

Spin Master Reports Q1 2024 Financial Results including Melissa & Doug, Increases Quarterly Dividend

TORONTO, May 7, 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 ended March 31, 2024. The Company's full Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2024 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.

"As we approach the 30th anniversary of Spin Master's founding, I wanted to reflect on our growth and evolution," said Max Rangel, Global President & CEO. "Over the past 30 years, we have grown from an innovative start-up toy company to become a global, fully-imagined children's entertainment company. We've continued to build on our leadership position in toys through disruptive innovation and have diversified our robust portfolio through incremental licensed partnerships, international expansion, the development of entertainment content, digital games capabilities and compelling acquisitions. Our Toy Gross Product Sales growth in the first quarter reflects the addition of Melissa & Doug's trusted line of open-ended and developmental play to our toy business. In 2024, we will bring breakthrough innovation to the toy aisle, alongside impressive launches within our core and licensed brand portfolios. Our investment in the creation of multiplatform content including our two new original series *Unicorn Academy* and *Vida the Vet*, are expected to drive incremental toy and licensing and merchandising opportunities later in 2024. We will continue to expand our digital games ecosystem with the launch of *Toca Boca Days* and *Rubik's Match* in the coming months. These digital games are designed to deepen and broaden our audience base, attracting kids of all ages and spawning new fans and player communities. Given our financial framework for value creation, the power of our three creative centres and our strong financial position, we are well-positioned to execute against our strategy of reimagining everyday play and investing in innovation, content, geographic expansion and acquisitions to drive long-term profitable growth and shareholder value."

"As expected, Toy Gross Product Sales in Q1 2024, excluding Melissa & Doug, were in line with 2023 in what is typically the lowest quarter seasonally for the toy industry" said Mark Segal, Spin Master's EVP & Chief Financial Officer. "Much of our focus was centered around Melissa & Doug and our consolidated results now include their business. Our integration efforts are well underway, and we've already begun to capitalize on cost synergies and identify revenue growth opportunities. Our capital allocation strategy for 2024 is focused on innovative IP-driven revenue and profitability growth, investment in entertainment content and digital games, and enhancing total shareholder returns. We are maintaining our outlook for 2024. During Q1, we began executing share purchases under our recently approved Normal Course Issuer Bid. We are pleased to increase our dividend from CA\$0.06 to CA\$0.12 per share. We will continue to focus on strategic M&A and venture investments, particularly in the Digital Games and Entertainment segments, as we integrate Melissa & Doug into the Toys segment."

Consolidated Financial Highlights for Q1 2024 as compared to the same period in 2023

- Revenue was \$316.2 million, an increase of 16.5% from \$271.4 million, which includes Melissa & Doug Revenue of \$40.4 million. Revenue, excluding Melissa & Doug¹ was \$275.8 million, an increase of 1.6% from \$271.4 million.
- Constant Currency Revenue¹ was \$314.7 million, an increase of 16.0%, from \$271.4 million.
- Revenue by operating segment reflected increases of 21.5% in Toys, 16.5% in Entertainment, and a decrease of 3.2% in Digital Games.
- Toy Gross Product Sales¹ was \$264.1 million, an increase of \$47.8 million or 22.1% from \$216.3 million, including Melissa & Doug Toy Gross Product Sales¹ of \$46.7 million. Toy Gross Product Sales, excluding Melissa & Doug¹ was \$217.4 million, an increase of \$1.1 million or 0.5% from \$216.3 million.
- Operating Loss was \$61.8 million compared to Operating Loss of \$6.1 million.
- Operating Margin² was (19.5)% compared to (2.2)%.
- Adjusted Operating Loss¹ was \$14.5 million compared to Adjusted Operating Income¹ of \$12.7 million.
- Adjusted Operating Margin¹ was (4.6)% compared to 4.7%.
- Net Loss was \$54.8 million or \$(0.53) per share compared to \$1.9 million or \$(0.02) per share.
- Adjusted Net Loss¹ was \$19.5 million or \$(0.19) per share compared to Adjusted Net income¹ of \$12.3 million or \$0.12 per share.
- Adjusted EBITDA¹ was \$18.6 million compared to \$30.6 million, a decrease of \$12.0 million or 39.2%.
- Adjusted EBITDA, excluding Melissa & Doug¹ was \$27.8 million compared to \$30.6 million, a decrease of \$2.8 million or 9.2%.
- Adjusted EBITDA Margin¹ was 5.9% compared to 11.3%.
- Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 10.1% compared to 11.3%.
- Cash provided by operating activities was \$24.3 million compared to cash used of \$4.3 million.
- Free Cash Flow³ was \$(0.6) million compared to \$(34.4) million.
- During the three months ended March 31, 2024, the Company repurchased and cancelled 333,300 subordinate voting shares through the Company's Normal Course Issuer Bid (the "NCIB") program for \$8.4 million. Subsequent to March 31, 2024, the Company repurchased a further 255,621 subordinate voting shares for cancellation at a cost of \$6.3 million.
- Subsequent to March 31, 2024, the Company declared a quarterly dividend of CA\$0.12 per outstanding subordinate voting share and multiple voting share, payable on July 12, 2024.

