Growing our Impact

ANNUAL REPORT

FISCAL YEAR 2024

D2L: Helping people achieve more than they ever imagined.

1,310+
CUSTOMERS

18M+
USERS

40+
COUNTRIES

A message from John Baker

CEO AND CHAIR OF THE BOARD
@JohnBakerD2L

DEAR SHAREHOLDERS[1],

As we enter our 25th year of building the future of work and learning, I'm pleased to report it was a strong Fiscal 2024 for D2L. Last year we shared our decision to pursue a balance of investing in growth for long-term market leadership, with an accelerated path to profitability. I'm pleased to report that the team has made significant progress on this strategy and our financial results last year delivered at the high end or above our guidance ranges and we demonstrated strong progress across key client, market share, sales, and profitability metrics.

Total revenue grew 8% to $182.4 million and subscription and support revenue (roughly 90% of the total revenue) reached $162.2 million, up 11% from the prior year. Annual Recurring Revenue[2]—a leading indicator of future sales growth—increased 12%, or roughly $20.0 million, to $188.1 million. We made excellent progress on our margins, highlighted by a 300-basis-point improvement in gross profit margin to 67%, while subscription and support gross margin rose to 73%, up 430 basis points over the prior year. The combination of revenue growth, stronger gross profit margins, and operating leverage drove a substantial year-over-year improvement in Adjusted EBITDA[3] to $7.9 million, an increase of almost $11 million from the prior year.

D2L ended the year in a healthy financial position with no debt and $117 million in cash, providing us the financial flexibility to make disciplined growth investments, both organic and inorganic, and enabled us to establish a Normal Course Issuer Bid to buy back shares. Simply put, our Fiscal 2024 results demonstrate that we are building a stronger and more profitable business while at the same time making meaningful headway on key growth strategies to win in our markets.

EXPANDING OUR GLOBAL CUSTOMER BASE

During the past year, we grew our customer base and built scale across our markets as we help more and more organizations leveraged Brightspace to reshape the future of education and work. Our learning platform is now serving more than 1,310 customers in over 40 countries – and we now have 18 million users currently on the Brightspace learning platform, up 2 million users from this time last year.

In higher education, our largest market, we had another good year. We are #1 in LMS market share in Canada[4], we jumped to #2 in LMS market share by enrollment for all of North America – up from #4 at this time last year[5] – and our win rate is getting stronger as it rose to just over 50% last year[6]. We continue to see significant runway to replace legacy systems with our modern learning platform – one that is built to deliver what clients need for the opportunities and challenges in front of them today, whether in student engagement, enrollment, or workforce upskilling.

International expansion is another important growth driver, and last year we continued to expand D2L's footprint in key markets resulting in an 18% increase in our revenue outside North America. Our focus and strategy to win key markets globally is starting to build momentum.

We are expanding in each of our key regions, and particularly pleased with our Higher Education market leadership in several key gateway countries. For example, D2L is now #1 in market share in Singapore, and in the Netherlands Brightspace is used by more students and teachers than any other LMS[4]. In Fiscal 2024, we also began to see further benefits from our previous investments in India, with multiple new customers and growing brand awareness. Looking ahead, the international opportunity remains sizable for D2L, with legacy platforms—the same ones we're displacing in North America—currently holding 70-80% market share across many regions.

The corporate market continued to be a fast-growing area for D2L last year as we work with organizations to implement more impactful learning experiences that help their employees evolve and grow. Upskilling has become a top agenda item for many business leaders I speak with, and there is a large, underpenetrated market across public and private enterprises, government agencies, and associations. Our rich history in building world-class learning experiences differentiates our Brightspace platform in this market and positions us well to build on the more than 500 corporate customers we have today.

Fiscal 2024 Results at a Glance

US$182.4M
REVENUE

+8%
OVER FISCAL 2023

US$162.2M
SUBSCRIPTION & SUPPORT REVENUE

+11%
OVER FISCAL 2023

US$188.1M
ANNUAL RECURRING REVENUE[2]

+12%
OVER FISCAL 2023

Cash flow from operating activities of US$15.7 million, an increase of US$11.9 million from the prior year.

Strong balance sheet, with cash and cash equivalents of $116.9 million and no debt.

#2 market share

in North American Higher Education[5] (by enrollments)

50%+ D2L win rate

for new implementations in North American Higher Education[6]

ENHANCING OUR PRODUCTS AND PLATFORM

We are winning in our markets because we provide great technology and the services and support to make the technology a success. Informed by feedback from our customers, in Fiscal 2024 we delivered on a long roadmap of enhancements to existing offerings while broadening our portfolio of products, partners and services.

For example, our continued investment in user experience is having a real impact on our commercial success and we consistently receive feedback from our customers that our platform is easy to use. We are also enhancing current products such as Creator+, a solution that allows educators to create engaging, accessible, and mobile-friendly content independently, quickly, and easily. We're seeing greater adoption among our customers and, most important, they are reporting very encouraging efficacy results and strong outcomes (e.g., higher completion rates and better learning outcomes).

Building on a strong 2024, we're excited about the opportunities ahead of us to expand our client footprint and solve more challenges for these organizations–to grow our impact globally as we build the future of work and learning.

We're pleased with the performance of Course Merchant, a product we acquired last year that addresses the growing demand for continuing studies. The product integrates with Brightspace to improve course and program discovery while also simplifying enrollment. Our team has been successful at bringing the Course Merchant product to more of our current customers, and it's been an important component of several new customer wins.

In terms of new products, we're delivering new functionality and products around artificial intelligence (AI) to support students and help faculty build higher-quality learning experiences in less time. This builds on our long history of thoughtfully applying machine learning and AI in areas such as video transcribing and student success. We recently released our generative AI beta program to help educators and content creators easily and quickly generate practice questions and quiz questions using existing course content. Looking forward, we will continue to approach AI carefully to make sure the application of the technology advances teaching and learning and expands the opportunity for human connection.

GROWING OUR IMPACT

Building on a strong Fiscal 2024, we're excited about the opportunities ahead of us to expand our customer footprint and solve more challenges for clients – to grow our impact globally as we build the future of work and learning. We have a strong team focused on our customers' success, and we are making the right long-term investments to become the category leader, while at the same time remaining highly focused on continuing to deliver balanced growth with a significant emphasis on further margin expansion.

I want to thank the D2L team for their impact in Fiscal 2024. Together, we're making D2L a stronger company while delivering on our longstanding mission to transform the way the world learns.

John Baker, M.S.C.
Founder, CEO & Chair of the Board of D2L
April 2024

[1] For the convenience of readers, portions of this Annual Report may be extracted and made available separately as standalone documents. However, in all cases, such extracts should be considered to be part of this Annual Report as a whole. Please also refer to the "Forward-Looking Information" section of the Company's MD&A for the period ended January 31, 2024 within this Annual Report.

[2] Please refer to the "Key Performance Indicators" section of the Company's MD&A for the period ended January 31, 2024 within this Annual Report.

[3] A non-IFRS financial measure or non-IFRS ratio. Adjusted EBITDA is calculated by the Corporation as net income (loss), excluding interest, taxes, depreciation and amortization (or EBITDA), adjusted for stock-based compensation, foreign exchange gains and losses, non-recurring expenses, acquisition-related costs, impairment charges and other income and losses. Adjusted EBITDA and other non-IFRS measures are further defined and disclosed in the "Non-IFRS Financial Measures and Reconciliation of Non-IFRS Financial Measures" section of the annual management's discussion and analysis within this Annual Report, which sections are incorporated by reference herein.

[4] Management estimates based on publicly available data.

[5] Market share by enrollment as referenced in Phil Hill & Associates Higher Education LMS Market Dynamics Year-End 2023 Report.

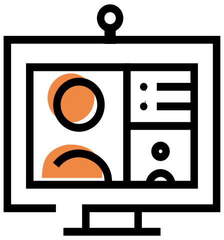
[6] ListEdTech North America Higher Ed New Implementations April 2024.

Transforming the Way the World Learns.

CREATE IT. ▶ **TEACH IT.** ▶ **MEASURE IT.**

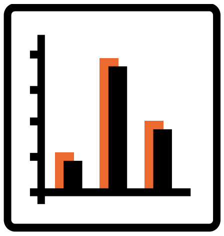
Creator+

Provide easy-to-use authoring tools for efficient and effective learning



Brightspace

Provide access to high quality education through technology



Performance+

Empower and enable learners & educators through data and insights

ESG at D2L

Four environmental, social, and governance (ESG) pillars help guide our corporate actions and provide a framework for D2L to make a meaningful difference and address our most significant ESG issues. This approach and our actions reflect our commitment to all our stakeholders, and the planet.

Please view the full Fiscal 2024 Sustainability Report online at www.d2l.com/about/sustainability-esg

Transforming the way the world learns

We build technology that, in partnership with our customers, supports increased access to quality education, increased engagement in hybrid, in-person, and online learning formats, and that is transforming learning moments for students and employees, alike. Our technology supports upskilling and learning pathways through a unified and user-friendly experience built to maximize results.

Operating with integrity

Operating with integrity, including our practices around strong data management, service reliability, artificial intelligence, and innovation, are critically important to all our stakeholders—our customers, shareholders, employees and beyond—and to our ability to serve these stakeholders and maintain their trust.

Empowering our people

Our success is dependent upon our employees' innovation, creativity, and collaboration. Our learning culture, benefits, diversity, equity, inclusion, and belonging efforts are critically important to making D2L a place where our employees can do the best work of their lives.

Protecting the environment

Being responsible corporate citizens includes measuring, addressing, and taking accountability for our environmental impacts. We are committed to doing our part to protect the planet.

D2L INC.

Management's Discussion and Analysis

For the years ended January 31, 2024 and 2023

Dated: April 3, 2024

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 months and year ended January 31, 2024.*

Unless otherwise stated or the context otherwise indicates, 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 recently completed fiscal year, which ended on January 31, 2024, is referred to as "Fiscal 2024" or similar words. Our previous fiscal year, which ended on January 31, 2023, is referred to as "Fiscal 2023" 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 the Company's audited annual consolidated financial statements and the related notes thereto for the years ended January 31, 2024 and 2023, which have been prepared in accordance with IFRS Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board (**"IASB"**).*

*Additional information relating to D2L, including the Company's Annual Information Form for the year ended January 31, 2024 ("**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 "Financial Outlook") 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 on 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 acquisitions; trends in research and development 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, revenue generation potential and expectations regarding costs, including as a percentage of revenue; and the proposed spin-out of D2L Wave.

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 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; 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; the Company's ability to retain key personnel; the conditions to completing the spin-out of D2L Wave are achieved or waived in a timely manner; the factors and assumptions discussed under the "*Financial Outlook*" section below; 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 the "*Summary of Factors Affecting Our Performance*" section 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 net income (loss), excluding interest, taxes, depreciation and amortization (or EBITDA), adjusted for stock-based compensation, foreign exchange gains and losses, non-recurring expenses, acquisition-related costs, 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 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 provided by (used in) operating activities 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.

"**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.

Reconciliation of Non-IFRS Financial Measures

Constant Currency Revenue

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

	Three months ended January 31		**Fiscal year ended January 31**	
(in thousands of U.S. dollars)	**2024**	**2023**	**2024**	**2023**
Total revenue for the period	47,569	42,684	182,380	168,396
Impact of foreign exchange rate changes over the prior period	(168)	–	1,432	–
Constant Currency Revenue	**47,401**	**42,684**	**183,812**	**168,396**

Adjusted EBITDA and Adjusted EBITDA Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2024	2023	2024	2023
Profit (Loss) for the period	563	(6,186)	(3,542)	(18,377)
Stock-based compensation	2,050	1,942	9,287	7,738
Foreign exchange loss (gain)	300	(1,041)	(80)	(1,839)
Non-recurring expenses(1)	1,021	978	1,978	1,042
Impairment loss on intangible assets	–	4,474	–	4,474
Acquisition-related costs(2)	88	–	809	–
Net interest expense (income)	(1,124)	(729)	(3,606)	(620)
Income tax expense	43	9	347	434
Other (income) loss(3)	(202)	–	(202)	–
Depreciation and amortization	724	978	2,871	4,245
Adjusted EBITDA	**3,463**	**425**	**7,862**	**(2,904)**
Adjusted EBITDA Margin	**7.3%**	**1.0%**	**4.3%**	**-1.7%**

Note:

(1) These expenses relate to non-recurring activities, such as legal fees, facility relocations, workforce restructuring, and related one-time charges that are not considered indicative of continuing operations. During Fiscal 2024, certain functions were realigned to optimize operations, which resulted in workforce restructuring costs.

(2) These expenses include post-combination compensation of an acquired business. Additionally, these expenses relate to legal and other fees related to acquisition activities in connection with the acquisition of Connected Shopping Ltd, as described in Note 21 of the Company's audited annual consolidated financial statements for the year ended January 31, 2024. These expenses would not have been incurred if not for the acquisition and are not considered an expense indicative of continuing operations.

(3) Represents gains recognized from subleasing activities and are considered non-recurring and not reflective of continuing operations.

Free Cash Flow and Free Cash Flow Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2024	2023	2024	2023
Cash flow from (used in) operating activities	(5,512)	(5,279)	15,659	3,779
Net addition to property and equipment	(565)	(1,767)	(5,727)	(3,672)
Free Cash Flow	**(6,077)**	**(7,046)**	**9,932**	**107**
Free Cash Flow Margin	**-12.8%**	**-16.5%**	**5.4%**	**0.1%**

The cash flows from operations of the Company are seasonal in nature. Cash flows from operations generally have a seasonal low in the first quarter each year and a seasonal high in the second quarter 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.

Adjusted Gross Profit and Adjusted Gross Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2024	2023	2024	2023
Gross profit for the period	32,035	27,326	122,196	107,770
Stock based compensation	134	108	564	369
Adjusted Gross Profit	**32,169**	**27,434**	**122,760**	**108,139**
Adjusted Gross Margin	**67.6%**	**64.3%**	**67.3%**	**64.2%**

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 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 Annual Recurring Revenue assumes that customers will renew their contractual commitments as those commitments come up for renewal. We believe Annual Recurring Revenue provides a reasonable, real-time measure of performance in a subscription-based environment and provides us with visibility for potential growth to our cash flows. We believe that increasing Annual Recurring Revenue indicates the continued strength of our business and the successful execution of our strategy will continue to be our focus on a go-forward basis.

We define Constant Currency Annual Recurring Revenue as foreign-currency-denominated Annual Recurring Revenue 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 January 31		
	2024	2023	Change
	$	$	%
Annual Recurring Revenue	188.1	168.0	12.0%
Constant Currency Annual Recurring Revenue	187.9	168.0	11.8%

Net Revenue Retention Rate

We calculate Net Revenue Retention Rate for a fiscal year by considering all customers at the beginning of a fiscal year, and dividing our annual subscription revenue attributable to this group of customers at the end of the fiscal year, by the annual subscription revenue attributable to this group of customers in the prior fiscal year. By implication, this ratio, expressed as a percentage, excludes any sales from new customers acquired during the fiscal year, but does include incremental sales from the existing base of customers during the fiscal year being measured. This calculation contemplates all changes to Annual Recurring Revenue for the designated group of customers, which includes customer terminations and non-renewals, customer consolidations, changes in quantities of users, changes in pricing, additional applications purchased or applications no longer used. We believe that measuring the ability to retain and expand revenue generated from the existing customer base is a key indicator of the long-term value that we provide to customers. Net Revenue Retention Rate for the fiscal year ended January 31, 2024 was 102% (102% for the fiscal year ended January 31, 2023). See the "Review of Operations - Revenue" section of the MD&A for a further discussion of the consistency year-over-year.

Gross Revenue Retention Rate

We calculate Gross Revenue Retention Rate for a fiscal year by subtracting downgrades, cancellations and terminations over the fiscal year from Annual Recurring Revenue at the beginning of the year, and dividing the result by the Annual Recurring Revenue from the beginning of the year. For clarity, the Gross Revenue Retention Rate calculation does not include incremental sales from the existing base of customers during the fiscal year being measured. As we continue to focus on increasing our product and service offering, we are providing more visibility into underlying customer and revenue retention rates, in addition to our ability to expand and grow revenue from our existing customers. As a result, we introduced Gross Revenue Retention Rate, which is a key measure to provide insight into the Company's success retaining existing customers. We believe that measuring the ability to retain revenue from our existing customer base is a key indicator of the long-term value that we provide to customers. Gross Revenue Retention Rate for this fiscal year ended January 31, 2024 was 94% (92% for the fiscal year ended January 31, 2023). See the "Review of Operations - Revenue" section of the MD&A for a further discussion of the variance year-over-year.

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 20 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: kindergarten to grade 12 schools ("**K-12**"), higher education, and corporate markets. 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 Performance+, our advanced analytics package, and Creator+, which provides easy-to-use authoring tools for efficient and effective learning and engages learners through add-on solutions such as video and catalogue capabilities to help instructors create engaging, video-based training and courses. Our learning technology leverages intelligent features like artificial intelligence, 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 Fiscal 2024, 89.0% of our revenues were recurring, on a subscription and support basis. During Fiscal 2024, we generated revenues of $182.4 million, up $14.0 million or 8.3%, from Fiscal 2023.

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. As of January 31, 2024, our customer list was comprised of over 1,310 customers (up from over 1,240 as at January 31, 2023) – representing colleges, universities, K-12 school districts and companies in more than 40 countries, resulting in significant diversification, with no customer representing more than 10% of our annual revenue. We define a "customer" as an entity with an active contract for our services. In the case where there is a single contract that applies to entities with multiple subsidiaries, divisions, accounts, universities or schools, only the entity that has contracted for our services is counted as a customer. For example, a higher educational consortium contracted on behalf of its member institutions, is counted as a single customer even though the consortium encompasses multiple individual institutions. Our platform is used worldwide by more than 18 million users, with a multitude of customers across our target markets and regions.

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 presents an opportunity to up-sell additional functionality and expand users. Our future revenue and 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.

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 and the features and pricing of our competitors' offerings.

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, expand into new geographic regions, and we will 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.

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 and Australia. As a result, a significant amount of our expenses are incurred in Canadian dollars, British pound sterling, and Australian dollars. 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, or Australian dollar. See the "*Risk Factors*" section of the company's 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, payment to outside service providers 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 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 generally decrease as a percentage of total revenues.

Sales and marketing

Sales and marketing expenses consist primarily of personnel-related expenses, including 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 allocated 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, and expect over the medium-term for costs to decrease as a percentage of total revenues as total revenues increase.

Research and development

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

Subsequent to our initial public offering of Subordinate Voting Shares in Fiscal 2022, we have incurred expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a Canadian securities exchange and costs related to compliance and reporting obligations pursuant to rules of the Canadian securities commissions. However, we expect that these 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 primarily of net interest income or expenses and transaction gains or losses on foreign currency.

