

D2L

Transforming Learning for 25 Years

ANNUAL REPORT
FISCAL YEAR 2025



We're on a Mission to Transform the Way the World Learns

1,430+

CUSTOMERS

20M+

USERS

40+

COUNTRIES





CEO AND CHAIR OF THE BOARD

@JohnBakerD2L

DEAR SHAREHOLDERS¹,

Over 25 years ago I founded D2L with a vision to transform learning. In Fiscal 2025, we significantly advanced this vision and delivered a strong year across key metrics, including advancing market share, sales, and profitability. Our team executed well on our plan to bring innovation to market with a balance of revenue growth with meaningfully improved profitability – and we exceeded guidance last year for both revenue and Adjusted EBITDA².

Our total revenues grew 13% to US\$205.3 million, and subscription and support revenue (about 90% of total revenues) reached US\$180.6 million, up 11% from the prior year. We continued to make solid progress on our margins, highlighted by a 170-basis-point improvement in Adjusted Gross Margin² to 69%. The combination of revenue growth, increased gross profit margins, and operating leverage drove a substantial year-over-year improvement in Adjusted EBITDA² to US\$28.1 million, an increase of more than US\$20.2 million from the prior year. This added to the Company's strong financial position at year end, with no debt and US\$99.2 million in cash and cash equivalents, providing us the financial flexibility to invest in organic and inorganic growth opportunities.

#2 market share

in North American Higher Education⁴
(by enrollments)

50%+ D2L win rate

for new implementations in
North American Higher Education⁵

EXPANDING OUR GLOBAL IMPACT

Over the past year, we grew our customer base and built scale across our markets as we helped an even greater number of organizations leverage our technology to reshape the future of learning. D2L is now serving more than 1,430 customers in over 40 countries – and we now have more than 20 million users on the Brightspace learning platform, a year-over-year increase of over 2 million users.

In higher education, our largest market, we remain #1 in LMS market share in Canada³ and we increased our market share for all of North America again last year, solidifying our position as #2 in LMS market share by enrollment⁴. Our win rate in this important market has increased to more than 50%⁵, highlighting our strong competitive position.

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 total revenues earned outside North America. Through the tremendous efforts of our team, D2L has become the LMS market share leader in higher education in other countries around the world³, and we are making important inroads in many countries including India and Mexico. We continue to see significant opportunity in higher education to replace legacy systems with our modern learning platform; legacy platforms still hold over 30% of the market share in North America and over 70% market share internationally⁴.

In our corporate market, we added to our customer base focused on employee learning and training organizations. The corporate market remains a fast-growing area for D2L as we work with organizations to implement more impactful learning experiences that help their employees evolve and grow. I encourage you to review our customer success stories at [D2L.com](https://d2l.com).

Key Growth Pillars:



Expand Customer Base in Core Markets



Platform Expansion & Upsell



Build International Customer Base



Expand Corporate Employee Training

“For organizations managing through a period of austerity, we are a strong partner as our modern, AI-first platform can improve learner engagement and retention while increasing efficiency – a compelling value proposition.”

Our results in Fiscal 2025 were achieved despite challenges posed by the macroeconomic environment which has affected market activity levels, particularly in U.S. higher education. Through our 25-year history, we have experienced challenging conditions many times, and our performance through these periods highlights the durability of our business, supported by long-term contracts, high customer retention, strong free cash flow, a diversified customer base, and a strong balance sheet. We view the current conditions as transitory and continue to see strong underlying growth drivers, which we expect will lead to higher revenue growth along with further Adjusted EBITDA Margin² expansion over the medium term, as presented in our outlook⁶.

Our discussions with leaders globally reinforce the demand for a better learning platform as organizations look for ways to address high-priority issues such as upskilling or addressing the growth in continuing education. For organizations managing through a period of austerity, we are a strong partner as our modern, AI-first platform can improve learner engagement and retention while increasing efficiency – a compelling value proposition.

ENHANCING OUR LEARNING PLATFORM AND PORTFOLIO

One of our key growth pillars is introducing new products that improve the learning experience, solve important customer challenges and grow D2L's revenue opportunity. Fiscal 2025 was a highly productive year on the innovation side, as we launched several new product packages, including D2L Lumi, a powerful set of human-centric artificial intelligence (AI) capabilities, and Achievement+, which helps our customers make it easy to implement competency-based learning for programs. We also completed the acquisition of H5P Group AS, a leading provider of interactive content creation software. Building on our existing Creator+ product, this acquisition added best-in-class technology and a talented team that propels our development roadmap forward considerably.

These new products are hitting the mark with customers, and we're seeing strong pipeline generation, increased attach rates and growth in Net Revenue Retention (NRR)⁷ – an important metric. There is substantial opportunity to move NRR higher in the coming years, and we believe investments in AI will be one of the key catalysts. We are strategically integrating AI into everyday workflows within our learning platform to enhance them in meaningful ways while keeping humans at the core of everything we do. This upcoming year, we will continue to strengthen our core platform, expand our product portfolio and enhance our speed of development as we work to pull away from the competition.

THE NEXT CHAPTER: AI-FIRST LEARNING PLATFORM

Building on our strong foundation, D2L's next chapter will be defined by advancing our AI-first learning platform strategy in support of our mission to transform the way the world learns. D2L has long been a market leader in innovation, and we see platform innovation as a key driver of growth over the medium term as our clients look to us to help improve the learning experience and outcomes. We will continue to drive efficient growth, balancing growth and profitability while we aim to be #1 in focused education markets globally and establish ourselves as the next-generation learning platform for upskilling in the corporate market.

Thank you to the D2L team for their great work over the past several years as delivered the best customer experience in our industry, made our platform the most innovate and easiest to use, and successfully made the transition to a balance of growth and profitability. Thank you to our great customers for your trust and partnership with D2L – together we are transforming the learning experience for millions of learners around the world. And thank you to our shareholders for their continued support of our vision and long-term success – as we build the global leader in education and next-generation leader in corporate upskilling.



John Baker, M.S.C.
Founder, CEO & Chair of the Board of D2L
April 2025

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, 2025 within this Annual Report.

² A non-IFRS financial measure or non-IFRS ratio. Please refer to the "Non-IFRS Financial Measures and Reconciliation of Non-IFRS Financial Measures" section of the Company's MD&A for the period ended January 31, 2025 within this Annual Report.

³ Management estimates based on publicly available data.

⁴ Market share by enrollment as referenced in Phil Hill & Associates Higher Education LMS Market Dynamics Year-End 2024 Report.

⁵ Win rate based on LMS implementations in North America as referenced in Phil Hill & Associates Higher Education LMS Market Dynamics Year-End 2024 Report.

⁶ Please refer to the "Medium Term Outlook and Target Operating Model" section of the Company's MD&A for the period ended January 31, 2025 within this Annual Report.

⁷ Please refer to the "Key Performance Indicators" section of the Company's MD&A for the period ended January 31, 2025 within this Annual Report.



Fiscal 2025 Results at a Glance

\$205.3M USD
REVENUE

+13%
OVER FISCAL 2024

↑ Cash flow from operating activities of \$27.9M USD, an increase of \$12.2M USD from the prior year.

\$180.6M USD
SUBSCRIPTION & SUPPORT
REVENUE

+11%
OVER FISCAL 2024

↑ Strong balance sheet, with cash and cash equivalents of \$99.2M USD and no debt.

\$205.3M USD
CONSTANT CURRENCY ANNUAL
RECURRING REVENUE²

+9%
OVER FISCAL 2024

Leading With Innovation

Innovation remains a key success factor for D2L. Building on our strong foundation, we continue to strengthen our core platform, expand our product portfolio and provide high-value services and support to make the technology a success.



Creator+

Create advanced, engaging, interactive course content.



Performance+

Empower your organization to make better decisions faster.



D2L Lumi

Enhance learning with AI-enabled content creation and decision making.



D2L Course Merchant

Expand your reach with an integrated, branded storefront.



Achievement+

Oversee learning outcomes and alignment with your educational goals.



H5P

Empower everyone to create rich and interactive web experiences.



D2L INC.

Management's Discussion and Analysis

For the years ended January 31, 2025 and 2024

Dated: April 2, 2025

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 years ended January 31, 2025 and 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, 2025, is referred to as "Fiscal 2025" or similar words. Our previous fiscal year, which ended on January 31, 2024, is referred to as "Fiscal 2024" 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, 2025 and 2024, 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, 2025 ("AIF"), can be found on SEDAR+ at www.sedarplus.com. All amounts are in thousands of United States dollars except where otherwise indicated (including under the "Related Party Transactions" section) and per share amounts.

Forward-Looking Information

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

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

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's assumptions regarding the principal competitive factors in our markets; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our operations; the ability to seek out, enter into and successfully integrate acquisitions, including the acquisition of H5P Group AS ("**H5P**"); 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 Company's ability to predict future learning trends and technology; the ability to patent new technologies and protect intellectual property rights; the Company's ability to comply with security, cybersecurity and accessibility laws, regulations and standards; the assumptions underlying the judgments and estimates impacting on financial statements; certain accounting matters, including the impact of changes in or the adoption of new accounting standards; the Company's ability to retain key personnel; the factors and assumptions discussed under the "Financial Outlook" section 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 "Summary of Factors Affecting Our Performance" below or in the "Risk Factors" section of the Company's AIF. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking information prove incorrect, actual results might vary materially from those anticipated in the forward-looking information.

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

Non-IFRS and Other Financial Measures

Non-IFRS Financial Measures and Non-IFRS Financial Ratios

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

Constant Currency Revenue

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

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

Adjusted EBITDA and Adjusted EBITDA Margin

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

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

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

During Fiscal 2025, the Company recognized a gain on the disposal of a majority ownership stake in SkillsWave, the Company’s share of net loss from the retained investment in SkillsWave (which was accounted for using the equity method of accounting), and incurred expenses related to the divestiture of SkillsWave. See the *“Related Party Transactions”* section below for more details of the transaction. In addition, the Company incurred acquisition-related and post-combination compensation expenses related to the acquisition of H5P. See *“Recent Developments – Acquisition of H5P Group AS”* for more details of these costs. These transaction-related costs are recorded in General and administrative expenses in the audited annual consolidated statements of comprehensive income (loss). These gains and expenses are not considered to be reflective of ordinary operations and the costs pertaining to the post-combination compensation from the H5P acquisition are expected to be substantially complete by the end of Fiscal 2026.

During Fiscal 2025, the Company recognized a fair value adjustment on the opening deferred revenue balance acquired as part of the H5P acquisition as required under IFRS 3, Business Combinations. This adjustment is recorded in Subscription and support revenue in the audited annual consolidated statements of comprehensive income (loss). This adjustment is not reflective of ordinary operations and is expected to be substantially completed by the end of Fiscal 2026.

On a quarterly basis, the Company uses the Black-Scholes valuation model to determine the fair value of the conversion option associated with the loan receivable from SkillsWave and assessed the present value of the expected future cash flows from the financial asset. This assessment resulted in an adjustment to the fair value of the loan during the current reporting period, which was recognized in other (expense) income in the audited annual consolidated statements of comprehensive income (loss). This adjustment was not reflective of the Company’s main business operations and will not impact the Company’s future results beyond the maturity date of the loan on June 28, 2029.

Free Cash Flow and Free Cash Flow Margin

“Free Cash Flow” is defined as cash flows from (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 and amortization from acquired intangible assets, specifically acquired technology.

“**Adjusted Gross Margin**” is calculated as Adjusted Gross Profit expressed as a percentage of total revenue.

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

During Fiscal 2025, the Company completed a business combination and applied the acquisition method of accounting. As part of the acquisition, the Company acquired intangible assets, specifically being acquired technology, with a fair value of \$11.8 million. Amortization from acquired intangible assets is calculated using the straight-line method over a seven-year useful life into Cost of revenue. Management believes that Adjusted Gross Profit and Adjusted Gross Margin provide a more relevant picture of gross profitability when this amortization is also excluded.

Reconciliation of Non-IFRS Financial Measures

Constant Currency Revenue

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

(in thousands of U.S. dollars)	Three months ended January 31		Fiscal year ended January 31	
	2025	2024	2025	2024
Total revenue for the period	53,313	47,569	205,276	182,380
Negative impact of foreign exchange rate changes over the prior period	964	—	1,127	—
Constant Currency Revenue	54,277	47,569	206,403	182,380

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	
	2025	2024	2025	2024
Income (loss) for the period	19,865	563	25,722	(3,542)
Stock-based compensation	2,583	2,050	9,695	9,287
Foreign exchange loss (gain)	454	300	146	(80)
Non-recurring expenses ⁽¹⁾	784	1,021	2,954	1,978
Transaction-related costs ⁽²⁾	614	88	2,686	809
Fair value adjustment of acquired deferred revenue ⁽³⁾	379	—	1,018	—
Change in fair value of loan receivable from associate ⁽⁴⁾	496	—	376	—
Loss from equity accounted investee	21	—	438	—
Net interest income	(594)	(1,124)	(2,942)	(3,606)
Income tax (recovery) expense	(16,442)	43	(16,235)	347
Other income ⁽⁵⁾	(40)	(202)	(40)	(202)
Depreciation and amortization	1,308	724	4,262	2,871
Adjusted EBITDA	9,428	3,463	28,080	7,862
Adjusted EBITDA Margin	17.7%	7.3%	13.7%	4.3%

Notes:

- (1) These expenses relate to non-recurring activities, such as certain legal fees incurred that are not indicative of continuing operations, and changes of workforce or technology whereby certain functions were realigned to optimize operations.
- (2) These expenses include certain legal and professional fees that were incurred in connection with acquisition and other strategic transactions, including the divestiture of our majority ownership stake in SkillsWave and our acquisition of H5P. These expenses also include post-combination compensation costs from the acquisition of H5P. These year-to-date expenses are net of a gain of \$0.9 million recognized for the disposal of our majority ownership stake in SkillsWave. In the prior periods, these expenses included post-combination compensation, legal and other fees related to the acquisition activities of Connected Shopping Ltd. These expenses would not have been incurred if not for these transactions and are not considered to be indicative of expenses associated with the Company's continuing operations.
- (3) During Fiscal 2025, the Company recognized a fair value adjustment on the opening deferred revenue balance acquired as part of the H5P acquisition as required under IFRS 3, Business Combinations. This adjustment is not reflective of ordinary operations and is expected to be substantially completed by the end of Fiscal 2026.
- (4) On a quarterly basis, the Company determines the fair value of the loan advanced to SkillsWave. The adjustments to the fair value of the loan are not reflective of the Company's main business operations and will not impact the Company's future results beyond the maturity date of the loan on June 28, 2029.
- (5) Represents gains recognized from subleasing activities and are considered non-recurring and not reflective of continuing operations.

During the three months ended January 31, 2025, the Company recognized professional services revenue of \$0.9 million from re-evaluating the completion progress of certain professional services engagements performed in prior periods. Excluding this increase, the Company's Adjusted EBITDA and Adjusted EBITDA Margin would have been \$8.5 million and 16.2%, respectively, for the three months ended January 31, 2025.

During Fiscal 2025, the Company recognized professional services revenue of \$0.8 million from re-evaluating the completion progress of certain professional services engagements performed in Fiscal 2024. Excluding this increase, the Company's Adjusted EBITDA and Adjusted EBITDA Margin would have been \$27.3 million and 13.3%, respectively, for Fiscal 2025.

Free Cash Flow and Free Cash Flow Margin

The following table reconciles Free Cash Flow to cash flow (used in) 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	
	2025	2024	2025	2024
Cash flows (used in) from operating activities	(135)	(5,512)	27,902	15,659
Net additions to property and equipment	(453)	(565)	(923)	(5,727)
Free Cash Flow	(588)	(6,077)	26,979	9,932
Free Cash Flow Margin	-1.1%	-12.8%	13.1%	5.4%

The cash flows from operating activities of the Company are seasonal in nature. Cash flows from operating activities have a seasonal low in the first quarter each year and a seasonal high in the second 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. Moderate period-to-period fluctuations in cash flows from operating activities are expected as the Company manages its working capital balances.

Adjusted Gross Profit and Adjusted Gross Margin

The following table reconciles 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	
	2025	2024	2025	2024
Gross profit for the period	36,523	32,035	139,964	122,196
Stock based compensation	154	134	596	564
Amortization from acquired intangible assets	444	16	1,000	47
Adjusted Gross Profit	37,121	32,185	141,560	122,807
Adjusted Gross Margin	69.6%	67.7%	69.0%	67.3%

Key Performance Indicators

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

Annual Recurring Revenue and Constant Currency Annual Recurring Revenue

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

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

(in millions of U.S. dollars, except percentages)	As at January 31		Change
	2025	2024	
	\$	\$	%
ARR	200.2	188.1	6.4%
Constant Currency Annual Recurring Revenue	205.3	188.1	9.1%

Net Revenue Retention Rate and Constant Currency Net Revenue Retention Rate

We calculate Net Revenue Retention Rate (“**NRR**”) 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 ARR 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 we provide to customers. NRR for the fiscal year ended January 31, 2025 was 100.0% (102.2% for the fiscal year ended January 31, 2024), representing a year-over-year decrease of 220 basis points, primarily due to the impact of period-over-period changes in foreign currency exchange rate fluctuations. The impact of foreign exchange rates is further addressed in the next key performance indicator, Constant Currency NRR.

We have also introduced Constant Currency NRR which is defined as foreign-currency-denominated NRR translated at the historical exchange rates from the comparable prior period into our U.S. dollar functional currency. Management believes that Constant Currency NRR is a useful measure of operating performance to review and assess the Company’s ability to retain and expand revenue generated from the existing customer base by removing the impact of period-over-period changes in foreign currency exchange rate fluctuations. The exclusion of this impact allows for greater comparability between reporting periods. Constant Currency NRR for the fiscal year ended January 31, 2025 was 102.7% (102.1% for the fiscal year ended January 31, 2024), representing a year-over-year increase of 60 basis points.

