FINAL TRANSCRIPT

WildBrain Ltd.

Fiscal 2021 Fourth Quarter and Full Year Earnings Call

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CORPORATE PARTICIPANTS

Nancy Chan-Palmateer
WildBrain Ltd. — Director, Investor Relations

Eric Ellenbogen
WildBrain Ltd. — CEO

Aaron Ames
WildBrain Ltd. — CFO

Danielle Neath
WildBrain Ltd. — EVP Finance and Chief Accounting Officer

Josh Scherba
WildBrain Ltd. — President

CONFERENCE CALL PARTICIPANTS

Aravinda Galappathige
Canaccord Genuity — Analyst

David McFadgen
Cormark Securities — Analyst

Adam Shine
National Bank Financial — Analyst

PRESENTATION

Operator

Hello and welcome to WildBrain's Fiscal 2021 fourth quarter and full year earnings call. Today's call is being recorded. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. To ask a question during that time, please press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press *, 2.

I'll now turn the call over to Nancy Chan-Palmateer, Director, Investor Relations at WildBrain. You may begin your conference.

Nancy Chan-Palmateer — Director, Investor Relations, WildBrain Ltd.

Thank you, Operator, and thank you, everyone, for joining us today. Speaking on the call today are Eric Ellenbogen, our CEO, and Aaron Ames, our CFO. Also with us and available during the question-and-answer session are Josh Scherba, our President, and Danielle Neath, our EVP of Finance and Chief Accounting Officer.

First, we have some standard cautionary statements. The matters discussed on this call include forward-looking statements under applicable securities laws with respect to WildBrain, including, but not limited to, statements regarding the future growth and financial and operating performance of WildBrain and its subsidiaries, including expected revenue growth for WildBrain Spark in Q1 of the Company's Fiscal 2022; activation of the Company's IP end results therefrom; the timing for certain product rollouts; the future financial and operating results of the Company, including revenue and adjusted EBITDA for the Company's Fiscal 2022; investments of the Company and benefits therefrom, and the strategic priorities, business strategies, and operational activities of the Company and its growth and long-term prospects.

Such statements are based on information currently available and factors and assumptions which management believes are reasonable, but which may prove to be incorrect. A number of risks, uncertainties, and other important factors could cause actual events, performance, or results to differ materially and adversely from those described in the forward-looking statements, including the risk factors set out in the Company's most recent MD&A and AIF.

Please note that all currency numbers are in Canadian dollars.

For the question-and-answer 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.

With that, I'll now turn it over to our CEO, Eric Ellenbogen.

Eric Ellenbogen — CEO, WildBrain Ltd.

Thank you, Nancy, and thanks, everyone, for joining us today.

Fiscal '21 was a turning point for WildBrain, during which we returned to growth, driven by our focus on creativity, digital media, and IP.

Aaron's going to talk to you about the numbers in a few minutes, but what I'd like to highlight at the outset is that, compared to last year, in both Q4 and the full Fiscal, we saw growth in revenue, adjusted EBITDA, and free cash flow.

Now this growth reflects the work that we've been focused on over the last two years. When I joined WildBrain in late August 2019, I set the goal of turning the Company around and propelling it on a path of sustainable growth and profitability. And I'm pleased to see that the 360-degree IP strategy that we put in place is starting to show results as more of our IP is switched on and we maximize the earnings' power of our assets.

The management team and I will be providing a deeper dive into how that strategy has transformed the Company for the future at our Investor Day on October 5th. But today, I'd like to highlight some of our key achievements and then take a closer look at a few of our more recent announcements.

First, we've executed against numerous high-profile content partnerships, including two major deals with Apple TV+ for new, original series, making this streaming service home to both Peanuts and, more recently, Yo Gabba Gabba!.

We struck a partnership with Netflix and SEGA to launch a brand-new Sonic the Hedgehog series. And also for Netflix, we delivered three original series: *Johnny Test, Chip and Potato,* and *Go, Dog. Go!.* We also repatriated the US rights for Caillou and have since licensed the series to Warner's Cartoon Network exclusively for that market.

In brand management, licensing, and digital, we relaunched, just announced, Strawberry Shortcake for a new generation of kids. We are seeing early success with the relaunch of Teletubbies for the adult Gen Z audience. And at our licensing agency, WildBrain CPLG, we expanded our operations in the US, India, Germany, and Italy.

At our AVOD network, WildBrain Spark, we forged partnerships with the emoji company and Moose Toys to launch a new series for original IP, with licensing representation by WildBrain CPLG.

