

Spin Master Reports Q2 2024 Financial Results and Reiterates 2024 Full Year Outlook

TORONTO, July 30, 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 and six months ended June 30, 2024. The Company's full Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 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.

"Our second quarter revenue was in line with our expectations, despite pressure on consumer spending, impacting both Toy Gross Product Sales and in-game purchases within Digital Games", said Max Rangel, Spin Master's Global President & CEO. "Melissa & Doug had a strong quarter, and the integration is progressing well with incremental revenue opportunities emerging, together with operating synergies. Looking ahead to the balance of 2024, our team is focused on delivering our signature breakthrough innovation in toys and launching new properties, including *Ms. Rachel*, delivering entertainment that resonates with audiences on a global scale, such as *Unicorn Academy*, and releasing new experiences in digital games, such as *Rubik's Match*, designed to expand our player ecosystem. We believe in Spin Master's long-term growth potential driven by our diversified portfolio of innovative toys, engaging entertainment and open-ended digital games. With these compelling capabilities, we believe we will deliver our longer-term strategic and financial goals."

"Toy Gross Product Sales in the second quarter excluding Melissa and Doug, were down compared to last year as we were lapping *PAW Patrol: The Mighty Movie* shipments from Q2 2023, but were in line with our expectations" said Mark Segal, Spin Master's EVP & Chief Financial Officer. "We continued to execute on our capital allocation strategy and by the end of Q2, we have now repurchased over 1.1 million shares under our NCIB. Looking to the balance of the year, we are pleased to maintain our outlook for 2024. Over the long term, we will continue to invest to drive growth, while also managing our cost-base and preserving financial flexibility to maximize shareholder value."

Consolidated Financial Highlights for Q2 2024 as compared to the same period in 2023

- Revenue was \$412.0 million, including Melissa & Doug Revenue of \$43.3 million, a decrease of 2.1% from \$420.7 million. Revenue, excluding Melissa & Doug¹ was \$368.7 million, a decrease of 12.4%.
- Revenue by operating segment reflected an increase of 7.4% in Entertainment and a decline of 1.6% in Toys and 14.3% in Digital Games.
- Toy Gross Product Sales¹ were \$384.7 million, including Melissa & Doug Toy Gross Product Sales¹ of \$51.7 million, a decline of \$5.3 million or 1.4% from \$390.0 million. Toys Gross Product Sales, excluding Melissa & Doug¹ were \$333.0 million, a decrease of \$57.0 million or 14.6% from \$390.0 million.
- Operating Loss was \$23.0 million compared to Operating Income of \$34.4 million.
- Operating Margin² was (5.6)% compared to 8.2%.
- Adjusted Operating Income¹ was \$23.6 million compared to \$62.6 million. The decline in Adjusted Operating Income¹ was primarily driven by decreases of \$34.2 million in Toys and \$6.9 million in Digital Games partially offset by an increase of \$3.7 million in Entertainment.
- Adjusted Operating Margin¹ was 5.7% compared to 14.9%.
- Net Loss was \$24.5 million or \$(0.24) per share compared to Net Income of \$28.0 million or \$0.27 per share.
- Adjusted Net Income¹ was \$9.6 million or \$0.09 per share compared to Adjusted Net income¹ of \$48.8 million or \$0.47 per share.
- Adjusted EBITDA¹ was \$53.6 million compared to \$88.4 million, a decrease of \$34.8 million. Adjusted EBITDA Margin¹ was 13.0% compared to 21.0%.
- Adjusted EBITDA, excluding Melissa & Doug¹ was \$60.6 million compared to \$88.4 million, a decrease of \$27.8 million. Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 16.4% compared to 21.0%.
- Cash provided by operating activities was \$25.4 million compared to \$19.1 million.
- Free Cash Flow¹ was \$(3.6) million compared to \$(5.9) million.
- The Company recognized \$1.2 million in Net Cost Synergies³ and continues to expect to achieve approximately \$6 million in Net Cost Synergies³ in 2024.
- The Company repurchased and cancelled 778,281 subordinate voting shares for \$17.5 million (C\$23.7 million) through the Company's Normal Course Issuer Bid (the "NCIB") program. Subsequent to June 30, 2024, the Company repurchased and cancelled 318,200 subordinate voting shares for \$6.9 million (C\$9.5 million).
- The Company repaid \$15.0 million of loans and borrowings.
- Subsequent to June 30, 2024, the Company declared a quarterly dividend of C\$0.12 per outstanding subordinate voting share and multiple voting share, payable on October 11, 2024.

Consolidated Financial Highlights for the six months ended June 30, 2024 as compared to the same period in 2023

