Coveo Solutions Inc.

Condensed Interim Consolidated Financial Statements

(unaudited)

For the three months ended June 30, 2024 and 2023
(expressed in thousands of US dollars)

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at June 30, 2024 and March 31, 2024

(expressed in thousands of US dollars)

	Notes	June 30, 2024	March 31, 2024
		$	$
Assets			
Current assets			
Cash and cash equivalents		167,746	166,586
Trade and other receivables	3	30,733	29,947
Government assistance		5,226	9,987
Prepaid expenses		8,412	8,622
		212,117	215,142
Non-current assets			
Contract acquisition costs		9,835	10,168
Property and equipment		5,108	5,608
Intangible assets		7,999	8,710
Right-of-use assets		5,502	6,032
Deferred tax assets		3,370	4,265
Goodwill		25,985	25,960
Total assets		**269,916**	**275,885**
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	4	20,831	21,822
Deferred revenue		64,818	64,731
Current portion of lease obligations		2,089	2,153
Accrued liability for shares to be repurchased under substantial issuer bid	5	36,550	-
		124,288	88,706
Non-current liabilities			
Lease obligations		6,243	6,885
Deferred tax liabilities		1,620	1,771
Total liabilities		132,151	97,362
Shareholders' Equity			
Share capital	5	838,279	836,271
Contributed surplus		42,447	40,484
Deficit		(698,959)	(655,598)
Accumulated other comprehensive loss		(44,002)	(42,634)
Total shareholders' equity		137,765	178,523
Total liabilities and shareholders' equity		**269,916**	**275,885**

Subsequent events (note 11)

Approved by the Board of Directors

(Signed) Louis Têtu Director (Signed) Fay Sien Goon Director

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

Coveo Solutions Inc.

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

For the three months ended June 30, 2024 and 2023

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

	Notes	Number	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
			$	$	$	$	$
Balance as at March 31, 2023		**105,491,290**	**868,409**	**25,949**	**(631,988)**	**(43,837)**	**218,533**
Net loss		-	-	-	(6,955)	-	(6,955)
Foreign currency differences on translation to presentation currency		-	-	-	-	3,428	3,428
Total comprehensive loss							(3,527)
Share-based payments	6	-	-	3,454	-	-	3,454
Exercise of stock options	6	189,116	458	(133)	-	-	325
Settlement of share-based awards, net of shares withheld		175,736	1,348	(1,720)	-	-	(372)
Shares to be repurchased under substantial issuer bid	5	-	(466)	-	(29,436)	-	(29,902)
Balance as at June 30, 2023		**105,856,142**	**869,749**	**27,550**	**(668,379)**	**(40,409)**	**188,511**
Balance as at March 31, 2024		**102,639,312**	**836,271**	**40,484**	**(655,598)**	**(42,634)**	**178,523**
Net loss		-	-	-	(6,104)	-	(6,104)
Foreign currency differences on translation to presentation currency		-	-	-	-	(1,368)	(1,368)
Total comprehensive loss							(7,472)
Share-based payments	6	-	-	4,865	-	-	4,865
Income tax impact associated with share-based payments		-	-	(154)	-	-	(154)
Exercise of stock options, net of shares withheld	6	775,276	1,199	(611)	-	-	588
Settlement of share-based awards, net of shares withheld		186,051	1,249	(2,137)	-	-	(888)
Shares to be repurchased under substantial issuer bid	5	-	(440)	-	(37,257)	-	(37,697)
Balance as at June 30, 2024		**103,600,639**	**838,279**	**42,447**	**(698,959)**	**(44,002)**	**137,765**

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

Coveo Solutions Inc.

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

For the three months ended June 30, 2024 and 2023

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

		Three months ended June 30,	
	Notes	2024	2023
		$	$
Revenue	8		
SaaS subscription		30,557	28,535
Professional services		1,660	1,997
Total revenue		**32,217**	**30,532**
Cost of revenue			
SaaS subscription		5,617	5,128
Professional services		1,354	1,544
Total cost of revenue		**6,971**	**6,672**
Gross profit		**25,246**	**23,860**
Operating expenses			
Sales and marketing		14,527	13,460
Research and product development		10,397	9,182
General and administrative		6,663	6,809
Depreciation of property and equipment		747	577
Amortization of intangible assets		725	1,006
Depreciation of right-of-use assets		378	395
Total operating expenses		**33,437**	**31,429**
Operating loss		**(8,191)**	**(7,569)**
Net financial revenue		(1,726)	(1,677)
Foreign exchange loss (gain)		(981)	1,004
Loss before income tax expense		**(5,484)**	**(6,896)**
Income tax expense		620	59
Net loss		**(6,104)**	**(6,955)**
Other comprehensive loss			
Items that may be reclassified to the consolidated statements of loss:			
Foreign currency differences on translation to presentation currency		(1,368)	3,428
Total comprehensive loss		**(7,472)**	**(3,527)**
Net loss per share – Basic and diluted	7	**(0.06)**	**(0.07)**

