

February 6, 2023



Coveo Reports Third Quarter Fiscal 2023 Financial Results

Third quarter SaaS Subscription Revenue grew 25% year-over-year to \$26.4 million

Third quarter total revenue increased 23% year-over-year to \$28.5 million

Current SaaS Subscription Remaining Performance Obligations grew 28% year-over-year to \$92.1 million as of December 31, 2022

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

MONTREAL and SAN FRANCISCO, Feb. 06, 2023 (GLOBE NEWSWIRE) -- [Coveo Solutions Inc.](#) ("Coveo" or the "Company") (TSX: CVO), a leader in AI-powered relevance platforms that transform search, recommendations, personalization, and merchandising intelligence within digital experiences, today announced financial results for its third quarter of fiscal 2023, ended December 31, 2022.

"Coveo once again delivered solid results, in-line with our expectations and demonstrating an accelerated path to profitability," said Louis Têtu, Chairman and CEO of Coveo. "The trend of large enterprises investing in AI-powered customer experience platforms to drive business optimization – an imperative – continues. We had a number of significant transactions in the quarter and continued to see demand for our solutions across all lines of business, which we believe bodes well for our future growth prospects."

Third Quarter Fiscal 2023 Financial Highlights

(All comparisons are relative to the three-month period ended December 31, 2021, unless otherwise stated)

- SaaS Subscription Revenue⁽¹⁾ grew 25% to \$26.4 million compared to \$21.2 million.
- Total revenue was \$28.5 million, an increase of 23% compared to \$23.2 million.
- Current SaaS Subscription Remaining Performance Obligations⁽¹⁾ of \$92.1 million as of December 31, 2022, up 28% compared to \$72.2 million as of December 31, 2021.
- Gross profit (%) was 77%, an increase of 3%, and product gross profit (%) was 81%, an increase of 2%. Adjusted Gross Profit (%)⁽²⁾ was 78%, an increase of 2%, and Adjusted Product Gross Profit (%)⁽²⁾ was 82%, an increase of 2%.
- Operating loss was \$10.7 million and Adjusted Operating Loss⁽³⁾ was \$3.9 million.
- Net loss was \$10.0 million, compared to net income of \$426.3 million. Net income in the comparable period was impacted by a non-cash gain of \$269.2 million and an associated income tax recovery of \$184.4 million, both related to the Company's preferred shares converted immediately prior to the initial public offering of the Company in November 2021.
- Cash and cash equivalents were \$207.6 million as of December 31, 2022.

Third Quarter Fiscal 2023 Operational Highlights

- Net Expansion Rate⁽¹⁾ of 107% as of December 31, 2022.
- Announced the [Coveo Relevance Cloud™ for Financial Services](#) to help meet the demands of today's retail banks, insurance companies, and wealth management organizations. The Coveo Relevance Cloud for Financial Services is used by over 50 leading, diverse institutions across the financial services sector including the Royal Bank of Canada, Manulife, and United Wholesale Mortgage, to help them realize tangible ROI.
- Named the winner for Ecommerce Innovation by the [UK Ecommerce Awards 2022](#) for Coveo's Personalization-as-you-go capability. With 86% of ecommerce shopping sessions coming from anonymous users, this feature enables brands to deliver highly relevant and personalized query suggestions, product rankings, and product recommendations without the need for high volumes of data, pre-defined persona segments, or logged in user profiles.
- Named a [Leader in the 2022 Gartner® Magic Quadrant™ for Insight Engines](#)⁽⁴⁾ for the fifth consecutive time for its Completeness of Vision and Ability to Execute.
- Launched an intelligent, out-of-the-box Facet Generator that automatically returns all relevant search facets for a given search or listing page to provide a best-in-class navigation experience for large enterprises with complex needs. This feature works with zero traffic, leveraging the intelligence within Coveo's unified index to return the most relevant results.
- Released analytics and developer tools for use within Snowflake. The new features provide real-time access to Coveo Analytics through Snowflake's reader account where data can be leveraged in any business intelligence tool – and even combined with other external data sources – for a more complete visualization of search engagement and business performance.

