STINGRAY

NEWS RELEASE

Stingray Reports Second Quarter Results for Fiscal 2023 with good momentum in Stingray Advertising

- Organic growth of 8.6% year-over-year in Broadcast and Recurring Commercial Music Revenues(1) including 69.2% in the United States;
- Revenues increased 9.8% to $77.6 million from $70.7 million, including $7 million from Stingray Advertising operations;
- 760,000 streaming subscribers, up 24.4% over Q2 2022;
- Adjusted EBITDA(2) improved 5.6% to $27.0 million from $25.6 million. Adjusted EBITDA by segment amounted to $16.9 million or 37.7% of revenues for Broadcasting and Commercial Music, $11.3 million or 34.6% of revenues for Radio, and $(1.2) million for Corporate;
- Net income totaled $3.3 million ($0.05 per share) compared with $12.1 million ($0.17 per share);
- Adjusted Net income(3) reached $10.8 million ($0.15 per share) compared to $16.3 million ($0.23 per share);
- Cash flow from operating activities decreased 9.7% to $18.4 million ($0.26 per share) from $20.4 million ($0.28 per share);
- Adjusted free cash flow(4) was $15.0 million ($0.21 per share), compared to$15.4 million ($0.21 per share); and
- Net debt to Pro Forma Adjusted EBITDA(5) ratio of 3.44x.

Montreal, November 8, 2022 – Stingray Group Inc. (TSX: RAY.A; RAY.B) (the “Corporation”; “Stingray”), a leading distributor of audio and video music brands in the world, announced today its financial results for the second quarter of fiscal 2023 ended September 30, 2022.

Financial Highlights (in thousands of Canadian dollars, except per share data)	**Three months ended September 30**			**Six months ended September 30**		
	2023	2022	%	**2023**	2022	%
Revenues	**77,635**	70,703	9.8	**155,771**	134,954	15.4
Adjusted EBITDA(2)	**27,031**	25,587	5.6	**53,117**	49,742	6.8
Net income	**3,331**	12,075	(72.4)	**12,728**	16,275	(21.8)
Per share – diluted ($)	**0.05**	0.17	(70.6)	**0.18**	0.23	(21.7)
Adjusted Net income(3)	**10,825**	16,323	(33.7)	**24,070**	27,561	(12.7)
Per share – diluted ($)(3)	**0.15**	0.23	(34.8)	**0.34**	0.38	(10.5)
Cash flow from operating activities	**18,446**	20,437	(9.7)	**34,792**	36,774	(5.4)
Adjusted free cash flow(4)	**15,009**	15,362	(2.3)	**30,668**	30,369	1.0

(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, advertising and digital signage services and excludes credits to clients related to the COVID-19 pandemic. Non-recurring revenues mainly include support, installation, equipment, one-time fees and discontinued operations. Non-recurring revenues are excluded from the organic growth, as well as the impact of foreign exchange and revenues from subsidiary DJ Matic.

(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 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.

(4) 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.

(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 second quarter results for fiscal 2023, Stingray's President, co-founder and CEO Eric Boyko stated:

“Stingray continued to deliver against its long-term growth strategy in the seasonally soft second quarter with revenues increasing 9.8% year-over-year to $77.6 million, while Adjusted EBITDA reached $27.0 million or 34.8% of revenues. Based on ongoing revenue momentum and cost control measures, we are confident about sustaining a 35% Adjusted EBITDA margin by the year-end.

“During recent months, we have narrowed our market focus on proven high-growth vehicles, such as retail media, FAST channels, in-car entertainment, and B2B subscription video on demand (SVOD), to accelerate our digital transformation. We also have concentrated on better monetizing our investments and driving operational efficiency. Steady cash flows from our radio and cable businesses are supporting this multi-year transition. As a result, strategic growth revenues have progressed from 31% of total revenues in fiscal 2020 to 47% in the last 12 months, demonstrating we’re on track with our growth strategy.

“Broadcasting and Commercial Music revenues improved 17.0% year-over-year to $44.9 million in the second quarter of 2023 mainly due to the InStore Audio Network acquisition that closed in early January. In terms of SVOD, our subscriber count climbed 24.4% year-over-year to more than 760,000 at the end of the second quarter on the strength of our relationships with B2B partners who have large installed customer bases. Radio revenues, meanwhile, edged up 1.3% to $32.7 million in the quarter, benefiting from a gradual return to normal commercial operations post-COVID.

