

Coveo Solutions Inc.

# Consolidated Financial Statements

Years Ended March 31, 2022 and 2021  
(expressed in thousands of US dollars)



## Independent auditor's report

To the Shareholders of Coveo Solutions Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Coveo Solutions Inc. and its subsidiaries (together, the Company) as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at March 31, 2022 and 2021;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

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

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

#### Independence

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

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.  
Place de la Cité, Tour Cominar, 2640 Laurier Boulevard, Suite 1700, Québec, Québec, Canada G1V 5C2  
T: +1 418 522 7001, F: +1 418 522 5663

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended March 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of certain intangible assets acquired in Qubit Digital Limited business combination</b></p> <p><i>Refer to note 2 – Summary of significant accounting policies, note 4 – Significant accounting judgments, estimates, and assumptions and note 5 – Business combination to the consolidated financial statements.</i></p> <p>The Company acquired all of the shares of Qubit Digital Limited (Qubit) for a total consideration of \$42.5 million on October 14, 2021. The fair value of the identifiable assets acquired included \$13.1 million relating to customer relationships and \$8.7 million relating to technology. Management applied significant judgment in estimating the fair value of the intangible assets. To estimate the fair value of the intangible assets, management used valuation techniques based on expected future net discounted cashflows. Management developed significant assumptions related to revenue growth rates and the discount rate applied as it would be assumed by a market participant.</p> <p>We considered this a key audit matter due to the significant judgment by management in estimating the fair value of the intangible assets relating to customer relationships and technology, including the development of significant assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions used by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Tested how management estimated the fair value of the intangible assets relating to customer relationships and technology, which included the following:<ul style="list-style-type: none"><li>– Read the purchase agreement.</li><li>– Tested the underlying data used by management in the expected future net discounted cashflow calculation and tested the mathematical accuracy thereof.</li><li>– Evaluated the reasonableness of significant assumptions used by management related to revenue growth rates by considering the most recent five-year plan as well as industry data.</li><li>– Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of total expected future net discounted cashflow calculations, management’s discounted cashflow calculations, as well as the reasonableness of the discount rate.</li></ul></li></ul>



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="261 491 786 583"><b>Revenue recognition – allocation of the transaction price to multiple performance obligations in contracts with customers</b></p> <p data-bbox="261 600 873 720"><i>Refer to note 2 – Summary of significant accounting policies, note 4 – Significant accounting judgments, estimates, and assumptions and note 18 – Revenue</i></p> <p data-bbox="261 753 865 1272">The total revenue for the year is \$86.5 million. The Company’s contracts with customers often include the delivery of multiple products and services. When contracts involve various performance obligations, the Company evaluates whether each performance obligation is distinct and should be accounted for separately. The total transaction price is determined at the inception of the contract and allocated to each distinct performance obligation based on their relative standalone selling price (“SSP”). Judgment is required in determining the relative SSP for distinct performance obligations. Management determines the relative SSP for subscription and professional services based on observable prices for the same or similar services, market conditions and entity-specific factors such as pricing practices.</p> <p data-bbox="261 1306 862 1522">We considered this a key audit matter due to the significant judgments and assumptions used by management to estimate the relative SSP for subscription and professional services within a contract or contracts with a customer. This in turn resulted in significant audit effort and subjectivity in performing procedures.</p>	<p data-bbox="899 491 1510 552">Our approach to addressing the matter included the following procedures, among others:</p> <ul data-bbox="899 596 1510 1350" style="list-style-type: none"><li data-bbox="899 596 1510 688">• Tested how management determined the relative SSP for subscription and professional services, which included the following:<ul data-bbox="948 705 1510 1350" style="list-style-type: none"><li data-bbox="948 705 1510 856">– Tested the effectiveness of controls relating to the revenue recognition process, including controls over the determination of relative SSP for subscription and professional services.</li><li data-bbox="948 873 1510 1119">– Tested a sample of revenue transactions by i) agreeing key contractual terms back to signed contracts, including contract amendments and correspondence with customers, where applicable, and ii) recalculating the allocation of the revenue based on the relative SSP determined by management’s assessment.</li><li data-bbox="948 1136 1510 1350">– Evaluated the reasonableness of the relative SSP related to subscription and professional services determined by management’s assessment by considering the sales of similar products and services, bundled or standalone, and the Company’s pricing practices.</li></ul></li></ul>



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## Other information

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

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

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

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

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

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

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

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

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

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



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

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

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

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



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

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

**/s/PricewaterhouseCoopers LLP<sup>1</sup>**

Québec, Quebec  
June 14, 2022

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<sup>1</sup> CPA auditor, public accountancy permit No. A124423

## Consolidated Statements of Financial Position

As at March 31, 2022 and 2021

(expressed in thousands of US dollars)

	Notes	2022	2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		223,072	55,399
Short-term investments		-	76,472
Trade and other receivables	6	25,476	18,056
Government assistance and refundable tax credits		10,443	4,189
Prepaid expenses		5,861	3,953
		264,852	158,069
<b>Non-current assets</b>			
Contract acquisition costs	7	10,858	8,624
Property and equipment	8	8,704	9,577
Intangible assets	9	20,605	584
Right-of-use assets	10	9,255	10,268
Deferred tax assets	21	4,616	5,672
Goodwill	11	26,610	1,247
<b>Total assets</b>		<b>345,500</b>	<b>194,041</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payable and accrued liabilities	13	22,910	16,550
Current portion of deferred revenue	18	49,879	37,144
Current portion of lease obligations	10	1,916	1,555
		74,705	55,249
<b>Non-current liabilities</b>			
Deferred revenue	18	513	680
Lease obligations	10	11,169	12,588
Redeemable preferred shares			
Debt component	15	-	195,701
Conversion rights component	15	-	742,653
Deferred tax liabilities	21	3,677	186,249
Total liabilities		90,064	1,193,120
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	14	859,944	16,957
Conversion rights – Series A	15	-	1,105
Contributed surplus	16	15,295	5,794
Deficit		(592,256)	(995,774)
Accumulated other comprehensive loss		(27,547)	(27,161)
Total shareholders' equity (deficiency)		255,436	(999,079)
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>345,500</b>	<b>194,041</b>

