



Coveo Reports Second Quarter Fiscal 2024 Financial Results

*SaaS Subscription Revenue⁽¹⁾ grew 15% year-over-year to \$29.4 million
Reports second consecutive quarter of positive cash flows from operating activities and Adjusted
Operating Loss⁽²⁾ well ahead of guidance
Coveo Relevance Generative Answering™ general availability expected in December, with continued
strong early demand from customers*

Coveo reports in U.S. dollars and in accordance with International Financial Reporting Standards ("IFRS")

MONTREAL and SAN FRANCISCO – November 6, 2023 – [Coveo](#) (TSX: CVO), a leading provider of enterprise AI platforms that enable individualized, connected, and trusted digital experiences at scale with semantic search, AI recommendations, and GenAI answering, today announced financial results for its second quarter of fiscal 2024 ended September 30, 2023.

"It continues to be an exciting time for the company," said Louis Têtu, Chairman and CEO of Coveo. "Since the launch of Coveo Relevance Generative Answering™ in the first quarter, we've seen promising results from early adopters within our existing customer base, including leading companies like Xero, as we move towards its general availability in December. Interest in our enterprise-grade generative AI offering continues to be high, and we believe we have a tremendous opportunity to capitalize on our proven, trusted, and leading AI platform to deliver significant value to our enterprise customers."

Second Quarter Fiscal 2024 Financial Highlights

(All comparisons are relative to the three-month period ended September 30, 2022, unless otherwise stated)

- SaaS Subscription Revenue⁽¹⁾ of \$29.4 million compared to \$25.5 million, an increase of 15%.
- Total revenue was \$31.2 million compared to \$27.9 million, an increase of 12%.
- Gross margin was 78%, an increase of 2%, and product gross margin was 82%, consistent with last year.
- Operating loss was \$10.2 million, an improvement compared to \$11.6 million, and Adjusted Operating Loss⁽²⁾ was \$1.0 million, a significant improvement compared to \$4.7 million.
- Net loss was \$6.5 million compared to net loss of \$9.9 million.
- Cash flows from operating activities were \$0.8 million for the quarter and \$1.8 million for the first 6 months of fiscal 2024.
- Cash and cash equivalents were \$167.8 million as of September 30, 2023.
- The company completed the purchase of 3,706,194 of its subordinate voting shares (including 480,000 multiple voting shares on an as-converted basis) at C\$8.50 per share under its substantial issuer bid (the "SIB") launched May 30, 2023, for an aggregate purchase price of approximately \$23.8 million (C\$31.5 million). On July 17, 2023, Coveo also launched a normal course issuer bid (the "NCIB", and together with the SIB, the "Repurchase Transactions") to purchase for cancellation up to 2,559,247 subordinate voting shares of the company over the twelve-month period ending on July 16, 2024. During the second quarter of fiscal 2024 ended September 30, 2023, Coveo purchased for cancellation a total of 940,000 securities under the NCIB, for aggregate consideration of \$6.7 million, and a total of 4,646,194 securities repurchased for aggregate consideration of approximately \$30.4 million (C\$38.2 million) under the Repurchase Transactions during the quarter.

Second Quarter Fiscal 2024 Business Highlights

- Net Expansion Rate⁽¹⁾ of 106% as of September 30, 2023. Net Expansion Rate was 111% excluding customer attrition from customers using certain deprioritized legacy Qubit product capabilities⁽³⁾.
- The company signed its first five order forms for Coveo's enterprise-ready Relevance Generative Answering™, an extension of its AI platform that combines Large Language Model (“LLM”) technology with secure indexing and AI relevance capabilities. Coveo Relevance Generative Answering™ is now live across Coveo’s own customer self-service experiences, and Xero also became the first Coveo customer to go live with the solution for self-service.
- Coveo and Caleres earned the Best Personalized Shopping Experience award at the 2023 Glossy Fashion Awards. Caleres, a global footwear company, implemented Coveo’s AI platform across its branded websites, enhancing the shopping experience with AI-driven search and personalized product recommendations. This significantly improved product discovery and boosted search-driven revenues, reflecting a focus on modernizing the digital shopping experience.
- Coveo won the 2023 Cyber Security Award for Most Innovative Digital Experience Cloud-Native AI Platform. Coveo's AI platform is designed to meet strict security requirements, including HIPAA, AICPA SOC 2 Type II, and ISO27001. This award reinforces Coveo's position as a trusted provider of secure generative AI solutions for enterprises globally.
- Customers named Coveo Best Enterprise Search Vendor for the third consecutive year in SoftwareReviews’ 2023 Emotional Footprint Report. The recognition reflects Coveo's excellence in customer satisfaction, with high ratings in respectfulness, efficiency, security features, productivity, client-friendliness, time-saving, and trustworthiness.

