



Management's discussion and analysis

Fiscal 2024

For the six-month period ended September 30, 2023

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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, 2023 and 2022, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2023. This MD&A reflects information available to the Corporation as at November 7, 2023. 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, 2023 and 2022.

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, 2023 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

Stingray (TSX: RAY.A; RAY.B), a global music, media, and technology company, is an industry leader in TV broadcasting, streaming, radio, business services, and advertising. Stingray provides an array of music, digital, and advertising services to enterprise brands worldwide, including audio and video channels, over 100 radio stations, subscription video-on-demand content, FAST channels, karaoke products and music apps, and in-car and on-board infotainment content. Stingray Business, a division of Stingray, provides commercial solutions in music, in-store advertising solutions, digital signage, and AI-driven consumer insights and feedback. Stingray Advertising is North America's largest retail audio advertising network, delivering digital audio messaging to more than 20,000 major retail locations. Stingray has close to 1000 employees worldwide and reaches 540 million consumers in 160 countries. For more information, visit www.stingray.com

KEY PERFORMANCE INDICATORS

For the three-month period ended September 30, 2023 ("Q2 2024"):

\$82.5 M ▲ 6.3% from Q2 2023 Revenues	\$9.4 M ▲ 181.9% from Q2 2023 Net income Or \$0.14 per share	\$19.1 M ▲ 3.6% from Q2 2023 Cash flow from operating activities Or \$0.28 per share
\$29.5 M ▲ 9.2% from Q2 2023 Adjusted EBITDA ⁽¹⁾	\$14.6 M ▲ 34.4% from Q2 2023 Adjusted Net income ⁽¹⁾ Or \$0.21 per share	\$15.6 M ▲ 3.8% from Q2 2023 Adjusted free cash flow ⁽¹⁾ Or \$0.22 per share

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the second quarter ended September 30, 2023:

Compared to the quarter ended September 30, 2022 ("Q2 2023"):

