

2021



Management's discussion and analysis

Fiscal 2021 - For the year ended March 31, 2021



BASIS OF PREPARATION AND FORWARD-LOOKING STATEMENTS

The following is 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 audited consolidated financial statements and accompanying notes for the years ended March 31, 2021 and 2020. This MD&A reflects information available to the Corporation as at June 2, 2021. Additional information relating to the Corporation is also available on SEDAR at www.sedar.com.

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 include 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 following risk factors: increases in royalties and tariffs or restricted access to music rights; our dependence on Pay-TV providers; the rapidly evolving audio and video entertainment industry; competition from other content providers and other media companies; the expansion of our operations into international markets; our rapid growth and our growth strategy; our acquisitions, business combinations and joint ventures; our reliance on third party hardware, software and related services; our dependence on key personnel; exchange rate fluctuations; economic and political instability in emerging countries; royalty calculation methods; rapid technological and industry changes; development of new or alternative media technologies; unavailability of additional funding; failure to generate cash revenues; reliance on our credit facilities; costly and protracted litigation in defence of copyrighted content; our inability to protect our proprietary technology; our inability to maintain our corporate culture; unfavourable economic conditions; our exposure to foreign privacy and data security laws; unauthorized and pirated music and video content; natural catastrophic events and interruption by man-made problems; pandemics, epidemics and other health risks; additional income tax liabilities; maintaining our reputation; litigation and other claims; credit risk; liquidity risk; failure to comply with the Canadian Radio-television and Telecommunications Commission ("CRTC") requirements; failure to maintain or renew our CRTC licences; the increase in broadcasting licence fees payable by us; unfavourable changes in government regulation affecting our industry.

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

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

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

KEY PERFORMANCE INDICATORS⁽¹⁾

For the three-month period ended March 31, 2021 ("Q4 2021"):

\$60.3 M ▼ 11.8% from Q4 2020 Revenues	\$12.1 M Or \$0.17 per share Net income	\$24.5 M ▲ 74.3% from Q4 2020 Cash flow from operating activities Or \$0.34 per share
\$23.6 M ▼ 16.2% from Q4 2020 Adjusted EBITDA	\$12.0 M Or \$0.16 per share Adjusted Net income	\$13.8 M ▼ 23.2% from Q4 2020 Adjusted free cash flow Or \$0.19 per share

For the year ended March 31, 2021 ("Fiscal 2021"):

\$249.5 M ▼ 18.7% from Fiscal 2020 Revenues	\$45.1 M Or \$0.61 per share Net income	\$104.2 M ▲ 18.3% from Fiscal 2020 Cash flow from operating activities Or \$1.42 per share
\$114.3 M ▼ 3.2% from Fiscal 2020 Adjusted EBITDA	\$62.9 M Or \$0.86 per share Adjusted Net income	\$74.4 M ▼ 5.1% from Fiscal 2020 Adjusted free cash flow Or \$1.01 per share

Notes:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

FINANCIAL AND BUSINESS HIGHLIGHTS

Highlights of the fourth quarter ended March 31, 2021

Compared to the quarter ended March 31, 2020 ("Q4 2020"):

- Revenues decreased 11.8% to \$60.3 million from \$68.4 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues;
- Adjusted EBITDA⁽¹⁾ decreased 16.2% to \$23.6 million from \$28.2 million. Adjusted EBITDA⁽¹⁾ by segment was \$16.3 million or 44.8% of revenues for Broadcasting and Commercial Music, \$8.7 million or 36.0% of revenues for Radio and \$(1.3) million for Corporate;
- Net income was \$12.1 million (\$0.17 per share) compared with a Net loss of \$8.5 million (\$0.11) per share);
- Adjusted Net income⁽¹⁾ of \$12.0 million (\$0.16 per share) compared with \$10.1 million (\$0.13 per share);
- Cash flow from operating activities increased 74.3% to \$24.5 million (\$0.34 per share) compared to \$14.1 million (\$0.19 per share);
- Adjusted free cash flow⁽¹⁾ decreased 23.2% to \$13.8 million (\$0.19 per share) compared to \$18.0 million (\$0.24 per share);
- Net debt to Pro Forma Adjusted EBITDA⁽¹⁾ ratio of 2.81x, and;
- 967,415 shares repurchased and cancelled for a total of \$6.8 million.

Highlights of the year ended March 31, 2021

Compared to the year ended March 31, 2020 ("Fiscal 2020"):

- Revenues decreased 18.7% to \$249.5 million from \$306.7 million, primarily due to the impact of the COVID-19 pandemic on Radio revenues;
- Adjusted EBITDA⁽¹⁾ decreased 3.2% to \$114.3 million from \$118.1 million. Adjusted EBITDA⁽¹⁾ by segment was \$77.5 million or 51.1% of revenues for Broadcasting and Commercial Music, \$41.3 million or 42.2% of revenues for Radio and \$(4.5) million for Corporate;
- Net income was \$45.1 million (\$0.61 per share) compared with \$14.0 million (\$0.18 per share);
- Adjusted Net income⁽¹⁾ of \$62.9 million (\$0.86 per share) compared with \$55.9 million (\$0.74 per share);
- Cash flow from operating activities increased 18.3% to \$104.2 million (\$1.42 per share) compared to \$88.1 million (\$1.16 per share);
- Adjusted free cash flow⁽¹⁾ decreased 5.1% to \$74.4 million (\$1.01 per share) compared to \$78.4 million (\$1.03 per share), and;
- 1,530,180 shares repurchased and cancelled for a total of \$10.2 million.

Notes:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

Additional business highlights for the fourth quarter and subsequent events:

