

Coveo Solutions Inc.

Unaudited Condensed Interim Consolidated Financial
Statements

**For the three and nine months ended
December 31, 2021**

(expressed in thousands of US dollars)

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at December 31 and March 31, 2021

(expressed in thousands of US dollars)

	Notes	Dec 31, 2021 \$	March 31, 2021 \$
Assets			
Current assets			
Cash		233,683	55,399
Short-term investments		-	76,472
Trade and other receivables	5	19,676	18,056
Government assistance and refundable tax credits		9,284	4,189
Prepaid expenses		4,495	3,953
		<u>267,138</u>	<u>158,069</u>
Non-current assets			
Contract acquisition costs	6	10,538	8,624
Property and equipment		8,745	9,577
Intangible assets	4	23,437	584
Right-of-use assets		9,142	10,268
Deferred tax assets		5,011	5,672
Goodwill	4	<u>22,232</u>	<u>1,247</u>
Total assets		<u>346,243</u>	<u>194,041</u>
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	8	21,057	16,550
Current portion of deferred revenue		45,242	37,144
Current portion of lease obligations		<u>1,807</u>	<u>1,555</u>
		68,106	55,249
Non-current liabilities			
Deferred revenue		569	680
Lease obligations		11,188	12,588
Redeemable preferred shares			
Debt component	10	-	195,701
Conversion rights component	10	-	742,653
Deferred tax liabilities	10	<u>-</u>	<u>186,249</u>
Total liabilities		79,863	1,193,120
Shareholders' Equity (Deficiency)			
Share capital	9	859,065	16,957
Conversion rights – Series A	10	-	1,105
Contributed surplus		9,984	5,794
Deficit		(572,871)	(995,774)
Accumulated other comprehensive loss		<u>(29,798)</u>	<u>(27,161)</u>
Total shareholders' equity (deficiency)		266,380	(999,079)
Total liabilities and shareholders' equity (deficiency)		<u>346,243</u>	<u>194,041</u>

Approved by the Board of Directors

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

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Unaudited)

For the nine months ended December 31, 2021 and 2020

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

	Notes	Number	Share capital \$	Conversion rights Series A \$	Contributed surplus \$	Deficit \$	Accumulated other comprehensive income (loss) \$	Total shareholders' equity (deficiency) \$
Balance as at March 31, 2020		18,285,716	12,579	1,105	5,267	(395,749)	31,033	(345,765)
Net loss		-	-	-	-	(215,094)	-	(215,094)
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(47,299)	(47,299)
Total comprehensive loss								(262,393)
Share-based compensation	11	-	-	-	1,228	-	-	1,228
Exercise of stock options	11	53,975	100	-	(28)	-	-	72
Balance as at Dec 31, 2020		18,339,691	12,679	1,105	6,467	(610,843)	(16,266)	(606,858)
Balance as at March 31, 2021		22,340,441	16,957	1,105	5,794	(995,774)	(27,161)	(999,079)
Net income		-	-	-	-	437,661	-	437,661
Foreign currency differences on translation to presentation currency		-	-	-	-	-	(2,637)	(2,637)
Total comprehensive income								435,024
Consideration to a shareholder	9	-	-	-	-	(14,758)	-	(14,758)
Donation of share capital	9	857,122	10,113	-	-	-	-	10,113
Conversion of redeemable preferred shares	10	63,356,738	651,645	(1,105)	-	-	-	650,540
Share capital issued	9	16,620,996	195,920	-	-	-	-	195,920
Share capital issuance costs	9	-	(16,044)	-	-	-	-	(16,044)
Share-based compensation	11	-	-	-	4,327	-	-	4,327
Exercise of stock options	11	187,262	474	-	(137)	-	-	337
Balance as at Dec 31, 2021		103,362,559	859,065	-	9,984	(572,871)	(29,798)	266,380

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

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Income or Loss and Comprehensive Income or Loss (Unaudited)

