



WILDBRAIN REPORTS RESULTS FOR Q3 2020 AND ANNOUNCES \$25 MILLION FINANCING FOR GROWTH INITIATIVES

- Binding term sheet signed with Fine Capital, the company's largest shareholder, for \$25.0 million in debentures to fund growth initiatives.
- Financing structure will not affect the Company's leverage ratio for covenant purposes under its Term Facility.

Consistent with WildBrain's April 29, 2020 pre-earnings release:

- Revenue was \$98.3 million in Q3 2020 vs \$110.0 million in Q3 2019. YTD 2020 revenue was \$332.7 million vs \$331.0 million YTD 2019.
- Positive operating cash flow of \$12.9 million in Q3 2020 vs \$13.7 million in Q3 2019. YTD 2020 operating cash flow of \$78.3 million vs \$15.3 million YTD 2019.
- Negative free cash flow of \$3.2 million in Q3 2020 vs negative free cash flow of \$1.1 million in Q3 2019. YTD 2020 positive free cash flow of \$17.8 million vs free cash flow of \$6.4 million YTD 2019.
- Adjusted EBITDA was \$17.9 million vs \$20.1 million in Q3 2019. YTD 2020 adjusted EBITDA of \$63.1 million vs \$59.4 million YTD 2019
- Net loss of \$221.7 million, due largely to a non-cash goodwill impairment of \$184.5 million in the quarter⁶, vs a net loss of \$18.4 million in Q3 2019. YTD 2020 net loss of \$240.0 million vs a net loss of \$38.7 million YTD 2019.
- WildBrain Spark views grew 19% to over 10.3 billion in Q3 2020 vs Q3 2019. YTD 2020, views grew 42% to 59.1 billion vs YTD 2019.
- Net leverage ratio of 5.29x as at March 31, 2020 vs 5.92x as at year-ended June 30, 2019.

Halifax, NS – May 13, 2020 – WildBrain Ltd. ("WildBrain" or the "Company") (TSX: WILD), a global leader in kids and family entertainment, today reported its Fiscal 2020 third-quarter (Q3 2020) and nine-month (YTD 2020) results for the periods ended March 31, 2020.

"With the \$25 million financing announced today, we're doubling down on our integrated IP strategy," said Eric Ellenbogen, CEO of WildBrain. "To be clear, this is exclusively growth capital to fund strategic, accretive transactions across the Company, with a special focus on our AVOD business, WildBrain Spark. This is not

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working capital for our business; we've taken measures to contain costs and to address working capital and cash flow. The WildBrain Spark platform is not only a rich source of emerging IP and promotion for both our proprietary and partner content, but also a beneficiary of advertising dollars migrating from linear to non-linear TV. In the media business, advertising dollars follow eyeballs, and at nearly four billion monthly views, WildBrain Spark has one of the largest and most engaged global audiences in the kids and family space. We remain steadfast in our belief that WildBrain Spark represents a significant monetization opportunity."

Ellenbogen continued: "Our third-quarter results reflected resilience across production, television and consumer products. Our studio is producing at over 95% capacity, including new Peanuts content for Apple TV+ and a new *Johnny Test* series for Netflix. Revenue at WildBrain Spark was showing signs of recovery from the changes in YouTube's advertising policy implemented in January. However, global pullbacks in advertising due to COVID-19 impacted revenue late in Q3 and we anticipate these conditions will extend into our Fiscal 2021. Nonetheless, we continued to see record-level audience growth at WildBrain Spark with views up 36% and watch times up 71% through April. We're very focused on our customers and advertising sales, and we're strengthening our AVOD business for when the advertising market recovers. We believe the strength of our brands, the depth of our content library and our capabilities in production and distribution continue to underpin our long-term growth."

Aaron Ames, CFO of WildBrain, added: "We are approaching our performance and balance sheet leverage from all sides. We hired the right people to lead and grow our businesses, paid down approximately \$300.0 million of debt over the last two years, implemented additional cost cutting of \$2.0 million a quarter, and have just agreed on a financing which will allow us to take advantage of growth opportunities. The financing is structured to not affect our leverage ratio for covenant purposes under our Term Facility. With respect to the impact of recent events on advertising, WildBrain Spark remains a contributor to EBITDA in this fiscal year and we expect into Fiscal 2021 as well. Further, our television business isn't highly dependent on advertising, with approximately 90% of its revenue derived from subscriber fees."

