



# 2022

## Annual Report

Fiscal Year Ended March 31, 2022

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Coveo is a market-leading **AI-powered relevance platform** that helps transform search, recommendations, and personalization within digital experiences to delight customers while **improving business outcomes.**

Our cloud-native, multi-tenant SaaS platform injects search, recommendations, and personalization solutions into digital experiences. The Coveo Relevance Cloud™ platform enables businesses to effortlessly deliver the relevant and personalized cross-channel experiences that we believe people now expect in the new customer-centric, digital experience economy.

Our solutions are designed for commerce, service, website, and workplace applications. We provide tangible value to our customers by helping to drive conversion rate and revenue growth, boost profitability, reduce customer support costs, increase customer satisfaction and website engagement, and improve employee proficiency and satisfaction.

We believe our platform is differentiated by its sophisticated applied AI, which is designed to deliver highly relevant, bespoke digital experiences that drive superior business outcomes. In addition to our AI capabilities, we believe that our platform's scalability, rapid time to value, enterprise-grade security, and native integrations with other third-party technology applications set it apart from competing technologies.

# Message to Our Shareholders



**Louis Têtu**  
Chairman and CEO

**Fiscal 2022 marked a pivotal year for Coveo as we continued to navigate the pandemic and entered the public markets. This year was exceptional from a growth standpoint, with FY'22 total revenue of US\$86.5M and SaaS Subscription Revenue growth of 41% over the prior fiscal year.**

We also added over 125 employees as well as key leadership positions within the organization that will help us scale to the next phase of growth. Our initial public offering on the Toronto Stock Exchange, completed in November, further elevated our visibility in the marketplace. I could not be prouder of our team and the direction of the company as we continue to drive growth through all channels of our business.

When I joined Coveo in 2008, initially as an investor and Chairman, I was drawn to Coveo's goal at the time of fixing search relevance for enterprises. With a significant commitment to R&D and innovation for long-term growth, Coveo evolved from on-premise search infrastructure, to cloud-native AI-powered search, to a dynamic experience intelligence platform, and now to our advanced relevance AI platform — the Coveo Relevance Cloud™. Our mission is to accelerate the application of AI platforms in enterprises enabling them to deliver great customer experiences profitably.

In order to compete, businesses today must deliver the rich and personalized digital experiences that individuals have become accustomed to. We believe that this can only be achieved at scale with sophisticated AI, particularly to optimize business outcomes such as costs, revenue, or margins. At Coveo, we set out over a decade ago to democratize the use of AI for every business, making it possible for companies to participate and compete by leveraging the power of AI within the delivery of digital experiences, powered by the Coveo Relevance Cloud™. In a market where that happens, we all benefit because this democratizes business.

“ Our mission is to accelerate the application of AI platforms in enterprises enabling them to deliver great customer experiences profitably.

Today's businesses are an amalgamation of digital experiences to their core and the past few years have only validated that further. At the customer end, consumers expect to have relevant, streamlined experiences at all stages of their journey. The companies that can meet, or more importantly exceed, those expectations win that purchase decision. The engagement does not stop there, however. Brands then need to continually engage with their customer base to support customer loyalty, in ways which are not only responsive, but personalized and prescriptive. The challenges presented by the current economy also underscore the necessity of business efficiency, along with employee proficiency and satisfaction. Personalized search and recommendations experiences help employees become more proficient in their tasks, and thus grow faster and contribute to better outcomes for the company.

We believe commerce represents one of our most exciting growth opportunities, and that our solution drives significant, tangible ROI for our customers. This year, we acquired Qubit, a UK-based leader in AI-powered personalization for merchandising teams that expanded our footprint in Europe and enriched our offering for B2C customers. We also launched numerous new features and partner integrations to bring the power of our platform across our customers' applications, creating a seamless experience and increasing value for all parties. Developing new offerings and continuing to enhance our platform for our customers will remain a key investment priority, always through the lens of optimizing personalization to maximize business outcomes.

Enabling our customers to keep up with the constant demands of an ever-evolving digital experience marketplace requires constant innovation on our part. During the year, we released a number of industry-leading functionalities that drive measurable improvements for our customers and their ability to engage, convert, sell, and serve their customers.

We also deepened our partner integrations with Salesforce, SAP, and Adobe, helping customers get the most out of their Salesforce Service Cloud, SAP Commerce Cloud, and Adobe Experience Manager implementations. By helping our customers deliver personalized and prescriptive experiences, we help our clients maximize profit margins and the long-term value of their customers.

At Coveo, our communities and the impact we have on them is at the forefront of our values, and we continue to prioritize making a difference both locally and globally. This fiscal year, we set a significant example within the Canadian technology scene by introducing our 1% pledge to give 1% of our time, 1% of our profits, 1% of our products, and 1% of our equity, to support making a substantive and tangible impact within our communities. In agreement with our core mission, we believe equal and unconstrained access to knowledge and education is the ultimate social equalizer, and an imperative to making a difference in key social issues, hence why this is our main focus as we deploy our 1% pledge. Coveo will continue to lead by example with our employees, contributing meaningfully to people, the planet, and prosperity.

As we look ahead to fiscal year 2023 and beyond, we firmly believe in the massive opportunity to deliver relevant digital experiences at scale and profitably for all businesses globally, the imperative of AI to achieve it and compete effectively, and the importance of making this technology more accessible. We believe that we continue to be well-positioned for growth across all of our lines of business as a leader in bringing the advantage of relevance to all businesses to help them succeed.

Thank you to all of our shareholders for your continued support of Coveo.

# Coveo at a Glance<sup>1</sup>

A globally recognized leader in applied AI



**\$86.5M**

FY'22  
Total Revenue



**41%**

FY'22  
SaaS Subscription  
Revenue Growth  
(Year-over-Year)



**90%**

FY'22  
Total Revenue from  
SaaS Subscription



**33%**

FY'22  
Total Revenue Growth  
(Year-over-Year)



**52%**

FY'22  
Current SaaS Subscription  
Remaining Performance  
Obligations Growth  
(Year-over-Year)



**110%**

Net Expansion Rate  
as of Q4 FY'22



**600+**

SaaS Subscription  
Customers



**725+**

Employees,  
~40% in R&D



**1% Pledge**

to support our communities  
1% of our Equity  
1% of our Employees' Time  
1% of our Products  
1% of our Profits

<sup>1</sup> All dollar figures are presented in U.S. dollars. Please refer to the section titled "Key Performance Indicators" of our management discussion and analysis for the year ended March 31, 2022 for the definition of Net Expansion Rate.

# Company Highlights<sup>2</sup>

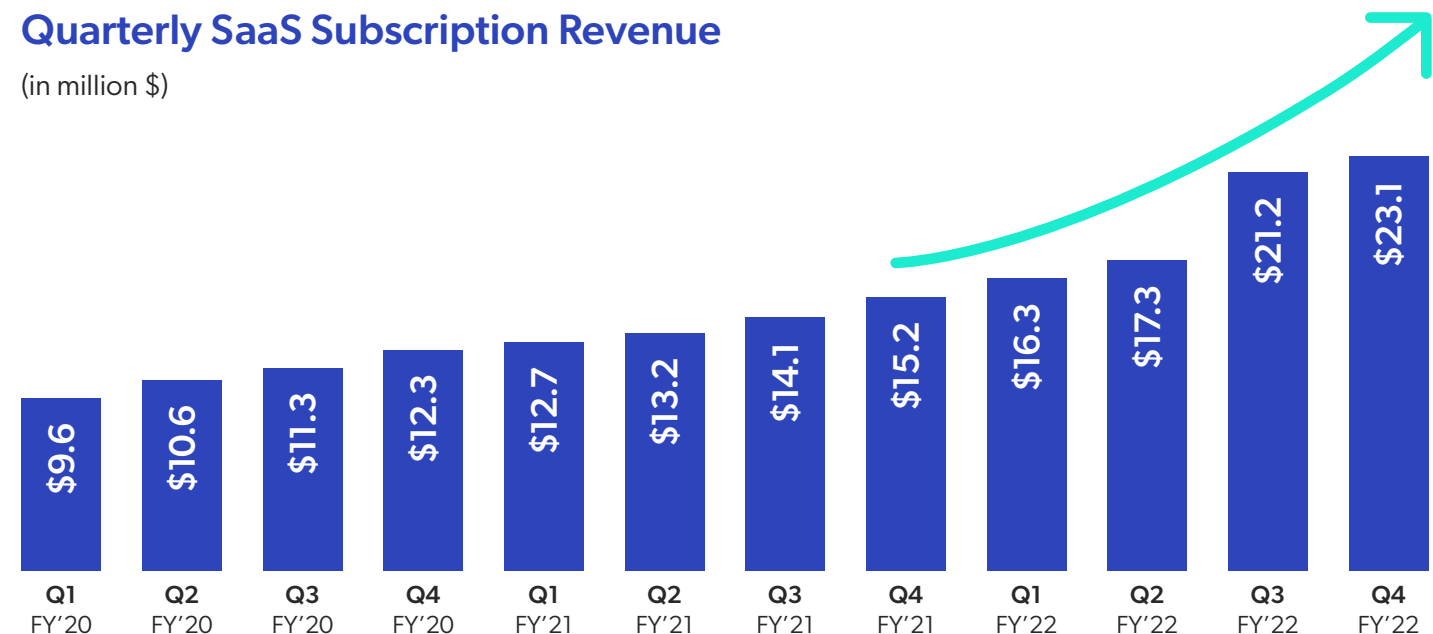
Rapidly-growing historical SaaS Subscription Revenue

**52%**

Q4 FY'22 SaaS  
Subscription Revenue Growth  
(Year-over-Year)

## Quarterly SaaS Subscription Revenue

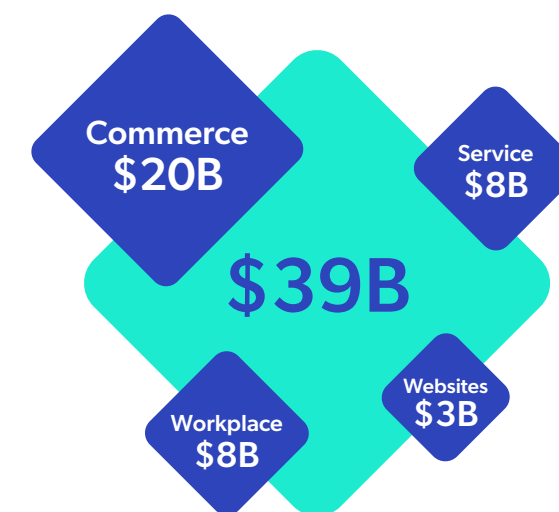
(in million \$)



## Who We Are

- ▶ **Global leader in applied AI solutions**, enabling enterprises to deliver relevant digital experiences at scale
- ▶ **A single cloud-native, multi-tenant platform** providing commerce, service, website and workplace solutions
- ▶ **Large total addressable market**
- ▶ **Loyal customer base** that includes many of the world's leading global brands
- ▶ **Multiple compounding vectors** available for future growth
- ▶ **Experienced management team** with significant ownership stake

## Expansion of Market Opportunity



<sup>2</sup> All dollar figures are presented in U.S. dollars.

# Our History

Coveo was founded in 2005 by **Laurent Simoneau (President and CTO), Marc Sanfaçon (SVP, Technology), and Richard Tessier (SVP, Products). All outstanding technology entrepreneurs, they previously founded Copernic Technologies, a successful software company in the advanced search engine market, in the 1990s.**

In 2008, Louis Têtu joined as an investor and Chairman of the Board of Coveo. He became CEO in 2012. Jean Lavigueur (CFO) and Guy Gauvin (COO) also joined Coveo.

