



Coveo Reports First Quarter Fiscal 2024 Financial Results

SaaS Subscription Revenue⁽¹⁾ grew 19% year-over-year to \$28.5 million (20% growth in constant currency⁽²⁾)

Adjusted Operating Loss⁽³⁾ of \$2.8 million, well ahead of issued guidance, with FY'24 guidance improved to \$11.5 – \$13.5 million

Coveo's Relevance Generative Answering™ Design Partner Program launched with 20 large global customers, with 25 additional customers joining the Advisory Group Program

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

MONTREAL and SAN FRANCISCO – August 8, 2023 – [Coveo](#) (the "Company") (TSX: CVO), a leader in AI platforms that transform digital experiences with intelligent search, recommendations, 1:1 personalization, and merchandising, today announced financial results for its first quarter of fiscal 2024 ended June 30, 2023.

"Our years of experience in developing applied AI solutions for large, complex enterprises have allowed us to bring to market what we believe is a transformative offering in generative AI," said Louis Têtu, Chairman and CEO of Coveo. "I'm thrilled with the early interest and feedback from our design partners and customers, and excited about how we can quickly help enterprises realize the value that Coveo Relevance Generative Answering™ can bring."

During the quarter, the Company announced the launch of Coveo Relevance Generative Answering™, a powerful and natural extension of its industry leading solutions, combining Large Language Model ("LLM") technology with the secure indexing and relevance capabilities of the Coveo Relevance Cloud™ AI platform. Coveo Relevance Generative Answering™ is one of the first solutions to address critical challenges around leveraging LLMs for enterprise use cases, including issues such as enforcing security and privacy, controlling hallucinations, and ensuring up-to-date answers while offering a cost-effective, unified user experience. The Company is currently working with 20 design partners, such as Informatica, Synopsis, VMware, Xero, and Zoom, as well as 25 additional customers in its advisory group. Coveo expects to provide access to Coveo Relevance Generative Answering™ to its design partners in the second quarter of fiscal 2024 and make it generally available during fiscal 2024.

"It was another quarter of solid progress during a very exciting time for Coveo. Our business achieved 20% growth in constant currency for SaaS Subscription Revenue in Q1, and we continued to accelerate our path to profitability. I am pleased with the operational efficiency of our business in the current business environment, enabling us to prudently invest for future growth," said Brandon Nussey, CFO of Coveo.

First Quarter Fiscal 2024 Financial Highlights

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

- SaaS Subscription Revenue⁽¹⁾ of \$28.5 million compared to \$24.0 million, an increase of 19%, or 20% in constant currency⁽²⁾.
- Total revenue was \$30.5 million compared to \$26.5 million, an increase of 15%, or 16% in constant currency⁽²⁾.
- Current SaaS Subscription Remaining Performance Obligations⁽¹⁾ of \$94.4 million as of June 30, 2023, up 12% compared to \$84.4 million as of June 30, 2022.
- Gross margin was 78%, an increase of 3%, and product gross margin was 82%, an increase of 2%.

- Operating loss was \$7.6 million, a significant improvement compared to \$13.3 million, and Adjusted Operating Loss⁽³⁾ was \$2.8 million, a significant improvement compared to \$7.5 million.
- Net loss was \$7.0 million compared to net loss of \$12.5 million.
- Cash flow from operating activities was \$1.0 million.
- Cash and cash equivalents were \$201.2 million as of June 30, 2023.

The reconciliation table in the appendices highlights the impact of foreign exchange rate fluctuations on SaaS Subscription Revenue⁽¹⁾ and total revenue for the three months ended June 30, 2023.

