Q3 2021

Management Discussion and Analysis
of Financial Condition and Results of Operation
For the Three and Nine Months Ended March 31, 2021 and March 31, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of May 11, 2021 presents an analysis of the consolidated financial condition of WildBrain Ltd. (formerly, DHX Media Ltd.) and its subsidiaries (together referred to as "WildBrain", the "Company", "we", "our" or "us") as at March 31, 2021 compared to June 30, 2020, and the consolidated results of operations for the three- and nine-month periods ended March 31, 2021 compared with the corresponding periods ended March 31, 2020. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three- and nine-month periods ended March 31, 2021. Unless otherwise noted, the financial information reported herein has been 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 unaudited interim condensed consolidated financial statements. 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.sedar.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 and strategic priorities of WildBrain and its subsidiaries;
- management's financial targets and priorities, and the future financial and operating performance and goals of the Company and its subsidiaries;
- 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 for content;
- 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;
- WildBrain's production pipeline;
- the positioning and ability of the Company to monetize its library, content and other business lines;
- the growth of the WildBrain Spark business;
- 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 future market and demand for content;

- use of proceeds from an exchangeable debenture financing;
- expectations regarding the net leverage ratio of the Company;
- the impact of epidemics, pandemics or other public health crises, including the current outbreak of COVID-19, 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
- further actions the Company may have to take in response to COVID-19, and the impact of such actions taken.

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, (iv) the impact of increasing competition 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 preferences, (vii) the ability of the Company to execute on acquisition and other growth opportunities and realize the expected benefits therefrom, (viii) changes in the markets and industries in which the Company operates and the ability of the Company to adapt to such changes, and (ix) changes to YouTube and in advertising markets. 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.

A number of known and unknown risks, uncertainties and other factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements, including, but not limited to, epidemics, pandemics or other public health crises, including the current 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, among other things, the Company’s leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company (as and where applicable), competition and competitor activities, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, consumer preferences, the ability of the Company to execute on its strategy, the ability of the Company to execute on production and licensing arrangements, 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, risks related to doing business internationally and currency exchange rates, 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, loss of television licences, 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, and catastrophic events and circumstances. 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, 2020 filed on www.sedar.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, and Teletubbies*. 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 consists largely of animated series, which can be easily dubbed into multiple languages. Such content does not lose relevance as easily as other genres and therefore can be licensed into numerous markets repeatedly for many years.

On December 18, 2019, the Company changed its name from DHX Media Ltd. to WildBrain Ltd. and all of our business segments have been rebranded with the prefix WildBrain. Our ad-supported video-on-demand ("AVOD") business, formerly known as WildBrain, has been renamed WildBrain Spark.

As one of the world's foremost producers of children's series, WildBrain owns 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 monetizing content and related intellectual property ("IP") across our business by:

1. producing for, and distributing shows to, over 500 streaming services and linear broadcasters worldwide;
2. monetizing our large digital audience by generating advertising and production revenue through our wholly-owned subsidiary, WildBrain Spark, which operates one of the largest networks of children's AVOD channels on YouTube; and
3. realizing royalties from sales of consumer products based on our owned IP and partner brands as well as representing third-party lifestyle and entertainment brands around the world through our wholly-owned licensing agency business, WildBrain CPLG. We are also realizing operational synergies by using WildBrain CPLG as the agent for a number of our owned brands.

In addition, we own and operate the Family suite of linear specialty kids channels in Canada, which has been a trusted broadcaster for over 25 years and provides stable cash flow, which also serves to fund and facilitate new content for our library.

Revenue Model

In Q1 2021, we reclassified our financial reporting to better reflect our 360° approach to growing brands and the characteristics of the transactions that we are entering into with global streaming services ("SVODs") and across other distribution channels. Accordingly, we now report production and distribution in one revenue line under Content Production and Distribution.

As the market for content continues to evolve and competition for viewers intensifies, major SVODs, such as Apple, Amazon Prime, Hulu, Netflix and HBO Max, are investing significantly to deliver high-quality, exclusive programming. Under this model, typically the SVODs pay for the cost of production inclusive of production fees, while we retain ownership of the underlying IP as well as linear distribution rights (after a holdback of approximately 24 to 36 months) and all consumer products revenues. This differs from the traditional production/distribution model of covering production costs from multiple linear broadcasters, with margins realized over multi-year licensing cycles. Since our slate has become a combination of both these models, we have revised our reporting to aggregate production and distribution, which is consistent not only with the integrated management of our business, but also with industry practice.

We also consolidated reporting of all revenue streams related to consumer products under Consumer Products. This includes revenue from our owned brands (inclusive of our Peanuts business), partnerships with third-party brands (where we get a share of back-end consumer products royalties), and our licensing agency business, WildBrain CPLG (which represents both third-party brands and our owned IP).

Revenue from WildBrain Spark continues to be reported separately as the majority of its revenue is derived from advertising and sponsorships.

Collectively, the three preceding revenue lines (Content Production and Distribution, Consumer Products and WildBrain Spark) will now comprise our Content Business for reporting purposes.

For clarity, our Canadian television business has been renamed Canadian Television Broadcasting and continues to be reported separately.

Accordingly, WildBrain operates through the following two reportable segments:

1. Content Business - comprising revenue generated from:
    - Content Production and Distribution - production in our studio for our proprietary content, production with strategic brand partners and third-party service work as well as distribution of proprietary and third-party titles in our library;

- WildBrain Spark - distribution of content from our owned IP and third-party partners on our AVOD platform, using data analytics to grow brands, digital ad sales and paid media; and
- Consumer Products - licensing royalties from our owned IP and through our brand partnerships as well as commissions earned from our licensing agency business.

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

Content Production and Distribution

Content Production and Distribution includes production revenue generated: i) by licensing broadcast or streaming rights for our proprietary titles to linear broadcast or SVOD networks, ii) from our strategic brand partnerships such as with Mattel, and iii) service revenue earned when producing animation or live-action programs for third parties. Service work does not typically result in the ownership of IP.

This segment includes distribution revenue derived from licensing shows from our content library including internally produced and acquired library titles, and third-party produced titles for which we hold distribution rights. We distribute titles to digital platforms (e.g. Apple, Amazon Prime, Netflix and home entertainment) and linear broadcast channels across different geographic jurisdictions.

WildBrain Spark

WildBrain Spark revenue is generated from our platform of kids and family AVOD channels where we distribute both our owned content and content of third-party brands on YouTube and other AVOD platforms. Revenues are earned primarily through third-party advertising on the WildBrain Spark 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 our AVOD platform.

Consumer Products Revenue

Consumer Products revenue is earned from generating licensing royalties on our proprietary brands (among others, *Caillou*, *In the Night Garden, Johnny Test, Peanuts*, *Strawberry Shortcake, Teletubbies*, and *Yo Gabba Gabba!),* including 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 Mattel.

Consumer Products also includes revenue earned through our WildBrain CPLG agency business. WildBrain CPLG earns commissions 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 owned broadcast channels including Family Channel, Family Jr, Télémagino, and Family CHRGD. 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 streamed.

Strategy and Outlook

As a content producer, distributor and IP owner, WildBrain is focused on the multiple ways in which we can build brands and manage 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.

Evolving Market for Content

As the market for content evolves, major streaming platforms, such as Apple, Amazon Prime, Hulu and Netflix, are investing in larger-budget, premium original shows, often based on established brands. At the same time, 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 well - known brands, the world's largest independent library of children's content, comprised of approximately 13,000 half-hours, and of our large digital audience on WildBrain Spark, and our market-leading AVOD network of kids' videos on YouTube and other AVOD platforms.

WildBrain Spark's digital viewership continues to grow, however as a result of the changes made by YouTube in January 2020 to eliminate targeted advertising on kids and family content (also referred to as "Made for Kids") discussed below, we experienced downward pressure on advertising rates through Q1 2021. These advertising rates began to gradually improve in the latter part of Q1 2021 and this improvement has continued.

