STINGRAY

SECOND QUARTER REPORT

Fiscal 2022

For the six-month period ended September 30, 2021

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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and 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 three-month and six-month periods ended September 30, 2021 and 2020, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2021. This MD&A reflects information available to the Corporation as at November 9, 2021. Additional information relating to the Corporation is also available on SEDAR at 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, 2021 and 2020.

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, 2021 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 shows stable results from its operations 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 dividends and reduce debt. The Corporation believes that Net debt and Net debt to Pro Forma Adjusted EBITDA are important to analyse the company's debt repayment capacity on an annualized basis, taking into consideration the annualized adjusted EBITDA of acquisitions made during the last twelve months. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards (IFRS) and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

OVERVIEW

Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) is a leading music, media, and technology company with over 1,000 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, FAST channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 160 million times. Stingray reaches 400 million subscribers (or users) in 160 countries.

KEY PERFORMANCE INDICATORS[1]

For the three-month period ended September 30, 2021 ("Q2 2022"):

$71.4 M ▲ 11.1% from Q2 2021 Revenues	**$12.1 M** Or $0.17 per share Net income	**$20.4 M** ▼ 19.6% from Q2 2021 Cash flow from operating activities Or $0.28 per share
$25.6 M ▼17.9% from Q2 2021 Adjusted EBITDA	**$16.3 M** Or $0.23 per share Adjusted Net income	**$15.4 M** ▼ 32.8% from Q2 2021 Adjusted free cash flow Or $0.21 per share

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended September 30, 2021:

Compared to the quarter ended September 30, 2020 ("Q2 2021"):

- Revenues increased 11.1% to $71.4 million from $64.3 million;
- Adjusted EBITDA[1] decreased 17.9% to $25.6 million from $31.2 million. Adjusted EBITDA[1] by segment was $14.5 million or 37.2% of revenues for Broadcasting and Commercial Music, $12.5 million or 38.8% of revenues for Radio and $(1.5) million for Corporate;
- Net income was $12.1 million ($0.17 per share) compared with $11.9 million ($0.16 per share);
- Adjusted Net income[1] of $16.3 million ($0.23 per share) compared with $16.3 million ($0.22 per share);
- Cash flow from operating activities decreased 19.6% to $20.4 million ($0.28 per share) compared to $25.4 million ($0.34 per share);
- Adjusted free cash flow[1] decreased 32.8% to $15.4 million ($0.21 per share) compared to $22.9 million ($0.31 per share);
- Net debt to Pro Forma Adjusted EBITDA[1] ratio of 3.02x, and;
- 455,000 shares repurchased and cancelled for a total of $3.4 million.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Business Highlights:

- On November 9, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 15, 2021, to shareholders on record as of November 30, 2021.
- On October 19, 2021, the Corporation announced that it had successfully completed the increase and extension of its existing credit facilities, providing additional liquidity for operations and M&A activities. The $442.5 million credit facilities consist of a $375.0 million revolving credit facility and a $67.5 million term loan, both maturing in October 2026. The renewed terms include incremental commitments up to $100.0 million upon request, subject to predetermined conditions. The pre-existing sub debt of $32.0 million maturing in October 2023 combined with the credit facilities described above accounts for total flexibility of up to $574.5 million.
- On September 21, 2021, the Corporation announced that the Toronto Stock Exchange had approved the renewal of its normal course issuer bid, authorizing Stingray to repurchase up to an aggregate 3,222,901 subordinate voting shares and variable subordinate voting shares (collectively, "Subordinate Shares"), representing approximately 10% of the public float of Subordinate Shares as at September 13, 2021. During Q2 2022, the Corporation has repurchased and cancelled 455,000 shares for a total of $3.4 million.
- On August 17, 2021, the Corporation announced its global expansion and launched its first bundle with Amazon's Prime Video Channels Canada, Mexico and Brazil. Starting today, Prime members now have access to the Stingray All Good Vibes subscription which includes Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, and Stingray Naturescape. The launch showcases the quality and diversity of Stingray's growing product portfolio and its strength in reaching new audiences.
- On August 11, 2021, the Corporation announced that it had acquired a minority interest in its long-standing business partner, The Singing Machine Company, Inc., widely recognized as the worldwide leader in consumer karaoke products. With the consummation of this transaction, Stingray emerges as the dominant provider of karaoke solutions.
- On August 3, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend has been paid on September 15, 2021 to shareholders on record as of August 31, 2021.
- On July 5, 2021, the Corporation announced that it had acquired Calm Radio, the world's largest online music streaming service focused on the wellness and relaxation markets. With this acquisition, Stingray grows its portfolio of curated music content, significantly increases its subscriber base and dives into the health and wellness industry.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months Sept. 30, 2021 Q2 2022 $	% of revenues	Sept. 30, 2020 Q2 2021 $	% of revenues	6 months Sept. 30, 2021 YTD 2022 $	% of revenues	Sept. 30, 2020 YTD 2021 $	% of revenues
Revenues	71,429	100.0 %	64,294	100.0 %	136,237	100.0 %	116,587	100.0 %
Operating expenses	47,338	66.3 %	34,669	54.0 %	90,245	66.2 %	62,963	54.0 %
Depreciation, amortization and write-off	8,671	12.1 %	9,577	14.9 %	18,118	13.3 %	19,100	16.4 %
Net finance expense (income)[1]	(364)	(0.5) %	2,774	4.3 %	4,889	5.0 %	7,375	6.3 %
Change in fair value of investments	(13)	0.0 %	461	0.7 %	(13)	0.0 %	1,353	1.2 %
Acquisition, legal, restructuring and other expenses (income)	848	1.2 %	271	0.4 %	2,016	1.5 %	(126)	(0.1) %
Income before income taxes	14,949	20.9 %	16,542	25.7 %	20,982	15.4 %	25,922	22.2 %
Income taxes	2,874	4.0 %	4,654	7.2 %	4,707	3.4 %	7,013	6.0 %
Net income	12,075	16.9 %	11,888	18.5 %	16,275	11.9 %	18,909	16.2 %
Adjusted EBITDA[2]	25,587	35.8 %	31,156	48.5 %	49,742	36.5 %	56,637	48.6 %
Adjusted Net income[2]	16,323	22.9 %	16,311	25.4 %	27,561	20.2 %	29,820	25.6 %
Cash flow from operating activities	20,437	28.6 %	25,406	39.5 %	36,774	27.0 %	63,399	54.4 %
Adjusted free cash flow[2]	15,362	21.5 %	22,861	35.6 %	30,369	22.3 %	40,906	35.1 %
Net debt[2]	336,488	–	328,145	–	336,488	–	328,145	–
Net debt to Pro Forma Adjusted EBITDA[2][3]	3.02x	–	2.77x	–	3.02x	–	2.77x	–
Net income per share basic and diluted	0.17	–	0.16	–	0.23	–	0.26	–
Adjusted Net income per share basic[2]	0.23	–	0.22	–	0.38	–	0.41	–
Adjusted Net income per share diluted[2]	0.23	–	0.22	–	0.38		0.40	–
Cash flow from operating activities per share basic	0.29	–	0.35	–	0.51	–	0.86	–
Cash flow from operating activities per share diluted	0.28	–	0.34	–	0.51	–	0.86	–
Adjusted free cashflow per share basic[2]	0.22	–	0.31	–	0.42	–	0.56	–
Adjusted free cashflow per share diluted[2]	0.21	–	0.31	–	0.42	–	0.55	–
Revenues by segment								
Broadcasting and Commercial Music	39,118	54.8 %	39,169	60.9 %	74,696	54.8 %	75,116	64.4 %
Radio	32,311	45.2 %	25,125	39.1 %	61,541	45.2 %	41,471	35.6 %
Revenues	71,429	100.0 %	64,294	100.0 %	136,237	100.0 %	116,587	100.0 %
Revenues by geography								
Canada	46,700	65.4 %	39,710	61.8 %	88,076	64.6 %	67,767	58.1 %
United States	11,485	16.1 %	10,091	15.7 %	21,763	16.0 %	20,393	17.5 %
Other Countries	13,244	18.5 %	14,493	22.5 %	26,398	19.4 %	28,427	24.4 %
Revenues	71,429	100.0 %	64,294	100.0 %	136,237	100.0 %	116,587	100.0 %

Notes:

(1) Interest paid during the Q2 2022 was $3.2 million (Q2 2021; $2.9 million). Interest paid for YTD Q2 2022 was $7.1 million (YTD Q2 2021; $6.6 million).

(2) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 6.

(3) Refer to page 17 for a reconciliation of Pro Forma Adjusted EBITDA to the most directly comparable IFRS financial measure. Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 2 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 6.

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 2.