First Quarter Fiscal 2024 Operational Highlights

- Net Expansion Rate⁽¹⁾ of 109% as of June 30, 2023.
- The Company achieved the status of Adobe Gold Partner, a recognition of its excellence providing personalized digital experiences for customers within the Adobe ecosystem. As a Gold Partner, Coveo will enjoy additional benefits, including access to Adobe product teams, prioritized planning with Adobe's sales team, and preferential marketing opportunities, among others.
- Announced the Coveo Relevance Cloud™ AI platform's achievement of the ISO 27001 certification, underscoring the Company's commitment to customer security and trust. The certification recognizes Coveo's adherence to rigorous standards in protecting sensitive information and systems, enabling enterprises to leverage Coveo's AI platform with confidence. The ISO 27001 certification establishes Coveo's systematic and documented approach to information security, ensuring the confidentiality, integrity, and availability of customer data while complying with applicable laws and regulations.
- Coveo services are now available on the Amazon Web Services ("AWS") Canada (Central) Region, enabling Canadian customers to store their data securely in-country and leverage benefits such as lower latency, greater fault tolerance, and increased flexibility for critical cloud workloads. Coveo's availability now spans multiple AWS Regions globally, including Europe, the United States, and Australia, and its AI-powered search is accessible through the [AWS Marketplace](#).

Subsequent Highlights

- On July 12, 2023, the Company announced that it had completed the purchase of 3,706,194 of its subordinate voting shares (including 480,000 multiple voting shares on an as-converted basis) at C\$8.50 per share under its substantial issuer bid (launched May 30, 2023), for an aggregate purchase price of approximately C\$31.5 million, and that it had also authorized a normal course issuer bid ("NCIB") to buy back up to 2,559,247 subordinate voting shares of the Company over the twelve-month period beginning on July 17, 2023 and ending on July 16, 2024.
- Coveo's Relevance Cloud™ AI Platform won "Best LLM Application" in the 2023 AI Breakthrough Awards, highlighting its leadership in AI and paving the way for its groundbreaking generative AI solution, Coveo Relevance Generative Answering™.
- Coveo announces the planned retirement of Guy Gauvin from his role as Chief Operating Officer of the Company. As part of the succession plan spearheaded by Coveo's compensation committee and its board of directors, Mr. Gauvin will transition into a Senior Advisor role effective August 8, 2023, with his responsibilities to be distributed to other members of the senior management team of the Company.

Financial Outlook

While the macroeconomic environment continues to impact new bookings, we are encouraged by the early demand for Coveo Relevance Generative Answering™ and the pipeline generated through our partnership with SAP. In light of this, Coveo anticipates SaaS Subscription Revenue⁽¹⁾, Total Revenue, and Adjusted Operating Loss⁽³⁾ to be in the following ranges:

	Q2 FY'24	Full Year FY'24
SaaS Subscription Revenue ⁽¹⁾	\$28.8 – \$29.3 million	\$118.0 – \$120.0 million
Total Revenue	\$30.8 – \$31.3 million	\$127.0 – \$129.0 million
Adjusted Operating Loss ⁽³⁾	\$1.5 – \$2.5 million	\$11.5 – \$13.5 million

Coveo continues to expect to achieve positive operating cash flow in its next fiscal year (fiscal 2025) as it executes on its growth plan while continuing to improve its efficiency.

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

- Achieving expected levels of sales of SaaS subscriptions to new and existing customers, including timing of those sales, as well as expected levels of renewals of SaaS subscriptions with existing customers.
- Achieving expected levels of implementations and other sources of professional services revenue.
- Maintaining planned levels of operating margin represented by our Adjusted Gross Profit Measures⁽³⁾ and Adjusted Gross Margin Measures⁽²⁾.
- Expected financial performance as measured by our Adjusted Operating Expense Measures⁽³⁾ and Adjusted Operating Expense (%) Measures⁽²⁾.
- Stabilization of ongoing headwinds, including those related to economic and geopolitical factors, impacting sales cycles, pricing, and the ability to generate new business.
- Our ability to attract and retain key personnel required to achieve our plans.
- Similar foreign exchange rates, inflation rates, interest rates, customer spending, and other macro-economic conditions.
- Our financial outlook does not include the impact of acquisitions that may be announced or closed from time to time.

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

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⁽¹⁾ SaaS Subscription Revenue, Current SaaS Subscription Remaining Performance Obligations, and Net Expansion Rate are Key Performance Indicators of Coveo. Please see the “Key Performance Indicators” section below.

