

Spin Master Reports Q4 and Full Year 2020 Financial Results

Q4 Profitability Climbs Significantly Operational Initiatives Strengthen Spin Master's Platform for Long-term Growth

TORONTO, March 1, 2021 /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 fourth quarter and year ended December 31, 2020. The Company's full Management's Discussion and Analysis ("MD&A") for the three-month period and year ended December 31, 2020 is available under the Company's profile on SEDAR (www.sedar.com) and posted on the Company's web site at www.spinmaster.com/financial-info.php.

"We're proud of the significant operational improvements and cost efficiencies our team delivered in 2020, while simultaneously navigating the complexities of the global pandemic," said Ronnen Harary, Spin Master's Co-CEO. "At the outset, we were committed to resolving the operational challenges we faced in 2019. I am pleased to say that we achieved our goal through significantly improved focus and execution in every function across Spin Master globally. We are particularly excited with the strong growth we saw in our digital games business led by Toca Life World. With a clear vision for our future, a solid operating platform with three thriving creative centres encompassing toys, entertainment and digital games and an exceptional leadership team in place, fortified by the appointment of Max Rangel as Global President and with him assuming the position of CEO in April, we are now poised for our next stage of growth. We are well positioned to grow in 2021 as we continue to navigate through COVID-19, based on our diversified brand portfolio, award-winning entertainment franchises and innovative digital games, all driving towards generating strong long term growth and shareholder value."

"We are pleased to see the results of the operational improvement initiatives we put into place throughout 2020, solidify in the fourth quarter," added Mark Segal, Spin Master's Chief Financial Officer. "By Q4 2020 we completed most of the work necessary to remediate the operational issues arising in Q4 2019. We were able to streamline our distribution and warehousing structure, considerably reduce inventory levels, lower our costs and expand our gross margins. This allowed us to generate nearly US\$124 million in free cash flow for the quarter and US\$232 million for 2020, allowing us to end 2020 with the strongest net cash position in our history of just over US\$320 million. Our solid financial position together with the achievement of our targeted run-rates on key expenses related to our operational improvement initiatives, supports the growth potential of our global platform. As we look to 2021, despite some continuing lockdowns and retail disruptions, 2021 is starting with strong momentum."

Q4 2020 Financial Highlights as compared to the same period in 2019

- Total revenue of US\$490.6 million increased by 3.6% from US\$473.5 million. In Constant Currency¹ terms, total revenue increased by 2.4%.
- Gross Product Sales¹ decreased by 7.1% to US\$511.8 million from US\$550.7 million. A decline in Remote Control & Interactive Characters was offset in part by increases in Activities, Games & Puzzles and Plush, Boys Action & Construction and Pre-School & Girls. In Constant Currency¹ terms, Gross Product Sales¹ decreased by 7.9%.
- Gross Product Sales¹ increased by 2.3% in Europe and declined by 11.8% in North America and 8.1% in Rest of World, respectively. International Gross Product Sales¹ were 46.8% of total Gross Product Sales¹, compared to 43.9%.
- Other revenue grew by 76.5% to US\$56.3 million. Growth was driven by an increase in digital games and entertainment and licensing revenue.
- Digital games revenue increased by 404.8% to US\$31.8 million, driven by the *Toca Life World* platform and growth in the *Sago Mini* subscription user base.
- Entertainment and licensing revenue was lower by 4.3% at US\$24.5 million.
- Sales Allowances¹ decreased by US\$31.6 million to US\$77.5 million. As a percentage of Gross Product Sales¹, Sales Allowances¹ declined 4.7% to 15.1% from 19.8%, primarily driven by lower markdowns and non-compliance charges resulting from the remediation of operational challenges, which arose in Q4 2019.
- Gross profit was US\$241.0 million, representing 49.1% of total revenue, compared to US\$226.1 million or 47.8% of total revenue. The increase in gross margin was primarily due to lower Sales Allowances, higher digital games revenue and lower costs resulting from the Company's ongoing operational improvement initiatives, including lower freight-related expenses, scrap and obsolescence and reconfiguration costs, offset in part by product mix and lower entertainment and licensing revenue.
- Selling, general and administrative expenses ("SG&A")² decreased as a percentage of total revenue to 43.2% compared to 48.9%, due to lower distribution and selling expenses, partially offset by higher administrative expenses.
- Net income was US\$0.3 million or earnings per share of nil, compared to net loss of US\$17.2 million or loss per share of US\$0.17.
- Adjusted Net Income¹ was US\$14.6 million or Adjusted Diluted EPS¹ of US\$0.14, compared to an Adjusted Net Loss of US\$7.8 million or Adjusted Basic EPS¹ of US\$(0.08).

