

2021



Third Quarter Report

Fiscal 2021

For the nine-month period ended December 31, 2020



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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is the quarterly financial report and Management's Discussion and Analysis ("MD&A") of the results of operations and financial position of Stingray Group Inc., ("Stingray" or "the Corporation"), and should be read in conjunction with the Corporation's unaudited interim consolidated financial statements and accompanying notes for the three-month and nine-month periods ended December 31, 2020 and 2019, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2020. This MD&A reflects information available to the Corporation as at February 3, 2021. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com. The auditors of the Corporation have not performed a review of the interim financial report for the three-month and nine-month periods ended December 31, 2020 and 2019.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Corporation. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words "could", "expect", "may", "will", "anticipate", "assume", "intend", "plan", "believes", "estimates", "guidance", "foresee", "continue" and similar expressions are intended to identify statements containing forward-looking information, although not all forward-looking statements included such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include but are not limited to the risk factors disclosed in the Annual Information Form for the year ended March 31, 2020 available on SEDAR.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such assumptions include, but are not limited to, the following: our ability to generate sufficient revenue while controlling our costs and expenses; our ability to manage our growth effectively; the absence of material adverse changes in our industry or the global economy; trends in our industry and markets; the absence of any changes in law, administrative policy or regulatory requirements applicable to our business, including any change to our licences with the CRTC; minimal changes to the distribution of the pay audio services by Pay-TV providers in light of recent CRTC policy decisions; our ability to manage risks related to international expansion; our ability to maintain good business relationships with our clients, agents and partners; our ability to expand our sales and distribution infrastructure and our marketing; our ability to develop products and technologies that keep pace with the continuing changes in technology, evolving industry standards, new product introductions by competitors and changing client preferences and requirements; our ability to protect our technology and intellectual property rights; our ability to manage and integrate acquisitions; our ability to retain key personnel; and our ability to raise sufficient debt or equity financing to support our business growth. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements. All of the forward-looking information in this MD&A is qualified by these cautionary statements. Statements containing forward-looking information contained herein are made only as of the date of this MD&A. The Corporation expressly disclaims any obligation to update or alter statements containing any forward-looking information, or the factors or assumption underlying them, whether as a result of new information, future events or otherwise, except as required by law.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

The Corporation believes that Adjusted EBITDA and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted Net income and Adjusted Net income per share are important measures as it shows stable results from its operation which allows users of the financial statements to better assess the trend in the profitability of the business. The Corporation believes that Adjusted free cash flow and Adjusted free cash flow per share are important measures when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt and Net debt to Pro Forma Adjusted EBITDA are important to analyse the company's debt repayment capacity on an annualized basis, taking into consideration the annualized adjusted EBITDA of acquisitions made during the last twelve months. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by International Financial Reporting Standards (IFRS) and does not have a standardized meaning prescribed by IFRS. Our method of calculating such financial measures may differ from the methods used by other issuers and, accordingly, our definition of these non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

OVERVIEW

Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) is a leading music, media, and technology company with over 1,200 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 150 million times. Stingray reaches 400 million subscribers (or users) in 156 countries.

KEY PERFORMANCE INDICATORS⁽¹⁾

For the three-month period ended December 31, 2020 (“Q3 2021”):

\$72.6 M ▼ 10.8% from Q3 2020 Revenues	\$21.1 M Or \$0.29 per share Adjusted Net income	\$19.6 M ▼ 6.6% from Q3 2020 Adjusted free cash flow Or \$0.27 per share
\$34.0 M ▲ 9.5% from Q3 2020 Adjusted EBITDA	\$14.1 M Or \$0.19 per share Net income	\$16.3 M ▼ 43.4% from Q3 2020 Cash flow from operating activities Or \$0.22 per share

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the third quarter ended December 31, 2020:

Compared to the quarter ended December 31, 2019 (“Q3 2020”):

- Revenues decreased 10.8% to \$72.6 million from \$81.3 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues;
- Adjusted EBITDA⁽¹⁾ increased 9.5% to \$34.0 million from \$31.0 million. Adjusted EBITDA⁽¹⁾ by segment was \$21.9 million or 54.5% of revenues for Broadcasting and Commercial Music, \$13.8 million or 42.6% of revenues for Radio and \$(1.7) million for Corporate;
- Net income was \$14.1 million (\$0.19 per share) compared with \$8.1 million (\$0.11 per share);
- Adjusted Net income⁽¹⁾ of \$21.1 million (\$0.29 per share) compared with \$16.7 million (\$0.22 per share);
- Cash flow from operating activities decreased 43.4% to \$16.3 million (\$0.22 per share) compared to \$28.8 million (\$0.38 per share) mainly due to the negative change in non-cash operating items;
- Adjusted free cash flow⁽¹⁾ decreased 6.6% to \$19.6 million (\$0.27 per share) compared to \$21.0 million (\$0.28 per share), and;
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio of 2.65x.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 7.

Business Highlights:

- During the first nine months of Fiscal 2021, global economies and financial markets were impacted by the coronavirus (“COVID-19”) outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The tangible impact on the Corporation started in the Radio segment towards the end Q4 2020, as many non-essential local businesses were forced to temporarily close leading to a decrease in advertising and related revenues. In the early days of the crisis, the decision was made by the Corporation’s management to implement significant cost saving measures, which, combined with the Canadian Emergency Wage Subsidy (CEWS), helped to maintain a solid financial position. The Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, have been impacted during the first half of 2021. In Q3 2021, although still impacted, the Corporation noticed progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social distancing. Management expects the situation to continue improving as local businesses resume their normal operations. The extent to which COVID-19 continues to impact the Corporation’s business will depend on future developments, which are uncertain and cannot be predicted at this time. The Corporation’s focus will be to continue to closely monitor its cash position and control its operating expenses while capitalizing on its growth opportunities.
- On February 3, 2021, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2021 to shareholders on record as of February 28, 2021.
- In December 2020, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the “Objectors”), and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, \$4.4 million was recognized as a reduction of expenses in Q3 2021. Refer to page 18 for more information.
- On December 28, 2020, the Corporation announced that it had concluded a deal to provide curated streaming music services for ClubCom, a division of Zoom Media, the leading provider of digital entertainment and marketing networks within the fitness industry. This new partnership seeks to provide exciting digital innovations to deliver an immersive experience for members of fitness centers across Canada and the United States.
- On December 21, 2020, the Corporation announced the sale of the securities it held in the capital stock of San Francisco based AppDirect Inc., a leading subscription based end-to-end cloud commerce platform for both monetizing and managing digital customer relationships. The sale in favour of existing shareholders and investors was completed pursuant to the terms and conditions of a stock transfer agreement and Stingray received cash consideration of US\$14.6 million (\$18.9 million) and recognized a loss on disposal of \$2.4 million in change in fair value of investments in the consolidated statements of comprehensive income.
- On December 10, 2020, the Corporation announced that its Stingray Music TV app had launched on Helix TV, Videotron’s entertainment platform. Helix TV subscribers will have access to their favourite audio music channels like Stingray Hit List, Stingray Classic Rock or Stingray Hot Country through the brand new Stingray Music TV app.
- On November 25, the Corporation announced the launch of premium SVOD channels with new partner OneHub TV (UK) and existing partners Optimum and Suddenlink by Altice (US), Amazon Prime Video Channels (Italy and Spain), Player + (Poland), Rogers Communications (Canada), Swisscom blue TV (Switzerland) and Totalplay (Mexico). SVOD channels Qello Concerts by Stingray, Stingray Karaoke, and Stingray Classica are offered to customers for a monthly subscription.
- On November 25, the Corporation announced the launch of free, ad-supported TV channels with eleven major OTT providers: Comcast Xfinity (US), DistroTV (US), Freebie TV (US), Freecast (US), MX Player (US and India), Peacock (US), Redbox (US), Samsung TV Plus (UK and Germany), STIRR (US), STV (UK) and Vizio Watch Free (US). These distribution agreements grow Stingray’s potential reach by over 200 million viewers.
- On November 4, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend was paid on December 15, 2020 to shareholders on record as of November 30, 2020.

- On November 4, 2020, the Corporation announced that it had reached a long-term agreement with TELUS that continues to advance the companies' long-standing partnership. As part of the deal, Optik TV subscribers will have access to the new TV app Qello Concerts by Stingray, enabling them to experience full-length concerts and music documentaries from the comfort of home.
- On October 9, 2020, the Corporation announced that it had successfully completed the increase and extension of its existing credit facilities, providing additional liquidity for operations and M&A activities with improved terms and conditions. The \$420.0 million credit facilities consist of a \$325.0 million revolving credit facility and a \$75.0 million term loan, both maturing in October 2023, and the pre-existing \$20.0 million term loan, maturing in May 2021. The renewed terms add incremental commitments up to \$100.0 million upon request, subject to predetermined conditions. The pre-existing sub debt of \$40.0 million maturing in October 2023 combined with the new credit facilities described above accounts for total flexibility of up to \$560.0 million.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in thousands of Canadian dollars, except per share amounts)	3 months				9 months			
	Dec. 31, 2020		Dec. 31, 2019		Dec. 31, 2020		Dec. 31, 2019	
	Q3 2021		Q3 2020		YTD 2021		YTD 2020	
	\$	% of revenues						
Revenues	72,565	100.0 %	81,313	100.0 %	189,152	100.0 %	238,323	100.0 %
Operating expenses	40,583	55.9 %	51,195	63.0 %	103,546	54.7 %	151,449	63.5 %
Depreciation, amortization and write-off	9,771	13.5 %	9,772	12.0 %	28,871	15.3 %	30,427	12.8 %
Net finance expense (income) ⁽¹⁾	(1,290)	(1.8) %	(4,383)	(5.4) %	6,085	3.2 %	9,359	3.9 %
Change in fair value of investments	2,434	3.4 %	(4,781)	(5.9) %	3,787	2.0 %	(4,636)	(1.9) %
Acquisition, legal, restructuring and other expenses	2,049	2.8 %	19,524	24.0 %	1,923	1.0 %	23,411	9.8 %
Income before income taxes	19,018	26.2 %	9,986	12.3 %	44,940	23.8 %	28,313	11.9 %
Income taxes	4,900	6.8 %	1,897	2.4 %	11,913	6.3 %	5,857	2.5 %
Net income	14,118	19.4 %	8,089	9.9 %	33,027	17.5 %	22,456	9.4 %
Adjusted EBITDA⁽²⁾	33,993	46.8 %	31,033	38.2 %	90,630	47.9 %	89,869	37.7 %
Adjusted Net income⁽²⁾	21,054	29.0 %	16,710	20.6 %	50,874	26.9 %	45,813	19.2 %
Cash flow from operating activities	16,333	22.5 %	28,833	35.5 %	79,732	42.2 %	74,083	31.1 %
Adjusted free cash flow⁽²⁾	19,645	27.1 %	21,033	25.9 %	60,551	32.0 %	60,376	25.3 %
Net debt⁽²⁾	320,241	–	346,460	–	320,241	–	346,460	–
Net debt to Pro Forma Adjusted EBITDA⁽²⁾⁽³⁾	2.65x	–	2.94x	–	2.65x	–	2.94x	–
Net income per share basic and diluted	0.19	–	0.11	–	0.45	–	0.29	–
Adjusted Net income per share basic and diluted ⁽²⁾	0.29	–	0.22	–	0.69	–	0.60	–
Cash flow from operating activities per share basic and diluted	0.22	–	0.38	–	1.08	–	0.97	–
Adjusted free cashflow per share basic and diluted ⁽²⁾	0.27	–	0.28	–	0.82	–	0.79	–
Revenues by segment								
Broadcasting and Commercial Music	40,186	55.4 %	39,894	49.1 %	115,302	61.0 %	115,983	48.7 %
Radio	32,379	44.6 %	41,419	50.9 %	73,850	39.0 %	122,340	51.3 %
Revenues	72,565	100.0 %	81,313	100.0 %	189,152	100.0 %	238,323	100.0 %
Revenues by geography								
Canada	47,368	65.3 %	57,515	70.7 %	115,135	60.9 %	166,345	69.8 %
United States	10,693	14.7 %	9,575	11.8 %	31,086	16.4 %	27,751	11.6 %
Other Countries	14,504	20.0 %	14,223	17.5 %	42,931	22.7 %	44,227	18.6 %
Revenues	72,565	100.0 %	81,313	100.0 %	189,152	100.0 %	238,323	100.0 %

