D2L INC.

Management's Discussion and Analysis

For the years ended January 31, 2022 and 2021 (Re-Filed)

Dated: March 28, 2022

NOTICE TO READER

D2L Inc. is re-filing its Management's Discussion and Analysis for the years ended January 31, 2022 and 2021 ("the MD&A") to correct clerical errors for 'loss per share – basic' and 'loss per share – diluted' for the three months ended January 31, 2022 to be $0.07 and $0.07, respectively, instead of $1.87 and $1.87, respectively, as reported on pages 10 and 17. All other information contained in this re-filed MD&A remains the same as the original MD&A previously filed on SEDAR on March 28, 2022. This re-filed MD&A replaces and supersedes the previously filed original MD&A. Such previously filed original MD&A should be disregarded.

MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("**MD&A**") comments on the financial performance and financial condition of D2L Inc. ("**D2L**" or the "**Company**") for the three months ended January 31, 2022 and 2021 and the years ended January 31, 2022 ("**Fiscal 2022**") and 2021 ("**Fiscal 2021**").*

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.

*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, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

Additional information relating to D2L can be found under the Company's profile on SEDAR at www.sedar.com. This MD&A is dated as of March 28, 2022.

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, information regarding: the Company's financial position, financial results, business strategy, performance, achievements, prospects, objectives, opportunities, business plans and growth strategies; addressable markets for the Company's products and solutions; the Company's budgets, operations, taxes and dividend policy; the markets in which the Company operates; industry trends and the Company's competitive position; expansion of the Company's product offerings; and expectations regarding the growth of the Company's customer base, revenue and revenue generation potential.

Forward-looking information, including the Company's guidance for Fiscal 2023 total revenue and Adjusted EBITDA, 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 ability to seek out, enter into and successfully integrate acquisitions, including the Bayfield Acquisition; 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 Company's ability to retain key personnel; 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 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, assumptions and other factors, including but not limited to the risks identified herein, including at "*Summary of Factors Affecting Our Performance*" and "*Risk Factors*", or in the Company's subsequently-filed annual information form for Fiscal 2022. 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 and non-IFRS ratios including Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Free Cash Flow and Free Cash Flow Margin. 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 and non-IFRS financial ratios in the evaluation of the Company. The Company's management also uses non-IFRS financial measures, non-IFRS financial ratios and key performance indicators 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 changes in the fair value of redeemable convertible preferred shares, stock-based compensation, foreign exchange gains and losses, transaction-related expenses 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 and other expenses, as described, that are not reflective of the Company's underlying business.

Free Cash Flow and Free Cash Flow Margins

"**Free Cash Flow**" is defined as cash provided by (used in) operating activities less net additions to property and equipment.

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

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

Adjusted Gross Profit and Adjusted Gross Margin

"**Adjusted Gross Profit**" is defined as gross profit excluding related stock-based compensation expenses.

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

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

Reconciliation of Non-IFRS Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

The following table reconciles Adjusted EBITDA to loss for the year, 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**	
	2022	**2021**	**2022**	**2021**
Loss for the year	**(3,860)**	**(11,167)**	**(97,653)**	**(41,496)**
Loss on redeemable convertible preferred shares	-	8,123	22,028	43,184
Stock-based compensation(1)	1,662	331	68,822	756
Foreign exchange loss (gain)	502	405	950	(229)
Transaction-related costs(2)	737	347	2,529	347
Other (income) loss (3)	-	(19)	-	(19)
Interest income net of interest expense	33	50	125	151
Income tax expense (recovery)	(544)	63	(164)	190
Depreciation and amortization	1,037	846	3,499	3,136
Adjusted EBITDA	**(433)**	**(1,021)**	**136**	**6,020**
Revenue	**41,406**	**33,936**	**151,880**	**126,372**
Adjusted EBITDA Margin	**-1.0%**	**-3.0%**	**0.1%**	**4.8%**

Note:

(1) In Fiscal 2022, these expenses were impacted by non-cash, stock-based compensation (as discussed in Note 15 of the audited annual consolidated financial statements) which affects the year-over-year comparisons.

(2) These costs include professional, legal, consulting and accounting fees incurred in connection with the Offering (as defined below), which closed on November 3, 2021 and related other activities, and are not considered indicative of continuing operations. These costs did not meet the criteria for capitalization and thus were expensed in the Company's consolidated statements of comprehensive loss. Share issuance costs that met the criteria for capitalization are described in Note 13(b) of the Company's annual audited consolidated financial statements.

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

Free Cash Flow and Free Cash Flow Margins

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:

	Three months ended January 31		Fiscal year ended January 31	
(in thousands of U.S. dollars, except for percentages)	**2022**	**2021**	**2022**	**2021**
Cash flow (used in) from operating activities	(3,965)	(1,343)	112	16,808
Purchase of property and equipment, net of proceeds on disposal	(96)	(261)	(796)	(1,676)
Free Cash Flow	**(4,061)**	**(1,604)**	**(684)**	**15,132**
Revenue	**41,406**	**33,936**	**151,880**	**126,372**
Free Cash Flow Margin	**-9.8%**	**-4.7%**	**-0.5%**	**12.0%**

The operations of the Company can be seasonal in nature. Cash flows from operations generally have a seasonal low in the first quarter each year and a seasonal high in the second quarter each year, due to the contractual timing of annual invoicing with our end customers, many of which have a fiscal year end in the second quarter (i.e., June 30th for many higher education institutions in the United States).

Adjusted Gross Profit and Adjusted Gross Margin

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

	Three months ended January 31		Fiscal year ended January 31	
(in thousands of U.S. dollars, except for percentages)	**2022**	**2021**	**2022**	**2021**
Gross profit for the period	26,516	19,841	87,947	77,080
Stock based compensation	28	23	8,199	78
Adjusted Gross Profit	**26,544**	**19,864**	**96,146**	**77,158**
Revenue	**41,406**	**33,936**	**151,880**	**126,372**
Adjusted Gross Margin	**64.1%**	**58.5%**	**63.3%**	**61.1%**

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

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 an 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. Annual recurring revenue as at January 31, 2022 was $154.5 million ($129.5 million as at January 31, 2021).

Net Revenue Retention Rate

We define Net Revenue Retention Rate for a fiscal year by considering all customers at the beginning of a fiscal year, and dividing our annual subscription revenue attributable to this group of customers at the end of the fiscal year, by the annual subscription revenue attributable to this group of customers in the prior fiscal year. By implication, this ratio, expressed as a percentage, excludes any sales from new customers acquired during the fiscal year, but does include incremental sales from the existing base of customers during the fiscal year being measured. We believe that measuring the ability to retain and expand revenue generated from the existing customer base is a key indicator of the long-term value that we provide to customers. Net Revenue Retention Rate for the fiscal year ended January 31, 2022 was 107% (107% for the fiscal year ended January 31, 2021).

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 technology ecosystem is powered by more than 20 years of expertise and a vision for the future of work and learning. We focus on creating a unique learner-centric platform, informed by learning science, that holds the capacity to increase adoption, retention, engagement, and learning outcomes. Our core cloud-based learning innovation platform, Brightspace, serves three distinct markets: Kindergarten to Grade 12 schools ("**K-12**"), Higher Education, and corporate markets. Our technology is easy to use and accessible for people across these markets who use our platform for online learning, supporting learning in the classroom, and for professional development and training. D2L Brightspace Core functionality is extended through Performance+, our advanced predictive analytics package, and Engagement+, which engages learners through add-on solutions such as adaptive video, widgets and interactive tools. Our learning technology leverages artificial intelligence and analytics to help educators to achieve better outcomes for their learners, 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. During Fiscal 2022, 89% of our revenues were recurring, on a subscription basis. We charge our customers 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 2022, we generated revenues of $151.9 million, up $25.5 million or 20.2%, from Fiscal 2021.

We sell our platform primarily through our direct sales force in North America, Europe, and Australia, as well as through indirect channel partners in other countries around the world. As of January 31, 2022, our customer list was comprised of over 1,150 customers (up from over 970 as at January 31, 2021) – representing colleges, universities, K-12 school districts and companies in more than 40 countries. We define a "customer" as an entity with an active contract for our services. In the case where there is a single contract that applies to entities with multiple subsidiaries, divisions, accounts, universities or schools, only the entity that has contracted for our services is counted as a customer. For example, a higher educational consortium contracted on behalf of its member institutions, is counted as a single customer even though the consortium encompasses multiple individual institutions. Our platform is used worldwide by more than 15 million users, with a multitude of customers across our target markets and regions resulting in significant diversification, with no customer representing more than 10% of our annual revenue.

Filing of Prospectus and Initial Public Offering

On October 28, 2021, the Company filed a prospectus (**the** "**Offering**") with the security regulatory authorities in each of the provinces and territories of Canada in connection with an initial public offering ("**IPO**") of subordinate voting shares ("**Subordinate Voting Shares**") issued from treasury of the Company and a secondary offering (the "**Secondary Offering**") of Subordinate Voting Shares by the Desire2Learn Employee Stock Trust ("**Employee Stock Trust**"), subject to the terms and conditions of an underwriting agreement entered into on October 27, 2021.

On November 3, 2021, the Offering was closed. The Offering consisted of an IPO of 5,489,757 Subordinate Voting Shares issued from treasury of the Company and a Secondary Offering of 3,335,243 Subordinate Voting Shares by the Employee Stock Trust for aggregate gross proceeds of $120,676,480. Gross proceeds of the IPO and Secondary Offering were $75,069,071 and $45,607,409, respectively. The Company's Subordinate Voting Shares began trading on the Toronto Stock Exchange under the symbol "DTOL" on the closing date.

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

Ability to attract new customers

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

Scaling our sales and marketing team

Our ability to achieve future revenue growth will largely depend on the effectiveness of our sales and marketing efforts, both domestically and internationally. We plan to further expand sales and marketing to grow our customer base and increase sales to existing customers. These investments in our sales and marketing organization 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.

