



First Quarter Report

Fiscal 2023

For the three-month period ended June 30, 2022

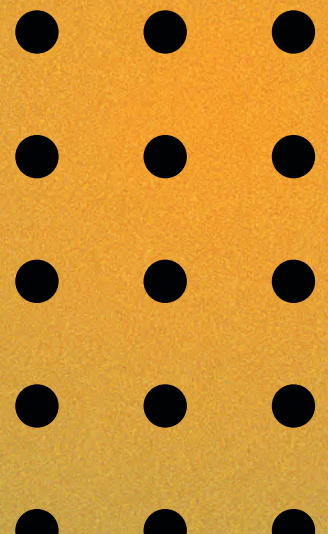


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BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

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 periods ended June 30, 2022 and 2021, and with the most recent audited consolidated financial statements and MD&A for the year ended March 31, 2022. This MD&A reflects information available to the Corporation as at August 2, 2022. 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 periods ended June 30, 2022 and 2021.

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, 2022 available on SEDAR.

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

OVERVIEW

Montreal-based Stingray Group Inc. (TSX: RAY.A; RAY.B) is a leading music, media, and technology company with over 1,000 employees worldwide. Stingray is a premium provider of curated direct-to-consumer and B2B services, including audio television channels, more than 100 radio stations, SVOD content, 4K UHD television channels, FAST channels, karaoke products, digital signage, in-store music, and music apps, which have been downloaded over 160 million times. Stingray reaches 400 million subscribers (or users) in 160 countries.

KEY PERFORMANCE INDICATORS

For the three-month period ended June 30, 2022 ("Q1 2023"):

| | | |
|--|--|---|
| \$78.1 M ▲ 21.6% from Q1 2022 Revenues | \$9.4 M Or \$0.13 per share Net income | \$16.3 M ▲ 0.1% from Q1 2022 Cash flow from operating activities Or \$0.23 per share |
| \$26.1 M ▲ 8.0% from Q1 2022 Adjusted EBITDA ⁽¹⁾ | \$13.2 M Or \$0.19 per share Adjusted Net income ⁽¹⁾ | \$15.7 M ▲ 4.3% from Q1 2022 Adjusted free cash flow ⁽¹⁾ Or \$0.22 per share |

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the first quarter ended June 30, 2022

Compared to the quarter ended June 30, 2021 ("Q1 2022"):

- Revenues increased 21.6% to \$78.1 million from \$64.3 million;
- Adjusted EBITDA⁽¹⁾ increased 8.0% to \$26.1 million from \$24.2 million. Adjusted EBITDA⁽¹⁾ by segment was \$16.8 million or 36.3% of revenues for Broadcasting and Commercial Music, \$10.6 million or 33.2% of revenues for Radio and \$(1.3) million for Corporate;
- Net income was \$9.4 million (\$0.13 per share) compared with \$4.2 million (\$0.06 per share);
- Adjusted Net income⁽¹⁾ was \$13.2 million (\$0.19 per share) compared with \$11.2 million (\$0.16 per share);
- Cash flow from operating activities remained stable at \$16.3 million;
- Adjusted free cash flow⁽¹⁾ increased 4.3% to \$15.7 million, or \$0.22 per share, compared to \$15.0 million or \$0.21 per share;
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio was 3.25x, compared to 2.88x and;
- 345,800 shares repurchased and cancelled for a total of \$2.2 million.

Note:

- (1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

Business Highlights:

- On July 26, 2022, the Corporation announced a partnership with Geopath, the not-for-profit organization that provides the industry-standard audience metrics for out-of-home (OOH) advertising, to measure retail-based digital audio out-of-home (AOOH) advertising impressions in the United States.
- On August 2, 2022, 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 September 15, 2022 to shareholders on record as of August 31, 2022.
- On July 21, 2022, the Corporation announced that it had reached an agreement for the distribution of a suite of FAST channels to LG smart TVs and WebOS operating system worldwide. As part of the new deal, LG will also make associated Stingray AVOD packages for karaoke and concerts.
- On July 11, 2022, the Corporation announced the launch of Chatter for Online Reviews. This new online review management solution enables digital marketing teams, store operations, and customer experience teams to understand their ratings beyond surface-level information and elevate their social reputation strategies.
- On June 2, 2022, the Corporation announced that InStore Audio Network had been fully integrated into its offering following the acquisition in December, and the combined entity of the US and Canadian operations is now named Stingray Advertising. This forms the largest in-store audio advertising network in North America, reaching 140 million shoppers each week in over 20,000 grocery retailers, superstores, discount stores and pharmacies.
- On May 12, 2022, the Corporation announced that METRO Inc. had joined the Stingray Retail Media Network. Under the agreement, the Corporation is responsible for exclusive sales representation of all in-store digital audio advertising within approximately 1,100 METRO network of food stores under several banners in Quebec and Ontario including Metro, Metro Plus, Super C and Food Basics, as well as drugstores primarily under Jean Coutu and Brunet, Metro Pharmacy and Food Basics Pharmacy banners.
- On April 20, 2022, the Corporation announced that it had reached an agreement for the distribution of a suite of free ad-supported channels (FAST channels) to TCL smart TVs in Australia, Brazil, India, Mexico and the United States. The new services within the TCL app include Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, Stingray CMusic, Stingray Naturescape and Stingray Music channels for users to access at no extra cost.
- On April 19, 2022, the Corporation announced that Walmart Canada had joined the Stingray Retail Media Network. Under the agreement, the Corporation is responsible for exclusive sales representation, in partnership with the Walmart Connect sales team, of all in-store digital audio advertising within the national Walmart Canada retail footprint.
- On April 6, 2022, the Corporation launched Stingray All Good Vibes channels with Amazon's Prime Video Channels in Australia, a paid add-on subscription exclusive to Prime members. Prime members now have access to subscribe to Qello Concerts by Stingray, Stingray Karaoke, Stingray Classica, Stingray DJAZZ, and Stingray Naturescape. The launch showcased the quality and diversity of the Corporation's growing product portfolio and its strength in reaching new audiences.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

| | 3 months | | | | | |
|---|-----------------------|---------------|---------------|---------------|----------------|---------------|
| | June 30, 2022 | | June 30, 2021 | | March 31, 2022 | |
| | Q1 2023 | | Q1 2022 | | Q4 2022 | |
| | Recast ⁽³⁾ | | | | | |
| (in thousands of Canadian dollars, except per share amounts) | \$ | % of revenues | \$ | % of revenues | \$ | % of revenues |
| Revenues | 78,136 | 100.0 % | 64,251 | 100.0 % | 72,644 | 100.0 % |
| Operating expenses | 51,787 | 66.3 % | 42,350 | 65.9 % | 53,593 | 73.8 % |
| Depreciation, amortization and write off | 8,566 | 11.0 % | 9,447 | 14.7 % | 9,239 | 12.7 % |
| Net finance expense (income) ⁽¹⁾ | 3,975 | 5.1 % | 5,253 | 8.2 % | (769) | (1.1) % |
| Change in fair value of investments | (121) | (0.2) % | – | 0.0 % | 12 | 0.0 % |
| Acquisition, legal, restructuring and other expenses | 1,393 | 1.8 % | 1,168 | 1.8 % | 5,912 | 8.1 % |
| Income before income taxes | 12,536 | 16.0 % | 6,033 | 9.4 % | 4,657 | 6.5 % |
| Income taxes | 3,139 | 4.0 % | 1,833 | 2.9 % | 191 | 0.3 % |
| Net income | 9,397 | 12.0 % | 4,200 | 6.5 % | 4,466 | 6.2 % |
| Adjusted EBITDA⁽²⁾ | 26,086 | 33.4 % | 24,155 | 37.6 % | 21,023 | 28.9 % |
| Adjusted Net income⁽²⁾ | 13,245 | 17.0 % | 11,238 | 17.5 % | 11,780 | 16.2 % |
| Cash flow from operating activities | 16,346 | 20.9 % | 16,337 | 25.4 % | 22,127 | 30.5 % |
| Adjusted free cash flow⁽²⁾ | 15,659 | 20.0 % | 15,007 | 23.4 % | 11,833 | 16.3 % |
| Net debt⁽²⁾ | 370,091 | – | 331,129 | – | 369,082 | – |
| Net debt to Pro Forma Adjusted EBITDA⁽²⁾ | 3.25x | – | 2.88x | – | 3.16x | – |
| Net income per share basic and diluted | 0.13 | – | 0.06 | – | 0.06 | – |
| Adjusted Net income per share basic and diluted ⁽²⁾ | 0.19 | – | 0.16 | – | 0.17 | – |
| Cash flow from operating activities per share basic | 0.23 | – | 0.23 | – | 0.32 | – |
| Cash flow from operating activities per share diluted | 0.23 | – | 0.23 | – | 0.31 | – |
| Adjusted free cashflow per share basic and diluted ⁽²⁾ | 0.22 | – | 0.21 | – | 0.17 | – |
| Revenues by segment | | | | | | |
| Broadcasting and Commercial Music | 46,130 | 59.0 % | 35,021 | 54.5 % | 45,584 | 62.7 % |
| Radio | 32,006 | 41.0 % | 29,230 | 45.5 % | 27,060 | 37.3 % |
| Revenues | 78,136 | 100.0 % | 64,251 | 100.0 % | 72,644 | 100.0 % |
| Revenues by geography | | | | | | |
| Canada | 46,658 | 59.8 % | 41,338 | 64.3 % | 40,456 | 55.6 % |
| United States | 19,103 | 24.4 % | 9,817 | 15.3 % | 19,145 | 26.4 % |
| Other Countries | 12,375 | 15.8 % | 13,096 | 20.4 % | 13,043 | 18.0 % |
| Revenues | 78,136 | 100.0 % | 64,251 | 100.0 % | 72,644 | 100.0 % |

Notes:

- (1) Interest paid during the Q1 2023 was \$4.3 million (Q1 2022; \$3.9 million and Q4 2022; \$3.4 million)
- (2) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14
- (3) The Q1 2022 comparative figures have been recast to adjust certain contracts that were recognized on a gross basis that should have been recognized on net basis. This had the effect of reducing revenues and operating expenses of the Broadcasting and commercial music segment from previously recorded \$64.8 million and \$42.9 million to recast \$64.3 million \$42.4 million, respectively.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Pro Forma Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Pro Forma Adjusted EBITDA ratio are non-IFRS measures that the Corporation uses to assess its operating performance. Refer to “Supplemental information on Non-IFRS Measures” on page 20.

