

# **Dye & Durham Limited**

**Condensed consolidated interim financial statements**

**[Expressed in thousands of Canadian dollars]**

**Unaudited**

**For the three months ended September 30,**

**2022 and 2021**

**Dye & Durham Limited**

**Condensed Consolidated Interim Statements of  
Financial Position [unaudited]**

[Expressed in thousands of Canadian dollars]

As at

	September 30, 2022	June 30, 2022
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	229,496	223,619
Trade and other receivables	69,343	70,365
Prepaid expenses and other assets	13,176	12,080
	<b>312,015</b>	306,064
<b>Non-current</b>		
Other assets	4,982	4,565
Property and equipment, net	2,742	3,005
Right-of-use assets, net	8,714	9,668
Deferred tax assets	7,742	—
Intangible assets, net <i>[note 5]</i>	922,082	956,939
Goodwill <i>[note 6]</i>	964,663	970,201
<b>Total assets</b>	<b>2,222,940</b>	<b>2,250,442</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	127,922	117,970
Customer advances	13,050	14,151
Holdbacks and contingent consideration on acquisitions	5,920	6,166
Lease liabilities	3,182	3,363
Loans and borrowings <i>[note 7]</i>	1,103	19,564
	<b>151,177</b>	161,214
<b>Non-current</b>		
Holdbacks and contingent consideration on acquisitions	1,492	2,770
Lease liabilities	6,534	7,118
Loans and borrowings <i>[note 7]</i>	878,500	861,244
Other liabilities	2,760	3,018
Deferred tax liabilities	166,986	175,649
Convertible debentures <i>[note 8]</i>	271,688	276,000
<b>Total liabilities</b>	<b>1,479,137</b>	<b>1,487,013</b>
Contingencies <i>[note 14]</i>		
<b>Equity</b>		
Capital stock <i>[note 9]</i>	866,301	866,296
Contributed surplus	52,505	46,684
Accumulated other comprehensive loss	(45,622)	(32,683)
Deficit	(129,381)	(116,873)
Non-controlling interests	—	5
	<b>743,803</b>	763,429
<b>Total liabilities and equity</b>	<b>2,222,940</b>	<b>2,250,442</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

On behalf of the Board:

"Signed"  
Director – Brian Derksen

"Signed"  
Director – Edward Prittie

## Dye & Durham Limited

### Condensed Consolidated Interim Statements of Operations [unaudited]

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

Three months ended September 30,

	2022	2021
	\$	\$
<b>Revenue</b> [note 17]	<b>120,167</b>	112,622
<b>Expenses</b>		
Direct costs	<b>(14,023)</b>	(15,640)
Technology and operations [note 11]	<b>(24,831)</b>	(20,111)
General and administrative [note 11]	<b>(11,769)</b>	(9,186)
Sales and marketing [note 11]	<b>(5,097)</b>	(5,328)
Stock-based compensation [note 9]	<b>(5,318)</b>	(3,605)
<b>Income before the following</b>	<b>59,129</b>	58,752
Finance costs, net [note 10]	<b>(16,188)</b>	12,599
Amortization and depreciation [note 5]	<b>(38,348)</b>	(30,960)
Acquisition, restructuring and other costs [note 12]	<b>(18,483)</b>	(10,643)
<b>Income before taxes</b>	<b>(13,890)</b>	29,748
Income tax recovery (expense)	<b>2,391</b>	(7,650)
<b>Net income (loss)</b>	<b>(11,499)</b>	22,098
<b>Attributable to</b>		
Non-controlling interests	—	(76)
Shareholders	<b>(11,499)</b>	22,174
	<b>(11,499)</b>	22,098
<b>Net income (loss) per common share</b> [note 15]		
Basic	<b>(0.17)</b>	0.32
Diluted	<b>(0.21)</b>	0.18
<b>Weighted average number of shares outstanding</b> [note 15]		
Basic	<b>69,150</b>	68,637
Diluted	<b>74,374</b>	75,971

