



**D2L INC.**

Management's Discussion and Analysis

For the years ended January 31, 2025 and 2024

Dated: April 2, 2025

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("MD&A") comments on the financial performance and financial condition of D2L Inc. ("D2L" or the "Company") for the years ended January 31, 2025 and 2024.*

*Unless otherwise stated or the context otherwise indicates, all references to "D2L", the "Company", "we", "us" or "our" refer to D2L Inc., together with our subsidiaries, on a consolidated basis. This MD&A also refers to our fiscal years. Our fiscal year commences on February 1st of each year and ends on January 31st of the following year. Our recently completed fiscal year, which ended on January 31, 2025, is referred to as "Fiscal 2025" or similar words. Our previous fiscal year, which ended on January 31, 2024, is referred to as "Fiscal 2024" or similar words. Other fiscal years are referenced by the applicable calendar year during which the fiscal year ends.*

*The information in this MD&A should be read in conjunction with the Company's audited annual consolidated financial statements and the related notes thereto for the years ended January 31, 2025 and 2024, which have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").*

*Additional information relating to D2L, including the Company's Annual Information Form for the year ended January 31, 2025 ("AIF"), can be found on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). All amounts are in thousands of United States dollars except where otherwise indicated (including under the "Related Party Transactions" section) and per share amounts.*

### Forward-Looking Information

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

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

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's assumptions regarding the principal competitive factors in our markets; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our operations; the ability to seek out, enter into and successfully integrate acquisitions, including the acquisition of H5P Group AS ("**H5P**"); business and industry trends, including the success of current and future product development initiatives; positive social development and attitudes toward the pursuit of higher education; the Company's ability to maintain positive relationships with its customer base and strategic partners; the Company's ability to adapt and develop solutions that keep pace with continuing

changes in technology, education and customer needs; the Company's ability to predict future learning trends and technology; the ability to patent new technologies and protect intellectual property rights; the Company's ability to comply with security, cybersecurity and accessibility laws, regulations and standards; the assumptions underlying the judgments and estimates impacting on financial statements; certain accounting matters, including the impact of changes in or the adoption of new accounting standards; the Company's ability to retain key personnel; the factors and assumptions discussed under the "Financial Outlook" section below; and that the list of factors included in the "Summary of Factors Affecting Our Performance" section below, and the "Risk Factors" section of the Company's AIF, do not have a material impact on the Company.

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

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

## **Non-IFRS and Other Financial Measures**

### ***Non-IFRS Financial Measures and Non-IFRS Financial Ratios***

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

#### Constant Currency Revenue

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

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

### Adjusted EBITDA and Adjusted EBITDA Margin

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

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

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

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

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

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

### Free Cash Flow and Free Cash Flow Margin

“**Free Cash Flow**” is defined as cash flows from (used in) operating activities less net additions to property and equipment.

“**Free Cash Flow Margin**” is calculated as Free Cash Flow expressed as a percentage of total revenue.

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

### Adjusted Gross Profit and Adjusted Gross Margin

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

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

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

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

### **Reconciliation of Non-IFRS Financial Measures**

#### Constant Currency Revenue

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

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

## Adjusted EBITDA and Adjusted EBITDA Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2025	2024	2025	2024
<b>Income (loss) for the period</b>	19,865	563	25,722	(3,542)
Stock-based compensation	2,583	2,050	9,695	9,287
Foreign exchange loss (gain)	454	300	146	(80)
Non-recurring expenses <sup>(1)</sup>	784	1,021	2,954	1,978
Transaction-related costs <sup>(2)</sup>	614	88	2,686	809
Fair value adjustment of acquired deferred revenue <sup>(3)</sup>	379	—	1,018	—
Change in fair value of loan receivable from associate <sup>(4)</sup>	496	—	376	—
Loss from equity accounted investee	21	—	438	—
Net interest income	(594)	(1,124)	(2,942)	(3,606)
Income tax (recovery) expense	(16,442)	43	(16,235)	347
Other income <sup>(5)</sup>	(40)	(202)	(40)	(202)
Depreciation and amortization	1,308	724	4,262	2,871
<b>Adjusted EBITDA</b>	<b>9,428</b>	<b>3,463</b>	<b>28,080</b>	<b>7,862</b>
<b>Adjusted EBITDA Margin</b>	<b>17.7%</b>	<b>7.3%</b>	<b>13.7%</b>	<b>4.3%</b>

### Notes:

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

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

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

### Free Cash Flow and Free Cash Flow Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2025	2024	2025	2024
Cash flows (used in) from operating activities	(135)	(5,512)	27,902	15,659
Net additions to property and equipment	(453)	(565)	(923)	(5,727)
<b>Free Cash Flow</b>	<b>(588)</b>	<b>(6,077)</b>	<b>26,979</b>	<b>9,932</b>
<b>Free Cash Flow Margin</b>	<b>-1.1%</b>	<b>-12.8%</b>	<b>13.1%</b>	<b>5.4%</b>

The cash flows from operating activities of the Company are seasonal in nature. Cash flows from operating activities have a seasonal low in the first quarter each year and a seasonal high in the second quarter each year, due to the contractual timing of annual invoicing with our end customers, many of which have a fiscal year end in the second quarter. Moderate period-to-period fluctuations in cash flows from operating activities are expected as the Company manages its working capital balances.