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

| (in thousands of Canadian dollars) | 3 months | | |
|---|--------------------------|--------------------------|---------------------------|
| | June 30, 2022 Q1 2023 | June 30, 2021 Q1 2022 | March 31, 2022 Q4 2022 |
| Net income | 9,397 | 4,200 | 4,466 |
| Net finance expense (income) | 3,975 | 5,253 | (769) |
| Change in fair value of investments | (121) | – | 12 |
| Income taxes | 3,139 | 1,833 | 191 |
| Depreciation and write-off of property and equipment | 2,671 | 2,524 | 3,862 |
| Depreciation of right-of-use assets | 1,123 | 1,296 | 1,201 |
| Amortization of intangible assets | 4,772 | 5,627 | 4,176 |
| Share-based compensation | 137 | 164 | 222 |
| Performance and deferred share unit expense | (400) | 2,090 | 1,750 |
| Acquisition, legal, restructuring and other expenses | 1,393 | 1,168 | 5,912 |
| Adjusted EBITDA | 26,086 | 24,155 | 21,023 |
| Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments | (4,520) | (4,735) | (1,381) |
| Income taxes | (3,139) | (1,833) | (191) |
| Depreciation of property and equipment and write-off | (2,671) | (2,524) | (3,862) |
| Depreciation of right-of-use assets | (1,123) | (1,296) | (1,201) |
| Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses | (1,388) | (2,529) | (2,608) |
| Adjusted Net income | 13,245 | 11,238 | 11,780 |

| (in thousands of Canadian dollars) | June 30, 2022 | June 30, 2021 | March 31, 2022 |
|--|------------------|------------------|-------------------|
| LTM Adjusted EBITDA | 101,200 | 112,942 | 99,269 |
| Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results | 11,900 | 842 | 16,000 |
| COVID-19 credits allocated due to mandated store closures | 699 | 1,369 | 1,535 |
| Pro Forma Adjusted EBITDA | 113,799 | 115,153 | 116,804 |

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

| (in thousands of Canadian dollars) | 3 months | | |
|--|----------------|----------------|----------------|
| | June 30, 2022 | June 30, 2021 | March 31, 2022 |
| | Q1 2023 | Q1 2022 | Q4 2022 |
| Cash flow from operating activities | 16,346 | 16,337 | 22,127 |
| <i>Add / Less :</i> | | | |
| Acquisition of property and equipment | (1,151) | (2,077) | (2,443) |
| Acquisition of intangible assets other than internally developed intangible assets | (277) | (198) | (355) |
| Addition to internally developed intangible assets | (1,564) | (2,153) | (593) |
| Interest paid | (4,252) | (3,891) | (3,391) |
| Repayment of lease liabilities | (1,057) | (1,085) | (1,074) |
| Net change in non-cash operating working capital items | 7,456 | 6,805 | (7,571) |
| Unrealized loss (gains) on foreign exchange | (1,235) | 101 | (779) |
| Acquisition, legal, restructuring and other expenses | 1,393 | 1,168 | 5,912 |
| Adjusted free cash flow | 15,659 | 15,007 | 11,833 |

The following table shows the calculation of Net debt and Net debt to Pro Forma Adjusted EBITDA ratio:

| (in thousands of Canadian dollars) | June 30, 2022 | June 30, 2021 | March 31, 2022 |
|--|------------------|------------------|-------------------|
| Credit facilities | 358,440 | 305,779 | 358,203 |
| Subordinated debt | 25,467 | 31,766 | 25,442 |
| Cash and cash equivalents | (13,816) | (6,416) | (14,563) |
| Net debt | 370,091 | 331,129 | 369,082 |
| Net debt to Pro Forma Adjusted EBITDA | 3.25 | 2.88 | 3.16 |

FINANCIAL RESULTS FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

| (in thousands of Canadian dollars) | 3 months | | |
|------------------------------------|---------------|---------------|-------------|
| | Q1 2023 | Q1 2022 | % Change |
| Revenues by geography | | | |
| Canada | 46,658 | 41,338 | 12.9 |
| United States | 19,103 | 9,817 | 94.6 |
| Other Countries | 12,375 | 13,096 | (5.5) |
| Revenues | 78,136 | 64,251 | 21.6 |

Global

Revenues in Q1 2023 increased \$13.8 million or 21.6% to \$78.1 million, from \$64.3 million for Q1 2022. The increase was primarily due the acquisition of InStore Audio Network, to an increase in Radio revenues due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations, to an increase in subscription revenues and in equipment and installation sales related to digital signage.

Canada

Revenues in Canada in Q1 2023 increased \$5.2 million or 12.9% to \$46.6 million, from \$41.4 million for Q1 2022. The increase was primarily due to an increase in Radio revenues due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations and to an increase in equipment and installation sales related to digital signage.

United States

Revenues in the United States in Q1 2023 increased \$9.3 million or 94.6% to \$19.1 million, from \$9.8 million for Q1 2022. The increase was mainly due to the acquisition of InStore Audio Network and to an increase in subscription revenues.

Other Countries

Revenues in Other countries in Q1 2023 decreased \$0.7 million or 5.5% to \$12.4 million, from \$13.1 million for Q1 2022. The decrease was primarily due to a decrease in In-store commercial revenues.

Operating expenses

Operating expenses in Q1 2023 increased \$9.4 million or 22.3% to \$51.8 million, from \$42.4 million for Q1 2022. The operating expenses increase was due to increased variable expenses and higher operating costs, due to higher revenues, and to Canadian Emergency Wage Subsidy (CEWS) in comparative period (Q1 2023; nil, Q1 2022; \$2.9 million), partially offset by a gain on performance and deferred share units expense.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q1 2023 increased \$1.9 million or 8.0% to \$26.1 million from \$24.2 million for Q1 2022. Adjusted EBITDA margin in Q1 2023 was 33.4% compared to 37.6% for Q1 2022. The increase in Adjusted EBITDA was mainly due to the acquisition of InStore Audio Network, partially offset by CEWS in Q1 2022.

Depreciation, amortization and write off

Depreciation, amortization and write off in Q1 2023 decreased \$0.8 million or 9.3% to \$8.6 million from \$9.4 million for Q1 2022. The decrease was primarily due to less intangible assets to amortize compared to the prior period as certain intangible assets are fully amortized.

Net finance expense (income)

Net finance expense for Q1 2023 was \$4.0 million compared to \$5.3 million for Q1 2022. The decrease was mainly related to a higher foreign exchange gain and to a gain on the fair value of derivative instruments, partially offset by an increase in the fair value of contingent consideration.

Change in fair value of investments

In Q1 2023, there was a gain of \$0.1 million on the change in fair value of investments due to the translation of an investment denominated in U.S. dollars to Canadian dollars. In Q1 2022, there was no gain or loss on fair value of investments.

Acquisition, legal, restructuring and other expenses

| (in thousands of Canadian dollars) | 3 months | | |
|---|--------------|--------------|-------------|
| | Q1 2023 | Q1 2022 | % Change |
| Acquisition | 167 | 14 | 1,092.9 |
| Legal | 121 | 991 | (87.8) |
| Restructuring and other | 1,105 | 163 | 577.9 |
| Acquisition, legal, restructuring and other expenses | 1,393 | 1,168 | 19.3 |

Income taxes

The income tax expense recognized in comprehensive income was \$3.1 million for Q1 2023 compared to an income tax expense of \$1.8 million for Q1 2022. The effective tax rate for Q1 2023 was 25.0% compared to 30.4% for Q1 2022. The variance in the effective tax rate is mainly due to the variance in permanent differences.

Net income and net income per share

Net income in Q1 2023 was \$9.4 million (\$0.13 per share) compared to a Net income of \$4.2 million (\$0.06 per share) for Q1 2022. The increase was mainly due to a gain on performance and deferred share units expense related to a decrease in the share price, to higher operating results, to a higher foreign exchange gain and to a gain on the fair value of derivative financial instruments, partially offset by higher income tax expense.

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

Adjusted Net income in Q1 2023 was \$13.2 million (\$0.19 per share), compared to \$11.2 million (\$0.16 per share) for Q1 2022. The increase was mainly related to higher operating results and to a higher foreign exchange gain.

Note:

- (1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

| (in thousands of Canadian dollars) | 3 months | | |
|---|---------------|---------------|---------------|
| | Q1 2023 | Q1 2022 | % Change |
| Revenues | 46,130 | 35,021 | 31.7 |
| Operating expenses | 29,364 | 20,359 | 44.2 |
| Adjusted EBITDA⁽¹⁾ | 16,766 | 14,662 | 14.4 |
| Adjusted EBITDA margin⁽¹⁾ | 36.3% | 41.9% | (13.2) |

Revenues

In Q1 2023, Broadcasting and Commercial Music revenues increased \$11.1 million or 31.7% to \$46.2 million, from \$35.1 million for Q1 2022. The increase was primarily due to the acquisition of InStore Audio Network, to higher subscription revenues and to an increase in equipment and installation sales related to digital signage.

Adjusted EBITDA⁽¹⁾

In Q1 2023, Broadcasting and Commercial Music Adjusted EBITDA increased \$2.1 million or 14.4% to \$16.8 million from \$14.7 million for Q1 2022. The increase in Adjusted EBITDA was mainly due to the acquisition of InStore Audio Network, partially offset by higher operating costs.

RADIO

| (in thousands of Canadian dollars) | 3 months | | |
|---|---------------|---------------|---------------|
| | Q1 2023 | Q1 2022 | % Change |
| Revenues | 32,006 | 29,230 | 9.5 |
| Operating expenses | 21,394 | 18,405 | 16.2 |
| Adjusted EBITDA⁽¹⁾ | 10,612 | 10,825 | (2.0) |
| Adjusted EBITDA margin⁽¹⁾ | 33.2% | 37.0% | (10.5) |

Revenues

Radio revenues are derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year.

In Q1 2023, Radio revenues increased \$2.8 million or 9.5% to \$32.0 million from \$29.2 million for Q1 2022. The increase was mainly due to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Adjusted EBITDA⁽¹⁾

In Q1 2023, Radio Adjusted EBITDA decreased \$0.2 million or 2.0% to \$10.6 million from \$10.8 million for Q1 2022. The decrease in Adjusted EBITDA was mainly due to CEWS in Q1 2022, partially offset by higher revenues, all related to the gradual easing of COVID-19 restrictions and the return to normal commercial operations.

Note:

- (1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

CORPORATE

| (in thousands of Canadian dollars) | 3 months | | |
|---|----------------|----------------|--------------|
| | Q1 2023 | Q1 2022 | % Change |
| Operating expenses | 1,029 | 3,586 | (71.3) |
| <i>Adjust:</i> | | | |
| Share-based compensation | (137) | (164) | (16.5) |
| Performance and deferred share unit expense | 400 | (2,090) | (119.1) |
| Adjusted EBITDA⁽¹⁾ | (1,292) | (1,332) | (3.0) |

Adjusted EBITDA⁽¹⁾

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share units expense. The decrease in operating expenses is related to a gain on performance and deferred share units expense due to a decrease in the share price.

