STINGRAY

NEWS RELEASE

Stingray Reports Third Quarter 2018 Results

Revenue increase of 32%

Third Quarter Highlights

- **Revenues increased 31.8% to $34.2 million**
- **Recurring revenues of $28.0 million or 81.9% of total revenues, an increase of 27.5%**
- **Adjusted EBITDA(1) up 27.9% to $11.2 million**
- **Net income of $0.7 million or $0.01 per share (diluted) compared to $2.7 million or $0.05 per share (diluted) last year**
- **Adjusted Net income(2) of $6.0 million or $0.11 per share (diluted) compared to $6.2 million or $0.12 per share (diluted) last year**
- **Cash flow from operating activities increased to $6.6 million compared to $5.6 million last year**
- **Adjusted free cash flow(3) of $8.0 million, an increase of 12.4%**
- **Net debt to Adjusted EBITDA ratio decreases to 0.57x following equity financing**
- **Increased quarterly dividend by 10% to $0.055 per share**
- **Subscription video on demand (SVOD) subscribers increased from 218,000 in the second quarter to 346,000 in the third quarter, including 70,000 SVOD subscribers acquired through the acquisition of the Qello Concerts service**

Montreal, February 8, 2018 – Stingray Digital Group Inc. (TSX: RAY.A; RAY.B) (the “Corporation”; “Stingray”), a leading business-to-business multi-platform music and in-store media solutions provider, today announced its financial results for the third quarter ended December 31, 2017.

Financial Highlights (in thousands of dollars, except per share data)	**Three months ended December 31**			**Nine months ended December 31**		
	2017	2016	%	**2017**	2016	%
Revenues	**34,158**	25,925	31.8	**93,915**	74,999	25.2
Recurring revenues	**27,971**	21,944	27.5	**79,156**	64,929	21.9
Adjusted EBITDA(1)	**11,151**	8,717	27.9	**29,772**	24,818	20.0
Net income (loss)	**737**	2,660	(72.3)	**(2,378)**	6,109	(138.9)
Per share – diluted ($)	**0.01**	0.05	(80.0)	**(0.04)**	0.12	(133.3)
Adjusted Net income(2)	**6,016**	6,164	(2.4)	**17,126**	16,775	2.1
Per share – diluted ($)	**0.11**	0.12	(8.3)	**0.32**	0.33	(3.0)
Cash flow from operating activities	**6,589**	5,598	17.7	**8,710**	11,940	(27.1)
Adjusted free cash flow(3)	**8,022**	7,138	12.4	**22,115**	18,520	19.4

(1) Adjusted EBITDA is a non-IFRS measure and is defined as net income before net finance expense, change in fair value of investments, income taxes, depreciation, amortization and write-off, share-based compensation, restricted, performance and deferred share unit expenses, acquisition, legal, restructuring and other various costs.

(2) Adjusted Net income is a non-IFRS measure and is defined as net income before amortization of intangible assets, share-based compensation, change in fair value of investments, restricted, performance and deferred share unit expenses, acquisition, legal, restructuring and other various costs, net of related income taxes.

(3) Adjusted free cash flow is a non-IFRS measure and is defined as cash flow from operating activities less capital expenditures for property and equipment and separately acquired intangible assets, net change in non-cash working capital items, acquisition, legal, restructuring and other various costs .

“Third quarter results clearly demonstrate the driving force of our business on several fronts as organic growth reached 15%. Revenues and Adjusted EBITDA increased by 32% and 28%, respectively. The acquisitions, SVOD and a large contract in Commercial Music with a major pharmacy chain in Canada were the primary revenue drivers. As we continue to generate solid free cash flow, we have increased our dividend by 10% to $0.055 per share representing the sixth increase since our IPO in June 2015," said Eric Boyko, President, CEO, and Co-Founder of Stingray.

"In the third quarter, we continued to make significant inroads into the U.S. market supported by Yokee and SVOD's organic growth. With a 61% increase in revenues, this market now represents close to 20% of our revenues and we expect continued momentum in upcoming quarters. "Other Countries", which accounted for 33% of total revenues, was up an impressive 45% fuelled by the acquisitions of Classica, Yokee, Satellite Music Australia PTY Ltd (SMA) and SBA Music PTY Ltd (SBA). Finally, revenues in Canada were up 16% and benefitted from a major contract in digital signage.

"The agreement with Amazon concluded last December marked another important step forward in our B2C strategy. This new agreement for the German and U.K. markets, the two largest markets in Europe, comes on the heels of a similar agreement for the U.S. market in June 2017. The growth potential with OTT (over-the-top) providers such as Amazon and Comcast is sizeable and will be pursued aggressively in parallel with our strategy for Pay TV providers.

"In December, we concluded the acquisition of Qello Concerts, the world's leading OTT streaming service for full-length, on-demand concerts and music documentaries. With an extensive reach in 160 countries and a subscriber base of over 70,000, this acquisition will further enhance Stingray's library content and add 2,000 concerts and music documentaries.