And in addition to these commercial achievements, we've realigned our senior management team, built our bench strength. We've hired top executive talent across content, distribution, and licensing. And we've also successfully refinanced our debt on favourable terms, removing the financial maintenance covenant from our senior secured term loan.

I'm really proud of the team's accomplishments in the last two years and can tell you there's a lot more to come. We've been working steadfastly, executing on exactly the goals that I set from the start, and we're majorly hitting our stride now, which is starting to show in our results.

I'd like to speak to you now about some detail about a few of the partnerships and initiatives, including our just-announced deal with Apple TV+ on Yo Gabba Gabba!, our relaunch on Strawberry Shortcake, and our activities around Teletubbies and Caillou, and our partnership with Moose Toys and Akedo through WildBrain Spark and CPLG.

Last week, as I mentioned, we announced another partnership with Apple TV+ for that platform to become the global home for our highly popular show, *Yo Gabba Gabba!*. With the show's creators, we're co-producing a brand-new, 20-episode series for Apple TV+, who also licensed our full *Yo Gabba Gabba!* library of 66 episodes and 2 specials. And, like our prior Apple TV+ agreement, which saw the platform become the home for our new Peanuts content as well as Peanuts Classic specials, this Yo Gabba Gabba! partnership is an excellent example of how having successful branded IP in our portfolio can drive larger deals for new content with premium SVOD platforms.

Yo Gabba Gabba! is a perennial family favourite. We previously licensed the Gabba library to telecasters worldwide, and it's been adored by millions on screen and sold-out live stage shows and through innovative toys and consumer products. And, as we've seen with Peanuts, we believe that the global platform of Apple TV+ will help power our consumer products licensing and live experiences for the brand.

Igniting kids' IP is what we do at WildBrain. With our integrated capabilities, we take our brands all the way from new content development and production to global distribution and audience delivery through WildBrain Spark and to consumer products by our licensing agency, WildBrain CPLG.

We are truly unique in the marketplace as the only independent media company with all of these kids' assets and capabilities under one roof.

Yo Gabba Gabba! is not the only legacy brand from our vault that we've been busy at in the last quarter. Just last week, we announced an ambitious relaunch for Strawberry Shortcake, a wholly owned WildBrain property. First introduced in 1973 as just a greeting card, Strawberry Shortcake became a wildly popular brand in the early 1980s as a line of toys, apparel, consumer products, and multiple TV series. The brand has tremendous history at retail, selling over $500 million per year, US dollars, of licensed consumer products annually at its peak, including over 5 million of its famous strawberry-scented dolls. The franchise to date has generated more than US$4 billion at retail.

Our relaunch marks the beginning of a new era for Strawberry Shortcake as we take these beloved characters into the future, fully engaging our expertise in brand management, igniting the franchise with new original content, digital distribution through WildBrain Spark, and a robust consumer products program through WildBrain CPLG. The licensing program rolling out through 2022 includes a new toy line from Moose Toys, 10 original songs, new books from Penguin Random House, and retail partnerships with name brands such as Sunkist, among others.

So please watch out for our new Strawberry Shortcake animated series titled, *Berry in the Big City*, which launches this Saturday on WildBrain Spark in five languages around the world.

And consistent with our always-on strategy of content across every media, a second 40-episode season of *Berry in the Big City* has been green lit. WildBrain Studios is developing a slate of new CG-animated Strawberry Shortcake family specials for a major streaming platform. And, in early October, we're premiering our first ever Roblox game, starring Strawberry Shortcake. And Roblox, as many know, is one of the most popular 3D digital gaming platforms for kids and teens, with every day, more than 20 million kids playing games on that platform.

The Strawberry Shortcake brand relaunch has been a labour of love for our creative teams. And while staying true to what makes Strawberry Shortcake special, her sweetness, her scent, the strawberry motif, this new vision aims to inspire today's kids with relevant, pro-social, and empowering themes of diversity, sustainability, and entrepreneurship.

And this digital-first relaunch of Strawberry is designed to appeal to today's kids wherever they're playing games or watching content. We're ready to return Strawberry Shortcake to her past glory, and we believe today's kids are going to make Strawberry Shortcake a big part of their lives.

We're also reinvigorating the Teletubbies as a pop culture icon for Gen Z. Today's young adults were the original loyal Teletubbies audience when they were toddlers. These adults have a great fondness and nostalgia for Teletubbies, and we've been successfully engaging them through PR stunts, marketing campaigns, and character appearances at events like Pride Month and New York Fashion Week going on just now. Our goal is to amplify the brand and to create a stream of licensing opportunities that will allow these fans to engage with the brand through events and consumer products.