- Revenues increased 6.3% to \$82.5 million from \$77.6 million;
- Adjusted EBITDA⁽¹⁾ increased 9.2% to \$29.5 million from \$27.0 million. Adjusted EBITDA by segment was \$19.9 million or 40.0% of revenues for Broadcasting and Commercial Music, \$11.0 million or 33.7% of revenues for Radio and \$(1.4) million for Corporate;
- Net income increased to \$9.4 million (\$0.14 per share) from \$3.3 million (\$0.05 per share);
- Adjusted Net income⁽¹⁾ increased to \$14.6 million (\$0.21 per share) from \$10.8 million (\$0.15 per share)
- Cash flow from operating activities increased 3.6% to \$19.1 million (\$0.28 per share) compared to \$18.4 million (\$0.26 per share);
- Adjusted free cash flow⁽¹⁾ increased to \$15.6 million (\$0.22 per share) compared to \$15.0 million (\$0.21 per share);
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio of 3.19x, compared with 3.44x and;
- 119,800 shares repurchased and cancelled for a total of \$0.6 million, compared with 46,100 shares repurchased and cancelled for a total of \$0.3 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 7, 2023, 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, 2023 to shareholders on record as of November 30, 2023.
- On November 3, 2023, the Corporation announced the debut of ZenLIFE by Stingray on VIZIO WatchFree+ (channel 583). This significant launch marks Stingray’s innovative entry into the wellness space as a Free Ad-Supported Television (FAST) channel in the US.
- On November 1, 2023, the Corporation announced a new partnership with Air Transat, a leading travel brand and the recipient of the World’s Best Leisure Airline award at the 2023 Skytrax World Airline Awards. This alliance will provide passengers with an enhanced inflight entertainment experience on Air Transat flights globally.
- On September 22, 2023, the Corporation announced that the Toronto Stock Exchange (“TSX”) has approved the renewal of its normal course issuer bid (“NCIB”), authorizing Stingray to repurchase up to an aggregate 2,765,903 subordinate voting shares and variable subordinate voting shares (collectively, “Subordinate Shares”), representing approximately 10% of the “public float” (as defined in the TSX Company Manual) of Subordinate Shares as at September 15, 2023.
- On September 6, 2023, the Corporation announced a new distribution agreement with TCL®, one of the world’s best-selling and leading consumer electronics companies. Their TCLtv+ app is a new online streaming service that allows its customers in North America access to a wide variety of complimentary entertainment programming. This groundbreaking deal brings Stingray’s innovative channels, including the debut of Ultimate Trivia, to TCLtv+ users, enhancing their entertainment experience with a diverse range of music and specialty content.
- On August 31, 2023, the Corporation announced that Peavey Mart, a leading Canadian retail and agricultural supply chain, has joined Stingray Advertising’s retail audio network. With this addition, Stingray is expanding its retail audio advertising network beyond pharmacies and groceries to include over 90 hardware store locations across British Columbia, Alberta, Saskatchewan, Manitoba, Ontario & Nova Scotia.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months				6 months			
	Sept. 30, 2023		Sept. 30, 2022		Sept. 30, 2023		Sept. 30, 2022	
	Q2 2024		Q2 2023		YTD 2024		YTD 2023	
	\$	% of revenues						
Revenues	82,493	100.0 %	77,635	100.0 %	161,485	100.0 %	155,771	100.0 %
Operating expenses	53,685	65.1 %	51,195	65.9 %	103,305	63.9 %	102,982	66.1 %
Depreciation, amortization and write-off	8,253	10.0 %	8,764	11.3 %	16,156	10.0 %	17,330	11.1 %
Net finance expense (income) ⁽¹⁾	5,582	6.8 %	11,906	15.3 %	9,988	6.2 %	15,881	10.2 %
Change in fair value of investments	(86)	(0.1) %	(247)	(0.3) %	21	0.0 %	(368)	(0.2) %
Acquisition, legal, restructuring and other expenses	2,203	2.7 %	2,075	2.7 %	(697)	(0.4) %	3,468	2.2 %
Income before income taxes	12,856	15.5 %	3,942	5.1 %	32,712	20.3 %	16,478	10.6 %
Income taxes	3,467	4.2 %	611	0.8 %	9,205	5.7 %	3,750	2.4 %
Net income	9,389	11.3 %	3,331	4.3 %	23,507	14.6 %	12,728	8.2 %
Adjusted EBITDA⁽²⁾	29,518	35.8 %	27,031	34.8 %	57,784	35.8 %	53,117	34.1 %
Adjusted Net income⁽²⁾	14,554	17.6 %	10,825	13.9 %	26,447	16.4 %	24,070	15.5 %
Cash flow from operating activities	19,101	23.2 %	18,446	23.8 %	43,361	26.9 %	34,792	22.3 %
Adjusted free cash flow⁽²⁾	15,578	18.9 %	15,009	19.3 %	34,035	21.1 %	30,668	19.7 %
Net debt⁽²⁾	390,462	–	378,503	–	390,462	–	378,503	–
Net debt to Pro Forma Adjusted EBITDA⁽²⁾	3.19x	–	3.44x	–	3.19x	–	3.44x	–
Net income per share basic and diluted	0.14	–	0.05	–	0.34	–	0.18	–
Adjusted Net income per share basic ⁽²⁾	0.21	–	0.16	–	0.38	–	0.34	–
Adjusted Net income per share diluted ⁽²⁾	0.21	–	0.15	–	0.38	–	0.34	–
Cash flow from operating activities per share basic	0.28	–	0.26	–	0.63	–	0.50	–
Cash flow from operating activities per share diluted	0.28	–	0.26	–	0.62	–	0.50	–
Adjusted free cashflow per share basic ⁽²⁾	0.22	–	0.22	–	0.49	–	0.44	–
Adjusted free cashflow per share diluted ⁽²⁾	0.22	–	0.21	–	0.49	–	0.44	–
Revenues by segment								
Broadcasting and Commercial Music	49,815	60.4 %	44,901	57.8 %	97,003	60.1 %	91,031	58.4 %
Radio	32,678	39.6 %	32,734	42.2 %	64,482	39.9 %	64,740	41.6 %
Revenues	82,493	100.0 %	77,635	100.0 %	161,485	100.0 %	155,771	100.0 %
Revenues by geography								
Canada	48,429	58.8 %	47,236	60.9 %	95,710	59.2 %	93,894	60.2 %
United States	21,571	26.1 %	18,360	23.6 %	40,650	25.2 %	37,463	24.1 %
Other Countries	12,493	15.1 %	12,039	15.5 %	25,125	15.6 %	24,414	15.7 %
Revenues	82,493	100.0 %	77,635	100.0 %	161,485	100.0 %	155,771	100.0 %

Notes:

- (1) Interest paid during the Q2 2024 was \$7.1 million (Q2 2023; \$5.9 million). Interest paid for YTD Q2 2024 was \$12.7 million (YTD Q2 2023; \$10.2 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.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation uses 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, change in fair value of investments, and acquisition, legal, restructuring, other expenses, including one time settlement and shared results in joint venture. 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, including one time settlement and shared results in joint venture, 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. Furthermore, Pro Forma Adjusted EBITDA was adjusted in Fiscal 2024 to include the impact on a 12-month basis of the significant cost efficiency measures, following Management’s initiative to eliminate the projects that were not aligned with the latest strategic plan of the Corporation. The amount calculated represents the net impact of the cost efficiencies, mostly salaries, and the cost of the new hires that were completed in the fastest growing divisions. These efficiencies also impacted Fiscal 2023 as they were progressively deployed in Q2 and Q3 2023. Management 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 and cost saving initiatives 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 management that are inherently uncertain, although considered reasonable by management, 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, the adjustment for credits granted and for cost efficiency measures 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, synergies of acquisitions and permanent cost-saving initiatives 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, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
(in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Net income	9,389	3,331	23,507	12,728
Net finance expense (income)	5,582	11,906	9,988	15,881
Change in fair value of investments	(86)	(247)	21	(368)
Income taxes	3,467	611	9,205	3,750
Depreciation and write-off of property and equipment	2,373	2,876	4,758	5,547
Depreciation of right-of-use assets	1,069	1,066	2,154	2,189
Amortization of intangible assets	4,811	4,822	9,244	9,594
Share-based compensation	120	164	221	301
Performance and deferred share unit expense	590	427	(617)	27
Acquisition, legal, restructuring and other expenses	2,203	2,075	(697)	3,468
Adjusted EBITDA	29,518	27,031	57,784	53,117
Adjusted EBITDA margin	35.8%	34.8%	35.8%	34.1%
Net income	9,389	3,331	23,507	12,728
<i>Adjusted for:</i>				
Change in fair value of derivative financial instruments	(600)	2,996	(4,235)	2,451
Amortization of intangible assets	4,811	4,822	9,244	9,594
Change in fair value of investments	(86)	(247)	21	(368)
Share-based compensation	120	164	221	301
Performance and deferred share unit expense	590	427	(617)	27
Acquisition, legal, restructuring and other expenses	2,203	2,075	(697)	3,468
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, change in fair value of derivative financial instruments and acquisition, legal, restructuring and other expenses	(1,873)	(2,743)	(997)	(4,131)
Adjusted Net income	14,554	10,825	26,447	24,070
Average number of shares outstanding (diluted)	69,349	70,008	69,392	71,122
Adjusted Net income per share (diluted)	0.21	0.15	0.38	0.34

