Fiscal 2022

Management Discussion and Analysis
of Financial Condition and Results of Operation
For the Three- and Twelve-Months ended June 30, 2022 and June 30, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of September 13, 2022 presents an analysis of the consolidated financial condition of WildBrain Ltd. and its subsidiaries (together referred to as "WildBrain", the "Company", "we", "our" or "us") as at June 30, 2022 compared to June 30, 2021, and the consolidated results of operations for the twelve-month period ended June 30, 2022 compared with the corresponding periods ended June 30, 2021. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended June 30, 2022. Unless otherwise noted, the financial information reported herein is derived from the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and are presented in thousands of Canadian Dollars, except per share amounts and as otherwise indicated. Some figures and percentages may not total exactly due to rounding.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our audited consolidated financial statements. The Company discusses these measures because it believes that they assist the reader in better understanding operations and key financial results.

WildBrain is a public company whose common voting shares ("Common Voting Shares") and variable voting shares ("Variable Voting Shares") are traded on the Toronto Stock Exchange ("TSX") under the ticker 'WILD'. Headquartered in Canada, WildBrain has offices worldwide.

Further information about the Company can be found on our website at www.wildbrain.com or on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A and documents referenced herein constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities legislation (collectively herein referred to as "forward-looking statements"), including the provincial securities legislation in Canada. These statements relate to future events or future performance, and reflect the Company's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Company and its subsidiaries. Forward looking statements are often, but not always, identified by the use of words such as "may", "would", "could", "will", "should", "expect", "expects", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "pursue", "continue", "seek", "intend" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company or any of its subsidiaries' objectives, plans and goals, including those related to future operating results, financial performance, and the markets and industries in which the Company operates are or involve forward-looking statements. Specific forward-looking statements in this document include, but are not limited to:

- the business strategies, operational activities, and strategic priorities of WildBrain and its subsidiaries;
- management's financial targets and priorities, and the future financial and operating performance, projections, and goals of the Company and its subsidiaries, including, but not limited to, Adjusted EBITDA and,
- plans for use of capital and excess cash flow;
- the timing for implementation of certain business strategies and other operational activities of WildBrain;
- the markets and industries, including competitive conditions, in which WildBrain operates, including the market and demand for content;
- legal and regulatory changes and potential impacts on WildBrain and the markets and industries in which it operates;
- the value, prospects and opportunities of the Company and its assets and businesses;
- WildBrain's production pipeline and projects in development;
- the ability of the Company to license its content into numerous markets repeatedly;
- the positioning and ability of the Company to monetize its library, content, assets and other business lines;
- the growth, and strategies to drive growth of, the WildBrain Spark business; including, but not limited to, initiatives to monetize the large user base of WildBrain Spark;
- changes in YouTube's approach to advertising and expected results therefrom, including the impact on the financial and operating performance of WildBrain Spark;

- the growth and proliferation of digital / non-linear distribution of media content;
- the activation of the Company's IP and results and benefits therefrom;
- investments, acquisitions and other growth opportunities, use of capital for such opportunities and expected returns and benefits therefrom;
- status of the production of the new Degrassi series and ongoing discussions
- benefits provided from the Company's Canadian broadcasting assets, including cash flows and content funding;
- the impact of epidemics, pandemics or other public health crises, including the current outbreak of COVID-19, which could have a significant and ongoing negative impact on the Company, its employees, its business and results of operations, including but not limited to consumer-products, studio productions and advertising;
- further actions the Company may have to take in response to COVID-19 or other pandemics, and the impact of such actions taken; and
- the impact of Russia's invasion of Ukraine on the Company, its business and financial results.

Forward-looking statements are based on factors and assumptions that management believes are reasonable at the time they are made, but a number of assumptions may prove to be incorrect, including, but not limited to, assumptions about: (i) the Company's future operating results, (ii) the expected pace of expansion of the Company's operations, (iii) future general economic and market conditions, including debt and equity capital markets and the availability of financing on acceptable terms, (iv) the impact of increasing competition on the Company, (v) changes in the industries and changes in laws and regulations related to the industries in which the Company operates, (vi) consumer and customer preferences, (vii) the ability of the Company to execute on acquisition and other growth strategies and opportunities and realize the expected benefits therefrom, (viii) the ability of the Company to execute production, distribution, licensing and other revenue-generating arrangements, (ix) the availability of investment opportunities at acceptable valuations and the ability of the Company to execute on such investment opportunities, (x) interest and foreign exchange rates, (xi) the timing for commencement and completion of productions, (xii) the ability of the Company and its partners to execute on its brand plans and consumer products programs, (xiii) changes in the markets and industries in which the Company operates and the ability of the Company to adapt to such changes, (xiv) changes to YouTube and in advertising markets, (xv) the ability of the Company to commercialize consumer products related to its brands, (xvi) the current geopolitical landscape (including vis a vis the recent invasion of the Ukraine by Russia and associated political and economic repercussions), (xvii) general economic and industry growth rates, and (xviii) the economic impact of any potential recession on consumer behaviour and advertising sales. Although the forward-looking statements contained in this MD&A and any documents incorporated by reference herein are based on what the Company considers to be reasonable assumptions based on information currently available to the Company, there can be no assurances that actual events, performance, or results will be consistent with these forward-looking statements and these assumptions may prove to be incorrect.

Forward-looking statements are inherently subject to risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections, or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A number of known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, epidemics, pandemics or other public health crises, including the current outbreak of COVID-19, the magnitude and length of economic disruption as a result of the worldwide COVID-19 outbreak and its impact on advertising markets and the consumer products and retail sectors including, among other things, supply chain disruptions, competition and competitor activities, the potential impact of industry mergers and acquisitions, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, the Company's ability to source IP and creative talent who can develop IP, consumer and customer preferences, and audience acceptance of the Company's shows and other IP, the ability of the Company to execute on its strategy, the Company's leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company (as and where applicable), the ability of the Company to identify and execute production, distribution and licensing arrangements, dependence on key third party relationships and partnerships, termination or renegotiation of contracts, litigation or regulatory or arbitral action, unauthorized disclosure of confidential, proprietary or sensitive information, cybersecurity and informational technology incidents and issues, internal conflicts of interest, financial reporting and other public company regulatory obligations and potential errors therein, the ability of the Company to attract and retain talent, reliance on key personnel, risks relating to the Company's exposure to advertising revenues through YouTube and the ability of the Company to attract and realize on advertising revenues, including through YouTube and on other platforms, adverse publicity, risks related to doing business internationally, interest and foreign exchange rate fluctuations, the reliance of the Company on the Internet and other technologies to continue to conduct its business, technology changes, intellectual property infringement and other claims, the ability of the Company to exploit its content library, access to capital, maintaining effective internal controls, equity capital markets risk and market share price fluctuations, loss of Canadian status, access to and existence of tax credits, subsidies, co-production treaties and other government incentives, loss of television licenses, the availability of acquisition and investment opportunities at acceptable valuations and the ability to execute on and integrate such opportunities, production risks, financial risks and dilution from the Company's capital requirements, labour relations, changes in the regulatory environment, general economic and market segment conditions, market factors, and catastrophic events and circumstances. In evaluating these forward-looking statements, investors and prospective investors should specifically consider these and various other risks, uncertainties and other factors which may cause actual events, performance, or results to differ materially from any forward-looking statement.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Please refer to a discussion of the above and other risk factors related to the business of the Company and the industry in which it operates that will continue to apply to the Company, which are discussed in the Company's Annual Information Form ("AIF") for the year ended June 30, 2022 filed on www.sedar.com and in this MD&A below under the "Risk Assessment" section.

These forward-looking statements are made as of the date of this MD&A or, in the case of documents referenced herein, as of the date of such documents, and the Company does not intend, and does not assume any obligation, to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements.

Business Overview

WildBrain is a leading independent kids and entertainment company, recognized globally for high-profile properties including *Caillou, Chip and Potato, Degrassi, Inspector Gadget*, *Johnny Test, Peanuts*, *Strawberry Shortcake, Teletubbies and Yo Gabba Gabba!.* We focus on children and family content, given the international reach and longer lifespan of this genre of programming and the potential to monetize this content across multiple revenue streams. Kids' and family content travels across cultures and geographies and consists largely of animated series, which can be easily dubbed into multiple languages. Such content is timeless and therefore can be licensed into numerous markets repeatedly for many years.

In addition to being one of the world's foremost producers of children's series, WildBrain also owns the world's largest independent library of children's content of approximately 13,000 half-hours. We take a 360° approach to growing brands by managing and monetizing content and related intellectual property ("IP") across our business by:

1. producing for, and distributing shows to, over 500 streaming services and linear broadcasters worldwide;
2. monetizing our large digital audience by creating consumer awareness and generating advertising and other revenues by distributing content through our wholly owned subsidiary, WildBrain Spark, which operates one of the largest networks of children's AVOD channels on YouTube and other AVOD platforms; and
3. generating royalties from sales of consumer products based on our owned IP as well as representing third-party lifestyle and entertainment brands around the world, through our wholly-owned licensing agency business, WildBrain CPLG.