Ames continued: "In Q3, we took a non-cash goodwill impairment charge of \$184.5 million in light of the potential impacts of global economic uncertainties and the effects of changes made by YouTube related to targeted advertising. This charge does not affect our operations, cash flows, or our ability to meet debt obligations."

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Financing for Growth Initiatives

Summary of the Financing

WildBrain announced today that it has entered into a binding term sheet with Fine Capital Partners L.P., on behalf of certain funds managed by it (“**Fine Capital**”), the Company’s largest shareholder and a related party¹, for the purchase of up to \$25.0 million in exchangeable secured debentures (the “**Exchangeable Debentures**”) to be issued by a newly-formed subsidiary of the Company (“**Subco**”). Net proceeds from the Exchangeable Debentures will be used to fund acquisitions and other investments to drive WildBrain’s content and brand strategy across the Company, with a special focus on its AVOD or ad-supported video-on-demand business.

Fine Capital has agreed to purchase \$16.5 million of Exchangeable Debentures at the initial closing of the financing (the “**Initial Debentures**”) with the remainder (the “**Subsequent Debentures**”) to be drawn at the Company’s discretion prior to maturity three years from the closing date (“**Maturity**”). The Exchangeable Debentures will bear interest at 7.5% per annum payable at Maturity and will be secured by a first ranking security interest in all of the assets of Subco. The Exchangeable Debentures will be non-recourse to the Company and excluded from the calculation of the Total Net Leverage Ratio² debt covenant under the Company’s Term Facility.

Concurrent with the issuance of the Initial Debentures, the Company will issue to Fine Capital warrants to purchase 5,000,000 Variable Voting Shares (the “**Shares**”) of WildBrain at a price of \$1.45 per Share, which will expire five years from the initial closing.

Subject to the limits described below, the Exchangeable Debentures are exchangeable for Shares at an initial price of \$1.45 per Share (subject to shareholder approval in the case of the Subsequent Debentures), which represents a conversion premium of 66.7% to the 20-day volume weighted average price (the “**VWAP**”) of the Shares on the TSX calculated from May 12, 2020. If WildBrain shareholders do not approve the \$1.45 exchange price for the Subsequent Debentures, the exchange price of each Subsequent Debenture will instead be the greater of (i) \$1.45 and (ii) the market price of the Shares at the time such Subsequent Debentures are issued less the maximum discount permitted by the Toronto Stock Exchange (the “**TSX**”).

Starting 18 months after the initial closing, the Company will have the right to redeem the Exchangeable Debentures at a price equal to the outstanding principal amount plus accrued and unpaid interest at any time provided that the 20-day VWAP of the Shares on the TSX is at least 135% of the exchange price of the Exchangeable Debentures.

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Subject to certain conditions, including the receipt of all necessary regulatory approvals, the Company will have the right to satisfy its obligation to pay principal and interest in respect of the Exchangeable Debentures by delivering Shares (valued at 95% of the 20-day VWAP of the Shares on the TSX at the time the payment obligation arises) in lieu of cash.

In accordance with TSX requirements, the maximum number of Shares issuable to Fine Capital upon any exchange, redemption or maturity of the Exchangeable Debentures, in satisfaction of accrued and unpaid interest thereon and the exercise of the Warrants will initially be capped at 17 million (the “**Exchange Cap**”). At WildBrain’s 2020 annual shareholder meeting (the “**AGM**”), the Company will seek shareholder approval to remove the Exchange Cap and for a \$1.45 exchange price in respect of the Subsequent Debentures. If shareholders approve the removal of the Exchange Cap, there will be no limit on the amount of Shares issuable to Fine Capital upon any exchange, redemption or maturity of the Debentures, in satisfaction of accrued and unpaid interest thereon and the exercise of the Warrants (other than regulatory limitations on ownership pursuant to the *Competition Act* (Canada) and the *Broadcasting Act* (Canada)).

The initial closing of the financing and the issuance of the Initial Debentures is subject to the execution of definitive agreements, TSX approval and other customary closing conditions.

