

Spin Master Reports Solid Q2 2018 Financial Results

Revenue up 13% for the Quarter and 18% Year to Date

TORONTO, Aug. 1, 2018 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX: TOY, www.spinmaster.com), a leading global children's entertainment company, today announced its financial results for the second quarter ended June 30, 2018. The Company's full Management's Discussion and Analysis and unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018 are available under the Company's profile on SEDAR (www.sedar.com) and posted on the Company's web site at www.spinmaster.com/financial-info.php.

"We are pleased with our operating and financial results for the second quarter, in which we achieved solid revenue and profit growth under challenging industry circumstances," said Ronnen Harary, Spin Master's Chairman and Co-Chief Executive Officer. "Looking forward to the balance of 2018 and beyond, we are excited about our upcoming innovative product launches as well as our new entertainment content. Our ability to create multiple consumer touch points, including physical products, traditional and innovative entertainment content and mobile games, is resulting in greater attachment to our brands and franchises. This has positioned Spin Master well for continued future growth."

Q2 2018 Financial Highlights as compared to the same period in 2017¹

- Revenue of US\$311.5 million increased 12.6% from US\$276.7 million.
- In Constant Currency² terms, revenue increased by 11.8%.
- Gross Product Sales² increased 4.6% to US\$296.2 million, compared to US\$283.2 million, driven by sales of *Hatchimals Colleggtibles*, Games & Puzzles including *Cardinal*, Activities including *Gund*, *Party Popteenies* and *Cool Maker* branded products, partially offset by declines in *Air Hogs* and *Zoomer*.
- Gross Product Sales² increased 3.0% in North America and 26.6% in Rest of World but declined 7.1% in Europe. International Gross Product Sales² on a combined basis were 32.0% of total Gross Product Sales², increasing from 30.9%.
- Other Revenue, which primarily reflects merchandising royalty and television distribution income from products marketed by third parties using Spin Master's owned intellectual property, as well as app revenue from Toca Boca and Sago Mini, increased 88.4% to US\$33.1 million compared to US\$17.6 million.
- Gross profit increased 8.4% to US\$153.2 million, representing 49.2% of revenue, compared with US\$141.4 million, or 51.1% of revenue in Q2 2017. The decrease in gross margin was driven primarily by product mix and entertainment amortization, which was offset in part by higher licensing and merchandising revenue and lower sales allowances.
- Selling, general and administrative expenses ("SG&A"), excluding share-based compensation expenses associated with equity participation agreements at the initial public offering, represented 41.3% of revenue compared to 39.4% in Q2 2017. The increase is primarily due to higher marketing costs and personnel costs attributable to the *Gund* acquisition (see below) and the mark-to-market on the Company's LTIP.
- Net income was US\$26.9 million, or US\$0.26 per share, compared with US\$22.1 million, or US\$0.22 per share. The increase is a result of higher gross profit and other income arising from a successful legal settlement, offset by increased SG&A.
- Adjusted Net Income² was US\$17.7 million, or US\$0.17 per share, compared to US\$22.2 million, or US\$0.22 per share.
- Adjusted EBITDA² increased 3.8% to US\$45.4 million from US\$43.7 million. Adjusted EBITDA Margin² decreased to 14.6% from 15.8%. This decline was largely driven by increased SG&A, partially offset by higher gross margin, adjusted for entertainment amortization.
- Free Cash Flow² was US\$19.5 million compared to US\$24.8 million primarily due to lower cash flow from operating activities and increased capital expenditures.
- On April 2, 2018, the Company acquired certain assets relating to the *Gund* line of business from Enesco LLC for approximately US\$77.3 million. The purchase price was financed from internally generated cash resources and the Company's credit facility. *Gund* is included in the Activities, Games & Puzzles and Fun Furniture business segment.
- Subsequent to the end of the quarter, on July 10, 2018, the Company amended its credit facility and extended the maturity date from December 2021 to July 2023.

