

FINAL TRANSCRIPT

DHX Media Ltd.

First Quarter Results Conference Call

Event Date/Time: November 16, 2015 — 8:00 a.m. E.T.

Length: 60 minutes

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS**David Regan**

DHX Media Ltd. — Executive Vice President, Corporate Development

Michael Donovan

DHX Media Ltd. — Executive Chairman

Dana Landry

DHX Media Ltd. — Chief Executive Officer

Keith Abriel

DHX Media Ltd. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS**Aravinda Galappaththige**

Canaccord — Analyst

Rob Goff

Euro Pacific — Analyst

Deepak Kaushal

GMP Securities — Analyst

David McFadgen

Cormark Securities — Analyst

Bentley Cross

TD Securities — Analyst

Haran Posner

RBC Capital Markets — Analyst

Robert Peters

Credit Suisse — Analyst

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

PRESENTATION**Operator**

Good morning. My name is Heather (phon), and I will be your conference Operator today.

At this time, I would like to welcome everyone to the DHX Media First Quarter Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, we will have a question-and-answer session. If you would like to ask a question during this time, simply press *, followed by the number 1 on your telephone keypad. To withdraw your question, press the # key.

I will now introduce your conference leader, David Regan, Executive Vice President, Corporate Development. You may begin your conference.

David Regan — Executive Vice President, Corporate Development, DHX Media Ltd.

Thank you, Operator, and thank you, everyone, for joining us this morning. Joining us on the call today are Michael Donovan, our Executive Chairman; Dana Landry, our Chief Executive Officer; and Keith Abriel, our Chief Financial Officer.

Before we proceed, though, we have some standard cautionary statements. The matters discussed on this call include forward-looking statements regarding the business strategies of DHX; the forward financial and operating performance of DHX and its subsidiaries; the timing for implementation of DHX's business strategies; and the markets and industries in which DHX operates.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Such statements are based on information currently available and subject to a number of risks and uncertainties.

Actual results 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 MD&A and the Company's Annual Information Form.

With that, I will turn it over to our Executive Chairman, Michael Donovan, to kick things off.

Michael?

Michael Donovan — Executive Chairman, DHX Media Ltd.

Thank you, David, and thanks, everyone, for dialling in today. As mentioned on our previous call, strong global demand is one of the key drivers for our business.

We've spoken before about the surge in demand we are seeing from streaming services in China, which we feel will eventually mirror the demand we've seen in North America and Europe over the past two years.

This morning, we are very pleased to announce two more nonexclusive deals with streaming services in China. First, 400 half-hours of Mandarin-dubbed DHX content were licensed to the major AdVOD and SVOD platform iQiyi, which is owned by the search giant Baidu, and is one of the largest Internet and mobile video service providers in China. And also 313 half-hours of Mandarin-dubbed content were licensed to LeTV, which is one of China's largest online video companies offering OTT services for smart TV and set-top boxes.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The significance of these deals being nonexclusive needs to be highlighted. We now have approximately 3,000 half-hours of Mandarin-dubbed content in our library, and by signing nonexclusive deals we're able to license this content again and again in China.

Dana will speak more about China in a moment. I'm going to hand the call over to him now.

Dana?

Dana Landry — Chief Executive Officer, DHX Media Ltd.

Thank you, Michael, and thanks, everyone, for joining us again this morning. We're very pleased today to be announcing the sixth consecutive quarter with results growing quarter over quarter.

Off the top, I'd like to cover some highlights from the Q1 results release. As the largest independent kids' content TV company in the world, our content is critical. And in Q1, we had a strong quarter delivering 67 half-hours of quality kids and family content to our library, up 116 percent over Q1 2015.

Next critical is global penetration of that content, so we are pleased that in the quarter distribution revenues grew by 40 percent over Q1 2015.

In addition during the quarter, we saw double-digit revenue growth across most of our business units. A pleasant surprise for the quarter was the M&L represented, which was up 3.7 million to 6.7 million compared to 2.9 million last year Q1 2015.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

This was well above the high end of management's expectations, driven mainly by an exceptional performance of our representation of Universal's Despicable Me and Minions in Europe.

Today's results represent 28 percent organic growth in Q1 across the Company, including 9 percent organic growth in M&L represented, 7 percent in distribution, and 12 percent in producer and service fees.

It's also worth noting that revenues were up 20 percent through acquisitive growth, driven generally by the Family Channel and Nerd Corps acquisitions.

Producer and service fee revenues were also well above the high end of management's expectations, coming at 14.3 million, up 115 percent compared to Q1 2015. This increase is a result of the Nerd Corps acquisition and our expansion of our studio capacity, but it also reflects the continued strong global demand for children's content. Keith will take a deeper dive into these results, but I'd like to highlight a few of the key metrics.

Revenue for the quarter was up 48 percent, adjusted EBITDA was up 34 percent, and net income came in at 7.5 million, or \$0.06 per share, representing a \$15.2 million increase in absolute dollars over the loss of 7.7 million last year.