Other comprehensive income (loss)

Other comprehensive income (loss) consists primarily of gains or losses on the translation of the accounts of our foreign, wholly-owned subsidiaries into our U.S. dollar functional currency. During Fiscal 2023, this also consisted of impairment losses on non-financial assets.

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 outlines our consolidated statements of comprehensive income (loss) for the periods indicated:

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31 2024	2023	Fiscal year ended January 31 2024	2023
Revenue	47,569	42,684	182,380	168,396
Cost of revenue	15,534	15,358	60,184	60,626
Gross profit	**32,035**	**27,326**	**122,196**	**107,770**
Operating expenses				
Sales and marketing	12,705	14,128	52,915	55,010
Research and development	12,305	10,562	48,320	43,068
General and administrative	7,470	6,111	28,074	25,620
Impairment loss on intangible assets	–	4,474	–	4,474
Total operating expenses	**32,480**	**35,275**	**129,309**	**128,172**
Loss from operations	**(445)**	**(7,949)**	**(7,113)**	**(20,402)**
Interest and other income (expenses)	1,050	1,772	3,917	2,459
Income (loss) before income taxes	**605**	**(6,177)**	**(3,196)**	**(17,943)**
Income tax expense	42	9	346	434
Income (loss) for the period	**563**	**(6,186)**	**(3,542)**	**(18,377)**
Other comprehensive income (loss)	1,023	(16)	3	(1,671)
Comprehensive Income (loss)	**1,586**	**(6,202)**	**(3,539)**	**(20,048)**
Earnings (loss) per share - basic	**0.01**	**(0.12)**	**(0.07)**	**(0.35)**
Earnings (loss) per share - diluted	**0.01**	**(0.12)**	**(0.07)**	**(0.35)**

Review of Operations

Revenue

(in thousands of U.S. dollars, except percentages)	Three months ended January 31 2024 $	2023 $	Change %	Fiscal year ended January 31 2024 $	2023 $	Change %
Revenue						
Subscription and support revenue	42,187	37,790	11.6%	162,232	145,939	11.2%
Professional services and other revenue	5,382	4,894	10.0%	20,148	22,457	-10.3%
Total revenue	**47,569**	**42,684**	**11.4%**	**182,380**	**168,396**	**8.3%**
Percentage of total revenue						
Subscription and support revenue	88.7%	88.5%		89.0%	86.7%	
Professional services and other revenue	11.3%	11.5%		11.0%	13.3%	
Total revenue	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

For the three months ended January 31, 2024, subscription and support revenue was $42.2 million, compared to $37.8 million for the same period of the prior year, representing an increase of $4.4 million or 11.6%. For Fiscal 2024, subscription and support revenue was $162.2 million, compared to $145.9 million in Fiscal 2023, representing an increase of $16.3 million or 11.2%. The increases in subscription and support revenue were primarily attributable to revenue from new customers, coupled with strong revenue retention and expansion from existing customers, as Annual Recurring Revenue (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*") as at January 31, 2024 reached $188.1 million (up $20.1 million or 12.0% from $168.0 million in Fiscal 2023).

Professional services and other revenue for the three months ended January 31, 2024 was $5.4 million, a slight increase of $0.5 million or 10.0% from the $4.9 million earned in the same period of the prior year. For Fiscal 2024, professional services and other revenue was $20.1 million, versus $22.5 million for Fiscal 2023, representing a decrease of $2.4 million or 10.7%. The decrease was mainly due to the conclusion of a large professional services engagement which had significant services delivered in Fiscal 2023.

Constant Currency Revenue (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") for the three months ended January 31, 2024 and 2023 were $47.4 million and $42.7 million, respectively, representing an increase of $4.7 million or 11.1%. Constant Currency Revenue was $183.8 million for Fiscal 2024, compared to $168.4 million in Fiscal 2023, representing an increase of $15.4 million or 9.2%. The increases were driven primarily by growth in subscription and support revenue over the same period in the prior year, as demonstrated by the 11.8% increase in Constant Currency Annual Recurring Revenue (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*"), which was partially offset by the decrease in professional services and other revenues during Fiscal 2024.

The Net Revenue Retention Rate is representative of our ability to retain and increase revenue generated from our existing customer base (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*"). In Fiscal 2024, our Net Revenue Retention Rate was 102%, consistent with Fiscal 2023. Foreign exchange negatively impacted the reported Net Revenue Retention Rate in Fiscal 2023, therefore by normalizing for foreign exchange there was a slight decrease for Fiscal 2024 in Net Revenue Retention Rate due to lower net seat expansion in Fiscal 2024 compared to the prior year.

The Gross Revenue Retention Rate is representative of our ability to retain revenue from our existing customer base (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*"). In Fiscal 2024, our Gross Revenue Retention Rate was 94%, up from 92% in Fiscal 2023. When factoring in the impact of foreign exchange on Gross Revenue Retention Rate in Fiscal 2023, the Gross Revenue Retention Rate was consistent year over year, as we continue to focus on retaining our customers and their associated revenues.

Cost of revenue

(in thousands of U.S. dollars, except percentages)	Three months ended January 31 2024 $	2023 $	Change %	Fiscal year ended January 31 2024 $	2023 $	Change %
Cost of revenue						
Cost of subscription and support	11,373	11,847	-4.0%	45,351	46,271	-2.0%
Cost of professional services and other	4,161	3,511	18.5%	14,833	14,355	3.3%
Total cost of revenue	**15,534**	**15,358**	**1.1%**	**60,184**	**60,626**	**-0.7%**
Percentage of total cost of revenue						
Cost of subscription and support	73.2%	77.1%		75.4%	76.3%	
Cost of professional services and other	26.8%	22.9%		24.6%	23.7%	
Total cost of revenue	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

Cost of subscription and support revenue for the three months ended January 31, 2024 was $11.4 million, representing a decrease of $0.4 million or 4.0% compared to the same period in the prior year. For Fiscal 2024, cost of subscription and support revenue decreased by $0.9 million or 2.0% to $45.4 million compared to Fiscal 2023. The decreases were primarily attributable to ongoing cost optimization efforts in our cloud technology and service delivery, partially offset by an increase in headcount to support the growing customer base.

Cost of professional services and other revenue for the three months ended January 31, 2024 was $4.2 million, representing an increase of $0.7 million or 18.5% compared to the same period in the prior year. The increase was primarily driven by an increase in partner-related cost of revenue. For Fiscal 2024, cost of professional services and other revenue increased by $0.4 million or 3.3% to $14.8 million compared to Fiscal 2023. This was primarily driven by a net increase in partner-related cost of revenue compared to the same period in the prior year.

Gross profit

(in thousands of U.S. dollars, except percentages)	Three months ended January 31 2024 $	2023 $	Change %	Fiscal year ended January 31 2024 $	2023 $	Change %
Gross profit						
Subscription and support	30,814	25,943	18.8%	116,881	99,668	17.3%
Professional services and other	1,221	1,383	-11.7%	5,315	8,102	-34.4%
Total gross profit	**32,035**	**27,326**	**17.2%**	**122,196**	**107,770**	**13.4%**
Gross profit margin						
Subscription and support	73.0%	68.7%		72.0%	68.3%	
Professional services and other	22.7%	28.3%		26.4%	36.1%	
Total gross profit margin	**67.3%**	**64.0%**		**67.0%**	**64.0%**	

Gross profit earned on subscription and support for the three months ended January 31, 2024 was $30.8 million, up from $25.9 million earned for the same period in the prior year, representing a period-over-period increase of $4.9 million or 18.8%. For Fiscal 2024, gross profit earned on subscription and support increased $17.2 million or 17.3% compared to Fiscal 2023 to $116.9 million. The increases in gross profit were primarily driven by the increase in our subscription and support revenue and decrease in the related cost of revenue, based on the factors described above.

As a percentage of revenue, gross profit margin for subscription and support for the three months ended January 31, 2024 increased by 430 basis points to 73.0% from 68.7% in the same period of the prior year. For Fiscal 2024, gross profit margin for subscription and support increased by 370 basis points to 72.0% over Fiscal 2023. The increases were attributable to growth in subscription and support revenues, paired with decreases in the related costs of revenue based on the factors discussed above

For the three months ended January 31, 2024, gross profit recognized on professional services and other was $1.2 million, relatively consistent with the same period in the prior year. For Fiscal 2024, gross profit earned on professional services and other decreased $2.8 million or 34.4% to $5.3 million compared to Fiscal 2023. The decreases were due to a combination of factors including the conclusion of a large professional services engagement, which positively impacted results in the same period of the prior year, and an increase in partner-related cost of revenue in Fiscal 2024. Moderate period-to-period fluctuations are expected based on the professional services engagements delivered in the period.

As a percentage of revenue, gross profit margin for professional services and other for the three months ended January 31, 2024 decreased by 560 basis points to 22.7% from 28.3% in the same period of the prior year. For Fiscal 2024, gross profit margin for professional services and other decreased by 970 basis points over Fiscal 2023 to 26.4%. The decreases were attributable to the conclusion of a large professional services engagement which positively impacted results in the same period of the prior year, an increase in partner related cost of revenue and services project utilization.

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 January 31, 2024 was $32.2 million, an increase of $4.7 million or 17.3% from the same period in the prior year. For Fiscal 2024, Adjusted Gross Profit was $122.8 million, an increase of $14.6 million or 13.5% from Fiscal 2023. The increases were the result of higher subscription and support revenues derived from new and existing customers, outpacing the related costs of revenue. The decreases in the costs of revenue for Fiscal 2024 were mainly due to ongoing cost optimization efforts in our cloud technology and support costs and a reduction in subcontracting expenses. These impacts were partially offset by the decline in gross profit for professional services and other.

Similarly, 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 January 31, 2024 was 67.6% compared to 64.3% in the same period of the prior year, representing a 330 basis points increase. The Adjusted Gross Margin for Fiscal 2024 increased by 310 basis points to 67.3%. The increases in Adjusted Gross Margin were primarily attributable to growth of revenue outpacing the related costs of revenue. The increase in Adjusted Gross Margin was partially offset by the reduction in gross profit margin for professional services and other as discussed above.

Operating expenses

	Three months ended January 31			Fiscal year ended January 31		
(in thousands of U.S. dollars, except percentages)	**2024 $**	**2023 $**	**Change %**	**2024 $**	**2023 $**	**Change %**
Operating expenses						
Sales and marketing	12,705	14,128	-10.1%	52,915	55,010	-3.8%
Research and development	12,305	10,562	16.5%	48,320	43,068	12.2%
General and administrative	7,470	6,111	22.2%	28,074	25,620	9.6%
Impairment loss on intangible assets	—	4,474	-100.0%	—	4,474	-100.0%
Total operating expenses	**32,480**	**35,275**	**-7.9%**	**129,309**	**128,172**	**0.9%**
Percentage of total revenue						
Sales and marketing	26.7%	33.1%		29.0%	32.7%	
Research and development	25.9%	24.7%		26.5%	25.6%	
General and administrative	15.7%	14.3%		15.4%	15.2%	
Impairment loss on intangible assets	0.0%	10.5%		0.0%	2.7%	
Total percentage of total revenue	**68.3%**	**82.6%**		**70.9%**	**76.2%**	

Sales and marketing expenses for the three months ended January 31, 2024 were $12.7 million, down $1.4 million or 10.1% compared to the same period in the prior year. For Fiscal 2024, sales and marketing expenses were $52.9 million, a decrease of $2.1 million or 3.8% over the $55.0 million expense from Fiscal 2023. The decreases were primarily attributable to reduced advertising and promotional spend in Fiscal 2024, lower headcount expenses, and decreases in lease-related, right-of-use-asset amortization from the Company's head office relocation that occurred during Fiscal 2024. This was offset by expenses related to workforce restructuring as we continue to optimize our go-to-market operations.

For the three months ended January 31, 2024, research and development expenses were $12.3 million, versus $10.6 million for the same period in the prior year, representing an increase of $1.7 million or 16.5%. Research and development expenses increased $5.3 million or 12.2% to $48.3 million for Fiscal 2024, relative to Fiscal 2023. The increases were primarily attributable to increased spending on subcontracting expenses, as well as expenses related to workforce restructuring from the realignment of certain functions to optimize operations. In addition, there was increased capacity as we continue to enhance our existing products and develop new offerings, and acquisition-related expenses from the acquisition of Connected Shopping Ltd.

General and administrative expenses increased from $6.1 million to $7.5 million for the three months ended January 31, 2024 as compared to the same period in the prior year, an increase of $1.4 million or 22.2%. For Fiscal 2024, general and administrative expenses were $28.1 million, compared to $25.6 million in Fiscal 2023, an increase of $2.5 million or 9.6%. Included in general and administrative expenses for the three months ended January 31, 2024 and Fiscal 2024 is $1.3 million and $4.9 million of stock-based compensation expense, respectively, compared to $0.7 million and $3.4 million in the same periods of the prior year. Excluding the impact of stock-based compensation, the increases in general and administrative expenses for the three and twelve-months ended January 31, 2024 were $0.8 million or 14.3% and $1.0 million or 4.6%, respectively. These increases were primarily attributable to higher benefits and related compensation, expenses related to workforce restructuring from the realignment of certain functions to optimize operations, and acquisition-related expenses from the acquisition of Connected Shopping Ltd. This was partially offset by a reduction in professional fees, insurance expense and recruitment expenses.

Impairment loss on intangible assets for the three and twelve-month periods ended January 31, 2023 was $4.5 million, compared to no impairment loss recognized in each of the comparative periods in Fiscal 2024. The year-over-year decrease was the result of impairment recognized on the course content and software assets acquired from Bayfield Design Inc.

Net interest income and other income (expenses)

(in thousands of U.S. dollars)	Three months ended January 31		Fiscal year ended January 31	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Net interest income	1,124	728	3,606	620
Foreign exchange gain (loss) and other income (expense)	(74)	1,044	311	1,839
Total net interest income and other income (expense)	**1,050**	**1,772**	**3,917**	**2,459**
Percentage of total revenue				
Net interest income and other income (expense)	**2.2%**	**4.2%**	**2.1%**	**1.5%**

Net interest income earned for the three months ended January 31, 2024 increased by $0.4 million to $1.1 million over the same period of the prior year. For Fiscal 2024, net interest income increased by $3.0 million to $3.6 million. The increases were mainly the result of higher interest income earned on our cash balances on hand, as central banks globally raised interest rates when compared to the previous period. Other income earned for the three months ended January 31, 2024 decreased by $1.1 million to negative $0.01 million over the same period of the prior year. For Fiscal 2024, other income decreased by $1.5 million to $0.3 million. The decreases were primarily attributable to the translation of U.S. dollar-denominated monetary balances into our subsidiaries' functional currency, which resulted in fewer foreign exchange gains when compared to the prior period, due to fluctuations in foreign exchange.

Income (loss) for the period

Income for the three-month period ended January 31, 2024 was $0.6 million, compared to a loss of $6.2 million in the same period of the prior year, representing an increase of $6.8 million as a result of period-over-period changes discussed above. For Fiscal 2024, the loss was $3.5 million, compared to a loss of $18.4 million in Fiscal 2023, representing a decrease of $14.9 million as a result of the changes discussed above.

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*") increased by $3.1 million to $3.5 million in the three months ended January 31, 2024 versus $0.4 million in the same period of the prior year. For Fiscal 2024, Adjusted EBITDA was $7.9 million, which is an increase of $10.8 million from Fiscal 2023, and consistent with management's plan to increase profitability.

The increases in Adjusted EBITDA were primarily attributable to increased gross profit for the three and twelve-month periods ended January 31, 2024, amounting to $4.7 million and $14.4 million respectively, when compared to the same period in the prior year, as a result of factors discussed above. There was a $4.5 million impairment loss on intangible assets for the three and twelve-months ended January 31, 2023, compared to no impairment loss recognized in Fiscal 2024. Excluding the impact of the impairment loss, the increases of total operating expenses for the three and twelve months ended January 31, 2024, were $1.7 million and $5.6 million, respectively. These increases were primarily due to higher research and development expenses and general and administrative expenses, including stock-based compensation increases of $0.6 million and $1.7 million for the three and twelve months ended January 31, 2024; however, these were more than offset by increases in revenue and gross profit, as operating leverage is realized on our expenses.

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 7.3% and 4.3% for the three and twelve-months ended January 31, 2024, respectively, representing increases of 630 basis points and 600 basis points over the corresponding periods in the prior year, respectively. The increase in Adjusted EBITDA Margin was the result of the increase in Adjusted EBITDA discussed above and was partially mitigated by the impact of increased total revenue over the same period.

Selected Annual Information

(in thousands of U.S. dollars)	Fiscal year ended January 31		
	2024	2023	2022
Revenue	182,380	168,396	151,880
Loss for the year	(3,542)	(18,377)	(97,653)
Adjusted EBITDA	7,862	(2,904)	136
Free Cash Flow	9,932	107	(684)
Loss per share - basic and diluted	(0.07)	(0.35)	(2.88)
Total assets	197,124	176,609	179,213
Total long-term liabilities	12,606	12,277	1,112

Total Assets

Fiscal 2024 compared to Fiscal 2023

Total assets as at January 31, 2024 were $197.1 million compared to $176.6 million as at January 31, 2023, representing an increase of $20.5 million or 11.6% period-over-period. The increase was primarily driven by an increase in cash of $6.2 million, which is further discussed in the "*Cash Flows*" section below. The change was also supported by an increase to property and equipment of $4.1 million, primarily attributable to additional leasehold improvements. The acquisition of Connected Shopping Ltd also contributed to the increase which resulted in additional goodwill of $3.3 million and intangible assets of $0.6 million. Trade and other receivable increased by $2.5 million, primarily attributable to the growth in the customer base and related billings in Fiscal 2024. During the year prepaid expenses increased by $2.3 million due to increased payments to service providers and partners at the end of the fiscal year. The increase to total assets was partially offset by a $2.4 million reduction in right-of-use-assets which relates to the amortization and lease incentive received during the period in relation to the lease agreement with Catalyst 137 Kitchener L.P.

Fiscal 2023 compared to Fiscal 2022

Total assets as at January 31, 2023 was $176.6 million, representing a decrease of $2.6 million or 1.5% compared to $179.2 million as at January 31, 2022. The change was primarily driven by a decrease in trade receivables of $5.3 million, which was the result of a large outstanding customer balance in the prior period that was subsequently collected in Fiscal 2023; this was partially offset by growth in the customer base and related billings in Fiscal 2023. The decrease was also the result of a decrease in intangible assets, which was primarily due to an impairment loss of $4.5 million recognized in Fiscal 2023 as described in note 7 of the audited annual consolidated financial statements, as well as a decrease in cash and cash equivalents of $3.9 million. The decrease was partially offset by an increase in right-of-use assets of $9.9 million relating to a lease for a new office headquarters that commenced in Fiscal 2023, as described in note 9 of the audited annual consolidated financial statements.