### Adjusted Gross Profit and Adjusted Gross Margin

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

(in thousands of U.S. dollars, except for percentages)	Three months ended January 31		Fiscal year ended January 31	
	2025	2024	2025	2024
Gross profit for the period	36,523	32,035	139,964	122,196
Stock based compensation	154	134	596	564
Amortization from acquired intangible assets	444	16	1,000	47
<b>Adjusted Gross Profit</b>	<b>37,121</b>	<b>32,185</b>	<b>141,560</b>	<b>122,807</b>
<b>Adjusted Gross Margin</b>	<b>69.6%</b>	<b>67.7%</b>	<b>69.0%</b>	<b>67.3%</b>

### **Key Performance Indicators**

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

### Annual Recurring Revenue and Constant Currency Annual Recurring Revenue

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

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

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

#### Net Revenue Retention Rate and Constant Currency Net Revenue Retention Rate

We calculate Net Revenue Retention Rate (“**NRR**”) for a fiscal year by considering all customers at the beginning of a fiscal year, and dividing our annual subscription revenue attributable to this group of customers at the end of the fiscal year, by the annual subscription revenue attributable to this group of customers in the prior fiscal year. By implication, this ratio, expressed as a percentage, excludes any sales from new customers acquired during the fiscal year, but does include incremental sales from the existing base of customers during the fiscal year being measured. This calculation contemplates all changes to ARR for the designated group of customers, which includes customer terminations and non-renewals, customer consolidations, changes in quantities of users, changes in pricing, additional applications purchased or applications no longer used. We believe that measuring the ability to retain and expand revenue generated from the existing customer base is a key indicator of the long-term value we provide to customers. NRR for the fiscal year ended January 31, 2025 was 100.0% (102.2% for the fiscal year ended January 31, 2024), representing a year-over-year decrease of 220 basis points, primarily due to the impact of period-over-period changes in foreign currency exchange rate fluctuations. The impact of foreign exchange rates is further addressed in the next key performance indicator, Constant Currency NRR.

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

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

#### Gross Revenue Retention Rate

We calculate Gross Revenue Retention Rate for a fiscal year by subtracting downgrades, cancellations and terminations over the fiscal year from ARR at the beginning of the year, and dividing the result by the ARR from the beginning of the year. For clarity, the Gross Revenue Retention Rate calculation does not include incremental sales from the existing base of customers during the fiscal year being measured. As we continue to increase our product and service offerings, we are providing more visibility into underlying customer and revenue retention rates, in addition to our ability to grow revenue from our existing customers. As a result, Gross Revenue Retention Rate is a key measure to provide insight into the Company’s success retaining existing customers and is a key indicator of the long-term value we provide to customers. Gross Revenue Retention Rate for the fiscal year ended January 31, 2025 was 93.5% (93.7% for the fiscal year ended January 31, 2024), down by 20 basis points year-over-year.

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

## Overview

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

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

We sell our platform primarily through our direct sales force in North America, Europe, and Australia, as well as through a mix of direct and indirect channel partners in other countries around the world. As of January 31, 2025, our customer list was comprised of over 1,430 customers (up from over 1,310 as at January 31, 2024) – representing colleges, universities, K-12 school districts and companies in more than 40 countries, resulting in significant diversification, with no customer representing more than 10% of our annual revenue. We define a "customer" as an entity with an active annual contract for our enterprise services. In the case where there is a single contract that applies to entities with multiple subsidiaries, divisions, accounts, universities or schools, only the entity that has contracted for our services is counted as a customer. For example, a higher educational consortium contracted on behalf of its member institutions, is counted as a single customer even though the consortium encompasses multiple individual institutions. Our platform was used worldwide by more than 20 million users, with a multitude of customers across our target markets and regions.

## Summary of Factors Affecting Our Performance

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

### ***Ability to retain and up-sell existing customers***

Our relationships with existing customers presents an opportunity to up-sell additional functionality and expand users. Our future revenue growth and ability to achieve and maintain profitability is dependent upon our ability to maintain existing customer relationships and to continue to expand our customers' use of our platform.

