

# 2021



## **Management's discussion and analysis**

**Fiscal 2021**

For the six-month period ended September 30, 2020



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## BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and accompanying notes for the three-month and six-month periods ended September 30, 2020 and 2019, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2020. This MD&A reflects information available to the Corporation as at November 4, 2020. Additional information relating to the Corporation is also available on SEDAR at [www.sedar.com](http://www.sedar.com). The auditors of the Corporation have not performed a review of the interim financial report for the three-month and six-month periods ended September 30, 2020 and 2019.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words "could", "expect", "may", "will", "anticipate", "assume", "intend", "plan", "believes", "estimates", "guidance", "foresee", "continue" and similar expressions are intended to identify statements containing forward-looking information, although not all forward-looking statements included such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2020 available on SEDAR.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not limited to, the following: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to our business, including any change to our licences with the CRTC; minimal changes to the distribution of the pay audio services by Pay-TV providers in light of recent CRTC policy decisions; our ability to manage risks related to international expansion; our ability to maintain good business relationships with our clients, agents and partners; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; our ability to protect our technology and intellectual property rights; our ability to manage and integrate acquisitions; our ability to retain key personnel; and our ability to raise sufficient debt or equity financing to support our business growth. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements. All of the forward-looking information in this MD&A is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this MD&A. The Corporation expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumption underlying them, whether as a result of new information, future events or otherwise, except as required by law.

## SUPPLEMENTAL INFORMATION ON 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 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 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 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.

## OVERVIEW

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 156 countries.

## KEY PERFORMANCE INDICATORS<sup>(1)</sup>

For the three-month period ended September 30, 2020 ("Q2 2021"):

<b>\$64.3 M</b> ▼ 16.0% from Q2 2020 Revenues	<b>\$16.3 M</b> Or \$0.22 per share Adjusted Net income	<b>\$22.9 M</b> ▲ 21.9% from Q2 2020 Adjusted free cash flow Or \$0.31 per share
<b>\$31.2 M</b> ▲ 12.6% from Q2 2020 Adjusted EBITDA	<b>\$11.9 M</b> Or \$0.16 per share Net income	<b>\$25.4 M</b> ▲ 34.1% from Q2 2020 Cash flow from operating activities Or \$0.34 per share

## FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended September 30, 2020:

Compared to the quarter ended September 30, 2019 ("Q2 2020"):

- Revenues decreased 16.0% to \$64.3 million from \$76.6 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues;
- Adjusted EBITDA<sup>(1)</sup> increased 12.6% to \$31.2 million from \$27.7 million. Adjusted EBITDA<sup>(1)</sup> by segment was \$18.9 million or 48.2% of revenues for Broadcasting and Commercial Music, \$13.1 million or 52.2% of revenues for Radio and \$(0.9) million for Corporate;
- Net income was \$11.9 million (\$0.16 per share) compared with \$5.2 million (\$0.07 per share);
- Adjusted Net income<sup>(1)</sup> of \$16.3 million (\$0.22 per share) compared with \$12.4 million (\$0.16 per share);
- Cash flow from operating activities increased 34.1% to \$25.4 million compared to \$19.0 million;
- Adjusted free cash flow<sup>(1)</sup> increased 21.9% to \$22.9 million, or \$0.31 per share, compared to \$18.8 million or \$0.25 per share, and;
- Net debt to Pro Forma Adjusted EBITDA<sup>(1)</sup> ratio of 2.77x.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