During Fiscal 2025, the Company retired a services subscription offering relating to curriculum design and now provides this type of service through one-time professional services engagements to customers. Excluding the \$2.6 million impact of this subscription retirement, Constant Currency NRR would have been 104.1% in Fiscal 2025, which would represent a year-over-year increase of 200 basis points.

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 ARR at the beginning of the year, and dividing the result by the ARR 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 increase our product and service offerings, we are providing more visibility into underlying customer and revenue retention rates, in addition to our ability to grow revenue from our existing customers. As a result, Gross Revenue Retention Rate is a key measure to provide insight into the Company’s success retaining existing customers and is a key indicator of the long-term value we provide to customers. Gross Revenue Retention Rate for the fiscal year ended January 31, 2025 was 93.5% (93.7% for the fiscal year ended January 31, 2024), down by 20 basis points year-over-year.

During Fiscal 2025, the Company retired a services subscription offering relating to curriculum design and now provides this type of service through one-time professional services engagements to customers. Excluding the \$2.6 million impact of this subscription retirement, Gross Revenue Retention Rate would have been 94.9% in Fiscal 2025, which would represent a year-over-year increase of 120 basis points.

Overview

D2L's mission is to transform the way the world learns. We deliver personalized, flexible and modern learning experiences for people of all ages. Our learning technology is powered by more than 25 years of expertise and a vision for the future of work and learning. We focus on creating a unique learner-centric platform, informed by learning science, that holds the capacity to increase adoption, retention, engagement, and learning outcomes. Our core cloud-based learning innovation platform, Brightspace, serves three distinct markets: 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 Lumi, our human-centered artificial intelligence ("AI") offering; Creator+, our easy-to-use authoring tools; Performance+, our advanced analytics package; Achievement+, which streamlines achievement reporting on learning outcomes;- Course Merchant, our storefront for courses; and H5P, for building learning interactives. Our learning technology leverages intelligent features like AI, smart workflow design and automation to help educators better understand the unique needs, activities, and performance of each learner, and integrates seamlessly with other technologies to enable our customers to deliver individualized and personalized learning programs at scale.

Our solutions are sold through a subscription model and structured with a minimum user level commitment. The majority of our customers enter into contracts with a term of three to five years. Our contracts are priced on a per user basis (excluding certain users such as administrators and teachers) that varies depending on the size of the organization, complexity, and required services. During Fiscal 2025, 88.0% of our revenues were recurring, on a subscription and support basis. During Fiscal 2025, we generated revenues of \$205.3 million, up \$22.9 million or 12.6%, from Fiscal 2024.

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, 2025, our customer list was comprised of over 1,430 customers (up from over 1,310 as at January 31, 2024) – 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 annual contract for our enterprise 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 was used worldwide by more than 20 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 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, the features and pricing of our competitors' offerings, and macroeconomic conditions and geopolitical events.

Scaling our sales and marketing efforts

Our ability to achieve future revenue growth will largely depend on the effectiveness of our sales and marketing efforts, both domestically and internationally. Investments in our sales and marketing organization occur in advance of experiencing any

benefits from such investments, which may make it difficult to determine if we are efficiently allocating our resources in these areas.

Investment in technology

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

International expansion

We believe there is significant opportunity to expand usage of our platform outside of North America. Our future success will depend in part upon our ability to continue to deepen our presence in international markets, 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, as well as other currencies for countries in which we have a significant presence. 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.

Strategic investments

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

Components of Results of Operations

Revenue

D2L generates revenue from the following two primary sources:

Recurring subscription and support revenue

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

Professional services and other revenue

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

Cost of revenue

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

Cost of recurring subscription and support

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

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

Cost of professional services and other

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

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

Sales and marketing

Sales and marketing expenses consist primarily of 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 an allocated proportion of overhead costs.

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

Research and development

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

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

General and administrative

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

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

Interest and other (expenses) income

Interest and other (expenses) income consists of interest income; interest expense; other (expense) income, which includes the share of loss on our equity accounted investee, and any fair value changes on the loan receivable from associate; foreign exchange (loss) gain; and the gain on the disposal of our majority ownership stake in SkillsWave.

Other comprehensive (loss) gain

Other comprehensive (loss) gain comprises gains or losses on the translation of the accounts of our foreign, wholly-owned subsidiaries into our U.S. dollar functional currency. Changes in foreign currency exchange rates from period to period may cause volatility in our earnings as well as impact comparability of our results from period to period.

Results of Operations

The following table provides a summarized view of our consolidated statements of comprehensive income (loss) for the periods indicated:

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2025	2024	2025	2024
Revenue	53,313	47,569	205,276	182,380
Cost of revenue	16,790	15,534	65,312	60,184
Gross profit	36,523	32,035	139,964	122,196
Operating expenses				
Sales and marketing	13,641	12,705	53,943	52,915
Research and development	11,353	12,305	46,648	48,320
General and administrative	7,943	7,470	33,175	28,074
Total operating expenses	32,937	32,480	133,766	129,309
Income (loss) from operations	3,586	(445)	6,198	(7,113)
Interest and other (expenses) income	(163)	1,050	3,289	3,917
Income (loss) before income taxes	3,423	605	9,487	(3,196)
Income tax (recovery) expense	(16,442)	42	(16,235)	346
Income (loss) for the period	19,865	563	25,722	(3,542)
Other comprehensive (loss) gain	(124)	1,023	(2,459)	3
Comprehensive income (loss)	19,741	1,586	23,263	(3,539)
Earnings (loss) per share - basic	0.36	0.01	0.47	(0.07)
Earnings (loss) per share - diluted	0.35	0.01	0.46	(0.07)

Note: The operating results of H5P have been consolidated into the Company's results subsequent to the acquisition date of July 9, 2024.

Review of Operations

Revenue

(in thousands of U.S. dollars, except percentages)	Three months ended January 31			Fiscal year ended January 31		
	2025 \$	2024 \$	Change %	2025 \$	2024 \$	Change %
Revenue						
Subscription and support revenue	46,846	42,187	11.0%	180,569	162,232	11.3%
Professional services and other revenue	6,467	5,382	20.2%	24,707	20,148	22.6%
Total revenue	53,313	47,569	12.1%	205,276	182,380	12.6%
Percentage of total revenue						
Subscription and support revenue	87.9%	88.7%		88.0%	89.0%	
Professional services and other revenue	12.1%	11.3%		12.0%	11.0%	
Total revenue	100.0%	100.0%		100.0%	100.0%	

For the three months ended January 31, 2025, subscription and support revenue was \$46.8 million, compared to \$42.2 million for the same period of the prior year, representing an increase of \$4.6 million or 11.0%. For Fiscal 2025, subscription and support revenue was \$180.6 million, compared to \$162.2 million in Fiscal 2024, representing an increase of \$18.4 million or 11.3%. 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 ARR (see "Non-IFRS and Other Financial Measures – Key Performance Indicators") as at January 31, 2025 reached \$200.2 million (up \$12.1 million or 6.4% from \$188.1 million in Fiscal

2024) and Constant Currency NRR (see “Non-IFRS and Other Financial Measures – Key Performance Indicators”) as at January 31, 2025 was 102.7% (up 60 basis points from 102.1% in Fiscal 2024).

Professional services and other revenue for the three months ended January 31, 2025 was \$6.5 million, an increase of \$1.1 million or 20.2%, from the \$5.4 million earned in the same period of the prior year. Excluding the impact of professional services revenue of \$0.9 million from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, the increase for the period was \$0.2 million or 2.7%, relative to the same period of the prior year. For Fiscal 2025, professional services and other revenue was \$24.7 million, versus \$20.1 million for Fiscal 2024, representing an increase of \$4.6 million or 22.6%. Excluding the impact of professional services revenue of \$0.8 million from the re-evaluation of the completion progress of certain professional services engagements performed in Fiscal 2024, the increase for the period was \$3.8 million or 18.5%, relative to the same period of the prior year. The increases were mainly due to the higher volume of professional services engagements which had significant services delivered in Fiscal 2025.

Constant Currency Revenue (a non-IFRS financial measure, see “Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios”) was \$54.3 million and \$206.4 million for the three months and year ended January 31, 2025, respectively. This compares to \$47.6 million and \$182.4 million in the corresponding periods of the prior year, reflecting growth of \$6.7 million or 14.1% and \$24.0 million or 13.2%, respectively. The increases for both the three month period and year were driven primarily by growth in subscription and support revenue over the same periods of the prior year, as demonstrated by the 9.1% increase in Constant Currency Annual Recurring Revenue (see “Non-IFRS and Other Financial Measures – Key Performance Indicators”) for Fiscal 2025.

Cost of revenue

(in thousands of U.S. dollars, except percentages)	Three months ended January 31			Fiscal year ended January 31		
	2025	2024	Change	2025	2024	Change
	\$	\$	%	\$	\$	%
Cost of revenue						
Cost of subscription and support	12,533	11,373	10.2%	49,185	45,351	8.5%
Cost of professional services and other	4,257	4,161	2.3%	16,127	14,833	8.7%
Total cost of revenue	16,790	15,534	8.1%	65,312	60,184	8.5%
Percentage of total cost of revenue						
Cost of subscription and support	74.6%	73.2%		75.3%	75.4%	
Cost of professional services and other	25.4%	26.8%		24.7%	24.6%	
Total percentage of cost of revenue	100.0%	100.0%		100.0%	100.0%	

Cost of subscription and support revenue for the three months ended January 31, 2025 was \$12.5 million, representing an increase of \$1.1 million or 10.2% compared to the same period in the prior year. The costs for the three months ended January 31, 2025 included \$0.4 million of amortization from acquired intangible assets, compared to nil in the same period of the prior year. Excluding the impact of these costs, the increase for the three months ended January 31, 2025 was \$0.7 million or 6.1%. The increase was primarily attributable to increased cloud costs due to higher activity from new and existing customers and higher partner-related costs in line with partner-related revenue growth. These costs were partially offset by ongoing cost optimization and scaling efficiency efforts in our cloud technology delivery.

For Fiscal 2025, cost of subscription and support revenue increased by \$3.8 million or 8.5% to \$49.2 million compared to Fiscal 2024. The Fiscal 2025 costs included \$1.0 million of amortization from acquired intangible assets, compared to nil in Fiscal 2024. Excluding the impact of these costs, the increase year-over-year was \$2.8 million, or 6.2%. The increase was primarily attributable to increased cloud costs and increased headcount to support higher sales activity of support services for new and existing customers. In addition, there were higher partner-related costs in line with partner-related revenue growth and an increase in consultant spend and systems fees to enhance our AI capabilities within our customer support offerings. The increases in cost of subscription and support revenue for both the three months and year ended January 31, 2025 are lower than the percentage increases seen in revenue for the same periods.

Cost of professional services and other for the three months ended January 31, 2025 was \$4.3 million, representing a slight increase of \$0.1 million or 2.3% compared to the same period in the prior year. For Fiscal 2025, cost of professional services and other increased by \$1.3 million or 8.7% to \$16.1 million compared to Fiscal 2024. These increases were primarily driven by increased headcount to support co-development projects, coupled with higher subcontracting expenses during the current periods when compared to the same periods of the prior year.

Gross profit

(in thousands of U.S. dollars, except percentages)	Three months ended January 31			Fiscal year ended January 31		
	2025	2024	Change	2025	2024	Change
	\$	\$	%	\$	\$	%
Gross profit						
Subscription and support	34,312	30,814	11.4%	131,383	116,881	12.4%
Professional services and other	2,211	1,221	81.1%	8,581	5,315	61.4%
Total gross profit	36,523	32,035	14.0%	139,964	122,196	14.5%
Gross profit margin						
Subscription and support	73.2%	73.0%		72.8%	72.0%	
Professional services and other	34.2%	22.7%		34.7%	26.4%	
Total gross profit margin	68.5%	67.3%		68.2%	67.0%	

Gross profit earned on subscription and support for the three months ended January 31, 2025 was \$34.3 million, up from \$30.8 million earned for the same period in the prior year, representing a period-over-period increase of \$3.5 million or 11.4%. For Fiscal 2025, gross profit earned on subscription and support increased year-over-year by \$14.5 million or 12.4% to \$131.4 million. The increases in gross profit were primarily driven by the increases in our subscription and support revenue which outpaced the related increases in cost of revenue, based on factors described above.

As a percentage of revenue, gross profit margin for subscription and support for the three months ended January 31, 2025 increased by 20 basis points to 73.2% from 73.0% in the same period of the prior year. For Fiscal 2025, gross profit margin for subscription and support increased by 80 basis points to 72.8% over Fiscal 2024. The increases were mainly attributable to growth in subscription and support revenue, combined with scaling of the related costs of revenue as a result of optimization efforts in our cloud and service delivery.

For the three months ended January 31, 2025, gross profit recognized on professional services and other was \$2.2 million, up from \$1.2 million earned for the same period of the prior year, representing a period-over-period increase of \$1.0 million or 81.1%. Excluding the impact of professional services revenue of \$0.9 million from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, gross profit recognized on professional services and other for the period slightly increased by \$0.1 million or 4.3%, relative to the same period of the prior year. For Fiscal 2025, gross profit recognized on professional services and other was \$8.6 million, up from \$5.3 million recognized for the same period of the prior year, representing a year-over-year increase of \$3.3 million or 61.4%. Excluding the impact of professional services revenue of \$0.8 million from the re-evaluation of the completion progress of certain professional services engagements performed in Fiscal 2024, the increase in gross profit recognized on professional services and other for the period was \$2.5 million or 45.9%, relative to the same period of the prior year. The increases in gross profit were primarily driven by the increases in our professional services and other revenue which outpaced the related increases in cost of revenue, based on the factors described above.

As a percentage of revenue, gross profit margin for professional services and other for the three months ended January 31, 2025 increased by 1,150 basis points to 34.2% from 22.7% in the same period of the prior year. Excluding the impact of professional services revenue of \$0.9 million from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, gross profit margin for professional services and other was 23.0%, up 30 basis points relative to the same period of the prior year. For Fiscal 2025, gross profit margin for professional services and other increased by 830 basis points over Fiscal 2024 to 34.7%. Excluding the impact of professional services revenue of \$0.8 million from the re-evaluation of the completion progress of certain professional services engagements performed in Fiscal 2024, gross profit margin for

professional services and other was 32.5%, up 610 basis points relative to the same period of the prior year. The increases for both periods were mainly attributable to higher revenue from delivered professional services engagements, outpacing the increases in the related increases in cost of revenue on an absolute dollar basis. Moderate period-to-period fluctuations are expected based on the volume and composition of the professional services engagements delivered and seasonality of the delivery in the period.

Adjusted Gross Profit (a non-IFRS financial measure, see “Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios”) for the three-month period ended January 31, 2025 was \$37.1 million, an increase of \$4.9 million or 15.3% from the same period in the prior year. For Fiscal 2025, Adjusted Gross Profit was \$141.6 million, an increase of \$18.8 million or 15.3% from Fiscal 2024. The increases for both periods were primarily the result of higher subscription and support revenue derived from new and existing customers, outpacing the related increases in costs of revenue.

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, 2025 was 69.6% compared to 67.7% in the same period of the prior year, representing a 190 basis points increase. The Adjusted Gross Margin for Fiscal 2025 increased by 170 basis points to 69.0%. The increases in Adjusted Gross Margin for both periods were primarily attributable to growth of subscription and support revenue paired with a decrease in the related costs of revenue, as a result of new and existing customers.

Operating expenses

(in thousands of U.S. dollars, except percentages)	Three months ended January 31			Fiscal year ended January 31		
	2025	2024	Change	2025	2024	Change
	\$	\$	%	\$	\$	%
Operating expenses						
Sales and marketing	13,641	12,705	7.4%	53,943	52,915	1.9%
Research and development	11,353	12,305	-7.7%	46,648	48,320	-3.5%
General and administrative	7,943	7,470	6.3%	33,175	28,074	18.2%
Total operating expenses	32,937	32,480	1.4%	133,766	129,309	3.4%
Percentage of total revenue						
Sales and marketing	25.6%	26.7%		26.3%	29.0%	
Research and development	21.3%	25.9%		22.7%	26.5%	
General and administrative	14.9%	15.7%		16.2%	15.4%	
Total percentage of total revenue	61.8%	68.3%		65.2%	70.9%	

Sales and marketing expenses for the three months ended January 31, 2025 were \$13.6 million, up \$0.9 million or 7.4% compared to the same period in the prior year. Included in sales and marketing expenses for the three months ended January 31, 2025 was \$0.4 million of stock-based compensation, and \$0.3 million of higher salary costs and amortization expenses related to the H5P acquisition, compared to nil in the same period of the prior year. Excluding the impact of stock-based compensation and the H5P acquisition, sales and marketing expenses were relatively consistent with the same period of the prior year. For Fiscal 2025, sales and marketing expenses were \$53.9 million, an increase of \$1.0 million or 1.9%, from the expenses incurred in Fiscal 2024. Included in sales and marketing expenses for Fiscal 2025 was \$1.2 million of stock-based compensation, compared to \$0.9 million in Fiscal 2024, and \$0.8 million of higher salary costs and amortization expenses related to the H5P acquisition, compared to nil in the same period of the prior year. Excluding the impact of stock-based compensation and the H5P acquisition, sales and marketing expenses decreased due to reduced headcount, compared to the prior year.

Research and development expenses were \$11.4 million, versus \$12.3 million for the same period in the prior year, representing a decrease of \$0.9 million or 7.7%. Included in research and development expenses for the three months ended January 31, 2025 was \$0.5 million of additional wages and benefit expenses related to the H5P acquisition, compared to nil in the same period of the prior year. Excluding the impact of the H5P acquisition, research and development expenses decreased by \$1.4 million or 11.4%. Research and development expenses decreased by \$1.7 million or 3.5% to \$46.6 million for Fiscal 2025 from Fiscal 2024. Included in research and development expenses for Fiscal 2025 was \$1.1 million of additional wages and benefit expenses related

to the H5P acquisition, compared to nil in the same period of the prior year. Excluding the impact of the H5P acquisition, the decrease year-over-year was \$2.8 million or 5.8%. The decreases period-over-period were primarily attributable to decreases in spending on subcontracting expenses for third-party development work, coupled with decreased salary costs from the reduction in headcount associated with the divestiture of the Company's majority ownership stake in SkillsWave.

