

# DHX Media closes acquisition of Cookie Jar Entertainment

## Acquisition Creates World's Largest Independent Library of Children's Entertainment Content and Strengthens Access to Digital Content Buyers

HALIFAX, Oct. 22, 2012 /CNW/ - DHX Media Ltd ("DHX") (TSX: DHX), a leading independent international producer, distributor and licensor of mainly children's entertainment content, announces the closing of its previously announced deal to acquire the business of Cookie Jar Entertainment ("Cookie Jar") to create Canada's largest children's entertainment company. The combined company will own the world's most extensive independent library of children's entertainment, including more than 8,550 half hour episodes.

Expected benefits of the transaction include the following:

- Significantly strengthened capabilities in the rapidly growing digital segment;
- Broadened relationships with distributors including Amazon, Comcast, DISH, Hulu, Netflix, Samsung, Telmex and Vivendi;
- Creates substantial scale with the addition of Cookie Jar's approximately \$56.7 million in revenue (unaudited, for the twelve month period ended May 31, 2012) for total combined trailing 12 month revenue of approximately \$126.5 million<sup>1</sup>;
- Greater diversification of revenue streams across operating segments with a greater proportion of revenue derived from higher margin segments;
- Combination of two portfolios of globally recognized brands that can be seen in approximately 160 countries;
- Increase to content library of children's programming by a factor of more than three times, from approximately 2,550 to approximately 8,550 half-hour episodes;
- Expanded global merchandising opportunities and licensing capabilities for DHX's owned properties as well as third-party brand management and licensing opportunities;
- Ability to program Cookie Jar TV on the CBS network in the United States on Saturday mornings;
- Significant cost synergies, currently estimated to be \$8 million annually, resulting from a consolidation of locations, marketing efficiencies and the integration of operations;
- Improved market position and negotiating strength; and
- Increased market capitalization may increase potential investor audience and potential for improved liquidity in shares.

DHX acquired the outstanding shares of a newly formed company holding the assets and select liabilities comprising the business of Cookie Jar for consideration consisting of 36,044,492 common shares of DHX, subject to adjustment in the event either party is entitled to indemnification, and cash of \$5 million, and the assumption of \$65.5 million of existing debt of Cookie Jar (the "Acquisition").

<sup>1</sup> DHX Media: 12 months ended March 31, 2012. Cookie Jar: 12 months ended May 31, 2012

## **New Credit Facilities**

Concurrently with the closing of the Acquisition, DHX entered into a new syndicated credit facility arranged by a Canadian chartered bank to replace the existing indebtedness of DHX and Cookie Jar, other than production-specific financing obtained by DHX and Cookie Jar's subsidiaries (the "Credit Financing"). The Credit Financing consists of two senior secured credit facilities (the "Credit Facilities") in an aggregate principal amount of up to \$70 million, including a term loan credit facility in the aggregate amount of \$50 million (the "Term Facility") and a revolving loan credit facility in the aggregate amount of up to \$20 million (the "Revolving Facility"). The Term Facility will be used to repay certain indebtedness of DHX and its subsidiaries, including certain indebtedness of Cookie Jar assumed as part of the Acquisition, and to pay fees and expenses incurred in connection with the Acquisition. The Revolving Facility will be available for working capital and general corporate purposes with \$5.5 million to be drawn down from it at closing.

As previously disclosed in the Company's Management Information Circular relating to the shareholder approval of the Acquisition, the Term Facility will mature four years from the closing date of the Credit Facilities and is subject to annual amortization payments (as a percentage of the initial amount of the Term Facility) beginning at 7% in 2013 with annual increases taking it to 13 % in 2016, with the balance payable in full on the maturity date. The Revolving Facility is payable in full on the maturity date of the Term Facility.

## **Shares Outstanding Now Total 102,120,489**

Upon the closing of the Acquisition, the Subscription Receipts issued by DHX pursuant to the bought deal prospectus offering that closed on October 3, 2012, were exchanged for common shares of DHX, resulting in the issuance of 13,002,000 additional common shares. The net proceeds of the offering of \$18,292,820, after deducting the balance of the underwriter's fee, were released from escrow and used by DHX to pay down a portion of the Cookie Jar indebtedness assumed on the closing of the Acquisition. Accordingly, including the common shares issued as partial consideration for the Acquisition, the Company now has 102,120,489 common shares outstanding.

Certain investment entities that are directly or indirectly managed or controlled by Birch Hill Equity Partners Management Inc. ("BHEP") hold 23,645,671 of the common shares issued as partial consideration for the Acquisition and 4116372 Canada Inc. ("4116372"), the parent company of Cookie Jar, which is indirectly controlled by BHEP, holds 4,718,124 of the common shares issued as partial consideration for the Acquisition. Accordingly, BHEP directly or indirectly owns or controls 28,363,795 common shares, representing approximately 27.8% of the Company's outstanding common shares. BHEP has advised the Company that BHEP and 4116372 hold or control these shares for investment purposes, and may, subject to compliance with the Support, Standstill and Investor Rights Agreement among the Company, BHEP and the Birch Hill investment entities that hold common shares, acquire further common shares of the Company, or dispose of their holdings of common shares of the Company, both as investment conditions warrant. Further information with respect to the information in this paragraph (including a copy of the early warning report to be filed with Canadian securities regulators in

connection with this transaction) can be obtained by contacting: Lori Evans at 100 Wellington Street West, CP Tower, Suite 2300, PO Box 22, Toronto, ON M5K 1A1, (416) 775-3833.

#### **About DHX Media Ltd.:**

DHX Media ([www.dhxmedia.com](http://www.dhxmedia.com)) is a leader in the creation, production and licensing of family entertainment rights. DHX Media owns, markets and distributes over 8,000 half hours of children's entertainment content, and exploits owned properties through its consumer products licensing business. DHX Media is recognized for brands such as Caillou, Busytown Mysteries, Inspector Gadget, Johnny Test, Animal Mechanicals, Kid vs. Kat, Super WHY!, Rastamouse, and Yo Gabba Gabba. The company also provides programming for Cookie Jar TV, the weekend morning block on CBS. DHX Media's full-service international licensing agency, Copyright Promotions Licensing Group, (CPLG), represents numerous entertainment, sport and design brands. DHX Media has offices in Toronto, Los Angeles, Vancouver, Halifax, London, Paris, Barcelona, Lisbon, Milan, Munich, Netherlands and is listed on the Toronto Stock Exchange.

*This press release contains forward looking statements with respect to DHX and the proposed acquisition of Cookie Jar, including statements regarding the expected benefits of the acquisition and the estimated cost synergies that may be generated. 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 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 risks related to DHX's ability to successfully integrate the Cookie Jar business and realize expected synergies, the ability to retain required employees and customer contracts, the accuracy of the assumptions upon which the expected synergies were estimated, market factors, customer contract interpretation, application of accounting policies and principles, and production related risks, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time including matters discussed under "Risk Factors" in the Company's Annual Information Form for the year ended June 30, 2012 and risks discussed in the information Circular to be distributed to DHX shareholders in connection with the shareholder meeting held on October 16, 2012. 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.*

SOURCE: DHX MEDIA LTD.

For further information:

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