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 expand into new geographic regions, and we will face risks 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 do not have any 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 a smaller proportion of our expenses in U.S. dollars. Our head office and a significant 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 will be adversely impacted by a decrease in the value of the U.S. dollar relative to the Canadian dollar, British pound sterling, or Australian dollar. See "*Risk Factors*" for a discussion on exchange rate fluctuations and their potential negative effect on our results of operations.

Impact of COVID-19 on Our Operations

The onset of COVID-19 in early 2020 significantly impacted the well-being of individuals and the Canadian and global economies. D2L has closely monitored and managed developments related to COVID-19 by implementing a response plan to continue providing service and support to our customers, while safeguarding the health and safety of the public and our employees. We've enabled our employees to work remotely, reopened certain offices and implemented safety measures for employees who want to voluntarily return, developed safety guidelines and policies for business travel, and shifted most company events to virtual-only experiences, while recently beginning to facilitate in-person events for the company.

To reduce the transmission of COVID-19, schools, businesses and institutions have implemented closures, travel restrictions, public health measures, and remote work and learning. This impacted how customers use D2L's services and the ability of certain third-party service providers of D2L to provide products and services. For example, the COVID-19 pandemic has created uncertainties in buying behavior – in some cases notably increasing demand. D2L has adapted our business operations as required to respond to the needs of our customers and employees, and uphold public health measures. The ongoing pandemic could impact our sales and marketing efforts, sales cycles, employee productivity or customer retention. It could also impact our third-party service providers, such as data center hosting facilities and cloud computing platform providers, to protect against security impacts and ensure undisrupted delivery of products or services.

Despite the ongoing risks and uncertainties, we believe COVID-19 has been a sustained accelerant with respect to the adoption of education technologies and acceptance of new approaches to learning. While it initially exposed flaws in preparedness, the pandemic resulted in education institutions, educators, employers, businesses and governments to rethink what is possible when technology is incorporated into work and learning. In our view, digital transformation is imperative to recover learning loss for students around the world that occurred because of the pandemic; to address the increasing need to retrain, reskill and upskill the workforce; and to support more resilient and personalized learning systems in the future. We believe that D2L is well-positioned to capitalize on a more structural and longer-term need for cloud-based, mobile-friendly, intelligent learning platforms in a post-pandemic environment.

Because the duration and outcomes of the COVID-19 pandemic remain uncertain, D2L is unable at this time to predict its long-term impact on its operations, liquidity, financial condition and results, but the impact may be material. See the "*Risk Factors*" for additional details on how COVID-19 may impact our future results.

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 e-Learning solutions, and includes purchases of application support beyond that included with all subscriptions and fees earned for usage beyond license 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 e-Learning solutions, 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 production cloud and web hosting fees, employee wages and benefits expenses, including stock-based compensation, and an allocated proportion of overhead costs.

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 e-Learning solutions 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.

Sales and marketing

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

We plan to continue to expand our sales and marketing headcount and related efforts to attract new customers, retain existing customers, and increase revenues from both new and existing customers, thereby resulting in increased sales and marketing costs in line with our growth trajectory.

Research and development

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

Our research and development team is focused on both continuous improvement of our existing platform, as well as developing new product features and solutions. In the immediate future, as D2L's growth continues, we expect our research and development costs to increase proportionately.

As a privately held company, our research and development expenses were reduced by the Canadian federal Scientific Research and Experimental Development Program tax incentives ("**SR&ED**"). As a public company, we are no longer able to reduce our research and development expenses through refundable SR&ED tax credits, causing our research and development expenses to increase relative to our time as a privately held company. However, we continue to remain eligible for non-refundable SR&ED credits under this program, which may be used to reduce income taxes payable in future years.

General and administrative

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

During Fiscal 2022, we incurred expenses as part of our transition to a publicly traded company, as well as additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a Canadian securities exchange and costs related to compliance and reporting obligations pursuant to rules of the Canadian securities commissions. In the short-term, we anticipate increases to general and administrative expenses as we continue to incur the costs associated with being a newly public company, however in the medium-term we expect that these expenses will generally decrease as a percentage of total revenues.

Interest and other income (expense)

Interest and other income (expense) consists primarily of net interest income or expenses, transaction gains or losses on foreign currency, and changes in the fair value of our redeemable convertible preferred shares.

The fair value loss on our redeemable convertible preferred shares has had a material impact on our financial statements in Fiscal 2022 and Fiscal 2021. Immediately prior to the closing of our IPO, the redeemable convertible preferred shares were converted to Subordinate Voting Shares, subject to certain adjustments. Accordingly, changes in the fair value of our redeemable convertible preferred shares no longer exist and will not impact our results going forward.

Other comprehensive income (loss)

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

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

Results of Operations

The following table outlines our consolidated statements of comprehensive loss for the periods indicated:

	Three months ended January 31		**Fiscal year ended January 31**	
(in thousands of U.S. dollars)	**2022**	**2021**	**2022**	**2021**
Revenue	41,406	33,936	151,880	126,372
Cost of revenue	14,890	14,095	63,933	49,292
Gross profit	**26,516**	**19,841**	**87,947**	**77,080**
Operating expenses				
Sales and marketing	12,926	9,914	65,405	32,294
Research and development	10,878	8,596	46,599	30,817
General and administrative	6,581	3,876	50,657	12,188
Total operating expenses	**30,385**	**22,386**	**162,661**	**75,299**
Income (loss) from operations	**(3,869)**	**(2,545)**	**(74,714)**	**1,781**
Interest and other income (expense) excl. loss on redeemable convertible preferred shares	(535)	(436)	(1,075)	97
Loss on redeemable convertible preferred shares	–	(8,123)	(22,028)	(43,184)
Loss before income taxes	**(4,404)**	**(11,104)**	**(97,817)**	**(41,306)**
Income tax expense (recovery)	(544)	63	(164)	190
Loss for the period	**(3,860)**	**(11,167)**	**(97,653)**	**(41,496)**
Other comprehensive income (loss)	(249)	(65)	860	(214)
Comprehensive loss	**(4,109)**	**(11,232)**	**(96,793)**	**(41,710)**
Loss per share - basic	**(0.07)**	**(0.42)**	**(2.88)**	**(1.57)**
Loss per share - diluted	**(0.07)**	**(0.42)**	**(2.88)**	**(1.57)**

Impact of Employee Trust Stock-Based Compensation

As outlined in note 15 of the annual audited consolidated financial statements for the years ended January 31, 2022 and 2021, the Company recognized a non-recurring, stock-based compensation expense of $65.8 million in the third quarter (“**Employee Trust Stock-Based Compensation Expense**”). This expense had a significant impact on the Company’s loss for the year ended January 31, 2022.

The following chart provides details of the Employee Trust Stock-Based Compensation Expense recognized by the Company by major expense caption for the three and twelve months ended January 31, 2022:

(in thousands of U.S. dollars)	**3 months ended January 31, 2022**	**Fiscal year ended January 31, 2022**
Cost of subscription and support	–	494
Cost of professional services and other	–	7,581
Sales and marketing	–	19,591
Research and development	–	7,709
General and administrative	–	30,447
Total Employee Trust Stock-Based Compensation Expense	**–**	**65,822**

The total stock-based compensation expense recognized by the Company for the three and twelve months ended January 31, 2022, inclusive of the Employee Trust Stock-Based Compensation Expense, was $1.7 million and $68.8 million, respectively.

Review of Operations for Fiscal 2022 and Fiscal 2021

Revenue

	3 months ended January 31,			**Fiscal year ended January 31,**		
(in thousands of U.S. dollars, except percentages)	**2022 $**	**2021 $**	**Change %**	**2022 $**	**2021 $**	**Change %**
Revenue						
Subscription and support revenue	36,191	30,290	19.5%	134,688	112,916	19.3%
Professional services and other revenue	5,215	3,646	43.0%	17,192	13,456	27.8%
Total revenue	**41,406**	**33,936**	**22.0%**	**151,880**	**126,372**	**20.2%**
Percentage of total revenue						
Subscription and support revenue	87.4%	89.3%		88.7%	89.4%	
Professional services and other revenue	12.6%	10.7%		11.3%	10.6%	
Total percentage of total revenue	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

For the three months ended January 31, 2022, subscription and support revenue was $36.2 million, compared to $30.3 million in the comparative period of the prior year, which represents an increase of $5.9 million or 19.5%. For the year ended January 31, 2022, subscription and support revenues totalled $134.7 million, compared to $112.9 million in the same period of the prior year, representing an increase of $21.8 million or 19.3% period-over-period. The increase in subscription and support revenue over both periods was mainly due to revenue from new customers, paired with strong revenue retention and expansion from existing customers.

Professional services and other revenue for the three months ended January 31, 2022 was $5.2 million, compared to $3.6 million in the same period of the prior year, up $1.6 million or 43.0%. For the year ended January 31, 2022, professional services and other revenue increased from $13.5 million in Fiscal 2021 to $17.2 million, representing an increase of $3.7 million or 27.8%. The increase in professional services and other revenue for both periods was driven by an increase in delivered professional services engagements, including new customer implementations and content development work for new and existing customers.

Our Annual Recurring Revenue represents an additional indicator of our future recurring revenue, and reached $154.5 million in Fiscal 2022, an increase of $25.0 million or 19.3%, over Fiscal 2021 (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*"). Annual Recurring Revenue increased as a result of the addition of recurring revenue from new customers, paired with growth in recurring revenue from our existing customers as demonstrated through our Net Revenue Retention of 107%.

The Net Revenue Retention rate is representative of our ability to retain and expand revenue generated from our existing customer base (see "*Non-IFRS and Other Financial Measures – Key Performance Indicators*"). In Fiscal 2022, our Net Revenue Retention Rate was 107%, consistent with Fiscal 2021. The most significant positive drivers of our net revenue retention rate in Fiscal 2022 were our ability to up-sell and cross-sell new solutions or additional licenses to our existing customer base and periodic pricing increases on our multi-year contracts.