Note:

- (1) This is a non-IFRS measure. Refer to “Supplemental Information on Non-IFRS Measures” on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental Information on Non-IFRS Measures” on page 6 and “Reconciliation of Quarterly Non-IFRS Measures” on page 14.

Quarterly results

Revenues fluctuated over the last eight quarters from \$64.0 million in the second quarter of Fiscal 2021 to \$78.1 million in the first quarter of Fiscal 2023. The increase in Q3 2021 was mainly due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity and to normal business seasonality. The decrease in Q4 2021 is due to normal business seasonality. The increase in Q1 2022 was due to the gradual easing of COVID-19 restrictions. The increase in Q2 2022 was due to the gradual easing of COVID-19 restrictions, to increased equipment and installation sales related to digital signage and to the acquisition of Calm Radio. In Q3 2022, the increase was mainly due to normal business seasonality and to an increase in subscription revenues. The decrease in Q4 2022 is mostly due to normal business seasonality, partially offset by the acquisition of InStore Audio Network. The increase in Q1 2023 was mainly due to normal business seasonality.

Adjusted EBITDA⁽¹⁾ fluctuated over the last eight quarters from \$31.2 million in the second quarter of Fiscal 2021 to \$26.1 million in the first quarter of Fiscal 2023. The increase in Q3 2021 was due to continuing improvements in Radio advertising bookings and normal business seasonality and to a settlement with SOCAN (refer to page 19), partially offset by a special bonus to employees, lower CEWS and higher operating costs. The decrease in Q4 2021 was due to normal business seasonality and to a settlement with SOCAN in Q3 2021, partially offset by a special bonus to employees in Q3 2021. The increase in Q1 2022 was due to normal business seasonality and change in product mix, partially offset by higher operating costs. The increase in Q2 2022 was due to higher operating results, partially offset by reduced CEWS. In Q3 2022, the increase was mainly due to normal business seasonality. The decrease in Q4 2022 was mainly due to normal business seasonality and to reduced CEWS, partially offset by the acquisition of InStore Audio Network. The increase in Q1 2023 was primarily due to normal business seasonality.

Net income fluctuated over the last eight quarters from \$11.9 million in the second quarter of Fiscal 2021 to \$9.4 million in the first quarter of Fiscal 2023. In Q3 2021, the increase was due to higher operating results, positive change in the fair value of contingent consideration, and higher gain in mark-to-market on derivative financial instruments, partially offset by a negative change in fair value of investments related to the sale of securities held in AppDirect Inc. In Q4 2021, the decrease was due to lower operating results, partially offset by higher gains in mark-to-market on derivative financial instruments. In Q1 2022, the decrease was due to a negative change in fair value of mark-to-market on derivative financial instruments and a lower foreign exchange gain, partially offset by lower income tax expense, and lower acquisition and restructuring costs. In Q2 2022, the increase was due a positive change in the fair value of contingent consideration, a positive change in fair value of derivative financial instruments and higher operating results, partially offset by a foreign exchange loss. In Q3 2022, the increase is mainly due to higher operating results, partially offset by a lower gain related to the change in the fair value of contingent consideration. The decrease in Q4 2022 was primarily due to lower operating results due to normal business seasonality and to higher restructuring and other expenses, partially offset by lower income tax expense. The increase in Q1 2023 was mainly due to higher operating results and to lower restructuring and other costs, partially offset by an increase in the fair value of contingent consideration.

Note:

- (1) This is a non-IFRS measure. Refer to “Supplemental Information on Non-IFRS Measures” on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental Information on Non-IFRS Measures” on page 6 and “Reconciliation of Quarterly Non-IFRS Measures” on page 14.

Summary of Consolidated Quarterly Results

| (in thousands of Canadian dollars, except per share amounts) | 3 months | | | | | | | |
|---|------------------|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | June 30, 2022 | March 31, 2022 | Dec. 31, 2021 | Sept. 30, 2021 | June 30, 2021 | March 31, 2021 | Dec. 31, 2020 | Sept. 30, 2020 |
| | | | Recast ⁽²⁾ | Recast ⁽²⁾ | Recast ⁽²⁾ | Recast ⁽²⁾ | Recast ⁽²⁾ | Recast ⁽²⁾ |
| | FY2023 | FY2022 | FY2022 | FY2022 | FY2022 | FY2021 | FY2021 | FY2021 |
| Revenues by segment | | | | | | | | |
| Broadcasting and Commercial | | | | | | | | |
| Music | 46,130 | 45,584 | 40,085 | 38,392 | 35,021 | 35,780 | 39,623 | 38,887 |
| Radio | 32,006 | 27,060 | 34,943 | 32,311 | 29,230 | 23,960 | 32,379 | 25,125 |
| Total revenues | 78,136 | 72,644 | 75,028 | 70,703 | 64,251 | 59,740 | 72,002 | 64,012 |
| Revenues by geography | | | | | | | | |
| Canada | 46,658 | 40,456 | 49,286 | 46,659 | 41,338 | 35,594 | 47,368 | 39,710 |
| United States | 19,103 | 19,145 | 12,588 | 10,853 | 9,817 | 10,366 | 10,130 | 9,809 |
| Other countries | 12,375 | 13,043 | 13,154 | 13,191 | 13,096 | 13,780 | 14,504 | 14,493 |
| Total revenues | 78,136 | 72,644 | 75,028 | 70,703 | 64,251 | 59,740 | 72,002 | 64,012 |
| Adjusted EBITDA⁽¹⁾ | 26,086 | 21,023 | 28,504 | 25,587 | 24,155 | 23,638 | 33,993 | 31,156 |
| LTM Adjusted EBITDA⁽¹⁾ | 101,200 | 99,269 | 101,884 | 107,373 | 112,942 | 114,268 | 118,847 | 115,887 |
| Net income | 9,397 | 4,466 | 12,546 | 12,075 | 4,200 | 12,077 | 14,118 | 11,888 |
| Net income per share basic and diluted | 0.13 | 0.06 | 0.18 | 0.17 | 0.06 | 0.17 | 0.19 | 0.16 |
| Adjusted Net income⁽¹⁾ | 13,245 | 11,780 | 17,048 | 16,323 | 11,238 | 11,981 | 21,054 | 16,311 |
| Adjusted Net income per share basic ⁽¹⁾ | 0.19 | 0.17 | 0.24 | 0.23 | 0.16 | 0.17 | 0.29 | 0.22 |
| Adjusted Net income per share diluted ⁽¹⁾ | 0.19 | 0.17 | 0.24 | 0.23 | 0.16 | 0.16 | 0.29 | 0.22 |
| Cash flow from operations | 16,346 | 22,127 | 24,762 | 20,437 | 16,337 | 24,514 | 16,333 | 25,406 |
| Adjusted free Cash Flow⁽¹⁾ | 15,659 | 11,833 | 14,731 | 15,362 | 15,007 | 13,808 | 19,645 | 22,861 |
| Quarterly dividend | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 | 0.075 |

Notes:

- (1) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.
- (2) The comparative figures of the first three quarters of Fiscal 2022 and of Fiscal 2021 have been recast to adjust certain contracts that were recognized on a gross basis that should have been recognized on net basis. This had the effect of reducing revenues and operating expenses of the Broadcasting and commercial music segment from previously recorded. Revenues have been recast from \$41.1 million to \$40.1 million for Q3 2022, from \$39.1 million to 38.4 million for Q2 2022, from \$35.6 million to \$35.0 million for Q1 2022, from \$36.4 million to \$35.8 million for Q4 2021, from \$40.2 million to \$39.6 million for Q3 2021 and from \$39.2 million to \$38.9 million for Q2 2021.

Reconciliation of Quarterly Non-IFRS Measures

Adjusted EBITDA, Pro Forma Adjusted EBITDA, LTM Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Pro Forma Adjusted EBITDA ratio are non-IFRS measures that the Corporation uses to assess its operating performance. Refer to "Supplemental information on Non-IFRS Measures" on page 20.

The following tables show the reconciliation of Net income to Adjusted EBITDA, to Adjusted Net income, to LTM Adjusted EBITDA and to Pro Forma Adjusted EBITDA:

| (in thousands of Canadian dollars) | 3 months | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | June 30, | March 31, | Dec. 31, | Sept. 30, | June 30, | March 31, | Dec. 31, | Sept. 30, |
| | 2022 | 2022 | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 |
| | Fiscal 2023 | Fiscal 2022 | Fiscal 2022 | Fiscal 2022 | Fiscal 2022 | Fiscal 2021 | Fiscal 2021 | Fiscal 2021 |
| Net income | 9,397 | 4,466 | 12,546 | 12,075 | 4,200 | 12,077 | 14,118 | 11,888 |
| Net finance expense (income) | 3,975 | (769) | 1,999 | (364) | 5,253 | (7,284) | (1,290) | 2,774 |
| Change in fair value of investments | (121) | 12 | 3 | (13) | — | — | 2,434 | 461 |
| Income taxes | 3,139 | 191 | 4,115 | 2,874 | 1,833 | 4,047 | 4,900 | 4,654 |
| Depreciation and write-off of property and equipment | 2,671 | 3,862 | 2,237 | 2,446 | 2,524 | 3,082 | 2,894 | 2,976 |
| Depreciation of right-of-use assets | 1,123 | 1,201 | 1,281 | 1,298 | 1,296 | 1,436 | 1,399 | 1,413 |
| Amortization of intangible assets | 4,772 | 4,176 | 4,669 | 4,927 | 5,627 | 5,303 | 5,478 | 5,188 |
| Share-based compensation | 137 | 222 | 216 | 196 | 164 | 235 | 231 | 219 |
| Performance and deferred share unit expense | (400) | 1,750 | 659 | 1,300 | 2,090 | 2,028 | 1,780 | 1,312 |
| Acquisition, legal, restructuring and other expenses | 1,393 | 5,912 | 779 | 848 | 1,168 | 2,714 | 2,049 | 271 |
| Adjusted EBITDA | 26,086 | 21,023 | 28,504 | 25,587 | 24,155 | 23,638 | 33,993 | 31,156 |
| Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments | (4,520) | (1,381) | (2,247) | (1,153) | (4,735) | (3,214) | (1,727) | (4,340) |
| Income taxes | (3,139) | (191) | (4,115) | (2,874) | (1,833) | (4,047) | (4,900) | (4,654) |
| Depreciation and write-off of property and equipment | (2,671) | (3,862) | (2,237) | (2,446) | (2,524) | (3,082) | (2,894) | (2,976) |
| Depreciation of right-of-use assets | (1,123) | (1,201) | (1,281) | (1,298) | (1,296) | (1,436) | (1,399) | (1,413) |
| Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, CRT | | | | | | | | |
| Tangible benefits, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses | (1,388) | (2,608) | (1,576) | (1,493) | (2,529) | 122 | (2,019) | (1,462) |
| Adjusted Net income | 13,245 | 11,780 | 17,048 | 16,323 | 11,238 | 11,981 | 21,054 | 16,311 |

