STINGRAY

NEWS RELEASE

Stingray Reports Third Quarter 2019 Results

Revenues increased 101.6% to $70.8 million following the NCC acquisition

Third Quarter Highlights

- **Revenues increased 101.6% to $70.8 million following the Newfoundland Capital Corporation Inc. ("NCC") acquisition**
- **Recurring Broadcasting and Commercial Music revenues(1) of $33.4 million, an increase of 15.9%**
- **Radio accounted for 44.1% of total revenues at $31.2 million**
- **Subscription video on demand ("SVOD") subscribers reached 356,000 subscribers in Q3, representing a 25% increase in monthly revenues over the last quarter**
- **Adjusted EBITDA(2) up 144.1% to $27.2 million**
- **Net loss of $18.1 million or $(0.26) per share (diluted) compared to a net income of $0.7 million or $0.01 per share (diluted) last year mainly attributable to the non-recurring expenses totaling $35.3 million related to the CRTC Tangible benefits expense and acquisition costs related to the NCC transaction**
- **Adjusted Net income(3) up 106.1% to $12.4 million or $0.18 per share (diluted) compared to last year**
- **Cash flow from operating activities increased to $9.2 million**
- **Adjusted free cash flow(4) of $16.0 million, an increase of 99.4%**
- **Dividend increased 8.3% to $0.065 per share**

Montreal, February 7, 2019 – Stingray Group Inc. (TSX: RAY.A; RAY.B) (the "Corporation"; "Stingray"), a leading multi-platform music and in-store media solutions provider, today announced its financial results for the third quarter ended December 31, 2018.

Financial Highlights (in thousands of dollars, except per share data)	**Three months ended December 31**			**Nine months ended December 31**		
	2018	2017	%	**2018**	2017	%
Revenues	**70,772**	35,099	101.6	**139,920**	95,991	45.8
Recurring revenues(1)	**33,364**	28,788	15.9	**94,811**	81,056	17.0
Adjusted EBITDA(2)	**27,219**	11,151	144.1	**49,827**	29,772	67.4
Net income (loss)	**(18,053)**	737	-	**(15,930)**	(2,378)	-
Per share – diluted ($)	**(0.26)**	0.01	-	**(0.26)**	(0.05)	-
Adjusted Net income(3)	**12,396**	6,016	106.1	**25,002**	17,126	46.0
Per share – diluted ($)	**0.18**	0.11	63.6	**0.40**	0.32	25.0
Cash flow from operating activities	**9,160**	6,589	39.0	**21,586**	8,710	147.8
Adjusted free cash flow(4)	**15,998**	8,022	99.4	**27,644**	22,115	25.0

(1) Recurring Broadcasting and Commercial Music revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include advertising, support, installation, equipment and one-time fees.
(2) Adjusted EBITDA is a non-IFRS measure and is defined as net income before net finance expense (income), change in fair value of investments, income taxes, depreciation and write-off of property and equipment, amortization of intangible assets, share-based compensation, restricted, performance and deferred share unit expense, CRTC Tangible benefits, acquisition, legal, restructuring and integration expenses.
(3) Adjusted Net income is a non-IFRS measure and is defined as net income before amortization of intangible assets, share-based compensation, change in fair value of investments, restricted, performance and deferred share unit expense, CRTC Tangible benefits, acquisition, legal, restructuring and integration expenses, net of related income taxes.
(4) Adjusted free cash flow is a non-IFRS measure and is defined as cash flow from operating activities less capital expenditures, net change in non-cash working capital items, acquisition, legal, restructuring and integration expenses.

“As anticipated, the transformational acquisition of NCC had a significantly positive contribution on our third quarter results. Our revenues reached $70.8 million, up over 100%, and our adjusted EBITDA reached $27.2 million, up 144.1% achieving yet a new milestone,” said Eric Boyko, President, CEO, and Co-Founder of Stingray.

“An important driver in the decision to complete the NCC acquisition was its capacity to generate significant free cash flow. Even without the full contribution of the acquisition during the quarter, adjusted free cash flow doubled to $16 million, allowing us to raise the dividend to $0.065 per share, or 18.2% higher than the corresponding period last year.