Another evergreen title we're bring to new life is Caillou. Earlier in the year, we consolidated the US rights to Caillou, in line with our strategy to aggregate ownership and perfect the chain of titles for our IP. We've seen immediate returns on our investment as we licensed the show's entire back catalogue to WarnerMedia's Cartoon Network as well as multiple seasons of new Caillou shorts being made by WildBrain Spark.

And in addition to that, we've also now green lit five new CG-animated Caillou specials. Caillou remains a massively popular show worldwide, evidenced by the fact that its WildBrain Spark channel ranks among the top 1% of kids' channels on all of YouTube. So, to paraphrase Mark Twain, reports of Caillou's demise are greatly exaggerated. He's alive and well, perhaps still annoying to adults, but absolutely beloved by preschoolers, and there are great things to come.

Turning now to WildBrain Spark, which is our AVOD network, it continues to add commercial partnerships and to create and manage digital content that drives revenue across all of our business units. We recently announced a content and licensing partnership with Moose Toys to produce, again, a digital first series with their new Akedo toy brand. WildBrain handles worldwide distribution of the new series and WildBrain CPLG is managing the Akedo global licensing program. We will also enjoy a share of revenues from toys, distribution, and consumer products.

We also saw a normalization of views and watch times in Q4 compared to last year, reflecting the end of COVID-19 lockdowns. This hit a bottom in April '21 and has been improving sequentially month to month since then. Views and watch times increased 26% and 20% respectively from April to August. Advertising rates also trended up, showing an average increase of 163% since April. And in terms of views, Spark has been outperforming its peers on the overall kids genre on YouTube.

We're also focused on growing higher-value views, promoting content where we have IP ownership or sharing consumer products. And our core audience is watching longer on WildBrain Spark, as shown in the growing average duration of views, which is up 17% over last year. Kids and families are spending more time on our network enjoying our premium, full-length content, which is replicating the TV experience.

WildBrain Spark's revenues were up 81% in the current quarter, reflecting ongoing improvements in advertising rates and ad placements. And if these positive trends continue, together with our focus on higher-value views and holistic partnerships, we expect to see continued growth at WildBrain Spark for the full year, and we forecast Q1 2022 revenue increasing by at least 60% over last year's Q1.

So I'm confident that we're on track with our strategy, doing exactly what we set out to do when I joined the Company two years ago. We're leveraging our 360-degree capabilities for our own and partner IP across content, distribution, and audience delivery, building franchises that fuel consumer products upside and drive revenue across all of our business lines. This momentum provides excellent visibility on and confidence in our future revenue and earnings, and it positions us for long-term growth.

So now I'll turn the call over to Aaron to tell you what this means for our outlook.

Aaron Ames — CFO, WildBrain Ltd.

Thank you, Eric. As Eric mentioned, our results reflect the building momentum across our businesses. Further, our recently announced IP launches, coupled with our robust pipeline of high-quality deals, continue to enhance our visibility around future revenue and earnings.

We have also been working hard over the past few years to implement and upgrade our forecasting, planning, and analysis systems. As a result of these improvements in both the process and visibility, we wanted to give some guidance around our business this year.

We expect revenue of approximately $480 million to $500 million and adjusted EBITDA between $87 million and $93 million in Fiscal 2022, based on our latest projections and our current pipeline, as well as expected timing around revenue recognition on our production projects.

Our growth this year is net of the significant investments we've made, and are making, across the organization. These investments largely fall in five key buckets.

First, we're investing in creative to ensure we have top-flight product. Creative drives everything. Secondly, in marketing, to drive awareness for our IP and brands and to drive licensing opportunities. Thirdly, in technology, to build out our proprietary software tools, which drive insights, awareness, and monetization at Spark. Fourth, across commercial teams, to optimize how we bring our product to market. And fifth, we're doubling down on our digital content pipeline and product roadmap to grow high-quality viewership and monetization across our Spark network. And we're attracting the very best talented people to drive our long-term value.

While these investments are impacting margin in the short term, they are critical to our future growth. As we have said, we will begin to scale these investments as we move through this year, and it will accelerate from there and will provide meaningful future returns as we move through 2022 and beyond. We've begun to see traction, but it's early days.

Looking now at the key numbers for Q4 and Fiscal 2021. Revenue in Q4 grew 21% to $112.6 million compared to $92.9 million in Q4 2020. Full year revenue increased 6% to $452.5 million compared to $425.6 million in Fiscal 2020.

