NEWS RELEASE

# WILDBRAIN REPORTS Q1 2022 RESULTS

2021-11-09

- Revenue increased 18% to $112.6 million in Q1 2022, compared to $95.5 million in Q1 2021.
- Net loss of $21.4 million in Q1 2022, compared to net loss of $3.3 million in Q1 2021, mainly due to a non-cash, foreign exchange loss of $13.0 million in the current quarter vs a foreign exchange gain of $5.1 million in Q1 2021.
- Cash used in operating activities in Q1 2022 was $11.4 million, compared to $19.6 million provided by operating activities in Q1 2021.
- Free Cash Flow[1] for Q1 2022 was negative $19.9 million, compared with negative Free Cash Flow of $2.7 million in Q1 2021, primarily due to increased accounts receivables arising from larger deals concluded during the quarter and timing of working capital settlements.
- Adjusted EBITDA[1] in Q1 2022 increased 13% to $19.9 million, compared with $17.5 million in Q1 2021.
- Consumer Products revenue grew 25% to $48.5 million in Q1 2022, compared to $38.8 million in Q1 2021.
- WildBrain Spark ("Spark") revenue increased 73% to $15.4 million in Q1 2022, compared to $8.9 million in Q1 2021.

HALIFAX, NS, Nov. 9, 2021 /CNW/ - WildBrain Ltd. ("WildBrain" or the "Company") (TSX: WILD), a global leader in kids' and family entertainment, today reported its Fiscal 2022 first-quarter results for the three-months ended September 30, 2021 ("Q1 2022").

Eric Ellenbogen, WildBrain CEO, said: "Our first-quarter results reflected a return to growth at WildBrain Spark as well as strong consumer products performance.  Spark revenue was up 73% in Q1 2022, driven by improving advertising rates and our focus on higher-value views.  Our vast library of high-quality owned content is the cornerstone of our leading digital network on YouTube, yielding valuable data and insights.  This, together with our holistic approach to content monetization, is what really differentiates us and continues to bring top IP partners to

Spark. As YouTube continues to favour quality content, we expect to realize even greater benefits from our network.  We're also extending our capabilities across other digital platforms, such as the recently announced exclusive direct-advertising services partnership with Gamefam, one of the top game publishers on Roblox."

Ellenbogen added: "In consumer products, we expect our momentum to build in the coming quarters and years, supported by new brand activations and content releases across Strawberry Shortcake, Sonic, Teletubbies, Yo Gabba Gabba! and others.  For Peanuts, our consistent output of new content on Apple TV+ is further engaging global audiences.  Season 2 of Snoopy in Space debuts this week, and the first new Peanuts special, For Auld Lang Syne, premieres in December.  As we switch on more and more IP, we're fully harnessing our 360-degree capabilities across production, distribution and licensing and, in turn, realizing the long-term earnings' power of our assets."

Aaron Ames, WildBrain CFO, added: "Q1 2022 reflected the early returns from the investments we've made across our business.  We continue to unlock new monetization opportunities at Spark to generate a bigger portion of revenue through nascent areas, including digital production, direct ad sales and paid media, which collectively grew 128% in the current quarter, over Q1 2021. We're also realizing synergies of our vertically integrated business by aggregating our Peanuts representation across Europe and the Middle East, which contributed to higher consumer products revenue in Q1 2022.  Our investments provide a solid foundation, positioning us for sustainable growth and margin expansion in Fiscal 2022 and beyond."

## Q1 2022 Performance – Executing on Priorities

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| PRIORITIES | HIGHLIGHTS |
|---|---|
| Activate IP and Grow Key Brands | • A multi-year global exclusive partnership with Apple TV+ for the production of an original series and licensing of the back catalogue on Yo Gabba Gabba!, representing yet another IP activation from the WildBrain library.<br>• Relaunched Strawberry Shortcake with a comprehensive global franchise program, including an exclusive digital-first debut of an original animated series on Spark, the launch of a brand-new Roblox game, brand collaborations with Sunkist and others, publishing from Penguin Random House and all-new toys set to roll out worldwide with Moose Toys in 2022 and supported by WildBrain CPLG. |
| Maximizing the Value of WildBrain Spark | • Spark revenue increased 73% to $15.4 million in Q1 2022 vs $8.9 million in Q1 2021, reflecting ongoing recovery in advertising rates and our focus on higher-value views.<br>• Enhanced monetization of our large audience is driving growth in direct ad sales, paid media and digital production.  These nascent revenues collectively increased by 128% in Q1 2022 vs Q1 2021.<br>• Subsequent to quarter-end, Spark partnered with leading Roblox publisher, Gamefam to provide exclusive direct-advertising services across Gamefam's network globally.  Gamefam titles are among the top 10 games on Roblox — a platform where more than 20 million kids play games daily. This partnership will give brands an opportunity to reach kids through many of the most popular games on Roblox. |
| Deliver Sustainable Growth | • Revenue increased 18% to $112.6 million in Q1 2022, compared to $95.5 million in Q1 2021.<br>• Adjusted EBITDA increased 13% to $19.9 million in Q1 2022 vs $17.5 million in Q1 2021.<br>• We reaffirm our expectations for Fiscal 2022 of achieving revenue in the range of $480.0 million to $500.0 million and adjusted EBITDA between $87.0 million to $93.0 million. |

