FINAL TRANSCRIPT

DHX Media Ltd.

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PRESENTATION

Operator

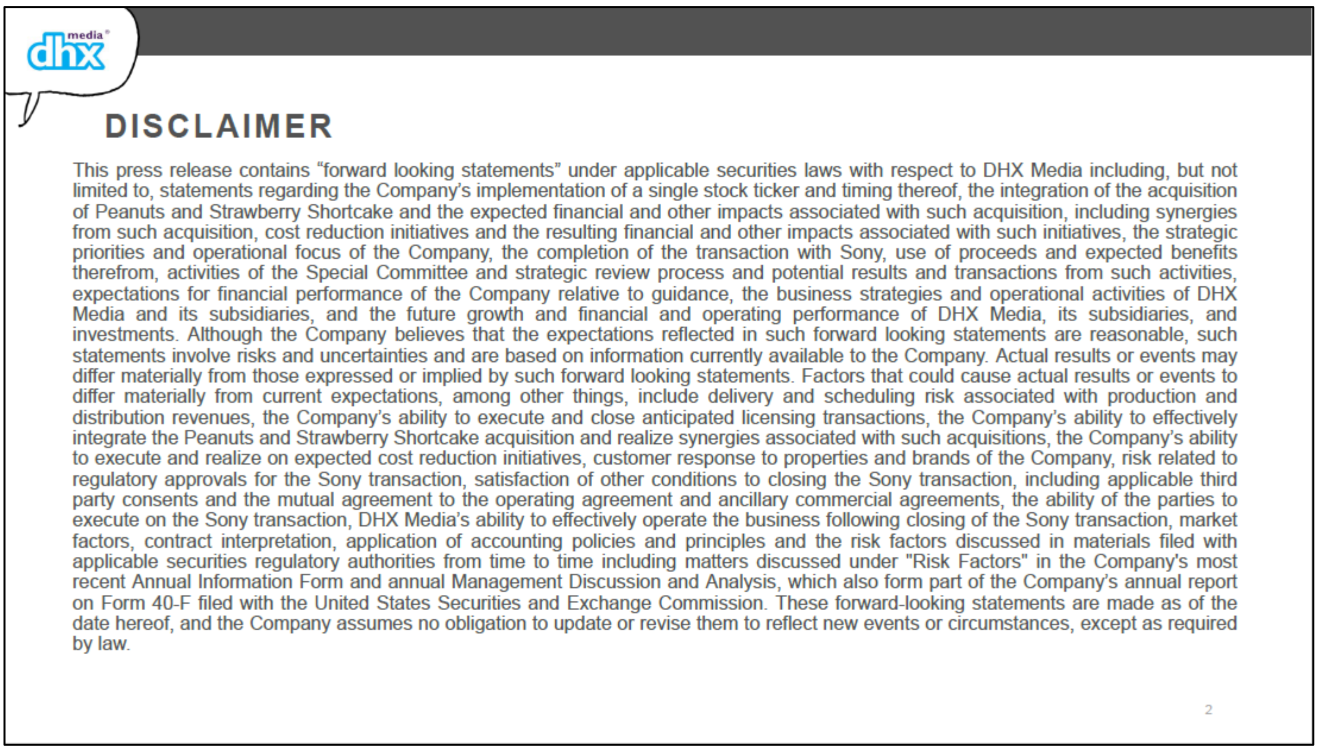
Good morning, ladies and gentlemen, and welcome to the DHX Media Fiscal 2018 Third Quarter Webcast. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. To ask a question at that time, please press *, 1 on your telephone keypad. If you would 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; 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; Josh Scherba, President; 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 strategic review process and outcomes as a result of such process, including potential transactions; the Sony transaction and expected benefits from such transaction; synergies from the Peanuts acquisition; cost-saving initiatives; financial and operating performance of the Company; and the business strategies and operating activities 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 regulatory risk, the ability of the Company to execute on transactions and realize on synergies and cost savings, and the risk factors set out in the Company's most recent MD&A and Annual Information Form.

For the question-and-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 re-join 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.

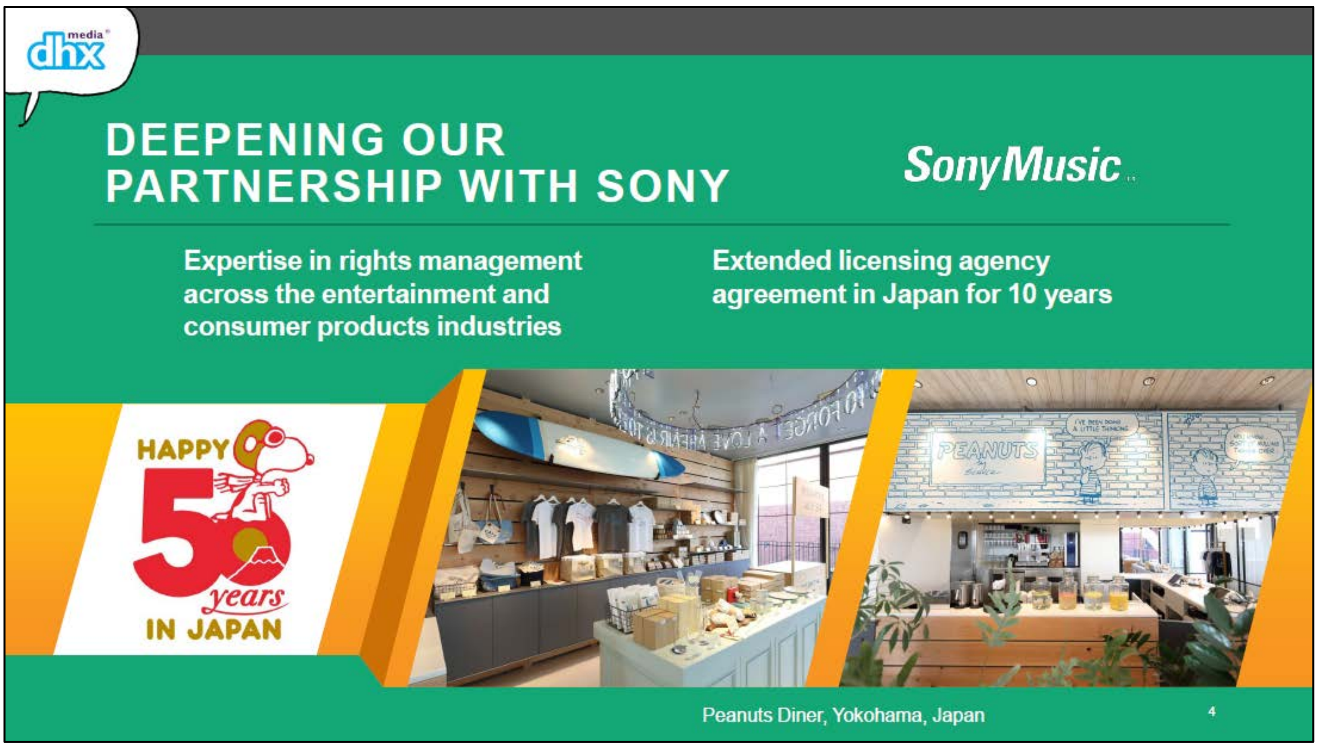
Thank you, Nancy, and good morning, everyone. Before I ask Doug to cover our Q3 financial results, I'd like to update you on the progress of our strategic review.

