2020

THIRD QUARTER REPORT

FISCAL 2020

For the nine-month period ended December 31, 2019

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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, 2019 and 2018, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2019. This MD&A reflects information available to the Corporation as at February 5, 2020. 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, 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, 2019 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 Canadian Radio-television and Telecommunications Commission ("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 demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure 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, Net debt to Adjusted EBITDA and Pro Forma Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation's statement of financial position. 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

Stingray a leading provider of multiplatform music and video services as well as digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, consumers, and more. Its services include audio television channels, more than 100 radio stations, premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps. Stingray reaches 400 million subscribers (or users) in 156 countries and its mobile apps have been downloaded over 140 million times. The Corporation is headquartered in Montreal and currently has over 1,200 employees worldwide, including in the United States, the United Kingdom, the Netherlands, Israel, and Australia.

KEY PERFORMANCE INDICATORS(1)

For the three-month period ended December 31, 2019 ("Q3 2020"):

$81.3 M ▲ 14.9% from Q3 2019 Revenues	**$33.7 M** ▲ 1.1% from Q3 2019 Recurring Broadcasting and Commercial Music revenues(2)	**$31.0 M** ▲ 14.0% from Q3 2019 Adjusted EBITDA	**$21.0 M** ▲ 23.8% from Q3 2019 Adjusted free cash flow
$0.075 ▲ 15.4% from Q3 2019 Quarterly dividend per share	**59.7 %** % of international(3) Broadcasting and Commercial Music revenues	**$8.1 M** Or $0.11 per share Net income	**$28.8 M** ▲ 108.8% from Q3 2019 Cash flow from operating activities

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the third quarter ended December 31, 2019

Compared to the quarter ended December 31, 2018 ("Q3 2019"):

- Revenues increased 14.9% to $81.3 million from $70.8 million;
- Recurring Broadcasting and Commercial Music revenues(2) increased 1.1% to $33.7 million from $33.4 million;
- Adjusted EBITDA(1) increased 14.0% to $31.0 million from $27.2 million. Excluding the impact of IFRS 16, Adjusted EBITDA(1) would have been $29.3 million. IFRS 16 - Leases accounting standard was adopted on April 1, 2019 resulting in a reduction of $1.7 million in operating lease expenses for the quarter. Please refer to IFRS 16 - Leases in the section New standard adopted by the Corporation on page 17;
- Adjusted EBITDA(1) margin was 38.2% compared with 38.5%. Q3 2019 Adjusted EBITDA was positively impacted by the reversal of certain accrued liabilities in the Radio segment;
- Adjusted EBITDA(1) by segment was $14.9 million or 37.3% of revenues for Broadcasting and Commercial Music, $17.4 million or 42.0% of revenues for Radio and $(1.3) million for Corporate;
- Net income was $8.1 million ($0.11 per share) compared with a Net loss of $(18.1) million ($(0.26) per share);
- Adjusted Net income(1) of $16.7 million ($0.22 per share) compared with $12.4 million ($0.18 per share);
- Cash flow from operating activities increased 108.8% to $28.8 million compared to $13.8 million;
- Adjusted free cash flow(1) increased 23.8% to $21.0 million, or $0.28 per share, compared to $17.0 million or $0.24 per share;
- Net debt to Pro Forma Adjusted EBITDA(1) ratio of 2.94x, and;
- 948,611 shares repurchased and cancelled for a total of $6.1 million.

Business Highlights:

- On February 5, 2020, 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 16, 2020, to shareholders on record as of February 28, 2020.

- 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), 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. Accordingly, an amount of $17.1 million was booked as part of the acquisition, legal, restructuring and other expenses in Q3 2020. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted.

- On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses. Total consideration consists of an amount of $2.1 million paid upon closing and a contingent consideration.

- On November 6, 2019, the Corporation announced that it had concluded a long-term deal to provide custom music programming and in-store messaging for over one thousand of METRO's leading grocery and pharmacy establishments. Retailers under the agreement include Metro and Metro Plus in Quebec, Metro in Ontario, Super C, Food Basics, Adonis, Les 5 Saisons, Brunet, and Jean Coutu.

- On November 6, 2019, the Corporation declared a dividend of $0.07 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend was paid on December 13, 2019 to shareholders on record as of November 29, 2019.

- In early October 2019, the Corporation announced that its highly-rated music app is now available to all Canadians and Americans. Previously available exclusively to pay-TV subscribers, the Stingray Music app offers an unparalleled listening experience of local and international content. The app is available for free or with an upgrade to Premium for a monthly subscription fee.

Notes:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6. The adoption of IFRS 16 had a material impact on the Corporation's Consolidated Statements of Financial Position and its Consolidated Statements of Comprehensive Income as nearly all leases were capitalized with a corresponding liability, while the rent expense was replaced by the depreciation of the right-of-use assets, and interest accretion expense from the liabilities was recorded.

(2) Recurring Broadcasting and Commercial Music revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include advertising, support, installation, equipment and one-time fees.

(3) International means all jurisdictions except Canada.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	3 months				9 months			
	Dec 31, 2019 **Q3 2020**		Dec 31, 2018 **Q3 2019**		Dec 31, 2019 **YTD 2020**		Dec 31, 2018 **YTD 2019**	
(in thousands of Canadian dollars, except per share amounts)	**$**	**% of revenues**	**$**	**% of revenues**	**$**	**% of revenues**	**$**	**% of revenues**
Revenues	81,313	100.0 %	70,772	100.0 %	238,323	100.0 %	139,920	100.0 %
Recurring Revenues[1]	33,728	41.5 %	33,364	47.1 %	101,238	42.5 %	94,811	67.8 %
Revenues	81,313	100.0 %	70,772	100.0 %	238,323	100.0 %	139,920	100.0 %
Operating expenses	51,195	63.0 %	43,669	61.7 %	151,449	63.5 %	91,627	65.4 %
CRTC Tangible benefits	–	– %	25,306	35.8 %	–	– %	25,306	18.1 %
Depreciation, amortization and write-off	9,772	12.0 %	8,870	12.5 %	30,427	12.8 %	21,155	15.1 %
Net finance expense (income)[2]	(4,383)	(5.4) %	7,208	10.2 %	9,359	3.9 %	10,039	7.2 %
Change in fair value of investments	(4,781)	(5.9) %	(840)	(1.2) %	(4,636)	(1.9) %	(901)	(0.6) %
Acquisition, legal, restructuring and other expenses	19,524	24.0 %	10,729	15.2 %	23,411	9.8 %	13,685	9.8 %
Income (loss) before income taxes	9,986	12.3 %	(24,170)	(34.2) %	28,313	11.9 %	(20,991)	(15.0) %
Income taxes	1,897	2.4 %	(6,117)	(8.7) %	5,857	2.5 %	(5,061)	(3.6) %
Net income (loss)	8,089	9.9 %	(18,053)	(25.5) %	22,456	9.4 %	(15,930)	(11.4) %
Adjusted EBITDA[3]	31,033	38.2 %	27,219	38.5 %	89,869	37.7 %	49,827	35.6 %
Adjusted Net income[3]	16,710	20.6 %	12,396	17.5 %	45,813	19.2 %	25,002	17.9 %
Cash flow from operating activities (restated due to a change in accounting policy - see page 19)	28,833	35.5 %	13,809	19.5 %	74,083	31.1 %	26,631	19.0 %
Adjusted free cash flow[3]	21,033	25.9 %	16,983	24.0 %	60,377	25.3 %	28,989	20.7 %
Net debt[3]	346,460	–	358,951	–	346,460	–	358,951	–
Net debt to Pro Forma Adjusted EBITDA[3][4]	2.94x	–	3.19x	–	2.94x	–	3.19x	–
Net income (loss) per share basic and diluted	0.11	–	(0.26)	–	0.29	–	(0.26)	–
Adjusted Net income per share basic[3]	0.22	–	0.18	–	0.60	–	0.41	–
Adjusted Net income per share diluted[3]	0.22	–	0.18	–	0.60	–	0.40	–
Revenues by segment								
Broadcasting and Commercial Music	39,894	49.1 %	38,875	54.9 %	115,983	48.7 %	108,023	77.2 %
Radio	41,419	50.9 %	31,215	44.1 %	122,340	51.3 %	31,215	22.3 %
Corporate	–	– %	682	1.0 %	–	– %	682	0.5 %
Revenues	81,313	100.0 %	70,772	100.0 %	238,323	100.0 %	139,920	100.0 %
Revenues by geography								
Canada	57,515	70.7 %	46,738	66.0 %	166,345	69.8 %	74,601	53.3 %
United States	9,575	11.8 %	8,834	12.5 %	27,751	11.6 %	25,088	17.9 %
Other Countries	14,223	17.5 %	15,200	21.5 %	44,227	18.6 %	40,231	28.8 %
Revenues	81,313	100.0 %	70,772	100.0 %	238,323	100.0 %	139,920	100.0 %

Notes:

(1) Recurring Broadcasting and Commercial Music revenues include subscriptions and usage in addition to fixed fees charged to our customers on a monthly, quarterly and annual basis for continuous music services. Non-recurring revenues mainly include advertising, support, installation, equipment and one-time fees.

(2) Interest paid during the Q3 2020 was $4.2 million (Q3 2019; $4.6 million) and $13.6 million for the YTD 2020 (YTD 2019; $5.5 million).

(3) 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 6.

(4) Pro Forma Adjusted EBITDA is calculated as the Corporation’s last twelve months Adjusted EBITDA ($112.3 million, Q3 2019; $61.6 million), plus synergies and pro rated Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results ($4.0 million, Q3 2019; $51.1 million). The impact of IFRS 16 on Adjusted EBITDA is also reflected in the Pro Forma Adjusted EBITDA in the amount of $1.6 million (Q3 2019; nil). 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 6.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, 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, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec 31, 2018
(in thousands of Canadian dollars)	**Q3 2020**	**Q3 2019**	**YTD 2020**	**YTD 2019**
Net income (loss)	**8,089**	**(18,053)**	**22,456**	**(15,930)**
Net finance expense (income)	(4,383)	7,208	9,359	10,039
Change in fair value of investments	(4,781)	(840)	(4,636)	(901)
Income taxes	1,897	(6,117)	5,857	(5,061)
Depreciation and write-off of property and equipment	2,876	2,469	8,687	4,912
Depreciation of right-of-use assets	1,402	–	4,192	–
Amortization of intangible assets	5,494	6,401	17,548	16,243
Share-based compensation	238	263	743	796
Performance and deferred share unit expense	677	(147)	2,252	738
CRTC Tangible benefits	–	25,306	–	25,306
Acquisition, legal, restructuring and other expenses	19,524	10,729	23,411	13,685
Adjusted EBITDA	**31,033**	**27,219**	**89,869**	**49,827**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,184)	(7,208)	(16,146)	(10,039)
Income taxes	(1,897)	6,117	(5,857)	5,061
Depreciation of property and equipment and write-off	(2,876)	(2,469)	(8,687)	(4,912)
Depreciation of right-of-use assets	(1,402)	–	(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, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(3,964)	(11,263)	(9,174)	(14,935)
Adjusted Net income	**16,710**	**12,396**	**45,813**	**25,002**