"In October last year, we closed a $45 million equity financing, which enabled us to reduce our revolving credit facility as well as the net debt to Adjusted EBITDA ratio which stands at only 0.57x. Consequently, we remain in excellent financial position to take advantage of the significant growth opportunities in our industry which exceeds US$230 billion in size," concluded Mr. Boyko.

Third Quarter Results

Revenues increased 31.8% to $34.2 million in the third quarter of 2018, compared to $25.9 million a year ago. The increase was primarily due to the acquisition of Yokee Music and Classica, combined with organic growth of subscription video on demand (SVOD) services in the U.S., as well as additional music and equipment sales related to digital signage.

Recurring revenues were up 27.5% to $28.0 million in the third quarter over the same period last year and decreased to 81.9% of total revenues for the quarter due primarily to a major non-recurring contract in Commercial Music, compared to 84.6% of total revenues last year. For the quarter, Canadian revenues increased 15.7% to $16.2 million (47.4% of total revenues), United States revenues increased 61.4% to $6.6 million (19.4% of total revenues), whereas revenues in Other Countries increased by 45.0% to $11.4 million (33.2% of total revenues).

Music Broadcasting revenues increased 23.2% to $23.8 million, mainly due to the acquisition of Yokee Music in May 2017 and of Classica in Fiscal 2017, as well as organic growth in the U.S. market, primarily related to SVOD services. Commercial Music revenues rose 56.5% to $10.4 million, mainly due to organic growth in sales of equipment and installation related to digital signage, and the acquisition of SMA and SBA in July 2017.

Adjusted EBITDA for the third quarter increased to $11.2 million or 32.6% of revenues, compared to $8.7 million or 33.6% of revenues a year earlier. The 27.9% increase in Adjusted EBITDA was primarily due to the acquisitions realized in Fiscal 2018 and Fiscal 2017 and to the organic growth, partially offset by higher operating expenses related to international expansion.

For the third quarter, the Corporation reported a net income of $0.7 million, or $0.01 per share (diluted), compared to $2.7 million, or $0.05 per share (diluted) for the same period last year. The decrease was mainly attributable to the negative change in fair value of contingent consideration, higher legal fees, and higher amortization expense of intangible assets, partially offset by higher operating results.

Adjusted Net income was $6.0 million, or $0.11 per share (diluted), compared to $6.2 million, or $0.12 per share (diluted) a year ago, as higher finance expense and income net tax expense were offset by higher Adjusted EBITDA.

Cash flow from operating activities increased to $6.6 million in the third quarter of 2018, versus $5.6 million a year earlier. Adjusted free cash flow increased to $8.0 million, from $7.1 million for the same period a year ago.

As of December 31, 2017, the Corporation had cash and cash equivalents of $4.5 million and a revolving credit facility of $100 million, of which approximately $73.4 million was unused, allowing it to pursue strategic acquisitions and achieve its growth objectives.

Nine Months Results

Revenues for the first nine months of Fiscal 2018 increased 25.2% to $93.9 million compared to $75.0 million a year ago. The increase in revenues was primarily due to acquisitions combined with significant organic growth.

Adjusted EBITDA increased 20.0% to $29.8 million from $24.8 million for the same period last year. The increase was primarily due to the acquisitions realized in Fiscal 2017 and Fiscal 2018 partially offset by higher operating expenses related to international expansion.

Adjusted Net income for the first nine months of Fiscal 2018 increased 2.1% to $17.1 million, or $0.32 per share (diluted), compared to $16.8 million, or $0.33 per share (diluted) a year ago.

Declaration of Dividend

On February 7, 2018, the Corporation increased the quarterly dividend by 10% to $0.055 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around March 15, 2018, to holders of subordinate voting shares, variable subordinate voting shares and multiple voting shares on record as of February 28, 2018.

The Corporation's dividend policy is at the discretion of the Board of Directors and may vary depending upon, among other things, our available cash flow, results of operations, financial condition, business growth opportunities and other factors that the Board of Directors may deem relevant.

The dividends paid are designated as "eligible" dividends for the purposes of the Income Tax Act (Canada) and any corresponding provisions of provincial and territorial tax legislation.

Additional Business Highlights

On January 3, 2018, the Corporation announced that it had acquired certain assets of New-York based Qello Concerts LLC, the world's leading OTT streaming service for full-length, on-demand concerts and music documentaries for total consideration of US$12.1 million ($15.2 million).

On December 22, 2017, M7 Group, one of Europe's largest pay TV providers, and Stingray, announced that they have concluded an agreement further extending their long-standing partnership. The new agreement includes various services that will enhance the viewing and listening experiences for the subscribers of Canal Digitaal and Online.nl (The Netherlands), TV VLAANDEREN (Belgium) and Skylink (Czech Republic and Slovakia).

During the quarter, the Corporation launched eight (8) new linear channels in Canada with Videotron, Rogers, Cogeco and Shaw. In the U.S., Stingray Classica, a premium classical music SVOD service, has been added to Comcast's Xfinity On Demand platform.

Following the June 2017 launch of Stingray Classica, Stingray DJAZZ, and Stingray Karaoke with Amazon Channels in the U.S., the Corporation has successfully added channels to the Amazon Channels lineups in Germany and the U.K. Prime members in the U.K. can now subscribe to Stingray

Classica and Stingray Karaoke, while Stingray Classica is available to members in Germany as both SVOD and linear channel.