Financial Outlook

Coveo anticipates SaaS Subscription Revenue⁽¹⁾, Total Revenue, Adjusted Operating Loss⁽³⁾, and Weighted Average Shares Outstanding to be in the following ranges:

	Q4 FY'23	Full Year FY'23
SaaS Subscription Revenue ⁽¹⁾	\$26.6 – \$27.1 million	\$102.5 – \$103.0 million
Total Revenue	\$28.6 – \$29.1 million	\$111.5 – \$112.0 million
Adjusted Operating Loss ⁽³⁾	\$5.0 – \$6.0 million	\$20.9 – \$21.9 million
Weighted Average Shares Outstanding	105.5 – 106.0 million	104.0 – 105.0 million

These guidance ranges 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⁽³⁾ (as defined below) and Adjusted Gross Profit (%) Measures⁽²⁾ (as

defined below).

- Expected financial performance as measured by our Adjusted Operating Expense Measures⁽³⁾ (as defined below) and Adjusted Operating Expense (%) Measures (as defined below).
- Stabilization of ongoing headwinds, including those related to economic and geopolitical factors, impacting sales cycles, pricing and the ability to generate new business.
- No drastic strengthening or re-strengthening of the strict measures put in place to help slow the transmission of COVID-19 or its new variants in the jurisdictions in which we have significant operations.
- Our ability to attract and retain key personnel required to achieve our plans.
- Similar inflation rates, interest rates, customer spending, foreign exchange rates, and other macro-economic conditions.
- Our financial outlook does not factor the impact of acquisitions that may be announced or closed from time to time.
- Weighted average shares outstanding assumes no share buyback activity.

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.

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- (1) SaaS Subscription Revenue, Current SaaS Subscription Remaining Performance Obligations, and Net Expansion Rate are Key Performance Indicators of Coveo. Please see the "Key Performance Indicators" section below.
- (2) Adjusted Gross Profit (%) and Adjusted Product Gross Profit (%) are non-IFRS ratios. Please see the "Non-IFRS Measures and Ratios" section below and the reconciliation tables at the end of this release.
- (3) Adjusted Operating Loss, Adjusted Gross Profit, and Adjusted Operating Expense are non-IFRS measures. Please see the "Non-IFRS Measures and Ratios" section below and the reconciliation tables at the end of this release.
- (4) Gartner, Magic Quadrant for Insight Engines, Stephen Emmott, Anthony Mullen, David Pidsley, Tim Nelms. December 12, 2022. Gartner Disclaimer: 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. GARTNER and Magic Quadrant are registered trademarks of Gartner, Inc. and/or its affiliates in the U.S. and internationally and is used herein with permission. All rights reserved.

Q3 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 fiscal third quarter 2023. The call will be hosted by Louis Têtu, Chairman and CEO, and Jean Lavigueur, CFO.

Dial-in number: 1-888-664-6392; Confirmation #: 16289972

Live webcast: <https://app.webinar.net/YyGvJqW46A9>

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 Profit (%), Adjusted Product Gross Profit (%), and Adjusted Professional Services Gross Profit (%) (collectively referred to as our "Adjusted Gross Profit (%) 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 Profit (%) 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.sedar.com, for a description of these measures. Please also see the financial tables below 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", "Current SaaS Subscription Remaining Performance Obligations" 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.

“Current SaaS Subscription Remaining Performance Obligations” is 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 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; (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.

“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.sedar.com, 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 Coveo’s financial outlook on SaaS Subscription Revenue, Total Revenue, Adjusted Operating Loss, and Weighted Average Shares Outstanding for the three months and the year ending March 31, 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, Adjusted Operating Loss, and Weighted Average Shares Outstanding 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; 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; our future capital requirements; the 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; our ability to execute on our expansion plans; and the future impact 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 available under our profile on SEDAR at 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.

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

About Coveo Solutions Inc.

