

# D2L Inc. Announces Third Quarter 2025 Financial Results



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- Subscription and support revenue grew 13% year-over-year to US\$46.8 million
  - Professional services and other revenue in the quarter increased to US\$7.5 million
  - Annual Recurring Revenue<sup>1</sup> reached US\$201.7 million, up 12% over the prior year
  - Adjusted EBITDA<sup>2</sup> of US\$10.4 million and Adjusted EBITDA margin<sup>2</sup> of 19.2% margin in the quarter
  - Company increases Fiscal 2025 revenue guidance to \$204 million to \$205 million and increases Adjusted EBITDA guidance to \$25.5 million to \$26.5 million

TORONTO, Dec. 4, 2024 /CNW/ - **D2L Inc.** (TSX: DTOL) ("**D2L**" or the "**Company**"), a leading global learning technology company, today announced financial results for its Fiscal 2025 third quarter ended October 31, 2024. All amounts are in U.S. dollars and all figures are prepared in accordance with International Financial Reporting Standards ("IFRS") unless otherwise indicated.

"Our strong third-quarter results were highlighted by healthy growth in subscription revenue and significant margin expansion, driving substantial improvement in our 'Rule of 40' performance as we successfully balance growth and market share gains with improving profitability," said John Baker, CEO of D2L. "We continue to benefit from high win rates in our target markets as we navigate the broader macroeconomic conditions. We're making disciplined investments that support our goal of long-term market leadership, and have seen strong customer response and pipeline generation from our recently expanded product portfolio, including our AI offering Lumi and Creator+. These new products make learning experiences better and easier to create for our customers, leading to improved learning outcomes and better learner retention."

## Third Quarter Fiscal 2025 Financial Highlights

- Total revenue was \$54.3 million, up 18% from the same period in the prior year.
  - Subscription and support revenue was \$46.8 million, an increase of 13% over the same period of the prior year.
  - Professional services and other revenue was \$7.5 million, an increase of \$2.8 million from the same period of the prior year. During the current quarter, the Company recognized services revenue of \$1.2 million from re-evaluating the completion progress of certain professional

services engagements. Excluding this revenue, services revenue increased by \$1.6 million over the prior year, and total revenue increased by \$7.1 million or 15.2% year over year.

- Annual Recurring Revenue<sup>1</sup> as at October 31, 2024 increased by 12% or \$21.6 million year-over-year, from \$180.1 million to \$201.7 million.
- Cash flow from operating activities was \$11.4 million, compared to \$15.3 million in the same period in the prior year, and Free Cash Flow<sup>2</sup> was \$11.3 million, compared to \$14.2 million in the same period in the prior year.
- Cash flow from operating activities for the 9-month period ended October 31, 2024 was \$28.0 million, up 32% compared with \$21.2 million for the same period in the prior year.
- Gross profit increased 22% to \$37.4 million (68.9% gross profit margin) from \$30.6 million (66.4% gross profit margin) in the same period of the prior year. Gross profit margin for subscription and support revenue increased to 72.7%, up 140 basis points from 71.3% in the same period of the prior year.
- Adjusted EBITDA<sup>2</sup> increased to \$10.4 million (19.2% Adjusted EBITDA margin<sup>2</sup>) from \$2.1 million (4.6%) for the same period in the prior year. Excluding the additional services revenue of \$1.2 million recognized in the quarter, Adjusted EBITDA and Adjusted EBITDA Margin would have been \$9.2 million and 17.4%, respectively, for the three months ended October 31, 2024.
- Income for the period was \$5.5 million, compared with a loss of \$0.4 million for the comparative period of the prior year.
- Strong balance sheet at quarter end, with cash and cash equivalents of \$108.3 million and no debt.
- During the third quarter, the Company repurchased and canceled 68,600 Subordinate Voting Shares under its normal course issuer bid ("NCIB"). The Company has repurchased and cancelled 348,080 shares since the inception of the NCIB on December 8, 2023.
- On December 4, 2024, the Company announced that the Toronto Stock Exchange (the "TSX") accepted the Company's notice to launch a new NCIB, commencing on December 9, 2024.

<sup>1</sup> Refer to "Key Performance Indicators" section of this press release.

<sup>2</sup> A non-IFRS financial measure or non-IFRS ratio. Refer to "Non IFRS Financial Measures" section of this press release.