Prior to Coveo, alongside Jean and Guy, Louis co-founded and led Taleo, a talent and performance management SaaS platform company that went public in 2005. It was subsequently acquired by Oracle for \$1.9 billion in 2012.

In July 2019, we acquired Tooso, Inc., a provider of AI-driven digital commerce solutions, to accelerate and expand our capabilities for the digital commerce market.

In October 2021, we acquired Qubit, a London-based leader in AI-powered personalization solutions for merchandising teams. The Qubit acquisition expanded our AI-powered commerce solution by adding deep online retail merchandising and personalization tools. It also enhanced our commerce capabilities and expertise, increased our scale in commerce, and boosted our go-to-market footprint in the U.K. and Europe.

A little over one month later, on November 24, 2021, Coveo announced the successful closing of its initial public offering (TSX:CVO).

After more than 15 years of innovation and more than a decade in AI, Coveo is the Relevance Company. The Coveo Relevance Cloud™ is a market-leading AI-powered relevance platform that helps businesses deliver the relevant digital experiences people expect, while continuously improving our customers business outcomes. Coveo accelerates the application of AI platforms in enterprises to deliver great customer experiences profitably.

## One single platform

Multiple use cases  
Multi-tenant and cloud-native

## Mature ML models

SOC 2 Type II compliance  
Global infrastructure  
HIPAA, GDPR



15 years of innovation  
A decade in AI



Packaged enterprise capabilities  
Unified indexing and enterprise search



Content analytics NLP / NLU  
Packaged and broad connectivity



Full cloud platform with enterprise capabilities  
Salesforce AppExchange



Behavioral and conversion analytics



Machine learning  
Global cloud data residency



AI semantics



Journey analytics



Deep learning infrastructure



Qubit acquisition



Coveo Relevance Cloud™ platform

2005

Enterprise search with advanced security  
Coveo founded

2010

Contextual relevance

2011

Native search app in commercial business app

2012

Multi-tenant cloud-native enterprise search

2014

AI-powered recommendations

2018

Intent detection

2019

Auto merchandising and categorization  
Intelligent case assist and navigation tags  
Questions answering and smart snippets using deep learning semantics  
Unification of commerce, service, and workplace journeys

2020

Personalization as you go from journey analytics and deep learning

2021

Intent-aware product rankings  
Session-based product recommendations  
Headless / Atomic / Quantic

Today

November 2021  
Coveo public debut

# Coveo Relevance Cloud™ platform is the intelligence behind the relevant experiences people expect



Coveo AI helps businesses inject relevance into every digital experience

## Commerce

## Service



# Our Platform

Our single, integrated SaaS platform, the Coveo Relevance Cloud™, is the intelligence behind the relevant experiences people expect. It uses our proprietary and industry-leading applied AI models to enable businesses to deliver relevance and personalization at scale in all digital experiences, including for customers, partners, or employees.

To deliver relevant experiences, our platform:

- Retrieves and indexes content from a plethora of internal and external, siloed, and disparate data sources.
- Combines this data with click-stream events and behavior patterns.
- Uses our AI and machine learning models to find context in this data and understand what users are looking for. It learns which content delivers optimal outcomes based on a deep understanding of what has worked best for others.

- Learns to better predict each user's needs, and then automatically offers recommendations and personalized content to each user.
- Continuously collects signals and learns from every interaction, which heightens relevance from each interaction to the next. This creates a high velocity network effect of continuously improving relevance.

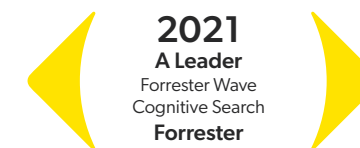
Our platform was built to serve the needs of enterprises of all sizes. Our solutions can address a precise and singular use case for a specific team within an organization. They can also expand to enterprise-wide solutions to deliver relevant experiences across multiple teams, use cases, channels, and regions.

Our solutions seek to transform the outcome of every digital interaction of a business by providing our customers with the right tools to compete more effectively in the new customer-centric digital experience economy. The Coveo Relevance Cloud™ platform is designed to improve business outcomes and drive significant return on investment for our customers.

## Trusted by



## Recognitions



<sup>1</sup> Gartner™, Magic Quadrant™ for Insight Engines, Stephen Emmott, Anthony Mullen, 17 March 2021. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. The Gartner content described herein (the "Gartner Content") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Gartner Content speaks as of its original publication date (and not as of the date of this Annual Report), and the opinions expressed in the Gartner Content are subject to change without notice.

# Our 1% Pledge and Our ESG Plan

## Environmental, Social, and Corporate Governance

Backed by our 1% Pledge, we will contribute time, product, expertise, and money to support organizations that improve access to knowledge and education for underserved people in our communities.



**1%**  
of our profits,  
time, products,  
and equity

### Our 1% Pledge

Just as Coveo is committed to making a difference for our customers, we are also committed to making a difference in the world at large. Our environmental, social, and governance imperatives guide the way we operate both internally and in the community. We care deeply about being a good place to work, in addition to being a corporate citizen and in using our success to make the world better.

To further our values and this goal, in November 2021, we joined Pledge 1%. This is a global movement to inspire, educate, and empower all companies to leverage their assets for good. This pledge of 1% of our workforce's time, 1% of our profits, 1% of our products, and 1% of our equity is the fuel that will make it possible for us to drive real, meaningful results. With our expertise, our time, and our resources, we can make a lasting impact. In conjunction with our partners, we believe this commitment will help to make relevance a force for good, both locally and globally.

### In the community

At Coveo, we believe that knowledge is the ultimate equalizer. That education is imperative to empowering people to do more on their own — and, one of the best ways to make a lasting impact on society. We believe that democratizing knowledge and education is a key lever in reducing inequality and poverty, promoting wellness, and broadening opportunities.

Backed by our 1% Pledge, we will contribute time, product, expertise, and money to support organizations that improve access to knowledge and education for underserved people in our communities.

Our initiatives will prioritize programs within Canada, with a main target of young people (12-18 years old) in vulnerable social groups. With opportunities including knowledge-sharing and mentoring, technical access, and financial assistance, we can help make a difference to young people who will continue to build a better future for themselves and others.

### Internal operations

#### Environmental

We will continually look to minimize the impact we have on our planet, in everything from energy consumption to waste.

#### Social

Our people are our greatest asset. We will continue to support programs that ensure the wellbeing and growth of every Coveo employee. This specifically includes our commitment to diversity and inclusion, through which we are working to eliminate bias and improve equity in everything from hiring to growth opportunities. Our social



Each year, Coveo conducts a major campaign to raise money for United Way Centraide Canada, which redistributes the funds to various non-profit organizations in need. In 2021, we broke our own record again with a donation of CA\$385,000.



initiatives also include physical and mental health, access to training and career development opportunities, and building a supportive and exciting workplace environment.

#### Governance

We commit to adhering to the highest levels of corporate governance, and to doing what is right for all of our stakeholders, including our shareholders, our employees, and our customers. We have a dedicated Risk and Governance Committee reporting to the Board of Directors.

Coveo Solutions Inc.

# Management's Discussion and Analysis

For the Year Ended March 31, 2022



# Management's Discussion and Analysis of Financial Condition and Results of Operations

As used in this management's discussion and analysis of financial condition and results of operations ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Coveo", "we", "us", or "our" refer to Coveo Solutions Inc. and its subsidiaries as constituted on March 31, 2022.

This MD&A dated June 14, 2022, for the three months and years ended March 31, 2022 and March 31, 2021, should be read in conjunction with the Company's audited annual consolidated financial statements along with the related notes thereto for the years ended March 31, 2022 and March 31, 2021. The financial information for the years ended March 31, 2022 and March 31, 2021 presented in this MD&A is derived from the Company's audited annual consolidated financial statements for the years ended March 31, 2022 and March 31, 2021, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in U.S. dollars unless otherwise indicated.

## Forward-looking information

This MD&A contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information") within the meaning of applicable securities laws. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates, and intentions.

This forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "might", "will", "achieve", "occur", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", "continue", "target", "opportunity", "strategy", "scheduled", "outlook", "forecast", "projection", or "prospect", the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. In addition, any statements that refer to expectations, intentions, projections, or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates, and projections regarding future events or circumstances.

This forward-looking information includes, among other things, statements relating to: our business plans and strategies (including growth strategies); expectations regarding Coveo's revenue and revenue mix, expenses, and other operating results; expectations regarding our ability to successfully retain and expand relationships with existing customers; expectations regarding growth opportunities and our ability to capture an increasing share of addressable markets, including for commerce solutions, and strengthen our competitive position; and expectations regarding our ability to increase our penetration of international markets and selectively pursue and successfully integrate acquisitions, including in respect of identified cross-selling opportunities.

Forward-looking information is necessarily based on a number of opinions, estimates, and assumptions that we considered appropriate and reasonable as of the date such statements are made. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, actual results may vary from the forward-looking information contained herein. Certain assumptions made in preparing the forward-looking information contained in herein include: our ability to capitalize on growth opportunities and implement our growth strategy; our ability to attract new customers, both domestically and internationally; the success of our efforts to expand our product portfolio and market reach; our ability to maintain successful strategic relationships with partners and other third parties; assumptions regarding our future capital requirements; assumptions regarding available liquidity under our revolving credit facility; the accuracy of our estimates of market opportunity and growth forecasts; our success in identifying and evaluating, as well as financing and integrating, any acquisitions, partnerships, or joint ventures, and our ability to execute on our expansion plans. Moreover, forward-looking information is subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, that may cause the actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described under "Risk Factors" in the Company's most recently filed Annual Information Form and available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com). There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made.

Moreover, we operate in a very competitive and rapidly changing environment. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## Business Overview

### *The business of Coveo*

Coveo is a leading provider of an AI-powered relevance platform. Our cloud-native, multi-tenant SaaS platform helps transform search, recommendations, personalization, and merchandizing within digital experiences to improve business outcomes for our customers. Our platform enables businesses to deliver relevant cross-channel experiences. Our technology indexes data and content from a variety of disparate sources, and using behavioral analytics, machine learning, and deep learning, leverages this data to: (i) understand context and deliver unified search, ranking, and navigation; (ii) anticipate likely outcomes and formulate recommendations to tailor every individual digital experience; and (iii) create personalized and unified content. Our solutions are designed to provide tangible value to our customers by helping drive revenue and profitability growth, reduce customer support costs, increase customer satisfaction and website engagement, and improve employee proficiency and satisfaction. We believe our platform is differentiated by its applied AI, which is designed to deliver relevant digital experiences.

### *The Coveo Relevance Cloud™*

Our single, integrated SaaS platform, the Coveo Relevance Cloud™, uses our proprietary applied AI models to enable our customers to deliver relevance across all digital experiences and engage customers, partners, and employees in the way that each individual expects.

To deliver relevant experiences, our platform:

- Retrieves and indexes content from disparate internal and external sources of data.
- Combines this data with click-stream events and behavior patterns.
- Uses our AI and machine learning models to find context in this data and understand what users are looking for, and learns which content delivers optimal outcomes based on a deep understanding of what has worked best for others.
- Learns to better predict each user's needs, and then automatically offers recommendations and personalized content to each user.
- Continuously collects signals and learns from every interaction, which improves relevance from each interaction to the next.

