

Spin Master Reports Solid Q2 2019 Financial Results

Growth in Revenue, Net Income and Adjusted EBITDA

TORONTO, July 31, 2019 /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, 2019. The Company's full Management's Discussion and Analysis ("MD&A") for the three and six month ended June 30, 2019 is available on SEDAR (www.sedar.com) and posted on the Company's web site at www.spinmaster.com/financial-info.php.

"Our second quarter results demonstrated the strength, diversity and depth of our innovative product portfolio with positive momentum for many of our key brands, including Bakugan, PAW Patrol, DreamWorks Dragons and Monster Jam," said Ronnen Harary, Spin Master's Chairman and Co-Chief Executive Officer. "Looking forward, we remain confident in our proven track record of innovation and in our global platform. We continue to demonstrate our ability to produce compelling entertainment content, magical toy experiences and to be a great partner for licensors."

Q2 2019 Financial Highlights as compared to the same period in 2018^{1, 3}

- Revenue of US\$321.0 million increased 3.0% from US\$311.5 million. In Constant Currency² terms, revenue increased by 4.2%.
- Gross Product Sales² increased 6.9% to US\$316.8 million from US\$296.2 million, with an unfavourable foreign exchange impact of US\$3.1 million or 1.1%. Contributing to the increase was the shift in the Easter holiday, which occurred in the second quarter of 2019 compared to the first quarter in 2018.
- Gross Product Sales² increased 42.8% and 1.2% in Europe and North America, respectively and declined 1.7% in Rest of World. International Gross Product Sales² on a combined basis were 35.6% of total Gross Product Sales², increasing from 32.0%.
- Other Revenue decreased by 8.2% to US\$30.4 million, driven by lower royalty income from products marketed by third parties using Spin Master's owned intellectual property, partially offset by increased television distribution revenue and app revenue from Toca Boca and Sago Mini.
- Sales Allowances² increased by US\$8.4 million to US\$26.2 million. As a percentage of Gross Product Sales², Sales Allowances² were 8.3% compared to 6.0%.
- Gross profit increased 7.2% to US\$164.3 million, representing 51.2% of revenue, compared to US\$153.2 million or 49.2% of revenue. The increase in gross margin was primarily due to product mix and sales of certain discontinued products in 2018, partially offset by higher Sales Allowances, increased freight-related expenses and a decrease in Other Revenue.
- Selling, general and administrative expenses ("SG&A") increased by US\$14.8 million or 11.3%. The increase in SG&A reflects US\$6.6 million of higher restructuring costs and US\$1.8 million of higher costs related to share-based compensation. Excluding these items, SG&A increased US\$6.4 million, driven by investments in distribution centres to support global growth and selling expenses attributed to higher sales of licensed products, partially offset by lower marketing and administrative expenses.
- Net Income was US\$10.2 million or US\$0.10 per share, compared to US\$26.9 million or US\$0.26 per share.
- Adjusted Net Income² was US\$19.8 million or US\$0.19 per share, compared to US\$17.7 million or US\$0.17 per share.
- Adjusted EBITDA² was US\$55.1 million compared to US\$45.4 million. Adjusted EBITDA Margin² increased to 17.2% compared to 14.6%.
- Free Cash Flow² was US\$18.5 million compared to US\$19.5 million.

Q2 2019 Gross Product Sales ² by Business Segment (US\$ millions) ¹				
	Q2 2019	Q2 2018	\$ Change	% Change
Activities, Games & Puzzles and Plush	\$80.2	\$86.2	(6.0)	(7.1) %
Remote Control and Interactive				
Characters	\$44.5	\$68.3	(23.8)	(34.9) %
Boys Action and High-Tech Construction	\$64.0	\$21.2	42.8	202.3 %
Pre-School and Girls	\$96.4	\$87.4	9.0	10.3 %
Outdoor	\$31.7	\$33.1	(1.4)	(4.2) %
Gross Product Sales²	\$316.8	\$296.2	20.6	6.9 %
Sales Allowances ²	\$26.2	\$17.8	8.4	47.3 %
Total Net Sales²	\$290.6	\$278.4	12.2	4.4 %
Other Revenue	\$30.4	\$33.1	(2.7)	(8.2) %
Revenue	\$321.0	\$311.5	9.5	3.0 %

Q2 2019 Business Segment Gross Product Sales² as compared to the same period in 2018^{1,3}

Gross Product Sales² increased by US\$20.6 million or 6.9%, to US\$316.8 million with an unfavourable foreign exchange impact of US\$3.1 million or 1.1%. Contributing to the increase was the shift in the Easter holiday, which occurred in the second quarter of 2019 compared to the first quarter in 2018.

