

February 7, 2022



# Coveo Reports Third Quarter Fiscal 2022 Financial Results

*SaaS Subscription Revenue grew 50% year-over-year to \$21.2 million*

*Total revenue increased 39% percent year-over-year to \$23.2 million*

*Current SaaS Subscription Remaining Performance Obligations grew 49% to \$72.2 million*

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

MONTREAL and SAN FRANCISCO, Feb. 07, 2022 (GLOBE NEWSWIRE) -- [Coveo Solutions Inc.](#) ("Coveo" or the "Company") (TSX: CVO), a leader in AI-powered relevance platforms that helps to transform search, recommendations, and personalization within digital experiences, today announced financial results for its third quarter of fiscal 2022, ended December 31, 2021.

"We delivered record results in the third quarter demonstrating the demand for AI-powered relevance within modern digital businesses," said Louis Têtu, Chairman and CEO of Coveo. "People expect personalized and relevant digital experiences when interacting with businesses across commerce, websites, customer service, and in the workplace, and this can only be achieved by leveraging sophisticated AI. For more than a decade, Coveo and now the Coveo Relevance Cloud™ platform have been at the forefront of a sizeable opportunity for AI to transform business at scale. We are well positioned to capture this demand across industries and pursue our mission of democratizing AI-powered digital experiences for every business."

## **Third Quarter Fiscal 2022 Financial Highlights**

- SaaS Subscription Revenue grew 50% year-over-year to \$21.2 million.
- Total revenue was \$23.2 million, an increase of 39% year-over-year compared to \$16.8 million in the third quarter of fiscal 2021.
- Current SaaS Subscription Remaining Performance Obligations of \$72.2 million as of December 31, 2021, up 49% year-over-year compared to \$48.5 million in the third quarter of fiscal 2021.
- Gross profit percentage was 74%, an increase of 55 basis points compared to the third quarter of fiscal 2021.
- Operating loss was \$23.4 million and Adjusted Operating Loss<sup>(1)</sup> was \$8.1 million.
- Net income was \$426.3 million, compared to a net loss of \$101.7 million in the third quarter of fiscal 2021. Net income in the third quarter of fiscal 2022 was impacted by a non-cash gain of \$269.2 million and an associated income tax recovery of \$184.4 million, each related to our preferred shares, which were converted into multiple voting shares immediately prior to our IPO.
- Net income per share was \$7.65, compared to a net loss per share of \$5.55 in the third quarter of fiscal 2021.

- Net cash used in operations was \$7.9 million, and cash was \$233.7 million as of December 31, 2021.

### Third Quarter Fiscal 2022 Operational Highlights

- Net Expansion Rate of 112% as of December 31, 2021.
- Completed the acquisition of Qubit Digital Ltd, a UK-based leader in AI-powered personalization for merchandising teams, on October 14, 2021.
- Raised \$195.9 million in gross proceeds (\$179.9 million in net proceeds) from our initial public offering of 14,340,000 subordinate voting shares and concurrent private placement of 129,996 additional subordinate voting shares, which closed on November 24, 2021, and the exercise of the over-allotment option for an additional 2,151,000 subordinate voting shares, which closed on December 1, 2021.
- Released Deep Learning Case Classification model, which greatly improves the quality of support cases submitted by users through automatic prompting of relevant classification tags.
- Introduced our Smart Snippets feature, which automatically extracts answer snippets from content to enable users to get direct answers to their queries without having to navigate away from the results page.
- Announced a deeper integration with Adobe Experience Manager, including the release of Coveo for Adobe Experience Manager on the Adobe Exchange marketplace, to make it easier for digital leaders and developers to bring robust, relevant search experiences to Adobe-powered websites, intranets, online stores, and technical documentation.
- Launched Coveo Search and Recommendations for SAP Commerce on the SAP® Store to allow retailers and manufacturers to leverage Coveo's complementary enterprise-class AI to get even more out of SAP Commerce Cloud and deliver the buying experience today's consumers expect.

### Financial Outlook

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

	Q4 FY'22	Full Year FY'22
SaaS Subscription Revenue	\$21.5 – \$22.0 million	\$76.3 – \$76.8 million
Total Revenue	\$23.5 – \$24.0 million	\$84.5 – \$85.0 million
Adjusted Operating Loss <sup>(1)</sup>	\$9.5 – \$10.5 million	\$29.0 – \$30.0 million
Weighted Average Shares Outstanding	103.4 – 103.9 million	50.8 – 51.3 million

These statements are forward-looking and actual results may differ materially. Please refer to the "Forward-Looking Information" section below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Coveo's outlook also constitutes a "financial outlook" within the meaning of applicable securities laws and is provided for the purposes of assisting the reader in understanding the Company's financial performance and measuring progress toward management's objectives and the reader is cautioned that it may not be appropriate for other purposes.