Cost of revenue

	3 months ended January 31,			**Fiscal year ended January 31,**		
(in thousands of U.S. dollars, except percentages)	**2022 $**	**2021 $**	**Change %**	**2022 $**	**2021 $**	**Change %**
Cost of revenue						
Cost of subscription and support	11,149	10,978	1.6%	43,963	39,284	11.9%
Cost of professional services and other	3,741	3,117	20.0%	19,970	10,008	99.5%
Total cost of revenue	**14,890**	**14,095**	**5.6%**	**63,933**	**49,292**	**29.7%**
Percentage of total cost of revenue						
Cost of subscription and support	74.9%	77.9%		68.8%	79.7%	
Cost of professional services and other	25.1%	22.1%		31.2%	20.3%	
Total percentage of total cost of revenue	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

Cost of subscription and support revenue for the three months ended January 31, 2022 was $11.1 million, which was consistent with the $11.0 million recognized in the same period of the prior year. For the year ended January 31, 2022, cost of subscription and support revenue increased to $44.0 million, up $4.7 million or 11.9% from $39.3 million in the same period of the prior year. The year-over-year increase was primarily driven by greater hosting and support activity, offset by realized optimizations in our cost of delivery, as well as higher employee headcount and subcontractor expenses, associated with the increase in subscription and support revenues. In Fiscal 2021, we experienced significantly increased system usage due to learners spending more time on our platform during lockdowns and related school closures. COVID-19 restrictions were less impactful in Fiscal 2022, and when paired with realized optimizations in our cost of delivery, resulted in decreased hosting and support costs relative to the increase in revenue.

Cost of professional services and other revenue for the three months ended January 31, 2022 was $3.7 million, up $0.6 million or 20.0% from the $3.1 million incurred in the same period of the prior year. The increase was driven by greater salaries and wages expenses due to increased employee headcount period over period, combined with higher subcontractor expenses, which has allowed us to increase our professional services capacity consistent with the increase in professional services and other revenue over the same period. For the year ended January 31, 2022, cost of professional services and other revenue was $20.0 million, up $10.0 million or 99.5% from $10.0 million in the same period of the prior year. This increase was mainly driven by the Employee Trust Stock-Based Compensation Expense recognized of $7.6 million. Excluding this impact, the increase of $2.4 million or 23.8% was the result of staffing costs associated with higher employee headcount and increased subcontractor fees, similar to the three-month period variance explanation discussed above.

Gross profit

(in thousands of U.S. dollars, except percentages)	3 months ended January 31, 2022 $	2021 $	Change %	Fiscal year ended January 31, 2022 $	2021 $	Change %
Gross profit						
Subscription and support	25,042	19,312	29.7%	90,725	73,632	23.2%
Professional services and other	1,474	529	178.6%	(2,778)	3,447	(180.6%)
Total gross profit	**26,516**	**19,841**	**33.6%**	**87,947**	**77,079**	**14.1%**
Gross profit margin(1)						
Subscription and support	69.2%	63.8%		67.4%	65.2%	
Professional services and other	28.3%	14.5%		(16.2%)	25.6%	
Total gross profit margin	**64.0%**	**58.5%**		**57.9%**	**61.0%**	

(1) Gross profit margin is calculated as gross profit expressed as a percentage of total revenue.

Gross profit earned on subscription and support for the three months ended January 31, 2022 was $25.0 million, up from $19.3 million in the same period of the prior year representing an increase of $5.7 million or 29.7%. For Fiscal 2022, gross profit earned on subscription and support was $90.7 million compared to $73.6 million in Fiscal 2021, increasing by $17.1 million or 23.2%. The increases in gross profit earned on subscription and support for both periods was primarily driven by growth in our subscription and support revenue outpacing related increases in cost of revenue.

Gross profit margin for subscription and support for the three-month period ended January 31, 2022 was 69.2%, increasing by 5.4% from 63.8% in the same period of the prior year. Similarly, for year ended January 31, 2022, gross profit margin increased by 2.2% from 65.2% in the same period of the prior year to 67.4%. The increases for both periods were mainly attributable to growth in subscription and support revenues exceeding the growth in the related cost of revenue, as the effects of easing COVID-19 restrictions and the return to more in-person learning meant our platform was used for both blended and online learning rather than a more fully online intensive learning experience in the prior year. Combined with our continued optimization of cloud delivery in the current periods, this led to lower relative hosting costs in the current periods.

For the three months ended January 31, 2022, gross profit earned on professional services and other was $1.5 million, up $1.0 million or 178.6% from $0.5 million in the same period of the prior year. This change is the result of the growth in our professional services and other revenue exceeding the growth in the related cost of revenue. For the year ended January 31, 2022, we recognized negative gross profit on professional services and other of $2.8 million, a decrease of $6.2 million or 180.6% from the $3.4 million of gross profit earned in the same period in 2021. The decrease was primarily attributable to the Employee Trust Stock-Based Compensation Expense recognized of $7.6 million. Excluding this impact, gross profit increased by $1.4 million or 39.3% to $4.8 million, which was similarly due to growth in our professional services and other revenue outpacing the increases in cost of revenue.

Gross profit margin for professional services and other for the three months ended January 31, 2022 was 28.3%, representing an increase of 13.8% compared to 14.5% in the same period of the prior year. For the year ended January 31, 2022, gross profit margin for professional services and other was negative 16.2%, decreasing by 41.8% from gross profit margin of 25.6% in the prior fiscal year. The decrease was mainly the result of the $7.6 million Employee Trust Stock-Based Compensation Expense discussed above. Excluding this impact, gross profit margin for professional services and other was 27.9% for Fiscal 2022, an increase of 2.3% over the prior year. Similar to the change in gross profit discussed previously, the increases for both periods were the result of the growth in our professional services and other revenue outpacing the cost of revenue increase in the same periods.

Adjusted Gross Profit (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures*") for the three and twelve month periods ended January 31, 2022 were $26.5 million and $96.1 million, respectively, representing increases of $6.7 million or 33.6% and $19.0 million or 24.6%, respectively, from the same periods in the prior year. Similarly, Adjusted Gross Margin (a non-IFRS ratio, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures*") for the three and twelve month periods ended January 31, 2022 were 64.1% and 63.3%, respectively, compared to 58.5% and 61.1%, respectively, in the same period of the prior year. The increases in Adjusted Gross Profit and Adjusted Gross Margin for both periods were due to growth in subscription and support revenues from new and existing customers, combined with growth of professional services and other revenues driven by an increase in delivered professional services engagements and content development work, outpacing the growth in the related costs of revenue. The related costs of revenue, particularly hosting and support costs, were lower in the current periods as a result of easing COVID-19 restrictions and learners using our platform more for blended and online learning rather than a more fully online intensive learning experience in the prior year. Continued optimization of cloud delivery also contributed to lower hosting and support costs.

Operating expenses

	3 months ended January 31,			Fiscal year ended January 31,		
(in thousands of U.S. dollars, except percentages)	**2022** **$**	**2021** **$**	**Change** **%**	**2022** **$**	**2021** **$**	**Change** **%**
Operating expenses						
Sales and marketing	12,926	9,914	30.4%	65,405	32,294	102.5%
Research and development	10,878	8,596	26.5%	46,599	30,817	51.2%
General and administrative	6,581	3,876	69.8%	50,657	12,188	315.6%
Total operating expenses	**30,385**	**22,386**	**35.7%**	**162,661**	**75,299**	**116.0%**
Percentage of total revenue						
Sales and marketing	31.2%	29.2%		43.1%	25.6%	
Research and development	26.3%	25.3%		30.7%	24.4%	
General and administrative	15.9%	11.4%		33.4%	9.6%	
Total percentage of total revenue	**73.4%**	**66.0%**		**107.1%**	**59.6%**	

Sales and marketing expenses for the three months ended January 31, 2022 were $12.9 million, an increase of $3.0 million or 30.4% compared to the same period in the prior year. The increase was largely due to growth in employee headcount and corresponding increases in salaries, commissions, and system fee expenses, as well as an increase in marketing event and travel expenses as COVID-19 restrictions continue to ease. For the year ended January 31, 2022, sales and marketing expenses were $65.4 million, increasing by $33.1 million or 102.5% from $32.3 million in the same period of the prior year. The increase was primarily driven by the recognition of $19.6 million in Employee Trust Stock-Based Compensation Expense. Excluding this impact, sales and marketing expenses increased year-over-year by $13.5 million or 41.9%. This increase was primarily driven by higher employee headcount and the related expenses, combined with increased marketing program and advertising expenditures to support our current growth trajectory.

For the three months ended January 31, 2022, research and development expenses were $10.9 million versus $8.6 million for the same period in the prior year, representing an increase of $2.3 million or 26.5%. The increase was mainly the result of additional salary and other payroll costs due to increased headcount in our research and development teams. For the year ended January 31, 2022, research and development expenses were $46.6 million, up $15.8 million or 51.2% from $30.8 million in the same period of the prior year. The year-over-year increase was primarily attributable to $7.7 million recognized in Employee Trust Stock-Based Compensation Expense. Excluding this impact, the increase of $8.1 million or 26.2%, is primarily the result of higher employee headcount and related employee salaries and wages. We continue to grow our research and development teams to enhance our existing product offerings and develop new products to attract new customers and support growth in customer demand for learner-centric solutions.

General and administrative expenses increased from $3.9 million to $6.6 million for the three months ended January 31, 2022 as compared to the equivalent period in the prior year, representing an increase of $2.7 million or 69.8%. The period-over-period increase was primarily attributable to increased employee headcount for our administrative teams which resulted in higher salary and wage expenses. The increase was also driven by higher insurance expenses from our transition to a publicly traded company. For the year ended January 31, 2022, general and administrative expenses were $50.7 million, increasing by $38.5 million or 315.6% from $12.2 million in the same period of the prior year. The increase was primarily due to the recognition of $30.4 million in Employee Trust Stock-Based Compensation Expense. Excluding this impact, the remaining increase of $8.1 million or 65.8% was mainly attributable to higher professional service fees including legal, consulting and accounting costs, in connection with our IPO and related activities. Higher salary and wage expenses from increased employee headcount and higher insurance expenses also contributed to the increase.

