

Spin Master Reports Preliminary 2021 and Q4 2021 Revenue

Spin Master Delivers Strong Revenue and Gross Product Sales¹ growth across Toys, Entertainment and Digital Games

TORONTO, Feb. 1, 2022 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX: TOY) www.spinmaster.com, a leading global children's entertainment company, today announced preliminary unaudited Revenue and Gross Product Sales¹ for the three months and year ended December 31, 2021.

These preliminary Revenue and Gross Product Sales¹ results for the fourth quarter and full year 2021 are intended to provide context for Spin Master's performance in line with timing of financial results for the broader industry. Spin Master is scheduled to report its financial results for the three months and audited year ended December 31, 2021 after the close of business on February 28, 2022.

"We delivered very strong revenue growth for the fourth quarter and full year 2021, showcasing the power of our three creative centres comprising Toys, Entertainment and Digital Games," said Max Rangel, Spin Master's Global President and Chief Executive Officer.

"Toys' Gross Product Sales¹ grew over 20% in 2021, driven by the global success of our new and innovative brands and enthusiastic fandom for our licensed toy properties. Our commercial team deftly navigated a complex supply chain environment in the fourth quarter to ensure we delivered products throughout the holiday season in a timely fashion, providing the foundation to grow our share in key markets. Our Entertainment creative centre capitalized on momentum from our first-ever feature film for our leading preschool franchise, *PAW Patrol*, to grow revenue over 73%. Our Digital Games creative centre generated impressive revenue growth of over 127% in 2021, with *Toca Life World* being recognized as the App Store's 2021 iPhone App of the Year."

Preliminary Revenue Highlights for Year Ended December 31, 2021 as compared to the same period in 2020

(Unaudited) (US\$ millions)		2021	2020¹	\$ Change	% Change
Preschool and Dolls & Interactive ²	\$	809.6	\$ 609.5	\$ 200.1	32.8 %
Activities, Games & Puzzles and Plush ⁴		587.8	534.8	53.0	9.9 %
Wheels & Action ²		445.6	388.3	57.3	14.8 %
Outdoor		119.4	91.1	28.3	31.1 %
Gross Product Sales³	\$	1,962.4	\$ 1,623.7	\$ 338.7	20.9 %
Sales Allowances ⁵		(230.6)	(208.1)	(22.5)	10.8 %
Toy revenue	\$	1,731.8	\$ 1,415.6	\$ 316.2	22.3 %
Entertainment and Licensing revenue ⁶		135.8	78.2	57.6	73.7 %
Digital Games revenue ⁷		174.8	76.8	98.0	127.6 %
					100.4
Other revenue	\$	310.6	\$ 155.0	\$ 155.6	%
Revenue	\$	2,042.4	\$ 1,570.6	\$ 471.8	30.0 %

¹ Effective Q1 2021, Spin Master simplified its product categories to align with the Company's product offerings going forward. Prior year comparative information has been updated to conform with the current disclosure. See "Addendum" for further details.

² Effective Q4 2021, the "Preschool and Girls" product category was renamed "Preschool and Dolls & Interactive" and the "Boys" product category was renamed "Wheels & Action".

³ See "Non-GAAP Financial Measures and Ratios".

⁴ A total of \$25.2 million related to Rubik's is included in Gross Product Sales in 2021. Rubik's was acquired on January 4, 2021.

⁵ Sales Allowances represent sales credits requested by customers relating to factors such as cooperative advertising, contractual and negotiated discounts, volume rebates, and costs incurred by customers to sell the Company's products.

⁶ A total of \$26.0 million related to revenue for *PAW Patrol: The Movie* is included in Entertainment and Licensing revenue in 2021.

⁷ A total of \$2.3 million related to growth from acquisitions is included in Digital Games revenue in 2021.

Preliminary Revenue Highlights for Year Ended December 31, 2021 as compared to the same period in 2020

- Revenue was \$2,042.4 million, an increase of 30.0% from \$1,570.6 million driven by growth in Toy revenue, Entertainment and Licensing revenue and Digital Games revenue. Constant Currency Revenue¹ increased to \$2,025.2 million from \$1,570.6 million, an increase of 28.9%².

Toy revenue

- Toy revenue increased by \$316.2 million or 22.3% to \$1,731.8 million driven by growth in all product categories, particularly Preschool and Dolls & Interactive.
- Gross Product Sales¹ increased by \$338.7 million or 20.9% to \$1,962.4 million from \$1,623.7 million. Constant Currency Gross Product Sales¹ increased by \$326.4 million to \$1,950.1 million from \$1,623.7 million, an increase of 20.1%². The increase was driven by growth in all product categories, particularly Preschool and Dolls & Interactive.