First, the Special Committee continues its review, which is expected to wrap up on or before June 30th. This, however, does not mean we are delaying taking action on opportunities that will advance the strategic direction of the review to create value for our shareholders.

For example, last night, as one outcome of the review, we announced a partnership with Sony on Peanuts, which I will speak more about in a moment.

We are also in advanced discussion on large licensing deals that we believe could materially enhance shareholder value. And the Special Committee continues to evaluate other opportunities, such as a potential dividend suspension and potential delisting from NASDAQ to realize cost savings.

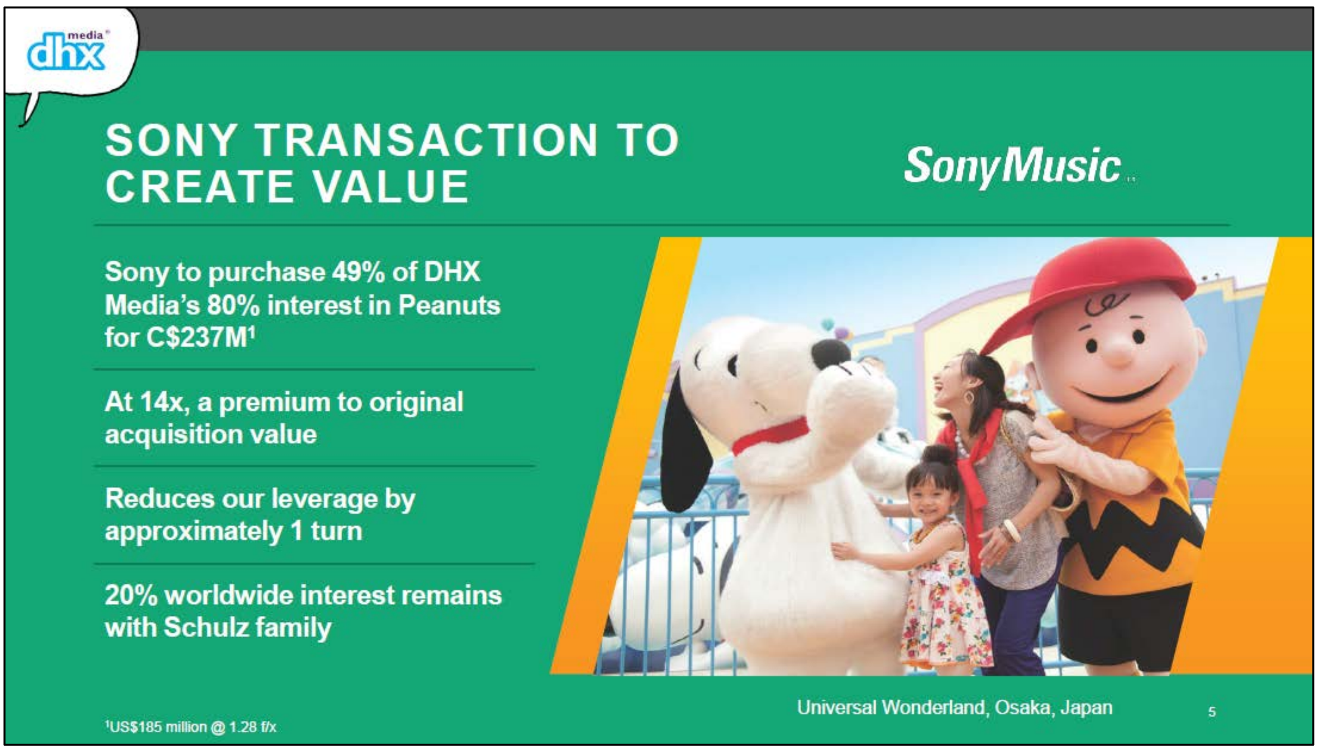
The strategic review has been an important process in surfacing value, and we look forward to providing additional updates when appropriate.



Looking at slide 4, last night we announced a strengthened global partnership with Sony on Peanuts. We believe Sony, with its international world-leading entertainment and consumer products, rights, management, expertise is ideally suited to help us continue to drive the growth of Peanuts.

As our territorial agent, Sony has grown Peanuts in Japan by 200% since 2010, and is currently growing out a range of licensing programs to celebrate Peanuts’ 50th anniversary in that country. Our confidence in the partnership is further reflected in our extending the term of Sony’s existing agency licence agreement in Japan.

Moving to slide 5, let me give you an overview of the transaction.



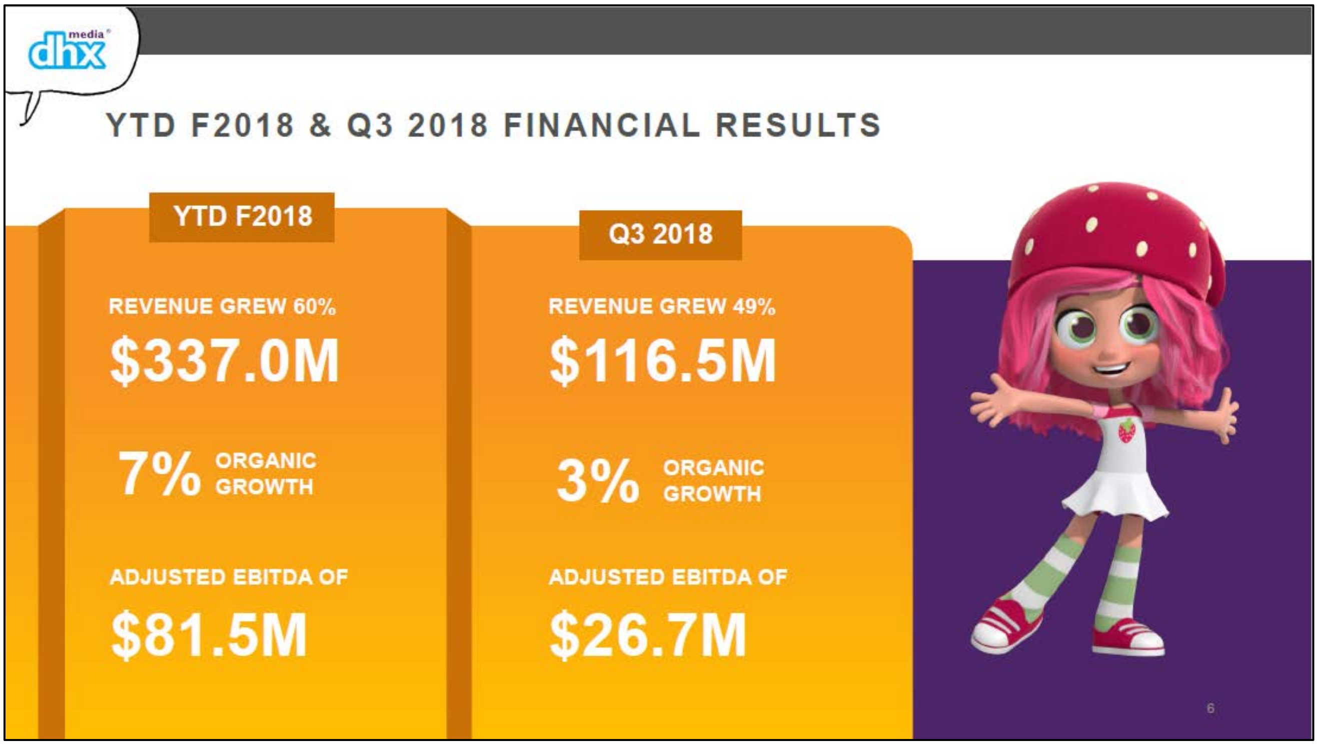
We achieved our key objective with this agreement to de-lever while maintaining majority control of Peanuts, and we’ll continue to consolidate its results in our financial statements. Sony is buying 49% of DHX’s 80% interest in Peanuts for C$237 million. This is at a premium of 14x compared to the 12x EBITDA that we paid for Peanuts in June 2017, representing an approximately 25% or greater premium to our cost.