It's worth noting that both net income and EPS was impacted by the \$14.2 million tangible benefit charge that we took in Q1 2015, which obviously did not occur this year.

Our basic earnings per share this quarter rose from a loss of \$0.06 to a positive net income of \$0.06. Our adjusted EPS rose to \$0.07 versus \$0.05 last year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Now turning back to China. The over 700 half-hours licensed to iQiyi and LeTV are of course on top of the 2,500 plus half-hours licensed to Alibaba that we announced in mid-September, and the more than 700 half-hours available on the DHX SVOD launch with China's state broadcaster last winter.

As Michael pointed out, all of these deals have been executed on a nonexclusive basis. We see China amongst other regions as part of the great emerging global market for our brands.

Classic Teletubbies is a great example. We have licensed that series, among many others, to all four of the streaming services I just mentioned, and there are more deals to come.

Approximately 16 million children were born in China each year—are born, I should say, in China each year, and that number is expected to increase now that the government has further loosened its one child per family restrictions.

There's a whole new generation of young adults in China—sorry, there is a whole generation of young adults in China who grew up watching the original Teletubbies. As they have kids, they are going to want to share the Teletubbies with them. They're also going to want to share many of our other brands, and of course there are many wonderful DHX shows for them to discover like Caillou; Johnny Test; Super WHY!; Animal Mechanicals; and of course, the classic Inspector Gadget, new and old, all of which, and many more, are now available in China in Mandarin-dubbed versions. So there exists tremendous potential for audience numbers in China.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Meanwhile, in the UK, parents are now treating their children to our new series of the Teletubbies, which premiered on CBeebies one week ago today on November 9th. The show has posted very strong early ratings, and was in the top 40 on the BBC iPlayer all week.

Now this is significant because it's up against all forms of content on the BBC, all shows, including live action and adult. Public reception to the new series has been extremely positive. The series will be rolling out on broadcasters internationally in 2016, including our own Family Jr. Channel and Nick Jr. in the US. And we of course anticipate licensing it into China as well.

Now I'd like to remind everyone that our merchandising and licensing arm has executed more than 30 deals for Teletubbies so far, including global master toys; electronic toys; costumes; books; apparel; puzzles; and on numerous other consumer products, and toy distributor deals in the US, Canada, and Europe.

The licensing on this property, which had fallen somewhat two years ago when it got acquired, is now in the early stages of what we anticipate will be a global revival. As Teletubbies rolls out over the next year, we expect great results from Tinky Winky, Dipsy, Laa-Laa, and Po.

Teletubbies is just one of many examples, of course, that we could give, but it clearly illustrates what we are capable of in this new and evolving media landscape as we leverage synergies across our integrated platform of production, distribution, broadcasting, and licensing.

Fantastic DHX shows, such as Make It Pop; the upcoming Cloudy with a Chance of Meatballs series; Twirlywoos; Degrassi: Next Class; Inspector Gadget; Gaming Show; Endangered Species;

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Fangbone!; Dr. Dimensionpants; and many others are in demand worldwide. Further, I really wish I could also tell you about some of the really exciting shows in our robust development pipeline, but you'll need to stay tuned for feature announcements.

Suffice it to say, there are some really great content in the works in both live action and animation. We see great opportunities for our brands going forward, and we continue to have tremendous optimism in this exciting new market.

With that, I'll turn the call over to Keith.

Keith Abriel — Chief Financial Officer, DHX Media Ltd.

Thank you, Dana, and thanks to everyone for dialling in today. Along with these strong results, management is pleased to announce two updates to its outlook as follows.

The revenue target range for distribution has been revised slightly upwards from a range of 75 million to 90 million to a range of 85 million—sorry, 80 million to 95 million, and the revenue target range for M&L represented has also been revised upward from a range of 14 million to 16 million to a range of 16 million to 20 million.

Aside from these increases and a couple of minor tweaks to our expected quarterly revenue pacings, management's outlook for fiscal 2016 remains unchanged from that posted in our fiscal 2015 year-end MD&A.

Turning now to the posted Q1 numbers. Management is pleased to highlight strong growth in revenues, which are up 48 percent to 63.9 million for the quarter from 43.0 million from Q1 2015.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

The increase was generally due to increases in distribution, which accounted for 19 percent of the growth; producer and service fee revenue, which accounted for 37 percent of the growth; M&L represented, which accounted for 18 percent of the growth; and acquisitive growth from DHX Television which accounted for 23 percent.

Proprietary production contributed 4.1 million in revenues for the quarter, a decrease of 26 percent compared to 5.6 million for Q1 2015. The lower per half-hour proprietary production revenue was as expected as certain of the scheduled Q1 2016 proprietary production deliveries were for our production presales of Teletubbies, which will be recognized when the licence opens.

Factoring in these presales would bring the per half-hour proprietary production revenue in line with historical norms.

The Company added 69 half-hours to the library, of which 39 were for proprietary titles. This was consistent with management's expectation for the quarter.

