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PRESENTATION

Operator

Hello and welcome to WildBrain's Fiscal 2023 Q4 and Full-Year Earnings Call. Today's conference is being recorded. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. To ask a question during that time, please press star, then one on your telephone keypad. If you would like to withdraw from the queue, press star two.

I'd now like to turn the call over to Kathleen Persaud, Vice President, Investor Relations at WildBrain. You may begin your conference.

Kathleen Persaud — Vice President, Investor Relations, WildBrain Ltd.

Thank you, operator, and thank you, everyone, for joining us today for WildBrain's Fourth Quarter 2023 earnings call. Joining me today are Josh Scherba, our President and CEO, and Aaron Ames, our CFO. Also with us and available during the question-and-answer session is Danielle Neath, our EVP of Finance and Chief Accounting Officer.

Before we begin, please note that matters discussed on this call include forward-looking statements under applicable securities laws with respect to WildBrain, including, but not limited to, statements regarding investments and acquisitions by the Company, commercial arrangements of the Company, the business strategies and operational activities of the Company, the markets and industries in which the Company operates, cost and expense management, the Company's leverage and plans for debt and leverage reduction, refinancing of the Company's indebtedness, the value of the Company's

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Forward-looking statements are subject to number of risks and uncertainties. Actual results or events in the future could differ materially and adversely from those described in the forward-looking statements as a result of various important factors, including the risk factors set out in the Company's most recent MD&A and Annual Information Form, which are available on the Investor Relations section of our website at wildbrain.com.

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 — President & Chief Executive Officer, WildBrain Ltd.

Thanks, Kathleen, and thanks to everyone for joining us today.

I just wrapped up my first 100 days on the job a few weeks ago, and in that time, across the company, we have focused our strategic vision, executed cost reductions and rightsizing to ensure we have the right resources in the right places to drive our refined strategy, built out our three-year long-range plan, enhanced and rebuilt our budgeting process, and initiated a process to improve our balance sheet. Before I go into detail on our results and outlook, let me start by thanking all of the incredible

employees at WildBrain who have been working so diligently during this period to optimize and streamline our business.

In our first all-company meeting as CEO, I shared a quote I love from management guru, Peter Drucker: “Culture eats strategy for breakfast”. A company’s vision articulates its purpose, but it’s our values and our culture that drive us. At WildBrain, we’re investing heavily to strengthen our culture. It’s our culture that defines our shared commitment to solve problems, share information, serve customers, deliver experiences and drive growth. We have incredible assets, but it’s because of our culture that we will win.

When I took over on May 9th, I was in the lucky position of inheriting a healthy organization with a strong pipeline for growth. This allowed me to devote my energy over the past few months to working with the team to refine our vision and define who we are and where we want to go. Over the last three years, we have built a platform that consistently delivers creative excellence. This is the core engine of what we do. Without sacrificing a stitch of that creative excellence, I wanted to enhance our focus, urgency and accountability across the business to better direct our internal investment, maximize our ROI, make sure we’re going after the largest profit opportunities, and really clarify, both internally and externally, who we are and what we can be. While our results have shown growth, results also haven’t lived up to our potential. We can do better, particularly on the cost side. We needed more focus to remove excess cost—and focus is a key change I’ll be bringing to our company. Meaning focus on our core competencies of content creation, audience engagement and global licensing, both at the operational level, as well as in our approach to capital allocation.

So I'd like to walk you through where this work has taken us, starting on the operating side with our strategic vision, why what we've built is so valuable in today's landscape, and how we're positioned to take advantage of the significant opportunities ahead. At WildBrain, our vision is to inspire imaginations through the wonder of storytelling. As we've discussed over the past few years, we've built three strategic pillars across our business that we believe uniquely position us in today's market and have set us up for years of strong growth. These pillars are: first, a premium content creation engine; second, a scaled global audience engagement; and third, our global consumer products licensing platform. Through these pillars, we cultivate and create exceptional entertainment experiences for our own and partner brands that captivate and delight fans new and old. We commonly refer to these strategic pillars as our 360-degree capabilities.

As a team, we spent the last three months really digging into our largest opportunity sets and we determined that, to fully unlock the growth across these pillars, we required a higher degree of focus. While in the past we sometimes diluted our resources across too many projects, going forward, with clear focus on our key opportunities, we will be able to execute to unlock that growth. Defining these opportunities has allowed us to put all our energy into executing against the potential we see in the successful monetization of a few key brands across our global platform, both for owned and partner brands. We will center the Company around a handful of owned brands and global partnerships, all of which are monetized across the full spectrum of our three strategic pillars.