The net proceeds from the transaction will be used to pay down debt, reducing our leverage by approximately 1 turn or greater. We look forward to continuing to work with Sony alongside the Schulz family to take Peanuts to greater heights on the global stage. We think they're the ideal company for that.

Doug?

Doug Lamb — Chief Financial Officer, DHX Media Ltd.

Thanks, Michael. Let's now turn to slide 6.

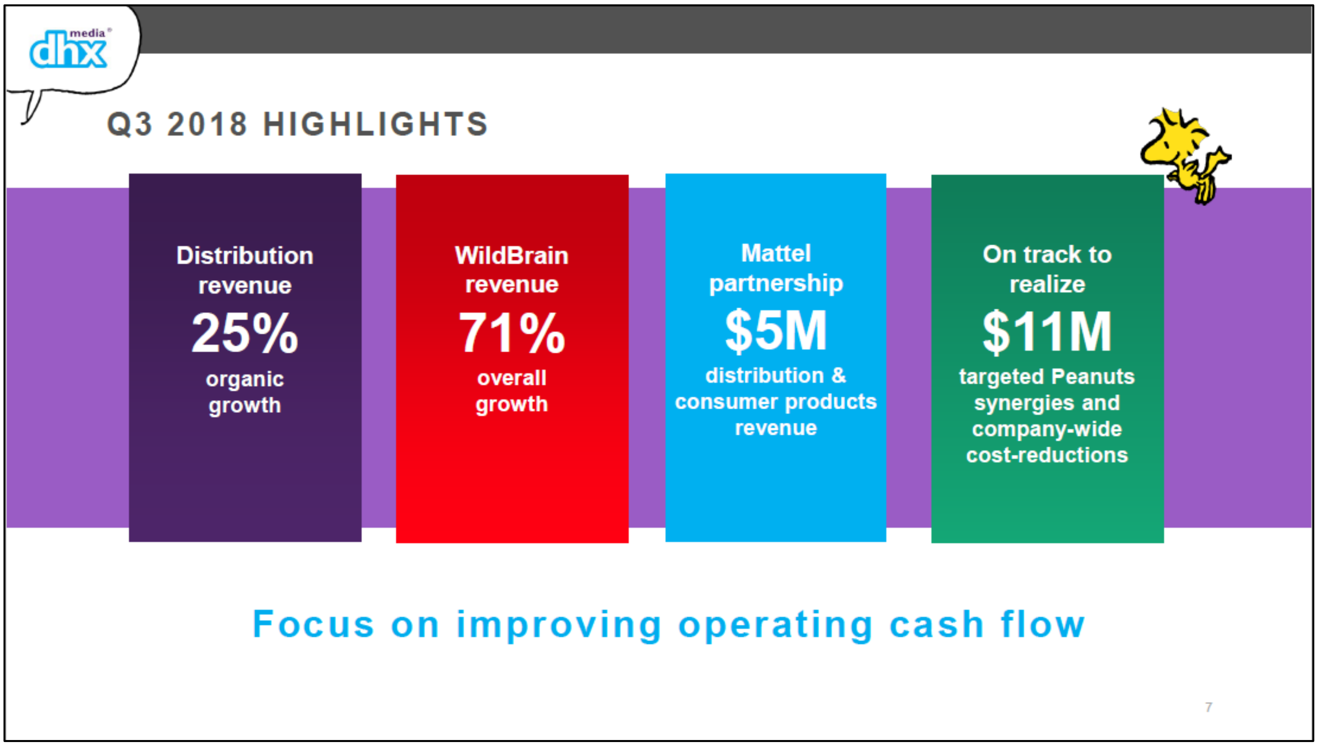


We continued to grow organically, with Q3 2018 revenue up 49% to $116.5 million, of which 3% was organic growth and 46% acquisitive growth, largely from Peanuts and Strawberry Shortcake.

Year-to-date, revenue was up 60% to $337 million; 7% of this increase was organic.

Third quarter adjusted EBITDA was $26.7 million, up from $24.9 million a year ago, while year-to-date adjusted EBITDA of $81.5 million rose 28% over the prior-year period.

Over to slide 7.



Revenue in certain businesses continue to perform well, including traditional distribution, WildBrain, and Peanuts, while other areas are not meeting our targets. These included our preschool brands and our consumer products-represented business, which is rebuilding following the tapering off of a large contract.