| (in thousands of Canadian dollars) | 3 months | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | June 30, | March 31, | Dec. 31, | Sept. 30, | June 30, | March 31, | Dec. 31, | Sept. 30, |
| | 2022 | 2022 | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 |
| | FY2023 | FY2022 | FY2022 | FY2022 | FY2022 | FY2021 | FY2021 | FY2021 |
| LTM Adjusted EBITDA | 101,200 | 99,269 | 101,884 | 107,373 | 112,942 | 114,268 | 118,847 | 115,887 |
| Synergies and Adjusted EBITDA for the months prior to the business acquisitions which are not already reflected in the results | 11,900 | 16,000 | 19,500 | 1,428 | 842 | 190 | 1,043 | 2,466 |
| COVID-19 credits allocated due to mandated store closures | 699 | 1,535 | 3,051 | 2,492 | 1,369 | 1,825 | 1,000 | — |
| Pro Forma Adjusted EBITDA | 113,799 | 116,804 | 124,435 | 111,293 | 115,153 | 116,283 | 120,890 | 118,353 |

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

| (in thousands of Canadian dollars) | 3 months | | | | | | | |
|--|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2022 | March 31, 2022 | Dec. 31, 2021 | Sept. 30, 2021 | June 30, 2021 | March 31, 2021 | Dec. 31, 2020 | Sept. 30, 2020 |
| | FY2023 | FY2022 | FY2022 | FY2022 | FY2022 | FY2021 | FY2021 | FY2021 |
| Cash flow from operating activities | 16,346 | 22,127 | 24,762 | 20,437 | 16,337 | 24,514 | 16,333 | 25,406 |
| Acquisition of property and equipment | (1,151) | (2,443) | (2,181) | (2,360) | (2,077) | (1,929) | (1,849) | (1,209) |
| Acquisition of intangible assets other than internally developed intangible assets | (277) | (355) | (276) | (305) | (198) | (194) | (649) | (212) |
| Addition to internally developed intangible assets | (1,564) | (593) | (2,058) | (2,050) | (2,153) | (1,367) | (1,838) | (1,671) |
| Interest paid | (4,252) | (3,391) | (3,868) | (3,234) | (3,891) | (5,142) | (6,312) | (2,912) |
| Repayment of lease liabilities | (1,057) | (1,074) | (1,130) | (1,526) | (1,085) | (1,099) | (1,255) | (1,443) |
| Net change in non-cash operating working capital items | 7,456 | (7,571) | (1,533) | 2,323 | 6,805 | (344) | 15,858 | 6,530 |
| Unrealized loss (gain) on foreign exchange | (1,235) | (779) | 236 | 1,229 | 101 | (3,345) | (2,692) | (1,899) |
| Acquisition, legal, restructuring and other expenses | 1,393 | 5,912 | 779 | 848 | 1,168 | 2,714 | 2,049 | 271 |
| Adjusted free cash flow | 15,659 | 11,833 | 14,731 | 15,362 | 15,007 | 13,808 | 19,645 | 22,861 |

The following table shows the calculation of Net debt and of Net debt to Pro Forma Adjusted EBITDA ratio:

| (in thousands of Canadian dollars) | 3 months | | | | | | | |
|--|------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
| | June 30, 2022 | March 31, 2022 | Dec. 31, 2021 | Sept. 30, 2021 | June 30, 2021 | March 31, 2021 | Dec. 31, 2020 | Sept. 30, 2020 |
| | FY2023 | FY2022 | FY2022 | FY2022 | FY2022 | FY2021 | FY2021 | FY2021 |
| Credit facilities | 358,440 | 358,203 | 317,957 | 313,172 | 305,779 | 303,704 | 290,353 | 299,361 |
| Subordinated debt | 25,467 | 25,442 | 25,416 | 31,791 | 31,766 | 31,741 | 39,715 | 39,690 |
| Cash and cash equivalents | (13,816) | (14,563) | (11,266) | (8,475) | (6,416) | (9,040) | (9,827) | (10,906) |
| Portion of the balance payable on acquisition of InStore Audio Network paid on January 5, 2022 | — | — | 42,471 | — | — | — | — | — |
| Net debt | 370,091 | 369,082 | 374,578 | 336,488 | 331,129 | 326,405 | 320,241 | 328,145 |
| Net debt to Pro Forma Adjusted EBITDA | 3.25 | 3.16 | 3.01 | 3.02 | 2.88 | 2.81 | 2.65 | 2.77 |

LIQUIDITY AND CAPITAL RESOURCES FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021

| (in thousands of Canadian dollars) | 3 months | |
|--|---------------|---------------|
| | Q1 2023 | Q1 2022 |
| Operating activities | 16,346 | 16,337 |
| Financing activities | (13,566) | (14,537) |
| Investing activities | (3,527) | (4,424) |
| Net change in cash | (747) | (2,624) |
| Cash – beginning of period | 14,563 | 9,040 |
| Cash – end of period | 13,816 | 6,416 |
| Adjusted free cash flow⁽¹⁾ | 15,659 | 15,007 |

Operating activities

Cash flow generated from operating activities remained stable at \$16.3 million for Q1 2023 as higher income tax paid was largely offset by higher operating results.

Financing activities

Net cash flow used in financing activities amounted to \$13.6 million for Q1 2023 compared to \$14.5 million for Q1 2022. The decrease was primarily due to lower shares repurchased, partially offset by higher repayment of credit facilities.

Investing activities

Net cash flow used in investing activities amounted to \$3.5 million for Q1 2023 compared to \$4.4 million for Q1 2022. The decrease was primarily due to lower acquisitions of property and equipment.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q1 2023 amounted to \$15.7 million compared to \$15.0 million for Q1 2022. The increase was mainly related to higher operating results and lower capital expenditures, partially offset by higher income tax paid.

Note:

- (1) This is a non-IFRS measure. Refer to “Supplemental Information on Non-IFRS Measures” on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to “Supplemental Information on Non-IFRS Measures” on page 6 and “Reconciliation of Quarterly Non-IFRS Measures” on page 14.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the three-month period ended June 30, 2022:

| (in thousands of Canadian dollars) | June 30, 2022 | March 31, 2022 | Variance | | Significant contributions |
|---|------------------|-------------------|----------|---|--|
| Trade and other receivables | 67,683 | 66,666 | 1,017 | ▲ | Timing of payments by clients |
| Intangible assets | 73,912 | 76,230 | (2,318) | ▼ | Amortization of intangible assets, partially offset by internally developed intangible assets additions |
| Goodwill | 353,394 | 354,304 | (910) | ▼ | Foreign exchange differences |
| Accounts payable and accrued liabilities | 66,022 | 67,016 | (994) | ▼ | Timing of payments to suppliers |
| Other liabilities | 57,458 | 60,997 | (3,539) | ▼ | Decrease in performance share units liability |
| Credit facilities | 358,440 | 358,203 | 237 | ▲ | Refer to the graph on next page |
| Subordinated debt | 25,467 | 25,442 | 25 | ▲ | Amortization of deferred financing fees |

Capital Resources

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

The credit facilities consist of a \$375.0 million revolving credit facility and a \$61.9 million term loan, both maturing in October 2026.

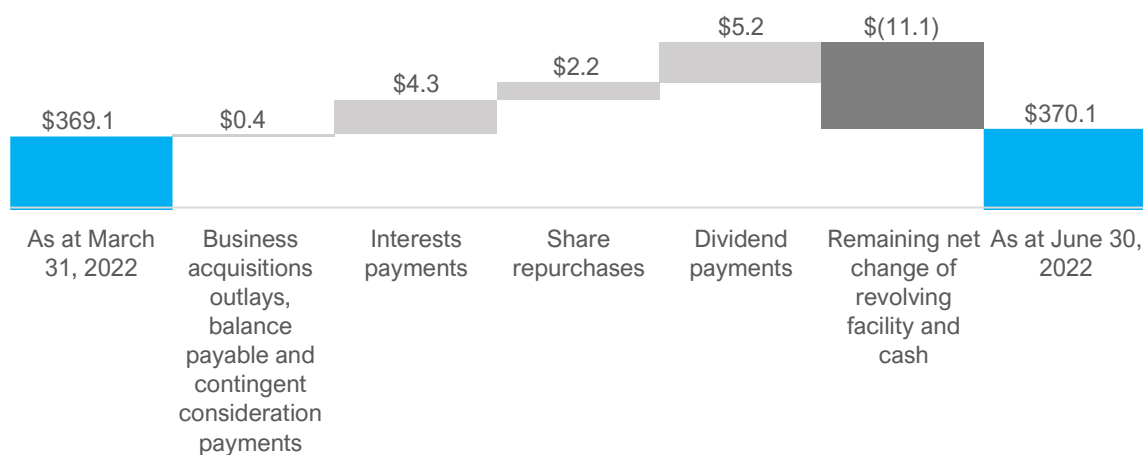
The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the term loan. The remaining capital balance will be payable on maturity date, on October 25, 2026.

The credit facilities bear interest at (a) the bank's prime rate or US base rate if denominated in US dollars plus an applicable margin based on a financial covenant, or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant, or (c) LIBOR plus an applicable margin based on a financial covenant, at the Corporation's option. In addition, the Corporation incurs standby fees, varying between 0.25% and 0.48% based on a financial covenant.

As of June 30, 2022, the Corporation had cash and cash equivalents of \$13.8 million, a subordinated debt of \$25.5 million and credit facilities of \$358.4 million, of which approximately \$76.6 million was available.

The following table summarizes the impact on the Net debt that occurred in the three-month period ended June 30, 2022 including related ratios:

Movement in Net debt⁽¹⁾⁽²⁾



Notes:

(1) In millions of Canadian dollars.

(2) This is a non-IFRS measure. Refer to "Supplemental Information on Non-IFRS Measures" on page 20 for more information on each non-IFRS measure and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental Information on Non-IFRS Measures" on page 6 and "Reconciliation of Quarterly Non-IFRS Measures" on page 14.