We also own and operate the Family suite of linear specialty kids channels in Canada, which has been a trusted broadcaster for over 25 years and provides stable cash flow, which also serves to fund new content for our library.

Revenue Model

During Q1 2021, we reclassified our financial reporting to better reflect our 360° approach to managing and monetizing our brands and the characteristics of the transactions that we enter into with global streaming services ("SVODs") and across other distribution channels. Accordingly, we now report production and distribution in one revenue line under Content Production and Distribution.

As the market for content continues to evolve and competition for viewers intensifies, major SVODs, including Apple TV+, Amazon Prime, Hulu, Netflix and HBO Max, are investing significantly to deliver high-quality, exclusive programming. Under this model, typically the SVODs pay for the cost of production, inclusive of production fees, while we retain ownership of the underlying IP as well as linear distribution rights (after a hold back of approximately 24 to 36 months) and all consumer products revenues. This differs from the traditional production/distribution model of covering production costs from multiple linear broadcasters, with margins realized over multi-year licensing cycles. Since our slate has become a combination of both these models, we have revised our reporting to aggregate production and distribution, which is consistent not only with the integrated management of our business, but also with industry practice.

We also consolidated reporting of all revenue streams related to consumer products under the heading Consumer Products. This includes revenue from our owned brands (inclusive of our Peanuts business), partnerships with third-party brands (where we get a share of back-end consumer products royalties), and our licensing agency business WildBrain CPLG (which represents both third-party brands and owned IP).

Revenue from WildBrain Spark continues to be reported separately, as the majority of its revenue is derived from advertising and sponsorships.

Collectively, the three preceding revenue lines (Content Production and Distribution, Consumer Products and WildBrain Spark) comprise our Content Business for reporting purposes.

For clarity, our Canadian television business has been renamed Canadian Television Broadcasting and continues to be reported separately.

Accordingly, WildBrain operates through the following two reportable segments:

1. Content Business - comprising revenue generated from:
   - Content Production and Distribution - production in our studio for proprietary content, production with strategic brand partners and third-party service work, as well as distribution of proprietary and third-party titles in our library;
   - WildBrain Spark - distribution of content from our owned IP and third-party partners on our AVOD platform, using data and analytics to grow brands, digital ad sales and paid media; and
   - Consumer Products - licensing royalties from owned IP and through our brand partnerships as well as commissions earned from our licensing agency business.
2. Canadian Television Broadcasting - comprises revenue from operating the Family broadcast channels in Canada.

Content Production and Distribution

Content Production and Distribution includes production revenue generated: i) by licensing broadcast or streaming rights for our proprietary titles to linear broadcasters or SVOD networks, ii) from our strategic brand partnerships such as with Mattel and SEGA, and iii) from service revenue earned when producing animation or live-action programs for third parties. Service work does not typically result in the ownership of IP.

Content Production and Distribution revenue includes distribution revenue derived from licensing shows from our content library including internally produced and acquired library titles, and third-party produced titles for which we hold distribution rights. We distribute titles to digital platforms (e.g. Apple TV+, Amazon Prime, and Netflix) and linear broadcast channels across different geographic jurisdictions.

WildBrain Spark

WildBrain Spark revenue is generated from our platform of kids and family AVOD channels where we distribute both our owned content and third-party content on YouTube and other AVOD platforms. Revenues are earned primarily through third-party algorithmic advertising on the WildBrain Spark platform. Other sources of revenue include producing original short-form content (animation, toy play, stop motion and live action), running advertising campaigns (paid media) and direct advertising sales on AVOD platforms.

Consumer Products Revenue

Consumer Products revenue is earned from generating licensing royalties on our proprietary brands (among others, *Caillou*, *In the Night Garden, Peanuts*, *Strawberry Shortcake, Teletubbies*, and *Yo Gabba Gabba!),* from merchandising, publishing, music rights, live tours and themed-events, interactive games and apps, and from consumer products royalties earned through our strategic brand partnerships, such as with Mattel.

Consumer Products also includes revenue earned through our WildBrain CPLG agency business. WildBrain CPLG earns commissions as agents by licensing owned brands and third-party brands from lifestyle brand owners, film studios and other independent IP owners.

Canadian Television Broadcasting Revenue

Canadian Television Broadcasting revenue is earned primarily through monthly subscriber fees as well as advertising, promotion and other revenues through our portfolio of owned broadcast channels including Family Channel, Family Jr, Télémagino, and WildBrain TV. Subscription fees are earned monthly through partnerships with Canadian cable and satellite television distributors. In addition, all four channels have multi-platform applications, which allow their content to be distributed both on-demand and via streaming.

Strategy and Outlook

As a content producer, distributor and IP owner, WildBrain is focused on creating and building brands and managing them throughout their life cycles by producing and distributing shows and creating consumer awareness for these brands across all media platforms, and generating royalties from the sale of consumer products based on our shows and brands.

Evolving Market for Content

As the market for content evolves, major streaming platforms, such as Apple, Amazon Prime, Hulu and Netflix, are investing in larger-budget, original shows, often paying a premium for those based on established brands. Simultaneously, YouTube has emerged as one of the most popular destinations for short-form kids' entertainment.

We capitalize on the demand for premium content and short-form content to grow brands by leveraging our position as the owner of many well-known brands, the world's largest independent library of children's content, (comprised of approximately 13,000 half-hours), our large digital audience on WildBrain Spark, and our market-leading AVOD network of kids' videos on YouTube and other AVOD platforms.

In January 2020, YouTube introduced new rules and policies for 'Made for Kids' content, including how that content is managed and monetized, and the features available, or limited, on that content.

Given its large and expanding viewership, WildBrain Spark is a valuable platform to drive audience awareness and to build user engagement for our IP and partner brands. We continue to focus on building higher value views and pursuing initiatives to monetize our large user base. These include, our own direct ad sales to agencies and advertisers offering placement on our kid-safe, curated content, further mining and monetizing our content library, using our data analytics and insights to determine what content kids like to watch, and create more of that content, growing our network with new third-party brands, growing owned brands, and expanding into new revenue areas and platforms to drive future growth. The investments and capabilities driving growth in other revenue streams including direct ad sales, paid media and digital production fees are increasing revenue diversification from primarily YouTube monetization at WildBrain Spark. Furthermore, we are realizing the strategic value of WildBrain Spark's massive audience engagement and reach to secure comprehensive partnerships with brand owners that benefit various areas of our business from content, licensing and audience delivery that will fuel growth across our company and build quality, durable recurring revenue streams and consumer products upside.

Content Strategy

Management is executing on a disciplined strategy aimed at generating attractive returns on invested capital, improving cash flow and driving organic growth by leveraging our full suite of in-house capabilities spanning production, distribution and licensing to activate and grow key brands from our deep vault of beloved IP. Our content-driven strategy focuses on providing both new content development on premium, original long-form series to meet rising demand from major streaming platforms for exclusive programming; and digital-first content to reach kids wherever they are consuming content, to build and expand global franchise brands to drive consumer products royalties.

Fiscal 2023 Outlook

We expect our growth to carry into Fiscal 2023 and beyond as our expanding production pipeline and the new deals we entered into in the prior fiscal year are reflected in our results. We will continue to leverage WildBrain's 360º capabilities in content, distribution, audience delivery and licensing to maximize the profitability of our assets and IP. To that end, we are executing on our strategic priorities of activating and growing key brands to deliver recurring revenue and sustainable growth.

Fiscal 2023 Strategic Priorities

PRIORITIES	OBJECTIVES
Activate IP and Grow Key Brands	- Activate our own and partner IP to grow brand franchises by leveraging our vertically integrated, 360° capabilities across content, distribution, and licensing - Create and produce new series on IP with consumer products potential - Invest in creative talent and expand development pipeline - Leverage our capabilities to provide both premium originals for SVODs and digital-first content to reach kids wherever they are consuming content - Leverage the network scale, global reach and audience engagement of our AVOD platform, WildBrain Spark, to drive recurring revenue from consumer products by building brand awareness for our own and partner brands - Grow brand awareness and licensee base for Peanuts globally - Grow opportunities for our IP and content in underserved territories and with underexploited licensing categories - Expand our portfolio of holistic partnerships, leveraging our one-stop shop to build, market and merchandise brands and IP to drive revenue across our business and opportunities for profit-sharing
Deliver Sustainable Growth	- Grow revenue to approximately $525.0 million to $575.0 million and adjusted EBITDA[1] to between $95.0 million and $105.0 million - Continue to improve cash flow generation - Apply excess cash flow to debt repayment while continuing to invest in creative and brands to support growth - Explore targeted partnerships to best monetize our assets globally

Our Fiscal 2023 financial outlook is based on our latest projections and our current pipeline, as well as expected timing around revenue recognition on our production projects.

