DHX Media Ltd.

Fiscal 2019 Third Quarter Webcast

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Josh Scherba
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Eric Wold
B. Riley — Analyst

Bentley Cross
TD Securities — Analyst

Drew McReynolds
RBC — Analyst

Jeff Fan
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Deepak Kaushal
GMP Securities — Analyst

David McFadgen
Cormark Securities — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the DHX Media Fiscal 2019 Third Quarter Webcast. All lines have been placed on mute to prevent any background noise.

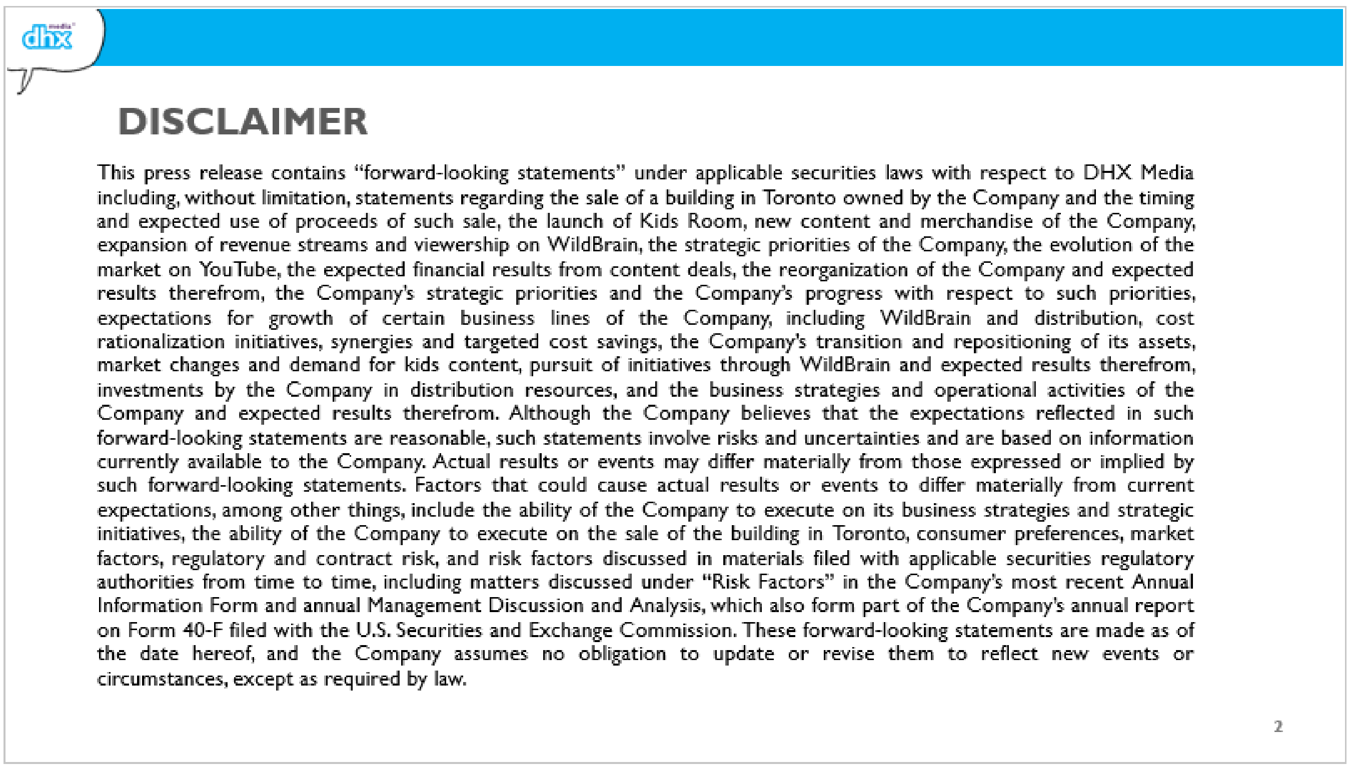
After the speakers' remarks, there will be a question-and-answer session. To ask a question during this time, please press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press the # key. Thank you.

I would now like to turn the call over to Nancy Chan-Palmateer, Director, Investor Relations at DHX Media. You may begin your conference.

Nancy Chan-Palmateer — Director, Investor Relations, DHX Media Ltd.

Thank you, Operator, and thank you, everyone, for joining us today. Speaking on the call today are Michael Donovan, our Executive Chairman and CEO; Josh Scherba, our President; and Doug Lamb, our Chief Financial Officer. Also with us and available during the question-and-answer session are Aaron Ames, our Chief Operating Officer; and David Regan, EVP, Strategy and Corporate Development.

Turning to Slide 2, we have some standard cautionary statements. The matters discussed on this call include forward-looking statements under applicable securities laws with respect to DHX Media, including, but not limited to, statements regarding the Company's strategic priorities and initiatives, sale of a building in Toronto, expectations regarding the market for children's content, expected growth of WildBrain, use of the Company resources, cost rationalization initiatives, management of the Company, the business strategies and operational activities of the Company and results therefrom, and the future financial and operating performance of the Company.