“At the end of the third quarter, the SVOD subscriber base reached a new high of over 356,000. During the quarter, three new apps were launched: The Voice, Piano Academy and Stingray Classica. This momentum will be supported in upcoming quarters by the launch of Stingray Karaoke and Stingray Qello on The Roku Channel. Furthermore, our average revenue per user continues to increase and exceeds our initial expectations, growing our monthly revenues by 25%.

“Going forward, we will pursue our integration of NCC by leveraging important cross-selling opportunities and generating operational synergies. Our goal remains to become the leading provider of curated SVOD music content on B2B and B2C platforms. While the Company will continue to strike a balance between dividend payments and acquisitions, on a short-term basis, our capital allocation strategy will primarily focus on reducing our leverage,” concluded Mr. Boyko.

Third Quarter Results

Revenues increased 101.6% to $70.8 million in the third quarter of 2019, compared with revenues of $35.1 million a year ago. The increase was primarily due to the acquisition of NCC, combined with the acquisition of DJ Matic and organic growth in SVOD and B2C apps. SVOD reached a new high of over 356,000 subscribers in the third quarter from 316,000 subscribers in the second quarter. SVOD monthly revenues increased 25% to $3.2 million in the third quarter from $2.6 million in the second quarter. The Average revenue per user increased 15% to $9.07 in the third quarter from $7.91 in the same period last year.

Recurring revenues were up 15.9% to $33.4 million in the third quarter over the same period last year. For the quarter, Canadian revenues increased 188.2% to $46.7 million (66.0% of total revenues) due to the acquisition of NCC, United States revenues increased 25.5% to $8.8 million (12.5% of total revenues), whereas revenues in Other Countries increased by 28.3% to $15.2 million (21.5% of total revenues).

Broadcasting and Commercial Music revenues increased 10.8% to $38.9 million, mainly due to the contribution from the acquisitions of DJ Matic and Novramedia and, to a lesser extent, to revenues from B2C apps and SVOD, partially offset by lower non-recurring equipment and installation sales related to digital signage. During the quarter, existing operations excluding non-recurring equipment and installation sales related to digital signage experienced organic growth of 2%, which also contributed to the increase in the segment's revenues.

Radio revenues represented $31.2 million for the third quarter of 2019. This increase is attributable to the contribution from the acquisition of NCC, since the Corporation started to recognized results on October 26, 2018, date of the closing of the transaction.

Adjusted EBITDA for the third quarter increased to $27.2 million or 38.5% of revenues, compared to $11.2 million or 31.8% of revenues a year earlier. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC and acquisitions realized in Fiscal 2019 and 2018, and to the organic growth of B2C apps and SVOD. The increase in Adjusted EBITDA margin was mainly related to the new Radio segment, which has a higher gross margin.

For the third quarter, the Corporation reported a net loss of $18.1 million, or $(0.26) per share (diluted), compared to a net income of $0.7 million, or $0.01 per share (diluted) for the same period last year. The decrease was mainly attributable to the non-recurring CRTC Tangible benefits expense of $25.3 million related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results.

Adjusted net income was $12.4 million, or $0.18 per share (diluted), compared to $6.0 million, or $0.11 per share (diluted) a year ago, as higher operating results were partially offset by higher interest expenses.

Cash flow generated from operating activities increased to $9.2 million in the third quarter of 2019 from $6.6 million a year earlier. Adjusted free cash flow increased to $16.0 million, from $8.0 million for the same period a year ago. The increase was mainly related to higher operating results offset by higher interest paid.

As of December 31, 2018, the Corporation had cash and cash equivalents of $5.1 million, a subordinated debt of $49.5 million and credit facilities of $450 million, of which approximately $135.5 million was unused.

Nine Months Results

Revenues for the first nine months of Fiscal 2019 increased 45.8% to $139.9 million compared to $96.0 million a year ago. The increase in revenues was primarily due to the acquisition of NCC, combined with the acquisition of Qello Concerts and DJ Matic and organic growth in B2C apps and SVOD.

Adjusted EBITDA increased 67.4% to $49.8 million from $29.8 million for the same period last year. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC and other acquisitions realized in Fiscal 2019 and 2018, and to the organic growth of B2C apps and SVOD.

Adjusted Net income for the first nine months of Fiscal 2019 increased 46.0% to $25.0 million, or $0.40 per share (diluted), compared to $17.1 million, or $0.32 per share (diluted) a year ago.

