Q2 2020

Management Discussion and Analysis
of Financial Condition and Results of Operation
For the Three and Six Months Ended December 31, 2019 and December 31, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of February 13, 2020 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 December 31, 2019 compared to June 30, 2019, and the consolidated results of operations for the three- and six-month periods ended December 31, 2019 compared with the corresponding periods ended December 31, 2018. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for three- and six-month periods ended December 31, 2019. Unless otherwise noted, the financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 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

This MD&A and the documents incorporated by reference herein, if any, contain certain "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian and United States securities legislation (collectively herein referred to as "forward-looking statements"), including the "safe harbour" provisions of provincial securities legislation in Canada, the US Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended (the, "US Exchange Act"), and Section 27A of the US Securities Act of 1933, as amended (the "US Securities Act"). These statements relate to future events or future performance and reflect the Company's expectations and assumptions regarding the 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" 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' growth, objectives, future plans and goals, including those related to future operating results, economic 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, statements with respect to:

- the business strategies and strategic priorities of the Company;
- 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 the Company;
- the markets and industries, and competitive conditions in which the Company operates, including the market for content;
- the Company's production pipeline;
- the financial impact of its long-term agreements with Mattel, Inc. and other strategic brand partnerships;
- the Company's reorganization, cost reduction and deleveraging initiatives; and
- changes in YouTube's approach to advertising and expected results therefrom, including impact on the financial and operating performance of WildBrain Spark.

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) the Company's ability to restructure its operations and adapt to a changing environment for content; (iv) future general economic and market conditions, including debt and equity capital markets; (v) the impact of increasing competition on the Company; and (vi) changes to the industry and changes in laws and regulations related to the industry. 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, general economic and market segment conditions, competitor activities, product capability and acceptance, international risk and currency exchange rates and technology changes. In evaluating these forward-looking statements, investors and prospective investors should specifically consider various 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, 2019 filed on www.sedar.com.

These forward-looking statements are made as of the date of this MD&A or, in the case of documents incorporated by reference herein, if any, 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 such high-profile properties as *Peanuts*, *Teletubbies, Strawberry Shortcake, Caillou, Inspector Gadget*, and *Degrassi*. 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 over and over again 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 to begin with WildBrain. Our ad-supported video-on-demand ("AVOD") business, formerly known as WildBrain, has been renamed to 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 at approximately 13,000 half-hours. We monetize our content and related intellectual property ("IP") mainly by:

1. producing and distributing shows to over 500 broadcasters and streaming services worldwide;
2. generating AVOD revenue through our wholly-owned subsidiary, WildBrain Spark, which operates one of the largest networks of children's channels on YouTube; and
3. realizing royalties from consumer products based on our IP and brands.

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

Revenue Model

The Company operates through the following three reportable segments:

1. Production and Distribution of Content (the "Content Business") - we derive revenue from our owned IP or use of our production studios, which includes the production of our own proprietary content ("Proprietary Production"); third-party service work ("Service"); distribution of proprietary and third-party titles across linear and streaming platforms including digital distribution on YouTube through our WildBrain Spark's network ("Distribution"); and licensing royalties from our owned IP and from brands owned by partners ("Consumer Products-Owned");
2. Television - we derive revenue from operating our Family broadcast channels in Canada; and
3. Representation of internal and third-party brands ("Consumer Products-Represented").

Proprietary Production and Service Revenue (together, "Production Revenue")

Proprietary Production revenue is generated by licensing the initial broadcast or streaming rights for our proprietary titles to linear broadcast or subscription video on demand ("SVOD") networks. Fees are typically collected in advance of or during production services.

Service revenue is earned when producing animation or live-action programs for third parties. Service work does not typically result in the ownership of IP, however may include production revenue generated from our strategic partnerships such as with Mattel.

Distribution Revenue

Distribution revenue is derived from licensing shows from our content library, which is comprised of internally-produced and acquired library titles, and third-party produced titles for which we hold distribution rights. Typically, we are able to distribute a title into linear broadcast channels across different geographic jurisdictions, and digital platforms (e.g. Netflix, Apple, Amazon, and home entertainment).

WildBrain Spark revenue is our platform of kids' AVOD channels on which we distribute both our own IP and third-party brands on YouTube and is included in Distribution revenue. Revenues are earned primarily through advertising on the WildBrain Spark platform.

Consumer Products-Owned Revenue

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

Television Revenue

Television revenue is earned through monthly subscriber fees or 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 and are supported by websites and apps designed to engage viewers and build customer loyalty.

Consumer Products-Represented Revenue

Consumer Products-Represented revenue is earned through our wholly-owned WildBrain CPLG agency business based in Europe. WildBrain CPLG earns commissions by connecting third-party consumer product licensor's with our owned brands or third-party brands from film studios and other independent IP owners.

Strategy and Outlook

As a content producer, distributor and IP owner, WildBrain is focused on the multiple ways in which we can monetize our content and build brands by producing and distributing shows and creating awareness across all media platforms, and generating royalties from consumer products based on our shows and brands.

Evolving Market for Content

As the market for content expands and evolves, major streaming platforms, such as Netflix, Amazon, Hulu and Apple, 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.

To capitalize on these two significant segments of the market, we are leveraging our position as the owner of both the world's largest independent library of children's content, comprised of approximately 13,000 half-hours, and of WildBrain Spark, our market-leading AVOD network of kids' videos on YouTube, in order to address the growing markets for premium content and short-form content, respectively.

As the market transitions from a linear broadcast centric market to one increasingly influenced by AVOD and major SVOD platforms, we are experiencing greater volatility in our Distribution business. In the near-term, we expect this uncertainty to continue; however longer term, we believe we are well positioned to take advantage of increasing demand for content.

WildBrain Spark's viewership continues to grow, however as a result of changes made by YouTube in January 2020 to eliminate targeted advertising on kids' content, we have initially experienced downward pressure on advertising rates.

In January 2020, YouTube introduced new rules and policies on 'Made for Kids' content, including how that content is managed and monetized, and the features available or limited on that content. We expect these changes will create a more positive environment, and ultimately, improved monetization, as a result of the curated environment, which will reward quality content. We are ideally positioned to benefit from this change. Advertising will continue to be sold based on the content itself ("contextual advertising"). This is similar to the advertising model for linear TV in which we have considerable experience. Absent WildBrain's own initiatives in direct advertising sales taking hold and any mitigating actions by YouTube, we expect there will be a negative revenue impact at WildBrain Spark in the back half of Fiscal 2020. Initially in the first few weeks following the change, WildBrain Spark experienced a revenue decline of approximately 40% compared with the same period last year.

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 own IP and partner brands. We continue to focus on growing views and pursuing numerous initiatives to unlock the value of our large user base. These include, building our own direct advertising sales team, further mining our content library, growing our network with new third-party brands, growing owned brands, and expanding into new revenue areas and platforms to drive future growth.

Content Strategy - Focused on Producing Premium Content and Growing WildBrain Spark

Building content-driven brands is at the heart of WildBrain's business. 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. To that end, our strategy has evolved to build brands guided by the following key priorities:

- *Grow Brands and Build Awareness on WildBrain Spark* - Leveraging the scale of WildBrain Spark's network and global reach of more than 3.5 billion monthly views to invest in more short-form YouTube content to create and develop global brands; and
- *Create Premium Kids' Content to Drive Franchise 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 select brands that will improve profitability and generate revenue across multiple lines of business.