In the owned brands category, today we're including Peanuts, Teletubbies, and Strawberry Shortcake. We intend to add to this group with a very small number of other proprietary IP that could come from our vast library, or through acquisition, or be a completely new brand we create in-house. We

see opportunity in focusing our energy to diligently grow these IPs in meaningful ways. On a larger scale, we're beginning to see the results of this focus at Peanuts, where we have a steady output of new content, strong audience engagement and global licensing. We see a long runway ahead for growth. Recently, our Peanuts Worldwide team signed a partnership with Apple for a new Apple Watch face featuring exclusive Snoopy and Woodstock animations. WildBrain CPLG meanwhile inked a new relationship with retailer MINISO for extensive lines of toys and other products for Peanuts, Teletubbies and Strawberry Shortcake to launch in over 5,000 stores this fall.

By focusing our efforts on a few brands, we can leverage our full capabilities to build brand awareness and affinity, which ultimately drives monetization. We believe Teletubbies and Strawberry Shortcake have a lot of value to unlock and we're taking steps to ensure we set them on the right path to do so. We're seeing double-digit increases in franchise activations, digital watch time and social media engagement, and that is translating into double-digit gains in new licensee growth. We're starting from a small base, but by aligning our resources to drive growth, we see a clear path for these IPs to continue to grow these brands worldwide.

In the global partnerships category, SEGA is a prime example of the type of global partnership we're establishing. The premium series, *Sonic Prime,* dropped its second season on Netflix in July and, just as with the first, zoomed to the Top 10. This IP, through the strong execution of our global licensing platform, WildBrain CPLG, continues to generate traction in Sonic licensing. We've seen double-digit increases in both royalty revenues and expansion of our licensee base. We will look to replicate this type of global partnership, leveraging our 360 capabilities and world-class support for our brands and partner brands.

With our core capabilities built, it's important we remain agile and continue to adapt WildBrain to thrive in today's evolving marketplace. Today, there is an important reframing of how content is being consumed by kids and families. Driven by YouTube, kids are curating their own personal viewing experiences. From influencers, to sports, to music, to low-cost narrative content, kids have never had the level of choice that they have today. We're also seeing parents and kids co-viewing more than ever. Shared viewing is not a new concept, but it's rising in importance as families connect together. Increasingly, streamers are gravitating toward making fewer but higher-quality premium series and movies across all genres with an emphasis on opportunities for hit content that appeals to the whole family. They will typically pay a premium price for exclusive rights on such content. This strategy has been focusing on a few key areas: known IP, movies and serialized shows like *Sonic Prime*. In that vein, after quarter end, we closed on the House of Cool transaction. This highly complementary acquisition meaningfully broadens and deepens our capabilities, including expanding into full-length movies, or features, as we refer to them in the industry. It also enhances our IP funnel, leading to significant new partner or purchase opportunities.

In addition to premium content for SVODs, what I'm calling omni-platform content is a critical second category of the content ecosystem. This is non-exclusive, audience-led content typically made at a lower budget that can distribute and license across a multitude of platforms. It represents the largest amount of consumption in today's kids' market. YouTube accounts for the vast majority of this viewership, but we also engage on a myriad of AVOD and FAST services, as well as linear TV and non-premium content on SVODs. In addition, such content can feed into large nascent distribution platforms like Roblox that experiment with video and, of course, into social media platforms. We are and need to be everywhere kids and families are watching.

Omni-platform is all about discovery and engagement and being experts in this space is a critical component of the 360-degree capabilities for our owned and partner brands. We have a huge advantage in owning the Spark network, with its scaled engagement and deep insights into how kids consume content on YouTube. Taking these insights, we continue to iterate and innovate, which has led to higher-quality engagement across the platform. Over the past year, our average duration of viewing increased 50 percent. With an engaged audience, we see how quickly a brand in pick up speed. We saw one series recently shoot to up to over a billion minutes viewed in just 90 days.

A high-quality, engaged audience will drive the monetization into other areas of our business, namely consumer products. All that said, we could be doing more to monetize that engagement. We see this not only as a critical tool to drive consumer products revenue for our owned IP, but also to drive awareness and engagement to unlock licensing opportunities across our partner brands as well. The WildBrain team has worked hard over these last few months to look at this evolved media landscape to best position our 360-degree capabilities. We have clearly defined where WildBrain needs to be with respect to the performance of each of these strategic pillars in order to optimize the entire structure as a holistic machine to drive significant earnings and shareholder value.