	September 30, 2023	September 30, 2022	March 31, 2023
(in thousands of Canadian dollars)			
LTM Adjusted EBITDA	118,807	102,644	114,140
Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results	–	7,450	–
COVID-19 credits allocated due to mandated store closures	–	–	–
Permanent cost-saving initiatives	3,438	–	2,325
Pro Forma Adjusted EBITDA	122,245	110,094	116,465

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

	3 months		6 months	
	Sept. 30, 2023	Sept. 30, 2022	Sept. 30, 2023	Sept. 30, 2022
(in thousands of Canadian dollars)	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Cash flow from operating activities	19,101	18,446	43,361	34,792
<i>Add / Less :</i>				
Acquisition of property and equipment	(2,350)	(2,099)	(3,719)	(3,250)
Acquisition of intangible assets other than internally developed intangible assets	(318)	(89)	(620)	(366)
Addition to internally developed intangible assets	(1,274)	(1,165)	(2,574)	(2,729)
Interest paid	(7,093)	(5,916)	(12,666)	(10,168)
Repayment of lease liabilities	(1,368)	(1,280)	(2,425)	(2,337)
Net change in non-cash operating working capital items	8,054	3,727	14,144	11,183
Unrealized loss (gains) on foreign exchange	(1,377)	1,310	(769)	75
Acquisition, legal, restructuring and other expenses	2,203	2,075	(697)	3,468
Adjusted free cash flow	15,578	15,009	34,035	30,668

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, 2023	September 30, 2022	March 31, 2023
Credit facilities	374,573	368,422	360,990
Subordinated debt	25,593	25,492	25,543
Cash and cash equivalents	(9,704)	(15,411)	(15,453)
Net debt	390,462	378,503	371,080
Net debt to Pro Forma Adjusted EBITDA	3.19	3.44	3.19

FINANCIAL RESULTS FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2024	Q2 2023	% Change	YTD 2024	YTD 2023	% Change
Revenues by geography						
Canada	48,429	47,236	2.5	95,710	93,894	1.9
United States	21,571	18,360	17.5	40,650	37,463	8.5
Other Countries	12,493	12,039	3.8	25,125	24,414	2.9
Revenues	82,493	77,635	6.3	161,485	155,771	3.7

Global

Revenues in Q2 2024 increased \$4.9 million or 6.3% to \$82.5 million, from \$77.6 million for Q2 2023. The increase was largely due to an increase in retail media advertising revenues, to a positive foreign exchange impact and to an increase in equipment and installation sales related to digital signage.

Cumulative revenues for Fiscal 2024 increased \$5.7 million or 3.7% to \$161.5 million, from \$155.8 million for cumulative Fiscal 2023. The increase was mainly due to a positive foreign exchange impact, to an increase in equipment and installation sales related to digital signage, to an increase in FAST channels and retail media advertising revenues, partially offset by a decrease in B2C subscription revenues.

Canada

Revenues in Canada in Q2 2024 increased \$1.2 million or 2.5% to \$48.4 million, from \$47.2 million for Q2 2023. Cumulative revenues in Canada for Fiscal 2024 increased \$1.8 million or 1.9% to \$95.7 million, from \$93.9 million for cumulative Fiscal 2023. Both increases were largely due to an increase in equipment and installation sales related to digital signage.

United States

Revenues in the United States in Q2 2024 increased \$3.2 million or 17.5% to \$21.6 million, from \$18.4 million for Q2 2023. The increase was primarily due to an increase in retail media advertising revenues.

Cumulative revenues in the United States for Fiscal 2024 increased \$3.2 million or 8.5% to \$40.7 million, from \$37.5 million for cumulative Fiscal 2023. The increase was mainly due to a positive foreign exchange impact and an increase in FAST channels.

Other Countries

Revenues in Other countries in Q2 2024 increased \$0.5 million or 3.8% to \$12.5 million, from \$12.0 million for Q2 2023. Cumulative revenues in Other countries for Fiscal 2024 increased \$0.7 million or 2.9% to \$25.1 million, from \$24.4 million for cumulative Fiscal 2023. Both increases were mainly due to a positive foreign exchange impact.

