

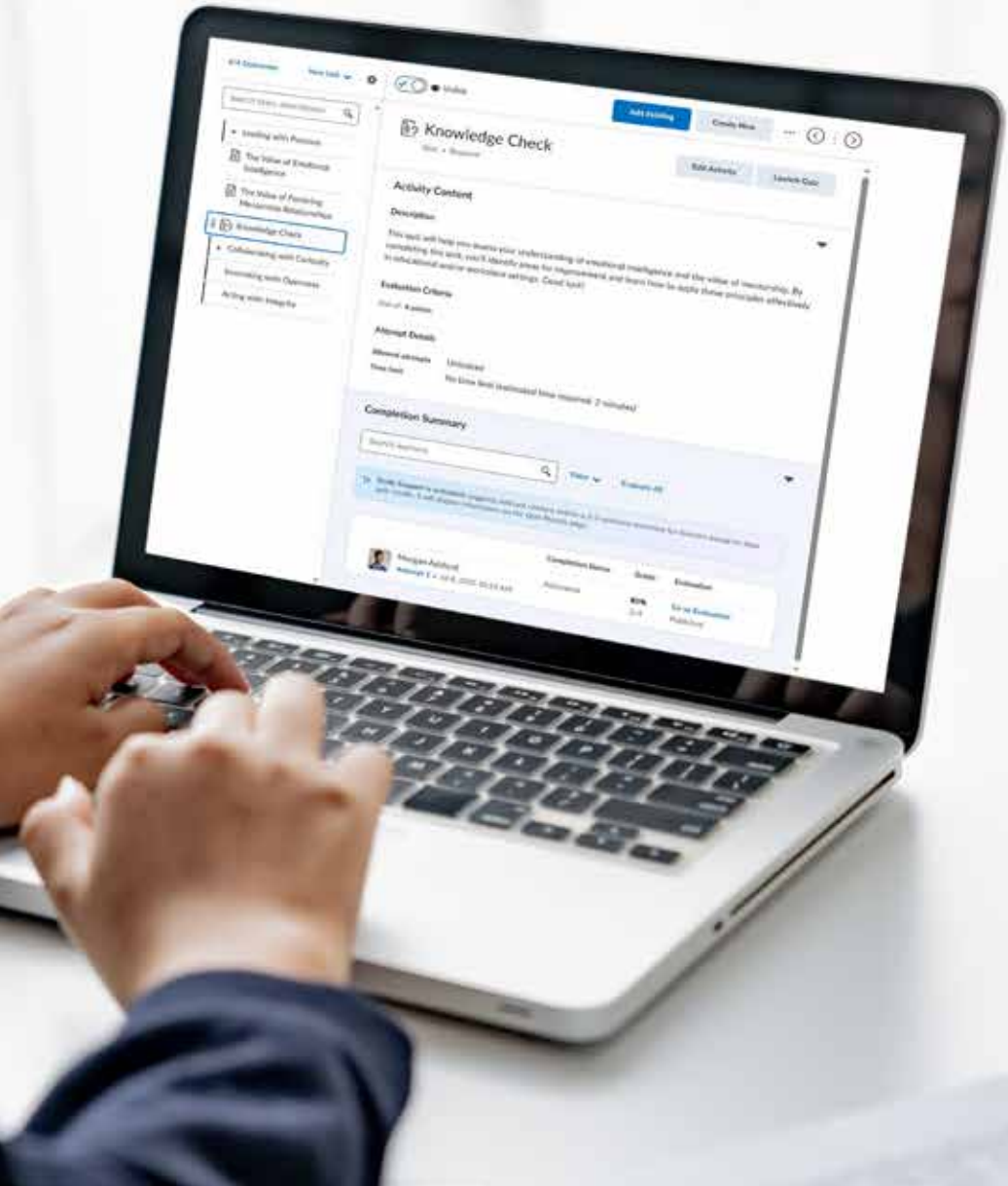
The Value of Engagement

ANNUAL REPORT
FISCAL YEAR 2026

D2L

Teaching, Learning, & Impact.

At D2L, we believe meaningful engagement is the foundation of better learning outcomes. When learners are engaged, educators are empowered, and organizations have the insight to act, learning can be transformative. For more than 25 years, D2L has focused on improving outcomes by placing people at the center of learning—using technology to support teaching, not replace it.
As artificial intelligence becomes an increasingly powerful enabler, we remain committed to responsible innovation that keeps humans in the loop, strengthening engagement, trust, and impact at scale.



1,500+
CUSTOMERS

21M+
USERS

40+
COUNTRIES



Founder, President and CEO, Chair of the Board
@JohnBakerD2L

DEAR SHAREHOLDERS[1],

Fiscal 2026 was a year of solid execution for D2L, marked by material progress across our core growth markets, continued innovation in our platform, and disciplined financial performance.

During the year, subscription and support revenue increased 10% to approximately $198 million, Annual Recurring Revenue[2] reached nearly $220 million, and Free Cash Flow[3] increased to approximately $44 million, representing a meaningful improvement in cash generation. The Company also ended the year with a strong financial position, including a substantial cash balance and no debt, providing flexibility to invest in innovation and growth while maintaining financial discipline. We increased our share buyback activity last year—acquiring close to 1 million shares—and this continues to be an attractive use of a portion of capital given the current valuation of D2L shares.

Across our core growth markets—higher education, corporate and international—customer engagement remains healthy, competitive win rates are strong, and bookings and pipeline activity have been resilient. Offsetting this, we did experience elevated churn within a portion of our U.S. K-12 customer base last year, which represents a relatively small share of our overall business. Retention in K-12 is otherwise strong, and we continue to provide great service to the largest K-12 school districts in North America. Overall, we are seeing good demand signals entering the new fiscal year, reinforcing our confidence in future growth.

#1 fastest growing

learning platform in North American higher education[4]

50%+ D2L win rate

for new implementations in North American Higher Education[5]

Expanding Our Customer Base Across Core Markets

D2L Brightspace now sits at the center of teaching and learning for more than 21 million learners globally across 1,500 customers in 40 countries. Expanding our customer base remains a key pillar of D2L's growth strategy, and Fiscal 2026 reflected continued progress across our core markets.

In North American higher education, D2L continues to compete and win over 50% of available opportunities, remaining the fastest growing platform among leading providers. While overall market volume has been constrained over the past several years, activity increased gradually in the past year, and we are encouraged by the quality and trajectory of opportunities entering the new fiscal year.

International markets are an important and growing contributor to D2L's business, with more than 20% of revenue now generated outside North America. We extended our presence in regions where we already have scale, such as the Netherlands, Singapore, and Colombia, while going deeper in newer markets for D2L, including South Africa, and India. Many international prospects are on legacy platforms, creating long-term opportunity as institutions look to modernize for the future of learning.

In corporate learning, we continue to grow our customer base, with performance that is outpacing the Company's overall growth. Today, the business is anchored by professional associations, credentialing bodies, and training organizations, and we are investing to expand capabilities that support employee learning and workforce development. We believe these investments will broaden our addressable market and position corporate learning to contribute more meaningfully to growth over time, particularly as demand for upskilling and reskilling continues to expand.

Together, these efforts reinforce the durability of D2L's growth model: competing effectively and growing share in our largest markets, expanding internationally, and investing thoughtfully to unlock new markets.

15+% growth

in international Annual Recurring Revenue[2]



"Looking ahead, we are entering Fiscal 2027 with momentum. Competitive win rates remain strong, customer engagement across our core markets is healthy, and our investments in AI are beginning to compound across product adoption and overall platform demand."

Innovation at the Core of Our Strategy

Innovation remains central to how we compete, and Fiscal 2026 marked meaningful progress, particularly in Artificial Intelligence (AI).

Our approach to AI is deliberate and customer centred: we are embedding AI directly into the workflows educators and learners use every day within the D2L Brightspace platform. This allows institutions to benefit from AI in context, while maintaining governance, transparency, and human oversight—considerations that are especially important for customers operating in regulated, mission critical environments.

This approach is best reflected in D2L Lumi, our AI product suite. During Fiscal 2026, D2L Lumi delivered growing adoption and revenue contribution as customers expanded usage across content creation, assessment, feedback, tutoring, and learner support. More broadly, our leadership in AI is contributing to stronger competitive positioning across the platform, supporting higher win rates and improved retention. As both the system of engagement and a trusted platform operating safely at scale, D2L is positioned well as organizations increasingly consider AI as a catalyst for modernizing learning environments and, over time, replacing legacy systems.

Demand has also been strong for Creator+, our interactive authoring solution built into Brightspace and enhanced by H5P. Creator+ enables instructors to create richer, more interactive learning experiences more efficiently, using AI assisted tools and a broad set of interactive content types. By reducing development effort while improving learner engagement, Creator+ is deepening platform usage and further strengthening the value of the Brightspace ecosystem for customers. D2L Lumi and Creator+ are increasingly contributing to expansion within our installed base, supporting higher lifetime value per customer.

On a foundation of responsible adoption, we are expanding our use of AI across internal workflows, including engineering, go-to-market, customer support and customer success. We are already seeing a positive impact across many teams, and are confident this work will help us scale more efficiently while improving customer outcomes.

Investing for the Next Phase of Growth

Looking ahead, we are entering Fiscal 2027 with momentum. Competitive win rates remain strong, customer engagement across our core markets is healthy, and our investments in AI are beginning to compound across product adoption and overall platform demand.

We believe the market dynamics we are seeing today create an opportunity to extend our market leadership and position D2L for the next phase of growth. Against this backdrop, we will continue to emphasize investments in product development, go to market capabilities, and AI-driven innovation.

At the same time, we remain committed to disciplined execution. Our business model—anchored by high recurring revenue, strong retention, and increasing operating leverage—gives us confidence that these investments support our medium-term outlook of accelerating revenue growth and margin expansion, consistent with the framework we have shared with investors.

While technology shifts like the rapid evolution of AI continue to change how learning is delivered, they do not change our mission. For more than 25 years, D2L has adapted and thrived through multiple cycles of transformation by staying focused on what matters most: helping customers deliver better learning experiences and improve outcomes for learners. That focus continues to guide how we invest, innovate, and build a durable, growing, and financially resilient business over time.

Thank you to our customers for their trust, to the D2L team for their commitment, and to our shareholders for your continued support.



John Baker, M.S.C.
Founder, President and CEO, Chair of the Board
April 2026

[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, 2026 within this Annual Report.
[2] Please refer to the "Key Performance Indicators" section of the Company's MD&A for the period ended January 31, 2026 within this Annual Report.
[3] 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, 2026 within this Annual Report.
[4] Market share by enrollment as referenced in Phil Hill & Associates Higher Education LMS Market Dynamics Year-End 2024 Report (the latest report available).
[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.



Fiscal 2026 Results at a Glance

$219.8M USD
ANNUAL RECURRING REVENUE[2]

+10%
OVER FISCAL 2025

$198.4M USD
SUBSCRIPTION & SUPPORT REVENUE

+10%
OVER FISCAL 2025

$32.9M USD
ADJUSTED EBITDA[3]

+17%
OVER FISCAL 2025

↑ Free cash flow[3] grew to $44.4M, up from $27.3M in Fiscal 2025

↑ Strong balance sheet, with cash and cash equivalents of $119.2M USD and no debt.

Transforming, Empowering, & Growing with D2L LUMI

D2L Lumi is the company's AI-native product suite, embedded directly into the Brightspace platform. D2L Lumi helps educators and organizations work more efficiently while delivering more personalized, engaging learning experiences—using AI responsibly within trusted, mission-critical learning environments.

D2L LUMI FOR LEARNERS

D2L Lumi helps learners stay engaged and on track with personalized study support, timely feedback, and AI-powered assistance that supports deeper understanding and learning success.

D2L LUMI FOR EDUCATORS

D2L Lumi helps educators work more efficiently by supporting content creation, assessment, and feedback—freeing up time to focus on teaching, engagement, and learner outcomes.

D2L LUMI FOR ORGANIZATIONS

D2L Lumi supports organizations with insights, automation, and scalable personalization—helping teams deliver consistent, high-quality learning experiences while operating securely and effectively at scale.

$3.5M

ANNUAL RECURRING REVENUE[1]

40%

ATTACH RATE ON NEW HIGHER EDUCATION CUSTOMERS[1]

[1]As of January 31, 2026

D2L INC.

Management's Discussion and Analysis

For the years ended January 31, 2026 and 2025

Dated: April 1, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("**MD&A**") comments on the financial performance and financial condition of D2L Inc. ("**D2L**" or the "**Company**") for the years ended January 31, 2026 and 2025.*

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, 2026, is referred to as "Fiscal 2026" or similar words. Our previous fiscal year, which ended on January 31, 2025, is referred to as "Fiscal 2025" 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 (the **"Annual Financial Statements"**) and the related notes thereto for the years ended January 31, 2026 and 2025, 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, 2026 ("**AIF**"), can be found on SEDAR+ at www.sedarplus.com. All amounts are in thousands of United States dollars except where otherwise indicated and per share amounts.*

Forward-Looking Information

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

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

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's assumptions regarding the principal competitive factors in our markets; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our operations; the ability to seek out, enter into and successfully integrate acquisitions, 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, 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. 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 were 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. This adjustment is not reflective of ordinary operations and was 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 within the audited annual consolidated statements of comprehensive income. This adjustment was not reflective of the Company's main business operations and is not expected to 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 excluding payments of acquisition-related compensation, less net additions to property and equipment. The definition of Free Cash Flow has been updated in the current reporting period to exclude payments of acquisition-related compensation to provide a more relevant picture of the Company's operating performance.

