STINGRAY

NEWS RELEASE

Stingray Reports Third Quarter 2021 Results

Third Quarter Highlights

- **Revenues decreased 10.8% to $72.6 million from $81.3 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues**
- **Broadcasting and Commercial Music revenues increased 0.7% and Radio revenues decreased 21.8%, beating the Canadian Radio market in most comparable measures**
- **Marked organic growth of 6.3% in Broadcast and Recurring Commercial Music revenues[(1)] excluding the impact of foreign exchange and impressive organic growth of 13.7% in the United States**
- **Operating expenses materially decreased by 20.7% to $40.6 million from $51.2 million**
- **Adjusted EBITDA[(2)] increased 9.5% to $34.0 million from $31.0 million**
- **Cash flow from operating activities decreased 43.4% to $16.3 million compared to $28.8 million**
- **Adjusted free cash flow[(3)] decreased 6.6% to $19.6 million, or $0.27 per share, compared to $21.0 million or $0.28 per share**
- **Net debt to Pro Forma Adjusted EBITDA[(2)(4)] ratio of 2.65x**
- **515,000 streaming subscribers, increased appreciably by 31.4% over last year.**

Montreal, February 3, 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 third quarter of Fiscal 2021.

Financial Highlights (in thousands of dollars, except per share data)	**Three months ended December 31**			**Nine months ended December 31**		
	2021	2020	%	**2021**	2020	%
Revenues	**72,565**	81,313	(10.8)	**189,152**	238,323	(20.6)
Adjusted EBITDA[(2)]	**33,993**	31,033	9.5	**90,630**	89,869	0.8
Net income	**14,118**	8,089	74.5	**33,027**	22,456	47.1
Per share – diluted ($)	**0.19**	0.11	72.7	**0.45**	0.29	55.2
Adjusted Net income[(5)]	**21,054**	16,710	26.0	**50,874**	45,813	11.0
Per share – diluted ($)[(5)]	**0.29**	0.22	31.8	**0.69**	0.60	15.0
Cash flow from operating activities	**16,333**	28,833	(43.4)	**79,732**	74,083	7.6
Adjusted free cash flow[(3)]	**19,645**	21,033	(6.6)	**60,551**	60,376	0.3

(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 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, 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.

(3) Adjusted free cash flow is a non-IFRS measure and is defined as cash flow from operating activities less capital expenditures, interests paid and repayment of lease liabilities, plus acquisition, legal, restructuring and other expenses, and adjusted for unrealized gain or loss on foreign exchange and for the net change in non-cash working capital items.

(4) 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

(5) 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, net of related income taxes.

Reporting on third quarter performance, Stingray's President, co-founder and CEO Eric Boyko was quite upbeat, stating: "We remained highly active during this period marked by the divestiture of a non-core investment yielding proceeds of $18.9 million, the launch of a premium SVOD channel with 7 additional partners worldwide, the introduction of FAST channels with 11 partners delivering a potential audience of 200 million, and the successful extension and increase of our credit facilities up to $560 million. Despite a 10.8% decrease in revenues, we posted a 9.5% increase in Adjusted EBITDA to an unprecedented $34 million. In short, performance for the quarter was solid.

"During this same period, Broadcasting and Commercial Music revenues rose by 0.7% to $40.2 million reflecting our acquisitions and fast-growing advertising revenues, partially offset by a decrease in equipment and installation sales and the impact of COVID-19. Adjusted EBITDA increased 47.1% to $21.9 million primarily due to a settlement with SOCAN as well as reduced operating costs partially offset by a special bonus to employees.

"Third quarter results further revealed the resilience of our Radio business, as revenues steadily recovered while comparable year-over-year declines were much less notable despite ongoing headwinds related to the pandemic. Notwithstanding a 21.8% decline in revenues, the Adjusted EBITDA margin not only remained healthy but actually improved to 42.6% compared to last year.

"At Stingray Business, we put in an experienced sales team and continued to lay the foundation for capturing significant growth opportunities in the U.S. market where, at the end of December 2020, we concluded a second deal to provide curated streaming music services to ClubCom, a division of Zoom Media. With more than 5,000 locations in the U.S. and a healthy sales pipeline, we look to upcoming quarters with considerable optimism.

"Streaming subscribers now exceed half a million — a 31.4% increase over last year — a figure that we expect will reach 1 million in the near-term thanks to new distribution agreements and continued organic growth. We are pursuing our push in FAST Channels with new partners and access to new geographic markets, with our existing viewer reach increasing at an exponential rate.

