



Q1 2024

**Management Discussion and Analysis
of Financial Condition and Results of Operation
For the Three-Months ended September 30, 2023 and September 30, 2022**

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of November 7, 2023 presents an analysis of the consolidated financial condition of WildBrain Ltd. and its subsidiaries (together referred to as "WildBrain", the "Company", "we", "our" or "us") as at September 30, 2023 compared to June 30, 2023, and the consolidated results of operations for the three months ended September 30, 2023 compared with the corresponding three months ended September 30, 2022. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements (unaudited) and related notes for the quarter ended September 30, 2023. Unless otherwise noted, the financial information reported herein is derived from the interim condensed consolidated financial statements (unaudited) which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and are presented in thousands of Canadian Dollars, except per share amounts and as otherwise indicated. Some figures and percentages may not total exactly due to rounding.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our interim condensed consolidated financial statements (unaudited). The Company discusses these measures because it believes that they assist the reader in better understanding operations and key financial results.

WildBrain is a public company whose common voting shares ("Common Voting Shares") and variable voting shares ("Variable Voting Shares") are traded on the Toronto Stock Exchange ("TSX") under the ticker 'WILD'. Headquartered in Canada, WildBrain has offices worldwide.

Further information about the Company can be found on our website at www.wildbrain.com or on SEDAR+ at www.sedarplus.com.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A and documents referenced herein constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities legislation (collectively herein referred to as "forward-looking statements"), including the provincial securities legislation in Canada. These statements relate to future events or future performance, and reflect the Company's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Company and its subsidiaries. Forward looking statements are often, but not always, identified by the use of words such as "may", "would", "could", "will", "should", "expect", "expects", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "pursue", "continue", "seek", "intend" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company or any of its subsidiaries' objectives, plans and goals, including those related to future operating results, financial performance, and the markets and industries in which the Company operates are or involve forward-looking statements. Specific forward-looking statements in this document include, but are not limited to:

- the business strategies, operational activities, and strategic priorities of WildBrain and its subsidiaries;
- management's financial targets and priorities, and the future financial and operating performance, projections, and goals of the Company and its subsidiaries, including revenue, adjusted EBITDA and leverage;
- plans for use of capital and excess cash flow;
- the Company's plans and ability to reduce its leverage and refinance debt;
- the sale of non-core assets and target proceeds therefrom;
- target leverage;
- the timing for implementation of certain business strategies and other operational activities of WildBrain;
- the markets and industries, including competitive conditions, in which WildBrain operates, including the market and demand for content and strategies of streaming platforms;
- legal and regulatory changes and potential impacts on WildBrain and the markets and industries in which it operates;
- the value, prospects and opportunities of the Company and its assets and businesses;
- WildBrain's production and deal pipeline and projects in development;
- the ability of the Company to license its content into numerous markets repeatedly;

- the positioning and ability of the Company to monetize its library, content, assets and other business lines;
- the growth, and strategies to drive growth of, the WildBrain Spark business; including, but not limited to, initiatives to monetize and realize the value of the large user base of WildBrain Spark;
- changes in YouTube's approach to advertising and expected results therefrom, including the impact on the financial and operating performance of WildBrain Spark;
- the growth and proliferation of digital/non-linear distribution of media content;
- the activation of the Company's IP and results and benefits therefrom;
- benefits provided from the Company's Canadian broadcasting assets, including cash flows and content funding;
- investments, acquisitions and other growth opportunities, use of capital for such opportunities and expected returns and benefits therefrom;
- the impact of the WGA and SAG-AFTRA strikes on the Company;
- the impact of epidemics, pandemics, or other public health crises, which could have a significant and ongoing negative impact on the Company, its employees, its business, and results of operations, including but not limited to consumer products, studio productions, and advertising; and
- the Company's acquisition of and integration with House of Cool.

Forward-looking statements are based on factors and assumptions that management believes are reasonable at the time they are made, but a number of assumptions may prove to be incorrect, including, but not limited to, assumptions about: (i) the Company's future operating results, (ii) the expected pace of expansion of the Company's operations, (iii) future general economic and market conditions, including debt and equity capital markets and the availability of financing on acceptable terms, (iv) the impact of increasing competition on the Company and industry mergers and acquisitions on the Company, (v) changes in the industries and changes in laws and regulations related to the industries in which the Company operates, (vi) consumer and customer preferences, (vii) the ability of the Company to execute on and integrate acquisition and other growth strategies and opportunities and realize the expected benefits therefrom, (viii) the ability of the Company to execute production, distribution, licensing and other revenue-generating arrangements, (ix) the availability of investment opportunities at acceptable valuations and the ability of the Company to execute on such investment opportunities, (x) interest and foreign exchange rates, (xi) the timing for commencement and completion of productions, (xii) the ability of the Company and its partners to execute on its brand plans and consumer products programs, (xiii) changes in the markets and industries in which the Company operates and the ability of the Company to adapt to such changes, (xiv) changes to YouTube and in advertising markets, (xv) the ability of the Company to commercialize consumer products related to its brands, (xvi) the current geopolitical landscape, (xvii) general economic and industry growth rates, and (xviii) the economic impact of any potential recession on consumer behaviour and advertising sales. Although the forward-looking statements contained in this MD&A and any documents incorporated by reference herein are based on what the Company considers to be reasonable assumptions based on information currently available to the Company, there can be no assurances that actual events, performance, or results will be consistent with these forward-looking statements and these assumptions may prove to be incorrect.

Forward-looking statements are inherently subject to risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A number of known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the Company's leverage and indebtedness and failure to refinance or meet covenant requirements under the senior credit facility of the Company (as and where applicable), product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, dependence on key third party relationships and partnerships with buyers, the Company's ability to source IP and creative talent who can develop IP, consumer and customer preferences, and audience acceptance of the Company's shows and other IP, competition and competitor activities, the potential impact of industry mergers and acquisitions, the ability of the Company to execute on its strategy, the ability of the Company to identify and execute production, distribution and licensing arrangements, termination or renegotiation of contracts, and contractual counterparty risk, litigation or regulatory or arbitral action, unauthorized disclosure of confidential, proprietary or sensitive information, cybersecurity and informational technology incidents and issues, internal conflicts of interest, financial reporting and other public company regulatory obligations and potential errors therein, the ability of the Company to attract and retain talent, reliance on key personnel, risks relating to the Company's exposure to advertising revenues through YouTube and the ability of the Company to attract and realize on advertising revenues, including through YouTube and on other platforms, adverse

publicity, risks related to doing business internationally, interest rate risk and interest and foreign exchange rate fluctuations, the reliance of the Company on the Internet and other technologies to continue to conduct its business, technology changes, intellectual property infringement and other claims, the ability of the Company to exploit its content library, access to capital, maintaining effective internal controls, equity capital markets risk and market share price fluctuations, loss of Canadian status, access to and existence of tax credits, subsidies, co-production treaties and other government incentives, loss of television licenses, the availability of acquisition and investment opportunities at acceptable valuations and the ability to execute on and integrate such opportunities, production risks, financial risks and dilution from the Company's capital requirements, strikes and labour relations, changes in the regulatory environment, general economic and market segment conditions, market factors, and catastrophic events and circumstances, including epidemics, pandemics or other public health crises, including impacts on the consumer products and retail sectors through supply chain disruptions. In evaluating these forward-looking statements, investors and prospective investors should specifically consider these and various other risks, uncertainties and other factors which may cause actual events, performance, or results to differ materially from any forward-looking statement.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Please refer to a discussion of the above and other risk factors related to the business of the Company and the industry in which it operates that will continue to apply to the Company, which are discussed in the Company's Annual Information Form ("AIF") for the year ended June 30, 2023 filed on www.sedarplus.com and in this MD&A below under the "Risk Assessment" section.