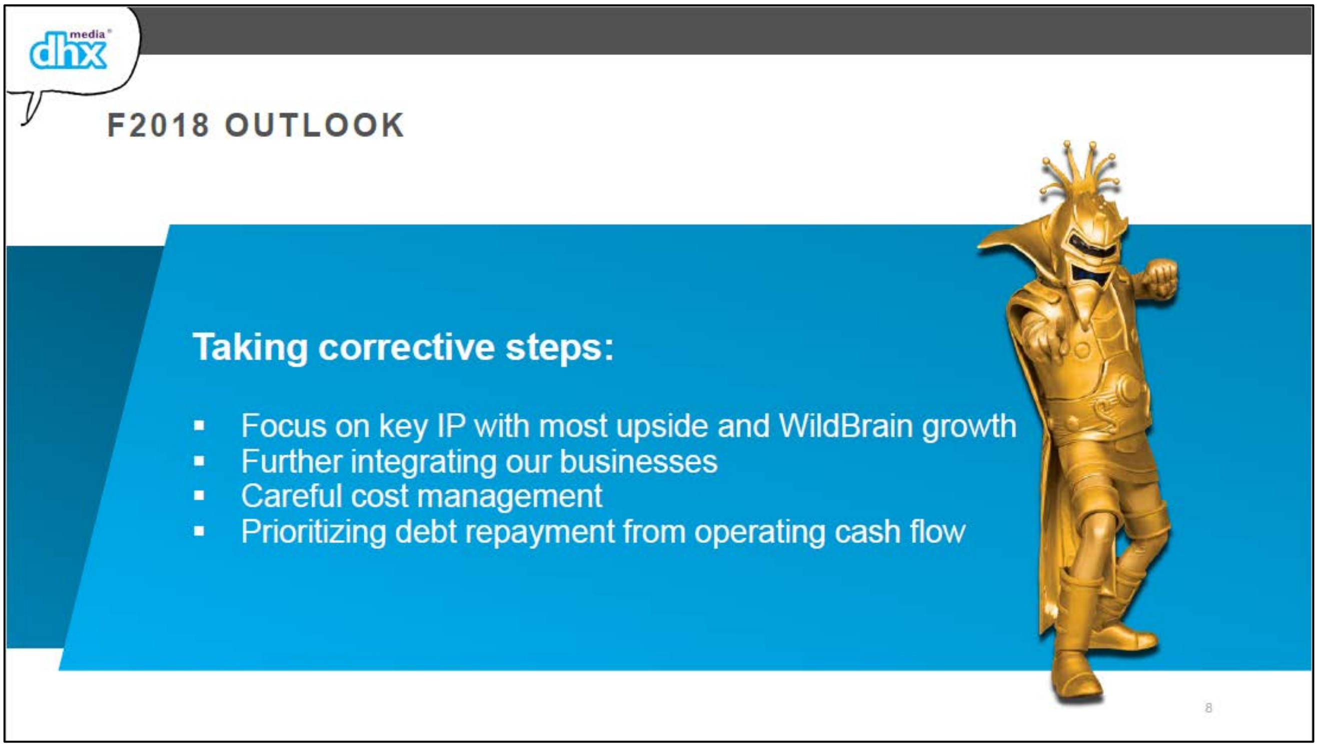
I would like to highlight WildBrain revenue, which grew 71%, underscoring our ability to monetize our content on YouTube. The first nine months of fiscal 2018 have seen almost 94 billion minutes of videos watched on WildBrain, up 71% over last fiscal year and some 20 billion views up 79%.

We also continue to see positive returns from our Mattel partnership, which generated about $5 million in distribution and consumer products royalties in the quarter and $20 million year-to-date.

From a margin perspective, lower margins reflected our new mix of business, including Peanuts, third-party brands driving growth at WildBrain, and a higher proportion of service work in our studios.

Finally, our target of realizing $11 million in annual synergies on Peanuts and company-wide cost reductions by the end of fiscal 2019 is in sight. We expect to recognize $5 million to $6 million in these savings by the end of fiscal 2018. However, these synergies were offset by investments in our growth areas.

Moving to slide 8, I'd like to address guidance for the fiscal year 2018.



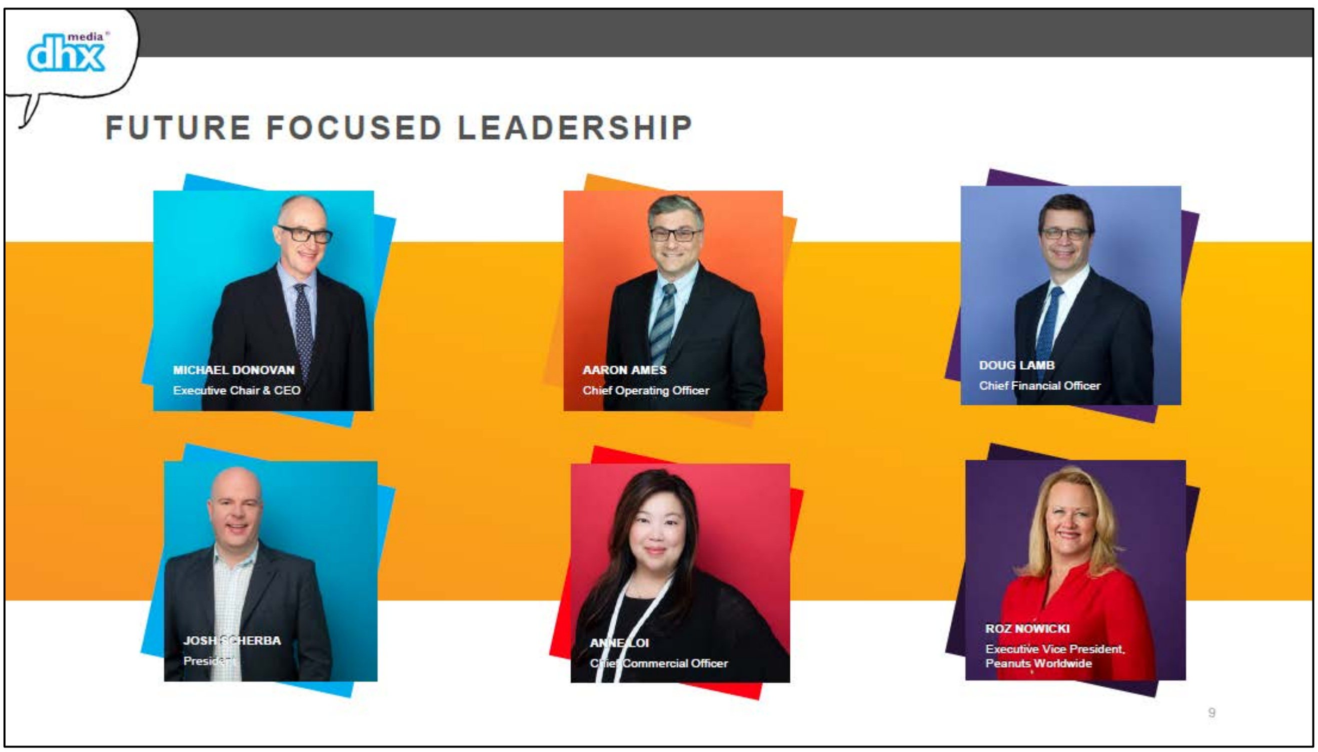
As Michael has mentioned, through the ongoing strategic review process, a number of large licensing opportunities have been identified and are currently at an advanced stage of negotiations.

In the event that an opportunity is completed prior to year-end, we believe this would contribute to achieving our full-year adjusted EBITDA guidance as provided in previous quarters. However, in the absence of one of these opportunities, we do not expect to achieve previous guidance.

