

Lumine Group Inc. Announces Results for the Three and Twelve Months Ended December 31, 2023

March 4, 2024 - [Lumine Group Inc.](#) ("Lumine Group" or "the Company") announces financial results for the three and twelve months ended December 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 annual consolidated financial statements for the year ended December 31, 2023, management's discussion and analysis ("MD&A") for the year ended December 31, 2023, 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.

Q4 2023 Headlines:

- Revenue grew 110% to \$143.1 million compared to \$68.3 million in the same quarter prior year.
- The Company generated operating income of \$41.6 million during the quarter, a 294% increase from \$10.6 million in the same quarter prior year.
- An expense of \$1,525.0 million was incurred in the quarter related primarily to the increase in fair value of the redeemable preferred and special securities, of which, \$1,504.8 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 \$1,506.1 million during the quarter, from net loss of \$1.1 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 \$16.7 million to \$26.4 million compared to \$9.6 million in Q4 2022, representing an increase of 174%.
- Free cash flow available to shareholders ("FCFA2S") increased \$12.5 million to \$20.3 million compared to \$7.7 million in Q4 2022, representing an increase of 161%.

Year-to-Date Q4 2023 Headlines:

- Revenue grew 95% to \$499.7 million compared to \$255.7 million in the same twelve-month period prior year.
- The Company generated operating income of \$144.7 million in the twelve-month period ended December 31, 2023, an increase of 115% from \$67.3 million in the same period prior year.
- An expense of \$2,871.0 million was incurred in the twelve-month period ended December 31, 2023 related to the increase in fair value of the redeemable preferred and special securities, of which, \$2,802.5 million is related to the convertible shares and \$68.5 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 \$2,826.3 million during the twelve-month period ended December 31, 2023, from net income of \$27.4 million in the same period prior year. The net loss is primarily related to the redeemable preferred and special securities expense.
- CFO increased \$73.6 million to \$108.2 million compared to \$34.6 million in the twelve-month period ended December 31, 2022, representing an increase of 213%.
- FCFA2S increased \$58.5 million to \$88.8 million compared to \$30.3 million in the twelve-month period ended December 31, 2022, representing an increase of 193%.

Total revenue for the three months ended December 31, 2023 was \$143.1 million, an increase of 110%, or \$74.8 million, compared to \$68.3 million for the comparable period in 2022. For the twelve months ended December 31, 2023, total revenue was \$499.7 million, an increase of 95%, or \$243.9 million, compared to \$255.7 million for the comparable period in 2022. The increase for the three and twelve months ended December 31, 2023 compared to the same periods in the prior year is primarily attributable to revenues from new acquisitions. Organic growth is -3% and 0%, respectively, for the three and twelve months ended December 31, 2023, 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 December 31, 2023 was \$41.6 million compared to \$10.6 million for the same period in 2022. For the twelve months ended December 31, 2023, operating income was \$144.7 million compared to \$67.3 million for the same period in 2022. The increase for the three and twelve 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 December 31, 2023 was \$1,506.1 million compared to net loss of \$1.1 million for the same period in 2022. Net loss for the twelve months ended December 31, 2023 was \$2,826.3 million compared to net income of \$27.4 million for the same period in 2022. The decrease in net income for the three and twelve month periods is primarily attributable to an expense of \$1,525.0 million for the three months ended December 31, 2023 and \$2,871.0 million for the twelve months ended December 31, 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 December 31, 2023, CFO increased \$16.7 million to \$26.4 million compared to \$9.6 million for the same period in 2022 representing an increase of 174%. For the twelve months ended December 31, 2023, CFO increased \$73.6 million to \$108.2 million compared to \$34.6 million for the same period in 2022 representing an increase of 213%. 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 year ended December 31, 2023 compared to the same period prior year.