- Revenue was \$728.2 million, including Melissa & Doug Revenue of \$83.7 million, an increase of 5.2% from \$692.1 million. Revenue, excluding Melissa & Doug¹ was \$644.5 million, a decrease of 6.9% from \$692.1 million.
- Revenue by operating segment reflected an increase of 6.5% in Toys, 12.2% in Entertainment and a decrease of 8.3% in Digital Games.
- Toy Gross Product Sales¹ were \$648.8 million, including Melissa & Doug Toy Gross Product Sales¹ of \$98.4 million, an increase of \$42.5 million or 7.0% from \$606.3 million. Toy Gross Product Sales, excluding Melissa & Doug¹ were \$550.4 million, a decrease of \$55.9 million or 9.2% from \$606.3 million.
- Operating Loss was \$84.8 million compared to Operating Income of \$28.3 million.
- Operating Margin² was (11.6)% compared to 4.1%.
- Adjusted Operating Income¹ was \$9.1 million compared to \$75.3 million. The decline in Adjusted Operating Income¹ was primarily driven by a decrease of \$57.0 million in Toys and \$10.7 million in Digital Games, partially offset by an increase of \$2.9 million in Entertainment.
- Adjusted Operating Margin¹ was 1.2% compared to 10.9%.
- Net Loss was \$79.3 million or \$0.76 per share compared to Net Income of \$26.1 million or \$0.25 per share (diluted).
- Adjusted Net Loss¹ was \$9.9 million or \$(0.10) per share compared to Adjusted Net Income¹ of \$61.1 million or \$0.58 per share (diluted).
- Adjusted EBITDA¹ was \$72.2 million compared to \$119.0 million, a decrease of \$46.8 million. Adjusted EBITDA Margin¹ was 9.9% compared to 17.2%.
- Adjusted EBITDA, excluding Melissa & Doug¹ was \$88.4 million compared to \$119.0 million, a decrease of \$30.6 million. Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 13.7% compared to 17.2%.
- Cash provided by operating activities was \$49.7 million compared to \$14.8 million.
- Free Cash Flow¹ was \$(4.2) million compared to \$(40.3) million.
- The Company incurred \$10.0 million in transaction related costs for the six months ended June 30, 2024.
- The Company recognized \$1.4 million in Net Cost Synergies³ and continues to expect to achieve approximately \$6 million in Net Cost Synergies³ in 2024.
- The Company repurchased and cancelled 1,111,581 subordinate voting shares for \$25.9 million (C\$35.2 million) through the NCIB program.
- The Company repaid \$65.0 million of loans and borrowings (refer to the Liquidity section for further details).

2024 Outlook

The Company continues to expect for 2024:

- Toy Gross Product Sales, excluding Melissa & Doug¹ to be in line with 2023.
- 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.

Incrementally, the Company continues to expect for 2024:

- Melissa & Doug Toy Gross Product Sales¹ to be between \$420 million to \$430 million.
- Melissa & Doug Revenue to be 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 Synergies³ by the end of 2026.

Consolidated Financial Results as compared to the same period in 2023

Effective January 2, 2024, Melissa & Doug's operating results for the three and six months ended June 30, 2024 are included in the Company's consolidated results.

(US\$ millions, except per share information)					Six Months Ended Jun 30		
	Q2 2024	Q2 2023	\$ Change		2024	2023	\$ Change
Consolidated Results							
Revenue ⁴	\$ 412.0	\$ 420.7	\$ (8.7)		\$ 728.2	\$ 692.1	\$ 36.1
Operating (Loss) Income	\$ (23.0)	\$ 34.4	\$ (57.4)		\$ (84.8)	\$ 28.3	\$ (113.1)
Operating Margin ²	(5.6) %	8.2 %			(11.6) %	4.1 %	
Adjusted Operating Income ^{1,3}	\$ 23.6	\$ 62.6	\$ (39.0)		\$ 9.1	\$ 75.3	\$ (66.2)
Adjusted Operating Margin ¹	5.7 %	14.9 %			1.2 %	10.9 %	
Net (Loss) Income	\$ (24.5)	\$ 28.0	\$ (52.5)		\$ (79.3)	\$ 26.1	\$ (105.4)
Adjusted Net Income (Loss) ^{1,3}	\$ 9.6	\$ 48.8	\$ (39.2)		\$ (9.9)	\$ 61.1	\$ (71.0)
Adjusted EBITDA ^{1,3,4}	\$ 53.6	\$ 88.4	\$ (34.8)		\$ 72.2	\$ 119.0	\$ (46.8)
Adjusted EBITDA Margin ¹	13.0 %	21.0 %			9.9 %	17.2 %	
Earnings Per Share ("EPS")							
Basic EPS	\$ (0.24)	\$ 0.27			\$ (0.76)	\$ 0.25	
Diluted EPS	\$ (0.24)	\$ 0.26			\$ (0.76)	\$ 0.25	
Adjusted Basic EPS ¹	\$ 0.09	\$ 0.47			\$ (0.10)	\$ 0.59	
Adjusted Diluted EPS ¹	\$ 0.09	\$ 0.45			\$ (0.10)	\$ 0.58	
Weighted average number of shares (in millions)							
Basic	103.9	103.6			103.8	103.7	
Diluted	106.0	107.3			106.0	105.6	

Selected Cash Flow Data

Cash provided by operating activities	\$ 25.4	\$ 19.1	\$ 6.3	\$ 49.7	\$ 14.8	\$ 34.9
Cash used in investing activities	\$ (27.4)	\$ (30.3)	\$ 2.9	\$ (1,007.8)	\$ (86.9)	\$ (920.9)
Cash (used in) provided by financing activities	\$ (49.0)	\$ (12.7)	\$ (36.3)	\$ 408.2	\$ (27.5)	\$ 435.7
Free Cash Flow ¹	\$ (3.6)	\$ (5.9)	\$ 2.3	\$ (4.2)	\$ (40.3)	\$ 36.1

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.

⁴ Included in the operating results of the three and six months ended June 30, 2024 is Melissa & Doug Revenue of \$43.3 million and \$83.7 million and Melissa & Doug Adjusted EBITDA¹ of \$(7.0) million and \$(16.2) million, respectively.