- Gross Product Sales¹ in Preschool and Dolls & Interactive increased by \$200.1 million or 32.8% to \$809.6 million from \$609.5 million, primarily driven by increases in *PAW Patrol* as well as sales of *Wizarding World*, *Gabby's Dollhouse* and *Purse Pets*, offset in part by declines in *Hatchimals* and *Twisty Petz*.
- Gross Product Sales¹ in Activities, Games & Puzzles and Plush increased by \$53.0 million or 9.9% to \$587.8 million from \$534.8 million, primarily driven by increases in *Kinetic Sand* and *GUND* as well as sales of *Rubik's*⁴, offset in part by the declines in Games & Puzzles portfolio.
- Gross Product Sales¹ in Wheels & Action increased by \$57.3 million or 14.8% to \$445.6 million from \$388.3 million, primarily driven by increases in DC licensed products, *Monster Jam RC* and *Tech Deck*, partially offset by declines in *Ninja Bots* and *DreamWorks Dragons*.
- Gross Product Sales¹ in Outdoor increased by \$28.3 million or 31.1% to \$119.4 million from \$91.1 million, primarily driven by increases in *SwimWays* and *Aerobie*.
- Sales Allowances increased by \$22.5 million to \$230.6 million from \$208.1 million. Sales Allowance as a percentage of Gross Product Sales¹ were 11.8% compared to 12.8% in the prior year, primarily driven by lower non-compliance charges and markdowns.

Other revenue

- Other revenue increased by \$155.6 million or 100.4% to \$310.6 million from \$155.0 million, driven by higher Digital Games revenue and Entertainment and Licensing revenue.
- Entertainment and Licensing revenue increased by \$57.6 million or 73.7% to \$135.8 million driven by distribution revenue related to *PAW Patrol: The Movie* and higher licensing and merchandising revenue.
- Digital Games revenue increased by \$98.0 million or 127.6% to \$174.8 million, primarily driven by higher in-game purchases in *Toca Life World*.

Preliminary Revenue Highlights for Q4 2021 as compared to the same period in 2020

(Unaudited) (US\$ millions)	Q4 2021	Q4 2020 ¹	\$ Change	% Change	
Preschool and Dolls & Interactive ²	\$ 251.8	\$ 200.2	\$ 51.6	25.8	%
Activities, Games & Puzzles and Plush ⁴	206.5	173.9	32.6	18.7	%
Wheels & Action ²	146.1	122.1	24.0	19.7	%
Outdoor	23.1	15.6	7.5	48.1	%
Gross Product Sales³	\$ 627.5	\$ 511.8	\$ 115.7	22.6	%
Sales Allowances	(85.5)	(77.5)	(8.0)	10.3	%
Toy revenue	\$ 542.0	\$ 434.3	\$ 107.7	24.8	%
Entertainment and Licensing revenue	28.5	24.5	4.0	16.3	%
Digital Games revenue ⁵	50.0	31.8	18.2	57.2	%
Other revenue	\$ 78.5	\$ 56.3	\$ 22.2	39.4	%
Revenue	\$ 620.5	\$ 490.6	\$ 129.9	26.5	%

¹ Effective Q1 2021, Spin Master simplified its product categories to align with the Company's product offerings going forward. Prior year comparative information has been updated to conform with the current disclosure. See "Addendum" for further details.

² Effective Q4 2021, the "Preschool and Girls" product category was renamed "Preschool and Dolls & Interactive" and the "Boys" product category was renamed "Wheels & Action".

³ See "Non-GAAP Financial Measures and Ratios".

⁴ A total of \$9.7 million related to Rubik's is included in Gross Product Sales in Q4 2021. Rubik's was acquired on January 4, 2021.

⁵ A total of \$1.0 million related to growth from acquisitions is included in Digital Games revenue in Q4 2021.

Preliminary Revenue Highlights for Q4 2021 as compared to the same period in 2020

- Revenue was \$620.5 million, an increase of 26.5% from \$490.6 million driven by growth in Toy revenue, Entertainment and Licensing revenue and Digital Games revenue. Constant Currency Revenue¹ increased to \$622.1 million from \$490.6 million, an increase of 26.8%².

Toy revenue

- Toy revenue increased by \$107.7 million or 24.8% to \$542.0 million driven by growth in all product categories.
- Gross Product Sales¹ increased by \$115.7 million or 22.6% to \$627.5 million from \$511.8 million, primarily driven by higher sales in Preschool and Dolls & Interactive and Wheels & Action. Constant Currency Gross Product Sales¹ increased by \$117.2 million or 22.9%² to \$629.0 million from \$511.8 million. The increase was driven by growth in all product categories and reflected strong customer demand throughout the quarter and successful management of the global supply chain volatility by Spin Master's commercial team.
- Gross Product Sales¹ in Preschool and Dolls & Interactive increased by \$51.6 million or 25.8% to \$251.8 million from \$200.2

million, primarily driven by sales of *Wizarding World*, *Gabby's Dollhouse* and *Purse Pets* as well as increases in *PAW Patrol*, offset in part by declines in Hatchimals.