Notes:

- (1) Interest paid during the Q3 2021 was \$6.3 million (Q3 2020; \$4.2 million). Interest paid for YTD Q3 2021 was \$12.9 million (YTD Q3 2020; \$13.6 million).
- (2) Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 7.
- (3) Refer to page 17 for a reconciliation of Pro Forma Adjusted EBITDA to the most directly comparable IFRS financial measure. Refer to “Forward-looking statements” and “Supplemental information on Non-IFRS measures” on page 2 and for reconciliations of Adjusted EBITDA to the most directly comparable IFRS financial measure, refer to “Supplemental information on Non-IFRS measures” on page 7.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Proforma Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See “Supplemental information on Non-IFRS Measures” on page 2.

The following tables show the reconciliation of Net income to Adjusted EBITDA and to Adjusted Net income:

	3 months		9 months	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
(in thousands of Canadian dollars)	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Net income	14,118	8,089	33,027	22,456
Net finance expense (income)	(1,290)	(4,383)	6,085	9,359
Change in fair value of investments	2,434	(4,781)	3,787	(4,636)
Income taxes	4,900	1,897	11,913	5,857
Depreciation and write-off of property and equipment	2,894	2,876	8,571	8,687
Depreciation of right-of-use assets	1,399	1,402	4,224	4,192
Amortization of intangible assets	5,478	5,494	16,076	17,548
Share-based compensation	231	238	616	743
Performance and deferred share unit expense	1,780	677	4,408	2,252
Acquisition, legal, restructuring and other expenses	2,049	19,524	1,923	23,411
Adjusted EBITDA	33,993	31,033	90,630	89,869
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(1,727)	(4,184)	(9,405)	(16,146)
Income taxes	(4,900)	(1,897)	(11,913)	(5,857)
Depreciation of property and equipment and write-off	(2,894)	(2,876)	(8,571)	(8,687)
Depreciation of right-of-use assets	(1,399)	(1,402)	(4,224)	(4,192)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(2,019)	(3,964)	(5,643)	(9,174)
Adjusted Net income	21,054	16,710	50,874	45,813

The following table shows the reconciliation of Cash flow from operating activities to Adjusted free cash flow:

	3 months		9 months	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
(in thousands of Canadian dollars)	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Cash flow from operating activities	16,333	28,833	79,732	74,083
<i>Add / Less :</i>				
Acquisition of property and equipment	(1,849)	(1,479)	(3,761)	(4,551)
Acquisition of intangible assets other than internally developed intangible assets	(649)	(495)	(1,119)	(1,306)
Addition to internally developed intangible assets	(1,838)	(1,286)	(5,061)	(4,368)
Interest paid	(6,312)	(4,150)	(12,911)	(13,623)
Repayment of lease liabilities	(1,255)	(1,295)	(3,912)	(3,693)
Net change in non-cash operating working capital items	15,858	(17,702)	10,976	(9,432)
Unrealized loss on foreign exchange	(2,692)	(917)	(5,316)	(145)
Acquisition, legal, restructuring and other expenses	2,049	19,524	1,923	23,411
Adjusted free cash flow	19,645	21,033	60,551	60,376

The following table shows the calculation of Net debt:

	December 31, 2020	March 31, 2020	December 31, 2019
(in thousands of Canadian dollars)			
Credit facilities	290,353	324,123	314,161
Subordinated debt	39,715	39,640	39,614
Cash and cash equivalents	(9,827)	(2,512)	(7,315)
Net debt	320,241	361,251	346,460

FINANCIAL RESULTS FOR THE PERIODS ENDED DECEMBER 31, 2020 AND 2019

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			9 months		
	Q3 2021	Q3 2020	% Change	YTD 2021	YTD 2020	% Change
Revenues by geography						
Canada	47,368	57,515	(17.6)	115,135	166,345	(30.8)
United States	10,693	9,575	11.7	31,086	27,751	12.0
Other Countries	14,504	14,223	2.2	42,931	44,227	(2.9)
Revenues	72,565	81,313	(10.8)	189,152	238,323	(20.6)

Global

Revenues in Q3 2021 decreased \$8.7 million or 10.8% to \$72.6 million, from \$81.3 million for Q3 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues, as well as a decrease in equipment and installation sales related to digital signage, partially offset by the acquisition of Marketing Sensorial México (MSM) and Chatter Research Inc. and by the increase in advertising revenues in the Broadcast and Commercial Music segment.

Cumulative revenues for Fiscal 2021 decreased \$49.1 million or 20.6% to \$189.2 million, from \$238.3 million for cumulative Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the acquisition of Marketing Sensorial México (MSM) and Chatter Research Inc., the increase in advertising revenues in the Broadcast and Commercial Music segment and the organic growth in streaming subscriptions.

Canada

Revenues in Canada in Q3 2021 decreased \$10.1 million or 17.6% to \$47.4 million, from \$57.5 million for Q3 2020. Cumulative revenues in Canada for Fiscal 2021 decreased \$51.2 million or 30.8% to \$115.1 million, from \$166.3 million for cumulative Fiscal 2020. Both decreases were primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage.

United States

Revenues in the United States in Q3 2021 increased \$1.1 million or 11.7% to \$10.7 million, from \$9.6 million for Q3 2020. The increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and in streaming subscriptions.

Cumulative revenues in the United States for Fiscal 2021 increased \$3.3 million or 12.0% to \$31.1 million, from \$27.8 million for cumulative Fiscal 2020. The increase was primarily due to organic growth in streaming subscriptions and in advertising revenues in the Broadcast and Commercial Music segment.

Other Countries

Revenues in Other countries in Q3 2021 increased \$0.3 million or 2.0% to \$14.5 million, from \$14.2 million for Q3 2020. The increase was primarily due to the acquisition of MSM, partially offset by the impact of the COVID-19 pandemic on revenues.

Cumulative revenues in Other countries for Fiscal 2021 decreased \$1.2 million or 2.9% to \$43.0 million, from \$44.2 million for cumulative Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the acquisition of MSM.

Operating Expenses

Operating expenses in Q3 2021 decreased \$10.6 million or 20.7% to \$40.6 million, from \$51.2 million for Q3 2020. The decrease was primarily related to reduced operating costs, to a settlement with SOCAN (refer to page 18), to reduced variable expenses due to the impact of the COVID-19 pandemic on revenues and to the CEWS and other subsidies (\$3.1 million), partially offset by a special bonus to employees.

Cumulative operating expenses for Fiscal 2021 decreased \$47.9 million or 31.6% to \$103.5 million, from \$151.4 million for cumulative Fiscal 2020. The decrease was primarily related to the CEWS and other subsidies (\$21.1 million), to reduced operating costs, to reduced variable expenses due to the impact of the COVID-19 pandemic on revenues and to a settlement with SOCAN (refer to page 18), partially offset by a special bonus to employees and increased expense for performance and deferred share unit.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q3 2021 increased \$3.0 million or 9.5% to \$34.0 million from \$31.0 million for Q3 2020. Adjusted EBITDA margin was 46.8% compared to 38.2% for Q3 2020. The increase in Adjusted EBITDA was primarily due to reduced operating costs, to a settlement with SOCAN (refer to page 18), to the CEWS and other subsidies and to an increase in gross margin related to a change in product mix, partially offset by the impact of the COVID-19 pandemic on revenues and by a special bonus to employees.

Cumulative Adjusted EBITDA for Fiscal 2021 increased \$0.7 million or 0.8% to \$90.6 million from \$89.9 million for cumulative Fiscal 2020. Adjusted EBITDA margin was 47.9% compared to 37.7% for cumulative Fiscal 2020. The increase in Adjusted EBITDA was primarily due to the CEWS and other subsidies, to reduced operating costs and to a settlement with SOCAN (refer to page 18), partially offset by the impact of the COVID-19 pandemic on revenues and by a special bonus to employees.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q3 2021 remained stable at \$9.8 million. Cumulative depreciation, amortization and write off for Fiscal 2021 decreased \$1.5 million or 5.1% to \$28.9 million, from \$30.4 million for cumulative Fiscal 2020. The decrease was primarily due to less intangible assets to amortize compared to the prior period.

Net finance expense (income)

Net finance income in Q3 2021 decreased \$3.1 million or 70.6% to \$1.3 million, from \$4.4 million for Q3 2020. The decrease was mainly related to lower mark-to-market gain on derivative instruments and higher interest expense, partially offset by positive change in fair value of contingent considerations and foreign exchange gain.

Cumulative Net finance expense for Fiscal 2021 decreased \$3.3 million or 35.0% to \$6.1 million, from \$9.4 million for cumulative Fiscal 2020. The decrease was mainly related to a foreign exchange gain and positive change in fair value of contingent considerations, partially offset by a lower mark-to-market gain on derivative instruments.

Change in fair value of investments

In Q3 2021, a loss on fair value of \$2.4 million was recorded compared to a gain of \$4.8 million for Q3 2020. For cumulative Fiscal 2021, a loss on fair value of \$3.8 million was recorded compared to a gain of \$4.6 million for cumulative Fiscal 2020. The variance is related to the sale of securities held in AppDirect Inc. during Q3 2021 which had a lower proceed than the estimated fair value before the transaction occurred. Refer to page 4 for more information.

Acquisition, legal, restructuring and other expenses

(in thousands of Canadian dollars)	3 months			9 months		
	Q3 2021	Q3 2020	% Change	YTD 2021	YTD 2020	% Change
Acquisition	802	924	(13.2)	1,332	1,390	(4.2)
Legal	735	18,469	(96.0)	199	21,495	(99.1)
Restructuring and other	512	131	290.8	392	526	(25.5)
Acquisition, legal, restructuring and other expenses	2,049	19,524	(89.5)	1,923	23,411	(91.8)

In Q3 2020 and in cumulative Fiscal 2020, legal expenses were higher due to a patent litigation with Music Choice, which was settled in Q4 2020.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.

