WildBrain™

Q1 2025

Management Discussion and Analysis
of Financial Condition and Results of Operation
For the Three- Months ended September 30, 2024 and September 30, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of November 7, 2024 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, 2024 compared to June 30, 2024, and the consolidated results of operations for the three months ended September 30, 2024 compared with the corresponding three months ended September 30, 2023. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements (unaudited) and related notes for the three months ended September 30, 2024. 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, as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), including International Accounting Standards ("IAS") 34, Interim Financial reporting, 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 Accounting Standards. 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 Toronto, 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.ca.

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's 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;
- 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 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; and
- investments, acquisitions and other growth opportunities, use of capital for such opportunities and expected returns and benefits therefrom.

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 behavior 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, 2024 filed on www.sedarplus.ca 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 family entertainment company, recognized globally for high-profile properties including Peanuts, Strawberry Shortcake, Teletubbies, Degrassi, Inspector Gadget, and Yo Gabba Gabba!. WildBrain focuses on kids' 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 evergreen and therefore can be licensed into numerous markets repeatedly for many years.

In addition to producing award-winning series, WildBrain owns what management estimates to be one of the world's most extensive independent libraries of children's and family content of approximately 14,000 half-hours.

WildBrain takes a 360° approach to growing brands by managing and monetizing content and IP across its business through the following core capabilities:

- Content Creation – comprising all of the Company's development and production capabilities, including its animation studio, its digital studio (formerly the WildBrain Spark digital studio) and its 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 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 and direct-to-consumer e-commerce, including the activities of the Company's leading global licensing agency, WildBrain CPLG, the Company's franchise management activities for key owned brands such as Teletubbies and Strawberry Shortcake, and the Company's majority interest in the Peanuts brand.

WildBrain also owns and operates its television broadcasting business ("WildBrain Television"), consisting of the Family suite of linear specialty kids' channels in Canada, which has been a trusted broadcaster for over 35 years.

Revenue Model

WildBrain operates through the following three reportable segments:

<u>Content Creation and Audience Engagement</u>

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 revenue from selling content from our library, which includes internally produced proprietary titles, acquired library titles and third-party produced titles for which we hold distribution rights, to digital platforms such as Apple TV+, Amazon Prime, and Netflix, and to linear broadcast channels across different geographic territories; and iv) a share of revenues from offering 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 sales on the platform. Other sources of revenue include producing original short-form content (animation, toy play, stop motion and live action), running paid media advertising campaigns and direct advertising sales on AVOD platforms.

Global Licensing

Global Licensing revenue is earned from generating licensing royalties on our proprietary brands (including among others, Peanuts, Strawberry Shortcake, and Teletubbies, 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

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 content 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 kids' entertainment.

We capitalize on the demand for both premium and short-form content to grow brands by leveraging our position as the owner of many well-known brands. We estimate that we are the world's largest independent library of kids' and family's content with approximately 14,000 half-hours of programming available, and we possess a 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.

Fiscal 2025 Outlook

We see a return to growth for the business in Fiscal Year 2025. This is driven by improving conditions in the content production market, continued advances for our YouTube and FAST platforms, and strong growth for our portfolio of owned brands.

In July 2024, WildBrain successfully refinanced its Term Loan, Revolving Credit and Convertible Debentures, replacing them with a new private credit facility that extends all maturities to 2029. Over Fiscal Year 2025 and beyond, we will look to drive organic growth, streamline our costs base and reduce our leverage. We will continue to leverage WildBrain's 360º capabilities in content creation, audience engagement and licensing to maximize the monetization of our assets and IP.

Fiscal 2025 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^{o} capabilities across Content Creation, 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 services to third-party partners
Deliver Sustainable Growth	- Maintain a disciplined approach to managing our cost base while leveraging investments made over recent years - In Fiscal Year 2025, we expect revenue growth of approximately 10 to 15% and Adjusted EBITDA[1] growth of approximately 5 to 10%.
Improve Balance Sheet	- Continue our commitment to financial discipline, reducing leverage and consistent free cash flow generation. We continue to target leverage of under 4x over time. We expect leverage to remain elevated through Fiscal Year 2025 as we return to growth in our content production business.