"Our strong performance highlights our successful execution against Spin Master's four key growth strategies and demonstrates our resilience in what has been a challenging second quarter for the industry driven by Toys "R" Us' store liquidations in the US and the UK and the shift of Easter into Q1," said Ben Gadbois, Global President and Chief Operating Officer of Spin Master.

"We continued to see strong global POS growth this quarter, evidencing steady consumer demand for our innovative brands and entertainment franchises. International expansion continues to be a core part of our growth strategy and we are excited about the potential of our new direct markets, which we just announced for 2019, including Russia, Switzerland, Austria and Greece. The integration of *Gund* is going very smoothly. We continue to look for new acquisition opportunities that may arise in the current shifting landscape."

Q2 2018 Gross Product Sales² by Category (US\$ millions)

	Q2 2018	Q2 2017	% Change
Activities, Games & Puzzles and Fun Furniture	\$86.2	\$57.8	49.1%
Remote Control and Interactive Characters	\$68.3	\$84.0	(18.7)%
Boys Action and High-Tech Construction	\$21.2	\$17.6	20.5%
Pre-School and Girls	\$87.4	\$90.2	(3.1)%
Outdoor	\$33.1	\$33.6	(1.5)%
Gross Product Sales²	\$296.2	\$283.2	4.6%
Other Revenue	\$33.1	\$17.6	88.4%
Sales Allowances ²	\$17.8	\$24.1	(26.3)%
Revenue	\$311.5	\$276.7	12.6%

Q2 2018 Category Gross Product Sales² as compared to the same period in 2017

Gross Product Sales² in Activities, Games & Puzzles and Fun Furniture increased 49.1% in Q2, primarily driven by the Games portfolio, which includes *Cardinal* and *Marbles, Gund, Cool Maker* branded products and *Kinetic Sand*, offset by decreases in *Bunchems* and *Build-A-Bear*. Gross Product Sales² in Remote Control and Interactive Characters decreased by 18.7% in Q2, primarily due to a decline in *Hatchimals, Air Hogs* and *Zoomer*, partially offset by increased sales of *Hatchimals Colleggtibles, Luvabella* and *Moonlite*. Gross Product Sales² in Boys Action and High-Tech Construction increased 20.5% in Q2, primarily due to sales of *Tech Deck* and *Boxer* as well as discontinued *Star Wars* licensed products, offset by lower sales of *Meccano* and *Pirates of the Caribbean* licensed products. Gross Product Sales² in Pre-School and Girls decreased 3.1% in Q2, with higher sales of *Party Popteenies, Twisty Petz* and *Rusty Rivets* products, more than offset by lower sales of *Paw Patrol, Zhu Zhu Pets* and *Chubby Puppies*. Gross Product Sales² in Outdoor decreased 1.5%.

June 30, 2018 Year to Date ("YTD") Financial Highlights as compared to the same period in 2017

- Revenue of US\$597.2 million increased 18.4% from US\$504.4 million.
- In Constant Currency² terms, revenue increased by 16.3%.
- Gross Product Sales² increased 14.1% to US\$584.2 million, compared to US\$512.3 million, driven by sales of *Hatchimals, Hatchimals Colleggtibles, Gund, Cool Maker* branded products and the Games & Puzzles portfolio, which includes *Cardinal* and *Marbles*, offset by declines in *Zoomer, Air Hogs*, and *Bunchems*.
- Gross Product Sales² increased 10.3% in North America, 13.7% in Europe and 35.4% in Rest of World. International Gross Product Sales² on a combined basis represented 33.9% of total Gross Product Sales² increasing from 31.6%.
- Other Revenue increased 65.3% to US\$62.9 million compared to US\$38.1 million.
- Gross profit increased 18.6% to US\$302.0 million, representing 50.6% of revenue, compared with US\$254.7 million, or 50.5% of revenue.
- SG&A expenses, excluding share-based compensation expenses associated with equity participation agreements at the initial public offering, represented 43.9% of revenue compared to 40.4%. SG&A expenses, excluding the Toys"R"Us bad debt charge in Q1 2018, represented 41.3 % of revenue.
- Net income was US\$35.6 million, or US\$0.35 per share, an increase of 10.6% from US\$32.2 million, or US\$0.32 per share.
- Adjusted Net Income² was US\$39.7 million, or \$0.39 per share, an increase of 11.0% from US\$35.8 million, or US\$0.35 per share.
- Adjusted EBITDA² was US\$88.6 million, up 18.9% from US\$74.5 million. Adjusted EBITDA Margin² was flat at 14.8%.
- Free Cash Flow² was US\$(8.8) million compared to US\$29.8 million.