The following summarizes the impact of Melissa & Doug's operating results on the three and six months ended June 30, 2024 consolidated results:

(US\$ millions)		Six Months Ended Jun 30,			
		Q2 2024	Q2 2023	2024	2023
Revenue		412.0	420.7	728.2	692.1
Melissa & Doug Revenue		43.3	—	83.7	—
Revenue, excluding Melissa & Doug¹		368.7	420.7	644.5	692.1
Toys Gross Product Sales ¹		384.7	390.0	648.8	606.3
Melissa & Doug Toy Gross Product Sales ¹		51.7	—	98.4	—
Toys Gross Product Sales, excluding Melissa & Doug¹		333.0	390.0	550.4	606.3
Adjusted EBITDA ¹		53.6	88.4	72.2	119.0
Melissa & Doug Adjusted EBITDA ¹		(7.0)	—	(16.2)	—
Adjusted EBITDA, excluding Melissa & Doug¹		60.6	88.4	88.4	119.0
Adjusted EBITDA Margin¹		13.0 %	21.0 %	9.9 %	17.2 %
Adjusted EBITDA Margin, excluding Melissa & Doug¹		16.4 %	21.0 %	13.7 %	17.2 %

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

Segmented Financial Results as compared to the same period in 2023

(US\$ millions)	Q2 2024					Q2 2023				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	\$ 340.9	\$ 36.4	\$ 34.7	\$ —	\$ 412.0	\$ 346.3	\$ 33.9	\$ 40.5	\$ —	\$ 420.7

Operating (Loss) Income	\$ (34.9)	\$ 17.8	\$ 4.3	\$ (10.2)	\$ (23.0)	\$ 23.8	\$ 15.7	\$ 9.6	\$ (14.7)	34.4
Adjusted Operating Income (Loss)²	\$ 1.3	\$ 20.0	\$ 5.9	\$ (3.6)	\$ 23.6	\$ 35.5	\$ 16.3	\$ 12.8	\$ (2.0)	62.6
Adjusted EBITDA²	\$ 20.9	\$ 28.4	\$ 7.9	\$ (3.6)	\$ 53.6	\$ 47.7	\$ 28.0	\$ 14.7	\$ (2.0)	88.4

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 June 30, 2024 and 2023:

(US\$ millions)	Q2 2024	Q2 2023	\$ Change	% Change
Preschool, Infant & Toddler and Plush ¹	\$ 165.0	\$ 164.9	\$ 0.1	0.1 %
Activities, Games & Puzzles and Dolls & Interactive	\$ 129.3	\$ 109.7	\$ 19.6	17.9 %
Wheels & Action	\$ 75.7	\$ 101.1	\$ (25.4)	(25.1) %
Outdoor	\$ 14.7	\$ 14.3	\$ 0.4	2.8 %
Toy Gross Product Sales^{2,5}	\$ 384.7	\$ 390.0	\$ (5.3)	(1.4) %
Sales Allowances ³	\$ (45.7)	\$ (43.7)	\$ (2.0)	4.6 %
<i>Sales Allowances % of Toy Gross Product Sales²</i>	<i>11.9 %</i>	<i>11.2 %</i>		0.7 %
Toy Net Sales	\$ 339.0	\$ 346.3	\$ (7.3)	(2.1) %
Toy - Other Revenue	\$ 1.9	\$ —	\$ 1.9	n.m.
Toy Revenue	\$ 340.9	\$ 346.3	\$ (5.4)	(1.6) %

Toys Operating (Loss) Income	\$ (34.9)	\$ 23.8	\$ (58.7)	(246.6) %
Toys Operating Margin⁴	(10.2) %	6.9 %		(17.1) %
Toys Adjusted EBITDA²	\$ 20.9	\$ 47.7	\$ (26.8)	(56.2) %
Toys Adjusted EBITDA Margin²	6.1 %	13.8 %		(7.7) %

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.

⁵ Effective January 1, 2024, the Company has changed its product categories to align with the Company's product offerings going forward. Prior year comparative information has been updated to conform with the current disclosure. Refer to Addendum section for more details.

(US\$ millions)	Q2 2024	Q2 2023	\$ Change	% Change
Toy Revenue	340.9	346.3	(5.4)	(1.6) %
Melissa & Doug Revenue	43.3	—	43.3	n.m.
Toy Revenue, excluding Melissa & Doug¹	297.6	346.3	(48.7)	(14.1) %
Toys Adjusted EBITDA ¹	20.9	47.7	(26.8)	(56.2) %
Melissa & Doug Adjusted EBITDA ¹	(7.0)	—	(7.0)	n.m.
Toys Adjusted EBITDA, excluding Melissa & Doug¹	27.9	47.7	(19.8)	(41.5) %
Toys Adjusted EBITDA Margin¹	6.1 %	13.8 %		
Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹	9.4 %	13.8 %		