Our platform was built to serve the needs of enterprises of all sizes. Our solutions can address a precise and singular use case for a specific team within an organization and can expand to enterprise-wide solutions to deliver relevant experiences across multiple teams, use cases, channels, and regions.

## *Go-to-market model*

We sell and distribute our solutions almost exclusively through our direct sales force. Our sales team is organized by solution and industry vertical to provide customers with tailored services designed to address their specific needs. We have designed our go-to-market strategy to cover the full spectrum of the buyer journey of an enterprise, with specific strategies covering developers to chief experience officers.

## *Ecosystem of strategic and integration partners*

Our distribution strategy is supported by a global ecosystem of partners that support the adoption and implementation of our platform. We have established strategic relationships with leading global technology platforms, including Adobe, SAP, Salesforce, ServiceNow, Zendesk, and Sitecore with which we have collaborated to natively integrate our solutions into their platforms. These strategic partnerships enable our partners' platforms to be augmented with our technology, while facilitating the adoption of our platform and enabling customers to deploy and use our solutions. These integrations enable users to unify content from multiple sources as well as deploy our usage analytics and machine learning models directly from within these applications. We have also developed a network of global system integrators and implementation partners. These partners generate leads for our sales force, deliver strategic consulting around our platform, and support the deployment of our solutions.

## *SaaS recurring revenue model*

We generate revenue primarily from the sale of SaaS subscriptions. Our SaaS subscriptions are available under different pricing plans that offer increasing levels of features and product sophistication with appropriate cost increases. Our contracts (together with related expand transactions) generally have multi-year terms and are typically subject to renewal at the end of the subscription term. For the three months and year ended March 31, 2022, SaaS Subscription Revenue represented 91% and 90% of our total revenue, respectively.

## *Initial Public Offering ("IPO") and capital changes*

On November 24, 2021, the Company completed its IPO and issued 14,340,000 Subordinate Voting Shares for total gross consideration of \$169.2 million (C\$215.1 million), or \$154.4 million net of share issuance costs. Further to the IPO, the underwriters exercised their over-allotment option in full to purchase an additional 2,151,000 of Subordinate Voting Shares for gross proceeds of \$25.2 million (C\$32.3 million), or \$23.7 million net of share issuance costs.

Concurrently with the closing of the IPO, we also completed a private placement of 129,996 additional subordinate voting shares, for total gross consideration of \$1.5 million (C\$1.9 million).

On November 24, 2021, the Company also 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 remove all existing preferred shares from the authorized share capital of the Company. 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.

## *Acquisition of Qubit*

On October 14, 2021, we completed the acquisition of Qubit, a London-based provider of AI-powered personalization solutions for merchandising teams. This acquisition expanded our AI-powered commerce solution by adding online retail merchandising and personalization tools. Qubit's technology generates individual models for each user, learning and actioning in real-time based on their activity data to help deliver contextual personalized experiences. As such, customers of Qubit benefit from AI-powered personalization with product recommendations, badging, personalized content, and A/B testing as part of an AI-driven merchandising strategy. Through this transaction, we added scale to our commerce

solutions and increased our go-to-market presence in the United Kingdom and Western Europe. The acquisition of Qubit expanded our customer base by over 50 customers across different B2C verticals, including the luxury, fashion, beauty, DIY, travel, and hospitality sectors.

## Pledge 1%

Just as Coveo is committed to making a difference for our customers, we are also committed to making a difference in the world at large. Our environmental, social, and governance imperatives guide the way we operate both internally and in the community. We care about being a good corporate citizen and in using our success to make the world better. In furtherance of our values and this goal, we joined Pledge 1%, a global movement to inspire, educate, and empower all companies to leverage their assets for good. This pledge of 1% of our workforce's time, 1% of our profits, 1% of our products, and 1% of our equity, will make it possible for us to drive real, meaningful results. With our expertise, our time, and our resources, and in conjunction with our partners, we believe this commitment will help to make relevance a force for good locally and globally.

## Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends, formulate business plans, and make strategic decisions. These key performance indicators provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

- **SaaS Subscription Revenue:** Our main focus is on growing our SaaS Subscription Revenue. We believe that our ability to increase our SaaS Subscription Revenue, as presented in our financial statements in accordance with IFRS, is an indicator of the success of our growth strategy. The recurring nature and predictability of our SaaS Subscription Revenue provides visibility into future performance, and the upfront annual payments we typically receive on these contracts results in cash flow generation in advance of revenue recognition. Our SaaS Subscription Revenue was \$23.1 million for the three months ended March 31, 2022, an increase of \$7.9 million or 52% compared to the three months ended March 31, 2021. For the year ended March 31, 2022, SaaS Subscription Revenue was \$77.9 million, an increase of \$22.6 million or 41% compared to the year ended March 31, 2021.
- **Net Expansion Rate:** We believe that Net Expansion Rate is a useful indicator of our ability to maintain and expand our relationships with our customers over time. This indicator compares our SaaS Annualized Contract Value from the same set of customers across comparable periods. We calculate this rate by considering a cohort of customers at the end of the period 12 months prior to the end of the period selected, and dividing the SaaS Annualized Contract Value attributable to that cohort at the end of the current period selected, by the SaaS Annualized Contract Value attributable to that cohort at the beginning of the period 12 months prior to the end of the period selected.

Expressed as a percentage, the ratio:

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

- iv. Includes customers who converted from self-managed (on-premise) licenses and maintenance services to SaaS subscriptions during the 12 months preceding the end of the period selected.

We believe that measuring the ability to retain and expand revenue generated from our existing customer base is a key indicator of the long-term value that we provide to customers. As of March 31, 2022 and 2021, our Net Expansion Rate was 110%.

- **Current SaaS Subscription Remaining Performance Obligations:** We believe that Current SaaS Subscription Remaining Performance Obligations, as presented in our financial statements in accordance with IFRS, provides visibility into our future performance. This amount represents a forward-looking indicator of anticipated future revenue under contract that has not yet been recognized as revenue but that is expected to be recognized over the next 12 months. As of March 31, 2022, we had \$80.6 million of Current SaaS Subscription Remaining Performance Obligations, an increase of \$27.5 million or 52% compared to March 31, 2021.

## Non-IFRS Financial Measures and Ratios and Reconciliation of Non-IFRS Financial Measures and Ratios

Non-IFRS financial measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. These measures are unlikely to be comparable to similar measures presented by other companies. Rather, non-IFRS financial measures and ratios are provided as additional information to complement financial statements by providing further understanding of our results of operations from management's perspective. Accordingly, these measures and ratios should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We believe that non-IFRS financial measures and ratios are useful in providing supplemental information regarding our performance by excluding certain items that may not be indicative of our business, operating results, or future outlook. Management uses non-IFRS financial measures and ratios to make performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management compensation.

### *Adjusted Operating Loss*

Adjusted Operating Loss is defined as operating loss excluding share-based payment and related expenses, amortization of acquired intangible assets, acquisition-related compensation, transaction-related expenses, charitable contributions, and other one-time or non-cash items.

We believe Adjusted Operating Loss provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as these metrics generally eliminate the effects of certain variables from period to period for reasons unrelated to overall operating performance. We believe Adjusted Operating Loss is an important supplemental financial measure of our performance, primarily because it and similar measures are used widely among others in our industry as a means of evaluating a company's underlying operating performance.

The following table reconciles Adjusted Operating Loss to operating loss for the periods indicated:

<i>In thousands of U.S. dollars</i>	Three months ended March 31,		Year ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Operating loss</b>	<b>(19,360)</b>	<b>(8,985)</b>	<b>(57,258)</b>	<b>(18,386)</b>
Share-based payment and related expenses <sup>(1)</sup>	9,122	1,723	13,449	2,908
Amortization of acquired intangible assets <sup>(2)</sup>	1,204	42	2,207	125
Acquisition-related compensation <sup>(3)</sup>	243	121	987	483
Transaction-related expenses <sup>(4)</sup>	140	-	1,979	-
Charitable contributions <sup>(5)</sup>	64	32	10,544	91
<b>Adjusted Operating Loss</b>	<b>(8,587)</b>	<b>(7,067)</b>	<b>(28,092)</b>	<b>(14,779)</b>

- (1) These expenses represent non-cash expenditures recognized in connection with issued stock options, restricted shares units, and other awards under share-based plans to our employees and directors as well as related payroll taxes that are directly attributable to the share-based payments. These costs are included in product and professional services cost of revenue, and sales and marketing, research and product development, and general and administrative expenses.
- (2) These expenses represent the amortization of intangible assets acquired through the Tooso, Inc. and Qubit acquisitions. These costs are included in amortization of intangible assets.
- (3) These expenses relate to non-recurring acquisition-related compensation in connection with the Tooso, Inc. and Qubit acquisitions. These costs are included in product and professional services cost of revenue, and sales and marketing, research and product development, and general and administrative expenses.
- (4) These expenses include professional, legal, consulting, and accounting fees related to the IPO and the acquisition of Qubit. These costs are included in general and administrative expenses.
- (5) These expenses represent charitable contributions of the Company, including the one-time 1% pledge of our equity. These costs are included in general and administrative expenses.

## Adjusted Gross Profit Measures and Adjusted Gross Profit (%) Measures

Adjusted Gross Profit, Adjusted Product Gross Profit, and Adjusted Professional Services Gross Profit are respectively defined as gross profit, product gross profit, and professional services gross profit excluding share-based payment and related expenses and acquisition-related compensation. We refer to these measures collectively as our "Adjusted Gross Profit Measures". Adjusted Gross Profit (%) is defined as Adjusted Gross Profit as a percentage of total revenue. Adjusted Product Gross Profit (%) is defined as Adjusted Product Gross Profit as a percentage of product revenue. Adjusted Professional Services Gross Profit (%) is defined as Adjusted Professional Services Gross Profit as a percentage of professional services revenue. We refer to these measures collectively as our "Adjusted Gross Profit (%) Measures".

We believe that Adjusted Gross Profit Measures and Adjusted Gross Profit (%) Measures provide our management and investors with consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our direct costs and gross profit by excluding the effects of certain variables from periods for reasons unrelated to overall operating performance. We believe they are important supplemental financial measures of our performance, primarily because they and similar measures are used widely among others in our industry as a means of evaluating a company's underlying operating performance.

