



Management's *discussion and analysis*

Fiscal 2023

For the six-month period ended September 30, 2022

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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is the 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, 2022 and 2021, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2022. This MD&A reflects information available to the Corporation as at November 8, 2022. 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, 2022 and 2021.

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, 2022 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.

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

For the three-month period ended September 30, 2022 (“Q2 2023”):

\$77.6 M ▲ 9.8% from Q2 2022 Revenues	\$3.3 M Or \$0.05 per share Net income	\$18.4 M ▼ 9.7% from Q2 2022 Cash flow from operating activities
\$27.0 M ▲ 5.6% from Q2 2022 Adjusted EBITDA ⁽¹⁾	\$10.8 M ▼ 33.7% from Q2 2022 Adjusted Net income ⁽¹⁾ Or \$0.15 per share ⁽¹⁾	\$15.0 M ▼ 2.3% from Q2 2022 Adjusted free cash flow ⁽¹⁾ Or \$0.21 per share ⁽¹⁾

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended September 30, 2022:

Compared to the quarter ended September 30, 2021 (“Q2 2022”):

- Revenues increased 9.8% to \$77.6 million from \$70.7 million;
- Adjusted EBITDA⁽¹⁾ increased 5.6% to \$27.0 million from \$25.6 million. Adjusted EBITDA by segment was \$16.9 million or 37.7% of revenues for Broadcasting and Commercial Music, \$11.3 million or 34.6% of revenues for Radio and \$(1.2) million for Corporate;
- Net income was \$3.3 million (\$0.05 per share⁽¹⁾) compared with \$12.1 million (\$0.17 per share⁽¹⁾);
- Adjusted Net income⁽¹⁾ of \$10.8 million (\$0.15 per share⁽¹⁾) compared with \$16.3 million (\$0.23 per share⁽¹⁾);
- Cash flow from operating activities decreased 9.7% to \$18.4 million (\$0.26 per share⁽¹⁾) compared to \$20.4 million (\$0.28 per share⁽¹⁾);
- Adjusted free cash flow⁽¹⁾ decreased 2.3% to \$15.0 million (\$0.21 per share⁽¹⁾) compared to \$15.4 million (\$0.21 per share⁽¹⁾);
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio of 3.44x, compared with 3.02x and;
- 46,100 shares repurchased and cancelled for a total of \$0.3 million, compared with 455,000 shares repurchased and cancelled for a total of \$3.4 million.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to “Supplemental Information on Non-IFRS Measures” on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Non-IFRS Measures Reconciliations” on page 8 and “Reconciliation of Quarterly Non-IFRS Measures” on page 17.

Business Highlights:

- On November 8, 2022, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 15, 2022, to shareholders on record as of November 30, 2022.
- On November 3, 2022, the Corporation announced that Familiprix has joined Stingray Advertising's retail audio advertising network. Under the agreement, Stingray Advertising will be responsible for exclusive sales representation of all in-store digital audio advertising within their 427 pharmacies in Quebec and New Brunswick.
- On October 25, 2022, the Corporation announced that Chatter by Stingray launched Save the Sale: a new solution that enables brands to convert non-purchasers into buyers by uncovering their pain points through one-to-one conversations in real time. The highly engaging platform captures up to 40% of non-purchaser feedback, giving brands unprecedented access to a neglected demographic.
- On September 23, 2022, the Corporation announced that the Toronto Stock Exchange has approved the renewal of its normal course issuer bid, authorizing Stingray to repurchase up to an aggregate 2,868,124 subordinate voting shares and variable subordinate voting shares (collectively, "Subordinate Shares"), representing approximately 10% of the public float of Subordinate Shares as at September 13, 2022.
- On August 19, 2022, the Corporation announced that CDF Distributors selected its technology platform, Chatter by Stingray, the leader in actionable insights, to enhance their customer experience strategy, increase revenue growth, and drive operational efficiencies.
- On August 2, 2022, 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, 2022, to shareholders on record as of August 31, 2022.
- On July 26, 2022, the Corporation announced a partnership with Geopath, the not-for-profit organization that provides the industry-standard audience metrics for out-of-home (OOH) advertising, to measure retail-based digital audio out-of-home (AOOH) advertising impressions in the United States.
- On July 21, 2022, the Corporation announced that it had reached an agreement for the distribution of a suite of FAST channels to LG smart TVs and WebOS operating system worldwide. As part of the new deal, LG will also make associated Stingray AVOD packages for karaoke and concerts.
- On July 11, 2022, the Corporation announced the launch of Chatter for Online Reviews. This new online review management solution enables digital marketing teams, store operations, and customer experience teams to understand their ratings beyond surface-level information and elevate their social reputation strategies.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months				6 months			
	Sept. 30, 2022		Sept. 30, 2021		Sept. 30, 2022		Sept. 30, 2021	
	Q2 2023		Q2 2021 Recast ⁽³⁾		YTD 2023		YTD 2021 Recast ⁽³⁾	
	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues
Revenues	77,635	100.0 %	70,703	100.0 %	155,771	100.0 %	134,954	100.0 %
Operating expenses	51,195	65.9 %	46,612	65.9 %	102,982	66.1 %	88,962	65.9 %
Depreciation, amortization and write-off	8,764	11.3 %	8,671	12.3 %	17,330	11.1 %	18,118	13.4 %
Net finance expense (income) ⁽¹⁾	11,906	15.3 %	(364)	(0.5) %	15,881	10.2 %	4,889	3.6 %
Change in fair value of investments	(247)	(0.3) %	(13)	0.0 %	(368)	(0.2) %	(13)	0.0 %
Acquisition, legal, restructuring and other expenses	2,075	2.7 %	848	1.2 %	3,468	2.2 %	2,016	1.5 %
Income before income taxes	3,942	5.1 %	14,949	21.1 %	16,478	10.6 %	20,982	15.6 %
Income taxes	611	0.8 %	2,874	4.1 %	3,750	2.4 %	4,707	3.5 %
Net income	3,331	4.3 %	12,075	17.0 %	12,728	8.2 %	16,275	12.1 %
Adjusted EBITDA⁽²⁾	27,031	34.8 %	25,587	36.2 %	53,117	34.1 %	49,742	36.9 %
Adjusted Net income⁽²⁾	10,825	13.9 %	16,323	23.1 %	24,070	15.5 %	27,561	20.4 %
Cash flow from operating activities	18,446	23.8 %	20,437	28.9 %	34,792	22.3 %	36,774	27.2 %
Adjusted free cash flow⁽²⁾	15,009	19.3 %	15,362	21.7 %	30,668	19.7 %	30,369	22.5 %
Net debt⁽²⁾	378,503	–	336,488	–	378,503	–	336,488	–
Net debt to Pro Forma Adjusted EBITDA⁽²⁾	3.44x	–	3.02x	–	3.44x	–	3.02x	–
Net income per share basic and diluted	0.05	–	0.17	–	0.18	–	0.23	–
Adjusted Net income per share basic ⁽²⁾	0.16	–	0.23	–	0.34	–	0.38	–
Adjusted Net income per share diluted ⁽²⁾	0.15	–	0.23	–	0.34	–	0.38	–
Cash flow from operating activities per share basic	0.26	–	0.29	–	0.50	–	0.51	–
Cash flow from operating activities per share diluted	0.26	–	0.28	–	0.50	–	0.51	–
Adjusted free cashflow per share basic ⁽²⁾	0.22	–	0.22	–	0.44	–	0.42	–
Adjusted free cashflow per share diluted ⁽²⁾	0.21	–	0.21	–	0.44	–	0.42	–
Revenues by segment								
Broadcasting and Commercial Music	44,901	57.8 %	38,392	54.3 %	91,031	58.4 %	73,413	54.4 %
Radio	32,734	42.2 %	32,311	45.7 %	64,740	41.6 %	61,541	45.6 %
Revenues	77,635	100.0 %	70,703	100.0 %	155,771	100.0 %	134,954	100.0 %
Revenues by geography								
Canada	47,236	60.9 %	46,659	66.0 %	93,894	60.2 %	87,997	65.2 %
United States	18,360	23.6 %	10,853	15.3 %	37,463	24.1 %	20,670	15.3 %
Other Countries	12,039	15.5 %	13,191	18.7 %	24,414	15.7 %	26,287	19.5 %
Revenues	77,635	100.0 %	70,703	100.0 %	155,771	100.0 %	134,954	100.0 %