### ***Ability to attract new customers***

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

### ***Scaling our sales and marketing efforts***

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

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

### ***Investment in technology***

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

### ***International expansion***

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

### ***Foreign currency***

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

### ***Strategic investments***

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

## **Components of Results of Operations**

### **Revenue**

D2L generates revenue from the following two primary sources:

#### Recurring subscription and support revenue

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

#### Professional services and other revenue

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

### **Cost of revenue**

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

#### Cost of recurring subscription and support

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

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

#### Cost of professional services and other

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

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

### ***Sales and marketing***

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

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

### ***Research and development***

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

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

### ***General and administrative***

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

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

### ***Interest and other (expenses) income***

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

### ***Other comprehensive (loss) gain***

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

## Results of Operations

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

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

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

## Review of Operations

### Revenue

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

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

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

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

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

#### Cost of revenue

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

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

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

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

### Gross profit

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

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

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

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

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

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

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

Similarly, Adjusted Gross Margin (a non-IFRS ratio, see “*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*”) for the three-month period ended January 31, 2025 was 69.6% compared to 67.7% in the same period of the prior year, representing a 190 basis points increase. The Adjusted Gross Margin for Fiscal 2025 increased by 170 basis points to 69.0%. The increases in Adjusted Gross Margin for both periods were primarily attributable to growth of subscription and support revenue paired with a decrease in the related costs of revenue, as a result of new and existing customers.

### Operating expenses

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

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

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

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

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

### **Net interest income and other (expense) income**

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

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

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

Foreign exchange loss for the three months ended January 31, 2025 increased by \$0.2 million or 50.9% over the same period of the prior year. For Fiscal 2025, foreign exchange loss was \$0.2 million, representing a period-over-period change of \$0.2 million from a foreign exchange gain of \$0.1 million in the same period of the prior year. The changes period-over-period were mainly attributable to the translation of U.S. dollar-denominated monetary balances into our subsidiaries' functional currency, which resulted in fewer foreign exchange gains when compared to the prior period, due to fluctuations in currency values.

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

### ***Income (loss) for the period***

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

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

Adjusted EBITDA (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") increased by \$5.9 million to \$9.4 million for the three months ended January 31, 2025 from \$3.5 million in the same period of the prior year. Excluding the impact of professional services and other revenue of \$0.9 million from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, Adjusted EBITDA was \$8.5 million, or a \$5.0 million increase from the same period of the prior year. For Fiscal 2025, Adjusted EBITDA was \$28.1 million, which is an increase of \$20.2 million from Fiscal 2024. Excluding the impact of professional services revenue of \$0.8 million from the re-evaluation of the completion progress of certain professional services engagements performed in Fiscal 2024, Adjusted EBITDA was \$27.3 million, or a \$19.4 million increase from the same period of the prior year.

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

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

Adjusted EBITDA Margin (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios*") was 17.7% and 13.7% for the three months and year ended January 31, 2025, respectively, representing increases of 1,040 basis points and 940 basis points over the corresponding periods in the prior year, respectively. Excluding the impact of professional services revenue of \$0.9 million and \$0.8 million for the three months and year ended January 31, 2025, respectively, from the re-evaluation of the completion progress of certain professional services engagements performed in prior periods, the Adjusted EBITDA Margin for the three months and year ended January 31, 2025 was 16.2% and 13.3%, respectively, representing increases of 890 basis points and 900 basis points over the corresponding periods in the prior year, respectively. The increase in Adjusted EBITDA Margin was the result of the increase in Adjusted EBITDA discussed above and was partially mitigated by the impact of increased total revenue over the same period.

## Selected Annual Information

(in thousands of U.S. dollars)	Fiscal year ended January 31		
	2025	2024	2023
Revenue	205,276	182,380	168,396
Income (loss) for the year	25,722	(3,542)	(18,377)
Adjusted EBITDA	28,080	7,862	(2,904)
Free Cash Flow	26,979	9,932	107
Cash flows from (used in) operations	27,902	15,659	3,779
Earnings (loss) per share – basic	0.47	(0.07)	(0.35)
Earnings (loss) per share - diluted	0.46	(0.07)	(0.35)
Total assets	232,921	197,124	176,609
Total non-current liabilities	14,088	12,606	12,277

### Total Assets

#### *Fiscal 2025 compared to Fiscal 2024*

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

#### *Fiscal 2024 compared to Fiscal 2023*

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

### Total Non-Current Liabilities

#### *Fiscal 2025 compared to Fiscal 2025*

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

### **Fiscal 2024 compared to Fiscal 2023**

Total non-current liabilities as at January 31, 2024 were \$12.6 million compared to \$12.3 million as at January 31, 2023, representing an increase of \$0.3 million. The increase was primarily due to the contingent consideration that is payable to the selling shareholders of Connected Shopping Ltd. For more details, refer to note 23 in the audited annual consolidated financial statements for Fiscal 2025. In addition, our non-current liabilities consist of deferred income tax liabilities and the non-current portion of lease liabilities.

