

# Lumine Group Inc. Announces Results for the Three and Six Months Ended June 30, 2023

August 3, 2023 - [Lumine Group Inc.](#) (“Lumine Group” or “the Company”) announces financial results for the three and six months ended June 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 six months ended June 30, 2023, management’s discussion and analysis (“MD&A”) for the three and six months ended June 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.sedar.com](http://www.sedar.com). Additional information about Lumine Group is also available on SEDAR and on Lumine Group’s website [www.luminegroup.com](http://www.luminegroup.com).

## Q2 2023 Headlines:

- Revenue grew 112% to \$129.9 million compared to \$61.3 million in the same quarter prior year (including 1% organic growth after adjusting for foreign exchange impacts).
- The Company generated operating income of \$36.4 million during the quarter, a 100% increase from \$18.2 million in the same quarter prior year.
- An expense of \$496.6 million was incurred in the quarter related primarily to the increase in fair value of the redeemable preferred and special securities, of which, \$476.6 million is related to the convertible shares and \$20 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 \$489.6 million during the quarter, from net income of \$8.8 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 \$14.3 million to \$22.4 million compared to \$8.1 million in Q2 2022, representing an increase of 176%.
- Free cash flow available to shareholders (“FCFA2S”) increased \$10.0 million to \$17.3 million compared to \$7.3 million in Q2 2022, representing an increase of 136%.

## Year-to-Date Q2 2023 Headlines:

- Revenue grew 86% to \$225.3 million compared to \$121.4 million in the same six-month period prior year (including 1% organic growth after adjusting for foreign exchange impacts).
- The Company generated operating income of \$58.0 million in the six-month period ended June 30, 2023, an increase of 66% from \$34.9 million in the same period prior year.

- An expense of \$1,151.2 million was incurred in the six-month period ended June 30, 2023 related to the increase in fair value of the redeemable preferred and special securities, of which, \$1,123.1 million is related to the convertible shares and \$28 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 \$1,141.2 million during the six-month period ended June 30, 2023, from net income of \$16.7 million in the same period prior year. The net loss is primarily related to the redeemable preferred and special securities expense.
- CFO increased \$24.4 million to \$37.4 million compared to \$12.9 million in the six-month period ended June 30, 2022, representing an increase of 189%.
- FCFA2S increased \$17.7 million to \$29.0 million compared to \$11.3 million in the six-month period ended June 30, 2022, representing an increase of 156%.

Total revenue for the three months ended June 30, 2023 was \$129.9 million, an increase of 112%, or \$68.6 million, compared to \$61.3 million for the comparable period in 2022. For the six months ended June 30, 2023, total revenue was \$225.3 million, an increase of 86%, or \$103.8 million, compared to \$121.4 million for the comparable period in 2022. The increase for the three and six month periods is primarily attributable to growth from acquisitions. The Company experienced organic growth of 0% and -4% for the three months and six months ended June 30, 2023, respectively, or +1% and +1%, 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 June 30, 2023 was \$36.4 million, an increase of 100%, or \$18.2 million, compared to \$18.2 million for the same period in 2022. Operating income for the six months ended June 30, 2023 was \$58.0 million, an increase of 66%, or \$23.1 million, compared to \$34.9 million for the same period in 2022. The increase for the three and six 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 June 30, 2023 was \$489.6 million compared to net income of \$8.8 million for the same period in 2022. Net loss for the six months ended June 30, 2023 was \$1,141.2 million compared to net income of \$16.7 million for the same period in 2022. The decrease in net income for the three and six month periods is primarily attributable to an expense of \$496.6 million for the three months ended June 30, 2023 and \$1,151.2 million for the six months ended June 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 June 30, 2023, CFO increased \$14.3 million to \$22.4 million compared to \$8.1 million for the same period in 2022 representing an increase of 176%. For the six months ended June 30, 2023, CFO increased \$24.4 million to \$37.4 million compared to \$12.9 million for the same period in 2022 representing an increase of 189%. 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 six months ended June 30, 2023 compared to the same period prior year.

For the three months ended June 30, 2023, FCFA2S increased \$10.0 million, or 136%, to \$17.3 million compared to \$7.3 million for the same period in 2022. For the six months ended June 30, 2023, FCFA2S increased \$17.7 million, or 156%, to \$29.0 million compared to \$11.3 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	(489.6)	8.8	(1,141.2)	16.7
Adjusted for:				
Amortization of intangible assets	21.9	7.3	36.7	14.1
Redeemable preferred and special securities expense	496.6	-	1,151.2	-
Finance and other expense (income)	4.3	(0.7)	6.3	(1.0)
Income tax expense (recovery)	3.2	2.7	5.0	5.2
Operating income (loss)	36.4	18.2	58.0	34.9