In January 2020, YouTube introduced new rules and policies for 'Made for Kids' content, including how that content is managed and monetized, and the features available, or limited, on that content as a result of the curated environment. We expect these changes will create a more positive environment, and ultimately, improved monetization, which will reward quality content. We are ideally positioned to benefit from this change. Advertising is now sold based on the content itself and the demographic that enjoy this content ("contextual advertising"), similar to the contextual advertising model for linear TV where we have considerable experience.

Furthermore, the global advertising industry was significantly impacted by the COVID-19 pandemic, and we began to see advertising revenue decline further in our AVOD business in the latter part of March 2020. While these market conditions for advertising extended into our Fiscal 2021, we began to see sequential improvements in advertising revenue in the latter part of Q1 2021 which continued in our Fiscal 2021. See "Business Update and Protection Measures in Response to COVID-19" section below for more discussion on the impact of COVID-19 on our business.

We continue to believe in the significant long-term potential of WildBrain Spark and are taking actions to evolve and grow our business. Given its large and expanding viewership, WildBrain Spark is a valuable platform to drive audience awareness and to build user engagement for our IP and partner brands. We continue to focus on growing views and pursuing initiatives to monetize the value of our large user base. These include, building our own direct ad sales team to sell to agencies and advertisers offering placement on our kid-safe, curated content, further mining our content library, using our data analytics and insights to determine what kids like to watch, growing our network with new third-party brands, growing owned brands, and expanding into new revenue areas and platforms to drive future growth. Starting in September, we started to see gradual improvement in advertising rates. The build out of our proprietary data-analysis tools is also driving growth in nascent revenue streams including direct ad sales, paid media and digital production fees as reflected in WildBrain Spark's improving results over the past couple of quarters. Furthermore, we are realizing the strategic value of WildBrain Sparks' massive audience engagement and reach to secure comprehensive partnerships with brands owners that benefit various areas of our business from content, licensing and audience delivery that will fuel growth across our company and build quality, durable earning streams and consumer products upside.

Business Update and Protection Measures in Response to COVID-19

In response to the global COVID-19 crisis, we implemented business-continuity plans to keep our people safe while managing our global operations. These included implementing work-from-home measures for all our employees across our global organization. Fortunately, we can conduct much of our business remotely and have been able to keep our global team connected and productive.

Premium Content Production Continues:

- We were able to expeditiously transition our animation studio of approximately 700 team members to work-at-home solutions. Our studio team is operating at over 95% productivity and is expected to deliver our shows on budget and with minimal delays.
- Our current production slate remains healthy, with a robust pipeline. Production is ongoing on new WildBrain content, for partners such as LEGO, DreamWorks, Netflix, Mattel and Apple TV+.

Content Distribution Across All Media Platforms:

- Our Canadian Television channel business continues to deliver consistent cash flow despite subscriber erosion in line with the broader linear TV market. We do not expect the advertising impacts, arising from current economic uncertainties due to COVID-19, to have a material impact on our channel business, which derives approximately 90% of its revenue from subscriber fees.
- Distribution of our library content fluctuates quarter to quarter based on when deals are closed and timing of content deliveries. We are also leveraging new productions to drive library sales as evidenced by our recently expanded partnership with Apple TV+ for both the Peanuts library of classic titles and more new original series and specials.
- WildBrain Spark continues to enjoy a highly engaged audience of 20.5 billion views on its AVOD network in Q3 YTD, watching 173.8 billion minutes of videos. Advertising revenue also continued to rebound from the broad pull-back in media advertising due to the global pandemic starting in March 2020 as well as the changes to YouTube data-collection policies implemented in January 2020. WildBrain Spark's revenue increased 2% in Q3 2021, which was an improvement compared with declines of 60% and 36% in the first and second quarters of Fiscal 2021 respectively, compared with the same prior-year periods. Over the longer term, we are in a favorable position to capitalize on the growing trends of viewership and advertising moving online. WildBrain's Spark significant audience engagement and global reach are also expanding cross-selling opportunities with IP and content owners to drive revenue across our other business units including the recent content and licensing partnerships with the emoji company. We expect WildBrain Spark to continue to contribute to our overall EBITDA in Fiscal 2021.

Consumer Products Driven by Peanuts Franchise:

- Our first new original Peanuts series, *Snoopy in Space*, has proven to be one of the most popular shows on Apple TV+, extending the profile and reach of the Peanuts brand on a leading global media platform for today's families. As part of our recently expanded partnership, kids and families will be enjoying both the classic specials and more new Peanuts programming in the weeks, months and years to come on Apple's streaming platform worldwide.
- Our consumer products business continues to perform well, driven by our Peanuts franchise - a top-10 character brand at retail, supported by Apple's extensive global marketing campaign around the ongoing stream of new Peanuts content rolling out on Apple TV+. Our agency, WildBrain CPLG, is also experiencing growth due to its expanding client portfolio and licensing rights.

Business Protection Measures:

In Q2 2021, encouraged by the performance of our business in the current environment, we suspended certain business protection measures implemented in Q3 2020, including the temporary salary reductions and restricted share units in lieu, to return to focus on growth in licensing and at WildBrain Spark by investing in growing our direct ad sales teams as well as production, licensing and data analytics.

We continue to regularly assess the COVID-19 situation and evaluate the potential impacts on our business, as well as additional steps, if any, that may be required to ensure continuity of operations and the impact on our growth plans. We continue to believe in the long-term prospects and opportunities for our kids' content and brands. Our strategy remains focused on creating content that drives brand awareness and engages audiences on all the platforms where kids and families are watching, monetizing our billions of views on our AVOD platforms including growing direct ad sales, and by selling consumer products inspired by these shows and brands.

Content Strategy

Management is committed to returning to growth by executing on a disciplined strategy aimed at generating attractive returns on invested capital, improving cash flow and driving organic growth by building content-driven brands that are central to WildBrain's business. Our strategy is guided by the following key priorities:

- *Monetizing our Large Audience on WildBrain Spark* - Leveraging the audience at WildBrain Spark's network and global reach of billions of monthly views, by using our data insights to create and develop global brands, investing in digital short-form content, and by building out our own direct advertising sales team;
- *Growing Key Brands* - Prioritize new content development on premium, original long-form series to meet rising demand from major streaming platforms for exclusive programming; develop and expand global franchise brands supported by new premium content to drive consumer products royalties.

To this end, we are focusing on a targeted production slate and key brands that will generate revenue across multiple lines of business, improve our cash flow and our balance sheet.

Fiscal 2021 Strategic Priorities

PRIORITIES	OBJECTIVES
Monetizing our Large Audience on WildBrain Spark	- Grow viewership on our AVOD network - Invest in digital short-form content - Use our global reach, scale and data analytics to test-market, develop and exploit IP - Partner with content and brand owners - Continue to build out our direct ad sales team - Cross-sell a full service offering together with our licensing agency WildBrain CPLG to deepen customer relationships
Grow Key Brands	- Invest in creative talent and expand development pipeline - Reinvigorate and launch key brands by developing sustainable audiences and greater affinity for the brands through tentpole events, social media and digital platforms, including leveraging WildBrain Spark - Greenlight production on new series of owned IP with consumer products potential - Capitalize on SVOD demand for premium original content - Grow brand awareness and licensee base for Peanuts
Improve Cash Flow and Balance Sheet	- Rationalize overhead expenses and create operating efficiencies - Apply excess cash flow to debt repayment and invest in creative, our AVOD business and brands - Explore targeted partnerships to best monetize our assets globally

Financial Highlights for the Three-Months Ended March 31, 2021 ("Q3 2021")