These forward-looking statements are made as of the date of this MD&A or, in the case of documents referenced herein, as of the date of such documents, and the Company does not intend, and does not assume any obligation, to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements.

Business Overview

WildBrain is a leading independent kids and entertainment company, recognized globally for high-profile properties including *Caillou*, *Chip and Potato*, *Degrassi*, *Inspector Gadget*, *Johnny Test*, *Peanuts*, *Strawberry Shortcake*, *Teletubbies* and *Yo Gabba Gabba!*. We focus on children and family content, given the international reach and longer lifespan of this genre of programming and the potential to monetize this content across multiple revenue streams. Kids' and family content travels across cultures and geographies and consists largely of animated series, which can be easily dubbed into multiple languages. Such content is timeless and therefore can be licensed into numerous markets repeatedly for many years.

In addition to being one of the world's foremost producers of children's series, WildBrain also owns what we estimate to be the world's largest independent library of children's content of approximately 13,000 half-hours. We take a 360° approach to growing brands by managing and monetizing content and related intellectual property ("IP") across our business through:

- Content Creation – comprising all of the Company's development and production capabilities, including its Vancouver animation studio, its London-based digital studio (formerly the WildBrain Spark digital studio) and its Toronto animation pre-production business, House of Cool, bringing creative excellence across all formats for WildBrain's proprietary content as well as partner projects;
- Audience Engagement – comprising the Company's extensive capabilities in delivering entertainment content to audiences around the world, including its global distribution business, its world-leading YouTube network, its digital marketing expertise and its digital advertising business; and
- Global Licensing – comprising the Company's activities across consumer products licensing, franchise management, global partnerships, location-based entertainment (LBE) and direct to consumer e-commerce. This vertical comprises the activities of the Company's leading global licensing agency, WildBrain CPLG, including its LBE business; the Company's franchise management activities for key owned brands, including Teletubbies and Strawberry Shortcake; and its majority interest in the Peanuts brand, operated by the Peanuts Worldwide subsidiary.

We also own and operate the Family suite of linear specialty kids channels in Canada, which has been a trusted broadcaster for over 35 years and provides stable cash flow, and also serves to fund new content for our library.

Revenue Model

In Q1 2024, the Company made changes to streamline its business structure under a focused strategy designed to optimize its existing 360° IP management expertise and drive the growth of key WildBrain and partner franchises across its core capabilities of Content Creation, Audience Engagement and Global Licensing. Aligning our reporting with this new structure, financial results will be reported as Content Creation and Audience Engagement, and Global Licensing. Legacy Consumer Products has been renamed to Global Licensing. Legacy Content Production and Distribution and Legacy Spark are combined into the newly formed Content Creation and Audience Engagement. As AVOD becomes an even more important aspect of our engagement, the interconnectedness of its scale and reach is best reflected on a combined basis. For the transition period of

fiscal year 2024, the Company will provide legacy WildBrain Spark results for comparable results. The Company's Canadian Television Broadcasting results will continue to be reported separately.

WildBrain continues to operate through the following two reportable segments:

1. Content & Licensing Business - comprising revenue generated from:

- Content Creation and Audience Engagement - production in our studio of proprietary content, production for strategic brand partners, and third-party service work, as well as distribution of proprietary and third-party titles in our library; distribution of content of our owned IP and third-party partners on our AVOD platform, using data and analytics to grow brands, digital ad sales, paid media and digital marketing; and
- Global Licensing - licensing royalties from owned IP and through our brand partnerships as well as commissions earned from our agency licensing business.

2. Canadian Television Broadcasting - comprises revenue from operating the Family broadcast channels in Canada.

Content Creation and Audience Engagement

Content Creation and Audience Engagement includes revenue generated from: i) production revenue on new proprietary content commissioned by major streaming platforms; ii) service revenue earned when producing animation or live-action programs for third parties (service work does not typically result in the ownership of IP); iii) licensing shows from our content library—including internally produced proprietary titles, acquired library titles and third-party produced titles for which we hold distribution rights—to digital platforms (e.g. Apple TV+, Amazon Prime, and Netflix) and linear broadcast channels across different geographic territories; and iv) revenue share from our shows on non-YouTube AVOD and FAST platforms such as Pluto, Roku, Amazon, LG and Samsung

Revenue is also generated from our platform of kids and family AVOD channels where we distribute both our owned content and third-party content on YouTube. Revenues are earned primarily through third-party algorithmic advertising on the platform. Other sources of revenue include producing original short-form content (animation, toy play, stop motion and live action), running advertising campaigns (paid media) and direct advertising sales on AVOD platforms.

Global Licensing Revenue

Global Licensing revenue is earned from generating licensing royalties on our proprietary brands (including among others, *Peanuts*, *Strawberry Shortcake*, *Teletubbies*, and *In the Night Garden*), from merchandising, publishing, music rights, live tours and themed-events, interactive games and apps, and from consumer products royalties earned through our strategic brand partnerships, such as with SEGA and Mattel.

Global Licensing also includes revenue earned through our WildBrain CPLG agency business. WildBrain CPLG earns commissions as agents by licensing owned brands and third-party brands from lifestyle brand owners, film studios and other independent IP owners'.

Canadian Television Broadcasting Revenue

Canadian Television Broadcasting revenue is earned primarily through monthly subscriber fees as well as advertising, promotion and other revenues through our portfolio of owned broadcast channels including Family Channel, Family Jr, Télémagino, and WildBrain TV. Subscription fees are earned monthly through partnerships with Canadian cable and satellite television distributors. In addition, all four channels have multi-platform applications, which allow their content to be distributed both on-demand and via streaming.

Strategy and Outlook

As a content producer, distributor and IP owner, WildBrain is focused on creating and building brands and managing them throughout their life cycles by producing and distributing shows and creating consumer awareness for these brands across all media platforms, and generating royalties from the sale of consumer products based on our shows and brands.

Content Overview

As the market for content evolves, major streaming platforms, such as Apple TV+, Amazon Prime, Hulu and Netflix, continue to invest in content to attract and retain subscribers, often gravitating towards original shows, based on established brands. Simultaneously, YouTube has emerged as one of the most popular destinations for short-form kids' entertainment.

We capitalize on the demand for premium content and short-form content to grow brands by leveraging our position as the owner of many well-known brands, that we estimate to be the world's largest independent library of children's content,

(comprised of approximately 13,000 half-hours), our large digital audience on our market-leading AVOD network of kids' videos on YouTube and other AVOD platforms.

Given its large viewership, our AVOD platform drives audience awareness and builds user engagement for our IP and partner brands. The strategic value of its massive audience engagement and its insights enhance our ability to build partnerships with brand owners, leveraging the full range of our capabilities.

Strategy

Management is executing on a disciplined strategy aimed at generating attractive returns on invested capital, improving cash flow and driving organic growth by leveraging our full suite of in-house capabilities spanning content creation, audience engagement and global licensing to activate and grow key owned and partner brands. Our content-driven strategy focuses on providing both: new content development of premium, original long-form series to meet demand from major streaming platforms for exclusive programming of well-known IP; and non-exclusive omni-platform content, which we distribution to reach kids wherever they are consuming content, to build and expand global franchise brands to drive consumer products royalties.