- During Fiscal 2021, global economies and financial markets were impacted by the coronavirus (“COVID-19”) outbreak as it quickly spread around the world and on March 11, 2020, the World Health Organization declared it a global pandemic. Government authorities around the world have taken actions to slowdown the spread of COVID-19, including measures such as the closure of non-essential businesses and social distancing. The tangible impact on the Corporation started in the Radio segment towards the end Q4 2020, as many non-essential local businesses were forced to temporarily close leading to a decrease in advertising and related revenues. In the early days of the crisis, the decision was made by the Corporation’s management to implement significant cost saving measures, which, combined with the Canadian Emergency Wage Subsidy (CEWS), helped to maintain a solid financial position. The Corporation’s Radio segment, and Broadcast and Commercial Music segment, but to a lesser extent, have been impacted during the first half of 2021. In the second half of 2021, although still impacted, the Corporation noticed progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social distancing. Management expects the situation to continue improving as local businesses resume their normal operations. The extent to which COVID-19 continues to impact the Corporation’s business will depend on future developments, which are uncertain and cannot be predicted at this time. The Corporation’s focus will be to continue to closely monitor its cash position and control its operating expenses while capitalizing on its growth opportunities.
- On May 5, 2021, the Corporation announced the launch of free, ad-supported TV channels and premium SVOD services with thirteen major OTT providers: AlteoX (Luxembourg), Amazon Prime Video Channels (Italy, Spain and Netherlands), ChannelBox (United Kingdom), Maskatel (Canada), Pluto TV (Latin America and United States), Pzaz (Global), Rakuten TV (Europe), Redbox (United States), Rostelecom (Russia), Ruutu (Finland), Samsung TV Plus (Brazil, Mexico, Netherlands and Sweden) Totalplay (Mexico) and Zeasn (Austria and Germany). These distribution agreements grow Stingray’s audience over new platforms in new territories and add millions of potential viewers.
- On April 28, 2021, the Corporation announced that free, ad-supported channels Qello Concerts by Stingray and Stingray Karaoke have become available on Samsung TV Plus Mobile in Germany and the UK. Mobile and tablet users will access both channels on Samsung’s free ad-supported video service through the TV Plus App and the Samsung Free page. The distribution agreements grow Stingray’s potential reach by millions of users. The service is set to launch in June 2021 in Austria and Switzerland.
- On March 24, 2021, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend will be payable on or around June 15, 2021, to shareholders on record as of May 31, 2021.
- On March 1, 2021, the Corporation announced it signed an agreement to provide custom music, media, and consumer insights solutions for Orangetheory Fitness, one of the world’s fastest-growing brands, operating 1,400 studios worldwide, in Canada, 50 American states and 25 countries around the globe.
- On February 26, 2021, the Corporation announced that Ms. Karinne Bouchard has been appointed to the Board of Directors, effective immediately. Ms. Bouchard has also joined the Corporation’s Audit Committee. The Corporation also announced that Mr. John Steele has resigned from the board.
- On February 5, 2021, the Corporation launched its Classic Hits brand Rewind in three Maritime markets. In addition to rebranding the popular Classic Hits station Up! 93.1 (CIHI) in Fredericton as Rewind 93.1, the format and brand appears in Miramichi as Rewind 95.9 (CHHI, previously 95.9 Sun FM) and in Nova Scotia’s Annapolis Valley as Rewind 89.3 (CIJK, previously 89.3 K-Rock).
- On February 3, 2021, the Corporation declared a dividend of \$0.075 per subordinate voting share, variable subordinate voting share and multiple voting share. The dividend was paid on March 15, 2021 to shareholders on record as of February 28, 2021.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

	3 months				12 months					
	March 31, 2021		March 31, 2020		March 31, 2021		March 31, 2020		March 31, 2019	
	Q4 2021		Q4 2020		Fiscal 2021		Fiscal 2020		Fiscal 2019	
(in thousands of Canadian dollars, except per share amounts)	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues	\$	% of revenues
Revenues	60,316	100.0 %	68,398	100.0 %	249,468	100.0 %	306,721	100.0 %	212,650	100.0 %
Operating expenses	38,941	64.6 %	38,932	56.9 %	142,487	57.1 %	190,381	62.0 %	142,877	67.3 %
CRTC Tangible benefits	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	25,306	11.9 %
Depreciation, amortization and write-off	9,821	16.3 %	9,875	14.4 %	38,692	15.5 %	40,302	13.1 %	31,133	14.6 %
Net finance expense (income) ⁽¹⁾	(7,284)	(12.1) %	33,463	49.0 %	(1,199)	(0.5) %	42,822	14.0 %	12,298	5.8 %
Change in fair value of investments	—	0.0 %	(1,914)	(2.8) %	3,787	1.5 %	(6,550)	(2.1) %	(565)	(0.3) %
Acquisition, legal, restructuring and other expenses	2,714	4.5 %	693	1.0 %	4,637	1.9 %	24,104	7.9 %	16,817	7.9 %
Income (loss) before income taxes	16,124	26.7 %	(12,651)	(18.5) %	61,064	24.5 %	15,662	5.1 %	(15,216)	(7.2) %
Income taxes	4,047	6.7 %	(4,165)	(6.1) %	15,960	6.4 %	1,692	0.5 %	(3,228)	(1.5) %
Net income (loss)	12,077	20.0 %	(8,486)	(12.4) %	45,104	18.1 %	13,970	4.6 %	(11,988)	(5.7) %
Adjusted EBITDA⁽²⁾	23,638	39.2 %	28,217	41.3 %	114,268	45.8 %	118,086	38.5 %	72,234	34.0 %
Adjusted Net income⁽²⁾	11,981	19.9 %	10,095	14.8 %	62,855	25.2 %	55,908	18.2 %	39,727	18.7 %
Cash flow from operating activities	24,514	40.6 %	14,062	20.6 %	104,246	41.8 %	88,145	28.7 %	44,703	21.0 %
Adjusted free cash flow⁽²⁾	13,808	22.9 %	17,974	26.3 %	74,359	29.8 %	78,350	25.5 %	38,834	18.3 %
Net debt⁽²⁾	326,405	—	361,251	—	326,405	—	361,251	—	357,821	—
Net debt to Pro Forma Adjusted EBITDA⁽²⁾⁽³⁾	2.81x	—	3.01x	—	2.81x	—	3.01x	—	3.13x	—
Net income (loss) per share basic	0.17	—	(0.11)	—	0.62	—	0.18	—	(0.19)	—
Net income (loss) per share diluted	0.17	—	(0.11)	—	0.61	—	0.18	—	(0.19)	—
Adjusted Net income per share basic ⁽²⁾	0.17	—	0.13	—	0.86	—	0.74	—	0.61	—
Adjusted Net income per share diluted ⁽²⁾	0.16	—	0.13	—	0.86	—	0.74	—	0.61	—
Cash flow from operating activities per share basic	0.34	—	0.19	—	1.42	—	1.16	—	0.69	—
Cash flow from operating activities per share diluted	0.34	—	0.19	—	1.42	—	1.16	—	0.68	—
Adjusted free cashflow per share basic ⁽²⁾	0.19	—	0.24	—	1.01	—	1.03	—	0.60	—
Adjusted free cashflow per share diluted ⁽²⁾	0.19	—	0.24	—	1.01	—	1.03	—	0.59	—
Revenues by segment										
Broadcasting and Commercial Music	36,356	60.3 %	38,483	56.3 %	151,658	60.8 %	154,466	50.4 %	146,741	69.0 %
Radio	23,960	39.7 %	29,915	43.7 %	97,810	39.2 %	152,255	49.6 %	65,227	30.7 %
Corporate	—	0.0 %	—	0.0 %	—	0.0 %	—	0.0 %	682	0.3 %
Revenues	60,316	100.0 %	68,398	100.0 %	249,468	100.0 %	306,721	100.0 %	212,650	100.0 %
Revenues by geography										
Canada	35,594	59.1 %	43,498	63.6 %	150,729	60.5 %	209,843	68.4 %	121,919	57.3 %
United States	10,942	18.1 %	10,236	15.0 %	42,028	16.8 %	37,987	12.4 %	34,439	16.2 %
Other Countries	13,780	22.8 %	14,664	21.4 %	56,711	22.7 %	58,891	19.2 %	56,292	26.5 %
Revenues	60,316	100.0 %	68,398	100.0 %	249,468	100.0 %	306,721	100.0 %	212,650	100.0 %

Notes:

- (1) Interest paid during the Q4 2021 was \$5.1 million (Q4 2020; \$3.8 million) and \$18.1 million Fiscal 2021 (Fiscal 2020; \$17.4 million and Fiscal 2019; \$10.0 million)
- (2) Refer to "Forward-looking statements" and "Supplemental information on Non-IFRS measures" on page 28 and for reconciliations to the most directly comparable IFRS financial measure, refer to "Supplemental information on Non-IFRS measures" on page 33.
- (3) Refer to page 44 for a reconciliation of Pro Forma Adjusted EBITDA to the most directly comparable IFRS financial measure.

