



WildBrain Ltd.

Fiscal 2026 Q3 Earnings Conference Call

Transcript (edited)

Date: May 14, 2026

Time: 10:00 AM ET

Speakers: **Josh Scherba**
CEO

Nick Gawne
CFO

Kathleen Persaud
VP, IR

Operator:

Welcome to WildBrain's Fiscal 2026 Third Quarter Earnings Conference Call.

As a reminder, all participants are in a 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, Operator, and thank you everyone for joining us today for WildBrain's Third Quarter 2026 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 reflect 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 are 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 and expressly required by applicable law.

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

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

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

Josh Scherba:

Thank you for joining us today.

Over the past year, we've taken meaningful steps to strengthen WildBrain's financial position, sharpen our strategic focus and build momentum across our core growth businesses. We completed the sale of our interest in Peanuts at an attractive valuation and used the proceeds to fully repay our corporate term debt. The growth of Peanuts during our ownership period demonstrated the strength of our franchise playbook, showing that when we combine content, digital distribution and consumer products licensing, we can drive meaningful long-term brand expansion.

Using this playbook, we continue to build momentum across key franchises like Strawberry Shortcake and Teletubbies. At the same time, we've expanded WildBrain CPLG through new and deeper partnerships with leading global brands. We've also further scaled the WildBrain Network to more than 1,000 channels. That's doubled from last year. Today, the network generates over 17 billion viewing minutes every month across YouTube, FAST and AVOD platforms.

With a stronger balance sheet, we also launched our NCIB program in April, and most recently, we recalibrated our operations and management team around our three core pillars: Franchise and Global Licensing, Content and the WildBrain Network, which Nick will speak to shortly in relation to planned changes to our reporting structure.

As a result of these many actions taken over the past year, we're now operating from a position of strength with a more focused business and the resources to invest confidently in our future.

Across the business, we're seeing encouraging signs of progress. Our core franchises continue to perform very well, our content is resonating with fans, our Global Licensing business is delivering strong growth, and we are taking clear steps, including the launch of new technology solutions to strengthen the scale, efficiency, and monetization capabilities of our network.

While parts of the business continue to reflect broader market and platform dynamics, we're executing against a clear plan to support long-term value creation.

Starting with our Franchise and Global Licensing business, this continues to be a key driver of growth for the Company, and importantly, we're seeing that growth come to life in tangible commercial momentum.

Beginning with Strawberry Shortcake, the brand continues to expand globally, driven by a combination of retail expansion, experiential activations and strong fan engagement. Over the past quarter, we've seen the brand show up in highly differentiated ways. At FAO Schwarz in New York, Strawberry Shortcake was featured in a dedicated in-store activation that generated strong consumer engagement and visibility. The brand also debuted at the CAKE PICNIC, a global community-driven event that generated organic buzz and social engagement around a simple but highly shareable concept. And most recently, Strawberry Shortcake was featured at the Flowers and Gardens Festival in Mexico City, one of the city's most prominent annual events, further reinforcing the brand's ability to connect with audiences in culturally relevant ways.

What's important here is not just the individual activations, but what they represent. We're seeing the brand extend beyond content into real-world experiences that drive awareness, multi-generational fandom and, ultimately, licensing and retail performance.

Strawberry Shortcake also made a strong impression at this year's New York Toy Fair, generating encouraging retailer engagement and strong early response to the social launches of Strawberry Shortcake Monopoly and Candy Land with Hasbro, where we saw high click-to-purchase conversion rates. The event provided another important platform to deepen retail relationships, showcase new product lines and support future licensing opportunities across key categories.

In retail, recent launches continued to demonstrate strong consumer demand and healthy sell-through momentum across multiple categories and territories with several programs outperforming internal expectations and supporting expanded retail placements and additional product development opportunities. Recent examples include the new Jazwares launch, which ranked among the top-performing SKUs in its category at Walmart, and the Goodie Two Sleeves collaboration where the Old Navy exclusive performed as a bestseller online.

The continued strong retail performance of Strawberry Shortcake is also strengthening confidence amongst our growing roster of partners, contributing to an expanding pipeline of opportunities and positioning the brand for continued growth in the years ahead.

Turning to Teletubbies, we're seeing a similar story of global reach and engagement combined with local market relevance. Ahead of the brand's 30th anniversary in 2027, Teletubbies continues to build traction through new licensing collaborations, live experiences and retail activations designed to expand audience engagement and support long-term franchise growth.