Board Approval

The terms of the financing were negotiated on behalf of the Company by the Corporate Finance Committee of WildBrain’s board of directors (the “**Board**”), each of whom is an independent director without an interest in the financing and is independent of Fine Capital. In connection with its review, consideration and negotiation of the financing, the Corporate Finance Committee engaged Origin Merchant Partners (“**Origin**”) as independent financial advisor and received legal advice from Goodmans LLP.

Following an evaluation of the proposed financing and consideration of alternatives the Corporate Finance Committee believed may reasonably be available to the Company, and based in part on Origin’s advice, the Corporate Finance Committee unanimously concluded that the financing is in the best interests of the Company. Having received the unanimous recommendation of the Corporate Finance Committee, the Board unanimously determined that the financing is in the best interests of the Company and approved the financing (Jonathan Witcher recused himself from the Board meetings during, and did not participate in, the deliberations and the voting on this matter due to his interest in the financing as a result of his role as Chief Executive Officer and Chief Investment Officer of Fine Capital).

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Q3 2020 Performance - Executing on Priorities

PRIORITIES	HIGHLIGHTS
Grow Brands and Build Awareness on WildBrain Spark	WildBrain Spark's online audience up by 19% to over 10.3 billion views in the quarter vs the same period a year ago. This amounted to more than 59.1 billion minutes of videos watched, increasing 42% from Q3 2019.
Create Premium Kids' Content to Drive Franchise Brands	- More new Peanuts content underway for Apple TV+. - New <i>Johnny Test</i> original series in production for Netflix.
Improve Cash Flow and Balance Sheet	- Generated \$12.9 million in positive operating cash flow for Q3 2020 vs \$13.7 million in Q3 2019. YTD 2020 operating cash flow was \$78.3 million vs \$15.3 million YTD 2019. - Free cash flow was negative \$3.2 million in Q3 2020 vs negative free cash flow of \$1.1 million in Q3 2019. YTD 2020 positive free cash flow of \$17.8 million vs free cash flow of \$6.4 million YTD 2019. - Net leverage ratio was 5.29x at Q3 2020 vs 5.92x at year-ending June 30, 2019.

Financial Highlights

Financial Highlights (in millions of Cdn\$)	Three Months ended March 31,		Nine Months ended March 31,	
	2020	2019	2020	2019
Revenue	\$98.3	\$110.0	\$332.7	\$331.0
Gross Margin	\$44.4	\$47.3	\$148.3	\$138.8
Gross Margin (%)	45%	43%	45%	42%
Adjusted EBITDA attributable to WildBrain	\$17.9	\$20.1	\$63.1	\$59.4
Net Loss attributable to WildBrain	\$(221.7)	\$(18.4)	\$(240.0)	\$(38.7)
Basic Loss per Share	\$(1.30)	\$(0.14)	\$(1.58)	\$(0.29)

Q3 2020 revenue was \$98.3 million compared with \$110.0 million in the same prior year quarter. Lower revenue for the quarter was mainly driven by our global Distribution segment, including WildBrain Spark, our ad-based video-on-demand ("AVOD") business. YTD 2020 revenue was \$332.7 million versus \$331.0 million in the same nine-month period a year ago.

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In Q3 2020, distribution revenue (excluding WildBrain Spark) was \$15.6 million compared with \$20.7 million a year ago, indicative of the fluctuations we see in revenue quarter-by-quarter partly due to the timing of deals. YTD 2020, distribution revenue (excluding WildBrain Spark) increased 6% to \$45.8 million compared with the same prior year period, benefiting from a number of large library deals in the first half of Fiscal 2020.

WildBrain Spark revenue was \$9.5 million in Q3 2020 vs \$14.9 million a year ago, a decrease of 37%, in line with expectations communicated in Q2 due to the changes implemented by YouTube in January 2020 related to discontinuing targeted advertising on kids' content as well as the adverse impact of COVID-19 on the global advertising industry beginning in March 2020. We continue to see considerable opportunities in the large audience tuning into our AVOD network and we are pursuing numerous ways to monetize this growing user base over the long term. In Q3 2020, we reached 10.3 billion views, up 19% from the prior year. This amounted to more than 59.1 billion of minutes of videos watched on WildBrain Spark in Q3 2020, up 42% from the prior year quarter. YTD 2020, WildBrain Spark revenue rose 9% to \$55.8 million vs \$51.1 million compared with the same prior year period.

