Total cost of revenue	7,170	6,807	6,672	6,764	6,604	6,571	6,735	6,835
Gross profit	24,591	24,412	23,860	22,346	21,893	21,362	19,727	18,674
Operating expenses								
Sales and marketing	13,788	13,898	13,460	14,650	13,728	14,161	14,561	14,121
Research and product development	9,153	8,700	9,182	8,225	8,705	8,963	9,132	10,653
General and administrative	6,409	6,814	6,809	6,125	8,102	7,722	7,093	9,820
Depreciation of property and equipment	605	595	577	597	599	660	692	692
Amortization and impairment of intangible assets	721	4,199	1,006	1,117	1,072	1,104	1,161	2,369
Depreciation of right-of-use assets	383	404	395	397	388	396	397	379
Total operating expenses	31,059	34,610	31,429	31,111	32,594	33,006	33,036	38,034
Operating loss	(6,468)	(10,198)	(7,569)	(8,765)	(10,701)	(11,644)	(13,309)	(19,360)
Net financial revenue	(1,663)	(1,630)	(1,677)	(1,709)	(1,485)	(1,020)	(399)	(59)
Foreign exchange loss (gain)	1,583	(1,260)	1,004	302	735	(816)	(500)	81
Loss before income tax expense (recovery)	(6,388)	(7,308)	(6,896)	(7,358)	(9,951)	(9,808)	(12,410)	(19,382)
Income tax expense (recovery)	(236)	(855)	59	(125)	96	125	109	3
Net loss	(6,152)	(6,453)	(6,955)	(7,233)	(10,047)	(9,933)	(12,519)	(19,385)
Net loss per share – Basic and diluted	(0.06)	(0.06)	(0.07)	(0.07)	(0.10)	(0.10)	(0.12)	(0.19)

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 the depreciation of our self-managed licenses and maintenance revenue. The growth in SaaS Subscription Revenue was driven by the addition of new customers as well as increased usage of our platform by existing customers through our continued efforts to cross-sell and upsell our solutions. Our SaaS Subscription revenue is recognized over time on a daily basis. Therefore, our product revenue for the quarters ended March 31 was 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 generally in-line as a percentage of total revenue over the last eight quarters, with a slight decrease in the last three quarters. During these quarters, a greater proportion of our incremental revenue came from expand transactions with our existing customers, which typically results in lower professional services revenue as compared to revenue from new customers. Moreover, over time, more of our implementations have been led by partners and customers themselves, resulting in lower professional services revenue from these projects.

Cost of revenue

Total cost of revenue has generally increased over time primarily due to costs related to supporting a greater number of customers and headcount additions to our customer success and customer support teams. 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. This decrease was offset by an increase in hosting costs and licenses for the quarter ended September 30, 2023. Moreover, beginning in the quarter ended June 30, 2022, cost of revenue was 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 and a stable total cost of revenue as a percentage of total revenue.

Operating expenses

Total operating expenses decreased in each quarter from the quarter ended March 31, 2022, except for the quarters ended June 30, 2023 and September 30, 2023. The increase in the quarter ended June 30, 2023 was mainly driven by salary increases that occurred at the beginning of our fiscal year, and the increase in the quarter ended September 30, 2023 was primarily driven by an impairment of intangible assets of \$3.2 million. While we have continued to hire additional headcount required to support our expanding base of customers and product innovation, these hires have been offset by initiatives related to improving our operating efficiency.

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 costs related to these additional social benefits therefore is greater when compared to the prior quarters ending December 31.

