Danial Azmi

WildBrain Ltd.

Danial Azmi Case Study

February 2023

Executive Summary

- WILD is leading kid's independent media company with a portfolio of valuable IP including the Peanuts franchise, an AVOD platform as well as an inhouse production studio
- We believe the stock at CAD2.81 per share is a good entry point with significant downside protection and recommend a **BUY**
- **Key Investment Highlights**
  - **Resilient long term industry demand and drivers**
  - **Robust business model focused on monetizing proven IP**
  - **Experienced and aligned mgmt. team**
  - **Option value in a takeout scenario limits downside**
- **Key Risks**
  - **Macroeconomic risks**
  - **Leverage**
  - **Portfolio risk on IP**
  - **Technical risk on the stock**
- Base case returns (hold until FY26) shows a **MOIC / IRR of 2.4x / 28.7%**
- Subject to further DD outlined in the deck, we propose to approach mgmt. alongside Fine Capital to discuss a potential buy of the stock
- Given the low liquidity of the name, there is a potential to execute an OTC deal and obtain the shares at a discount

Company Overview (1/2)

Overview

- WildBrains Ltd. ("WILD") is a leading independent kids and family media company with a portfolio of IP for children
- Company has over 13,000 half-hours of filmed entertainment, distributing to 500+ telecasters and streaming platforms
- Largest independent global licensing agency for 400+ partner brands with 3,000+ licensees globally
- Came out of the reorganization of DHX Media Ltd.

1 in 3 kids globally watch WILD's AVOD network

>20 billion minutes of video watched monthly

240 territories reached globally

Business Model

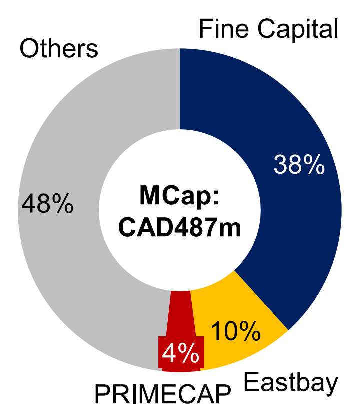
- WILD earns revenue from 4 main business segments:
  - **Content Production & Distribution:** Revenue generated by licensing of IP to linear broadcasters and streaming services, service revenue from producing content for 3rd party IP via the inhouse production studio and production of new content with strategic brand partners such as SEGA
  - **WildBrain Spark:** Revenue generated from collection of kids and family channels on AVOD platforms (e.g., Youtube) via paid advertisements
  - **Consumer Product:** Revenue generated from royalties on IP (e.g., Peanuts and Teletubbies) from merchandising, publishing, music rights, live tours etc.
  - **Television:** Revenue generated via subscription fees on a portfolio of kids' channels earned from Canadian linear TV broadcasters

Key financials

	2018A	2019A	2020A	2021A	2022A
Content production & dist'	164.4	143.8	145.2	185.1	206.6
WildBrain Spark	57.3	69.0	62.3	45.8	55.4
Consumer Products	157.7	174.6	168.6	175.2	203.6
Canadian TV	55.0	52.5	49.5	46.5	41.7
Total revenue	**434.4**	**439.8**	**425.6**	**452.5**	**507.2**
% YoY		*1.2%*	*(3.2%)*	*6.3%*	*12.1%*
Content business				162.7	193.5
TV business				32.2	28.1
Total gross profit	**190.2**	**186.8**	**187.8**	**199.3**	**221.6**
Gross margin %	*43.8%*	*42.5%*	*44.1%*	*44.0%*	*43.7%*
Adj. EBITDA	**98.5**	**112.3**	**76.4**	**103.8**	**95.7**
EBITDA margin %	*22.7%*	*25.5%*	*17.9%*	*22.9%*	*18.9%*
Proportionate Adj. EBITDA	**89.6**	**83.1**	**56.0**	**72.6**	**72.3**

Stock information[1]

Common stock ownership



Capitalization

Current share price (CAD)	2.8
Shares outstanding (mm)	173.1
Market cap (CADm)	**486.5**
(+) Net debt (incl leases)	637.8
(+) NCI	260.5
EV (CADm)	**1,384.7**