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

	3 months		9 months	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
(in thousands of Canadian dollars)	**Q3 2020**	**Q3 2019**	**YTD 2020**	**YTD 2019**
Cash flow from operating activities	**28,833**	**13,809**	**74,083**	**26,631**
Add / Less :				
Acquisition of property and equipment	(1,479)	(1,972)	(4,551)	(5,688)
Acquisition of intangible assets other than internally developed intangible assets	(495)	(1,272)	(1,306)	(3,002)
Addition to internally developed intangible assets	(1,286)	(1,827)	(4,368)	(4,422)
Interest paid	(4,150)	(4,649)	(13,623)	(5,509)
Repayment of lease liabilities	(1,295)	–	(3,693)	–
Net change in non-cash operating working capital items	(17,702)	1,180	(9,431)	5,949
Unrealized loss on foreign exchange	(917)	985	(145)	1,345
Acquisition, legal, restructuring and other expenses	19,524	10,729	23,411	13,685
Adjusted free cash flow	**21,033**	**16,983**	**60,377**	**28,989**

The following table shows the calculation of Net debt:

(in thousands of Canadian dollars)	**December 31, 2019**	**March 31, 2019**	**December 31, 2018**
Credit facilities	314,161	312,955	314,543
Subordinated debt	39,614	49,539	49,513
Cash and cash equivalents	(7,315)	(4,673)	(5,105)
Net debt	**346,460**	**357,821**	**358,951**

FINANCIAL RESULTS FOR THE PERIODS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months FY2020	3 months FY2019	3 months % Change	9 months FY2020	9 months FY2019	9 months % Change
Revenues by geography						
Canada	57,515	46,738	23.1	166,345	74,601	123.0
United States	9,575	8,834	8.4	27,751	25,088	10.6
Other Countries	14,223	15,200	(6.4)	44,227	40,231	9.9
Revenues	81,313	70,772	14.9	238,323	139,920	70.3

Global

Revenues in Q3 2020 increased $10.5 million or 14.9% to $81.3 million, from $70.8 million for Q3 2019. The increase was primarily due to the acquisition of Newfoundland Capital Corporation Inc. ("NCC"), combined with organic growth in subscriptions.

Cumulative revenues for Fiscal 2020 increased $98.4 million or 70.3% to $238.3 million, from $139.9 million for cumulative Fiscal 2019. The increase was primarily due to the acquisition of NCC, DJ Matic and Novramedia, combined with organic growth in subscriptions, partially offset by the termination of some low margin international contracts.

Canada

Revenues in Canada in Q3 2020 increased $10.7 million or 23.1% to $57.5 million, from $46.8 million for Q3 2019. Cumulative revenues in Canada for Fiscal 2020 increased $91.7 million or 123.0% to $166.3 million, from $74.6 million for cumulative Fiscal 2019. Both increases were primarily due to the acquisition of NCC.

United States

Revenues in the United States in Q3 2020 increased $0.8 million or 8.4% to $9.6 million, from $8.8 million for Q3 2019. Cumulative revenues in the United States for Fiscal 2020 increased $2.7 million or 10.6% to $27.8 million, from $25.1 million for cumulative Fiscal 2019. Both increases were primarily due to organic growth in subscriptions.

Other Countries

Revenues in Other countries in Q3 2020 decreased $(1.0) million or 6.4% to $14.2 million, from $15.2 million for Q3 2019. The decrease was primarily due to lower commercial music sales in Europe and to the termination of some low margin contracts.

Cumulative revenues in Other countries for Fiscal 2020 increased $4.0 million or 9.9% to $44.2 million, from $40.2 million for cumulative Fiscal 2019. The increase was primarily due to the acquisition of DJ Matic and to organic growth in subscriptions, partially offset by the termination of some low margin contracts.

Operating Expenses

Operating expenses in Q3 2020 increased $7.5 million or 17.2% to $51.2 million, from $43.7 million for Q3 2019. The increase was primarily due to the acquisition of NCC, to the reversal of certain accrued liabilities in the Radio segment in Q3 2019 and to the higher revenues, partially offset by the reduction of operating lease expenses related to the adoption of IFRS 16.

Cumulative operating expenses for Fiscal 2020 increased $59.8 million or 65.3% to $151.4 million, from $91.6 million for cumulative Fiscal 2019. The increase was primarily due to the acquisition of NCC and DJ Matic, to the higher revenues and to the reversal of certain accrued liabilities in the Radio segment in Q3 2019, partially offset by the reduction of operating lease expenses related to the adoption of IFRS 16.

Adjusted EBITDA[1]

Adjusted EBITDA in Q3 2020 increased $3.8 million or 14.0% to $31.0 million from $27.2 million for Q3 2019. Adjusted EBITDA margin was 38.2% compared to 38.5% for Q3 2019. The increase in Adjusted EBITDA was primarily due to the adoption of IFRS 16, to the acquisition of NCC, to organic growth in subscriptions and to reduced operating expenses in the Broadcasting and Commercial Music segment, partially offset by the reversal of certain accrued liabilities in the Radio segment in Q3 2019. Excluding the impact of IFRS 16, the Adjusted EBITDA would have been $29.3 million with a margin of 36.0%.

Cumulative Adjusted EBITDA for Fiscal 2020 increased $40.1 million or 80.4% to $89.9 million from $49.8 million for cumulative Fiscal 2019. Adjusted EBITDA margin was 37.7% compared to 35.6% for cumulative Fiscal 2019. The increase in Adjusted EBITDA was primarily due to the acquisition of NCC, to the adoption of IFRS 16, to the organic growth in subscriptions and to reduced operating expenses in the Broadcasting and Commercial Music segment, partially offset by the reversal of certain accrued liabilities in the Radio segment in Q3 2019. Excluding the impact of IFRS 16, the Adjusted EBITDA would have been $84.9 million with a margin of 35.6%.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q3 2020 increased $0.9 million or 10.2% to $9.8 million, from $8.9 million for Q3 2019. The increase was primarily due to the adoption of IFRS 16, which resulted in a depreciation charge for the right-of-use assets of $1.4 million in Q3 2020 compared to nil for Q3 2019.

Cumulative depreciation, amortization and write off for Fiscal 2020 increased $9.2 million or 43.8% to $30.4 million, from $21.2 million for cumulative Fiscal 2019. The increase was primarily due to the acquisition of NCC and DJ Matic and to the adoption of IFRS 16, which resulted in a depreciation charge for the right-of-use assets of $4.2 million in cumulative Fiscal 2020 compared to nil for Fiscal 2019.

Net Finance Expense (Income)

In Q3 2020, the net finance income was $4.4 million compared to a net finance expense of $7.2 million for Q3 2019. The net finance income was mainly related to the mark-to-market gains on derivative instruments of $8.6 million, to the foreign exchange gain and to lower interest expense.

Cumulative net finance expense for Fiscal 2020 decreased $0.6 million or 6.8% to $9.4 million, from $10.0 million for cumulative Fiscal 2019. The decrease was mainly related to mark-to-market gains on derivative instruments of $6.8 million, foreign exchange gain and lower negative change in fair value of contingent considerations, partially offset by higher interest expense due to the additional debt related to the funding of the acquisition of NCC. The incremental interest accretion on lease liabilities from the adoption of IFRS 16 also contributed to the increase of net finance expense in the amount of $1.3 million.

Change in fair value of investments

In Q3 2020, a gain on fair value of $4.8 million was recorded compared to $0.8 million for Q3 2019. A gain on fair value of $4.6 million was recorded for cumulative Fiscal 2020 compared to $0.9 for cumulative Fiscal 2019. Both variances are related to the revaluation of the fair value of the investment in AppDirect, resulting in a gain of $5.1 million in Q3 2020.

Acquisition, legal, restructuring and other expenses

	3 months			9 months		
(in thousands of Canadian dollars)	FY2020	FY2019	Change $	FY2020	FY2019	Change $
Acquisition	924	9,954	(9,030)	1,390	11,278	(9,888)
Legal	18,469	243	18,226	21,495	1,540	19,955
Restructuring and other	131	532	(401)	526	867	(341)
Acquisition, legal, restructuring and other expenses	19,524	10,729	8,795	23,411	13,685	9,726

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), 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. Accordingly, an amount of $17.1 million was booked as part of the acquisition, legal, restructuring and other expenses in Q3 2020.

Note:
(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

Income Taxes

The income taxes expense recognized in the comprehensive income was $1.9 million for Q3 2020 compared to an income taxes recovery of $6.1 million for Q3 2019. The effective tax rate for Q3 2020 was 19.0% compared to 25.3% for Q3 2019. Cumulative income taxes expense for Fiscal 2020 was $5.9 million, compared to an income taxes recovery of $5.1 million for cumulative Fiscal 2019. The effective tax rate for cumulative Fiscal 2020 was 20.7% compared to 24.1% for cumulative Fiscal 2019. Both decreases in the effective tax rate are mainly due to the relative importance of permanent difference compared to net income before income taxes.

In Q3 2020 and cumulative Fiscal 2020, there were no share issuance costs recognized as a reduction of share capital on which income taxes were booked. In Q3 2019 and cumulative Fiscal 2019, share issuance costs amounted to $6.7 million and were recognized as a reduction of share capital net of income taxes of $1.8 million.

Net income (loss) and net income (loss) per share

Net income in Q3 2020 was $8.1 million ($0.11 per share) compared to a net loss of $18.1 million ($(0.26) per share) for Q3 2019. The difference was mainly due to the non-recurring CRTC Tangible benefits expense of $25.3 million related to the NCC acquisition recorded in Q3 2019. The difference is also explained by lower acquisition expenses, positive change in mark-to-market on derivative instruments, positive change in fair value of investments and higher operating results, partially offset by higher legal expenses due to the settlement with Music Choice and higher income taxes expense.

Cumulative net income for Fiscal 2020 was $22.5 million ($0.29 per share) compared to a net loss of $15.9 million ($(0.26) per share) for cumulative Fiscal 2019. The difference was mainly explained by higher operating results, lower CRTC Tangible benefits expense, lower acquisition expenses, positive change in mark-to-market on derivative instruments and positive change in fair value of investments, partially offset by higher legal expenses due to the settlement with Music Choice, higher income taxes, interest and depreciation expenses.

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

Adjusted Net income in Q3 2020 was $16.7 million ($0.22 per share), compared to $12.4 million ($0.18 per share) for Q3 2019. The increase is mainly due to the higher operating results and to the gain in foreign exchange, partially offset by higher income taxes.

Cumulative adjusted net income for Fiscal 2020 was $45.8 million ($0.60 per share), compared to $25.0 million ($0.40 per share) for cumulative Fiscal 2019. The increase is mainly due to the higher operating results, partially offset by higher interest, income taxes and depreciation expenses.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

	3 months			9 months		
(in thousands of Canadian dollars)	FY2020	FY2019	% Change	FY2020	FY2019	% Change
Revenues	39,894	38,875	2.6	115,983	108,023	7.4
Operating expenses	25,015	25,630	(2.4)	71,264	69,844	2.0
Adjusted EBITDA(1)	14,879	13,245	12.3	44,719	38,179	17.1
Adjusted EBITDA margin(1)	37.3%	34.1%	9.5	38.6%	35.3%	9.1

Revenues

In Q3 2020, Broadcasting and Commercial Music revenues increased $1.0 million or 2.6% to $39.9 million from $38.9 million for Q3 2019. The increase was primarily due to organic growth in subscriptions.