“Given persistent inflationary pressure and an uncertain market environment, we will steadfastly continue to reduce our debt, while dedicating the necessary resources to grow our high-margin digital business. We continue to focus on our core growth opportunities in pivoting our traditional segment to digital opportunities” Mr. Boyko concluded.

Second Quarter Results

Revenues increased 9.8% to $77.6 million in Q2 2023 from $70.7 million in Q2 2022 primarily due the acquisition of InStore Audio Network.

For the quarter, revenues in Canada improved 1.2% to $47.2 million from $46.7 million in the same period in 2022. The increase can be attributed to a growth in Radio revenues based on the gradual easing of COVID-19 restrictions and gradual return to normal commercial operations.

Revenues in the United States surged 69.2% year-over-year to $18.4 million in Q2 2023 mainly due to the acquisition of InStore Audio Network. Revenues in Other Countries decreased 8.7% to $12.0 million in Q2 2023 from $13.2 million in Q2 2022. The decrease reflects lower audio channel and commercial revenues and a negative foreign exchange impact.

Broadcasting and Commercial Music revenues grew 17.0% to $44.9 million in Q2 2023 from $38.4 million in Q2 2022. The growth was primarily driven by the acquisition of InStore Audio Network. Radio revenues improved 1.3% to $32.7 million in Q2 2023 from $32.3 million in the same period in 2022. The improvement can be attributed to the gradual easing of COVID-19 restrictions and return to normal commercial operations.

Consolidated Adjusted EBITDA(2) increased 5.6% to $27.0 million in Q2 2023 from $25.6 million in Q2 2022. Adjusted EBITDA margin(2) reached 34.8% in Q2 2023 compared to 34.5% (without CEWS) in the same period in 2022. The increase in Adjusted EBITDA(2) was mainly due to the acquisition of InStore Audio Network, partially offset by the Canadian Emergency Wage Subsidy (CEWS) program in Q2 2022, while the decline in Adjusted EBITDA margin(2) can be attributed to CEWS in the comparable period.

Net income totaled $3.3 million ($0.05 per share) in Q2 2023 compared to $12.1 million ($0.17 per share) in Q2 2022. The decrease was mainly related to a gain on the fair value of contingent consideration in the comparable period in 2022 and to a loss on the fair value of derivative instruments in Q2 2023, partially offset by a lower income tax expense.

Adjusted Net income(3) reached $10.8 million ($0.15 per share) in Q2 2023 compared to $16.3 million ($0.23 per share) in the same period in 2022. The decrease was primarily due to a gain on the fair value of contingent consideration in the comparable period in 2022 and to a higher interest expense in Q2 2023, partially offset by improved operating results.

Cash flow generated from operating activities amounted to $18.4 million in Q2 2023 compared to $20.4 million in Q2 2022. The decrease was mainly due to a higher income tax paid, higher negative change in non-cash operating items and higher restructuring and other costs, partially offset by higher operating results. Adjusted free cash flow[(4)] totaled $15.0 million in Q2 2023 compared to $15.4 million in the same period in 2022. The decrease was mainly due to higher interest paid, partially offset by improved operating results.

As of September 30, 2022, the Corporation had cash and cash equivalents of $15.4 million, a subordinated debt of $25.5 million and credit facilities of $368.4 million, of which approximately $64.8 million was available. The Net Debt to Pro Forma Adjusted EBITDA ratio[(5)] stood at 3.44x as at September 30, 2022 compared to 3.02x as at September 30, 2021.

Declaration of Dividend

On November 8, 2022, 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, 2022, to shareholders on record as of November 30, 2022. The Corporation's dividend policy is at the discretion of the Board of Directors and may vary depending upon, among other things, 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 November 3, 2022, the Corporation announced that Familiprix has joined Stingray Advertising's retail audio advertising network. Under the agreement, Stingray Advertising will be responsible for exclusive sales representation of all in-store digital audio advertising within their 427 pharmacies in Quebec and New Brunswick.

On September 23, 2022, the Corporation announced that the Toronto Stock Exchange has approved the renewal of its normal course issuer bid, authorizing Stingray to repurchase up to an aggregate 2,868,124 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, 2022.

On July 26, 2022, the Corporation announced a partnership with Geopath, the not-for-profit organization that provides the industry-standard audience metrics for out-of-home (OOH) advertising, to measure retail-based digital audio out-of-home (AOOH) advertising impressions in the United States.

On July 21, 2022, the Corporation announced that it had reached an agreement for the distribution of a suite of FAST channels to LG smart TVs and WebOS operating system worldwide. As part of the new deal, LG will also make associated Stingray AVOD packages for karaoke and concerts.