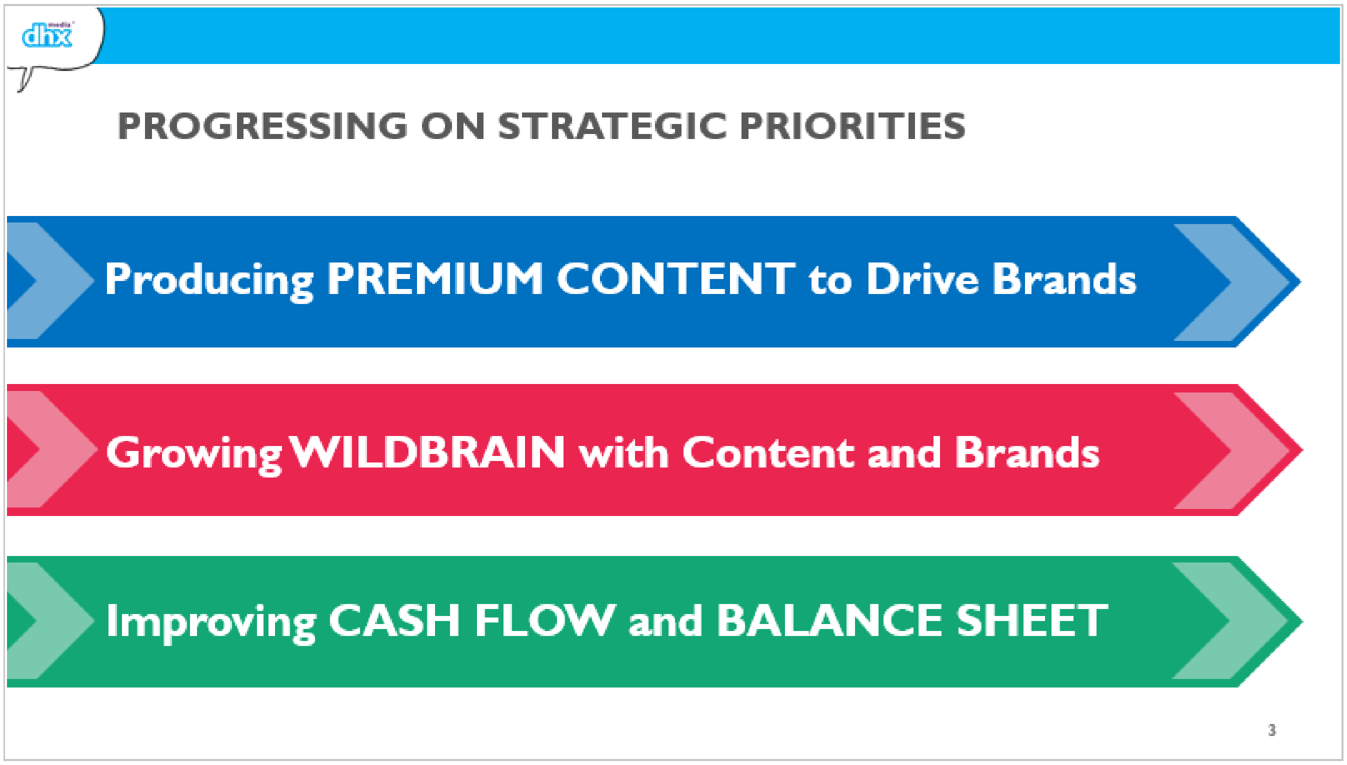


Such statements are based on information currently available and are subject to a number of risks and uncertainties. Actual information currently available, actual results, or events in the future could differ materially and adversely from those described in the forward-looking statements as a result of various important factors, including the risk factors set out in the Company's most recent MD&A and Annual Information Form.

For the question-answer session that will follow, we ask that each analyst keep to one question with one follow-up, so that everyone has a chance to ask questions. If you would like to ask an additional question, please rejoin the queue.

Turning to Slide 3, I will now hand the call over to our Executive Chairman and CEO, Michael Donovan.

Michael Donovan — Executive Chairman and Chief Executive Officer, DHX Media Ltd.



Thank you, Nancy, and thank you, everyone, for joining today. In Q3, we continued to make progress against our key priorities, which are producing premium content, growing WildBrain, improving cash flow, and reducing debt.

With respect to premium content, production is now underway at our Vancouver studio on our new premium Peanuts content, and we began to recognize revenue from that work in Q3.

