

Lumine Group Inc. Announces Results for the Three and Nine Months Ended September 30, 2023

November 2, 2023 - [Lumine Group Inc.](#) (“Lumine Group” or “the Company”) announces financial results for the three and nine months ended September 30, 2023. All amounts referred to in this press release are in US dollars unless otherwise stated.

The following press release should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2023, management’s discussion and analysis (“MD&A”) for the three and nine months ended September 30, 2023, the audited consolidated financial statements of Lumine Group (Holdings) Inc. (“Lumine Holdings”) for the year ended December 31, 2022, and the Company’s MD&A for the year ended December 31, 2022, all of which can be found on SEDAR+ at www.sedarplus.ca. Additional information about Lumine Group is also available on SEDAR+ and on Lumine Group’s website www.luminegroup.com.

Q3 2023 Headlines:

- Revenue grew 99% to \$131.3 million compared to \$66.0 million in the same quarter prior year (including 4% organic growth after adjusting for foreign exchange impacts).
- The Company generated operating income of \$45.1 million during the quarter, a 107% increase from \$21.8 million in the same quarter prior year.
- An expense of \$194.8 million was incurred in the quarter related primarily to the increase in fair value of the redeemable preferred and special securities, of which, \$174.6 million is related to the convertible shares and \$20.2 million is related to the dividend payable. Fair value of the preferred and special securities is primarily dependent on the price movement of the Company’s subordinate voting shares.
- The Company generated a net loss of \$179.0 million during the quarter, from net income of \$11.8 million in the same quarter prior year. The net loss is primarily related to the redeemable preferred and special securities expense.
- Cash flows from operations (“CFO”) increased \$32.4 million to \$44.5 million compared to \$12.1 million in Q3 2022, representing an increase of 269%.
- Free cash flow available to shareholders (“FCFA2S”) increased \$28.3 million to \$39.6 million compared to \$11.3 million in Q3 2022, representing an increase of 251%.

Year-to-Date Q3 2023 Headlines:

- Revenue grew 90% to \$356.6 million compared to \$187.5 million in the same nine-month period prior year (including 2% organic growth after adjusting for foreign exchange impacts).
- The Company generated operating income of \$103.1 million in the nine-month period ended September 30, 2023, an increase of 82% from \$56.7 million in the same period prior year.

- An expense of \$1,346.0 million was incurred in the nine-month period ended September 30, 2023 related to the increase in fair value of the redeemable preferred and special securities, of which, \$1,297.7 million is related to the convertible shares and \$48.3 million is related to the dividend payable. Fair value of the preferred and special securities is primarily dependent on the price movement of the Company's subordinate voting shares.
- The Company generated a net loss of \$1,320.2 million during the nine-month period ended September 30, 2023, from net income of \$28.5 million in the same period prior year. The net loss is primarily related to the redeemable preferred and special securities expense.
- CFO increased \$56.9 million to \$81.9 million compared to \$25.0 million in the nine-month period ended September 30, 2022, representing an increase of 227%.
- FCFA2S increased \$46.0 million to \$68.6 million compared to \$22.6 million in the nine-month period ended September 30, 2022, representing an increase of 203%.

Total revenue for the three months ended September 30, 2023 was \$131.3 million, an increase of 99%, or \$65.3 million, compared to \$66.0 million for the comparable period in 2022. For the nine months ended September 30, 2023, total revenue was \$356.6 million, an increase of 90%, or \$169.1 million, compared to \$187.5 million for the comparable period in 2022. The increase for the three and nine month periods is primarily attributable to growth from acquisitions. The Company experienced organic growth of 6% and 1% for the three months and nine months ended September 30, 2023, respectively, or 4% and 2%, respectively, after adjusting for foreign exchange impacts. For acquired companies, organic growth is calculated as the difference between actual revenues achieved by each business in the financial period following acquisition, compared to the estimated revenues they achieved in the corresponding financial period preceding the date of acquisition by the Company. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

Operating income for the three months ended September 30, 2023 was \$45.1 million, an increase of 107%, or \$23.3 million, compared to \$21.8 million for the same period in 2022. Operating income for the nine months ended September 30, 2023 was \$103.1 million, an increase of 82%, or \$46.4 million, compared to \$56.7 million for the same period in 2022. The increase for the three and nine month periods is primarily attributable to growth from acquisitions. Operating income is not a standardized financial measure and might not be comparable to measures disclosed by other issuers. See "Non-IFRS Measures".