Our Fiscal 2025 financial outlook is based on our latest projections and our current pipeline, as well as expected timing around revenue recognition on our production projects.

[1]Adjusted 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, 2024 ("Q1 2025")

- Consolidated revenue grew to $111.0 million in Q1 2025, compared to $105.5 million in Q1 2024, an increase of $5.5 million or 5%.
- Content Creation and Audience Engagement revenue decreased to $40.8 million in Q1 2025, a decrease of 14%, compared to $47.2 million in Q1 2024. The decline in Q1 2025 revenue was driven by continued reduced activity in the production studios and timing of live action production. Declines in production revenue were offset by higher music licensing revenue, as well as continued strength in the FAST and AVOD networks. Kids continue to be highly engaged on our AVOD networks, with over 65 billion minutes of videos watched on our network, as compared to 47 billion minutes of videos watched on our network in Q1 2024.
- Global Licensing revenue rose to $62.9 million in Q1 2025, an increase of 27%, compared with $49.5 million in Q1 2024. The Peanuts brand, WildBrain's owned brands, Strawberry Shortcake and Teletubbies and our global licensing agency, WildBrain CPLG, all contributed to this strong growth.
- Gross margin[1] percentage for Q1 2025 was 47%, compared with a gross margin percentage of 49% in Q1 2024. Gross margin percentage was lower primarily as a result of higher investment in film amortization and third party participation costs in the quarter due to brand mix.
- SG&A costs for Q1 2025 were $27.4 million, compared to $24.6 million for Q1 2024, an increase of $2.8 million or 11%. Q1 2024's costs reflect the recovery of a previously reserved bad debt of $2.8 million. Absent that recovery, Q1 2024's SG&A costs would have been $27.4 million.
- Net loss attributable to Shareholders of the Company was $10.6 million in Q1 2025, a decrease of $4.9 million, compared to net loss of $15.5 million in Q1 2024.
- Adjusted EBITDA attributable to Shareholders of the Company[1] was $15.3 million in Q1 2025, compared with $18.9 million in Q1 2024, a decrease of $3.6 million or 19%.
- Cash provided by operating activities in Q1 2025 was $25.8 million, compared to $3.0 million used in operating activities in Q1 2024. Free Cash Flow[2] for Q1 2025 was positive $4.8 million, compared to negative $25.4 million in Q1 2024. The variance is largely driven by timing and interim production financing facility repayments.
- The Company refinanced its debt, repaying the previous Senior Secured Term Loan facility maturing March 26, 2028, and Revolving Facility due July 26, 2024 (as extended). Proceeds from the refinancing, along with working capital and proceeds of $7.25 million from the exercise by Fine Capital of warrants to purchase 5,000,000 Variable Voting Shares at a price of $1.45 per share, were used to fully repay the Company's Convertible Debentures, due September 30, 2024.

[1] Gross 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.

[2] Free Cash Flow is 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 periods ended September 30, 2024, and September 30, 2023 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.ca.

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

	Three Months Ended	
(expressed in $000s, except per share data)	September 30, 2024	September 30, 2023
Consolidated Statements of (Loss) Data:		
Revenues	111,026	105,506
Direct production costs and expense of film and television produced	(58,289)	(53,713)
Gross margin[1]	52,737	51,793
Selling, general, and administrative expenses	(27,361)	(24,589)
Share-based compensation	(1,997)	(1,557)
Amortization, finance costs and other expenses, net	(23,858)	(33,005)
Income tax recovery (expense)	2,174	(341)
Net income (loss) for the period	1,695	(7,699)
Net income attributable to non-controlling interests	(12,315)	(7,816)
Net loss attributable to the Shareholders of the Company	(10,620)	(15,515)
Basic loss per common share	(0.05)	(0.08)
Diluted loss per common share	(0.05)	(0.08)
Weighted average common shares outstanding (in 000s)		
Basic	210,194	204,323
Diluted	210,194	204,323
Other Key Performance Measures:		
Adjusted EBITDA attributable to the Shareholders of the Company[1]	15,335	18,861
Cash flow provided by operating activities	25,816	(2,963)
Free Cash Flow[1]	4,763	(25,393)

	As at September 30, 2024	As at June 30, 2024
Consolidated Balance Sheet Data:		
Total assets	1,027,245	1,053,203
Total liabilities	776,917	806,713
Shareholders' equity	250,328	246,490

[1]Gross 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 our kids and family channels, AVOD and consumer products licensing 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. Additionally, the timing of material content licensing agreement can impact WildBrain's results from quarter to quarter.