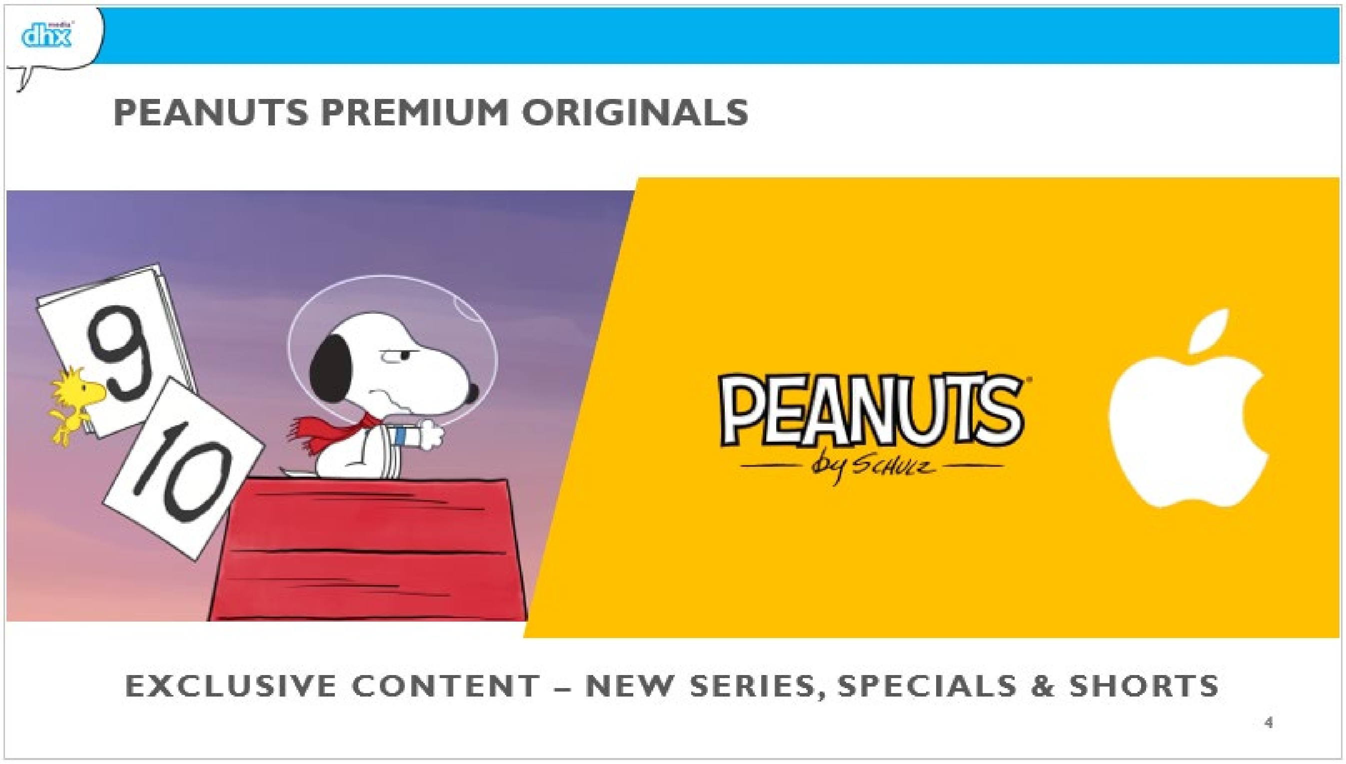
With respect to growing WildBrain, viewership on the platform continued to grow, rising by 15% in Q3 and revenue grew by 4%. We also continued to enhance our financial position, generating positive operating cash flow of $14 million in Q3, representing a sequential increase of 21% over Q2.

We announced an agreement in Q3 to sell a building in Toronto for $12 million, and that sale is expected to close in June and net proceeds will be used to further pay down debt.

In addition, we announced last week that Comcast will debut our new streaming service called Kids Room on their Xfinity X1 platform this summer in the US. Discussions are ongoing to license this service to other US-based multiservice operators as another new way to monetize our library.

Also, in Q3, we were pleased to announce that Amir Nasrabadi will be joining our senior management team as Executive Vice President and General Manager of our Vancouver Animation Studio. Amir has over two decades of experience in studio management with such companies as Illumination, Paramount, and Disney – where he was head of Pixar, Canada – and we believe his deep experience in production, operations, finance, and strategy will deliver value to our business.

As we've demonstrated over the past few quarters, we're making the necessary changes to streamline and integrate the Company across business units, while investing strategically in new initiatives and bringing on the right talent for sustained long-term growth. Turning now to Slide 4.



As discussed, one of the pillars of our content strategy is to produce premium shows for the world's leading streaming and broadcast platforms. Production on such premium Peanuts content is now underway at our Vancouver Studio, and we began to recognize revenue on this project, which contributed to a 55% rise in proprietary production revenue in Q3.

On March 25th, Apple announced that their new streaming or SVOD service, Apple TV+, is expected to launch this fall. This is the latest of many high-profile new video-on-demand streaming platforms announced recently from major media and tech companies.

In addition to existing streaming services, such Netflix, YouTube, Amazon, and Hulu, over the next two years, we expect to see more consumer-facing streaming platforms from numerous other companies. As the competition heats up amongst these players, we believe the emphasis will be increasingly on offering viewers the best original series. We are committed to exploiting the best opportunities with additional premium children's brands, such as Strawberry Shortcake and numerous others in our portfolio. Turning to Slide 5.

2020 is Peanuts 70th anniversary, and Peanuts today is the world's sixth largest character brand by retail sales. In Q3, we signed 85 new deals and 70 renewals with such licensees as Lands' End, Baskin Robbins, and Tupperware. In addition, Levi's is currently rolling out its second collaboration with Peanuts in an expanded line of branded products globally. And this summer, US retailer Macy's is launching a line of products based on the Peanuts Global Artists Collective in 100 stores and as well online.

Largely as a result of the Peanuts deals, Q3 consumer products-owned revenue grew 10% to $37.5 million. We believe plenty of runway exists for growing that franchise, especially as the Apple content rolls out and brand awareness grows.

With that, I'd like to ask Josh Scherba to speak about WildBrain and some of our most recent contract agreements.

Josh Scherba — President, DHX Media Ltd.

Thanks, Michael. Looking at Slide 6 now, growing WildBrain continues to be one of our key priorities. The platform's core asset is its large and growing audience.

In Q3, views on WildBrain increased by 15% to more than 8.7 billion and watch times climbed by 9%. As mentioned on previous calls, one in three kids worldwide with access to YouTube watch videos on WildBrain each quarter. We now also know that 8% of unique users on YouTube watch videos on the WildBrain network, which amounts to approximately 18% of kids users on YouTube.

WildBrain revenue grew 4 % to 14.9 million in Q3. While this reflects a moderation in revenue growth as the market on YouTube continues to evolve, we see this as a transitional phase.

One particular bright spot in the quarter was paid media, and we continue to ramp up additional services such as production and paid media to realize further value from WildBrain's large user base. These services saw a 90 % growth in revenue in Q3 compared with a year ago.