Acquisition of Melissa & Doug

- 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 is reported in the Toys segment within the Preschool, Infant & Toddler and Plush product category.
- The first quarter results for 2024 include the operating results of Melissa & Doug. A summary of key Melissa & Doug's operating results for the three months ended March 31, 2024 is included below.
- On January 2, 2024, cash consideration paid was \$991.7 million, which includes \$36.2 million in cash acquired, resulting in net purchase consideration of \$955.5 million.
- The Company funded the \$991.7 million purchase price with \$466.7 million in cash and \$525.0 million in debt from its credit facilities to finance the acquisition.
- During the three months ended March 31, 2024, the Company repaid \$50.0 million towards its credit facilities (refer to the Liquidity section for more details).
- The Company incurred \$9.5 million in transaction related costs for the three months ended March 31, 2024.
- During the three months ended March 31, 2024, the Company recognized \$0.2 million in Net Cost Synergies³ and continues to expect to achieve approximately \$6 million in Net Cost Synergies³ in 2024 towards the target of approximately \$25 million to \$30 million in Run-rate Net Cost

Synergies⁴ by the end of 2026.

The following summarizes the impact of Melissa & Doug's operating results on the first quarter consolidated results:

(US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Revenue	316.2	271.4	44.8	16.5 %
Melissa & Doug Revenue	40.4	—	40.4	n.m.
Revenue, excluding Melissa & Doug¹	275.8	271.4	4.4	1.6 %
Toys Gross Product Sales ¹	264.1	216.3	47.8	22.1 %
Melissa & Doug Toy Gross Product Sales ¹	46.7	—	46.7	n.m.
Toys Gross Product Sales, excluding Melissa & Doug¹	217.4	216.3	1.1	0.5 %
Adjusted EBITDA ¹	18.6	30.6	(12.0)	(39.2) %
Melissa & Doug Adjusted EBITDA ¹	(9.2)	—	(9.2)	n.m.
Adjusted EBITDA, excluding Melissa & Doug¹	27.8	30.6	(2.8)	(9.2) %
Adjusted EBITDA Margin¹	5.9 %	11.3 %		
Adjusted EBITDA Margin, excluding Melissa & Doug¹	10.1 %	11.3 %		

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

Consolidated Financial Results as compared to the same period in 2023

(US\$ millions, except per share information)	Q1 2024	Q1 2023	\$ Change
Consolidated Results			
Revenue ⁴	\$ 316.2	\$ 271.4	\$ 44.8
Constant Currency Revenue ¹	\$ 314.7		\$ 43.3
Operating Loss	\$ (61.8)	\$ (6.1)	\$ (55.7)
Operating Margin ²	(19.5) %	(2.2) %	
Adjusted Operating Income (Loss) ^{1,3}	\$ (14.5)	\$ 12.7	\$ (27.2)
Adjusted Operating Margin ¹	(4.6) %	4.7 %	
Net Loss	\$ (54.8)	\$ (1.9)	\$ (52.9)
Adjusted Net Income (Loss) ^{1,3}	\$ (19.5)	\$ 12.3	\$ (31.8)
Adjusted EBITDA ^{1,3,4}	\$ 18.6	\$ 30.6	\$ (12.0)
Adjusted EBITDA Margin ¹	5.9 %	11.3 %	
Earnings Per Share ("EPS")			
Basic EPS	\$ (0.53)	\$ (0.02)	
Diluted EPS	\$ (0.53)	\$ (0.02)	
Adjusted Basic EPS ¹	\$ (0.19)	\$ 0.12	
Adjusted Diluted EPS ¹	\$ (0.19)	\$ 0.12	
Weighted average number of shares (in millions)			
Basic	104.2	103.0	
Diluted	106.3	106.6	

Selected Cash Flow Data

Cash provided by (used in) operating activities	\$ 24.3	\$ (4.3)	\$ 28.6
Cash used in investing activities	\$ (980.4)	\$ (56.6)	\$ (923.8)
Cash provided by (used in) financing activities	\$ 457.2	\$ (14.8)	\$ 472.0
Free Cash Flow ¹	\$ (0.6)	\$ (34.4)	\$ 33.8

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.

³ Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details on the adjustments for Q1 2024.

⁴ Included in the operating results of Q1 2024 is Melissa & Doug Revenue of \$40.4 million and Melissa & Doug Adjusted EBITDA of \$(9.2) million.

Segmented Financial Results as compared to the same period in 2023

(US\$ millions)	Q1 2024					Q1 2023				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	\$ 226.4	\$ 43.8	\$ 46.0	\$ —	\$ 316.2	\$ 186.3	\$ 37.6	\$ 47.5	\$ —	\$ 271.4
Operating (Loss) Income	\$ (90.8)	\$ 28.6	\$ 13.2	\$ (12.8)	\$ (61.8)	\$ (41.8)	\$ 29.3	\$ 16.2	\$ (9.8)	(6.1)
Adjusted Operating Income (Loss)²	\$ (56.2)	\$ 29.1	\$ 15.2	\$ (2.6)	\$ (14.5)	\$ (33.4)	\$ 29.9	\$ 19.0	\$ (2.8)	\$ 12.7
Adjusted EBITDA²	\$ (32.5)	\$ 36.4	\$ 17.3	\$ (2.6)	\$ 18.6	\$ (21.4)	\$ 33.6	\$ 21.0	\$ (2.6)	\$ 30.6

¹ Corporate & Other includes certain corporate costs, foreign exchange and merger and acquisition-related costs, as well as fair 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 March 31, 2024 and 2023:

(US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Preschool, Infant & Toddler and Plush ¹	\$ 122.8	\$ 82.6	\$ 40.2	48.7 %
Activities, Games & Puzzles and Dolls & Interactive	\$ 80.5	\$ 62.6	\$ 17.9	28.6 %
Wheels & Action	\$ 40.7	\$ 43.7	\$ (3.0)	(6.9) %
Outdoor	\$ 20.1	\$ 27.4	\$ (7.3)	(26.6) %
Toy Gross Product Sales²	\$ 264.1	\$ 216.3	\$ 47.8	22.1 %
<i>Constant Currency Toy Gross Product Sales²</i>	<i>\$ 262.4</i>		<i>\$ 46.1</i>	<i>21.3 %</i>
Sales Allowances ³	\$ (38.2)	\$ (30.0)	\$ (8.2)	27.3 %
<i>Sales Allowances % of Toy Gross Product Sales²</i>	<i>14.5 %</i>	<i>13.9 %</i>		<i>0.6 %</i>
Toy Net Sales	\$ 225.9	\$ 186.3	\$ 39.6	21.3 %
Toy - Other Revenue	\$ 0.5	\$ —	\$ 0.5	n.m.
<i>Constant Currency Toy - Other Revenue²</i>	<i>\$ 0.5</i>		<i>\$ 0.5</i>	<i>n.m.</i>
Toy Revenue	\$ 226.4	\$ 186.3	\$ 40.1	21.5 %
Toys Operating Loss	\$ (90.8)	\$ (41.8)	\$ (49.0)	117.2 %
Toys Operating Margin⁴	(40.1) %	(22.4) %		(17.7) %
Toys Adjusted EBITDA²	\$ (32.5)	\$ (21.4)	\$ (11.1)	(51.9) %
Toys Adjusted EBITDA Margin²	(14.4) %	(11.5) %		(2.9) %

¹ Melissa & Doug is included within the Preschool, Infant & Toddler and Plush product categories beginning from the date of acquisition.

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

³ 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.

⁴ Operating Margin is calculated as segment Operating Income divided by segment Revenue.

(US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Toy Revenue	226.4	186.3	40.1	21.5 %
Melissa & Doug Revenue	40.4	—	40.4	n.m.
Toy Revenue, excluding Melissa & Doug¹	186.0	186.3	(0.3)	(0.2) %
Toys Adjusted EBITDA ¹	(32.5)	(21.4)	(11.1)	51.9 %
Melissa & Doug Adjusted EBITDA ¹	(9.2)	—	(9.2)	n.m.
Toys Adjusted EBITDA, excluding Melissa & Doug¹	(23.3)	(21.4)	(1.9)	8.9 %
Toys Adjusted EBITDA Margin¹	(14.4) %	(11.5) %		
Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹	(12.5) %	(11.5) %		

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

- 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).
- Toy Revenue increased by \$39.6 million or 21.3% to \$225.9 million due to the inclusion of Melissa & Doug Toy revenue¹ of \$40.4 million.
- Toy Gross Product Sales¹ was \$264.1 million, increase of \$47.8 million or 22.1% from \$216.3 million, including Melissa & Doug Toy Gross Product

Sales¹ of \$46.7 million. Toy Gross Product Sales, excluding Melissa & Doug¹ was \$217.4 million, an increase of \$1.1 million or 0.5% from \$216.3 million. The Toy industry continues to be challenged by the macroeconomic environment causing reduced consumer discretionary spending.

- Sales Allowances increased by \$8.2 million to \$38.2 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased to 14.5% from 13.9%, primarily driven by geographic market mix and continued pressure on consumer discretionary spending, driving promotional activity.
- Toys Operating Loss increased by \$49.0 million to \$90.8 million compared to \$41.8 million.
- Toys Operating Margin was (40.1)% compared to (22.4)%.
- Toys Adjusted EBITDA Margin¹ was (14.4)% compared to (11.5)%. Toys Adjusted EBITDA Margin¹, excluding Melissa & Doug¹ was (12.5)% compared to (11.5)%.
- The decrease in Toys Operating Margin and Toys Adjusted EBITDA Margin¹ was driven by an increase in administrative expenses with the inclusion of Melissa & Doug resulting in lower operating leverage achieved due to higher relative seasonality impact in the first quarter, a change in market and customer mix and an increase in sales allowances partially offset by a decrease in selling expenses due to a lower proportion of sales of partner licensed brands resulting from the inclusion of Melissa & Doug.

Entertainment Segment Results

The following table provides a summary of Entertainment segment operating results, for the three months ended March 31, 2024 and 2023:

(US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Entertainment revenue	\$ 43.8	\$ 37.6	\$ 6.2	16.5 %
Entertainment Operating Income	\$ 28.6	\$ 29.3	\$ (0.7)	(2.4) %
Entertainment Operating Margin	65.3 %	77.9 %		(12.6) %
Entertainment Adjusted Operating Income ¹	\$ 29.1	\$ 29.9	\$ (0.8)	(2.7) %
Entertainment Adjusted Operating Margin ¹	66.4 %	79.5 %		(13.1) %

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

- Entertainment revenue increased by \$6.2 million or 16.5% to \$43.8 million, from higher distribution revenue associated with on-going distribution of *PAW Patrol* series and *PAW Patrol: The Mighty Movie*, partially offset by lower licensing and merchandising revenue. Constant Currency Entertainment Revenue¹ increased by \$6.2 million or 16.5% to \$43.8 million, from \$37.6 million.
- Entertainment Operating Income decreased by \$0.7 million or 2.4% to \$28.6 million. Entertainment Adjusted Operating Income¹ decreased by \$0.8 million or 2.7% to \$29.1 million from \$29.9 million, from higher amortization of production costs and promotion costs for Entertainment content, partially offset by distribution revenue.
- Entertainment Operating Margin decreased to 65.3% from 77.9% and Entertainment Adjusted Operating Margin¹ decreased to 66.4% from 79.5%, from lower licensing and merchandising revenue and the dilutive effect of Entertainment content deliveries, partially offset by higher distribution revenue.

