



D2L INC.

Management's Discussion and Analysis

For the three and six months ended July 31, 2026 and 2025

Dated: September 9, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") comments on the financial performance and financial condition of D2L Inc. ("D2L" or the "Company") for the three and six months ended July 31, 2026.

Unless otherwise stated or the context indicates otherwise, all references to "D2L", the "Company", "we", "us" or "our" refer to D2L Inc., together with our subsidiaries, on a consolidated basis. This MD&A also refers to our fiscal years. Our fiscal year commences on February 1st of each year and ends on January 31st of the following year. Our current fiscal year, which will end on January 31, 2027, is referred to as "Fiscal 2027" or similar words. Our previous fiscal year, which ended on January 31, 2026, is referred to as "Fiscal 2026" or similar words. Other fiscal years are referenced by the applicable calendar year during which the fiscal year ends.

The information in this MD&A should be read in conjunction with: (i) the Company's unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the three and six months ended July 31, 2026, which have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"); (ii) the Company's audited annual consolidated financial statements for the years ended January 31, 2026 and 2025 (the "Annual Financial Statements"), along with the related notes thereto, which have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the IASB; and (iii) the Company's MD&A for the years ended January 31, 2026 and 2025 (the "Annual MD&A").

Additional information relating to D2L, including our most recently filed Annual Information Form ("AIF"), can be found on SEDAR+ at www.sedarplus.com. All amounts are in thousands of United States dollars except where otherwise indicated (including under the "Related Party Transactions" section) and per share amounts.

Forward-Looking Information

This MD&A includes statements containing "forward-looking information" within the meaning of applicable securities laws. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "budget", "scheduled", "estimates", "outlook", "target", "forecasts", "projection", "potential", "prospects", "strategy", "intends", "anticipates", "seek", "believes", "opportunity", "guidance", "aim", "goal" or variations of such words and phrases or statements that certain future conditions, actions, events or results "may", "could", "would", "should", "might", "will", "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions. Statements containing forward-looking information are not historical facts, but instead represent management's expectations, estimates and projections regarding future events or circumstances.

This forward-looking information relates to the Company's future financial outlook and anticipated events or results and includes, but is not limited to, statements under the heading "Financial Outlook" and information regarding: the Company's financial position, financial results, business strategy, performance, achievements, prospects, objectives, opportunities, business plans and growth strategies; the Company's budgets, operations and taxes; judgments and estimates impacting the financial statements; the markets in which the Company operates; industry trends and the Company's competitive position; expansion of the Company's product offerings; the anticipated impacts of future acquisitions; trends in research and development expenses, sales and marketing expenses, and general and administrative expenses, each as a percentage of revenue; planned expenditures in sales and marketing and research and development activities; the timing and pace for achieving scalability; expectations regarding the growth of the Company's customer base, revenue, and revenue generation potential and expectations regarding costs, including as a percentage of revenue; and the Company's equity investment in, and loan to, SkillsWave Corporation ("SkillsWave").

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's assumptions regarding the principal competitive factors in our markets; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our

operations; the ability to seek out, enter into and successfully integrate acquisitions; business and industry trends, including the success of current and future product development initiatives; positive social development and attitudes toward the pursuit of higher education; the Company's ability to maintain positive relationships with its customer base and strategic partners; the Company's ability to adapt and develop solutions that keep pace with continuing changes in technology, education and customer needs including demand for AI; the Company's ability to predict future learning trends and technology; the ability to patent new technologies and protect intellectual property rights; the Company's ability to comply with security, cybersecurity and accessibility laws, regulations and standards; the assumptions underlying the judgments and estimates impacting on financial statements; certain accounting matters, including the impact of changes in or the adoption of new accounting standards; the Company's ability to retain key personnel; the factors and assumptions discussed under the "Financial Outlook" section of the Annual MD&A; and that the list of factors included in the "Summary of Factors Affecting Our Performance" section below, and the "Risk Factors" section of the Company's AIF, do not have a material impact on the Company.

Although the Company believes that the assumptions underlying such forward-looking information were reasonable when made, they are inherently uncertain and are subject to significant risks and uncertainties and may prove to be incorrect. The Company cautions investors that forward-looking information is not a guarantee of the future and that actual results may differ materially from those made in or suggested by the forward-looking information contained in this MD&A. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties and other factors, including but not limited to the risks identified herein, including "Summary of Factors Affecting Our Performance" below or in the "Risk Factors" section of the Company's AIF. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking information prove incorrect, actual results might vary materially from those anticipated in the forward-looking information.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on forward-looking information, including any financial outlook. Any forward-looking information that is contained in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking information or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Non-IFRS and Other Financial Measures

Non-IFRS Financial Measures and Non-IFRS Financial Ratios

The information presented within this MD&A refers to certain non-IFRS financial measures (including non-IFRS ratios) including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Free Cash Flow, Free Cash Flow Margin, and Constant Currency Revenue. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Non-IFRS financial measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS and are unlikely to be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations, financial performance and liquidity from management's perspective and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of the Company. The Company's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to assess our ability to meet our capital expenditures and working capital requirements.

Constant Currency Revenue

"Constant Currency Revenue" is defined as our total revenue with foreign-currency-denominated revenues translated at the historical exchange rates from the comparable prior period into our U.S. dollar functional currency.

Constant Currency Revenue is used by management as a supplemental measure to review and assess operating performance and to provide a more complete understanding of factors and trends affecting the Company's business. Management believes that Constant Currency Revenue is a useful measure of operating performance to review and assess the revenue growth of the Company by removing the impact of period-over-period changes in foreign currency exchange rates. The exclusion of this impact allows for greater comparability between reporting periods.

Adjusted EBITDA and Adjusted EBITDA Margin

"Adjusted EBITDA" is defined as income (loss), excluding interest, taxes, depreciation and amortization (or EBITDA), adjusted for stock-based compensation, foreign exchange gains and losses, non-recurring expenses, transaction-related costs, fair value adjustment of acquired deferred revenue, income (loss) from equity accounted investee, change in fair value on the loan receivable from associate, impairment charges and other income and losses.

"Adjusted EBITDA Margin" is calculated as Adjusted EBITDA expressed as a percentage of total revenue.

Adjusted EBITDA and Adjusted EBITDA Margin are used by management as supplemental measures to review and assess operating performance and to provide a more complete understanding of factors and trends affecting the Company's business. Management believes that Adjusted EBITDA and Adjusted EBITDA Margin are useful measures of operating performance and the Company's ability to generate cash-based earnings, as they provide a more relevant picture of operating results by excluding the effects of financing and investing activities, which removes the effects of interest, depreciation and amortization expenses, change in fair value on the loan receivable from associate, as well as other expenses, as described, that are not reflective of the Company's underlying business.

Free Cash Flow and Free Cash Flow Margin

"Free Cash Flow" is defined as cash flows from (used in) operating activities excluding payments of acquisition-related compensation, less net additions to property and equipment.

"Free Cash Flow Margin" is calculated as Free Cash Flow expressed as a percentage of total revenue.

Free Cash Flow and Free Cash Flow Margin are used by management as supplemental measures to review and assess operating performance and to provide a more complete understanding of factors and trends affecting the Company's business. Management believes that Free Cash Flow and Free Cash Flow Margin are useful measures of operating performance to review and assess the cash available for the Company to pursue strategic business opportunities.

Adjusted Gross Profit and Adjusted Gross Margin

"Adjusted Gross Profit" is defined as gross profit excluding related stock-based compensation expenses and amortization from acquired intangible assets, specifically acquired technology.

"Adjusted Gross Margin" is calculated as Adjusted Gross Profit expressed as a percentage of total revenue.

Adjusted Gross Profit and Adjusted Gross Margin are used by management as supplemental measures to review and assess operating performance and to provide a more complete understanding of factors and trends affecting the Company's business. Management believes that Adjusted Gross Profit and Adjusted Gross Margin are useful measures of operating performance to review and assess the gross profitability of the Company, as they provide a more relevant picture of gross profitability by excluding the effects of non-cash, stock-based compensation expenses and amortization from recently acquired intangible assets, specifically acquired technology.

