

Spin Master Reports Fourth Quarter and Full Year 2023 Financial Results

TORONTO, Feb. 28, 2024 /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 three months and year ended December 31, 2023. The Company's full Management's Discussion and Analysis ("MD&A") for the three months and year ended December 31, 2023 is available under the Company's profile on SEDAR+ (www.sedarplus.com) and posted on the Company's web site at www.spinmaster.com. All financial information is presented in United States dollars ("\$", "dollars" and "US\$") and has been rounded to the nearest hundred thousand, except per share amounts and where otherwise indicated.

"We are very pleased with how our team navigated the challenging macroeconomic environment to deliver revenue growth across toys, entertainment, and digital games in the fourth quarter. Our Toys creative center grew in the fourth quarter, outperforming the global industry³ which declined," 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 industry³ 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. Looking forward, we are excited by the growth opportunities ahead of us across our three creative centres. In Toys, we will focus on integrating and growing *Melissa & Doug*, the leading brand in early childhood play, launching innovative licensed toy lines for *Ms. Rachel*, celebrating *Rubik's* 50th anniversary, and driving innovation and performance across all our core toy brands. In Entertainment, we will build on the positive momentum from the *PAW Patrol* movie and drive our new *Unicorn Academy* and *Vida the Vet* franchises. In Digital Games, we will continue to grow *Toca Life World* and the *Piknik* subscription bundle, and focus on the launches of our new mobile digital games *Toca Days* and *Rubik's Match*. We're confident in the strength of our diversified global platform and portfolio of franchises, brands and games to create long-term growth and shareholder value."

"We achieved \$1.9 billion in revenue for 2023, generated a record \$419 million in Adjusted EBITDA and ended the year with our highest ever available liquidity, including over \$705 million in cash," said Mark Segal, Spin Master's Chief Financial Officer. "Just after the year end, we closed the acquisition of Melissa & Doug, which we are now integrating. Looking forward, we continue to maintain a strong balance sheet and cash flow generation capability, with the capacity to continue investing in innovation and strategic acquisitions. Our financial framework, grounded in our growth formula across our three creative centres, positions us both financially and operationally to achieve and sustain long-term, profitable growth."

Consolidated Financial Highlights for Q4 2023 as compared to the same period in 2022

- Revenue was \$502.6 million, an increase of 7.9% from \$465.8 million. Constant Currency Revenue¹ was \$493.9 million, an increase of 6.0%, from \$465.8 million.
- Revenue by operating segment reflected increases of 76.9% in Entertainment, 7.1% in Digital Games and 2.5% in Toys.
- Toy Gross Product Sales¹ was \$502.3 million, an increase of \$23.1 million or 4.8% from \$479.2 million.
- Operating Loss was \$36.6 million compared to Operating Loss of \$24.0 million.
- Operating Margin² was (7.3)% compared to (5.2)%.
- Adjusted Operating Income¹ was \$23.2 million compared to Adjusted Operating Loss¹ \$5.5 million.
- Adjusted Operating Margin¹ was 4.6% compared to (1.2)%.
- Net Loss was \$30.1 million or \$(0.29) per share compared to \$13.8 million or \$(0.13) per share.
- Adjusted Net Income¹ was \$20.5 million or \$0.19 per share (diluted) compared to \$nil or \$nil per share.
- Adjusted EBITDA¹ was \$64.9 million compared to \$12.4 million, an increase of \$52.5 million or 423.4%.
- Adjusted EBITDA Margin¹ was 12.9% compared to 2.7%.
- Cash provided by operating activities was \$67.9 million compared to cash used of \$6.8 million.
- Free Cash Flow¹ was \$44.3 million compared to \$(30.1) million.
- Subsequent to December 31, 2023, the Company declared a quarterly dividend of CA\$0.06 per outstanding subordinate voting share and multiple voting share, payable on April 12, 2024.
- Effective January 1, 2024, the Company has changed its product categories to align with the Company's product offerings going forward: (1) Preschool, Infant & Toddler and Plush; (2) Activities, Games & Puzzles and Dolls & Interactive; (3) Wheels & Action; and (4) Outdoor. (Refer to Addendum section for more details).
- On January 2, 2024, the Company completed its previously announced acquisition of MND Holdings I Corp ("Melissa & Doug") by acquiring all issued and outstanding capital stock. Melissa & Doug is a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. The acquisition will be reported in the Toys segment. Spin Master funded the \$959.0 million preliminary purchase price with \$434.0 million cash and \$525.0 million in debt. (Refer to the Liquidity and Capitalization section for more details). In 2023 Melissa & Doug generated \$364 million in revenue compared to \$489 million in 2022. Melissa & Doug Adjusted EBITDA Margin¹ was approximately 18.5% in 2023, consistent with 2022.

Consolidated Financial Highlights for the year ended December 31, 2023 as compared to the same period in 2022

- Revenue was \$1,904.9 million, down 5.7% from \$2,020.3 million. Constant Currency Revenue¹ decreased by 6.5% to \$1,889.6

million from \$2,020.3 million. Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ of \$15.6 million was \$1,889.3 million, a decrease of \$131.0 million or 6.5% from \$2,020.3 million.