As discussed last quarter, factors such as the shift to the YouTube Kids app generated some pressure on WildBrain's results. Since the beginning of Q4, we have seen steady sequential improvements in revenue and continued strength in views. We are encouraged by these signs of growth.

We believe we have just scratched the surface with WildBrain, and there remains plenty of opportunity to leverage and grow our large user base. Turning to Slide 7.

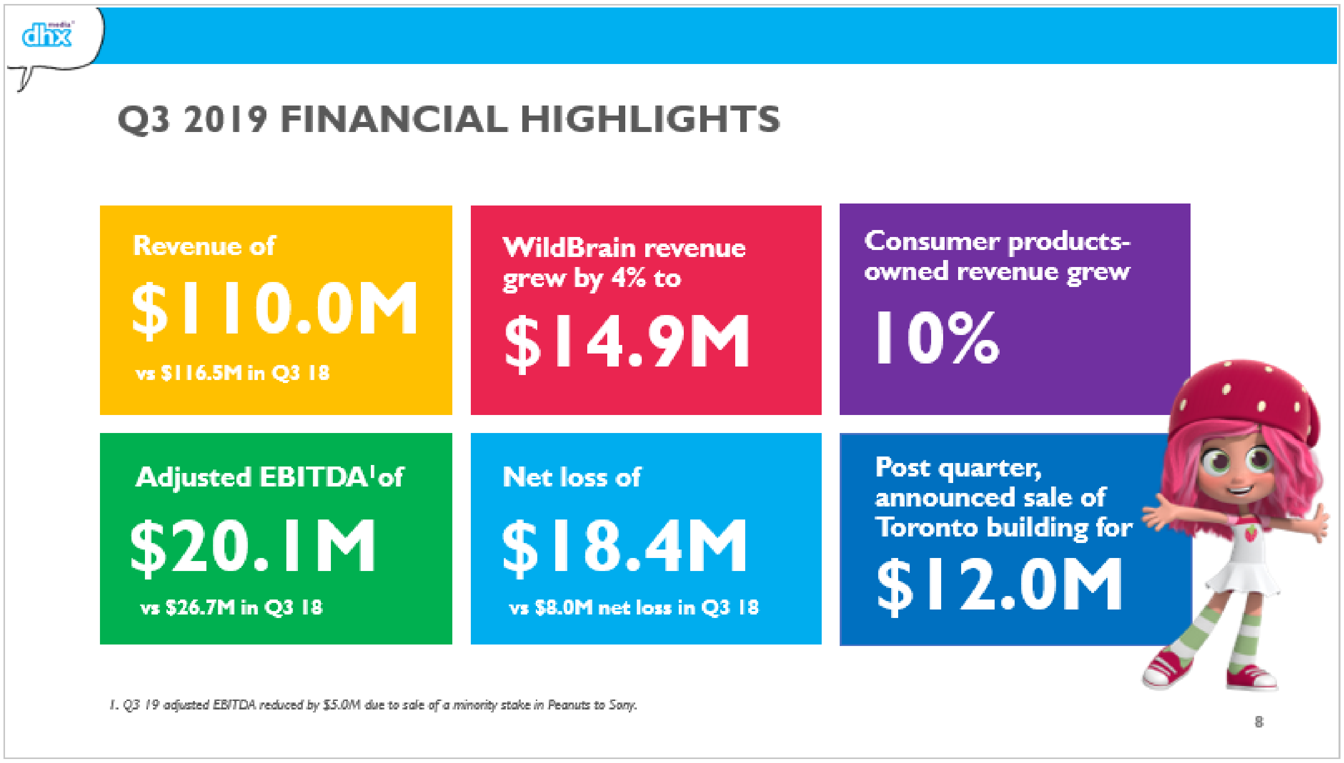
I'd like to highlight some other deals for the quarter that points the appetite for DHX Media's original and library content.

Nickelodeon International has licensed the original animated series *Dorg Van Dango* for 170 territories, which we are co-producing with Ireland's Cartoon Saloon. Expected to roll out in 2020, production on the series is underway at our Vancouver Studio. This show will also be on our Family Channel.

We're also excited about *Up in the Air*, a new live action series we're making for the BBC and Family Channel with Beachwood Canyon. Beachwood are the creators of *The Next Step*, the six-season dance series that is a smash hit around the world. Up in the Air is a gymnastic series, and we think tween audiences are going to love it.

Turning to Slide 8, I'll turn the call over to Doug for a look at the numbers.

Doug Lamb — Chief Financial Officer, DHX Media Ltd.



Thanks, Josh. Q3 2019 revenue was $110 million, down 6% compared to Q3 2018. The decline was primarily driven by lower revenues from traditional distribution, producer and service fees, and television. This was partially offset by continued growth in WildBrain revenue, proprietary production, and consumer products owned.