Cumulative Broadcasting and Commercial Music revenues for Fiscal 2020 increased $8.0 million or 7.4% to $116.0 million from $108.0 million for cumulative Fiscal 2019. The increase was primarily due to the acquisition of DJ Matic and Novramedia, combined with organic growth in subscriptions, partially offset by the termination of some low margin international contracts and by a delay in estimated time to market to deploy advertising solutions.

Adjusted EBITDA(1)

In Q3 2020, Broadcasting and Commercial Music Adjusted EBITDA increased $1.6 million or 12.3% to $14.9 million from $13.3 million for Q3 2019. The increase was primarily due to organic growth in subscriptions, to reduced operating expenses and to the adoption of IFRS 16.

Cumulative Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2020 increased $6.5 million or 17.1% to $44.7 million from $38.2 million for cumulative Fiscal 2019. The increase was primarily due to organic growth in subscriptions, to reduced operating expenses and to the adoption of IFRS 16, partially offset by a delay in estimated time to market to deploy advertising solutions.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 2 and 6.

RADIO

(in thousands of Canadian dollars)	3 months FY2020	3 months FY2019	3 months % Change	9 months FY2020	9 months FY2019	9 months % Change
Revenues	41,419	31,215	32.7	122,340	31,215	291.9
Operating expenses	24,023	16,115	49.1	73,402	16,115	355.5
Adjusted EBITDA(1)	17,396	15,100	15.2	48,938	15,100	224.1
Adjusted EBITDA margin(1)	42.0%	48.4%	(13.2)	40.0%	48.4%	(17.3)

Revenues

In Q3 2020, Radio revenues increased $10.2 million or 32.7% to $41.4 million from $31.2 million for Q3 2019. Cumulative Radio revenues for Fiscal 2020 increased $91.1 million or 291.9% to $122.3 million from $31.2 million for cumulative Fiscal 2019. Both increases reflect the contribution from the acquisition of NCC starting on October 26th, 2018.

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.

Adjusted EBITDA(1)

In Q3 2020, Radio Adjusted EBITDA increased $2.3 million or 15.2% to $17.4 million from $15.1 million for Q3 2019. Cumulative Radio Adjusted EBITDA for Fiscal 2020 increased $33.8 million or 224.1% to $48.9 million from $15.1 million for cumulative Fiscal 2019. Both increases reflect the contribution from the acquisition of NCC, partially offset by the reversal of certain accrued liabilities, which positively contributed to the Adjusted EBITDA of the Radio segment in Q3 2019.

CORPORATE

(in thousands of Canadian dollars)	3 months FY2020	3 months FY2019	3 months % Change	9 months FY2020	9 months FY2019	9 months % Change
Revenues	-	682	(100.0)	-	682	(100.0)
Operating expenses	2,157	1,924	12.1	6,783	5,668	19.7
Adjust:						
Share-based compensation	(238)	(263)	(9.5)	(743)	(796)	(6.7)
Performance and deferred share unit expense	(677)	147	(560.5)	(2,252)	(738)	205.1
Adjusted EBITDA(1)	(1,242)	(1,126)	10.3	(3,788)	(3,452)	9.7

The Corporate segment derived its revenue from hotel operations, which was acquired through the NCC acquisition. Corporate expenses are related to head office functions and hotel operations. The hotel was disposed of on December 28, 2018. No gain or loss on disposal were recorded in the results as the assets and liabilities were recognized at fair value through the purchase price allocation of NCC.

Revenues

Corporate revenues were nil for Q3 2020 and cumulative Fiscal 2020 and represented $0.7 million for Q3 2019 and cumulative Fiscal 2019. This decrease is attributable to the sale of the hotel at the end of Q3 2019.

Adjusted EBITDA(1)

Corporate Adjusted EBITDA represented the head office operating expenses less the share-based compensation and performance and deferred share unit expense.

Note:
(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

Quarterly results

Revenues increased over the last eight quarters from $34.2 million in the fourth quarter of Fiscal 2018 to $81.3 million in the third quarter of Fiscal 2020. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts in all geographic locations. The increases in Q3 2019 and Q4 2019 were mainly explained by the acquisition of NCC on October 26, 2018. In Q3 2019, revenues in the Corporate segment derived from hotel operations, which was acquired through the NCC acquisition, but disposed of in the same quarter. 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.

Adjusted EBITDA(1) increased over the last eight quarters from $11.8 million in the fourth quarter of Fiscal 2018 to $31.0 million in the third quarter of Fiscal 2020. The increase was mainly attributable to the successful integration of acquisitions and organic growth including new contracts. The increase in Q3 2019 was primarily due to the acquisition of NCC and other acquisitions realized in Fiscal 2019 and 2018, and to the organic growth of B2C apps and subscriptions. The decrease in Q4 2019 was mainly due to normal business seasonality in the Radio segment and to the reversal of certain accrued liabilities, which positively contributed to the Adjusted EBITDA(1) of the Radio segment in Q3 2019. 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.

Net income (loss) fluctuated over the last eight quarters from a net income of $4.7 million in the fourth quarter of Fiscal 2018 to a net income of $8.1 million in the third quarter of Fiscal 2020. In Q3 2019, the decrease was mainly attributable to the CRTC Tangible benefits expense related to the NCC acquisition, higher interest and acquisition expenses, partially offset by higher operating results. In Q4 2019, the increase was mainly explained by the absence of CRTC Tangible benefits expense, lower acquisition expenses and write-off of balance payable on acquisition, partially offset by higher income taxes and lower operating results. In Q1 2020, the increase was mainly explained by 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 mainly explained by 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 mainly explained by 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.

Summary of Consolidated Quarterly Results

	3 months							
(in thousands of Canadian dollars, except per share amounts)	**Dec. 31, 2019**	**Sept. 30, 2019**	**June 30, 2019**	**March 31, 2019**	**Dec. 31, 2018**	**Sept. 30, 2018**	**June 30, 2018**	**March 31, 2018**
	Fiscal 2020	**Fiscal 2020**	**Fiscal 2020**	**Fiscal 2019**	**Fiscal 2019**	**Fiscal 2019**	**Fiscal 2019**	**Fiscal 2018**
Revenues by segment								
Broadcasting and Commercial Music	39,894	38,742	37,347	38,718	38,875	34,692	34,456	34,223
Radio	41,419	37,831	43,090	34,012	31,215	-	-	-
Corporate	-	-	-	-	682	-	-	-
Total revenues	**81,313**	**76,573**	**80,437**	**72,730**	**70,772**	**34,692**	**34,456**	**34,223**
Revenues by geography								
Canada	57,515	52,723	56,107	47,318	46,738	14,222	13,641	13,658
United States	9,575	9,035	9,141	9,351	8,834	8,069	8,185	8,331
Other countries	14,223	14,815	15,189	16,061	15,200	12,401	12,630	12,234
Total revenues	**81,313**	**76,573**	**80,437**	**72,730**	**70,772**	**34,692**	**34,456**	**34,223**
Adjusted EBITDA(1)	**31,033**	**27,671**	**31,165**	**22,407**	**27,219**	**11,429**	**11,179**	**11,752**
Net income (loss)	**8,089**	**5,184**	**9,183**	**3,942**	**(18,053)**	**777**	**1,346**	**4,674**
Net income (loss) per share basic and diluted	0.11	0.07	0.12	0.06	(0.26)	0.01	0.02	0.08
Adjusted Net income(1)(2)	**16,710**	**12,416**	**16,687**	**12,534**	**12,396**	**6,708**	**5,898**	**9,732**
Adjusted Net income per share basic and diluted(1)	0.22	0.16	0.22	0.18	0.18	0.12	0.10	0.17
Cash flow from operations (restated - see page 19)	**28,833**	**18,952**	**26,298**	**18,072**	**13,809**	**5,610**	**7,212**	**11,054**
Adjusted free Cash Flow(1)	**21,033**	**18,756**	**20,587**	**9,845**	**16,983**	**5,751**	**6,255**	**9,235**
Quarterly dividend	**0.075**	**0.070**	**0.070**	**0.065**	**0.065**	**0.060**	**0.060**	**0.055**

Note:

(1) 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 “Reconciliation of Quarterly Non-IFRS Measures” on page 6.

(2) Adjusted Net income excludes mark-to-market losses (gains) on derivative financial instruments. Refer to the reconciliation of Adjusted Net income on page 13.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2018
Net income (loss)	**8,089**	**5,184**	**9,183**	**3,942**	**(18,053)**	**777**	**1,346**	**4,674**
Net finance expense (income)	(4,383)	6,362	7,380	2,259	7,208	910	1,921	(378)
Change in fair value of investments	(4,781)	(188)	333	336	(840)	436	(497)	(421)
Income taxes	1,897	2,479	1,481	1,833	(6,117)	567	489	(385)
Depreciation and write-off of property and equipment	2,876	2,989	2,822	2,791	2,469	1,274	1,169	1,019
Depreciation of right-of-use assets	1,402	1,419	1,371	-	-	-	-	-
Amortization of intangible assets	5,494	5,935	6,119	7,187	6,401	5,255	4,587	4,594
Share-based compensation	238	257	248	297	263	358	175	473
Performance and deferred share unit expense	677	794	781	630	(147)	518	367	780
CRTC Tangible benefits	-	-	-	-	25,306	-	-	-
Acquisition, legal, restructuring and other expenses	19,524	2,440	1,447	3,132	10,729	1,334	1,622	1,396
Adjusted EBITDA	**31,033**	**27,671**	**31,165**	**22,407**	**27,219**	**11,429**	**11,179**	**11,752**
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(4,184)	(5,767)	(6,195)	(2,259)	(7,208)	(910)	(1,921)	378
Income taxes	(1,897)	(2,479)	(1,481)	(1,833)	6,117	(567)	(489)	385
Depreciation and write-off of property and equipment	(2,876)	(2,989)	(2,822)	(2,791)	(2,469)	(1,274)	(1,169)	(1,019)
Depreciation of right-of-use assets	(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, CRTC Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses	(3,964)	(2,601)	(2,609)	(2,990)	(11,263)	(1,970)	(1,702)	(1,764)
Adjusted Net income	**16,710**	**12,416**	**16,687**	**12,534**	**12,396**	**6,708**	**5,898**	**9,732**