## Business Highlights:

- During the first six 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 quarter of 2021. In Q2 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.
- 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 will be payable on or around December 15, 2020 to shareholders on record as of November 30, 2020.
- 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 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 million term loan, maturing in May 2021. The renewed terms add incremental commitments up to \$100 million upon request, subject to predetermined conditions. The pre-existing sub debt of \$40 million maturing in October 2023 combined with the new credit facilities described above accounts for total flexibility of up to \$560 million.
- On September 30, 2020, the Corporation announced that it had concluded a deal to provide in-store media solutions for America’s favorite rotisserie chicken chain Boston Market. The agreement covers indoor and drive-thru digital signage, including cutting-edge digital menu boards for 344 restaurants across the United States. This new partnership seeks to provide exciting digital innovations to deliver an immersive in-store experience for both customers and employees.
- On September 30, 2020, the Corporation announced that it had signed an agreement with California-based Space Factory Media to represent Stingray products and services for in-store music, digital experiences and AI-driven consumer insights for brands and businesses. Brands today expect more from media experiences, and this new partnership seeks to provide a deeper, cross-platform offering with meaningful connections to consumers. The deal also includes an exclusive option for Stingray to acquire Space Factory Media at a pre-determined purchase price.
- On September 23, 2020, the Corporation announced that the Toronto Stock Exchange had approved its normal course issuer bid, authorizing Stingray to repurchase up to an aggregate 3,485,155 subordinate voting shares and variable subordinate voting shares (collectively, “Subordinate Shares”), representing approximately 10% of the public float of Subordinate Shares as at September 21, 2020. Shareholders may obtain a copy of the TSX Form 12, without charge, by contacting the Corporation.
- On August 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 September 15, 2020 to shareholders on record as of August 31, 2020.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months				6 months			
	Sept. 30, 2020		Sept. 30, 2019		Sept. 30, 2020		Sept. 30, 2019	
	Q2 2021		Q2 2020		YTD 2021		YTD 2020	
	\$	% of revenues						
<b>Revenues</b>	64,294	100.0 %	76,573	100.0 %	116,587	100.0 %	157,010	100.0 %
Operating expenses	34,669	54.0 %	49,953	65.2 %	62,963	54.0 %	100,254	63.8 %
Depreciation, amortization and write-off	9,577	14.9 %	10,343	13.5 %	19,100	16.4 %	20,655	13.1 %
Net finance expense (income) <sup>(1)</sup>	2,774	4.3 %	6,362	8.3 %	7,375	6.3 %	13,742	8.8 %
Change in fair value of investments	461	0.7 %	(188)	(0.2) %	1,353	1.2 %	145	0.1 %
Acquisition, legal, restructuring and other expenses (income)	271	0.4 %	2,440	3.2 %	(126)	(0.1) %	3,887	2.5 %
<b>Income before income taxes</b>	16,542	25.7 %	7,663	10.0 %	25,922	22.2 %	18,327	11.7 %
Income taxes	4,654	7.2 %	2,479	3.2 %	7,013	6.0 %	3,960	2.5 %
<b>Net income</b>	11,888	18.5 %	5,184	6.8 %	18,909	16.2 %	14,367	9.2 %
<b>Adjusted EBITDA<sup>(2)</sup></b>	31,156	48.5 %	27,671	36.1 %	56,637	48.6 %	58,836	37.5 %
<b>Adjusted Net income<sup>(2)</sup></b>	16,311	25.4 %	12,416	16.2 %	29,820	25.6 %	29,103	18.5 %
<b>Cash flow from operating activities</b>	25,406	39.5 %	18,952	24.8 %	63,399	54.4 %	45,250	28.8 %
<b>Adjusted free cash flow<sup>(2)</sup></b>	22,861	35.6 %	18,756	24.5 %	40,906	35.1 %	39,343	25.1 %
<b>Net debt<sup>(2)</sup></b>	328,145	–	353,746	–	328,145	–	353,746	–
<b>Net debt to Pro Forma Adjusted EBITDA<sup>(2)(3)</sup></b>	2.77x	–	2.95x	–	2.77x	–	2.95x	–
Net income per share basic and diluted	0.16	–	0.07	–	0.26	–	0.19	–
Adjusted Net income per share basic <sup>(2)</sup>	0.22	–	0.16	–	0.41	–	0.38	–
Adjusted Net income per share diluted <sup>(2)</sup>	0.22	–	0.16	–	0.40	–	0.38	–
Cash flow from operating activities per share basic	0.35	–	0.25	–	0.86	–	0.59	–
Cash flow from operating activities per share diluted	0.34	–	0.25	–	0.86	–	0.59	–
Adjusted free cashflow per share basic <sup>(2)</sup>	0.31	–	0.25	–	0.56	–	0.52	–
Adjusted free cashflow per share diluted <sup>(2)</sup>	0.31	–	0.25	–	0.55	–	0.52	–
<b>Revenues by segment</b>								
Broadcasting and Commercial Music	39,169	60.9 %	38,742	50.6 %	75,116	64.4 %	76,089	48.5 %
Radio	25,125	39.1 %	37,831	49.4 %	41,471	35.6 %	80,921	51.5 %
<b>Revenues</b>	64,294	100.0 %	76,573	100.0 %	116,587	100.0 %	157,010	100.0 %
<b>Revenues by geography</b>								
Canada	39,710	61.8 %	52,723	68.9 %	67,767	58.1 %	108,830	69.3 %
United States	10,091	15.7 %	9,035	11.8 %	20,393	17.5 %	18,176	11.6 %
Other Countries	14,493	22.5 %	14,815	19.3 %	28,427	24.4 %	30,004	19.1 %
<b>Revenues</b>	64,294	100.0 %	76,573	100.0 %	116,587	100.0 %	157,010	100.0 %

### Notes:

- (1) Interest paid during the Q2 2021 was \$2.9 million (Q2 2020; \$4.5 million).
- (2) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 1 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 5.
- (3) Pro Forma Adjusted EBITDA is calculated as the Corporation's last twelve months Adjusted EBITDA (\$115.9 million, Q2-2020; \$108.5 million), plus synergies and pro forma Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results (\$2.5 million, Q2-2020; \$8.2 million). Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 1 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 5.

## SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Proforma Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See “Supplemental information on Non-IFRS Measures” on page 1.

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

	3 months		6 months	
	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
(in thousands of Canadian dollars)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
<b>Net income</b>	<b>11,888</b>	<b>5,184</b>	<b>18,909</b>	<b>14,367</b>
Net finance expense (income)	2,774	6,362	7,375	13,742
Change in fair value of investments	461	(188)	1,353	145
Income taxes	4,654	2,479	7,013	3,960
Depreciation and write-off of property and equipment	2,976	2,989	5,677	5,811
Depreciation of right-of-use assets	1,413	1,419	2,825	2,790
Amortization of intangible assets	5,188	5,935	10,598	12,054
Share-based compensation	219	257	385	505
Performance and deferred share unit expense	1,312	794	2,628	1,575
Acquisition, legal, restructuring and other expenses (income)	271	2,440	(126)	3,887
<b>Adjusted EBITDA</b>	<b>31,156</b>	<b>27,671</b>	<b>56,637</b>	<b>58,836</b>
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,340)	(5,767)	(7,678)	(11,962)
Income taxes	(4,654)	(2,479)	(7,013)	(3,960)
Depreciation of property and equipment and write-off	(2,976)	(2,989)	(5,677)	(5,811)
Depreciation of right-of-use assets	(1,413)	(1,419)	(2,825)	(2,790)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(1,462)	(2,601)	(3,624)	(5,210)
<b>Adjusted Net income</b>	<b>16,311</b>	<b>12,416</b>	<b>29,820</b>	<b>29,103</b>

