

Spin Master Reports Preliminary Q4 2023 and 2023 Revenue

TORONTO, Feb. 14, 2024 /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 Toy Gross Product Sales¹ for the three months and year ended December 31, 2023. All financial information is presented in United States dollars ("\$", "dollars" and "US\$") and has been rounded to the nearest hundred thousand, except where indicated.

These preliminary unaudited Revenue results for the fourth quarter and full year 2023 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 year ended December 31, 2023 after the close of business on February 28, 2024.

"We are very pleased with how our team navigated the challenging macroeconomic environment to deliver revenue growth in the 4th quarter," said Max Rangel, Global President & CEO. "We harnessed the strength of our three creative centres to meet our full-year revenue expectations. While our Toy revenue declined for the full year compared to 2022, our POS remained ahead of the industry² and we grew market share globally, by introducing innovation into the toy aisle, engaging fans of popular franchises both licensed and owned, and growing our evergreen brands to create magical play experiences for millions of children globally. We saw strong increases in Entertainment from the *PAW Patrol* movie and the delivery of the *Unicorn Academy* series, and we grew Digital Games revenue, highlighting the power of our diversified portfolio to drive long-term growth."

Preliminary Revenue Highlights for Q4 2023 as compared to the same period in 2022

Revenue was \$502.6 million, up 7.9% from \$465.8 million, due to increases in Entertainment, Toy and Digital Games revenue of 76.9%, 2.5% and 7.1% respectively. Constant Currency Revenue¹ was \$493.9 million, an increase of 6.0% from \$465.8 million.

(Unaudited) (US\$ millions)	Q4 2023	Q4 2022	\$ Change	% Change
Toy revenue	\$ 406.8	\$ 396.7	\$ 10.1	2.5 %
Entertainment revenue	55.2	31.2	24.0	76.9 %
Digital Games revenue	40.6	37.9	2.7	7.1 %
Revenue	\$ 502.6	\$ 465.8	\$ 36.8	7.9 %

Constant Currency Revenue¹ \$ 493.9 \$ 28.1 6.0 %

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

Toy Revenue

The following table provides a summary of preliminary Toy revenue, by product category, for the three months ended December 31, 2023 and 2022:

(Unaudited) (US\$ millions)	Q4 2023	Q4 2022	\$ Change	% Change
Preschool and Dolls & Interactive	\$ 204.7	\$ 201.7	\$ 3.0	1.5 %
Activities, Games & Puzzles and Plush	160.6	160.6	—	— %
Wheels & Action	113.3	90.0	23.3	25.9 %
Outdoor	23.7	26.9	(3.2)	(11.9) %
Toy Gross Product Sales¹	\$ 502.3	\$ 479.2	\$ 23.1	4.8 %
Constant Currency Toy Gross Product Sales ¹	\$ 490.6	\$ 479.2	\$ 11.4	2.4 %
Sales Allowances ²	\$ (95.5)	\$ (82.5)	\$ 13.0	15.8 %
Sales Allowances % of Toy Gross Product Sales ¹	19.0 %	17.2 %		
Toy revenue	\$ 406.8	\$ 396.7	\$ 10.1	2.5 %

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

² The Company enters arrangements to provide sales allowances requested by customers relating to cooperative advertising, contractual and negotiated promotional discounts, volume rebates, markdowns, and costs incurred by customers to sell the Company's products.

