D2L

D2L Inc. Announces Second Quarter 2026 Financial Results

- Total revenue increased 11% year-over-year to US$54.8 million
- Subscription and support revenue grew 14% year-over-year to US$50.1 million
- Annual Recurring Revenue[2] reached US$212.6 million, up 7% over the prior year
- Adjusted EBITDA[1] increased to US$7.5 million (13.7% Adjusted EBITDA Margin[1]), versus US$4.2 million (8.6% Adjusted EBITDA Margin) in the prior year
- Income for the period was US$2.7 million, versus a loss of US$0.3 million for the comparative period of the prior year

TORONTO, ONTARIO — September 10, 2025 — D2L Inc. (TSX: DTOL) ("D2L" or the "Company"), a leading global learning technology company, today announced financial results for its Fiscal 2026 second quarter ended July 31, 2025. 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 demonstrated strong SaaS revenue growth, improved year-over-year profitability, and execution on our innovation agenda," said John Baker, CEO of D2L. "We saw solid performance across our go-to-market teams, driving momentum in the current market environment. We continued to advance our core growth pillars as we work toward market leadership in targeted education sectors and expand our corporate footprint. This quarter, we secured flagship customers across key markets and launched several new products, including transformative AI capabilities that address critical customer needs. These broaden our portfolio and revenue potential, as we build upon the success of our platform strategy to date."

Second Quarter Fiscal 2026 Financial Highlights

- Total revenue of $54.8 million, up 11% from the same period in the prior year.
- Subscription and support revenue was $50.1 million, an increase of 14% over the same period of the prior year.
- Professional services and other revenue decreased by 10% to $4.6 million, reflecting a continued cautious spending environment in the U.S. market due to current macroeconomic conditions.
- Annual Recurring Revenue[2] ("ARR") as at July 31, 2025 increased by 7% year-over-year, from $198.3 million to $212.6 million.
- Adjusted Gross Profit[1] increased by 15% to $38.7 million (70.6% Adjusted Gross Margin[1]) from $33.6 million (68.4% Adjusted Gross Margin) in the same period of the prior year.
- Gross Profit increased by 14% to $38.1 million from $33.4 million in the same period of the prior year.
- Gross Profit Margin for subscription and support revenue increased to 75.1%, up 220 basis points from 72.9% in the same period of the prior year.
- Adjusted EBITDA[1] increased to $7.5 million, up from $4.2 million for the comparative period in the prior year.
- Income for the period was $2.7 million, versus a loss of $0.3 million for the comparative period of the prior year.
- Cash flows from operating activities was $15.0 million, versus $31.4 million during the same period in the prior year, and Free Cash Flow[1] was $14.9 million, compared to Free Cash Flow of $31.2 million in the same period in the prior year. The year-over-year decreases primarily reflect a shift in the timing of annual

variable incentive compensation payments, which were made in Q2 Fiscal 2026 compared to Q1 Fiscal 2025. Additionally, certain customer collections that are typically received by the end of July extended into Q3 Fiscal 2026. As a result, the Company expects these timing differences to positively impact Free Cash Flow in Q3.

- Strong balance sheet at quarter end, with cash and cash equivalents of $102.5 million and no debt.
- During the quarter ended July 31, 2025, the Company repurchased and canceled 244,600 Subordinate Voting Shares under its normal course issuer bid ("NCIB") for an aggregate purchase price of $2.5 million.

[1] *A non-IFRS financial measure or non-IFRS ratio. Refer to "Non IFRS Financial Measures" section of this press release.*
[2] *Refer to "Key Performance Indicators" section of this press release.*

Second Quarter Fiscal 2026 Financial Results – Selected Financial Measures

(in thousands of U.S. dollars, except for percentages)