SOCAN and Re:Sound legal proceedings

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

As of December 2020, the Objectors and SOCAN entered into a binding memorandum of understanding that will result in a partial refund to the Objectors of past royalties paid and a meaningfully reduced tariff burden for the present and future. On May 28, 2021, the Copyright Board of Canada released a final decision relating to the Pay Audio Services Tariff. The decision and certified tariff were in line with the Objectors expectations.

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, 2022.

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, 2022.

Off-Balance Sheet Arrangements

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

Disclosure of Outstanding Share Data

Issued and outstanding shares and outstanding stock options consisted of:

| | July 31, 2022 | June 30, 2022 |
|--|---------------|---------------|
| <i>Issued and outstanding shares:</i> | | |
| Subordinate voting shares | 51,391,781 | 51,427,981 |
| Subordinate voting shares held in trust through employee share purchase plan | (29,492) | (27,100) |
| Variable subordinate voting shares | 392,421 | 392,421 |
| Multiple voting shares | 17,941,498 | 17,941,498 |
| | 69,696,208 | 69,734,800 |
| <i>Outstanding stock options:</i> | | |
| Stock options | 3,636,510 | 3,636,510 |

The Corporation has a stock option plan to attract and retain employees, directors, officers and consultants. The plan provides for the granting of options to purchase subordinate voting shares. Under this plan, 10% of all multiple voting shares, subordinate voting shares and variable subordinate voting shares issued and outstanding on a non-diluted basis is reserved for issuance. During the first three months of Fiscal 2023, no options were exercised and 166,703 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, 2022. The Corporation is not aware of any significant changes to the financial risk factors from those disclosed at that time.

Risk Factors

For a detailed description of risk factors associated with the Corporation, please refer to the “Risk Factors” section of the Corporation’s Annual Information Form dated June 7, 2022. The Corporation is not aware of any significant changes to the Corporation’s risk factors from those disclosed at that time.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Each of the below 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.

Adjusted EBITDA

Adjusted EBITDA is a non-IFRS financial measure used by management to facilitate comparisons of operating performance of the Corporation from period to period. Adjusted EBITDA is defined as earnings before Net finance expense (income), income taxes, depreciation, amortization, share based compensation, acquisition, restructuring and other various costs and change in fair value of investment. The Corporation believes that Adjusted EBITDA is an important measure 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 also presents such non-IFRS measure because it believes such non-IFRS measure is frequently used by securities analysts, investors and other interested parties as measures of financial performance.

Adjusted EBITDA margin

Adjusted EBITDA margin ratio is a non-IFRS ratio used by management to analyze the profitability of the Corporation and facilitate period-to-period comparisons, as well as comparison with peers. This ratio is calculated by dividing the amount of Adjusted EBITDA for a given period by the amount of revenue for the same period. The Corporation believes that Adjusted EBITDA margin is an important measure 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 also presents such non-IFRS ratio because it believes such non-IFRS ratio is frequently used by securities analysts, investors and other interested parties as measures of financial performance.

Adjusted free cash flow

Adjusted free cash flow is a non-IFRS measure used by management to assess the amount of cash generated after accounting for capital expenditures and non-core charges. It is a useful measure because it demonstrates cash available to make business acquisitions, pay dividends and reduce debt. Furthermore, this non-IFRS measure facilitates period-to-period comparisons. Refer to page 7 for a reconciliation of free cash flow to cash flow from operating activities.

Adjusted free cash flow per share

Adjusted free cash flow per share is a non-IFRS ratio used by management to assess the amount of cash generated after accounting for capital expenditures and non-core charges. It is a useful measure because it demonstrates cash available to make business acquisitions, pay dividends and reduce debt. Furthermore, this non-IFRS measure facilitates period-to-period comparisons. Adjusted free cash flow per share is calculated by dividing the amount of Adjusted free cash flow for a given period by the number of outstanding shares for the same period (on a basic or diluted basis).

Adjusted Net Income

Adjusted Net Income is a non-IFRS measure used by management to assess performance of the Corporation as it provides meaningful operating results and facilitates period-to-period operating comparisons. Additionally, the Corporation believes that Adjusted Net income is an important measure as it shows stable results from its operations which allows users of the financial statements to better assess the trend in the profitability of the business. Refer to page 6 for a reconciliation of Adjusted Net Income to Adjusted EBITDA and Net income.

Adjusted Net Income per share

Adjusted Net Income per share is a non-IFRS ratio used by management to assess performance of the Corporation as it provides meaningful operating results and facilitates period-to-period operating comparisons. Additionally, the Corporation believes that Adjusted Net income per share is an important measure as it shows stable results from its operations which allows users of the financial statements to better assess the trend in the profitability of the business. Adjusted Net Income per share is calculated by dividing the amount of Adjusted Net Income for a given period by the number of outstanding shares for the same period (on a basic or diluted basis).

LTM Adjusted EBITDA

Last twelve months (LTM) Adjusted EBITDA is a non-IFRS measure representing the Adjusted EBITDA of a given quarterly period, plus the Adjusted EBITDA of the three quarters immediately preceding such referenced period. The Corporation believes that LTM Adjusted EBITDA is a useful measure to evaluate the Corporation's operating performance during the immediately preceding twelve-month time period.

Pro Forma Adjusted EBITDA

Pro Forma Adjusted EBITDA is a non-IFRS measure representing LTM Adjusted EBITDA adjusted to include revenues and cost savings synergies from acquisitions for the months prior to such acquisitions and other extraordinary items. For the first quarter of 2023, the synergies included derive from the acquisition of InStore Audio Network. For Fiscal 2022, the synergies included derive from the acquisitions of Calm Radio and InStore Audio Network. For the first quarter of Fiscal 2023 and Fiscal 2022, Pro Forma Adjusted EBITDA includes an adjustment for credits that were given to various customers following the mandated store closures required by governments. Management of the Corporation believes that Pro Forma Adjusted EBITDA provides investors with useful financial metrics to assess and evaluate the Corporation's operating performance from period-to-period by adjusting for the impact of certain events that are non-recurring. The Corporation also presents such non-IFRS measure because it believes such non-IFRS measure is frequently used by securities analysts, investors and other interested parties as measures of financial performance.

Net debt

Net debt is a non-IFRS measure calculated as the Corporation's credit facilities and subordinated debt for a given period less the Corporation's cash and cash equivalents for the same period. Net debt is an important measure as it reflects the principal amount of debt owing by the Corporation at a particular date.

Net debt to Pro Forma Adjusted EBITDA ratio

Net debt to Pro Forma Adjusted EBITDA is a non-IFRS ratio calculated as Net debt divided by Pro Forma Adjusted EBITDA. The Corporation believes that Net debt to Pro Forma Adjusted EBITDA is an important measure when analyzing the Corporation's debt repayment capacity on an annualized basis, taking into consideration the annualized Adjusted EBITDA of acquisitions made during the last twelve months.

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 first quarter ended June 30, 2022, 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 August 2, 2022, did not include the controls or procedures of the operations of InStore Audio Network. 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 Event

Dividend

On August 2, 2022, 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 September 15, 2022 to shareholders on record as of August 31, 2022.

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 periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, except per share amounts)

| (Unaudited) | Note | 3 months | |
|--|------|------------------|-------------------------------------|
| | | June 30, 2022 | June 30, 2021 Recast (note 3) |
| Revenues | 4 | \$ 78,136 | \$ 64,251 |
| Operating expenses | | 51,787 | 42,350 |
| Depreciation, amortization and write-off | | 8,566 | 9,447 |
| Net finance expense (income) | 5 | 3,975 | 5,253 |
| Change in fair value of investments | | (121) | — |
| Acquisition, legal, restructuring and other expenses | 6 | 1,393 | 1,168 |
| Income before income taxes | | 12,536 | 6,033 |
| Income taxes | | 3,139 | 1,833 |
| Net income | | \$ 9,397 | \$ 4,200 |
| | | | |
| Net income per share — Basic and Diluted | | \$ 0.13 | \$ 0.06 |
| Weighted average number of shares – Basic | | 69,957,623 | 71,815,810 |
| Weighted average number of shares – Diluted | | 70,276,754 | 72,362,785 |

Comprehensive income

| | | |
|------------|----------|----------|
| Net income | \$ 9,397 | \$ 4,200 |
|------------|----------|----------|

Other comprehensive loss

Items that may be reclassified to profit and loss

| | | |
|---|---------|-------|
| Exchange differences on translation of foreign operations | (1,485) | (863) |
|---|---------|-------|

| | | |
|--------------------------------|---------|-------|
| Total other comprehensive loss | (1,485) | (863) |
|--------------------------------|---------|-------|

| | | |
|-----------------------------------|----------|----------|
| Total comprehensive income | \$ 7,912 | \$ 3,337 |
|-----------------------------------|----------|----------|

Net income is entirely attributable to Shareholders of the Corporation.

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

Consolidated Statements of Financial Position

June 30, 2022 and March 31, 2022

| (In thousands of Canadian dollars) (Unaudited) | Note | June 30, 2022 | March 31, 2022 |
|---|------|-------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 13,816 | \$ 14,563 |
| Trade and other receivables | | 67,683 | 66,666 |
| Income taxes receivable | | 168 | 96 |
| Inventories | | 5,626 | 5,200 |
| Other current assets | | 13,522 | 13,388 |
| | | 100,815 | 99,913 |
| Non-current assets | | | |
| Property and equipment | 7 | 38,293 | 39,931 |
| Right-of-use assets on leases | 7 | 25,851 | 25,944 |
| Intangible assets, excluding broadcast licences | 7 | 73,912 | 76,230 |
| Broadcast licences | 7 | 272,996 | 272,996 |
| Goodwill | 7 | 353,394 | 354,304 |
| Investments | | 6,646 | 6,431 |
| Other non-current assets | | 4,895 | 5,136 |
| Deferred tax assets | | 2,492 | 2,816 |
| Total assets | | \$ 879,294 | \$ 883,701 |
| Liabilities and Equity | | | |
| Current liabilities | | | |
| Credit facilities | 8 | \$ 7,500 | \$ 7,500 |
| Accounts payable and accrued liabilities | | 66,022 | 67,016 |
| Dividend payable | | — | 5,259 |
| Deferred revenues | | 4,457 | 4,942 |
| Current portion of lease liabilities | 9 | 4,266 | 4,171 |
| Current portion of other liabilities | 10 | 32,651 | 17,786 |
| Income taxes payable | | 7,485 | 8,283 |
| | | 122,381 | 114,957 |
| Non-current liabilities | | | |
| Credit facilities | 8 | 350,940 | 350,703 |
| Subordinated debt | | 25,467 | 25,442 |
| Deferred revenues | | 1,030 | 1,030 |
| Lease liabilities | 9 | 24,021 | 24,147 |
| Other liabilities | 10 | 24,807 | 43,211 |
| Deferred tax liabilities | | 51,289 | 50,682 |
| Total liabilities | | 599,935 | 610,172 |
| Shareholders' equity | | | |
| Share capital | 11 | 300,268 | 302,328 |
| Contributed surplus | | 5,941 | 5,745 |
| Deficit | | (21,924) | (31,103) |
| Accumulated other comprehensive income (loss) | | (4,926) | (3,441) |
| Total equity | | 279,359 | 273,529 |
| Subsequent event (note 14) | | | |
| Total liabilities and equity | | \$ 879,294 | \$ 883,701 |