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Dye & Durham Limited**

**Condensed Consolidated Interim Statements of  
Comprehensive Income (Loss) [unaudited]**

[Expressed in thousands of Canadian dollars]

Three months ended September 30,

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Net income (loss)</b>	<b>(11,499)</b>	22,098
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	<b>(16,438)</b>	(3,955)
Net change in fair value of derivatives designated as cash flow hedge, net of income taxes of nil and \$21	<b>—</b>	80
	<b>(16,438)</b>	(3,875)
Items that will not be reclassified to profit or loss in		
Net change in fair value of convertible debentures attributable to change in own credit risk, net of income taxes of \$1,262	<b>3,499</b>	(10,072)
<b>Other comprehensive loss</b>	<b>(12,939)</b>	(13,947)
<b>Comprehensive income (loss)</b>	<b>(24,438)</b>	8,151
<b>Attributable to</b>		
Non-controlling interests	<b>—</b>	(76)
Shareholders	<b>(24,438)</b>	8,227
	<b>(24,438)</b>	8,151

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## Dye & Durham Limited

### Condensed Consolidated Interim Statements of Changes in Equity [unaudited]

[Expressed in thousands of Canadian dollars and thousands of shares]

	Number of common shares #	Capital stock \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Non- controlling interests \$	Total \$
<b>Balance, June 30, 2021</b>	68,511	845,742	26,213	(729)	(120,309)	—	750,917
Issuance of common shares, net of issuance costs <i>[note 9]</i>	106	4,992	—	—	—	—	4,992
Stock options exercised <i>[note 9]</i>	33	239	(48)	—	—	—	191
Stock-based compensation <i>[note 9]</i>	—	—	3,605	—	—	—	3,605
Acquisition of a subsidiary	—	—	—	—	—	3,261	3,261
Dividend declared	—	—	—	—	(1,287)	—	(1,287)
Comprehensive income (loss) for the period	—	—	—	(13,947)	22,174	(76)	8,151
<b>Balance, September 30, 2021</b>	<b>68,650</b>	<b>850,973</b>	<b>29,770</b>	<b>(14,676)</b>	<b>(99,422)</b>	<b>3,185</b>	<b>769,830</b>
<b>Balance, June 30, 2022</b>	<b>69,149</b>	<b>866,296</b>	<b>46,684</b>	<b>(32,683)</b>	<b>(116,873)</b>	<b>5</b>	<b>763,429</b>
Dividends declared <i>[note 9]</i>	—	—	—	—	(1,298)	—	(1,298)
Stock options exercised <i>[note 9]</i>	1	5	—	—	—	—	5
Stock-based compensation <i>[note 9]</i>	—	—	5,821	—	—	—	5,821
Transaction with non-controlling interest	—	—	—	—	289	(5)	284
Comprehensive loss for the period	—	—	—	(12,939)	(11,499)	—	(24,438)
<b>Balance, September 30, 2022</b>	<b>69,150</b>	<b>866,301</b>	<b>52,505</b>	<b>(45,622)</b>	<b>(129,381)</b>	<b>—</b>	<b>743,803</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**Dye & Durham Limited**

**Condensed Consolidated Interim  
Statements of Cash Flows [unaudited]**

[Expressed in thousands of Canadian dollars]