Reconciliation of Non-IFRS Financial Measures

Constant Currency Revenue

The following table reconciles revenue to Constant Currency Revenue, for the periods indicated:

(in thousands of U.S. dollars)	Three months ended July 31,		Six months ended July 31,	
	2026	2025	2026	2025
	\$	\$	\$	\$
Total revenue for the period	55,569	54,772	112,698	107,607
Positive impact of foreign exchange rate changes over the prior period	(129)	—	(1,576)	—
Constant Currency Revenue	55,440	54,772	111,122	107,607

Adjusted EBITDA and Adjusted EBITDA Margin

The following table reconciles (loss) income to Adjusted EBITDA for the period, and discloses Adjusted EBITDA Margin, for the periods indicated:

(in thousands of U.S. dollars, except for percentages)	Three months ended July 31,		Six months ended July 31,	
	2026	2025	2026	2025
	\$	\$	\$	\$
(Loss) income for the period	(3,064)	2,681	(1,395)	5,949
Stock-based compensation	2,297	2,509	5,928	5,722
Foreign exchange (gain) loss	(323)	122	(444)	(1,414)
Non-recurring expenses ⁽¹⁾	1,047	423	1,220	894
Transaction-related costs ⁽²⁾	21	948	67	1,388
Fair value adjustment of acquired deferred revenue ⁽³⁾	30	109	62	334
Change in fair value of loan receivable from associate ⁽⁴⁾	4,822	(212)	4,822	(384)
Net interest income	(442)	(331)	(1,049)	(828)
Income tax expense (recovery)	725	(72)	2,797	2,523
Depreciation and amortization	1,338	1,331	2,703	2,629
Adjusted EBITDA	6,451	7,508	14,711	16,813
Adjusted EBITDA Margin	11.6%	13.7%	13.1%	15.6%

Notes

- (1) These expenses relate to non-recurring activities, such as changes in workforce or technology whereby certain functions were realigned to optimize operations, and certain one-time adjustments or legal fees incurred that are not indicative of continuing operations.
- (2) These expenses include certain legal and professional fees that are incurred in connection with other strategic transactions. In the prior fiscal year, these expenses include post-combination costs from the acquisition of H5P Group AS ("H5P"), and were partially offset by a gain recognized from the reduction in the second anniversary payment owed to the selling shareholders of Connected Shopping Ltd ("Connected Shopping"), a company acquired in Fiscal 2024, which was recorded through Other income. These expenses would not have been incurred if not for these transactions and are not considered to be indicative of expenses associated with the Company's continuing operations.
- (3) At the date of acquisition in Fiscal 2025, the Company recognized a fair value adjustment on the opening deferred revenue balance acquired as part of the H5P acquisition as required under IFRS 3, Business Combinations. This adjustment is not reflective of ordinary operations and is expected to be substantially completed by the end of Fiscal 2027.

- (4) On a quarterly basis, the Company determines the fair value of the loan advanced to SkillsWave. The adjustments to the fair value of the loan are not reflective of the Company's main business operations and will not impact the Company's future results beyond the maturity date of the loan on June 28, 2029. See "SkillsWave – Loan Receivable" in the "Related Party Transactions" section of this MD&A for further details.

Free Cash Flow and Free Cash Flow Margin

The following table reconciles cash flow from operating activities to Free Cash Flow, and discloses Free Cash Flow Margin, for the periods indicated:

(in thousands of U.S. dollars, except for percentages)

	Three months ended July 31,		Six months ended July 31,	
	2026	2025 ⁽¹⁾	2026	2025 ⁽¹⁾
	\$	\$	\$	\$
Cash flow from operating activities	28,769	15,027	11,941	13,171
Acquisition-related compensation	–	345	–	345
Net additions to property and equipment	(273)	(143)	(318)	(128)
Free Cash Flow	28,496	15,229	11,623	13,388
Free Cash Flow Margin	51.3%	27.8%	10.3%	12.4%

Note

- (1) Prior year comparatives have been restated to conform with current year presentation by excluding the impact of acquisition-related compensation.

The cash flows from operating activities of the Company are seasonal in nature. Cash flows from operating activities have a seasonal low in the first quarter each year and a seasonal high in the second and third quarters each year, due to the contractual timing of annual invoicing with our end customers, many of which have a fiscal year end in the second quarter. For the three months ended July 31, the year-over-year increase in cash flows was primarily attributable to working capital movement, including differences in the timing of collections from customers, as described in the "Liquidity, Capital Resources and Financing" section below. Cash flows from operations and Free Cash Flow for the six months ended July 31, 2026 show a more representative view of year-over-year progress with quarter-to-quarter working capital movements normalized over a six month period of time. Furthermore, for the trailing 12-month period ended July 31, 2026, Free Cash Flow was \$42.7 million compared to \$24.1 million in the same period of the prior year. Moderate period-to-period fluctuations in cash flows from operating activities are expected as the Company manages its working capital balances.

Adjusted Gross Profit and Adjusted Gross Margin

The following table reconciles gross profit to Adjusted Gross Profit, and discloses Adjusted Gross Margin, for the periods indicated:

(in thousands of U.S. dollars, except for percentages)

	Three months ended July 31,		Six months ended July 31,	
	2026	2025	2026	2025
	\$	\$	\$	\$
Gross profit for the period	38,556	38,088	78,210	75,118
Stock based compensation	143	168	415	374
Amortization from acquired intangible assets	439	437	879	868
Adjusted Gross Profit	39,138	38,693	79,504	76,360
Adjusted Gross Margin	70.4%	70.6%	70.5%	71.0%

Key Performance Indicators

Management uses a number of metrics, including the key performance indicators identified below, to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other issuers. These metrics are estimated operating metrics and not projections, nor actual financial results, and are not indicative of current or future performance.

Annual Recurring Revenue and Constant Currency Annual Recurring Revenue

We define Annual Recurring Revenue (“**ARR**”) as the annualized equivalent value of subscription revenue from all existing customer contracts as at the date being measured, exclusive of the implementation period. Our calculation of ARR assumes that customers will renew their contractual commitments as those commitments come up for renewal. We believe ARR provides a reasonable, real-time measure of performance in a subscription-based environment and provides us with visibility for potential growth in our cash flows. We believe that increasing ARR reflects the continued strength of our business and the successful execution of our strategy. Increasing ARR will continue to be our focus on a go-forward basis.

We define Constant Currency Annual Recurring Revenue as foreign-currency-denominated ARR translated at the historical exchange rates from the comparable prior period into our U.S. dollar functional currency.

(in millions of U.S. dollars, except percentages)	As at July 31,		
	2026	2025	Change
	\$	\$	%
ARR	223.4	212.6	5.1%
Constant Currency Annual Recurring Revenue	224.4	212.6	5.6%

ARR and Constant Currency Annual Recurring Revenue grew by 5.1% and 5.6%, respectively, year-over-year, due to strong ARR bookings from our global Higher Education and Corporate markets, and was partially offset by the realization of higher-than-typical churn in our U.S. K-12 market as previously disclosed. Excluding the K-12 market, ARR increased by 10.1% from the comparative period in the prior year, and grew 10.6% year-over-year on a constant currency basis.

The second quarter results include the final major tranche of the U.S. K-12 customer churn, concluding a trailing-twelve-month period of higher-than-normal levels in this market. Beginning in the third quarter of Fiscal 2027, the Company expects retention and growth trends within the K-12 market to normalize.

Overview

D2L’s mission is to transform the way the world learns. We deliver personalized, flexible and modern learning experiences for people of all ages. Our learning technology is powered by more than 25 years of expertise and a vision for the future of work and learning. We focus on creating a unique learner-centric platform, informed by learning science, that holds the capacity to increase adoption, retention, engagement, and learning outcomes. Our core cloud-based learning innovation platform, Brightspace, serves three distinct markets: Higher Education, Corporate, and Kindergarten to Grade 12 Schools (“**K-12**”). Our technology is easy to use and accessible for people across these markets who use our platform for online learning, supporting learning in the classroom, and for professional development and training. D2L Brightspace Core functionality is extended through D2L Lumi, our human-centered artificial intelligence (“**AI**”) offering; Creator+, our easy-to-use authoring and interactive learning tools; Performance+, our advanced analytics package; Course Merchant, our storefront for courses; and H5P, for building learning interactives. Our learning technology leverages intelligent features like AI, smart workflow design and automation to help educators better understand the unique needs, activities, and performance of each learner, and integrates seamlessly with other technologies to enable our customers to deliver individualized and personalized learning programs at scale.

Our solutions are sold through a subscription model and structured with a minimum user level commitment. The majority of our customers enter into contracts with a term of three to five years. Our contracts are priced on a per user basis (excluding certain users such as administrators and teachers) that varies depending on the size of the organization, complexity, and required services. During the three and six months ended July 31, 2026, we generated revenues of \$55.6 million and \$112.7 million, respectively, up \$0.8 million or 1.5% and \$5.1 million or 4.7%, respectively, compared to the same periods in the prior year.

We sell our platform primarily through our direct sales force in North America, Europe, and Australia, as well as through a mix of direct and indirect channel partners in other countries around the world. Our platform is used worldwide by more than 21 million users, with a variety of customers across our target markets and regions resulting in significant diversification, with no customer representing more than 10% of our annual revenue.

Summary of Factors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below.

Ability to retain and up-sell existing customers

Our relationships with existing customers present an opportunity to up-sell additional functionality and expand users. Our future revenue growth and ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers' use of our platform. This will be impacted by the growth in demand for our products, the features and pricing of our competitors' offerings, and macroeconomic conditions and geopolitical events.

Ability to attract new customers

In order to grow our business, we must attract new customers. This will be impacted by the growth in demand for our products, the features and pricing of our competitors' offerings, and macroeconomic conditions and geopolitical events.

Scaling our sales and marketing efforts

Our ability to achieve future revenue growth will largely depend on the effectiveness of our sales and marketing efforts, both domestically and internationally. Investments in our sales and marketing organization occur in advance of experiencing any benefits from such investments, which may make it difficult to determine if we are efficiently allocating our resources in these areas.

Investment in technology

Our success is dependent upon our ability to sustain technological innovation. We intend to continue investing in our research and development teams and rely on our customer relationships and knowledge to continually innovate our product and solution offerings, thereby meeting our customers' evolving needs. Investments in our research and development will occur in advance of experiencing any benefits from such investments, which may make it difficult to determine if we are efficiently allocating our resources in these areas. Our continued success will depend on our ability to keep pace with technological and marketplace changes and to introduce, on a timely and cost-effective basis, new and enhanced services that satisfy changing customer requirements.

