

Lumine Group Inc. Announces Results for the Three and Six Months Ended June 30, 2024

August 7, 2024 - [Lumine Group Inc.](#) (“Lumine Group” or “the Company”) (TSXV:LMN) announces financial results for the three and six months ended June 30, 2024. 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, 2024, and management’s discussion and analysis (“MD&A”) for the three and six months ended June 30, 2024, 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.

Q2 2024 Headlines:

- Revenue grew 25% to \$162.8 million compared to \$129.9 million in the same quarter prior year (including -12% organic growth after adjusting for foreign exchange impacts).
- The Company generated operating income of \$36.6 million during the quarter, a 1% increase from \$36.4 million in the same quarter prior year.
- The Company generated a net loss of \$2.2 million during the quarter, from net loss of \$489.1 million in the same quarter prior year.
- Cash flows from operations (“CFO”) decreased \$12.4 million to \$10.0 million compared to \$22.4 million in Q2 2023, representing a decrease of 55%.
- Free cash flow available to shareholders (“FCFA2S”) decreased \$14.5 million to \$2.8 million compared to \$17.3 million in Q2 2023, representing a decrease of 84%.

Year-to-Date Q2 2024 Headlines:

- Revenue grew 35% to \$303.9 million compared to \$225.3 million in the same six-month period prior year (including -8% organic growth after adjusting for foreign exchange impacts).
- The Company generated operating income of \$81.1 million in the six-month period ended June 30, 2024, an increase of 40% from \$58.0 million in the same period prior year.
- An expense of \$317.4 million was incurred in the six-month period ended June 30, 2024 up to the Mandatory Conversion Date, \$298.7 million is related to the mark to market adjustments on the fair value of the Preferred and Special Securities and \$18.7 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 \$306.6 million during the six-month period ended June 30, 2024, from net loss of \$1,140.7 million in the same period prior year. The net loss is primarily related to the redeemable preferred and special securities expense in 2023.

- CFO increased \$7.7 million to \$45.0 million compared to \$37.4 million in the six-month period ended June 30, 2023, representing an increase of 21%.
- FCFA2S increased \$2.6 million to \$31.5 million compared to \$29.0 million in the six-month period ended June 30, 2023, representing an increase of 9%.

Total revenue for the three months ended June 30, 2024 is \$162.8 million, an increase of 25%, or \$32.9 million, compared to \$129.9 million for the comparable period in 2023. For the six months ended June 30, 2024, total revenue was \$303.9 million, an increase of 35%, or \$78.7 million, compared to \$225.3 million for the comparable period in 2023. The increase for the three and six months compared to the same period in the prior year is attributable to revenues from new acquisitions. The Company experienced organic growth of -12% and -7%, respectively for the three and six months ended June 30, 2024, or -12% and -8% after adjusting for the impact of changes in the valuation of the US dollar against most major currencies in which the Company transacts business. 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, 2024 was \$36.6 million, an increase of 1%, or \$0.2 million, compared to \$36.4 million for the same period in 2023. Operating income for the six months ended June 30, 2024 was \$81.1 million, an increase of 40%, or \$23.0 million, compared to \$58.0 million for the same period in 2023. The increase for the three and six month periods is primarily attributable to growth from 2023 acquisitions partially offset by current period losses from 2024 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, 2024 was \$2.2 million compared to net loss of \$489.1 million for the same period in 2023. Net loss for the six months ended June 30, 2024 was \$306.6 million compared to net loss of \$1,140.7 million for the same period in 2023. The decrease in net loss for the three and six month periods is primarily attributable to the Mandatory Conversion of Preferred and Special Securities on March 25, 2024 such that no further preferred and special securities expense was booked in the current quarter.

For the three months ended June 30, 2024, CFO decreased \$12.4 million to \$10.0 million compared to \$22.4 million for the same period in 2023 representing a decrease of 55%. The decrease in CFO is primarily attributable to current period losses from 2024 acquisitions.

For the six months ended June 30, 2024, CFO increased \$7.7 million to \$45.0 million compared to \$37.4 million for the same period in 2023 representing an increase of 21%. 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, 2024 compared to the same period prior year.