- Adjusted EBITDA¹ was US\$51.5 million compared to US\$6.7 million. Adjusted EBITDA Margin¹ was 10.5% compared to 1.4%.
- Cash provided by operating activities were US\$138.2 million compared to US\$10.8 million.
- Free Cash Flow¹ was US\$123.7 million compared to negative US\$19.3 million.
- On October 27, 2020, the Company announced it reached an agreement to acquire control of Rubik's Brand Limited ("Rubik's") through the acquisition of 100% of the shares of its holding company, Rubiks Malta Holding Company Limited. The transaction closed on January 4, 2021 for a preliminary estimate of purchase consideration of \$56.4 million. Gross Product Sales¹ related to Rubik's will be included in the Activities, Games & Puzzles and Plush product category.

Q4 2020 Gross Product Sales¹ by Product Category² (US\$ millions)

	Q4 2020	Q4 2019	\$ Change	% Change	
Activities, Games & Puzzles and Plush	\$165.1	\$162.1	\$3.0	1.9	%
Pre-School & Girls	\$154.0	\$152.4	\$1.6	1.0	%
Boys Action & Construction	\$116.9	\$114.8	\$2.1	1.8	%
Remote Control & Interactive Characters	\$60.1	\$106.5	\$(46.4)	(43.6)	%
Outdoor	\$15.7	\$14.9	\$0.8	5.4	%
Gross Product Sales¹	\$511.8	\$550.7	\$(38.9)	(7.1)	%
Sales Allowances ¹	\$(77.5)	\$(109.1)	\$31.6	(29.0)	%
Net Sales¹	\$434.3	\$441.6	\$(7.3)	(1.7)	%
Entertainment and Licensing revenue	\$24.5	\$25.6	\$(1.1)	(4.3)	%
Digital games revenue	\$31.8	\$6.3	\$25.5	404.8	%
Other revenue	\$56.3	\$31.9	\$24.4	76.5	%
Total revenue	\$490.6	\$473.5	\$17.1	3.6	%

2) Effective January 1, 2021, Spin Master will be simplifying its product categories to better align with the Company's product offerings going forward. Refer to the Addendum for additional information.

Q4 2020 Product Category Gross Product Sales¹ as compared to the same period in 2019

Gross Product Sales¹ were US\$511.8 million, a decrease of US\$38.9 million or 7.1%. Excluding the impact of foreign exchange, Gross Product Sales¹ decreased by US\$43.2 million or 7.9%. The decline was primarily driven by Remote Control & Interactive Characters, offset in part by increases in Activities, Games & Puzzles and Plush, Boys Action & Construction and Pre-School & Girls.

Gross Product Sales¹ in Activities, Games & Puzzles and Plush increased by US\$3.0 million or 1.9% to US\$165.1 million. The increase was driven primarily by *Kinetic Sand* and *Rainbow Jellies*, partially offset by declines in *GUND*, the Games & Puzzles portfolio and *Bunchems*.