Fiscal 2024 Outlook

Our outlook for Fiscal 2024 is for revenue to be down moderately and Adjusted EBITDA to be slightly higher year over year. We expect strong growth in Global Licensing to offset the decline in Content Creation and Audience Engagement. The decline in Content Creation and Audience Engagement is driven by uncertainty in the content market, leading to a slowdown in greenlights. We will continue to leverage WildBrain's 360° capabilities in content creation, audience engagement and licensing to maximize the profitability of our assets and IP. To that end, we are focused on executing against our strategic priorities of activating and growing key brands as global franchises to deliver recurring revenue and sustainable growth. We are also focused on improving our balance sheet and paying down debt by efficiently managing our costs and reducing our debt over time, including through potential sales of non-core assets, which are targeted to be in the range of \$100.0 to \$300.0 million.

Fiscal 2024 Strategic Priorities

PRIORITIES	OBJECTIVES
Focus on Key Brands & Partnerships	- Focus on owned and partner IP to grow brand franchises by leveraging our vertically integrated, 360° capabilities across content, audience engagement, and global licensing - Produce and distribute premium and omni-platform, content worldwide - Build franchise strategies for reach, relevance and revenue for owned IP - Leverage our capabilities to provide world-class service to third-party partners
Deliver Sustainable Growth	- Maintain a disciplined approach to managing our cost base while leveraging investments made over the past two years - In Fiscal Year 2024, we expect revenue to be down moderately and expect Adjusted EBITDA¹ to be slightly higher year over year
Improve Balance Sheet	- Committed to financial discipline, reducing leverage and consistent free cash flow generation. Target leverage of under 4x by the end of Fiscal Year 2024.

Our Fiscal 2024 financial outlook is based on our latest projections and our current pipeline, as well as expected timing around revenue recognition on our production projects.

¹Adjusted EBITDA is a non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

Financial Highlights for the Three-Months Ended September 30, 2023 ("Q1 2024")

- Consolidated revenue was \$105.5 million in Q1 2024, compared to \$126.7 million in Q1 2023, a decrease of \$21.1 million or 17%.
- Content Creation and Audience Engagement revenue of \$47.2 million in Q1 2024 decreased by \$17.1 million, compared to \$64.4 million in Q1 2023. Q1 2024 was driven by lower live action production revenue.¹
- Global Licensing revenue was \$49.5 million in Q1 2024, a decrease of 5%, compared with \$52.1 million in Q1 2023. Q1 2024. Revenue in the quarter was primarily driven by resilience in the US for Peanuts as well as strength in our global licensing agency, WildBrain CPLG and our owned brands, offset by timing of deals within the Peanuts brand as well as FX headwinds related to the Japanese Yen.
- Gross Margin² for Q1 2024 was 49%, compared with 44% in Q1 2023.
- Net loss attributable to WildBrain was \$15.5 million in Q1 2024, a decrease of \$7.9 million, compared to net loss attributable to WildBrain of \$7.6 million in Q1 2023. The decrease was primarily driven by lower gross margin dollars, and higher finance costs, offset by lower SG&A.
- Adjusted EBITDA attributable to WildBrain² decreased to \$18.9 million in Q1 2024, compared with \$19.9 million in Q1 2023, a decrease of \$1.0 million or 5%. The decrease was primarily due to lower gross margin dollars, offset by lower SG&A, and lower portion of Adjusted EBITDA attributable to non-controlling interests. We continue to moderate expenses while supporting growth initiatives.
- Cash used operating activities in Q1 2024 was \$3.0 million, compared to \$23.3 million used in operating activities in Q1 2023. Free Cash Flow³ for Q1 2024 was negative \$25.4 million, compared to negative \$8.9 million in Q1 2023. The Free Cash Flow for Q1 2024, reflected the timing of working capital settlements.

¹ In Q1 2024, the Company made changes to the structure of the organization to better align the operating model of cultivating IP through Content Creation, Audience Engagement and Global Licensing. As a result of these changes, WildBrain Spark was integrated into the new structure and will no longer be a separate reportable business unit. For the transition period of fiscal year 2024, the Company will provide legacy WildBrain Spark results for comparable results. Legacy WildBrain Spark revenue in Q1 2024 was \$11.1 million compared to \$11.6 million in Q1 2023.

²Gross Margin and Adjusted EBITDA attributable to the Shareholders of the Company are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

³Free Cash Flow defined as operating cash flow less distributions to non-controlling interests, changes in interim production financing, cash interest paid on our long-term debt, bank indebtedness, and lease liabilities, and principal repayments on our lease liabilities. Free Cash Flow is a non-GAAP financial measure, see "Non-GAAP Financial Measures" section of this MD&A for a reconciliation to GAAP measures.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the period ended September 30, 2023 and 2022 has been derived from the Company's interim condensed consolidated financial statements (unaudited) and accompanying notes and can be found on WildBrain's website at www.wildbrain.com and on SEDAR+ at www.sedarplus.com.

The following information should be read in conjunction with the above-mentioned statements and the related notes.

	Three Months Ended	
	September 30, 2023	September 30, 2022
(expressed in \$000s, except per share data)		
Consolidated Statements of (Loss) Income Data:		
Revenues	105,506	126,652
Direct production costs and expense of film and television produced	(53,713)	(71,375)
Gross margin ¹	51,793	55,277
Selling, general, and administrative	(24,589)	(25,728)
Share-based compensation	(1,557)	(1,327)
Write-down of investment in film and television programs and acquired and library content, property and equipment, intangible assets and goodwill	—	—
Amortization, finance costs and other expenses, net	(33,005)	(25,416)
Income tax recovery (expense)	(341)	932
Net income (loss) for the period	(7,699)	3,738
Net (income) loss attributable to non-controlling interests	(7,816)	(11,310)
Net income (loss) attributable to the Shareholders of the Company	(15,515)	(7,572)
Basic (loss) earnings per common share	(0.08)	(0.04)
Diluted (loss) earnings per common share	(0.08)	(0.06)
Weighted average common shares outstanding (in 000s) ..		
Basic	204,323	173,113
Diluted	204,323	190,354
Other Key Performance Measures:		
Adjusted EBITDA attributable to the Shareholders of the Company ¹	18,861	19,870
Cash flow provided by (used in) operating activities	(2,963)	(23,324)
Free Cash Flow ¹	(25,393)	(8,889)
	As at	As at
	September 30, 2023	June 30, 2023
Consolidated Balance Sheet Data:		
Total assets	1,203,841	1,213,986
Total liabilities	871,751	888,663
Shareholders' equity	332,090	325,323

¹Gross Margin, Adjusted EBITDA attributable to the Shareholders of the Company, and Free Cash Flow are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

SUMMARY OF SELECTED CONSOLIDATED QUARTERLY INFORMATION

WildBrain's results may vary on a quarterly basis due to the timing of production deliveries and distribution deals as well as seasonality in WildBrain Spark and our Consumer Products businesses. Historically, WildBrain's first quarter is the lightest (during summer months). WildBrain's second and third quarters tend to be stronger as our main markets are geared towards the fall and winter months, especially during the holiday season.

