Coveo Solutions Inc.

Condensed Interim Consolidated Financial Statements

(unaudited)

For the three and nine months ended December 31, 2024 and 2023
(expressed in thousands of US dollars)

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

As at December 31, 2024 and March 31, 2024

(expressed in thousands of US dollars)

	Notes	December 31, 2024	March 31, 2024
		$	$
Assets			
Current assets			
Cash and cash equivalents		119,108	166,586
Trade and other receivables	3	38,506	29,947
Government assistance		9,144	9,987
Prepaid expenses		6,758	8,622
		173,516	215,142
Non-current assets			
Contract acquisition costs		10,446	10,168
Property and equipment		4,271	5,608
Intangible assets		6,506	8,710
Right-of-use assets		4,514	6,032
Deferred tax assets		2,794	4,265
Goodwill		25,831	25,960
Total assets		**227,878**	**275,885**
Liabilities			
Current liabilities			
Trade payable and accrued liabilities	5	21,178	21,822
Deferred revenue		71,022	64,731
Current portion of lease obligations		1,747	2,153
		93,947	88,706
Non-current liabilities			
Lease obligations		5,159	6,885
Deferred tax liabilities	6	-	1,771
Total liabilities		99,106	97,362
Shareholders' Equity			
Share capital	7	767,684	836,271
Contributed surplus		73,730	40,484
Deficit		(663,035)	(655,598)
Accumulated other comprehensive loss		(49,607)	(42,634)
Total shareholders' equity		128,772	178,523
Total liabilities and shareholders' equity		**227,878**	**275,885**

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 nine months ended December 31, 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		-	-	-	(19,560)	-	(19,560)
Foreign currency differences on translation to presentation currency		-	-	-	-	3,775	3,775
Total comprehensive loss							(15,785)
Share-based payments	8	-	-	11,759	-	-	11,759
Exercise of stock options	8	719,531	1,957	(565)	-	-	1,392
Settlement of share-based awards, net of shares withheld		369,482	2,906	(4,230)	-	-	(1,324)
Shares repurchased and cancelled	7	(4,399,794)	(38,902)	9,253	-	-	(29,649)
Repurchase of stock options	8	-	-	(4,553)	-	-	(4,553)
Balance as at December 31, 2023		**102,180,509**	**834,370**	**37,613**	**(651,548)**	**(40,062)**	**180,373**
Balance as at March 31, 2024		**102,639,312**	**836,271**	**40,484**	**(655,598)**	**(42,634)**	**178,523**
Net loss		-	-	-	(7,437)	-	(7,437)
Foreign currency differences on translation to presentation currency		-	-	-	-	(6,973)	(6,973)
Total comprehensive loss							(14,410)
Share-based payments	8	-	-	13,528	-	-	13,528
Income tax impact associated with share-based payments		-	-	(159)	-	-	(159)
Exercise of stock options, net of shares withheld	8	1,333,107	1,970	(854)	-	-	1,116
Settlement of share-based awards, net of shares withheld		517,097	3,925	(6,159)	-	-	(2,234)
Shares repurchased and cancelled	7	(8,673,091)	(74,482)	26,890	-	-	(47,592)
Balance as at December 31, 2024		**95,816,425**	**767,684**	**73,730**	**(663,035)**	**(49,607)**	**128,772**

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

Coveo Solutions Inc.

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

For the three and nine months ended December 31, 2024 and 2023

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

	Notes	Three months ended December 31, 2024	Three months ended December 31, 2023	Nine months ended December 31, 2024	Nine months ended December 31, 2023
		$	$	$	$
Revenue	10				
SaaS subscription		32,284	29,901	94,015	87,842
Professional services		1,681	1,860	4,907	5,670
Total revenue		**33,965**	**31,761**	**98,922**	**93,512**
Cost of revenue					
SaaS subscription		5,932	5,731	17,107	16,182
Professional services		1,410	1,439	4,039	4,467
Total cost of revenue		**7,342**	**7,170**	**21,146**	**20,649**
Gross profit		**26,623**	**24,591**	**77,776**	**72,863**
Operating expenses					
Sales and marketing		15,282	13,788	43,881	41,146
Research and product development		8,322	9,153	27,367	27,035
General and administrative		6,709	6,409	19,605	20,032
Depreciation of property and equipment		610	605	1,985	1,777
Amortization and impairment of intangible assets		743	721	2,205	5,926
Depreciation of right-of-use assets		355	383	1,091	1,182
Total operating expenses		**32,021**	**31,059**	**96,134**	**97,098**
Operating loss		**(5,398)**	**(6,468)**	**(18,358)**	**(24,235)**
Net financial revenue		(1,052)	(1,663)	(4,040)	(4,970)
Foreign exchange loss (gain)		(6,546)	1,583	(5,804)	1,327
Income (loss) before income tax recovery		**2,200**	**(6,388)**	**(8,514)**	**(20,592)**
Income tax recovery	6	(1,844)	(236)	(1,077)	(1,032)
Net income (loss)		**4,044**	**(6,152)**	**(7,437)**	**(19,560)**
Other comprehensive income (loss)					
Items that may be reclassified to the consolidated statements of loss:					
Foreign currency differences on translation to presentation currency		(8,775)	4,131	(6,973)	3,775
Total comprehensive loss		**(4,731)**	**(2,021)**	**(14,410)**	**(15,785)**
Net income (loss) per share – Basic and diluted	9	**0.04**	**(0.06)**	**(0.07)**	**(0.19)**