Conference Call

The Corporation will hold a conference call to discuss these results on Thursday, February 8, 2018, at 10:00 AM (ET). Interested parties can join the call by dialing 647-788-4922 (Toronto) or 1-877-223-4471 (toll free). If you are unable to call at this time, you may access a tape recording of the conference call by dialing 416-621-4642 (Toronto) or 1-800-585-8367 (toll free) followed by access code: 3699338. This tape recording will be available until March 8, 2018.

About Stingray

Stingray (TSX: RAY.A; RAY.B) is the world-leading provider of multiplatform music services and digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, and more. Stingray's services include audio television channels, premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, music apps, and more. Geared towards individuals and businesses alike, Stingray reaches 400 million subscribers (or households) in 156 countries and its mobile apps have been downloaded over 90 million times. Stingray is headquartered in Montreal and currently has close to 400 employees worldwide. For more information: www.stingray.com.

Forward-Looking Information

This news release contains forward-looking information within the meaning of applicable Canadian securities law. Such forward-looking information includes, but is not limited to, information with respect to Stingray's goals, beliefs, plans, expectations, anticipations, estimates and intentions. Forward-looking information is identified by the use of terms and phrases such as "may", "would", "should", "could", "expect", "intend", "estimate", "anticipate", "plan", "foresee", "believe", and "continue", or the negative of these terms and similar terminology, including references to assumptions. Please note, however, that not all forward-looking information contains these terms and phrases. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Stingray's control. These risks and uncertainties could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors identified in Stingray's Annual Information Form for the year ended March 31, 2017, which is available on SEDAR at www.sedar.com. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that Stingray anticipates will be realized or, even if substantially realized, that they will have the expected consequences or effects on Stingray's business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and Stingray does not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

Non-IFRS Measures

The Corporation believes that Adjusted EBITDA and Adjusted EBITDA margin are important measures when analyzing its operating profitability without being influenced by financing decisions, non-cash items and income taxes strategies. Comparison with peers is also easier as companies rarely have the same capital and financing structure. The Corporation believes that Adjusted net income and Adjusted net income per share are important measures as it demonstrates its core bottom-line profitability. The Corporation believes that Adjusted free cash flow is an important measure when assessing the amount of cash generated after accounting for capital expenditures and non-core charges. It demonstrates cash available to make business acquisitions, pay dividend and reduce debt. The Corporation believes that Net debt and Net debt to Adjusted EBITDA are important measures when analyzing the significance of debt on the Corporation’s statement of financial position. Each of these non-IFRS financial measures is not an earnings or cash flow measure recognized by 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 and Adjusted Net income reconciliation to Net income

	Three-month periods ended		Nine-month periods ended	
(in thousands of Canadian dollars)	Dec. 31, 2017 **Q3 2018**	Dec. 31, 2016 **Q3 2017**	Dec. 31, 2017 **YTD 2018**	Dec. 31, 2016 **YTD 2017**
Net income (loss)	**737**	**2,660**	**(2,378)**	**6,109**
Net finance expense (income)	1,746	9	3,552	1,030
Change in fair value of investments	(110)	(583)	1,021	(742)
Income taxes	849	706	372	1,605
Depreciation and write-off of property and equipment	704	574	2,043	1,694
Amortization of intangible assets	4,582	3,686	13,631	10,855
Share-based compensation	346	372	852	960
Restricted, performance and deferred share units	422	550	1,444	1,320
Acquisition, legal fees, restructuring and other various costs	1,875	743	9,235	1,987
Adjusted EBITDA	**11,151**	**8,717**	**29,772**	**24,818**
Net finance expense (income)	(1,746)	(9)	(3,552)	(1,030)
Income taxes	(849)	(706)	(372)	(1,605)
Depreciation and write-off of property and equipment	(704)	(574)	(2,043)	(1,694)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expenses, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(1,836)	(1,264)	(6,679)	(3,714)
Adjusted Net income	**6,016**	**6,164**	**17,126**	**16,775**

Adjusted free cash flow reconciliation to Cash flow from operating activities

	Three-month periods ended		Nine-month periods ended	
(in thousands of Canadian dollars)	Dec. 31, 2017 **Q3 2018**	Dec. 31, 2016 **Q3 2017**	Dec. 31, 2017 **YTD 2018**	Dec. 31, 2016 **YTD 2017**
Cash flow from operating activities	**6,589**	**5,598**	**8,710**	**11,940**
Add / Less :				
Capital expenditures	(3,628)	(1,208)	(6,544)	(2,711)
Net change in non-cash operating working capital items	3,186	2,005	10,714	7,304
Acquisition, legal fees, restructuring and other various costs	1,875	743	9,235	1,987
Adjusted free cash flow	**8,022**	**7,138**	**22,115**	**18,520**

Note to readers: Condensed interim consolidated financial statements and Management's Discussion & Analysis of Operating Results and Financial Position are available on the Corporation's website at www.stingray.com and on SEDAR at www.sedar.com.

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