Diving into specifics of where we landed, we are driven by content creation, where we will focus on producing premium and omni-platform content, expand into features and reduce the development slate. Secondly, in audience engagement, we will build our franchise strategy for reach, relevance and revenue for our owned IP, we'll deliver value of data analytics and insights across the organization and continue to enhance digital marketing capabilities. And lastly, in global licensing, we are hyper focused on global partnerships like SEGA, PLAYMOBIL, and Supercell. We are also hyper focused on maximizing the

value of our owned IP and building location-based entertainment, or LBE, strategies and expertise. The LBE market is valued at over $4 billion and growing. As consumers look for interactive experiences with their favourite brands, we can provide this expertise as a natural extension of our capabilities.

As we refined our focus on key brands, we had an opportunity to re-evaluate our cost base as well as how we're investing across the organization to ensure we're prioritizing high ROI opportunities. To that end, we did execute cost reductions and rightsizing this summer. While we're managing our expenses more prudently, we're still making targeted investments to drive growth and are very confident in our ability to deliver that growth. We're making our library work harder for us and we're beginning to realize the investments in the CPLG expansion in APAC and location-based entertainment, as well as enhancing our technology platform at Spark. In success, we aim to become the choice for independent IP owners, including gaming and toy companies, to partner with on their IP. We believe we are the only independent company in today's market that can offer all of these capabilities under one umbrella in the kids and family space, and this will give us the ability to become highly selective of who we partner with.

Turning to our capital structure, we are intent on simplifying our capital allocation framework. Starting with our balance sheet, we're actively working on further reducing our leverage with a target of under 4x by the end of Fiscal 2024. We have $140 million of convertible debentures maturing in September 2024 and we're exploring several options to refinance or pay off these notes. One of several options for reducing our leverage is through the sale of non-core assets. As we are now laser-focused on growing our key brands and global partnerships, there is an opportunity to review potential divestments from our deep asset base, including our vast library of IP that we would view as non-core. Selling one or a few of those non-core assets will help streamline and enhance our capital structure in a manner we view

as accretive both to our leverage profile and to shareholders. The market for premium IP remains strong. While it's still early, we're very pleased with feedback and interest we've received to date. Over the next 12 months or so, we're targeting a range of between $100 million and $300 million in asset sales, subject to market conditions. Said another way, we will only pursue asset sales that we believe enhance our value per share. Given our large portfolio of assets, we're confident that, through this sale process, we can accomplish three core objectives: first, simplify and focus our business; second, improve our balance sheet; and three, drive shareholder value.

Looking ahead to our long-term capital allocation framework, first and foremost, we will deleverage the balance sheet and maintain the ability to invest in our key brands for sustainable growth. Over time, once our balance sheet has appropriate flexibility, we will look to allocate capital to the best and most accretive use. This could include IP acquisitions, investing in our existing IP, or through repurchasing our shares. We see this as a tremendous opportunity to create significant value for our stakeholders and are intent on putting WildBrain in a position to execute against these value-accretive opportunities.

Last quarter, I talked about our diversification as one of our differentiators. With approximately 40 percent of our revenue from content, and now approximately 40 percent from consumer products, we are less tied to sector-specific impacts. That diversification is benefitting us as we look to Fiscal 2024 given the current state of the content market. While the content industry has gone through some changes over the last 12 months, the recent dual strikes in the labour unions have led to a slowdown in activity, which is leading to a delay in project greenlights. While we were initially expecting EBITDA growth from our studio, we now expect a timing delay from the impact of the strikes on the content market of

approximately $10 million to $15 million in Fiscal 2024. I want to reiterate, this is simply a timing shift, not a missed revenue opportunity. We believe we are being conservative in our outlook for the studio amidst the direct and indirect impacts of the ongoing strikes. There is heightened volatility in the near term as the industry tries to come together to find an amenable solution for all parties involved, but the content business will rebuild as everyone gets back to work. Our pipeline is strong and we continue to work to add more quality owned and partner content in our studio.

We expect television to follow its prior-year trend, consistent with the broader linear market. Excluding the studio and TV, all other businesses combined are expected to grow EBITDA between 15 and 20 percent year-over-year. On a consolidated level in Fiscal 2024, we expect revenue to be down moderately year-over-year and adjusted EBITDA to be slightly higher. With less live action expected, gross margins will be higher and we will efficiently manage our expenses, both of which will benefit EBITDA.