	Three months ended July 31				Six months ended July 31			
	2025	**2024**	**Change**	**Change**	**2025**	**2024**	**Change**	**Change**
	$	**$**	**$**	**%**	**$**	**$**	**$**	**%**
Subscription & Support Revenue	50,143	44,017	6,126	13.9%	97,879	86,971	10,908	12.5%
Professional Services & Other Revenue	4,629	5,151	(522)	(10.1%)	9,728	10,692	(964)	(9.0%)
Total Revenue	54,772	49,168	5,604	11.4%	107,607	97,663	9,944	10.2%
Constant Currency Revenue[1]	54,449	49,168	5,281	10.7%	108,057	97,663	10,394	10.6%
Gross Profit	38,088	33,373	4,715	14.1%	75,118	66,050	9,068	13.7%
Adjusted Gross Profit [1]	38,693	33,636	5,057	15.0%	76,360	66,475	9,885	14.9%
Adjusted Gross Margin[1]	70.6%	68.4%			71.0%	68.1%		
Income for the period	2,681	(262)	2,943	1,123.3%	5,949	310	5,639	1,819.0%
Adjusted EBITDA[1]	7,508	4,213	3,295	78.2%	16,813	8,232	8,581	104.2%
Cash Flows From Operating Activities	15,027	31,443	(16,416)	(52.2%)	13,171	16,617	(3,446)	(20.7%)
Free Cash Flow[1]	14,884	31,223	(16,339)	(52.3%)	13,043	16,271	(3,228)	(19.8%)

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

Second Quarter Business & Operating Highlights

- D2L continued to grow its customer base in North America education, adding University of the People and Red Deer Polytechnic.
- D2L continued to grow its customer base in global education, adding JIS Group and SASTRA University in India, and North-West University in South Africa.
- D2L expanded its corporate customer portfolio, adding the Project Management Institute and CPA Australia.
- Announced new AI enhancements to D2L Lumi and D2L Brightspace, as well as the launch of D2L Accessibility+ and Createspace at D2L Fusion 2025.

- Named one of Canada's Best Managed Companies in 2025 for the 13th consecutive year and Canada's Best Companies 2025 by TIME and Statista.
- Named the Overall LMS Solution Provider of the Year in the LMS Category for the 2025 EdTech Breakthrough Awards.
- Released its annual Sustainability Report highlighting its commitment to transforming education worldwide and contributing to a sustainable future.

Financial Outlook

The Company updated its previous financial guidance for the year ended January 31, 2026 as follows:

- Subscription and support revenue in the range of $198 million to $200 million, implying growth of 10-11% over Fiscal 2025, and 10-11% growth on a constant currency basis, an increase from previously issued guidance of $194 million to $196 million;
- Total revenue in the range of $219 million to $221 million, unchanged from previously issued guidance, implying growth of 7-8% over Fiscal 2025, and 7-8% growth on a constant currency basis; and
- Adjusted EBITDA in the range of $32 million to $34 million, unchanged from previously issued guidance, implying an Adjusted EBITDA margin of 15%.

This outlook reflects the Company's continued emphasis on balancing growth and profitability. The anticipated revenue growth rates are informed by the current macroeconomic and geopolitical environment and its impact on our selling activities, inclusive of a general slowness in activity within the U.S. Higher Education market.

Total revenue guidance remains unchanged, which reflects the increase in subscription and support revenue, offset by a decrease in the contribution of professional services and other revenue due to the more cautious spending environment, particularly for curriculum advisory services in the U.S. Higher Education market. The updated subscription and support revenue guidance reflects the strong first half of the year performance and the relative strengthening of certain foreign currencies. This movement in foreign exchange has an offsetting increase to reported operating expenses and therefore Adjusted EBITDA guidance has remained unchanged.

The Company presented a Medium Term Target Operating Model that it expects to achieve by Fiscal 2028 in the Company's Management's Discussion and Analysis ("MD&A") for the years ended January 31, 2025 and 2024 (the "Annual MD&A"). This Medium Term Target Operating Model remains unchanged as of July 31, 2025.

For additional details on the Company's outlook and Medium Term Target Operating Model, including the principal underlying assumptions and risk factors regarding achievement, refer to the *"Financial Outlook"* section of the Company's Annual MD&A, as well as the "*Forward-Looking Information*" section therein and in the Company's MD&A for the three months ended July 31, 2025 (the "Interim MD&A").

Conference Call & Webcast

D2L management will host a conference call on Thursday, September 11, 2025 at 8:30 am ET to discuss its second quarter Fiscal 2026 financial results.