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net cash flows from operating activities:	22.4	8.1	37.4	12.9
Adjusted for:				
Interest paid on lease obligations	(0.2)	(0.0)	(0.3)	(0.1)
Interest paid on other facilities	(3.2)	-	(3.6)	-
Credit facility transaction costs	-	-	(1.8)	-
Payment of lease obligations	(1.5)	(0.6)	(2.4)	(1.4)
Dividends paid	(0.0)	-	(0.0)	-
Property and equipment purchased	(0.2)	(0.2)	(0.4)	(0.2)
Free cash flow available to shareholders	17.3	7.3	29.0	11.3

## 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](http://www.luminegroup.com).

## For further information:

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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

	June 30, 2023	December 31, 2022
		<i>Adjusted</i>
Assets		
Current assets:		
Cash	\$ 155,903	\$ 67,085
Accounts receivable	87,874	63,923
Unbilled revenue	30,875	9,419
Inventories	501	60
Other assets	29,400	23,050
	304,553	163,537
Non-current assets:		
Property and equipment	4,761	3,115
Right of use assets	13,940	5,349
Deferred income taxes	3,371	2,931
Other assets	14,846	8,492
Intangible assets and goodwill	778,668	210,119
	815,586	230,006
<b>Total assets</b>	<b>\$ 1,120,139</b>	<b>\$ 393,543</b>
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 73,795	\$ 64,762
Due to related parties, net	2,430	35,466
Current portion of bank debt	50,653	975
Deferred revenue	82,530	61,979
Provisions	1,390	22
Acquisition holdback payables	735	1,769
Lease obligations	5,825	2,069
Income taxes payable	15,996	12,217
Preferred and Special Securities	2,751,285	-
	2,984,639	179,259
Non-current liabilities:		
Deferred income taxes	139,875	30,579
Bank debt	141,199	18,138
Lease obligations	9,444	4,719
Other liabilities	6,983	7,068
	297,501	60,504
<b>Total liabilities</b>	<b>3,282,140</b>	<b>239,763</b>
Equity:		
Capital stock	-	-
Contributed surplus	(1,015,661)	162,692
Accumulated other comprehensive income (loss)	(9,223)	(8,912)
Retained earnings (deficit)	(1,137,117)	-
	(2,162,001)	153,780
Subsequent events		
<b>Total liabilities and equity</b>	<b>\$ 1,120,139</b>	<b>\$ 393,543</b>

# 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
		<i>Adjusted</i>		<i>Adjusted</i>
Revenue				
License	\$ 11,094	\$ 9,678	\$ 21,743	\$ 18,408
Professional services	23,440	12,313	40,267	24,822
Hardware and other	4,728	1,473	9,336	3,754
Maintenance and other recurring	90,623	37,803	153,920	74,449
	129,885	61,267	225,266	121,433
Expenses				
Staff	71,285	31,146	119,904	63,021
Hardware	3,132	747	6,451	2,097
Third party license, maintenance and professional services	8,050	2,923	12,785	5,345
Occupancy	789	443	1,566	857
Travel, telecommunications, supplies, software and equipment	5,214	2,570	9,886	4,836
Professional fees	2,919	3,044	10,232	3,853
Other, net	(94)	1,108	2,688	4,184
Depreciation	2,195	1,099	3,705	2,310
Amortization of intangible assets	21,873	7,339	36,709	14,063
	115,363	50,419	203,926	100,566
Redeemable Preferred and Special Securities expense	496,588	-	1,151,203	-
Finance and other expenses (income)	4,332	(654)	6,257	(1,034)
	500,920	(654)	1,157,460	(1,034)
Income (loss) before income taxes	(486,398)	11,502	(1,136,120)	21,901
Current income tax expense (recovery)	10,649	7,296	18,162	11,703
Deferred income tax expense (recovery)	(7,455)	(4,641)	(13,125)	(6,515)
Income tax expense (recovery)	3,194	2,655	5,037	5,188
Net income (loss)	\$ (489,592)	\$ 8,847	\$ (1,141,157)	\$ 16,713
Weighted average shares outstanding:				
Basic	74,008,247	N/A	70,914,357	N/A
Diluted	253,106,712	N/A	236,914,312	N/A
Earnings per share:				
Basic and diluted	\$ (6.62)	N/A	\$ (16.09)	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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (489,592)	\$ <i>Adjusted</i> 8,847	\$ (1,141,157)	\$ <i>Adjusted</i> 16,713
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	(900)	(9,624)	(311)	(12,243)
Other comprehensive (loss) income for the year, net of income tax	(900)	(9,624)	(311)	(12,243)
Total comprehensive income (loss) for the year	\$ (490,492)	\$ (777)	\$ (1,141,468)	\$ 4,470