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

Coveo Solutions Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

For the nine months ended December 31, 2024 and 2023

(expressed in thousands of US dollars)

	Notes	Nine months ended December 31, 2024	2023
		$	$
Cash flows from (used in) operating activities			
Net loss		(7,437)	(19,560)
Items not affecting cash			
Amortization of contract acquisition costs		3,248	3,337
Depreciation of property and equipment		1,985	1,777
Amortization and impairment of intangible assets		2,205	5,926
Depreciation of right-of-use assets		1,091	1,182
Share-based payments	8	13,528	11,759
Interest on lease obligations		323	407
Deferred income tax recovery		(478)	(987)
Unrealized foreign exchange loss (gain)		(5,826)	1,113
Changes in non-cash working capital items	12	(4,368)	(5,388)
		4,271	**(434)**
Cash flows used in investing activities			
Additions to property and equipment		(836)	(953)
Additions to intangible assets		(17)	(23)
		(853)	**(976)**
Cash flows used in financing activities			
Proceeds from exercise of stock options		1,116	1,392
Tax withholding for net share settlement		(2,454)	(1,267)
Payments on lease obligations		(1,869)	(1,750)
Shares repurchased and cancelled	7	(46,868)	(29,649)
Repurchase of stock options	8	-	(4,553)
		(50,075)	**(35,827)**
Effect of foreign exchange rate changes on cash and cash equivalents		(821)	1,903
Decrease in cash and cash equivalents during the period		**(47,478)**	**(35,334)**
Cash and cash equivalents – beginning of period		166,586	198,452
Cash and cash equivalents – end of period		**119,108**	**163,118**
Cash		42,875	21,854
Cash equivalents		76,233	141,264

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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting". 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 February 10, 2025.

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, except for the deferred tax as explained in note 6.

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

3. Trade and other receivables

	December 31, 2024	March 31, 2024
	$	$
Trade accounts receivable	37,454	28,400
Sales tax receivable	586	1,303
Other	526	309
Allowance for expected credit losses	(60)	(65)
	38,506	**29,947**

4. Credit facility

On August 26, 2024, the Company entered into a new revolving credit facility for an amount of up to $60,000. The credit facility is a standard revolving operating line of credit subject to certain customary financial and other covenants and reporting requirements. The facility is secured by a first ranking hypothec in the principal amount of C$125,000, by a U.S. guarantee and general security agreement entered into by certain of the Company's U.S.-based subsidiaries, and by other customary guarantees. Advances denominated in Canadian dollars bear interest at bank's prime rate plus 0.50% and advances denominated in US dollars bear interest at bank's US base rate. As at December 31, 2024, the Company had not drawn on the credit facility.

5. Trade payable and accrued liabilities

	December 31, 2024	March 31, 2024
	$	$
Trade accounts payable	2,900	2,889
Accrued compensation and benefits	11,456	12,885
Sales taxes payable	302	492
Income taxes payable	38	704
Accrued liabilities	6,482	4,852
	21,178	**21,822**

6. Deferred tax liabilities

During the three months ended December 31, 2024, a revision of accounting estimates related to some of the Company's non-capital losses led to the reversal of an income tax liability and the recognition of a deferred tax asset. The deferred tax asset was recognized to the extent of the previously recognized deferred tax liability related to taxable temporary differences on intangible assets. Since the deferred tax asset and the deferred tax liability are levied by the same authority, they were offset, reducing the deferred tax liability to nil. This change in estimate resulted in an income tax recovery of $2,078, included in the condensed interim consolidated statement of income (loss).