The table below provides a reconciliation of Adjusted Gross Profit to gross profit, Adjusted Product Gross Profit to product gross profit, and Adjusted Professional Services Gross Profit to professional services gross profit:

<i>In thousands of U.S. dollars</i>	Three months ended March 31,		Year ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Total revenue</b>	<b>25,509</b>	<b>17,434</b>	<b>86,488</b>	<b>64,857</b>
<b>Gross profit</b>	<b>18,674</b>	<b>13,202</b>	<b>65,032</b>	<b>48,455</b>
<i>Gross profit (%)</i>	73%	76%	75%	75%
Add: Share-based payment and related expenses	544	76	980	161
Add: Acquisition-related compensation	84	-	247	-
<b>Adjusted Gross Profit</b>	<b>19,302</b>	<b>13,278</b>	<b>66,259</b>	<b>48,616</b>
<i>Adjusted Gross Profit (%)</i>	76%	76%	77%	75%
<b>Product revenue</b>	<b>23,404</b>	<b>16,229</b>	<b>80,228</b>	<b>60,288</b>
<b>Product cost of revenue</b>	<b>4,878</b>	<b>3,236</b>	<b>16,093</b>	<b>12,791</b>
<b>Product gross profit</b>	<b>18,526</b>	<b>12,993</b>	<b>64,135</b>	<b>47,497</b>
<i>Product gross profit (%)</i>	79%	80%	80%	79%
Add: Share-based payment and related expenses	282	21	512	73
Add: Acquisition-related compensation	57	-	94	-
<b>Adjusted Product Gross Profit</b>	<b>18,865</b>	<b>13,014</b>	<b>64,741</b>	<b>47,570</b>
<i>Adjusted Product Gross Profit (%)</i>	81%	80%	81%	79%
<b>Professional services revenue</b>	<b>2,105</b>	<b>1,205</b>	<b>6,260</b>	<b>4,569</b>
<b>Professional services cost of revenue</b>	<b>1,957</b>	<b>996</b>	<b>5,363</b>	<b>3,611</b>
<b>Professional services gross profit</b>	<b>148</b>	<b>209</b>	<b>897</b>	<b>958</b>
<i>Professional services gross profit (%)</i>	7%	17%	14%	21%
Add: Share-based payment and related expenses	262	55	468	88
Add: Acquisition-related compensation	27	-	153	-
<b>Adjusted Professional Services Gross Profit</b>	<b>437</b>	<b>264</b>	<b>1,518</b>	<b>1,046</b>
<i>Adjusted Professional Services Gross Profit (%)</i>	21%	22%	24%	23%

### *Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures*

Adjusted Sales and Marketing Expenses, Adjusted Research and Product Development Expenses, and Adjusted General and Administrative Expenses are respectively defined as sales and marketing expenses, research and product development expenses, and general and administrative expenses excluding share-based payment and related expenses, acquisition-related compensation, transaction-related expenses, charitable contributions, and other one-time or non-cash items. We refer to these measures collectively as our “Adjusted Operating Expense Measures”. Adjusted Sales and Marketing Expenses (%), Adjusted Research and Product Development Expenses (%), and Adjusted General and Administrative Expenses (%) are respectively defined as Adjusted Sales and Marketing Expenses, Adjusted Research and Product Development Expenses, and Adjusted General and Administrative Expenses as a percentage of total revenue. We refer to these measures collectively as our “Adjusted Operating Expense (%) Measures”.

We believe that Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures provide our management and investors with consistency and comparability with our past financial performance and facilitate period-to-period comparisons of our direct costs by excluding the effects of certain variables from periods for reasons unrelated to overall operating performance. We believe they are important supplemental financial measures of our performance,

primarily because they and similar measures are used among others in our industry as a means of evaluating a company's underlying operating performance.

The table below provides a reconciliation of Adjusted Sales and Marketing Expenses to sales and marketing expenses, Adjusted Research and Product Development Expenses to research and product development expenses, and Adjusted General and Administrative Expense to general and administrative expenses:

<i>In thousands of U.S. dollars</i>	Three months ended March 31,		Year ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Sales and marketing expenses</b>	<b>14,121</b>	<b>11,231</b>	<b>47,771</b>	<b>33,606</b>
<i>Sales and marketing expenses (%)</i>	55%	64%	55%	52%
Less: Share-based payment and related expenses	1,746	243	2,899	555
Less: Acquisition-related compensation	51	-	118	-
<b>Adjusted Sales and Marketing Expenses</b>	<b>12,324</b>	<b>10,988</b>	<b>44,754</b>	<b>33,051</b>
<i>Adjusted Sales and Marketing Expenses (%)</i>	48%	63%	52%	51%
<b>Research and product development expenses</b>	<b>10,653</b>	<b>5,624</b>	<b>30,099</b>	<b>16,078</b>
<i>Research and product development expenses (%)</i>	42%	32%	35%	25%
Less: Share-based payment and related expenses	2,692	505	4,229	791
Less: Acquisition-related compensation	99	121	604	483
<b>Adjusted Research and Product Development Expenses</b>	<b>7,862</b>	<b>4,998</b>	<b>25,266</b>	<b>14,804</b>
<i>Adjusted Research and Product Development Expenses (%)</i>	31%	29%	29%	23%
<b>General and administrative expenses</b>	<b>9,820</b>	<b>4,290</b>	<b>36,759</b>	<b>13,369</b>
<i>General and administrative expenses (%)</i>	38%	25%	43%	21%
Less: Share-based payment and related expenses	4,140	899	5,341	1,401
Less: Acquisition-related compensation	9	-	18	-
Less: Transaction-related expenses	140	-	1,979	-
Less: Charitable contributions	64	32	10,544	91
<b>Adjusted General and Administrative Expenses</b>	<b>5,467</b>	<b>3,359</b>	<b>18,877</b>	<b>11,877</b>
<i>Adjusted General and Administrative Expenses (%)</i>	21%	19%	22%	18%

## Key Factors Impacting Our Performance

We believe that our goal of driving long-term sustainable growth and stakeholder value depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of the Company's most recent Annual Information Form available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Growing our SaaS customer base*

A portion of our future revenue growth is reliant upon the effectiveness of our sales and marketing efforts to secure new customers. In order to maximize our ability to secure new customers, our go-to-market strategy is designed to cover the full spectrum of the buyer journey of an enterprise, from developers to chief experience officers. We have initiatives to engage directly with developers through education and training initiatives, community portals, and by making our



platform easy to try and access through free trials, which we aim to ultimately convert into paying subscriptions. We also employ higher touch sales initiatives targeted at more senior employees for enterprises that are further along in their journey toward relevance and may require the most sophisticated platform features we offer, sometimes for multiple use cases. We believe the flexibility of our go-to-market strategy contributes to our ability to attract new customers and generate revenue growth.

### *Driving expansion from our existing SaaS customer base*

Our future growth will also depend on our ability to expand our existing customer relationships. Our solutions are designed to drive return on investment for our customers, and as a result, we typically develop long-term relationships with our customers. We believe that the long-term nature of our customer relationships presents us with opportunities to grow these relationships over time. We employ a “land-and-expand” strategy with the goal of driving customers to expand their usage of our platform. Once we land customers, we aim to upsell additional users and/or queries per month for existing use cases, cross-sell new use cases, upsell more advanced product capabilities, and ultimately grow customers to enterprise-wide subscriptions. A benefit of our solutions is that subsequent use cases are not added as isolated products that require integration, but rather are implemented as an extension of the customer’s existing use of our platform. We also intend to build on our product development capabilities to continue to add new use cases and functionalities to enhance the capabilities of our platform.

### *Growth of our commerce solution*

We have made investments to build a technology that delivers relevance in digital commerce experiences. Launched in the fiscal year ended March 31, 2019, our commerce solutions aim to help drive revenue and profitability growth for both online business-to-business and business-to-consumer entities by improving purchase conversion rates, increasing cart sizes with upsells, and driving higher customer loyalty. During the year ended March 31, 2022, we increased our commerce capabilities and expertise through the acquisition of Qubit as described previously.

### *Maintain and expand existing platform integrations, and develop new ones*

We have demonstrated the ability to develop integrations between our platform and other global technology vendors. Strategic platform integrations are additive to the value proposition of our solutions and promote adoption of our platform. We intend to focus on maintaining and expanding our existing strategic platform integration relationships while also developing new ones.

### *Geographical expansion*

For the three months and year ended March 31, 2022, only 18% and 14% of our revenue, respectively, was generated outside of North America. As such, we believe an opportunity exists for us to expand and deepen our international presence, particularly in the Europe Middle-East Africa (“EMEA”) and Asia Pacific (“APAC”) regions.

### *COVID-19*

Despite the challenges encountered during the pandemic, we continued to expand our relationships with our existing customers and attracted new customers. From the very beginning, we have put the safety of our employees at the center of our response to COVID-19. Our business continuity plan enabled us to complete a full relocation to remote operations with virtually no disruption to our customers within just a few days. This ensured we could continue to provide them with consistent levels of service and response times. As some of the uncertainty related to COVID-19 has decreased, we have instituted a gradual return to the office for our employees. We believe that in-person collaboration among our employees is important and encourage in-person meetings on a periodic basis. However, we will continue to promote a flexible work environment where, regardless of where employees work, they are able to connect and share information and ideas.

There continues to be uncertainty regarding the duration and magnitude of the COVID-19 pandemic and the ability to control resurgences worldwide, making it difficult to assess the future impact on our customer base, the end markets we serve, and the resulting effect on our business and operations, both in the short term and in the long term. Please refer to the section “Risk Factors” of our Annual Information Form, available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com), for additional detail on how the ongoing pandemic may impact our future results.

## *Macroeconomic environment*

The macroeconomic backdrop has recently become more challenging, driven by a combination of increased inflation, rising interest rates, and geopolitical instability from Russia’s invasion of Ukraine. We are subject to inflation risk that could have a material effect on our business, financial condition, or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations. While we do not have any material exposure to Russia or Ukraine, there are other geopolitical and macroeconomic risks that are outside of our control that could impact our business, financial condition, or results of operations. Please refer to the section “Risk Factors” of our Annual Information Form, available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com), for additional detail on how these events may impact our future results.

## Key Components of Results of Operations

### *Revenue*

**SaaS Subscription Revenue.** SaaS Subscription Revenue is primarily comprised of fees for the provisioning of the Coveo Relevance Cloud™ platform and the related customer support and success plans. SaaS subscriptions are sold for a fixed fee and revenue is recognized rateably over the term of the contract as the Company satisfies the performance obligation.

Our contracts (together with related expand transactions) generally have multi-year terms, are typically subject to renewal at the end of the subscription term, and generally do not provide for a right to terminate the subscription for convenience, other than in accordance with applicable laws. As a result, the significant majority of our SaaS Subscription Revenue is generated from subscriptions entered into during previous periods, which results in a significant portion of the SaaS Subscription Revenue that we recognize in each period being attributable to subscriptions entered into during previous periods. The Company generally invoices annually in advance and receives payment from its customers on the invoice due date. To the extent we invoice our customers in advance of revenue recognition, we record deferred revenue.

**Self-managed licenses and maintenance.** Self-managed licenses and maintenance revenue includes revenue from on-premise term licenses, perpetual licenses, and the related maintenance and support fees. Revenue from term and perpetual licenses is recognized at the point in time when the software is made available to the customer. Maintenance revenue primarily consists of fees for maintenance services, including support, upgrades, and enhancements, and is recognized rateably over the contract term. Over time, self-managed licenses and maintenance revenue is expected to decline as more customers convert to SaaS subscriptions and as customers let their maintenance contracts lapse, as we are in the process of stopping the support of our on-premise product offerings. Over the next fiscal year, we anticipate only a minor revenue contribution from this source.

**Professional services.** Professional services revenue is earned for the implementation and configuration of our platform in connection with SaaS subscriptions. These services are typically time-based arrangements, with revenue recognized as these services are performed. In certain circumstances, we enter into arrangements for professional services on a fixed price basis. In these cases, revenue is recognized by reference to the stage of completion of the contract.

## *Cost of revenue*

**Product cost of revenue.** Product cost of revenue includes personnel and overhead costs, including share-based payment and related expenses, associated with our customer support, customer success, and data hosting teams, and the cost of data hosting services.

**Professional services cost of revenue.** Professional services cost of revenue consists of personnel, including share-based payment and related expenses, travel, and other overhead costs related to implementation teams supporting initial deployments, training services, and subsequent stand-alone engagements for additional services.

We intend to continue to invest additional resources in data hosting, customer success, customer support, and professional services as we grow our business to ensure that our customers are realizing the full benefits of our platform. The level and timing of investment in these areas could affect our cost of revenue in the future.

