

# **Dye & Durham Limited**

**Condensed consolidated interim financial statements**  
**[Expressed in thousands of Canadian dollars]**

**For the three months ended September 30, 2024 and 2023**

Dye & Durham Limited

**Condensed consolidated interim statements of financial position [unaudited]**

[Expressed in thousands of Canadian dollars]

As at

		September 30, 2024	June 30, <sup>1</sup> 2024	July 1, <sup>1</sup> 2023
	Note	\$	\$	\$
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents		58,425	80,316	36,265
Trade and other receivables		95,150	96,664	77,738
Prepaid expenses and other assets		12,913	13,417	10,560
Other current asset		2,858	—	—
		<b>169,346</b>	<b>190,397</b>	<b>124,563</b>
Assets held for sale		—	—	114,758
		<b>169,346</b>	<b>190,397</b>	<b>239,321</b>
<b>Non-current</b>				
Other assets		5,398	1,412	2,292
Restricted financial asset	8	85,000	—	—
Restricted investments	8	100,000	—	—
Restricted cash	8	—	185,000	—
Derivative asset	8	23,712	—	—
Property and equipment, net		8,136	6,906	5,050
Right-of-use assets, net		16,322	16,984	11,522
Intangible assets, net	6	800,665	788,557	857,280
Goodwill	7	1,102,089	1,054,319	979,583
		<b>2,310,668</b>	<b>2,243,575</b>	<b>2,095,048</b>
<b>Liabilities and equity</b>				
<b>Current</b>				
Accounts payable and accrued liabilities		80,955	84,441	102,056
Customer advances		17,122	14,743	10,536
Holdbacks and contingent consideration on acquisitions, current	5	63,069	53,489	16,574
Lease liabilities, current		5,291	5,437	4,671
Loans and borrowings, current	8	39,526	21,965	4,448
Convertible debentures	9	325,595	309,336	266,081
		<b>531,558</b>	<b>489,411</b>	<b>404,366</b>
Liabilities directly associated with assets held for sale		—	—	30,092
		<b>531,558</b>	<b>489,411</b>	<b>434,458</b>
<b>Non-current</b>				
Holdbacks and contingent consideration on acquisitions	5	26,787	9,736	15,555
Lease liabilities		14,251	14,982	9,103
Loans and borrowings	8	1,172,090	1,196,152	1,063,914
Other liabilities		3,665	4,500	3,212
Derivative liability	10	31,152	19,711	—
Deferred tax liabilities		126,978	119,310	145,926
		<b>1,906,481</b>	<b>1,853,802</b>	<b>1,672,168</b>
Contingencies and commitments	17			
<b>Equity</b>				
Capital stock	11	819,683	819,533	681,206
Contributed surplus		100,244	96,057	72,288
Accumulated other comprehensive income (loss)		4,274	(16,372)	2,657
Reserves of a disposal group held for sale		—	—	(3,078)
Deficit		(520,220)	(509,877)	(329,992)
Non-controlling interests		206	432	(201)
		<b>404,187</b>	<b>389,773</b>	<b>422,880</b>
<b>Total liabilities and equity</b>		<b>2,310,668</b>	<b>2,243,575</b>	<b>2,095,048</b>

<sup>1</sup> Refer to note 4

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

On behalf of the Board:

"Signed"  
Director - Ronnie Wahi

"Signed"  
Director - Brian L. Derksen

## 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,

	Note	2024 \$	2023 \$
<b>Revenue</b>	19	<b>119,928</b>	120,084
<b>Expenses</b>			
Direct costs		(14,873)	(9,339)
Technology and operations		(23,876)	(27,621)
General and administrative		(10,878)	(10,638)
Sales and marketing		(4,377)	(3,786)
Stock-based compensation	11	(5,194)	(3,491)
Finance costs	13	(20,735)	(35,139)
Amortization, depreciation and impairment	6	(40,009)	(39,608)
Loss on assets held for sale		—	(190)
Acquisition, restructuring and other costs	15	(8,722)	(6,430)
<b>Loss before taxes</b>		<b>(8,736)</b>	(16,158)
Income tax recovery / (expense)		(578)	2,646
<b>Net loss for the period</b>		<b>(9,314)</b>	(13,512)
<b>Attributable to:</b>			
Non-controlling interests		(226)	114
Shareholders		(9,088)	(13,626)
		<b>(9,314)</b>	(13,512)
<b>Net loss per common share</b>	12		
Basic		(0.14)	(0.25)
Diluted		(0.14)	(0.25)
<b>Weighted average number of shares outstanding</b>	12		
Basic		66,916	54,954
Diluted		66,916	54,954

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,

	Note	2024 \$	2023 \$
<b>Net loss</b>		<b>(9,314)</b>	(13,512)
<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>23,378</b>	(5,539)
Item that will not be reclassified to profit or loss in subsequent periods			
Net change in fair value of convertible debentures attributable to change in own credit risk, net of income taxes of \$nil and 2023 - \$1,042	9	<b>(2,732)</b>	2,891
<b>Other comprehensive income (loss)</b>		<b>20,646</b>	(2,648)
<b>Comprehensive income (loss)</b>		<b>11,332</b>	(16,160)
<b>Attributable to:</b>			
Non-controlling interests		<b>(226)</b>	114
Shareholders		<b>11,558</b>	(16,274)
		<b>11,332</b>	(16,160)

