D2L

D2L Inc. Announces Third Quarter Fiscal 2024 Financial Results

- Total revenue in Q3 increased 8% year-over-year to US$46.1 million
- Subscription and support revenue grew 13% year-over-year to US$41.5 million
- Annual Recurring Revenue[1] reached US$180.1 million, up 12% over the prior year
- Adjusted EBITDA of $2.1 million in Q3 and $4.4 million for the year-to-date period, an increase of $7.7 million from the same period of the prior year
- Normal Course Issuer Bid initiated

TORONTO, Dec. 5, 2023 /CNW/ - **D2L Inc.** (TSX: DTOL) **("D2L" or the "Company")**, a leading global learning technology company, today announced financial results for its Fiscal 2024 third quarter ended October 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.

"It was a solid third quarter for the company as we demonstrated continued progress toward our balanced growth model and meaningfully improved operating leverage," said John Baker, CEO of D2L. "Subscription revenue growth accelerated again this quarter to 13%, subscription gross profit rose 18%, and cash flow from operations increased to more than $20 million for the fiscal year to date. We have placed a heightened focus on operating efficiency and profitability over the past year, and at the same time we continue to make the right investments in our products and teams to win flagship customers in our core markets. Leading educational institutions and companies are choosing D2L as their partner to digitally transform and achieve their strategic learning goals – helping them solve more challenges – and enabling us to build toward becoming the category leader."

Third Quarter Fiscal 2024 Financial Highlights

- Total revenue of $46.1 million, up 8% from the same period in the prior year. Constant Currency Revenue[2] grew 8% year-over-year to $46.1 million.
- Subscription and support revenue was $41.5 million, an increase of 13% over the same period of the prior year, reflecting growth from new customers and strong revenue retention and expansion from existing customers.
- Annual Recurring Revenue[1] ("ARR") as at October 31, 2023 increased by 12% year-over-year, from $160.3 million to $180.1 million. The sequential change in ARR was negatively impacted by the strengthening of the U.S. dollar relative to the Company's non-U.S. dollar contracts, which reduced reported ARR as at October 31, 2023 by approximately $3.1 million relative to the ARR balance reported as at July 31, 2023.
- Gross profit increased 11% to $30.6 million (66.4% gross profit margin) from $27.5 million (64.5% gross profit margin) in the same period of the prior year.
- Gross profit margin for subscription and support revenue increased to 71.3%, from 68.3% in the same period of the prior year, an improvement of 300 basis points.
- Positive Adjusted EBITDA[1] of $2.1 million, compared with an Adjusted EBITDA loss of $0.4 million for the comparative period in the prior year.
- Loss for the period was $0.4 million, compared with a loss of $2.6 million for the comparative period of the prior year.
- Cash flow from operating activities was $15.3 million, versus $8.1 million in the same period in the prior year, and Free Cash Flow[2] was $14.2 million, compared to Free Cash Flow of $7.3 million in the same period in the prior year.

- Strong balance sheet at quarter end, with cash and cash equivalents of $123.1 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.*

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

	Three months ended October 31				Nine months ended October 31			
	2023	**2022**	**Change**	**Change**	**2023**	**2022**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Subscription & Support Revenue	41,450	36,565	4,885	13.4 %	120,045	108,149	11,896	11.0 %
Professional Services & Other Revenue	4,663	6,103	(1,440)	-23.6 %	14,766	17,563	(2,797)	-15.9 %
Total Revenue	46,113	42,668	3,445	8.1 %	134,811	125,712	9,099	7.2 %
Constant Currency Revenue[1]	46,098	42,668	3,430	8.0 %	136,411	125,712	10,699	8.5 %
Gross Profit	30,600	27,505	3,095	11.3 %	90,161	80,444	9,717	12.1 %
Adjusted Gross Profit [1]	30,747	27,609	3,138	11.4 %	90,591	80,705	9,886	12.2 %
Adjusted Gross Margin[1]	66.7 %	64.7 %		2.0 %	67.2 %	64.2 %		3.0 %
Loss for the period	(387)	(2,625)	2,238	85.3 %	(4,105)	(12,191)	8,086	66.3 %
Adjusted EBITDA (Loss)[1]	2,122	(359)	2,481	691.1 %	4,399	(3,329)	7,728	232.1 %
Cash Flows from Operating Activities	15,318	8,131	7,187	88.4 %	21,171	9,058	12,113	133.7 %
Free Cash Flow [1]	14,244	7,339	6,905	94.1 %	16,009	7,153	8,856	123.8 %