	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(expressed in \$000s except per share data)	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenues	105,506	506,079	140,864	140,480	126,652	112,005	129,458	153,164
Gross margin ¹	51,793	224,587	67,476	61,272	55,277	42,699	63,682	63,637
Net (loss) income attributable to the Shareholders of the Company	(15,515)	(28,731)	19,376	(13,401)	(7,572)	1,140	21,295	4,601
Adjusted EBITDA attributable to the Shareholders of the Company ¹	18,861	88,715	32,924	26,008	19,870	11,426	30,150	27,317
Weighted average common shares outstanding (in 000s)								
Basic	204,323	185,944	175,951	173,847	173,112,74	173,073	172,936	176,721
Diluted	204,323	185,944	215,950	173,847	190,353,97	214,918	197,160	183,896
Basic (loss) earnings per common share	(0.08)	(0.15)	0.11	(0.08)	(0.04)	0.01	0.12	0.03
Diluted (loss) earnings per common share	(0.08)	(0.15)	0.05	(0.08)	(0.06)	(0.08)	0.11	0.03

¹Gross Margin and Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

Results for the three-months ended September 30, 2023 ("Q1 2024") compared to the three-months ended September 30, 2022 ("Q1 2023")

Revenues

Consolidated revenue decreased \$21.1 million to \$105.5 million in Q1 2024 compared to Q1 2023. Revenue by business segment was comprised of the following:

(expressed in \$000s)	Q1 2024	Q1 2023	Variance	
	\$	\$	\$	%
Content Creation and Audience Engagement ¹	47,249	64,378	(17,129)	(27)%
Global Licensing	49,456	52,101	(2,645)	(5)%
Content and Licensing Business	96,705	116,479	(19,774)	(17)%
Canadian Television Broadcasting	8,801	10,173	(1,372)	(13)%
Total Revenue	105,506	126,652	(21,146)	(17)%

Content Creation and Audience Engagement: Revenue decreased \$17.2 million, or 27% to \$47.2 million in Q1 2024, compared to \$64.4 million in Q1 2023. Q1 2024, driven by lower live action production revenue².

Global Licensing: Revenue was \$49.5 million in Q1 2024, compared with \$52.1 million in Q1 2023. Revenue in the quarter was primarily driven by resilience in the US for Peanuts as well as strength in our global licensing agency, WildBrain CPLG and our owned brands, offset by timing of deals within the Peanuts brand as well as FX headwinds related to the Japanese Yen.

Canadian Television Broadcasting: Revenue decreased \$1.4 million or 13% to \$8.8 million in Q1 2024, compared to \$10.2 million in Q1 2023, reflecting subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was 93%, or \$8.2 million (Q1 2023 - 91%, or \$9.3 million), while advertising, promotion, digital and other revenues was 7%, or \$0.6 million (Q1 2023 - 9%, or \$0.9 million).

Gross Margin³

Gross margin represents revenue less direct production costs and expense of film and television produced.

(expressed in \$000s, except percentages)	Q1 2024		Q1 2023	
	Gross Margin \$	Gross Margin %	Gross Margin \$	Gross Margin %
Content and Licensing Business	46,324	48 %	48,723	42 %
Canadian Television Broadcasting	5,469	62 %	6,554	64 %
Total Gross Margin	51,793	49 %	55,277	44 %

Consolidated gross margin for Q1 2024 was \$51.8 million, a decrease of 3.5 million, compared to \$55.3 million for Q1 2023. Gross margin percentage for Q1 2024 was 49% of revenue, compared with 44% in Q1 2023. Gross margins were higher with less live action production in the current period, compared to the prior period.

Content Business gross margins were \$46.3 million in Q1 2024, compared with \$48.7 million in Q1 2023. Gross margin percentage for Q1 2024 was 48%, compared with 42% in Q1 2023.

Canadian Television Broadcasting gross margin was \$5.5 million in Q1 2024, compared with \$6.6 million in Q1 2023. We continued our cost containment measures and utilize our large library to control content costs. Gross margin percentage for Q1 2024 was 62%, compared with 64% in Q1 2023, due to the timing of programming amortization in the year based on term start dates.

¹For comparative results, legacy WildBrain Spark results were \$11.1 million in Q1 2024, compared to \$11.6 million in Q1 2023.

²For comparative results, legacy WildBrain Spark results were \$11.1 million in Q1 2024, compared to \$11.6 million in Q1 2023.

³Gross Margin and Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

Operating Expenses (Income)

Selling, General & Administrative ("SG&A")

SG&A costs for Q1 2024 were \$24.6 million, compared to \$25.7 million for Q1 2023, a decrease of \$1.1 million or 4%. The decrease was driven by a bad debt expense reversal of \$2.8 million, lower marketing expenses of \$0.6 million, lower consulting fees of \$0.5 million, offset by higher travel and entertainment costs of \$0.2 million, computer maintenance costs of \$0.3 million, other costs of \$0.6 million, and salary expenses of \$1.7 million (including variable compensation) primarily to support additional headcount in Asia-Pacific (APAC), in Q1 2024.

Share-Based Compensation

Total share-based compensation was \$1.6 million in Q1 2024, compared with \$1.3 million for Q1 2023, an increase of \$0.3 million driven by increases in grants of Deferred Shared Units ("DSU") in the current quarter.

Amortization

Total amortization of acquired and library content, property and equipment ("P&E") including right-of-use assets, and intangible assets was \$8.4 million for Q1 2024, compared with \$8.6 million in Q1 2023.

Amortization of acquired and library content was \$2.2 million in Q1 2024, compared to \$2.3 million in Q1 2023.

Amortization of P&E was \$3.1 million in Q1 2024, compared with \$2.7 million in Q1 2023.

Amortization of intangible assets was \$3.2 million in Q1 2024, compared with \$3.6 million in Q1 2023.

Reorganization, Development and Other

Reorganization, Development and Other expenses were \$5.0 million in Q1 2024, compared to \$1.6 million in Q1 2023. Q1 2024 included other charges of \$2.7 million (\$0.5 million development write-off, \$1.7 million system implementation costs, and \$0.5 million other) and termination and other benefits of \$2.2 million. (Q1 2023 - included other charges of \$0.2 million, termination and other benefits of \$1.1 million, and relocation costs of \$0.3 million.)

Write-down of Certain Investments in Film and Television Programs, Acquired and Library Content, Property and Equipment, Intangible Assets and Goodwill

During Q1 2024, there were no write-downs or impairment charges recorded, consistent with Q1 2023.

Finance Costs, net

Net finance costs were \$13.7 million in Q1 2024, compared to \$8.8 million in Q1 2023. The increase was primarily driven by changes in the fair value of the interest rate swap of \$5.6 million, offset by accretion on Convertible Debenture, lease liabilities, and other of \$1.3 million, compared to Q1 2023.

Change in Fair Value of Embedded Derivatives

The change in fair value of the embedded derivatives related to our Convertible Debentures was a gain of \$0.3 million in Q1 2024, compared to a gain of \$6.0 million in Q1 2023. The fair value of the embedded derivatives decreased significantly relative to the prior quarter primarily due to the shorter remaining maturity of the conversion option, and a decrease in WildBrain's share price during the period (from \$1.59 to \$1.48).

Foreign Exchange (Gain) Loss

Foreign exchange loss was \$6.1 million in Q1 2024, compared to a loss of \$12.5 million in Q1 2023. The loss was driven by the weaker Canadian dollar compared to the US dollar in the current quarter, resulting in unrealized foreign exchange translation loss on our US dollar denominated term debt.