*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]

	Note	Number of common shares #	Capital stock \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Reserves of a disposal group held for sale \$	Deficit \$	Non-controlling interests \$	Total \$
<b>Balance, June 30, 2023</b>		54,951	681,206	72,288	2,657	(3,078)	(329,992)	(201)	422,880
Dividends paid	11	—	—	—	—	—	(1,030)	—	(1,030)
Stock options exercised	11	5	16	(6)	—	—	—	—	10
Stock-based compensation		—	—	4,158	—	—	—	—	4,158
Assets and liabilities held for sale		—	—	—	—	3,078	—	—	3,078
Comprehensive loss for the period		—	—	—	(2,648)	—	(13,626)	114	(16,160)
<b>Balance, September 30, 2023</b>		54,956	681,222	76,440	9	—	(344,648)	(87)	412,936
<b>Balance, June 30, 2024</b>		66,913	819,533	96,057	(16,372)	0	(509,877)	432	389,773
Dividends declared	0	—	—	—	—	—	(1,255)	—	(1,255)
Stock options exercised	11	10	150	(126)	—	—	—	—	24
Stock-based compensation	11	—	—	4,313	—	—	—	—	4,313
Comprehensive income (loss) for the period		—	—	—	20,646	—	(9,088)	(226)	11,332
<b>Balance, September 30, 2024</b>		66,923	819,683	100,244	4,274	—	(520,220)	206	404,187

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,

	Note	2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
Net loss for the period		(9,314)	(13,512)
Items not affecting cash			
Amortization, depreciation and impairment	6	40,009	39,608
Loss on disposal of assets held for sale		—	190
Stock-based compensation expense	11	5,194	3,491
Income tax recovery		578	(2,646)
Finance costs, net	13	20,735	35,139
Taxes paid		(6,307)	(1,256)
Changes in non-cash working capital balances			
Trade and other receivables		6,453	(13,089)
Prepaid expenses and other assets		(783)	(2,064)
Accounts payable and accrued liabilities		(7,057)	(3,062)
Customer advances		(1,848)	(202)
<b>Net cash provided by operating activities</b>		<b>47,660</b>	<b>42,597</b>
<b>Cash flows from financing activities</b>			
Net proceeds from loans and borrowings	8	(420)	34,165
Proceeds from exercise of stock options	11	80	22
Payments for loans and borrowings	8	(20,206)	(74,769)
Net interest paid		(11,930)	(36,135)
Dividends paid		(1,255)	(1,030)
Payments for lease obligations		(1,735)	(1,187)
<b>Net cash used in financing activities</b>		<b>(35,466)</b>	<b>(78,934)</b>
<b>Cash flows from investing activities</b>			
Cash proceeds from investment divestiture		—	75,333
Acquisition consideration paid, net of cash acquired	5	(17,863)	(47,125)
Holdbacks and contingent consideration paid	5	(10,222)	(616)
Restricted investment and restricted financial asset		(185,000)	—
Additions to intangible assets	6	(4,071)	(11,086)
Purchases of property and equipment		(1,698)	(496)
<b>Net cash used in/provided by investing activities</b>		<b>(218,854)</b>	<b>16,010</b>
Change in cash and cash equivalents and restricted cash		(206,660)	(20,327)
Cash and cash equivalents and Restricted cash, beginning of period		265,316	36,265
Effect of foreign exchange on cash and cash equivalents		(231)	4,517
<b>Cash and cash equivalents, end of period</b>		<b>58,425</b>	<b>20,455</b>

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 and as otherwise stated]

As at and for the three months ended September 30, 2024, and 2023

#### **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, South Africa, Ireland and the United Kingdom [“UK”]. 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 25 York Street, Suite 1100, Toronto, Ontario, Canada.

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

#### **2. Basis of preparation**

These condensed consolidated interim 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 as at and for the year ended June 30, 2024.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 7, 2024.

#### **Basis of measurement**

The condensed consolidated interim financial statements are prepared on a going concern basis, under the historical cost convention except for certain financial assets and liabilities, which are presented at fair value in Canadian dollars, the Company’s reporting currency. All financial information is presented in Canadian dollars rounded to the nearest thousands, except as otherwise indicated.

#### **Basis of consolidation**

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries, which are the entities over which the Company has control. Control exists when the entity is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the Company’s subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-company balances, transactions, unrealized gains and losses resulting from intra-company transactions, and dividends are eliminated in full.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

These condensed consolidated interim financial statements include the accounts of the Company and the following material subsidiaries as at September 30, 2024, and June 30, 2024:

<b>Subsidiary</b>	<b>Country of incorporation</b>	<b>Ownership percentage September 30, 2024</b>	<b>Ownership percentage June 30, 2024</b>
Dye & Durham Corporation	Canada	100%	100%
Dye & Durham (UK) Limited	United Kingdom	100%	100%
Dye & Durham Solutions Pty Limited	Australia	100%	100%
Dye & Durham Information Pty Ltd.	Australia	100%	100%
Dye & Durham Mercury Ltd.	Canada	100%	100%

### 3. Material accounting policy information

The preparation of the Company's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control. Revisions to the accounting estimates are recognized in the period in which the estimates are revised and will be recorded with a corresponding impact on net income.