Digital Games Segment Results

The following table provides a summary of Digital Games segment operating results, for the three months ended March 31, 2024 and 2023:

(US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Digital Games revenue	\$ 46.0	\$ 47.5	\$ (1.5)	(3.2) %
Digital Games Operating Income	\$ 13.2	\$ 16.2	\$ (3.0)	(18.5) %
Digital Games Operating Margin	28.7 %	34.1 %		(5.4) %
Digital Games Adjusted Operating Income ¹	\$ 15.2	\$ 19.0	\$ (3.8)	(20.0) %
Digital Games Adjusted Operating Margin ¹	33.0 %	40.0 %		(7.0) %

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

- Digital Games revenue declined by \$1.5 million or 3.2% to \$46.0 million due to lower in-game purchases in *Toca Life World*, partially offset by higher subscription revenue from both *Piknik* and *PAW Patrol Academy*. Constant Currency Digital Games Revenue¹ decreased by \$1.6 million or 3.4% to \$45.9 million, down from \$47.5 million.
- Digital Games Operating Income decreased by \$3.0 million or 18.5% to \$13.2 million. Digital Games Adjusted Operating Income¹ decreased by \$3.8 million or 20.0% to \$15.2 million from \$19.0 million. Digital Games Operating Margin decreased from 34.1% to 28.7% and Digital Games Adjusted Operating Margin¹ decreased from 40.0% to 33.0%.
- The decrease in Digital Games Operating Income, Digital Games Adjusted Operating Income¹, Digital Games Operating Margin and Digital Games Adjusted Operating Margin¹ was due to a decline in revenue and higher marketing costs related to *Piknik* and *PAW Patrol Academy*.

Liquidity

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

The Company has a non-revolving credit facility (the "Acquisition Facility") for the acquisition of Melissa & Doug, with a borrowing capacity of \$225.0 million which matures on November 19, 2024, and contains certain financial covenants.

As at March 31, 2024, there was \$250.0 million drawn (December 31, 2023 - \$nil) under the Facility and \$225.0 million drawn (December 31, 2023 - \$nil) under the Acquisition Facility. For the three months ended March 31, 2024, the weighted average interest rate on the Facility and the Acquisition Facility were both 6.6% (2023 - 0%).

The Company's Facility and Acquisition Facility bear interest at variable rates. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in lenders' base rates. The Company manages its interest rate risk by using a variable to fixed interest rate swap, where the Company pays the fixed interest rate. On March 27, 2024, the Company entered into four interest rate swaps with an aggregate notional principal of \$140.0 million, effective on April 1, 2024, maturing in four tranches until December 31, 2025.

As at March 31, 2024, the Company had unutilized liquidity of \$464.0 million, comprised of \$205.5 million in Cash and \$258.5 million under the Company's credit facilities.

Cash Flows

For the three months ended March 31, 2024, cash flow provided by operating activities was \$24.3 million, compared to cash flow used of \$4.3 million. The increase was driven by the change in non-cash working capital offset by lower Adjusted Operating Income¹. Change in non-cash working capital increased by \$70.1 million, due to increases of \$115.5 million in trade receivables, \$7.8 million in inventories and \$3.8 million in other receivables, partially offset by an decrease of \$75.0 million in trade payables and accrued liabilities.

For the three months ended March 31, 2024, cash flow provided by financing activities was \$457.2 million, compared to cash flow used of \$14.8 million. The increase is primarily driven by the proceeds from loans and borrowings of \$525.0 million, partially offset by repayments of \$50.0 million.

For the three months ended March 31, 2024, Free Cash Flow¹ was \$(0.6) million compared to \$(34.4) million, due to higher cash flow provided by operating activities and lower cash flow used in investing activities.

Capitalization

The Company's Board of Directors declared a dividend of C\$0.12 per outstanding subordinate voting share and multiple voting share, payable on July 12, 2024 to shareholders of record at the close of business on June 28, 2024. The dividend is designated to be an eligible dividend for purposes of section 89(1) of the *Income Tax Act* (Canada).

The weighted average basic and diluted shares outstanding as at March 31, 2024 were 104.2 million and 106.3 million, compared to 103.0 million and 106.6 million in the prior year, respectively.

During the three months ended March 31, 2024, the Company repurchased and cancelled 333,300 subordinate voting shares through the Company's NCIB program for \$8.4 million, of which \$3.3 million was paid subsequent to March 31, 2024. Subsequent to March 31, 2024, the Company repurchased a further 255,621 subordinate voting shares for cancellation at a cost of \$6.3 million. In 2023, the Company repurchased and cancelled 397,700 subordinate voting shares at a cost of \$10.5 million.

Subsequent to March 31, 2024, the Company filed a short form base shelf prospectus dated April 12, 2024, pursuant to which, for a period of 25 months thereafter, the Company (and shareholders of the Company) may sell subordinate voting shares, preferred shares, debt securities, subscription receipts, warrants or any combination thereof as a unit. This filing provides the Company with the flexibility to access debt and equity markets on a timely basis.

2024 Outlook

The Company reiterated its previous guidance issued on February 28, 2024. 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.
- Revenue, excluding Melissa & Doug¹, to be in line with 2023.
- Adjusted EBITDA Margin, excluding Melissa & Doug¹ and Net Cost Synergies³ realized to be in line with 2023.

The Company also reiterated its previous guidance issued on February 28, 2024. 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 Revenue 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 Synergies³ towards the target of approximately \$25 million to \$30 million in Run-rate Net Cost Synergies⁴ by the end of 2026.

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.

³ Net Cost Synergies represents cost savings, net of costs to achieve, attributable to the integration of Melissa & Doug.

⁴ Run-rate Net Cost Synergies represents the expected ongoing cost savings, net of costs to achieve, attributable to the integration of Melissa & Doug.

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, and the creation of long term shareholder value.