Notes:

- (1) Interest paid during the Q2 2023 was \$5.9 million (Q2 2022; \$3.2 million). Interest paid for YTD Q2 2023 was \$10.2 million (YTD Q2 2022; \$7.1 million).
- (2) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to “Supplemental Information on Non-IFRS Measures” on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Non-IFRS Measures Reconciliations” on page 8 and “Reconciliation of Quarterly Non-IFRS Measures” on page 17.
- (3) The 2022 comparative figures have been recast to adjust certain contracts that were recognized on a gross basis that should have been recognized on net basis. This had the effect of reducing revenues and operating expenses of the Broadcasting and commercial music segment from previously recorded \$71.4 million and \$47.3 million to recast \$70.7 million and \$46.6 million, respectively. Year-to-date 2022 revenues and operating expenses have been reduced from \$136.2 million to \$135.0 million and \$90.2 million to \$89.0 million, respectively.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation use non-IFRS measures and ratios to provide investors with supplemental metrics to assess and measure its operating performance and financial position, as applicable, from one period to the next. The Corporation believes that those measures are important supplemental metrics because they eliminate items that have less bearing on its core business performance and could potentially distort the analysis of trends in its performance and financial position. The Corporation also uses non-IFRS measures to facilitate financial performance comparisons from period to period, to prepare annual budgets and forecasts and to determine components of management compensation. The Corporation believes these non-GAAP financial measures, in addition to the financial measures prepared in accordance with IFRS, enable investors to evaluate the Corporation's results, underlying performance and future prospects in a manner similar to management.

Each of the below non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

Adjusted EBITDA

The Corporation believes that Adjusted EBITDA provides investors with useful information because it is a common industry measure and it is also a key metric of the Corporation's financial performance without the variation caused by the impacts of the elements itemized below. Further, it provides an indication of the Corporation's ability to seize growth opportunities in a cost-effective manner as well as finance its ongoing operations and service its long-term debt. Adjusted EBITDA is defined as earnings before Net finance expense (income), income taxes, depreciation, amortization, share based compensation, performance and deferred share unit expense, acquisition, restructuring and other various costs and change in fair value of investments. The Corporation believes that Adjusted EBITDA is an important measure when analyzing its profitability without being influenced by financing decisions, non-cash items and income tax strategies. The Corporation also presents such non-IFRS measure because it believes such non-IFRS measure is frequently used by securities analysts, investors and other interested parties as measures of financial performance.

Adjusted EBITDA margin

Adjusted EBITDA margin ratio is a non-IFRS ratio used by management to analyze the profitability of the Corporation and facilitate period-to-period comparisons. This ratio is calculated by dividing the amount of Adjusted EBITDA for a given period by the amount of revenue for the same period. The Corporation believes that Adjusted EBITDA margin is an important measure when analyzing its profitability without being influenced by financing decisions, non-cash items and income tax strategies. The Corporation also presents such non-IFRS ratio because it believes such non-IFRS ratio is frequently used by securities analysts, investors and other interested parties as measures of financial performance.

Adjusted free cash flow

Adjusted free cash flow is a non-IFRS measure used by management to assess the amount of cash generated after accounting for capital expenditures and cash outflows that support our operations. It is a useful measure because it demonstrates cash available to make business acquisitions, pay dividends and reduce debt. Furthermore, this non-IFRS measure is a useful indicator of the Corporation's financial strength and liquidity. Adjusted free cash flow is calculated by taking the net cash generated from our operating activities, subtracting capital expenditures, interest paid, repayment of lease liabilities, net change in non-cash operating working capital items and unrealized losses or gains on foreign exchange, and excluding acquisition, legal, restructuring and other expenses. Refer to section "Non-IFRS measures reconciliations" of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Adjusted free cash flow per share

Adjusted free cash flow per share is calculated by dividing the amount of Adjusted free cash flow for a given period by the weighted average number of diluted shares. This non-IFRS measure is useful because it provides an indication of the Corporation's financial strength and liquidity on a per share basis and facilitates the comparison across reporting periods.