SUPPLEMENTAL INFORMATION ON NON-IFRS MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net income, Adjusted Net income per share, Adjusted free cash flow, Adjusted free cash flow per share, Net debt and Net debt to Proforma Adjusted EBITDA are non-IFRS measures that the Corporation uses to assess its operating performance. See “Supplemental information on Non-IFRS Measures” on page 28.

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

	3 months		12 months	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Net income (loss)	12,077	(8,486)	45,104	13,970
Net finance expense (income)	(7,284)	33,463	(1,199)	42,822
Change in fair value of investments	–	(1,914)	3,787	(6,550)
Income taxes	4,047	(4,165)	15,960	1,692
Depreciation and write-off of property and equipment	3,082	2,790	11,653	11,477
Depreciation of right-of-use assets	1,436	1,426	5,660	5,618
Amortization of intangible assets	5,303	5,659	21,379	23,207
Share-based compensation	235	258	851	1,001
Performance and deferred share unit expense	2,028	(1,507)	6,436	745
Acquisition, legal, restructuring and other expenses	2,714	693	4,637	24,104
Adjusted EBITDA	23,638	28,217	114,268	118,086
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(3,214)	(10,976)	(12,619)	(27,122)
Income taxes	(4,047)	4,165	(15,960)	(1,692)
Depreciation of property and equipment and write-off	(3,082)	(2,790)	(11,653)	(11,477)
Depreciation of right-of-use assets	(1,436)	(1,426)	(5,660)	(5,618)
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	122	(7,095)	(5,521)	(16,269)
Adjusted Net income	11,981	10,095	62,855	55,908

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

	3 months		12 months	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)	Q4 2021	Q4 2020	Fiscal 2021	Fiscal 2020
Cash flow from operating activities	24,514	14,062	104,246	88,145
Add / Less :				
Acquisition of property and equipment	(1,929)	(2,153)	(5,690)	(6,704)
Acquisition of intangible assets other than internally developed intangible assets	(194)	(463)	(1,313)	(1,769)
Addition to internally developed intangible assets	(1,367)	(1,534)	(6,428)	(5,902)
Interest paid	(5,142)	(3,819)	(18,053)	(17,442)
Repayment of lease liabilities	(1,099)	(1,180)	(5,011)	(4,873)
Net change in non-cash operating working capital items	(344)	7,262	10,632	(2,169)
Unrealized loss (gain) on foreign exchange	(3,345)	5,106	(8,661)	4,961
Acquisition, legal, restructuring and other expenses	2,714	693	4,637	24,104
Adjusted free cash flow	13,808	17,974	74,359	78,351

The following table shows the calculation of Net debt:

	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)		
Credit facilities	303,704	324,123
Subordinated debt	31,741	39,640
Cash and cash equivalents	(9,040)	(2,512)
Net debt	326,405	361,251

FINANCIAL RESULTS FOR THE QUARTERS AND YEARS ENDED MARCH 31, 2021 AND 2020

CONSOLIDATED PERFORMANCE

Revenues

Revenues are detailed as follows:

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Revenues by geography						
Canada	35,594	43,498	(18.2)	150,729	209,843	(28.2)
United States	10,942	10,236	6.9	42,028	37,987	10.6
Other Countries	13,780	14,664	(6.0)	56,711	58,891	(3.7)
Revenues	60,316	68,398	(11.8)	249,468	306,721	(18.7)

Global

Revenues in Q4 2021 decreased \$8.1 million or 11.8% to \$60.3 million, from \$68.4 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues, as well as a decrease in equipment and installation sales related to digital signage and the negative impact of foreign exchange, partially offset by the increase in advertising revenues in the Broadcast and Commercial Music segment.

Revenues for Fiscal 2021 decreased \$57.2 million or 18.7% to \$249.5 million, from \$306.7 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the increase in advertising revenues in the Broadcast and Commercial Music segment, the acquisition of Marketing Sensorial México (MSM) and Chatter Research Inc. and the organic growth in streaming subscriptions.

Canada

Revenues in Canada in Q4 2021 decreased \$7.9 million or 18.2% to \$35.6 million, from \$43.5 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage.

Revenues in Canada for Fiscal 2021 decreased \$59.0 million or 28.2% to \$150.8 million, from \$209.8 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on Radio revenues and, to a lesser extent, on Broadcast and Commercial Music revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the increase in advertising revenues in the Broadcast and Commercial Music segment.

United States

Revenues in the United States in Q4 2021 increased \$0.7 million or 6.9% to \$10.9 million, from \$10.2 million for Q4 2020. The increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and in streaming subscriptions, partially offset by the negative impact of foreign exchange.

Revenues in the United States for Fiscal 2021 increased \$4.0 million or 10.6% to \$42.0 million, from \$38.0 million for Fiscal 2020. The increase was primarily due to organic growth in advertising revenues in the Broadcast and Commercial Music segment and in streaming subscriptions.

Other Countries

Revenues in Other countries in Q4 2021 decreased \$0.9 million or 6.0% to \$13.8 million, from \$14.7 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues.

Revenues in Other countries for Fiscal 2021 decreased \$2.2 million or 3.7% to \$56.7 million, from \$58.9 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues and to the decrease in streaming subscriptions, partially offset by the acquisition of MSM.

Operating Expenses

Operating expenses in Q4 2021 remained stable at \$38.9 million. Due to a better performance than initially anticipated, certain accrued liabilities recorded in the first nine months to reflect uncertainty created by the COVID-19 pandemic were adjusted upward in the fourth quarter. This, combined with the reversal of certain accrued liabilities in Q4 2020, had a negative impact on year-over-year operating expenses. The operating expenses increased is also due to increased expense for performance and deferred share unit, largely offset by reduced operating costs, by the CEWS and other subsidies (\$4.0 million) and by reduced variable expenses due to the impact of the COVID-19 pandemic on revenues.

Operating expenses for Fiscal 2021 decreased \$47.9 million or 25.2% to \$142.5 million, from \$190.4 million for Fiscal 2020. The decrease was primarily related to the CEWS and other subsidies (\$25.2 million), to reduced operating costs, to reduced variable expenses due to the impact of the COVID-19 pandemic on revenues and to a settlement with SOCAN (refer to page 45), partially offset by adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on operating expenses as explained above and by increased expense for performance and deferred share unit.