Income Taxes

The income taxes expense recognized in comprehensive income was \$4.9 million for Q3 2021 compared to \$1.9 million for Q3 2020. The effective tax rate for Q3 2021 was 25.8% compared to 19.0% for Q3 2020. The variance in the effective tax rate is mainly due to the relative importance of permanent differences compared to Net income before income taxes.

The income taxes expense recognized in comprehensive income was \$11.9 million for cumulative Fiscal 2021 compared to \$5.9 million for cumulative Fiscal 2020. The effective tax rate for cumulative Fiscal 2021 was 26.5% compared to 20.7% for cumulative Fiscal 2020. The variance in the effective tax rate is mainly due to the decrease in the Alberta corporate income tax rate enacted in Q1 2020, which reduced deferred tax liabilities.

Net income and net income per share

Net income in Q3 2021 was \$14.1 million (\$0.19 per share) compared to \$8.1 million (\$0.11 per share) for Q3 2020. The increase was mainly related to lower legal expenses, higher operating results, positive change in fair value of contingent considerations and foreign exchange gain, partially offset by the negative change in fair value of investments following the sale of securities held in AppDirect Inc., the lower mark-to-market gain on derivative instruments and the higher income taxes and performance and deferred share unit expense.

Cumulative Net income for Fiscal 2021 was \$33.0 million (\$0.45 per share) compared to \$22.5 million (\$0.29 per share) for cumulative Fiscal 2020. The increase was mainly related to the lower legal expenses and the foreign exchange gain, partially offset by the negative change in fair value of investments following the sale of securities held in AppDirect Inc., the higher income taxes expense and the lower mark-to-market gain on derivative instruments.

Adjusted Net income⁽¹⁾ and Adjusted Net income per share⁽¹⁾

Adjusted Net income in Q3 2021 was \$21.1 million (\$0.29 per share), compared to \$16.7 million (\$0.22 per share) for Q3 2020. The increase was mainly related to higher operating results, positive change in fair value of contingent considerations and foreign exchange gain, partially offset by higher interest expense and income taxes.

Cumulative Adjusted Net income for Fiscal 2021 was \$50.9 million (\$0.69 per share), compared to \$45.8 million (\$0.60 per share) for cumulative Fiscal 2020. The increase is mainly due to the foreign exchange gain and the positive change in fair value of contingent considerations, partially offset by higher income taxes expense.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			9 months		
	Q3 2021	Q3 2020	% Change	YTD 2021	YTD 2020	% Change
Revenues	40,186	39,894	0.7	115,302	115,983	(0.6)
Operating expenses	18,293	25,015	(26.9)	54,146	71,264	(24.0)
Adjusted EBITDA⁽¹⁾	21,893	14,879	47.1	61,156	44,719	36.8
Adjusted EBITDA margin⁽¹⁾	54.5%	37.3%	46.1	53.0%	38.6%	37.6

Revenues

In Q3 2021, Broadcasting and Commercial Music revenues increased \$0.3 million or 0.7% to \$40.2 million, from \$39.9 million for Q3 2020. The increase was primarily due to the acquisition of MSM and Chatter Research Inc. and to the increase in advertising revenues, partially offset by a decrease in equipment and installation sales related to digital signage and by the impact of the COVID-19 pandemic on revenues.

Cumulative Broadcasting and Commercial Music revenues for Fiscal 2021 decreased \$0.7 million or 0.6% to \$115.3 million from \$116.0 million for cumulative Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the acquisition of MSM and Chatter Research Inc., the increase in advertising revenues and the organic growth in streaming subscriptions.

Adjusted EBITDA⁽¹⁾

In Q3 2021, Broadcasting and Commercial Music Adjusted EBITDA increased \$7.0 million or 47.1% to \$21.9 million from \$14.9 million for Q3 2020. The increase was primarily due to a settlement with SOCAN (refer to page 18) and to reduced operating costs, partially offset by a special bonus to employees.

Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2021 increased \$16.5 million or 36.8% to \$61.2 million from \$44.7 million for cumulative Fiscal 2020. The increase was primarily due to the CEWS and other subsidies, to reduced operating costs and to a settlement with SOCAN (refer to page 18), partially offset by a special bonus to employees and by the impact of the COVID-19 pandemic on revenues.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.

RADIO

(in thousands of Canadian dollars)	3 months			9 months		
	Q3 2021	Q3 2020	% Change	YTD 2021	YTD 2020	% Change
Revenues	32,379	41,419	(21.8)	73,850	122,340	(39.6)
Operating expenses	18,598	24,023	(22.6)	41,188	73,402	(43.9)
Adjusted EBITDA⁽¹⁾	13,781	17,396	(20.8)	32,662	48,938	(33.3)
Adjusted EBITDA margin⁽¹⁾	42.6%	42.0%	1.3	44.2%	40.0%	10.6

Revenues

Radio revenues are derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for Fiscal 2021 Radio revenues are not expected to follow historical patterns due to the ongoing impact of the COVID-19 pandemic.

In Q3 2021, Radio revenues decreased \$9.0 million or 21.8% to \$32.4 million from \$41.4 million for Q3 2020. Cumulative Radio revenues for Fiscal 2021 decreased \$48.4 million or 39.6% to \$73.9 million from \$122.3 million for cumulative Fiscal 2020. Both decreases were primarily due to the impact of the COVID-19 pandemic on revenues.

Adjusted EBITDA⁽¹⁾

In Q3 2021, Radio Adjusted EBITDA decreased \$3.6 million or 20.8% to \$13.8 million from \$17.4 million for Q3 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by reduced operating costs and by the CEWS and other subsidies.

Cumulative Radio Adjusted EBITDA for Fiscal 2021 decreased \$16.2 million or 33.3% to \$32.7 million from \$48.9 million for cumulative Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the CEWS and other subsidies and by reduced operating costs.

CORPORATE

(in thousands of Canadian dollars)	3 months			9 months		
	Q3 2021	Q3 2020	% Change	YTD 2021	YTD 2020	% Change
Operating expenses	3,692	2,157	71.2	8,212	6,783	21.1
<i>Adjust:</i>						
Share-based compensation	(231)	(238)	(2.9)	(616)	(743)	(17.1)
Performance and deferred share unit expense	(1,780)	(677)	162.9	(4,408)	(2,252)	95.7
Adjusted EBITDA⁽¹⁾	(1,681)	(1,242)	35.3	(3,188)	(3,788)	(15.8)

Adjusted EBITDA⁽¹⁾

Corporate Adjusted EBITDA represented the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The increase in operating expenses is related to a special bonus to employees. The increase in Performance and deferred share unit expense is due to the increase in the share price and to additional grants.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.

Quarterly results

Revenues fluctuated over the last eight quarters from \$72.7 million in Q4 2019 to \$72.6 million in the Q3 2021. The increase in Q1 2020, decrease in Q2 2020 and increase in Q3 2020 are mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were due to the impact of the COVID-19 pandemic. The increases in Q2 2021 and Q3 2021 are due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity and to normal business seasonality.

Adjusted EBITDA⁽¹⁾ increased over the last eight quarters from \$22.4 million in Q4 2019 to \$34.0 million in Q3 2021. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts. The increase in Q1 2020, decrease in Q2 2020 and increase in Q3 2020 were mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were mainly due to the impact of the COVID-19 pandemic on Radio revenues, which was partially offset by the CEWS and reduced operating costs in Q1 2021. The increase in Q2 2021 is due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity, partially offset by higher operating costs and lower CEWS. The increase in Q3 2021 is due to continuing improvements in Radio advertising bookings and normal business seasonality and to a settlement with SOCAN (refer to page 18), partially offset by a special bonus to employees, lower CEWS and higher operating costs.

Net income (loss) fluctuated over the last eight quarters from \$3.9 million in Q4 2019 to \$14.1 million in Q3 2021. In Q1 2020, the increase was due to higher operating results, lower acquisition expenses and lower mark-to-market losses on derivative financial instruments, partially offset by the absence of write-off of balance payable on acquisition and positive change in fair value of contingent considerations. In Q2 2020, the decrease was due to lower operating results, higher income taxes and acquisition, legal, restructuring and other expenses, partially offset by lower mark-to-market losses on derivative financial instruments, positive change in fair value of contingent considerations and lower interest expense. In Q3 2020, the increase was due to mark-to-market gains on derivative financial instruments, positive change in fair value of investments, higher operating results and gain in foreign exchange, partially offset by higher legal expenses due to the settlement with Music Choice. In Q4 2020, the decrease was due to by mark-to-market losses on derivative financial instruments, foreign exchange loss, lower positive change in fair value of investments and lower operating results, partially offset by lower income taxes expense. In Q1 2021, the increase was due to lower mark-to-market losses on derivative financial instruments and a foreign exchange gain, partially offset by the impact of the COVID-19 pandemic on revenues, higher income taxes expense and negative change in fair value of investments. In Q2 2021, the increase was due to higher operating results and positive change in mark-to-market on derivative financial instruments, partially offset by higher income taxes and legal expenses. In Q3 2021, the increase was due to higher operating results, positive change in fair value of contingent considerations, and higher gain in mark-to-market on derivative financial instruments, partially offset by a negative change in fair value of investments related to the sale of securities held in AppDirect Inc.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020	FY2019
Revenues by segment								
Broadcasting and Commercial								
Music	40,186	39,169	35,947	38,483	39,894	38,742	37,347	38,718
Radio	32,379	25,125	16,346	29,915	41,419	37,831	43,090	34,012
Total revenues	72,565	64,294	52,293	68,398	81,313	76,573	80,437	72,730
Revenues by geography								
Canada	47,368	39,710	28,057	43,498	57,515	52,723	56,107	47,318
United States	10,693	10,091	10,302	10,236	9,575	9,035	9,141	9,351
Other countries	14,504	14,493	13,934	14,664	14,223	14,815	15,189	16,061
Total revenues	72,565	64,294	52,293	68,398	81,313	76,573	80,437	72,730
Adjusted EBITDA⁽¹⁾	33,993	31,156	25,481	28,217	31,033	27,671	31,165	22,407
LTM Adjusted EBITDA⁽¹⁾	118,847	115,887	112,402	118,086	112,276	108,462	92,220	72,234
Net income (loss)	14,118	11,888	7,021	(8,486)	8,089	5,184	9,183	3,942
Net income (loss) per share basic and diluted	0.19	0.16	0.10	(0.11)	0.11	0.07	0.12	0.06
Adjusted Net income⁽¹⁾	21,054	16,311	13,509	10,095	16,710	12,416	16,687	14,725
Adjusted Net income per share basic and diluted ⁽¹⁾	0.29	0.22	0.18	0.13	0.22	0.16	0.22	0.21
Cash flow from operations	16,333	25,406	37,993	14,062	28,833	18,952	26,298	18,072
Adjusted free Cash Flow⁽¹⁾	19,645	22,861	18,045	17,974	21,033	18,756	20,587	9,845
Quarterly dividend	0.075	0.075	0.075	0.075	0.075	0.070	0.070	0.065