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

	3 months		6 months	
	Sept. 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
(in thousands of Canadian dollars)	Q2 2021	Q2 2020	YTD 2021	YTD 2020
<b>Cash flow from operating activities</b>	<b>25,406</b>	<b>18,952</b>	<b>63,399</b>	<b>45,250</b>
<i>Add / Less :</i>				
Acquisition of property and equipment	(1,209)	(1,459)	(1,912)	(3,072)
Acquisition of intangible assets other than internally developed intangible assets	(212)	(292)	(470)	(811)
Addition to internally developed intangible assets	(1,671)	(1,559)	(3,223)	(3,082)
Interest paid	(2,912)	(4,493)	(6,599)	(9,473)
Repayment of lease liabilities	(1,443)	(1,303)	(2,657)	(2,398)
Net change in non-cash operating working capital items	6,530	6,143	(4,882)	8,271
Unrealized loss on foreign exchange	(1,899)	327	(2,624)	771
Acquisition, legal, restructuring and other expenses (income)	271	2,440	(126)	3,887
<b>Adjusted free cash flow</b>	<b>22,861</b>	<b>18,756</b>	<b>40,906</b>	<b>39,343</b>

The following table shows the calculation of Net debt:

	September 30, 2020	March 31, 2020	September 30, 2019
(in thousands of Canadian dollars)			
Credit facilities	299,361	324,123	312,541
Subordinated debt	39,690	39,640	49,589
Cash and cash equivalents	(10,906)	(2,512)	(8,384)
<b>Net debt</b>	<b>328,145</b>	<b>361,251</b>	<b>353,746</b>

## FINANCIAL RESULTS FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

### CONSOLIDATED PERFORMANCE

#### Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2021	Q2 2020	% Change	YTD 2021	YTD 2020	% Change
<b>Revenues by geography</b>						
Canada	39,710	52,723	(24.7)	67,767	108,830	(37.7)
United States	10,091	9,035	11.7	20,393	18,176	12.2
Other Countries	14,493	14,815	(2.2)	28,427	30,004	(5.3)
<b>Revenues</b>	<b>64,294</b>	<b>76,573</b>	<b>(16.0)</b>	<b>116,587</b>	<b>157,010</b>	<b>(25.7)</b>

#### *Global*

Revenues in Q2 2021 decreased \$12.3 million or 16.0% to \$64.3 million, from \$76.6 million for Q2 2020. 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, partially offset by the acquisition of Marketing Sensorial México (MSM) and Chatter Research Inc.

Cumulative revenues for Fiscal 2021 decreased \$40.4 million or 25.7% to \$116.6 million, from \$157.0 million for cumulative Fiscal 2020. 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 and the increase in advertising revenues in the Broadcast and Commercial Music segment.

#### *Canada*

Revenues in Canada in Q2 2021 decreased \$13.0 million or 24.7% to \$39.7 million, from \$52.7 million for Q2 2020. Cumulative revenues in Canada for Fiscal 2021 decreased \$41.0 million or 37.7% to \$67.8 million, from \$108.8 million for cumulative Fiscal 2020. Both decreases were 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.

#### *United States*

Revenues in the United States in Q2 2021 increased \$1.1 million or 11.7% to \$10.1 million, from \$9.0 million for Q2 2020. Cumulative revenues in the United States for Fiscal 2021 increased \$2.2 million or 12.2% to \$20.4 million, from \$18.2 million for cumulative Fiscal 2020. Both increases were primarily due to organic growth in streaming subscriptions and in advertising revenues in the Broadcast and Commercial Music segment.

#### *Other Countries*

Revenues in Other countries in Q2 2021 decreased \$0.3 million or 2.2% to \$14.5 million, from \$14.8 million for Q2 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues and to a decrease in subscriptions, partially offset by the acquisition of MSM.

Cumulative revenues in Other countries for Fiscal 2021 decreased \$1.6 million or 5.3% to \$28.4 million, from \$30.0 million for cumulative Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the acquisition of MSM.

#### Operating Expenses

Operating expenses in Q2 2021 decreased \$15.3 million or 30.6% to \$34.7 million, from \$50.0 million for Q2 2020. Cumulative operating expenses for Fiscal 2021 decreased \$37.3 million or 37.2% to \$63.0 million, from \$100.3 million for cumulative Fiscal 2020. Both decreases were primarily related to the CEWS and other subsidies (\$8.1 million for Q2 2021 and \$18.0 million for

cumulative Fiscal 2021), to reduced operating costs and to reduced variable expenses due to the impact of the COVID-19 pandemic on Radio revenues.

### Adjusted EBITDA<sup>(1)</sup>

Adjusted EBITDA in Q2 2021 increased \$3.5 million or 12.6% to \$31.2 million from \$27.7 million for Q2 2020. Adjusted EBITDA margin was 48.5% compared to 36.1% for Q2 2020. The increase in Adjusted EBITDA was primarily due to the CEWS and other subsidies and by reduced operating costs, partially offset by the COVID-19 pandemic on revenues.

Cumulative Adjusted EBITDA for Fiscal 2021 decreased \$2.2 million or 3.7% to \$56.6 million from \$58.8 million for cumulative Fiscal 2020. Adjusted EBITDA margin was 48.6% compared to 37.5% for cumulative Fiscal 2020. The decrease in Adjusted EBITDA was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the CEWS and other subsidies and by reduced operating costs.

### Depreciation, amortization and write off

Depreciation, amortization and write off in Q2 2021 decreased \$0.7 million or 7.4% to \$9.6 million, from \$10.3 million for Q2 2020. Cumulative depreciation, amortization and write off for Fiscal 2021 decreased \$1.6 million or 7.5% to \$19.1 million, from \$20.7 million for cumulative Fiscal 2020. Both decreases were primarily due to less intangible assets to amortize compared to the prior period.

