



Stingray Reports Second Quarter 2018 Results

Organic growth of 8%

Second Quarter Highlights

- Revenues increased 24.7% to \$30.6 million
- Recurring revenues of \$26.2 million or 85.6% of total revenues, an increase of 21.3%
- Adjusted EBITDA⁽¹⁾ up 15.0% to \$9.5 million
- Net loss of \$3.4 million or \$(0.07) per share (diluted) compared to net income of \$1.4 million or \$0.03 per share (diluted) last year
- Adjusted Net income⁽²⁾ stable at \$5.4 million or \$0.10 per share (diluted) compared to last year
- Cash flow from operating activities decreased to \$2.7 million compared to last year
- Adjusted free cash flow⁽³⁾ of \$6.9 million, an increase of 26.0%
- Quarterly dividend of \$0.05 per share

Montreal, November 9, 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 second quarter ended September 30, 2017.

Financial Highlights (in thousands of dollars, except per share data)	Three months ended September 30			Six months ended September 30		
	2017	2016	%	2017	2016	%
Revenues	30,579	24,527	24.7	59,757	49,074	21.8
Recurring revenues	26,175	21,584	21.3	51,185	42,985	19.1
Adjusted EBITDA ⁽¹⁾	9,452	8,220	15.0	18,621	16,101	15.7
Net income (loss)	(3,395)	1,405	(341.6)	(3,115)	3,449	(190.3)
Per share – diluted (\$)	(0.07)	0.03	(333.3)	(0.06)	0.07	(185.7)
Adjusted Net income ⁽²⁾	5,407	5,405	-	11,110	10,612	4.7
Per share – diluted (\$)	0.10	0.10	-	0.21	0.21	-
Cash flow from operating activities	2,710	3,620	(25.1)	2,121	6,342	(66.6)
Adjusted free cash flow ⁽³⁾	6,853	5,439	26.0	14,093	11,382	23.8

(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.

(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 investments, IPO expenses and CRTC tangible benefits, acquisition, restructuring and other various costs, net of related income taxes.

(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.

“Our second quarter results reflect solid and continued momentum in our business strategy and execution. We are extremely pleased by revenue growth of 24.7%, of which approximately 8% is related to organic growth, and also by the 15.0% improvement in Adjusted EBITDA,” said Eric Boyko, President, CEO, and Co-Founder of Stingray.

“We are making noticeable progress in the U.S. market with revenue growth of 69.6%, supported by the acquisition of Yokee Music together with very positive traction for our subscription video on demand (SVOD) services. From a very negligible presence three years ago, we are making major inroads into the largest market for music services in the world. The U.S. accounted for 16.2% of our total revenues in the first half of fiscal 2018.

“As a whole, we have strongly executed on our geographic diversification. Revenues outside of Canada continue to grow and now represent 51.5% of our revenues. In July, we completed the acquisition of Satellite Music Australia PTY Ltd. and SBA Music PTY Ltd. in the Asia Pacific region.

“We now have more than 218,000 SVOD customers, which number includes B2C subscribers. The growth of the SVOD offering over prior fiscal quarters can be illustrated as follows:

SVOD offering (in thousands of subscribers)	Fiscal quarters		
	Q2-2018	Q1-2018	Q4-2017
B2B	156	96	29
B2C	62	58	50
Total	218	154	79
Growth from prior quarter	64	75	N/A

“Late in October, we achieved an important milestone in the process to invalidate the applicable claims of the Music Choice patents. We continue to believe that the applicable claims of these patents are invalid for failing to be novel and/or for being obvious.

“We recently raised equity for net proceeds of approximately \$43.3 million. These funds combined with our revolving facility will support Stingray’s acquisition strategy and ambitious business plan in the years ahead,” concluded Mr. Boyko

Second Quarter Results

Revenues increased 24.7% to \$30.6 million in the second quarter of 2018, compared with revenues of \$24.5 million a year ago. The increase was primarily due to the acquisition of Yokee Music and Classica, combined with organic growth of subscription video on demand (SVOD) services in the United States, as well as additional music and equipment sales in Commercial Music.