## Q1 2022 Financial Highlights

| Financial Highlights[1] | Three Months ended | |
|---|---|---|
| (in millions of Cdn$) | September 30, | |
| | 2021 | 2020 |
| Revenue | $112.6 | $95.5 |
| Gross Margin | $51.5 | $43.3 |
| Gross Margin (%) | 46% | 45% |
| Adjusted EBITDA attributable to WildBrain | $19.9 | $17.5 |
| Net Income (Loss) attributable to WildBrain | $(21.4) | $(3.3) |
| Basic earnings (Loss) per Share | $(0.12) | $(0.02) |
| Cash (Used In) Provided by Operating Activities | $(11.4) | $19.6 |
| Free Cash Flow | $(19.9) | $(2.7) |

In Q1 2022, revenue grew 18% to $112.6 million, compared with $95.5 million in the prior year, reflecting growth at Spark and strong Consumer Products performance.

Content Production and Distribution revenue increased 3% to $37.6 million in Q1 2022 vs $36.3 million in Q1 2021, driven by higher production revenues from premium projects including Sonic Prime and multiple new series and family specials for Peanuts.

Q1 2022 revenue at Spark increased 73% to $15.4 million vs $8.9 million in Q1 2021, as advertising rates continued to recover and reflecting higher-value views. This was also evident in other nascent AVOD revenues increasing 128% in Q1 2022 vs Q1 2021 through the value adds we bring to our IP partners in direct advertising sales, paid media, data insights and digital production.

Higher revenues at Spark in the current quarter reflect our focus on building higher-quality viewership, driven by premium content where we own the IP or share in consumer products. Spark continued to attract a widely

engaged audience, with 8.1 billion views across 50.1 billion minutes of video watched on our network in Q1 2022. This compared to 10.7 billion views and 64.2 billion minutes in watch time in Q1 2021 as consumption patterns normalize from last year's peak viewership during COVID-19 lockdowns. These metrics continued to improve sequentially into Q2 2022 with views and watch time up 27% and 36% respectively since hitting a trough in April 2021[2]. During this same period, advertising rates, on average, have increased 120% since April 2021[1]. Kids continued to watch longer on Spark, averaging 6-minutes and 10-seconds per view, up from 5-minutes and 59-seconds in Q1 2021.

Consumer Products revenue grew 25% to $48.5 million in Q1 2022, compared with $38.8 million in Q1 2021. Higher revenue in Q1 2022 was due to the strength of the Peanuts brand, supported by a consistent output of new content, which will continue over the coming years to drive consumer products globally. We also benefited from continued growth at our licensing agency, WildBrain CPLG, arising from synergies in representing Peanuts across Europe and the Middle East, as well as expanding representation of third-party partner IP and increasing new deal volumes.

Q1 2022 Gross Margin was 46% vs 45% in Q1 2021, due to higher revenue in the quarter stemming from a slate of higher-margin premium productions, return to growth at Spark and a strong Consumer Products business.

Cash used in operating activities in Q1 2022 was $11.4 million, compared to $19.6 million provided by operating activities in Q1 2021. Free Cash Flow for Q1 2022 was negative $19.9 million, compared with negative Free Cash Flow of $2.7 million in Q1 2021, primarily due to increased accounts receivables arising from larger deals concluded in the quarter and timing of working capital settlements. These included higher third-party participations due to higher distribution and consumer products revenue, the final payment of $2.9 million in tangible benefit obligations related to our broadcast channels and $8.8 million in accounts receivables from production, which were received after quarter-end.

Adjusted EBITDA increased 13% to $19.9 million in Q1 2022, compared with $17.5 million in Q1 2021, driven by higher gross margin, offset by investments in growth initiatives and higher distribution to non-controlling interests.

Q1 2022 net loss was $21.4 million vs net loss of $3.3 million in Q1 2021, primarily due to a non-cash, foreign exchange loss of $13.0 million in the current quarter vs a foreign exchange gain of $5.1 million in the prior year quarter.

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Free Cash Flow, Gross Margin, Adjusted EBITDA and Adjusted EBITDA attributable to WildBrain are non-GAAP financial measures. Free Cash Flow is 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. Gross Margin means revenue less direct

production costs and expense of film and television programs produced (per the financial statements). Adjusted EBITDA represents income of the Company before amortization, finance income (expense), taxes, reorganization and development expenses, impairments, equity-settled share-based compensation expense, and adjustments for other identified charges. Adjusted EBITDA attributable to WildBrain means Adjusted EBITDA excluding the portion of Adjusted EBITDA attributable to non-controlling interests. Further details on the definitions of and reconciliation to Free Cash Flow, Gross Margin, Adjusted EBITDA and Adjusted EBITDA attributable to WildBrain can be found in the "Non-GAAP Financial Measures" section of the Company's Q1 2022 Management Discussion and Analysis ("MD&A").