Adjusted Net income

Adjusted Net income is a non-IFRS measure used by management to assess performance of the Corporation as it provides meaningful performance results and facilitates period-to-period comparisons. The Corporation believes Adjusted Net income is useful to investors because it helps identify underlying trends in our business that could otherwise be masked by certain write-offs, charges, income or recoveries that can vary from period to period. The Corporation believes that Adjusted Net income is an important measure as it shows stable results which allows users of the financial statements to better assess the trend in the profitability of the business. It is calculated by excluding from the Net income unrealized gains or losses on derivative financial instruments, amortization from intangible assets, gains or losses from the change in fair value of investments, share-based compensation, performance and deferred share unit expense, acquisition, legal, restructuring and

other expenses, as well as the tax impact of these adjustments. Refer to section “Non-IFRS measures reconciliations” of this MD&A for a reconciliation of this measure to the most directly comparable measure under IFRS.

Adjusted Net income per share

Adjusted Net income per share is a non-IFRS ratio used by management to assess financial performance results of the Corporation on a per share basis and because the Corporation believes it facilitates period-to-period comparisons. Adjusted Net income per share is calculated by dividing the amount of Adjusted Net Income for a given period by the weighted average number of diluted shares.

LTM Adjusted EBITDA

Last twelve months (LTM) Adjusted EBITDA is a non-IFRS measure representing the Adjusted EBITDA of a given quarterly period, plus the Adjusted EBITDA of the three quarters immediately preceding such referenced period. Management believes that LTM Adjusted EBITDA is a useful measure to evaluate the Corporation’s financial performance during the immediately preceding twelve-month time period.

Pro Forma Adjusted EBITDA

Pro Forma Adjusted EBITDA is a non-IFRS measure representing LTM Adjusted EBITDA adjusted to include Adjusted EBITDA from acquisitions for the months prior to such acquisitions, as well as estimated revenue and cost saving synergies from such acquisitions and the value of credit notes granted to certain customers as a result of the COVID-19 pandemic. For cumulative Fiscal 2023, the synergies included derive from the acquisitions of InStore Audio Network. For Fiscal 2022, the synergies included derive from the acquisitions of InStore Audio Network and Calm Radio. For Fiscal 2022, Pro Forma Adjusted EBITDA includes an adjustment for credits that were given to various customers following the mandated store closures required by governments due to the pandemic. Management of the Corporation believes that Pro Forma Adjusted EBITDA provides investors with useful financial metrics to assess and evaluate the Corporation’s financial performance from period-to-period by adjusting for the impact of acquisitions assuming they occurred at the beginning of the fiscal year, as well as certain events that are otherwise non-recurring. The Corporation also presents such non-IFRS measure because it believes such non-IFRS measure is frequently used by securities analysts, investors and other interested parties as a measure of financial performance.

Adjustments to arrive to Pro Forma Adjusted EBITDA are based on estimates and assumptions made by us that are inherently uncertain, although considered reasonable by us, and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. Adjusted EBITDA from acquisitions for the months prior to such acquisitions are based on the internal books and records available to management and has been determined using the definition used by the Corporation. The amounts exclude certain non-recurring charges that have been or will be incurred in connection with such acquisitions, including professional fees to complete the acquisitions. Synergies and the adjustment for credits granted are based on certain estimates and assumptions and should not be regarded as a representation by the Corporation or any other person that the Corporation will achieve such results. Pro Forma Adjusted EBITDA is presented for informational purposes only and does not purport to represent the Corporation’s results had the acquisitions been made by the Corporation at the beginning of the period presented nor is such measure meant to project the results for any future date or period. As a result, readers should exercise caution in interpreting this financial measure and should not place undue reliance thereon.

Net debt

Net debt is a non-IFRS measure calculated as the Corporation’s credit facilities, including the current portion of credit facilities, and subordinated debt less the Corporation’s cash and cash equivalents. It is used by management to monitor the amount of debt at a particular date after taking into account cash and cash equivalents and as an indicator of the Corporation’s overall financial position.

Net debt to Pro Forma Adjusted EBITDA ratio

Net debt to Pro Forma Adjusted EBITDA is a non-IFRS ratio calculated as Net debt divided by Pro Forma Adjusted EBITDA. The Corporation believes that Net debt to Pro Forma Adjusted EBITDA is an important measure when analyzing the Corporation’s debt repayment capacity on an annualized basis, taking into consideration the annualized Adjusted EBITDA and synergies of acquisitions made during the last twelve months.

NON-IFRS MEASURES RECONCILIATIONS

Adjusted EBITDA, Pro Forma Adjusted EBITDA, LTM 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 Pro Forma Adjusted EBITDA ratio are non-IFRS measures.

The following tables show the reconciliation of Net income to Adjusted EBITDA, to Adjusted Net income, LTM Adjusted EBITDA and to Pro Forma Adjusted EBITDA:

	3 months		6 months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
(in thousands of Canadian dollars)	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Net income	3,331	12,075	12,728	16,275
Net finance expense (income)	11,906	(364)	15,881	4,889
Change in fair value of investments	(247)	(13)	(368)	(13)
Income taxes	611	2,874	3,750	4,707
Depreciation and write-off of property and equipment	2,876	2,446	5,547	4,970
Depreciation of right-of-use assets	1,066	1,298	2,189	2,594
Amortization of intangible assets	4,822	4,927	9,594	10,554
Share-based compensation	164	196	301	360
Performance and deferred share unit expense	427	1,300	27	3,390
Acquisition, legal, restructuring and other expenses	2,075	848	3,468	2,016
Adjusted EBITDA	27,031	25,587	53,117	49,742
Adjusted EBITDA margin	34.8%	36.2%	34.1%	36.9%
Net income	3,331	12,075	12,728	16,275
<i>Adjusted for:</i>				
Unrealized loss (gain) on derivative financial instruments	2,996	(1,517)	2,451	(999)
Amortization of intangible assets	4,822	4,927	9,594	10,554
Change in fair value of investments	(247)	(13)	(368)	(13)
Share-based compensation	164	196	301	360
Performance and deferred share unit expense	427	1,300	27	3,390
Acquisition, legal, restructuring and other expenses	2,075	848	3,468	2,016
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(2,743)	(1,493)	(4,131)	(4,022)
Adjusted Net income	10,825	16,323	24,070	27,561
Average number of shares outstanding (diluted)	70,008	71,978	70,122	72,169
Adjusted Net income per share (diluted)	0.15	0.23	0.34	0.38