Note:

- (1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7. Last twelve months (LTM) Adjusted EBITDA represents the Adjusted EBITDA of the referenced period, plus the Adjusted EBITDA of the three quarters immediately preceding the referenced period.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months							
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019
Net income (loss)	14,118	11,888	7,021	(8,486)	8,089	5,184	9,183	3,942
Net finance expense (income)	(1,290)	2,774	4,601	33,463	(4,383)	6,362	7,380	2,259
Change in fair value of investments	2,434	461	892	(1,914)	(4,781)	(188)	333	336
Income taxes	4,900	4,654	2,359	(4,165)	1,897	2,479	1,481	1,833
Depreciation and write-off of property and equipment	2,894	2,976	2,701	2,790	2,876	2,989	2,822	2,791
Depreciation of right-of-use assets	1,399	1,413	1,412	1,426	1,402	1,419	1,371	-
Amortization of intangible assets	5,478	5,188	5,410	5,659	5,494	5,935	6,119	7,187
Share-based compensation	231	219	166	258	238	257	248	297
Performance and deferred share unit expense	1,780	1,312	1,316	(1,507)	677	794	781	630
Acquisition, legal, restructuring and other expenses (income)	2,049	271	(397)	693	19,524	2,440	1,447	3,132
Adjusted EBITDA	33,993	31,156	25,481	28,217	31,033	27,671	31,165	22,407
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(1,727)	(4,340)	(3,338)	(10,976)	(4,184)	(5,767)	(6,195)	739
Income taxes	(4,900)	(4,654)	(2,359)	4,165	(1,897)	(2,479)	(1,481)	(1,833)
Depreciation and write-off of property and equipment	(2,894)	(2,976)	(2,701)	(2,790)	(2,876)	(2,989)	(2,822)	(2,791)
Depreciation of right-of-use assets	(1,399)	(1,413)	(1,412)	(1,426)	(1,402)	(1,419)	(1,371)	-
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	(2,019)	(1,462)	(2,162)	(7,095)	(3,964)	(2,601)	(2,609)	(3,797)
Adjusted Net income	21,054	16,311	13,509	10,095	16,710	12,416	16,687	14,725

(in thousands of Canadian dollars)	3 months							
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
	Fiscal 2021	Fiscal 2021	Fiscal 2021	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019
Cash flow from operating activities	16,333	25,406	37,993	14,062	28,833	18,952	26,298	18,072
Acquisition of property and equipment	(1,849)	(1,209)	(703)	(2,153)	(1,479)	(1,459)	(1,613)	(1,935)
Acquisition of intangible assets other than internally developed intangible assets	(649)	(212)	(258)	(463)	(495)	(292)	(519)	(669)
Addition to internally developed intangible assets	(1,838)	(1,671)	(1,552)	(1,534)	(1,286)	(1,559)	(1,523)	(1,742)
Interest paid	(6,312)	(2,912)	(3,687)	(3,819)	(4,150)	(4,493)	(4,980)	(4,441)
Repayment of lease liabilities	(1,255)	(1,443)	(1,214)	(1,180)	(1,295)	(1,303)	(1,095)	-
Net change in non-cash operating working capital items	15,858	6,530	(11,412)	7,262	(17,702)	6,143	2,127	(1,890)
Unrealized loss (gain) on foreign exchange	(2,692)	(1,899)	(725)	5,106	(917)	327	445	(682)
Acquisition, legal, restructuring and other expenses (income)	2,049	271	(397)	693	19,524	2,440	1,447	3,132
Adjusted free cash flow	19,645	22,861	18,045	17,974	21,033	18,756	20,587	9,845

LIQUIDITY FOR THE PERIODS ENDED DECEMBER 31, 2020 AND 2019

(in thousands of Canadian dollars)	3 months		9 months	
	Q3 2021	Q3 2020	YTD 2021	YTD 2020
Operating activities	16,333	28,833	79,732	74,083
Financing activities	(31,937)	(26,642)	(81,337)	(60,066)
Investing activities	14,525	(3,260)	8,920	(11,375)
Net change in cash	(1,079)	(1,069)	7,315	2,642
Cash – beginning of period	10,906	8,384	2,512	4,673
Cash – end of period	9,827	7,315	9,827	7,315
Adjusted free cash flow⁽¹⁾	19,645	21,033	60,551	60,376

Operating activities

Cash flow generated from operating activities amounted to \$16.3 million for Q3 2021 compared to \$28.8 million for Q3 2020. The decrease was mainly due to the negative change in non-cash operating items, partially offset by lower legal expenses and higher operating results.

Cash flow generated from operating activities amounted to \$79.7 million for cumulative Fiscal 2021 compared to \$74.1 million for cumulative Fiscal 2020. The increase was mainly due to lower legal expenses and higher foreign exchange gain, partially offset by a negative change in non-cash operating items and higher income taxes paid.

Financing Activities

Net cash flow used in financing activities amounted to \$31.9 million for Q3 2021 compared to \$26.6 million for Q3 2020. The increase was mainly related to the repayment of the balance payable for the acquisition of MSM and higher interest paid, partially offset by less shares repurchased.

Net cash flow used in financing activities amounted to \$81.3 million for cumulative Fiscal 2021 compared to \$60.1 million for cumulative Fiscal 2020. The increase was mainly due to higher repayment of the credit facilities, partially offset by less shares repurchased.

Investing Activities

Net cash flow generated by investing activities amounted to \$14.5 million for Q3 2021 compared to net cash flow used in investing activities of \$3.3 million for Q3 2020. The positive net change was primarily due to the \$18.9 million proceeds from the sale of securities held in AppDirect Inc. during Q3 2021.

Net cash flow generated by investing activities amounted to \$8.9 million for cumulative Fiscal 2021 compared to net cash flow used in investing activities of \$11.4 million for cumulative Fiscal 2020. The positive net change was primarily due to the \$18.9 million proceeds from the sale of securities held in AppDirect Inc. during Q3 2021 and to lower business and assets acquisitions.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q3 2021 amounted to \$19.6 million compared to \$21.0 million for Q3 2020. The decrease was mainly related to higher interest paid, income taxes paid and capital expenditures, partially offset by higher operating results.

Adjusted free cash flow generated in cumulative Fiscal 2021 amounted to \$60.6 million compared to \$60.4 million for cumulative Fiscal 2020. The increase was mainly related to higher operating results and lower interest paid, partially offset by higher income taxes paid.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.

CONSOLIDATED FINANCIAL POSITION AND CAPITAL RESOURCES

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the nine-month period ending December 31, 2020:

(in thousands of Canadian dollars)	Dec. 31, 2020	March 31, 2020	Variance	Significant contributions
Trade and other receivables	70,485	73,456	(2,971) ▼	Timing of payments by clients and decrease in revenues due to the COVID-19 pandemic, partially offset by the receivable from the settlement with SOCAN (refer to page 18)
Intangible assets	47,837	54,490	(6,653) ▼	Amortization of intangible assets, offset by additions through business acquisition and internally developed intangible assets additions
Goodwill	341,050	337,824	3,226 ▲	Acquisition of Marketing Sensorial Mexico, partially offset by foreign exchange differences
Accounts payables and accrued liabilities	57,804	62,101	(4,297) ▼	Timing of payments to suppliers and decrease in operating expenses
Other liabilities	72,790	81,281	(8,491) ▼	Repayment of contingent consideration from past business acquisitions, gain on change in fair value of contingent consideration and decrease in negative mark-to-market on derivative financial instruments, partially offset by the contingent consideration for the acquisition of MSM
Credit facilities	290,353	324,123	(33,770) ▼	Refer to the graph on next page
Subordinated debt	39,715	39,640	75 ▲	Amortization of deferred financing fees

Capital Resources

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving facility. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends, repurchase shares and provide for working capital. We expect that cash generated from operations and borrowings available under our current credit facilities will be sufficient to meet our liquidity needs in the foreseeable future.

On October 6, 2020, the Corporation amended its existing \$373.8 million credit facilities by increasing the authorized amount up to \$420.0 million. The credit facilities consist of a \$325.0 revolving credit facility and a \$75.0 term loan, both maturing in October 2023, and includes the pre-existing \$20.0 term loan, secured on May 29, 2020 and maturing in May 2021.

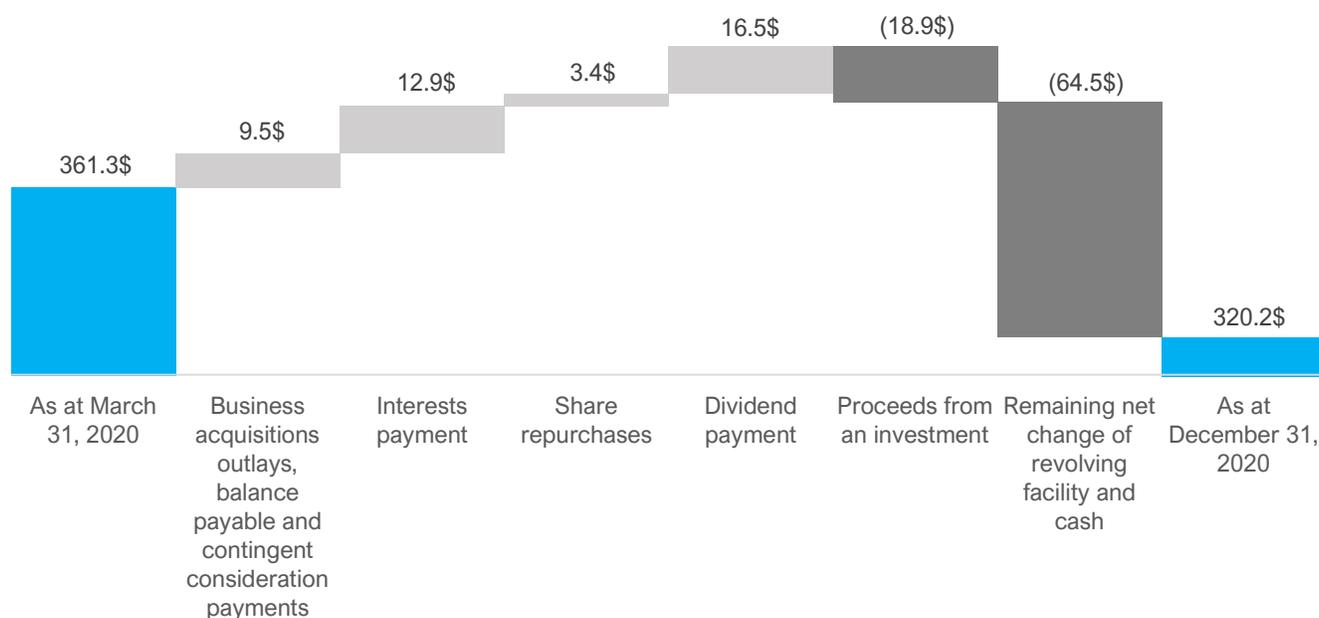
The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the \$75.0 term loan. The remaining capital balance will be payable on maturity date, on October 25, 2023.