Three months ended September 30,

	<b>2022</b>	<b>2021</b>
	\$	\$
	<hr/>	<hr/>
<b>Cash flows from operating activities</b>		
Net income for the period	<b>(11,499)</b>	22,098
Items not affecting cash		
Amortization and depreciation <i>[note 5]</i>	<b>38,348</b>	30,960
Stock-based compensation expense <i>[note 9]</i>	<b>5,318</b>	3,605
Income tax recovery (expense)	<b>(2,391)</b>	7,650
Finance costs, net <i>[note 10]</i>	<b>16,047</b>	(12,599)
Taxes paid	<b>(2,281)</b>	(4,852)
Changes in non-cash operating working capital balances		
Trade and other receivables	<b>550</b>	6,486
Prepaid expenses and other assets	<b>(1,592)</b>	(2,671)
Accounts payable and accrued liabilities	<b>(369)</b>	(15,533)
Customer advances	<b>(1,101)</b>	(2,267)
<b>Net cash provided by operating activities</b>	<b>41,030</b>	32,877
	<hr/>	<hr/>
<b>Cash flows used in financing activities</b>		
Proceeds from exercise of stock options <i>[note 9]</i>	<b>5</b>	191
Payments for loans and borrowings <i>[note 7]</i>	<b>—</b>	(3,084)
Interest paid	<b>(25,732)</b>	(9,240)
Payments for lease obligations	<b>(1,021)</b>	(1,690)
<b>Net cash used in financing activities</b>	<b>(26,748)</b>	(13,823)
	<hr/>	<hr/>
<b>Cash flows used in investing activities</b>		
Acquisition consideration paid, net of cash acquired	<b>—</b>	(298,231)
Holdbacks and contingent consideration paid	<b>(1,599)</b>	(9,145)
Additions to intangible assets <i>[note 5]</i>	<b>(5,557)</b>	(5,217)
Purchases of property and equipment	<b>(601)</b>	(651)
Lease payments received	<b>—</b>	88
<b>Net cash used in investing activities</b>	<b>(7,757)</b>	(313,156)
	<hr/>	<hr/>
Change in cash and cash equivalents	<b>6,525</b>	(294,102)
Cash and cash equivalents, beginning of period	<b>223,619</b>	429,335
Effect of foreign exchange on cash and cash equivalents	<b>(648)</b>	(194)
<b>Cash and cash equivalents, end of period</b>	<b>229,496</b>	135,039
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*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

September 30, 2022 and 2021

Unaudited

#### 1. Description of the business

Dye & Durham Limited [the “Company”] is a provider of cloud-based software and technology solutions designed to boost efficiency and increase productivity for legal and business professionals in Canada, Australia, Ireland and the United Kingdom [“U.K.”]. The Company provides critical information services and workflow, which clients require to manage their process, information and regulatory requirements. The Company was incorporated by articles of incorporation under the *Business Corporations Act* (Ontario) on June 26, 2020. The Company is registered and its head office is located at 199 Bay Street, Suite 4610, Toronto, Ontario, Canada.

On July 17, 2020, the Company completed an initial public offering [the “IPO”] and its shares began trading on the Toronto Stock Exchange under the symbol “DND”.

#### 2. Basis of preparation

These condensed consolidated interim financial statements [“financial statements”] were prepared in accordance with International Financial Reporting Standards [“IFRS”], as issued by the International Accounting Standards Board [“IASB”] applicable to the preparation of interim financial statements, including International Accounting Standard [“IAS”] 34 – *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS, as issued by the IASB, have been omitted or condensed. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended June 30, 2022.

These condensed consolidated interim financial statements include the accounts of the Company and the following material subsidiaries as at September 30 and June 30, 2022:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Ownership percentage September 30, 2022</b>	<b>Ownership percentage June 30, 2022</b>
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
R-Squared Bidco Limited	United Kingdom	100%	100%
Do Process LP	Canada	100%	100%
Dye & Durham Australia Pty Limited	Australia	100%	100%
GlobalX Information Pty Ltd.	Australia	100%	100%
TM Group (UK) Limited	United Kingdom	100%	100%
Dye & Durham Mercury Ltd.	Canada	100%	100%

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on November 10, 2022.

## **Notes to condensed consolidated interim financial statements**

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

September 30, 2022 and 2021

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### **3. Significant accounting judgments and estimates**

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and reported amounts of revenue and expenses during the period. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors and are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates. In preparing these financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of uncertainty are the same as those applied and described in the Company's audited annual consolidated financial statements as at and for the fiscal year ended June 30, 2022.