For the three and nine months ended December 31, 2021 and 2020

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

		Three months ended December 31,		Nine months ended December 31,	
	Note	2021 \$	2020 \$	2021 \$	2020 \$
Revenue	13				
SaaS subscription		21,153	14,120	54,782	40,057
Self-managed licenses and maintenance		487	1,405	2,042	4,002
Product revenue		21,640	15,525	56,824	44,059
Professional services		1,603	1,237	4,155	3,364
Total revenue		23,243	16,762	60,979	47,423
Cost of revenue					
Product		4,476	3,585	11,215	9,555
Professional services		1,566	865	3,406	2,615
Total cost of revenue		6,042	4,450	14,621	12,170
Gross profit		17,201	12,312	46,358	35,253
Operating expenses					
Sales and marketing		12,182	8,514	33,650	22,375
Research and product development		9,076	3,766	19,446	10,454
General and administrative		17,277	3,560	26,939	9,079
Depreciation of property and equipment		684	491	1,985	1,403
Amortization of intangible assets		1,042	62	1,098	182
Depreciation of right-of-use assets		377	402	1,138	1,161
Total operating expenses		40,638	16,795	84,256	44,654
Operating loss		(23,437)	(4,483)	(37,898)	(9,401)
Change in redeemable preferred shares – conversion rights component fair value	10	(269,200)	72,749	(299,428)	151,557
Net financial expenses	15	2,930	4,262	12,560	11,888
Foreign exchange loss		628	997	281	1,532
Income (loss) before income taxes		242,205	(82,491)	248,689	(174,378)
Income tax expense (recovery)		(184,108)	19,163	(188,972)	40,716
Net income (loss)		426,313	(101,654)	437,661	(215,094)
Other comprehensive income (loss)					
Items that may be reclassified to the consolidated statements of income (loss)					
Foreign currency differences on translation to presentation currency		(6,989)	(25,113)	(2,637)	(47,299)
Total comprehensive income (loss)		419,324	(126,767)	435,024	(262,393)
Net income (loss) per share	12				
Basic		7.65	(5.55)	13.05	(11.74)
Diluted		(0.24)	(5.55)	(0.41)	(11.74)

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

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the three and nine months ended December 31, 2021 and 2020

(expressed in thousands of US dollars)

	Notes	Three months ended December 31,		Nine months ended December 31,	
		2021 \$	2020 \$	2021 \$	2020 \$
Cash flows from (used in) operating activities					
Net income (loss)		426,313	(101,654)	437,661	(215,094)
Items not affecting cash					
Bad debt expense		8	-	31	-
Amortization of contract acquisition costs	6	987	832	2,797	2,468
Depreciation of property and equipment		684	491	1,985	1,403
Amortization of intangible assets		1,042	62	1,098	182
Depreciation of right-of-use assets		377	402	1,138	1,161
Interest accretion	10, 15	2,753	4,040	11,906	11,574
Change in redeemable preferred shares – conversion rights component fair value	10	(269,200)	72,749	(299,428)	151,557
Donation of share capital	9	10,379	-	10,379	-
Share-based compensation	11	2,853	503	4,327	1,228
Change in fair value of short-term investments	15	12	46	103	(201)
Interest on lease obligations	15	176	184	550	538
Variation of deferred tax assets and liabilities		(184,118)	19,154	(189,062)	40,661
Unrealized foreign exchange loss		679	988	232	1,533
Changes in non-cash working capital items	16	(868)	2,519	(7,285)	8,361
		(7,923)	316	(23,568)	5,371
Cash flows from (used in) investing activities					
Business combination, net of cash acquired	4	(38,667)	-	(38,667)	-
Proceeds from disposal of short-term investments		46,479	7,611	76,351	26,066
Additions to property and equipment		(451)	(821)	(1,118)	(2,240)
Additions to intangible assets		(155)	(115)	(756)	(115)
		7,206	6,675	35,810	23,711
Cash flows from (used in) financing activities					
Share capital issued	9	195,920	-	195,920	-
Share capital issuance costs	9, 16	(14,477)	-	(14,477)	-
Consideration to a shareholder	9	(14,758)	-	(14,758)	-
Proceeds from exercise of stock options	11	215	22	337	72
Payments on lease obligations net of lease incentives received		(551)	(125)	(1,683)	(386)
		166,349	(103)	165,339	(314)
Effect of foreign exchange rate changes on cash		874	344	703	677
Increase in cash during the period		166,506	7,232	178,284	29,445
Cash – beginning of period		67,177	38,304	55,399	16,091
Cash – end of period		233,683	45,536	233,683	45,536

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

Coveo Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

December 31, 2021

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

1. Incorporation and nature of activities

Coveo Solutions Inc. ("Coveo" of the "Company"), incorporated under the Canada Business Corporations Act on August 26, 2004, is a global leader in applied artificial intelligence ("AI") solutions that enables enterprises to deliver relevant digital experiences at scale. Coveo's cloud-native, multi-tenant software as a service ("SaaS") platform is the intelligence layer that injects search, recommendations, and personalization solutions into digital experiences to provide connected relevance for multiple use cases across commerce, service, website, and workplace applications.