International expansion

We believe there is significant opportunity to expand usage of our platform outside of North America. Our future success will depend, in part, upon our ability to continue to deepen our presence in international markets and expand into new geographic regions. We will also face risks expanding and entering markets in which we have limited or no experience, which may have additional complexity, which may be prone to greater market uncertainty, and in which we may not have brand recognition. Further, our international expansion in some markets will rely upon the successful use of indirect channel partners with whom we have limited operating experience.

Strategic investments

Our success is dependent upon our ability to continue making strategic investments to support our growth, both organically and inorganically. We intend to continue consideration of select acquisitions, investments, and other strategic relationships that we believe are consistent with our mission, aligned with our portfolio vision, and that help us achieve our financial goals. Our results of operations may be significantly impacted by acquisitions or investments in other businesses, products, or technologies that we believe could complement or expand our platform, enhance our technical and operational capabilities, drive cost synergies, or otherwise offer growth opportunities. These investments may also divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are ultimately consummated. Further, any integration process may result in unforeseen operating difficulties and require significant time and resources to resolve, and we may not be able to integrate the acquired personnel, operations, and technologies successfully or effectively manage the combined business in connection with any future acquisition. See the “*Risk Factors*” section of the Company’s AIF for a discussion on acquisitions, investments and divestitures and their potential effect on our results of operations.

Foreign currency

Our presentation and functional currency is the U.S. dollar, and we derive the majority of our revenues in U.S. dollars and the majority of our expenses in non-U.S. dollars. Our head office and a large portion of our employees are located in Canada, along with additional presence in the United Kingdom, Australia and Norway. As a result, a significant amount of our expenses are incurred in Canadian dollars, British pound sterling, Australian dollars and Norwegian krone. Our results of operations may be significantly impacted by a change in the value of the U.S. dollar relative to the Canadian dollar, British pound sterling, Australian dollar or Norwegian krone, as well as other currencies for countries in which we have a significant presence. See the “*Risk Factors*” section of our most recently filed AIF for a discussion on exchange rate fluctuations and their potential negative effect on our results of operations.

Components of Results of Operations

Revenue

D2L generates revenue from the following two primary sources:

Recurring subscription and support revenue

Subscription and support revenue is derived from fees earned from customers for accessing D2L’s learning technologies, and includes purchases of application support beyond that included with all subscriptions, and fees earned for usage beyond contracted user counts. The majority of our customers enter into subscription and support contracts with us that have a term of three to five years, and on average there is a three-to-four-month lag between contract signing and commencement of contract term and associated revenue recognition. Accordingly, subscription and support revenue is generally recognized rateably over the contract term. D2L’s contracts with customers typically include a fixed amount of consideration and are generally non-cancelable, or cancelable with a penalty, and without any refund-type provisions.

Professional services and other revenue

Professional services and other revenue include fees from consultation services to support the implementation of, integration of, and training related to the learning technologies, as well as complementary services such as content creation and learning consultancy, and occasionally, termination fees due when contracts are cancelled for convenience. These professional services are either delivered at or around the inception of the contract with the customer when the subscription and support agreement commences, or as follow-on services during the term of the subscription and support agreement. D2L recognizes the revenue as the services are rendered.

Cost of revenue

D2L incurs cost of revenue from the following two primary sources:

Cost of recurring subscription and support

Cost of recurring subscription and support primarily consists of costs related to providing D2L's cloud-based applications and delivering application support to customers. Significant expenses included in these costs include cloud technology and networking expenses; employee wages and benefits expenses, including stock-based compensation; payments to outside service providers, including partner royalties; an allocated proportion of overhead costs; and amortization from acquired intangible assets, specifically acquired technology.

We expect that the cost of revenue will increase in absolute dollars as the number of customers utilizing our learning technologies increases along with the costs of supporting those customers. Over the medium-term, we expect that cost of revenue will increase on an absolute dollar basis but generally decrease as a percentage of total revenues.

Cost of professional services and other

Cost of professional services and other largely consists of costs related to the provision of consultation services both around the inception of, or as a follow-on during, the term of the subscription agreement. Significant expenses included in these costs include employee wages and benefit expenses, including stock-based compensation; contractor expenses; and an allocated proportion of overhead costs.

We expect that the cost of revenue will increase in absolute dollars as the number of customers utilizing our learning technologies increases along with the costs of servicing those customers. Over the medium-term, we expect that cost of revenue will increase on an absolute dollar basis but remain consistent or slightly decrease as a percentage of total revenues.

Sales and marketing

Sales and marketing expenses consist primarily of employee-related expenses, including salaries, benefits, and stock-based compensation, as well as expenses for product marketing and lead generation, brand marketing, sponsorship activities, and travel and event-related expenses. These expenses also include an allocated proportion of overhead costs.

We plan to continue investing in sales and marketing to attract new customers, retain existing customers, and increase revenues from both new and existing customers. We expect our sales and marketing costs will generally decrease as a percentage of total revenues over the medium-term as total revenues increase.

Research and development

Research and development expenses consist primarily of employee-related expenses, including salaries, benefits, and stock-based compensation, for product management, product development and product design; contractor fees; as well as an allocated proportion of overhead costs.

Our research and development team is focused on both continuous improvement of our existing platform, as well as developing new product features and solutions. We will continue to invest in research and development, and over the medium-term expect that these expenses will generally decrease as a percentage of total revenues as total revenues increase.

General and administrative

General and administrative expenses consist of employee-related expenses, including salaries, benefits, and stock-based compensation, for our administrative, finance, legal, human resources, information technology, operations and strategy teams. These expenses also include non-personnel costs such as professional fees, insurance-related expenses, general office expenses, credit impairment losses, as well as an allocated proportion of overhead costs. When applicable, these expenses also include legal, professional and certain other fees related to acquisitions.

Our general and administrative expenses also include the costs to comply with the rules and regulations applicable to companies listed on a Canadian securities exchange, including costs related to compliance and reporting obligations pursuant to rules of the Canadian securities commissions. We expect our general and administrative expenses will generally decrease as a percentage of total revenues over the medium-term as total revenues increase.

Interest and other income (expense)

Interest and other income (expense) consists of interest income, interest expense, other income (expenses), fair value changes on the loan receivable from associate, and foreign exchange gain (loss).

Other comprehensive income (loss)

Other comprehensive income (loss) comprises gains or losses on the translation of the accounts of our foreign, wholly-owned subsidiaries into our U.S. dollar functional currency.

Changes in foreign currency exchange rates from period-to-period may cause volatility in our earnings as well as impact comparability of our results from period-to-period.

Results of Operations

The following table provides a summarized view of our condensed consolidated interim statements of comprehensive income for the periods indicated:

(in thousands of U.S. dollars, except per share amounts)	Three months ended July 31,		Six months ended July 31,	
	2026	2025	2026	2025
	\$	\$	\$	\$
Revenue	55,569	54,772	112,698	107,607
Cost of revenue	17,013	16,684	34,488	32,489
Gross profit	38,556	38,088	78,210	75,118
Operating expenses				
Sales and marketing	16,835	15,846	32,358	29,515
Research and development	12,421	12,272	25,499	23,731
General and administrative	7,589	7,830	15,636	16,217
Total operating expenses	36,845	35,948	73,493	69,463
Income from operations	1,711	2,140	4,717	5,655
Interest and other (expense) income	(4,050)	469	(3,315)	2,817
(Loss) income before income taxes	(2,339)	2,609	1,402	8,472
Income tax expense (recovery)	725	(72)	2,797	2,523
(Loss) income for the period	(3,064)	2,681	(1,395)	5,949
Other comprehensive (loss) gain	(942)	37	(1,259)	2,798
Comprehensive (loss) income	(4,006)	2,718	(2,654)	8,747
Earnings (loss) per share - basic	(0.06)	0.05	(0.03)	0.11
Earnings (loss) per share - diluted	(0.06)	0.05	(0.03)	0.11

Review of Operations

Revenue

(in thousands of U.S. dollars, except percentages)	Three months ended July 31,			Six months ended July 31,		
	2026	2025	Change	2026	2025	Change
	\$	\$	%	\$	\$	%
Revenue						
Subscription and support revenue	50,896	50,143	1.5%	103,618	97,879	5.9%
Professional services and other revenue	4,673	4,629	1.0%	9,080	9,728	-6.7%
Total revenue	55,569	54,772	1.5%	112,698	107,607	4.7%
Percentage of total revenue						
Subscription and support revenue	91.6%	91.5%		91.9%	91.0%	
Professional services and other revenue	8.4%	8.5%		8.1%	9.0%	
Total revenue	100.0%	100.0%		100.0%	100.0%	

For the three months ended July 31, 2026, subscription and support revenue was \$50.9 million, compared to \$50.1 million for the same period of the prior year, representing an increase of \$0.8 million or 1.5%. The current period was negatively impacted by the delayed go-live of a new customer deployment and the corresponding \$0.8 million impact to subscription and support revenue. For the six months ended July 31, 2026, subscription and support revenue rose to \$103.6 million, representing growth of \$5.7 million or 5.9% compared to \$97.9 million in the same period of the prior year, and was negatively impacted by the delayed customer go-live in the amount of \$0.8 million. The increases in subscription and support revenue for both periods were primarily attributable to revenue from new customers, coupled with expansion from existing customers, and were partially moderated by higher-than-typical churn within the U.S. K-12 market over the past twelve months and the corresponding impact on revenue recognition within the current fiscal year. Annual Recurring Revenue (see “Non-IFRS and Other Financial Measures – Key Performance Indicators”) as at July 31, 2026 reached \$223.4 million (up \$10.8 million or 5.1% from \$212.6 million as at July 31, 2025), growing by 10.1% when excluding the K-12 market.