**Commitments (note 24)**

Approved by the Board of Directors

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

The accompanying notes are an integral part of these consolidated financial statement



## Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the years ended March 31, 2022 and 2021

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

	Notes	Number	Share capital	Conversion rights Series A	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity (deficiency)
			\$	\$	\$	\$	\$	\$
<b>Balance as at March 31, 2020</b>		<b>18,285,716</b>	<b>12,579</b>	<b>1,105</b>	<b>5,267</b>	<b>(395,749)</b>	<b>31,033</b>	<b>(345,765)</b>
Net loss		-	-	-	-	(600,025)	-	(600,025)
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(58,194)	(58,194)
Total comprehensive loss								(658,219)
Share-based payment	16	-	-	-	1,840	-	-	1,840
Exercise of stock options	16	4,054,725	4,378	-	(1,313)	-	-	3,065
<b>Balance as at March 31, 2021</b>		<b>22,340,441</b>	<b>16,957</b>	<b>1,105</b>	<b>5,794</b>	<b>(995,774)</b>	<b>(27,161)</b>	<b>(999,079)</b>
Net income		-	-	-	-	418,276	-	418,276
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(386)	(386)
Total comprehensive income								417,890
Consideration to a shareholder	14	-	-	-	-	(14,758)	-	(14,758)
Donation of share capital	14	857,122	10,113	-	-	-	-	10,113
Conversion of redeemable preferred shares	15	63,356,738	651,645	(1,105)	-	-	-	650,540
Share capital issued	14	16,620,996	195,920	-	-	-	-	195,920
Share capital issuance costs	14	-	(16,299)	-	-	-	-	(16,299)
Share-based payment	16	-	-	-	10,261	-	-	10,261
Exercise of stock options and release of share-based awards	16	572,029	1,608	-	(760)	-	-	848
<b>Balance as at March 31, 2022</b>		<b>103,747,326</b>	<b>859,944</b>	<b>-</b>	<b>15,295</b>	<b>(592,256)</b>	<b>(27,547)</b>	<b>255,436</b>

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

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

For the years ended March 31, 2022 and 2021

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

	Notes	2022	2021
		\$	\$
<b>Revenue</b>	18		
SaaS subscription		77,853	55,274
Self-managed licenses and maintenance		2,375	5,014
<b>Product revenue</b>		<b>80,228</b>	<b>60,288</b>
Professional services		6,260	4,569
<b>Total revenue</b>		<b>86,488</b>	<b>64,857</b>
<b>Cost of revenue</b>			
Product		16,093	12,791
Professional services		5,363	3,611
<b>Total cost of revenue</b>		<b>21,456</b>	<b>16,402</b>
<b>Gross profit</b>		<b>65,032</b>	<b>48,455</b>
<b>Operating expenses</b>			
Sales and marketing		47,771	33,606
Research and product development		30,099	16,078
General and administrative		36,759	13,369
Depreciation of property and equipment	8	2,677	2,008
Amortization of intangible assets	9	3,467	203
Depreciation of right-of-use assets	10	1,517	1,577
<b>Total operating expenses</b>		<b>122,290</b>	<b>66,841</b>
<b>Operating loss</b>		<b>(57,258)</b>	<b>(18,386)</b>
Change in redeemable preferred shares – conversion rights component fair value	15	(299,428)	451,914
Net financial expenses	20	12,501	16,403
Foreign exchange loss		362	2,155
<b>Income (loss) before income tax expense (recovery)</b>		<b>229,307</b>	<b>(488,858)</b>
Income tax expense (recovery)	21	(188,969)	111,167
<b>Net income (loss)</b>		<b>418,276</b>	<b>(600,025)</b>
<b>Other comprehensive income (loss)</b>			
Items that may be reclassified to the consolidated statements of income (loss)			
Foreign currency differences on translation to presentation currency		(386)	(58,194)
<b>Total comprehensive income (loss)</b>		<b>417,890</b>	<b>(658,219)</b>
<b>Net income (loss) per share</b>	17		
Basic		8.23	(32.64)
Diluted		(0.59)	(32.64)

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

## Consolidated Statements of Cash Flows

For the years ended March 31, 2022 and 2021

(expressed in thousands of US dollars)

	Notes	2022	2021
		\$	\$
<b>Cash flows from (used in) operating activities</b>			
Net income (loss)		418,276	(600,025)
Items not affecting cash			
Amortization of contract acquisition costs	7	3,839	3,315
Depreciation of property and equipment	8	2,677	2,008
Amortization of intangible assets	9	3,467	203
Depreciation of right-of-use assets	10	1,517	1,577
Interest accretion	15, 20	11,906	15,869
Change in redeemable preferred shares – conversion rights component fair value	15	(299,428)	451,914
Donation of share capital	14	10,379	-
Share-based payments	16	10,261	1,840
Change in fair value of short-term investments	20	103	(145)
Interest on lease obligations	10, 20	722	727
Variation of deferred tax assets and liabilities	21	(189,211)	111,106
Unrealized foreign exchange loss		293	2,179
Changes in non-cash working capital items	22	(10,225)	15,210
		<b>(35,424)</b>	<b>5,778</b>
<b>Cash flows from (used in) investing activities</b>			
Business combination, net of cash acquired	5	(37,591)	-
Proceeds from disposal of short-term investments		76,351	34,300
Additions to property and equipment	8	(1,385)	(3,091)
Proceeds from disposal of property and equipment	8	-	4
Additions to intangible assets	9	(757)	(499)
		<b>36,618</b>	<b>30,714</b>
<b>Cash flows from (used in) financing activities</b>			
Share capital issued	14	195,920	-
Share capital issuance costs	14	(16,299)	-
Consideration to a shareholder	14	(14,758)	-
Proceeds from exercise of stock options	16	848	3,065
Payments on lease obligations net of lease incentives received	10	(2,309)	(883)
		<b>163,402</b>	<b>2,182</b>
Effect of foreign exchange rate changes on cash and cash equivalents		3,077	634
<b>Increase in cash and cash equivalents during the year</b>		<b>167,673</b>	<b>39,308</b>
Cash and cash equivalents – beginning of year		55,399	16,091
<b>Cash and cash equivalents – end of year</b>		<b>223,072</b>	<b>55,399</b>

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

(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 is a global leader in applied artificial intelligence ("AI") solutions that enables enterprises to deliver relevant digital experiences at scale. Coveo's cloud-native, multi-tenant software as a service ("SaaS") platform is the intelligence layer that injects search, recommendations, and personalization solutions into digital experiences to provide connected relevance for multiple-use cases across commerce, service, website, and workplace applications.

