Spin Master Reports Q4 and Full Year 2019 Financial Results

Gross Product Sales up 18% in Q4; down 1% for full year 2019

TORONTO, March 4, 2020 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX: TOY; http://www.spinmaster.com/), a leading global children's entertainment company, today announced its financial results for the fourth quarter and year ended December 31, 2019. The Company's full Management's Discussion and Analysis ("MD&A") for the three-month period and year ended December 31, 2019 is available under the Company's profile on SEDAR (www.sedar.com) and posted on the Company's web site at www.spinmaster.com/financial-info.php.

"Our overall performance in the fourth quarter and for 2019 was disappointing. Despite the solid performance of several of our brands and franchises, we were unable to fully offset the year over year decline in *Hatchimals* sales. Furthermore, we did not execute at the level needed to meet our profitability targets," said Ronnen Harary, Spin Master's Chair and Co-CEO. "Spin Master is committed to innovation and has a proven ability to develop breakthrough toys, entertainment franchises and digital toys that entertain and spark imagination for kids and families globally. Our industry is evolving and we are moving quickly to adapt to the new opportunities, leveraging the underlying strength of our core business, our dedication to innovation, our global distribution network and our financial stability. As we consider our prospects for 2020 and beyond, the strength, diversity and depth of our portfolio give us confidence that we will deliver long-term growth."

Q4 2019 Financial Highlights as compared to the same period in 2018[1,2]

- Revenue of US$473.5 million increased 14.3% from US$414.3 million. In Constant Currency[1] terms, revenue increased by 14.7%.
- Gross Product Sales[1] increased 18.3% to US$550.7 million from US$465.5 million, with an unfavourable foreign exchange impact of US$2.6 million or 0.6%. The increase was driven primarily by growth in the Boys Action and Construction, Activities, Games & Puzzles and Plush and Pre-School and Girls segments.
- Gross Product Sales[1] increased 27.2% in Europe, 18.8% in North America and 1.6% in Rest of World. International Gross Product Sales[1] on a combined basis were 43.9% of total Gross Product Sales[1], consistent with the prior year.
- Other revenue decreased by 3.9% to US$31.9 million.
- Sales Allowances[1] increased by US$24.7 million to US$109.1 million, primarily driven by higher markdowns, an increase in non-compliance charges from customers attributable to the Company's operational performance issues and continued expansion in Europe and Russia, which have a higher rate of Sales Allowances. As a percentage of Gross Product Sales[1], Sales Allowances[1] increased 1.7% to 19.8% from 18.1%.
- Gross profit was US$226.1 million, representing 47.8% of revenue, compared to US$199.0 million or 48.0% of revenue. The decrease in gross margin was primarily due to higher freight-related expenses and Sales Allowances.
- Selling, general and administrative expenses ("SG&A") increased 21.3%. As a percentage of revenue, SG&A was 48.9% compared to 46.1%. The increase in SG&A was driven by higher distribution costs primarily due to the start-up and performance issues associated with the establishment of a new third party East Coast distribution centre in the U.S and the consolidation of the Gund, Swimways and Cardinal warehouses into this new facility. Contributing to the increase were higher inventory storage and transportation expenses due to higher domestic inventory levels in anticipation of U.S. tariffs on China and the shift towards higher domestic sales compared to direct import sales, primarily in the U.S., and higher selling expenses attributed to more licensed products in our sales mix.
- Net Loss was US$17.2 million or loss per share of US$0.17, compared to Net Income of US$11.4 million or earnings per share of US$0.11 (diluted).
- Adjusted Net Loss[1] was US$7.8 million or loss per share of US$0.08, compared to adjusted Net Income of US$6.2 million or earnings per share of US$0.06 (diluted).
- Adjusted EBITDA[1] was US$6.7 million compared to US$35.2 million. Adjusted EBITDA Margin[1] decreased to 1.4% compared to 8.5%.
- Free Cash Flow[1] was negative US$22.6 million compared to negative US$11.5 million.