Professional services and other revenue for the three months ended July 31, 2026, was \$4.7 million, a slight increase of 1.0% (less than \$0.1 million) over the \$4.6 million earned in the same period of the prior year. This increase reflects large professional service engagements in Canada and other international regions, and was largely offset by lower revenue from professional service engagements in the US Higher Education market. For the six months ended July 31, 2026, professional services and other revenue was \$9.1 million versus \$9.7 million for the comparative period of the prior year, a decrease of \$0.6 million or 6.7%. This reduction reflects lower revenue from professional service engagements in the US Higher Education market compared to the same period in the prior year, and was partially offset by the large service engagements in Canada and other international regions, as discussed above.

Constant Currency Revenue (a non-IFRS financial measure, see “Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios”) was \$55.4 million and \$111.1 million for the three and six months ended July 31, 2026, respectively. This compares to \$54.7 million and \$107.6 million in the corresponding periods of the prior year, reflecting growth of \$0.7 million or 1.2% and \$3.5 million or 3.3%, respectively. The increases were driven primarily by growth in subscription and support revenue over the same periods of the prior year, as demonstrated by the 5.6% period-over-period increase in Constant Currency Annual Recurring Revenue to \$224.4 million (see “Non-IFRS and Other Financial Measures – Key Performance Indicators”).

Cost of revenue

(in thousands of U.S. dollars, except percentages)	Three months ended July 31,			Six months ended July 31,		
	2026	2025	Change	2026	2025	Change
	\$	\$	%	\$	\$	%
Cost of revenue						
Cost of subscription and support	13,178	12,476	5.6%	27,026	24,317	11.1%
Cost of professional services and other	3,835	4,208	-8.9%	7,462	8,172	-8.7%
Total cost of revenue	17,013	16,684	2.0%	34,488	32,489	6.2%
Percentage of total revenue						
Cost of subscription and support	23.7%	22.8%		24.0%	22.6%	
Cost of professional services and other	6.9%	7.7%		6.6%	7.6%	
Total percentage of total revenue	30.6%	30.5%		30.6%	30.2%	

Cost of subscription and support revenue for the three months ended July 31, 2026 was \$13.2 million, representing an increase of \$0.7 million or 5.6% compared to the same period of the prior year. For the six months ended July 31, 2026, cost of subscription and support revenue increased by \$2.7 million or 11.1% to \$27.0 million compared to the same period of the prior year. For both the three month and six month periods, the increases were primarily attributable to the migration of a database technology which commenced in the third quarter of Fiscal 2026, the impact of which has now materially concluded as of the end of the second quarter of Fiscal 2027. Increased hosting costs, higher partner-related costs in line with partner-related revenue growth, as well as higher contractor expenses, also drove the year-over-year increases seen in cost of subscription and support. These increases were partially mitigated by continued realization of cost optimization and efficiency efforts in our cloud technology delivery.

Cost of professional services and other revenue for the three months ended July 31, 2026 was \$3.8 million, representing a decrease of \$0.4 million or 8.9% compared to the costs incurred in the same period of the prior year. For the six months ended July 31, 2026, cost of professional services and other revenue declined by \$0.7 million or 8.7% to \$7.5 million. The decreases were primarily driven by a reduction in contractor expenses to support the volume of professional services and other revenue.

Gross profit

(in thousands of U.S. dollars, except percentages)	Three months ended July 31,			Six months ended July 31,		
	2026	2025	Change	2026	2025	Change
	\$	\$	%	\$	\$	%
Gross profit						
Subscription and support	37,718	37,667	0.1%	76,592	73,562	4.1%
Professional services and other	838	421	99.0%	1,618	1,556	4.0%
Total gross profit	38,556	38,088	1.2%	78,210	75,118	4.1%
Gross profit margin						
Subscription and support	74.1%	75.1%		73.9%	75.2%	
Professional services and other	17.9%	9.1%		17.8%	16.0%	
Total gross profit margin	69.4%	69.5%		69.4%	69.8%	

Gross profit earned on subscription and support for the three months ended July 31, 2026 was \$37.7 million, consistent with the gross profit earned for the same period of the prior year. For the six months ended July 31, 2026, gross profit earned on subscription and support increased \$3.0 million or 4.1% to \$76.6 million compared to the same period of the prior year. The increase in gross profit for the six month period was driven by the increase in our subscription and support revenue, and was partially offset by the corresponding increase in cost of revenue, due to the factors outlined above.

As a percentage of revenue, gross profit margin for subscription and support for the three months ended July 31, 2026 decreased by 100 basis points compared to the same period of the prior year, from 75.1% to 74.1%. For the six months ended July 31, 2026, gross profit margin for subscription and support decreased to 73.9%, a decline of 130 basis points from 75.2% in the same period of the prior year. The decreases in gross profit margin seen for both periods were mainly attributable to growth in the cost of subscription and support due to the database technology migration discussed above, outpacing the growth in the related revenue. These additional costs from the database technology migration have now materially concluded as of the end of the second quarter of Fiscal 2027.

For the three months ended July 31, 2026, gross profit recognized on professional services and other was \$0.8 million, an increase of \$0.4 million or 99.0% from the same period in the prior year. The increase was largely due to the decrease in the cost of professional services and other revenue when compared to the same period in the prior year. For the six months ended July 31, 2026, gross profit recognized on professional services and other was \$1.6 million, representing an increase of less than \$0.1 million or 4.0% compared to the prior year. This slight increase for the period was driven by lower cost of professional services and other revenue, and was partially offset by the impact of lower professional services and other revenue recognized as discussed above.

For the three months ended July 31, 2026, gross profit margin for professional services and other increased to 17.9% from 9.1% in the same period of the prior year, representing an increase of 880 basis points. For the six months ended July 31, 2026, gross profit margin for professional services and other increased to 17.8% from 16.0%, an increase of 180 basis points, when compared to the same period of the prior year. The increases for both periods were driven by higher gross profit recognized for professional services and other as discussed above, reflecting a return to more normalized levels following the impact of the prior year's cautious customer spending environment, which had resulted in lower gross profit on professional services revenue during the equivalent prior periods. Moderate period-to-period fluctuations are expected based on the volume and composition of the professional services engagements delivered and seasonality of the delivery in the period.

Adjusted Gross Profit (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") for the three month period ended July 31, 2026 was \$39.1 million, an increase of \$0.4 million or 1.2% over the same period in the prior year. The increase was driven by higher gross profit on professional services and other during the three months ended July 31, 2026 compared to the prior year period. For the six months ended July 31, 2026, Adjusted Gross Profit was \$79.5 million, an increase of \$3.1 million or 4.1% from the same period of the prior year. The increase was primarily due to higher gross profit on subscription and support coupled with higher gross profit on professional services and other.

Adjusted Gross Margin (a non-IFRS ratio, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") for the three-month period ended July 31, 2026 was 70.4% compared to 70.6% in the same period of the prior year, representing a decrease of 20 basis points. The decrease was attributable to lower gross profit margin on subscription and support and was largely offset by higher gross profit margin on professional services and other compared to the same period in the prior year. Adjusted Gross Margin for the six months ended July 31, 2026 was 70.5% compared to 71.0% in the same period of the prior year, representing a decrease of 50 basis points. The decrease in Adjusted Gross Margin was primarily attributable to the decline in gross profit margin on subscription and support resulting from higher costs of revenues, and was partially offset by the increase in gross profit margin from professional services and other.

Operating expenses

(in thousands of U.S. dollars, except percentages)	Three months ended July 31,			Six months ended July 31,		
	2026	2025	Change	2026	2025	Change
	\$	\$	%	\$	\$	%
Operating expenses						
Sales and marketing	16,835	15,846	6.2%	32,358	29,515	9.6%
Research and development	12,421	12,272	1.2%	25,499	23,731	7.5%
General and administrative	7,589	7,830	-3.1%	15,636	16,217	-3.6%
Total operating expenses	36,845	35,948	2.5%	73,493	69,463	5.8%
Percentage of total revenue						
Sales and marketing	30.3%	28.9%		28.7%	27.4%	
Research and development	22.4%	22.4%		22.6%	22.1%	
General and administrative	13.7%	14.3%		13.9%	15.1%	
Total percentage of total revenue	66.4%	65.6%		65.2%	64.6%	

Sales and marketing expenses for the three months ended July 31, 2026 were \$16.8 million, an increase of \$1.0 million or 6.2% compared to the equivalent period of the prior year. For the six months ended July 31, 2026, sales and marketing expenses were \$32.4 million, an increase of \$2.9 million or 9.6% over \$29.5 million in the same period of the prior year. Included in sales and marketing expenses for the six months ended July 31, 2026 was \$1.1 million of stock-based compensation expense, compared to \$0.9 million in the same period of the prior year. Excluding the impact of stock-based compensation, the increase for the period was \$2.7 million or 9.4%. For both periods, the increases were primarily driven by higher payroll costs from higher headcount.