⁽²⁾ Adjusted Gross Margin Measures, Adjusted Operating Expense (%) Measures, Adjusted Product Gross Margin, SaaS Subscription Revenue growth at constant currency, and total revenue growth at constant currency are non-IFRS ratios. Please see the “Non-IFRS Measures and Ratios” section below and the reconciliation tables within this release.

⁽³⁾ Adjusted Gross Profit Measures, Adjusted Operating Expense Measures, Adjusted Operating Loss, SaaS Subscription Revenue at constant currency, and total revenue at constant currency are non-IFRS measures. Please see the “Non-IFRS Measures and Ratios” section below and the reconciliation tables within this release.

Establishment of an Automatic Securities Purchase Plan

Coveo also announced today that, in connection with the NCIB, it recently entered into an automatic securities purchase plan (the "ASPP") with BMO Capital Markets, as designated broker responsible for the NCIB. The ASPP is intended to allow for the purchase of subordinate voting shares under the NCIB at times when Coveo would ordinarily not be permitted to purchase its securities due to regulatory restrictions and customary self-imposed blackout periods.

Pursuant to the ASPP, Coveo may provide instructions to the designated broker to purchase subordinate voting shares within pre-established parameters without further instructions by Coveo, in compliance with the rules of the Toronto Stock Exchange ("TSX"), applicable securities laws, and the terms of the ASPP. The ASPP has been pre-cleared by the TSX and will be available for use as of August 10, 2023.

Outside the ASPP, subordinate voting shares may be purchased under the NCIB based on management's discretion, in compliance with the rules of the TSX and applicable securities laws. The NCIB commenced on July 17, 2023 and will end no later than July 16, 2024. All purchases made under the ASPP, if any, will be included in computing the number of subordinate voting shares purchased under the NCIB. As of the date hereof, Coveo has not purchased any subordinate voting shares under the NCIB, as the NCIB was launched during a customary self-imposed quarterly blackout period.

Q1 Conference Call and Webcast Information

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

Conference Call: <https://emportal.ink/44ijQei>

Use the link above to join the conference call without operator assistance. If you prefer to have operator assistance, please dial: 1-888-664-6392

Live Webcast: <https://app.webinar.net/beyXkqVMWK0>

Webcast Replay: ir.coveo.com under the "News & Events" section

Non-IFRS Measures and Ratios

Coveo's unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The information presented in this press release includes non-IFRS financial measures and ratios, namely (i) Adjusted Operating Loss; (ii) Adjusted Gross Profit, Adjusted Product Gross Profit, and Adjusted Professional Services Gross Profit (collectively referred to as our "Adjusted Gross Profit Measures"); (iii) Adjusted Gross Margin, Adjusted Product Gross Margin, and Adjusted Professional Services Gross Margin (collectively referred to as our "Adjusted Gross Margin Measures"); (iv) Adjusted Sales and Marketing Expenses, Adjusted Research and Product Development Expenses, and Adjusted General and Administrative Expenses (collectively referred to as our "Adjusted Operating Expense Measures"); (v) Adjusted Sales and Marketing Expenses (%), Adjusted Research and Product Development Expenses (%), and Adjusted General and Administrative Expenses (%) (collectively referred to as our "Adjusted Operating Expense (%) Measures"); (vi) SaaS Subscription Revenue growth at constant currency; (vii) total revenue growth at constant currency; (viii) SaaS Subscription Revenue at constant currency; and (ix) total revenue at constant currency (collectively, with the measures set forth in (vi), (vii) and (viii) of the foregoing, the "Constant Currency Measures and Ratios"). These measures and ratios are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures and ratios are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective.

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

See the "Non-IFRS Measures" section of our latest MD&A, which is available under our profile on SEDAR+ at www.sedarplus.ca for a description of these measures, other than the Constant Currency Measures and Ratios which are defined in the tables appended to this press release. Please refer to the financial tables appended to this press release for a description of such measures and a reconciliation of (i) Adjusted Operating Loss to operating loss; (ii) Adjusted Gross Profit to gross profit; (iii) Adjusted Product Gross Profit to product gross profit; (iv) Adjusted Professional Services Gross Profit to professional services gross profit; (v) Adjusted Sales and Marketing Expenses to sales and marketing expenses; (vi) Adjusted Research and Product Development Expenses to research and product development expenses; (vii) Adjusted General and Administrative Expenses to general and administrative expenses; (viii) SaaS Subscription Revenue at constant currency to SaaS Subscription Revenue; (ix) total revenue at constant currency to total revenue; (x) SaaS Subscription Revenue growth at constant currency to SaaS Subscription Revenue growth; and (xi) total revenue growth at constant currency to total revenue growth.