#### **COVID-19**

Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impact have created substantial disruption in the global economy. The uncertainties around the COVID-19 pandemic, continuing resurgences of COVID-19, and related restrictions to contain its spread required the use of judgments and estimates, which resulted in no material accounting impacts as at and for the three months ended September 30, 2022. While the impact of COVID-19 on the Company has been minimal to date, there is uncertainty around its duration and future business conditions. If the outbreak were to cause disruption to the Company's supply chain or its service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

### **4. Changes in accounting policies**

#### **New accounting pronouncements or policies adopted**

The Company adopted the following new standards and amendments to standards, effective July 1, 2022. These changes did not have a material impact on these condensed consolidated interim financial statements as at and for the three months ended September 30, 2022:

- *Onerous Contracts – Cost of Fulfilling a Contract [Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets]*
- *Reference to Conceptual Framework – [Amendments to IFRS 3 – Business Combinations]*
- *Fees in the '10 per cent' test for derecognition of financial liabilities – [Amendments to IFRS 9 – Financial Instruments]*

#### **Standards, amendments and interpretations issued as at September 30, 2022 but not yet effective**

The following new and amended standards and interpretations will become effective in a future year. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are not expected to have a significant impact on these condensed consolidated interim financial statements:

- *Definition of Accounting Estimates – [Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors]*



## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

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- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – [Amendments to IAS 12 – Income Taxes]*

The Company is in the process of assessing any potential impacts of the following:

- *Classification of Liabilities as Current or Non-current [Amendments to IAS 1 – Presentation of Financial Statements]*

#### 5. Intangible assets

Intangible assets comprise the following:

	Software technologies \$	Brand and trademarks \$	Licenses \$	Customer lists \$	Total \$
<b>Cost</b>					
<b>Balance, June 30, 2021</b>	116,121	36,415	22,072	465,639	640,247
Additions/transfers	22,637	—	—	—	22,637
Disposals	(10,801)	(409)	(63)	—	(11,273)
Acquired through acquisitions	148,753	14,808	—	354,124	517,685
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	(1,775)	(157)	—	68	(1,864)
Effects of foreign exchange	(6,957)	(1,770)	—	(15,413)	(24,140)
<b>Balance, June 30, 2022</b>	<b>267,978</b>	<b>48,887</b>	<b>22,009</b>	<b>804,418</b>	<b>1,143,292</b>
Additions	<b>5,557</b>	—	—	—	<b>5,557</b>
Effects of foreign exchange	<b>(1,661)</b>	<b>(341)</b>	—	<b>(2,835)</b>	<b>(4,837)</b>
<b>Balance, September 30, 2022</b>	<b>271,874</b>	<b>48,546</b>	<b>22,009</b>	<b>801,583</b>	<b>1,144,012</b>
<b>Accumulated amortization</b>					
<b>Balance, June 30, 2021</b>	23,863	2,896	6,879	42,303	75,941
Amortization	43,358	7,539	2,284	72,466	125,647
Disposal	(10,801)	(409)	(63)	—	(11,273)
Effects of foreign exchange	(1,013)	(364)	—	(2,585)	(3,962)
<b>Balance, June 30, 2022</b>	<b>55,407</b>	<b>9,662</b>	<b>9,100</b>	<b>112,184</b>	<b>186,353</b>
Amortization	<b>14,191</b>	<b>1,875</b>	<b>558</b>	<b>20,336</b>	<b>36,960</b>
Effects of foreign exchange	<b>(290)</b>	<b>(108)</b>	—	<b>(985)</b>	<b>(1,383)</b>
<b>Balance, September 30, 2022</b>	<b>69,308</b>	<b>11,429</b>	<b>9,658</b>	<b>131,535</b>	<b>221,930</b>
<b>Carrying value</b>					
Balance, June 30, 2022	212,571	39,225	12,909	692,234	956,939
<b>Balance, September 30, 2022</b>	<b>202,566</b>	<b>37,117</b>	<b>12,351</b>	<b>670,048</b>	<b>922,082</b>

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

September 30, 2022 and 2021

Unaudited

#### 6. Goodwill

Goodwill consists of the following:

	\$
<b>Balance, June 30, 2021</b>	494,303
Additions	500,815
Adjustments upon finalization of purchase price allocations related to prior year acquisitions	2,559
Effects of foreign exchange	(27,476)
<b>Balance, June 30, 2022</b>	970,201
Effects of foreign exchange	(5,538)
<b>Balance, September 30, 2022</b>	<b>964,663</b>

#### 7. Loans and borrowings

Loans and borrowings comprise the following:

	September 30, 2022	June 30, 2022
	\$	\$
<b>Current</b>		
Term credit facility[a][b]	—	15,240
Convertible debentures accrued interest [note 8]	1,103	4,324
	<b>1,103</b>	19,564
<b>Non-current</b>		
Term credit facility[a][b]	878,500	861,244
<b>Total</b>	<b>879,603</b>	880,808

#### Credit facilities

##### [a] FY2021 credit facility

On December 10, 2020, the Company settled its then-existing credit facility and replaced it with the current credit facility ["FY2021 Credit Facility"]. The aggregate amount committed under the FY2021 Credit Facility is \$570,000 comprising [i] a \$140,000 revolving loan facility, [ii] a \$305,000 term loan facility ["Term A Credit Facility"] and [iii] a \$125,000 term loan facility ["Term B Credit Facility"].

The Company received total gross cash proceeds of \$375,694 under the FY2021 Credit Facility and incurred financing fees of \$6,906. The FY2021 Credit Facility bears an interest rate based on a grid system at the lower of [i] BA rate and [ii] the prime rate of interest payable monthly. The Term Credit A Facility matures on September 25, 2024, with fixed quarterly principal repayments of \$3,813 in the years 2021 and 2022 and

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

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\$5,719 thereafter until maturity. The Term Credit B Facility matures on July 31, 2022. The FY2021 Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

In March 2021, the Company increased the borrowing capacity under the FY2021 Credit Facility to \$700,000 comprising [i] a \$455,000 revolving loan facility and [ii] a \$245,000 term loan facility ["Amended Term A Credit Facility"]. The Term B Credit Facility of \$125,000 was fully repaid in March 2021.

In December 2021, the Company terminated and fully repaid all outstanding balances under the FY2021 Credit Facility in the amount of \$238,875. As a result, the remaining unamortized portion of loan fees of \$6,536 was expensed immediately as finance costs in the condensed consolidated interim statements of operations.

The balance outstanding under the FY2021 Credit Facility as at September 30, 2022 is nil.

#### **[b] Ares Credit Facility**

On December 3, 2021, the Company settled the FY2021 Credit Facility and replaced it with a new credit facility ["Ares Credit Facility"]. The aggregate amount committed under the Ares Credit Facility is \$1,795,000 comprising [i] a \$1,520,000 initial term loan facility ["Initial Term Loan"], [ii] a \$200,000 delayed draw term loan facility ["DDTL Facility"] and [iii] a \$75,000 revolving credit facility ["Revolving Facility"].

On closing of the Ares Credit Facility in December 2021, the Company received total gross cash proceeds of \$1,520,000 from the Initial Term Loan and incurred financing fees of \$52,394. The Ares Credit Facility bears an interest rate based on a grid system at the lower of [i] Canadian Dollar Offered Rate ["CDOR"] + 5.75%; [ii] Eurocurrency rate + 5.75%, [iii] Canadian prime rate + 4.75% and [iv] base rate + 4.75% of interest payable quarterly or monthly at the option of the Company. On February 16, 2022, the Company made a partial repayment of \$615,000 on the Initial Term Loan. As a result, the Company recorded a loss on settlement of loan from its proportionate unamortized portion of issuance costs of \$18,320.