For the three months ended July 31, 2026, research and development expenses were \$12.4 million, versus \$12.3 million for the same period of the prior year, representing an increase of \$0.1 million or 1.2%. Included in research and development expenses for the three months ended July 31, 2026 was \$0.6 million of stock-based compensation expense, compared to \$0.8 million in the same period of the prior year. Excluding the impact of stock-based compensation, the increase for the period was \$0.4 million or 3.5%. Research and development expenses increased by \$1.8 million or 7.5% to \$25.5 million for the six months ended July 31, 2026, relative to the same period of the prior year. Excluding the impact of \$1.6 million of stock-based compensation during the period (\$1.7 million during the six months ended July 31, 2025), research and development expenses increased by \$1.9 million or 8.6%. The increase was mainly due to higher payroll costs associated with increased headcount.

General and administrative expenses decreased to \$7.6 million from \$7.8 million for the three months ended July 31, 2026 as compared to the same period of the prior year, representing a decrease of \$0.2 million or 3.1%. Included in general and administrative expenses for the period was \$1.1 million of stock-based compensation, compared to \$1.0 million in the same period of the prior year. Excluding the impact of stock-based compensation, the decrease for the period was \$0.4 million or 5.5%. For the six months ended July 31, 2026, general and administrative expenses were \$15.6 million, compared to \$16.2 million in the prior year, representing a decrease of \$0.6 million or 3.6%. Excluding the impact of \$2.8 million of stock-based compensation recognized in the current period compared to the \$2.7 million recognized in the same period of the prior year, general and administrative expenses would have decreased by \$0.7 million or 5.3%. The decreases for both periods were mainly attributable to lower payroll costs from lower headcount.

Interest and other (expense) income

(in thousands of U.S. dollars, except percentages)	Three months ended July 31,			Six months ended July 31,		
	2026	2025	Change	2026	2025	Change
	\$	\$	%	\$	\$	%
Net interest income	442	331	33.5%	1,049	828	26.7%
Other income	7	48	-85.4%	14	191	-92.7%
Fair value (loss) gain on loan receivable from associate	(4,822)	212	-2,374.5%	(4,822)	384	-1,355.7%
Foreign exchange gain (loss)	323	(122)	364.8%	444	1,414	-68.6%
Total net interest and other (expense) income	(4,050)	469	-963.5%	(3,315)	2,817	-217.7%
Total percentage of total revenue	-7.3%	0.9%		-2.9%	2.6%	

Net interest income earned for the three months ended July 31, 2026 increased slightly by \$0.1 million to \$0.4 million. For the six months ended July 31, 2026, net interest income earned was \$1.0 million, an increase of \$0.2 million over the same period in the prior year. Other income was less than \$0.1 million for both the three and six months ended July 31, 2026, a decrease of less than \$0.1 million and \$0.2 million, respectively, compared to the same periods in the prior year. Income earned from these sources in Fiscal 2027 was generally consistent with the same periods in Fiscal 2026.

Fair value loss on the loan receivable from associate for both the three and six months ended July 31, 2026 was \$4.8 million, representing unfavourable changes of \$5.0 million and \$5.2 million, respectively, compared to gains of \$0.2 million and \$0.4 million in the same periods of the prior year. The changes were primarily driven by updates to the key valuation inputs used in measuring the fair value of the loan receivable, including operating results, the absence of committed external financing, and the resulting increase in credit risk affecting the Company's expected recovery of the loan.

Foreign exchange gain was \$0.3 million for the three months ended July 31, 2026, representing an increase of \$0.4 million from a foreign exchange loss of \$0.1 million recognized for the same period of the prior year. Foreign exchange gain for the six months ended July 31, 2026 was \$0.4 million, a decrease of \$1.0 million from the \$1.4 million recognized in the same period of the prior year. The results for both current periods primarily reflect unrealized gains arising from the translation of Brazilian real, Australian dollar, and British pound sterling-denominated monetary balances into our subsidiaries' functional currency. In comparison, the equivalent prior periods included larger gains and losses driven by higher fluctuations in U.S. dollar, Euro, and British pound sterling currencies during those periods.

(Loss) income for the period

The loss for the three month period ended July 31, 2026 was \$3.1 million, representing a decrease of \$5.7 million from income earned of \$2.7 million in the same period of the prior year. For the six month period ended July 31, 2026, the Company had a loss of \$1.4 million, compared to income of \$5.9 million in the same period of the prior year, representing a decrease in income of \$7.3 million. The decreases for these periods were primarily driven by the recognition of the fair value loss on loan receivable from associate, in addition to the impact of higher operating expenses and income tax expense. The decreases were partially mitigated by higher gross profit compared to the same periods in the prior year.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA (a non-IFRS financial measure, see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios") decreased by \$1.1 million to \$6.5 million in the three months ended July 31, 2026 from \$7.5 million in the same period of the prior year. For the six months ended July 31, 2026, Adjusted EBITDA was \$14.7 million, representing a decrease of \$2.1 million from the same period of the prior year. The decreases in Adjusted EBITDA seen for both periods were primarily attributable to increased operating expenses and cost of subscription and support, and were partially offset by the impact of higher revenues compared to the same periods in the prior year.

Adjusted EBITDA Margin (a non-IFRS financial measure, see “*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*”) was 11.6% for the three months ended July 31, 2026 and 13.1% for the six months ended July 31, 2026, representing decreases of 210 basis points and 250 basis points, respectively, over the corresponding three and six-month periods in the prior year. The decreases in Adjusted EBITDA Margin seen were the result of lower Adjusted EBITDA discussed above combined with higher total revenue compared to the corresponding periods of the prior year.

Key Balance Sheet Information

(in thousands of U.S. dollars)	As at July 31, 2026 \$	As at January 31, 2026 \$
Total assets	227,311	251,924
Total liabilities	157,846	166,943

Total Assets

July 31, 2026 compared to January 31, 2026

Total assets as at July 31, 2026 were \$227.3 million compared to \$251.9 million as at January 31, 2026, representing a decrease of \$24.6 million or 9.8% period-over-period. The decrease was primarily the result of a \$12.8 million reduction in cash balances, largely due to the Company’s Substantial Issuer Bid (“**SIB**”) which was completed during the three months ended July 31, 2026. The decrease was further driven by the \$4.8 million reduction in the fair value of the loan receivable from associate, a \$2.7 million reduction in deferred income tax assets which arose from the utilization of deferred tax assets against taxable profits over the current period, and a \$1.4 million decrease in intangible assets which arose from amortization, combined with unfavourable foreign currency translation adjustments.

Total Liabilities

July 31, 2026 compared to January 31, 2026

Total liabilities as at July 31, 2026 was \$157.8 million, a decrease of \$9.1 million from \$166.9 million as at January 31, 2026. The decrease was mainly attributable to lower accounts payable and accrued liability balances, which declined by \$11.1 million driven by the timing of payments to vendors and a decrease in the share repurchase commitment under the Company’s automatic share purchase plan (“**ASPP**”), which represents the maximum number of shares that can be repurchased during self-imposed trading blackout periods. Refer to note 6 of the Interim Financial Statements for additional details on the ASPP. The decrease in total liabilities was partially offset by a \$3.2 million increase in the deferred revenue balance, consistent with the revenue growth discussed above. This balance also reflects seasonal invoicing trends, as many customers have fiscal year ends in the second quarter.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters ended October 31, 2024 to July 31, 2026. The information for each of these quarters have been prepared on the same basis as the Annual Financial Statements. This data should be read in conjunction with our Annual Financial Statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

(in thousands of U.S. dollars, except per share amounts)	3 Months Ended,							
	Jul 31,	Apr 30,	Jan 31,	Oct 31,	Jul 31,	Apr 30,	Jan 31,	Oct 31,
	2026	2026	2026	2025	2025	2025	2025	2024
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	55,569	57,130	55,796	54,068	54,772	52,835	53,313	54,299
Cost of revenue	17,013	17,476	18,052	17,998	16,684	15,805	16,790	16,909
Gross profit	38,556	39,654	37,744	36,070	38,088	37,030	36,523	37,390
Operating expenses								
Sales and marketing	16,835	15,523	14,357	14,069	15,846	13,669	13,641	12,806
Research and development	12,421	13,077	12,441	11,806	12,272	11,460	11,353	11,140
General and administrative	7,589	8,047	7,640	6,601	7,830	8,386	7,943	8,652
Total operating expenses	36,845	36,647	34,438	32,476	35,948	33,515	32,937	32,598
Income from operations	1,711	3,006	3,306	3,594	2,140	3,515	3,586	4,792
Interest and other (expenses) income	(4,050)	735	(3,971)	1,677	469	2,349	(163)	737
(Loss) income before income taxes	(2,339)	3,741	(665)	5,271	2,609	5,864	3,423	5,529
Income tax expense (recovery)	725	2,071	706	885	(72)	2,596	(16,442)	(18)
(Loss) income for the period	(3,064)	1,670	(1,371)	4,386	2,681	3,268	19,865	5,547
(Loss) earnings per share – basic	(0.06)	0.03	(0.03)	0.08	0.05	0.06	0.36	0.10
(Loss) earnings per share – diluted	(0.06)	0.03	(0.02)	0.08	0.05	0.06	0.35	0.10
Gross profit margin	69.4%	69.4%	67.6%	66.7%	69.5%	70.1%	68.5%	68.9%

Revenue

Total quarterly revenue remained relatively stable from the quarters ending October 31, 2024 to October 31, 2025 at an average of \$53.9 million, before increasing to an average of \$56.2 million during the most recent three quarters ended January 31, 2026 to July 31, 2026. The growth seen was largely driven by revenue from new customers coupled with expansion to existing customers, and was partially moderated by higher-than-typical churn within the U.S. K-12 market during the trailing twelve months ended July 31, 2026. Subscription and support revenue grew sequentially over all quarters except the quarters ended October 31, 2025 and July 31, 2026, and a decline in professional services and other revenue during the quarters ended April 30, 2025 to April 30, 2026 partially offset those gains.

