

Corporate Securities Law

February 10, 2016

CSA Provides Revised Guidance on Disclosure of Non-GAAP Financial Measures

The Canadian Securities Administrators (CSA) have revised Staff Notice 52-306 *Non-GAAP Financial Measures* (“**Staff Notice**”) to provide additional guidance to issuers using non-GAAP financial measures in continuous disclosure materials.

Clarification of What Constitutes a Non-GAAP Financial Measure

A non-GAAP financial measure is a numerical measure:

- 1) of an issuer’s historical or future financial performance, financial position or cash flow that is not specified, defined or determined under the issuer’s GAAP; and
- 2) that is not presented in an issuer’s financial statements.

If a performance measure is calculated using financial information extracted directly from the issuer’s financial statements, it will not be considered to be a non-GAAP financial measure. For example, if EBITDA is or will be presented as a subtotal in an issuer’s financial statements, it will not be considered to be a non-GAAP financial measure requiring additional disclosure. In addition, non-financial performance measures (such as the number of subscribers) are not considered to be non-GAAP financial measures.

Disclosure Accompanying Non-GAAP Financial Measures

The requirements for disclosure that should accompany non-GAAP financial measures remain largely similar to those in previous iterations of this Staff Notice, though the CSA have confirmed that a non-GAAP financial measure should be named in a way that distinguishes it from items under the issuer’s GAAP and in a way that is not misleading. For example, if presenting EBITDA as a non-GAAP financial measure, it would be misleading to exclude amounts for items other than interest, taxes, depreciation and amortization.

Presentation of Additional Subtotals

Where an issuer presents additional subtotals from its financial statements in a press release or other location outside of the financial statements before the financial statements are filed on SEDAR, management should explain the composition of the subtotals by:

- including a copy of the financial statement containing the additional subtotals, or
- reconciling the additional subtotals to the most directly comparable IFRS line item that will be presented in the financial statements.

Please contact any member of our Corporate Securities Group if you wish to discuss the Staff Notice, or continuous disclosure obligations more generally.