Gross Product Sales² in Activities, Games & Puzzles and Plush decreased by US\$6.0 million or 7.1% to US\$80.2 million. The decrease was driven primarily by lower sales in the Games & Puzzles portfolio which includes *Cardinal* and lower sales of *Bunchems*, partially offset by increases in *Cool Maker*, *Gund* and *Kinetic Sand*.

Gross Product Sales² in Remote Control and Interactive Characters decreased by US\$23.8 million or 34.9% to US\$44.5 million, due to lower sales of *Hatchimals* and *Zoomer*, partially offset by sales of *Monster Jam RC* and *Juno My Baby Elephant*.

Gross Product Sales² in Boys Action and High-Tech Construction increased by US\$42.8 million or 202.3% to US\$64.0 million. The increase was primarily driven by sales of *DreamWorks Dragons*, *Bakugan* and *Monster Jam* products, partially offset by decreases in *Star Wars* licensed merchandise, *Flush Force* and *Boxer*.

Gross Product Sales² in Pre-School and Girls increased by US\$9.0 million or 10.3% to US\$96.4 million. The increase was driven primarily by higher sales of *PAW Patrol* and *Twisty Petz* and sales of *Candylocks*, partially offset by decreases in *Party Popteenies*.

Gross Product Sales² in Outdoor comprised of sales of products under the *SwimWays*, *Kelsys*, *Coop* and *Aerobie* brands, decreased by US\$1.4 million or 4.2% to US\$31.7 million.

Six Months Ended June 30, 2019 Financial Highlights as compared to the same period in 2018

- Revenue of US\$560.0 million decreased 6.2% from US\$597.2 million. In Constant Currency² terms, revenue decreased by 4.6%.
- Gross Product Sales² decreased 4.6% to US\$557.2 million, compared to US\$584.2 million with an unfavourable foreign exchange impact of US\$8.8 million or 1.5%. Contributing to the decrease was the absence of Toys "R" Us in Q1 2019 compared to Q1 2018.
- Gross Product Sales² increased 15.2% in Europe and decreased 3.6% in Rest of World and 10.5% in North America. International Gross Product Sales² on a combined basis represented 38.0% of total Gross Product Sales², increasing from 34.0%.
- Other Revenue decreased by US\$3.6 million or 5.8% to US\$59.3 million, driven by lower royalty income from products marketed by third parties using Spin Master's owned intellectual property, partially offset by increased television distribution revenue and app revenue from *Toca Boca* and *Sago Mini*.
- Sales Allowances² increased by US\$6.6 million to US\$56.6 million, driven primarily by the timing of promotional spending. As a percentage of Gross Product Sales², Sales Allowances² increased to 10.1% compared to 8.6%.
- Gross profit decreased by 10.0% to US\$272.0 million, representing 48.6% of revenue compared to US\$302.0 million or 50.6% of revenue. The decrease was primarily due to increased freight-related expenses, higher Sales Allowances² and a decrease in Other Revenue, partially offset by product mix and sales of certain discontinued products in 2018.
- Selling, general and administrative expenses ("SG&A") increased US\$6.6 million or 2.5%. The increase in SG&A was driven by higher distribution costs due to investments in global distribution centres and restructuring costs, both of which position Spin Master for future growth, as well as selling expenses attributed to higher sales of licensed products and higher administrative expenses. This increase was offset by lower marketing and share based compensation expenses and the Toys R Us bad debt expense incurred in Q1 2018.
- Net Loss was US\$10.7 million, or loss per share US\$0.10, compared to Net Income of US\$35.6 million, or US\$0.35 per share.
- Adjusted Net Income² was US\$7.4 million, or US\$0.07 per diluted share, compared to US\$39.7 million, or US\$0.39 per share.
- Adjusted EBITDA² was US\$62.1 million, compared to US\$88.6 million. Adjusted EBITDA Margin² was 11.1% compared to 14.8%.
- Free Cash Flow² decreased to negative US\$21.3 million compared to negative US\$8.8 million.