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA in Q4 2021 decreased \$4.6 million or 16.2% to \$23.6 million from \$28.2 million for Q4 2020. Adjusted EBITDA margin was 39.2% compared to 41.3% for Q4 2020. Due to a better performance than initially anticipated, certain accrued liabilities recorded in the first nine months to reflect uncertainty created by the COVID-19 pandemic were adjusted upward in the fourth quarter. This, combined with the reversal of certain accrued liabilities in Q4 2020, had a negative impact on year-over-year Adjusted EBITDA. The decrease in Adjusted EBITDA is also due to the impact of the COVID-19 pandemic on revenues, partially offset by reduced operating costs and by the CEWS and other subsidies.

Adjusted EBITDA for Fiscal 2021 decreased \$3.8 million or 3.2% to \$114.3 million from \$118.1 million for Fiscal 2020. Adjusted EBITDA margin was 45.8% compared to 38.5% for Fiscal 2020. The decrease in Adjusted EBITDA was primarily due to the impact of the COVID-19 pandemic on revenues, to the reversal of certain accrued liabilities in Q4 2020 and to the adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained above, partially offset by the CEWS and other subsidies, by reduced operating costs and by a settlement with SOCAN (refer to page 45).

Depreciation, amortization and write off

Depreciation, amortization and write off decreased \$0.1 million or 0.5% to \$9.8 million from \$9.9 million for Q4 2020. Depreciation, amortization and write off for Fiscal 2021 decreased \$1.6 million or 4.0% to \$38.7 million, from \$40.3 million for Fiscal 2020. The decrease was primarily due to less intangible assets to amortize compared to the prior period.

Net finance expense (income)

Net finance income for Q4 2021 was \$7.3 million compared to a Net finance expense of \$33.5 million for Q4 2020. The variance was mainly related to a mark-to-market gain on derivative instruments and a foreign exchange gain.

Net finance income for Fiscal 2021 was \$1.2 million compared to a Net finance expense of \$42.8 million for Fiscal 2020. The variance was mainly related to a mark-to-market gain on derivative instruments, a foreign exchange gain and a lower negative change in fair value of contingent considerations.

Change in fair value of investments

In Q4 2021, there was no gain or loss on fair value as the securities held in AppDirect Inc. were sold in Q3 2021. In Q4 2020, a gain of \$1.9 million was recorded.

For Fiscal 2021, a loss on fair value of \$3.8 million was recorded compared to a gain of \$6.6 million for Fiscal 2020. The variance is related to the sale of securities held in AppDirect Inc. during Q3 2021 which had a lower proceed than the estimated fair value before the transaction occurred.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

Acquisition, legal, restructuring and other expenses

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	Change \$	2021	2020	Change \$
Acquisition	1,107	166	941	2,439	1,556	883
Legal	424	(1,955)	2,379	623	19,540	(18,917)
Restructuring and other	1,183	2,482	(1,299)	1,575	3,008	(1,433)
Acquisition, legal, restructuring and other expenses	2,714	693	2,021	4,637	24,104	(19,467)

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

Income Taxes

The income taxes expense recognized in comprehensive income was \$4.0 million for Q4 2021 compared to an income tax recovery of \$4.2 million for Q4 2020. The effective tax rate for Q4 2021 was 25.1% compared to 32.9% for Q4 2020. The variance in the effective tax rate is mainly due to the increase in the UK corporate income tax rate enacted in Q4 2020, which increased the deferred tax assets.

The income taxes expense recognized in comprehensive income was \$16.0 million for Fiscal 2021 compared to \$1.7 million for Fiscal 2020. The effective tax rate for Fiscal 2021 was 26.1% compared to 10.8% for Fiscal 2020. The variance in the effective tax rate is mainly due to the decrease in the Alberta corporate income tax rate enacted in Q1 2020, which reduced deferred tax liabilities.

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

Net income in Q4 2021 was \$12.1 million (\$0.17 per share) compared to a Net loss of \$8.5 million (\$(0.11) per share) for Q4 2020. The variance was mainly related to a mark-to-market gain on derivative instruments and a foreign exchange gain, partially offset by higher legal expenses, higher income taxes and lower operating results.

Net income for Fiscal 2021 was \$45.1 million (\$0.61 per share) compared to \$14.0 million (\$0.18 per share) for Fiscal 2020. The increase was mainly related to a mark-to-market gain on derivative instruments, to lower legal expenses and to a foreign exchange gain, partially offset by higher income taxes, by a negative change in fair value of investments following the sale of securities held in AppDirect Inc., by higher performance and deferred share unit expense and by lower operating results.

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

Adjusted Net income in Q4 2021 was \$12.0 million (\$0.16 per share), compared to \$10.1 million (\$0.13 per share) for Q4 2020. Adjusted Net income for Fiscal 2021 was \$62.9 million (\$0.86 per share), compared to \$55.9 million (\$0.74 per share) for Fiscal 2020. Both increases were mainly related to a foreign exchange gain, partially offset by lower operating results and higher income taxes.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

BUSINESS SEGMENT PERFORMANCE

BROADCASTING AND COMMERCIAL MUSIC

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Revenues	36,356	38,483	(5.5)	151,658	154,466	(1.8)
Operating expenses	20,059	19,501	2.9	74,205	90,765	(18.2)
Adjusted EBITDA⁽¹⁾	16,297	18,982	(14.1)	77,453	63,701	21.6
Adjusted EBITDA margin⁽¹⁾	44.8%	49.3%	(9.1)	51.1%	41.2%	23.8

Revenues

In Q4 2021, Broadcasting and Commercial Music revenues decreased \$2.2 million or 5.5% to \$36.3 million, from \$38.5 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, as well as a decrease in equipment and installation sales related to digital signage and the negative impact of foreign exchange, partially offset by the increase in advertising revenues.

Broadcasting and Commercial Music revenues for Fiscal 2021 decreased \$2.8 million or 1.8% to \$151.7 million from \$154.5 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 on revenues and to a decrease in equipment and installation sales related to digital signage, partially offset by the increase in advertising revenues, the acquisition of MSM and Chatter Research Inc. and the organic growth in streaming subscriptions.

Adjusted EBITDA⁽¹⁾

In Q4 2021, Broadcasting and Commercial Music Adjusted EBITDA decreased \$2.7 million or 14.1% to \$16.3 million from \$19.0 million for Q4 2020. The decrease in Adjusted EBITDA was primarily due to adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier, partially offset by reduced operating costs.

Broadcasting and Commercial Music Adjusted EBITDA for Fiscal 2021 increased \$13.8 million or 21.6% to \$77.5 million from \$63.7 million for Fiscal 2020. The increase in Adjusted EBITDA was primarily due to the CEWS and other subsidies, to a settlement with SOCAN (refer to page 45) and to reduced operating costs, partially offset by the adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier and by the impact of the COVID-19 pandemic on revenues.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

RADIO

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Revenues	23,960	29,915	(19.9)	97,810	152,255	(35.8)
Operating expenses	15,340	20,358	(24.6)	56,528	93,760	(39.7)
Adjusted EBITDA⁽¹⁾	8,620	9,557	(9.8)	41,282	58,495	(29.4)
Adjusted EBITDA margin⁽¹⁾	36.0%	31.9%	12.6	42.2%	38.4%	9.9

Revenues

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

In Q4 2021, Radio revenues decreased \$5.9 million or 19.9% to \$24.0 million from \$29.9 million for Q4 2020. Radio revenues for Fiscal 2021 decreased \$54.5 million or 35.8% to \$97.8 million from \$152.3 million for Fiscal 2020. Both decreases were primarily due to the impact of the COVID-19 pandemic on revenues.