On November 24, 2021, the Company completed an initial public offering ("IPO"), and its subordinate voting shares began trading on the Toronto Stock Exchange under the symbol "CVO".

### 2. Summary of significant accounting policies

#### *Basis of presentation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and include the accounts of Coveo and its wholly owned subsidiaries, Coveo Software Corp., Coveo Europe B.V., Qubit Digital Limited, and Tooso Inc. Tooso Inc. was liquidated on March 31, 2021.

These consolidated financial statements for the year ended March 31, 2022 were approved by the Board of Directors on June 14, 2022.

#### *Measurement basis*

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

#### *Presentation currency*

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

### Foreign currency

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

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

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

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

### Consolidation

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

### Current versus non-current classification

The Company presents assets and liabilities in the consolidated statements of financial position based on current and non-current classification.

### Cash and cash equivalents

Cash and cash equivalents include cash investments in interest-bearing accounts and term deposits which can readily be redeemed for cash without penalty or are issued for terms of three months or less from the date of acquisition.

### Short-term investments

Short-term investments consist of highly liquid investment fund units.

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

### *Trade and other receivables*

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

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

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

### *Government assistance and refundable tax credits*

The Company accounts for refundable tax credits and government assistance under IAS 20, "Accounting for Governmental Grants and Disclosures of Governmental Assistance", and as such, these tax credits and government assistance are accounted for using the cost reduction method. Accordingly, tax credits and government assistance are recorded as a reduction of the related expense or capital expenditure in the period the qualifying expenses are incurred based on management's interpretation of applicable legislation. Tax credits are recorded provided there is a reasonable assurance that the tax credit will be realized. Credits claimed are subject to review by the tax authorities.

### *Contract acquisition costs*

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

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

Additionally, the Company amortizes capitalized costs in relation to renewals over a two-year period.

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

### Property and equipment

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

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

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

### Intangible assets

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

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

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

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

### Impairment of long-lived assets

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

### Right-of-use assets and lease obligations

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

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

#### Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease obligations. The cost of right-of-use assets includes the amount of lease obligations recognized, initial direct costs incurred, and lease payments made at or before the commencement date less

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any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Office leases	Between 6 and 9 years
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The right-of-use assets are also subject to impairment.

### **Lease obligations**

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

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

### **Short-term leases and leases of low-value assets**

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

### **Goodwill**

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

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

### **Business combinations**

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

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



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### *Revenue recognition and deferred revenue*

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

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

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

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

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

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

#### ***SaaS subscription and self-managed licenses and maintenance***

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

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

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

#### ***Professional services***

Professional services are provided for implementation and configuration of SaaS subscriptions or self-managed licenses. The Company's professional services are generally not essential to the functionality of the software. They are typically time-based arrangements and revenue is recognized as these services are performed. In certain circumstances, the Company enters into arrangements for professional services on a fixed price basis; in these cases, revenue is recognized by reference to the stage of completion of the contract.

## Notes to Financial Statements

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### **Deferred revenue**

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

### *Income taxes*

#### **Current tax**

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

#### **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from non-deductible goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

#### **Current and deferred tax**

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

### *Share-based payments*

The Company uses the fair value-based method to measure share-based payments for all awards made to directors, employees, and consultants. The grant date fair value is determined using the Black-Scholes model for stock options and using the Monte Carlo model for performance-based stock options. For performance-based stock options with market conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the restricted share units and deferred share units is measured using the fair value of the Company's shares as if the units were vested and issued on the grant date.

## Notes to Financial Statements

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

### *Net income (loss) per share*

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

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

### *Operating segments*

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

### *Financial instruments*

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

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

#### ***Financial assets***

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

<b>Financial instrument</b>	<b>Classification</b>
Cash and cash equivalents	Amortized cost
Short-term investments	FVTPL
Trade and other receivables, excluding sales taxes receivable	Amortized cost

#### Amortized cost

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables

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where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on derecognition are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

### FVTPL

Changes in items carried at fair value are recorded in the consolidated statements of income (loss) and comprehensive income (loss).

### **Financial liabilities**

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

<b>Financial instrument</b>	<b>Classification</b>
Trade payable and accrued liabilities – excluding sales taxes payable	Amortized cost
Redeemable preferred shares debt component	Amortized cost
Redeemable preferred shares conversion rights component	FVTPL

### Amortized cost

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

### FVTPL

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

### **Derecognition of financial liabilities**

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

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### 3. Accounting policies

#### *Future accounting standards*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### **Amendments to IFRS-3 – Reference to Conceptual Framework**

In May, 2020, the IASB published an amendment to IFRS 3, "Business Combinations". The amendment updates the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

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

In May 2020, the IASB issued amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract.

The amendments are applied on a modified retrospective basis to annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments are not expected to have a significant impact on the Company's consolidated financial statements.

#### **Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current**

In January 2020, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

#### **Amendments to IAS 1 – Disclosure of Accounting Policies**

In February 2021, the IASB issued amendments to IAS 1 relating to an entity's accounting policies disclosure requirements. Entities will be required to disclose material accounting policies instead of significant accounting policies. Entities will use a four-step materiality process in order to determine which accounting policies should be disclosed going forward.

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The amendments are applied for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The amendments are not expected to have a significant impact on the Company's consolidated financial statements.

### **Amendments to IAS 8 – Definition of Accounting Estimates**

On February 2021, the IASB issued amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in an accounting estimate that results from new information or new developments is not the correction of an error.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments are not expected to have a significant impact on the Company's consolidated financial statements.

### **Amendment to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

In May 2021, the IASB issued amendments to IAS 12 Income Taxes. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments are effective for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the impact of these amendments on its consolidated financial statements.

### **Annual Improvements to IFRS 9 - Financial Instruments**

The improvements clarify that in applying the "10 percent" test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The amendment is not expected to have a significant impact on the Company's consolidated financial statements.