- Toy revenue increased by \$10.1 million or 2.5% to \$406.8 million driven by an increase in Toy Gross Product Sales¹ partially offset by an increase in Sales Allowances.
- Toy Gross Product Sales¹ grew by \$23.1 million or 4.8% to \$502.3 million from \$479.2 million. Constant Currency Toy Gross Product Sales¹ increased by \$11.4 million or 2.4% to \$490.6 million from \$479.2 million. The increase was driven by Wheels & Action and Preschool and Dolls & Interactive, partially offset by a decline in Outdoor.
- The growth in Toy revenue and Toy Gross Product Sales¹ arose from higher order volumes.
- Toy Gross Product Sales¹ in Preschool and Dolls & Interactive grew by \$3.0 million or 1.5% to \$204.7 million from \$201.7 million, primarily driven by *Bitzee* and *Gabby's Dollhouse*, partially offset by *PAW Patrol* and *Purse Pets*.
- Toy Gross Product Sales¹ in Activities, Games & Puzzles and Plush was flat at \$160.6 million, with increases in *GUND* and *Kinetic Sand* offset by declines in *Orbeez* and *Pixobitz*.
- Toy Gross Product Sales¹ in Wheels & Action increased by \$23.3 million or 25.9% to \$113.3 million from \$90.0 million, from increases in *Monster Jam* and *HEXBUG*.
- Toy Gross Product Sales¹ in Outdoor decreased by \$3.2 million or 11.9% to \$23.7 million from \$26.9 million primarily driven by *SwimWays*.

- Sales Allowances increased to \$95.5 million from \$82.5 million. Sales Allowances as a percentage of Toy Gross Product Sales¹ were 19.0%, compared to 17.2%, primarily driven by higher markdowns and promotional activity, caused by pressure on consumer discretionary spending levels.

Entertainment Revenue

- Entertainment revenue was \$55.2 million, an increase of \$24.0 million or 76.9% from higher distribution revenue associated with new content deliveries including *Unicorn Academy*, *Rubble & Crew* and *Vida the Vet* and from on-going distribution revenue from *PAW Patrol: The Mighty Movie*. Constant Currency Entertainment Revenue¹ increased by \$24.1 million or 77.2% to \$55.3 million, from \$31.2 million.

Digital Games Revenue

- Digital Games revenue was \$40.6 million, an increase of \$2.7 million or 7.1% from \$37.9 million, due to higher in-game purchases in *Toca Life World* and higher subscription revenue from both the *Piknik* bundle and *PAW Patrol Academy*. Constant Currency Digital Games Revenue¹ increased by \$2.6 million or 6.9% to \$40.5 million, from \$37.9 million.

Preliminary Revenue Highlights for Year Ended December 31, 2023, as compared to the same period in 2022

Revenue was \$1,904.9 million, a decrease of 5.7% from \$2,020.3 million driven by a decline in Toy revenue, partially offset by an increase in Entertainment and Digital Games revenue. Constant Currency Revenue¹ was \$1,889.6 million, a decrease of 6.5% from \$2,020.3 million. Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ of \$15.6 million, declined by 6.5% to \$1,889.3 million.

(Unaudited) (US\$ millions)	2023	2022	\$ Change	% Change
Toy revenue	\$ 1,540.9	\$ 1,737.6	\$ (196.7)	(11.3) %
Entertainment revenue	190.1	118.8	71.3	60.0 %
Digital Games revenue	173.9	163.9	10.0	6.1 %
Revenue	\$ 1,904.9	\$ 2,020.3	\$ (115.4)	(5.7) %

Constant Currency Revenue ¹	\$ 1,889.6	\$ (130.7)	(6.5) %
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¹ Non-GAAP financial measure. See "Non-GAAP Financial Measures and Ratios".

Toy Revenue

The following table provides a summary of Spin Master's preliminary Toy revenue, including by product category, for the year ended December 31, 2023 and 2022:

(Unaudited) (US\$ millions)	2023	2022	\$ Change	% Change
Preschool and Dolls & Interactive	\$ 817.7	\$ 867.0	(49.3)	(5.7) %
Activities, Games & Puzzles and Plush	487.5	561.7	(74.2)	(13.2) %
Wheels & Action	409.3	450.8	(41.5)	(9.2) %
Outdoor	72.7	99.3	(26.6)	(26.8) %
Toy Gross Product Sales¹	\$ 1,787.2	\$ 1,978.8	\$ (191.6)	(9.7) %
Constant Currency Toy Gross Product Sales ¹	\$ 1,763.1		(215.7)	(10.9) %
Sales Allowances ²	\$ (246.3)	\$ (241.2)	\$ 5.1	2.1 %
Sales Allowances % of Toy Gross Product Sales ¹	13.8 %	12.2 %		
Toy revenue	\$ 1,540.9	\$ 1,737.6	\$ (196.7)	(11.3) %

¹ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

² The Company enters arrangements to provide sales allowances requested by customers relating to cooperative advertising, contractual and negotiated promotional discounts, volume rebates, markdowns, and costs incurred by customers to sell the Company's products.

