NEWS RELEASE

WILDBRAIN REPORTS Q2 2024 RESULTS

2024-02-08

Q2 2024 Highlights

- Revenue was $126.3 million, compared to $140.5 million in Q2 2023.
- Net income was $5.0 million, compared with net loss of $13.0 million in Q2 2023.
- Adjusted EBITDA[1] was $25.2 million, compared to $26.0 million in the prior year period.
- Cash provided in operating activities was $35.0 million, compared to cash provided in operating activities of $63.1 million in Q2 2023.
- Free Cash Flow[1] was $5.4 million, compared to $26.4 million in Q2 2023.

TORONTO, Feb. 8, 2024 /CNW/ - WildBrain Ltd. ("WildBrain" or the "Company") (TSX: WILD), a global leader in kids' and family entertainment, today reported its second quarter ("Q2 2024") results for the period ended December 31, 2023.

Josh Scherba, WildBrain President and CEO, said: "We saw another quarter of strong growth in our business, outside of content production and television, reflecting the strength of our franchises, third-party partners and unique assets. Although the content production industry is slower to return to normalization than initially expected, we are encouraged by renewed activity we are now starting to see. More importantly, we're confident that our strong, known franchises will have enduring appeal for partners and fans, as evidenced by the recent greenlight of a new Peanuts feature film for Apple TV+. We are executing against our strategic plan and leveraging our full platform across Content Creation, Global Licensing and Audience Engagement and remain committed to simplifying our business and focusing on these core capabilities, while also improving our balance sheet and driving shareholder value."

Nick Gawne, WildBrain CFO, added: "As a result of the slower than anticipated normalization of the content production market and the subsequent impact on our studio business, we have adjusted our Fiscal Year 2024 outlook. We now expect revenue to be down approximately 8% to 12% year over year and expect Adjusted EBITDA to be down approximately 5% to 10% year over year. The adjustment in our outlook is driven by the ongoing reduction in production in our content studios, but we are confident in our content production outlook for Fiscal Year 2025 and 2026, with over 60% and 50% of our pipeline greenlit, respectively. This level of pipeline visibility reflects a return to normal operational levels of our studio and is a positive indicator for our business going forward. We continue to make progress on our key financial goals of addressing our 2024 convertible debentures and reducing our leverage, including through the potential sale of non-core assets."

Q2 2024 Performance – Executing on Priorities

PRIORITIES	HIGHLIGHTS
Focus on Key Brands & Partnerships	• The second of four seasonal CG-animated Strawberry Shortcake specials premiered on Netflix in December for the holiday season and we announced multiple new licensing partnerships, including new apparel and toy lines; a Crisco baking promotion; kids' podcasts; and location-based character appearances for fans. • A third season of our hit series, Sonic Prime, produced in partnership with SEGA, debuted on Netflix on January 11. As with seasons one and two, the series premiered in the top-ten on the platform, globally. • Subsequent to the quarter, our sixth new Peanuts family special, Welcome Home, Franklin, was announced for premiere on Apple TV+ on February 16, following the announcement in November of the greenlight of a new Peanuts feature film by Apple TV+. • Season 2 of popular animated preschool series Brave Bunnies, was launched with a wave of international distribution deals for both Seasons 1 and 2, including with leading platforms Milkshake! (UK), Rai Yoyo (Italy) and TeleTOON+ (Poland), CNC Media International (South Korea) and Stan (Australia), adding to the list of platforms in more than 80 countries airing the series.
Deliver Sustainable Growth	• Impacted by the challenges in the content production market, we now expect revenue to be down approximately 8% to 12% year over year and expect Adjusted EBITDA to be down approximately 5% to 10% year over year in Fiscal Year 2024. • Looking ahead, we are confident in our content production outlook for Fiscal Year 2025 and 2026, with over 60% and 50% of our pipeline greenlit, respectively.
Improve Balance Sheet	• Committed to financial discipline, reducing leverage and consistent free cash flow generation. Target leverage of under 4x by the end of Fiscal Year 2024.