## *Change in accounting policies*

### **IAS 38 – Intangible assets**

In March 2021, the IFRS Interpretations Committee finalized its decision Configuration or Customisation Costs in a Cloud Computing Arrangement, which clarified how to recognize certain configuration or customisation costs related to cloud computing arrangements. As set out in the IFRIC decision, costs incurred in configuring or customizing software in a cloud computing arrangement can only be recognized as intangible assets if the activities create an intangible asset that the entity controls and the intangible assets meet the recognition criteria. Management finalized its assessment of the impact of this decision and concluded it had no material impact on its consolidated financial statements for previously capitalized costs incurred in connection with cloud computing arrangements.

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### 4. Significant accounting judgments, estimates, and assumptions

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

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

#### *Allocation of transaction price to performance obligations*

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

#### *Income taxes*

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

#### *Deferred income tax assets*

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

#### *Redeemable preferred shares*

Redeemable preferred shares are a financial instrument classified as level 3. The measurements used in this level rest on inputs that are unobservable, unavailable, or whose observable inputs do not justify the largest part of the fair value of instruments. Assumptions used to determine the fair value are described in note 25.



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### *Share-based payments*

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

The expense recognized for performance-based stock-options is based on an estimation of the probability of achieving the market condition and the timing of the achieving of the market condition, which is difficult to predict.

### *Business combinations*

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

New information obtained during the measurement period, up to 12 months following the acquisition date, about facts and circumstances existing at the acquisition date affect the acquisition accounting. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of income (loss) and comprehensive income (loss).

### *Impairment of non financial assets*

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



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## 5. Business combination

On October 14, 2021, the Company completed the acquisition of all of the shares of Qubit Digital Limited ("Qubit"). Incorporated in the United Kingdom, Qubit is a AI-powered personalization solutions for merchandising teams. The total consideration of \$42,551 consisted of \$40,225 paid in cash on the closing date and \$2,326 payable subsequently. As at March 31, 2022, an amount of \$900 was included in trade payable and accrued liabilities in the consolidated statement of financial position. Additional cash may be paid by (returned to) the Company due to post-closing adjustments for working capital and net indebtedness.

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

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

	\$
<b>Assets</b>	
Cash	4,060
Government assistance and refundable tax credits	1,499
Trade and other receivables	1,552
Property and equipment	107
Technology	8,700
Customer relationships	13,100
Other intangible assets	1,600
Goodwill	25,970
<b>Total assets</b>	<b>56,588</b>
<b>Liabilities</b>	
Trade payable and accrued liabilities	5,212
Deferred revenue	4,458
Deferred tax liabilities	4,367
<b>Total liabilities</b>	<b>14,037</b>
Fair value of net assets acquired	42,551
Less: Cash acquired	4,060
	<b>38,491</b>

The allocation of the purchase price to assets acquired and liabilities assumed was based upon preliminary valuation and may be subject to adjustment during the 12-month measurement period following the acquisition date. The goodwill related to the acquisition of Qubit is composed of the acquired workforce as well as the benefits of adding scale to Coveo's commerce solutions and increasing its go-to-market presence in Europe. \$9,080 of the goodwill recognized is expected to be deductible for tax purposes.

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## 6. Trade and other receivables

	2022	2021
	\$	\$
Trade accounts receivable	24,621	18,406
Sales tax receivable	882	61
Other	79	44
Allowance for expected credit losses	(106)	(455)
	<b>25,476</b>	<b>18,056</b>

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

	2022	2021
	\$	\$
Balance at beginning	455	660
Provision for expected credit losses	100	13
Write-offs	(448)	(260)
Effect of movement in exchange rate	(1)	42
<b>Balance at end</b>	<b>106</b>	<b>455</b>

## 7. Contract acquisition costs

	2022	2021
	\$	\$
Balance at beginning	8,624	8,098
Additions	6,087	3,611
Amortization	(3,839)	(3,315)
Effect of movement in exchange rate	(14)	230
<b>Balance at end</b>	<b>10,858</b>	<b>8,624</b>

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## 8. Property and equipment

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

	2021			
	Office improvements	Office furniture and equipment	Computer equipment	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance at beginning	6,683	860	4,312	11,855
Additions	1,638	139	1,083	2,860
Disposals	(15)	-	(37)	(52)
Effect of movement in exchange rate	939	120	573	1,632
<b>Balance at end</b>	<b>9,245</b>	<b>1,119</b>	<b>5,931</b>	<b>16,295</b>
<b>Accumulated depreciation</b>				
Balance at beginning	1,071	290	2,787	4,148
Depreciation	854	203	951	2,008
Disposals	(15)	-	(33)	(48)
Effect of movement in exchange rate	182	47	381	610
<b>Balance at end</b>	<b>2,092</b>	<b>540</b>	<b>4,086</b>	<b>6,718</b>
<b>Net carrying value as at March 31, 2021</b>	<b>7,153</b>	<b>579</b>	<b>1,845</b>	<b>9,577</b>

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## 9. Intangible assets

	2022			
	Technology	Customer relationships	Others	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance at beginning	261	-	1,161	1,422
Additions	-	-	757	757
Additions through business combination	8,700	13,100	1,600	23,400
Disposals	(259)	-	(581)	(840)
Effect of movement in exchange rate	(316)	(317)	(56)	(689)
<b>Balance at end</b>	<b>8,386</b>	<b>12,783</b>	<b>2,881</b>	<b>24,050</b>
<b>Accumulated amortization</b>				
Balance at beginning	261	-	577	838
Amortization	785	986	1,696	3,467
Disposals	(259)	-	(581)	(840)
Effect of movement in exchange rate	(19)	(10)	9	(20)
<b>Balance at end</b>	<b>768</b>	<b>976</b>	<b>1,701</b>	<b>3,445</b>
<b>Net carrying value as at March 31, 2022</b>	<b>7,618</b>	<b>11,807</b>	<b>1,180</b>	<b>20,605</b>
	2021			
	Technology	Customer relationships	Others	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance at beginning	231	-	588	819
Additions	-	-	499	499
Effect of movement in exchange rate	30	-	74	104
<b>Balance at end</b>	<b>261</b>	<b>-</b>	<b>1,161</b>	<b>1,422</b>
<b>Accumulated amortization</b>				
Balance at beginning	116	-	441	557
Amortization	122	-	81	203
Effect of movement in exchange rate	23	-	55	78
<b>Balance at end</b>	<b>261</b>	<b>-</b>	<b>577</b>	<b>838</b>
<b>Net carrying value as at March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>584</b>	<b>584</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