Operating expenses

Operating expenses in Q2 2024 increased \$2.5 million or 4.9% to \$53.7 million, from \$51.2 million for Q2 2023. Cumulative operating expenses for Fiscal 2024 increased \$0.3 million or 0.3% to \$103.3 million, from \$103.0 million for cumulative Fiscal 2023. The increase was mainly due to higher operating costs related to higher revenues.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q2 2024 increased \$2.5 million or 9.2% to \$29.5 million from \$27.0 million for Q2 2023. Adjusted EBITDA margin was 35.8% compared to 34.8% for Q2 2023. Cumulative Adjusted EBITDA for Fiscal 2024 increased \$4.7 million or 8.8% to \$57.8 million from \$53.1 million for cumulative Fiscal 2023. Adjusted EBITDA margin was 35.8% compared to 34.1% for cumulative Fiscal 2023. The increase of both Adjusted EBITDA and Adjusted EBITDA margin was mostly due to higher revenues.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q2 2024 decreased \$0.5 million or 5.8% to \$8.3 million, from \$8.8 million for Q2 2023. Cumulative depreciation, amortization and write off for Fiscal 2024 decreased \$1.1 million or 6.8% to \$16.2 million, from \$17.3 million for cumulative Fiscal 2023. Both decreases were 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 Q2 2024 was \$5.6 million, compared to \$11.9 million for Q2 2023. The decrease was mainly due to a gain on the fair value of derivative financial instruments and to a gain on foreign exchange.

Cumulative Net finance expense for Fiscal 2024 decreased \$5.9 million or 37.1% to \$10.0 million, from \$15.9 million for cumulative Fiscal 2023. The decrease was mainly due to a gain on fair value of derivative financial instruments and a lower increase on the fair value of contingent consideration compared to comparative periods, partially offset by higher interest expense.

Change in fair value of investments

In Q2 2024 and in cumulative Fiscal 2024, there was a gain of \$0.1 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.

Acquisition, legal, restructuring and other expenses

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2024	Q2 2023	% Change	YTD 2024	YTD 2023	% Change
Acquisition	-	47	(100)	4	214	(98)
Legal	374	391	(4.3)	(3,341)	512	(752.6)
Restructuring and other	1,829	1,637	11.7	2,640	2,742	(3.7)
Acquisition, legal, restructuring and other expenses	2,203	2,075	6.2	(697)	3,468	(120.1)

In Q2 2024 there was an increase in restructuring and other expenses mainly due to higher losses in equity pick up of investments in associate compared to comparative periods.

Cumulative acquisition, legal, restructuring and other expenses in Fiscal 2024 decreased compared to Fiscal 2023 mainly due to the decrease in legal expenses from a one-time settlement gain related to a trademark dispute.

Note:

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Income taxes

The income tax expense recognized in comprehensive income was \$3.5 million for Q2 2024 compared to \$0.6 million for Q2 2023. The effective tax rate for Q2 2024 was 27.0% compared to 15.5% for Q2 2023. The variance in the effective tax rates is mainly due to the variance in permanent differences.

The income tax expense recognized in comprehensive income was \$9.2 million for cumulative Fiscal 2024 compared to \$3.8 million for cumulative Fiscal 2023. The effective tax rate for cumulative Fiscal 2024 was 28.1% compared to 22.8% for cumulative Fiscal 2023. The variance of the income tax rate stems from the impact of a different mix in our earnings across the various jurisdictions and due to the variance in permanent differences.

Net income and Net income per share

Net income in Q2 2024 was \$9.4 million (\$0.14 per share) compared to \$3.3 million (\$0.05 per share) for Q2 2023. The increase was mainly due to a gain on the fair value of derivative financial instruments, higher operating results and to a gain on foreign exchange, partially offset by a higher income tax expense.

Cumulative Net income for Fiscal 2024 was \$23.5 million (\$0.34 per share) compared to \$12.7 million (\$0.18 per share) for cumulative Fiscal 2023. The increase was mainly due to a gain on fair value of derivative financial instruments, to higher operating results, to a one-time settlement gain on a trademark dispute in Q1 2024 and to a lower increase on the fair value of contingent consideration compared to comparative periods, partially offset by higher income tax expense and higher interest expense.

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

Adjusted Net income in Q2 2024 was \$14.6 million (\$0.21 per share), compared to \$10.8 million (\$0.15 per share) for Q2 2023. The increase was primarily due to higher operating results and to a higher gain on foreign exchange, partially offset by higher income tax expense.

Cumulative Adjusted Net income for Fiscal 2024 was \$26.4 million (\$0.38 per share), compared to \$24.1 million (\$0.34 per share) for cumulative Fiscal 2023. The increase was primarily due to higher operating results and to a lower increase on the fair value of contingent consideration compared to comparative periods, partially offset by higher interest 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.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2024	Q2 2023	% Change	YTD 2024	YTD 2023	% Change
Revenues	49,815	44,901	10.9	97,003	91,031	6.6
Operating expenses	29,898	27,956	6.9	57,128	57,320	(0.3)
Adjusted EBITDA⁽¹⁾	19,917	16,945	17.5	39,875	33,711	18.3
Adjusted EBITDA margin⁽¹⁾	40.0%	37.7%	5.9	41.1%	37.0%	11.0

Revenues

In Q2 2024, Broadcasting and Commercial Music revenues increased \$4.9 million or 10.9% to \$49.8 million, from \$44.9 million for Q2 2023. The increase was largely due to higher retail media advertising revenues, to an increase in equipment and installation sales related to digital signage and to a positive foreign exchange impact.