"Our ability to effectively pivot and respond to the rapid pace of change that has marked our industry over the past five years has allowed us to establish ourselves as a leading music distributor to audio and video channels, SVODs, Apps and FAST Channels. In doing so, we have substantially expanded Stingray's total addressable market and look to the future with considerable enthusiasm," concluded Mr. Boyko.

Third Quarter Results

Revenues in the third quarter decreased $8.7 million or 10.8% to $72.6 million, from $81.3 million a year ago. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues, as well as a decrease in equipment and installation sales related to digital signage, partially offset by the acquisition of Marketing Sensorial México (MSM) and Chatter Research Inc. and by the increase in advertising revenues in the Broadcast and Commercial Music segment.

For the quarter, revenues in Canada decreased $10.1 million or 17.6% to $47.4 million, from $57.5 million a year ago. This decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on the Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage. Revenues in the United States increased $1.1 million or 11.7% to $10.7 million, from $9.6 million a year ago. This increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and in streaming subscriptions. Revenues in Other countries increased $0.3 million or 2.0% to $14.5 million, from $14.2 million a year ago. The increase was primarily due to the acquisition of MSM, partially offset by the impact of the COVID-19 pandemic on revenues.

Broadcasting and Commercial Music revenues increased $0.3 million or 0.7% to $40.2 million, from $39.9 million a year ago. The increase was primarily due to the acquisition of MSM and Chatter Research Inc. and to the increase in advertising revenues, partially offset by a decrease in equipment and installation sales related to digital signage and by the impact of the COVID-19 pandemic on revenues.

Radio revenues decreased $9.0 million or 21.8% to $32.4 million from $41.4 million a year ago. This decrease was primarily due to the impact of the COVID-19 pandemic on revenues.

Adjusted EBITDA for the third quarter increased $3.0 million or 9.5% to $34.0 million from $31.0 million a year earlier. Adjusted EBITDA margin was 46.8% compared to 38.2% a year ago. The increase in Adjusted EBITDA was primarily due to reduced operating costs, to a settlement with SOCAN, to the CEWS and other subsidies and to an increase in gross margin related to a change in product mix, partially offset by the impact of the COVID-19 pandemic on revenues and by a special bonus to employees.

For the third quarter, the Corporation reported a Net income of $14.1 million ($0.19 per share) compared to $8.1 million ($0.11 per share) a year ago. The increase was mainly related to lower legal expenses, higher operating results, positive change in fair value of contingent considerations and foreign exchange gain, partially offset by the negative change in fair value of investments following the sale of securities held in AppDirect Inc., the lower mark-to-market gain on derivative instruments and the higher income taxes and performance and deferred share unit expense. Adjusted Net income was $21.1 million ($0.29 per share), compared to $16.7 million ($0.22 per share) a year earlier. The increase was mainly related to higher operating results, positive change in fair value of contingent considerations and foreign exchange gain, partially offset by higher interest expense and income taxes expense.

Cash flow generated from operating activities amounted to $16.3 million for Q3 2021 compared to $28.8 million for Q3 2020. The decrease was mainly due to the negative change in non-cash operating items, partially offset by lower legal expenses and higher operating results. Adjusted free cash flow generated in Q3 2021 amounted to $19.6 million compared to $21.0 million for Q3 2020. The decrease was mainly related to higher interest paid, income taxes paid and capital expenditures, partially offset by higher operating results.

As of December 31, 2020, the Corporation had cash and cash equivalents of $9.8 million, a subordinated debt of $39.7 million and credit facilities of $290.4 million, of which approximately $116.7 million was available.

Nine months Results

Revenues for the first nine months of Fiscal 2021 decreased $49.1 million or 20.6% to $189.2 million, from $238.3 million a year ago. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the acquisition of MSM and Chatter Research Inc., the increase in advertising revenues in the Broadcast and Commercial Music segment and the organic growth in streaming subscriptions.

Adjusted EBITDA for the first nine months of Fiscal 2021 increased $0.7 million or 0.8% to $90.6 million from $89.9 million for the same period last year. Adjusted EBITDA margin was 47.9% compared to 37.7% a year ago. The increase in Adjusted EBITDA was primarily due to the CEWS and other subsidies, to reduced operating costs and to a settlement with SOCAN, partially offset by the impact of the COVID-19 pandemic on revenues and by a special bonus to employees.