Total Long-Term Liabilities

Fiscal 2024 compared to Fiscal 2023

Total long-term liabilities as at January 31, 2024 was $12.6 million compared to $12.3 million as at January 31, 2023, representing an increase of $0.3 million. The increase was primarily due to the contingent consideration that that is payable to the selling shareholders of Connected Shopping Ltd. For more details, refer to note 21 in the audited annual consolidated financial statements for the years ended 2024 and 2023. In addition, our long-term liabilities consist of deferred income tax liabilities and the long-term portion of lease liabilities.

Fiscal 2023 compared to Fiscal 2022

Total long-term liabilities as at January 31, 2023 was $12.3 million compared to $1.1 million as at January 31, 2022, representing an increase of $11.2 million. The increase was largely driven by an increase in the Company's lease liabilities of $11.1 million resulting from the new office headquarters lease discussed above.

Quarterly Results of Operations

The following tables set forth selected unaudited quarterly statements of operations data for each of the eight quarters ended January 31, 2024. The information for each of these quarters have been prepared on the same basis as the audited annual financial statements. This data should be read in conjunction with our audited annual consolidated 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.

	3 Months Ended							
(in thousands of U.S. dollars, except share and per share data)	**Jan 31, 2024**	**Oct 31, 2023**	**Jul 31, 2023**	**Apr 30, 2023**	**Jan 31, 2023**	**Oct 31, 2022**	**Jul 31, 2022**	**Apr 30, 2022**
Revenue	**47,569**	**46,113**	**44,470**	**44,228**	**42,684**	**42,668**	**41,173**	**41,870**
Cost of revenue	15,534	15,513	14,789	14,348	15,358	15,163	14,588	15,517
Gross profit	**32,035**	**30,600**	**29,681**	**29,880**	**27,326**	**27,505**	**26,585**	**26,353**
Operating expenses								
Sales and marketing	12,705	12,808	14,961	12,441	14,128	13,803	14,022	13,057
Research and development	12,305	12,351	12,519	11,145	10,562	10,770	10,451	11,285
General and administrative	7,470	7,102	7,312	6,190	6,111	6,524	6,578	6,407
Impairment loss on intangible assets	–	–	–	–	4,474	–	–	–
Total operating expenses	**32,480**	**32,261**	**34,792**	**29,776**	**35,275**	**31,097**	**31,051**	**30,749**
Income (loss) from operations	**(445)**	**(1,661)**	**(5,111)**	**104**	**(7,949)**	**(3,592)**	**(4,466)**	**(4,396)**
Interest and other income (expenses)	1,050	1,369	332	1,166	1,772	1,095	(159)	(248)
Income (loss) before income taxes	**605**	**(292)**	**(4,779)**	**1,270**	**(6,177)**	**(2,497)**	**(4,625)**	**(4,644)**
Income tax expense (recovery)	42	95	49	160	9	128	178	119
Net income (loss)	**563**	**(387)**	**(4,828)**	**1,110**	**(6,186)**	**(2,625)**	**(4,803)**	**(4,763)**
Earnings (loss) per share – basic	0.01	(0.01)	(0.09)	0.02	(0.12)	(0.05)	(0.09)	(0.09)
Earnings (loss) per share – diluted	0.01	(0.01)	(0.09)	0.02	(0.12)	(0.05)	(0.09)	(0.09)
Gross profit as a percentage of revenue	67.3%	66.4%	66.7%	67.6%	64.0%	64.5%	64.6%	62.9%

Revenue

Our total quarterly revenue increased sequentially for all periods presented, with the exception of the quarter ended July 31, 2022. The period-over-period increases were primarily attributable to revenue from new customers, strong revenue retention and expansion from existing customers, and delivery of professional services engagements to customers, including the latest figures for the quarter ended January 31, 2024.

Cost of revenue

Our total costs of revenue remained relatively consistent for all periods presented, with the exception of the quarter ended April 30, 2023 where the cost of revenue decreased from the preceding period to $14.3 million, as a result of ongoing cost optimization efforts in our service delivery. During Fiscal 2024, the average costs of revenue grew to $15.0 million, which corresponds with the increases seen in total revenues over the same periods.

Gross profit

Our total quarterly gross profit grew sequentially for all periods presented, with the exception of the quarters ended January 31, 2023 and July 31, 2023, where gross profits decreased slightly, compared to the preceding quarter. The period-over-period increases in gross profit levels were mainly the result of growth in both our subscription and support revenue and professional services and other revenue, driven by the increased adoption of education technologies. The period-over-period growth in total revenues outpaced the growth in the related costs of revenue over the same period, averaging $26.9 million gross profit per quarter in Fiscal 2023 and averaging $30.5 million gross profit per quarter in Fiscal 2024. Fiscal 2024 experienced increased gross profit from prior periods presented, as a result of factors discussed in the "*Results of Operations – Gross profit*" section above.

Gross profit as a percentage of revenue for the quarter ended April 30, 2022 was 62.9%, which was the result of higher costs of revenue from increased cloud technology costs to support new customer implementations. Gross profit as a percentage of revenue for the three quarters ended July 31, 2022 through to January 31, 2023 was relatively consistent, averaging 64.4% over the three quarters. Gross profit as a percentage of revenue increased in the following four quarters to an average of 67.0%, remaining relatively consistent. Gross profit as a percentage of revenue for the most recent quarter ended January 31, 2024 increased to 67.3% from the prior quarter at 66.4%, primarily as a result of factors discussed in the "*Results of Operations – Gross profit*" section above.

Operating expenses

Beginning in the quarter ended April 30, 2022, through to October 31, 2022, total operating expenses increased sequentially as a result of growth in the number of employees and related employee salaries and wages to support our sales expansion and focus on product development. The operating expense increases were also attributable to higher spend on marketing events and travel expenses as COVID-19 restrictions continued to ease, paired with increased professional service fees and insurance costs resulting from our transition to operating as a publicly traded company. During the quarter ended January 31, 2023, a nonrecurring impairment loss on intangible assets of $4.5 million was recognized. Excluding this impact, total operating expenses for the quarter ended January 31, 2023, were $30.8 million, representing a slight decrease from the preceding quarter. Operating expenses decreased slightly to $29.8 million in the quarter ended April 30, 2023, as a result of reduced advertising and promotional spend as we optimize our go-to-market expenditures and reduction in professional fees spend. Operating expenses increased to $34.7 million in the quarter ended July 31, 2023, as a result of increased travel and event related cost incurred from our in-person annual customer conference, D2L Fusion when compared to the prior quarters, increase in share-based compensation and increased capacity in research and development. Operating expenses decreased to $32.3 million in the following quarter ended October 31, 2023 but increased comparatively to prior quarters. The increase was primarily the result of workforce restructuring as a result of the realignment of certain functions to optimize operations. Operating expenses remained relatively consistent at $32.5 million in the recent quarter ended January 31, 2024, compared to prior quarter, and was also impacted by workforce restructuring as a result of the realignment of certain functions to optimize operations.

Liquidity, Capital Resources and Financing

Overview

The general objectives of our capital management strategy is 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 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 January 31, 2024, our cash balance was $116.9 million and our working capital surplus was $32.2 million ($110.7 million and $36.2 million as at January 31, 2023, respectively). 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 research and development activities in support of our overall growth strategy.

Cash flows

The following table presents cash and cash equivalents as at January 31, 2024 and 2023, and cash flows from (used in) operating, investing, and financing activities for Fiscal 2024, Fiscal 2023 and the three months ended January 31, 2024:

	Three months ended January 31		Fiscal year ended January 31	
(in thousands of U.S. dollars)	**2024**	**2023**	**2024**	**2023**
Cash and cash equivalents	**116,943**	**110,732**	**116,943**	**110,732**
Net cash from (used in):				
Operations	(5,512)	(5,279)	15,659	3,779
Investing	(565)	(1,767)	(8,520)	(3,672)
Financing	(1,593)	(736)	(749)	(1,630)
Effect of foreign exchange on cash and cash equivalents	1,523	535	(179)	(2,420)
Net increase (decrease) in cash and cash equivalents	**(6,147)**	**(7,247)**	**6,211**	**(3,943)**

Cash flows from (used in) operations

Cash flows used in operating activities for the three months ended January 31, 2024, were $5.5 million, compared to $5.3 million for the same period of the prior year, representing an increase of $0.2 million. The increase in cash used was mainly attributable to fluctuations in the Company's working capital balances. For Fiscal 2024, cash flows from operating activities were $15.7 million, compared to $3.8 million in Fiscal 2023. The increases were primarily attributable to improved profitability, higher cash flows from changes in working capital in the most recently completed periods, and increased cash collections due to revenue growth. In addition, the increase was also driven by interest received from cash in high interest savings account, when compared to the previously received amounts.

The Company's negative 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 $6.1 million for the three months ended January 31, 2024, compared to negative Free Cash Flow of $7.0 million in the same period of the prior year, representing a decrease in cash flows used of

$0.9 million. The decrease was primarily driven by a decrease in purchases of property and equipment in Fiscal 2024 of $0.6 million, primarily associated with the relocation of our head office, partially offset by an increase in cash flow used in operating activities of $0.2 million as discussed above. For Fiscal 2024, Free Cash Flow was $9.9 million, compared to $0.1 million for Fiscal 2023, representing an increase of $9.8 million. The increase was primarily driven by an increase in cash flows from operating activities of $15.7 million in Fiscal 2024 when compared to the respective prior period as discussed above. The increase was partially offset by the increase in purchases of property and equipment, primarily for leasehold improvements of the new head office space in Kitchener, during the first nine months of Fiscal 2024, compared to the same period of the prior year.

For the three months ended January 31, 2024 and 2023, negative 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 12.7% and 16.5%, respectively. representing an increase of 380 basis points. For Fiscal 2024, Free Cash Flow Margin was 5.4%, compared to 0.1% in Fiscal 2023, representing an increase of 530 basis points. The period-over-period increases were primarily the result of increased Free Cash Flow when compared to the prior period based on the factors discussed above. The increases were partially offset by the impact of increased total revenue over the same period.

Cash flows used in investing activities

Cash flows used in investing activities for the three months ended January 31, 2024, were $0.6 million, compared to cash flows used in investing activities of $1.8 million for the same period of the prior year, representing a decrease in cash flows used of $1.2 million. This decrease was primarily due to decrease in purchases of property and equipment, primarily for leasehold improvements of the new head office space in Kitchener. For Fiscal 2024, cash flows used in investing activities were $8.5 million, an increase of $4.8 million, compared to cash flows used for investing activities of $3.7 million for Fiscal 2023. This increase was primarily due to $5.7 million in purchases of property and equipment, primarily for leasehold improvements of the new head office space in Kitchener, and $2.8 million for the acquisition of Connected Shopping Ltd.

Cash flows used in financing activities

Cash flows used in financing activities were $1.6 million for the three months ended January 31, 2024, increased by $0.9 million compared to $0.7 million of cash flows used in the same period of the prior year. The increase was due to taxes paid on settlement of restricted share units and the repurchase of shares as part of our Normal Course Issuer Bid ("NCIB"), partially offset by additional proceeds received from the exercise of stock options. For Fiscal 2024, cash flows used in financing activities were $0.8 million, compared to cash flows used in financing activities of $1.6 million in Fiscal 2023. The decrease in cash flows used was primarily attributable to additional proceeds received from the exercise of stock options, a lease incentive received during the period and reduction in the payment of lease liabilities compared to the same period of the prior year. This was partially offset by taxes paid on settlement of restricted share units and from the repurchase of shares as part of our NCIB.

Subordinate Voting Shares repurchase for cancellation under normal course issuer bid

On December 5, 2023, the Company announced the launch of an NCIB to be effected through the facilities of the Toronto Stock Exchange ("TSX"). The NCIB permits the Company to repurchase for cancellation up to 1,299,633 of the Company's Subordinate Voting Shares, representing approximately 10.0% of the "public float" (within the meaning of the rules of the TSX), during the twelve-month period commencing December 8, 2023.

In connection with the NCIB, the Company entered into an automatic share purchase plan ("ASPP") with its designated broker for the purpose of allowing the Company to purchase its shares under the NCIB during self-imposed trading blackout periods. Under the ASPP, the broker is authorized to repurchase Subordinate Voting Shares during blackout periods, without consultation with the Company, on predefined terms, including share price, time period and subject to other limitations imposed in advance by the Company and subject to rules and policies of the TSX and applicable securities laws, such as a daily purchase restriction.

During the year ended January 31, 2024, the Company repurchased and cancelled 41,200 Subordinate Voting Shares under the NCIB for an aggregate purchase price of $322,914, which was recorded as a reduction of share capital. The Company has recognized a liability and a charge to deficit of $2,264,410 for the repurchase of common shares under the ASPP within accounts payable and accrued liabilities as at January 31, 2024, as an estimate of the maximum number of shares that could be repurchased during the blackout period.

Contractual obligations

The following are the remaining contractual maturities of financial liabilities as at January 31, 2024. The amounts are gross and undiscounted and include contractual interest payments, if any:

	Payments due by period				
(in thousands of U.S. dollars)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts payable, accrued liabilities & contingent consideration	33,219	32,907	312	—	—
Operating commitments (1)	28,657	6,866	10,804	3,073	7,914
Total contractual obligations	**61,876**	**39,773**	**11,116**	**3,073**	**7,914**

Notes:

(1) Includes operating lease commitments and commitments with a third-party cloud technology services provider.

Financial Outlook

Financial Guidance FY2025

D2L is initiating financial guidance for the year ended January 31, 2025 ("**Fiscal 2025**"), which reflects the operating levels the Company expects to achieve for Fiscal 2025. D2L plans to continue making measured investments for growth in Fiscal 2025, while optimizing its operations towards increasing levels of profitability. Specifically, for Fiscal 2025 the Company is issuing the following guidance:

- Subscription and support revenue in the range of $177 million to $180 million, implying growth of 10% at the midpoint over Fiscal 2024;
- Total revenue in the range of $197 million to $201 million, implying growth of 9% at the midpoint over Fiscal 2024; and
- Adjusted EBITDA in the range of $21 million to $23 million, implying Adjusted EBITDA margin of 11% at the midpoint.

The Company expects revenue and Adjusted EBITDA to increase as Fiscal 2025 progresses, enabling the Company to exit the year with low-to-mid-teen Adjusted EBITDA Margin.

These targets demonstrate the Company's continued emphasis on balancing growth and profitability, including increased levels of revenue growth and Adjusted EBITDA in Fiscal 2025 relative to Fiscal 2024. These targets include the expected impact of the D2L Wave spin-out transaction based upon a targeted mid-year close date which will contribute to increased profitability in the second half of the year. The achievement of the Adjusted EBITDA guidance is based upon continued efficiencies and leverage in our operations as we grow our revenue. The anticipated revenue growth rates in Fiscal 2025 are informed in part by the levels of sales activity that occurred during Fiscal 2024, and the resulting impact of such activity on the corresponding revenue recognition in Fiscal 2025.

In September 2022, management presented an updated target operating model to evolve the business towards one of balanced growth and profitability, based upon the Company's outlook at that time and which reflected the operating levels that the Company expected to achieve by Fiscal 2025. Our Fiscal 2025 guidance comparatively is informed by the continued progress of our Company and the market we operate within, and is reflective of the current expected performance of the Company. The above financial guidance provided for Fiscal 2025 compares against this previously presented target operating model as outlined below.

- Total revenue growth of 8-10% and subscription revenue growth of 9-11% in Fiscal 2025, compared to the target operating model of 12-15%. While revenue growth is below the original target range, the Company has made strong progress in growing revenue as evidenced by accelerating Annual Recurring Revenue growth of 12% in Fiscal 2024.
- Adjusted EBITDA Margin at the mid-point of 11% in Fiscal 2025, compared to the target operating model of 13-16% Adjusted EBITDA Margin. While Adjusted EBITDA Margin for the full year Fiscal 2025 is below the original target range, we expect improvements as the year progresses, which will enable us to exit the year with low-to-mid-teen Adjusted EBITDA Margin within the target range.
- The Company does not provide annual guidance for Adjusted Gross Margin. The Company has made strong progress increasing Adjusted Gross Margin, ending Fiscal 2024 at 67%, well within the target operating model range provided of 65-70% Adjusted Gross Margin.
- The Company does not provide annual guidance for Free Cash Flow Margin. The Company has made continued progress increasing its Free Cash Flow, including reporting Free Cash Flow of $9.9 million in Fiscal 2024 (5.4% Free Cash Flow Margin). The Company continues to expect Free Cash Flow Margin to slightly outpace Adjusted EBITDA Margin due to the advanced billing arrangements under most of its customer contracts, and therefore expects to exit the year at annualized margin levels approaching the target operating model range of 16-19% Free Cash Flow Margin.

Since our original presentation of the target operating model during Fiscal 2023, we have delivered top-line and bottom-line growth, with an expected annual Adjusted EBITDA improvement of approximately $25 million comparing Fiscal 2023 to Fiscal 2025 (using the mid-point of Fiscal 2025 Adjusted EBITDA guidance of $22M to actual Adjusted EBITDA of -$2.9M in Fiscal 2023). Our progress in Fiscal 2025 should position us well to continue to deliver top-line and bottom-line growth as we look out over the medium term.

Medium Term Outlook

As we operate the business over the medium term, we will continue to balance growth and profitability, including measured investment in growth opportunities and optimizing our operations for increased profitability, as further described below.

We expect low double-digit to mid-teens growth in annual revenue based upon the following factors:

- Existing Customer Retention and Expansion – We expect our continued investment in product development and customer success to result in strong customer retention over the medium term. As our existing customers seek to enhance their learning technologies, we anticipate Net Revenue Retention to be greater than 100% and increase over time, as we realize opportunities to cross-sell existing and future add-on solutions and offerings.
- Continued Acquisition of New Customers – We expect our continued investment in product development and investment in our sales and marketing efforts to result in continued new customer acquisitions, including within education and corporate markets domestically, and accelerating growth from our international markets. We anticipate these results based upon growing market acceptance of learning technology solutions, growing awareness of our solutions, and focused penetration of our target markets.
- Ongoing Product Development – We expect continued investment in our existing products, and the introduction of new products, will enhance our differentiation as a technology innovator and platform leader and contribute to our revenue growth in the medium term.
- Strategic Transactions – While our growth has largely been organic historically, we intend to selectively consider strategic acquisitions and investments that would add to the revenue and profitability of D2L over the medium-term.

We expect Adjusted EBITDA and Adjusted EBITDA Margin to increase annually over the medium term as the company grows, based upon the following factors:

- We expect Adjusted Gross Profit to increase as the company's revenues increase. We expect Adjusted Gross Margin to continue to increase due to improvements in the scale and efficiency of our service delivery. We expect to realize continued cost efficiencies related to cloud hosting fees and support costs, which we anticipate will result in our cost of revenue decreasing as a percentage of our total revenues over the medium term.

