

## Spin Master Reports Q3 2020 Financial Results

### Delivers Solid Financial Performance Operational Improvement Milestones Achieved Ahead of Schedule

TORONTO, Nov. 11, 2020 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX: TOY) ([www.spinmaster.com](http://www.spinmaster.com)), a leading global children's entertainment company, today announced its financial results for the third quarter ended September 30, 2020. The Company's full Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2020 is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and posted on the Company's web site at [www.spinmaster.com/financial-info.php](http://www.spinmaster.com/financial-info.php).

"This quarter we showed continued progress on many fronts," said Ronnen Harary, Spin Master's Co-CEO. "We launched one of our strongest Fall lines ever, with many of our toys making retailers' top toy lists and in the quarter we grew both Gross Product Sales and Revenue while managing through the uncertain conditions arising from COVID-19. In September, we premiered our first-ever straight-to-streaming entertainment franchise Mighty Express and also saw significant growth in our Toca Boca digital games business driven by increased engagement and new content. Thanks to the dedication and tenacity of our team members globally, we are very well positioned for the holiday season with strong POS momentum globally for our products, lean retail inventories and continued consumer demand within the toy category."

"Our efforts to manage costs and improve our profitability continue to show progress," added Mark Segal, Spin Master's Chief Financial Officer. "Our team achieved key milestones on our operational improvement goals well ahead of schedule and we are well positioned to execute our plan. During the quarter, we have reduced our inventory levels and improved our net working capital and liquidity position. With a diversified portfolio of brands, entertainment franchises and digital games across our global platform and a very solid financial base, we remain focused on investing to create long term value."

#### **Q3 2020 Financial Highlights as compared to the same period in 2019**

- Revenue of US\$571.6 million increased by 4.3% from US\$548.1 million. In Constant Currency<sup>1</sup> terms, revenue increased by 3.5%.
- Gross Product Sales<sup>1</sup> increased by 0.7% to US\$587.4 million from US\$583.3 million. Increases in Boys Action & Construction, Activities, Games & Puzzles and Plush, as well as Outdoor were offset by declines in Remote Control & Interactive Characters and Pre-School & Girls. In Constant Currency<sup>1</sup> terms, Gross Product Sales<sup>1</sup> increased by 0.2%.
- Gross Product Sales<sup>1</sup> increased by 15.6% in Europe and declined 2.6% North America and 10.8% in Rest of World. International Gross Product Sales<sup>1</sup> were 38.3% of total Gross Product Sales<sup>1</sup>, compared to 36.2%.
- Other revenue increased by 80.9% to US\$48.3 million. Growth was driven by strong digital games revenue, primarily from the *Toca Life World* platform, as well as higher television distribution revenue, partially offset by lower royalty income from products marketed by third parties using Spin Master's owned intellectual property.
- Sales Allowances<sup>1</sup> increased by US\$2.2 million to US\$64.1 million. As a percentage of Gross Product Sales<sup>1</sup>, Sales Allowances<sup>1</sup> increased 0.3% to 10.9% from 10.6%, primarily driven by a change in geographic mix due to higher sales in Europe relative to North America.
- Gross profit was US\$277.9 million, representing 48.6% of revenue, compared to US\$286.9 million or 52.3% of revenue. The decrease in gross margin was primarily due to product mix, the sale of inventory arising from the operational challenges experienced in Q4 2019 as well as an increase in freight-related expenses. The decrease was partially offset by higher other revenue.
- Selling, general and administrative expenses ("SG&A")<sup>2</sup> increased 3.4%. The increase was a result of higher administrative, selling and distribution expenses, partially offset by lower marketing costs. As a percentage of revenue, SG&A<sup>2</sup> was 27.9% compared to 28.1%.
- Net income was US\$86.8 million or earnings per share of US\$0.83 (diluted), compared to US\$92.2 million or US\$0.89 (diluted).
- Adjusted Net Income<sup>1</sup> was US\$95.1 million or adjusted earnings per share of US\$0.91 (diluted), compared to US\$93.3 million or US\$0.91 (diluted).
- Adjusted EBITDA<sup>1</sup> was US\$139.9 million compared to US\$150.2 million. Adjusted EBITDA Margin<sup>1</sup> was 24.5% compared to 27.4%.
- Free Cash Flow<sup>1</sup> was US\$108.3 million compared to US\$128.6 million. Including changes in working capital, Free Cash Flow<sup>1</sup> was US\$96.0 million compared to US\$86.5 million.
- As at September 30th, 2020, the Company had cash on hand of US\$207.3 million. During the quarter, the Company repaid in full the balance of US\$300.0 million previously outstanding on its Credit Facility.
- On October 27, 2020, the Company announced it reached an agreement to acquire London-based Rubik's Brand Ltd, which owns the rights to the Rubik's Cube, for \$50.0 million. The transaction is expected to close on January 4, 2021.

