STINGRAY

NEWS RELEASE

Stingray Reports Third Quarter 2017 Results

Recurring Revenues Increased by 11.4% to $21.9 million
Quarterly Dividend Increased by 12.5% to $0.045 per share

Third Quarter Highlights

- **Revenues increased 12.3% to $25.9 million**
- **Recurring revenues of $21.9 million or 84.6% of total revenues, an increase of 11.4%**
- **Adjusted EBITDA(1) increased 8.8% to $8.7 million**
- **Cash flow from operating activities was $5.6 million compared to $6.2 million last year**
- **Adjusted free cash flow(3) of $6.9 million, an increase of 14.7%**
- **Net income of $2.7 million or $0.05 per share (diluted) compared to $3.2 million or $0.06 per share (diluted) last year**
- **Adjusted Net income(2) of $6.2 million or $0.12 per share (diluted), the same as last year**
- **Increased quarterly dividend by 12.5% to $0.045 per share**

Montreal, February 2, 2017 – Stingray Digital Group Inc. (TSX: RAY.A; RAY.B) (the "Corporation"; "Stingray"), a leading business-to-business multi-platform music and in-store media solutions provider, today announced its financial results for the third quarter ended December 31, 2016.

Financial Highlights (in thousands of dollars, except per share data)	**Three months ended December 31**			**Nine months ended December 31**		
	2016	2015	%	**2016**	2015	%
Revenues	**25,925**	23,089	12.3	**74,999**	64,286	16.7
Recurring revenues	**21,944**	19,699	11.4	**64,929**	55,852	16.3
Adjusted EBITDA(1)	**8,717**	8,009	8.8	**24,818**	22,785	8.9
Net income	**2,660**	3,169	(16.1)	**6,109**	10,634	(42.6)
Per share – diluted ($)	**0.05**	0.06	(16.7)	**0.12**	0.23	(47.8)
Adjusted Net income(2)	**6,164**	6,194	-	**16,775**	17,175	(2.3)
Per share – diluted ($)	**0.12**	0.12	-	**0.33**	0.36	(8.3)
Cash flow from operating activities	**5,598**	6,215	(9.9)	**11,940**	11,259	6.0
Adjusted free cash flow(3)	**6,938**	6,047	14.7	**17,987**	17,714	1.5

(1) Adjusted EBITDA is a non-IFRS measure and is defined as net income before net finance expenses, change in fair value of investments, income taxes, depreciation, amortization and write-off, share-based compensation, restricted and deferred share unit expenses, initial public offering ("IPO") expenses and CRTC tangible benefits and acquisition, restructuring and other various costs. See Non-IFRS Measures below.

(2) 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 investment, IPO expenses and CRTC tangible benefits, acquisition, restructuring and other various costs, net of related income taxes. See Non-IFRS Measures below.

(3) Adjusted free cash flow is a non-IFRS measure and is defined as cash flow from operating activities less capital expenditures for property and equipment and separately acquired intangible assets, net change in non-cash working capital items, IPO expenses and CRTC tangible benefits and acquisition, restructuring and other various costs, net of related income taxes. See Non-IFRS Measures below.

"We are very pleased with our third quarter results, which were in line with our expectations for the quarter and also our scenario for the fiscal year. Revenues and Adjusted EBITDA respectively increased by 12.3% and 8.8% while the Adjusted EBITDA margin reached 33.6%," said Eric Boyko, President, CEO and co-founder of Stingray.

"The increase in revenues for the third quarter mainly derived from International markets due primarily to acquisitions combined with growth for Music Videos on Demand ("MVOD") in the U.S. Consequently, international revenue increased by 27.8% to reach 46.0% of total revenue.

“With the recent acquisition of Classica, an international premium pay TV channel, we have consolidated and reinforced our position as the leading provider of classical concerts, music and video, a coveted niche market popular with a more upscale audience. At the same time, the rebranded Stingray Music service resonates with a growing base of younger subscribers. In 2015, the proportion of listeners aged between 18-34 reached 36% and that number has continued to grow with the popular Stingray Music mobile app and the recently launched Stingray Music online music player. Both apps comprise a selection of 2,000 Vibes channels in over 100 genres, and are available for free to everyone with a subscription to a provider that carries Stingray Music.

“As we indicated, we expect to finish Fiscal 2017 on a high note and for the Adjusted EBITDA margin to reach 35% in the fourth quarter as we realize anticipated acquisition synergies,” concluded Mr. Boyko.