Interest and other income (expense)

	3 months ended January 31,			Fiscal year ended January 31,		
(in thousands of U.S. dollars, except percentages)	**2022** **$**	**2021** **$**	**Change** **%**	**2022** **$**	**2021** **$**	**Change** **%**
Interest and other income (expense), excluding loss on redeemable convertible preferred shares	(535)	(436)	22.7%	(1,075)	97	(1208.2%)
Loss on redeemable convertible preferred shares	-	(8,123)	(100.0%)	(22,028)	(43,184)	(49.0%)
Total interest and other income (expense)	**(535)**	**(8,559)**	**(93.7%)**	**(23,103)**	**(43,087)**	**(46.4%)**
Percentage of total revenue						
Interest and other income (expense), excluding loss on redeemable convertible preferred shares	(1.3%)	(1.3%)		(0.7%)	0.1%	
Loss on redeemable convertible preferred shares	0.0%	(23.9%)		(14.5%)	(34.2%)	
Total percentage of total revenue	**(1.3%)**	**(25.2%)**		**(15.2%)**	**(34.1%)**	

Total interest and other expenses for the three months ended January 31, 2022 was $0.5 million compared to an expense of $8.6 million in the same period of the prior year, representing a decrease of $8.1 million or 93.7%. The decrease was primarily due to the conversion of the redeemable convertible preferred shares, as described under "*Description of Share Capital – Pre-Closing Reorganization*", whereby the corresponding financial liability was settled to equity and recorded as share capital upon the conversion and therefore no fair value adjustment was recorded for the quarter ended January 31, 2022. Total interest and other expenses for the year ended January 31, 2022 was $23.1 million compared to $43.1 million in the prior year, representing a decrease of $20.0 million or 46.4%. The decrease was mainly attributable to a lower fair value loss on the redeemable convertible preferred shares recognized in the current period of $22.0 million, as compared to the prior period of $43.2 million.

Excluding the impact of the fair value loss on our redeemable convertible preferred shares, interest and other expenses for the three months ended January 31, 2022 were $0.5 million, which was consistent with interest and other expenses of $0.4 million in the same period of the prior year. For the year ended January 31, 2022, interest and other expenses, excluding the impact of the fair value loss on our redeemable convertible preferred shares, were $1.1 million, down $1.2 million from interest and other income earned of $0.1 million in the same period of the prior year. The decrease was primarily driven by a foreign exchange loss of $1.0 million recognized in the current period compared to a foreign exchange gain of $0.2 million recognized in the comparative period. The loss was due to more significant fluctuations in the U.S. dollar relative to the Canadian dollar over the current period when compared to the fluctuations seen in the prior year.

Loss for the period

The loss for the three-month period ended January 31, 2022 was $3.9 million, compared to a loss of $11.2 million in the same period of the prior year, representing a decrease in the loss of $7.3 million as a result of period-over-period changes discussed above. For Fiscal 2022, the loss was $97.7 million compared to a loss of $41.5 million in Fiscal 2021, representing an increase in the loss of $56.2 million resulting from the year-over-year factors discussed above.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures*") for the three months ended January 31, 2022 was negative $0.4 million, representing an increase of $0.6 million or 57.6% from negative $1.0 million in the comparative period of the prior year. The increase was mainly the result of an increase in both subscription and support and professional services and other revenue from new and existing customers, and was partially offset by an increase in operating expenses from increased employee headcount and related costs of revenue over the same period based on the factors discussed previously. For Fiscal 2022, Adjusted EBITDA was $0.1 million compared to $6.0 million in the same period of the prior year, representing a decrease of $5.9 million or 97.7%. The decrease was mainly the result of an increase in our year-over-year operating expenses as we continued to expand our sales and marketing and research and development teams and related spend in pursuit of our overall growth strategy. These costs were partially offset by a year-over-year increase in gross profit based on the factors discussed previously.

Adjusted EBITDA Margin (a non-IFRS ratio, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures*") was negative 1.0% for the three months ended January 31, 2022 compared to negative 3.0% in the same period of the prior year representing an increase of 2.0%. Adjusted EBITDA Margin improved period-over-period as a result of the increase in Adjusted EBITDA discussed above, and was partially offset by an increase in total revenue of $7.4 million from the prior period. Conversely, for Fiscal 2022, Adjusted EBITDA Margin was 0.1%, down 4.7% from Adjusted EBITDA Margin of 4.8% in Fiscal 2021. The deterioration in the ratio was mainly the result of the overall decrease in Adjusted EBITDA discussed above, combined with the year-over-year increase in total revenue of $25.5 million.

Selected Annual Information

	Fiscal year ended January 31		
(in thousands of U.S. dollars)	**2022**	**2021**	**2020**
Revenue	151,880	126,372	109,486
Loss for the period	(97,653)	(41,496)	(5,719)
Adjusted EBITDA(1)	136	6,020	(627)
Free Cash Flow(1)	(684)	15,132	4,113
Loss per share - basic and diluted	(2.88)	(1.57)	(0.22)
Total assets	179,213	85,701	64,324
Total long-term liabilities	1,112	180,438	138,250

Note:

(1) See "*Non-IFRS Financial Measures – Non-IFRS Financial Measures*".

Total Assets

Fiscal 2022 compared to Fiscal 2021

Total assets as at January 31, 2022 was $179.2 million compared to $85.7 million as at January 31, 2021, representing a period-over-period increase of $93.5 million, or 109.1%. The change was primarily driven by an increase in cash and cash equivalents of $69.5 million from the net proceeds of the IPO on November 3, 2021 as described in the "*Filing of Prospectus and Initial Public Offering*" section above. The increase in total assets was also attributable to an increase in trade receivables of $11.5 million, which was the result of one large outstanding customer balance as well as growth in the customer base and related billings. Increases in intangible assets of $5.2 million and goodwill of $7.5 million also drove the overall increase in total assets, and were primarily the result of an acquisition described in the "*Bayfield Acquisition"* section below.

Fiscal 2021 compared to Fiscal 2020

Total assets as at January 31, 2021 was $85.7 million compared to $64.3 million as at January 31, 2020, representing an increase of $21.4 million, or 33.2%, year-over-year, primarily from an increase in cash and cash equivalents of $13.8 million. We experienced higher net cash flows from operating activities due to higher net earnings from operations, coupled with increased billings due to revenue growth and fluctuations in the Company's working capital balances. Uninvoiced revenue and deferred commissions balances rose by $2.6 million and $2.4 million, respectively, contributing to the overall increase in assets and reflecting growth in the Company's revenue. The increase in prepaid balances of $2.4 million also drove the overall increase in assets and reflects prepayments to vendors for services to be used in the future as we further pursue growth of the Company's revenue.

Total Long-Term Liabilities

Fiscal 2022 compared to Fiscal 2021

Total long-term liabilities as at January 31, 2022 was $1.1 million compared to $180.4 million as at January 31, 2021, representing a decrease of $179.3 million. The decrease was largely driven by the conversion of the redeemable convertible preferred shares on November 3, 2021, as described in "*Description of Share Capital – Pre-Closing Reorganization*" below, accounting for $178.2 million of the decrease. The remaining $1.1 million decrease was primarily attributable to net payments on the Company's lease liabilities.

Fiscal 2021 compared to Fiscal 2020

Total long-term liabilities increased by $42.2 million, or 30.5%, from the year ended January 31, 2020 to 2021. The overall increase was driven by the fair value loss recognized on our redeemable convertible preferred shares of $43.2 million due to the change in the fair value of the shares during the period. Excluding this impact, total long-term liabilities decreased by $1.0 million and was mainly attributable to net payments on the Company's lease liabilities balance.

Quarterly Results of Operations

The following tables sets forth selected unaudited quarterly statements of operations data for each of the eight quarters ended January 31, 2022. The information for each of these quarters has 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.

	3 Months Ended							
(in thousands of U.S. dollars, except share and per share data)	**Jan 31, 2022**	**Oct 31, 2021**	**Jul 31, 2021**	**Apr 30, 2021**	**Jan 31, 2021**	**Oct 31, 2020**	**Jul 31, 2020**	**Apr 30, 2020**
Revenue	**41,406**	**39,144**	**36,794**	**34,536**	**33,936**	**33,172**	**30,936**	**28,328**
Cost of revenue	14,890	22,128	13,282	13,633	14,095	13,911	10,936	10,351
Gross profit	**26,516**	**17,016**	**23,512**	**20,903**	**19,841**	**19,261**	**20,000**	**17,977**
Operating expenses								
Sales and marketing	12,926	31,285	11,057	10,136	9,914	7,537	7,572	7,271
Research and development	10,878	17,826	9,570	8,325	8,597	7,534	7,495	7,191
General and administrative	6,581	35,141	4,585	4,349	3,876	3,055	2,725	2,532
Total operating expenses	**30,385**	**84,252**	**25,212**	**22,810**	**22,387**	**18,126**	**17,792**	**16,994**
Income (loss) from operations	**(3,869)**	**(67,236)**	**(1,700)**	**(1,907)**	**(2,546)**	**1,135**	**2,208**	**983**
Interest and other income (expense) excluding loss on redeemable convertible preferred shares	(535)	(146)	(286)	(108)	(436)	(691)	466	758
Loss on redeemable convertible preferred shares	-	25,897	(15,609)	(32,315)	(8,122)	(28,661)	(6,400)	-
Income (loss) before income taxes	**(4,404)**	**(41,485)**	**(17,595)**	**(34,330)**	**(11,104)**	**(28,217)**	**(3,726)**	**1,741**
Income tax expense (recovery)	(544)	58	208	115	52	(137)	115	149
Net income (loss)	**(3,860)**	**(41,543)**	**(17,803)**	**(34,445)**	**(11,156)**	**(28,080)**	**(3,841)**	**1,592**
Income (loss) per share - basic	(0.07)	(1.48)	(0.64)	(1.26)	(0.42)	(1.06)	(0.15)	0.06
Income (loss) per share - diluted	(0.07)	(1.48)	(0.64)	(1.26)	(0.42)	(1.06)	(0.15)	0.04
Gross profit as a percentage of revenue	64.0%	43.5%	63.9%	60.5%	58.5%	58.1%	64.6%	63.5%

Revenue

Our total quarterly revenue increased sequentially for all periods presented. The period-over-period increases are primarily attributable to revenue from new customers, strong revenue retention and expansion from existing customers, as well as delivery of professional services engagements.