Key Performance Indicators

This press release refers to "SaaS Subscription Revenue", "Current SaaS Subscription Remaining Performance Obligations", and "Net Expansion Rate", which are operating metrics used in Coveo's industry. We monitor such key performance indicators to help us evaluate our business, measure our performance, identify trends, formulate business plans, and make strategic decisions. These key performance indicators provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use industry metrics in the evaluation of issuers. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

"SaaS Subscription Revenue" means Coveo's SaaS subscription revenue, as presented in our financial statements in accordance with IFRS.

"Current SaaS Subscription Remaining Performance Obligations" is a forward-looking indicator of anticipated future revenue under contract that has not yet been recognized as revenue but that is expected to be recognized over the next 12 months, as presented in our financial statements in accordance with IFRS.

"Net Expansion Rate" is calculated by considering a cohort of customers at the end of the period 12 months prior to the end of the period selected and dividing the SaaS Annualized Contract Value (as defined below) attributable to that cohort at the end of the current period selected, by the SaaS Annualized Contract Value attributable to that cohort at the beginning of the period 12 months prior to the end of the period selected. Expressed as a percentage, the ratio (i) excludes any SaaS Annualized Contract Value from new customers added during the 12 months preceding the end of the period selected; (ii) includes incremental SaaS Annualized Contract Value made to the cohort over the 12

months preceding the end of the period selected; and (iii) is net of the SaaS Annualized Contract Value from any customers whose subscriptions terminated or decreased over the 12 months preceding the end of the period selected.

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

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

Forward-Looking Information

This press release contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, including with respect to Coveo’s financial outlook on SaaS Subscription Revenue, Total Revenue, and Adjusted Operating Loss for the three months ending September 30, 2023 and the year ending March 31, 2024 and expectations and timing around achieving positive operating cash flow, as well as statements around demand for Coveo Relevance Generative Answering and pipeline generated through our partnership with SAP (collectively, “forward-looking information”). This forward-looking information is identified by the use of terms and phrases such as “may”, “would”, “should”, “could”, “might”, “will”, “achieve”, “occur”, “expect”, “intend”, “estimate”, “anticipate”, “plan”, “foresee”, “believe”, “continue”, “target”, “opportunity”, “strategy”, “scheduled”, “outlook”, “forecast”, “projection”, or “prospect”, the negative of these terms and similar terminology, including references to assumptions, although not all forward-looking information contains these terms and phrases. In addition, any statements that refer to expectations, intentions, projections, or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates, and projections regarding future events or circumstances.

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

Forward-looking information is necessarily based on a number of opinions, estimates, and assumptions (including those discussed under “Financial Outlook” above and those discussed immediately hereunder) that we considered appropriate and reasonable as of the date such statements are made. Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, actual results may vary from the forward-looking information contained herein. Certain assumptions made in preparing the forward-looking information contained in herein include, without limitation (and in addition to those discussed under “Financial Outlook” above): our ability to capitalize on growth opportunities and implement our growth strategy; our ability to attract new customers, both domestically and internationally; the success of our efforts to expand our product portfolio and market reach; our ability to maintain successful strategic relationships with partners and other third parties; market awareness and acceptance of enterprise AI solutions in general and our products in particular; our future capital requirements; the available liquidity under our revolving credit facility; the accuracy of our estimates of market opportunity, growth forecasts, and expectations and timing around achieving positive operating cash flow; our success in identifying and evaluating, as well as financing and integrating, any acquisitions, partnerships, or joint ventures; our ability to execute on our expansion plans; the significant influence of our principal shareholders; our ability to convert pipeline into closed deals, and the timeframe thereof; and the future impact of any worsening of the

COVID-19 pandemic. Moreover, forward-looking information is subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, that may cause the actual results, level of activity, performance, or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to macro-economic uncertainties and the risk factors described under “Risk Factors” in the Company’s most recently filed Annual Information Form available under our profile on SEDAR+ at www.sedarplus.ca. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information, which speaks only as of the date made.