Net loss for the three months ended September 30, 2023 was \$179.0 million compared to net income of \$11.8 million for the same period in 2022. Net loss for the nine months ended September 30, 2023 was \$1,320.2 million compared to net income of \$28.5 million for the same period in 2022. The decrease in net income for the three and nine month periods is primarily attributable to an expense of \$194.8 million for the three months ended September 30, 2023 and \$1,346.0 million for the nine months ended September 30, 2023 related to fair value adjustments and accrued dividends on the redeemable preferred and special securities issued in relation to the acquisition of WideOrbit and public listing of Lumine Group.

For the three months ended September 30, 2023, CFO increased \$32.4 million to \$44.5 million compared to \$12.1 million for the same period in 2022 representing an increase of 269%. For the nine months ended September 30, 2023, CFO increased \$56.9 million to \$81.9 million compared to \$25.0 million for the same period in 2022 representing an increase of 227%. The primary reason for the increase is that CFO includes the impact of changes in non-cash operating assets and liabilities exclusive of effects of business combinations or, changes in non-cash operating working capital (“NCOWC”) which improved during the nine months ended September 30, 2023 compared to the same period prior year.

For the three months ended September 30, 2023, FCFA2S increased \$28.3 million, or 251%, to \$39.6 million compared to \$11.3 million for the same period in 2022. For the nine months ended September 30, 2023, FCFA2S increased \$46.0 million, or 203%, to \$68.6 million compared to \$22.6 million for the same period in 2022. The increase is primarily a result of higher CFO during the period. FCFA2S is not a standardized financial measure and might not be comparable to measures disclosed by other issuers. See “Non-IFRS Measures”.

Non-IFRS Measures

Operating income (loss) refers to income (loss) before income taxes, amortization of intangible assets, redeemable Preferred and Special Share expense, and finance and other expenses (income). We believe that operating income is useful supplemental information as it provides an indication of the profitability of the Company related to its core operations. Operating income (loss) is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that operating income (loss) should not be construed as an alternative to net income (loss).

The following table reconciles operating income to net income:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	(179.0)	11.8	(1,320.2)	28.5
Adjusted for:				
Amortization of intangible assets	21.7	8.5	58.4	22.5
Redeemable preferred and special securities expense	194.8	-	1,346.0	-
Finance and other expense (income)	3.7	(0.2)	10.0	(1.2)
Income tax expense (recovery)	3.9	1.8	9.0	6.9
Operating income (loss)	45.1	21.8	103.1	56.7

Free cash flow available to shareholders “FCFA2S” refers to net cash flows from operating activities less interest paid on lease obligations, interest paid on bank debt, transaction costs on bank debt, repayments of lease obligations, dividends paid to redeemable preferred and special securities holders, and property and equipment purchased. The Company believes that FCFA2S is useful supplemental information as it provides an indication of the uncommitted cash flow that is available to shareholders if Lumine Group does

not make any acquisitions, or investments, and does not repay any debts. While the Company could use the FCFA2S to pay dividends or repurchase shares, the Company's objective is to invest all of its FCFA2S in acquisitions which meet the Company's hurdle rate.

FCFA2S is not a recognized measure under IFRS and may not be comparable to similar financial measures disclosed by other issuers. Accordingly, readers are cautioned that FCFA2S should not be construed as an alternative to net cash flows from operating activities.

The following table reconciles FCFA2S to net cash flows from operating activities:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net cash flows from operating activities:	44.5	12.1	81.9	25.0
Adjusted for:				
Interest paid on lease obligations	(0.2)	(0.1)	(0.5)	(0.1)
Interest paid on other facilities	(2.8)	-	(6.4)	-
Credit facility transaction costs	0.0	-	(1.8)	-
Payment of lease obligations	(1.4)	(0.6)	(3.8)	(2.0)
Dividends paid	(0.0)	-	(0.0)	-
Property and equipment purchased	(0.4)	(0.1)	(0.8)	(0.3)
Free cash flow available to shareholders	39.6	11.3	68.6	22.6

Forward Looking Statements

Certain statements herein may be "forward looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Lumine Group or the industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the results discussed in the forward looking statements. These forward looking statements reflect current assumptions and expectations regarding future events and operating performance and are made as of the date hereof and Lumine Group assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances.

About Lumine Group Inc.

Lumine Group acquires, strengthens, and grows, vertical market software businesses in the communications and media industry. Learn more at www.luminegroup.com.

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Lumine Group Inc.