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 transactions; Melissa & Doug's business will perform in line with the industry; there are no material changes to Melissa & Doug's core customer base; net cost synergies towards the target of approximately \$25 million to \$30 million in Run-rate Net Cost Synergies by the end of 2026; 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 Wednesday, May 8, 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.
Condensed consolidated interim statements of financial
position**

	Mar 31, 2024	Dec 31, 2023
(Unaudited, in US\$ millions)		
Assets		

Current assets		
Cash and cash equivalents	205.5	705.7
Restricted cash	3.1	—
Trade receivables, net	285.9	414.4
Other receivables	62.4	60.0
Inventories, net	252.1	98.0
Income tax receivable	33.2	—
Prepaid expenses and other assets	44.7	40.9
	886.9	1,319.0
Non-current assets		
Intangible assets	820.1	281.3
Goodwill	381.4	165.9
Right-of-use assets	170.4	53.6
Property, plant and equipment	65.1	32.6
Deferred income tax assets	161.5	110.8
Other assets	37.0	26.5
	1,635.5	670.7
Total assets	2,522.4	1,989.7

Liabilities

Current liabilities		
Trade payables and accrued liabilities	270.2	385.4
Loans and borrowings	473.2	—
Provisions	28.0	32.1
Lease liabilities	33.5	11.4
Deferred revenue	12.7	11.0
Income tax payable	—	6.6
	817.6	446.5
Non-current liabilities		
Deferred income tax liabilities	221.9	59.1
Lease liabilities	124.1	50.7
Provisions	14.7	14.3
	360.7	124.1
Total liabilities	1,178.3	570.6

Shareholders' equity

Share capital	783.7	783.4
Retained earnings	534.5	604.5
Contributed surplus	29.1	27.4
Accumulated other comprehensive (loss) income	(3.2)	3.8
Total shareholders' equity	1,344.1	1,419.0
Total liabilities and shareholders' equity	2,522.4	1,989.7

Spin Master Corp. Condensed consolidated interim statements of loss and comprehensive (loss) income

(Unaudited, in US\$ millions, except earnings per share)	Q1 2024	Q1 2023
Revenue	316.2	271.4
Cost of sales	159.7	112.9
Gross Profit	156.5	158.5
Expenses		
Selling, general and administrative	197.7	149.3
Depreciation and amortization	19.8	6.6
Other expense, net	1.2	4.4
Foreign exchange (gain) loss, net	(0.4)	4.3
Operating Loss	(61.8)	(6.1)
Interest income	(1.3)	(6.7)
Interest expense	12.8	3.1
Loss before income tax recovery	(73.3)	(2.5)
Income tax recovery	(18.5)	(0.6)
Net Loss	(54.8)	(1.9)

Loss per share

Basic	(0.53)	(0.02)
Diluted	(0.53)	(0.02)

Weighted average number of shares (in millions)

Basic	104.2	103.0
Diluted	106.3	106.6

(Unaudited, in US\$ millions)**Q1 2024 Q1 2023**

Net Loss	(54.8)	(1.9)
Items that may be subsequently reclassified to Net (Loss) Income		
Foreign currency translation (loss) gain	(7.0)	2.6
Other comprehensive (loss) income	(7.0)	2.6
Total comprehensive (loss) income	(61.8)	0.7

Spin Master Corp.**Condensed consolidated interim statements of cash flows****Three Months Ended Mar
31,****(Unaudited, in US\$ millions)****2024 2023****Operating activities**

Net Loss	(54.8)	(1.9)
Adjustments to reconcile net loss to cash provided by operating activities		
Income tax recovery	(18.5)	(0.6)
Interest expense (income)	8.5	(6.7)
Depreciation and amortization	34.8	17.9
(Gain) Loss on disposal of non-current assets	(0.4)	0.4
Interest and accretion expense	2.6	1.3
Amortization of Facility fee costs	0.4	0.1
Impairment of non-current assets	0.3	2.4
Unrealized foreign exchange (gain) loss, net	(5.7)	0.6
Share-based compensation expense	6.1	4.8
Net changes in non-cash working capital	70.1	5.4
Net change in non-cash provisions and other assets	(12.8)	4.5
Recognition of fair value adjustment on inventory sold	20.6	—
Income taxes paid	(21.7)	(39.2)
Income taxes received	3.6	—
Interest (paid) received	(8.8)	6.7
Cash provided by (used in) operating activities	24.3	(4.3)

Investing activities

Investment in property, plant and equipment	(7.4)	(6.7)
Investment in intangible assets	(17.5)	(23.4)
Business acquisitions, net of cash acquired	(955.5)	(26.5)
Cash used in investing activities	(980.4)	(56.6)

Financing activities

Proceeds from loans and borrowings	525.0	—
Repayment of loans and borrowings	(50.0)	—
Payment of lease liabilities	(8.1)	(3.9)
Dividends paid	(4.6)	(4.6)
Repurchase of subordinate voting shares	(5.1)	(6.3)
Cash provided by (used in) financing activities	457.2	(14.8)

Effect of foreign currency exchange rate changes on cash	(1.3)	0.7
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Net decrease in cash during the period	(500.2)	(75.0)
Cash, beginning of period	705.7	644.3
Cash, end of period	205.5	569.3

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
- Toy Revenue, excluding Melissa & Doug