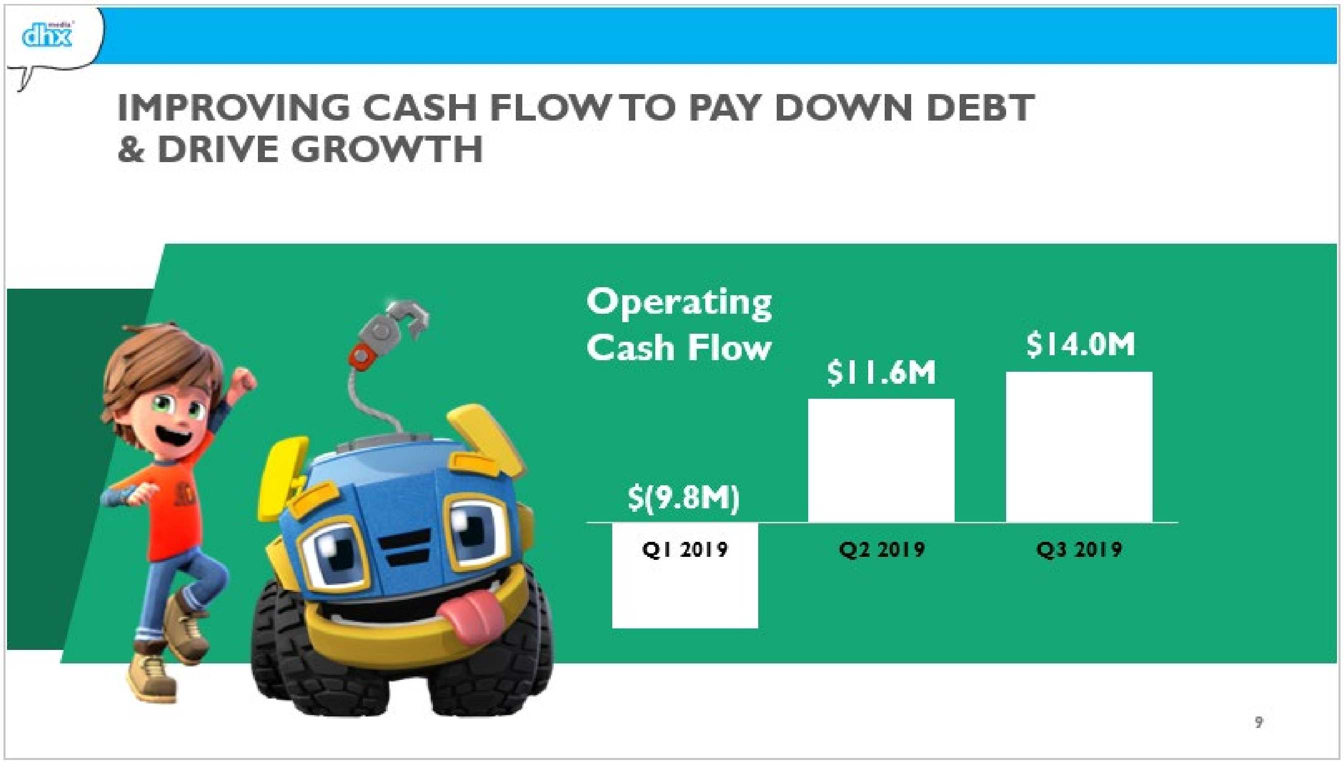
Relative to prior year, traditional distributions declined to $20.7 million in Q3 compared with $26.6 million in Q3 last year. It is worth noting, however, that the current quarter reflected a sequential improvement of 51% over Q2 2019, based on a stronger sales pipeline this quarter.

Adjusted EBITDA was $20.1 million this quarter compared to $26.7 million in Q3 2018. The decrease was driven in part by a reduction in EBITDA of $5 million, due to the sale of a minority stake in Peanuts to Sony in the first quarter of 2019.

Q3 2019 recorded a net loss of $18.4 million versus a net loss of $8 million in the prior year. The loss was affected by a $34.2 million write-down in Q3 related to investment at film, licensed television programs, acquired content, and intangible assets.

Gross margin was 43% for Q3, largely in line with the margin of 44% in the same prior-year period and slightly better than the first half of fiscal 2019.

Ongoing cost rationalization efforts in all areas of the Company were reflected in lower SG&A costs this quarter, declining 10% to $20.2 million compared to $22.5 million for Q3 2018. Turning to Slide 9.



Our progress in streamlining operations and executing on a more targeted content strategy is translating into improving cash generation, which will be deployed for paying down debt and investing in select growth initiatives. Cash flow from operations increased to $15.8 million for year-to-date 2019 versus $5.1 million year-to-date 2018.

Subsequent to quarter-end, we announced an agreement to sell a building in Toronto for $12 million. The sale is expected to close in June 2019, with net proceeds to be used to further pay down debt.

Turning to Slide 10, I'll hand the call back to Michael.

Michael Donovan

Thanks, Doug. When I stepped back into the role of CEO a little over a year ago, the Board and I set a number of priorities. Highest amongst these were building our premium content strategy, growing WildBrain, repositioning our assets to align with the current market opportunities, and reducing debt. We've made significant progress on these fronts.

With this operational success, the next objective is to initiate a search for my successor. And so, I'm working with the DHX Board now to select a new CEO to lead the Company for the next several years. That process is underway.

This is a highly specialized industry. We know all the players well. While these things can take time, we expect the process to advance rapidly.

With that, we'd be pleased to take questions.

Q&A

Operator

As a reminder, in order to ask a question, please press *, followed by the number 1 on your telephone keypad.

Our first question comes from Rob Goff from Echelon.

Rob Goff — Echelon

Good morning, and thank you for taking my question. Perhaps could you dive into WildBrain a bit more in terms of the significance of the paid media when we might look for double-digit year-on-year revenue growth? It was encouraging to hear that there were positive signs going into Q4, but perhaps if you could go a bit more deeply into that?

Michael Donovan

Yeah. So, Rob, I'm going to ask Josh Scherba to answer that question.

Josh Scherba

So WildBrain's core asset is its large and growing viewership, and we were pleased to see the viewership continue to grow this past quarter. As we had indicated previously, there was some pressures on revenue, but as mentioned, we are pleased with what we've seen so far in Q4. Obviously, we're only midway through May, but signs are positive that the worst is behind us and that we're going to be returning to revenue growth.