Cost of revenue

Cost of revenue fluctuated between \$15.8 million and \$16.9 million during the first four quarters presented, with an average of \$16.5 million over those periods. Cost of revenue then increased to an average of \$17.6 million for the periods from October 31, 2025 to July 31, 2026, which increase was primarily driven by the costs associated with the migration of a database technology that began in the third quarter of Fiscal 2026 as discussed in the “Results of Operations – Cost of revenue” section above, which is now materially complete as of the end of the quarter ended July 31, 2026. Partner-related costs in line with partner-related revenue growth also drove the year-over-year increases in cost of revenue.

Gross profit

Our total quarterly gross profit has grown across the periods presented. The period-over-period increases in gross profit levels were mainly the result of growth in our subscription and support revenue from new and existing customers across all periods, which was partially moderated by higher-than-typical churn within the U.S. K-12 market during the trailing twelve months ended July 31, 2026. Cost optimization efforts, which increased the efficiency of our cloud technology and service delivery, also contributed to the period-over-period increases seen in gross profit levels over the periods presented. This beneficial impact was partially offset by the costs associated with the database technology migration noted above beginning in the quarter ended October 31, 2025, contributing to the decrease in gross profit seen in that quarter and continuing to adversely impact gross profit in subsequent periods including the most recent quarter ended July 31, 2026. We expect that the impact of this database technology migration, which was planned to be substantially completed at the end of the second quarter of Fiscal 2027, will no longer materially impact results in future quarters beginning in the third quarter of Fiscal 2027.

Gross profit margin increased over the first three periods presented from 68.9% to a peak of 70.1% in April 30, 2025, reflecting revenue growth and cost optimization efforts. Gross profit margin remained relatively stable at 69.5% for the quarter ended July 31, 2025, before declining in the quarters ended October 31, 2025 and January 31, 2026 due to the higher costs of revenue discussed above. Gross profit margin subsequently increased to 69.4% in the quarter ended April 30, 2026, remaining stable during the quarter ended July 31, 2026.

Operating expenses

Total operating expenses have generally increased over the periods presented, from \$32.6 million in the quarter ended October 31, 2024 to \$36.8 million for the most recent quarter ended July 31, 2026, largely due to increased payroll costs as the Company invests in advanced product development and international market penetration. Operating expenses fluctuate between quarters based on the timing of certain expenditures and the seasonality of the business, including increased travel and event-related costs associated with our customer conference, D2L Fusion, during the second quarter of each year. During the most recent period ended July 31, 2026, an increase in sales and marketing expenses was largely offset by decreases in research and development and general and administrative expenses.

Liquidity, Capital Resources and Financing

Overview

The general objectives of our capital management strategy are to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in sales, marketing and product development, and inorganic growth when it supports our organic growth strategy.

We determine the total amount of capital required consistent with risk levels. This capital structure is adjusted on a timely basis depending on changes in the economic environment and in the risks of the underlying assets. We are not subject to any externally imposed capital requirements.

Working capital

Our primary source of cash flows is revenue from operations. Our approach to managing working capital (defined as total current assets less total current liabilities) is, to the extent possible, ensure that we maintain sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a monthly basis. As at July 31, 2026, our cash balance was \$106.4 million and our working capital surplus was \$5.2 million (\$119.2 million and \$10.7 million as at January 31, 2026, respectively). The reduction in working capital surplus of \$5.5 million period-over-period was mainly due to the decrease in cash as discussed above in “Total Assets,” and was partially offset by a decrease in accounts payable and accrued liabilities as outlined in “Total liabilities” above. Accordingly, we believe there is sufficient liquidity to meet our current and short-term financial obligations as outlined in the “Contractual Obligations” section of this MD&A, as well as to continue making investments in sales and marketing and product development activities in support of our overall growth strategy.

Cash flows

The following table presents cash and cash equivalents as at July 31, 2026 and 2025, and cash flows from (used in) operating, investing, and financing activities for the three and six months ended July 31, 2026 and 2025:

(in thousands of U.S. dollars)	Three months ended July 31,		Six months ended July 31,	
	2026	2025	2026	2025
	\$	\$	\$	\$
Cash and cash equivalents	106,442	102,515	106,442	102,515
Net cash from (used in):				
Operations	28,769	15,027	11,941	13,171
Investing	(274)	(563)	(318)	(548)
Financing	(16,709)	(4,662)	(23,665)	(10,892)
Effect of foreign exchange on cash and cash equivalents	(1,044)	186	(726)	1,599
Net increase (decrease) in cash and cash equivalents	10,742	9,988	(12,768)	3,330

Cash flows from operations

Cash flows from operating activities for the three months ended July 31, 2026 were \$28.8 million, compared to \$15.0 million for the same period of the prior year, representing an increase of \$13.7 million. The increase was primarily attributable to higher cash flows from changes in working capital, particularly strong collections activity from trade receivables as well as favourable changes in accounts payable and accrued liabilities balances comparative to prior year. Lower collections activity from trade receivables in the prior year second quarter reflected certain customer collections that typically would have been received by the end of July extending into the third quarter of Fiscal 2026, with no comparable delay in the second quarter of Fiscal 2027. The increase in cash flows from operating activities was partially offset by the lower growth in the deferred revenue balance as compared to the prior year period. For the six months ended July 31, 2026, cash flows from operating activities were \$11.9 million, compared to \$13.2 million in the same period of the prior year, representing a decrease of \$1.2 million. The decrease in cash flows was mainly attributable to lower income adjusted for non-cash expenses in the current period as compared to the equivalent period of the prior year, combined with a higher cash outflow for income taxes paid due to timing differences of when tax instalments were made and changes in working capital balances.

The Company's Free Cash Flow (a non-IFRS financial measure, see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios") was \$28.5 million for the three months ended July 31, 2026, compared to Free Cash Flow of \$15.2 million in the same period of the prior year, representing an increase of \$13.3 million. The increase was primarily driven by growth in cash flows from operating activities due to the factors discussed above. For the six months ended July 31, 2026, Free Cash Flow was \$11.6 million, compared to \$13.4 million for the same period of the prior year, representing a decrease of \$1.8 million, primarily reflecting the decrease in cash flows from operating activities discussed above.

For the three months ended July 31, 2026, Free Cash Flow Margin (a non-IFRS ratio, see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios") was 51.3%, compared to 27.8% in the same period of the prior year, representing an increase of 2,350 basis points. This increase resulted from higher Free Cash Flow based on the factors discussed above and was partially offset by the impact of increased revenue in the current period. For the six months ended July 31, 2026, Free Cash Flow Margin was 10.3%, compared to 12.4% in the same period of the prior year, representing a decrease of 210 basis points. The decrease was primarily the result of lower Free Cash Flow based on the factors discussed above, and was further compounded by the impact of increased revenue in the current period.

Cash flows used in investing activities

Cash flows used in investing activities for the three months ended July 31, 2026, were \$0.3 million, compared to cash flows used in investing activities of \$0.6 million for the same period of the prior year, representing a decrease in cash flows used of \$0.3 million. For the six months ended July 31, 2026, cash flows used in investing activities were \$0.3 million, representing a decrease of \$0.2 million compared to \$0.5 million of cash flows used in investing activities for the same period of the prior year. The decreases were mainly driven by the settlements in Fiscal 2026 of deferred payments associated with the Fiscal 2025 acquisition of H5P and contingent consideration associated with the Fiscal 2024 acquisition of Connected Shopping which had no corresponding payments in the current periods.

Cash flows used in financing activities

Cash flows used in financing activities were \$16.7 million for the three months ended July 31, 2026, an increase of \$12.0 million compared to \$4.7 million of cash flows used in the same period of the prior year. For the six months ended July 31, 2026, cash flows used in financing activities were \$23.7 million, an increase of \$12.8 million as compared to cash flows used in financing activities of \$10.9 million in the comparative prior period. The increases in cash flows used in financing activities were mainly attributable to the repurchase of shares as part of our SIB during the three months ended July 31, 2026, with no comparable activity during the prior-year periods. This was partially offset by decreased taxes paid on settlement of restricted share units and deferred share units, and lower cash used for share repurchases under the Normal Course Issuer Bid (“NCIB”) compared to the same periods in the prior year.

Subordinate Voting Shares repurchased for cancellation under Normal Course Issuer Bid

On December 9, 2025, the Company renewed its NCIB. The Company can repurchase for cancellation up to 1,474,527 of the Company’s Subordinate Voting Shares, representing approximately 10.0% of the “public float” (within the meaning of the rules of the Toronto Stock Exchange (“TSX”)), during the twelve-month period commencing December 12, 2025.

In connection with the NCIB, the Company entered into an ASPP, pursuant to which the Company may provide, in advance, a form to instruct its broker to make purchases under the NCIB during self-imposed trading blackout periods, without consultation with the Company. The form provides the broker with predefined trading terms, including share price, time period and other limitations as may be imposed in advance by the Company, subject to the rules and policies of the TSX and applicable securities laws. In addition to a daily purchase restriction, the ASPP permits the broker to make a weekly block purchase within the parameters set by the Company, to facilitate more efficient execution of the NCIB.