"**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 revenue to Constant Currency Revenue, for the periods indicated:

	Three months ended January 31,		Fiscal year ended January 31,	
(in thousands of U.S. dollars)	**2026**	**2025**	**2026**	**2025**
Total revenue for the period	55,796	53,313	217,471	205,276
Positive impact of foreign exchange rate changes over the prior period	(1,083)	—	(627)	—
Constant Currency Revenue	**54,713**	**53,313**	**216,844**	**205,276**

Adjusted EBITDA and Adjusted EBITDA Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31,		Fiscal year ended January 31,	
	2026	2025	2026	2025
(Loss) income for the period	**(1,371)**	**19,865**	**8,964**	**25,722**
Stock-based compensation	2,563	2,583	10,350	9,695
Foreign exchange (gain) loss	(613)	454	(2,951)	146
Non-recurring expenses[1]	588	784	1,798	2,954
Transaction-related costs[2]	269	614	2,237	2,686
Fair value adjustment of acquired deferred revenue[3]	28	379	394	1,018
Change in fair value of loan receivable from associate[4]	4,853	496	4,302	376
Loss from equity accounted investee	–	21	–	438
Net interest income	(254)	(594)	(1,667)	(2,942)
Income tax expense (recovery)	706	(16,442)	4,114	(16,235)
Other income	–	(40)	–	(40)
Depreciation and amortization	1,329	1,308	5,311	4,262
Adjusted EBITDA	**8,098**	**9,428**	**32,852**	**28,080**
Adjusted EBITDA Margin	**14.5%**	**17.7%**	**15.1%**	**13.7%**

Notes:

(1) These expenses relate to non-recurring activities, such as changes in workforce or technology whereby certain functions were realigned to optimize operations and certain legal fees incurred that are not indicative of continuing operations.

(2) These expenses include certain legal and professional fees that were incurred in connection with other strategic transactions, and post-combination compensation costs from previous acquisition transactions. In the prior fiscal year, these expenses included certain legal and professional fees that were incurred in connection with the disposal of our majority ownership stake in SkillsWave and our acquisition of H5P. These expenses were net of a gain of $0.9 million recognized for the fiscal year ended January 31, 2025 on the disposal of our majority ownership stake in SkillsWave. These expenses would not have been incurred if not for these transactions and are not considered to be indicative of expenses associated with the Company's continuing operations.

(3) At the date of acquisition, 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. See note 11 of the Annual Financial Statements for further details.

Free Cash Flow and Free Cash Flow Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31,		Fiscal year ended January 31,	
	2026	2025	2026	2025
Cash flows from (used in) operating activities	**12,542**	**(135)**	**42,954**	**27,902**
Acquisition-related compensation[1]	—	—	2,220	345
Net additions to property and equipment	(314)	(453)	(746)	(923)
Free Cash Flow	**12,228**	**(588)**	**44,428**	**27,324**
Free Cash Flow Margin	**21.9%**	**-1.1%**	**20.4%**	**13.3%**

Note

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

The cash flows from operating activities of the Company are seasonal in nature. Cash flows from operating activities have a seasonal low in the first quarter each year and a seasonal high in the second and third quarters each year, due to the contractual timing of annual invoicing with our end customers, many of which have a fiscal year end in the second quarter. Moderate period-to-period fluctuations in cash flows from operating activities are expected as the Company manages its working capital balances. In the current period, the Company experienced strong working capital management which positively impacted Free Cash Flow and Free Cash Flow Margin for the three months and fiscal year ended January 31, 2026.

Adjusted Gross Profit and Adjusted Gross Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31,		Fiscal year ended January 31,	
	2026	2025	2026	2025
Gross profit for the period	37,744	36,523	148,932	139,964
Stock based compensation	160	154	681	596
Amortization from acquired intangible assets	434	444	1,741	1,000
Adjusted Gross Profit	**38,338**	**37,121**	**151,354**	**141,560**
Adjusted Gross Margin	**68.7%**	**69.6%**	**69.6%**	**69.0%**

Adjusted Gross Margin for the year ended January 31, 2026 was negatively impacted by the migration of a database technology which negatively impacted Adjusted Gross Profit in the second half of Fiscal 2026 by approximately 200 basis points relative to the otherwise realized Adjusted Gross Margin in the period.

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, 2026 $	2025 $	Change %
ARR	219.8	200.2	9.8%
Constant Currency Annual Recurring Revenue	214.1	200.2	6.9%

ARR and Constant Currency Annual Recurring Revenue grew by 9.8% and 6.9%, respectively, year-over-year, due to continued strength in ARR bookings from our global Higher Education and Corporate markets, and was partially offset by higher-than-typical churn, particularly in our U.S. K-12 market. Excluding the K-12 market, ARR increased by approximately 13.8% from the comparative period in the prior year, and grew 10.5% year-over-year on a constant currency basis.

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, 2026 was 103.8% (100.0% for the fiscal year ended January 31, 2025), representing a year-over-year increase of 380 basis points, primarily due to the impact of period-over-period changes in foreign currency exchange rate fluctuations.

Constant Currency NRR 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, 2026 was 100.9% (102.7% for the fiscal year ended January 31, 2025), representing a year-over-year decrease of 180 basis points.

Higher-than-typical churn within our U.S. K-12 market resulted in a decrease of our NRR relative to the prior year. Excluding the K-12 market, Constant Currency NRR would have been 103.7%, which the Company views as a more normalized representation of the Company's performance in retaining and growing existing customers in Fiscal 2026.

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, 2026 was 92.1% (93.5% for the fiscal year ended January 31, 2025), down by 140 basis points year-over-year.

During Fiscal 2026, the Company experienced higher-than-typical churn within our U.S. K-12 market which caused a decrease in our Gross Revenue Retention Rate relative to historical performance. Excluding the K-12 market, Gross Revenue Retention Rate would have been 94.4%, which the Company views as a more normalized representation of the Company's retention performance in Fiscal 2026.

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 $2.6M impact of this subscription retirement, Gross Revenue Retention Rate would have been 94.9%, which the Company reviews as a more normalized representation of the Company's retention performance in Fiscal 2025.

Overview

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

Our solutions are sold through a subscription model and structured with a minimum user level commitment. The majority of our customers enter into contracts with a term of three to five years. Our contracts are priced on a per user basis (excluding certain users such as administrators and teachers) that varies depending on the size of the organization, complexity, and required services. During Fiscal 2026, we generated revenues of $217.5 million, up $12.2 million or 5.9%, from Fiscal 2025.

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, 2026, our customer list was comprised of approximately 1,500 customers (up from approximately 1,430 as at January 31, 2025) – 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 21 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 present an opportunity to up-sell additional functionality and expand users. Our future revenue growth and ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers' use of our platform. This will be impacted by the growth in demand for our products, the features and pricing of our competitors' offerings, and macroeconomic conditions and geopolitical events.

Ability to attract new customers

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

Scaling our sales and marketing efforts

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

Investment in technology

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

International expansion

We believe there is significant opportunity to expand usage of our platform outside of North America. Our future success will depend in part upon our ability to continue to deepen our presence in international markets, 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.

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.

Foreign currency

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

Components of Results of Operations

Revenue

D2L generates revenue from the following two primary sources:

Recurring subscription and support revenue

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

Professional services and other revenue

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

Cost of revenue

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

Cost of recurring subscription and support

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

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

Cost of professional services and other

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

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

Sales and marketing

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

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

Research and development

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

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

General and administrative

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

Our general and 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 income (expense)

Interest and other income (expense) consists of interest income; interest expense; other income (expenses), fair value changes on the loan receivable from associate; foreign exchange gain (loss); and the gain on the disposal of our majority ownership stake in SkillsWave in the prior year.

Other comprehensive income (loss)

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

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

Results of Operations

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

(in thousands of U.S. dollars, except per share amounts)	Three months ended January 31, 2026	Three months ended January 31, 2025	Fiscal year ended January 31, 2026	Fiscal year ended January 31, 2025
Revenue	55,796	53,313	217,471	205,276
Cost of revenue	18,052	16,790	68,539	65,312
Gross profit	**37,744**	**36,523**	**148,932**	**139,964**
Operating expenses				
Sales and marketing	14,357	13,641	57,941	53,943
Research and development	12,441	11,353	47,978	46,648
General and administrative	7,640	7,943	30,458	33,175
Total operating expenses	**34,438**	**32,937**	**136,377**	**133,766**
Income from operations	**3,306**	**3,586**	**12,555**	**6,198**
Interest and other (expenses) income	(3,971)	(163)	523	3,289
(Loss) income before income taxes	**(665)**	**3,423**	**13,078**	**9,487**
Income tax expense (recovery)	706	(16,442)	4,114	(16,235)
(Loss) income for the period	**(1,371)**	**19,865**	**8,964**	**25,722**
Other comprehensive income (loss)	1,572	(124)	3,502	(2,459)
Comprehensive income	**201**	**19,741**	**12,466**	**23,263**
(Loss) earnings per share - basic	**(0.03)**	**0.36**	**0.16**	**0.47**
(Loss) earnings per share - diluted	**(0.02)**	**0.35**	**0.16**	**0.46**

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, 2026 $	Three months ended January 31, 2025 $	Change %	Fiscal year ended January 31, 2026 $	Fiscal year ended January 31, 2025 $	Change %
Revenue						
Subscription and support revenue	51,084	46,846	9.0%	198,352	180,569	9.8%
Professional services and other revenue	4,712	6,467	-27.1%	19,119	24,707	-22.6%
Total revenue	**55,796**	**53,313**	**4.7%**	**217,471**	**205,276**	**5.9%**
Percentage of total revenue						
Subscription and support revenue	91.6%	87.9%		91.2%	88.0%	
Professional services and other revenue	8.4%	12.1%		8.8%	12.0%	
Total revenue	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

For the three months ended January 31, 2026, subscription and support revenue was $51.1 million compared to $46.8 million for the same period of the prior year, representing an increase of $4.2 million or 9.0%. For Fiscal 2026, subscription and support revenue was $198.4 million, compared to $180.6 million in Fiscal 2025, representing an increase of $17.8 million or 9.8%. The increases in subscription and support revenue were primarily attributable to revenue from new customers, coupled with expansion

from existing customers, and was partially moderated by higher-than-typical churn within the U.S. K-12 market. As a key performance indicator closely aligned to subscription revenue, ARR (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*") as at January 31, 2026 reached $219.8 million (up $19.6 million or 9.8% from $200.2 million as at January 31, 2025).

Professional services and other revenue for the three months ended January 31, 2026 was $4.7 million, a decrease of $1.8 million or 27.1%, from the $6.5 million earned in the same period of the prior year. This decline was partially driven by a $0.9 million one-time revenue adjustment in the prior year quarter related to the re-evaluation of the completion progress of certain professional service engagements. Excluding the impact of this adjustment, the decrease in professional services and other revenue was $0.8 million or 14.8%. For Fiscal 2026, professional services and other revenue was $19.1 million, versus $24.7 million for Fiscal 2025, representing a decrease of $5.6 million or 22.6%. Included in the prior year professional services revenue was $0.8 million from the re-evaluation of the completion progress of certain professional services engagements. Excluding this adjustment, the decrease for the period was $4.8 million or 19.9%, relative to the same period of the prior year. These reductions reflect a more cautious spending environment, particularly for curriculum advisory services in the U.S. Higher Education market, with customers less frequently committing to and consuming larger professional services engagements due to current macroeconomic conditions. We continue to actively monitor these dynamics and are focused on adapting our go-to-market approach to align with evolving customer priorities and spending patterns.

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 $54.7 million and $216.8 million for the three months and year ended January 31, 2026, respectively. This compares to $53.3 million and $205.3 million in the corresponding periods of the prior year, reflecting growth of $1.4 million or 2.6% and $11.6 million or 5.6%, 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 6.9% increase in Constant Currency Annual Recurring Revenue (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*") for Fiscal 2026. These increases were partially offset by the impact of lower professional services and other revenue compared to the same periods in the prior year.

Cost of revenue

	Three months ended January 31,			Fiscal year ended January 31,		
(in thousands of U.S. dollars, except percentages)	**2026 $**	**2025 $**	**Change %**	**2026 $**	**2025 $**	**Change %**
Cost of revenue						
Cost of subscription and support	14,345	12,533	14.5%	52,937	49,185	7.6%
Cost of professional services and other	3,707	4,257	-12.9%	15,602	16,127	-3.3%
Total cost of revenue	**18,052**	**16,790**	**7.5%**	**68,539**	**65,312**	**4.9%**
Percentage of total cost of revenue						
Cost of subscription and support	25.7%	23.5%		24.3%	24.0%	
Cost of professional services and other	6.6%	8.0%		7.2%	7.9%	
Total percentage of total revenue	**32.4%**	**31.5%**		**31.5%**	**31.8%**	

Cost of subscription and support revenue for the three months ended January 31, 2026 was $14.3 million, reflecting an increase of $1.8 million or 14.5% compared to the same period in the prior year. For Fiscal 2026, cost of subscription and support revenue increased by $3.8 million or 7.6% to $52.9 million compared to Fiscal 2025. The Fiscal 2026 costs included $1.7 million of amortization from acquired intangible assets, compared to $1.0 million in Fiscal 2025. Excluding the impact of these costs, the increase year-over-year was $3.0 million, or 6.2%. The year-over-year increases for both periods were primarily attributable to the migration of a database technology commencing in the third quarter of this fiscal year, which we expect will begin moderating once the database technology engineering is completed within Fiscal 2027. Higher partner-related costs in line with partner-related revenue growth also drove the year-over-year increases seen in cost of subscription and support revenue. These increases were partially mitigated by continued realization of cost optimization and efficiency efforts in our cloud technology delivery.

Cost of professional services and other for the three months ended January 31, 2026 was $3.7 million, representing a decrease of $0.6 million or 12.9% compared to the same period in the prior year. This decrease was primarily driven by reduced salaries and benefits expenses from lower headcount to support professional services and other revenue activities. For Fiscal 2026, cost of professional services and other decreased by $0.5 million or 3.3% to $15.6 million compared to Fiscal 2025. This decrease was mainly attributable to reduced partner-related cost of revenue, as a service previously delivered through a partner transitioned to being provided internally.