**Q3 2020 Gross Product Sales<sup>1</sup> by Business Segment (US\$ millions)**

|                                         | Q3 2020        | Q3 2019        | \$ Change   | % Change   |          |
|-----------------------------------------|----------------|----------------|-------------|------------|----------|
| Activities, Games & Puzzles and Plush   | \$172.5        | \$152.4        | 20.1        | 13.2       | %        |
| Remote Control & Interactive Characters | \$88.6         | \$117.3        | (28.7)      | (24.5)     | %        |
| Boys Action & Construction              | \$131.6        | \$103.2        | 28.4        | 27.5       | %        |
| Pre-School & Girls                      | \$182.4        | \$204.0        | (21.6)      | (10.6)     | %        |
| Outdoor                                 | \$12.3         | \$6.4          | 5.9         | 92.2       | %        |
| <b>Gross Product Sales<sup>1</sup></b>  | <b>\$587.4</b> | <b>\$583.3</b> | <b>4.1</b>  | <b>0.7</b> | <b>%</b> |
| Sales Allowances <sup>1</sup>           | \$(64.1)       | \$(61.9)       | (2.2)       | 3.6        | %        |
| <b>Net Sales<sup>1</sup></b>            | <b>\$523.3</b> | <b>\$521.4</b> | <b>1.9</b>  | <b>0.4</b> | <b>%</b> |
| Other Revenue                           | \$48.3         | \$26.7         | 21.6        | 80.9       | %        |
| <b>Revenue</b>                          | <b>\$571.6</b> | <b>\$548.1</b> | <b>23.5</b> | <b>4.3</b> | <b>%</b> |

**Q3 2020 Gross Product Sales<sup>1</sup> by Business Segment as compared to the same period in 2019**

Gross Product Sales<sup>1</sup> were US\$587.4 million, an increase of US\$4.1 million or 0.7%, with a favourable foreign exchange impact of US\$3.2 million or 0.6%. Excluding the impact of foreign exchange, Gross Product Sales<sup>1</sup> increased by US\$0.9 million or 0.2%. The increase was driven by Boys Action & Construction, Activities, Games & Puzzles and Plush and Outdoor, offset by declines in Remote Control & Interactive Characters and Pre-School & Girls.

Gross Product Sales<sup>1</sup> in Activities, Games & Puzzles and Plush increased by US\$20.1 million or 13.2% to US\$172.5 million. The increase was driven primarily by *Kinetic Sand*, the Games & Puzzles portfolio, *Cool Maker*, *Rainbow Jellies* and *Orbeez*, partially offset by declines in *GUND* and *Bunchems*.

Gross Product Sales<sup>1</sup> in Remote Control & Interactive Characters decreased by US\$28.7 million or 24.5% to US\$88.6 million, primarily due to lower sales of *Owleez* and *Hatchimals*, partially offset by increases in *Monster Jam RC* and *Ninja Bots*.

Gross Product Sales<sup>1</sup> in Boys Action & Construction increased by US\$28.4 million or 27.5% to US\$131.6 million. The increase was primarily driven by DC licensed products, *Present Pets* and *Tech Deck*, offset in part by declines in *DreamWorks Dragons*, *Boxer* and *Bakugan*.

Gross Product Sales<sup>1</sup> in Pre-School & Girls decreased by US\$21.6 million or 10.6% to US\$182.4 million. The decrease was driven primarily by declines in *PAW Patrol*, *Twisty Petz*, *Candylocks* and *Awesome Blossoms*, offset in part by higher sales of *Pre Cool*.