- Consolidated revenue was $102.2 million in Q3 2021 compared to $98.3 million in Q3 2020, an increase of $3.9 million or 4%. The increase was mainly driven by a $4.8 million increase in Consumer Products revenue, partially offset by lower revenue in Content Production and Distribution and Canadian Television Broadcasting during the quarter.
- Content Production and Distribution revenue was $35.6 million in Q3 2021, a decrease of $0.8 million compared to $36.4 million in Q3 2020. The decrease was due to lower distribution revenue of $3.9 million, that fluctuates by quarter depending on timing of deals, offset by steady growth from a robust production pipeline of $3.2 million.
- WildBrain Spark saw steady improvement as advertising revenue continued to rebound from the impact of COVID-19 as well as from the advertising changes on YouTube that took effect in January 2020. Q3 2021 revenue increased by 2% to $9.6 million, compared with $9.5 million in Q3 2020. This compared with declines of 60% and 36% in the first and second quarters of Fiscal 2021 respectively, compared with the same prior-year periods. We are also encouraged by the initiatives to monetize the significant audience on our WildBrain Spark network with steady growth in other revenue streams including direct-ad sales, paid media and digital production. Refer to the "Strategy and Outlook" section of this MD&A for more details on the changes by YouTube.
- Consumer Products revenue grew by 12% to $45.7 million in Q3 2021, an increase of $4.8 million compared to $40.9 million in Q3 2020. Higher revenue was driven by strength in the Peanuts franchise, and growth in commissions from our agency, WildBrain CPLG, due to its expanding portfolio of clients and licensing rights.
- Q3 2021 generated net loss attributable to shareholders of WildBrain of $26.5 million compared to a net loss of $221.7 million in Q3 2020. This improvement was driven by lower SG&A of $1.5 million and no impairment of goodwill, which was $184.5 million in Q3 2020.
- Adjusted EBITDA attributable to the shareholders of WildBrain was $17.2 million in Q3 2021, compared to $17.9 million in Q3 2020, a decrease of $0.7 million or 4%. This was driven by a higher portion of Adjusted EBITDA attributable to non-controlling interests of $1.7 million, lower gross margin of $0.5 million, offset by lower SG&A of $1.5 million.
- Free Cash Flow[1] for Q3 2021 was negative $3.3 million, consistent with negative Free Cash Flow of $3.2 million in Q3 2020. This is primarily due to timing of working capital settlement.
- During Q3 2021, we signed multi-year, exclusive partnerships with SEGA and Netflix to produce a new animated Netflix Original based on *Sonic the Hedgehog*. WildBrain and SEGA will jointly participate across production, distribution and licensing revenues generated from the new series. Production is underway, therefore, we started to recognize production revenue in Fiscal 2021, although this premium project is expected to contribute more meaningfully as production ramps up.
- During Q3 2021, we refinanced our senior secured term loan with a new seven-year US$285.0 million senior secured term loan facility ("Term Loan") and removed the financial maintenance covenant. We also entered into a new five-year US$30.0 million revolving credit facility ("Revolver"), which does not carry a financial maintenance covenant, except when amounts are drawn and outstanding.

[1] Free 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 periods ended March 31, 2021 and 2020 has been derived from the Company's unaudited interim condensed consolidated financial statements and accompanying notes and can be found on WildBrain's website at www.wildbrain.com and on SEDAR at www.sedar.com.

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

	Three Months Ended		Nine Months Ended	
(expressed in $000s, except per share data)	**March 31, 2021**	**March 31, 2020**	**March 31, 2021**	**March 31, 2020**
Consolidated Statements of Income Data:				
Revenues	102,198	98,341	339,922	332,732
Direct production costs and expense of film and television produced	(58,264)	(53,942)	(190,973)	(184,446)
Gross margin[1]	43,934	44,399	148,949	148,286
Other income from litigation settlement	—	—	4,372	—
Selling, general, and administrative	(18,969)	(20,492)	(58,090)	(61,366)
Share-based compensation	(786)	(1,172)	(4,359)	(3,790)
Write-down of investment in film and television programs, acquired and library content, property and equipment, intangible assets and goodwill	(346)	(187,300)	(6,695)	(194,104)
Amortization, finance costs and other expenses, net	(47,141)	(46,110)	(77,211)	(103,403)
Income tax (expense) recovery	1,069	(4,136)	706	(1,923)
Net income (loss) for the period	(22,239)	(214,811)	7,672	(216,300)
Net income attributable to non-controlling interests	(4,285)	(6,896)	(26,159)	(23,679)
Net income (loss) attributable to the Shareholders of the Company	(26,524)	(221,707)	(18,487)	(239,979)
Basic earnings (loss) per common share	(0.15)	(1.30)	(0.11)	(1.58)
Diluted earnings (loss) per common share	(0.15)	(1.30)	(0.11)	(1.58)
Weighted average common shares outstanding (in 000s)				
Basic	171,354	171,012	171,042	152,013
Diluted	171,354	171,012	171,042	152,013
Other Key Performance Measures:				
Adjusted EBITDA attributable to the Shareholders of the Company[1]	17,207	17,892	63,869	63,086
Cash flow from operating activities	22,052	23,523	82,992	106,351
Free Cash Flow[1]	(3,270)	(3,154)	17,613	17,778
	As at	**As at**		
	March 31, 2021	**June 30, 2020**		
Consolidated Balance Sheet Data:				
Total assets	1,121,956	1,146,301		
Total liabilities	823,353	804,815		
Shareholders' equity	298,603	341,486		

[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 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 Christmas season.

	Fiscal 2021[1]			Fiscal 2020[1]				Fiscal 2019[1]
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
(expressed in $000s except per share data)	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**
Revenues	102,198	142,269	95,455	92,902	98,341	122,134	112,257	108,760
Gross margin[2]	43,934	61,764	43,251	39,559	44,399	54,519	49,368	47,955
Net income (loss) attributable to the Shareholders of the Company	(26,524)	11,344	(3,307)	4,013	(221,707)	(2,258)	(16,014)	(62,772)
Adjusted EBITDA attributable to the Shareholders of the Company[2]	17,207	29,125	17,537	18,666	17,891	25,589	19,606	20,161
Weighted average common shares outstanding (in 000s)								
Basic	171,354	171,001	170,776	171,058	171,012	150,242	134,992	134,988
Diluted	171,354	173,919	170,776	171,592	171,012	150,242	134,992	134,988
Basic earnings (loss) per common share	(0.15)	0.07	(0.02)	0.02	(1.30)	(0.02)	(0.12)	(0.47)
Diluted earnings (loss) per common share	(0.15)	0.07	(0.02)	0.02	(1.30)	(0.02)	(0.12)	(0.47)

[1]On July 1, 2019, we adopted IFRS 16 using the modified retrospective method, with no restatement of prior comparative figures and no adjustment to opening retained earnings at July 1, 2019. Fiscal 2021 and Fiscal 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 financial operating results are presented under the previous accounting standard IAS 17, *Leases* and have not been restated. Refer to the "Changes in Accounting Policies" section in the Fiscal 2020 Annual MD&A dated September 22, 2020 found on www.sedar.com for additional details on the impact of the new accounting standard.

[2]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.

Results for the three-months ended March 31, 2021 ("Q3 2021") compared to the three-months ended March 31, 2020 ("Q3 2020")

Revenues

Consolidated revenue increased $3.9 million to $102.2 million in Q3 2021 compared to Q3 2020. Revenue by business segment was comprised of the following:

	Q3 2021	Q3 2020	Variance	
(expressed in $000s)	$	$	$	%
Content Production and Distribution	35,642	36,393	(751)	(2)%
WildBrain Spark	9,644	9,471	173	2 %
Consumer Products	45,723	40,937	4,786	12 %
Content Business	91,009	86,801	4,208	5 %
Canadian Television Broadcasting	11,189	11,540	(351)	(3)%
Total Revenue	102,198	98,341	3,857	4 %

Content Production and Distribution: Revenue decreased $0.8 million to $35.6 million in Q3 2021 compared to Q3 2020. The decline was driven by lower distribution revenue, due to timing of distribution deals, offset by our growing pipeline of premium proprietary projects such as*, Johnny Test,* new content for *Peanuts,* and *Sonic Prime,* which generate steady revenue throughout their production as revenue is recognized on percentage of completion basis.

WildBrain Spark: Revenue increased $0.2 million to $9.6 million in Q3 2021 compared to Q3 2020. However, this compared with declines of 60% and 36% in the first and second quarters of Fiscal 2021 respectively, compared with the same prior-year periods as advertising revenue continued to rebound from the impact of COVID-19 and YouTube's policy changes as well as growth in other AVOD revenue streams including through direct-ad sales, paid media and digital production.

Consumer Products: Revenue increased $4.8 million or 12% to $45.7 million in Q3 2021 compared to Q3 2020. Higher revenue reflected strong licensing royalties from our Peanuts franchise and growth in commissions from our agency WildBrain CPLG.