- Toy revenue declined by \$196.7 million or 11.3% to \$1,540.9 million with declines across all product categories and an increase in Sales Allowances.
- Toy Gross Product Sales¹ declined by \$191.6 million or 9.7% to \$1,787.2 million from \$1,978.8 million driven by declines across all product categories. Constant Currency Toy Gross Product Sales¹ decreased by \$215.7 million to \$1,763.1 million from \$1,978.8 million, a decline of 10.9%.
- Toy Gross Product Sales¹ in Preschool and Dolls & Interactive decreased by \$49.3 million or 5.7% to \$817.7 million from \$867.0 million, due to *PAW Patrol*, *Purse Pets* and *Wizarding World*, offset in part by *Bitzee* and *Gabby's Dollhouse*.
- Toy Gross Product Sales¹ in Activities, Games & Puzzles and Plush decreased by \$74.2 million or 13.2% to \$487.5 million from \$561.7 million, mainly due to declines in the Games & Puzzles portfolio, *Kinetic Sand*, *Cool Maker*, *Pixobitz* and *Orbeez*, offset in part by *Rubik's*.
- Toy Gross Product Sales¹ in Wheels & Action decreased by \$41.5 million or 9.2% to \$409.3 million from \$450.8 million, mainly due to *DC* and *Bakugan*, offset in part by an increase in *Monster Jam* and *HEXBUG*.
- Toy Gross Product Sales¹ in Outdoor decreased by \$26.6 million or 26.8% to \$72.7 million from \$99.3 million primarily driven by *SwimWays*.
- Sales Allowances increased by \$5.1 million to \$246.3 million from \$241.2 million. Sales Allowances as a percentage of Toy Gross Product Sales¹ were 13.8% compared to 12.2%, primarily driven by higher markdowns and promotional activity in the fourth quarter, caused by pressures on consumer discretionary spending in the second half of 2023.

Entertainment Revenue

- Entertainment revenue increased by \$71.3 million or 60.0% to \$190.1 million, from higher distribution revenue associated with new content deliveries including *PAW Patrol: The Mighty Movie*, *Unicorn Academy*, *Rubble & Crew* and *Vida the Vet* as well as the Company's share of revenue from the *PAW Patrol* series and the continued distribution of *PAW Patrol: The Movie*. Constant Currency Entertainment Revenue¹ increased by \$71.3 million or 60.0% to \$190.1 million, from \$118.8 million.

Digital Games Revenue

- Digital Games revenue increased by \$10.0 million or 6.1% to \$173.9 million, from higher in-game purchases in *Toca Life World*. Constant Currency Digital Games Revenue¹ increased by \$12.7 million or 7.7% to \$176.6 million, from \$163.9 million.

Outlook

Toy Gross Product Sales¹, declined by 9.7% for the year ended December 31, 2023 compared to 2022, consistent with the high single digits guidance provided on November 1, 2023.

Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue of \$15.6 million, declined by 6.5% for the year ended December 31, 2023 compared to 2022, consistent with the mid-single digits guidance provided on November 1, 2023.

The Company continues to expect 2023 Adjusted EBITDA Margin excluding *PAW Patrol: The Mighty Movie* Distribution Revenue of \$15.6 million¹ to be up compared to 2022 Adjusted EBITDA Margin, consistent with the guidance provided on November 1, 2023.

This press release contains certain preliminary unaudited financial metrics for the three months and year ended December 31, 2023. 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, 2023, and the year ended December 31, 2023 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 Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

² Based on POS data per Circana.