In Fiscal 2020, we will continue to advance our strategic priorities focused on creating premium kids' content, growing WildBrain and improving cash flow and the balance sheet.

Strategic Priorities

PRIORITIES	**OBJECTIVES**
Grow Brands and Build Awareness on WildBrain Spark	- Continue to grow viewership on our AVOD network - Increase investment in digital short-form content - Use our global reach, scale and data analytics to test-market, develop and exploit IP - Pursue multiple ways to monetize our online audience - Cross-sell a full service offering with our licensing agency business to deepen customer relationships
Create Premium Kids' Content to Drive Franchise Brands	- Invest in creative talent and expand development pipeline - Greenlight production on new series with consumer products potential - Capitalize on SVOD demand for premium original content - Grow brand awareness and licensee base for Peanuts - Launch consumer products programs for new and existing brands
Improve Cash Flow and Balance Sheet	- Rationalize overhead expenses and 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 December 31, 2019 ("Q2 2020")

- In Q2 2020, shareholders approved the change in the Company's name from DHX Media Ltd. to WildBrain Ltd.
- On November 22, 2019, we completed our previously announced rights offering (the "Rights Offering"), which was oversubscribed with insiders purchasing over 53% of the shares issued. $60.0 million in gross proceeds were raised, of which $50.2 million (US $37.8 million) was used to reduce our term facility with the remainder, less offering expenses, used for general working capital purposes. Concurrent with the repayment, we amended certain terms of our senior secured credit agreement ("Senior Secured Credit Agreement") which included fixing the net leverage ratio[1] covenant requirement to 6.75x with no step downs, and increased the term loan interest rate from USD LIBOR + 3.75% to USD LIBOR + 4.25%.
- As a result of the debt repayment in Q2 2020, the Company's net leverage ratio[1] was 5.09x as at December 31, 2019 compared to 5.92x at June 30, 2019.
- As part of our previously stated reorganization initiatives in which we expect to incur one-time cash charges in the range of $10.0 - $12.0 million, approximately $8.4 million was expensed in the first six months ended December 31, 2019 ("H1 2020"). These initiatives began in the first quarter of Fiscal 2020 and are expected to be completed by the end of the fiscal year. Annual savings are estimated to be $10.0 million, of which a portion of these savings will be redeployed to invest in growth areas, including creative, our AVOD business and brands.
- Consolidated revenue increased 4% to $122.1 million in Q2 2020 compared to $117.0 million in Q2 2019. The increase was driven by higher Distribution revenues in Q2 2020 compared to Q2 2019 of $5.2 million, comprised of a $4.3 million increase in WildBrain Spark and $0.9 million in Distribution excluding WildBrain Spark, and higher Consumer Products-Owned revenue of $3.9 million quarter-over-quarter. This increase was partially offset by lower Production and Television revenue of $2.3 million and $1.4 million, respectively.
- Distribution (excluding WildBrain Spark) revenue increased 7% to $14.6 million in Q2 2020, compared to $13.7 million in Q2 2019, benefiting from several large library deals, which demonstrates the variability of revenue by quarter depending on timing of when deals close.
- WildBrain Spark revenue grew 21% to $24.2 million in Q2 2020, an increase of $4.3 million compared to $19.9 million in Q2 2019, fueled by growing viewership on our AVOD network. WildBrain Spark revenue increased 28% to $46.3 million in H1 2020. We expect there will be a negative impact on revenue at WildBrain Spark in the back-half of Fiscal 2020 due to the advertising changes on YouTube that took effect in January 2020. See the Strategy and Outlook section of this MD&A for more details.
- Consumer Products-Owned revenue increased 9% or $3.9 million to $47.3 million in Q2 2020, compared to $43.4 million in Q2 2019, driven by Peanuts.
- Q2 2020 generated cash flows from operating activities of $46.6 million, an increase of $35.0 million compared to Q2 2019, driven by the collection of tax credits and other net changes in non-cash balances related to operations, and higher quarter-over-quarter operating margin. This contributed to Free Cash Flow[2] in Q2 2020 of $13.3 million, a slight increase compared to $12.9 million in Q2 2019.
- Adjusted EBITDA attributable to WildBrain was $25.6 million in Q2 2020, compared to $22.0 million in Q2 2019, an increase of $3.6 million or 16%. Q2 2020 Adjusted EBITDA was positively impacted by $2.3 million due to the adoption of IFRS 16. Normalizing for the impact of IFRS 16, Adjusted EBITDA increased $1.3 million quarter-over-quarter.

[1]Net debt includes long-term debt, lease liabilities and bank indebtedness less cash, and excludes interim production financing. 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. The adoption of IFRS 16 in Q1 2020 added $34.2 million in new lease liabilities, which will not have any impact on the calculation of the Total Net Leverage Ratio as per the terms of the Senior Secured Credit Agreement.

[2]Free Cash Flow defined as operating cash flow less distributions to non-controlling interests, changes in interim production financing, and repayments of 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 three- and six-month periods ended December 31, 2019 and 2018 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		Six Months Ended	
(expressed in $000s, except per share data)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Consolidated Statements of Income Data[2]:				
Revenues	122,134	117,016	234,391	221,054
Direct production costs and expense of film and television produced	(67,615)	(68,201)	(130,504)	(129,485)
Gross margin[1]	54,519	48,815	103,887	91,569
Selling, general, and administrative	(21,502)	(19,284)	(43,492)	(38,471)
Write-down of investment in film and television programs, and acquired library and content	(6,804)	(1,955)	(6,804)	(1,955)
Amortization, finance costs and other expenses, net	(22,685)	(39,929)	(57,293)	(62,815)
Recovery for income taxes	2,287	575	2,213	3,231
Net income (loss) for the period	5,815	(11,778)	(1,489)	(8,441)
Net income attributable to non-controlling interests	(8,073)	(6,166)	(16,783)	(11,853)
Net loss attributable to the Shareholders of the Company	(2,258)	(17,944)	(18,272)	(20,294)
Basic loss per common share	(0.02)	(0.13)	(0.13)	(0.15)
Diluted loss per common share	(0.02)	(0.13)	(0.13)	(0.15)
Weighted average common shares outstanding (in 000s)				
Basic	150,242	134,910	142,617	134,686
Diluted	150,242	134,910	142,617	134,686
Other Key Performance Measures[2]:				
Adjusted EBITDA attributable to the Shareholders of the Company[1]	25,589	22,008	45,195	39,316
Cash flow from operating activities	46,634	11,585	65,337	1,560
Free Cash Flow[1]	13,276	12,857	20,932	7,427
Proprietary half-hours of content delivered	18	26	23	38
Third-party titles with distribution rights, half-hours added to library	—	38	7	53
	As at	**As at**		
	December 31, 2019	**June 30, 2019**		
Consolidated Balance Sheet Data[2]:				
Total assets	1,326,224	1,318,955		
Total liabilities	779,467	818,977		
Shareholders' equity	546,757	499,978		

[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.

[2]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. Certain lease payments previously classified in direct production costs or SG&A in the comparative three- and six-month periods ended December 31, 2018 are now recognized as amortization or accretion expense in three- and six-month periods ended December 31, 2019. Refer to "Changes in Accounting Policies" section in this MD&A for additional details on the impact of the new accounting standard.