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

As of December 31, 2020, the Corporation had cash and cash equivalents of \$9.8 million, a subordinated debt of \$39.7 million and credit facilities of \$290.4 million, of which approximately \$116.7 million was available.

The following table summarizes the impact on the Net debt that occurred in the nine-month period ended December 31, 2020 including related ratios:

Movement in Net debt⁽¹⁾⁽²⁾



	December 31, 2020	March 31, 2020
(in thousands of Canadian dollars)		
LTM Adjusted EBITDA ⁽²⁾	118,847	118,086
Synergies and Adjusted EBITDA ⁽²⁾ for the months prior to the business acquisitions which are not already reflected in the results	1,043	2,037
COVID-19 mandated store closures required anticipated rollouts and deployments to be deferred	1,000	-
Pro Forma Adjusted EBITDA⁽²⁾	120,890	120,123
Net debt to Pro Forma Adjusted EBITDA⁽²⁾	2.65	3.01

Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 7.

Music Choice Litigation

On February 3, 2020, the Corporation and Music Choice executed and exchanged a Settlement Agreement which puts definitive end to the parties' patent litigation in the United States and fully and finally settles all claims, counterclaims and defenses asserted in connection with that litigation. The settlement amount of US\$13.3 million (\$17.2 million at the date of the settlement), will be paid in two equal instalments; the first payment was made on the date of settlement and the second payment is to be made on or before February 15, 2021. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted.

SOCAN and Re:Sound legal proceedings

From May 2, 2017 until May 10, 2017, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the "Objectors"), presented an affirmative case before the Copyright Board of Canada to seek a reduction in the prescribed rates and terms for the Pay Audio Services Tariff for the 2007-2016 period. SOCAN and Re:Sound (together, the "Collectives") opposed that case, but in the opinion of the Objectors failed to offer compelling alternatives other than a request to maintain the status quo.

As of December 2020, the Objectors and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, \$4.4 million was recognized as a reduction of expenses in Q3 2021.

Further, the Copyright Board has pre-released elements of its decision and the tariff for consultative purposes indicating that the final decision and tariff will be issued within the coming months.

Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of office space, financial obligations under its credit agreement, broadcast licence and commitments for copyright royalties. There have been no material changes to these obligations since March 31, 2020.

Transactions Between Related Parties

The key management personnel of the Corporation are the Chief Executive Officer, Chief Financial Officer and certain other key employees of the Corporation. There have been no material changes to the nature or importance of the transactions between related parties since March 31, 2020.

Off-Balance Sheet Arrangements

The Corporation therefore has no off-balance sheet arrangements, except for the operating leases with terms of twelve months or less, leases of low-value assets or leases that are not in scope of IFRS 16, that have, or are reasonably likely to have, a current or future material effect on its consolidated financial position, financial performance, liquidity, capital expenditures or capital resources.

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

	January 31, 2021	December 31, 2020
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	54,198,165	54,538,580
Subordinate voting shares held in trust through employee share purchase plan	(4,273)	(59,283)
Variable subordinate voting shares	540,740	564,340
Multiple voting shares	17,941,498	17,941,498
	<u>72,676,130</u>	<u>72,985,135</u>
<i>Outstanding stock options:</i>		
Stock options	3,204,950	3,204,950

The Corporation has a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserved for issuance. During the first nine months of Fiscal 2021, 39,035 options were exercised, 21,008 options were forfeited, and 833,174 options were granted to eligible employees, subject to service vesting periods of 4 years.

Financial Risk Factors

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements and management discussion and analysis do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2020. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the "Risk Factors" section of the Corporation's Annual Information Form dated June 3, 2020. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

Future Accounting Changes

For information on future accounting changes, please refer to the unaudited interim consolidated financial statements.

Evaluation of Disclosure Controls and Procedures

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with Management, are responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P") and ICFR, as defined in National Instrument 52-109. The Corporation's internal control framework is based on the criteria published in the updated version released in May 2013 of the report Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("2013 COSO Framework").

The Corporation's management, under the supervision of the CEO and CFO, designed ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and based on 2013 COSO Framework. The DC&P have been designed to provide reasonable assurance that material information relating to the Corporation is made known to the CEO and CFO by others, and that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by the Corporation under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

During the third quarter ended December 31, 2020, there have been no changes in the Corporation's internal control over financial reporting that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Subsequent Events

Dividend

On February 3, 2021, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2021 to shareholders on record as of February 28, 2021.

Additional Information

Additional information about the Corporation is available on our website at www.stingray.com and on the SEDAR website at www.sedar.com.

Consolidated Statements of Comprehensive Income

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, except per share amounts)	Note	3 months		9 months	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Revenues	6	\$ 72,565	\$ 81,313	\$ 189,152	\$ 238,323
Operating expenses		40,583	51,195	103,546	151,449
Depreciation, amortization and write-off		9,771	9,772	28,871	30,427
Net finance expense (income)	7	(1,290)	(4,383)	6,085	9,359
Change in fair value of investments	15	2,434	(4,781)	3,787	(4,636)
Acquisition, legal, restructuring and other expenses	8	2,049	19,524	1,923	23,411
Income before income taxes		19,018	9,986	44,940	28,313
Income taxes		4,900	1,897	11,913	5,857
Net income		\$ 14,118	\$ 8,089	\$ 33,027	\$ 22,456
Net income per share — Basic and Diluted		0.19	0.11	0.45	0.29
Weighted average number of shares — Basic		73,307,228	75,949,239	73,491,458	76,197,899
Weighted average number of shares — Diluted		73,644,683	76,171,045	73,626,046	76,508,267
Comprehensive income					
Net income		\$ 14,118	\$ 8,089	\$ 33,027	\$ 22,456
Other comprehensive loss					
<i>Items that may be reclassified to profit and loss</i>					
Exchange differences on translation of foreign operations		(868)	(177)	(1,648)	(2,246)
Total other comprehensive loss		(868)	(177)	(1,648)	(2,246)
Total comprehensive income		\$ 13,250	\$ 7,912	\$ 31,379	\$ 20,210

Net income is entirely attributable to Shareholders.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Financial Position

December 31, 2020 and March 31, 2020

(In thousands of Canadian dollars) (Unaudited)	Note	December 31, 2020	March 31, 2020 Restated (note 4)
Assets			
Current assets			
Cash and cash equivalents		\$ 9,827	\$ 2,512
Trade and other receivables		70,485	73,456
Income taxes receivable		2,178	549
Inventories		4,110	3,336
Other current assets		5,018	10,110
		91,618	89,963
Non-current assets			
Property and equipment	9	43,860	45,732
Right-of-use assets on leases	9	29,745	29,460
Intangible assets, excluding broadcast licences	9	47,837	54,490
Broadcast licences	9	272,988	272,910
Goodwill	9	341,050	337,824
Investments		3,073	25,732
Other non-current assets		959	1,095
Deferred tax assets		7,284	10,682
Total assets		\$ 838,414	\$ 867,888
Liabilities and Equity			
Current liabilities			
Credit facilities	10	\$ 27,349	\$ 15,000
Accounts payable and accrued liabilities		57,804	62,101
Deferred revenues		1,825	1,747
Current portion of lease liabilities	11	4,806	4,517
Current portion of other liabilities	12	20,279	16,672
Income taxes payable		10,099	4,850
		122,162	104,887
Non-current liabilities			
Credit facilities	10	263,004	309,123
Subordinated debt		39,715	39,640
Lease liabilities	11	26,645	26,336
Other liabilities	12	52,511	64,609
Deferred tax liabilities		48,452	49,397
Total liabilities		552,489	593,992
Shareholders' equity			
Share capital	13	319,052	322,366
Contributed surplus		5,316	4,620
Deficit		(40,112)	(56,407)
Accumulated other comprehensive income		1,669	3,317
Total equity		285,925	273,896
Subsequent event (note 3)			
Total liabilities and equity		\$ 838,414	\$ 867,888

The accompanying notes are an integral part of these interim consolidated financial statements.

Approved by the Board of Directors,

(Signed) Eric Boyko, Director _____

(Signed) Pascal Tremblay, Director _____

Consolidated Statements of Changes in Equity

Nine-month periods ended December 31, 2020 and 2019

	Share Capital		Accumulated other comprehensive income (loss)				Total shareholder's equity
	Number	Amount	Contributed surplus	Deficit	Cumulative Translation Account	Defined Benefit Plans	
(In thousands of Canadian dollars, except number of share capital) (Unaudited)							
Balance at March 31, 2019	76,237,903	\$ 337,714	\$ 4,344	\$ (53,317)	\$ (1,024)	\$ (182)	\$ 287,535
Issuance of shares upon exercise of options	275,000	1,517	(596)	—	—	—	921
Dividends	—	—	—	(10,662)	—	—	(10,662)
Repurchase and cancellation of shares	(1,203,475)	(6,845)	—	(1,179)	—	—	(8,024)
Share-based compensation	—	—	579	—	—	—	579
Employee share purchase plan	(40,252)	(279)	310	—	—	—	31
Net income	—	—	—	22,456	—	—	22,456
Other comprehensive loss	—	—	—	—	(2,246)	—	(2,246)
Balance at December 31, 2019	75,269,176	\$ 332,107	\$ 4,637	\$ (42,702)	\$ (3,270)	\$ (182)	\$ 290,590
Balance at March 31, 2020	73,549,454	\$ 322,366	\$ 4,620	\$ (56,407)	\$ 3,891	\$ (574)	\$ 273,896
Issuance of shares upon exercise of options (note 13)	39,035	129	(60)	—	—	—	69
Dividends	—	—	—	(16,528)	—	—	(16,528)
Repurchase and cancellation of shares (note 13)	(562,765)	(3,201)	—	(204)	—	—	(3,405)
Share-based compensation	—	—	513	—	—	—	513
Employee share purchase plan (note 13)	(40,589)	(242)	243	—	—	—	1
Net income	—	—	—	33,027	—	—	33,027
Other comprehensive loss	—	—	—	—	(1,648)	—	(1,648)
Balance at December 31, 2020	72,985,135	\$ 319,052	\$ 5,316	\$ (40,112)	\$ 2,243	\$ (574)	\$ 285,925