[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 Parker University and the Royal Canadian Business College.
- Continued to expand international customer base, including Galgotias University and Universidade Paranaense (UNIPAR).
- Signed new global corporate customers, including Walmart Canada, the British Council and Kardia Group LLC.
- In Q3, launched D2L for Business – a corporate learning solution designed to maximize return on investment in learning and help empower employers to attract, retain, onboard, and upskill their workforce.
- D2L attained new certifications for WCAG 2.2 accessibility and ISO 27701:2019 Privacy Compliance, the first company in the leading LMS providers category to achieve these important certifications.
- Announced new and enhanced Brightspace product features, including new Creator+ tools, an AI-driven, contextual help feature (Brightspace Virtual Assistant), and early access both to AI-powered question generation and to D2L Link (easier and faster to integrate D2L Brightspace with other systems).
- Earned two Gold Brandon Hall Awards for Best Unique or Innovative Leadership Program and Best Unique or Innovative Learning and Development Program – and a Bronze award for Best Advance in Competencies and Skill Development.

Financial Outlook

Financial Guidance Fiscal 2024

The Company is updating, in part, its previous guidance for the 12 months ended January 31, 2024 ("Fiscal 2024") as follows:

- Subscription and support revenue in the range of $161 million to $162 million, reflecting growth of 10% to 11% over Fiscal 2023, an increase from previously issued guidance of $159 million to $161 million;
- Total revenue unchanged in the range of $180 million to $182 million, reflecting growth of 7% to 8% over Fiscal 2023; and

- Adjusted EBITDA in the top half of its current guidance range of $6 million to $8 million.

These revisions reflect the Company's continued progress in balancing top-line recurring revenue growth with increasing profitability, in particular the subscription revenue growth, gross margin expansion, and continued cost optimization for the fiscal year to date period. For additional detail on the assumptions underlying the Company's Fiscal 2024 Financial Outlook, please refer to the "Financial Outlook" section of the Company's MD&A for the year ended January 31, 2023.

Conference Call & Webcast

D2L management will host a conference call on Wednesday, December 6, 2023 at 8:30 am ET to discuss its third quarter Fiscal 2024 financial results.

Date:	Wednesday, December 6, 2023
Time:	8:30 am (ET)
Dial in number:	Canada/US: 1 (833) 470-1428 International: 1 (404) 975-4839 Access code: 902889
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: 150560) Available until December 13, 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 Company's intention to repurchase Subordinate Voting Shares under its NCIB; 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; the availability of capital resources for, and the permissibility under the Company's credit facility of, repurchases of outstanding Subordinate Voting Shares under its NCIB; and 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 press release. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties and other factors, including but not limited to the risks identified herein, or at "*Summary of Factors Affecting Our Performance*" of the Company's Management's Discussion and Analysis ("**MD&A**") for the three and nine months ended October 31, 2023, or in the *"Risk Factors"* section of the Company's most recently filed Annual Information Form, as well as risks associated with using capital resources to repurchase Subordinate Voting Shares under the Company's NCIB. 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 October 31, 2023 and January 31, 2023
(Unaudited)

	October 31, 2023	January 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 123,090,698	$ 110,732,236
Trade and other receivables	20,777,114	20,894,794
Uninvoiced revenue	2,511,362	2,107,015

Prepaid expenses	6,859,336	8,183,390
Deferred commissions	4,842,499	4,487,043
	158,081,009	146,404,478
Non-current assets:		
Other receivables	—	193,036
Prepaid expenses	190,421	122,469
Deferred income taxes	310,670	189,178
Right-of-use assets	9,172,978	11,205,371
Property and equipment	8,246,634	4,287,095
Deferred commissions	7,392,214	6,849,779
Intangible assets	771,301	288,099
Goodwill	10,115,029	7,070,432
Total assets	$ 194,280,256	$ 176,609,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 26,043,043	$ 23,450,767
Deferred revenue	97,819,329	85,662,830
Lease liabilities	945,686	1,127,600
Contingent consideration	303,202	—
	125,111,260	110,241,197
Non-current liabilities:		
Deferred income taxes	541,061	398,906
Contingent consideration	304,191	—
Lease liabilities	11,637,031	11,878,556
	12,482,283	12,277,462
	137,593,543	122,518,659
Shareholders' equity:		
Share capital	362,042,253	357,639,824
Additional paid-in capital	49,403,139	46,084,161
Accumulated other comprehensive loss	(6,022,677)	(5,001,805)
Deficit	(348,736,002)	(344,630,902)
	56,686,713	54,091,278
Related party transactions		
Subsequent event		
Total liabilities and shareholders' equity	$ 194,280,256	$ 176,609,937

D2L INC.