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

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

About Coveo

We believe AI is a competitive imperative to deliver the delightful and relevant digital experiences people expect, while maximizing profitability. Coveo accelerates the application of AI platforms in enterprises, helping them personalize and profitize every experience at scale.

The Coveo Relevance Cloud™ AI platform is a market-leading AI platform that enhances search, recommendations, personalization, and merchandising intelligence in digital experiences across commerce, service, website, and workplace applications. Coveo’s platform includes analytics, AI model testing capabilities, and can easily integrate into almost any digital user experience a large enterprise delivers. Our platform is cloud-native SaaS, multi-tenant, API-first, and headless.

Coveo has been a pioneer in the application of AI within the enterprise. Our Coveo Relevance Generative Answering™ capability, which integrates LLM technology with Coveo's platform to feed generative AI with a common, secure unified index and real-time content, helps to drive relevance at scale and consistent factuality, with secure sources of truth across all channels. Specifically, this helps to solve many of the key challenges of utilizing generative AI for enterprise use cases.

We help hundreds of the world’s leading brands create tangible financial value. We believe our platform is differentiated by its sophisticated applied AI, designed to deliver highly relevant, bespoke digital experiences that drive superior business outcomes. In addition, our platform’s scalability, rapid time to value, enterprise-grade security and compliance, and native integrations with other third-party technology applications set us apart. We are a Salesforce Summit ISVforce Partner, an SAP® Endorsed App, and an Adobe Gold Partner.

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Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

	Three months ended June 30,	
	2023	2022
	\$	\$
Revenue		
SaaS subscription	28,535	24,003
Self-managed licenses and maintenance	-	324
Product revenue	28,535	24,327
Professional services	1,997	2,135
Total revenue	30,532	26,462
Cost of revenue		
Product	5,128	4,758
Professional services	1,544	1,977
Total cost of revenue	6,672	6,735
Gross profit	23,860	19,727
Operating expenses		
Sales and marketing	13,460	14,561
Research and product development	9,182	9,132
General and administrative	6,809	7,093
Depreciation of property and equipment	577	692
Amortization of intangible assets	1,006	1,161
Depreciation of right-of-use assets	395	397
Total operating expenses	31,429	33,036
Operating loss	(7,569)	(13,309)
Net financial revenue	(1,677)	(399)
Foreign exchange loss (gain)	1,004	(500)
Loss before income tax expense (recovery)	(6,896)	(12,410)
Income tax expense (recovery)	59	109
Net loss	(6,955)	(12,519)
Other comprehensive loss		
Items that may be reclassified to the consolidated statements of income (loss):		
Foreign currency differences on translation to presentation currency	3,428	(8,602)
Total comprehensive loss	(3,527)	(21,121)
Net loss per share – Basic and diluted	(0.07)	(0.12)
Weighted average number of shares outstanding – Basic and diluted	105,656,216	103,829,091

Condensed Interim Consolidated Statements of Loss and Comprehensive Income Loss

(expressed in thousands of US dollars, unaudited)

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

	Three months ended June 30,	
	2023	2022
	\$	\$
Share-based payments and related expenses		
Product cost of revenue	236	182
Professional services cost of revenue	163	144
Sales and marketing	40	1,531
Research and product development	1,556	1,433
General and administrative	1,752	1,185
Share-based payments and related expenses	3,747	4,475

Reconciliation of Adjusted Operating Loss to Operating Loss

(expressed in thousands of US dollars)

	Three months ended June 30,	
	2023	2022
	\$	\$
Operating loss	(7,569)	(13,309)
Share-based payments and related expenses ⁽¹⁾	3,747	4,475
Amortization of acquired intangible assets ⁽²⁾	1,005	1,160
Acquisition-related compensation ⁽³⁾	-	211
Adjusted Operating Loss	(2,817)	(7,463)