Q4 2019 Gross Product Sales[1] by Business Segment (US$ millions)

	Q4 2019	Q4 2018	$ Change	% Change
Activities, Games & Puzzles and Plush	$162.1	$145.2	16.9	11.6%
Remote Control and Interactive Characters	$106.5	$107.9	(1.4)	(1.3)%
Boys Action and Construction	$114.8	$57.9	56.9	98.3%
Pre-School and Girls	$152.4	$139.1	13.3	9.6%
Outdoor	$14.9	$15.4	(0.5)	(3.2)%
Gross Product Sales[1]	**$550.7**	**$465.5**	**85.2**	**18.3%**

Sales Allowances[1]	$109.1	$84.4	24.7	29.3%
Total Net Sales[1]	**$441.6**	**$381.1**	**60.5**	**15.9%**
Other Revenue	$31.9	$33.2	(1.3)	(3.9)%
Revenue	**$473.5**	**$414.3**	**59.2**	**14.3%**

Q4 2019 Business Segment Gross Product Sales[1] as compared to the same period in 2018[1]

Gross Product Sales[1] were US$550.7, an increase of US$85.2 million or 18.3%, with an unfavourable foreign exchange impact of US$2.6 million or 0.6%. The increase was primarily driven by Boys Action and Construction of US$56.9 million, Activities, Games & Puzzles and Plush of US$16.9 million and Pre-School and Girls business segment of US$13.3 million.

Gross Product Sales[1] in Activities, Games & Puzzles and Plush increased by US$16.9 million or 11.6% to US$162.1 million. The increase was driven primarily by increases in *Kinetic Sand*, *Cool Maker*, *Gund* and the Games & Puzzles portfolio, partially offset by lower sales of *Bunchems*.

Gross Product Sales[1] in Remote Control and Interactive Characters decreased by US$1.4 million or 1.3% to US$106.5 million, primarily due to lower sales of *Hatchimals, Zoomer, Luvabella* and *Air Hogs,* partially offset by sales of *Owleez, Monster Jam RC, Juno and* PAW Patrol RC.

Gross Product Sales[1] in Boys Action and Construction increased by US$56.9 million or 98.3% to US$114.8 million. The increase was primarily driven by increases in *Bakugan* and *Monster Jam* as well as initial shipments of *DC* licensed products, partially offset by decreases in *Boxer* and *Fugglers*.

Gross Product Sales[1] in PreISchool and Girls increased by US$13.3 million or 9.6% to US$152.4 million. The increase was driven primarily by increases in *PAW Patrol* and sales of *Candylocks* and *Universe*, partially offset by decreases in *Party Popteenies* and *Twisty Petz*.

Gross Product Sales[1] in Outdoor decreased by US$0.5 million or 3.2% to US$14.9 million.

Year ended December 31, 2019 Financial Highlights as compared to the same period in 2018

- Revenue of US$1,581.6 million decreased 3.1% from US$1,631.5 million. In Constant Currency[1] terms, revenue decreased by 2.1%.
- Gross Product Sales[1] decreased by US$16.8 million or 1.0% to US$1,691.2 million. In Constant Currency[1] terms, Gross Product Sales[1] were flat.
- Gross Product Sales[1] increased 14.4% in Europe and decreased 4.9% in Rest of World and 5.4% in North America. International Gross Product Sales[1] on a combined basis represented 39.3% of total Gross Product Sales[1], increasing from 36.5%.
- Other Revenue decreased by US$4.0 million or 3.3% to US$117.9 million, driven by lower royalty income from products marketed by third parties using Spin Master's owned intellectual property, partially offset by app revenue from Toca Boca and Sago Mini and increased television distribution revenue.
- Sales Allowances[1] increased by US$29.1 million to US$227.5 million, primarily driven by higher markdowns, an increase in non-compliance charges from customers attributable to the Company's operational performance issues and the continued expansion in Europe and Russia, which have higher Sales Allowance rates. As a percentage of Gross Product Sales[1], Sales Allowances increased to 13.5% compared to 11.6%.
- Gross profit decreased by 4.1% to US$785.0 million, representing 49.6% of revenue compared to US$818.8 million or 50.2% of revenue. The decline in gross margin was primarily due to increased freight-related expenses, Sales Allowances, repackaging costs and duties and brokerage fees, partially offset by favourable changes in product mix.
- SG&A increased US$33.0 million or 5.4%. The increase in SG&A was driven by higher distribution costs primarily due to the start-up and performance issues associated with the establishment of a new third party East Coast distribution centre in the U.S and the consolidation of the Gund, Swimways and Cardinal warehouses into this new facility. Contributing to the increase were higher inventory storage and transportation expenses due to higher domestic inventory levels in anticipation of U.S. tariffs on China and the shift towards more domestic sales compared to direct import sales, primarily in the U.S. and selling expenses attributed to a greater proportion of sales of licensed products. The increase in SG&A was partially offset by lower Administrative expenses.
- Net Income was US$64.3 million, or US$0.62 per share (diluted), compared to US$154.9 million or US$1.51 per share (diluted).
- Adjusted Net Income[1] was US$92.8 million, or US$0.90 per share (diluted), compared to US$163.5 million, or US$1.60 per share (diluted).
- Adjusted EBITDA[1] was US$219.0 million, compared to US$303.6 million. Adjusted EBITDA Margin[1] was 13.8% compared to 18.6%.