Gross Product Sales<sup>1</sup> in Outdoor increased by US\$5.9 million or 92.2% to US\$12.3 million.

**Financial Highlights for Nine Months Ended September 30, 2020 as compared to the same period in 2019**

- Revenue of US\$1,080.0 million decreased 2.5% from US\$1,108.1 million. In Constant Currency<sup>1</sup> terms, revenue decreased by 2.5%.
- Gross Product Sales<sup>1</sup> decreased by US\$28.6 million or 2.5% to US\$1,111.9 million. In Constant Currency<sup>1</sup> terms, Gross Product Sales<sup>1</sup> decreased by 2.4%.
- Gross Product Sales<sup>1</sup> decreased by 0.9% in North America and 24.8% in Rest of World and increased by 6.3% in Europe. International Gross Product Sales<sup>1</sup> represented 36.1% of total Gross Product Sales<sup>1</sup> compared to 37.1%.
- Other revenue increased by US\$12.7 million or 14.8% to US\$98.7 million, driven by higher digital games revenue from Toca Boca and Sago Mini offset in part by lower royalty income from products marketed by third parties using Spin Master's owned intellectual property.
- Sales Allowances<sup>1</sup> increased by US\$12.2 million to US\$130.6 million. As a percentage of Gross Product Sales<sup>1</sup>, Sales Allowances<sup>1</sup> were 11.7% compared to 10.4%, primarily driven by an increase in non-compliance charges arising from operational issues in Q4 2019 and growth in Europe, which has a higher Sales Allowance<sup>1</sup> rate structure.
- Gross profit decreased to US\$486.9 million, representing 45.1% of revenue compared to US\$558.9 million or 50.4% of revenue. The decline in gross margin was primarily due to product mix, the sale of inventory arising from the operational challenges experienced in Q4 2019, an increase in freight-related expenses, higher Sales Allowances<sup>1</sup> and supplier liabilities as a result of realigning inventory as part of the Company's ongoing operational improvement initiatives. These decreases were partially offset by an increase in other revenue.
- SG&A<sup>2</sup> increased US\$8.7 million or 2.1%. The increase in SG&A<sup>2</sup> was driven by higher distribution and administrative expenses, offset by lower marketing expenses.

- Net income was US\$45.2 million or earnings per share of US\$0.43 (diluted), compared to US\$81.5 million or US\$0.79 (diluted).
- Adjusted Net Income<sup>1</sup> was US\$38.8 million or adjusted earnings per share of US\$0.37 (diluted), compared to US\$100.6 million or US\$0.98 (diluted).
- Adjusted EBITDA<sup>1</sup> was US\$129.1 million compared to US\$212.3 million. Adjusted EBITDA Margin<sup>1</sup> was 12.0% compared to 19.2%.
- Free Cash Flow<sup>1</sup> decreased to US\$23.6 million compared to US\$107.3 million. Including changes in working capital, Free Cash Flow increased by \$84.4 million to US\$108.4 million compared to US\$24.0 million.

**September 30, 2020 Year to Date Gross Product Sales<sup>1</sup> by Business Segment (US\$ millions)**

|                                         | 2020             | 2019             | \$ Change        | % Change     |          |
|-----------------------------------------|------------------|------------------|------------------|--------------|----------|
| Activities, Games & Puzzles and Plush   | \$346.1          | \$295.6          | \$ 50.5          | 17.1         | %        |
| Remote Control & Interactive Characters | \$142.0          | \$192.8          | \$ (50.8)        | (26.3)       | %        |
| Boys Action & Construction              | \$235.2          | \$216.6          | \$ 18.6          | 8.6          | %        |
| Pre-School & Girls                      | \$313.2          | \$363.8          | \$ (50.6)        | (13.9)       | %        |
| Outdoor                                 | \$75.4           | \$71.7           | \$ 3.7           | 5.2          | %        |
| <b>Gross Product Sales<sup>1</sup></b>  | <b>\$1,111.9</b> | <b>\$1,140.5</b> | <b>\$ (28.6)</b> | <b>(2.5)</b> | <b>%</b> |
| Sales Allowances                        | \$(130.6)        | \$(118.4)        | \$ (12.2)        | 10.3         | %        |
| <b>Net Sales<sup>1</sup></b>            | <b>\$981.3</b>   | <b>\$1,022.1</b> | <b>\$ (40.8)</b> | <b>(4.0)</b> | <b>%</b> |
| Other Revenue                           | \$98.7           | \$86.0           | \$ 12.7          | 14.8         | %        |
| <b>Revenue</b>                          | <b>\$1,080.0</b> | <b>\$1,108.1</b> | <b>\$ (28.1)</b> | <b>(2.5)</b> | <b>%</b> |