### Third Quarter Fiscal 2025 Financial Results – Selected Financial Measures (in thousands of U.S. dollars, except for percentages)

	Three months ended October 31				Nine months ended October 31			
	2024	2023	Change	Change	2024	2023	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Subscription & Support Revenue	46,752	41,450	5,302	12.8 %	133,723	120,045	13,678	11.4 %
Professional Services & Other Revenue	7,547	4,663	2,884	61.8 %	18,240	14,766	3,474	23.5 %
<b>Total Revenue</b>	<b>54,299</b>	<b>46,113</b>	<b>8,186</b>	<b>17.8 %</b>	<b>151,963</b>	<b>134,811</b>	<b>17,152</b>	<b>12.7 %</b>
Constant Currency Revenue <sup>1</sup>	54,106	46,113	7,993	17.3 %	152,126	134,811	17,315	12.8 %
Gross Profit	37,390	30,600	6,790	22.2 %	103,441	90,161	13,280	14.7 %
Adjusted Gross Profit <sup>1</sup>	37,964	30,778	7,186	23.3 %	104,439	90,622	13,817	15.2 %
Adjusted Gross Margin <sup>1</sup>	69.9 %	66.7 %			68.7 %	67.2 %		
Income (Loss) for the period	5,547	(387)	5,934	1,533.3 %	5,857	(4,105)	9,962	242.7 %
Adjusted EBITDA <sup>1</sup>	10,420	2,122	8,298	391.0 %	18,652	4,399	14,253	324.0 %
Cash Flows From Operating Activities	11,420	15,318	(3,898)	(25.5 %)	28,037	21,171	6,866	32.4 %
Free Cash Flow <sup>1</sup>	11,296	14,244	(2,948)	(20.7 %)	27,567	16,009	11,558	72.2 %

<sup>1</sup> A non-IFRS financial measure or non-IFRS ratio. Refer to the "Non-IFRS Financial Measures and Reconciliation of Non-IFRS Financial Measures" section of this press release for more details.

### Third Quarter Business & Operating Highlights

- D2L continued to grow its customer base in education in North America, including the additions of the Cincinnati State Technical and Community College, University of the Fraser Valley, and Prairie View A&M University.
- D2L continued to expand its international customer base, including XP Educação in Brazil and the main statutory body overseeing legal education and training in New Zealand.
- Signed new corporate customers, including Becoming Institute and the premier academic trauma surgery organization in the United States.

- Launched Creator+ natively integrated with H5P Group AS ("H5P"), offering an all-in-one solution for creating engaging courses with interactive content, video tools, dynamic analytics, and generative AI. Early adopters include the University of Hawai'i System.
- The Tambellini Group, the leading analyst and advisory firm focused on higher education, ranked D2L Brightspace highest among competitors for usability and innovation in the inaugural Tambellini StarChart™ 2024 for Learning Management Systems ("LMS") in higher education.
- Named a winner in the 2024 LMS Top 20 Company by Training Industry and a winner in the 2024 Learning Systems Awards for Best Enterprise LMS by Talented Learning.
- D2L Lumi was named a winner of the Tech & Learning Awards of Excellence: Back to School 2024 in the Primary and Higher Education categories.
- Announced a strategic partnership with Seesaw, the leading elementary Learning Experience Platform to enhance the K-12 digital learning experience.

### Financial Outlook

D2L updated its previously issued financial guidance for the year ended January 31, 2025 ("Fiscal 2025") as follows:

- Subscription and support revenue in the range of \$180 million to \$181 million, implying growth of 11% at the midpoint over Fiscal 2024, an increase from previously issued guidance of \$178 million to \$181 million;
- Total revenue in the range of \$204 million to \$205 million, implying growth of 12% at the midpoint over Fiscal 2024, an increase from previously issued guidance of \$199 million to \$202 million; and
- Adjusted EBITDA in the range of \$25.5 million to \$26.5 million, implying Adjusted EBITDA margin of 13% at the midpoint, an increase from previously issued guidance of \$22 million to \$24 million.

These guidance revisions reflect the Company's continued progress in balancing revenue growth with operating efficiency improvements.

For additional details on the Company's outlook, including the principal underlying assumptions and risk factors regarding achievement, refer to the "Financial Outlook" section of the Company's Management's Discussion and Analysis for the three and 12 months ended January 31, 2024 (the "Annual MD&A"), as well as the "Forward-Looking Information" section therein, below and in the Company's Management's Discussion and Analysis for the three months ended October 31, 2024 (the "Interim MD&A").

