D2L

D2L Inc. Announces Second Quarter Fiscal 2024 Financial Results

- Total revenue in Q2 increased 8% year-over-year to US$44.5 million
- Subscription and support revenue in Q2 increased 10% year-over-year to US$39.4 million
- Annual Recurring Revenue[1] reached US$178.5 million, up 13% over the prior year
- Cash flow from operating activities increased to $5.9 million for the year-to-date period, up from $0.9 million in the prior year

TORONTO, Sept. 6, 2023 /CNW/ - **D2L Inc.** (TSX: DTOL) **("D2L" or the "Company")**, a leading global learning technology company, today announced financial results for its Fiscal 2024 second quarter ended July 31, 2023. All amounts are in U.S. dollars and all figures are prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise indicated.

"Our second-quarter results were highlighted by strong growth in subscription revenue, annual recurring revenue, free cash flow and gross profit margins, as our team continues to execute well on our balanced growth plan," said John Baker, CEO of D2L. "We are winning important new customers in all our markets, most notably in higher education, where we are helping more and more institutions digitally transform and build better learning experiences. At the same time, our current customers continue to grow with D2L as we enhance and expand our learning platform to solve their key challenges, from engagement with students for better progression, to getting students ready for the future, and upskilling the workforce."

Second Quarter Fiscal 2024 Financial Highlights

- Total revenue of $44.5 million, up 8% from the same period in the prior year. Constant Currency Revenue[2] grew 9% year-over-year to $44.8 million.
- Subscription and support revenue was $39.4 million, an increase of 10% over the prior year, reflecting growth from new customers and strong revenue retention and expansion from existing customers.
- Annual Recurring Revenue[1] as at July 31, 2023 increased by 13% year-over-year, from $158.5 million to $178.5 million, and Constant Currency Annual Recurring Revenue[1] reached $177.9 million, a 12% increase over the prior year.
- Gross profit increased 12% to $29.7 million (66.7% gross profit margin) from $26.6 million (64.6% gross profit margin) in the same period of the prior year.
- Gross profit margin for subscription and support revenue increased to 72.5%, from 68.2% in the same period of the prior year, an improvement of 430 basis points.
- Adjusted EBITDA[1] loss of $0.5 million, compared with an Adjusted EBITDA loss of $1.5 million for the comparative period in the prior year.
- Loss for the period was $4.8 million, the same as for the comparative period of the prior year.
- Cash flow from operating activities was $22.9 million, versus $16.2 million in the same period in the prior year, and Free Cash Flow[2] was $20.5 million, compared to Free Cash Flow of $16.0 million in the same period in the prior year. 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.
- Strong balance sheet at quarter end, with cash and cash equivalents of $110.3 million and no debt.

[1] *Please refer to "Key Performance Indicators" section of this press release.*

[2] *A non-IFRS financial measure or non-IFRS ratio. Please refer to "Non-IFRS Financial Measures and Reconciliation of Non-IFRS Financial Measures" section of this press release.*

Second Quarter Fiscal 2024 Financial Results – Selected Financial Measures (in thousands of U.S. dollars, except for percentages)

	Three months ended July 31				Six months ended July 31			
	2023 $	**2022 $**	**Change $**	**Change %**	**2023 $**	**2022 $**	**Change $**	**Change %**
Subscription & Support Revenue	39,405	35,817	3,588	10.0 %	78,595	71,584	7,011	9.8 %
Professional Services & Other Revenue	5,065	5,356	(291)	-5.4 %	10,103	11,460	(1,357)	-11.8 %
Total Revenue	44,470	41,173	3,297	8.0 %	88,698	83,044	5,654	6.8 %
Constant Currency Revenue[1]	44,788	41,173	3,615	8.8 %	90,313	83,044	7,269	8.8 %
Gross Profit	29,681	26,585	3,096	11.6 %	59,561	52,939	6,622	12.5 %
Adjusted Gross Profit [1]	29,853	26,671	3,182	11.9 %	59,844	53,095	6,749	12.7 %
Adjusted Gross Margin[1]	67.1 %	64.8 %		2.3 %	67.5 %	63.9 %		3.6 %
Loss for the period	(4,828)	(4,803)	(25)	-0.5 %	(3,718)	(9,566)	5,848	61.1 %
Adjusted EBITDA (Loss)[1]	(534)	(1,465)	931	63.5 %	2,277	(2,969)	5,246	176.7 %
Cash Flows From Operating Activities	22,888	16,225	6,663	41.1 %	5,853	927	4,926	531.4 %
Free Cash Flow [1]	20,449	16,016	4,433	27.7 %	1,765	(186)	1,951	1,048.9 %