Gross profit

	Three months ended January 31,			Fiscal year ended January 31,		
(in thousands of U.S. dollars, except percentages)	**2026 $**	**2025 $**	**Change %**	**2026 $**	**2025 $**	**Change %**
Gross profit						
Subscription and support	36,739	34,312	7.1%	145,415	131,383	10.7%
Professional services and other	1,005	2,211	-54.6%	3,517	8,581	-59.0%
Total gross profit	**37,744**	**36,523**	**3.3%**	**148,932**	**139,964**	**6.4%**
Gross profit margin						
Subscription and support	71.9%	73.2%		73.3%	72.8%	
Professional services and other	21.3%	34.2%		18.4%	34.7%	
Total gross profit margin	**67.6%**	**68.5%**		**68.5%**	**68.2%**	

Gross profit earned on subscription and support for the three months ended January 31, 2026 was $36.7 million, up from $34.3 million earned for the same period in the prior year, representing a period-over-period increase of $2.4 million or 7.1%. For Fiscal 2026, gross profit earned on subscription and support increased year-over-year by $14.0 million or 10.7% to $145.4 million. The increases in gross profit were primarily driven by the increases in our subscription and support revenue and was partially offset by the increase in the related costs of revenue due to the factors outlined above.

As a percentage of revenue, gross profit margin for subscription and support for the three months ended January 31, 2026 decreased by 130 basis points to 71.9% from 73.2% in the same period of the prior year. This decrease was largely driven by the database technology migration noted above, which increased costs as expected in the second half of Fiscal 2026. The Company expects these additional costs to scale down over the course of Fiscal 2027. The gross profit margin decline for the three month period was also compounded by the impact of higher revenues compared to the same period in the prior year. For Fiscal 2026, gross profit margin for subscription and support increased by 50 basis points to 73.3% over Fiscal 2025. The increase was mainly attributable to growth in subscription and support revenue and efficiency gains in our cloud technology delivery prior to the database technology migration impact in the second half of the year, and was partially offset by the aforementioned database technology migration costs commencing in the third quarter of Fiscal 2026. The increase in gross profit margin for subscription and support for the year was partially offset by the impact of higher revenue year-over-year.

For the three months ended January 31, 2026, gross profit recognized on professional services and other was $1.0 million, down from $2.2 million earned for the same period of the prior year, representing a period-over-period decrease of $1.2 million or 54.6%. The prior year margin included a $0.9 million one-time revenue adjustment from re-evaluating the completion progress of certain professional services engagements. Excluding the impact of this adjustment, gross profit recognized on professional services and other for the period decreased by $0.3 million or 21.2% relative to the same period of the prior year. For Fiscal 2026, gross profit recognized on professional services and other was $3.5 million, down from $8.6 million recognized for the same period of the prior year, representing a year-over-year decrease of $5.1 million or 59.0%. Excluding the impact of a prior-year professional services revenue adjustment of $0.8 million from the re-evaluation of the completion progress of certain professional services engagements, the decrease in gross profit recognized on professional services and other for the period was $4.2 million or 54.6%, relative to the same period of the prior year. The decreases in gross profit for both periods were largely attributable to lower revenues in professional services and other, and was partially offset by period-over-period decreases in the cost of professional services and other as discussed above.

As a percentage of revenue, gross profit margin for professional services and other for the three months ended January 31, 2026 decreased by 1,290 basis points to 21.3% from 34.2% in the same period of the prior year. Excluding the impact of the one-time, professional services revenue adjustment in Fiscal 2025 discussed above, gross profit margin for professional services and other decreased 170 basis points relative to the same period of the prior year to 21.3% from 23.0%. For Fiscal 2026, gross profit margin for professional services and other decreased by 1,630 basis points over Fiscal 2025 to 18.4%. Excluding the impact of the aforementioned one-time, professional services revenue adjustment, gross profit margin for professional services and other was down 1,410 basis points to 18.4% from 32.5% relative to the same period of the prior year. The decreases in gross profit margin for both periods were mainly attributable to lower gross profit due to the factors discussed above and were partially offset by the impact of lower professional services and other revenue compared to the same periods in the prior year. 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, 2026 was $38.3 million, an increase of $1.2 million or 3.3% from the same period in the prior year. For Fiscal 2026, Adjusted Gross Profit was $151.4 million, an increase of $9.8 million or 6.9% from Fiscal 2025. The increases for both periods were primarily the result of higher gross profit earned on subscription and support, and was partially offset by the decline in gross profit from professional services and other due to the same factors mentioned above.

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, 2026 was 68.7% compared to 69.6% in the same period of the prior year, representing a 90 basis points decrease. This decrease was primarily attributable to period-over-period growth in total revenues, which outpaced increases in gross profit due to lower gross profit contribution from professional services and other as compared to the prior year. The Adjusted Gross Margin for Fiscal 2026 increased by 60 basis points from 69.0% to 69.6%. The increase in Adjusted Gross Margin for Fiscal 2026 was mainly attributable to higher gross profit from subscription and support, and was partially mitigated by the impact of higher total revenues over the same period.

Operating expenses

(in thousands of U.S. dollars, except percentages)	Three months ended January 31, 2026 $	2025 $	Change %	Fiscal year ended January 31, 2026 $	2025 $	Change %
Operating expenses						
Sales and marketing	14,357	13,641	5.2%	57,941	53,943	7.4%
Research and development	12,441	11,353	9.6%	47,978	46,648	2.9%
General and administrative	7,640	7,943	-3.8%	30,458	33,175	-8.2%
Total operating expenses	**34,438**	**32,937**	**4.6%**	**136,377**	**133,766**	**2.0%**
Percentage of total revenue						
Sales and marketing	25.8%	25.6%		26.7%	26.3%	
Research and development	22.3%	21.3%		22.1%	22.7%	
General and administrative	13.6%	14.9%		14.0%	16.2%	
Total percentage of total revenue	**61.7%**	**61.8%**		**62.8%**	**65.2%**	

Sales and marketing expenses for the three months ended January 31, 2026 were $14.4 million, up $0.7 million or 5.2% compared to the same period in the prior year. Included in sales and marketing expenses for the period was $0.6 million of stock-based compensation compared to $0.4 million in the same period of the prior year. Excluding the impact of stock-based compensation, sales and marketing expenses increased by $0.5 million compared to the same period of the prior year. This increase was mainly attributable to greater salaries and benefits expenses associated with higher headcount. For Fiscal 2026, sales and marketing expenses were $58.0 million, an increase of $4.0 million or 7.4%, from the expenses incurred in Fiscal 2025. Included in sales and marketing expenses for Fiscal 2026 was $1.9 million of stock-based compensation, compared to $1.2 million in Fiscal 2025. Excluding the impact of stock-based compensation, sales and marketing expenses increased by $3.3 million or 6.3% due to

higher salaries and benefits expenses, higher conference and marketing program costs, and increased travel costs associated with international sales events during Fiscal 2026.

Research and development expenses were $12.4 million versus $11.4 million for the same period in the prior year, representing an increase of $1.1 million or 9.6%. Research and development expenses increased by $1.3 million or 2.9% to $48.0 million for Fiscal 2026 from Fiscal 2025. Excluding the impact of $3.1 million of stock-based compensation during the period ($2.7 million during Fiscal 2025), research and development expenses increased by $0.9 million or 1.9% in Fiscal 2026. The increases for the both the three months and year ended January 31, 2026 were primarily attributable to higher salaries and benefits expenses relating to increased headcount compared to the same periods in the prior year.

General and administrative expenses decreased from $7.9 million to $7.6 million for the three months ended January 31, 2026 as compared to the same period in the prior year, representing a decrease of $0.3 million or 3.8%. Included in general and administrative expenses for the period was $1.2 million of stock-based compensation, compared to $1.4 million in the same period of the prior year. Excluding the impact of these costs, the decrease for the period was $0.1 million or 1.5%. The decrease was mainly attributable to lower salaries and benefits expenses, and was partially offset by higher bad debt expense period-over-period. For Fiscal 2026, general and administrative expenses were $30.5 million compared to $33.2 million in Fiscal 2025, a decrease of $2.7 million or 8.2%. Included in general and administrative expenses for Fiscal 2026 was a decrease of $0.7 million of stock-based compensation expense compared to the same period of the prior year. Excluding the impact of stock-based compensation, the decrease was $2.1 million or 7.4% year-over-year, and was largely driven by lower non-recurring legal and professional fees and lower salaries and benefits expenses. The decrease was partially offset by higher consulting fees associated with various system implementations to scale the Company's operations during Fiscal 2026.

Interest and other (expense) income

	Three months ended January 31,			Fiscal year ended January 31,		
(in thousands of U.S. dollars, except percentages)	**2026 $**	**2025 $**	**Change %**	**2026 $**	**2025 $**	**Change %**
Net interest income	254	594	-57.2%	1,667	2,942	-43.3%
Other income (expense)	15	194	-92.3%	207	(48)	531.3%
Fair value loss on loan receivable from associate	(4,853)	(497)	876.5%	(4,302)	(376)	1,044.1%
Foreign exchange gain (loss)	613	(454)	235.0%	2,951	(146)	2,121.2%
Gain on SkillsWave disposal transaction	—	—	0.0%	—	917	-100.0%
Total net interest and other (expense) income	**(3,971)**	**(163)**	**-2,336.8%**	**523**	**3,289**	**-84.1%**
Total percentage of total revenue	**-7.1%**	**-0.3%**		**0.2%**	**1.6%**	

Net interest income earned for the three months ended January 31, 2026 decreased from $0.6 million to $0.3 million, representing a period-over-period decrease of $0.3 million. For Fiscal 2026, net interest income decreased by $1.3 million to $1.7 million year-over-year. The decreases were mainly the result of lower interest rates in interest-bearing investments when compared to the equivalent prior periods.

Fair value loss on loan receivable from associate for the three months ended January 31, 2026 was $4.9 million, representing a period-over-period increase of $4.4 million. For Fiscal 2026, fair value loss on loan receivable increased by $3.9 million to $4.3 million. The increase in the loss was primarily driven by updates to the key valuation inputs used in the measuring the fair value of the loan receivable. These updates reflect the associate's current financial performance and future financial outlook. Refer to note 11 of the Annual Financial Statements for a detailed discussion of the assumptions used in valuing the loan receivable balance.

Foreign exchange gain for the three months ended January 31, 2026 increased by $1.1 million to $0.6 million over a foreign exchange loss of $0.5 million recognized in the same period of the prior year. For Fiscal 2026, foreign exchange gain was $3.0

million, representing a period-over-period increase of $3.1 million from a foreign exchange loss 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 more 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 and for which there was no corresponding impact in the current period.

(Loss) income for the period

Loss for the three month period ended January 31, 2026 was $1.4 million, compared to income of $19.9 million in the same period of the prior year, representing a decrease in income of $21.2 million. The decrease period-over-period was largely due to a $17.1 million change in income tax expense, resulting from prior year revisions to estimates of the Company's taxable profits available to utilize deferred income tax assets based on the Company's increased profitability, which led to the recognition of previously unrecognized deferred income tax assets during Fiscal 2025 and for which current year revisions had a relatively smaller beneficial impact in Fiscal 2026. An increase in the fair value loss on loan receivable from associate also drove the decrease in income seen period-over-period. For Fiscal 2026, income was $9.0 million, compared to income of $25.7 million in Fiscal 2025, representing a decrease of $16.8 million. The decrease year-over-year was driven by the same factors affecting the three-month results, namely the change in income tax expense, and higher fair value loss on the loan receivable from associate. This decrease was partially offset by the impact of increased income from operations, which was $6.4 million higher in Fiscal 2026 compared to Fiscal 2025.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") decreased by $1.3 million to $8.1 million for the three months ended January 31, 2026 from $9.4 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 in Fiscal 2025, there was a $0.4 million decrease from the same period of the prior year. The decrease was primarily driven by increased operating expenses compared to the equivalent period in the prior year due to the factors discussed in "*Operating expenses,*" and was partially offset by increased gross profit over the same period.

For Fiscal 2026, Adjusted EBITDA was $32.9 million, an increase of $4.8 million from Fiscal 2025. Excluding the impact of professional services revenue of $0.8 million from the re-evaluation of the completion progress of certain professional services engagements in Fiscal 2025, Adjusted EBITDA increased by $5.6 million from the same period of the prior year. The increase in Adjusted EBITDA for year ended January 31, 2026 was primarily attributable to increased gross profit when compared to the same period in the prior year as a result of factors discussed in "*Gross profit,"* and was partially offset by increased operating expenses over the same period.

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 14.5% for the three months ended January 31, 2026, representing a decrease of 320 basis points from the corresponding period in the prior year. Excluding the impact of professional services revenue of $0.9 million relating to the re-evaluation of the completion progress of certain professional services engagements in Fiscal 2025, Adjusted EBITDA Margin would have decreased by 140 basis points year-over-year from 15.9% to 14.5%. This decrease was the result of decreased Adjusted EBITDA discussed above, combined with the impact of increased total revenue period-over-period.

Adjusted EBITDA Margin was 15.1% for the year ended January 31, 2026, representing an increase of 140 basis points over the corresponding period in the prior year. Excluding the impact of professional services revenue of $0.8 million from the re-evaluation of the completion progress of certain professional services engagements in Fiscal 2025, Adjusted EBITDA Margin would have been increased by 180 basis points to 15.1% from 13.7% in the corresponding period of the prior year. The increase in Adjusted EBITDA Margin was the result of the increase in Adjusted EBITDA discussed above and was partially moderated by the impact of higher total revenue over the same period.

Selected Annual Information

(in thousands of U.S. dollars, except per share amounts)	Fiscal year ended January 31, 2026	2025	2024
Revenue	217,471	205,276	182,380
Income (loss) for the year	8,964	25,722	(3,542)
Adjusted EBITDA	32,852	28,080	7,862
Free Cash Flow[1]	44,428	27,324	9,932
Cash flows from operations	42,954	27,902	15,659
Earnings (loss) per share – basic	0.16	0.47	(0.07)
Earnings (loss) per share - diluted	0.16	0.46	(0.07)
Total assets	251,924	232,921	197,124
Total non-current liabilities	13,606	14,088	12,606

Note

(1) Fiscal 2025 comparative has been restated to conform with current year presentation by excluding the impact of acquisition-related compensation from the calculation of free cash flow.

Total Assets

Fiscal 2026 compared to Fiscal 2025

Total assets as at January 31, 2026 were $251.9 million compared to $232.9 million as at January 31, 2025, representing an increase of $19.0 million or 8.2% period-over-period. The increase was primarily driven by an increase in cash of $20.0 million, which is further discussed in "*Liquidity, Capital Resources and Financing – Cash Flows*" below. In addition, total assets benefited from a $2.3 million increase in Goodwill arising from favourable foreign currency translation adjustments. Prepaid expenses also increased by $1.5 million due to increased payments to service providers and partners at the end of the fiscal year. This increase to total assets was partially offset by a $4.3 million reduction in the fair value of the loan receivable from associate.