Subsequent Highlights

- [Coveo announced more than 15 innovations](#) to its platform, enhancing digital experiences across commerce, service, website, and workplace applications. These advancements solidify Coveo’s position as a leader and enable enterprises to excel in an ever-evolving digital landscape. These comprehensive updates comprise cutting-edge AI and generative AI models for better customer experiences and business outcomes. They expand interoperability with connectors and integrations, empower business users with modern UI frameworks, accelerate development with full-stack tools, and ensure enterprise-grade security and resiliency.
- [Coveo announced early access to Coveo Relevance Generative Answering™ for B2B and B2C commerce enterprises](#), offering them an enterprise-scale generative answering solution for commerce. This innovation, part of Coveo's semantic search and AI recommendations platform, empowers customer experiences with AI-driven question-answering capabilities, fostering customer engagement and knowledge discovery in Ecommerce.

Financial Outlook

The company continues to demonstrate operating efficiency and is improving its guidance on annual Adjusted Operating Loss. While we are encouraged by the overall interest in our AI platform, we observed delays in customer purchasing decisions, and the macroeconomic environment continues to be challenging, with both of these factors impacting new bookings and the related services revenue. Additionally, a portion of the anticipated churn from certain legacy Qubit customers occurred earlier in the year than previously expected.

In light of this, Coveo now anticipates SaaS Subscription Revenue⁽¹⁾, Total Revenue, and Adjusted Operating Loss⁽²⁾ to be in the following ranges:

	Q3 FY'24	Full Year FY'24
SaaS Subscription Revenue ⁽¹⁾	\$29.1 – \$29.6 million	\$117.0 – \$118.0 million
Total Revenue	\$30.9 – \$31.4 million	\$124.5 – \$125.5 million
Adjusted Operating Loss ⁽²⁾	\$2.5 – \$3.5 million	\$9.5 – \$10.5 million

Following two consecutive quarters of positive cash flows from operating activities, the Company is ahead of its previous commitment to achieve positive operating cash flow in its next fiscal year (fiscal 2025).

These guidance ranges, including the timing to achieve positive operating cash flow, are based on several assumptions, including the following, in addition to those set forth under the "Forward-Looking Information" section below:

- Achieving expected levels of sales of SaaS subscriptions to new and existing customers, including timing of those sales, as well as expected levels of renewals of SaaS subscriptions with existing customers.
- Achieving expected levels of implementations and other sources of professional services revenue.
- Maintaining planned levels of operating margin represented by our Adjusted Gross Profit Measures⁽²⁾ and Adjusted Gross Margin Measures⁽⁴⁾.
- Expected financial performance as measured by our Adjusted Operating Expense Measures⁽²⁾ and Adjusted Operating Expense (%) Measures⁽⁴⁾.
- Stabilization of ongoing headwinds, including those related to economic and geopolitical factors, impacting sales cycles, pricing, and the ability to generate new business.
- Our ability to attract and retain key personnel required to achieve our plans.
- Similar foreign exchange rates, inflation rates, interest rates, customer spending, and other macro-economic conditions.
- Our financial outlook does not include the impact of acquisitions that may be announced or closed from time to time.

These statements are forward-looking and actual results may differ materially. Coveo's outlook constitutes "financial outlook" within the meaning of applicable securities laws and is provided for the purpose of, among other things, assisting the reader in understanding the company's financial performance and measuring progress toward management's objectives, and the reader is cautioned that it may not be appropriate for other purposes. Please refer to the "Forward-Looking Information" section below for additional information on the factors that could cause our actual results to differ materially from these forward-looking statements and a description of the assumptions thereof.

* * * * *

(1) SaaS Subscription Revenue and Net Expansion Rate are Key Performance Indicators of Coveo. Please see the "Key Performance Indicators" section below.

(2) The Adjusted Gross Profit Measures, the Adjusted Operating Expense Measures, and Adjusted Operating Loss are non-IFRS measures. Please see the "Non-IFRS Measures and Ratios" section below and the reconciliation tables within this release.

(3) Net Expansion Rate excluding legacy Qubit-related attrition. This customer attrition represents subscriptions of certain legacy Qubit customers using Qubit's product capabilities for non-core use cases that ultimately decided to not renew their subscriptions.

