STINGRAY

Management's *discussion and analysis*

Fiscal 2023

For the three-month period ended June 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 the three-month periods ended June 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 August 2, 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 periods ended June 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 June 30, 2022 ("Q1 2023"):

$78.1 M ▲ 21.6% from Q1 2022 Revenues	**$9.4 M** Or $0.13 per share Net income	**$16.3 M** ▲ 0.1% from Q1 2022 Cash flow from operating activities Or $0.23 per share
$26.1 M ▲8.0% from Q1 2022 Adjusted EBITDA(1)	**$13.2 M** Or $0.19 per share Adjusted Net income(1)	**$15.7 M** ▲ 4.3% from Q1 2022 Adjusted free cash flow(1) Or $0.22 per share

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the first quarter ended June 30, 2022

Compared to the quarter ended June 30, 2021 ("Q1 2022"):

- Revenues increased 21.6% to $78.1 million from $64.3 million;
- Adjusted EBITDA(1) increased 8.0% to $26.1 million from $24.2 million. Adjusted EBITDA(1) by segment was $16.8 million or 36.3% of revenues for Broadcasting and Commercial Music, $10.6 million or 33.2% of revenues for Radio and $(1.3) million for Corporate;
- Net income was $9.4 million ($0.13 per share) compared with $4.2 million ($0.06 per share);
- Adjusted Net income(1) was $13.2 million ($0.19 per share) compared with $11.2 million ($0.16 per share);
- Cash flow from operating activities remained stable at $16.3 million;
- Adjusted free cash flow(1) increased 4.3% to $15.7 million, or $0.22 per share, compared to $15.0 million or $0.21 per share;
- Net debt to Pro Forma Adjusted EBITDA(1) ratio was 3.25x, compared to 2.88x and;
- 345,800 shares repurchased and cancelled for a total of $2.2 million.

Note:

(1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

Business Highlights:

- 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 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 will be payable on or around September 15, 2022 to shareholders on record as of August 31, 2022.
- 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.
- On June 2, 2022, the Corporation announced that InStore Audio Network had been fully integrated into its offering following the acquisition in December, and the combined entity of the US and Canadian operations is now named Stingray Advertising. This forms the largest in-store audio advertising network in North America, reaching 140 million shoppers each week in over 20,000 grocery retailers, superstores, discount stores and pharmacies.
- On May 12, 2022, the Corporation announced that METRO Inc. had joined the Stingray Retail Media Network. Under the agreement, the Corporation is responsible for exclusive sales representation of all in-store digital audio advertising within approximately 1,100 METRO network of food stores under several banners in Quebec and Ontario including Metro, Metro Plus, Super C and Food Basics, as well as drugstores primarily under Jean Coutu and Brunet, Metro Pharmacy and Food Basics Pharmacy banners.
- On April 20, 2022, the Corporation announced that it had reached an agreement for the distribution of a suite of free ad-supported channels (FAST channels) to TCL smart TVs in Australia, Brazil, India, Mexico and the United States. The new services within the TCL app include Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, Stingray CMusic, Stingray Naturescape and Stingray Music channels for users to access at no extra cost.
- On April 19, 2022, the Corporation announced that Walmart Canada had joined the Stingray Retail Media Network. Under the agreement, the Corporation is responsible for exclusive sales representation, in partnership with the Walmart Connect sales team, of all in-store digital audio advertising within the national Walmart Canada retail footprint.
- On April 6, 2022, the Corporation launched Stingray All Good Vibes channels with Amazon's Prime Video Channels in Australia, a paid add-on subscription exclusive to Prime members. Prime members now have access to subscribe to Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, and Stingray Naturescape. The launch showcased the quality and diversity of the Corporation's growing product portfolio and its strength in reaching new audiences.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	3 months					
	June 30, 2022 **Q1 2023**		June 30, 2021 **Q1 2022** Recast(3)		March 31, 2022 **Q4 2022**	
(in thousands of Canadian dollars, except per share amounts)	$	% of revenues	$	% of revenues	$	% of revenues
Revenues	78,136	100.0 %	64,251	100.0 %	72,644	100.0 %
Operating expenses	51,787	66.3 %	42,350	65.9 %	53,593	73.8 %
Depreciation, amortization and write off	8,566	11.0 %	9,447	14.7 %	9,239	12.7 %
Net finance expense (income)(1)	3,975	5.1 %	5,253	8.2 %	(769)	(1.1) %
Change in fair value of investments	(121)	(0.2) %	–	0.0 %	12	0.0 %
Acquisition, legal, restructuring and other expenses	1,393	1.8 %	1,168	1.8 %	5,912	8.1 %
Income before income taxes	12,536	16.0 %	6,033	9.4 %	4,657	6.5 %
Income taxes	3,139	4.0 %	1,833	2.9 %	191	0.3 %
Net income	9,397	12.0 %	4,200	6.5 %	4,466	6.2 %
Adjusted EBITDA(2)	26,086	33.4 %	24,155	37.6 %	21,023	28.9 %
Adjusted Net income(2)	13,245	17.0 %	11,238	17.5 %	11,780	16.2 %
Cash flow from operating activities	16,346	20.9 %	16,337	25.4 %	22,127	30.5 %
Adjusted free cash flow(2)	15,659	20.0 %	15,007	23.4 %	11,833	16.3 %
Net debt(2)	370,091	–	331,129	–	369,082	–
Net debt to Pro Forma Adjusted EBITDA(2)	3.25x	–	2.88x	–	3.16x	–
Net income per share basic and diluted	0.13	–	0.06	–	0.06	–
Adjusted Net income per share basic and diluted(2)	0.19	–	0.16	–	0.17	–
Cash flow from operating activities per share basic	0.23	–	0.23	–	0.32	–
Cash flow from operating activities per share diluted	0.23	–	0.23	–	0.31	–
Adjusted free cashflow per share basic and diluted(2)	0.22	–	0.21	–	0.17	–
Revenues by segment						
Broadcasting and Commercial Music	46,130	59.0 %	35,021	54.5 %	45,584	62.7 %
Radio	32,006	41.0 %	29,230	45.5 %	27,060	37.3 %
Revenues	78,136	100.0 %	64,251	100.0 %	72,644	100.0 %
Revenues by geography						
Canada	46,658	59.8 %	41,338	64.3 %	40,456	55.6 %
United States	19,103	24.4 %	9,817	15.3 %	19,145	26.4 %
Other Countries	12,375	15.8 %	13,096	20.4 %	13,043	18.0 %
Revenues	78,136	100.0 %	64,251	100.0 %	72,644	100.0 %