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 and 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 2020[1,2]		Fiscal 2019[1,2]				Fiscal 2018[1,2]	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(expressed in $000s except per share data)	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Revenues	122,134	112,257	108,760	109,986	117,016	104,038	97,368	116,486
Gross margin[3]	54,519	49,368	47,955	47,273	48,815	42,754	42,283	50,972
Net loss attributable to the Shareholders of the Company	(2,258)	(16,014)	(62,772)	(18,428)	(17,944)	(2,350)	(21,614)	(8,005)
Adjusted EBITDA attributable to the Shareholders of the Company[3]	25,589	19,606	20,161	20,094	22,008	17,308	15,972	26,713
Weighted average common shares outstanding (in 000s)								
Basic	150,242	134,992	134,988	134,954	134,910	134,463	134,506	134,562
Diluted	150,242	134,992	134,988	134,954	134,910	134,463	134,506	134,562
Basic loss per common share	(0.02)	(0.12)	(0.47)	(0.14)	(0.13)	(0.02)	(0.16)	(0.06)
Diluted loss per common share	(0.02)	(0.12)	(0.47)	(0.14)	(0.13)	(0.02)	(0.16)	(0.06)

[1]The Company acquired an 80% stake in Peanuts on June 30, 2017. In the table above, for Q3 and Q4 of Fiscal 2018, both Adjusted EBITDA attributable to the Shareholders of the Company and Net income (loss) attributable to the Shareholders of the Company reflected our 80% ownership stake.

In Fiscal 2019, on July 23, 2018, we sold a 39% stake in Peanuts, resulting in a post-sale ownership of 41% in Peanuts by the Company. As a result, for Q1 2019 both Adjusted EBITDA attributable to the Shareholders of the Company and Net income (loss) attributable to the Shareholders of the Company included 23 days of 80% of the operating results of Peanuts, and 69 days of 41% of the operating results of Peanuts. For Q2 2019 through to Q4 2019, both metrics included 41% of the operating results of Peanuts.

In Q1 2020 and Q2 2020, both Adjusted EBITDA attributable to the Shareholders of the Company and Net income (loss) attributable to the Shareholders of the Company reflected the Company's 41% ownership stake.

[2]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. Fiscal 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 and Fiscal 2018 financial operating results are presented under the previous accounting standard IAS 17, *Leases* and have not been restated. Refer to "Changes in Accounting Policies" section in this MD&A for additional details on the impact of the new accounting standard.

[3]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 December 31, 2019 ("Q2 2020") compared to the three months ended December 31, 2018 ("Q2 2019")

Revenues

Consolidated revenue increased $5.1 million to $122.1 million in Q2 2020 compared to Q2 2019. Revenue by business segment was comprised of the following:

	Q2 2020	Q2 2019	Variance	
(expressed in $000s)	$	$	$	%
Distribution excluding WildBrain Spark	14,602	13,690	912	7 %
WildBrain Spark	24,195	19,944	4,251	21 %
Distribution Revenue	38,797	33,634	5,163	15 %
Production Revenue	19,522	21,802	(2,280)	(10)%
Consumer Products-Owned	47,299	43,449	3,850	9 %
Content Business	105,618	98,885	6,733	7 %
Television	12,358	13,776	(1,418)	(10)%
Consumer Products-Represented	4,158	4,355	(197)	(5)%
Total Revenue	122,134	117,016	5,118	4 %

Distribution: Distribution revenue increased $5.2 million to $38.8 million in Q2 2020 compared to Q2 2019. This increase was primarily due to higher WildBrain Spark revenue of $4.3 million, driven by continued growth in viewership. During Q2 2020, we added 18.0 half-hours of proprietary titles and no third-party titles with distribution rights to the library (Q2 2019 - 26.0 and 38.0 half-hours, respectively). Third-party titles with distribution rights generally arise as a result of operational synergies associated with owning linear television channels.

Production: Production revenue is comprised of revenue generated on our proprietary content, and production service work performed for third-parties. Production revenue decreased $2.3 million to $19.5 million in Q2 2020 compared to Q2 2019 which was primarily driven by the sale of the Company's rights in *This Hour Has 22 Minutes* during the current quarter.

Consumer Products-Owned: Consumer Products-Owned revenue was $47.3 million in Q2 2020, an increase of $3.9 million or 9% compared to $43.4 million in Q2 2019, driven by growth in the Peanuts franchise.

Television: Television revenue decreased $1.4 million to $12.4 million in Q2 2020 compared to Q2 2019. Subscriber revenue as a percentage of total revenue was approximately 87%, or $10.7 million (Q2 2019 - 88%, or $12.1 million), while advertising, promotion, digital and other revenues were 13%, or $1.6 million (Q2 2019 - 12%, or $1.7 million). The decrease in subscriber revenue was driven by contract renewals at lower rates and subscriber erosion in line with the broader linear TV market.

Consumer Products-Represented: Consumer Products-Represented revenue was steady at $4.2 million in Q2 2020 compared to $4.4 million in Q2 2019. The Company continues to make positive progress on expanding the portfolio of brands being represented.

Gross Margin

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

(expressed in $000s, except percentages)	Q2 2020 Gross Margin $	Q2 2020 Gross Margin %	Q2 2019 Gross Margin $	Q2 2019 Gross Margin %
Content Business	42,217	40%	35,568	36%
Television	8,144	66%	8,892	65%
Consumer Products-Represented	4,158	100%	4,355	100%
Total Gross Margin	54,519	45%	48,815	42%

Consolidated gross margin for Q2 2020 was $54.5 million, an increase of $5.7 million compared to $48.8 million for Q2 2019. Gross margin percentage for Q2 2020 was 45% of revenue, compared to 42% in Q2 2019.

Content Business gross margins were $42.2 million in Q2 2020, an increase of $6.6 million compared to $35.6 million in Q2 2019. Gross margin percentage for Q2 2020 was 40% of revenue, compared to 36% of revenue for Q2 2019. The increase in gross margin percentage was primarily due to higher non-WildBrain Spark distribution business and the impact of IFRS 16.

Television gross margins decreased $0.7 million to $8.1 million in Q2 2020 compared to $8.9 million in Q2 2019, largely due to the revenue decline of $1.4 million. Gross margin percentage for Q2 2020 was 66%, an increase compared to 65% in Q2 2019.

Consumer Products-Represented gross margins were $4.2 million in Q2 2020 compared to $4.4 million in Q2 2019, a decrease of $0.2 million. Gross margin percentage was 100% for both Q2 2020 and Q2 2019.

Operating Expenses (Income)

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

SG&A costs for Q2 2020 were $21.5 million, compared to $19.3 million for Q2 2019, an increase of $2.2 million or 12%. Included in SG&A was share-based compensation expense of $1.6 million in Q2 2020 (Q2 2019 - recovery of $0.3 million). Adjusted for share-based compensation, SG&A of $19.9 million in Q2 2020 increased slightly compared to $19.6 million in Q2 2019.

Amortization

Total amortization of acquired library and library content, property and equipment ("P&E") including right-of-use assets, and intangible assets was $8.9 million for Q2 2020, compared to $9.7 million in Q2 2019.

Amortization of acquired and library content was $3.0 million in Q2 2020, compared to $3.6 million in Q2 2019, a decrease of $0.6 million as certain acquired and library content assets were impaired in the second half of Fiscal 2019, resulting in lower amortization expense in the current quarter.

