WildBrain
Fiscal 2027 Q1 Earnings
Conference Call Transcript

(edited)

Date: **November 12, 2026**

Time: **10:00 AM ET**

Speakers: **Josh Scherba**
CEO

Nick Gawne
CFO

Kathleen Persaud
VP, IR

Operator:
Thank you for standing by. This is the conference operator.

Welcome to WildBrain's Fiscal 2027 First Quarter Earnings Conference Call.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may reach an operator by pressing star, then zero.

I would now like to turn the conference over to Kathleen Persaud, VP of Investor Relations. Please go ahead.

Kathleen Persaud:
Thank you, everyone, for joining us today for WildBrain's First Quarter 2027 Earnings Call. Joining me today are Josh Scherba, our President and CEO, and Nick Gawne, our CFO.

Before we begin, please note the matters discussed on this call include forward-looking statements under applicable securities laws, which reflects WildBrain's current expectations of future events. Such statements are based on a number of factors and assumptions that Management believes are reasonable at the time they were made and information currently available. Many of these factors and assumptions are subject to risks and uncertainties beyond WildBrain's control, which could cause actual results and events to differ materially from those that are disclosed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, changes in general economic, business and political conditions. WildBrain undertakes no obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

Please note, all currency numbers are in Canadian dollars unless otherwise stated.

After our remarks, we will open the call for questions.

I'll now turn the call over to our President and CEO, Josh Scherba.

© 2026 WildBrain

Josh Scherba:
Thanks for joining us today.

Fiscal 2027 is about executing against the strategy we outlined at year end. Following the major portfolio and balance sheet actions completed in fiscal 2026, WildBrain is now focused on three operating platforms: Franchise and Global Licensing, Content and the WildBrain Network.

In the first quarter, our focus was on advancing the go-forward business while beginning the targeted investment program we discussed last quarter. Following our fourth quarter call, we heard a consistent message from investors. There is strong interest in gaining further insight into our approximately $30 million planned investment program. Today, we will provide additional detail on the composition and strategic priorities of the program, the return objectives for each investment area and how these investments support our longer-term growth and free cash flow ambitions. We will also provide additional perspective on the operating drivers across each business and the milestones we will use to evaluate our progress.

Our first quarter results reflected continued momentum in Strawberry Shortcake and Teletubbies, growth in FAST and progress in expanding our direct advertising relationships. These gains were partly offset by the Paramount change discussed last quarter and the timing of content production activity, which affected year-over-year comparisons.

Importantly, the first quarter is not indicative of the earnings profile we expect for the full year. Our licensing and advertising businesses are seasonally weighted toward the second quarter, while contracted content production activity varies with the timing of productions. These factors support our confidence in our fiscal 2027 guidance, and we remain focused on executing against our plan.

Nick will discuss quarterly financial results, our outlook and the financial implications of our investment program. Before that, I'll review our operating performance and progress across each of the three business platforms.

Starting with Franchise and Global Licensing, we continue to see positive momentum across our own brand portfolio, led by Strawberry Shortcake and Teletubbies. Combined revenue from these two brands grew double digits year-over-year, reflecting continued growth across our own brands.

© 2026 WildBrain

WildBrain CPLG's reported results were affected by the Paramount headwind discussed last quarter. Excluding Paramount, CPLG revenue increased 9% year-over-year, supported by growth across our third-party brands portfolio. We expect the Paramount headwind to continue through fiscal 2027.

Our focus is on offsetting this impact by expanding CPLG's third-party partner portfolio and converting its licensing pipeline into new revenue opportunities. Recent engagement at Brand Licensing Europe, China Licensing Expo and this week's North American Licensing Summit reinforces our confidence in the pipeline, although the timing of new partner wins and subsequent revenue recognition will vary.

Strawberry Shortcake continues to benefit from our integrated approach to franchise development, bringing together content, consumer products and marketing to strengthen engagement and expand commercial opportunities. Earlier this month, we launched *Strawberry Shortcake's Bake Shop*, a new animated series on the WildBrain Network that draws inspiration from the brand's original look while introducing Strawberry and her friends to a new generation of fans.

The launch attracted mainstream media attention, including two exclusive earned features on people.com. The series also reached 500,000 views on YouTube within its first 14 days, achieving our initial 28-day target two weeks ahead of schedule. This demonstrates how we are using content to build brand awareness and support long-term consumer products growth as Strawberry Shortcake approaches its 50th anniversary in 2028.