Since there are no assurances that additional transactions will ultimately be completed, or that they will be completed by fiscal year-end, there is a high degree of potential variability with respect to financial results for the remainder of the current fiscal year. Accordingly, the Company has decided to terminate the practice of providing forward-looking guidance at this time, and will not be providing an updated outlook for fiscal 2018.

Going forward, we'll look to operating cash flow as a measure of cash generation. The Q3 year-to-date period has seen an improvement, with $5 million in positive operating cash flow, or almost $30 million if we add back $24 million in non-recurring items related to the Peanuts acquisition. We will continue to focus on improving cash flow as we move forward.

Turning to slide 9, I'll hand the call back to Michael.



Michael Donovan

Thank you, Doug. Content continues to be our strength and the core of our business.

We have restructured our management team to leverage our strengths, and have added the experience we need, we believe, to capitalize on our significant IP.

We continue to improve our operational and financial discipline and streamline costs, and focus on creating compelling cross-platform shows that earn global distribution and generate consumer product royalties. We are optimistic about our future and committed to realizing on the market opportunities for monetizing our kids' content and brands.

We are pleased to take questions now.

Q&A

Operator

At this time, I would like to remind everyone in order to ask a question, please press *, then the number 1 on your telephone keypad.

Your first question is from the line of Adam Shine from National Bank Financial. Please go ahead.

Adam Shine — National Bank Financial

Thanks a lot. Good morning. Michael, I guess I want to go to the guidance or non-guidance just as it relates to how things are tracking year-to-date. I mean, you were very bullish back in September when the guidance was given with the context that this was deemed to be pretty conservative in upside potential. When we look to what's transpiring here, can you speak at all to where there might be some missing pieces to the prior anticipated results? Was there always an anticipation that some of these IP-related opportunities would backfill the back-half to drive the guidance? Or are these more opportunities that arose within the context of the strategic review? And then I'll do a follow-up just with Doug.

Michael Donovan

Okay. So, thank you. Yes. The key is that the environment continues to be unusually positive. And as we're evolving our business and developing a refocus, particularly on the digital—and that's what a lot of the strategic review is—we're recalibrating how to optimize and leverage our IP assets to produce the greatest benefit. And how we've done that is through a number of operational changes, including executive changes.

And in the upcoming quarters you will see, I believe, the results of all the hard work that our team has done over the last nine months. And inside these numbers, although the headlines are not positive, if you dig in you'll see that there's a great deal of positive momentum occurring, particularly around our digital, but also our core IP, our distribution. This is what's important. And a lot of the negativity is just noise on the side, which we're in the process of restructuring around.

And also the bringing in of Sony as a key partner, I mean that's an unbelievably important company worldwide in the rights management business. Their focus increasingly, we understand, is IP. And attaching them as a partner and obtaining a premium over what we paid, I think, is the beginning of a number of initiatives that you will see over the next couple of weeks and months where the market will see the underlying value of our assets and the opportunities.

Doug, do you want to add to that?

Doug Lamb

No. I would just say, I mean, Adam, I think that the main factors contributing to what we're seeing from an EBITDA perspective is just, I mean, there's really three factors: We've got a much higher mix of service business in the studios, which is at a lower margin, but is also responsible for the improvement we're seeing in cash flow. We've got an agency business that essentially is going through a bit of a rebuilding phase. And you're seeing ongoing erosion from TV.

Outside of those factors, as Michael said, I think the core of the business actually is performing fairly well. But the negative impact from those three factors is obviously affecting results.

Adam Shine

Okay. And just as a follow-up, Michael alluded to the consolidation of Peanuts. Maybe, Doug, can you remind us how you are currently accounting for Peanuts—I believe it was like a net of the Schulz family ownership—and how you might be accounting for it going forward? Will we see a minority interest line for the Sony ownership going forward?

Doug Lamb

Yes. That's actually right. That's exactly right, Adam. Essentially we consolidate the full Peanuts results into our consolidated statements, and then you see a non-controlling interest line related to the family of Charles M. Schulz. That non-controlling interest line will go up significantly now with Sony owning a portion of Peanuts.

And essentially, the reason we're still able to control Peanuts is because Sony has bought 49% of our 80%, so we still have a 51% control of that 80% interest.

Adam Shine

Okay. I'll leave it there. I'll queue up again. Thank you.

Operator

Your next question is from Rob Goff from Echelon Wealth Partners. Please go ahead.

Rob Goff — Echelon Wealth Partners

Thank you very much for taking my question, and congratulations on the deal. The deal was described as a partnership. Could you talk to what perspective additional partnership considerations there might be in terms of things such as distribution to other regions, rights of transfer of ownership, or perhaps production opportunities?

Michael Donovan

Well, I'll answer that. This is Michael. The—

Rob Goff

Thanks, Michael.

Michael Donovan

Yeah. Sony is the agent for Japan. Japan is an extremely important market for Peanuts, where it's perhaps the leading family brand in the country. And so, what we've done is deepened that relationship with Japan, which we see as a driver. But also, the success that Sony has had is remarkable and the engagement.

And so by forming this partnership, first of all, we feel that one of the opportunities going forward is to strengthen Peanuts in Japan, with Sony leveraging its considerable power in the market. But also its success in that market provides a template for success in other markets, particularly other Asian markets, particularly China. And so, that's what we see as the advantage of this – that we can draw from their skill and expertise in developing this brand in that market.

However, their rights are entirely confined to that one territory, Japan.

Rob Goff

Okay. Thank you.

Operator

Your next question is—

Michael Donovan

Yeah. Thank you.

Operator

—from the line of Aravinda Galappatthige from Canaccord. Please go ahead.

Aravinda Galappatthige — Canaccord

Thanks for taking my question. One of the other areas that obviously we're seeing some variances is sort of the legacy-owned merch revenues, the owned consumer products revenue area. Obviously, I know that last year there were those sort of guaranteed payments coming out of Teletubbies, et cetera. I was wondering, number one, can you just talk about how you see that trending going forward?

And, Michael, maybe sort of your plans to sort of develop the ex-Peanuts, I mean, your legacy brands and trying to take that to the next level and try to develop some genuine licensable hits? What are your plans on that front?

And also, can you just touch on sort of obviously you're managing cash flow, as well as production, allocating sort of the service side of the business with proprietary? I was wondering how you're looking to kind of balance that going forward as well. Thanks.

Michael Donovan

So, I'll turn that over to Josh Scherba, our newly appointed president. And for the second part, cash flow, Doug, if you could answer that?

So, Josh, please?

Josh Scherba — President, DHX Media Ltd.

Hey, Aravinda. So as it relates to brands and what we're going to be doing moving forward, I think that first and foremost we're going to be focusing on our key IP. That really does present opportunities for additional upside. So, I think in the next year you'll see that starting to come through on a couple of properties in particular, Mega Man, which is going to launch on Cartoon Network late summer/early fall, as well as Polly Pocket, which we partnered with Mattel on ground-floor development that we're really excited for the launch of, which is coming up later this year as well.