Canadian Television Broadcasting: Revenue decreased $0.4 million to $11.2 million in Q3 2021 compared to Q3 2020, reflecting subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was 89%, or $10.0 million (Q3 2020 - 90%, or $10.4 million), while advertising, promotion, digital and other revenues were 11%, or $1.2 million (Q3 2020 - 10%, or $1.1 million).

Gross Margin

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

	Q3 2021		Q3 2020	
(expressed in $000s, except percentages)	Gross Margin $	Gross Margin %	Gross Margin $	Gross Margin %
Content Business	35,886	39 %	36,981	43 %
Canadian Television Broadcasting	8,048	72 %	7,418	64 %
Total Gross Margin	43,934	43 %	44,399	45 %

Consolidated gross margin for Q3 2021 was $43.9 million, a decrease of $0.5 million compared to $44.4 million for Q3 2020. Gross margin percentage for Q3 2021 was 43% of revenue, compared with 45% in Q3 2020.

Content Business gross margins were $35.9 million in Q3 2021, compared with $37.0 million in Q3 2020. Gross margin percentage for Q3 2021 was at 39% compared to 43% of revenue in Q3 2020, due to higher Peanuts consumer products revenue which carries a lower gross margin due to the talent fee.

Canadian Television Broadcasting gross margin increased to $8.0 million in Q3 2021 compared to $7.4 million in Q3 2020 as we continue our cost containment measures and utilize our large library to control content costs. Gross margin percentage for Q3 2021 increased to 72%, compared to 64% in Q3 2020.

Operating Expenses (Income)

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

SG&A costs for Q3 2021 were $19.0 million, compared to $20.5 million for Q3 2020, a decrease of $1.5 million or 7%. The decrease was due to mitigating actions that we took to safeguard our financial position during the pandemic. These actions included government and other wage subsidies received or receivable of $2.2 million for COVID-19, lower travel and entertainment costs of $0.7 million, offset by increased SG&A of $0.9 million to support growth initiatives.

Share-Based Compensation

Total share-based compensation was $0.8 million in Q3 2021, a decrease of $0.4 million compared to $1.2 million for Q3 2020.

Amortization

Total amortization of acquired and library content, property and equipment ("P&E") including right-of-use assets, and intangible assets was $8.9 million for Q3 2021, compared to $9.6 million in Q3 2020.

Amortization of acquired and library content was $2.9 million in Q3 2021, compared to $3.0 million in Q3 2020.

Amortization of P&E was $3.3 million in Q3 2021, compared to $3.8 million in Q3 2020.

Amortization of intangible assets was $2.7 million in Q3 2021, consistent with $2.7 million in Q3 2020.

Reorganization, Development and Other

Reorganization, development and other expenses were $1.9 million in Q3 2021, compared to $2.4 million in Q3 2020. Q3 2021 included legal fees related to a dispute with former employees of $0.2 million, termination and other benefits of $0.4 million, corporate rebranding charges of $0.7 million and other charges of $0.6 million (Q3 2020 - termination and other benefits of $1.2 million related to our reorganization initiative and corporate rebranding charges of $1.0 million).

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

In Q3 2021, the impairment charge was $0.3 million compared to $187.3 million in Q3 2020. Q3 2021, included the write-down of investment in film asset to reflect the weaker than expected revenue performance and current market conditions for select investments in film titles. The Q3 2020 charge was primarily related to goodwill impairment of $184.5 million and right-of-use assets of $2.5 million.

Finance Costs, net

Net finance costs were $13.0 million in Q3 2021, an increase of $2.9 million compared to $10.0 million in Q3 2020. The primary driver was due to the loss on modification of long-term debt of $3.4 million in this quarter.

Change in Fair Value of Embedded Derivatives

The change in fair value of the embedded derivatives related to our convertible and exchangeable debentures was a loss of $23.5 million in Q3 2021, compared to a gain of $1.8 million in Q3 2020.

Foreign Exchange (Gain) Loss

Foreign exchange was a gain of $0.1 million in Q3 2021, compared to a loss of $25.9 million in Q3 2020. The improvement in Q3 2021 was driven by the strengthening Canadian dollar compared to the US dollar, resulting in a foreign exchange translation gain on our US dollar denominated term debt of $4.4 million in the current quarter, partially offset by unrealized foreign exchange translation losses on the Company's positive net working capital balances denominated in US dollar.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was $17.2 million in Q3 2021, compared to $17.9 million in Q3 2020, a decrease of $0.7 million or 4%. This was driven by a higher portion of Adjusted EBITDA attributable to non-controlling interests of $1.7 million, lower gross margin of $0.5 million, and offset by lower SG&A of $1.5 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.

Income Taxes

Income tax recovery for Q3 2021 was $1.1 million, compared to an expense of $4.1 million in Q3 2020. The improvement was primarily due to a recorded deferred tax expense of $11.6 million related to the derecognition of certain deferred tax asset during Q3 2020.

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

Net loss attributable to the Shareholders of the Company for Q3 2021 was $26.5 million, compared to a net loss of $221.7 million for Q3 2020, an improvement of $195.2 million. The improvement was primarily due to lower write-down of assets of $187.0 million, lower SG&A of $1.5 million, lower net income attributable to non-controlling interests of $2.6 million, higher income tax recovery of $5.2 million, and lower finance and other expenses of $24.7 million. These were partially offset by higher change in fair value of embedded derivative of $25.3 million, and lower gross margin of $0.5 million.

Comprehensive loss of $27.4 million for Q3 2021, compared to comprehensive loss of $174.6 million for Q3 2020.

Basic and diluted loss per share were both $0.15 in Q3 2021 compared to a basic and diluted loss per share of $1.30 in Q3 2020.

Results for the nine months ended March 31, 2021 ("Nine Months 2021") compared to the nine months ended March 31, 2020 ("Nine Months 2020")

Revenues

Consolidated revenue increased $7.2 million to $339.9 million in Nine Months 2021 compared to Nine Months 2020. Revenue by business segment was comprised of the following:

	Nine Months 2021	Nine Months 2020	Variance	
(expressed in $000s)	$	$	$	%
Content Production and Distribution	140,510	105,573	34,937	33 %
WildBrain Spark	34,053	55,808	(21,755)	(39)%
Consumer Products	130,982	135,373	(4,391)	(3)%
Content Business	305,545	296,754	8,791	3 %
Canadian Television Broadcasting	34,377	35,978	(1,601)	(4)%
Total Revenue	339,922	332,732	7,190	2 %

Content Production and Distribution: Revenue increased $34.9 million to $140.5 million in Nine Months 2021 compared to Nine Months 2020. Higher revenue was driven primarily by the Peanuts library licensing deal, which contributed $34.3 million revenue in Q2 2021, and a growing pipeline of premium proprietary projects for *Go, Dog. Go!, Johnny Test*, and new content for *Peanuts,* which generate steady revenue throughout their production as revenue is recognized on percentage of completion basis.

WildBrain Spark: Revenue decreased $21.8 million or 39% to $34.1 million in Nine Months 2021 compared to Nine Months 2020, due to the continued impact of YouTube's changes in targeted advertising policies in January 2020 and COVID-19. However, Q3 2021 revenue reflected improvement, up 2% from Q3 2020. This compared with declines of 60% and 36% in the first and second quarters of Fiscal 2021 respectively, compared with the same prior-year periods. We continue to focus on advertising growth as well as success in increasing other AVOD revenue streams including through direct-ad sales, paid media and digital production overall.

Consumer Products: Revenue decreased $4.4 million or 3% to $131.0 million in Nine Months 2021 compared to Nine Months 2020. The decline was due to the expiry of the MetLife contract for Peanuts in December 2019, which generated revenue of $7.3 million in Nine Months 2020. Excluding MetLife, revenue increased $2.9 million or 2% in Nine Months 2021 compared to Nine Months 2020, reflecting the strength of our consumer products business despite the impact of COVID-19 on the global retail sector.