[1]Adjusted EBITDA are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

Financial Highlights for the Year Ended June 30, 2022 ("Fiscal 2022")

- Consolidated revenue was $507.2 million in Fiscal 2022, compared to $452.5 million in Fiscal 2021, an increase of $54.7 million or 12%. Higher revenue reflected growth across our content-driven businesses in Content Production and Distribution, WildBrain Spark and Consumer Products.
- Content Production and Distribution revenue of $206.6 million in Fiscal 2022 increased by $21.5 million, compared to $185.1 million in Fiscal 2021. This increase was driven by large distribution deals through the year, including Amazon Prime, BBC, HBO Max and Hulu, as well as from a pipeline of premium productions, including *Sonic Prime, Jonny JetBoy* and a robust slate of new Peanuts content for Apple TV+.
- Consumer Products revenue grew 16% to $203.6 million in Fiscal 2022, an increase of $28.4 million, compared to $175.2 million in Fiscal 2021. Higher revenue was due to the strength of the Peanuts franchise, supported by consistent output of new content and the synergies of our vertically integrated licensing business.
- WildBrain Spark revenue was $55.4 million in Fiscal 2022, an increase of 21% from $45.8 million in Fiscal 2021. The increase reflected advertising revenue and increasing contribution from nascent revenues including direct-ad sales, paid media and digital production.
- Net income attributable to WildBrain was $5.6 million in Fiscal 2022, an increase of $12.7 million, compared to net loss attributable to WildBrain of $7.1 million in Fiscal 2021. The increase was primarily driven by higher gross margin[1], lower finance costs and change in fair value of embedded derivatives, and lower distribution to non-controlling interests, offset by higher SG&A including growth initiatives.
- Adjusted EBITDA attributable to WildBrain increased to $88.8 million in Fiscal 2022, compared to $83.1 million in Fiscal 2021, an increase of $5.7 million or 7%. This was primarily due to higher gross margins reflecting growth across our Content businesses and lower distribution to non-controlling interests, offset by higher SG&A including growth initiatives. Excluding other income of $4.4 million from a litigation settlement and $6.4 million in government wage subsidies in Fiscal 2021, adjusted EBITDA increased 23% in Fiscal 2022 vs the prior year.
- Cash provided by operating activities in Fiscal 2022 was $33.1 million, compared to $105.7 million provided by operating activities in Fiscal 2021. Free Cash Flow[2] for Fiscal 2022 was negative $17.4 million, compared to positive $31.5 million in Fiscal 2021, reflecting the significant growth in accounts receivables associated with larger deals and timing of working capital settlements as well as additional SG&A for growth initiatives.
- In January 2022, we licensed the Degrassi library to HBO Max, which they have been streaming since March, and entered into a contract to produce a new series of Degrassi. Our production of the new series has been paused and we are currently engaged in constructive discussions with HBO Max.

[1] Gross Margin and Adjusted EBITDA attributable to the Shareholders of the Company are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

[2] Free Cash Flow defined as operating cash flow less distributions to non-controlling interests, changes in interim production financing, cash interest paid on our long-term debt, bank indebtedness, and lease liabilities, and principal repayments on our lease liabilities. Free Cash Flow is a non-GAAP financial measure, see "Non-GAAP Financial Measures" section of this MD&A for a reconciliation to GAAP measures.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the period ended June 30, 2022 and 2021 has been derived from the Company's audited consolidated financial statements and accompanying notes and can be found on WildBrain's website at www.wildbrain.com and on SEDAR at www.sedar.com.

The following information should be read in conjunction with the above-mentioned statements and the related notes.

	Three Months Ended		Twelve Months Ended	
(expressed in $000s, except per share data)	**June 30, 2022**	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Consolidated Statements of (Loss) Income Data:				
Revenues	112,005	112,612	507,223	452,534
Direct production costs and expense of film and television produced	(69,306)	(66,674)	(285,662)	(257,647)
Gross margin[1]	42,699	45,938	221,561	194,887
Other income from litigation settlement	—	—	—	4,372
Selling, general, and administrative	(27,718)	(22,449)	(104,129)	(80,539)
Share-based compensation	(1,523)	(716)	(7,414)	(5,075)
Write-down of investment in film and television programs and acquired and library content, property and equipment, intangible assets and goodwill	(1,507)	(1,137)	(788)	(7,832)
Amortization, finance costs and other expenses, net	(15,793)	(8,791)	(79,025)	(86,002)
Income tax recovery (expense)	4,571	2,592	1,557	3,298
Net income (loss) for the period	729	15,437	31,762	23,109
Net (income) loss attributable to non-controlling interests	411	(4,027)	(26,122)	(30,186)
Net income (loss) attributable to the Shareholders of the Company	1,140	11,410	5,640	(7,077)
Basic (loss) earnings per common share	0.01	0.07	0.03	(0.04)
Diluted (loss) earnings per common share	(0.08)	0.06	0.01	(0.04)
Weighted average common shares outstanding (in 000s)				
Basic	173,073	171,761	172,584	171,222
Diluted	214,918	177,246	197,403	171,222
Other Key Performance Measures:				
Adjusted EBITDA attributable to the Shareholders of the Company[1]	11,426	19,186	88,750	83,055
Cash flow provided by (used in) operating activities	(6,470)	22,688	33,100	105,680
Free Cash Flow[1]	(4,731)	13,877	(17,394)	31,490

	As at June 30, 2022	**As at June 30, 2021**
Consolidated Balance Sheet Data:		
Total assets	1,219,174	1,127,902
Total liabilities	903,771	824,989
Shareholders' equity	315,403	302,913

[1]Gross Margin, Adjusted EBITDA attributable to the Shareholders of the Company, and Free Cash Flow are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

SUMMARY OF SELECTED CONSOLIDATED QUARTERLY INFORMATION

WildBrain's results may vary on a quarterly basis due to the timing of production deliveries and distribution deals as well as seasonality in WildBrain Spark and our Consumer Products businesses. Historically, WildBrain's first quarter is the lightest (during summer months). WildBrain's second and third quarters tend to be stronger as our main markets are geared towards the fall and winter months, especially during the Christmas season.

	Fiscal 2022				**Fiscal 2021**			
(expressed in $000s except per share data)	**Q4 30-Jun**	**Q3 31-Mar**	**Q2 31-Dec**	**Q1 30-Sep**	**Q4 30-Jun**	**Q3 31-Mar**	**Q2 31-Dec**	**Q1 30-Sep**
Revenues	112,005	129,458	153,164	112,596	112,612	102,198	142,269	95,455
Gross margin[1]	42,699	63,682	63,637	51,543	45,938	43,934	61,764	43,251
Net (loss) income attributable to the Shareholders of the Company	1,140	21,295	4,601	(21,396)	11,410	(26,524)	11,344	(3,307)
Adjusted EBITDA attributable to the Shareholders of the Company[1]	11,426	30,150	27,317	19,857	19,186	17,207	29,125	17,537
Weighted average common shares outstanding (in 000s)								
Basic	173,073	172,936	176,721	171,969	171,761	171,354	171,001	170,776
Diluted	214,918	197,160	183,896	171,969	177,246	171,354	173,919	170,776
Basic (loss) earnings per common share	0.01	0.12	0.03	(0.12)	0.07	(0.15)	0.07	(0.02)
Diluted (loss) earnings per common share	(0.08)	0.11	0.03	(0.12)	0.06	(0.15)	0.07	(0.02)

[1]Gross Margin and Adjusted EBITDA attributable to the Shareholders of the Company are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

Results for the three-months ended June 30, 2022 ("Q4 2022") compared to the three-months ended June 30, 2021 ("Q4 2021")

Revenues

Consolidated revenue decreased $0.6 million to $112.0 million in Q4 2022 compared to Q4 2021. Revenue by business segment was comprised of the following:

	Q4 2022	Q4 2021	Variance	
(expressed in $000s)	$	$	$	%
Content Production and Distribution	50,311	44,574	5,737	13 %
WildBrain Spark	11,337	11,701	(364)	(3)%
Consumer Products	41,769	44,212	(2,443)	(6)%
Content Business	103,417	100,487	2,930	3 %
Canadian Television Broadcasting	8,588	12,125	(3,537)	(29)%
Total Revenue	112,005	112,612	(607)	— %

Content Production and Distribution: Revenue increased $5.7 million, or 13% to $50.3 million in Q4 2022, compared to $44.6 million in Q4 2021. Higher revenue was driven by multiple distribution agreements including with Amazon, BBC, Hulu and WarnerMedia and as well as from a pipeline of premium productions including *Sonic Prime* and a range of new *Peanuts* content.

Consumer Products: Revenue decreased $2.4 million, or 6%, to $41.8 million in Q4 2022, compared to $44.2 million in Q4 2021. Lower revenue was driven by timing of certain Peanuts collections at retail occurring earlier than anticipated in the year.

WildBrain Spark: Revenue decreased by $0.4 million, or 3%, to $11.3 million in Q4 2022, compared to $11.7 million in Q4 2021, reflecting softer advertising revenue due to economic headwinds, partially offset by growth in nascent revenue from direct-ad sales, paid media and digital production.

Canadian Television Broadcasting: Revenue decreased $3.5 million or 29% to $8.6 million in Q4 2022, compared to $12.1 million in Q4 2021. This reflected a non-recurring rate adjustment, industry-wide softer advertising revenue in the current quarter, and subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was at 94%, or $8.1 million (Q4 2021 - 88%, or $10.6 million), while advertising, promotion, digital and other revenues were at 6%, or $0.5 million (Q4 2021 - 12%, or $1.5 million).