Amortization of P&E was $3.4 million in Q2 2020, compared to $2.3 million in Q2 2019. The increase was due to the addition of $26.5 million of right-of-use assets due to the adoption of IFRS 16 and the associated amortization on these assets.

Amortization of intangible assets was $2.6 million in Q2 2020, compared to $3.9 million in Q2 2019. The impairment of certain intangible assets in Q4 2019 resulted in lower amortization in the current quarter.

Reorganization, Development and Other

Reorganization, development and other was an expense of $5.6 million in Q2 2020, compared to an expense of $0.8 million in Q2 2019, an increase of $4.7 million. Included in Q2 2020 were termination and other benefits of $3.0 million related to our reorganization initiative, systems upgrade and process enhancement initiatives of $1.4 million, corporate rebranding charges of $0.8 million, and legal fees associated with a dispute with former employees of $0.7 million (Q2 2019 - $0.4 million associated with the Company's strategic review and related activities, and legal fees related to dispute with former employees of $0.3 million).

Write-down of Certain Investments in Film and Television Programs, and Acquired and Library Content

During Q2 2020, the Company recorded an impairment charge of $6.8 million for certain investments in film and television programs (Q2 2019 - impairment charge of $2.0 million). These write-downs primarily related to weaker than expected revenue performance and current market conditions for select investment in film titles.

Finance Costs, net

Net finance costs were $18.2 million in Q2 2020, compared to $11.0 million in Q2 2019. The increase in net finance costs of $7.2 million was driven by a $8.1 million loss on modification of long-term debt and write-down of unamortized issue costs which were triggered by the amendment to the term facility and increase in interest rates by 50 basis points, partially offset by a reduction of interest on long-term debt by $1.4 million in the current quarter due to lower average debt compared to the prior quarter.

Change in Fair Value of Embedded Derivative

The change in fair value of the embedded derivative related to the convertible debt was a gain of $3.1 million in Q2 2020, compared to a loss of $2.9 million in Q2 2019.

Foreign Exchange Gain (Loss)

The foreign exchange gain was $6.9 million in Q2 2020, compared to a foreign exchange loss of $15.5 million in Q2 2019. The gain in Q2 2020 was primarily driven by the strengthening of the Canadian dollar compared to the US dollar in the current quarter, resulting in an unrealized foreign exchange translation gain in the quarter of $7.1 million on the Company's US dollar denominated term debt.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was $25.6 million in Q2 2020, compared to $22.0 million in Q2 2019, an increase of $3.6 million or 16%. Adjusted EBITDA attributable to Shareholders of the Company was positively impacted in Q2 2020 by $2.3 million due to the adoption of IFRS 16. Normalizing for this, Adjusted EBITDA attributable to the Shareholders of the Company increased $1.3 million in the current quarter compared to Q2 2019.

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 for Q2 2020 was a recovery of $2.3 million, compared to a recovery of $0.6 million in Q2 2019.

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

Net loss attributable to the Shareholders of the Company for Q2 2020 was $2.3 million, compared to a net loss of $17.9 million for Q2 2019, a reduction in net loss by $15.7 million. The improved net loss in the current quarter was primarily driven by a net positive impact of non-cash foreign exchange gain of $22.4 million, higher gross margin in the current quarter of $5.7 million compared to Q2 2019, and a net positive change in fair value of embedded derivative of $6.0 million, partially offset by higher reorganization, development and other expenses of $4.7 million and SG&A of $2.2 million.

Comprehensive income for Q2 2020 was $2.8 million, compared to comprehensive income of $16.8 million for Q2 2019.

Basic and diluted loss per share were both $0.02 in Q2 2020, compared to a loss per share of $0.13 on both a basic and diluted basis in Q2 2019.

Results for the six months ended December 31, 2019 ("Six Months 2020") compared to the six months ended December 31, 2018 ("Six Months 2019")

Revenues

Consolidated revenue increased $13.3 million to $234.4 million in Six Months 2020 compared to Six Months 2019. Revenue by business segment was comprised of the following:

	Six Months 2020	Six Months 2019	Variance	
(expressed in $000s)	$	$	$	%
Distribution excluding WildBrain Spark	30,172	22,449	7,723	34 %
WildBrain Spark	46,337	36,158	10,179	28 %
Distribution Revenue	76,509	58,607	17,902	31 %
Production Revenue	39,008	44,325	(5,317)	(12)%
Consumer Products-Owned	87,375	84,136	3,239	4 %
Content Business	202,892	187,068	15,824	8 %
Television	24,438	27,053	(2,615)	(10)%
Consumer Products-Represented	7,061	6,933	128	2 %
Total Revenue	234,391	221,054	13,337	6 %

Distribution: Distribution revenue increased $17.9 million to $76.5 million in Six Months 2020 compared to Six Months 2019. This increase was comprised of an increase in WildBrain Spark revenue of $10.2 million, driven by continued growth in viewership, and an increase in Distribution excluding WildBrain Spark revenue of $7.7 million, due primarily to a large distribution deal with a major new entrant into the SVOD space in Q1 2020. During Six Months 2020, we added 23.0 half-hours of proprietary titles and 7.0 half-hours of third-party titles with distribution rights to the library (Six Months 2019 - 38.0 and 53.0 half-hours, respectively). Third-party titles with distribution rights largely arise as a result of operational synergies associated with owning linear television channels.

Production: Production revenue is comprised of revenue generated on our proprietary content and production service work performed for third-parties. Production revenue decreased $5.3 million to $39.0 million in Six Months 2020 compared to Six Months 2019. The decline was due in part to the sale of the Company's rights in *This Hour Has 22 Minutes* in Q2 2020 along with timing of starting new projects.

Consumer Products-Owned: Consumer Products-Owned revenue was $87.4 million in Six Months 2020, up 4% or $3.2 million compared to $84.1 million in Six Months 2019, due to growth in the Peanuts franchise.

Television: Television revenue decreased $2.6 million to $24.4 million in Six Months 2020 compared to Six Months 2019. Subscriber revenue as a percentage of total revenue was approximately 88.0%, or $21.6 million (Six Months 2019 - 90.0%, or $24.4 million), while advertising, promotion, digital and other revenues were 12.0%, or $2.9 million (Six Months 2019 - 10.0%, or $2.6 million). The decrease in subscriber revenue was driven by contract renewals at lower rates and subscriber erosion in line with the broader linear TV market.

Consumer Products-Represented: Consumer Products-Represented revenue of $7.1 million was largely flat in Six Months 2020 compared to Six Months 2019. The Company continues to make positive progress on expanding the portfolio of brands being represented.

Gross Margin

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

(expressed in $000s, except percentages)	Six Months 2020 Gross Margin $	Six Months 2020 Gross Margin %	Six Months 2019 Gross Margin $	Six Months 2019 Gross Margin %
Content Business	81,125	40%	67,226	36%
Television	15,701	64%	17,410	64%
Consumer Products-Represented	7,061	100%	6,933	100%
Total Gross Margin	103,887	44%	91,569	41%

Consolidated gross margin for Six Months 2020 was $103.9 million, an increase of $12.3 million compared to $91.6 million for Six Months 2019. Gross margin percentage for Six Months 2020 was 44% of revenue, compared to 41% in Six Months 2019.