During the quarter, we spent time in China where we continue to see strong affinity for the brand. Teletubbies holds a unique place in the market, having been one of the first Western preschool series to air on national broadcaster, CCTV. While in market, we presented our strategy for the next phase of the franchise to a broad audience of local partners and industry participants with a particular focus on how we are evolving the brand for Chinese audiences through locally relevant storytelling and creative development. The response was extremely encouraging, and it reinforced our belief in the long-term opportunity for the brand in the region.

Building on that foundation, we have launched *Teletubbies Come to Play*, a new series exclusively co-produced with iQIYI, one of the largest streamers in the country, created specifically for the Chinese market. The series, which is designed to inspire kids to come out and play, connect with their friends and build real-world connections stays true to the core attributes of the brand while incorporating local themes and cultural relevance. This reflects the strength of our franchise-led business model, combining globally recognized IP with local market expertise to unlock new growth opportunities.

Teletubbies also continues to demonstrate the value of WildBrain's global digital distribution network and capabilities, with YouTube organic search views increasing over 30% year-over-year and total social followers growing 20%, reflecting sustained global fan engagement across platforms.

Across both Strawberry Shortcake and Teletubbies, we are seeing increased momentum in licensing, retail and consumer engagement, which is translating into strong financial performance in our franchises.

At the same time, WildBrain CPLG delivered another strong quarter with growth across all regions, driven by both our owned brands and key partners, including Peanuts.

During the quarter, we expanded our long-standing relationship with Dr. Seuss Enterprises to accelerate the strategic growth of its portfolio internationally, reinforcing our role as a trusted global partner for iconic brands. We were also appointed by Sega and Rovio Entertainment as a licensing agent for Angry Birds across Europe, the Middle East and Korea, further strengthening our presence in key international markets and adding another globally recognized franchise to our platform.

These partnerships highlight a key differentiator for WildBrain. In addition to building our own IP, we are increasingly the partner of choice for leading brand owners looking to scale their franchises globally. What sets us apart is our ability to combine franchise strategy, creative development, digital engagement and global licensing capabilities under one integrated model. This allows us to build brands more effectively across multiple touch points and geographies.

Overall, the performance we're seeing reinforces our strategy of focusing on franchise-led growth and highlights the long-term potential of both our owned and partner brands as we continue to scale globally.

Turning to Content, the quarter reflects the natural variability of production timing and mix within the business. As Nick will discuss in more detail, the quarter was impacted by the timing of productions compared to last year, along with a greater mix of feature work, which tends to carry a different margin profile than series production.

At the same time, our digital studio continued to expand our digital-first content strategy with the launch of *The Berry Best Baking Show*, a new Strawberry Shortcake live-action/animated hybrid series designed to deepen fan engagement, expand audience reach and support long-term licensing and consumer products growth. The new series marks the beginning of a rollout of 38 episodes of all-new Strawberry Shortcake content planned for calendar 2026, dubbed into 9 languages to support key international markets.

Importantly, the underlying demand for our premium production services remains strong. We continue to see opportunities across both proprietary and partner projects, including high-quality work coming out of our animation studios and digital production teams.

We've also taken steps to better align our Content organization by bringing creative vision, development, production and sales closer together under a unified management structure across both WildBrain Studios and our pre-production business, House of Cool. This creates a tighter feedback loop with the market and positions us to move faster and more effectively in securing and delivering new projects. Over time, this more integrated approach will help drive greater consistency, quality and scalability in the business.

Turning to Audience Engagement, which we will refer to as WildBrain Network going forward, performance this quarter reflects both continued strength in digital engagement and ongoing platform-related headwinds. More broadly, we operate one of the largest kids and family networks globally, spanning more than 1,000 channels across YouTube, FAST and AVOD platforms, generating over 17 billion minutes of viewing each month. While viewing is increasingly fragmented, we see this as an opportunity. Our network is designed to aggregate that audience into a scaled unified offering, which we think of as the new kids TV.

On YouTube, we saw positive momentum, particularly with our owned brands, Strawberry Shortcake and Teletubbies, both of which delivered year-over-year watch time growth, supported by investments in tools that are increasing both the scale and efficiency of our channel operations.

As we navigate this transition, we are increasingly focused on building the network around our owned IP, strengthening the connection between content, audience and monetization. Importantly, our network is built to be a trusted brand-safe environment for kids and families, which is a key differentiator for advertisers. Our Media Solutions team continues to expand direct advertising relationships by leveraging the scale of the WildBrain Network to deliver targeted kids and family audiences across YouTube, FAST and AVOD platforms. Over time, we believe the scale of this audience, combined with our data and direct sales capabilities, positions us to drive meaningful growth and monetization.