Declaration of Dividend

On February 6, 2019, the Corporation declared a dividend of $0.065, representing an increase of 8.3% per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2019 to shareholders on record as of February 28, 2019.

The Corporation’s dividend policy is at the discretion of the Board of Directors and may vary depending upon, among other things, our available cash flow, results of operations, financial condition, business growth opportunities and other factors that the Board of Directors may deem relevant.

The dividends paid are designated as "eligible" dividends for the purposes of the Income Tax Act (Canada) and any corresponding provisions of provincial and territorial tax legislation.

Additional Business Highlights

On February 6, 2019, John R. Steele was appointed to the Corporation’s Board of Directors in replacement of David Purdy who has resigned as a director of the Corporation. Mr. Purdy remains Chief Revenue Officer of the Corporation. Mr. Steele is President of Steele Hotels Limited which operates six (6) locations throughout Newfoundland and Labrador. Until its acquisition by the Corporation in late October 2018, Mr. Steele had been with NCC and its subsidiary Newcap Inc. since March 1988 and held several positions within NCC, lastly holding the title of President of its Newfoundland and Labrador operations. He was also a member of the Board of Directors of NCC. During the third quarter an additional change was made to the executive team, as Marie Ginette Lepage will no longer serve as an executive of the Corporation.

On January 8, 2019, the Corporation announced that the first two weeks (December 17 – 30, 2018) of Numeris measurement for the Stingray Music audio channels on television revealed impressive listenership results; Stingray Music reached over 15 million Canadians aged 2+ (41.4% of Canadians) and 41.6% of aged 25-54 (6.3 million); Stingray Music's English-language holiday programming channel alone reached over 7.2 million Canadians aged 2+; Stingray Music's French-language holiday programming channel alone reached over 1.9 million Canadians aged 2+ and Stingray Music represented 14.2% of audio market share with the aged 2+ demographic and 12.8% of the audio market share for the aged 25-54 demographic as measured by Numeris.

On January 7, 2019, the Corporation announced that its wholly-owned subsidiary, Stingray Radio Inc., had entered into an agreement to acquire the assets of CHOO-FM in Drumheller, Alberta, from Golden West Broadcasting Ltd. subject to approval from the Canadian Radio-television and Telecommunications Commission ("CRTC"). If approved, the closing is expected to take place mid-2019. On December 15, 2018, Newfoundland Capital Corporation Limited ("NCC")'s official name changed to Stingray Radio Inc.

On January 2, 2019, the Corporation announced that its previously-announced endeavors to acquire Music Choice had been terminated.

On December 31, 2018, the Corporation signaled further expansion in the United States with the signature of a distribution agreement with Altice USA (NYSE: ATUS), one of the largest broadband communications and video services providers in the United States, bringing 50 Stingray Music audio channels and hundreds of music videos from Stingray's On-Demand catalog to Altice USA's millions of Optimum and Suddenlink subscribers. Under the terms of the deal, Stingray Music and Stingray Music Videos will be included on Altice USA's Optimum and Suddenlink lineups. The deal also provides Altice USA with rights for other popular Stingray products, such as linear music video channels, subscription Video-On-Demand products, and TV apps.

On December 13, 2018, the Corporation launched Piano Academy, an innovative mobile app designed to teach anyone how to play the piano.

On December 5, 2018, the Corporation announced that Stingray Qello, a service that transforms any screen into a live concert experience, had signed a licensing agreement with The Orchard, a pioneering music, film and video distribution company operating in more than 40 global markets. Under this agreement, Stingray Qello will be granted the license to 108 sought-after concerts by artists represented by The Orchard such as Adele, Amy Winehouse, David Bowie, Jason Aldean, Dr. Dre, and Eminem. Additional shows will be added over the term of the agreement.

On December 3, 2018, the Corporation announced that its official name change from Stingray Digital Group Inc. to Stingray Group Inc. had been finalized.

On November 5, 2018, the Corporation announced that it had entered into a subscription agreement with Irving West, Limited (the "Investor") pursuant to which the Investor agreed to purchase an aggregate of 2,429,544 subordinate voting shares (the "Private Placement Shares") at a price of $10.29 per subordinate voting share for total gross proceeds of $25.0 million.