Income Taxes

Income tax expense for Q1 2024 was \$0.3 million, compared to a recovery of \$0.9 million in Q1 2023. The income tax expense (recovery) in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed to recipients of this income outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the various taxing jurisdictions, non-deductible items and the continued nonrecognition of certain deferred tax assets in Canada.

Net (Loss) Income, Comprehensive Loss, and Loss Per Share

Net loss attributable to the Shareholders of the Company for Q1 2024 was \$15.5 million, compared to net loss of \$7.6 million for Q1 2023, a decrease of \$7.9 million. The decrease was primarily driven by lower gross margin dollars of \$3.5 million, higher share-based compensation of \$0.2 million, higher finance costs of \$4.9 million, income tax expense of \$1.3 million, offset by lower portion of net income attributable to non-controlling interests of \$3.5 million and lower SG&A of \$1.1 million, in the current quarter.

Comprehensive loss was \$2.8 million for Q1 2024, compared to income of \$27.0 million for Q1 2023.

Basic and diluted loss per share of \$0.08, in Q1 2024, compared to basic loss per share of \$0.04, and \$0.06, respectively, in Q1 2023.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was \$18.9 million in Q1 2024, compared with \$19.9 million in Q1 2023, a decrease of \$1.0 million. The decrease was driven by lower gross margin dollars of \$3.5 million, offset by lower SG&A of \$1.1 million, and lower portion of Adjusted EBITDA attributable to non-controlling interests of \$1.3 million.

Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP measure, refer to section "Non-GAAP Financial Measures" of this MD&A for the definition and detailed calculation of this non-GAAP measure.

Financial Condition

The following table summarizes certain information with respect to WildBrain's capitalization and financial position as at September 30, 2023 and June 30, 2023:

(expressed in \$000s, except ratio data)	September 30, 2023	June 30, 2023
	\$	\$
Cash (including restricted cash)	54,167	80,348
Amounts receivable	355,158	361,089
Investment in film and television programs	183,691	175,692
Acquired and library content	84,328	85,470
Intangible assets	457,133	447,754
Other assets	69,364	63,633
Total assets	1,203,841	1,213,986
Bank indebtedness	12,000	7,000
Accounts payable, accrued and derivative liabilities	171,222	171,464
Interim production financing	81,802	86,891
Long-term debt	502,569	493,978
Lease liabilities	30,312	32,049
Deferred revenue	55,126	75,549
Other liabilities	18,720	21,732
Total liabilities	871,751	888,663
Shareholders' equity	332,090	325,323
Working capital ¹	80,849	213,247
Working capital ratio ²	1.17	1.60
Net debt ³	460,402	420,630

¹Working capital is calculated as current assets less current liabilities.

²Working capital ratio is current assets divided by current liabilities.

³Net debt includes long-term debt and bank indebtedness less cash and excludes interim production financing.

Total assets were \$1,203.8 million at September 30, 2023, compared to \$1,214.0 million at June 30, 2023, a decrease of \$10.1 million. The decrease was primarily driven by lower amounts receivable of \$5.9 million and lower acquired and library content of \$1.1 million, offset by higher investment in film and television programs of \$8.0 million, higher intangible assets of \$9.4 million, driven by the weaker Canadian dollar which resulted in an upward revaluation of US dollar denominated intangible assets, and other assets of \$5.7 million.

Total liabilities were \$871.8 million at September 30, 2023, compared to \$888.7 million as at June 30, 2023, a decrease of \$16.9 million. The decrease was driven by lower deferred revenue of \$20.4 million, lower interim production financing of \$5.1 million, lease liabilities of \$1.7 million and other liabilities of \$3.0 million, offset by higher long-term debt of \$8.6 million, higher accounts payable and accrued liabilities of \$0.2 million and bank indebtedness of \$5.0 million.

Shareholders' equity was \$332.1 million as of September 30, 2023, compared to \$325.3 million at June 30, 2023, an increase of \$6.8 million.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended	
	September 30, 2023	September 30, 2022
	\$	\$
Cash Inflows (Outflows) by Activity:		
Operating activities	(2,963)	(23,324)
Financing activities	(19,029)	25,736
Investing activities	(4,067)	(1,936)
Effect of foreign exchange rate changes on cash	(122)	1,629
Net cash inflows (outflows)	(26,181)	2,105

Changes in Cash

Cash at September 30, 2023 was \$54.2 million, compared to \$80.3 million (included restricted cash) at June 30, 2023.

Operating Activities

During Q1 2024, cash used in operating activities was \$3.0 million, compared to \$23.3 million used in operating activities in Q1 2023, an increase of \$20.4 million. The increase was driven by a working capital inflow in the current period of \$22.7 million, compared to a working capital outflow of \$57.3 million in the prior comparative period.

Financing Activities

During Q1 2024, cash flows used in financing activities were outflows of \$19.0 million, compared to inflows of \$25.7 million in Q1 2023. The increase in outflows of \$44.8 million was primarily driven by the net change of repayment of bank indebtedness of \$7.3 million, interest paid on long term debt of \$1.3 million, net change of interim production financing of 33.4 million, and higher non-controlling interest of \$1.7 million, compared to Q1 2023.

Investing Activities

During Q1 2024, cash flows used in investing activities were outflows of \$4.1 million, compared with \$1.9 million in Q1 2023. The increase of \$2.1 million used was primarily related to the business acquisition of House of Cool, in Q1 2024 (see "Recent Transactions" below).

Bank Indebtedness and Long-Term Debt

Term Loan and Revolving Facility

On March 26, 2021, the Company refinanced its term facility with a seven-year US\$285.0 million (\$358.4 million) senior secured term loan facility (the "Term Loan") maturing March 26, 2028. The Term Loan has no financial maintenance covenant and bears interest at Secured Overnight Financing Rate ("SOFR") plus 4.25%. The net proceeds from the Term Loan were used to repay the previous US\$276.5 million (\$376.8 million) Term Facility. At the same time, we entered into a five-year US\$30.0 million Revolving Facility ("Revolver") with an interest rate of prime. On October 21, 2022, the Company amended its Senior Credit Agreement to increase its Revolving Facility to US\$40.0 million for general corporate and working capital purposes. These facilities do not carry a financial maintenance covenant, except when amounts are drawn and outstanding on the Revolver. As of September 30, 2023, \$12.0 million (June 30, 2023 - \$7.0 million) was drawn on this facility.

The Revolver matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures (September 30, 2024), except where converted. Under our Revolver, when amounts are drawn and outstanding at the end any fiscal quarter, we are required to comply with a leverage covenant of 6.25x. As of September 30, 2023, our Total Net Leverage Ratio was 4.61x.

The Term Loan is repayable in equal quarterly installment payments of US\$0.7 million or 0.25% of the initial principal commencing June 30, 2021.

The Term Loan also requires annual repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement), commencing for the fiscal year-ended June 30, 2022, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on March 26, 2028. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2023.

During Q4 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US\$165.0 million of the Term Loan from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24%.

For additional information on the Term Loan, refer to the Senior Secured Credit Agreement on SEDAR+ at www.sedarplus.com.