Six months ended June 30, 2019 Gross Product Sales² by Business Segment (US\$ millions)¹

	2019	2018	\$ Change	% Change	
Activities, Games & Puzzles and Plush	\$143.1	\$143.8	-\$0.7	(0.5)	%
Remote Control and Interactive Characters	\$75.6	\$159.5	-\$83.9	(52.6)	%
Boys Action and High-Tech Construction	\$113.4	\$37.9	\$75.5	199.3	%
Pre-School and Girls	\$159.8	\$170.0	-\$10.2	(6.0)	%
Outdoor	\$65.3	\$73.0	-\$7.7	(10.6)	%
Gross Product Sales²	\$557.2	\$584.2	-\$27.0	(4.6)	%
Sales Allowances ²	\$56.6	\$50.0	\$6.6	13.2	%
Total Net Sales²	\$500.6	\$534.2	-\$33.6	(6.3)	%
Other Revenue	\$59.4	\$63.0	-\$3.6	(5.8)	%
Revenue	\$560.0	\$597.2	-\$37.2	(6.2)	%

June 30, 2019 Year to Date ("YTD") Business Segment Gross Product Sales² as compared to the same period in 2018¹

Gross Product Sales² decreased by US\$27.0 million or 4.6% to US\$557.2 million, with an unfavourable foreign exchange impact of US\$8.8 million or 1.5%. Contributing to the decrease was the absence of Toys R Us in the first quarter of 2019 compared to the first quarter of 2018.

Gross Product Sales² in Activities, Games & Puzzles and Plush decreased by US\$0.7 million or 0.5% to US\$143.1 million, primarily driven by lower sales in the Games & Puzzles portfolio, which includes *Cardinal* and lower sales of *Bunchems*, partially offset by increases in *Gund*, *Cool Maker* and *Kinetic Sand*.

Gross Product Sales² in Remote Control and Interactive Characters decreased by US\$83.9 million or 52.6% to US\$75.6 million, primarily due to declines in *Hatchimals*, *Zoomer* and *Luvabella*, partially offset by sales of *Monster Jam RC* and *Juno My Baby Elephant*.

Gross Product Sales² in Boys Action and High-Tech Construction increased by US\$75.5 million or 199.3% to US\$113.4 million, primarily due to sales of *DreamWorks Dragons*, *Bakugan* and *Monster Jam* products, partially offset by decreases in *Flush Force*, *Star Wars* licensed merchandise, *Boxer* and *Tech Deck*.

Gross Product Sales² in Pre-School and Girls decreased by US\$10.2 million or 6.0% to US\$159.8 million, driven by declines in *PAW Patrol* and *Party Popteenies*, partially offset by increases in *Twisty Petz* and sales of *Candylocks*.

Gross Product Sales² in Outdoor, comprised of sales of products under the *SwimWays*, *Kelsyus*, *Coop* and *Aerobie* brands, decreased by US\$7.7 million or 10.6% to US\$65.3 million.

"Despite the significant decline in Hatchimals sales on a year over year basis, we grew both our Gross Product Sales and Adjusted EBITDA in the second quarter. Our relentless focus on innovation and strong execution against our four growth strategies drove solid performance," said Ben Gadbois, Spin Master's Global President and Chief Operating Officer. "We continued to invest in building a global distribution platform that positions us for future growth and we executed our strategy to consolidate Swimways, Cardinal, Gund and our LA Games & Puzzles business in Long Island City, New York. Entering the second half of 2019, we believe we have solid global POS momentum and sustained demand for our core franchises together with a solid balance sheet that allows us to capitalize on strategic acquisition opportunities."

Outlook

Spin Master continues to focus on driving growth. Its principle strategies, which remain unchanged for 2019, include:

- Innovate using our global internal and external research and development network;
- Developing evergreen global entertainment properties;
- Increasing international sales in developed and emerging markets; and
- Leveraging the Company's global platform through strategic acquisitions.

On a full year comparative basis, our Outlook remains unchanged as the Company continues to expect:

- to grow organic Gross Product Sales² in the low single digit range relative to 2018; and
- to deliver Adjusted EBITDA Margin² for 2019 in line with 2018.