The Initial Term Loan and DDTL Facility have a maturity date of December 3, 2027, and the Revolving Facility has a maturity date of December 3, 2026. As at September 30, 2022, nil amount was drawn under the DDTL Facility and the Revolving Facility. The Ares Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

The Ares Credit Facility is secured by a first-ranking security over all present and after-acquired properties in the form of a general security agreement. As at September 30, 2022, the Company was in compliance with its covenants.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

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The balance outstanding under the Ares Credit Facility as at September 30, 2022 is as follows:

	\$
<b>Principal balance</b>	1,520,000
Add (less)	
Issuance costs	(52,394)
Principal repayment	(615,000)
Interest and accretion expense	39,010
Issuance costs written off	18,320
Interest paid	(33,452)
<b>Balance, June 30, 2022</b>	<u>876,484</u>
Add (less)	
Interest and accretion expense	<b>21,279</b>
Interest paid	<b>(19,263)</b>
<b>Balance, September 30, 2022</b>	<u><b>878,500</b></u>

#### 8. Convertible debentures

In February 2021, the Company issued 345,000 convertible senior unsecured debentures ["Convertible Debentures"] for total cash proceeds of \$345,000 with a maturity date of March 1, 2026. The Convertible Debentures bear an interest rate of 3.75% payable semi-annually and are convertible into common shares of the Company at an exercise price of \$73.23 per share.

The Company determined that the Convertible Debentures do not qualify as a compound instrument and therefore there is no equity component to the instrument. This is due to the fact that the Company has the right to settle the Convertible Debentures in cash if the holders elect to exercise their conversion option. Accordingly, the Convertible Debentures are classified and accounted for entirely as a financial liability, which the Company has elected to measure at fair value through profit and loss ["FVTPL"]. The fair value of the Convertible Debentures is classified as Level 2 in the fair value hierarchy. The fair value of the Convertible Debentures as at September 30, 2022 was \$271,688 using a market approach based on underlying share price of \$17.02 per share, resulting in a gain on change in fair value of \$4,312 for the three-month period ended September 30, 2022 [2021 – \$1,611].

The change in the Company's own credit risk resulted in a gain on the change in fair value of Convertible Debenture of \$4,761, which was recognized in other comprehensive loss. The change in fair value of Convertible Debentures excluding the impact of change in the Company's own credit risk resulted in recognition of a gain on change in fair value of Convertible Debentures of \$9,073 through finance costs [note 10] for the three-month period ended September 30, 2022.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

September 30, 2022 and 2021

Unaudited

#### 9. Capital stock

Capital stock comprises the following:

[a] Authorized

The authorized share capital of the Company consists of unlimited common shares.

#### [b] Issued and outstanding

	Common shares		Total
	#	\$	\$
<b>Balance, June 30, 2021</b>	68,511	845,742	845,742
Issuance of common shares net of issuance costs [i]	127	4,958	4,958
Acquisition consideration [ii]	106	5,028	5,028
Stock options exercised [iii]	405	10,568	10,568
<b>Balance, June 30, 2022</b>	69,149	866,296	866,296
Stock options exercised [iv]	1	5	5
<b>Balance, September 30, 2022</b>	<b>69,150</b>	<b>866,301</b>	<b>866,301</b>

[i] On December 3, 2021, the Company completed a private placement offering and issued 127 common shares for total gross consideration of \$5,000. Total share issuance costs were \$42 [net of income tax recovery of \$15], resulting in net cash proceeds of \$4,958.

[ii] On July 1, 2021, the Company issued 106 common shares with a total fair value of \$5,028 as consideration for the acquisition of GlobalX Information Pty Ltd.

[iii] During the year ended June 30, 2022, 405 stock options were exercised for cash proceeds of \$8,194 and the related grant date fair value of the options of \$2,374 was reclassified from contributed surplus to share capital.

[iv] During the three months ended September 30, 2022, 1 stock option was exercised for cash proceeds of \$5.