YTD June 30, 2018 Gross Product Sales² by Category (US\$ millions)

	2018	2017	% Change
Activities, Games & Puzzles and Fun Furniture	\$143.8	\$105.8	35.9%
Remote Control and Interactive Characters	\$159.5	\$130.5	22.2%
Boys Action and High-Tech Construction	\$37.9	\$30.7	23.3%
Pre-School and Girls	\$170.0	\$174.9	(2.8)%
Outdoor	\$73.0	\$70.4	3.9%
Gross Product Sales²	\$584.2	\$512.3	14.1%
Other Revenue	\$62.9	\$38.1	65.3%

Sales Allowances ²	\$49.9	\$46.0	8.7%
Revenue	\$597.2	\$504.4	18.4%

YTD June 30, 2018 Category Gross Product Sales² as compared to the same period in 2017

Gross Product Sales² in Activities, Games & Puzzles and Fun Furniture increased 35.9%, primarily driven by sales of the Games and Puzzles portfolio, which includes *Cardinal* and *Marbles*, *Cool Maker* branded products and *Kinetic Sand*, offset by decreases in *Bunchems*, *Rube Goldberg* and *Build a Bear*. Gross Product Sales² in Remote Control and Interactive Characters increased 22.2%, primarily due to *Hatchimals*, *Hatchimals Colleggtibles* and *Luvabella*, offsetting declines in *Air Hogs* and *Zoomer*. Gross Product Sales² in Boys Action and High-Tech Construction increased 23.3%, driven by *Flush Force*, *Tech Deck* and discontinued *Star Wars* licensed products, partially offset by decreased sales of *Meccano* and *Pirates of the Caribbean* licensed products. Gross Product Sales² in Pre-School and Girls decreased 2.8%, primarily driven by declines in *Teletubbies* and *Power Puff Girls* licensed products, *Zhu Zhu Pets* and *PAW Patrol*, partially offset by increased sales of *Party Popteenies* and *Twisty Petz*. Gross Product Sales² in Outdoor increased 3.9%, from products under the *Swimways*, *Aerobie*, *Kelsys* and *Coop* brands.

Outlook

For the full year 2018, organic Gross Product Sales² are expected to be in line with prior guidance, which was for mid-single digit organic growth compared to 2017. Including Gund, Gross Product Sales² are expected to be in line with prior guidance, which was for mid-to-high single digit growth compared to 2017. This growth outlook is in line with the Company's long-term growth target of mid-to-high single digits. Seasonality of Gross Product Sales² for 2018 is consistent with prior guidance and is expected to be approximately 32%-33% in H1. Adjusted EBITDA Margin² in 2018 is now expected to be slightly higher than Adjusted EBITDA Margin² achieved in 2017. Previous guidance announced in connection with the release of Q1 2018 results in May 2018 was for Adjusted EBITDA Margin² in 2018, to be in line with Adjusted EBITDA Margin² in 2017. Adjusted EBITDA Margin² is calculated on Revenue and not Gross Product Sales².

Conference call

Ronnen Harary, Co-Chief Executive Officer, Ben Gadbois, Global President & Chief Operating Officer, and Mark Segal, Executive Vice President and Chief Financial Officer will host a conference call to discuss Q2 2018 results on Thursday August 2, 2018 at 9:30 a.m. EST.

The call-in numbers for participants are (647) 427-7450 or (888) 231-8191. A live webcast of the call will be accessible via Spin Master's website at: <http://www.spinmaster.com/events.php>. Following the call, both an audio recording and transcript of the call will be archived on the same website page and will be available indefinitely.