[1] *A non-IFRS financial measure or non-IFRS ratio. Please refer to the "Non-IFRS Financial Measures and Reconciliation of Non-IFRS Financial Measures" section of this press release for more details.*

Business & Operating Highlights

- D2L continued to grow its customer base in education in North America, including the University of Southern California, the City University of New York (CUNY), Western University, the Northern Alberta Institute of Technology, Hartford Community College, and Niagara College.
- Signed new education customers across multiple international regions, including Faith Lutheran College Plainland, Mangalayatan University, and Hogeschool van Arnhem en Nijmegen (HAN University of Applied Sciences).
- Signed new corporate customers in multiple sectors, including Plante & Moran LLC and iPEC Coaching.
- In Q2, D2L launched a redesign of its Brightspace Community platform, announced a new partnership with Copyleaks to help better detect plagiarism, and unveiled its Integration Hub, D2L LINK, a one-stop shop for access to hundreds of D2L Brightspace-integrated technologies and resources.
- In June, D2L announced a deepening of its focus on India with additional investments in development, support operations, hiring talent, and expanded in-country cloud solutions.
- In July, D2L hosted nearly 2,000 global registrants at its annual customer conference (Fusion) where it showcased key tools for the future of learning in areas like artificial intelligence, accessibility, ease of use, and skills development.

Financial Outlook

Financial Guidance Fiscal 2024

The Company is maintaining its previous financial guidance for the fiscal year ended January 31, 2024 as follows:

- Subscription and support revenue in the range of $159 million to $161 million, implying growth of 9% to 10% over Fiscal 2023;
- Total revenue in the range of $180 million to $182 million, implying growth of 7% to 8% over Fiscal 2023; and
- Adjusted EBITDA in the range of $6 million to $8 million.

Conference Call & Webcast

D2L management will host a conference call on Thursday, September 7, 2023 at 8:30 am ET to discuss its second quarter Fiscal 2024 financial results.

Date:	Thursday, September 7, 2023
Time:	8:30 am (ET)
Dial in number:	Canada/US: 1 (833) 470-1428 International: 1 (404) 975-4839 Access code: 816124
Webcast:	A live webcast will be available at ir.d2l.com/events-and-presentations/events/
Replay:	Canada/US: 1 (866) 813-9403 or International: (929) 458-6194 (replay code: 240783) Available until September 14, 2023

Forward-Looking Information

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

This forward-looking information relates to the Company's future financial outlook and anticipated events or results and includes, but is not limited to, statements under the heading "Financial Outlook" and information regarding: the Company's financial position, financial results, business strategy, performance, achievements, prospects, objectives, opportunities, business plans and growth strategies; the Company's budgets, operations and taxes; judgments and estimates impacting on financial statements; the markets in which the Company operates and investment in India; industry trends and the Company's competitive position; expansion of the Company's product offerings; the timing and pace for achieving gross profitability; and expectations regarding the growth of the Company's customer base, revenue and revenue generation potential.

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our operations; the ability to seek out, enter into and successfully integrate acquisitions; business and industry trends, including the success of current and future product development initiatives; positive social development and attitudes toward the pursuit of higher education; the Company's ability to maintain positive relationships with its customer base and strategic partners; the Company's ability to adapt and develop solutions that keep pace with continuing changes in technology, education and customer needs; the ability to patent new technologies and protect intellectual property rights; the Company's ability to comply with security, cybersecurity and accessibility laws, regulations and standards; the assumptions underlying the judgments and estimates impacting on financial statements; and the Company's ability to retain key personnel, collectively, do not have a material impact on the Company.