Gross Product Sales¹ in Pre-School & Girls increased by US\$1.6 million or 1.0% to US\$154.0 million. The increase was driven primarily by higher sales of *PAW Patrol* and *Pre Cool*, offset in part by declines in *Candylocks*, *Twisty Petz*, *Awesome Blossoms*, *Off the Hook* and *Hatchimals Plush*.

Gross Product Sales¹ in Boys Action & Construction increased by US\$2.1 million or 1.8% to US\$116.9 million. The increase was primarily driven by DC licensed products, *Tech Deck* and *Present Pets*, offset in part by declines in *Bakugan*, *DreamWorks Dragons* and *Boxer*.

Gross Product Sales¹ in Remote Control & Interactive Characters decreased by US\$46.4 million or 43.6% to US\$60.1 million, primarily due to lower sales of *Hatchimals*, *Owleez*, *Juno* and *Luvabella*, partially offset by increases in *Monster Jam RC*.

Gross Product Sales¹ in Outdoor increased by US\$0.8 million or 5.4% to US\$15.7 million.

Financial Highlights for Year Ended December 31, 2020 as compared to the same period in 2019

- Total revenue of US\$1,570.6 million decreased by 0.7% from US\$1,581.6 million. In Constant Currency¹ terms, total revenue decreased by 1.0%.
- Gross Product Sales¹ decreased by US\$67.5 million or 4.0% to US\$1,623.7 million. In Constant Currency¹ terms, Gross Product Sales¹ decreased by 4.2%.
- Gross Product Sales¹ increased by 4.8% in Europe and decreased by 19.3% in Rest of World and 4.2% in North America, respectively. International Gross Product Sales¹ represented 39.4% of total Gross Product Sales¹ compared to 39.3%.

- Other revenue increased by US\$37.1 million or 31.5% to US\$155.0 million, driven by higher digital games revenue, offset in part by lower entertainment and licensing revenue.
- Digital games revenue increased by 193.1% to US\$76.8 million, primarily driven by higher in-game purchases in the *Toca Life World* platform and growth in the *Sago Mini* subscription user base.
- Entertainment and licensing revenue decreased by 14.7% to US\$78.2 million.
- Sales Allowances¹ decreased by US\$19.4 million to US\$208.1 million. As a percentage of Gross Product Sales¹, Sales Allowances were 12.8% compared to 13.5%, primarily driven by lower markdowns and non-compliance charges resulting from the remediation of operational challenges, which arose in Q4 2019.
- Gross profit decreased to US\$727.9 million, representing 46.3% of total revenue compared to US\$785.0 million or 49.6% of total revenue. The decline in gross margin was primarily due to changes in product mix, lower entertainment and licensing revenue and higher Sales Allowances¹ and freight-related expenses in the first half of 2020, offset in part by higher digital games revenue.
- SG&A² decreased US\$10.9 million or 1.7%, driven by lower marketing and distribution expenses, offset by higher administrative expenses.
- Net income was US\$45.5 million or earnings per share of US\$0.44 (diluted), compared to US\$64.3 million or US\$0.62 (diluted).
- Adjusted Net Income¹ was US\$53.4 million or Adjusted Diluted EPS¹ of US\$0.51, compared to US\$92.8 million or US\$0.90.
- Adjusted EBITDA¹ was US\$180.6 million compared to US\$219.0 million. Adjusted EBITDA Margin¹ was 11.5% compared to 13.8%.
- Cash provided by operating activities were US\$310.8 million compared to US\$98.4 million.
- Free Cash Flow¹ was US\$232.1 million compared to US\$4.7 million.