- Revenue by operating segment reflected a decline of 11.3% in Toys, partially offset by increases of 60.0% in Entertainment and 6.1% in Digital Games.
- Toy Gross Product Sales¹ was \$1,787.2 million, a decrease of \$191.6 million or 9.7% from \$1,978.8 million.
- Operating Income was \$188.9 million compared to \$343.3 million.
- Operating Margin was 9.9% compared to 17.0%.
- Adjusted Operating Income¹ was \$288.7 million compared to \$321.2 million. The decline in Adjusted Operating Income¹ was primarily driven by a decrease of \$36.4 million in Toys, partially offset by increases of \$4.2 million in Digital Games and \$1.6 million in Entertainment.
- Adjusted Operating Margin¹ was 15.2% compared to 15.9%.
- Net Income was \$151.4 million or \$1.43 per share (diluted) compared to \$261.3 million or \$2.45 per share (diluted).
- Adjusted Net Income¹ was \$225.2 million or \$2.13 per share (diluted) compared to \$244.3 million or \$2.30 per share (diluted).
- Adjusted EBITDA¹ was \$418.8 million compared to \$389.4 million, an increase of \$29.4 million or 7.6%. Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ was \$403.2 million, an increase of \$13.8 million or 3.5% from \$389.4 million.
- Adjusted EBITDA Margin¹ was 22.0% compared to 19.3%. Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ was 21.3%.
- Cash provided by operating activities was \$227.0 million compared to \$249.3 million.
- Free Cash Flow¹ was \$122.9 million compared to \$149.9 million.
- During the year ended December 31, 2023, the Company acquired certain assets from 4D Brands International Inc. for total purchase consideration of \$18.9 million and acquired the HEXBUG brand of toys from Innovation First International, Inc., for total purchase consideration of \$14.6 million.
- During the year ended December 31, 2023, the Company incurred restructuring expenses of \$18.1 million (\$0.17 per diluted share) related to a reduction in the Company's global workforce and the closure of its manufacturing facility in Calais, France.
- During the year ended December 31, 2023, the Company repurchased and cancelled 397,700 subordinate voting shares through the Company's Normal Course Issuer Bid (the "NCIB") program for \$10.5 million.

Consolidated Financial Results as compared to the same period in 2022

(US\$ millions, except per share information)				Year Ended Dec 31		
	Q4 2023	Q4 2022	\$ Change	2023	2022	\$ Change
Consolidated Results						
Revenue	\$ 502.6	\$ 465.8	\$ 36.8	\$ 1,904.9	\$ 2,020.3	\$ (115.4)
Revenue, excluding <i>PAW Patrol: The Mighty Movie</i> ¹				\$ 1,889.3	\$ 2,020.3	\$ (131.0)
<i>Constant Currency Revenue</i> ¹	\$ 493.9		\$ 28.1	\$ 1,889.6		\$ (130.7)
Operating (Loss) Income	\$ (36.6)	\$ (24.0)	\$ (12.6)	\$ 188.9	\$ 343.3	\$ (154.4)
Operating Margin ²	(7.3) %	(5.2) %		9.9 %	17.0 %	
Adjusted Operating Income (Loss) ^{1,3}	\$ 23.2	\$ (5.5)	\$ 28.7	\$ 288.7	\$ 321.2	\$ (32.5)
Adjusted Operating Margin ¹	4.6 %	(1.2) %		15.2 %	15.9 %	
Net (Loss) Income	\$ (30.1)	\$ (13.8)	\$ (16.3)	\$ 151.4	\$ 261.3	\$ (109.9)
Adjusted Net Income ^{1,3}	\$ 20.5	\$ —	\$ 20.5	\$ 225.2	\$ 244.3	\$ (19.1)
Adjusted EBITDA ^{1,3}	\$ 64.9	\$ 12.4	\$ 52.5	\$ 418.8	\$ 389.4	\$ 29.4
Adjusted EBITDA Margin ¹	12.9 %	2.7 %		22.0 %	19.3 %	
Earnings Per Share ("EPS")						
Basic EPS	\$ (0.29)	\$ (0.13)		\$ 1.46	\$ 2.54	
Diluted EPS	\$ (0.29)	\$ (0.13)		\$ 1.43	\$ 2.45	
Adjusted Basic EPS ¹	\$ 0.20	\$ —		\$ 2.18	\$ 2.37	
Adjusted Diluted EPS ¹	\$ 0.19	\$ —		\$ 2.13	\$ 2.30	
Weighted average number of shares (in millions)						
Basic	103.7	102.9		103.5	102.9	
Diluted	106.2	106.5		105.7	106.4	

Selected Cash Flow Data

Cash provided by (used in) operating activities	\$ 67.9	\$ (6.8)	\$ 74.7	\$ 227.0	\$ 249.3	\$ (22.3)
Cash used in investing activities	\$ (23.3)	\$ (28.2)	\$ 4.9	\$ (135.3)	\$ (109.2)	\$ (26.1)
Cash used in financing activities	\$ (8.2)	\$ (8.5)	\$ 0.3	\$ (44.1)	\$ (20.3)	\$ (23.8)
Free Cash Flow ¹	\$ 44.3	\$ (30.1)	\$ 74.4	\$ 122.9	\$ 149.9	\$ (27.0)

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

2 Operating Margin is calculated as Operating Income divided by Revenue.

Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details on the adjustments for Q4 2023 and the year ended December 31, 2023.

Segmented Financial Results as compared to the same period in 2022

(US\$ millions)	Q4 2023					Q4 2022				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	\$ 406.8	\$ 55.2	\$ 40.6	\$ —	\$ 502.6	\$ 396.7	\$ 31.2	\$ 37.9	\$ —	\$ 465.8
Operating (Loss) Income	\$ (30.0)	\$ 9.7	\$ 9.7	\$ (26.0)	\$ (36.6)	\$ (43.3)	\$ 19.1	\$ 10.1	\$ (9.9)	\$ (24.0)
Adjusted Operating Income (Loss)²	\$ 5.4	\$ 10.5	\$ 10.8	\$ (3.5)	\$ 23.2	\$ (35.5)	\$ 20.5	\$ 12.3	\$ (2.8)	\$ (5.5)
Adjusted EBITDA²	\$ 19.3	\$ 36.1	\$ 13.0	\$ (3.5)	\$ 64.9	\$ (24.4)	\$ 25.3	\$ 14.2	\$ (2.7)	\$ 12.4

Corporate & Other includes certain corporate costs, foreign exchange and merger and acquisition-related costs, as well as fair

1 value gains and losses.