- We expect to realize operating leverage in our business model over the medium term. As revenue increases, we expect operating expenses as a percentage of revenue to decrease over the medium term through anticipated improvements in our salesforce productivity and lead generation activities that we expect will drive a decline in sales and marketing costs as a percentage of revenue; anticipated improvements in our product development design and development velocity which we expect will drive a decline in research and development costs as a percentage of revenue; and increased scale in our administrative functions which we expect will drive a decline in general and administrative costs as a percentage of revenue.

Adjusted EBITDA Margin and Adjusted Gross Margin are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. See "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*".

The principal assumptions and factors underlying this are discussed below. See also the assumptions and factors noted at "*Forward-Looking Information*".

The foregoing information has been prepared by management of the Company and has been outlined assuming accounting policies that are generally consistent with our current accounting policies. This information is based on underlying assumptions and factors that management believes are reasonable in the circumstances, given the applicable time periods, as well as the Company's capabilities and business plans, current and past growth rates, current customer contractual commitments, customer purchasing history, renewal experience and historic results, management's assessment of market dynamics and views of the drivers of growth, estimated growth in the target addressable market, expectations concerning growth strategies and opportunities, and ability to scale operations and realize cost efficiencies as the Company grows revenues, and . The foregoing is also based on assumptions relating to external factors that may be beyond our control, including general economic conditions remaining stable, the industry trends described in the "*Industry Overview and Trends*" section of the Company's AIF, the outcome of our international expansion, offering expansion, and partner ecosystem expansion initiatives, and cost savings from efficiency improvements and operating leverage. However, there can be no assurance that we will be successful in achieving the increases in performance set out above. Nor can any assurances be given regarding the realization of our expectations and drivers that anticipated growth and margin improvements are based on.

The purpose of disclosing our medium-term outlook is to provide investors with additional information concerning the Company's operating focus and expected performance over the medium term. However, there can be no assurance that we will be successful in achieving that which is set out above. For example, our strategy may evolve in response to changes in external factors outside our control such as changes in the markets that our customers operate in or general economic conditions, and these factors may affect our ability to achieve these increases in performance over the medium term. Our views on the medium term outlook is also forward-looking information for the purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary materially from that discussed above. See also "*Summary of Factors Affecting our Performance*" and "*Forward-Looking Information*" set out above and "*Risk Factors*" in the Company's AIF for a description of other assumptions underlying the forward-looking information and of the risks and uncertainties that generally impact our business and that could cause actual results to vary materially.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recent Developments- Subsequent Event

On April 3, 2024, the Company, entered into a binding letter agreement (the "Letter Agreement") to spin-off the D2L Wave service offering into a standalone independent legal entity, SkillsWave Corporation ("SkillsWave").

A corporation owned by John Baker, the Company's CEO, will be purchasing the majority ownership of SkillsWave from the Company. The Board of Directors constituted a Special Committee (the "Special Committee") of independent directors of the

Company to assess and advise the Board with respect to the transaction, and oversee its negotiation, as well as to assess possible alternatives. The Special Committee determined that the transaction would be in the best interests of the Company and recommended that the Board approve the entering into of the Letter Agreement. The Board of Directors approved, with John Baker abstaining and being recused on account of his conflict of interest in the matter.

Pursuant to the Letter Agreement, the parties have agreed to enter into definitive agreements by mid-year.

A corporation owned by John Baker will acquire 70% equity interest in SkillsWave from the Company in exchange for consideration of CAD $1,120,000 payable in cash. The Company will maintain a 30% ownership interest in SkillsWave and will maintain minority Board representation.

The Company will provide a loan to SkillsWave in the amount of $9,500,000 maturing in five years and payable at maturity, bearing interest rate at the Canadian prime rate per annum, compounded annually. The loan will be advanced in tranches with $5,000,000 advanced upon closing of the transaction, and the remaining $4,500,000 advanced upon the six-month anniversary of closing. The loan principal and accrued interest will be convertible at the option of the Company into non-voting shares of SkillsWave, that together with any shares acquired at closing by D2L, may not exceed a maximum 37.5% ownership interest in SkillsWave. The loan is secured by all assets of SkillSWave constituting first priority security interest, subjected to permitted liens.

The Company will enter into a Transition Services Agreement with SkillsWave, to provide administrative services on a cost recovery basis to support the orderly transition of the Wave service offering from D2L to SkillsWave, which transition is expected to be completed on or before January 31, 2025, subject to permitted extensions.

The D2L Wave offering is an early-stage venture, representing a very small percentage of D2L's overall revenue in Fiscal 2024, and is separate from D2L's corporate learning core business. This transaction enables the Company to increase focus on the continued growth and profitability of the core learning platform and related services business.

Recent Developments- Acquisition of Connected Shopping Ltd

On May 9, 2023, D2L Europe Ltd., an indirect subsidiary of the Company, acquired all of the outstanding shares of Connected Shopping Ltd, a SaaS e-commerce and course catalog company and the maker of Course Merchant. This acquisition will allow the Company to deliver Course Merchant as a part of its own suite of products to address the growing needs of higher education and training organizations worldwide.

The acquisition was accounted for as a business combination under the acquisition method. The purchase price consists of cash consideration of $2.9 million, which was subject to post-closing working capital adjustments, contingent consideration with a fair value at the date of acquisition of $0.6 million and the effective settlement of the pre-existing prepaid balance of $0.3 million resulting in total consideration of $3.9 million. Upon revaluation as at January 31, 2024, the liability associated with the contingent consideration decreased in the audited annual consolidated statements of financial position, and has a potential maximum contractual payment of $0.7 million. The contingent consideration is payable to the selling shareholders upon achieving certain customer churn targets by the first and second anniversary dates following the acquisition.

There are payments up to $0.7 million in the form of post-combination compensation which are subject to the continued employment of specific employees, on the first and second anniversary dates following the acquisition in equal installments of $0.35 million. The Company incurred acquisition related costs of $0.8 million in Fiscal 2024, including professional fees and post-combination compensation, which are recorded within General and Administration expenses and Research and Development expenses in the audited annual consolidated statements of comprehensive loss.

The details of the net assets acquired, and other preliminary information is disclosed in Note 21 of the Company's audited annual consolidated financial statements.

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 January 31, 2024, 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 services from and provide services to related parties, as further described below. Note 17 of the audited annual consolidated financial statements provide additional details on our related party transactions:

Services we receive:

Lease of Premises - Catalyst

On October 15, 2021, D2L Corporation 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 Kitchener Lease was approved by the independent members of the Board of Directors, 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 $479,762 and $1,863,393 for the three and twelve-months ended January 31, 2024, respectively (2023 - $364,694 and $1,666,063). During the period ended October 31, 2023, the Company received a lease incentive amounting to $961,920. The lease incentive represents a reimbursement from the lessor for applicable leasehold improvements. D2L Corporation has the following cash flow commitment relating to the Kitchener Lease:

(in thousands of dollars)	**CAD**	**USD**
February 1, 2024 - January 31, 2025	1,783	1,328
February 1, 2025 - January 31, 2026	1,859	1,384
February 1, 2026 - January 31, 2027	1,938	1,443
February 1, 2027 - January 31, 2028	2,020	1,504
February 1, 2028 - July 31, 2033	12,736	9,483
Total undiscounted commitment	**20,336**	**15,142**

Services we provide:

Subscription and support services to Virtual High School (Ontario)

We provide e-Learning subscription and support services to VirtualHighSchool.com Inc. ("**VHS**"), a corporation in which John Baker had a minority interest and other business dealings. 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 $31,111 and $106,063 for the three months and year ended January 31, 2024, respectively (2023 - $21,931 and $90,671, respectively). As at January 31, 2024, the Company had $10,768 (January 31, 2023 - nil) in trade receivables from this related party.

The Virtual High School Agreement was renewed on November 23, 2023 for an additional three-year term that ends on December 31, 2026.

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 and trade and other receivables. We limit our exposure to credit risk by placing our cash and cash equivalents with high credit quality financial institutions.

As at January 31, 2024, 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 consolidated statement of comprehensive 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. We do not hold any collateral as security.

Liquidity risk

We limit our liquidity risk associated with our financial liabilities through the use of 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 balances and trade and other receivable balances, 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**”) and Euro (“**EUR**”).

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 consolidated balance sheets. The summary quantitative data about our exposure to currency risk as at January 31, 2024 is as follows:

(In thousands of local currency)	CAD	GBP	AUD	SGD	BRL	EUR
Cash and cash equivalents	10,789	4,280	9,745	5,090	18,868	5,305
Trade and other receivables	10,069	1,545	724	1,014	1,460	1,074
Uninvoiced revenue	2,428	323	–	170	3,114	–
Accounts payable and accrued liabilities	24,041	1,797	1,660	235	419	13

We limit 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 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, and accounts payable and accrued liabilities. For all financial instruments currently held, their carrying values approximate their fair values due to their short-term nature.

Contingent consideration 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 contingent consideration has been calculated based on expected future revenue from existing customers and discount rates and was $599 as at the acquisition date. At January 31, 2024, management determined that the fair value of the contingent consideration was $583, resulting in other income of $16.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated 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.

Areas requiring the most significant estimates and judgements are outlined below. We have determined that we operate in a single operating and reportable segment.

Revenue recognition

Our main sources of revenue are recurring subscriptions and support revenue derived from fees earned from customers for accessing D2L's e-Learning solutions, as well as professional services and other revenue from consultation services to support the implementation of and training related to the e-Learning technologies. As many of our contracts with customers contain promises to deliver the multiple products and services above, the overall methodology used to determine the standalone selling price ("SSP") for each distinct performance obligation requires significant judgments and estimates within a contract with a customer. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. This allocation affects the amount and timing of revenue recognized for each performance obligation.

To determine the SSP of promised products or services, we conduct a regular analysis to determine whether various products or services have an observable SSP. If the Company does not have an observable SSP for a particular product or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, adjusted market assessment, and the residual approach. Refer to note 2(a) of the Company's audited annual consolidated financial statements for the year ended January 31, 2024 for additional information on the assumptions and estimates used.

Uncertain tax positions and recoverability of deferred tax assets

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. We establish provisions based on reasonable estimates for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. Our judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and the level of future taxable income together with future tax planning strategies.

Trade and other receivables

The recognition of trade and other receivables and loss allowances requires us to assess credit risk and collectability. We consider historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment.

Impairment of non-financial assets

When non-financial assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates. The recoverable amount is based on the greater of internal estimates of value-in-use calculations or the fair value of the assets less costs to sell which are determined using discounted cash flow models. Key assumptions on which management has based its determination of value-in-use include an estimated discount rate and long-term growth rate.

Initial measurement of lease liabilities

The Company applies judgments in determining the discount rate used to measure the lease liability at the commencement date. The discount rate is estimated using the Company's incremental borrowing rate, which reflects the interest that the Company would have to pay to borrow the funds necessary to obtain a similar asset at a similar term, with a similar security, in a similar economic environment. The Company applies judgments in determining the lease term for certain leases which contain extension or termination options. Judgement is required in the determination of whether it is reasonably certain that these options will be exercised, and therefore reflected in the lease term for purposes of calculating the lease liability and right-of-use asset.

Material Accounting Policies

The material accounting policies used in the preparation of our consolidated financial statements are described in note 2 of our audited annual consolidated financial statements for the year ended January 31, 2024.

Recently Issued Accounting Standards

New and amended standards and interpretations adopted by the Company

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. For the year ended January 31, 2024, the Company adopted the following amended accounting standards:

- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, effective for annual periods beginning on or after January 1, 2023, which distinguish between accounting policies and accounting estimates. The adoption of the amendments to this standard did not have a material impact on the Company's audited annual consolidated financial statements.

- Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement to Making Materiality Judgements requiring companies to disclose their material accounting policy information. The adoption of the amendments to this standard did not have a material impact on the Company's audited annual consolidated financial statements.

- Amendments to IAS 12, Income Taxes, which clarify how to account for deferred tax on transactions such as leases. The adoption of the amendment to this standard is reflected in Note 14 of the Company's audited annual consolidated financial statements.

New and amended standards and interpretations issued but not yet effective

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 issued amendments to IAS 1, which provide a more general approach to the classification of liabilities as current or non-current based on the contractual arrangements in place at the reporting date. The IASB also issued Amendments to IFRS 16, which include additional requirements to explain how a company accounts for a sale and leaseback after the date of the transaction. These amendments to IAS 1 and IFRS 16 are effective for annual periods beginning on or after February 1, 2024. While we are currently evaluating the impact of these amendments, we do not expect any significant impacts to our consolidated financial statements.

The IASB also issued amendments to IAS 21, which includes the effects of changes in foreign exchange rates, which clarify the impact of using an estimated exchange rate on financial statements when a currency is not exchangeable. The amendment to IAS 21 is effective for annual reporting periods beginning on or after February 1, 2025. While we are currently evaluating the impact of these amendments, we do not expect any significant impacts to our consolidated financial statements.

Disclosure Controls and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures

The Company's CEO and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining our disclosure controls and procedures, as that term is defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"). The CEO and the CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that: (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated, or caused to be evaluated under our supervision, the effectiveness of our disclosure controls and procedures at January 31, 2024 and based on the evaluation, the CEO and CFO have concluded that the disclosure controls and procedures were effective as of such date.

Internal Controls Over Financial Reporting

Our internal controls over financial reporting (as that term is defined in NI 52-109, ("**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 CFO, 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.

Our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of our ICFR as at January 31, 2024 and based on the evaluation, the CEO and CFO have concluded that the ICFR were effective as of such date.

There have been no changes in our ICFR during the period beginning on November 1, 2023 and ended on January 31, 2024 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Authorized Share Capital

As of March 27, 2024, 26,591,197 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 2,046,686 Subordinate Voting Shares are issued and outstanding.

As at January 31, 2024, 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.

In addition, the Company had 2,639,172 restricted stock units ("**RSUs**") issued and outstanding and 330,318 deferred share units ("**DSUs**") issued and outstanding under the Company's Long Term Incentive Plan. These RSUs and DSUs may ultimately be settled through the issuance of Subordinate Voting Shares on a 1:1 basis.

Risk Factors

We are exposed to risks and uncertainties in our business that may impact on our financial performance, position or condition and cash flows, which impacts may be material, including the risk factors set forth below:

- Market adoption of cloud-based learning solutions may not grow as we expect, which may harm our business and results of operations and even if market demand increases, the demand for our platform may not increase.
- The market in which we participate is highly competitive, and if we do not compete effectively, our ability to gain new customers, retain existing customers and grow our business could be harmed and our results of operations could be adversely affected.
- If for any reason we are not able to develop enhanced and new features, keep pace with technological developments or respond to future disruptive technologies, our business will be harmed.
- Natural disasters, public health crises, political crises, or other catastrophic or adverse events, including adverse and uncertain macroeconomic conditions may adversely affect our business, operating results, or financial position.
- If our customers do not expand their use of our platform and services beyond their current organizational engagements or renew their existing contracts with us, or if we do not acquire new customers, our ability to grow our business and improve our results of operations may be adversely affected.
- If we are unable to increase sales of subscriptions to our platform to customers while mitigating the risks associated with serving such customers, our business, financial condition, and results of operations would suffer.
- Regulatory requirements placed on our software and services could impose increased costs on us, delay or prevent our introduction of new products and services, and impair the function or value of our existing products and services.
- Continued economic uncertainty, an economic slowdown or a recession could affect our results, and other adverse economic and market conditions and reductions in spending may adversely impact our business and results of operations.
- Issues in the use, adoption or innovation of AI in our platform may result in reputational harm, liability, or affect our results of operations.

- Macroeconomic conditions may make it difficult to evaluate our future prospects and may increase the risk that we will not make accurate predictions of our future growth.

- If our security measures are breached or unauthorized access to customer data is otherwise obtained, our platform may be perceived as insecure, we may lose existing customers or fail to attract new customers, our reputation may be harmed, and we may incur significant liabilities.

- Privacy, data protection, and information security concerns, and data collection and transfer restrictions and related domestic or foreign regulations, may limit the use and adoption of our platform and adversely affect our business.

- We are subject to contractual clauses that require us to comply with certain provisions of the Family Educational Rights and Privacy Act ("FERPA"), and we are subject to the Children's Online Privacy Protection Act ("COPPA"), and if we fail to comply with these laws, our reputation and business could be harmed.

- If we fail to effectively manage our growth or our business does not grow as we expect, our business and results of operations could be harmed.

- Mergers or other strategic transactions involving our competitors or customers could weaken our competitive position, which could harm our results of operations.

- Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in increased costs of sales, decreased revenue and lower average selling prices and gross margin percentages, all of which would harm our results of operations.

- If we are unable to hire, retain and motivate qualified employees, our business will suffer.

- Failure to effectively invest in our sales and marketing capabilities or to select appropriate marketing channels could harm our ability to increase our customer base and achieve broader market acceptance of our platform.

- We may face exposure to foreign currency exchange rate fluctuations.

- If we cannot maintain our Company's culture, we could lose the innovation, creativity, collaboration, and focus on execution that we believe contribute to our success and our business may be harmed.

- We are dependent on the continued services and performance of our senior leadership team and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

- Our business can be impacted by government policy and regulatory actions.

- Our quarterly and annual results of operations may vary significantly and may be difficult to predict. If we fail to meet the expectations of investors or securities analysts, our share price and the value of the Subordinate Voting Shares could decline.

- Seasonality may cause our sales and customer growth to vary from quarter-to-quarter depending on the variability in the volume and timing of sales and renewals.

- We rely upon Amazon Web Services ("AWS") to operate certain aspects of our service and any disruption of or interference with our use of AWS could impair our ability to deliver our platform and applications to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers and harm to our business.

- Changes to our platform, services or networks may result in a loss of customers.

- Changes in our pricing models could adversely affect our revenue, gross profit and financial position.

- We recognize revenue from subscriptions over the term of our customer contracts, and as such our reported revenue and billings may differ significantly in a given period, and our revenue in any period may not be indicative of our financial health and future performance.

- Our sales cycles can be unpredictable, and our sales efforts require considerable time and expense. As a result, the timing of our billings and revenue are difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly.

- We may not receive significant revenue as a result of our current research and development efforts.

- We believe our long-term success depends in part on continuing to expand our international sales and operations and we are therefore subject to a number of risks associated with international sales and operations.

- We rely upon SaaS technologies from third-parties to operate our business, and interruptions or performance problems with these technologies may adversely affect our business and results of operations.

- Our growth depends in part on the success of our relationships with third-parties.

- If we do not maintain the compatibility of our solutions with third-party applications that our customers use in their business processes, demand for our solutions and revenue could decline.

- We have incurred operating losses and negative cash flows in the past and may incur operating losses and negative cash flows in the future.

- If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.

- Acquisitions, investments or divestitures could divert our management's attention, result in additional dilution to our shareholders, and otherwise disrupt our operations and harm our results of operations.