Conference call

Ronnen Harary, Chairman and Co-Chief Executive Officer, Ben Gadbois, Global President and Chief Operating Officer, and Mark Segal, Executive Vice President and Chief Financial Officer will host a conference call to discuss these results on Thursday, August 1, 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.

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 TIA Toy of the Year (TOTY) nominations with 30 wins across a variety of product categories, including 13 TOTY nominations for Innovative Toy of the Year. To date, Spin Master has produced nine television series, including the relaunched Bakugan: Battle Planet and current hit PAW Patrol, which is broadcast in over 160 countries and territories globally. Spin Master employs over 1,800 people in countries around the world including Canada, United States, Mexico, France, Italy, United Kingdom, Russia, Slovakia, Poland, Germany, Sweden, the Netherlands, China, Hong Kong, Japan, Vietnam, India and Australia.

Non-IFRS Financial Measures

In addition to using financial measures prescribed under IFRS, references are made in this Press Release to "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted Net (Loss) Income", "Free Cash Flow", "Gross Product Sales", "Constant Currency", "Sales Allowances" and "Total Net 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.

EBITDA is calculated as net (loss) earnings before finance costs, income tax expense and depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA excluding normalization adjustments, non-recurring items that do not necessarily reflect the Company's underlying financial performance. Normalization adjustments include restructuring costs, foreign exchange gains or losses, equity-settled share based compensation expenses and bad debt expense. Adjusted EBITDA is used 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 (loss) excluding normalization adjustments, as defined above, and the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income to measure the underlying financial performance of the business on a consistent basis over time.

Constant Currency represents Revenue and Gross Product Sales results that are presented excluding the impact from changes in foreign currency exchange rates. The current period and prior period results for entities reporting in currencies other than the US dollar 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 currency exchange rates.

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 Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses changes in Gross Product Sales to provide meaningful comparisons across product category and geographical segment results to highlight trends in Spin Master's business. For a reconciliation of Gross Product Sales to Revenue, please see the table "Q2 2019 Gross Product Sales by Business Segment" in this Press Release.

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.

Total Net Sales represents Gross Product Sales less Sales Allowances. Management uses Total Net Sales to evaluate the Company's total net revenue generating capacity compared to internal targets and as a measure of Company performance.

Management believes the non-IFRS measures defined above 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 these measures 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.

Three Months Ended June 30					
(All amounts in USD 000's, except percentages)	2019	2018⁸	\$ Change	% Change	
Reconciliation of Non-IFRS Financial Measures					
Net income	10,247	26,911	(16,664)	(61.9)	%
Income tax expense	2,780	9,475	(6,695)	(70.7)	%
Finance costs	2,613	2,214	399	18.0	%
Depreciation and amortization	24,769	19,645	5,124	26.1	%
EBITDA (1)	40,409	58,245	(17,836)	(30.6)	%
Normalization adjustments:					
Restructuring expense (2)	7,196	615	6,581	1,070.1	%
Foreign exchange loss (gain) (3)	3,560	(1,331)	4,891	(367.5)	%
Share based compensation (4)	3,937	2,108	1,829	86.8	%
Legal settlement (5)	—	(15,500)	15,500	n.m	
Acquisition related incentive compensation (6)	—	1,241	(1,241)	n.m	
Adjusted EBITDA (1) (8)	55,102	45,378	9,724	21.4	%
Income tax expense	2,780	9,475	(6,695)	(70.7)	%
Finance costs	2,613	2,214	399	18.0	%
Depreciation and amortization	24,769	19,645	5,124	26.1	%
Tax effect of normalization adjustments (7)	5,121	(3,632)	8,753	(241.0)	%
Adjusted Net Income (1)	19,819	17,676	2,143	12.1	%
Cash (used in) provided by operations	(12,604)	3,622	(16,226)	(448.0)	%
Plus:					
Changes in net working capital	53,261	43,117	10,144	23.5	%
Cash provided by operations before net working capital changes	40,657	46,739	(6,082)	(13.0)	%
Less:					
Cash used in investing activities	(22,167)	(103,257)	81,090	(78.5)	%
Plus:					
Cash used for license, brand and business acquisitions	—	76,029	(76,029)	(100.0)	%
Free Cash Flow (1)	18,490	19,511	(1,021)	(5.2)	%

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

2) Restructuring expense primarily relates to personnel related expenses and costs associated with facility closures