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

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the three months ended June 30, 2024 and 2023

(expressed in thousands of US dollars)

	Notes	Three months ended June 30, 2024	2023
		$	$
Cash flows from operating activities			
Net loss		(6,104)	(6,955)
Items not affecting cash			
Amortization of contract acquisition costs		1,091	1,159
Depreciation of property and equipment		747	577
Amortization of intangible assets		725	1,006
Depreciation of right-of-use assets		378	395
Share-based payments	6	4,865	3,454
Interest on lease obligations		116	141
Deferred income tax expense		588	41
Unrealized foreign exchange loss (gain)		(1,082)	922
Changes in non-cash working capital items	10	1,705	268
		3,029	**1,008**
Cash flows used in investing activities			
Additions to property and equipment		(367)	(154)
Additions to intangible assets		(3)	-
		(370)	**(154)**
Cash flows used in financing activities			
Proceeds from exercise of stock options		588	325
Tax withholding for net share settlement		(976)	(372)
Payments on lease obligations		(638)	(552)
Substantial issuer bid transaction costs	5	(38)	(48)
		(1,064)	**(647)**
Effect of foreign exchange rate changes on cash and cash equivalents		(435)	2,510
Increase in cash and cash equivalents during the period		**1,160**	**2,717**
Cash and cash equivalents – beginning of period		166,586	198,452
Cash and cash equivalents – end of period		**167,746**	**201,169**
Cash		18,827	31,819
Cash equivalents		148,919	169,350

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

1. Incorporation and nature of activities

Coveo Solutions Inc. ("Coveo" or the "Company") is incorporated under the Canada Business Corporations Act. Its head office is located at 3175 Chemin des Quatre-Bourgeois, Suite 200, Quebec, Quebec, Canada. Coveo powers search, recommendations, and generative answering in digital experiences. The Company's Software as a Service ("SaaS") artificial intelligence ("AI") platform and suite of AI and generative AI models are designed to transform digital experiences across commerce, service, website, and workplace applications.

The Company's subordinate voting shares are listed on the Toronto Stock Exchange (the "TSX") under the stock symbol "CVO".

2. Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") 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. 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, 2024 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, 2024.

These condensed interim consolidated financial statements have been approved by the Board of Directors and authorized for issuance on August 7, 2024.

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, revenue, and expenses. 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 annual audited consolidated financial statements for the year ended March 31, 2024.

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

3. Trade and other receivables

	June 30, 2024	March 31, 2024
	$	$
Trade accounts receivable	29,529	28,400
Sales tax receivable	771	1,303
Other	498	309
Allowance for expected credit losses	(65)	(65)
	30,733	**29,947**

4. Trade payable and accrued liabilities

	June 30, 2024	March 31, 2024
	$	$
Trade accounts payable	2,075	2,889
Accrued compensation and benefits	12,058	12,885
Sales taxes payable	198	492
Income taxes payable	704	704
Accrued liabilities	5,796	4,852
	20,831	**21,822**

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

5. Share capital

The Company's authorized share capital consists of (i) an unlimited number of subordinate voting shares, (ii) an unlimited number of multiple voting shares, and (iii) an unlimited number of preferred shares.

The following table presents the changes in the share capital:

	Three months ended June 30, 2024		Three months ended June 30, 2023	
	Number of shares	**Value $**	**Number of shares**	**Value $**
Subordinate voting shares				
Balance at beginning of period	59,145,989	503,192	52,445,993	460,755
Exercise of stock options	3,875	30	812	6
Settlement of share-based awards, net of shares withheld	186,051	1,249	175,736	1,348
Conversion from multiple voting shares	865,424	6,062	1,717,572	13,194
Shares to be repurchased under substantial issuer bid	-	(440)	-	(466)
Outstanding – end of period	60,201,339	510,093	54,340,113	474,837
Multiple voting shares				
Balance at beginning of period	43,493,323	333,079	53,045,297	407,654
Exercise of stock options, net of shares withheld	771,401	1,169	188,304	452
Conversion to subordinate voting shares	(865,424)	(6,062)	(1,717,572)	(13,194)
Outstanding – end of period	43,399,300	328,186	51,516,029	394,912
	103,600,639	**838,279**	**105,856,142**	**869,749**

