



Stingray Reports First Quarter 2019 Results

Strong Growth in the U.S. market of 74%

First Quarter Highlights

- Agreement to acquire Newfoundland Capital Corporation (TSX: NCC.A; NCC.B)
- Acquisition of Novramedia Inc., subsequent to the quarter
- Revenues increased 16.1% to \$34.5 million
- Recurring revenues⁽¹⁾ of \$30.8 million or 89.4% of total revenues, an increase of 20.8%
- Overall organic growth of 6.5% or 9.3% excluding non-recurring equipment and installation sales related to digital signage and impact of foreign exchange
- Adjusted EBITDA⁽²⁾ up 21.9% to \$11.2 million
- Net income increased to \$1.3 million or \$0.02 per share (diluted) compared to \$0.3 million or \$0.01 per share (diluted) last year
- Adjusted Net income⁽³⁾ up 3.4% to \$5.9 million or \$0.10 per share (diluted) compared to last year
- Cash flow from operating activities increased to \$6.9 million
- Adjusted free cash flow⁽⁴⁾ of \$6.2 million, a decrease of 14.4% mainly related to higher capital expenditures due to non-recurring leasehold improvements
- Increased quarterly dividend by 20.0% to \$0.06 per share compared to last year
- Subscription video on demand (“SVOD”) subscribers down to 322,000 in first quarter, but revenues remained stable versus Q4 2018 due to increase in ARPU (average revenue per user)

Montreal, August 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 first quarter ended June 30, 2018.

Financial Highlights	Quarters ended June 30,		
(in thousands of dollars, except per share data)	2018	2017	%
Revenues	34,456	29,670	16.1
Recurring revenues ⁽¹⁾	30,796	25,502	20.8
Adjusted EBITDA ⁽²⁾	11,179	9,169	21.9
Net income	1,346	280	380.7
Per share – diluted (\$)	0.02	0.01	100.0
Adjusted Net income ⁽³⁾	5,898	5,703	3.4
Per share – diluted (\$)	0.10	0.11	(9.1)
Cash flow from operating activities	6,919	(589)	-
Adjusted free cash flow ⁽⁴⁾	6,198	7,240	(14.4)

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

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

(3) 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 expense, acquisition, legal, restructuring and other various costs, net of related income taxes.

(4) 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.

“We are pleased with our results for the quarter in light of organic growth of 7% and the expansion of our Adjusted EBITDA margin which translated into Adjusted EBITDA growth of 22% year-over-year.

Furthermore, revenues from outside of Canada reached 60% for the quarter fuelled by very solid growth in the U.S., reflecting the contribution of SVOD and the acquisition of Qello Concerts, as well as continued growth in Other countries,” said Eric Boyko, President, CEO, and Co-Founder of Stingray.

“At the end of June, we moved another step closer to our transformative acquisition of Newfoundland Capital Corporation (“NCC”). The Competition Bureau of Canada issued a favourable Advanced Ruling Certificate pursuant to section 102 of the Competition Act, the shareholders of NCC voted in favor of the transaction and we now anticipate a favourable decision by the Canadian Radio-Television and Telecommunications Commission (“CRTC”) in the coming months. Once completed, Stingray will become Canada’s largest public independent media company. Furthermore, NCC will provide robust free cash flow generation which is expected to support Stingray’s ambitious growth strategy and dividend policy,” concluded Mr. Boyko.

First Quarter Results

Revenues increased 16.1% to \$34.5 million in the first quarter of 2019, compared to \$29.7 million a year ago. The increase was primarily due to organic growth of SVOD, combined with the acquisitions of Qello Concerts, Satellite Music Australia PTY Ltd (SMA) and SBA Music PTY Ltd (SBA).

Recurring revenues were up 20.8% to \$30.8 million in the first quarter over the same period last year and increased to 89.4% of total revenues for the quarter, compared to 86.0% of total revenues last year. For the quarter, Canadian revenues decreased 6.2% to \$13.7 million (39.6% of total revenues) due to less equipment and installation sales related to digital signage, United States revenues increased 74.0% to \$8.2 million (23.7% of total revenues), whereas revenues in Other countries increased by 21.1% to \$12.6 million (36.7% of total revenues).