Canadian Television Broadcasting: Revenue decreased $1.6 million to $34.4 million in Nine Months 2021 compared to Nine Months 2020, reflecting subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue remained steady at 88%, or $30.4 million (Nine Months 2020 - 89%, or $32.0 million), while advertising, promotion, digital and other revenues were 12%, or $4.0 million (Nine Months 2020 - 11%, or $4.0 million).

Gross Margin

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

(expressed in $000s, except percentages)	Nine Months 2021 Gross Margin $	Nine Months 2021 Gross Margin %	Nine Months 2020 Gross Margin $	Nine Months 2020 Gross Margin %
Content Business	125,434	41 %	125,167	42 %
Canadian Television Broadcasting	23,515	68 %	23,119	64 %
Total Gross Margin	148,949	44 %	148,286	45 %

Consolidated gross margin for Nine Months 2021 was $148.9 million, an increase of $0.7 million compared to $148.3 million for Nine Months 2020. Gross margin percentage for Nine Months 2021 was 44% of revenue, compared with 45% in Nine Months 2020.

Content Business gross margins were $125.4 million in Nine Months 2021, steady with $125.2 million in Nine Months 2020. Gross margin was driven by the Peanuts library licensing deal that closed in Q2 2021, partially offset by declines in revenue for WildBrain Spark. Gross margin percentage for Nine Months 2021 was steady at 41% of revenue, compared with Nine Months 2020.

Canadian Television Broadcasting gross margin remained stable at $23.5 million in Nine Months 2021 compared to $23.1 million in Nine Months 2020. We continue to maintain cost containment measures and utilize our large library to control content costs. Gross margin percentage for Nine Months 2021 increased to 68%, compared to 64% in Nine Months 2020.

Other Income from Litigation Settlement

In Q2 2021, we reached a settlement agreement related to litigation with former employees of the Company (among others). The settlement agreement included US$3.4 million ($4.4 million) in award damages, which has been classified as other income from litigation settlement in the unaudited interim condensed consolidated statement of income. The settlement also includes the reimbursement of a portion of legal costs incurred in relation to the litigation, which will be recognized upon determination of the amount.

Operating Expenses (Income)

Selling, General & Administrative

SG&A costs for Nine Months 2021 were $58.1 million, compared to $61.4 million for Nine Months 2020, a decrease of $3.3 million, or 5%. The lower SG&A expenses were due to government wage subsidies received or receivable in Nine Months 2021 of $4.7 million, lower travel and entertainment costs of $2.7 million, salaries and board fees received in RSUs and DSUs of $1.3 million, offset by higher variable compensation and costs incurred for growth initiatives of $1.4 million.

Share-Based Compensation

Total share-based compensation was $4.4 million in Nine Months 2021, an increase of $0.6 million compared to $3.8 million for Nine Months 2020. The increase was due to the launch of the new Omnibus Equity Plan in Q2 2020. As such Nine Months 2021 included nine months of award vesting, compared to six months in the Nine Months 2020. In addition, restricted share awards were issued in lieu of a 20% salary reduction for certain employees in Nine Months 2021 resulting in higher expense.

Amortization

Total amortization of acquired and library content, P&E including right-of-use assets and intangible assets was $25.5 million for Nine Months 2021, compared to $27.1 million in Nine Months 2020.

Amortization of acquired and library content was $8.3 million in Nine Months 2021, compared to $9.0 million in Nine Months 2020.

Amortization of P&E was $9.2 million in Nine Months 2021, compared to $10.3 million in Nine Months 2020.

Amortization of intangible assets was $8.0 million in Nine Months 2021, compared to $7.8 million in Nine Months 2020.

Reorganization, Development and Other

Reorganization, development and other was an expense of $6.3 million in Nine Months 2021, compared to $15.8 million in Nine Months 2020, a decrease of $9.5 million. Nine Months 2021 included termination and other benefits of $2.0 million, legal fees associated with a dispute with former employees of $1.7 million, systems upgrade and process enhancement initiatives of

$0.2 million, other charges of $1.6 million, and corporate rebranding charge of $0.7 million (Nine Months 2020 - termination and other benefits of $9.6 million related to reorganization initiatives, corporate rebranding charges of $2.7 million, systems upgrade and process enhancement initiatives of $1.1 million, and legal fees associated with a dispute with former employees of $2.3 million.)

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

During Nine Months 2021, we recorded an impairment charge of $6.7 million, compared to $194.1 million in Nine Months 2020. Nine Months 2021, included write-downs of investment in film assets and of acquired library and content of $5.9 million, and $0.3 million, respectively (Nine Months 2020 - goodwill impairment of $184.5 million, write-down of investment in film assets of $6.9 million, an impairment of right-of-use asset for $2.5 million, and a write-down of acquired and library content of $0.2 million).

Finance Costs, net

Net finance costs were $32.2 million in Nine Months 2021, compared to $39.9 million in Nine Months 2020, a decrease of $7.7 million. The decrease was due to a lower loss on modification of long-term debt of $4.7 million and a decrease of $4.0 million due to lower interest rates during Nine Months 2021 compared to Nine Months 2020.

Change in Fair Value of Embedded Derivatives

The change in fair value of embedded derivatives related to our convertible and exchangeable debentures was a loss of $32.8 million in Nine Months 2021, compared to a gain of $3.7 million in Nine Months 2020.

Foreign Exchange (Gain) Loss

The foreign exchange gain was $19.5 million in Nine Months 2021, compared to a loss of $24.3 million in Nine Months 2020, an increase in gain of $43.9 million. The gain in Nine Months 2021 was driven primarily by the strengthening of the Canadian dollar compared to the US dollar, which resulted in a foreign exchange translation gain on our US dollar denominated term debt of $30.0 million in Nine Months 2021, partially offset by unrealized foreign exchange translation losses on our positive net working capital balances denominated in US dollar.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was $63.9 million in Nine Months 2021, compared to $63.1 million in Nine Months 2020, an increase of $0.8 million. The increase was driven by higher gross margin of $0.7 million, lower SG&A of $3.3 million, and other income from litigation settlement of $4.4 million, offset with a higher portion of Adjusted EBITDA attributable to non-controlling interests of $7.6 million.

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.

Income Taxes

Income tax recovery for Nine Months 2021 was $0.7 million, compared to an expense of $1.9 million in Nine Months 2020. The improvement was primarily due to lower taxable income in Q3 2021.

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

Net loss attributable to the Shareholders of the Company for Nine Months 2021 was $18.5 million, compared to a net loss of $240.0 million for Nine Months 2020, an improvement of $221.5 million. The improvement in Nine Months 2021 was driven primarily by a lower write-down of assets of $187.4 million, lower SG&A of $3.3 million, other income from litigation settlement of $4.4 million, lower finance and other expenses of $62.1 million, income tax recovery of $2.6 million, and higher gross margin of $0.7 million. These were partially offset by a higher loss on change in fair value of embedded derivatives of $36.5 million, and a higher portion of net income attributable to non-controlling interests of $2.5 million.

Comprehensive loss for Nine Months 2021 was $20.0 million, compared to comprehensive loss of $176.0 million for Nine Months 2020.

Basic and diluted loss per share was $0.11 in Nine Months 2021, compared to a basic and diluted loss per share of $1.58 in Nine Months 2020.

Financial Condition

The following table summarizes certain information with respect to WildBrain's capitalization and financial position as at March 31, 2021 and June 30, 2020:

(expressed in $000s, except ratio data)	**March 31, 2021** **$**	**June 30, 2020** **$**
Cash (including restricted cash)	82,212	84,526
Amounts receivable	236,486	221,252
Investment in film and television programs	146,410	140,548
Acquired and library content	104,580	109,076
Intangible assets	440,880	472,531
Other assets	111,388	118,368
Total assets	1,121,956	1,146,301
Bank indebtedness	—	10,000
Accounts payable and accrued liabilities	121,487	98,927
Interim production financing	58,683	66,688
Long-term debt	486,346	502,006
Lease liabilities	45,642	50,826
Deferred revenue	41,259	48,371
Other liabilities	69,936	27,997
Total liabilities	823,353	804,815
Shareholders' equity	298,603	341,486
Working capital[1]	193,278	200,810
Working capital ratio[2]	1.82	1.86
Net debt[3]	404,134	427,480

[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 $1,122.0 million as at March 31, 2021, a decrease of $24.3 million compared to $1,146.3 million as at June 30, 2020. The decrease was primarily due to lower intangible assets of $31.7 million, driven by the strengthening Canadian dollar which resulted in a downward revaluation of US dollar denominated intangible assets and continued amortization, lower acquired and library content of $4.5 million, lower other assets of $7.0 million, partially offset by an increase of $15.2 million in amounts receivable driven by the Peanuts library distribution licensing deal completed in Q2 2021 which receivable is over the term of the agreement, and an increase in investment in film and television programs of $5.9 million.