### **Quarterly Results of Operations**

The following tables set forth selected unaudited quarterly statements of operations data for each of the eight quarters ended January 31, 2025. The information for each of these quarters have been prepared on the same basis as the audited annual consolidated financial statements. This data should be read in conjunction with our audited annual consolidated financial statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

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

### **Revenue**

Our total quarterly revenue increased sequentially for all periods presented, except for the three months ended January 31, 2025. The period-over-period increases were primarily attributable to revenue from new customers, strong revenue retention and expansion from existing customers, and delivery of professional services and other engagements to customers. H5P contributed revenue of \$1.0 and \$1.2 million in the quarters ended October 31, 2024 and January 31, 2025, respectively, which was partially offset by a fair value adjustment of acquired deferred revenue as required under IFRS 3, Business Combinations.

### **Cost of revenue**

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

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

### **Gross profit**

Our total quarterly gross profit grew sequentially for all periods presented, with the exception of the quarters ended July 31, 2023 and January 31, 2025, where gross profits decreased slightly, compared to the preceding quarter. The period-over-period increases in gross profit levels were mainly the result of growth in both our subscription and support revenue and professional services and other revenue, driven by the increased adoption of education technologies. During Fiscal 2024 and Fiscal 2025, total revenues outpaced the growth in the related cost of revenues over the same period, averaging \$32.8 million gross profit per quarter. The growth in gross profit was mainly due to an increase in subscription and support revenue from new and existing customers, coupled with cost optimization efforts in our cloud technology and service delivery.

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

### **Operating expenses**

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

## **Liquidity, Capital Resources and Financing**

### **Overview**

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

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

### **Working capital**

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

as at January 31, 2024, respectively). The reduction in working capital of \$25.3 million year-over-year was mainly due to cash paid for the acquisition of H5P, the loan advanced to SkillsWave, cash paid for the repurchase of shares as part of our Normal Course Issuer Bid (“NCIB”), and contingent consideration relating to H5P that will become payable in the following fiscal year. Accordingly, we believe there is sufficient liquidity to meet our current and short-term financial obligations as outlined in the “Contractual Obligations” section of this MD&A, as well as to continue making investments in sales and marketing and research and development activities in support of our overall growth strategy.

### Cash flows

The following table presents cash and cash equivalents as at January 31, 2025 and 2024, and cash flows from (used in) operating, investing, and financing activities for Fiscal 2025, Fiscal 2024 and the three months ended January 31, 2025 and 2024:

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

### Cash flows from (used in) operations

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

The Company’s negative Free Cash Flow (a non-IFRS financial measure, see “Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios”) was \$0.6 million for the three months ended January 31, 2025, compared to negative Free Cash Flow of \$6.1 million in the same period of the prior year, representing a decrease in Free Cash Flows used of \$5.5 million. For Fiscal 2025, Free Cash Flow was \$27.0 million, compared to \$9.9 million for Fiscal 2024, representing an increase of \$17.1 million. The increases were mainly driven by increases in cash flows from operating activities as discussed above, paired with decreased purchases of property and equipment in the three months and year ended January 31, 2025 as the prior periods were impacted by costs associated with the relocation of our head office.

For the three months ended January 31, 2025, negative Free Cash Flow Margin (a non-IFRS ratio, see “Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios”) was 1.1% compared to 12.8%, in the same period of the prior year, representing an increase of 1,170 basis points. For Fiscal 2025, Free Cash Flow Margin was 13.1%, compared to 5.4% in Fiscal 2024, representing an increase of 770 basis points. The period-over-period increases were primarily the result of increased Free Cash Flow when compared to the prior periods based on the factors discussed above. The increases were partially mitigated by the impact of increased total revenue over the same periods.

### ***Cash flows used in investing activities***

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

### ***Cash flows used in financing activities***

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

### **Subordinate Voting Shares repurchased for cancellation under normal course issuer bid**

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

On December 4, 2024, the Company announced the renewal of its NCIB. The Company can repurchase for cancellation up to 1,745,338 of the Company's Subordinate Voting Shares, representing approximately 10.0% of the "public float" (within the meaning of the rules of the TSX), during the twelve-month period commencing December 9, 2024.

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

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

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

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

### **Contractual obligations**

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

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

Note:

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

### **Financial Outlook**

#### **Financial Guidance FY2026**

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

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

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

In September 2022, management presented an updated target operating model to evolve the business towards one of balanced growth and profitability, based upon the Company’s outlook at that time and which reflected the operating levels that the Company expected to achieve by Fiscal 2025. Overall, our Fiscal 2025 performance was consistent with this previously presented target operating model, as outlined below.

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

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

Since our original presentation of the target operating model during Fiscal 2023, we have delivered meaningful top-line and bottom-line growth, with an Adjusted EBITDA improvement of approximately \$31 million comparing Fiscal 2023 to Fiscal 2025 (using actual Fiscal 2025 Adjusted EBITDA of \$28.1 million compared to actual Adjusted EBITDA of negative \$2.9 million in Fiscal 2023). Our progress in Fiscal 2025 should position us well to continue to deliver top-line and bottom-line growth as we look out over the medium term.