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statements of Cash Flows

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars) (Unaudited)		3 months		9 months	
	Note	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Operating activities:					
Net income		\$ 14,118	\$ 8,089	\$ 33,027	\$ 22,456
Adjustments for:					
Depreciation, amortization and write-off		9,771	9,772	28,871	30,427
Share-based compensation, PSU and DSU expenses		2,011	915	5,024	2,994
Interest expense and standby fees	7	4,543	3,642	12,050	12,262
Mark-to-market gains on derivative financial instruments	7	(3,017)	(8,567)	(3,320)	(6,787)
Change in fair value of investments		2,434	(4,781)	3,787	(4,636)
Share of results of joint venture		33	56	8	31
Change in fair value of contingent consideration	7	(1,479)	294	(897)	562
Depreciation, amortization and accretion of other liabilities	7	848	700	2,457	2,107
Interest expense on lease liabilities	7,11	409	417	1,201	1,267
Income taxes expense		4,900	1,897	11,913	5,857
Income taxes paid		(2,380)	(1,303)	(3,413)	(1,889)
		32,191	11,131	90,708	64,651
Net change in non-cash operating items	14	(15,858)	17,702	(10,976)	9,432
		16,333	28,833	79,732	74,083
Financing activities:					
Increase (decrease) of credit facilities		(9,431)	1,377	(34,839)	522
Decrease of subordinated debt		—	(10,000)	—	(10,000)
Payment of dividends		(5,492)	(5,317)	(16,528)	(15,618)
Share repurchases	13	(3,294)	(6,238)	(3,405)	(8,024)
Proceeds from the exercise of stock options		37	57	69	921
Shares purchased under the employee share purchase plan		(90)	(88)	(242)	(285)
Interest paid		(6,312)	(4,150)	(12,911)	(13,623)
Repayment of lease liabilities		(1,255)	(1,295)	(3,912)	(3,693)
Repayment of other liabilities		(6,100)	(988)	(9,569)	(10,266)
		(31,937)	(26,642)	(81,337)	(60,066)
Investing activities:					
Business acquisitions, net of cash acquired		—	—	—	(1,600)
Disposal of non-core assets		—	—	—	450
Proceeds from the disposal of an investment	15	18,861	—	18,861	—
Acquisition of property and equipment		(1,849)	(1,479)	(3,761)	(4,551)
Acquisition of intangible assets other than internally developed intangible assets		(649)	(495)	(1,119)	(1,306)
Addition to internally developed intangible assets		(1,838)	(1,286)	(5,061)	(4,368)
		14,525	(3,260)	8,920	(11,375)
Increase (decrease) in cash and cash equivalents		(1,079)	(1,069)	7,315	2,642
Cash and cash equivalents, beginning of period		10,906	8,384	2,512	4,673
Cash and cash equivalents, end of period		\$ 9,827	\$ 7,315	\$ 9,827	\$ 7,315

The accompanying notes are an integral part of these interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

1. BUSINESS DESCRIPTION AND BASIS OF CONSOLIDATION

Stingray Group Inc. (the “Corporation”) is incorporated under the *Canada Business Corporations Act*. The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including radio stations, premium television channels, digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles. A portion of the Corporation’s revenue is derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year. However, for Fiscal 2021 Radio revenues are not expected to follow historical patterns due to the ongoing impact of the COVID-19 pandemic.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., 2144286 Ontario Inc., 4445694 Canada Inc., Pay Audio Services Limited Partnership, Music Choice Europe Limited, Stingray Digital International Ltd., Stingray Europe B.V., Transmedia Communications SA, Think inside the box LLC, SBA Music PTY Ltd., Stingray Music, S.A. de C.V., DJ Matic NV and Stingray Radio Inc. and all these entities’ wholly-owned subsidiaries.

The auditors of the Corporation have not performed a review of the interim financial report for the three-month and nine-month periods ended December 31, 2020 and 2019.

2. SIGNIFICANT CHANGES AND HIGHLIGHTS

The interim consolidated financial position and performance of the Corporation was particularly affected by the following events and transactions during the three-month and nine-month periods ended December 31, 2020:

- During the first nine months of Fiscal 2021, global economies and financial markets were impacted by the coronavirus (“COVID-19”) outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The tangible impact on the Corporation started in the Radio segment towards the end Q4 2020, as many non-essential local businesses were forced to temporarily close leading to a decrease in advertising and related revenues. In the early days of the crisis, the decision was made by the Corporation’s management to implement significant cost saving measures, which, combined with the Canadian Emergency Wage Subsidy (CEWS), helped to maintain a solid financial position. The Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, have been impacted during the first half of 2021. In Q3 2021, although still impacted, the Corporation noticed progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social distancing. Management expects the situation to continue improving as local businesses resume their normal operations. The extent to which COVID-19 continues to impact the Corporation’s business will depend on future developments, which are uncertain and cannot be predicted at this time. The Corporation’s focus will be to continue to closely monitor its cash position and control its operating expenses while capitalizing on its growth opportunities.
- In December 2020, the Corporation, together with its Canadian Broadcast Distribution Undertaking customers (together, the “Objectors”), and SOCAN have entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid to Canadian collective societies and a meaningfully reduced tariff burden for the present and future. As a result, \$4,405 was recognized as a reduction of expenses in Q3 2021.
- On December 21, 2020, the Corporation announced the sale of the securities it held in the capital stock of San Francisco based AppDirect Inc. for a cash consideration of USD14,612 (\$18,861). Refer to note 15 for more information.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

- On October 6, 2020, the Corporation amended its existing \$373,750 credit facilities by increasing the authorized amount up to \$420,000. The credit facilities consist of a \$325,000 revolving credit facility and a \$75,000 term loan, both maturing in October 2023, and includes the pre-existing \$20,000 term loan, secured on May 29, 2020 and maturing in May 2021.
- On September 23, 2020, the Corporation announced that the Toronto Stock Exchange had approved its normal course issuer bid, authorizing the Corporation to repurchase up to an aggregate 3,485,155 subordinate voting shares and variable subordinate voting shares (collectively, "Subordinate Shares"), representing approximately 10% of the public float of Subordinate Shares as at September 21, 2020.

3. SUBSEQUENT EVENT

Dividend

On February 3, 2021, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2021 to shareholders on record as of February 28, 2021.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

4. BUSINESS ACQUISITIONS

FISCAL 2021

Marketing Sensorial México

On May 6, 2020, the Corporation purchased all assets of Marketing Sensorial México, (“MSM”) for total consideration of MXN 127,759 (\$7,433). MSM is a Mexican leader in point-of-sale marketing solutions. As a result of the acquisition, goodwill of \$2,947 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation’s existing business. The intangible assets and goodwill will be deductible for tax purposes.

The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding MXN 44,164 (\$2,570) over the next two years ending in June 2022, based on the recurring monthly revenues targets. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows. Total consideration consists of a balance payable on business acquisition of MXN 90,000 (\$5,236) that was fully settled on December 1, 2020 and a contingent consideration.

The results of the business acquisition of MSM for the period ended December 31, 2020 are included in results since the date of the acquisition. Revenues recorded from the acquisition date to December 31, 2020 were \$1,710 and net income was \$667. Had the acquisition occurred at the beginning of the fiscal year, revenues related to this acquired business would have been approximately \$1,923 and net income would have been \$708.

	Preliminary
Assets acquired:	
Property and equipment	1,765
Intangible assets	2,721
Goodwill	2,947
Net assets acquired at fair value	\$ 7,433
Consideration given:	
Balance payable on business acquisition	5,236
Contingent consideration	2,197
	\$ 7,433

As of the reporting date, the Corporation has not completed the purchase price allocation over the identifiable net assets and goodwill as information to confirm the fair value of certain assets and liabilities remains to be obtained.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

FISCAL 2020

Chatter Research Inc.

On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc. (hereafter “Chatter”), a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses, for total consideration of \$9,493. As a result of the acquisition, goodwill of \$4,708 was recognized related to the operating synergies expected to be achieved from integrating the acquired business into the Corporation’s existing business. The goodwill will not be deductible for tax purposes.

The fair value of acquired trade receivables was \$543, which represented the gross contractual amount. The contingent consideration arrangement requires the Corporation to pay, in cash, to the former owners, an amount not exceeding \$14,000 over the next three years ending in January 2023, based on the recurring monthly revenues targets. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and some adjustments to the preliminary assessment have been recorded in the consolidated statements of financial position as shown below.

	Preliminary as of March 31, 2020	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	\$ 168	\$ —	\$ 168
Trade and other receivables	303	240	543
Intangible assets	5,446	(400)	5,046
Goodwill	4,654	54	4,708
Deferred tax assets	587	—	587
	11,158	(106)	11,052
Liabilities assumed:			
Accounts payable and accrued liabilities	208	—	208
Deferred revenues	14	—	14
Deferred tax liabilities	1,443	(106)	1,337
	1,665	(106)	1,559
Net assets acquired at fair value	\$ 9,493	\$ —	\$ 9,493
Consideration given:			
Cash	2,140	—	2,140
Contingent consideration	7,344	—	7,344
Working capital payable	9	—	9
	\$ 9,493	\$ —	\$ 9,493

Purchase price adjustments within the measurement period have been recorded as at March 31, 2020 (recasted).

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Drumheller

On August 26, 2019, the Corporation purchased the assets of CHOO-FM, a radio station in Drumheller, Alberta, from Golden West Broadcasting Ltd., for total consideration of \$1,640.

The Corporation finalized the assessment of the fair values of the assets acquired and liabilities assumed related to this acquisition and no adjustment to the preliminary assessment have been recorded in the consolidated statements of financial position.

	Final
Assets acquired:	
Trade and other receivables	70
Property and equipment	400
Broadcasting licences	1,200
	1,670
Liabilities assumed:	
Accounts payable and accrued liabilities	30
Net assets acquired at fair value	\$ 1,640
Consideration given:	
Cash	1,600
Working capital payable	40
	\$ 1,640

5. SEGMENT INFORMATION

OPERATING SEGMENTS

The Corporation's operating segments are aggregated in two segments: *Broadcasting and commercial music* and *Radio*. The operating segments reflect how the Corporation manages its operations, resources and assets and how it measures its performance. Both operating segment's financial results are reviewed by the Chief operating decision maker ("CDOM") to make decisions about resources to be allocated to the segment and assess its performance based on adjusted EBITDA, and for which distinct financial information is available. Adjusted EBITDA excludes from income before income taxes the following expenses: share-based compensation, performance and deferred share unit expense, depreciation, amortization and write-off, net finance expense (income), change in fair value of investments and acquisition, legal, restructuring and other expenses. There are no inter-segment revenues for the periods.

The Broadcasting and commercial music segment specializes in the broadcast of music and videos on multiple platforms and digital signage experiences and generates revenues from subscriptions or contracts.

The Radio segment operates several radio stations across Canada and generates revenues from advertising.

Corporate and eliminations is a non-operating segment comprising corporate and administrative functions that provide support and governance to the Corporation's operating business units.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

The following tables present financial information by segment for the three-month and nine-month periods ended December 31, 2020 and 2019.