- Gross Product Sales¹ in Activities, Games & Puzzles and Plush increased by \$32.6 million or 18.7% to \$206.5 million from \$173.9 million, primarily driven by increases in *Kinetic Sand* and *Orbeez* as well as sales of *Rubik's*⁴.
- Gross Product Sales¹ in Wheels & Action increased by \$24.0 million or 19.7% to \$146.1 million from \$122.1 million, primarily driven by increases in DC licensed products and *Tech Deck*, partially offset by declines in *DreamWorks Dragons*.
- Gross Product Sales¹ in Outdoor increased by \$7.5 million or 48.1% to \$23.1 million from \$15.6 million, primarily driven by increases in *SwimWays* and *Aerobie*.
- Sales Allowances increased by \$8.0 million to \$85.5 million from \$77.5 million. Sales Allowance as a percentage of Gross Product Sales¹ were 13.6%, compared to 15.1%, primarily driven by lower non-compliance charges.

Other revenue

- Other revenue grew by \$22.2 million or 39.4% to \$78.5 million from \$22.2 million, driven by higher Entertainment and Licensing revenue and Digital Games revenue.
- Entertainment and Licensing revenue was \$28.5 million, \$4.0 million or 16.3% higher, primarily driven by distribution revenue related to *PAW Patrol: The Movie*.
- Digital Games revenue was \$50.0 million, an increase of \$18.2 million or 57.2%, driven by growth in *Toca Life World*.

Outlook

Revenue increased 30% for the year ended December 31, 2021 compared to 2020. Previous guidance on November 4, 2021 was for Revenue to increase slightly above 20% compared to 2020. The higher than expected Revenue growth was primarily driven by Gross Product Sales¹, which increased approximately 21% for the year ended December 31, 2021 compared to 2020. Previous guidance was for Gross Product Sales¹ to increase mid-teens compared to 2020. The increase in Gross Product Sales¹, was primarily driven by the strength of customer demand for Spin Master's innovative product line and the Company's ability to successfully manage through global supply chain disruptions, to ensure steady inventory flow and availability both on shelf and on-line.

Spin Master continues to expect 2021 Adjusted EBITDA Margin¹ to be at the high end of the mid to high teens range, consistent with guidance issued on November 4, 2021.

This press release contains certain preliminary unaudited financial metrics for the three months and year ended December 31, 2021. These financial metrics represent the most current information available to the Company's management as financial closing procedures for the three months ended December 31, 2021, and the year ended December 31, 2021 are not yet complete. The Company's actual consolidated financial statements for such periods may result in material changes to the financial metrics summarized in this press release (including by any one financial metric, or all of the financial metrics, being below or above the figures indicated) as a result of the completion of normal quarter and year end accounting procedures. Although the Company believes the expectations reflected in this press release are based upon reasonable assumptions, the Company can give no assurance that actual results will not differ materially from these expectations.

¹ See "Non-GAAP Financial Measures and Ratios".

² See "Percentage change in Constant Currency Gross Product Sales" and "Percentage change in Constant Currency Revenue" within "Non-GAAP Financial Measures and Ratios" for details.

Non-GAAP Financial Measures and Ratios

In addition to using financial measures prescribed under IFRS, references are made in this Press Release to the following terms, each of which is a non-GAAP financial measure:

- Gross Product Sales
- Constant Currency Gross Product Sales
- Constant Currency Revenue
- EBITDA
- Adjusted EBITDA

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Additionally, references are made in this Press Release to the following terms, each of which is a non-GAAP financial ratio:

- Sales Allowance as a percentage of Gross Product Sales
- Percentage change in Constant Currency Gross Product Sales
- Percentage change in Constant Currency Revenue
- Adjusted EBITDA Margin

Non-GAAP financial ratios do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar

measures presented by other issuers.

Management believes the Non-GAAP financial measures and Non-GAAP financial ratios 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-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

Non-GAAP Financial Measures

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 revenue table for the three months and year ended December 31, 2021 as compared to the same period in 2020 in this Press Release of preliminary revenue.

Constant Currency Gross Product Sales and Constant Currency Revenue represents Gross Product Sales and Revenue presented excluding the impact from changes in foreign currency exchange rates, respectively. 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. Management uses Constant Currency Gross Product Sales and Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time.

EBITDA is calculated as net earnings (loss) before finance costs, income tax expense (recovery) and depreciation and amortization. EBITDA is used by management as a measure of the Company's profitability.