## *Sales and marketing expenses*

Sales and marketing expenses consist primarily of personnel and related costs, including share-based payment and related expenses, for our sales and marketing teams, including salaries and benefits, contract acquisition costs (including commissions earned by sales personnel and fees paid to our partners), support and training related to our partner programs, and marketing expenses focused on business development and sales.

As we grow our revenue, we plan to continue to invest in sales and marketing by expanding our domestic and international headcount, building brand awareness via marketing programs and outbound lead generation, and developing and expanding relationships with our implementation partners.

## *Research and product development (“R&D”) expenses*

R&D expenses consist primarily of personnel and related costs, including share-based payment and related expenses, for the teams responsible for the ongoing research, development, and product management of our solutions. These expenses are recorded net of any applicable scientific research and experimental development tax credits earned for expenses incurred in Canada against eligible projects and tax credits for the development of e-business in Québec (“tax credits”), as well as a contribution from the Industrial Research Assistance Program (“IRAP”) of the National Research Council of Canada (“government assistance”).

We expect that our spending on R&D will increase in absolute dollars as we expand our R&D and product management teams to continue to add new features and capabilities to our platform.

## *General and administrative expenses*

General and administrative expenses consist of employee expenses, including share-based payment and related expenses, associated with administrative functions of the business, including finance, accounting, legal, administrative, human resources, procurement, information systems, and information technology, as well as professional fees and other corporate expenses such as insurance, investor relations, and other compliance costs applicable to companies listed on a securities exchange. We expect that general and administrative expenses will increase in absolute dollars in the future as we invest in our infrastructure and incur additional employee-related costs and professional fees related to the growth of our business, including our international expansion.

# Results of Operations

The following table sets forth our results of operations:

<i>In thousands of U.S. dollars, except per share data</i>	Three months ended March 31,		Year ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Revenue</b>				
SaaS subscription	23,071	15,217	77,853	55,274
Self-managed licenses and maintenance	333	1,012	2,375	5,014
<b>Product revenue</b>	<b>23,404</b>	<b>16,229</b>	<b>80,228</b>	<b>60,288</b>
Professional services	2,105	1,205	6,260	4,569
<b>Total revenue</b>	<b>25,509</b>	<b>17,434</b>	<b>86,488</b>	<b>64,857</b>
<b>Cost of revenue</b>				
Product	4,878	3,236	16,093	12,791
Professional services	1,957	996	5,363	3,611
<b>Total cost of revenue</b>	<b>6,835</b>	<b>4,232</b>	<b>21,456</b>	<b>16,402</b>
<b>Gross profit</b>	<b>18,674</b>	<b>13,202</b>	<b>65,032</b>	<b>48,455</b>
<b>Operating expenses</b>				
Sales and marketing	14,121	11,231	47,771	33,606
Research and product development	10,653	5,624	30,099	16,078
General and administrative	9,820	4,290	36,759	13,369
Depreciation of property and equipment	692	605	2,677	2,008
Amortization of intangible assets	2,369	21	3,467	203
Depreciation of right-of-use assets	379	416	1,517	1,577
<b>Total operating expenses</b>	<b>38,034</b>	<b>22,187</b>	<b>122,290</b>	<b>66,841</b>
<b>Operating loss</b>	<b>(19,360)</b>	<b>(8,985)</b>	<b>(57,258)</b>	<b>(18,386)</b>
Change in redeemable preferred shares conversion rights component fair value	-	300,357	(299,428)	451,914
Net financial expenses	(59)	4,515	12,501	16,403
Foreign exchange loss	81	623	362	2,155
<b>Income (loss) before income tax expense (recovery)</b>	<b>(19,382)</b>	<b>(314,480)</b>	<b>229,307</b>	<b>(488,858)</b>
Income tax expense (recovery)	3	70,451	(188,969)	111,167
<b>Net income (loss)</b>	<b>(19,385)</b>	<b>(384,931)</b>	<b>418,276</b>	<b>(600,025)</b>
<b>Net income (loss) per share</b>				
Basic	(0.19)	(20.66)	8.23	(32.64)
Diluted	(0.19)	(20.66)	(0.59)	(32.64)

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

<i>In thousands of U.S. dollars</i>	Three months ended March 31,		Year ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Share-based payment and related expenses</b>				
Product cost of revenue	282	21	512	73
Professional services cost of revenue	262	55	468	88
Sales and marketing	1,746	243	2,899	555
Research and product development	2,692	505	4,229	791
General and administrative	4,140	899	5,341	1,401
<b>Total share-based payment and related expenses</b>	<b>9,122</b>	<b>1,723</b>	<b>13,449</b>	<b>2,908</b>

## Results of Operations for the Three Months and Year Ended March 31, 2022 and March 31, 2021

### Total revenue

<i>In thousands of U.S. dollars</i>	Three months ended March 31,				Year ended March 31,			
	2022	2021	Change		2022	2021	Change	
	\$	\$	\$	%	\$	\$	\$	%
<b>Revenue</b>								
SaaS subscription	23,071	15,217	7,854	52%	77,853	55,274	22,579	41%
Self-managed licenses and maintenance	333	1,012	(679)	(67%)	2,375	5,014	(2,639)	(53%)
<b>Product revenue</b>	<b>23,404</b>	<b>16,229</b>	<b>7,175</b>	<b>44%</b>	<b>80,228</b>	<b>60,288</b>	<b>19,940</b>	<b>33%</b>
Professional services	2,105	1,205	900	75%	6,260	4,569	1,691	37%
<b>Total revenue</b>	<b>25,509</b>	<b>17,434</b>	<b>8,075</b>	<b>46%</b>	<b>86,488</b>	<b>64,857</b>	<b>21,631</b>	<b>33%</b>
<b>Percentage of total revenue:</b>								
SaaS subscription	91%	87%			90%	85%		
Self-managed licenses and maintenance	1%	6%			3%	8%		
<b>Product revenue</b>	<b>92%</b>	<b>93%</b>			<b>93%</b>	<b>93%</b>		
Professional services	8%	7%			7%	7%		
<b>Total revenue</b>	<b>100%</b>	<b>100%</b>			<b>100%</b>	<b>100%</b>		

### Product revenue

SaaS Subscription Revenue for the three months ended March 31, 2022 increased by \$7.9 million or 52% compared to the three months ended March 31, 2021, and by \$22.6 million or 41% for the year ended March 31, 2022 compared to the year ended March 31, 2021. We believe that an increased demand for relevance-based solutions, continued adoption of our commerce solutions, and strong sales and marketing execution led to increases in the revenue contribution from new customers and expansion transactions with our existing base of customers. Moreover, revenue from Qubit was included in our results of operations following its acquisition on October 14, 2021.

We also converted some customers from self-managed licenses and maintenance to SaaS subscriptions. As a result, self-managed licenses and maintenance revenue decreased. Additionally, as we announced the decision to no longer support

our on-premise product offerings, some customers did not renew their self-managed licenses and maintenance as they chose not to migrate to our cloud solutions.

### Professional services

Professional services revenue for the three months ended March 31, 2022 was \$2.1 million, an increase of \$0.9 million or 75% compared to the three months ended March 31, 2021. Professional services revenue for the year ended March 31, 2022 was \$6.3 million, an increase of \$1.7 million or 37% compared to the year ended March 31, 2021. Professional services revenue was 8% of total revenue for the three months ended March 31, 2022, and 7% of total revenue for each of the three months ended March 31, 2021 and the years ended March 31, 2022 and March 31, 2021. These increases in professional services revenue were driven by increases in billable hours and hourly rates by our professional services organization, as well as the acquisition of Qubit in October 2021.

### Cost of revenue

In thousands of U.S. dollars	Three months ended March 31,				Year ended March 31,			
	2022	2021	Change		2022	2021	Change	
	\$	\$	\$	%	\$	\$	\$	%
<b>Cost of revenue</b>								
Product	4,878	3,236	1,642	51%	16,093	12,791	3,302	26%
Professional services	1,957	996	961	96%	5,363	3,611	1,752	49%
<b>Total cost of revenue</b>	<b>6,835</b>	<b>4,232</b>	<b>2,603</b>	<b>62%</b>	<b>21,456</b>	<b>16,402</b>	<b>5,054</b>	<b>31%</b>
<b>Gross profit (%)</b>								
Product	79%	80%			80%	79%		
Professional services	7%	17%			14%	21%		
<b>Gross profit</b>	<b>73%</b>	<b>76%</b>			<b>75%</b>	<b>75%</b>		

### Product

Product cost of revenue for the three months and year ended March 31, 2022 increased by \$1.6 million or 51% and by \$3.3 million or 26% compared to the three months and year ended March 31, 2021. Our product cost of revenue increased due to additional costs associated with our product revenue growth, including labor costs as well as hosting services, offset by the impact of our efforts to reduce our hosting services costs. We also incurred additional costs as a result of Qubit following its acquisition in October 2021, as well as related to share-based payment and related expenses made during the year ended March 31, 2022. Our product gross profit percentage for the three months ended March 31, 2022 was 79%, a decrease of 1% compared to the three months ended March 31, 2021. For the year ended March 31, 2022, our product gross profit percentage was 80%, an increase of 1% compared to the year ended March 31, 2021.

Our Adjusted Product Gross Profit (%)<sup>1</sup> for the three months and year ended March 31, 2022 was 81%, an increase of 1% and 2% compared to the three months and year ended March 31, 2021, respectively.

<sup>1</sup> This is a non-IFRS ratio. Please refer to the "Non-IFRS Financial Measures and Ratios and Reconciliation of Non-IFRS Financial Measures and Ratios" section of this MD&A.

## Professional services

For the three months ended March 31, 2022, professional services cost of revenue, which is mainly comprised of labor costs, increased by \$1.0 million or 96% compared to the three months ended March 31, 2021. This was primarily driven by the impact of the business combination with Qubit and additional costs related to share-based payment and related expenses. Our professional services gross profit percentage for the three months ended March 31, 2022 was 7%, a decrease of 10% compared to the three months ended March 31, 2021. For the year ended March 31, 2022, professional services cost of revenue increased by \$1.8 million or 49% compared to the year ended March 31, 2021. In addition, our professional services gross profit percentage for the year ended March 31, 2022 was 14%, a decrease of 7% compared to the year ended March 31, 2021. The decrease in gross profit percentage was mainly driven by the lower professional services gross profit percentages of Qubit and higher share-based payment and related expenses. We expect to improve our professional services gross profit percentage as we further complete the integration of Qubit.

Our Adjusted Professional Services Gross Profit (%)<sup>2</sup> for the three months and year ended March 31, 2022 was 21% and 24%, respectively, compared to 22% and 23% for the three months and year ended March 31, 2021, respectively.

## Operating expenses

### Sales and marketing expenses

In thousands of U.S. dollars	Three months ended March 31,				Year ended March 31,			
	2022	2021	Change		2022	2021	Change	
	\$	\$	\$	%	\$	\$	\$	%
Sales and marketing	14,121	11,231	2,890	26%	47,771	33,606	14,165	42%
Percentage of total revenue	55%	64%			55%	52%		

For the three months ended March 31, 2022, sales and marketing expenses increased by \$2.9 million or 26% compared to the three months ended March 31, 2021, while as a percentage of total revenue, sales and marketing expenses decreased by 9%.