Adjusted EBITDA⁽¹⁾

In Q4 2021, Radio Adjusted EBITDA decreased \$0.8 million or 9.8% to \$8.7 million from \$9.5 million for Q4 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues and to adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier, partially offset by the CEWS and other subsidies and by reduced operating costs.

Radio Adjusted EBITDA for Fiscal 2021 decreased \$17.2 million or 29.4% to \$41.3 million from \$58.5 million for Fiscal 2020. The decrease was primarily due to the impact of the COVID-19 pandemic on revenues, partially offset by the CEWS and other subsidies and by reduced operating costs.

CORPORATE

(in thousands of Canadian dollars)	3 months			12 months		
	2021	2020	% Change	2021	2020	% Change
Operating expenses	3,542	(927)	(482.1)	11,754	5,856	100.7
<i>Adjust:</i>						
Share-based compensation	(235)	(258)	(8.9)	(851)	(1,001)	(15.0)
Performance and deferred share unit expense	(2,028)	1,507	(234.6)	(6,436)	(745)	763.9
Adjusted EBITDA⁽¹⁾	(1,279)	(322)	297.2	(4,467)	(4,110)	8.7

Adjusted EBITDA⁽¹⁾

Corporate Adjusted EBITDA represents the head office operating expenses less the share-based compensation and performance and deferred share unit expense. The increase in operating expenses is related to adjustments of certain accrued liabilities in the fourth quarters of fiscal 2020 and 2021 which had a negative impact on Adjusted EBITDA as explained earlier. The increase in Performance and deferred share unit expense is due to the increase in the share price and to additional grants.

Note:

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

Quarterly results

Revenues fluctuated over the last eight quarters from \$80.4 million in the first quarter of Fiscal 2020 to \$60.3 million in the fourth quarter of Fiscal 2021. The decrease in Q2 2020 and increase in Q3 2020 are mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were due to the impact of the COVID-19 pandemic. The increases in Q2 2021 and Q3 2021 are due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity and to normal business seasonality. The decrease in Q4 2021 is due to normal business seasonality.

Adjusted EBITDA⁽¹⁾ fluctuated over the last eight quarters from \$31.2 million in the first quarter of Fiscal 2020 to \$23.6 million in the fourth quarter of Fiscal 2021. The decrease in Q2 2020 and increase in Q3 2020 were mainly due to normal business seasonality in the Radio segment. The decrease in Q4 2020 and Q1 2021 were mainly due to the impact of the COVID-19 pandemic on Radio revenues, which was partially offset by the CEWS and reduced operating costs in Q1 2021. The increase in Q2 2021 is due to progressive improvements in Radio advertising bookings as provinces begin lifting restrictions on social and economic activity, partially offset by higher operating costs and lower CEWS. The increase in Q3 2021 is due to continuing improvements in Radio advertising bookings and normal business seasonality and to a settlement with SOCAN (refer to page 45), partially offset by a special bonus to employees, lower CEWS and higher operating costs. The decrease in Q4 2021 is 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.

Net income (loss) fluctuated over the last eight quarters from a net income of \$9.2 million in the first quarter of Fiscal 2020 to \$12.1 million in the fourth quarter of Fiscal 2021. In Q2 2020, the decrease was due to lower operating results, higher income taxes and acquisition, legal, restructuring and other expenses, partially offset by lower mark-to-market losses on derivative financial instruments, positive change in fair value of contingent considerations and lower interest expense. In Q3 2020, the increase was due to mark-to-market gains on derivative financial instruments, positive change in fair value of investments, higher operating results and gain in foreign exchange, partially offset by higher legal expenses due to the settlement with Music Choice. In Q4 2020, the decrease was due to by mark-to-market losses on derivative financial instruments, foreign exchange loss, lower positive change in fair value of investments and lower operating results, partially offset by lower income taxes expense. In Q1 2021, the increase was due to lower mark-to-market losses on derivative financial instruments and a foreign exchange gain, partially offset by the impact of the COVID-19 pandemic on revenues, higher income taxes expense and negative change in fair value of investments. In Q2 2021, the increase was due to higher operating results and positive change in mark-to-market on derivative financial instruments, partially offset by higher income taxes and legal expenses. In Q3 2021, the increase was due to higher operating results, positive change in fair value of contingent considerations, and higher gain in mark-to-market on derivative financial instruments, partially offset by a negative change in fair value of investments related to the sale of securities held in AppDirect Inc. In Q4 2021, the decrease was due to lower operating results, partially offset by higher gains in mark-to-market on derivative financial instruments.

Summary of Consolidated Quarterly Results

(in thousands of Canadian dollars, except per share amounts)	3 months							
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020
Revenues by segment								
Broadcasting and Commercial								
Music	36,356	40,186	39,169	35,947	38,483	39,894	38,742	37,347
Radio	23,960	32,379	25,125	16,346	29,915	41,419	37,831	43,090
Total revenues	60,316	72,565	64,294	52,293	68,398	81,313	76,573	80,437
Revenues by geography								
Canada	35,594	47,368	39,710	28,057	43,498	57,515	52,723	56,107
United States	10,942	10,693	10,091	10,302	10,236	9,575	9,035	9,141
Other countries	13,780	14,504	14,493	13,934	14,664	14,223	14,815	15,189
Total revenues	60,316	72,565	64,294	52,293	68,398	81,313	76,573	80,437
Adjusted EBITDA⁽¹⁾	23,638	33,993	31,156	25,481	28,217	31,033	27,671	31,165
LTM Adjusted EBITDA⁽¹⁾	114,268	118,847	115,887	112,402	118,086	112,276	108,462	92,220
Net income (loss)	12,077	14,118	11,888	7,021	(8,486)	8,089	5,184	9,183
Net income (loss) per share basic and diluted	0.17	0.19	0.16	0.10	(0.11)	0.11	0.07	0.12
Adjusted Net income⁽¹⁾	11,981	21,054	16,311	13,509	10,095	16,710	12,416	16,687
Adjusted Net income per share basic ⁽¹⁾	0.17	0.29	0.22	0.18	0.13	0.22	0.16	0.22
Adjusted Net income per share diluted ⁽¹⁾	0.16	0.29	0.22	0.18	0.13	0.22	0.16	0.22
Cash flow from operations	24,514	16,333	25,406	37,993	14,062	28,833	18,952	26,298
Adjusted free Cash Flow⁽¹⁾	13,808	19,645	22,861	18,045	17,974	21,033	18,756	20,587
Quarterly dividend	0.075	0.075	0.075	0.075	0.075	0.075	0.070	0.070

(1) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33. Last twelve months (LTM) Adjusted EBITDA represents the Adjusted EBITDA of the referenced period, plus the Adjusted EBITDA of the three quarters immediately preceding the referenced period.