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

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars,
except number of share capital)

(Unaudited)

| | Share Capital | | Contributed surplus | Deficit | Accumulated other comprehensive income (loss) | | Total shareholders' equity |
|--|---------------|------------|------------------------|-------------|---|--------------------------|----------------------------------|
| | Number | Amount | | | Cumulative Translation Account | Defined Benefit Plans | |
| Balance at March 31, 2021 | 72,111,588 | \$ 313,951 | \$ 5,180 | \$ (40,172) | \$ (3,775) | \$ (492) | \$ 274,692 |
| Issuance of shares upon exercise of options | 60,000 | 321 | (43) | — | — | — | 278 |
| Dividends | — | — | — | 32 | — | — | 32 |
| Repurchase and cancellation of shares | (643,000) | (3,655) | — | (1,030) | — | — | (4,685) |
| Share-based compensation | — | — | 118 | — | — | — | 118 |
| Employee share purchase plan | (7,680) | (73) | 73 | — | — | — | — |
| Net income | — | — | — | 4,200 | — | — | 4,200 |
| Other comprehensive loss | — | — | — | — | (863) | — | (863) |
| Balance at June 30, 2021 | 71,520,908 | \$ 310,544 | \$ 5,328 | \$ (36,970) | \$ (4,638) | \$ (492) | \$ 273,772 |
| Balance at March 31, 2022 | 70,095,924 | \$ 302,328 | \$ 5,745 | \$ (31,103) | \$ (5,729) | \$ 2,288 | \$ 273,529 |
| Dividends | — | — | — | 16 | — | — | 16 |
| Repurchase and cancellation of shares (note 11) | (345,800) | (1,965) | — | (234) | — | — | (2,199) |
| Share-based compensation | — | — | 101 | — | — | — | 101 |
| Employee share purchase plan (note 11) | (15,324) | (95) | 95 | — | — | — | — |
| Net income | — | — | — | 9,397 | — | — | 9,397 |
| Other comprehensive loss | — | — | — | — | (1,485) | — | (1,485) |
| Balance at June 30, 2022 | 69,734,800 | \$ 300,268 | \$ 5,941 | \$ (21,924) | \$ (7,214) | \$ 2,288 | \$ 279,359 |

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

Consolidated Statements of Cash Flows

Three-month periods ended June 30, 2022 and 2021

| (In thousands of Canadian dollars) (Unaudited) | | 3 months | |
|--|------|------------------|------------------|
| | Note | June 30, 2022 | June 30, 2021 |
| Operating activities: | | | |
| Net income | | \$ 9,397 | \$ 4,200 |
| Adjustments for: | | | |
| Depreciation, amortization and write-off | | 8,566 | 9,447 |
| Share-based compensation, PSU and DSU expenses | | (263) | 2,254 |
| Interest expense and standby fees | 5 | 3,545 | 3,462 |
| Mark-to-market losses (gains) on derivative financial instruments | 5 | (545) | 518 |
| Change in fair value of investments | | (121) | — |
| Share of results of joint venture | | — | 58 |
| Change in fair value of contingent consideration | 5 | 1,422 | 586 |
| Depreciation, amortization and accretion of other liabilities | 5 | 478 | 510 |
| Interest expense on lease liabilities | 5, 9 | 404 | 417 |
| Income tax expense | | 3,139 | 1,833 |
| Income taxes paid | | (2,220) | (143) |
| | | 23,802 | 23,142 |
| Net change in non-cash operating items | 12 | (7,456) | (6,805) |
| | | 16,346 | 16,337 |
| Financing activities: | | | |
| Increase of credit facilities | | 148 | 1,757 |
| Payment of dividend | | (5,243) | (5,377) |
| Proceeds from the exercise of stock options | | — | 278 |
| Shares repurchased and cancelled | 11 | (2,199) | (4,685) |
| Shares purchased under the employee share purchase plan | | (95) | (73) |
| Interest paid | | (4,252) | (3,891) |
| Payment of lease liabilities | | (1,057) | (1,085) |
| Repayment of other liabilities | | (868) | (1,461) |
| | | (13,566) | (14,537) |
| Investing activities: | | | |
| Business acquisition, net of cash acquired | 2 | — | 314 |
| Acquisition of an investment | | (22) | (310) |
| Acquisition of investment in associates | | (513) | — |
| Acquisition of property and equipment | | (1,151) | (2,077) |
| Acquisition of intangible assets other than internally developed intangible assets | | (277) | (198) |
| Addition to internally developed intangible assets | | (1,564) | (2,153) |
| | | (3,527) | (4,424) |
| Net decrease in cash and cash equivalents | | (747) | (2,624) |
| Cash and cash equivalents, beginning of period | | 14,563 | 9,040 |
| Cash and cash equivalents, end of period | | \$ 13,816 | \$ 6,416 |

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

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

1. BUSINESS DESCRIPTION AND BASIS OF CONSOLIDATION

Stingray Group Inc. (the “Corporation”) is incorporated under the *Canada Business Corporations Act*. The Corporation is domiciled in Canada and its registered office is located at 730 Wellington, Montréal, Québec, H3C 1T4. The Corporation is a provider of multi-platform music services. It broadcasts high quality music and video content on a number of platforms including radio stations, premium television channels, digital TV, satellite TV, IPTV, the Internet, mobile devices and game consoles. A portion of the Corporation’s revenue is derived from the sale of advertising airtime, which is subject to the seasonal fluctuations of the Canadian radio industry. Accordingly, the first and third quarter results tend to be the strongest and the second and fourth quarter results tend to be the weakest in a fiscal year.

These interim consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, Stingray Music USA Inc. (and its subsidiary Pop Radio 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, SBA Music PTY Ltd., Stingray Music, S.A. de C.V., DJ Matic NV and Stingray Radio Inc. and all these entities’ wholly owned subsidiaries.

The auditors of the Corporation have not performed a review of the interim financial report for the three-month periods ended June 30, 2022 and 2021.

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

2. BUSINESS ACQUISITIONS

FISCAL 2022

InStore Audio Network

On December 31, 2021, the Corporation purchased all of the membership interest of Pop Radio LLC, a company operating InStore Audio Network, an in-store audio advertising network in the United States, for a total consideration of US\$47,788 (\$60,586). As a result of the acquisition, goodwill of \$18,567 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 be deductible for tax purposes.

The fair value of acquired trade receivables was US\$5,629 (\$7,136), 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 US\$11,843 (\$15,015) over the next two years ending in April 2023, based on revenue target. The fair value of the contingent consideration was determined using an income approach based on the estimated amount and timing of projected cash flows. A portion of the balance payable on acquisition was subsequently paid on January 5, 2022 for an amount of US\$33,500 (\$42,471).

| | Preliminary |
|--|------------------|
| Assets acquired: | |
| Cash and cash equivalents | \$ 1,307 |
| Trade and other receivables | 7,136 |
| Other current assets | 984 |
| Intangible assets | 34,233 |
| Goodwill | 18,567 |
| Other non-current assets | 2,853 |
| | 65,080 |
| Liabilities assumed: | |
| Accounts payable and accrued liabilities | 3,788 |
| Deferred revenues | 706 |
| | 4,494 |
| Net assets acquired at fair value | \$ 60,586 |
| Consideration given: | |
| Balance payable on business acquisition | \$ 45,025 |
| Contingent consideration | 11,895 |
| Working capital payable | 3,666 |
| | \$ 60,586 |

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

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

Calm Radio Corp.

On June 30, 2021, the Corporation purchased all of the outstanding shares of Calm Radio, an online music streaming service focused on the wellness and relaxation markets, for a total consideration of \$8,171. As a result of the acquisition, goodwill of \$198 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.

| | Final |
|--|-----------------|
| Assets acquired: | |
| Cash and cash equivalents | \$ 323 |
| Trade and other receivables | 159 |
| Other current assets | 121 |
| Property and equipment | 56 |
| Intangible assets | 12,081 |
| Goodwill | 198 |
| Deferred tax assets | — |
| | 12,938 |
| Liabilities assumed: | |
| Accounts payable and accrued liabilities | 221 |
| Deferred revenues | 1,640 |
| Deferred tax liabilities | 2,906 |
| | 4,767 |
| Net assets acquired at fair value | \$ 8,171 |
| Consideration given: | |
| Balance payable on business acquisition | \$ 4,000 |
| Contingent consideration | 3,912 |
| Working capital payable | 259 |
| | \$ 8,171 |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

3. 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 segments' financial results are reviewed by the Chief operating decision maker ("CDOM") to make decisions about resources to be allocated to the segment and assess its performance based on adjusted earnings before interest, taxes, depreciation and amortization (thereafter "Adjusted EBITDA"), and for which distinct financial information is available. Adjusted EBITDA excludes from income before income taxes the following expenses: share-based compensation, performance and deferred share unit expense, depreciation, amortization and write-off, net finance expense (income), change in fair value of investments and acquisition, legal, restructuring and other expenses. There are no inter-segment revenues for the periods.

