

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. 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
	\$	\$	\$	\$
Operating loss	(19,360)	(8,985)	(57,258)	(18,386)
Share-based payment and related expenses ⁽¹⁾	9,122	1,723	13,449	2,908
Amortization of acquired intangible assets ⁽²⁾	1,204	42	2,207	125
Acquisition-related compensation ⁽³⁾	243	121	987	483
Transaction-related expenses ⁽⁴⁾	140	-	1,979	-
Charitable contributions ⁽⁵⁾	64	32	10,544	91
Adjusted Operating Loss	(8,587)	(7,067)	(28,092)	(14,779)

- (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
	\$	\$	\$	\$
Total revenue	25,509	17,434	86,488	64,857
Gross profit	18,674	13,202	65,032	48,455
Gross profit (%)	73%	76%	75%	75%
Add: Share-based payment and related expenses	544	76	980	161
Add: Acquisition-related compensation	84	-	247	-
Adjusted Gross Profit	19,302	13,278	66,259	48,616
Adjusted Gross Profit (%)	76%	76%	77%	75%
Product revenue	23,404	16,229	80,228	60,288
Product cost of revenue	4,878	3,236	16,093	12,791
Product gross profit	18,526	12,993	64,135	47,497
Product gross profit (%)	79%	80%	80%	79%
Add: Share-based payment and related expenses	282	21	512	73
Add: Acquisition-related compensation	57	-	94	-
Adjusted Product Gross Profit	18,865	13,014	64,741	47,570
Adjusted Product Gross Profit (%)	81%	80%	81%	79%
Professional services revenue	2,105	1,205	6,260	4,569
Professional services cost of revenue	1,957	996	5,363	3,611
Professional services gross profit	148	209	897	958
Professional services gross profit (%)	7%	17%	14%	21%
Add: Share-based payment and related expenses	262	55	468	88
Add: Acquisition-related compensation	27	-	153	-
Adjusted Professional Services Gross Profit	437	264	1,518	1,046
Adjusted Professional Services Gross Profit (%)	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
	\$	\$	\$	\$
Sales and marketing expenses	14,121	11,231	47,771	33,606
<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	-
Adjusted Sales and Marketing Expenses	12,324	10,988	44,754	33,051
<i>Adjusted Sales and Marketing Expenses (%)</i>	48%	63%	52%	51%
Research and product development expenses	10,653	5,624	30,099	16,078
<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
Adjusted Research and Product Development Expenses	7,862	4,998	25,266	14,804
<i>Adjusted Research and Product Development Expenses (%)</i>	31%	29%	29%	23%
General and administrative expenses	9,820	4,290	36,759	13,369
<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
Adjusted General and Administrative Expenses	5,467	3,359	18,877	11,877
<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.

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, 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, 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
	\$	\$	\$	\$
Revenue				
SaaS subscription	23,071	15,217	77,853	55,274
Self-managed licenses and maintenance	333	1,012	2,375	5,014
Product revenue	23,404	16,229	80,228	60,288
Professional services	2,105	1,205	6,260	4,569
Total revenue	25,509	17,434	86,488	64,857
Cost of revenue				
Product	4,878	3,236	16,093	12,791
Professional services	1,957	996	5,363	3,611
Total cost of revenue	6,835	4,232	21,456	16,402
Gross profit	18,674	13,202	65,032	48,455
Operating expenses				
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
Total operating expenses	38,034	22,187	122,290	66,841
Operating loss	(19,360)	(8,985)	(57,258)	(18,386)
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
Income (loss) before income tax expense (recovery)	(19,382)	(314,480)	229,307	(488,858)
Income tax expense (recovery)	3	70,451	(188,969)	111,167
Net income (loss)	(19,385)	(384,931)	418,276	(600,025)
Net income (loss) per share				
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
	\$	\$	\$	\$
Share-based payment and related expenses				
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
Total share-based payment and related expenses	9,122	1,723	13,449	2,908

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	
	\$	\$	\$	%	\$	\$	\$	%
Revenue								
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%)
Product revenue	23,404	16,229	7,175	44%	80,228	60,288	19,940	33%
Professional services	2,105	1,205	900	75%	6,260	4,569	1,691	37%
Total revenue	25,509	17,434	8,075	46%	86,488	64,857	21,631	33%
Percentage of total revenue:								
SaaS subscription	91%	87%			90%	85%		
Self-managed licenses and maintenance	1%	6%			3%	8%		
Product revenue	92%	93%			93%	93%		
Professional services	8%	7%			7%	7%		
Total revenue	100%	100%			100%	100%		

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	
	\$	\$	\$	%	\$	\$	\$	%
Cost of revenue								
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%
Total cost of revenue	6,835	4,232	2,603	62%	21,456	16,402	5,054	31%
Gross profit (%)								
Product	79%	80%			80%	79%		
Professional services	7%	17%			14%	21%		
Gross profit	73%	76%			75%	75%		

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 (%)¹ 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.

¹ 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 (%)² 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

² 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 (%)³ was 48% and 63%, respectively. For the years ended March 31, 2022 and March 31, 2021, our Adjusted Sales and Marketing Expenses (%)⁴ 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 (%)⁴ was 31% and 29%, respectively. For the years ended March 31, 2022 and March 31, 2021, our Adjusted Research and Product Development Expenses (%)⁴ was 29% and 23%, respectively.

³ 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 (%)⁴ 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%)
	3,440	1,042	2,398	230%	7,661	3,788	3,873	102%

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.

⁴ 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
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
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
Product revenue	23,404	21,640	18,154	17,030	16,229	15,525	14,537	13,997
Professional services	2,105	1,603	1,358	1,194	1,205	1,237	1,087	1,040
Total revenue	25,509	23,243	19,512	18,224	17,434	16,762	15,624	15,037
Cost of revenue								
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
Total cost of revenue	6,835	6,042	4,223	4,356	4,232	4,450	3,970	3,750
Gross profit	18,674	17,201	15,289	13,868	13,202	12,312	11,654	11,287
Operating expenses								
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
Total operating expenses	38,034	40,638	22,699	20,919	22,187	16,795	14,196	13,663
Operating loss	(19,360)	(23,437)	(7,410)	(7,051)	(8,985)	(4,483)	(2,542)	(2,376)
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
Income (loss) before income tax expense (recovery)	(19,382)	242,205	(50,704)	57,188	(314,480)	(82,491)	(60,214)	(31,673)
Income tax expense (recovery)	3	(184,108)	11,184	(16,048)	70,451	19,163	14,304	7,249
Net income (loss)	(19,385)	426,313	(61,888)	73,236	(384,931)	(101,654)	(74,518)	(38,922)
Net income (loss) per share								
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
Net increase (decrease) in cash and cash equivalents	(10,611)	9,863	167,673	39,308

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:

In thousands of U.S. dollars	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
Total contractual obligations	25,381	8,734	4,278	38,393

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.