	Fiscal 2025	**Fiscal 2024**				**Fiscal 2023**		
	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	111,026	129,968	100,063	126,283	105,506	124,875	140,864	140,480
Gross margin[1]	52,737	59,549	50,523	59,246	51,793	57,505	67,476	61,272
Net (loss) income attributable to the Shareholders of the Company	(10,620)	(80,710)	(14,741)	4,997	(15,521)	(44,405)	19,376	(13,401)
Adjusted EBITDA attributable to the Shareholders of the Company[1]	15,335	23,916	19,613	25,175	18,855	19,106	32,924	26,008
Weighted average common shares outstanding (in 000s)								
Basic	210,194	206,555	206,605	206,309	204,323	185,944	175,951	173,847
Diluted	210,194	206,555	206,605	206,316	204,323	185,944	215,950	173,847
Basic (loss) earnings per common share	(0.05)	(0.39)	(0.07)	0.02	(0.08)	(0.24)	0.11	(0.08)
Diluted (loss) earnings per common share	(0.05)	(0.39)	(0.07)	0.02	(0.08)	(0.24)	0.05	(0.08)

[1]Gross 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, 2024 ("Q1 2025") compared to the three-months ended September 30, 2023 ("Q1 2024")

Revenues

Consolidated revenue increased $5.5 million to $111.0 million in Q1 2025, compared to $105.5 million Q1 2024. Revenue by business stream was comprised of the following:

	Q1 2025	Q1 2024	Variance	
(expressed in $000s)	$	$	$	%
Content Creation and Audience Engagement[1]	40,834	47,249	(6,415)	(14)%
Global Licensing	62,923	49,456	13,467	27 %
Canadian Television Broadcasting	7,269	8,801	(1,532)	(17)%
Total Revenue	111,026	105,506	5,520	5 %

Content Creation and Audience Engagement: Revenue decreased $6.4 million, or 14% to $40.8 million in Q1 2025, compared to $47.2 million in Q1 2024. Production revenue was lower year over year as a result of fewer productions in the studios as compared to the prior year as well as timing of live action productions. Audience Engagement partially offset the drop in Content Creation revenues with growth in music licensing and YouTube network revenues.

Global Licensing: Revenue increased $13.5 million, or 27% to $62.9 million in Q1 2025, compared with $49.5 million in Q1 2024. Revenue in the quarter was driven by strong growth in the Peanuts brand, with revenue growth also occurring within our global licensing agency, WildBrain CPLG, and in WildBrain's owned brands, Teletubbies and Strawberry Shortcake.

Canadian Television Broadcasting: Revenue decreased $1.5 million or 17% to $7.3 million in Q1 2025, compared to $8.8 million in Q1 2024, reflecting subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was 96%, or $7.0 million (Q1 2024 - 93%, or $8.2 million), while advertising, promotion, digital and other revenues was 4%, or $0.3 million (Q1 2024 - 7%, or $0.6 million).

Gross Margin[2]

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

	Q1 2025		Q1 2024	
(expressed in $000s, except percentages)	Gross Margin $	Gross Margin %	Gross Margin $	Gross Margin %
Content Creation and Audience Engagement	10,896	27 %	16,435	35 %
Global Licensing	37,649	60 %	29,888	60 %
Canadian Television Broadcasting	4,191	58 %	5,469	62 %
Total Gross Margin	52,737	47 %	51,793	49 %

Consolidated gross margin for Q1 2025 was $52.7 million, an increase of $0.9 million, compared to $51.8 million for Q1 2024. Gross margin percentage for Q1 2025 was 47% of revenue, decreasing from 49% in Q1 2024.