Total liabilities were $823.4 million as at March 31, 2021, an increase of $18.5 million compared to $804.8 million as at June 30, 2020. The increase was primarily due to lower long-term debt of $15.7 million driven by the strengthening Canadian dollar which resulted in a downward revaluation of our US dollar denominated term debt, lower bank indebtedness of $10.0 million, lower interim production financing of $8.0 million, lower lease liabilities of $5.2 million, lower deferred revenue of $7.1 million, offset with an increase in accounts payable and accrued liabilities of $22.6 million due to the Peanuts library deal resulting in higher talent fee and agency commissions payable, and an increase in other liabilities of $41.9 million.

Shareholders' equity was $298.6 million as at March 31, 2021, a decrease of $42.9 million compared to $341.5 million at June 30, 2020.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended		Nine Months Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	$	$	$	$
Cash Inflows (Outflows) by Activity:				
Operating activities	22,052	23,523	82,992	106,351
Financing activities	(18,231)	(15,916)	(69,219)	(80,696)
Investing activities	(1,533)	(3,102)	(13,680)	(5,830)
Effect of foreign exchange rate changes on cash	—	2,711	(2,407)	2,397
Net cash outflows	2,288	7,216	(2,314)	22,222

Changes in Cash (including Restricted Cash)

Cash (including restricted cash) at March 31, 2021 was $82.2 million compared to $84.5 million at June 30, 2020. The restricted cash balance of $13.8 million as at March 31, 2021 related to funds raised on the issuance of exchangeable debentures to Fine Capital (the "Exchangeable Debentures") by a newly formed subsidiary of the Company in Q4 2020. The Exchangeable Debentures are non-recourse to the Company and the funds are not for working capital but are earmarked for investments in growth initiatives. For additional details, refer to the description under 'Exchangeable Debentures' below, the 'Related Party Transactions' section of this MD&A and notes 12 and 18 in the audited consolidated financial statements for the year ended June 30, 2020.

Operating Activities

During Q3 2021, cash provided by operating activities was $22.1 million compared to $23.5 million provided in Q3 2020, a decrease of $1.5 million. The decrease was primarily due to timing of settlement of working capital balances.

During Nine Months 2021, cash provided by operating activities was $83.0 million compared to $106.4 million provided in Nine Months 2020, a decrease of $23.4 million. The decrease was primarily due to timing of settlement of working capital balances.

In Q1 2021, we reclassified cash interest paid on our long-term debt, bank indebtedness, and lease liabilities that were previously included as cash flows used in operating activities, to be reported as part of cash flows used in financing activities with a corresponding reclassification to the comparative periods, as these interest charges do not form part of our ongoing operating activities, performance and results. Refer to "Changes in Accounting Policies" section in this MD&A for additional details.

Financing Activities

During Q3 2021, cash flows used in financing activities were $18.2 million compared to $15.9 million used in Q3 2020. The increase of $2.3 million was primarily due to proceeds of the long-term debt of $18.6 million, which was partially offset by $11.3 million in debt issue costs, and $4.6 million in interim production financing loans.

During Nine Months 2021, cash flows used in financing activities were $69.2 million compared to $80.7 million used in Nine Months 2020. The decrease of $11.5 million was primarily the result of lower long-term debt (which were partly funded in Q2 2020 using proceeds from the rights offering) and interim production financing repayments.

Investing Activities

During Q3 2021, cash flows used in investing activities were $1.5 million compared to $3.1 million used in Q3 2020. The cash flow used primarily related to the acquisition of P&E and intangible assets in the current quarter.

During Nine Months 2021, cash flows used in investing activities were $13.7 million compared to $5.8 million used in Nine Months 2020. The increase of $7.9 million was primarily related to the acquisition of acquired and library content and intangible assets in Q2 2021.

Bank Indebtedness and Long-Term Debt

Term Loan and Revolving Facility

On March 26, 2021, the Company refinanced its term facility with a new 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 LIBOR plus 4.25%. 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 new five-year US$30.0 million Revolving Facility ("Revolver") with an interest rate of LIBOR plus 4.00%. The Revolver does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. As at March 31, 2021, $nil (June 30, 2020 - $10.0 million) was drawn on this facility. The new 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.

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 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, 2020.

The LIBOR rate is scheduled to be discontinued at the end of calendar year 2021. As part of the refinancing of the Term Loan and Revolver completed March 26, 2021, alternative replacement rates for LIBOR were included in the agreement based on the secured overnight financing rate (SOFR), which is a benchmark interest rate for dollar denominated loans.

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

Senior Unsecured Convertible Debentures

As at March 31, 2021, the senior unsecured convertible debentures ("Convertible Debentures") had a principal balance of $140.0 million (June 30, 2020 - $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 on September 30, 2024.

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 consolidated statement of income. As at March 31, 2021, the estimated fair value of the embedded derivative was $8.6 million.

Exchangeable Debentures

On March 4, 2021, the Company drew the remaining US$6.3 million ($7.9 million) on the exchangeable debenture ("Exchangeable Debenture"). As at March 31, 2021, the Exchangeable Debentures had a principal balance of US$18.4 million, or $23.2 million (June 30, 2020 - US$12.2 million, or $16.6 million) bearing interest at an annual rate of 7.5% payable at maturity and are exchangeable for Variable Voting Shares of the Company at a conversion price of US$1.072855 per share. The Exchangeable Debentures mature on June 24, 2023.

The Exchangeable Debenture was completed on June 24, 2020 with Fine Capital, our largest shareholder and a related party to WildBrain, whereby they would purchase up to an aggregate of US$18.5 million ($25.0 million) in Exchangeable Debentures. The net proceeds will be used to fund accretive growth investments across the Company, especially in our AVOD business. The Exchangeable Debentures were issued by a newly formed single purpose subsidiary of the Company and non-recourse to WildBrain. As a result, the Exchangeable Debentures are excluded from the security granted to the lenders under our Senior Secured Credit Agreement; and therefore, are also excluded from the calculation of the net leverage.

Concurrently in Q4 2020, we issued to Fine Capital warrants to purchase 5,000,000 Variable Voting Shares 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.

In Q2 2021, we completed two acquisitions using funds from the Exchangeable Debentures for an aggregate purchase price of US$7.0 million, which have been recognized as acquired and library content assets in the unaudited interim condensed consolidated balance sheet. As such, these assets serve as security against the Exchangeable Debentures.

The Exchangeable Debentures have a conversion option at a fixed US dollar conversion price for Variable Voting Shares of WildBrain, which are denominated in Canadian dollars. As a result, the Exchangeable 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 consolidated statement of income. As at March 31, 2021, the estimated fair value of the embedded derivative was $11.8 million.

See section "Related Party Transactions" of this MD&A and notes 12 and 18 in the audited consolidated financial statements for the year ended June 30, 2020 for additional details.

Working Capital and Liquidity

Working capital represents the Company's current assets less current liabilities, which was $193.3 million as at March 31, 2021, compared to $200.8 million at June 30, 2020.

All of our significant businesses are cash flow positive and we frequently review our cash flows by business unit and actions are taken if and as necessary.

Technology Investments

Amounts required for investments in technology, primarily at our studio and WildBrain Spark, are principally paid for using leases and are paid over time from funds generated 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 capital 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 limited.

Canadian Content Investments

As a Canadian broadcaster, we are required to invest in a certain amount of Canadian content for programming on our channels. 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 or revolver, the available funds from the Exchangeable Debentures, or the issuance of equity.