### Net Finance Expense (Income)

Net finance expense in Q2 2021 decreased \$3.6 million or 56.4% to \$2.8 million, from \$6.4 million for Q2 2020. The decrease was mainly related to a foreign exchange gain and to mark-to-market gains on derivative instruments, partially offset by the negative change in fair value of contingent considerations.

Cumulative net finance expense for Fiscal 2021 decreased \$6.3 million or 46.3% to \$7.4 million, from \$13.7 million for cumulative Fiscal 2020. The decrease was mainly related to a foreign exchange gain, to mark-to-market gains on derivative instruments and to lower interest expense.

### Change in fair value of investments

In Q2 2021, a loss on fair value of \$0.5 million was recorded compared to a gain of \$0.2 million for Q2 2020. For cumulative Fiscal 2021, a loss on fair value of \$1.4 million was recorded compared to \$0.1 million for cumulative Fiscal 2020. The variance is related to the translation of an investment denominated in U.S. dollars to Canadian dollars.

### Acquisition, legal, restructuring and other expenses (income)

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2021	Q2 2020	% Change	YTD 2021	YTD 2020	% Change
Acquisition	248	405	(38.8)	530	466	13.7
Legal	244	1,672	(85.4)	(536)	3,026	(117.7)
Restructuring and other	(221)	363	(160.9)	(120)	395	(130.4)
<b>Acquisition, legal, restructuring and other expenses (income)</b>	<b>271</b>	<b>2,440</b>	<b>(88.9)</b>	<b>(126)</b>	<b>3,887</b>	<b>(103.2)</b>

In Q2 2021 and in cumulative Fiscal 2021, a gain on restructuring and other expenses was recorded due to the reversal of a provision for severances due to a change in estimates in the current quarter.

In cumulative Fiscal 2021, a gain on legal expenses was recorded due to the reversal of a provision for professional fees due to a change in estimates in the current quarter.

In Q2 2020 and in cumulative Fiscal 2020, legal expenses were higher due to a patent litigation with Music Choice, which was settled in Q4 2020.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

## Income Taxes

The income taxes expense recognized in comprehensive income was \$4.7 million for Q2 2021 compared to \$2.5 million for Q2 2020. The effective tax rate for Q2 2021 was 28.1% compared to 32.3% for Q2 2020. The variance in the effective tax rate is mainly due to the relative importance of permanent differences compared to Net income before income taxes.

The income taxes expense recognized in comprehensive income was \$7.0 million for cumulative Fiscal 2021 compared to \$4.0 million for cumulative Fiscal 2020. The effective tax rate for cumulative Fiscal 2021 was 27.1% compared to 21.6% for cumulative Fiscal 2020. The variance in the effective tax rate is mainly due to the decrease in the Alberta corporate income tax rate enacted in Q1 2020, which reduced deferred tax liabilities.

## Net income and net income per share

Net income in Q2 2021 was \$11.9 million (\$0.16 per share) compared to \$5.2 million (\$0.07 per share) for Q2 2020. The increase was mainly related to higher operating results, foreign exchange gain, positive change in mark-to-market on derivative instruments and lower legal expenses, partially offset by higher income taxes.

Cumulative Net income for Fiscal 2021 was \$18.9 million (\$0.26 per share) compared to \$14.4 million (\$0.19 per share) for cumulative Fiscal 2020. The increase was mainly explained by a foreign exchange gain, lower legal expenses and positive change in mark-to-market on derivative instruments, partially offset by higher income taxes and lower operating results.

## Adjusted Net income<sup>(1)</sup> and Adjusted Net income per share<sup>(1)</sup>

Adjusted Net income in Q2 2021 was \$16.3 million (\$0.22 per share), compared to \$12.4 million (\$0.16 per share) for Q2 2020. The increase was mainly related to higher operating results and a foreign exchange gain, partially offset by higher income taxes and negative change in fair value of contingent considerations.

Cumulative Adjusted Net income for Fiscal 2021 was \$29.8 million (\$0.40 per share), compared to \$29.1 million (\$0.38 per share) for cumulative Fiscal 2020. The increase is mainly due to a foreign exchange gain and lower interest expense, partially offset by lower operating results and higher income taxes.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

## BUSINESS SEGMENT PERFORMANCE

### BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2021	Q2 2020	% Change	YTD 2021	YTD 2020	% Change
Revenues	39,169	38,742	1.1	75,116	76,089	(1.3)
Operating expenses	20,273	23,510	(13.8)	35,853	46,249	(22.5)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>18,896</b>	<b>15,232</b>	<b>24.1</b>	<b>39,263</b>	<b>29,840</b>	<b>31.6</b>
<b>Adjusted EBITDA margin<sup>(1)</sup></b>	<b>48.2%</b>	<b>39.3%</b>	<b>22.7</b>	<b>52.3%</b>	<b>39.2%</b>	<b>33.3</b>

#### Revenues

In Q2 2021, Broadcasting and Commercial Music revenues increased 0.5 million or 1.1% to \$39.2 million, from \$38.7 million for Q2 2020. The increase was primarily due the acquisition of MSM and Chatter Research Inc and the increase in advertising revenues, partially offset by the impact of the COVID-19 pandemic on revenues.

Cumulative Broadcasting and Commercial Music revenues for Fiscal 2021 decreased \$1.0 million or 1.3% to \$75.1 million from \$76.1 million for cumulative Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, 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 and the positive impact of foreign exchange.