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

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

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

The following tables present financial information by segment for the three-month periods ended June 30, 2022 and 2021.

| | Broadcasting and commercial music | | Radio | | Corporate and eliminations | | Consolidated | |
|---|--------------------------------------|-------------------|-----------|-----------|-------------------------------|----------|--------------|-------------------|
| | Q1 2023 | Q1 2022 Recast | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 Recast |
| Revenues | \$ 46,130 | \$ 35,021 | \$ 32,006 | \$ 29,230 | \$ — | \$ — | \$ 78,136 | \$ 64,251 |
| Operating expenses (excluding Share- based compensation and PSU and DSU expenses) | 29,364 | 20,359 | 21,394 | 18,405 | 1,292 | 1,332 | 52,050 | 40,096 |
| Adjusted EBITDA | \$ 16,766 | \$ 14,662 | \$ 10,612 | \$ 10,825 | (1,292) | (1,332) | 26,086 | 24,155 |
| Share-based compensation | | | | | 137 | 164 | 137 | 164 |
| PSU and DSU expenses | | | | | (400) | 2,090 | (400) | 2,090 |
| Depreciation, amortization and write-off | | | | | 8,566 | 9,447 | 8,566 | 9,447 |
| Net finance expense (income) | | | | | 3,975 | 5,253 | 3,975 | 5,253 |
| Change in fair value of investments | | | | | (121) | — | (121) | — |
| Acquisition, legal, restructuring and other expenses | | | | | \$ 1,393 | \$ 1,168 | 1,393 | 1,168 |
| Income before income taxes | | | | | | | 12,536 | 6,033 |
| Income taxes | | | | | | | 3,139 | 1,833 |
| Net income | | | | | | | \$ 9,397 | \$ 4,200 |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

The Corporation received tax credits related to its research and development and multimedia activities and which were recorded as a reduction of operating expenses.

In Fiscal 2022, the Corporation applied and qualified for the Canada Emergency Wage Subsidy ("CEWS"), a Canadian federal government program created in response to the negative economic impact of the COVID-19 pandemic and designed to provide financial assistance to businesses who experienced a certain level of decrease in revenues to help them retain their employees. The Corporation recognized, as a reduction of operating expenses, the subsidies claimed under the CEWS and other programs.

| | 3 months | |
|---|---------------|---------------|
| | June 30, 2022 | June 30, 2021 |
| Research and development and multimedia tax credits | \$ 573 | \$ 2,876 |
| CEWS | — | 548 |
| | \$ 573 | \$ 3,424 |

| | Broadcasting and commercial music | | Radio | | Corporate and eliminations | | Consolidated | |
|----------------------------------|-----------------------------------|----------------|---------------|----------------|----------------------------|----------------|---------------|----------------|
| | June 30, 2022 | March 31, 2022 | June 30, 2022 | March 31, 2022 | June 30, 2022 | March 31, 2022 | June 30, 2022 | March 31, 2022 |
| Total assets | \$ 264,828 | \$ 268,160 | \$ 614,466 | \$ 615,541 | \$ — | \$ — | \$ 879,294 | \$ 883,701 |
| Total liabilities ⁽¹⁾ | \$ 95,730 | \$ 97,569 | \$ 119,379 | \$ 122,235 | \$ 384,826 | \$ 390,368 | \$ 599,935 | \$ 610,172 |

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

| | Broadcasting and commercial music | | Radio | | Consolidated | |
|--|-----------------------------------|-----------|---------|---------|--------------|-----------|
| | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 |
| Acquisition of property and equipment | \$ 668 | \$ 1,337 | \$ 346 | \$ 334 | \$ 1,014 | \$ 1,671 |
| Addition to right-of-use assets on leases | \$ 947 | \$ 49 | \$ 135 | \$ 128 | \$ 1,082 | \$ 177 |
| Acquisition of intangible assets | \$ 1,812 | \$ 15,326 | \$ — | \$ — | \$ 1,812 | \$ 15,326 |
| Goodwill recorded on business acquisitions | \$ — | \$ 39 | \$ — | \$ — | \$ — | \$ 39 |

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

As at June 30, 2022, approximately 75% (80% as at June 30, 2021) of the Corporation's non-current assets are located in Canada.

The 2022 comparative figures have been recast to adjust certain contracts that were recognized on a gross basis that should have been recognized on a net basis. This had the effect of reducing revenues and operating expenses of the Broadcasting and commercial music segment from previously recorded \$35,578 and \$20,916 to recast \$35,021 and \$20,359, respectively. Consolidated revenues and operating expenses have been reduced from \$64,808 to \$64,251 and \$42,907 to \$42,350, respectively.

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

4. REVENUES

DISAGGREGATION OF REVENUES

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

| | | Reportable segments ⁽³⁾ | | | | | | |
|------------------------------------|----|------------------------------------|---------|---------|---------|----------------|-----------------|--------|
| | | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 | |
| | | Recast (note 3) | | | | | Recast (note 3) | |
| | | Broadcasting and commercial music | | Radio | | Total revenues | | |
| Geography | | | | | | | | |
| Canada | \$ | 14,652 | 12,108 | \$ | 32,006 | 29,230 | \$ 46,658 | 41,338 |
| United States | | 19,103 | 9,817 | | — | — | 19,103 | 9,817 |
| Other countries | | 12,375 | 13,096 | | — | — | 12,375 | 13,096 |
| | | 46,130 | 35,021 | | 32,006 | 29,230 | 78,136 | 64,251 |
| Products | | | | | | | | |
| Subscriptions ⁽¹⁾ | | 33,610 | 31,605 | | — | — | 33,610 | 31,605 |
| Equipment and labor ⁽²⁾ | | 3,900 | 2,169 | | — | — | 3,900 | 2,169 |
| Advertising ⁽²⁾ | | 8,620 | 1,247 | | 32,006 | 29,230 | 40,626 | 30,477 |
| | \$ | 46,130 | 35,021 | \$ | 32,006 | 29,230 | \$ 78,136 | 64,251 |

⁽¹⁾ Generally recognized over time

⁽²⁾ Generally recognized at a point in time

⁽³⁾ No revenues are generated from the Corporate Segment

5. NET FINANCE EXPENSE (INCOME)

| | 3 months | |
|---|---------------|---------------|
| | June 30, 2022 | June 30, 2021 |
| Interest expense and standby fees | \$ 3,545 | \$ 3,462 |
| Mark-to-market losses (gains) on derivative financial instruments | (545) | 518 |
| Change in fair value of contingent consideration | 1,422 | 586 |
| Depreciation, amortization and accretion of other liabilities | 478 | 510 |
| Interest expense on lease liabilities (note 9) | 404 | 417 |
| Foreign exchange gain | (1,329) | (240) |
| | \$ 3,975 | \$ 5,253 |

6. ACQUISITION, LEGAL, RESTRUCTURING AND OTHER EXPENSES

| | 3 months | |
|-------------------------|---------------|---------------|
| | June 30, 2022 | June 30, 2021 |
| Acquisition | \$ 167 | \$ 14 |
| Legal | 121 | 991 |
| Restructuring and other | 1,105 | 163 |
| | \$ 1,393 | \$ 1,168 |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

7. 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, 2022 | | | | | |
| Net book amount as at March 31, 2021 | \$ 42,228 | \$ 28,184 | \$ 41,884 | \$ 272,988 | \$ 337,897 |
| Additions | 8,627 | 3,119 | 8,153 | 8 | — |
| Additions through business acquisitions | 56 | — | 46,314 | — | 18,765 |
| Reassessment of leases' term | — | (241) | — | — | — |
| Disposals and write-off | (547) | — | — | — | — |
| Depreciation of property and equipment | (10,522) | — | — | — | — |
| Depreciation of right-of-use assets on leases | — | (5,076) | — | — | — |
| Amortization of intangible assets | — | — | (19,399) | — | — |
| Foreign exchange differences | 89 | (42) | (722) | — | (2,358) |
| Net book amount as at March 31, 2022 | \$ 39,931 | \$ 25,944 | \$ 76,230 | \$ 272,996 | \$ 354,304 |
| Three-month period ended June 30, 2022 | | | | | |
| Net book amount as at March 31, 2022 | \$ 39,931 | \$ 25,944 | \$ 76,230 | \$ 272,996 | \$ 354,304 |
| Additions | 1,014 | 1,082 | 1,812 | — | — |
| Reassessment of leases' term | — | (20) | — | — | — |
| Disposals and write-off | (142) | — | — | — | — |
| Depreciation of property and equipment | (2,529) | — | — | — | — |
| Depreciation of right-of-use assets on leases | — | (1,123) | — | — | — |
| Amortization of intangible assets | — | — | (4,772) | — | — |
| Foreign exchange differences | 19 | (32) | 642 | — | (910) |
| Net book amount as at June 30, 2022 | \$ 38,293 | \$ 25,851 | \$ 73,912 | \$ 272,996 | \$ 353,394 |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

8. CREDIT FACILITIES

The total credit facilities consist of a \$375,000 revolving credit facility and a remaining \$61,875 term loan, both maturing in October 2026.

The credit facilities bear interest at (a) the bank's prime rate or US base rate if denominated in US dollars plus an applicable margin based on a financial covenant, or (b) the banker's acceptance rate plus an applicable margin based on a financial covenant, or (c) LIBOR plus an applicable margin based on a financial covenant, at the Corporation's option. In addition, the Corporation incurs standby fees, varying between 0.25% and 0.48% based on a financial covenant.

The table below is a summary of the Credit facilities:

| June 30, 2022 | Total available | | Drawn | Letter of credit | Net available |
|---|-----------------|---------|------------|------------------|---------------|
| Committed credit facilities | | | | | |
| Revolving facility | \$ | 375,000 | \$ | 297,608 | \$ 76,642 |
| Term facility | | 61,875 | | 61,875 | — |
| Total committed credit facilities | \$ | 436,875 | \$ | 359,483 | \$ 76,642 |
| Less: unamortized deferred financing fees | | | (1,043) | | |
| Balance, end of period | | | 358,440 | | |
| Current portion | | | \$ 7,500 | | |
| Non-current portion | | | \$ 350,940 | | |

| March 31, 2022 | Total available | | Drawn | Letter of credit | Net available | | | |
|---|-----------------|---------|---------|------------------|---------------|-----|----|--------|
| | | | | | | | | |
| Committed credit facilities | | | | | | | | |
| Revolving facility | \$ | 375,000 | \$ | 295,586 | \$ | 750 | \$ | 78,664 |
| Term facilitiy | | 63,750 | | 63,750 | | — | | — |
| Total committed credit facilities | \$ | 438,750 | \$ | 359,336 | \$ | 750 | \$ | 78,664 |
| Less: unamortized deferred financing fees | | | (1,133) | | | | | |
| Balance, end of period | | | 358,203 | | | | | |
| Current portion | | | \$ | | 7,500 | | | |
| Non-current portion | | | \$ | | 350,703 | | | |

As at June 30, 2022 and March 31, 2022, letters of credit amounting to \$750 reduced the availability on the revolving facility.