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

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

	3 months		6 months	
	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2022	Sept. 30, 2021
(in thousands of Canadian dollars)	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Cash flow from operating activities	18,446	20,437	34,792	36,774
<i>Add / Less :</i>				
Acquisition of property and equipment	(2,099)	(2,360)	(3,250)	(4,437)
Acquisition of intangible assets other than internally developed intangible assets	(89)	(305)	(366)	(503)
Addition to internally developed intangible assets	(1,165)	(2,050)	(2,729)	(4,203)
Interest paid	(5,916)	(3,234)	(10,168)	(7,125)
Repayment of lease liabilities	(1,280)	(1,526)	(2,337)	(2,611)
Net change in non-cash operating working capital items	3,727	2,323	11,183	9,128
Unrealized loss on foreign exchange	1,310	1,229	75	1,330
Acquisition, legal, restructuring and other expenses	2,075	848	3,468	2,016
Adjusted free cash flow	15,009	15,362	30,668	30,369
Average number of shares outstanding (diluted)	70,008	71,978	70,122	72,169
Adjusted free cash flow per share (diluted)	0.21	0.21	0.44	0.42

The following table shows the calculation of Net debt and Net debt to Pro Forma Adjusted EBITDA ratio:

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

FINANCIAL RESULTS FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2023	Q2 2022	% Change	YTD 2023	YTD 2022	% Change
Revenues by geography						
Canada	47,236	46,659	1.2	93,894	87,997	6.7
United States	18,360	10,853	69.2	37,463	20,670	81.2
Other Countries	12,039	13,191	(8.7)	24,414	26,287	(7.1)
Revenues	77,635	70,703	9.8	155,771	134,954	15.4

Global

Revenues in Q2 2023 increased \$6.9 million or 9.8% to \$77.6 million, from \$70.7 million for Q2 2022. The increase was primarily due to the acquisition of InStore Audio Network.

Cumulative revenues for Fiscal 2023 increased \$20.8 million or 15.4% to \$155.8 million, from \$135.0 million for cumulative Fiscal 2022. The increase was primarily due to the acquisition of InStore Audio Network, to an increase in subscription revenues and to an increase in Radio revenues due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Canada

Revenues in Canada in Q2 2023 increased \$0.6 million or 1.2% to \$47.2 million, from \$46.6 million for Q2 2022. The increase was mainly due to an increase in Radio revenues due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Cumulative revenues in Canada for Fiscal 2023 increased \$5.9 million or 6.7% to \$93.9 million, from \$88.0 million for cumulative Fiscal 2022. The increase was primarily due to an increase in Radio revenues due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations and to an increase in equipment and installation sales related to digital signage.

United States

Revenues in the United States in Q2 2023 increased \$7.5 million or 69.2% to \$18.4 million, from \$10.9 million for Q2 2022. The increase was mostly due to the acquisition of InStore Audio Network.

Cumulative revenues in the United States for Fiscal 2023 increased \$16.8 million or 81.2% to \$37.5 million, from \$20.7 million for cumulative Fiscal 2022. The increase was primarily due to the acquisition of InStore Audio Network and to an increase in subscription revenues.

Other Countries

Revenues in Other countries in Q2 2023 decreased \$1.2 million or 8.7% to \$12.0 million, from \$13.2 million for Q2 2022. The decrease was mainly due to a decrease in audio channel revenues and to a negative foreign exchange impact.

Cumulative revenues in Other countries for Fiscal 2023 decreased \$1.9 million or 7.1% to \$24.4 million, from \$26.3 million for cumulative Fiscal 2022. The decrease was primarily due to a decrease in audio channel revenues and to a decrease in In-store commercial revenues.

Operating expenses

Operating expenses in Q2 2023 increased \$4.6 million or 9.8% to \$51.2 million, from \$46.6 million for Q2 2022. The increase was mainly due to increased variable expenses due to higher revenues.

Cumulative operating expenses for Fiscal 2023 increased \$14.0 million or 15.8% to \$103.0 million, from \$89.0 million for cumulative Fiscal 2022. The increase was due to higher operating costs and to Canadian Emergency Wage Subsidy (CEWS) in the comparative period (YTD 2023; nil, YTD 2022; \$4.0 million).

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q2 2023 increased \$1.4 million or 5.6% to \$27.0 million from \$25.6 million for Q2 2022. Adjusted EBITDA margin was 34.8% compared to 36.2% for Q2 2022. Cumulative Adjusted EBITDA for Fiscal 2023 increased \$3.4 million or 6.8% to \$53.1 million from \$49.7 million for cumulative Fiscal 2022. Adjusted EBITDA margin was 34.1% compared to 36.9% for cumulative Fiscal 2022. Both increases in Adjusted EBITDA are due to the acquisition of InStore Audio Network, partially offset by CEWS in the comparative period. Both decreases in Adjusted EBITDA margin are due to CEWS in the comparative period.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q2 2023 increased \$0.1 million or 1.1% to \$8.8 million, from \$8.7 million for Q2 2022. The increase was mainly due to higher depreciation of property and equipment, largely offset by less intangible assets to amortize compared to the prior period as certain intangible assets are fully amortized.

Cumulative depreciation, amortization and write off for Fiscal 2023 decreased \$0.8 million or 4.3% to \$17.3 million, from \$18.1 million for cumulative Fiscal 2022. The decrease was mainly due to less intangible assets to amortize compared to the prior period as certain intangible assets are fully amortized.

Net finance expense (income)

Net finance expense (income) in Q2 2023 shifted to an \$11.9 million expense, from a \$0.4 million income for Q2 2022. Cumulative Net finance expense for Fiscal 2023 increased \$11.0 million or 224.8% to \$15.9 million, from \$4.9 million for cumulative Fiscal 2022. Both variances were mainly due to a gain on the change in fair value of contingent consideration in the comparative period, a loss on the fair value of derivative instruments and higher interest expenses.

Change in fair value of investments

In Q2 2023 and in cumulative Fiscal 2023, there was a gain of \$0.2 million and \$0.4 million, respectively, on the fair value of investments due to the translation of an investment denominated in U.S. dollars to Canadian dollars. In Q2 2022 and in cumulative Fiscal 2022, there was no gain or loss on the fair value of investments.