Date:	Thursday, September 11, 2025
Time:	8:30 am (ET)
Dial in number:	Canada/US: 1 (833) 470-1428 International: 1 (404) 975-4839 Access code: 238991
Webcast:	A live webcast will be available at ir.d2l.com/events-and-presentations/events/ The webcast will also be archived

Forward-Looking Information

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

This forward-looking information relates to the Company's future financial outlook and anticipated events or results and includes, but is not limited to, statements under the heading "*Financial Outlook*" and information regarding the Company's financial position, financial results, business strategy, performance, achievements, prospects, objectives, opportunities, business plans and growth strategies.

Forward-looking information is based on certain assumptions, expectations and projections, and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, including the following: the Company's ability to win business from new customers and expand business from existing customers; the timing of new customer wins and expansion decisions by existing customers; the Company's ability to generate revenue and expand its business while controlling costs and expenses; the Company's ability to manage growth effectively; the Company's assumptions regarding the principal competitive factors in our markets; the Company's ability to hire and retain personnel effectively; the effects of foreign currency exchange rate fluctuations on our operations; the ability to seek out, enter into and successfully integrate acquisitions, including the acquisition of H5P Group AS ("H5P"); business and industry trends, including the success of current and future product development initiatives; positive social development and attitudes toward the pursuit of higher education; the Company's ability to maintain positive relationships with its customer base and strategic partners; the Company's ability to adapt and develop solutions that keep pace with continuing changes in technology, education and customer needs; the Company's ability to predict future learning trends and technology; the ability to patent new technologies and protect intellectual property rights; the Company's ability to comply with security, cybersecurity and accessibility laws, regulations and standards; the assumptions underlying the judgments and estimates impacting on financial statements; certain accounting matters, including the impact of changes in or the adoption of new accounting standards; the Company's ability to retain key personnel; the factors and assumptions discussed under the "*Financial Outlook*" section of the Annual MD&A; and that the list of factors referenced in the following paragraph, collectively, do not have a material impact on the Company.

Although the Company believes that the assumptions underlying such forward-looking information were reasonable when made, they are inherently uncertain and are subject to significant risks and uncertainties and may prove to be incorrect. The Company cautions investors that forward-looking information is not a guarantee of the future and that actual results may differ materially from those made in or suggested by the forward-looking information contained in this press release. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties and other factors, including but not limited to the risks identified herein, in the "*Summary of Factors Affecting Our Performance*" section of the Annual MD&A, or in the "*Risk Factors*" section of the Company's most recently filed annual information form, in each case filed under the Company's profile on SEDAR+ at www.sedarplus.com. 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.

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D2L INC.

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

As at July 31, 2025 and January 31, 2025
(Unaudited)

	July 31, 2025	January 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 102,515,064	$ 99,184,514
Trade and other receivables	38,979,327	26,430,586
Uninvoiced revenue	3,636,538	2,756,998
Prepaid expenses	7,789,685	7,564,837
Deferred commissions	5,224,809	5,106,976
	158,145,423	141,043,911
Non-current assets:		
Other receivables	357,581	422,589
Prepaid expenses	390,806	308,235
Deferred income taxes	16,299,719	18,115,730
Right-of-use assets	7,683,972	7,450,545
Property and equipment	6,797,287	7,125,272
Deferred commissions	7,068,859	6,909,439
Loan receivable from associate	9,507,046	9,123,399
Intangible assets	17,130,523	17,135,529
Goodwill	26,812,035	25,286,222
Total assets	$ 250,193,251	$ 232,920,871
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 30,861,984	$ 30,504,085
Deferred revenue	115,167,085	97,454,306
Lease liabilities	1,542,175	1,201,604
Contingent consideration	4,863,654	4,927,193
	152,434,898	134,087,188
Non-current liabilities:		
Deferred income taxes	3,769,113	4,110,030
Lease liabilities	10,008,446	9,977,941
	13,777,559	14,087,971
	166,212,457	148,175,159
Shareholders' equity:		
Share capital:	364,797,106	367,487,956
Additional paid-in capital	46,257,542	48,263,266
Accumulated other comprehensive loss	(4,658,724)	(7,456,599)
Deficit	(322,415,130)	(323,548,911)
	83,980,794	84,745,712
Related party transactions		
Investment in associate		
Subsequent events		
Total liabilities and shareholders' equity	$ 250,193,251	$ 232,920,871

D2L INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(In U.S. dollars, except share amounts)

For the three and six months ended July 31, 2025 and 2024
(Unaudited)