Content Business gross margins were $81.1 million in Six Months 2020, an increase of $13.9 million compared to $67.2 million in Six Months 2019. Gross margin percentage for Six Months 2020 was 40% of revenue, compared to 36% of revenue for Six Months 2019. The increase in gross margin percentage was primarily due to higher non-WildBrain Spark distribution business and the impact of IFRS 16.

Television gross margins decreased $1.7 million to $15.7 million in Six Months 2020 compared to $17.4 million in Six Months 2019, largely due to the revenue decline of $2.6 million. Gross margin percentage for Six Months 2020 remained steady at 64%, compared to Six Months 2019.

Consumer Products-Represented gross margins were $7.1 million in Six Months 2020, a slight increase compared to $6.9 million in Six Months 2019. Gross margin percentage was 100% for both Six Months 2020 and Six Months 2019.

Operating Expenses (Income)

Selling, General & Administrative

SG&A costs for Six Months 2020 were $43.5 million, compared to $38.5 million for Six Months 2019, an increase of $5.0 million, or 13%. Included in SG&A was an expense of $2.5 million in share-based compensation in Six Months 2020 (Six Months 2019 - expense of $0.1 million). Adjusted for share-based compensation, SG&A increased $2.6 million to $41.0 million in Six Months 2020, compared to $38.4 million in Six Months 2019.The higher SG&A expenses were due to increased SG&A in WildBrain Spark and Peanuts to support the growth of these business segments.

Amortization

Total amortization of acquired library and library content, P&E including right-of-use assets and intangible assets was $17.6 million for Six Months 2020, compared to $18.7 million in Six Months 2019.

Amortization of acquired and library content was $6.0 million in Six Months 2020, compared to $7.2 million in Six Months 2019, a decrease of $1.2 million as certain acquired and library content assets were impaired in the second half of Fiscal 2019, resulting in lower amortization expense in the current quarter.

Amortization of P&E was $6.5 million in Six Months 2020, compared to $4.0 million in Six Months 2019. The increase was due to the addition of $26.5 million of right-of-use assets due to the initial adoption of IFRS 16 and the associated amortization on these assets.

Amortization of intangible assets was $5.1 million in Six Months 2020, compared to $7.5 million in Six Months 2019. The impairment of certain intangible assets in Q4 2019 resulted in lower amortization in the current six-month period.

Reorganization, Development and Other

Reorganization, development and other was an expense of $13.3 million in Six Months 2020, compared to an expense of $2.7 million in Six Months 2019, an increase of $10.6 million. Included in Six Months 2020 were termination and other benefits of $8.4 million related to our reorganization initiatives, corporate rebranding charges of $1.7 million, legal fees associated with a dispute with former employees of $1.3 million, systems upgrade and process enhancement initiatives of $1.5 million and other charges of $0.4 million (Six Months 2019 - legal fees related to dispute with former employees of $2.0 million, and $0.6 million associated with the Company's strategic review and related activities).

Write-down of Certain Investments in Film and Television Programs, and Acquired and Library Content

During Six Months 2020, the Company recorded an impairment charge of $6.8 million for certain investments in film and television programs (Six Months 2019 - impairment charge of $2.0 million). These write-downs primarily related to weaker than expected revenue performance and current market conditions for select investment in film titles.

Finance Costs, net

Net finance costs were $29.9 million in Six Months 2020, compared to $30.3 million in Six Months 2019, a decrease of $0.3 million. During the Six Months 2020, the Company recorded $2.5 million lower interest on long-term debt compared to Six Months 2019 resulting from lower average debt in the period, partially offset by a larger loss on modification of long-term debt and write-down of unamortized issue costs of $0.9 million and higher accretion expense related to the larger lease liabilities balance due to IFRS 16.

Change in Fair Value of Embedded Derivative

The change in fair value of the embedded derivative related to the convertible debt was a gain of $1.9 million in Six Months 2020, compared to a gain of $1.9 million in Six Months 2019.

Foreign Exchange Gain (Loss)

The foreign exchange gain was $1.6 million in Six Months 2020, compared to a foreign exchange loss of $13.1 million in Six Months 2019. The gain in Six Months 2020 was primarily driven by the strengthening of the Canadian dollar compared to the US dollar in the current period, resulting in the recognition of an unrealized foreign exchange translation gain on the Company's US dollar denominated term debt.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was $45.2 million in Six Months 2020, compared to $39.3 million in Six Months 2019, an increase of $5.9 million or 15%. Adjusted EBITDA attributable to Shareholders of the Company was positively impacted in Six Months 2020 by $4.1 million due to IFRS 16 while Six Months 2019 included an incremental $1.3 million related to a higher ownership stake in Peanuts for part of the first quarter in Fiscal 2019. Normalizing for these items, Adjusted EBITDA attributable to the Shareholders of the Company increased $3.0 million in Six Months 2020 compared to Six Months 2019.

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 for Six Months 2020 was a recovery of $2.2 million, compared to a recovery of $3.2 million in Six Months 2019.

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

Net loss attributable to the Shareholders of the Company for Six Months 2020 was $18.3 million, compared to a net loss of $20.3 million for Six Months 2019, a decrease in net loss of $2.0 million. The lower net loss was primarily due to a positive change in non-cash foreign exchange gain of $14.7 million and higher gross margin of $12.3 million. These were partially offset by higher reorganization, development and other expenses of $10.6 million, higher SG&A of $5.0 million, higher net income attributable to non-controlling interests of $4.9 million, and higher impairment of $4.8 million.

Comprehensive loss for Six Months 2020 was $1.4 million, compared to comprehensive income of $9.5 million for Six Months 2019.

Basic and diluted loss per share were both $0.13 in Six Months 2020, compared to a loss per share of $0.15 on both a basic and diluted basis in Six Months 2019.

Financial Condition

The following table summarizes certain information with respect to the Company's capitalization and financial position as at December 31, 2019 and June 30, 2019:

(expressed in $000s, except ratio data)	December 31, 2019	June 30, 2019
	$	$
Cash	55,005	39,999
Amounts receivable	247,245	280,028
Investment in film and television programs	151,436	148,561
Acquired and library content	112,312	118,247
Intangible assets	459,268	465,832
Other assets	300,958	266,288
Total assets	1,326,224	1,318,955
Accounts payable and accrued liabilities	116,856	103,487
Interim production financing	66,678	92,448
Long-term debt	474,648	527,881
Lease liabilities	46,705	6,187
Deferred revenue	55,771	64,299
Other liabilities	18,809	24,675
Total liabilities	779,467	818,977
Shareholders' equity	546,757	499,978
Working capital[1]	194,122	190,211
Working capital ratio[2]	1.78	1.70
Net debt[3]	466,348	494,069

[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, lease liabilities and bank indebtedness less cash, and excludes interim production financing. 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. The adoption of IFRS 16 in Q1 2020 added $34.2 million in new lease liabilities, which will not have any impact on the calculation of the Total Net Leverage Ratio as per the terms of the Senior Secured Credit Agreement.

Total assets were $1,326.2 million as at December 31, 2019, an increase of $7.3 million compared to $1,319.0 million as at June 30, 2019. The increase in total assets was primarily due to higher other assets of $34.7 million driven by an increase in right-of-use assets by $33.4 million included in P&E resulting from the adoption of IFRS 16, and higher cash balance of $15.0 million , partially offset by by lower amounts receivable by $32.8 million acquired and library content and intangible assets of $12.5 million.