Acquisition, legal, restructuring and other expenses

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2023	Q2 2022	% Change	YTD 2023	YTD 2022	% Change
Acquisition	47	199	(1,085.7)	214	213	0.5
Legal	391	85	30.9	512	1,076	(52.4)
Restructuring and other	1,637	564	658.3	2,742	727	277.2
Acquisition, legal, restructuring and other expenses	2,075	848	105.1	3,468	2,016	72.0

In Q2 2023 and in cumulative Fiscal 2023, there was an increase in restructuring and other costs mainly due to higher severance costs related to a restructuring plan implemented in a few entities abroad.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to "Supplemental Information on Non-IFRS Measures" on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Non-IFRS Measures Reconciliations" on page 8 and "Reconciliation of Quarterly Non-IFRS Measures" on page 17.

Income taxes

The income tax expense recognized in comprehensive income was \$0.6 million for Q2 2023 compared to \$2.9 million for Q2 2022. The effective tax rate for Q2 2023 was 22.8% compared to 19.2% for Q2 2022. The income tax expense recognized in comprehensive income was \$3.8 million for cumulative Fiscal 2023 compared to \$4.7 million for cumulative Fiscal 2022. The effective tax rate for cumulative Fiscal 2023 was 22.8% compared to 22.4% for cumulative Fiscal 2022. Both variances in the effective tax rates are mainly due to the variance in permanent differences.

Net income and Net income per share

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

Cumulative Net income for Fiscal 2023 was \$12.7 million (\$0.18 per share) compared to \$16.3 million (\$0.23 per share) for cumulative Fiscal 2022. The decrease was mainly due to a gain on the fair value of contingent consideration in the comparative period and a loss on the fair value of derivative financial instruments, partially offset by a gain on performance and deferred share units expense related to a decrease in the share price and by higher operating results.

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

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

Cumulative Adjusted Net income for Fiscal 2023 was \$24.1 million (\$0.34 per share), compared to \$27.6 million (\$0.38 per share) for cumulative Fiscal 2022. The decrease was mainly related to a gain on the fair value of contingent consideration in the comparative period, partially offset by higher operating results.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to "Supplemental Information on Non-IFRS Measures" on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Non-IFRS Measures Reconciliations" on page 8 and "Reconciliation of Quarterly Non-IFRS Measures" on page 17.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2023	Q2 2022	% Change	YTD 2023	YTD 2022	% Change
Revenues	44,901	38,392	17.0	91,031	73,413	24.0
Operating expenses	27,956	23,859	17.2	57,320	44,218	29.6
Adjusted EBITDA⁽¹⁾	16,945	14,533	16.6	33,711	29,195	15.5
Adjusted EBITDA margin⁽¹⁾	37.7%	37.9%	(0.3)	37.0%	39.8%	(6.9)

Revenues

In Q2 2023, Broadcasting and Commercial Music revenues increased \$6.5 million or 17.0% to \$44.9 million, from \$38.4 million for Q2 2022. The increase was mainly due to the acquisition of InStore Audio Network.

Cumulative Broadcasting and Commercial Music revenues for Fiscal 2023 increased \$17.6 million or 24.0% to \$91.0 million from \$73.4 million for cumulative Fiscal 2022. The increase was primarily due to the acquisition of InStore Audio Network and an increase in subscription revenues.

Adjusted EBITDA⁽¹⁾

In Q2 2023, Broadcasting and Commercial Music Adjusted EBITDA increased \$2.4 million or 16.6% to \$16.9 million from \$14.5 million for Q2 2022. The increase was mainly due to the acquisition of InStore Audio Network.

Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2023 increased \$4.5 million or 15.5% to \$33.7 million from \$29.2 million for cumulative Fiscal 2022. The increase was mainly due to the acquisition of InStore Audio Network, partially offset by CEWS in cumulative Fiscal 2022.

RADIO

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2023	Q2 2022	% Change	YTD 2023	YTD 2022	% Change
Revenues	32,734	32,311	1.3	64,740	61,541	5.2
Operating expenses	21,405	19,778	8.2	42,799	38,183	12.1
Adjusted EBITDA⁽¹⁾	11,329	12,533	(2.0)	21,941	23,358	(6.1)
Adjusted EBITDA margin⁽¹⁾	34.6%	38.8%	(10.8)	33.9%	38.0%	(10.7)

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.

In Q2 2023, Radio revenues increased \$0.4 million or 1.3% to \$32.7 million from \$32.3 million for Q2 2022. Cumulative Radio revenues for Fiscal 2023 increased \$3.2 million or 5.2% to \$64.7 million from \$61.5 million for cumulative Fiscal 2022. 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 2023, Radio Adjusted EBITDA decreased \$1.2 million or 2.0% to \$11.3 million from \$12.5 million in Q2 2022. The decrease in Adjusted EBITDA is primarily due to a decrease in gross margin related to a higher proportion of digital revenues and to CEWS in Q2 2022.

Cumulative Radio Adjusted EBITDA for Fiscal 2023 decreased \$1.4 million or 6.1% to \$21.9 million from \$23.3 million for cumulative Fiscal 2022. The decrease in Adjusted EBITDA is due to CEWS in the comparative period, partially offset by higher revenues, caused by the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to "Supplemental Information on Non-IFRS Measures" on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Non-IFRS Measures Reconciliations" on page 8 and "Reconciliation of Quarterly Non-IFRS Measures" on page 17.

CORPORATE

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2023	Q2 2022	% Change	YTD 2023	YTD 2022	% Change
Operating expenses	1,834	2,975	(38.4)	2,863	6,561	(56.4)
<i>Adjust:</i>						
Share-based compensation	(164)	(196)	(16.3)	(301)	(360)	(16.4)
Performance and deferred share unit expense	(427)	(1,300)	(67.2)	(27)	(3,390)	(99.2)
Adjusted EBITDA⁽¹⁾	(1,243)	(1,479)	(16.0)	(2,535)	(2,811)	(9.8)

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 decrease in operating expenses in Q2 2023 and in cumulative Fiscal 2023 is related to a gain on performance and deferred share units expense due to a decrease in the share price.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to "Supplemental Information on Non-IFRS Measures" on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Non-IFRS Measures Reconciliations" on page 8 and "Reconciliation of Quarterly Non-IFRS Measures" on page 17.