About Spin Master

Spin Master (TSX:TOY; www.spinmaster.com) is a leading global children's entertainment company that creates, designs, manufactures, licenses and markets a diversified portfolio of innovative toys, games, products and entertainment properties. Spin Master is best known for award-winning brands including *Zoomer*®, *Bakugan*®, *Erector*® by *Meccano*®, *Hatchimals*®, *Air Hogs*® and *PAW Patrol*®. Since 2000, Spin Master has received 96 TIA Toy of The Year (TOTY) nominations with 28 wins across a variety of product categories, including 13 TOTY nominations for Innovative Toy of the Year, more than any of its competitors. To date, Spin Master has produced six television series, including 2007 success *Bakugan Battle Brawlers* and current hit *PAW Patrol*, which is broadcast in over 160 countries and territories globally. Spin Master employs over 1,600 people globally with offices in Canada, United States, Mexico, France, Italy, United Kingdom, Slovakia, Poland, Germany, Sweden, the Netherlands, China, Hong Kong, Japan, Vietnam and Australia.

Non-IFRS Financial Measures

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to "Adjusted EBITDA", "Adjusted Net Income", "EBITDA", "Free Cash Flow", "Gross Product Sales", "Sales Allowances" and "Total Gross Sales", which are non-IFRS financial measures. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

Adjusted EBITDA is calculated as EBITDA excluding one-time or other non-recurring items that do not necessarily reflect the Company's underlying financial performance, including foreign exchange gains or losses, restructuring costs and write-downs, among other items. Adjusted EBITDA is used internally as the key benchmark for incentive compensation and by management as a measure of the Company's profitability.

Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue. Management uses Adjusted EBITDA Margin to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

Adjusted Net Income is calculated as net income excluding one-time or other non-recurring items that do not necessarily reflect the Company's underlying financial performance including foreign exchange gains or losses, restructuring costs and write-downs, among other items, and the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income to understand the underlying financial performance of the business on a consistent basis over time.

EBITDA is calculated as net earnings before finance costs, income tax expense and depreciation and amortization. Management uses EBITDA internally as a measure of the Company's profitability and to benchmark the Company against key competitors.

Free Cash Flow is calculated as cash flows provided by/used in operating activities before changes in net working capital and after cash flows used in investing activities before cash used in license, brand and business acquisitions. Management uses the Free Cash Flow metric to analyze the cash flow being generated by the Company's business.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of marketing, incentive and allowance sales adjustments. Changes in Gross Product Sales are discussed because, while Spin Master records the details of such Sales Allowances at the time of sale in order to calculate revenue, such Sales Allowances are generally not associated with individual products, making revenue less meaningful when comparing its product category and geographical segment results to highlight trends in Spin Master's business.

Total Gross Sales represents Gross Product Sales plus other revenue comprised of royalties and licensing fees from third parties for the use of the Company's intellectual property on the third parties' products and revenue generated through the distribution of the Company's television programs as well as income from the sale of apps. Management uses Total Gross Sales to evaluate the Company's total revenue generating capacity compared to internal targets and past performance and as a measure to understand the performance of the Company, on a monthly, quarterly and annual basis.

Sales Allowances represent marketing and sales credits requested by customers relating to factors such as co-operative advertising, contractual discounts, negotiated discounts, customer audits, volume rebates, defective products and costs incurred by customers to sell the Company's products. Allowances are recorded as a reduction to Gross Product Sales. Management uses Sales Allowances to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Constant Currency represents Revenue and Gross Product Sales results that are presented excluding the impact from changes in foreign exchange rates. The current period and prior period results for entities reporting in currencies other than USD are translated using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from fluctuations in foreign exchange rates.

Management believes that Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, EBITDA, Free Cash Flow, Gross Product Sales and Total Gross Sales are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, EBITDA, Free Cash Flow, Gross Product Sales and Total Gross Sales allow for assessment of the Company's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. The Company believes that lenders, securities analysts, investors and other interested parties frequently use these non-IFRS financial measures in the evaluation of issuers.