The Company's registered head office is located at 3175 Chemin des Quatre-Bourgeois, Suite 200, Quebec, Quebec, Canada G1W 2K7.

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

2. Basis of preparation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Certain information and disclosures have been omitted or condensed. The accounting policies and methods of computation described in the annual audited consolidated financial statements for the year ended March 31, 2021 were applied consistently in the preparation of these unaudited condensed interim consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read together with the Company's audited consolidated financial statements for the year ended March 31, 2021.

Seasonality of interim operations

The operations of the Company can be seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full year or any future period.

Use of estimates and judgements

In preparing these unaudited condensed interim consolidated financial statements, management makes judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended March 31, 2021.

On October 14, 2021, the Company completed the acquisition of all of the shares of Qubit Digital Ltd and its subsidiaries ("Qubit") as described in note 4. The Company uses valuation techniques to determine the fair value of identifiable intangible assets acquired, which are based on a forecast of total expected future net discounted cashflows. The valuations are linked closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

Coveo Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements (Unaudited) December 31, 2021

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

3. Future Accounting Standard Changes

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

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

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

4. Business combination

On October 14, 2021, the Company completed the acquisition of all of the shares of Qubit. Incorporated in the United Kingdom, Qubit is a leader in AI-powered personalization solutions for merchandising teams. The total consideration of \$42,727 consisted of \$40,225 paid in cash on the closing date and \$2,502 payable subsequently. As at December 31, 2021, this amount was included in trade payable and accrued liabilities in the consolidated statement of financial position. Additional cash may be paid by (returned to) the Company due to post-closing adjustments for working capital and net indebtedness.

The Company incurred acquisition-related costs of \$1,696 which have been recorded in general and administrative expenses in the consolidated statements of income or loss.

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

	\$
Current assets	
Cash	4,060
Government assistance and refundable tax credits	1,499
Trade and other receivables	1,629
	<u>7,188</u>
Property and equipment	107
Intangible assets	23,600
Goodwill	21,333
Total assets	<u>52,228</u>
Current liabilities	
Trade payable and accrued liabilities	5,043
Deferred revenue	4,458
Total liabilities	<u>9,501</u>
Fair value of net assets acquired	42,727
Less: Cash acquired	<u>4,060</u>
Fair value of net assets acquired less cash acquired	<u>38,667</u>

The allocation of the purchase price to assets acquired and liabilities assumed was based upon preliminary valuation and may be subject to adjustment during the 12-month measurement period following the acquisition date. The goodwill related to the acquisition of Qubit is composed of the acquired workforce as well as the benefits of adding scale to Coveo's commerce solutions and increasing its go-to-market presence in Europe. The goodwill is not deductible for tax purposes.

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(Unaudited)

December 31, 2021

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

5. Trade and other receivables

	Dec 31, 2021 \$	March 31, 2021 \$
Trade accounts receivable, net of allowance for expected credit losses	18,140	17,951
Unbilled receivable	82	44
Sales tax receivable	1,454	61
	19,676	18,056

6. Contract acquisition costs

	Nine months ended Dec 31,	
	2021 \$	2020 \$
Balance at beginning	8,624	8,098
Addition	4,742	2,525
Amortization	(2,797)	(2,468)
Effect of movement in exchange rate	(31)	226
Balance at end	10,538	8,381

7. Credit facility

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

8. Trade payable and accrued liabilities

	Dec 31, 2021 \$	March 31, 2021 \$
Trade accounts payable	2,115	1,790
Accrued compensation and benefits	10,048	8,667
Sales taxes payable	274	396
Accrued liabilities	8,620	5,697
	21,057	16,550

Coveo Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

December 31, 2021

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

9. Share capital (including redeemable preferred shares)

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

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

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

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

- Series A preferred shares were entitled to receive the original issue price plus any declared and unpaid dividend and a liquidation preference equal to \$0.0589659 per share;
- Series B preferred shares were entitled to receive the original issue price plus 12% per annum on the original issue price;
- Series C preferred shares were entitled to receive the original issue price plus 8% per annum on the original issue price;
- Series D preferred shares were entitled to receive the original issue price plus 5% per annum on the original issue price;
- Series E preferred shares were entitled to receive the original issue price plus 5% per annum on the original issue price;
- Series F preferred shares were entitled to receive the original issue price plus 5% per annum on the original issue price; and
- Where the assets available for distribution were insufficient to pay the full amount, the priority order would have been as follows: (i) Series F and Series E preferred shares, (ii) Series D preferred shares, (iii) Series C preferred shares, (iv) Series B preferred shares, and (v) Series A preferred shares.