Significant accounting judgments and estimates are consistent with those disclosed in note 4 of the annual consolidated financial statements except following:

#### Financial instruments

Derivative instruments embedded in financial or non-financial contracts are assets and liabilities that are accounted for as separate derivatives if their risks and characteristics are not closely related to their host contracts, and the contracts are not measured at fair value. The Company's \$754,763 [USD 555,000] 8.625% senior secured notes due 2029 [the "Senior Secured 2029 Notes"] contain prepayment options [see note 8] that are accounted for as embedded derivative financial instruments. Changes in the fair values of the prepayment options are recognized in finance costs within the condensed consolidated interim statements of operations and condensed consolidated interim statements of comprehensive income (loss). The fair value is determined using binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model valuation technique. Inputs from observable markets are used where possible, applying a degree of judgment to ultimately arrive at a fair value for the Embedded derivatives.



## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

#### Fair value of financial instruments

In July 2024, the Company changed the valuation technique to measure the convertible debentures' fair values from a combination of the discounted cash flow model and the Black-Scholes model to an amortizing convertible bond calculator produced by FINCAD (acquired by Numerix). This model is based on 'partial differential equations' solved using finite differences methods to value financial instruments by solving the differential equation that the financial instrument satisfies. There is no material change in the fair value of the convertible debentures due to change in the valuation technique.

#### 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, 2024. These changes did not have a material impact on the Company's condensed consolidated interim financial statements for the three months ended September 30, 2024, except IAS 1. The adoption of IAS 1 amendments resulted in the reclassification of all outstanding convertible debentures to current. This classification to current is mainly because the debentures can be converted at the option of the holders, and the Company cannot defer settlement beyond twelve months in such an event. With the adoption of IAS 1 amendment, the Company has restated prior years retrospectively. Prior to this IAS 1 amendment, the outstanding convertible debentures were presented as non-current.

- *Non-current Liabilities with Covenants (Amendments to IAS 1 – Presentation of Financial Statements)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7 – Financial Instruments: Disclosures)*

The Company is in the process of assessing any potential impacts of the following, which will become effective in FY2026 or after:

- *Lack of Exchangeability (Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates)*
- *Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments*
- *Presentation and Disclosures in Financial Statements (IFRS 18)*

#### 5. Acquisitions

Acquisitions that are determined to be business combinations have been recorded under the purchase method of accounting and results have been included in the condensed consolidated interim statements of operations and condensed consolidated interim statements of comprehensive income (loss) from their respective acquisition dates.

Accordingly, the allocation of the purchase price to assets and liabilities is based on the fair value, with the excess of the purchase price over the fair value of the assets acquired being allocated to goodwill.

During the three months ended September 30, 2024, the Company completed asset-based and share-based acquisitions with upfront consideration of \$18,051, with remaining deferred consideration of \$44,899, and contingent consideration of \$4,629. The deferred consideration is payable in three tranches over a 10 to 30-month period. These acquisitions were all accounted for as business combinations.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

For acquisitions made, management assessed the information obtained and assumptions to be used in estimating the fair value of acquired assets and liabilities assumed. For the acquisitions completed during the three months ended September 30, 2024, the allocation of the fair value to the identifiable assets acquired and liabilities assumed as at the date of acquisition was as follows:

	Three months ended September 30, 2024		
	Acquisition of shares \$	Acquisition of net assets \$	Total \$
Cash consideration	7,502	10,549	18,051
Holdbacks	6,968	28,837	35,805
Contingent consideration	—	3,749	3,749
<b>Total purchase price</b>	<b>14,470</b>	<b>43,135</b>	<b>57,605</b>
Cash and cash equivalents	188	—	188
Trade and other receivables	38	3,463	3,501
Prepaid expenses and other assets	68	37	105
Software technologies and licenses	4,049	4,490	8,539
Brands and trademarks	182	—	182
Customer lists	455	27,495	27,950
Accounts payable and accrued liabilities	(329)	(1,392)	(1,721)
Customer advances	(322)	(4,087)	(4,409)
Deferred tax liability	(129)	(8,178)	(8,307)
<b>Net assets identified</b>	<b>4,200</b>	<b>21,828</b>	<b>26,028</b>
<b>Goodwill</b>	<b>10,270</b>	<b>21,307</b>	<b>31,577</b>

The purchase price allocations of acquisitions completed during the three months ended September 30, 2024, are considered preliminary and subsequent adjustments during the measurement period will occur as the Company completes its estimation of the fair values of assets acquired and liabilities assumed, including the valuation of intangible assets and contingent consideration.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