(in thousands of Canadian dollars)	3 months Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018
	Fiscal 2020	Fiscal 2020	Fiscal 2020	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2019	Fiscal 2018
Cash flow from operating activities (restated - see page 19)	**28,833**	**18,952**	**26,298**	**18,072**	**13,809**	**5,610**	**7,212**	**11,054**
Acquisition of property and equipment	(1,479)	(1,459)	(1,613)	(1,935)	(1,972)	(1,488)	(2,228)	(846)
Acquisition of intangible assets other than internally developed intangible assets	(495)	(292)	(519)	(669)	(1,272)	(1,383)	(347)	(406)
Addition to internally developed intangible assets	(1,286)	(1,559)	(1,523)	(1,742)	(1,827)	(1,390)	(1,205)	(1,166)
Interest paid	(4,150)	(4,493)	(4,980)	(4,441)	(4,649)	(424)	(436)	(379)
Repayment of lease liabilities	(1,295)	(1,303)	(1,095)	-	-	-	-	-
Net change in non-cash operating working capital items	(17,702)	6,143	2,127	(1,890)	1,180	3,189	1,580	1,413
Unrealized loss (gain) on foreign exchange	(917)	327	445	(682)	985	303	57	(1,831)
Acquisition, legal, restructuring and other expenses	19,524	2,440	1,447	3,132	10,729	1,334	1,622	1,396
Adjusted free cash flow	**21,033**	**18,756**	**20,587**	**9,845**	**16,983**	**5,751**	**6,255**	**9,235**

LIQUIDITY AND CAPITAL RESOURCES
FOR THE PERIODS ENDED DECEMBER 31, 2019 AND 2018

	3 months		9 months	
(in thousands of Canadian dollars)	FY2020	FY2019	FY2020	FY2019
Operating activities (restated – see page 19)	28,833	13,809	74,083	26,631
Financing activities (restated – see page 19)	(26,642)	450,822	(60,066)	454,348
Investing activities	(3,260)	(461,699)	(11,375)	(479,236)
Net change in cash	(1,069)	2,932	2,642	1,743
Cash – beginning of period	8,384	2,173	4,673	3,362
Cash – end of period	7,315	5,105	7,315	5,105
Adjusted free cash flow(1)	**21,033**	**16,983**	**60,377**	**28,989**

Operating activities

Cash flow generated from operating activities amounted to $28.8 million for Q3 2020 compared to $13.8 million for Q3 2019. The increase was mainly due to the acquisition of NCC and to higher operating results.

Cash flow generated from operating activities amounted to $74.1 million for cumulative Fiscal 2020 compared to $26.6 million for cumulative Fiscal 2019. The increase was mainly due to the acquisition of NCC and to higher operating results, partially offset by the negative change in non-cash operating items.

During the period, the Corporation changed its accounting policy with respect to the disclosure of interest paid in the Consolidated Statements of Cash Flows. The Corporation now disclose interest paid in financing activities. Prior to this change of policy, the Corporation disclosed interest paid in operating activities. Refer to page 19 for more information.

Financing Activities

Net cash flow used in financing activities amounted to $26.6 million for Q3 2020 compared to net cash flow generated by financing activities of $450.8 million for Q3 2019. The net change was mainly attributable to the funding of the NCC acquisition in Q3 2019, which was financed through credit facilities, a subordinated debt and share issuances. The net change was also impacted by the repayment of part of the subordinated debt and to the shares repurchased in the course of the NCIB, partially offset by lower repayment of other liabilities.

Net cash flow used in financing activities amounted to $60.1 million for cumulative Fiscal 2020 compared to net cash flow generated by financing activities of $454.3 million for cumulative Fiscal 2019. The net change was mainly attributable to the funding of the NCC acquisition in Q3 2019, which was financed through credit facilities, a subordinated debt and share issuances. The net change is also impacted by the repayment of part of the subordinated debt, to higher interests paid, to the shares repurchased in the course of the NCIB and to higher dividend payments.

Investing Activities

Net cash flow used in investing activities amounted to $3.3 million for Q3 2020 compared to $461.7 million for Q3 2019. Net cash flow used in investing activities amounted to $11.4 million for cumulative Fiscal 2020 compared to $479.2 million for cumulative Fiscal 2019. The net changes were primarily due to the payment of the NCC acquisition and to the disposal of non-core assets, which occurred in Q3 2019.

Adjusted free cash flow(1)

Adjusted free cash flow generated in Q3 2020 amounted to $21.0 million compared to $17.0 million for Q3 2019. The increase was mainly related to the acquisition of NCC, to higher operating results and to lower capital expenditures.

Adjusted free cash flow generated in cumulative Fiscal 2020 amounted to $60.4 million compared to $29.0 million for cumulative Fiscal 2019. The increase was mainly related to the acquisition of NCC, to higher operating results and to lower capital expenditures, partially offset by higher interest paid.

Note:
(1) Refer to “Supplemental information on Non-IFRS measures” on page 2 and 6.

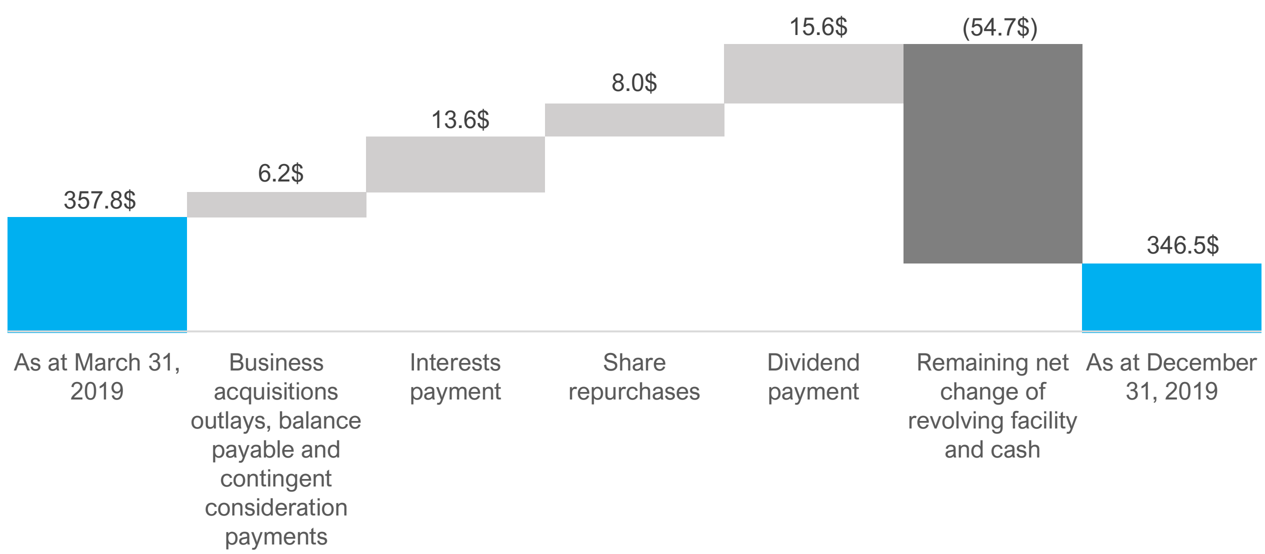
CONSOLIDATED FINANCIAL POSITION

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, 2019:

(in thousands of Canadian dollars)	Dec 31, 2019	March 31, 2019	Variance		Significant contributions
Trade and other receivables	69,721	68,844	877	▲	Timing of payments by clients
Right-of-use assets on leases	30,852	-	30,852	▲	Recognition of right-of-use assets on leases following the adoption of IFRS16
Intangible assets	52,044	64,395	(12,351)	▼	Amortization of intangible assets
Broadcast licenses	272,910	271,710	1,200	▲	Acquisition of CHOO-FM
Goodwill	329,397	331,332	(1,935)	▼	Foreign exchange differences
Accounts payables and accrued liabilities	63,597	61,956	1,641	▲	Timing of payments to suppliers
Lease liabilities	31,989	-	31,989	▲	Recognition of lease liabilities following the adoption of IFRS16
Other liabilities	59,471	60,185	(714)	▼	Payments for CRTC tangible benefits and contingent consideration payment, partially offset by the settlement agreement payable to Music Choice
Credit facility	314,161	312,955	1,206	▲	Refer to the graph below
Subordinated debt	39,614	49,539	(9,925)	▼	Debt repayment

The following table summarizes the impact on the Net debt that occurred in the nine-month period ended December 31, 2019 including related ratios:

Movement in Net debt(1)(2)



$114.2	Pro Forma Adjusted EBITDA(1)(2)(3)	$118.0
3.13	Net debt to Adjusted EBITDA(1)(2)(3)	2.94

Notes:
(1) In millions of Canadian dollars.
(2) Refer to “Supplemental information on Non-IFRS measures” on pages 2 and 6.
(3) Pro Forma Adjusted EBITDA is calculated as the Corporation’s last twelve months Adjusted EBITDA ($112.3 million, Q4 2019; $72.2 million), plus synergies and pro rated Adjusted EBITDA for the months prior to the acquisitions which are not already reflected in the results ($4.0 million, Q4 2019; $42.0 million). The impact of IFRS 16 on Adjusted EBITDA is also reflected in the Pro Forma Adjusted EBITDA in the amount of $1.6 million (Q4 2019; nil). 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 6.

Music Choice Litigation

Music Choice v. Stingray

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), 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. Accordingly, an amount of $17.1 million was booked as part of the acquisition, legal, restructuring and other expenses in Q3 2020. 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. While the Objectors and the Collectives await the final determination of the Board on the proper quantum of the Tariff, in early 2018 the Board released a tentative ruling proposing that allocation of affiliation payments across the suite of Stingray services is reasonable and appropriate and asking the parties to propose favoured approaches to allocation. The parties have responded to the Board's request, with the Objectors proposing an allocation based on a "cost approach", as supported by independent, expert advice. The Copyright Board of Canada continues its consideration of the matter, and the Corporation anticipates a decision within approximately 12 months, based on past experience and the complexity of this proceeding.

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, 2019.

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, 2019.

Off-Balance Sheet Arrangements

Upon adoption of IFRS 16 on April 1, 2019, commitments under operating leases previously disclosed in note 25 of the audited consolidated financial statements of the Corporation for the year ended March 31, 2019 are now largely recorded on balance sheet as right-of-use assets and lease liabilities. As of December 31, 2019, the balance of lease liabilities for the related operating leases was $32.0 million.

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:

	February 4, 2020	December 31, 2019
Issued and outstanding shares:		
Subordinate voting shares	56,675,684	56,742,684
Subordinate voting shares held in trust through employee share purchase plan	(4,440)	(53,296)
Variable subordinate voting shares	638,290	638,290
Multiple voting shares	17,941,498	17,941,498
	75,251,032	75,269,176
Outstanding stock options:		
Stock options	2,409,890	2,409,890

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 reserve for issuance. During the nine-month period ended December 31, 2019, 275,000 options were exercised, 91,584 options were forfeited, and 672,374 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, 2019. 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 AIF dated June 27, 2019. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

New standard adopted by the Corporation

IFRS 16 - Leases

Effective April 1, 2019, the Corporation adopted IFRS 16 - Leases, which supersedes IAS 17 - Leases and its related interpretations. IFRS 16 introduces a single lease accounting model under which most of the lease-related assets and liabilities are recognized in the statement of financial position. The Corporation has recognized an asset related to the right of use and a liability at the present value of future lease payments. Depreciation of the right-of-use asset and interest expense on the lease obligation have replaced rent expense related to operating leases. This applies to the lease contracts that convey the right to control the use of an identified asset in exchange for consideration, unless the Corporation elects to exclude short term leases (lease term of twelve months or less) and leases of low-value assets. The standard also specifies how to recognize, measure, present, and disclose leases.