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

	3 months		6 months	
(in thousands of Canadian dollars)	Sept. 30, 2021 **Q2 2022**	Sept. 30, 2020 **Q2 2021**	Sept. 30, 2021 **YTD 2022**	Sept. 30, 2020 **YTD 2021**
Net income	**12,075**	**11,888**	**16,275**	**18,909**
Net finance expense (income)	(364)	2,774	4,889	7,375
Change in fair value of investments	(13)	461	(13)	1,353
Income taxes	2,874	4,654	4,707	7,013
Depreciation and write-off of property and equipment	2,446	2,976	4,970	5,677
Depreciation of right-of-use assets	1,298	1,413	2,594	2,825
Amortization of intangible assets	4,927	5,188	10,554	10,598
Share-based compensation	196	219	360	385
Performance and deferred share unit expense	1,300	1,312	3,390	2,628
Acquisition, legal, restructuring and other expenses (income)	848	271	2,016	(126)
Adjusted EBITDA	**25,587**	**31,156**	**49,742**	**56,637**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(1,153)	(4,340)	(5,888)	(7,678)
Income taxes	(2,874)	(4,654)	(4,707)	(7,013)
Depreciation of property and equipment and write-off	(2,446)	(2,976)	(4,970)	(5,677)
Depreciation of right-of-use assets	(1,298)	(1,413)	(2,594)	(2,825)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(1,493)	(1,462)	(4,022)	(3,624)
Adjusted Net income	**16,323**	**16,311**	**27,561**	**29,820**

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

	3 months		6 months	
(in thousands of Canadian dollars)	Sept. 30, 2021 **Q2 2022**	Sept. 30, 2020 **Q2 2021**	Sept. 30, 2021 **YTD 2022**	Sept. 30, 2020 **YTD 2021**
Cash flow from operating activities	**20,437**	**25,406**	**36,774**	**63,399**
Add / Less :				
Acquisition of property and equipment	(2,360)	(1,209)	(4,437)	(1,912)
Acquisition of intangible assets other than internally developed intangible assets	(305)	(212)	(503)	(470)
Addition to internally developed intangible assets	(2,050)	(1,671)	(4,203)	(3,223)
Interest paid	(3,234)	(2,912)	(7,125)	(6,599)
Repayment of lease liabilities	(1,526)	(1,443)	(2,611)	(2,657)
Net change in non-cash operating working capital items	2,323	6,530	9,128	(4,882)
Unrealized loss on foreign exchange	1,229	(1,899)	1,330	(2,624)
Acquisition, legal, restructuring and other expenses (income)	848	271	2,016	(126)
Adjusted free cash flow	**15,362**	**22,861**	**30,369**	**40,906**

The following table shows the calculation of Net debt:

(in thousands of Canadian dollars)	**September 30, 2021**	**March 31, 2021**	**September 30, 2020**
Credit facilities	313,172	303,704	299,361
Subordinated debt	31,791	31,741	39,690
Cash and cash equivalents	(8,475)	(9,040)	(10,906)
Net debt	**336,488**	**326,405**	**328,145**

FINANCIAL RESULTS FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

	3 months			6 months		
(in thousands of Canadian dollars)	Q2 2022	Q2 2021	% Change	YTD 2022	YTD 2021	% Change
Revenues by geography						
Canada	46,700	39,710	17.6	88,076	67,767	30.0
United States	11,485	10,091	13.8	21,763	20,393	6.7
Other Countries	13,244	14,493	(8.6)	26,398	28,427	(7.1)
Revenues	71,429	64,294	11.1	136,237	116,587	16.9

Global

Revenues in Q2 2022 increased $7.1 million or 11.1% to $71.4 million, from $64.3 million for Q2 2021. Cumulative revenues for Fiscal 2022 increased $19.6 million or 16.9% to $136.2 million, from $116.6 million for cumulative Fiscal 2021. Both increases were primarily due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations and to an increase in advertising revenues in the Broadcast and Commercial Music segment, partially offset by a negative foreign exchange rate impact.

Canada

Revenues in Canada in Q2 2022 increased $7.0 million or 17.6% to $46.7 million, from $39.7 million for Q2 2021. Cumulative revenues in Canada for Fiscal 2022 increased $20.2 million or 30.0% to $88.0 million, from $67.8 million for cumulative Fiscal 2021. Both increases were primarily due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

United States

Revenues in the United States in Q2 2022 increased $1.4 million or 13.8% to $11.5 million, from $10.1 million for Q2 2021. Cumulative revenues in the United States for Fiscal 2022 increased $1.4 million or 6.7% to $21.8 million, from $20.4 million for cumulative Fiscal 2021. Both increases were primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and to an increase in subscription revenues, partially offset by a negative foreign exchange rate impact.

Other Countries

Revenues in Other countries in Q2 2022 decreased $1.3 million or 8.6% to $13.2 million, from $14.5 million for Q2 2021. The decrease was mainly due to a decrease in subscription revenues.

Cumulative revenues in Other countries for Fiscal 2022 decreased $2.0 million or 7.1% to $26.4 million, from $28.4 million for cumulative Fiscal 2021. The decrease was primarily due to a decrease in subscription revenues and to a negative foreign exchange rate impact.

Operating expenses

Operating expenses in Q2 2022 increased $12.6 million or 36.5% to $47.3 million, from $34.7 million for Q2 2021. Cumulative operating expenses for Fiscal 2022 increased $27.2 million or 43.3% to $90.2 million, from $63.0 million for cumulative Fiscal 2021. Both increases are due to lower Canadian Emergency Wage Subsidy (CEWS), higher operating costs and increased variable expenses, caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA(1)

Adjusted EBITDA in Q2 2022 decreased $5.6 million or 17.9% to $25.6 million from $31.2 million for Q2 2021. Adjusted EBITDA margin was 35.8% compared to 48.5% for Q2 2021. Cumulative Adjusted EBITDA for Fiscal 2022 decreased $6.9 million or 12.2% to $49.7 million from $56.6 million for cumulative Fiscal 2021. Adjusted EBITDA margin was 36.5% compared to 48.6% for cumulative Fiscal 2021. Both decreases are due to lower CEWS and higher operating costs, partially offset by higher revenues, caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q2 2022 decreased $0.9 million or 9.5% to $8.7 million, from $9.6 million for Q2 2021. Cumulative depreciation, amortization and write off for Fiscal 2022 decreased $1.0 million or 5.1% to $18.1 million, from $19.1 million for cumulative Fiscal 2021. Both decreases were primarily due to less intangible assets to amortize compared to the prior period.

Net finance expense (income)

Net finance expense (income) in Q2 2022 varied to a $0.4 million income, from a $2.8 million expense for Q2 2021. Cumulative Net finance expense for Fiscal 2022 decreased $2.5 million or 33.7% to $4.9 million, from $7.4 million for cumulative Fiscal 2021. Both variances were mainly related to a decrease in the fair value of contingent consideration, partially offset by a foreign exchange loss.

Change in fair value of investments

In Q2 2022 and for cumulative Fiscal 2022, there was no gain or loss on fair value of investments as the securities held in AppDirect Inc. were sold in Q3 2021. A loss of $0.5 million for Q2 2021 and $1.4 million for cumulative Fiscal 2021 were recorded, both related to the translation of an investment denominated in U.S. dollars to Canadian dollars.

Acquisition, legal, restructuring and other expenses (income)

	3 months			6 months		
(in thousands of Canadian dollars)	Q2 2022	Q2 2021	% Change	YTD 2022	YTD 2021	% Change
Acquisition	199	248	(19.8)	213	530	(59.8)
Legal	85	244	(65.2)	1,076	(536)	(300.7)
Restructuring and other	564	(221)	(355.2)	727	(120)	(705.8)
Acquisition, legal, restructuring and other expenses (income)	848	271	212.9	2,016	(126)	(1700.0)

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 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 quarter.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Income taxes

The income taxes expense recognized in comprehensive income was $2.9 million for Q2 2022 compared to $4.7 million for Q2 2021. The effective tax rate for Q2 2022 was 19.2% compared to 28.1% for Q2 2021. The income taxes expense recognized in comprehensive income was $4.7 million for cumulative Fiscal 2022 compared to $7.0 million for cumulative Fiscal 2021. The effective tax rate for cumulative Fiscal 2022 was 22.4% compared to 27.1% for cumulative Fiscal 2021. Both variances in the effective tax rate are mainly due to the variance in permanent differences, mainly related to the non-taxable gain on the reduction in the fair value of contingent consideration.

Net income and Net income per share

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

Cumulative Net income for Fiscal 2022 was $16.3 million ($0.23 per share) compared to $18.9 million ($0.26 per share) for cumulative Fiscal 2021. The decrease was mainly related to lower operating results and to a foreign exchange loss, partially offset by a decrease in the fair value of contingent consideration and lower income taxes expense.

Adjusted Net income(1) and Adjusted Net income per share(1)

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

Cumulative Adjusted Net income for Fiscal 2022 was $27.6 million ($0.38 per share), compared to $29.8 million ($0.40 per share) for cumulative Fiscal 2021. The decrease was mainly related to lower operating results and a foreign exchange loss, partially offset by a decrease in the fair value of contingent consideration and lower income taxes expense.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Business segment performance

Broadcasting and Commercial Music

(in thousands of Canadian dollars)	3 months Q2 2022	3 months Q2 2021	3 months % Change	6 months YTD 2022	6 months YTD 2021	6 months % Change
Revenues	39,118	39,169	(0.1)	74,696	75,116	(0.6)
Operating expenses	24,585	20,273	21.3	45,501	35,853	26.9
Adjusted EBITDA(1)	**14,533**	**18,896**	**(23.1)**	**29,195**	**39,263**	**(25.6)**
Adjusted EBITDA margin(1)	**37.2%**	**48.2%**	**(23.0)**	**39.1%**	**52.3%**	**(25.2)**

Revenues

In Q2 2022, Broadcasting and Commercial Music revenues decreased $0.1 million or 0.1% to $39.1 million, from $39.2 million for Q2 2021. Cumulative Broadcasting and Commercial Music revenues for Fiscal 2022 decreased $0.4 million or 0.6% to $74.7 million from $75.1 million for cumulative Fiscal 2021. Both decreases were primarily due to a negative foreign exchange rate impact, largely offset by an increase in advertising revenues.