- Revenue, excluding Melissa & Doug
- Constant Currency Toy Gross Product Sales
- Constant Currency Sales Allowance
- Constant Currency Toy Other Revenue
- Constant Currency Toy Revenue
- Constant Currency Digital Games Revenue
- Constant Currency Entertainment Revenue
- Constant Currency Revenue
- Adjusted EBITDA
- Melissa & Doug Adjusted EBITDA
- Adjusted EBITDA, excluding Melissa & Doug
- Toys Adjusted EBITDA
- Toys Adjusted EBITDA, excluding Melissa & Doug
- Entertainment Adjusted EBITDA
- Digital Games Adjusted EBITDA
- Adjusted Operating Income (Loss)
- Toys Adjusted Operating Income (Loss)
- Entertainment Adjusted Operating Income (Loss)
- Digital Games Adjusted Operating Income (Loss)
- Adjusted Net Income (Loss)
- 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 Toy Other Revenue
- Percentage change in Constant Currency Toy Revenue
- 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
- Toys Adjusted EBITDA Margin
- Toys Adjusted EBITDA Margin, excluding Melissa & Doug
- Entertainment Adjusted EBITDA Margin
- Digital Games Adjusted EBITDA Margin
- Toys Adjusted Operating Margin
- Entertainment Adjusted Operating Margin
- Digital Games Adjusted Operating Margin
- Adjusted Operating Margin
- Adjusted Basic EPS
- Adjusted Diluted EPS
- Sales Allowance as a percentage of Toy Gross Product Sales

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 three months ended March 31, 2024, as compared to the same period in 2023 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. For a reconciliation of Melissa & Doug Toy Gross Product Sales to Melissa & Doug Revenue, the closest IFRS measure, refer to "Reconciliation of Non-GAAP Financial Measures" section.

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.

Toy Revenue, excluding Melissa & Doug represents Toy revenues, excluding Melissa & Doug Toy Revenue, to measure the underlying financial performance of the business on a consistent basis over time. Refer to "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Toy Revenue, the closest IFRS measure.

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. Refer to "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Revenue, the closest IFRS measure.

Constant Currency Toy Gross Product Sales, Constant Currency Sales Allowances, Constant Currency Toy - Other Revenue, 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 - Other Revenue, 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 - Other Revenue, 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.

Melissa & Doug Adjusted EBITDA is calculated as Melissa & Doug Operating Income (Loss) before 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. Melissa & Doug 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 Melissa & Doug Operating Income (Loss), the closest IFRS measure.

Adjusted EBITDA, excluding Melissa & Doug is calculated as Adjusted EBITDA excluding Melissa & Doug Adjusted EBITDA Adjusted EBITDA, excluding Melissa & Doug Adjusted EBITDA is used by management as a measure of the Company's profitability 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.

Toys Adjusted EBITDA is calculated as Toy Operating Income (Loss) before 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. Toys 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 Toys Operating Income (Loss), the closest IFRS measure.

Toys Adjusted EBITDA, excluding Melissa & Doug is calculated as Toys Adjusted EBITDA excluding Melissa & Doug Adjusted EBITDA Toys Adjusted EBITDA, excluding Melissa & Doug Adjusted EBITDA is used by management as a measure of the Company's profitability on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Toys Operating Income (Loss), the closest IFRS measure.

Entertainment Adjusted EBITDA is calculated as Entertainment Operating Income (Loss) before 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. Entertainment 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 Digital Games Operating Income (Loss), the closest IFRS measure.

Digital Games Adjusted EBITDA is calculated as Digital Games Operating Income (Loss) before 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. Digital Games 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 Digital Games 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.

Toys Adjusted Operating Income (Loss) is calculated as Toys Operating Income (Loss) excluding adjustments (as defined in Adjusted EBITDA). Toys 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 Toys Operating Income (Loss), the closest IFRS measure.

Entertainment Adjusted Operating Income (Loss) is calculated as Entertainment Operating Income (Loss) excluding adjustments (as defined in Adjusted EBITDA). Entertainment 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 Entertainment Operating Income (Loss), the closest IFRS measure.

Digital Games Adjusted Operating Income (Loss) is calculated as Digital Games Operating Income (Loss) excluding adjustments (as defined in Adjusted EBITDA). Digital Games 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 Digital Games 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.

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 - Other Revenue is calculated by dividing the change in Toy - Other Revenue excluding the impact from changes in foreign currency exchange rates by the Toy - Other Revenue of the comparative period. Management uses Percentage change in Constant Currency Toy - Other 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 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 Adjusted EBITDA Margin is calculated as Melissa & Doug Adjusted EBITDA divided by Melissa & Doug Revenue. Management uses Melissa & Doug Adjusted EBITDA Margin to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

Adjusted EBITDA Margin, excluding Melissa & Doug is calculated as Adjusted EBITDA, excluding Melissa & Doug divided by Revenue, excluding Melissa & Doug. Management uses Adjusted EBITDA Margin, excluding Melissa & Doug to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

Toys Adjusted EBITDA Margin is calculated as Toys Adjusted EBITDA divided by Toy Revenue. Management uses Toys Adjusted EBITDA Margin to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

Toys Adjusted EBITDA Margin, excluding Melissa & Doug is calculated as Toys Adjusted EBITDA, excluding Melissa & Doug divided by Toy Revenue, excluding Melissa & Doug. Management uses Toys Adjusted EBITDA Margin, excluding Melissa & Doug to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitor.

Entertainment Adjusted EBITDA Margin is calculated as Entertainment Adjusted EBITDA divided by Entertainment Revenue. Management uses Entertainment Adjusted EBITDA Margin to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

Digital Games Adjusted EBITDA Margin is calculated as Digital Games Adjusted EBITDA divided by Digital Games Revenue. Management uses Digital Games Adjusted EBITDA Margin to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors.

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.

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

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

Digital Games Adjusted Operating Margin is calculated as Digital Games Adjusted Operating Income (Loss) divided by Digital Games Revenue. Management uses Digital Games 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.