Notes:

(1) Interest paid during the Q1 2023 was $4.3 million (Q1 2022; $3.9 million and Q4 2022; $3.4 million)

(2) This is a non-IFRS measure. Refer to “Supplemental Information on Non-IFRS Measures” on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental Information on Non-IFRS Measures” on page 6 and “Reconciliation of Quarterly Non-IFRS Measures” on page 14

(3) The Q1 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 $64.8 million and $42.9 million to recast $64.3 million $42.4 million, respectively.

SUPPLEMENTAL INFORMATION ON 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 operating performance. Refer to "Supplemental information on Non-IFRS Measures" on page 20.

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

	3 months		
(in thousands of Canadian dollars)	June 30, 2022 **Q1 2023**	June 30, 2021 **Q1 2022**	March 31, 2022 **Q4 2022**
Net income	**9,397**	**4,200**	**4,466**
Net finance expense (income)	3,975	5,253	(769)
Change in fair value of investments	(121)	–	12
Income taxes	3,139	1,833	191
Depreciation and write-off of property and equipment	2,671	2,524	3,862
Depreciation of right-of-use assets	1,123	1,296	1,201
Amortization of intangible assets	4,772	5,627	4,176
Share-based compensation	137	164	222
Performance and deferred share unit expense	(400)	2,090	1,750
Acquisition, legal, restructuring and other expenses	1,393	1,168	5,912
Adjusted EBITDA	**26,086**	**24,155**	**21,023**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,520)	(4,735)	(1,381)
Income taxes	(3,139)	(1,833)	(191)
Depreciation of property and equipment and write-off	(2,671)	(2,524)	(3,862)
Depreciation of right-of-use assets	(1,123)	(1,296)	(1,201)
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	(1,388)	(2,529)	(2,608)
Adjusted Net income	**13,245**	**11,238**	**11,780**