Distribution revenues for Q1 increased 40 percent to 14 million from 9.9 million for Q1 2015. This increase is primarily due to the continuing growth of new digital customers, platforms, and territories, and was near the midpoint of management's expectations.

For Q1 2015, DHX Television revenues were at 18.8 million, near the high end of management's expectations. DHX Television was owned for all 92 days of Q1 2016 versus only 62 days for Q1 2015, accounting for the absolute dollar value increase.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Approximately 89 percent, or 16.8 million of DHX Television revenues were subscriber revenues, while advertising, promotion, and digital revenues accounted for a combined 11 percent, or 2 million of DHX Television revenues for the quarter.

M&L owned revenues increased 55 percent for Q1 2016 to 4.7 million compared to 3.0 million for Q1 2015, as the Company continued to recognize revenues related to nonrefundable minimum guarantees associated with Teletubbies and Twirlywoos M&L deals, and also recognized revenues of 1.2 million associated with the 2015 Big Ticket Concert tour.

M&L owned revenues were below the low end of management's quarterly expectations based on the timing of recognition of certain of the minimum guarantees. Management expects to make this up in Q2 and Q3 of 2016 and to be on track with annual expectations.

M&L represented revenues for Q1 2016 were up 3.7 million to 6.7 million compared to 2.9 million in Q1 2015. This was well above the high end of management's expectations, driven mainly by the strong performance of our represented brands, Despicable Me and Minions.

Revenues for producer and service fees also came in well above the high end of management's expectations at 14.3 million, an increase of 115 percent versus 6.6 million for Q4 2015. I believe that's supposed to say Q1 2015.

New media revenues were up 47 percent to 1.2 million compared to 0.8 million for Q1 2015.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Gross margins for Q1 2016 were 34.6 million, an increase in absolute dollars of 9.5 million, or 38 percent compared with 25.1 million for Q1 2015. The overall gross margin for Q1 2016 at 54 percent of revenue was towards the low end of management's quarterly expectations.

Adjusted EBITDA for the quarter was 18.4 million, up 4.7 million or 34 percent compared to 13.7 million for Q1 2015.

Net income for the quarter was 7.5 million, or \$0.06 a share, representing an increase of 15.2 million in absolute dollars over a loss of 7.7 million for Q1 2015. As Dana mentioned, last year's Q1 net income and basic EPS were impacted by a \$14.2 million tangible benefit obligation charge.

Comprehensive income for Q1 was 3.7 million compared to a comprehensive loss of 10.6 million for Q1 2015, or an increase of 14.3 million in absolute dollars.

Turning to operating expenses. SG&A costs for Q1 2016 increased 45 percent to 17.3 million compared to 11.9 million for Q1 2015. This includes all SG&A associated with the DHX Television, Echo Bridge, and Nerd Corps acquisitions, and also reflects increased levels of SG&A within DHX brands and DHX distribution. And as management has continued to add resources in these areas to take advantage of the opportunities associated with Teletubbies and Twirlywoos and the global expansion of digital distribution platforms.

The Q1 SG&A includes 1.1 million in noncash share-based compensation compared to 0.6 million for Q1 2015. When adjusted, cash SG&A at 16.2 million was just above the midpoint of management's quarterly SG&A expectations.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

For further specifics on our Q1 results, as well as additional information on management's fiscal 2016 outlook and various other information, including our reconciliation of GAAP and non-GAAP financial measures, I would refer you to the Company's fiscal 2016 Q1 MD&A, which was posted on SEDAR and EDGAR this morning.

I'll now turn it back to David for a summary of recent corporate developments.

David Regan

Keith, thank you for that. That's great. And thank you, everyone. A couple quick points here; during the quarter, we closed some good distribution deals, including for Cloudy with a Chance of Meatballs, the TV series, which is now being produced at our Vancouver animation studio.

It was licensed to Turner Broadcasting for its Boomerang channels across Europe, the Middle East, Africa, Asia Pacific, and Latin America. The animated fantasy series Fangbone! was licensed to Disney XD channels in the US, Latin America, Southeast Asia, and Taiwan. Also licensed to Disney XD channels in the US was the innovative live-action series Gaming Show (In My Parents' Garage), an original commission and ratings leader from DHX Television.

And on the merchandising and licensing front, Jakks Pacific Inc. was appointed master toy licensee for the hit tween show, Make It Pop. Jakks Pacific will launch products in dolls; plush; dress-up; role play; girl's electronic toys; and Halloween costumes categories. Product is expected to launch at retail in 2016.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Watch for announcements in coming weeks of Make It Pop's season two premier on Nickelodeon.

And finally, on the corporate development side right now we're seeing perhaps the most robust pipeline of opportunities we've ever seen. We continue to process many opportunities, and while we cannot comment at this time on specifics of deals, we look forward to providing updates in the coming quarters.

And with that, I'll hand it back to the Operator for questions from analysts. Thank you.

Q&A

Operator

At this time, if you would like to ask a question, please press *, followed by the number 1 on your telephone keypad.

Your first question comes from the line of Aravinda Galappaththige with Canaccord. Your line is open.

