



Q1 2021

**Management Discussion and Analysis
of Financial Condition and Results of Operation
For the Three-Months Ended September 30, 2020 and September 30, 2019**

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion & Analysis ("MD&A") dated as of November 10, 2020 presents an analysis of the consolidated financial condition of WildBrain Ltd. (formerly, DHX Media Ltd.) and its subsidiaries (together referred to as "WildBrain", the "Company", "we", "our" or "us") as at September 30, 2020 compared to June 30, 2020, and the consolidated results of operations for the three-month period ended September 30, 2020 compared with the corresponding period ended September 30, 2019. This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the three-month period ended September 30, 2020. Unless otherwise noted, the financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and are presented in thousands of Canadian Dollars, except per share amounts and as otherwise indicated. Some figures and percentages may not total exactly due to rounding.

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Although these measures do not have standardized meanings and may not be comparable to similar measures presented by other companies, these measures are defined herein or can be determined by reference to our unaudited interim condensed consolidated financial statements. The Company discusses these measures because it believes that they assist the reader in better understanding operations and key financial results.

WildBrain is a public company whose common voting shares ("Common Voting Shares") and variable voting shares ("Variable Voting Shares") are traded on the Toronto Stock Exchange ("TSX") under the ticker 'WILD'. Headquartered in Canada, WildBrain has offices worldwide.

Further information about the Company can be found on our website at www.wildbrain.com or on SEDAR at www.sedar.com.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A and documents referenced herein constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities legislation (collectively herein referred to as "forward-looking statements"), including the provincial securities legislation in Canada. These statements relate to future events or future performance and reflect the Company's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Company and its subsidiaries. Forward looking statements are often, but not always, identified by the use of words such as "may", "would", "could", "will", "should", "expect", "expects", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "pursue", "continue", "seek", "intend" or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company or any of its subsidiaries' objectives, plans and goals, including those related to future operating results, financial performance, and the markets and industries in which the Company operates are or involve forward-looking statements. Specific forward-looking statements in this document include, but are not limited to:

- the business strategies and strategic priorities of WildBrain and its subsidiaries;
- management's financial targets and priorities, and the future financial and operating performance and goals of the Company and its subsidiaries;
- the timing for implementation of certain business strategies and other operational activities of WildBrain;
- the markets and industries, including competitive conditions, in which WildBrain operates, including the market for content;
- regulatory changes and potential impacts on WildBrain and the markets and industries in which it operates;
- the value, prospects and opportunities of the Company and its assets;
- WildBrain's production pipeline;
- the positioning and ability of the Company to monetize its library, content and other business lines;
- the growth of the WildBrain Spark business;
- changes in YouTube's approach to advertising and expected results therefrom, including the impact on the financial and operating performance of WildBrain Spark;
- the growth and proliferation of digital / non-linear distribution of media content;
- the future market and demand for content;
- use of proceeds from an exchangeable debenture financing;
- expectations regarding the net leverage ratio of the Company;

- the impact of epidemics, pandemics or other public health crises, including the current outbreak of COVID-19, which could have a significant and ongoing negative impact on the Company, its employees, its business and results of operations, including but not limited to consumer-products, studio productions and advertising; and
- further actions the Company may have to take in response to COVID-19, and the impact of such actions taken.

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) the Company's future operating results, (ii) the expected pace of expansion of the Company's operations, (iii) future general economic and market conditions, including debt and equity capital markets, (iv) the impact of increasing competition on the Company, (v) changes in the industries and changes in laws and regulations related to the industries in which the Company operates, (vi) consumer preferences, (vii) the ability of the Company to execute on acquisition and other growth opportunities and realize the expected benefits therefrom, (viii) changes in the markets and industries in which the Company operates and the ability of the Company to adapt to such changes, and (ix) changes to YouTube and in advertising markets. Although the forward-looking statements contained in this MD&A and any documents incorporated by reference herein are based on what the Company considers to be reasonable assumptions based on information currently available to the Company, there can be no assurances that actual events, performance or results will be consistent with these forward-looking statements and these assumptions may prove to be incorrect.

A number of known and unknown risks, uncertainties and other factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements, including, but not limited to, epidemics, pandemics or other public health crises, including the current outbreak of COVID-19, the magnitude and length of economic disruption as a result of the worldwide COVID-19 outbreak and its impact on advertising markets and the consumer products and retail sectors, among other things, the Company's leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company, competition and competitor activities, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, consumer preferences, the ability of the Company to execute on its strategy, the ability of the Company to execute on production and licensing arrangements, the ability of the Company to attract and retain talent, reliance on key personnel, risks relating to the Company's exposure to advertising revenues through YouTube and the ability of the Company to attract and realize on advertising revenues, including through YouTube and on other platforms, risks related to doing business internationally and currency exchange rates, the reliance of the Company on the Internet and other technologies to continue to conduct its business, technology changes, intellectual property infringement and other claims, the ability of the Company to exploit its content library, access to capital, maintaining effective internal controls, equity capital markets risk and market share price fluctuations, loss of Canadian status, access to government incentives, loss of television licences, the availability of acquisition and investment opportunities at acceptable valuations and the ability to execute on such opportunities, production risks, financial risks and dilution from the Company's capital requirements, labour relations, changes in the regulatory environment, general economic and market segment conditions, and catastrophic events and circumstances. In evaluating these forward-looking statements, investors and prospective investors should specifically consider these and various other risks, uncertainties and other factors which may cause actual events, performance or results to differ materially from any forward-looking statement.

This is not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Please refer to a discussion of the above and other risk factors related to the business of the Company and the industry in which it operates that will continue to apply to the Company, which are discussed in the Company's Annual Information Form ("AIF") for the year ended June 30, 2020 filed on www.sedar.com and in this MD&A below under the "Risk Assessment" section.

These forward-looking statements are made as of the date of this MD&A or, in the case of documents referenced herein, as of the date of such documents, and the Company does not intend, and does not assume any obligation, to update or revise them to reflect new events or circumstances, except in accordance with applicable securities laws. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements.

Business Overview

WildBrain is a leading independent kids and entertainment company, recognized globally for high-profile properties including *Peanuts*, *Teletubbies*, *Strawberry Shortcake*, *Caillou*, *Inspector Gadget*, *Johnny Test*, *Chip and Potato* and *Degrassi*. We focus on children and family content given the international reach and longer lifespan of this genre of programming and the potential to monetize this content across multiple revenue streams. Kids' and family content travels across cultures and consists largely of animated series, which can be easily dubbed into multiple languages. Such content does not lose relevance as easily as other genres and therefore can be licensed into numerous markets repeatedly for many years.

On December 18, 2019, the Company changed its name from DHX Media Ltd. to WildBrain Ltd. and all of our business segments have been rebranded with the pre-fix WildBrain. Our ad-supported video-on-demand ("AVOD") business, formerly known as WildBrain, has been renamed WildBrain Spark.

As one of the world's foremost producers of children's series, WildBrain owns the world's largest independent library of children's content of approximately 13,000 half-hours. We are taking an integrated approach in monetizing our content and related intellectual property ("IP") across our business by:

1. producing for, and distributing shows to, over 500 streaming services and linear broadcasters worldwide;
2. generating advertising revenue through our wholly-owned subsidiary, WildBrain Spark, which operates one of the largest networks of children's AVOD channels on YouTube; and
3. realizing royalties from sales of consumer products based on our owned IP and partner brands as well as representing third-party lifestyle and entertainment brands around the world through our wholly-owned licensing agency business, WildBrain CPLG. We are also realizing operational synergies by using WildBrain CPLG as the agent for a number of our owned brands.

In addition, we own and operate the Family suite of linear specialty channels in Canada, which has been a trusted broadcaster for over 25 years and provides stable cash flow, which also serves to fund and facilitate new content for our library.

Revenue Model

In Q1 2021, we reclassified our financial reporting to better reflect our 360° approach to IP management and the characteristics of the transactions that we are entering into with global streaming services ("SVODs") and across other distribution channels. Accordingly, we now report production and distribution in one revenue line under Content Production and Distribution.