Third Quarter Results

The Corporation generated revenues of $25.9 million in the third quarter of Fiscal 2017, an increase of 12.3% compared with revenues of $23.1 million a year ago. The increase was primarily due to the acquisitions of iConcerts, Digital Media Distribution (“DMD”) and Much Channels combined with growth for Music Videos on Demand (“MVOD”) in the U.S.

Recurring revenues were up 11.4% to $21.9 million over the same period last year and remained at 84.6% of total revenues for the quarter. International revenues again posted continue solid growth and represented 46.0% of total revenues, up from 40.4% last year.

Music Broadcasting revenues increased 13.4% to $19.3 million, mainly due to the acquisitions of iConcerts, DMD and Much Channels, and the new MVOD contract signed in the U.S. Commercial Music revenues rose 9.1% to $6.6 million, mainly as a result of organic growth in music and digital signage recurring revenues and the acquisition of Nümédia in Canada.

Adjusted EBITDA increased to $8.7 million or 33.6% of revenues, compared to $8.0 million or 34.7% of revenues a year earlier. The 8.8% increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2016 and 2017, partially offset by higher operating expenses related to international expansion. The decrease in EBITDA margin was mainly related to recent acquisitions from which future synergies are expected.

For the third quarter, the Corporation reported a net income of $2.7 million, or $0.05 per share (diluted), compared to $3.2 million, or $0.06 per share (diluted) for the same period last year. The decrease was mainly attributable to the change in fair value of contingent considerations that occurred in Q3 2016, and increased general and administrative expenses related to legal fees, partially offset by higher operational results, a gain on foreign exchange and lower acquisitions costs.

Adjusted Net income remained the same at $6.2 million, or $0.12 per share (diluted). However, the net result reflects a higher Adjusted EBITDA combined with a gain on foreign exchange offset by a lower change in fair value of contingent considerations, and slightly higher income taxes expenses.

Cash flow generated from operating activities amounted to $5.6 million for Q3 2017 compared to $6.2 million for Q3 2016. The decrease was mainly due to the negative net change in non-cash working capital items associated with higher account payables and accrued liabilities paid in Q3 2017 partially offset by higher trade and other receivables collected and higher foreign exchange gain. Adjusted free cash increased to $6.9 million, compared to $6.0 million for the same period a year ago. The increase was mainly related to higher adjusted EBITDA, foreign exchange gain, lower income tax paid, partially offset by higher capital expenditures.

As of December 31, 2016, the Corporation had cash and cash equivalents of $3.0 million and a revolving credit facility of $100.0 million, of which approximately $53.7 million was unused, allowing it to pursue strategic acquisitions and achieve its growth objectives.

Nine Months Results
Revenues for the first nine months of Fiscal 2017 increased 16.7% to $75.0 million compared to $64.3 million a year ago. The increase in revenues was primarily due to acquisitions combined with significant growth in international markets and the launch of new products.

Adjusted EBITDA increased 8.9% to $24.8 million from $22.8 million for the same period last year. The increase was primarily due to the acquisitions realized in Fiscal 2016 and 2017 partially offset by higher general and administrative expenses.

Adjusted Net income for the first nine months of Fiscal 2017 decreased 2.3% to $16.8 million, or $0.33 per share (diluted), compared to $17.2 million, or $0.36 per share (diluted) a year ago.

Declaration of Dividend
On February 1, 2017, the Corporation increased the quarterly dividend by 13% to $0.045 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2017, to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of February 28, 2017.

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 October 14, 2016, the Corporation announced the acquisition of hundreds of exclusive concerts and documentaries from Berlin-based EuroArts Music International GmbH (EuroArts), a producer and distributor of classical music film productions, for a total consideration of EUR 1.2 million (CA$1.8 million). EuroArts will continue to distribute the acquired programs and will maintain its distribution, acquisition and production businesses.

In December 2016, the Corporation rolled out a new look, campaign and website for the Stingray Music brand. As the Corporation Music's subscriber base grows and gets younger, the proportion of listeners aged 18-34 reached 36% in 2015 – the overall branding was rethought to resonate with a new audience. The Corporation also launched the Stingray Music online music player; available free to everyone with a subscription to a provider that carries Stingray Music. A complement to the popular Stingray Music mobile app, the music player offers unlimited ad-free streaming of the same channel lineup offered on television. In addition, Stingray Music online also streams a selection of 2,000 Vibes channels in over 100 genres.