Aravinda Galappaththige — Canaccord

Good morning. Thanks for taking my questions. I'll maybe start off with a big-picture question. I mean this time—this earnings cycle obviously there was quite a bit of discussion from the larger US media conglomerates about revisiting their plans around selling to SVOD platforms like Netflix; obviously cautious about the impact it's having on their own broadcast assets. I mean I heard

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

that from multiple, including Disney, Warner, and I think even Fox, as well as Discovery, I believe. I just wanted to get your thoughts on how this sort of opens up perhaps an additional opportunity for independent players like DHX Media; maybe it sort of creates more room, more capacity for you to sell to these SVOD platforms?

Dana Landry

Yeah. Sure, Aravinda. I'll speak to my take on the high-level media and how it specifically relates to DHX, and then maybe I'll ask Michael to comment as well. So for us we've been saying for quite some time one of the great things that we have as the leading independent is we're without channel conflict. And this is not channel from a perspective only on the linear side, but also from the digital side, and really, really that's extremely important these days because we are able to do deals such like the ones we've announced today in many territories on a nonexclusive basis, and really unlock tremendous value for us through our library.

And so as these new platforms come on a lot of the traditional media folks that you've mentioned, for instance, have legacy issues with either previous output arrangements or previous channel arrangements. And I think that conflict is only going to be turned up in the future where we continue to have relatively low conflict.

And so we feel that we'll have a sort of new surge here. As some of these larger players start to pull off line, we'll become even a greater partner. So we think it's tremendous growth and potential going forward and sort of right according to plan.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Michael, I don't know if you have any macro comments as well?

Michael Donovan

No. It's exactly central to our strategy, and it has been from the beginning. But in the old world, vertical integration was critical to success, but now it's an encumbrance. And the fact of us being pure play independent gives us the flexibility in this new environment, which is now to our advantage exactly.

Aravinda Galappaththige

Thanks very much. And just with respect to the M&L side, I know you talked about the ratings of Teletubbies early days. I was wondering, I know that Twirlywoos, your other sort of M&L prospect, was released earlier. I think it was in February or March on, if I'm not mistaken, BBC or CBeebies. I just wonder if you can talk to the ratings there and the M&L opportunity there as well.

Dana Landry

Yeah. Well, thanks for that question, Aravinda. I mean Twirlywoos is off to a great start. It's a brand-new brand, so it takes a while to sort of get traction, but having said that, it's been consistently ranked within the top one or two properties on CBeebies since its launch.

We've already gone into—it's highly likely we're going into future seasons on that as well. There is a little bit of product in the market for Christmas this year. It's a relatively small release. This will sort of track more to the typical brand-release strategy, which is you have to sort of launch in the home territory, in this case for CBeebies.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Now what's great about this is it's got the key creatives, and Wood, of course, was also the creator of Teletubbies. And so she comes with a great preexisting fan base not only on the kids' side, but also on the retail side. So that has made it I can't say easy, but has certainly opened up many doors for us. And we're certainly walking through those doors.

We're expecting some nice results, but it's still early days.

On the Teletubbies—I'll just go back go that for a moment—I mean that is we have to really—can't overstate how sort of unusual it is to get this sort of traction this early really quite ahead of our expectations even though a brand was significant. If you look at many other releases of kids' properties over the years, they typically take five, six, seven years before they start to take off. And as I've said it's early days, but we're off to a good start.

Aravinda Galappathige

Thanks, Dana. And then really quickly on the DHX TV side, two things. First of all, now that you're starting to transition out of Disney, I was wondering if you can give us an update on the ratings on the channel. And secondly, with respect to the BDU agreements if there's an update that you can provide on what has been resigned and which ones are still being negotiated?

Dana Landry

Yeah. So I can't comment specifically on any individual contract, but what I can say is that many of them have either been signed or we're well on our way. Certainly a lot further—we're closer to the end than the beginning, by all accounts, and those are coming in as expected.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

As you know, we put out our guidance in September for what our expectations are on the different rates, and we're well within that range. In fact, I think it's worth pointing out we're ahead of our expectations in Q1, although only a few of those rates probably would have rolled through.

But suffice it to say, we're well on track with our expectations that we put out there. And we're tracking well in terms of the BDU agreements, and really just to put a point on that is that really what's really interesting is the same sort of reaction that we're getting on our content around the globe is happening here in Canada. And really because we own the channel here we can also do—look at things like sharing windows and also leveraging our SVOD rights within our own home country, which has been very interesting to all the BDUs.

Now just turning over to ratings, it's a month or so in, a couple of months in; so far, so good. We've tracked—we've held sort of number one on Family and the other channels are holding in—holding their own about as expected and about where they were last year, so so far, so good.

Aravinda Galappaththige

Thanks, Dana. And last question for Keith; the 2 million to \$4 million in extra nonrecurring marketing and sales spend around DHX TV. Is that going to be out—is that going to be below the adjusted EBITDA line when you guys report the upcoming quarters? Is that going to be factored in?