- If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate reduced revenue or experience slower growth rates, and incur costly litigation to protect our rights.

- An assertion by a third-party that we are infringing its intellectual property could subject us to costly and time-consuming litigation which could harm our business.

- The use of open source software in our products may expose us to additional risks and harm our intellectual property.

- Real or perceived errors, failures, vulnerabilities, or bugs in our platform could harm our business and results of operations.

- If we are unable to successfully refresh or update our source code or other aspects of our platform or detect and adequately address technological deficiencies in a timely and adequate manner, our competitive position could be negatively affected.

- From time to time, we may become defendants in legal proceedings for which we are unable to assess our exposure and which could become significant liabilities in the event of an adverse judgment.

- Negative publicity and sharing of information through social media could result in damage to the Company's reputation and its business may suffer as a result.

- Any failure to offer high-quality and continuous customer support may harm our relationships with our customers and our results of operations.
- Incorrect or improper use of our solutions or our failure to properly train customers on how to use our solutions could result in customer dissatisfaction and negatively affect our business.
- The Company is impacted by rising inflationary pressures.
- We might require additional capital to support our growth, and this capital might not be available on acceptable terms, if at all.
- Our business is subject to a variety of international laws, including export and import controls and anti-corruption laws and regulations, that could subject us to claims, increase the cost of operations, impair our ability to compete in international markets, or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.
- Trade wars and changes in international trade law and policies may have a material adverse effect on our business, financial condition, and results of operations.
- Our business could be adversely impacted by changes in internet access for our users or laws specifically governing the internet.
- It may be difficult or impossible for investors to enforce judgements against foreign subsidiaries and non-resident directors or officers of the Company.
- Our international operations subject us to potentially adverse tax consequences.
- We may have exposure to greater than anticipated tax liabilities and may be affected by changes in tax laws or interpretations, any of which could adversely impact our results of operations.
- Our results of operations may be harmed if we are required to collect sales or other related taxes for our subscription services in jurisdictions where we have not historically done so.
- We may not be able to utilize a significant portion of our net operating loss, which could adversely affect our potential profitability.
- The nature of our business requires the application of complex revenue and expense recognition rules, and any significant changes in current rules could affect our financial statements and results of operations.
- If our judgments or estimates relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in our Subordinate Voting Share price.
- If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.
- Our By-Laws provide that any derivative actions, actions relating to breach of fiduciary duties and other actions asserting a claim relating to relationships among us, our affiliates and their respective shareholders, directors and/or

officers are required to be litigated in Canada, which could limit shareholders' ability to obtain a favourable judicial forum for disputes with us.

- We incur significant costs and there are significant demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, financial condition, and results of operations.

- Increased focus on ESG responsibility and disclosures may have adverse impacts on our business.

- Our financial condition may be adversely affected by geopolitical events.

- The Company has a certain degree of concentration of customers and customer sectors.

- The effort, time and expense associated with switching from competitors' software, products and services to that of the Company's may limit the Company's growth.

- The Company's holding company structure makes it dependent on the operations of its subsidiaries.

These risks are described in further detail in the section entitled "*Risk Factors*" in our AIF for Fiscal 2024.

Consolidated Financial Statements
(In U.S. dollars)

D2L INC.

And Independent Auditor's Report thereon

Years ended January 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of D2L Inc.

Opinion

We have audited the consolidated financial statements of D2L Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at January 31, 2024 and January 31, 2023
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at January 31, 2024 and January 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended January 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of standalone selling prices ("SSP") of multiple performance obligations in contracts with customers

Description of the matter
We draw attention to Notes 1(d) and 2(a) to the financial statements. The Entity has recognized revenue of $182.4 million. Many of the Entity's contracts with customers contain multiple performance obligations. Individual performance obligations are accounted for separately if they are distinct. The overall methodology used to determine the SSP for each distinct performance obligation requires significant judgements and estimates within a contract with a customer. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. The Entity determines the SSP based on its overall pricing objectives by reviewing its significant pricing practices, including discounting practices, the customer type, price lists and historical selling prices. This allocation affects the amount and timing of revenue recognized for each performance obligation.

Why the matter is a key audit matter
We identified the evaluation of standalone selling prices of multiple performance obligations in contracts with customers as a key audit matter. There was a significant risk of material misstatement relating to the overall methodology used to determine SSP for each distinct performance obligation within a contract with a customer. Significant auditor judgment was required to evaluate the results of our audit procedures due to the significant judgments and estimates associated with the determination of the SSP for each distinct performance obligation.

How the matter was addressed in the audit
The primary procedures we performed to address this key audit matter included the following.

We evaluated the appropriateness of the methodology used to determine the SSP by comparing it to pricing patterns in customer contracts, historical methodologies used by the Entity, and general practices in the Entity's industry.

For a selection of new customer contracts with multiple performance obligations, we examined the key terms and assessed the allocation of the transaction price to each distinct performance obligation based on its respective SSP derived from the underlying methodology.

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Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Anuj Madan.

Vaughan, Canada

April 3, 2024

D2L INC.

Consolidated Statements of Financial Position
(In U.S. dollars)
As at January 31, 2024 and January 31, 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 116,943,499	$ 110,732,236
Trade and other receivables (note 4)	23,025,690	20,894,794
Uninvoiced revenue (note 5(b))	3,971,861	2,107,015
Prepaid expenses	10,517,226	8,183,390
Deferred commissions (note 5(d))	5,334,864	4,487,043
	159,793,140	146,404,478
Non-current assets:		
Other receivables (note 4)	537,056	193,036
Prepaid expenses	119,872	122,469
Deferred income taxes (note 14)	529,674	189,178
Right-of-use assets (note 9)	8,774,960	11,205,371
Property and equipment (note 6)	8,427,734	4,287,095
Deferred commissions (note 5(d))	7,730,724	6,849,779
Intangible assets (note 7)	770,707	288,099
Goodwill (note 8)	10,440,091	7,070,432
Total assets	$ 197,123,958	$ 176,609,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,635,926	$ 23,450,767
Deferred revenue (note 5(c))	93,727,368	85,662,830
Lease liabilities (note 9)	1,002,464	1,127,600
Contingent consideration (note 21)	271,479	–
	127,637,237	110,241,197
Non-current liabilities:		
Deferred income taxes (note 14)	587,075	398,906
Lease liabilities (note 9)	11,707,534	11,878,556
Contingent consideration (note 21)	311,839	–
	12,606,448	12,277,462
	140,243,685	122,518,659
Shareholders' equity:		
Share capital (note 11):	364,830,884	357,639,824
Additional paid-in capital	47,485,107	46,084,161
Accumulated other comprehensive loss	(4,998,317)	(5,001,805)
Deficit	(350,437,401)	(344,630,902)
	56,880,273	54,091,278
Subsequent events (note 22)		
Commitments and contingencies (note 15)		
Related party transactions (note 17)		
Total liabilities and shareholders' equity	$ 197,123,958	$ 176,609,937

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

(signed) John Baker, Director   (signed) J. Ian Giffen, Director

D2L INC.

Consolidated Statements of Comprehensive Loss
(In U.S. dollars)
Years ended January 31, 2024 and 2023

	2024	2023
Revenue:		
Subscription and support	$ 162,231,829	$ 145,938,597
Professional services and other	20,148,646	22,457,819
	182,380,475	168,396,416
Cost of revenue:		
Subscription and support	45,351,420	46,271,187
Professional services and other	14,832,600	14,354,963
	60,184,020	60,626,150
Gross profit	122,196,455	107,770,266
Expenses:		
Sales and marketing	52,914,495	55,010,030
Research and development	48,320,129	43,067,814
General and administrative	28,074,111	25,619,759
Impairment loss on intangible assets	–	4,474,370
	129,308,735	128,171,973
Loss from operations	(7,112,280)	(20,401,707)
Interest and other income (expenses):		
Interest expense	(619,860)	(716,342)
Interest income	4,225,939	1,335,965
Other income	230,947	–
Foreign exchange gain	79,689	1,839,447
	3,916,715	2,459,070
Loss before income taxes	(3,195,565)	(17,942,637)
Income taxes (recovery) (note 14):		
Current	636,726	503,662
Deferred	(290,202)	(69,574)
	346,524	434,088
Loss for the year	(3,542,089)	(18,376,725)
Other comprehensive gain (loss):		
Foreign currency translation gain (loss)	3,488	(1,671,097)
Comprehensive loss	$ (3,538,601)	$ (20,047,822)
Loss per share – basic (note 12)	$ (0.07)	$ (0.35)
Loss per share – diluted (note 12)	(0.07)	(0.35)
Weighted average number of common shares – basic (note 12)	53,554,686	53,029,605
Weighted average number of common shares – diluted (note 12)	53,554,686	53,029,605

See accompanying notes to the consolidated financial statements.

D2L INC.

Consolidated Statements of Changes in Shareholders' Equity

(In U.S. dollars)

Years ended January 31, 2024 and 2023

	Share Capital Shares	Share Capital Amount	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
Balance, January 31, 2022	52,912,502	$ 354,277,986	$ 41,686,794	$ (3,330,708)	$ (326,254,177)	$ 66,379,895
Issuance of Subordinate Voting Shares on exercise of options	120,224	994,959	(368,688)	–	–	626,271
Issuance of Subordinate Voting Shares on settlement of restricted share units	113,804	2,366,879	(2,971,847)	–	–	(604,968)
Stock-based compensation (note 13)	–	–	7,737,902	–	–	7,737,902
Other comprehensive loss	–	–	–	(1,671,097)	–	(1,671,097)
Loss for the year	–	–	–	–	(18,376,725)	(18,376,725)
Balance, January 31, 2023	53,146,530	357,639,824	46,084,161	(5,001,805)	(344,630,902)	54,091,278
Issuance of Subordinate Voting Shares on exercise of options	497,386	4,581,368	(2,226,913)	–	–	2,354,455
Issuance of Subordinate Voting Shares on settlement of restricted share units	375,369	2,932,606	(5,659,029)	–	–	(2,726,423)
Stock-based compensation (note 13)	–	–	9,286,888	–	–	9,286,888
Repurchase of share capital for cancellation under NCIB (note 11)	(41,200)	(322,914)	–	–	–	(322,914)
Share repurchase commitment under the ASPP (note 11)	–	–	–	–	(2,264,410)	(2,264,410)
Other comprehensive gain	–	–	–	3,488	–	3,488
Loss for the year	–	–	–	–	(3,542,089)	(3,542,089)
Balance, January 31, 2024	53,978,085	$ 364,830,884	$ 47,485,107	$ (4,998,317)	$ (350,437,401)	$ 56,880,273

See accompanying notes to the consolidated financial statements.

D2L INC.

Consolidated Statements of Cash Flows
(In U.S. dollars)

Years ended January 31, 2024 and 2023

	2024	2023
Operating activities:		
Loss for the year	$ (3,542,089)	$ (18,376,725)
Items not involving cash:		
Depreciation of property and equipment (note 6)	1,598,200	1,506,222
Depreciation of right-of-use assets (note 9)	1,184,848	2,138,765
Amortization of intangible assets (note 7)	88,097	598,545
Impairment loss on intangible assets	–	4,474,370
Stock-based compensation (note 13)	9,286,888	7,737,902
Net interest (income) expense	(3,606,079)	(619,623)
Income tax expense	346,524	434,088
Changes in operating assets and liabilities:		
Trade and other receivables	(1,064,604)	4,485,203
Uninvoiced revenue	(1,841,656)	115,296
Prepaid expenses	(2,293,679)	(645,246)
Deferred commissions	(1,661,350)	(584,204)
Accounts payable and accrued liabilities	5,499,539	23,867
Provisions	–	(3,265,449)
Deferred revenue	8,041,852	4,615,107
Right-of-use assets and lease liabilities	–	134,720
Interest received	4,223,677	1,335,965
Interest paid	(28,577)	(83,779)
Income taxes paid	(572,592)	(245,675)
Cash flows from operating activities	15,658,999	3,779,349
Financing activities:		
Payment of lease liabilities (note 9(a))	(1,015,760)	(1,651,520)
Lease incentive received (note 9)	961,920	–
Proceeds from exercise of stock options	2,354,455	626,271
Taxes paid on settlement of restricted share units	(2,726,423)	(604,968)
Repurchase of share capital for cancellation under NCIB (note 11)	(322,914)	–
Cash flows used in financing activities	(748,722)	(1,630,217)
Investing activities:		
Purchase of property and equipment (note 6)	(5,727,243)	(3,672,349)
Acquisition of business, net of cash acquired (note 21)	(2,793,180)	–
Cash flows used in investing activities	(8,520,423)	(3,672,349)
Effect of exchange rate changes on cash and cash equivalents	(178,591)	(2,420,042)
Increase (decrease) in cash and cash equivalents	6,211,263	(3,943,259)
Cash and cash equivalents, beginning of year	110,732,236	114,675,495
Cash and cash equivalents, end of year	$ 116,943,499	$ 110,732,236

See accompanying notes to the consolidated financial statements.

D2L Inc. was incorporated on January 2, 2011 under the laws of Ontario, Canada and continued under the Canadian Business Corporations Act, effective June 20, 2014. The address of the Company's head office is 137 Glasgow Street, Suite 560, Kitchener, ON, Canada, N2G 4X8. D2L Inc. and its subsidiaries (the "Company" or "D2L") provide cloud-based learning software for higher education institutions, kindergarten to grade 12 (K-12) schools and districts, and private sector enterprises.

1. Basis of presentation:

(a) Statement of compliance and consolidation:

The consolidated financial statements are presented in United States ("U.S.") dollars (unless otherwise indicated) and have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issuance by the Board of Directors on April 3, 2024.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of (i) D2L Inc.; (ii) its wholly owned subsidiaries: D2L Corporation, D2L Ltd., D2L Europe Ltd, D2L EU B.V., D2L Australia Pty Ltd, D2L Asia Pte. Ltd, D2L Brasil Soluções de Tecnologia para Educação Ltda., D2L Commerce Inc., Connected Shopping Ltd acquired on May 9, 2023, D2L India Private Limited incorporated on August 16, 2023, D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable incorporated on December 7, 2023 and (iii) Desire2Learn LLC prior to its dissolution on November 10, 2022. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed.

(c) Seasonality:

The operations of the Company can be seasonal in nature. Cash flows from operations generally have a seasonal low in the first quarter each year and a seasonal high in the second quarter 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.

1. Basis of presentation (continued):

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates and judgments include, but are not limited to: identification of performance obligations and the determination of standalone selling price ("SSP") in contracts with multiple performance obligations; uncertain tax positions and the recoverability of deferred tax assets; valuation of trade and other receivables; impairment of non-financial assets; and initial measurement of lease liabilities.

Identification of performance obligations and the determination of SSP in contracts with multiple performance obligations:

Many of the Company's contracts with customers contain promises to deliver multiple products and services. Determining whether such bundled products and services are considered (i) distinct performance obligations that should be separately recognized, or (ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization.

The overall methodology used to determine the SSP for each distinct performance obligation requires significant judgements and estimates within a contract with a customer. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. This allocation affects the amount and timing of revenue recognized for each performance obligation. Refer to note 2(a) for additional information on the assumptions and estimates used.

1. Basis of presentation (continued):

Uncertain tax positions and recoverability of deferred tax assets:

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. The recognition of deferred tax assets requires the Company to assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. The Company considers the nature and carry-forward period of deferred tax assets, the Company's recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on operating results of the Company and lower future taxable income. Refer to note 14 for additional information on the assumptions and estimates used.

Trade and other receivables:

The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment.

Impairment of non-financial assets

When non-financial assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates. The recoverable amount is based on the greater of internal estimates of value-in-use calculations or the fair value of the assets less costs to sell which are determined using discounted cash flow models. Key assumptions on which management has based its determination of value-in-use include an estimated discount rate and long-term growth rate.

Initial measurement of lease liabilities

The Company applies judgments in determining the discount rate used to measure the lease liability at the commencement date. The discount rate is estimated using the Company's incremental borrowing rate, which reflects the interest that the Company would have to pay to borrow the funds necessary to obtain a similar asset at a similar term, with a similar security, in a similar economic environment.

1. Basis of presentation (continued):

The Company applies judgments in determining the lease term for certain leases which contain extension or termination options. Judgement is required in the determination of whether it is reasonably certain that these options will be exercised, and therefore reflected in the lease term for purposes of calculating the lease liability and right-of-use asset.

2. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Revenue recognition:

The Company generates revenue from two primary sources: (i) subscription and support revenue, which is comprised of fees from customers accessing the Company's learning technologies and from customers purchasing additional support beyond that included in the basic subscription fees; and (ii) professional services and other revenue, which is comprised of fees from consultation services to support the implementation of, integration of and training related to the Company's learning technologies. Revenue is recognized when control of these services is transferred to the Company's customers, in an amount that reflects the total transaction price as allocated to the performance obligations according to their relative SSP.

The Company determines revenue recognition through application of the following steps:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The following describes the nature of the Company's primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions the Company enters into with customers.

<u>Subscription and support revenue</u>:

Subscription and support revenue is derived from fees earned from customers for accessing the Company's learning technologies, from purchases of additional product support, and from fees earned for usage beyond contracted user counts. The subscription and support agreement term length typically range from 12 to 60 months. The terms of the Company's subscriptions do not provide customers the right to take possession of the software. Accordingly, subscription and support revenue is generally recognized ratably over the contract term.

2. Material accounting policies (continued):

The Company's contracts with customers typically include a fixed amount of consideration and are generally non-cancelable, or cancelable with penalty, and without any refund-type provisions.

Amounts that have been invoiced are recorded in trade receivables and in deferred revenue and recognized as revenue when the revenue recognition criteria have been met. Amounts not yet invoiced but for which revenue recognition criteria have been met are recorded as a contract asset in uninvoiced revenue on the consolidated balance sheets and as revenue on the consolidated statements of comprehensive loss.

Professional services and other revenue:

Professional services and other revenue includes 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. The Company's professional services are typically considered distinct from the related subscription and support services as the promise to transfer the subscription can be fulfilled independently from the promise to deliver the professional services. (i.e., customer receives standalone functionality from the subscription and the customer obtains the intended benefit of the subscription without the professional services). The Company recognizes the revenue over time based on services rendered.

Contracts with multiple performance obligations:

Many of the Company's contracts with customers contain multiple performance obligations. Individual performance obligations are accounted for separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative SSP basis. The SSP reflects the price the Company would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. The Company typically establishes a narrow SSP range for its products and services and assesses this range on a periodic basis or when material changes in facts and circumstances warrant a review. If the SSP is not directly observable, then the Company estimates the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the classification, amount, and timing of revenue recognized.

The Company determines the SSP based on its overall pricing objectives by reviewing its significant pricing practices, including discounting practices, the customer type, price lists and historical selling prices. SSP is analyzed on a periodic basis to identify if the Company has experienced significant changes in its selling practices.

