# YANGAROO ANNOUNCES Q2'2022 RESULTS

**TORONTO, CANADA - August 30, 2022** – YANGAROO Inc. ("**Yangaroo**", "**Company**"), (TSX-V: YOO, OTCBB: YOOIF), a software leader in media asset workflow and distribution solutions, today announced its financial results for the second quarter ended June 30, 2022. The full text of the Financial Statements and Management Discussion & Analysis is available at www.yangaroo.com and at www.sedar.com. Please note that all currency in this press release is denominated in United States dollars.

**Q2'2022 Management Commentary**

Grant Schuetrumpf, CEO of Yangaroo, stated, "The first half of 2022 was exceptionally challenging for the advertising industry and many of our peers have already reported significantly weaker results than originally anticipated. Yangaroo's Advertising division financial performance in the first half of 2022 was in line with this broader industry decline as our advertising results were directly and adversely impacted by current macroeconomic and industry wide factors, the most significant of which were reductions in advertising marketing budgets due to the economic inflationary and supply chain issues. Consumer brands marketing budgets were tightened, we believe, due to limited supply of goods and services in the marketplace. These macroeconomic factors drove our advertising delivery volumes significantly lower across almost all of our advertising customers, when compared to our plan for 2022 and the prior year once adjusted for acquisition related customer increases."

Mr. Schuetrumpf further added, "Our Advertising customer mix is predominantly dominated by consumer facing brands. These consumer brands were adversely impacted by the above referenced macro factors which had a negative impact on new creative content for television advertising. These spend pressures were broadly felt across our industry including with our competitors, digital advertising social platforms, and television broadcasters, and were not a reflection of any customer turnover in the Advertising division. Conversely, we feel that a rebound in consumer brand marketing budgets will have a very positive impact on our business, earnings, and balance sheet, which we expect to occur over the next twelve to eighteen months."

"On a positive note," Mr. Schuetrumpf continued, "Our Awards and Music divisions remain relatively unscathed by these macro-economic times reporting stable year on year trends, and the decline in advertising delivery volume in our platform and subsequent decline in our revenues has bottomed out. Having also grown and retained our active advertising customer base by over 150% since early 2021, we expect the above factors to generate positive earnings and cash-flow towards the end of 2022 and beyond.

“Furthermore, we continued our investment into technology and new solutions offerings during the second quarter of 2022. Our Advertising workflow improvements are expected to improve the user interface of our platform further driving improved useability and market relevancy to drive an increase in delivery volumes. Our platform functionality has been extended to now include a comprehensive solution for TV legal clearance submissions and approvals, continually expanding OTT/CTV advertising management, and streamlining and driving efficiency across our video and audio production capabilities across three production hubs in Toronto, New Jersey, and Burbank. Additionally, we continue to make in-roads with our TV analytics offering for our Advertising customers, commencing several trials with our valued clients. This is all aimed to prepare our business, capture the known market opportunities, and drive significant new revenues into 2023,” Mr. Schuetrumpf concluded.

Mr. Schuetrumpf further added, “Regarding our term loan facility, although we remain in technical breach of certain of our loan covenants, our lender is diligently working with us to amend the agreement. It is our intention to provide a further update regarding the matter as soon as practicable”.

Dom Kizek, CFO of Yangaroo, added, “During the second quarter of 2022 we made significant reductions to our operating expenses in order to more closely align the Company’s cost structure with near term revenue realities. The expense reductions incurred during the quarter included significant reductions in personnel and related overheads. We expect these operating expense savings to be in excess of one million dollars per year, on an annualized basis, moving forward.

“Finally, based on our internal customer projections, we have written down our earn-out liability as it related to the acquisition of DMS. We had previously set aside $2.1 million for future payments on our balance sheet, however, based on current projections and the underlying earn-out formula, we do not expect to pay any material amounts of this earn-out. As such, we have reduced this liability to nil and have recognize a non-cash gain during the second quarter of 2022.”

***Q2'2022 Financial Highlights***

| | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 |
|---|---|---|---|---|
| **BALANCE SHEET KPIs** | | | | |
| Cash and cash equivalents | $ 607,289 | $ 783,159 | $ 768,251 | $ 1,271,871 |
| Working capital | $ (1,514,996) | $ 276,745 | $ 911,861 | $ 1,985,484 |
| Liquidity | $ 1,033,533 | $ 1,862,483 | $ 2,148,594 | $ 2,645,390 |
| **INCOME STATEMENT KPIs** | | | | |
| Revenue | $ 1,915,307 | $ 1,989,042 | $ 2,305,594 | $ 2,429,868 |
| Operating expenses | $ 2,256,131 | $ 2,492,222 | $ 2,611,535 | $ 2,405,182 |
| Other expenses (income) | $ (2,132,983) | $ 94,395 | $ 18,164 | $ (33,797) |
| Income (loss) for the period | $ 1,792,159 | $ (597,586) | $ (330,724) | $ 58,483 |
| EBITDA | $ 1,941,649 | $ (340,174) | $ (99,125) | $ 329,830 |
| EBITDA Margin % | 101.38% | -17.10% | -4.30% | 13.57% |
| Normalized EBITDA (loss) | $ (148,104) | $ (259,849) | $ (164,899) | $ 338,680 |
| Normalized EBITDA Margin % | -7.73% | -13.06% | -7.15% | 13.94% |