General and administrative expenses increased from \$7.5 million to \$7.9 million for the three months ended January 31, 2025 as compared to the same period in the prior year, representing an increase of \$0.4 million or 6.3%. Included in general and administrative expenses for the period was \$0.6 million of post-combination compensation and non-recurring professional fees from the acquisition of H5P, compared to nil in the same period of the prior year. Excluding the impact of these costs, the slight decrease for the period was \$0.2 million or 2.7%. For Fiscal 2025, general and administrative expenses were \$33.2 million, compared to \$28.1 million in Fiscal 2024, an increase of \$5.1 million or 18.2%. Included in general and administrative expenses for Fiscal 2025 was \$2.0 million of post-combination compensation and non-recurring legal and professional fees from the acquisition of H5P, \$1.2 million of non-recurring legal and professional fees associated with the divestiture of our majority ownership stake in SkillsWave, \$1.0 million of legal fees for other items that are not indicative of continuing operations, and an increase of \$0.4 million of stock-based compensation expense, compared to the same period of the prior year. Excluding the impact of these costs, the increase in general and administrative expenses for Fiscal 2025 was \$0.5 million or 2.2%, which was mainly attributable to higher employee wages and benefits expenses.

Net interest income and other (expense) income

(in thousands of U.S. dollars, except percentages)	Three months ended January 31			Fiscal year ended January 31		
	2025	2024	Change	2025	2024	Change
	\$	\$	%	\$	\$	%
Net interest income	594	1,124	-47.2%	2,942	3,606	-18.4%
Other (expense) income	(303)	226	-234.2%	(424)	231	-284.2%
Foreign exchange (loss) gain	(454)	(300)	50.9%	(146)	80	-283.0%
Gain on SkillsWave disposal transaction	—	—	—	917	—	100.0%
Total net interest income and other (expense) income	(163)	1,050	-115.6%	3,289	3,917	-16%
Total percentage of total revenue	-0.3%	2.2%		1.6%	2.1%	

Net interest income earned for the three months ended January 31, 2025 decreased by \$0.5 million or 47.2% to \$0.6 million over the same period of the prior year. For Fiscal 2025, net interest income decreased by \$0.7 million or 18.4% to \$2.9 million. The decreases were mainly the result of lower cash balances and lower interest rates in interest-bearing investments when compared to the equivalent prior periods.

Other expense for the three months ended January 31, 2025 was \$0.3 million, representing a period-over-period change of \$0.5 million or 234.2% from other income earned of \$0.2 million in the same period of the prior year. For Fiscal 2025, other expense was \$0.4 million, representing a period-over-period change of \$0.6 million or 284.2% from other income earned of \$0.2 million in the same period of the prior year. The changes in other expenses period-over-period were mainly driven by the Company recognizing its share of the loss from its investment in associate, combined with the fair value loss recognized on its loan receivable from associate.

Foreign exchange loss for the three months ended January 31, 2025 increased by \$0.2 million or 50.9% over the same period of the prior year. For Fiscal 2025, foreign exchange loss was \$0.2 million, representing a period-over-period change of \$0.2 million from a foreign exchange gain of \$0.1 million in the same period of the prior year. The changes period-over-period were mainly 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 currency values.

Gain on SkillsWave disposal transaction was recognized in Fiscal 2025 on the divestiture of the Company's majority ownership stake in SkillsWave.

Income (loss) for the period

Income for the three month period ended January 31, 2025 was \$19.9 million, compared to \$0.6 million in the same period of the prior year, representing an increase of \$19.3 million. For Fiscal 2025, income was \$25.7 million, compared to a loss of \$3.5 million in Fiscal 2024, representing an increase of \$29.2 million. The increases period-over-period were the result of the changes discussed above. In addition, the Company recognized \$15.8 million of previously unrecognized deferred income tax assets in the three months and year ended January 31, 2025 as a result of revisions to estimates of the Company's taxable profits available to utilize those assets based upon the Company's increased profitability, thereby increasing our deferred tax recovery and contributing to the increases in income seen for both periods.

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 \$5.9 million to \$9.4 million for the three months ended January 31, 2025 from \$3.5 million in the same period of the prior year. Excluding the impact of professional services and other revenue of \$0.9 million from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, Adjusted EBITDA was \$8.5 million, or a \$5.0 million increase from the same period of the prior year. For Fiscal 2025, Adjusted EBITDA was \$28.1 million, which is an increase of \$20.2 million from Fiscal 2024. Excluding the impact of professional services revenue of \$0.8 million from the re-evaluation of the completion progress of certain professional services engagements performed in Fiscal 2024, Adjusted EBITDA was \$27.3 million, or a \$19.4 million increase from the same period of the prior year.

The increases in Adjusted EBITDA for both the three months and year ended January 31, 2025 were primarily attributable to increased gross profit, in the amounts of \$4.5 million and \$17.8 million, respectively, when compared to the same periods in the prior year as a result of factors discussed above. The Company held operating expenses relatively steady in the three months and year ended January 31, 2025 through its continued focus on scaling operations efficiently, and this also contributed to the increases seen in Adjusted EBITDA. Excluding the impact of the non-recurring expenses and transaction-related costs, total operating expenses were relatively consistent for the three months and year ended January 31, 2025, compared to the equivalent periods in the prior year, which also drove the increases in Adjusted EBITDA.

Adjusted EBITDA for Fiscal 2025 (\$28.1 million) was above the updated range of guidance provided following the third quarter of 2025 (\$25.5 million to \$26.5 million), as a result of increased gross profit due to ongoing cost optimization and scaling efficiency efforts in our cloud technology delivery, higher professional services revenue, and operating expenses were relatively steady through a continued focus to scale operations efficiently.

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 17.7% and 13.7% for the three months and year ended January 31, 2025, respectively, representing increases of 1,040 basis points and 940 basis points over the corresponding periods in the prior year, respectively. Excluding the impact of professional services revenue of \$0.9 million and \$0.8 million for the three months and year ended January 31, 2025, respectively, from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, the Adjusted EBITDA Margin for the three months and year ended January 31, 2025 was 16.2% and 13.3%, respectively, representing increases of 890 basis points and 900 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		
	2025	2024	2023
Revenue	205,276	182,380	168,396
Income (loss) for the year	25,722	(3,542)	(18,377)
Adjusted EBITDA	28,080	7,862	(2,904)
Free Cash Flow	26,979	9,932	107
Cash flows from (used in) operations	27,902	15,659	3,779
Earnings (loss) per share – basic	0.47	(0.07)	(0.35)
Earnings (loss) per share – diluted	0.46	(0.07)	(0.35)
Total assets	232,921	197,124	176,609
Total non-current liabilities	14,088	12,606	12,277

Total Assets

Fiscal 2025 compared to Fiscal 2024

Total assets as at January 31, 2025 were \$232.9 million compared to \$197.1 million as at January 31, 2024, representing an increase of \$35.8 million or 18.2% year-over-year. The increase was primarily the result of the Company's ability to generate cash flow from operating activities, which is further discussed in the "Cash Flows" section below, as evidenced by its Free Cash Flow of \$27.0 million for Fiscal 2025. The cash available was used to pursue a strategic business opportunity to acquire H5P for net cash consideration of \$23.0 million. This resulted in acquiring additional intangible assets and goodwill in the amounts of \$18.2 million and \$15.6 million, respectively. The Company also recognized an increase in deferred income tax assets of \$17.6 million, which was driven by revisions to estimates of the Company's future taxable profits available to utilize previously unrecognized tax attributes. The increase in total assets was partially offset by cash flows used in financing activities of \$8.6 million and a \$2.8 million reduction in prepaid expenses due to timing of prepayments compared to the prior year and amortization of the balance. A \$2.6 million reduction in right-of-use-assets and property and equipment due to depreciation of the balances also reduced total assets year-over-year.

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% year-over-year. The increase was primarily driven by an increase in cash of \$6.2 million. 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.

Total Non-Current Liabilities

Fiscal 2025 compared to Fiscal 2024

Total non-current liabilities as at January 31, 2025 were \$14.1 million compared to \$12.6 million as at January 31, 2024, representing an increase of \$1.5 million. The increase was primarily due to the recognition of a deferred income tax liability arising from the intangible assets acquired from H5P. For more details, refer to note 23 in the audited annual consolidated financial statements for Fiscal 2025. This increase was partially offset by a reduction of the non-current portion of lease liabilities due to lease payments made during the period.

Fiscal 2024 compared to Fiscal 2023

Total non-current liabilities as at January 31, 2024 were \$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 is payable to the selling shareholders of Connected Shopping Ltd. For more details, refer to note 23 in the audited annual consolidated financial statements for Fiscal 2025. In addition, our non-current liabilities consist of deferred income tax liabilities and the non-current portion of lease liabilities.

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, 2025. The information for each of these quarters have been prepared on the same basis as the audited annual consolidated 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.

(in thousands of U.S. dollars, except share and per share data)	3 Months Ended							
	Jan 31, 2025	Oct 31, 2024	July 31, 2024	April 30, 2024	Jan 31, 2024	Oct 31, 2023	Jul 31, 2023	Apr 30, 2023
Revenue	53,313	54,299	49,168	48,495	47,569	46,113	44,470	44,228
Cost of revenue	16,790	16,909	15,795	15,818	15,534	15,513	14,789	14,348
Gross profit	36,523	37,390	33,373	32,677	32,035	30,600	29,681	29,880
Operating expenses								
Sales and marketing	13,641	12,806	14,591	12,905	12,705	12,808	14,961	12,441
Research and development	11,353	11,140	11,864	12,291	12,305	12,351	12,519	11,145
General and administrative	7,943	8,652	8,481	8,099	7,470	7,102	7,312	6,190
Total operating expenses	32,937	32,598	34,936	33,295	32,480	32,261	34,792	29,776
Income (loss) from operations	3,586	4,792	(1,563)	(618)	(445)	(1,661)	(5,111)	104
Interest and other (expenses) income	(163)	737	1,502	1,214	1,050	1,369	332	1,166
Income (loss) before income taxes	3,423	5,529	(61)	596	605	(292)	(4,779)	1,270
Income tax (recovery) expenses	(16,442)	(18)	201	24	42	95	49	160
Income (loss) for the period	19,865	5,547	(262)	572	563	(387)	(4,828)	1,110
Earnings (loss) per share – basic	0.36	0.10	(0.00)	0.01	0.01	(0.01)	(0.09)	0.02
Earnings (loss) per share – diluted	0.35	0.10	(0.00)	0.01	0.01	(0.01)	(0.09)	0.02
Gross profit as a percentage of revenue	68.5%	68.9%	67.9%	67.4%	67.3%	66.4%	66.7%	67.6%

Revenue

Our total quarterly revenue increased sequentially for all periods presented, except for the three months ended January 31, 2025. 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 and other engagements to customers. H5P contributed revenue of \$1.0 and \$1.2 million in the quarters ended October 31, 2024 and January 31, 2025, respectively, which was partially offset by a fair value adjustment of acquired deferred revenue as required under IFRS 3, Business Combinations.

Cost of revenue

Our total costs of revenue grew sequentially for all periods presented, with the exception of the quarters ended July 31, 2024 and January 31, 2025. During Fiscal 2025, the average cost of revenue grew to \$16.3 million compared to \$15.0 million in Fiscal

2024, which corresponds with the increases seen in total revenues over the same periods, offset by ongoing cost optimization efforts in our service delivery.

Gross profit

Our total quarterly gross profit grew sequentially for all periods presented, with the exception of the quarters ended July 31, 2023 and January 31, 2025, 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. During Fiscal 2024 and Fiscal 2025, total revenues outpaced the growth in the related cost of revenues over the same period, averaging \$32.8 million gross profit per quarter. The growth in gross profit was mainly due to an increase in subscription and support revenue from new and existing customers, coupled with cost optimization efforts in our cloud technology and service delivery.

Gross profit as a percentage of revenue was relatively consistent during quarters ended April 30, 2023 to October 31, 2023 with an average of 66.9%. Gross profit as a percentage of revenue increased sequentially in the following five quarters to an average of 68.0%. During the quarters ended October 31, 2024 and January 31, 2025, the Company recognized professional services revenue of \$1.2 million and \$0.9 million, respectively, from re-evaluating the completion progress of certain professional services engagements performed in prior periods. Excluding this revenue, the Company's gross profit as a percentage of revenue was 68.2% and 67.9% for the same periods, consistent with the higher average seen for the most recent five quarters.

Operating expenses

Total operating expenses have remained generally steady averaging \$32.9 million for the past eight quarters and averaging \$33.4 million since April 30, 2024, which reflects our ability to scale our operations and realize cost efficiencies as the Company grows. The Company typically expects operating expenses to be elevated during the three months ended July 31st because of increased travel and event-related costs incurred from our annual in-person customer conference, D2L Fusion. The increases in operating expenses for the three months ended April 30, 2024 and July 31, 2024 as compared to prior quarters, aside from D2L Fusion, were mainly driven by higher legal and professional fees associated with the divestiture of the Company's majority ownership stake in SkillsWave, the acquisition of H5P and related post combination expenses, and additional legal fees for other matters. The increases were partially offset from decreased spending on subcontracting expenses for third party outsourcing of development work and decreased salary costs from the reduction in headcount associated with the divestiture of the Company's majority ownership stake in SkillsWave. During the most recent quarter ended January 31, 2025, operating expenses slightly increased from the quarter ended October 31, 2024 as a result of increases in wages and benefits costs related to the H5P acquisition.

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 organic growth strategy.

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

Working capital

Our primary source of cash flows is revenue from operations. Our approach to managing working capital (defined as total current assets less total current liabilities) is, to the extent possible, ensure that we maintain sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow and performing budget-to-actual analysis on a monthly basis. As at January 31, 2025, our cash balance was \$99.2 million and our working capital surplus was \$7.0 million (\$116.9 million and \$32.2 million

as at January 31, 2024, respectively). The reduction in working capital of \$25.3 million year-over-year was mainly due to cash paid for the acquisition of H5P, the loan advanced to SkillsWave, cash paid for the repurchase of shares as part of our Normal Course Issuer Bid (“NCIB”), and contingent consideration relating to H5P that will become payable in the following fiscal year. 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, 2025 and 2024, and cash flows from (used in) operating, investing, and financing activities for Fiscal 2025, Fiscal 2024 and the three months ended January 31, 2025 and 2024:

(in thousands of U.S. dollars)	Three months ended January 31		Fiscal year ended January 31	
	2025	2024	2025	2024
Cash and cash equivalents	99,185	116,943	99,185	116,943
Net cash from (used in):				
Operations	(135)	(5,512)	27,902	15,659
Investing	(5,626)	(565)	(34,329)	(8,520)
Financing	(3,379)	(1,593)	(8,569)	(749)
Effect of exchange rate changes on cash and cash equivalents	72	1,523	(2,762)	(179)
Net (decrease) increase in cash and cash equivalents	(9,068)	(6,147)	(17,758)	6,211

Cash flows from (used in) operations

Cash flows used in operating activities for the three months ended January 31, 2025 were \$0.1 million, compared to \$5.5 million of cash flows used in the same period of the prior year, representing a decrease of \$5.4 million. For Fiscal 2025, cash flows from operating activities were \$27.9 million compared to \$15.7 million in Fiscal 2024, representing an increase of \$12.2 million. The increases in operating cash flows were primarily attributable to improved profitability and the ability to scale operations and realize cost efficiencies as the Company grows, as described above in the “Review of operations” section. Revenue growth and improvements in working capital management also drove the increases seen in the three months and year ended January 31, 2025.

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 \$0.6 million for the three months ended January 31, 2025, compared to negative Free Cash Flow of \$6.1 million in the same period of the prior year, representing a decrease in Free Cash Flows used of \$5.5 million. For Fiscal 2025, Free Cash Flow was \$27.0 million, compared to \$9.9 million for Fiscal 2024, representing an increase of \$17.1 million. The increases were mainly driven by increases in cash flows from operating activities as discussed above, paired with decreased purchases of property and equipment in the three months and year ended January 31, 2025 as the prior periods were impacted by costs associated with the relocation of our head office.

For the three months ended January 31, 2025, 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 1.1% compared to 12.8%, in the same period of the prior year, representing an increase of 1,170 basis points. For Fiscal 2025, Free Cash Flow Margin was 13.1%, compared to 5.4% in Fiscal 2024, representing an increase of 770 basis points. The period-over-period increases were primarily the result of increased Free Cash Flow when compared to the prior periods based on the factors discussed above. The increases were partially mitigated by the impact of increased total revenue over the same periods.

Cash flows used in investing activities

Cash flows used in investing activities for the three months ended January 31, 2025 were \$5.6 million, compared to cash flows used in investing activities of \$0.6 million for the same period of the prior year, representing an increase in cash flows used of \$5.0 million. The increase was mainly driven by the second tranche of the loan advanced to SkillsWave of \$4.5 million, and a \$0.7 million purchase price holdback payment to the selling shareholders of H5P during the three months ended January 31, 2025. For more details, refer to note 23 in the audited annual consolidated financial statements for Fiscal 2025. For Fiscal 2025, cash flows used in investing activities were \$34.3 million, an increase of \$25.8 million compared to cash flows used for investing activities of \$8.5 million in Fiscal 2024. The increase was primarily due to cash paid for the acquisition of H5P of \$22.9 million, and the first and second tranches of the loan advanced to SkillsWave totalling \$9.5 million during Fiscal 2025. The increase was partially offset by lower purchases of property and equipment of \$4.8 million, as the comparative prior period was impacted by costs associated with the relocation of our head office.