From quarter ended March 31, 2023, Coveo started to benefit from government assistance for its participation in SCALE AI. Additionally, from quarter ended June 30, 2022 to quarter ended September 30, 2023, 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:

<i>In thousands of U.S. dollars</i>	Nine months ended December 31,			
	2023	2022	Change	
	\$	\$	\$	%
Cash and cash equivalents – end of period	163,118	207,565	(44,447)	(21%)
Net cash flows generated from (used in)				
Operating activities	(434)	852	(1,286)	(151%)
Investing activities	(976)	(1,526)	550	(36%)
Financing activities	(35,827)	(909)	(34,918)	3,841%
Effect of foreign exchange rate changes on cash and cash equivalents	1,903	(13,924)	15,827	(114%)
Net increase (decrease) in cash and cash equivalents	(35,334)	(15,507)	(19,827)	128%

Operating activities

For the nine months ended December 31, 2023, the decrease in the cash flows from operating activities was driven by a decrease of \$13.1 million in changes in non-cash working capital items, which was primarily driven by variances in trade and other receivables and government assistance partially offset by favorable variances in deferred revenue, contract acquisition costs, and prepaid expenses. This negative variance on our cash flows used in operating activities was partially offset by a decrease in our net loss adjusted for items not affecting cash of \$11.8 million as compared to the nine months ended December 31, 2022.

Investing activities

Excluding the cash flows used for business combination during the nine months ended December 31, 2022 of \$0.5 million, cash flows used in investing activities for the nine months ended December 31, 2023 as compared to the nine months ended December 31, 2022 were generally stable and driven by investments in computer equipment.

Financing activities

The increase in cash flows used in financing activities for the nine months ended December 31, 2023, as compared to the nine months ended December 31, 2022, was mainly driven by shares repurchased and cancelled under the SIB and NCIB of \$34.2 million, including the repurchase of stock options under the NCIB for cancellation of \$4.6 million, and an increase in cash flows used for tax withholding for net share settlement of \$0.7 million.

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 flows 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 select acquisitions and other value-add transactions we may execute. Additionally, during the nine-month period ended December 31, 2023, a portion of our excess cash has been allocated to the repurchase of shares under our SIB and NCIB. The Company has the possibility to allocate additional liquidities to the repurchase of securities under our NCIB, as previously described. 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, including in respect of new generative AI solutions, general and administrative expenses to support our growth, including international expansion, and the macroeconomic environment. See “Risk Factors” in our latest AIF available under our profile on SEDAR+ at www.sedarplus.ca. 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

There were no significant changes to our contractual obligations disclosed in our audited annual consolidated financial statements for the year ended March 31, 2023.

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. Refer to note 26 to the audited annual consolidated financial statements for the year ended March 31, 2023 for further details.

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. There were no significant changes in commitments set out in note 25 to the audited annual consolidated financial statements for the year ended March 31, 2023.

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. There were no significant changes in transactions between related parties set out in note 24 to the audited annual consolidated financial statements for the year ended March 31, 2023.

Significant Accounting Judgments, Estimates, and Assumptions

See note 4 to the audited annual consolidated financial statements for the year ended March 31, 2023. There were no significant changes in significant accounting judgments, estimates, and assumptions set out in 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. There were no significant changes in future accounting standard changes set out in the audited annual consolidated financial statements for the year ended March 31, 2023.

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 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 December 31, 2023, the CEO and the CFO concluded that our ICFR is appropriately designed.

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 53,324,612 subordinate voting shares, 48,807,262 multiple voting shares, and no preferred shares were issued and outstanding as of February 1, 2024.

As of February 1, 2024, there were 6,882,139 stock options outstanding under the Company’s Amended and Restated 2009 Stock Option Plan (the “Legacy Plan”), as amended (of which 6,525,323 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 February 1, 2024, there were 4,699,361 options issued and outstanding under the Company’s Omnibus Incentive Plan (as amended from time to time, the “Omnibus Plan”) (of which 241,582 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 February 1, 2024, there were 3,063,356 restricted share units (“RSUs”) (of which 231,557 were vested as of such date) and 180,849 performance share units (“PSUs”) (of which nil were vested as of such date) issued and outstanding under the Company’s Omnibus Plan. Each such vested RSU and PSU is settled at the earliest of (i) the date a formal early settlement request is accepted by the Company, and (ii) the expiry date of such RSU and PSU, and 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 February 1, 2024, there were 471,607 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.sedarplus.ca.