Adjusted EBITDA(1)

In Q2 2022, Broadcasting and Commercial Music Adjusted EBITDA decreased $4.4 million or 23.1% to $14.5 million from $18.9 million for Q2 2021. Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2022 decreased $10.0 million or 25.6% to $29.2 million from $39.2 million for cumulative Fiscal 2021. Both decreases were primarily due to reduced CEWS and higher operating costs, caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations and by a decrease in gross margin related to a change in product mix.

Radio

(in thousands of Canadian dollars)	3 months Q2 2022	3 months Q2 2021	3 months % Change	6 months YTD 2022	6 months YTD 2021	6 months % Change
Revenues	32,311	25,125	28.6	61,541	41,471	48.4
Operating expenses	19,778	12,005	64.7	38,183	22,590	69.0
Adjusted EBITDA(1)	**12,533**	**13,120**	**(4.5)**	**23,358**	**18,881**	**23.7**
Adjusted EBITDA margin(1)	**38.8%**	**52.2%**	**(25.7)**	**38.0%**	**45.5%**	**(16.6)**

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 did not follow historical patterns due to the ongoing impact of the COVID-19 pandemic.

In Q2 2022, Radio revenues increased $7.2 million or 28.6% to $32.3 million from $25.1 million for Q2 2021. Cumulative Radio revenues for Fiscal 2022 increased $20.0 million or 48.4% to $61.5 million from $41.5 million for cumulative Fiscal 2021. Both increases were largely due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA(1)

In Q2 2022, Radio Adjusted EBITDA decreased $0.6 million or 4.5% to $12.5 million from $13.1 million for Q2 2021. The decrease in Adjusted EBITDA is due to lower CEWS and higher operating costs, largely offset by higher revenues, all caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Cumulative Radio Adjusted EBITDA for Fiscal 2022 increased $4.4 million or 23.7% to $23.3 million from $18.9 million for cumulative Fiscal 2021. The increase in Adjusted EBITDA is due to higher revenues, partially offset by lower CEWS and higher operating costs, all caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

CORPORATE

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2022	Q2 2021	% Change	YTD 2022	YTD 2021	% Change
Operating expenses	2,975	2,391	24.4	6,561	4,520	45.2
Adjust:						
Share-based compensation	(196)	(219)	(10.5)	(360)	(385)	(6.5)
Performance and deferred share unit expense	(1,300)	(1,312)	(0.9)	(3,390)	(2,628)	29.0
Adjusted EBITDA(1)	**(1,479)**	**(860)**	**72.0**	**(2,811)**	**(1,507)**	**86.5**

Adjusted EBITDA(1)

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The increase in operating expenses is related to increased operating costs caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

Quarterly results

Revenues fluctuated over the last eight quarters from $81.3 million in Q3 2020 to $71.4 million in the Q2 2022. The decrease in Q4 2020 and Q1 2021 were due to the impact of the COVID-19 pandemic. The increases in Q2 2021 and Q3 2021 were due to progressive improvements in Radio advertising bookings as provinces began lifting restrictions on social and economic activity and to normal business seasonality. The decrease in Q4 2021 was due to normal business seasonality. The increase in Q1 2022 was due to the gradual easing of COVID-19 restrictions. The increase in Q2 2022 was due to the gradual easing of COVID-19 restrictions, to increased equipment and installation sales related to digital signage and to the acquisition of Calm Radio.

Adjusted EBITDA[(1)] fluctuated over the last eight quarters from $31.0 million in Q3 2020 to $25.6 million in Q2 2022. The decreases 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 was 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. The increase in Q3 2021 was due to continuing improvements in Radio advertising bookings and normal business seasonality and to a settlement with SOCAN (refer to page 18), partially offset by a special bonus to employees, lower CEWS and higher operating costs. The decrease in Q4 2021 was due to normal business seasonality and to a settlement with SOCAN in Q3 2021, partially offset by a special bonus to employees in Q3 2021. The increase in Q1 2022 was due to normal business seasonality and change in product mix, partially offset by higher operating costs. The increase in Q2 2022 is due to higher operating results, partially offset by reduced CEWS.

Net income (loss) fluctuated over the last eight quarters from $8.1 million in Q3 2020 to $12.1 million in Q2 2022. In Q4 2020, the decrease was due to 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. In Q3 2021, the increase was due to higher operating results, positive change in the fair value of contingent consideration, and higher gain in mark-to-market on derivative financial instruments, partially offset by a negative change in fair value of investments related to the sale of securities held in AppDirect Inc. In Q4 2021, the decrease was due to lower operating results, partially offset by higher gains in mark-to-market on derivative financial instruments. In Q1 2022, the decrease was due to a negative change in fair value of mark-to-market on derivative financial instruments and a lower foreign exchange gain, partially offset by lower income taxes expense, and lower acquisition and restructuring costs. In Q2 2022, the increase was due a positive change in the fair value of contingent consideration, a positive change in fair value of derivative financial instruments and higher operating results, partially offset by a foreign exchange loss.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019
	3 months							
	FY2022	FY2022	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020
Revenues by segment								
Broadcasting and Commercial Music	39,118	35,578	36,356	40,186	39,169	35,947	38,483	39,894
Radio	32,311	29,230	23,960	32,379	25,125	16,346	29,915	41,419
Total revenues	**71,429**	**64,808**	**60,316**	**72,565**	**64,294**	**52,293**	**68,398**	**81,313**
Revenues by geography								
Canada	46,700	41,376	35,594	47,368	39,710	28,057	43,498	57,515
United States	11,485	10,278	10,942	10,693	10,091	10,302	10,236	9,575
Other countries	13,244	13,154	13,780	14,504	14,493	13,934	14,664	14,223
Total revenues	**71,429**	**64,808**	**60,316**	**72,565**	**64,294**	**52,293**	**68,398**	**81,313**
Adjusted EBITDA(1)	**25,587**	**24,155**	**23,638**	**33,993**	**31,156**	**25,481**	**28,217**	**31,033**
LTM Adjusted EBITDA(1)	**107,373**	**112,942**	**114,268**	**118,847**	**115,887**	**112,402**	**118,086**	**112,276**
Net income (loss)	**12,075**	**4,200**	**12,077**	**14,118**	**11,888**	**7,021**	**(8,486)**	**8,089**
Net income (loss) per share basic and diluted	0.17	0.06	0.17	0.19	0.16	0.10	(0.11)	0.11
Adjusted Net income(1)	**16,323**	**11,238**	**11,981**	**21,054**	**16,311**	**13,509**	**10,095**	**16,710**
Adjusted Net income per share basic(1)	0.23	0.16	0.17	0.29	0.22	0.18	0.13	0.22
Adjusted Net income per share diluted(1)	0.23	0.16	0.16	0.29	0.22	0.18	0.13	0.22
Cash flow from operations	**20,437**	**16,337**	**24,514**	**16,333**	**25,406**	**37,993**	**14,062**	**28,833**
Adjusted free Cash Flow(1)	**15,362**	**15,007**	**13,808**	**19,645**	**22,861**	**18,045**	**17,974**	**21,033**
Quarterly dividend	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6. Last twelve months (LTM) Adjusted EBITDA represents the Adjusted EBITDA of the referenced period, plus the Adjusted EBITDA of the three quarters immediately preceding the referenced period.

Reconciliation of Quarterly Non-IFRS Measures

	3 months							
(in thousands of Canadian dollars)	**Sept. 30, 2021**	**June 30, 2021**	**March 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**	**June 30, 2020**	**March 31, 2020**	**Dec. 31, 2019**
	Fiscal 2022	**Fiscal 2022**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2020**	**Fiscal 2020**
Net income (loss)	**12,075**	**4,200**	**12,077**	**14,118**	**11,888**	**7,021**	**(8,486)**	**8,089**
Net finance expense (income)	(364)	5,253	(7,284)	(1,290)	2,774	4,601	33,463	(4,383)
Change in fair value of investments	(13)	–	–	2,434	461	892	(1,914)	(4,781)
Income taxes	2,874	1,833	4,047	4,900	4,654	2,359	(4,165)	1,897
Depreciation and write-off of property and equipment	2,446	2,524	3,082	2,894	2,976	2,701	2,790	2,876
Depreciation of right-of-use assets	1,298	1,296	1,436	1,399	1,413	1,412	1,426	1,402
Amortization of intangible assets	4,927	5,627	5,303	5,478	5,188	5,410	5,659	5,494
Share-based compensation	196	164	235	231	219	166	258	238
Performance and deferred share unit expense (income)	1,300	2,090	2,028	1,780	1,312	1,316	(1,507)	677
Acquisition, legal, restructuring and other expenses (income)	848	1,168	2,714	2,049	271	(397)	693	19,524
Adjusted EBITDA	**25,587**	**24,155**	**23,638**	**33,993**	**31,156**	**25,481**	**28,217**	**31,033**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(1,153)	(4,735)	(3,214)	(1,727)	(4,340)	(3,338)	(10,976)	(4,184)
Income taxes	(2,874)	(1,833)	(4,047)	(4,900)	(4,654)	(2,359)	4,165	(1,897)
Depreciation and write-off of property and equipment	(2,446)	(2,524)	(3,082)	(2,894)	(2,976)	(2,701)	(2,790)	(2,876)
Depreciation of right-of-use assets	(1,298)	(1,296)	(1,436)	(1,399)	(1,413)	(1,412)	(1,426)	(1,402)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(1,493)	(2,529)	122	(2,019)	(1,462)	(2,162)	(7,095)	(3,964)
Adjusted Net income	**16,323**	**11,238**	**11,981**	**21,054**	**16,311**	**13,509**	**10,095**	**16,710**