Cash flows used in financing activities

Cash flows used in financing activities were \$3.4 million for the three months ended January 31, 2025, an increase of \$1.8 million compared to \$1.6 million of cash flows used in the same period of the prior year. For Fiscal 2025, cash flows used in financing activities were \$8.6 million, compared to cash flows used in financing activities of \$0.7 million in Fiscal 2024, representing an increase in cash flows used of \$7.9 million. The increases for both periods were primarily attributable to cash used for the repurchase of shares as part of our NCIB, higher taxes paid on the Company's elected net settlement of restricted share units, and higher payments of lease liabilities compared to the same periods of the prior year. Under the net settlement method for restricted share units, the Company has elected to use available cash on hand to settle the tax liabilities arising from the settlement of restricted share units, and the year-over-year increase in taxes paid by the Company was primarily attributable to the overall increase in the Company's stock price during Fiscal 2025 and resulting increase in tax liabilities upon settlement of restricted share units.

Subordinate Voting Shares repurchased 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 permitted 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 that commenced on December 8, 2023.

On December 4, 2024, the Company announced the renewal of its NCIB. The Company can repurchase for cancellation up to 1,745,338 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 9, 2024.

In connection with the NCIB, the Company entered into an automatic share purchase plan ("ASPP"), pursuant to which the Company may provide, in advance, a form to instruct its broker to make purchases under the NCIB during self-imposed trading blackout periods, without consultation with the Company. The form provides the broker with predefined trading terms, including share price, time period and other limitations as may be imposed in advance by the Company, subject to rules and policies of the TSX and applicable securities laws, such as a daily purchase restriction.

During the three months and year ended January 31, 2025, the Company repurchased and cancelled 94,600 (2024 – 41,200) and 401,480 (2024 – 41,200) Subordinate Voting Shares, respectively, under the NCIB for an aggregate purchase price of \$1,162,295 (2024 - \$322,913) and \$3,564,436 (2024 - \$322,913), respectively, which was recorded as a reduction of share capital.

As at January 31, 2024, the Company recognized a liability and a charge to deficit of \$2,264,410 for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. As at January 31, 2025, the Company has reassessed the liability as \$1,097,603 for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable

and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. This resulted in a change of the original estimate made as at January 31, 2024 in the amount of \$1,166,807, which was released from deficit in Fiscal 2025.

Contractual obligations

The following are the remaining contractual maturities of financial liabilities as at January 31, 2025. The amounts are gross and undiscounted and include contractual interest payments, if any:

(in thousands of U.S. dollars)	Payments due by period				
	Total	< 1 year	1-3 years	4-5 years	After 5 years
Accounts payable, accrued liabilities & contingent consideration	35,431	35,431	—	—	—
Operating commitments ⁽¹⁾	157,955	23,648	45,516	42,970	45,821
Total contractual obligations	193,386	59,079	45,516	42,970	45,821

Note:

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

Financial Outlook

Financial Guidance FY2026

D2L is initiating financial guidance for the year ended January 31, 2026 (“**Fiscal 2026**”). D2L plans to continue making measured investments for growth in Fiscal 2026 while scaling its operations for increasing levels of profitability. Specifically, for Fiscal 2026 the Company is issuing the following guidance:

- Subscription and support revenue in the range of \$194 million to \$196 million, implying growth of 7-9% over Fiscal 2025, and 9-10% growth on a constant currency basis;
- Total revenue in the range of \$219 million to \$221 million, implying growth of 7-8% over Fiscal 2025, and 8-9% growth on a constant currency basis; and
- Adjusted EBITDA in the range of \$32 million to \$34 million, implying an Adjusted EBITDA margin of 15%.

These targets demonstrate the Company’s continued emphasis on balancing growth and profitability, including increased revenue and Adjusted EBITDA in Fiscal 2026 relative to Fiscal 2025. Further, these targets are based upon the current operations of the Company and do not include the impact of any future incremental acquisition transaction(s), which, if any occur, would be expected to be additive to the revenue and profits earned by D2L in the period. The achievement of the Adjusted EBITDA guidance is based upon continued efficiencies and scale in our operations as we grow our revenue. The anticipated revenue growth rates in Fiscal 2026 are informed in part by the levels of sales activity during Fiscal 2025, and the resulting impact of such activity on the corresponding revenue recognition in Fiscal 2026. The anticipated revenue growth rates in Fiscal 2026 are also informed by the current macroeconomic and geopolitical environment and its impact on foreign exchange rates and our selling activities.

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. Overall, our Fiscal 2025 performance was consistent with this previously presented target operating model, as outlined below.

- Total revenue growth of 12% and subscription revenue growth of 11% in Fiscal 2025, compared to the target operating model of 12-15%.

- Adjusted EBITDA Margin of 13.7% in Fiscal 2025, compared to the target operating model of 13-16% Adjusted EBITDA Margin. Since Fiscal 2023, the Company has increased Adjusted EBITDA Margin by 1,540 basis points.
- The Company has increased Adjusted Gross Margin to 69% ending Fiscal 2025, toward the high end of the target operating model range of 65-70% Adjusted Gross Margin.
- The Company has significantly increased its Free Cash Flow, including reporting Free Cash Flow of \$27.0 million in Fiscal 2025 (a 13.1% Free Cash Flow Margin). This was below the target operating model range of 16-19% 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. Fiscal 2025 Free Cash Flow Margin was lower than the target operating model range, in part, due to non-recurring expenses, workforce restructuring expenses, and certain legal and professional fees that were incurred in connection with the H5P acquisition and the divestiture of our majority ownership stake in SkillsWave. The Company continues to expect Free Cash Flow Margin to slightly outpace Adjusted EBITDA Margin, primarily due to favourable working capital dynamics. Most customer contracts are billed in advance, driving cash collections ahead of revenue recognition, which results in timing benefits and a higher Free Cash Flow Margin relative to Adjusted EBITDA Margin. Free Cash Flow and Free Cash Flow Margin can be impacted by one-time expenses, which are not adjusted for in the calculation, and historical trends suggest that such items may arise in future periods.

Since our original presentation of the target operating model during Fiscal 2023, we have delivered meaningful top-line and bottom-line growth, with an Adjusted EBITDA improvement of approximately \$31 million comparing Fiscal 2023 to Fiscal 2025 (using actual Fiscal 2025 Adjusted EBITDA of \$28.1 million compared to actual Adjusted EBITDA of negative \$2.9 million 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 and Target Operating Model

As we operate the business over the medium term, we will continue to balance growth and profitability, including making measured investments in growth opportunities and optimizing our operations for increased profitability. With the previously presented multi-year target operating model concluding with our Fiscal 2025 results, management is presenting an updated Medium Term Target Operating Model, which reflects the year-over-year revenue growth and Adjusted EBITDA margin that we expect to achieve by Fiscal 2028 (the year ending January 31, 2028).

	Fiscal 2028
Revenue Growth	10% to 15%
Adjusted EBITDA Margin	18% to 20%

Our target operating model is based on assumptions and factors that we believe are reasonable in the circumstances, given the applicable time periods, our current and past growth rates, current and past foreign exchange rates and the impact on our results, our current customer contractual commitments and renewal experience and historic results, as well as our view of the drivers of our growth, estimated growth in our target addressable market, and our expectations for our growth strategies. Our updated target operating model and the assumptions and factors underlying and supporting its achievement are described below.

We expect to achieve 10-15% growth in annual revenue by Fiscal 2028 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 NRR to increase from current levels, 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 Acquisitions – 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 our Fiscal 2026 revenue growth rate to be lower than our target operating model revenue growth rate, in part, due to the impact of foreign exchange rates and the current macroeconomic and geopolitical environment, which we view as transitory in nature and expect to subside prior to Fiscal 2028. We expect Adjusted EBITDA to increase annually over the medium term and expect to achieve an Adjusted EBITDA Margin of 18-20% by Fiscal 2028 based upon the following factors:

- We expect Adjusted Gross Margin to continue to increase due to improvements in the scale and efficiency of our software and 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. 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

Acquisition of H5P Group AS

On July 9, 2024, D2L Europe Ltd. acquired all of the outstanding shares of H5P, a Norway-based company and a provider of interactive content creation software used by educators and organizations globally to improve engagement and learning by creating and enriching course materials. This transaction aligns with the Company’s commitment to expand its learning platform with a focus on technologies that improve learning outcomes. The operating results of H5P 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 \$26.1 million, a purchase price holdback of \$0.9 million, and contingent consideration with a fair value at the date of acquisition of \$4.5 million, resulting in total consideration of \$31.5 million. The purchase price holdback was subject to a post-closing purchase price adjustment based on H5P’s final working capital and debt balances on close. During the year ended January 31, 2025, the Company paid \$0.7 million of the purchase price holdback to the selling shareholders. The remaining purchase price holdback is expected to be paid shortly after the first anniversary date subsequent to the acquisition date.

The contingent consideration of \$4.5 million reflects the present value of the expected contractual payment of \$4.9 million. The contingent consideration is payable to the selling shareholders upon meeting certain customer retention targets by the first anniversary date following the acquisition and is expected to be paid in the third quarter of Fiscal 2026.

There are also payments of up to \$2.5 million in the form of post-combination compensation due on the first anniversary date following the acquisition, subject to the continued employment of specific employees throughout the period.

The details of the net assets acquired and other information are disclosed in note 23 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, 2025, no material contingencies have been identified with respect to litigation or claims.

Related Party Transactions

Service Arrangements with Related Parties

In the normal course of business, we obtain select services from and provide select services to related parties as reviewed and approved by our Board of Directors (the “**Board**”), as further described below. Note 18 of the audited annual consolidated financial statements provides additional details on our related party transactions:

Services we receive:

Lease of Premises - Catalyst

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

The term of the Kitchener Lease is 11.5 years, which commenced on February 1, 2022. The Company recognized lease-related expenses, including right-of-use asset amortization, interest expense and common area maintenance fees, of \$448,739 and \$1,751,477 for the three months and year ended January 31, 2025, respectively (2024 - \$479,762 and \$1,863,393).

During Fiscal 2025, the Company received a lease incentive amounting to \$99,080 (2024 - \$961,920). The lease incentive represents a reimbursement from the lessor for applicable leasehold improvements.

The Company infrequently rents additional space from Catalyst for ad hoc events. The ad hoc rental costs paid by D2L were nil in Fiscal 2025 (2024 – nil).

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

(in thousands of dollars)

	CAD	USD
February 1, 2025 - January 31, 2026	\$ 1,859	\$ 1,283
February 1, 2026 - January 31, 2027	1,938	1,338
February 1, 2027 - January 31, 2028	2,020	1,395
February 1, 2028 - July 31, 2039	2,106	1,454
February 1, 2029 - July 31, 2033	10,630	7,337
Total undiscounted commitment	18,553	12,807

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. 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 \$20,257 and \$81,582 for the three months and year ended January 31, 2025, respectively (2024 - \$31,111 and \$106,063, respectively). As at January 31, 2025, the Company had nil (January 31, 2024 - \$10,768) in trade receivables from this related party.

The VHS Agreement was renewed on November 23, 2023 for an additional three-year term and was further amended on December 6, 2024 to extend the term to July 30, 2027, in each case as approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest.

Sale of Majority Ownership Stake in SkillsWave Corporation and Issuance of Loan to SkillsWave

On June 28, 2024, a corporation owned by John Baker, the Company's CEO, acquired 70% of the equity interest in SkillsWave from the Company in exchange for cash consideration of \$809,038 (C\$1,120,000). SkillsWave was a wholly-owned subsidiary of the Company incorporated on April 2, 2024 and provides upskilling solutions to employers. The transactions with SkillsWave discussed herein were approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest.

Upon the loss of control of SkillsWave, the Company determined that it has significant influence over SkillsWave as a result of its remaining 30% equity interest and the retention of its right to minority board representation. Accordingly, the Company recognized the fair value of its investment in SkillsWave of \$438,098 and derecognized the carrying value of the net assets of SkillsWave of \$329,741, which included cash of \$1,483,357, deferred revenue of \$993,656 and accrued liabilities of \$159,960. The divestiture transaction resulted in a gain of \$917,395 recorded as a "Gain on SkillsWave disposal transaction" in the audited annual consolidated statements of comprehensive income (loss).

On June 28, 2024, the Company also agreed to provide a loan to SkillsWave (the "**SkillsWave Loan**") in the principal amount of \$9,500,000 maturing in five years and bearing interest at the Canadian prime rate per annum. Principal and interest are payable at maturity. The SkillsWave Loan was advanced in tranches, with \$5,000,000 advanced upon closing of the transaction on June 28, 2024, and the remaining \$4,500,000 advanced upon the six-month anniversary of closing. The principal and accrued interest are convertible at the option of the Company, in whole or in part, into non-voting shares of SkillsWave at a pre-determined price per share, to the extent that such shares, together with any shares acquired at closing and retained by the Company, do not exceed a maximum 37.5% ownership interest in SkillsWave. The SkillsWave Loan is secured by all assets of SkillsWave constituting a first priority security interest, subject only to permitted liens.

The SkillsWave Loan was initially measured at its fair value and has subsequently been measured at fair value through profit or loss. The fair value of the loan receivable from associate reflects the value of the discounted principal and interest payments, and the value of the conversion option. The Company uses the Black-Scholes valuation model to determine the fair value of the conversion option. Inputs into this model include the fair value of the underlying shares, the exercise price of the option, the expected term of the loan, the expected dividend yield, the risk-free interest rates, and the expected volatility of the fair value of the underlying shares. Assumptions were used for certain inputs into this model. The fair value of the non-controlling and non-voting shares, which considered both a non-voting discount and an illiquidity discount, was used to reflect the share price at the valuation date. The expected term of the loan was the remaining loan term at the valuation date. The risk-free rate used was based on Government of Canada bond yields consistent with the remaining loan term at the valuation date. The expected volatility was determined by using the historical volatility of publicly traded comparable companies.

In respect of the loan receivable from associate, a fair value loss of \$497,486 was recorded for the three months ended January 31, 2025, and \$376,601 was recorded for the year ended January 31, 2025 in Other (expense) income within the audited annual consolidated statement of comprehensive income (loss).

Assumptions used in the fair value of the loan receivable from associate are assessed by the Company on a quarterly basis. Key unobservable inputs include the discount rate used and the fair value of the shares. The estimated fair value of the loan receivable decreases as the discount rate increases and the estimated fair value of the loan increases as the fair value of the underlying shares increases. The estimated sensitivity to changes in the key unobservable inputs to the estimated fair value of the loan, holding all other inputs constant, are presented below. Negative figures represent an increase and positive figures represent a decrease to the fair value loss recorded in Other (Expense) income within the consolidated statement of comprehensive income (loss) for the year ended January 31, 2025.

Assumption	Sensitivity	Increase (decrease) to income (loss) before income taxes
Fair value of the share price	+ 10%	718,015
Fair value of the share price	- 10%	(687,685)
Discount rate	+ 10%	(407,756)
Discount rate	- 10%	442,279

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

On June 28, 2024, the Company also entered into the following arrangements with SkillsWave: (i) a Shared Technology License Agreement permitting SkillsWave the use of a perpetual, irrevocable, non-exclusive, royalty-free, non-transferrable and non-sublicensable license to use certain technology of D2L in connection with the conduct of its business; (ii) an Assignment and Guarantee Agreement whereby D2L assigns and transfers its rights, obligations, interests and liabilities in a customer agreement to SkillsWave, and in consideration of the assignment and release, D2L guarantees for the benefit of the customer all of SkillsWave's financial obligations and liabilities in respect of the period from the effective date of June 28, 2024 to August 21, 2026 under and subject to the terms and conditions of the customer agreement; further, and as a result of entering into such arrangement, SkillsWave cross-indemnifies D2L for any claims made under the Assignment and Guarantee Agreement; and (iii) a Transition Services Agreement with SkillsWave to provide administrative services on a cost recovery basis to support the orderly transition of the upskilling education business (the **"Wave Service Offering"**) from the Company to SkillsWave, which transition was completed by January 31, 2025. The Company recognized \$4,963 for the three months ended January 31, 2025 (2024 – nil) in connection with the provision of administrative services, and \$34,315 for the year ended January 31, 2025 (2024 – nil) in connection with the provision of administrative services, within 'Other income (expense)' in the audited annual consolidated statements of comprehensive income (loss).

Subsequent to the divestiture of SkillsWave on June 28, 2024, D2L received upskilling education services from SkillsWave in the amount of \$117,584 and \$272,642 (2024 - nil) for three months and year ended January 31, 2025, respectively. As at January 31, 2025, the Company had \$155,126 (2024 – nil) in trade and other payables to this related party. The services received by D2L during Fiscal 2025 are consistent with the services it had previously received from the Wave Service Offering, prior to the transition of the Wave Service Offering from the Company to SkillsWave on June 28, 2024.

The Company also entered into a customer contract with SkillsWave for use of the Company's products and services dated September 18, 2024 for a term of three years which began on October 1, 2024 and will end on January 31, 2027. The Company recognized revenue of \$7,128 and \$7,855, and nil in trade receivables for the three months and year ended January 31, 2025, respectively (2024 - nil). The terms of the customer contract and the services provided by D2L during Fiscal 2025 are consistent with the terms provided to other customers that use the Company's products and services.

Financial Instruments and Other Instruments

Credit and concentration risk

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

As at January 31, 2025, no 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 audited annual consolidated statement of comprehensive income (loss). Receivables for which an impairment provision was recognized are written off against the corresponding provision when it is deemed permanently uncollectible.