**September 30, 2020 Year to Date Gross Product Sales<sup>1</sup> by Business Segment as compared to the same period in 2019**

Gross Product Sales<sup>1</sup> were US\$1,111.9 million, a decrease of US\$28.6 million or 2.5%, with an unfavourable foreign exchange impact of US\$1.3 million or 0.1%. The decrease was driven by Remote Control & Interactive Characters and Pre-School & Girls, offset by increases in Activities, Games & Puzzles and Plush, Boys Action & Construction and Outdoor.

Gross Product Sales<sup>1</sup> in Activities, Games & Puzzles and Plush increased by US\$50.5 million or 17.1% to US\$346.1 million, primarily driven by *Kinetic Sand*, the Games & Puzzles portfolio, *Rainbow Jellies* and *Orbeez*, offset in part by declines in *GUND* and *Bunchems*.

Gross Product Sales<sup>1</sup> in Remote Control & Interactive Characters decreased by US\$50.8 million or 26.3% to US\$142.0 million, due to declines in *Hatchimals*, *Owleez* and *Juno*, partially offset by higher sales of *Monster Jam RC* and *Ninja Bots*.

Gross Product Sales<sup>1</sup> in Boys Action & Construction increased by US\$18.6 million or 8.6% to US\$235.2 million, due to *DC* licensed products, *Present Pets* and *Tech Deck*, partially offset by declines in *DreamWorks Dragons*, *Boxer*, *Bakugan*, *Meccano* and *Fugglers*.

Gross Product Sales<sup>1</sup> in Pre-School & Girls decreased by US\$50.6 million or 13.9% to US\$313.2 million, driven by declines in *PAW Patrol*, *Twisty Petz*, *Candylocks*, *Awesome Blossoms* and *Off the Hook*, offset in part by higher sales of *Pre Cool*.

Gross Product Sales<sup>1</sup> in Outdoor increased by US\$3.7 million or 5.2% to US\$75.4 million.

**Outlook**

Spin Master continues to focus on driving long-term growth. Its principle strategies include:

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

On March 19, 2020 Spin Master withdrew its 2020 outlook, which was previously provided on March 4, 2020. Given the uncertain environment associated with COVID-19, the company has elected to continue to suspend providing guidance until circumstances warrant.

**Conference call**

Ronnen Harary, Chairman and Co-Chief Executive Officer and Mark Segal, Executive Vice President and Chief Financial Officer will host a conference call to discuss these results on Thursday, November 12, 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**

Spin Master Corp. (TSX:TOY) is a leading global children's entertainment company creating exceptional play experiences through a diverse portfolio of innovative toys, entertainment franchises and digital toys and games. Spin Master is best known for award-winning brands PAW Patrol®, Bakugan®, Kinetic Sand®, Air Hogs®, Hatchimals® and GUND®, and is the toy licensee for other popular properties. Spin Master Entertainment creates and produces compelling multiplatform content, stories and endearing characters through its in-house studio and partnerships with outside creators, including the preschool success *PAW Patrol* and 10 other television series, which are distributed in more than 160 countries. The Company has an established digital presence anchored by the Toca Boca® and Sago Mini® brands, which combined have more than 25 million monthly active users. With over 1,800 employees in 28 offices globally, Spin Master distributes products in more than 100 countries. For more information visit [spinmaster.com](http://spinmaster.com) or follow on *Instagram*, *Facebook* and *Twitter* @spinmaster.