Trading metrics

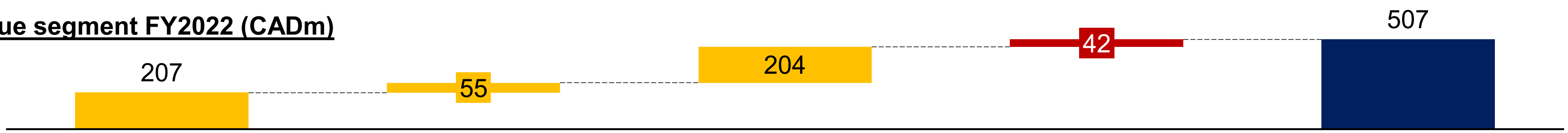
Last close	CAD 2.81
52 week hi/lo	CAD 2.81 / 2.77
Shares out	173.1 million
Float	47.7%

1) As of 3rd Feb 2023 or Q1 FY23

Company Overview (2/2)

WILD operates primarily in the Content business with a small exposure to the Canadian TV market

Revenue segment FY2022 (CADm)



	Content Production and Distribution	WildBrain Spark	Consumer Products	Television	Total
Gross margin %		*~40%*		*~65%*	*~45%*
% of total revenue	*40.7%*	*10.9%*	*40.1%*	*8.2%*	*100.0%*
'18-'22 revenue CAGR	*5.9%*	*(0.8%)*	*6.6%*	*(6.7%)*	*3.9%*

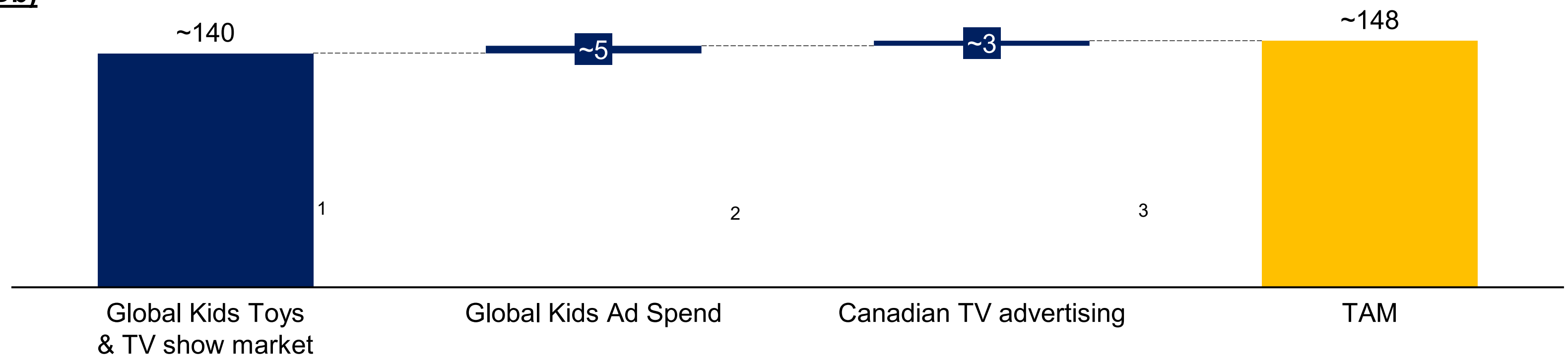
WILD has an IP portfolio of beloved and recognizable brands

Revenue Segment

Industry Overview

WILD operates in a large TAM, whereby the majority of the profit pool is derived from the monetizing of valuable IP

Total addressable market (USDb)



Key competitors include…

Independent Production & Distribution	Eros International, Lionsgate
Broadcasters	Corus, AMC Networks, SiriusXM
Media Conglomerates	Paramount, Warner Bros., Walt Disney, Netflix, Roku

Industry assessment

Content Production & Distribution + Consumer Products	▪ Growth driven by increased content spend by 3rd party IP owners ▪ Companies with valuable IP are well positioned to capture market share ▪ Ability to monetize existing IP is key to minimize hit risk ▪ Best judge of IP's quality is its ability to generate high margin consumer products revenue in a long time period
AVOD licensing	▪ Structurally growing industry driven by increase in AVOD viewership as digital content consumption increases ▪ Near term headwinds from macroeconomic factors
TV Licensing	▪ Declining growth due to TV's slow decline poses a terminal value risk ▪ Generally high and stable margin with low capital intensity