	3 months							
(in thousands of Canadian dollars)	**Sept. 30, 2021**	**June 30, 2021**	**March 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**	**June 30, 2020**	**March 31, 2020**	**Dec. 31, 2019**
	Fiscal 2022	**Fiscal 2022**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2020**	**Fiscal 2020**
Cash flow from operating activities	**20,437**	**16,337**	**24,514**	**16,333**	**25,406**	**37,993**	**14,062**	**28,833**
Acquisition of property and equipment	(2,360)	(2,077)	(1,929)	(1,849)	(1,209)	(703)	(2,153)	(1,479)
Acquisition of intangible assets other than internally developed intangible assets	(305)	(198)	(194)	(649)	(212)	(258)	(463)	(495)
Addition to internally developed intangible assets	(2,050)	(2,153)	(1,367)	(1,838)	(1,671)	(1,552)	(1,534)	(1,286)
Interest paid	(3,234)	(3,891)	(5,142)	(6,312)	(2,912)	(3,687)	(3,819)	(4,150)
Repayment of lease liabilities	(1,526)	(1,085)	(1,099)	(1,255)	(1,443)	(1,214)	(1,180)	(1,295)
Net change in non-cash operating working capital items	2,323	6,805	(344)	15,858	6,530	(11,412)	7,262	(17,702)
Unrealized loss (gain) on foreign exchange	1,229	101	(3,345)	(2,692)	(1,899)	(725)	5,106	(917)
Acquisition, legal, restructuring and other expenses (income)	848	1,168	2,714	2,049	271	(397)	693	19,524
Adjusted free cash flow	**15,362**	**15,007**	**13,808**	**19,645**	**22,861**	**18,045**	**17,974**	**21,033**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE PERIODS ENDED SEPTEMBER 30, 2021 AND 2020

	3 months		6 months	
(in thousands of Canadian dollars)	Q2 2022	Q2 2021	YTD 2022	YTD 2021
Operating activities	20,437	25,406	36,774	63,399
Financing activities	(10,905)	(17,801)	(25,442)	(49,400)
Investing activities	(7,473)	(3,092)	(11,897)	(5,605)
Net change in cash	2,059	4,513	(595)	8,394
Cash – beginning of period	6,416	6,393	9,040	2,512
Cash – end of period	8,475	10,906	8,475	10,906
Adjusted free cash flow(1)	**15,362**	**22,861**	**30,369**	**40,906**

Operating activities

Cash flow generated from operating activities amounted to $20.4 million for Q2 2022 compared to $25.4 million for Q2 2021. The decrease was mainly due to lower operating results and to a foreign exchange loss, partially offset by a lower negative change in non-cash operating items.

Cash flow generated from operating activities amounted to $36.8 million for cumulative Fiscal 2022 compared to $63.4 million for cumulative Fiscal 2021. The decrease was mainly due to a negative change in non-cash operating items, to lower operating results and to a foreign exchange loss.

Financing Activities

Net cash flow used in financing activities amounted to $10.9 million for Q2 2022 compared to $17.8 million for Q2 2021. Net cash flow used in financing activities amounted to $25.4 million for cumulative Fiscal 2022 compared to $49.4 million for cumulative Fiscal 2021. Both decreases were mainly related to lower repayment of credit facilities, partially offset by more share repurchased and by the repayment of the balance payable on the business acquisition of Calm Radio.

Investing Activities

Net cash flow used in investing activities amounted to $7.5 million for Q2 2022 compared to $3.1 million for Q2 2021. Net cash flow used in investing activities amounted to $11.9 million for cumulative Fiscal 2022 compared to $5.6 million for cumulative Fiscal 2021. Both increases were primarily due to the acquisition of a minority interest in The Singing Machine and to higher acquisition of property and equipment.

Adjusted free cash flow(1)

Adjusted free cash flow generated in Q2 2022 amounted to $15.4 million compared to $22.9 million for Q2 2021. Adjusted free cash flow generated in cumulative Fiscal 2022 amounted to $30.4 million compared to $40.9 million for cumulative Fiscal 2021. Both decreases were related to lower operating results and to higher capital expenditures.

Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

CONSOLIDATED FINANCIAL POSITION AND CAPITAL RESOURCES

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, 2021:

(in thousands of Canadian dollars)	Sept. 30, 2021	March 31, 2021	Variance		Significant contributions
Trade and other receivables	64,583	61,114	3,469	▲	Timing of payments by clients
Intangible assets	49,809	41,884	7,925	▲	Additions through business acquisition of Calm Radio, partially offset by amortization of intangible assets
Goodwill	337,948	337,897	51	▲	Acquisition of Calm Radio
Accounts payables and accrued liabilities	55,277	53,146	2,131	▲	Timing of payments to suppliers
Other liabilities	55,992	60,027	(4,035)	▼	Payment of performance share units, decrease in the fair value of contingent consideration and repayment of contingent consideration for the acquisition of Marketing Sensorial México, partially offset by a contingent consideration on business acquisition of Calm Radio
Credit facilities	313,172	303,704	9,468	▲	Refer to the graph on next page
Subordinated debt	31,791	31,741	50	▲	Amortization of deferred financing fees

Capital Resources

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving facility. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends, repurchase shares and provide for working capital. We expect that cash generated from operations and borrowings available under our current credit facilities will be sufficient to meet our liquidity needs in the foreseeable future.

The credit facilities consist of a $325.0 million revolving credit facility and a $67.5 million term loan, both maturing in October 2023. On May 28, 2021, the Corporation fully repaid, on maturity, its $20.0 million term loan.

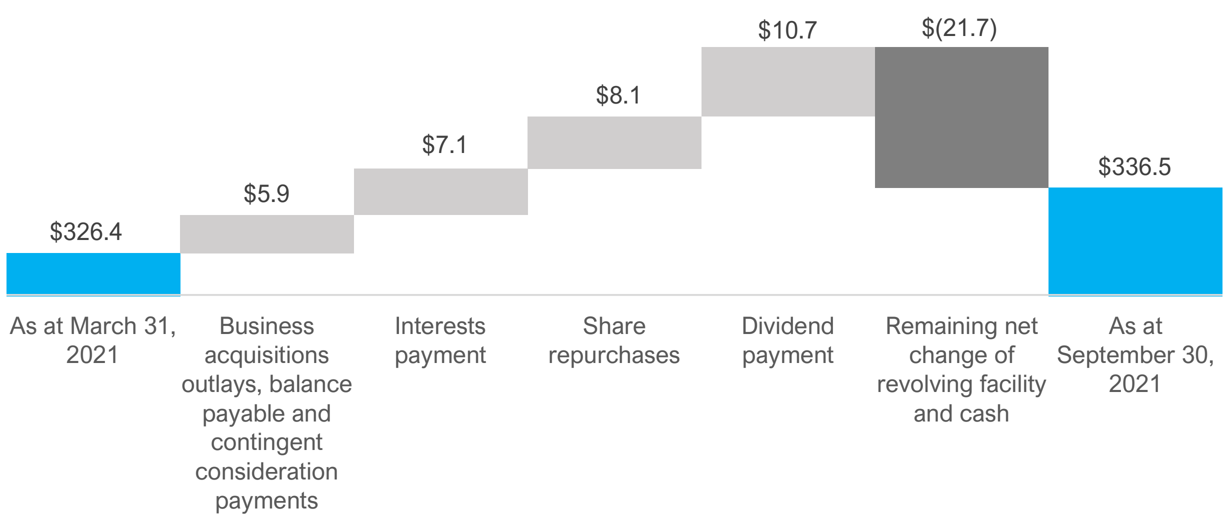
The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the $67.5 million term loan. The remaining capital balance will be payable on maturity date, on October 25, 2023.

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

As of September 30, 2021, the Corporation had cash and cash equivalents of $8.5 million, a subordinated debt of $31.8 million and credit facilities of $313.2 million, of which approximately $78.2 million was available.

The following table summarizes the impact on the Net debt that occurred in the six-month period ended September 30, 2021, including related ratios:

Movement in Net debt(1)(2)



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

Notes:

(1) In millions of Canadian dollars.

(2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

SOCAN and Re:Sound legal proceedings

In May 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.

As of December 2020, the Objectors and SOCAN entered into a binding MOU that will result in a partial refund to the Objectors of past royalties paid and a meaningfully reduced tariff burden for the present and future. On May 28, 2021, the Copyright Board of Canada released a final decision relating to the Pay Audio Services Tariff. The decision and certified tariff were in line with the Objectors expectations.

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, 2021.

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, 2021.

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:

	November 5, 2021	September 30, 2021
Issued and outstanding shares:		
Subordinate voting shares	52,260,617	52,765,422
Subordinate voting shares held in trust through employee share purchase plan	(26,354)	(25,889)
Variable subordinate voting shares	384,685	373,780
Multiple voting shares	17,941,498	17,941,498
	70,560,446	71,054,811
Outstanding stock options:		
Stock options	3,471,085	3,471,085

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 2022, 60,000 options were exercised and 367,831 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, 2021. The Corporation is not aware of any significant changes to the 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 2, 2021. 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, 2021, 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.