The following tables presents a reconciliation of Net Income to EBITDA, Adjusted EBITDA and Adjusted Net Income, and Cash provided by Operations to Free Cash Flow for the three and six months ended June 30, 2018 and 2017. All references to \$ refer to US\$:

(in \$ thousands, except percentages)	Three Months Ended June 30			
	2018	2017	\$ Change	% Change
Reconciliation of Non-IFRS Financial Measures				
Net income	26,911	22,114	4,797	21.7%
Income tax expense	9,475	8,431	1,044	12.4%
Finance costs	2,214	2,439	(225)	(9.2)%
Depreciation and amortization	19,645	10,602	9,043	85.3%
EBITDA (1)	58,245	43,586	14,659	33.6%
Normalization adjustments:				
Restructuring (2)	615	434	181	41.7%
Foreign exchange (gain) loss (3)	(1,331)	(6,706)	5,375	(80.2)%
Share based Compensation (4)	2,108	2,857	(749)	(26.2)%
legal settlement (5)	(15,500)	—	(15,500)	n.m.
Acquisition related incentive compensation (6)	1,241	281	960	341.6%
Impairment of intangible asset (7)	—	2,316	(2,316)	n.m.

Transaction costs				
(8)	—	956	(956)	n.m.
Adjusted EBITDA (1)	45,378	43,724	1,654	3.8%
Income tax expense	9,475	8,431	1,044	12.4%
Finance costs	2,214	2,439	(225)	(9.2)%
Depreciation and amortization	19,645	10,602	9,043	85.3%
Tax effect of normalization adjustments (9)	(3,632)	35	(3,667)	n.m.
Adjusted Net Income (1)	17,676	22,217	(4,541)	(20.4)%
Cash provided by operations	3,622	19,668	(16,046)	(81.6)%
Changes in working capital	43,117	23,870	19,247	80.6%
Cash provided by operations before working capital changes	46,739	43,538	3,201	7.4%
Cash used in from investing activities	(103,257)	(23,378)	(79,879)	341.7%
Cash used for license, brand and business acquisitions	76,029	4,675	71,354	1,526.3%
Free Cash Flow (1)	19,511	24,835	(5,324)	(21.4)%

1) Non-IFRS financial measure. See "Non-IFRS Financial Measures".

2) Restructuring primarily relates to organizational changes.

3) Includes foreign exchange (gains) losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and (gains) losses related to the Company's hedging programs.

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the IPO and share option expense.

5) Non-recurring legal settlement in the second quarter of 2018 related to a patent infringement lawsuit.

6) Remuneration expense associated with contingent consideration for the Swimways acquisition.

7) Non-cash impairment charges for intangible assets relating to licenses, content development, brands and trademarks.

8) Non-recurring transaction costs relating to Marbles acquisition in the second quarter of 2017.

9) Tax effect of normalization adjustments (Footnotes 2-8). Normalization adjustments are tax effected at the effective tax rate of the given period.

