STINGRAY

NEWS RELEASE

Stingray Reports Second Quarter 2022 Results

Second Quarter Highlights

- **Revenues increased 11.1% to $71.4 million from $64.3 million, reflecting the gradual easing of COVID-19 restrictions, the progressive return to normal commercial operations, and an increase in advertising revenues**
- **Organic growth reached 2.5% year-over-year in Broadcast and Recurring Commercial Music revenues(1), including 13.5% in the United States**
- **Adjusted EBITDA(2) decreased 17.9% to $25.6 million from $31.2 million**
- **Cash flow from operating activities decreased 19.6% to $20.4 million compared to $25.4 million**
- **Adjusted free cash flow(4) decreased 32.8% to $15.4 million, or $0.21 per share, compared to $22.9 million or $0.31 per share**
- **Net debt to Pro Forma Adjusted EBITDA(5) ratio of 3.02x**
- **455,000 shares repurchased and cancelled during the quarter for a total of $3.4 million**
- **611,000 streaming subscribers, up 27% over Q2 2021**

Montreal, November 9, 2021 – Stingray Group Inc. (TSX: RAY.A; RAY.B) (the "Corporation"; "Stingray"), a leading distributor of audio and video music brands in the world, today announced its financial results for the second quarter of Fiscal 2022, ended September 30, 2021.

Financial Highlights (in thousands of dollars, except per share data)	**Three months ended September 30**		
	Q2-2022	**Q2-2021**	%
Revenues	**71,429**	**64,294**	11.1
Adjusted EBITDA(2)	**25,587**	**31,156**	(17.9)
Net income	**12,075**	**11,888**	1.6
Per share – diluted ($)	**0.17**	**0.16**	6.3
Adjusted Net income(3)	**16,323**	**16,311**	0.1
Per share – diluted ($)(3)	**0.23**	**0.22**	4.5
Cash flow from operating activities	**20,437**	**25,406**	(19.6)
Adjusted free cash flow(4)	**15,362**	**22,861**	(32.8)

(1) Recurring 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 and excludes credits to clients related to the COVID-19 pandemic. Non-recurring revenues mainly include advertising, support, installation, equipment, one-time fees and discontinued operations

(2) Adjusted EBITDA is a non-IFRS measure and is defined as net income (loss) before net finance expense (income), change in fair value of investments, income taxes, depreciation and write-off of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, share-based compensation, performance and deferred share unit expense, and acquisition, legal, restructuring and other expenses (income).

(3) Adjusted Net income is a non-IFRS measure and is defined as net income before change in fair value of investments, mark-to-market losses (gains) on derivative instruments, amortization of intangible assets, share-based compensation, performance and deferred share unit expense, and acquisition, legal, restructuring and other expenses (income), 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, interest paid and repayment of lease liabilities, plus acquisition, legal, restructuring and other expenses (income), and adjusted for unrealized gain or loss on foreign exchange and for the net change in non-cash working capital items.

(5) Pro Forma Adjusted EBITDA is calculated as the Corporation's last twelve months Adjusted EBITDA, plus synergies and pro forma Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results

Reporting on Q2 results, Stingray's President, co-founder and CEO Eric Boyko was very pleased, stating: “Revenue growth for the quarter was 11.1% year-over-year with a further recovery in Radio and rapid growth in advertising, partially offset by FX. Overall organic growth reached 2.5%, led by the U.S. growing at 13.5%. The decrease year-over-year in Adjusted EBITDA was mainly due to lower cost savings and Canada Emergency Wage Subsidies, in addition to increased investments this year to pursue growth.”

“Broadcasting and Commercial Music revenues were essentially flat at $39.1 million, with the increase in advertising revenues being offset by foreign exchange headwinds. Adjusted EBITDA for this segment decreased by 23.1% to $14.5 million from $18.9 million due to the higher cost savings and wage subsidies obtained last year compared to more typical expense levels this quarter, having regard for substantial investments made to expand our Stingray Business in the US, grow advertising revenues and build Chatter Research’s international customer base.”

“Radio revenues improved 28.6% year-over-year to $32.3 million as the Canadian economy reopened during the quarter at varying degrees provincially. Although the business is now approaching pre-pandemic levels, global supply-chain issues are impacting some of our largest advertisers like car dealers, who have no or little inventory available. Adjusted EBITDA for this business decreased 4.5% to $12.5 million from $13.1 million largely due to the temporary measures we had benefited from last year. However, our operating cost base remains well below pre-pandemic levels and offers significant leverage going forward with a return to higher sales volumes.”

“In Q2, the number of subscribers continued to rise reaching 611,000, an increase of 27% over the same period last year and 7% sequentially. Subscriber growth, combined with enhanced advertising revenues, have supported a robust organic increase of 12.6% in the U.S. for the first half of fiscal 2022.”