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

Toys Segment Results

The following table provides a summary of the Toys segment operating results, for the three months ended December 31, 2023 and 2022:

(US\$ millions)	Q4 2023	Q4 2022	\$ Change	% Change
Preschool and Dolls & Interactive Activities, Games & Puzzles and Plush	\$ 204.7	\$ 201.7	\$ 3.0	1.5 %
Wheels & Action	\$ 160.6	\$ 160.6	\$ —	— %
Outdoor	\$ 113.3	\$ 90.0	\$ 23.3	25.9 %
	\$ 23.7	\$ 26.9	\$ (3.2)	(11.9) %
Toy Gross Product Sales¹	\$ 502.3	\$ 479.2	\$ 23.1	4.8 %
<i>Constant Currency Toy Gross Product Sales¹</i>	<i>\$ 490.6</i>		<i>\$ 11.4</i>	<i>2.4 %</i>
Sales Allowances ²	\$ (95.5)	\$ (82.5)	\$ (13.0)	15.8 %
<i>Sales Allowances % of Toy Gross Product Sales¹</i>	<i>19.0 %</i>	<i>17.2 %</i>		<i>1.8 %</i>
Toy revenue	\$ 406.8	\$ 396.7	\$ 10.1	2.5 %
Operating Loss	\$ (30.0)	\$ (43.3)	\$ 13.3	(30.7) %
Operating Margin³	(7.4) %	(10.9) %		3.5 %
Adjusted EBITDA¹	\$ 19.3	\$ (24.4)	\$ 43.7	179.1 %

Adjusted EBITDA Margin¹	4.7 %	(6.2) %	10.9 %
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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.

³ Operating Margin is calculated as segment Operating Income divided by segment Revenue.

- Toy revenue increased by \$10.1 million or 2.5% to \$406.8 million.
- Toy Gross Product Sales^[3] grew by \$23.1 million or 4.8%, to \$502.3 million from \$479.2 million. Constant Currency Toy Gross Product Sales¹ grew by \$11.4 million or 2.4% to \$490.6 million, up from \$479.2 million.
- The growth in Toy revenue and Toy Gross Product Sales¹ arose from higher order volumes compared to the prior year. Toy Gross Product Sales¹ in the fourth quarter of 2022 were lower due to the acceleration of customer shipments into the first half of 2022 due to then anticipated global logistics and supply chain issues.
- Sales Allowances increased to \$95.5 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased to 19.0% from 17.2%, primarily driven by higher markdowns and promotional activity, caused by pressure on consumer discretionary spending levels.
- Operating Loss increased by \$13.3 million to \$30.0 million compared to \$43.3 million.
- Operating Margin was (7.4)% compared to (10.9)%.
- Adjusted EBITDA Margin¹ was 4.7% compared to (6.2)%.
- The improvement in Operating Margin and Adjusted EBITDA Margin¹ was due to higher gross margin and lower administrative, marketing, product development, distribution and selling expenses.

Entertainment Segment Results

The following table provides a summary of Entertainment segment operating results, for the three months ended December 31, 2023 and 2022:

(US\$ millions)	Q4 2023	Q4 2022	\$ Change	% Change
Entertainment revenue	\$ 55.2	\$ 31.2	\$ 24.0	76.9 %
Operating Income	\$ 9.7	\$ 19.1	\$ (9.4)	(49.2) %
Operating Margin	17.6 %	61.2 %		(43.6) %
Adjusted Operating Income ¹	\$ 10.5	\$ 20.5	\$ (10.0)	(48.8) %
Adjusted Operating Margin ¹	19.0 %	65.7 %		(46.7) %

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

- Entertainment revenue increased by \$24.0 million or 76.9% to \$55.2 million, from higher distribution revenue associated with content deliveries including *Unicorn Academy*, *Rubble & Crew* and *Vida the Vet* and from on-going distribution revenue related to *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.
- Operating Income declined by \$9.4 million or 49.2% to \$9.7 million. Adjusted Operating Income¹ declined by \$10.0 million or 48.8% to \$10.5 million from \$20.5 million, from higher amortization of production costs and brand promotion costs for *Unicorn Academy*.
- Operating Margin decreased to 17.6% from 61.2% and Adjusted Operating Margin¹ decreased from 65.7% to 19.0%, from higher amortization of production costs for content deliveries, including *Unicorn Academy*, in relation to distribution revenue.

Digital Games Segment Results

The following table provides a summary of Digital Games segment operating results, for the three months ended December 31, 2023 and 2022:

(US\$ millions)	Q4 2023	Q4 2022	\$ Change	% Change
Digital Games revenue	\$ 40.6	\$ 37.9	\$ 2.7	7.1 %
Operating Income	\$ 9.7	\$ 10.1	\$ (0.4)	(4.0) %
Operating Margin	23.9 %	26.6 %		(2.7) %

Adjusted Operating Income ¹	\$	10.8	\$	12.3	\$	(1.5)	(12.2) %
Adjusted Operating Margin ¹		26.6 %		32.5 %			(5.9) %

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

- Digital Games revenue increased by \$2.7 million or 7.1% to \$40.6 million due to higher in-game purchases in *Toca Life World* and higher subscription revenue from both *Piknik* and *PAW Patrol Academy*. Constant Currency Digital Games Revenue^[4] increased by \$2.6 million or 6.9% to \$40.5 million, up from \$37.9 million.
- Operating Income decreased by \$0.4 million or 4.0% to \$9.7 million. Adjusted Operating Income¹ decreased by \$1.5 million or 12.2% to \$10.8 million from \$12.3 million. Operating Margin decreased from 26.6% to 23.9% and Adjusted Operating Margin¹ decreased from 32.5% to 26.6%.
- The decrease in Operating Income, Adjusted Operating Income¹, Operating Margin and Adjusted Operating Margin¹ was due to higher marketing costs related to the launch of *PAW Patrol Academy*.

Liquidity and Capitalization

For the year ended December 31, 2023, cash flow provided by operating activities was \$227.0 million, compared to \$249.3 million. The decrease was driven by lower Adjusted Operating Income¹ as a result of lower order volume and the change in non-cash working capital. Change in non-cash working capital increased \$105.1 million, due to increases of \$173.3 million in trade receivables, \$29.4 million in inventories and \$13.6 million in other receivables, partially offset by an increase of \$193.6 million in trade payables and accrued liabilities.