Net income for the first nine months of Fiscal 2021 was $33.0 million ($0.45 per share) compared to $22.5 million ($0.29 per share) a year ago. The increase was mainly related to the lower legal expenses and the foreign exchange gain, partially offset by the negative change in fair value of investments following the sale of securities held in AppDirect Inc., the higher income taxes expense and the lower mark-to-market gain on derivative instruments. Adjusted Net income was $50.9 million ($0.69 per share), compared to $45.8 million ($0.60 per share) a year ago. The increase is mainly due to the foreign exchange gain and the positive change in fair value of contingent considerations, partially offset by higher income taxes expense.

Declaration of Dividend

On February 3, 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 March 15, 2021, to shareholders on record as of February 28, 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

During the first nine months of Fiscal 2021, global economies and financial markets were impacted by the coronavirus ("COVID-19") outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The tangible impact on the Corporation started in the Radio segment towards the end Q4 2020, as many non-essential local businesses were forced to temporarily close leading to a decrease in advertising and related revenues. In the early days of the crisis, the decision was made by the Corporation's management to implement significant cost saving measures, which, combined with the Canadian Emergency Wage Subsidy (CEWS), helped to maintain a solid financial position. The Corporation's Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, have been impacted during the first half of 2021. In Q3 2021, although still impacted, the Corporation noticed progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social distancing. Management expects the situation to continue improving as local businesses resume their normal operations. The extent to which COVID-19 continues to impact the Corporation's business will depend on future developments, which are uncertain and cannot be predicted at this time. The Corporation's focus will be to continue to closely monitor its cash position and control its operating expenses while capitalizing on its growth opportunities.

In December 2020, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the "Objectors"), and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, $4.4 million was recognized as a reduction of expenses in Q3 2021.

On December 28, 2020, the Corporation announced that it had concluded a deal to provide curated streaming music services for ClubCom, a division of Zoom Media, the leading provider of digital entertainment and marketing networks within the fitness industry. This new partnership seeks to provide exciting digital innovations to deliver an immersive experience for members of fitness centers across Canada and the United States.

On December 21, 2020, the Corporation announced the sale of the securities it held in the capital stock of San Francisco based AppDirect Inc., a leading subscription based end-to-end cloud commerce platform for both monetizing and managing digital customer relationships. The sale in favour of existing shareholders and investors was completed pursuant to the terms and conditions of a stock transfer agreement and Stingray received cash consideration of US$14.6 million ($18.9 million) and recognized a loss on disposal of $2.4 million in change in fair value of investments in the consolidated statements of comprehensive income.

On December 10, 2020, the Corporation announced that its Stingray Music TV app had launched on Helix TV, Videotron's entertainment platform. Helix TV subscribers will have access to their favourite audio music channels like Stingray Hit List, Stingray Classic Rock or Stingray Hot Country through the brand new Stingray Music TV app.

On November 25, the Corporation announced the launch of premium SVOD channels with new partner OneHub TV (UK) and existing partners Optimum and Suddenlink by Altice (US), Amazon Prime Video Channels (Italy and Spain), Player + (Poland), Rogers Communications (Canada), Swisscom blue TV (Switzerland) and Totalplay (Mexico). SVOD channels Qello Concerts by Stingray, Stingray Karaoke, and Stingray Classica are offered to customers for a monthly subscription.

On November 25, the Corporation announced the launch of free, ad-supported TV channels with eleven major OTT providers: Comcast Xfinity (US), DistroTV (US), Freebie TV (US), Freecast (US), MX Player (US and India), Peacock (US), Redbox (US), Samsung TV Plus (UK and Germany), STIRR (US), STV (UK) and Vizio Watch Free (US). These distribution agreements grow Stingray's potential reach by over 200 million viewers.

On November 4, 2020, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend was paid on December 15, 2020 to shareholders on record as of November 30, 2020.

On November 4, 2020, the Corporation announced that it had reached a long-term agreement with TELUS that continues to advance the companies' long-standing partnership. As part of the deal, Optik TV subscribers will have access to the new TV app Qello Concerts by Stingray, enabling them to experience full-length concerts and music documentaries from the comfort of home.

On October 9, 2020, 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 with improved terms and conditions. The $420.0 million credit facilities consist of a $325.0 million revolving credit facility and a $75.0 million term loan, both maturing in October 2023, and the pre-existing $20.0 million term loan, maturing in May 2021. The renewed terms add incremental commitments up to $100.0 million upon request, subject to predetermined conditions. The pre-existing sub debt of $40.0 million maturing in October 2023 combined with the new credit facilities described above accounts for total flexibility of up to $560.0 million.