We believe that relevance is critical for businesses to win in the new digital experience economy and to serve people the way they expect while ensuring optimal business performance, and that applied AI is an imperative to achieve these goals.

Coveo is a market-leading AI-powered relevance platform that injects search, recommendations, personalization, and merchandising intelligence into digital experiences such as commerce, service, website, and workplace applications. Coveo's platform is cloud-native SaaS, multi-tenant, API-first, and headless, and can easily integrate into almost any digital experience. Our solutions are designed to provide tangible value to our customers by helping to drive improvements in conversion, revenue, and margins, reduce customer support costs, increase customer satisfaction and website engagement, and improve employee proficiency and satisfaction.

Our AI platform powers digital experience relevance for many of the world's most innovative brands, serving millions of people and billions of interactions, and is supported by a large network of global systems integrators and implementation partners. Coveo is a Salesforce ISV Partner, a Global SAP CX Partner, and an Adobe Accelerate Exchange Partner.

Coveo is a trademark of Coveo Solutions Inc.

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Contact Information

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

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue				
SaaS subscription	26,389	21,153	75,861	54,782
Self-managed licenses and maintenance	298	487	912	2,042
Product revenue	26,687	21,640	76,773	56,824
Professional services	1,810	1,603	6,119	4,155
Total revenue	28,497	23,243	82,892	60,979
Cost of revenue				
Product	4,948	4,476	14,455	11,215
Professional services	1,656	1,566	5,455	3,406
Total cost of revenue	6,604	6,042	19,910	14,621
Gross profit	21,893	17,201	62,982	46,358
Operating expenses				
Sales and marketing	13,728	12,182	42,450	33,650
Research and product development	8,705	9,076	26,800	19,446
General and administrative	8,102	17,277	22,917	26,939
Depreciation of property and equipment	599	684	1,951	1,985
Amortization of intangible assets	1,072	1,042	3,337	1,098
Depreciation of right-of-use assets	388	377	1,181	1,138
Total operating expenses	32,594	40,638	98,636	84,256
Operating loss	(10,701)	(23,437)	(35,654)	(37,898)
Change in redeemable preferred shares – conversion rights component fair value	-	(269,200)	-	(299,428)
Net financial expenses (income)	(1,485)	2,930	(2,904)	12,560
Foreign exchange loss (gain)	735	628	(581)	281
Income (loss) before income tax expense (recovery)	(9,951)	242,205	(32,169)	248,689
Income tax expense (recovery)	96	(184,108)	330	(188,972)
Net income (loss)	(10,047)	426,313	(32,499)	437,661
Other comprehensive income (loss)				
Items that may be reclassified to the consolidated statements of income (loss):				
Foreign currency differences on translation to presentation currency	5,282	(6,989)	(17,281)	(2,637)
Total comprehensive income (loss)	(4,765)	419,324	(49,780)	435,024
Net income (loss) per share				
Basic	(0.10)	7.65	(0.31)	13.05
Diluted	(0.10)	(0.24)	(0.31)	(0.41)
Weighted average number of shares outstanding				
Basic	104,825,521	55,701,559	104,336,957	33,537,536
Diluted	104,825,521	101,636,633	104,336,957	96,272,762

Condensed Interim Consolidated Statements of Income (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 December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Share-based payments and related expenses				
Product cost of revenue	182	140	574	230
Professional services cost of revenue	157	132	466	206
Sales and marketing	1,375	695	4,445	1,153
Research and product development	1,487	1,100	4,608	1,537
General and administrative	2,163	786	5,406	1,201
Share-based payments and related expenses	5,364	2,853	15,499	4,327

Reconciliation of Adjusted Operating Loss to Operating Loss (expressed in thousands of US dollars, unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Operating loss	(10,701)	(23,437)	(35,654)	(37,898)
Share-based payments and related expenses ⁽¹⁾	5,364	2,853	15,499	4,327
Amortization of acquired intangible assets ⁽²⁾	1,070	1,003	3,333	1,003
Acquisition-related compensation ⁽³⁾	21	502	407	744
Transaction-related expenses ⁽⁴⁾	324	509	324	1,839
Charitable contributions	66	10,420	165	10,479
Adjusted Operating Loss	(3,856)	(8,150)	(15,926)	(19,506)