As the market for content continues to evolve and competition for viewers intensifies, major SVODs, such as Apple, Amazon Prime, Hulu, Netflix and HBO Max, are investing heavily to deliver high-quality, exclusive programming. Under this model, typically the SVODs pay for the cost of production inclusive of production fees, while we retain ownership of the underlying IP as well as linear distribution rights (after a holdback of approximately 24 to 36 months) and all consumer products revenues. This differs from the traditional production/distribution model of covering production costs from multiple linear broadcasters, with margins realized over multi-year licensing cycles. Since our slate has become a combination of both these models, we have revised our reporting to aggregate production and distribution, which is consistent not only with the integrated management of our business, but also with industry practice.

We also consolidated reporting of all revenue streams related to consumer products under Consumer Products. This includes revenue from our owned brands (inclusive of our Peanuts business), partnerships with third-party brands (where we get a share of back-end consumer products royalties), and our licensing agency business, WildBrain CPLG (which represents both third-party brands and our owned IP).

Revenue from WildBrain Spark continues to be reported separately as the majority of its revenue is derived from advertising and sponsorships.

Collectively, the three preceding revenue lines will now comprise our Content Business for reporting purposes.

For clarity, our Canadian television business has been renamed Canadian Television Broadcasting and continues to be reported separately.

Accordingly, WildBrain operates through the following two reportable segments:

1. Content Business - comprising revenue derived from:
 - Content Production and Distribution - production in our studio for our proprietary content, production with strategic brand partners and third-party service work as well as distribution of proprietary and third-party titles in our library;
 - WildBrain Spark - distribution of content from our owned IP and third-party partners on our AVOD platform; and
 - Consumer Products - licensing royalties from our owned IP and through our brand partnerships as well as commissions earned from our licensing agency business.

2. Canadian Television Broadcasting - comprises revenue from operating our Family broadcast channels in Canada.

Content Production and Distribution

Content Production and Distribution includes production revenue generated i) by licensing the initial broadcast or streaming rights for our proprietary titles to linear broadcast or SVOD networks, ii) from our strategic brand partnership such as with Mattel, and iii) service revenue earned when producing animation or live-action programs for third parties. Service work does not typically result in the ownership of IP.

This segment includes distribution revenue derived from licensing shows from our content library including internally produced and acquired library titles, and third-party produced titles for which we hold distribution rights. We distribute titles to digital platforms (e.g. Apple, Amazon Prime, Netflix and home entertainment) and linear broadcast channels across different geographic jurisdictions.

WildBrain Spark

WildBrain Spark revenue is generated from our platform of kids and family AVOD channels where we distribute both our owned content and content of third-party brands on YouTube and other AVOD platforms. Revenues are earned primarily through third-party advertising on the WildBrain Spark platform. Other sources of revenue include producing original short-form content (animation, toy play, stop motion and live action), running advertising campaigns (paid media) and direct advertising sales on our AVOD platform.

Consumer Products Revenue

Consumer Products revenue is earned from generating licensing royalties on our proprietary brands (among others, *Peanuts*, *Strawberry Shortcake*, *Teletubbies*, *Yo Gabba Gabba!*, *Caillou*, *Johnny Test*, and *In the Night Garden*), including merchandising, publishing, music rights, live tours and themed-events, interactive games and apps, and from consumer products royalties earned through our strategic brand partnerships such as with Mattel.

Consumer Products also includes revenue earned through our WildBrain CPLG agency business. WildBrain CPLG earns commissions by licensing owned brands and third-party brands from lifestyle brand owners, film studios and other independent IP owners.

Canadian Television Broadcasting Revenue

Canadian Television Broadcasting revenue is earned primarily through monthly subscriber fees as well as advertising, promotion and other revenues through our owned broadcast channels including Family Channel, Family Jr, Télémagino, and Family CHRGD. Subscription fees are earned monthly through partnerships with Canadian cable and satellite television distributors. In addition, all four channels have multi-platform applications, which allow their content to be distributed both on-demand and streamed.

Strategy and Outlook

As a content producer, distributor and IP owner, WildBrain is focused on the multiple ways in which we can monetize our content and build brands by producing and distributing shows and creating consumer awareness across all media platforms, and generating royalties from the sale of consumer products based on our shows and brands.

Evolving Market for Content

As the market for content evolves, major streaming platforms, such as Apple, Amazon Prime, Hulu and Netflix, are investing in larger-budget, premium original shows, often based on established brands. At the same time, YouTube has emerged as one of the most popular destinations for short-form kids' entertainment.

To capitalize on the demand for premium content and short-form content, we leverage our position as the owner of both the world's largest independent library of children's content, comprised of approximately 13,000 half-hours, and of WildBrain Spark, our market-leading AVOD network of kids' videos on YouTube and other AVOD platforms.

WildBrain Spark's viewership continues to grow, however as a result of changes made by YouTube in January 2020 to eliminate targeted advertising on kids and family content (also referred to as "Made for Kids"), we experienced downward pressure on advertising rates in the near-term.

In January 2020, YouTube introduced new rules and policies for 'Made for Kids' content, including how that content is managed and monetized, and the features available, or limited, on that content as a result of the curated environment. We expect these changes will create a more positive environment, and ultimately, improved monetization, which will reward quality content. We are ideally positioned to benefit from this change. Advertising is now sold based on the content itself and the demographic that enjoy this content ("contextual advertising"), similar to the contextual advertising model for linear TV where we have considerable experience.

Furthermore, the global advertising industry has been significantly impacted by the COVID-19 pandemic, and we began to see advertising revenue decline further in our AVOD business in the latter part of March 2020. These market conditions for advertising have extended into our Fiscal 2021 however we began to see sequential improvements in advertising revenue in the latter part of Q1 2021. See "Business Update and Protection Measures in Response to COVID-19" section below for more discussion on our business.

We continue to believe in the significant long-term potential of WildBrain Spark and are taking actions to evolve and grow our business. Given its large and expanding viewership, WildBrain Spark is a valuable platform to drive audience awareness and to build user engagement for our IP and partner brands. We continue to focus on growing views and pursuing initiatives to monetize the value of our large user base. These include, building our own direct ad sales team to sell to agencies and advertisers offering placement on our kid-safe, curated content, further mining our content library, using our data analytics and insights to determine what kids like to watch, growing our network with new third-party brands, growing owned brands, and expanding into new revenue areas and platforms to drive future growth. Starting in September, we have started to see gradual improvement in advertising rates.

Business Update and Protection Measures in Response to COVID-19

In response to the global COVID-19 crisis, we implemented business-continuity plans to keep our people safe while managing our global operations. These included implementing work-from-home measures for all our employees across our global organization. Fortunately, we can conduct much of our business remotely and have been able to keep our global team connected and productive.

Premium Content Production Continues:

- We were able to expeditiously transition our animation studio of approximately 700 team members to work-at-home solutions. Our studio team is operating at over 95% productivity and is expected to deliver our shows on budget and with minimal delays.
- Our current production slate remains healthy, with a robust pipeline. Production is ongoing on new WildBrain content, for partners such as LEGO, DreamWorks, Netflix, Mattel and Apple TV+.

Content Distribution Across All Media Platforms:

- Our Canadian Television channel business continues to deliver consistent cash flow despite subscriber erosion in line with the broader linear TV market. We do not expect the advertising impacts, arising from current economic uncertainties due to COVID-19, to have a material impact on our channel business, which derives approximately 90% of its revenue from subscriber fees.
- Distribution of our library content fluctuates quarter to quarter based on when deals are closed and timing of content deliveries. We are also leveraging new productions to drive library sales as evidenced by our recently expanded partnership with Apple TV+ for both the Peanuts library of classic titles and more new original series and specials.
- WildBrain Spark continues to enjoy strong audience engagement with 10.7 billion views in Q1 2021. This amounted to 62.4 billion minutes of videos watched, up 14% from the same prior year quarter. However, consistent with a broad pull-back in media advertising due to the global pandemic starting in March as well as the changes to YouTube data-collection policies implemented in January, WildBrain Spark's revenue declined 60% in Q1 2021 although we saw sequential improvement from Q4 2020. In response, we are taking mitigating actions in the short term by reducing costs and reallocating resources to growth areas including investing in a direct ad sales team and expanding our data insights team. Over the longer term, we are in a favourable position to capitalize on the growing trends of viewership and advertising moving online. We expect WildBrain Spark to continue to contribute to our overall EBITDA in Fiscal 2021.