2. Material accounting policies (continued):

(b) Cost of revenue:

Cost of revenue primarily consists of costs related to providing the Company's cloud-based applications and the delivery of support and professional services. Significant expenses included in cost of revenue include cloud technology and networking expenses, employee wages and benefits expenses, and payment to outside service providers.

(c) Deferred commissions:

The Company defers commission costs that are incremental and directly related to the acquisition of customer contracts, provided they are expected to be recoverable. Commission costs are accrued and capitalized upon execution of the sales contract by the customer. Payments to partners and sales personnel are made monthly following the execution of the sales contracts. Deferred commissions are amortized on a straight-line basis over a period of benefit that the Company has determined to be five years. The Company determined the period of benefit by taking into consideration its customer contracts and customer life, its technology and other factors. Where the expected amortization period for all performance obligations in a customer contract is one year or less, the Company applies a practical expedient and related commission costs are expensed when incurred.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

(e) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of comprehensive loss.

2. Material accounting policies (continued):

Financial assets:

All financial assets are recognized and de-recognized on a trade date basis, the date on which the Company commits to purchase or sell the investment. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Uninvoiced revenue	Amortized cost

Amortized cost:

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment and any gain or loss on de-recognition are recognized in the statement of comprehensive loss.

Impairment of financial assets:

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

2. Material accounting policies (continued):

Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities:

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

Financial liability	Classification under IFRS 9
Accounts payables and accrued liabilities	Amortized cost
Contingent consideration	FVTPL

Amortized cost:

Financial liabilities at amortized cost are measured using the effective interest rate method. Interest expenses and foreign exchange gains and losses are recognized in the statement of comprehensive loss. Any gain or loss on derecognition is also recognised in the statement of comprehensive loss.

FVTPL:

A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative, or it is designated as such, on initial recognition. Financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Company assesses whether embedded derivative financial instruments are required to be separated from host contracts when the Company first becomes party to the contract.

De-recognition of financial liabilities:

The Company de-recognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

(f) Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated asset's useful life. The estimated useful lives by asset classification are as follows:

2. Material accounting policies (continued):

Furniture and equipment	5 years
Computer hardware and software	3 - 5 years
Leasehold improvements	lesser of useful life or term of lease

(g) Intangible assets:

Certain of the Company’s intangible assets, including software and customer relationship were acquired in a business combination. These intangible assets are recorded at their fair values at the acquisition date. After initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses. Intangible assets with an indeterminable benefit period are not amortized. Amortization is based on the estimated useful lives using the straight-line method and the following periods:

Domains	Indefinite life
Patents	Remaining life of patent
Software	5 years
Customer relationship	8 years

(h) Impairment of long-lived assets:

The Company evaluates its property and equipment and intangible assets for impairment annually, or more frequently when events or changes in circumstances indicate that their carrying amount may not be recoverable. This includes but is not limited to: significant adverse changes in business climate, market conditions, current period cash flow or operating losses, or other events that indicate an asset's carrying amount may not be recoverable. If the Company determines that the carrying amount of an asset or an asset group is not recoverable based on its estimated undiscounted future cash flows expected to be generated from the use of the asset or asset group and its eventual disposal, the Company records an impairment loss equal to the excess of carrying amount over the estimated fair value of the asset or asset group. Any impairment losses are recognized immediately in the statement of comprehensive loss.

2. Material accounting policies (continued):

(i) Goodwill:

Goodwill arises from a business combination as the excess of the consideration transferred over the identifiable net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit that is expected to benefit from the related business combination. The Company as a whole has been assessed as a single cash-generating unit. The cash-generating unit is tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognized immediately in the statement of comprehensive loss. Any impairment loss in respect of goodwill is not reversed.

(j) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Material accounting policies (continued):

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(l) Stock-based compensation:

The Company’s stock-based compensation plans provide for the issuance of awards to employees, non-employee directors and certain service providers. The expense relating to awards under these plans is recognized over the vesting period in which the applicable service and/or performance conditions are fulfilled. Each tranche of an award with a distinct vesting period is accounted for separately. The cumulative expense recognized at each reporting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of awards that will ultimately vest. Estimated forfeitures are based on historical forfeiture rates and expectations of future forfeiture rates. No expense is recognized for awards that do not ultimately vest because service and/or non-market performance conditions are not met.

The cost of an equity-settled award is measured at fair value at the grant date and recognized as an expense, together with a corresponding increase in additional paid-in capital, over the vesting period.

2. Material accounting policies (continued):

When shares are issued upon the exercise or redemption of an equity-settled award, the amount of proceeds, if any, together with the amount recorded in additional paid-in capital in respect of the award, is recorded to share capital.

The cost of a cash-settled award is initially measured at fair value at the grant date and remeasured to fair value at each reporting date until settlement. The cost is recognized as an expense, together with a corresponding liability, over the vesting period.

(n) Income taxes:

Current and deferred income taxes are recognized as an expense or recovery in the statement of comprehensive loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive loss or directly in shareholders' deficiency), in which case the tax is also recognized outside of profit or loss.

Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred income tax:

Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry-forward items. Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the years when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Material accounting policies (continued):

Income tax uncertainties:

If there is uncertainty about an income tax treatment, then the Company considers whether it is probable that a tax authority will accept the entity's tax treatment included or planned to be included in its tax filing based on its technical merits. If probable, it measures current and deferred taxes consistently with the tax treatment used or planned to be used in the income tax filing. If it is not probable that the tax authority will accept its tax treatment, then the Company reflects the effect of that tax uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. To do so, the Company uses either the most likely amount or the expected value method—whichever better predicts the resolution of the uncertainty.

(o) Foreign currency translation:

These consolidated financial statements are presented in U.S. dollars which is the functional currency of the Company and its subsidiaries except where otherwise noted.

Foreign currency transactions:

The functional currency of the Company's significant, wholly-owned subsidiaries is generally the local currency. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the functional currency at the rates prevailing at that date. Exchange differences on monetary items are recognized in the statement of comprehensive loss in the period in which they arise. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to the functional currency of the subsidiary at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the rates at the date of the transaction.

2. Material accounting policies (continued):

Foreign operations:

The consolidated financial statements of the Company include the accounts of its foreign, wholly-owned subsidiaries: D2L Corporation, D2L Europe Ltd, D2L EU B.V., D2L Australia Pty Ltd, D2L Asia Pte. Ltd, D2L Brasil Solucoes de Tecnologia para Educacao Ltda., D2L Commerce Inc., Connected Shopping Ltd, D2L India Private Limited and D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable are translated into U.S. dollars. The financial statements of D2L Corporation and D2L Commerce Inc. are measured using the Canadian dollar as their functional currency; the financial statements of D2L Europe Ltd and Connected Shopping Ltd are measured using the British pound sterling as its functional currency; the financial statements of D2L EU B.V. are measured using the Euro as its functional currency; the financial statements of D2L Australia Pty Ltd. are measured using the Australian dollar as its functional currency; the financial statements of D2L Asia Pte. Ltd are measured using the Singapore dollar as its functional currency; the financial statements of D2L Brasil Solucoes de Tecnologia para Educacao Ltda. are measured using the Brazilian Real as its functional currency; the financial statements of D2L India are measured using the Indian Rupee as its functional currency and the financial statements of D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable are measured using the Mexican peso as its functional currency.

Assets and liabilities of non-U.S. dollar functional currency subsidiaries have been translated into U.S. dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated using the average monthly exchange rates for the reporting period. All resultant exchange differences arising, if any, are recognized in other comprehensive loss and accumulated in shareholders' equity.

(p) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is accounted for in the consolidated statements of comprehensive loss, net of any reimbursement.

If the known expected settlement date exceeds 12 months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense in the consolidated statements of comprehensive loss. Provisions are reviewed periodically and adjusted as appropriate.

2. Material accounting policies (continued):

(q) Research and development costs:

Research and development costs are expensed as incurred unless the criteria for capitalization are met. No research or development costs have been capitalized to date.

(r) Government grants and investment tax credits:

Government grants and investment tax credits for scientific research and experimental development related to current expenses, if any, are recorded as a reduction of the related expenses in the period to which the claim relates. Government grants and investment tax credits, if any, are recognized when there is reasonable assurance that: the Company has complied with, and will continue to comply with, all conditions necessary to obtain the grants or credits; and that the grants or credits have been or will be received.

(s) Employee benefits:

The Company maintains defined contribution plans for which it pays fixed contributions to administered pension plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay the benefits to all employees. Obligations for contributions to defined contribution pension plans are recognized as employee compensation as the services are provided.

(t) Business combinations:

The Company accounts for business combinations using the acquisition method. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Acquisition related cost that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to reasonably value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the statement of comprehensive loss.

2. Material accounting policies (continued):

(u) Recently issued accounting pronouncements:

New and amended standards and interpretations adopted by the Company

Effective February 1, 2023, the Company adopted the following new and amended accounting standards.

- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, effective for annual periods beginning on or after January 1, 2023, which distinguish between accounting policies and accounting estimates. The adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

- Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2 Making Materiality Judgements requiring companies to disclose their material accounting policy information. The adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

- Amendments to IAS 12, Income Taxes, which clarify how to account for deferred tax on transactions such as leases. The adoption of the amendments to this standard are reflected in Note 14 Income taxes.

New and amended standards and interpretations issued not yet effective

The IASB has issued the following new and amended standards and interpretations that will become effective in a future year and could have an impact on the consolidated financial statements in future periods. The Company is currently assessing the impact of the following new and amended standards and interpretations and is not expecting any significant impacts on its consolidated financial statements.

- Amendments to IAS 1, which provide a more general approach to the classification of liabilities as current or non-current based on the contractual arrangements in place at the reporting date. The amendments are effective for annual periods beginning on or after February 1, 2024.

- Amendments to IFRS 16, which include additional requirements to explain how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual periods beginning on or after February 1, 2024.

- Amendments to IAS 21, The effects of changes in foreign exchange rates, which clarify the impact of using an estimated exchange rate on financial statements when a currency is not exchangeable. The amendments are effective for annual reporting periods beginning on or after February 1, 2025.

(In U.S. dollars)

3. Cash and cash equivalents:

Cash equivalents are comprised of investments in money market mutual funds. Cash and cash equivalents are recorded at amortized cost.

4. Trade and other receivables:

The trade and other receivables, net of allowance, are as follows:

	2024	2023
Trade receivables	$ 20,441,839	$ 18,316,886
Allowance for doubtful accounts	(310,395)	(276,329)
Net trade receivables	20,131,444	18,040,557
Other receivables	3,431,302	3,047,273
Trade and other receivables	$ 23,562,746	$ 21,087,830
Comprised of:		
Current	$ 23,025,690	$ 20,894,794
Non-current	537,056	193,036

The Company typically invoices its customers annually in advance upon execution of the contract or subsequent renewals, and its invoices are typically due within 30 days from the invoice date. For all customers, the Company bases its allowance for doubtful accounts on its historical collection experience and an evaluation of the potential risk of loss associated with specific accounts. When the Company becomes aware of circumstances that may decrease the likelihood of collection, it records a specific allowance against amounts due, which reduces the receivables to the amount the Company reasonably believes will be collected. The Company's general and administrative expenses during the year include bad debt expense of $572,968 (2023 - $561,644). Historically, actual write-offs for uncollectible accounts have not significantly differed from the Company's estimates. The Company derecognizes previously recorded receivables and the associated allowances when they are deemed permanently uncollectible.

Other receivables are comprised primarily of income tax receivables, sublease receivables and government grant receivables. All receivables are classified as current for the year ended January 31, 2024, with the exception of a portion of the sublease receivables classified as non-current, in line with the timing of contractual sublease payments. The Company assesses the need for an allowance against other receivables at each reporting date. In each period presented, the Company has concluded that the other receivables balances are collectible and accordingly have not recorded an allowance.

(In U.S. dollars)

5. Revenue from contracts with customers:

(a) Transaction price allocated to the remaining performance obligations:

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancellable amounts that will be invoiced and recognized as revenue in future periods.

As at January 31, 2024, the total remaining non-cancellable performance obligations under contracts with customers was approximately $389,000,000. The Company expects to recognize revenue on approximately 40% of these remaining performance obligations over the following 12 months and 25% in the 12 months thereafter, with the balance to be recognized beyond 24 months.

(b) Uninvoiced revenue:

Uninvoiced revenue, which is a contract asset, relates to revenue recognized when transferred services exceed the amount billed for the customer contract. Uninvoiced revenue balances typically exist only for contracts with non-standard payment terms where revenue recognition may occur in advance of the Company's right to bill.

The following table presents changes in uninvoiced revenue:

	2024	2023
Balance, beginning of year	$ 2,107,015	$ 2,253,146
Amounts transferred to trade receivables from the balance at the beginning of the year	(2,107,015)	(2,253,146)
Revenue in excess of billings, net of amounts transferred to trade receivables	3,971,861	2,107,015
Balance, end of year	$ 3,971,861	$ 2,107,015

(c) Deferred revenue:

Deferred revenue, which is a contract liability, consists of billings or payments received in advance of revenue recognition and is recognized as the revenue recognition criteria are met. The Company generally invoices its customers annually in advance. Accordingly, the deferred revenue balance does not represent the total contract value of multi-year, non-cancellable subscription agreements.

(In U.S. dollars)

5. Revenue from contracts with customers (continued):

Revenue recognized that was included in the deferred revenue balance at the beginning of the years ended January 31, 2024 and 2023 was $82,308,961 and $80,050,048, respectively.

(d) Deferred commissions:

The following table presents the changes in deferred commission contract assets during the periods:

	2024	2023
Balance, beginning of year	$ 11,336,822	$ 11,221,576
Additions	6,861,105	4,817,805
Amortization to sales and marketing expense	(5,035,931)	(4,070,352)
Impairment	(159,042)	(170,677)
Effects of movement in exchange rates	62,634	(461,530)
Balance, end of year	$ 13,065,588	$ 11,336,822
Comprised of:		
Current	$ 5,334,864	$ 4,487,043
Non-current	7,730,724	6,849,779

For the periods presented, impairment was recorded on deferred commission balances that relate to customers whose agreements were terminated in the year.

(In U.S. dollars)

6. **Property and equipment:**

	Computer hardware/ software	Furniture and equipment	Leasehold improvements	Total
Cost				
Balance, January 31, 2022	$ 6,324,745	$ 1,827,649	$ 5,744,111	$ 13,896,505
Additions	1,103,823	334,604	2,233,922	3,672,349
Disposals	(8,985)	(796,457)	(4,805,325)	(5,610,767)
Effects of movement in exchange rates	(335,945)	(96,400)	(309,885)	(742,230)
Balance, January 31, 2023	7,083,638	1,269,396	2,862,823	11,215,857
Additions	592,097	729,314	4,405,832	5,727,243
Disposals	(38,533)	(32,211)	-	(70,744)
Additions through acquisition (note 21)	21,995	-	-	21,995
Effects of movement in exchange rates	10,175	340	7,206	17,721
Balance, January 31, 2024	$ 7,669,372	$ 1,966,839	$ 7,275,861	$ 16,912,072
Accumulated depreciation				
Balance, January 31, 2022	$ 4,945,669	$ 1,729,984	$ 4,897,144	$ 11,572,797
Depreciation	1,052,441	52,982	400,799	1,506,222
Disposals	(251)	(684,028)	(4,802,086)	(5,486,365)
Effects of movement in exchange rates	(294,440)	(93,010)	(276,442)	(663,892)
Balance, January 31, 2023	5,703,419	1,005,928	219,415	6,928,762
Depreciation	884,074	162,532	551,594	1,598,200
Disposals	(24,785)	(32,211)	–	(56,996)
Effects of movement in exchange rates	6,792	1,448	6,132	14,372
Balance, January 31, 2024	$ 6,569,500	$ 1,137,697	$ 777,141	$ 8,484,338
Carrying Amounts				
January 31, 2023	$ 1,380,219	$ 263,468	$ 2,643,408	$ 4,287,095
January 31, 2024	$ 1,099,872	$ 829,142	$ 6,498,720	$ 8,427,734

(In U.S. dollars)

7. Intangible assets:

	Acquired Technology	Domains	Patents	Course Content	Software	Customer Relationships	Total
Cost							
Balance, January 31, 2022	$1,252,381	$180,292	$254,167	$5,235,438	$376,763	–	$7,299,041
Effects of movement in exchange rates	(67,726)	(9,750)	(13,745)	(283,123)	(20,375)	–	(394,719)
Balance, January 31, 2023	1,184,655	170,542	240,422	4,952,315	356,388	–	6,904,322
Additions through acquisition (note 21)	–	–	–	–	302,500	249,000	551,500
Effects of movement in exchange rates	3,400	490	690	–	10,430	8,586	23,596
Balance, January 31, 2024	$1,188,055	$171,032	$241,112	$4,952,315	$669,318	$257,586	$7,479,418
Accumulated amortization & Impairment							
Balance, January 31, 2022	$1,252,381	–	$111,288	$360,672	$37,676	–	$1,762,017
Amortization	–	–	18,116	507,042	73,386	–	598,544
Impairment	–	–	–	4,224,898	249,472	–	4,474,370
Effects of movement in exchange rates	(67,726)	–	(6,539)	(140,297)	(4,146)	–	(218,708)
Balance, January 31, 2023	1,184,655	–	122,865	4,952,315	356,388	–	6,616,223
Amortization	–	–	17,563	–	46,541	23,993	88,097
Effects of movement in exchange rates	3,400	–	436	–	399	156	4,391
Balance, January 31, 2024	$1,188,055	–	$140,864	$4,952,315	$403,328	$24,149	$6,708,711
Carrying Amounts							
January 31, 2023	–	$170,542	$117,557	–	–	–	$288,099
January 31, 2024	–	$171,032	$100,248	–	$265,990	$233,437	$770,707

During the year ended January 31, 2023, the Company recognized an impairment loss of $4,474,370 on its course content assets and software assets. The recoverable amount of the assets were based on their value in use ("VIU"), which was determined by a discounted cash flow model of the assets. The VIU calculation resulted in a nil value based upon the historical results and anticipated future results derived from the intangible assets.

(In U.S. dollars)

7. Intangible assets (continued):

Future amortization expense associated with definite-life intangible assets recognized as of January 31, 2024 is expected to be as follows:

2025	$ 112,431
2026	112,431
2027	110,946
2028	106,495
2029 and beyond	157,372
	$ 599,675

8. Goodwill:

	2024	2023
Balance, beginning of year	$ 7,070,432	$ 7,474,647
Acquisition of Connected Shopping Ltd (note 21)	3,319,615	–
Effects of movement in exchange rates	50,044	(404,215)
Balance, end of year	$ 10,440,091	$ 7,070,432

The annual impairment test of goodwill was performed using a value in use model and did not result in an impairment loss. Value in use is based on a discounted cash flow model of the cash-generating unit of the Company, to which the goodwill was allocated. The carrying value of the Company was compared with its recoverable amount (value in use) to test for impairment. No reasonably possible change in the key assumptions used in determining the recoverable amount would result in any impairment of goodwill.