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

7. 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:

	Nine months ended December 31, 2024		Nine months ended December 31, 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	4,499	31
Settlement of share-based awards, net of shares withheld	517,097	3,925	369,482	2,906
Conversion from multiple voting shares	1,147,451	8,001	4,904,432	36,389
Shares repurchased and cancelled(1)	(8,673,091)	(74,482)	(4,399,794)	(38,902)
Outstanding – end of period	52,141,321	440,666	53,324,612	461,179
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	1,329,232	1,940	715,032	1,926
Conversion to subordinate voting shares	(1,147,451)	(8,001)	(4,904,432)	(36,389)
Outstanding – end of period	43,675,104	327,018	48,855,897	373,191
	95,816,425	**767,684**	**102,180,509**	**834,370**

(1) For the nine months ended December 31, 2024, the value includes the tax impact associated with shares repurchased of $724 (nil in 2023) recorded as a reduction of share capital.

Substantial issuer bid

On July 12, 2024, the Company repurchased for cancellation 6,493,506 subordinate voting shares (including 45,343 multiple voting shares on an as-converted basis) following the completion of a substantial issuer bid (the "2024 SIB") at a price of C$7.70 per subordinate voting share, for a total consideration of $36,550. An amount of $54,937 corresponding to the carrying amount of the shares repurchased has been recorded as a reduction of the share capital and an amount of $18,387 corresponding to the excess of carrying value of the shares repurchased over the purchase price has been recorded within contributed surplus. The Company incurred transaction costs of $394 in connection with the 2024 SIB, which were recorded as a reduction of share capital.

Normal course issuer bid

On July 12, 2023, the board of directors of the Company authorized, and the TSX approved, a normal course issuer bid (the "NCIB") to purchase for cancellation a maximum of 2,559,247 subordinate voting shares over the twelve-month period commencing July 17, 2023, and ending no later than July 16, 2024. On July 10, 2024, the board of directors of the Company authorized the renewal of its NCIB to purchase for cancellation a maximum of 2,690,573 subordinate voting shares over the twelve-month period commencing on July 17, 2024 and ending no later than July 16, 2025 (the

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

"2024 NCIB"). Purchases pursuant to the NCIB are made on the open market through the facilities of the TSX or alternative trading systems, at the market price at the time of purchase.

During the nine months ended December 31, 2024, the Company repurchased for cancellation 2,179,585 subordinate voting shares for a total consideration of $9,924. An amount of $18,427 corresponding to the carrying amount of the shares repurchased has been recorded as a reduction of the share capital and an amount of $8,503 corresponding to the excess of carrying value of the shares repurchased over the purchase price has been recorded within contributed surplus.

During the nine months ended December 31, 2023, the Company repurchased for cancellation 693,600 subordinate voting shares for a total consideration of $5,311. An amount of $6,020 corresponding to the carrying amount of the shares repurchased has been recorded as a reduction of the share capital and an amount of $709 corresponding to the excess of carrying value of the shares repurchased over the purchase price has been recorded within contributed surplus. The Company incurred transaction costs of $48 in connection with the NCIB, which were recorded as a reduction of share capital. During that period, the Company also repurchased for cancellation under the NCIB 700,000 stock options of the Company for aggregate consideration of $4,553 at a discount of 5% to the prevailing market price at the time of execution (note 8).

8. Share-based payments

Stock options

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

	Nine months ended December 31, 2024		Nine months ended December 31, 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	(1,629,077)	2.33	(719,531)	2.61
Forfeited(2)	(487,450)	9.33	(1,034,269)	10.43
Repurchased for cancellation(3)	-	-	(700,000)	1.81
Outstanding – end of period	**9,088,709**	**8.40**	**11,666,055**	**7.44**
Exercisable – end of period	5,268,738	4.23	6,756,247	3.51

(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 nine months ended December 31, 2024, 255,716 stock options with vesting dependant on performance criteria were forfeited (nil for the nine months ended December 31, 2023).

(3) During the nine months ended December 31, 2023, the Company repurchased for cancellation under the NCIB 700,000 stock options of the Company at a discount of 5% to the prevailing market price from two former executive officers, for an aggregate consideration of $4,553.