	Year ended June 30, 2024		
	Acquisition of shares	Acquisition of net assets	Total
	\$	\$	\$
Cash consideration	63,626	4,482	68,108
Holdbacks	13,934	6,393	20,327
Contingent consideration	2,268	3,604	5,872
<b>Total purchase price</b>	<b>79,828</b>	<b>14,479</b>	<b>94,307</b>
Cash and cash equivalents	851	—	851
Trade and other receivables	3,357	—	3,357
Prepaid expenses and other assets	433	—	433
Property and equipment	220	—	220
Software technologies and licenses	6,511	—	6,511
Brands and trademarks	1,718	331	2,049
Customer lists	30,646	9,279	39,925
Accounts payable and accrued liabilities	(6,255)	—	(6,255)
Loans and borrowings, non-current	(46)	—	(46)
Deferred tax liability	(9,751)	(2,403)	(12,154)
<b>Net assets identified</b>	<b>27,684</b>	<b>7,207</b>	<b>34,891</b>
<b>Goodwill</b>	<b>52,144</b>	<b>7,272</b>	<b>59,416</b>

The goodwill recognized in connection with the above acquisitions is primarily attributable to the anticipated improvement in the operations of the companies acquired and synergies with existing operations because of implementing management's business strategies and methodologies. Goodwill also includes other intangibles such as assembled workforce that do not qualify for separate recognition under IFRS.

For the fiscal year ended June 30, 2024, the Company completed acquisitions for total consideration of \$94,307 with upfront payments of \$68,108 and fair value of deferred and contingent consideration of \$20,327. The purchase price allocations of acquisitions completed during the fiscal year ended June 30, 2024, are final.

#### Holdbacks and contingent consideration

Business combinations during the three months ended September 30, 2024, included the following additions to holdbacks and contingent consideration:

[i] Contingent consideration of \$4,629 (fair value of \$3,749) payable within 18 to 20 months, subject to the businesses acquired during the three months ended September 30, 2024, meeting certain performance obligations. The contingent consideration is based on maintenance of customer revenue following acquisition.

[ii] Holdbacks with total consideration of \$44,899 (present value of \$35,805), payable in three tranches within 10 to 30 months, which are not subject to any earn-out conditions.

As at September 30, 2024, the Company reduced the fair value of contingent consideration related to prior fiscal year asset and shared based acquisitions by \$974 as part of its ongoing assessment of potential earnouts payable.

Business combinations to date resulted in total holdbacks and contingent consideration of \$89,856 as at September 30, 2024, summarized as follows:

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

	Holdbacks \$	Contingent consideration \$	Total \$
<b>Balance, June 30, 2024</b>	36,479	26,746	63,225
Acquisition of subsidiaries	35,805	3,749	39,554
Change in fair value	—	(974)	(974)
Amendments to holdbacks	(4,020)	—	(4,020)
Interest accretion	194	—	194
Payments during the period	(10,222)	—	(10,222)
Effects of foreign exchange	811	1,288	2,099
<b>Balance, September 30, 2024</b>	<b>59,047</b>	<b>30,809</b>	<b>89,856</b>
Current	38,224	24,845	63,069
Non-current	20,823	5,964	26,787

### 6. Intangible assets

	Software technologies \$	Brand and trademarks \$	Licenses \$	Customer lists \$	Total \$
<b>Cost</b>					
<b>Balance, June 30, 2023</b>	285,218	46,512	22,009	815,654	1,169,393
Additions	35,178	—	—	—	35,178
Acquired through acquisitions	6,511	2,049	—	39,925	48,485
Effects of foreign exchange	2,054	604	—	6,216	8,874
<b>Balance, June 30, 2024</b>	<b>328,961</b>	<b>49,165</b>	<b>22,009</b>	<b>861,795</b>	<b>1,261,930</b>
Additions	5,168	—	—	—	5,168
Acquired through acquisitions	8,539	182	—	27,950	36,671
Effects of foreign exchange	4,111	794	—	9,343	14,248
<b>Balance, September 30, 2024</b>	<b>346,779</b>	<b>50,141</b>	<b>22,009</b>	<b>899,088</b>	<b>1,318,017</b>
<b>Accumulated amortization</b>					
<b>Balance, June 30, 2023</b>	107,546	15,256	11,332	177,979	312,113
Amortization	57,017	8,249	2,232	83,953	151,451
Impairment loss	6,621	—	—	—	6,621
Effects of foreign exchange	913	211	—	2,064	3,188
<b>Balance, June 30, 2024</b>	<b>172,097</b>	<b>23,716</b>	<b>13,564</b>	<b>263,996</b>	<b>473,373</b>
Amortization	14,933	1,968	558	21,559	39,018
Impairment loss	262	—	—	—	262
Effects of foreign exchange	1,408	436	—	2,855	4,699
<b>Balance, September 30, 2024</b>	<b>188,700</b>	<b>26,120</b>	<b>14,122</b>	<b>288,410</b>	<b>517,352</b>
<b>Carrying value</b>					
Balance, June 30, 2024	156,864	25,449	8,445	597,799	788,557
<b>Balance, September 30, 2024</b>	<b>158,079</b>	<b>24,021</b>	<b>7,887</b>	<b>610,678</b>	<b>800,665</b>

Additions to intangible assets include \$1,097 grouped under accounts payable and accrued liabilities.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