During the three and six months ended July 31, 2026, the Company repurchased and cancelled 131,400 and 575,700 Subordinate Voting Shares, respectively (2025 – 244,600 and 413,400, respectively) under the NCIB for an aggregate purchase price of \$1.0 million and \$4.0 million, respectively (2025 – \$2.5 million and \$4.4 million, respectively), which was recorded as a reduction of share capital.

As at January 31, 2026, the Company recognized a liability of \$6.1 million (January 31, 2025 – \$1.1 million) for the repurchase of Subordinate Voting Shares under the ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. As at July 31, 2026, the Company has recorded the liability as \$2.2 million (July 31, 2025 – \$5.9 million) for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. This resulted in a change of the liability made as at January 31, 2026 in the amount of \$3.9 million, which was released from deficit for the current period (July 31, 2025 - \$4.8 million was charged to deficit).

Subordinate Voting Shares repurchased for cancellation under Substantial Issuer Bid

On June 9, 2026, the Company announced that the Board of Directors had approved a SIB under which the Company offered to repurchase for cancellation up to CAD \$20.0 million of its Subordinate Voting Shares at a price of not less than CAD \$10.50 and not more than CAD \$11.50 per share (the “Offer”) for the period commencing June 12, 2026 and expiring July 17, 2026. In connection with the Offer and in accordance with applicable securities legislation, the Company temporarily suspended the repurchase of common shares pursuant to the NCIB upon announcement of the SIB until twenty business days following the expiration of the Offer.

On July 17, 2026, the Company completed the SIB under which the Company repurchased and cancelled 1,904,762 Subordinate Voting Shares at a price of CAD \$10.50 per Subordinate Voting Share for a purchase price of CAD \$20.0 million (USD \$14.2 million), and incurred transaction costs of CAD \$0.7 million (USD \$0.5 million). The aggregate purchase price of USD \$14.7 million was recorded as a reduction of share capital.

For the trailing 12-month period ended July 31, 2026, the Company has repurchased and cancelled 3,059,762 Subordinate Voting Shares (2025 – 576,600) under the SIB and NCIB combined, representing the cancellation of 11.2% (2025 – 2.1%) of the opening Subordinate Voting Shares outstanding over the past twelve months.

Contractual obligations

The following are the remaining contractual maturities of financial liabilities as at July 31, 2026. The amounts are gross and undiscounted and include contractual interest payments, if any:

(in thousands of U.S. dollars)	Payments due by period				
	Total	< 1 year	1-3 years	4-5 years	After 5 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	28,990	28,990	—	—	—
Operating commitments ⁽¹⁾	123,035	25,232	43,339	43,558	10,906
Total contractual obligations	152,025	54,222	43,339	43,558	10,906

Notes:

- (1) Includes lease commitments and commitments with third-party technology services providers. In December 2024, the Company entered into a multi-year contract with a hosting services provider whereby the minimum committed spend was \$140 million over the term of the contract.

Financial Outlook

Financial Guidance FY2027

The Company is updating its previous financial guidance for the year ended January 31, 2027 as follows:

- Subscription and support revenue in the range of \$211 million to \$213 million, implying growth of 6-7% over Fiscal 2026, versus previously issued guidance of \$212 million to \$214 million;
- Total revenue in the range of \$228 million to \$231 million, implying growth of 5-6% over Fiscal 2026, versus previously issued guidance of \$231 million to \$234 million; and
- Adjusted EBITDA in the range of \$33 million to \$35 million, implying an Adjusted EBITDA Margin of 15% at the midpoint, unchanged from previously issued guidance.

These updates to revenue guidance reflect softer demand within our advisory professional services, as well as the delayed go-live of a new customer deployment and the corresponding impact to subscription and support revenue in the current fiscal year. These pressures on revenue in the current fiscal year are being offset by continued optimization of cost of goods sold and operating efficiency, allowing the Company to maintain its Adjusted EBITDA guidance.

The Company continues to expect revenue growth and profitability to increase as Fiscal 2027 progresses, enabling the Company's performance in the second half of the fiscal year to improve relative to performance in the first half of the fiscal year. Accordingly, we expect an Adjusted EBITDA Margin profile in the second half of the year of 16.0% (at the mid-point of guidance) versus 13.6% in the first half of the year.

These targets demonstrate the Company's continued emphasis on balancing growth and profitability. Further, these targets are based upon the current operations of the Company and do not include the impact of any future incremental acquisition transaction(s), which, if any occur, would be expected to be additive to the revenue and profits earned by D2L in the period. The achievement of the Adjusted EBITDA guidance is based upon continued efficiencies and scale in our operations as we grow our revenue. Given the momentum in our core markets, we are carefully balancing near-term improvements in operating efficiency with appropriate investment capacity to most effectively meet our medium-term objectives and advance our long-term goal of market leadership. The anticipated revenue growth rates in Fiscal 2027 are impacted, in part, by the level of ARR churn experienced in Fiscal 2026 and first half of Fiscal 2027 within the U.S. K-12 market, and the resulting impact of such activity on the corresponding revenue recognition in Fiscal 2027.

The Company presented a medium-term target operating model outlining the levels of growth and profitability that we expect to achieve by Fiscal 2028 in the Company's Annual MD&A for Fiscal 2025. This medium-term target operating model remains unchanged as of July 31, 2026.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Contingencies

From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations. We are of the opinion that current litigation will not have a significant effect on the financial position, results of operations, or cash flows of D2L. As at July 31, 2026, no material contingencies have been identified with respect to litigation or claims.

Related Party Transactions

Service Arrangements with Related Parties

In the normal course of business, we obtain select services from and provide select services to related parties as reviewed and approved by our Board of Directors (the "**Board**"), as further described below. Note 9 of the Interim Financial Statements provides additional details on our related party transactions:

Services we receive:

See also "*Related Party Transactions – Services we receive*" in our Annual MD&A.

Catalyst – Lease of Premises

On October 15, 2021, D2L Corporation, a subsidiary of the Company, entered into a lease agreement with Catalyst 137 Kitchener L.P. ("**Catalyst**") for office space in Kitchener, Ontario (the "**Kitchener Lease**"). John Baker, the Company's Chief Executive Officer ("**CEO**"), has a minority interest in Catalyst. The Catalyst transaction was approved by the independent members of the Board, John Baker abstaining, following declaration of his conflict of interest. John Baker did not participate in the negotiation of the terms of the Kitchener Lease.

The term of the Kitchener Lease is 11.5 years, which commenced on February 1, 2022. The Company recognized lease-related expenses, including right-of-use asset amortization, interest expense and common area maintenance fees, of \$0.4 million and \$0.8 million for the three and six months ended July 31, 2026, respectively (2025 – \$0.4 million and \$0.8 million, respectively).

The Company infrequently rents additional space at Catalyst for ad hoc events. The ad hoc rental costs paid by D2L were nil and less than \$0.1 million for the three and six months ended July 31, 2026, respectively (2025 – nil and less than \$0.1 million).

D2L Corporation has the following cash flow commitment relating to the Kitchener Lease:

(in thousands of dollars)	CAD \$	USD \$
August 1, 2026 – January 31, 2027	990	706
February 1, 2027 - January 31, 2028	2,020	1,442
February 1, 2028 - January 31, 2029	2,106	1,503
February 1, 2029 - January 31, 2030	2,196	1,567
February 1, 2030 - July 31, 2033	8,434	6,018
Total undiscounted commitment	15,746	11,236

SkillsWave – Upskilling Education Services

D2L has an investment in an associate, SkillsWave, by holding significant influence over the company through its 30% equity ownership interest in the company and right to minority Board representation. The Company has commercial arrangements with SkillsWave, as described in the Company's Annual MD&A. Activity for the three and six months ended July 31, 2026 included upskilling education services received from SkillsWave in the amount of \$0.1 million and \$0.1 million, respectively (2025 - \$0.1 million and \$0.1 million, respectively). As at July 31, 2026, the Company had less than \$0.1 million (January 31, 2026 – less than \$0.1 million) in trade and other payables to this related party. The services received by D2L during the three months ended July 31, 2026 are consistent with the services it had previously received from the upskilling education business (the **"Wave Service Offering"**), prior to the transition of the Wave Service Offering from the Company to SkillsWave on June 28, 2024.

Services we provide:

Virtual High School (Ontario) – Subscription and Support Services

We provide e-Learning subscription and support services to VirtualHighSchool.com Inc. (**"VHS"**), a corporation in which John Baker had a minority interest. VHS is controlled by family members of John Baker.

The Company entered into a master agreement with VHS dated December 19, 2013 (as amended, the **"Virtual High School Agreement"**), pursuant to which we provide e-Learning subscription and support services to VHS, which offers virtual private high school courses. The Virtual High School Agreement was approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest.

Revenue recognized by us pursuant to the Virtual High School Agreement was less than \$0.1 million for both the three and six months ended July 31, 2026 (2025 – less than \$0.1 million and less than \$0.1 million, respectively). As at July 31, 2026, the Company had nil (January 31, 2026 – nil) in trade receivables from this related party. The Virtual High School Agreement was renewed on December 6, 2024 to extend the term to July 30, 2027.