So stepping back, we're seeing strong performance in our franchise and licensing businesses, continued opportunity from growth in content and a network business that we are actively evolving to better capture long-term value. Just as importantly, we've aligned our structure around these core areas, simplifying how we operate and positioning the Company to execute more effectively.

With that, I'll turn it over to Nick to walk through the financials in more detail.

Nick Gawne:

Thanks, Josh.

As a reminder, under IFRS, following the closure of our Canadian Television Broadcasting business and the sale of our interest in Peanuts, both businesses are reported as Discontinued Operations. As we go through the discussion today, I'll be clear about whether we're referring to Continuing or Discontinued Operations.

Additionally, for Q3, we continue to report under two segments: Global Licensing, and Content Creation and Audience Engagement. As Josh mentioned, following the recalibration of our strategic pillars announced last week, we will re-segment our reporting structure to align with those pillars, which are: one, Franchise and Global Licensing, which is our owned franchises and WildBrain CPLG; two, Content, which is our content studios and our content distribution business; and three, WildBrain Network, our global ad-supported kids and family network of YouTube and FAST channels. We will begin reporting under this updated segment structure with our fourth quarter results.

Revenue from Continuing Operations in the third quarter was \$61 million, down 16% year-over-year. Drilling down to the segment revenue for Continuing Operations, Global Licensing revenue in the quarter was \$25 million, up 35%, driven by both growth in both our franchises and our global licensing agency. Revenue for Content Creation and Audience Engagement in the quarter was \$36 million, down 33%. Revenue decreases were driven by lower production activity across our animation and live action businesses due to the timing of green lights, as well as lower revenue from our digital platforms, driven by changes in our partner mix.

In Content Creation, it is important to note that the prior year quarter benefitted from significant production activity on earlier green lights, while some of our current projects are still in early stages ahead of a production ramp-up, creating a temporary timing mismatch in revenue recognition. As a result, while near-term comparisons remain impacted by timing, we continue to feel positive about the strength of the production pipeline for fiscal '27.

Staying with Continuing Operations, gross margin percentage in the third quarter was 46% compared to 33% in the prior year, driven by the stronger growth in our Franchise and Global Licensing business and a mix shift towards higher-margin licensing revenue.

SG&A was \$22 million, an increase of 9%, driven by higher variable compensation and the timing of trade show costs. Absent these movements, SG&A was broadly flat, reflecting continued cost discipline across the business.

Adjusted EBITDA from Continuing operations attributable to shareholders of the Company, which I'll refer to as WildBrain EBITDA, was \$6 million, up 38%. Net loss from Continuing Operations attributable to shareholders of the Company in the quarter was \$14 million compared to a net loss of \$19 million in the prior year period.

Turning to Discontinued Operations, revenue was \$42 million, down 34% year-over-year. The decrease was driven by the timing of the Peanuts transaction closing in the quarter and the cessation of the Canadian Television business. WildBrain EBITDA from Discontinued Operations was \$5 million compared to \$22 million in the prior year, driven by the same reasons.

The Peanuts transaction closed on March 2. Following the repayment of the Senior Secured Credit Facility, transaction-related costs and other closing adjustments, the Company generated preliminary net proceeds of approximately \$48 million, ahead of more than \$40 million anticipated at the time of the announcement. Provisional net proceeds represent cash proceeds from the transaction, less transaction fees and debt repayment costs and remain subject to final net working capital adjustments.

With no corporate term debt and a significantly strengthened balance sheet, we commenced our NCIB program in April, repurchasing more than 600,000 common shares to date. We view the

NCIB as an important component of our capital allocation strategy and a reflection of our confidence in the long-term value and future cash generation potential of the business.

Free cash flow was negative \$16 million on a consolidated basis for the quarter. However, after adjusting for Peanuts transaction costs, interest costs and Discontinued Operations cash flow, none of which will continue into Q4, the underlying free cash flow from our Continuing business was positive \$10 million. This demonstrates the quality of our EBITDA today. And with debt now eliminated, we expect to continue to convert a very high proportion of our EBITDA into free cash flow, which we can then invest in growing the business.

With the Peanuts transaction complete, WildBrain has entered its next phase with significantly greater flexibility to deploy our capital more effectively, improve performance across the organization and drive durable value creation. We believe this next phase of the Company's evolution positions us to drive stronger growth, improve scalability and sustainable free cash flow generation over time.