Substantial issuer bid

2024 substantial issuer bid

On June 3, 2024, the board of directors of the Company authorized a substantial issuer bid (the "2024 SIB") to repurchase its subordinate voting shares for cancellation for a maximum amount of C$50,000. The 2024 SIB commenced on June 4, 2024, and expired on July 10, 2024 and proceeded by a way of a modified Dutch auction, whereby shareholders who chose to participate in the 2024 SIB individually selected the price, within a range of not less than C$7.70 and not more than C$9.25 per subordinate voting share, at which they tendered their shares. At the launch of the 2024 SIB, the Company recorded an accrued liability for shares to be repurchased under substantial issuer bid of C$50,000 ($36,635) in the condensed interim consolidated statement of financial position to reflect its maximum commitment to repurchase its subordinate voting shares under the 2024 SIB and accounted for an equivalent amount in deficit. The accrued liability has been reevaluated at the exchange rate in effect on the date of the interim consolidated statement of financial position on June 30, 2024, for an amount of $36,550. As at June 30, 2024, the tax impact associated with shares to be repurchased of $622 was included in trade payable and accrued liabilities and an equivalent amount was recorded in deficit. As at June 30, 2024, transaction costs related to the 2024 SIB of $440 have been recorded as a reduction of share capital. Of this amount, $402 was included in trade payable and accrued liabilities. On July 12, 2024, the Company completed the 2024 SIB as described in note 11.

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

2023 substantial issuer bid

On May 30, 2023, the board of directors of the Company authorized a substantial issuer bid (the "2023 SIB") to repurchase its subordinate voting shares for cancellation for a maximum amount of C$40,000. The 2023 SIB commenced on June 2, 2023, and expired on July 10, 2023 and proceeded by a way of a modified Dutch auction, whereby shareholders who chose to participate, individually selected the price, within a range of not less than C$7.00 and not more than C$8.50 per subordinate voting share, at which they tendered their shares. At the launch of the 2023 SIB, the Company recorded an accrued liability for shares to be repurchased under substantial issuer bid of C$40,000 ($29,436) in the condensed interim consolidated statement of financial position to reflect its maximum commitment to repurchase its subordinate voting shares under the 2023 SIB and accounted for an equivalent amount in deficit. As at June 30, 2023, the transaction costs related to the 2023 SIB of $466 have been recorded as a reduction of share capital. Of this amount, $418 was included in trade payable and accrued liabilities. On July 12, 2023, the Company completed the 2023 SIB and repurchased for cancellation 3,706,194 subordinate voting shares (including 480,000 multiple voting shares on an as-converted basis), at a price of C$8.50 per subordinate voting share, for a total consideration of $23,800.

6. Share-based payments

Stock options

The following table presents information about stock options outstanding and exercisable:

	Three months ended June 30, 2024		Three months ended June 30, 2023	
	Number of options	Weighted average exercise price C$	Number of options	Weighted average exercise price C$
Balance at beginning of period	11,205,236	7.56	13,716,309	7.10
Granted[1]	-	-	403,546	8.25
Exercised	(1,071,246)	2.86	(189,116)	2.34
Forfeited[2]	(443,512)	8.99	(953,202)	10.48
Outstanding – end of period	**9,690,478**	**8.01**	**12,977,537**	**6.95**
Exercisable – end of period	5,589,387	3.80	7,645,040	3.14

(1) Corresponds to Performance Stock Options ("PSOs") with performance based on the level of achievement of pre-determined non-market conditions. PSOs that will actually vest vary from 0% to 100% of the number granted, with target vesting at 66.6%.
(2) During the three months ended June 30, 2024, 255,716 stock options with vesting dependant on performance criteria were forfeited.

The following table provides summary information on the stock options issued and outstanding as at June 30, 2024:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price C$
Range of exercise prices			
C$0.47 to C$1.50	1,370,268	2.26	1.16
C$2.81 to C$4.08	2,590,790	4.20	2.92
C$5.00 to C$10.80	2,076,702	4.77	7.03
C$12.19 to C$15.75	3,652,718	3.71	14.74
Balance at end of period	**9,690,478**	**3.86**	**8.01**

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

Share-based awards

The following tables presents information about restricted share units ("RSUs"), deferred share units ("DSUs") and performance share units ("PSUs") outstanding:

Three months ended June 30, 2024

	RSU		DSU		PSU	
	Number of awards	Weighted average grant date fair value C$	Number of awards	Weighted average grant date fair value C$	Number of awards	Weighted average grant date fair value C$
Balance at beginning of period	2,981,880	9.07	471,607	8.78	152,005	8.10
Granted[(1)]	2,471,808	7.72	3,531	9.75	830,471	7.73
Settled	(309,886)	9.25	-	-	(15,971)	8.01
Forfeited[(1)]	(121,696)	9.65	(4,884)	10.30	(15,876)	8.06
Outstanding – end of period	5,022,106	8.38	470,254	8.77	950,629	7.78

(1) During the three months ended June 30, 2024, 16,933 PSUs with vesting dependant on performance criteria were granted and 8,376 PSUs were forfeited following performance criteria achievement.