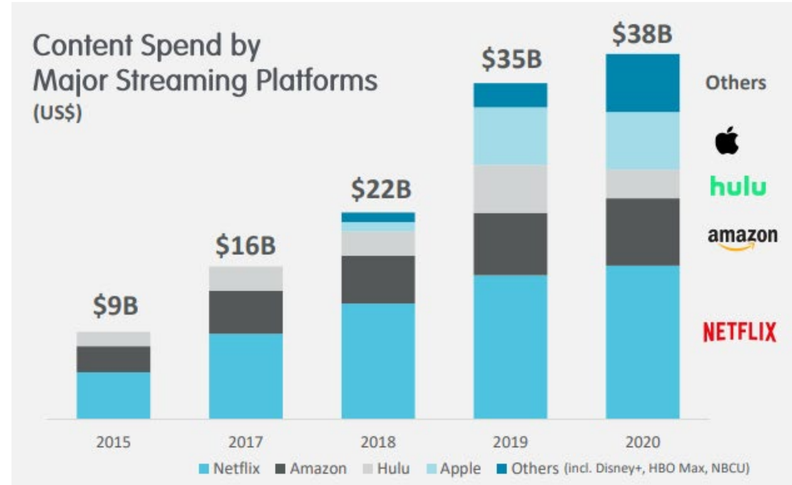
(1) and (2) are based off WILD's estimates (3) Based on Corus media estimates

Investment Highlights

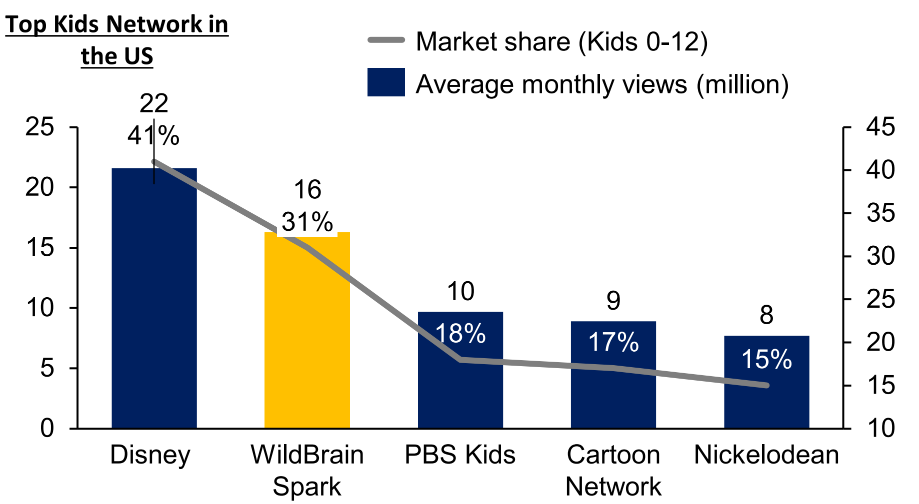
1 Resilient Long Term Demand Drivers and Tailwinds

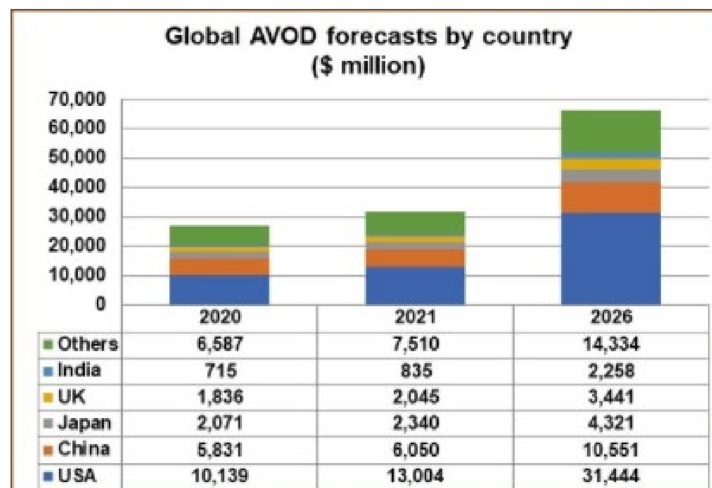
Content business is booming as evidenced by the increased content spend by major players