A key part of that effort is investing in the underlying infrastructure of the business. We've begun advancing six targeted transformation initiatives while evaluating several additional opportunities, focused on modernizing our finance infrastructure, improving enterprise data capabilities and increasing automation across key operational workflows. Many of these projects are aimed at reducing manual processes, improving visibility across the organization and creating a more asset-light and scalable operating platform over time. We also believe there is significant advantage in undertaking these initiatives today as we are able to leverage the latest generation of technology and automation tools from the outset rather than modernizing or adapting legacy systems built years ago. This reduces complexity and maximizes the gains we expect. We expect these initiatives to result in an operating model that is at the cutting edge of the businesses we operate in.

As a reminder, we paused guidance in December following the announcement of the Peanuts transaction and our transformation agenda, both of which will reshape our growth profile and position us for durable high-quality returns. Given the timing and stage of the initiatives I mentioned, we are maintaining a pause on fiscal 2026 guidance. We currently anticipate resuming financial guidance for fiscal '27.

Based on what we're seeing today, strong growth in demand for our franchises, a strong content pipeline and a strong balance sheet and strong ongoing free cash flow generation, we believe the business is building a strong foundation for future growth and remains well positioned heading into fiscal '27 and beyond.

I'll turn it back to Josh to close us out.

Josh Scherba:

To wrap things up, we're encouraged by the progress we're seeing across the business. Our franchise and licensing operations continue to build momentum. We remain confident in the long-term demand for our content, and we are taking important steps to strengthen and scale the WildBrain Network.

Just as importantly, we've significantly strengthened our financial position and are building a more focused and efficient operating foundation for the future. While there is still work ahead, we believe the Company is well positioned for its next phase of growth and value creation.

With that, we appreciate your continued support and interest in WildBrain, and we're happy to take your questions. Operator?

Operator:

Thank you. We will now begin the question and answer session. 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 are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, press star, then two.

Our first question is from Drew McReynolds with RBC. Please go ahead.

Drew McReynolds:

Thanks very much and good morning. Three questions for me. First, on the NCIB, I guess for you, Nick, just how you kind of balance share buybacks with deploying additional capital in the business? Presumably, you can kind of do both, just given the financial position that you're in. But just thoughts on that balance.

Second, on the structural reorg and automation, just wondering, does that flow through to lower SG&A over time? What kind of financial kind of benefits do we see from that in addition to the operational benefits?

And then just lastly, on the content timing of deliveries, can you just help us kind of understand what's remaining here for Q4 versus what's into fiscal 2027? Thank you.

Nick Gawne:

Sure. Thanks, Drew.

On the NCIB, as you call out, we have the strength of the balance sheet and the flexibility to both continue an NCIB and to invest in technology initiatives and content initiatives that are going to drive growth for us. We also have the ability to look at M&A opportunities as well, so it's fair to say that we're looking at all of those opportunities, which is driven by the net proceeds we generate from the Peanuts transaction, but also from the really strong continuing free cash flow that the business is generating. We look at all of those opportunities and are making an assessment of the best way to generate value for our shareholders.

On the technology projects, the projects are really driven to drive down SG&A over time. And as you'd expect, these projects are complex and that won't happen immediately, but we're seeing real benefits in calendar 2027. So really fiscal '28, we'll see a big impact. IFRS and U.S. GAAP are different in their interpretation of what's CapEx and what's not CapEx, so we will be seeing some impact for next year, but we'll be calling out the impact of these technology investments to the extent that they impact our EBITDA. But we're expecting very positive payback periods for these investments. So again, while they are material in their complexity and deployment given the operating cash flow and free cash flow that the continuing business is generating, then they are very—they're financed easily and will become self-financing very quickly.

The final question was around production. So when we see Q4, again, we're not giving guidance for fiscal '26, but it's worth saying that the Q4 in the prior year we enjoyed significant production activity in the same way that we did Q3 last year as well, and we're not seeing that repeating in Q4. So I think what we'll see in the quarter is more a reflection of how this year's Q3 plays out rather than the earnings cadence that we had seen in Q4 '24 and Q4 '25.

Josh Scherba:

I would just add to that, that the pipeline is filling out in a really positive way for fiscal year '27. To be specific, there was a project last year that was live action—it was Finding Her Edge, the figure skating series that we made for Netflix. That was a tough comp for us. But as we previously announced, the series has been a big success for Netflix and they've ordered a second season, which will be in production in fiscal '27, which is part of what gives us confidence for the slate next year.

Drew McReynolds:

Got it. That's great detail. Thanks for all that.

Operator:

Once again, if you have a question, please press star, then one.

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