Under IAS 17- Leases and IFRIC 4 - Determining whether an arrangement contains a lease, the Corporation's accounting policy is to record all leases, as either operating or finance, based on the substance of the transaction at the inception of the lease. The Corporation classified all leases as operating leases prior to April 1, 2019. Payments made under operating leases (net of any incentives received from the lessor) are charged to net earnings on a straight-line basis over the lease term.

The Corporation adopted IFRS 16 using the modified retrospective method with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively and the comparatives figures from Fiscal 2019 are not restated. Upon transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at April 1, 2019. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

At transition, the Corporation has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Corporation applied the definition of a lease under IFRS 16 to contracts entered into or modified on or after April 1, 2019. The Corporation has also elected to apply the following practical expedients to leases previously classified as operating leases under IAS17:

- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Exclusion of initial direct costs from measuring the right-of-use asset as at April 1, 2019;
- Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options; and
- Exclusion of leases for which the lease term ends within twelve months of the date of the initial application.

The following describes the Corporation's accounting policy under IFRS 16 - Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties for which it is a lessee, the Corporation has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component. The right-of-use asset and a lease liability are recognized at the lease commencement date.

Right-of-use asset

The right-of-use asset is measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred, less any lease incentives received, if any.

The cost of right-of-use asset is periodically reduced by depreciation expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use asset is amortized to reflect the expected pattern of consumption of the future economic benefits which is based on the lesser of the useful life of the asset or the lease term using the straight-line method. The lease term includes the renewal option only if it is reasonably certain to be exercised. The lease terms range from 1 to 19 years for buildings and towers, from 6 to 57 years for lands and from 1 to 5 years for vehicles.

The Corporation elected not to recognize a right-of-use asset and liability for the leases where the total lease term is less than or equal to twelve months and for the leases of low valued assets in nature; such as but not limited to, office equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggered the payment has occurred.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate as at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there has been a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Corporation reassesses the lease term for whether significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy) has occurred.

Impact on transition to IFRS 16 - Leases

As at April 1, 2019, the Corporation recorded lease liabilities of $34.0 million and right-of-use assets of $33.4 million, net of the deferred lease inducements and lease payments made on or before the commencement of the lease, with no net impact on deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Corporation has discounted future lease payments using its incremental borrowing rate as at April 1, 2019. The weighted-average rate applied is 5.03%.

The following table presents the reconciliation of the Corporation's commitments as of March 31, 2019 to the lease liabilities recognized on initial application of IFRS 16 as at April 1, 2019:

(in thousands of Canadian dollars)

Commitments as at March 31, 2019	39,162
Non-lease commitments	(17,248)
Renewal options reasonably certain to be exercised	23,613
Variable commitments excluded from the lease liabilities	(1,866)
Commitments relating to short-term and low-value assets	(767)
Discounting impact	(8,846)
Lease liabilities as at April 1, 2019	**34,048**

Change in accounting policy

In Q1 2020, the Corporation changed its accounting policy with respect to the disclosure of interest paid in the Consolidated Statements of Cash Flows. The Corporation now disclose interest paid in financing activities. Prior to this change of policy, the Corporation disclosed interest paid in operating activities.

The Corporation believes the new policy is preferable as it more closely aligns the interest payments with the use of the proceeds from financing, such as business acquisitions. Also, interest payments increased as a result of the NCC acquisition financing and the adoption of IFRS 16, and both items are not related to operating activities.

This change did not result in a material impact on the current period or any periods included within these consolidated financial statements and only affected the presentation of interest paid in the Consolidated Statements of Cash Flows.

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, 2019, 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.

Management's assessment of and conclusion on the design and the effectiveness of the Corporation's ICFR as at February 5, 2020, did not include the controls or procedures of the operations of Newfoundland Capital Corporation Limited and DJ Matic. The Corporation has accordingly availed itself of provision 3.3(1)(b) of Regulation 52-109 which permits exclusion of these acquisitions in the design and operating effectiveness assessment of its ICFR for a maximum period of 365 days from the date of acquisition.

Subsequent Events

Acquisition

On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses. Total consideration consists of an amount of $2.1 million paid upon closing and a contingent consideration.

Patent litigation settlement

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), 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. Accordingly, an amount of $17.1 million was booked as part of the acquisition, legal, restructuring and other expenses in Q3 2020. The terms of the settlement do not impact the services currently offered by Stingray in the United States, which shall continue uninterrupted.

Dividend

On February 5, 2020, 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 16, 2020, to shareholders on record as of February 28, 2020.

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, 2019 and 2018

(In thousands of Canadian dollars, except per share amounts)		3 months		9 months	
(Unaudited)	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Revenues	6	$ 81,313	$ 70,772	$ 238,323	$ 139,920
Operating expenses		51,195	43,669	151,449	91,627
CRTC tangible benefits		—	25,306	—	25,306
Depreciation, amortization and write-off		9,772	8,870	30,427	21,155
Net finance expense (income)	7	(4,383)	7,208	9,359	10,039
Change in fair value of investments		(4,781)	(840)	(4,636)	(901)
Acquisition, legal, restructuring and other expenses	8	19,524	10,729	23,411	13,685
Income (loss) before income taxes		9,986	(24,170)	28,313	(20,991)
Income taxes		1,897	(6,117)	5,857	(5,061)
Net income (loss)		$ 8,089	$ (18,053)	$ 22,456	$ (15,930)
Net income (loss) per share — Basic		0.11	(0.26)	0.29	(0.26)
Net income (loss) per share — Diluted		0.11	(0.26)	0.29	(0.26)
Weighted average number of shares — Basic		75,949,239	70,110,479	76,197,899	60,941,425
Weighted average number of shares — Diluted		76,171,045	70,500,827	76,508,267	61,830,272
Comprehensive income (loss)					
Net income (loss)		$ 8,089	$ (18,053)	$ 22,456	$ (15,930)
Other comprehensive income (loss)					
Items that may be reclassified to profit and loss					
Exchange differences on translation of foreign operations		(177)	3,640	(2,246)	(647)
Total other comprehensive (loss) income		(177)	3,640	(2,246)	(647)
Total comprehensive income (loss)		$ 7,912	$ (14,413)	$ 20,210	$ (16,577)

Net income (loss) 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, 2019 and March 31, 2019

(In thousands of Canadian dollars) (Unaudited)	Note		December 31, 2019		March 31, 2019 Restated (note 4)
Assets					
Current assets					
Cash and cash equivalents		$	7,315	$	4,673
Trade and other receivables			69,721		68,844
Income taxes receivable			1,008		972
Inventories			3,375		2,620
Other current assets			9,745		9,033
			91,164		86,142
Non-current assets					
Property and equipment	9		46,634		50,326
Right-of-use assets on leases	9		30,852		—
Intangible assets, excluding broadcast licences	9		52,044		64,395
Broadcast licences	9		272,910		271,710
Goodwill	9		329,397		331,332
Investments			23,347		18,738
Other non-current assets			1,441		1,367
Deferred tax assets			8,861		10,672
Total assets		$	856,650	$	834,682
Liabilities and Equity					
Current liabilities					
Credit facility	10		15,000		14,086
Accounts payable and accrued liabilities			63,597		61,956
Dividend payable			—		4,956
Deferred revenues			1,578		1,634
Current portion of lease liabilities	11		4,791		—
Current portion of other liabilities	12		22,038		16,186
Income taxes payable			2,282		3,889
			109,286		102,707
Non-current liabilities					
Credit facility	10		299,161		298,869
Subordinated debt			39,614		49,539
Lease liabilities	11		27,198		—
Other liabilities	12		37,433		43,999
Deferred tax liabilities			53,368		52,033
Total liabilities			566,060		547,147
Shareholders' equity					
Share capital	13		332,107		337,714
Contributed surplus			4,637		4,344
Deficit			(42,702)		(53,317)
Accumulated other comprehensive loss			(3,452)		(1,206)
Total equity			290,590		287,535
Subsequent events (note 3)					
Total liabilities and equity		$	856,650	$	834,682

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, 2019 and 2018

(In thousands of Canadian dollars, except number of share capital) (Unaudited)	Share Capital					
	Number	Amount	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at March 31, 2018	56,305,753	$ 146,354	$ 3,825	$ (21,936)	$ 1,364	$ 129,607
Issuance of shares upon exercise of options	87,500	520	(208)	—	—	312
Dividends	—	—	—	(9,480)	—	(9,480)
Issuance of subordinate voting shares and variable subordinate voting shares	18,144,470	178,559	—	—	—	178,559
Issuance of multiple voting shares	1,647,213	17,110	—	—	—	17,110
Share issuance costs, net of income taxes of $1,780	—	(4,899)	—	—	—	(4,899)
Share-based compensation	—	—	720	—	—	720
Employee share purchase plan	(13,380)	(118)	98	—	—	(20)
Treasury shares held by the Corporation through a subsidiary	(80,000)	(713)	—	—	—	(713)
Net loss	—	—	—	(15,930)	—	(15,930)
Other comprehensive loss	—	—	—	—	(647)	(647)
Balance at December 31, 2018	76,091,556	$ 336,813	$ 4,435	$ (47,346)	$ 717	$ 294,619
Balance at March 31, 2019	76,237,903	$ 337,714	$ 4,344	$ (53,317)	$ (1,206)	$ 287,535
Issuance of shares upon exercise of options (note 13)	275,000	1,517	(596)	—	—	921
Dividends	—	—	—	(10,662)	—	(10,662)
Repurchase and cancellation of shares (note 13)	(1,203,475)	(6,845)	—	(1,179)	—	(8,024)
Share-based compensation	—	—	579	—	—	579
Employee share purchase plan (note 13)	(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)	(3,452)	290,590