Senior Unsecured Convertible Debentures

As of September 30, 2023, the senior unsecured convertible debentures ("Convertible Debentures") had a principal balance of \$140.0 million (June 30, 2023 - \$140.0 million), bearing interest at an annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares (together, "Shares") of the Company at a price of \$7.729 per Share, subject to certain customary adjustments. The Convertible Debentures mature September 30, 2024 and have been included in the current portion of long-term debt on the interim condensed consolidated balance sheet (unaudited).

The Convertible Debentures have a cash conversion option whereby the Company can elect to make a cash payment in lieu of issuing Common Voting Shares or Variable Voting Shares upon exercise of the conversion option feature by the holder of the Convertible Debentures. As a result, the Convertible Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivative was recorded as a derivative liability. Changes in the estimated fair value of the embedded derivative is recorded through the Company's interim condensed consolidated statement of (loss) income (unaudited). As of September 30, 2023, the estimated fair value of the embedded derivative was \$0.1 million.

Exchangeable Debentures

On June 24, 2023, at the maturity date, the Company repaid US\$18.5 million (\$22.3 million) in outstanding Exchangeable Debentures. The Company exercised its right to satisfy its obligation to pay all of the outstanding principal and accrued and unpaid interest in respect of the Exchangeable Debentures to Fine Capital by delivering Variable Voting Shares of the Company in lieu of cash. The Company issued 19,977,277 variable voting shares to Fine Capital.

In Q4 2020, we issued warrants to purchase 5,000,000 Variable Voting Shares to Fine Capital at a price of \$1.45 per Variable Voting Share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025.

See section "Related Party Transactions" of this MD&A and note 14 in the audited consolidated financial statements for the year ended June 30, 2023 for additional details.

Working Capital and Liquidity

Working capital represents the Company's current assets less current liabilities, which was \$80.8 million as at September 30, 2023, compared to \$213.2 million at June 30, 2023.

All of our significant businesses are cash flow positive over the course of a year, while they have quarterly fluctuations. We frequently review our cash flows by business unit and actions are taken if and as necessary.

Technology Investments

Investments in technology, primarily in our studio and WildBrain Spark business, are principally leases of equipment, which are paid for over time from operating cash flows.

Production Investments

Productions are principally paid for with interim production credit facilities that are secured by licensing contracts receivable and film tax credits and are repaid as those receivables and tax credits are collected. When initiating new productions we typically require the significant majority of expenditures to be covered by licensing contract receivables and film tax credits, accordingly the Company's investment in excess of these receivables and tax credits is typically limited, however there could be some working capital variations depending on timing of production and collection of the underlying contracts.

Canadian Content Investments

As a Canadian broadcaster, we are required to invest in a certain amount of Canadian content which is used for programming our channels and for our distribution business. The amount required to be spent is calculated as a percentage of our revenues generated by our broadcasting business. These expenditures are funded from operating cash flows.

Acquisitions

When making other investments and acquisitions, we assess the expected returns, the risks and timing of those expected returns and consider whether to use the Company's existing funds, Revolver, or the issuance of equity.

Based on our current revenue forecasts and expectations for Fiscal 2024, we believe that our working capital is sufficient to meet our present requirements and near-term business plans for the next 12 months. We expect foreseeable cash needs to be funded through operating cash flows, existing cash resources, and the Revolver.

Contractual Obligations¹

The following table summarizes our outstanding cash commitments as of September 30, 2023:

<u>Payments Due by Period</u>	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
(expressed in \$000s)	\$	\$	\$	\$	\$
Bank indebtedness	12,000	12,000	—	—	—
Accounts payable and accrued liabilities	171,144	171,144	—	—	—
Interim production financing	81,802	81,802	—	—	—
Other long-term liabilities	11,530	—	11,530	—	—
Senior unsecured convertible debentures	148,225	148,225	—	—	—
Term facility	449,803	19,758	39,025	391,020	—
Lease liabilities	26,705	9,981	12,875	2,684	1,165
Total Contractual Obligations	901,209	442,910	63,430	393,704	1,165

¹ Contractual payments in the table above include fixed rate interest payments but exclude variable rate interest payments and are not discounted.

Recent Transactions

Acquisition of House of Cool

In Q1 2024, we completed the acquisition of House of Cool, one of the top pre-production companies in the global animation industry. Under the agreement, the Company acquired full ownership of House of Cool through the issuance of 4,479,406 WildBrain shares and \$5.1 million in cash (subject to a customary working capital adjustment). Additionally, the Company is required to repay the seller for certain tax credits relating to in process productions at the date of acquisition and completed productions which have yet to receive their final tax credit. \$6.0 million has been recorded as a liability to the seller based on the estimated value of tax credits on acquisition.

Acquisition of Brand Representation Rights

In March 2022, we acquired certain Peanuts brand representation rights in Asia Pacific, including China, beginning July 2022. The total purchase price was \$10.7 million of which \$3.6 million was paid on March 31, 2022, and equal installments of \$0.5 million was paid monthly from April 2022 through to December 2022. The remaining \$2.6 million was paid over the period through March 31, 2023, on achieving certain financial performance conditions. This investment is consistent with our strategy of consolidating representation rights under our global licensing agency, WildBrain CPLG, to grow our consumer products business.

In September 2022, the Company acquired the rights, title and interest of a children's entertainment property for an aggregate price of \$1.8 million. These assets were classified as acquired and library content in the interim condensed consolidated balance sheets (unaudited).

Share Capital

As of September 30, 2023, our issued and outstanding share capital was as follows:

Common Voting Shares	25,182,987
Variable Voting Shares	180,183,500
Total Common Shares	205,366,487
Preferred Variable Voting Shares	500,000,000
Stock Options	3,517,800
Restricted Share Units	3,191,067
Performance Share Units	2,547,663
Deferred Share Units	3,124,385

Pursuant to WildBrain's articles of incorporation and the *Broadcasting Act (Canada)*, the Common Voting Shares may only be held and controlled by Canadians, and the Variable Voting Shares may only be held and controlled by non-Canadians. The dual-class share structure is required to enable the Company to comply with Canadian ownership rules as an operator of broadcast assets in Canada. The preferred variable voting shares were instituted prior to the Company's initial public offering and are maintained to ensure compliance with Canadian ownership requirements related to its business and continuing qualification for tax credits. For additional information on WildBrain's share capital, see our Fiscal 2023 AIF dated September 12, 2023 filed on www.sedarplus.com.

Off-Balance Sheet Arrangements

As of the date of this MD&A, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of our operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

Exchangeable Debentures

On June 24, 2023, at the maturity date, the Company settled US\$18.5 million in outstanding Exchangeable Debentures with Fine Capital, our largest shareholder. The Company exercised its right to satisfy its obligation to pay all of the outstanding principal and accrued and unpaid interest in respect of the Exchangeable Debentures to Fine Capital by delivering variable voting shares in lieu of cash. The Company issued 19,977,277 variable voting shares to Fine Capital. On June 24, 2020, we issued Fine Capital warrants to purchase 5,000,000 Variable Voting Shares at a price of \$1.45 per share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires Management to make estimates, judgments, and assumptions that Management believes are reasonable based upon the information available. These estimates, judgments, and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year or period. Actual results can differ from those estimates (refer to the section "Caution Regarding Forward-Looking Statements" of this MD&A for more information regarding forward-looking information). For a discussion of all of the Company's accounting policies, refer to note 3 of the audited consolidated financial statements for the year ended June 30, 2023 on www.sedarplus.com or WildBrain's website at www.wildbrain.com.