Management's assessment of and conclusion on the design and the effectiveness of the Corporation's ICFR as at August 3, 2021, did not include the controls or procedures of the operations of Calm Radio. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Dividend

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

Subordinated debt

On October 26, 2021, the Corporation made voluntary capital repayments under its prepayment option of $6.4 million. The remaining capital balance of $25.6 million will be payable on maturity date.

Credit Facilities

On October 15, 2021, the Corporation successfully completed the increase and extension of its existing credit facilities, providing additional liquidity for operations and M&A activities. The $442.5 million credit facilities consist of a $375.0 million revolving credit facility and a $67.5 million term loan, both maturing in October 2026. The renewed terms include incremental commitments up to $100.0 million upon request, subject to predetermined conditions. The pre-existing sub debt of $32.0 million maturing in October 2023 combined with the credit facilities described above accounts for total flexibility of up to $574.5 million.

Additional Information

Additional information about the Corporation is available on our website at www.stingray.com and on the SEDAR website at www.sedar.com.

Consolidated Statements of Comprehensive Income

Three-month and six-month periods ended September 30, 2021 and 2020

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	Note	3 months September 30, 2021	3 months September 30, 2020	6 months September 30, 2021	6 months September 30, 2020
Revenues	5	$ 71,429	$ 64,294	$ 136,237	$ 116,587
Operating expenses		47,338	34,669	90,245	62,963
Depreciation, amortization and write-off		8,671	9,577	18,118	19,100
Net finance expense (income)	6	(364)	2,774	4,889	7,375
Change in fair value of investments	14	(13)	461	(13)	1,353
Acquisition, legal, restructuring and other expenses (income)	7	848	271	2,016	(126)
Income before income taxes		14,949	16,542	20,982	25,922
Income taxes		2,874	4,654	4,707	7,013
Net income		$ 12,075	$ 11,888	$ 16,275	$ 18,909
Net income per share — Basic and Diluted		$ 0.17	$ 0.16	$ 0.23	$ 0.26
Weighted average number of shares — Basic		71,381,098	73,593,039	71,597,266	73,584,077
Weighted average number of shares — Diluted		71,978,422	73,773,113	72,169,212	73,791,135
Comprehensive income					
Net income		$ 12,075	$ 11,888	$ 16,275	$ 18,909
Other comprehensive income (loss)					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		2,094	(72)	1,231	(780)
Total other comprehensive gain (loss)		2,094	(72)	1,231	(780)
Total comprehensive income		$ 14,169	$ 11,816	$ 17,506	$ 18,129

Net income is entirely attributable to Shareholders.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Financial Position

September 30, 2021 and March 31, 2021

(In thousands of Canadian dollars) (Unaudited)	Note		September 30, 2021		March 31, 2021
Assets					
Current assets					
Cash and cash equivalents		$	8,475	$	9,040
Trade and other receivables			64,583		61,114
Income taxes receivable			3,761		3,801
Inventories			5,348		3,215
Other current assets			14,154		13,439
			96,321		90,609
Non-current assets					
Property and equipment	8		40,588		42,228
Right-of-use assets on leases	8		25,782		28,184
Intangible assets, excluding broadcast licences	8		49,809		41,884
Broadcast licences	8		272,988		272,988
Goodwill	8		337,948		337,897
Investments			6,075		3,046
Other non-current assets			1,271		1,335
Deferred tax assets			3,907		4,666
Total assets		$	834,689	$	822,837
Liabilities and Equity					
Current liabilities					
Credit facilities	9	$	7,500	$	27,462
Accounts payable and accrued liabilities			55,277		53,146
Dividend payable			—		5,409
Deferred revenues			6,043		4,970
Current portion of lease liabilities	10		3,810		4,479
Current portion of other liabilities	11		17,446		15,812
Income taxes payable			12,624		9,211
			102,700		120,489
Non-current liabilities					
Credit facilities	9		305,672		276,242
Subordinated debt			31,791		31,741
Deferred revenues			1,128		—
Lease liabilities	10		24,069		25,733
Other liabilities	11		38,546		44,215
Deferred tax liabilities			51,427		49,725
Total liabilities			555,333		548,145
Shareholders' equity					
Share capital	12		307,856		313,951
Contributed surplus			5,589		5,180
Deficit			(31,053)		(40,172)
Accumulated other comprehensive income (loss)			(3,036)		(4,267)
Total equity			279,356		274,692
Subsequent events (note 15)					
Total liabilities and equity		$	834,689	$	822,837

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors,

(Signed) Eric Boyko, Director

(Signed) Pascal Tremblay, Director

Consolidated Statements of Changes in Equity

Six-month periods ended September 30, 2021 and 2020

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital				Accumulated other comprehensive income (loss)		
	Number	Amount	Contributed surplus	Deficit	Cumulative Translation Account	Defined Benefit Plans	Total shareholders' equity
Balance at March 31, 2020	73,549,454	$ 322,366	$ 4,620	$ (56,407)	$ 3,891	$ (574)	$ 273,896
Issuance of shares upon exercise of options	14,035	55	(23)	—	—	—	32
Dividends	—	—	—	(11,036)	—	—	(11,036)
Repurchase and cancellation of shares	(20,000)	(114)	—	3	—	—	(111)
Share-based compensation	—	—	325	—	—	—	325
Employee share purchase plan	(26,293)	(152)	154	—	—	—	2
Net income	—	—	—	18,909	—	—	18,909
Other comprehensive loss	—	—	—	—	(780)	—	(780)
Balance at September 30, 2020	73,517,196	$ 322,155	$ 5,076	$ (48,531)	$ 3,111	$ (574)	$ 281,237
Balance at March 31, 2021	72,111,588	$ 313,951	$ 5,180	$ (40,172)	$ (3,775)	$ (492)	$ 274,692
Issuance of shares upon exercise of options (note 12)	60,000	321	(43)	—	—	—	278
Dividends	—	—	—	(5,316)	—	—	(5,316)
Repurchase and cancellation of shares (note 12)	(1,098,000)	(6,241)	—	(1,840)	—	—	(8,081)
Share-based compensation	—	—	277	—	—	—	277
Employee share purchase plan (note 12)	(18,777)	(175)	175	—	—	—	—
Net income	—	—	—	16,275	—	—	16,275
Other comprehensive income	—	—	—	—	1,231	—	1,231
Balance at September 30, 2021	71,054,811	$ 307,856	$ 5,589	$ (31,053)	$ (2,544)	$ (492)	$ 279,356

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three-month and six-month periods ended September 30, 2021 and 2020

(In thousands of Canadian dollars) (Unaudited)	Note	3 months September 30, 2021	3 months September 30, 2020	6 months September 30, 2021	6 months September 30, 2020
Operating activities:					
Net income		$ 12,075	$ 11,888	$ 16,275	$ 18,909
Adjustments for:					
Depreciation, amortization and write-off		8,671	9,577	18,118	19,100
Share-based compensation, PSU and DSU expenses		1,496	1,531	3,750	3,013
Interest expense and standby fees	6	3,236	3,868	6,698	7,507
Mark-to-market gains on derivative financial instruments	6	(1,517)	(1,566)	(999)	(303)
Change in fair value of investments		(13)	461	(13)	1,353
Share of results of joint venture		7	(15)	65	(25)
Equity loss on associates		30	—	30	—
Change in fair value of contingent consideration	6	(4,147)	1,098	(3,561)	582
Depreciation, amortization and accretion of other liabilities	6	115	816	625	1,609
Interest expense on lease liabilities	6,10	412	403	829	792
Income tax expense		2,874	4,654	4,707	7,013
Income taxes paid		(479)	(779)	(622)	(1,033)
		22,760	31,936	45,902	58,517
Net change in non-cash operating items	13	(2,323)	(6,530)	(9,128)	4,882
		20,437	25,406	36,774	63,399
Financing activities:					
Increase (decrease) of credit facilities		7,113	(4,493)	8,870	(25,408)
Payment of dividends		(5,348)	(5,518)	(10,725)	(11,036)
Share repurchases	12	(3,396)	(111)	(8,081)	(111)
Proceeds from the exercise of stock options		—	—	278	32
Shares purchased under the employee share purchase plan		(102)	(71)	(175)	(152)
Interest paid		(3,234)	(2,912)	(7,125)	(6,599)
Repayment of lease liabilities		(1,526)	(1,443)	(2,611)	(2,657)
Repayment of other liabilities		(4,412)	(3,253)	(5,873)	(3,469)
		(10,905)	(17,801)	(25,442)	(49,400)
Investing activities:					
Business acquisition, net of cash acquired		—	—	314	—
Acquisition of investments		(250)	—	(560)	—
Acquisition of an investment in associates		(2,508)	—	(2,508)	—
Acquisition of property and equipment		(2,360)	(1,209)	(4,437)	(1,912)
Acquisition of intangible assets other than internally developed intangible assets		(305)	(212)	(503)	(470)
Addition to internally developed intangible assets		(2,050)	(1,671)	(4,203)	(3,223)
		(7,473)	(3,092)	(11,897)	(5,605)
Increase (decrease) in cash and cash equivalents		2,059	4,513	(565)	8,394
Cash and cash equivalents, beginning of period		6,416	6,393	9,040	2,512
Cash and cash equivalents, end of period		$ 8,475	$ 10,906	$ 8,475	$ 10,906

The accompanying notes are an integral part of these interim consolidated financial statements.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

1. BUSINESS DESCRIPTION AND BASIS OF CONSOLIDATION

Stingray Group Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including radio stations, premium television channels, digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles. A portion of the Corporation's revenue is 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 did not follow historical patterns due to the ongoing impact of the coronavirus ("COVID-19") pandemic.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., 2144286 Ontario Inc., 4445694 Canada Inc., Pay Audio Services Limited Partnership, Music Choice Europe Limited, Stingray Digital International Ltd., Stingray Europe B.V., Transmedia Communications SA, SBA Music PTY Ltd., Stingray Music, S.A. de C.V., DJ Matic NV, Stingray Radio Inc. and Calm Radio Corp. and all these entities' wholly owned subsidiaries.