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

Coveo Solutions Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

December 31, 2021

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

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

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

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

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

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

On November 24, 2021, the Company completed its IPO and issued 14,340,000 subordinate voting shares at CA\$15 per share, for total gross proceeds of \$169,197. Share issuance costs amounted to \$14,589, resulting in net cash proceeds of \$154,608.

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

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

Other transactions

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

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

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

December 31, 2021

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

The following table presents the changes in the share capital:

	Nine months ended Dec 31, 2021		Nine months ended Dec 31, 2020	
	Number of shares	Value \$	Number of shares	Value \$
Common shares				
Balance at beginning of year	22,340,441	16,957	18,285,716	12,579
Exercise of stock options	145,937	362	53,975	100
Amendment and redesignation of common shares to multiple voting shares	(22,486,378)	(17,319)	-	-
Outstanding – end of period	-	-	18,339,691	12,679
Subordinate voting shares				
Balance at beginning of year	-	-	-	-
Conversion from multiple voting shares	27,205,999	213,089	-	-
Share capital issued	16,620,996	195,920	-	-
Share capital issuance costs	-	(16,044)	-	-
Outstanding – end of period	43,826,995	392,965	-	-
Multiple voting shares				
Balance at beginning of year	-	-	-	-
Donation of share capital	857,122	10,113	-	-
Amendment and redesignation of common shares to multiple voting shares	22,486,378	17,319	-	-
Conversion from redeemable preferred shares	63,356,738	651,645	-	-
Exercise of stock options	41,325	112	-	-
Conversion to subordinate voting Shares	(27,205,999)	(213,089)	-	-
Outstanding – end of period	59,535,564	466,100	-	-
	103,362,559	859,065	18,339,691	12,679

10. Redeemable preferred shares

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

On November 24, 2021, the Company completed the Reorganization of its share capital, whereby all of the Company's issued and outstanding classes of redeemable preferred shares were converted into multiple voting shares on a one-for-one basis, and the Company's articles were then amended to repeal and delete all existing preferred shares from the authorized share capital of the Company (note 9). The conversion of the outstanding redeemable preferred shares converted into multiple voting shares on a one-for-one basis resulted in 63,356,738 multiple voting shares. In addition, the related deferred tax liabilities were reduced to \$Nil upon that conversion.

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(Unaudited)

December 31, 2021

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

Series A preferred shares

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

Series B to Series F preferred shares

On November 24, 2021, the redeemable preferred shares conversion rights component was revalued to an amount corresponding to the difference between the fair value of the multiple voting shares issued and the redeemable preferred shares debt component. The change in the redeemable preferred shares conversion rights component was recorded as a change in fair value in the consolidated statement of income or loss and comprehensive income or loss.

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

The following table presents the changes in the Series A, Series B, Series C, Series D, Series E, and Series F preferred shares:

	Liability component		Equity component	
	Face value	Debt component	Conversion rights component (Series B to F)	Conversion rights (Series A)
	\$	\$	\$	\$
Balance as at March 31, 2020	198,519	158,604	249,445	1,105
Interest accretion	7,339	11,574	-	-
Change in redeemable preferred shares – conversion rights component fair value	-	-	151,557	-
Effect of movement in exchange rate	23,126	18,816	33,246	-
Balance as at Dec 31, 2020	228,984	188,994	434,248	1,105
Balance as at March 31, 2021	234,424	195,701	742,653	1,105
Interest accretion	7,736	11,906	-	-
Change in redeemable preferred shares – conversion rights component fair value	-	-	(299,428)	-
Effect of movement in exchange rate	(2,694)	(2,381)	2,089	-
Conversion to share capital	(239,466)	(205,226)	(445,314)	(1,105)
Balance as at Dec 31, 2021	-	-	-	-

11. Share-based compensation

In 2005, the Company adopted a stock option plan ("the Legacy Option Plan"), which was subsequently amended and restated in 2019. Stock options granted under the Legacy Option Plan generally vest at a rate of 25% annually over four years and have a term of ten years. In connection with the IPO, the Company amended the Legacy Option Plan such that outstanding options granted thereunder are exercisable for multiple voting shares and no further awards can be made under the Legacy Option Plan.