Before I turn it over to Aaron, I want to take a step back to our Investor Day in 2021. At that time, we provided growth objectives for a two-year CAGR of 12 to 17 percent for revenue and 15 to 20 percent for EBITDA in Fiscal 2024. While the difficult macro environment has shifted our timing, we are still targeting strong double-digit growth in 2025 and beyond. As our guidance implies, after a few years of investment, we are seeing growth take hold in our business outside the studio. As the studio profit rebuilds once the industry normalizes, this will further add to our profit growth going forward. This growth, coupled with greater balance sheet flexibility through the sale of non-core assets, will lead to materially reduced leverage. We expect strong growth across our business outside of the studio and television in 2024 and, when we look to 2025 and beyond, our confidence is strong, as we expect continued growth in our core business.

I will now turn it over to Aaron to review the results in the quarter.

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

Thanks, Josh.

Fiscal 2023 consolidated revenue was $533 million, up 5 percent year-over-year. Revenue for the year was driven by strength in Content Production and Distribution with 13 percent growth. Consumer Products revenue grew 4 percent for the full fiscal year with a continuation of sequential improvements after the inventory overstocking challenges we saw in the second quarter. Spark revenue was down 15 percent for the full fiscal year, but with a sequential improvement in the fourth quarter. Television revenue was $40 million, down 4 percent year-over-year.

Fourth quarter consolidated revenue of $125 million reflected an increase of 11 percent year-over-year. Content Production and Distribution revenue of $53 million was up 6 percent in the quarter. Consumer Products revenue of $52 million was up 24 percent versus the prior year. Spark revenue was down 9 percent in the quarter. I reiterate the real value of Spark is in the engagement it brings to our owned and partner brands and the insights it provides to all aspects of our business. Lastly, Television revenue was $9 million in the quarter.

Gross margins in Fiscal 2023 were up over 160 basis points and dollars grew 9 percent as we benefitted from the consolidation of the Peanuts representation rights. Gross margin in the fourth quarter was up over 750 basis points and dollars were up 35 percent year-over-year. We recorded a net loss of

$46 million in Fiscal 2023, driven by a non-cash impairment charge of $33 million related to our Television business.

SG&A expenses were $31 million in the fourth quarter and up 7 percent for the full fiscal year. The increase in SG&A over the past year relates primarily to additional headcount in APAC, which is already yielding benefits, like the far-reaching direct-to-retailer partnership we just inked with international lifestyle retailer MINISO. We will continue to moderate expenses and harvest the investments we made.

Fiscal Year 2023 adjusted EBITDA of $98 million was up 10 percent year-over-year. Fourth quarter adjusted EBITDA was $19 million.

Free Cash Flow for the fiscal year was strong at $30 million. Free Cash Flow in the fourth quarter was positive $17 million compared with negative Free Cash Flow of $5 million in the prior year quarter. Fourth quarter Free Cash Flow reflected the benefit of improved collections and working capital timing.

Our leverage at the end of the quarter was 4.16x. Leverage may fluctuate quarter to quarter but, as Josh mentioned, we are focused on deleveraging our balance sheet. We're exploring several options to refinance or repay down the 2024 convertible debentures and are very confident we will make meaningful strides in deleveraging in the near term.

With strong revenue growth focusing on our most profitable brands, consistent Free Cash Flow generation, and prudent expense management and an improved balance sheet, we are positioned for sustainable long-term growth.

I'll turn it back to Josh.

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

Thank you, Aaron.

Sharpening our focus on key brands and partnerships, we will execute across the full spectrum of our capabilities. As we look at our financial model over the next three-plus years, there are several areas of growth.

First, our owned IP remains a priority, as the economics are advantageous. In premium content, known IP will continue driving family co-viewing, and with the addition of House of Cool we have the ability to expand into features with our owned IP, opening another profit stream. AVOD and FAST channels are a growing industry opportunity and we are well positioned to capitalize on that growth with our full range of content and expansion to new platforms. And CPLG remains a hugely important driver of our growth. As CPLG grows faster than the consolidated business, we will see that flow through in the form of expanding EBITDA margins. Additionally, with new geographies and new capabilities, like the recently announced LBE expansion, that dovetails very nicely with our IP, so we see several years of growth ahead.

We're in process to improve our balance sheet and are taking the necessary steps to ensure we continue to grow while maintaining financial discipline. The actions we're taking will strengthen our business and build on our foundation for sustainable and profitable growth.