SkillsWave – Loan Receivable

On June 28, 2024, the Company provided a loan to SkillsWave (the **"SkillsWave Loan"**) in the principal amount of \$9.5 million maturing in five years and bearing interest at the Canadian prime rate per annum. Principal and interest are payable at maturity. The principal and accrued interest are convertible at the option of the Company, in whole or in part, into non-voting shares of SkillsWave at a pre-determined price per share, to the extent that such shares, together with any shares acquired at closing and retained by the Company, do not exceed a maximum 37.5% ownership interest in SkillsWave. The SkillsWave Loan is secured by all assets of SkillsWave constituting a first priority security interest, subject only to permitted liens.

The SkillsWave Loan was initially measured at fair value and is subsequently measured at fair value through profit or loss. The fair value reflects the Company's expected recovery of the principal and interest payments and the value of the conversion option. As at July 31, 2026, the Company reassessed the fair value of the SkillsWave Loan using valuation methodologies consistent with those applied as at January 31, 2026, including a discounted cash flow model and the Black-Scholes option pricing model. Certain assumptions, inputs and qualitative factors were updated to reflect conditions as at July 31, 2026, including SkillsWave's forecast results, ability to access external financing, credit risk, the number of conversion options exercisable into non-voting shares and the fair value of the underlying shares. Given SkillsWave's operating results, the absence of committed external financing, and the resulting increase in credit risk affecting the Company's expected recovery under the SkillsWave Loan, the Company determined that these updated assumptions resulted in a material change to the fair value of the SkillsWave Loan. Accordingly, fair value losses of \$4.8 million were recognized during both the three and six months ended July 31, 2026 (2025 – fair value gains of \$0.2 million and \$0.4 million, respectively) in the condensed consolidated interim statements of comprehensive (loss) income. The loan receivable balance of nil (January 31, 2026 – \$4.8 million) is recorded as "Loan receivable from associate" in the condensed consolidated interim statements of financial position.

Changes in the fair value of the loan receivable from associate are added back in the calculation of the Company's Adjusted EBITDA.

The Company also entered into a customer contract with SkillsWave for use of the Company's products and services dated September 18, 2024 for a term that began on October 1, 2024 and will end on January 31, 2027. The Company recognized revenue of less than \$0.1 million for both the three and six months ended July 31, 2026 (2025 – less than \$0.1 million for each respective period) and had nil in trade receivables as at July 31, 2026 (January 31, 2026 – less than \$0.1 million). The terms of the customer contract and the services provided by D2L during the three months ended July 31, 2026 are consistent with the terms provided to other customers that use the Company's products and services.

Financial Instruments and Other Instruments

Credit and concentration risk

Financial instruments that potentially subject us to a significant concentration of credit risk consist primarily of cash and cash equivalents, trade and other receivables and the SkillsWave Loan. We limit our exposure to credit risk by placing our cash and cash equivalents with high credit quality financial institutions.

As at July 31, 2026, one customer accounted for more than 10% of the net trade receivables. Furthermore, trade receivable balances are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts are established and maintained at an appropriate amount.

We estimate anticipated losses from doubtful accounts based on historical collection experience and an evaluation of the potential risk of loss associated with specific accounts. An impairment loss on trade receivables is calculated as the difference between the carrying amount and the amount we reasonably believe will be collected. Impairment losses are charged to general and administrative expense in the condensed consolidated interim statement of comprehensive income (loss). Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed permanently uncollectible.

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables and the SkillsWave Loan. The SkillsWave Loan is secured by a first priority security interest, subject only to permitted liens.

The Company is not currently in possession of any collateral as security.

Liquidity risk

We limit our liquidity risk associated with our financial liabilities using cash flows generated from operations, combined with the strategic issuance of additional equity, as required, to meet the capital requirements of maturing financial liabilities.

Our accounts payable have contractual maturities of 30 days or are due on demand and subject to normal trade terms. Due to our significant cash and cash equivalents balance and trade and other receivable balance, we continue to expect that these sources will be sufficient to fund our anticipated cash requirements for working capital, contractual commitments, capital expenditures and operating needs for the next 12 months.

Foreign currency exchange risk

We are exposed to foreign currency exchange risk as a portion of our revenues and operating costs are realized in currencies other than our U.S. functional currency. Significant currencies to which our Company has exposure include the Canadian dollar (“CAD”), British pound sterling (“GBP”), Australian dollar (“AUD”), Singapore dollar (“SGD”), Brazilian real (“BRL”), Euro (“EUR”) and Norwegian krone (“NOK”).

Additional earnings volatility arises from the translation of our monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of our condensed consolidated interim statements of financial position and is recognized through other comprehensive income in the condensed consolidated interim statements of comprehensive income. The summary quantitative data about our exposure to currency risk as at July 31, 2026 is as follows:

(In thousands of local currency)	CAD	GBP	AUD	SGD	BRL	EUR	NOK
Cash and cash equivalents	24,583	3,447	7,140	3,078	37,965	1,417	65,244
Trade and other receivables	3,294	469	680	1,036	2,118	744	862
Uninvoiced revenue	1,187	293	101	95	1,605	24	-
Accounts payable and accrued liabilities	20,573	909	429	476	983	43	7,780

We reduce our exposure to foreign currency exchange risk by holding cash denominated in the local currency sufficient to cover local currency expenditures, thereby creating a natural hedge. We have not currently entered into any arrangements to hedge our exposure to currency risk.

Fair value risk

Financial instruments that potentially subject us to significant fair value risk consist primarily of cash and cash equivalents, trade and other receivables, uninvoiced revenue and accounts payable and accrued liabilities. For those financial instruments, their carrying values approximate their fair values due to their short-term nature. The SkillsWave Loan is classified as a Level 3 financial instrument as the inputs are not observable and there is no market-based activity.

The fair value of the SkillsWave Loan was determined using valuation techniques, including a discounted cash flow model for the expected future cash flows of the instrument, incorporating an assessment of the associate’s credit risk and the Company’s expected recovery under the instrument, and the Black-Scholes valuation model to determine the value of the conversion feature. These valuation techniques involve significant judgment as a result of a high degree of subjectivity and estimation uncertainty associated with the determination of the significant assumptions used. Refer to note 5 in the Interim Financial Statements for additional information on the assumptions and estimates used.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of our Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the Interim Financial Statements and accompanying notes. We review our estimates on an ongoing basis based on our best knowledge of current events and actions that we may undertake in the future. Revisions to estimates are recognized prospectively. Actual results could differ from those estimates.

We have determined that we operate in a single operating and reportable segment.

Areas requiring the most significant judgments, estimates and assumptions are consistent with those discussed in our Annual MD&A.

Material Accounting Policies

The material accounting policies used in the preparation of our consolidated financial statements are described in note 2 of our Annual Financial Statements for the year ended January 31, 2026. The accounting policies used in our Interim Financial Statements for the three months ended July 31, 2026, which have been prepared in accordance with IAS 34, are consistent with those applied in our Annual Financial Statements for the year ended January 31, 2026, other than the following which is effective from annual periods beginning on or after February 1, 2026.

Amendments to IFRS 9, Financial Instruments, and IFRS 7, Classification and Measurement of Financial Instruments, clarifying when a financial asset or a financial liability is recognized and derecognized. The amendments also provide an exception for certain financial liabilities settled using an electronic payment system when the entity has no practical ability to withdraw, stop, or cancel the payment instruction; the entity has no practical ability to access the cash used for settlement; and the settlement risk associated with the electronic payment system is insignificant. The Company has elected to apply this option and derecognizes financial liabilities prior to the settlement date when the relevant conditions have been met. The adoption of the amendments to these standards did not have a material impact on the Interim Financial Statements.

Recently Issued Accounting Standards Not Yet Adopted

From time to time, new accounting pronouncements are issued by the IASB or other standards-setting bodies and are adopted as of the specified effective date. As at the date of this MD&A, we have not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective.

The IASB published IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements). IFRS 18 introduces a defined structure for the presentation of the statement of comprehensive income, including required totals and subtotals, as well as principles for the aggregation and disaggregation of financial information. It also requires all management-defined performance measures to be disclosed in the notes to the financial statements. The new standard is effective for the Company's annual periods beginning on or after February 1, 2027. The Company is currently assessing the impacts this standard will have on its consolidated financial statements.

Internal Controls Over Financial Reporting

Our internal controls over financial reporting (as that term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, ("ICFR")) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management, including the CEO and Chief Financial Officer, does not expect that our ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation. There have been no changes in our ICFR during the period beginning on May 1, 2026 and ended on July 31, 2026 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Authorized Share Capital

As at July 31, 2026, our 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, issuable in series. The Subordinate Voting Shares and Multiple Voting Shares rank pari passu with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company.

As of September 1, 2026, 25,118,769 Subordinate Voting Shares, 27,390,588 Multiple Voting Shares, and employee stock options under the Company's legacy option plan to purchase a total of 794,266 Subordinate Voting Shares are issued and outstanding. In addition, the Company had 2,708,462 restricted stock units ("**RSUs**") issued and outstanding, 9,750 performance share units ("**PSUs**") issued and outstanding and 471,713 deferred share units ("**DSUs**") issued and outstanding under the Company's Long Term Incentive Plan. These RSUs, PSUs and DSUs may ultimately be settled through the issuance of Subordinate Voting Shares on a 1:1 basis, a cash payment equal to the market price of the vested units being settled in cash, or a combination of shares and cash, all as determined by the Board.