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

- Toy Revenue declined by \$5.4 million or 1.6% to \$340.9 million.
- Toy Gross Product Sales¹ was \$384.7 million, a decrease of \$5.3 million or 1.4% from \$390.0 million, including Melissa & Doug Toy Gross Product Sales¹ of \$51.7 million. Toy Gross Product Sales¹ was lower compared to the prior year primarily as a result of a shift in customer orders and shipments into the second half of 2024. In addition, Q2 2023 was supported by shipments related to the launch of *PAW Patrol: The Mighty Movie*. Toy Gross Product Sales, excluding Melissa & Doug¹ was \$333.0 million, an decrease of \$57.0 million or 14.6% from \$390.0 million.
- Sales Allowances increased by \$2.0 million to \$45.7 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased to 11.9% from 11.2%, due to market and customer mix.
- Toys Operating Loss was \$34.9 million compared to Toy Operating Income of \$23.8 million.
- Toys Operating Margin was (10.2)% compared to 6.9%.
- Toys Adjusted EBITDA Margin¹ was 6.1% compared to 13.8%.
- Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 9.4% compared to 13.8%.
- The decrease in Toys Operating Margin and Toys Adjusted EBITDA Margin¹ was driven by the inclusion of Melissa & Doug, resulting in lower operating leverage due to the higher relative seasonality impact in the quarter, a change in product mix, higher proportion of administrative and marketing spend in relation to Toy Revenue, partially offset by a decrease in selling expense.

Entertainment Segment Results

The following table provides a summary of Entertainment segment operating results, for the three months ended June 30, 2024 and 2023:

(US\$ millions)	Q2 2024	Q2 2023	\$ Change	% Change
Entertainment Revenue	\$ 36.4	\$ 33.9	\$ 2.5	7.4 %
Entertainment Operating Income	\$ 17.8	\$ 15.7	\$ 2.1	13.4 %

Entertainment Operating Margin	48.9 %	46.3 %		2.6 %
Entertainment Adjusted Operating Income ¹	\$ 20.0	\$ 16.3	\$ 3.7	22.7 %
Entertainment Adjusted Operating Margin ¹	54.9 %	48.1 %		6.8 %

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

- Entertainment Revenue increased by \$2.5 million or 7.4% to \$36.4 million, from higher distribution revenue associated with on-going distribution of *PAW Patrol: The Mighty Movie* and the *PAW Patrol* series, partially offset by fewer Entertainment content deliveries in the current year for *Unicorn Academy* and *Vida the Vet*.
- Entertainment Operating Income increased by \$2.1 million or 13.4% to \$17.8 million. Entertainment Adjusted Operating Income¹ increased by \$3.7 million or 22.7% to \$20.0 million from \$16.3 million, from higher distribution revenue and the accretive effect of fewer Entertainment content deliveries in the current year relative to the same quarter in the prior year, partially offset by higher marketing costs for Entertainment content.
- Entertainment Operating Margin increased to 48.9% from 46.3% and Entertainment Adjusted Operating Margin¹ increased to 54.9% from 48.1%, from higher distribution revenue and the accretive effect of fewer Entertainment content deliveries in the current year.

Digital Games Segment Results

The following table provides a summary of Digital Games segment operating results, for the three months ended June 30, 2024 and 2023:

(US\$ millions)	Q2 2024	Q2 2023	\$ Change	% Change
Digital Games Revenue	\$ 34.7	\$ 40.5	\$ (5.8)	(14.3) %
Digital Games Operating Income	\$ 4.3	\$ 9.6	\$ (5.3)	(55.2) %
Digital Games Operating Margin	12.4 %	23.7 %		(11.3) %
Digital Games Adjusted Operating Income ¹	\$ 5.9	\$ 12.8	\$ (6.9)	(53.9) %
Digital Games Adjusted Operating Margin ¹	17.0 %	31.6 %		(14.6) %

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

- Digital Games Revenue declined by \$5.8 million or 14.3% to \$34.7 million primarily due to lower in-game purchases in *Toca Life World*. While the number of monthly active users for *Toca Life World* has remained steady, the current macroeconomic environment has led to reduced spending per user. The decline was offset in part by higher subscription revenue from *Piknik* and *PAW Patrol Academy*.
- Digital Games Operating Income decreased by \$5.3 million or 55.2% to \$4.3 million. Digital Games Adjusted Operating Income¹ decreased by \$6.9 million or 53.9% to \$5.9 million from \$12.8 million. Digital Games Operating Margin decreased from 23.7% to 12.4% and Digital Games Adjusted Operating Margin¹ decreased from 31.6% to 17.0%.
- The decrease in Digital Games Operating Income, Adjusted Operating Income¹, Operating Margin and Adjusted Operating Margin¹ was due to the decline in revenue and increased investments in marketing for *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 June 30, 2024, there was \$235.0 million drawn (December 31, 2023 - \$nil) under the Facility and \$225.0 million drawn (December 31, 2023 - \$nil) under the Acquisition Facility. For the six months ended June 30, 2024, the weighted average interest rate on the Facility and the Acquisition Facility were both 6.6% (2023 - 0%).

As at June 30, 2024, the Company had unutilized liquidity of \$426.0 million, comprised of \$154.6 million in Cash and \$271.4 million under the Company's credit facilities.

Cash Flows

For the six months ended June 30, 2024, cash flow provided by operating activities was \$49.7 million compared to \$14.8 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 \$81.9 million, due to decreases of \$185.0 million in trade receivables, \$6.2 million in inventories and \$10.4 million in other receivables, partially offset by an increase of \$83.4 million in trade payables and accrued liabilities.

For the six months ended June 30, 2024, cash flow provided by financing activities was \$408.2 million, compared to cash flow used of \$27.5 million. The increase is primarily driven by the proceeds from loans and borrowings of \$525.0 million, partially offset by repayments of \$65.0 million.