Content Creation and Audience Engagement gross margin was $10.9 million in Q1 2025, compared with $16.4 million in Q1 2024. Gross margins were down year over year due primarily to higher content cost amortization and third party participation expenses as a result of brand mix in the quarter.

Global Licensing gross margin was $37.6 million in Q1 2025, compared with $29.9 million in Q1 2024. The gross margin increase was driven by growth in higher margin brands. Gross margin percentage for Q1 2025 was 60%, compared with 60% in Q1 2024.

[2]Gross 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.

Canadian Television Broadcasting gross margin was $4.2 million in Q1 2025, compared with $5.5 million in Q1 2024. The Company continued cost containment measures and utilized the large library to control content costs. Gross margin percentage for Q1 2025 was 58%, compared with 62% in Q1 2024, due to the timing of programming amortization in the year based on term start dates.

Operating Expenses (Income)

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

SG&A expenses for Q1 2025 were $27.4 million, compared to $24.6 million for Q1 2024, an increase of $2.8 million or 11%. Q1 2024's costs reflect the recovery of a previously reserved bad debt of $2.8 million. Absent that recovery, Q1 2024's SG&A costs would have been $27.4 million.

Share-Based Compensation

Total share-based compensation was $2.0 million in Q1 2025, compared with $1.6 million for Q1 2024, an increase of $0.4 million driven by increases in grants of Performance Shared Units ("PSU"), and 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 $7.5 million for Q1 2025, compared with $8.4 million in Q1 2024.

Amortization of acquired and library content was $2.0 million in Q1 2025, compared to $2.2 million in Q1 2024.

Depreciation of P&E was $2.6 million in Q1 2025, compared with $3.1 million in Q1 2024.

Amortization of intangible assets was $2.9 million in Q1 2025, compared with $3.2 million in Q1 2024.

Reorganization, Development and Other

Reorganization, Development and Other expenses were $2.2 million in Q1 2025, compared to $5.0 million in Q1 2024. Q1 2025 included termination and other benefits of $1.3 million, and other charges of $0.9 million. (Q1 2024 included $0.5 million development write-off, $1.7 million system implementation costs, $0.5 million other, termination and other benefits of $2.2 million.)

Finance Costs, net

Net finance costs were $24.5 million in Q1 2025, compared to $13.7 million in Q1 2024. The increase in Q1 2025 was primarily driven by the higher interest expense on its new senior secured credit facility of $16.8 million, a write-down of unamortized issue costs from the former credit facility of $6.3 million, higher interest on completed and released productions of $0.9 million, higher accretion on convertible debentures, lease liabilities and other items of $1.9 million, offset by higher interest income of $2.2 million as compared to Q1 2024.

Change in Fair Value of Embedded Derivatives

There was no change in fair value of the embedded derivatives related to our convertible debentures in Q1 2025, compared to a gain of $0.3 million relating to a decrease in fair value of our convertible in Q1 2024. The convertible debentures were settled in the first quarter of fiscal 2025.

Foreign Exchange

We experienced a foreign exchange gain of $10.4 million in Q1 2025, as compared to a loss of $6.1 million in Q1 2024. The gain was driven by a strengthening of the Canadian dollar as compared to the US dollar in the current quarter, resulting in unrealized foreign exchange translation gains on our US dollar denominated term debt.

Income Taxes

Income tax recovery for Q1 2025 was $2.2 million, compared to expense of $0.3 million in Q1 2024. The income tax recovery (expense) 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, Comprehensive Loss, and Loss Per Share

Net loss attributable to the Shareholders of the Company for Q1 2025 was $10.6 million, compared to net loss of $15.5 million for Q1 2024, a decrease of $4.9 million.

Comprehensive loss was $0.1 million for Q1 2025, compared to income of $2.8 million for Q1 2024.

Basic and diluted loss per share was $0.05 in Q1 2025, as compared to basic and diluted loss per share of $0.08 in Q1 2024.

Adjusted EBITDA Attributable to the Shareholders of the Company[1]

Adjusted EBITDA attributable to the Shareholders of the Company was $15.3 million in Q1 2025, compared with $18.9 million in Q1 2024, a decrease of $3.6 million.