Cumulative Broadcasting and Commercial Music revenues for Fiscal 2024 increased \$6.0 million or 6.6% to \$97.0 million from \$91.0 million for cumulative Fiscal 2023. The increase was primarily due to an increase in equipment and installation sales related to digital signage, to an increase in FAST channels and retail media advertising revenues and to a positive foreign exchange impact, partially offset by a decrease in B2B subscription revenues.

Adjusted EBITDA⁽¹⁾

In Q2 2024, Broadcasting and Commercial Music Adjusted EBITDA increased \$3.0 million or 17.5% to \$19.9 million from \$16.9 million for Q2 2023. Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2024 increased \$6.2 million or 18.3% to \$39.9 million from \$33.7 million for cumulative Fiscal 2023. Both increases were mainly due to an increase in gross margin due to higher revenues, and lower operating expenses.

RADIO

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2024	Q2 2023	% Change	YTD 2024	YTD 2023	% Change
Revenues	32,678	32,734	(0.2)	64,482	64,740	(0.4)
Operating expenses	21,665	21,405	1.2	43,582	42,799	1.8
Adjusted EBITDA⁽¹⁾	11,013	11,329	(2.8)	20,900	21,941	(4.7)
Adjusted EBITDA margin⁽¹⁾	33.7%	34.6%	(2.6)	32.4%	33.9%	(4.4)

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 2024, Radio revenues remained stable at \$32.7 million compared to Q2 2023. Increases in local and digital advertising were offset by lower national airtime sales. Cumulative Radio revenues for Fiscal 2024 decreased \$0.2 million or 0.4% to \$64.5 million from \$64.7 million for cumulative Fiscal 2023. The decrease was due to lower national airtime revenues, partially offset by an increase in local and digital revenues.

Adjusted EBITDA⁽¹⁾

In Q2 2024, Radio Adjusted EBITDA decreased \$0.3 million or 2.8% to \$11.0 million from \$11.3 million in Q2 2023. Cumulative Radio Adjusted EBITDA for Fiscal 2024 decreased \$1.0 million or 4.7% to \$20.9 million from \$21.9 million for cumulative Fiscal 2023. Both decreases in Adjusted EBITDA were due to slight revenue declines, combined with higher regulatory fees.

Note:

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CORPORATE

(in thousands of Canadian dollars)	3 months			6 months		
	Q2 2024	Q2 2023	% Change	YTD 2024	YTD 2023	% Change
Operating expenses	2,122	1,834	15.7	2,595	2,863	(9.4)
<i>Adjust:</i>						
Share-based compensation	(120)	(164)	(26.8)	(221)	(301)	(26.6)
Performance and deferred share unit expense	(590)	(427)	38.2	617	(27)	(2,385.2)
Adjusted EBITDA⁽¹⁾	(1,412)	(1,243)	13.6	(2,991)	(2,535)	18

Adjusted EBITDA⁽¹⁾

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share unit expense. Both increases in negative Adjusted EBITDA is related to higher compensation compared to corresponding periods.

Note:

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Quarterly results

Revenues fluctuated over the last eight quarters from \$75.0 million in the third quarter of Fiscal 2022 to \$82.5 million in the second quarter of Fiscal 2024. These fluctuations, largely driven by the cyclical nature of the Corporation's business, were also influenced by several other factors. The decrease in Q4 2022 was 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. The increase in Q3 2023 was mostly due to normal business seasonality, to a positive foreign exchange impact and to an increase in equipment and installation sales related to digital signage. The decrease in Q4 2023 was mainly due to normal business seasonality. The increase in Q1 2024 was mostly due to higher Radio revenues, mainly offset by the decrease in retail media advertising and In-store commercial revenues. The increase in Q2 2024 was largely due to an increase in retail media advertising revenues.

Adjusted EBITDA⁽¹⁾ fluctuated over the last eight quarters from \$28.5 million in the third quarter of Fiscal 2022 to \$29.5 million in the second quarter of Fiscal 2024. 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. The increase in Q3 2023, the decrease in Q4 2023 is mainly due to normal business seasonality. The increase in Q1 2024 is due to a decrease in operating expenses due to cost-saving initiatives implemented. The increase in Q2 2024 is due to higher gross margin from higher revenues.