Although the Company believes that the assumptions underlying such forward-looking information were reasonable when made, they are inherently uncertain and are subject to significant risks and uncertainties and may prove to be incorrect. The Company cautions investors that forward-looking information is not a guarantee of the future and that actual results may differ materially from those made in or suggested by the forward-looking information contained in this press release. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties and other factors, including but not limited to the risks identified herein, including at "*Summary of Factors Affecting Our Performance*" of the Company's Management's Discussion and Analysis ("**MD&A**") for the three and six months ended July 31, 2023, or in the *"Risk Factors"* section of the Company's most recently filed Annual Information Form. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking information prove incorrect, actual results might vary materially from those anticipated in the forward-looking information.

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

About D2L Inc. (TSX: DTOL)

D2L is transforming the way the world learns—helping learners of all ages achieve more than they dreamed possible. Working closely with customers all over the world, D2L is supporting millions of people learning online and in person. Our global workforce is dedicated to making the best learning products to leave the world better than they found it. Learn more at www.D2L.com.

D2L Inc.
Condensed Consolidated Interim Statements of Financial Position
(In U.S. dollars)

As at July 31, 2023 and January 31, 2023
(Unaudited)

	July 31, 2023	January 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 110,271,362	$ 110,732,236
Trade and other receivables	29,358,472	20,894,794
Uninvoiced revenue	2,789,904	2,107,015
Prepaid expenses	6,655,026	8,183,390
Deferred commissions	5,097,379	4,487,043
	154,172,143	146,404,478
Non-current assets:		
Other receivables	—	193,036
Prepaid expenses	210,675	122,469
Deferred income taxes	306,079	189,178
Right-of-use assets	10,847,680	11,205,371
Property and equipment	7,764,280	4,287,095
Deferred commissions	7,781,294	6,849,779

Intangible assets	839,331	288,099
Goodwill	10,451,860	7,070,432
Total assets	$ 192,373,342	$ 176,609,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 20,846,926	$ 23,450,767
Deferred revenue	101,207,945	85,662,830
Lease liabilities	1,513,461	1,127,600
	123,568,332	110,241,197
Non-current liabilities:		
Deferred income taxes	446,876	398,906
Accounts payable and accrued liabilities	302,333	-
Lease liabilities	11,865,574	11,878,556
	12,614,783	12,277,462
	136,183,115	122,518,659
Shareholders' equity:		
Share capital	361,304,174	357,639,824
Additional paid-in capital	47,700,966	46,084,161
Accumulated other comprehensive loss	(4,466,506)	(5,001,805)
Deficit	(348,348,407)	(344,630,902)
	56,190,227	54,091,278
Related party transactions		
Total liabilities and shareholders' equity	$ 192,373,342	$ 176,609,937

D2L Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss) (In U.S. dollars)

For the three and six months ended July 31, 2023 and 2022 (Unaudited)

	Three months ended July 31		Six months ended July 31	
	2023	2022	2023	2022
Revenue:				
Subscription and support	$ 39,405,679	$ 35,817,285	$ 78,595,340	$ 71,583,788
Professional services and other	5,064,462	5,356,142	10,102,740	11,459,723
	44,470,141	41,173,427	88,698,080	83,043,511
Cost of revenue:				
Subscription and support	10,852,459	11,403,524	22,093,199	22,842,152
Professional services and other	3,936,514	3,184,484	7,043,818	7,262,849
	14,788,973	14,588,008	29,137,017	30,105,001
Gross profit	29,681,168	26,585,419	59,561,063	52,938,510
Expenses:				
Sales and marketing	14,961,079	14,021,773	27,401,746	27,078,863
Research and development	12,519,168	10,450,798	23,664,521	21,735,965
General and administrative	7,312,207	6,578,462	13,501,710	12,985,502
	34,792,454	31,051,033	64,567,977	61,800,330
Loss from operations	(5,111,286)	(4,465,614)	(5,006,914)	(8,861,820)