“From a capital allocation standpoint, we recently increased our credit facilities up to $575 million and extended their maturity dates. This should provide increased operational flexibility and added capital to pursue our strategic acquisition growth strategy. Similar to the recent Calm Radio acquisition, we are looking for content that can be leveraged across our multiple platforms,” concluded Mr. Boyko.

Second Quarter Results

Revenues in Q2 2022 rose $7.1 million or 11.1% to $71.4 million, from $64.3 million for Q2 2021. The increase was primarily due to the gradual easing of COVID-19 restrictions, the progressive return to normal commercial operations and to an increase in advertising revenues, partially offset by a negative foreign exchange rate impact.

For the quarter, revenues in Canada increased $7.0 million or 17.6% to $46.7 million, from $39.7 million for Q2 2021. The growth mainly reflects the gradual easing of COVID-19 restrictions and the progressive return to normal commercial operations. Revenues in the United States rose $1.4 million or 13.8% to $11.5 million. The increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and to an increase in subscription revenues, partially offset by a negative foreign exchange rate impact. Revenues in Other countries in Q2 2022 decreased $1.3 million or 8.6% to $13.2 million, from $14.5 million for Q2 2021, with the variation essentially attributable to a decrease in subscription revenues.

Total Broadcasting and Commercial Music revenues decreased $0.1 million or 0.1% to $39.1 million, from $39.2 million for Q2 2021. The decrease primarily resulted from a negative foreign exchange rate impact, largely offset by an increase in advertising revenue. Radio revenues grew by $7.2 million or 28.6% to $32.3 million in Q2 2022, up from $25.1 million in Q2 2021. This increase was mainly due to the gradual easing of COVID-19 restrictions and the progressive return to normal commercial operations.

Adjusted EBITDA[(2)] in Q2 2022 amounted to $25.6 million versus $31.2 million in Q2 2021. Adjusted EBITDA[(2)] margin for Q2 2022 was 35.8% compared to 48.5% for Q2 2021. The reduction in Adjusted EBITDA[(2)] was primarily due to lower CEWS and higher operating costs, partially offset by higher revenues, caused by the gradual reopening of economies and slow return to normal operations.

Net income in Q2 2022 was $12.1 million ($0.17 per share) compared to $11.9 million ($0.16 per share) for Q2 2021. The increase was mainly related to a decrease in the fair value of contingent consideration and lower income tax expense, partially offset by lower operating results.

Adjusted Net income[(3)] in Q2 2022 was $16.3 million ($0.23 per share), compared to $16.3 million ($0.22 per share) for Q2 2021. The nil variance was primarily due to a decrease in the fair value of contingent consideration, offset by lower operating results.

Cash flow generated from operating activities amounted to $20.4 million in Q2 2022 compared to $25.4 million for Q2 2021. The decrease was mainly due to lower operating results and an unrealized loss on foreign exchange, partially offset by the lower negative change in non-cash operating items. Adjusted free cash flow[(4)] generated in Q2 2022 reached $15.4 million compared to $22.9 million for Q2 2021. The variation was mainly related to lower operating results and higher capital expenditures.

As of September 30, 2021, the Corporation had cash and cash equivalents of $8.5 million, a subordinated debt of $31.8 million and credit facilities of $313.2 million, of which approximately $78.2 million was available. The Net Debt to Pro Forma Adjusted EBITDA[(5)] ratio stood at 3.02x as of September 30, 2021 compared to 2.81x as of March 31, 2021.

Declaration of Dividend

On November 9, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 15, 2021 to shareholders on record as of November 30, 2021.

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 and Subsequent Events

On October 19, 2021, the Corporation announced that it had successfully completed the increase and extension of its existing credit facilities, providing additional liquidity for operations and M&A activities. The $442.5 million credit facilities consist of a $375 million revolving credit facility and a $67.5 million term loan, both maturing in October 2026. The renewed terms include incremental commitments up to $100 million upon request, subject to predetermined conditions. The pre-existing sub debt of $32 million maturing in October 2023 combined with the credit facilities described above accounts for total flexibility of up to $575 million.

On September 23, 2021, the Corporation announced that the Toronto Stock Exchange had approved the renewal of its normal course issuer bid, authorizing Stingray to repurchase up to an aggregate 3,222,901 subordinate voting shares and variable subordinate voting shares (collectively, "Subordinate Shares"), representing approximately 10% of the public float of Subordinate Shares as at September 13, 2021. During Q2 2022, the Corporation has repurchased and cancelled 455,000 shares for a total of $3.4 million.