Quarterly results

Revenues fluctuated over the last eight quarters from \$72.0 million in Q3 2021 to \$77.6 million in the Q2 2023. 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, increased equipment and installation sales related to digital signage and the acquisition of Calm Radio. In Q3 2022, the increase was mainly due to normal business seasonality and to an increase in subscription revenues. The decrease in Q4 2022 is mostly due to normal business seasonality, partially offset by the acquisition of InStore Audio Network. The increase in Q1 2023 and the decrease in Q2 2023 were mainly due to normal business seasonality.

Adjusted EBITDA⁽¹⁾ fluctuated over the last eight quarters from \$34.0 million in Q3 2021 to \$27.0 million in Q2 2023. The decrease in Q4 2021 was due to normal business seasonality and a settlement with SOCAN (refer to page 22) 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. In Q3 2022, the increase was mainly due to normal business seasonality. The decrease in Q4 2022 was mainly due to normal business seasonality and reduced CEWS, partially offset by the acquisition of InStore Audio Network. The increase in Q1 2023 was primarily due to normal business seasonality. The increase in Q2 2023 was mainly due to lower operating costs.

Net income (loss) fluctuated over the last eight quarters from \$14.1 million in Q3 2021 to \$3.3 million in Q2 2023. 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 tax 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. In Q3 2022, the increase was mainly due to higher operating results, partially offset by a lower gain related to the change in the fair value of contingent consideration. The decrease in Q4 2022 was primarily due to lower operating results due to normal business seasonality and to higher restructuring and other expenses, partially offset by lower income tax expense. The increase in Q1 2023 was mainly due to higher operating results and lower restructuring and other costs, partially offset by an increase in the fair value of contingent consideration. The decrease in Q2 2023 was primarily due to a loss on the fair value of derivative financial instruments, a foreign exchange loss and higher interest expenses, partially offset by lower income tax expense.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to “Supplemental Information on Non-IFRS Measures” on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Non-IFRS Measures Reconciliations” on page 8 and “Reconciliation of Quarterly Non-IFRS Measures” on page 17.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020
	FY2023	FY2023	FY2022	FY2022	FY2022	FY2022	FY2021	FY2021
				Recast ⁽²⁾				
Revenues by segment								
Broadcasting and Commercial								
Music	44,901	46,130	45,584	40,085	38,392	35,021	35,780	39,623
Radio	32,734	32,006	27,060	34,943	32,311	29,230	23,960	32,379
Total revenues	77,635	78,136	72,644	75,028	70,703	64,251	59,740	72,002
Revenues by geography								
Canada	47,236	46,658	40,456	49,286	46,659	41,338	35,594	47,368
United States	18,360	19,103	19,145	12,588	10,853	9,817	10,366	10,130
Other countries	12,039	12,375	13,043	13,154	13,191	13,096	13,780	14,504
Total revenues	77,635	78,136	72,644	75,028	70,703	64,251	59,740	72,002
Adjusted EBITDA⁽¹⁾	27,031	26,086	21,023	28,504	25,587	24,155	23,638	33,993
LTM Adjusted EBITDA⁽¹⁾	102,644	101,200	99,269	101,884	107,373	112,942	114,268	118,847
Net income	3,331	9,397	4,466	12,546	12,075	4,200	12,077	14,118
Net income per share basic and diluted	0.05	0.13	0.06	0.18	0.17	0.06	0.17	0.19
Adjusted Net income⁽¹⁾	10,825	13,245	11,780	17,048	16,323	11,238	11,981	21,054
Adjusted Net income per share basic ⁽¹⁾	0.16	0.19	0.17	0.24	0.23	0.16	0.17	0.29
Adjusted Net income per share diluted ⁽¹⁾	0.15	0.19	0.17	0.24	0.23	0.16	0.16	0.29
Cash flow from operations	18,446	16,346	22,127	24,762	20,437	16,337	24,514	16,333
Adjusted free Cash Flow⁽¹⁾	15,009	15,659	11,833	14,731	15,362	15,007	13,808	19,645
Quarterly dividend	0.075	0.075	0.075	0.075	0.075	0.075	0.075	0.075

Note:

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- (2) The comparative figures of the first three quarters of Fiscal 2022 and of Fiscal 2021 have been recast to adjust certain contracts that were recognized on a gross basis that should have been recognized on net basis. This had the effect of reducing revenues and operating expenses of the Broadcasting and commercial music segment from previously recorded. Revenues have been recast from \$41.1 million to \$40.1 million for Q3 2022, from \$39.1 million to 38.4 million for Q2 2022, from \$35.6 million to \$35.0 million for Q1 2022, from \$36.4 million to \$35.8 million for Q4 2021 and from \$40.2 million to \$39.6 million for Q3 2021.

Reconciliation of Quarterly Non-IFRS Measures

Adjusted EBITDA, Pro Forma Adjusted EBITDA, LTM 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 Pro Forma Adjusted EBITDA ratio are non-IFRS measures that the Corporation uses to assess its financial performance. Refer to “Supplemental information on Non-IFRS Measures” on page 6.

The following tables show the reconciliation of Net income to Adjusted EBITDA, to Adjusted Net income, to LTM Adjusted EBITDA and to Pro Forma Adjusted EBITDA:

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020
	Fiscal 2023	Fiscal 2023	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2021	Fiscal 2021
Net income	3,331	9,397	4,466	12,546	12,075	4,200	12,077	14,118
Net finance expense (income)	11,906	3,975	(769)	1,999	(364)	5,253	(7,284)	(1,290)
Change in fair value of investments	(247)	(121)	12	3	(13)	–	–	2,434
Income taxes	611	3,139	191	4,115	2,874	1,833	4,047	4,900
Depreciation and write-off of property and equipment	2,876	2,671	3,862	2,237	2,446	2,524	3,082	2,894
Depreciation of right-of-use assets	1,066	1,123	1,201	1,281	1,298	1,296	1,436	1,399
Amortization of intangible assets	4,822	4,772	4,176	4,669	4,927	5,627	5,303	5,478
Share-based compensation	164	137	222	216	196	164	235	231
Performance and deferred share unit expense (income)	427	(400)	1,750	659	1,300	2,090	2,028	1,780
Acquisition, legal, restructuring and other expenses	2,075	1,393	5,912	779	848	1,168	2,714	2,049
Adjusted EBITDA	27,031	26,086	21,023	28,504	25,587	24,155	23,638	33,993
Adjusted EBITDA margin	34.8%	33.4%	28.9%	38.0%	36.2%	37.6%	39.6%	47.2%
Net income	3,331	9,397	4,466	12,546	12,075	4,200	12,077	14,118
<i>Adjusted for:</i>								
Unrealized loss (gain) on derivative financial instruments	2,996	(545)	(2,150)	(248)	(1,517)	518	(10,498)	(3,017)
Amortization of intangible assets	4,822	4,772	4,176	4,669	4,927	5,627	5,303	5,478
Change in fair value of investments	(247)	(121)	12	3	(13)	–	–	2,434
Share-based compensation	164	137	222	216	196	164	235	231
Performance and deferred share unit expense	427	(400)	1,750	659	1,300	2,090	2,028	1,780
Acquisition, legal, restructuring and other expenses	2,075	1,393	5,912	779	848	1,168	2,714	2,049
Income taxes related to change in fair value of investments, share- based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to- market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(2,743)	(1,388)	(2,608)	(1,576)	(1,493)	(2,529)	122	(2,019)
Adjusted Net income	10,825	13,245	11,780	17,048	16,323	11,238	11,981	21,054
Average number of shares outstanding (diluted)	70,008	70,277	70,655	70,960	71,978	72,363	73,109	73,645
Adjusted Net income per share diluted	0.15	0.19	0.17	0.24	0.23	0.16	0.16	0.29

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020
	Fiscal 2023	Fiscal 2023	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2021	Fiscal 2021
LTM Adjusted EBITDA	102,644	101,200	99,269	101,884	107,373	112,942	114,268	118,847
Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results	7,450	11,900	16,000	19,500	1,428	842	190	1,043
COVID-19 credits allocated due to mandated store closures	–	699	1,535	3,051	2,492	1,369	1,825	1,000
Pro Forma Adjusted EBITDA	110,094	113,799	116,804	124,435	111,293	115,153	116,283	120,890

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

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020
	Fiscal 2023	Fiscal 2023	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2021	Fiscal 2021
Cash flow from operating activities	18,446	16,346	22,127	24,762	20,437	16,337	24,514	16,333
Acquisition of property and equipment	(2,099)	(1,151)	(2,443)	(2,181)	(2,360)	(2,077)	(1,929)	(1,849)
Acquisition of intangible assets other than internally developed intangible assets	(89)	(277)	(355)	(276)	(305)	(198)	(194)	(649)
Addition to internally developed intangible assets	(1,165)	(1,564)	(593)	(2,058)	(2,050)	(2,153)	(1,367)	(1,838)
Interest paid	(5,916)	(4,252)	(3,391)	(3,868)	(3,234)	(3,891)	(5,142)	(6,312)
Repayment of lease liabilities	(1,280)	(1,057)	(1,074)	(1,130)	(1,526)	(1,085)	(1,099)	(1,255)
Net change in non-cash operating working capital items	3,727	7,456	(7,571)	(1,533)	2,323	6,805	(344)	15,858
Unrealized loss (gain) on foreign exchange	1,310	(1,235)	(779)	236	1,229	101	(3,345)	(2,692)
Acquisition, legal, restructuring and other expenses	2,075	1,393	5,912	779	848	1,168	2,714	2,049
Adjusted free cash flow	15,009	15,659	11,833	14,731	15,362	15,007	13,808	19,645
Average number of shares outstanding (diluted)	70,008	70,277	70,655	70,960	71,978	72,363	73,109	73,645
Adjusted free cash flow per share (diluted)	0.21	0.22	0.17	0.21	0.21	0.21	0.19	0.27

The following table shows the calculation of Net debt and of Net debt to Pro Forma Adjusted EBITDA ratio:

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020
	Fiscal 2023	Fiscal 2023	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2022	Fiscal 2021	Fiscal 2021
Credit facilities	368,442	358,440	358,203	317,957	313,172	305,779	303,704	290,353
Subordinated debt	25,492	25,467	25,442	25,416	31,791	31,766	31,741	39,715
Cash and cash equivalents	(15,411)	(13,816)	(14,563)	(11,266)	(8,475)	(6,416)	(9,040)	(9,827)
Portion of the balance payable on acquisition of InStore Audio Network paid on January 5, 2022	–	–	–	42,471	–	–	–	–
Net debt	378,503	370,091	369,082	374,578	336,488	331,129	326,405	320,241
Net debt to Pro Forma Adjusted EBITDA	3.44	3.25	3.16	3.01	3.02	2.88	2.81	2.65

LIQUIDITY AND CAPITAL RESOURCES FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(in thousands of Canadian dollars)	3 months		6 months	
	Q2 2023	Q2 2022	YTD 2023	YTD 2022
Operating activities	18,446	20,437	34,792	36,774
Financing activities	(9,593)	(10,905)	(23,159)	(25,442)
Investing activities	(7,258)	(7,473)	(10,785)	(11,897)
Net change in cash	1,595	2,059	848	(595)
Cash – beginning of period	13,816	6,416	14,563	9,040
Cash – end of period	15,411	8,475	15,411	8,475
Adjusted free cash flow⁽¹⁾	15,009	15,362	30,668	30,369

Operating activities

Cash flow generated from operating activities amounted to \$18.4 million for Q2 2023 compared to \$20.4 million for Q2 2022. The decrease was mainly due to higher income tax paid, higher negative change in non-cash operating items and higher restructuring and other costs, partially offset by higher operating results.

Cash flow generated from operating activities amounted to \$34.8 million for cumulative Fiscal 2023 compared to \$36.8 million for cumulative Fiscal 2022. The decrease was mainly due to higher income tax paid and higher negative change in non-cash operating items, partially offset by higher operating results.

Financing Activities

Net cash flow used in financing activities amounted to \$9.6 million for Q2 2023 compared to \$10.9 million for Q2 2022. Net cash flow used in financing activities amounted to \$23.2 million for cumulative Fiscal 2023 compared to \$25.4 million for cumulative Fiscal 2022. Both decreases were mainly related to lower share repurchased, partially offset by higher interest paid.

Investing Activities

Net cash flow used in investing activities amounted to \$7.3 million for Q2 2023 compared to \$7.5 million for Q2 2022. The decrease was mainly due to the acquisition of a minority interest in The Singing Machine in Q2 2022 and lower capital expenditures, partially offset by the payment of net working capital related to the acquisition of InStore Audio Network.