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

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

Liquidity risk

We limit our liquidity risk associated with our financial liabilities 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 and cash equivalent 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”), Euro (“EUR”) and Norwegian krone (“NOK”). For the year ended January 31, 2025, 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 \$3,879,950 lower (2024 - \$3,845,828 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 our monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of our audited annual consolidated statements of financial position and is recognized through other comprehensive income in the audited annual consolidated statements of comprehensive income (loss). The summary quantitative data about our exposure to currency risk as at January 31, 2025 is as follows:

(In thousands of local currency)	CAD	GBP	AUD	SGD	BRL	EUR	NOK
Cash and cash equivalents	10,618	1,948	15,961	4,632	27,117	5,675	51,468
Trade and other receivables	7,703	2,273	1,093	391	1,894	492	502
Uninvoiced revenue	1,428	65	25	327	2,879	—	—
Accounts payable and accrued liabilities	22,739	2,867	2,129	300	734	38	10,866

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 during the three months and year ended January 31, 2025.

Fair value risk

Financial instruments that potentially subject us to significant fair value risk consist primarily of cash and cash equivalents, trade and other receivables, uninvoiced revenue and accounts payable and accrued liabilities. For those financial instruments, their

carrying values approximate their fair values due to their short-term nature. The SkillsWave Loan and the contingent consideration are classified as Level 3 financial instruments as the inputs are not observable and there is no market-based activity.

The fair value of the SkillsWave Loan was determined using valuation techniques, including a discounted cash flow model for future expected cash flows of the instrument at a rate commensurate with an estimated market rate for a debt instrument with similar terms and features to value the principal and interest payments, and the Black-Scholes valuation model to determine the value of the conversion feature. These valuation techniques involve significant judgment as a result of a high degree of subjectivity and estimation uncertainty associated with the determination of the significant assumptions used. Refer to note 11 in the audited annual consolidated financial statements for additional information on the assumptions and estimates used. Key unobservable inputs include the discount rate used and the fair value of the share price.

For contingent consideration payable in a business combination, the Company measures the financial instrument at its estimated fair value upon initial measurement and at each subsequent reporting date. Key unobservable inputs include estimated customer churn values and discount rates.

Significant Accounting Judgments, Estimates and Assumptions

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

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

Areas requiring the most significant judgments, estimates and assumptions are outlined below.

Revenue recognition

Our main sources of revenue are recurring subscriptions and support revenue derived from fees earned from customers for accessing D2L's learning technologies, as well as professional services and other revenue from consultation services to support the implementation of and training related to the learning technologies. 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 standalone selling price for each distinct performance obligation requires significant judgments and estimates within a contract with a customer. The methodology used to determine the standalone selling price 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) in the audited annual consolidated financial statements for Fiscal 2025 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. 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 15 in the audited annual consolidated financial statements for Fiscal 2025 for additional information on the assumptions and estimates used.

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. Judgment 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.

Classification and measurement of loan receivable from associate

The Company has determined the business model of the loan receivable from associate as being held-to-collect, based on management's intent and strategic objective to collect contractual cash flows on the financial instrument. In evaluating whether its contractual cash flows represent solely payments of principal and interest ("SPPI"), the Company considers the contractual terms of the instrument, including assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. The Company has determined the loan receivable from associate would not meet the SPPI test given the conversion option of the loan. Accordingly, the Company classifies and measures the financial asset as fair value through profit and loss.

Fair value of acquired intangible assets

The Company estimates the fair value of acquired technology, customer relationships and brand acquired in a business combination based on the present value of expected future cash flows. These valuation techniques involve significant judgment as a result of a high degree of subjectivity and estimation uncertainty associated with the selection of the appropriate valuation methodology and the determination of the significant assumptions used to determine the fair value of the acquired intangible assets at the acquisition date. The assumptions relate to projected future revenues and expenses attributable to the acquired technology, customer relationships, or brand; software technology migration rates; expected research and development costs to maintain the acquired technology; customer attrition rates; royalty rates; economic useful lives; future growth rates; tax rates; margin rates; and discount rates.

Fair value of contingent consideration

The Company measures the contingent consideration payable in a business combination at the estimated fair value upon initial measurement and at each subsequent reporting date. The fair value is estimated using the most likely outcome and the resulting expected contingent consideration to be paid, discounted to its present value.

Material Accounting Policies

The material accounting policies used in the preparation of our consolidated financial statements are described in note 2 of the audited annual consolidated financial statements for Fiscal 2025.

Recently Issued Accounting Standards

New and amended standards and interpretations adopted by the Company

Effective February 1, 2024, the Company adopted the following new and amended accounting standards.

- Amendments to IAS 1, Presentation of Financial Statements, 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 adoption of the amendments to this standard did not have a material impact on the Company's audited annual consolidated financial statements.
- Amendments to IFRS 16, Leases, which include additional requirements to explain how a company accounts for a sale and leaseback after the date of the transaction. The adoption of the amendments to this standard did not have a material impact on 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:

- 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. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts to our consolidated financial statements.
- The IASB published amendments to IFRS 9, Financial Instruments, and IFRS 7, Classification and Measurement of Financial Instruments. The amendments clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system. The amendments will be effective for annual periods beginning on or after February 1, 2026. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts to our consolidated financial statements.
- The IASB published IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements), which includes improvements on how information is communicated in the financial statements, with a focus on information in the statement of income. The new standard is effective for annual periods beginning on or after February 1, 2027. The Company is currently assessing the impacts this standard will have on 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 their supervision, the effectiveness of our disclosure controls and procedures at January 31, 2025 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, 2025 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, 2024 and ended on January 31, 2025 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Authorized Share Capital

As at January 31, 2025, our authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares, and (iii) an unlimited number of preferred shares, issuable in series. The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company.

As of March 25, 2025, 27,233,311 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 1,123,463 Subordinate Voting Shares are issued and outstanding. In addition, the Company had 2,835,423 restricted stock units ("**RSUs**") issued and outstanding, 9,016 performance share units ("**PSUs**") issued and outstanding and 372,158 deferred share units ("**DSUs**") issued and outstanding under the Company's Long Term Incentive Plan. These RSUs, PSUs and DSUs may ultimately be settled through the issuance of Subordinate Voting Shares on a 1:1 basis, a cash payment equal to the market price of the vested units being settled in cash, or a combination of shares and cash, all as determined by the Board.

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.
- 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 could suffer.
- Issues in the use, adoption or innovation of AI in our platform may result in reputational harm, liability, or affect our results of operations.
- 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.
- 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.
- 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.
- 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 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.
- The failure of information systems could adversely impact D2L's reputation and results of operations.
- 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.
- 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.

- 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.
- 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.
- We may face exposure to foreign currency exchange rate fluctuations.
- Our business can be impacted by government policy and regulatory actions.
- Our sales to government entities are subject to a number of challenges and risks, which could negatively impact our business.
- 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.

- 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.
- 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 judgments 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.
- The adoption of new accounting standards or interpretations could adversely affect the Company's financial results.

- 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.
- 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.
- Sustainability efforts and disclosures may have adverse impacts on our business.
- 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 2025.



Consolidated Financial Statements
(In U.S. dollars)

D2L INC.

And Independent Auditor's Report thereon

Years ended January 31, 2025 and 2024



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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, 2025 and January 31, 2024
- the consolidated statements of comprehensive income (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, 2025 and January 31, 2024, 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.



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, 2025. 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 matters described below to be the key audit matters 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 \$205,276,242. 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. This matter represented 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.



Evaluation of the fair value of the loan receivable from associate

Description of the matter

We draw attention to Notes 1(d), 2(e), 10 (a) and 11 to the financial statements. On June 28, 2024, the Entity agreed to provide a loan to SkillsWave Corporation ("SkillsWave"), an associate of the Entity, in the principal amount of \$9,500,000, maturing in five years and bearing interest at the Canadian prime rate. The principal and accrued interest are convertible at the option of the Entity, in whole or in part, into non-voting shares of SkillsWave at a pre-determined price per share. The Entity classifies and measures the loan receivable from associate as fair value through profit and loss and classifies it as a level 3 financial instrument. The fair value of the loan receivable from associate reflects the value of the discounted principal and interest payments and the conversion option. The Entity uses a discounted cash flow model for future expected cash flows of the instrument at a rate commensurate with an estimated market rate for a debt instrument with similar terms and features to value the principal and interest payments. The Entity uses a Black-Scholes valuation model to determine the fair value of the conversion feature. These valuation techniques involve significant judgement as a result of a high degree of subjectivity and estimation uncertainty associated with the determination of the significant assumptions used. Key unobservable inputs include the discount rate and the fair value of the SkillsWave share price.

Why the matter is a key audit matter

We identified the evaluation of the fair value of the loan receivable from associate as a key audit matter. This matter represented a significant risk of material misstatement given the magnitude of the loan receivable and the high degree of estimation uncertainty in determining the fair value of the loan receivable from associate. Possible changes in the discount rate and the fair value of the SkillsWave share price could have a significant effect on the fair value of the loan receivable. As a result, involvement of those with specialized skills and knowledge were required in evaluating the results of our procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We involved valuations professionals with specialized skills and knowledge, who assisted in assessing the fair value of the loan receivable from associate by performing an independent estimate of the instrument, including independently estimating the discount rate assumption with reference to publicly available yield data.

We evaluated the fair value of the SkillsWave share price by considering precedent transactions in the equity of the associate, the investee's recent performance, and publicly available market data for comparable entities.

Evaluation of acquisition-date fair value of intangible assets acquired in the H5P Group AS business combination

Description of the matter

We draw attention to Notes 1(d), 2(g) and 23 to the financial statements. On July 9, 2024, the Entity acquired all of the outstanding shares of H5P Group AS ("H5P") for total consideration of \$31,492,388. The Entity identified acquired technology and customer relationship assets (collectively referred to as "intangible assets"). The acquisition-date fair value for the acquired



technology and customer relationships is \$11,800,000 and \$4,300,000, respectively. The Entity estimates the fair value of acquired technology and customer relationship acquired in a business combination based on the present value of expected future cash flows. These valuation techniques involve significant judgement as a result of a high degree of subjectivity and estimation uncertainty associated with the significant assumptions used to determine the fair value of the acquired intangible assets at the acquisition date. Significant assumptions include projected future revenues and expenses attributable to the intangible assets and discount rates.

Why the matter is a key audit matter

We identified the evaluation of acquisition-date fair value of intangible assets acquired in the H5P business combination as a key audit matter. This matter represented a significant risk of material misstatement due to the high degree of estimation uncertainty in the significant assumptions used to determine the fair value of the intangible assets. In addition, specialized skills and knowledge were required in applying and evaluating the results of our audit procedures due to the sensitivity of the fair value of the intangible assets to minor changes in certain significant assumptions.

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 projected future revenue and expenses by considering past performance, industry data, and publicly available market data for comparable entities.

We involved valuations professionals with specialized skills and knowledge, who assisted in assessing the discount rates embedded in the valuation models by comparing the transaction internal rate of return ("IRR"), weighted-average return on assets and the perceived risk inherent in each intangible asset relative to the risk of the overall Entity. We assessed the IRR and compared it to an independently calculated weighted-average cost of capital based on market inputs.

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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.



- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Shaun Matthew Smith.

Vaughan, Canada

April 2, 2025

D2L INC.

Consolidated Statements of Financial Position

(In U.S. dollars)

As at January 31, 2025 and January 31, 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 99,184,514	\$ 116,943,499
Trade and other receivables (note 4)	26,430,586	23,025,690
Uninvoiced revenue (note 5(b))	2,756,998	3,971,861
Prepaid expenses	7,564,837	10,517,226
Deferred commissions (note 5(d))	5,106,976	5,334,864
	141,043,911	159,793,140
Non-current assets:		
Other receivables (note 4)	422,589	537,056
Prepaid expenses	308,235	119,872
Deferred income taxes (note 15)	18,115,730	529,674
Right-of-use assets (note 9)	7,450,545	8,774,960
Property and equipment (note 6)	7,125,272	8,427,734
Deferred commissions (note 5(d))	6,909,439	7,730,724
Loan receivable from associate (note 11)	9,123,399	—
Intangible assets (note 7)	17,135,529	770,707
Goodwill (note 8)	25,286,222	10,440,091
Total assets	\$ 232,920,871	\$ 197,123,958
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,504,085	\$ 32,635,926
Deferred revenue (note 5(c))	97,454,306	93,727,368
Lease liabilities (note 9)	1,201,604	1,002,464
Contingent consideration (note 10(a))	4,927,193	271,479
	134,087,188	127,637,237
Non-current liabilities:		
Deferred income taxes (note 15)	4,110,030	587,075
Lease liabilities (note 9)	9,977,941	11,707,534
Contingent consideration (note 10(a))	—	311,839
	14,087,971	12,606,448
	148,175,159	140,243,685
Shareholders' equity:		
Share capital (note 12):	367,487,956	364,830,884
Additional paid-in capital	48,263,266	47,485,107
Accumulated other comprehensive loss	(7,456,599)	(4,998,317)
Deficit	(323,548,911)	(350,437,401)
	84,745,712	56,880,273
Commitments and contingencies (note 16)		
Related party transactions (note 18)		
Investment in associate (note 22)		
Total liabilities and shareholders' equity	\$ 232,920,871	\$ 197,123,958

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 Income (Loss)

(In U.S. dollars)

Years ended January 31, 2025 and 2024

	2025	2024
Revenue:		
Subscription and support	\$ 180,568,575	\$ 162,231,829
Professional services and other	24,707,667	20,148,646
	205,276,242	182,380,475
Cost of revenue:		
Subscription and support	49,185,184	45,351,420
Professional services and other	16,126,816	14,832,600
	65,312,000	60,184,020
Gross profit	139,964,242	122,196,455
Expenses:		
Sales and marketing	53,943,306	52,914,495
Research and development	46,647,575	48,320,129
General and administrative	33,175,359	28,074,111
	133,766,240	129,308,735
Income (loss) from operations	6,198,002	(7,112,280)
Interest and other income (expenses):		
Interest expense	(823,099)	(619,860)
Interest income	3,765,500	4,225,939
Other (expense) income	(425,452)	230,947
Gain on SkillsWave disposal transaction (note 18)	917,395	—
Foreign exchange (loss) gain	(145,798)	79,689
	3,288,546	3,916,715
Income (loss) before income taxes	9,486,548	(3,195,565)
Income taxes (recovery) expense (note 15):		
Current	1,219,741	636,726
Deferred	(17,454,876)	(290,202)
	(16,235,135)	346,524
Income (loss) for the year	25,721,683	(3,542,089)
Other comprehensive (loss) gain:		
Foreign currency translation (loss) gain	(2,458,282)	3,488
Comprehensive income (loss)	\$ 23,263,401	\$ (3,538,601)
Earnings (loss) per share – basic (note 13)	\$ 0.47	\$ (0.07)
Earnings (loss) per share – diluted (note 13)	0.46	(0.07)
Weighted average number of common shares – basic (note 13)	54,347,672	53,554,686
Weighted average number of common shares – diluted (note 13)	55,814,610	53,554,686

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, 2025 and 2024

	Share Capital	Amount	Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
Shares						
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 14)	—	—	9,286,888	—	—	9,286,888
Repurchase of share capital for cancellation under NCIB (note 12)	(41,200)	(322,914)	—	—	—	(322,914)
Share repurchase commitment under the ASPP (note 12)	—	—	—	—	(2,264,410)	(2,264,410)
Other comprehensive income	—	—	—	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
Issuance of Subordinate Voting Shares on exercise of options	527,429	4,326,926	(2,151,550)	—	—	2,175,376
Issuance of Subordinate Voting Shares on settlement of restricted share units and deferred share units	549,140	1,894,582	(7,516,087)	—	—	(5,621,505)
Stock-based compensation (note 14)	—	—	9,695,275	—	—	9,695,275
Excess tax benefit on stock-based compensation	—	—	750,521	—	—	750,521
Repurchase of share capital for cancellation under NCIB (note 12)	(401,480)	(3,564,436)	—	—	—	(3,564,436)
Share repurchase commitment under the ASPP (note 12)	—	—	—	—	1,166,807	1,166,807
Other comprehensive loss	—	—	—	(2,458,282)	—	(2,458,282)
Income for the year	—	—	—	—	25,721,683	25,721,683
Balance, January 31, 2025	54,653,174	\$ 367,487,956	\$ 48,263,266	\$ (7,456,599)	\$ (323,548,911)	\$ 84,745,712

See accompanying notes to the consolidated financial statements.

D2L INC.

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

Years ended January 31, 2025 and 2024

	2025	2024
Operating activities:		
Income (loss) for the year	\$ 25,721,683	\$ (3,542,089)
Items not involving cash:		
Depreciation of property and equipment (note 6)	1,702,907	1,598,200
Depreciation of right-of-use assets (note 9)	1,273,607	1,184,848
Amortization of intangible assets (note 7)	1,285,534	88,097
Stock-based compensation (note 14)	9,695,275	9,286,888
Net interest income	(2,942,401)	(3,606,079)
Income tax expense	(16,235,135)	346,524
Gain on SkillsWave disposal transaction (note 18)	(917,395)	—
Loss from equity accounted investee (note 22)	438,098	—
Fair value loss on loan receivable from associate (note 11)	376,601	—
Changes in operating assets and liabilities:		
Trade and other receivables	(2,333,645)	(1,064,604)
Uninvoiced revenue	1,016,319	(1,841,656)
Prepaid expenses	2,197,263	(2,293,679)
Deferred commissions	507,805	(1,661,350)
Accounts payable and accrued liabilities	(1,221,599)	5,499,539
Deferred revenue	4,737,086	8,041,852
Right-of-use assets and lease liabilities	(65,884)	—
Interest received	3,738,473	4,223,677
Interest paid	(72,207)	(28,577)
Income taxes paid	(1,000,818)	(572,592)
Cash flows from operating activities	27,901,567	15,658,999
Financing activities:		
Payment of lease liabilities (note 9(a))	(1,657,536)	(1,015,760)
Lease incentive received (note 9(a))	99,080	961,920
Proceeds from exercise of stock options	2,175,376	2,354,455
Taxes paid on settlement of restricted share units	(5,621,505)	(2,726,423)
Repurchase of share capital for cancellation under NCIB (note 12)	(3,564,436)	(322,914)
Cash flows used in financing activities	(8,569,021)	(748,722)
Investing activities:		
Purchase of property and equipment (note 6)	(923,034)	(5,727,243)
Acquisition of business, net of cash acquired (note 23)	(22,982,226)	(2,793,180)
Payment of contingent consideration (note 10(a))	(249,436)	—
Transfer of cash on disposal of SkillsWave (note 18)	(1,483,357)	—
Proceeds from sale of majority ownership stake in SkillsWave (note 18)	809,038	—
Issuance of loan to SkillsWave (note 11)	(9,500,000)	—
Cash flows used in investing activities	(34,329,015)	(8,520,423)
Effect of exchange rate changes on cash and cash equivalents	(2,762,516)	(178,591)
(Decrease) increase in cash and cash equivalents	(17,758,985)	6,211,263
Cash and cash equivalents, beginning of year	116,943,499	110,732,236
Cash and cash equivalents, end of year	\$ 99,184,514	\$ 116,943,499

See accompanying notes to the consolidated financial statements.