Gross Margin

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

	Q4 2022		Q4 2021	
(expressed in $000s, except percentages)	Gross Margin $	Gross Margin %	Gross Margin $	Gross Margin %
Content Business	37,446	36 %	37,258	37 %
Canadian Television Broadcasting	5,253	61 %	8,680	72 %
Total Gross Margin	42,699	38 %	45,938	41 %

Consolidated gross margin for Q4 2022 was $42.7 million, a decrease of $3.2 million, compared to $45.9 million for Q4 2021. Gross margin percentage for Q4 2022 was 38% of revenue, compared to 41% in Q4 2021.

Content Business gross margins remained consistent at $37.4 million in Q4 2022, compared with $37.3 million in Q4 2021. Gross margin percentage for Q4 2022 was 36%, also consistent with 37% in Q4 2021.

Canadian Television Broadcasting gross margin was $5.3 million in Q4 2022, compared to $8.7 million in Q4 2021. We continue our cost containment measures and utilize our large library to control content costs. Gross margin percentage for Q4 2022 was 61%, compared to 72% in Q4 2021, due to timing of programming amortization in the year based on term start dates.

Operating Expenses (Income)

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

SG&A costs for Q4 2022 were $27.7 million, compared to $22.4 million for Q4 2021, an increase of $5.3 million or 23%. Q4 2022 included higher costs for growth initiatives, consulting fees and salary expense (including variable compensation), of $1.1 million, $0.5 million, and $4.3 million, respectively. There were no government and other wage subsidies in the current period, compared with $1.2 million received in Q4 2021.

Share-Based Compensation

Total share-based compensation was $1.5 million in Q4 2022, an increase of $0.8 million, compared to $0.7 million for Q4 2021. This was driven by an increase in Restricted Shared Units ("RSU") awards vesting in the current quarter.

Amortization

Total amortization of acquired and library content, property and equipment ("P&E") including right-of-use assets, and intangible assets was $7.8 million for Q4 2022, compared with $8.5 million in Q4 2021.

Amortization of acquired and library content was $2.6 million in Q4 2022, compared to $2.8 million in Q4 2021.

Amortization of P&E was $2.6 million in Q4 2022, compared with $3.1 million in Q4 2021.

Amortization of intangible assets was $2.6 million in Q4 2022, consistent with $2.6 million in Q4 2021.

Reorganization, Development and Other

Reorganization, Development and Other expenses were $4.0 million in Q4 2022, compared to $2.4 million in Q4 2021. Q4 2022 included other charges of $3.0 million, termination and other benefits of $0.6 million, and relocation costs of $0.3 million. (Q4 2021 - termination and other benefits of $0.3 million, corporate rebranding charges of $1.0 million and other fees of $1.0 million).

Write-down of Certain Investments in Film and Television Programs, Acquired and Library Content, Property and Equipment, Intangible Assets and Goodwill

During Q4 2022, we recorded a $1.5 million charge, comprised of $1.2 million in write-down of investment in film assets and, $0.3 million impairment of right-of-use asset for a leased premise in the UK, which the Company is in the process of subleasing, compared to a $1.1 million write-down in Q4 2021. Write-downs of investments in film assets were primarily related to weaker than expected revenue performance and current market conditions for select investments in film titles.

Finance Costs, net

Net finance costs were $7.9 million in Q4 2022, compared to $9.9 million in Q4 2021. The decrease was primarily driven by the lower interest on the long-term debt, due to lower variable rates, and the gain on interest rate swap, compared to Q4 2021.

Change in Fair Value of Embedded Derivatives

The change in fair value of the embedded derivatives related to our convertible and exchangeable debentures was a gain of $20.3 million in Q4 2022, compared to $6.6 million in Q4 2021, due to the lower stock price.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $16.4 million in Q4 2022, compared to a gain of $5.4 million in Q4 2021. The loss was driven by the weaker Canadian dollar compared to the US dollar in the current quarter, resulting in unrealized foreign exchange translation loss on our US dollar denominated term debt.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was $11.4 million in Q4 2022, compared to $19.2 million in Q4 2021, a decrease of $7.8 million or 40%. The decrease was driven by lower gross margin of $3.2 million, higher SG&A of $5.3 million including growth initiatives, offset by lower portion of Adjusted EBITDA attributable to non-controlling interests of $0.7 million.

Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP measure, refer to section "Non-GAAP Financial Measures" of this MD&A for the definition and detailed calculation of this non-GAAP measure.

Income Taxes

Income tax recovery for Q4 2022 was $4.6 million, compared to $2.6 million in Q4 2021. The income tax (expense) recovery in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items and the continued nonrecognition of certain deferred tax assets in Canada.

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

Net income attributable to the Shareholders of the Company for Q4 2022 was $1.1 million, compared to a net income of $11.4 million for Q4 2021, a decrease of $10.3 million. The decrease was primarily driven by lower gross margin of $3.2 million, higher SG&A of $5.3 million, higher foreign exchange loss of $21.8 million, higher share-based compensation of $0.8 million, offset by lower loss on change in fair value of embedded derivatives of $13.7 million, and lower portion of net income attributable to non-controlling interests of $4.4 million, in the current quarter.

Comprehensive income was $13.0 million for Q4 2022, compared to $9.2 million for Q4 2021.

Basic earnings and diluted loss per share of $0.01 and $0.08, respectively, in Q4 2022, compared to basic and diluted earnings per share of $0.07 and $0.06, respectively in Q4 2021.

Results for the year ended June 30, 2022 ("Fiscal 2022") compared to the year ended June 30, 2021 ("Fiscal 2021")

Revenues

Consolidated revenue increased $54.7 million to $507.2 million in Fiscal 2022, compared to $452.5 million in the Fiscal 2021. Revenue by business segment was comprised of the following:

	Fiscal 2022	Fiscal 2021	Variance	
(expressed in $000s)	$	$	$	%
Content Production and Distribution	206,572	185,084	21,488	12 %
WildBrain Spark	55,410	45,754	9,656	21 %
Consumer Products	203,557	175,194	28,363	16 %
Content Business	465,539	406,032	59,507	15 %
Canadian Television Broadcasting	41,684	46,502	(4,818)	(10)%
Total Revenue	507,223	452,534	54,689	12 %

Content Production and Distribution: Revenue increased 12% or $21.5 million to $206.6 million in Fiscal 2022, compared to $185.1 million in Fiscal 2021. The increase resulted from large distribution deals through the year, including with Amazon Prime, BBC, HBO Max, and Hulu, as well as from a pipeline of premium productions including *Sonic Prime, Jonny JetBoy* and a robust slate of new Peanuts content for Apple TV+. Fiscal 2021 included the Peanuts library licensing deal which contributed $34.3 million to revenue.

Consumer Products: Revenue increased $28.4 million, or 16%, to $203.6 million in Fiscal 2022, compared to $175.2 million in Fiscal 2021.This increase reflected the strength of our Peanuts franchise, supported by consistent output of new content and synergies of our vertically integrated licensing business.

WildBrain Spark: Revenue increased $9.7 million, or 21%, to $55.4 million in Fiscal 2022, compared to $45.8 million in Fiscal 2021, driven by improved advertising revenue and increasing contribution from nascent revenue streams including direct-ad sales, paid media and digital production.

Canadian Television Broadcasting: Revenue decreased $4.8 million to $41.7 million in Fiscal 2022, compared to $46.5 million in Fiscal 2021, reflecting a non-recurring rate adjustment, industry-wide softness in advertising revenue, and subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was steady at 89%, or $37.0 million (Fiscal 2021 - 88%, or $41.0 million), while advertising, promotion, digital and other revenues remained consistent at 11%, or $4.7 million (Fiscal 2021 - 12%, or $5.5 million).

Gross Margin

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

(expressed in $000s, except percentages)	Fiscal 2022 Gross Margin $	Fiscal 2022 Gross Margin %	Fiscal 2021 Gross Margin $	Fiscal 2021 Gross Margin %
Content Business	193,455	42 %	162,692	40 %
Canadian Television Broadcasting	28,106	67 %	32,195	69 %
Total Gross Margin	221,561	44 %	194,887	43 %

Consolidated gross margin for Fiscal 2022 was $221.6 million, an increase of $26.7 million, compared to $194.9 million for Fiscal 2021. Gross margin percentage for Fiscal 2022 was at 44% of revenue, compared to 43% in Fiscal 2021.

Content Business gross margins were $193.5 million in Fiscal 2022, an increase of $30.8 million, compared to $162.7 million in Fiscal 2021. The higher gross margin was driven by a strong slate of premium productions, a number of large distribution deals and growth in Consumer Products. Gross margin percentage for Fiscal 2022 was at 42% of revenue, compared to 40% in Fiscal 2021.

Canadian Television Broadcasting gross margin was $28.1 million in Fiscal 2022, a decrease of $4.1 million, compared to $32.2 million in Fiscal 2021. We continue to utilize our large library to control content costs. Gross margin percentage for Fiscal 2022 was at 67%, compared to 69% in Fiscal 2021.