Net cash flow used in investing activities amounted to \$10.8 million for cumulative Fiscal 2023 compared to \$11.9 million for cumulative Fiscal 2022. The decrease was primarily due to the acquisition of a minority interest in The Singing Machine in Q2 2022 and to lower capital expenditures, partially offset by the payment of net working capital related to the acquisition of InStore Audio Network.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q2 2023 amounted to \$15.0 million compared to \$15.4 million for Q2 2022. The decrease was mainly due to higher interest and income tax paid, partially offset by higher operating results and lower capital expenditures.

Adjusted free cash flow generated in cumulative Fiscal 2023 amounted to \$30.7 million compared to \$30.4 million for cumulative Fiscal 2022. The increase was related to higher operating results and lower capital expenditures, partially offset by higher income tax and interest paid.

Note:

- (1) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to “Supplemental Information on Non-IFRS Measures” on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Non-IFRS Measures Reconciliations” on page 8 and “Reconciliation of Quarterly Non-IFRS Measures” on page 17.

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, 2022:

(in thousands of Canadian dollars)	Sept. 30, 2022	March 31, 2022	Variance		Significant contributions
Trade and other receivables	67,408	66,666	742	▲	Timing of payments by clients
Intangible assets	72,786	76,230	(3,444)	▼	Amortization of intangible assets, partially offset by additions through internally developed intangible assets
Goodwill	355,867	354,304	1,563	▲	Foreign exchange differences
Accounts payables and accrued liabilities	58,618	67,016	(8,398)	▼	Timing of payments to suppliers and payment of net working capital related to the acquisition of InStore Audio Network
Other liabilities	56,081	60,997	(4,916)	▼	Payments for CRTC tangible benefits, partially offset by an increase in the fair value of contingent consideration
Credit facilities	368,422	358,203	10,219	▲	Refer to the graph on next page
Subordinated debt	25,492	25,442	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. The Corporation expects 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.

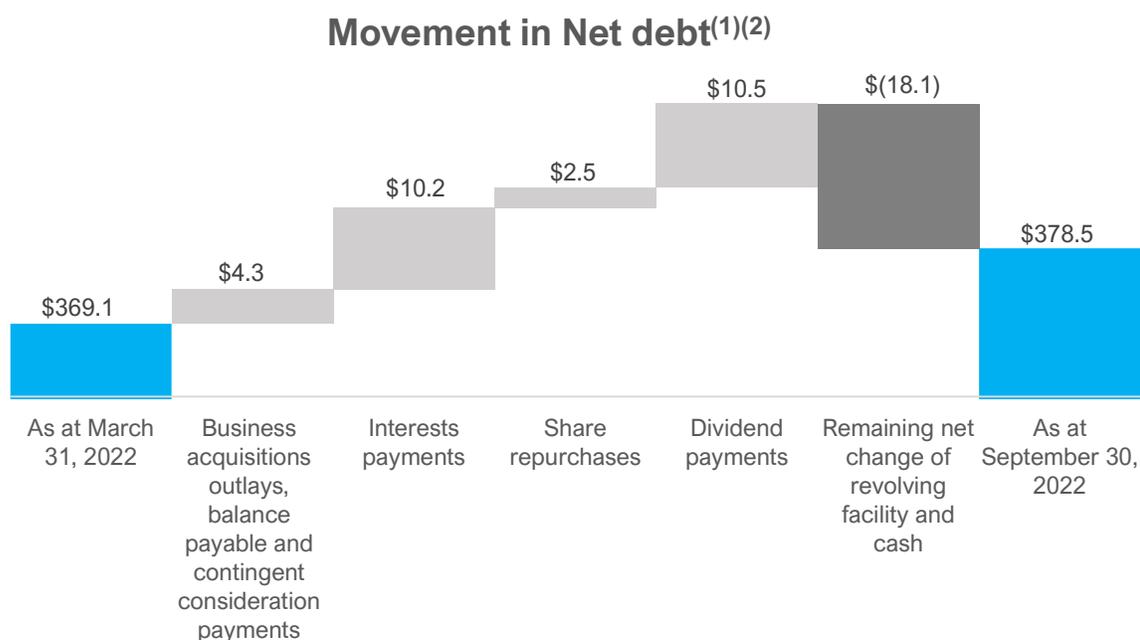
The credit facilities consist of a \$375.0 million revolving credit facility and a \$60.0 million term loan, both maturing in October 2026.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the term loan. The remaining capital balance will be payable on maturity date, on October 25, 2026.

The credit facilities bear interest at (a) the bank's prime rate or US base rate if denominated in US dollars 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, or (c) LIBOR plus an applicable margin based on a financial covenant, at the Corporation's option. In addition, the Corporation incurs standby fees, varying between 0.25% and 0.48% based on a financial covenant.

As of September 30, 2022, the Corporation had cash and cash equivalents of \$15.4 million, a subordinated debt of \$25.5 million and credit facilities of \$368.4 million, of which approximately \$64.8 million was available.

The following table summarizes the impact on the Net debt that occurred in the six-month period ended September 30, 2022:



Notes:

- (1) In millions of Canadian dollars
- (2) This is a non-IFRS measure and is not a standardized financial measure. 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. Refer to "Supplemental Information on Non-IFRS Measures" on page 6 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Non-IFRS Measures Reconciliations" on page 8 and "Reconciliation of Quarterly Non-IFRS Measures" on page 17.

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 memorandum of understanding 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 licences and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2022.

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, 2022.

Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements, except for the operating leases with terms of 12 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 3, 2022	September 30, 2022
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	51,322,104	51,389,799
Subordinate voting shares held in trust through employee share purchase plan	(45,005)	(38,908)
Variable subordinate voting shares	386,503	384,503
Multiple voting shares	17,941,498	17,941,498
	<u>69,605,100</u>	<u>69,676,892</u>
<i>Outstanding stock options:</i>		
Stock options	3,636,510	3,636,510

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 2023, no options were exercised and 166,703 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, 2022. The Corporation is not aware of any significant changes 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 7, 2022. 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, 2022, 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 November 8, 2022, did not include the controls or procedures of the operations of InStore Audio Network. 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 8, 2022, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around December 15, 2022, to shareholders on record as of November 30, 2022.

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.



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