Net income fluctuated over the last eight quarters from \$12.5 million in the third quarter of Fiscal 2022 to \$9.4 million in the second quarter of Fiscal 2024. 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. The increase in Q3 2023 was mainly due to higher operating results and to a gain on the fair value of derivative financial instruments, partially offset by higher income tax expense. The decrease in Q4 2023 was mainly due to lower operating results, to higher restructuring and other costs and to higher performance and deferred share units expense, partially offset by lower income tax expense. In Q1 2024, the increase was mainly due to a one-time settlement gain on a trademark dispute, to lower restructuring and other costs, to a higher gain on derivative instruments and to a lower performance and deferred share unit expense, partially offset by higher income tax expense and gain related to the change in fair value of contingent consideration. In Q2 2024, the decrease was mainly due to a one-time settlement gain on a trademark dispute in comparative periods, partially offset by a gain on the fair value of derivative financial instruments and 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, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
	FY2024	FY2024	FY2023	FY2023	FY2023	FY2023	FY2022	FY2022
Revenues by segment								
Broadcasting and Commercial								
Music	49,815	47,188	50,045	54,158	44,901	46,130	45,584	40,085
Radio	32,678	31,804	28,886	35,084	32,734	32,006	27,060	34,943
Total revenues	82,493	78,992	78,931	89,242	77,635	78,136	72,644	75,028
Revenues by geography								
Canada	48,429	47,281	43,667	49,471	47,236	46,658	40,456	49,286
United States	21,571	19,079	21,968	26,561	18,360	19,103	19,145	12,588
Other countries	12,493	12,632	13,296	13,210	12,039	12,375	13,043	13,154
Total revenues	82,493	78,992	78,931	89,242	77,635	78,136	72,644	75,028
Adjusted EBITDA⁽¹⁾	29,518	28,266	26,573	34,450	27,031	26,086	21,023	28,504
LTM Adjusted EBITDA⁽¹⁾	118,807	116,320	114,140	108,590	102,644	101,200	99,269	101,884
Net income	9,389	14,118	4,447	12,944	3,331	9,397	4,466	12,546
Net income per share basic and diluted	0.14	0.20	0.06	0.19	0.05	0.13	0.06	0.18
Adjusted Net income⁽¹⁾	14,554	11,893	14,668	16,464	10,825	13,245	11,780	17,048
Adjusted Net income per share basic ⁽¹⁾	0.21	0.17	0.21	0.24	0.16	0.19	0.17	0.24
Adjusted Net income per share diluted ⁽¹⁾	0.21	0.17	0.21	0.24	0.15	0.19	0.17	0.24
Cash flow from operations	19,101	24,260	27,552	24,605	18,446	16,346	22,127	24,762
Adjusted free Cash Flow⁽¹⁾	15,578	18,457	14,909	18,085	15,009	15,659	11,833	14,731
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 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.

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, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
	FY 2024	FY2024	FY2023	FY2023	FY2023	FY2023	FY2022	FY2022
Net income	9,389	14,118	4,447	12,944	3,331	9,397	4,466	12,546
Net finance expense (income)	5,582	4,406	3,749	7,205	11,906	3,975	(769)	1,999
Change in fair value of investments	(86)	107	11	68	(247)	(121)	12	3
Income taxes	3,467	5,738	753	5,037	611	3,139	191	4,115
Depreciation and write-off of property and equipment	2,373	2,385	2,406	1,784	2,876	2,671	3,862	2,237
Depreciation of right-of-use assets	1,069	1,085	1,225	1,092	1,066	1,123	1,201	1,281
Amortization of intangible assets	4,811	4,433	4,547	4,596	4,822	4,772	4,176	4,669
Share-based compensation	120	101	157	153	164	137	222	216
Performance and deferred share unit expense (income)	590	(1,207)	2,068	(238)	427	(400)	1,750	659
Acquisition, legal, restructuring and other expenses	2,203	(2,900)	7,210	1,809	2,075	1,393	5,912	779
Adjusted EBITDA	29,518	28,266	26,573	34,450	27,031	26,086	21,023	28,504
Adjusted EBITDA margin	35.8%	35.8%	33.7%	38.6%	34.8%	33.4%	28.9%	38.0%
Net income	9,389	14,118	4,447	12,944	3,331	9,397	4,466	12,546
<i>Adjusted for:</i>								
Unrealized loss (gain) on derivative financial instruments	(600)	(3,635)	(70)	(1,642)	2,996	(545)	(2,150)	(248)
Amortization of intangible assets	4,811	4,433	4,547	4,596	4,822	4,772	4,176	4,669
Change in fair value of investments	(86)	107	11	68	(247)	(121)	12	3
Share-based compensation	120	101	157	153	164	137	222	216
Performance and deferred share unit expense	590	(1,207)	2,068	(238)	427	(400)	1,750	659
Acquisition, legal, restructuring and other expenses	2,203	(2,900)	7,210	1,809	2,075	1,393	5,912	779
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	(1,873)	876	(3,702)	(1,226)	(2,743)	(1,388)	(2,608)	(1,576)
Adjusted Net income	14,554	11,893	14,668	16,464	10,825	13,245	11,780	17,048
Average number of shares outstanding (diluted)	69,349	69,433	69,459	69,678	70,008	70,277	70,655	70,960
Adjusted Net income per share diluted	0.21	0.17	0.21	0.24	0.15	0.19	0.17	0.24