- Free Cash Flow[1] decreased to US$84.6 million compared to US$129.5 million.

Year ended December 31, 2019 Gross Product Sales[1] by Business Segment (US$ millions)

	2019	2018	$ Change	% Change
Activities, Games & Puzzles and Plush	$457.7	$455.5	2.2	0.5%
Remote Control and Interactive Characters	$299.3	$505.4	(206.1)	(40.8)%
Boys Action and Construction	$331.4	$133.1	198.3	149.0%
Pre-School and Girls	$516.2	$517.5	(1.3)	(0.2)%
Outdoor	$86.6	$96.5	(9.9)	(10.2)%
Gross Product Sales[1]	**$1,691.2**	**$1,708.0**	**(16.8)**	**(1.0)%**
Sales Allowances	$227.5	$198.4	29.1	14.7%
Total Net Sales[1]	**$1,463.7**	**$1,509.6**	**(45.9)**	**(3.0)%**
Other Revenue	$117.9	$121.9	(4.0)	(3.3)%
Revenue	**$1,581.6**	**$1,631.5**	**(49.9)**	**(3.1)%**

Year Ended December 31, 2019 Business Segment Gross Product Sales[1] as compared to the same period in 2018

Gross Product Sales[1] were US$1,691.2 million in 2019, a decrease of US$16.8 million, or 1.0%, with an unfavourable foreign exchange impact of US$16.7 million or 1.0%. The decrease was primarily driven by the decline in Remote Control and Interactive Characters of US$206.1 million, partially offset by an increase in Boys Action Boys Action and Construction of US$198.3 million.

Gross Product Sales[1] in Activities, Games & Puzzles and Plush increased by US$2.2 million or 0.5% to US$457.7 million, driven by increases in *Gund*, *Kinetic Sand* and *Cool Maker*, offset in part by declines in *Bunchems*, *Kinetic Rock* and the *Games & Puzzles* portfolio.

Gross Product Sales[1] in Remote Control and Interactive Characters decreased by US$206.1 million or 40.8% to US$299.3 million, primarily due to declines in *Hatchimals*, as well as *Zoomer, Luvabella* and *Air Hogs*, partially offset by sales of *Owleez*, *Juno*, *PAW Patrol RC* and increases in *Monster Jam RC.*

Gross Product Sales[1] in Boys Action and Construction increased by US$198.3 million or 149.0% to US$331.4 million, primarily due to increases in *Bakugan*, *Monster Jam* and *DreamWorks Dragons* and initial shipments of *DC* licensed products, partially offset by decreases in *Flush Force*, *Boxer*, *Fugglers* and *Star Wars* licensed merchandise.

Gross Product Sales[1] in Pre‑School and Girls decreased by US$1.3 million or 0.2% to US$516.2 million, driven by declines in *Party Popteenies* and *Rusty Rivets*, partially offset by sales of *Candylocks*, *Awesome Bloss'ems*, *Pre Cool* and *Universe* and increases in *Twisty Petz*.

Gross Product Sales[1] in Outdoor decreased by US$9.9 million or 10.2% to US$86.6 million.

"Our product pipeline management process remains strong" said Mark Segal, Spin Master's Executive Vice President and CFO. "Last year we encountered several operational challenges, as we continued to navigate an evolving retail landscape. In 2020 we have a renewed focus on operational excellence and will address these challenges in order to build a high margin, sustainable platform for long term global growth, underpinned by our strong balance sheet. We are committed to developing a broad cost management program that builds operating efficiencies into our business."

Outlook

Spin Master continues to focus on driving long-term growth. Its principle strategies include:

- Innovate using our global internal and external research and development network;
- Developing evergreen global entertainment and digital toys properties;
- Increasing international sales in developed and emerging markets; and
- Leveraging the Company's global platform through strategic acquisitions.