- WILD is one of the last standalone public portfolio of premium quality kids' content
- WILD is the outright owner of ~2/3 of their IP which gives them significant economic exposure
- The company benefits from being vertically integrated and hence has the ability develop their own IP as well as acting as service provider for 3rd party IP
- Mgmt. over the last 3Y has invested significantly in hiring creative talent in APAC to unlock growth of existing IP



WildBrain Spark is a leading kids' networks with strong growth tailwinds





	2020	2021	2026
Others	6,587	7,510	14,334
India	715	835	2,258
UK	1,836	2,045	3,441
Japan	2,071	2,340	4,321
China	5,831	6,050	10,551
USA	10,139	13,004	31,444

2 Robust Business Model Focused on Monetizing Proven IP

Flywheel of growth returns across the IP value chain

High quality IP with enduring popularity promotes high margin retail sales (e.g., Peanuts franchise)

Content production

Inhouse team develop existing IP

Drives consumer product sales

Owned AVOD network

Leverages the popularity of content to and data analytics to distribute IP further

Distribution and TV

AVOD network provides exposure and data analytics based on the content put out

Proven, evergreen brands provide robust opportunities and minimizes hit risk

Recently activated IP to drive medium term growth

Peanuts
- ✓ Top-10 global character brand
- ✓ US$1.7B at retail annually
- ✓ Classic library on Apple TV+
- ✓ New content for Apple TV+

Sonic Prime
- ✓ Massive global fan base
- ✓ New series for Netflix
- ✓ Licensing agent for Sonic classic in EMEA

Chip and Potato
- ✓ Season 2 for Netflix

Upside potential from a library of unlit IP

Inspector Gadget: 38-year brand

Yo Gabba Gabba!: Series spawned popular live stage show

Degrassi: Teen franchise spanning five series, specials and made-for-TV films

Strawberry Shortcake: 40-year brand, US$4B at retail historically

Teletubbies: 25-year brand, US$1B a year at retail historically

Caillou: 24-year brand

3 Experienced & Aligned Mgmt. Team

Experienced mgmt. team prioritizes capital efficiency and investment to drive growth

Eric Ellenbogen
CEO

30+ years of running entertainment businesses
- President of Broadway Video Entertainment
- President of Golden Books Family Entertainment
- CEO of Marvel Enterprises its (acquired by Disney)
- Founded Classic Media (acquired by DreamWorks) A

Aaron Ames
CFO

A CPA with a long career in management roles
- COO of WildBrain's predecessor, DHX Media
- Chief Integration Officer for DHX Media following acquisition of Cookie Jar Entertainment, where he was CFO

Josh Scherba
President

Leads teams responsible for creating kids' and family content
- With company since its founding in 2006
- Spearheaded major partnerships such as with Apple TV+, Netflix, SEGA, the BBC, Mattel and others

Examples of investments by mgmt. team starting to produce results

Peanuts series acquired in 2017 for USD345m

- Launched multiple new series and specials alongside the classic content library, long term agreement with Apple TV+
- Secured exclusive rights to license Peanuts branded goods in APAC, grew global Peanuts retail sales to USD2.5b globally

Repurchased Caillou US rights in 2020

- Generated more than 50% return on investment, underscoring value of being IP owner
- Greenlit 5+ new CG animated specials for Wildbrain Spark
- Struck a deal to place content on Peacock

Strong alignment via mgmt. compensation and insider ownership

	Common Stock Ownership (# / CAD)
Eric Ellenbogen, CEO	1.9m / CAD5.5m
Aaron Ames, CFO	315k / CAD900k
Josh Scherba, President	344k / CAD980k
Tara Talbot, EVP	134k / CAD383k
Maarten Weck ,EVP	109k / CAD310k

- 11 insiders buying in the last 12 months vs 2 selling
- Net of CAD2.5m bought in the open market in the last 12 months

Executive compensation trending towards more share-based incentives

CADm	2018	2019	2020	2021	2022
Salaries & benefits	4.2	3.4	4.7	4.4	4.1
SBC	2.1	1.8	3.8	2.9	2.7
Termination and other	2.9	0.7	1.4	0.0	0.0
Total	9.3	6.0	9.9	7.3	6.8
% SBC	*23.2%*	*30.8%*	*38.4%*	*39.5%*	*40.2%*