For the six months ended June 30, 2024, Free Cash Flow¹ was \$(4.2) million compared to \$(40.3) 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 October 11, 2024 to shareholders of record at the close of business on September 27, 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 June 30, 2024 were 103.8 million and 106.0 million, compared to 103.7 million and 105.6 million in the prior year, respectively.

During the six months ended June 30, 2024, the Company repurchased and cancelled, through the Company's NCIB program, 1,111,581 (2023 - 397,700 shares) subordinate voting shares for \$25.9 million (C\$35.2 million) (2023 - \$10.5 million). Subsequent to June 30, 2024, the Company repurchased and cancelled 318,200 subordinate voting shares for \$6.9 million (C\$9.5 million).

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 Supplementary financial measure. See "Supplementary Financial Measures".

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, July 31, 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 approximately 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

(Unaudited, in US\$ millions)	Jun 30, Dec 31,	
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	154.6	705.7
Restricted cash	3.1	—
Trade receivables, net	315.7	414.4
Other receivables	57.8	60.0
Inventories, net	275.4	98.0
Income tax receivable	68.4	—
Prepaid expenses and other assets	39.2	40.9
	914.2	1,319.0

Non-current assets		
Intangible assets	825.0	281.3
Goodwill	378.7	165.9
Right-of-use assets	168.6	53.6
Property, plant and equipment	66.3	32.6
Deferred income tax assets	160.1	110.8
Other assets	36.4	26.5
	1,635.1	670.7
Total assets	2,549.3	1,989.7
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	364.4	385.4
Loans and borrowings	458.4	—
Provisions	23.9	32.1
Lease liabilities	32.2	11.4
Deferred revenue	13.7	11.0
Income tax payable	—	6.6
	892.6	446.5
Non-current liabilities		
Deferred income tax liabilities	225.1	59.1
Lease liabilities	127.6	50.7
Provisions	11.5	14.3
	364.2	124.1
Total liabilities	1,256.8	570.6
Shareholders' equity		
Share capital	776.6	783.4
Retained earnings	487.0	604.5
Contributed surplus	34.0	27.4
Accumulated other comprehensive (loss) income	(5.1)	3.8
Total shareholders' equity	1,292.5	1,419.1
Total liabilities and shareholders' equity	2,549.3	1,989.7

Spin Master Corp.

Condensed consolidated interim statements of (loss) earnings and comprehensive (loss) income

(Unaudited, in US\$ millions, except earnings per share)	Six Months Ended Jun 30,			
	Q2 2024	Q2 2023	2024	2023
Revenue	412.0	420.7	728.2	692.1
Cost of sales	212.4	189.7	372.1	302.6
Gross Profit	199.6	231.0	356.1	389.5
Expenses				
Selling, general and administrative	200.3	179.5	398.0	328.8
Depreciation and amortization	15.3	5.7	35.1	12.3
Other expense, net	2.2	—	3.4	4.4
Foreign exchange loss, net	4.8	11.4	4.4	15.7
Operating (Loss) Income	(23.0)	34.4	(84.8)	28.3
Interest income	(1.1)	(6.5)	(2.4)	(13.2)
Interest expense	12.2	3.3	25.0	6.4
(Loss) Income before income tax (recovery) expense	(34.1)	37.6	(107.4)	35.1
Income tax (recovery) expense	(9.6)	9.6	(28.1)	9.0
Net (Loss) Income	(24.5)	28.0	(79.3)	26.1
(Loss) Earnings per share				
Basic	(0.24)	0.27	(0.76)	0.25
Diluted	(0.24)	0.26	(0.76)	0.25
Weighted average number of shares (in millions)				
Basic	103.9	103.6	103.8	103.7
Diluted	106.0	107.3	106.0	105.6

(Unaudited, in US\$ millions)	Six Months Ended Jun 30,			
	Q2 2024	Q2 2023	2024	2023
Net (Loss) Income	(24.5)	28.0	(79.3)	26.1
Items that may be subsequently reclassified to Net (Loss) Income				
Foreign currency translation (loss) gain	(1.9)	17.7	(8.9)	20.3
Other comprehensive (loss) income	(1.9)	17.7	(8.9)	20.3
Total comprehensive (loss) income	(26.4)	45.7	(88.2)	46.4

Spin Master Corp.

Condensed consolidated interim statements of cash flows

(Unaudited, in US\$ millions)	Six Months Ended Jun 30,	
	2024	2023
Operating activities		
Net (Loss) Income	(79.3)	26.1

Adjustments to reconcile net loss to cash provided by operating activities		
Income tax (recovery) expense	(28.1)	9.0
Interest expense	18.9	—
Interest income	(2.4)	(13.2)
Depreciation and amortization	66.6	43.7
Loss on disposal of non-current assets	0.3	0.7
Interest and accretion expense	5.4	2.6
Amortization of Facility fee costs	0.7	0.2
Gain on investment in limited partnership, net	0.3	(0.2)
Impairment of non-current assets	2.1	3.4
Unrealized foreign exchange (gain) loss, net	(0.7)	26.2
Share-based compensation expense	13.5	10.1
Net changes in non-cash working capital	81.9	(60.5)
Net change in non-cash provisions and other assets	(23.0)	4.5
Fair value adjustment on inventory sold	44.7	—
Income taxes paid	(41.8)	(51.3)
Income taxes received	3.7	0.2
Interest (paid) received	(13.1)	13.3
Cash provided by operating activities	49.7	14.8
Investing activities		
Investment in property, plant and equipment	(17.8)	(14.1)
Investment in intangible assets	(37.1)	(44.3)
Business acquisitions, net of cash acquired	(952.9)	(26.5)
Minority interest and other investments	—	(2.0)
Cash used in investing activities	(1,007.8)	(86.9)
Financing activities		
Proceeds from loans and borrowings	525.0	—
Repayment of loans and borrowings	(65.0)	—
Payment of lease liabilities	(17.0)	(7.8)
Dividends paid	(9.2)	(9.2)
Repurchase of subordinate voting shares	(25.6)	(10.5)
Cash provided by (used in) financing activities	408.2	(27.5)
Effect of foreign currency exchange rate changes on cash	(1.2)	10.2
Net decrease in cash during the period	(551.1)	(89.4)
Cash, beginning of period	705.7	644.3
Cash, end of period	154.6	554.9

Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures

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 Revenue, excluding Melissa & Doug
- Revenue, excluding Melissa & Doug
- Adjusted EBITDA
- Melissa & Doug Adjusted EBITDA
- Toys Adjusted EBITDA
- 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
- Adjusted EBITDA, excluding Melissa & Doug
- Toys Adjusted EBITDA, excluding Melissa & Doug
- Toy Gross Product Sales, excluding Melissa & Doug

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:

- Adjusted EBITDA Margin
- Melissa & Doug Adjusted EBITDA Margin
- Toys Adjusted EBITDA Margin
- 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
- Adjusted EBITDA Margin, excluding Melissa & Doug

- Toys Adjusted EBITDA Margin, excluding Melissa & Doug

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.

References are made in this MD&A to the following terms, each of which is a supplementary financial measures:

- Net Cost Synergies
- Run-rate Net Cost Synergies

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

Non-GAAP Financial Measures

Toy Gross Product Sales represent Toy Revenue, 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 six months ended June 30, 2024, as compared to the same period in 2023 in this Press Release.

Melissa & Doug Toy Gross Product Sales represent Toy revenue 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 Revenue, excluding Melissa & Doug represents Toy Revenue, 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.

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.

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.

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.

Adjusted EBITDA, excluding Melissa & Doug is calculated as Adjusted EBITDA excluding Melissa & Doug Adjusted EBITDA Adjusted EBITDA, excluding Melissa & Doug 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, excluding Melissa & Doug is calculated as Toys Adjusted EBITDA excluding Melissa & Doug Adjusted EBITDA Toys Adjusted EBITDA, excluding Melissa & Doug 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.

Toy Gross Product Sales, excluding Melissa & Doug represent Toy Revenue, 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.

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.

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.

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.

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.

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, 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.

Supplementary Financial Measures

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

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

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Operating (Loss) Income to Adjusted Operating (Loss) Income, Adjusted EBITDA, Adjusted Net Income, and cash used in operating activities and investing activities to Free Cash Flow for the three months ended June 30, 2024 and 2023:

(in US\$ millions)	Q2 2024	Q2 2023	\$ Change	% Change
Operating (Loss) Income	(23.0)	34.4	(57.4)	(166.9) %
Adjustments:				
Fair value adjustment for inventories acquired ¹	24.2	—	24.2	n.m.
Transaction and integration costs ²	6.3	1.5	4.8	320.0 %
Share based compensation ³	6.2	4.8	1.4	29.2 %
Foreign exchange loss ⁴	4.8	11.4	(6.6)	(57.9) %

Amortization of intangible assets acquired ⁵	1.8	—	1.8	n.m.
Impairment of intangible assets ⁶	1.8	1.0	0.8	80.0 %
Acquisition related deferred incentive compensation ⁷	1.1	2.1	(1.0)	(47.6) %
Restructuring and other related costs ⁸	0.5	9.7	(9.2)	(94.8) %
Net unrealized loss (gain) on investment ⁹	0.4	(0.3)	0.7	(233.3) %
Net realized loss on investment ¹⁰	—	0.1	(0.1)	(100.0) %
Acquisition related contingent consideration ¹¹	(0.5)	(2.1)	1.6	(76.2)
Adjusted Operating (Loss) Income	23.6	62.6	(39.0)	(62.3) %
Depreciation and amortization ¹²	30.0	25.8	4.2	16.3 %
Adjusted EBITDA	53.6	88.4	(34.8)	(39.4) %
Income tax recovery (expense)	9.6	(9.6)	19.2	(200.0) %
Interest (expense) income	(11.1)	3.2	(14.3)	(446.9) %
Depreciation and amortization ¹²	(30.0)	(25.8)	(4.2)	16.3 %
Tax effect of normalization adjustments ¹³	(12.5)	(7.4)	(5.1)	68.9 %
Adjusted Net Income	9.6	48.8	(39.2)	(80.3) %
Cash provided by operating activities	25.4	19.1	6.3	33.0 %
Cash used in investing activities	(27.4)	(30.3)	2.9	(9.6) %
Add:				
Cash (used in) provided by business acquisitions, asset acquisitions, investment in limited partnership, investment in associate and Minority interest and other investments, net of investment distribution income	(1.6)	5.3	(6.9)	(130.2) %
Free Cash Flow	(3.6)	(5.9)	2.3	(39.0) %

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 \$0.5 million of transaction costs.

³ Related to non-cash expenses associated with the Company's long-term incentive plan and the mark to market (gain)/loss related to DSUs.

⁴ 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.