Reconciliation of Quarterly Non-IFRS Measures

(in thousands of Canadian dollars)	3 months							
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020
Net income (loss)	12,077	14,118	11,888	7,021	(8,486)	8,089	5,184	9,183
Net finance expense (income)	(7,284)	(1,290)	2,774	4,601	33,463	(4,383)	6,362	7,380
Change in fair value of investments	–	2,434	461	892	(1,914)	(4,781)	(188)	333
Income taxes	4,047	4,900	4,654	2,359	(4,165)	1,897	2,479	1,481
Depreciation and write-off of property and equipment	3,082	2,894	2,976	2,701	2,790	2,876	2,989	2,822
Depreciation of right-of-use assets	1,436	1,399	1,413	1,412	1,426	1,402	1,419	1,371
Amortization of intangible assets	5,303	5,478	5,188	5,410	5,659	5,494	5,935	6,119
Share-based compensation	235	231	219	166	258	238	257	248
Performance and deferred share unit expense	2,028	1,780	1,312	1,316	(1,507)	677	794	781
Acquisition, legal, restructuring and other expenses (income)	2,714	2,049	271	(397)	693	19,524	2,440	1,447
Adjusted EBITDA	23,638	33,993	31,156	25,481	28,217	31,033	27,671	31,165
Net finance expense (income), excluding mark-to-market losses (gains) on derivative financial instruments	(3,214)	(1,727)	(4,340)	(3,338)	(10,976)	(4,184)	(5,767)	(6,195)
Income taxes	(4,047)	(4,900)	(4,654)	(2,359)	4,165	(1,897)	(2,479)	(1,481)
Depreciation and write-off of property and equipment	(3,082)	(2,894)	(2,976)	(2,701)	(2,790)	(2,876)	(2,989)	(2,822)
Depreciation of right-of-use assets	(1,436)	(1,399)	(1,413)	(1,412)	(1,426)	(1,402)	(1,419)	(1,371)
Income taxes related to change in fair value of investments, share-based compensation, performance and deferred share unit expense, amortization of intangible assets, mark-to-market losses (gains) on derivative financial instruments and acquisition, legal, restructuring and other expenses (income)	122	(2,019)	(1,462)	(2,162)	(7,095)	(3,964)	(2,601)	(2,609)
Adjusted Net income	11,981	21,054	16,311	13,509	10,095	16,710	12,416	16,687

(in thousands of Canadian dollars)	3 months							
	March 31, 2021	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019
	FY2021	FY2021	FY2021	FY2021	FY2020	FY2020	FY2020	FY2020
Cash flow from operating activities	24,514	16,333	25,406	37,993	14,062	28,833	18,952	26,298
Acquisition of property and equipment	(1,929)	(1,849)	(1,209)	(703)	(2,153)	(1,479)	(1,459)	(1,613)
Acquisition of intangible assets other than internally developed intangible assets	(194)	(649)	(212)	(258)	(463)	(495)	(292)	(519)
Addition to internally developed intangible assets	(1,367)	(1,838)	(1,671)	(1,552)	(1,534)	(1,286)	(1,559)	(1,523)
Interest paid	(5,142)	(6,312)	(2,912)	(3,687)	(3,819)	(4,150)	(4,493)	(4,980)
Repayment of lease liabilities	(1,099)	(1,255)	(1,443)	(1,214)	(1,180)	(1,295)	(1,303)	(1,095)
Net change in non-cash operating working capital items	(344)	15,858	6,530	(11,412)	7,262	(17,702)	6,143	2,127
Unrealized loss (gain) on foreign exchange	(3,345)	(2,692)	(1,899)	(725)	5,106	(917)	327	445
Acquisition, legal, restructuring and other expenses (income)	2,714	2,049	271	(397)	693	19,524	2,440	1,447
Adjusted free cash flow	13,808	19,645	22,861	18,045	17,974	21,033	18,756	20,587

LIQUIDITY AND CAPITAL RESOURCES FOR THE QUARTERS AND YEARS ENDED MARCH 31, 2021 AND 2020

(in thousands of Canadian dollars)	3 months		12 months	
	2021	2020	2021	2020
Operating activities	24,514	14,062	104,246	88,145
Financing activities	(21,811)	(12,293)	(103,148)	(72,359)
Investing activities	(3,490)	(6,572)	5,430	(17,947)
Net change in cash	(787)	(4,803)	6,528	(2,161)
Cash – beginning of period	9,827	7,315	2,512	4,673
Cash – end of period	9,040	2,512	9,040	2,512
Adjusted free cash flow⁽¹⁾	13,808	17,974	74,359	78,351

Operating Activities

Cash flow generated from operating activities amounted to \$24.5 million for Q4 2021 compared to \$14.1 million for Q4 2020. The increase was mainly due to the positive change in non-cash operating items and to the foreign exchange gain, partially offset by lower operating results.

Cash flow generated from operating activities amounted to \$104.2 million for Fiscal 2021 compared to \$88.1 million for Fiscal 2020. The increase was mainly due to lower legal expenses and to the foreign exchange gain, partially offset by a negative change in non-cash operating items and by lower operating results.

Financing Activities

Net cash flow used in financing activities amounted to \$21.8 million for Q4 2021 compared to \$12.3 million for Q4 2020. The increase was mainly related to the payment of the second installment related to the Fiscal 2020 settlement with Music Choice and to higher repayment of the subordinated debt, partially offset by higher credit facilities borrowing and by less shares repurchased.

Net cash flow used in financing activities amounted to \$103.1 million for Fiscal 2021 compared to \$72.4 million for Fiscal 2020. The increase was mainly due to higher repayment of the credit facilities, to the payment of the second installment related to the Fiscal 2020 settlement with Music Choice and to the repayment of the balance payable for the acquisition of MSM, partially offset by less shares repurchased.

Investing Activities

Net cash flow used in investing activities amounted to \$3.5 million for Q4 2021 compared to \$6.6 million for Q4 2020. The decrease was primarily due to lower business and assets acquisitions.

Net cash flow generated by investing activities amounted to \$5.4 million for Fiscal 2021 compared to net cash flow used in investing activities of \$17.9 million for Fiscal 2020. The positive net change was primarily due to the \$18.9 million proceeds from the sale of securities held in AppDirect Inc. during Q3 2021 and to lower business and assets acquisitions.

Adjusted free cash flow⁽¹⁾

Adjusted free cash flow generated in Q4 2021 amounted to \$13.8 million compared to \$18.0 million for Q4 2020. The decrease was mainly related to lower operating results and higher interest paid, partially offset by lower income taxes paid.

Adjusted free cash flow generated in Fiscal 2021 amounted to \$74.4 million compared to \$78.4 million for Fiscal 2020. The decrease was mainly related to lower operating results, partially offset by lower capital expenditures.

Note:

(1) Refer to “Supplemental information on Non-IFRS measures” on page 28 and 33.