For the year ended December 31, 2023, Free Cash Flow¹ was \$122.9 million compared to \$149.9 million, due to lower cash flow provided by operating activities and higher cash flow used in investing activities.

During the year ended December 31, 2023, the Company acquired certain assets from 4D Brands International Inc. for total purchase consideration of \$18.9 million and acquired the *HEXBUG* brand of toys from Innovation First International, Inc., for total purchase consideration of \$14.6 million.

During the year ended December 31, 2023, the Company repurchased and cancelled 397,700 subordinate voting shares through the Company's NCIB program for \$10.5 million.

The Company has an unsecured five-year revolving credit facility (the "Facility") with a borrowing capacity of \$510.0 million which matures on September 28, 2026, and contains certain financial covenants.

On November 20, 2023, the Company entered a one-year non-revolving credit facility (the "Acquisition Facility") in anticipation of the closing of the Melissa & Doug acquisition, with a borrowing capacity of \$225.0 million which matures on November 19, 2024, and contains certain financial covenants.

As at December 31, 2023, the Company had unutilized liquidity of \$1,439.2 million, comprised of \$705.7 million in Cash and cash equivalents and \$733.5 million under the Company's credit facilities.

The weighted average basic and diluted shares outstanding as at December 31, 2023 were 103.5 million and 105.7 million, compared to 102.9 million and 106.5 million in the prior year, respectively.

On January 2, 2024, the Company utilized \$466.7 million of cash and \$525.0 million of debt comprised of \$300.0 million from the Facility and \$225.0 million from the Acquisition Facility, to finance the acquisition of Melissa & Doug LLC.

The Company's Board of Directors declared a dividend of C\$0.06 per outstanding subordinate voting share and multiple voting share, payable on April 12, 2024 to shareholders of record at the close of business on March 29, 2024. The dividend is designated to be an eligible dividend for purposes of section 89(1) of the *Income Tax Act* (Canada).

Toronto Stock Exchange (the "TSX") Acceptance of Normal Course Issuer Bid

The TSX has accepted the Company's notice to launch a Normal Course Issuer Bid (the "Bid"). Under the Bid, the Company may repurchase on the open market at its discretion and subject to compliance with applicable securities laws, during the period commencing on March 4, 2024 and ending on the earlier of March 3, 2025 and the completion of purchases under the Bid, up to 2,984,559 subordinate voting shares, representing approximately 10% of the "public float" (within the meaning of the rules of the TSX), subject to the normal terms and limitations of such bids. Under the TSX rules, the average daily trading volume of the subordinate voting shares on the TSX during the six months ended January 31, 2024 was approximately 65,548 and, accordingly, daily purchases on the TSX pursuant to the Bid will be limited to 16,387 subordinate voting shares, other than purchases made pursuant to the block purchase exception. The actual number of subordinate voting shares which may be purchased pursuant to the Bid and the timing of any such purchases will be determined by the management of the Company, subject to applicable law and the rules of the TSX.

Purchases are expected to be made through the facilities of TSX and/or alternative Canadian trading systems, or by such other means as may be permitted by the Ontario Securities Commission or other applicable Canadian Securities Administrators, at prevailing market prices. The Bid will be funded using existing cash resources and draws on its credit facility, and any subordinate voting shares repurchased by the Company under the Bid will be cancelled.

As of February 19, 2024, the Company had 35,058,092 issued and outstanding subordinate voting shares and a "public float" (within the meaning of the rules of the TSX) of 29,845,990 subordinate voting shares.

The Company believes that the purchases are in the best interest of the Company and constitute a desirable use of its funds. The program will be executed consistent with Spin Master's capital allocation strategy of prioritizing investment to grow the business over the long term.

Pursuant to a previous notice of intention to conduct a normal course issuer bid, under which the Company sought acceptance of the TSX to purchase up to 2,845,904 subordinate voting shares and which was announced by the Corporation on January 5, 2023 and expired on January 8, 2024, the Company repurchased and cancelled 397,700 subordinate voting shares on the open market at an average purchase price of \$36.51 per share.

The Company has also agreed to the form of an automatic share purchase plan (an "ASPP") with a designated broker to allow for the purchase of subordinate voting shares under the Bid at times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. The ASPP has been cleared by the TSX and will be entered into in connection with the commencement of the Bid.

2024 Outlook

The Company expects for 2024:

- Toy Gross Product Sales, excluding Melissa & Doug¹ to be in line with 2023.
- Toy Gross Product Sales, excluding Melissa & Doug¹ seasonality to be approximately 28% to 32% in the first half.
- Consolidated Revenue, excluding Melissa & Doug¹, to be in line with 2023.
- Adjusted EBITDA Margin, excluding Melissa & Doug and net cost synergies realized to be in line with 2023.

Incrementally, the Company expects for 2024:

- Melissa & Doug Toy Gross Product Sales¹ to contribute between \$420 million to \$430 million.
- Melissa & Doug Toy Gross Product Sales¹ seasonality to be approximately 20% to 25% in the first half.
- Melissa & Doug Revenue¹ to contribute between \$370 million to \$375 million.
- Melissa & Doug Adjusted EBITDA Margin¹ of approximately 19.5%.
- To achieve in addition approximately \$6 million in net cost synergies towards the target of approximately \$25 million to \$30 million in run-rate net cost synergies by the end of 2026.

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

¹ Ratios".

² Operating Margin is calculated as Operating Income divided by Revenue.

³ Based on POS data per Circana.

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 acquisition of Melissa & Doug, including its expected impact on the Company's business, financial performance and creation of value; the Company's outlook for 2024; future financial performance and growth expectations, as well as the drivers and trends in respect thereof; the Company's priorities, plans and strategies; content, digital game and product pipeline and launches, as well as their impacts; deployment of cash; dividend policy and future dividends; financial position, cash flows, liquidity and financial performance; the creation of long term shareholder value; and the Company's intention to commence the Bid, the timing, quantity and funding of any purchases of subordinate voting shares under the Bid and the ASPP, and the expected facilities through which any such purchases may be made..

