

Spin Master Reports Preliminary 2018 and Q4 2018 Gross Product Sales(1)

Full Year 2018 Gross Product Sales¹ Increase 3.1%

TORONTO, Feb. 13, 2019 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX: TOY, www.spinmaster.com), a leading global children's entertainment company, today announced preliminary Gross Product Sales (a non-IFRS financial measure) for the fourth quarter and full year 2018.

These preliminary Gross Product Sales¹ results for the fourth quarter and full year 2018 are intended to provide context for Spin Master's performance in advance of the 2019 New York Toy Fair. This is consistent with broader industry practice regarding the release of financial information ahead of this significant industry event. Spin Master will host 2019 product previews for investors and analysts on February 19th at the New York Toy Fair and is scheduled to report its full financial results for the fourth quarter and full year 2018 after the close of business on March 6th, 2019.

"We are incredibly proud of our sales performance in 2018, despite the effect that the liquidation of Toys R' Us had on the toy industry," said Ronnen Harary, Chairman and Co-Chief Executive Officer of Spin Master. "This past year was uniquely challenging for both the U.S. and global toy industry, with sales declining two percent for the full year in the U.S." continued Mr. Harary. "Despite these challenges, our 2018 full year Gross Product Sales¹ grew over three percent to record levels for Spin Master. We are particularly pleased with the strength of our overall product portfolio as Gross Product Sales¹ in four of our five business segments increased for both the fourth quarter and full year 2018."

	<u>2018</u>	<u>2017</u>	<u>% Change²</u>
Activities, Games & Puzzles and Plush	\$455.5	\$365.4	24.7%
Remote Control and Interactive			
Characters	\$505.4	\$593.4	(14.8)%
Boys Action and High-Tech Construction	\$133.1	\$112.1	18.7%
Pre-School and Girls	\$517.5	\$493.1	5.0%
Outdoor	\$96.5	\$93.1	3.6%
Gross Product Sales¹	\$1,708.0	\$1,657.1	3.1%

2018 Full Year Business Segment Preliminary Gross Product Sales¹ as compared to 2017

Gross Product Sales¹ were \$1,708.0 million in 2018, an increase of \$50.9 million, or 3.1%, compared to 2017, primarily driven by increases in Activities, Games & Puzzles and Plush of \$90.1 million, Pre-School and Girls of \$24.4 million, Boys Action and High-Tech Construction of \$21.0 million, offset by a decrease in Remote Control and Interactive Characters of \$88.0 million.

Gross Product Sales¹ in the Activities, Games & Puzzles & Plush business segment increased by 24.7%, primarily driven by sales of *Gund* plush products, increases in *Kumi Creator*, *Kinetic Sand* and Spin Master's Games & Puzzles portfolio, which includes *Cardinal*. This increase was partially offset by declines in *Bunchems*, *Sew Cool*, *Pottery Cool* and *Marshmallow* furniture.

Gross Product Sales¹ in the Remote Control and Interactive Characters business segment decreased by 14.8%, primarily due to lower sales of *Hatchimals* large eggs offset by higher sales of *Hatchimals Colleggtibles*, *Air Hogs* and *Zoomer*, offset by an increase in *Luvabella*.

Gross Product Sales¹ in the Boys Action and High-Tech Construction business segment increased by 18.7%, primarily as a result of sales of *Boxer* and *Fugglers*, and initial shipments of DreamWorks' *Dragons*, *Bakugan* and *Monster Jam*, offset by decreases in *Meccano*, *Star Wars* and *Pirates of the Caribbean* licensed products, and *Spy Gear*.

Gross Product Sales¹ in the Pre-School and Girls business segment increased by 5.0%, primarily driven by sales of *Twisty Petz* and *Party Popteenies*, offset by lower sales of *PAW Patrol* and *ZhuZhu Pets*.

Q4 2018 Preliminary Gross Product Sales¹ by Business Segment (US\$ millions)

	<u>Q4 2018</u>	<u>Q4 2017</u>	<u>% Change²</u>
Activities, Games & Puzzles and Plush	\$145.2	\$131.4	10.5%
Remote Control and Interactive Characters	\$107.9	\$198.7	(45.7)%

Boys Action and High-Tech Construction	\$57.9	\$36.7	57.8%
Pre-School and Girls	\$139.1	\$102.4	35.8%
Outdoor	\$15.3	\$14.6	5.3%
Gross Product Sales¹	\$465.4	\$483.8	(3.8)%

Q4 2018 Business Segment Preliminary Gross Product Sales¹ as compared to the same period in 2017

Gross Product Sales¹ were \$465.4 million in the fourth quarter of 2018, a decrease of \$18.4 million, or 3.8%, compared to the fourth quarter of 2017. This decrease was primarily driven by a decline in Remote Control and Interactive Characters business segment of \$90.8 million, offset by increases in the Pre-School and Girls business segment of \$36.7 million, Boys Action and High-Tech Construction of \$21.2 million and Activities, Games & Puzzles of \$13.8 million.