Music Broadcasting revenues increased 16.5% to \$26.0 million, mainly due to organic growth related to SVOD, as well as the acquisition of Qello concerts. Commercial Music revenues rose 15.0% to \$8.5 million, mainly due to the acquisition of SMA and SBA, partially offset by a decrease in equipment and installation sales related to digital signage.

Adjusted EBITDA for the first quarter increased to \$11.2 million or 32.4% of revenues, compared to \$9.2 million or 30.9% of revenues a year earlier. The 21.9% increase in Adjusted EBITDA was primarily due to organic growth related to SVOD and to the acquisitions realized in Fiscal 2018, partially offset by higher operating expenses related to international expansion.

For the first quarter, the Corporation reported a net income of \$1.3 million, or \$0.02 per share (diluted), compared to \$0.3 million, or \$0.01 per share (diluted) for the same period last year. The increase was mainly attributable to higher operating results and positive change in fair value of investments, partially offset by negative change in fair value of contingent consideration and higher depreciation of property and equipment.

Adjusted Net income was \$5.9 million, or \$0.10 per share (diluted), compared to \$5.7 million, or \$0.11 per share (diluted) a year ago, as higher operating results were partially offset by negative change in fair value of contingent consideration and higher depreciation of property and equipment.

Cash flow generated from operating activities increased to \$6.9 million in the first quarter of 2019 from \$0.6 million of cash used for operating activities a year earlier. Adjusted free cash flow decreased to \$6.2 million, from \$7.2 million for the same period a year ago. The decrease was mainly related to higher capital expenditures due to non-recurring leasehold improvements and foreign exchange loss, partially offset by higher Adjusted EBITDA.

As of June 30, 2018, the Corporation had cash and cash equivalents of \$4.3 million and a revolving credit facility of \$100 million, of which approximately \$52.1 million was unused.

Declaration of Dividend

On August 7, 2018, the Corporation declared a dividend of \$0.06 per subordinate voting share, variable subordinate voting share, multiple voting share and subscription receipts, an increase of 20.0% compared to the same quarter last year. The dividend will be payable on or around September 14, 2018, to shareholders on record as of August 31, 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 May 2, 2018, the Corporation announced that it had entered into a definitive agreement with Newfoundland Capital Corporation Limited ("NCC") pursuant to which the Corporation will acquire all of NCC's issued and outstanding shares (NCC Shares) for \$14.75 per NCC share, representing a total consideration of approximately \$505.3 million. Completion of the acquisition, expected to occur in the coming months but no later than May 2, 2019, is subject to, and conditional upon, the receipt of all necessary approvals, including approval of CRTC and securing necessary funding.

Following the agreement to purchase NCC, the Corporation completed a subscription receipt offering and issued from treasury 7,981,000 subscription receipts of the Corporation (the "Public Subscription Receipts"), on a bought deal basis, at a price of \$10.40 per Public Subscription Receipts for gross proceeds of \$83.0 million and net proceeds of \$79.7 million. Concurrently with the closing of the public offering, the Corporation has issued from treasury 3,846,100 subscription receipts (the "Private Placement Subscription Receipts") at a price of \$10.40 per Private Placement Subscription Receipts for gross proceeds of \$40.0 million. As a result of the public offering and concurrent private placement, a holder of multiple voting shares of the Corporation has exercised subscription rights attached to the multiple voting shares of the Corporation and consequently the Corporation issued from treasury 1,452,850 subscription receipts at a price of \$10.40 for gross proceeds of \$15.0 million.