- (1) These expenses relate to 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, sales and marketing, research and product development, and general and administrative expenses.
- (2) These expenses represent the amortization of intangible assets acquired through the acquisition of Qubit Digital Ltd ("Qubit"). These costs are included in amortization of intangible assets.
- (3) These expenses relate to non-recurring acquisition-related compensation in connection with acquisitions. These costs are included in product and professional services cost of revenue, and sales and marketing, research and product development, and general and administrative expenses.
- (4) These expenses relate to professional, legal, consulting, accounting, advisory, and other fees relating to transactions that would otherwise not have been incurred. These costs are included in general and administrative expenses.

Reconciliation of Adjusted Gross Profit Measures and Adjusted Gross Profit (%) Measures (expressed in thousands of US dollars, unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Total revenue	28,497	23,243	82,892	60,979
Gross profit	21,893	17,201	62,982	46,358
<i>Gross profit (%)</i>	<i>77%</i>	<i>74%</i>	<i>76%</i>	<i>76%</i>

Add: Share-based payments and related expenses	339	272	1,040	436
Add: Acquisition-related compensation	6	156	172	156
Adjusted Gross Profit	22,238	17,629	64,194	46,950
<i>Adjusted Gross Profit (%)</i>	<i>78%</i>	<i>76%</i>	<i>77%</i>	<i>77%</i>
Product revenue	26,687	21,640	76,773	56,824
Product cost of revenue	4,948	4,476	14,455	11,215
Product gross profit	21,739	17,164	62,318	45,609
<i>Product gross profit (%)</i>	<i>81%</i>	<i>79%</i>	<i>81%</i>	<i>80%</i>
Add: Share-based payments and related expenses	182	140	574	230
Add: Acquisition-related compensation	4	30	134	30
Adjusted Product Gross Profit	21,925	17,334	63,026	45,869
<i>Adjusted Product Gross Profit (%)</i>	<i>82%</i>	<i>80%</i>	<i>82%</i>	<i>81%</i>
Professional services revenue	1,810	1,603	6,119	4,155
Professional services cost of revenue	1,656	1,566	5,455	3,406
Professional services gross profit	154	37	664	749
<i>Professional services gross profit (%)</i>	<i>9%</i>	<i>2%</i>	<i>11%</i>	<i>18%</i>
Add: Share-based payments and related expenses	157	132	466	206
Add: Acquisition-related compensation	2	126	38	126
Adjusted Professional Services Gross Profit	313	295	1,168	1,081
<i>Adjusted Professional Services Gross Profit (%)</i>	<i>17%</i>	<i>18%</i>	<i>19%</i>	<i>26%</i>

Reconciliation of Adjusted Operating Expense Measures and Adjusted Operating Expense (%) Measures (expressed in thousands of US dollars, unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Sales and marketing expenses	13,728	12,182	42,450	33,650
<i>Sales and marketing expenses (%)</i>	<i>48%</i>	<i>52%</i>	<i>51%</i>	<i>55%</i>
Less: Share-based payments and related expenses	1,375	695	4,445	1,153
Less: Acquisition-related compensation	6	67	77	67
Adjusted Sales and Marketing Expenses	12,347	11,420	37,928	32,430
<i>Adjusted Sales and Marketing Expenses (%)</i>	<i>43%</i>	<i>49%</i>	<i>46%</i>	<i>53%</i>
Research and product development expenses	8,705	9,076	26,800	19,446
<i>Research and product development expenses (%)</i>	<i>31%</i>	<i>39%</i>	<i>32%</i>	<i>32%</i>
Less: Share-based payments and related expenses	1,487	1,100	4,608	1,537
Less: Acquisition-related compensation	8	270	143	512
Adjusted Research and Product Development Expenses	7,210	7,706	22,049	17,397
<i>Adjusted Research and Product Development Expenses (%)</i>	<i>25%</i>	<i>33%</i>	<i>27%</i>	<i>29%</i>
General and administrative expenses	8,102	17,277	22,917	26,939
<i>General and administrative expenses (%)</i>	<i>28%</i>	<i>74%</i>	<i>28%</i>	<i>44%</i>
Less: Share-based payments and related expenses	2,163	786	5,406	1,201
Less: Acquisition-related compensation	1	9	15	9
Less: Transaction-related expenses	324	509	324	1,839
Less: Charitable contributions	66	10,420	165	10,479
Adjusted General and Administrative Expenses	5,548	5,553	17,007	13,411
<i>Adjusted General and Administrative Expenses (%)</i>	<i>19%</i>	<i>24%</i>	<i>21%</i>	<i>22%</i>