D2L INC.

Notes to Consolidated Financial Statements
(In U.S. dollars)

Years ended January 31, 2025 and 2024

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 2, 2025.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of D2L Inc. and its wholly-owned subsidiaries:

Name of subsidiary	Place of incorporation and main operations	Functional currency
D2L Corporation	Canada	Canadian dollars
D2L Commerce Inc.	Canada	Canadian dollars
D2L Ltd.	United States of America	U.S. dollars
D2L Europe Ltd	United Kingdom	British pound sterling
D2L EU B.V.	Netherlands	Euro
D2L Australia Pty Ltd	Australia	Australian dollar
D2L Asia Pte. Ltd.	Singapore	Singapore dollar
D2L Brasil Soluções de Tecnologia para Educação Ltda.	Brazil	Brazilian real
D2L India Private Limited	India	Indian rupee
D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable	Mexico	Mexican peso
Connected Shopping Ltd ("Connected Shopping"), acquired on May 9, 2023	United Kingdom	British pound sterling
H5P Group AS ("H5P"), acquired on July 9, 2024	Norway	Norwegian krone
SkillsWave Corporation ("SkillsWave")*	Canada	U.S. dollars

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

1. Basis of presentation (continued):

* SkillsWave was a wholly owned subsidiary incorporated on April 2, 2024, until the disposal of D2L's controlling interest on June 28, 2024, at which time the Company recognized an equity investment in SkillsWave. See Note 18 for additional details.

Balances and transactions between the Company and its controlled 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 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.

(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; initial measurement of lease liabilities; classification and measurement of loan receivable from associate; fair value of acquired intangible assets and fair value of contingent consideration.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

1. Basis of presentation (continued):

The overall methodology used to determine the 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. Refer to note 2(a) 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. 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 15 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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

1. Basis of presentation (continued):

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. Judgment 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.

Classification and measurement of loan receivable from associate

The Company has determined the business model of the loan receivable from associate as being held-to-collect, based on management's intent and strategic objective to collect contractual cash flows on the financial instrument. In evaluating whether its contractual cash flows represent solely payments of principal and interest ("SPPI"), the Company considers the contractual terms of the instrument, including assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. The Company has determined the loan receivable from associate would not meet the SPPI test given the conversion option of the loan. Accordingly, the Company classifies and measures the financial asset as fair value through profit and loss ("FVTPL"). Refer to Note 10 for additional information on the method and assumptions used to determine fair value and Note 11 for additional information on the terms of the loan.

Fair value of acquired intangible assets

The Company estimates the fair value of acquired technology, customer relationships and brand acquired in a business combination based on the present value of expected future cash flows. These valuation techniques involve significant judgment as a result of a high degree of subjectivity and estimation uncertainty associated with the selection of the appropriate valuation methodology and the determination of the significant assumptions used to determine the fair value of the acquired intangible assets at the acquisition date. The assumptions relate to projected future revenues and expenses attributable to the acquired technology, customer relationships, or brand; software technology migration rates; expected research and development costs to maintain the acquired technology; customer attrition rates; royalty rates; economic useful lives; future growth rates; tax rates; margin rates; and discount rates.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

1. Basis of presentation (continued):

Fair value of contingent consideration

The Company measures the contingent consideration payable in a business combination at the estimated fair value upon initial measurement and at each subsequent reporting date. The fair value is estimated using the most likely outcome and the resulting expected contingent consideration to be paid, discounted to its present value.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

Subscription and support revenue:

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 lengths 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.

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 income (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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

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.

(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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

(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 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 consolidated statements of comprehensive income (loss).

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 and is not designated as at FVTPL.

Financial asset	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Uninvoiced revenue	Amortized cost
Loan receivable from associate	FVTPL

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

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 consolidated statements of comprehensive income (loss).

FVTPL:

A financial asset is classified as FVTPL if it is classified as held for trading, or it is designated as such, on initial recognition. Financial assets are measured at fair value and net gains and losses, including any interest income, are recognized in profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

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. 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

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

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 consolidated statements of comprehensive income (loss). Any gain or loss on derecognition is also recognised in the consolidated statements of comprehensive income (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:

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

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

(g) Intangible assets:

Certain of the Company's intangible assets, including acquired technology, customer relationships and brand, 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
Acquired technology	5 - 7 years
Customer relationships	8 - 10 years
Brand	Indefinite life

(h) Impairment of long-lived assets:

The Company evaluates its property and equipment and intangible assets with finite useful lives for impairment whenever there is any indication that the asset(s) may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level, 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 consolidated statements of comprehensive income (loss).

(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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

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 consolidated statements of comprehensive income (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.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

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 consolidated statements of comprehensive income (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.

(k) 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.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

(l) Income taxes:

Current and deferred income taxes are recognized as an expense or recovery in the consolidated statements of comprehensive income (loss), except when they relate to items that are recognized outside profit or loss (whether in other comprehensive gain (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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

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.

(m) 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 consolidated statements of comprehensive income (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.

Foreign operations:

The consolidated financial statements of the Company include the accounts of its foreign, wholly-owned subsidiaries. The functional currencies of the wholly-owned subsidiaries are disclosed in note 1(b) "Basis of presentation".

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 gain (loss) and accumulated in shareholders' equity.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

(n) 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 statement of comprehensive income (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 statement of comprehensive income (loss). Provisions are reviewed periodically and adjusted as appropriate.

(o) 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.

(p) Government grants and investment tax credits:

Government grants and refundable 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 refundable 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.

(q) 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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

(r) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing profit or loss by the weighted average number of Subordinate Voting Shares and Multiple Voting Shares outstanding during the reporting period. Diluted earnings (loss) per share are calculated similar to basic earnings (loss) per share except the weighted average number of outstanding shares is adjusted for the effects of all dilutive potential securities, which are comprised of additional shares from the assumed exercise or settlement of stock options, restricted share units ("RSU"), performance share units ("PSU"), and deferred share units ("DSU").

(s) 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 costs 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 consolidated statements of comprehensive income (loss).

(t) Investment in associate:

Entities over which the Company has significant influence (investments in associates) are accounted for using the equity method. Significant influence is assumed when the Company's interests are 20% or more, unless qualitative factors overcome this assumption. Significant influence represents the ability of the Company to participate in the financial and operating policy decisions of the investee but does not control or have joint control over those policies.

Where a consolidated subsidiary is disposed and an equity method investment is retained, the investment is measured at its fair value at the time of disposal. Any difference between the carrying amount of the investment upon the loss of control and the fair value of the retained investment plus proceeds from disposal, if any, is recognized in profit or loss.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

The consolidated financial statements include the Company's share of the income and expenses and equity changes of its equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. If the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or has made payments on behalf of the investee. If the investee subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within Other (expense) income in the consolidated statements of comprehensive income (loss).

Upon the date that significant influence ceases, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon the loss of significant influence and the fair value of the retained investment plus proceeds from disposal, if any, is recognized in profit or loss.

(u) Recently issued accounting pronouncements:

New and amended standards and interpretations adopted by the Company

Effective February 1, 2024, the Company adopted the following new and amended accounting standards.

- Amendments to IAS 1, Presentation of Financial Statements, 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 adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.
- Amendments to IFRS 16, Leases, which include additional requirements to explain how a company accounts for a sale and leaseback after the date of the transaction. The adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

2. Material accounting policies (continued):

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 these could have an impact on the consolidated financial statements of the Company in future periods:

- 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. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts to its consolidated financial statements.
- The IASB published amendments to IFRS 9, Financial Instruments, and IFRS 7, Classification and Measurement of Financial Instruments. The amendments clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system. The amendments will be effective for annual periods beginning on or after February 1, 2026. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts to its consolidated financial statements.
- The IASB published IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements), which includes improvements on how information is communicated in the financial statements, with a focus on information in the statement of income. The new standard is effective for annual periods beginning on or after February 1, 2027. The Company is currently assessing the impacts this standard will have on its consolidated financial statements.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

4. Trade and other receivables:

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

	2025	2024
Trade receivables	\$ 26,088,607	\$ 20,441,839
Allowance for doubtful accounts	(430,245)	(310,395)
Net trade receivables	25,658,362	20,131,444
Other receivables	1,194,813	3,431,302
Trade and other receivables	\$ 26,853,175	\$ 23,562,746
Comprised of:		
Current	\$ 26,430,586	\$ 23,025,690
Non-current	422,589	537,056

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 \$723,311 (2024 - \$572,968). 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.

As at January 31, 2025, other receivables are comprised primarily of sublease receivables and income tax receivables. As at January 31, 2024, other receivables included both sublease receivables and government grant receivables, the latter of which was collected in full during the period. All receivables are classified as current for the years ended January 31, 2024 and 2025, 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 has not recorded an allowance.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

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, 2025, the total remaining non-cancellable performance obligations under contracts with customers was approximately \$374,000,000. The Company expects to recognize revenue on approximately 42% of these remaining performance obligations over the following 12 months and 27% 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:

	2025	2024
Balance, beginning of year	\$ 3,971,861	\$ 2,107,015
Amounts transferred to trade receivables from the balance at the beginning of the year	(3,971,861)	(2,107,015)
Revenue in excess of billings, net of amounts transferred to trade receivables during the year	2,879,487	3,972,703
Effects of movement in exchange rates	(122,489)	(842)
Balance, end of year	\$ 2,756,998	\$ 3,971,861

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

5. Revenue from contracts with customers (continued):

(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.

Revenue recognized that was included in the deferred revenue balance at the beginning of the years ended January 31, 2025 and 2024 was \$90,090,000 and \$82,308,961, respectively.

(d) Deferred commissions:

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

	2025	2024
Balance, beginning of year	\$ 13,065,588	\$ 11,336,822
Additions	5,291,042	6,861,105
Amortization to sales and marketing expense	(5,577,539)	(5,035,931)
Impairment	(214,278)	(159,042)
Effects of movement in exchange rates	(548,398)	62,634
Balance, end of year	\$ 12,016,415	\$ 13,065,588
Comprised of:		
Current	\$ 5,106,976	\$ 5,334,864
Non-current	6,909,439	7,730,724

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

D2L INC.

Notes to Consolidated Financial Statements (continued)

(In U.S. dollars)

Years ended January 31, 2025 and 2024

6. Property and equipment:

	Computer hardware/ software	Furniture and equipment	Leasehold improvements	Total
Cost				
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 23)	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
Additions	690,016	—	233,018	923,034
Disposals	(120,429)	(84,688)	(14,515)	(219,632)
Additions through acquisition (note 23)	—	10,777	—	10,777
Effects of movement in exchange rates	(532,268)	(145,180)	(547,942)	(1,225,390)
Balance, January 31, 2025	\$ 7,706,691	\$ 1,747,748	\$ 6,946,422	\$ 16,400,861
Accumulated depreciation				
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
Depreciation	739,442	208,697	754,768	1,702,907
Disposals	(120,429)	(84,688)	(14,515)	(219,632)
Effects of movement in exchange rates	(505,207)	(96,012)	(90,805)	(692,024)
Balance, January 31, 2025	\$ 6,683,306	\$ 1,165,694	\$ 1,426,589	\$ 9,275,589
Carrying Amounts				
January 31, 2024	\$ 1,099,872	\$ 829,142	\$ 6,498,720	\$ 8,427,734
January 31, 2025	\$ 1,023,385	\$ 582,054	\$ 5,519,833	\$ 7,125,272

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

7. Intangible assets:

	Acquired Technology	Domains	Patents	Customer Relationships	Brand	Total
Cost						
Balance, January 31, 2023	\$ 6,493,358	\$ 170,542	\$ 240,422	—	—	\$ 6,904,322
Additions through acquisition (note 23)	302,500	—	—	249,000	—	551,500
Effects of movement in exchange rates	13,830	490	690	8,586	—	23,596
Balance, January 31, 2024	6,809,688	171,032	241,112	257,586	—	7,479,418
Additions through acquisition (note 23)	11,800,000	—	—	4,300,000	2,100,000	18,200,000
Effects of movement in exchange rates	(528,894)	(12,483)	(17,597)	(170,642)	(61,268)	(790,884)
Balance, January 31, 2025	\$ 18,080,794	\$ 158,549	\$ 223,515	\$ 4,386,944	\$ 2,038,732	\$ 24,888,534
Accumulated amortization						
Balance, January 31, 2023	\$ 6,493,358	—	\$ 122,865	—	—	\$ 6,616,223
Amortization	46,541	—	17,563	23,993	—	88,097
Effects of movement in exchange rates	3,799	—	436	156	—	4,391
Balance, January 31, 2024	6,543,698	—	140,864	24,149	—	6,708,711
Amortization	1,000,526	—	17,205	267,803	—	1,285,534
Effects of movement in exchange rates	(188,952)	—	(11,128)	(41,160)	—	(241,240)
Balance, January 31, 2025	\$ 7,355,272	—	\$ 146,941	\$ 250,792	—	\$ 7,753,005
Carrying Amounts						
January 31, 2024	\$ 265,990	\$ 171,032	\$ 100,248	\$ 233,437	—	\$ 770,707
January 31, 2025	\$ 10,725,522	\$ 158,549	\$ 76,574	\$ 4,136,152	\$ 2,038,732	\$ 17,135,529

During the year ended January 31, 2025, the Company reclassified, for presentation purposes, software and course content intangible asset balances to the acquired technology intangible asset balance.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

7. Intangible assets (continued):

During the years ended January 31, 2025 and 2024, D2L Europe Ltd., an indirect subsidiary of the Company, acquired H5P and Connected Shopping, respectively, as described in note 23. The acquired intangible assets include acquired technology, customer relationships and brand.

Future amortization expense associated with definite-life intangible assets recognized as of January 31, 2025 is expected to be as follows:

2026	\$ 2,125,053
2027	2,123,677
2028	2,119,550
2029	2,119,550
2030 and beyond	6,450,418
	<u>\$ 14,938,248</u>

8. Goodwill:

	2025	2024
Balance, beginning of year	\$ 10,440,091	\$ 7,070,432
Acquisition of Connected Shopping (note 23)	294,000	3,319,615
Acquisition of H5P (note 23)	15,628,167	—
Effects of movement in exchange rates	(1,076,036)	50,044
Balance, end of year	<u>\$ 25,286,222</u>	<u>\$ 10,440,091</u>

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 estimate of value in use was determined using a pre-tax discount rate of 10.9% (2024 – 13.2%), and a terminal value growth rate of 2.5% (2024 – 2.5%) applied subsequent to the four-year discrete projection period. 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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

9. Leases:

The Company leases certain properties under non-cancellable lease agreements that relate to office space. The expected remaining lease terms are between 3 and 102 months. The Company also subleased certain properties to third parties during the years ended January 31, 2025 and 2024.

(a) As a lessee:

The following reconciles the right-of-use assets as at January 31, 2025 and 2024:

	2025	2024
Carrying amount, beginning of year	\$ 8,774,960	\$ 11,205,371
Additions	800,780	—
Additions through acquisition (note 23)	77,020	—
Modifications to lease contracts	(33,461)	92,756
Depreciation	(1,273,607)	(1,184,848)
Leasehold incentive received	(99,080)	(961,920)
Derecognition of subleased right-of-use assets	—	(400,784)
Terminations	(231,801)	—
Effects of movement in exchange rates	(564,266)	24,385
Carrying amount, end of year	\$ 7,450,545	\$ 8,774,960

The following reconciles the lease liabilities as at January 31, 2025 and 2024:

	2025	2024
Carrying amount, beginning of year	\$ 12,709,998	\$ 13,006,156
Additions	735,988	—
Additions through acquisition (note 23)	77,020	—
Modifications to lease contracts	(3,314)	92,756
Lease payments	(1,657,536)	(1,015,760)
Interest expensed	580,873	591,283
Terminations	(231,801)	—
Effects of movement in exchange rates	(1,031,683)	35,563
Carrying amount, end of year	\$ 11,179,545	\$ 12,709,998
Current	\$ 1,201,604	\$ 1,002,464
Non-current	9,977,941	11,707,534

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

9. Leases (continued):

Net expenses relating to short-term leases excluded from lease liabilities due to the election of the practical expedient were \$93,874 for the year ended January 31, 2025 (2024 – \$477,274). Variable lease payments not included in the measurement of lease liabilities were \$502,407 for the year ended January 31, 2025 (2024 – \$440,017).

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 18(b).

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

February 1, 2025 - January 31, 2026	\$	1,683,971
February 1, 2026 - January 31, 2027		1,578,191
February 1, 2027 - January 31, 2028		1,423,742
February 1, 2028 - January 31, 2029		1,453,967
February 1, 2029 – July 31, 2033		7,337,280
<hr/>		
Total future undiscounted lease payments		13,477,151
Less impact of discounting		(2,297,606)
<hr/>		
Lease liability recorded on consolidated balance sheet	\$	11,179,545

(b) As a lessor:

For the year ended January 31, 2025, net receipts from the sublease receivable were \$22,076 (2024 – \$13,150). For the year ended January 31, 2025, \$27,027 was recognized as interest income on subleases (2024 – \$2,262).