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, 2019 and 2018

(In thousands of Canadian dollars) (Unaudited)	Note	Three-month periods ended December 31, 2019	Three-month periods ended December 31, 2018 Restated (Note 18)	Nine-month periods ended December 31, 2019	Nine-month periods ended December 31, 2018 Restated (Note 18)
Operating activities:					
Net income (loss)		$ 8,089	$ (18,053)	$ 22,456	$ (15,930)
Adjustments for:					
CRTC tangible benefits		—	25,306	—	25,306
Depreciation, disposal and write-off of property and equipment		2,876	2,469	8,687	4,912
Depreciation of right-of-use assets		1,402	—	4,192	—
Amortization of intangible assets		5,494	6,401	17,548	16,243
Share-based compensation, PSU and DSU expenses		915	116	2,995	1,534
Interest expense and standby fees	7	3,642	4,866	12,262	5,506
Mark-to-market gains on derivative financial instruments	7	(8,567)	—	(6,787)	—
Change in fair value of investments		(4,781)	(840)	(4,636)	(901)
Share of results of joint venture		56	39	31	183
Change in fair value of contingent consideration	7	294	628	562	2,003
Depreciation, amortization and accretion expense of other liabilities	7	700	720	2,107	1,091
Interest expense on lease liabilities	7,11	417	—	1,267	—
Income tax expense		1,897	(6,117)	5,857	(5,061)
Income taxes paid		(1,303)	(546)	(1,889)	(2,306)
		11,131	14,989	64,652	32,580
Net change in non-cash operating items	14	17,702	(1,180)	9,431	(5,949)
		28,833	13,809	74,083	26,631
Financing activities:					
Increase in the revolving facility		1,377	259,642	522	278,344
Increase (decrease) of subordinated debt		(10,000)	50,000	(10,000)	50,000
Payment of dividend	13	(5,317)	(4,571)	(15,618)	(11,050)
Issuance of shares		—	165,111	—	165,111
Share issuance costs		—	(6,672)	—	(6,679)
Share repurchases		(6,238)	—	(8,024)	—
Deferred financing fees		—	(3,089)	—	(3,089)
Proceeds from the exercise of stock options		57	244	921	312
Shares purchased under the employee share purchase plan		(88)	(26)	(285)	(118)
Interest paid		(4,150)	(4,649)	(13,623)	(5,509)
Repayment of lease liabilities		(1,295)	—	(3,693)	—
Repayment of other liabilities		(988)	(5,168)	(10,266)	(12,974)
		(26,642)	450,822	(60,066)	454,348
Investing activities:					
Business acquisitions, net of cash acquired		—	(468,128)	(1,600)	(473,624)
Acquisition of an investment		—	—	—	(900)
Intangible assets acquired through asset acquisition		—	—	—	(3,100)
Disposal of non-core assets		—	11,500	450	11,500
Acquisition of property and equipment		(1,479)	(1,972)	(4,551)	(5,688)
Acquisition of intangible assets other than internally developed intangible assets		(495)	(1,272)	(1,306)	(3,002)
Addition to internally developed intangible assets		(1,286)	(1,827)	(4,368)	(4,422)
		(3,260)	(461,699)	(11,375)	(479,236)
Increase (decrease) in cash and cash equivalents		(1,069)	2,932	2,642	1,743
Cash and cash equivalents, beginning of period		8,384	2,173	4,673	3,362
Cash and cash equivalents, end of period		$ 7,315	$ 5,105	$ 7,315	$ 5,105

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

(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 seasonal fluctuations. The fourth quarter of the year (January to March) is generally a period of lower retail spending. As a result, revenues and profit are generally lower than the other quarters.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc., Stingray Music Rights Management LLC, 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 (Nature Vision TV), SBA Music PTY Ltd., Stingray Music, S.A. de C.V., Novramedia Inc., DJ Matic NV and Stingray Radio Inc. (formerly Newfoundland Capital Corporation Limited) 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, 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, 2019:

- 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$13,250 ($17,209), 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. Accordingly, the Corporation recognized an expense of $17,050 as part of the acquisition, legal, restructuring and other expenses (note 8) and the related accrual is presented in other liabilities (note 12).
- On August 26, 2019, the Corporation entered into an agreement to acquire the assets of CHOO-FM, a radio station in Drumheller, Alberta, for total consideration of $1,640. It resulted in the recognition of property and equipment and broadcast licences (notes 4 and 9).
- On August 14, 2019, the Corporation announced that the Toronto Stock Exchange (the "TSX") has approved its share repurchase program, authorizing the Corporation to repurchase up to an aggregate 2,924,220 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 5% of the 58,484,449 issued and outstanding as at August 7, 2019. For more information, refer to note 13.
- On August 19, 2019, the Corporation renegotiated the fixed interest rates and maturities of some of its existing interest rate swap agreements and entered into new derivative financial instrument agreements. For more information, refer to note 15.
- On July 9, 2019, the Corporation extended the maturity of its credit facility by one year, with a new maturity date of October 25, 2022. The Corporation reduced the authorized amount under the revolving facility by $70,000 bringing it down to $230,000. The interest pricing grid was also reviewed for both the revolving facility and the term facility, which will reduce future interest expense (note 10).

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

- Effective April 1, 2019, the Corporation adopted IFRS 16 - Leases, which supersedes IAS 17 - Leases and its related interpretations. As at April 1, 2019, the Corporation recorded lease liabilities of $34,048 and right-of-use assets of $33,411, net of the deferred lease inducements and lease payments made on or before the commencement of the lease, with no net impact on deficit. For more information, refer to notes 9 and 11.

3. SUBSEQUENT EVENTS

Acquisition

On January 27, 2020, the Corporation purchased all of the outstanding shares of Chatter Research Inc., a Toronto-based leader in the design, development, and implementation of artificial intelligence driven real-time customer feedback solutions for retail and hospitality businesses. Total consideration consists of an amount of $2,140 paid upon closing and a contingent consideration.

Patent litigation settlement

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$13,250 ($17,209), 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. Accordingly, the Corporation recognized an expense of $17,050 as part of the acquisition, legal, restructuring and other expenses (note 8) and the related accrual is presented in other liabilities (note 12).

Dividend

On February 5, 2020, the Corporation declared a dividend of $0.075 per subordinate voting share, variable subordinate voting share and multiple voting share that will be payable on or around March 16, 2020 to shareholders on record as of February 28, 2020.

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

4. BUSINESS ACQUISITIONS

NINE-MONTH PERIOD ENDED DECEMBER 31, 2019

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.

		Preliminary
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

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.

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

FISCAL 2019

Newfoundland Capital Corporation

On October 26, 2018, the Corporation acquired all of the issued and outstanding shares for total consideration of $484,252, of which $453,694 was paid in cash and the remaining $30,558 through the issuance of 3,887,826 subordinate voting shares of the Corporation. NCC is a radio broadcaster who operates radio stations across Canada. As a result of the acquisition, goodwill of $218,304 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.

	As of March 31, 2019	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	$ 909	$ —	$ 909
Trade and other receivables	33,224	—	33,224
Other current assets	1,768	—	1,768
Property and equipment	48,432	—	48,432
Broadcast licences	268,670	1,155	269,825
Goodwill	219,138	(834)	218,304
Other non-current assets	1,325	—	1,325
Deferred tax assets	2,045	—	2,045
	575,511	321	575,832
Liabilities assumed:			
Accounts payable and accrued liabilities	20,328	—	20,328
Income taxes payable	3,264	—	3,264
Other liabilities	10,712	—	10,712
Deferred tax liabilities	56,955	321	57,276
	91,259	321	91,580
Net assets acquired at fair value	$ 484,252	$ —	$ 484,252
Consideration given:			
Cash	453,694	—	453,694
Share capital	30,558	—	30,558
	$ 484,252	$ —	$ 484,252

Purchase price adjustments within the measurement period have been recorded as at March 31, 2019 (recasted).

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

DJ-Matic

On October 12, 2018, the Corporation purchased all of the outstanding shares of DJ-Matic, a European provider of in-store media solutions for businesses for total consideration of EUR$10,163 ($15,775). As a result of the acquisition, goodwill of $12,344 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 $1,088 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 EUR$7,473 ($11,118) over the next three years ending in October 2021, based on an adjusted EBITDA ratio. 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 statement of financial position as shown below.

	As of March 31, 2019	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	$ 543	$ —	$ 543
Trade and other receivables	1,088	—	1,088
Inventories	312	—	312
Property and equipment	589	—	589
Intangible assets	9,951	(716)	9,235
Goodwill	12,339	5	12,344
	24,822	(711)	24,111
Liabilities assumed:			
Accounts payable and accrued liabilities	5,821	(416)	5,405
Deferred revenues	652	—	652
Other liabilities	—	416	416
Income taxes payable	30	—	30
Deferred tax liabilities	2,544	(711)	1,833
	9,047	(711)	8,336
Net assets acquired at fair value	$ 15,775	$ —	$ 15,775
Consideration given:			
Cash	13,692	—	13,692
Contingent consideration	2,083	—	2,083
	$ 15,775	$ —	$ 15,775

Purchase price adjustments within the measurement period have been recorded as at March 31, 2019 (recasted).

(In thousands of Canadian dollars, unless otherwise stated)

Novramedia

On August 1, 2018, the Corporation purchased all of the outstanding shares of Novramedia Inc. (“Novramedia”) for total consideration of $7,755. Novramedia is a Canadian provider of digital media solution. As a result of the acquisition, goodwill of $3,460 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 $737 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 $2,500 over the next 12 months if certain revenues-based targets are met. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows.

	As of March 31, 2019	Adjustments	Final
Assets acquired:			
Cash and cash equivalents	$ 4	$ —	$ 4
Trade and other receivables	754	(17)	737
Inventories	863	(4)	859
Other current assets	142	—	142
Property and equipment	50	—	50
Intangible assets	5,827	—	5,827
Goodwill	3,431	29	3,460
	11,071	8	11,079
Liabilities assumed:			
Accounts payable and accrued liabilities	942	(10)	932
Deferred revenues	842	—	842
Deferred tax liabilities	1,550	—	1,550
	3,334	(10)	3,324
Net assets acquired at fair value	$ 7,737	$ 18	$ 7,755
Consideration given:			
Cash	5,500	—	5,500
Working capital receivable	(171)	18	(153)
Contingent consideration	2,408	—	2,408
	$ 7,737	$ 18	$ 7,755

Purchase price adjustments within the measurement period have been recorded as at March 31, 2019 (recasted).

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

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 asses 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, PSU and DSU expenses, CRTC tangible benefits, 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.

The following tables present financial information by segment for the three-month and nine-month periods ended December 31, 2019 and 2018.

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	2019	2018	2019	2018	2019	2018	**2019**	**2018**
Three-month periods								
Revenues	$ 39,894	$ 38,875	$ 41,419	$ 31,215	$ —	$ 682	**$ 81,313**	**$ 70,772**
Operating expenses (excluding Share based compensation and PSU and DSU expenses)	25,015	25,630	24,023	16,115	1,242	1,808	**50,280**	**43,553**
Adjusted EBITDA	$ 14,879	$ 13,245	$ 17,396	$ 15,100	(1,242)	(1,126)	**31,033**	**27,219**
Share-based compensation					238	263	**238**	**263**
PSU and DSU expenses (income)					677	(147)	**677**	**(147)**
CRTC tangible benefits					—	25,306	**—**	**25,306**
Depreciation, amortization and write-off					9,772	8,870	**9,772**	**8,870**
Net finance expense (income)					(4,383)	7,208	**(4,383)**	**7,208**
Change in fair value of investments					(4,781)	(840)	**(4,781)**	**(840)**
Acquisition, legal, restructuring and other expenses					$ 19,524	$ 10,729	**19,524**	**10,729**
Income (loss) before income taxes							**9,986**	**(24,170)**
Income taxes							**1,897**	**(6,117)**
Net income (loss)							**$ 8,089**	**$ (18,053)**

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

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	2019	2018	2019	2018	2019	2018	**2019**	**2018**
Nine-month periods								
Revenues	$ 115,983	$ 108,023	$ 122,340	$ 31,215	$ —	$ 682	**$ 238,323**	**$ 139,920**
Operating expenses (excluding Share based compensation and PSU and DSU expenses)	71,264	69,844	73,402	16,115	3,788	4,134	**148,454**	**90,093**
Adjusted EBITDA	$ 44,719	$ 38,179	$ 48,938	$ 15,100	(3,788)	(3,452)	**89,869**	**49,827**
Share-based compensation					743	796	**743**	**796**
PSU and DSU expenses					2,252	738	**2,252**	**738**
CRTC tangible benefits					—	25,306	**—**	**25,306**
Depreciation, amortization and write-off					30,427	21,155	**30,427**	**21,155**
Net finance expense (income)					9,359	10,039	**9,359**	**10,039**
Change in fair value of investments					(4,636)	(901)	**(4,636)**	**(901)**
Acquisition, legal, restructuring and other expenses					$ 23,411	$ 13,685	**23,411**	**13,685**
Income (loss) before income taxes							**28,313**	**(20,991)**
Income taxes							**5,857**	**(5,061)**
Net income (loss)							**$ 22,456**	**$ (15,930)**