(in thousands of Canadian dollars)	3 months							
	Sept. 30, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
	FY2024	FY2024	FY2023	FY2023	FY2023	FY2023	FY2022	FY2022
LTM Adjusted EBITDA	118,807	116,320	114,140	108,590	102,644	101,200	99,269	101,884
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
COVID-19 credits allocated due to mandated store closures	-	-	-	-	-	699	1,535	3,051
Permanent cost-saving initiatives	3,438	1,880	2,325	5,074	-	-	-	-
Pro Forma Adjusted EBITDA	122,245	118,200	116,465	113,664	110,094	113,799	116,804	124,435

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, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
	FY 2024	FY2024	FY2023	FY2023	FY2023	FY2023	FY2022	FY2022
Cash flow from operating activities	19,101	24,260	27,552	24,605	18,446	16,346	22,127	24,762
Acquisition of property and equipment	(2,350)	(1,369)	(2,987)	(1,997)	(2,099)	(1,151)	(2,443)	(2,181)
Acquisition of intangible assets other than internally developed intangible assets	(318)	(302)	(383)	(532)	(89)	(277)	(355)	(276)
Addition to internally developed intangible assets	(1,274)	(1,300)	(1,236)	(1,978)	(1,165)	(1,564)	(593)	(2,058)
Interest paid	(7,093)	(5,573)	(6,842)	(6,882)	(5,916)	(4,252)	(3,391)	(3,868)
Repayment of lease liabilities	(1,368)	(1,057)	(1,122)	(974)	(1,280)	(1,057)	(1,074)	(1,130)
Net change in non-cash operating working capital items	8,054	6,090	(7,077)	3,376	3,727	7,456	(7,571)	(1,533)
Unrealized loss (gain) on foreign exchange	(1,377)	608	(206)	658	1,310	(1,235)	(779)	236
Acquisition, legal, restructuring and other expenses	2,203	(2,900)	7,210	1,809	2,075	1,393	5,912	779
Adjusted free cash flow	15,578	18,457	14,909	18,085	15,009	15,659	11,833	14,731

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, 2023	June 30, 2023	March 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022	March 31, 2022	Dec. 31, 2021
	FY 2024	FY2024	FY2023	FY2023	FY2023	FY2023	FY2022	FY2022
Credit facilities	374,573	374,114	360,990	366,168	368,442	358,440	358,203	317,957
Subordinated debt	25,593	25,568	25,543	25,517	25,492	25,467	25,442	25,416
Cash and cash equivalents	(9,704)	(11,682)	(15,453)	(12,303)	(15,411)	(13,816)	(14,563)	(11,266)
Portion of the balance payable on acquisition of InStore Audio Network paid on January 5, 2022	-	-	-	-	-	-	-	42,471
Net debt	390,462	388,000	371,080	379,382	378,503	370,091	369,082	374,578
Net debt to Pro Forma Adjusted EBITDA	3.19	3.28	3.19	3.34	3.44	3.25	3.16	3.01

LIQUIDITY AND CAPITAL RESOURCES FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(in thousands of Canadian dollars)	3 months		6 months	
	Q2 2024	Q2 2023	YTD 2024	YTD 2023
Operating activities	19,101	18,446	43,361	34,792
Financing activities	(16,654)	(9,593)	(41,127)	(23,159)
Investing activities	(4,376)	(7,258)	(7,882)	(10,785)
Net change in cash	(1,978)	1,595	(5,749)	848
Cash – beginning of period	11,682	13,816	15,453	14,563
Cash – end of period	9,704	15,411	9,704	15,411
Adjusted free cash flow⁽¹⁾	15,578	15,009	34,035	30,668

Operating activities

Cash flow generated from operating activities amounted to \$19.1 million for Q2 2024 compared to \$18.4 million for Q2 2023. The increase was mainly due to higher operating results and a positive foreign exchange impact, partially offset by a higher negative net change in non-cash operating items.

Cash flow generated from operating activities amounted to \$43.4 million for cumulative Fiscal 2024 compared to \$34.8 million for cumulative Fiscal 2023. The increase was mainly due to higher operating results and to a one-time settlement gain on a trademark dispute in prior periods.

Financing Activities

Net cash flow used in financing activities amounted to \$16.7 million for Q2 2024 compared to \$9.6 million for Q2 2023. The increase is mainly due to a lower increase in credit facilities and higher interest paid, partially offset by timing of payments of other payables in the Radio segment.

Net cash flow used in financing activities amounted to \$41.1 million for cumulative Fiscal 2024 compared to \$23.2 million for cumulative Fiscal 2023. The increase was mostly due to the repayment of contingent consideration for the acquisition of InStore Audio Network.

Investing Activities

Net cash flow used in investing activities amounted to \$4.4 million for Q2 2024 compared to \$7.3 million for Q2 2023. Net cash flow used in investing activities amounted to \$7.9 million for cumulative Fiscal 2024 compared to \$10.8 million for cumulative Fiscal 2023. Both decreases were mainly due to a payment of net working capital related to the acquisition of InStore Audio Network in comparative periods.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q2 2024 amounted to \$15.6 million compared to \$15.0 million for Q2 2023. The increase was related to higher operating results, partially offset by higher interest paid.