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, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, investment distribution income, acquisition related deferred incentive compensation, net unrealized gain on investment, 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.

Non-GAAP Financial Ratios

Sales Allowance as a percentage of Gross Product Sales is calculated by dividing Sales Allowance by Gross Product Sales. Management uses Sales Allowance as percentage of Gross Product Sales to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Percentage change in Constant Currency Gross Product Sales is calculated by dividing the change in Gross Product Sales excluding the impact from changes in foreign currency exchange rates by the Gross Product Sales of the comparative period. Management uses Percentage change in Constant Currency Gross Product Sales to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Revenue is calculated by dividing the change in Revenue excluding the impact from changes in foreign currency exchange rates by the Revenue of the comparative period. Management uses Percentage change in Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

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.

Reconciliation Tables

The following tables present reconciliations of Revenue to Constant Currency Gross Product Sales and Revenue to Constant Currency Revenue for the three months and years ended December 31, 2021, and 2020:

(Unaudited) (US\$ millions)	Year Ended Dec 31			
	Q4 2021	Q4 2020	2021	2020
Constant Currency Gross Product Sales	\$ 629.0	\$ 507.5	\$ 1,950.1	\$ 1,620.7
Impact of foreign exchange	(1.5)	4.3	12.3	3.0
Gross Product Sales	\$ 627.5	\$ 511.8	\$ 1,962.4	\$ 1,623.7
Sales Allowances	(85.5)	(77.5)	(230.6)	(208.1)
Toy revenue	\$ 542.0	\$ 434.3	\$ 1,731.8	\$ 1,415.6
Entertainment and Licensing revenue	28.5	24.5	135.8	78.2
Digital Games revenue ⁵	50.0	31.8	174.8	76.8

Other revenue	\$ 78.5	\$ 56.3	\$ 310.6	\$ 155.0
Revenue	\$ 620.5	\$ 490.6	\$ 2,042.4	\$ 1,570.6

(Unaudited) (US\$ millions)	Year Ended Dec 31			
	Q4 2021	Q4 2020	2021	2020
Constant Currency Revenue	\$ 622.1	\$ 484.7	\$ 2,025.2	\$ 1,565.4
Impact of foreign exchange	(1.6)	5.9	17.2	5.2
Revenue	\$ 620.5	\$ 490.6	\$ 2,042.4	\$ 1,570.6

The following tables present the composition of Percentage change in Constant Currency Gross Product Sales and Percentage change in Constant Currency Revenue for the three months and years ended December 31, 2021:

Q4 2021				\$ Change			% Change	
(Unaudited) (US\$ millions)	2021	2020		As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Gross Product Sales	\$ 627.5	\$ 511.8		\$ 115.7	\$ 1.5	\$ 117.2	22.6 %	22.9 %
Revenue	\$ 620.5	\$ 490.6		\$ 129.9	\$ 1.6	\$ 131.5	26.5 %	26.8 %

Year Ended Dec 31				\$ Change			% Change	
(Unaudited) (US\$ millions)	2021	2020		As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Gross Product Sales	\$ 1,962.4	\$ 1,623.7		\$ 338.7	\$ (12.3)	\$ 326.4	20.9 %	20.1 %
Revenue	\$ 2,042.4	\$ 1,570.6		\$ 471.8	\$ (17.2)	\$ 454.6	30.0 %	28.9 %

Conference call

Max Rangel, Global President and Chief Executive Officer and Mark Segal, Chief Financial Officer will host a conference call to discuss the audited financial results on Tuesday, March 1, 2022 at 9:30 a.m. (ET).

The call-in numbers for participants are (647) 792-1240 or (800) 437-2398. 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 games presence anchored by the Toca Boca® and Sago Mini® brands. With more than 2,000 employees in 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.

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 presents 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
Preschool and Dolls & Interactive ²	\$ 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
Wheels & Action ²	60.7	54.1	151.4	122.1	388.3
Outdoor	28.4	34.8	12.3	15.6	91.1
Gross Product Sales ¹	\$ 242.3	\$ 282.2	\$ 587.4	\$ 511.8	\$ 1,623.7

¹ See "Non-GAAP Financial Measures and Ratios".

² Beginning in the fourth quarter of 2021, the product category previously named "Preschool and Girls" has been changed to "Preschool and Dolls & Interactive" and the product category previously named "Boys" has been changed to "Wheels & Action". No other changes to these product categories were made.

SOURCE Spin Master Corp.

For further information: Sophia Bisoukis, Vice President, Investor Relations, sophiab@spinmaster.com

<https://spinmaster.mediaroom.com/2022-02-01-Spin-Master-Reports-Preliminary-2021-and-Q4-2021-Revenue>