Consumer Products Driven by Peanuts Franchise:

- Our first new original Peanuts series, *Snoopy in Space*, has proven to be one of the most popular shows on Apple TV+, extending the profile and reach of the Peanuts brand on a leading global media platform for today's families. As part of our recently expanded partnership, kids and families will be enjoying both the classic specials and more new Peanuts programming in the weeks, months and years to come on Apple's streaming platform worldwide.
- While current disruptions in the global retail sector caused by COVID-19 are impacting our consumer products-owned business in the short-term, as market demand recovers, we expect the resilient Peanuts franchise - a top-10 character brand at retail - to perform well, supported by our ongoing stream of our new content rolling out on Apple TV+.

Business Protection Measures:

In Fiscal 2020, we implemented a further \$2.0 million in quarterly operating expense savings to safeguard our financial position and preserve cash, which included:

- Implementation across the global organization of a temporary 20% reduction in salaries for senior management, who have received restricted share units in lieu;
- Temporarily reducing salaries at WildBrain Spark as well as furloughing some employees as part of the UK government’s funding support during the coronavirus crisis; and
- Board of Directors agreeing to receive deferred share units in lieu of all cash fees.

We have also suspended new non-critical employee hiring, suspended and terminated consulting agreements as well as suspending travel and non-critical spending. We will continue to evaluate and apply for government programs where applicable.

We regularly assess the COVID-19 situation and evaluate the potential impacts on our business. We continue to believe in the long-term prospects and opportunities for our kids’ content and brands. Our strategy remains focused on creating content that drives brand awareness and engages audiences on all the platforms where kids and families are watching, monetizing our billions' of views on our AVOD platforms including growing direct ad sales, and by selling consumer products inspired by these shows and brands.

Content Strategy

Building content-driven brands is central to WildBrain’s business. Management is committed to returning to growth by executing on a disciplined strategy aimed at generating attractive returns on invested capital, improving cash flow and driving organic growth. Our strategy is guided by the following key priorities:

- *Monetizing our Large Audience on WildBrain Spark* - Leveraging the scale of WildBrain Spark's network and global reach of approximately four billion monthly views by investing in digital short-form content, using our data insights to create and develop global brands and building out our own direct advertising sales team;
- *Growing Key Brands* - Prioritize new content development on premium, original long-form series to meet rising demand from major streaming platforms for exclusive programming; develop and expand global franchise brands supported by new premium content to drive consumer products royalties.

To this end, we are focusing on a targeted production slate and key brands that will generate revenue across multiple lines of business, improve our cash flow and our balance sheet.

Fiscal 2021 Strategic Priorities

PRIORITIES	OBJECTIVES
Monetizing our Large Audience on WildBrain Spark	<ul style="list-style-type: none"> - Grow viewership on our AVOD network - Invest in digital short-form content - Use our global reach, scale and data analytics to test-market, develop and exploit IP - Partner with content and brand owners - Continue to build out our direct ad sales team - Cross-sell a full service offering together with our licensing agency business to deepen customer relationships
Grow Key Brands	<ul style="list-style-type: none"> - Invest in creative talent and expand development pipeline - Reinvigorate and launch key brands by developing sustainable audiences and greater affinity for the brands through tentpole events, social media and digital platforms, including leveraging WildBrain Spark - Greenlight production on new series of owned IP with consumer products potential - Capitalize on SVOD demand for premium original content - Grow brand awareness and licensee base for Peanuts - Deepen relationships with core partners by cross-selling services across business units
Improve Cash Flow and Balance Sheet	<ul style="list-style-type: none"> - Rationalize overhead expenses and create operating efficiencies - Apply excess cash flow to debt repayment and invest in creative, our AVOD business and brands - Explore targeted partnerships to best monetize our assets globally

Financial Highlights for the Three-Months Ended September 30, 2020 ("Q1 2021")

- Consolidated revenue was \$95.5 million in Q1 2021 compared to \$112.3 million in Q1 2020, a decrease of \$16.8 million. The decrease was mainly driven by lower WildBrain Spark revenue of \$13.3 million and Consumer Products revenue of \$4.1 million.
- WildBrain Spark revenue declined 60% to \$8.9 million in Q1 2021, a decrease of \$13.3 million compared to \$22.1 million in Q1 2020. The decrease was due to the advertising changes on YouTube that took effect in January 2020 and the pullback in advertising spend due to COVID-19. However, we are encouraged by the sequential improvement in revenue, up 37% from \$6.5 million in Q4 2020 as we continue implementing initiatives to monetize the significant viewership consuming content on our AVOD network. Refer to the "Strategy and Outlook" section of this MD&A for more details on the changes by YouTube.
- Consumer Products revenue declined 10% to \$38.8 million in Q1 2021, a decrease of \$4.1 million compared to \$43.0 million in Q1 2020. The decrease was primarily due to the expiry of the MetLife contract for Peanuts in December 2019, which generated revenue of \$3.6 million in the comparative Q1 2020. Normalizing for MetLife, revenue remained stable in Q1 2021 compared to Q1 2020, reflecting the continuation of strong licensing royalties from our Peanuts franchise and increased commissions from our licensing agency, WildBrain CPLG.
- Content Production and Distribution revenue improved 4% to \$36.3 million in Q1 2021, an increase of \$1.3 million compared to \$35.1 million in Q1 2020. The increase was due to higher production revenue driven by premium proprietary projects including new content for *Peanuts, Go, Dog. Go!* and *Johnny Test*, which generate steady revenue throughout their production as revenue on these projects is recognized on percentage of completion basis. The large deal for the Peanuts library, which was signed after quarter-end, will be reflected in the second quarter.
- In Q1 2021, net loss attributable to shareholders of WildBrain was \$3.3 million compared to a net loss of \$16.0 million in Q1 2020. This improvement was attributable to lower SG&A, lower reorganization, development and other costs and a higher non-cash foreign exchange gain compared to Q1 2020.
- Adjusted EBITDA attributable to the shareholders of WildBrain was \$17.5 million in Q1 2021, compared to \$19.6 million in Q1 2020, a decrease of \$2.1 million or 11%.
- In Q1 2021, we generated cash flows from operating activities of \$19.6 million, a decrease of \$10.4 million compared to Q1 2020, due to timing of settlement of working capital balances. Free Cash Flow² for Q1 2021 was negative \$2.7 million, compared to Free Cash Flow of \$7.7 million in Q1 2020, partly due to timing of distributions to non-controlling interests in the current quarter compared to no distributions made in Q1 2020.
- In Q1 2021, we paid down \$5.0 million on our revolving credit facility.
- The Company's Total Net Leverage Ratio¹ was 5.70x as at September 30, 2020. This compared to 5.40x at June 30, 2020 and 5.66x at September 30, 2019. While we expect our Total Net Leverage Ratio¹ to increase moderately in Q2 2021 due to timing, based on our current expectations of how the pandemic will play out, coupled with the enhanced visibility we now have around our revenue, earnings and content pipeline over the next 18-plus months, we expect our Total Net Leverage Ratio¹ to be comfortably in the mid-4x level, or below, by the end of Fiscal 2022.
- Subsequent to quarter-end, Apple TV+ licensed our current Peanuts library of classic specials, of which the revenue will be recognized in the second quarter. Furthermore, we expanded our content partnership with Apple in a multi-year, worldwide agreement for a new slate of Peanuts originals and specials, which is expected to add to our EBITDA in Fiscal 2022 as we launch these new projects, which adds to the slate of Peanuts content currently in production.

¹Net debt includes long-term debt and bank indebtedness less cash and excludes interim production financing. Net leverage ratio as discussed in this MD&A is a reference to the Total Net Leverage Ratio as defined in the Company's Senior Secured Credit Agreement available on SEDAR at www.sedar.com.

²Free Cash Flow defined as operating cash flow less distributions to non-controlling interests, changes in interim production financing, cash interest paid on our long-term debt, bank indebtedness, and lease liabilities, and principal repayments on our lease liabilities. Free Cash Flow is a non-GAAP financial measure, see "Non-GAAP Financial Measures" section of this MD&A for a reconciliation to GAAP measures.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the three-month periods ended September 30, 2020 and 2019 has been derived from the Company's unaudited interim condensed consolidated financial statements and accompanying notes and can be found on WildBrain's website at www.wildbrain.com and on SEDAR at www.sedar.com.

The following information should be read in conjunction with the above-mentioned statements and the related notes.