Q4 net income increased to $11.4 million compared to $4 million in Q4 2020. Full year net loss improved to $7.1 million compared to a net loss of $236 million in Fiscal 2020, largely due to a non-cash, goodwill impairment taken in Fiscal 2020.

Positive Free Cash Flow increased 50% in Q4 to $13.9 million compared to $9.3 million in Q4 2020. Fiscal 2021 positive Free Cash Flow increased 16% to $31.5 million compared to $27.1 million in Fiscal 2020.

Adjusted EBITDA in Q4 2021 increased 3% to $19.2 million compared with $18.7 million in Q4 2020. And adjusted EBITDA for Fiscal 2021 increased to $83.1 million compared with $81.8 million last year.

I'll now turn the call back to Eric.

Eric Ellenbogen

Thank you, Aaron. Fiscal 2021 was truly a turning point for WildBrain, and I'm incredibly proud of our team. Our strong portfolio of IP brands and integrated management structure position us as a leader within the kids' media business, and we expect to grow profitability and that it will accelerate from Fiscal 2022 and beyond.

As we continue to invest in our business, we're just beginning to switch on the assets in our vault and to leverage WildBrain's unique capabilities in content, distribution, audience delivery, and consumer products licensing to maximize profitability.

We're looking forward to providing investors and analysts with more details at our upcoming Investor Day. Before we open the call to questions, I want to note a change of date for the Investor Day. We had originally scheduled it for September 30th. However, a new federal holiday in Canada, called the National Day for Truth and Reconciliation, was recently enacted on that date to recognize and commemorate the tragic legacy of residential schools. So in observance of this important day, we've rescheduled to October 5th in New York.

And registration for that event is now open, which you can access on our corporate website.

So now, let me open it up to questions.

Q&A

Operator

Thank you, sir. At this time, if you'd like to ask a question over the phone lines, please press *, then 1 on your telephone keypad. And again, to withdraw your question, press the *, followed by the digit 2. Please stand by while we compile the Q&A roster.

All right. And we'll take our first question from Aravinda Galappathige with Canaccord Genuity.

Aravinda Galappathige — Canaccord Genuity

Good morning. Thanks for taking my questions, and congrats on the year and the new signings. I was wondering, to start with, Eric, maybe you can talk to how you see Fiscal '22 playing out from a consumer products perspective and obviously spilling over to '23. When I sort of aggregate the announcements you've been making all the way back from the Peanuts licensing to Apple TV+ and now Yo Gabba Gabba! and Strawberry Shortcake, Sonic Hedgehog, et cetera, what sort of acceleration should we think of when we look to sort of project out consumer products? Obviously, it has implications for margins as well. Obviously, the timing, I know, changes; different deals sort of hit would affect the numbers at various points. But I was wondering if you can help us with that.

And secondly, for Aaron, with respect to the television numbers. I know there was sort of an equity recoupment you've talked about. I was wondering if you can sort of clarify that a little bit. Thank you.

Eric Ellenbogen

Thanks for your question, Aravinda. I think you've picked up correctly on the effect of the pipeline content activating the high margin, very valuable Consumer Products business. And we are in full swing definitively when it comes to the Peanuts business. That already had a strong base, global basis, but that has stepped up now with the marketing spend, production is going quite strongly. Apple TV+, delighted with that partnership and the calibre and quality of the content that's being produced at our studios. It's providing a lot of excitement in the marketplace.

And even in a year where most other companies over COVID suffered a downturn in CP licensing, we saw an acceleration. So kind of comfort food, but more than that, exposure has been incredible.

As to with respect to what we have in the pipeline, this is really the year of content. And there's a lag effect as far as the Consumer Products programming. That said, we have signed some pretty formidable licensees, take Strawberry Shortcake as an example, with content kicking off this Saturday. Roblox game also coming this month. And they are poised, have marketing plans in place; R&D product development continues. And based on long-term brand plans that we've laid, but we know when they'll be coming into the market.

But it's important that to chase success in CP, and not—I think, unfortunately, it may have been the case with the Company in prior years of trying to lead with CP, and that consumer pull through is really developed by the content piece, social media, and obviously, WildBrain Spark, all of our digital launches, always-on, Spark content coming up and so forth. That's how long-term success is created in our business. It's been very deliberate. I know everybody has been patient, and I thank everybody for that. But we're really starting to see the dividends now of that strategy. So I'd say it's a '23 story.