Condensed Consolidated Interim Statements of Financial Position

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Unaudited

	September 30, 2023	December 31, 2022
		<i>Adjusted</i>
Assets		
Current assets:		
Cash	\$ 141,145	\$ 67,085
Accounts receivable	80,177	63,923
Unbilled revenue	31,479	9,797
Inventories	476	60
Other assets	28,979	23,325
	282,256	164,190
Non-current assets:		
Property and equipment	4,411	3,115
Right of use assets	12,828	5,349
Deferred income taxes	3,233	2,931
Other assets	14,859	8,492
Intangible assets and goodwill	752,966	209,483
	788,297	229,370
Total assets	\$ 1,070,553	\$ 393,560
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 78,719	\$ 64,779
Due to related parties, net	1,138	35,466
Current portion of bank debt	653	975
Deferred revenue	73,928	61,979
Provisions	914	22
Acquisition holdback payables	734	1,769
Lease obligations	5,996	2,069
Income taxes payable	19,878	12,217
Preferred and Special Securities	2,945,019	-
	3,126,979	179,276
Non-current liabilities:		
Deferred income taxes	130,427	30,579
Bank debt	141,068	18,138
Lease obligations	8,167	4,719
Other liabilities	8,544	7,068
	288,206	60,504
Total liabilities	3,415,185	239,780
Equity:		
Capital stock	-	-
Contributed surplus	(1,015,661)	162,692
Accumulated other comprehensive income (loss)	(13,880)	(8,912)
Retained earnings (deficit)	(1,315,091)	-
	(2,344,632)	153,780
Subsequent events		
Total liabilities and equity	\$ 1,070,553	\$ 393,560

Lumine Group Inc.

Condensed Consolidated Interim Statements of Income (Loss)

(In thousands of USD, except per share amounts. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
		<i>Adjusted</i>		<i>Adjusted</i>
Revenue				
License	\$ 11,247	\$ 8,874	\$ 32,990	\$ 27,282
Professional services	23,061	12,901	63,328	37,723
Hardware and other	5,651	1,851	14,987	5,605
Maintenance and other recurring	91,342	42,403	245,262	116,852
	131,301	66,029	356,567	187,462
Expenses				
Staff	61,871	34,917	181,775	97,938
Hardware	3,374	1,298	9,825	3,395
Third party license, maintenance and professional services	7,783	2,793	20,568	8,138
Occupancy	1,064	863	2,630	1,720
Travel, telecommunications, supplies, software and equipment	5,218	3,361	15,104	8,197
Professional fees	2,060	2,154	12,292	6,006
Other, net	2,756	(3,012)	5,445	1,172
Depreciation	2,120	1,855	5,825	4,165
Amortization of intangible assets	21,662	8,480	58,371	22,543
	107,908	52,709	311,835	153,274
Redeemable Preferred and Special Securities expense	194,817	-	1,346,020	-
Finance and other expenses (income)	3,703	(210)	9,960	(1,244)
	198,520	(210)	1,355,980	(1,244)
Income (loss) before income taxes	(175,127)	13,530	(1,311,248)	35,432
Current income tax expense (recovery)	12,651	1,927	30,813	13,630
Deferred income tax expense (recovery)	(8,734)	(168)	(21,859)	(6,683)
Income tax expense (recovery)	3,917	1,759	8,954	6,947
Net income (loss)	\$ (179,044)	\$ 11,771	\$ (1,320,202)	\$ 28,485
Weighted average shares outstanding:				
Basic	74,040,058	N/A	71,967,707	N/A
Diluted	253,104,970	N/A	242,370,504	N/A
Earnings per share:				
Basic and diluted	\$ (2.42)	N/A	\$ (18.34)	N/A

Lumine Group Inc.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (179,044)	\$ <i>Adjusted</i> 11,771	\$ (1,320,202)	\$ <i>Adjusted</i> 28,485
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	(4,657)	(10,338)	(4,968)	(22,581)
Other comprehensive (loss) income for the year, net of income tax	(4,657)	(10,338)	(4,968)	(22,581)
Total comprehensive income (loss) for the year	(183,701)	\$ 1,433	(1,325,170)	\$ 5,904

Lumine Group Inc.