I would—you also asked paid media. Again, we have this incredible asset in WildBrain in terms of the audience we're able to reach. And paid media is one of several initiatives that we're continuing to expand on to leverage this asset in many different ways. So, we're pleased with the growth in paid media, but again, it's just one of many ways that we're looking to grow our WildBrain business.

Michael Donovan

And if I can just add that what we're seeing is a reacceleration of the growth, both in viewership, and that's important to former levels, but also revenue.

Rob Goff

Thank you. So, in terms of the attribution of the decline, could you attribute it to a change in the algorithm, the app, or what—how should we look at that?

Josh Scherba

Well, the truth is there's a number of factors. As we indicated last quarter, a migration to the YouTube Kids app is certainly a factor. And we've been encouraged by YouTube that this will be transitional. So that's one factor I would point to.

But again, it's a global business with lots of factors impacting revenue. So, it is multifaceted, but that would be one I would point to.

Operator

Our next question comes from Aravinda Galappathige from Canaccord Genuity.

Aravinda Galappathige — Canaccord Genuity

Good morning. Thanks for taking my question. Two for me, if you don't mind. The first is on the Kids Room, the new SVOD platform. I just wanted to get a little bit more colour as to sort of the reasoning to kind of set that up. And are you looking to—is it going to be exclusive to DHX content? Or would you be sort of looking for third-party content as well? And I wanted to get a sense of the operating, sort of the—would there be any start-up costs related to sort of getting that off the ground?

Michael Donovan

So, Aravinda, thank you for that question. I'm going to ask our COO, Aaron Ames, to answer.

Aaron Ames — Chief Operating Officer, DHX Media Ltd.

So Kids Room points to one of the many ways which we're monetizing our library. For competitive commercial reasons, we're not going to speak to any financial details. What I would say is Comcast's platform reaches millions and millions of customers in the US. So, for us, it was a really good opportunity to have another means of exploiting our library. And so we were very excited to participate in that.

And really, there's no material costs to launch and operate, but there's a potential to drive incremental returns in short order. So that's why we jumped on it.

Aravinda Galappathige

Thanks very much. And just a quick follow-up on the sale of a building in Toronto. I wanted to get a sense of given the leverage levels, are there any other assets that are available for you to sort of monetize without sort of impacting operating performance?

Michael Donovan

And once again, I'll ask Aaron to address.

Aaron Ames

What I would say is from a—that was a specific item from a real estate perspective. Property prices in Toronto have gone up a lot, so we didn't specifically need it, require it to operate a studio here. We can rent space. So that was a perfect opportunity for us.

I mean, obviously there's a number—we have many assets, so we're looking—we look at those individually and determine whether or not they make sense to divest or not. And we continue to look at all of our assets to see what the best opportunities lie.

Operator

Our next question comes from Eric Wold from B. Riley.

Eric Wold — B. Riley

Thank you. Good morning. So, a follow-up question on the SVOD launch. Any content limitations in terms of what you can show on that platform, especially around Peanuts? And then clearly you went this route with kind of a return or kind of contribution in mind. What would you consider to be an acceptable level of subscribers over the first, call it, maybe 12, 24 months?

Aaron Ames

For commercial reasons, we're not going to speak any of the financial details, but we're an IP owner with a vast library with multiple rights across many territories. They're exclusive and non-exclusive rights. And that's why this was a great opportunity for us. And we're always looking at the best way to maximize the value of those rights.

We took a look at what makes sense to put on that SVOD service, and again, that was in light of what rights are available and where it's the best place to monetize them.

Eric Wold

Could you maybe comment whether or not Peanuts can be included in that or not? Or we have to wait until it launches?

Aaron Ames

Peanuts, we've discussed the deal that we already have with the current production process that we're going through. I think that's obviously been out there, and Apple is purchasing those current production rights.

Michael Donovan

Josh?

Josh Scherba

Just to follow up on that, so certainly our new content, as Aaron alluded to, is going to be with Apple. The [Peanuts] library also continues to be under license to ABC in the US. So currently no, there wouldn't be—there's no expectation to have Peanuts content on this new streaming service.

Eric Wold

Lastly on the write-down of film and TV assets in the quarter, is this kind of a continuing ongoing review and this is part of it? Or would you consider this to kind of be a completed process, at least on that scale?

Michael Donovan

Doug?

Doug Lamb

We review all of our intangible assets on a quarterly basis for signs of impairment. Keep in mind, in terms of the long-term opportunity for our library, actually we continue to be very optimistic about it with all the new entrants coming and whatnot.

The one thing I want to highlight is that from an accounting perspective, it tends to be more dependent on short-term or near-term visibility for very specific titles. Under that context and current market conditions, I'd say there was a selection of titles in there that warranted adjustment in terms of the carrying value.

Operator

Our next question comes from Bentley Cross from TD Securities.

Bentley Cross — TD Securities

Good morning. I just wanted to ask, last quarter you were kind enough to say you were comfortable with the consensus outlook for the year. Wondering if that still applies? And also wondering if you have any commentary you want to share beyond just the next three months?

Michael Donovan

Doug, if you could answer?

Doug Lamb

Based on our current forecast and in particular our distribution pipeline, I don't think our view has changed on the year. And we'll pass on commenting beyond this fiscal year.

Bentley Cross

Okay. I understand that. But maybe you can kind of give us a little bit of comfort on the debt. Do you have any outlook there or targets that you want to put out at this point?

Doug Lamb

No, I would say, look, we've got the building sale we expect to close in June; that's a $12 million paydown there. And then the other thing I would remind everyone of is the next couple of quarters where particularly that are going to fall off are weaker quarters. So, we expect we're quite comfortable with our ability to manage the leverage situation.