(In U.S. dollars)

9. Leases:

The Company leases certain properties under non-cancellable lease agreements that relate to office space. The expected remaining lease terms are between 15 and 114 months. The Company also subleased certain properties to third parties during the years ended January 31, 2024 and 2023.

(a) As a lessee:

The following reconciles the right-of-use assets as at January 31, 2024 and 2023:

	2024	2023
Carrying amount, beginning of year	$ 11,205,371	$ 1,323,017
Additions	–	12,510,506
Modifications to lease contracts	92,756	313,735
Depreciation	(1,184,848)	(2,138,765)
Leasehold incentive received	(961,920)	–
Derecognition of subleased right-of-use assets	(400,784)	–
Foreign exchange gain (loss) recorded in other comprehensive loss	24,385	(803,122)
Carrying amount, end of year	$ 8,774,960	$ 11,205,371

The following reconciles the lease liabilities as at January 31, 2024 and 2023:

	2024	2023
Carrying amount, beginning of year	$ 13,006,156	$ 1,892,934
Additions	–	12,645,226
Modifications to lease contracts	92,756	313,735
Lease payments	(1,015,760)	(1,651,520)
Interest expensed	591,283	626,612
Foreign exchange loss (gain) recorded in other comprehensive loss	35,563	(820,832)
Carrying amount, end of year	$ 12,709,998	$ 13,006,156
Current	$ 1,002,464	$ 1,127,600
Non-current	11,707,534	11,878,556

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(In U.S. dollars)

9. Leases (continued):

Net expenses relating to short-term leases excluded from lease liabilities due to the election of the practical expedient were $477,274 for the year ended January 31, 2024 (2023 – $325,550) and expenses relating to leases of low value assets were nil (2023 – nil). Variable lease payments not included in the measurement of lease liabilities were $440,017 for the year ended January 31, 2024 (2023 - $1,254,206).

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"). The Kitchener Lease is recognized in these consolidated financial statements and is described further in note 17(b).

The total future undiscounted lease payments for the Company, including the Kitchener Lease above, are as follows:

February 1, 2024 - January 31, 2025	$	1,553,967
February 1, 2025 - January 31, 2026		1,585,563
February 1, 2026 - January 31, 2027		1,588,520
February 1, 2027 - January 31, 2028		1,504,338
February 1, 2028 – July 31, 2033		9,483,358
Total future undiscounted lease payments		15,715,746
Less impact of discounting		(3,005,748)
Lease liability recorded on consolidated balance sheet	$	12,709,998

(b) As a lessor:

For the year ended January 31, 2024, net receipts from the sublease receivable was $13,150 (2023 - $283,902). For the year ended January 31, 2024, $2,262 was recognized as interest income on subleases (2023 - $2,594).

10. Financial instruments:

(a) Fair value of financial instruments:

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The Company measures fair value on a recurring basis based on a fair value hierarchy that requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instruments' categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs.

Observable inputs are based on market data obtained from independent sources.

The Company estimated the fair value of its financial instruments as described below:

The carrying values of cash and cash equivalents, trade and other receivables, uninvoiced revenue and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

10. Financial instruments (continued):

Contingent consideration 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 contingent consideration has been calculated based on expected future revenue from existing customers and discount rates and was $599,305 as at the acquisition date. At January 31, 2024, management determined that the fair value of the contingent consideration was $583,318 resulting in other income of $15,987.

There were no changes in the categorization of financial instruments in the current or prior years of these Financial Statements.

(b) Currency risk:

A portion of the Company's revenue and operating costs are realized in currencies other than its functional currency. Significant currencies to which the Company has transaction exposure include the Canadian dollar, British pound sterling, and Australian dollar. Thus, the Company is exposed to currency risk on these transactions. For the year ended January 31, 2024, if those currencies had strengthened 5% against the U.S. dollar, with all other variables held constant, pre-tax income for the years would have been an estimated $3,929,134 lower (2023 - $4,351,226 lower). Conversely, if those currencies had weakened 5% against the U.S. dollar with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the consolidated balance sheets, the impact of which is reported as a foreign exchange gain or loss. The summary quantitative data about the Company's exposure to currency risk is as follows (in local currency):

(In U.S. dollars)

10. Financial instruments (continued):

January 31, 2024	CAD	GBP	AUD	SGD	BRL	EUR
Cash and cash equivalents	10,788,605	4,279,580	9,745,074	5,089,982	18,868,483	5,304,763
Trade and other receivables	10,068,571	1,544,703	723,718	1,013,683	1,459,910	1,073,501
Uninvoiced revenue	2,428,084	322,577	–	170,440	3,113,552	–
Accounts payable and accrued liabilities	24,040,743	1,797,339	1,660,253	235,429	419,155	12,735

January 31, 2023	CAD	GBP	AUD	SGD	BRL	EUR
Cash and cash equivalents	10,706,300	3,632,837	8,790,910	3,615,261	14,035,127	5,884,546
Trade and other receivables	9,265,840	1,254,237	178,602	861,506	808,327	969,351
Uninvoiced revenue	1,092,392	71,335	–	242,980	1,642,354	–
Accounts payable and accrued liabilities	18,262,005	1,132,829	1,227,251	232,027	603,572	6,245

The Company does not enter into arrangements to hedge its foreign currency risk exposure.

(c) Credit risk:

Financial instruments potentially exposing the Company to concentration of credit risk consist primarily of cash and cash equivalents and trade and other receivables.

Although the Company deposits its cash with multiple reputable financial institutions, its deposits, at times, may exceed federally insured limits.

(In U.S. dollars)

10. Financial instruments (continued):

The Company maintains an allowance for doubtful accounts receivable balance. The allowance is based upon expected credit loss, with consideration of historical loss patterns, the number of days that billings are past due and an evaluation of the potential risk of loss associated with problem accounts. The Company has credit risk from trade and other receivables and uninvoiced revenue. Credit risk arising from trade and other receivables and uninvoiced revenue is mitigated due to the large number of customers comprising the Company's customer base. Collectability of other receivables, comprising of income tax receivables, sub-lease receivables and government grant receivables, is not considered to have significant credit risk by the Company. Activity in the allowance for doubtful accounts was as follows:

	2024	2023
Balance, beginning of year	$ 276,329	$ 323,459
Provision for uncollectible receivables	585,225	566,618
Write-offs	(551,159)	(613,748)
Balance, end of year	$ 310,395	$ 276,329

As at January 31, 2024, there was one customer that exceeded 10% of the Company's net trade receivables balances. (January 31, 2023 - no customers accounted for more than 10% of net trade receivables).

As at January 31, 2024, the aging of net trade receivables were as follows:

	2024	2023
Current	$ 13,430,386	$ 10,651,271
Past due 1 - 30 days	2,826,026	4,029,274
Past due 31 - 60 days	2,413,199	2,148,282
Past due > 60 days	1,461,833	1,211,730
Balance, end of year	$ 20,131,444	$ 18,040,557

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

10. Financial instruments (continued):

The Company manages its liquidity risk associated with its financial liabilities through the use of cash flows generated from operations, combined with strategic issuance of additional equity as required, to meet the capital requirements of maturing financial liabilities. As at January 31, 2024, the Company had a cash balance of $116,943,499 (2023 - $110,732,236), and trade and other receivables of $23,562,746 (2023 - $21,087,830) available to settle current liabilities (excluding deferred revenue) of $33,909,869 (2023 - $24,578,367).

The Company's accounts payable have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company continues to anticipate that its cash and cash equivalents will be sufficient to fund its anticipated cash requirements for working capital, contractual commitments, capital expenditures and operating needs for the next 12 months.

11. Share capital:

(a) Authorized share capital as at January 31, 2024 and 2023:

- Unlimited number of Subordinate Voting Shares, entitled to one vote per share, non-cumulative participating dividend rights, not convertible into any other class of shares

- Unlimited number of Multiple Voting Shares, entitled to 10 votes per share, non-cumulative participating dividend rates, convertible into Subordinate Voting Shares at the option of the holder and automatically in certain situations, subject to certain restrictions

- Unlimited number of preferred shares, issuable in series. The Board of Directors may, subject to certain restrictions, fix the number of preferred shares in a series and determine the designation of certain rights, including but not limited to: any right to receive dividends; any terms or conditions of redemption or purchase; any conversion rights; any retraction rights; and any rights on the Company’s liquidation, dilution and winding up.

(b) Issued:

As at January 31, 2024, the Company had 26,587,497 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

As at January 31, 2023, the Company had 25,755,942 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

(In U.S. dollars)

11. Share capital (continued):

(c) Subordinate Voting Shares repurchase for cancellation under normal course issuer bid:

On December 5, 2023, the Company announced the launch of a normal course issuer bid (“NCIB”) to be effected through the facilities of the Toronto Stock Exchange (“TSX”). The NCIB permits the Company to repurchase for cancellation up to 1,299,633 of the Company’s Subordinate Voting Shares, representing approximately 10.0% of the “public float” (within the meaning of the rules of the TSX), during the twelve-month period commencing December 8, 2023.

In connection with the NCIB, the Company entered into an automatic share purchase plan (“ASPP”) with its designated broker for the purpose of allowing the Company to purchase its shares under the NCIB during self-imposed trading blackout periods. Under the ASPP, the broker is authorized to repurchase Subordinate Voting Shares during blackout periods, without consultation with the Company, on predefined terms, including share price, time period and subject to other limitations imposed in advance by the Company and subject to rules and policies of the TSX and applicable securities laws, such as a daily purchase restriction.

During the year ended January 31, 2024, the Company repurchased and canceled 41,200 Subordinate Voting Shares under the NCIB for an aggregate purchase price of $322,914, which was recorded as a reduction of share capital. The Company has recognized a liability and a charge to deficit of $2,264,410 for the repurchase of common shares under the ASPP within accounts payable and accrued liabilities as at January 31, 2024, as an estimate of the maximum number of shares that could be repurchased during the blackout period.

12. Loss per share:

Loss per share is calculated by dividing loss for the years by the weighted average number of fully paid Subordinate Voting Shares and Multiple Voting Shares outstanding throughout the years.

	2024	2023
Loss for the period	$ (3,542,089)	$ (18,376,725)
Weighted average number of outstanding shares	53,554,686	53,029,605
Loss per share - basic and dilutive	$ (0.07)	$ (0.35)

(In U.S. dollars)

12. Loss per share (continued):

The Company has three categories of potentially dilutive securities: stock options, restricted stock units and deferred share units.

All potentially dilutive securities have been excluded from the calculation of diluted loss per share for all periods presented, as the Company was in a net loss position during those periods. Including the dilutive securities would be anti-dilutive; therefore, basic and dilutive number of shares used in the calculation is the same for all periods presented.

13. Stock-based compensation:

Total stock-based compensation expense recognized in the Company's consolidated statements of comprehensive loss was as follows:

	2024	2023
Cost of subscription and support	$ 261,101	$ 234,759
Cost of professional services and other	302,938	134,697
Sales and marketing	931,989	1,276,530
Research and development	2,917,504	2,656,328
General and administrative	4,873,356	3,435,588
	$ 9,286,888	$ 7,737,902

(a) Legacy stock option plan:

The D2L Stock Option Plan (the "Legacy Stock Option Plan"), adopted by the Company on August 24, 2012 and subject to subsequent amendment and restatement, authorized the issuance of options to purchase Class O common shares. Immediately prior to the closing of the initial public offering on November 3, 2021, each outstanding option to purchase a Class O common share became an option to purchase a Subordinated Voting Share, with other terms and conditions unchanged. This modification did not result in incremental fair value. Effective November 3, 2021, no further grants under the Legacy Stock Option Plan are permitted.

Outstanding stock options generally vest 25% after a one-year period from the grant date, with the remaining 75% vesting quarterly thereafter over the next 4 years and expire after 10 years.

During the year ended January 31, 2024, the Company recognized stock-based compensation expense of $344,417 (2023 – $570,977) related to stock options.

(In U.S. dollars)

13. Stock-based compensation (continued):

The Company's Legacy Stock Option Plan provides for the issuance of up to 11,200,000 options to purchase Subordinate Voting Shares. As of January 31, 2024, 2,103,812 stock options (2023 – 2,991,307) were issued and outstanding and nil (2023 – nil) remained available for grant under the Legacy Stock Option Plan. A summary of stock option activity is presented below:

	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, January 31, 2022	7,547,243	$ 6.80	3.37
Options granted	–	–	–
Options forfeited	(4,435,712)	7.40	–
Options exercised	(120,224)	5.21	–
Balance, January 31, 2023	2,991,307	$ 5.99	4.77
Options granted	–	–	–
Options forfeited	(282,174)	5.70	–
Options exercised	(605,321)	5.20	–
Balance, January 31, 2024	2,103,812	$ 6.25	4.63
Exercisable, end of year	1,818,345	$ 5.86	4.28

Options outstanding and options exercisable as at January 31, 2024 by range of exercise price are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options
$5.00 - $6.00	$ 5.16	1,516,131	3.73	$ 5.16	1,459,424
$6.01 - $7.00	6.50	287,199	6.69	6.50	193,275
$7.01 - $8.00	7.44	2,324	1.05	7.44	2,324
$8.01 - $9.00	8.48	72,800	6.84	8.48	45,325
$9.01 - $10.00	9.55	65,358	6.96	9.55	37,997
$10.01 - $14.00	13.77	160,000	7.51	13.77	80,000
	$ 6.25	2,103,812	4.63	$ 5.86	1,818,345

The Company uses the Black-Scholes pricing model to determine the fair value of stock options. The fair value of each option grant is estimated on the date of the grant.

13. Stock-based compensation (continued):

(b) Long Term Incentive Plan:

The D2L Long Term Incentive Plan (the "LTIP Plan"), adopted by the Company on November 3, 2021, authorizes the issuance of options, restricted share units ("RSUs"), performance share units ("PSUs"), stock appreciation rights ("SARs") and restricted stock to employees and certain service providers. The combined number of Subordinated Voting Shares issued or issuable under the LTIP Plan and all other stock-based compensation arrangements (including the DSU Plan discussed below but excluding the Legacy Stock Option Plan) cannot exceed ten percent of the Company's issued and outstanding Subordinated Voting Shares and Multiple Voting Shares, in aggregate. Subordinated Voting Shares related to awards that terminate or are cancelled without being settled are available for subsequent grant. As at January 31, 2024, only RSUs have been granted under the LTIP Plan.

Restricted Share Units

RSUs represent a right to receive, upon settlement, (a) a Subordinated Voting Share for each vested RSU , (b) a cash payment equal to the market price of vested RSUs , or (c) a combination thereof. The manner of settlement is at the sole discretion of the board of directors of the Company and the Company has no history nor the intention in the foreseeable future of settling RSUs in cash. Accordingly, RSUs are accounted for as equity awards. Dividend equivalent RSUs may be granted in respect of Subordinated Voting Shares covered by RSUs and would be subject to the same terms and conditions as the corresponding RSUs. Outstanding RSUs generally vest one-third annually over a three-year period. The fair value of RSUs is based on the Subordinated Voting Share volume weighted average price during the trading day immediately preceding the date of grant. RSUs will generally be settled upon or shortly after vesting.

(In U.S. dollars)

13. Stock-based compensation (continued):

During the year ended January 31, 2024, the Company recognized stock-based compensation expense of $7,989,322 (2023 – $6,798,488) related to RSUs. A summary of RSU activity is presented below:

	Number of RSUs outstanding	Weighted average grant date fair value per RSU (in CAD)
Balance, January 31, 2022	843,275	$ 16.69
RSUs granted	1,857,424	7.09
RSUs forfeited	(283,456)	11.76
RSUs settled	(241,182)	16.68
Balance, January 31, 2023	2,176,061	$ 9.13
RSUs granted	1,795,789	8.32
RSUs forfeited	(474,737)	8.82
RSUs settled	(776,925)	9.73
Balance, January 31, 2024	2,720,188	$ 8.48
Vested but not yet settled, January 31, 2024	–	–

(c) Deferred Share Unit Plan:

The D2L Deferred Share Unit Plan (the "DSU Plan"), adopted by the Company on November 3, 2021, authorizes the issuance of deferred share units ("DSUs") to non-employee directors. Non-employee directors receive an annual DSU retainer fee ("Annual DSU Retainer Fee") in the form of DSUs and can elect to receive their annual cash remuneration ("Annual Cash Remuneration") in DSUs. The Company is also able to issue additional DSUs to non-employee directors at its discretion, subject to certain limitations. As at January 31, 2024, Annual DSU Retainer Fees in form of DSUs, DSUs related to the settlement of Annual Cash Remuneration, and DSUs related to the onboarding of a new non-employee director have been granted.

DSUs represent a right to receive (a) a Subordinated Voting Share for each DSU redeemed, (b) a cash payment equal to the market price of DSUs redeemed, or (c) a combination thereof. The manner of settlement is at the sole discretion of the Company and the Company has no history nor the intention in the foreseeable future of settling DSUs in cash. Accordingly, DSUs are accounted for as equity awards.

13. Stock-based compensation (continued):

For the Annual DSU Retainer Fee, DSU's credited to a non-employee director's account generally vest at the earlier of: (i) one year from their date of grant; and (ii) completion of the next Annual General Meeting, provided that a non-employee director does not terminate prior to the vesting date. For non-employee directors that have elected to receive their Annual Cash Remuneration in DSU's, these DSU's are credited to a non-employee director's account and are fully vested at their issuance date, which is at the end of each fiscal quarter during which the related Annual Cash Remuneration was earned. DSU's become redeemable for a certain period of time upon termination of the holder.

The maximum number of Subordinated Voting Shares that may be issued under the DSU Plan is five percent of the number of issued and outstanding Subordinated Voting Share and Multiple Voting Shares, in aggregate, on a non-diluted basis at any time, provided that the combined number of Subordinated Voting Shares issued or issuable under the DSU Plan and all other stock-based compensation arrangements (including the LTIP Plan discussed above but excluding the Legacy Stock Option Plan) does not exceed ten percent of the Company's issued and outstanding Subordinated Voting Share and Multiple Voting Shares, in aggregate. Subordinated Voting Shares subject to DSUs that terminate or are cancelled without being settled are available for subsequent grant.

Settlement of Annual Cash Remuneration

If a non-employee director elects to receive DSUs as settlement for all or a portion of their Annual Cash Remuneration, the grant date for accounting purposes is the date at which the election becomes irrevocable, and the grant date fair value is based on the value of the related Annual Cash Remuneration. These DSUs vest at the end of the fiscal quarter during which the related Annual Cash Remuneration was earned. DSUs are issued on the last day of the fiscal quarter in which the related Annual Cash Remuneration was earned.