Recurring revenues were up 21.3% to \$26.2 million in the second quarter over the same period last year and decreased to 85.6% of total revenues for the quarter, compared to 88.0% of total revenues last year. For the quarter, Canadian revenues increased 5.5% to \$14.8 million (48.5% of total revenues), United States revenues increased 69.6% to \$5.0 million (16.2% of total revenues), whereas revenues in Other Countries increased by 42.9% to \$10.8 million (35.3% of total revenues).

Music Broadcasting revenues increased 20.8% to \$21.8 million, mainly due to the acquisition of Classica in Fiscal 2017, as well as Yokee Music and C Music in May 2017, and organic growth in the United States market, primarily related to SVOD services. Commercial Music revenues rose 35.4% to \$8.8 million, mainly due to the acquisition of SBA Music PTY Ltd (SBA) and Satellite Music Australia PTY Ltd (SMA) in July 2017, as well as organic growth in sales of equipment and installation related to digital signage.

Adjusted EBITDA for the second quarter increased to \$9.5 million or 30.9% of revenues, compared to \$8.2 million or 33.5% of revenues a year earlier. The 15.0% increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2017 and Fiscal 2018 partially offset by higher operating expenses related to international expansion.

For the second quarter, the Corporation reported a net loss of \$3.4 million, or \$(0.07) per share (diluted), compared to a net income of \$1.4 million, or \$0.03 per share (diluted) for the same period last year. The decrease was mainly attributable to higher legal fees, higher amortization expense of intangible assets as well as negative change in fair value of investments and contingent considerations, partially offset by higher operating results and income taxes recovery. The legal fees were incurred, in part, in connection with the preparation and filing of inter partes review proceedings by the Corporation before the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office, in order to establish the invalidity of U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025, 9,351,045 and 8,414,121 owned by

Music Choice. The PTAB recently initiated IPR proceedings against each of the aforesaid patents that were named in Music Choice's patent infringement complaint, and on November 1, 2017, the Magistrate Judge presiding over the patent infringement lawsuit in Texas granted the Corporation's motion to adjourn the lawsuit and ordered that the current trial date and all remaining scheduled deadlines should be cancelled pending the hearing of the Corporation's motion to stay.

Adjusted Net income remained stable at \$5.4 million, or \$0.10 per share (diluted), compared to a year ago, as higher finance expense and income net tax expense were offset by the higher Adjusted EBITDA.

Cash flow from operating activities amounted to \$2.7 million in the second quarter of 2018, versus \$3.6 million a year earlier. Adjusted free cash flow increased to \$6.9 million, from \$5.4 million for the same period a year ago.

As of September 30, 2017, the Corporation had cash and cash equivalents of \$2.2 million and a revolving credit facility of \$100 million, of which approximately \$32.6 million was unused, allowing it to pursue strategic acquisitions and achieve its growth objectives.

Six Months Results

Revenues for the first six months of Fiscal 2018 increased 21.8% to \$59.8 million compared to \$49.1 million a year ago. The increase in revenues was primarily due to acquisitions combined with growth from SVOD services in the U.S., as well as additional music and equipment sales in Commercial Music.

Adjusted EBITDA increased 15.7% to \$18.6 million from \$16.1 million for the same period last year. The increase was primarily due to the acquisitions realized in Fiscal 2017 and 2018 partially offset by higher operating expenses related to international expansion.

Adjusted Net income for the first six months of Fiscal 2018 increased 4.7% to \$11.1 million, or \$0.21 per share (diluted), compared to \$10.6 million, or \$0.21 per share (diluted) a year ago.

Declaration of Dividend

On November 8, 2017, the Corporation declared a dividend of \$0.05 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 15, 2017, to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of November 30, 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 July 31, 2017, the Corporation announced that it had concluded the acquisition of SMA, a subsidiary of Macquarie Media Operations PTY Ltd. and an Australian provider of in-store media solutions for total consideration of AU\$6.2 million (\$6.2 million).

On July 31, 2017, the Corporation announced that it had acquired an Australian provider of in-store media solutions, SBA for total consideration of AU\$4.0 million (\$3.9 million).

On September 25, 2017, Stingray launched advertising on the Stingray Music Mobile App, a service that is offered to the 90% of Canadians with access to Stingray Music as part of their pay TV packages. Stingray has enabled real-time buying for ad formats to respond to the needs of advertisers. All formats are offered on smartphones and tablets.