- (4) The Adjusted Gross Margin Measures, the Adjusted Operating Expense (%) Measures, and Adjusted Product Gross Margin are non-IFRS ratios. Please see the “Non-IFRS Measures and Ratios” section below and the reconciliation tables within this release.

Q2 Conference Call and Webcast Information

Coveo will host a conference call today at 5:00 p.m. Eastern Time to discuss its financial results for its second quarter fiscal year 2024. The call will be hosted by Louis Têtu, Chairman and CEO, and other members of its senior leadership team.

Conference Call: <https://emportal.ink/48vM7Bf>
Use the link above to join the conference call without operator assistance. If you prefer to have operator assistance, please dial: 1-888-664-6392

Live Webcast: <https://app.webinar.net/0BoMjwl5wAv>
Webcast Replay: ir.coveo.com under the “News & Events” section

Non-IFRS Measures and Ratios

Coveo’s unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The information presented in this press release includes non-IFRS financial measures and ratios, namely (i) Adjusted Operating Loss; (ii) Adjusted Gross Profit, Adjusted Product Gross Profit, and Adjusted Professional Services Gross Profit (collectively referred to as our “Adjusted Gross Profit Measures”); (iii) Adjusted Gross Margin, Adjusted Product Gross Margin, and Adjusted Professional Services Gross Margin (collectively referred to as our “Adjusted Gross Margin Measures”); (iv) Adjusted Sales and Marketing Expenses, Adjusted Research and Product Development Expenses, and Adjusted General and Administrative Expenses (collectively referred to as our “Adjusted Operating Expense Measures”); and (v) Adjusted Sales and Marketing Expenses (%), Adjusted Research and Product Development Expenses (%), and Adjusted General and Administrative Expenses (%) (collectively referred to as our “Adjusted Operating Expense (%) Measures”). These measures and ratios are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures and ratios are provided as additional information to complement IFRS measures by providing further understanding of the company’s 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 the company’s financial information reported under IFRS. Adjusted Operating Loss, the Adjusted Gross Profit Measures, the Adjusted Gross Margin Measures, the Adjusted Operating Expense Measures, and the Adjusted Operating Expense (%) Measures are used to provide investors with supplemental measures and ratios of the company’s operating performance and thus highlight trends in Coveo’s core business that may not otherwise be apparent when relying solely on IFRS measures and ratios. The company’s management also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures and ratios in the evaluation of issuers. Coveo’s management uses and intends to continue to use non-IFRS measures and ratios in order to facilitate operating performance comparisons from period to period, and to prepare annual operating budgets and forecasts.

See the “Non-IFRS Measures” section of our latest MD&A, which is available under our profile on SEDAR+ at www.sedarplus.ca for a description of these measures. Please refer to the financial tables appended to this press release for a description of such measures and a reconciliation of (i) Adjusted Operating Loss to operating loss; (ii) Adjusted Gross Profit to gross profit; (iii) Adjusted Product Gross Profit to product gross profit; (iv) Adjusted Professional Services Gross Profit to professional services gross profit; (v) Adjusted Sales and Marketing Expenses to sales and marketing expenses; (vi) Adjusted

Research and Product Development Expenses to research and product development expenses; and (vii) Adjusted General and Administrative Expenses to general and administrative expenses.

Key Performance Indicators

This press release refers to “SaaS Subscription Revenue” and “Net Expansion Rate”, which are operating metrics used in Coveo’s industry. We monitor such 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” means Coveo’s SaaS subscription revenue, as presented in our financial statements in accordance with IFRS.

“Net Expansion Rate” is calculated 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 (as defined below) 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 made to the cohort over the 12 months preceding the end of the period selected; and (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.

“SaaS Annualized Contract Value” means the SaaS annualized contract value of a customer’s commitments calculated based on the terms of that customer’s subscriptions, and represents the committed annualized subscription amount as of the measurement date.

Please also refer to the “Key Performance Indicators” section of our latest MD&A, which is available under our profile on SEDAR+ at www.sedarplus.ca, for additional details on the abovementioned key performance indicators.

Forward-Looking Information

This press release contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, including with respect to Coveo’s financial outlook on SaaS Subscription Revenue, Total Revenue, and Adjusted Operating Loss for the three months ending September 30, 2023 and the year ending March 31, 2024 and expectations and timing around achieving positive operating cash flow, as well as statements around demand for Coveo Relevance Generative Answering and its expected general availability in December 2023 (collectively, “forward-looking information”). 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.