### Medium Term Outlook and Target Operating Model

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

	<b>Fiscal 2028</b>
Revenue Growth	10% to 15%
Adjusted EBITDA Margin	18% to 20%

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

We expect to achieve 10-15% growth in annual revenue by Fiscal 2028 based upon the following factors:

- Existing Customer Retention and Expansion – We expect our continued investment in product development and customer success to result in strong customer retention over the medium term. As our existing customers seek to enhance their learning technologies, we anticipate NRR to increase from current levels, as we realize opportunities to cross-sell existing and future add-on solutions and offerings.
- Continued Acquisition of New Customers – We expect our continued investment in product development and investment in our sales and marketing efforts to result in continued new customer acquisitions, including within education and corporate markets domestically, and accelerating growth from our international markets. We anticipate

these results based upon growing market acceptance of learning technology solutions, growing awareness of our solutions, and focused penetration of our target markets.

- Ongoing Product Development – We expect continued investment in our existing products, and the introduction of new products, will enhance our differentiation as a technology innovator and platform leader and contribute to our revenue growth in the medium term.
- Strategic Acquisitions – While our growth has largely been organic historically, we intend to selectively consider strategic acquisitions and investments that would add to the revenue and profitability of D2L over the medium term.

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

- We expect Adjusted Gross Margin to continue to increase due to improvements in the scale and efficiency of our software and service delivery. We expect to realize continued cost efficiencies related to cloud hosting fees and support costs, which we anticipate will result in our cost of revenue decreasing as a percentage of our total revenues over the medium term.
- We expect to realize operating leverage in our business model over the medium term. As revenue increases, we expect operating expenses as a percentage of revenue to decrease over the medium term through anticipated improvements in our salesforce productivity and lead generation activities that we expect will drive a decline in sales and marketing costs as a percentage of revenue; anticipated improvements in our product development design and development velocity which we expect will drive a decline in research and development costs as a percentage of revenue; and increased scale in our administrative functions which we expect will drive a decline in general and administrative costs as a percentage of revenue.

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

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

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

The purpose of disclosing our medium-term outlook is to provide investors with additional information concerning the Company’s operating focus and expected performance over the medium term. However, there can be no assurance that we will be successful in achieving that which is set out above. For example, our strategy may evolve in response to changes in external factors outside our control such as changes in the markets that our customers operate in or general economic conditions, and these factors may affect our ability to achieve these increases in performance over the medium term. Our views on the medium term outlook

is also forward-looking information for the purposes of applicable securities laws in Canada and readers are therefore cautioned that actual results may vary materially from that discussed above. See also “*Summary of Factors Affecting our Performance*” and “*Forward-Looking Information*” set out above and “*Risk Factors*” in the Company’s AIF for a description of other assumptions underlying the forward-looking information and of the risks and uncertainties that generally impact our business and that could cause actual results to vary materially.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

### **Recent Developments**

#### **Acquisition of H5P Group AS**

On July 9, 2024, D2L Europe Ltd. acquired all of the outstanding shares of H5P, a Norway-based company and a provider of interactive content creation software used by educators and organizations globally to improve engagement and learning by creating and enriching course materials. This transaction aligns with the Company’s commitment to expand its learning platform with a focus on technologies that improve learning outcomes. The operating results of H5P have been consolidated into the Company’s results subsequent to the acquisition date.

The acquisition was accounted for as a business combination under the acquisition method. The purchase price consists of initial cash consideration of \$26.1 million, a purchase price holdback of \$0.9 million, and contingent consideration with a fair value at the date of acquisition of \$4.5 million, resulting in total consideration of \$31.5 million. The purchase price holdback was subject to a post-closing purchase price adjustment based on H5P’s final working capital and debt balances on close. During the year ended January 31, 2025, the Company paid \$0.7 million of the purchase price holdback to the selling shareholders. The remaining purchase price holdback is expected to be paid shortly after the first anniversary date subsequent to the acquisition date.

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

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

The details of the net assets acquired and other information are disclosed in note 23 of the Company’s audited annual consolidated financial statements.

### **Contingencies**

From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations. We are of the opinion that current litigation will not have a significant effect on the financial position, results of operations, or cash flows of D2L. As at January 31, 2025, no material contingencies have been identified with respect to litigation or claims.

### **Related Party Transactions**

#### ***Service Arrangements with Related Parties***

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

**Services we receive:**

Lease of Premises - Catalyst

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

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

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

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

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

<b>(in thousands of dollars)</b>	<b>CAD</b>	<b>USD</b>
February 1, 2025 - January 31, 2026	\$ 1,859	\$ 1,283
February 1, 2026 - January 31, 2027	1,938	1,338
February 1, 2027 - January 31, 2028	2,020	1,395
February 1, 2028 - July 31, 2039	2,106	1,454
February 1, 2029 - July 31, 2033	10,630	7,337
<b>Total undiscounted commitment</b>	<b>18,553</b>	<b>12,807</b>

**Services we provide:**

Subscription and support services to Virtual High School (Ontario)

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

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

Revenue recognized by us pursuant to the Virtual High School Agreement was \$20,257 and \$81,582 for the three months and year ended January 31, 2025, respectively (2024 - \$31,111 and \$106,063, respectively). As at January 31, 2025, the Company had nil (January 31, 2024 - \$10,768) in trade receivables from this related party.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Financial Instruments and Other Instruments

### ***Credit and concentration risk***

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

As at January 31, 2025, no customer accounted for more than 10% of the net trade receivables. Furthermore, trade receivable balances are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts are established and maintained at an appropriate amount.