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, 2021.

2. SIGNIFICANT CHANGES AND HIGHLIGHTS

The interim consolidated financial position and performance of the Corporation was particularly affected by the following events and transactions during the three-month and six-month periods ended September 30, 2021:

- On September 21, 2021, the Corporation announced that the Toronto Stock Exchange had approved its normal course issuer bid, authorizing the Corporation to repurchase up to an aggregate 3,222,901 subordinate voting shares and variable subordinate voting shares (collectively, "Subordinate Shares"), representing approximately 10% of the public float of Subordinate Shares as at September 13, 2021. Refer to note 12 for more information.
- On August 11, 2021, the Corporation announced that it has acquired a minority interest of 20% in The Singing Machine Company Inc., for a cash consideration of US$2,000 ($2,508).
- On June 30, 2021, the Corporation signed an agreement to acquire all of the outstanding shares of Calm Radio Corp. ("Calm Radio"), a provider of online music focused on the wellness and relaxation markets, for total consideration of $8,171. It resulted in the recognition of goodwill (note 8), intangible assets (note 8) and contingent consideration (note 11).
- On May 28, 2021, the Corporation fully repaid, on maturity, its $20,000 term loan.

(In thousands of Canadian dollars, unless otherwise stated)

3. BUSINESS ACQUISITIONS

FISCAL 2022

Calm Radio Corp.

On June 30, 2021, the Corporation purchased all of the outstanding shares of Calm Radio, an online music streaming service focused on the wellness and relaxation markets, for total consideration of $8,171. As a result of the acquisition, goodwill of $39 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation's existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was $149, which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding $8,000 over the next three years ending in August 2024, based on recurring monthly revenues targets. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The results of the business acquisition of Calm Radio for the period ended September 30, 2021 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to September 30, 2021 were $901 and net income was $41. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately $1,836 and net income would have been $92.

		Preliminary
Assets acquired:		
Cash and cash equivalents	$	314
Trade and other receivables		149
Other current assets		104
Property and equipment		83
Intangible assets		12,728
Goodwill		39
Deferred tax assets		142
		13,559
Liabilities assumed:		
Accounts payable and accrued liabilities		208
Deferred revenues		1,872
Deferred tax liabilities		3,308
		5,388
Net assets acquired at fair value	$	8,171
Consideration given:		
Balance payable on business acquisition	$	4,000
Contingent consideration		3,912
Working capital payable		259
	$	8,171

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities remains to be obtained.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

FISCAL 2021

Marketing Sensorial México

On May 6, 2020, the Corporation purchased all of the assets of Marketing Sensorial México (“MSM”) for total consideration of MXN 127,759 ($7,433). MSM is a Mexican leader in point-of-sale marketing solutions. As a result of the acquisition, goodwill of $2,947 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation’s existing business. The intangible assets and goodwill will be deductible for tax purposes.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and no adjustment to the preliminary assessment have been recorded in the consolidated statements of financial position.

		Final
Assets acquired:		
Property and equipment	$	1,765
Intangible assets		2,721
Goodwill		2,947
Net assets acquired at fair value	$	7,433
Consideration given:		
Balance payable on business acquisition	$	5,236
Contingent consideration		2,197
	$	7,433

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

4. SEGMENT INFORMATION

OPERATING SEGMENTS

The Corporation's operating segments are aggregated in two segments: *Broadcasting and commercial music* and *Radio*. The operating segments reflect how the Corporation manages its operations, resources and assets and how it measures its performance. Both operating segments' financial results are reviewed by the Chief operating decision maker ("CDOM") to make decisions about resources to be allocated to the segment and asses its performance based on adjusted earnings before interest, taxes, depreciation and amortization (thereafter "Adjusted EBITDA"), and for which distinct financial information is available. Adjusted EBITDA excludes from income before income taxes the following expenses: share-based compensation, performance and deferred share unit expense, depreciation, amortization and write-off, net finance expense (income), change in fair value of investments and acquisition, legal, restructuring and other expenses (income). There are no inter-segment revenues for the periods.

The Broadcasting and commercial music segment specializes in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

The Radio segment operates several radio stations across Canada and generates revenues from advertising.

Corporate and eliminations is a non-operating segment comprising corporate and administrative functions that provide support and governance to the Corporation's operating business units.

Notes to Interim Consolidated Financial Statements

Three-month and six-month periods ended September 30, 2021 and 2020

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

The following tables present financial information by segment for the three-month and six-month periods ended September 30, 2021 and 2020.

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	**Q2 2022**	**Q2 2021**
Three-month periods								
Revenues	$ 39,118	$ 39,169	$ 32,311	$ 25,125	$ —	$ —	**$ 71,429**	**$ 64,294**
Operating expenses (excluding Share-based compensation and PSU and DSU expenses)	24,585	20,273	19,778	12,005	1,479	860	**45,842**	**33,138**
Adjusted EBITDA	$ 14,533	$ 18,896	$ 12,533	$ 13,120	(1,479)	(860)	**25,587**	**31,156**
Share-based compensation					196	219	**196**	**219**
PSU and DSU expenses					1,300	1,312	**1,300**	**1,312**
Depreciation, amortization and write-off					8,671	9,577	**8,671**	**9,577**
Net finance expense (income)					(364)	2,774	**(364)**	**2,774**
Change in fair value of investments					(13)	461	**(13)**	**461**
Acquisition, legal, restructuring and other expenses (income)					$ 848	$ 271	**848**	**271**
Income before income taxes							**14,949**	**16,542**
Income taxes							**2,874**	**4,654**
Net income							**$ 12,075**	**$ 11,888**

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	Q2 2022	Q2 2021	Q2 2022	Q2 2021	Q2 2022	Q2 2021	**Q2 2022**	**Q2 2021**
Six-month periods								
Revenues	$ 74,696	$ 75,116	$ 61,541	$ 41,471	$ —	$ —	**$ 136,237**	**$ 116,587**
Operating expenses (excluding Share-based compensation and PSU and DSU expenses)	45,501	35,853	38,183	22,590	2,811	1,507	**86,495**	**59,950**
Adjusted EBITDA	$ 29,195	$ 39,263	$ 23,358	$ 18,881	(2,811)	(1,507)	**49,742**	**56,637**
Share-based compensation					360	385	**360**	**385**
PSU and DSU expenses					3,390	2,628	**3,390**	**2,628**
Depreciation, amortization and write-off					18,118	19,100	**18,118**	**19,100**
Net finance expense (income)					4,889	7,375	**4,889**	**7,375**
Change in fair value of investments					(13)	1,353	**(13)**	**1,353**
Acquisition, legal, restructuring and other expenses (income)					$ 2,016	$ (126)	**2,016**	**(126)**
Income before income taxes							**20,982**	**25,922**
Income taxes							**4,707**	**7,013**
Net income							**$ 16,275**	**$ 18,909**

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

In Fiscal 2021, the Corporation applied and qualified for the Canada Emergency Wage Subsidy ("CEWS"), a Canadian federal government program created in response to the negative economic impact of the COVID 19 pandemic and designed to provide financial assistance to businesses who experienced a certain level of decrease in revenues to help them retain their employees. The Corporation recognized, as a reduction of operating expenses, the subsidies claimed under the CEWS and other programs.

The Corporation also received tax credits related to its research and development and multimedia activities and was recorded as a reduction of operating expenses.

	3 months		6 months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
CEWS	$ 1,163	$ 8,112	$ 4,039	$ 18,009
Research and development and multimedia tax credits	723	611	1,271	892
	$ 1,886	$ 8,723	$ 5,310	$ 18,901

	Broadcasting and commercial music		Radio		Corporate and eliminations[1]		**Consolidated**	
	September 30, 2021	March 31, 2021	September 30, 2021	March 31, 2021	September 30, 2021	March 31, 2021	September 30, 2021	March 31, 2021
Total assets	$ 227,215	$ 217,256	$ 607,474	$ 605,581	$ —	$ —	**$ 834,689**	**$ 822,837**
Total liabilities	$ 88,614	$ 85,194	$ 117,540	$ 116,727	$ 349,179	$ 346,224	**$ 555,333**	**$ 548,145**

[1] Total liabilities include operating liabilities, the Credit facilities and the Subordinated debt

	Broadcasting and commercial music		Radio		**Consolidated**	
Three-month periods	Q2 2022	Q2 2021	Q2 2022	Q2 2021	**Q2 2022**	**Q2 2021**
Acquisition of property and equipment	$ 1,100	$ 1,030	$ 1,241	$ 252	**$ 2,341**	**$ 1,282**
Addition to right-of-use assets on leases	$ 477	$ —	$ 226	$ 1,393	**$ 703**	**$ 1,393**
Acquisition of intangible assets	$ 2,251	$ 2,258	$ —	$ —	**$ 2,251**	**$ 2,258**
Acquisition of broadcast licences	$ —	$ —	$ —	$ 78	**$ —**	**$ 78**

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

	Broadcasting and commercial music		Radio		**Consolidated**	
Six-month periods	Q2 2022	Q2 2021	Q2 2022	Q2 2021	**Q2 2022**	**Q2 2021**
Acquisition of property and equipment	$ 2,437	$ 4,112	$ 1,575	$ 397	**$ 4,012**	**$ 4,509**
Addition to right-of-use assets on leases	$ 526	$ 394	$ 354	$ 1,405	**$ 880**	**$ 1,799**
Acquisition of intangible assets	$ 17,577	$ 6,690	$ —	$ —	**$ 17,577**	**$ 6,690**
Acquisition of broadcast licences	$ —	$ —	$ —	$ 78	**$ —**	**$ 78**
Goodwill recorded on business acquisitions	$ 39	$ 2,947	$ —	$ —	**$ 39**	**$ 2,947**

Acquisition of property and equipment, intangible assets, broadcast licences and goodwill, includes those acquired through business acquisitions, whether they were paid or not, and none are related to the Corporate segment.