Based on our current revenue forecasts and expectations for Fiscal 2021 and 2022, 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, the Revolving Facility, and the Exchangeable Debentures.

Contractual Obligations[1]

The following table summarizes our outstanding cash commitments as of March 31, 2021:

Payments Due by Period	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
(expressed in $000s)	$	$	$	$	$
Accounts payable and accrued liabilities	121,487	121,487	—	—	—
Interim production financing	58,683	58,683	—	—	—
Other long-term liabilities	15,708	—	13,417	2,291	—
Senior unsecured convertible debentures	168,799	8,225	16,450	144,124	—
Exchangeable debentures	28,671	—	28,671	—	—
Term facility	461,411	18,759	37,060	36,451	369,142
Lease liabilities	51,131	11,851	19,628	13,592	6,060
Total Contractual Obligations	905,890	219,005	115,226	196,458	375,202

[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 Caillou

On December 31, 2020, we acquired the additional rights, that we did not own previously, in the Caillou property from PBS for a purchase price of US$6.4 million using proceeds from the Exchangeable Debentures (refer to "Exchangeable Debentures" section of this MD&A for additional information). This investment allowed us to extend this well-known brand to a broader audience and increase exploitation across various business areas.

Issuance of Exchangeable Debentures

On June 24, 2020, we issued US$12.2 million of Exchangeable Debentures to Fine Capital, a related party of WildBrain, with a further commitment of US$6.3 million subject to certain conditions being met. The Exchangeable Debentures mature on June 24, 2023 and are convertible to Variable Voting Shares of WildBrain at a price of US$1.072855 per Variable Voting Share. Concurrently, 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. The net proceeds will be used to fund acquisition and investments across the Company, with a special focus on our AVOD business, WildBrain Spark.

On March 4, 2021, we issued the remaining balance of US$6.3 million in Exchangeable Debentures to Fine Capital.

Change of Corporate Name

On December 17, 2019, shareholders approved the Company's name change from DHX Media Ltd. to WildBrain Ltd.

NASDAQ Delisting and Suspension of U.S. Filing Obligations

On December 24, 2019, we voluntarily delisted our Common and Variable Voting Shares from NASDAQ and ceased trading on that U.S. stock exchange. Following the NASDAQ delisting, the Company filed the forms required to voluntarily deregister its shares in the U.S. and terminate its public reporting obligations with the Securities Exchange Commission.

WildBrain's Common and Variable Voting Shares continue to trade on the TSX under the ticker symbol 'WILD', and the Company's financial statements, press releases and other information will continue to be available on SEDAR at www.sedar.com and on its website at www.wildbrain.com.

Rights Offering

On November 22, 2019, we completed a rights offering, issuing an aggregate of 35,928,144 Common and Variable shares of the Company at a price of $1.67 per Common and Variable Voting Share for gross proceeds of $60.0 million ("Rights Offering"). Concurrent with the closing of the Rights Offering, we used a portion of the proceeds to repay $50.2 million (US$37.8 million) against our Term Loan and amended certain terms of our Senior Secured Credit Agreement which included fixing the Total Net Leverage Ratio[2] covenant requirement to 6.75x with no step downs, and an increase to the Term Loan interest rate from USD LIBOR + 3.75% to USD LIBOR + 4.25%.

[2] Net leverage ratio as discussed in this MD&A is a reference to the Total Net Leverage Ratio as defined in the Company’s Senior Secured Credit Agreement available on SEDAR at www.sedar.com

Share Capital

As at March 31, 2021, our issued and outstanding share capital was as follows:

Common Voting Shares	22,656,658
Variable Voting Shares	149,127,793
Total Common Shares	171,784,451
Preferred Variable Voting Shares	500,000,000
Stock Options	5,833,800
Restricted Share Units	4,737,606
Performance Share Units	2,825,000
Deferred Share Units	2,307,162

On March 19, 2021, 500.0 million Preferred Variable Voting Shares ("PVV Shares") were transferred to the Company's President, Josh Scherba ("Scherba"). Concurrent with the transfer, Scherba entered into a shareholders agreement (the "PVV Shareholder Agreement") with the Company, whereby Scherba: (i) agreed not to transfer the PVV Shares, in whole or in part, except with the prior written approval of the Board; (ii) granted to the Company the unilateral right to compel the transfer of the PVV Shares, at any time and from time to time, in whole or in part, to a person designated by the Board; and (iii) granted to the Company a power of attorney to effect any transfers contemplated by the PVV Shareholder Agreement. The Board will not approve or compel a transfer without first obtaining the approval of the TSX and the PVV Shareholder Agreement cannot be amended, waived or terminated unless approved by the TSX.

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. 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 2020 AIF dated September 22, 2020 filed on www.sedar.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

As part of the Exchangeable Debentures issued described under "Recent Transactions - Issuance of Exchangeable Debentures" section of this MD&A, on June 24, 2020, we issued US$12.2 million of Exchangeable Debentures to Fine Capital, our largest shareholder, with a further commitment of US$6.3 million, which was subsequently drawn on March 4, 2021. The Exchangeable Debentures mature on June 24, 2023 and are convertible to Variable Voting Shares at a price of US$1.072855 per Variable Voting Share. Concurrently, 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.

Rights Offering

As part of the Rights Offering described under "Recent Transactions - Rights Offering" section of this MD&A, we entered into a standby purchase agreement with Fine Capital, as investment manager on behalf of certain of the funds it manages, whereby Fine Capital would acquire any residual Common and Variable Voting Shares that were not taken up by holders of subscription rights, and would be paid a cash fee equal to $1.5 million upon completion of the Rights Offering. Fine Capital is a significant shareholder of WildBrain. In addition, Jonathan Whitcher is on the Board of Directors of WildBrain and is also the Chief Executive Officer and Chief Investment Officer at Fine Capital. During Q2 2020, we paid $1.5 million to Fine Capital following the closing of the Rights Offering.

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, 2020 on www.sedar.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 2020 notes to the consolidated financial statements.

Changes in Accounting Policies

In Q1 2021, the Company changed its accounting policy for the presentation of cash interest paid in the interim condensed consolidated statement of cash flows. Specifically, cash interest paid that was previously included in operating cash flows has been reclassified to financing cash flows, as permitted by IAS 7, *Statement of cash flows*. Cash interest paid relates primarily to interest paid on our long-term debt, bank indebtedness and lease liabilities, which were drawn on in prior periods to fund asset acquisitions including acquired and library content assets and right-of-use assets. We believe this change more appropriately reflects the Company's financing activities during the period. For the nine-month period ended March 31, 2020, cash interest paid of $28.1 million has been reclassified from operating cash flows to financing cash flows.

There were no other changes in accounting policies in Nine Months 2021.

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 through its outstanding trade receivables.

The maximum exposure to credit risk for cash and cash equivalents and trade receivables (excluding government and film tax credit receivables) approximate the amount recorded on the consolidated balance sheet of $258.0 million (June 30, 2020 - $239.8 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 6.2% 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.

COVID-19 has increased the credit risk in our trade receivables. To manage this risk, 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. Certain customers of the consumer-products segment, in particular Peanuts, are licensees who have been impacted by the closure of retailers during the pandemic and we are closely monitoring these receivables. The majority of our other customers are large Canadian and international broadcasters, or large international distribution companies, and we have not seen a significant deterioration in the credit quality of these customers and trade receivables to date.

We are unable to predict or anticipate the full extent or duration of the impact due to COVID-19 at this time. Based on collections subsequent to the current quarter, and discussions with customers, we believe that the loss provision is adequate as at March 31, 2021.

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, LIBOR rate, bankers acceptance rates, and other applicable interest rate benchmarks.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall 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 and we frequently review our cash flows by business unit and actions are taken if and when necessary.