#### Adjusted EBITDA<sup>(1)</sup>

In Q2 2021, Broadcasting and Commercial Music Adjusted EBITDA increased \$3.7 million or 24.1% to \$18.9 million from \$15.2 million for Q2 2020. Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2021 increased \$9.3 million or 31.6% to \$39.2 million from \$29.9 million for cumulative Fiscal 2020. Both increases were primarily due to the CEWS and to reduced operating costs, partially offset by the impact of the COVID-19 pandemic on revenues.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

## RADIO

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2021	Q2 2020	% Change	YTD 2021	YTD 2020	% Change
Revenues	25,125	37,831	(33.6)	41,471	80,921	(48.8)
Operating expenses	12,005	24,116	(50.2)	22,590	49,379	(54.3)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>13,120</b>	<b>13,715</b>	<b>(4.3)</b>	<b>18,881</b>	<b>31,542</b>	<b>(40.1)</b>
<b>Adjusted EBITDA margin<sup>(1)</sup></b>	<b>52.2%</b>	<b>36.3%</b>	<b>44.0</b>	<b>45.5%</b>	<b>39.0%</b>	<b>16.8</b>

### Revenues

Radio revenues are derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for Fiscal 2021 Radio revenues are not expected to follow historical patterns due to the ongoing impact of the COVID-19 pandemic.

In Q2 2021, Radio revenues decreased \$12.7 million or 33.6% to \$25.1 million from \$37.8 million for Q2 2020. Cumulative Radio revenues for Fiscal 2021 decreased \$39.4 million or 48.8% to \$41.5 million from \$80.9 million for cumulative Fiscal 2020. The decreases were primarily due to the impact of the COVID-19 pandemic on revenues.

### Adjusted EBITDA<sup>(1)</sup>

In Q2 2021, Radio Adjusted EBITDA decreased \$0.6 million or 4.3% to \$13.1 million from \$13.7 million for Q2 2020. Cumulative Radio Adjusted EBITDA for Fiscal 2021 decreased \$12.6 million or 40.1% to \$18.9 million from \$31.5 million for cumulative Fiscal 2020. Both decreases were primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the CEWS and other subsidies and by reduced operating costs.

## CORPORATE

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2021	Q2 2020	% Change	YTD 2021	YTD 2020	% Change
Operating expenses	2,391	2,327	2.8	4,520	4,626	(2.3)
<i>Adjust:</i>						
Share-based compensation	(219)	(257)	(14.8)	(385)	(505)	(23.8)
Performance and deferred share unit expense	(1,312)	(794)	65.2	(2,628)	(1,575)	66.9
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>(860)</b>	<b>(1,276)</b>	<b>(32.6)</b>	<b>(1,507)</b>	<b>(2,546)</b>	<b>(40.8)</b>

### Adjusted EBITDA<sup>(1)</sup>

Corporate Adjusted EBITDA represented the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The decrease in operating expenses is related to reduced operating costs. The increase in Performance and deferred share unit expense is due to the increase in the share price and to additional grants.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

## Quarterly results

Revenues fluctuated over the last eight quarters from \$70.8 million in Q3 2019 to \$64.3 million in the Q2 2021. In Q3 2019, revenues in the Corporate segment derived from hotel operations, which was acquired through the acquisition of Newfoundland Capital Corporation Inc. (NCC), but disposed of in the same quarter. The increase in Q1 2020, decrease in Q2 2020 and increase in Q3 2020 are mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were due to the impact of the COVID-19 pandemic. The increase in Q2 2021 is due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity and to the increase in equipment and installation sales related to digital signage.

Adjusted EBITDA<sup>(1)</sup> increased over the last eight quarters from \$27.2 million in Q3 2019 to \$31.2 million in Q2 2021. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts. The decrease in Q4 2019 was mainly due to normal business seasonality in the Radio segment and to the reversal of certain accrued liabilities, which positively contributed to the Adjusted EBITDA<sup>(1)</sup> of the Radio segment in Q3 2019. The increase in Q1 2020, decrease in Q2 2020 and increase in Q3 2020 were mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were mainly due to the impact of the COVID-19 pandemic on Radio revenues, which was partially offset by the CEWS and reduced operating costs in Q1 2021. The increase in Q2 2021 is due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity, partially offset by higher operating costs and lower CEWS.

Net income (loss) fluctuated over the last eight quarters from a Net loss of \$18.1 million in Q3 2019 to a Net income of \$11.9 million in Q2 2021. In Q3 2019, the Net loss was due to the CRTC Tangible benefits expense related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results. In Q4 2019, the increase was due to the absence of CRTC Tangible benefits expense, lower acquisition expenses and write-off of balance payable on acquisition, partially offset by higher income taxes and lower operating results. In Q1 2020, the increase was due to higher operating results, lower acquisition expenses and lower mark-to-market losses on derivative financial instruments, partially offset by the absence of write-off of balance payable on acquisition and positive change in fair value of contingent considerations. In Q2 2020, the decrease was due to lower operating results, higher income taxes and acquisition, legal, restructuring and other expenses, partially offset by lower mark-to-market losses on derivative financial instruments, positive change in fair value of contingent considerations and lower interest expense. In Q3 2020, the increase was due to mark-to-market gains on derivative financial instruments, positive change in fair value of investments, higher operating results and gain in foreign exchange, partially offset by higher legal expenses due to the settlement with Music Choice. In Q4 2020, the decrease was due to by mark-to-market losses on derivative financial instruments, foreign exchange loss, lower positive change in fair value of investments and lower operating results, partially offset by lower income taxes expense. In Q1 2021, the increase was due to lower mark-to-market losses on derivative financial instruments and a foreign exchange gain, partially offset by the impact of the COVID-19 pandemic on revenues, higher income taxes expense and negative change in fair value of investments. In Q2 2021, the increase was due to higher operating results and positive change in mark-to-market on derivative financial instruments, partially offset by higher income taxes and legal expenses.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

## Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020	FY2019	FY2019
<b>Revenues by segment</b>								
Broadcasting and Commercial								
Music	39,169	35,947	38,483	39,894	38,742	37,347	38,718	38,875
Radio	25,125	16,346	29,915	41,419	37,831	43,090	34,012	31,215
Corporate	-	-	-	-	-	-	-	682
<b>Total revenues</b>	<b>64,294</b>	<b>52,293</b>	<b>68,398</b>	<b>81,313</b>	<b>76,573</b>	<b>80,437</b>	<b>72,730</b>	<b>70,772</b>
<b>Revenues by geography</b>								
Canada	39,710	28,057	43,498	57,515	52,723	56,107	47,318	46,738
United States	10,091	10,302	10,236	9,575	9,035	9,141	9,351	8,834
Other countries	14,493	13,934	14,664	14,223	14,815	15,189	16,061	15,200
<b>Total revenues</b>	<b>64,294</b>	<b>52,293</b>	<b>68,398</b>	<b>81,313</b>	<b>76,573</b>	<b>80,437</b>	<b>72,730</b>	<b>70,772</b>
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>31,156</b>	<b>25,481</b>	<b>28,217</b>	<b>31,033</b>	<b>27,671</b>	<b>31,165</b>	<b>22,407</b>	<b>27,219</b>
<b>Net income (loss)</b>	<b>11,888</b>	<b>7,021</b>	<b>(8,486)</b>	<b>8,089</b>	<b>5,184</b>	<b>9,183</b>	<b>3,942</b>	<b>(18,053)</b>
Net income (loss) per share basic and diluted	0.16	0.10	(0.11)	0.11	0.07	0.12	0.06	(0.26)
<b>Adjusted Net income<sup>(1)</sup></b>	<b>16,311</b>	<b>13,509</b>	<b>10,095</b>	<b>16,710</b>	<b>12,416</b>	<b>16,687</b>	<b>14,725</b>	<b>12,396</b>
Adjusted Net income per share basic and diluted <sup>(1)</sup>	0.22	0.18	0.13	0.22	0.16	0.22	0.21	0.18
<b>Cash flow from operations</b>	<b>25,406</b>	<b>37,993</b>	<b>14,062</b>	<b>28,833</b>	<b>18,952</b>	<b>26,298</b>	<b>18,072</b>	<b>13,809</b>
<b>Adjusted free Cash Flow<sup>(1)</sup></b>	<b>22,861</b>	<b>18,045</b>	<b>17,974</b>	<b>21,033</b>	<b>18,756</b>	<b>20,587</b>	<b>9,845</b>	<b>16,983</b>
<b>Quarterly dividend</b>	<b>0.075</b>	<b>0.075</b>	<b>0.075</b>	<b>0.075</b>	<b>0.070</b>	<b>0.070</b>	<b>0.065</b>	<b>0.065</b>

Note:

- (2) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 1 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Reconciliation of Quarterly Non-IFRS Measures" on page 5.

## Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
	Fiscal 2021	Fiscal 2021	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019	Fiscal 2019
<b>Net income (loss)</b>	<b>11,888</b>	<b>7,021</b>	<b>(8,486)</b>	<b>8,089</b>	<b>5,184</b>	<b>9,183</b>	<b>3,942</b>	<b>(18,053)</b>
Net finance expense (income)	2,774	4,601	33,463	(4,383)	6,362	7,380	2,259	7,208
Change in fair value of investments	461	892	(1,914)	(4,781)	(188)	333	336	(840)
Income taxes	4,654	2,359	(4,165)	1,897	2,479	1,481	1,833	(6,117)
Depreciation and write-off of property and equipment	2,976	2,701	2,790	2,876	2,989	2,822	2,791	2,469
Depreciation of right-of-use assets	1,413	1,412	1,426	1,402	1,419	1,371	-	-
Amortization of intangible assets	5,188	5,410	5,659	5,494	5,935	6,119	7,187	6,401
Share-based compensation	219	166	258	238	257	248	297	263
Performance and deferred share unit expense	1,312	1,316	(1,507)	677	794	781	630	(147)
CRTC Tangible benefits	-	-	-	-	-	-	-	25,306
Acquisition, legal, restructuring and other expenses (income)	271	(397)	693	19,524	2,440	1,447	3,132	10,729
<b>Adjusted EBITDA</b>	<b>31,156</b>	<b>25,481</b>	<b>28,217</b>	<b>31,033</b>	<b>27,671</b>	<b>31,165</b>	<b>22,407</b>	<b>27,219</b>
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,340)	(3,338)	(10,976)	(4,184)	(5,767)	(6,195)	739	(7,208)
Income taxes	(4,654)	(2,359)	4,165	(1,897)	(2,479)	(1,481)	(1,833)	6,117
Depreciation and write-off of property and equipment	(2,976)	(2,701)	(2,790)	(2,876)	(2,989)	(2,822)	(2,791)	(2,469)
Depreciation of right-of-use assets	(1,413)	(1,412)	(1,426)	(1,402)	(1,419)	(1,371)	-	-
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(1,462)	(2,162)	(7,095)	(3,964)	(2,601)	(2,609)	(3,797)	(11,263)
<b>Adjusted Net income</b>	<b>16,311</b>	<b>13,509</b>	<b>10,095</b>	<b>16,710</b>	<b>12,416</b>	<b>16,687</b>	<b>14,725</b>	<b>12,396</b>