## 10. Right-of-use assets and lease obligations

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

	2022	2021
	\$	\$
Balance at beginning	10,268	10,365
Additions	-	175
Modifications to lease contracts	428	43
Depreciation	(1,517)	(1,577)
Effect of movement in exchange rate	76	1,262
<b>Balance at end</b>	<b>9,255</b>	<b>10,268</b>

The following table presents changes in the lease obligations:

	2022	2021
	\$	\$
Balance at beginning	14,143	12,451
Additions	-	175
Modifications to lease contracts	428	43
Payments net of lease incentives received	(2,309)	(883)
Interest expense on lease obligations	722	727
Effect of movement in exchange rate	101	1,630
<b>Balance at end</b>	<b>13,085</b>	<b>14,143</b>
Current portion	1,916	1,555
Non-current portion	11,169	12,588

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

## 11. Goodwill

	2022	2021
	\$	\$
Balance at beginning	1,247	1,247
Additions through business combination	25,970	-
Effect of movement in exchange rate	(607)	-
<b>Balance at end</b>	<b>26,610</b>	<b>1,247</b>

Goodwill is allocated to the Company as a whole CGU. The Company used a market-based approach (revenue multiple) to perform its annual goodwill impairment test. The fair value estimate is based on assumed revenue multiples of companies deemed to be similar to the Company. With revenue being higher than the CGU carrying amount, even if the Company uses a multiple of 1.0x, the recoverable amount of the CGU exceeds the carrying value. Therefore, no impairment loss has been recognized as at March 31, 2022 and 2021.

## Notes to Financial Statements

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

### 12. Credit facility

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

### 13. Trade payable and accrued liabilities

	2022	2021
	\$	\$
Trade accounts payable	2,534	1,790
Accrued compensation and benefits	13,343	8,667
Sales taxes payable	677	396
Accrued liabilities	6,356	5,697
	<b>22,910</b>	<b>16,550</b>

### 14. Share capital (including redeemable preferred shares)

Prior to the IPO, the Company's authorized share capital consisted of:

- An unlimited number of common shares, no par value;
- An unlimited number of no par value, voting, and participating Series A preferred shares;
- An unlimited number of no par value, voting, and participating Series B preferred shares;
- An unlimited number of no par value, voting, and participating Series C preferred shares;
- 11,366,847 no par value, voting, and participating Series D preferred shares;
- 6,659,423 no par value, voting, and participating Series E preferred shares; and
- 12,006,526 no par value, voting, and participating Series F preferred shares.

No dividends could be paid on common shares unless the same dividend (calculated on an as-converted basis) was paid on the Series A preferred shares, Series C preferred shares, Series D preferred shares, Series E preferred shares, and Series F preferred shares.

Upon the liquidation, dissolution, winding-up, or a deemed liquidation event (including a sale of the Company):

- Series A preferred shares were entitled to receive the original issue price plus any declared and unpaid dividend and a liquidation preference equal to \$0.0589659 per share;
- Series B preferred shares were entitled to receive the original issue price plus 12% per annum on the original issue price;
- Series C preferred shares were entitled to receive the original issue price plus 8% per annum on the original issue price;
- Series D preferred shares were entitled to receive the original issue price plus 5% per annum on the original issue price;
- Series E preferred shares were entitled to receive the original issue price plus 5% per annum on the original issue price;

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

- Series F preferred shares were entitled to receive the original issue price plus 5% per annum on the original issue price; and
- Where the assets available for distribution were insufficient to pay the full amount, the priority order would have been as follows: (i) Series F and Series E preferred shares, (ii) Series D preferred shares, (iii) Series C preferred shares, (iv) Series B preferred shares, and (v) Series A preferred shares.

Preferred shares were convertible into common shares at the option of the holder. All preferred shares automatically converted upon an IPO or upon the election of a certain percentage of the holders of the preferred shares. The conversion rate was determined by a ratio specific to each Series.

### *IPO, private placement, and exercise of over-allotment by the underwriters*

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

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

Since the Reorganization, the Company's authorized share capital consists of:

- An unlimited number of subordinate voting shares, voting rights at 1 vote per share, entitled to receive dividends on a share-for-share basis at such amounts and form as the Board may from time to time determine, but subject to the rights of the holders of any preferred shares, non-convertible into any other class of shares;
- An unlimited number of multiple voting shares, voting rights at 10 votes per share, entitled to receive dividends on a share-for-share basis at such amounts and form as the Board may from time to time determine, but subject to the rights of the holders of any preferred shares, and convertible on a share-for-share basis into subordinate voting shares; and
- An unlimited number of preferred shares, nonvoting, entitled to preference over subordinated voting shares and multiple voting shares with respect to payment of dividends and distribution of assets.

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

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

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

### *Other transactions*

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

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

The following table presents the changes in the share capital:

	2022		2021	
	Number of shares	Value \$	Number of shares	Value \$
<b>Common shares</b>				
Balance at beginning of year	22,340,441	16,957	18,285,716	12,579
Exercise of stock options	145,937	362	4,054,725	4,378
Amendment and redesignation of common shares to multiple voting shares	(22,486,378)	(17,319)	-	-
Outstanding – end of year	-	-	22,340,441	16,957
<b>Subordinate voting shares</b>				
Balance at beginning of year	-	-	-	-
Conversion from multiple voting shares	27,671,832	216,811	-	-
Share capital issued	16,620,996	195,920	-	-
Share capital issuance costs	-	(16,299)	-	-
Release of restricted shares units	34,826	410	-	-
Outstanding – end of year	44,327,654	396,842	-	-
<b>Multiple voting shares</b>				
Balance at beginning of year	-	-	-	-
Donation of share capital	857,122	10,113	-	-
Amendment and redesignation of common shares to multiple voting shares	22,486,378	17,319	-	-
Conversion from redeemable preferred shares	63,356,738	651,645	-	-
Exercise of stock options	391,266	836	-	-
Conversion to subordinate voting shares	(27,671,832)	(216,811)	-	-
Outstanding – end of year	59,419,672	463,102	-	-
	<b>103,747,326</b>	<b>859,944</b>	<b>22,340,441</b>	<b>16,957</b>

## 15. Redeemable preferred shares

On November 24, 2021, immediately prior to the Company's IPO, and as well as at March 31, 2021, there were 8,480,397 Series A, 11,103,401 Series B, 13,740,144 Series C, 11,366,847 Series D, 6,659,423 Series E, and 12,006,526 Series F preferred shares outstanding.