\* \* \* \* \*

(1) Adjusted Operating Loss is a non-IFRS measure. Please see the “Non-IFRS Measures and Key Performance Indicators” section below.

## **Conference Call Information**

Coveo will host a conference call today at 5:00 p.m. Eastern time today to discuss its financial results for its fiscal third quarter 2022. The call will be hosted by Louis Têtu, Chairman and CEO, and Jean Lavigueur, CFO.

Date:	Monday, February 7, 2022
Time:	5:00 p.m. Eastern time
Dial in number:	Canada/US: 888-394-8218 Confirmation Code: 6876328
Live webcast:	<a href="http://ir.coveo.com">ir.coveo.com</a> under the “News & Events” section Webcast will be available for one year at <a href="http://ir.coveo.com">ir.coveo.com</a>

## **Non-IFRS Measures and Key Performance Indicators**

Coveo’s unaudited interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The information presented in this press release includes a non-IFRS financial measure, namely Adjusted Operating Loss. This measure is not a recognized measure under IFRS and does not have standardized meanings prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. Rather, this measure is provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective.

Accordingly, this measure should not be considered in isolation nor as a substitute for analysis of the Company’s financial information reported under IFRS. Adjusted Operating Loss is used to provide investors with a supplemental measure of the Company’s operating performance and thus highlight trends in Coveo’s core business that may not otherwise be apparent when relying solely on IFRS measures. The Company’s management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Coveo’s management uses and intends to continue to use non-IFRS measures in order to facilitate operating performance comparisons from period to period, and to prepare annual operating budgets and forecasts.

See the “Non-IFRS Measures” section of our interim management’s discussion and analysis dated February 7, 2022 (the “MD&A”), which is available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com), for a description of this measure. See the financial tables below for a reconciliation of Adjusted Operating Loss to operating loss.

This press release also refers to SaaS Subscription Revenue, Current SaaS Subscription Remaining Performance Obligations and Net Expansion Rate, which are operating metrics used in Coveo’s industry. Please refer to the “Key Performance Indicators” section of our MD&A for a description of these metrics.

## **Forward-Looking Information**

This press release contains “forward-looking information” within the meaning of applicable securities laws, including Coveo’s financial outlook on SaaS Subscription Revenue, Total Revenue, Adjusted Operating Loss, and Weighted Average Shares Outstanding for the three months and the year ending on March 31, 2022. This forward-looking information is identified by the use of terms and phrases such as “may”, “would”, “should”, “could”, “might”, “will”, “achieve”, “occur”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe”, “continue”, “target”, “opportunity”, “strategy”, “scheduled”, “outlook”, “forecast”, “projection”, or “prospect”, the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. In addition, any statements that refer to expectations, intentions, projections, or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates, and projections regarding future events or circumstances.

Coveo’s financial outlook on SaaS Subscription Revenue, Total Revenue, Adjusted Operating Loss, and Weighted Average Shares Outstanding also constitutes “financial outlook” within the meaning of applicable securities laws and is provided for the purposes of assisting the reader in understanding the Company’s financial performance and measuring progress toward management’s objectives and the reader is cautioned that it may not be appropriate for other purposes.

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, and is subject to known and unknown risks, uncertainties, assumptions, and other factors 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 final supplemented PREP prospectus dated November 17, 2021, which is available under our profile on SEDAR at [www.sedar.com](http://www.sedar.com). There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made.

You should not rely on these forward-looking statements, as actual outcomes and results may differ materially from those contemplated by these forward-looking statements as a result of such risks and uncertainties. Additional information will also be set forth in other filings that we make with the CSA from time to time. All forward-looking statements in this press release are based on information available to us as of the date hereof, and we do not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

### **About Coveo Solutions Inc.**

We believe that relevance and personalization are critical for businesses to win in the new digital experience economy, to serve people the way they expect, and that applied AI is an imperative. Coveo is a market-leading AI-powered relevance platform. Our SaaS-native, multi-tenant platform injects search, recommendations, and personalization solutions into digital experiences. We provide solutions for commerce, service, website, and workplace

applications. Our solutions are designed to provide tangible value to our customers by helping drive conversion and revenue growth, reduce customer support costs, increase self-service, customer satisfaction and website engagement, and improve employee proficiency and satisfaction. Our AI powers relevant interactions for hundreds of the world's most innovative brands and is supported by a large network of global system integrators and implementation partners.