(in thousands of Canadian dollars)	**June 30, 2022**	**June 30, 2021**	**March 31, 2022**
LTM Adjusted EBITDA	**101,200**	**112,942**	**99,269**
Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results	11,900	842	16,000
COVID-19 credits allocated due to mandated store closures	699	1,369	1,535
Pro Forma Adjusted EBITDA	**113,799**	**115,153**	**116,804**

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

	3 months		
(in thousands of Canadian dollars)	June 30, 2022 **Q1 2023**	June 30, 2021 **Q1 2022**	March 31, 2022 **Q4 2022**
Cash flow from operating activities	**16,346**	**16,337**	**22,127**
Add / Less :			
Acquisition of property and equipment	(1,151)	(2,077)	(2,443)
Acquisition of intangible assets other than internally developed intangible assets	(277)	(198)	(355)
Addition to internally developed intangible assets	(1,564)	(2,153)	(593)
Interest paid	(4,252)	(3,891)	(3,391)
Repayment of lease liabilities	(1,057)	(1,085)	(1,074)
Net change in non-cash operating working capital items	7,456	6,805	(7,571)
Unrealized loss (gains) on foreign exchange	(1,235)	101	(779)
Acquisition, legal, restructuring and other expenses	1,393	1,168	5,912
Adjusted free cash flow	**15,659**	**15,007**	**11,833**

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

(in thousands of Canadian dollars)	**June 30, 2022**	**June 30, 2021**	**March 31, 2022**
Credit facilities	358,440	305,779	358,203
Subordinated debt	25,467	31,766	25,442
Cash and cash equivalents	(13,816)	(6,416)	(14,563)
Net debt	**370,091**	**331,129**	**369,082**
Net debt to Pro Forma Adjusted EBITDA	**3.25**	**2.88**	**3.16**

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

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months		
	Q1 2023	Q1 2022	% Change
Revenues by geography			
Canada	46,658	41,338	12.9
United States	19,103	9,817	94.6
Other Countries	12,375	13,096	(5.5)
Revenues	78,136	64,251	21.6

Global

Revenues in Q1 2023 increased $13.8 million or 21.6% to $78.1 million, from $64.3 million for Q1 2022. The increase was primarily due the acquisition of InStore Audio Network, to an increase in Radio revenues due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations, to an increase in subscription revenues and in equipment and installation sales related to digital signage.

Canada

Revenues in Canada in Q1 2023 increased $5.2 million or 12.9% to $46.6 million, from $41.4 million for Q1 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 Q1 2023 increased $9.3 million or 94.6% to $19.1 million, from $9.8 million for Q1 2022. The increase was mainly due to the acquisition of InStore Audio Network and to an increase in subscription revenues.

Other Countries

Revenues in Other countries in Q1 2023 decreased $0.7 million or 5.5% to $12.4 million, from $13.1 million for Q1 2022. The decrease was primarily due to a decrease in In-store commercial revenues.

Operating expenses

Operating expenses in Q1 2023 increased $9.4 million or 22.3% to $51.8 million, from $42.4 million for Q1 2022. The operating expenses increase was due to increased variable expenses and higher operating costs, due to higher revenues, and to Canadian Emergency Wage Subsidy (CEWS) in comparative period (Q1 2023; nil, Q1 2022; $2.9 million), partially offset by a gain on performance and deferred share units expense.

Adjusted EBITDA(1)

Adjusted EBITDA in Q1 2023 increased $1.9 million or 8.0% to $26.1 million from $24.2 million for Q1 2022. Adjusted EBITDA margin in Q1 2023 was 33.4% compared to 37.6% for Q1 2022. The increase in Adjusted EBITDA was mainly due to the acquisition of InStore Audio Network, partially offset by CEWS in Q1 2022.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q1 2023 decreased $0.8 million or 9.3% to $8.6 million from $9.4 million for Q1 2022. The decrease was primarily 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 for Q1 2023 was $4.0 million compared to $5.3 million for Q1 2022. The decrease was mainly related to a higher foreign exchange gain and to a gain on the fair value of derivative instruments, partially offset by an increase in the fair value of contingent consideration.

Change in fair value of investments

In Q1 2023, there was a gain of $0.1 million on the change in fair value of investments due to the translation of an investment denominated in U.S. dollars to Canadian dollars. In Q1 2022, there was no gain or loss on fair value of investments.