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

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.

The loan receivable from the associate and the contingent consideration are classified as Level 3 financial instruments as the inputs are not observable and there is no market-based activity.

The fair value of the loan receivable from associate was determined using valuation techniques, including a discounted cash flow model for future expected cash flows of the instrument at a rate commensurate with an estimated market rate for a debt instrument with similar terms and features to value the principal and interest payments, and the Black-Scholes valuation model to determine the value of the conversion feature. These valuation techniques involve significant judgment as a result of a high degree of subjectivity and estimation uncertainty associated with the determination of the significant assumptions used. Refer to note 11 for additional information on the assumptions and estimates used, as well as the changes in the Loan receivable from associate balance during the year.

The fair value of the contingent consideration has been calculated based on expected future revenue from existing customers and discount rates. The following table shows a reconciliation from the opening balance to the ending balance as at January 31, 2025 for contingent consideration.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

10. Financial instruments (continued):

Balance at January 31, 2024	\$ 583,318
Increase from H5P acquisition (note 23)	4,529,000
Payments made during the year relating to Connected Shopping	(249,436)
Fair value change through other (expense) income	(105,420)
Accretion expense through interest expense	170,020
Effects of movement in exchange rates	(289)
Balance at January 31, 2025	4,927,193

Contingent consideration classified as current liabilities	4,927,193
Contingent consideration classified as non-current liabilities	—

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, Australian dollar, Singapore dollar, Brazilian real, Euro, and Norwegian krone. Thus, the Company is exposed to currency risk on these transactions. For the year ended January 31, 2025, 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 \$3,879,950 lower (2024 - \$3,845,828 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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

10. Financial instruments (continued):

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):

January 31, 2025	CAD	GBP	AUD	SGD	BRL	EUR	NOK
Cash and cash equivalents	10,618,489	1,948,128	15,960,662	4,631,629	27,117,320	5,674,766	51,468,233
Trade and other receivables	7,703,229	2,273,436	1,093,118	391,493	1,893,599	491,746	501,630
Uninvoiced revenue	1,428,097	64,521	24,693	327,449	2,878,654	—	—
Accounts payable and accrued liabilities	22,738,628	2,866,540	2,129,382	299,910	733,899	37,622	10,866,211
January 31, 2024	CAD	GBP	AUD	SGD	BRL	EUR	NOK
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	—

The Company did not enter into any arrangements to hedge its foreign currency risk exposure during the period.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

10. Financial instruments (continued):

(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.

The Company maintains an allowance for doubtful accounts balance. The allowance is based upon expected credit losses, 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 and sub-lease receivables, is not considered to have significant credit risk by the Company. Activity in the allowance for doubtful accounts balance was as follows:

	2025	2024
Balance, beginning of year	\$ 310,395	\$ 276,329
Additions through acquisition	60,195	—
Provision for uncollectible receivables	723,311	585,225
Write-offs	(663,656)	(551,159)
Balance, end of year	\$ 430,245	\$ 310,395

As at January 31, 2025, there was no customer that exceeded 10% of the Company's net trade receivables balances (January 31, 2024 - one customer accounted for more than 10% of net trade receivables).

As at January 31, 2025 and 2024, the aging of net trade receivables were as follows:

	2025	2024
Current	\$ 18,825,462	\$ 13,430,386
Past due 1 - 30 days	2,540,440	2,826,026
Past due 31 - 60 days	1,090,731	2,413,199
Past due > 60 days	3,201,729	1,461,833
Balance, end of year	\$ 25,658,362	\$ 20,131,444

D2L INC.

Notes to Consolidated Financial Statements (continued)
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Years ended January 31, 2025 and 2024

10. Financial instruments (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 or borrowings as required, to meet the capital requirements of maturing financial liabilities. As at January 31, 2025, the Company had a cash balance of \$99,184,514 (2024 - \$116,943,499), and trade and other receivables of \$26,853,175 (2024 - \$23,562,746) available to settle current liabilities (excluding deferred revenue) of \$36,632,882 (2024 - \$33,909,869).

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 over the next 12 months.

11. Loan receivable from associate:

Pursuant to the transaction outlined in Note 18, the Company agreed to provide a loan to SkillsWave (the "SkillsWave Loan") in the principal amount of \$9,500,000 maturing in five years and bearing interest at the Canadian prime rate per annum. Principal and interest are payable at maturity. During the year ended January 31, 2025, the SkillsWave Loan was advanced in tranches, with \$5,000,000 advanced upon closing of the transaction on June 28, 2024, and the remaining \$4,500,000 advanced upon the six-month anniversary of closing. The principal and accrued interest are convertible at the option of the Company, in whole or in part, into non-voting shares of SkillsWave at a pre-determined price per share, to the extent that such shares, together with any shares acquired at closing and retained by the Company, do not exceed a maximum 37.5% ownership interest in SkillsWave on a fully diluted basis. The SkillsWave Loan is secured by all assets of SkillsWave constituting a first priority security interest, subject only to permitted liens.

D2L INC.

Notes to Consolidated Financial Statements (continued)
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Years ended January 31, 2025 and 2024

11. Loan receivable from associate (continued):

The SkillsWave Loan was initially measured at its fair value and has subsequently been measured at fair value through profit or loss. The fair value of the loan receivable from associate reflects the value of the discounted principal and interest payments, and the value of the conversion option. The Company uses the Black-Scholes valuation model to determine the fair value of the conversion option. Inputs into this model include the fair value of the underlying share price, the exercise price of the option, the expected term of the loan, the expected dividend yield, the risk-free interest rates, and the expected volatility of the fair value of the underlying share price. Assumptions were used for certain inputs into this model. The fair value of the non-controlling and non-voting shares, which considered both a non-voting discount and an illiquidity discount, was used to reflect the share price at the valuation date. The expected term of the loan was the remaining loan term at the valuation date. The risk-free rate used was based on Government of Canada bond yields consistent with the remaining loan term at the valuation date. The expected volatility was determined by using the historical volatility of publicly traded comparable companies.

Based on the fair value of the conversion option using the aforementioned inputs and the present value of the expected future cash flows, a fair value loss of \$376,601 was recorded in Other (expense) income within the consolidated statement of comprehensive income (loss) for the year ended January 31, 2025.

Assumptions used in the fair value of the loan receivable from associate are assessed by the Company on a quarterly basis. Key unobservable inputs include the discount rate used and the fair value of the share price. The estimated fair value of the loan receivable decreases as the discount rate increases and the estimated fair value of the loan increases as the fair value of the underlying share price increases. The estimated sensitivity to changes in the key unobservable inputs to the estimated fair value of the loan, holding all other inputs constant, are presented below. Negative figures represent an increase to the fair value loss recorded in Other (Expense) income within the consolidated statement of comprehensive income (loss) for the year ended January 31, 2025.

Assumption	Sensitivity	Increase (decrease) to income (loss) before income taxes
Fair value of the share price	+10%	\$ 718,015
Fair value of the share price	-10%	(687,685)
Discount rate	+10%	(407,756)
Discount rate	-10%	442,279

D2L INC.

Notes to Consolidated Financial Statements (continued)
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Years ended January 31, 2025 and 2024

11. Loan receivable from associate (continued):

The loan receivable balance of \$9,123,399 is recorded as “Loan receivable from associate” in the statement of financial position.

The following table shows the movement in the Loan receivable from associate balance as at January 31, 2025:

	2025
Balance, beginning of year	—
Granted during the year	\$ 9,500,000
Fair value loss during the year	(376,601)
Balance, end of year	\$ 9,123,399

12. Share capital:

(a) Authorized share capital as at January 31, 2025 and 2024:

- 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, 2025, the Company had 27,262,586 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
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Years ended January 31, 2025 and 2024

12. Share capital (continued):

(c) 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.

On December 4, 2024, the Company renewed its NCIB. The Company can repurchase for cancellation up to 1,745,338 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 9, 2024.

In connection with the NCIB, the Company entered into an automatic share purchase plan ("ASPP"), pursuant to which the Company may provide, in advance, a form to instruct its broker to make purchases under the NCIB during self-imposed trading blackout periods, without consultation with the Company. The form provides the broker with predefined trading terms, including share price, time period and other limitations as may be imposed in advance by the Company, subject to rules and policies of the TSX and applicable securities laws, such as a daily purchase restriction.

During the year ended January 31, 2025, the Company repurchased and cancelled 401,480 (2024 – 41,200) Subordinate Voting Shares under the NCIB for an aggregate purchase price of \$3,564,436 (2024 - \$322,914), which was recorded as a reduction of share capital.

As at January 31, 2024, the Company recognized a liability and a charge to deficit of \$2,264,410 for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. As at January 31, 2025, the Company has reassessed the liability as \$1,097,603 for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. This resulted in a change of the original estimate made as at January 31, 2024 in the amount of \$1,166,807, which was released from deficit in the current period.

D2L INC.

Notes to Consolidated Financial Statements (continued)
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13. Earnings (loss) per share:

Earnings (loss) per share is calculated by dividing earnings (loss) for the years by the weighted average number of Subordinate Voting Shares and Multiple Voting Shares outstanding throughout the years:

	2025	2024
Income (loss) for the year	\$ 25,721,683	\$ (3,542,089)
Weighted average number of outstanding shares - basic	54,347,672	53,554,686
Weighted average number of outstanding shares - dilutive	55,814,610	53,554,686
Earnings (loss) per share – basic	\$ 0.47	\$ (0.07)
Earnings (loss) per share – dilutive	\$ 0.46	\$ (0.07)

The Company has four categories of potentially dilutive securities: stock options, RSUs, PSUs, and DSUs.

For the year ended January 31, 2025, 334,084 potentially dilutive instruments have been excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

For the year ended January 31, 2024, 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 the period presented.

14. Stock-based compensation:

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

	2025	2024
Cost of subscription and support	\$ 266,303	\$ 261,101
Cost of professional services and other	329,503	302,938
Sales and marketing	1,175,879	931,989
Research and development	2,651,208	2,917,504
General and administrative	5,272,382	4,873,356
	\$ 9,695,275	\$ 9,286,888

D2L INC.

Notes to Consolidated Financial Statements (continued)
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Years ended January 31, 2025 and 2024

14. Stock-based compensation (continued):

(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 Subordinate Voting Shares. 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, 2025, the Company recognized stock-based compensation expense of \$167,545 (2024 – \$344,417) related to stock options.

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, 2025, 1,133,642 stock options (2024 – 2,103,812) were issued and outstanding and nil (2024 – 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, 2023	2,991,307	\$ 5.99	4.77
Options forfeited	(282,174)	5.70	–
Options exercised	(605,321)	5.20	–
Balance, January 31, 2024	2,103,812	\$ 6.25	4.63
Options forfeited	(171,234)	5.54	–
Options exercised	(798,936)	5.19	–
Balance, January 31, 2025	1,133,642	\$ 7.11	4.43
Exercisable, end of year	1,022,886	\$ 6.83	4.26

D2L INC.

Notes to Consolidated Financial Statements (continued)
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Years ended January 31, 2025 and 2024

14. Stock-based compensation (continued):

Options outstanding and options exercisable as at January 31, 2025 by range of exercise price are as follows:

Range of exercise prices	Options outstanding			Options exercisable	
	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	600,270	3.07	\$ 5.16	593,240
\$6.01 - \$7.00	6.50	240,743	5.68	6.50	204,682
\$7.01 - \$8.00	7.44	824	0.28	7.44	824
\$8.01 - \$9.00	8.48	70,194	5.74	8.48	56,906
\$9.01 - \$10.00	9.55	61,611	5.96	9.55	47,234
\$10.01 - \$14.00	13.77	160,000	6.51	13.77	120,000
	\$ 7.11	1,133,642	4.43	\$ 6.83	1,022,886

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.

(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, RSUs, PSUs, stock appreciation rights and restricted stock to employees and certain service providers. The combined number of Subordinate 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 Subordinate Voting Shares and Multiple Voting Shares, in aggregate. Subordinate Voting Shares related to awards that terminate or are cancelled without being settled are available for subsequent grant. As at January 31, 2025, RSUs and PSUs have been granted under the LTIP Plan.

Restricted Share Units

RSUs represent a right to receive, upon settlement, (a) a Subordinate 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 of settling RSUs in cash. Accordingly, RSUs are accounted for as equity awards. Dividend equivalent RSUs may be granted in respect of Subordinate 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 Subordinate Voting Share volume weighted average

D2L INC.

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Years ended January 31, 2025 and 2024

14. Stock-based compensation (continued):

price during the trading day immediately preceding the date of grant. RSUs will generally be settled upon or shortly after vesting.

During the year ended January 31, 2025, the Company recognized stock-based compensation expense of \$8,717,034 (2024 – \$7,989,322) 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, 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
RSUs granted	1,647,800	10.22
RSUs forfeited	(402,918)	8.98
RSUs settled	(1,126,590)	9.06
Balance, January 31, 2025	2,838,480	\$ 9.19
Vested but not yet settled, January 31, 2025	–	–

Performance share units

During the current year, the Company issued PSUs. These PSUs vest if the achievement of certain performance conditions as dictated by the Board of Directors of the Company have been met, and if the employee(s) remain employed by the Company throughout the vesting period. PSUs represent a right to receive, upon settlement, (a) a Subordinate Voting Share for each vested PSU; (b) a cash payment equal to the market price of vested PSUs; 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 intention in the foreseeable future of settling PSUs in cash. Accordingly, PSUs are accounted for as equity awards. Dividend equivalent PSUs may be granted in respect of Subordinate Voting Shares covered by PSUs and would be subject to the same terms and conditions as the corresponding PSUs. Outstanding PSUs generally vest fully over a one-year period. The fair value of PSUs is based on the Subordinate Voting Share volume weighted average price during the trading day immediately preceding the date of grant. PSUs will generally be settled upon or shortly after vesting.

D2L INC.

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Years ended January 31, 2025 and 2024

14. Stock-based compensation (continued):

During the year ended January 31, 2025, the Company recognized stock-based compensation expense of nil (2024 – nil) related to PSUs. A summary of PSU activity is presented below:

	Number of PSUs outstanding	Weighted average grant date fair value per PSU (in CAD)
Balance, January 31, 2024	—	—
PSUs granted	9,016	\$ 9.24
Balance, January 31, 2025	9,016	\$ 9.24
Vested but not yet settled, January 31, 2025	—	—

(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, 2025, Annual DSU Retainer Fees, 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 Subordinate 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.

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.

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14. Stock-based compensation (continued):

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 are both issued and vest at the end of the fiscal quarter during which the related Annual Cash Remuneration was earned.

The maximum number of Subordinate Voting Shares that may be issued under the DSU Plan is five percent of the number of issued and outstanding Subordinate Voting Shares and Multiple Voting Shares, in aggregate, on a non-diluted basis at any time, provided that the combined number of Subordinate 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 Subordinate Voting Share and Multiple Voting Shares, in aggregate. Subordinate Voting Shares subject to DSUs that terminate or are cancelled without being settled are available for subsequent grant.

During the year ended January 31, 2025, the Company recognized stock-based compensation expense of \$810,696 (2024 – \$953,149) 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, 2023	174,599	\$ 6.97
DSUs granted	155,719	8.27
Balance, January 31, 2024	330,318	\$ 7.58
DSUs granted	132,665	10.25
DSUs forfeited	(41,067)	6.66
DSUs settled	(49,759)	7.62
Balance, January 31, 2025	372,158	\$ 8.63
Vested but not yet settled, January 31, 2025	246,033	\$ 7.86

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Years ended January 31, 2025 and 2024

15. Income taxes:

Income (loss) before income taxes is earned in the following jurisdictions:

	2025	2024
Income (loss) before income taxes:		
Canada	\$ 9,164,361	\$ (5,352,173)
United States	1,729,913	1,502,368
Other countries	(1,407,726)	654,240
	<u>\$ 9,486,548</u>	<u>\$ (3,195,565)</u>

Income tax expense (recovery):

	2025	2024
Current income taxes (recovery):		
Current period	\$ 1,005,276	\$ 554,864
Change in estimates of prior periods	214,465	81,862
	<u>1,219,741</u>	<u>636,726</u>
Deferred income taxes (recovery):		
Current period	\$ (17,509,443)	\$ (39,693)
Changes in tax rates or new taxes	18,448	-
Change in estimates of prior periods	36,119	(250,509)
	<u>(17,454,876)</u>	<u>(290,202)</u>
	<u>\$ (16,235,135)</u>	<u>\$ 346,524</u>

D2L INC.

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Years ended January 31, 2025 and 2024

15. 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, 2024	Recognized in profit or loss	Recognized directly in equity	Current year acquisition	Other	January 31, 2025
Deferred tax assets:						
Operating losses carried forward	\$ 1,911,336	\$ 6,419,977	–	–	–	\$ 8,331,313
Other temporary differences	771,796	(163,514)	–	–	–	608,282
Lease liability	2,482,341	(338,901)	–	–	–	2,143,440
SRED deduction pool and tax credit	–	9,918,739	–	–	–	9,918,739
Stock-based compensation	–	811,787	750,521	–	–	1,562,308
Intangible assets	–	778,610	–	–	–	778,610
Property and equipment	63,978	(4,913)	–	–	–	59,065
	5,229,451	17,421,785	750,521	–	–	23,401,757
Deferred tax liabilities:						
Intangible assets	\$ 124,856	\$ (634,615)	–	\$ 4,261,479	\$ (119,183)	\$ 3,632,537
Non-deductible reserve for deferred revenue	109,969	245,712	–	–	–	355,681
Tax on SRED investment tax credit	–	527,887	–	–	–	527,887
Right-of-use assets	2,482,341	(344,056)	–	–	–	2,138,285
Deferred commissions and other expenses	555,460	61,479	–	–	–	616,939
Goodwill	121,563	25,000	–	–	–	146,563
Property and equipment	–	182,124	–	–	–	182,124
Foreign exchange gain on intercompany loan	1,892,663	(96,622)	–	–	–	1,796,041
	5,286,852	(33,091)	–	4,261,479	(119,183)	9,396,057
Net deferred tax assets (liabilities)	\$ (57,401)	\$ 17,454,876	\$ 750,521	\$ (4,261,479)	\$ 119,183	\$14,005,700
As presented on the consolidated balance sheets:						
Deferred tax assets	\$ 529,674					\$ 18,115,730
Deferred tax liabilities	(587,075)					(4,110,030)
Net deferred tax assets (liabilities)	\$ (57,401)					\$ 14,005,700

D2L INC.