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
	Dec. 31, 2019	March 31, 2019	Dec. 31, 2019	March 31, 2019	Dec. 31, 2019	March 31, 2019	Dec. 31, 2019	March 31, 2019
Total assets	$ 257,932	$ 262,010	$ 598,718	$ 572,672	$ —	$ —	**$ 856,650**	**$ 834,682**
Total liabilities(1)	$ 93,301	$ 72,255	$ 122,773	$ 104,444	$ 349,986	$ 370,448	**$ 566,060**	**$ 547,147**

(1) Total liabilities include operating liabilities, the Credit facility and the Subordinated debt

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
Three-month period	2019	2018	2019	2018	2019	2018	**2019**	**2018**
Acquisition of property and equipment	$ 795	$ 2,223	$ 846	$ 47,676	$ —	$ —	**$ 1,641**	**$ 49,899**
Addition to right-of-use assets on leases	$ 274	$ —	$ 137	$ —	$ —	$ —	**$ 411**	**$ —**
Acquisition of intangible assets	$ 1,793	$ 13,139	$ —	$ —	$ —	$ —	**$ 1,793**	**$ 13,139**
Acquisition of broadcast licences	$ —	$ —	$ —	$ 301,102	$ —	$ —	**$ —**	**$ 301,102**
Goodwill recorded on business acquisitions	$ —	$ 12,339	$ —	$ 200,828	$ —	$ —	**$ —**	**$ 213,167**

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

	Broadcasting and commercial music		Radio		Corporate and eliminations		**Consolidated**	
Nine-month period	2019	2018	2019	2018	2019	2018	**2019**	**2018**
Acquisition of property and equipment	$ 2,498	$ 6,726	$ 2,978	$ 47,676	$ —	$ —	**$ 5,476**	**$ 54,402**
Addition to right-of-use assets on leases	$ 1,160	$ —	$ 520	$ —	$ —	$ —	**$ 1,680**	**$ —**
Acquisition of intangible assets	$ 5,732	$ 32,622	$ —	$ —	$ —	$ —	**$ 5,732**	**$ 32,622**
Acquisition of broadcast licences	$ —	$ —	$ 1,200	$ 301,102	$ —	$ —	**$ 1,200**	**$ 301,102**
Goodwill recorded on business acquisitions	$ —	$ 15,770	$ —	$ 200,828	$ —	$ —	**$ —**	**$ 216,598**

Acquisition of property and equipment, intangible assets, broadcast licences and goodwill, includes those acquired through business acquisitions, whether they were paid or not.

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

6. REVENUES

DISAGGREGATION OF REVENUES

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

	Reportable segments							
Three-month period	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	Broadcasting and commercial music		Radio		Corporate		**Total revenues**	
Geography								
Canada	$ 16,096	14,841	$ 41,419	31,215	$ —	682	**$ 57,515**	**46,738**
United States	9,575	8,834	—	—	—	—	**9,575**	**8,834**
Other countries	14,223	15,200	—	—	—	—	**14,223**	**15,200**
	39,894	38,875	41,419	31,215	—	682	**81,313**	**70,772**
Products								
Subscriptions [(1)]	32,390	32,256	—	—	—	—	**32,390**	**32,256**
Media solutions [(2)]	6,810	6,096	—	—	—	—	**6,810**	**6,096**
Advertising [(3)]	694	523	41,419	31,215	—	682	**42,113**	**32,420**
	$ 39,894	38,875	$ 41,419	31,215	$ —	682	**$ 81,313**	**70,772**

[(1)] Generally recognized over time
[(2)] Approximately 50% of revenues are recognized over time and 50% at a point in time
[(3)] Generally recognized at a point in time

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

	Reportable segments							
Nine-month period	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	Broadcasting and commercial music		Radio		Corporate		**Total revenues**	
Geography								
Canada	$ 44,005	42,704	$ 122,340	31,215	$ —	682	**$ 166,345**	**74,601**
United States	27,751	25,088	—	—	—	—	**27,751**	**25,088**
Other countries	44,227	40,231	—	—	—	—	**44,227**	**40,231**
	115,983	108,023	122,340	31,215	—	682	**238,323**	**139,920**
Products								
Subscriptions [(1)]	96,818	93,201	—	—	—	—	**96,818**	**93,201**
Media solutions [(2)]	17,481	13,897	—	—	—	—	**17,481**	**13,897**
Advertising [(3)]	1,684	925	122,340	31,215	—	682	**124,024**	**32,822**
	$ 115,983	108,023	$ 122,340	31,215	$ —	682	**$ 238,323**	**139,920**

(1) Generally recognized over time
(2) Approximately 50% of revenues are recognized over time and 50% at a point in time
(3) Generally recognized at a point in time

7. NET FINANCE EXPENSE (INCOME)

	3 months		9 months	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Interest expense and standby fees	$ 3,642	$ 4,866	$ 12,262	$ 5,506
Mark-to-market gains on derivative financial instruments	(8,567)	—	(6,787)	—
Change in fair value of contingent consideration	294	628	562	2,003
Depreciation, amortization and accretion of other liabilities	700	720	2,107	1,091
Interest expense on lease liabilities	417	—	1,267	—
Foreign exchange (gain) loss	(869)	994	(52)	1,439
	$ (4,383)	$ 7,208	$ 9,359	$ 10,039

8. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES

	3 months		9 months	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Acquisition	$ 924	$ 9,954	$ 1,390	$ 11,278
Legal	18,469	243	21,495	1,540
Restructuring and other	131	532	526	867
	$ 19,524	$ 10,729	$ 23,411	$ 13,685

During the three-month period ended December 31, 2019, the Corporation recognized an expense of $17,050 regarding the settlement agreement with Music Choice (note 2). This amount reflects the fair value of the payment stream using a discount rate of 4%, which is the Corporation's effective rate plus a risk premium for a similar financial instrument.

(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, 2019					
Net book amount as at March 31, 2018	$ 11,135	$ —	$ 54,355	$ —	$ 98,467
Additions	9,217	—	10,216	—	—
Additions through business acquisitions	49,747	—	15,062	271,710	234,208
Additions through asset acquisition	—	—	9,100	—	—
Disposals and write-off	(12,097)	—	—	—	—
Depreciation of property and equipment	(7,455)	—	—	—	—
Amortization of intangible assets	—	—	(23,430)	—	—
Foreign exchange differences	(221)	—	(908)	—	(1,343)
Net book amount as at March 31, 2019	$ 50,326	$ —	$ 64,395	$ 271,710	$ 331,332
Nine-month period ended December 31, 2019					
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	5,076	1,680	5,732	—	—
Additions through business acquisition	400	—	—	1,200	—
Disposals and write-off	(982)	—	—	—	—
Depreciation of property and equipment	(8,179)	—	—	—	—
Depreciation of right-of-use assets on leases	—	(4,192)	—	—	—
Amortization of intangible assets	—	—	(17,548)	—	—
Foreign exchange differences	(7)	(47)	(535)	—	(1,935)
Net book amount as at December 31, 2019	$ 46,634	$ 30,852	$ 52,044	$ 272,910	$ 329,397

10. CREDIT FACILITY

The table below is a summary of the credit facility at December 31, 2019:

	Total available	Drawn	Letters of credit	Net available
Committed credit facilities				
Revolving facility	$ 230,000	$ 180,904	$ 750	$ 48,346
Term facility	150,000	135,000	—	—
Total committed credit facilities	$ 380,000	$ 315,904	$ 750	$ 48,346
Less: unamortized deferred financing fees		(1,743)		
Balance, end of period		314,161		
Current portion		$ 15,000		
Non-current portion		$ 299,161		

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

On July 9, 2019, the Corporation extended the maturity of its revolving facility by one year, with a new maturity date of October 25, 2022. The Corporation reduced the authorized amount under the revolving facility by $70,000 bringing it down to $230,000. The interest pricing grid was also reviewed for both the revolving facility and the term facility, which will reduce future interest expense.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the amount of its term facility. Additionally, the Corporation must make an annual capital repayment, equivalent to 50% of the excess cash flow, defined in the credit facility agreement, if a certain financial covenant target is not met. This financial covenant was met as at December 31, 2019. The remaining capital balance will be payable on maturity date. Minimum capital repayments to be made by the Corporation on the term facility are as follows:

	Capital repayments
2020	$ 15,000
2021	15,000
2022	105,000
	$ 135,000

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, 2019:

	3 months	9 months
Lease liabilities, beginning of period	$ 32,842	$ —
Additions resulting from adoption of IFRS 16	—	34,048
Additions	411	1,680
Payment of lease liabilities, including related interest	(1,712)	(4,960)
Interest expense on lease liabilities	417	1,267
Foreign exchange differences	31	(46)
Lease liabilities, end of period	**$ 31,989**	**$ 31,989**

The following table presents the maturity analysis of contractual undiscounted cashflows related to the lease liabilities of the Corporation as of December 31, 2019:

Less than one year	$ 6,169
One to five years	18,446
More than five years	15,285
Total undiscounted lease liabilities as at December 31, 2019	**$ 39,900**
Lease liabilities included in the Interim Consolidated Statements of Financial Position as at December 31, 2019	**$ 31,989**
Current portion	$ 4,791
Non-current portion	$ 27,198

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

12. OTHER LIABILITIES

	Note	December 31, 2019	March 31, 2019
CRTC tangible benefits		$ 26,655	$ 31,797
Settlement payable		17,050	—
Contingent consideration		8,406	12,430
Balance payable on business acquisitions		2,806	3,359
Accrued pension benefit liability		6,230	6,673
Derivative financial instruments	15	(3,789)	2,998
Other		2,113	2,928
		59,471	60,185
Current portion		(22,038)	(16,186)
		$ 37,433	$ 43,999

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, 2019		
Subordinate voting shares and variable subordinate voting shares		
As at March 31, 2018	40,011,468	$ 145,238
Conversion of subscription receipts issued through a bought deal offering	7,981,000	83,002
Conversion of subscription receipts issued through a private placement	3,846,100	39,999
Equity element of NCC purchase price	3,887,826	30,558
Private placement	2,429,544	25,000
Exercise of stock options	147,500	618
Purchased and held in trust through employee share purchase plan	(7,033)	(28)
Share issuance costs, net of income taxes of $1,780	—	(4,899)
As at March 31, 2019	58,296,405	$ 319,488
Multiple voting shares		
As at March 31, 2018	16,294,285	1,116
Conversion of subscription receipts issued upon exercise of subscription rights	1,452,850	15,110
Issuance	194,363	2,000
As at March 31, 2019	17,941,498	18,226
	76,237,903	$ 337,714

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

	Number of shares		Carrying amount
Nine-month period ended December 31, 2019			
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 through share repurchase program and cancelled	(1,203,475)		(6,845)
Purchased and held in trust through employee share purchase plan	(40,252)		(279)
As at December 31, 2019	57,327,678		313,881
Multiple voting shares			
As at March 31, 2019 and December 31, 2019	17,941,498		18,226
	75,269,176	$	332,107

Transactions for the nine-month period ended December 31, 2019

During the period, 275,000 stock options were exercised and consequently, the Corporation issued 275,000 subordinate voting shares. The proceeds amounted to $921. An amount of $596 of contributed surplus related to those stock options was transferred to the subordinate voting shares' account balance.