	Three months ended July 31, 2025	Three months ended July 31, 2024	Six months ended July 31, 2025	Six months ended July 31, 2024
Revenue:				
Subscription and support	$ 50,143,298	$ 44,017,554	$ 97,878,870	$ 86,971,029
Professional services and other	4,628,658	5,150,798	9,728,257	10,692,215
	54,771,956	49,168,352	107,607,127	97,663,244
Cost of revenue:				
Subscription and support	12,476,278	11,928,116	24,316,698	23,874,726
Professional services and other	4,207,798	3,867,294	8,172,343	7,738,162
	16,684,076	15,795,410	32,489,041	31,612,888
Gross profit	38,087,880	33,372,942	75,118,086	66,050,356
Expenses:				
Sales and marketing	15,846,217	14,591,271	29,514,956	27,496,210
Research and development	12,271,521	11,863,787	23,731,235	24,154,558
General and administrative	7,830,352	8,480,828	16,216,714	16,580,259
	35,948,090	34,935,886	69,462,905	68,231,027
Income (loss) from operations	2,139,790	(1,562,944)	5,655,181	(2,180,671)
Interest and other income (expense):				
Interest expense	(238,715)	(153,886)	(458,844)	(314,546)
Interest income	569,419	944,693	1,286,471	2,028,738
Other income (expense)	260,109	(59,433)	575,168	43
Gain on SkillsWave disposal transaction	—	917,395	—	917,395
Foreign exchange (loss) gain	(122,176)	(147,067)	1,414,340	83,714
	468,637	1,501,702	2,817,135	2,715,344
Income (loss) before income taxes	2,608,427	(61,242)	8,472,316	534,673
Income tax (recovery) expense:				
Current	402,742	305,923	973,919	356,668
Deferred	(475,024)	(104,581)	1,549,384	(131,677)
	(72,282)	201,342	2,523,303	224,991
Income (loss) for the period	2,680,709	(262,584)	5,949,013	309,682
Other comprehensive gain (loss):				
Foreign currency translation gain (loss)	37,407	(1,677,168)	2,797,875	(2,472,858)
Comprehensive income (loss)	$ 2,718,116	$ (1,939,752)	$ 8,746,888	$ (2,163,176)
Earnings (loss) per share – basic	$ 0.05	$ (0.00)	$ 0.11	$ 0.01
Earnings (loss) per share – diluted	$ 0.05	$ (0.00)	$ 0.11	$ 0.01
Weighted average number of common shares – basic	54,869,121	54,374,056	54,780,511	54,195,897
Weighted average number of common shares – diluted	56,136,563	54,374,056	56,100,759	55,770,096

D2L INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(In U.S. dollars, except share amounts)

For the three and six months ended July 31, 2025 and 2024

(Unaudited)

	Share Capital		Additional paid-in	Accumulated other	Deficit	Total
	Shares	Amount	capital	comprehensive loss		
Balance, January 31, 2025	54,653,174	$ 367,487,956	$ 48,263,266	$ (7,456,599)	$ (323,548,911)	$ 84,745,712
Issuance of Subordinate Voting Shares on exercise of options	59,863	503,316	(220,948)	—	—	282,368
Issuance of Subordinate Voting Shares on settlement of restricted share units	530,360	1,161,864	(6,981,749)	—	—	(5,819,885)
Stock-based compensation	—	—	5,722,307	—	—	5,722,307
Reduction in excess tax benefit on stock-based compensation	—	—	(525,334)	—	—	(525,334)
Repurchase of share capital for cancellation under the NCIB	(413,400)	(4,356,030)	—	—	—	(4,356,030)
Change in share repurchase commitment under the ASPP	—	—	—	—	(4,815,232)	(4,815,232)
Other comprehensive income	—	—	—	2,797,875	—	2,797,875
Income for the period	—	—	—	—	5,949,013	5,949,013
Balance, July 31, 2025	54,829,997	$ 364,797,106	$ 46,257,542	$ (4,658,724)	$ (322,415,130)	$ 83,980,794