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



## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

*(expressed in thousands of US dollars, except share and per share data and as otherwise indicated)**Series A preferred shares*

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

*Series B to Series F preferred shares*

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

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

	Liability Component			Equity Component
	Face value	Debt component	Conversion rights component (Series B to F)	Conversion rights (Series A)
	\$	\$	\$	\$
<b>Balance as at March 31, 2020</b>	<b>198,519</b>	<b>158,604</b>	<b>249,445</b>	<b>1,105</b>
Interest accretion	9,885	15,869	-	-
Change in redeemable preferred shares – Conversion rights component fair value	-	-	451,914	-
Effect of movement in exchange rate	26,020	21,228	41,294	-
<b>Balance as at March 31, 2021</b>	<b>234,424</b>	<b>195,701</b>	<b>742,653</b>	<b>1,105</b>
Interest accretion	7,736	11,906	-	-
Change in redeemable preferred shares – conversion rights component fair value	-	-	(299,428)	-
Effect of movement in exchange rate	(2,694)	(2,381)	2,089	-
Conversion to share capital	(239,466)	(205,226)	(445,314)	(1,105)
<b>Balance as at March 31, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 16. Share-based payments

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

In connection with the IPO, the Company also adopted the Omnibus Incentive Plan, which allows the Board to grant long-term share-based awards to eligible participants, including stock options, restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units ("DSUs"). As at March 31, 2022, no PSUs were granted.

As at March 31, 2022, 9,919,011 multiple voting shares and 16,939,048 subordinate voting shares were reserved for issuance under the Legacy Option Plan and the Omnibus Incentive Plan.

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

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

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

	2022		2021	
	Number of options	Weighted average exercise price CA \$	Number of options	Weighted average exercise price CA \$
Balance at beginning of year	10,144,356	2.84	12,714,490	1.88
Granted	5,342,106	13.54	1,673,500	5.68
Exercised	(537,203)	1.99	(4,054,725)	0.96
Forfeited	(350,142)	6.34	(181,231)	3.50
Expired	-	-	(7,678)	0.50
<b>Outstanding – end of year</b>	<b>14,599,117</b>	<b>6.71</b>	<b>10,144,356</b>	<b>2.84</b>
Exercisable – end of year	6,932,691	2.36	5,320,828	1.91

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

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

The following table provides summary information on the stock options issued and outstanding as at March 31, 2021:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$
<b>Range of exercise prices</b>			
CA\$0.47 to CA\$1.50	3,595,665	4.95	1.21
CA\$2.81 to CA\$4.08	4,565,615	7.58	2.94
CA\$5.00 to CA\$10.80	1,983,076	9.38	5.58
<b>Balance at end</b>	<b>10,144,356</b>	<b>7.00</b>	<b>2.84</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

For the year ended March 31, 2022, the stock options granted include 4,200,000 performance-based stock options granted to certain executives. The performance-based stock options are divided into five tranches that may become earned upon the satisfaction of the applicable performance condition at any time during the six-year period following the grant date. To the extent earned based on the applicable performance conditions, each tranche of the performance-based stock options will vest and become exercisable over a three-year period, in equal quarterly increments. The performance condition for each tranche will be satisfied on the date the 60-day volume-weighted average share price of the subordinate voting shares meets or exceeds the stock price hurdle, based on a target growth from the price of the subordinate voting shares at the date of the IPO (CA\$15), as provided in the table below:

	Number of options	Stock price hurdles CA\$
Price Hurdle 1	840,000	19.50
Price Hurdle 2	840,000	25.50
Price Hurdle 3	840,000	31.50
Price Hurdle 4	840,000	40.50
Price Hurdle 5	840,000	45.00

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

	2022	2021
	\$	\$
Exercise price of the option and current price of the underlying share (\$CA)	13.54	5.68
Expected term of the option (in years)	5.57	4.96
Expected volatility of the underlying share for the expected term of the option	50%	50%
Expected dividend yield on the underlying share for the expected term of the option	Nil	Nil
Risk-free interest rate for the expected term of the award	1.84%	0.36%
Weighted average fair value of option (\$CA)	4.64	2.42
Number of options granted	5,342,106	1,673,500

*Restricted share units*

RSUs are settled by the issuance of shares at the vesting date and generally vest at a rate of 33% on the first anniversary of the grant date and in eight equal quarterly tranches thereafter until fully vested. Certain RSUs can vest over a period up to three years. The fair value of the restricted share units is measured using the fair value of the Company's shares as if the units were vested and issued on the grant date.

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

The following tables presents information about RSUs outstanding:

	2022	
	Number of awards	Weighted average grant date fair value CA\$
Balance at beginning of year	-	-
Granted	2,363,842	13.13
Released	(34,826)	15.00
Forfeited	(56,029)	14.84
<b>Outstanding - end of year</b>	<b>2,272,987</b>	<b>13.06</b>

*Deferred share units*

DSUs are settled by the issuance of shares at the vesting date and generally vest at 100% on the first anniversary of the grant date. Certain DSUs can vest over a period up to five years. The fair value of the deferred share units is measured using the fair value of the Company's shares as if the units were vested and issued on the grant date.

For the year ended March 31, 2022, 201,621 DSUs were granted with a weighted average fair value at grant of CA\$12.66. As at March 31, 2022, 201,621 DSUs were outstanding.

*Share-based payment expense*

For the year ended March 31, 2022, share-based payment expense of \$10,261 (\$1,840 in 2021) was recorded in the consolidated statements of income (loss) and comprehensive income (loss) with a corresponding credit to contributed surplus.