The decrease as a percentage of total revenue between the three months ended March 31, 2022 and March 31, 2021 was mainly driven by the rebranding of the Company and various virtual events, including Relevance 360, for which expenses were incurred during the three months ended March 31, 2021. Those expenses did not recur during the three months ended March 31, 2022, as Relevance 360 occurred in May 2022 and the rebranding was completed. Conversely, additional share-based payment and related expenses were incurred for the three months ended March 31, 2022 compared to the same period ended March 31, 2021.

For the year ended March 31, 2022, sales and marketing expenses increased by \$14.2 million or 42% compared to the year ended March 31, 2021, while as a percentage of total revenue, sales and marketing expenses increased by 3% over the same period.

Following the beginning of the pandemic, we made investments in digital marketing programs, topgrading our marketing organization by adding new leaders, and hiring additional employees in both sales and marketing to support our growth plan, including from the acquisition of Qubit. We have gradually reinstated in-person events following the relaxing of COVID-19 related health measures. We also continued to invest in initiatives to engage directly with developers and improve our online community portals. All of these investments, including the acquisition of Qubit, combined with the

<sup>2</sup> This is a non-IFRS ratio. Please refer to the "Non-IFRS Financial Measures and Ratios and Reconciliation of Non-IFRS Financial Measures and Ratios" section of this MD&A.

lower temporary marketing spend resulting from COVID-19 for the year ended March 31, 2021, contributed to the period-over-period increases.

For the three months ended March 31, 2022 and March 31, 2021, our Sales and Marketing Expenses as a percentage of total revenue were 55% and 64%, respectively. For the years ended March 31, 2022 and March 31, 2021, our Sales and Marketing Expenses as a percentage of total revenue were 55% and 52%, respectively.

For the three months ended March 31, 2022 and March 31, 2021, our Adjusted Sales and Marketing Expenses (%)<sup>3</sup> was 48% and 63%, respectively. For the years ended March 31, 2022 and March 31, 2021, our Adjusted Sales and Marketing Expenses (%)<sup>4</sup> was 52% and 51%, respectively.

### Research and product development expenses

In thousands of U.S. dollars	Three months ended March 31,				Year ended March 31,			
	2022	2021	Change		2022	2021	Change	
	\$	\$	\$	%	\$	\$	\$	%
Research and product development	10,653	5,624	5,029	89%	30,099	16,078	14,021	87%
Percentage of total revenue	42%	32%			35%	25%		

R&D expenses increased by \$5.0 million or 89% and by \$14.0 million or 87% for the three months and year ended March 31, 2022, respectively, as compared to the three months and year ended March 31, 2021. As part of our capital allocation strategy, investment in R&D is essential to drive continuous innovation in our platform's features and capabilities, including for our commerce solutions. The increases were a result of an increase in share-based payment and related expenses as well as additional headcount, including employees added through the Qubit acquisition. Also, for the quarter ended March 31, 2022, we did not receive additional contributions from IRAP, since we completed the project in July 2021, and we were not eligible to receive certain reimbursable tax credits due to our becoming a publicly-listed company. Tax credit and government assistance decreased by \$0.7 million and \$4.0 million for the three months and year ended March 31, 2022, respectively, compared to three months and year ended March 31, 2021.

For the three months ended March 31, 2022 and March 31, 2021, our Research and Product Development Expenses as a percentage of total revenue were 42% and 32%, respectively. For the years ended March 31, 2022 and March 31, 2021, our Research and Product Development Expenses as a percentage of total revenue were 35% and 25%, respectively.

For the three months ended March 31, 2022 and March 31, 2021, our Adjusted Research and Product Development Expenses (%)<sup>4</sup> was 31% and 29%, respectively. For the years ended March 31, 2022 and March 31, 2021, our Adjusted Research and Product Development Expenses (%)<sup>4</sup> was 29% and 23%, respectively.

<sup>3</sup> This is a non-IFRS ratios. Please refer to the "Non-IFRS Financial Measures and Ratios and Reconciliation of Non-IFRS Financial Measures and Ratios" section of this MD&A.



## General and administrative expenses

In thousands of U.S. dollars	Three months ended March 31,				Year ended March 31,			
	2022	2021	Change		2022	2021	Change	
	\$	\$	\$	%	\$	\$	\$	%
General and administrative	9,820	4,290	5,530	129%	36,759	13,369	23,390	175%
Percentage of total revenue	38%	25%			43%	21%		

For the three months and year ended March 31, 2022, general and administrative expenses were \$9.8 million and \$36.8 million respectively, an increase of \$5.5 million or 129% compared to the three months ended March 31, 2021 and \$23.4 million or 175% compared to the year ended March 31, 2021. The increases were a result of additional share-based payment and related expenses as well as increased headcount, including from the acquisition of Qubit. For the year ended March 31, 2022, the increase was largely driven by our 1% equity pledge, which represented a one-time expense of \$10.4 million. Additionally, we incurred transaction related expenses from the Qubit acquisition and our IPO for an amount totalling \$2.0 million for the year ended March 31, 2022. Furthermore, we incurred additional expenses related to operating as a public company and investments in our internal IT systems.

As a percentage of total revenue, our general and administrative expenses were 38% and 25% for the three months ended March 31, 2022 and March 31, 2021, respectively and 43% and 21% for the years ended March 31, 2022 and March 31, 2021, respectively.

Our Adjusted General and Administrative Expenses (%)<sup>4</sup> was 21% and 19% for the three months ended March 31, 2022 and March 31, 2021, respectively, and 22% and 18% for the years ended March 31, 2022 and March 31, 2021, respectively.

## Other operating expenses

In thousands of U.S. dollars	Three months ended March 31,				Year ended March 31,			
	2021	2020	Change		2021	2020	Change	
	\$	\$	\$	%	\$	\$	\$	%
Depreciation of property and equipment	692	605	87	14%	2,677	2,008	669	33%
Amortization of intangible assets	2,369	21	2,348	11,181%	3,467	203	3,264	1,608%
Depreciation of right-of-use assets	379	416	(37)	(9%)	1,517	1,577	(60)	(4%)
	<b>3,440</b>	<b>1,042</b>	<b>2,398</b>	<b>230%</b>	<b>7,661</b>	<b>3,788</b>	<b>3,873</b>	<b>102%</b>

Depreciation of property and equipment for the three months and year ended March 31, 2022 increased by \$0.1 million or 14% and by \$0.7 million or 33%, respectively, as compared to the three months and year ended March 31, 2021 as a result of investments in leasehold improvements and equipment.

Amortization of intangible assets for the three months and year ended March 31, 2022 was \$2.4 million and \$3.5 million, respectively, compared to less than \$0.1 million and \$0.2 million for the three months and year ended March 31, 2021. The increase was mainly driven by the amortization of intangible assets acquired through the acquisition of Qubit.

<sup>4</sup> This is a non-IFRS ratio. Please refer to the "Non-IFRS Financial Measures and Ratios and Reconciliation of Non-IFRS Financial Measures and Ratios" section of this MD&A.

Depreciation of right-of-use assets for the three months ended March 31, 2022 was in line with the three months ended March 31, 2021 at \$0.4 million. For the year ended March 31, 2022, depreciation of right-of-use assets was \$1.5 million, compared to \$1.6 million for the year ended March 31, 2021.

## Other expenses

In thousands of U.S. dollars	Three months ended March 31,				Year ended March 31,			
	2022	2021	Change		2022	2021	Change	
	\$	\$	\$	%	\$	\$	\$	%
Change in redeemable preferred shares conversion rights component fair value	-	300,357	(300,357)	(100%)	(299,428)	451,914	(751,342)	(166%)
Net financial expenses (revenue)	(59)	4,515	(4,574)	(101%)	12,501	16,403	(3,902)	(24%)
Foreign exchange loss	81	623	(542)	(87%)	362	2,155	(1,793)	(83%)
Income tax expense (recovery)	3	70,451	(70,448)	(100%)	(188,969)	111,167	(300,136)	(270%)

Change in redeemable preferred shares conversion rights component fair value had no impact for the three months ended March 31, 2022 (loss of \$300.4 million for the three months ended March 31, 2021) and generated a gain of \$299.4 million for the year ended March 31, 2022 (loss of \$451.9 million for the year ended March 31, 2021). These variances were driven by changes in the conversion rights component fair value of our Series B, C, D, E, and F redeemable preferred shares. As the redeemable preferred shares were converted into multiple voting shares in connection with a reorganization completed immediately prior to the closing of the IPO, we do not expect any future impact from this item.

For the three months ended March 31, 2022, net financial expenses decreased by \$4.6 million compared to the three months ended March 31, 2021. For the year ended March 31, 2022, net financial expenses decreased by \$3.9 million or 24% compared to the year ended March 31, 2021. These variances were mainly driven by the decrease in interest accretion as the preferred shares were converted into multiple voting shares in connection with a reorganization completed immediately prior to the closing of the IPO and additional interest revenue generated from the proceeds of the IPO.

Foreign exchange gain or loss results from transactions denominated in currencies other than the functional currencies and translated into the relevant functional currency. The loss in foreign exchange of less than \$0.1 million for the three months ended March 31, 2022 and \$0.6 million for the three months ended March 31, 2021, as well as the loss in foreign exchange of \$0.4 million for the year ended March 31, 2022 and \$2.2 million for the year ended March 31, 2022, were mainly driven by the operations denominated in U.S. dollars of Coveo Solutions Inc., which uses the Canadian dollar as its functional currency.

The \$189.0 million income tax recovery for the year ended March 31, 2022, as well as the \$70.5 million and \$111.2 million income tax expense for the three months and year ended March 31, 2021, respectively, were mainly driven by deferred taxes related to the redeemable preferred shares conversion rights and debt components that were reversed following the conversion of the preferred shares. As a result, we do not expect any future impact from this item.

## Selected Annual Information

<i>In thousands of U.S. dollars</i>	As of and for the year ended March 31,		
	2022	2021	2020
	\$	\$	\$
Total revenue	86,488	64,857	55,476
Net income (loss)	418,276	(600,025)	(61,810)
Cash and cash equivalents and short-term investments	223,072	131,871	115,790
Total current assets	264,852	158,069	147,658
Total assets	345,500	194,041	175,337
Deferred revenue (current and non-current)	50,392	37,824	32,215
Redeemable preferred shares (debt and conversion rights components)	-	938,354	408,049
Total liabilities	90,064	1,193,120	521,102
Total shareholders' equity (deficiency)	255,436	(999,079)	(345,765)
Net income (loss) per share – basic	8.23	(32.64)	(3.52)
Net loss per share – diluted	(0.59)	(32.64)	(3.52)

See “Results of Operations” in this MD&A for a more detailed discussion of the year-over-year changes in total revenue and net income (loss).

### *Cash and cash equivalents and short-term investments*

As of March 31, 2022, cash and cash equivalents and short-term investments increased by \$91.2 million or 69% compared to March 31, 2021. This increase was primarily driven by the net proceeds from our IPO, including the exercise of the over-allotment option and the completion of the concurrent private placement. The increase was partially offset by cash used for the acquisition of Qubit and in operating activities.

Cash and cash equivalents and short-term investments increased by \$16.1 million or 14% from March 31, 2020 to March 31, 2021. This increase was primarily driven by cash flows from operations, proceeds from the exercise of stock options, and the effect of foreign exchange rates, partially offset by investments in property and equipment and intangible assets.