Balance, January 31, 2024	53,978,085	$ 364,830,884	$ 47,485,107	$ (4,998,317)	$ (350,437,401)	$ 56,880,273
Issuance of Subordinate Voting Shares on exercise of options	351,007	3,043,827	(1,593,216)	—	—	1,450,611
Issuance of Subordinate Voting Shares on settlement of restricted share units	355,840	1,287,144	(4,290,550)	—	—	(3,003,406)
Stock-based compensation	—	—	4,916,489	—	—	4,916,489
Repurchase of share capital for cancellation under the NCIB	(238,280)	(1,756,937)	—	—	—	(1,756,937)
Change in share repurchase commitment under the ASPP	—	—	—	—	(613,032)	(613,032)
Other comprehensive loss	—	—	—	(2,472,858)	—	(2,472,858)
Income for the period	—	—	—	—	309,682	309,682
Balance, July 31, 2024	54,446,652	$ 367,404,918	$ 46,517,830	$ (7,471,175)	$ (350,740,751)	$ 55,710,822

D2L INC.

Condensed Consolidated Interim Statements of Cash Flows
(In U.S. dollars)
For the six months ended July 31, 2025 and 2024
(Unaudited)

	2025	2024
Operating activities:		
Income for the period	$ 5,949,013	$ 309,682
Items not involving cash:		
Depreciation of property and equipment	784,357	861,831
Depreciation of right-of-use assets	719,759	612,221
Amortization of intangible assets	1,124,520	179,233
Gain on disposal of property and equipment	(18,347)	(47,194)
Stock-based compensation	5,722,307	4,916,489
Net interest income	(827,627)	(1,714,192)
Income tax expense	2,523,303	224,991
Gain on SkillsWave disposal transaction	—	(917,395)
Fair value gain on loan receivable from associate	(383,647)	—
Loss from equity accounted investee	—	96,764
Changes in operating assets and liabilities:		
Trade and other receivables	(10,523,224)	(4,478,486)
Uninvoiced revenue	(796,828)	325,811
Prepaid expenses	68,904	2,528,054
Deferred commissions	154,023	(271,090)
Accounts payable and accrued liabilities	(6,867,075)	(6,439,504)
Deferred revenue	15,523,834	19,061,544
Right-of-use assets and lease liabilities	—	(49,476)
Interest received	1,273,829	1,984,358
Interest paid	(15,602)	(17,757)
Income taxes paid	(1,240,128)	(548,991)
Cash flows from operating activities	13,171,371	16,616,893
Financing activities:		
Payment of lease liabilities	(998,337)	(853,965)
Proceeds from exercise of stock options	282,368	1,450,611
Taxes paid on settlement of restricted share units	(5,819,885)	(3,003,406)
Repurchase of share capital for cancellation under the NCIB	(4,356,030)	(1,756,937)
Cash flows used in financing activities	(10,891,884)	(4,163,697)
Investing activities:		
Purchase of property and equipment	(146,289)	(393,023)
Proceeds from disposal of property and equipment	18,347	47,194
Acquisition of business, net of cash acquired	(222,986)	(22,308,927)
Payment of contingent consideration	(196,774)	(249,436)
Transfer of cash on disposal of SkillsWave	—	(1,483,357)
Proceeds from sale of majority ownership stake in SkillsWave	—	809,038
Issuance of loan to SkillsWave	—	(5,000,000)
Cash flows used in investing activities	(547,702)	(28,578,511)
Effect of exchange rate changes on cash and cash equivalents	1,598,765	(2,758,314)
Increase (decrease) in cash and cash equivalents	3,330,550	(18,883,629)
Cash and cash equivalents, beginning of period	99,184,514	116,943,499
Cash and cash equivalents, end of period	$ 102,515,064	$ 98,059,870

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 income (loss), excluding interest, taxes, depreciation and amortization (or EBITDA), adjusted for stock-based compensation, foreign exchange gains and losses, non-recurring expenses, transaction-related costs, fair value adjustment of acquired deferred revenue, income (loss) from equity accounted investee, change in fair value on the loan receivable from associate, impairment charges and other income and losses. Adjusted EBITDA Margin is calculated as Adjusted EBITDA expressed as a percentage of total revenue. For an explanation of management's use of Adjusted EBITDA and Adjusted EBITDA Margin see "*Non-IFRS and Other Financial Measures – Non-IFRS Financial Measures and Non-IFRS Financial Ratios – Adjusted EBITDA and Adjusted EBITDA Margin*" section in the Company's Interim MD&A, which section is incorporated by reference herein.