The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown amount of the Term facility. The remaining capital balance will be payable on maturity date, on October 15, 2026.

| | Capital repayments of the Term facility |
|------|--|
| 2023 | \$ 5,625 |
| 2024 | 7,500 |
| 2025 | 7,500 |
| 2026 | 7,500 |
| 2027 | 33,750 |
| | \$ 61,875 |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

9. LEASE LIABILITIES

The following table presents a summary of the activity related to the lease liabilities of the Corporation for the three-month periods ended June 30, 2022 and 2021:

| | 3 months | |
|--|----------------------|-----------------------|
| | June 30, 2022 | June 30, 2021 |
| Lease liabilities, beginning of period | \$ 28,318 | \$ 30,212 |
| Additions | 1,082 | 177 |
| Payment of lease liabilities, including related interest | (1,461) | (1,502) |
| Reassessment of the lease term | (20) | (300) |
| Interest expense on lease liabilities | 404 | 417 |
| Foreign exchange differences | (36) | (11) |
| Lease liabilities, end of period | \$ 28,287 | \$ 28,993 |
| Lease liabilities included in the Consolidated statements of financial position | June 30, 2022 | March 31, 2022 |
| Current portion | \$ 4,266 | \$ 4,171 |
| Non-current portion | \$ 24,021 | \$ 24,147 |
| | \$ 28,287 | \$ 28,318 |

The following table presents the maturity analysis of contractual undiscounted cashflows related to the lease liabilities of the Corporation as of June 30, 2022:

| | |
|--|-----------|
| Less than one year | \$ 5,740 |
| One to five years | 17,245 |
| More than five years | 12,729 |
| Total undiscounted lease liabilities as at June 30, 2022 | \$ 35,714 |

10. OTHER LIABILITIES

| | June 30, 2022 | March 31, 2022 |
|--|---------------|----------------|
| CRTC tangible benefits | \$ 28,134 | \$ 28,240 |
| Contingent consideration | 20,154 | 19,204 |
| Balance payable on business acquisitions | 2,683 | 2,559 |
| Accrued pension benefit liability | 2,820 | 2,837 |
| Derivative financial instruments | 919 | 1,464 |
| Performance share unit payable | 1,115 | 5,046 |
| Other | 1,633 | 1,647 |
| | 57,458 | 60,997 |
| Current portion | (32,651) | (17,786) |
| | \$ 24,807 | \$ 43,211 |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

11. 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, 2022 | | |
| Subordinate voting shares and variable subordinate voting shares | | |
| As at March 31, 2021 | 54,170,090 | \$ 295,725 |
| Exercise of stock options | 95,000 | 378 |
| Repurchased and cancelled | (2,106,000) | (11,970) |
| Purchased and held in trust through employee share purchase plan | (4,664) | (31) |
| As at March 31, 2022 | 52,154,426 | \$ 284,102 |
| Multiple voting shares | | |
| As at March 31, 2021 and 2022 | 17,941,498 | \$ 18,226 |
| | 70,095,924 | \$ 302,328 |
| Three-month period ended June 30, 2022 | | |
| Subordinate voting shares and variable subordinate voting shares | | |
| As at March 31, 2022 | 52,154,426 | \$ 284,102 |
| Repurchased and cancelled | (345,800) | (1,965) |
| Purchased and held in trust through employee share purchase plan | (15,324) | (95) |
| As at June 30, 2022 | 51,793,302 | \$ 282,042 |
| Multiple voting shares | | |
| As at March 31, 2022 and June 30, 2022 | 17,941,498 | \$ 18,226 |
| | 69,734,800 | \$ 300,268 |

Transactions for the three-month period ended June 30, 2022

On March 23, 2022, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts. A dividend payable of \$5,259 was accrued in the consolidated statement of financial position as at March 31, 2022. The dividend paid on June 15, 2022 was \$5,243, which resulted in an adjustment of \$16 in the consolidated statements of changes in equity for the three-month period ended June 30, 2022.

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

Share repurchase program

On September 21, 2021, the Toronto Stock Exchange (the "TSX") approved the implementation of a share repurchase program, which took effect on September 27, 2021. This program allows the Corporation to repurchase up to an aggregate 3,222,901 subordinate voting shares and variable subordinate voting shares (collectively, the "Subordinate Shares"), representing approximately 10% of the Subordinate Shares issued and outstanding as at September 13, 2021. In accordance with TSX requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 12,130 Subordinate Shares, representing 25% of the net average daily trading volume of the Subordinate Shares. When making such repurchases, the number of Subordinate Shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than September 26, 2022.

The following table summarizes the Corporation's share repurchase activities during the three-month period ended June 30, 2022:

| | | |
|--|----|---------|
| Subordinate voting shares repurchased for cancellation (<i>unit</i>) | | 345,800 |
| Average price per share | \$ | 6.3580 |
| Total repurchase cost | \$ | 2,199 |
| Repurchase resulting in a reduction of: | | |
| Share capital | \$ | 1,965 |
| Deficit ⁽¹⁾ | \$ | 234 |

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

12. SUPPLEMENTAL CASH FLOW INFORMATION

| | 3 months | |
|--|---------------|---------------|
| | June 30, 2022 | June 30, 2021 |
| Trade and other receivables | \$ (1,367) | \$ (623) |
| Inventories | (470) | 43 |
| Other current assets | (231) | (2,450) |
| Other non-current assets | 682 | 14 |
| Accounts payable and accrued liabilities | (664) | (1,555) |
| Deferred revenues | (528) | 390 |
| Income taxes payable | (966) | (420) |
| Other liabilities | (3,912) | (2,204) |
| | \$ (7,456) | \$ (6,805) |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

The following table summarizes the Corporation's additions not affecting cash and cash equivalents for the three-month periods ended June 30, 2022 and 2021:

| | 3 months | |
|---|---------------|---------------|
| | June 30, 2022 | June 30, 2021 |
| Additions to property and equipment | \$ (137) | \$ (406) |
| Additions to intangible assets, excluding broadcast licences and intangible assets acquired through business acquisitions | (29) | 247 |
| | \$ (166) | \$ (159) |

13. FINANCIAL INSTRUMENTS

FINANCIAL RISK FACTORS

The Corporation is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and interest risk). The interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at March 31, 2022. The Corporation is not aware of any significant changes to the Corporation's risk factors from those disclosed at that time.

FAIR VALUES

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

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(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 June 30, 2022 | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
|---|-----------------------|-------------------|----------------|----------------|----------------|
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 13,816 | | | | |
| Trade and other receivables | 64,082 | | | | |
| Financial assets measured at fair value | | | | | |
| Investments | \$ 1,666 | \$ 1,666 | \$ — | \$ — | \$ 1,666 |
| Financial liabilities measured at amortized cost | | | | | |
| Credit facilities | \$ 358,440 | | | | |
| Subordinated debt | 25,467 | | | | |
| Accounts payable and accrued liabilities | 62,233 | | | | |
| CRTC tangible benefits | 28,134 | | | | |
| Accrued pension benefit liability | 2,820 | | | | |
| Performance share unit payable | 1,115 | | | | |
| Balance payable on business acquisitions | 2,683 | | | | |
| Financial liabilities measured at fair value | | | | | |
| Contingent consideration | \$ 20,154 | \$ 20,154 | \$ — | \$ — | \$ 20,154 |
| Derivative financial instruments | 919 | 919 | — | 919 | — |
| As at March 31, 2022 | Carrying value | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 14,563 | | | | |
| Trade and other receivables | 62,410 | | | | |
| Financial assets measured at fair value | | | | | |
| Investments | \$ 1,615 | \$ 1,615 | \$ — | \$ — | \$ 1,615 |
| Financial liabilities measured at amortized cost | | | | | |
| Credit facilities | \$ 358,203 | | | | |
| Subordinated debt | 25,442 | | | | |
| Accounts payable and accrued liabilities | 62,768 | | | | |
| CRTC tangible benefits | 28,240 | | | | |
| Accrued pension benefit liability | 2,837 | | | | |
| Performance share unit payable | 5,046 | | | | |
| Balance payable on business acquisitions | 2,559 | | | | |
| Financial liabilities measured at fair value | | | | | |
| Contingent consideration | \$ 19,204 | \$ 19,204 | \$ — | \$ — | \$ 19,204 |
| Derivative financial instruments | 1,464 | 1,464 | — | 1,464 | — |

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

Fair value measurement (Level 3):

| | Investments | | Contingent consideration | |
|---|-------------|--------------|--------------------------|---------------|
| Three-month period ended June 30, 2021 | | | | |
| Opening amount as at March 31, 2021 | \$ | 900 | \$ | 14,456 |
| Additions through business acquisition | | — | | 3,912 |
| Addition | | 310 | | — |
| Change in fair value | | — | | 586 |
| Settlements | | — | | (1,461) |
| Balance as at June 30, 2021 | \$ | 1,210 | \$ | 17,493 |
| Three-month period ended June 30, 2022 | | | | |
| Opening amount as at March 31, 2022 | \$ | 1,615 | \$ | 19,204 |
| Addition | | 22 | | — |
| Change in fair value | | 29 | | 1,378 |
| Settlement | | — | | (478) |
| Balance as at June 30, 2022 | \$ | 1,666 | \$ | 20,154 |

There were no changes in the valuation techniques for the contingent consideration and investments during the three-month periods ended June 30, 2022 and 2021.

INVESTMENTS

The Corporation has equity instruments in private entities at fair value that are estimated using a market comparison technique. The valuation model is based on market multiples derived from quoted price of companies comparable to the investments and the expected EBITDA on the investments.

All equity instruments in private entities are classified as financial assets at fair value through profit and loss.

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 10). The change in fair value is recognized in net finance expense (income) (note 5).

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation use derivative financial instruments to manage its interest rate risk on its credit facilities.

The table below summarize the interest rate contracts effective as at June 30, 2022 and March 31, 2022:

| Maturity | Currency | Initial nominal value | Mark-to-market liabilities as at June 30, 2022 | Mark-to-market liabilities as at March 31, 2022 |
|------------------|----------|-----------------------|--|---|
| Swaptions | | | | |
| October 25, 2024 | CAD | \$ 100,000 | \$ 384 | \$ 604 |
| October 25, 2024 | CAD | 100,000 | 535 | 860 |
| | | \$ 200,000 | \$ 919 | \$ 1,464 |

14. SUBSEQUENT EVENT

Dividend

On August 2, 2022, 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 September 15, 2022 to shareholders on record as of August 31, 2022.

15. 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, 2022.

The interim consolidated financial statements were authorized for issue by the Board of Directors on August 2, 2022.

b) Use of estimates and judgments:

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

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of information were the same as the ones applied to the audited consolidated financial statements for the year ended March 31, 2022.

Notes to Interim Consolidated Financial Statements

Three-month periods ended June 30, 2022 and 2021

(In thousands of Canadian dollars, unless otherwise stated)

(Unaudited)

c) Functional and presentation currency:

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

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