Contractual Obligations

The Corporation is committed under the terms of contractual obligations with various expiration dates, primarily the rental of properties and equipment, broadcast licences commitments and financial obligations under our credit agreement and subordinated debt. The following table summarizes the Corporation's undiscounted significant contractual obligations as at March 31, 2021, including its estimated payments and commitments related to leasing contracts:

(in thousands of Canadian dollars)	Less than 1 year	1 to 5 years	More than 5 years	Total
Lease liabilities	4,787	16,895	16,601	38,283
Operating obligations	5,046	2,399	372	7,817
Broadcast licences commitments	6,373	21,686	12	28,071
Credit facility	27,500	277,184	–	304,684
Subordinated debt	–	32,000	–	32,000
Accounts payables and accrued liabilities	53,146	–	–	53,146
Other liabilities	14,135	18,638	3,018	35,791
Total obligations	110,987	368,802	20,003	499,792

Broadcast licences and royalties

A condition of the broadcast licences owned by the Corporation is to commit to fund Canadian Content Development (“CCD”) over the initial term of the licences, which is usually 7 years. The Corporation must also pay royalties for the use of music for the majority of its music services. Through copyright collective societies, the Corporation pays royalties to two sets of rights holders: rights holders in music works, which are the music and the lyrics; and, rights holders in artists’ performances and sounds recordings, which are the actual performances and recordings of the musical works.

Capital resources

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

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

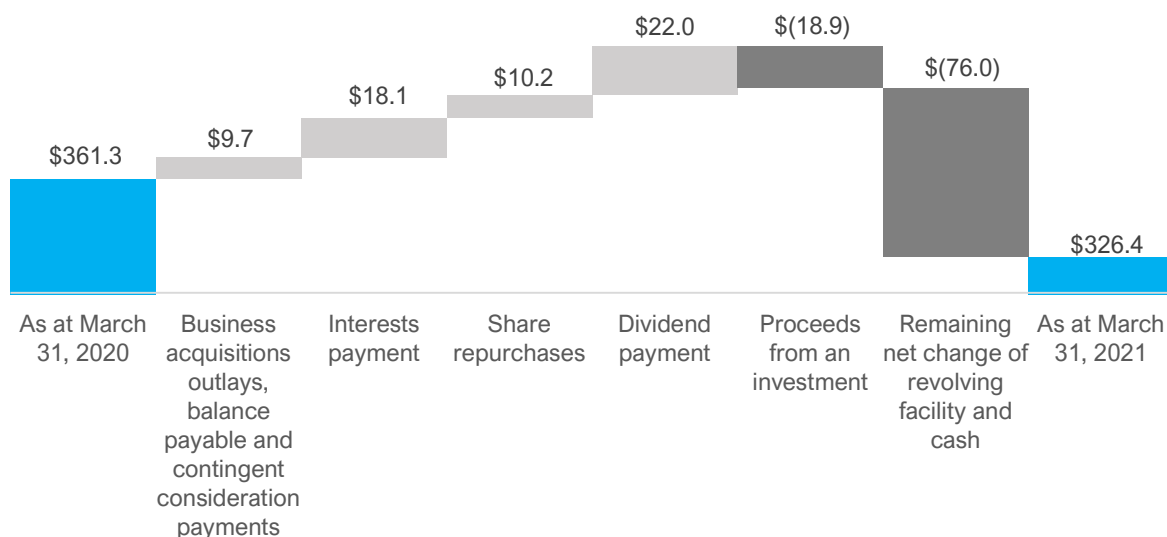
The Corporation is required to make consecutive quarterly capital repayments of 2.50% of the initial drawdown of the \$75.0 term loan. The remaining capital balance will be payable on maturity date, on October 25, 2023.

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

As of March 31, 2021, the Corporation had cash and cash equivalents of \$9.0 million, a subordinated debt of \$31.7 million and credit facilities of \$416.3 million, of which approximately \$110.8 million was available.

The following table summarizes the impact on the Net debt that occurred in the fiscal year ended March 31, 2021 including related ratios:

Movement in Net debt⁽¹⁾⁽²⁾



	March 31, 2021	March 31, 2020
(in thousands of Canadian dollars)		
LTM Adjusted EBITDA ⁽²⁾	114,268	118,086
Synergies and Adjusted EBITDA ⁽²⁾ for the months prior to the business acquisitions which are not already reflected in the results	190	2,037
COVID-19 mandated store closures required anticipated rollouts and deployments to be deferred	1,825	-
Pro Forma Adjusted EBITDA⁽²⁾	116,283	120,123
Net debt to Pro Forma Adjusted EBITDA⁽²⁾	2.81	3.01

Notes:

- (1) In millions of Canadian dollars.
- (2) Refer to "Supplemental information on Non-IFRS measures" on page 28 and 33.

CONSOLIDATED FINANCIAL POSITION

The following table shows the main variances that have occurred in the consolidated financial position of the Corporation for the year ended March 31, 2021:

(in thousands of Canadian dollars)	March 31, 2021	March 31, 2020	Variance	Significant contributions
Trade and other receivables	61,114	73,456	(12,342) ▼	Timing of payments by clients and decrease in revenues due to the COVID-19 pandemic, partially offset by the receivable from the settlement with SOCAN
Intangible assets	41,884	54,490	(12,606) ▼	Amortization and disposals of intangible assets, partially offset by additions through internally developed intangible assets and business acquisition
Goodwill	337,897	337,824	73 ▲	Acquisition of Marketing Sensorial Mexico, largely offset by foreign exchange differences
Accounts payables and accrued liabilities	53,146	62,101	(8,955) ▼	Timing of payments to suppliers and decrease in operating expenses
Other liabilities	60,027	81,281	(21,254) ▼	Decrease in negative mark-to-market on derivative financial instruments, payment of the second installment related to the Fiscal 2020 settlement with Music Choice and repayment of contingent consideration from past business acquisitions, partially offset by an increase in CRTC tangible benefits payable
Credit facility	303,704	324,123	(20,419) ▼	Refer to the graph on previous page
Subordinated debt	31,741	39,640	(7,899) ▼	Debt repayment

Music Choice Litigation

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

SOCAN and Re:Sound legal proceedings

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

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

On May 29, 2021, the Copyright Board released its decision and approval of the Re:Sound and SOCAN – Stingray Pay Audio and Ancillary Services Tariff (2007–2016) (the "Tariff"), which decision confirmed that allocation of revenue amongst the Stingray suite of services is to be done for the entire period of the Tariff (that is, for each year from 2010 to 2016), and also approved a gradual reduction in the rates of the Tariff.

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.

Key management personnel compensation and director's fees include the following:

(in thousands of Canadian dollars)	12 months	
	2021	2020
Short-term employee benefits	5,727	3,568
Share-based compensation	465	783
Performance share units	1,755	208
Deferred share units	2,908	514
	10,855	5,073

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:

	May 31, 2021	March 31, 2021
<i>Issued and outstanding shares:</i>		
Subordinate voting shares	53,372,162	53,799,462
Subordinate voting shares held in trust through employee share purchase plan	(9,819)	(7,112)
Variable subordinate voting shares	382,040	377,740
Multiple voting shares	17,941,498	17,941,498
	71,685,881	72,111,588
<i>Outstanding stock options:</i>		
Stock options	3,163,253	3,163,253

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. In Fiscal 2021, 80,732 options were exercised, 21,008 options were forfeited, and 833,174 options were granted to eligible employees, subject to service vesting periods of 4 years.