⁵ Relates to the amortization of intangible assets acquired with Melissa & Doug.

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

⁷ Deferred incentive compensation associated with acquisitions.

⁸ Restructuring expense in the prior year primarily relates to changes in personnel.

⁹ Net unrealized loss (gain) related to investment in limited partnership.

¹⁰ Net realized loss related to investment in limited partnership.

¹¹ Recovery associated with contingent consideration for acquisitions.

¹² Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$1.8 million of amortization of intangible assets acquired with Melissa & Doug.

¹³ Tax effect of adjustments (Footnotes 1-11). Adjustments are tax effected at the effective tax rate of the given period.

The following table presents a reconciliation of Operating (Loss) Income to Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income, and cash from operating activities to Free Cash Flow for the six months ended June 30, 2024 and 2023:

(in US\$ millions)	Six Months Ended Jun 30			
	2024	2023	\$ Change	% Change
Operating (Loss) Income	(84.8)	28.3	(113.1)	(399.6) %
Adjustments:				
Fair value adjustment for inventories acquired ¹	44.8	—	44.8	n.m.
Transaction and integration costs ²	23.0	2.1	20.9	995.2 %
Share based compensation ³	12.3	10.2	2.1	20.6 %
Foreign exchange loss ⁴	4.4	15.7	(11.3)	(72.0) %
Restructuring and other related costs ⁵	3.5	13.5	(10.0)	(74.1) %
Amortization of intangible assets acquired ⁶	3.5	—	3.5	n.m.
Acquisition related deferred incentive compensation ⁷	2.6	4.2	(1.6)	(38.1) %
Impairment of intangible assets ⁸	1.8	2.2	(0.4)	(18.2)
Net unrealized loss (gain) on investment ⁹	0.4	(0.3)	0.7	(233.3) %
Impairment of property, plant and equipment ¹⁰	0.3	0.2	0.1	50.0
Impairment of goodwill ¹¹	—	1.0	(1.0)	(100.0)
Net realized loss on investment ¹²	—	0.1	(0.1)	(100.0) %
Legal settlement (recovery) expense	(0.6)	0.2	(0.8)	(400.0) %
Acquisition related contingent consideration ¹³	(2.1)	(2.1)	—	— %
Adjusted Operating Income	9.1	75.3	(66.2)	(87.9) %
Depreciation and amortization ¹⁴	63.1	43.7	19.4	44.4 %
Adjusted EBITDA	72.2	119.0	(46.8)	(39.3) %
Income tax recovery (expense)	28.1	(9.0)	37.1	(412.2) %
Interest (expense) income	(22.6)	6.8	(29.4)	(432.4) %
Depreciation and amortization ¹⁴	(63.1)	(43.7)	(19.4)	44.4 %
Tax effect of adjustments ¹⁵	(24.5)	(12.0)	(12.5)	104.2 %
Adjusted Net (Loss) Income	(9.9)	61.1	(71.0)	(116.2) %
Cash provided by operating activities	49.7	14.8	34.9	235.8 %
Cash used in investing activities	(1,007.8)	(86.9)	(920.9)	1,059.7 %
Add:				

Cash (used in) provided by business acquisitions, asset acquisitions, investment in limited partnership, investment in associate and Minority interest and other investments, net of investment distribution income

953.9 31.8 922.1 2,899.7 %
(4.2) (40.3) 36.1 (89.6) %

Free Cash Flow

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 \$10.0 million of transaction costs.

³ Related to non-cash expenses associated with the Company's long-term incentive plan and the mark to market (gain)/loss related to DSUs.

⁴ 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.

⁵ Restructuring expense in the prior year primarily relates to changes in personnel.

⁶ Relates to the amortization of intangible assets acquired with Melissa & Doug.

⁷ Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan.

⁸ Impairment of intangible assets related to content development projects and computer software.

⁹ Net unrealized gain related to investment in limited partnership.

¹⁰ Impairment of property, plant and equipment related to tooling.

¹¹ Prior year impairment of goodwill associated with one CGU.

¹² Net realized loss related to investment in limited partnership.

¹³ Expense associated with contingent consideration for acquisitions.

¹⁴ Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$3.5 million of amortization of intangible assets acquired with Melissa & Doug.

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

Segment Results

The Company's results from operations by reportable segment for the three months ended June 30, 2024 and 2023 are as follows:

(US\$ millions)	Q2 2024					Q2 2023				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	340.9	36.4	34.7	—	412.0	346.3	33.9	40.5	—	420.7
Operating (Loss) Income	(34.9)	17.8	4.3	(10.2)	(23.0)	23.8	15.7	9.6	(14.7)	34.4
Adjusting Items:										
Fair value adjustment for inventories acquired ²	24.2	—	—	—	24.2	—	—	—	—	—
Transaction and integration costs ³	4.3	—	—	2.0	6.3	—	—	—	1.5	1.5
Share based compensation	5.5	0.4	0.9	(0.6)	6.2	3.8	0.4	0.9	(0.3)	4.8
Foreign exchange loss	—	—	—	4.8	4.8	—	—	—	11.4	11.4
Restructuring and other related costs	0.5	—	—	—	0.5	9.3	—	0.4	—	9.7
Amortization of intangible assets acquired	1.8	—	—	—	1.8	—	—	—	—	—
Impairment of intangible assets	—	1.8	—	—	1.8	—	0.2	0.5	0.3	1.0
Acquisition related deferred incentive compensation	0.4	—	0.7	—	1.1	0.7	—	1.4	—	2.1
Net unrealized loss (gain) on investment	—	—	—	0.4	0.4	—	—	—	(0.3)	(0.3)
Net realized gain on investment	—	—	—	—	—	—	—	—	0.1	0.1
Acquisition related contingent consideration	(0.5)	—	—	—	(0.5)	(2.1)	—	—	—	(2.1)
Adjusted Operating Income (Loss)⁴	1.3	20.0	5.9	(3.6)	23.6	35.5	16.3	12.8	(2.0)	62.6
Adjusted Operating Margin⁴	0.4 %	54.9 %	17.0 %	n.m.	5.7 %	10.3 %	48.1 %	31.6 %	n.m.	14.9 %
Depreciation and amortization ⁵	19.6	8.4	2.0	—	30.0	12.2	11.7	1.9	—	25.8
Adjusted EBITDA⁴	20.9	28.4	7.9	(3.6)	53.6	47.7	28.0	14.7	(2.0)	88.4
Adjusted EBITDA Margin⁴	6.1 %	78.0 %	22.8 %	n.m.	13.0 %	13.8 %	82.6 %	36.3 %	n.m.	21.0 %

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 \$0.5 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 \$1.8 million (Q2 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 and six months ended June 30, 2024:

(US\$ millions)	Q2 2024	YTD Q2 2024
Melissa & Doug Toy Gross Product Sales ²	51.7	98.4
Melissa & Doug Sales Allowance	(8.4)	(14.7)
Melissa & Doug Revenue	43.3	83.7
Operating Loss	(16.5)	(35.6)
Depreciation and amortization	5.0	13.3
EBITDA	(11.5)	(22.3)
Adjustments ¹	4.5	6.1
Melissa & Doug Adjusted EBITDA²	(7.0)	(16.2)
Melissa & Doug Adjusted EBITDA Margin²	(16.2) %	(19.4) %

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 and six months ended June 30, 2024:

(US\$ millions)	Q2 2024	Q2 2023	\$ Change	% Change
Revenue	412.0	420.7	(8.7)	(2.1) %
Melissa & Doug Revenue	43.3	—	43.3	n.m.
Revenue, excluding Melissa & Doug¹	368.7	420.7	(52.0)	(12.4) %
Toys Gross Product Sales ¹	384.7	390.0	(5.3)	(1.4) %
Melissa & Doug Toy Gross Product Sales ¹	51.7	—	51.7	n.m.
Toys Gross Product Sales, excluding Melissa & Doug¹	333.0	390.0	(57.0)	(14.6) %
Adjusted EBITDA ¹	53.6	88.4	(34.8)	(39.4) %
Melissa & Doug Adjusted EBITDA ¹	(7.0)	—	(7.0)	n.m.
Adjusted EBITDA, excluding Melissa & Doug¹	60.6	88.4	(27.8)	(31.4) %
Adjusted EBITDA Margin, excluding Melissa & Doug¹	16.4 %	21.0 %		
Toy Revenue	340.9	346.3	(5.4)	(1.6) %
Melissa & Doug Revenue	43.3	—	43.3	n.m.
Toy Revenue, excluding Melissa & Doug¹	297.6	346.3	(48.7)	(14.1) %
Toys Adjusted EBITDA ¹	20.9	47.7	(26.8)	(56.2) %
Toys Adjusted EBITDA Margin¹	6.1 %	13.8 %		
Toys Adjusted EBITDA, excluding Melissa & Doug ¹	27.9	47.7	(19.8)	(41.5) %
Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹	9.4 %	13.8 %		

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

Six Months Ended Jun 30,				
(US\$ millions)	2024	2023	\$ Change	% Change
Revenue	728.2	692.1	36.1	5.2 %
Melissa & Doug Revenue	83.7	—	83.7	n.m.
Revenue, excluding Melissa & Doug¹	644.5	692.1	(47.6)	(6.9) %
Toys Gross Product Sales ¹	648.8	606.3	42.5	7.0 %
Melissa & Doug Toy Gross Product Sales ¹	98.4	—	98.4	n.m.
Toys Gross Product Sales, excluding Melissa & Doug¹	550.4	606.3	(55.9)	(9.2) %
Adjusted EBITDA ¹	72.2	119.0	(46.8)	(39.3) %
Melissa & Doug Adjusted EBITDA ¹	(16.2)	—	(16.2)	n.m.
Adjusted EBITDA, excluding Melissa & Doug¹	88.4	119.0	(30.6)	(25.7) %
Adjusted EBITDA Margin, excluding Melissa & Doug¹	13.7 %	17.2 %		
Toy Revenue	567.3	532.6	34.7	6.5 %
Melissa & Doug Revenue	83.7	—	83.7	n.m.
Toy Revenue, excluding Melissa & Doug¹	483.6	532.6	(49.0)	(9.2) %
Toys Adjusted EBITDA ¹	(11.6)	26.3	(37.9)	(144.1) %
Toys Adjusted EBITDA Margin¹	(2.0) %	4.9 %		
Toys Adjusted EBITDA, excluding Melissa & Doug ¹	4.6	26.3	(21.7)	(82.5) %
Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹	1.0 %	4.9 %		

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 Sales[30] 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.

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<https://spinmaster.mediaroom.com/2024-07-30-Spin-Master-Reports-Q2-2024-Financial-Results-and-Reiterates-2024-Full-Year-Outlook>