Approximately 80% of the Corporation's non-current assets are located in Canada.

5. REVENUES

DISAGGREGATION OF REVENUES

The following table presents the Corporation's revenues disaggregated by reportable segment, primary geographical market and product.

	Reportable segments[3]					
Three-month periods	**Q2 2022**	**Q2 2021**	**Q2 2022**	**Q2 2021**	**Q2 2022**	**Q2 2021**
	Broadcasting and commercial music		Radio		**Total revenues**	
Geography						
Canada	$ 14,389	$ 14,585	$ 32,311	$ 25,125	**$ 46,700**	**$ 39,710**
United States	11,485	10,091	—	—	**11,485**	**10,091**
Other countries	13,244	14,493	—	—	**13,244**	**14,493**
	39,118	39,169	32,311	25,125	**71,429**	**64,294**
Products						
Subscriptions [1]	33,385	33,921	—	—	**33,385**	**33,921**
Equipment and labor [2]	3,727	4,107	—	—	**3,727**	**4,107**
Advertising [2]	2,006	1,141	32,311	25,125	**34,317**	**26,266**
	$ 39,118	$ 39,169	$ 32,311	$ 25,125	**$ 71,429**	**$ 64,294**

[1] Generally recognized over time
[2] Generally recognized at a point in time
[3] No revenues are generated from the Corporate Segment

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

	Reportable segments(3)					
Six-month periods	**Q2 2022**	**Q2 2021**	**Q2 2022**	**Q2 2021**	**Q2 2022**	**Q2 2021**
	Broadcasting and commercial music		Radio		**Total revenues**	
Geography						
Canada	$ 26,535	$ 26,296	$ 61,541	$ 41,471	**$ 88,076**	**$ 67,767**
United States	21,763	20,393	—	—	**21,763**	**20,393**
Other countries	26,398	28,427	—	—	**26,398**	**28,427**
	74,696	75,116	61,541	41,471	**136,237**	**116,587**
Products						
Subscriptions (1)	64,990	66,814	—	—	**64,990**	**66,814**
Equipment and labor (2)	5,896	6,336	—	—	**5,896**	**6,336**
Advertising (2)	3,810	1,966	61,541	41,471	**65,351**	**43,437**
	$ 74,696	$ 75,116	$ 61,541	$ 41,471	**$ 136,237**	**$ 116,587**

(1) Generally recognized over time
(2) Generally recognized at a point in time
(3) No revenues are generated from the Corporate Segment

6. NET FINANCE EXPENSE (INCOME)

	3 months		6 months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Interest expense and standby fees	$ 3,236	$ 3,868	$ 6,698	$ 7,507
Mark-to-market gains on derivative financial instruments	(1,517)	(1,566)	(999)	(303)
Change in fair value of contingent consideration	(4,147)	1,098	(3,561)	582
Depreciation, amortization and accretion of other liabilities	115	816	625	1,609
Interest expense on lease liabilities (note 10)	412	403	829	792
Foreign exchange loss (gain)	1,537	(1,845)	1,297	(2,812)
	$ (364)	$ 2,774	$ 4,889	$ 7,375

7. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES (INCOME)

	3 months		6 months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Acquisition	$ 199	$ 248	$ 213	$ 530
Legal	85	244	1,076	(536)
Restructuring and other	564	(221)	727	(120)
	$ 848	$ 271	$ 2,016	$ (126)

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

8. PROPERTY AND EQUIPMENT, RIGHT-OF-USE-ASSETS ON LEASES, INTANGIBLE ASSETS, BROADCAST LICENCES AND GOODWILL

	Property and equipment	Right-of-use assets on leases	Intangible assets	Broadcast licences	Goodwill
Year ended March 31, 2021					
Net book amount as at March 31, 2020	$ 45,732	$ 29,460	$ 54,490	$ 272,910	$ 337,824
Additions	6,493	4,697	8,933	78	—
Additions through business acquisition	1,765	—	2,721	—	2,947
Disposals and write-off	(1,058)	(372)	(2,457)	—	—
Depreciation of property and equipment	(10,907)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(5,614)	—	—	—
Amortization of intangible assets	—	—	(21,379)	—	—
Foreign exchange differences	203	13	(424)	—	(2,874)
Net book amount as at March 31, 2021	$ 42,228	$ 28,184	$ 41,884	$ 272,988	$ 337,897
Six-month period ended September 30, 2021					
Net book amount as at March 31, 2021	$ 42,228	$ 28,184	$ 41,884	$ 272,988	$ 337,897
Additions	3,929	880	4,849	—	—
Additions through business acquisition	83	—	12,728	—	39
Disposals and write-off	(346)	(682)	—	—	—
Depreciation of property and equipment	(4,624)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(2,594)	—	—	—
Amortization of intangible assets	—	—	(10,554)	—	—
Foreign exchange differences	(682)	(6)	902	—	12
Net book amount as at September 30, 2021	$ 40,588	$ 25,782	$ 49,809	$ 272,988	$ 337,948

9. CREDIT FACILITIES

The total credit facilities consist of a $325,000 revolving credit facility and a remaining $67,500 term loan, both maturing in October 2023. On May 28, 2021, the Corporation fully repaid, on maturity, its $20,000 term loan. The credit facilities were amended after September 30, 2021 to increase the authorized amount of the revolving credit facility to $375,000 (note 15).

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

The table below is a summary of the Credit facilities:

September 30, 2021	Total available	Drawn	Letter of credit	Net available
Committed credit facilities				
Revolving facility	$ 325,000	$ 246,054	$ 750	$ 78,196
Term facility	67,500	67,500	—	—
Total committed credit facilities	$ 392,500	$ 313,554	$ 750	$ 78,196
Less: unamortized deferred financing fees		(382)		
Balance, end of period		313,172		
Current portion		$ 7,500		
Non-current portion		$ 305,672		

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

March 31, 2021	Total available	Drawn	Letter of credit	Net available
Committed credit facilities				
Revolving facility	$ 325,000	$ 213,434	$ 750	$ 110,816
Term facilities	91,250	91,250	—	—
Total committed credit facilities	$ 416,250	$ 304,684	$ 750	$ 110,816
Less: unamortized deferred financing fees		(980)		
Balance, end of period		303,704		
Current portion		$ 27,462		
Non-current portion		$ 276,242		

As at September 30, 2021 and March 31, 2021, letters of credit amounting to $750 reduced the availability on the revolving facility.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown amount of the term facility. The remaining capital balance will be payable on maturity date, on October 25, 2023.

	Capital repayments of the term facility
2022	$ 7,500
2023	60,000
	$ 67,500

10. LEASE LIABILITIES

The following table presents a summary of the activity related to the lease liabilities of the Corporation for the three-month and six-month periods ended September 30, 2021:

	3 months		6 months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Lease liabilities, beginning of period	**$ 28,993**	**$ 29,820**	**$ 30,212**	**$ 30,853**
Additions	703	1,393	880	1,799
Payment of lease liabilities, including related interest	(1,938)	(1,846)	(3,440)	(3,449)
Reassessment of the lease term	(294)	(8)	(594)	(256)
Interest expense on lease liabilities (note 7)	412	403	829	792
Foreign exchange differences	3	22	(8)	45
Lease liabilities, end of period	**$ 27,879**	**$ 29,784**	**$ 27,879**	**$ 29,784**

Lease liabilities included in the Consolidated statements of financial position	**September 30, 2021**	**March 31, 2021**
Current portion	$ 3,810	$ 4,479
Non-current portion	$ 24,069	$ 25,733
	$ 27,879	**$ 30,212**

The following table presents the maturity analysis of contractual undiscounted cashflows related to the lease liabilities of the Corporation as of September 30, 2021:

Less than one year	$ 6,142
One to five years	17,161
More than five years	16,268
Total undiscounted lease liabilities as at September 30, 2021	**$ 39,571**

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

11. OTHER LIABILITIES

	Note	September 30, 2021	March 31, 2021
CRTC tangible benefits		$ 27,562	$ 27,970
Contingent consideration		13,346	14,456
Balance payable on business acquisitions		25	100
Accrued pension benefit liability		5,813	6,112
Derivative financial instruments	14	4,371	5,370
Performance share unit payable		3,364	4,478
Other		1,511	1,541
		55,992	60,027
Current portion		(17,446)	(15,812)
		$ 38,546	$ 44,215

12. SHARE CAPITAL

Authorized:

Unlimited number of subordinate voting shares, participating, without par value

Unlimited number of variable subordinate voting shares, participating, without par value

