FINAL TRANSCRIPT

WildBrain Ltd.

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PRESENTATION

Operator

Hello and welcome to WildBrain's Fiscal 2024 Q2 Earnings Call. Today's conference is being recorded. All lines have been placed on mute to prevent any background noise.

After the speaker's remarks, there will be a question-and-answer session. To ask a question during this time, please press *, then 1 on your telephone keypad. If you would like to withdraw your question, please press *, 2, and then the number 2.

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

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

Thank you, Operator, and thank you, everyone, for joining us today for WildBrain's Second Quarter 2024 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 law 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 Company's content production pipeline and greenlights, the markets and industries in which the Company operates, cost and expense management, the Company's leverage and plans for debt and leverage reduction, including through the sale of noncore assets, refinancing of the Company's indebtedness, the value of the Company's assets, and the future growth objectives, targets, and financial and operating performance of the Company and its businesses.

Such statements are based on factors and assumptions that Management believes are reasonable at the time they were made and information currently available. Forward-looking statements are subject to a 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'll now turn the call over to our President and CEO, Josh Scherba.

Josh Scherba — President & CEO, WildBrain Ltd.

Thanks for joining us today. Here at WildBrain, our mission is to inspire imaginations through exceptional entertainment experiences that captivate and delight fans. Over the last few months, we have realigned our business to execute against this mission with efficiency and effectiveness.

Since my appointment as CEO, we have aligned our teams to a 360-degree strategy across our core capabilities of Content Creation, Audience Engagement, and Global Licensing. We're seeing increased collaboration across the business, and our partners are seeing it as well, leading to several more meaningful commercial conversations about our holistic capabilities.

I'll spend a few minutes with an update on each of these pillars, but let me first start with our updated outlook for Fiscal 2024.

We are updating our expectations for the year as a result of the slower-than-anticipated normalization of the content production market and the subsequent impact on our studio business.

We had previously stated our expectation for revenue in Fiscal 2024 to be down moderately and Adjusted EBITDA to be slightly higher as compared to Fiscal 2023. As we look to the balance of the year, we are updating our view of revenue to be down by approximately 8 percent to 12 percent, and Adjusted EBITDA to be down approximately 5 percent to 10 percent compared to the prior year.

The delta on previous guidance is in our studio business. As has been widely written in the entertainment trade press, the content production industry has been in a period of protracted slowdown, starting about 24 months ago with big streamers prioritizing profitability over subscriber growth.

This was punctuated and magnified by the dual labour strikes in Hollywood last year. The writers' strike was the second longest labour stoppage on record and the first time in more than 60 years that both the writers' and actors' unions were on strike simultaneously.

The impact of the slowdown in greenlights, along with the knock-on effect of prolonged timelines for subsequent orders, was above our initial expectations. As I noted back in our September call, the industry was experiencing heightened volatility, leading to less overall visibility in the near term.

We now have more clarity on the rebuilding of our studio business, but it has shifted a few months later than expectations. With animation projects typically running about 18 to 24 months, we are now at what we see as the bottom of the trough of our earnings from this segment.

We are seeing greenlights resume and having more meaningful conversations with our partners on pending projects, which I believe speaks to our creative capabilities and our premium brands.

The investments and realignment of the business we have been speaking about on the last few calls, coupled with our strong creative capabilities, has set apart our studio as a preferred vendor of choice, and our pipeline for Fiscal Years 2025 and 2026 demonstrate this.

As we look to our pipeline for Fiscal Years 2025 and 2026, we remain confident that the downturn we're seeing in Fiscal 2024 is a timing delay. With our studio production slate now 60 percent greenlit for Fiscal 2025 and 50 percent greenlit for Fiscal 2026, we believe we are well positioned to deliver growth.

To put some context on those percentages, our Fiscal 2025 greenlights are closer to what we would see in a normal operating environment for our studio at this time. And the Fiscal 2026 greenlights are more than double where we would normally be at this point.

We are seeing a return to activity across the industry and see the path back to a more normal content production environment. Our meaningful franchises like Peanuts and our expertise in premium production are key drivers of future growth and opportunities for our studio business.

Excluding content and television, we're on pace to deliver 15 percent to 20 percent EBITDA growth year over year in Fiscal 2024.

Looking to 2025 and beyond, a strong rebound in our content business, coupled with continued solid growth across our other businesses, excluding television, position us well for significant growth.

Turning to the activity in the quarter, in Content Creation, we saw the release of several projects. As a reminder, Content Creation integrates all of WildBrain's development and production capabilities, including our Vancouver animation studio, our London-based digital studio, our Toronto animation pre-production business, House of Cool, and live-action production business, bringing creative excellence across all formats for WildBrain's proprietary content as well as partner projects.

A third season of our hit series, *Sonic Prime*, produced in partnership with SEGA, debuted on Netflix on January 11. You may have recently seen the data Netflix released on their viewership. The data provided a nice vignette into what resonates with audiences. We were excited to see *Sonic Prime* was their most-watched original animated series. We remain a strong partner to Netflix with multiple series on the platform.

The data also demonstrated that, across the board, kids' content and, specifically, franchises, are top performers, with a lot of known IP appearing on that list.

And lastly, the Netflix data showed that viewership on kids' content and especially movies is strong. This last point was reinforced by recently released Nielsen data, which captured streaming content trends for 2023.

In the movies category, the Nielsen data showed that the top seven films in 2023, as measured by views on all streaming platforms in the US, were all animated kids and family features.

The Netflix and Nielsen data both highlight the growing importance of movies to engage kids. This trend was a component of our strategic rationale for the House of Cool acquisition last year, which helps take our storytelling to the next level, while also adding the capability to do features, setting us up as a top provider for premium animated content.

As announced last November, Apple TV+ has greenlit a new Peanuts feature film. We've only just begun production on that movie, but we certainly look forward to the day when we see our Peanuts feature in the top-10 list.

The greenlight of that feature is a positive indicator for WildBrain and the Peanuts brand. To have secured a greenlight for a new Peanuts movie amidst the slower environment is a testament both to the strength of the brand and to our partnership with Apple TV+.

Moving on to Audience Engagement, we integrated our extensive capabilities in delivering entertainment content to audiences around the world, including our global distribution business, our world-leading YouTube network, digital marketing expertise and our digital advertising business.

Kids continue to be highly engaged on our YouTube network, with over 56 billion minutes of videos watched in the quarter, and the network performed well, with revenue and profitability both up double digits in the second quarter.

We continue to see strength in several of our KPIs, including average view duration, which increased nearly 40 percent year over year, on top of the increases we've seen for the past few quarters. Increases in average view duration is an important component in driving engagement, as it maximizes the amount of ad revenue each video generates.

We have been on a deliberate path to improve the quality of our views and our content on YouTube. We concentrated on increasing the quality of our own and partner content on the platform, while pruning and cutting back on lower-quality views. This strategy was informed by the deep insights and real-time feedback we are drawing from YouTube, showing how audiences want to engage with content on our network.

When audiences engage, we can see tremendous growth in views. Take our original YouTube series, *Boy & Dragon*, for instance. We've seen views up over 1,000 percent year over year, with subscribers on our channel doubling to 1.9 million in a few months.

It's a great example of leveraging our extensive audience reach, coupled with our strong creative team, then layering in our deep insights into how to attract, retain and entertain kids across our digital network to grow and monetize brands. We know that managing toward high-quality engagement is the most important driver of sustained success across the ecosystem.

We recently commissioned a research study to examine how kids and families are consuming their entertainment. The research results reinforce the trends we have been seeing.

The data shows that kids and teens are actively curating their own "omni-platform" content experiences seamlessly across streaming and gaming platforms and devices. Where linear broadcasters were once the intermediaries and curators for video content, this generation of kids are doing that curation on their own, watching shows on SVOD services, YouTube, FAST and non-YouTube AVOD platforms. They're moving freely from one platform to the next as they seek and discover the content they love.

Our new research further shows that gaming platforms such as Roblox and Minecraft are an essential part of the omni-platform landscape and experience for kids. With our in-house expertise and capabilities across all of these platforms, we present a huge advantage for brand owners who want to reach today's audience.

We leverage this to drive engagement and, ultimately, content distribution and consumer products revenue, both for our owned brands, like Peanuts, Teletubbies, and Strawberry Shortcake, and for our partner brands. Adopting omni-platform marketing strategies that cross over in entertainment consumption habits is a pivotal trend for 2024 and beyond, and WildBrain remains at the forefront of this entertainment revolution.

Our new research also shows that family co-viewing on Connected TVs continues to grow as a trend; 81 percent of US and 78 percent of UK families co-view several days a week. Our research shows that families co-view to spend quality time together.

As both streamers and AVOD providers want to capture this trend, we are positioned to be the preferred vendor. With our premium studio in Vancouver, our pre-production company, House of Cool, in Toronto, and our digital-first studio in London, we have significant competitive advantages to flex around formats and pivot to various teams internally, depending on creative needs, opportunities and visions.

Combined with our comprehensive content distribution offering to engage audiences, our capabilities and flexibility differentiate us in the market—something we know from industry conversations is being noticed by significant partners and now generating meaningful opportunities for us to grow our business.

So there are two clear trends in how today's kids consume content. On the one hand, kids are curating their own omni-platform experiences across platforms and devices. And on the other hand, families are gathering together to enjoy tentpole premium content on the biggest screen in the house. At WildBrain, we bring together content creation and audience engagement to appeal to both of these audiences.

For omni-platform, we have a deep library and the distribution expertise to deliver shows in all formats—short form, long form, clips, and social media—to kids wherever they're watching and whenever they want, on any device.

For premium content, we've built the creative capabilities to tell multi-layered stories that appeal to the whole family. And of course, building on Content Creation and Audience Engagement, Global Licensing completes the 360-degree IP cycle to extend the fandom and love for brands off screen into consumer products, promotions and live experiences.

At WildBrain, this includes the activities of our leading licensing agency, WildBrain CPLG, as well as our franchise management activities for key owned brands, including Teletubbies and Strawberry Shortcake, plus the management of key third-party IP partnerships and our crown jewel, Peanuts.

During the quarter, we saw growth with WildBrain CPLG, as well as strength in Peanuts and owned brands.

For Peanuts, you may have seen widespread news coverage around the holidays of a Snoopy plush toy wearing a puffer jacket, which was placed with CVS pharmacies in the US. The news was in response to “Puffer Snoopy”, as he was called, going viral on social media.

I don’t mention the trend as a material driver in the quarter, but more to point out that engaging with audiences across all platforms, including social media, is necessary to raise brand awareness.

Of particular interest in this case was the way Gen Z engaged with the brand on TikTok, leading to a sellout of the product before Christmas and a frenzy of news coverage from such outlets as The Wall Street Journal, Business Insider and NPR. As *The Atlantic* put it, Snoopy is the hero Gen Z needs.

Peanuts has always been popular, but this newly developed popularity on social media, combined with the new content on Apple TV+, has allowed for a whole new generation of fans to connect with the brand. We’re seeing positive viewing trends for Peanuts with increased views, new viewers and multiple viewings by audiences.

Building brand awareness, even in established brands, can take time, but this increases the value of the brand over time, as we saw with growth in Peanuts in North America in the quarter.

Our owned brands, in addition to Peanuts, performed well in the quarter, with the number of licenses growing at double-digit rates. At WildBrain CPLG this quarter, we saw success with third-party brands, particularly PAW Patrol, as a key contributor to growth in licensing revenue. PAW Patrol is benefitting from the release of the new feature film.

Looking ahead to our own upcoming feature with Peanuts, the halo effect for licensing gives us continued confidence in the opportunity we see for that business.

It’s worth noting the diversity and depth of our portfolio with partners. From collaborating with MGM Consumer Products on their smash hit series, *Wednesday*, to iconic properties like the Grinch or perennial fan favorite, Peppa Pig, WildBrain CPLG is a full-service agency with the infrastructure, scale and expertise to provide turn-key services to partners around the world. Across our owned brands and the quality partner brands we work with, we have a long runway for growth in licensing.

Turning to our capital allocation, reducing leverage and simplifying our company and capital structure remains a top commitment. We are continuing to pursue non-core asset sales. While we cannot predict the exact timing, we are working diligently to conduct a thorough process.

Given our large portfolio of assets, we’re confident that through this sale process, we can accomplish the three core objectives we’ve previously outlined: first, simplify and focus our business; second, improve our balance sheet; and third, drive shareholder value.

Looking back over the past six months, we’ve made consistent progress in building the foundations for success. We realigned the business around three core capabilities, we refocused our key franchises, and reorganized the senior management team.

The senior management team recently held a two-day summit as part of an annual review of our franchise strategy plans, and the increased collaboration across the teams was evident. With great franchises and a strong team aligned together, we are well positioned to deliver value.

Nick is a great addition to our team. His wealth of experience in the kids’ space and his operational excellence are already adding value to the organization. With our portfolio of IP and our in-house capabilities, we are well positioned to capture growth and deliver value.

With that, I’ll turn it over to Nick.

Nick Gawne — Chief Financial Officer, WildBrain Ltd.

Thanks, Josh. As it's my first earnings call, I thought it would be helpful to add a little background. I've been at WildBrain for a few months now, but I've been familiar with, and an admirer of, the company for much longer.

I was at eOne for the last 14 years and have been across content creation, distribution, YouTube networks and global licensing. I've been across billion-dollar brands, and I know the executional excellence in WildBrain's three pillars—Content Creation, Audience Engagement and Global Licensing—is what creates global franchises that drive profit year after year.

Businesses like WildBrain need to be nimble, dynamic and entrepreneurial to drive growth and value in a shifting media landscape. Our business has this in spades and, having worked and thrived in that environment in previous roles, I'm relishing the opportunity to operate like this again, while also bringing really robust experience and analysis to the table so that our decision-making and capital allocation is strategic, coherent and delivers the return we all want to see.

We have evergreen IP and the operational ability to create and distribute content in all forms of entertainment. This creates significant value for our owned and partner IP and is the cornerstone to growing our business and executing on our key financial and strategic objectives.

Josh's simplification of the business and the senior management team's focus on growing the business in a sustainable and profitable manner primes this new WildBrain to thrive in this changing media landscape.

Turning to the results, second quarter consolidated revenue was $126 million, down 10 percent, driven by the reduced output in our studio business.

Content Creation and Audience Engagement revenue was $57 million, down 21 percent.

As Josh mentioned, with over 60 percent of revenue already greenlit for Fiscal '25, we have confidence we will return to growth versus '23.

Within Audience Engagement, we are recognizing the benefit of our efforts to refocus the YouTube network on higher quality content.

Revenue and profitability for the YouTube network were both up double digits in the quarter. Production for the digital studio faced the same content headwinds as our premium studio, which impacted results in legacy Spark for the quarter.

Global Licensing was $61 million, up six percent, with strength in our owned brands, WildBrain CPLG, and Peanuts, with profits up significantly more.

Television revenue was $9 million.

Gross margins in the quarter were up over 300 basis points with fewer animated and live action productions and an increase in content distribution as well as strength in WildBrain CPLG. Gross margin dollars were down slightly with the lower revenue.

Net income was $5 million in the quarter, primarily driven by lower SG&A, lower share-based compensation, a lower change in the fair value of embedded derivatives, offset by lower gross margin dollars and higher finance costs.

SG&A expenses were $25 million, down 5 percent from a year ago. We've been focused on our operating costs and continue to identify and capture additional savings.

Adjusted EBITDA of $25 million was down 3 percent year over year.

Free Cash Flow for the quarter was $5 million. Free Cash Flow is subject to variability with working capital timing and our interim production financing payables.

Our leverage at the end of the quarter was 4.45x.

As Josh mentioned, we are focused on and confident in our ability to address the near-term maturity of the 2024 convertible debentures and reducing our leverage.

Expanding on the updated outlook Josh spoke to earlier, we have adjusted our guidance for the rest of this fiscal year. The reduction in revenue is driven by the challenged content production market. Normalization of the content greenlighting and production cycle has been slower than anticipated, which has impacted our outlook. We have been reducing our operating costs and will continue to prioritize operational efficiency.

For context, as we think about the reduction in guidance in Fiscal '24, much of the content reduction is timing-related, as revenue that we had anticipated in the second half of '24 was pushed out to Fiscal '25.

Our content pipeline for Fiscal '25 is already 60 percent contracted and 50 percent contracted for Fiscal '26, which gives us confidence in our outlook for 2025 and beyond.

We continue to expect growth in Global Licensing in Fiscal '24, and we will continue to benefit from margin expansion as a result of the growth in our owned brands.

We have invested in the infrastructure and foundation in APAC and have an exciting runway for growth in that market.

Lastly, I'd like to thank the team for all of their hard work over the past few months.

I've been in the kids' arena for quite a while, and I can recognize what is needed to build and monetize great brands. WildBrain has all the pieces needed and, by executing on the strategy, being super focused on opportunities that will move the needle, making great capital allocation decisions, and retaining a focus on controlling the cost base, we can deliver sustainable growth over the long term.

I'll hand it over to Josh as we wrap up.

Josh Scherba

Thanks, Nick. As we look at the business, we have a lot of opportunities.

Our owned brands remain a priority, as the economics are advantageous.

The content market, which was significantly impacted by the greenlight delays, is rebounding. And with our percent of our 2025 pipeline greenlit back to the studio's normal operating level, and Fiscal 2026 above historical levels, our outlook for Fiscal '25 and '26 is strong.

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. WildBrain is managing the largest number of channels by any one distributor in the kids' space.

And WildBrain CPLG remains a hugely important driver of our growth and profitability. As WildBrain CPLG grows faster than the consolidated business, we will see that flow through in the form of expanding EBITDA margins.

There is no question Fiscal 2024 faced challenging headwinds in the content production industry. Much of the hard work we've put in to grow the licensing, brands and distribution businesses has largely been offset by the market dislocation in content production and, to a lesser extent, television. We have used these past 12 months to enhance our operating model and lean into our unique strengths and capabilities.

Looking longer term outside of this fiscal year, we have a strong foundation in Content Creation, Audience Engagement, and Global Licensing, which we believe will enable us to further grow and improve across our business and position us to return value to shareholders.

With that, I'll open up to the Operator for questions.

Q&A

Operator

Thank you. At this time, if you would like to ask a question, please press star, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press star, and then the number 2.

Please stand by while we compile the Q&A roster.

Thank you for waiting. Your first question comes from Dan Kurnos from Benchmark. Please go ahead.

Dan Kurnos — Benchmark

Great, thanks. Good morning. Josh, a lot of information to unpack, super helpful colour sort of throughout.

I guess just high level, taking a step back, you gave us your greenlit—what portion of the portfolio is greenlit in the next two fiscal years. And I'd love to get more colour, if you're willing to provide it, around just how those conversations are going, pricing, quantum, et cetera. Obviously, Netflix has opened up a little bit more, talking about licensing incremental third-party products, whereas there's obviously been consolidation and a pullback at some of the other premium streamers.

So, why don't we just start there and just help us think through how those conversations are going? What's being greenlit?

And, sort of, what's giving you confidence that you're going to get to or possibly exceed your goals from there?

Josh Scherba

Sure. Thanks for the question, Dan. So I would point to a couple of emerging trends. I mean, first of all, known IP continues to be incredibly important, which we have, as well as this co-viewing opportunity that we spoke about, that we've seen in our recent research.

Yeah. The success of *Sonic Prime*, I think really points to kind of both of these areas. So where you've got a really robust IP, and then you combine it with storytelling that has the ability to bring families together, not just a kid audience, I think those are elements that set us up really well for where the streamers are going.

I would say that there's also been a couple of changes kind of coming out of these last couple of years here, where the streamers are definitely being more deliberate about their choices. I mentioned emphasizing IP, but also putting a renewed emphasis on ensuring projects are actually ready to go into production.

When we were kind of at the peak content, or however you want to refer to it—the streaming wars, peak content, whatever we were in there, three or four years ago—we were in this cycle where you could go out and pitch a show and have a greenlight within a couple weeks, sometimes even just based on a bible or one script.

I would say today, the streamers are taking a lot more time in ensuring that they've got the creative right before they greenlight projects. And while it's painful for us this year, long term, I actually think it's a really good thing for the industry.

And where we're at right now, with 60 percent greenlit for next year and 50 percent for the following year, I would say we have better visibility than normal on how we're going to get to 100 percent and potentially beyond, because we've been in development on some of these bigger projects already for the better part of six months, and we're anticipating greenlights in the next kind of six to eight months.

So those are healthier development cycles that I think give everyone more confidence that what's being greenlit has the right team together and the right creative take, because we all know that, at the end of the day, this business comes back to telling great stories and having great characters. And ensuring we've got the time to make those things great, I think, is a good thing in the long term.

Dan Kurnos

Got it. That's helpful. Josh, if you keep having sort of good YouTube results, you might have to re-officially break out Spark again. I'm just kidding.

But can we just talk, maybe, a little bit about pursuing AVOD and FAST? I mean, that's been such a rapid market. We're getting kind of to the point of saturation in some cases, but kids' remains a vastly under-penetrated channel there. I know it's not necessarily a focal point, relative to the other moving pieces of the story, but if you guys clean up that whole segment and get more incremental engagement through those channels, just maybe talk about how you're approaching that, and what you think sort of the TAM is, or how quickly you could address that opportunity.

Josh Scherba

So we've definitely—so first of all, I'll start with YouTube. We're really proud of our performance over the last year. You saw it again this past quarter. Average view duration, which is what we—which is the metric we value above all else, was up 40 percent in the quarter. So we're really happy with the performance of the network.

I think in the numbers, we were up 10 percent in revenue and profitability on the network. We didn't have as much production associated with new content for YouTube, but that's in line with the pullback in content production we've seen across the industry. So we're really happy with where YouTube is trending.

Related to AVOD and FAST, yes, we continue to believe that that is a meaningful opportunity. We've been a first mover in that space for kids' content. We've got a meaningful share of the FAST channels on the large AVOD platforms. I would say that the viewership continues to grow at a rate that we're really pleased with.

Monetization is more challenging in that space currently. There is a lot to work through in terms of getting those ad dollars over to these new formats, and kids' always comes with an additional amount of complication in flowing ad dollars. So these things tend to take time, and the monetization is a lag, but we're really happy with the level of engagement and our ability to be a first mover in that space.

And as it continues to mature, I think you alluded to it a little bit. I think there will be more curation at some point because there will be saturation of channels. But the fact that we were there first, and we've got great performance on our channels, I think really positions us for the future.

Dan Kurnos

Maybe just one on Global Licensing because that's helpful. I guess we're just trying to get a sense of—we obviously went through sort of a choppy consumer environment and who knows? Everyone's crystal ball is broken on the consumer landscape, Josh. But it feels like we're in a better place, I think, than people thought we would be.

I'm just wondering how much of sort of the delay in, sort of, brand IP from everyone else is slowing growth potential versus giving you confidence in priming your own pipe or their own pipes—I guess either one. Just how are you thinking about attacking the landscape?

And I think Nick gave some good colour on sort of your third-party brands bringing margin to the table. But I guess I just want to understand your view on sort of either on the landscape and your ability to kind of reaccelerate growth, particularly in CPLG.

Josh Scherba

Sure. So, I mean, we're pleased with our Global Licensing business. I mean, we were up 6 percent in the quarter. We are continuing to see growth in key markets. I would point to Asia Pacific as an area that we've got a long runway of growth. And that goes for our own IP, like Peanuts, Strawberry and Teletubbies, as well as some of those third-party titles that Nick alluded to in his script.

So overall, we feel really good about our position. Again, being a leading independent agency that is able to exploit our own IP but then bring in partners, that's a really valuable position to be in. And then, when we pair that up with our capabilities in Audience Engagement and Content Creation, I really think that we offer the ability to partner with known IP in a way that, really, no other independent can. So yeah, we're bullish on where we continue to go with our WildBrain CPLG business.

Dan Kurnos

Not to monopolize, I just want—Nick, one question because it's your first call and good to hear from you publicly. I just—as you're getting settled under the hood here a little bit, just curious. I know there are a lot of moving pieces with the non-core asset sales and the simplification of everything. But just taking a step back, like what kind of areas of opportunity do you see to further enhance the margin profile as it sits today?

Nick Gawne

Sure. Thanks for the question. I mean, as you say, there's a lot of moving pieces at the moment. We're working on a number of live files on the convertibles and on the non-core asset sales and reducing our leverage over time.

From a margin perspective, again, as we grow our CP business, as we grow WildBrain CPLG, as we grow Peanuts, and we grow our YouTube business, all those businesses are kind of margin accretive.

So for me, it's about making kind of really strong capital allocation decisions for those business and really driving return on investment in those business to drive margin, which will drive our consolidated margins northwards over time.

Dan Kurnos

Got it. Thanks for all the colour, guys. Appreciate you sticking with me.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you want to ask a question, please press star, and then the number 1. If you want to withdraw your question, please press star, and then the number 2.

Your next question comes from Drew McReynolds from RBC. Please go ahead.

Drew McReynolds — RBC

Yeah. Thanks very much. Good morning. I guess maybe, well, for you, Josh or Nick, just on the recalibrations of guidance. I think you're fairly convincing of getting back to normal with the pipeline and the greenlights and all of that. When you see Fiscal '26, greenlights double versus normal—like are we getting back to an industry where you just kind of recover to where you think you'll be? Or is there kind of pent-up kind of demand coming through the system, and some of that hits in Fiscal 2026?

Josh Scherba

Thanks, Drew. So I would categorize the buildup in 2026 to—I think you could attribute some of it, sure, to some built-up demand.

I would also say, though, that it probably is as much about the size and scale of the projects that we're undertaking, moving forward, again, based on the capabilities that we've built up over the past several years in Vancouver and our addition of House of Cool. Generally, these are larger projects that take a longer completion time and have more revenue attached to them. So I think that speaks to the buildup of ‘26.

And I think the thing that I mentioned earlier is just this additional lead time for greenlights. That is also associated with these bigger, high-profile projects where streamers are looking to really attract a co-view family audience as opposed to just a kid audience.

And so, I think it’s that combination of some built-up demand, higher quality, higher budget projects, and a longer lead time is what really gives us confidence going into 2026.

Drew McReynolds

Okay. No, that’s helpful. Just two others for me. Just first, on the whole linear world, I think there’s just some iconic shifts that have been underway but, obviously, a lot of news headlines with Disney this week and sports bundling and all of that. Don’t need to dive into all the details there, but what are your assumptions on just how the linear world holds up?

And how do you kind of navigate what, inevitably, will be some choppiness here looking forward?

Josh Scherba

Sure. So look, our television business continues to be profitable. It generates meaningful cash flow. I certainly expect a subscriber erosion in the economics to be under pressure moving forward.

But again, I think it’s important to keep in mind the advantage we have, which is we own a library, and that gives us a steady supply of content, which gives us a lot of cost control, moving forward. I think that, certainly, there is secular decline that’s in place, but we think that we can manage it and continue for it to be a portion of our business moving forward.

Drew McReynolds

And in addition to that, just exposure to linear buyers that buy some of your program that you work with globally, just kind of any update on navigating that kind of demand for content?

Josh Scherba

Yeah. It's a big world, and it's kind of like there is definitely some difference based on geography in terms of how the linear world is unfolding. I would say in mainland Europe, it's holding up better than it is in other parts of the world. Where there's really healthy, strong free-to-air markets and a strong public broadcaster presence, it continues to perform okay.

And so, I certainly think that it will continue to go for the foreseeable future, but it's, again, in combination with all of these new platforms. And that's where—

Drew McReynolds

Yeah.

Josh Scherba

—we have to ensure that we're where kids—where they are today and where they're going. While linear continues to be part of that ecosystem, we need to make sure that we're in those additional places as well.

Drew McReynolds

Yeah. No, that makes perfect sense. Last one for me and it is high level, but just would love to get your initial thoughts. When you think of the playbook for either launching new brands in a 360-degree fashion, globally, or even relaunching existing brands, that playbook is just fascinating. It's no longer stick it on Nick Jr. in the US and you're off to the races with consumer products two years later. Like there's a complete marketing and science behind it.

I’m not—I know you know all of this. I’m just trying to understand how that feeds into your strategy. And is it kind of—is the complexity and all the moving parts around that playbook now, is that an advantage for existing players? Does it make it much more difficult to get new brands off the ground?

And I guess, do the economics of a 360-degree strategy with a successful brand change over that kind of medium-term frame to get it all going? I know those are kind of big questions, but just high level is great.

Josh Scherba

No. Sure. Appreciate the question. Look, it’s a fascinating area. So I mean, first of all, I would say that, yes, it is harder to launch new IP today than it’s ever been, given the fragmentation of the audience, which brings value back, increases the value of known IP, because it gives you a built-in advantage. So I’d start with that as a premise.

But what you’re saying in terms of kind of that ability to reach kids on multiple platforms being necessary to build meaningful awareness, that really speaks to our new organizational structure.

So by creating the Audience Engagement pillar, where we combine our traditional distribution business, our YouTube business, our AVOD and FAST business, as well as digital marketing, it gives us the opportunity to have a holistic approach to how we’re going to take our content IP brand stories and have them work across these multi-platforms because that’s what we’re seeing. Kids want to curate their own omni-platform experience.

And I would add gaming to that is critical as well. I mean, the level of engagement on Minecraft and Roblox is obviously massive.

So I think, for a company like WildBrain, it actually gives the—the complexity gives us a tremendous opportunity because we're in all of those places, and we know how to reach in all of those places, which requires a lot of built-in expertise. I don't want to underestimate it.

And then on the other side of it, we've talked at length about premium content and those opportunities to bring families together. We've really built that capability out as well. So in combination, I feel that that complexity is a real area of strength and opportunity for us.

But I'll pass it to Nick, who I think has a couple comments as well.

Nick Gawne

Yeah. I'd just add that the fact that we have well-known IP, I think really helps us in this space. And we're uber-focused on that IP.

Success in today's world means making the best decisions, being very ROI-focused on how much we invest into the brands, where we invest into the brands, be it content, be it marketing.

So I think our focus, our alignment in how we go to market, our intel of what's happening in the consumer products market, the AVOD, SVOD streaming markets, and social media, combined with kind of robust, value-driven decision-making of how much we invest into these brands, combined with focus on these brands, I think is a really important component for success.

Drew McReynolds

Yeah. Great, great answers, and certainly would agree from my perspective. Thank you.

Operator

Thank you. There are no further questions over the phone lines at this time.

Operator

This concludes today's conference. Thank you all for participating. You may now disconnect.