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

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

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

### **Liquidity risk**

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

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

### **Foreign currency exchange risk**

We are exposed to foreign currency exchange risk as a portion of our revenues and operating costs are realized in currencies other than our U.S. functional currency. Significant currencies to which our Company has exposure include the Canadian dollar (“CAD”), British pound sterling (“GBP”), Australian dollar (“AUD”), Singapore dollar (“SGD”), Brazilian real (“BRL”), Euro (“EUR”) and Norwegian krone (“NOK”). For the year ended January 31, 2025, if those currencies had strengthened 5% against the U.S. dollar, with all other variables held constant, pre-tax income for the years would have been an estimated \$3,879,950 lower (2024 - \$3,845,828 lower). Conversely, if those currencies had weakened 5% against the U.S. dollar with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

Additional earnings volatility arises from the translation of our monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of our audited annual consolidated statements of financial position and is recognized through other comprehensive income in the audited annual consolidated statements of comprehensive income (loss). The summary quantitative data about our exposure to currency risk as at January 31, 2025 is as follows:

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

We limit our exposure to foreign currency exchange risk by holding cash denominated in the local currency sufficient to cover local currency expenditures, thereby creating a natural hedge. We have not entered into any arrangements to hedge our exposure to currency risk during the three months and year ended January 31, 2025.

### **Fair value risk**

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

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

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

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

### **Significant Accounting Judgments, Estimates and Assumptions**

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

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

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

#### **Revenue recognition**

Our main sources of revenue are recurring subscriptions and support revenue derived from fees earned from customers for accessing D2L's learning technologies, as well as professional services and other revenue from consultation services to support the implementation of and training related to the learning technologies. Many of the Company's contracts with customers contain promises to deliver multiple products and services. Determining whether such bundled products and services are considered (i) distinct performance obligations that should be separately recognized, or (ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization.

The overall methodology used to determine the standalone selling price for each distinct performance obligation requires significant judgments and estimates within a contract with a customer. The methodology used to determine the standalone selling price depends on the nature of the products and services and how they are priced in contracts with customers. This allocation affects the amount and timing of revenue recognized for each performance obligation. Refer to note 2(a) in the audited annual consolidated financial statements for Fiscal 2025 for additional information on the assumptions and estimates used.

#### **Uncertain tax positions and recoverability of deferred tax assets**

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

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. The

recognition of deferred tax assets requires the Company to assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. The Company considers the nature and carry-forward period of deferred tax assets, the Company's recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on operating results of the Company and lower future taxable income. Refer to note 15 in the audited annual consolidated financial statements for Fiscal 2025 for additional information on the assumptions and estimates used.

### **Trade and other receivables**

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

### **Impairment of non-financial assets**

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

### **Initial measurement of lease liabilities**

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

### **Classification and measurement of loan receivable from associate**

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

### **Fair value of acquired intangible assets**

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

### **Fair value of contingent consideration**

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

### **Material Accounting Policies**

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

### **Recently Issued Accounting Standards**

#### **New and amended standards and interpretations adopted by the Company**

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

- Amendments to IAS 1, Presentation of Financial Statements, which provide a more general approach to the classification of liabilities as current or non-current based on the contractual arrangements in place at the reporting date. The adoption of the amendments to this standard did not have a material impact on the Company's audited annual consolidated financial statements.
- Amendments to IFRS 16, Leases, which include additional requirements to explain how a company accounts for a sale and leaseback after the date of the transaction. The adoption of the amendments to this standard did not have a material impact on the Company's audited annual consolidated financial statements.

#### **New and amended standards and interpretations issued but not yet effective**

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

- Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates, which clarify the impact of using an estimated exchange rate on financial statements when a currency is not exchangeable. The amendments are effective for annual reporting periods beginning on or after February 1, 2025. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts to our consolidated financial statements.
- The IASB published amendments to IFRS 9, Financial Instruments, and IFRS 7, Classification and Measurement of Financial Instruments. The amendments clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system. The amendments will be effective for annual periods beginning on or after February 1, 2026. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts to our consolidated financial statements.
- The IASB published IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements), which includes improvements on how information is communicated in the financial statements, with a focus on information in the statement of income. The new standard is effective for annual periods beginning on or after February 1, 2027. The Company is currently assessing the impacts this standard will have on our consolidated financial statements.