For the three months ended June 30, 2024, FCFA2S decreased \$14.5 million, or 84%, to \$2.8 million compared to \$17.3 million for the same period in 2023. The decrease is primarily a result of lower CFO during the period. For the six months ended June 30, 2024, FCFA2S increased \$2.6 million, or 9%, to \$31.5 million compared to \$29.0 million for the same period in 2023. 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,	
	2024	2023	2024	2023
Net income (loss)	(2.2)	(489.1)	(306.6)	(1,140.7)
Adjusted for:				
Amortization of intangible assets	29.2	21.5	52.0	36.3
Redeemable preferred and special securities expense	-	496.6	317.4	1,151.2
Finance and other expense (income)	5.7	4.3	10.0	6.3
Income tax expense (recovery)	3.9	3.1	8.3	4.9
Operating income (loss)	36.6	36.4	81.1	58.0

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,	
	2024	2023	2024	2023
Net cash flows from operating activities:	10.0	22.4	45.0	37.4
Adjusted for:				
Interest paid on lease obligations	(0.1)	(0.2)	(0.3)	(0.3)
Interest paid on other facilities	(5.1)	(3.2)	(7.6)	(3.6)
Credit facility transaction costs	(0.2)	0.0	(1.8)	(1.8)
Payment of lease obligations	(1.5)	(1.5)	(3.0)	(2.4)
Property and equipment purchased	(0.4)	(0.2)	(0.7)	(0.4)
Free cash flow available to shareholders	2.8	17.3	31.5	29.0

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

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 167,773	\$ 146,509
Accounts receivable, net	127,329	104,955
Unbilled revenue, net	49,828	39,858
Inventories	561	521
Other assets	46,780	46,377
	<u>392,271</u>	<u>338,220</u>
Non-current assets:		
Property and equipment	7,138	4,164
Right of use assets	9,060	11,973
Deferred income taxes	6,371	6,197
Other assets	11,518	13,063
Intangible assets and goodwill	845,525	762,665
	<u>879,612</u>	<u>798,062</u>
Total assets	\$ 1,271,883	\$ 1,136,282
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 100,821	\$ 97,533
Due to related parties, net	1,529	2,380
Current portion of bank debt	2,166	3,071
Deferred revenue	97,110	91,726
Acquisition holdback payables	318	319
Lease obligations	6,073	6,358
Income taxes payable	11,702	12,436
Preferred and Special Securities	-	4,469,996
	<u>219,720</u>	<u>4,683,819</u>
Non-current liabilities:		
Deferred income taxes	115,341	124,878
Bank debt	288,818	149,636
Lease obligations	4,079	6,921
Other liabilities	9,684	12,995
	<u>417,922</u>	<u>294,430</u>
Total liabilities	637,641	4,978,249
Equity:		
Capital stock	490,669	-
Contributed surplus	185,142	(1,015,661)
Accumulated other comprehensive income (loss)	(10,896)	(6,296)
Retained earnings (deficit)	(30,673)	(2,820,010)
	<u>634,242</u>	<u>(3,841,967)</u>
Subsequent events		
Total liabilities and equity	\$ 1,271,883	\$ 1,136,282

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,	
	2024	2023	2024	2023
Revenue				
License	\$ 11,687	\$ 11,094	\$ 23,407	\$ 21,743
Professional services	28,909	23,440	53,842	40,267
Hardware and other	2,326	4,728	4,743	9,336
Maintenance and other recurring	119,903	90,623	221,932	153,920
	162,825	129,885	303,924	225,266
Expenses				
Staff	87,704	71,285	160,733	119,904
Hardware	1,418	3,132	2,938	6,451
Third party license, maintenance and professional services	11,867	8,050	20,406	12,785
Occupancy	975	789	1,871	1,566
Travel, telecommunications, supplies, software and equipment	12,751	5,214	19,508	9,886
Professional fees	5,655	2,919	8,487	10,232
Other, net	3,509	(94)	4,455	2,688
Depreciation	2,337	2,195	4,452	3,705
Amortization of intangible assets	29,211	21,481	52,032	36,317
	155,427	114,971	274,882	203,535
Redeemable Preferred and Special Securities expense	-	496,588	317,362	1,151,203
Finance and other expenses (income)	5,698	4,332	9,970	6,257
	5,698	500,920	327,332	1,157,460
Income (loss) before income taxes	1,700	(486,006)	(298,290)	(1,135,729)
Current income tax expense (recovery)	9,209	10,649	17,555	18,162
Deferred income tax expense (recovery)	(5,274)	(7,557)	(9,272)	(13,227)
Income tax expense (recovery)	3,935	3,092	8,283	4,935
Net income (loss)	\$ (2,235)	\$ (489,098)	\$ (306,573)	\$ (1,140,664)
Weighted average shares outstanding:				
Basic	256,620,388	74,008,247	171,366,154	70,914,357
Diluted	256,620,388	253,106,712	254,978,572	236,914,312
Earnings per share:				
Basic and diluted	\$ (0.01)	\$ (6.61)	\$ (1.79)	\$ (16.09)

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,	
	2024	2023	2024	2023
Net income (loss)	\$ (2,235)	\$ (489,098)	\$ (306,573)	\$ (1,140,664)
Items that are or may be reclassified subsequently to net income (loss):				
Foreign currency translation differences from foreign operations and other	5,321	(900)	(4,600)	(311)
Other comprehensive (loss) income for the year, net of income tax	5,321	(900)	(4,600)	(311)
Total comprehensive income (loss) for the year	\$ 3,086	\$ (489,998)	\$ (311,173)	\$ (1,140,975)