## 17. Net income (loss) per share

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

	2022	2021
	\$	\$
Net income (loss)	418,276	(600,025)
Plus (less):		
Interest accretion on redeemable preferred shares – debt component	11,906	-
Change in redeemable preferred shares – conversion rights component fair value	(299,428)	-
Deferred tax on redeemable preferred shares	(189,722)	-
<b>Net loss used in the diluted net loss per share calculation</b>	<b>(58,968)</b>	<b>(600,025)</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

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

	2022	2021
Basic weighted average number of shares outstanding	50,811,216	18,381,991
Plus dilutive effect of:		
Preferred shares	41,138,485	-
Stock options	7,751,071	-
RSUs	608,232	-
DSUs	52,281	-
<b>Diluted weighted average number of shares outstanding</b>	<b>100,361,285</b>	<b>18,381,991</b>

For the year ended March 31, 2021, a net loss was recorded and therefore there is no adjustment to the net loss and the basic and diluted weighted average number of shares outstanding used in the calculation is the same. 8,480,397 Series A, 11,103,401 Series B, 13,740,144 Series C, 11,366,847 Series D, 6,659,423 Series E, and 12,006,526 Series F preferred shares outstanding as well as 10,144,356 stock options would have been dilutive to basic net loss per share.

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

## 18. Revenue

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

	2022	2021
	\$	\$
Canada	4,728	4,345
United States	69,565	55,106
Other	12,195	5,406
	<b>86,488</b>	<b>64,857</b>

As at March 31, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	2023	2024 and thereafter	Total
	\$	\$	\$
SaaS subscription	80,599	72,787	153,386
Self-managed licenses and maintenance	742	-	742
	<b>81,341</b>	<b>72,787</b>	<b>154,128</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

As at March 31, 2022, the Company had deferred revenue of \$50,392 (\$37,824 in 2021). Revenue recognized that was included in the deferred revenue balance at the beginning of the year ended March 31, 2022 was \$37,144 (\$31,507 in 2021).

## 19. Employee compensation

The following table presents employee compensation expenses of the Company, excluding government assistance and refundable tax credits:

	2022	2021
	\$	\$
Salary and other short-term benefits	80,655	58,530
Share-based payment and related expenses	13,449	2,908
	<b>94,104</b>	<b>61,438</b>

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

	2022	2021
	\$	\$
Product cost of revenue	512	73
Professional services cost of revenue	468	88
Sales and marketing	2,899	555
Research and product development	4,229	791
General and administrative	5,341	1,401
	<b>13,449</b>	<b>2,908</b>

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

	2022	2021
	\$	\$
Product cost of revenue	721	442
Professional services cost of revenue	312	314
Research and product development	5,400	6,478
	<b>6,433</b>	<b>7,234</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

## 20. Net financial expenses

	2022	2021
	\$	\$
Interest accretion	11,906	15,869
Interest on lease obligations	722	727
Change in fair value of short-term investments	103	(145)
Interest revenue	(230)	(48)
	<b>12,501</b>	<b>16,403</b>

## 21. Income taxes

Income tax expense includes the following components:

	2022	2021
	\$	\$
Current	242	61
Deferred	(189,211)	111,106
	<b>(188,969)</b>	<b>111,167</b>

Deferred income tax expense includes the following components:

	2022	2021
	\$	\$
Deferred income taxes relating to the origination and reversal of temporary differences	(7,573)	(9,326)
Deferred tax related to Part VI.1	(189,722)	116,778
Recognition of deferred tax assets	-	(4,442)
Unrecognized deferred income tax assets on temporary deductible differences and unused tax losses	8,084	8,096
	<b>(189,211)</b>	<b>111,106</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

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

	2022	2021
	\$	\$
Income (loss) before tax expense (recovery)	229,307	(488,858)
Income tax expense (recovery) at combined Canadian federal and provincial statutory rate (26.50% in 2022 and 2021)	60,772	(129,547)
Impact of rate differential of foreign jurisdictions	311	49
Non-deductible share-based payments	2,742	488
Other non-deductible expenses and non-taxable amounts	(71,398)	119,687
Deferred tax related to Part VI.1 tax	(189,722)	116,778
Recognition of deferred income tax assets	-	(4,442)
Unrecognized deferred income tax assets on temporary deductible differences and unused tax losses	8,084	8,096
Other	242	58
<b>Total income tax expense (recovery)</b>	<b>(188,969)</b>	<b>111,167</b>



## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

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

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

The changes in the deferred income tax assets and liabilities for the year ended March 31, 2021 are as follows:

	Balance as at March 31, 2020	Credited (charged) to consolidated statements of income (loss) and comprehensive income (loss)	Effect of movement in exchange rate	Balance as at March 31, 2021
	\$	\$	\$	\$
Property and equipment	414	487	76	977
Lease obligations	3,254	(1,290)	353	2,317
Deferred revenue	393	(393)	-	-
Losses carried forward	1,381	4,262	-	5,643
Other	9	267	-	276
Intangible assets and goodwill	-	(24)	-	(24)
Right-of-use assets	(2,704)	313	(330)	(2,721)
Part VI.1 tax	(59,322)	(116,778)	(10,149)	(186,249)
Research and development tax credits	(73)	(49)	(12)	(134)
Contract acquisition costs	(2,169)	1,566	(59)	(662)
Other	(505)	533	(28)	-
<b>Net deferred tax liabilities</b>	<b>(59,322)</b>	<b>(111,106)</b>	<b>(10,149)</b>	<b>(180,577)</b>
Classified as follows				
Deferred income tax assets	-			5,672
Deferred income tax liabilities	(59,322)			(186,249)
	<b>(59,322)</b>			<b>(180,577)</b>

As at March 31, 2022, the Company recognized deferred income tax assets of \$4,616 (5,672 as at March 31, 2021) related to tax losses of the current and prior years for its subsidiaries in the United States. The deferred income tax assets are recognized, as the Company believes it is probable that taxable profits will be available in the future against which the tax loss carryforwards can be utilized.