## Disclosure Controls and Internal Controls Over Financial Reporting

### Disclosure Controls and Procedures

The Company's CEO and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining our disclosure controls and procedures, as that term is defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). The CEO and the CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that: (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of our disclosure controls and procedures at January 31, 2025 and based on the evaluation, the CEO and CFO have concluded that the disclosure controls and procedures were effective as of such date.

### Internal Controls Over Financial Reporting

Our internal controls over financial reporting (as that term is defined in NI 52-109, ("**ICFR**") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management, including the CEO and CFO, does not expect that our ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation.

Our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of our ICFR as at January 31, 2025 and based on the evaluation, the CEO and CFO have concluded that the ICFR were effective as of such date.

There have been no changes in our ICFR during the period beginning on November 1, 2024 and ended on January 31, 2025 that have materially affected, or are reasonably likely to materially affect, our ICFR.

### Authorized Share Capital

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

As of March 25, 2025, 27,233,311 Subordinate Voting Shares, 27,390,588 Multiple Voting Shares, and employee stock options under the Company's legacy option plan to purchase a total of 1,123,463 Subordinate Voting Shares are issued and outstanding. In addition, the Company had 2,835,423 restricted stock units ("**RSUs**") issued and outstanding, 9,016 performance share units ("**PSUs**") issued and outstanding and 372,158 deferred share units ("**DSUs**") issued and outstanding under the Company's Long Term Incentive Plan. These RSUs, PSUs and DSUs may ultimately be settled through the issuance of Subordinate Voting Shares on a 1:1 basis, a cash payment equal to the market price of the vested units being settled in cash, or a combination of shares and cash, all as determined by the Board.

## Risk Factors

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

- Market adoption of cloud-based learning solutions may not grow as we expect, which may harm our business and results of operations and even if market demand increases, the demand for our platform may not increase.
- The market in which we participate is highly competitive, and if we do not compete effectively, our ability to gain new customers, retain existing customers and grow our business could be harmed and our results of operations could be adversely affected.
- If for any reason we are not able to develop enhanced and new features, keep pace with technological developments or respond to future disruptive technologies, our business will be harmed.
- If our customers do not expand their use of our platform and services beyond their current organizational engagements or renew their existing contracts with us, or if we do not acquire new customers, our ability to grow our business and improve our results of operations may be adversely affected.
- If we are unable to increase sales of subscriptions to our platform to customers while mitigating the risks associated with serving such customers, our business, financial condition, and results of operations could suffer.
- Issues in the use, adoption or innovation of AI in our platform may result in reputational harm, liability, or affect our results of operations.
- Regulatory requirements placed on our software and services could impose increased costs on us, delay or prevent our introduction of new products and services, and impair the function or value of our existing products and services.
- Continued economic uncertainty, an economic slowdown or a recession could affect our results, and other adverse economic and market conditions and reductions in spending may adversely impact our business and results of operations.
- Macroeconomic conditions may make it difficult to evaluate our future prospects and may increase the risk that we will not make accurate predictions of our future growth.
- Trade wars and changes in international trade law and policies may have a material adverse effect on our business, financial condition, and results of operations.
- Natural disasters, public health crises, political crises, or other catastrophic or adverse events, including adverse and uncertain macroeconomic conditions may adversely affect our business, operating results, or financial position.
- If our security measures are breached or unauthorized access to customer data is otherwise obtained, our platform may be perceived as insecure, we may lose existing customers or fail to attract new customers, our reputation may be harmed, and we may incur significant liabilities.
- The failure of information systems could adversely impact D2L's reputation and results of operations.
- Privacy, data protection, and information security concerns, and data collection and transfer restrictions and related domestic or foreign regulations, may limit the use and adoption of our platform and adversely affect our business.
- We are subject to contractual clauses that require us to comply with certain provisions of the Family Educational Rights and Privacy Act ("FERPA"), and we are subject to the Children's Online Privacy Protection Act ("COPPA"), and if we fail to comply with these laws, our reputation and business could be harmed.
- If we fail to effectively manage our growth or our business does not grow as we expect, our business and results of operations could be harmed.
- Mergers or other strategic transactions involving our competitors or customers could weaken our competitive position, which could harm our results of operations.
- Acquisitions, investments or divestitures could divert our management's attention, result in additional dilution to our shareholders, and otherwise disrupt our operations and harm our results of operations.