### Conference Call & Webcast

D2L management will host a conference call on Thursday, December 5, 2024 at 8:30 am ET to discuss its third quarter Fiscal 2025 financial results.

**Date:** Thursday, December 5, 2024  
**Time:** 8:30 am (ET)  
**Dial in number:** Canada/US: 1 (833) 470-1428  
 International: 1 (404) 975-4839  
 Access code: 027545  
**Webcast:** A live webcast will be available at [ir.d2l.com/events-and-presentations/events/](https://ir.d2l.com/events-and-presentations/events/)  
 The webcast will also be archived

### Forward-Looking Information

This press release 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, including the Company's balance growth and profitability plan; 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; and expansion of the Company's product offerings, including the impact of AI offerings on the Company's addressable market and revenue opportunity.

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our operations; the ability to seek out, enter into and successfully integrate acquisitions, including the acquisition of 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 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; and the Company's ability to retain key personnel; the factors and assumptions discussed under the "Financial Outlook" section of the Annual MD&A, and that the list of factors referenced in the following paragraph, collectively, 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 press release. 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, or at "Summary of Factors Affecting Our Performance" of the Company's Interim MD&A or in the "Risk Factors" section of the Company's most recently filed annual information form, in each case filed under the Company's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). 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 press release 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.

**About D2L Inc. (TSX: DTOL)**

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

## D2L Inc.

### Condensed Consolidated Interim Statements of Financial Position

(In U.S. dollars)

As at October 31, 2024 and January 31, 2024

(Unaudited)

	October 31, 2024	January 31, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 108,252,331	\$ 116,943,499
Trade and other receivables	20,379,489	23,025,690
Uninvoiced revenue	3,896,203	3,971,861
Prepaid expenses	6,559,188	10,517,226
Deferred commissions	5,134,323	5,334,864
	144,221,534	159,793,140
Non-current assets:		
Other receivables	480,621	537,056
Prepaid expenses	381,939	119,872
Deferred income taxes	573,268	529,674
Right-of-use assets	8,127,082	8,774,960
Property and equipment	7,402,295	8,427,734
Deferred commissions	7,449,801	7,730,724
Investment in associate	21,248	—
Loan receivable from associate	5,120,885	—
Intangible assets	18,073,003	770,707
Goodwill	26,379,860	10,440,091
<b>Total assets</b>	<b>\$ 218,231,536</b>	<b>\$ 197,123,958</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 28,615,437	\$ 32,635,926
Deferred revenue	105,842,166	93,727,368
Lease liabilities	1,396,079	1,002,464
Contingent consideration	4,893,539	271,479
	140,747,221	127,637,237
Non-current liabilities:		
Deferred income taxes	4,119,188	587,075
Lease liabilities	10,660,223	11,707,534
Contingent consideration	—	311,839
	14,779,411	12,606,448
	155,526,632	140,243,685
Shareholders' equity:		
Share capital	367,288,877	364,830,884
Additional paid-in capital	48,190,065	47,485,107
Accumulated other comprehensive loss	(7,333,643)	(4,998,317)
Deficit	(345,440,395)	(350,437,401)
	62,704,904	56,880,273
Related party transactions		
Subsequent event		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 218,231,536</b>	<b>\$ 197,123,958</b>

## D2L INC.

### Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In U.S. dollars)

For the three and nine months ended October 31, 2024 and 2023

(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Revenue:				