Adjusted free cash flow generated in cumulative Fiscal 2024 amounted to \$34.0 million compared to \$30.7 million for cumulative Fiscal 2023. The increase was mainly due to higher operating results and to lower income tax paid, partially offset by higher 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, 2023:

(in thousands of Canadian dollars)	Sept. 30, 2023	March 31, 2023	Variance	Significant contributions
Trade and other receivables	70,460	71,251	(791) ▼	Timing of payments by clients
Intangible assets	62,624	68,814	(6,190) ▼	Amortization of intangible assets
Goodwill	358,879	360,900	(2,021) ▼	Foreign exchange differences
Accounts payables and accrued liabilities	60,111	74,826	(14,715) ▼	Timing of payments to suppliers and lower revenue share payable for retail media advertising
Other liabilities	18,347	47,984	(29,637) ▼	Payment of contingent consideration on business acquisition of Instore Audio Network
Credit facilities	374,573	360,990	13,583 ▲	Refer to the graph on next page
Subordinated debt	25,593	25,543	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.

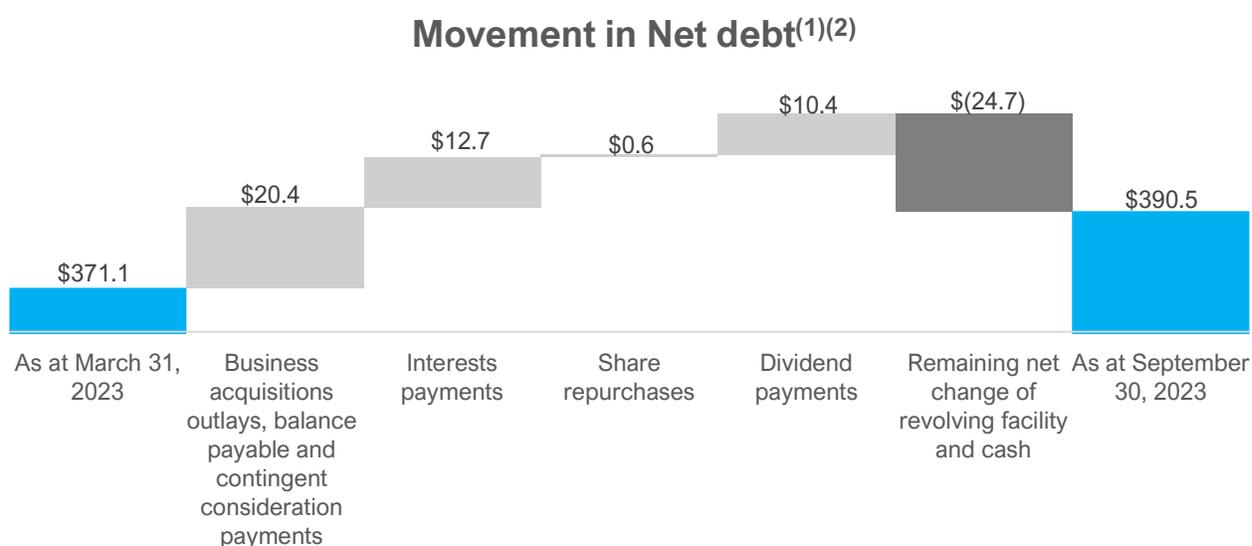
The credit facilities consist of a \$375.0 million revolving credit facility and a \$52.5 million term loan, both maturing in October 2026.

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 (7.20% and 5.45% as at September 30, 2023 and 2022, respectively) 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 (5.73% and 3.50% as at September 30, 2023 and 2022, respectively) plus an applicable margin based on a financial covenant, or (c) SOFR (5.43% and 2.52% as at September 30, 2023 and 2022, respectively) plus an applicable margin based on a financial covenant, at the Corporation's option. In addition, the Corporation incurs standby fees based on a financial covenant, on the unused portion of the credit facilities (0.40% for the years ended September 30, 2023 and 2022).

As of September 30, 2023, the Corporation had cash and cash equivalents of \$9.7 million, a subordinated debt of \$25.6 million and credit facilities of \$374.6 million, of which approximately \$51.5 million was available.

The following table summarizes the impact on the Net debt that occurred in the six-month period ended September 30, 2023:



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, 2023.

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, 2023.

Off-Balance Sheet Arrangements

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

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	November 3, 2023	September 30, 2023
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	50,747,050	50,866,350
Subordinate voting shares held in trust through employee share purchase plan	(37,429)	(30,365)
Variable subordinate voting shares	387,952	386,252
Multiple voting shares	17,941,498	17,941,498
	69,039,071	69,163,735
<i>Outstanding stock options:</i>		
Stock options	3,663,251	3,663,251

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 2024, no options were exercised, and 173,918 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, 2023. 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 6, 2023. The Corporation is not aware of any significant changes to the Corporation’s risk factors from those disclosed at that time.

Future Accounting Changes

There are no material future accounting changes as of September 30, 2023.

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, 2023, 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 7th, 2023, did not include the controls or procedures of the operations of Ultimate Trivia acquired by Stingray on March 29th, 2023. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of this acquisition 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 7, 2023, 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, 2023, to shareholders on record as of November 30, 2023.

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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