On January 3, 2017, the Corporation signed an agreement with UNITEL GmbH & Co. KG, a leading producer and distributor of classical music for audio-visual media, to acquire, operate, and distribute its international, premium pay TV channel, Classica, for a total consideration of EUR 7.2 million (CA$10.2 million). Together, UNITEL and the Corporation will help the greatest operas and orchestras reach audiences of all ages worldwide. UNITEL will continue to produce and deliver the programming for Classica, while Stingray will have unfettered and privileged access to UNITEL's exclusive catalogue of more than 1,500 titles and 2,000 hours of premium content produced and owned by UNITEL.

During Q3 2017, the Corporation signed new contracts with Telus Retail Ltd., Popeyes and Lindt & Sprungli (Canada) Inc. The Corporation also extended its existing contract with LCBO.

Conference Call
The Corporation will hold a conference call to discuss these results on Thursday, February 2, 2017, 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: 49622331. This tape recording will be available until midnight, March 2, 2017.

About Stingray
Stingray (TSX:RAY.A)(TSX:RAY.B) is a leading business-to-business multi-platform music and in-store media solutions provider operating on a global scale, reaching an estimated 400 million Pay-TV subscribers (or households) in 152 countries. Geared towards individuals and businesses alike, Stingray's products include the following leading digital music and video services: Stingray Music, Stingray Concerts, Stingray iConcerts, Stingray Brava, Stingray DJAZZ, Stingray Music Videos, Stingray Lite TV, Stingray Ambiance, Stingray Karaoke, Festival 4K, and Classica. Stingray also offers various business solutions, including music and digital display-based solutions, through its Stingray Business division. Stingray is headquartered in Montreal and currently has close to 300 employees worldwide, including in the United States, the United Kingdom, the Netherlands, Israel, Australia and South Korea. Stingray was recognized in 2013 and 2014 as a finalist in the Top 50 of Deloitte's Technology Fast 50™ list, and figures amongst PROFIT magazine's fastest-growing Canadian companies. In 2016, Stingray was awarded best IR for an IPO at the IR Magazine Awards - Canada. For more information, please visit www.stingray.com

Forward-Looking Information
This news release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Such forward-looking information includes 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 prospectus dated May 26, 2015, 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 including and excluding contingent considerations 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.

The following tables show the reconciliation of Net income to Adjusted EBITDA:

(in thousands of Canadian dollars)	Three-month periods ended		Nine-month periods ended	
	Dec.31, 2016 **Q3 2017**	Dec.31, 2015 **Q3 2016**	Dec.31, 2016 **YTD 2017**	Dec.31, 2015 **YTD 2016**
Net income	**2,660**	**3,169**	**6,109**	**10,634**
Net finance expenses	9	(810)	1,030	(1,254)
Change in fair value of investment	(583)	(646)	(742)	(8,458)
Income taxes	706	920	1,605	1,703
Depreciation of property and equipment and write-off	574	609	1,694	1,552
Amortization of intangibles	3,686	3,443	10,855	10,258
Stock-based compensation(1)	372	369	960	961
Restricted share unit and deferred share unit	550	227	1,320	644
IPO expenses and CRTC tangible benefits	–	–	–	5,800
Acquisition, legal fees, restructuring and other various costs	743	728	1,987	945
Adjusted EBITDA	**8,717**	**8,009**	**24,818**	**22,785**
Net finance expenses	(9)	810	(1,030)	1,254
Income taxes	(706)	(920)	(1,605)	(1,703)
Depreciation of property and equipment and write-off	(574)	(609)	(1,694)	(1,552)
Income taxes related to change in fair value of investment, share-based compensation, amortization of intangible assets, IPO expenses and CRTC tangible benefits and acquisition, legal fees, restructuring and other various costs	(1,264)	(1,096)	(3,714)	(3,609)
Adjusted Net income	**6,164**	**6,194**	**16,775**	**17,175**

Note (1) Stock-based compensation includes related employee benefits

The following table shows the reconciliation of Cash flow from operating activities to Adjusted free cash flow:

(in thousands of Canadian dollars)	Three-month periods ended		Nine-month periods ended	
	Dec. 31, 2016 **Q3 2017**	Dec. 31, 2015 **Q3 2016**	Dec. 31, 2016 **YTD 2017**	Dec. 31, 2015 **YTD 2016**
Cash flow from operating activities	**5,598**	**6,215**	**11,940**	**11,259**
Add / Less :				
Acquisition of property and equipment and intangible assets	(1,208)	(717)	(2,711)	(2,329)
Net change in non-cash operating working capital items	2,005	17	7,304	2,294
Acquisition, legal fees, restructuring and other various costs, net of current income taxes	543	532	1,454	690
IPO expenses and CRTC tangible benefits	–	–	–	5,800
Adjusted free cash flow	**6,938**	**6,047**	**17,987**	**17,714**

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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