### **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 Income", "Free Cash Flow", "Gross Product Sales", "Constant Currency", "Sales Allowances" and "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 earnings before finance costs, income tax expense (recovery) 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, and equity-settled share based compensation expenses. Adjusted EBITDA is used by management as a measure of the Company's profitability.

Adjusted Net Income is calculated as net income excluding adjustments, as defined above, in addition to a one-time tax recovery and the corresponding impact these items have on income tax expense (recovery). 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 "Q3 2020 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.

Net Sales represents Gross Product Sales less Sales Allowances. Management uses 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 Sep 30 |              |               |                 |
|----------------------------------------------------------------|---------------------------|--------------|---------------|-----------------|
| (in US\$ millions, except percentages)                         | 2020                      | 2019         | \$ Change     | % Change        |
| Reconciliation of Non-IFRS Financial Measures                  |                           |              |               |                 |
| <b>Net income</b>                                              | <b>86.8</b>               | <b>92.2</b>  | <b>(5.4)</b>  | <b>(5.9) %</b>  |
| Income tax expense                                             | 14.7                      | 33.0         | (18.3)        | (55.5) %        |
| Finance costs                                                  | 2.6                       | 3.2          | (0.6)         | (18.8) %        |
| Depreciation and amortization                                  | 26.4                      | 22.2         | 4.2           | 18.9 %          |
| <b>EBITDA<sup>1</sup></b>                                      | <b>130.5</b>              | <b>150.6</b> | <b>(20.1)</b> | <b>(13.3) %</b> |
| Normalization adjustments:                                     |                           |              |               |                 |
| Restructuring expense <sup>2</sup>                             | 1.4                       | 0.3          | 1.1           | 366.7 %         |
| Foreign exchange loss (gain) <sup>3</sup>                      | 5.1                       | (4.1)        | 9.2           | (224.4) %       |
| Share based compensation <sup>4</sup>                          | 2.9                       | 3.4          | (0.5)         | (14.7) %        |
| <b>Adjusted EBITDA<sup>1</sup></b>                             | <b>139.9</b>              | <b>150.2</b> | <b>(10.3)</b> | <b>(6.9) %</b>  |
| Income tax expense                                             | 14.7                      | 33.0         | (18.3)        | (55.5) %        |
| Finance costs                                                  | 2.6                       | 3.2          | (0.6)         | (18.8) %        |
| Depreciation and amortization                                  | 26.4                      | 22.2         | 4.2           | 18.9 %          |
| Tax effect of adjustments <sup>5</sup>                         | 1.1                       | (1.5)        | 2.6           | (173.3) %       |
| <b>Adjusted Net Income<sup>1</sup></b>                         | <b>95.1</b>               | <b>93.3</b>  | <b>1.8</b>    | <b>1.9 %</b>    |
| <b>Cash provided by operations</b>                             | <b>117.2</b>              | <b>106.4</b> | <b>10.8</b>   | <b>10.2 %</b>   |
| Changes in net working capital                                 | 12.3                      | 42.1         | (29.8)        | (70.8) %        |
| Cash provided by operations before net working capital changes | <b>129.5</b>              | <b>148.5</b> | <b>(19.0)</b> | <b>(12.8) %</b> |
| Cash used in investing activities                              | (20.2)                    | (29.3)       | 9.1           | (31.1) %        |
| <b>Plus:</b>                                                   |                           |              |               |                 |
| Cash used for license, brand and business acquisitions         | (1.0)                     | 9.4          | (10.4)        | n.m.            |
| <b>Free Cash Flow<sup>1</sup></b>                              | <b>108.3</b>              | <b>128.6</b> | <b>(20.3)</b> | <b>(15.8) %</b> |

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs.

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, share option expense and long-term incentive plan ("LTIP").