4 Option Value in a Takeout Scenario Limits Downside

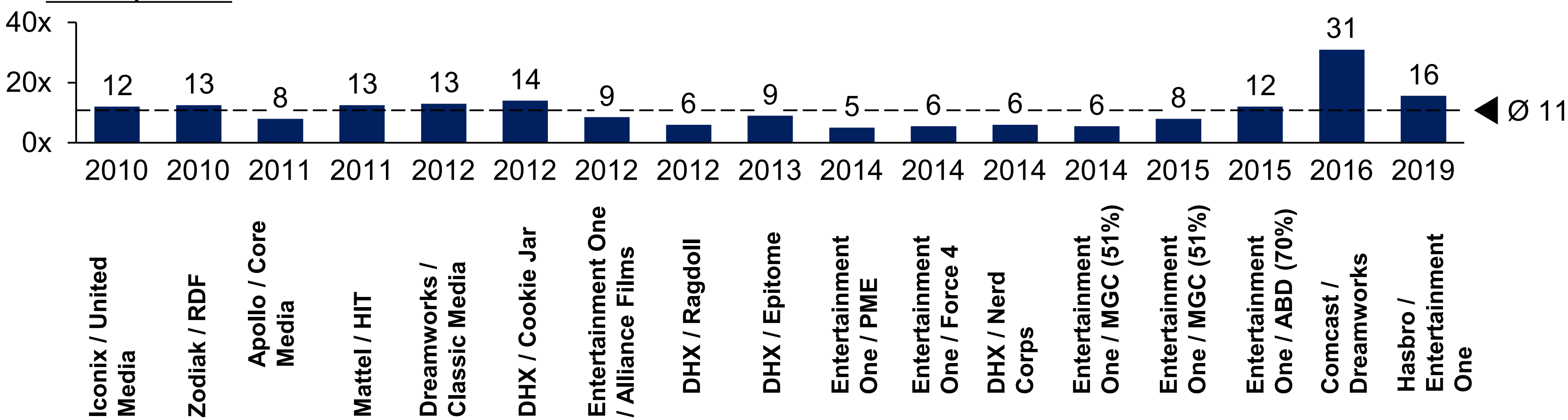
Valuable IP portfolio makes WILD an attractive acquisition target for various Strategics

- Strong strategic rationale from large media conglomerates to acquire WILD as part of their push develop their content library
- Given that children's content is evergreen and classic TV shows are the most valuable IP in children's TV, media powerhouses would rather reboot proven TV shows vs taking a hit risk
- Viacom was said to consider a takeout of WILD before being purchased by Paramount

- Consumer goods companies may purchase WILD for (1) the library of IP content and (2) in-house capabilities to produce original content
- Hasbro purchased Entertainment One for USD4b primarily for the Peppa Pig IP
- Given stricter regulatory environment around acquisitions by large conglomerates on directly related businesses, adjacent players may become better buyers

Comparable precedent transactions show significant downside protection at the 11x EBITDA level

TTM EV / EBITDA



Summary of Investment Risks & Key DD Areas

	Risk	Mitigants
Macroeconomic risk	▪ Outside of production and distribution, WILD revenue streams are exposed to discretionary income or advertising spend	▪ Business has shown resilience during COVID, with revenues down less than 5% and EBITDA margins down 8% ▪ Mgmt. has shown their ability to rationalize cost during times of stress, and rebound significantly ▪ Model already assumes a mild recession case in the Base case
Leverage	▪ WILD is a highly levered entity, with around 4.9x ND / EBITDA ▪ Rising rates environment may increase financing costs significantly and may make it untenable to refinance the debt at an acceptable price	▪ Leverage levels have trended down in the last few years ▪ Significant portion of debt comes from production financing (interim working capital during production) which is generally ring-fenced around a specific production and tied to receivables of that production
Portfolio risk	▪ WILD is a relatively small company compared to other media houses who can outspend WILD and dilute the popularity of WILD's IP ▪ Large portion of consumer products revenue is derived from a single IP (Peanuts) which poses a concentration risk ▪ Wildbrain Spark is heavily reliant on their partnership with Youtube	▪ WILD has strong partnerships with other large media houses who work together with WILD to capture value
Technical risk on stock	▪ Fine Capital owns 38% of the common stock ▪ Any selling by the hedge fund would lead to significant downside pressure due to the low liquidity	▪ Fine Capital has been a long-term shareholder of the business ▪ Potential to engage with Fine Capital and discuss an OTC deal for their holdings