Teletubbies also continues to demonstrate strong brand engagement across Asia through digital campaigns, retail partnerships and live experiences. Recent TikTok Live campaigns generated more than 500 million impressions in Japan over just six days, helping increase awareness and support our broader licensing programs.

We recently launched the first-ever Teletubbies pop-up in Taiwan, featuring approximately 200 products, and partnered with the luxury hotel Aman in Shanghai on a Teletubbies-themed afternoon tea experience. These activations demonstrate the brand's versatility and expand its commercial reach as Teletubbies approaches its 30th anniversary in 2027.

© 2026 WildBrain

Overall, we remain focused on building long-term value of our own brands while strengthening CPLG's position as a global licensing platform to support sustainable revenue and earnings growth.

We are also making progress integrating Personality AI into our Franchise and Global Licensing platform. At Brand Licensing Europe, discussions with brand owners indicated significant interest in kid-safe AI-enabled experiences and their potential to create new consumer engagement and commercial opportunities. This reinforces our view that safety-by-design AI will become an integral part of our licensing capabilities, enabling us to offer partners new ways to engage consumers and deepen fandom through authorized and official AI characters, thereby unlocking additional commercial opportunities.

We believe Personality AI represents an important differentiator for WildBrain, strengthening our offering to both owned and third-party brands through gold-standard COPPA-compliant AI experiences. This positions us to address growing demand for safe, interactive character experiences for kids. Our near-term focus is on integrating the technology, developing commercial use cases and converting partner interest into revenue opportunities.

Turning to Content, we continued to make progress against our production pipeline in the first quarter, including increased live-action activity. We expect contracted production activity to ramp through the balance of the year, supporting our confidence in the full-year outlook. We are also advancing projects in development and pursuing new production opportunities with global broadcasters and streaming platforms.

An important development was our recently announced strategic partnership with 88 Pictures, which combines the creative expertise of WildBrain and House of Cool with 88 Pictures' established CG production capabilities. This partnership strengthens our ability to deliver premium CG animation with greater flexibility and scalability while maintaining creative leadership and core production functions in Canada. It also represents an important step in evolving our production model to better serve our partners and support long-term growth.

Content also remains an integral part of our broader franchise strategy. Our ability to develop and produce high-quality content for owned brands, including Strawberry Shortcake and Teletubbies, helps deepen audience engagement and supports the continued expansion of our global licensing programs.

© 2026 WildBrain

Turning to WildBrain Network, we saw strong growth in FAST during the first quarter, driven primarily by the continued success of Pokémon across our channel network. Pokémon demonstrates the strength of our platform and why leading content owners choose to partner with us. We combine global distribution, established platform relationships and deep audience expertise to build reach, engage audiences and create valuable advertising inventory. As streaming becomes increasingly fragmented, these capabilities position us to aggregate audiences and monetize content at scale.

YouTube continues to play an important role in building audiences and increasing awareness of our brands. Teletubbies is a strong example, with rolling annual views on YouTube growing 104% from May 2025 to October 2026, making it one of the fastest growing among the preschool franchises we track. This reflects our ability to activate established IP across digital platforms, deepen audience engagement and support the broader growth of our own brands.

Alongside FAST, we continue to expand and diversify our direct advertising business through WildBrain Media Solutions. While year-over-year growth was tempered by lower spending from certain toy advertisers that were large contributors in the prior year, we generated revenue from 10 new clients, spending on our network for the first time.

Our pipeline for the balance of the year is also becoming more diversified by advertiser category, extending beyond our traditional strength in toy and entertainment. During the first quarter, we delivered three campaigns with advertisers outside those traditional categories. We are also seeing a healthy level of activity from studios and streaming services, with a significant number of RFPs and several promising opportunities in the pipeline.

We are making progress broadening our agency relationships as well. During the quarter, we worked with 15 agencies compared with 9 in the prior year period. This included a new relationship with a leading toy-focused agency in the U.K., which delivered 14 campaigns during the quarter. We view that relationship as a useful blueprint for securing more strategic upfront commitments from agencies and holding companies.

