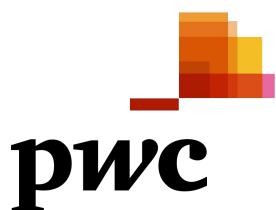


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Point of view

Non-GAAP and Other
Financial Measures



Capital Markets &
Accounting Advisory Services

At a glance

The Canadian Securities Administrators (CSA) has published the final National Instrument 52-112, Non-GAAP and Other Financial Measures Disclosure (NI 52-112), which sets out disclosure requirements for non-GAAP financial measures, non-GAAP ratios and other financial measures (i.e. capital management measures, total of segments measures and supplementary financial measures). These rules came into force on August 25, 2021, and replace previous guidance contained in CSA Staff Notice 52-306 (revised), Non-GAAP Financial Measures (SN 52-306).

This new instrument applies to all reporting issuers for documents filed for financial years ended on or after October 15, 2021, with some exceptions. It also extends to non-reporting issuers when specified financial measures are included in an offering memorandum or offering marketing materials or documents filed after December 31, 2021. Calendar-year-end companies will first apply NI 52-112 in their annual MD&A for the year ended December 31, 2021, and any other filings, including press releases, related to that year-end.

Many companies will be impacted for their upcoming year-end filings, and given the scope and nature of the changes, they should be considering the new rules against their current disclosures before the end of the calendar year.



Why is this important?

Non-GAAP measures (NGM) have been, and continue to be, an area of focus for Canadian regulators. We have seen firsthand that working to resolve regulatory comments can be a time-consuming and costly process for companies. Replacing the previous SN 52-306 with this rule will provide CSA staff with a stronger tool to pursue regulatory action, if necessary.

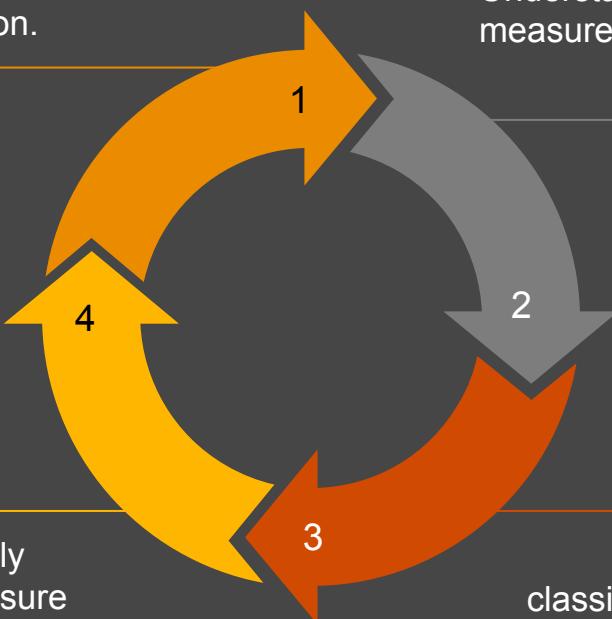
In addition to NGMs, NI 52-112 scopes in additional measures such as non-GAAP ratios, capital management measures, total of segments measures and supplementary financial measures. NI 52-112 also has a far-reaching impact given it applies to specified financial measures in all publicly accessible documents, such as press releases, disclosures made on websites and social media platforms.

Some of the key challenges expected to be faced by companies are:

Identification of all specified measures in their public documentation.



Identifying the most directly comparable financial measure disclosed in the primary financial statements and reconciling the NGM to this measure quantitatively.



Understanding if and how all current measures are used by management and key stakeholders.



Understanding the new classification and categorization of specified financial measures as NGM, non-GAAP ratios, capital management measures, total of segments measures and supplementary financial measures.

How can we help?

Our Capital Markets and Accounting Advisory Services (CMAAS) team specializes in supporting companies through periods of exceptional changes, including regulatory reporting requirements. We believe that with the proper planning, companies can successfully navigate this change while using this opportunity to enhance their overall financial reporting quality and communication to stakeholders.

Our team can help by:

- providing further clarity on the current regulatory requirements based on our experiences working to resolve regulatory comments;
- sharing insights into common issues raised by regulators and how peer companies are addressing them;
- benchmarking findings of peer companies for management KPIs;
- reviewing financial statements, MD&A and other public documents to identify opportunities for disclosure improvement and possible alternatives; and
- assisting in the drafting of an enhanced disclosure framework compliant with NI 52-112.



In conclusion

To have a deeper discussion about our point of view on NI 52-112, please contact:

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