Total liabilities were $779.5 million as at December 31, 2019, a decrease of $39.5 million compared to $819.0 million as at June 30, 2019. The decrease in total liabilities was primarily due to a decrease in long-term debt by $53.2 million as the Company repaid a portion of the term facility using proceeds from the Rights Offering, and a decrease in interim production financing by $25.8 million using proceeds from the collection of tax credits, and a decrease in deferred revenue of $8.5 million, partially offset by the recognition of $40.5 million of additional lease liabilities arising from the adoption of IFRS 16 and higher accounts payable and accrued liabilities of $13.4 million due to timing of payments.

Shareholders' equity was $546.8 million as at December 31, 2019, an increase of $46.8 million compared to $500.0 million at June 30, 2019, primarily due to closing of the Rights Offering which generated $60.0 million in gross proceeds, partially offset by distributions to non-controlling interests of $13.2 million.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended		Six Months Ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	$	$	$	$
Cash Inflows (Outflows) by Activity:				
Operating activities	46,634	11,585	65,337	1,560
Financing activities	(28,651)	(13,396)	(47,289)	862
Investing activities	(2,266)	108	(2,728)	(4,069)
Effect of foreign exchange rate changes on cash	(359)	954	(314)	634
Net cash inflows (outflows)	15,358	(749)	15,006	(1,013)

Changes in Cash

Cash at December 31, 2019 was $55.0 million as compared to $40.0 million at June 30, 2019.

Operating Activities

During Q2 2020, cash provided by operating activities was $46.6 million compared to $11.6 million in Q2 2019 , an increase of $35.0 million. The increase was driven primarily due to a working capital inflow in the current quarter of $31.3 million due in part to the collection of tax credits and timing of payments and other receipts, compared to a working capital outflow in the prior comparative quarter of $4.6 million.

During Six Months 2020, cash provided by operating activities was $65.3 million compared to $1.6 million in Six Months 2019, an increase of $63.8 million. The increase was driven primarily due to a working capital inflow in the current period of $42.4 million due in part to the collection of tax credits, and timing of payments and other receipts, compared to a working capital outflow in the prior comparative period of $19.0 million.

Financing Activities

During Q2 2020, cash flows used in financing activities were $28.7 million compared to $13.4 million in Q2 2019, an increase of $15.3 million. During the current quarter, we repaid $50.2 million of long-term debt, $17.6 million of interim production financing loans (net), $2.9 million of debt amendment costs, $2.6 million of lease liabilities, and distributed $13.2 million to our non-controlling interest partners, which were partially offset by a Rights Offering that generated $58.0 million in net proceeds.

During Six Months 2020, cash used in financing activities were $47.3 million compared to cash provided in financing activities of $0.9 million in Six Months 2019, a net increase in cash used by $48.2 million. During the current year-to-date period, we repaid $57.8 million of long-term debt, $25.8 million of interim production financing loans (net), $5.4 million of lease liabilities, $2.9 million of debt amendment costs, and distributed $13.2 million to our non-controlling interest partners, which was partially offset by the Rights Offering that generated $58.0 million in net proceeds.

Investing Activities

During Q2 2020, cash flows of $2.3 million used in investing activities were for the acquisition of P&E and intangible assets.

During Six Months 2020, cash flows of $2.7 million used in investing activities were for the acquisition of P&E and intangible assets.

Bank Indebtedness

The revolving facility ("Revolving Facility") has a maximum available balance of US $30.0 million ($39.7 million) and will expire on June 30, 2022. The Revolving Facility may be drawn down by way of either $USD base rate, $CAD prime rate, $CAD bankers’ acceptance, or $USD and £GBP LIBOR advances (the “Drawdown Rate”) and bears interest at floating rates ranging from the Drawdown Rate + 2.50% to the Drawdown Rate + 3.75%. As at December 31, 2019, $nil (June 30, 2019 - $nil) was drawn on the Revolving Facility.

Long-Term Debt

Term Facility

As at December 31, 2019, the Company's term facility ("Term Facility") had a principal balance of US $276.5 million (June 30, 2019 - US $320.0 million), bearing interest at floating rates of either $USD base rate + 3.25% or $USD LIBOR + 4.25% and will mature on December 29, 2023.

During Q2 2020, we repaid $50.2 million (US $37.8 million) against our term facility using a portion of proceeds from the Rights Offering.

The Term Facility is repayable in equal quarterly installment payments of US $1.2 million or 0.25% of the initial principal commencing September 30, 2017. As a result of principal repayments made in Fiscal 2019, the Company is not required to make any further installment payments through to maturity.

The Term Facility 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, 2018, 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 December 29, 2023. In Q1 2020, the Company repaid $7.6 million as a result of the Fiscal 2019 Excess Cash Flow Payment. The Excess Cash Flow Payments calculation is an annual requirement performed at the end of each fiscal year.

The Senior Secured Credit Facilities require that the Company comply with a Total Net Leverage Ratio covenant as defined in the Senior Secured Credit Agreement. On November 22, 2019, we amended the Senior Secured Credit Agreement which fixed the net leverage ratio covenant requirement at 6.75x with no step downs.

At December 31, 2019, the Total Net Leverage Ratio was 5.09x.

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

Senior Unsecured Convertible Debentures

As at December 31, 2019, the senior unsecured convertible debentures ("Convertible Debentures") had a principal balance of $140.0 million (June 30, 2019 - $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 of the Company at a price of $7.729 per share, subject to certain customary adjustments. The Convertible Debentures mature 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 derivatives is recorded as a financial liability and included with the debt component on the Company's consolidated balance sheet. Changes in the estimated fair value of the embedded derivatives are recorded through the Company's consolidated statement of income. As at December 31, 2019, the estimated fair value of the embedded derivative was $2.8 million.

Working Capital and Liquidity

Working capital represents the Company's current assets less current liabilities, which was $194.1 million as at December 31, 2019, compared to $190.2 million at June 30, 2019.

Based on our current revenue expectations for Fiscal 2020, we believe that our working capital is sufficient to meet our present requirements and future business plans. We expect foreseeable cash needs to be funded through existing cash resources, the Revolving Facility and operating cash flows.

Contractual Obligations[1]

The following table summarizes our outstanding cash commitments as of December 31, 2019:

Payments Due by Period	**Total**	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
(expressed in $000s)	**$**	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	116,856	116,856	—	—	—
Interim production financing	66,678	66,678	—	—	—
Other long-term liabilities	6,119	—	6,119	—	—
Senior unsecured convertible debentures	179,052	8,225	16,450	154,377	—
Term facility	405,757	11,671	23,342	370,744	—
Lease liabilities	54,646	11,221	17,980	13,672	11,773
Total Contractual Obligations	829,108	214,651	63,891	538,793	11,773

[1]In addition to the totals above, the Company has entered into various contracts to buy broadcast rights with future commitments totaling $8.3 million.

Recent Transactions

Change of Corporate Name

On December 17, 2019, shareholders approved the Company's name change from DHX Media Ltd. to WildBrain Ltd., which was previously announced on September 27, 2019.

NASDAQ Delisting and Suspension of U.S. Filing Obligations

On December 24, 2019, we voluntarily delisted our 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 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. 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 facility and amended certain terms of our Senior Secured Credit Agreement which included fixing the net leverage ratio[1] 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%.