In connection with the IPO, the Company also adopted the Omnibus Incentive Plan, which allows the Board to grant long-term equity-based awards to eligible participants, including stock options, restricted share units ("RSUs"), performance share units ("PSUs"), and deferred share units ("DSUs"). As at December 31, 2021, no PSUs and DSUs were granted.

The number of subordinate voting shares reserved for the issuance under the Omnibus Incentive Plan and the Legacy option plan is collectively 25,884,151.

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

Stock options

The following table presents the changes in the outstanding stock options:

	Nine months ended Dec 31, 2021		Nine months ended Dec 31, 2020	
	Number of options	Weighted average exercise price CA \$	Number of options	Weighted average exercise price CA \$
Balance at beginning of year	10,144,356	2.84	12,714,490	1.88
Granted	3,962,000	14.59	1,603,250	5.46
Exercised	(187,262)	2.25	(53,975)	1.80
Forfeited	(287,578)	5.84	(117,194)	3.30
Expired	-	-	(7,678)	0.50
Outstanding – end of period	13,631,516	6.20	14,138,893	2.27
Exercisable – end of period	6,889,821	2.26	8,991,512	1.44

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

Range of exercise prices	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$
CA\$0.47 to CA\$1.50	3,484,708	4.18	1.22
CA\$2.81 to CA\$4.08	4,450,315	6.81	2.93
CA\$5.00 to CA\$10.80	1,764,993	8.60	5.58
CA\$12.19 to CA\$15.75	3,931,500	6.47	14.61
Balance at end	13,631,516	6.27	6.20

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For the nine months period ended December 31, 2021, the stock options granted include 3,300,000 performance-based stock options granted to the Chairman and Chief Executive Officer and to the President and Chief Technology Officer. The performance-based stock options are divided into five tranches that may become earned upon the satisfaction of the applicable performance condition at any time during the six-year period following the IPO. To the extent earned based on the applicable performance conditions, each tranche of the performance-based stock options will vest and become exercisable over a three-year period, in equal quarterly increments. The performance condition for each tranche will be satisfied on the date the 60-day volume-weighted average share price of the subordinate voting shares meets or exceeds the stock price hurdle, based on a target growth from the price of the subordinate voting shares at the date of the IPO (CA\$15), as provided in the table below:

Tranches	Number of options	Stock price hurdles CA\$
Price Hurdle 1	660,000	19.50
Price Hurdle 2	660,000	25.50
Price Hurdle 3	660,000	31.50
Price Hurdle 4	660,000	40.50
Price Hurdle 5	660,000	45.00

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

	Nine months ended Dec 31,	
	2021	2020
Exercise price of the option and current price of the underlying share (\$CA)	14.59	5.46
Expected term of the option (in years)	4.00	4.05
Expected volatility of the underlying share for the expected term of the option	50%	50%
Expected dividend yield on the underlying share for the expected term of the option	Nil	Nil
Risk-free interest rate for the expected term of the award	1.79%	0.36%
Weighted average fair value of option (\$CA)	5.01	2.34
Number of options granted	3,962,000	1,603,250

Restricted share units

RSUs will be settled by the issuance of shares at the vesting date and generally vest at a rate of 33% on the first anniversary of the grant date and in eight equal quarterly tranches thereafter until fully vested. The RSUs fair value is determined by using the quoted share price of the trading date immediately before the date of issuance. For the three months ended December 31, 2021, 1,374,673 RSUs were granted with a weighted average fair value of CA\$15. As at December 31, 2021, 1,374,673 RSUs were outstanding, and no RSUs were exercisable.

Share-based compensation expense

For the three months ended December 31, 2021, share-based compensation expense of \$2,853 (\$503 for the three months ended December 31, 2020) was recorded in the consolidated statements of profit or loss and comprehensive income or loss with a corresponding credit to contributed surplus.

For the nine months ended December 31, 2021, share-based compensation expense of \$4,327 (\$1,228 for the nine months ended December 31, 2020) was recorded in the consolidated statements of profit or loss and comprehensive income or loss with a corresponding credit to contributed surplus.