(expressed in \$000s, except per share data)	Three Months Ended	
	September 30, 2020	September 30, 2019
Consolidated Statements of Income Data:		
Revenues	95,455	112,257
Direct production costs and expense of film and television produced	(52,204)	(62,889)
Gross margin ¹	43,251	49,368
Selling, general, and administrative	(18,075)	(21,005)
Share-based compensation	(2,598)	(985)
Amortization, finance costs and other expenses, net	(19,285)	(34,608)
Income tax recovery (expense)	(239)	(74)
Net income (loss) for the period	3,054	(7,304)
Net income attributable to non-controlling interests	(6,361)	(8,710)
Net loss attributable to the Shareholders of the Company	(3,307)	(16,014)
Basic loss per common share	(0.02)	(0.12)
Diluted loss per common share	(0.02)	(0.12)
Weighted average common shares outstanding (in 000s)		
Basic	170,776	134,992
Diluted	170,776	134,992
Other Key Performance Measures:		
Adjusted EBITDA attributable to the Shareholders of the Company ¹	17,537	19,606
Cash flow from operating activities	19,572	29,937
Free Cash Flow ¹	(2,655)	7,656
	As at	As at
	September 30, 2020	June 30, 2020
Consolidated Balance Sheet Data:		
Total assets	1,121,974	1,146,301
Total liabilities	786,377	804,815
Shareholders' equity	335,597	341,486

¹Gross Margin, Adjusted EBITDA attributable to the Shareholders of the Company, and Free Cash Flow are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

SUMMARY OF SELECTED CONSOLIDATED QUARTERLY INFORMATION

WildBrain's results may vary on a quarterly basis due to the timing of production deliveries and distribution deals as well as seasonality in WildBrain Spark and our Consumer Products businesses. Historically, WildBrain's first quarter is the lightest (during summer months). WildBrain's second and third quarters tend to be stronger as our main markets are geared towards the fall and winter months, especially during the Christmas season.

	Fiscal 2021 ¹	Fiscal 2020 ¹				Fiscal 2019 ¹		
(expressed in \$000s except per share data)	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec
Revenues	95,455	92,902	98,341	122,134	112,257	108,760	109,986	117,016
Gross margin ²	43,251	39,559	44,399	54,519	49,368	47,955	47,273	48,815
Net income (loss) attributable to the Shareholders of the Company	(3,307)	4,013	(221,707)	(2,258)	(16,014)	(62,772)	(18,428)	(17,944)
Adjusted EBITDA attributable to the Shareholders of the Company ²	17,537	18,666	17,891	25,589	19,606	20,161	20,094	22,008
Weighted average common shares outstanding (in 000s)								
Basic	170,776	171,058	171,012	150,242	134,992	134,988	134,954	134,910
Diluted	170,776	171,592	171,012	150,242	134,992	134,988	134,954	134,910
Basic (loss) earnings per common share	(0.02)	0.02	(1.30)	(0.02)	(0.12)	(0.47)	(0.14)	(0.13)
Diluted (loss) earnings per common share	(0.02)	0.02	(1.30)	(0.02)	(0.12)	(0.47)	(0.14)	(0.13)

¹On July 1, 2019, we adopted IFRS 16 using the modified retrospective method, with no restatement of prior comparative figures and no adjustment to opening retained earnings at July 1, 2019. Fiscal 2021 and Fiscal 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 financial operating results are presented under the previous accounting standard IAS 17, *Leases* and have not been restated. Refer to the "Changes in Accounting Policies" section in the Fiscal 2020 Annual MD&A dated September 22, 2020 found on www.sedar.com for additional details on the impact of the new accounting standard.

²Gross Margin and Adjusted EBITDA attributable to the Shareholders of the Company are non-GAAP financial measures, see "Non-GAAP Financial Measures" section of this MD&A for their respective definitions as well as a reconciliation to GAAP measures.

Results for the three-months ended September 30, 2020 ("Q1 2021") compared to the three-months ended September 30, 2019 ("Q1 2020")

Revenues

Consolidated revenue decreased \$16.8 million to \$95.5 million in Q1 2021 compared to Q1 2020. Revenue by business segment was comprised of the following:

(expressed in \$000s)	Q1 2021	Q1 2020	Variance	
	\$	\$	\$	%
Content Production and Distribution	36,340	35,056	1,284	4 %
WildBrain Spark	8,882	22,142	(13,260)	(60)%
Consumer Products	38,830	42,979	(4,149)	(10)%
Content Business	84,052	100,177	(16,125)	(16)%
Canadian Television Broadcasting	11,403	12,080	(677)	(6)%
Total Revenue	95,455	112,257	(16,802)	(15)%

Content Production and Distribution: Revenue increased \$1.3 million to \$36.3 million in Q1 2021 compared to Q1 2020, due to higher production revenue in Q1 2021, driven by premium proprietary projects including new content for *Peanuts, Go, Dog. Go!* and *Johnny Test*, which generate steady revenue throughout their production as revenue on these projects is recognized on percentage of completion basis. Growth in our production revenue reflects global SVODs investing heavily to deliver high-quality, exclusive programming and shifting from the traditional production/distribution, with margins realized over multi-year licensing cycles. Since our slate has become a combination of both these distribution models, we revised our reporting to aggregate production and distribution, which is consistent not only with the integrated management of our business, but also consistent with industry practice. The Peanuts library deal, which was signed after quarter-end, will be reflected in the second quarter.

WildBrain Spark: Revenue decreased \$13.3 million to \$8.9 million in Q1 2021 compared to Q1 2020, due to ongoing market-wide headwinds on global advertising driven by changes made by YouTube in January 2020 and the adverse impact of COVID-19. However, Q1 2021 reflected a sequential improvement of 37% from \$6.5 million in Q4 2020 as we continue to implement initiatives to monetize the significant viewership consuming content on our AVOD network and we began to see improvements in advertising.

Consumer Products: Revenue decreased \$4.1 million to \$38.8 million in Q1 2021 compared to Q1 2020. The decline was largely due to the expiry of the MetLife contract for Peanuts in December 2019, which generated revenue of \$3.6 million in Q1 2020. Normalizing for MetLife, Consumer Products revenue remained stable in Q1 2021 compared to Q1 2020, reflecting the continuation of strong licensing royalties from our Peanuts franchise and increased commissions from our licensing agency WildBrain CPLG.

Canadian Television Broadcasting: Revenue decreased \$0.7 million to \$11.4 million in Q1 2021 compared to Q1 2020, reflecting subscriber erosion in line with the broader linear TV market. Subscriber revenue as a percentage of total revenue was 91%, or \$10.4 million (Q1 2020 - 90%, or \$10.8 million), while advertising, promotion, digital and other revenues were 9%, or \$1.0 million (Q1 2020 - 10%, or \$1.3 million).

Gross Margin

Gross margin represents revenue less direct production costs and expense of film and television produced.

(expressed in \$000s, except percentages)	Q1 2021		Q1 2020	
	Gross Margin	Gross Margin	Gross Margin	Gross Margin
	\$	%	\$	%
Content Business	35,872	43%	41,811	42%
Canadian Television Broadcasting	7,379	65%	7,557	63%
Total Gross Margin	43,251	45%	49,368	44%

Consolidated gross margin for Q1 2021 was \$43.3 million, a decrease of \$6.1 million compared to \$49.4 million for Q1 2020. Gross margin percentage for Q1 2021 was 45% of revenue, compared to 44% in Q1 2020.

Content Business gross margins were \$35.9 million in Q1 2021, a decrease of \$5.9 million compared to \$41.8 million in Q1 2020. The decline in gross margin was driven by lower revenue in the quarter. Gross margin percentage for Q1 2021 was 43% of revenue, compared with 42% of revenue for Q1 2020. The increase in gross margin percentage was driven by growth in proprietary

production revenue derived from a growing slate of higher-margin premium projects in our studio, and lower revenue earned in WildBrain Spark, which typically yield lower gross margins.

Canadian Television Broadcasting gross margin remained stable at \$7.4 million in Q1 2021 compared to \$7.6 million in Q1 2020. We continue to implement cost-reduction measures and utilize our large library to control content costs. Gross margin percentage for Q1 2021 was 65%, a slight increase compared to 63% in Q1 2020.