Conference Call

The Corporation will hold a conference call tomorrow, November 9, 10:00 AM (ET) to review its financial results. Interested parties can join the call by dialing 416-764-8658 (Toronto) or 1-888-886-7786 (toll free). A rebroadcast of the conference call will be available until midnight, December 9, 2022, by dialing 416-764-8692 or 877-674-7070 and entering passcode326848.

About Stingray

Montreal-based Stingray (TSX: RAY.A; RAY.B) is a leading global 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, over 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, 2022, 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. This 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 Sept. 30, 2022 **Q2 2023**	 Sept. 30, 2021 **Q2 2022**	6 months Sept. 30, 2022 **YTD 2023**	 Sept. 30, 2021 **YTD 2022**
Net income	**3,331**	**12,075**	**12,728**	**16,275**
Net finance expense (income)	11,906	(364)	15,881	4,889
Change in fair value of investments	(247)	(13)	(368)	(13)
Income taxes	611	2,874	3,750	4,707
Depreciation and write-off of property and equipment	2,876	2,446	5,547	4,970
Depreciation of right-of-use assets	1,066	1,298	2,189	2,594
Amortization of intangible assets	4,822	4,927	9,594	10,554
Share-based compensation	164	196	301	360
Performance and deferred share unit expense	427	1,300	27	3,390
Acquisition, legal, restructuring and other expenses	2,075	848	3,468	2,016
Adjusted EBITDA	**27,031**	**25,587**	**53,117**	**49,742**
Adjusted EBITDA margin	**34.8%**	**36.2%**	**34.1%**	**36.9%**
Net income	**3,331**	**12,075**	**12,728**	**16,275**
Adjusted for:				
Unrealized loss (gain) on derivative financial instruments	2,996	(1,517)	2,451	(999)
Amortization of intangible assets	4,822	4,927	9,594	10,554
Change in fair value of investments	(247)	(13)	(368)	(13)
Share-based compensation	164	196	301	360
Performance and deferred share unit expense	427	1,300	27	3,390
Acquisition, legal, restructuring and other expenses	2,075	848	3,468	2,016
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	(2,743)	(1,493)	(4,131)	(4,022)
Adjusted Net income	**10,825**	**16,323**	**24,070**	**27,561**
Adjusted Net income per share (diluted)	**0.15**	**0.23**	**0.34**	**0.38**

(in thousands of Canadian dollars)	**September 30, 2022**	**September 30, 2021**	**March 31, 2022**
LTM Adjusted EBITDA	**102,644**	**107,373**	**99,269**
Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results	7,450	1,428	16,000
COVID-19 credits allocated due to mandated store closures	-	2,492	1,535
Pro Forma Adjusted EBITDA	**110,094**	**111,293**	**116,804**

Adjusted Free Cash Flow Reconciliation to Cash Flow from Operating Activities

	3 months		6 months	
(in thousands of Canadian dollars)	Sept. 30, 2022 **Q2 2023**	Sept. 30, 2021 **Q2 2022**	Sept. 30, 2022 **YTD 2023**	Sept. 30, 2021 **YTD 2022**
Cash flow from operating activities	18,446	20,437	34,792	36,774
Add / Less :				
Acquisition of property and equipment	(2,099)	(2,360)	(3,250)	(4,437)
Acquisition of intangible assets other than internally developed intangible assets	(89)	(305)	(366)	(503)
Addition to internally developed intangible assets	(1,165)	(2,050)	(2,729)	(4,203)
Interest paid	(5,916)	(3,234)	(10,168)	(7,125)
Repayment of lease liabilities	(1,280)	(1,526)	(2,337)	(2,611)
Net change in non-cash operating working capital items	3,727	2,323	11,183	9,128
Unrealized loss on foreign exchange	1,310	1,229	75	1,330
Acquisition, legal, restructuring and other expenses (income)	2,075	848	3,468	2,016
Adjusted free cash flow	15,009	15,362	30,668	30,369
Adjusted free cash flow per share (diluted)	**0.21**	**0.21**	**0.44**	**0.42**

Pro Forma Adjusted EBITDA Reconciliation

(in thousands of Canadian dollars)	**September 30, 2022**	**September 30, 2021**	**March 31, 2022**
Credit facilities	368,422	313,172	358,203
Subordinated debt	25,492	31,791	25,442
Cash and cash equivalents	(15,411)	(8,475)	(14,563)
Net debt	**378,503**	**336,488**	**369,082**
Net debt to Pro Forma Adjusted EBITDA	**3.44**	**3.02**	**3.16**

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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