#### 7. Goodwill

	\$
<b>Balance, June 30, 2023</b>	979,583
Additions due to new acquisitions [note 5]	59,416
Effects of foreign exchange	15,320
<b>Balance, June 30, 2024</b>	<b>1,054,319</b>
Additions due to new acquisitions [note 5]	31,577
Effects of foreign exchange	16,193
<b>Balance, September 30, 2024</b>	<b>1,102,089</b>

#### 8. Loans and borrowings

Loans and borrowings as at September 30 comprise the following:

	September 30, 2024	June 30, 2024
	\$	\$
<b>Current</b>		
Senior Secured 2029 Notes [a]	29,846	13,952
Term Loan B [a]	4,745	3,963
Convertible debentures accrued interest [note 9]	4,923	4,050
Other	12	—
	<b>39,526</b>	21,965
<b>Non-current</b>		
Senior Secured 2029 Notes [a]	741,345	741,701
Term Loan B [a]	430,698	454,285
Other	47	166
	<b>1,172,090</b>	1,196,152
	<b>1,211,616</b>	1,218,117

#### [a] FY2024 Credit Facility

On April 11, 2024, the Company settled its then outstanding Ares credit facility (the “Ares Credit Facility”) and undertook a refinancing transaction, which resulted in [i] the issuance of the Senior Secured 2029 Notes, [ii] a \$475,977 [USD 350,000] senior secured term loan B [“Term Loan B”], and [iii] a \$105,000 revolving credit facility [“New Revolving Facility”, and together with Term Loan B, the “FY2024 Credit Facility”] [collectively, the “Refinancing Transaction”]. The aggregate amount committed pursuant to the Refinancing Transaction is \$1,335,740, comprising of the Senior Secured 2029 Notes and the FY2024 Credit Facility.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

On closing of the Refinancing Transaction in April 2024, the Company received total gross proceeds of \$1,230,740 from the Senior Secured 2029 Notes and Term Loan B, and incurred financing fees of \$39,364. The Term Loan B bears a variable interest equal to [i] the Term SOFR Rate plus [ii] the Term SOFR adjustment plus [iii] Applicable percentage. Principal repayments of \$1,180 [USD 875] are due on a quarterly basis on the Term Loan B beginning from December 31, 2024. The Senior Secured 2029 Notes and the New Revolving Facility have a maturity date of April 11, 2029, and Term Loan B has a maturity date of April 11, 2031. To the extent the Senior Secured 2029 Notes have not been paid in full, extended, refinanced or replaced before its maturity, the Term Loan B will have an accelerated maturity of 91 days prior to the maturity date of the Senior Secured 2029 Notes. As at September 30, 2024, \$nil amount was withdrawn under the New Revolving Facility. The FY2024 Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

The Senior Secured 2029 Notes contain optional prepayment features that allow the Company to prepay the Senior Secured 2029 Notes prior to maturity at a premium (the "Derivative Asset"). The Derivative Asset is accounted for as embedded derivative financial instruments, recognized at \$8,311 and carried at a fair value of \$23,712 as at September 30, 2024, as a separate line in the condensed consolidated interim statements of financial position with the changes in fair value of \$15,401 recorded within finance costs.

Included in the restricted financial asset and restricted investments are \$85,000 and \$100,000 respectively, of cash and investments held in escrow that are required to be used for settlement of outstanding Original Debentures (as defined herein) in accordance with the agreement governing the FY2024 Credit Facility. The cash and investments are to be held to the earlier of a) the repurchase by the Company of all the outstanding Original Debentures, or (b) the maturity date of the Original Debentures. During the quarter ended September 30, 2024, the Company invested \$100,000 out of \$185,000 in a GIC maturing on January 27, 2026.

The FY2024 Credit Facility and Senior Secured 2029 Notes are 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, 2024, the Company was in compliance with its covenants.

The balance outstanding under the FY2024 Credit Facility and Senior Secured 2029 Notes as at September 30, 2024, is as follows:

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

	Senior Secured 2029 Notes	Term Loan B	Total
	\$	\$	\$
<b>Balance, June 30, 2024</b>	<b>755,653</b>	<b>458,248</b>	<b>1,213,901</b>
Add (less)			
Net funds repaid on Term Loan B	—	(20,206)	(20,206)
Interest and accretion expense	16,630	11,572	28,202
Interest paid	—	(11,351)	(11,351)
Unamortized prepayment option	7,669	—	7,669
Other	(258)	2,571	2,313
Effects of foreign exchange	(8,503)	(5,391)	(13,894)
<b>Balance, September 30, 2024</b>	<b>771,191</b>	<b>435,443</b>	<b>1,206,634</b>
Current	<b>29,846</b>	<b>4,745</b>	<b>34,591</b>
Non-current	<b>741,345</b>	<b>430,698</b>	<b>1,172,043</b>

