

Lumine Group Inc. Announces Results for the Three Months Ended March 31, 2023

May 15, 2023 - [Lumine Group Inc.](#) (“Lumine Group” or “the Company”) announces financial results for the three months ended March 31, 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 months ended March 31, 2023, management’s discussion and analysis (“MD&A”) for the three months ended March 31, 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. Additional information about Lumine Group is also available on SEDAR and on Lumine Group’s website www.luminegroup.com.

Q1 2023 Headlines:

- Revenue grew 59% to \$95.4 million compared to \$60.2 million in the same quarter prior year (including 1% organic growth after adjusting for foreign exchange impacts).
- In February 2023, Lumine Group completed its previously announced acquisition of WideOrbit Inc. (“WideOrbit”), and public listing of its subordinate voting shares on the TSX Venture Exchange. In relation to the acquisition and listing, Lumine Group issued 63,582,712 preferred securities and 10,204,294 special securities.
- An expense of \$654.6 million was incurred in the quarter related to the increase in fair value of the redeemable preferred and special securities, of which, \$646.5 million is non-cash related. 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 \$651.6 million during the quarter, from net income of \$7.9 million in the same quarter prior year. The net loss is primarily related to the redeemable preferred and special securities expense.
- Acquisitions were completed in Q1 2023 for aggregate consideration of \$544.3 million (which includes acquired cash). This includes deferred payments associated with these acquisitions with an estimated value of \$17.8 million.
- Cash flows from operations (“CFO”) increased \$10.2 million to \$15.0 million compared to \$4.8 million in Q1 2022, representing an increase of 211%.
- Free cash flow available to shareholders (“FCFA2S”) increased \$7.7 million to \$11.7 million compared to \$4.0 million in Q1 2022, representing an increase of 193%.

Total revenue for the quarter ended March 31, 2023 was \$95.4 million, an increase of 59%, or \$35.2 million, compared to \$60.2 million for the comparable period in 2022. The increase is primarily attributable to growth from acquisitions. The Company experienced organic growth of -3% for the three months ended March 31, 2023, or +1% after adjusting for foreign exchange impacts. Organic growth is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

Net loss for the quarter ended March 31, 2023 was \$651.6 million compared to net income of \$7.9 million for the same period in 2022. The decrease is primarily attributable to a \$654.6 million expense booked in Q1 2023 related to fair value adjustments and dividends on the redeemable preferred and special securities issued in the quarter in relation to the acquisition of WideOrbit and public listing of Lumine Group.

For the quarter ended March 31, 2023, CFO increased \$10.2 million to \$15.0 million compared to \$4.8 million for the same period in 2022 representing an increase of 211%. 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 three months ended March 31, 2023 compared to the same period prior year.

For the quarter ended March 31, 2023, FCFA2S increased \$7.7 million, or 193%, to \$11.7 million compared to \$4.0 million for the same period in 2022. The increase is primarily a result of higher CFO during the period.

Non-IFRS Measures

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, and includes interest and dividends received. 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 do not make any acquisitions, or investments, and do 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 March 31,	
	2023	2022
Net cash flows from operating activities:	15.0	4.8
Adjusted for:		
Interest paid on lease obligations	(0.1)	(0.0)
Interest paid on other facilities	(0.3)	-
Credit facility transaction costs	(1.8)	-
Payment of lease obligations	(0.8)	(0.7)
Property and equipment purchased	(0.2)	(0.1)
Free cash flow available to shareholders	11.7	4.0

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

	March 31, 2023	December 31, 2022
		<i>Adjusted</i>
Assets		
Current assets:		
Cash	\$ 149,481	\$ 67,085
Accounts receivable	102,186	64,014
Unbilled revenue	34,988	9,982
Inventories	533	60
Other assets	32,625	22,944
	319,813	164,085
Non-current assets:		
Property and equipment	5,314	3,138
Right of use assets	15,157	5,349
Deferred income taxes	2,516	2,931
Other assets	16,141	8,492
Intangible assets and goodwill	809,213	212,619
	848,341	232,529
Total assets	\$ 1,168,154	\$ 396,614
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 81,237	\$ 63,158
Due to related parties, net	8,768	35,466
Current portion of bank debt	650	975
Deferred revenue	94,277	61,768
Provisions	-	22
Acquisition holdback payables	5,168	3,496
Lease obligations	5,869	2,069
Income taxes payable	14,391	15,047
Preferred and Special Securities	2,257,682	-
	2,468,042	182,001
Non-current liabilities:		
Deferred income taxes	158,807	32,687
Bank debt	191,488	18,138
Lease obligations	10,695	4,719
Other liabilities	13,604	5,289
	374,594	60,833
Total liabilities	2,842,636	242,834
Equity:		
Capital stock	-	-
Net parent investment	-	-
Contributed surplus	(1,015,661)	162,692
Accumulated other comprehensive income (loss)	(8,323)	(8,912)
Retained earnings (deficit)	(650,498)	-
	(1,674,482)	153,780
Total liabilities and equity	\$ 1,168,154	\$ 396,614