Operating Expenses (Income)

Selling, General & Administrative ("SG&A")

SG&A costs for Q1 2021 were \$18.1 million, compared to \$21.0 million for Q1 2020, a decrease of \$2.9 million or 14%. The decrease was due to mitigating actions that we took to safeguard our financial position during the pandemic. These actions included government and other wage subsidies received or receivable of \$1.2 million for COVID-19, lower travel and entertainment costs of \$1.0 million, and salaries and board fees received in RSUs and DSUs of \$0.8 million.

Share-Based Compensation

Total share-based compensation was \$2.6 million in Q1 2021, an increase of \$1.6 million compared to \$1.0 million for Q1 2020. The increase was due to the new Omnibus Equity Plan launched in Q2 2020 and related issuance of new equity awards.

Amortization

Total amortization of acquired and library content, property and equipment ("P&E") including right-of-use assets, and intangible assets was \$8.3 million for Q1 2021, compared to \$8.6 million in Q1 2020.

Amortization of acquired and library content was \$2.7 million in Q1 2021, compared to \$3.0 million in Q1 2020.

Amortization of P&E was \$3.0 million in Q1 2021, compared to \$3.2 million in Q1 2020.

Amortization of intangible assets was \$2.6 million in Q1 2021, compared to \$2.5 million in Q1 2020.

Reorganization, Development and Other

Reorganization, development and other expenses were \$2.7 million in Q1 2021, compared to \$7.8 million in Q1 2020. Included in Q1 2021 were termination and other benefits of \$1.1 million, legal fees related to a dispute with former employees of \$0.8 million, systems upgrade and process enhancement initiatives of \$0.2 million, and other charges of \$0.6 million (Q1 2020 - termination and other benefits of \$5.4 million, corporate rebranding charges of \$0.9 million, legal fees associated with a dispute with former employees of \$0.6 million, and other charges of \$0.8 million).

Finance Costs, net

Net finance costs were \$9.8 million in Q1 2021, a decrease of \$1.9 million compared to \$11.7 million in Q1 2020. The decrease was due to lower average debt levels resulting from debt paydown in Fiscal 2020 and lower interest rates.

Change in Fair Value of Embedded Derivatives

The change in fair value of the embedded derivatives related to our convertible and exchangeable debentures was a loss of \$3.7 million in Q1 2021, compared to a loss of \$1.2 million in Q1 2020.

Foreign Exchange Gain (Loss)

Foreign exchange was a gain of \$5.1 million in Q1 2021, compared to a foreign exchange loss of \$5.3 million in Q1 2020. The gain in Q1 2021 was driven by the strengthening of the Canadian dollar compared to the US dollar, resulting in an unrealized foreign exchange translation gain on our US dollar denominated term debt of \$8.0 million in the current quarter, partially offset by unrealized foreign exchange translation losses on the Company's positive net working capital balances denominated in US dollar.

Adjusted EBITDA Attributable to the Shareholders of the Company

Adjusted EBITDA attributable to the Shareholders of the Company was \$17.5 million in Q1 2021, compared to \$19.6 million in Q1 2020, a decrease of \$2.1 million or 11%. The decline was primarily due to lower quarter-over-quarter gross margin of \$6.1 million driven by lower revenue in the Content Business, partially offset by lower SG&A of \$2.9 million in the quarter.

Adjusted EBITDA attributable to the Shareholders of the Company is a non-GAAP measure, refer to section "Non-GAAP Financial Measures" of this MD&A for the definition and detailed calculation of this non-GAAP measure.

Income Taxes

Income tax expense for Q1 2021 was \$0.2 million, compared to \$0.1 million in Q1 2020.

Net Income (Loss), Comprehensive Income (Loss), and Earnings (Loss) Per Share

Net loss attributable to the Shareholders of the Company for Q1 2021 was \$3.3 million, compared to a net loss of \$16.0 million for Q1 2020, a reduction in net loss of \$12.7 million. The lower net loss in the current quarter was primarily driven by a non-cash foreign exchange gain of \$5.1 million in the current quarter compared to a foreign exchange loss of \$5.3 million in Q1 2020, a positive swing of \$10.4 million, lower reorganization, development and other charges of \$5.1 million, lower SG&A of \$2.9 million, partially offset by lower gross margin of \$6.1 million.

Comprehensive loss for Q1 2021 was \$4.0 million, compared to comprehensive loss of \$4.1 million for Q1 2020.

Basic and diluted loss per share were both \$0.02 in Q1 2021 compared to a basic and diluted loss per share of \$0.12 in Q1 2020.

Financial Condition

The following table summarizes certain information with respect to WildBrain's capitalization and financial position as at September 30, 2020 and June 30, 2020:

(expressed in \$000s, except ratio data)	September 30, 2020	June 30, 2020
	\$	\$
Cash (including restricted cash)	74,449	84,526
Amounts receivable	220,430	221,252
Investment in film and television programs	142,785	140,548
Acquired and library content	105,258	109,076
Intangible assets	463,238	472,531
Other assets	115,814	118,368
Total assets	1,121,974	1,146,301
Bank indebtedness	5,000	10,000
Accounts payable and accrued liabilities	101,714	98,927
Interim production financing	60,923	66,688
Long-term debt	495,650	502,006
Lease liabilities	49,807	50,826
Deferred revenue	43,155	48,371
Other liabilities	30,128	27,997
Total liabilities	786,377	804,815
Shareholders' equity	335,597	341,486
Working capital ¹	205,267	200,810
Working capital ratio ²	1.93	1.86
Net debt ³	426,201	427,480

¹Working capital is calculated as current assets less current liabilities.

²Working capital ratio is current assets divided by current liabilities.

³Net debt includes long-term debt and bank indebtedness less cash and excludes interim production financing. Net leverage ratio as discussed in this MD&A is a reference to the Total Net Leverage Ratio as defined in the Company's Senior Secured Credit Agreement available on SEDAR at www.sedar.com.

Total assets were \$1,122.0 million as at September 30, 2020, a decrease of \$24.3 million compared to \$1,146.3 million as at June 30, 2020. The decrease was primarily due to lower cash balances, intangible assets and acquired and library content by \$10.1 million, \$9.3 million and \$3.8 million, respectively.

Total liabilities were \$786.4 million as at September 30, 2020, a decrease of \$18.4 million compared to \$804.8 million as at June 30, 2020. The decrease was primarily due to declines in long-term debt, interim production financing, deferred revenue and bank indebtedness of \$6.4 million, \$5.8 million, \$5.2 million and \$5.0 million, respectively.

Shareholders' equity was \$335.6 million as at September 30, 2020, a decrease of \$5.9 million compared to \$341.5 million at June 30, 2020, primarily due to other comprehensive loss arising from translation of foreign subsidiaries of \$7.1 million and distributions to non-controlling interests of \$4.2 million, partially offset by net income (before adjusting for non-controlling interests) in Q1 2021 of \$3.1 million and share-based compensation of \$2.6 million.

Liquidity and Capital Resources

Summary of cash flow components:

	Three Months Ended	
	September 30, 2020	September 30, 2019
	\$	\$
Cash Inflows (Outflows) by Activity:		
Operating activities	19,572	29,937
Financing activities	(27,492)	(29,872)
Investing activities	(1,486)	(462)
Effect of foreign exchange rate changes on cash	(671)	45
Net cash outflows	(10,077)	(352)

Changes in Cash (including Restricted Cash)

Cash (including restricted cash) at September 30, 2020 was \$74.4 million as compared to \$84.5 million at June 30, 2020. \$15.7 million in restricted cash arose from funds raised on the issuance of exchangeable debentures to Fine Capital ("Exchangeable Debentures") by a newly formed subsidiary of the Company in Q4 2020. The Exchangeable Debentures are non-recourse to the Company and the funds are not for working capital but are earmarked for investments in growth initiatives. See the "Exchangeable Debentures" description below, 'Related Party Transactions' section of this MD&A and notes 12 and 18 in the audited consolidated financial statements for the year ended June 30, 2020 for additional details.

Operating Activities

During Q1 2021, cash provided by operating activities was \$19.6 million compared to \$29.9 million provided in Q1 2020, a decrease of \$10.4 million. The decrease was primarily due to timing of settlement of working capital balances.