### 9. Convertible debentures

	\$
<b>Balance, June 30, 2023</b>	<b>266,081</b>
New Debentures issuance [b]	96,255
Original Debentures bought back [a]	(36,120)
Original Debentures swap [a]	(84,280)
Change in fair value through profit & loss [a] & [b]	25,520
Change in fair value through other comprehensive income (loss) [a] & [b]	41,880
<b>Balance, June 30, 2024</b>	<b>309,336</b>
Change in fair value through profit & loss [a] & [b]	13,527
Change in fair value through other comprehensive income (loss) [a] & [b]	2,732
<b>Balance, September 30, 2024</b>	<b>325,595</b>
Original Convertible Debentures	177,514
New Debentures	148,081
	<b>325,595</b>

#### [a] Original Convertible Debentures

In February 2021, the Company issued 345,000 convertible senior unsecured debentures ["Original Debentures"] for total cash proceeds of \$345,000 with a maturity date of March 1, 2026. The Original 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.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

The Company determined that the Original Debentures do not qualify as a compound instrument; therefore, there is no equity component to the instrument. This is because the Company has the right to settle the Original Debentures in cash if the holders elect to exercise their conversion option. Accordingly, the Original Debentures are classified and accounted for entirely as a financial liability, which the Company has elected to measure at FVTPL. The fair value of the Original Debentures is classified as Level 3 in the fair value hierarchy.

In January 2024, Company executed its substantial issuer bid to purchase up to \$160,000 in aggregate principal amount of the Original Debentures (see [b]). Included in the restricted financial asset and restricted investments are \$85,000 and \$100,000 respectively, of cash and investments held in escrow that are required to be used for settlement of outstanding Original Debentures in accordance with the FY2024 Credit Facility agreement. The cash and investments are to be held to the earlier of a) the repurchase by the Company of all the outstanding Original Debentures, or (b) the maturity date of the Original Debentures [see Note 8]. The Company also engaged in a substantial issuer bid to repurchase for cancellation the remaining \$185,000 of aggregate principal of Original Debentures, which expired on June 21, 2024, with no repurchases.

The Company paid semi-annual interest on the Original Debentures totaling \$3,469 [2023 – \$6,469] for the three months ended September 30, 2024.

#### **[b] New Convertible Debentures**

In November 2023, the Company issued 20,425 convertible senior unsecured debentures ["New Debentures"] for total cash proceeds of \$12,255 with a maturity date of November 1, 2028. The New Debentures bear an interest rate of 6.5% payable semi-annually and are convertible into common shares of the Company at an exercise price of \$40.00 per share.

In January 2024, the Company executed its substantial issuer bid to purchase up to \$160,000 in aggregate principal amount of the Original Debentures. As a result of the substantial issuer bid, the Company retired \$48,000 in principal amount of the Original Debentures for total cash consideration of \$36,144. The Company realized a loss of \$266 upon the retirement of the Original Debentures, which was recorded in finance costs in the consolidated statements of operations and derecognized the Original Debentures from the consolidated statements of financial position. As part of the same transaction, the Company issued \$140,000 in principal amount of New Debentures, in consideration of \$112,000 in principal amount of the Original Debentures, accordingly the Company recognized a loss of \$549, which was recorded in finance costs in the consolidated statements of operations.

The Company has treated the transaction as an extinguishment of the Original Debentures and the recognition of the New Debentures. After giving effect of the transaction, the Company has \$176,806 of the Original Debentures and \$148,081 of New Debentures as of September 30, 2024.

The Company determined that the New Debentures do not qualify as a compound instrument; therefore, there is no equity component to the instrument. This is because the Company has the right to settle the New Debentures in cash if the holders elect to exercise their conversion option. Accordingly, the New Debentures are classified and accounted for entirely as a financial liability, which the Company has elected to measure at FVTPL. The fair value of the New Debentures is classified as Level 3 in the fair value hierarchy.



## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

#### 10. Derivative liability

During the 2024 fiscal year, the Company entered a series of swaps to partially hedge the interest rate risk and foreign currency risk associated with its Initial Term Loan and Senior Secured 2029 Notes. The fair value of these derivative instruments is measured at September 30, 2024, and recorded as a derivative liability on the condensed consolidated interim statement of financial position. As of September 30, 2024, the entirety of the mark-to-market was recorded to finance costs.

Below is a reconciliation of derivative liability as at September 30, 2024:

	\$
<b>Derivative liability, June 30, 2023</b>	<u>—</u>
Change in fair value of interest rate swap [a]	2,785
Settlement of interest rate swap [a]	(2,785)
Change in fair value of cross-currency swaps [b]	19,711
<b>Derivative liability, June 30, 2024</b>	<u>19,711</u>
Change in fair value of cross-currency swaps [b]	11,441
<b>Derivative liability, September 30, 2024</b>	<u>31,152</u>

**[a]** In November 2023, the Company entered an interest rate swap with a lender, which exchanged its floating interest rate obligation on a notional \$250,000 of the Initial Term Loan under the Ares Credit Facility for a fixed interest rate payment of 4.39% per annum on the notional amount. The interest rate swap has a three-year and nine-month term ending September 30, 2027. The Company designated the interest rate swap as a cash flow hedge upon meeting the hedging relationship criteria between the hedging instruments and the hedged item. There is an economic relationship as the critical terms of interest rate swap and the forecasted cash transactions match (i.e. payment dates, notional amounts, etc.). On March 31, 2024, the Company discontinued the hedge accounting since the future forecasted cash flows being hedged were no longer expected to occur because of the Company's debt refinancing. Accordingly, the deferred loss recorded in accumulated other comprehensive income (loss) of \$2,785 was reclassified to finance costs in the consolidated statements of operations and a realized gain of \$653 recorded in finance costs in the consolidated statements of operations for cash interest received on the swap. The liability was cash-settled.