Specifically, with respect to COVID-19, we closely monitored the cash flow needs of our businesses during the pandemic and took actions where necessary. When the pandemic hit in March 2020, we had sufficient liquidity including cash on hand and full availability on our US$30.0 million revolving facility. Initially, to ensure we had appropriate liquidity, as a precautionary measure in Q3 2020 we drew $10.0 million on our revolving facility. We subsequently repaid these draws fully in Q1 2021 and Q2 2021. We also took other measures including cash pay reductions for senior management and the Board, implemented a hiring freeze, and curtailed discretionary travel and other spending to ensure we had available funds for operations. To allow our employees to operate efficiently at home, we leased approximately $3.0 million of additional equipment, primarily for our studio operations, which was well within our available lease lines. Our IT systems and IT Infrastructure was designed to allow for ease of transition to working from home, which somewhat mitigated the impact of COVID-19 on our other business operations. Stronger mitigating actions were implemented at WildBrain Spark in response to lower advertising spending arising from COVID-19 as well as from policy changes made on YouTube. This included furloughs and a hiring freeze as well as deferral of other discretionary spending. In Q2 2021, we have seen gradual improvements in our AVOD business, and we were able to gradually scale back to normal operations at WildBrain Spark and focus on growing our core advertising revenue and other revenue streams through direct ad sales, paid media and digital production. Management continues to evaluate the potential operational and financial risks as a result of COVID-19, as well as additional steps if any that may be required to ensure continuity of operations and the impact on the Company’s growth plans. The circumstances and extent to which COVID-19 impacts our business operations are evolving, and therefore, the duration and impact on our future operations cannot be reasonably estimated.

As at March 31, 2021, we had cash balances of $68.4 million and amounts receivable of $236.5 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 6.75x, declining to 6.25x for the quarter ending September 30, 2023 and thereafter. As at March 31, 2021, our Total Net Leverage Ratio is 5.94x, which increased modestly from Q2 2021, primarily as a result of the refinancing and the resultant increase in the amount outstanding under the Term Loan. However, we remain on track to be in the mid-4x level, or below, by the end of our Fiscal 2022.

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: the COVID-19 outbreak which could materially and adversely impact the Company's business, financial condition, and performance, the Company's leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company (as and where applicable), competition and competitor activities, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, consumer preferences, the ability of the Company to execute on its strategy, the ability of the Company to execute on production and licensing arrangements, 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, risks related to doing business internationally and currency exchange rates, 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, 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, and catastrophic events and circumstances.

Beginning March 2020, COVID-19 began negatively affecting the advertising revenues of WildBrain Spark and this pandemic could have longer-term negative effects. WildBrain Spark generates the majority of its revenue through advertising-based video-on-demand ("AVOD"). The adverse impact of the new rules and policies on 'Made for Kids' content introduced by YouTube in January 2020, coupled with the subsequent impact of COVID-19 on the global advertising industry, has resulted in a significant decline in the current operating results of WildBrain Spark and for the foreseeable future. The Company has taken pro-active measures to cut costs and manage near-term headwinds, however a prolonged period of such market conditions may require the Company to take further actions.

Current disruptions in the global retail sector caused by COVID-19 are impacting our consumer products business in the short-term at retail, however, as market demand recovers, we expect our Peanuts franchise to remain resilient, supported by new content. Management continues to monitor market conditions and potential risks, however, the circumstances and extent to which COVID-19 impacts our operations are evolving and may require the Company to take additional business protection measures.

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 2020 Annual Information Form which is available on SEDAR at www.sedar.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 May 11, 2021, 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 at March 31, 2021, both the Company’s disclosure controls and procedures, and internal control over financial reporting were operating effectively. 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 three-months ended March 31, 2021 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, and Gross Margin.

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.

"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.

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:

	Fiscal 2021[1]			Fiscal 2020[1]				Fiscal 2019[1]
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(expressed in $000s)	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Income (loss) before income taxes	(23,308)	26,981	3,293	7,292	(210,675)	3,528	(7,230)	(51,165)
add back:								
Finance costs, net	12,958	9,481	9,757	9,465	10,022	18,192	11,725	11,750
Change in fair value of embedded derivatives	23,501	5,629	3,669	1,792	(1,833)	(3,114)	1,200	(3,685)
Foreign exchange	(97)	(14,302)	(5,144)	(10,264)	25,921	(6,867)	5,257	(6,615)
Amortization of P&E and intangible assets	6,002	5,584	5,605	6,049	6,526	5,929	5,667	5,578
Amortization of acquired and library content	2,851	2,750	2,710	3,084	3,030	2,993	2,975	3,389
Write-down of certain investment in film and television programs, acquired and library content, P&E, intangible assets, and goodwill	346	6,349	—	2,018	187,300	6,804	—	68,717
Equity-settled share-based compensation	786	975	2,598	1,729	1,172	1,634	869	613
Reorganization, development and other	1,926	1,643	2,688	2,181	2,444	5,552	7,784	(2,424)
Adjusted EBITDA	**24,965**	**45,090**	**25,176**	**23,346**	**23,907**	**34,651**	**28,247**	**26,158**
Portion of Adjusted EBITDA attributable to non-controlling interests[2]	(7,758)	(15,965)	(7,639)	(4,680)	(6,016)	(9,062)	(8,641)	(5,997)
Adjusted EBITDA attributable to the Shareholders of the Company	**17,207**	**29,125**	**17,537**	**18,666**	**17,891**	**25,589**	**19,606**	**20,161**

[1]On July 1, 2019, the Company adopted IFRS 16 using the modified retrospective method, with no restatement of prior comparative figures and no adjustment to opening retained earnings at July 1, 2019. As such, Fiscal 2021 and Fiscal 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 financial operating results are presented under the previous accounting standard IAS 17. Refer to "Changes in Accounting Policies" section in the Fiscal 2020 Annual MD&A dated September 22, 2020 found on www.sedar.com for additional details on the impact of the new accounting standard.

[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:

	Fiscal 2021			Fiscal 2020				Fiscal 2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(expressed in $000s)	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Revenue	102,198	142,269	95,455	92,902	98,341	122,134	112,257	108,760
less: Direct production costs and amortization of film and television produced	(58,264)	(80,505)	(52,204)	(53,343)	(53,942)	(67,615)	(62,889)	(60,805)
Gross Margin	**43,934**	**61,764**	**43,251**	**39,559**	**44,399**	**54,519**	**49,368**	**47,955**

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:

	Fiscal 2021[1]			Fiscal 2020[1]				Fiscal 2019[1]
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
(expressed in $000s)	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**
Cash flow provided by operating activities[2]	22,052	41,368	19,572	23,641	23,523	52,891	29,937	35,653
less:								
Distributions to non-controlling interests	(11,091)	(10,802)	(4,220)	(5,565)	(14,719)	(13,176)	—	(6,002)
Change in interim production financing	(3,754)	1,514	(5,765)	(862)	872	(17,611)	(8,159)	(17,096)
Interest paid	(8,064)	(6,234)	(9,937)	(5,791)	(10,575)	(6,257)	(11,234)	(7,122)
Repayment of lease liabilities	(2,413)	(2,308)	(2,305)	(2,140)	(2,255)	(2,571)	(2,888)	(1,367)
Free Cash Flow	**(3,270)**	**23,538**	**(2,655)**	**9,283**	**(3,154)**	**13,276**	**7,656**	**4,066**

[1]On July 1, 2019, the Company adopted IFRS 16 using the modified retrospective method, with no restatement of prior comparative figures. As such, Fiscal 2021 and Fiscal 2020 operating results are presented under IFRS 16, whereas Fiscal 2019 operating results are presented under the previous accounting standard IAS 17, *Leases*. The payment of certain lease liabilities was previously classified within cash flows used in operating activities under IAS 17, which subsequent to July 1, 2019 are classified as repayment of lease liabilities included within financing activities. Refer to "Changes in Accounting Policies" section in the Fiscal 2020 Annual MD&A dated September 22, 2020 found on www.sedar.com for additional details on the impact of the new accounting standard.

[2]In Q1 2021, we reclassified cash interest paid on our long-term debt, bank indebtedness, and lease liabilities that were previously included as operating cash flows to financing cash flows, as these interest charges do not form part of our ongoing operating activities, performance and results. All amounts in the table above have been adjusted for the impact of this change. Refer to "Liquidity and Capital Resources" and "Changes in Accounting Policies" sections of this MD&A for additional details. This same amount has been deducted from cash flow from operating activities to calculate Free Cash Flow.

Additional Information

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