Our consumer products-owned revenue remained steady at \$37.7 million in Q3 2020 vs \$37.5 million in Q3 2019, despite the expiry of the MetLife contract on Peanuts in December 2019. Excluding the contribution of MetLife in Q3 2019, consumer products-owned revenue increased by 10% in Q3 2020 vs the third quarter in Fiscal 2019. For the first nine months of Fiscal 2020, revenue rose 3% to \$125.1 million compared with a year ago, reflecting the timeless appeal of the Peanuts brand. Normalizing for MetLife, YTD 2020 revenue increased 6% vs YTD 2019.

Gross margin increased to 45% in both Q3 2020 and YTD 2020. This compared with 43% and 42% for each of Q3 2019 and YTD 2019, respectively. The increase in gross margin percentage was primarily due to higher non-WildBrain Spark distribution business as a percentage of the total and the impact of IFRS 16.

As part of our previously stated reorganization initiatives, from which we expect to incur one-time cash charges in the range of \$10.0 to \$12.0 million, approximately \$9.6 million was expensed YTD 2020. These initiatives are substantially completed. A portion of the estimated \$10.0 million in annual savings was redeployed back into key areas, including creative, our AVOD business and brands.

In Q3 2020, we generated cash flows from operating activities of \$12.9 million vs \$13.7 million in Q3 2019. YTD 2020 operating cash flow was \$78.3 million vs \$15.3 million YTD 2019. YTD 2020, the increase was primarily due to the collection of tax credits and other trade receivables, and timing of payments.

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Free cash flow for Q3 2020 was negative \$3.2 million, compared to negative free cash flow of \$1.1 million in Q3 2019. YTD 2020, we generated positive free cash flow of \$17.8 million vs. free cash flow of \$6.4 million YTD 2019. The variances period over period were driven by timing of working capital including higher tax credit collection in YTD 2020.

Adjusted EBITDA was \$17.9 million in Q3 2020 compared with \$20.1 million in Q3 2019. The adoption of the IFRS 16 positively impacted adjusted EBITDA by \$1.9 million in Q3 2020. Normalizing for this impact, adjusted EBITDA decreased \$4.1 million in Q3 2020. YTD 2020 adjusted EBITDA was \$63.1 million compared with \$59.4 million YTD 2019. YTD 2020, IFRS 16 positively impacted adjusted EBITDA by \$6.0 million while the first quarter of Fiscal 2019 benefited from \$1.3 million related to a higher ownership stake in Peanuts for part of that quarter⁵. Normalizing for these items, adjusted EBITDA declined by \$1.1 million in the first nine months of Fiscal 2020.

Q3 2020 saw a net loss of \$221.7 million vs a net loss of \$18.4 million in the same quarter last year. YTD 2020, net loss was \$240.0 million compared with a net loss of \$38.7 million in the same period a year ago. The higher net losses were largely driven by a non-cash goodwill impairment charge in Q3 2020 of \$184.5 million⁶, which was taken due to the impact on advertising revenue from YouTube's changes to targeted ads as well as potential impacts of global economic uncertainties from COVID-19.

1. *Related Party - Since Fine Capital beneficially owns and controls more than 10% of the Company's outstanding voting securities, the financing constitutes a "related party transaction" under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). MI 61-101 provides that, unless exempted, a related party transaction must be approved by at least a simple majority of the votes cast by "minority" shareholders of each class of affected securities and the issuer must obtain a formal valuation of the subject matter of the transaction from a qualified and independent valuator. However, an exemption from both the shareholder approval and formal valuation requirements is available if, at the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, insofar as it involves interested parties, exceeds 25% of the issuer's market capitalization. Assuming the issuance of the maximum number of Exchangeable Debentures under the financing, neither the consideration paid for the securities issuable to Fine Capital nor the fair market value of such securities will exceed 25% of the Company's market capitalization. Accordingly, the Company does not intend to seek minority shareholder approval or obtain a formal valuation in respect of the financing. However, as noted above, at the AGM, the Company will seek shareholder approval to remove the Exchange Cap and for a \$1.45 exchange price in respect of the Subsequent Debentures in accordance with TSX rules.*
2. *Net debt includes long-term debt, lease liabilities and bank indebtedness less cash, and excludes interim production financing. Net leverage ratio as discussed in this press release 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.*
3. *Free Cash Flow, Gross Margin and Adjusted EBITDA are non-GAAP financial measures. Free Cash Flow is defined as operating cash flow less distributions to non-controlling interests, changes in interim production financing, and repayments of lease liabilities. Gross Margin means revenue less direct production costs and expense of film and television programs produced (per the financial statements). Adjusted EBITDA represents income of the Company before amortization, finance income (expense), taxes, development expenses, impairments, equity-settled share-based compensation expense, and adjustments for other identified charges. Further details on the definitions of and reconciliation to Free Cash Flow, Gross Margin and Adjusted EBITDA can be found in the "Non-GAAP Financial Measures" section of the Company's Q3 2020 MD&A.*