Thank you.

Keith Abriel

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Yeah. I think we anticipate putting that below the line out of the adjusted EBITDA as it is— those will be incurred this year, and then wrap up and not be incurred going forward.

Dana Landry

And of course the rationale, Aravinda, is that there's a lot of onetime set-up that we'll obviously carve out the typical period marketing costs from that. It'll be in the normal SG&A, but anything that is set to do with relaunch, which you wouldn't do on an annualized basis, and relatively small, but that's our thinking on that.

Aravinda Galappaththige

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

Operator

Your next question comes from the line of Rob Goff with Euro Pacific. Your line is open.

Rob Goff — Euro Pacific

Good morning, and thank you very much for taking my questions. The first one would be at the macro level, and that would be your comments on the robust pipeline. Is that largely a function of the capital markets? And then my second question would be a bit more granular, and that's where you're looking at roughly 30 percent year-over-year growth in production and where you're looking at moving away from the Disney. Could you talk about the implications those would have on working capital? Thank you.

Dana Landry

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Sure. So just to clarify, Rob, and good morning, the macro question on the pipeline...

Robb Goff

Good morning.

Dana Landry

Is that related to M&A or sales pipeline?

Rob Goff

That was M&A.

Dana Landry

Okay. Fine. And then okay, working cap, so I'll speak to the—so yes, I'll speak to the second one first. In terms of 30 percent growth, as you're increasing production you will have a working capital use. In the 20 years or so that I've been in this business everyone asks me what does your cash flow look like when you get to a steady-state? Well, the reality is steady-state is an interesting idea, but typically what happens is is you're either ramping up because of technology is pulling you forward, or you're ramping down because of years ago things like advertising-constrained factors as well.

Right now, of course, we've got the massive tailwinds of our content and global demand, so we're sort of ramping up. So yes, you would see that sort of a use of working capital that was particularly pronounced in the first quarter. That will reverse somewhat throughout Q3 and 4, but overall we would expect sort of a use of sort of 15-ish million or so on a net basis for the year is my quick expectation.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Of course that is reversed in the normal cycle. And that working capital is repatriated when things like the cash credits, which typically take a couple of years, and other things roll back in. So that's what I would say on that one.

In terms of the pipeline, I mean it's interesting. We've always had a very robust pipeline in terms of M&A opportunities coming into the top of the funnel. I think what's probably happened over time, though, is we have done many more infrastructural deals over the past and we've sort of reached the critical mass going a few years back, the deals that sort of fall to the bottom of the funnel I think are—were slightly lower than they have been over the last couple of months.

I think that the last couple of months certainly when companies like Disney and others and all media in general suffering in terms of the high-level capital markets, it creates bigger opportunity at the smaller end of the funnel for sure.

Rob Goff

Okay. Thank you very much.

Operator

Your next question comes from the line of Deepak Kaushal with GMP Securities. Your line is open.

Deepak Kaushal — GMP Securities

Hi. Good morning, guys. Thanks for taking my questions. I want to go back to the question of exclusivity versus nonexclusivity. So it seems like you're still getting good nonexclusivity deals on

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

library content in places like China and emerging markets. Are you seeing any markets shifting back towards exclusivity? Whether it's on new content or even library content?

Dana Landry

Yeah. Of course. I mean I think as the markets mature the typical trend it was always going to revert back to is that people would try to get back to exclusive deals. I think the issue, though, is part of it is that there's so many additional customers and platforms that are still out there even in some of the more mature markets like the US that are still looking for significant library deals, and they really still can't afford the difference between nonexclusive and exclusive.

And so there is still I would say 85 percent of our deals in even the North American territory and certain parts of Europe that are more mature are still in the nonexclusive category. Now having said that, there are a few brands that each of our key platforms will pick and they'll want to have exclusive rights for. And so I'll go back to a couple of deals that we've done recently, obviously, with respect to exclusive.

In the US, for instance, we did an exclusive deal with Netflix for Inspector Gadget for the US only. So that was one territory that we did that deal with. And on Netflix we also did a deal with them for worldwide original commission for Deglassi: Next Class. But having said that, there's still many, many other deals that we're doing with Netflix and many other platforms that are still in the nonexclusive territory.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

And we've always thought that it would transition to that place when you get to the mature market, but two things: One is we don't think we're anywhere near mature, number one; and number two, you've got the new territories coming on, which are typically beating to a similar sort of trend, which is to start off nonexclusive, get their toehold into the market.

But at the end of the day what works in digital, and which is why we've really—we have had a great run and we'll continue to do so is two things matter: scale, which is a large library, and drivers, key properties. And as long as you in your model are able to deliver both we feel you can carry on for quite some time.

Deepak Kaushal

Okay. Great. That's helpful. Thanks. And then going back to China and new markets, China in particular you've had some library sales there. What's the landscape look like over there in terms of new commissions and new proprietary titles or brands that are being generated out of that market that you can participate in?