Danielle Neath — EVP Finance and Chief Accounting Officer, WildBrain Ltd.

And your question on the equity recoupment. So in television, we did have a $2 million equity recoupment in Q4 of 2020 related to a new series that we had made an investment in on Family Channel, and that did not recur in Q4 2021. So that's why we're seeing that revenue decline. There is some lumpiness with the recognition of equity recoupment.

Aravinda Galappathige

Great. Thank you. And just really quickly as a follow up, with respect to the guidance. I mean, when I look at the EBITDA projection, there seems to be a little bit of an uptick on the SG&A front. We saw that in Q4 as well, and I think it was alluded to as well during the prepared remarks. Can you just talk about what those incremental spend components are sort of through Fiscal '20? Or is it just a matter of the margin mix when you consider the more faster growth from Spark?

Aaron Ames

Yeah. We're seeing really significant growth in Spark, both in the algorithm and direct ad sales. And so we're continuing to invest. And so those investments relate to marketing and talent. And so exactly what you just said, that's what's—we're continuing to make those investments to continue the growth.

Aravinda Galappathige

Excellent. Thanks so much.

Eric Ellenbogen

I might add to that. I'll just add, Aravinda, that we're kind of investing for the ages here. As each of these brands get switched on, I really, I brought to the Company some tremendous talent. We've invested deeply in creative, and we keep investing. And it is about having a very, very strong foundational platform off of which we can continue to launch. And that's really going to lead to—and I think we'll see this in future years—great operating leverage. As we have this team in place, now supported by these franchises, they actually have stuff to do and are extremely busy at work in this kind of integrated approach that we've taken across all the business divisions. So, thanks.

Aravinda Galappathige

Thank you.

Operator

Once again, that's *, 1 if you'd like to ask a question. Your next question comes from the line of David McFadgen with Cormark Securities. Your line is open.

David McFadgen — Cormark Securities

Hi. Yes. Sorry. Just trying to take myself off mute. Anyways, yeah. First of all, a question just on the leverage. So, you finished the year at 5.7x. You indicate in your MD&A that you expect to get to mid-4s by same time next year. I'm just kind of wondering how that's going to happen given the EBITDA guidance. It's some growth, not a lot. And then the free cash flow profile of the Company. I'm just wondering how you expect to delever by over a turn in a year?

Aaron Ames

Yeah. Hi, David. So we are very confident in our leverage. And we've reaffirmed the guidance. So we do expect it to be in that mid-4 range by the end of the year. And we continue to believe in that. So we maintain that guidance.

David McFadgen

Okay. Well, maybe I'll ask in another way. When you look at your cash flow statement, when you look at the line net investment in film and TV programs, it was a net investment in 2021. Are you expecting that to be a net positive in 2022, and that will help to get there?

Aaron Ames

Yeah. So there are excess cash flow sweeps as well. So, as you can see, we're continuing to generate cash. And so, that's part of how we get to the improvement in the leverage.

David McFadgen

Okay. And then, can you comment at all about the financial impact that you expect from Strawberry Shortcake in Fiscal 2022? I don't know if you can comment about MGs on the consumer product side or anything like that that would help us out.

Josh Scherba — President, WildBrain Ltd.

Hi, David, it's Josh here. I would just say that it's minimal for '22. This is really a setup year, and we expect that to come through in Fiscal '23.

David McFadgen

Okay. And then you talked about in your guidance how you expect the growth to, I think, accelerate in 2022. So should we expect that, in Q4, the year-over-year growth's going to be higher than say Q1, and that will carry into 2023 where we can actually see even higher growth in 2023? Is that kind of what you're thinking?

Aaron Ames

Yeah. So we're not guiding on a quarterly basis. We're looking at the whole year, and so. But we're very confident in our projections for next year. Based on the layering in of all the contracts, as you saw, we just announced Yo Gabba Gabba!, we had the Peanuts deal, we have the Sonic deal. So that's giving us this confidence in our guidance that we're giving.

David McFadgen

Okay. All right. Thank you.

Eric Ellenbogen

I'll just add one additional point on the CP buildup, which is that our confidence stems from the MGs and the quality of the licensees that we've been able to enlist based on their full exposure to the brand plan and to content that they've seen and that continues to come through the system. And from an accounting perspective, we do not take into revenue the MGs. It's only royalty income until the MG may be earned. And our expectation is that the MG will almost be irrelevant because it will be subsumed by the flow of royalty income coming in as the product goes into the market.

But that's further what gives us some visibility and confidence about where we're headed with these franchises. But thank you for question.