We're also encouraged by what we're seeing from the Media Solutions team. We've started to build out the sales team to capture the market opportunity, and a number of those new sellers are now in place and ramping. Looking across the next few quarters, pipeline activity is approximately 85%

© 2026 WildBrain

higher than it was at the same point last year. While timing and conversion can vary, we see that as an encouraging early indicator of the opportunity we're building.

Importantly, establishing a new agency relationship can create opportunities across multiple clients, campaigns and categories, rather than a single media buy. Our top agencies represented a smaller share of Media Solutions revenue than in the prior year period, demonstrating progress in reducing concentration and building a broader, more resilient revenue base.

Together with the continued growth of FAST, these initiatives are expanding the ways we monetize audiences beyond YouTube. They also advance our strategy of building a scaled premium network that brings together high-quality kids and family content, broad audience reach and direct access to advertisers.

Advertising is inherently campaign-driven, which can create variability from quarter to quarter. That will remain a feature of the business, particularly as we develop new client relationships and individual campaigns move between periods. Our focus is on converting initial campaigns into repeat business, deepening our agency relationships, expanding the premium inventory available to advertisers and driving sustained growth in the underlying business.

There is a fire alarm happening in the building, but I'm going to carry on, and hopefully you can hear me. I'm confident there's not a fire.

Before I turn it over to Nick, I want to reinforce that we remain confident in our fiscal 2027 plan. We are seeing continued momentum across our own franchises and FAST business, while expanding our licensing pipeline and direct advertising relationships. At the same time, we have begun deploying our targeted investments to support growth and create a more scalable operating platform.

With that, I'll turn it over to Nick to review our first quarter financial results, outlook and investment program.

Nick Gawne:
Thanks, Josh.

© 2026 WildBrain

Unless I say otherwise, the figures I discuss relate to Continuing Operations. Historical results of the Canadian television broadcasting business and our former 41% interest in Peanuts Holdings are presented as Discontinued Operations. Peanuts-related revenue and expenses provided under post-closing arrangements from our licensing agency, content production and content distribution services remain in Continuing Operations.

Revenue from Continuing Operations in the first quarter was $58 million, up 1% compared to the prior year quarter.

Within Franchise and Global Licensing, revenue was $20 million, up 5%. We saw continued momentum across our own brands, led by Strawberry Shortcake, along with higher Teletubbies distribution revenue.

At CPLG, the Paramount headwind discussed last quarter was partly offset by growth in the Peanuts licensing. Overall, we remain encouraged by the performance of our own brands and the opportunities across our broader licensing portfolio.

Content revenue was $29 million, down 1%, reflecting growth in live-action production, including *Finding Her Edge*, partly offset by lower animation revenue due to the timing of productions. As a reminder, in the prior year period, we had a significant contribution from the Peanuts feature film.

We are encouraged by the activity across our production pipeline, which supports our outlook, although the timing of revenue will depend on production schedules. We continue to advance projects in development and work closely with global broadcast and streaming partners to support future production activities.

WildBrain Network revenue was $12 million, up 7%, reflecting continued growth across our YouTube and FAST businesses. YouTube benefitted from higher platform advertising revenue, while FAST delivered strong year-over-year growth.

Within Media Solutions, lower spend from toy advertisers was partially offset by the progress we made for expanding our agency relationships, including new and returning partners. This diversification is broadening our access to advertising budgets, which creates a stronger foundation for growth.

© 2026 WildBrain

Gross margin in the first quarter was $24 million, or 42% of revenue, compared to $26 million, or 45% in the prior year quarter. The year-over-year decline primarily reflected a revenue mix shift in Content in the quarter versus prior year. This was partially offset by improved gross margin in WildBrain Network, supported by revenue growth and lower content costs.

Franchise and Global Licensing segment Adjusted EBITDA was $5 million compared with $4 million, an increase of 13%. The increase was primarily driven by growth in own brand royalties, offset by lower licensing agency revenues at CPLG, higher franchise marketing investment and the inclusion of Personality AI for part of the period.

Content segment Adjusted EBITDA was negative $0.8 million compared with positive $3 million. The decline reflected lower distribution revenue and partner royalties, which carry higher margins. While production revenues were higher in the quarter; this was driven by live-action revenues, which typically carry a lower gross margin than animation.

WildBrain Network segment Adjusted EBITDA was positive $0.3 million compared with negative $1 million in the prior year period. The improvement was driven by revenue growth across FAST, AVOD and YouTube, partially offset by continued investment in Media Solutions and lower spending from toy advertisers.