5) Tax effect of adjustments (Footnotes 2-4). Adjustments are tax effected at the effective tax rate of the given period.

|                                               | Nine Months Ended Sep 30 |              |               |                 |
|-----------------------------------------------|--------------------------|--------------|---------------|-----------------|
| (in US\$ millions, except percentages)        | 2020                     | 2019         | \$ Change     | % Change        |
| Reconciliation of Non-IFRS Financial Measures |                          |              |               |                 |
| <b>Net income</b>                             | <b>45.2</b>              | <b>81.5</b>  | <b>(36.3)</b> | <b>(44.5) %</b> |
| Income tax (recovery) expense                 | (31.4)                   | 28.2         | (59.6)        | (211.3) %       |
| Finance costs                                 | 8.7                      | 8.5          | 0.2           | 2.4 %           |
| Depreciation and amortization                 | 75.4                     | 68.4         | 7.0           | 10.2 %          |
| <b>EBITDA<sup>1</sup></b>                     | <b>97.9</b>              | <b>186.6</b> | <b>(88.7)</b> | <b>(47.5) %</b> |
| Adjustments:                                  |                          |              |               |                 |
| Restructuring expense <sup>2</sup>            | 4.8                      | 8.1          | (3.3)         | (40.7) %        |
| Foreign exchange loss <sup>3</sup>            | 17.1                     | 5.9          | 11.2          | 189.8 %         |
| Share based compensation <sup>4</sup>         | 9.3                      | 11.7         | (2.4)         | (20.5) %        |
| <b>Adjusted EBITDA<sup>1</sup></b>            | <b>129.1</b>             | <b>212.3</b> | <b>(83.2)</b> | <b>(39.2) %</b> |
| Income tax (recovery) expense                 | (31.4)                   | 28.2         | (59.6)        | (211.3) %       |
| Finance costs                                 | 8.7                      | 8.5          | 0.2           | 2.4 %           |
| Depreciation and amortization                 | 75.4                     | 68.4         | 7.0           | 10.2 %          |
| One-time income tax recovery <sup>5</sup>     | 33.3                     | —            | 33.3          | n.m.            |
| Tax effect of adjustments <sup>6</sup>        | 4.3                      | 6.6          | (2.3)         | (34.8) %        |

|                                                                          |              |              |               |               |          |
|--------------------------------------------------------------------------|--------------|--------------|---------------|---------------|----------|
| <b>Adjusted Net Income<sup>1</sup></b>                                   | <b>38.8</b>  | <b>100.6</b> | <b>(61.8)</b> | <b>(61.4)</b> | <b>%</b> |
| <b>Cash provided by operating activities</b>                             | <b>172.6</b> | <b>87.6</b>  | <b>85.0</b>   | <b>97.0</b>   | <b>%</b> |
| Changes in net working capital                                           | (84.8)       | 83.3         | (168.1)       | (201.8)       | %        |
| Cash provided by operating activities before net working capital changes | <b>87.8</b>  | <b>170.9</b> | <b>(83.1)</b> | <b>(48.6)</b> | <b>%</b> |
| Cash used in investing activities                                        | (65.6)       | (73.0)       | 7.4           | (10.1)        | %        |
| <b>Plus:</b>                                                             |              |              |               |               |          |
| Cash used for license, brand and business acquisitions                   | 1.4          | 9.4          | (8.0)         | (85.1)        | %        |
| <b>Free Cash Flow<sup>1</sup></b>                                        | <b>23.6</b>  | <b>107.3</b> | <b>(83.7)</b> | <b>(78.0)</b> | <b>%</b> |

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense in the current period includes costs related to changes in senior leadership.

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

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

5) One-time income tax recovery relates to internal transfer of intangible property of \$33.3 million.

6) Tax effect of adjustments (Footnotes 2-4). 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 intentions to issue guidance in the future; future growth expectations; financial position, cash flows and financial performance; drivers for such growth; the resolution of logistics problems; the program to achieve operational efficiencies; the successful execution of its strategies for growth; the creation of long term shareholder value; the impacts of the COVID-19 pandemic on the Company; the completion and timing of the proposed acquisition; and consumer demand 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: ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; that the program designed to gain operational efficiencies will achieve the desired results; that the steps taken will create long term shareholder value; 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 magnitude and length of economic disruption as a result of the COVID-19 pandemic, there can be no assurance that the proposed acquisition will occur, and the terms of the proposed acquisition could be modified, restructured or terminated; and 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](http://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.

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