Acquisition, legal, restructuring and other expenses

	3 months		
(in thousands of Canadian dollars)	Q1 2023	Q1 2022	% Change
Acquisition	167	14	1,092.9
Legal	121	991	(87.8)
Restructuring and other	1,105	163	577.9
Acquisition, legal, restructuring and other expenses	1,393	1,168	19.3

Income taxes

The income tax expense recognized in comprehensive income was $3.1 million for Q1 2023 compared to an income tax expense of $1.8 million for Q1 2022. The effective tax rate for Q1 2023 was 25.0% compared to 30.4% for Q1 2022. The variance in the effective tax rate is mainly due to the variance in permanent differences.

Net income and net income per share

Net income in Q1 2023 was $9.4 million ($0.13 per share) compared to a Net income of $4.2 million ($0.06 per share) for Q1 2022. The increase was mainly due to a gain on performance and deferred share units expense related to a decrease in the share price, to higher operating results, to a higher foreign exchange gain and to a gain on the fair value of derivative financial instruments, partially offset by higher income tax expense.

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

Adjusted Net income in Q1 2023 was $13.2 million ($0.19 per share), compared to $11.2 million ($0.16 per share) for Q1 2022. The increase was mainly related to higher operating results and to a higher foreign exchange gain.

Note:

(1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

	3 months		
(in thousands of Canadian dollars)	Q1 2023	Q1 2022	% Change
Revenues	46,130	35,021	31.7
Operating expenses	29,364	20,359	44.2
Adjusted EBITDA(1)	**16,766**	**14,662**	**14.4**
Adjusted EBITDA margin(1)	**36.3%**	**41.9%**	**(13.2)**

Revenues

In Q1 2023, Broadcasting and Commercial Music revenues increased $11.1 million or 31.7% to $46.2 million, from $35.1 million for Q1 2022. The increase was primarily due to the acquisition of InStore Audio Network, to higher subscription revenues and to an increase in equipment and installation sales related to digital signage.

Adjusted EBITDA(1)

In Q1 2023, Broadcasting and Commercial Music Adjusted EBITDA increased $2.1 million or 14.4% to $16.8 million from $14.7 million for Q1 2022. The increase in Adjusted EBITDA was mainly due to the acquisition of InStore Audio Network, partially offset by higher operating costs.

RADIO

	3 months		
(in thousands of Canadian dollars)	Q1 2023	Q1 2022	% Change
Revenues	32,006	29,230	9.5
Operating expenses	21,394	18,405	16.2
Adjusted EBITDA(1)	**10,612**	**10,825**	**(2.0)**
Adjusted EBITDA margin(1)	**33.2%**	**37.0%**	**(10.5)**

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 Q1 2023, Radio revenues increased $2.8 million or 9.5% to $32.0 million from $29.2 million for Q1 2022. The increase was mainly due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA(1)

In Q1 2023, Radio Adjusted EBITDA decreased $0.2 million or 2.0% to $10.6 million from $10.8 million for Q1 2022. The decrease in Adjusted EBITDA was mainly due to CEWS in Q1 2022, partially offset by higher revenues, all related to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:

(1) This is a non-IFRS measure. Refer to “Supplemental Information on Non-IFRS Measures” on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental Information on Non-IFRS Measures” on page 6 and “Reconciliation of Quarterly Non-IFRS Measures” on page 14.

CORPORATE

(in thousands of Canadian dollars)	3 months Q1 2023	Q1 2022	% Change
Operating expenses	1,029	3,586	(71.3)
Adjust:			
Share-based compensation	(137)	(164)	(16.5)
Performance and deferred share unit expense	400	(2,090)	(119.1)
Adjusted EBITDA(1)	**(1,292)**	**(1,332)**	**(3.0)**

Adjusted EBITDA(1)

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share units expense. The decrease in operating expenses 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. Refer to “Supplemental Information on Non-IFRS Measures” on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental Information on Non-IFRS Measures” on page 6 and “Reconciliation of Quarterly Non-IFRS Measures” on page 14.

Quarterly results

Revenues fluctuated over the last eight quarters from $64.0 million in the second quarter of Fiscal 2021 to $78.1 million in the first quarter of Fiscal 2023. The increase in Q3 2021 was mainly due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity and to normal business seasonality. The decrease in Q4 2021 is 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. 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 was mainly due to normal business seasonality.