Q2 2024 Financial Highlights

Financial Highlights	Three Months ended	
(in millions of Cdn$)	December 31,	
	2023	2022
Revenue	$126.3	$140.5
Gross Margin[1]	$59.2	$61.3
Gross Margin (%)[1]	47 %	44 %
Adjusted EBITDA attributable to WildBrain[1]	$25.2	$26.0
Net Income (Loss) attributable to WildBrain	$5.0	$(13.0)
Basic Earnings (Loss) per Share	$0.02	$(0.07)
Cash Provided by Operating Activities	$35.0	$63.1
Free Cash Flow[1]	$5.4	$26.4

In Q2 2024, revenue decreased 10% to $126.3 million, compared to $140.5 million in Q2 2023.

Content Creation and Audience Engagement revenue decreased 21% to $56.7 million in Q2 2024, compared to $72.1 million in Q2 2023. Revenue in the quarter was driven by strength in content distribution, offset by fewer productions in the studio reflecting slower activity in the broader content production industry as greenlights slowed.

Global Licensing revenue increased 6% to $60.9 million in Q2 2024, compared to $57.4 million in Q2 2023. Revenue in the quarter was driven by strength in our global licensing agency, WildBrain CPLG, and our owned brands as well as continued strength in Peanuts in the US market.

Legacy WildBrain Spark revenue in Q2 2024 was $14.8 million compared to $16.0 million in Q2 2023, and delivered a sequential improvement from Q1 2024. The YouTube network revenue in the quarter had strong year over year growth and profitability improved as a result of the efforts to refocus the network over the last eighteen months. Similar to the broader content industry, production at the digital studio was a headwind in the quarter. Kids continue to be highly engaged on our YouTube network, with over 56 billion minutes of videos watched in the quarter and the average duration of viewing continuing to improve.

Gross Margin[1] for Q2 2024 was 47%, compared with gross margin of 44% in Q2 2023. Gross margins were higher

with less animated and live action production revenue and an increase in content distribution and WildBrain CPLG revenue in the current period, compared to the prior-year period.

Cash provided by operating activities in Q2 2024 was $35.0 million, compared to $63.1 million provided by operating activities in Q2 2023. Free Cash Flow[1] was $5.4 million in Q2 2024, compared with Free Cash Flow of $26.4 million in Q2 2023, reflecting the timing of trade receivables associated with larger deals in the prior year period.

Adjusted EBITDA[1] was down 3% to $25.2 million in Q2 2024, compared with $26.0 million in Q2 2023. The decrease in the quarter was driven by lower revenue, primarily within Content Creation and Audience Engagement, offset by growth in Global Licensing. We continue to moderate our expenses while supporting growth initiatives.

Q2 2024 net income was $5.0 million compared to net loss of $13.0 million in Q2 2023. The increase was primarily driven by lower SG&A, lower shared-based compensation, lower change in fair value of embedded derivatives, offset by lower gross margin dollars and higher finance costs.

---

1. Free Cash Flow, Gross Margin, Adjusted EBITDA and Adjusted EBITDA attributable to WildBrain are non-GAAP financial measures - see below for further details.

Q2 2024 Conference Call

The Company will hold a conference call on February 9, 2024 at 10:00 a.m. ET to discuss the results.

To immediately join the call by phone on that date without operator assistance, please use the following URL to receive an automated instant call back connecting you into the conference: **https://emportal.ink/48F9oA4**

Alternatively, you may dial direct to be entered into the call by an operator, referencing conference ID 58762795 at +1 (888) 664-6383 in North America or +1 (416) 764-8650 internationally.

If dialing in, please allow 10 minutes to be connected to the conference call.

Replay will be available after the call on +1 (888) 390-0541 or +1 (416) 764-8677, under passcode 762795#, until February 16, 2024.

The audio and transcript will also be archived on our website approximately three business days following the event.