- Revenue in Q2'2022 was $1,915,308 compared to $1,989,043 and $1,759,691 in the first quarter of 2022 and the second quarter of 2021, respectively.

    - Revenue decreased by $73,735 or 4% versus Q1'2022. This decrease in revenue was primarily due to lower Advertising division sales of $216,378 offset by an increase in Entertainment division (Music and Awards) sales of $142,643. The decrease in the Advertising division revenue is largely attributed to a decrease in our clients advertising and marketing budgets. The increase in Awards revenue is attributed to seasonality in our customer's award show schedules. Music promotion did not have any material change in revenue over the comparable periods.

    - Revenue increased by $155,617 or 9% versus Q2'2021. The increase in revenue is primarily attributed to higher Advertising division sales of $133,751 resulting from the acquisition of the DMS business in Q2'2021, as well as increased Entertainment division sales of $21,886.

- Operating expenses in Q2'2022 were $2,259,186 compared to $2,492,222 and $1,659,981 in the first quarter of 2022 and the second quarter of 2021, respectively.

  - Operating expenses decreased by $233,036 or 9% versus Q1’2022. The decrease in operating expenses is primarily attributed to a reduction in headcount, and lower general and technology expenditures as we realize synergies from the DMS acquisition.

  - Operating expenses increased by $599,205 or 36% versus Q2’2021. The increase in operating expenses is primarily attributed to the inclusion of operating expenditures related to the acquisition of DMS as well as increases in promotional expenses due to the return of in-person industry conferences, and higher spending on our technology.

- Normalized EBITDA loss in Q2’2022 was $151,088 in comparison to normalized EBITDA loss of $259,849 in the first quarter of 2022 and normalized EBITDA of $528,285 in the second quarter of 2021. The decrease in normalized EBITDA relative to the prior year quarter is primarily attributed to higher salary adjustments, some additional but temporary consulting expenses, as well as higher general and administrative expenses, all attributed primarily from the acquisition of DMS and ongoing investment for necessary improvements to our technology platform. Compared to the first quarter of 2022, we undertook a head count reduction program in response to the realization of efficiencies achieved by the DMS integration as well as other external market factors.

- In accordance with the terms of our loan facility, Yangaroo must maintain certain covenants and financial ratios that require non-IFRS financial measures, including Fixed Charge Coverage Ratio and Funded Debt to EBITDA. Yangaroo was not in compliance with these term facility covenants as of June 30, 2022.

  Subsequent to quarter-end, we received a waiver of the breach of the financial covenants from our lender for the second quarter ended June 30, 2022. As a result of the breach of the term facility financial covenants we have reclassified the full amount of the term facility as a current liability as of June 30, 2022 and will continue to present the liability as current until we successfully amend the term loan, receive a waiver of the covenant breaches for a period of 12-months in advance, or re-attain compliance of the breached financial covenants. We are currently in discussions with the lender regarding revising certain terms and conditions of our current term facility in order to bring us into compliance with the agreement. It is our intention to provide a further update regarding these discussion as soon as practicable.

***About YANGAROO***

Yangaroo is a software leader in media asset workflow and distribution solutions for advertising, music, and awards industries. YANGAROO's patented Digital Media Distribution System is a leading secure business to business cloud-based solution that incorporates production services, traffic, clearance, delivery, analytics, and secure API integration for the industries various video and audio work-flow challenges.

YANGAROO has offices in Toronto, New York, and Los Angeles. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCBB: YOOIF.

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## Cautionary Note Regarding Forward-looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "could", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words, including negatives thereof, suggesting future outcomes.

Forward looking statements are subject to both known and unknown risks, uncertainties and other factors, many of which are beyond the control of YANGAROO, that may cause the actual results, level of activity, performance or achievements of YANGAROO to be materially different from those expressed or implied by such forward looking statements, including but not limited to: the use of proceeds of the offering, receipt of all necessary approvals of the offering, general business, economic, competitive, political and social uncertainties; negotiation uncertainties and other risks of the technology industry. Although YANGAROO has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties, some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause YANGAROO's actual performance and results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Any forward-looking statements are made as of the date hereof and, except as required by law, neither YANGAROO assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.