Operator

Our next question comes from Drew McReynolds from RBC.

Drew McReynolds — RBC

On the producer and service fee revenue in the MD&A, you allude to the Mattel partnership contribution being nil in the quarter. Is that partnership expired or does anything come back in the future?

And then secondly just on DHX Television, Doug, can you talk to just the timing of carriage renewals, what you have to do in the pipeline, let's say, in the next kind of 12 to 18 months?

Michael Donovan

So, Josh, I'll ask you to answer the first question and maybe, Aaron, the second, please.

Josh Scherba

On the first question that relates to our partnership with Mattel, you'll remember we have a partnership on four titles: *Polly Pocket, Fireman Sam, Little People,* and *Bob the Builder*. We're actively in discussions around new content for *Fireman Sam* and *Polly Pocket*, so we expect that there will be future production revenues related to that partnership. Also, we continue to exploit that content internationally, so there does continue to be distribution revenue.

Aaron Ames

As far as the [carriage] negotiations, they continue to progress in line with our expectations. We continue to maintain healthy margins in our TV business and steady EBITDA by exploiting our own DHX large content library and controlling costs, and we'll continue to do so.

Drew McReynolds

And in terms of just the number of renewals, let's say, in Fiscal 2020, are you able to provide that?

Aaron Ames

It continues to progress in line with our expectations.

Drew McReynolds

And just a quick follow-up on WildBrain on the kind of alternatives and options to monetize. I think in the past you've talked about e-commerce as a potential source of revenue on that platform. Maybe provide any update on how your thinking is evolving on that front?

Michael Donovan

Yes. I'll answer; maybe, Josh, you can add. Yeah. There are many, many ways. We feel, as we've said in past calls, that we're only 1% of the way down the road with WildBrain. What we have is literally 8% of the YouTube viewership per month watches a video on WildBrain, and that's pushing toward 20% of the family audience, so the whole world, one in three children in the world. We have this large built-in audience, and it is growing at double-digits. The question is with that—that's what we've achieved. That's what we've got. And how to then leverage that into multiple monetization streams is the highest priority in this company.

And high up on the list is e-commerce. And we've been working for months on developing the e-commerce platform going forward, but we're also working on many other fronts.

And, Josh, you could add?

Josh Scherba

I think as highlighted in our script earlier, we have seen growth in paid media and production, which are two examples, tangible examples right now, of what we're doing to grow additional revenue streams. And there are many other ways that we're working on that you'll hear about in future quarters.

Michael Donovan

We think that AVOD is the future of television. That's one of the beliefs in this company because an advertising-supported free-to-air model is the traditional model for television, and this is the new modern form of it. And we are the number one leader in the family and children's space by several miles and accelerating.

That's one of the most important takeaways that we want to have investors understand how important that is and how it is—how growth there is continuing at a very nice clip, particularly with respect to viewership, but also with respect to revenue and monetization.

Operator

Our next question comes from Jeff Fan from Scotiabank.

Jeff Fan — Scotiabank

Thanks, and good morning. Maybe just to follow up on that comment regarding SVOD and AVOD and as you sit back with respect to the strategy of how you monetize this, how do you see with the launch of your Kids Room and now you've got … you've obviously had some success with WildBrain, I mean, how do you see these two markets kind of overlap? How do you make decisions on how to allocate your content library between these two? I guess given your comments, Michael, that AVOD is such a big opportunity, I guess the question is why do an SVOD direct-to-consumer if you think AVOD is going to be so successful? If you can just kind of help us with your thinking on those few things.

Michael Donovan

Yes. And I'm going to ask Josh to answer your question.

Josh Scherba

Sure. So first, a great question. It's something we spend a lot of time talking about and debating and thinking about. The advantage that we have is the size of our library. It really gives us an opportunity to explore all of these new ways content is being monetized. It was our strategic advantage with WildBrain that allowed us to be in that space first.

To Michael's point, we see AVOD continuing to grow and that not being limited to YouTube, but additional platforms that are going to be getting into the AVOD space, there are an increasing number of announcements. We have a large enough library that we can make sure we're in all of those spaces, and then we can react to how consumers are engaging with the content. So we can double-down in areas that are working, and we can pull back in others that aren't.

So to how that relates to our SVOD service, again, we think it's an opportunity to leverage our large library. And if we can build an audience in the US on SVOD, that would be great. And so we should be trying to do that.

As it relates back to our original content, those are big decisions to be made as well. And whether we go with an Apple on Peanuts, or we go on more market-by-market approaches with specific services and those are real-time decisions we make, and we evaluate them on a property-by-property basis.

Operator

Our next question comes from Deepak Kaushal from GMP Securities.

Deepak Kaushal — GMP Securities

Hi, guys. Thanks for taking my questions. Most have been answered, but I do have some follow-ups. Just on the AVOD, SVOD, I had a question around branding. You have a WildBrain brand on YouTube, but it's not really over-the-top brand, to my knowledge. Then you have a Kids Room brand on SVOD with Comcast, and you have a Family Channel brand in Canada. Any thoughts of harmonizing this? And are you spending any money to market the SVOD service on Comcast?

Josh Scherba

We did consider using the WildBrain name with the Comcast SVOD service, but we felt for now the right thing to do was to have that separate branding and continue to grow WildBrain in the AVOD space. We'll continue to evaluate that, and there might be an opportunity for harmonization into the future.

In terms of consumer marketing with our SVOD service, we're going to continue to look at that as we get closer to launch.