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, as evidenced by its Free Cash Flow of $27.3 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.

Total Non-Current Liabilities

Fiscal 2026 compared to Fiscal 2025

Total non-current liabilities as at January 31, 2026 were $13.6 million compared to $14.1 million as at January 31, 2025, representing a decrease of $0.5 million. The decrease was primarily due to a lower deferred income tax liability balance year-over-year due to the reversal of timing differences in the current period, and was partially offset by an increase of the non-current portion of lease liabilities due to lease additions and modifications made during the period.

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 22 in the Annual Financial Statements. This increase was partially offset by a reduction of the non-current portion of lease liabilities due to lease payments made during the period.

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, 2026. The information for each of these quarters have been prepared on the same basis as the Annual Financial Statements. This data should be read in conjunction with our Annual Financial Statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	3 Months Ended,							
(in thousands of U.S. dollars, except per share amounts)	**Jan 31, 2026**	**Oct 31, 2025**	**Jul 31, 2025**	**Apr 30, 2025**	**Jan 31, 2025**	**Oct 31, 2024**	**July 31, 2024**	**April 30, 2024**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**55,796**	**54,068**	**54,772**	**52,835**	**53,313**	**54,299**	**49,168**	**48,495**
Cost of revenue	18,052	17,998	16,684	15,805	16,790	16,909	15,795	15,818
Gross profit	**37,744**	**36,070**	**38,088**	**37,030**	**36,523**	**37,390**	**33,373**	**32,677**
Operating expenses								
Sales and marketing	14,357	14,069	15,846	13,669	13,641	12,806	14,591	12,905
Research and development	12,441	11,806	12,272	11,460	11,353	11,140	11,864	12,291
General and administrative	7,640	6,601	7,830	8,386	7,943	8,652	8,481	8,099
Total operating expenses	**34,438**	**32,476**	**35,948**	**33,515**	**32,937**	**32,598**	**34,936**	**33,295**
Income (loss) from operations	**3,306**	**3,594**	**2,140**	**3,515**	**3,586**	**4,792**	**(1,563)**	**(618)**
Interest and other (expenses) income	(3,971)	1,677	469	2,349	(163)	737	1,502	1,214
(Loss) income before income taxes	**(665)**	**5,271**	**2,609**	**5,864**	**3,423**	**5,529**	**(61)**	**596**
Income tax expense (recovery)	706	885	(72)	2,596	(16,442)	(18)	201	24
(Loss) income for the period	**(1,371)**	**4,386**	**2,681**	**3,268**	**19,865**	**5,547**	**(262)**	**572**
(Loss) earnings per share – basic	(0.03)	0.08	0.05	0.06	0.36	0.10	(0.00)	0.01
(Loss) earnings per share – diluted	(0.02)	0.08	0.05	0.06	0.35	0.10	(0.00)	0.01
Gross profit margin	67.6%	66.7%	69.5%	70.1%	68.5%	68.9%	67.9%	67.4%

Revenue

Our total quarterly revenue increased sequentially for the first three periods presented, largely due to revenue from new customers and strong expansion from existing customers. Total quarterly revenue remained relatively stable from the quarters ending October 31, 2024 to October 31, 2025 at an average of $53.9 million, before increasing to $55.8 million during the most recent quarter. The growth in revenue over the periods presented has been due to the Company continuing to see revenue from new customers coupled with revenue retention and expansion from existing customers. Subscription and support revenue grew sequentially over all quarters except the quarter ended October 31, 2025, while declines in professional services and other revenue over the quarters ending January 31, 2025 to July 31, 2025 partially offset those gains.

Cost of revenue

Average cost of revenue was $15.8 million for the first two quarters presented, which then increased to an average of $16.5 million for the quarters between October 31, 2024 to July 31, 2025, in line with the trends in revenue seen over the same periods. Cost of revenue during these periods was maintained despite growth in revenues due to ongoing cost optimization and scaling efficiencies in our cloud technology delivery. Cost of revenue increased to an average of $18.0 million for the two most recent

quarters, which resulted from the costs associated with the migration of a database technology as discussed in the "*Results of Operations — Cost of revenue*" section above.

Gross profit

Our total quarterly gross profit grew sequentially across the periods presented, with the exception of the quarters ended January 31, 2025 and October 31, 2025. The period-over-period increases in gross profit levels were mainly the result of growth in our subscription and support revenue from new and existing customers across all periods except the quarter ending October 31, 2025, coupled with cost optimization efforts in our cloud technology and service delivery. The decrease in gross profit during the quarter ended October 31, 2025 was primarily driven by the higher costs of revenue for subscription and support, recovering slightly in the quarter ended January 31, 2026 as a result of higher revenues during the period.

Gross profit margin averaged 67.6% for the first two quarters presented, increasing to an average of 69.2% for the next four quarters ended October 31, 2024 to July 31, 2025, largely the result the increases in gross profit described above. For the most recent quarters ended October 31, 2025, and January 31, 2026, gross profit margin declined to an average 67.2%, which was primarily attributable to higher costs of revenue as described in "*Cost of revenue*" above.

Operating expenses

Total operating expenses have been relatively stable over the quarters presented, with slight increases aligned with the growth of our operations. Operating expense have averaged $33.8 million for the past eight quarters and $34.1 million since April 30, 2025. This stability reflects our ability to scale our operations and realize cost efficiencies as the Company grows. Operating expenses were highest during the quarters ended July 31, 2024 and July 31, 2025, periods during which the Company typically expects operating expenses to be elevated due to increased travel and event-related costs incurred from our annual in-person customer conference, D2L Fusion. In addition, there were higher legal and professional fees associated with the divestiture of the Company's majority ownership stake in SkillsWave and acquisition of H5P which impacted the three months ended July 31, 2024, with additional acquisition-related costs from these transactions occurring in subsequent periods, such as post-combination compensation, up to the period ended July 31, 2025. During the most recent quarter ended January 31, 2026, operating expenses grew slightly from the immediately preceding quarter as a result of an increase in salaries and benefits costs associated with higher headcount.

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, 2026, our cash balance was $119.2 million and our working capital surplus was $10.7 million ($99.2 million and $7.0 million as at January 31, 2025, respectively). The increase in working capital of $3.7 million year-over-year was mainly due to the increase in cash and cash equivalents and in prepaid expenses as outlined in "*Total assets*" above, and was partially offset by an increase in accounts payable and accrued liabilities and an increase in deferred revenue. 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, 2026 and 2025, and cash flows from (used in) operating, investing, and financing activities for Fiscal 2026, Fiscal 2025 and the three months ended January 31, 2026 and 2025:

	Three months ended January 31,		Fiscal year ended January 31,	
(in thousands of U.S. dollars)	**2026**	**2025**	**2026**	**2025**
Cash and cash equivalents	**119,210**	**99,185**	**119,210**	**99,185**
Net cash from (used in):				
Operations	12,542	(135)	42,954	27,902
Investing	(314)	(5,626)	(6,073)	(34,329)
Financing	(4,969)	(3,379)	(19,082)	(8,569)
Effect of exchange rate changes on cash and cash equivalents	1,497	72	2,226	(2,763)
Net increase (decrease) in cash and cash equivalents	**8,756**	**(9,068)**	**20,026**	**(17,759)**

Cash flows from (used in) operations

Cash flows from (used in) operating activities for the three months ended January 31, 2026 were $12.5 million, compared to $0.1 million of cash flows used in the same period of the prior year, representing an increase of $12.7 million. For Fiscal 2026, cash flows from operating activities were $43.0 million compared to $27.9 million in Fiscal 2025, representing an increase of $15.1 million. The increases in operating cash flows were primarily attributable to improved year-over-year gross profit and the ability to scale operations and realize cost efficiencies as the Company grows, as described above in the "*Review of operations*" section, as well as higher cash flows from changes in working capital management. This increase was partially offset by post-combination compensation payments occurring during the current year associated with prior year acquisitions, higher payments of income taxes, and lower interest income received compared to the prior year.

The Company's Free Cash Flow (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") was $12.2 million for the three months ended January 31, 2026, compared to negative Free Cash Flow of $0.6 million in the same period of the prior year, representing a change in Free Cash Flow of $12.8 million. For Fiscal 2026, Free Cash Flow was $44.4 million, compared to $27.3 million for Fiscal 2025, representing an increase of $17.1 million. The increases were mainly driven by increases in cash flows from operating activities as discussed above.

For the three months ended January 31, 2026, Free Cash Flow Margin (a non-IFRS ratio, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") was 21.9% compared to negative Free Cash Flow Margin of 1.1% in the same period of the prior year, representing an increase of 2,300 basis points. For Fiscal 2026, Free Cash Flow Margin was 20.4%, compared to 13.3% in Fiscal 2025, representing an increase of 710 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 offset 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, 2026 were $0.3 million, compared to cash flows used in investing activities of $5.6 million for the same period of the prior year, representing a decrease in cash flows used of $5.3 million. For Fiscal 2026, cash flows used in investing activities were $6.1 million, representing a decrease of $28.3 million compared to cash flows used for investing activities of $34.3 million in Fiscal 2025. The decreases were mainly driven by cash used to purchase H5P and the advancement of a loan to an associate in Fiscal 2025, and was partially offset by cash used for

payments of contingent consideration in Fiscal 2026. For more details, refer to note 22 and note 11 in the Annual Financial Statements.

Cash flows used in financing activities

Cash flows used in financing activities were $5.0 million for the three months ended January 31, 2026, an increase of $1.6 million compared to $3.4 million of cash flows used in the same period of the prior year. For Fiscal 2026, cash flows used in financing activities were $19.1 million, compared to cash flows used in financing activities of $8.6 million in Fiscal 2025, representing an increase in cash flows used of $10.5 million. The increases for both periods were primarily attributable to greater outflows related to the repurchase of shares as part of our normal course issuer bid ("**NCIB**"), lower proceeds from the exercise of stock options, and higher taxes paid on the settlement of restricted share units when compared to the same periods of the prior year.

Subordinate Voting Shares repurchased for cancellation under normal course issuer bid

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 Toronto Stock Exchange ("TSX")), during the twelve-month period commencing December 9, 2024.

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

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. In addition to a daily purchase restriction, the ASPP permits the broker to make a weekly block purchase within the parameters set by the Company, to facilitate more efficient execution of the NCIB.

During the three months and year ended January 31, 2026, the Company repurchased and cancelled 355,800 and 992,700 Subordinate Voting Shares, respectively, under the NCIB for aggregate purchase prices of $3.9 million and $11.0 million, respectively, representing the cancellation of 3.6% of the opening Subordinate Voting Shares outstanding over the course of Fiscal 2026. During the three months and year ended January 31, 2025, the Company repurchased and cancelled 94,600 and 401,480 Subordinate Voting Shares, respectively, under the NCIB for aggregate purchase prices of $1.2 million and $3.6 million, respectively, representing the cancellation of 1.5% of the opening Subordinate Voting Shares outstanding over the course of Fiscal 2025.

As at January 31, 2025, the Company recognized a liability of $1.1 million for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. As at January 31, 2026, the Company has recorded the liability as $6.1 million for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the then-current blackout period. This resulted in a change of the liability made as at January 31, 2025 in the amount of $5.0 million, reflective of an increased authorized share repurchase capacity year-over-year, which was charged to deficit in Fiscal 2026.

Contractual obligations

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

(in thousands of U.S. dollars)	Payments due by period				
	Total	< 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	40,057	40,057	–	–	–
Operating commitments [1]	136,144	25,976	44,421	43,589	22,158
Total contractual obligations	**176,201**	**66,033**	**44,421**	**43,589**	**22,158**

Note:

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

Financial Outlook

Financial Guidance FY2027

D2L is initiating financial guidance for the year ended January 31, 2027 ("**Fiscal 2027**"). D2L plans to continue making measured investments for growth in Fiscal 2027 while scaling its operations for increasing levels of profitability. Specifically, for Fiscal 2027, the Company is issuing the following guidance:

- Subscription and support revenue in the range of $212 million to $214 million, implying growth of 7-8% over Fiscal 2026;
- Total revenue in the range of $231 million to $234 million, implying growth of 6-8% over Fiscal 2026; and
- Adjusted EBITDA in the range of $33 million to $35 million, implying an Adjusted EBITDA Margin of 15% at the midpoint.

The Company expects revenue growth and Adjusted EBITDA Margin to increase as Fiscal 2027 progresses, enabling the Company's performance in the second half of the year to improve relative to performance in the first half of the year.

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

Medium Term Outlook and Target Operating Model

In April 2025, management presented a medium-term target operating model outlining the levels of growth and profitability the Company expects to achieve by Fiscal 2028 as outlined below.

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

As we operate the business over the remainder of this period, we will continue to balance growth and profitability, including making measured investments in future growth and optimizing our operations for increased profitability.

We continue to expect to achieve 10-15% growth in annual revenue by Fiscal 2028 based upon existing customer retention and expansion, continued acquisition of new customers, ongoing product development, and strategic acquisitions as further described in the "*Financial Outlook – Medium Term Outlook and Target Operating Model*" section of the Fiscal 2025 MD&A.

Our current revenue growth rates, both the rate achieved in Fiscal 2026 and our guidance in Fiscal 2027, are lower than the target operating model based upon higher-than-normal levels of customer churn in our U.S. K-12 market, and lower activity levels within the North America Higher Education market. We expect both factors to moderate in impact by Fiscal 2028, supporting higher revenue growth relative to current levels.

We continue to expect to achieve 18-20% Adjusted EBITDA Margin by Fiscal 2028 based upon increases to Adjusted Gross Margin and operating leverage in our business model as further described in the Fiscal 2025 MD&A.

Our current Adjusted EBITDA Margin levels, both the margin reported in Fiscal 2026 and our guidance for Fiscal 2027, are lower than the target operating model based upon short-term pressure to our subscription gross margin levels resulting from the migration of a database technology, which moderates in Fiscal 2028, and continued investment in go-to-market and product development to scale our revenues and profits towards our Fiscal 2028 targets. As the impact of these factors moderates in Fiscal 2028, the Company expects to achieve an improvement in Adjusted EBITDA Margin relative to current levels.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Recent Developments

Dissolution of Connected Shopping Ltd.