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:

- Toy Gross Product Sales
- Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue
- Constant Currency Toy Gross Product Sales
- Constant Currency Sales Allowance
- Constant Currency Entertainment Revenue
- Constant Currency Digital Games Revenue
- Constant Currency Revenue

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 Allowances as a percentage of Toy Gross Product Sales
- Percentage change in Constant Currency Sales Allowances
- Percentage change in Constant Currency Toy Gross Product Sales
- Percentage change in Constant Currency Entertainment Revenue
- Percentage change in Constant Currency Digital Games Revenue
- Percentage change in Constant Currency Revenue

Non-GAAP financial ratios are ratios or percentages that are calculated using a non-GAAP financial measure. 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 business. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts 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

Toy Gross Product Sales represent Toy revenues, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses Toy Gross Product Sales to provide meaningful comparisons across product categories and geographical results to highlight trends in Spin Master's business. Refer to "Preliminary Revenue Highlights for Q4 2023 as compared to the same period in 2022 – Toy Revenue" and "Preliminary Revenue Highlights for Year Ended December 31, 2023, as compared to the same period in 2022 – Toy Revenue"

above for the applicable reconciliations.

Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as revenue excluding distribution revenue of \$15.6 million related to *PAW Patrol: The Mighty Movie* recognized in 2023. Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is used to measure the underlying financial performance of the business on a consistent basis over time.

Constant Currency Toy Gross Product Sales, Constant Currency Sales Allowances, Constant Currency Toy Revenue, Constant Currency Entertainment Revenue, Constant Currency Digital Games Revenue, and Constant Currency Revenue represent Toy Gross Product Sales, Sales Allowance, Toy revenue, Entertainment revenue, Digital Games revenue, 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 Toy Gross Product Sales, Constant Currency Sales Allowances, Constant Currency Toy Revenue, Constant Currency Entertainment Revenue, Constant Currency Digital Games Revenue, and Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of these metrics to Revenue, the closest IFRS measure.

Non-GAAP Financial Ratios

Sales Allowances as a percentage of Toy Gross Product Sales is calculated by dividing Sales Allowances by Toy Gross Product Sales. Management uses Sales Allowance as a percentage of Toy 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 Sales Allowances is calculated by dividing the change in Sales Allowances excluding the impact from changes in foreign currency exchange rates by the Sales Allowances of the comparative period. Management uses Percentage change in Constant Currency Sales Allowances 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 Toy Gross Product Sales is calculated by dividing the change in Toy Gross Product Sales excluding the impact from changes in foreign currency exchange rates by the Toy Gross Product Sales of the comparative period. Management uses Percentage change in Constant Currency Toy 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 Sales Allowances is calculated by dividing the change in Sales Allowances excluding the impact from changes in foreign currency exchange rates by the Sales Allowances of the comparative period. Management uses Percentage change in Constant Currency Sales Allowances 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 Toy Revenue is calculated by dividing the change in Toy Revenue excluding the impact from changes in foreign currency exchange rates by the Toy Revenue of the comparative period. Management uses Percentage change in Constant Currency Toy 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.

Percentage change in Constant Currency Entertainment Revenue is calculated by dividing the change in Entertainment revenue excluding the impact from changes in foreign currency exchange rates by the Entertainment revenue of the comparative period. Management uses Percentage change in Constant Currency Entertainment 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.

Percentage change in Constant Currency Digital Games Revenue is calculated by dividing the change in Digital Games revenue excluding the impact from changes in foreign currency exchange rates by the Digital Games revenue of the comparative period. Management uses Percentage change in Constant Currency Digital Games 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.

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.

The following tables present reconciliations of Revenue to Constant Currency Toy Gross Product Sales, Revenue to Constant Currency Digital Games revenue, Revenue to Constant Currency Entertainment Revenue, and Revenue to Constant Currency Revenue for the three months and year ended December 31, 2023, and 2022:

(Unaudited) (US\$ millions)	Year Ended Dec 31,			
	Q4 2023	Q4 2022	2023	2022
Constant Currency Toy Gross Product Sales	490.6	498.3	1,763.1	2,030.6
Impact of foreign exchange	11.7	(19.1)	24.1	(51.8)
Toy Gross Product Sales	502.3	479.2	1,787.2	1,978.8
Constant Currency Sales Allowances	(92.5)	(87.4)	(240.2)	(254.6)
Impact of foreign exchange	(3.0)	4.9	(6.1)	13.4
Sales Allowances	(95.5)	(82.5)	(246.3)	(241.2)
Toy revenue	406.8	396.7	1,540.9	1,737.6
Constant Currency Entertainment revenue	55.3	33.2	190.1	123.2
Impact of foreign exchange	(0.1)	(2.0)	—	(4.4)