Unlimited number of multiple voting shares (10 votes per share), participating, without par value

Unlimited number of special shares, participating, without par value

Unlimited number of preferred shares issuable in one or more series, non-participating, without par value

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
Year ended March 31, 2021		
Subordinate voting shares and variable subordinate voting shares		
As at March 31, 2020	55,607,956	$ 304,140
Exercise of stock options	80,732	269
Repurchased and cancelled	(1,530,180)	(8,700)
Purchased and held in trust through employee share purchase plan	11,582	16
As at March 31, 2021	54,170,090	$ 295,725
Multiple voting shares		
As at March 31, 2020 and 2021	17,941,498	18,226
	72,111,588	$ 313,951

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Six-month period ended September 30, 2021			
Subordinate voting shares and variable subordinate voting shares			
As at March 31, 2021	54,170,090	$	295,725
Exercise of stock options	60,000		321
Repurchased through share repurchase program and cancelled	(1,098,000)		(6,241)
Purchased and held in trust through employee share purchase plan	(18,777)		(175)
As at September 30, 2021	53,113,313	$	289,630
Multiple voting shares			
As at March 31, 2021 and September 30, 2021	17,941,498		18,226
	71,054,811	$	307,856

Transactions for the six-month period ended September 30, 2021

During the period, 60,000 stock options were exercised and consequently, the Corporation issued 60,000 subordinate voting shares. The proceeds amounted to $278. An amount of $43 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On August 3, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of $5,348 was paid on September 15, 2021.

On March 24, 2021, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. A dividend payable of $5,409 was accrued in the consolidated statement of financial position as at March 31, 2021. The dividend paid on June 15, 2021 was $5,377, which resulted in an adjustment of $32 in the consolidated statement of changes in equity for the three-month period ended June 30, 2021.

Share repurchase program

On September 21, 2021, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on September 27, 2021. This program allows the Corporation to repurchase up to an aggregate 3,222,901 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 10% of the Subordinate Shares issued and outstanding as at September 13, 2021. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 12,130 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares. When making such repurchases, the number of Subordinate Shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than September 26, 2022.

The following table summarizes the Corporation's share repurchase activities during the three-month and six-month periods ended September 30, 2021:

		3 months		6 months
Subordinate voting shares repurchased for cancellation *(unit)*		450,000		1,098,500
Average price per share	$	7.4649	$	7.3598
Total repurchase cost	$	3,396	$	8,081
Repurchase resulting in a reduction of:				
Share capital	$	2,586	$	6,241
Deficit (1)	$	810	$	1,840

(1) The excess of net repurchase price over the average book value of the Subordinate voting shares.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	3 months		6 months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Trade and other receivables	$ (2,421)	$ 378	$ (3,044)	$ 9,087
Inventories	(2,135)	497	(2,092)	(302)
Other current assets	1,927	(484)	(523)	1,134
Other non-current assets	7	59	21	141
Accounts payable and accrued liabilities	482	(4,416)	(1,073)	(2,173)
Deferred revenues	(11)	76	379	190
Income taxes payable	(885)	(2,224)	(1,305)	(2,006)
Other liabilities	713	(416)	(1,491)	(1,189)
	$ (2,323)	$ (6,530)	$ (9,128)	$ 4,882

The following table summarizes the Corporation's additions not affecting cash and cash equivalents for the three-month and six-month periods ended September 30, 2021 and 2020:

	3 months		6 months	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Additions to property and equipment	$ (19)	$ 73	$ (425)	$ 2,597
Additions to intangible assets, excluding broadcast licences and intangible assets acquired through business acquisitions	(104)	375	143	276
	$ (123)	$ 448	$ (282)	$ 2,873

14. FINANCIAL INSTRUMENTS

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 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, 2021. The Corporation is not aware of any significant changes to the Corporation’s risk factors from those disclosed at that time.

FAIR VALUES

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current portion of other liabilities excluding the contingent consideration is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the credit facilities approximates its carrying value as it bears interest at prime or banker’s acceptance rates plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The carrying amount of CRTC tangible benefits and balance payable on business acquisitions is a reasonable approximation of their fair value as they are discounted using the effective interest rate, which approximate current rates that could be obtained with similar terms and credit risk.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

The carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, consist of the following:

As at September 30, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 8,475				
Trade and other receivables	61,164				
Financial assets measured at fair value					
Investments	$ 1,473	$ 1,473	$ —	$ —	$ 1,473
Financial liabilities measured at amortized cost					
Credit facilities	$ 313,172				
Subordinated debt	31,791				
Accounts payable and accrued liabilities	52,444				
CRTC tangible benefits	27,562				
Accrued pension benefit liability	5,813				
Performance share unit payable	3,364				
Balance payable on business acquisitions	25				
Financial liabilities measured at fair value					
Contingent consideration	$ 13,346	$ 13,346	$ —	$ —	$ 13,346
Derivative financial instruments	4,371	4,371	—	4,371	—

As at March 31, 2021	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 9,040				
Trade and other receivables	57,891				
Financial assets measured at fair value					
Investments	$ 900	$ 900	$ —	$ —	$ 900
Financial liabilities measured at amortized cost					
Credit facilities	$ 303,704				
Subordinated debt	31,741				
Accounts payable and accrued liabilities	49,398				
CRTC tangible benefits	27,970				
Accrued pension benefit liability	6,112				
Performance share unit payable	4,478				
Balance payable on business acquisitions	100				
Financial liabilities measured at fair value					
Contingent consideration	$ 14,456	$ 14,456	$ —	$ —	$ 14,456
Derivative financial instruments	5,370	5,370	—	5,370	—

(In thousands of Canadian dollars, unless otherwise stated)

Fair value measurement (Level 3):

	Investments	Contingent consideration
Six-month period ended September 30, 2020		
Opening amount as at March 31, 2020	$ 23,548	$ 17,831
Additions through business acquisition	—	2,197
Change in fair value	(1,353)	582
Settlements	—	(3,300)
Balance at September 30, 2020	**$ 22,195**	**$ 17,310**
Three-month period ended September 30, 2021		
Opening amount as at March 31, 2021	$ 900	$ 14,456
Additions	560	—
Additions through business acquisition (note 2)	—	3,912
Change in fair value	13	(3,561)
Settlements	—	(1,461)
Balance at September 30, 2021	**$ 1,473**	**$ 13,346**

There were no changes in the valuation techniques for the contingent consideration, investments and investments in associates during the six-month periods ended September 30, 2021 and 2020.

INVESTMENTS

The Corporation has equity instruments in private entities that were estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investments and the expected EBITDA on the investments.

All equity instruments in private entities are classified as financial assets at fair value through profit and loss.

The table below is a summary of the investments:

	September 30, 2021	March 31, 2021
Spotlight Media Ltd.	$ 255	$ —
Space Factory Media Inc.	318	—
Nextologies	900	900
	$ 1,473	$ 900

AppDirect

During the year ended March 31, 2021, the Corporation disposed of its investment in AppDirect. The fair value of the investment as at September 30, 2020 was $21,295.

For the three-month and six-month periods ended September 30, 2020, the fair value was measured by using the equity price from the latest external significant equity financing transaction, minus a liquidity discount of 15%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use. There was no change in the fair value of this instrument during this three-month period as there were no external equity financing transactions or no other indicators of significant changes that could affect the fair value of the investment.

The equity instrument in a private entity was classified as a financial asset at fair value through profit and loss.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

CONTINGENT CONSIDERATION

The contingent consideration related to business combinations is payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contracts. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present value the cash flows, which is based on the risk associated with the revenue targets being met. The contingent consideration is classified as a financial liability and is included in other liabilities (Note 11). The change in fair value is recognized in net finance expense (income) (Note 6).

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation use derivative financial instruments to manage its interest rate risk on its Credit facilities. These include interest rate swaps and swaptions.

The table below summarize the interest rate contracts effective as at September 30, 2021 and March 31, 2021:

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market liabilities as at September 30, 2021	Mark-to-market liabilities as at March 31, 2021
Swaps					
October 25, 2024	CAD	0.81%	$ 50,000	$ 726	$ 945
October 25, 2024	CAD	1.33%	50,000	113	403
October 25, 2021	CAD	2.19%	50,000	63	494
October 25, 2024	CAD	2.29%	50,000	1,254	1,938
			200,000	2,156	3,780
Swaptions					
October 25, 2024	CAD	—	100,000	921	642
October 25, 2024	CAD	—	100,000	1,294	948
			$ 200,000	$ 2,215	$ 1,590
			$ 400,000	$ 4,371	$ 5,370

15. SUBSEQUENT EVENTS

Dividend

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

Subordinated debt

On October 26, 2021, the Corporation made a voluntary capital repayment under its prepayment option of $6,400. The remaining capital balance of $25,600 will be payable on maturity date.

Credit facilities

On October 15, 2021, the Corporation amended its existing $392,500 credit facilities by increasing the authorized amount up to $442,500 and extending the maturity to October 15, 2026. The credit facilities consist of a revolving credit facility for an authorized amount up to $375,000 and a non-revolving term facility of $67,500.

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

16. BASIS OF PREPARATION

a) **Statement of compliance:**

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements. These interim consolidated financial statements have been prepared on a form in accordance with IAS 34 "Interim Financial Reporting". Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements and the note thereto for the year ended March 31, 2021.

The interim consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2021.

b) **Use of estimates and judgements:**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2021.

c) **Functional and presentation currency:**

These interim consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.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