#### [c] Dividends

On September 26, 2022, the Company declared a quarterly dividend of \$0.01875 per share, paid on October 11, 2022 to shareholders.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

[Expressed in thousands of Canadian dollars and thousands of shares, except per share amounts]

September 30, 2022 and 2021

Unaudited

#### 10. Finance costs

The Company's finance costs for the three-month period ended September 30 are as follows:

	2022	2021
	\$	\$
Interest and accretion costs	25,261	7,003
Change in fair value of convertible debentures <i>[note 8]</i>	(9,073)	(15,284)
Change in fair value of contingent consideration	—	(4,004)
Change in fair value of derivatives	—	(314)
	<b>16,188</b>	<b>(12,599)</b>

#### 11. Employee compensation

Total employee compensation comprising salaries and benefits for the three months ended September 30, 2022 was \$29,487 [2021 – \$26,766].

Employee compensation costs are included in the following expenses:

	Three months ended September 30,	
	2022	2021
	\$	\$
Technology and operations	18,729	15,111
General and administrative	6,629	5,935
Sales and marketing	4,129	4,270
Acquisition, restructuring and other costs	—	1,450
	<b>29,487</b>	<b>26,766</b>

#### 12. Acquisition, restructuring and other costs

Acquisition, restructuring, and other costs comprise the following:

	Three months ended September 30,	
	2022	2021
	\$	\$
Acquisition, listing and reorganization related expenses	15,990	9,967
Restructuring	2,493	676
	<b>18,483</b>	<b>10,643</b>

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Acquisition, listing and capital reorganization related expenses consist mainly of professional fees and include integration costs. Restructuring expenses mainly represent employee exit costs as a result of synergies created due to business combinations and organizational changes.

#### 13. Related party transactions

The Company defines key management personnel as being the Board of Directors, the Chief Executive Officer ["CEO"] and the executive leadership team. The remuneration of key management personnel during the three-month period ended September 30 was as follows:

	2022	2021
	\$	\$
Salaries and benefits	3,660	2,306
Stock options	4,604	2,003
	<u>8,264</u>	<u>4,309</u>

As at September 30, 2022, \$104 [June 30, 2022 – \$126] was included in accounts payable and accrued liabilities for consulting fees, bonus, directors fees and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand.

#### 14. Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these condensed consolidated interim financial statements.

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#### 15. Earnings per share

The following table reflects the income (loss) and share data used in the basic and diluted earnings per share ["EPS"] calculations:

	Three months ended September 30,	
	2022	2021
	\$	\$
Net income (loss) attributable to the shareholders of the Company [basic]	(11,499)	22,174
Interest expense on convertible debentures, net of tax	2,356	2,402
Change in fair value of convertible debentures, net of tax	(6,670)	(11,235)
Net income (loss) attributable to the shareholders of the Company [diluted]	(15,813)	13,341
Weighted average number of shares for basic EPS	69,150	68,637
Effects of dilution from:		
Stock options	513	2,623
Convertible debentures	4,711	4,711
Weighted average number of shares adjusted for the effect of dilution	74,374	75,971
Basic EPS	(0.17)	0.32
Diluted EPS	(0.21)	0.18

For the three-month period ended September 30, 2022, 13,701 (2021: 2,122) options were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

#### 16. Fair value measurement

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, customer advances and holdbacks approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of loans and borrowings approximates their carrying value due to the variable interest rates on these instruments. The Company measures its convertible debentures and contingent consideration on acquisitions at fair value.

All assets and liabilities for which fair value is measured or disclosed in these condensed consolidated interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted [unadjusted] market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and



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- Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

Contingent consideration on acquisitions is classified as Level 3 financial instruments. Convertible debentures are classified as Level 2 financial instruments. During the three-month periods ended September 30, 2022 and 2021, there were no transfers of amounts between levels.

Change in interest or discount rate by 1% would have nominal impact on the fair value of contingent consideration.

#### 17. Segment information

The Company's CEO has been identified as the chief operating decision maker ["CODM"]. The CODM reviews financial information, makes decisions and assesses the performance of the Company as a single operating segment.

The Company has three geographic segments, being Canada, U.K. and Ireland, and Australia. The following tables present details on revenues derived and details on property and equipment and intangible assets domiciled in the following geographical locations.