But we think that this renewed focus on key titles that have upside is what's really going to drive moving forward. And, that's not to mention, of course, the excitement that we have around Peanuts and Strawberry Shortcake and our content plans around those IP, which we really think will drive growth in the future.

Doug Lamb

And I think the second part of the question was regarding sort of the mix in the studios between service and proprietary. And I think as Josh had said, we're going to focus, I think, prioritize sort of our key IP in terms of investment from a proprietary perspective. And I think the other side of that is for WildBrain, where content we can develop actually very inexpensively is another area of focus because we obviously want to support the exceptional growth we're seeing there, as well as supporting our key brands.

So, I think you will see sort of a mix that's closer to what you've been seeing this year than in the past, i.e. reduced kind of proprietary investment, and yes, in our view that will continue to result in improved cash flow, which obviously debt repayment, in addition to the investment on those key titles, debt repayment remains a top priority going forward.

Michael Donovan

And if I could just add, the idea is to shift the proprietary and focus it on the shows where we think we can get the most return on investment, which are our leading brands like Peanuts, like Strawberry Shortcake, like Mega Man, like Polly Pocket, Fireman Sam, Caillou. That is our priority. Whereas in the past we've done 12, 14 shows, a lot of that were noodles on the wall. As we've gone through this review process, we are increasingly realizing that our opportunities are in our leading brands, and to leverage our considerable production capacity into those brands and critically focusing on cash flow going forward. That is increasingly our key metric.

And you can see from our results this quarter that that dial has moved materially on the cash flow front.

Josh?

Josh Scherba

The only thing I would add is that what we're really uniquely positioned to take advantage of, is this combination of being able to do high-end tent-pole series along with lower-cost content through WildBrain. And we think that WildBrain becomes a really important tool in terms of building brands moving forward, and that's something that is evolving and new and sets us up for the future to be able to build brands that we were not able to in the past.

Aravinda Galappatthige

If I may just follow up on that, I mean, so I guess from a financial perspective, what I hear is that in terms of the overall production budget and the production spend, can we expect sort of a continued decline going into the next several quarters as well, because you're sort of really stripping away sort of the number of brands that's kind of going through your production process?

Michael Donovan

No. The general thinking is to keep production spend constant, but, as Josh said, to focus it on high-end. That's our goal here. The goal is cash generation. We feel that that is achieved best by narrowing our production titles to our leading brands, for which we're getting much higher prices and much higher sales.

So, the basic thinking is the number stays the same, but the goal is that that will cause, we believe, cash generation to materially move forward.

Doug, do you have anything to add?

Doug Lamb

No, no. I think you summarized it well.

Michael Donovan

Okay.

Aravinda Galappatthige

Great. Thank you. I'll pass the line.

Operator

Your next question is from the line of Jeff Fan from Scotiabank. Please go ahead.

Jeff Fan — Scotiabank

If I can just focus on the transaction and the impact on the balance sheet just for a second, what is the pro forma leverage if you were to close the transaction today? I know you mentioned that there's a one turn benefit, but wondering if you can just give us the actual leverage number from where you were, versus where you think you can be with this deal?

Doug Lamb

Sure, Jeff. It's Doug. As we disclosed in the MD&A, our net total leverage ratio as defined in the credit agreement was 5.7 for Q3. Pro forma, the transaction over that same period would have been 4.7x. And the senior leverage, i.e. if you just took the revolver and the term loan, would have been 3.4x pro forma.

Jeff Fan

Okay. I guess if I look at the value that you got from this transaction, the 14x, which is a great valuation in the premium—but I would've thought at 14x it would've at least brought your leverage down a lot more. And so I'm just wondering, am I missing anything in the calculation? I thought it would—because $240 million—

Doug Lamb

Well, yeah, I mean you have to bear in mind that essentially from a pro forma covenant perspective you are giving up half of the EBITDA that we currently generate from Peanuts. So, I think if you back out that you've got to consider the EBITDA, as well as the debt repayment.

And it's not the full proceeds. I mean, there is some taxes and transaction fees, but…

Jeff Fan

Okay. Maybe we can follow that up offline. Just a follow-up on the Sony transaction as well on the ongoing agreement that you have with them. What was the plan when you first acquired Peanuts from Iconix with respect to the Japanese market? Were you going to take that distribution in-house and was that part of the synergies? Just wondering what the plan was and whether there's changes now going forward? I guess you've changed it with this extended agreement, but just wondering what the plan was going in when you first made that acquisition with respect to Japan?

Michael Donovan

Yeah. So, that's a good question. No, our consolidation of the agency business on the ground, which was part of the thinking behind the Peanuts transaction, was never to include Japan. Our calculations and assumptions were always ex-Japan because, clearly, Sony had done a tremendous job. And also our agency, CPLG, had no presence in Japan. So, it would never make any sense for us to monetize that part of the equation.

Jeff Fan

And just finally, what percentage of the Peanuts business is in Japan right now?

Michael Donovan

40% approximately.

Jeff Fan

40%. Okay.

Michael Donovan

The way we look at it is that Japan is the template for how the business can and should roll out in the rest of the world. Japan is kicking even above the United States in terms of the impact. And so, what they've done there, particularly in digital areas and with very creative programs, is the potential. Because Peanuts is a unique brand—it's one of the top 10 brands literally in the world; it's one of the top in family, if not the top—and how to bring that into the next 20 years, we believe that what Sony has done in Japan shows the way; critically the template for the rest of Asia, where it has unusual provenance, particularly in countries like China.

Jeff Fan

Yes. And my final question is with respect to China. It sounds like the percentage of business for Peanuts in China is relatively small today. What are the assets that you have in place in China with respect to distribution that you think you have that can grow? And, I guess what I'm asking, is what kind of work do you need to do to achieve and address that opportunity?

Michael Donovan

No, that's a key question, if not in my opinion *the* key question because China's been the opportunity, in my opinion, and in our collective—in our strategizing and plans around Peanuts. Because we know that it has tremendous provenance in the country, yet the monetization from China has been minimal.

The key there is to create the right partnership. And that has been a priority for this company and through our strategic review. And we are, we feel, near the end of that process, and we see China as the game-changer for both this company and for that brand.

Jeff Fan

Okay. Thanks, Michael.

Operator

Your next question is from the line of Bentley Cross with TD Securities. Please go ahead.

Michael Donovan

Hey, Bentley.

Bentley Cross — TD Securities

I first wanted to ask, just on the transaction following on Jeff's questions earlier, are there significant fees or taxes? Because I was having similar issues kind of tracing out the numbers as well.

Michael Donovan

No, but, Doug?

Doug Lamb

No. I don't—so I'm not sure—yeah. I mean, I can't see your numbers, so I'm just saying my calculations are based on the specific calculations in the credit agreement, which you have to remember, you don't have the information because there's unrestricted and restricted subs, and it's a little more complicated than doing the EBITDA calculation through that agreement than just off the financial statement.