Under our new segment reporting structure, each business is allocated a share of corporate SG&A. Before these allocations, each of our three segments generated positive Adjusted EBITDA in the quarter. The segment results are presented before Corporate and Other costs, consolidation adjustments and inter-segment elimination. Corporate costs were approximately flat year-over-year.

Adjusted EBITDA from Continuing Operations attributable to shareholders of the Company, which I refer to as Adjusted EBITDA, was $2 million compared to $4 million in the prior year quarter. Net loss from Continuing Operations attributable to the shareholders of the Company was $7 million compared to the net loss of $40 million in the prior year quarter.

Quarterly performance can vary based on production and delivery schedules, the timing of licensing activity and changes in distribution partnerships. For fiscal 2027, licensing and advertising activity is weighted towards the second quarter, and contracted content production is expected to ramp

© 2026 WildBrain

through the balance of the year. This expected phasing supports our confidence in the full-year outlook.

As Josh discussed, we have seen continued momentum in Strawberry Shortcake and Teletubbies, strong FAST performance, and we're making good progress in diversifying our direct advertising relationships.

With that context, let me turn to our cash flow performance and strategic investment program.

Cash used in operating activities was $14 million in the first quarter compared with cash provided of $14 million in the prior year period. As we've discussed before, cash flow in our business can vary meaningfully between quarters. For example, in Content production, spending, customer receipts and delivery milestones do not always occur in the same period. Production costs are incurred throughout a project, while customer payments are received according to contractual milestones. With multiple productions at different stages, these timing differences can create quarterly working capital movements even when the underlying economics of the project remain unchanged. These working capital movements can be offset by drawdowns and repayments in our interim production financing facilities, so movements in production working capital and interim production financing should be evaluated together.

Similar timing effects arise in our licensing business where we collect royalties on behalf of rightsholders and remit them on a periodic cycle. Because of this, we evaluate cash generation over longer periods, rather than based on any single quarter.

Beginning this quarter, we revised our definition of free cash flow to deduct investment in property and equipment and intangible assets. We believe this provides investors with a more comprehensive view of cash generation after capital expenditures.

On this revised basis, free cash flow was negative $14 million in the first quarter compared to negative $11 million in the prior year period, recalculated on a comparable basis. While we expect free cash flow to be negative for the full year, primarily reflecting our planned investment program, the first quarter result should not be used as indicative of the quarterly run rate for the balance of the year. We expect the timing-related working capital outflows experienced in the first quarter to reverse in subsequent periods.

© 2026 WildBrain

We ended the first quarter with $69 million of cash and cash equivalents.

As announced on September 29, we launched a substantial issuer bid to repurchase up to $20 million of shares for cancellation. Following the expiry of the offer on November 3, we took up and paid for approximately 13.8 million shares at $1.45 per share, for aggregate consideration of $20 million. During the SIB process, we temporarily suspended purchases under our normal course issuer bid, NCIB. Since launching the NCIB in April, we have repurchased approximately 2.7 million shares. Combined with the SIB, we have repurchased approximately 16.4 million shares through the two programs.

Alongside these capital returns, during the quarter, we deployed approximately $16 million in cash to acquire Personality AI, adding kid-safe AI capabilities that strengthen our offering across owned and third-party brands. Including the SIB completed subsequent to the quarter end, we deployed or committed approximately $38 million across strategic investments, acquisitions and share repurchases. This reflects a balanced approach to capital allocation, combining organic investment and selective acquisitions with returns of capital to shareholders.

With a strengthened balance sheet, we believe WildBrain is well positioned to execute against its fiscal 2027 priorities and create long-term shareholder value.

Our guidance includes approximately $30 million of planned investments allocated across approximately $6 million reflected in Adjusted EBITDA, $2 million in reorganization, development and other expenses, $13 million in capital expenditures and $9 million in content and AI content capabilities.

During Q1, we recognized approximately $2 million under the program, including approximately $1 million reflected in Adjusted EBITDA, $0.3 million in reorganization, development and other expenses, and $0.8 million in capital expenditures. The timing of spending will vary based on project phasing, and as a result, quarterly investment levels may differ. However, the approximately $30 million program remains intact.

© 2026 WildBrain

These investments are focused on four priorities. Because they have different return profiles, we evaluate each against its own commercial, operational and financial milestones rather than a single ROI measure.