On August 3, 2018, the Corporation announced that it has made an unsolicited offer to purchase all of the issued and outstanding units of Music Choice, a general partnership which produces music programming and music-related content for digital cable television, mobile phone and cable modem users. The offer at a purchase price of US\$120 million, which remains open for acceptance until August 31, 2018, has not yet been accepted and is currently under review by the unitholders. No assurance can be given that the offer, as presented, will be accepted by all or any of the unitholders.

On August 1, 2018, the Corporation announced that it has acquired Novramedia Inc., a Toronto-based leader in the design, development, and implementation of digital media solutions.

On May 14, 2018, the Corporation announced that it had been selected by Talpa Media, creator of The Voice, to develop, publish, and market worldwide the juggernaut of singing competitions' new companion singing app. The Voice singing app will be launched worldwide in December 2018.

On May 29, 2018, the Corporation announced that it had reached a long-term agreement with Bell that renews and expands their longstanding relationship. Bell thus becomes the first Canadian operator that can offer its subscribers Stingray's entire music and video services portfolio.

On June 19, 2018, the Corporation announced that it has acquired a minority stake in Nextologies Limited, an Ontario-based provider of technological solutions for broadcasters.

Annual Shareholders' Meeting

The Corporation will hold its annual and special meeting of shareholders on Wednesday, August 8, 2018, at 11:00 AM (ET) at its Montreal headquarters located at 730 Wellington Street, in Montreal, Quebec.

Conference Call

The Corporation will hold a conference call to discuss these results on Wednesday, August 8, 2018, at 9:00 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: 8491245. This tape recording will be available until September 8, 2018.

About Stingray

Stingray (TSX:RAY.A) (TSX:RAY.B) is the world-leading provider of multiplatform music and video services as well as digital experiences for pay TV operators, commercial establishments, OTT providers, mobile operators, consumers, and more. Its services include audio television channels, premium television channels, 4K UHD television channels, karaoke products, digital signage, in-store music, and music apps. Stingray reaches 400 million subscribers (or users) in 156 countries and its mobile apps have been downloaded over 100 million times. Stingray is headquartered in Montreal and currently has more than 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, 2018, 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 period ended June 30, 2018 Q1 2019	Three-month period ended June 30, 2017 Q1 2018	Three-month period ended March 31, 2018 Q4 2018
(in thousands of Canadian dollars)			
Net income	1,346	280	4,674
Net finance expense (income)	1,921	537	(378)
Change in fair value of investments	(497)	434	(421)
Income tax expense (recovery)	489	464	(385)
Depreciation and write-off of property and equipment	1,169	621	1,019
Amortization of intangible assets	4,587	4,541	4,594
Share-based compensation	175	194	473
Restricted, performance and deferred share unit expense	367	313	780
Acquisition, legal fees, restructuring and other various costs	1,622	1,785	1,396
Adjusted EBITDA	11,179	9,169	11,752
Net finance expense (income)	(1,921)	(537)	378
Income tax expense (recovery)	(489)	(464)	385
Depreciation of property and equipment and write-off	(1,169)	(621)	(1,019)
Income taxes related to change in fair value of investments, share-based compensation, restricted, performance and deferred share unit expense, amortization of intangible assets and acquisition, legal fees, restructuring and other various costs	(1,702)	(1,844)	(1,764)
Adjusted Net income	5,898	5,703	9,732

Adjusted free cash flow reconciliation to Cash flow from operating activities

	Three-month period ended June 30, 2018 Q1 2019	Three-month period ended June 30, 2017 Q1 2018	Three-month period ended March 31, 2018 Q4 2018
(in thousands of Canadian dollars)			
Cash flow from operating activities	6,919	(589)	10,675
<i>Add / Less :</i>			
Acquisition of property and equipment	(2,228)	(807)	(846)
Acquisition of intangible assets other than internally developed intangible assets	(347)	(404)	(406)
Addition to internally developed intangible assets	(1,205)	-	(1,166)
Net change in non-cash operating working capital items	1,437	7,255	1,413
Acquisition, legal fees, restructuring and other various costs	1,622	1,785	1,396
Adjusted free cash flow	6,198	7,240	11,066

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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