For the three months ended December 31, 2023, FCFA2S increased \$12.5 million to \$20.3 million compared to \$7.7 million for the same period in 2022 representing an increase of 161%. For the twelve months ended December 31, 2023, FCFA2S increased \$58.5 million to \$88.8 million compared to \$30.3 million for the same period in 2022 representing an increase of 193%. The increase in the three and twelve months ended December 31, 2023 is driven by higher CFO compared to the same periods in 2022 partly offset by interest paid on bank debt. 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 December 31, | | Year ended December 31, | |
|---|------------------------------------|-------|----------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income (loss) | (1,506.1) | (1.1) | (2,826.3) | 27.4 |
| Adjusted for: | | | | |
| Amortization of intangible assets | 22.9 | 9.3 | 81.2 | 31.8 |
| Redeemable preferred and special securities expense | 1,525.0 | - | 2,871.0 | - |
| Finance and other expense (income) | 1.1 | 0.8 | 11.1 | (0.4) |
| Income tax expense (recovery) | (1.3) | 1.5 | 7.6 | 8.5 |
| Operating income (loss) | 41.6 | 10.6 | 144.7 | 67.3 |

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 December 31, | | Year ended December 31, | |
|---|---------------------------------|-------|-------------------------|-------|
| | 2023 | 2022 | 2023 | 2022 |
| Net cash flows from operating activities: | 26.4 | 9.6 | 108.2 | 34.6 |
| Adjusted for: | | | | |
| Interest paid on lease obligations | (0.2) | (0.1) | (0.6) | (0.2) |
| Interest paid on other facilities | (4.0) | (0.2) | (10.4) | (0.2) |
| Credit facility transaction costs | (0.2) | (0.3) | (1.9) | (0.3) |
| Payment of lease obligations | (1.5) | (0.8) | (5.3) | (2.8) |
| Dividends paid | - | - | (0.0) | - |
| Property and equipment purchased | (0.3) | (0.5) | (1.1) | (0.8) |
| Free cash flow available to shareholders | 20.3 | 7.7 | 88.8 | 30.3 |

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.

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Lumine Group Inc.

Consolidated Statements of Financial Position

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

| | December 31, 2023 | December 31, 2022 |
|---|---------------------|-----------------------------|
| | | <i>Adjusted¹</i> |
| Assets | | |
| Current assets: | | |
| Cash | \$ 146,509 | \$ 67,085 |
| Accounts receivable | 104,955 | 64,849 |
| Unbilled revenue | 39,858 | 9,805 |
| Inventories | 521 | 60 |
| Other assets | 40,392 | 23,087 |
| | 332,235 | 164,886 |
| Non-current assets: | | |
| Property and equipment | 4,164 | 3,115 |
| Right of use assets | 11,973 | 5,349 |
| Deferred income taxes | 6,197 | 2,931 |
| Other assets | 13,063 | 8,492 |
| Intangible assets and goodwill | 780,164 | 208,053 |
| | 815,561 | 227,940 |
| Total assets | \$ 1,147,796 | \$ 392,826 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 97,722 | \$ 65,362 |
| Due to related parties, net | 2,380 | 35,466 |
| Current portion of bank debt | 3,071 | 975 |
| Deferred revenue | 91,752 | 61,547 |
| Provisions | - | 22 |
| Acquisition holdback payables | 319 | 1,242 |
| Lease obligations | 6,358 | 2,069 |
| Income taxes payable | 12,873 | 8,413 |
| Preferred and Special Securities | 4,469,996 | - |
| | 4,684,471 | 175,096 |
| Non-current liabilities: | | |
| Deferred income taxes | 136,874 | 34,025 |
| Bank debt | 149,636 | 18,138 |
| Lease obligations | 6,921 | 4,719 |
| Other liabilities | 12,995 | 7,068 |
| | 306,426 | 63,950 |
| Total liabilities | 4,990,897 | 239,046 |
| Equity: | | |
| Capital stock | - | - |
| Contributed surplus | (1,015,661) | 162,692 |
| Accumulated other comprehensive income (loss) | (6,296) | (8,912) |
| Retained earnings (deficit) | (2,821,144) | - |
| | (3,843,101) | 153,780 |
| Subsequent events | | |
| Total liabilities and equity | \$ 1,147,796 | \$ 392,826 |

¹ The Company has restated its comparative financial information to include the results of Lumine Holdings from January 1, 2022. Refer to Note 2(b) to the Company's annual consolidated financial statements.