Sale of Building in Toronto

On May 13, 2019, we sold a building in Toronto, Ontario for gross proceeds of $12.0 million. The net proceeds from the sale were used to pay down a portion of our term debt.

Sale of Halifax Animation Studio

On November 7, 2018, we sold our animation studio in Halifax, Nova Scotia in order to streamline operations and consolidate our animation production into one studio in Vancouver. The sale did not include any IP held by WildBrain.

Sale of a Minority Interest in Peanuts

On July 23, 2018, we completed the sale of a non-controlling interest in the Peanuts subsidiary to Sony Music Entertainment (Japan) Inc. ("Sony"). Sony acquired 49% of our 80% interest in Peanuts for gross proceeds of $234.6 million and net proceeds of $214.1 million.

Subsequent to the sale, the Company held a 41% interest in Peanuts, Sony held a 39% interest, and the Schulz Family held a 20% interest.

Share Capital

As at December 31, 2019, the Company's issued and outstanding share capital was as follows:

Common Voting Shares	37,582,307
Variable Voting Shares	133,364,508
Total Common Shares	170,946,815
Preferred Variable Voting Shares	500,000,000
Stock Options	6,822,075
Restricted Share Units	2,895,000
Performance Share Units	2,525,000
Deferred Share Units	678,431

On November 6, 2019, 100.0 million Preferred Variable Voting Shares ("PVV Shares") were transferred to the Company's Chief Financial Officer, Aaron Ames ("Ames"). Concurrent with the transfer, Ames entered into a shareholders agreement (the "PVV Shareholder Agreement") with the Company, whereby Ames: (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.

On December 4, 2019, an additional 400.0 million PVV Shares were issued to Ames. The additional PVV Shares were issued in order to ensure that the Company complies with Canadian ownership and control requirements under the Broadcasting Act (Canada). The additional PVV Shares will have no impact on voting or economic rights of shareholders.

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 PVV 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 2019 AIF dated September 23, 2019 filed on www.sedar.com.

Off-Balance Sheet Arrangements

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

Related Party Transactions

As part of the Rights Offering described under "Recent Transactions - Rights Offering" section of this MD&A, the Company 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 are 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. Jonathan Whitcher is on the Board of Directors of WildBrain, and is also the Chief Investment Officer at Fine Capital. During Q2 2020, the Company paid $1.5 million to Fine Capital following the closing of the Rights Offering.

There were no other related party transactions during Q2 2020.

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 page 1 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, 2019 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 2019 notes to the consolidated financial statements.

Changes in Accounting Policies

New and amended standards adopted

i) *IFRS 16, Leases ("IFRS 16")*

Effective July 1, 2019, the Company adopted IFRS 16, Leases ("IFRS 16"), which introduced a single accounting model and eliminated the existing distinction between operating and finance leases for lessees. The standard required a lessee to recognize right-of-use assets and lease liabilities on the statement of financial position for all leases, with limited exceptions. The Company adopted IFRS 16 using the modified retrospective method, which resulted in no restatement to prior reporting periods presented and no adjustment to opening retained earnings as at July 1, 2019. Existing finance leases under the previous standard continued to be classified as finance leases under IFRS 16.

The Company elected to apply the following practical expedients on adoption:

- Consider contracts determined to be leases under IAS 17, Leases ("IAS 17") as leases under IFRS 16;
- Measure all right-of-use assets and lease liabilities, regardless of commencement date, using discount rates as of July 1, 2019;
- Retain prior assessment of onerous lease contracts under IAS 37, provision, contingent liabilities and contingent assets, rather than re-performing an impairment review;
- Exclude initial direct costs from the measurement of the right-of-use asset on the date of initial application;
- Continue to treat certain leases with a remaining term of 12 months or less from July 1, 2019, and low-value leases using the previous method of accounting under IAS 17, i.e. expense when incurred; and
- Elect, by class of underlying asset, whether to separate non-lease components from lease components.

Impact of Adoption of IFRS 16

The following table summarizes the transition adjustment required to adopt IFRS 16 as at July 1, 2019:

	Carrying amount under IAS 17 as at June 30, 2019	Transitional adjustments	Carrying amount under IFRS 16 as at July 1, 2019
Property and equipment	19,352	26,534	45,886
Long-term amounts receivable	14,318	2,146	16,464
Accounts payable and accrued liabilities	(103,487)	560	(102,927)
Current portion of lease liabilities	(3,115)	(7,516)	(10,631)
Other long-term liabilities	(8,269)	4,927	(3,342)
Long-term lease liabilities	(3,072)	(26,651)	(29,723)

The Company has lease contracts consisting of premises and equipment. Prior to the adoption of IFRS 16, the Company classified certain leases where the Company was the lessee at the inception date as an operating lease under IAS 17. For these operating leases, the payments were recognized either through direct production costs and expense of film and television produced or selling, general and administrative expense in the statement of income on a straight-line basis over the lease term, and no corresponding asset or liability was recognized.

Upon adoption of IFRS 16, the Company recognized for the first time right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for certain low-value and short-term leases.

The right-of-use assets for leases recognized as at July 1, 2019, the date of adoption, were recognized at an amount equal to the initial value of the lease liability, reduced by any deferred lease inducements which were previously classified in accounts payable and accrued liabilities and other long-term liabilities. The initial value of the lease liability was calculated based on the present value of the remaining lease payments at that date, discounted at the Company's incremental borrowing rate at July 1, 2019, which ranged from 3.89% to 5.39%. Property taxes, common area maintenance charges, and other operating expenses were considered non-lease components and excluded from the initial value of the lease liability.

For leases that were previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease obligation as at July 1, 2019 were set equal to the carrying amount of the property and equipment and lease obligations under IAS 17 immediately before the adoption.

The following table presents a reconciliation of operating lease commitments as previously disclosed in the Company's annual consolidated financial statements for June 30, 2019, to lease liabilities as at July 1, 2019:

Operating lease commitment as previously disclosed under IAS 17	40,473
Less: effects of discounting	(6,306)
Lease liabilities recognized on transition	34,167
Add: Lease liabilities previously recorded under IAS 17	6,187
Lease liability balance on transition at July 1, 2019	40,354

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Impact on the Statements of Income

The net effect of adopting IFRS 16 on the consolidated statements of income for the six-months ended December 31, 2019 was a decrease of direct production costs and expense of film and television produced by $1.7 million and a decrease of SG&A expense by $2.4 million. The increase in amortization and financing costs did not result in a significant net impact on net income. IFRS 16 did not impact the Company's cash flows.

ii) IFRIC 23, Uncertainty over Income Tax Treatment ("IFRIC 23")

Effective July 1, 2019, the Company adopted IFRIC 23, which clarified how the requirements of IAS 12, Income Taxes should be applied when there is uncertainty over income tax treatments. The Company elected to adopt this new Interpretation retrospectively with the cumulative effect of initially applying this Interpretation recognised at the date of initial application, which is July 1, 2019. The adoption of this Interpretation did not require an adjustment on transition, and did not result in a material impact on the Company's consolidated financial statements.

Financial Instruments and Risk Management

The Company’s financial instruments consist of cash and cash equivalents, 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.

The Company manages credit risk, interest rate risk, liquidity risk and currency risk. There have been no significant changes in the Company's risk since the annual MD&A disclosures for the year ended June 30, 2019.