# Lumine Group Inc.

## Condensed Consolidated Interim Statement of Changes in Equity

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

Unaudited

Six months ended June 30, 2023

	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total equity
<b>Balance at January 1, 2023</b>	\$ -	\$ 162,692	\$ (8,912)	\$ -	\$ 153,780
<i>Total comprehensive income (loss) for the year:</i>					
Net income (loss)	-	-	-	(1,141,157)	(1,141,157)
<i>Other comprehensive income (loss):</i>					
Foreign currency translation differences from foreign operations and other	-	-	(311)	-	(311)
<b>Total other comprehensive income (loss) for the year</b>	-	-	(311)	(1,141,157)	(1,141,468)
<b>Total comprehensive income (loss) for the year</b>	-	-	(311)	(1,141,157)	(1,141,468)
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	-	-	-	4,040	4,040
<b>Balance at June 30, 2023</b>	\$ -	\$ (1,015,661)	\$ (9,223)	\$ (1,137,117)	\$ (2,162,001)

# 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							
Six months ended June 30, 2022							
	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Net parent investment	Total equity	
<b>Balance at January 1, 2022</b>	\$ -	\$ -	\$ 3,229	\$ -	\$ 169,920	\$ 173,149	
<i>Total comprehensive income (loss) for the year:</i>							
Net income (loss)	-	-	-	-	16,713	16,713	
<i>Other comprehensive income (loss):</i>							
Foreign currency translation differences from foreign operations and other	-	-	(12,243)	-	-	(12,243)	
<b>Total other comprehensive income (loss) for the year</b>	-	-	<b>(12,243)</b>	-	<b>16,713</b>	<b>4,470</b>	
<b>Total comprehensive income (loss) for the year</b>	-	-	<b>(12,243)</b>	-	<b>16,713</b>	<b>4,470</b>	
Transactions with Parent, recorded directly in equity							
Capital contributions	-	-	-	-	31,600	31,600	
Dividends to Parent	-	-	-	-	(44,781)	(44,781)	
<b>Balance at June 30, 2022</b>	\$ -	\$ -	\$ (9,014)	\$ -	\$ 173,452	\$ 164,439	

# 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	<i>Adjusted</i>		<i>Adjusted</i>	
<b>Cash flows from (used in) operating activities:</b>				
Net income (loss)	\$ (489,592)	\$ 8,847	\$ (1,141,157)	\$ 16,713
Adjustments for:				
Depreciation	2,195	1,099	3,705	2,310
Amortization of intangible assets	21,873	7,339	36,709	14,063
Contingent consideration adjustments	(3,149)	281	(2,478)	1,425
Preferred and Special Securities expense (income)	496,588	-	1,151,203	-
Finance and other expenses (income)	4,332	(654)	6,257	(1,034)
Income tax expense (recovery)	3,194	2,655	5,037	5,188
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(6,357)	(10,552)	(10,388)	(23,260)
Income taxes (paid) received	(6,679)	(886)	(11,512)	(2,459)
<b>Net cash flows from (used in) operating activities</b>	<b>22,406</b>	<b>8,129</b>	<b>37,375</b>	<b>12,946</b>
<b>Cash flows from (used in) financing activities:</b>				
Interest paid on lease obligations	(167)	(34)	(259)	(65)
Interest paid on bank debt	(3,249)	-	(3,591)	-
Cash transferred from (to) Parent	(7,165)	66,935	(11,835)	70,127
Proceeds from issuance of bank debt	-	-	175,000	-
Repayments of bank debt	(410)	-	(654)	-
Transaction costs on bank debt	-	-	(1,771)	-
Payments of lease obligations	(1,525)	(619)	(2,365)	(1,363)
Issuance of Preferred Shares to Parent	-	-	181,484	-
Dividends paid	(12)	-	(12)	-
<b>Net cash flows from (used in) in financing activities</b>	<b>(12,528)</b>	<b>66,283</b>	<b>335,997</b>	<b>68,699</b>
<b>Cash flows from (used in) investing activities:</b>				
Acquisition of businesses	-	(79,845)	(314,760)	(79,845)
Cash obtained with acquired businesses	(0)	2,871	33,965	2,871
Post-acquisition settlement payments, net of receipts	(2,307)	84	(2,669)	(2,964)
Property and equipment purchased	(180)	(162)	(421)	(224)
Other investing activities	(657)	-	(657)	-
<b>Net cash flows from (used in) investing activities</b>	<b>(3,143)</b>	<b>(77,053)</b>	<b>(284,542)</b>	<b>(80,163)</b>
Effect of foreign currency on cash and cash equivalents	(314)	(218)	(12)	(27)
<b>Increase (decrease) in cash</b>	<b>6,421</b>	<b>(2,859)</b>	<b>88,818</b>	<b>1,456</b>
Cash, beginning of period	149,481	31,424	67,085	27,110
<b>Cash, end of period</b>	<b>\$ 155,902</b>	<b>\$ 28,566</b>	<b>\$ 155,903</b>	<b>\$ 28,566</b>