Adjusted EBITDA[(1)] fluctuated over the last eight quarters from $31.2 million in the second quarter of Fiscal 2021 to $26.1 million in the first quarter of Fiscal 2023. 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 19), 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 was 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 to reduced CEWS, partially offset by the acquisition of InStore Audio Network. The increase in Q1 2023 was primarily due to normal business seasonality.

Net income fluctuated over the last eight quarters from $11.9 million in the second quarter of Fiscal 2021 to $9.4 million in the first quarter of Fiscal 2023. 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 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 is 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 to lower restructuring and other costs, partially offset by an increase in the fair value of contingent consideration.

Note:

(1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020
	3 months							
			Recast[(2)]	Recast[(2)]	Recast[(2)]	Recast[(2)]	Recast[(2)]	Recast[(2)]
	FY2023	**FY2022**	**FY2022**	**FY2022**	**FY2022**	**FY2021**	**FY2021**	**FY2021**
Revenues by segment								
Broadcasting and Commercial Music	46,130	45,584	40,085	38,392	35,021	35,780	39,623	38,887
Radio	32,006	27,060	34,943	32,311	29,230	23,960	32,379	25,125
Total revenues	**78,136**	**72,644**	**75,028**	**70,703**	**64,251**	**59,740**	**72,002**	**64,012**
Revenues by geography								
Canada	46,658	40,456	49,286	46,659	41,338	35,594	47,368	39,710
United States	19,103	19,145	12,588	10,853	9,817	10,366	10,130	9,809
Other countries	12,375	13,043	13,154	13,191	13,096	13,780	14,504	14,493
Total revenues	**78,136**	**72,644**	**75,028**	**70,703**	**64,251**	**59,740**	**72,002**	**64,012**
Adjusted EBITDA[(1)]	**26,086**	**21,023**	**28,504**	**25,587**	**24,155**	**23,638**	**33,993**	**31,156**
LTM Adjusted EBITDA[(1)]	**101,200**	**99,269**	**101,884**	**107,373**	**112,942**	**114,268**	**118,847**	**115,887**
Net income	**9,397**	**4,466**	**12,546**	**12,075**	**4,200**	**12,077**	**14,118**	**11,888**
Net income per share basic and diluted	0.13	0.06	0.18	0.17	0.06	0.17	0.19	0.16
Adjusted Net income[(1)]	**13,245**	**11,780**	**17,048**	**16,323**	**11,238**	**11,981**	**21,054**	**16,311**
Adjusted Net income per share basic[(1)]	0.19	0.17	0.24	0.23	0.16	0.17	0.29	0.22
Adjusted Net income per share diluted[(1)]	0.19	0.17	0.24	0.23	0.16	0.16	0.29	0.22
Cash flow from operations	**16,346**	**22,127**	**24,762**	**20,437**	**16,337**	**24,514**	**16,333**	**25,406**
Adjusted free Cash Flow[(1)]	**15,659**	**11,833**	**14,731**	**15,362**	**15,007**	**13,808**	**19,645**	**22,861**
Quarterly dividend	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**	**0.075**

Notes:

(1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

(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, from $40.2 million to $39.6 million for Q3 2021 and from $39.2 million to $38.9 million for Q2 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 operating performance. Refer to "Supplemental information on Non-IFRS Measures" on page 20.

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:

	3 months							
(in thousands of Canadian dollars)	**June 30, 2022**	**March 31, 2022**	**Dec. 31, 2021**	**Sept. 30, 2021**	**June 30, 2021**	**March 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**
	Fiscal 2023	**Fiscal 2022**	**Fiscal 2022**	**Fiscal 2022**	**Fiscal 2022**	**Fiscal 2021**	**Fiscal 2021**	**Fiscal 2021**
Net income	**9,397**	**4,466**	**12,546**	**12,075**	**4,200**	**12,077**	**14,118**	**11,888**
Net finance expense (income)	3,975	(769)	1,999	(364)	5,253	(7,284)	(1,290)	2,774
Change in fair value of investments	(121)	12	3	(13)	–	–	2,434	461
Income taxes	3,139	191	4,115	2,874	1,833	4,047	4,900	4,654
Depreciation and write-off of property and equipment	2,671	3,862	2,237	2,446	2,524	3,082	2,894	2,976
Depreciation of right-of-use assets	1,123	1,201	1,281	1,298	1,296	1,436	1,399	1,413
Amortization of intangible assets	4,772	4,176	4,669	4,927	5,627	5,303	5,478	5,188
Share-based compensation	137	222	216	196	164	235	231	219
Performance and deferred share unit expense	(400)	1,750	659	1,300	2,090	2,028	1,780	1,312
Acquisition, legal, restructuring and other expenses	1,393	5,912	779	848	1,168	2,714	2,049	271
Adjusted EBITDA	**26,086**	**21,023**	**28,504**	**25,587**	**24,155**	**23,638**	**33,993**	**31,156**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,520)	(1,381)	(2,247)	(1,153)	(4,735)	(3,214)	(1,727)	(4,340)
Income taxes	(3,139)	(191)	(4,115)	(2,874)	(1,833)	(4,047)	(4,900)	(4,654)
Depreciation and write-off of property and equipment	(2,671)	(3,862)	(2,237)	(2,446)	(2,524)	(3,082)	(2,894)	(2,976)
Depreciation of right-of-use assets	(1,123)	(1,201)	(1,281)	(1,298)	(1,296)	(1,436)	(1,399)	(1,413)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(1,388)	(2,608)	(1,576)	(1,493)	(2,529)	122	(2,019)	(1,462)
Adjusted Net income	**13,245**	**11,780**	**17,048**	**16,323**	**11,238**	**11,981**	**21,054**	**16,311**

	3 months							
(in thousands of Canadian dollars)	**June 30, 2022**	**March 31, 2022**	**Dec. 31, 2021**	**Sept. 30, 2021**	**June 30, 2021**	**March 31, 2021**	**Dec. 31, 2020**	**Sept. 30, 2020**
	FY2023	**FY2022**	**FY2022**	**FY2022**	**FY2022**	**FY2021**	**FY2021**	**FY2021**
LTM Adjusted EBITDA	101,200	99,269	101,884	107,373	112,942	114,268	118,847	115,887
Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results	11,900	16,000	19,500	1,428	842	190	1,043	2,466
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	**113,799**	**116,804**	**124,435**	**111,293**	**115,153**	**116,283**	**120,890**	**118,353**

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

(in thousands of Canadian dollars)	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020
	3 months							
	FY2023	**FY2022**	**FY2022**	**FY2022**	**FY2022**	**FY2021**	**FY2021**	**FY2021**
Cash flow from operating activities	**16,346**	**22,127**	**24,762**	**20,437**	**16,337**	**24,514**	**16,333**	**25,406**
Acquisition of property and equipment	(1,151)	(2,443)	(2,181)	(2,360)	(2,077)	(1,929)	(1,849)	(1,209)
Acquisition of intangible assets other than internally developed intangible assets	(277)	(355)	(276)	(305)	(198)	(194)	(649)	(212)
Addition to internally developed intangible assets	(1,564)	(593)	(2,058)	(2,050)	(2,153)	(1,367)	(1,838)	(1,671)
Interest paid	(4,252)	(3,391)	(3,868)	(3,234)	(3,891)	(5,142)	(6,312)	(2,912)
Repayment of lease liabilities	(1,057)	(1,074)	(1,130)	(1,526)	(1,085)	(1,099)	(1,255)	(1,443)
Net change in non-cash operating working capital items	7,456	(7,571)	(1,533)	2,323	6,805	(344)	15,858	6,530
Unrealized loss (gain) on foreign exchange	(1,235)	(779)	236	1,229	101	(3,345)	(2,692)	(1,899)
Acquisition, legal, restructuring and other expenses	1,393	5,912	779	848	1,168	2,714	2,049	271
Adjusted free cash flow	**15,659**	**11,833**	**14,731**	**15,362**	**15,007**	**13,808**	**19,645**	**22,861**