First, in Franchise and Global Licensing, we are investing approximately $11 million in content, franchise-focused AI content capabilities and franchise marketing to deepen audience engagement and expand Strawberry Shortcake and Teletubbies across territories, product categories and retail channels. This investment is reflected within Adjusted EBITDA for the content and AI capability portion within content investment in free cash flow. Investing above run rate levels is intended to allow us to launch our franchises in more markets earlier, which we expect will accelerate consumer demand and the resulting licensing revenue. Because licensing revenue is high margin, we expect growth in own brand licensing revenue to contribute to the Adjusted EBITDA growth reflected in our outlook.

As these licensing programs scale, we expect marketing and content investment to decline as a percentage of revenue, while the accelerated investment is expected to support a higher baseline of revenue and Adjusted EBITDA over time.

Our primary KPI is own brand licensing royalty revenue. Actual results will depend on the pace of revenue growth in new markets. If growth is below our expectations, we can moderate marketing investment to protect the economics of the program. If growth is stronger, we can invest further.

Second, in WildBrain Network, we are investing approximately $3 million in fiscal 2027, reflected in Adjusted EBITDA, to expand our Media Solutions capabilities. These include strengthening our direct sales organization, investing in client and agency relationships, and enhancing our monetization tools. The objective is to capture a greater share of advertising spending in the kids and family category, an addressable market estimated at more than $3 billion, to generate incremental direct advertising revenue on our FAST and YouTube network.

New sales hires typically require 6 to 12 months to reach full productivity, so we expect the revenue impact to ramp over time, which we also expect to support improving operating leverage. We expect this investment to support the growth in advertising revenue, which underpins our Adjusted EBITDA outlook. Our primary KPI is Media Solutions revenue.

© 2026 WildBrain

The actual results will depend again on the timing and value of the opportunities secured. We can adjust the pace of investment based on the results achieved while retaining the flexibility to invest further where we see stronger results.

Third, we are investing approximately $9 million through fiscal '27 and fiscal '28 to modernize our technology and operating infrastructure, including our core CRM, ERP and data architecture programs. The majority of the investment is concentrated on fiscal 2027 based on current project phasing estimates. This investment will be reflected in capital expenditures and reorganization, development and other expenses. These projects are designed to simplify workflows, improve access to the data, and increase automation, which we expect will create operating leverage and a more scalable cost base to support future growth. Once the systems are fully implemented, we expect to realize meaningful annual savings in labour and compliance costs.

Fourth, we are investing approximately $7 million in leasehold improvements and production infrastructure. This is largely catch-up capital spending, reflected in CapEx, concentrated in fiscal 2027 and expected to moderate as projects are completed, although the businesses will continue to require normal recurring CapEx.

Leasehold improvements in Canada and the U.K. allow us to downsize our office footprint, reducing our cash rent over the life of new leases, reflected in free cash flow rather than Adjusted EBITDA under IFRS 16, while the essential upgrades to servers and production infrastructure are recovered through our production margin on our production slate. Our partnership with 88 Pictures supports our expectation that these upgrades will be recovered, although given the longer-term nature of these assets, we expect the payback period for this portion of the program to extend beyond the fiscal 2027-29 outlook period.

Taken together, we expect these investments to support Adjusted EBITDA growth reflected in our outlook, including our expectation that Adjusted EBITDA will approximately double from the midpoint of our fiscal '27 outlook by the end of fiscal 2029. Importantly, we do not expect these benefits to be one-off. The licensing revenue, direct advertising revenue and scalable operating base that this investment program is intended to enable are expected to continue beyond fiscal 2029.

As with any forward-looking estimate, these returns are difficult to predict with precision and depend in part on factors outside our control: retailer and licensee demand for our franchises, advertiser

© 2026 WildBrain

demand in the kids' digital video market and the timing of system implementations. The program is phased so we can adjust the results as they come in, measured against the milestones I've described.

Collectively, these investments underpin our expectation to approximately double Adjusted EBITDA from the midpoint of our fiscal '27 outlook by the end of fiscal '29, with that growth translating into stronger free cash flow generation over time.