The Company expects 2020 Gross Product Sales[1] to decline in the mid-single digit range relative to 2019, excluding any supply chain and other disruptions resulting from COVID-19. We expect COVID-19, based on currently known factors, to further reduce 2020 Gross Product Sales[1], resulting in a decline in our Gross Product Sales[1] toward the higher end of the mid-single digit range. COVID-19 is expected to affect second quarter shipments in particular. The seasonality of Gross Product Sales[1] for 2020 is expected to be approximately 30-32% in H1 and 68-70% in H2.

On a full year comparative basis, the Company expects to deliver Adjusted EBITDA Margin[1] in line with 2019.

"We are committed to re-energizing our top line as well as developing a broad program that builds operating efficiencies into our business," said Harary. "We have a clear strategic vision, a strong financial plan, a leadership team focused on execution and the entrepreneurial spirit and passion required for long-term success. Regarding COVID-19, we are monitoring the situation very closely and are assessing the impact to our supply chain as information becomes available. It is anticipated that the evolving conditions will have an impact on our global operations, as our manufacturing base in China, which produces approximately 60% of our goods, is not yet able to produce at full capacity. We do not know what the rest of the year will bring but we have initiated a broad range of actions to attempt to mitigate disruptions."

Conference call

Ronnen Harary, Chairman and Co-Chief Executive Officer and Mark Segal, Executive Vice President and Chief Financial Officer will host a conference call to discuss these results and the Company's Outlook on Thursday, March 5, 2020 at 9:30 a.m. (ET).

The call-in numbers for participants are (647) 427-7450 or (888) 231-8191. A live webcast of the call will be accessible via Spin Master's website at: http://www.spinmaster.com/events.php. Following the call, both an audio recording and transcript of the call will be archived on the same website page.

About Spin Master

Spin Master (TSX:TOY; www.spinmaster.com) is a leading global children's entertainment company that creates, designs, manufactures, licenses and markets a diversified portfolio of innovative toys, games, products and entertainment properties. Spin Master is best known for award-winning brands including Zoomer®, Bakugan®, Erector® by Meccano®, Hatchimals®, Air Hogs® and PAW Patrol®. Since 2000, Spin Master has received 103 TIA Toy of The Year (TOTY) nominations with 30 wins across a variety of product categories, including 13 TOTY nominations for Innovative Toy of the Year. To date, Spin Master has produced nine television series, including the relaunched Bakugan: Battle Planet and current hit PAW Patrol, which is broadcast in over 160 countries and territories globally. Spin Master employs over 1,800 people in countries around the world including Canada, United States, Mexico, France, Italy, United Kingdom, Russia, Slovakia, Poland, Germany, Sweden, the Netherlands, China, Hong Kong, Japan, Vietnam, India and Australia.

Non-IFRS Financial Measures

In addition to using financial measures prescribed under IFRS, references are made in this Press Release to "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted Net (Loss) Income", "Free Cash Flow", "Gross Product Sales", "Constant Currency", "Sales Allowances" and "Total Net Sales" which are non-IFRS financial measures. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

EBITDA is calculated as net (loss) earnings before finance costs, income tax expense and depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA excluding normalization adjustments, non-recurring items that do not necessarily reflect the Company's underlying financial performance. Normalization adjustments include restructuring costs, foreign exchange gains or losses, equity-settled share based compensation expenses and bad debt expense. Adjusted EBITDA is used by management as a measure of the Company's profitability.

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.

Adjusted Net Income is calculated as net income (loss) excluding normalization adjustments, as defined above, and the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income to measure the underlying financial performance of the business on a consistent basis over time.

Constant Currency represents Revenue and Gross Product Sales results that are presented excluding the impact from changes in foreign currency exchange rates. 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.

Free Cash Flow is calculated as cash flows provided by/used in operating activities before changes in net working capital and after cash flows used in investing activities before cash used in license, brand and business acquisitions. Management uses the Free Cash Flow metric to analyze the cash flow being generated by the Company's business.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of Sales

Allowances. As Sales Allowances are generally not associated with individual products, the Company uses changes in Gross Product Sales to provide meaningful comparisons across product category and geographical segment results to highlight trends in Spin Master's business. For a reconciliation of Gross Product Sales to Revenue, please see the table "Q4 2019 Gross Product Sales by Business Segment" and "Year ended December 31, 2019 Gros product Sales by Business Segment" in this Press Release.