With that, let's open the call to questions. Operator?

Q & A

Operator

Thank you. At this time, if you would like to ask a question, please press star, then one on your telephone keypad. If you would like to withdraw from the queue, press star two. Please stand by while we compile the Q&A roster.

Thank you for waiting. Your first question comes from Drew McReynolds with RBC. Please go ahead.

Drew McReynolds — Analyst, RBC Capital Markets

Thanks and good morning. Josh, thanks for all the added, kind of, granularity on all the moving parts and the update. So, a couple—just clarifications for me to start here. The $10 million to $15 million in strike-related impacts expected for Fiscal 2024—that was revenue I'm assuming. And just in terms of, kind of the last commentary on strike impacts, it wasn't expected to be much, even in a kind of prolonged strike, so just wondering how exactly this is impacting your business. And when you think about Fiscal 2024 guidance being conservative, what's the context around that and is it related to strike resolution or perhaps something else? And just a couple of follow-ups after that.

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

Sure. Thanks, Drew. So, first of all, to clarify, that $10 million to $15 million was, in fact, EBITDA, not revenue. So I think when you take into context that level of really timing shift from this coming fiscal to the next, I think it does ultimately speak to what a diverse set of assets we've built and how we are

going to be seeing 15 to 20 percent growth in everything outside of content and TV, which is ultimately getting us to a place of slight growth overall for EBITDA.

As it relates directly to the strike, I think there's a couple of issues. I think, first of all, we've had a few projects that have been specifically impacted, but it's also created this knock-on effect in the industry of really kind of this cooling where there's been a slowdown in greenlights. And we feel really good about our slate. We feel really good about how we're positioned with the streamers. We're coming off the success of *Sonic Prime*, in a great place with Netflix. We continue to be in a great place with Apple. So we feel our slate is there, but really, in this climate, greenlights have slowed down. So, when we've been forecasting out our slate, we've gone on a title-by-title basis and we've really pushed out the beginning of these projects to earlier than we had originally anticipated. So that's really the context for where we're at.

Drew McReynolds — Analyst, RBC Capital Markets

Okay. Okay, super. And just a follow up here on the consumer products side. You had a strong Q4 and clearly the outlook remains positive. Can you just give us an update on kind of the inventory impact or headwind that may still persist? Are you seeing any kind of broader macro impacts on this segment?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

So, we're feeling really great about our consumer products business. You could see the growth in the quarter. I think that helps alleviate any inventory concerns that we would have had. And as we move forward, really what we've built out is this global infrastructure that we're starting to see the benefits of.

We've rolled in Asia Pacific, we also have expanded into LBE capabilities, and all of this is helping our own IP. We announced the MINISO deal, which was brokered by our China team, and that is a benefit to Peanuts, but also a benefit to Strawberry Shortcake and Teletubbies. We've also recently announced our first location-based entertainment deals. And really these tools beyond our own IP are really allowing us to be more attractive to meaningful IP owners and it really does create this cumulative virtuous cycle that we've got with all of our capabilities. So yeah, we're feeling really good about the growth ahead for our consumer products business.

Drew McReynolds — Analyst, RBC Capital Markets

Okay, super. One last one, quick one for me, on Free Cash Flow outlook for Fiscal 2024—just wondering what you're expecting there and, obviously, for modelling purposes mainly, just so we can kind of square off all the moving parts. Thank you.

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

I'll hand over to Aaron for that one.

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

Thanks, Josh. So, on the Free Cash Flow, as Josh mentioned, we're seeing growth in our consumer products, so that actually improves our cash flow profile, because the working capital timing is better on consumer products for us, especially owned consumer products, and so that's a benefit. There is a bit of an offset related to interest expense, which was higher this year, but we see Free Cash Flow about flat with this year given both those things.

Drew McReynolds — Analyst, RBC Capital Markets

Okay. That's great, Aaron. Thank you.

Operator

Your next question comes from Adam Shine with National Bank Financial. Please go ahead.

Adam Shine — Analyst, National Bank Financial

Thanks a lot. Good morning. So, Josh, just going back to the Hollywood strikes, more of a postponement dynamic than necessarily more aggressive cancellations. Maybe we'll just start there.

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

Yeah, I think that's a good way to categorize it. And again, it's just kind of this general cooling effect where I think it's a moment for the streamers to kind of take a breath, probably collect some cash before they get back into greenlighting anything, whether it's directly impacted by the strike or not. And I also don't want to, I don't want to see that greenlights have entirely stopped. Like we're in active conversation, the slates building up fine, it's just taking longer than it typically would. So we've had to work that into our outlook for this year because it's just a reality of what we're seeing.