- (1) These expenses relate to issued stock options, restricted share units, and other awards under share-based plans to our employees and directors as well as related payroll taxes that are directly attributable to the share-based payments. These costs are included in product and professional services cost of revenue, sales and marketing, research and product development, and general and administrative expenses.
- (2) These expenses represent the amortization of intangible assets acquired through the acquisition of Qubit Digital Ltd ("Qubit"). These costs are included in amortization of intangible assets.
- (3) These expenses relate to non-recurring acquisition-related compensation in connection with acquisitions. These costs are included in product and professional services cost of revenue, and sales and marketing, research and product development, and general and administrative expenses.

Reconciliation of Adjusted Gross Profit Measures and Adjusted Gross Margin Measures

(expressed in thousands of US dollars)

	Three months ended June 30,	
	2023	2022
	\$	\$
Total revenue	30,532	26,462
Gross profit	23,860	19,727
<i>Gross margin</i>	<i>78%</i>	<i>75%</i>
Add: Share-based payments and related expenses	399	326
Add: Acquisition-related compensation	-	81
Adjusted Gross Profit	24,259	20,134
<i>Adjusted Gross Margin</i>	<i>79%</i>	<i>76%</i>
Product revenue	28,535	24,327
Product cost of revenue	5,128	4,758
Product gross profit	23,407	19,569
<i>Product gross margin</i>	<i>82%</i>	<i>80%</i>
Add: Share-based payments and related expenses	236	182
Add: Acquisition-related compensation	-	60
Adjusted Product Gross Profit	23,643	19,811
<i>Adjusted Product Gross Margin</i>	<i>83%</i>	<i>81%</i>
Professional services revenue	1,997	2,135
Professional services cost of revenue	1,544	1,977
Professional services gross profit	453	158
<i>Professional services gross margin</i>	<i>23%</i>	<i>7%</i>
Add: Share-based payments and related expenses	163	144
Add: Acquisition-related compensation	-	21
Adjusted Professional Services Gross Profit	616	323
<i>Adjusted Professional Services Gross Margin</i>	<i>31%</i>	<i>15%</i>

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

(expressed in thousands of US dollars)

	Three months ended June 30,	
	2023	2022
	\$	\$
Sales and marketing expenses	13,460	14,561
<i>Sales and marketing expenses (%)</i>	<i>44%</i>	<i>55%</i>
Less: Share-based payments and related expenses	40	1,531
Less: Acquisition-related compensation	-	34
Adjusted Sales and Marketing Expenses	13,420	12,996
<i>Adjusted Sales and Marketing Expenses (%)</i>	<i>44%</i>	<i>49%</i>
 Research and product development expenses	 9,182	 9,132
<i>Research and product development expenses (%)</i>	<i>30%</i>	<i>35%</i>
Less: Share-based payments and related expenses	1,556	1,433
Less: Acquisition-related compensation	-	88
Adjusted Research and Product Development Expenses	7,626	7,611
<i>Adjusted Research and Product Development Expenses (%)</i>	<i>25%</i>	<i>29%</i>
 General and administrative expenses	 6,809	 7,093
<i>General and administrative expenses (%)</i>	<i>22%</i>	<i>27%</i>
Less: Share-based payments and related expenses	1,752	1,185
Less: Acquisition-related compensation	-	8
Adjusted General and Administrative Expenses	5,057	5,900
<i>Adjusted General and Administrative Expenses (%)</i>	<i>17%</i>	<i>22%</i>

Reconciliation of Constant Currency Measures and Ratios

(expressed in thousands of US dollars)

	Three months ended June 30, 2023	
	SaaS Subscription Revenue	Total revenue
SaaS Subscription Revenue and total revenue, as reported	\$ 28,535	\$ 30,532
Foreign exchange impact on revenue	178	186
SaaS Subscription Revenue and total revenue at constant currency	28,713	30,718
Revenue growth	19%	15%
Revenue growth at constant currency	20%	16%

In this table, SaaS Subscription Revenue and total revenue in currencies other than US dollars are converted into US dollars using the exchange rates from the prior period rather than the actual exchange rates in effect during the current period.