Sales Allowances represent marketing and sales credits requested by customers relating to factors such as cooperative advertising, contractual discounts, negotiated discounts, customer audits, volume rebates, defective products and costs incurred by customers to sell the Company's products and are recorded as a reduction to Gross Product Sales. Management uses Sales Allowances to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Total Net Sales represents Gross Product Sales less Sales Allowances. Management uses Total Net Sales to evaluate the Company's total net revenue generating capacity compared to internal targets and as a measure of Company performance.

Management believes the non-IFRS measures defined above are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. The Company believes that lenders, securities analysts, investors and other interested parties frequently use these non-IFRS financial measures in the evaluation of issuers.

	Three Months Ended December 31			
(All amounts in US$ millions, except percentages)	**2019**	**2018[8]**	**$ Change**	**% Change**
Reconciliation of Non-IFRS Financial Measures				
Net (loss) income	**(17.2)**	**11.4**	**(28.6)**	**(250.9)%**
Income tax (recovery) expense	(7.5)	2.7	(10.2)	(377.8)%
Finance costs	3.2	2.9	0.3	10.3%
Depreciation and amortization	16.2	25.4	(9.2)	(36.2)%
EBITDA (1)	**(5.3)**	**42.4**	**(47.7)**	**(112.5)%**
Adjustments:				
Restructuring expense (2)	0.7	5.0	(4.3)	(86.0)%
Foreign exchange gain (3)	(0.1)	(13.4)	13.3	(99.3)%
Share based compensation (4)	3.5	4.5	(1.0)	(22.2)%
Acquisition related incentive compensation (5)	3.2	(0.3)	3.5	(1,166.7)%
Impairment of intangible assets (6)	5.6	—	5.6	n.m
Bad debt recovery (7)	(0.9)	(3.0)	2.1	(70.0)%
Adjusted EBITDA (1) (8)	**6.7**	**35.2**	**(28.5)**	**(81.0)%**
Income tax (recovery) expense	(7.5)	2.7	(10.2)	(377.8)%
Finance costs	3.2	2.9	0.3	10.3%
Depreciation and amortization	16.2	25.4	(9.2)	(36.2)%
Tax effect of adjustments (9)	2.6	(2.0)	4.6	(230.0)%
Adjusted Net Income (1)	**(7.8)**	**6.2**	**(14.0)**	**(225.8)%**
Cash (used in) provided by operations	10.8	71.2	(60.4)	(84.8)%
Plus:				
Changes in net working capital	(3.3)	(64.6)	61.3	(94.9)%
Cash provided by operations before net working capital changes	**7.5**	**6.6**	**0.9**	**13.6%**
Less:				
Cash used in investing activities	(43.2)	(18.1)	(25.1)	138.7%
Plus:				
Cash used for license, brand and business acquisitions	13.1	—	13.1	n.m
Free Cash Flow (1)	**(22.6)**	**(11.5)**	**(11.1)**	**96.5%**

1) Non-IFRS financial measure. See "Non-IFRS Financial Measures".
2) Restructuring expense primarily relates to personnel related costs. In the second quarter of 2019 and fourth quarter of 2018, restructuring expenses also included costs related to facility closures.
3) Includes foreign exchange gains generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and gains related to the Company's hedging programs.
4) Related to expenses associated with subordinate voting shares granted to equity participants at the time of the Company's IPO and share option expense.
5) Remuneration expense associated with contingent consideration for the Cardinal and Swimways acquisition.
6) Impairment charges for intangible assets relating to licenses, content development, brands and trademarks.
7) Bad debt recovery related to the bankruptcy declaration and liquidation proceedings of TRU during the fourth quarter of 2019 and the fourth quarter of 2018.
8) The comparative information presented for 2018 has not been restated for the adoption of IFRS 16. The impact of IFRS 16 on Adjusted EBITDA would be an increase of $2.4 million for 2018.
9) Tax effect of adjustments (Footnotes 2-7). Adjustments are tax effected at the effective tax rate of the given year-to-date period.