Condensed Consolidated Interim Statement of Changes in Equity

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Unaudited

Nine months ended September 30, 2023

	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total equity
Balance at January 1, 2023	\$ -	\$ 162,692	\$ (8,912)	\$ -	\$ 153,780
<i>Total comprehensive income (loss) for the year:</i>					
Net income (loss)	-	-	-	(1,320,202)	(1,320,202)
<i>Other comprehensive income (loss):</i>					
Foreign currency translation differences from foreign operations and other	-	-	(4,968)	-	(4,968)
Total other comprehensive income (loss) for the year	-	-	(4,968)	(1,320,202)	(1,325,170)
Total comprehensive income (loss) for the year	-	-	(4,968)	(1,320,202)	(1,325,170)
Transaction with Parent, recorded directly in equity					
Capital contributions by Parent	-	22,451	-	-	22,451
Amalgamation with Lumine Group (Holdings) Inc.	-	(1,200,804)	-	-	(1,200,804)
Special Share conversion	-	-	-	5,110	5,110
Balance at September 30, 2023	\$ -	\$ (1,015,661)	\$ (13,880)	\$ (1,315,092)	\$ (2,344,633)

Lumine Group Inc.

Condensed Consolidated Interim Statement of Changes in Equity

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Unaudited and adjusted

Nine months ended September 30, 2022

	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Net parent investment	Total equity
Balance at January 1, 2022	\$ -	\$ -	\$ 3,229	\$ -	\$ 169,920	\$ 173,149
<i>Total comprehensive income (loss) for the year:</i>						
Net income (loss)	-	-	-	-	28,485	28,485
<i>Other comprehensive income (loss):</i>						
Foreign currency translation differences from foreign operations and other	-	-	(22,581)	-	-	(22,581)
Total other comprehensive income (loss) for the year	-	-	(22,581)	-	28,485	5,904
Total comprehensive income (loss) for the year	-	-	(22,581)	-	28,485	5,904
Transactions with Parent, recorded directly in equity						
Capital contributions	-	-	-	-	31,600	31,600
Dividends to Parent	-	-	-	-	(44,781)	(44,781)
Balance at September 30, 2022	\$ -	\$ -	\$ (19,352)	\$ -	\$ 185,224	\$ 165,873

Lumine Group Inc.

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of USD. Due to rounding, numbers presented may not foot.)

Unaudited	Three months ended September		Nine months ended September	
	2023	2022	2023	2022
	<i>Adjusted</i>		<i>Adjusted</i>	
Cash flows from (used in) operating activities:				
Net income (loss)	\$ (179,044)	\$ 11,771	\$ (1,320,202)	\$ 28,485
Adjustments for:				
Depreciation	2,120	1,855	5,825	4,165
Amortization of intangible assets	21,662	8,480	58,371	22,543
Contingent consideration adjustments	58	(4,612)	(2,420)	(3,187)
Preferred and Special Securities expense (income)	194,817	-	1,346,020	-
Finance and other expenses (income)	3,703	(210)	9,960	(1,244)
Income tax expense (recovery)	3,917	1,759	8,954	6,947
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	5,825	(5,167)	(4,563)	(28,422)
Income taxes (paid) received	(8,565)	(1,811)	(20,077)	(4,270)
Net cash flows from (used in) operating activities	44,494	12,065	81,868	25,017
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(205)	(56)	(464)	(121)
Interest paid on bank debt	(2,823)	-	(6,414)	-
Cash transferred from (to) Parent	(2,121)	(3,290)	(13,957)	66,835
Proceeds from issuance of bank debt	-	-	175,000	-
Repayments of bank debt	(50,244)	-	(50,897)	-
Transaction costs on bank debt	-	-	(1,771)	-
Payments of lease obligations	(1,419)	(640)	(3,784)	(2,003)
Issuance of Preferred Shares to Parent	-	-	181,484	-
Dividends paid	(12)	-	(24)	-
Net cash flows from (used in) in financing activities	(56,823)	(3,987)	279,173	64,711
Cash flows from (used in) investing activities:				
Acquisition of businesses	-	-	(314,760)	(79,845)
Cash obtained with acquired businesses	-	-	33,965	2,871
Post-acquisition settlement payments, net of receipts	(264)	(764)	(2,933)	(3,728)
Property and equipment purchased	(408)	(68)	(829)	(292)
Other investing activities	72	-	(584)	-
Net cash flows from (used in) investing activities	(600)	(832)	(285,142)	(80,995)
Effect of foreign currency on cash and cash equivalents	(1,828)	(1,436)	(1,839)	(1,466)
Increase (decrease) in cash	(14,758)	5,810	74,060	7,267
Cash, beginning of period	155,903	28,567	67,085	27,110
Cash, end of period	141,145	\$ 34,377	141,145	\$ 34,377