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

The following table provides summary information on the stock options issued and outstanding as at December 31, 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	914,875	1.89	1.39
C$2.81 to C$4.08	2,532,290	3.66	2.92
C$5.00 to C$10.80	2,015,169	4.17	7.04
C$12.19 to C$15.75	3,626,375	3.21	14.76
Balance at end of period	**9,088,709**	**3.41**	**8.40**

Share-based awards

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

Nine months ended December 31, 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]	2,962,743	7.58	291,031	5.89	946,288	7.62
Settled	(833,031)	10.78	(46,565)	7.38	(41,610)	8.13
Forfeited[1]	(374,943)	8.64	(4,884)	10.30	(61,471)	7.85
Outstanding – end of period	**4,736,649**	**7.87**	**711,189**	**7.67**	**995,212**	**7.65**

(1) During the nine months ended December 31, 2024, 16,933 PSUs with vesting dependant on performance criteria were granted and 8,376 PSUs were forfeited as a result of performance criteria achievement.

Nine months ended December 31, 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	451,562	9.48	150,157	10.18	14,300	10.29
Settled	(538,656)	10.79	(35,750)	9.55	-	-
Forfeited	(454,346)	9.67	(100,000)	10.50	(17,858)	8.01
Outstanding – end of period	**3,112,512**	**9.08**	**468,031**	**8.77**	**180,849**	**8.19**

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

Share-based payment expense

For the three months ended December 31, 2024, a share-based payment expense of $4,051 ($3,959 in 2023) was recorded in the interim condensed consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus.

For the nine months ended December 31, 2024, a share-based payment expense of $13,528 ($11,759 in 2023) was recorded in the interim condensed consolidated statements of loss and comprehensive loss with a corresponding credit to contributed surplus.

9. Net income (loss) per share

The Company has stock options and share-based awards as potentially dilutive securities. Diluted net income (loss) per share excludes all potentially dilutive shares if their effect is anti-dilutive. For the nine months ended December 31, 2024 and for the three and nine months ended 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 December 31,		**Nine months ended December 31,**	
	2024	**2023**	**2024**	**2023**
Net income (loss)	4,044	(6,152)	(7,437)	(19,560)
Weighted average number of shares outstanding – basic	96,398,006	102,471,561	99,237,691	103,601,713
Plus dilutive effect of:				
Stock options	2,240,102	-	-	-
Share-based awards	6,220,031	-	-	-
Weighted average number of shares outstanding – diluted	104,858,139	102,471,561	99,237,691	103,601,713
Net income (loss) per share – basic and diluted	**0.04**	**(0.06)**	**(0.07)**	**(0.19)**

The weighted average number of potentially dilutive shares that are not included in the diluted net income (loss) per share calculation because they would be anti-dilutive was 7,228,905 and 15,422,628 stock options and share-based awards for three and nine months ended December 31,2024, respectively (15,600,035 and 16,530,359 in 2023).

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

10. Revenue

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

	Three months ended December 31,		Nine months ended December 31,	
	2024	2023	2024	2023
	$	$	$	$
Canada	2,538	1,742	6,882	5,037
United States	25,612	24,157	74,891	70,687
Other	5,815	5,862	17,149	17,788
	33,965	**31,761**	**98,922**	**93,512**

As at December 31, 2024, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) was $184,210 of which $105,467 is current and $78,743 is non-current.

11. Employee compensation

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

	Three months ended December 31,		Nine months ended December 30,	
	2024	2023	2024	2023
	$	$	$	$
Salary and other short-term benefits	23,107	22,077	66,084	65,963
Share-based payments and related expenses	4,253	4,038	13,017	12,801
	27,360	**26,115**	**79,101**	**78,764**

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

	Three months ended December 31,		Nine months ended December 31,	
	2024	2023	2024	2023
	$	$	$	$
SaaS subscription cost of revenue	241	200	601	666
Professional services cost of revenue	148	119	329	432
Sales and marketing	900	810	2,748	1,747
Research and product development	1,361	1,391	4,239	4,622
General and administrative	1,603	1,518	5,100	5,334
	4,253	**4,038**	**13,017**	**12,801**

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

12. Consolidated statements of cash flows

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

	Nine months ended December 31,	
	2024	**2023**
	$	**$**
Trade and other receivables	(9,111)	(9,097)
Government assistance	299	(3,995)
Prepaid expenses	1,404	1,855
Contract acquisition costs	(3,746)	(2,646)
Trade payable and accrued liabilities	(128)	(21)
Deferred revenue	6,914	8,516
	(4,368)	**(5,388)**

13. Commitments

During the three months ended December 31, 2024, the Company increased its commitments from those disclosed in its audited annual consolidated financial statements for the fiscal year ended March 31, 2024. The Company has entered into certain agreements for property lease for which the term has not yet commenced and for hosting services, which include additional commitments of $49,564 over the next fiscal years. Minimum additional installments under these agreements are $5,814 within one year, $43,150 between one and five years and $600 in more than five years.

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