Gross Product Sales¹ in the Activities, Games & Puzzles and Plush business segment increased by 10.5%, primarily driven by sales of Gund plush products and increases in both Kumi Creator and Kinetic Sand, partially offset by decreases in Bunchems, Spin Master's Games & Puzzles portfolio, Marshmallow furniture, Sew Cool and Doctor Dreadful.

Gross Product Sales¹ in the Activities, Games & Puzzles and Plush business segment increased by 10.5%, primarily driven by sales of Gund plush products and increases in both Kumi Creator and Kinetic Sand, partially offset by decreases in Bunchems, Spin Master's Games & Puzzles portfolio, Marshmallow furniture, Sew Cool and Doctor Dreadful.

Gross Product Sales¹ in the Remote Control and Interactive Characters business segment decreased by 45.7%, primarily due to lower sales of all *Hatchimals* products, *Zoomer* and *Air Hogs*.

Gross Product Sales¹ in the Boys Action and High-Tech Construction business segment increased by 57.8%, primarily due to sales of *Boxer* and initial shipments of DreamWorks' *Dragons*, *Monster Jam* and *Bakugan* products, offset by lower sales of Star Wars licensed products.

Gross Product Sales¹ in the Pre-School and Girls business segment increased by 35.8%, driven by higher sales of *PAW Patrol*, *Twisty Petz* and *Rusty Rivets*.

Ben Gadbois, Spin Master's Global President and COO added, "The absorption of toy sales that were lost from the liquidation of Toys R' Us, amongst our remaining customers, was not as much as we expected, creating an unprecedented and difficult holiday season. Against these headwinds, our 2018 Gross Product Sales growth solidly outperformed the industry. Activities, Games & Puzzles and Plush grew strongly in 2018 led by *Gund*, *Cardinal* and *Kinetic Sand* and we saw growth in our Pre-school and Girls business segment in the fourth quarter, driven by an increase in *Paw Patrol* shipments, which rebounded strongly in Q4 2018 led by fresh content and a deep and diverse product line. *Hatchimals* in its third holiday season declined, as planned, resulting in a decrease in the Remote Control and Interactive Characters business segment. We remain very focused on our rolling forward-looking brand innovation pipeline and to showing our 2019 product line to investors and analysts during our New York Toy Fair presentation."

Spin Master is scheduled to report its financial results for the fourth quarter and full year 2018 after the close of business on March 6th, 2019. Ronnen Harary, Co-CEO, Ben Gadbois, Global President & COO, and Mark Segal, CFO, will host a conference call on Thursday, March 7th, 2019 at 9:30 a.m. (ET). 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.

1. Unaudited Non-IFRS financial measure. See "Non-IFRS Financial Measures" below.
2. The percentage change is calculated based on Gross Product Sales in US\$ thousands (as will be reported in the Company's 2018 Management's Discussion and Analysis).

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 103 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. To date, Spin Master has

produced eight television series, including the recently re-launched Bakugan Battle Brawlers and current hit PAW Patrol, which is broadcast in over 160 countries and territories globally. Spin Master has 28 offices and employs over 1,700 people globally in Canada, United States, Mexico, France, Italy, United Kingdom, Russia, Slovakia, Poland, Germany, Sweden, the Netherlands, China, Hong Kong, Japan, Vietnam, and Australia.

Non-IFRS Financial Measures

This press release references "Gross Product Sales" and "Sales Allowances" 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.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of marketing, incentive and Sales Allowance adjustments. Changes in Gross Product Sales are discussed because, while Spin Master records the details of such Sales Allowances (in its financial accounting systems 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 business segment results to highlight trends in Spin Master's business.

Sales Allowances represent marketing and sales credits requested by customers relating to factors such as cooperative advertising, contractual discounts, negotiated discounts, customer audits, volume rebates, defective products and costs incurred by customers to sell the Company's products and 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.

Management believes that Gross Product Sales is an important supplemental measure of operating performance and highlights trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that Gross Product 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 this non-IFRS financial measures in the evaluation of issuers.

This press release contains certain pre-released fourth quarter and full year 2018 financial metrics.

The fourth quarter and full year 2018 financial metrics contained in this press release are preliminary and represent the most current information available to the Company's management, as financial closing procedures for the three months ended December 31, 2018 and the year ended December 31, 2018 are not yet complete. The Company's actual consolidated financial statements for such periods may result in material changes to the financial metrics summarized in this press release (including by any one financial metric, or all of the financial metrics, being below or above the figures indicated) as a result of the completion of normal quarter and year end accounting procedures and adjustments, and also what one might expect to be in the final consolidated financial statements based on the financial metrics summarized in this press release. Although the Company believes the expectations reflected in this press release are based upon reasonable assumptions, the Company can give no assurance that actual results will not differ materially from these expectations.

SOURCE Spin Master Corp.

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