Subscription and support	\$ 46,751,998	\$ 41,449,926	\$ 133,723,027	\$ 120,045,266
Professional service and other	7,547,470	4,662,769	18,239,685	14,765,509
	54,299,468	46,112,695	151,962,712	134,810,775
Cost of revenue:				
Subscription and support	12,777,133	11,884,640	36,651,859	33,977,839
Professional services and other	4,132,232	3,627,638	11,870,394	10,671,456
	16,909,365	15,512,278	48,522,253	44,649,295
Gross profit	37,390,103	30,600,417	103,440,459	90,161,480
Expenses:				
Sales and marketing	12,806,266	12,807,855	40,302,476	40,209,601
Research and development	11,139,920	12,351,201	35,294,478	36,015,722
General and administrative	8,651,729	7,102,165	25,231,988	20,603,875
	32,597,915	32,261,221	100,828,942	96,829,198
Income (loss) from operations	4,792,188	(1,660,804)	2,611,517	(6,667,718)
Interest and other income (expense):				
Interest expense	(235,892)	(157,582)	(550,438)	(456,456)
Interest income	870,355	1,221,704	2,899,093	2,938,216
Other income (expense)	(122,043)	(10,355)	(122,000)	4,897
Gain on SkillsWave disposal transaction	—	—	917,395	—
Foreign exchange gain	224,145	314,938	307,859	380,417
	736,565	1,368,705	3,451,909	2,867,074
Income (loss) before income taxes	5,528,753	(292,099)	6,063,426	(3,800,644)
Income taxes (recovery):				
Current	246,162	43,883	602,830	435,294
Deferred	(264,457)	51,613	(396,134)	(130,838)
	(18,295)	95,496	206,696	304,456
Income (loss) for the period	5,547,048	(387,595)	5,856,730	(4,105,100)
Other comprehensive gain (loss):				
Foreign currency translation gain (loss)	137,532	(1,556,171)	(2,335,326)	(1,020,872)
Comprehensive income (loss)	\$ 5,684,580	\$ (1,943,766)	\$ 3,521,404	\$ (5,125,972)
Earnings (loss) per share – basic	\$ 0.10	\$ (0.01)	\$ 0.11	\$ (0.08)
Earnings (loss) per share – diluted	\$ 0.10	\$ (0.01)	\$ 0.10	\$ (0.08)
Weighted average number of common shares – basic	54,453,244	53,703,768	54,282,281	53,454,498
Weighted average number of common shares – diluted	56,032,694	53,703,768	55,828,067	53,454,498

## D2L INC.

### Condensed Consolidated Interim Statements of Shareholders' Equity

(In U.S. dollars)

For the nine months ended October 31, 2024 and 2023

(Unaudited)

	Share Capital		Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount				
Balance, January 31, 2024	53,978,085	\$ 364,830,884	\$ 47,485,107	\$ (4,998,317)	\$ (350,437,401)	\$ 56,880,273
Issuance of Subordinate Voting Shares on exercise of options	410,397	3,443,979	(1,804,429)	—	—	1,639,550
Issuance of Subordinate Voting Shares on settlement of restricted share units	374,307	1,416,155	(4,602,395)	—	—	(3,186,240)
Stock-based compensation	—	—	7,111,782	—	—	7,111,782
Repurchase of share capital for cancellation under NCIB	(306,880)	(2,402,141)	—	—	—	(2,402,141)
Change in share repurchase commitment under ASPP	—	—	—	—	(859,724)	(859,724)
Other comprehensive loss	—	—	—	(2,335,326)	—	(2,335,326)
Income for the period	—	—	—	—	5,856,730	5,856,730
Balance, October 31, 2024	54,455,909	\$ 367,288,877	\$ 48,190,065	\$ (7,333,643)	\$ (345,440,395)	\$ 62,704,904
Balance, January 31, 2023	53,146,530	357,639,824	46,084,161	(5,001,805)	(344,630,902)	54,091,278
Issuance of Subordinate Voting Shares on exercise of options	381,794	3,414,019	(1,443,627)	—	—	1,970,392
Issuance of Subordinate Voting Shares on settlement of restricted share units	218,010	988,410	(2,474,669)	—	—	(1,486,259)
Stock-based compensation	—	—	7,237,274	—	—	7,237,274
Other comprehensive loss	—	—	—	(1,020,872)	—	(1,020,872)
Loss for the period	—	—	—	—	(4,105,100)	(4,105,100)
Balance, October 31, 2023	53,746,334	\$ 362,042,253	\$ 49,403,139	\$ (6,022,677)	\$ (348,736,002)	\$ 56,686,713

**D2L INC.**Condensed Consolidated Interim Statements of Cash Flows  
(In U.S. dollars)

For the nine months ended October 31, 2024 and 2023

(Unaudited)