3) Includes foreign exchange losses (gains) generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) 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. As of August 1, 2018, share based compensation includes non-cash expenses related to the Company's LTIP

5) Non-recurring legal settlement in the Company's favour in the second quarter of 2018

6) Remuneration expense associated with contingent consideration for the SwimWays acquisition

7) Tax effect of normalization adjustments (Footnotes 2-6). Normalization adjustments are tax effected at the effective tax rate of the given period

8) The comparative information presented for 2018 has not been restated for the adoption of IFRS 16. The impact of IFRS 16 on Adjusted EBITDA would be an increase of \$2,243 for 2018

Six Months Ended June 30				
(All amounts in USD 000's, except percentages)	2019	2018⁹	\$ Change	% Change

Reconciliation of Non-IFRS Financial Measures					
Net (loss) income	(10,655)	35,610	(46,265)	(129.9)	%
Income tax (recovery) expense	(4,786)	12,603	(17,389)	(138.0)	%
Finance costs	5,280	3,814	1,466	38.4	%
Depreciation and amortization	46,191	31,083	15,108	48.6	%
EBITDA (1)	36,030	83,110	(47,080)	(56.6)	%
Normalization adjustments:					
Restructuring expense (2)	7,869	1,830	6,039	330.0	%
Foreign exchange loss (gain) (3)	9,939	(1,328)	11,267	(848.4)	%
Share based compensation (4)	8,294	4,135	4,159	100.6	%
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	(1,241)	n.m	
Adjusted EBITDA (1) (9)	62,132	88,640	(26,508)	(29.9)	%
Income tax (recovery) expense	(4,786)	12,603	(17,389)	(138.0)	%
Finance costs	5,280	3,814	1,466	38.4	%
Depreciation and amortization	46,191	31,083	15,108	48.6	%
Tax effect of normalization adjustments (8)	8,090	1,445	6,645	459.9	%
Adjusted Net Income (1)	7,357	39,695	(32,338)	(81.5)	%
Cash (used in) provided by operations					
Cash provided by operations	(18,780)	14,721	(33,501)	(227.6)	%
Changes in net working capital	41,183	29,781	11,402	38.3	%
Cash provided by operations before net working capital changes	22,403	44,502	(22,099)	(49.7)	%
Cash used in investing activities	(43,737)	(130,354)	86,617	(66.4)	%
Cash used for license, brand and business acquisitions	—	77,029	(77,029)	n.m	
Free Cash Flow (1)	(21,334)	(8,823)	(12,511)	141.8	%

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

2) Restructuring expense primarily relates to personnel related expenses and costs associated with facility closures.

3) Includes foreign exchange losses (gains) generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) 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. As of August 1, 2018, share based compensation includes non-cash expenses related to the Company's LTIP

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) Tax effect of normalization adjustments (Footnotes 2-7). Normalization adjustments are tax effected at the effective tax rate of the given period

9) The comparative information presented for 2018 has not been restated for the adoption of IFRS 16. The impact of IFRS 16 on Adjusted EBITDA would be an increase of \$4,606 for 2018

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 2019; future growth expectations; financial position, cash flows and financial performance; drivers for such growth; impact of acquisitions on future financial performance; the successful execution of its strategies for growth; the intention to launch an NCIB, and if accepted, the number of subordinate voting shares the Company may be permitted to purchase thereunder, and the timing and manner of such purchases; and the seasonality of financial results and performance.

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 sales from acquired brands; 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 availability of cash resources for repurchases of outstanding subordinate voting shares under an NCIB; the existence of alternative uses for the Company's cash resources which may be superior to effecting repurchases under an NCIB; compliance by third parties with their contractual obligations; and compliance with applicable laws and regulations pertaining to NCIBs; 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's key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled and that the risk factors noted in this Press Release, 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 in the Company's disclosure materials, including the Annual MD&A and the Company's most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR (www.sedar.com). 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 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

³ Spin Master adopted International Financial Reporting Standard 16 Leases ("IFRS 16"), effective January 1, 2019. The Company implemented the standard using the modified retrospective approach. As a result, the Company's second quarter of 2019 results reflect lease accounting under IFRS 16. Prior year results have not been restated. See section "Changes in Accounting Policies" of the Company's MD&A for the three and six months ended June 30, 2019 for more information on the implementation of IFRS 16

SOURCE Spin Master Corp.

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