Lumine Group Inc.

Consolidated Statements of Income (Loss)

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

| | Year ended December 31, | |
|--|-------------------------|-----------------------------|
| | 2023 | 2022 |
| | | <i>Adjusted^f</i> |
| Revenue | | |
| License | \$ 46,140 | \$ 38,731 |
| Professional services | 89,312 | 49,771 |
| Hardware and other | 19,864 | 7,273 |
| Maintenance and other recurring | 344,353 | 159,970 |
| | 499,669 | 255,745 |
| Expenses | | |
| Staff | 252,941 | 134,316 |
| Hardware | 13,042 | 4,617 |
| Third party license, maintenance and professional services | 29,445 | 11,040 |
| Occupancy | 3,680 | 2,936 |
| Travel, telecommunications, supplies, software and equipment | 21,497 | 11,610 |
| Professional fees | 16,561 | 12,289 |
| Other, net | 9,913 | 6,334 |
| Depreciation | 7,890 | 5,303 |
| Amortization of intangible assets | 81,223 | 31,836 |
| | 436,192 | 220,281 |
| Redeemable Preferred and Special Securities expense | 2,870,997 | - |
| Finance and other expenses (income) | 11,085 | (414) |
| | 2,882,082 | (414) |
| Income (loss) before income taxes | (2,818,605) | 35,878 |
| Current income tax expense (recovery) | 24,795 | 15,742 |
| Deferred income tax expense (recovery) | (17,146) | (7,266) |
| Income tax expense (recovery) | 7,649 | 8,476 |
| Net income (loss) | \$ (2,826,254) | \$ 27,402 |
| Weighted average shares outstanding: | | |
| Basic | 72,499,119 | 63,582,713 |
| Diluted | 245,076,178 | 197,812,346 |
| Earnings per share: | | |
| Basic | \$ (38.98) | \$ 0.43 |
| Diluted | \$ (38.98) | \$ 0.14 |

² The Company has restated its comparative financial information to include the results of Lumine Holdings from January 1, 2022. Refer to Note 2(b) to the Company's annual consolidated financial statements.

Lumine Group Inc.

Consolidated Statements of Comprehensive Income (Loss)

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

| | Year ended December 31, | |
|--|-------------------------|--|
| | 2023 | 2022 |
| Net income (loss) | \$ (2,826,254) | \$ <i>Adjusted</i> ³ 27,402 |
| Items that are or may be reclassified subsequently to net income (loss): | | |
| Foreign currency translation differences from foreign operations and other | 2,616 | (12,141) |
| Other comprehensive (loss) income for the year, net of income tax | 2,616 | (12,141) |
| Total comprehensive income (loss) for the year | \$ (2,823,638) | \$ 15,261 |

³ The Company has restated its comparative financial information to include the results of Lumine Holdings from January 1, 2022. Refer to Note 2(b) to the Company's annual consolidated financial statements.

Lumine Group Inc.

Consolidated Statement of Changes in Equity

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

| Year ended December 31, 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) | - | - | - | (2,826,254) | (2,826,254) |
| <i>Other comprehensive income (loss):</i> | | | | | |
| Foreign currency translation differences from foreign operations and other | - | - | 2,616 | - | 2,616 |
| Total other comprehensive income (loss) for the year | - | - | 2,616 | - | 2,616 |
| Total comprehensive income (loss) for the year | - | - | 2,616 | (2,826,254) | (2,823,638) |
| 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 December 31, 2023 | \$ - | \$ (1,015,661) | \$ (6,296) | \$ (2,821,144) | \$ (3,843,101) |

Lumine Group Inc.