Cost of revenue

During the first two quarters of Fiscal 2021, our quarterly costs of revenue were relatively consistent, averaging $10.6 million. In the quarters ending October 31, 2020 through January 31, 2022, excluding the quarter ended October 31, 2021, quarterly costs of revenue grew substantially, averaging approximately $14.0 million. The increased cost of revenue for these quarters was largely driven by increased support and hosting costs related to the increases in subscription and support revenues over the same period, combined with an increase in employee related costs to deliver professional services revenue. The cost of revenue for the quarter ended October 31, 2021 was substantially larger as it included $8.1 million of Employee Trust Stock-Based Compensation Expense. Excluding this impact, the cost of revenue for the three months ended October 31, 2021 was $14.0 million, consistent with the recent periods presented. We have and will continue to focus on optimizing spend in our cost of revenue as we grow our business over the long term.

Gross profit

Our total quarterly gross profit grew sequentially through Fiscal 2021 and Fiscal 2022 except for the quarters ended October 31, 2020 and 2021. 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 acceleration in the adoption of education technologies. For the quarter ended October 31, 2021, gross profit declined from the preceding quarter as it included $8.1 million of Employee Trust Stock-Based Compensation Expense. Excluding this impact, gross profit was $26.5 million and thereby increased sequentially from the prior quarter.

As a percentage of revenue, gross profit levels remained fairly consistent for the first two quarters of Fiscal 2021, but declined slightly over the last two quarters of the fiscal year. The decline was the result of learners spending increased time on our platform during the third and fourth quarters, leading to increased hosting and supporting costs as adoption and usage of education technologies accelerated during COVID-19 restrictions, restrictions which were not in place during the first two quarters. During Fiscal 2022, gross profit as a percentage of revenue increased sequentially except for the third quarter. As discussed previously, the gross profit level for the quarter ended October 31, 2021 decreased due to the recognition of $8.1 million of Employee Trust Stock-Based Compensation Expense in the period. Excluding this impact, gross profit as a percentage of revenue was 64.0%, following the trend of period over period increases seen in Fiscal 2022. The quarter over quarter increases were due to the growth of our subscription and support revenues outpacing the increases in cost of revenue.

Operating expenses

Our total operating expenses remained relatively consistent for the first three quarters of Fiscal 2021, averaging $17.6 million per quarter. Our operating expenses during these periods were lower than those incurred prior to the pandemic, mainly due to reductions in sales and marketing expenses driven by reduced travel and entertainment spend and decreased marketing events spend as a result of COVID-19 restrictions over the period. Beginning in the fourth quarter of Fiscal 2021 and through Fiscal 2022, operating expenses increased significantly as a result of growth in the number of employees and related employee salaries and wages to support our sales expansion and focus on product development. The operating expense increase was also attributable to higher professional service fees and insurance costs in connection with our IPO and transition to operating as a publicly traded company, paired with higher spend on marketing events, due to the easing of COVID-19 restrictions during the period. Operating expenses for the three months ended October 31, 2021 were significantly greater than the other quarters presented due to the recognition of Employee Trust Stock-Based Compensation Expense of $57.7 million in the period. Excluding this impact, operating expenses for the quarter ended October 31, 2021 were $26.6 million, consistent with the trend of growth seen over Fiscal 2022.

Liquidity and Capital Resources

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.

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, with the exception of an Adjusted EBITDA covenant as required under the terms of the credit facility agreement with Silicon Valley Bank, whereby $20.0 million is available to be drawn to meet ongoing working capital requirements. See note 10 of our audited annual consolidated financial statements for further details.

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. In addition to the cash balance of $114.7 million as at January 31, 2022, we have a $20.0 million credit facility available to be drawn to meet ongoing working capital requirements. We are not drawn on this credit facility as of January 31, 2022. Our working capital as at January 31, 2022 was $43.0 million. Given our existing cash balance and available credit facility, 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 increase our 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, 2022 and 2021 and cash flows from operating, investing, and financing activities for Fiscal 2022, Fiscal 2021 and the three months ended January 31, 2022 and 2021:

	Three months ended January 31,		Fiscal year ended January 31,	
(in thousands of U.S. dollars)	**2022**	**2021**	**2022**	**2021**
Cash and cash equivalents	**114,675**	**45,304**	**114,675**	**45,304**
Net cash from (used in):				
Operations	(3,965)	(1,343)	112	16,808
Investing	7,387	(261)	(10,215)	(1,676)
Financing	69,248	(382)	79,078	(2,139)
Effect of foreign exchange on cash and cash equivalents	(1,030)	640	397	843
Net increase in cash and cash equivalents	**71,820**	**(1,346)**	**69,372**	**13,836**

Cash flows provided by/used in operations

Cash flows used in operating activities for the three months ended January 31, 2022 were $4.0 million compared to $1.3 million in the comparative period, representing an increase in cash used in operating activities of $2.7 million. The increase in cash used was primarily attributable to a decrease in cash flow from changes in working capital of $2.7 million.

Cash flows from operating activities for the year ended January 31, 2022 were $0.1 million compared to $16.8 million for the same period of the prior year, representing a decrease of $16.7 million. The decrease in cash flows from operating activities was mainly the result of an increase in net loss adjusted for non-cash expenses of $9.2 million during the year, coupled with a decrease in cash flow from changes in working capital of $7.4 million.

The Company's negative Free Cash Flow (a non-IFRS financial measure, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures*") was $4.1 million in the three months ended January 31, 2022 compared to $1.6 million in the same period of the prior year, representing a decrease in Free Cash Flow of $2.5 million. For Fiscal 2022, negative Free Cash Flow was $0.7 million, down $15.8 million compared to Free Cash Flow of $15.1 million in Fiscal 2021. Both decreases were primarily driven by reductions in cash flows from operating activities in the current periods when compared to the respective prior periods as discussed above. The reductions in cash flows were partially offset by fewer property, plant and equipment expenditures in the current periods relative to the prior periods.

For the three months ended January 31, 2022 and 2021, negative Free Cash Flow Margin (a non-IFRS ratio, see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures*") was 9.8% and 4.7%, respectively, representing a decrease in Free Cash Flow Margin of 5.1%. For the year ended January 31, 2022, negative Free Cash Flow margin was 0.5%, down 12.5% from Free Cash Flow Margin of 12.0% in the prior fiscal year. The decreases for both periods were the result of lower Free Cash Flow when compared to the prior period, paired with the impact of increased total revenue over the same periods.

Cash flows provided by/used in investing activities

Cash flows from investing activities for the three months ended January 31, 2022 were $7.4 million, compared to cash flows used in investing activities $0.3 million for the same period of the prior year, representing an increase of $7.7 million. The increase was mainly attributable to principal and interest repayments on a loan owed by Baker Holdco to D2L Corporation, a subsidiary of the Company, of $12.0 million in the period. See "*Related Party Transactions – Shareholder Loan*" section below for further details. The increase was partially offset by $4.9 million of cash used in the acquisition of Bayfield Design Inc., as described in the "*Bayfield Acquisition*" section below.

For Fiscal 2022, cash flows used in investing activities were $10.2 million compared to $1.7 million for Fiscal 2021, representing a year-over-year increase of $8.5 million. The increase was primarily driven by $5.6 million of cash used in the acquisition of Bayfield Design Inc., as described in the *"Bayfield Acquisition"* section below. The issuance of a loan by D2L Corporation to Baker Holdco, net of repayments, of $3.9 million, also drove the increase, as described in the "*Related Party Transactions – Shareholder Loan*" section below and in note 19 of the audited annual consolidated financial statements. The overall increase was partially offset by a decrease in cash used in purchasing property, plant and equipment of $0.9 million when compared to the prior year.

Cash flows provided by/used in financing activities

Cash flows from financing activities were $69.4 million for the three months ended January 31, 2022, increasing by $69.8 million when compared to cash flows used in financing activities of $0.4 million in the same period of the prior year. The increase was primarily driven by $75.1 million in gross proceeds received in connection with the IPO, which was partially offset by $5.2 million in related share issuance costs.

Cash flows provided by financing activities were $79.1 million for the twelve months ended January 31, 2022, compared to cash flows used of $2.1 million in the same period of the prior year, representing a year-over-year increase of $81.2 million. The increase was mainly the result of $75.1 million in gross proceeds received in connection with the IPO and was partially offset by $5.2 million in related share issuance costs. The increase in cash flows was further attributable to proceeds from the issuance of Class O common shares and Subordinate Voting Shares on the exercise of stock options of $11.6 million.

Credit facility

On July 24, 2013, we entered into a credit facility (the "**Facility**") with Silicon Valley Bank. Under the terms of the agreement and the amendments up to and including the amendment on March 19, 2021, the Facility provides for a $20.0 million revolving capital line of credit bearing interest at: (i) the greater of the U.S. prime rate, as published by the Wall Street Journal, plus 1.25%, and 5.00% if the adjusted quick ratio ("**AQR**") is less than 2:1; or (ii) the greater of U.S. prime rate plus 0.75%, and 4.5% if the AQR is greater than 2:1. The U.S. prime rate was 3.25% as at January 31, 2022. The Facility is secured by a first priority general security interest over all assets of the Company, excluding intellectual property and certain carve-outs. As at January 31, 2022 and as at the date of this MD&A, no amounts have been drawn under the facility.

Contractual obligations

The following are the remaining contractual maturities of financial liabilities as at January 31, 2022. The amounts are gross and undiscounted and include contractual interest payments, if any:

	Payments due by period				
(in thousands of U.S. dollars)	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Accounts payable and accrued liabilities	24,340	24,340	-	-	-
Operating commitments (1) (2)	53,572	12,884	22,652	18,036	-
Total contractual obligations	**77,912**	**37,224**	**22,652**	**18,036**	**-**

Notes:

(1) Includes operating lease commitments and commitments with a third party hosting services provider.