Significant accounting judgments and estimation uncertainty

The preparation of financial statements under IFRS require the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The Company's significant accounting judgments and estimation uncertainty are as described in the Company's Fiscal 2023 notes to the consolidated financial statements.

Changes in Accounting Policies

There were no changes in accounting policies in Q1 2024.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash and restricted cash, amounts receivable, bank indebtedness (when drawn), interim production financing, accounts payable and accrued liabilities, long-term debt, and certain items included within other liabilities. The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, liquidity risk, and currency risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counter-party to a financial asset or liability fails to meet its contractual obligations, and arises primarily from the Company's cash and cash equivalents, and credit exposure to customers and partners through outstanding trade receivables and other receivables.

The maximum exposure to credit risk for cash and cash equivalents and trade receivables (excluding government and film tax credit and interest rate swap receivables) approximate the amount recorded on the interim condensed consolidated balance sheets (unaudited) of \$330.6 million (June 30, 2023 - \$365.4 million). We manage credit risk on cash and cash equivalents by ensuring that the counter-parties are banks, governments and government agencies with high credit ratings.

The balance of trade amounts receivable is mainly with Canadian broadcasters and large international distribution companies. Management manages credit risk by performing a credit assessment on new customers and regularly reviewing aged accounts receivables. To determine the loss allowance for trade receivables, management assessed the lifetime expected credit losses of customers by categorizing these customers into different risk profile groups and applying provision percentages based on historical loss rates and management's experience and judgment. The loss allowance for trade receivables represents approximately 3.0% of current trade receivables which management believes is adequate. Further, long-term receivable arrangements are only granted to large international linear and digital broadcasting companies with good payment history.

To manage the risk of non-collection, we have increased our collection efforts with customers, risk-adjusted certain customers when determining a loss allowance, and in some limited cases provided customers with payment plans on past due amounts. The majority of our other customers are large Canadian and international broadcasters, or large international distribution companies, and we have very good collection histories with these clients.

Based on collections subsequent to the current quarter, and discussions with customers, we believe that the loss provision is adequate as of September 30, 2023.

Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, Revolving Facility, Term Debt Facility and cash and cash equivalents which are subject to interest rate benchmarks that fluctuate such as prime rate, SOFR rate, bankers acceptance rates, and other applicable interest rate benchmarks.

During Q4, 2021, the Company entered into a 3-year term interest swap maturing on June 28, 2024, which secures US\$165.0 million of the Term Loan from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24%. Management will continue to monitor the interest rate risk closely and ensure appropriate measures are implemented.

An increase of 100 basis points in interest rates during the quarter ended September 30, 2023 would have decreased pre-tax net income by \$5.9 million (September 30, 2022 - \$6.5 million).

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We manage liquidity by regularly preparing cash flow forecasts, and continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. A summary of the Company's financial liabilities and their contractual maturities can be found in the "Contractual Obligations" section of this MD&A.

We operate a diverse range of business lines, including animation and live-action production studios, linear and digital content distribution, consumer products licensing and representation, advertising sales and linear broadcasting. While the operating results may experience variability from period to period, operating cash flows are generally predictable based on our production and content pipeline, contract renewals, royalty agreements and associated minimum guarantees, and television

subscriber fees. Significant cash outlays for investments are made after assessing return on investment and timing of cash flows.

As discussed above, all of our significant business units are cash flow positive over the course of a year, while there are fluctuations during the year. We frequently review our cash flows by business unit and actions are taken if and when necessary.

As of September 30, 2023, we had cash balances of \$54.2 million and amounts receivable of \$355.2 million. Based on our cash balances and available credit facilities, expected collection of trade and other receivables, and forecasted operating results, management believes it will be able to fulfill its financial obligations as they become due.

Under our Revolver, when amounts are drawn and outstanding at the end any fiscal quarter, we are required to comply with a leverage covenant of 6.25x. As at September 30, 2023, our Total Net Leverage Ratio was 4.61x.

Risks Related to Indebtedness and Refinancing

The Company's ability to obtain additional financing or refinance existing obligations will depend on our operating performance, the condition of the capital markets and short and long-term debt ratings assigned by independent rating agencies. Additionally, circumstances related to rising interest rates and inflation and other factors can cause disruption in the capital markets, which could make financing or refinancing more difficult and/or expensive, and we may not be able to obtain such financing or refinancing.

The Company has \$490.0 million of long-term debt, of which \$140.0 million, consisting of the Convertible Debentures, will mature in September 2024. Any refinancing or repayment could be at higher interest rates, less favorable terms, may require compliance with more onerous covenants or result in dilution of shareholders.

Currency risk

The Company has global operations which require holding cash and working capital balances, generating revenue and incurring costs in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. We periodically enter into foreign exchange forward contracts to manage our foreign exchange risk across our portfolio of currencies which are primarily denominated in Canadian dollar, US dollar and GBP.

Risk Assessment

The Company is exposed to a number of specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that we do not currently anticipate will be material, may impair our business and results of operations and as a result could materially impact our business, results of operations, prospects, and financial condition. The specific and general risks include, but are not limited to the following: epidemics, pandemics or other public health crises, including the outbreak of COVID-19, the magnitude and length of economic disruption as a result of the worldwide COVID-19 outbreak and its impact on advertising markets and the consumer products and retail sectors including, among other things, supply chain disruptions which could materially and adversely impact the Company's business, financial condition, and performance, competition and competitor activities, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, the Company's ability to source IP and creative talent who can develop IP, consumer and customer preferences, the ability of the Company to execute on its strategy, the Company's leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company (as and where applicable), the ability of the Company to identify and execute on production, distribution and licensing arrangements, dependence on key third party relationships and partnerships, termination or renegotiation of contracts, litigation or regulatory or arbitral action, unauthorized disclosure of confidential, proprietary or sensitive information, cybersecurity and informational technology incidents and issues, internal conflicts of interest, financial reporting and other public company regulatory obligations and potential errors therein, the ability of the Company to attract and retain talent, reliance on key personnel, risks relating to the Company's exposure to advertising revenues through YouTube and the ability of the Company to attract and realize on advertising revenues, including through YouTube and on other platforms, adverse publicity, risks related to doing business internationally, interest and foreign exchange rates fluctuations, the reliance of the Company on the Internet and other technologies to continue to conduct its business, technology changes, intellectual property infringement and other claims, the ability of the Company to exploit its content library, access to capital, maintaining effective internal controls, equity capital markets risk and market share price fluctuations, loss of Canadian status, access to government incentives, subsidies, and tax credits, loss of television licenses, the availability of acquisition and investment opportunities at acceptable valuations and the ability to execute on such opportunities, production risks, financial risks and dilution from the Company's capital requirements, labour relations, changes in the regulatory environment, general economic and market segment conditions, recessions, market factors, and catastrophic events and circumstances.

The invasion of Ukraine by Russia and associated political and economic repercussions (including, but not limited to, sanctions and restrictions on international payment services) subject the Company and its business to a number of known and unknown risks. The Company's decision to suspend licensing of owned content and brands in Russia, and the decision of third parties whom the Company represents in Russia to suspend licensing of their content and brands in Russia, could negatively impact revenues attributable to such commercial arrangements, however currently this is not expected to have a material impact on the company. Additionally, the Company's business and financial results may be materially and adversely impacted due to other factors arising from such situation, including, but not limited to, non-collectability of receivables, significant delays in exports or imports, supply chain interruptions in general, the potential effect of bans and other sanction programs, further boycotts on business, other political and social ramifications, impacts on financial markets and general economic effects, and patterns of consumption and service.