Connected Shopping Ltd., a wholly owned subsidiary of the Company, was dissolved on December 2, 2025 as part of an internal legal entity simplification. Prior to dissolution, all operations, assets, and liabilities were transferred to D2L Europe Ltd. The derecognition of the subsidiary did not have a material impact on the Annual Financial Statements.

Acquisition of 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. 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. During the year ended January 31, 2026, the Company paid the remaining purchase price holdback of $0.2 million to the selling shareholders.

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. During the current year, the Company fully paid the contingent consideration in the amount of $4.9 million to the selling shareholders.

There are also payments of up to $2.5 million in the form of post-combination compensation due 60 days after the first anniversary date following the acquisition, subject to the continued employment of specific employees throughout the period. During the year ended January 31, 2026, the Company paid $1.9 million to the selling shareholders, settling the obligation.

The details of the net assets acquired and other information are disclosed in note 22 of the Company's Annual 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, 2026, no material contingencies have been identified with respect to litigation or claims.

Related Party Transactions

Service Arrangements with Related Parties

In the normal course of business, we obtain select services from and provide select services to related parties as reviewed and approved by our Board of Directors (the "**Board**"), as further described below. Note 17 of the Annual Financial Statements provides additional details on our related party transactions:

Services we receive:

Catalyst – Lease of Premises

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

The term of the Kitchener Lease is 11.5 years, which commenced on February 1, 2022. The Company recognized lease-related expenses, including right-of-use asset amortization, interest expense and common area maintenance fees, of $0.4 million and $1.6 million for the three months and year ended January 31, 2026, respectively (2025 – $0.4 million and $1.8 million).

The Company infrequently rents additional space from Catalyst for ad hoc events. The ad hoc rental costs paid by D2L were less than $0.1 million in Fiscal 2026 (2025 – nil).

During Fiscal 2026, the Company received a lease incentive amounting to nil (2025 – $0.1 million). The lease incentive represents a reimbursement from the lessor for applicable leasehold improvements.

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

(in thousands of dollars)	CAD $	USD $
February 1, 2026 - January 31, 2027	1,938	1,423
February 1, 2027 - January 31, 2028	2,020	1,483
February 1, 2028 – January 31, 2029	2,106	1,547
February 1, 2029 – January 31, 2030	2,196	1,613
February 1, 2030 – July 31, 2033	8,434	6,192
Total undiscounted commitment	**16,694**	**12,258**

SkillsWave – Upskilling Education Services

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. SkillsWave was a wholly-owned subsidiary of the Company incorporated on April 2, 2024 and provides upskilling solutions to employers. As a result of the divestiture transaction, the Company has an investment in an associate, SkillsWave, by holding significant influence over the company through its 30% equity ownership interest in the company and the right to minority Board representation. The transactions with SkillsWave discussed herein were approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest. Please refer to notes 17(c) and 21 of the Annual Financial Statements for more details describing the divestiture transaction and the Company's equity method of accounting for the investment in associate, respectively.

Subsequent to the divestiture of SkillsWave, D2L received upskilling education services from SkillsWave in the amount of $0.1 million and $0.4 million (2025 - $0.1 million and $0.3 million) for the three months and year ended January 31, 2026, respectively. As at January 31, 2026, the Company had less than $0.1 million (2025 – $0.2 million) in trade and other payables to this related party. The services received by D2L during Fiscal 2026 are consistent with the services it had previously received from the wave service offering internally, prior to the transition of the wave service offering from the Company to SkillsWave on June 28, 2024.

Services we provide:

Virtual High School (Ontario) – Subscription and Support Services

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

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

Revenue recognized by us pursuant to the Virtual High School Agreement was less than $0.1 million and $0.1 million for the three months and year ended January 31, 2026, respectively (2025 – less than $0.1 million and $0.1 million, respectively). As at January 31, 2026, the Company had nil (January 31, 2025 - nil) 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. The renewal was approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest.

SkillsWave – Loan Receivable

On June 28, 2024, the Company provided a loan to SkillsWave (the "**SkillsWave Loan**") in the principal amount of $9.5 million maturing in five years and bearing interest at the Canadian prime rate per annum. Principal and interest are payable at maturity.

The principal and accrued interest are convertible at the option of the Company, in whole or in part, into non-voting shares of SkillsWave at a pre-determined price per share, to the extent that such shares, together with any shares acquired at closing and retained by the Company, do not exceed a maximum 37.5% ownership interest in SkillsWave. The SkillsWave Loan is secured by all assets of SkillsWave constituting a first priority security interest, subject only to permitted liens.

The SkillsWave Loan was initially measured at 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. The Company estimated the fair value of the underlying share price used in the Black-Scholes model based on an enterprise valuation of SkillsWave using a discounted cash flow methodology, reflecting assumptions around its forecast results and its ability to access external financing.

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. The number of conversion options exercisable into non-voting shares of SkillsWave was based on the 37.5% maximum ownership interest limit in SkillsWave, and reflected the marketability and liquidity of the underlying shares given its current status as an early stage, private company.

As at January 31, 2026, the Company re-assessed the fair value of the loan receivable. Certain valuation inputs used in measuring the fair value of the SkillsWave Loan were updated, including the discount rate applied to the principal and interest payments based on SkillsWave's current credit risk, the number of conversion options exercisable into non-voting shares and the fair value of the underlying share price to assess the value of the conversion option.

During the year ended January 31, 2026, the Company recognized a fair value loss of $4.3 million (2025 – $0.4 million, which was reclassified from other income (expense) to reflect current year presentation) within the consolidated statements of comprehensive income. The fair value loss was computed based on the fair value of the conversion option using the aforementioned inputs and the present value of the expected future cash flows from the loan receivable principal and interest. The ending loan receivable balance of $4.8 million (2025 – $9.1 million) is recorded as "Loan receivable from associate" in the consolidated statements of financial position.

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 applied to the principal and interest payments and the number of conversion options exercisable into non-voting shares of SkillsWave. The estimated fair value of the loan receivable decreases as the discount rate increases. The estimated fair value of the loan receivable increases as the number of conversion options exercisable into non-voting shares of SkillsWave increases, implying an increase in the assumed marketability and liquidity of the underlying shares. The estimated sensitivity to changes in the discount rate applied on the principal and interest payments 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 within the consolidated statements of comprehensive income for the year ended January 31, 2026.

Assumption	Sensitivity	Increase (decrease) to income (loss) before income taxes
(in thousands of U.S. dollars)	%	$
Discount rate	+ 10%	(350)
Discount rate	- 10%	387

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

SkillsWave – Commercial Agreements

On June 28, 2024, the Company also entered into the following commercial 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 ("Transition Services Agreement") with SkillsWave to provide administrative services on a cost recovery basis to support the orderly transition of the upskilling education business from the Company to SkillsWave. The TSA terminated by January 31, 2025. The Company recognized nil for the three months ended January 31, 2026 (2025 – less than $0.1 million) in connection with the provision of administrative services, and nil for the year ended January 31, 2026 (2025 – less than $0.1 million) in connection with the provision of administrative services, within 'Other income (expense)' in the audited annual consolidated statements of comprehensive income.

The Company further entered into a customer contract with SkillsWave for use of the Company's products and services dated September 18, 2024 for a term of 28 months which began on October 1, 2024 and will end on January 31, 2027. The Company recognized revenue of less than $0.1 million for both the three months and year ended January 31, 2026 (2025 – less than $0.1 million for each respective period) and had less than $0.1 million in trade receivables as at January 31, 2026 (2025 - nil). The terms of the customer contract and the services provided by D2L during Fiscal 2026 are consistent with the terms provided to other customers that use the Company's products and services.

Financial Instruments and Other Instruments

Credit and concentration risk

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

As at January 31, 2026, 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. 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, 2026, if those currencies had strengthened 5% against the U.S. dollar, with all other variables held constant, operating income for the years would have been an estimated $4.0 million lower (2025 - $3.9 million 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 operating income.

Additional operating 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. The summary quantitative data about our exposure to currency risk as at January 31, 2026 is as follows:

(In thousands of local currency)	CAD	GBP	AUD	SGD	BRL	EUR	NOK
Cash and cash equivalents	5,195	5,334	12,475	5,007	34,290	4,629	63,714
Trade and other receivables	6,302	787	908	843	2,080	779	613
Uninvoiced revenue	1,775	57	152	121	1,929	3	—
Accounts payable and accrued liabilities	24,526	1,298	2,040	272	1,063	55	12,154

We reduce our exposure to foreign currency exchange risk by holding cash denominated in the local currency sufficient to cover local currency expenditures, thereby creating a natural hedge. We have not currently entered into any arrangements to hedge our exposure to currency risk during the three months and year ended January 31, 2026.

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 Annual 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 measured 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. During Fiscal 2026, the Company fully settled all contingent consideration, and no liability remains as at January 31, 2026.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of our Annual Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the Annual 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 Annual Financial Statements or 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 Annual Financial Statements 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 Annual Financial Statements.

Recently Issued Accounting Standards

New and amended standards and interpretations adopted by the Company

Effective February 1, 2025, the Company adopted the following amended accounting standard.

- 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 adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

New and amended standards and interpretations issued but not yet effective

As at the date of this MD&A, we have not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- The IASB 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 as at January 31, 2026 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, 2026 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, 2025 and ended on January 31, 2026 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Authorized Share Capital

As at January 31, 2026, our authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, (ii) an unlimited number of Multiple Voting Shares, and (iii) an unlimited number of preferred shares, issuable in series. The Subordinate Voting Shares and Multiple Voting Shares rank *pari passu* with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Company.

As of March 23, 2026, 26,920,697 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 842,532 Subordinate Voting Shares are issued and outstanding. In addition, the Company had 2,480,694 restricted stock units ("**RSUs**") issued and outstanding, 6,833 performance share units ("**PSUs**") issued and outstanding and 465,775 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 and costs associated with serving such customers, our business, financial condition, and results of operations could suffer.

- 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.
- 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.
- Tariffs, 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.
- 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.
- Acquisitions, investments or divestitures could divert our management's attention, result in additional dilution to our shareholders, and otherwise disrupt our operations and harm our results of operations.
- If we fail to maintain and execute a clear, coherent, and well-communicated company strategy, our business performance and long-term prospects may be adversely affected.
- 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.
- Our growth depends in part on the success of our relationships with third-parties.
- We rely upon Amazon Web Services ("**AWS**") to operate certain aspects of our service and any restriction of, disruption of, or interference with our use of AWS could impair our ability to deliver our platform and applications to our customers.
- Mergers or other strategic transactions involving our competitors or customers could weaken our competitive position, which could harm our results of operations.
- 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.
- If we are unable to hire, retain and motivate qualified employees, our business will suffer.
- Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that negatively affect our financial results.
- The failure of information systems could adversely impact D2L's reputation and results of operations.
- 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.
- 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.
- 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.
- 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.
- Seasonality may cause our sales and customer growth to vary from quarter-to-quarter.
- Changes to our platform, services or networks may result in a loss of customers.
- 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.
- 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.
- Our sales cycles can be unpredictable, and our sales efforts require considerable time and expense.
- 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 and AI technologies from third-parties to operate our business, and interruptions or performance problems, security and privacy vulnerabilities, or regulatory issues with these technologies may adversely affect our business and results of operations.
- If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate reduced revenue or experience slower growth rates, and incur costly litigation to protect our rights.
- 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.
- Our inability to update and align our licensing models and product delivery with disruptive technological developments—particularly the rapidly evolving influence of artificial intelligence on software and SaaS licensing models—could adversely affect our business.
- 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.
- Increases in the cost of insurance, or reduced availability of coverage, may adversely affect our business and financial condition.
- 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.
- 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.
- The Company's ability to recover the SkillsWave Loan depends on SkillsWave's execution as an early-stage private company, and weaker financial performance could result in additional fair value losses and/or non-recovery of the loan despite the Company's first priority, security interest in SkillsWave's assets.

These risks are described in further detail in the section entitled "*Risk Factors*" in our AIF for Fiscal 2026.

Consolidated Financial Statements
(In U.S. dollars)

D2L INC.

And Independent Auditor's Report thereon

Years ended January 31, 2026 and 2025

KPMG LLP
100 New Park Place, Suite 1400
Vaughan, ON L4K 0J3
Canada
Tel 905 265 5900
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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, 2026 and January 31, 2025
- the consolidated statements of comprehensive income 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, 2026 and January 31, 2025, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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, 2026. 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 $217,471,231. 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(d), 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 discount rate applied to the principal and interest payments, a significant unobservable input.

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 applied to the principal and interest payments 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.

Other Information

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

- the information included in Management's Discussion and Analysis.
- 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 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.



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 1, 2026

D2L INC.