Coveo's financial outlook on SaaS Subscription Revenue, Total Revenue, and Adjusted Operating Loss also constitutes "financial outlook" within the meaning of applicable securities laws and is provided for the purposes of assisting the reader in understanding the company's financial performance and measuring progress toward management's objectives and the reader is cautioned that it may not be appropriate for other purposes. Please refer to "Financial Outlook" above for more information.

Forward-looking information is necessarily based on a number of opinions, estimates, and assumptions (including those discussed under "Financial Outlook" above and those discussed immediately hereunder) that we considered appropriate and reasonable as of the date such statements are made. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, actual results may vary from the forward-looking information contained herein. Certain assumptions made in preparing the forward-looking information contained in herein include, without limitation (and in addition to those discussed under "Financial Outlook" above): our ability to capitalize on growth opportunities and implement our growth strategy; our ability to attract new customers, both domestically and internationally, expand our relationships with existing customers, and have existing customers renew their subscriptions; 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; market awareness and acceptance of enterprise AI solutions in general and our products in particular; our future capital requirements; the available liquidity under our revolving credit facility; the accuracy of our estimates of market opportunity, growth forecasts, and expectations and timing around achieving positive operating cash flow; our success in identifying and evaluating, as well as financing and integrating, any acquisitions, partnerships, or joint ventures; our ability to execute on our expansion plans; the significant influence of our principal shareholders; our ability to convert pipeline into closed deals, and the timeframe thereof; international wars and conflicts; and the future impact of any worsening of the COVID-19 pandemic. Moreover, forward-looking information is subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, that may cause the actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to macro-economic uncertainties and the risk factors described under "Risk Factors" in the company's most recently filed Annual Information Form and under "Key Factors Affecting our Performance" in the company's most recently filed MD&A, both available under our profile on SEDAR+ at www.sedarplus.ca. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made.

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

You should not rely on this forward-looking information, as actual outcomes and results may differ materially from those contemplated by this forward-looking information as a result of such risks and uncertainties. Additional information will also be set forth in other public filings that we make available under our profile on SEDAR+ at www.sedarplus.ca from time to time. The forward-looking information provided in this press release relates only to events or information as of the date hereof, and is expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

About Coveo

Coveo powers the digital experiences of the world's most innovative brands serving millions of people and billions of interactions across every digital experience. After a decade of enriching our market-leading platform with forward-thinking global enterprises, we know what it takes to gain a trusted AI-experience advantage.

We strongly believe that the future is business-to-person, that experience is today's competitive front line, a make or break for every business.

For enterprises to achieve this AI-experience advantage at scale, it is imperative to have an Enterprise Spinal and composable ability to deliver AI semantic search and generative experiences at each customer and employee interaction.

Our single SaaS AI platform and robust suite of AI & GenAI models are designed to transform the total experience from CX to EX across websites, ecommerce, service, and workplace. Powering individualized, trusted, and connected experiences across every interaction to delight customers and augment employees, and drive superior business outcomes.

Our platform is certified ISO 27001 certified, HIPAA compliant, SOC2 compliant, and 99.999% SLA resilient. We are a Salesforce Summit ISV Partner, an SAP® Endorsed App, and an Adobe Gold Partner.

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Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(expressed in thousands of US dollars, except share and per share data, unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue				
SaaS subscription	29,406	25,469	57,941	49,472
Self-managed licenses and maintenance	-	290	-	614
Product revenue	29,406	25,759	57,941	50,086
Professional services	1,813	2,174	3,810	4,309
Total revenue	31,219	27,933	61,751	54,395
Cost of revenue				
Product	5,323	4,749	10,451	9,507
Professional services	1,484	1,822	3,028	3,799
Total cost of revenue	6,807	6,571	13,479	13,306
Gross profit	24,412	21,362	48,272	41,089
Operating expenses				
Sales and marketing	13,898	14,161	27,358	28,722
Research and product development	8,700	8,963	17,882	18,095
General and administrative	6,814	7,722	13,623	14,815
Depreciation of property and equipment	595	660	1,172	1,352
Amortization and impairment of intangible assets	4,199	1,104	5,205	2,265
Depreciation of right-of-use assets	404	396	799	793
Total operating expenses	34,610	33,006	66,039	66,042
Operating loss	(10,198)	(11,644)	(17,767)	(24,953)
Net financial revenue	(1,630)	(1,020)	(3,307)	(1,419)
Foreign exchange gain	(1,260)	(816)	(256)	(1,316)
Loss before income tax expense	(7,308)	(9,808)	(14,204)	(22,218)
Income tax expense (recovery)	(855)	125	(796)	234
Net loss	(6,453)	(9,933)	(13,408)	(22,452)
Net loss per share – Basic and diluted	(0.06)	(0.10)	(0.13)	(0.22)
Weighted average number of shares outstanding – Basic and diluted	102,807,185	104,350,739	104,223,916	104,091,340