On August 17, 2021, the Corporation announced its global expansion and launched its first bundle with Amazon's Prime Video Channels Canada, Mexico and Brazil. Starting today, Prime members now have access to the Stingray All Good Vibes subscription which includes Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, and Stingray Naturescape. The launch showcases the quality and diversity of Stingray's growing product portfolio and its strength in reaching new audiences.

On August 11, 2021, the Corporation announced that it had acquired a minority interest in its long-standing business partner, The Singing Machine Company, Inc., widely recognized as the worldwide leader in consumer karaoke products. With the consummation of this transaction, Stingray emerges as the dominant provider of karaoke solutions.

On August 3, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend has been paid on September 15, 2021 to shareholders on record as of August 31, 2021.

On July 5, 2021, the Corporation announced that it had acquired Calm Radio, the world's largest online music streaming service focused on the wellness and relaxation markets. With this acquisition, Stingray grows its portfolio of curated music content, significantly increases its subscriber base and dives into the health and wellness industry.

Conference Call

The Corporation will hold a conference call to discuss these results on Wednesday, November 10, 2021, at 10:00 AM (ET). Interested parties can join the call by dialing 647-788-4922 (Toronto) or 1-877-223-4471 (toll free). A rebroadcast of the conference call will be available until midnight, December 22, 2021, by dialing (800) 585-8367 or (416) 621-4642 and entering passcode 5799322.

About Stingray

Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) is a leading music, media, and technology company with over 1,000 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, FAST channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 160 million times. Stingray reaches 400 million subscribers (or users) in 160 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, 2021, 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 shows stable results from its operation which allows users of the financial statements to better assess the trend in the profitability of the business. The Corporation believes that Adjusted free cash flow and Adjusted free cash flow per share are important measures 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 Pro Forma Adjusted EBITDA are important to analyse the company's debt repayment capacity on an annualized basis, taking into consideration the annualized adjusted EBITDA of acquisitions made during the last twelve months. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards (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

	3 months		
(in thousands of Canadian dollars)	Sept. 30, 2021 **Q2 2022**	Sept 30, 2020 **Q2 2021**	June 30, 2021 **Q1 2022**
Net income	**12,075**	**11,888**	**4,200**
Net finance expense (income)	(364)	2,774	5,253
Change in fair value of investments	(13)	461	–
Income taxes	2,874	4,654	1,833
Depreciation and write-off of property and equipment	2,446	2,976	2,524
Depreciation of right-of-use assets	1,298	1,413	1,296
Amortization of intangible assets	4,927	5,188	5,627
Share-based compensation	196	219	164
Performance and deferred share unit expense	1,300	1,312	2,090
Acquisition, legal, restructuring and other expenses (income)	848	271	1,168
Adjusted EBITDA	**25,587**	**31,156**	**24,155**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(1,153)	(4,340)	(4,735)
Income taxes	(2,874)	(4,654)	(1,833)
Depreciation of property and equipment and write-off	(2,446)	(2,976)	(2,524)
Depreciation of right-of-use assets	(1,298)	(1,413)	(1,296)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(1,493)	(1,462)	(2,529)
Adjusted Net income	**16,323**	**16,311**	**11,238**

Adjusted free cash flow reconciliation to Cash flow from operating activities

	3 months		
(in thousands of Canadian dollars)	Sept. 30, 2021 **Q2 2022**	Sept. 30, 2020 **Q2 2021**	June 30, 2021 **Q1 2022**
Cash flow from operating activities	**20,437**	**25,406**	**16,337**
Add / Less :			
Acquisition of property and equipment	(2,360)	(1,209)	(2,077)
Acquisition of intangible assets other than internally developed intangible assets	(305)	(212)	(198)
Addition to internally developed intangible assets	(2,050)	(1,671)	(2,153)
Interest paid	(3,234)	(2,912)	(3,891)
Repayment of lease liabilities	(1,526)	(1,443)	(1,085)
Net change in non-cash operating working capital items	2,323	6,530	6,805
Unrealized loss (gains) on foreign exchange	1,229	(1,899)	101
Acquisition, legal, restructuring and other expenses (income)	848	271	1,168
Adjusted free cash flow	**15,362**	**22,861**	**15,007**

Pro Forma Adjusted EBITDA reconciliation

(in thousands of Canadian dollars)	**September 30, 2021**	**March 31, 2021**
Last Twelve Months (LTM) Adjusted EBITDA	107,373	114,268
Synergies and Adjusted EBITDA(2) for the months prior to the business acquisitions and to investments in associates which are not already reflected in the results	1,428	190
COVID-19 mandated store closures required anticipated rollouts and deployments to be deferred	2,492	1,825
Pro Forma Adjusted EBITDA	**111,293**	**116,283**
Net debt to Pro Forma Adjusted EBITDA	**3.02**	**2.81**

Note to readers: Annual 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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