On October 4, 2017, the Corporation announced the launch of Stingray Classica, the world's premium classical music television channel available to Videotron subscribers.

On October 23, 2017, the Corporation announced that the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office had granted its requests and initiated inter partes review (IPR) proceedings against U.S. Patent Nos. 8,769,602, 9,357,245, 7,320,025 and 9,351,045 owned by Music Choice. On October 27, 2017, the PTAB granted the Corporation's request and initiated IPR proceedings against U.S. Patent No. 9,414,121. Thus, IPR proceedings have been initiated against all five (5) of the patents that were originally named in the patent infringement complaint filed by Music Choice. On November 1, 2017, the Magistrate Judge presiding over the patent infringement lawsuit in Texas granted the Corporation's motion to adjourn the lawsuit and ordered that the current trial date and all remaining scheduled deadlines should be cancelled pending the hearing of the Corporation's motion to stay.

On October 24, 2017, the Corporation announced that it has successfully completed a bought deal offering of an aggregate of 4,348,000 subordinate voting shares and variable subordinate voting shares of Stingray at a price of \$9.20 per share for gross proceeds of \$40.0 million and net proceeds of \$38.4 million. On November 7, 2017 the underwriters exercised part of their over-allotment option and bought an additional 552,200 subordinate voting shares at a price of \$9.20 for gross proceeds of \$5.1 million and net proceeds of \$4.9 million.

On October 25, 2017, the Corporation announced that it has concluded a groundbreaking agreement with Farmacias del Ahorro, one of Mexico's largest drugstore chains, that will bring custom music programming and digital signage technology to over 1,600 pharmacies and clinics across Mexico.

The Corporation today announced the resignation of Francois-Charles Sirois as Chairman of the Corporation. Mr. Sirois will continue to be a director of the Corporation. The Board of Directors of the Corporation, upon recommendation of the Corporate Governance Committee, unanimously resolved to appoint Mark Pathy as Chairman, effective immediately.

Conference Call

The Corporation will hold a conference call to discuss these results on Thursday, November 9, 2017, at 9:00 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: 95824159. This tape recording will be available until December 7, 2017.

About Stingray

Stingray (TSX: RAY.A; RAY.B) is the world-leading provider of multiplatform music services and digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, and more. Stingray's services include audio television channels, premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, music apps, and more. Geared towards individuals and businesses alike, Stingray reaches 400 million subscribers (or users) in 156 countries and its mobile apps have been downloaded over 90 million times. Stingray is headquartered in Montreal and currently has close to 350 employees worldwide. For more information : 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 balance payable on business acquisitions 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)	Three-month periods ended		Six-month periods ended	
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Net income (loss)	(3,395)	1,405	(3,115)	3,449
Net finance expense (income)	1,269	373	1,806	1,021
Change in fair value of investments	697	(250)	1,131	(159)
Income taxes (recovery)	(941)	487	(477)	899
Depreciation of property and equipment and write-off	718	546	1,339	1,120
Amortization of intangibles	4,508	3,982	9,049	7,169
Share-based compensation	312	298	506	588
Restricted, performance and deferred share unit	709	444	1,022	770
Acquisition, legal fees, restructuring and other various costs	5,575	935	7,360	1,244
Adjusted EBITDA	9,452	8,220	18,621	16,101
Net finance expense	(1,269)	(373)	(1,806)	(1,021)
Income taxes	941	(487)	477	(899)
Depreciation of property and equipment and write-off	(718)	(546)	(1,339)	(1,120)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expenses, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(2,999)	(1,409)	(4,843)	(2,449)
Adjusted Net income	5,407	5,405	11,110	10,612

Adjusted free cash flow reconciliation to Cash flow from operating activities

(in thousands of Canadian dollars)	Three-month periods ended		Six-month periods ended	
	Sept. 30, 2017	Sept. 30, 2016	Sept. 30, 2017	Sept. 30, 2016
	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash flow from operating activities	2,710	3,620	2,121	6,342
<i>Add / Less :</i>				
Capital expenditures	(1,705)	(871)	(2,916)	(1,503)
Net change in non-cash operating working capital items	273	1,755	7,528	5,299
Acquisition, legal fees, restructuring and other various costs	5,575	935	7,360	1,244
Adjusted free cash flow	6,853	5,439	14,093	11,382

Note to readers: 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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