Revenue for the three months ended September 30, 2022 and 2021:

	Three months ended September 30,	
	2022	2021
	\$	\$
Canada	<b>68,936</b>	56,300
U.K. and Ireland	<b>34,085</b>	36,718
Australia	<b>17,146</b>	19,604
	<b>120,167</b>	112,622

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Property and equipment and intangible assets as at September 30, 2022 and June 30, 2022:

	Canada \$	U.K. and Ireland \$	Australia \$	Total \$
<b>June 30, 2022</b>				
Property and equipment	1,320	1,014	671	3,005
Intangible assets	716,680	168,241	72,018	956,939
<b>September 30, 2022</b>				
Property and equipment	1,131	912	699	2,742
Intangible assets	693,895	157,457	70,730	922,082

## 18. Subsequent events

### Undertaking to sell TM Group

On July 8, 2021, the Company acquired all issued and outstanding shares of TM Group [UK] Limited ["TMG" or "TM Group"] for total cash consideration of \$155.4 million. On August 27, 2021, the Company received an initial enforcement order from the Competition and Markets Authority ["CMA"] in respect of the Company's acquisition of TMG. On August 3, 2022, the CMA released its final report and concluded that the Company's acquisition of TMG, which closed in July 2021, would lessen competition in the U.K. property search services market. The CMA asserts that the only effective way to address the issues it has identified would be for the Company to sell the entirety of TMG to a third party.

On October 14, 2022, following the completion of the CMA's review of the TMG, the Company has made an undertaking to the CMA to sell TMG in its entirety.

### Normal Course Issuer Bid

The Company has announced a normal course issuer bid [the "NCIB"] to acquire up to a maximum of 3,458 of its shares, or approximately 5% of the 69,150 issued and outstanding shares as of September 22, 2022, for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the Toronto Stock Exchange ["TSX"] or through alternative Canadian trading systems and in accordance with applicable regulatory requirements at a price per share equal to the market at the time of acquisition. The number of shares that can be purchased pursuant to the NCIB is subject to a current daily maximum of 63 shares only on the TSX [which is equal to 25% of 254 Shares, being the average daily trading volume during the six months ended August 31, 2022], in each case subject to the Company's ability to make block purchases of shares that exceed such limits.

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To facilitate the above-mentioned shares purchase under the NCIB, the Company has established an Automatic Securities Purchase Plan ["ASPP"]. Purchases under the ASPP and block purchases shall be limited to a maximum of 2,800 shares purchased during the Company's blackout period, being the period from 11:59 p.m. on September 30, 2022 to November 10, 2022.

The Company purchased 2,800 shares based on instructions pre blackout period for consideration of \$46,236. These shares have been cancelled under the NCIB on the settlement date i.e. October 31, 2022. The Company intends to fund the purchases from its cash flows from operations.

#### **Substantial Issuer Bid**

The Company has announced that the board of directors has approved the commencement of a substantial issuer bid [the "Offer"] under which the Company will offer to repurchase for cancellation up to \$150,000 of its outstanding common shares.

The Offer is expected to proceed by way of a modified Dutch auction, which will allow shareholders who choose to participate in the Offer to select the price, within a price range to tender their common shares. Upon expiry of the Offer, the Company will determine the lowest purchase price within the range that will allow the Company to purchase the maximum number of common shares properly tendered to the Offer, having an aggregate purchase price not exceeding \$150,000. The Company expects to announce the terms of the Offer and commence the Offer on November 11, 2022.

The Offer will not be conditional upon any minimum number of common shares being tendered. The Offer will, however, be subject to other conditions and the Company will reserve the right, subject to applicable laws, to withdraw or amend the Offer, if, at any time prior to the payment of deposited common shares, certain events occur.

#### **Dividend declaration**

A dividend for the three months ending September 30, 2022, in the amount of \$0.01875 per Common Share, to be paid on or about November 23, 2022, to holders of Common Shares of record as of the close of business on November 16, 2022, be and the same is hereby declared payable.