“SaaS Subscription Revenue at constant currency” means SaaS Subscription Revenue of the Company as presented in our financial statements in accordance with IFRS, adjusted for the impact of foreign currency exchange fluctuations. SaaS Subscription Revenue in currencies other than US dollars is converted into US dollars using the exchange rates from the prior period rather than the actual exchange rates in effect during the current period.

“SaaS Subscription Revenue growth at constant currency” means the year-over-year change in SaaS Subscription Revenue at constant currency divided by the reported SaaS Subscription Revenue in the prior period.

“Total revenue at constant currency” means total revenue of the Company as presented in our financial statements in accordance with IFRS, adjusted for the impact of foreign currency exchange fluctuations. Total revenue in currencies other than US dollars is converted into US dollars using the exchange rates from the prior period rather than the actual exchange rates in effect during the current period.

“Total revenue growth at constant currency” means the year-over-year change in total revenue at constant currency divided by the reported total revenue in the prior period.

We believe the Constant Currency Measures and Ratios provide helpful supplemental indicators on comparable SaaS Subscription Revenue and total revenue growth by removing the effect of changes in foreign currency exchange rates year-over-year to aid investors better understand our performance.

Condensed Interim Consolidated Statements of Financial Position

(expressed in thousands of US dollars, unaudited)

	As of June 30, 2023	As of March 31, 2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	201,169	198,452
Trade and other receivables	26,419	24,233
Refundable tax credits	9,545	7,142
Prepaid expenses	6,799	8,707
	243,932	238,534
Non-current assets		
Contract acquisition costs	11,063	11,148
Property and equipment	6,588	6,846
Intangible assets	14,409	15,107
Right-of-use assets	7,408	7,645
Deferred tax assets	3,662	3,896
Goodwill	26,062	25,642
Total assets	313,124	308,818
Liabilities		
Current liabilities		
Trade payable and accrued liabilities	21,107	21,435
Current portion of deferred revenue	60,000	55,260
Current portion of lease obligations	2,082	1,929
Accrued liability for shares to be repurchased under substantial issuer bid	30,220	-
	113,409	78,624
Non-current liabilities		
Lease obligations	8,605	8,940
Deferred tax liabilities	2,599	2,721
Total liabilities	124,613	90,285
Shareholders' equity		
Share capital	869,749	868,409
Contributed surplus	27,550	25,949
Deficit	(668,379)	(631,988)
Accumulated other comprehensive loss	(40,409)	(43,837)
Total shareholders' equity	188,511	218,533
Total liabilities and shareholders' equity	313,124	308,818

Condensed Interim Consolidated Statements of Cash Flows

(expressed in thousands of US dollars, unaudited)

	Three months ended June 30,	
	2023	2022
	\$	\$
Cash flows from operating activities		
Net loss	(6,955)	(12,519)
Items not affecting cash		
Amortization of contract acquisition costs	1,159	1,077
Depreciation of property and equipment	577	692
Amortization of intangible assets	1,006	1,161
Depreciation of right-of-use assets	395	397
Share-based payments	3,454	5,796
Interest on lease obligations	141	170
Variation of deferred tax assets and liabilities	41	83
Unrealized foreign exchange loss (gain)	922	(500)
Changes in non-cash working capital items	268	5,048
	1,008	1,405
Cash flows used in investing activities		
Additions to property and equipment	(154)	(527)
Additions to intangible assets	-	(5)
	(154)	(532)
Cash flows used in financing activities		
Proceeds from exercise of stock options	325	291
Tax withholding for net share settlement	(372)	-
Payments on lease obligations	(552)	(633)
Substantial issuer bid transaction costs	(48)	-
	(647)	(342)
Effect of foreign exchange rate changes on cash and cash equivalents	2,510	(5,935)
Increase (decrease) in cash and cash equivalents during the year	2,717	(5,404)
Cash and cash equivalents – beginning of year	198,452	223,072
Cash and cash equivalents – end of year	201,169	217,668
Cash	31,819	45,088
Cash equivalents	169,350	172,580