Other Income from Litigation Settlement

In Q2 2021, we reached a settlement agreement related to litigation with former employees of the Company (among others). The settlement agreement included US$3.4 million ($4.4 million) in award damages, which has been classified as other income from litigation settlement in the audited consolidated statement of income.

Operating Expenses (Income)

Selling, General & Administrative

SG&A costs for Fiscal 2022 were $104.1 million, compared to $80.5 million for Fiscal 2021, an increase of $23.6 million, or 29%. The increase included higher costs for travel and entertainment, growth initiatives, consulting fees, and salary expenses (including variable compensation), of $3.2 million, $2.9 million, $1.8 million, and $18.0 million, respectively. There were no government and other wage subsidies in the current period, compared with $6.4 million received in Fiscal 2021.

Share-Based Compensation

Total share-based compensation was $7.4 million in Fiscal 2022, an increase of $2.3 million, compared to $5.1 million for Fiscal 2021. This increase related to RSUs granted to certain executives in lieu of cash bonuses, and retention awards of RSUs issued to various non-executives compared to Fiscal 2021.

Amortization

Total amortization of acquired and library content, P&E including right-of-use assets and intangible assets was $34.2 million for Fiscal 2022, consistent with $34.0 million in Fiscal 2021.

Amortization of acquired and library content was $10.2 million in Fiscal 2022, compared to $11.1 million in Fiscal 2021.

Amortization of P&E was $13.4 million in Fiscal 2022, compared to $12.4 million in Fiscal 2021. The increase in the Fiscal 2022 was driven by the accelerated amortization of the remaining lease term for the Toronto office leaseholds, after the lease termination in Q1 2022.

Amortization of intangible assets was $10.6 million in Fiscal 2022, consistent with $10.5 million in Fiscal 2021.

Reorganization, Development and Other

Reorganization, Development and Other expense was $6.3 million in Fiscal 2022, compared to $8.6 million in Fiscal 2021, a decrease of $2.3 million. Fiscal 2022 included recovery of legal fees related to the litigation settlement with former employees (among others) of $4.0 million, offset against termination costs and other benefits of $3.3 million, costs for other charges of $5.2 million (net of $0.7 million gain on sale of certain marketable securities), and relocation costs of $1.8 million (including net lease termination costs of $0.6 million and $0.6 million of moving costs). (Fiscal 2021 - termination and other benefits of $2.3 million related to reorganization initiatives, legal fees associated with a dispute with former employees of $1.7 million, systems upgrade and process enhancement initiatives of $0.2 million, other charges of $2.6 million and rebranding charges of $1.7 million.)

Write-down of Certain Investments in Film and Television Programs, Acquired and Library Content, Property and Equipment, Intangible Assets and Goodwill

During Fiscal 2022, we recorded $0.8 million charge, comprised of $1.2 million in write-down of investment in film assets, $0.3 million impairment of right-of-use asset for a leased premise in the UK, which the Company is in the process of subleasing, offset by $0.7 million for reversal of an impairment of right-of-use asset, resulting from the change in estimates used in calculating the recoverable amount for the leased premise in Canada, compared with $7.8 million write-down of investment in film assets in Fiscal 2021. The write-downs of investments in film assets were primarily relate to weaker than expected revenue performance and current market conditions for select investment in films (Fiscal 2021 - write-downs of investment in film assets and of acquired library and content of $7.4 million and $0.3 million, respectively).

Finance Costs, net

Net finance costs were $30.5 million in Fiscal 2022, compared to $42.1 million in Fiscal 2021, a decrease of $11.7 million. The decrease was driven by the lower variable interest on long-term debt of $0.8 million, the estimated fair value of the interest rate swap gain of $9.0 million during Fiscal 2022, and a loss on modification of long-term debt of $3.4 million in Fiscal 2021.

Change in Fair Value of Embedded Derivatives

The change in fair value of embedded derivatives related to our convertible and exchangeable debentures was a gain of $13.7 million in Fiscal 2022, compared to a loss of $26.2 million in Fiscal 2021.

Foreign Exchange (Gain) Loss

The foreign exchange loss was $21.8 million in Fiscal 2022, compared to a gain of $25.0 million in Fiscal 2021, an increase in loss of $46.7 million. The loss in Fiscal 2022 was driven primarily by the weaker Canadian dollar compared to the US dollar, which resulted in a foreign exchange translation loss on our US dollar denominated term debt of $14.0 million in Fiscal 2022.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was $88.8 million in Fiscal 2022, compared to $83.1 million in Fiscal 2021, an increase of $5.7 million or 7%. The increase was driven by higher gross margin of $26.7 million, lower portion of Adjusted EBITDA attributable to non-controlling interests of $7.0 million, offset by higher SG&A of $23.6 million including growth initiatives. Fiscal 2021 included other income of $4.4 million for the litigation settlement and $6.4 million in government wage subsidies.

Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP measure, refer to section "Non-GAAP Financial Measures" and "Reconciliation of Historical Results to Adjusted EBITDA and Adjusted EBITDA attributable to the Shareholders of the Company" of this MD&A for the definition and detailed calculation of this non-GAAP measure.

Income Taxes

Income tax recovery for Fiscal 2022 was $1.6 million, compared to $3.3 million in Fiscal 2021. The income tax (expense) recovery in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items and the continued nonrecognition of certain deferred tax assets in Canada.

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

Net income attributable to the Shareholders of the Company for Fiscal 2022 was $5.6 million, compared to net loss of $7.1 million for Fiscal 2021, an improvement in net income of $12.7 million. The improvement was driven primarily by higher gross margin of $26.7 million, lower amortization and finance costs of $7.0 million, lower write-down of assets of $7.0 million, lower net income attributable to non-controlling interests of $4.1 million, offset by higher SG&A of $23.6 million, income tax expense of $1.7 million, as well as other income from litigation settlement of $4.4 million in Fiscal 2021.

Comprehensive income for Fiscal 2022 was $39.8 million, compared to loss of $10.7 million for Fiscal 2021.

Both basic and diluted earnings per share of $0.03 and $0.01, respectively in Fiscal 2022, compared to both basic and diluted loss per share of $0.04 in Fiscal 2021.

Financial Condition

The following table summarizes certain information with respect to WildBrain's capitalization and financial position as at June 30, 2022 and June 30, 2021:

(expressed in $000s, except ratio data)	June 30, 2022 $	June 30, 2021 $
Cash (including restricted cash)	68,734	92,057
Amounts receivable	334,450	247,237
Investment in film and television programs	163,563	147,783
Acquired and library content	92,732	100,653
Intangible assets	448,947	433,595
Other assets	110,748	106,577
Total assets	1,219,174	1,127,902
Accounts payable, accrued and derivative liabilities	180,956	130,299
Interim production financing	84,235	65,403
Long-term debt	504,139	482,394
Lease liabilities	36,239	43,835
Deferred revenue	58,116	42,004
Other liabilities	30,999	61,054
Total liabilities	903,771	824,989
Shareholders' equity	315,403	302,913
Working capital[1]	121,628	190,620
Working capital ratio[2]	1.33	1.76
Net debt[3]	444,492	390,337

[1]Working capital is calculated as current assets less current liabilities.

[2]Working capital ratio is current assets divided by current liabilities.

[3]Net debt includes long-term debt and bank indebtedness less cash and excludes interim production financing.

Total assets were $1,219.2 million as at June 30, 2022, an increase of $91.3 million, compared to $1,127.9 million as at June 30, 2021. The increase was primarily driven by higher amounts receivable of $87.2 million due to larger production and distribution deals, an increase in investment in film and television programs of $15.8 million, an increase in other assets of $4.2 million, an increase in intangible assets of $15.4 million, driven by the addition of merchandising rights in the quarter and the weaker Canadian dollar which resulted in an upward revaluation of US dollar denominated intangible assets, offset by lower acquired and library content of $7.9 million.

Total liabilities were $903.8 million as at June 30, 2022, an increase of $78.8 million, compared to $825.0 million as at June 30, 2021. The increase was primarily due to higher long-term debt of $21.7 million driven by the weaker Canadian dollar which resulted in an upward revaluation of our US dollar denominated term debt, and higher interim production financing, accounts payable and accrued liabilities and deferred revenue of $18.8 million, $50.7 million, and $16.1 million, respectively, offset by decreases in leases liabilities of $7.6 million, and other liabilities of $30.1 million.

Shareholders' equity was $315.4 million as at June 30, 2022, an increase of $12.5 million, compared to $302.9 million at June 30, 2021.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended		Year Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	$	$	$	$
Cash Inflows (Outflows) by Activity:				
Operating activities	(6,470)	22,688	33,100	105,680
Financing activities	5,411	(10,022)	(46,131)	(79,241)
Investing activities	(2,450)	(1,485)	(10,839)	(15,165)
Effect of foreign exchange rate changes on cash	422	(1,334)	545	(3,741)
Net cash inflows	(3,087)	9,847	(23,325)	7,533

Changes in Cash (including Restricted Cash)

Cash (including restricted cash) at June 30, 2022 was $68.7 million, compared to $92.1 million at June 30, 2021. The restricted cash balance of $8.8 million as at June 30, 2022 related to funds raised on the issuance of exchangeable debentures to Fine Capital (the "Exchangeable Debentures") by a newly formed subsidiary of the Company. The Exchangeable Debentures are non-recourse to the Company. Exchangeable Debentures holders have a first priority security interest over the assets of the applicable subsidiary of the Company (i.e. the borrower under the Exchangeable Debenture arrangement) and the funds are earmarked for investments in growth initiatives. For additional details, refer to the description under 'Exchangeable Debentures' below, the 'Related Party Transactions' section of this MD&A and notes 14 in the audited consolidated financial statements for the year ended June 30, 2022.

<u>Operating Activities</u>

During Q4 2022, cash used in operating activities was $6.5 million, compared to $22.7 million provided by operating activities in Q4 2021, a decrease of $29.2 million. The decrease was primarily due to timing of settlement of working capital balances and growth initiatives.

During Fiscal 2022, cash provided by operating activities was $33.1 million, compared to $105.7 million provided in Fiscal 2021, a decrease of $72.6 million. The decrease was primarily due to increases in amounts receivable associated with larger deals in the current year period and from timing of settlement of working capital balances as well as growth initiatives.

<u>Financing Activities</u>

During Q4 2022, cash flows used in financing activities were $5.4 million, compared to $10.0 million in Q4 2021. The increase of $15.4 million was primarily driven by higher net change from the distribution to non-controlling interest of $0.9 million, proceeds from bank indebtedness of $4.5 million, higher repayment of interim production financing loans (net) of $7.3 million, and the interest paid on long term debt of $1.5 million, compared to Q4 2021.

During Fiscal 2022, cash flows used in financing activities were $46.1 million, compared to $79.2 million used in Fiscal 2021. The decrease of $33.1 million was primarily driven by the change of bank indebtedness of $19.0 million, payment of debt issue costs of $11.4 million, lower interim production financing loans (net) of $20.1 million, interest portion paid on long term debt of $4.1 million, offset by proceeds of long-term debt of $21.3 million.

<u>Investing Activities</u>

During Q4 2022, cash flows used in investing activities were $2.5 million, compared with $1.5 million in Q4 2021. The increase of $1.0 million was primarily related to the acquisition of certain brand representation rights in specific territories (see "Recent Transactions" below).

During Fiscal 2022, cash flows used in investing activities were $10.8 million, compared to $15.2 million used in Fiscal 2021. The decrease of $4.3 million was primarily related to the acquisition of acquired and library content and intangible assets during Fiscal 2021 of $8.9 million, offset by acquisition of certain brand representation rights in specific territories (see "Recent Transactions" below) of $4.5 million in Fiscal 2022.

Bank Indebtedness and Long-Term Debt

Term Loan and Revolving Facility

On March 26, 2021, the Company refinanced its term facility with a seven-year US$285.0 million ($358.4 million) senior secured term loan facility (the "Term Loan") maturing March 26, 2028. The Term Loan has no financial maintenance covenant and bears interest at LIBOR plus 4.25%. The net proceeds from the Term Loan were used to repay the previous US$276.5 million ($376.8 million) Term Facility. At the same time, we entered into a five-year US$30.0 million Revolving Facility ("Revolver") with an interest rate of prime. These facilities do not carry a financial maintenance covenant, except when amounts are drawn and outstanding on the Revolver. As at June 30, 2022, $9.1 million (June 30, 2021 - $nil million) was drawn on this facility. The Revolver matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures (September 30, 2024), except where converted. Under our Revolver, when amounts are drawn and outstanding at the end any fiscal quarter, we are required to comply with a leverage covenant of 6.75x, declining to 6.25x for the quarter ending September 30, 2023 and thereafter. As at June 30, 2022, our Total Net Leverage Ratio was 4.45x.

The Term Loan is repayable in equal quarterly installment payments of US$0.7 million or 0.25% of the initial principal commencing June 30, 2021.

The Term Loan also requires repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement), commencing for the fiscal year-ended June 30, 2022, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on March 26, 2028. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2022.

During Q4 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US$165.0 million of the Term Loan from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24%.

As part of the refinancing of the Term Loan and Revolver in March 2021, alternative replacement rates for LIBOR were included in the agreement based on the secured overnight financing rate ("SOFR"), which is a benchmark interest rate for dollar denominated loans. The Company will continue to use LIBOR until LIBOR cessation is effective June 30, 2023.

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

Senior Unsecured Convertible Debentures

As at June 30, 2022, the senior unsecured convertible debentures ("Convertible Debentures") had a principal balance of $140.0 million (June 30, 2021 - $140.0 million), bearing interest at an annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares (together, "Shares") of the Company at a price of $7.729 per Share, subject to certain customary adjustments. The Convertible Debentures mature September 30, 2024.

The Convertible Debentures have a cash conversion option whereby the Company can elect to make a cash payment in lieu of issuing Common Voting Shares or Variable Voting Shares upon exercise of the conversion option feature by the holder of the Convertible Debentures. As a result, the Convertible Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivative was recorded as a derivative liability. Changes in the estimated fair value of the embedded derivative is recorded through the Company's consolidated statement of (loss) income. As at June 30, 2022, the estimated fair value of the embedded derivative was $2.3 million.

Exchangeable Debentures

On March 4, 2021, the Company drew the remaining US$6.3 million ($7.9 million) on the Exchangeable Debentures. As at June 30, 2022, the Exchangeable Debentures had a principal balance of US$18.5 million or $23.8 million (June 30, 2021 - US$18.4 million, or $23.2 million) bearing interest at an annual rate of 7.5% payable at maturity and are exchangeable for Variable Voting Shares of the Company at a conversion price of US$1.072855 per share. The Exchangeable Debentures mature June 24, 2023.

The Exchangeable Debentures were issued by a newly formed single purpose subsidiary of the Company and non-recourse to WildBrain. As a result, the Exchangeable Debentures are excluded from the security granted to the lenders under our Senior Secured Credit Agreement; and therefore, are also excluded from the calculation of the net leverage.

Concurrently in Q4 2020, we issued to Fine Capital warrants to purchase 5,000,000 Variable Voting Shares at a price of $1.45 per Variable Voting Share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025.

In Q2 2021, we completed two acquisitions using funds from the Exchangeable Debentures for an aggregate purchase price of US$7.0 million, which have been recognized as acquired and library content assets in the audited consolidated balance sheet. These assets serve as security against the Exchangeable Debentures.

The Exchangeable Debentures have a conversion option at a fixed US dollar conversion price for Variable Voting Shares of WildBrain, which are denominated in Canadian dollars. As a result, the Exchangeable Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivative was recorded as a derivative liability. Changes in the estimated fair value of the embedded derivative is recorded through the Company's consolidated statement of (loss) income. As at June 30, 2022, the estimated fair value of the embedded derivative was $19.1 million.

See section "Related Party Transactions" of this MD&A and note 7 in the audited consolidated financial statements for the year ended June 30, 2022 for additional details.

Working Capital and Liquidity

Working capital represents the Company's current assets less current liabilities, which was $121.6 million as at June 30, 2022, compared to $190.6 million at June 30, 2021.

All of our significant businesses are cash flow positive over the course of a year, while they have quarterly fluctuations. We frequently review our cash flows by business unit and actions are taken if and as necessary.

Technology Investments

Investments in technology, primarily in our studio and WildBrain Spark business, are principally leases of technology, which are paid for over time from operating cash flows.

Production Investments

Productions are principally paid for with interim production credit facilities that are secured by licensing contracts receivable and film tax credits and are repaid as those receivables and tax credits are collected. When initiating new productions we typically require the significant majority of expenditures to be covered by licensing contract receivables and film tax credits, accordingly the Company's investment in excess of these receivables and tax credits is limited.

Canadian Content Investments

As a Canadian broadcaster, we are required to invest in a certain amount of Canadian content which is used for programming our channels and for our distribution business. The amount required to be spent is calculated as a percentage of our revenues generated by our broadcasting business. These expenditures are funded from operating cash flows.

Acquisitions

When making other investments and acquisitions, we assess the expected returns, the risks and timing of those expected returns and consider whether to use the Company's existing funds or Revolver, the available funds from the Exchangeable Debentures, or the issuance of equity.

Based on our current revenue forecasts and expectations for Fiscal 2023, we believe that our working capital is sufficient to meet our present requirements and near-term business plans for the next 12 months. We expect foreseeable cash needs to be funded through operating cash flows, existing cash resources, the Revolver, and the Exchangeable Debentures.

Contractual Obligations[1]

The following table summarizes our outstanding cash commitments as of June 30, 2022:

<u>Payments Due by Period</u>	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
(expressed in $000s)	$	$	$	$	$
Bank indebtedness	9,087	9,087	—	—	—
Accounts payable and accrued liabilities	161,849	161,849	—	—	—
Interim production financing	84,235	84,235	—	—	—
Other long-term liabilities	22,031	—	22,031	—	—
Senior unsecured convertible debentures	158,523	8,225	150,298	—	—
Exchangeable debentures	25,593	25,593	—	—	—
Term facility	448,828	19,028	37,586	36,962	355,253
Lease liabilities	35,169	11,618	15,953	5,287	2,311
Total Contractual Obligations	945,315	319,635	225,868	42,249	357,564

[1] Contractual payments in the table above include fixed rate interest payments but exclude variable rate interest payments and are not discounted.

Recent Transactions

Acquisition of Brand Representation Rights

In March 2022, we acquired certain Peanuts brand representation rights in Asia Pacific, including China, beginning July 2022. The total purchase price was $11.2 million of which $3.3 million was paid on March 31, 2022, and equal installments of $0.4 million will be paid monthly from April 2022 through to December 2022. The remaining $3.7 million will be paid over the period through March 31, 2023, subject to achieving certain financial performance conditions. This investment is consistent with our strategy of consolidating representation rights under our global licensing agency, WildBrain CPLG, to grow our consumer products business.

Share Capital

As at June 30, 2022, our issued and outstanding share capital was as follows:

Common Voting Shares	31,668,243
Variable Voting Shares	141,440,425
Total Common Shares	173,108,668
Preferred Variable Voting Shares	500,000,000
Stock Options	4,308,800
Restricted Share Units	4,691,764
Performance Share Units	2,737,467
Deferred Share Units	2,582,342

Pursuant to WildBrain's articles of incorporation and the *Broadcasting Act (Canada)*, the Common Voting Shares may only be held and controlled by Canadians, and the Variable Voting Shares may only be held and controlled by non-Canadians. The dual-class share structure is required to enable the Company to comply with Canadian ownership rules as an operator of broadcast assets in Canada. The preferred variable voting shares were instituted prior to the Company's initial public offering and are maintained to ensure compliance with Canadian ownership requirements related to its business and continuing qualification for tax credits. For additional information on WildBrain's share capital, see our Fiscal 2022 AIF dated September 13, 2022 filed on www.sedar.com.

Off-Balance Sheet Arrangements

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

Related Party Transactions

Exchangeable Debentures

As part of the Exchangeable Debentures issued described under "Recent Transactions - Issuance of Exchangeable Debentures" section of this MD&A, on June 24, 2020, we issued US$12.2 million of Exchangeable Debentures to Fine Capital, our largest shareholder, with a further commitment of US$6.3 million, which was subsequently drawn on March 4, 2021. The Exchangeable Debentures mature on June 24, 2023 and are convertible to Variable Voting Shares at a price of US$1.072855 per Variable Voting Share. Concurrently, we issued Fine Capital warrants to purchase 5,000,000 Variable Voting Shares at a price of $1.45 per share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires Management to make estimates, judgments, and assumptions that Management believes are reasonable based upon the information available. These estimates, judgments, and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year or period. Actual results can differ from those estimates (refer to the section "Caution Regarding Forward-Looking Statements" of this MD&A for more information regarding forward-looking information). For a discussion of all of the Company's accounting policies, refer to note 3 of the audited consolidated financial statements for the year ended June 30, 2022 on www.sedar.com or WildBrain's website at www.wildbrain.com.

Significant accounting judgments and estimation uncertainty

The preparation of financial statements under IFRS require the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The Company's significant accounting judgments and estimation uncertainty are as described in the Company's Fiscal 2022 notes to the consolidated financial statements.

Changes in Accounting Policies

There were no changes in accounting policies in Q4 2022.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash and restricted cash, amounts receivable, bank indebtedness (when drawn), interim production financing, accounts payable and accrued liabilities, long-term debt, and certain items included within other liabilities. The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, liquidity risk, and currency risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counter-party to a financial asset or liability fails to meet its contractual obligations, and arises primarily from the Company's cash and cash equivalents, and credit exposure to customers and partners through outstanding trade receivables and other receivables.

The maximum exposure to credit risk for cash and cash equivalents and trade receivables (excluding government and film tax credit receivables) approximate the amount recorded on the consolidated balance sheets of $336.0 million (June 30, 2021- $273.7 million). We manage credit risk on cash and cash equivalents by ensuring that the counter-parties are banks, governments and government agencies with high credit ratings.

The balance of trade amounts receivable is mainly with Canadian broadcasters and large international distribution companies. Management manages credit risk by performing a credit assessment on new customers and regularly reviewing aged accounts receivables. To determine the loss allowance for trade receivables, management assessed the lifetime expected credit losses of customers by categorizing these customers into different risk profile groups and applying provision percentages based on historical loss rates and management's experience and judgment. The loss allowance for trade receivables represents approximately 5.7% of current trade receivables which management believes is adequate. Further, long-term receivable arrangements are only granted to large international linear and digital broadcasting companies with good payment history.

To manage the risk of non-collection, we have increased our collection efforts with customers, risk-adjusted certain customers when determining a loss allowance, and in some limited cases provided customers with payment plans on past due amounts. The majority of our other customers are large Canadian and international broadcasters, or large international distribution companies, and we have very good collection histories with these clients.

Based on collections subsequent to the current quarter, and discussions with customers, we believe that the loss provision is adequate as at June 30, 2022.

Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, Revolving Facility, Term Debt Facility and cash and cash equivalents which are subject to interest rate benchmarks that fluctuate such as prime rate, LIBOR rate, bankers acceptance rates, and other applicable interest rate benchmarks.

During Q4, 2021, the Company entered into a 3-year term interest swap maturing on June 28, 2024, which secures US$165.0 million of the Term Loan from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24%. Management will continue to monitor the interest rate risk closely and ensure appropriate measures are implemented.

An increase of 100 basis points in interest rates during the year ended June 30, 2022 would have decreased net income by $5.8 million (June 30, 2021 - $5.4 million).

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they come due. We manage liquidity by regularly preparing cash flow forecasts, and continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. A summary of the Company's financial liabilities and their contractual maturities can be found in the "Contractual Obligations" section of this MD&A.

We operate a diverse range of business lines, including animation and live-action production studios, linear and digital content distribution, consumer products licensing and representation, advertising sales and linear broadcasting. While the operating results may experience variability from period to period, operating cash flows are generally predictable based on our production and content pipeline, contract renewals, royalty agreements and associated minimum guarantees, and television subscriber fees. Significant cash outlays for investments are made after assessing return on investment and timing of cash flows.

As discussed above, all of our significant business units are cash flow positive over the course of a year, while there are fluctuations during the year. We frequently review our cash flows by business unit and actions are taken if and when necessary.

As at June 30, 2022, we had cash balances of $59.9 million and amounts receivable of $334.5 million. Based on our cash balances and available credit facilities, expected collection of trade and other receivables, and forecasted operating results, management believes it will be able to fulfill its financial obligations as they become due.

Under our Revolver, when amounts are drawn and outstanding at the end any fiscal quarter, we are required to comply with a leverage covenant of 6.75x, declining to 6.25x for the quarter ending September 30, 2023 and thereafter. As at June 30, 2022, our Total Net Leverage Ratio was 4.45x.

Currency risk

The Company has global operations which require holding cash and working capital balances, generating revenue and incurring costs in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. We periodically enter into foreign exchange forward contracts to manage our foreign exchange risk across our portfolio of currencies which are primarily denominated in Canadian dollar, US dollar and GBP.

A 10% strengthening of Canadian dollars against US dollars at June 30, 2022 would have increased net income by $36.3 million (June 30, 2021 - $35.2 million).

Risk Assessment

The Company is exposed to a number of specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that we do not currently anticipate will be material, may impair our business and results of operations and as a result could materially impact our business, results of operations, prospects, and financial condition. The specific and general risks include, but are not limited to the following: epidemics, pandemics or other public health crises, including the current outbreak of COVID-19, the magnitude and length of economic disruption as a result of the worldwide COVID-19 outbreak and its impact on advertising markets and the consumer products and retail sectors including, among other things, supply chain disruptions which could materially and adversely impact the Company's business, financial condition, and performance, competition and competitor activities, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, the Company's ability to source IP and creative talent who can develop IP, consumer and customer preferences, the ability of the Company to execute on its strategy, the Company's leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company (as and where applicable), the ability of the Company to identify and execute on production, distribution and licensing arrangements, dependence on key third party relationships and partnerships, termination or renegotiation of contracts, litigation or regulatory or arbitral action, unauthorized disclosure of confidential, proprietary or sensitive information, cybersecurity and informational technology incidents and issues, internal conflicts of interest, financial reporting and other public company regulatory obligations and potential errors therein, the ability of the Company to attract and retain talent, reliance on key personnel, risks relating to the Company's exposure to advertising revenues through YouTube and the ability of the Company to attract and realize on advertising revenues, including through YouTube and on other platforms, adverse publicity, risks related to doing business internationally, interest and foreign exchange rates fluctuations, the reliance of the Company on the Internet and other technologies to continue to conduct its business, technology changes, intellectual property infringement and other claims, the ability of the Company to exploit its content library, access to capital, maintaining effective internal controls, equity capital markets risk and market share price fluctuations, loss of Canadian status, access to government incentives, subsidies, and tax credits, loss of television licenses, the availability of acquisition and investment opportunities at acceptable valuations and the ability to execute on such opportunities, production risks, financial risks and dilution from the Company's capital requirements, labour relations, changes in the regulatory environment, general economic and market segment conditions, recessions, market factors, and catastrophic events and circumstances.

Current disruptions caused by COVID-19 in global supply chains including in China, are affecting the retail sector and could impact our consumer products business at retail. As supply chain interruptions recover, we expect our Peanuts franchise to remain resilient, supported by new content. Management continues to monitor market conditions and potential risks, however, the circumstances and extent to which COVID-19 impacts our operations are evolving and may require the Company to reinstate business protection measures.

The recent invasion of Ukraine by Russia and associated political and economic repercussions (including, but not limited to, sanctions and restrictions on international payment services) subject the Company and its business to a number of known and unknown risks. The Company's decision to suspend licensing of owned content and brands in Russia, and the decision of third parties whom the Company represents in Russia to suspend licensing of their content and brands in Russia, could negatively impact revenues attributable to such commercial arrangements, however currently this is not expected to have a material impact on the company. Additionally, the Company's business and financial results may be materially and adversely impacted due to other factors arising from such situation, including, but not limited to, non-collectability of receivables, significant delays in exports or imports, supply chain interruptions in general, the potential effect of bans and other sanction programs, further boycotts on business, other political and social ramifications, impacts on financial markets and general economic effects, and patterns of consumption and service.

A discussion of the specific and general risks affecting the Company and its business is set forth under the heading "Risk Factors" in the Company's Fiscal 2022 Annual Information Form which is available on SEDAR at www.sedar.com. The descriptions of the risks in the Annual Information Form, together with the risks discussed in this MD&A, do not include all possible risks, and there may be other risks of which the Company is currently not aware or is not presently anticipating that may arise and have a material adverse effect on the Company's business, results of operations, prospects, financial condition, financial performance and cash flows.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information is gathered and reported to senior Management to permit timely decisions regarding public disclosure and to provide reasonable assurance that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules.

The CEO and the CFO have also designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

In its annual filings dated September 13, 2022, the CEO and the CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures, and internal control over financial reporting, concluded that as at June 30, 2022, both the Company's disclosure controls and procedures, and internal control over financial reporting were effective. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in internal controls over financial reporting during the period ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Non-GAAP Financial Measures

In addition to the results reported in accordance with IFRS as issued by the International Accounting Standards Board, the Company uses various non-GAAP financial measures, which are not recognized under IFRS, as supplemental indicators of our operating performance and financial position. These non-GAAP financial measures are provided to enhance the user's understanding of our historical and current financial performance and our prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of our core operating results and ongoing operations and provide a consistent basis for comparison between periods. The following discussion explains the Company's use of certain non-GAAP financial measures, which are Adjusted EBITDA, Adjusted EBITDA attributable to the Shareholders of the Company, Gross Margin and Free Cash Flow.

Investors are cautioned that these non-GAAP financial measures should not be construed as an alternative measure to net income or loss, or other measures as determined in accordance with GAAP, or as an indicator of the Company's financial performance or a measure of liquidity and cash flows.

"Adjusted EBITDA" means earnings (loss) before net finance costs, income taxes, amortization of property & equipment and right-of-use and intangible assets, amortization of acquired and library content, equity-settled share-based compensation expense, changes in fair value of embedded derivatives, gain/loss on foreign exchange, reorganization, development and other expenses, impairment of certain investments in film and television programs/acquired and library content/P&E/intangible assets/goodwill, and also includes adjustments for other identified charges, as specified in the accompanying tables. Adjusted EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes that certain lenders, investors and analysts use Adjusted EBITDA to measure a company's ability to service debt and meet other payment obligations, and as a common valuation measurement in the media and entertainment industry. Further, certain of our debt covenants use Adjusted EBITDA in the calculation. The most comparable GAAP measure is earnings before income taxes.

"Adjusted EBITDA attributable to the Shareholders of the Company" means Adjusted EBITDA excluding the portion of Adjusted EBITDA attributable to non-controlling interests.

"Gross Margin" means revenue less direct production costs and expense of film and television produced. Gross Margin is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP; accordingly, Gross Margin may not be comparable to similar measures presented by other issuers. Management believes Gross Margin is a useful measure of profitability before considering operating and other expenses and can be used to assess the Company's ability to generate positive net earnings and cash flows. The most comparable GAAP measure is gross profit, as calculated below.

"Free Cash Flow" means operating cash flow less distributions to non-controlling interests, changes in interim production financing, cash interest paid on our long-term debt, bank indebtedness, and lease liabilities, and principal repayments on our lease liabilities. Free Cash Flow does not have a standardized meaning prescribed by GAAP; accordingly, Free Cash Flow may not be comparable to similar measures presented by other issuers. Management believes Free Cash Flow is a useful measure of the Company's ability to repay debt, finance strategic business acquisitions and investments, pay dividends, and repurchase shares. The most comparable GAAP measure is cash from operating activities.

Reconciliation of Quarterly and Annual Results to Adjusted EBITDA and Adjusted EBITDA attributable to the Shareholders of the Company

The following table reconciles income (loss) before income taxes to Adjusted EBITDA, and to Adjusted EBITDA attributable to the Shareholders of the Company, for each three-month period ending and fiscal year ending as follows:

	Fiscal 2022				Fiscal 2021				Fiscal 2022	Fiscal 2021
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
(expressed in $000s)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep		
Income (loss) before income taxes	(3,842)	30,399	14,003	(10,355)	12,845	(23,308)	26,981	3,293	30,205	19,811
add back:										
Finance costs, net	7,902	2,489	10,106	9,989	9,943	12,958	9,481	9,757	30,486	42,139
Change in fair value of embedded derivatives	(20,251)	(2,300)	3,274	5,561	(6,593)	23,501	5,629	3,669	(13,716)	26,206
Foreign exchange	16,381	(6,237)	(1,412)	13,022	(5,436)	(97)	(14,302)	(5,144)	21,754	(24,979)
Amortization of P&E and intangible assets	5,235	5,848	5,626	7,270	5,733	6,002	5,584	5,605	23,979	22,924
Amortization of acquired and library content	2,564	2,562	2,553	2,562	2,789	2,851	2,750	2,710	10,241	11,100
Write-down of certain investment in film and television programs, acquired and library content, P&E, intangible assets, and goodwill	1,507	—	—	(719)	1,137	346	6,349	—	788	7,832
Share-based compensation	1,523	1,725	2,133	2,033	716	786	975	2,598	7,414	5,075
Reorganization, development and other (income) expenses	3,962	1,428	1,733	(842)	2,355	1,926	1,643	2,688	6,281	8,612
Adjusted EBITDA	**14,981**	**35,914**	**38,016**	**28,521**	**23,489**	**24,965**	**45,090**	**25,176**	**117,432**	**118,720**
Portion of Adjusted EBITDA attributable to non-controlling interests[1]	(3,555)	(5,764)	(10,699)	(8,664)	(4,303)	(7,758)	(15,965)	(7,639)	(28,682)	(35,665)
Adjusted EBITDA attributable to the Shareholders of the Company	**11,426**	**30,150**	**27,317**	**19,857**	**19,186**	**17,207**	**29,125**	**17,537**	**88,750**	**83,055**

[1]Portion of Adjusted EBITDA attributable to non-controlling interests is calculated as net income attributable to non-controlling interests, less interest, taxes, depreciation and amortization attributable to non-controlling interests.

Reconciliation of Quarterly and Annual Results to Gross Margin

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

	Fiscal 2022				Fiscal 2021				Fiscal 2022	Fiscal 2021
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1		
(expressed in $000s)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep		
Revenue	112,005	129,458	153,164	112,596	112,612	102,198	142,269	95,455	507,223	452,534
less: Direct production costs and amortization of film and television produced	(69,306)	(65,776)	(89,527)	(61,053)	(66,674)	(58,264)	(80,505)	(52,204)	(285,662)	(257,647)
Gross Margin	**42,699**	**63,682**	**63,637**	**51,543**	**45,938**	**43,934**	**61,764**	**43,251**	**221,561**	**194,887**

Reconciliation of Quarterly and Annual Operating Cash Flow to Free Cash Flow

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

	Fiscal 2022				Fiscal 2021					
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Fiscal**	**Fiscal**
(expressed in $000s)	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**2022**	**2021**
Cash flow provided by operating activities	(6,470)	39,661	11,259	(11,350)	22,688	22,052	41,368	19,572	33,100	105,680
less:										
Distributions to non-controlling interests	(4,449)	(13,006)	(11,355)	(4,799)	(5,344)	(11,091)	(10,802)	(4,220)	(33,609)	(31,457)
Change in interim production financing	14,084	(11,098)	7,498	8,348	6,720	(3,754)	1,514	(5,765)	18,832	(1,285)
Interest paid	(5,727)	(5,244)	(5,645)	(9,606)	(7,771)	(8,064)	(6,234)	(9,937)	(26,222)	(32,006)
Repayment of lease liabilities	(2,169)	(2,245)	(2,562)	(2,519)	(2,416)	(2,413)	(2,308)	(2,305)	(9,495)	(9,442)
Free Cash Flow	**(4,731)**	**8,068**	**(805)**	**(19,926)**	**13,877**	**(3,270)**	**23,538**	**(2,655)**	**(17,394)**	**31,490**

Additional Information

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