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4. *The Company implemented the IFRS 16 accounting standard in Q1 2020, which introduced a single accounting model and eliminated the distinction between operating and finance leases for lessees. The adoption of IFRS 16 affected adjusted EBITDA and net income. See note 3 in the Q3 2020 interim consolidated financial statements.*
5. *On July 23, 2018, we sold a stake in Peanuts, reducing our ownership from 80% to 41% in the franchise. As a result of the sale, Q1 2019 adjusted EBITDA attributable to WildBrain included 23 days of our 80% ownership and 69 days of our 41% stake.*
6. *The non-cash goodwill impairment charge of \$184.5 million excludes goodwill held in the Company's Peanuts and Television cash generating units (CGUs).*

Q3 2020 Conference Call

The Company will hold a conference call on May 14, 2020 at 9:30 a.m. ET to discuss Q3 2020 results.

To listen, call +1 (888) 231-8191 toll-free or +1 (647) 427-7450 internationally and reference conference ID 9975808. Please allow 10 minutes to be connected to the conference call. Replay will be available after the call on +1 (855) 859-2056 toll free, under passcode 9975808, until 11:59 p.m. ET, May 22, 2020.

The audio and transcript will also be archived on the Company's website approximately two days after the event.

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About WildBrain

At WildBrain we make great content for kids and families. With approximately 13,000 half-hours of filmed entertainment in our library - one of the world's most extensive - we are home to such brands as *Peanuts*, *Teletubbies*, *Strawberry Shortcake*, *Caillou*, *Inspector Gadget*, *Johnny Test* and *Degrassi*. Our shows are seen in more than 150 countries on over 500 telecasters and streaming platforms. Our AVOD business - *WildBrain Spark* - offers one of the largest networks of kids' channels on YouTube, with over 168 million subscribers. We also license consumer products and location-based entertainment in every major territory for our own

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properties as well for our clients and content partners. Our television group owns and operates four family entertainment channels that are among the most viewed in Canada. WildBrain is headquartered in Canada with offices worldwide and trades on the Toronto Stock Exchange (WILD). Visit us at www.wildbrain.com.

Forward-Looking Statements

This press release contains “forward-looking statements” under applicable securities laws with respect to the Company including, without limitation, statements regarding an exchangeable secured debenture financing arrangement, terms and conditions applicable to such financing, expected use of net proceeds from such financing, expected timing for closing the financing, impact of the financing on the Company’s leverage, future growth and financial and operating performance of WildBrain Spark, the markets and industries in which the Company and its subsidiaries operate, impacts of the COVID-19 situation on the Company, its business, the markets and industries in which it operates, and future financial and operating results, production capacity utilization, reorganization initiatives and expected financial impacts from such initiatives, the business strategies and operational activities of the Company and its long-term prospects. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties and are based on information currently available to the Company. Actual results or events may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations, among other things, include the ability of the Company to finalize the long form agreements for the financing in a timely manner and complete the other conditions to closing, the availability of investment opportunities and at acceptable valuations, 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, the reliance of the Company on the Internet and other technologies to continue to conduct its business, failure to meet covenants under the senior credit facility of the Company, the ability of the Company to execute on its business strategies and investment opportunities, the ability of the Company to realize expected operating cost savings, consumer preferences, market factors, conditions in the AVOD, entertainment and brands industries, the ability of the Company to execute on production and licensing arrangements, and risk factors discussed in materials filed with applicable securities regulatory authorities from time to time including matters discussed under “Risk Factors” in the Company’s most recent Annual Information Form and annual Management Discussion and Analysis. These forward-looking statements are made as of the date hereof, and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

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