In Q1 2021, we reclassified cash interest paid on our long-term debt, bank indebtedness, and lease liabilities that were previously included as cash flows used in operating activities, to be reported in the current quarter as part of cash flows used in financing activities with a corresponding reclassification to Q1 2020, as these interest charges do not form part of our ongoing operating activities, performance and results. Refer to "Changes in Accounting Policies" section in this MD&A for additional details.

Financing Activities

During Q1 2021, cash flows used in financing activities were \$27.5 million compared to \$29.9 million used in Q1 2020. The decrease of \$2.4 million was primarily due to lower principal repayments on long-term debt, bank indebtedness and interim production financing loans of \$5.0 million, lower cash interest paid of \$1.3 million due to lower average debt levels and lower interest rates, partially offset by higher distributions to non-controlling interests of \$4.2 million.

Investing Activities

During Q1 2021, cash flows used in investing activities were \$1.5 million compared to \$0.5 million used in Q1 2020. The increase of \$1.0 million was primarily related to higher expenditures on P&E and intangible assets.

Bank Indebtedness

The revolving facility ("Revolving Facility") has a maximum available balance of US\$30.0 million (\$40.0 million) and expires on June 30, 2022. The Revolving Facility may be drawn down by way of either \$USD base rate, \$CAD prime rate, \$CAD bankers' acceptance, or \$USD and £GBP LIBOR advances (the "Drawdown Rate") and bears interest at floating rates ranging from the Drawdown Rate + 2.50% to the Drawdown Rate + 3.75%. In Q1 2021, we repaid \$5.0 million, leaving \$5.0 million drawn on the Revolving Facility as at September 30, 2020.

Long-Term Debt

Term Facility

As at September 30, 2020, the Company's term facility ("Term Facility") had a principal balance of US\$276.5 million (\$368.8 million) (June 30, 2020 - US\$276.5 million (\$376.8 million)), bearing interest at floating rates of either \$USD base rate + 3.25% or \$USD LIBOR + 4.25% and will mature on December 29, 2023.

The Term Facility is repayable in equal quarterly installment payments of US\$1.2 million or 0.25% of the initial principal commencing September 30, 2017. As a result of principal repayments made in Fiscal 2019, the Company is not required to make any further installment payments through to maturity.

The Term Facility also requires repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement, commencing for the fiscal year-ended June 30, 2018, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on December 29, 2023. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2020.

The LIBOR rate is scheduled to be discontinued at the end of calendar year 2021. We are currently in discussion with our creditors to assess the impact of the change, however it is expected that the alternative interest rate will be established giving due consideration to the then prevailing market convention for determining interest rates for syndicated loans denominated in US dollars.

The Senior Secured Credit Facilities require that the Company comply with a Total Net Leverage Ratio covenant as defined in the Senior Secured Credit Agreement. On November 22, 2019, we amended the Senior Secured Credit Agreement which fixed the net leverage ratio covenant requirement at 6.75x with no step downs.

At September 30, 2020, the Total Net Leverage Ratio was 5.70x.

For additional information on the Term Facility, refer to the Senior Secured Credit Agreement on SEDAR at www.sedar.com.

Senior Unsecured Convertible Debentures

As at September 30, 2020, the senior unsecured convertible debentures ("Convertible Debentures") had a principal balance of \$140.0 million (June 30, 2020 - \$140.0 million), bearing interest at an annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares (together, "Shares") of the Company at a price of \$7.729 per Share, subject to certain customary adjustments. The Convertible Debentures mature on September 30, 2024.

The Convertible Debentures have a cash conversion option whereby the Company can elect to make a cash payment in lieu of issuing Common Voting Shares or Variable Voting Shares upon exercise of the conversion option feature by the holder of the Convertible Debentures. As a result, the Convertible Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivative was recorded as a derivative liability. Changes in the estimated fair value of the embedded derivative is recorded through the Company's consolidated statement of income. As at September 30, 2020, the estimated fair value of the embedded derivative was \$2.2 million.

Exchangeable Debentures

As at September 30, 2020, the Exchangeable Debentures had a principal balance of US\$12.2 million, or \$16.3 million (June 30, 2020 - US\$12.2 million, or \$16.6 million) bearing interest at an annual rate of 7.5% payable at maturity and are exchangeable for Variable Voting Shares of the Company at a conversion price of US\$1.072855 per share. The Exchangeable Debentures mature on June 24, 2023 ("Maturity").

The financing was completed in Q4 2020 on June 24, 2020 with Fine Capital, our largest shareholder and a related party to WildBrain, whereby they would purchase up to an aggregate of US\$18.5 million (\$25.0 million) in Exchangeable Debentures. The net proceeds will be used to fund accretive growth investments across the Company, especially in our AVOD business. The Exchangeable Debentures were issued by a newly formed single purpose subsidiary of the Company and non-recourse to WildBrain. As a result, the Exchangeable Debentures are excluded from the security granted to the lenders under our Senior Secured Credit Agreement; and therefore, are also excluded from the calculation of the net leverage ratio covenant. Fine Capital has subscribed for an initial US\$12.2 million with the remainder to be drawn at our discretion prior to the Maturity.

Concurrently in Q4 2020, we issued to Fine Capital warrants to purchase 5,000,000 Variable Voting Shares at a price of \$1.45 per Variable Voting Share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025.

The Exchangeable Debentures have a conversion option at a fixed US dollar conversion price for Variable Voting Shares of WildBrain, which are denominated in Canadian dollars. As a result, the Exchangeable Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivative was recorded as a derivative liability. Changes in the estimated fair value of the embedded derivative is recorded through the Company's consolidated statement of income. As at September 30, 2020, the estimated fair value of the embedded derivative was \$8.0 million.

See section "Related Party Transactions" of this MD&A and notes 12 and 18 in the audited consolidated financial statements for the year ended June 30, 2020 for additional details.

Working Capital and Liquidity

Working capital represents the Company's current assets less current liabilities, which was \$205.3 million as at September 30, 2020, compared to \$200.8 million at June 30, 2020.

Based on our current revenue forecasts and expectations for Fiscal 2021, we believe that our working capital is sufficient to meet our present requirements and near-term business plans. We expect foreseeable cash needs to be funded through existing cash resources, the Revolving Facility and operating cash flows.

Contractual Obligations¹

The following table summarizes our outstanding cash commitments as of September 30, 2020:

Payments Due by Period	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
(expressed in \$000s)	\$	\$	\$	\$	\$
Bank indebtedness	5,000	5,000	—	—	—
Accounts payable and accrued liabilities	101,714	101,714	—	—	—
Interim production financing	60,923	60,923	—	—	—
Other long-term liabilities	2,588	—	2,588	—	—
Senior unsecured convertible debentures	172,900	8,225	16,450	148,225	—
Exchangeable debentures	20,615	—	20,615	—	—
Term facility	419,741	15,674	31,349	372,718	—
Lease liabilities	57,340	11,643	19,714	14,458	11,525
Total Contractual Obligations	840,821	203,179	90,716	535,401	11,525

¹ Contractual payments in the table above include fixed rate interest payments but exclude variable rate interest payments and are not discounted.

Recent Transactions

Issuance of Exchangeable Debentures

On June 24, 2020, we issued US\$12.2 million of Exchangeable Debentures to Fine Capital, a related party of WildBrain, with a further commitment of US\$6.3 million subject to certain conditions being met. The Exchangeable Debentures mature on June 24, 2023 and are convertible to Variable Voting Shares of WildBrain at a price of US\$1.072855 per Variable Voting Share. Concurrently, we issued Fine Capital warrants to purchase 5,000,000 Variable Voting Shares at a price of \$1.45 per share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025. The net proceeds will be used to fund acquisition and investments across the Company, with a special focus on our AVOD business, WildBrain Spark.

Change of Corporate Name

On December 17, 2019, shareholders approved the Company's name change from DHX Media Ltd. to WildBrain Ltd.

NASDAQ Delisting and Suspension of U.S. Filing Obligations

On December 24, 2019, we voluntarily delisted our Common and Variable Voting Shares from NASDAQ and ceased trading on that U.S. stock exchange. Following the NASDAQ delisting, the Company filed the forms required to voluntarily deregister its shares in the U.S. and terminate its public reporting obligations with the Securities Exchange Commission.

WildBrain's Common and Variable Voting Shares continue to trade on the TSX under the ticker symbol 'WILD', and the Company's financial statements, press releases and other information will continue to be available on SEDAR at www.sedar.com and on its website at www.wildbrain.com.