On November 7, 2019, the Corporation declared a dividend of $0.07 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of $5,317 was paid on December 13, 2019.

On August 6, 2019, the Corporation declared a dividend of $0.07 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. The dividend of $5,345 was paid on September 13, 2019.

On June 15, 2019, the Corporation paid a dividend of $4,956. The dividend was declared on March 29, 2019 and therefore accrued in the consolidated statement of financial position as at March 31, 2019.

Share repurchase program

On August 14, 2019, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on August 16, 2019. This program allows the Corporation to repurchase up to an aggregate 2,924,220 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 5% of the 58,484,449 Subordinate Shares issued and outstanding as at August 7, 2019. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 16,004 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares for the six-month period preceding August 1, 2019. 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 August 15, 2020.

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

The following table summarizes the Corporation's share repurchase activities during the three and nine-month periods ended December 31, 2019:

	3 months	9 months
Subordinate voting shares repurchased for cancellation *(unit)*	948,611	1,203,475
Average price per share	$ 6.4535	$ 6.6673
Total repurchase cost	$ 6,122	$ 8,024
Repurchase resulting in a reduction of:		
Share capital	$ 5,396	$ 6,845
Retained earnings [(1)]	$ 726	$ 1,179

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

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month periods ended		Nine-month periods ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Trade and other receivables	$ 1,839	$ (7,282)	$ (542)	$ (5,485)
Inventories	401	(68)	(737)	(383)
Other current assets	(2,566)	(512)	(697)	(2,406)
Other non-current assets	1,663	91	(74)	145
Accounts payable and accrued liabilities	1,543	1,799	(445)	(936)
Deferred revenues	486	(725)	(66)	(1,196)
Income taxes payable	(2,485)	3,488	(3,072)	3,241
Other liabilities (including a portion of long-term liabilities)	16,821	2,029	15,064	1,071
	$ 17,702	$ (1,180)	$ 9,431	$ (5,949)

15. FINANCIAL INSTRUMENTS

FINANCIAL RISK FACTORS

The Corporation is exposed to a variety of financial risk: 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 financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2019. 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 revolving facility 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 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.

(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, 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 7,315				
Trade and other receivables	68,552				
Financial assets measured at fair value					
Investments	$ 21,634	$ 21,634	$ —	$ —	$ 21,634
Derivative financial instruments	3,789	3,789	—	3,789	—
Financial liabilities measured at amortized cost					
Credit facility	$ 314,161				
Subordinated debt	39,614				
Accounts payable and accrued liabilities	61,849				
CRTC tangible benefits and accrued pension benefit liability	32,885				
Balance payable on business acquisitions	2,806				
Financial liabilities measured at fair value					
Contingent consideration	$ 8,406	$ 8,406	$ —	$ —	$ 8,406

As at March 31, 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 4,673				
Trade and other receivables	66,674				
Financial assets measured at fair value					
Investments	$ 16,998	$ 16,998	$ —	$ —	$ 16,998
Financial liabilities measured at amortized cost					
Credit facility	$ 312,955				
Subordinated debt	49,539				
Accounts payable and accrued liabilities	59,674				
CRTC tangible benefits and accrued pension benefit liability	38,470				
Balance payable on business acquisitions	3,359				
Financial liabilities measured at fair value					
Contingent consideration	$ 12,430	$ 12,430	$ —	$ —	$ 12,430
Derivative financial instruments	2,998	2,998	—	2,998	—

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

Fair value measurement (Level 3):

	Investments	Contingent consideration
Nine-month period ended December 31, 2018		
Opening amount as at March 31, 2018	$ 15,533	$ 15,596
Additions through business acquisitions	—	2,408
Additions through asset acquisitions	900	—
Change in fair value	901	1,486
Settlements	—	(5,915)
Closing amount as at December 31, 2018	$ 17,334	$ 13,575
Nine-month period 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

There were no changes in the valuation techniques for the contingent consideration and investments during the nine-month periods ended December 31, 2019 and 2018.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation use derivative financial instruments to manage its interest rate risk on its credit facility. These include interest rate swaps and swaptions. During the nine-month period ended December 31, 2019, the Corporation renegotiated some of its existing interest rate swap agreements which results in lower fixed interests' rates and extended maturities. The Corporation also entered into new interest rate swap agreements and swaptions.

The table below summarize the interest rate contracts effective as at December 31, 2019:

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market liabilities (assets) as at December 31, 2019
Swaps				
October 25, 2024	CAD	0.81%	$ 50,000	$ (2,593)
October 25, 2024	CAD	1.33%	50,000	(1,592)
October 25, 2024	CAD	2.19%	50,000	196
October 25, 2024	CAD	2.29%	50,000	630
August 29, 2029	CAD	1.73%	40,000	(1,402)
August 31, 2029	CAD	1.73%	60,000	(2,134)
			300,000	(6,895)
Swaptions				
October 25, 2024	CAD	—	100,000	1,322
October 25, 2024	CAD	—	100,000	1,784
			$ 200,000	$ 3,106
				$ (3,789)

INVESTMENTS

The Corporation has two equity instruments in private entities:

AppDirect

The fair value of the equity instrument in a private entity, AppDirect, was estimated using the market approach.

For the three-month and nine-month periods ended December 31, 2018, the fair value was measured by using the equity price from the latest external equity transaction, minus a liquidity discount of 25%. No change in the fair value was recognized during the three and nine-months periods ended December 31, 2018. During the three-month ended December 31, 2019, the Corporation revaluated the fair value of its investment and consequently a gain of US$3,918 ($5,089) was recognized as part of the change in fair value through profit and loss. The fair value was measured by using the latest external equity transaction, minus a liquidity discount of 15%. The liquidity discount was used to reflect the marketability of the asset. In measuring fair value, management used the best information available in the circumstances and also an approach that it believes market participants would use.

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, 2019 was $20,734.

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.

For the three-month and nine-month periods ended December 31, 2019, the fair value of the investment was measured using a multiple of EBITDA.

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, 2019 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).

(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, 2019.

The interim consolidated financial statements were authorized for issue by the Board of Directors on February 5, 2020.

b) Use of estimates and judgements:

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, 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 judgements 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, 2019.

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.

17. NEW AND AMENDED STANDARD ADOPTED BY THE CORPORATION

IFRS 16 - LEASES

Effective April 1, 2019, the Corporation adopted IFRS 16 - Leases, which supersedes IAS 17 - Leases and its related interpretations. IFRS 16 introduces a single lease accounting model under which most of the lease-related assets and liabilities are recognized in the statement of financial position. The Corporation has recognized an asset related to the right of use and a liability at the present value of future lease payments. Depreciation of the right-of-use asset and interest expense on the lease obligation have replaced rent expense related to operating leases. This applies to the lease contracts that convey the right to control the use of an identified asset in exchange for consideration, unless the Corporation elects to exclude short term leases (lease term of twelve months or less) and leases of low-value assets. The standard also specifies how to recognize, measure, present, and disclose leases.

Under IAS 17- Leases and IFRIC 4 - Determining whether an arrangement contains a lease, the Corporation's accounting policy is to record all leases, as either operating or finance, based on the substance of the transaction at the inception of the lease. The Corporation classified all leases as operating leases prior to April 1, 2019. Payments made under operating leases (net of any incentives received from the lessor) are charged to net earnings on a straight-line basis over the lease term.

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

The Corporation adopted IFRS 16 using the modified retrospective method with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively and the comparatives figures from Fiscal 2019 are not restated. Upon transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at April 1, 2019. Right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

At transition, the Corporation has elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Corporation applied the definition of a lease under IFRS 16 to contracts entered into or modified on or after April 1, 2019. The Corporation has also elected to apply the following practical expedients to leases previously classified as operating leases under IAS17:

Application of a single discount rate to a portfolio of leases with similar characteristics;

Exclusion of initial direct costs from measuring the right-of-use asset as at April 1, 2019;

Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options; and

Exclusion of leases for which the lease term ends within twelve months of the date of the initial application.

The following describes the Corporation's accounting policy under IFRS 16 - Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties for which it is a lessee, the Corporation has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component. The right-of-use asset and a lease liability are recognized at the lease commencement date.

Right-of-use asset

The right-of-use asset is measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred, less any lease incentives received, if any.

The cost of right-of-use asset is periodically reduced by depreciation expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use asset is amortized to reflect the expected pattern of consumption of the future economic benefits which is based on the lesser of the useful life of the asset or the lease term using the straight-line method. The lease term includes the renewal option only if it is reasonably certain to be exercised. The lease terms range from 1 to 19 years for buildings and towers, from 6 to 57 years for lands and from 1 to 5 years for vehicles.

The Corporation elected not to recognize a right-of-use asset and liability for the leases where the total lease term is less than or equal to twelve months and for the leases of low valued assets in nature; such as but not limited to, office equipment. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(In thousands of Canadian dollars, unless otherwise stated)

Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Corporation and payments of penalties for terminating a lease, if the lease term reflects the Corporation exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggered the payment has occurred.

In calculating the present value of lease payments, the Corporation uses the incremental borrowing rate as at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there has been a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Corporation determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Corporation reassesses the lease term for whether significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy) has occurred.

Impact on transition to IFRS 16 - Leases

As at April 1, 2019, the Corporation recorded lease liabilities of $34.0 million and right-of-use assets of $33.4 million, net of the deferred lease inducements and lease payments made on or before the commencement of the lease, with no net impact on deficit.

When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Corporation has discounted future lease payments using its incremental borrowing rate as at April 1, 2019. The weighted-average rate applied is 5.03%.

The following table presents the reconciliation of the Corporation's commitments as of March 31, 2019 to the lease liabilities recognized on initial application of IFRS 16 as at April 1, 2019:

Commitments as at March 31, 2019	$	39,162
Non-lease commitments		(17,248)
Renewal options reasonably certain to be exercised		23,613
Variable commitments excluded from the lease liabilities		(1,866)
Commitments relating to short-term and low-value assets		(767)
Discounting impact		(8,846)
Lease liabilities as at April 1, 2019	$	34,048

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

18. CHANGE IN ACCOUNTING POLICY

During the period, the Corporation changed its accounting policy with respect to the disclosure of interest paid in the Consolidated Statements of Cash Flows. The Corporation now disclose interest paid in financing activities. Prior to this change of policy, the Corporation disclosed interest paid in operating activities.

The Corporation believes the new policy is preferable as it more closely aligns the interest payments with the use of the proceeds from financing, such as business acquisitions. Also, interest payments increased as a result of the NCC acquisition financing and the adoption of IFRS 16, and both items are not related to operating activities.

This change did not result in a material impact on the current period or any periods included within these consolidated financial statements and only affected the presentation of interest paid in the Consolidated Statements of Cash Flows.

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