Interest and other income (expenses):				
Interest expense	(142,866)	(166,257)	(298,874)	(403,857)
Interest income	840,405	156,835	1,716,512	175,081
Other income (expense)	(211)	-	15,252	-
Foreign exchange gain (loss)	(364,693)	(150,140)	65,479	(178,358)
	332,635	(159,562)	1,498,369	(407,134)
Loss before income taxes	(4,778,651)	(4,625,176)	(3,508,545)	(9,268,954)
Income taxes (recovery):				
Current	316,769	165,580	391,411	355,096
Deferred	(267,464)	12,616	(182,451)	(58,015)
	49,305	178,196	208,960	297,081
Loss for the period	(4,827,956)	(4,803,372)	(3,717,505)	(9,566,035)
Other comprehensive gain (loss):				
Foreign currency translation gain (loss)	746,510	(146,590)	535,299	(200,255)
Comprehensive loss	$ (4,081,446)	$ (4,949,962)	$ (3,182,206)	$ (9,766,290)
Loss per share – basic	$ (0.09)	$ (0.09)	$ (0.07)	$ (0.18)
Loss per share – diluted	(0.09)	(0.09)	(0.07)	(0.18)
Weighted average number of common shares – basic	53,430,984	53,004,320	53,328,052	52,996,253
Weighted average number of common shares – diluted	53,430,984	53,004,320	53,328,052	52,996,253

D2L Inc.

Condensed Consolidated Interim Statements of Shareholders' Equity
(In U.S. dollars)

For the six months ended July 31, 2023 and 2022
(Unaudited)

	Share Capital		Additional paid-in	Accumulated other	Deficit	Total
	Shares	Amount	capital	comprehensive loss		
Balance, January 31, 2023	53,146,530	$ 357,639,824	$ 46,084,161	$ (5,001,805)	$ (344,630,902)	$ 54,091,278
Issuance of Subordinate Voting Shares on exercise of options	301,494	2,702,550	(1,146,774)	—	—	1,555,776
Issuance of Subordinate Voting Shares on settlement of restricted share units	209,695	961,800	(2,405,427)	—	—	(1,443,627)
Stock-based compensation	—	—	5,169,006	—	—	5,169,006
Other comprehensive gain (loss)	—	—	—	535,299	—	535,299
Loss for the period	—	—	—	—	(3,717,505)	(3,717,505)
Balance, July 31, 2023	53,657,719	$ 361,304,174	$ 47,700,966	$ (4,466,506)	$ (348,348,407)	$ 56,190,227
Balance, January 31, 2022	52,912,502	$ 354,277,986	$ 41,686,794	$ (3,330,708)	$ (326,254,177)	$ 66,379,895
Issuance of Subordinate Voting Shares on exercise of options	120,224	994,958	(368,690)	—	—	626,268
Stock-based compensation	—	—	3,643,871	—	—	3,643,871
Other comprehensive loss	—	—	—	(200,255)	—	(200,255)
Loss for the period	—	—	—	—	(9,566,035)	(9,566,035)
Balance, July 31, 2022	53,032,726	$ 355,272,944	$ 44,961,975	$ (3,530,963)	$ (335,820,212)	$ 60,883,744

D2L Inc.

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

For the six months ended July 31, 2023 and 2022
(Unaudited)

	2023	2022
Operating activities:		
Loss for the period	$ (3,717,505)	$ (9,566,035)
Items not involving cash:		
Depreciation of property and equipment	721,635	938,887
Depreciation of right-of-use assets	643,910	1,101,355
Amortization of intangible assets	32,572	208,472
Gain on disposal of property and equipment	(15,670)	—
Stock-based compensation	5,169,006	3,643,871
Net interest expense (income)	(1,417,638)	228,776
Income tax expense	208,960	297,081
Changes in operating assets and liabilities:		
Trade and other receivables	(7,434,422)	(6,472,931)
Uninvoiced revenue	(615,095)	(115,215)
Prepaid expenses	1,573,388	505,606
Deferred commissions	(1,331,109)	(266,499)
Accounts payable and accrued liabilities	(4,182,827)	(4,129,872)
Deferred revenue	14,936,043	14,467,740
Right-of-use assets and lease liabilities	-	133,336
Interest received	1,717,429	175,081
Interest paid	-	(75,052)
Income taxes paid	(435,663)	(147,493)
Cash flows from operating activities	5,853,014	927,108
Financing activities:		
Payment of lease liabilities	(262,024)	(1,113,960)
Proceeds from exercise of stock options	1,555,776	626,268
Taxes paid on settlement of restricted share units	(1,443,627)	—
Cash flows used in financing activities	(149,875)	(487,692)
Investing activities:		
Purchase of property and equipment	(4,103,826)	(1,113,301)
Proceeds from disposal of property and equipment	15,670	—
Acquisition of business, net of cash acquired	(2,766,284)	—
Cash flows used in investing activities	(6,854,440)	(1,113,301)
Effect of exchange rate changes on cash and cash equivalents	690,427	(516,540)
Decrease in cash and cash equivalents	(460,874)	(1,190,425)
Cash and cash equivalents, beginning of period	110,732,236	114,675,495
Cash and cash equivalents, end of period	110,271,362	113,485,070