(in \$ thousands, except percentages)	Six Months Ended June 30			
	2018	2017	\$ Change	% Change
Reconciliation of Non-IFRS Financial Measures				
Net income	35,610	32,201	3,409	10.6%
Income tax expense	12,603	12,287	316	2.6%
Finance costs	3,814	5,303	(1,489)	(28.1)%
Depreciation and amortization	31,083	19,816	11,267	56.9%
EBITDA (1)	83,110	69,607	13,503	19.4%
Normalization adjustments:				
Restructuring (2)	1,830	1,186	644	54.3%
Foreign exchange (gain) loss (3)	(1,328)	(8,405)	7,077	(84.2)%
Share based compensation (4)	4,135	5,581	(1,446)	(25.9)%
Legal settlement (5)	(15,500)	—	(15,500)	n.m.
Bad debt expense (6)	15,152	—	15,152	n.m.
Acquisition related incentive compensation (7)	1,241	561	680	121.2%
Impairment of intangible asset (8)	—	2,701	(2,701)	n.m.
Amortization of fair market value adjustments (9)	—	2,355	(2,355)	n.m.
Transaction costs (10)	—	956	(956)	n.m.
Adjusted EBITDA (1)	88,640	74,542	14,098	18.9%
Income tax expense	12,603	12,287	316	2.6%
Finance costs	3,814	5,303	(1,489)	(28.1)%
Depreciation and amortization	31,083	19,816	11,267	56.9%
Tax effect of normalization adjustments (11)	1,445	1,362	83	6.1%
Adjusted Net Income (1)	39,695	35,774	3,921	11.0%
Cash provided by operations	14,721	44,537	(29,816)	(66.9)%
Changes in net working capital	29,781	20,432	9,349	45.8%
Cash provided by operations before net working capital changes	44,502	64,969	(20,467)	(31.5)%
Cash used in investing activities	(130,354)	(39,811)	(90,543)	227.4%
Cash used for license, brand and business acquisitions	77,029	4,675	72,354	1,547.7%
Free Cash Flow (1)	(8,823)	29,833	(38,656)	(129.6)%

- 1) Non-IFRS financial measure. See "Non-IFRS Financial Measures".
- 2) Restructuring primarily relates to organizational changes.
- 3) Includes foreign exchange (gains) losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and (gains) losses related to the Company's hedging programs.
- 4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the IPO and share option expense.
- 5) Non-recurring legal settlement in the Company's favour in the second quarter of 2018.
- 6) Non-recurring bad debt expense related to the bankruptcy declaration and liquidation proceedings of TRU during the first quarter of 2018.
- 7) Remuneration expense associated with contingent consideration for the Swimways acquisition.
- 8) Non-cash impairment charges for intangible assets relating to licenses, content development, brands and trademarks.
- 9) Amortization of fair market value adjustments to inventory relating to the acquisition of Marbles and Aerobie in the second and third quarters of 2017 respectively and Swimways in the third quarter of 2016.
- 10) Non-recurring transaction costs relating to the Marbles acquisition in the second quarter of 2017.
- 11) Tax effect of normalization adjustments (Footnotes 2-10). Normalization adjustments are tax effected at the effective tax rate of the given period.

Forward-Looking Statements

Certain statements, other than statements of historical fact, contained in this press release constitute "forward-looking information" within the meaning of certain securities laws, including the *Securities Act* (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this press release. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this press release include, without limitation, statements with respect to: the Company's outlook for 2018 (see "Outlook"); potential growth from international expansion; and the products and entertainment properties expected to be launched in 2018 and beyond.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this press release, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this press release, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow acquired companies' brands sales; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company's products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers and retailers; the Company will continue to attract qualified personnel to support its development requirements; and the Company founders will continue to be involved in the Company; Company products and entertainment properties will be launched as scheduled; the recovery of the toy industry resulting from the bankruptcy of Toys"R"Us in the US and elsewhere in the world and that the risk factors noted below, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking information in this press release. Such risks and uncertainties include, without limitation, the factors discussed under "Risk Factors" in the Company's continuous disclosure documents filed under the Company's profile on SEDAR (www.sedar.com) including the Company's Management Discussion and Analysis and Annual Information Form. These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to

consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

¹ The financial highlights in this release are presented in US\$ millions, whereas the financial information in the MD&A (Management's Discussion and Analysis) is presented in US\$ thousands. This may result in immaterial rounding differences and differences in the calculated percentages reflected between the two documents.

² Non-IFRS financial measure. See "Non-IFRS Financial Measures" below.

SOURCE Spin Master Corp.

For further information: Mark Segal, Executive Vice President and Chief Financial Officer, marks@spinmaster.com; Karoline Hunter, Senior Director, Investor Relations & Associate General Counsel, karolineh@spinmaster.com

<https://spinmaster.mediaroom.com/2018-08-01-Spin-Master-Reports-Solid-Q2-2018-Financial-Results>