(2) In addition to these operating commitments, D2L Corporation, a subsidiary of the Company, has entered into a new lease agreement for office space in Kitchener, Ontario, commencing on February 1, 2022 and terminating on July 31, 2033, as described in note 17(a) of the audited annual consolidated financial statements.

Financial Outlook

D2L is initiating financial guidance for the year ended January 31, 2023 ("**Fiscal 2023**") as a supplement to the target operating model below, which reflects the operating levels the Company expects to achieve by the year ended January 31, 2025 ("**Fiscal 2025**") and maintain thereafter. Consistent with the expectations outlined during its IPO, D2L plans to make significant growth investments in Fiscal 2023, including investing in sales and marketing go-to-market activities as well as product development, to capitalize on the growth opportunity available in its addressable market. Specifically, for Fiscal 2023 the Company is issuing the following guidance:

- Total revenue in the range of $179 million to $182 million, implying growth of 18% to 20% over Fiscal 2022; and
- Adjusted EBITDA loss in the range of $12 million to $14 million.

Target operating model [1]

	Medium-Term Targets (FY25)
Revenue Growth	20-25%
Adjusted Gross Margin(2) (3)	65-70%
Adjusted EBITDA Margin(2) (3)	5-15%
Free Cash Flow Margin(2) (3)	10-20%

(1) See "*Forward-Looking Information*".
(2) As a % of revenue.
(3) See "*Non-IFRS and Other Financial Measures*".

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

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, 2022, no material contingencies have been identified.

Employee stock trust tax matter

The Employee Stock Trust was established by way of a trust agreement dated December 24, 2005 to acquire, hold and distribute D2L securities for the benefit of full-time employees of the Company and its affiliates, as designated by the trustees of the Employee Stock Trust (the "**Trustees**") in their sole discretion. The Employee Stock Trust distributed shares to certain of its beneficiaries in August 2012. The Canadian recipients of these distributions reported the distributions as capital gains for tax purposes on the basis of tax advice received by the advisors to the Employee Stock Trust. The Canada Revenue Agency ("**CRA**") reassessed these distributions as employment income. Three of the affected individuals filed Notices of Appeal with the Tax Court of Canada appealing the notices of reassessment issued to them. These appeals constitute representative actions that will bind the other individuals in the class. On September 29, 2020, the Tax Court of Canada dismissed all three appeals. On October 28, 2020, appeals from the Tax Court of Canada judgments were commenced in the Federal Court of Appeal by the affected individuals. The appeal before the Tax Court of Canada was heard on September 27, 2021. Subsequent to October 31, 2021, the Federal Court of Appeals dismissed the appeal through a judgment delivered on November 15, 2021. The Tax Court of Canada found that the payments made by the Employee Stock Trust are not excluded payments for the purposes of the definition of an employee benefit plan and were deemed to be employment income. Leave to Appeal to the Supreme Court of Canada was filed. The Company is paying the legal counsel costs associated with the appeal.

While no claims against the Company have been asserted up to March 27, 2022 in connection with the distributions by the Employee Trust, if the CRA ultimately prevails on its reassessment position, it is possible that affected beneficiaries may seek contribution and indemnity from the Company, the Employee Stock Trust and/or the Trustees, each of which Trustees the Company has agreed to indemnify for costs incurred in any proceeding to which any of those Trustees is, or is threatened to be, made a party by reason of the Trustee's service as Trustee. The CRA may also take action against the Company, the Employee Trust and/or the Trustees for failure to withhold appropriate amounts from the Employee Trust's distributions in 2012. The Company believes that it would have effective defences to any such claims and that its aggregate exposure to any such claims is not material. As a result, the Company does not believe an accrual is required in respect of these matters and has not recorded an accrual as at January 31, 2022.

Customer dispute matter

The Company has an active dispute with a customer under a multi-year contract whereby termination of the contract has been initiated by the customer and the Company has ceased providing Services to the customer. The customer has filed a declaratory judgment complaint seeking to invalidate the contract between the customer and the Company on the grounds of the Client not following chartered procurement policies. On February 8, 2022 the court entered judgment in favor of the customer's motion for summary judgment and found the contract to be void. Legal proceedings are currently reviewing remedies to the Company for costs incurred for services performed in good faith reliance of a valid contract. Based on an assessment of the facts and information known today as of the issue date of these financial statements, including external legal counsel assessment, the Company has recorded a provision in the amount of $3,265,449 for payment advanced by the customer under protest to the Company for service periods not rendered. This advance was previously classified in deferred revenue in the prior reporting periods based on the facts and circumstances at that time. The customer paid the Company an additional $2,035,101 for service periods rendered, for which management believes costs have been incurred for services performed in good faith reliance of a valid contract. This amount has been recognized through profit and loss in prior periods.

Management believes eligible costs have been incurred and continues to pursue a final judgment based on quantum meruit, an equitable remedy geared toward setoff based on the reasonable value of the performance of services.

Related Party Transactions

Bayfield Acquisition

On August 3, 2021, D2L Corporation, a subsidiary of the Company, acquired a substantial portion of the assets (the "**Purchased Assets**") of Bayfield Design Inc. ("**Bayfield**"), including Bayfield's elementary school course content, software and related intellectual property, and offered employment to substantially all of its employees (the "**Bayfield Acquisition**"). The Bayfield Acquisition is expected to provide us with increased internal capability to develop course content and complement our solutions offering, enabling us to more effectively compete for business for customers seeking a single solution provider.

Bayfield is a privately held Canadian company that creates online learning experiences, including a variety of online courses for organizations across North America. John Baker, our CEO, has a minority interest in, and other business dealings with, Bayfield, which is controlled by family members of John Baker. The Bayfield Acquisition was approved by the independent members of the Board and Melissa Howatson, with John Baker abstaining, following declaration by John Baker of his conflict of interest. John Baker did not participate in the negotiation of the terms of the Bayfield Acquisition.

Upon the closing of the Bayfield Acquisition, the Reseller Agreement between the Company and Bayfield as outlined below was cancelled, and all amounts of prepaid royalty, fees and amounts owing by Bayfield to the Company under such agreement ceased to be owing, and Bayfield ceased to have any rights under the agreement.

The total consideration paid for the Bayfield Acquisition was $12.7 million (C$15.9 million). Consideration paid consisted of: (i) cash of $9.6 million (C$12 million), of which $0.6 million (C$0.8 million) was paid on closing, $0.9 million (C$1.1 million) was payable on November 15, 2021, and a promissory note was issued for the remaining ($8.1 million (C$10.1 million); and (ii) forgiveness of the prepaid royalty, fees and amounts owing by Bayfield to D2L of $3.1 million (C$3.9 million).

D2L Corporation repaid the promissory note on November 3, 2021 using cash of $4,218,708 (C$5,310,000) and applying $3,852,960 (C$4,790,000) of the remaining balance of the promissory note on the occurrence of the IPO to the Shareholder Loan owing by Baker Holdco to D2L Corporation. The remaining consideration payable was fully repaid in cash on November 15, 2021.

The Bayfield Acquisition will allow the Company to increase its level of control over existing and future Bayfield product offerings and course content, thereby supporting a more comprehensive solution offering to the Company's educational customers. We expect synergies to be gained as a result of the Bayfield Acquisition, through increased subscription and support revenue, particularly within the K-12 markets, over the long-term. In the short-term, we expect our research and development costs to increase moderately as a result of the employees gained through the acquisition. These costs would be partially offset by lower cost of subscription and support from the elimination of royalty fees previously charged by Bayfield for the purchase of course content under the Reseller Agreement.

Bayfield's contribution to our annual consolidated statement of comprehensive loss for the year ended January 31, 2022 was less than 1% of total revenues and less than 3% of net loss.

Service arrangements with related parties

In the normal course of business, we obtain services from and provide services to related parties, as further described below. Note 19 of the audited annual consolidated financial statements for the year ended January 31, 2022 provide additional details on our related party transactions:

Services we receive:

Resale of Course Content from Bayfield

On January 31, 2020, we entered into a reseller agreement with Bayfield (as amended, the "**Reseller Agreement**") pursuant to which we had the exclusive right to resell certain learning content created by Bayfield, and agreed to make commercially reasonable efforts to market and sell that content. The Reseller Agreement was approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest. The Reseller Agreement did not limit our ability, either during or after its term, to offer products or functionality that may be similar to, competitive with, or functionally comparable to Bayfield's products or services.

Under the terms of the Reseller Agreement, revenues from our sales of Bayfield's learning content were to be shared by D2L and Bayfield proportionately on a pre-determined basis. In connection with the Reseller Agreement, D2L agreed to make payment of certain amounts to fund the creation of learning content by Bayfield. These additional payments represented a prepaid royalty to Bayfield, which were to be deducted from future revenue sharing payments.

As at January 31, 2022 and, 2021, the Company had nil and $313,001, respectively, in amounts payable to Bayfield and had a prepaid expense balance totalling nil and $1,643,257, respectively, pursuant to the Reseller Agreement. Revenue earned by the Company during Fiscal 2022 and Fiscal 2021 pursuant to the Reseller Agreement was $65,008 and $24,604, respectively.

As noted above, the Reseller Agreement between D2L and Bayfield terminated on the closing of the Bayfield Acquisition, and all prepaid royalties and revenue sharing investments owing by Bayfield to D2L Corporation were forgiven pursuant to the terms of the Bayfield Acquisition.

Learning and creative services from Bayfield

D2L entered into a services agreement with Bayfield dated June 2020 (the "**Bayfield Services Agreement**") pursuant to which Bayfield was retained to provide services to D2L or its customers, including learning and creative services. The Bayfield Services Agreement was approved by the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest. The Bayfield Services Agreement was a non-exclusive arrangement, permitting each party to enter into similar arrangements with any third-party, and was terminable upon 30 days prior written notice by either party.

Under the terms of the Bayfield Services Agreement, Bayfield acted as a subcontractor to D2L, providing learning and creative services to assist D2L in its delivery of one-time engagements on client contracts. Such one-time service delivery engagements typically are completed within 12 months from inception.