Year Ended December 31, 2020 Gross Product Sales¹ by Product Category² (US\$ millions)

	2020	2019	\$ Change	% Change	
Activities, Games & Puzzles and Plush	\$511.2	\$457.7	\$53.5	11.7	%
Pre-School & Girls	\$467.2	\$516.2	\$(49.0)	(9.5)	%
Boys Action & Construction	\$352.1	\$331.4	\$20.7	6.2	%
Remote Control & Interactive Characters	\$202.1	\$299.3	\$(97.2)	(32.5)	%
Outdoor	\$91.1	\$86.6	\$4.5	5.2	%
Gross Product Sales¹	\$1,623.7	\$1,691.2	\$(67.5)	(4.0)	%
Sales Allowances ¹	\$(208.1)	\$(227.5)	\$19.4	(8.5)	%
Net Sales¹	\$1,415.6	\$1,463.7	\$(48.1)	(3.3)	%
Entertainment and Licensing revenue	\$78.2	\$91.7	\$(13.5)	(14.7)	%
Digital games revenue	\$76.8	\$26.2	\$50.6	193.1	%
Other revenue	\$155.0	\$117.9	\$37.1	31.5	%
Total revenue	\$1,570.6	\$1,581.6	\$(11.0)	(0.7)	%

2) Effective January 1, 2021, Spin Master will be simplifying its product categories to better align with the Company's product offerings going forward. Refer to the Addendum for additional information.

Year Ended December 31, 2020 Product Category Gross Product Sales¹ as compared to the same period in 2019

Gross Product Sales¹ were US\$1,623.7 million, a decrease of US\$67.5 million or 4.0%. The decline was driven by Remote Control & Interactive Characters and Pre-School & Girls, offset by increases in Activities, Games & Puzzles and Plush and Boys Action & Construction.

Gross Product Sales¹ in Activities, Games & Puzzles and Plush increased by US\$53.5 million or 11.7% to US\$511.2 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 Sales¹ in Pre-School & Girls decreased by US\$49.0 million or 9.5% to US\$467.2 million, driven by declines in *Twisty Petz*, *Candylocks*, *PAW Patrol*, *Awesome Blossoms* and *Off the Hook*, offset in part by higher sales of *Pre Cool*.

Gross Product Sales¹ in Boys Action & Construction increased by US\$20.7 million or 6.2% to US\$352.1 million, due to DC licensed products, *Tech Deck* and *Present Pets*, partially offset by declines in *DreamWorks Dragons*, *Bakugan*, *Boxer*, *Fugglers*, and *Meccano*.

Gross Product Sales¹ in Remote Control & Interactive Characters decreased by US\$97.2 million or 32.5% to US\$202.1 million,

due to declines in *Hatchimals*, *Owleez*, *Juno* and *Luvabella*, partially offset by *Monster Jam RC*, *Ninja Bots* and remote-controlled *DC* licensed products.

Gross Product Sales¹ in Outdoor increased by US\$4.5 million or 5.2% to US\$91.1 million.

Outlook

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

- Innovate using our global internal and external research and development network;
- Increase international sales in developed and emerging markets;
- Develop evergreen global entertainment franchises;
- Establish a leading position in digital games; and
- Leverage the Company's global platform through strategic acquisitions.

The Company expects 2021 Gross Product Sales¹ to increase low to mid single digits compared to 2020. The seasonality of Gross Product Sales¹ for 2021 is expected to be approximately 32-34% in the first half of 2021 and 66-68% in the second half of 2021.

On a full year basis, the Company expects 2021 total revenue to increase mid to high single digits compared to 2020. The Company expects 2021 Adjusted EBITDA Margin¹ to be in the mid to high teens, significantly improved over 2020.

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 these results on Tuesday, March 2, 2021 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 games. Spin Master is best known for award-winning brands PAW Patrol®, Bakugan®, Kinetic Sand®, Air Hogs®, Hatchimals®, Rubik's Cube® 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 nine other original shows along with multiple short-form series, which are distributed in more than 190 countries. The Company has an established digital presence anchored by the Toca Boca® and Sago Mini® brands, which combined have more than 40 million monthly active users. With close to 2,000 employees in 28 offices globally, Spin Master distributes products in more than 100 countries. For more information visit 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 (recovery) expense and depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring expenses, foreign exchange gains or losses, equity-settled share based compensation expenses, acquisition related incentive compensation, impairment of intangible assets, impairment of property, plant and equipment, legal settlement, transaction costs and bad debt recovery. Adjusted EBITDA is used by management as a measure of the Company's profitability.