**[b]** In April 2024, in conjunction with the refinancing of the Ares Credit Facility, the Company entered into several cross-currency swaps with different lenders to partially hedge the foreign currency and interest rate risk associated with the new US dollar denominated FY2024 Credit Facility. The entire notional amount of the US\$905,000 FY2024 Credit Facility is covered under the swaps. The cross-currency swaps fix the US dollar denominated interest payments to Canadian dollars, as well as fix the interest rate on a portion of the notional amount. Details of the swaps are summarized below. At September 30, 2024, the change in fair value of \$11,441 during the current period was recorded in finance costs.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

Below is a summary of the Company's cross-currency swaps at September 30, 2024:

Hedged instrument	Principal / Notional amount (US\$)	Maturity date	Rate	Hedged rate	Equivalent (CDN\$)	Exchange rate	Maturity
Term Loan B	335,000	2031	SOFR + 4.25%	3M CORRA + 4.784%	205,965	1.3731	2026 - 2028
				8.781%	45,312	1.3731	
				8.507%	125,387	1.3629	
				8.569%	101,775	1.3570	
2029 Senior Secured Note	555,000	2029	8.625%	8.330%	196,353	1.3731	2026 - 2028
				8.280%	151,041	1.3731	
				8.450%	125,387	1.3629	
				8.365%	288,351	1.3731	
<b>Total</b>	<b>890,000</b>				<b>1,239,571</b>		

## 11. Capital stock

### [a] Authorized

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

### [b] Issued and outstanding

	Common shares	
	#	\$
<b>Balance, June 30, 2023</b>	54,951	681,206
Stock options exercised [i]	110	802
Common shares cancelled under NCIB [ii]	(108)	(1,358)
Issuance of common shares, net of issuance costs [iii]	11,960	138,883
<b>Balance, June 30, 2024</b>	66,913	819,533
Stock options exercised [iv]	10	150
<b>Balance, September 30, 2024</b>	<b>66,923</b>	<b>819,683</b>

[i] During the fiscal year ended June 30, 2024, 110 stock options were exercised for cash proceeds of \$527 and the related grant date fair value of the options of \$275 was reclassified from contributed surplus to capital stock.

[ii] During the fiscal year ended June 30, 2024, the Company purchased and cancelled 108 shares for a total consideration of \$1,473 as part of a normal course issuer bid. The Company recorded a revaluation loss of \$4 through finance costs by unfavorably settling its liability under the normal course issuer bid at a higher average share price. The deficit of \$111 paid over the carrying value of the share issuance was charged to deficit.

[iii] During the fiscal year ended June 30, 2024, the Company issued 11,960 new shares through a bought deal offering for total gross consideration of \$144,716. The share issuance costs were \$5,833, resulting in net cash proceeds of \$138,883.

[iv] During the three months ended September 30, 2024, 10 stock options were exercised for cash proceeds of \$80 and the related grant date fair value of the options of \$70 was reclassified from contributed surplus to capital stock.

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

#### [c] Dividends

The Company paid \$1,255 of dividends to shareholders during the three months ended September 30, 2024 [2023 – \$1,030] based on a quarterly dividend of \$0.01875 per share. Please refer to Note 20 for additional information.

#### 12. Earnings (loss) per share

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

	Three months ended September 30,	
	2024	2023
	\$	\$
Net loss attributable to the shareholders of the Company [basic]	(9,088)	(13,626)
<b>Net loss attributable to the shareholders of the Company [diluted]</b>	<b>(9,088)</b>	<b>(13,626)</b>
Weighted average number of shares for basic EPS	66,916	54,954
<b>Weighted average number of shares adjusted for the effect of dilution</b>	<b>66,916</b>	<b>54,954</b>
Basic EPS	(0.14)	(0.25)
Diluted EPS	(0.14)	(0.25)

For the three months ended September 30, 2024, 20,843 options, 185,000 Original Debentures and 160,425 New Debentures [2023: 14,464, 345,000 and nil respectively] were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

#### 13. Finance costs, net

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

	Note	Three months ended September 30,	
		2024	2023
		\$	\$
Interest and accretion costs		32,931	37,463
Change in fair value of convertible debentures	9	13,527	(2,967)
Change in fair value of contingent consideration	5	(974)	643
Amendments to holdbacks during the period	5	(4,020)	—
Change in fair value of cross-currency swaps	10	11,441	—
Change in fair value of derivative asset	8	(15,401)	—
Unrealized foreign exchange gain on USD denominated debt		(13,879)	—
Interest income		(2,890)	—
		<b>20,735</b>	<b>35,139</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 and as otherwise stated]

As at and for the three months ended September 30, 2024, and 2023

#### 14. Employee compensation

The Company's employee compensation for the three months ended September 30 is as follows:

	Three months ended September 30,	
	2024	2023
	\$	\$
Technology and operations	15,626	19,242
General and administrative	4,966	5,162
Sales and marketing	2,712	2,109
Acquisition, restructuring and other costs	2,599	1,243
	<b>25,903</b>	<b>27,756</b>

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

The Company's acquisition, restructuring and other costs for the three months ended September 30 are as follows:

	Three months ended September 30,	
	2024	2023
	\$	\$
Acquisition expenses	2,776	2,981
Reorganization, divestiture, listing and other expenses	4,693	2,748
Restructuring	1,253	701
	<b>8,722</b>	<b>6,430</b>

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

The restructuring provision continuity for the quarter is as follows:

	\$
<b>Balance, June 30, 2024</b>	1,966
Utilization (payments)	(1,092)
Net additions during the period	641
<b>Balance, September 30, 2024</b>	<b>1,515</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 and as otherwise stated]

As at and for the three months ended September 30, 2024, and 2023

#### 16. 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 period was as follows:

	Three months ended September 30,	
	2024	2023
	\$	\$
Salaries and benefits	1,702	1,974
Stock-based compensation	4,653	2,673
	<b>6,355</b>	<b>4,647</b>

#### 17. Contingencies and commitments

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.

#### 18. Fair value measurement

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and customer advances approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of holdbacks approximates their carrying value as these are due within eighteen months. The fair value of Term Loan B approximates its carrying value due to the variable component of interest rate. The fair value of the Senior Secured 2029 Notes differs from their carrying value due to the current interest rate environment. Observable trades indicate a fair value for the Senior Secured 2029 Notes of approximately \$105 to \$106 for every \$100-dollar notional amount. The Company measures its convertible debentures, derivatives 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

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

Convertible debentures, contingent consideration on acquisitions, contingent receivables and Derivative Asset are classified as Level 3 financial instruments. The derivative liability and Senior Secured 2029 Notes are classified as a Level 2 financial instrument. Changes in the fair value of swaps are based on calculations and valuation models using observable market rates adjusted for applicable credit risk. The convertible debentures transferred from Level 2 to

## Dye & Durham Limited

### Notes to condensed consolidated interim financial statements

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

As at and for the three months ended September 30, 2024, and 2023

Level 3 during the fiscal year 2024, with the entirety of the balance of aggregate principal of \$345,425 being transferred following the January 2024 substantial issuer bid.

Summary of Level 3 key inputs:

	Convertible Debt	Contingent Receivable	Contingent earnouts	Derivative asset
Risk-free rate	3 - 5%	3 - 5%		USD SOFR Curve
Discount rate	8 - 17%	14 - 19%	Based on	3.01% + USD SOFR
Stock price variance	57 - 60%	—	operational and	—
Asset volatility	—	35 - 40%	sales data	—

A change in unobservable inputs, namely the discount rate, by 1% will result in the following changes in fair value:

	Convertible Debt	Contingent Receivable	Contingent earnouts	Derivative asset
1% change in discount rates	\$6,385	\$nil	\$50	\$3,015

The fair value of contingent consideration also depends on the acquired businesses meeting certain performance obligations, such as the successful completion of integration activities as well as meeting certain sales targets over a fixed measurement period.

See Notes 8 and 10 for additional details on the Derivative Asset and derivative liability.

### 19. 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 operates in multiple geographic regions, being Canada, UK and Ireland, Australia and other. The following tables present details on revenues derived and details on property and equipment and intangible assets domiciled in the following geographical locations.

## Dye & Durham Limited

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

As at and for the three months ended September 30, 2024, and 2023

Revenue for the three months ended September 30, 2024, and 2023:

	Three months ended September 30,	
	2024	2023
	\$	\$
Canada	69,782	71,014
UK and Ireland	31,503	29,584
Australia	17,828	16,925
Other	815	2,561
	<b>119,928</b>	<b>120,084</b>

Property and equipment and intangible assets by geographic region as at September 30, 2024, and June 30, 2024:

	Canada \$	UK and Ireland \$	Australia \$	Other \$	Total \$
<b>June 30, 2024</b>					
Property and equipment	3,145	1,799	1,605	357	6,906
Intangible assets	549,438	167,600	59,432	12,087	788,557
<b>September 30, 2024</b>					
Property and equipment	2,854	3,408	1,534	340	8,136
Intangible assets	525,514	168,435	95,137	11,579	800,665

## 20. Subsequent events

### Swap cancellation

On October 7, 2024, the Company cancelled \$20,444 of the notional amounts of its swaps in conjunction with the repayment of Term Loan B during the quarter. The Company incurred costs of \$530 associated with the cancellation.

### Investment in a GIC

On October 21, 2024, the Company invested \$30,000 in a GIC, out of the remaining funds that are required to be used for settlement of outstanding Original Debentures in accordance with the agreement governing the FY2024 Credit Facility.

### Declared dividend

On November 7, 2024, the Board approved a dividend for the three months ending September 30, 2024, in the amount of \$0.01875 per common share, to be paid on or about November 21, 2024, to holders of common shares of record as of the close of business on November 14, 2024.