Condensed Interim Consolidated Statements of Loss and Comprehensive Income Loss

(expressed in thousands of US dollars, unaudited)

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

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Share-based payments and related expenses				
Product cost of revenue	230	210	466	392
Professional services cost of revenue	150	165	313	309
Sales and marketing	897	1,539	937	3,070
Research and product development	1,675	1,688	3,231	3,121
General and administrative	2,064	2,058	3,816	3,243
Share-based payments and related expenses	5,016	5,660	8,763	10,135

Reconciliation of Adjusted Operating Loss to Operating Loss

(expressed in thousands of US dollars, unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating loss	(10,198)	(11,644)	(17,767)	(24,953)
Share-based payments and related expenses ⁽¹⁾	5,016	5,660	8,763	10,135
Amortization and impairment of acquired intangible assets ⁽²⁾	4,198	1,103	5,203	2,263
Acquisition-related compensation ⁽³⁾	-	175	-	386
Adjusted Operating Loss	(984)	(4,706)	(3,801)	(12,169)

- (1) These expenses relate to issued stock options and share-based awards under our share-based plans to our employees and directors as well as related payroll taxes that are directly attributable to the share-based payments. These costs are included in product and professional services cost of revenue, sales and marketing, research and product development, and general and administrative expenses.
- (2) These expenses represent the amortization and impairment of intangible assets acquired through the acquisition of Qubit. These costs are included in amortization and impairment of intangible assets. It includes an impairment of customer relationships acquired through the business combination with Qubit as described in note 5 of the condensed interim consolidated financial statements for the three and six months ended September 30, 2023.
- (3) These expenses relate to non-recurring acquisition-related compensation in connection with acquisitions. These costs are included in product and professional services cost of revenue, and sales and marketing, research and product development, and general and administrative expenses.

Reconciliation of Adjusted Gross Profit Measures and Adjusted Gross Margin Measures

(expressed in thousands of US dollars, unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Total revenue	31,219	27,933	61,751	54,395
Gross profit	24,412	21,362	48,272	41,089
<i>Gross margin</i>	<i>78%</i>	<i>76%</i>	<i>78%</i>	<i>76%</i>
Add: Share-based payments and related expenses	380	375	779	701
Add: Acquisition-related compensation	-	85	-	166
Adjusted Gross Profit	24,792	21,822	49,051	41,956
<i>Adjusted Gross Margin</i>	<i>79%</i>	<i>78%</i>	<i>79%</i>	<i>77%</i>
Product revenue	29,406	25,759	57,941	50,086
Product cost of revenue	5,323	4,749	10,451	9,507
Product gross profit	24,083	21,010	47,490	40,579
<i>Product Gross margin</i>	<i>82%</i>	<i>82%</i>	<i>82%</i>	<i>81%</i>
Add: Share-based payments and related expenses	230	210	466	392
Add: Acquisition-related compensation	-	70	-	130
Adjusted Product Gross Profit	24,313	21,290	47,956	41,101
<i>Adjusted Product Gross Margin</i>	<i>83%</i>	<i>83%</i>	<i>83%</i>	<i>82%</i>
Professional services revenue	1,813	2,174	3,810	4,309
Professional services cost of revenue	1,484	1,822	3,028	3,799
Professional services gross profit	329	352	782	510
<i>Professional services gross margin</i>	<i>18%</i>	<i>16%</i>	<i>21%</i>	<i>12%</i>
Add: Share-based payments and related expenses	150	165	313	309
Add: Acquisition-related compensation	-	15	-	36
Adjusted Professional Services Gross Profit	479	532	1,095	855
<i>Adjusted Professional Services Gross Margin</i>	<i>26%</i>	<i>24%</i>	<i>29%</i>	<i>20%</i>