[1]Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP measure, refer to section "Non-GAAP Financial Measures" and "Reconciliation of Historical Results to Adjusted EBITDA and Adjusted EBITDA attributable to the Shareholders of the Company" 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, 2024 and June 30, 2024:

(expressed in $000s, except ratio data)	September 30, 2024 $	June 30, 2024 $
Cash	51,436	49,715
Amounts receivable	280,019	301,499
Investment in film and television programs	160,661	159,584
Acquired and library content	76,681	78,882
Intangible assets	380,083	387,139
Other assets	78,365	76,384
Total assets	1,027,245	1,053,203
Bank indebtedness	28,348	13,800
Accounts payable and accrued liabilities	144,332	136,658
Interim production financing	49,971	59,101
Current portion of long-term debt	5,062	142,335
Long-term debt	482,628	367,400
Lease liabilities	23,407	24,954
Deferred revenue	38,945	57,118
Other liabilities	4,224	5,347
Total liabilities	776,917	806,713
Shareholders' equity	250,328	246,490
Working capital[1]	210,024	80,592
Working capital ratio[2]	1.76	1.19
Net debt[3]	464,602	473,820

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

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

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

Total assets were $1,027.2 million at September 30, 2024, compared to $1,053.2 million at June 30, 2024, a decrease of $26.0 million. The decrease was primarily driven by lower amounts receivable of $21.5 million, lower acquired and library content of $2.2 million, lower intangible assets of $7.1 million, and offset by higher investment in film and television programs of $1.1 million and other assets of $2.0 million.

Total liabilities were $776.9 million at September 30, 2024, compared to $806.7 million as at June 30, 2024, a decrease of $29.8 million. The decrease was driven by lower deferred revenue of $18.2 million, lower interim production financing payable of $9.1 million, lower long-term debt of $22.0 million, lease liabilities of $1.5 million, and other liabilities of $1.1 million, offset by higher accounts payable and accrued liabilities of $7.7 million and higher bank indebtedness of $14.5 million.

Shareholders' equity was $250.3 million as of September 30, 2024, compared to $246.5 million at June 30, 2024, an increase of $3.8 million.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended	
	September 30, 2024	September 30, 2023
	$	$
Cash Inflows (Outflows) by Activity:		
Operating activities	25,816	(2,963)
Financing activities	(23,716)	(19,029)
Investing activities	(465)	(4,067)
Effect of foreign exchange rate changes on cash	86	(122)
Net cash inflows (outflows)	1,721	(26,181)

Changes in Cash

Cash at September 30, 2024 was $51.4 million, as compared to $49.7 million at June 30, 2024.

Operating Activities

During Q1 2025, cash generated in operating activities was $25.8 million, compared to $3.0 million used in operating activities in Q1 2024. The increase of $28.8 million was primarily due to timing of working capital inflows and outflows in the period.

Financing Activities

During Q1 2025, cash flows used in financing activities were outflows of $23.7 million, compared to outflows of $19.0 million in Q1 2024. The increase in outflows of $4.7 million was primarily driven by payment of debt issue costs of $16.5 million and higher net repayments of interim production financing debt of $4.1 million offset by increased net borrowings as part of the Company’s refinancing in the quarter of $3.2 million, higher net proceeds from shares issued of $7.3 million and lower cash interest paid of $5.4 million, compared to Q1 2024.

Investing Activities

During Q1 2025, the Company used $0.5 million of cash for investing activities, compared with $4.1 million in Q1 2024.

Bank Indebtedness and Long-Term Debt

Credit Facility and Revolving Credit Facility

On July 23, 2024, the Company entered into an agreement for a new five-year US$415 million credit agreement (the "Senior Secured Credit Facility") consisting of a $375 million Term Loan (the "Term Loan Facility") and a $40 million Revolving Facility (the “Revolving Facility”). The Senior Secured Credit Facility may be drawn in USD, with the option of a Secured Overnight Financing Rate (“SOFR”) Rate plus 5.5% to 6.0% or a Base Rate (the “Base Rate”) plus 4.5% to 5.0%. The Base Rate is calculated as the highest of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate in effect and (c) SOFR for a one-month tenor in effect + 1%. The Revolving Credit Facility bears interest at the selected interest rate + 4.5% to 6.0%, depending on the type of rate chosen and the leverage ratio at the time of the draw. Proceeds from the Senior Secured Credit Facility were used to fully repay the Company's seven-year US$285.0 million ($358.4 million) previous Senior Secured Term Loan (the "Prior Term Loan Facility"), due March 2028, and the Company's five-year US$30.0 million previous Revolving Facility (the "Prior Revolver"), due July 2024.