Rights Offering

On November 22, 2019, we completed a rights offering, issuing an aggregate of 35,928,144 Common and Variable shares of the Company at a price of \$1.67 per Common and Variable Voting Share for gross proceeds of \$60.0 million ("Rights Offering"). Concurrent with the closing of the Rights Offering, we used a portion of the proceeds to repay \$50.2 million (US\$37.8 million) against our Term Facility and amended certain terms of our Senior Secured Credit Agreement which included fixing the Total Net Leverage Ratio covenant requirement to 6.75x with no step downs, and an increase to the term loan interest rate from USD LIBOR + 3.75% to USD LIBOR + 4.25%.

Share Capital

As at September 30, 2020, our issued and outstanding share capital was as follows:

Common Voting Shares	33,515,572
Variable Voting Shares	137,243,121
<hr/>	
Total Common Shares	170,758,693
Preferred Variable Voting Shares	500,000,000
Stock Options	5,833,800
Restricted Share Units	4,737,606
Performance Share Units	2,825,000
Deferred Share Units	2,307,162

Pursuant to WildBrain's articles of incorporation and the Broadcasting Act (Canada), the Common Voting Shares may only be held and controlled by Canadians, and the Variable Voting Shares may only be held and controlled by non-Canadians. The dual-class share structure is required to enable the Company to comply with Canadian ownership rules as an operator of broadcast assets. The preferred variable voting shares were instituted prior to the Company's initial public offering and are maintained to ensure compliance with Canadian ownership requirements related to its business and continuing qualification for tax credits. For additional information on WildBrain's share capital, see our Fiscal 2020 AIF dated September 22, 2020 filed on www.sedar.com.

Off-Balance Sheet Arrangements

As of the date of this MD&A, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of our operations or financial condition, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

Exchangeable Debentures

As part of the Exchangeable Debentures issued described under "Recent Transactions - Issuance of Exchangeable Debentures" section of this MD&A, on June 24, 2020, we issued US\$12.2 million of Exchangeable Debentures to Fine Capital, our largest shareholder, with a further commitment of US\$6.3 million subject to certain conditions being met. The Exchangeable Debentures mature on June 24, 2023 and are convertible to Variable Voting Shares at a price of US\$1.072855 per Variable Voting Share. Concurrently, we issued Fine Capital warrants to purchase 5,000,000 Variable Voting Shares at a price of \$1.45 per share. The warrants vest immediately and expire five years from the date of closing on June 24, 2025.

Rights Offering

As part of the Rights Offering described under "Recent Transactions - Rights Offering" section of this MD&A, we entered into a standby purchase agreement with Fine Capital, as investment manager on behalf of certain of the funds it manages, whereby Fine Capital would acquire any residual Common and Variable Voting Shares that are not taken up by holders of subscription rights, and would be paid a cash fee equal to \$1.5 million upon completion of the Rights Offering. Fine Capital is a significant shareholder of WildBrain. In addition, Jonathan Witcher is on the Board of Directors of WildBrain and is also the Chief Executive Officer and Chief Investment Officer at Fine Capital. During Q2 2020, we paid \$1.5 million to Fine Capital following the closing of the Rights Offering.

Critical Accounting Estimates

The preparation of the financial statements in conformity with IFRS requires Management to make estimates, judgments, and assumptions that Management believes are reasonable based upon the information available. These estimates, judgments, and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year or period. Actual results can differ from those estimates (refer to the section "Caution Regarding Forward-Looking Statements" of this MD&A for more information regarding forward-looking information). For a discussion of all of the Company's accounting policies, refer to note 3 of the audited consolidated financial statements for the year ended June 30, 2020 on www.sedar.com or WildBrain's website at www.wildbrain.com.

Significant accounting judgments and estimation uncertainty

The preparation of financial statements under IFRS require the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates. The Company's significant accounting judgments and estimation uncertainty are as described in the Company's Fiscal 2020 notes to the consolidated financial statements.

Changes in Accounting Policies

In Q1 2021, the Company changed its accounting policy for the presentation of cash interest paid in the interim condensed consolidated statement of cash flows. Specifically, cash interest paid that was previously included in operating cash flows has been reclassified to financing cash flows, as permitted by IAS 7, *Statement of cash flows*. Cash interest paid relates primarily to interest paid on our long-term debt, bank indebtedness and lease liabilities, which were drawn on in prior periods to fund asset acquisitions including acquired and library content assets and right-of-use assets. We believe this change more appropriately reflects the Company's financing activities during the period. For the three-month period ended September 30, 2019, cash interest paid of \$11.2 million has been reclassified from operating cash flows to financing cash flows.

There were no other changes in accounting policies in Q1 2021.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash and restricted cash, amounts receivable, bank indebtedness (when drawn), interim production financing, accounts payable and accrued liabilities, long-term debt, and certain items included within other liabilities. The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, liquidity risk, and currency risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counter-party to a financial asset or liability fails to meet its contractual obligations, and arises primarily from the Company's cash and cash equivalents, and credit exposure to customers through its outstanding trade receivables.

The maximum exposure to credit risk for cash and cash equivalents and trade receivables approximate the amount recorded on the consolidated balance sheet of \$232.9 million (June 30, 2020 - \$239.8 million). We manage credit risk on cash and cash equivalents by ensuring that the counter-parties are banks, governments and government agencies with high credit ratings.

The balance of trade amounts receivable is mainly with Canadian broadcasters and large international distribution companies. Management manages credit risk by performing a credit assessment on new customers and regularly reviewing aged accounts receivables. To determine the loss allowance for trade receivables, management assessed the lifetime expected credit losses of customers by categorizing these customers into different risk profile groups and applying provision percentages based on historical loss rates and management's experience and judgment. The loss allowance for trade receivables represents approximately 6.2% of current trade receivables which management believes is adequate. Further, long-term receivable arrangements are only granted to large international linear and digital broadcasting companies with good payment history.

COVID-19 has increased the credit risk in our trade receivables. To manage this risk, we have increased our collection efforts with customers, risk-adjusted certain customers when determining a loss allowance, and in some limited cases provided customers with payment plans on past due amounts. Certain customers of the consumer-products segment, in particular Peanuts, are licensees who have been impacted by the closure of retailers during the pandemic and we are closely monitoring these receivables. The majority of our other customers are large Canadian and international broadcasters, or large international distribution companies, and we have not seen a significant deterioration in the credit quality of these customers and trade receivables to date.

We are unable to predict or anticipate the full extent or duration of the impact due to COVID-19 at this time. Based on collections subsequent to the current quarter, and discussions with customers, we believe that the loss provision is adequate as at September 30, 2020.

Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, Revolving Facility, Term Debt Facility and cash and cash equivalents which are subject to interest rate benchmarks that fluctuate such as prime rate, LIBOR rate, bankers acceptance rates, and other applicable interest rate benchmarks.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity by regularly preparing cash flow forecasts, and continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. A summary of the Company's financial liabilities and their contractual maturities can be found in the "Contractual Obligations" section of this MD&A.

We operate a diverse range of business lines, including production studio services, linear and digital content distribution, consumer products licensing, consumer products representation, and television broadcasting. While the operating results may experience variability from period to period, the operating cash flows are generally predictable based on our production and content pipeline, contract renewals, royalty agreements and associated minimum guarantees, and television subscriber fees.

As at September 30, 2020, we had cash balances of \$58.7 million and amounts receivable of \$220.4 million. Based on our cash balances and available credit facilities, expected collection of trade and other receivables, and forecasted operating results, management believes it will be able to fulfill its financial obligations as they become due.

Currency risk

The Company has global operations which require holding cash and working capital balances, generating revenue and incurring costs in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. We periodically enter into foreign exchange forward contracts to manage our foreign exchange risk across our portfolio of currencies which are primarily denominated in Canadian dollar, US dollar and GBP.