	2024	2023
Operating activities:		
Income (loss) for the period	\$ 5,856,730	\$ (4,105,100)
Items not involving cash:		
Depreciation of property and equipment	1,285,970	1,158,782
Depreciation of right-of-use assets	945,223	927,605
Amortization of intangible assets	723,100	60,159
Gain on disposal of property and equipment	(51,476)	(16,194)
Stock-based compensation	7,111,782	7,237,274
Net interest income	(2,348,655)	(2,481,760)
Income tax expense	206,696	304,456
Gain on SkillsWave disposal transaction	(917,395)	—
Loss from equity accounted investee	416,850	—
Fair value gain on loan receivable from associate	(120,885)	—
Changes in operating assets and liabilities:		
Trade and other receivables	3,784,969	1,041,252
Uninvoiced revenue	(37,023)	(440,936)
Prepaid expenses	3,503,610	1,073,501
Deferred commissions	296,245	(1,105,606)
Accounts payable and accrued liabilities	(6,410,785)	1,952,832
Deferred revenue	11,573,770	13,243,128
Right-of-use assets and lease liabilities	(44,962)	(57,530)
Interest received	2,878,878	2,938,216
Interest paid	(19,343)	(9,815)
Income taxes paid	(596,646)	(549,475)
Cash flows from operating activities	28,036,653	21,170,789
Financing activities:		
Payment of lease liabilities	(1,344,625)	(575,023)
Lease incentive received	103,128	935,025
Proceeds from exercise of stock options	1,639,550	1,970,392
Taxes paid on settlement of restricted share units	(3,186,240)	(1,486,259)
Repurchase of share capital for cancellation under NCIB	(2,402,141)	—
Cash flows (used in) from financing activities	(5,190,328)	844,135
Investing activities:		
Purchase of property and equipment	(521,775)	(5,178,461)
Proceeds from disposal of property and equipment	51,476	16,537
Acquisition of business, net of cash acquired	(22,308,927)	(2,793,180)
Payment of contingent consideration	(249,436)	—
Transfer of cash on disposal of SkillsWave	(1,483,357)	—
Proceeds from sale of majority ownership stake in SkillsWave	809,038	—
Issuance of loan to SkillsWave	(5,000,000)	—
Cash flows used in investing activities	(28,702,981)	(7,955,104)
Effect of exchange rate changes on cash and cash equivalents	(2,834,512)	(1,701,358)
(Decrease) increase in cash and cash equivalents	(8,691,168)	12,358,462
Cash and cash equivalents, beginning of period	116,943,499	110,732,236
Cash and cash equivalents, end of period	\$ 108,252,331	\$ 123,090,698

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

The information presented within this press release 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.

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

Adjusted EBITDA is defined as net income (loss), excluding interest, taxes, depreciation and amortization (or EBITDA), adjusted for stock-based compensation, foreign exchange gains and losses, non-recurring expenses, 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. For an explanation of recent changes to and management's use of Adjusted EBITDA and Adjusted EBITDA Margin see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios – Adjusted EBITDA and Adjusted EBITDA Margin" section in the Company's Interim MD&A, which section is incorporated by reference herein.

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 October 31		Nine months ended October 31	
	2024	2023	2024	2023
<b>Income (loss) for the period</b>	<b>5,547</b>	<b>(387)</b>	<b>5,857</b>	<b>(4,105)</b>
Stock-based compensation	2,195	2,068	7,112	7,237
Foreign exchange gains	(224)	(315)	(308)	(380)
Non-recurring expenses <sup>(1)</sup>	305	807	2,171	957
Transaction-related costs <sup>(2)</sup>	1,249	169	2,072	721
Fair value adjustment of acquired deferred revenue	500	—	639	—
Change in fair value on loan receivable from associate	(121)	—	(121)	—
Loss from equity accounted investee	320	—	417	—
Net interest income	(634)	(1,064)	(2,348)	(2,482)
Income tax (recovery) expense	(18)	95	207	304
Depreciation and amortization	1,301	749	2,954	2,147
<b>Adjusted EBITDA</b>	<b>10,420</b>	<b>2,122</b>	<b>18,652</b>	<b>4,399</b>
<b>Adjusted EBITDA Margin</b>	<b>19.2 %</b>	<b>4.6 %</b>	<b>12.3 %</b>	<b>3.3 %</b>

During the current quarter, the Company recognized services revenue of \$1.2 million from re-evaluating the completion progress of certain professional services engagements. Excluding this increase, the Company's Adjusted EBITDA and Adjusted EBITDA Margin would have been \$9.2 million and 17.4%, respectively, for the three months ended October 31, 2024.

#### **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 disposal of our majority ownership stake in SkillsWave Corporation ("Skillswave") and our acquisition of H5P. These expenses also include post-combination compensation costs from the acquisition of H5P. These expenses are net of a gain of \$0.9 million recognized on the disposal of our majority ownership stake in SkillsWave. These expenses would not have been incurred if not for these transactions and are not considered expenses indicative of the Company's continuing operations.