David McFadgen

Okay. Thanks so much.

Operator

All right. And one more time, that is *, 1 if you would like to ask a question. Your next question comes from the line of Adam Shine with National Bank Financial.

Adam Shine — National Bank Financial

Hi there. Two quick questions. The first, maybe for you, Eric, just in terms of Strawberry Shortcake. I mean, you highlighted all-digital launch in terms of the production, and no doubt, it's a brand that can resonate on AVOD, on Spark, specifically. But just curious why the decision not necessarily to partner up with one of the streamers in that effort in terms of the relaunch.

And then a second question. Maybe sort of touching on Aravinda's question around EBITDA, is there any disclosure that you can provide? Or maybe it comes perhaps in a couple of weeks' time at the Investor Day, but just anything around the level of spending that is indeed occurring, both in terms of building up the talent team, obviously stepping up some of the marketing spend. And how that level of spending last year Fiscal ’21 going forward into ’22 is evolving with a potential step-down perhaps in due course to further elevate margins, maybe post ’22. Thanks.

Eric Ellenbogen

David (sic) Adam, thanks for your question. So, the decision around Strawberry Shortcake was quite intentional. We chose wide distribution through our digital-first WildBrain Spark network on our own platform because we’re the ones who control audience delivery and engagement that we would not have with a third party.

That said, there will be—watch this space—some large specials, CG, very high-end, that we’ll be producing for the streamers. It’s really about always-on and on everywhere. It’s about Roblox. It’s about social networks. It’s talking to moms. It’s talking to kids.

And what we know, of course, from the massive network effect of WildBrain Spark is not only the languages, the watch times, the audience engagement, watching follow-on episodes, et cetera, but it is the primary, to this day, discovery network for new IP. And that is the virtue of WildBrain Spark and the network that we built, not only with our own proprietary content, but also with partner content, and that we’re able to harvest just a massive amount of data and information about views and discovery.

It’s the same reason why I think one of the most savvy toy companies in this area is our partner, Moose Toys, and that’s why we’re launching their Akedo brand as a digital-first launch on our Spark network.

Similarly, emojitown, yet another IP that came to us through our WildBrain CPLG subsidiary, has gone with emojitown, a brand-new series. It’s kind of the way of the world.

Now, that said, we picked the most appropriate platform, and usually it's all of them when we can, for property launches. This one, we just knew was right. We did a lot of focus group testing, the discovery process. We also look at analogs like the explosive success of LOL Surprise, which was a digital-first launch. We see what the toy companies are doing now—we're partnered with many of them—and the way that they build and promote franchises.

So this just seemed like the perfect pull-together, and I'm incredibly excited about this because it galvanized every part of our company around this IP. And make no mistake, other than Peanuts, this is, as far as CP potential, the stand-out with an incredible operating history. And it is a beloved property.

And so that's the reason why there's no mistake that it's going out in LatAm Spanish and Portuguese and French. We know where this works. We tested in those territories. And I think that we're going into this with a great deal of confidence and momentum.

Aaron Ames

And on your other point, Adam, on our investment, we're investing in creative, digital content and the tech at Spark because we see the tremendous growth potential at Spark. And that this year was approximately $8 million.

Adam Shine

First off, so Eric, thanks for the prior colour. Much appreciated. Aaron, just, so $8 million of spend in F'21. And any colour in terms of how that evolves into '22? And whether or not there's a potential step-down in that effort thereafter?

Aaron Ames

So what we expect is that we'll start to see those returns, and the margin will improve over time because we'll have more scale, so the margin will continue to improve. Obviously, some of the people are still there and working for us, but some of that is really one-time tech build that we can use to grow our margins in the future.

Adam Shine

Okay. And, of course, you're not going to have repeat of the government subsidies per se, or at least they're certainly whittling down quite dramatically in Canada. And I guess that's another dynamic as it relates to where the margins are in F'22 in the context of F'21, right? Just something you need to overcome.

Aaron Ames

Exactly.

Adam Shine

Okay. Thanks.

Operator

All right, and one final time, that is *, 1 if you'd like to ask a question. We'll pause for just one more moment.

Okay. And it looks like there are no further questions over the phone lines at this time. So I'd like to turn the call back over to Nancy Chan-Palmateer.

Nancy Chan-Palmateer

Thank you, Operator, and thanks, everyone, for joining us today. We look forward to updating you further at our Investor Day on October 5th. Thank you and have a great day.

Operator

That does conclude today's conference. We thank everyone again for their participation.