- Our large customers have substantial negotiating leverage, which may require that we agree to terms and conditions that result in increased costs of sales, decreased revenue and lower average selling prices and gross margin percentages, all of which would harm our results of operations.
- If we are unable to hire, retain and motivate qualified employees, our business will suffer.
- Failure to effectively invest in our sales and marketing capabilities or to select appropriate marketing channels could harm our ability to increase our customer base and achieve broader market acceptance of our platform.
- If we cannot maintain our Company's culture, we could lose the innovation, creativity, collaboration, and focus on execution that we believe contribute to our success and our business may be harmed.
- We are dependent on the continued services and performance of our senior leadership team and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.
- We may face exposure to foreign currency exchange rate fluctuations.
- Our business can be impacted by government policy and regulatory actions.
- Our sales to government entities are subject to a number of challenges and risks, which could negatively impact our business.
- Our quarterly and annual results of operations may vary significantly and may be difficult to predict. If we fail to meet the expectations of investors or securities analysts, our share price and the value of the Subordinate Voting Shares could decline.
- Seasonality may cause our sales and customer growth to vary from quarter-to-quarter depending on the variability in the volume and timing of sales and renewals.
- We rely upon Amazon Web Services ("**AWS**") to operate certain aspects of our service and any disruption of or interference with our use of AWS could impair our ability to deliver our platform and applications to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers and harm to our business.
- Changes to our platform, services or networks may result in a loss of customers.
- Changes in our pricing models could adversely affect our revenue, gross profit and financial position.
- We recognize revenue from subscriptions over the term of our customer contracts, and as such our reported revenue and billings may differ significantly in a given period, and our revenue in any period may not be indicative of our financial health and future performance.
- Our sales cycles can be unpredictable, and our sales efforts require considerable time and expense. As a result, the timing of our billings and revenue are difficult to predict and may vary substantially from period to period, which may cause our results of operations to fluctuate significantly.
- We may not receive significant revenue as a result of our current research and development efforts.
- We believe our long-term success depends in part on continuing to expand our international sales and operations and we are therefore subject to a number of risks associated with international sales and operations.
- We rely upon SaaS technologies from third-parties to operate our business, and interruptions or performance problems with these technologies may adversely affect our business and results of operations.
- Our growth depends in part on the success of our relationships with third-parties.
- If we do not maintain the compatibility of our solutions with third-party applications that our customers use in their business processes, demand for our solutions and revenue could decline.
- We have incurred operating losses and negative cash flows in the past and may incur operating losses and negative cash flows in the future.
- If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.

- If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate reduced revenue or experience slower growth rates, and incur costly litigation to protect our rights.
- An assertion by a third-party that we are infringing its intellectual property could subject us to costly and time-consuming litigation which could harm our business.
- The use of open source software in our products may expose us to additional risks and harm our intellectual property.
- Real or perceived errors, failures, vulnerabilities, or bugs in our platform could harm our business and results of operations.
- If we are unable to successfully refresh or update our source code or other aspects of our platform or detect and adequately address technological deficiencies in a timely and adequate manner, our competitive position could be negatively affected.
- From time to time, we may become defendants in legal proceedings for which we are unable to assess our exposure and which could become significant liabilities in the event of an adverse judgment.
- Negative publicity and sharing of information through social media could result in damage to the Company's reputation and its business may suffer as a result.
- Any failure to offer high-quality and continuous customer support may harm our relationships with our customers and our results of operations.
- Incorrect or improper use of our solutions or our failure to properly train customers on how to use our solutions could result in customer dissatisfaction and negatively affect our business.
- The Company is impacted by rising inflationary pressures.
- We might require additional capital to support our growth, and this capital might not be available on acceptable terms, if at all.
- Our business is subject to a variety of international laws, including export and import controls and anti-corruption laws and regulations, that could subject us to claims, increase the cost of operations, impair our ability to compete in international markets, or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.
- Our business could be adversely impacted by changes in internet access for our users or laws specifically governing the internet.
- It may be difficult or impossible for investors to enforce judgments against foreign subsidiaries and non-resident directors or officers of the Company.
- Our international operations subject us to potentially adverse tax consequences.
- We may have exposure to greater than anticipated tax liabilities and may be affected by changes in tax laws or interpretations, any of which could adversely impact our results of operations.
- Our results of operations may be harmed if we are required to collect sales or other related taxes for our subscription services in jurisdictions where we have not historically done so.
- We may not be able to utilize a significant portion of our net operating loss, which could adversely affect our potential profitability.
- The nature of our business requires the application of complex revenue and expense recognition rules, and any significant changes in current rules could affect our financial statements and results of operations.
- If our judgments or estimates relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in our Subordinate Voting Share price.
- The adoption of new accounting standards or interpretations could adversely affect the Company's financial results.

- If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.
- Our By-Laws provide that any derivative actions, actions relating to breach of fiduciary duties and other actions asserting a claim relating to relationships among us, our affiliates and their respective shareholders, directors and/or officers are required to be litigated in Canada, which could limit shareholders' ability to obtain a favourable judicial forum for disputes with us.
- We incur significant costs and there are significant demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, financial condition, and results of operations.
- Our financial condition may be adversely affected by geopolitical events.
- The Company has a certain degree of concentration of customers and customer sectors.
- The effort, time and expense associated with switching from competitors' software, products and services to that of the Company's may limit the Company's growth.
- Sustainability efforts and disclosures may have adverse impacts on our business.
- The Company's holding company structure makes it dependent on the operations of its subsidiaries.

These risks are described in further detail in the section entitled "*Risk Factors*" in our AIF for Fiscal 2025.