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 March 31,	
	2023	2022
		<i>Adjusted</i>
Revenue		
License	\$ 10,649	\$ 8,730
Professional services	16,827	12,509
Hardware and other	4,608	2,281
Maintenance and other recurring	63,297	36,646
	95,381	60,166
Expenses		
Staff	48,619	31,875
Hardware	3,319	1,350
Third party license, maintenance and professional services	4,735	2,422
Occupancy	777	414
Travel, telecommunications, supplies, software and equipment	4,672	2,266
Professional fees	7,313	809
Other, net	2,782	3,076
Depreciation	1,510	1,211
Amortization of intangible assets	14,836	6,724
	88,563	50,147
Redeemable Preferred and Special Securities expense	654,615	-
Finance and other expenses (income)	1,925	(380)
	656,540	(380)
Income (loss) before income taxes	(649,722)	10,400
Current income tax expense (recovery)	7,513	4,407
Deferred income tax expense (recovery)	(5,670)	(1,874)
Income tax expense (recovery)	1,843	2,533
Net income (loss)	\$ (651,565)	\$ 7,867
Weighted average shares outstanding:		
Basic	67,787,851	N/A
Diluted	236,683,131	N/A
Earnings per share:		
Basic and diluted	\$ (9.61)	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 March 31,	
	2023	2022
Net income (loss)	\$ (651,565)	\$ <i>Adjusted</i> 7,867
Items that are or may be reclassified subsequently to net income (loss):		
Foreign currency translation differences from foreign operations and other	589	(2,619)
Other comprehensive (loss) income for the year, net of income tax	589	(2,619)
Total comprehensive income (loss) for the year	\$ (650,976)	\$ 5,248

Lumine Group Inc.

Condensed Consolidated Interim Statement of Changes in Equity

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

Unaudited

Three months ended March 31, 2023

	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Net parent investment	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)	-	-	-	(651,565)	-	(651,565)
<i>Other comprehensive income (loss):</i>						
Foreign currency translation differences from foreign operations and other	-	-	589	-	-	589
Total other comprehensive income (loss) for the year	-	-	589	(651,565)	-	(650,976)
Total comprehensive income (loss) for the year	-	-	589	(651,565)	-	(650,976)
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	-	-	-	1,067	-	1,067
Balance at March 31, 2023	\$ -	\$ (1,015,661)	\$ (8,323)	\$ (650,498)	\$ -	\$ (1,674,482)

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

Three months ended March 31, 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)	-	-	-	-	7,867	7,867
<i>Other comprehensive income (loss):</i>						
Foreign currency translation differences from foreign operations and other	-	-	(2,619)	-	-	(2,619)
Total other comprehensive income (loss) for the year	-	-	(2,619)	-	7,867	5,248
Total comprehensive income (loss) for the year	-	-	(2,619)	-	7,867	5,248
Transactions with Parent, recorded directly in equity						
Dividends to Parent	-	-	-	-	-	-
Balance at March 31, 2022	\$ -	\$ -	\$ 610	\$ -	\$ 177,787	\$ 178,397

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 March 31,	
	2023	2022
		<i>Adjusted</i>
Cash flows from (used in) operating activities:		
Net income (loss)	\$ (651,565)	\$ 7,867
Adjustments for:		
Depreciation	1,510	1,211
Amortization of intangible assets	14,836	6,724
Contingent consideration adjustments	670	1,144
Preferred and Special Securities expense (income)	654,615	-
Finance and other expenses (income)	1,925	(380)
Income tax expense (recovery)	1,843	2,533
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(4,031)	(12,707)
Income taxes (paid) received	(4,834)	(1,573)
Net cash flows from (used in) operating activities	14,969	4,818
Cash flows from (used in) financing activities:		
Interest paid on lease obligations	(93)	(31)
Interest paid on bank debt	(342)	-
Cash transferred from (to) Parent	(4,670)	3,192
Proceeds from issuance of bank debt	175,000	-
Repayments of bank debt	(244)	-
Transaction costs on bank debt	(1,771)	-
Payments of lease obligations	(840)	(743)
Issuance of Preferred Shares to Parent	181,484	-
Net cash flows from (used in) in financing activities	348,524	2,417
Cash flows from (used in) investing activities:		
Acquisition of businesses	(314,760)	-
Cash obtained with acquired businesses	33,965	-
Post-acquisition settlement payments, net of receipts	(362)	(3,048)
Property and equipment purchased	(241)	(62)
Net cash flows from (used in) investing activities	(281,399)	(3,111)
Effect of foreign currency on cash and cash equivalents	302	189
Increase (decrease) in cash	82,396	4,313
Cash, beginning of period	67,085	27,110
Cash, end of period	\$ 149,481	\$ 31,424