For more information, please contact:

Investor Relations: Kathleen Persaud - VP, Investor Relations, WildBrain
kathleen.persaud@wildbrain.com
+1 212-405-6089

Media: Shaun Smith - Sr. Director, Global Communications & Public Relations, WildBrain
shaun.smith@wildbrain.com
+1 416-977-7230

About WildBrain

At WildBrain we inspire imaginations through the wonder of storytelling. As a leader in 360° franchise management, we are experts in content creation, audience engagement and global licensing, cultivating and growing love for our own and partner brands with kids and families around the world. With approximately 13,000 half-hours of filmed entertainment in our library—one of the world's most extensive—we are home to such treasured franchises as Peanuts, Teletubbies, Strawberry Shortcake, Yo Gabba Gabba!, Caillou, Inspector Gadget and Degrassi. WildBrain's mission is to create exceptional entertainment experiences that captivate and delight fans both young and young at heart.

Our studios produce such award-winning series as The Snoopy Show; Snoopy in Space; Strawberry Shortcake: Berry in the Big City; Sonic Prime; Chip and Potato; Teletubbies Let's Go! and many more. Enjoyed in more than 150 countries on over 500 platforms, our content is everywhere kids and families view entertainment, including YouTube, where our network has garnered over 1 trillion minutes of watch time. Our television group owns and operates some of Canada's most-viewed family entertainment channels. WildBrain CPLG, our leading consumer-products and location-based entertainment agency, represents our owned and partner properties in every major territory worldwide.

WildBrain is headquartered in Canada with offices worldwide and trades on the Toronto Stock Exchange (TSX: WILD). Visit us at wildbrain.com. Visit us at 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 business strategies and operational activities of WildBrain, debt and leverage reduction plans of the Company, the potential sale of non-core assets, content and other commercial agreements and opportunities of WildBrain, AVOD/YouTube performance, consumer products growth,

monetization of WildBrain's assets, the markets and industries in which WildBrain operates, expense moderation, investment in and support of growth initiatives, the Company's production pipeline and outlook for the Company's content production business for Fiscal Years 2025 and 2026, refinancing or otherwise addressing the Company's convertible debentures and the growth and future financial and operating performance of WildBrain, including revenue, Adjusted EBITDA, Free Cash Flow and leverage for Fiscal 2024. 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 and industry mergers and acquisitions on WildBrain, (v) changes in the industries, and changes in laws and regulations related to the industries in which WildBrain operates, (vi) consumer and customer preferences, (vii) the ability of WildBrain to execute on and integrate investment, acquisition and other growth strategies and opportunities and realize the expected benefits therefrom, (viii) the ability of WildBrain to execute production, distribution, licensing and other revenue-generating arrangements, (ix) the availability of investment and divestiture opportunities at acceptable valuations and the ability of WildBrain to execute on such investment and divestiture opportunities, * interest and foreign exchange rates, (xi) the timing for commencement and completion of productions, (xii) the ability of WildBrain and its partners to execute on its brand plans and consumer products programs, (xiii) changes in the markets and industries in which WildBrain operates and the ability of WildBrain to adapt to such changes, (xiv) changes to YouTube and in advertising markets, (xv) the ability of WildBrain to commercialize consumer products related to its brands, (xvi) the current geopolitical landscape, (xvii) general economic and industry growth rates, and (xviii) the economic impact of inflation, any potential recession or downturn on consumer behaviour and advertising sales.

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 in this press release. Factors that could cause actual results or events

to differ materially from current expectations include, but are not limited to, WildBrain's leverage and indebtedness and failure to refinance or meet covenant requirements under its senior credit facility (as and where applicable), general economic and market conditions and the impact of such conditions on the industries in which WildBrain operates, debt and equity capital markets and the availability of financing on acceptable terms, competition and the potential impact of industry mergers and acquisitions, WildBrain's ability to identify and execute anticipated production, distribution, licensing and other contracts, contractual counterparty risk, dependence on key third party relationships and partnerships with buyers, the ability of WildBrain to realize the expected value of its assets, supply chain and other related disruptions, 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.sedarplus.ca**).

Non-IFRS 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, and Gross Margin.

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.

"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.

SOURCE WildBrain Ltd.