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

	2022	2021
	\$	\$
Temporary deductible differences	14,677	4,955
Losses carried forward	22,895	14,609
	<b>37,572</b>	<b>19,564</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

As at March 31, 2022, the Company has accumulated non-capital losses for Canadian federal and provincial income tax purposes. These losses can be carried forward against future years' taxable income and will expire as follows:

	Canada	
	Federal	Provincial
	\$	\$
2023	228	-
2024	1,096	658
2025	686	556
2026	394	391
2027	1,663	1,623
2028	569	535
2029	770	743
2032	211	199
2033	2,809	2,857
2034	1,863	1,794
2035	1,532	1,488
2036	6,330	6,185
2037	6,355	7,199
2038	4,875	5,679
2039	5,568	6,228
2040	5,513	6,740
2041	27,381	28,154
2042	16,754	16,754
	<b>84,597</b>	<b>87,783</b>

The remaining net operating losses belonging to the Company's wholly owned subsidiary Coveo Europe B.V. of \$90 will be deductible annually based on the exempt long-term prescribed federal interest rate, subject to limitations, and will expire in 2024.

As at March 31, 2022, the Company has available Canadian federal non-refundable investment tax credits of \$801 (\$463 in 2021) related to research and development expenditures which may be used to reduce Canadian federal income taxes payable in future years. These non-refundable investment tax credits begin to expire in 2029. The Company also has a non-refundable e-business tax credit of \$4,103 (\$2,993 in 2021) expiring on various dates starting in 2032 which may be used to reduce provincial income taxes payable in future years.

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

### 22. Consolidated statements of cash flows

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

	2022	2021
	\$	\$
Trade and other receivables	(6,506)	6,218
Government assistance and refundable tax credits	(4,762)	763
Prepaid expenses	(1,788)	(1,066)
Contract acquisition costs	(6,087)	(3,611)
Trade payable and accrued liabilities	577	7,667
Deferred revenue	8,341	5,239
	<b>(10,225)</b>	<b>15,210</b>

### 23. Related party transactions

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

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

	2022	2021
	\$	\$
Salary and other short-term benefits	3,778	2,902
Share-based payments	3,181	845
	<b>6,959</b>	<b>3,747</b>

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

### 24. Commitments

The Company's minimum aggregate commitments amount to approximately \$33,370. This amount includes mainly information-hosting agreements and license agreements. Minimum annual installments under these agreements are \$13,673 within one year, \$12,566 within two years, and \$7,131 within three years.

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

### 25. Financial instruments

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

#### *Fair value*

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. External evaluators are involved in the valuation of significant liabilities of level 3. Selection criteria include market knowledge, reputation, independence, and whether professional standards are maintained.

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

The fair value of investment funds included in short-term investments has been determined based on quoted prices in active markets. To manage the market price risk arising from investments, the Company invests in diversified investment funds.

The fair value of redeemable preferred shares recognized in the consolidated statements of financial position has been determined using a combination of a Black-Scholes option pricing model and a partial differential equation approach in order to determine the fair market value of the enterprise value of the Company, the fair value of the debt component at inception, and the fair value of the conversion rights component. Main assumptions utilized in the model include a multiple of next twelve-month ("NTM") revenue of 6.7 to 15.0, a volatility of 50%, and credit spreads from 4.87% to 30.78%. Redeemable preferred shares are considered as part of the Company's capital management strategy (note 26).

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

The financial instruments measured at fair value in the consolidated statements of financial position are as follows:

	2021		
	Fair value hierarchy	Carrying amount	Fair value
		\$	\$
Short-term investments – investment funds	Level 2	76,472	76,472
Redeemable preferred shares conversion rights component	Level 3	742,653	742,653

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs described above. The Company identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following tables show the increases and decreases in fair value of redeemable preferred shares conversion rights component classified in Level 3 of the fair value hierarchy that is subject to a sensitivity analysis. A change of 0.25 in the NTM revenue assumption, 5% in the volatility assumption, and 10% in the credit spreads assumption would result as follows:

	2021	
	Increase	Decrease
	\$	\$
Series B to F redeemable preferred shares – conversion rights component	(17,498)	17,282

### Currency risk

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

Foreign currency transactions originate from certain operations in legal entities of the Company denominated in foreign currencies other than their functional currency. The Company's objective in managing its currency risk is to minimize its exposure to currencies other than its functional currency.

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

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

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

	2021			Total
	USD	EUR	GBP	
	\$	\$	\$	\$
Cash and cash equivalents	25	-	765	790
Trade and other receivables	717	-	45	762
Trade payable and accrued liabilities	(1,916)	-	(238)	(2,154)
<b>Net financial exposure</b>	<b>(1,174)</b>	<b>-</b>	<b>572</b>	<b>(602)</b>

The sensitivity to a  $\pm$  5% change in the exchange rate as at March 31, 2022 and 2021 would not have a significant impact in the consolidated statements of income (loss) and comprehensive income (loss).

The Company does not enter into arrangements to hedge its currency risk exposure.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that its interest rate risk is low since the majority of cash equivalents are fixed rate financial instruments. As at March 31, 2022 and 2021, the Company has not drawn on the credit facility.

*Credit and concentration risk*

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

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

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

The aging of the net trade receivables as at March 31, 2022 and 2021:

	2022	2021
	\$	\$
Current	19,540	15,825
Past due		
0-30 days	4,848	1,431
31-60 days	186	266
61-90 days	-	14
Greater than 90 days	47	870
	<b>24,621</b>	<b>18,406</b>

## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

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

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

The tables below present the contractual maturities of financial liabilities as at March 31, 2022 and 2021. The amounts disclosed are contractual undiscounted cash flows:

	2022				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payable and accrued liabilities	22,910	22,910	22,910	-	-
Lease obligations	13,085	15,576	2,564	8,734	4,278

	2021				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	More than 5 years
Trade payable and accrued liabilities	16,550	16,550	16,550	-	-
Lease obligations	14,143	17,247	2,269	9,348	5,630
Redeemable preferred shares debt and conversion rights components	938,354	272,063	-	272,063	-

**26. Capital management**

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

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



## Notes to Financial Statements

For the years ended March 31, 2022 and 2021

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

## 27. Segmented information

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

	2022	2021
	\$	\$
Canada	20,655	22,427
United States	21,847	7,338
United Kingdom	33,065	72
Others	465	463
	<b>76,032</b>	<b>30,300</b>

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

For the years ended March 31, 2022 and 2021, no customer represented more than 10% of the Company's revenue. Refer to note 18 for revenue information by geographical area.