Notes to Consolidated Financial Statements (continued)

(In U.S. dollars)

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15. Income taxes (continued):

	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 assets (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)

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. During the current year, the Company revised its estimates of future taxable profits and the Company recognized the tax effect of \$5,969,332 (2024 – \$0) of previously unrecognized tax losses, \$8,070,440 (2024 – \$0) of previously unrecognized pool of deductible SR&ED expenditures, and \$1,710,899 (2024 – \$0) of previously unrecognized non-refundable investment tax credits on the basis of the Company's reassessment of the amounts of its deferred tax assets that are probable to be realized. In reviewing the carrying amounts of the deferred tax assets at the end of January 31, 2025 and 2024, 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.

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Years ended January 31, 2025 and 2024

15. 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:

	2025	2024
Combined basic Canadian statutory rates	26.5%	26.5%
Income tax expense (recovery) based on the above rates	\$ 2,513,935	\$ (846,825)
Increase (decrease) in income taxes resulting from:		
Permanent differences	2,316,142	2,773,124
Effect of tax rate differences	49,134	(22,242)
Change in estimates of prior periods	250,584	(168,647)
Recognition of previously unrecognized tax losses*	(16,113,740)	(1,798,810)
Recognition of previously unrecognized tax credits**	(5,322,391)	–
Origination and reversal of temporary differences	499,122	274,645
Stock-based compensation	(763,405)	–
Other	(271,177)	(80,790)
Current year losses for which no deferred tax asset is recognized	606,661	216,069
Income tax recovery (expense)	\$ (16,235,135)	\$ 346,524

*Recognition of previously unrecognized tax losses includes \$(2,073,968) that were utilized in the current period (2024 – \$(1,798,810)).

**Recognition of previously unrecognized tax credits includes \$3,611,491 that were utilized in the current period (2024 – nil).

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:

	2025	2024
Operating losses carried forward	\$ –	\$ 25,199,894
Capital losses carried forward	13,705,822	13,164,133
SRED eligible expenditures pool	–	33,411,408
Property and equipment	–	2,946,266
Intangible assets	30,507	3,343,798
Leases	3,110,551	3,357,566
Deferred financing fees	1,360,830	1,137,107
Investment in associate	438,098	–
Other temporary differences	778,736	250,210
Total	\$ 19,424,544	\$ 82,810,382

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

15. Income taxes (continued):

The Company has recognized deferred tax assets for all its Canadian net operating loss carry forwards (2024 – \$25,199,894 for which no deferred tax asset has been recognized). The Company has capital loss carry forwards in Canada totalling \$13,705,822 (2024 – \$13,164,133) for which no deferred tax asset has been recognized. These losses do not expire. Other unrecognized deductible temporary differences do not expire.

As at January 31, 2025, the Company has available Canadian federal non-refundable investment tax credits of \$1,407,434 (2024 – \$5,572,590) and Ontario non-refundable investment tax credits of \$0 (2024 – \$1,946,951) related to research and development expenditures which may be used to reduce income taxes payable in future years for which no deferred tax assets have been recognized. These non-refundable investment tax credits begin to expire in 2034 and thereafter.

The Company has not recognized deferred tax liabilities associated with investments in subsidiaries with aggregate temporary differences of \$7,270,546 (2024 – \$3,961,003) as the company controls whether the liability will be incurred.

16. Commitments and contingencies:

(a) Commitments:

During the current and prior periods, the Company has signed various lease agreements, primarily for its global office locations. The total committed spend is \$13.4 million over the next 9 years. Included in this commitment is the Kitchener Lease with Catalyst, which is described in note 9 and note 18(b). The Company entered into the Kitchener Lease in October 2021, it commenced on February 1, 2022 and terminates on July 31, 2033. The total committed spend is \$12.8 million over the next 9 years. Refer to note 9 for the Company's obligations under lease liabilities as at January 31, 2025.

During the current and prior periods, the Company has signed various third-party, technology services agreements. Below is a summary of the future minimum payments for our contractual commitments that are not recognized as liabilities as at January 31, 2025:

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

16. Commitments and contingencies (continued):

February 1, 2025 - January 31, 2026	\$ 21,964,127
February 1, 2026 - January 31, 2029	62,514,127
February 1, 2029 - January 31, 2033	60,000,000
Total undiscounted commitment	\$ 144,478,254

(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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

17. 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 provided a maximum grant of \$8,220,000 over the term of the agreement which ended on January 31, 2024, and was contingent upon the Company meeting certain cumulative job and specified expenditure targets over the term of the agreement.

During the year ended January 31, 2025, the Company recognized grants of nil (2024 – \$1,425,842) 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 income (loss). As at January 31, 2025, the balance receivable from the Province was nil, as it was collected in full during the period (2024 – \$1,608,352).

18. 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 \$81,582 for the year ended January 31, 2025 (2024 - \$106,063) 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, 2025, the Company had nil (2024 - \$10,768) in trade receivables from this related party. The VHS Agreement was renewed on November 23, 2023 for an additional three-year term and was further amended on December 6, 2024 to extend the term to July 30, 2027.
- (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 Catalyst transactions were 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 \$1,751,477 for the year ended January 31, 2025 (2024 – \$1,863,393).

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

18. Related party transactions (continued):

The Company infrequently rents additional space at Catalyst for ad hoc events. The ad hoc rental costs paid by D2L were nil in the current period (2024 – nil).

During the year ended January 31, 2025, the Company received a lease incentive amounting to \$99,080 (2024 - \$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, 2025 - January 31, 2026	\$ 1,858,854	\$ 1,283,101
February 1, 2026 - January 31, 2027	1,937,954	1,337,700
February 1, 2027 - January 31, 2028	2,020,311	1,394,549
February 1, 2028 - January 31, 2029	2,106,390	1,453,967
February 1, 2029 – July 31, 2033	10,629,664	7,337,280
Total undiscounted commitment	\$ 18,553,173	\$ 12,806,597

- (c) On June 28, 2024, a corporation owned by John Baker, the Company's CEO, acquired 70% of the equity interest in SkillsWave from the Company in exchange for cash consideration of \$809,038 (C\$1,120,000). SkillsWave was a wholly-owned subsidiary of the Company and provides upskilling solutions to employers (2024 – nil).

Upon the loss of control of SkillsWave, the Company has determined that it has significant influence over SkillsWave as a result of its remaining 30% equity interest and the retention of its right to minority Board representation. Accordingly, the Company recognized the fair value of its retained investment in SkillsWave of \$438,098 (see Note 22 for additional details), and derecognized the carrying value of the net assets of SkillsWave of \$329,741, which included cash of \$1,483,357, deferred revenue of \$993,656 and accrued liabilities of \$159,960. The disposal transaction resulted in a gain of \$917,395 recorded as a "Gain on SkillsWave disposal transaction" in the statements of comprehensive income (loss). The calculation of the gain is set out below:

	June 28, 2024
Fair value of the consideration received	\$ 809,038
Fair value of the retained investment in SkillsWave	438,098
Carrying value of net assets of SkillsWave disposed of	(329,741)
Gain on disposal of 70% interest in SkillsWave	\$ 917,395

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

18. Related party transactions (continued):

On June 28, 2024, the Company also entered into the following arrangements with SkillsWave: (i) the SkillsWave Loan (see Note 11 for additional details); (ii) a Shared Technology License Agreement permitting SkillsWave the use of a perpetual, irrevocable, non-exclusive, royalty-free, non-transferrable and non-sublicensable license to use certain technology of D2L in connection with the conduct of its business; (iii) an Assignment and Guarantee Agreement whereby D2L assigns and transfers its rights, obligations, interests and liabilities in a customer agreement to SkillsWave, and in consideration of the assignment and release, D2L guarantees for the benefit of the customer all of SkillsWave's financial obligations and liabilities in respect of the period from the effective date of June 28, 2024 to August 21, 2026 under and subject to the terms and conditions of the customer agreement; further, and as a result of entering into such arrangement, SkillsWave cross-indemnifies D2L for any claims made under the Assignment and Guarantee Agreement; and (iv) a Transition Services Agreement ("TSA") with SkillsWave to provide administrative services on a cost recovery basis to support the orderly transition of the upskilling education business (the "Wave Service Offering") from the Company to SkillsWave. The TSA terminated by January 31, 2025. The Company recognized \$34,315 in connection with the provision of administrative services during the year ended January 31, 2025 (2024 – nil) in 'Other income (expense)' in the consolidated statements of comprehensive income (loss).

Subsequent to the disposal of SkillsWave on June 28, 2024, D2L received upskilling education services from SkillsWave in the amount of \$272,642 for the year ended January 31, 2025 (2024 – nil). As at January 31, 2025, the Company had \$155,126 (2024 – nil) in trade and other payables to this related party. The services received by D2L during the current period are consistent with the services it had previously received from the Wave Service Offering, prior to the transition of the Wave Service Offering from the Company to SkillsWave on June 28, 2024.

The Company also entered into a customer contract with SkillsWave for use of the Company's products and services dated September 18, 2024 for a term of three years which began on October 1, 2024 and will end on January 31, 2027. The Company recognized revenue of \$7,855 and nil in trade receivables for the year ended January 31, 2025 (2024 – nil).

Compensation of key management personnel:

The Company defines key management as the Board of Directors and the Company's executive officers. 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:

	2025	2024
Salaries and other short-term benefits	\$ 5,425,313	\$ 5,272,590
Stock-based payments	5,068,060	4,651,954
	<u>\$ 10,493,373</u>	<u>\$ 9,924,544</u>

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

18. Related party transactions (continued):

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

19. 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.

20. Employee benefits:

The total employee compensation comprising of salaries and benefits, excluding grants and tax credits, for the year ended January 31, 2025 was \$118,240,491 (2024 - \$115,635,939).

The Company has a defined contribution pension plan for its eligible employees. The total cost recognized for the company's defined contribution plan is \$2,853,062 (2024 - \$2,972,271).

21. 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 collectively the Chief Executive Officer and the 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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

21. Operating segments (continued):

Geographic information:

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

	2025	2024
Canada	\$ 49,225,189	\$ 47,844,420
United States	116,467,817	100,912,525
Rest of world	39,583,236	33,623,530
Total	\$ 205,276,242	\$ 182,380,475

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

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

Property and equipment:

	2025	2024
Canada	\$ 6,891,302	\$ 8,216,610
United States	79,080	93,989
Rest of world	154,890	117,135
Total	\$ 7,125,272	\$ 8,427,734

Right-of-use assets:

	2025	2024
Canada	\$ 7,283,950	\$ 8,774,960
Rest of world	166,595	—
Total	\$ 7,450,545	\$ 8,774,960

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

21. Operating segments (continued):

Intangible assets:

	2025	2024
Canada	\$ 426,800	\$ 270,779
Rest of world	16,708,729	499,928
Total	\$ 17,135,529	\$ 770,707

Goodwill:

	2025	2024
Canada	\$ 6,573,234	\$ 7,090,727
Rest of world	18,712,988	3,349,364
Total	\$ 25,286,222	\$ 10,440,091

22. Investment in associate:

Upon the disposal of its controlling interest in SkillsWave as discussed in Note 18 above, the Company recognized an equity investment related to its remaining 30% interest in SkillsWave which has been accounted for using the equity method of accounting. The following table provides the summarized financial information of the Company's investment in SkillsWave:

	2025
Total assets	\$ 10,858,243
Total liabilities	(11,652,175)
Total equity	\$ (793,932)
Company's share of equity (30%)	\$ (238,180)
Company's share of income (net loss) (30%)	\$ (676,456)

As a result of the Company's share of net loss, the investment in associate was reduced to nil and we have unrecognized losses of SkillsWave of \$238,358 as at January 31, 2025. The associate had no contingent liabilities or capital commitments as at January 31, 2025.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

23. Business acquisition:

H5P Group AS

On July 9, 2024, D2L Europe Ltd, an indirect subsidiary of the Company, acquired all of the outstanding shares of H5P, a provider of interactive content creation software used by educators and organizations globally to improve learning by creating and enriching course materials. The transaction aligns with the Company's commitment to expand its learning platform with a focus on technologies to improve learning outcomes. 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 \$26,067,103, a purchase price holdback of \$896,285, and contingent consideration with a fair value at the date of acquisition of \$4,529,000, resulting in total consideration of \$31,492,388. The purchase price holdback was subject to a post-closing purchase price adjustment based on H5P's final working capital and debt balances on close. During the year ended January 31, 2025, the Company paid \$673,299 of the purchase price holdback to the selling shareholders. The remaining purchase price holdback is expected to be paid shortly after the first anniversary date subsequent to the acquisition date.

The contingent consideration of \$4,529,000 reflects the present value of the expected contractual payment of \$4,900,000. The contingent consideration is payable to the selling shareholders upon meeting certain customer retention targets by the first anniversary date following the acquisition and is expected to be paid in the third quarter of fiscal 2026.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

23. Business acquisition (continued):

The Company has prepared a preliminary purchase price allocation of the assets acquired and the liabilities assumed of H5P based on management's best estimates of fair value. The final purchase price allocation may vary based on H5P's final working capital and tax-related balances on close:

Cash	\$	3,758,176
Net trade and other receivables		655,110
Prepaid expenses		93,295
Property and equipment		10,777
Right-of-use assets		77,020
Intangible assets:		
Acquired technology		11,800,000
Customer relationships		4,300,000
Brand		2,100,000
Total assets		22,794,378
Less:		
Accounts payable and accrued liabilities		(702,483)
Deferred revenue		(1,889,175)
Lease liabilities		(77,020)
Deferred income taxes		(4,261,479)
Total liabilities		(6,930,157)
Separately identifiable net assets	\$	15,864,221
Goodwill		15,628,167
Total consideration	\$	31,492,388

Accounts receivable, representing a portion of the 'Trade and other receivables' line above, comprise gross total contractual amounts due of \$715,280, of which \$687,239 has been collected as of January 31, 2025.

Amortization of the customer relationships and acquired technology that was acquired is calculated using the straight-line method over their respective useful lives of ten and seven years, respectively. The brand was determined to have an indefinite useful life.

The goodwill recognized upon acquisition is attributable to expected synergies in adding H5P 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.

There are also payments of up to \$2,500,000 in the form of post-combination compensation due on the first anniversary date following the acquisition, subject to the continued employment of specific employees throughout the period.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

23. Business acquisition (continued):

The Company incurred acquisition-related costs of \$1,978,188 for the year ended January 31, 2025, consisting of professional fees and post-combination compensation, which are recorded within 'General and Administrative' expenses in the consolidated statements of comprehensive income (loss).

Since the date of acquisition, H5P has contributed revenues to the Company in the amount of \$2,381,901 for the year ended January 31, 2025 and net loss of \$273,737 for the year ended January 31, 2025. If this acquisition had occurred on February 1, 2024, the Company estimates that the pro-forma consolidated revenue and pro-forma consolidated net income would have been \$207,494,127 and \$24,846,185 respectively. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same had the acquisition occurred on February 1, 2024. The pro-forma net income includes the impact of a full year of post-combination expenses, including post-combination compensation and amortization from acquired intangible assets.

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, a SaaS e-commerce and course catalog company and maker of Course Merchant. This acquisition allows 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 \$599,413, resulting in total consideration of \$4,147,465. The contingent consideration is payable to the selling shareholders upon achieving certain customer retention targets by the first and second anniversary dates following the acquisition, which have a potential maximum contractual payment of \$345,000, in equal installments, for a total of \$690,000. During the year ended January 31, 2025, the Company made the first anniversary payment in the amount of \$249,436 to the former shareholders of Connected Shopping. Upon revaluation as at January 31, 2025, the remaining liability associated with the contingent consideration was \$228,348 (a decrease of \$105,420 from the balance at January 31, 2024).

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

23. Business acquisition (continued):

The Company has prepared a final purchase price allocation of the assets acquired and the liabilities assumed of Connected Shopping based on management's best estimates of fair value:

Cash	\$ 155,567
Trade and other receivables	264,720
Prepaid expenses	210,810
Property and equipment	21,995
Intangible assets:	
Customer relationships	249,000
Acquired technology	302,500
Total assets	1,204,592
Less:	
Accounts payable and accrued liabilities	(294,673)
Deferred revenue	(238,194)
Deferred income taxes	(137,875)
Total liabilities	(670,742)
Separately identifiable net assets	\$ 533,850
Goodwill	3,613,615
Total consideration	\$ 4,147,465

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. During the year ended January 31, 2025, the Company paid \$345,000 representing the first anniversary payment to the former shareholders of Connected Shopping.

Accounts receivable, representing a portion of the 'Trade and other receivables' line above, comprise gross total contractual amounts due of \$96,213, all of which had been collected in full in fiscal 2024.

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.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2025 and 2024

23. Business acquisition (continued):


The Company incurred acquisition-related costs of \$317,402 for the year ended January 31, 2025 (2024 – \$809,265) primarily consisting of post-combination compensation, and is recorded within 'General and Administrative' expenses and 'Research and Development' expenses in the consolidated statements of comprehensive income (loss).

About D2L

D2L is transforming the way the world learns, helping learners achieve more than they dreamed possible. Working closely with customers all over the world, D2L is on a mission to make learning more inspiring, engaging and human. Find out how D2L helps transform lives and delivers outstanding learning outcomes in K-12, higher education and business at www.D2L.com.

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