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.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Operating Loss to Adjusted Operating (Loss) Income, Adjusted EBITDA, Adjusted Net (Loss) Income, and cash used in operating activities and investing activities to Free Cash Flow for the three months ended March 31, 2024 and 2023:

(in US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Operating Loss	(61.8)	(6.1)	(55.7)	913.1 %
Adjustments:				
Fair value adjustment for inventories acquired ¹	20.6	—	20.6	n.m.
Transaction and integration costs ²	16.7	0.6	16.1	2,683.3 %
Share based compensation ³	6.1	5.4	0.7	13.0 %
Restructuring and other related costs ⁴	3.0	3.8	(0.8)	(21.1) %
Amortization of intangible assets acquired	1.7	—	1.7	n.m.
Acquisition related deferred incentive compensation ⁵	1.5	2.1	(0.6)	(28.6) %
Impairment of property, plant and equipment ⁶	0.3	0.2	0.1	50.0 %
Foreign exchange (gain) loss ⁷	(0.4)	4.3	(4.7)	(109.3) %
Legal settlement (recovery) expense	(0.6)	0.2	(0.8)	(400.0) %
Acquisition related contingent consideration ⁸	(1.6)	—	(1.6)	n.m.
Impairment of intangible assets ⁹	—	1.2	(1.2)	(100.0) %
Impairment of goodwill ¹⁰	—	1.0	(1.0)	(100.0) %
Adjusted Operating (Loss) Income	(14.5)	12.7	(27.2)	(214.2) %
Depreciation and amortization ¹¹	33.1	17.9	15.2	84.9 %
Adjusted EBITDA	18.6	30.6	(12.0)	(39.2) %
Income tax recovery	18.5	0.6	17.9	2,983.3 %
Interest (expense) income	(11.5)	3.6	(15.1)	(419.4) %
Depreciation and amortization ¹¹	(33.1)	(17.9)	(15.2)	84.9 %
Tax effect of normalization adjustments ¹²	(12.0)	(4.6)	(7.4)	160.9 %
Adjusted Net (Loss) Income	(19.5)	12.3	(31.8)	(258.5) %
Cash provided by operating activities	24.3	(4.3)	28.6	(665.1) %
Cash used in investing activities	(980.4)	(56.6)	(923.8)	1,632.2 %
Add:				
Cash provided by business acquisitions, asset acquisitions, and investment in limited partnership and Minority interest and other investments, net of investment distribution income	955.5	26.5	929.0	3,505.7 %
Free Cash Flow	(0.6)	(34.4)	33.8	(98.3) %

1 Relates to fair value adjustment to Melissa & Doug inventory recorded as part of the acquisition on January 2, 2024.

2 Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including \$9.5 million of transaction costs.

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

4 Restructuring expense in the prior year primarily relates to changes in personnel.

5 Deferred incentive compensation associated with acquisitions.

6 Impairment of property plant and equipment related to tooling.

7 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.

8 Recovery associated with contingent consideration for acquisitions.

- 9 Impairment of intangible assets related to related to entertainment content development, digital game and app development and computer software.
- 10 Impairment of goodwill associated with two separate CGUs.
- 11 Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$1.7 million of amortization of intangible assets acquired with Melissa & Doug.
- 12 Tax effect of adjustments (Footnotes 1-10). 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 ended March 31, 2024, and 2023:

(US\$ millions)	Q1 2024	Q1 2023
Constant Currency Toy Gross Product Sales	262.4	219.7
Impact of foreign exchange	1.7	(3.4)
Toy Gross Product Sales	264.1	216.3
Constant Currency Sales Allowances	(37.9)	(30.9)
Impact of foreign exchange	(0.3)	0.9
Sales Allowances	(38.2)	(30.0)
Toy Net Sales	225.9	186.3
Constant Currency Toy - Other Revenue	0.5	—
Impact of foreign exchange	—	—
Toy - Other Revenue	0.5	—
Constant Currency Toy Revenue	225.0	188.8
Toy Revenue	226.4	186.3
Constant Currency Entertainment revenue	43.8	37.6
Impact of foreign exchange	—	—
Entertainment revenue	43.8	37.6
Constant Currency Digital Games revenue	45.9	49.2
Impact of foreign exchange	0.1	(1.7)
Digital Games revenue	46.0	47.5
Constant Currency Revenue	314.7	275.6
Impact of foreign exchange	1.5	(4.2)
Revenue	316.2	271.4

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 ended March 31, 2024 and 2023:

(US\$ millions)	Q1 2024	Q1 2023	\$ Change			% Change	
			As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	264.1	216.3	47.8	(1.7)	46.1	22.1 %	21.3 %
Sales Allowances	(38.2)	(30.0)	(8.2)	0.3	(7.9)	27.3 %	26.3 %
Toy Net Sales	225.9	186.3	39.6	(1.4)	38.2	21.3 %	20.5 %
Toy - Other Revenue	0.5	—	0.5	—	0.5	n.m.	n.m.
Toy Revenue	226.4	186.3	40.1	(1.4)	38.7	21.5 %	20.8 %
Entertainment revenue	43.8	37.6	6.2	—	6.2	16.5 %	16.5 %
Digital Games revenue	46.0	47.5	(1.5)	(0.1)	(1.6)	(3.2) %	(3.4) %
Revenue	316.2	271.4	44.8	(1.5)	43.3	16.5 %	16.0 %

Segment Results

The Company's results from operations by reportable segment for the three months ended March 31, 2024 and 2023 are as follows:

(US\$ millions)	Q1 2024					Q1 2023				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	226.4	43.8	46.0	—	316.2	186.3	37.6	47.5	—	271.4
Operating (Loss) Income	(90.8)	28.6	13.2	(12.8)	(61.8)	(41.8)	29.3	16.2	(9.8)	(6.1)
Adjusting items:										
Fair value adjustment for inventories acquired ²	20.6	—	—	—	20.6	—	—	—	—	—
Transaction and integration costs ³	6.2	—	—	10.5	16.7	—	—	—	0.6	0.6
Share based compensation	4.2	0.4	0.8	0.7	6.1	3.4	0.3	0.6	1.1	5.4
Restructuring and other related costs	2.4	0.1	0.5	—	3.0	3.1	0.1	0.6	—	3.8
Amortization of intangible assets acquired	1.7	—	—	—	1.7	—	—	—	—	—

Acquisition related deferred incentive compensation	0.8	—	0.7	—	1.5	0.7	—	1.4	—	2.1
Impairment of property, plant and equipment	0.3	—	—	—	0.3	0.2	—	—	—	0.2
Impairment of goodwill	—	—	—	—	—	1.0	—	—	—	1.0
Impairment of intangible assets	—	—	—	—	—	—	0.2	0.2	0.8	1.2
Foreign exchange (gain) loss	—	—	—	(0.4)	(0.4)	—	—	—	4.3	4.3
Legal settlement (recovery) expense	—	—	—	(0.6)	(0.6)	—	—	—	0.2	0.2
Acquisition related contingent consideration	(1.6)	—	—	—	(1.6)	—	—	—	—	—
Adjusted Operating (Loss) Income⁴	(56.2)	29.1	15.2	(2.6)	(14.5)	(33.4)	29.9	19.0	(2.8)	12.7
Adjusted Operating Margin⁴	(24.8) %	66.4 %	33.0 %	n.m.	(4.6) %	(17.9) %	79.5 %	40.0 %	n.m.	4.7 %
Depreciation and amortization ⁵	23.7	7.3	2.1	—	33.1	12.0	3.7	2.0	0.2	17.9
Adjusted EBITDA⁴	(32.5)	36.4	17.3	(2.6)	18.6	(21.4)	33.6	21.0	(2.6)	30.6
Adjusted EBITDA Margin⁴	(14.4) %	83.1 %	37.6 %	n.m.	5.9 %	(11.5) %	89.4 %	44.2 %	n.m.	11.3 %

¹ Corporate & Other includes certain corporate costs, foreign exchange and merger and acquisition-related costs, as well as fair value gains and losses.

² Relates to the fair value adjustment to Melissa & Doug's inventory recorded as part of the acquisition on January 2, 2024.

³ Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including \$9.5 million of transaction costs.

⁴ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

⁵ Depreciation and amortization for the calculation of adjusted EBITDA excludes \$1.7 million (Q1 2023 - \$nil) of amortization of intangible assets acquired with Melissa & Doug.

The following table presents a reconciliation of Melissa & Doug's Operating Income to Adjusted EBITDA for the three months ended March 31, 2024:

(US\$ millions)	Q1 2024
Melissa & Doug Toy Gross Product Sales ²	46.7
Melissa & Doug Sales Allowance	(6.3)
Melissa & Doug Revenue	40.4
Operating Loss	(19.1)
Depreciation and amortization	8.3
EBITDA	(10.8)
Adjustments ¹	1.6
Melissa & Doug Adjusted EBITDA²	(9.2)
Melissa & Doug Adjusted EBITDA Margin²	(22.8) %

¹ Includes foreign exchange (gain)loss, restructuring and other related costs, and transaction and integration costs.

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

The following table presents a reconciliation of Revenue to Revenue, excluding Melissa & Doug, Toy Gross Product Sales to Toy Gross Product Sales, excluding Melissa & Doug, Consolidated Adjusted EBITDA to Adjusted EBITDA, excluding Melissa & Doug, Toy Revenue to Toy Revenue, excluding Melissa & Doug, and Toys Adjusted EBITDA to Toys Adjusted EBITDA, excluding Melissa & Doug for the three months ended March 31, 2024:

(US\$ millions)	Q1 2024	Q1 2023	\$ Change	% Change
Revenue	316.2	271.4	44.8	16.5 %
Melissa & Doug Revenue	40.4	—	40.4	n.m.
Revenue, excluding Melissa & Doug¹	275.8	271.4	4.4	1.6 %
Toys Gross Product Sales ¹	264.1	216.3	47.8	22.1 %
Melissa & Doug Toy Gross Product Sales ¹	46.7	—	46.7	n.m.
Toys Gross Product Sales, excluding Melissa & Doug¹	217.4	216.3	1.1	0.5 %
Adjusted EBITDA ¹	18.6	30.6	(12.0)	(39.2) %
Melissa & Doug Adjusted EBITDA ¹	(9.2)	—	(9.2)	n.m.
Adjusted EBITDA, excluding Melissa & Doug¹	27.8	30.6	(2.8)	(9.2) %
Adjusted EBITDA Margin, excluding Melissa & Doug¹	10.1 %	11.3 %		
Toy Revenue	226.4	186.3	40.1	21.5 %
Melissa & Doug Revenue	40.4	—	40.4	n.m.
Toy Revenue, excluding Melissa & Doug¹	186.0	186.3	(0.3)	(0.2) %
Toys Adjusted EBITDA ¹	(32.5)	(21.4)	(11.1)	51.9 %
Toys Adjusted EBITDA Margin¹	(14.4) %	(11.5) %		
Toys Adjusted EBITDA, excluding Melissa & Doug ¹	(23.3)	(21.4)	(1.9)	8.9 %
Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹	(12.5) %	(11.5) %		

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

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/2024-05-07-Spin-Master-Reports-Q1-2024-Financial-Results-including-Melissa-Doug.-Increases-Quarterly-Dividend>