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

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

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is defined as net income (loss), excluding interest, taxes, depreciation and amortization (or EBITDA), adjusted for stock-based compensation, foreign exchange gains and losses, non-recurring expenses, acquisition-related costs, impairment charges and other income and losses. Adjusted EBITDA Margin is calculated as Adjusted EBITDA expressed as a percentage of total revenue. For an explanation of management's use of Adjusted EBITDA and Adjusted EBITDA Margin see "*Non-IFRS and Other Financial Measures*" section in the Company's MD&A.

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

(in thousands of U.S. dollars, except for percentages)	Three months ended July 31		Six months ended July 31	
	2023	2022	2023	2022
Loss for the period	**(4,828)**	**(4,803)**	**(3,718)**	**(9,566)**
Stock-based compensation	3,095	1,994	5,169	3,644
Foreign exchange loss (gain)	365	150	(65)	178
Non-recurring expenses	150	—	150	—
Acquisition-related costs	552	—	552	—
Interest expense net of interest income	(698)	9	(1,418)	229
Income tax expense	49	178	209	297
Depreciation and amortization	781	1,007	1,398	2,249
Adjusted EBITDA	**(534)**	**(1,465)**	**2,277**	**(2,969)**
Adjusted EBITDA Margin	**-1.2 %**	**-3.6 %**	**2.6 %**	**-3.6 %**

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. For an explanation of management's use of Adjusted Gross Profit and Adjusted Gross Margin see "*Non-IFRS and Other Financial Measures*" section in the Company's MD&A.

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

(in thousands of U.S. dollars, except for percentages)	Three months ended July 31		Six months ended July 31	
	2023	2022	2023	2022
Gross profit for the period	29,681	26,585	59,561	52,939
Stock based compensation	172	86	283	156
Adjusted Gross Profit	**29,853**	**26,671**	**59,844**	**53,095**
Adjusted Gross Margin	**67.1 %**	**64.8 %**	**67.5 %**	**63.9 %**

Free Cash Flow and Free Cash Flow Margin

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

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

(in thousands of U.S. dollars, except for percentages)	Three months ended July 31		Six months ended July 31	
	2023	2022	2023	2022
Cash flow from operating activities	22,888	16,225	5,853	927
Net purchase of property and equipment	(2,439)	(209)	(4,088)	(1,113)
Free Cash Flow	**20,449**	**16,016**	**1,765**	**(186)**
Free Cash Flow Margin	**46.0 %**	**38.9 %**	**2.0 %**	**-0.2 %**

Constant Currency Revenue

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

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

(in thousands of U.S. dollars, except for percentages)	Three months ended July 31		Six months ended July 31	
	2023	2022	2023	2022
	$	$	$	$
Total revenue for the period	44,470	41,173	88,698	83,044
Impact of foreign exchange rate changes over the prior period	318	—	1,615	—
Constant Currency Revenue	44,788	41,173	90,313	83,044

Key Performance Indicators

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

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

(in millions of U.S. dollars, except percentages)	As at July 31		
	2023	2022	Change
	$	$	%
Annual Recurring Revenue	178.5	158.5	12.6 %
Constant Currency Annual Recurring Revenue	177.9	158.5	12.2 %

SOURCE D2L Inc.

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