Services acquired from Bayfield pursuant to the Bayfield Services Agreement resulted in aggregate fees paid to Bayfield of $124,323 and $1,015,630 for Fiscal 2022 and Fiscal 2021, respectively.

As part of the closing of the Bayfield Acquisition, the Bayfield Services Agreement was terminated on August 3, 2021.

Lease of Premises

D2L Corporation has leased 93,059 square feet of premises in Kitchener, Ontario for an 11.5 year term commencing February 1, 2022 pursuant to a lease dated October 15, 2021 (the "**Kitchener Lease**"). The landlord under the Kitchener Lease, Catalyst 137 Kitchener L.P., is a private entity in which John Baker, our CEO, has a minority interest. The Kitchener Lease was approved by the independent members of the Board, John Baker abstaining, following declaration by John Baker of his conflict of interest. John Baker did not participate in the negotiation of the terms of the Kitchener Lease.

The Kitchener Lease provides for annual rent per square foot of the rentable area of the premises of C$18 in the first year, increasing annually to C$27.29 by the eleventh year, in each case exclusive of property taxes, certain operating costs and HST. The Kitchener Lease is terminable by D2L Corporation on certain conditions in the sixth and seventh years of the term of the lease, subject to payment of an early termination penalty. The Kitchener Lease may be extended at D2L Corporation's option for up to four additional 60 month periods on at least 9 months prior notice, provided that the rent is to be adjusted to the then-current fair market net rent for similar premises in similar buildings and an adjustment is made to reflect increased operating costs. The Company anticipates to move into the new premises by the end of December 2022.

Lease of Premises

On February 2, 2022, D2L Corporation entered into a new lease agreement with 2372739 Ontario Inc. ("**2372739**") for a media studio and office space (the "**Media Studio**") in Bayfield, Ontario (the "**Media Studio Lease**"). 2372739 is controlled by a family member of John Baker, the Company's CEO. The Media Studio Lease was approved by the independent members of the Board of Directors, John Baker abstaining, following declaration of his conflict of interest. John Baker did not participate in the negotiation of the terms of the Media Studio Lease.

The new lease extends the Company's existing arrangement to use the Media Studio pursuant to the Transition Services Agreement dated August 3, 2021, in order to properly facilitate the transition of, and utilization of, the assets acquired from Bayfield Design Inc. D2L Corporation will pay $2,207 (C$2,800) per month, for a total commitment of $26,489 (C$33,600), beginning February 2, 2022 and terminating on January 31, 2023.

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 has a minority interest and other business dealings. VHS is controlled by family members of John Baker.

The Company entered into a master agreement with VHS dated December 19, 2013 (as amended, the "**Virtual High School Agreement**"), pursuant to which we provide e-Learning subscription and support services to VHS, which offers virtual private high school courses. John Baker has a minority interest in, and other business dealings with, VHS, which is controlled by family members of John Baker. 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 were $34,231 and $136,685 in the three and twelve months ended January 31, 2022, respectively ($31,135 and $116,958 for the three and twelve months ended January 31, 2021, respectively). As at January 31, 2022, the Company had no amounts receivable from VHS.

The Virtual High School Agreement term ends on December 31, 2023, subject to automatic renewal over an additional 5-year period unless either party notifies the other in writing of its intent to terminate 60 days in advance.

On November 3, 2021, John Baker disposed of his minority interest in VHS. VHS remains controlled by family members of John Baker.

Shareholder Loan

On March 5, 2021, D2L Corporation made a loan to 2416535 Ontario Inc., a holding company indirectly controlled by John Baker ("**Baker Holdco**"), in the aggregate principal amount of $15,905,520 (C$20,200,000) (the "**Shareholder Loan**"). The proceeds of the Shareholder Loan were used to fund sub-loans by Baker Holdco for two purposes:

- to enable John Baker and certain other beneficiaries of the Employee Trust currently employed by us, including three of his siblings, to pay $13,070,873 (C$16,600,000) in outstanding income tax liabilities related to the distribution of shares by the Employee Stock Trust in 2012, as determined payable to the CRA following its 2016 audit of such distribution, and to repay loans previously incurred by such beneficiaries to satisfy those tax liabilities; and

- to enable siblings of John Baker to pay an aggregate of $2,834,647 (C$3,600,000) of the exercise price payable by them upon the exercise of options held by them to acquire shares of D2L, and the tax liabilities required to be withheld and remitted by D2L in connection with such exercise of options.

The Shareholder Loan was to be repaid by the earlier of: (i) completion of a secondary offering of shares of D2L in connection with its IPO that provides sufficient proceeds to repay the Shareholder Loan; and (ii) December 31, 2022.

The Shareholder Loan bore interest at the prescribed annual interest rate of CRA in effect from time to time used to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans that, as of the date of advance, was 1% per annum. The Shareholder Loan is secured by a pledge of a number of Class A Common Shares of D2L by Baker Holdco.

As of January 31, 2022, Baker HoldCo has repaid the entirety of the Shareholder Loan, in part using funds raised from the Secondary Offering, and in part directing D2L Corporation to apply proceeds that would otherwise be payable by D2L Corporation to Bayfield Design on the occurrence of the IPO toward the Shareholder Loan.

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

As at January 31, 2022, one customer accounted for more than 10% of the net trade receivables. Furthermore, trade receivable balances are managed and analyzed on an ongoing basis to ensure allowances for doubtful accounts are established and maintained at an appropriate amount.

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

The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. We do not hold any collateral as security.

Liquidity risk

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

Our accounts payable have contractual maturities of 30 days or are due on demand and subject to normal trade terms. Due to our significant cash balances and trade and other receivable balances, as well as available credit facilities, 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, British pound sterling, and Australian dollar. For the year ended January 31, 2022, if those currencies had strengthened 5% against the U.S. dollar, with all other variables held constant, pre-tax income for the year would have been an estimated $3,607,460 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 consolidated balance sheets. The summary quantitative data about our exposure to currency risk is as follows:

(In thousands of local currency)	**CAD**	**GBP**	**AUD**	**SGD**	**BRL**
Cash and cash equivalents	21,404	3,572	6,693	2,273	12,049
Trade and other receivables	7,680	1,984	1,076	786	1,798
Uninvoiced revenue	237	75	-	420	357
Accounts payable and accrued liabilities	15,182	1,027	1,322	272	669

We limit our exposure to foreign currency exchange risk by holding cash denominated in the local currency sufficient to cover local currency expenditures, thereby creating a natural hedge. We have not entered into any arrangements to hedge our exposure to currency risk.

Fair value risk

Financial instruments that potentially subject us to significant fair value risk consist primarily of cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities, borrowings on the Facility, and redeemable convertible preferred shares. For all these financial instruments, except for the redeemable convertible preferred shares, their fair values approximate their carrying values due to their short-term nature and their floating interest rates reflect market terms.

To assess the fair value of the redeemable convertible preferred shares, which is classified as a financial liability in the Fiscal 2021 consolidated balance sheet, we considered key inputs into the valuation including underlying revenue and cash flow forecasts and the risk adjusted discount rate applied to the valuation for reporting periods prior to the Offering, as well as the price that the Subordinate Voting Shares were offered at in connection with the IPO as outlined in "*Filing of Prospectus and Initial Public Offering*" for the reporting periods subsequent to the Offering. The estimated fair value increases as underlying revenue and cash flow forecasts increase. The estimated fair value decreases as the risk adjusted discount rate applied to the valuation increases. For the year ended January 31, 2022, we recognized a fair value loss in our consolidated statement of comprehensive loss of $22.0 million, the result of an increase in the fair value of the redeemable convertible preferred shares. The redeemable convertible preferred shares were converted to Subordinate Voting Shares in accordance with their terms immediately prior to the closing of the IPO, as discussed in "*Description of Share Capital – Pre-Closing Reorganization*" below, and as such the carrying value of preferred shares was nil as at January 31, 2022.

Significant Accounting Judgments, Estimates and Assumptions

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

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

COVID-19

The uncertainties around COVID-19 required the use of judgments and estimates which resulted in no material impacts for the year ended January 31, 2022. The ongoing impact of COVID-19 uncertainties could generate, in future reporting periods, a significant risk of material adjustment to the following: revenue recognition, estimated losses or credit related write-offs on revenue-generating contracts, and other assets and liabilities. The future impacts of the pandemic and any resulting economic impact are largely unknown and rapidly evolving. It is possible that as a result of the COVID-19 pandemic, the measures taken by the governments of countries affected and the resulting economic impact may adversely affect our results of operations, cash flows and financial position as well as our customers in future periods, and this impact could be material.

Revenue recognition

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

To determine the SSP of promised products or services, we conduct a regular analysis to determine whether various products or services have an observable SSP. If the Company does not have an observable SSP for a particular product or service, then SSP for that particular good or service is estimated using reasonably available information and maximizing observable inputs with approaches including historical pricing, cost plus a margin, adjusted market assessment, and the residual approach. Refer to note 2(a) of the Company's audited annual financial statements for the year ended January 31, 2022 for additional information on the assumptions and estimates used.

Determine the value of redeemable convertible preferred shares

The fair value assessment of the embedded financial derivative liability is based on numerous assumptions and estimates that may have a significant impact on the amount recognized as a financial liability. The impact of material changes in assumptions and the review of estimates is recognized in profit or loss in the period in which the changes occur or the estimates are reviewed, as required.

Prior to our IPO, the fair value of the redeemable convertible preferred shares recognized in the consolidated balance sheets was determined using a probability-weighed expected return method. This method considered several estimated scenarios for a liquidity event. The value of shares was determined for each scenario at the time of each future liquidity event through application of market multiples of the last twelve months revenue at liquidity and discounted back to the appropriate valuation date. The present value of the shares under each scenario were then weighted based upon the probability of each occurring to determine an indication of the value of the shares. This estimate of fair value was supported by an independent valuation report prepared by a chartered business valuator on a quarterly basis.

Pursuant to filing the Offering on October 28, 2021, the estimate of the fair value of the redeemable convertible preferred shares was determined using the price that the Subordinate Voting Shares were offered at in connection with the IPO as outlined in "*Filing of Prospectus and Initial Public Offering*".