#### **Adjusted Gross Profit and Adjusted Gross Margin**

Adjusted Gross Profit is defined as gross profit excluding related stock-based compensation expenses and amortization from recently acquired intangible assets, specifically acquired technology. Adjusted Gross Margin is calculated as Adjusted Gross Profit expressed as a percentage of total revenue. For an explanation of management's use of Adjusted Gross Profit and Adjusted Gross Margin see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios – Adjusted Gross Profit and Adjusted Gross Margin" section in the Company's Interim MD&A, which section is incorporated by reference herein.

The following table reconciles Adjusted Gross Margin to gross profit expressed as a percentage of revenue, for the periods indicated:



(in thousands of U.S. dollars, except for percentages)	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Gross profit for the period	37,390	30,600	103,441	90,161
Stock-based compensation	147	147	442	430
Acquired intangible asset amortization	427	31	556	31
<b>Adjusted Gross Profit</b>	<b>37,964</b>	<b>30,778</b>	<b>104,439</b>	<b>90,622</b>
<b>Adjusted Gross Margin</b>	<b>69.9 %</b>	<b>66.7 %</b>	<b>68.7 %</b>	<b>67.2 %</b>

During the current quarter, the Company recognized services revenue of \$1.2 million from re-evaluating the completion progress of certain professional services engagements. Excluding this revenue, the Company's Adjusted Gross Profit and Adjusted Gross Margin would have been \$36.8 million and 69.2% respectively, for the three months ended October 31, 2024.

### **Free Cash Flow and Free Cash Flow Margin**

Free Cash Flow is defined as cash provided by (used in) operating activities less net additions to property and equipment. Free Cash Flow Margin is calculated as Free Cash Flow expressed as a percentage of total revenue. For an explanation of management's use of Free Cash Flow and Free Cash Flow Margin see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios – Free Cash Flow and Free Cash Flow Margin" section in the Company's Interim MD&A, which section is incorporated by reference herein.

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

(in thousands of U.S. dollars, except for percentages)	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Cash flow from operating activities	11,420	15,318	28,037	21,171
Net addition to property and equipment	(124)	(1,074)	(470)	(5,162)
<b>Free Cash Flow</b>	<b>11,296</b>	<b>14,244</b>	<b>27,567</b>	<b>16,009</b>
<b>Free Cash Flow Margin</b>	<b>20.8 %</b>	<b>30.9 %</b>	<b>18.1 %</b>	<b>11.9 %</b>

### **Constant Currency Revenue**

Constant Currency Revenue is defined as foreign-currency-denominated revenues translated at the historical exchange rates from the comparable prior period into our U.S. dollar functional currency. For an explanation of management's use of Constant Currency Revenue see "Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios – Constant Currency Revenue" section in the Company's Interim MD&A, which section is incorporated by reference herein.

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

(in thousands of U.S. dollars)	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
	\$	\$	\$	\$
Total revenue for the period	54,299	46,113	151,963	134,811
(Positive) negative impact of foreign exchange rate changes over the prior period	(193)	—	163	—
<b>Constant Currency Revenue</b>	<b>54,106</b>	<b>46,113</b>	<b>152,126</b>	<b>134,811</b>

During the current quarter, the Company recognized services revenue of \$1.2 million from re-evaluating the completion progress of certain professional services engagements. Excluding this increase, the Company's constant currency revenue would have been \$52.9 million for the three months ended October 31, 2024.

### **Key Performance Indicators**

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

*Annual Recurring Revenue and Constant Currency Annual Recurring Revenue:* We define Annual Recurring Revenue as the annualized equivalent value of subscription revenue from all existing customer contracts as at the date

being measured, exclusive of the implementation period. Our calculation of Annual Recurring Revenue assumes that customers will renew their contractual commitments as those commitments come up for renewal. We believe Annual Recurring Revenue provides a reasonable, real-time measure of performance in a subscription-based environment and provides us with visibility for potential growth to our cash flows. We believe that increasing Annual Recurring Revenue indicates the continued strength in the expansion of our business, and will continue to be our focus on a go-forward basis. We define Constant Currency Annual Recurring Revenue as foreign-currency-denominated Annual Recurring Revenue translated at the historical exchange rates from the comparable prior period into our U.S. dollar functional currency.

(in millions of U.S. dollars, except percentages)	As at October 31		
	2024	2023	Change
	\$	\$	%
Annual Recurring Revenue	201.7	180.1	12.0 %
Constant Currency Annual Recurring Revenue	200.7	180.1	11.4 %

For further information, please contact: Craig Armitage, Investor Relations, [ir@d2l.com](mailto:ir@d2l.com), (416) 347-8954