	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Three-month periods								
Revenues	\$ 40,186	\$ 39,894	\$ 32,379	\$ 41,419	\$ —	\$ —	\$ 72,565	\$ 81,313
Operating expenses (excluding Share-based compensation and PSU and DSU expenses)	18,293	25,015	18,598	24,023	1,681	1,242	38,572	50,280
Adjusted EBITDA	\$ 21,893	\$ 14,879	\$ 13,781	\$ 17,396	(1,681)	(1,242)	33,993	31,033
Share-based compensation PSU and DSU expenses					231	238	231	238
Depreciation, amortization and write-off					1,780	677	1,780	677
Net finance expense (income)					9,771	9,772	9,771	9,772
Change in fair value of investments					(1,290)	(4,383)	(1,290)	(4,383)
Acquisition, legal, restructuring and other expenses					2,434	(4,781)	2,434	(4,781)
Income before income taxes					\$ 2,049	\$ 19,524	2,049	19,524
Income taxes							19,018	9,986
Net income							\$ 4,900	1,897
							\$ 14,118	\$ 8,089
	Broadcasting and commercial music		Radio		Corporate and eliminations		Consolidated	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Nine-month periods								
Revenues	\$ 115,302	\$ 115,983	\$ 73,850	\$ 122,340	\$ —	\$ —	\$ 189,152	\$ 238,323
Operating expenses (excluding Share-based compensation and PSU and DSU expenses)	54,146	71,264	41,188	73,402	3,188	3,788	98,522	148,454
Adjusted EBITDA	\$ 61,156	\$ 44,719	\$ 32,662	\$ 48,938	(3,188)	(3,788)	90,630	89,869
Share-based compensation PSU and DSU expenses					616	743	616	743
Depreciation, amortization and write-off					4,408	2,252	4,408	2,252
Net finance expense (income)					28,871	30,427	28,871	30,427
Change in fair value of investments					6,085	9,359	6,085	9,359
Acquisition, legal, restructuring and other expenses					3,787	(4,636)	3,787	(4,636)
Income before income taxes					\$ 1,923	\$ 23,411	1,923	23,411
Income taxes							44,940	28,313
Net income							11,913	5,857
							\$ 33,027	\$ 22,456

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

	Broadcasting and commercial music		Radio		Corporate and eliminations ⁽¹⁾		Consolidated	
	Dec. 31, 2020	March 31, 2020	Dec. 31, 2020	March 31, 2020	Dec. 31, 2020	March 31, 2020	Dec. 31, 2020	March 31, 2020
Total assets	\$ 228,007	\$ 245,894	\$ 610,407	\$ 599,346	\$ —	\$ 22,648	\$ 838,414	\$ 867,888
Total liabilities	\$ 89,344	\$ 87,906	\$ 117,699	\$ 123,625	\$ 345,446	\$ 382,461	\$ 552,489	\$ 593,992

(1) Total liabilities include operating liabilities, the Credit facilities and the Subordinated debt. Total assets as at March 31, 2020 is the investment in AppDirect which was sold during the three-month period ended December 31, 2020.

Three-month periods	Broadcasting and commercial music		Radio		Consolidated	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Acquisition of property and equipment	\$ 1,919	\$ 795	\$ 213	\$ 846	\$ 2,132	\$ 1,641
Addition to right-of-use assets on leases	\$ 2,888	\$ 274	\$ 16	\$ 137	\$ 2,904	\$ 411
Acquisition of intangible assets	\$ 2,548	\$ 1,793	\$ —	\$ —	\$ 2,548	\$ 1,793

Nine-month periods	Broadcasting and commercial music		Radio		Consolidated	
	Q3 2021	Q3 2020	Q3 2021	Q3 2020	Q3 2021	Q3 2020
Acquisition of property and equipment	\$ 6,031	\$ 2,498	\$ 610	\$ 2,978	\$ 6,641	\$ 5,476
Addition to right-of-use assets on leases	\$ 3,282	\$ 1,160	\$ 1,421	\$ 520	\$ 4,703	\$ 1,680
Acquisition of intangible assets	\$ 9,238	\$ 5,732	\$ —	\$ —	\$ 9,238	\$ 5,732
Acquisition of broadcast licences	\$ —	\$ —	\$ 78	\$ 1,200	\$ 78	\$ 1,200
Goodwill recorded on business acquisitions	\$ 2,947	\$ —	\$ —	\$ —	\$ 2,947	\$ —

Acquisition of property and equipment, intangible assets, broadcast licences and goodwill, includes those acquired through business acquisitions, whether they were paid or not and none are related to the Corporate segment.

Approximately 79% of the Corporation's non-current assets are located in Canada.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

6. REVENUES

DISAGGREGATION OF REVENUES

The following table presents the Corporation's revenues disaggregated by reportable segment, primary geographical market and product.

Three-month periods	Reportable segments ⁽³⁾								
	Q3 2021		Q3 2020		Q3 2020				
	Broadcasting and commercial music		Radio		Total revenues				
Geography									
Canada	\$	14,989	16,096	\$	32,379	41,419	\$	47,368	57,515
United States		10,693	9,575		—	—		10,693	9,575
Other countries		14,504	14,223		—	—		14,504	14,223
		40,186	39,894		32,379	41,419		72,565	81,313
Products									
Subscriptions ⁽¹⁾		35,197	34,355		—	—		35,197	34,355
Equipment and labor ⁽²⁾		3,326	4,845		—	—		3,326	4,845
Advertising ⁽²⁾		1,663	694		32,379	41,419		34,042	42,113
	\$	40,186	39,894	\$	32,379	41,419	\$	72,565	81,313

⁽¹⁾ Generally recognized over time

⁽²⁾ Generally recognized at a point in time

⁽³⁾ No revenues are generated from the Corporate segment

Nine-month periods	Reportable segments ⁽³⁾								
	Q3 2021		Q3 2020		Q3 2020				
	Broadcasting and commercial music		Radio		Total revenues				
Geography									
Canada	\$	41,285	44,005	\$	73,850	122,340	\$	115,135	166,345
United States		31,086	27,751		—	—		31,086	27,751
Other countries		42,931	44,227		—	—		42,931	44,227
		115,302	115,983		73,850	122,340		189,152	238,323
Products									
Subscriptions ⁽¹⁾		102,423	102,811		—	—		102,423	102,811
Equipment and labor ⁽²⁾		9,250	11,868		—	—		9,250	11,868
Advertising ⁽²⁾		3,629	1,304		73,850	122,340		77,479	123,644
	\$	115,302	115,983	\$	73,850	122,340	\$	189,152	238,323

⁽¹⁾ Generally recognized over time

⁽²⁾ Generally recognized at a point in time

⁽³⁾ No revenues are generated from the Corporate segment

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

7. NET FINANCE EXPENSE (INCOME)

	3 months		9 months	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Interest expense and standby fees	\$ 4,543	\$ 3,642	\$ 12,050	\$ 12,262
Mark-to-market gains on derivative financial instruments	(3,017)	(8,567)	(3,320)	(6,787)
Change in fair value of contingent consideration	(1,479)	294	(897)	562
Depreciation, amortization and accretion of other liabilities	848	700	2,457	2,107
Interest expense on lease liabilities (note 11)	409	417	1,201	1,267
Foreign exchange gain	(2,594)	(869)	(5,406)	(52)
	\$ (1,290)	\$ (4,383)	\$ 6,085	\$ 9,359

8. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES

	3 months		9 months	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Acquisition	\$ 802	\$ 924	\$ 1,332	\$ 1,390
Legal ⁽¹⁾	735	18,469	199	21,495
Restructuring and other	512	131	392	526
	\$ 2,049	\$ 19,524	\$ 1,923	\$ 23,411

⁽¹⁾ During the three-month period ended December 31, 2019, the Corporation recognized an expense of \$17,050 regarding the settlement agreement with Music Choice.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

9. PROPERTY AND EQUIPMENT, RIGHT-OF-USE-ASSETS ON LEASES, INTANGIBLE ASSETS, BROADCAST LICENCES AND GOODWILL

	Property and equipment	Right-of-use assets on leases	Intangible assets	Broadcast licences	Goodwill
Year ended March 31, 2020					
Net book amount as at March 31, 2019	\$ 50,326	\$ —	\$ 64,395	\$ 271,710	\$ 331,332
Additions resulting from adoption of IFRS 16	—	33,411	—	—	—
Additions	7,158	1,708	7,694	—	—
Additions through business acquisitions	400	—	5,046	1,200	4,708
Disposals and write-off	(1,030)	—	—	—	—
Depreciation of property and equipment	(10,866)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(5,618)	—	—	—
Amortization of intangible assets	—	—	(23,207)	—	—
Foreign exchange differences	(256)	(41)	562	—	1,784
Net book amount as at March 31, 2020	\$ 45,732	\$ 29,460	\$ 54,490	\$ 272,910	\$ 337,824
Nine-month period ended December 31, 2020					
Net book amount as at March 31, 2020	\$ 45,732	\$ 29,460	\$ 54,490	\$ 272,910	\$ 337,824
Additions	4,876	4,703	6,517	78	—
Additions through business acquisition	1,765	—	2,721	—	2,947
Disposals and write-off	(696)	(224)	—	—	—
Depreciation of property and equipment	(8,140)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(4,255)	—	—	—
Amortization of intangible assets	—	—	(16,076)	—	—
Foreign exchange differences	323	61	185	—	279
Net book amount as at December 31, 2020	\$ 43,860	\$ 29,745	\$ 47,837	\$ 272,988	\$ 341,050

10. CREDIT FACILITIES

The table below is a summary of the credit facilities as at December 31, 2020:

	Total available	Drawn	Letters of credit	Net available
Committed credit facilities				
Revolving facility	\$ 325,000	\$ 198,933	\$ 9,403	\$ 116,664
Term facilities	93,125	93,125	—	—
Total committed credit facilities	\$ 418,125	\$ 292,058	\$ 9,403	\$ 116,664
Less: unamortized deferred financing fees		(1,705)		
Balance, end of period		\$ 290,353		
Current portion		\$ 27,349		
Non-current portion		\$ 263,004		

As at December 31, 2020, letters of credit amounting to \$9,403 (2019 – \$750) reduced the availability on the revolving facility.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

On October 6, 2020, the Corporation amended its existing \$373,750 credit facilities by increasing the authorized amount up to \$420,000. The credit facilities consist of a \$325,000 revolving credit facility and a \$75,000 term loan, both maturing in October 2023, and includes the pre-existing \$20,000 term loan, secured on May 29, 2020 and maturing in May 2021.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown amount. The remaining capital balance will be payable on maturity date, on October 25, 2023.

The credit facilities bear interest at either (a) the bank's prime rate plus an applicable margin based on a financial covenant or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant. In addition, the Corporation incurs standby fees, varying between 0.40% and 0.63% based on a financial covenant.