Risk Assessment

The Company is exposed to a number of specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that we do not currently anticipate will be material, may impair our business and results of operations and as a result could materially impact our business, results of operations, prospects, and financial condition. The specific and general risks include, but are not limited to the following: the COVID-19 outbreak which could materially and adversely impact the Company's business, financial condition, and performance, the Company's leverage and indebtedness and failure to meet covenant requirements under the senior credit facility of the Company, competition and competitor activities, product development and acceptance, the ability of the Company to acquire, develop and exploit entertainment properties, consumer preferences, the ability of the Company to execute on its strategy, the ability of the Company to execute on production and licensing arrangements, the ability of the Company to attract and retain talent, reliance on key personnel, risks relating to the Company's exposure to advertising revenues through YouTube and the ability of the Company to attract and realize on advertising revenues, including through YouTube and on other platforms, risks related to doing business internationally and currency exchange rates, the reliance of the Company on the Internet and other technologies to continue to conduct its business, technology changes, intellectual property infringement and other claims, the ability of the Company to exploit its content library, access to capital, maintaining effective internal controls, equity capital markets risk and market share price fluctuations, loss of Canadian status, access to government incentives, loss of television licenses, the availability of acquisition and investment opportunities at acceptable valuations and the ability to execute on such opportunities, production risks, financial risks and dilution from the Company's capital requirements, labour relations, changes in the regulatory environment, general economic and market segment conditions, and catastrophic events and circumstances.

Beginning March 2020, COVID-19 began negatively affecting the advertising revenues of WildBrain Spark and this pandemic could have longer-term negative effects. WildBrain Spark generates the majority of its revenue through advertising-based video-on-demand ("AVOD"). The adverse impact of the new rules and policies on 'Made for Kids' content introduced by YouTube in January 2020, coupled with the subsequent impact of COVID-19 on the global advertising industry, has resulted in a significant decline in the current operating results of WildBrain Spark and for the foreseeable future. The Company has taken pro-active measures to cut costs and manage near-term headwinds, however a prolonged period of such market conditions may require the Company to take further actions.

A discussion of the specific and general risks affecting the Company and its business is set forth under the heading "Risk Factors" in the Company's Fiscal 2020 Annual Information Form which is available on SEDAR at www.sedar.com. The descriptions of the risks in the Annual Information Form, together with the risks discussed in this MD&A, do not include all possible risks, and there may be other risks of which the Company is currently not aware or is not presently anticipating that may arise and have a material adverse effect on the Company's business, results of operations, prospects, financial condition, financial performance and cash flows.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information is gathered and reported to senior Management to permit timely decisions regarding public disclosure and to provide reasonable assurance that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules.

The CEO and the CFO have also designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

In its quarterly filings dated November 10, 2020, the CEO and the CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures, and internal control over financial reporting, concluded that as at September 30, 2020, both the Company's disclosure controls and procedures, and internal control over financial reporting were operating effectively. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in internal controls over financial reporting during the three-months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Non-GAAP Financial 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.

Reconciliation of Quarterly Results to Adjusted EBITDA and Adjusted EBITDA attributable to the Shareholders of the Company

The following table reconciles income (loss) before income taxes to Adjusted EBITDA, and to Adjusted EBITDA attributable to the Shareholders of the Company, for each three-month period ending:

	Fiscal 2021 ¹	Fiscal 2020 ¹				Fiscal 2019 ¹		
	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec
(expressed in \$000s)								
Income (loss) before income taxes	3,293	7,292	(210,675)	3,528	(7,230)	(51,165)	(19,071)	(12,353)
add back:								
Finance costs, net	9,757	9,465	10,022	18,192	11,725	11,750	10,220	10,993
Change in fair value of embedded derivatives	3,669	1,792	(1,833)	(3,114)	1,200	(3,685)	(1,600)	2,900
Foreign exchange	(5,144)	(10,264)	25,921	(6,867)	5,257	(6,615)	(7,542)	15,510
Amortization of P&E and intangible assets	5,605	6,049	6,526	5,929	5,667	5,578	5,574	6,114
Amortization of acquired and library content	2,710	3,084	3,030	2,993	2,975	3,389	3,888	3,580
Write-down of certain investment in film and television programs, acquired and library content, P&E, intangible assets, and goodwill	—	2,018	187,300	6,804	—	68,717	34,199	1,955
Equity-settled share-based compensation	2,598	1,729	1,172	1,634	869	613	686	(319)
Reorganization, development and other	2,688	2,181	2,444	5,552	7,784	(2,424)	1,365	832
Adjusted EBITDA	25,176	23,346	23,907	34,651	28,247	26,158	27,719	29,212
Portion of Adjusted EBITDA attributable to non-controlling interests ²	(7,639)	(4,680)	(6,016)	(9,062)	(8,641)	(5,997)	(7,625)	(7,204)
Adjusted EBITDA attributable to the Shareholders of the Company	17,537	18,666	17,891	25,589	19,606	20,161	20,094	22,008

¹On July 1, 2019, the Company adopted IFRS 16 using the modified retrospective method, with no restatement of prior comparative figures and no adjustment to opening retained earnings at July 1, 2019. As such, Fiscal 2021 and Fiscal 2020 financial results are presented under IFRS 16, whereas Fiscal 2019 financial operating results are presented under the previous accounting standard IAS 17. Refer to "Changes in Accounting Policies" section in the Fiscal 2020 Annual MD&A dated September 22, 2020 found on www.sedar.com for additional details on the impact of the new accounting standard.

²Portion of Adjusted EBITDA attributable to non-controlling interests is calculated as net income attributable to non-controlling interests, less interest, taxes, depreciation and amortization attributable to non-controlling interests.

Reconciliation of Quarterly Results to Gross Margin

The following table reconciles revenue less direct production costs and amortization of film and television produced to gross margin, for each three-month period ending:

	Fiscal 2021	Fiscal 2020				Fiscal 2019		
	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec
(expressed in \$000s)								
Revenue	95,455	92,902	98,341	122,134	112,257	108,760	109,986	117,016
less: Direct production costs and amortization of film and television produced	(52,204)	(53,343)	(53,942)	(67,615)	(62,889)	(60,805)	(62,713)	(68,201)
Gross Margin	43,251	39,559	44,399	54,519	49,368	47,955	47,273	48,815

Reconciliation of Quarterly Operating Cash Flow to Free Cash Flow

The following table reconciles cash flow from operating activities to Free Cash Flow, for each three-month period ending:

	Fiscal 2021 ¹	Fiscal 2020 ¹				Fiscal 2019 ¹		
	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec	Q1 30-Sep	Q4 30-Jun	Q3 31-Mar	Q2 31-Dec
(expressed in \$000s)								
Cash flow provided by operating activities ²	19,572	23,641	23,523	52,891	29,937	35,653	24,528	18,528
less:								
Distributions to non-controlling interests	(4,220)	(5,565)	(14,719)	(13,176)	—	(6,002)	(12,730)	(7,925)
Change in interim production financing	(5,765)	(862)	872	(17,611)	(8,159)	(17,096)	(843)	10,871
Interest paid	(9,937)	(5,791)	(10,575)	(6,257)	(11,234)	(7,122)	(10,792)	(6,943)
Repayment of lease liabilities	(2,305)	(2,140)	(2,255)	(2,571)	(2,888)	(1,367)	(1,216)	(1,674)
Free Cash Flow	(2,655)	9,283	(3,154)	13,276	7,656	4,066	(1,053)	12,857

¹On July 1, 2019, the Company adopted IFRS 16 using the modified retrospective method, with no restatement of prior comparative figures. As such, Fiscal 2021 and Fiscal 2020 operating results are presented under IFRS 16, whereas Fiscal 2019 operating results are presented under the previous accounting standard IAS 17, *Leases*. The payment of certain lease liabilities was previously classified within cash flows used in operating activities under IAS 17, which subsequent to July 1, 2019 are classified as repayment of lease liabilities included within financing activities. Refer to "Changes in Accounting Policies" section in the Fiscal 2020 Annual MD&A dated September 22, 2020 found on www.sedar.com for additional details on the impact of the new accounting standard.

²In Q1 2021, we reclassified cash interest paid on our long-term debt, bank indebtedness, and lease liabilities that were previously included as operating cash flows to financing cash flows, as these interest charges do not form part of our ongoing operating activities, performance and results. All amounts in the table above have been adjusted for the impact of this change. Refer to "Liquidity and Capital Resources" and "Changes in Accounting Policies" sections of this MD&A for additional details. This same amount has been deducted from cash flow from operating activities to calculate Free Cash Flow.

Additional Information

Additional information related to WildBrain, its business and subsidiaries, including its AIF is available on SEDAR at www.sedar.com.