Growth in views and watch time from April 2021 to October 2021.

## Q1 2022 Conference Call

The Company will hold a conference call on November 10, 2021 at 10:00 a.m. ET to discuss the results.

To listen, call +1 (800) 430-8332 toll-free or +1 (647) 792-1241 internationally and reference conference ID 9959611. Please allow 10 minutes to be connected to the conference call. Replay will be available after the call on +1 (888) 203-1112 toll free or +1 (647) 436-0148, under passcode 9959611, until November 17, 2021.

The audio and transcript will also be archived on our website approximately two days after the event.

## About WildBrain

At WildBrain we inspire imaginations to run wild, engaging kids and families everywhere with great content across all media. With approximately 13,000 half-hours of filmed entertainment in our library – one of the world's most extensive – we are home to such brands as Peanuts, Teletubbies, Strawberry Shortcake, Yo Gabba Gabba! Caillou, Inspector Gadget, Johnny Test and Degrassi. At our 75,000-square-foot state-of-the-art animation studio in Vancouver, BC, we produce such fan-favourite series as The Snoopy Show, Snoopy in Space, Chip & Potato, Carmen Sandiego, Go, Dog. Go! and more. Our shows are enjoyed worldwide in more than 150 countries on over 500 streaming platforms and telecasters, and our AVOD business – WildBrain Spark – offers one of the largest networks of kids' channels on YouTube, garnering billions of views per month from over 245 million subscribers. Through our leading agency, WildBrain CPLG, we also license consumer products and location-based entertainment in every major territory for our own properties as well as for our clients and content partners. Our television group owns and operates four family entertainment channels that are among the most viewed in Canada. WildBrain is headquartered in Canada with offices worldwide and trades on the Toronto Stock Exchange (TSX: WILD). Please visit us at **www.wildbrain.com**.

## Forward-Looking Statements

This press release contains "forward looking statements" under applicable securities laws with respect to WildBrain including, without limitation, statements regarding the growth strategy of WildBrain, WildBrain's production pipeline and projects in development, WildBrain's brand strategies (including its plans for developing and monetizing Peanuts, Strawberry Shortcake and other franchises), the activation of WildBrain's IP and the results and benefits therefrom, WildBrain's direct ad sales business, the value of WildBrain's assets, leverage ratio and cash

flow forecasts, use of capital for investments and other growth opportunities and expected returns therefrom, improved monetization of WildBrain Spark and expansion to additional platforms, the business strategies and operational activities of WildBrain, the markets and industries in which WildBrain operates, and the growth and future financial and operating performance of WildBrain. Although WildBrain believes that the expectations reflected in such forward looking statements are reasonable, such statements involve risks and uncertainties and are based on information currently available to WildBrain. Actual results or events may differ materially from those expressed or implied by such forward looking statements. These forward looking statements are made as of the date hereof, and WildBrain assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

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) WildBrain's future operating results, (ii) the expected pace of expansion of WildBrain'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 WildBrain, (v) changes in the industries and changes in laws and regulations related to the industries in which WildBrain operates, (vi) consumer and consumer preferences, (vii) the ability of WildBrain to execute on acquisition and other growth strategies and opportunities and realize the expected benefits therefrom, (viii) the ability of WildBrain to execute on production, distribution and licensing arrangements, (ix) the availability of investment opportunities at acceptable valuations and the ability of WildBrain to execute on such investment opportunities, * the timing for commencement and completion of productions, (xi) the ability of WildBrain and its partners to execute on its brand plans and consumer products programs, (xii) changes in the markets and industries in which the WildBrain operates and the ability of WildBrain to adapt to such changes, (xiii) changes to YouTube and in advertising markets, (xiv) the ability of WildBrain to commercialize consumer products related to its brands, and (xv) changes in foreign exchange and interest rates.

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. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking statements in this press release. Factors that could cause actual results or events to differ materially from current expectations include, among other things, the current outbreak of COVID-19 and the magnitude and length of economic disruption as a result of such outbreak, market factors, WildBrain's ability to close and execute on anticipated production, distribution, licensing and other contracts, the ability of WildBrain to realize the expected value of its assets, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time including matters discussed under "Risk

Factors" in WildBrain's most recent Annual Information Form and Management Discussion and Analysis filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR (**www.sedar.com**).

## Non-IFRS Measures

In this press release, WildBrain uses certain non-IFRS financial measures, including "Free Cash Flow", "Gross Margin", "Adjusted EBITDA", and "Adjusted EBITDA attributable to WildBrain", to measure, compare and explain WildBrain's operating results and financial performance. These measures and other non-IFRS measures are commonly used by entities in WildBrain's industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. For further details on these non-IFRS measures, including relevant definitions and reconciliations, see "Non-GAAP Measures" in WildBrain's most recent MD&A.

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