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

	Three months ended July 31,		**Six months ended July 31,**	
(in thousands of U.S. dollars, except for percentages)	**2025**	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Income (loss) for the period	**2,681**	**(262)**	**5,949**	**310**
Stock-based compensation	2,509	2,584	5,722	4,917
Foreign exchange loss (gain)	122	147	(1,414)	(84)
Non-recurring expenses(1)	423	1,045	894	1,866
Transaction-related costs(2)	948	151	1,388	823
Fair value adjustment of acquired deferred revenue(3)	109	139	334	139
Loss from equity accounted investee	—	97	—	97
Change in fair value of loan receivable from associate(4)	(212)	–	(384)	–
Net interest income	(331)	(791)	(828)	(1,714)
Income tax (recovery) expense	(72)	201	2,523	225
Depreciation and amortization	1,331	902	2,629	1,653
Adjusted EBITDA	**7,508**	**4,213**	**16,813**	**8,232**
Adjusted EBITDA Margin	**13.7%**	**8.6%**	**15.6%**	**8.4%**

Notes:

(1) These expenses relate to non-recurring activities, such as changes in workforce or technology whereby certain functions were realigned to optimize operations and certain legal fees incurred that are not indicative of continuing operations.

(2) These expenses include post-combination compensation costs from the acquisition of H5P, certain legal and professional fees that are incurred in connection with other strategic transactions, and was partially offset by a gain recognized from the reduction in the second anniversary payment owed to the selling shareholders of Connected Shopping Ltd ("Connected Shopping"), a company acquired in Fiscal 2024, which was recorded through Other income. In the prior fiscal year, these expenses included certain legal and professional fees that were incurred in connection with acquisition and other strategic transactions, including the disposal of our majority ownership stake in SkillsWave and our acquisition of H5P. These expenses also include post-combination compensation costs from the acquisition of H5P. These expenses would not have been incurred if not for these transactions and are not considered to be indicative of expenses associated with the Company's continuing operations.

(3) At the date of acquisition, the Company recognized a fair value adjustment on the opening deferred revenue balance acquired as part of the H5P acquisition as required under IFRS 3, Business Combinations. This adjustment is not reflective of ordinary operations and is expected to be substantially completed by the end of Fiscal 2026.

(4) On a quarterly basis, the Company determines the fair value of the loan advanced to SkillsWave. The adjustments to the fair value of the loan are not reflective of the Company's main business operations and will not impact the Company's future results beyond the maturity date of the loan on June 28, 2029.

Adjusted Gross Profit and Adjusted Gross Margin

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

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

(in thousands of U.S. dollars, except for percentages)	**Three months ended July 31, 2025**	**2024**	**Six months ended July 31, 2025**	**2024**
	$	**$**	**$**	**$**
Gross profit for the period	38,088	33,373	75,118	66,050
Stock based compensation	168	149	374	295
Amortization from acquired intangible assets	437	114	868	130
Adjusted Gross Profit	**38,693**	**33,636**	**76,360**	**66,475**
Adjusted Gross Margin	**70.6%**	**68.4%**	**71.0%**	**68.1%**

Free Cash Flow and Free Cash Flow Margin

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

The following table reconciles cash flow from 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, 2025**	**2024**	**Six months ended July 31, 2025**	**2024**

	$	$	$	$
Cash flow from operating activities	15,027	31,443	13,171	16,617
Net addition to property and equipment	(143)	(220)	(128)	(346)
Free Cash Flow	**14,884**	**31,223**	**13,043**	**16,271**
Free Cash Flow Margin	**27.2%**	**63.5%**	**12.1%**	**16.7%**

Constant Currency Revenue

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

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

(in thousands of U.S. dollars)	**Three months ended July 31,**		**Six months ended July 31,**	
	2025	**2024**	**2025**	**2024**
	$	**$**	**$**	**$**
Total revenue for the period	54,772	49,168	107,607	97,663
(Positive) negative impact of foreign exchange rate changes over the prior period	(323)	—	450	—
Constant Currency Revenue	**54,449**	**49,168**	**108,057**	**97,663**

Key Performance Indicators

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

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

(in millions of U.S. dollars, except percentages)	**As at July 31,**		
	2025	**2024**	**Change**
	$	$	%
ARR	212.6	198.3	7.2%

Constant Currency Annual Recurring Revenue	211.2	198.3	6.5%