In addition, proceeds from the Senior Secured Credit Facility, along with working capital and proceeds of $7.25 million from the exercise by Fine Capital of the warrants to purchase 5,000,000 Variable Voting Shares at a price of $1.45 per share used to fully repay the Company's Convertible Debentures, due September 30, 2024.

Starting on the quarter ending September 30, 2024, the Senior Secured Credit Facility requires quarterly repayment equal to 0.25% of the initial principal amount. The Senior Secured Credit Facility also require annual repayments equal to 100% Excess Cash Flow (the "Excess Cash Flow Payments") (as defined in the Credit Agreement), commencing for the fiscal year ended June 30, 2025, while total leverage is greater than 3.50x, reducing to 50% if total leverage ratio is less than 3.50x but in excess of 3.00x and 25% if total leverage ratio is equal to or less than 3.00x.

During the three-month period ended September 30, 2024, the interest rate was 11.28% for the Senior Secured Credit Facility. As of September 30, 2024, the Senior Secured Credit Facility had a principal balance of US$374.1 million ($504.9 million). As of June 30, 2024, the Prior Term Loan had a principal balance of US$275.7 million ($372.2 million).

The Revolving Credit Facility may be drawn in USD, with the option of SOFR Rate or Base Rate (the "Base Rate"). The interest rate is floating ranging from Base Rate + 4.5% to 6.0%, driven by the leverage ratio. During the three-month period ended September 30, 2024, the interest rate was 11.12% for the Revolving Facility.

As of September 30, 2024, US$21.0 million ($28.3 million) was drawn on the Revolving Facility. As of June 30, 2024, $13.8 million was drawn on the Prior Revolver Facility.

The Company is required to comply with a leverage covenant and as of September 30, 2024, was in compliance with all financial maintenance covenants.

For additional information on the Facilities, refer to the Senior Secured Credit Agreement on SEDAR+ at www.sedarplus.ca.

Senior Unsecured Convertible Debentures

During the first quarter of fiscal 2025, the Company fully repaid the principal balance of $140.0 million for the Convertible Debentures, bearing interest at a fixed annual rate of 5.875% paid semi-annually on March 31 and September 30 of each year. As at September 30, 2024, the Convertible Debentures had a principal balance of $nil (June 30, 2024 - $140.0 million).

Working Capital and Liquidity

Working capital represents the Company’s current assets less current liabilities, which amounted to $210.0 million as at September 30, 2024, as compared to $80.6 million at June 30, 2024.

All of our significant businesses have quarterly fluctuations but are cash flow positive over the course of a year. The Company frequently reviews cash flows by business unit and actions are taken if and as necessary.

Technology Investments

Investments in technology, primarily in our studio and Audience Engagement businesses, are principally leases of equipment, and software licenses, which are paid for over time from financing activities.

Production Investments

Productions are principally funded with interim production credit facilities on a production by production basis that are secured by licensing contract receivables 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, and as a result 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 2025, the Company believes that the working capital is sufficient to meet present requirements and near-term business plans for the next 12 months. The Company expects foreseeable cash needs to be funded through operating cash flows, existing cash resources, and the Revolver.

Contractual Obligations[1]

The following table summarizes our outstanding cash commitments as of September 30, 2024:

Payments Due by Period	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
(expressed in $000s)	**$**	**$**	**$**	**$**	**$**
Bank indebtedness	28,348	28,348	—	—	—
Accounts payable and accrued liabilities	144,332	144,332	—	—	—
Interim production financing	49,971	49,971	—	—	—
Other long-term liabilities	9,863	—	9,863	—	—
Term facility	719,241	61,821	121,928	535,492	—
Lease liabilities	30,980	11,284	16,033	2,498	1,165
Total Contractual Obligations	982,735	295,756	147,824	537,990	1,165

[1] Contractual payments in the table above include fixed and variable interest obligations at current rates and are not discounted.