Conference Call

The Corporation will hold a conference call to discuss these results on Thursday, February 7, 2019, at 10:00 AM (ET). Interested parties can join the call by dialing 647-788-4922 (Toronto) or 1-877-223-4471 (toll free). If you are unable to call at this time, you may access a tape recording of the conference call by dialing 416-621-4642 (Toronto) or 1-800-585-8367 (toll free) followed by access code: 5759425. This tape recording will be available until March 6, 2019.

About Stingray
Montreal-based Stingray Group is a leading music, media and technology company with over 1,200 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B (business to business) services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, karaoke products, digital signage, in-store music and music apps, which have been downloaded over 101 million times. Stingray reaches 400 million subscribers (or users) in 156 countries.

Forward-Looking Information
This news release contains forward-looking information within the meaning of applicable Canadian securities law. Such forward-looking information includes, but is not limited to, information with respect to Stingray's goals, beliefs, plans, expectations, anticipations, estimates and intentions. Forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", and "continue", or the negative of these terms and similar terminology, including references to assumptions. Please note, however, that not all forward-looking information contains these terms and phrases. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Stingray's control. These risks and uncertainties could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors identified in Stingray's Annual Information Form for the year ended March 31, 2018, which is available on SEDAR at www.sedar.com. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that Stingray anticipates will be realized or, even if substantially realized, that they will have the expected consequences or effects on Stingray's business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and Stingray does not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Non-IFRS Measures
The Corporation believes that Adjusted EBITDA and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted net income and Adjusted net income per share are important measures as it demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation’s statement of financial position. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS.

Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

Adjusted EBITDA and Adjusted Net income reconciliation to Net income

(in thousands of Canadian dollars)	3 months Dec. 31, 2018 **Q3 2019**	 Dec. 31, 2017 **Q3 2018**	9 months Dec. 31, 2018 **YTD 2019**	 Dec. 31, 2017 **YTD 2018**
Net income (loss)	**(18,053)**	**737**	**(15,930)**	**(2,378)**
Net finance expense (income)	7,208	1,746	10,039	3,552
Change in fair value of investments	(840)	(110)	(901)	1,021
Income taxes	(6,117)	849	(5,061)	372
Depreciation and write-off of property and equipment	2,469	704	4,912	2,043
Amortization of intangible assets	6,401	4,582	16,243	13,631
Share-based compensation	263	346	796	852
Restricted, performance and deferred share unit expense	(147)	422	738	1,444
CRTC Tangible benefits	25,306	-	25,306	-
Acquisition, legal, restructuring and integration expenses	10,729	1,875	13,685	9,235
Adjusted EBITDA	**27,219**	**11,151**	**49,827**	**29,772**
Net finance expense (income)	(7,208)	(1,746)	(10,039)	(3,552)
Income taxes	6,117	(849)	5,061	(372)
Depreciation of property and equipment and write-off	(2,469)	(704)	(4,912)	(2,043)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits and acquisition, legal, restructuring and integration expenses.	(11,263)	(1,836)	(14,935)	(6,679)
Adjusted Net income	**12,396**	**6,016**	**25,002**	**17,126**

Adjusted free cash flow reconciliation to Cash flow from operating activities

(in thousands of Canadian dollars)	3 months Dec. 31, 2018 **Q3 2019**	 Dec. 31, 2017 **Q3 2018**	9 months Dec. 31, 2018 **YTD 2019**	 Dec. 31, 2017 **YTD 2018**
Cash flow from operating activities	**9,160**	**6,589**	**21,442**	**8,710**
Add / Less :				
Acquisition of property and equipment	(1,972)	(2,188)	(5,688)	(3,700)
Acquisition of intangible assets other than internally developed intangible assets	(1,272)	(593)	(3,002)	(1,997)
Addition to internally developed intangible assets	(1,827)	(847)	(4,422)	(847)
Net change in non-cash operating working capital items	1,180	3,186	5,629	10,714
Acquisition, legal, restructuring and integration expenses	10,729	1,875	13,685	9,235
Adjusted free cash flow	**15,998**	**8,022**	**27,644**	**22,115**

Note to readers: Condensed interim consolidated financial statements and Management's Discussion & Analysis of Operating Results and Financial Position are available on the Corporation's website at www.stingray.com and on SEDAR at www.sedar.com.

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