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: the Company will be able to successfully integrate the acquisition; the Company will be able to successfully expand its portfolio across new channels and formats, and internationally; achieve other expected benefits through this acquisition; management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Company's financial performance in addition to the proposed transaction and resulting impact on growth in various financial metrics; the realization of the expected strategic, financial and other benefits of the proposed transaction in the timeframe anticipated; the absence of significant undisclosed costs or liabilities associated with the proposed transaction; Melissa & Doug's business will perform in line with the industry; there are no material changes to Melissa & Doug's core customer base; implementation of certain information technology systems and other typical acquisition related cost savings; the Company's dividend payments being subject to the discretion of the Board of Directors and dependent on a variety of factors and conditions existing from time to time; seasonality; 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; 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, maintain and renew broader licenses from third parties for premiere children's properties consistent with past practices, and the success of the licenses; 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 and minority investment 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; the Company will be able to continue to develop and distribute entertainment content in the form of movies, TV shows and short form content; the Company will be able to continue to design, develop and launch mobile digital games to be distributed globally via app stores; 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, retailers and license partners; the Company will continue to attract qualified personnel to support its development requirements; the Company's key personnel will continue to be involved in the Company products, mobile digital games and entertainment properties will be launched as scheduled; and the availability of cash for dividends 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, risks relating to the inability to successfully integrate the Melissa & Doug business; the potential failure to realize anticipated benefits from the proposed transaction; concentration of manufacturing and geopolitical risks; uncertainty and adverse changes in general economic conditions and consumer spending habits; and the factors discussed in the Company's disclosure materials, including the Annual or subsequent, most recent interim 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.sedarplus.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, including the expected performance of the Company. 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.

Conference call

Max Rangel, Global President and Chief Executive Officer and Mark Segal, Chief Financial Officer will host a conference call to discuss the 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.

Spin Master Corp.

Consolidated statements of financial position

(Unaudited, in US\$ millions)	Dec 31, 2023	Dec 31, 2022
Assets		
Current assets		
Cash and cash equivalents	705.7	644.3
Trade receivables, net	414.4	311.0
Inventories, net	98.0	105.1
Other receivables	60.0	49.5
Prepaid expenses and other assets	40.9	22.3
	1,319.0	1,132.2
Non-current assets		
Intangible assets	281.3	279.8
Goodwill	165.9	179.0
Deferred income tax assets	110.8	94.7
Right-of-use assets	53.6	62.9
Property, plant and equipment	32.6	36.0
Other assets	26.5	20.5
	670.7	672.9
Total assets	1,989.7	1,805.1
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	385.4	339.4
Provisions	32.1	30.7
Lease liabilities	11.4	16.3
Deferred revenue	11.0	11.5
Income tax payable	6.6	29.7
	446.5	427.6
Non-current liabilities		
Deferred income tax liabilities	59.1	55.7
Lease liabilities	50.7	54.9
Provisions	14.3	15.1
	124.1	125.7
Total liabilities	570.6	553.3
Shareholders' equity		
Share capital	783.4	754.7
Retained earnings	604.5	477.4
Contributed surplus	27.4	40.7
Accumulated other comprehensive loss	3.8	(21.0)
Total shareholders' equity	1,419.1	1,251.8
Total liabilities and shareholders' equity	1,989.7	1,805.1

Spin Master Corp.

Consolidated statements of earnings and comprehensive income

(Unaudited, in US\$ millions, except earnings per share)	Q4 2023	Q4 2022	Year Ended Dec 31,	
	2023		2023	2022
Revenue	502.6	465.8	1,904.9	2,020.3

Cost of sales	240.6	233.4	866.5	916.5
Gross profit	262.0	232.4	1,038.4	1,103.8
Expenses				
Selling, general and administrative	244.8	237.8	775.7	782.1
Depreciation and amortization	7.1	7.1	25.4	28.9
Other expense, net	28.5	6.7	33.7	10.9
Foreign exchange loss (gain), net	18.2	4.8	14.7	(61.4)
Operating (Loss) Income	(36.6)	(24.0)	188.9	343.3
Interest income	(7.0)	(5.5)	(27.4)	(10.7)
Interest expense	3.9	3.8	15.1	13.6
(Loss) Income before income tax expense	(33.5)	(22.3)	201.2	340.4
Income tax recovery	(3.4)	(8.5)	49.8	79.1
Net (Loss) Income	(30.1)	(13.8)	151.4	261.3
Earnings per share				
Basic	(0.29)	(0.13)	1.46	2.54
Diluted	(0.29)	(0.13)	1.43	2.45
Weighted average number of shares (in millions)				
Basic	103.7	102.9	103.5	102.9
Diluted	106.2	106.5	105.7	106.4

(Unaudited, in US\$ millions)	Year Ended Dec 31,			
	Q4 2023	Q4 2022	2023	2022
Net (Loss) Income	(30.1)	(13.8)	151.4	261.3
Items that may be subsequently reclassified to Net Income				
Foreign currency translation gain (loss)	35.0	21.5	24.8	(79.8)
Items that are not subsequently reclassified to Net Income				
Gain on Minority interest and other investments	—	—	—	0.1
Other comprehensive income (loss)	35.0	21.5	24.8	(79.7)
Total comprehensive income	4.9	7.7	176.2	181.6

Spin Master Corp.
Consolidated statements of cash flows

(in US\$ millions)	Year Ended Dec 31,	
	2023	2022
Operating activities		
Net Income	151.4	261.3
Adjustments to reconcile net income to cash provided by operating activities		
Income tax expense	49.8	79.1
Interest income	(27.4)	(10.7)
Depreciation and amortization	130.1	68.2
Loss on disposal of non-current assets	1.1	1.5
Interest and accretion expense	5.1	5.5
Amortization of Facility fee costs	0.5	0.4
Gain on investment in limited partnership, net	(0.4)	—
Impairment of non-current assets	35.8	3.0
	—	0.5
Loss on minority interest and other investments		
Unrealized foreign exchange loss (gain), net	26.1	(40.3)
Share-based compensation expense	20.1	17.6
Net changes in non-cash working capital	(105.1)	(67.7)
Net change in non-cash provisions and other assets	(2.1)	1.0
Income taxes paid	(93.6)	(83.6)