In fiscal 2027 itself, the program is a net cost to Adjusted EBITDA as the spending lands ahead of the benefit. The benefit builds from fiscal '28. These investments are meant to pull forward and accelerate market opportunities for our business, simplify our operating structure, bring best-in-class talent and technology in-house and build a business that can grow well beyond our stated targets.

Turning to our outlook, we are reaffirming our fiscal 2027 guidance for revenue of $270 million to $295 million, representing year-over-year growth of approximately 15% at the midpoint, and Adjusted EBITDA of $28 million to $32 million, representing growth of approximately 44% at the midpoint.

Our outlook reflects expected growth across all three operating segments, driven by continued momentum in our own brands, a rebound in content production and growth in WildBrain Network through FAST and direct advertising. Our full-year guidance reflects the expected timing and mix across our businesses, recognizing that licensing, content production and advertising activity can vary between quarters. We continue to expect negative free cash flow for fiscal '27 as we execute our approximately $30 million investment program. Absent these planned investments, we expect the continuing business to generate positive free cash flow based on our revised definition, which deducts capital expenditures.

Looking beyond fiscal '27, we are reaffirming our expectation to approximately double Adjusted EBITDA from the midpoint of our fiscal 2027 guidance by the end of fiscal 2029. As earnings grow and investment spending moderates, we expect stronger free cash flow generation over time.

I will now turn it back to Josh to close.

Josh Scherba:

© 2026 WildBrain

Thanks, Nick.

As we close, I want to step back and reflect on the progress we have made over the past 12 months.

I am proud of the work across WildBrain as we continue a broad-based transformation of the business and build a more focused asset-light model.

While the strength of the underlying business is not always fully visible in any single quarter, the operating indicators reinforce our confidence. Strawberry Shortcake now has approximately 11 million followers across its social accounts, and the brand generated 1.2 billion FAST and AVOD minutes watched in the first quarter, an increase of 25% year-over-year. Teletubbies has more than 7 million followers globally, and its FAST and AVOD watch time increased approximately 10% in the quarter.

Across the network, FAST and AVOD watch time reached more than 10 billion minutes, up 60% year-over-year. These are meaningful audience signals that support our ability to grow engagement, expand licensing opportunities and strengthen advertising monetization over time.

We are also broadening the business around those audiences. We generated revenue from 10 new direct advertising clients during the quarter, while our licensing teams are building new opportunities across brands, categories and markets. This progress gives us greater confidence in the underlying growth drivers of the business, even as individual quarters may be affected by the timing of content deliveries, licensing activity and advertising campaigns.

Fiscal 2027 is an important year of execution. Our focus is on converting this audience momentum, commercial activity and our targeted investments into measurable revenue growth, improved profitability and stronger free cash flow generation over time. With our own franchises, global licensing capabilities, content expertise and growing advertising platform, we believe WildBrain has a strong foundation for long-term value creation. We look forward to updating you on our progress.

Thank you for continued interest and support. Operator, we are now ready to take questions.

Operator:

© 2026 WildBrain

To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

First question comes from Tim Casey.

Kathleen Persaud:
Go ahead.

Operator:
Go ahead, Kathleen. Sorry.

Kathleen Persaud:
I was just going to say, while we're compiling the Q&A, we apologize for any disruptions that you may have had during that call during the fire alarm.

Just as a reminder, we do publish transcripts on our IR website if there was anything that was unclear to hear during the call. Thank you.

I open it up to Tim Casey of BMO.

Tim Casey:
Morning. Can you just help us understand a little bit of the trajectory of the guidance you've given? The bump in EBITDA through '29, I guess there's two parts to the question.

Are you guiding us that notionally you will exit '29 with a $60 million EBITDA range, or that you'll generate that in '29? And two, could you unpack a bit the bridge to that, in that how much of that is spending in '27 on costs that goes away? And notionally, how much of that is growth from operating leverage and other things? I'll have to review the transcript, but you did talk a lot about costs in '27 that are right on the EBITDA line. So presumably there's a lift and then the growth kicks in going forward, if you understand the premise of the question. Thanks.

Nick Gawne:

© 2026 WildBrain

(Inaudible 35:35). From a guidance perspective, we're guiding to posting $60 million of EBITDA, or we're guiding to posting a kind of double from the midpoint—approximately double from the midpoint of '27—actually in FY29 rather than exiting. What we're guiding to is what we're expecting to achieve in fiscal '29.