Three months ended June 30, 2023

	RSU		DSU		PSU	
	Number of awards	Weighted average grant date fair value C$	Number of awards	Weighted average grant date fair value C$	Number of awards	Weighted average grant date fair value C$
Balance at beginning of period	3,653,952	9.35	453,624	8.75	184,407	8.01
Granted	188,882	8.17	4,154	7.95	-	-
Settled	(213,714)	10.96	(35,750)	9.55	-	-
Forfeited	(272,307)	9.93	(100,000)	10.50	(3,000)	8.01
Outstanding – end of period	3,356,813	9.14	322,028	8.10	181,407	8.01

Share-based payment expense

For the period ended June 30, 2024, a shared-based payment expense of $4,865 ($3,454 in 2023) was recorded in the interim consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus.

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

7. Net loss per share

The Company has stock options and share-based awards as potentially dilutive securities. Diluted net loss per share excludes all potentially dilutive shares if their effect is anti-dilutive. For the three months ended June 30, 2024 and 2023 a net loss was recorded and therefore, all potentially dilutive shares have been excluded from the calculation of the diluted net loss per share because their effect would have been anti-dilutive. Consequently, the basic and diluted number of shares is the same.

	Three months ended June 30,	
	2024	**2023**
	$	**$**
Net loss	(6,104)	(6,955)
Weighted average number of shares outstanding – basic and diluted	102,888,475	105,656,216
Net loss per share – basic and diluted	**(0.06)**	**(0.07)**

The weighted average number of potentially dilutive shares that are not included in the diluted net loss per share calculation because they would be anti-dilutive was 15,780,046 stock options and share-based awards for the three months ended June 30,2024 (16,451,186 in 2023). This weighted average number includes all of the Company's issued and outstanding potentially dilutive shares notwithstanding exercise prices, as applicable.

8. Revenue

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

	Three months ended June 30,	
	2024	**2023**
	$	**$**
Canada	2,015	1,591
United States	24,422	22,933
Other	5,780	6,008
	32,217	**30,532**

As at June 30, 2024, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) was $158,083, of which $94,234 was current and $63,849 non-current.

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

9. Employee compensation

The following table presents employee compensation expenses of the Company, excluding government assistance:

	Three months ended June 30,	
	2024	**2023**
	$	$
Salary and other short-term benefits	22,176	22,767
Share-based payments and related expenses	4,365	3,747
	26,541	**26,514**

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

	Three months ended June 30,	
	2024	**2023**
	$	$
SaaS subscription cost of revenue	138	236
Professional services cost of revenue	39	163
Sales and marketing	929	40
Research and product development	1,487	1,556
General and administrative	1,772	1,752
	4,365	**3,747**

10. Consolidated statements of cash flows

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

	Three months ended June 30,	
	2024	**2023**
	$	$
Trade and other receivables	(885)	(1,987)
Government assistance	4,685	(2,194)
Prepaid expenses	126	2,043
Contract acquisition costs	(793)	(998)
Trade payable and accrued liabilities	(1,632)	(1,119)
Deferred revenue	204	4,523
	1,705	**268**

11. Subsequent events

2024 substantial issuer bid

On July 12, 2024, the Company announced that it had repurchased 6,493,506 subordinate voting shares (including 45,343 multiple voting shares on an as-converted basis) at a price of C$7.70 per subordinate voting share, for an aggregate purchase price of C$50,000, under the 2024 SIB. The Company repurchased approximately 6.24% of the total number of its issued and outstanding shares (prior to purchases under the 2024 SIB) pursuant to the 2024 SIB. The payment and the settlement of the purchased shares was effected by TSX Trust Company, acting as depositary for the 2024 SIB, on July 16, 2024.

Renewal of normal course issuer bid

On July 10, 2024, the board of directors of the Company authorized the renewal of its normal course issuer bid (the "NCIB") to purchase for cancellation a maximum of 2,690,573 subordinate voting shares of the Company, representing approximately 5% of the subordinate voting shares of the Company issued and outstanding as at July 10, 2024, taking into account the 6,493,506 subordinate voting shares (including 45,343 multiple voting shares on an as-converted basis) bought back under the 2024 SIB. The Company is authorized to make purchases under the NCIB over the twelve-month period commencing on July 17, 2024 and ending no later than July 16, 2025, in accordance with the requirements of the TSX and applicable securities laws. The renewal of the NCIB follows on the conclusion of the Company's previous NCIB which expired on July 16, 2024. On July 12, 2024, the Company also announced that, in connection with the renewal of the NCIB, it had renewed its automatic securities purchase plan (the "ASPP") with a designated broker 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 internal trading blackout periods. Pursuant to the ASPP, purchases will be made by the designated broker based on pre-established purchasing parameters, without further instructions by Coveo, in compliance with the rules of the TSX, applicable securities laws, and the terms of the ASPP.

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