Consolidated Statements of Financial Position
(In U.S. dollars)
As at January 31, 2026 and January 31, 2025

	2026	2025
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 119,210,190	$ 99,184,514
Trade and other receivables (note 4)	26,446,779	26,430,586
Uninvoiced revenue (note 5(b))	3,365,404	2,756,998
Prepaid expenses	8,929,070	7,564,837
Deferred commissions (note 5(d))	6,046,380	5,106,976
	163,997,823	141,043,911
Non-current assets:		
Other receivables (note 4)	274,542	422,589
Prepaid expenses	480,900	308,235
Deferred income taxes (note 15)	16,447,851	18,115,730
Right-of-use assets (note 9(a))	7,879,566	7,450,545
Property and equipment (note 6)	6,712,449	7,125,272
Deferred commissions (note 5(d))	7,111,530	6,909,439
Loan receivable from associate (note 11)	4,821,800	9,123,399
Intangible assets (note 7)	16,577,630	17,135,529
Goodwill (note 8)	27,619,673	25,286,222
Total assets	$ 251,923,764	$ 232,920,871
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 40,057,268	$ 30,504,085
Deferred revenue (note 5(c))	111,638,604	97,454,306
Lease liabilities (note 9(a))	1,641,257	1,201,604
Contingent consideration (note 10(a))	–	4,927,193
	153,337,129	134,087,188
Non-current liabilities:		
Deferred income taxes (note 15)	3,487,856	4,110,030
Lease liabilities (note 9(a))	10,118,128	9,977,941
	13,605,984	14,087,971
	166,943,113	148,175,159
Shareholders' equity:		
Share capital (note 12):	359,412,845	367,487,956
Additional paid-in capital	49,129,311	48,263,266
Accumulated other comprehensive loss	(3,954,805)	(7,456,599)
Deficit	(319,606,700)	(323,548,911)
	84,980,651	84,745,712
Commitments and contingencies (note 16)		
Related party transactions (note 17)		
Investment in associate (note 21)		
Total liabilities and shareholders' equity	$ 251,923,764	$ 232,920,871

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
(In U.S. dollars, except share amounts)
Years ended January 31, 2026 and 2025

	2026	2025
Revenue:		
Subscription and support	$ 198,351,729	$ 180,568,575
Professional services and other	19,119,502	24,707,667
	217,471,231	205,276,242
Cost of revenue:		
Subscription and support	52,937,143	49,185,184
Professional services and other	15,601,698	16,126,816
	68,538,841	65,312,000
Gross profit	148,932,390	139,964,242
Expenses:		
Sales and marketing	57,941,425	53,943,306
Research and development	47,978,109	46,647,575
General and administrative	30,457,734	33,175,359
	136,377,268	133,766,240
Income from operations	12,555,122	6,198,002
Interest and other income (expense):		
Interest expense	(1,270,201)	(823,099)
Interest income	2,936,633	3,765,500
Other income (expense)	206,657	(48,851)
Fair value loss on loan receivable from associate (note 11)	(4,301,599)	(376,601)
Gain on SkillsWave disposal transaction (note 17(c))	—	917,395
Foreign exchange gain (loss)	2,951,189	(145,798)
	522,679	3,288,546
Income before income taxes	13,077,801	9,486,548
Income taxes expense (recovery) (note 15):		
Current	2,869,389	1,219,741
Deferred	1,244,438	(17,454,876)
	4,113,827	(16,235,135)
Income for the year	8,963,974	25,721,683
Other comprehensive income (loss):		
Foreign currency translation gain (loss)	3,501,794	(2,458,282)
Comprehensive income	$ 12,465,768	$ 23,263,401
Earnings per share – basic (note 13)	$ 0.16	$ 0.47
Earnings per share – diluted (note 13)	$ 0.16	$ 0.46
Weighted average number of common shares – basic (note 13)	54,763,425	54,347,672
Weighted average number of common shares – diluted (note 13)	56,077,147	55,814,610

See accompanying notes to the consolidated financial statements.

D2L INC.

Consolidated Statements of Changes in Shareholders' Equity
(In U.S. dollars, except share amounts)
Years ended January 31, 2026 and 2025

	Share Capital		Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount				
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 the NCIB (note 12)	(401,480)	(3,564,436)	–	–	–	(3,564,436)
Change in 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
Issuance of Subordinate Voting Shares on exercise of options	203,177	1,424,189	(671,293)	–	–	752,896
Issuance of Subordinate Voting Shares on settlement of restricted share units	608,634	1,477,525	(8,232,900)	–	–	(6,755,375)
Stock-based compensation (note 14)	–	–	10,350,133	–	–	10,350,133
Reduction in excess tax benefit on stock-based compensation	–	–	(579,895)	–	–	(579,895)
Repurchase of share capital for cancellation under the NCIB (note 12)	(992,700)	(10,976,825)	–	–	(22,122)	(10,998,947)
Change in share repurchase commitment under the ASPP (note 12)	–	–	–	–	(4,999,641)	(4,999,641)
Other comprehensive income	–	–	–	3,501,794	–	3,501,794
Income for the year	–	–	–	–	8,963,974	8,963,974
Balance, January 31, 2026	54,472,285	$ 359,412,845	$ 49,129,311	$ (3,954,805)	$ (319,606,700)	$ 84,980,651

See accompanying notes to the consolidated financial statements.

D2L INC.

Consolidated Statements of Cash Flows
(In U.S. dollars)
Years ended January 31, 2026 and 2025

	2026	2025
Operating activities:		
Income for the year	$ 8,963,974	$ 25,721,683
Items not involving cash:		
Depreciation of property and equipment (note 6)	1,598,368	1,702,907
Depreciation of right-of-use assets (note 9(a))	1,452,005	1,273,607
Amortization of intangible assets (note 7)	2,260,338	1,285,534
Gain on disposal of property and equipment (note 6)	(24,670)	–
Stock-based compensation (note 14)	10,350,133	9,695,275
Net interest income	(1,666,432)	(2,942,401)
Income tax expense (recovery)	4,113,827	(16,235,135)
Gain on SkillsWave disposal transaction (note 17(c))	–	(917,395)
Loss from equity accounted investee (note 21)	–	438,098
Fair value loss on loan receivable from associate (note 11)	4,301,599	376,601
Changes in operating assets and liabilities:		
Trade and other receivables	1,268,292	(2,333,645)
Uninvoiced revenue	(461,648)	1,016,319
Prepaid expenses	(987,375)	2,197,263
Deferred commissions	(478,910)	507,805
Accounts payable and accrued liabilities	2,863,670	(876,599)
Deferred revenue	10,440,314	4,737,086
Right-of-use assets and lease liabilities	–	(65,884)
Post-combination compensation payments (note 22)	(2,220,000)	(345,000)
Interest received	2,913,000	3,738,473
Interest paid	(53,544)	(72,207)
Income taxes paid	(1,679,147)	(1,000,818)
Cash flows from operating activities	42,953,794	27,901,567
Financing activities:		
Payment of lease liabilities (note 9(a))	(2,080,113)	(1,657,536)
Lease incentive received (note 9(a))	–	99,080
Proceeds from exercise of stock options	752,896	2,175,376
Taxes paid on settlement of restricted share units	(6,755,375)	(5,621,505)
Repurchase of share capital for cancellation under NCIB (note 12)	(10,998,947)	(3,564,436)
Cash flows used in financing activities	(19,081,539)	(8,569,021)
Investing activities:		
Purchase of property and equipment (note 6)	(771,048)	(923,034)
Proceeds from disposal of property and equipment (note 6)	24,670	–
Acquisition of business, net of cash acquired (note 22)	(222,986)	(22,982,226)
Payment of contingent consideration (note 10(a))	(5,103,665)	(249,436)
Transfer of cash on disposal of SkillsWave (note 17(c))	–	(1,483,357)
Proceeds from sale of majority ownership stake in SkillsWave (note 17 (c))	–	809,038
Issuance of loan to SkillsWave (note 11)	–	(9,500,000)
Cash flows used in investing activities	(6,073,029)	(34,329,015)
Effect of exchange rate changes on cash and cash equivalents	2,226,450	(2,762,516)
Increase (decrease) in cash and cash equivalents	20,025,676	(17,758,985)
Cash and cash equivalents, beginning of year	99,184,514	116,943,499
Cash and cash equivalents, end of year	$ 119,210,190	$ 99,184,514

See accompanying notes to the consolidated financial statements.

D2L Inc. (the "Company" or "D2L") 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 provide cloud-based learning software for higher education institutions, kindergarten to grade 12 (K-12) schools and districts, and private sector enterprises.

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

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 1, 2026.

(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
H5P Group AS ("H5P"), acquired on July 9, 2024	Norway	Norwegian krone

1. Basis of presentation (continued):

SkillsWave Corporation ("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 17 for additional details.

Connected Shopping Ltd., a wholly owned subsidiary of the Company, was dissolved on December 2, 2025 as part of an internal legal entity simplification. Prior to dissolution, all of its operations, assets, and liabilities were transferred to D2L Europe Ltd. The derecognition of the subsidiary did not have a material impact on the consolidated financial statements.

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 and third quarters each year, due to the contractual timing of annual invoicing with our end customers, many of which have a fiscal year end in the second quarter.

(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.

1. Basis of presentation (continued):

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

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

The overall methodology used to determine the SSP for each distinct performance obligation requires significant 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.

1. Basis of presentation (continued):

Trade and other receivables:

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

Impairment of non-financial assets

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

Initial measurement of lease liabilities

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

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.

1. Basis of presentation (continued):

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.

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, and related learning consulting and content development services. 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.

2. Material accounting policies (continued):

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.

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 rateably 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 statements of financial position and as revenue on the consolidated statements of comprehensive income.

2. Material accounting policies (continued):

Professional services and other revenue:

Professional services and other revenue includes fees from consultation services to support the implementation of, integration of, and training related to the learning technologies, as well as complementary services such as content creation and learning consultancy, and, occasionally, termination fees due when contracts are cancelled for convenience. These professional services are either delivered at or around the inception of the contract with the customer when the subscription and support agreement commences, or as follow-on services during the term of the subscription and support agreement. The Company's professional services are typically considered distinct from the related subscription and support services as the promise to transfer the subscription can be fulfilled independently from the promise to deliver the professional services. (i.e., customer receives standalone functionality from the subscription and the customer obtains the intended benefit of the subscription without the professional services). The Company recognizes the revenue over time based on services rendered.

Contracts with multiple performance obligations:

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

(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, payments to outside service providers and partners, and amortization of acquired intangible assets.

2. Material accounting policies (continued):

(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 the expected period of benefit, which the Company has determined to be five years. For certain contract renewals or professional service contracts with a shorter expected period of benefit, deferred commissions are amortized over a corresponding period of twelve months. 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) 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.

2. Material accounting policies (continued):

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

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.

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.

De-recognition of financial assets:

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any difference between the carrying amount of the financial asset derecognized and the consideration received is recognized in the consolidated statements of comprehensive income.

2. Material accounting policies (continued):

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

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. Any gain or loss on derecognition is also recognized in the consolidated statements of comprehensive income.

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.

2. Material accounting policies (continued):

De-recognition of financial liabilities:

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

(e) 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 - 4 years
Leasehold improvements	lesser of useful life or term of lease

(f) 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

2. Material accounting policies (continued):

(g) 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 at the cash-generating unit ("CGU") 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 a CGU 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 CGU. Any impairment losses are recognized immediately in the consolidated statements of comprehensive income. An impairment loss may be reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been previously recognized for the asset or CGU.

(h) Goodwill:

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

For the purpose of impairment testing, goodwill is allocated to the CGU that is expected to benefit from the related business combination. The Company as a whole has been assessed as a single CGU. The CGU is tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of the CGU 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. Any impairment loss in respect of goodwill is not reversed.

(i) 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.

2. Material accounting policies (continued):

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 Company evaluates its right-of-use assets for impairment whenever there is any indication that the asset(s) may be impaired.

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of comprehensive income 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.

2. Material accounting policies (continued):

(j) 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.

(k) Income taxes:

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

2. Material accounting policies (continued):

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.

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.

(l) 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.

2. Material accounting policies (continued):

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 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 income (loss) and accumulated in shareholders' equity.

(m) Provisions:

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

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

2. Material accounting policies (continued):

(n) 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.

(o) 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.

(p) 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.

(q) Earnings per share:

Basic earnings 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 per share are calculated similar to basic earnings 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").

(r) 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.

2. Material accounting policies (continued):

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.

(s) Investment in associate:

Entities over which the Company has significant influence (i.e. 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.

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 recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

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 income (expense) in the consolidated statements of comprehensive income.

2. Material accounting policies (continued):

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.

(t) Recently issued accounting pronouncements:

New and amended standards and interpretations adopted by the Company

Effective February 1, 2025, the Company adopted the following amended accounting standard.

- 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 adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

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:

- 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 and cash equivalents include cash and short term highly liquid investments in money market mutual funds with original maturities of three months or less from the date of acquisition.

4. Trade and other receivables:

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

	2026	2025
Trade receivables	$ 26,368,632	$ 26,088,607
Allowance for doubtful accounts	(801,388)	(430,245)
Net trade receivables	25,567,244	25,658,362
Other receivables	1,154,077	1,194,813
Trade and other receivables	$ 26,721,321	$ 26,853,175
Comprised of:		
Current	$ 26,446,779	$ 26,430,586
Non-current	$ 274,542	$ 422,589

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 $782,714 (2025 - $723,311). 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.

4. Trade and other receivables (continued):

As at January 31, 2026, other receivables are comprised primarily of sublease receivables, tax credit receivables, and interest receivables. As at January 31, 2025, other receivables are comprised primarily of sublease receivables, income tax receivables, and interest receivables. All receivables are classified as current for the years ended January 31, 2025 and 2026, 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.

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, 2026, the total remaining non-cancellable performance obligations under contracts with customers was approximately $400,000,000 (2025 – $374,000,000). The Company expects to recognize revenue on approximately 35% 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.

5. Revenue from contracts with customers (continued):

The following table presents changes in uninvoiced revenue:

	2026	2025
Balance, beginning of year	$ 2,756,998	$ 3,971,861
Amounts transferred to trade receivables from the balance at the beginning of the year	(2,756,998)	(3,971,861)
Revenue in excess of billings, net of amounts transferred to trade receivables during the year	3,301,220	2,879,487
Effects of movement in exchange rates	64,184	(122,489)
Balance, end of year	$ 3,365,404	$ 2,756,998

(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, 2026 and 2025 was $94,960,257 and $90,090,000, respectively.

(d) Deferred commissions:

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

	2026	2025
Balance, beginning of year	$ 12,016,415	$ 13,065,588
Additions	6,649,727	5,291,042
Amortization to sales and marketing expense	(6,047,730)	(5,577,539)
Impairment	(115,162)	(214,278)
Effects of movement in exchange rates	654,660	(548,398)
Balance, end of year	$ 13,157,910	$ 12,016,415
Comprised of:		
Current	$ 6,046,380	$ 5,106,976
Non-current	$ 7,111,530	$ 6,909,439

5. Revenue from contracts with customers (continued):

For the periods presented, impairment was recorded on deferred commission balances that relate to customers agreements that were terminated prior to the end of their amortization period.