	Year ended Dec 31			
(All amounts in US$ millions, except percentages)	**2019**	**2018[10]**	**$ Change**	**% Change**
Reconciliation of Non-IFRS Financial Measures				
Net income	64.3	154.9	(90.6)	(58.5)%
Income tax expense	20.7	53.5	(32.8)	(61.3)%
Finance costs	11.7	9.4	2.3	24.5%
Depreciation and amortization	84.6	74.2	10.4	14.0%
EBITDA (1)	**181.3**	**292.0**	**(110.7)**	**(37.9)%**
Adjustments:				
Restructuring expense (2)	8.8	7.2	1.6	22.2%
Foreign exchange loss (gain) (3)	5.8	(9.3)	15.1	(162.4)%
Share based compensation (4)	15.2	12.2	3.0	24.6%
Impairment of intangible assets (5)	5.6	—	5.6	n.m
Acquisition related incentive compensation (6)	3.2	1.2	2.0	166.7%
Bad debt (recovery) expense (7)	(0.9)	12.1	(13.0)	(107.4)%
Legal settlement (8)	—	(15.5)	15.5	n.m
Amortization of fair market value adjustments (9)	—	3.7	(3.7)	n.m

Adjusted EBITDA (1) (10)	**219.0**	**303.6**	**(84.6)**	**(27.9)%**
Income tax expense	20.7	53.5	(32.8)	(61.3)%
Finance costs	11.7	9.4	2.3	24.5%
Depreciation and amortization	84.6	74.2	10.4	14.0%
Tax effect of adjustments (11)	9.2	3.0	6.2	206.7%
Adjusted Net Income (1)	**92.8**	**163.5**	**(70.7)**	**(43.2)%**
Cash provided by operations	98.4	192.9	(94.5)	(49.0)%
Changes in net working capital	79.9	19.1	60.8	318.3%
Cash provided by operations before net working capital changes	**178.3**	**212.0**	**(33.7)**	**(15.9)%**
Cash used in investing activities	(116.2)	(159.5)	43.3	(27.1)%
Cash used for license, brand and business acquisitions	22.5	77.0	(54.5)	(70.8)%
Free Cash Flow (1)	**84.6**	**129.5**	**(44.9)**	**(34.7)%**

1) See "Non-IFRS Financial Measures".
2) Restructuring expense primarily relates to personnel related costs. In the second quarter of 2019 and fourth quarter of 2018, restructuring expenses also included costs related to facility closures.
3) Includes foreign exchange gains/losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and gains/losses related to the Company's hedging programs.
4) Related to expenses associated with subordinate voting shares granted to equity participants at the time of the IPO and share option expense. As of August 1, 2018, share based compensation includes expenses related to the Company's Long Term Incentive Plan.
5) Impairment of intangible assets related to content development, licenses, brands and trademarks.
6) Remuneration expense associated with contingent consideration for the Cardinal and Swimways acquisition, respectively.
7) Net bad debt (recovery) expense related to the bankruptcy declaration and liquidation proceedings of TRU during the fourth quarter of 2019, the first quarter of 2018 and third quarter of 2017.
8) Legal settlement in the Company's favour in the second quarter of 2018.
9) Amortization of fair market value adjustments to inventory relating to the acquisition of Gund in the second quarter of 2018.
10) The comparative information presented for 2018 has not been restated for the adoption of IFRS 16. On a pro forma basis, the impact of IFRS 16 on Adjusted EBITDA would be an increase of $11.3 million for 2018.
11) Tax effect of adjustments (Footnotes 2-9). Adjustments are tax effected at the effective tax rate of the given period.

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 Company's outlook for 2020; future growth expectations; financial position, cash flows and financial performance; drivers for such growth; impact of acquisitions on future financial performance; the successful execution of its strategies for growth; the resolution of logistics problems; the program to achieve operational efficiencies; other economic and public health conditions or regulatory changes in the markets in which we and our customers, suppliers and manufacturers operate, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease, such as COVID-19, the occurrence of which could create work slowdowns, delays or shortages in production or shipment of products, increases in costs or delays in revenue; and the seasonality of financial results and performance.

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 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; that the program designed to gain operational efficiencies will achieve the desired results; 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 broader licenses from third parties for major entertainment properties consistent with past practices; 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 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; 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 and retailers; the Company will continue to attract qualified personnel to support its development requirements; and the Company's key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled 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, the factors discussed in the Company's disclosure materials, including the Annual 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.sedar.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. 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.

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[1] See "Non-IFRS financial measures" below.

[2] Spin Master adopted International Financial Reporting Standard 16 Leases ("IFRS 16"), effective January 1, 2019. The Company implemented the standard using the modified retrospective approach. As a result, the Company's fourth quarter and full year 2019 results reflect lease accounting under IFRS 16. Prior year results have not been restated. See section "Changes in Accounting Policies" of the Company's MD&A for the three month period and year ended December 31, 2019 for more information on the implementation of IFRS 16.

View original content: http://www.prnewswire.com/news-releases/spin-master-reports-q4-and-full-year-2019-financial-results-301016793.html

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