Coveo is a trademark of Coveo Solutions Inc.

## Contact Information

Nick Goode  
Investor Relations  
[investors@coveo.com](mailto:investors@coveo.com)

Kiyomi Harrington  
PR Lead  
[kharrington@coveo.com](mailto:kharrington@coveo.com)

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

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	
Revenue				
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	(269,200)	72,749	(299,428)	151,557
Net financial expenses	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				
Basic	7.65	(5.55)	13.05	(11.74)
Diluted	(0.24)	(5.55)	(0.41)	(11.74)
Weighted average number of shares outstanding				
Basic	55,701,559	18,326,538	33,537,536	18,314,865
Diluted	101,636,633	18,326,538	96,272,762	18,314,865

## Condensed Interim Consolidated Statements of Income or Loss and Comprehensive Income or Loss

(expressed in thousands of US dollars, unaudited)

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

## Reconciliation of Adjusted Operating Loss to operating loss

(expressed in thousands of US dollars, unaudited)

	Three months ended December 31,		Nine months ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Operating loss	(23,437)	(4,483)	(37,898)	(9,401)
Share-based compensation and related expenses (1)	2,853	503	4,327	1,228
Amortization of acquired intangible assets (2)	1,003	41	1,003	83
Acquisition-related compensation (3)	502	121	744	363

Transaction-related expenses (4)	509	-	1,839	-
Charitable contributions (5)	10,420	28	10,479	60
	<hr/>			
Adjusted Operating Loss	(8,150)	(3,790)	(19,506)	(7,667)
	<hr/>			

(1) These expenses represent non-cash expenditures recognized in connection with issued stock options and other awards under share-based plans to our employees and directors as well as related payroll taxes given that they are directly attributable to share-based compensation.

(2) This expense represents the amortization of intangible assets acquired through the Tooso, Inc. and Qubit acquisitions.

(3) These expenses relate to non-recurring compensation that is associated with the ongoing employment obligations for certain employees in connection with the Tooso, Inc. and Qubit acquisitions.

(4) These expenses represent expenses related to professional, legal, consulting, and accounting fees relating to the IPO and the acquisition of Qubit.

(5) These expenses represent charitable contributions of the Company, including the one-time 1% pledge of our equity.

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

	Dec 31, 2021 \$	March 31, 2021 \$
<b>Assets</b>		
Current assets		
Cash	233,683	55,399
Short-term investments	-	76,472
Trade and other receivables	19,676	18,056
Government assistance and refundable tax credits	9,284	4,189
Prepaid expenses	4,495	3,953
	<hr/> 267,138	<hr/> 158,069
Non-current assets		
Contract acquisition costs	10,538	8,624
Property and equipment	8,745	9,577
Intangible assets	23,437	584
Right-of-use assets	9,142	10,268
Deferred tax assets	5,011	5,672
Goodwill	22,232	1,247
	<hr/> 346,243	<hr/> 194,041
<b>Liabilities</b>		
Current liabilities		
Trade payable and accrued liabilities	21,057	16,550
Current portion of deferred revenue	45,242	37,144
Current portion of lease obligations	1,807	1,555
	<hr/>	<hr/>

	68,106	55,249
Non-current liabilities		
Deferred revenue	569	680
Lease obligations	11,188	12,588
Redeemable preferred shares		
Debt component	-	195,701
Conversion rights component	-	742,653
Deferred tax liabilities	-	186,249
Total liabilities	79,863	1,193,120
Shareholders' Equity (Deficiency)		
Share capital	859,065	16,957
Conversion rights – Series A	-	1,105
Contributed surplus	9,984	5,794
Deficit	(572,871)	(995,774)
Accumulated other comprehensive loss	(29,798)	(27,161)
Total shareholders' equity (deficiency)	266,380	(999,079)
Total liabilities and shareholders' equity (deficiency)	346,243	194,041

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

	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	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	2,753	4,040	11,906	11,574
Change in redeemable preferred shares – conversion rights component fair value	(269,200)	72,749	(299,428)	151,557
Donation of shares	10,379	-	10,379	-
Share-based compensation	2,853	503	4,327	1,228
Change in fair value of short-term investments	12	46	103	(201)
Interest on lease obligations	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	(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	(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	195,920	-	195,920	-
Share capital issuance costs	(14,477)	-	(14,477)	-
Consideration to a shareholder	(14,758)	-	(14,758)	-
Proceeds from exercise of stock options	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



Source: Coveo Solutions Inc.