Key DD Areas

- Valuation of the Peanuts franchise to ascertain downside net asset value
- Further DD on NCI treatment and distributions
- Speak to GLG / Thridbridge experts to form a direct view on market growth
- Speak to bankers to understand market appetite for WILD and potential catalysts
- Further benchmarking of competitors, paying close attention to quality of IP
- Speak to Fine Capital to understand long term plans for their holdings

Financials & Returns

Income Statement

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
P&L										
Revenues	**434.4**	**439.8**	**425.6**	**452.5**	**507.2**	**526.5**	**583.4**	**653.4**	**706.9**	**751.5**
% YoY		1.2%	(3.2%)	6.3%	12.1%	3.8%	10.8%	12.0%	8.2%	6.3%
Income from litigation settlement				4.4						
Direct production costs and expense of film and television produced	(244.2)	(253.0)	(237.8)	(257.6)	(285.7)	(305.9)	(335.0)	(376.6)	(408.5)	(435.2)
Gross profit	**190.2**	**186.8**	**187.8**	**199.3**	**221.6**	**220.6**	**248.4**	**276.7**	**298.3**	**316.3**
% margin	43.8%	42.5%	44.1%	44.0%	43.7%	41.9%	42.6%	42.4%	42.2%	42.1%
Amortization of acquired and library content	(15.9)	(14.4)	(12.1)	(11.1)	(10.2)	**(10.0)**	**(10.0)**	**(10.0)**	**(10.0)**	**(10.0)**
Amortization of PPE & intangibles	(24.2)	(22.7)	(24.2)	(22.9)	(24.0)	**(31.6)**	**(29.8)**	**(30.0)**	**(28.8)**	**(29.5)**
Write-down of investment in	(12.0)	(104.9)	(196.1)	(7.8)	(0.8)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Selling, general and administrative	(86.2)	(81.1)	(83.1)	(80.5)	(104.1)	(101.2)	(112.2)	(125.6)	(135.9)	(144.5)
Share-based compensation				(5.1)	(7.4)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Finance costs, net	(50.1)	(52.2)	(49.4)	(42.1)	(30.5)	(33.7)	(34.9)	(36.6)	(38.1)	(39.2)
Change in fair value of embedded derivatives	11.3	7.2	2.0	(26.2)	13.7	0.0	0.0	0.0	0.0	0.0
Foreign exchange (loss) / gain	(7.7)	1.1	(14.0)	25.0	(21.8)	(12.5)	(5.0)	(5.0)	(5.0)	(5.0)
Reorganization, development and other	(10.6)	(1.7)	(18.0)	(8.6)	(6.3)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
EBT	**(5.3)**	**(81.9)**	**(207.1)**	**19.8**	**30.2**	**24.1**	**49.1**	**62.0**	**73.0**	**80.5**
% margin	(1.2%)	(18.6%)	(48.7%)	4.4%	6.0%	4.6%	8.4%	9.5%	10.3%	10.7%
Current income taxes (paid) / recovered	(2.2)	1.8	(0.5)	(3.0)	(0.3)	(7.0)	(14.2)	(18.0)	(21.2)	(23.4)
Deferred income taxes (paid) / recovered	0.7	1.9	(1.2)	6.3	1.9	0.0	0.0	0.0	0.0	0.0
Total	(1.5)	3.7	(1.7)	3.3	1.6	(7.0)	(14.2)	(18.0)	(21.2)	(23.4)
Net income	(6.7)	(78.2)	(208.8)	23.1	31.8	17.1	34.8	44.0	51.8	57.2
Attributable to NCI	7.3	23.3	27.2	30.2	26.1	26.9	27.7	28.5	29.4	30.3
Attributable to common	**(14.1)**	**(101.5)**	**(236.0)**	**(7.1)**	**5.6**	**(9.8)**	**7.1**	**15.5**	**22.4**	**26.9**