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
	Fiscal 2021	Fiscal 2021	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019	Fiscal 2019
<b>Cash flow from operating activities</b>	<b>25,406</b>	<b>37,993</b>	<b>14,062</b>	<b>28,833</b>	<b>18,952</b>	<b>26,298</b>	<b>18,072</b>	<b>13,809</b>
Acquisition of property and equipment	(1,209)	(703)	(2,153)	(1,479)	(1,459)	(1,613)	(1,935)	(1,972)
Acquisition of intangible assets other than internally developed intangible assets	(212)	(258)	(463)	(495)	(292)	(519)	(669)	(1,272)
Addition to internally developed intangible assets	(1,671)	(1,552)	(1,534)	(1,286)	(1,559)	(1,523)	(1,742)	(1,827)
Interest paid	(2,912)	(3,687)	(3,819)	(4,150)	(4,493)	(4,980)	(4,441)	(4,649)
Repayment of lease liabilities	(1,443)	(1,214)	(1,180)	(1,295)	(1,303)	(1,095)	-	-
Net change in non-cash operating working capital items	6,530	(11,412)	7,262	(17,702)	6,143	2,127	(1,890)	1,180
Unrealized loss (gain) on foreign exchange	(1,899)	(725)	5,106	(917)	327	445	(682)	985
Acquisition, legal, restructuring and other expenses (income)	271	(397)	693	19,524	2,440	1,447	3,132	10,729
<b>Adjusted free cash flow</b>	<b>22,861</b>	<b>18,045</b>	<b>17,974</b>	<b>21,033</b>	<b>18,756</b>	<b>20,587</b>	<b>9,845</b>	<b>16,983</b>

## LIQUIDITY AND CAPITAL RESOURCES FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

(in thousands of Canadian dollars)	3 months		6 months	
	Q2 2021	Q2 2020	YTD 2021	YTD 2020
Operating activities	25,406	18,952	63,399	45,250
Financing activities	(17,801)	(12,724)	(49,400)	(33,424)
Investing activities	(3,092)	(4,460)	(5,605)	(8,115)
Net change in cash	4,513	1,768	8,394	3,711
Cash – beginning of period	6,393	6,616	2,512	4,673
Cash – end of period	10,906	8,384	10,906	8,384
<b>Adjusted free cash flow<sup>(1)</sup></b>	<b>22,861</b>	<b>18,756</b>	<b>40,906</b>	<b>39,343</b>

### *Operating activities*

Cash flow generated from operating activities amounted to \$25.4 million for Q2 2021 compared to \$19.0 million for Q2 2020. The increase was mainly due to higher operating results, higher unrealized gain on foreign exchange and lower legal expenses.

Cash flow generated from operating activities amounted to \$63.4 million for cumulative Fiscal 2021 compared to \$45.3 million for cumulative Fiscal 2020. The increase was mainly due to the positive change in non-cash operating items, lower legal expenses and lower unrealized loss on foreign exchange, partially offset by lower operating results.

### *Financing Activities*

Net cash flow used in financing activities amounted to \$17.8 million for Q2 2021 compared to \$12.7 million for Q2 2020. Net cash flow used in financing activities amounted to \$49.4 million for cumulative Fiscal 2021 compared to \$33.4 million for cumulative Fiscal 2020. Both increases were mainly attributable to higher repayment of the credit facilities, partially offset by lower repayment of other payable, less share repurchased and lower interest paid.

### *Investing Activities*

Net cash flow used in investing activities amounted to \$3.1 million for Q2 2021 compared to \$4.5 million for Q2 2020. The decrease was primarily due to lower business acquisitions.

Net cash flow used in investing activities amounted to \$5.6 million for cumulative Fiscal 2021 compared to \$8.1 million for cumulative Fiscal 2020. The decrease was primarily due to lower business acquisitions and lower acquisition of property and equipment.

### *Adjusted free cash flow<sup>(1)</sup>*

Adjusted free cash flow generated in Q2 2021 amounted to \$22.9 million compared to \$18.8 million for Q2 2020. The increase was mainly related to higher operating results and lower interest paid, partially offset by higher income taxes paid.

Adjusted free cash flow generated in cumulative Fiscal 2021 amounted to \$40.9 million compared to \$39.3 million for cumulative Fiscal 2020. The increase was mainly related to lower interest paid and lower acquisition of property and equipment, partially offset by lower operating results.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.