Acquisitions

Acquisition of House of Cool

In Q1 2024, the Company 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. $3.6 million has been recorded as a liability to the seller based on the estimated value of tax credits on acquisition (estimated cost incurred up until acquisition date over estimated total costs of the properties acquired).

Share Capital

As at September 30, 2024, our issued and outstanding share capital was as follows:

Common Voting Shares	28,139,575
Variable Voting Shares	182,976,587
Total Common Shares	211,116,162
Preferred Variable Voting Shares	500,000,000
Stock Options	1,423,500
Restricted Share Units	2,143,114
Performance Share Units	2,607,508
Deferred Share Units	3,866,737

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 the Company's Fiscal 2024 AIF dated September 17, 2024 filed on www.sedarplus.ca.

Off-Balance Sheet Arrangements

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

Related Party Transactions

Exercise of Warrants

On July 23, 2024, Fine Capital exercised the outstanding warrants to purchase 5,000,000 Variable Voting Shares at a price of $1.45 per share.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS Accounting Standards 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, 2024 on www.sedarplus.ca or WildBrain's website at www.wildbrain.com.

Significant accounting judgments and estimation uncertainty

The preparation of financial statements under IFRS Accounting Standards 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 2024 notes to the consolidated financial statements.

Changes in Accounting Policies

During the first quarter of fiscal 2025, Non-current Liabilities with Covenants – Amendments to IAS 1 became effective. The amendments clarify that non-current liability classification requires a right to defer settlement at the reporting date without future contingencies, require certain disclosures on conditions and compliance, and introduce separate presentation for "non-current liabilities subject to conditions in the next 12 months". The application of this amendment had no significant impact on the Company's interim condensed consolidated financial statements.

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 of $272.8 million (June 30, 2024 - $289.7 million). The Company 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 3.1% 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, The Company have increased 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 other customers are large Canadian and international broadcasters, or large international distribution companies, and have very good collection histories with these clients.

Based on collections subsequent to the current quarter, and discussions with customers, the Company believes that the loss provision is adequate as of September 30, 2024.

Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, the Facilities (and prior to entering into the Facilities, the Revolver and the Term Loan) 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.

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, 2024 would have decreased pre-tax net income by $5.7 million (September 30, 2023 - $5.9 million).

Liquidity risk

Liquidity risk is the risk that we will not be able to meet the Company's financial obligations as they come due. The Company manages 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.

The Company operates 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 the Company's 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 the Company's significant business units are cash flow positive over the course of a year, while there are fluctuations during the year. The Company frequently review cash flows by business unit and actions are taken if and when necessary.

As of September 30, 2024, the Company had cash balances of $51.4 million and amounts receivable of $280.0 million. Based on the Company's 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.

Risks Related to Indebtedness and Refinancing

The Company’s ability to obtain additional financing or refinance existing obligations will depend on the 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 the Company may not be able to obtain such financing or refinancing.