Adjusted Net Income (Loss) 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 (recovery) expense. Management uses Adjusted Net Income (Loss) to measure the underlying financial performance of the business on a consistent basis over time.

Adjusted Basic EPS (Loss) is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of shares

outstanding during the period. Adjusted Diluted EPS (Loss) is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period.

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 reduced by cash flows used in investing activities and adding back 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. Prior year comparative information has been updated to conform with the current disclosure.

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 "Q4 2020 Gross Product Sales by Product Category" 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.

(in US\$ millions, except percentages)	Three Months Ended Dec 31			
	2020	2019	\$ Change	% Change
Reconciliation of Non-IFRS Financial Measures				
Net income (loss)	0.3	(17.2)	17.5	(101.7) %
Income tax recovery	(4.7)	(7.5)	2.8	(37.3) %
Finance costs	3.4	3.2	0.2	6.3 %
Depreciation and amortization expenses	27.6	16.2	11.4	70.4 %
EBITDA ¹	26.6	(5.3)	31.9	(601.9) %
Adjustments:				
Restructuring expense ²	0.5	0.7	(0.2)	(28.6) %
Foreign exchange loss (gain) ³	10.5	(0.1)	10.6	n.m.
Share based compensation ⁴	2.9	3.5	(0.6)	(17.1) %
Acquisition related contingent consideration ⁵	3.7	3.2	0.5	15.6 %
Impairment of intangible assets ⁶	0.4	5.6	(5.2)	(92.9) %
Impairment of property, plant and equipment ⁷	0.5	—	0.5	n.m.
Legal settlement ⁸	5.5	—	5.5	n.m.
Transaction costs ⁹	0.9	—	0.9	n.m.
Bad debt recovery ¹⁰	—	(0.9)	0.9	n.m.
Adjusted EBITDA ¹	51.5	6.7	44.8	668.7 %
Income tax recovery	(4.7)	(7.5)	2.8	(37.3) %
Finance costs	3.4	3.2	0.2	6.3 %
Depreciation and amortization expenses	27.6	16.2	11.4	70.4 %
Tax effect of adjustments ¹¹	10.6	2.6	8.0	307.7 %
Adjusted Net Income (Loss) ¹	14.6	(7.8)	22.4	(287.2) %

Cash provided by operations	138.2	10.8	127.4	1,179.6	%
Cash used in investing activities	(19.3)	(43.2)	23.9	(55.3)	%
Add:					
Cash used for license, brand and business acquisitions	4.8	13.1	(8.3)	(63.4)	%
Free Cash Flow¹	123.7	(19.3)	143.0	(740.9)	%

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 initial public offering ("IPO"), share option expense and long-term incentive plan ("LTIP").

5) Remuneration expense associated with additional contingent consideration for previous acquisitions.

6) Impairment of intangible assets related to content development, licenses, brands and trademarks.

7) Impairment of property, plant and equipment related to machinery.

8) Legal settlement in the fourth quarter of 2020.

9) Non-recurring transaction costs relating to the acquisition of Rubik's.

10) Bad debt recovery related to the bankruptcy declaration and liquidation proceedings of Toys "R" Us ("TRU").

11) Tax effect of adjustments (Footnotes 2-10). Adjustments are tax effected at the effective tax rate of the given period.