Balance Sheet

	2018A	2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E
BS										
Cash & Equivalents	46.6	40.0	67.9	78.4	59.9	35.0	35.0	35.0	35.0	35.0
Restricted Cash	0.0	0.0	16.6	13.6	8.8	8.8	8.8	8.8	8.8	8.8
Accounts Receivable	251.5	265.7	200.2	195.2	249.7	259.1	287.2	321.6	347.9	369.9
Prepaid Expenses and Deposits	8.6	7.2	8.8	6.2	8.6	8.6	8.6	8.6	8.6	8.6
Investment in Film and Television Programs	186.0	148.6	140.5	147.8	163.6	184.7	210.7	240.4	268.9	295.4
Total Current Assets	**492.7**	**461.5**	**434.1**	**441.3**	**490.5**	**496.3**	**550.3**	**614.4**	**669.2**	**717.7**
LT receivables	18.8	14.3	21.0	52.0	84.8	88.0	97.5	109.2	118.2	125.6
Acquired and library content	147.1	118.2	109.1	100.7	92.7	93.3	94.9	98.0	102.1	107.2
Property, Plant & Equipment	30.4	19.4	54.2	47.2	39.3	31.4	27.0	24.6	24.6	24.6
Derivative assets					8.8	8.8	8.8	8.8	8.8	8.8
Intangible Assets	547.0	465.8	472.5	433.6	448.9	443.7	438.7	434.0	430.0	426.8
Goodwill	240.8	239.8	55.3	53.2	54.0	54.0	54.0	54.0	54.0	54.0
Total Assets	**1,476.8**	**1,319.0**	**1,146.3**	**1,127.9**	**1,219.2**	**1,215.5**	**1,271.3**	**1,343.1**	**1,406.9**	**1,464.7**
Bank Indebtedness	16.4	0.0	10.0	0.0	9.1	40.5	40.5	40.5	40.5	40.5
Accounts Payable and Accrued Liabilities	130.5	103.5	98.9	130.3	181.0	193.8	212.2	238.6	258.8	275.7
Deferred Revenue	47.6	64.3	48.4	42.0	58.1	52.6	58.3	65.3	70.7	75.2
Production Financing	93.7	92.4	66.7	65.4	84.2	85.3	90.0	90.0	90.0	90.0
Current Portion of Lease Liabilities	0.0	0.0	9.3	9.4	10.2	0.0	0.0	0.0	0.0	0.0
Current Portion of Long-Term Debt	10.5	11.0	0.0	3.5	26.3	0.0	0.0	0.0	0.0	0.0
Total Current Liabilities	**298.7**	**271.2**	**233.3**	**250.7**	**368.9**	**372.2**	**401.1**	**434.4**	**460.0**	**481.4**
Long-Term Debt	746.0	523.1	502.0	478.9	477.8	477.8	504.9	534.9	557.8	574.1
Long-Term Lease Liabilities	0.0	0.0	41.6	34.4	26.1	36.2	36.2	36.2	36.2	36.2
Deferred Taxes	17.7	16.4	18.3	10.3	7.8	7.8	7.8	7.8	7.8	7.8
Other Long-Term Liabilities (incl. derivatives)	13.6	8.3	9.7	50.7	23.2	23.2	23.2	23.2	23.2	23.2
Total Liabilities	**1,076.0**	**819.0**	**804.8**	**825.0**	**903.8**	**917.2**	**973.2**	**1,036.6**	**1,085.0**	**1,122.7**
Equity to common	315.1	243.0	81.4	68.6	79.4	69.6	76.8	92.2	114.7	141.6
NCI	85.7	256.9	260.1	234.3	236.0	228.6	221.3	214.2	207.2	200.4
Total Equity	**400.8**	**500.0**	**341.5**	**302.9**	**315.4**	**298.2**	**298.1**	**306.4**	**321.9**	**342.0**