Financial Risk Factors

Currency risk:

The Corporation is exposed to currency risk on sales and expenses that are denominated in currencies other than the functional currency of the Corporation's subsidiaries, primarily the US dollar and the euro. Also, additional earnings variability arises from the translation of monetary assets and liabilities denominated in currencies other than the functional currency of the Corporation's subsidiaries at the rate of exchange at each balance sheet date, the impact of which is reported as a foreign exchange gain or loss in the consolidated statements of comprehensive income (loss).

The Corporation's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows, by transacting with third parties in the above currencies to the maximum extent possible and practical, given that this will act as natural economic hedges for each of these currencies.

Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages liquidity risk by continuously monitoring actual and budgeted cash flows under both normal and stressed conditions. The Board of Directors also reviews and approves the Corporation's operating and capital budgets, as well as any

material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation holds the majority of its cash and cash equivalents balance in accounts bearing interest at rates less than 1.25%. The Corporation is, therefore, not materially exposed to future cash flow fluctuations coming from changes in market interest rates for its cash and cash equivalents.

The credit facility is a variable interest rate instrument that is due in more than one year. This instrument is exposed to changes in future interest rates that could result in future cash flow fluctuations. To manage its interest rate risk, the Corporation entered into the following interest rate swap agreements:

(in thousands of Canadian dollars)

Maturity	Currency	Fixed interest rate (when applicable)	Initial nominal value	Mark-to-market Liabilities as at March 31, 2021	Mark-to-market Liabilities as at March 31, 2020
Swaps					
October 25, 2024	CAD	0.81%	\$ 50,000	\$ 945	\$ 1,349
October 25, 2024	CAD	1.33%	50,000	403	904
October 25, 2021	CAD	2.19%	50,000	494	1,164
October 25, 2024	CAD	2.29%	50,000	1,938	2,912
August 29, 2029	CAD	1.73%	40,000	—	2,098
August 31, 2029	CAD	1.73%	60,000	—	2,963
			300,000	3,780	11,390
Swaptions					
October 25, 2024	CAD	—	100,000	642	3,064
October 25, 2024	CAD	—	100,000	948	3,878
			\$ 200,000	\$ 1,590	\$ 6,942
			\$ 500,000	\$ 5,370	\$ 18,332

Credit risk:

Credit risk is the risk of an unexpected financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet contractual obligations, and it arises primarily from the Corporation's trade and other receivables.

The Corporation's credit risk is principally attributable to its trade receivables. The amounts presented in the consolidated statements of financial position are net of an allowance for expected credit risk, estimated by the Corporation's management and based, in part, on the age of the specific receivable balance and the current and expected collection trends. The Corporation's exposure to credit risk is mainly influenced by the characteristics of each customer. Generally, the Corporation does not require collateral or other security from customers for trade receivables; however, credit is extended following an evaluation of creditworthiness. In addition, the Corporation performs ongoing credit reviews of its customers.

An allowance for expected credit losses is maintained to reflect an impairment risk for trade accounts receivable based on an expected credit loss model. Bad debts are also provided for based on collection history and specific risks identified on a customer-by-customer basis.

Critical Accounting Estimates

The preparation of the Corporation's 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.

Below is an overview of the areas that involved more judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by these revisions.

The areas involving significant estimates or judgments are:

Estimation of current tax payable and current tax expense

In the calculation of current tax, the Corporation is required to make significant estimates due to the fact that it is subject to tax laws of the many jurisdictions in which it operates. Recorded income taxes and tax credits are subject to review and approval by tax authorities and therefore, could be different from the amounts recorded.

Recognition of deferred tax assets for tax losses available for carry-forward

In the calculation of deferred tax, estimates must be used to determine the appropriate rates and amounts and to take into account the probability of their occurrence. Deferred income tax assets also reflect the benefit of unutilized tax losses that can be carried forward to reduce income taxes in future years. The deferred tax assets include an amount which relates to carried forward tax losses of some European and Australian subsidiaries. The subsidiaries have incurred the losses over the last financial years before the acquisition by the Corporation. The subsidiaries now generate taxable income. The Corporation has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries.

Estimation of cost of defined benefit pension plans and present value of the net pension obligation

The cost of defined benefit pension plans and the present value of the net pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the net pension obligation is highly sensitive to changes in these assumptions.

Management engages the services of external actuaries to assist in the determination of the appropriate discount rate. Management, with the assistance of actuaries, considers the interest rates of high quality corporate bonds that have terms to maturity approximating the terms related to the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

Estimated fair value of certain investments

The fair value of investments that are not traded in an active market is determined using valuation techniques. The Corporation uses judgement to select a valuation method and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Estimated value in use and/or fair value less costs to sell of CGUs used in goodwill and broadcasting licences impairment testing

Broadcast licences and goodwill are not amortized but are tested annually for impairment, or more frequently if events or circumstances indicate that it is more likely than not that the value of broadcast licences and/or goodwill may be impaired. Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's-length transaction of similar assets, observable market prices, or discounted cash flow projections less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The impact of COVID-19 on the Corporation was also considered in calculating the future cash flows. Depending on the measures taken by the federal and provincial authorities to slow or stop the spread of COVID-19, such as the closure of non-essential businesses and social distancing, actual results could differ materially from estimates used.

Estimation of fair value of identified assets, liabilities and contingent consideration recorded in business acquisitions

The contingent consideration and balance payable on business acquisitions 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 of the contingent consideration and balance payable on business acquisitions were estimated by calculating the present value of the future expected cash flows.

Estimation of lease term of contracts with renewal options

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

Business Combinations

Under the acquisition method, on the date that control is obtained, the identifiable assets, liabilities and contingent liabilities of the acquired business are measured at their fair values. Depending on the complexity of determining the valuation for certain assets, the Corporation uses appropriate valuation techniques in arriving at the estimated fair value at the acquisition date for these assets. These valuations are generally based on a forecast of the total expected future net discounted cash flows and relate closely to the assumptions made by management regarding the future performance of the related assets and the discount rate applied as it would be assumed by a market participant.

New standard adopted by the Corporation

There are no new standard adopted by the Corporation as of March 31, 2021.

Future Accounting Changes

There are no material future accounting changes as of March 31, 2021.

Evaluation of Disclosure Controls and Procedures and Internal Control Over Financial Reporting

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 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.

As at March 31, 2021, an evaluation was carried out, under the supervision of the CEO and the CFO, of the design and operating effectiveness of the Corporation's DC&P. Based on this evaluation, the CEO and the CFO concluded that the Corporation's DC&P were appropriately designed and were operating effectively as at March 31, 2021.

As at March 31, 2021, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the ICFR based on the 2013 COSO Framework. Based on this evaluation, they have concluded that the Corporation's ICFR were effective as at March 31, 2021.

There have been no changes in the Corporation's internal control over financial reporting that occurred during the period that have materially affected, or are likely to materially affect, the Corporation's ICFR.

Subsequent Events

There are no subsequent events.

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

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