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 operations and operating results 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: risks related to the nature of the entertainment industry, risks related to television and film industries, risks related to doing business internationally, loss of Canadian status, competition, limited ability to exploit film and television content library, protecting and defending against intellectual property claims, fluctuating results of operations, raising additional capital, concentration risk, reliance on key personnel, market share price fluctuations, risks associated with acquisitions and joint ventures, potential for budget overruns and other production risks, management estimates in revenues and earnings, stoppage of incentive programs, financial risks resulting from the Company's capital requirements, government incentive program, change in regulatory environment, litigation, technological change, labour relations, and exchanges rates.

For further details refer to the Company's Fiscal 2019 MD&A and our most recent AIF, dated and filed September 23, 2019 on www.sedar.com, WildBrain's website at www.wildbrain.com.

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 February 13, 2020, 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 December 31, 2019, 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 December 31, 2019 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 more 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 derivative, gain/loss on foreign exchange, development and other expenses, impairment of certain investments in film and television programs/acquired and library content/intangible assets, 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, and repayments of 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 as follows:

	Fiscal 2020[1,2,3]		Fiscal 2019[1,2,3]				Fiscal 2018[1,2,3]	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
(expressed in $000s)	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Income (loss) before income taxes	3,528	(7,230)	(51,165)	(19,071)	(12,353)	681	(24,568)	(5,763)
add back:								
Finance costs, net	18,192	11,725	11,750	10,220	10,993	19,273	13,266	12,216
Change in fair value of embedded derivative	(3,114)	1,200	(3,685)	(1,600)	2,900	(4,800)	(2,926)	(925)
Foreign exchange	(6,867)	5,257	(6,615)	(7,542)	15,510	(2,434)	11,202	6,923
Amortization of P&E and intangible assets	5,929	5,667	5,578	5,574	6,114	5,385	6,252	6,122
Amortization of acquired and library content	2,993	2,975	3,389	3,888	3,580	3,574	3,770	4,456
Write-down of certain investment in film and television programs, acquired and library content, and impairment of intangible assets	6,804	—	68,717	34,199	1,955	—	10,102	875
Share-based compensation	1,634	869	613	686	(319)	374	(176)	913
Reorganization, development and other	5,552	7,784	(2,424)	1,365	832	1,888	2,029	4,567
Adjusted EBITDA	**34,651**	**28,247**	**26,158**	**27,719**	**29,212**	**23,941**	**18,951**	**29,384**
Portion of Adjusted EBITDA attributable to non-controlling interests	(9,062)	(8,641)	(5,997)	(7,625)	(7,204)	(6,633)	(2,979)	(2,671)
Adjusted EBITDA attributable to the Shareholders of the Company	**25,589**	**19,606**	**20,161**	**20,094**	**22,008**	**17,308**	**15,972**	**26,713**

[1]The Company acquired an 80% stake in Peanuts on June 30, 2017. During Fiscal 2018, for Q2 2018 through to Q4 2018 both Adjusted EBITDA attributable to the Shareholders of the Company and Net income (loss) attributable to the Shareholders of the Company reflected our 80% ownership stake.

In Fiscal 2019, on July 23, 2018, we sold a 39% stake in Peanuts, resulting in a post-sale ownership of 41% in Peanuts by the Company. As a result, for Q1 2019 both Adjusted EBITDA attributable to the Shareholders of the Company and Net income (loss) attributable to the Shareholders of the Company included 23 days of 80% of the operating results of Peanuts, and 69 days of 41% of the operating results of Peanuts. For Q2 2019 through to Q4 2019, both metrics included 41% of the operating results of Peanuts.

In Q1 and Q2 2020, both Adjusted EBITDA attributable to the Shareholders of the Company and Net loss attributable to the Shareholders of the Company reflected our 41% ownership stake.

[2]For Q2 2020, net income attributable to non-controlling interests was $8.1 million, comprised of $9.1 million which was included in Adjusted EBITDA and $1.0 million of which is not included in Adjusted EBITDA. For Q1 2020, net income attributable to non-controlling interests was $8.7 million, comprised of $8.6 million which was included in Adjusted EBITDA and $0.1 million of which was not included in Adjusted EBITDA.

For Q4 2019, net income attributable to non-controlling interests was $3.8 million, comprised of $5.0 million which was included in Adjusted EBITDA and ($1.2) million of which is not included in Adjusted EBITDA. For Q3 2019, net income attributable to non-controlling interests was $6.6 million, comprised of $7.6 million which was included in Adjusted EBITDA and ($1.0) million of which is not included in Adjusted EBITDA. For Q2 2019, net income attributable to non-controlling interests was $6.2 million, comprised of $7.2 million which was included in Adjusted EBITDA and ($1.0) million of which is not included in Adjusted EBITDA. For Q1 2019, net income attributable to non-controlling interests was $5.7 million, comprised of $6.6 million which was included in Adjusted EBITDA and ($0.9) million of which is not included in Adjusted EBITDA.

For Q4 2018, net income attributable to non-controlling interests was $2.4 million, comprised of $3.0 million which was included in Adjusted EBITDA and ($0.6) million of which is not included in Adjusted EBITDA. For Q3 2018, net income attributable to non-controlling interests was $1.6 million, comprised of $2.7 million which was included in Adjusted EBITDA and ($1.0) million of which is not included in Adjusted EBITDA.

[3]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 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 and Fiscal 2018 financial operating results are presented under the previous accounting standard IAS 17. Refer to "Changes in Accounting Policies" section in this MD&A for additional details on the impact of the new accounting standard.

Reconciliation of Quarterly Results to Gross Margin

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

	Fiscal 2020		**Fiscal 2019**				**Fiscal 2018**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
(expressed in $000s)	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Revenue	122,134	112,257	108,760	109,986	117,016	104,038	97,368	116,486
less: Direct production costs and amortization of film and television produced	(67,615)	(62,889)	(60,805)	(62,713)	(68,201)	(61,284)	(55,085)	(65,514)
Gross Margin	**54,519**	**49,368**	**47,955**	**47,273**	**48,815**	**42,754**	**42,283**	**50,972**

Reconciliation of Operating Cash Flow to Free Cash Flow

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

	Fiscal 2020[1]		**Fiscal 2019[1]**				**Fiscal 2018[1]**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
(expressed in $000s)	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**
Cash flow provided by (used in) operating activities	46,634	18,703	28,557	13,917	11,585	(10,025)	8,162	17,384
less:								
Distributions to non-controlling interests	(13,176)	—	(6,002)	(12,730)	(7,925)	—	(2,494)	(3,738)
Change in interim production financing	(17,611)	(8,159)	(17,096)	(843)	10,871	5,833	(1,318)	(3,418)
Repayment of lease liabilities	(2,571)	(2,888)	(1,393)	(1,397)	(1,674)	(1,238)	(1,171)	(1,639)
Free Cash Flow	**13,276**	**7,656**	**4,066**	**(1,053)**	**12,857**	**(5,430)**	**3,179**	**8,589**

[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 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 and Fiscal 2018 financial operating results are presented under the previous accounting standard IAS 17. The payment of certain lease liabilities was previously classified within cash flows used in operating activities under IAS 17 that beginning July 1, 2019 are now classified in repayment of lease liabilities included within financing activities. Refer to "Changes in Accounting Policies" section in this MD&A for additional details on the impact of the new accounting standard.

Additional Information

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