A discussion of the specific and general risks affecting the Company and its business is set forth under the heading "Risk Factors" in the Company's Fiscal 2023 Annual Information Form which is available on SEDAR+ at www.sedarplus.com. The descriptions of the risks in the Annual Information Form, together with the risks discussed in this MD&A, do not include all possible risks, and there may be other risks of which the Company is currently not aware or is not presently anticipating that may arise and have a material adverse effect on the Company's business, results of operations, prospects, financial condition, financial performance and cash flows.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information is gathered and reported to senior Management to permit timely decisions regarding public disclosure and to provide reasonable assurance that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules.

The CEO and the CFO have also designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

In its quarterly filings dated November 7, 2023, the CEO and the CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures, and internal control over financial reporting, concluded that as of September 30, 2023, both the Company's disclosure controls and procedures, and internal control over financial reporting were effective. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in internal controls over financial reporting during the period ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Non-GAAP Financial Measures

In addition to the results reported in accordance with IFRS as issued by the International Accounting Standards Board, the Company uses various non-GAAP financial measures, which are not recognized under IFRS, as supplemental indicators of our operating performance and financial position. These non-GAAP financial measures are provided to enhance the user's understanding of our historical and current financial performance and our prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of our core operating results and ongoing operations and provide a consistent basis for comparison between periods. The following discussion explains the Company's use of certain non-GAAP financial measures, which are Adjusted EBITDA, Adjusted EBITDA attributable to the Shareholders of the Company, Gross Margin and Free Cash Flow.

Investors are cautioned that these non-GAAP financial measures should not be construed as an alternative measure to net income or loss, or other measures as determined in accordance with GAAP, or as an indicator of the Company's financial performance or a measure of liquidity and cash flows.

"Adjusted EBITDA" means earnings (loss) before net finance costs, income taxes, amortization of property & equipment and right-of-use and intangible assets, amortization of acquired and library content, equity-settled share-based compensation expense, changes in fair value of embedded derivatives, gain/loss on foreign exchange, reorganization, development and other expenses, impairment of certain investments in film and television programs/acquired and library content/P&E/intangible assets/goodwill, and also includes adjustments for other identified charges, as specified in the accompanying tables. Adjusted EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that certain lenders, investors and analysts use Adjusted EBITDA to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement in the media and entertainment industry. Further, certain of our debt covenants use Adjusted EBITDA in the calculation. The most comparable GAAP measure is earnings before income taxes.

"Adjusted EBITDA attributable to the Shareholders of the Company" means Adjusted EBITDA excluding the portion of Adjusted EBITDA attributable to non-controlling interests.

"Gross Margin" means revenue less direct production costs and expense of film and television produced. Gross Margin is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Gross Margin may not be comparable to similar measures presented by other issuers. Management believes Gross Margin is a useful measure of profitability before considering operating and other expenses and can be used to assess the Company's ability to generate positive net earnings and cash flows. The most comparable GAAP measure is gross profit, as calculated below.

"Free Cash Flow" means operating cash flow less distributions to non-controlling interests, changes in interim production financing, cash interest paid on our long-term debt, bank indebtedness, and lease liabilities, and principal repayments on our lease liabilities. Free Cash Flow does not have a standardized meaning prescribed by GAAP; accordingly, Free Cash Flow may not be comparable to similar measures presented by other issuers. Management believes Free Cash Flow is a useful measure of the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends, and repurchase shares. The most comparable GAAP measure is cash from operating activities.

Reconciliation of Quarterly to Adjusted EBITDA and Adjusted EBITDA attributable to the Shareholders of the Company

The following table reconciles income (loss) before income taxes to Adjusted EBITDA, and to Adjusted EBITDA attributable to the Shareholders of the Company, for each three-month period ending as follows:

	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(expressed in \$000s)	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Income (loss) before income taxes	(7,358)	(24,674)	14,295	(2,585)	2,806	(3,842)	30,399	14,003
add back:								
Finance costs, net	13,727	13,530	15,202	12,822	8,803	7,902	2,489	10,106
Change in fair value of embedded derivatives	(262)	(17,865)	(15,651)	17,752	(6,034)	(20,251)	(2,300)	3,274
Foreign exchange	6,125	(180)	7,234	(8,794)	12,456	16,381	(6,237)	(1,412)
Amortization of P&E and intangible assets	6,265	6,254	5,994	6,034	6,274	5,235	5,848	5,626
Amortization of acquired and library content	2,158	2,447	2,495	2,410	2,349	2,564	2,562	2,553
Write-down of certain investment in film and television programs, acquired and library content, P&E, intangible assets, and goodwill	—	35,587	6,032	—	—	1,507	—	—
Share-based compensation	1,557	1,368	1,255	4,373	1,327	1,523	1,725	2,133
Reorganization, development and other (income) expenses	4,992	10,450	2,471	2,722	1,568	3,962	1,428	1,733
Adjusted EBITDA	27,204	26,917	39,327	34,734	29,549	14,981	35,914	38,016
Portion of Adjusted EBITDA attributable to non-controlling interests ¹	(8,343)	(7,809)	(6,405)	(8,726)	(9,679)	(3,555)	(5,764)	(10,699)
Adjusted EBITDA attributable to the Shareholders of the Company	18,861	19,108	32,922	26,008	19,870	11,426	30,150	27,317

¹Portion of Adjusted EBITDA attributable to non-controlling interests is calculated as net income attributable to non-controlling interests, less interest, taxes, depreciation and amortization attributable to non-controlling interests.

Reconciliation of Quarterly Results to Gross Margin

The following table reconciles revenue less direct production costs and amortization of film and television produced to gross margin, for each three-month period ending as follows:

	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(expressed in \$000s)	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Revenue	105,506	124,875	140,864	140,480	126,652	112,005	129,458	153,164
less: Direct production costs and amortization of film and television produced	(53,713)	(67,370)	(73,388)	(79,208)	(71,375)	(69,306)	(65,776)	(89,527)
Gross Margin	51,793	57,505	67,476	61,272	55,277	42,699	63,682	63,637

Reconciliation of Quarterly Operating Cash Flow to Free Cash Flow

The following table reconciles cash flow from operating activities to Free Cash Flow, for each three-month period ending as follows:

	Fiscal 2024	Fiscal 2023				Fiscal 2022		
	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec
(expressed in \$000s)								
Cash flow provided by operating activities	(2,963)	30,432	23,970	63,112	(23,324)	(6,470)	39,661	11,259
less:								
Distributions to non-controlling interests	(4,629)	(7,299)	(5,904)	(5,641)	(2,378)	(4,449)	(13,006)	(11,355)
Change in interim production financing	(5,089)	5,001	(12,424)	(18,213)	28,292	14,084	(11,098)	7,498
Interest paid	(10,258)	(8,449)	(7,570)	(10,280)	(9,148)	(5,727)	(5,244)	(5,645)
Repayment of lease liabilities	(2,454)	(2,791)	(2,685)	(2,550)	(2,331)	(2,169)	(2,245)	(2,562)
Free Cash Flow	(25,393)	16,894	(4,613)	26,428	(8,889)	(4,731)	8,068	(805)

Additional Information

Additional information related to WildBrain, its business and subsidiaries, including its AIF is available on SEDAR+ at www.sedarplus.com.