### *Total assets*

As of March 31, 2022, total assets were \$345.5 million, an increase of \$151.5 million or 78%, mainly driven by an increase in cash and cash equivalents and short-term investments of \$91.2 million, intangible assets and goodwill added through the acquisition of Qubit, and by an increase in government assistance and refundable tax credits receivable. The amount of \$10.4 million as of March 31, 2022 included tax credits receivable from the year ended March 31, 2021. These refundable credits were collected shortly after the year ended March 31, 2022, and the amount collected was in line with the amount claimed. Trade and other receivables also increased as a result of our revenue growth and the acquisition of Qubit.

As of March 31, 2021, total assets were \$194.0 million, an increase of \$18.7 million or 11% from March 31, 2020, mainly driven by an increase in cash and short-term investments of \$16.1 million, investments in property and equipment and intangible assets, and the recognition of deferred income tax assets of \$5.7 million. This increase was partially offset by a decrease in trade and other receivables following improvements in our collection times for outstanding receivables.

## *Deferred revenue (current and non-current)*

Deferred revenue increased by \$12.6 million from March 31, 2021 to March 31, 2022. As of March 31, 2021, deferred revenue was \$37.8 million, an increase of \$5.6 million compared to March 31, 2020. These increases were driven by the growth of our SaaS Subscription Revenue as we focused on sales of SaaS subscriptions to both new and existing customers.

## *Redeemable preferred shares*

The redeemable preferred shares liability was reduced to \$Nil following completion of a reorganization of the capital whereby all of the Company's issued and outstanding classes of redeemable preferred shares were converted into multiple voting shares on a one-for-one basis, and the Company's articles were then amended to repeal and remove all existing preferred shares from the authorized share capital of the Company.

As of March 31, 2021, redeemable preferred shares were \$938.4 million, an increase of \$530.3 million or 130% compared to March 31, 2020 due to the change in redeemable preferred shares conversion rights component and the interest accretion of the debt component.

## *Total liabilities*

Total liabilities decreased by \$1.1 million from March 31, 2021 to March 31, 2022. This decrease was mainly driven by the redeemable preferred shares and related deferred tax liabilities, which were reduced to \$Nil upon conversion of the redeemable preferred shares into multiple voting shares as describe above.

Total liabilities increased by \$672.0 million during the fiscal year ended March 31, 2021 compared to March 31, 2020. This increase was driven by the redeemable preferred shares and related deferred tax liabilities, which increased by \$530.3 million and \$126.9 million over the same period, respectively.

## Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters immediately preceding and including the quarter ended March 31, 2022. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements and the unaudited condensed interim financial statements. This data should be read in conjunction with our audited consolidated financial statements, and the unaudited condensed interim financial statements, and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full-year or any future period.

<i>In thousands of U.S. dollars, except per share data</i>	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
SaaS subscription	23,071	21,153	17,313	16,316	15,217	14,120	13,234	12,703
Self-managed licenses and maintenance	333	487	841	714	1,012	1,405	1,303	1,294
<b>Product revenue</b>	<b>23,404</b>	<b>21,640</b>	<b>18,154</b>	<b>17,030</b>	<b>16,229</b>	<b>15,525</b>	<b>14,537</b>	<b>13,997</b>
Professional services	2,105	1,603	1,358	1,194	1,205	1,237	1,087	1,040
<b>Total revenue</b>	<b>25,509</b>	<b>23,243</b>	<b>19,512</b>	<b>18,224</b>	<b>17,434</b>	<b>16,762</b>	<b>15,624</b>	<b>15,037</b>
<b>Cost of revenue</b>								
Product	4,878	4,476	3,341	3,398	3,236	3,585	3,093	2,877
Professional services	1,957	1,566	882	958	996	865	877	873
<b>Total cost of revenue</b>	<b>6,835</b>	<b>6,042</b>	<b>4,223</b>	<b>4,356</b>	<b>4,232</b>	<b>4,450</b>	<b>3,970</b>	<b>3,750</b>
<b>Gross profit</b>	<b>18,674</b>	<b>17,201</b>	<b>15,289</b>	<b>13,868</b>	<b>13,202</b>	<b>12,312</b>	<b>11,654</b>	<b>11,287</b>
<b>Operating expenses</b>								
Sales and marketing	14,121	12,182	10,595	10,873	11,231	8,514	6,984	6,877
Research and product development	10,653	9,076	5,528	4,842	5,624	3,766	3,485	3,203
General and administrative	9,820	17,277	5,516	4,146	4,290	3,560	2,799	2,720
Depreciation of property and equipment	692	684	652	649	605	491	479	433
Amortization of intangible assets	2,369	1,042	30	26	21	62	61	59
Depreciation of right-of-use assets	379	377	378	383	416	402	388	371
<b>Total operating expenses</b>	<b>38,034</b>	<b>40,638</b>	<b>22,699</b>	<b>20,919</b>	<b>22,187</b>	<b>16,795</b>	<b>14,196</b>	<b>13,663</b>
<b>Operating loss</b>	<b>(19,360)</b>	<b>(23,437)</b>	<b>(7,410)</b>	<b>(7,051)</b>	<b>(8,985)</b>	<b>(4,483)</b>	<b>(2,542)</b>	<b>(2,376)</b>
Change in redeemable preferred shares conversion rights component fair value	-	(269,200)	39,248	(69,476)	300,357	72,749	53,359	25,449
Net financial expenses	(59)	2,930	4,826	4,804	4,515	4,262	4,087	3,539
Foreign exchange loss (gain)	81	628	(780)	433	623	997	226	309
<b>Income (loss) before income tax expense (recovery)</b>	<b>(19,382)</b>	<b>242,205</b>	<b>(50,704)</b>	<b>57,188</b>	<b>(314,480)</b>	<b>(82,491)</b>	<b>(60,214)</b>	<b>(31,673)</b>
Income tax expense (recovery)	3	(184,108)	11,184	(16,048)	70,451	19,163	14,304	7,249
<b>Net income (loss)</b>	<b>(19,385)</b>	<b>426,313</b>	<b>(61,888)</b>	<b>73,236</b>	<b>(384,931)</b>	<b>(101,654)</b>	<b>(74,518)</b>	<b>(38,922)</b>
<b>Net income (loss) per share</b>								
Basic	(0.19)	7.65	(2.76)	3.27	(20.66)	(5.55)	(4.06)	(2.13)
Diluted	(0.19)	(0.24)	(2.76)	(0.08)	(20.66)	(5.55)	(4.06)	(2.13)

## Revenue

Our revenue has increased in each of the last eight quarters, primarily driven by the increase in our SaaS Subscription Revenue, partially offset by declines in our self-managed licenses and maintenance revenue. The increase in SaaS Subscription Revenue was driven by the addition of new customers, as well as increased usage of our platform by existing customers as a result of our continued efforts to cross-sell and upsell our solutions within our existing customer base, including from the acquisition of Qubit for the three months ended December 31, 2021 and March 31, 2022. The decrease in self-managed licenses and maintenance revenue was caused by our continued efforts to convert these customers to our cloud platform, as well as the deliberate decision to stop supporting our on-premise products over time. We expect self-managed licenses and maintenance revenue to continue to decrease in the future as we continue to focus on the growth of our Coveo Relevance Cloud™ platform and related SaaS subscriptions.

Professional services revenue has generally grown in-line with SaaS Subscription Revenue and remained mainly flat as a percentage of total revenue over the last eight quarters. This was primarily driven by growth in our business, which resulted in professional services work related to implementations of our platform and ongoing support of our customers. There were also meaningful increases in professional services revenue for the three months ended December 31, 2021 and March 31, 2022 as a result of the acquisition of Qubit, which was completed in October 2021.

## Cost of revenue

Total cost of revenue increased sequentially quarter-over-quarter other than for the quarters ended March 31, 2021 and September 30, 2021. During the quarter ended March 31, 2021, an internal reorganization led to a modest number of employees being reallocated to other departments resulting in a slight decrease in product cost of revenue for the quarter. For the quarter ended September 30, 2021, the slight decrease was due to accrued vacations taken during the summer period. The quarterly increases were mainly due to increased costs from supporting a greater number of customers and headcount additions to our customer success and customer support teams, including from the acquisition of Qubit for the quarters ended December 31, 2021 and March 31, 2022. Additionally, we expanded our cloud infrastructure in EMEA and APAC during the year ended March 31, 2021, which resulted in increased data hosting costs.

## Gross profit

Our total quarterly gross profit increased sequentially for all periods presented, primarily due to increased SaaS Subscription Revenue from new and existing customers.

## Operating expenses

Total operating expenses generally increased sequentially for each period presented except for the quarters ended June 30, 2021 and March 31, 2022. The aggregate increase was mainly driven by additional headcount required to support our expanding base of customers and product innovation. Since the quarter ended December 31, 2021, total operating expenses also include the Qubit acquisition and additional share-based payment and related expenses.

During the pandemic, sales and marketing expenses decreased due to the cancellation of all in-person marketing events and travel restrictions resulting from the impact of COVID-19. To adapt to this unprecedented event, we adopted a fully digital marketing strategy and continued our investment over the subsequent quarters of the year ended March 31, 2021, with the highest level of spend in the fourth quarter. During this quarter, we also completed a rebranding of the Company and held various digital marketing events, including Relevance 360. Expenses related to this rebranding did not recur in the following quarters and were the main driver of the decrease of sales and marketing expenses. The increase for the quarter ended March 31, 2022 was impacted by a progressive return of in-person events while maintaining a digital marketing approach concurrently.

In addition, the timing of the IRAP contribution has driven some quarterly fluctuations in our R&D expenses, including the increases in the quarters ended March 31, 2021 and December 31, 2021 compared to the previous quarters. Contributions correlated to expenses permitted by the program, with annual maximum amounts of \$3.0 million for the

year ended March 31, 2021 and \$1.7 million for the year ended March 31, 2022. In the year ended March 31, 2021, the annual maximum was reached in December 2020, and as a result no additional IRAP contribution was recorded in the quarter ended March 31, 2021. The contributions from IRAP restarted in the quarter ended June 30, 2021 and the project was completed in July 2021, with the contribution fully received during the quarter ended September 30, 2021.

General and administrative expenses were significantly higher in the quarter ended December 31, 2021 due to the one-time 1% equity pledge donation of \$10.4 million and transaction expenses related to the IPO and the acquisition of Qubit. Expenses related to this pledge did not recur in the quarter ended March 31, 2022 and were the main driver of the decrease of general and administrative expenses compared to the prior quarter, partially offset by additional share-based payment and related expenses.

Historically, we have experienced a reduction in operating expenses each year in the quarter ended September 30 due to accrued vacations taken during the summer period, which reduces our labor costs compared to other quarters. In the quarter ended September 30, 2021, this reduction was offset by transaction expenses related to the acquisition of Qubit.

## Liquidity and Capital Resources

### Overview

The general objectives of our capital management strategy are to support our continued organic growth while preserving our capacity to continue our operations, to provide benefits to our stakeholders, and to provide an adequate return on investment to our shareholders through selling our services at prices commensurate with the level of operating risk assumed by us.

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

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

- Amend and redesignate common shares as multiple voting shares;
- Create a new class of an unlimited number of subordinate voting shares;
- Create a new class of an unlimited number of preferred shares, issuable in series;
- Convert all existing preferred shares into multiple voting shares on a one-for-one basis; and
- Repeal and delete all existing preferred shares from the authorized share capital of the Company upon completion of the IPO.

In addition, effective November 24, 2021, immediately prior to the completion of the Company's IPO, the Company made a donation to charities by issuing 857,122 multiple voting shares, at a value of CA\$15 per share.