Reconciliation of Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures

(expressed in thousands of US dollars, unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Sales and marketing expenses	13,898	14,161	27,358	28,722
<i>Sales and marketing expenses (%)</i>	<i>45%</i>	<i>51%</i>	<i>44%</i>	<i>53%</i>
Less: Share-based payments and related expenses	897	1,539	937	3,070
Less: Acquisition-related compensation	-	37	-	71
Adjusted Sales and Marketing Expenses	13,001	12,585	26,421	25,581
<i>Adjusted Sales and Marketing Expenses (%)</i>	<i>42%</i>	<i>45%</i>	<i>43%</i>	<i>47%</i>
Research and product development expenses	8,700	8,963	17,882	18,095
<i>Research and product development expenses (%)</i>	<i>28%</i>	<i>32%</i>	<i>29%</i>	<i>33%</i>
Less: Share-based payments and related expenses	1,675	1,688	3,231	3,121
Less: Acquisition-related compensation	-	47	-	135
Adjusted Research and Product Development Expenses	7,025	7,228	14,651	14,839
<i>Adjusted Research and Product Development Expenses (%)</i>	<i>23%</i>	<i>26%</i>	<i>24%</i>	<i>27%</i>
General and administrative expenses	6,814	7,722	13,623	14,815
<i>General and administrative expenses (%)</i>	<i>22%</i>	<i>28%</i>	<i>22%</i>	<i>27%</i>
Less: Share-based payments and related expenses	2,064	2,058	3,816	3,243
Less: Acquisition-related compensation	-	6	-	14
Adjusted General and Administrative Expenses	4,750	5,658	9,807	11,558
<i>Adjusted General and Administrative Expenses (%)</i>	<i>15%</i>	<i>20%</i>	<i>16%</i>	<i>21%</i>

Condensed Interim Consolidated Statements of Financial Position
(expressed in thousands of US dollars, unaudited)

	September 30, 2023	March 31, 2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	167,814	198,452
Trade and other receivables	24,767	24,233
Government assistance	8,821	7,142
Prepaid expenses	6,674	8,707
	<u>208,076</u>	<u>238,534</u>
Non-current assets		
Contract acquisition costs	10,422	11,148
Property and equipment	6,269	6,846
Intangible assets	9,888	15,107
Right-of-use assets	6,855	7,645
Deferred tax assets	3,755	3,896
Goodwill	25,434	25,642
	<u>270,699</u>	<u>308,818</u>
Total assets	270,699	308,818
Liabilities		
Current liabilities		
Trade payable and accrued liabilities	22,262	21,435
Deferred revenue	55,067	55,260
Current portion of lease obligations	2,072	1,929
	<u>79,401</u>	<u>78,624</u>
Non-current liabilities		
Lease obligations	7,876	8,940
Deferred tax liabilities	1,808	2,721
	<u>89,085</u>	<u>90,285</u>
Shareholders' Equity		
Share capital	837,189	868,409
Contributed surplus	34,014	25,949
Deficit	(645,396)	(631,988)
Accumulated other comprehensive loss	(44,193)	(43,837)
	<u>181,614</u>	<u>218,533</u>
Total liabilities and shareholders' equity	270,699	308,818

Condensed Interim Consolidated Statements of Cash Flows
(expressed in thousands of US dollars, unaudited)

	Six months ended September 30,	
	2023	2022
	\$	\$
Cash flows from operating activities		
Net loss	(13,408)	(22,452)
Items not affecting cash		
Amortization of contract acquisition costs	2,248	2,199
Depreciation of property and equipment	1,172	1,352
Amortization and impairment of intangible assets	5,205	2,265
Depreciation of right-of-use assets	799	793
Share-based payments	7,800	11,138
Interest on lease obligations	279	331
Variation of deferred tax assets and liabilities	(765)	196
Unrealized foreign exchange loss (gain)	(316)	(1,316)
Changes in non-cash working capital items	(1,179)	4,579
	1,835	(915)
Cash flows used in investing activities		
Additions to property and equipment	(626)	(709)
Additions to intangible assets	(21)	(5)
	(647)	(714)
Cash flows used in financing activities		
Proceeds from exercise of stock options	980	1,527
Tax withholding for net share settlement	(1,011)	-
Payments on lease obligations	(1,198)	(1,265)
Shares repurchased and cancelled	(26,353)	-
Repurchase of stock options	(4,553)	-
	(32,135)	262
Effect of foreign exchange rate changes on cash and cash equivalents	309	(16,888)
Increase (decrease) in cash and cash equivalents during the period	(30,638)	(18,255)
Cash and cash equivalents – beginning of period	198,452	223,072
Cash and cash equivalents – end of period	167,814	204,817
Cash	25,275	36,047
Cash equivalents	142,539	168,770