Dana Landry

Yeah. So it's a very interesting question, actually, and our strategy is evolving certainly weekly or monthly. For instance, myself and Steven DeNure and a whole team are going over there this coming Saturday for about a week or so to have some conversations in trying to expand some partnerships.

But what's happening really is that the market is trying to feel its way out. So far the deals are being done in a nonexclusive manner. There are some conversations about exclusivity, but the difference here is, as you said, because China in particular is very political it's more difficult to qualify on original commissions for Chinese content. And so there's only a certain amount of sort of western or foreign content that is allowed under the existing channel universe. And I think that equates to somewhere between 10 to 20 percent depending on the platform.

And so it's really working on a long-term basis to come up with partnerships to sort of make your content more Chinese. And you can do that on selected titles, but very difficult to do on existing brands. So that'll be one of the key things that we look for going forward is opportunities to partner with some of the best content makers in China to help unlock that region.

Deepak Kaushal

Okay. And just a last bit there on those best partners, best potential partners in China. How would you compare the quality of their animation production capabilities versus where the western markets are today? On par or...

Dana Landry

Well, I think it's different is what I would say. The Chinese animation is a different style of animation. Similar, but different than anime, for instance, and it's quite different from classic layout and pose; quite different from 2D; quite different from 3D; quite different from CGI; quite different

from some of the Pixar stuff that you have out there. So it's really just another classification of animation.

It's very much a personal preference. So I wouldn't say it's inferior in any way shape or form. What's more critical, though, is really being on the grassroots of the design to make sure that some of the elements that would allow you to qualify as Chinese are in the production upfront in terms of design and character development. And then the style of animation would be chosen based on the individual property.

Deepak Kaushal

Okay. Okay. Great. That's helpful. I'll pass the line.

Dana Landry

Thanks, Deepak.

Operator

Your next question comes from the line of David McFadgen with Cormark Securities. Your line is open.

David McFadgen — Cormark Securities

Hi. I have a few questions. So first of all, if you read through—or I read through the MD&A you give a section on DHX TV update. And you talk about the fact that you have done some or renegotiated some new affiliate deals and you're in the process of closely signing other one. So I was

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

wondering if you could just disclose or tell us which affiliate deals you've done with which distributors?

Dana Landry

I can't really comment on any specifics, David. Obviously, confidential negotiations; suffice to say that what I would say is 90 percent is either contracted or near signing, 90-plus percent I would say to you.

David McFadgen

Okay. Okay. And then in terms of the China deals you announced this morning, I was just wondering if you could confirm are those deals worth six figures in terms of dollar value?

Dana Landry

Again, we don't disclose individuals, but I would they're significant, but wouldn't be, let's say, material on the context of what 5 percent of DHX would be or something like that. So in terms of revenues wouldn't be anywhere near that, but certainly very significant. And really more, I think, indicative of the types of deals—types of certain deals I think, David, how you can kind of best look at this is the early deals that we did back even in say North America where we had toeholds with a number of different platforms and those just really led to further deals.

If you take Netflix as an example in the US, we've probably done close to 20 deals overall since we started doing deals back in 2007. And so a lot of these relationships I would think are going to follow the same and similar trend.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

David McFadgen

Okay. And then just on Teletubbies, so you talked about the fact that you've signed more than 30 deals so far. I was just wondering if and when you think that you might be exceeding the MGs on those? Would that be a fiscal 2017 event or a fiscal 2018 event?

Dana Landry

It would be '17 at the earliest. I think we will probably have enough information to know by '17. So the MGs, of course, are interesting and important to get skin in the game, as we like to say, in terms of our different partners and make them focused on a return.

But ultimately we're in it for the overages, and so we fully expect overages across all of the MGs that we get, but it'll be a timing issue. And it will probably start to happen in 2017 and then hopefully on into '18.

David McFadgen

Okay. And then just following on with Teletubbies, you talked about initial strong ratings. Can you be a little more specific in terms of how the ratings work?

Dana Landry

I would love to. Our partner has not allowed us to disclose it just yet. It's literally one week. They allowed the wording that we've put together on the call today, and stay tuned. Relatively soon we'll get those ratings out, but they were very strong.

David McFadgen

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Okay. All right. Thank you.

Dana Landry

Thank you.

Operator

Your next question comes from the line of Bentley Cross with TD Securities. Your line is open.

Bentley Cross — TD Securities

Good morning, gentlemen.

Dana Landry

Good morning, Bentley.

Bentley Cross

First, I just wanted to—I know you guys don't like to talk about it too much, but I just wanted to ask about the DHX TV. In signing these deals I know there's a fair amount of uncertainty. Are the BDUs essentially asking for a one-year loaner period and then with a longer contract? Or do you have enough (unintelligible)—

Dana Landry

No.

Bentley Cross

—to sign multiyear deals right now?

Dana Landry

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Not on multiple-year deals.

Bentley Cross

Okay. Good. And then even on the updated guidance it looks like you guys are essentially looking for ballpark 14 percent organic growth. Obviously you guys would see that in 2015 and so far this quarter. Just wondering what the hesitation is there and why you're not guiding a little higher?