Cash Flow Statement

	2023E	2024E	2025E	2026E	2027E
CFS					
Net income to common and NCI	17.1	34.8	44.0	51.8	57.2
Depreciation of PPE	15.8	13.1	12.3	10.6	11.3
Amort of intangibles	15.8	16.7	17.7	18.2	18.3
Amort of acquired and library content	10.0	10.0	10.0	10.0	10.0
Net investment in TV and film programs	(21.1)	(26.0)	(29.7)	(28.5)	(26.5)
Chg in NWC	(5.4)	(13.4)	(12.7)	(9.7)	(8.1)
Writedown and impairements	0.0	0.0	0.0	0.0	0.0
Adj of finance cost, net	33.7	34.9	36.6	38.1	39.2
Adjustments	0.0	0.0	0.0	0.0	0.0
OCF	**65.9**	**70.1**	**78.2**	**90.5**	**101.4**
Addition of PPE incl leases	(5.6)	(6.4)	(7.5)	(8.3)	(9.0)
Addition of intangibles	(10.5)	(11.7)	(13.1)	(14.1)	(15.0)
Addition of content	(10.5)	(11.7)	(13.1)	(14.1)	(15.0)
Adjustments	0.0	0.0	0.0	0.0	0.0
Investing cash flow	**(26.6)**	**(29.8)**	**(33.6)**	**(36.6)**	**(39.0)**
Debt draw / (repayments)	6.1	31.9	30.0	22.9	16.3
Lease repayments	(2.3)	(2.3)	(2.3)	(2.3)	(2.3)
Dividend to common	0.0	0.0	0.0	0.0	0.0
Dictribution to NCI	(34.3)	(35.0)	(35.7)	(36.4)	(37.1)
Finance cost	(33.7)	(34.9)	(36.6)	(38.1)	(39.2)
Adjustments	0.0	0.0	0.0	0.0	0.0
Financing cash flow	**(64.1)**	**(40.3)**	**(44.6)**	**(53.9)**	**(62.3)**

Returns

Summary Returns (FY2026 exit)

		FY2024	FY2025	FY2026
Content		91.0	106.3	118.3
TV		15.0	14.0	13.0
Total proportionate Adj. EBITDA		**105.9**	**120.2**	**131.4**
Content	15.0 x	1,364.6	1,593.9	1,775.1
TV	5.0 x	74.9	69.9	65.1
EV (excl. NCI)		**1,439.4**	**1,663.8**	**1,840.2**
Implied multiple		*13.6 x*	*13.8 x*	*14.0 x*
(-) Net debt (incl leases)		636.7	666.7	689.6
Equity value		**802.8**	**997.1**	**1,150.6**
Shares out (mm)		173.1	173.1	173.1
Price per share (CAD)		**4.64**	**5.76**	**6.65**
MOIC		**1.7 x**	**2.0 x**	**2.4 x**
IRR %		**42.5%**	**34.6%**	**28.7%**

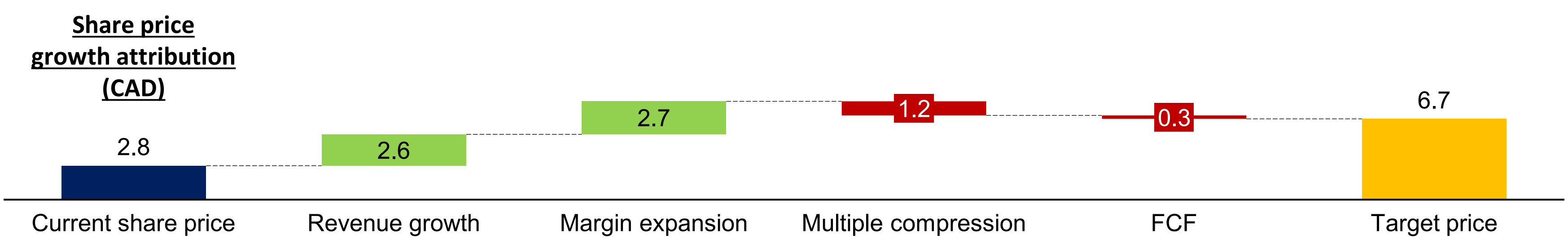
Upside

MOIC: 2.6x
IRR: 32.1%
Price per share: CAD7.3

Downside

MOIC: 0.9x
IRR: (3.4%)
Price per share: CAD2.5

Returns Bridge (Base Case)



’22-’26 CAGR of 5.7% vs ’18-’22 CAGR of 2.6% driven primarily by Consumer Products group

Return to pre COVID EBITDA margins of ~24%