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

(in thousands of Canadian dollars)	June 30, 2022	March 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020
	3 months							
	FY2023	**FY2022**	**FY2022**	**FY2022**	**FY2022**	**FY2021**	**FY2021**	**FY2021**
Credit facilities	358,440	358,203	317,957	313,172	305,779	303,704	290,353	299,361
Subordinated debt	25,467	25,442	25,416	31,791	31,766	31,741	39,715	39,690
Cash and cash equivalents	(13,816)	(14,563)	(11,266)	(8,475)	(6,416)	(9,040)	(9,827)	(10,906)
Portion of the balance payable on acquisition of InStore Audio Network paid on January 5, 2022	–	–	42,471	–	–	–	–	–
Net debt	**370,091**	**369,082**	**374,578**	**336,488**	**331,129**	**326,405**	**320,241**	**328,145**
Net debt to Pro Forma Adjusted EBITDA	**3.25**	**3.16**	**3.01**	**3.02**	**2.88**	**2.81**	**2.65**	**2.77**

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

	3 months	
(in thousands of Canadian dollars)	Q1 2023	Q1 2022
Operating activities	16,346	16,337
Financing activities	(13,566)	(14,537)
Investing activities	(3,527)	(4,424)
Net change in cash	(747)	(2,624)
Cash – beginning of period	14,563	9,040
Cash – end of period	13,816	6,416
Adjusted free cash flow(1)	**15,659**	**15,007**

Operating activities

Cash flow generated from operating activities remained stable at $16.3 million for Q1 2023 as higher income tax paid was largely offset by higher operating results.

Financing activities

Net cash flow used in financing activities amounted to $13.6 million for Q1 2023 compared to $14.5 million for Q1 2022. The decrease was primarily due to lower shares repurchased, partially offset by higher repayment of credit facilities.

Investing activities

Net cash flow used in investing activities amounted to $3.5 million for Q1 2023 compared to $4.4 million for Q1 2022. The decrease was primarily due to lower acquisitions of property and equipment.

Adjusted free cash flow(1)

Adjusted free cash flow generated in Q1 2023 amounted to $15.7 million compared to $15.0 million for Q1 2022. The increase was mainly related to higher operating results and lower capital expenditures, partially offset by higher income tax paid.

Note:

(1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the three-month period ended June 30, 2022:

(in thousands of Canadian dollars)	June 30, 2022	March 31, 2022	Variance		Significant contributions
Trade and other receivables	67,683	66,666	1,017	▲	Timing of payments by clients
Intangible assets	73,912	76,230	(2,318)	▼	Amortization of intangible assets, partially offset by internally developed intangible assets additions
Goodwill	353,394	354,304	(910)	▼	Foreign exchange differences
Accounts payable and accrued liabilities	66,022	67,016	(994)	▼	Timing of payments to suppliers
Other liabilities	57,458	60,997	(3,539)	▼	Decrease in performance share units liability
Credit facilities	358,440	358,203	237	▲	Refer to the graph on next page
Subordinated debt	25,467	25,442	25	▲	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 $375.0 million revolving credit facility and a $61.9 million term loan, both maturing in October 2026.

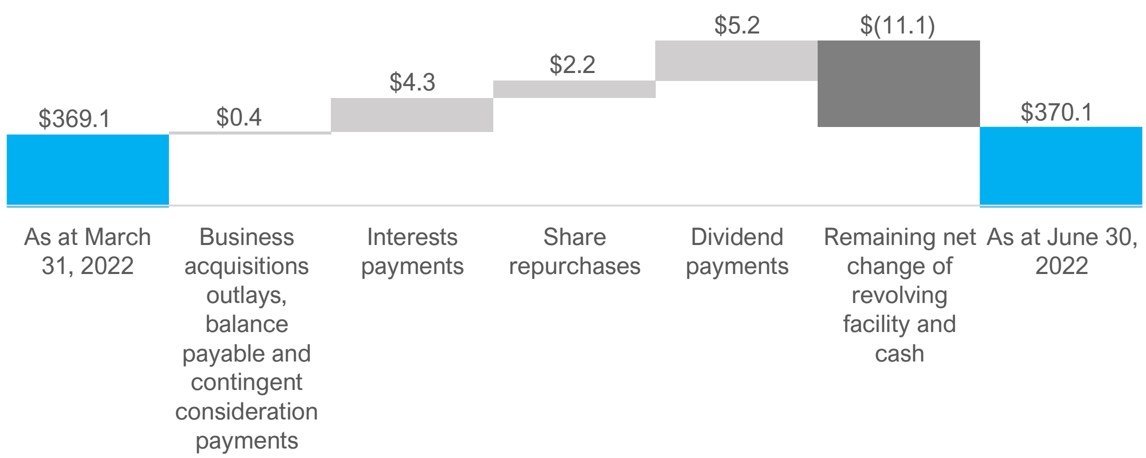
The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the term loan. The remaining capital balance will be payable on maturity date, on October 25, 2026.