Entertainment revenue	55.2	31.2	190.1	118.8
Constant Currency Digital Games revenue	40.5	40.1	176.6	171.9
Impact of foreign exchange	0.1	(2.2)	(2.7)	(8.0)
Digital Games revenue	40.6	37.9	173.9	163.9
Constant Currency Revenue	493.9	484.2	1,889.6	2,071.1
Impact of foreign exchange	8.7	(18.4)	15.3	(50.8)
Revenue	502.6	465.8	1,904.9	2,020.3

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales, Percentage change in Constant Currency Sales Allowance, Percentage change in Constant Currency Entertainment Revenue, Percentage change in Percentage change in Constant Currency Digital Games Revenue and Percentage change in Constant Currency Revenue for the three months and year ended December 31, 2023 and 2022:

(Unaudited) (US\$ millions)	Q4 2023	Q4 2022	\$ Change			% Change	
			As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	502.3	479.2	23.1	(11.7)	11.4	4.8 %	2.4 %
Sales Allowances	(95.5)	(82.5)	(13.0)	3.0	(10.0)	15.8 %	12.1 %
Toy revenue	406.8	396.7	10.1	(8.7)	1.4	2.5 %	0.4 %
Entertainment revenue	55.2	31.2	24.0	0.1	24.1	76.9 %	77.2 %
Digital Games revenue	40.6	37.9	2.7	(0.1)	2.6	7.1 %	6.9 %
Revenue	502.6	465.8	36.8	(8.7)	28.1	7.9 %	6.0 %

(US\$ millions)	Year Ended Dec 31,		\$ Change			% Change	
	2023	2022	As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	1,787.2	1,978.8	(191.6)	(24.1)	(215.7)	(9.7) %	(10.9) %
Sales Allowances	(246.3)	(241.2)	(5.1)	6.1	1.0	2.1 %	(0.4) %
Toy revenue	1,540.9	1,737.6	(196.7)	(18.0)	(214.7)	(11.3) %	(12.4) %
Entertainment revenue	190.1	118.8	71.3	—	71.3	60.0 %	60.0 %
Digital Games revenue	173.9	163.9	10.0	2.7	12.7	6.1 %	7.7 %
Revenue	1,904.9	2,020.3	(115.4)	(15.3)	(130.7)	(5.7) %	(6.5) %

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 Thursday, February 29, 2024 at 9:30 a.m. (ET).

The call-in numbers for participants are (416-764-8650 or 888-664-6383. 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 for 12 months.

About Spin Master

Spin Master Corp. (TSX:TOY) is a leading global children's entertainment company, creating exceptional play experiences through its three creative centres: Toys, Entertainment and Digital Games. With distribution in over 100 countries, Spin Master is best known for award-winning brands PAW Patrol®, Bakugan®, Kinetic Sand®, Air Hogs®, Melissa & Doug®, Hatchimals®, Rubik's Cube® and GUND®, and is the global toy licensee for other popular properties. Spin Master Entertainment creates and produces compelling multiplatform content, through its in-house studio and partnerships with outside creators, including the preschool franchise *PAW Patrol* and numerous other original shows, short-form series and feature films. The Company has an established presence in digital games, anchored by the Toca Boca® and Sago Mini® brands, offering open-ended and creative game and educational play in digital environments. Through Spin Master Ventures, the Company makes minority investments globally in emerging companies and start-ups. With 31 offices spanning nearly 20 countries, Spin Master employs close to 3,000 team members globally. For more information visit spinmaster.com or follow on Instagram, Facebook and Twitter @spinmaster.

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<https://spinmaster.mediaroom.com/2024-02-14-Spin-Master-Reports-Preliminary-Q4-2023-and-2023-Revenue>