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, 2024

	Capital stock	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total equity
Balance at January 1, 2024	\$ -	\$ (1,015,661)	\$ (6,296)	\$ (2,820,010)	\$ (3,841,967)
<i>Total comprehensive income (loss) for the period:</i>					
Net income (loss)	-	-	-	(306,573)	(306,573)
<i>Other comprehensive income (loss):</i>					
Foreign currency translation differences from foreign operations and other	-	-	(4,600)	-	(4,600)
Total other comprehensive income (loss) for the period	-	-	(4,600)	-	(4,600)
Total comprehensive income (loss) for the period	-	-	(4,600)	(306,573)	(311,173)
Mandatory Conversion of Special and Preferred Shares	87,368	-	-	-	87,368
Settlement of Preferred and Special Share Dividends in Subordinate Voting Shares	403,301	1,200,803	-	3,095,910	4,700,014
Balance at June 30, 2024	\$ 490,669	\$ 185,142	\$ (10,896)	\$ (30,673)	\$ 634,242

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
Balance at January 1, 2023	\$ -	\$ 162,692	\$ (8,912)	\$ -	\$ 153,780
<i>Total comprehensive income (loss) for the period:</i>					
Net income (loss)	-	-	-	(1,140,664)	(1,140,664)
<i>Other comprehensive income (loss):</i>					
Foreign currency translation differences from foreign operations and other	-	-	(311)	-	(311)
Total other comprehensive income (loss) for the period	-	-	(311)	-	(311)
Total comprehensive income (loss) for the period	-	-	(311)	(1,140,664)	(1,140,975)
Transactions with Parent, recorded directly in equity					
Capital contributions by Parent	-	22,451	-	-	22,451
Amalgamation with Lumine Group (Holdings) Inc.	-	(1,200,803)	-	-	(1,200,803)
Special Share conversion	-	-	-	4,040	4,040
Balance at June 30, 2023	\$ -	\$ (1,015,660)	\$ (9,223)	\$ (1,136,624)	\$ (2,161,507)

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,	
	2024	2023	2024	2023
Cash flows from (used in) operating activities:				
Net income (loss)	\$ (2,235)	\$ (489,098)	\$ (306,573)	\$ (1,140,664)
Adjustments for:				
Depreciation	2,337	2,195	4,452	3,705
Amortization of intangible assets	29,211	21,481	52,032	36,317
Contingent consideration adjustments	915	(3,149)	958	(2,478)
Preferred and Special Securities expense (income)	-	496,588	317,362	1,151,203
Finance and other expenses (income)	5,698	4,332	9,970	6,257
Income tax expense (recovery)	3,935	3,092	8,283	4,935
Change in non-cash operating assets and liabilities exclusive of effects of business combinations	(26,134)	(6,355)	(34,127)	(10,388)
Income taxes (paid) received	(3,680)	(6,679)	(7,317)	(11,512)
Net cash flows from (used in) operating activities	10,047	22,407	45,040	37,375
Cash flows from (used in) financing activities:				
Interest paid on lease obligations	(130)	(167)	(284)	(259)
Interest paid on bank debt	(5,130)	(3,249)	(7,602)	(3,591)
Cash transferred from (to) Parent	118	(7,165)	(1,990)	(11,835)
Proceeds from issuance of bank debt	50,500	-	140,500	175,000
Repayments of bank debt	(244)	(410)	(488)	(654)
Transaction costs on bank debt	(194)	-	(1,849)	(1,771)
Payments of lease obligations	(1,468)	(1,525)	(3,034)	(2,365)
Issuance of Preferred Shares to Parent	-	-	-	181,484
Dividends paid	-	(12)	-	(12)
Net cash flows from (used in) in financing activities	43,452	(12,528)	125,253	335,997
Cash flows from (used in) investing activities:				
Acquisition of businesses	(144,325)	-	(144,325)	(314,760)
Cash obtained with acquired businesses	-	-	-	33,965
Post-acquisition settlement payments, net of receipts	-	(2,307)	(685)	(2,669)
Property and equipment purchased	(363)	(180)	(724)	(421)
Other investing activities	(271)	(657)	(265)	(657)
Net cash flows from (used in) investing activities	(144,959)	(3,143)	(145,999)	(284,542)
Effect of foreign currency on cash and cash equivalents	(554)	(314)	(3,030)	(12)
Increase (decrease) in cash	(92,014)	6,422	21,264	88,818
Cash, beginning of period	259,787	149,481	146,509	67,085
Cash, end of period	\$ 167,773	\$ 155,903	\$ 167,773	\$ 155,903