Deepak Kaushal

Okay. So just on that, I mean, are you expecting Comcast to put some dollars towards marketing? And I will reiterate the question: Do you have a target penetration of their 13 million subs over the first 6 to 12 months?

Aaron Ames

For competitive commercial reasons we're not going to speak to the financial details, nor are we going to talk about what our expectations are on subs. As far as marketing, I mean, we will be doing some marketing and obviously to grow that brand.

Deepak Kaushal

I will ask one more, if I may, on that SVOD. Do you guys have a pipeline of other platforms you're currently considering and any kind of metrics you can give around that?

Josh Scherba

Yeah. What I would say is that there is an appetite for OTT SVOD offerings right now on various platforms. So we are having other conversations.

Michael Donovan

We felt that it was critical to do the first deal with Comcast and that becomes the template for others, we hope and expect.

Operator

Our next question comes from Rob Goff from Echelon.

Rob Goff

Thank you for taking the follow-up. And it's back to the Kids Room, if I might. I appreciate the sensitivity about financial expectations, but in terms of managing our own expectations, is this a type of service where you would have a subscriber breakeven that would be, say, 30,000? Or 50,000? Or just in broad parameters just to give us an idea?

Aaron Ames

Well, like I said, there's no real material cost for us to launch and operate it. I think that's enough said on that point, and time will tell whether the opportunity is material.

Obviously, Comcast reaches millions and millions of customers, and so it was the perfect place for us to launch an SVOD service.

Michael Donovan

And also they're recognized leaders. They had to be the first. But the reason that we have no costs, or virtually no costs, is because the main costs for such a service is inventory. And we have this large very, very large built-in library, to add to Josh's earlier point.

Rob Goff

Thank you. And when you say very small costs or no costs, that would be both on an operating basis and on an up-front basis or capital basis?

Doug Lamb

Correct.

Operator

Our next question comes from Bentley Cross from TD Securities.

Bentley Cross

Michael, I just wanted to ask why do you think it's the right time to step aside now? I mean, obviously you came back into the fold and you made a lot of progress, but as highlighted in the release and in the financials, I mean it's still a bit of a period in transition. So why do you think it's the right time now to find another successor for you?

Michael Donovan

When I stepped back into the role, it was to work with the team here in restructuring the operations. We set a number of priorities with respect to operations, the ones that I enumerated earlier, to focus on premium content strategy; to reposition our assets to align with the evolving market opportunities; focus on WildBrain; focusing on debt; and also focusing on operational streamlining. It's been a year now, and we've made a lot of progress on all those fronts.

So since I felt that my greatest contribution is more strategic, it was now time to go to the next step, which is to find the successor. That process is already underway at the moment. And this is, as we indicated, this is a small industry; we know the players. So we're hoping to make announcements soon with respect to that.

Bentley Cross

Okay. And, I mean, obviously you know some of the players very well, i.e. Josh. Would Josh's name here in the running for that?

Michael Donovan

Obviously, I possibly can't comment on that. But we do, I should tell you, we do have a number of excellent candidates and at the international level.

Bentley Cross

Thanks, Michael.

Michael Donovan

Maybe Josh should comment on that.

Josh Scherba

No comment, but thanks for the thought, Bentley.

Michael Donovan

You have a friend. Anyway.

Operator

Our next question comes from David McFadgen from Cormark Securities.

David McFadgen — Cormark Securities

I see that you took an accelerated write-down or a write-down in the quarter. I was just wondering what programs that would apply to?

Doug Lamb

David, it was a range of titles in both the acquired and the investment in film assets, and that also affected some of the intangible assets. And then, of course, there was some programming in TV that we're no longer using. But in terms of getting into it, I don't think there's a lot of value in terms of getting into specific titles.

David McFadgen

I'm just kind of curious that you would take that write-down, given in the past you're very bullish on the SVOD market and the opportunity to monetize the library, and now you're taking a write-down.

Doug Lamb

Bear in mind that the accounting process is very dependent on near-term visibility and title-by-title as opposed to any comment on the long-term value of our total library. If we were able to look at it just in terms of total revenue versus the library carrying value, I mean I think it's probably undervalued dramatically.

But that's not how the accounting process works. So I would keep that in mind.

David McFadgen

Okay. And then just on the leverage, I think you were just under 6.1 times this quarter. I believe the covenant's stepping down to 6.5 in September. I was just wondering where you think you might be around September, because it seems like you're getting close to that threshold, no?

Doug Lamb

I think we're comfortable. As I said earlier, we're selling a building which will yield $12 million in paydown coming in, and we expect that to close in June. And the next two quarters that are falling off were actually quite weak quarters. So we're comfortable that we'll be able to manage through that.

David McFadgen

Like would you be in that 5.5 to 6 range in September?

Doug Lamb

Well, I'd just reiterate like we're quite comfortable with our ability to manage and leverage through and aren't concerned about that covenant in September.

David McFadgen

Okay. Then just on WildBrain, the growth was lower than what I was looking for in the quarter. I was just wondering, do you have any idea as to the timing as to when you might get up to, say, 20% growth or higher?

Josh Scherba

Well, we're not going to get into specifics around the number. But again, I will reiterate that we've been encouraged by what we've seen so far in Q4. And we do believe the worst is behind us.

Operator

I'll now turn the call back to Ms. Chan-Palmateer for closing remarks.

Nancy Chan-Palmateer

Thank you, everyone, again for joining us today. And we look forward to updating you on our progress next quarter.

Have a good day. Bye now.

Operator

This concludes today's conference, and you may now disconnect.

-END-