Dana Landry

Well, I think the organic growth—thanks for that question, Bentley. I mean I think the organic growth we fully expect it and our targets in our budgets, et cetera, are well north of that. I think that the—part of the thing that is happening here is we're in an evolving fast-paced world. And we're trying to give the market on DHX the real-time information as it becomes available to us.

So instance, things like China going into the year and now in the quarter we've done a few deals and we've got, as I said, a bit of the trip planned, but sometimes these markets take a little longer to develop. And so we're just trying to be as—I wouldn't even call it conservative—but as realistic with respect to the rollout.

I wouldn't read anything of it into it other than sometimes it takes time for those markets to evolve, and if they evolve at the same pace as they have over the last couple years we certainly would expect to exceed those numbers.

Bentley Cross

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Okay. That's reassuring. And then lastly, you guys have had great success again this quarter adding third party IP titles. Are you seeing anything different in terms of the overall market that's changing the dynamic there? Or do you guys just have more clout in negotiations? Or how are you pulling these things off?

Dana Landry

It's a bit of both. It's a bit of both. I think that I often speak about the virtuous circle in some of my investor conversations. It's really as you get bigger as a company the more leverage you have across all of the different channels in terms of distribution, production, the licensing, you get more relevant.

So what ends up happening is that momentum bleeds into not only key creatives coming in and wanting to work for us, but also other content. And really the key there is that the studios have such a large advantage, given that they own massive channels in the US, which are massive cash flow generators to them, in order to compete you do have to have scale. And we're starting to compete in a meaningful way certainly in the digital side, but many other categories, licensing as well.

And things like recently we've been awarded the number one top distributor worldwide of all companies for the hot Kidscreen top 50, and things like that are driving people to phone us and want to partner. So we expect more of that to continue.

Bentley Cross

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Okay. And last one for me. I'm sure you guys saw that Temple Street Productions got a new owner a couple months ago. I was kind of surprised that you guys weren't at the table for that, or if you were that you bowed out. Is the dynamic there just pricing? Or you guys don't want that live action exposure as much?

Dana Landry

No. It's an excellent company run by very solid individuals. I think that it's time and place for us. They certainly have some great content, some of it that's on the channel and helping driving ratings for us.

Certainly from our point of view I think, though, going back to my earlier comments is that now that we sort of have the infrastructure and scale that we need, we're looking for things that would be either currently global drivers or potentially future global drivers. And we're seeing opportunities outside of that particular one that I would say that's perhaps from our perspective a better fit globally.

So I wouldn't read anything into it other than overall I would say it's very positive for content to have deals like this happen; competition in terms of—and part of the reason that we talk about many times, as you know, Bentley, is that we feel we don't really have any comps here in Canada and very few in the world, but certainly not many in Canada.

So the more that these deals come out there in the public—I don't know if those terms were disclosed or not—but the interest in content has obviously been disclosed, and certainly we think that's a very much positive for us and our story.

Bentley Cross

Great. Thanks a lot, guys. Much appreciated.

Dana Landry

Thanks, Bentley.

Michael Donovan

Thanks, Bentley.

Operator

Again, to ask a question, please press *, 1 on your telephone keypad.

Your next question comes from the line of Haran Posner with RBC. Your line is open.

Haran Posner — RBC Capital Markets

Thanks very much. Good morning, guys. A couple of questions for me. First on YouTube, very nice to see the gross return this quarter; very healthy. I'm interested first whether you can comment on how much of that growth was your own proprietary IP on YouTube? Or whether some of that growth was driven by—kind of represented business that you're now doing on that channel? And then separately if you would comment at all on YouTube's new subscription or ad-free service and how you're participating in that one?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Dana Landry

Yeah. Sure. So thanks. So yeah, obviously we're very pleased as well. We announced this a couple years ago, just to go back, and obviously we had tremendous increases quarter over quarter because we were starting off a base of zero. We expected that would get to the point where if there was a risk it could level out.

One thing that we have done is we've committed a number of—quite a significant team internally, as you're aware, but we've expanded that over the last couple of quarters, including a team out of London. And that team is also driving new original content and is relatively small right now, but taking our existing brands, for instance.

We had a little experiment we did on one of our properties called Rosie & Jim, which was a very popular brand 20 or so years ago in the UK, and so we did a little animated video, which cost us very little. A bit of an experiment as to whether the brand had relevance again, and things like that are really starting to take off. So you'll see us put more resources towards this. We think there's some real organic growth potential.

But going back to your comment, the vast majority of that is still organic growth—I'd say 80 percent—and only about 20 percent would be additional represented. And so we think there's another level of growth in terms of representing those particular properties. So that's a really nice story for us.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Now back to your comment in terms of the ad-free, and what I would say is that YouTube obviously is experimenting in a number of different ways. As you'd be aware, Haran, having covered the Company for a few years now, we did a partnership with them a couple years back now where we owned some SVODs, which we currently still do with them. Again, a bit of an experiment on their part, but the point is that we have always been a great partner with YouTube, and none of that has changed with respect to their new strategy.