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 \$169.2 million. Share issuance costs amounted to \$14.8 million, resulting in net cash proceeds of \$154.4 million.

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 \$1.5 million.

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 \$25.2 million. Share issuance costs amounted to \$1.5 million, resulting in net cash proceeds of \$23.7 million.

## Cash flows

The following table presents cash, short-term investments, and cash flows from operating, investing, and financing activities:

<i>In thousands of U.S. dollars</i>	Three months ended March 31,		Year ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash and cash equivalents – end of period	223,072	55,399	223,072	55,399
Short term investments – end of period	-	76,472	-	76,472
Net cash flows generated from (used in)				
Operating activities	(11,856)	407	(35,424)	5,778
Investing activities	808	7,003	36,618	30,714
Financing activities	(1,937)	2,496	163,402	2,182
Effect of foreign exchange rate changes on cash and cash equivalents	2,374	(43)	3,077	634
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(10,611)</b>	<b>9,863</b>	<b>167,673</b>	<b>39,308</b>

### Operating activities

For the three months ended March 31, 2022, cash used in operating activities was \$11.9 million compared to \$0.4 million generated for the three months ended March 31, 2021.

For the year ended March 31, 2022, cash used in operating activities was \$35.4 million compared to \$5.8 million generated for the year ended March 31, 2021.

The variance for the three months and year ended March 31, 2022 is mainly caused by an increase in net loss excluding items not affecting cash and the change in non-cash working capital items, including an increase in accounts receivable driven by our growth in revenue and increase in government assistance as described above.

### Investing activities

For the three months ended March 31, 2022, cash generated from investing activities was \$0.8 million compared to \$7.0 million for the three months ended March 31, 2021. This decrease was mainly driven by a reduction of proceeds from the disposal of short term investments.

For the year ended March 31, 2022, cash generated in investing activities was \$36.6 million compared to \$30.7 million for the year ended March 31, 2021. The increase for the year ended March 31, 2022 compared to the year ended March 31, 2021 was mainly driven by an increase in proceeds from the disposal of short-term investments partially offset by cash used for the acquisition of Qubit.

### Financing activities

Financing activities used \$1.9 million during the three months ended March 31, 2022, which was primarily attributable to share capital issuance costs. During the year ended March 31, 2022, financial activities generated \$163.4 million, mainly driven by the completion of the IPO, including the exercise of the over-allotment option and the private placement completed concurrently.



## Credit facility

We have a \$50.0 million revolving credit facility bearing interest at a variable rate of interest, per annum, announced by Comerica Bank from time to time as its “prime rate” either for advances denominated in Canadian dollars or in U.S. dollars, as applicable (provided that, as per the second amendment entered into on May 25, 2021, for advances denominated in Canadian dollars, such “prime rate” shall in no event be less than one percent per annum). As of the date hereof, no amounts have been drawn under this credit facility.

## Working capital

Our approach to managing liquidity is to ensure, to the extent possible, that we have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a regular basis. In addition to cash and short-term investments, we have a \$50.0 million revolving credit facility available that can be drawn to meet ongoing working capital requirements. Our principal cash requirements are for investments in our customer acquisition costs, product and technology, working capital, and selected acquisitions we may execute. As of March 31, 2022 our current assets were \$264.9 million, including cash and cash equivalents of \$223.0 million, as compared to current liabilities of \$74.6 million. Given our existing cash and cash equivalents and unused credit facilities, we believe we have sufficient liquidity to meet our current and short-term financial obligations. This assessment is a forward-looking statement and involves risks and uncertainties. Our future capital requirements will depend on many factors, including our revenue growth rate, new customer acquisition, expansion, and subscription renewal activity, timing of billing and collecting activities, the timing and extent of spending to support further sales and marketing and research and development efforts, general and administrative expenses to support our growth, including international expansion, the ongoing impact of the COVID-19 pandemic, and the macroeconomic environment. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies. We may be required to seek additional equity or debt financing to fund these activities. If we are unable to raise additional capital when desired, or on acceptable terms, our business, results of operations, and financial condition could be materially adversely affected. Please refer to a summary of our contractual obligations as documented further below in this MD&A.

## Contractual Obligations and Financial Instruments

### Contractual obligations

The Company has the following contractual obligations as of March 31, 2022:

<i>In thousands of U.S. dollars</i>	Contractual undiscounted cash flows due by period			
	Less than a year	1 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	22,817	-	-	22,817
Lease obligations	2,564	8,734	4,278	15,576
<b>Total contractual obligations</b>	<b>25,381</b>	<b>8,734</b>	<b>4,278</b>	<b>38,393</b>

### Financial instruments

Our financial assets include cash and cash equivalents and trade and other receivables that are classified as financial assets at amortized cost, and short-term investments that are classified at fair value through profit and loss (“FVTPL”). Our financial liabilities, including trade payables, accrued liabilities, and redeemable preferred shares debt components of our Series A, B, C, D, E, and F redeemable preferred shares, are classified as financial liabilities at amortized cost. Our Series B,

C, D, E, and F redeemable preferred shares conversion rights components are classified as financial liabilities at FVTPL. See the notes to the financial statements for the liquidity risks associated with our financial instruments.

Prior to the completion of the IPO, all of our redeemable preferred shares were converted into multiple voting shares and the liability was reduced to \$Nil with a corresponding increase in share capital. Deferred tax liabilities related to the redeemable preferred shares were also reduced to \$Nil. Going forward, we do not expect any further impact on our results of operations from the redeemable preferred shares and related deferred tax liabilities.

See note 25 to the audited annual consolidated financial statements for the year ended March 31, 2022.

### *Capital resources*

See note 24 to the audited annual consolidated financial statements for the year ended March 31, 2022 for the Company's minimum aggregate commitments.

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

## Transactions Between Related Parties

See note 23 to the audited annual consolidated financial statements for the year ended March 31, 2022 for the Company's related party transactions.

## Significant Accounting Judgments, Estimates, and Assumptions

See note 4 to the audited annual consolidated financial statements for the year ended March 31, 2022.

## Future Accounting Standard Changes

See note 3 to the audited annual consolidated financial statements for the year ended March 31, 2022 for a summary of future accounting standard changes.

## Control and Procedures

### *Disclosure controls and procedures*

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining our disclosure controls and procedures. We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized, and reported on a timely basis. Our CEO and CFO have evaluated the design of our disclosure controls and procedures at the end of the quarter and based on the evaluation have concluded that the disclosure controls and procedures are effectively designed.

### *Internal controls over financial reporting*

Our internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our management is responsible for establishing and maintaining adequate ICFR. Management, including our CEO and CFO, does not expect that our ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators requires our CEO and CFO to certify that they are responsible for establishing and maintaining ICFR and that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Our CEO and CFO are also responsible for disclosing any changes to our internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of our ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. The CEO and the CFO have limited the scope to exclude controls, policies, and procedures of Qubit, which was acquired on October 14, 2021, as permitted by the Canadian Securities Administrators' national instrument 52-109 – *Certification of Disclosure in issuers' Annual and Interim Filings* for 365 days following an acquisition. Note 5, Business combination, of the Company's audited consolidated financial statements for the year ended March 31, 2022, presents summary information with respect to Qubit. The CEO and the CFO have concluded that the design and effectiveness of the Company's ICRF were effective as at March 31, 2022.

## Outstanding Share Information

Coveo is a publicly traded company listed under the symbol "CVO" on the Toronto Stock Exchange. Our authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of multiple voting shares and (iii) an unlimited number of preferred shares, of which 46,278,297 Subordinate Voting Shares, 57,549,965 multiple voting shares, and no preferred shares were issued and outstanding as of June 13, 2022.

As of June 13, 2022, there were 9,757,170 stock options outstanding under the Company's Amended and Restated 2009 Stock Option Plan (the "Legacy Plan"), as amended (of which 7,860,981 were vested as of such date). Each such option under the Legacy Plan is or will become exercisable for one Multiple Voting Share.

As of June 13, 2022, there were 4,661,456 options outstanding under the Company's Omnibus Incentive Plan (the "Omnibus Plan") (of which nil were vested as of such date). Each such option under the Omnibus Plan is or will become exercisable for one Subordinate Voting Share.

As of June 13, 2022, there were 2,116,432 Restricted Share Units (“RSU”) outstanding under the Company’s Omnibus Plan. Each such RSU, upon vesting, may be settled at the discretion of the Board of Directors through the delivery of Subordinate Voting Shares issued from treasury or purchased on the open market, or the payment of the cash equivalent.

As of June 13, 2022, there were 205,097 Deferred Share Units (“DSU”) outstanding under the Company’s Omnibus Plan. Each such DSU will, upon the holder thereof ceasing to be a director, executive officer, employee, or consultant of the Company, in accordance with the Omnibus Plan, be settled at the discretion of the Board of Directors through the delivery of Subordinate Voting Shares issued from treasury or purchased on the open market, or the payment of the cash equivalent.

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.  
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"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><b>Revenue recognition – allocation of the transaction price to multiple performance obligations in contracts with customers</b></p> <p><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>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>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>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Tested how management determined the relative SSP for subscription and professional services, which included the following:<ul style="list-style-type: none"><li>– 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>– 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>– 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)
<b>Total comprehensive loss</b>								<b>(658,219)</b>
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)
<b>Total comprehensive income</b>								<b>417,890</b>
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

## 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)

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).

## 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)

### *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

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)

### **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

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 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:

Financial instrument	Classification
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

## 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)

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.



## 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)

### 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.

## Notes to Financial Statements

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

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.

## 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)

### 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.

## 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)

### *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.

## 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)*

## 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.

## 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)*

## 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>

## 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)

## 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>

## 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)*

## 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

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)

### 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.

# Investor Information

## Coveo shares

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

## Investor relations

Quarterly and annual reports and other corporate documents are available at [ir.coveo.com](http://ir.coveo.com) and under our profile on SEDAR at [www.sedar.com](http://www.sedar.com)

## Transfer agent and registrar

TSX Trust Company  
1600-2001 Robert-Bourassa  
Montréal, QC, H3A 2A6  
[www.tsxtrust.com](http://www.tsxtrust.com)

## Legal counsel

Norton Rose Fulbright Canada LLP  
Montréal, QC

## Corporate information

The following documents pertaining to Coveo's corporate governance practices may be accessed either from Coveo's website ([ir.coveo.com](http://ir.coveo.com)) or by request from the VP Legal:

- Board and Board Committee charters
- Position description for the Board Chair, the Committee Chairs, and the Chief Executive Officer
- Code of business conduct
- Whistleblower policy

## Auditor

PricewaterhouseCoopers LLP  
Chartered Professional Accountants  
Quebec City, QC

Board members	Board	Audit Committee	Compensation Committee	Risk and Governance Committee
<b>Louis Têtu</b> Chairman and Chief Executive Officer	C			
<b>Laurent Simoneau</b> President and Chief Technology Officer	M			
<b>J. Alberto Yopez</b>	M		C	M
<b>Jean Paul Chauvet</b>	M		M	
<b>Isaac Kim</b>	M			
<b>Shanti Ariker</b>	M	M		M
<b>Summit Pande</b>	M	M	M	
<b>Valéry Zamuner</b>	M			C
<b>Fay Sien Goon</b>	M	C		

Board and committee composition C—Chair M—Member



## 2022 Annual Shareholders Meeting

The Annual Shareholders Meeting will be held at 11:30am (ET) on Thursday, September 15, 2022.