Uncertain tax positions and recoverability of deferred tax assets

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

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

Trade and other receivables

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

Share-based payments

We use the Black-Scholes valuation model to determine the fair value of equity-settled stock options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield, the risk-free interest rate and the forfeiture rate. Variation in actual results for any of these inputs will result in a different value of the stock option realized from the original estimate. Refer to note 15 of our audited annual consolidated financial statements for the year ended January 31, 2022 for additional information on the assumptions and estimates used.

Fair value of acquired intangible assets

We estimate the fair value of course content acquired in a business combination based on the present value of expected future cash flows. We estimate the fair value of software acquired in a business combination based on the costs expected to be incurred to replace the acquired software intangible asset. These valuation techniques involve significant judgement as a result of a high degree of subjectivity and estimation uncertainty associated with the significant assumptions used to determine the fair value of the acquired intangible assets at the acquisition date. The assumptions related to future cash flows, estimated time and hourly costs required to replace the acquired software intangible asset, migration rates and discount rates.

Provisions

We have recorded provisions to cover cost exposures that could materialize in future periods. In determining the amount of the provisions, assumptions and estimates are made in relation to the expected cost to settle such liabilities.

Recently Issued Accounting Standards Not Yet Adopted

From time to time, new accounting pronouncements are issued by the IASB or other standards-setting bodies and are adopted as of the specified effective date. 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.

In May 2020, the IASB issued amendments to IAS 16, *Property, Plant and Equipment*, prohibiting deduction of any proceeds from selling items produced before an item of property, plant and equipment is available for use. The IASB also issued an amendment to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to clarify the cost of fulfilling a contract in assessing whether a contract is onerous. The IASB issued minor amendments to certain standards including IFRS 9, *Financial Instruments*, and IFRS 16, *Leases*. These annual improvements include necessary but non-urgent changes to IFRSs that are not included in other projects. The amendments to IAS 16, IAS 37, IFRS 9 and IFRS 16 are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

In February 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, clarifying how to distinguish changes in accounting policies from changes in accounting estimates. The IASB also issued amendments to IAS 1, *Presentation of Financial Statements*, affecting the presentation of liabilities as current or non-current in the statement of financial position and requiring companies to disclose their material accounting policy information. Additionally, the IASB issued an amendment to IAS 12, *Income Taxes*, which clarifies how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendments to IAS 1, IAS 8 and IAS 12 are effective for annual periods beginning on or after January 1, 2023, with early application permitted.

While we are currently evaluating the impact of these amendments, we do not expect any significant impacts to our consolidated financial statements.

Disclosure Controls and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures

The Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining our disclosure controls and procedures, as that term is defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). The CEO and the CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that: (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated, or caused to be evaluated under our supervision, the effectiveness of our disclosure controls and procedures at January 31, 2022 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

The Company's CEO and CFO are responsible for establishing and maintaining our internal controls over financial reporting (as that term is defined in NI 52-109, "**ICFR**"). Our 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, 2022 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, 2021 and ended on January 31, 2022 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Description of Share Capital – Pre-Closing Reorganization

Prior to the closing of the IPO on November 3, 2021, the Company carried out a series of transactions (collectively, the "**Pre-Closing Reorganization**"), including the following:

- On November 2, 2021, the Company amended its Articles to amend the terms of the Class A Common Shares and redesignate them as Subordinate Voting Shares, and create an unlimited number of Multiple Voting Shares and an unlimited number of preferred shares, issuable in series;
- Immediately prior to the closing of the IPO on November 3, 2021, the then outstanding Preferred Shares, Class O Common Shares and Class T Shares were automatically converted into Subordinate Voting Shares in accordance with their terms;
- The Class T Shares, which were held by the Employee Stock Trust, were converted in accordance with their terms for a fraction of a Subordinate Voting Share of which (i) the numerator is US$7.44, and (ii) the denominator is the fair market value of the Subordinate Voting Shares, which the Board determined to be the offering price of C$17.00, converted into U.S. dollars using the rate of exchange published by the Bank of Canada for conversion into U.S. dollars on the second business day preceding the date of the Underwriting Agreement dated October 27, 2021;
- the Employee Trust distributed all Subordinate Voting Shares it held to its outstanding beneficiaries, excluding the Subordinate Voting Shares sold pursuant to the Secondary Offering; and
- the Subordinate Voting Shares issued to Baker Holdco were exchanged for an equal number of Multiple Voting Shares pursuant to a share exchange agreement entered into between the Company and Baker Holdco.

In addition, as part of the Pre-Closing Reorganization, the class of shares underlying each outstanding option to acquire Class O Common Shares of the Company pursuant to the Legacy Option Plan was adjusted to reflect the Pre-Closing Reorganization.

Authorized Share Capital

As at January 31, 2022, 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 18, 2022, 25,599,150 Subordinate Voting Shares, 27,390,588 Multiple Voting Shares, and employee stock options under the Legacy Option Plan to purchase a total of 7,339,408 Subordinate Voting Shares are issued and outstanding. In connection with the Offering, the company adopted a long term incentive plan ("**LTIP**") whereby the Company has 837,175 restricted stock units ("**RSUs**") issued and outstanding and 1,283 deferred share units ("**DSUs**") issued and outstanding, which RSUs and DSUs may ultimately be settled through the issuance of Subordinate Voting Shares on a 1:1 basis.

Risk Factors

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

- Market adoption of cloud-based learning solutions may not grow as we expect, which may harm our business and results of operations and even if market demand increases, the demand for our platform may not increase.
- The market in which we participate is highly competitive, and if we do not compete effectively, our ability to gain new customers, retain existing customers and grow our business could be harmed and our results of operations could be adversely affected.
- If for any reason we are not able to develop enhanced and new features, keep pace with technological developments or respond to future disruptive technologies, our business will be harmed.
- If our customers do not expand their use of our platform and services beyond their current organizational engagements or renew their existing contracts with us, or if we do not acquire new customers, our ability to grow our business and improve our results of operations may be adversely affected.
- If we are unable to increase sales of subscriptions to our platform to customers while mitigating the risks associated with serving such customers, our business, financial condition, and results of operations would suffer.
- Failure to effectively expand 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 fail to effectively manage our growth or our business does not grow as we expect, our business and results of operations could be harmed.
- 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.
- Our recent rapid growth makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to grow at or near historical rates.
- If we are unable to hire, retain and motivate qualified employees, our business will suffer.
- If we cannot maintain our Company's culture as we grow, we could lose the innovation, creativity, collaboration, and focus on execution that we believe contribute to our success and our business may be harmed.
- We are dependent on the continued services and performance of our senior leadership team and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.
- Our 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. School procurement periods, which are typically based on a fiscal year ending June 30 in the United States, may result in seasonal fluctuations. These factors, among other things, make forecasting more difficult and may adversely affect our ability to predict financial results accurately, which could result in volatility or adversely affect the market price of our Shares.
- 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.
- We rely upon Amazon Web Services to operate certain aspects of our service and any disruption of or interference with our use of Amazon Web Services 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.
- 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.
- 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.
- 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 may face exposure to foreign currency exchange rate fluctuations.
- We rely upon Software as a Service ("**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 business can be impacted by government policy and regulatory actions.
- 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.
- Mergers or other strategic transactions involving our competitors or customers could weaken our competitive position, which could harm our results of operations.
- If we fail to 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.
- Issues in the use of artificial intelligence in our platform may result in reputational harm or liability.
- 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.
- 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 and tight, competitive labour markets.
- Adverse economic and market conditions and reductions in spending may adversely impact our business and results of operations.
- Acquisitions or investments in other companies or technologies which could divert our management's attention, result in additional dilution to our shareholders, and otherwise disrupt our operations and harm our results of operations.
- We might require additional capital to support our growth, and this capital might not be available on acceptable terms, if at all.
- Our senior leadership team has limited experience managing a public company.
- Our business is subject to a variety of international laws, including export and import controls and anti-corruption laws and regulations, that could subject us to claims, increase the cost of operations, impair our ability to compete in international markets, or otherwise harm our business due to changes in the laws, changes in the interpretations of the laws, greater enforcement of the laws, or investigations into compliance with the laws.
- Trade wars and changes in international trade law and policies may have a material adverse effect on our business, financial condition and results of operations.
- Our business could be adversely impacted by changes in internet access for our users or laws specifically governing the internet.
- It may be difficult or impossible for investors to enforce judgements against foreign subsidiaries and non-resident directors or officers of the Company.
- Our international operations subject us to potentially adverse tax consequences.
- We may have exposure to greater than anticipated tax liabilities and may be affected by changes in tax laws or interpretations, any of which could adversely impact our results of operations.
- Our results of operations may be harmed if we are required to collect sales or other related taxes for our subscription services in jurisdictions where we have not historically done so.
- We may not be able to utilize a significant portion of our net operating loss, which could adversely affect our potential profitability.
- The nature of our business requires the application of complex revenue and expense recognition rules, and any significant changes in current rules could affect our financial statements and results of operations.
- If our judgments or estimates relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in our Subordinate Voting Share price.
- If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

- Our By-Laws provide that any derivative actions, actions relating to breach of fiduciary duties and other actions asserting a claim relating to relationships among us, our affiliates and their respective shareholders, directors and/or officers are required to be litigated in Canada, which could limit shareholders' ability to obtain a favourable judicial forum for disputes with us.
- We incur significant costs and there are significant demands upon management as a result of complying with the laws and regulations affecting public companies, which could adversely affect our business, financial condition, and results of operations.
- Our results of operations could be adversely affected by natural disasters, public health crises, political crises, or other catastrophic events.
- Our financial condition may be adversely affected by geopolitical events
- The Company has a certain degree of concentration of customers and customer sectors.
- The effort, time and expense associated with switching from competitors' software, products and services to that of the Company's may limit the Company's growth.
- The Company's holding company structure makes it dependent on the operations of its subsidiaries.
- The COVID-19 pandemic could negatively impact our business, financial condition, and results of operation.

These risks are described in further detail in the section entitled "*Risk Factors*" in our subsequently-filed annual information form for Fiscal 2022.