Conference Call

The Corporation will hold a conference call to discuss these results on Thursday, February 4, 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, March 14, 2021, by dialing (800) 585-8367 or (416) 621-4642 and entering passcode 9490587.

About Stingray

Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) 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 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 150 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, 2020, 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		9 months	
(in thousands of Canadian dollars)	Dec. 31, 2020 Q3 2021	Dec. 31, 2019 Q3 2020	Dec. 31, 2020 YTD 2021	Dec. 31, 2019 YTD 2020
Net income	**14,118**	**8,089**	**33,027**	**22,456**
Net finance expense (income)	(1,290)	(4,383)	6,085	9,359
Change in fair value of investments	2,434	(4,781)	3,787	(4,636)
Income taxes	4,900	1,897	11,913	5,857
Depreciation and write-off of property and equipment	2,894	2,876	8,571	8,687
Depreciation of right-of-use assets	1,399	1,402	4,224	4,192
Amortization of intangible assets	5,478	5,494	16,076	17,548
Share-based compensation	231	238	616	743
Performance and deferred share unit expense	1,780	677	4,408	2,252
Acquisition, legal, restructuring and other expenses	2,049	19,524	1,923	23,411
Adjusted EBITDA	**33,993**	**31,033**	**90,630**	**89,869**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(1,727)	(4,184)	(9,405)	(16,146)
Income taxes	(4,900)	(1,897)	(11,913)	(5,857)
Depreciation of property and equipment and write-off	(2,894)	(2,876)	(8,571)	(8,687)
Depreciation of right-of-use assets	(1,399)	(1,402)	(4,224)	(4,192)
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	(2,019)	(3,964)	(5,643)	(9,174)
Adjusted Net income	**21,054**	**16,710**	**50,874**	**45,813**

Adjusted free cash flow reconciliation to Cash flow from operating activities

	3 months		9 months	
(in thousands of Canadian dollars)	Dec. 31, 2020 Q3 2021	Dec. 31, 2019 Q3 2020	Dec. 31, 2020 YTD 2021	Dec. 31, 2019 YTD 2020
Cash flow from operating activities	**16,333**	**28,833**	**79,732**	**74,083**
Add / Less :				
Acquisition of property and equipment	(1,849)	(1,479)	(3,761)	(4,551)
Acquisition of intangible assets other than internally developed intangible assets	(649)	(495)	(1,119)	(1,306)
Addition to internally developed intangible assets	(1,838)	(1,286)	(5,061)	(4,368)
Interest paid	(6,312)	(4,150)	(12,911)	(13,623)
Repayment of lease liabilities	(1,255)	(1,295)	(3,912)	(3,693)
Net change in non-cash operating working capital items	15,858	(17,702)	10,976	(9,432)
Unrealized loss on foreign exchange	(2,692)	(917)	(5,316)	(145)
Acquisition, legal, restructuring and other expenses	2,049	19,524	1,923	23,411
Adjusted free cash flow	**19,645**	**21,033**	**60,551**	**60,376**

Pro Forma Adjusted EBITDA reconciliation

(in thousands of Canadian dollars)	December 31, 2020	March 31, 2020
Adjusted EBITDA of the last twelve months (see reconciliation below)	118,847	118,086
Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results	1,043	2,037
COVID-19 mandated store closures required anticipated rollouts and deployments to be deferred	1,000	-
Pro Forma Adjusted EBITDA	**120,890**	**120,123**
Net debt to Pro Forma Adjusted EBITDA	**2.65**	**3.01**

Last twelve months Adjusted EBITDA reconciliation to Net income

	3 months			
(in thousands of Canadian dollars)	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020
	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2020
Net income (loss)	**14,118**	**11,888**	**7,021**	**(8,486)**
Net finance expense (income)	(1,290)	2,774	4,601	33,463
Change in fair value of investments	2,434	461	892	(1,914)
Income taxes	4,900	4,654	2,359	(4,165)
Depreciation and write-off of property and equipment	2,894	2,976	2,701	2,790
Depreciation of right-of-use assets	1,399	1,413	1,412	1,426
Amortization of intangible assets	5,478	5,188	5,410	5,659
Share-based compensation	231	219	166	258
Performance and deferred share unit expense	1,780	1,312	1,316	(1,507)
Acquisition, legal, restructuring and other expenses (income)	2,049	271	(397)	693
Adjusted EBITDA	**33,993**	**31,156**	**25,481**	**28,217**

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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