The Company has $482.6 million of long-term debt. 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. The Company periodically enters into foreign exchange forward contracts to manage foreign exchange risk across the 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 outbreaks like COVID-19, the magnitude and length of economic disruption as a result of a worldwide outbreak like COVID-19 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 2024 Annual Information Form which is available on SEDAR+ at www.sedarplus.ca. 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 Q1 2025 quarterly filings dated November 7, 2024, 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, 2024, 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, 2024 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 Accounting Standards as issued by the International Accounting Standards Board, the Company uses various non-GAAP financial measures, which are not recognized under IFRS Accounting Standards, 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 Results 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 2025	Fiscal 2024				Fiscal 2023		
	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
(Loss) income before income taxes	(479)	(88,348)	(9,533)	10,029	(7,358)	(24,674)	14,295	(2,585)
add back:								
Finance costs, net	24,510	13,855	13,724	14,473	13,727	13,530	15,202	12,822
Change in fair value of embedded derivatives	(1)	—	—	(77)	(262)	(17,865)	(15,651)	17,752
Foreign exchange (gain) loss	(10,371)	3,137	9,051	(3,647)	6,125	(180)	7,234	(8,794)
Amortization of P&E and intangible assets	5,518	6,070	6,292	6,380	6,265	6,254	5,994	6,034
Amortization of acquired and library content	1,976	2,191	2,168	2,179	2,158	2,447	2,495	2,410
Write-down of certain investment in film and television programs, acquired and library content, P&E, intangible assets, and goodwill	—	90,403	—	—	—	35,587	6,032	—
Share-based compensation	1,997	233	839	1,123	1,557	1,368	1,255	4,373
Reorganization, development and other expenses[1]	2,226	4,491	2,907	3,561	4,992	10,450	2,471	2,722
Adjusted EBITDA	**25,376**	**32,032**	**25,448**	**34,021**	**27,204**	**26,917**	**39,327**	**34,734**
Less portion of Adjusted EBITDA attributable to non-controlling interests[2]	(10,041)	(8,117)	(5,835)	(8,846)	(8,343)	(7,809)	(6,405)	(8,726)
Adjusted EBITDA attributable to the Shareholders of the Company	**15,335**	**23,915**	**19,613**	**25,175**	**18,861**	**19,108**	**32,922**	**26,008**

[1]Refer to Reorganization, development and other section for information regarding how each component is described.

[2]Portion 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 2025	Fiscal 2024				Fiscal 2023		
	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	**111,026**	**129,968**	**100,063**	**126,283**	**105,506**	**124,875**	**140,864**	**140,480**
Content Creation and Audience Engagement	40,833	68,026	40,823	56,666	47,249	63,563	80,580	72,096
Global Licensing	62,923	53,688	49,557	60,897	49,456	51,825	50,880	57,381
Canadian Television Broadcasting	7,269	8,253	9,683	8,720	8,801	9,487	9,404	11,003
less: Direct production costs and amortization of film and television produced	**(58,289)**	**(70,420)**	**(49,540)**	**(67,037)**	**(53,713)**	**(67,370)**	**(73,388)**	**(79,208)**
Content Creation and Audience Engagement	(29,937)	(42,366)	(22,126)	(38,143)	(30,814)	(35,169)	(46,679)	(51,822)
Global Licensing	(25,274)	(25,597)	(23,430)	(25,730)	(19,568)	(28,718)	(23,044)	(23,657)
Canadian Television Broadcasting	(3,078)	(2,457)	(3,984)	(3,165)	(3,331)	(3,483)	(3,665)	(3,729)
Gross Margin	**52,737**	**59,548**	**50,523**	**59,246**	**51,793**	**57,505**	**67,476**	**61,272**
Content Creation and Audience Engagement	10,896	25,660	18,697	18,523	16,435	28,394	33,901	20,274
Global Licensing	37,649	28,092	26,127	35,167	29,888	23,107	27,836	33,724
Canadian Television Broadcasting	4,191	5,797	5,699	5,555	5,469	6,004	5,739	7,274

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 2025	Fiscal 2024				Fiscal 2023		
	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**
Cash flow provided by operating activities	25,816	18,277	23,281	35,002	(2,963)	30,432	23,970	63,112
less:								
Distributions to non-controlling interests	(4,647)	(9,171)	(8,329)	(3,964)	(4,629)	(7,299)	(5,904)	(5,641)
Change in interim production financing	(9,130)	(4,915)	(4,698)	(13,088)	(5,089)	5,001	(12,424)	(18,213)
Interest paid	(4,845)	(8,113)	(10,581)	(10,010)	(10,258)	(8,449)	(7,570)	(10,280)
Repayment of lease liabilities	(2,431)	(2,705)	(2,612)	(2,517)	(2,454)	(2,791)	(2,685)	(2,550)
Free Cash Flow	**4,763**	**(6,627)**	**(2,939)**	**5,423**	**(25,393)**	**16,894**	**(4,613)**	**26,428**

Additional Information

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