So, it may be related to that, but obviously I can't see your calculations, so I'm not sure. But I'm confident that the reduction is about a turn in total leverage to 4.7x.

Bentley Cross

Okay.

Bentley Cross

Well, then maybe I'll just stick to the core business for now. Based on both the multiple cited and kind of historical Peanuts/Strawberry Shortcake margins, it seems that EBITDA's unfortunately going the wrong way, as much as Michael has suggested that things are looking good. Just wondering if you can kind of further explain that dichotomy?

Doug Lamb

Well, I think, again, I think it's going the wrong way, but it's going, as you say, in some sense, but it depends how you define the core business. So, when we look at it, we look at that as our content library, obviously including Peanuts and WildBrain being one of our most optimistic distribution channels for that content.

And so, when we say the core is performing well, I think if you look at our distribution revenue off the library, the growth in WildBrain and the performance of Peanuts, we're very happy with all of that. I think where we have challenges is in the agency business, which is going through a transition. Obviously, TV continues to erode, but we're able to continue to lower costs, and it's producing a lot of cash flow for investment in our content, so I think still an important element of the mix. And then, of course, the studio mix of business. One of the impacts of shifting a little more to service, although it improves cash flow, it does reduce EBITDA margins because the proprietary tends to be at a higher margin.

So, I think those are the key factors.

Michael Donovan

I'm going to get Aaron Ames to also add to that.

Aaron Ames — Chief Operating Officer, DHX Media Ltd.

Yeah. Hi, Bentley. What we're focused on now is, as Josh had talked about earlier, is monetizing our IP and brands, and focusing our investments where ROI is the highest and cash flow from operations, as well as, I think the big opportunity here is really integrating—finally really integrating these various acquisitions that we've done in order to get them really working together well.

And that's what we're focusing on, and that's where really the opportunity is, as well as some extreme and important cost management. So, we focus on where we can—we focus our investments on where the ROI is big and watch our costs.

Bentley Cross

Okay. And just following on from that, I mean, obviously, everyone wants to maximize ROI, but it's extremely difficult to kind of predict some of these hits in advance. How are you gauging kind of that ROI before the fact? I mean, I think everybody thought Teletubbies would be a big ROI investment, but unfortunately it's been a little bit quieter than expected. So, just wondering how you guys are thinking about the prospective ROI, I guess.

Michael Donovan

Aaron, why don't you answer that and then, Josh, if you could add?

Aaron Ames

Yeah. I think you always want to focus on the opportunities of our biggest brands and most well-known brands. It doesn't always work out; that's the reality. But that's where you have the highest likelihood of success, and that's where we're focused.

Josh?

Josh Scherba

That's exactly it. And as I mentioned earlier, an increasing focus on WildBrain to help build these brands is a competitive advantage that we have in the market.

Bentley Cross

Thank you, gentleman. Much appreciated.

Michael Donovan

Thank you.

Operator

And again, if you would like to ask a question, please press *, then the number 1 on your telephone keypad.

Your next question is from David McFadgen with Cormark Securities. Please go ahead.

David McFadgen — Cormark Securities

Yeah. I was just wondering, when you're calculating the organic growth, is that factoring in the sale of Peanuts right now? Or that's just the way it is with Peanuts all-in in the quarter, I guess? Or, maybe that wouldn't change much, would it?

Doug Lamb

In terms of the revenue growth, I think you're talking about, David, there's actually tables in the MD&A for the year-to-date period and Q3 separately that break out exactly what's organic and what's acquired growth in there.

David McFadgen

Okay. Sorry, I'm travelling and haven't had time to—

Doug Lamb

Yeah. No, no, no, it's fine. Just we've added those this quarter just so it's pretty clear in terms of what—and in the acquired growth, obviously, the majority of that is Peanuts. There are some acquisitions related to WildBrain, but those would be relatively small.

David McFadgen

Okay. And is the adjusted EBITDA, the prior CFO said that that was always just your share of Peanuts EBITDA. Is that indeed the case and will that [inaudible] going forward?

Doug Lamb

That's correct.

David McFadgen

Yeah. Okay. And just one last one, if I may. I know you're not giving any more guidance, but it would be really helpful if you could maybe just give us a range on what you think the net investment in the content would be this year, just so we can get an idea on the cash flow? Because it's very hard to predict that.

Doug Lamb

Yeah. I mean just, David, we're not going to provide that forward-looking kind of information anymore. I know people would like it, but at this time we're just not providing that.

David McFadgen

Okay. Alright. Thanks.

Operator

Your next question is from the line of Drew McReynolds with RBC. Please go ahead.

Drew McReynolds — RBC

Thanks very much for taking my questions. A couple of follow-ups. First, back to the Peanuts transaction, nice to see the multiple on that one. Michael or Doug, can you just point to how DHX's rights or access to free cash flow from Peanuts is structured now with Sony in there? You alluded to still controlling this asset effectively and thus consolidated, so maybe flush that out for us?

And second question, just with respect to clarifying the focus on key IP and brands to monetize, just want to get your sense, Michael. It seems fairly kind of common sense and a great strategy, just wondering why that wasn't the case a year ago or two years ago under kind of the older management team, or maybe if you could put some context or colour around that, that would be very helpful.

Michael Donovan

So, Doug, if you could answer the first question, I'll answer the second.

Doug Lamb

Yeah. So, Drew, from the perspective of cash from the Peanuts entity, not much will change. Right now we distribute cash pretty much on a monthly basis, excess cash before this transaction on an 80/20 basis. Now, our share will be half of the 80 essentially. But it'll still be—it's right in the operating agreement that we will continue to distribute on a monthly basis.

Drew McReynolds

Okay.

Michael Donovan

And the second question I can't answer completely. We've done a rigorous review of the last five years over the last six months, and increasingly have realized that, first of all, we are in this incredible environment. And the question is why have we not succeeded sufficiently in leveraging? And it was I believe because our strategy was focused on acquiring as many assets as possible. We have achieved the acquisition of a portfolio which is the leading one in the world in the independent space that is outside the studios, so that's been a positive.

But now, the focus needs to shift and has been shifting over the last six months to leveraging the opportunity of those, and as we dig in we see the greatest return is on our leading brands. And so we have these, as I said, incredible production capacities that's one of core competencies, if you will. And so, using that to focus on our key brands is the game-changer for this company, and that includes Peanuts, that includes Strawberry Shortcake. We have active development plans that includes a number of other shows. I can't remember which ones we've announced and which ones we've been working on for a year, so I am suddenly pausing before mentioning any names.

But, Josh, do you want to add?

Josh Scherba

Well, certainly. I mentioned Mega Man previously; we're excited about that. And we're also excited about Polly Pocket. And again, just to reiterate the value of investing in content for WildBrain associated with these brands and continuing to drive views via this distribution platform, which undoubtedly is where most kids are watching—most kids' consumption of content is happening in the world.