Minimum capital repayments to be made by the Corporation on the term facilities in the forthcoming fiscal years are as follows:

	Capital repayments
2021	1,875
2022	27,500
2023	7,500
2024	56,250
	\$ 93,125

11. LEASE LIABILITIES

The following table presents a summary of the activity related to the lease liabilities of the Corporation for the three-month and nine-month periods ended December 31, 2020:

	3 months		9 months	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Lease liabilities, beginning of period	\$ 29,784	\$ 32,842	\$ 30,853	\$ —
Additions resulting from adoption of IFRS 16	—	—	—	34,048
Additions	2,904	411	4,703	1,680
Payment of lease liabilities, including related interest	(1,664)	(1,712)	(5,113)	(4,960)
Reassessment of leases' term	—	—	(256)	—
Interest expense on lease liabilities (note 7)	409	417	1,201	1,267
Foreign exchange differences	18	31	63	(46)
Lease liabilities, end of period	\$ 31,451	\$ 31,989	\$ 31,451	\$ 31,989

Lease liabilities included in the Interim Consolidated Statements of Financial Position as at December 31, 2020 and March 31, 2020

	December 31, 2020	March 31, 2020
Current portion	\$ 4,806	\$ 4,517
Non-current portion	\$ 26,645	\$ 26,336
	\$ 31,451	\$ 30,853

The following table presents the maturity analysis of contractual undiscounted cashflows related to the lease liabilities of the Corporation as of December 31, 2020:

Less than one year	\$ 6,321
One to five years	17,191
More than five years	17,016
Total undiscounted lease liabilities as at December 31, 2020	\$ 40,528

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

12. OTHER LIABILITIES

	Note	December 31, 2020	March 31, 2020
CRTC tangible benefits		\$ 27,631	\$ 26,694
Settlement payable		8,611	9,316
Contingent consideration		13,583	17,831
Balance payable on business acquisitions		268	784
Accrued pension benefit liability		5,754	6,139
Derivative financial instruments	15	15,378	18,698
Other		1,565	1,819
		72,790	81,281
Current portion		(20,279)	(16,672)
		\$ 52,511	\$ 64,609

13. SHARE CAPITAL

Authorized:

Unlimited number of subordinate voting shares, participating, without par value

Unlimited number of variable subordinate voting shares, participating, without par value

Unlimited number of multiple voting shares (10 votes per share), participating, without par value

Unlimited number of special shares, participating, without par value

Unlimited number of preferred shares issuable in one or more series, non-participating, without par value

Issued and outstanding:

The movements in share capital were as follows:

	Number of shares	Carrying amount
Year ended March 31, 2020		
Subordinate voting shares and variable subordinate voting shares		
As at March 31, 2019	58,296,405	\$ 319,488
Exercise of stock options	275,000	1,517
Repurchased and cancelled	(2,957,799)	(16,823)
Purchased and held in trust through employee share purchase plan	(5,650)	(42)
As at March 31, 2020	55,607,956	\$ 304,140
Multiple voting shares		
As at March 31, 2019 and 2020	17,941,498	18,226
	73,549,454	\$ 322,366

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Nine-month period ended December 31, 2020

Subordinate voting shares and variable subordinate voting shares

As at March 31, 2020	55,607,956	\$	304,140
Exercise of stock options	39,035		129
Repurchased through share repurchase program and cancelled	(562,765)		(3,201)
Purchased and held in trust through employee share purchase plan	(40,589)		(242)
As at December 31, 2020	55,043,637	\$	300,826

Multiple voting shares

As at March 31, 2020 and December 31, 2020	17,941,498		18,226
	72,985,135	\$	319,052

Transactions for the nine-month period ended December 31, 2020

During the period, 39,035 stock options were exercised and consequently, the Corporation issued 39,035 subordinate voting shares. The proceeds amounted to \$69. An amount of \$60 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On November 4, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$5,492 was paid on December 15, 2020.

On August 4, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$5,518 was paid on September 14, 2020.

On May 20, 2020, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend of \$5,518 was paid on June 15, 2020.

Share repurchase program

On September 23, 2020, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on September 29, 2020. This program allows the Corporation to repurchase up to an aggregate 3,485,155 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 10% of the Subordinate Shares issued and outstanding as at September 21, 2020. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 32,265 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares. When making such repurchases, the number of Subordinate Shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than September 24, 2021.

The following table summarizes the Corporation's share repurchase activities during the three and nine-month periods ended December 31, 2020:

	3 months		9 months	
Subordinate voting shares repurchased for cancellation (<i>unit</i>)		542,765		562,765
Average price per share	\$	6.0683	\$	6.0500
Total repurchase cost	\$	3,294	\$	3,405
Repurchase resulting in a reduction of:				
Share capital	\$	3,087	\$	3,201
Deficit ⁽¹⁾	\$	207	\$	204

⁽¹⁾ The excess of net repurchase price over the average book value of the Subordinate voting shares.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	3 months		9 months	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Trade and other receivables	\$ (7,627)	\$ 1,839	\$ 1,460	\$ (542)
Inventories	(614)	401	(916)	(737)
Other current assets	3,734	(2,566)	4,868	(697)
Other non-current assets	(5)	1,663	136	(74)
Accounts payable and accrued liabilities	(8,873)	1,543	(11,046)	(444)
Deferred revenues	(180)	486	10	(66)
Income taxes payable	(1,915)	(2,485)	(3,921)	(3,072)
Other liabilities (including a portion of long-term liabilities)	(378)	16,821	(1,567)	15,064
	\$ (15,858)	\$ 17,702	\$ (10,976)	\$ 9,432

15. FINANCIAL INSTRUMENTS

FINANCIAL RISK FACTORS

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the annual consolidated financial statements as at March 31, 2020. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

FAIR VALUES

The Corporation has determined that the carrying amount of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and current portion of other liabilities excluding the contingent consideration is a reasonable approximation of their fair value due to the short-term maturity of those instruments. As such, information on their fair values is not presented below. The fair value of the credit facilities approximates its carrying value as it bears interest at prime or banker's acceptance rates plus a credit spread, which approximate current rates that could be obtained for debts with similar terms and credit risk. The fair value of derivative financial instruments is determined using an evaluation of the estimated market value, adjusted for the credit quality of the counterparty. The carrying amount of CRTC tangible benefits and balance payable on business acquisitions is a reasonable approximation of their fair value as they are discounted using the effective interest rate, which approximate current rates that could be obtained with similar terms and credit risk.

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

The carrying and fair value of financial assets and liabilities, including their level in the fair value hierarchy, consist of the following:

As at December 31, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 9,827				
Trade and other receivables	67,951				
Financial assets measured at fair value					
Investments	\$ 900	\$ 900	\$ —	\$ —	\$ 900
Financial liabilities measured at amortized cost					
Credit facilities	\$ 290,353				
Subordinated debt	39,715				
Accounts payable and accrued liabilities	55,973				
CRTC tangible benefits and accrued pension benefit liabilities	33,385				
Balance payable on business acquisitions	268				
Settlement payable	8,611				
Financial liabilities measured at fair value					
Contingent consideration	\$ 13,583	\$ 13,583	\$ —	\$ —	\$ 13,583
Derivative financial instruments	15,378	15,378	—	15,378	—
<hr/>					
As at March 31, 2020	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 2,512				
Trade and other receivables	68,620				
Financial assets measured at fair value					
Investments	\$ 23,548	\$ 23,548	\$ —	\$ —	\$ 23,548
Financial liabilities measured at amortized cost					
Credit facilities	\$ 324,123				
Subordinated debt	39,640				
Accounts payable and accrued liabilities	58,085				
CRTC tangible benefits and accrued pension benefit liabilities	32,833				
Balance payable on business acquisitions	784				
Settlement payable	9,316				
Financial liabilities measured at fair value					
Contingent consideration	\$ 17,831	\$ 17,831	\$ —	\$ —	\$ 17,831
Derivative financial instruments	18,698	18,698	—	18,698	—

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

Fair value measurement (Level 3):

	Investments	Contingent consideration
Nine-month period ended December 31, 2019		
Opening amount as at March 31, 2019	\$ 16,998	\$ 12,430
Change in fair value	4,636	185
Settlements	—	(4,209)
Closing amount as at December 31, 2019	\$ 21,634	\$ 8,406
Nine-month period December 31, 2020		
Opening amount as at March 31, 2020	\$ 23,548	\$ 17,831
Additions through business acquisition	—	2,197
Change in fair value	(3,787)	(897)
Settlements	(18,861)	(5,548)
Closing amount as at December 31, 2020	\$ 900	\$ 13,583

There were no changes in the valuation techniques for the contingent consideration and investments during the nine-month periods ended December 31, 2020 and 2019.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation use derivative financial instruments to manage its interest rate risk on its Credit facilities. These include interest rate swaps and swaptions.

The table below summarize the interest rate contracts effective as at December 31, 2020:

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market Liabilities (assets) as at December 31, 2020
Swaps				
October 25, 2024	CAD	0.81%	\$ 50,000	\$ 2,200
October 25, 2024	CAD	1.33%	50,000	1,121
October 25, 2024	CAD	2.19%	50,000	700
October 25, 2024	CAD	2.29%	50,000	2,792
August 29, 2029	CAD	1.73%	40,000	1,856
August 31, 2029	CAD	1.73%	60,000	2,761
			300,000	11,430
Swaptions				
October 25, 2024	CAD	—	100,000	1,957
October 25, 2024	CAD	—	100,000	2,704
			\$ 200,000	\$ 4,661
				\$ 16,091

The Corporation also use derivative financial instruments to manage its currency risk. The table below summarize the foreign exchange forward contracts effective as at December 31, 2020:

Maturity	Type	Contract exchange rate	Contractual amount	Mark-to-market Liabilities (assets) as at December 31, 2020
0 to 3 months	USD Sale	1.3909	\$ 6,000	\$ (713)

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

INVESTMENTS

AppDirect

During the three-month period ended December 31, 2020, the Corporation disposed of its investment in AppDirect for a cash consideration of USD14,612 (\$18,861) and recognized a loss on disposal of \$2,434 in change in fair value of investments in the consolidated statements of comprehensive income.

The fair value of the investment as at March 31, 2020 was \$22,648.

Nextologies

The fair value of the equity instrument in a private entity, Nextologies, was estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investment and the expected EBITDA on the investment.

The equity instrument in a private entity is classified as a financial asset at fair value through profit and loss.

The fair value of the investment as at December 31, 2020 and March 31, 2020 was \$900.

CONTINGENT CONSIDERATION

The contingent consideration related to business combinations is payable based on the achievement of targets for growth in revenues for a period from the date of the acquisition and upon renewal of client contracts. The fair value measurement of the contingent consideration is determined using unobservable (Level 3) inputs. These inputs include (i) the estimated amount and timing of projected cash flows; and (ii) the risk-adjusted discount rate used to present value the cash flows, which is based on the risk associated with the revenue targets being met. The contingent consideration is classified as a financial liability and is included in other liabilities (Note 12). The change in fair value is recognized in net finance expense (income) (Note 7).

Notes to Interim Consolidated Financial Statements

Three-month and nine-month periods ended December 31, 2020 and 2019

(In thousands of Canadian dollars, unless otherwise stated)
(Unaudited)

16. BASIS OF PREPARATION

a) Statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements. These interim consolidated financial statements have been prepared on a form in accordance with IAS 34 “Interim Financial Reporting”. Accordingly, certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS, has been omitted or condensed. Income taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. These interim consolidated financial statements should be read in conjunction with the consolidated annual financial statements and the note thereto for the year ended March 31, 2020.

The interim consolidated financial statements were authorized for issue by the Board of Directors on February 3, 2020.

b) Use of estimates and judgements:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Corporation’s accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2020.

c) Functional and presentation currency:

These interim consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

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