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 June 30, 2022, the Corporation had cash and cash equivalents of $13.8 million, a subordinated debt of $25.5 million and credit facilities of $358.4 million, of which approximately $76.6 million was available.

The following table summarizes the impact on the Net debt that occurred in the three-month period ended June 30, 2022 including related ratios:

Movement in Net debt(1)(2)



Notes:

(1) In millions of Canadian dollars.

(2) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

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 licence 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 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:

	July 31, 2022	June 30, 2022
Issued and outstanding shares:		
Subordinate voting shares	51,391,781	51,427,981
Subordinate voting shares held in trust through employee share purchase plan	(29,492)	(27,100)
Variable subordinate voting shares	392,421	392,421
Multiple voting shares	17,941,498	17,941,498
	69,696,208	69,734,800
Outstanding stock options:		
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 three 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 to the financial risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated June 7, 2022. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate comparisons of operating performance of the Corporation from period to period. Adjusted EBITDA is defined as earnings before Net finance expense (income), income taxes, depreciation, amortization, share based compensation, acquisition, restructuring and other various costs and change in fair value of investment. The Corporation believes that Adjusted EBITDA is an important measure 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 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, as well as comparison with peers. 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 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 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 non-core charges. It is a useful measure because it demonstrates cash available to make business acquisitions, pay dividends and reduce debt. Furthermore, this non-IFRS measure facilitates period-to-period comparisons. Refer to page 7 for a reconciliation of free cash flow to cash flow from operating activities.

Adjusted free cash flow per share

Adjusted free cash flow per share is a non-IFRS ratio used by management to assess the amount of cash generated after accounting for capital expenditures and non-core charges. It is a useful measure because it demonstrates cash available to make business acquisitions, pay dividends and reduce debt. Furthermore, this non-IFRS measure facilitates period-to-period comparisons. Adjusted free cash flow per share is calculated by dividing the amount of Adjusted free cash flow for a given period by the number of outstanding shares for the same period (on a basic or diluted basis).

Adjusted Net Income

Adjusted Net Income is a non-IFRS measure used by management to assess performance of the Corporation as it provides meaningful operating results and facilitates period-to-period operating comparisons. Additionally, the Corporation believes that Adjusted Net income is an important measure 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. Refer to page 6 for a reconciliation of Adjusted Net Income to Adjusted EBITDA and Net income.

Adjusted Net Income per share

Adjusted Net Income per share is a non-IFRS ratio used by management to assess performance of the Corporation as it provides meaningful operating results and facilitates period-to-period operating comparisons. Additionally, the Corporation believes that Adjusted Net income per share is an important measure 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. Adjusted Net Income per share is calculated by dividing the amount of Adjusted Net Income for a given period by the number of outstanding shares for the same period (on a basic or diluted basis).

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. The Corporation believes that LTM Adjusted EBITDA is a useful measure to evaluate the Corporation's operating 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 revenues and cost savings synergies from acquisitions for the months prior to such acquisitions and other extraordinary items. For the first quarter of 2023, the synergies included derive from the acquisition of InStore Audio Network. For Fiscal 2022, the synergies included derive from the acquisitions of Calm Radio and InStore Audio Network. For the first quarter of Fiscal 2023 and 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. Management of the Corporation believes that Pro Forma Adjusted EBITDA provides investors with useful financial metrics to assess and evaluate the Corporation's operating performance from period-to-period by adjusting for the impact of certain events that are 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 measures of financial performance.

Net debt

Net debt is a non-IFRS measure calculated as the Corporation's credit facilities and subordinated debt for a given period less the Corporation's cash and cash equivalents for the same period. Net debt is an important measure as it reflects the principal amount of debt owing by the Corporation at a particular date.

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 of acquisitions made during the last twelve months.

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 first quarter ended June 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 August 2, 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 Event

Dividend

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 will be payable on or around September 15, 2022 to shareholders on record as of August 31, 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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