Michael Donovan

And just to repeat what, if you don't mind, a point that Josh made earlier that what we're seeing is the market moving in two different directions; that there's one market for the top brands and those prices are moving up quite a bit, and that's particularly driven by the SVODs but, however, there's another market for much, much more volume and much lower price point, and that's driven by AVOD. So the market is bifurcating into two, and we see that we need to restructure our strategy around those two. And we find ourselves in great position for both opportunities.

First of all, we have the brands for the higher end, but we also have leadership, world leadership in the AVOD. And we're producing 1,000 minutes a month now, and we intend … on WildBrain and we intend to move that up, dial that up considerably going forward.

Drew McReynolds

That's helpful, Michael. Thank you for that. Maybe a quick one, real quick one for Doug just in terms of getting where you need to on your balance sheet or leverage based on your free cash flow calculations and EBITDA growth, et cetera. Do you feel you need to do further asset sales like we saw just now with Sony to get there? Or is there enough in the existing asset base and mix to get you there?

Doug Lamb

Well, I mean, we are still in the strategic review process, and so as part of that process obviously the committee and board will be considering opportunities as they come in, and that's a little hard to predict. But based on what we currently see, I don't think there will be outright sales of additional assets, but again I can't prejudice the work of the Special Committee and can't see into the future.

The one thing I would say on leverage is that we remain committed to getting it down to 3.5 or less going forward, and that will potentially—hopefully that will be through signing some of these potential licensing transactions that Michael alluded to earlier in the call and generally improving the performance of the business.

Drew McReynolds

Thank you.

Operator

Your next question is from Tim Casey with BMO. Please go ahead.

Tim Casey — BMO

A couple for me. Michael, how should we think about the creative direction and major creative control implications of the new Sony deal? Because obviously you bought the asset, but the family retains an equity stake and presumably still has a major say in how the IP is developed going forward. Now we're going to have three people at the table, so to speak. Can you talk about how those decisions are going to be made? Or, as part of the deal is there some sort of committee set up? Or how will you work that going forward?

Michael Donovan

No, that's an excellent question and a key question. And no, look, what's beautiful about the Sony partnership is that we remain 100% in control. That was a non-negotiable. We had to be 100% in control. And it's a minority position. And we make the final decisions really on everything.

I mean, they have minority rights protections, which I understand are legitimate, but in terms of control, we make the final decision. Vis-à-vis the family? Yes. There's a shared management of the brand. And the family is very invested, very much invested in it, and have been excellent.

I have many, many years in this business, and creative partnerships are often fraught. This is the best one that I've experienced. We did a lot of due diligence on that. That was our own experience because we, as CPLG represented the brand in Spain, and of all our various entities that we had dealt with, the Schulz family had proven to be the best. That has continued now that we are partners, and we hoped for that.

But I can assure you that that has proven to be a truly excellent partnership, a collaborative one because the family is focused on developing the brand throughout the world in the same way that it has been so successful in Japan. The shows, for example, continue to win their nights on television throughout the world, but particularly in countries like the United States and certain other countries in Asia. And it's a unique brand, 70-years-old, and stronger today than ever, growing traditionally at a 7% compounded rate, which we expect to expand.

Here I'm maybe not completely answering your question, sorry, but there are not three people at the table; there are two.

Tim Casey

Okay. And just for Doug, just as a point of clarification could you let us know what we should use as the net proceeds on that payment, given tax and fee leakage? And then for you, Doug, do you think you'll generate any free cash flow this fiscal?

Doug Lamb

Well, just in terms of the actual net proceeds, Tim, we're still sort of working that out. There's a few tax issues. But I would not—I would think of it as in the range of $165 to $170 million, and that includes fees and taxes.

In terms of free cash flow, I would just reiterate that so far this year cash flow from operations, which we believe is the key metric for the business—that's what we're actually managing as leaders of the business—year-to-date has been $5 million. But you've got to remember that that includes $24 million of transaction costs related to the Peanuts transaction last year. So, it's really closer to $30 million if you adjust for those.

Tim Casey

Okay.

Doug Lamb

And we expect to see positive cash flow in Q4, so.

Tim Casey

Okay. Thank you. And what is the timing on when you'll inform the Street with respect to de-listing and the decision on the dividend and a couple other items you mentioned?

Michael Donovan

So, those decisions are not made, either de-listing or dividend, but they are being considered seriously by the Special Committee. And as I indicated in the previous quarter and in this one, that we expect to complete that process on or before June 30th, but I want to repeat, those decisions are not made; they're being considered.

Tim Casey

Thank you.

Operator

Your next question is from Rob Goff with Echelon Wealth Partners. Please go ahead.

Rob Goff

Thank you very much for the follow-up. With reference to the large licensing deals where you are currently in negotiations, could you talk to what large might mean? And I appreciate the sensitivity here, but with large does that mean the number of hours involved? The geographic regions perhaps? Or the duration of the licensing? I know you can't say that much, but where you can give additional colour it would be very much appreciated.

Michael Donovan

Aaron?

Aaron Ames

I think they're very exciting. It relates to various territories, but really we can't really provide any more information than what we've already provided.

Rob Goff

Okay. Thank you. And if I may, it sounds a little bit like DHX TV is more perhaps strategic than some might have thought in the past with reference to the operational synergies noted in your release?

Michael Donovan

Yeah. No. TV has been—it's an important—it's not a coincidence that the major studios all have major broadcast subsidiaries. It's part of the equation in terms of brand building and has been traditionally. And so that helps.

Since our goal is brand building and IP building, creation, the channels are not only positive from a cash flow point of view, they're also—and this is the reason for acquiring the channels in the first place—critical to the brand building and IP creation process. It's a key component in a series of a stack of components, and thus it's a great strategic advantage to us.

Its problem is that it's in a business that's not growing, but we are managing it in a way which involves the reduction of costs as it slowly declines. And I actually personally think that that business will continue much longer than is generally appreciated and stabilize.

Josh, do you have anything to add?

Josh Scherba

No, that's it exactly.

Rob Goff

Very good. Thank you.

Operator

And your final question of today comes from Bentley Cross with TD Securities. Please go ahead.

Bentley Cross

Two quick follow-ups. Just in the 165 to 170 number quoted, is that Canadian dollars or US dollars?

Doug Lamb

Sorry, that's US.

Bentley Cross

Perfect. And then lastly, the 3.5 target, I just wanted to clarify that still is the goal for 2019?

Doug Lamb

Yes. It is the goal.

Bentley Cross

Perfect. Thank you.

Operator

There are no further questions at this time. I now the turn the call back over to the presenters of DHX Media.

Nancy Chan-Palmateer

Thank you, everyone, for joining us this morning, and we look forward to updating you in the next quarter.

Thank you. Have a good day.

Operator

This concludes today's call. You may now disconnect.

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