(In U.S. dollars)

13. Stock-based compensation (continued):

During the year ended January 31, 2024, the Company recognized stock-based compensation expense of $953,149 (2023 – $368,437) related to DSUs granted during the period. A summary of DSU activity is presented below:

	Number of DSUs outstanding	Weighted average grant date fair value per DSU (in CAD)
Balance, January 31, 2022	1,283	$ 14.48
DSUs granted	173,316	6.91
DSUs forfeited	–	–
DSUs settled	–	–
Balance, January 31, 2023	174,599	$ 6.97
DSUs granted	155,719	8.27
DSUs forfeited	–	–
DSUs settled	–	–
Balance, January 31, 2024	330,318	$ 7.58
Vested but not yet settled, January 31, 2024	143,115	$ 7.12

(In U.S. dollars)

14. Income taxes:

Loss before income taxes is earned in the following jurisdictions:

	2024	2023
Loss before income taxes:		
Canada	$ (5,352,173)	$ (19,651,721)
United States	1,502,368	1,436,073
Other countries	654,240	273,011
	$ (3,195,565)	$ (17,942,637)

Income tax expense (recovery):

	2024	2023
Current income taxes (recovery):		
Current period	$ 554,864	$ 522,603
Change in estimates of prior periods	81,862	(18,941)
	636,726	503,662
Deferred income taxes (recovery):		
Current period	$ (39,693)	$ (18,180)
Change in tax rates	–	(2,884)
Change in estimates of prior periods	(250,509)	(48,510)
	(290,202)	(69,574)
	$ 346,524	$ 434,088

(In U.S. dollars)

14. Income taxes (continued):

The following tables present the tax effects of temporary differences and carry-forwards, as well as the movements in deferred tax balances, which have been recognized by the Company:

	January 31, 2023	Recognized in profit or loss	Current year acquisition	January 31, 2024
Deferred tax assets:				
Operating losses carried forward	$ 312,384	$ 1,598,952	–	$ 1,911,336
Non-deductible reserve for deferred revenue	343,030	(343,030)	–	–
Other temporary differences	51,350	720,446	–	771,796
Lease Liability	2,957,753	(475,412)	–	2,482,341
Property and equipment	52,807	11,171	–	63,978
	3,717,324	1,512,127	–	5,229,451
Deferred tax liabilities:				
Intangible assets	$ –	$ (13,019)	$ 137,875	$ 124,856
Non-deductible reserve for deferred revenue	–	109,969	–	109,969
Right-of-use assets	2,962,398	(480,057)	–	2,482,341
Deferred commissions and other expenses	812,382	(256,922)	–	555,460
Goodwill	82,864	38,699	–	121,563
Foreign exchange gain on intercompany loan	69,408	1,823,255	–	1,892,663
	3,927,052	1,221,925	137,875	5,286,852
Net deferred tax asset (liabilities)	$ (209,728)	$ 290,202	$ (137,875)	$ (57,401)
As presented on the consolidated balance sheets:				
Deferred tax assets	$ 189,178			$ 529,674
Deferred tax liabilities	(398,906)			(587,075)
Net deferred tax liabilities	$ (209,728)			$ (57,401)

(In U.S. dollars)

14. Income taxes (continued):

	January 31, 2022	Recognized in profit or loss	January 31, 2023
Deferred tax assets:			
Operating losses carried forward	$ 867,887	$ (555,503)	$ 312,384
Non-deductible reserve for deferred revenue	111,707	231,323	343,030
Other temporary differences	73,021	(21,671)	51,350
Lease liability	363,140	2,594,613	2,957,753
Property and equipment	53,275	(468)	52,807
	1,469,030	2,248,294	3,717,324
Deferred tax liabilities:			
Intangible assets	$ 455,269	$ (455,269)	$ –
Tax on scientific research and development investment tax credit	78,643	(78,643)	–
Non-deductible reserve for deferred revenue	44,238	(44,238)	–
Right-of-use assets	367,212	2,595,186	2,962,398
Deferred commissions and other expenses	646,571	165,811	812,382
Goodwill	44,924	37,940	82,864
Foreign exchange gain on intercompany loan	111,475	(42,067)	69,408
	1,748,332	2,178,720	3,927,052
Net deferred tax assets (liabilities)	$ (279,302)	$ 69,574	$ (209,728)
As presented on the consolidated balance sheets:			
Deferred tax assets	$ 139,101		$ 189,178
Deferred tax liabilities	(418,403)		(398,906)
Net deferred tax assets (liabilities)	$ (279,302)		$ (209,728)

IAS 12 provides for the recognition of deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. In reviewing the carrying amounts of the deferred tax assets at the end of January 31, 2024 and January 31, 2023, the Company considered all available evidence, both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies.

(In U.S. dollars)

14. Income taxes (continued):

The provision (recovery) for income taxes varies from the expected provision at the statutory rates for the reasons detailed in the table below:

	2024	2023
Combined basic Canadian statutory rates	26.5%	26.5%
Income tax recovery based on the above rates	$ (846,825)	$ (4,754,799)
Increase (decrease) in income taxes resulting from:		
Permanent differences	2,773,124	2,436,156
Effect of tax rate differences	(22,242)	(49,214)
Change in estimates of prior periods	(168,647)	(67,451)
Recognition of previously unrecognized tax losses	(1,798,810)	–
Origination and reversal of temporary differences	274,645	1,705,132
Other	(80,790)	354,118
Current year losses for which no deferred tax asset is recognized	216,069	810,146
Income tax expense (recovery)	$ 346,524	$ 434,088

The Company has certain Canadian-based deferred tax attributes, but has not recognized a deferred tax asset, in respect of the following deductible temporary differences and losses:

	2024	2023
Operating losses carried forward	$ 25,199,894	$ 34,898,868
Capital losses carried forward	13,164,133	1,290,898
SRED eligible expenditures pool	33,411,408	33,315,776
Property and equipment	2,946,266	3,152,692
Intangible assets	3,343,798	3,342,000
Leases	3,357,566	1,816,269
Deferred financing fees	1,137,107	4,657,199
Unrealized foreign exchange losses	–	5,385,673
Other temporary differences	250,210	175,446
Total	$ 82,810,382	$ 88,034,821

(In U.S. dollars)

14. Income taxes (continued):

The Company has Canadian net operating loss carry forwards of $25,199,894 (2023 – $34,898,868) for which no deferred tax asset has been recognized.

The global net operating losses expire as follows:

Expiry year	Canada
2034 and thereafter	$ 25,199,894

The Company has capital loss carry forwards in Canada totalling $13,164,133 (2023 - $1,290,898). These losses do not expire. Other unrecognized deductible temporary differences do not expire.

The Company has not recognized deferred tax liabilities associated with investments in subsidiaries with aggregate temporary differences of $3,961,003 (2023 – $2,375,800) because the company controls whether the liability will be incurred.

15. Commitments and contingencies:

(a) Commitments:

In October 2020, the Company entered into a six-year contract with a hosting services provider whereby the minimum committed spend was $75 million over for the term of the contract. As at January 31, 2024, the Company's remaining committed spend is $11.8 million.

Similarly in October 2020, the Company entered into a contract with a business intelligence tool provider which requires a minimum payment of $1.4 million in fiscal 2024. As at January 31, 2024, the Company's remaining committed spend is $0.7 million.

In October 2021, the Company entered into the Kitchener Lease with Catalyst, as described in note 9 and note 17(b). The Kitchener Lease commenced on February 1, 2022 and terminates on July 31, 2033. The total committed spend is $15.1 million over the next 10 fiscal years.

15. Commitments and contingencies (continued):

(b) Contingencies:

The learning technologies offered by the Company are typically warranted to function in a manner materially consistent with applicable documentation under normal use and circumstances.

The Company's customers are given service level commitments regarding levels of uptime and permitting such customers to receive credits in the event that such commitments are not met. To date, the Company has not incurred any material costs as a result of such commitments and has not accrued any material liabilities related to such obligations.

Arrangements with customers also generally include provisions indemnifying customers against certain liabilities, including if the Company's products or services infringe a third-party's intellectual property rights. The Company may also incur liabilities if it breaches the security and/or confidentiality obligations in its contracts. The Company has not incurred any material costs as a result of such indemnifications and has not accrued any liabilities related to such obligations.

The Company has agreed to indemnify its respective directors and officers for costs incurred by any of these persons in any proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that may enable the Company to recover a portion of any future amounts paid.

The Company, from time to time, is subject to other claims and suits relating to matters in the ordinary course of business. The Company believes that any ultimate liability resulting from any such litigation will not have a material adverse effect on the Company's consolidated results of operations, cash flows or financial position.

16. Government assistance:

During 2019, the Company entered into a Conditional Grant Agreement with the Province of Ontario under the Minister of Economic Development and Growth (the "Province"). The agreement provides a maximum grant of $8,220,000 over the term of the agreement which ended January 31, 2024, and is contingent upon the Company meeting certain cumulative job and specified expenditure targets over the term of the agreement. The Province reserves the right to repayment in the event of non-compliance. The Province reserves the right to terminate the agreement at any time. The Company was compliant with the requirements of the grant as at January 31, 2024 and 2023.

During 2024, the Company recognized grants of $1,425,842 (2023 – $2,230,446) under a payment in arrears model, whereby funding is received after the achievement of certain milestones pursuant to the terms of the agreement. The grants were recorded as a reduction of the related expenses in the consolidated statements of comprehensive loss. As at January 31, 2024, the balance receivable from the Province was $1,608,352 (2023 – $2,169,666) and is included within other receivables disclosed in note 4.

As at January 31, 2024, the Company has available Canadian federal non-refundable investment tax credits of $5,572,590 (2023 - $5,556,640) related to research and development expenditures which may be used to reduce federal income taxes payable in future years. These non-refundable investment tax credits begin to expire in 2032 and thereafter. The benefits of these non-refundable investment tax credits have not been recognized in the consolidated financial statements.

(In U.S. dollars)

17. Related party transactions:

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The following transactions were carried out with related parties:

(a) The Company recognized revenue of $106,063 for the year ended January 31, 2024 (2023 - $90,671) related to service agreements with Virtual High School Ontario ("VHS"), a corporation controlled by family members of John Baker, the Company's Chief Executive Officer ("CEO"), and in which John Baker had a minority interest. As at January 31, 2024, the Company had $10,768 (2023 - nil) in trade receivables from this related party. The VHS Agreement was renewed on November 23, 2023 for an additional three-year term that ends on December 31, 2026.

(b) 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 CEO, has a minority interest in Catalyst. The Kitchener Lease was approved by the independent members of the Board of Directors, 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 $1,863,393 for the year ended January 31, 2024 (2023 – $1,666,063).

During the period ended October 31, 2023, the Company received a lease incentive amounting to $961,920. The lease incentive represents a reimbursement from the lessor for applicable leasehold improvements. The lease incentive was recorded as a reduction to the right-of-use asset.

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

	CAD	USD
February 1, 2024 - January 31, 2025	$ 1,783,476	$ 1,327,989
February 1, 2025 - January 31, 2026	1,858,854	1,384,116
February 1, 2026 - January 31, 2027	1,937,954	1,443,014
February 1, 2027 - January 31, 2028	2,020,311	1,504,338
February 1, 2028 – July 31, 2033	12,736,055	9,483,358
Total undiscounted commitment	$ 20,336,650	$ 15,142,815

(In U.S. dollars)

17. Related party transactions (continued):

Compensation of key management personnel:

The Company defines key management as the Board of Directors, the CEO and their direct reports. The compensation paid or payable to key management is shown in the following table. The remuneration of key management personnel during the year, was as follows:

	2024	2023
Salaries and other short-term benefits	$ 5,272,590	$ 3,558,722
Stock-based payments	4,651,954	3,067,539
	$ 9,924,544	$ 6,626,261

The remuneration of key management personnel is determined by the Board of Directors having regard to the performance of individuals and market trends.

18. Capital management:

The Company's capital is composed of shareholders' equity. The Company's objectives in managing its capital is 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 growth strategy. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board of Directors is responsible for overseeing this process. The capital structure of the Company is adjusted on a timely basis, in line with its risk tolerance levels, depending on changes in the economic environment and in the risks of the underlying assets. In order to maintain or adjust its capital structure, the Company could issue new shares, repurchase shares, approve special dividends or issue debt.

The Company is not subject to externally imposed capital requirements.

(In U.S. dollars)

19. Employee benefits:

The total employee compensation comprising of salaries and benefits, excluding grants and tax credits, for the year ended January 31, 2024 was $115,635,939 (2023 - $108,824,715).

The Company has a defined contribution pension plan for its eligible employees. The total cost recognized for the company's defined contribution plan is $2,972,271 (2023 - $2,280,039).

20. Operating segments:

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer and President. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

Geographic information:

Revenue by geographic region, based on the physical location of the customer, is as follows:

	2024	2023
Canada	$ 47,844,420	$ 42,694,723
United States	100,912,525	97,172,744
Rest of world	33,623,530	28,528,949
Total	$ 182,380,475	$ 168,396,416

For each fiscal year presented, there was no single customer with revenue in excess of 10% of the Company's total revenue.

(In U.S. dollars)

20. Operating segments (continued):

Non-current assets includes property and equipment right-of-use assets, and intangible assets that are attributable to individual geographic segments, based on location of the respective operations:

Property and equipment:

	2024	2023
Canada	$ 8,216,610	$ 4,057,800
United States	93,989	94,291
Rest of world	117,135	135,004
Total	$ 8,427,734	$ 4,287,095

Right-of-use assets:

	2024	2023
Canada	$ 8,774,960	$ 11,161,334
Rest of world	–	44,037
Total	$ 8,774,960	$ 11,205,371

Intangible assets:

	2024	2023
Canada	$ 270,779	$ 288,099
Rest of world	499,928	–
Total	$ 770,707	$ 288,099

(In U.S. dollars)

21. Acquisition of Connected Shopping Ltd:

On May 9, 2023, D2L Europe Ltd, an indirect subsidiary of the Company, acquired all of the outstanding shares of Connected Shopping Ltd ("Connected Shopping"), a SaaS e-commerce and course catalog company and maker of Course Merchant. This acquisition will allow the Company to deliver Course Merchant as a part of its own suite of products to address the growing needs of higher education and training organizations worldwide. The operating results of the acquired company have been consolidated into the Company's results subsequent to the acquisition date.

The acquisition was accounted for as a business combination under the acquisition method. The purchase price consists of initial cash consideration of $2,921,851, post-closing working capital adjustments of $26,896, contingent consideration with a fair value at the date of acquisition of $599,305, and the effective settlement of the pre-existing prepaid balance of $305,413, resulting in total consideration of $3,853,465. Upon revaluation as at January 31, 2024, the liability associated with the contingent consideration decreased by $15,987 in the consolidated statements of financial position, and has a potential maximum contractual payment of $690,000. The contingent consideration is payable to the selling shareholders upon achieving certain customer churn targets by the first and second anniversary dates following the acquisition.

The Company has prepared a preliminary purchase price allocation of the assets acquired and the liabilities assumed of Connected Shopping based on management's best estimates of fair value. The final purchase price allocation may vary based on final appraisals, valuations and analyses of the fair value of the acquired assets and assumed liabilities:

Cash	$ 155,567
Trade and other receivables	264,720
Prepaid expenses	210,810
Property and equipment	21,995
Intangible assets:	
Customer relationship	249,000
Software	302,500
Less:	
Accounts payable and accrued liabilities	(294,673)
Deferred revenue	(238,194)
Deferred income taxes	(137,875)
	$ 533,850
Goodwill	3,319,615
Total consideration	$ 3,853,465

21. Acquisition of Connected Shopping Ltd (continued):

There are also payments up to $690,000 in the form of post-combination compensation which are subject to the continued employment of specific employees, on the first and second-anniversary dates following the acquisition in equal installments of $345,000.

Accounts receivable comprise gross total contractual amounts due of $96,213 all of which have been collected in full.

Amortization of the customer relationships and proprietary software that was acquired is calculated using the straight-line method over their respective useful lives of eight and five years, respectively.

The goodwill recognized upon acquisition is attributable to expected synergies in adding Course Merchant to the Company's product offerings, and the estimated fair value of an assembled workforce. The entire goodwill balance is not deductible for tax purposes.

The Company incurred acquisition related costs of $809,265 for the year ended January 31, 2024, respectively, including professional fees and post-combination compensation, which are recorded within General and Administrative expenses and Research and Development expenses.

Since the date of acquisition, the acquisition has not had a significant impact on revenue or net income/(loss) for the year ended January 31, 2024. Pro forma results of operations for this acquisition have not been presented because they are not material to the Company's consolidated results of operations.

22. Subsequent event:

On April 3, 2024, the Company, entered into a binding letter agreement (the "Letter Agreement") to spin-off the D2L Wave service offering into a standalone independent legal entity, SkillsWave Corporation ("SkillsWave").

A corporation owned by John Baker, the Company's CEO, will be purchasing the majority ownership of SkillsWave from the Company. The Board of Directors constituted a Special Committee (the "Special Committee") of independent directors of the Company to assess and advise the Board with respect to the transaction, and oversee its negotiation, as well as to assess possible alternatives. The Special Committee determined that the transaction would be in the best interests of the Company and recommended that the Board approve the entering into of the Letter Agreement. The Board of Directors approved, with John Baker abstaining and being recused on account of his conflict of interest in the matter.

Pursuant to the Letter Agreement, the parties have agreed to enter into definitive agreements by mid-year.

22. Subsequent event (continued):

A corporation owned by John Baker will acquire 70% equity interest in SkillsWave from the Company in exchange for consideration of CAD $1,120,000 payable in cash. The Company will maintain a 30% ownership interest in SkillsWave and will maintain minority Board representation.

The Company will provide a loan to SkillsWave in the amount of $9,500,000 maturing in five years and payable at maturity, bearing interest rate at the Canadian prime rate per annum, compounded annually. The loan will be advanced in tranches with $5,000,000 advanced upon closing of the transaction, and the remaining $4,500,000 advanced upon the six-month anniversary of closing. The loan principal and accrued interest will be convertible at the option of the Company into non-voting shares of SkillsWave, that together with any shares acquired at closing by D2L, may not exceed a maximum 37.5% ownership interest in SkillsWave. The loan is secured by all assets of SkillSWave constituting first priority security interest, subjected to permitted liens.

The Company will enter into a Transition Services Agreement with SkillsWave, to provide administrative services on a cost recovery basis to support the orderly transition of the Wave service offering from D2L to SkillsWave, which transition is expected to be completed on or before January 31, 2025, subject to permitted extensions.

About D2L

D2L is transforming the way the world learns—helping learners of all ages achieve more than they dreamed possible. Working closely with customers all over the world, D2L is supporting millions of people learning online and in person. Our global workforce is dedicated to making the best learning products to leave the world better than they found it. Learn more at www.D2L.com.

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