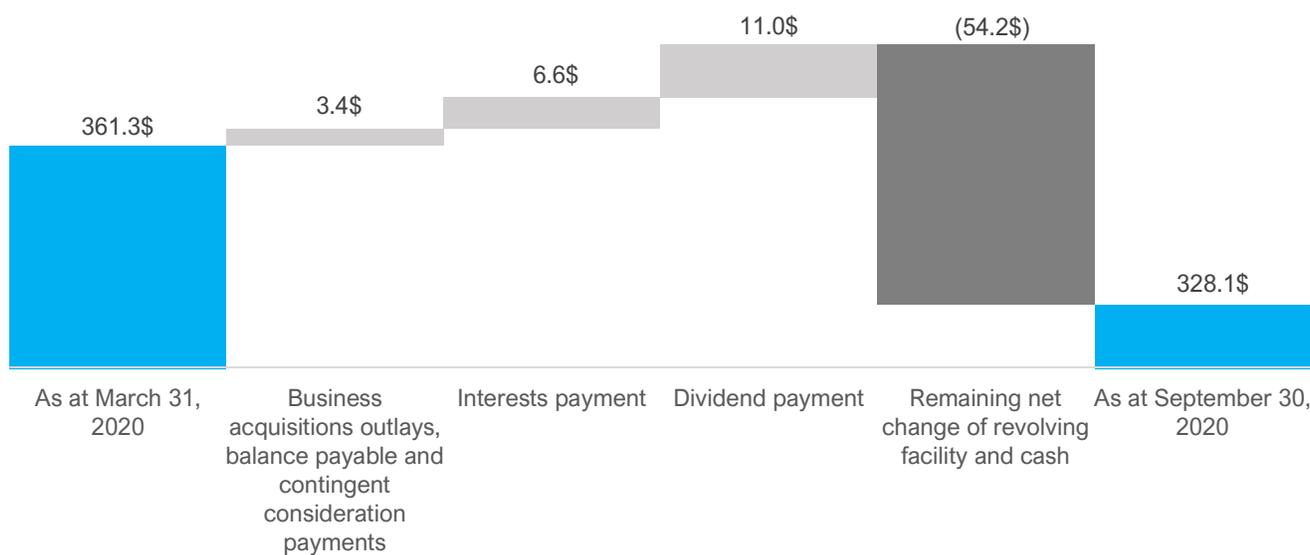
## CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the six-month period ending September 30, 2020:

(in thousands of Canadian dollars)	Sept. 30, 2020	March 31, 2020	Variance	Significant contributions
Trade and other receivables	63,546	73,216	(9,670) ▼	Timing of payments by clients and decrease in revenues due to the COVID-19 pandemic
Intangible assets	50,557	54,490	(3,933) ▼	Amortization of intangible assets, offset by additions through business acquisition and internally developed intangible assets additions
Goodwill	341,250	338,064	3,186 ▲	Acquisition of Marketing Sensorial Mexico, partially offset by foreign exchange differences
Accounts payables and accrued liabilities	63,809	62,101	1,708 ▲	Timing of payments to suppliers
Other liabilities	85,326	81,281	4,045 ▲	Balance payable and contingent consideration payable on MSM acquisition, partially offset by a repayment of contingent consideration for the Yokee acquisition
Credit facility	299,361	324,123	(24,762) ▼	Refer to the graph on next page
Subordinated debt	39,690	39,640	50 ▲	Amortization of deferred financing fees

The following table summarizes the impact on the Net debt that occurred in the six-month period ended September 30, 2020 including related ratios:

### Movement in Net debt<sup>(1)(2)</sup>



\$120.1	Pro Forma Adjusted EBITDA <sup>(1)(2)(3)</sup>	\$118.4
3.01	Net debt to Pro Forma Adjusted EBITDA <sup>(1)(2)</sup>	2.77

Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 1 and 5.
- (3) Pro Forma Adjusted EBITDA is calculated as the Corporation's last twelve months Adjusted EBITDA (\$115.9 million, Q4-2020; \$118.1 million), plus synergies and pro forma Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results (\$2.5 million, Q4-2020; \$2.0 million). Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 1 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 5.

## Music Choice Litigation

On February 3, 2020, the Corporation and Music Choice executed and exchanged a Settlement Agreement which puts definitive end to the parties' patent litigation in the United States and fully and finally settles all claims, counterclaims and defenses asserted in connection with that litigation. The settlement amount of US\$13.3 million (\$17.2 million at the date of the settlement), will be paid in two equal instalments; the first payment was made on the date of settlement and the second payment is to be made on or before February 15, 2021. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted.

## SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (together, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo. While the Objectors and the Collectives await the final determination of the Board on the proper quantum of the Tariff, in early 2018 the Board released a tentative ruling proposing that allocation of affiliation payments across the suite of Stingray services is reasonable and appropriate and asking the parties to propose favoured approaches to allocation. The parties have responded to the Board's request, with the Objectors proposing an allocation based on a "cost approach", as supported by independent, expert advice. The Copyright Board of Canada continues its consideration of the matter, and the Corporation anticipates a decision within approximately 12 months, based on past experience and the complexity of this proceeding.

## Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2020.

## Transactions Between Related Parties

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and certain other key employees of the Corporation. There have been no material changes to the nature or importance of the transactions between related parties since March 31, 2020.

## Off-Balance Sheet Arrangements

The Corporation therefore has no off-balance sheet arrangements, except for the operating leases with terms of twelve months or less, leases of low-value assets or leases that are not in scope of IFRS 16, that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

## Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	October 31, 2020	September 30, 2020
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	54,828,045	55,060,245
Subordinate voting shares held in trust through employee share purchase plan	(48,976)	(44,987)
Variable subordinate voting shares	562,640	560,440
Multiple voting shares	17,941,498	17,941,498
	73,283,207	73,517,196
<i>Outstanding stock options:</i>		
Stock options	3,229,950	3,229,950

The Corporation has a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserved for issuance. During the first six months of Fiscal 2021, 14,035 options were exercised, 21,008 options were forfeited, and 833,174 options were granted to eligible employees, subject to service vesting periods of 4 years.

## Financial Risk Factors

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2020. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

## Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated June 3, 2020. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

## Future Accounting Changes

For information on future accounting changes, please refer to the unaudited interim consolidated financial statements.

## Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. The Corporation's internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework").

The Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

During the second quarter ended September 30, 2020, there have been no changes in the Corporation's internal control over financial reporting that have materially affected, or are likely to materially affect, the Corporation's ICFR.

## Subsequent Events

Dividend

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 will be payable on or around December 15, 2020 to shareholders on record as of November 30, 2020.

## Additional Information

Additional information about the Corporation is available on our website at [www.stingray.com](http://www.stingray.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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