Adam Shine — Analyst, National Bank Financial

Okay. And just when we think about some of the non-core assets in the library, is there anything that particularly jumps out as key IP that perhaps you've attempted to shop in the past and weren't

necessarily successful in doing so? Or is this more of a newer, fresher approach to mining the library and looking for some potential monetization opportunities?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

What I would say is this started with the refinement of our strategy. So we've been leaning into our three core capabilities of content creation, audience engagement, global licensing, and acknowledging that we can really leverage those on a handful of our own IP, and we've noted Peanuts, Teletubbies, and Strawberry as three priority IP. But outside of that, we have a vast amount of known IP. And the reality is it's a scarce resource. And these past several years have done nothing but improve the value of that. As audiences fragment, having something that is known and people have heard of before is a huge advantage.

And so when I look at what we're actually taking advantage of, it's a small portion of our IP, and so, if we really can find a way to meet three key objectives—so it's a simplification of our business, it's ability to deleverage our balance sheet, and third, drive shareholder value, that seems like a tremendous opportunity in front of us. And I feel really confident, from the early conversations we're having around this process, that we're going to be able to do all three.

Now we left a relatively wide range there in terms of what we could raise, between $100 million to $300 million, and that's really because we don't actually have to sell any of these assets and we need to make sure that all three of these objectives are being met, but we feel confident that we've got a path in front of us that is going to be a good outcome for WildBrain.

Adam Shine — Analyst, National Bank Financial

I'll push you a little bit just on the context of, you know, when we think about the monetization of that $100 million to $300 million, is there revenue/EBITDA associated with that that you can help us with a little bit? Or are these just IPs that have greater potential potentially in other's hands that are not being successfully exploited or at least not optimally exploited by you guys?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

So, again, I'd bring it back to those three goals that we're looking to accomplish. And when we look across our portfolio—so again, it's back to simplification, it's back to deleveraging, and driving shareholder value—some may be delivering current revenue and EBITDA, others might not be, but if we're accomplishing those three objectives, that's what we're focused on.

Adam Shine — Analyst, National Bank Financial

Okay. And a last quick one for you or for Aaron, just related to leverage. Clearly you're trying to get sub 4x this year and then, you know, to the extent that there are some non-core asset sales you could perhaps go further into this year or next year, but is there a long-term leverage objective? Is it, let's say, ultimately 2.5x? Can you help us a little bit there?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

I'll hand over to Aaron for this one.

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

So, we're seeing, you know—we want to start in the near term to get below 4x, and then of course to continue to gradually improve our EBITDA and with the asset sales, non-core asset sales, continue to improve our leverage from there.

Adam Shine — Analyst, National Bank Financial

Okay. All right. I won't push you further, but obviously, you know, many of the companies that we cover within your sphere, let alone specifically Canadian names, you know, that bogey tends to be sub-3x and somewhere closer to 2.5x. So blink, blink, blink, is that likely where you're heading? Or attempting to? Or are you perfectly happy with something in the 3x, 4x range?

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

Okay. Look, I think in the near term we're going to focus on being below 4x and then continue to improve it from there, for sure.

Adam Shine — Analyst, National Bank Financial

Okay. All right. Thanks for that. Appreciate it.

Operator

Your next question comes from Dan Kurnos with The Benchmark Company. Please go ahead. Your line is open.

Dan Kurnos — Analyst, The Benchmark Company

Good morning. Sorry, can you guys hear me?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

Yes, we can hear you.

Dan Kurnos — Analyst, The Benchmark Company

Sorry about that. I must have been on mute or something. Anyway, Josh, look, not to keep going on with the strike stuff, I just want to understand kind of two concepts here based on the commentary that you've made this morning. On the one hand, yes, obviously we know all of the streamers right now are tired of earning billions of dollars, maybe they're not tired of it, but investors are clearly tired of it, and are having to pull back a little bit on their content spend, but on the flip side, because of the strikes, there's a huge dearth of content available in the marketplace.

And so I just want to get a sense of like do you feel like you're being too precious with your content? Is it all wrapped up in contracts? Or subsequently, I mean you've made it very clear that you're streamlining the company and focusing on, like, kind of core IP. Does that mean that, you know, this is also giving you an opportunity to re-evaluate where you're putting your dollars and that the starting revenue base is maybe a little bit lower as you focus on a more profitable business unit going forward? Or am I reading too much in the tea leaves there?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

So I would say, first of all, Dan, we're always looking to maximize the value of our library. One thing that has historically happened when you go through a labour disruption in Hollywood is that there does seem to be an opportunity for library content to kind of refresh services. I would say to date we haven't really seen that as a trend and I think it kind of speaks to the overall cooling of the climate. But that could change. It's not built into our numbers, but it certainly could change. If you get resolution of the strikes, sentiment starts to improve, there's going to be a lag between when new content can hit the services from that resolution by the time it's developed and produced. So does there end up being more opportunity for library in that moment? It's entirely possible. But we don't have a crystal ball, so we'll just have to let that play out.

Dan Kurnos — Analyst, The Benchmark Company

And then on the cost side, it sounds like you took some pretty, you know, [inaudible] took some pretty aggressive moves this summer. Obviously, a lot of it makes sense just given the environment that you just kind of laid out. Is there any way to sort of get a sense of how we should be thinking in general about OpEx from here?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

Well, I think, look, we're certainly seeing a moderation in our SG&A and, over time, even though we will continue to invest in our growth areas of the business, over time you're going to continue to see that moderate and come down as we really sharpen our pencils and make sure that we're spending on

the right areas of the business. And again, that also comes back to a refined strategy. So we know where we're going and so we're spending according to where we're going, not, perhaps, trying as many things as we have in the past.

Dan Kurnos — Analyst, The Benchmark Company

Got it. That's helpful. And Josh, just you mentioned LBE. I know that's something I think that you guys started a year or two ago and I just, you know, APAC in general, sounds like you're expanding there. I'd love to kind of hear what you think the TAM is and how much that can be a contributor, both to the top and the bottom line. I know it's small, but just in terms of expansion and going after that kind of segment of opportunity.

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

So, first of all, I would say that we've been having—it's been about a year since we've hired some experts in the LBE field to work with us and we've been having a really good reaction out in the market to our own IP, whether it be Peanuts, Strawberry, or Teletubbies. But we're also seeing an opportunity for third-party owners, that this is a skill set that it doesn't make sense for most IP owners to have in-house. Given our nature, it certainly makes sense for us as a value add.

In terms of economics, these deals do take time and you're just now starting to see them come through. But the accounting on them as well, these are long-term projects where the revenue is straight-lined across a significant term. So you don't get quick hits, but as we layer these deals up with each other we're going to have repeatable long-term revenue associated, which again is another stabilizing force to

our business and something that we can—when we look to Fiscal 2025 and the growth outlook we have, that gives us tremendous confidence. We're really building out these repeatable revenue streams and we're in a moment where we've got a timing issue with content, but when we talk about our outlook for 2025 I get really optimistic because we're confident content is going to come back and then it's going to layer on to these repeatable opportunities.

And that, of course, dovetails your question about Asia Pacific. I mean we are starting to see some contribution from that region. We highlighted the MINISO global retail deal. And it takes a little bit of time to make sure that we've got the right licensees onboard in those markets, because we're looking for not short-term MGs but long-term growth in partnerships and royalties, and we're feeling really good directionally about where that's going. And that's driven primarily by Peanuts and our own brands but, again, a tremendous opportunity for us on some of these global partnerships where we're having deeper relationships.

Dan Kurnos — Analyst, The Benchmark Company

Got it. That's really helpful. Last housekeeping and I'll step aside. Aaron, given the dynamics you talked about on Free Cash and given the delay in some of the projects, could there not be some improvements in working cap this year that might not be a tailwind for you on Free Cash relative to last year?

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

I'm sorry. It's a little bit hard to hear you. Can you just repeat that question again?

Dan Kurnos — Analyst, The Benchmark Company

Yeah, sorry. Hopefully you can hear. I was just saying, just given the delay in some of the projects on the TV side and given the positive development or the contribution from CPLG and CP, as that ramps for Free Cash, could you not have some positive other working cap improvements? I know there's some interest noise in there, but I would think Free Cash might actually, from a timing perspective, benefit a little bit.

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

Yeah, and that's what I was saying. I agree. That's what I was saying before. We are getting some benefits because of—the cash flow profile of consumer products is better and we're seeing a shift to more of those revenues, but it was a little bit offset by higher interest cost, so we're about flat year over year because of that.

Dan Kurnos — Analyst, The Benchmark Company

Okay. All right, thanks for sticking with me. Appreciate it, guys.

Operator

Your next question comes from David McFadgen with Cormark Securities. Please go ahead.

David McFadgen — Analyst, Cormark Securities

Hi. A couple of questions. So, does the strike really just impact your live action business or is there also an impact on the animation business? I'll just start with that one.

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

So, it has impacted a few projects specifically, some live action, some animation, because there are WGA writers involved in some of our animated projects. So yeah, it has had an impact on both.

But again though, I would reiterate, David, that the larger impact in terms of delays is just around kind of the cooling environment around greenlights. It's just taking longer to move projects forward. They continue to be in a good place with all of these streamers and we feel positive about our overall discussions, it's just really a shifting of our slate where more of it's going to hit 2025 than 2024.

David McFadgen — Analyst, Cormark Securities

Okay. And then you mentioned earlier that you've targeted some cost reductions. Do you have a target for quarterly SG&A that we could use in our models?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

I'll hand over to Aaron for that.

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

Yeah. Hi, David. So, what we're looking at is SG&A that stays around flat or dropping over time. And, you know, because we are having also the impact of APAC, which increased our SG&A. However, the cost cutting is going to keep it about flat and start to let it drop—level up and then drop.

David McFadgen — Analyst, Cormark Securities

Okay. And then, I don't know if you can share this, but have you thought about how much the leverage ratio could be reduced if you execute some of these asset sales?

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

So we gave a target for what our target is on those asset sales, that $100 million to $300 million, so that would be a benefit of leverage. And again, as we discussed before, we expect that leverage to, you know, we target the leverage to be below 4x and continue to drop from there.

David McFadgen — Analyst, Cormark Securities

Okay. Alright, thanks.

Operator

Your next question comes from Aravinda Galappatthige with Canaccord Genuity. Please go ahead.

Aravinda Galappatthige — Analyst, Canaccord Genuity

Good morning. Thanks for taking my questions. Just to go back to the non-core asset sales, Josh, that you mentioned, can you give us a sense of how sort of advanced these conversations are and how you see, sort of, the likelihood of achieving your target of $100 million to $300 million? Because, to the extent that some of the potential buyers themselves could be other content producers, they could be affected by a lot of the same factors that you're talking about as well and their ability to pay up for assets may be limited, so I just wanted to get a sense of your level of confidence in achieving that at this point, because you said 12 months. And then secondly, connected to that, are you just thinking brands at this point? Could it involve a division? I mean obviously I'm thinking television. Could that be part of the mix as well?

Josh Scherba — President & Chief Executive Officer, WildBrain Ltd.

Thanks, Aravinda. So yeah, we're certainly focused on IP assets. As we've refined our strategy, it's become clear that there is meaningful IP in our library that could unlock some real value for us.

Your question about kind of the market conditions and how that might impact the ability to sell, I mean we are into a process—it's early stages, but the discussions have been very positive. And I think it really speaks to the resilience of IP. We've continued to see, as fragmentation has taken hold in the content world, that known IP matters more than ever, and these are scarce resources. There just are not many of them available. And so we're confident that multiples are going to, you know, have continued to grow on IP and we're confident that we're going to be able to realize that.

Now timing wise, yeah, we put 12 months out there. That's not in our control, how long these deals take, but every indication we've had so far that that seems like a reasonable timeframe. And look, we really think that we've got this opportunity to unlock value that we don't get credit for right now in our IP library. It is a really unique, scarce collection of assets that we have and presents a real opportunity for us to de-lever and set us up extremely well for the future.

Aravinda Galappatthige — Analyst, Canaccord Genuity

Thanks, Josh. And just a quick one for Aaron. I know you've talked about sort of high interest cost and I know we saw that in Fiscal 2023 as well. Can you give us a sense of the magnitude? I know that the interest rate swap is still in place for pretty much the whole year, but obviously there's a component that it doesn't cover. Any kind of colour in terms of how much the interest rate expense could rise by?

Aaron Ames — Chief Financial Officer, WildBrain Ltd.

So, first of all, for this year the hedge is in place through the end of June and then we'll have the impact of some of the refinancing alternatives that we are down the path on, and so going into 2025 and—as well as the non-core asset sales that that Josh talked about—so overall, I think we're in a good position for this year and then heading into next year.

Aravinda Galappatthige — Analyst, Canaccord Genuity

Thank you.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press star followed by the one.

There are no further questions at this time. This concludes today’s conference. Thank you all for participating. You may now disconnect.