Income taxes received	7.8	4.5
Interest received	27.8	9.0
Cash provided by operating activities	227.0	249.3
Investing activities		
Investment in property, plant and equipment	(28.0)	(30.4)
Investment in intangible assets	(79.4)	(69.0)
Business acquisitions, net of cash acquired	(26.5)	(10.6)
Investment distribution income	0.3	0.1
Minority interest and other investments	(2.5)	(7.5)
Proceeds from sale of non-current assets	0.8	9.2
Cash used in investing activities	(135.3)	(109.2)
Financing activities		
Payment of lease liabilities	(14.9)	(15.8)
Dividends paid	(18.4)	—
Proceeds from issuance of common shares from exercise of share options	—	0.1
Repurchase of subordinate voting shares under the NCIB	(10.5)	—
Payment of financing costs related to the Facility	(0.3)	—
Cash used in financing activities	(44.1)	(20.3)
Effect of foreign currency exchange rate changes on cash and cash equivalents	13.8	(38.2)
Net increase in cash and cash equivalents during the year	61.4	81.6
Cash and cash equivalents, beginning of the year	644.3	562.7
Cash and cash equivalents, end of the year	705.7	644.3

Non-GAAP Financial Measures and Ratios

In addition to using financial measures prescribed under International Financial Reporting Standards ("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
- Melissa & Doug Toy Gross Product Sales
- Toy Gross Product Sales, excluding Melissa & Doug
- Melissa & Doug Revenue
- Consolidated Revenue, excluding Melissa & Doug
- Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue
- Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue
- Constant Currency Toy Gross Product Sales
- Constant Currency Sales Allowance
- Constant Currency Digital Games Revenue
- Constant Currency Entertainment Revenue
- Constant Currency Revenue
- Adjusted EBITDA
- Adjusted Operating Income
- Adjusted Net Income
- Free Cash Flow

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:

- Percentage change in Constant Currency Toy Gross Product Sales
- Percentage change in Constant Currency Sales Allowance
- Percentage change in Constant Currency Digital Games Revenue
- Percentage change in Constant Currency Entertainment Revenue
- Percentage change in Constant Currency Revenue
- Adjusted EBITDA Margin
- Melissa & Doug Adjusted EBITDA Margin
- Adjusted EBITDA Margin, excluding Melissa & Doug
- Adjusted Operating Margin
- Adjusted Basic EPS

- Adjusted Diluted EPS
- Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution 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. For a reconciliation of Toy Gross Product Sales to Revenue, the closest IFRS measure, refer to the revenue tables for the three and year ended December 31, 2023, as compared to the same period in 2022 in this Press Release.

Melissa & Doug Toy Gross Product Sales represent Toy revenues contributed by Melissa & Doug, excluding the impact of Sales Allowances, to measure the underlying financial performance of the business on a consistent basis over time.

Toy Gross Product Sales, excluding Melissa & Doug represent Toy revenues, excluding Melissa & Doug Toy Gross Product Sales and the impact of Sales Allowances, to measure the underlying financial performance of the business on a consistent basis over time.

Melissa & Doug Revenue represent revenue contributed by Melissa & Doug, to measure the underlying financial performance of the business on a consistent basis over time.

Consolidated Revenue, excluding Melissa & Doug is calculated as revenue excluding Melissa & Doug Revenue, 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.

Adjusted EBITDA is calculated as Operating Income before interest income and interest expense and depreciation and amortization (EBITDA) excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring and other related costs, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, impairment of goodwill, investment distribution income, loss on Minority interest and other investments, acquisition related deferred incentive compensation, net unrealized gain or loss on investment, impairment of property, plant and equipment, legal settlement, transaction cost and gain on disposal of asset. Adjusted EBITDA is used by management as a measure of the Company's profitability. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Adjusted Operating Income (Loss) is calculated as Operating Income (Loss) excluding adjustments (as defined in Adjusted EBITDA). Adjusted Operating Income (Loss) is used by management as a measure of the Company's profitability. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Adjusted Net Income (Loss) is calculated as Net Income (Loss) excluding adjustments (as defined in Adjusted EBITDA), the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income (Loss) 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 below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

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 for business acquisitions, advance paid for business acquisitions, asset acquisitions, investment in limited partnership, Minority interest and other investments, proceeds from sale of manufacturing operations and net of investment distribution income. Management uses the Free Cash Flow metric to analyze the cash flows being generated by the Company's business. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Cash flow from operating

activities, the closest IFRS measure.

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*. 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.

Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding distribution revenue related to *PAW Patrol: The Mighty Movie*. Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is used by management as a measure of the Company's profitability on a consistent basis over time.

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 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.

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.

Melissa & Doug Toy Gross Product Sales represent Toy revenues contributed by Melissa & Doug, excluding the impact of Sales Allowances, to measure the underlying financial performance of the business on a consistent basis over time.

Toy Gross Product Sales, excluding Melissa & Doug represent Toy revenues, excluding Melissa & Doug Toy Gross Product Sales and the impact of Sales Allowances, to measure the underlying financial performance of the business on a consistent basis over time.

Melissa & Doug Revenue represent revenue contributed by Melissa & Doug, to measure the underlying financial performance of the business on a consistent basis over time.

Consolidated Revenue, excluding Melissa & Doug is calculated as revenue excluding Melissa & Doug Revenue, to measure the underlying financial performance of the business on a consistent basis over time.

Adjusted Operating Margin is calculated as Adjusted Operating Income (Loss) divided by Revenue. Management uses Adjusted Operating Margin to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

Adjusted Basic EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS 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. Management uses Adjusted Basic EPS and Adjusted Diluted EPS to measure the underlying financial performance of the business on a consistent basis

over time.

Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding *PAW Patrol: The Mighty Movie* Distribution Revenue divided by Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue. Management uses Adjusted EBITDA Margin excluding *PAW Patrol: The Mighty Movie* Distribution Revenue to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors on a consistent basis over time.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Operating (Loss) Income to Adjusted Operating Income (Loss), Adjusted EBITDA, Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie Distribution Revenue*, Adjusted Net Income, and cash used in operating activities and investing activities to Free Cash Flow for the three months ended December 31, 2023 and 2022:

(in US\$ millions)	Q4 2023	Q4 2022	\$ Change	% Change
Operating (Loss) Income	(36.6)	(24.0)	(12.6)	52.5 %
Adjustments:				
Share based compensation ¹	4.8	4.7	0.1	2.1 %
Foreign exchange loss ²	18.2	4.8	13.4	279.2 %
Restructuring and other related costs ³	3.8	(0.2)	4.0	(2,000.0) %
Acquisition related deferred incentive compensation ⁴	1.6	2.2	(0.6)	(27.3) %
Impairment of intangible assets ⁵	5.8	1.1	4.7	427.3 %
Impairment of goodwill ⁶	25.7	—	25.7	n.m.
Transaction costs ⁷	3.8	0.2	3.6	1,800.0 %
Legal settlement recovery ⁸	(0.1)	1.6	(1.7)	(106.3) %
Net unrealized gain on investment	0.2	0.1	0.1	100.0 %
Acquisition related contingent consideration ⁹	(4.7)	3.1	(7.8)	(251.6) %
Impairment of property, plant and equipment ¹⁰	0.7	0.9	(0.2)	(22.2) %
Adjusted Operating Income (Loss)	23.2	(5.5)	28.7	(521.8) %
Depreciation and amortization	41.7	17.9	23.8	133.0 %
Adjusted EBITDA	64.9	12.4	52.5	423.4 %
Income tax recovery	3.4	8.5	(5.1)	(60.0) %
Interest income	3.1	1.7	1.4	82.4 %
Depreciation and amortization	(41.7)	(17.9)	(23.8)	133.0 %
One-time income tax expense ¹¹	5.7	—	5.7	n.m.
Tax effect of normalization adjustments ¹²	(14.9)	(4.7)	(10.2)	217.0 %
Adjusted Net Income	20.5	—	20.5	n.m.
Cash provided by operating activities	67.9	(6.8)	74.7	(1,098.5) %
Cash used in investing activities	(23.3)	(28.2)	4.9	(17.4) %
Add:				
Cash provided by business acquisitions, asset acquisitions, and investment in limited partnership and Minority interest and other investments, net of investment distribution income	(0.3)	4.9	(5.2)	(106.1) %
Free Cash Flow	44.3	(30.1)	74.4	(247.2) %

¹ Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan.

² Includes foreign exchange losses (gains) generated by the translation and settlement 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.

³ Restructuring expense in the current year relates to the reduction in the Company's global workforce and closure of its manufacturing facility in Calais, France. Prior year comparison relates to changes in personnel.

⁴ Deferred incentive compensation associated with acquisitions.

⁵ Impairment of intangible assets related to content development projects and computer software.

⁶ Impairment of goodwill associated with two CGUs.

⁷ Professional fees incurred relating to acquisitions and other transactions.

⁸ Legal settlement in the first and second quarters of 2022.

⁹ Recovery associated with contingent consideration for acquisitions.

¹⁰ Impairment of property plant and equipment related to tooling.

11 Adjustment for one-time income tax expense in Q4 2023.

12 Tax effect of adjustments (Footnotes 1-10). Adjustments are tax effected at the effective tax rate of the given period.

The following table presents a reconciliation of Operating Income to Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie Distribution Revenue*, Adjusted Net Income, and cash from operating activities to Free Cash Flow for the year ended December 31, 2023 and 2022:

(in US\$ millions)	Year Ended Dec 31			
	2023	2022	\$ Change	% Change
Operating Income	188.9	343.3	(154.4)	(45.0) %
Restructuring and other related costs ¹	18.1	4.9	13.2	269.4 %
Foreign exchange loss (gain) ²	14.7	(61.4)	76.1	(123.9) %
Share based compensation ³	20.1	17.6	2.5	14.2 %
Impairment of goodwill ⁴	26.7	—	26.7	n.m.
Impairment of property, plant and equipment ⁵	0.9	1.9	(1.0)	(52.6)
Impairment of intangible assets ⁶	8.2	1.1	7.1	645.5
Legal settlement recovery ⁷	(0.6)	(0.5)	(0.1)	20.0 %
Acquisition related deferred incentive compensation ⁸	7.6	10.3	(2.7)	(26.2) %
Net unrealized gain on investment ⁹	(0.1)	—	(0.1)	n.m.
Net realized gain on investment ¹⁰	(0.1)	(0.1)	—	— %
Loss on minority interest and other investments ¹¹	—	0.5	(0.5)	(100.0) %
Acquisition related contingent consideration ¹²	(6.8)	2.6	(9.4)	(361.5) %
Transaction costs ¹³	11.1	1.0	10.1	1,010.0 %
Adjusted Operating Income	288.7	321.2	(32.5)	(10.1) %
Depreciation and amortization	130.1	68.2	61.9	90.8 %
Adjusted EBITDA	418.8	389.4	29.4	7.6 %
Distribution revenue related to <i>PAW Patrol: The Mighty Movie</i>	(15.6)	—	(15.6)	n.m.
Adjusted EBITDA, excluding <i>PAW Patrol: The Mighty Movie</i> Distribution Revenue	403.2	377.0	26.2	6.9 %
Income tax expense	(49.8)	(79.1)	29.3	(37.0) %
Interest income (expense)	12.3	(2.9)	15.2	(524.1) %
Depreciation and amortization	(130.1)	(68.2)	(61.9)	90.8 %
One-time income tax recovery ¹⁴	(0.9)	—	(0.9)	n.m.
Tax effect of adjustments ¹⁵	(25.1)	5.1	(30.2)	(592.2) %
Adjusted Net Income	225.2	244.3	(19.1)	(7.8) %
Cash provided by operating activities	227.0	249.3	(22.3)	(8.9) %
Cash used in investing activities	(135.3)	(109.2)	(26.1)	23.9 %
Add:				
Cash provided by (used in) business acquisitions, asset acquisitions, investment in limited partnership and Minority interest and other investments and trademark license agreement, net of investment distribution income	31.2	9.8	21.4	218.4 %
Free Cash Flow	122.9	149.9	(27.0)	(18.0) %

1 Restructuring expense in the current year relates to the reduction in the Company's global workforce and closure of its manufacturing facility in Calais, France. Prior year comparison relates to changes in personnel.