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12. Net income (loss) per share

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

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net income (loss)	426,313	(101,654)	437,661	(215,094)
Plus (less):				
Interest accretion on redeemable preferred shares – debt component	2,753	-	11,906	-
Change in redeemable preferred shares – conversion rights component fair value	(269,200)	-	(299,428)	-
Deferred tax on redeemable preferred shares	(184,352)	-	(189,722)	-
Net loss used in diluted net income (loss) per share calculation	(24,486)	(101,654)	(39,583)	(215,094)

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

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
Basic weighted average number of shares outstanding	55,701,559	18,326,538	33,537,536	18,314,865
Plus dilutive effect of:				
Redeemable preferred shares	37,187,651	-	54,601,989	-
Stock options	8,179,623	-	7,943,282	-
RSUs	567,800	-	189,955	-
Diluted weighted average number of shares outstanding	101,636,633	18,326,538	96,272,762	18,314,865

For the three and nine months ended December 31, 2021, 1,414,250 and 501,025 stock options, respectively, were excluded from the diluted weighted average number of shares as their effect on dilution would have been nil or anti-dilutive.

For the three and nine months ended December 31, 2020, a net loss was recorded and therefore there is no adjustment to the net loss, and the basic and diluted weighted average number of shares used in the calculation is the same.

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13. Revenue

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

	Three months ended December 31,		Nine months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Canada	1,160	1,149	3,205	3,285
United States	18,336	14,278	50,226	40,388
Others	3,747	1,335	7,548	3,750
	23,243	16,762	60,979	47,423

As at December 31, 2021, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	Within one year \$	Between one and two years \$	More than two years \$	Total \$
SaaS subscription	72,179	45,697	20,026	137,902
Self-managed licenses and maintenance	171	-	-	171
	72,350	45,697	20,026	138,073

As at December 31, 2020, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is as follows:

	Within one year \$	Between one and two years \$	More than two years \$	Total \$
SaaS subscription	48,544	24,534	11,754	84,832
Self-managed licenses and maintenance	1,553	-	-	1,553
	50,097	24,534	11,754	86,385

14. Employee compensation

The following table presents employee compensation expenses of the Company:

	Three months ended December 31,		Nine months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Salary and other short-term benefits	22,025	15,086	57,678	42,211
Share-based compensation and related expenses	2,853	503	4,327	1,228
	24,878	15,589	62,005	43,439

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

	Three months ended December 31,		Nine months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Cost of revenue – Product	140	24	230	51
Cost of revenue – Professional services	132	16	206	33
Sales and marketing	695	131	1,153	312
Research and product development	1,100	130	1,537	287
General and administrative	786	202	1,201	545
	2,853	503	4,327	1,228

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

	Three months ended December 31,		Nine months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Cost of revenue – Product	219	97	598	293
Cost of revenue – Professional services	78	111	234	252
Research and product development	839	1,995	4,532	5,403
	1,136	2,203	5,364	5,948

15. Net financial expenses

	Three months ended December 31,		Nine months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Interest accretion	2,753	4,040	11,906	11,574
Interest on lease obligations	176	184	550	538
Change in fair value of short-term investments	12	46	103	(201)
Interest expense (revenue)	(11)	(8)	1	(23)
	2,930	4,262	12,560	11,888

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16. Consolidated statements of cash flows

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

	Three months ended December 31,		Nine months ended December 31,	
	2021 \$	2020 \$	2021 \$	2020 \$
Trade and other receivables	(4,395)	(1,238)	(587)	11,345
Government assistance and refundable tax credits	(778)	1,285	(3,684)	755
Prepaid expenses	1,262	(64)	(462)	(484)
Contract acquisition costs	(1,896)	(1,035)	(4,742)	(2,525)
Trade payable and accrued liabilities	416	1,816	(1,457)	1,713
Deferred revenue	4,523	1,755	3,647	(2,443)
	(868)	2,519	(7,285)	8,361

As at December 31, 2021, share capital issuance costs in trade payable and accrued liabilities were \$1,567 (nil in 2020) and additions to property and equipment included in trade payable and accrued liabilities were \$22 (\$318 in 2020).

17. Financial instruments

The Company estimated the fair value of its financial instruments as described below.

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

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

Prior to the completion of the IPO, the fair value of redeemable preferred shares recognized in the consolidated statements of financial position had been determined using a combination of a Black-Scholes option pricing model and a partial differential equation approach in order to determine the fair market value of the enterprise value of the Company, the fair value of the debt component at inception, and the fair value of the conversion rights component.

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

	Fair value hierarchy	Dec 31, 2021 \$	March 31, 2021 \$
Short-term investments	Level 2	-	76,472
Redeemable preferred shares conversion rights component	Level 3	-	742,653