They're looking to companies like us as leaders in terms of how they would drive their growth. And so we're looking at many ways that we can look to the future very much as a partner as opposed to a competitor, and so we expect obviously nothing to announce there now. As their plans and strategies evolve, we'll make announcements alongside of it.

Haran Posner

Thanks for that, Dana. One other question and going back to, I guess, the corporate development pipeline. I mean increasingly, I guess, in the last of couple quarters you've talked about joint venture opportunities in addition to sort of straight-up M&A. I'm just interested if you could comment on how should we think about joint ventures? I guess earlier in the call you made a comment on China with respect to partnering locally. Is that the type of ventures we're talking about? Is there anything else that you can help us with?

Dana Landry

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Yeah. I think that it's sort of an evolution of us as a company, maturation, but also an evolution of the marketplace as well. To the extent where we can go and acquire IP and add it to the library is always our preference. However, we have been asked a number of times over the years to engage in partnerships and joint venture opportunities, some I can remember back as far as seven, eight years ago with some of the SVOD platforms where people wanted us to come in and provide the content for an equity interest, et cetera, et cetera.

At that time we always felt like we wouldn't necessarily lean in to the technology to the extent that they were all looking for us to do. We would sort of just sit back and become the distributor and license all of our content in there, and take the revenue associated with those regions.

But as those platforms started to emerge and as companies start to grow, we feel that there are now opportunities that make sense. And those are the types of things that we'll look to. But it's not only in different regions in terms of how we could launch our content into a territory, but it's also going back to what we do well, which is create content.

We are one of the leading content creators in the world. We have this engine, as you know, vertical integration of a studio, multiple studios that can produce many types of animation and also a channel to allow the green light, not to mention an excellent distribution team that can get out and distribute. So all of this unlocked potential for partnerships with larger toy companies or licensing opportunities that do not have that expertise and are very much scouring the globe for companies

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

like us to come in and deliver the content, and so those are the types of ventures and partnerships that we'll look towards. And we expect to be announcing some in the near term.

Haran Posner

Thanks very much.

Operator

Your next question comes from the line of Rob Peters with Credit Suisse. Your line is open.

Robert Peters — Credit Suisse

Hi. Thanks very much for taking my question. Just maybe wanted to touch on the distribution side of things for a second. And when we look at distribution margins it does look like there's obviously been—there is some seasonality there, but I was wondering if there was anything else in play as we think about doing more distribution deals with dubbed content. Do those deals have higher costs, given the audio changes? And looking forward, is that a situation where as you dub more and more of the library should margins in that segment begin to lift?

Dana Landry

Yeah. So it's a great question. Yeah. It's very much seasonal, and I wouldn't say seasonal, but dependent on the types of brands you're delivering in. Certainly there is a cost to dubbing that is upfront in some of these Mandarin deals and some of the other deals we're doing.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Obviously we think those are investments in the future because we'll own those assets. In the case of all of the Chinese deals we've done we're obviously going to be dubbing those 3,000 half-hours, which obviously have an impact on cost of goods sold, no doubt, in the short term.

Having said that, we still have extremely robust margins; I think even in the quarter in distribution it was well in excess of 55 percent, so these things tend to—smooth out's not the right word—but average out over the year.

And that's why, Rob, you'll see in the last quarter we started to announce different quarterly expectations in terms of distribution, but also an annual number where we feel those averages will come back within a tighter range. So hopefully that's helpful. And certainly we feel that those investments going forward will continue to allow us to fuel growth, so certainly well worth it.

Robert Peters

I did see that. It's quite helpful, actually. And maybe just looking at TV, I think we saw the benefit of the extra month in the quarter, but you did highlight kind of on a per day basis the revenue was down about 9 percent; should point out in line with the high end of your guidance. I was just wondering if you could give any colour on the breakdown of the decrease. I'm assuming it's on the subscriber side, but was there any pricing impact there?

Dana Landry

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Yeah. It's on the subscriber side. I mean I think there's the typical depletion that all of the linear broadcasters are seeing and whatever the prognosticators are saying, 1 to 2 percent, which certainly we're seeing as well.

And then some of it is just the expected revisions based on our new strategy, and obviously our announcement to bring the savings in-house from our previous output arrangement, but also put it back into investment into content. And so we fully expected that, and so far we're exceeding our own sort of targets and we're feeling confident that we'll continue that trend.

Robert Peters

Fantastic. And maybe just to follow up on that. Were the trends relatively uniform throughout the quarters?

Dana Landry

I believe there was maybe one month on one of the deals; it was only a couple of months. So relatively, yes. Relatively, yes.

Robert Peters

Thank you very much.

Operator

There are no further questions at this time. I will turn the call back over to our presenters.

David Regan

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

Thank you very much, Operator, and thank you, everyone, for joining us today. As always, if you require more information, please consult www.dhxmedia.com for the Investor section, or we're available for your questions.

Thank you. Good bye.

Operator

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

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »