Q1 2023

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of November 9, 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 September 30, 2022 compared to June 30, 2022, and the consolidated results of operations for the three-month period ended September 30, 2022 compared with the corresponding periods ended September 30, 2021. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended September 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 unaudited interim condensed 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 revenue,
- 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 and strategies of streaming platforms;
- 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 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;
- 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 impacts on the Company's consumer-products business through supply-chain disruptions;
- 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 COVID-19, and its consumer products and retail sectors through 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

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 SEGA and 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 TV+, 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, what we estimate to be 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.

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. The strategic value of WildBrain Spark's massive audience engagement and its insights extend our ability 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 well-known IP. Our content-driven strategy focuses on providing both new content development of 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 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 focused on executing against 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, 360º 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 Fiscal Year 2023 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

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 Three-Months Ended September 30, 2022 ("Q1 2023")

- Consolidated revenue was $126.7 million in Q1 2023, compared to $112.6 million in Q1 2023, an increase of $14.1 million or 12%. Higher revenue reflected growth across our content-driven businesses in Content Production and Distribution.

- Content Production and Distribution revenue of $52.8 million in Q1 2023 increased by $15.2 million, compared to $37.6 million in Q1 2022. The increase was driven by higher revenue from premium projects including, *Caillou Specials,* and *Malory Towers* as well as a ramp-up in live action productions, in the current quarter.

- WildBrain Spark revenue was $11.6 million in Q1 2023, a decrease of 25% from $15.4 million in Q1 2022, driven by softer advertising revenue due to macroeconomic headwinds. Kids continued to be highly engaged on WildBrain Spark, particularly in our brands, attracting over 45 billion views across 7+ billion minutes of videos watched on our network in Q1 2023.

- Consumer Products revenue grew 7% to $52.1 million in Q1 2023, an increase of $3.6 million, compared to $48.5 million in Q1 2022. Higher revenue was due to continuation of strong licensing royalties from our Peanuts franchise, supported by consistent output of content on Apple TV+ and the synergies of our vertically integrated licensing business.

- Net loss attributable to WildBrain was $7.6 million in Q1 2023, an improvement of $13.8 million, compared to net loss attributable to WildBrain of $21.4 million in Q1 2022. The improvement was primarily driven by higher gross margin dollars[1], lower finance costs, lower change in fair value of embedded derivatives, offset by higher distribution to non-controlling interests and higher SG&A to support growth initiatives.

- Adjusted EBITDA attributable to WildBrain[1] increased to $19.9 million in Q1 2023, consistent with $19.9 million in Q1 2022. This was primarily due to higher gross margins dollars reflecting growth across our Content businesses, offset by higher SG&A to support growth initiatives expect SG&A to moderate over the balance of the year as we begin to harvest the returns on investments we have made for sustained growth.

- Cash provided by operating activities in Q1 2023 was $23.3 million, compared to $11.4 million provided by operating activities in Q1 2022. Free Cash Flow[2] for Q1 2023 was negative $8.9 million, compared to negative $19.9 million in Q1 2022, reflecting the growth in accounts receivables associated with larger deals and timing of working capital settlements as well as additional SG&A to support growth initiatives.

- Subsequent to the quarter, WildBrain amended its credit agreement (the "Credit Agreement") to increase its revolving credit facility (the "Revolving Facility") from US$30.0 million to US$40.0 million, with an interest rate of SOFR (Secured Overnight Financing Rate) plus 4%, based on the applicable form of borrowing. The new SOFR benchmark rate replaces the LIBOR rate which is being discontinued.

[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 September 30, 2022 and 2021 has been derived from the Company's unaudited interim condensed 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	
(expressed in $000s, except per share data)	September 30, 2022	September 30, 2021
Consolidated Statements of (Loss) Income Data:		
Revenues	126,652	112,596
Direct production costs and expense of film and television produced	(71,375)	(61,053)
Gross margin[1]	55,277	51,543
Selling, general, and administrative	(25,728)	(23,022)
Share-based compensation	(1,327)	(2,033)
Write-down of investment in film and television programs and acquired and library content, property and equipment, intangible assets and goodwill	—	719
Amortization, finance costs and other expenses, net	(25,416)	(37,562)
Income tax recovery (expense)	932	(3,000)
Net income (loss) for the period	3,738	(13,355)
Net (income) loss attributable to non-controlling interests	(11,310)	(8,041)
Net income (loss) attributable to the Shareholders of the Company	(7,572)	(21,396)
Basic (loss) earnings per common share	(0.04)	(0.12)
Diluted (loss) earnings per common share	(0.06)	(0.12)
Weighted average common shares outstanding (in 000s)		
Basic	173,113	171,969
Diluted	190,354	171,969
Other Key Performance Measures:		
Adjusted EBITDA attributable to the Shareholders of the Company[1]	19,870	19,857
Cash flow provided by (used in) operating activities	(23,324)	(11,350)
Free Cash Flow[1]	(8,889)	(19,926)

	As at September 30, 2022	As at June 30, 2022
Consolidated Balance Sheet Data:		
Total assets	1,306,808	1,219,174
Total liabilities	965,442	903,771
Shareholders' equity	341,366	315,403

[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 holiday season.

	Fiscal 2023	**Fiscal 2022**				**Fiscal 2021**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
(expressed in $000s except per share data)	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**
Revenues	126,652	112,005	129,458	153,164	112,596	112,612	102,198	142,269
Gross margin[1]	55,277	42,699	63,682	63,637	51,543	45,938	43,934	61,764
Net (loss) income attributable to the Shareholders of the Company	(7,572)	1,140	21,295	4,601	(21,396)	11,410	(26,524)	11,344
Adjusted EBITDA attributable to the Shareholders of the Company[1]	19,870	11,426	30,150	27,317	19,857	19,186	17,207	29,125
Weighted average common shares outstanding (in 000s)								
Basic	173,113	173,073	172,936	176,721	171,969	171,761	171,354	171,001
Diluted	190,354	214,918	197,160	183,896	171,969	177,246	171,354	173,919
Basic (loss) earnings per common share	(0.04)	0.01	0.12	0.03	(0.12)	0.07	(0.15)	0.07
Diluted (loss) earnings per common share	(0.06)	(0.08)	0.11	0.03	(0.12)	0.06	(0.15)	0.07

[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 September 30, 2022 ("Q1 2023") compared to the three-months ended September 30, 2021 ("Q1 2022")

Revenues

Consolidated revenue increased $14.1 million to $126.7 million in Q1 2023 compared to Q1 2022. Revenue by business segment was comprised of the following:

	Q1 2023	Q1 2022	Variance	
(expressed in $000s)	$	$	$	%
Content Production and Distribution	52,761	37,568	15,193	40 %
WildBrain Spark	11,617	15,406	(3,789)	(25)%
Consumer Products	52,101	48,471	3,630	7 %
Content Business	116,479	101,445	15,034	15 %
Canadian Television Broadcasting	10,173	11,151	(978)	(9)%
Total Revenue	126,652	112,596	14,056	12 %

Content Production and Distribution: Revenue increased $15.2 million, or 40% to $52.8 million in Q1 2023, compared to $37.6 million in Q1 2022. Higher revenue was driven by multiple agreements with distribution partners, including Netflix and Apple TV+, drawing on a pipeline of premium projects including, *Caillou Specials,* and *Malory Towers,* as well as a ramp-up in live action productions, in the current quarter.

WildBrain Spark: Revenue decreased by $3.8 million, or 25%, to $11.6 million in Q1 2023, compared to $15.4 million in Q1 2022, driven by softer advertising revenue due to macroeconomic headwinds. Kids continued to be highly engaged on WildBrain Spark, particularly in our brands, attracting over 45 billion views across 7+ billion minutes of videos watched on our network in Q1 2023.

Consumer Products: Revenue increased $3.6 million, or 7%, to $52.1 million in Q1 2023, compared to $48.5 million in Q1 2022. Revenue was higher due to the continued strength of the Peanuts franchise, supported by consistent output of content on Apple TV+ and the synergies of our vertically integrated licensing business.

Canadian Television Broadcasting: Revenue decreased $1.0 million or 9% to $10.2 million in Q1 2023, compared to $11.2 million in Q1 2022, reflecting subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was at 91%, or $9.3 million (Q1 2022 - 88%, or $9.8 million), while advertising, promotion, digital and other revenues were at 9%, or $0.9 million (Q1 2022 - 12%, or $1.3 million).

Gross Margin

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

	Q1 2023		Q1 2022	
(expressed in $000s, except percentages)	Gross Margin $	Gross Margin %	Gross Margin $	Gross Margin %
Content Business	48,723	42 %	43,760	43 %
Canadian Television Broadcasting	6,554	64 %	7,783	70 %
Total Gross Margin	55,277	44 %	51,543	46 %

Consolidated gross margin for Q1 2023 was $55.3 million, an increase of $3.7 million, compared to $52.0 million for Q1 2022. Gross margin percentage for Q1 2023 was 44% of revenue, compared to 46% in Q1 2022.

Content Business gross margins was at $48.7 million in Q1 2023, compared with $43.8 million in Q1 2022. Gross margin percentage for Q1 2023 was 42%, compared with 43% in Q1 2022. The lower gross margin percentage was driven by a step up in live action productions which carries a lower margin.

Canadian Television Broadcasting gross margin was $6.6 million in Q1 2023, compared to $7.8 million in Q1 2022. We continue our cost containment measures and utilize our large library to control content costs. Gross margin percentage for Q1 2023 was 64%, compared to 70% in Q1 2022, 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 Q1 2023 were $25.7 million, compared to $23.0 million for Q1 2022, an increase of $2.7 million or 12%. Q1 2023 included higher costs for growth initiatives, consulting fees and salary expense (including variable compensation), of $0.6 million, $0.5 million, and $1.6 million, respectively.

Share-Based Compensation

Total share-based compensation was $1.3 million in Q1 2023, a decrease of $0.7 million, compared to $2.0 million for Q1 2022. This was driven by decreases in grants of Deferred Shared Units ("DSU"), offset by increases 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 $8.6 million for Q1 2023, compared with $9.8 million in Q1 2022.

Amortization of acquired and library content was $2.3 million in Q1 2023, compared to $2.6 million in Q1 2022.

Amortization of P&E was $2.7 million in Q1 2023, compared with $4.6 million in Q1 2022.

Amortization of intangible assets was $3.6 million in Q1 2023, compared with $2.7 million in Q1 2022.

Reorganization, Development and Other

Reorganization, Development and Other expenses were $1.6 million in Q1 2023, compared to a recovery of $0.8 million in Q1 2022. Q1 2023 included other charges of $0.2 million, relocation costs of $0.3 million and termination and other benefits of $1.1 million. (Q1 2022 - included recovery of $4.1 million in legal fees related to the litigation settlement with former employees (among others), offset by termination and other benefits of $1.6 million, relocation costs of $0.9 million (includes net lease termination costs of $0.6 million and $0.3 million of moving cost) and other charges of $0.7 million).

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

During Q1 2023, there were no write-downs or impairment charges recorded, compared to a reversal of an impairment of right-of-use asset of $0.7 million in Q1 2022.

Finance Costs, net

Net finance costs were $8.8 million in Q1 2023, compared to $10.0 million in Q1 2022. The decrease was primarily driven by the gain on interest rate swap, compared to Q1 2022.

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 $6.0 million in Q1 2023, compared to a loss of $5.6 million in Q1 2022, due to the lower stock price.

Foreign Exchange (Gain) Loss

Foreign exchange loss was $12.5 million in Q1 2023, compared to a loss of $13.0 million in Q1 2022. 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 $19.9 million in Q1 2023, consistent with $19.9 million in Q1 2022. The increase was driven by higher gross margin dollars of $3.7 million, offset by higher SG&A of $2.7 million to support growth initiatives, and higher portion of Adjusted EBITDA attributable to non-controlling interests of $1.0 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 Q1 2023 was $0.9 million, compared to expense of $3.0 million in Q1 2022. 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 loss attributable to the Shareholders of the Company for Q1 2023 was $7.6 million, compared to a net loss of $21.4 million for Q1 2022, an improvement of $13.8 million. The improvement was primarily driven by higher gross margin dollars of $3.7 million, change in fair value of embedded derivatives of $11.6 million, lower foreign exchange loss of $0.6 million, lower share-based compensation of $0.7 million, offset by higher SG&A of $2.7 million to support growth initiatives and lower portion of net income attributable to non-controlling interests of $3.3 million, in the current quarter.

Comprehensive income was $27.0 million for Q1 2023, compared to loss of $0.8 million for Q1 2022.

Basic and diluted loss per share of $0.04 and 0.06, respectively, in Q1 2023, compared to basic and diluted loss per share of $0.12, in Q1 2022.

Financial Condition

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

(expressed in $000s, except ratio data)	September 30, 2022 $	June 30, 2022 $
Cash (including restricted cash)	70,839	68,734
Amounts receivable	394,830	334,450
Investment in film and television programs	165,982	163,563
Acquired and library content	95,520	92,732
Intangible assets	466,614	448,947
Other assets	113,023	110,748
Total assets	1,306,808	1,219,174
Accounts payable, accrued and derivative liabilities	168,288	180,956
Interim production financing	112,527	84,235
Long-term debt	530,768	504,139
Lease liabilities	35,143	36,239
Deferred revenue	70,387	58,116
Other liabilities	26,937	30,999
Total liabilities	965,442	903,771
Shareholders' equity	341,366	315,403
Working capital[1]	131,148	121,628
Working capital ratio[2]	1.32	1.33
Net debt[3]	481,321	444,492

[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 $1,306.8 million at September 30, 2022, an increase of $87.6 million, compared to $1,219.2 million at June 30, 2022. The increase was primarily driven by higher amounts receivable of $60.4 million due to larger production and distribution deals, an increase in acquired and library content of $2.8 million, an increase in other assets of $2.3 million, an increase in intangible assets of $17.7 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, and increase in investment in film and television programs of $2.4 million.

Total liabilities were $965.4 million at September 30, 2022, an increase of $61.7 million, compared to $903.8 million as at June 30, 2022. The increase was primarily due to higher long-term debt of $26.6 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 of $28.3 million, bank indebtedness of $12.3 million, and deferred revenue of $12.3 million, offset by accounts payable and accrued liabilities, lease liabilities and other liabilities of $12.7 million, $1.1 million, and $4.1 million, respectively.

Shareholders' equity was $341.4 million as of September 30, 2022, an increase of $26.0 million, compared to $315.4 million at June 30, 2022.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended	
	September 30, 2022	September 30, 2021
	$	$
Cash Inflows (Outflows) by Activity:		
Operating activities	(23,324)	(11,350)
Financing activities	25,736	(9,392)
Investing activities	(1,936)	(1,575)
Effect of foreign exchange rate changes on cash	1,629	833
Net cash inflows	2,105	(21,484)

Changes in Cash (including Restricted Cash)

Cash (including restricted cash) at September 30, 2022 was $70.8 million, compared to $68.7 million at June 30, 2022. The restricted cash balance of $8.8 million at September 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.

Operating Activities

During Q1 2023, cash used in operating activities was $23.3 million, compared to $11.4 million provided by operating activities in Q1 2022, a decrease of $12.0 million. The decrease was primarily due to timing of settlement of working capital balances and growth initiatives.

Financing Activities

During Q1 2023, cash flows used in financing activities were inflows of $25.7 million, compared to outflows of $9.4 million in Q1 2022. The increase of $35.1 million was primarily driven by lower net change from the distribution to non-controlling interest of $2.6 million, proceeds from bank indebtedness of $12.3 million, and proceeds of interim production financing loans (net) of $20.2 million, compared to Q1 2022.

Investing Activities

During Q1 2023, cash flows used in investing activities were outflows of $1.9 million, compared with outflows of $1.6 million in Q1 2022. The increase of $0.4 million was primarily related to the acquisition of certain brand representation rights in specific territories (see "Recent Transactions" below).

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 of September 30, 2022, $21.4 million (June 30, 2022 - $9.1 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 of September 30, 2022, our Total Net Leverage Ratio was 4.20x.

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%.

LIBOR was discontinued at the end of calendar year 2021. Subsequent to the quarter, the Company amended its Senior Credit Agreement to increase its Revolving Facility to US$40.0 million for general corporate and working capital purposes and replace the LIBOR rate with the new benchmark Secured Overnight Financing Rate ("SOFR") on both its Term Loan and Revolver.

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 of September 30, 2022, the senior unsecured convertible debentures ("Convertible Debentures") had a principal balance of $140.0 million (June 30, 2022 - $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 unaudited interim condensed consolidated statement of (loss) income. As of September 30, 2022, the estimated fair value of the embedded derivative was $1.8 million.

Exchangeable Debentures

On March 4, 2021, the Company drew the remaining US$6.3 million ($7.9 million) on the Exchangeable Debentures. As of September 30, 2022, the Exchangeable Debentures had a principal balance of US$18.5 million or $25.4 million (June 30, 2022 - US$18.5 million, or $23.8 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 unaudited interim condensed consolidated balance sheet. These assets serve as security against the Exchangeable Debentures.

In Q1, 2023, the Company acquired the rights, title and interest of a children's entertainment property using funds from the Exchangeable Debentures for an aggregate price of $1.8 million. These assets were classified as acquired and library content in the unaudited interim condensed consolidated balance sheets. 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 unaudited interim condensed consolidated statement of (loss) income. As of September 30, 2022, the estimated fair value of the embedded derivative was $14.5 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 $131.1 million as at September 30, 2022, compared to $121.6 million at June 30, 2022.

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 equipment, 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 typically limited, however there could be some working capital variations depending on timing of production and collection of the underlying contracts.

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 September 30, 2022:

Payments Due by Period	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
(expressed in $000s)	**$**	**$**	**$**	**$**	**$**
Bank indebtedness	21,392	21,392	—	—	—
Accounts payable and accrued liabilities	153,763	153,763	—	—	—
Interim production financing	112,527	112,527	—	—	—
Other long-term liabilities	21,196	—	21,196	—	—
Senior unsecured convertible debentures	156,450	8,225	148,225	—	—
Exchangeable debentures	26,745	26,745	—	—	—
Term facility	472,315	20,197	39,897	39,233	372,987
Lease liabilities	33,731	11,585	15,713	4,346	2,087
Total Contractual Obligations	998,119	354,434	225,031	43,579	375,074

[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.

In September 2022, the Company acquired the rights, title and interest of a children's entertainment property for an aggregate price of $1.8 million. These assets were classified as acquired and library content in the unaudited interim condensed consolidated balance sheets.

Share Capital

As of September 30, 2022, our issued and outstanding share capital was as follows:

Common Voting Shares	29,866,804
Variable Voting Shares	143,250,131
Total Common Shares	173,116.935
Preferred Variable Voting Shares	500,000,000
Stock Options	3,941,300
Restricted Share Units	4,656,141
Performance Share Units	2,737,467
Deferred Share Units	2,625,062

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 Q1 2023.

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 unaudited interim condensed consolidated balance sheets of $379.4 million (June 30, 2022- $336.0 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 4.7% 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 of September 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 quarter ended September 30, 2022 would have decreased pre-tax net income by $6.5 million (September 30, 2021 - $5.7 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 of September 30, 2022, we had cash balances of $62.1 million and amounts receivable of $394.8 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 September 30, 2022, our Total Net Leverage Ratio was 4.20x.

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 1% strengthening of Canadian dollars against US dollars at September 30, 2022 would have increased pre-tax net income by $3.8 million (September 30, 2021 - $3.6 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 quarterly filings dated November 9, 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 of September 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 September 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 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 as follows:

	Fiscal 2023	Fiscal 2022				Fiscal 2021		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
(expressed in $000s)	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**
Income (loss) before income taxes	2,806	(3,842)	30,399	14,003	(10,355)	12,845	(23,308)	26,981
add back:								
Finance costs, net	8,803	7,902	2,489	10,106	9,989	9,943	12,958	9,481
Change in fair value of embedded derivatives	(6,034)	(20,251)	(2,300)	3,274	5,561	(6,593)	23,501	5,629
Foreign exchange	12,456	16,381	(6,237)	(1,412)	13,022	(5,436)	(97)	(14,302)
Amortization of P&E and intangible assets	6,274	5,235	5,848	5,626	7,270	5,733	6,002	5,584
Amortization of acquired and library content	2,349	2,564	2,562	2,553	2,562	2,789	2,851	2,750
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
Share-based compensation	1,327	1,523	1,725	2,133	2,033	716	786	975
Reorganization, development and other (income) expenses	1,568	3,962	1,428	1,733	(842)	2,355	1,926	1,643
Adjusted EBITDA	**29,549**	**14,981**	**35,914**	**38,016**	**28,521**	**23,489**	**24,965**	**45,090**
Portion of Adjusted EBITDA attributable to non-controlling interests[1]	(9,679)	(3,555)	(5,764)	(10,699)	(8,664)	(4,303)	(7,758)	(15,965)
Adjusted EBITDA attributable to the Shareholders of the Company	**19,870**	**11,426**	**30,150**	**27,317**	**19,857**	**19,186**	**17,207**	**29,125**

[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 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 as follows:

	Fiscal 2022	Fiscal 2022				Fiscal 2021		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
(expressed in $000s)	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**	**30-Sep**	**30-Jun**	**31-Mar**	**31-Dec**
Revenue	126,652	112,005	129,458	153,164	112,596	112,612	102,198	142,269
less: Direct production costs and amortization of film and television produced	(71,375)	(69,306)	(65,776)	(89,527)	(61,053)	(66,674)	(58,264)	(80,505)
Gross Margin	**55,277**	**42,699**	**63,682**	**63,637**	**51,543**	**45,938**	**43,934**	**61,764**

Reconciliation of Quarterly 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 as follows:

	Fiscal 2023	Fiscal 2022				Fiscal 2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(expressed in $000s)	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec
Cash flow provided by operating activities	(23,324)	(6,470)	39,661	11,259	(11,350)	22,688	22,052	41,368
less:								
Distributions to non-controlling interests	(2,378)	(4,449)	(13,006)	(11,355)	(4,799)	(5,344)	(11,091)	(10,802)
Change in interim production financing	28,292	14,084	(11,098)	7,498	8,348	6,720	(3,754)	1,514
Interest paid	(9,148)	(5,727)	(5,244)	(5,645)	(9,606)	(7,771)	(8,064)	(6,234)
Repayment of lease liabilities	(2,331)	(2,169)	(2,245)	(2,562)	(2,519)	(2,416)	(2,413)	(2,308)
Free Cash Flow	**(8,889)**	**(4,731)**	**8,068**	**(805)**	**(19,926)**	**13,877**	**(3,270)**	**23,538**

Additional Information

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