6. Property and equipment:

	Computer hardware/ software	Furniture and equipment	Leasehold improvements	Total
Cost				
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 22)	—	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
Additions	660,437	99,003	11,608	771,048
Disposals	(79,398)	(339,273)	—	(418,671)
Effects of movement in exchange rates	496,988	117,827	441,241	1,056,056
Balance, January 31, 2026	$ 8,784,718	$ 1,625,305	$ 7,399,271	$ 17,809,294
Accumulated depreciation				
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
Depreciation	634,212	211,888	752,268	1,598,368
Disposals	(79,398)	(339,273)	—	(418,671)
Effects of movement in exchange rates	449,629	83,102	108,828	641,559
Balance, January 31, 2026	$ 7,687,749	$ 1,121,411	$ 2,287,685	$ 11,096,845
Carrying Amounts				
January 31, 2025	$ 1,023,385	$ 582,054	$ 5,519,833	$ 7,125,272
January 31, 2026	$ 1,096,969	$ 503,894	$ 5,111,586	$ 6,712,449

7. Intangible assets:

	Acquired Technology	Patents	Customer Relationships	Domains	Brand	Total
Cost						
Balance, January 31, 2024	$ 6,809,688	$ 241,112	$ 257,586	$ 171,032	–	$ 7,479,418
Additions through acquisition (note 22)	11,800,000	–	4,300,000	–	2,100,000	18,200,000
Effects of movement in exchange rates	(528,894)	(17,597)	(170,642)	(12,483)	(61,268)	(790,884)
Balance, January 31, 2025	18,080,794	223,515	4,386,944	158,549	2,038,732	24,888,534
Effects of movement in exchange rates	1,194,815	14,256	447,977	10,113	208,187	1,875,348
Balance, January 31, 2026	$ 19,275,609	$ 237,771	$ 4,834,921	$ 168,662	$ 2,246,919	$ 26,763,882
Accumulated amortization						
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
Amortization	1,781,075	17,014	462,249	–	–	2,260,338
Effects of movement in exchange rates	122,673	9,761	40,475	–	–	172,909
Balance, January 31, 2026	$ 9,259,020	$ 173,716	$ 753,516	–	–	$ 10,186,252
Carrying Amounts						
January 31, 2025	$ 10,725,522	$ 76,574	$ 4,136,152	$ 158,549	$ 2,038,732	$ 17,135,529
January 31, 2026	$ 10,016,589	$ 64,055	$ 4,081,405	$ 168,662	$ 2,246,919	$ 16,577,630

7. Intangible assets (continued):

During the year ended January 31, 2025, D2L Europe Ltd, an indirect subsidiary of the Company, acquired H5P as described in note 22. 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, 2026 is expected to be as follows:

2027	$ 2,166,427
2028	2,162,036
2029	2,162,036
2030	2,162,036
2031 and beyond	5,509,514
	$ 14,162,049

8. Goodwill:

	2026	2025
Balance, beginning of year	$ 25,286,222	$ 10,440,091
Acquisition of Connected Shopping	—	294,000
Acquisition of H5P (note 22)	—	15,628,167
Effects of movement in exchange rates	2,333,451	(1,076,036)
Balance, end of year	$ 27,619,673	$ 25,286,222

The annual impairment test of goodwill was performed using a fair value less costs to dispose model and did not result in an impairment loss. The fair value measurement was determined based on a market approach for the Company's single CGU. The carrying value of the Company was compared with its recoverable amount (fair value less costs to dispose) 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.

9. Leases:

The Company leases certain properties under non-cancellable lease agreements that relate to office space. The expected remaining lease terms are between 1 and 8 years. The Company also subleased certain properties to third parties during the years ended January 31, 2026 and 2025.

(a) As a lessee:

The following reconciles the right-of-use assets as at January 31, 2026 and 2025:

	2026	2025
Carrying amount, beginning of year	$ 7,450,545	$ 8,774,960
Additions	516,027	800,780
Additions through acquisition (note 22)	–	77,020
Modifications to lease contracts	880,301	(33,461)
Depreciation	(1,452,005)	(1,273,607)
Leasehold incentive received	–	(99,080)
Terminations	–	(231,801)
Effects of movement in exchange rates	484,698	(564,266)
Carrying amount, end of year	$ 7,879,566	$ 7,450,545

The following reconciles the lease liabilities as at January 31, 2026 and 2025:

	2026	2025
Carrying amount, beginning of year	$ 11,179,545	$ 12,709,998
Additions	516,027	735,988
Additions through acquisition (note 22)	–	77,020
Modifications to lease contracts	880,301	(3,314)
Lease payments	(2,080,113)	(1,657,536)
Interest expensed	542,074	580,873
Terminations	–	(231,801)
Effects of movement in exchange rates	721,551	(1,031,683)
Carrying amount, end of year	$ 11,759,385	$ 11,179,545
Current	$ 1,641,257	$ 1,201,604
Non-current	$ 10,118,128	$ 9,977,941

9. Leases (continued):

Net expenses relating to short-term leases excluded from lease liabilities due to the election of the practical expedient were $58,838 for the year ended January 31, 2026 (2025 – $93,874). Variable lease payments not included in the measurement of lease liabilities were $453,276 for the year ended January 31, 2026 (2025 - $502,407).

The total future undiscounted lease payments for the Company are as follows:

February 1, 2026 - January 31, 2027	$	2,142,878
February 1, 2027 - January 31, 2028		1,771,960
February 1, 2028 - January 31, 2029		1,695,907
February 1, 2029 - January 31, 2030		1,758,788
February 1, 2030 – July 31, 2033		6,456,563
Total future undiscounted lease payments		13,826,096
Less: impact of discounting		(2,066,711)
Lease liability recorded on consolidated statements of financial position	$	11,759,385

(b) As a lessor:

For the year ended January 31, 2026, net receipts from the sublease receivable were $160,426 (2025 - $22,076). For the year ended January 31, 2026, $23,633 was recognized as interest income on subleases (2025 - $27,027).

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

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. The discount rate applied reflects significant management judgment and incorporates an assessment of the associate's credit risk. The Black-Scholes valuation model is used 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.

10. Financial instruments (continued):

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, 2026 for contingent consideration. As at January 31, 2026, the Company has fully paid the contingent consideration in the amount of $5,103,665 to the selling shareholders, representing the final settlement of obligations arising from the two acquisitions completed in prior years.

Balance at January 31, 2025	$ 4,927,193
Payments made during the year relating to Connected Shopping	(203,665)
Payments made during the year relating to H5P (note 22)	(4,900,000)
Fair value change through other income	(25,073)
Accretion expense through interest expense	199,916
Effects of movement in exchange rates	1,629
Balance at January 31, 2026	–

(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, 2026, if those currencies had strengthened 5% against the U.S. dollar, with all other variables held constant, operating income for the years would have been an estimated $4,045,094 lower (2025 - $3,879,950). 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 operating income.

10. Financial instruments (continued):

Additional operating income 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 statements of financial position, 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, 2026	CAD	GBP	AUD	SGD	BRL	EUR	NOK
Cash and cash equivalents	5,195,450	5,334,240	12,475,201	5,007,087	34,289,564	4,628,598	63,713,561
Trade and other receivables	6,302,353	787,238	908,198	842,693	2,079,745	779,233	613,319
Uninvoiced revenue	1,774,555	57,297	152,155	121,278	1,928,801	2,852	–
Accounts payable and accrued liabilities	24,526,024	1,297,696	2,039,855	272,291	1,062,510	54,914	12,154,143

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

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

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 sub-lease receivables and tax credit receivables, is not considered to have significant credit risk by the Company.

In addition, the Company has credit risk exposure related to the loan receivable from associate. The loan receivable is measured at FVTPL, and accordingly, changes in credit risk are reflected in the fair value measurement rather than through an expected credit loss allowance. The loan is secured by all assets of the associate.

Activity in the allowance for doubtful accounts balance was as follows:

	2026	2025
Balance, beginning of year	$ 430,245	$ 310,395
Additions through acquisition	—	60,195
Provision for uncollectible receivables	782,714	723,311
Write-offs	(411,571)	(663,656)
Balance, end of year	$ 801,388	$ 430,245

As at January 31, 2026, there was no customer that exceeded 10% of the Company's net trade receivables balances (January 31, 2025 – there was no customer that accounted for more than 10% of net trade receivables).

10. Financial instruments (continued):

As at January 31, 2026 and 2025, the aging of net trade receivables were as follows:

	2026	2025[1]
Current	$ 16,498,391	$ 19,255,707
Past due 1 - 30 days	5,543,559	2,540,440
Past due 31 - 60 days	792,215	1,090,731
Past due > 60 days	3,534,467	3,201,729
	26,368,632	26,088,607
Less: allowance for doubtful accounts	(801,388)	(430,245)
Balance, end of year	$ 25,567,244	$ 25,658,362

(1) The prior year comparative has been reclassified to separately present the allowance for doubtful accounts.

(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, 2026, the Company had a cash and cash equivalents balance of $119,210,190 (2025 - $99,184,514), and current trade and other receivables of $26,446,779 (2025 - $26,430,586) available to settle current liabilities (excluding deferred revenue) of $41,698,525 (2025 - $36,632,882).

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 17, during the year ended January 31, 2025, the Company provided 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 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.

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. The Company estimated the fair value of the underlying share price used in the Black-Scholes model based on an enterprise valuation of SkillsWave using a discounted cash flow methodology, reflecting assumptions around its forecast results and its ability to access external financing.

Assumptions were used for certain inputs into the Black-Scholes 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. The number of conversion options exercisable into non-voting shares of SkillsWave was based on the 37.5% maximum ownership interest limit in SkillsWave, reflecting the marketability and liquidity of the underlying shares given its current status as an early-stage, private company.

As at January 31, 2026, the Company re-assessed the fair value of the loan receivable. Certain valuation inputs used in measuring the fair value of the SkillsWave Loan were updated, including the discount rate applied to the principal and interest payments based on SkillsWave's current credit risk, the number of conversion options exercisable into non-voting shares and the fair value of the underlying share price to assess the value of the conversion option.

During the year ended January 31, 2026, the Company recognized a fair value loss of $4,301,599 (2025 – $376,601, which was reclassified from other income (expense) to reflect current year presentation) within the consolidated statements of comprehensive income. The fair value loss was computed based on the fair value of the conversion option using the aforementioned inputs and the present value of the expected future cash flows from the loan receivable principal and interest. The ending loan receivable balance of $4,821,800 (2025 – $9,123,399) is recorded as "Loan receivable from associate" in the consolidated statements of financial position.

11. Loan receivable from associate (continued):

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 applied to the principal and interest payments and the number of conversion options exercisable into non-voting shares of SkillsWave. The estimated fair value of the loan receivable decreases as the discount rate increases. The estimated fair value of the loan receivable increases as the number of conversion options exercisable into non-voting shares of SkillsWave increases, implying an increase in the assumed marketability and liquidity of the underlying shares. The estimated sensitivity to changes in the discount rate applied on the principal and interest payments 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 within the consolidated statements of comprehensive income for the year ended January 31, 2026.

Assumption	Sensitivity	Increase (decrease) to income before income taxes
Discount rate on principal and interest payments	+10%	$ (350,365)
Discount rate on principal and interest payments	-10%	$ 386,949

12. Share capital:

(a) Authorized share capital as at January 31, 2026 and 2025:

- 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.

12. Share capital (continued):

(b) Issued:

As at January 31, 2026, the Company had 27,081,697 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

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.

(c) Normal course issuer bid:

On December 4, 2024, the Company renewed its normal course issuer bid ("NCIB"). The Company can repurchase for cancellation up to 1,745,338 of the Company's Subordinate Voting Shares, representing approximately 10% of the "public float" (within the meaning of the rules of the TSX), during the twelve-month period commencing December 9, 2024.

On December 9, 2025, the Company renewed its NCIB. The Company can repurchase for cancellation up to 1,474,527 of the Company's Subordinate Voting Shares, representing approximately 10% of the "public float" (within the meaning of the rules of the TSX), during the twelve-month period commencing December 12, 2025.

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. In addition to a daily purchase restriction, the ASPP permits the broker to make a weekly block purchase within the parameters set by the Company, to facilitate more efficient execution of the NCIB.

During the year ended January 31, 2026, the Company repurchased and cancelled 992,700 (2025 – 401,480) Subordinate Voting Shares under the NCIB for an aggregate purchase price of $10,998,947 (2025 - $3,564,436). The excess of the repurchase price over the average book value of the common shares, amounting to $22,122 for the year ended January 31, 2026 (2025 – nil), was charged to deficit, with the remaining amount recorded as a reduction of share capital.

12. Share capital (continued):

As at January 31, 2025, the Company recognized a liability of $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. As at January 31, 2026, the Company has recorded the liability as $6,097,244 for the repurchase of Subordinate Voting Shares under an ASPP within accounts payable and accrued liabilities, as an estimate to the maximum number of shares that could be repurchased during the then-current blackout period. This resulted in a change of the liability made as at January 31, 2025 in the amount of $4,999,641 (2025 – $1,166,807), reflective of an increased authorized share repurchase capacity year-over-year, which was charged to deficit in the current period.

13. Earnings per share:

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

		2026		2025
Income for the year	$	8,963,974	$	25,721,683
Weighted average number of outstanding shares - basic		54,763,425		54,347,672
Weighted average number of outstanding shares - dilutive		56,077,147		55,814,610
Earnings per share – basic	$	0.16	$	0.47
Earnings per share – dilutive	$	0.16	$	0.46

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

For the year ended January 31, 2026, 232,539 potentially dilutive instruments (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.

14. Stock-based compensation:

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

	2026	2025
Cost of subscription and support	$ 292,673	$ 266,303
Cost of professional services and other	388,642	329,503
Sales and marketing	1,910,032	1,175,879
Research and development	3,147,077	2,651,208
General and administrative	4,611,709	5,272,382
	$ 10,350,133	$ 9,695,275

During the year ended January 31, 2026, total stock-based compensation expense consists of $62,165 (2025 — $167,545) relating to stock options, $9,269,256 (2025 — $8,717,034) relating to RSUs, $39,800 (2025 — nil) relating to PSUs, and $978,912 (2025 — $810,696) relating to DSUs.

(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.