(in US\$ millions, except percentages)		Year Ended Dec 31			
	2020	2019	\$ Change	% Change	
Reconciliation of Non-IFRS Financial Measures					
Net income	45.5	64.3	(18.8)	(29.2)	%
Income tax (recovery) expense	(36.1)	20.7	(56.8)	(274.4)	%
Finance costs	12.1	11.7	0.4	3.4	%
Depreciation and amortization expenses	103.0	84.6	18.4	21.7	%
EBITDA¹	124.5	181.3	(56.8)	(31.3)	%
Adjustments:					
Restructuring expense ²	5.3	8.8	(3.5)	(39.8)	%
Foreign exchange loss ³	27.6	5.8	21.8	375.9	%
Share based compensation ⁴	12.2	15.2	(3.0)	(19.7)	%
Acquisition related contingent consideration ⁵	3.7	3.2	0.5	15.6	%
Impairment of intangible assets ⁶	0.4	5.6	(5.2)	(92.9)	%
Impairment of property, plant and equipment ⁷	0.5	—	0.5	n.m.	
Legal settlement ⁸	5.5	—	5.5	n.m.	
Transaction costs ⁹	0.9	—	0.9	n.m.	
Bad debt recovery ¹⁰	—	(0.9)	0.9	n.m.	
Adjusted EBITDA¹	180.6	219.0	(38.4)	(17.5)	%
Income tax (recovery) expense	(36.1)	20.7	(56.8)	(274.4)	%
Finance costs	12.1	11.7	0.4	3.4	%
Depreciation and amortization expenses	103.0	84.6	18.4	21.7	%
One-time income tax recovery ¹¹	33.3	—	33.3	n.m.	
Tax effect of adjustments ¹²	14.9	9.2	5.7	62.0	%
Adjusted Net Income¹	53.4	92.8	(39.4)	(42.5)	%

Cash provided by operating activities	310.8	98.4	212.4	215.9	%
Cash used in investing activities	(84.9)	(116.2)	31.3	(26.9)	%
Add:					
Cash used for license, brand and business acquisitions	6.2	22.5	(16.3)	(72.4)	%
Free Cash Flow¹	232.1	4.7	227.4	4,838.3	%

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

5) Remuneration expense associated with additional contingent consideration for previous acquisitions.

6) Impairment of intangible assets related to content development, licenses, brands and trademarks.

7) Impairment of property plant and equipment related to machinery.

8) Legal settlement in the fourth quarter of 2020.

9) Non-recurring transaction costs relating to the acquisition of Rubik's.

10) Bad debt recovery related to the bankruptcy declaration and liquidation proceedings of TRU.

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

12) Tax effect of adjustments (Footnotes 2-10). Adjustments are tax effected at the effective tax rate of the given period.

Forward-Looking Statements

Certain statements, other than statements of historical fact, contained in this Press Release constitute "forward-looking information" within the meaning of certain securities laws, including the Securities Act (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this Press Release. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this Press Release include, without limitation, statements with respect to: the Company's outlook for 2021; future growth expectations in 2021 and beyond; financial position, cash flows and financial performance; drivers for such growth; the resolution of logistics problems; the program to achieve operational efficiencies supports the growth of the Company's global platform; 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; 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; 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). 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.

Addendum

Effective January 1, 2021, Spin Master has simplified its product categories to align with the Company's product offerings going forward. The following table restates 2020 Gross Product Sales¹ in the same format that the Company will be presenting Gross Product Sales¹ in 2021:

Gross Product Sales¹ by Product Category

(US\$ millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Pre-School and Girls	73.1	93.5	242.7	200.2	609.5
Activities, Games & Puzzles and Plush	80.1	99.8	181.0	173.9	534.8
Boys	60.7	54.1	151.4	122.1	388.3
Outdoor	28.4	34.8	12.3	15.6	91.1
Gross Product Sales¹	242.3	282.2	587.4	511.8	1,623.7

¹ See "Non-IFRS Financial Measures".

² SG&A expenses include selling, marketing, distribution, product development and administrative expenses.

SOURCE Spin Master Corp.

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<https://spinmaster.mediaroom.com/2021-03-01-Spin-Master-Reports-Q4-and-Full-Year-2020-Financial-Results>