2 Includes foreign exchange losses (gains) generated by the translation and settlement 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.

3 Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan.

4 Impairment of goodwill associated with three CGUs.

5 Impairment of property plant and equipment related to tooling.

6 Impairment of intangible assets related to content development projects and computer software.

7 Legal settlement in the first quarter of 2023 and first and second quarters of 2022.

8 Deferred incentive compensation associated with acquisitions.

9 Net unrealized gain related to investment in limited partnership.

10 Net realized gain related to investment in limited partnership.

11 Fair value loss on the Minority interest and other investments classified as FVTPL.

12 Expense associated with contingent consideration for acquisitions.

13 Professional fees incurred relating to acquisitions and other transactions.

14 Adjustment for one-time income tax recovery in Q3 2023 partially offset by one-time income tax expense in Q4 2023.

15 Tax effect of adjustments (Footnotes 1-13). Adjustments are tax effected at the effective tax rate of the given period.

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:

(US\$ millions)	Q4 2023	Q4 2022	Year Ended Dec 31,	
			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 Allowances, Percentage change in Constant Currency Entertainment Revenue, 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:

(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) %

Segment Results

The Company's results from operations by reportable segment for the three months ended December 31, 2023 and 2022 are as follows:

(US\$ millions)	Q4 2023					Q4 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	406.8	55.2	40.6	—	502.6	396.7	31.2	37.9	—	465.8
Operating (Loss) Income	(30.0)	9.7	9.7	(26.0)	(36.6)	(43.3)	19.1	10.1	(9.9)	(24.0)
Restructuring and other related costs (recovery)	3.3	0.1	0.4	—	3.8	(0.2)	—	—	—	(0.2)
Foreign exchange loss	—	—	—	18.2	18.2	—	—	—	4.8	4.8
Share based compensation	3.2	0.3	0.7	0.6	4.8	3.3	0.3	0.7	0.4	4.7
Impairment of goodwill	25.7	—	—	—	25.7	—	—	—	—	—
Impairment of property, plant and equipment	0.7	—	—	—	0.7	0.9	—	—	—	0.9
Impairment of intangible assets	5.4	0.4	—	—	5.8	—	1.1	—	—	1.1
Legal (recovery) settlement expense	—	—	—	(0.1)	(0.1)	—	—	—	1.6	1.6
Acquisition related deferred incentive compensation	0.6	—	1.0	—	1.6	0.7	—	1.5	—	2.2
Net unrealized loss on investment	—	—	—	0.2	0.2	—	—	—	0.1	0.1
Acquisition related contingent consideration	(3.5)	—	(1.0)	(0.2)	(4.7)	3.1	—	—	—	3.1
Transaction costs	—	—	—	3.8	3.8	—	—	—	0.2	0.2
Adjusted Operating Income (Loss)	5.4	10.5	10.8	(3.5)	23.2	(35.5)	20.5	12.3	(2.8)	(5.5)
Adjusted Operating Margin	1.3 %	19.0 %	26.6 %	n.m.	4.6 %	(8.9) %	65.7 %	32.5 %	n.m.	(1.2) %
Depreciation and amortization	13.9	25.6	2.2	—	41.7	11.1	4.8	1.9	0.1	17.9
Adjusted EBITDA	19.3	36.1	13.0	(3.5)	64.9	(24.4)	25.3	14.2	(2.7)	12.4
Adjusted EBITDA Margin	4.7 %	65.4 %	32.0 %	n.m.	12.9 %	(6.2) %	81.1 %	37.5 %	n.m.	2.7 %

The following table presents a reconciliation of Melissa & Doug's Operating Income to Adjusted EBITDA for the year ended December 29, 2023 and December 30, 2022:

(US\$ millions)	2023	2022
Revenue	364.0	489.0
Operating (loss) income, per US GAAP	(0.9)	25.3
IFRS Adjustments	12.5	2.2
Operating income, per IFRS	11.6	27.5
Depreciation and amortization	14.2	20.8
EBITDA	25.8	48.3
Normalization adjustments ¹	41.4	42.0
Adjusted EBITDA	67.2	90.3
Adjusted EBITDA Margin	18.5 %	18.5 %

¹ Normalization adjustments include certain costs that do not relate to the post-combination entity including freight costs in excess of normal operating costs, transaction costs, non-recurring expenses, share based compensation, severance and other payroll related costs.

ADDENDUM

Effective January 1, 2024, Spin Master has changed its product categories to align with the Company's product offerings going

forward. The following table restates 2023 Toy Gross Product Sales¹ in the same format that the Company presents Toy Gross Product Sales¹ in 2024:

(US\$ millions)	Q1 2023		Q2 2023		Q3 2023		Q4 2023		Total
Preschool, Infant & Toddler and Plush	\$	82.6	\$	164.9	\$	301.4	\$	169.3	\$ 718.2
Activities, Games & Puzzles and Dolls & Interactive	\$	62.6	\$	109.7	\$	218.7	\$	196.0	\$ 587.0
Wheels & Action	\$	43.7	\$	101.1	\$	151.2	\$	113.3	\$ 409.3
Outdoor	\$	27.4	\$	14.3	\$	7.3	\$	23.7	\$ 72.7
Gross Product Sales¹	\$	216.3	\$	390.0	\$	678.6	\$	502.3	\$ 1,787.2

SOURCE Spin Master Corp.

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

<https://spinmaster.mediaroom.com/2024-02-28-Spin-Master-Reports-Fourth-Quarter-and-Full-Year-2023-Financial-Results>