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

For the three and nine months ended October 31, 2023 and 2022
(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2023	2022	2023	2022
Revenue:				
Subscription and support	$ 41,449,926	$ 36,565,449	$ 120,045,266	$ 108,149,237
Professional services and other	4,662,769	6,102,894	14,765,509	17,562,617
	46,112,695	42,668,343	134,810,775	125,711,854
Cost of revenue:				
Subscription and support	11,884,640	11,582,242	33,977,839	34,424,394
Professional services and other	3,627,638	3,581,305	10,671,456	10,844,154
	15,512,278	15,163,547	44,649,295	45,268,548
Gross profit	30,600,417	27,504,796	90,161,480	80,443,306
Expenses:				
Sales and marketing	12,807,855	13,801,928	40,209,601	40,880,791
Research and development	12,351,201	10,770,445	36,015,722	32,506,410
General and administrative	7,102,165	6,523,976	20,603,875	19,509,478
	32,261,221	31,096,349	96,829,198	92,896,679
Loss from operations	(1,660,804)	(3,591,553)	(6,667,718)	(12,453,373)
Interest and other income (expenses):				
Interest expense	(157,582)	(152,617)	(456,456)	(556,474)
Interest income	1,221,704	272,586	2,938,216	447,667
Other income (expense)	(10,355)	(1,280)	4,897	(1,280)
Foreign exchange gain	314,938	976,109	380,417	797,751
	1,368,705	1,094,798	2,867,074	687,664

Loss before income taxes	(292,099)	(2,496,755)	(3,800,644)	(11,765,709)
Income taxes (recovery):				
Current	43,883	73,266	435,294	428,362
Deferred	51,613	55,275	(130,838)	(2,740)
	95,496	128,541	304,456	425,622
Loss for the period	(387,595)	(2,625,296)	(4,105,100)	(12,191,331)
Other comprehensive loss:				
Foreign currency translation loss	(1,556,171)	(1,455,134)	(1,020,872)	(1,655,389)
Comprehensive loss	$ (1,943,766)	$ (4,080,430)	$ (5,125,972)	$ (13,846,720)
Loss per share – basic	$ (0.01)	$ (0.05)	$ (0.08)	$ (0.23)
Loss per share – diluted	(0.01)	(0.05)	(0.08)	(0.23)
Weighted average number of common shares – basic	53,703,768	53,032,726	53,454,498	53,008,544
Weighted average number of common shares – diluted	53,703,768	53,032,726	53,454,498	53,008,544

D2L INC.

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

For the nine months ended October 31, 2023 and 2022
(Unaudited)

	Share Capital		Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount				
Balance, January 31, 2023	53,146,530	$ 357,639,824	$ 46,084,161	$ (5,001,805)	$ (344,630,902)	$ 54,091,278
Issuance of Subordinate Voting Shares on exercise of options	381,794	3,414,019	(1,443,627)	—	—	1,970,392
Issuance of Subordinate Voting Shares on settlement of restricted share units	218,010	988,410	(2,474,669)	—	—	(1,486,259)
Stock-based compensation	—	—	7,237,274	—	—	7,237,274
Other comprehensive loss	—	—	—	(1,020,872)	—	(1,020,872)
Loss for the period	—	—	—	—	(4,105,100)	(4,105,100)
Balance, October 31, 2023	53,746,334	$ 362,042,253	$ 49,403,139	$ (6,022,677)	$ (348,736,002)	$ 56,686,713
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	—	—	5,796,417	—	—	5,796,417
Other comprehensive loss	—	—	—	(1,655,389)	—	(1,655,389)
Loss for the period	—	—	—	—	(12,191,331)	(12,191,331)
Balance, October 31, 2022	53,032,726	$ 355,272,944	$ 47,114,521	$ (4,986,097)	$ (338,445,508)	$ 58,955,860

D2L INC.