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

	December 31, 2022	March 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	207,565	223,072
Trade and other receivables	20,266	25,476
Refundable tax credits	7,225	10,443
Prepaid expenses	4,573	5,861
	<u>239,629</u>	<u>264,852</u>
Non-current assets		
Contract acquisition costs	11,091	10,858
Property and equipment	6,971	8,704
Intangible assets	15,966	20,605
Right-of-use assets	8,032	9,255
Deferred tax assets	3,794	4,616
Goodwill	25,314	26,610
Total assets	<u>310,797</u>	<u>345,500</u>
Liabilities		
Current liabilities		
Trade payable and accrued liabilities	21,420	22,910
Current portion of deferred revenue	52,656	49,879
Current portion of lease obligations	1,902	1,916
	<u>75,978</u>	<u>74,705</u>
Non-current liabilities		
Deferred revenue	265	513
Lease obligations	9,443	11,169
Deferred tax liabilities	2,884	3,677
Total liabilities	<u>88,570</u>	<u>90,064</u>
Shareholders' equity		
Share capital	865,861	859,944
Contributed surplus	25,949	15,295
Deficit	(624,755)	(592,256)
Accumulated other comprehensive loss	(44,828)	(27,547)
Total shareholders' equity	<u>222,227</u>	<u>255,436</u>
Total liabilities and shareholders' equity	<u>310,797</u>	<u>345,500</u>

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

	Nine months ended December 31,	
	2022	2021
	\$	\$
Cash flows from (used in) operating activities		
Net income (loss)	(32,499)	437,661
Items not affecting cash		
Amortization of contract acquisition costs	3,302	2,797
Depreciation of property and equipment	1,951	1,985
Amortization of intangible assets	3,337	1,098
Depreciation of right-of-use assets	1,181	1,138
Interest accretion	-	11,906

Change in redeemable preferred shares – conversion rights component fair value	-	(299,428)
Donation of share capital	-	10,379
Share-based payments	15,628	4,327
Interest on lease obligations	482	550
Change in fair value of short-term investments	-	103
Variation of deferred tax assets and liabilities	323	(189,062)
Unrealized foreign exchange loss (gain)	(581)	232
Changes in non-cash working capital items	7,728	(7,254)
	852	(23,568)
Cash flows from (used in) investing activities		
Business combination, net of cash acquired	(475)	(38,667)
Proceeds from disposal of short-term investments	-	76,351
Additions to property and equipment	(1,046)	(1,118)
Additions to intangible assets	(5)	(756)
	(1,526)	35,810
Cash flows from (used in) financing activities		
Share capital issued	-	195,920
Share capital issuance costs	-	(14,477)
Consideration to a shareholder	-	(14,758)
Proceeds from exercise of stock options	1,579	337
Tax withholding for net share settlement	(599)	-
Payments on lease obligations	(1,889)	(1,683)
	(909)	165,339
Effect of foreign exchange rate changes on cash and cash equivalents	(13,924)	703
Increase (decrease) in cash and cash equivalents during the period	(15,507)	178,284
Cash and cash equivalents – beginning of period	223,072	55,399
Cash and cash equivalents – end of period	207,565	233,683



Source: Coveo Solutions Inc.