Consolidated Statement of Changes in Equity

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

| Adjusted ⁴ | | | | | | | |
|--|---------------|---------------------|---|-----------------------------|-----------------------|-----------------|--|
| Year ended December 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) | - | - | - | - | 27,402 | 27,402 | |
| <i>Other comprehensive income (loss):</i> | | | | | | | |
| Foreign currency translation differences from foreign operations and other | - | - | (12,141) | - | - | (12,141) | |
| Total other comprehensive income (loss) for the year | - | - | (12,141) | - | - | (12,141) | |
| Total comprehensive income (loss) for the year | - | - | (12,141) | - | 27,402 | 15,261 | |
| Transactions with Parent, recorded directly in equity | | | | | | | |
| Capital contributions | - | - | - | - | 76,400 | 76,400 | |
| Dividends to Parent | - | - | - | - | (111,030) | (111,030) | |
| Acquisition of Lumine Portfolio entities | - | 162,692 | - | - | (162,692) | - | |
| Balance at December 31, 2022 | \$ - | \$ 162,692 | \$ (8,912) | \$ - | \$ - | \$ 153,780 | |

⁴ The Company has restated its comparative financial information to include the results of Lumine Holdings from January 1, 2022. Refer to Note 2(b) to the Company's annual consolidated financial statements.

Lumine Group Inc.

Consolidated Statements of Cash Flows

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

| | Year ended December 31, | |
|---|-------------------------|-----------------------------|
| | 2023 | 2022 |
| | | <i>Adjusted⁵</i> |
| Cash flows from (used in) operating activities: | | |
| Net income (loss) | \$ (2,826,254) | \$ 27,402 |
| Adjustments for: | | |
| Depreciation | 7,890 | 5,303 |
| Amortization of intangible assets | 81,223 | 31,836 |
| Contingent consideration adjustments | (729) | (2,130) |
| Preferred and Special Securities expense (income) | 2,870,997 | - |
| Finance and other expenses (income) | 11,085 | (414) |
| Income tax expense (recovery) | 7,649 | 8,476 |
| Change in non-cash operating assets and liabilities exclusive of effects of business combinations | (12,483) | (26,755) |
| Income taxes (paid) received | (31,150) | (9,093) |
| Net cash flows from (used in) operating activities | 108,228 | 34,625 |
| Cash flows from (used in) financing activities: | | |
| Interest paid on lease obligations | (626) | (204) |
| Interest paid on bank debt | (10,377) | (192) |
| Cash transferred from (to) Parent | (11,137) | 104,871 |
| Proceeds from issuance of bank debt | 185,914 | 19,666 |
| Repayments of bank debt | (50,897) | (244) |
| Transaction costs on bank debt | (1,935) | (316) |
| Payments of lease obligations | (5,282) | (2,781) |
| Issuance of Preferred Shares to Parent | 181,484 | - |
| Dividends paid | (24) | - |
| Net cash flows from (used in) in financing activities | 287,119 | 120,800 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of businesses | (352,349) | (113,186) |
| Cash obtained with acquired businesses | 41,286 | 5,295 |
| Post-acquisition settlement payments, net of receipts | (5,938) | (6,669) |
| Property and equipment purchased | (1,141) | (783) |
| Other investing activities | (238) | - |
| Net cash flows from (used in) investing activities | (318,380) | (115,343) |
| Effect of foreign currency on cash and cash equivalents | 2,456 | (107) |
| Increase (decrease) in cash | 79,424 | 39,975 |
| Cash, beginning of period | 67,085 | 27,110 |
| Cash, end of period | \$ 146,509 | \$ 67,085 |

⁵ The Company has restated its comparative financial information to include the results of Lumine Holdings from January 1, 2022. Refer to Note 2(b) to the Company's annual consolidated financial statements.