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

For the nine months ended October 31, 2023 and 2022
(Unaudited)

	2023	2022
Operating activities:		
Loss for the period	$ (4,105,100)	$ (12,191,331)
Items not involving cash:		
Depreciation of property and equipment	1,158,782	1,238,064
Depreciation of right-of-use assets	927,605	1,670,289
Amortization of intangible assets	60,159	356,344
(Gain) loss on disposal of property and equipment	(16,194)	1,280
Stock-based compensation	7,237,274	5,796,417
Net interest expense (income)	(2,481,760)	108,807
Income tax expense	304,456	425,622
Changes in operating assets and liabilities:		
Trade and other receivables	1,041,252	5,002,660
Uninvoiced revenue	(440,936)	(151,920)
Prepaid expenses	1,073,501	2,199,560
Deferred commissions	(1,105,606)	(365,514)
Accounts payable and accrued liabilities	1,952,832	(2,150,085)
Provisions	—	(3,265,449)
Deferred revenue	13,243,128	10,050,634

Right-of-use assets and lease liabilities	(57,530)	134,720
Interest received	2,938,216	447,667
Interest paid	(9,815)	(77,461)
Income taxes paid	(549,475)	(171,960)
Cash flows from operating activities	21,170,789	9,058,344
Financing activities:		
Payment of lease liabilities	(575,023)	(1,520,145)
Lease incentive received	935,025	—
Proceeds from exercise of stock options	1,970,392	626,268
Taxes paid on settlement of restricted share units	(1,486,259)	—
Cash flows from (used) in financing activities	844,135	(893,877)
Investing activities:		
Purchase of property and equipment	(5,178,461)	(1,905,312)
Proceeds from disposal of property and equipment	16,537	—
Acquisition of business, net of cash acquired	(2,793,180)	—
Cash flows used in investing activities	(7,955,104)	(1,905,312)
Effect of exchange rate changes on cash and cash equivalents	(1,701,358)	(2,955,119)
Increase in cash and cash equivalents	12,358,462	3,304,036
Cash and cash equivalents, beginning of period	110,732,236	114,675,495
Cash and cash equivalents, end of period	123,090,698	117,979,531

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 for the three and nine months ended October 31, 2023.

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

	Three months ended October 31		**Nine months ended October 31**	
(in thousands of U.S. dollars, except for percentages)	**2023**	**2022**	**2023**	**2022**
Loss for the period	(387)	(2,625)	(4,105)	(12,191)
Stock-based compensation	2,068	2,153	7,237	5,796
Foreign exchange loss (gain)	(315)	(976)	(380)	(798)
Non-recurring expenses	807	64	957	64
Acquisition-related costs	169	—	721	—
Net interest expense (income)	(1,064)	(120)	(2,482)	109
Income tax expense	95	128	304	425
Depreciation and amortization	749	1,017	2,147	3,266
Adjusted EBITDA	**2,122**	**(359)**	**4,399**	**(3,329)**
Adjusted EBITDA Margin	**4.6 %**	**-0.8 %**	**3.3 %**	**-2.6 %**

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 for the three and nine months ended October 31, 2023.

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

	Three months ended October 31		Nine months ended October 31	
(in thousands of U.S. dollars, except for percentages)	**2023**	**2022**	**2023**	**2022**
Gross profit for the period	30,600	27,505	90,161	80,444
Stock based compensation	147	104	430	261
Adjusted Gross Profit	**30,747**	**27,609**	**90,591**	**80,705**
Adjusted Gross Margin	**66.7 %**	**64.7 %**	**67.2 %**	**64.2 %**

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 for the three and nine months ended October 31, 2023.

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 October 31		Nine months ended October 31	
(in thousands of U.S. dollars, except for percentages)	**2023**	**2022**	**2023**	**2022**
Cash flow from operating activities	15,318	8,131	21,171	9,058
Net addition to property and equipment	(1,074)	(792)	(5,162)	(1,905)
Free Cash Flow	**14,244**	**7,339**	**16,009**	**7,153**
Free Cash Flow Margin	**30.9 %**	**17.2 %**	**11.9 %**	**5.7 %**

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 for the three and nine months ended October 31, 2023.

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

	Three months ended October 31		Nine months ended October 31	
	2023	**2022**	**2023**	**2022**
(in thousands of U.S. dollars)	**$**	**$**	**$**	**$**
Total revenue for the period	46,113	42,668	134,811	125,712
Impact of foreign exchange rate changes over the prior period	(15)	—	1,600	—
Constant Currency Revenue	46,098	42,668	136,411	125,712

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.

	As at October 31		
	2023	**2022**	**Change**
(in millions of U.S. dollars, except percentages)	$	$	%
Annual Recurring Revenue	180.1	160.3	12.4 %
Constant Currency Annual Recurring Revenue	179.3	160.3	11.9 %

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