14. Stock-based compensation (continued):

The Company's Legacy Stock Option Plan provides for the issuance of up to 11,200,000 options to purchase Subordinate Voting Shares. As of January 31, 2026, 843,002 stock options (2025 – 1,133,642) were issued and outstanding and nil (2025 – 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, 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
Options forfeited	(31,906)	7.31	–
Options exercised	(258,734)	5.52	–
Balance, January 31, 2026	843,002	$ 7.58	4.07
Exercisable, end of year	840,077	$ 7.58	4.07

Options outstanding and options exercisable as at January 31, 2026 by range of exercise price are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options
$5.00 - $6.00	$ 5.16	381,393	2.92	$ 5.16	381,393
$6.01 - $7.00	6.50	200,847	4.68	6.50	200,847
$8.01 - $9.00	8.48	42,792	4.78	8.48	42,792
$9.01 - $10.00	9.55	57,970	5.03	9.55	55,045
$10.01 - $14.00	13.77	160,000	5.51	13.77	160,000
	$ 7.58	843,002	4.07	$ 7.58	840,077

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.

14. Stock-based compensation (continued):

(b) Long Term Incentive Plan:

The D2L Long Term Incentive Plan (the "LTIP Plan"), adopted by the Company on November 3, 2021, authorizes the issuance of options, 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, 2026, 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 price during the trading day immediately preceding the date of grant. RSUs will generally be settled upon or shortly after vesting.

	Number of RSUs outstanding	Weighted average grant date fair value per RSU (in CAD)
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
RSUs granted	1,404,917	12.56
RSUs forfeited	(446,360)	9.93
RSUs settled	(1,296,766)	8.76
Balance, January 31, 2026	2,500,271	$ 11.18
Vested but not yet settled, January 31, 2026	–	–

15. Income taxes:

Income before income taxes is earned in the following jurisdictions:

	2026	2025
Income (loss) before income taxes:		
Canada	$ 11,193,768	$ 9,164,361
United States	1,763,196	1,729,913
Other countries	120,837	(1,407,726)
	$ 13,077,801	$ 9,486,548

Income tax expense (recovery):

	2026	2025
Current income taxes:		
Current period	$ 2,578,249	$ 1,005,276
Change in estimates of prior periods	291,140	214,465
	2,869,389	1,219,741
Deferred income taxes (recovery):		
Current period	$ 2,548,719	$ 3,945,136
Recognition of previously unrecognized temporary differences	(940,349)	–
Recognition of previously unrecognized tax losses	–	(14,039,772)
Recognition of previously unrecognized tax credits	(1,100,443)	(1,710,900)
Utilization of previously unrecognized tax losses	–	(2,073,968)
Utilization of previously unrecognized tax credits	–	(3,611,491)
Foreign tax credits	669,909	–
Change in estimates of prior periods	66,602	36,119
	1,244,438	(17,454,876)
	$ 4,113,827	$ (16,235,135)

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, 2025	Recognized in profit or loss	Recognized directly in equity	Recognized in FX	January 31, 2026
Deferred tax assets:					
Operating losses carried forward	$ 8,331,313	$ (4,002,232)	—	—	$ 4,329,081
Other temporary differences	608,282	(700,013)	—	778,628	686,897
Lease liability	2,143,440	979,621	—	—	3,123,061
SRED deduction pool	8,207,840	(226,784)	—	—	7,981,056
Investment tax credits	1,710,899	1,154,249			2,865,148
Stock-based compensation	1,562,308	890,874	(579,895)	—	1,873,287
Intangible assets	778,610	123,912	—	—	902,522
Property and equipment	59,065	5,913	—	—	64,978
Non-deductible reserve for deferred revenue	—	93,676	—	—	93,676
	23,401,757	(1,680,784)	(579,895)	778,628	21,919,706
Deferred tax liabilities:					
Intangible assets	3,632,537	(107,875)	—	—	3,524,662
Non-deductible reserve for deferred revenue	355,681	(355,681)	—	—	—
Tax on SRED investment tax credit	527,887	231,377	—	—	759,264
Right-of-use assets	2,138,285	72,950	—	—	2,211,235
Deferred commissions and other expenses	616,939	9,303	—	—	626,242
Goodwill	146,563	42,732	—	—	189,295
Property and equipment	182,124	(144,730)	—	—	37,394
Unrealized foreign exchange gain on intercompany loan	1,796,041	(184,422)	—	—	1,611,619
	9,396,057	(436,346)	—	—	8,959,711
Net deferred tax assets (liabilities)	$ 14,005,700	$ (1,244,438)	$ (579,895)	$ 778,628	$ 12,959,995

As presented on the consolidated statements of financial position:		
Deferred tax assets	$ 18,115,730	$ 16,447,851
Deferred tax liabilities	(4,110,030)	(3,487,856)
Net deferred tax assets	$ 14,005,700	$ 12,959,995

15. Income taxes (continued):

	January 31, 2024	Recognized in profit or loss	Recognized directly in equity	Current year acquisition	Recognized in FX	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	–	8,207,840	–	–	–	8,207,840
Investment tax credits	–	1,710,899	–	–	–	1,710,899
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 credits	–	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
Unrealized 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 statements of financial position:		
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

15. Income taxes (continued):

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 remaining previously unrecognized non-refundable investment tax credits and other deductible temporary differences on the basis of the Company's reassessment of the amounts of its deferred tax assets that are probable to be realized (2025 – the Company recognized previously unrecognized tax losses, previously unrecognized pool of deductible SR&ED expenditures and previously unrecognized non-refundable investment tax credits). In reviewing the carrying amounts of the deferred tax assets at the end of January 31, 2026 and 2025, 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.

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

	2026	2025
Combined basic Canadian statutory rates	26.5%	26.5%
Income tax expense (recovery) based on the above rates	$ 3,465,617	$ 2,513,935
Increase (decrease) in income taxes resulting from:		
Permanent differences	1,297,225	2,316,142
Effect of tax rate differences	(20,614)	49,134
Change in estimates of prior periods	357,742	250,584
Changes in unrecognized benefits of deferred tax assets	(163,411)	–
Recognition of previously unrecognized temporary differences	(940,349)	–
Recognition of previously unrecognized tax losses*	–	(16,113,740)
Recognition of previously unrecognized tax credits**	(1,100,443)	(5,322,391)
Origination and reversal of temporary differences	481,213	499,122
Stock-based compensation	(128,145)	(763,405)
Current year losses for which no deferred tax asset is recognized	240,585	606,661
Foreign tax credits	669,909	–
Other	(45,502)	(271,177)
Income tax expense (recovery)	$ 4,113,827	$ (16,235,135)

* For the year ended January 31, 2025, the recognition of previously unrecognized tax losses included $2,073,968 that were utilized in the period.

** For the year ended January 31, 2025, the recognition of previously unrecognized tax credits included $3,611,491 that were utilized in the period.

15. Income taxes (continued):

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:

	2026	2025
Operating losses carried forward	255,290	–
Capital losses carried forward	5,812,762	3,513,841
Unrealized foreign exchange loss on intercompany loan	9,018,017	10,191,981
Intangible assets	–	30,507
Leases	–	3,110,551
Deferred financing fees	830,454	1,360,830
Investment in associate	438,098	438,098
Loan receivable from associate	5,343,669	584,063
Other temporary differences	–	194,673
Total	$ 21,698,290	$ 19,424,544

The Company has Canadian capital losses carry forward of $5,812,762 (2025 - $3,513,841) 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, 2026, the Company has available Canadian federal non-refundable investment tax credits of nil (2025 – $1,407,434) related to research and development expenditures which may be used to reduce income taxes payable in future years for which no deferred tax asset has been recognized.

The Company has not recognized deferred tax liabilities associated with investments in subsidiaries with aggregate temporary differences of $11,751,426 (2025 – $7,270,546) 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 $13.8 million over the next 8 years.

16. Commitments and contingencies (continued):

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, 2026:

February 1, 2026 - January 31, 2027	$ 23,833,327
February 1, 2027 - January 31, 2028	20,953,500
February 1, 2028 - January 31, 2032	77,531,616
Total undiscounted commitment	$ 122,318,443

(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.

17. Related party transactions:

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

(a) The Company recognized revenue of $88,136 for the year ended January 31, 2026 (2025 - $81,582) 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, 2026, the Company had nil (2025 - nil) 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 $1,587,679 for the year ended January 31, 2026 (2025 – $1,751,477).

The Company infrequently rents additional space at Catalyst for ad hoc events. The ad hoc rental costs paid by D2L were $7,743 in 2026 (2025 – nil).

During the year ended January 31, 2026, the Company received a lease incentive amounting to nil (2025 - $99,080). 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.

17. Related party transactions (continued):

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

	CAD	USD
February 1, 2026 - January 31, 2027	$ 1,937,954	$ 1,423,020
February 1, 2027 - January 31, 2028	2,020,311	1,483,494
February 1, 2028 - January 31, 2029	2,106,390	1,546,701
February 1, 2029 - January 31, 2030	2,196,192	1,612,642
February 1, 2030 – July 31, 2033	8,433,473	6,192,613
Total undiscounted commitment	$ 16,694,320	$ 12,258,470

(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 which operates in Canada and provides upskilling solutions to employers.

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, during the year ended January 31, 2025, the Company recognized the fair value of its retained investment in SkillsWave of $438,098 (see Note 21 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 during the year ended January 31, 2025. 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

17. 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 prior to January 31, 2025. The Company recognized nil in connection with the provision of administrative services during the year ended January 31, 2026 (2025 – $34,315) in Other income (expense) in the consolidated statements of comprehensive income.

Subsequent to the disposal of SkillsWave on June 28, 2024, D2L received upskilling education services from SkillsWave in the amount of $407,264 for the year ended January 31, 2026 (2025 - $272,642). As at January 31, 2026, the Company had $30,323 (2024 – $155,126) 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 28 months which began on October 1, 2024 and will end on January 31, 2027. The Company recognized revenue of $15,917 for the year ended January 31, 2026 (2025 – $7,855) and had $9,715 in trade receivables as at January 31, 2026 (2025 - nil) from this related party.

As at January 31, 2026, the Company recognized an amount payable of $56,642 owed to SkillsWave, relating to an outstanding liability arising from the original disposal transaction and in accordance with the Asset Purchase Agreement dated June 28, 2024. Excluding the amount owing, the Company does not expect any further obligations from this transaction. Subsequent to January 31, 2026, the payable was settled in full.

17. Related party transactions (continued):

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:

	2026	2025
Salaries and other short-term benefits	$ 4,458,790	$ 5,425,313
Stock-based payments	5,439,953	5,068,060
	$ 9,898,743	$ 10,493,373

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

18. Capital management:

The Company's capital is composed of shareholders' equity. The Company's objectives in managing its capital is to maintain 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.

19. Employee benefits:

The total employee compensation comprising of salaries and benefits, excluding grants and tax credits, for the year ended January 31, 2026 was $121,722,559 (2025 - $118,240,491).

The Company has a defined contribution pension plan for its eligible employees. The total cost recognized for the Company's defined contribution plan is $3,090,925 (2025 - $2,853,062).

20. Operating segments:

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

Geographic information:

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

	2026	2025
Canada	$ 51,038,509	$ 49,225,189
United States	121,472,718	116,467,817
Rest of world	44,960,004	39,583,236
Total	$ 217,471,231	$ 205,276,242

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

Property and equipment:

	2026	2025
Canada	$ 6,467,260	$ 6,891,302
Rest of world	245,189	233,970
Total	$ 6,712,449	$ 7,125,272

Right-of-use assets:

	2026	2025
Canada	$ 7,375,965	$ 7,283,950
Rest of world	503,601	166,595
Total	$ 7,879,566	$ 7,450,545

20. Operating segments (continued):

Intangible assets:

	2026	2025
Canada	$ 373,880	$ 426,800
United Kingdom	16,203,750	16,708,729
Total	$ 16,577,630	$ 17,135,529

Goodwill:

	2026	2025
Canada	$ 6,995,793	$ 6,573,234
United Kingdom	20,623,880	18,712,988
Total	$ 27,619,673	$ 25,286,222

21. Investment in associate:

Upon the disposal of its controlling interest in SkillsWave as discussed in Note 17 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:

	2026	2025
Total assets	$ 6,687,975	$ 10,858,243
Total liabilities	(11,474,161)	(11,652,175)
Total equity	$ (4,786,186)	$ (793,932)
Company's share of equity (30%)	$ (1,435,856)	$ (238,180)
Company's share of net loss (30%)	$ (1,196,466)	$ (676,456)

21. Investment in associate (continued):

As a result of the Company's share of SkillsWave's cumulative net losses, the investment in associate was reduced to nil during the year ended January 31, 2025. Accordingly, the Company has recorded nil (2025 – $438,098) reflecting it's share of the losses recognized by SkillsWave within 'Other income (expense)' in the consolidated statements of comprehensive income. The Company had unrecognized losses of SkillsWave of $1,196,466 for the year ended January 31, 2026 ($238,358 for the year ended January 31, 2025). The Company's cumulative unrecognized share of losses in SkillsWave as of January 31, 2026 was $1,434,824. The associate had no contingent liabilities or capital commitments as at January 31, 2026.

22. Acquisition of 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. During the year ended January 31, 2026, the Company paid the remaining purchase price holdback of $222,986 to the selling shareholders.

The contingent consideration of $4,529,000 reflected the present value of the expected contractual payment of $4,900,000. During the year ended January 31, 2026, the Company fully paid the contingent consideration in the amount of $4,900,000 to the selling shareholders.

22. Acquisition of H5P Group AS (continued):

The Company has prepared a final purchase price allocation of the assets acquired and the liabilities assumed of H5P based on management's best estimates of fair value:

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, all of which had been collected in full as of January 31, 2026.

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 60 days after the first anniversary date following the acquisition, subject to the continued employment of specific employees throughout the period. During the year ended January 31, 2026, the Company paid $1,875,000 to the selling shareholders, settling the obligation.

22. Acquisition of H5P Group AS (continued):

The Company incurred acquisition-related costs for the year ended January 31, 2026 of $809,976 (2025 — $1,978,188), consisting of post-combination compensation in the current year, compared to the prior year which included both professional fees and post-combination compensation. These costs are recorded within 'General and Administrative' expenses in the consolidated statements of comprehensive income.

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, for the year ended January 31, 2025. 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.

About D2L

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