

Spin Master Updates 2019 Full Year Outlook

Spin Master Corp. to Report Fourth Quarter and Full Year 2019 Financial Results on March 4, 2020

TORONTO, Jan. 21, 2020 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX:TOY; www.spinmaster.com) a leading global children's entertainment company, today updated its outlook for both Gross Product Sales¹ and Adjusted EBITDA Margin¹ for the full year ended December 31, 2019. The Company will host a conference call at 8:30 a.m. EST today to discuss this update. The Company will report its fourth quarter and full year 2019 financial results after markets close on Wednesday, March 4, 2020.

The Company expects to report a decrease of approximately 1% in Gross Product Sales¹ for 2019 compared to 2018 and compared to a US toy industry decline of between -2% and -4%, according to various industry reports. Excluding the impact of foreign exchange, the Company expects Gross Product Sales¹ for 2019 to be approximately flat relative to 2018. Previous guidance on November 3, 2019 was for the Company to grow organic Gross Product Sales¹ in the low single digit range relative to 2018. The decrease, relative to expectations from previous guidance, was primarily driven by a decline in Gross Product Sales¹ in the US caused by industry-wide softness of toy sales during the shortened 2019 US holiday shopping season and operational performance challenges related to the consolidation of our new East Coast DC. Excluding sales of Hatchimals products, which declined over US\$230 million year over year, Gross Product Sales¹ for 2019 rose approximately 16% over 2018.

"Our overall performance in the fourth quarter and for 2019 as a whole, was disappointing relative to our outlook in early November. Despite the solid performance of several of our brands and franchises, we were unable to fully offset the year over year decline in Hatchimals sales. Furthermore, we did not execute as we have in previous years, at the level we needed to in order to meet our profitability targets," said Ronnen Harary, Spin Master's Co-Chief Executive Officer. "We continue to remain focused on the execution of our long-term strategy. As we look forward to 2020 and beyond, the strength, diversity and depth of our innovative brands, entertainment franchises and mobile digital portfolio, along with our track record of successful innovation, gives us confidence in delivering our long-term organic Gross Product Sales growth target of mid to high single-digits."

Consequently, the Company now expects Adjusted EBITDA Margin¹ for 2019 to be approximately 14%. Previous guidance provided on November 3, 2019 was for Adjusted EBITDA Margin¹ to be slightly below Adjusted EBITDA Margin¹ achieved in 2018. Factors that reduced Adjusted EBITDA Margin¹ include lower annual Gross Product Sales¹, higher annual warehousing and distribution costs, higher promotional spending in the fourth quarter and deleveraging of fixed operating costs.

"We continue to make progress against our long-term strategic priorities, despite our disappointing 2019 results," said Ben Gadbois, Spin Master's Global President & COO. "As we described previously, both Spin Master and the industry faced a number of challenges throughout 2019. Although we started the fourth quarter with positive momentum based on the progress we had made in October with both orders and shipments off to a strong start, order levels, shipments and our operational performance for the remainder of the year were considerably below our expectations. We took the necessary steps to address these challenges, which required both elevated levels of promotional spending and significantly higher than normal freight, warehousing and distribution costs particularly in the US. Through 2020 we will be focused on improving operational efficiency, adjusting our operational model to improve execution going forward and rectify the challenges we faced in 2019. We believe we are well positioned for 2020 and we look forward to discussing our 2020 outlook when we release our fourth quarter and 2019 results."

Conference call

Ronnen Harary, Co-Chief Executive Officer and Mark Segal, Executive Vice President and Chief Financial Officer will host a conference call to discuss its updated 2019 Full Year Outlook on Tuesday, January 21, 2020 at 8:30 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.

Fourth Quarter and Full Year 2019 Financial Results

Spin Master will report its fourth quarter and full year 2019 financial results after markets close on Wednesday, March 4, 2020. Ronnen Harary, Co-Chief Executive Officer, Ben Gadbois, Global President & Chief Operating Officer and Mark Segal, chief Financial Officer, will host a conference call for the investment community on Thursday, March 5, 2020 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 Corp.

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, Netherlands, China, HongKong, Japan, Vietnam and Australia.

1. Non-IFRS Financial Measure. See "Non-IFRS Financial Measures" below.

Non-IFRS Financial Measures

References are made in this Press Release to "Adjusted EBITDA Margin" and "Gross Product 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 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.

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 the methodology of reconciliation of Gross Product Sales to Revenue, please see the table "Q3 2019 Gross Product Sales by Business Segment" in the Q3 2019 Management Discussion and Analysis

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.

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: expectations for Gross Product Sales for 2019 compared to 2018; anticipated Adjusted EBITDA Margin for 2019; future financial result and performance and growth expectations; and the Company's long-term organic gross product sales growth target.

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 that 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 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 Canadian law.

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<https://spinmaster.mediaroom.com/2020-01-21-Spin-Master-Updates-2019-Full-Year-Outlook>