Josh Scherba:
In terms of the business drivers, Tim, really we're on a great trajectory with our own franchises in Teletubbies and Strawberry, and we're investing for future growth this year through various marketing activities and content investments. Really, that's expanding our presence in additional markets and bringing that demand forward. So, yes, we're spending ahead of it, but we expect that growth on those two keys to accelerate in '28 and '29.

Also, the other area we refer to as a business driver is our Media Solutions business. We see that as a significant area of opportunity. Back at the peak of kids linear networks between Cartoon Network and Nickelodeon, they generated somewhere around $2 billion a year in U.S. advertising revenue. Since those ratings have declined by 90% to 95%, it's fair to say those ad dollars have gone as well. We think our network provides a tremendous opportunity for advertisers to get back in front of those audiences, so we're bullish on growth for Media Solutions.

Back to the spend, we've referenced spending $3 million this year, which is a direct hit on EBITDA. That's adding salespeople who take 6 to 12 months to ramp up, but are now in place, and we're seeing that they're making progress.

There's also an education process that's happening out there of bringing agencies and advertisers along to understand the value that our network provides. We've been investing in marketing activities, like attending the Cannes Lions Festival and other sort of marketing activities to really get the awareness up for what we're doing. So we expect the spend this year, and we'll have the ongoing spend of salespeople, but it will be off a larger revenue base.

Those are kind of to speak to the key revenue drivers. Then back to Nick on cost.

Nick Gawne:

© 2026 WildBrain

As we outlined the cost, the way to think about those costs is it's our way of accelerating to a new kind of revenue and cost base.

We'll be spending the money in fiscal '27. Those costs don't fall away, but the revenue that we generate off that cost base is higher, so the cost as a percentage of revenue is lower. Gross margin increases and because of our investments in scalability of our operating base, SG&A growth is measured, and therefore that growth in gross margin flows through to EBITDA.

Tim Casey:
Nick, can you outline the spending on EBITDA by group again? It was tough to hear when you went through that, sorry. So there's $3 million in Media Solutions.

Nick Gawne:
Yes, so $3 million in Media Solutions. There's two ways to look at it.

So $6 million within Adjusted EBITDA, and around about $3 million of that is Media Solutions. We talk about our KPI being Media Solutions revenue. The way a user of the account can see that is that we disclose SG&A growth within the network.

Then the second point is around about $3 million in franchise marketing costs, with an additional investment in content and AI content capabilities for our franchises. So $3 million in franchise marketing costs sits within EBITDA, and we measure the KPI of that based on owned brand revenue and it will show through in the statements within distribution, marketing and other costs within our Franchise and Global Licensing segment.

Then the content investment flows through the cash flow statement and will flow through Adjusted EBITDA via content amortization, but that's a smaller number.

Tim Casey:
Thank you.

Operator:
The next question comes from Sarah McCune with RBC. Please go ahead.

© 2026 WildBrain

Sarah McCune:
Thank you and good morning. This is Sarah on for Drew. Just two quick questions for me.

First, on Adjusted EBITDA, with the guidance reaffirmed and the release noting activity weighted towards the second quarter, can you walk us through the quarterly cadence or just any additional colour on the confidence in the ramp? And second, given ongoing macro pressures on consumer spending, are you seeing any incremental impacts to traction within CPLG or any bifurcations across your various geographies? Thank you.

Josh Scherba:
Thanks, Sarah.

We're not getting into quarterly guidance, but what we have noted is that licensing and advertising revenue are weighted towards second quarter. To give you an indication, and as we've talked about, Q1 was generally aligned with our expectations, so we remain confident on the year.

Remind me the second part of the question.

Sarah McCune:
Yes, sorry. Just are you seeing any incremental impacts to traction within CPLG or any bifurcations across geographies? Thank you.

Josh Scherba:
No. No, we're really not. We have a global footprint, so obviously markets vary, but we had three really important touch points for us over the last six weeks between Brand Licensing Expo, China Licensing Expo, as well as our summit that we just had in LA.

The feedback we had was extremely positive. I was at the one in Europe and there was a real buzz in the market. So it does not—the macro pressures we hear about consumer spending, we're aware of it, but it's not coming through in any of the demand we're seeing from our licensees or from retailers.

Sarah McCune:

© 2026 WildBrain

Thank you.

Operator:

This concludes the question-and-answer session and today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

© 2026 WildBrain