

Spin Master Reports Second Quarter 2023 Financial Results and Maintains 2023 Outlook

TORONTO, Aug. 2, 2023 /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, 2023. The Company's full Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2023 is available under the Company's profile on SEDAR+ (www.sedarplus.ca) and posted on the Company's web site at www.spinmaster.com. All financial information is presented in United States dollars ("\$", "dollars" and "US\$") and has been rounded to the nearest hundred thousand, except per share amounts and where otherwise indicated.

"We delivered a solid second quarter driven by our diverse portfolio of toys, entertainment content and digital games," said Max Rangel, Spin Master's Global President & CEO. "We are confident in our plans for the second half of the year including exciting Toy innovation, new Entertainment content and the continued development of our Digital Games ecosystem. Our Toy portfolio features the breakthrough *Bitzee*, a digital pet you can actually touch, a toy line inspired by the highly anticipated second *PAW Patrol* feature film and many more new items that will inspire stimulating play experiences for kids and families worldwide. In Entertainment we are launching two new animated TV series, *Unicorn Academy* and *Vida the Vet*, and the second feature film in our iconic franchise *PAW Patrol: The Mighty Movie*, in theaters end of September. In Digital Games we will deliver engaging new content for *Toca Life World*, a content bundle for Sago Mini and *Paw Patrol Academy*, an app launching with the movie. We remain committed to our framework for value creation, underpinned by our formula for innovation and integrated IP-driven growth across all our creative centres."

"Our results for the quarter and year to date, as expected, were challenged in comparison to 2022. However, we are encouraged by the strength and resilience of our global, diversified business platform and our ability to execute on our strategy to drive profitable growth, delivering Adjusted EBITDA of over \$88 million for the quarter, said Mark Segal, Chief Financial Officer of Spin Master. "The inventory reduction activity at retail resulting from the carryover of inventory from 2022 is complete and we are pleased to maintain our 2023 outlook. Our very solid balance sheet and cash flow generation capabilities provide opportunities to leverage our global platform for both organic growth and acquisitions."

Consolidated Financial Highlights for Q2 2023 as compared to the same period in 2022

- Revenue was \$420.7 million, a decrease of 16.9% from \$506.3 million. Constant Currency Revenue¹ was \$419.9 million, a decrease of 17.1%, from \$506.3 million.
- Revenue by operating segment reflected a decline of 20.9% in Toys, offset by a 19.4% increase in Entertainment and a 0.5% increase in Digital Games.
- Operating Income was \$34.4 million compared to \$118.2 million.
- Operating Margin² was 8.2% compared to 23.3%.
- Adjusted Operating Income¹ was \$62.6 million compared to \$97.6 million.
- Adjusted Operating Margin¹ was 14.9% compared to 19.3%.
- Net Income was \$28.0 million or \$0.26 per share (diluted) compared to \$88.1 million or \$0.83 per share (diluted).
- Adjusted Net Income¹ was \$48.8 million or \$0.45 per share (diluted) compared to \$72.4 million or \$0.68 per share (diluted).
- Adjusted EBITDA¹ was \$88.4 million compared to \$113.7 million.
- Adjusted EBITDA Margin¹ was 21.0% compared to 22.5%.
- Cash provided by operating activities was \$19.1 million compared to \$111.6 million.
- Free Cash Flow¹ was \$(5.9) million compared to \$84.1 million.
- The Company acquired assets from a games and puzzles company for purchase considerations of \$3.3 million and, through Spin Master Ventures, increased its minority interest in a privately-held entity for \$2.0 million.
- The Company repurchased and cancelled 156,200 subordinate voting shares through the Company's normal course issuer bid ("NCIB") program for \$4.2 million.
- The Company incurred restructuring expenses of \$9.7 million (\$0.07 per diluted share) primarily related to the closure of its manufacturing facility in Calais, France as previously announced.
- Subsequent to June 30, 2023, the Company declared a quarterly dividend of CA\$0.06 per outstanding subordinate voting share and multiple voting share, payable October 13, 2023.
- Subsequent to June 30, 2023, the Company implemented a Dividend Reinvestment Plan (the "DRIP").
- The Company reiterates 2023 Outlook.

Consolidated Financial Highlights for the six months ended June 30, 2023 as compared to the same period in 2022

- Revenue was \$692.1 million, down 25.6% from \$930.5 million. Constant Currency Revenue¹ decreased by 25.3% to \$695.5 million from \$930.5 million.
- Revenue by operating segment reflected declines of 32.5% in Toys and 3.7% in Digital Games, partially offset by a 41.3% increase in Entertainment.
- Operating Income was \$28.3 million compared to \$179.9 million. The decrease in Operating income was primarily driven by the decrease in Toy revenue.
- Operating Margin was 4.1% compared to 19.3%.
- Adjusted Operating Income¹ was \$75.3 million compared to \$174.9 million.
- Adjusted Operating Margin¹ was 10.9% compared to 18.8%.
- Net Income was \$26.1 million or \$0.25 per share (diluted) compared to \$133.7 million or \$1.26 per share (diluted).
- Adjusted Net Income¹ was \$61.1 million or \$0.58 per share (diluted) compared to \$129.9 million or \$1.22 per share (diluted).
- Adjusted EBITDA¹ was \$119.0 million compared to \$209.4 million, a decrease of \$90.4 million or 43.2%.
- Adjusted EBITDA Margin¹ was 17.2% compared to 22.5%.
- Cash provided by operating activities was \$14.8 million compared to \$48.7 million.
- Free Cash Flow¹ was \$(40.3) million compared to \$4.7 million.
- During Q2 2023, the Company acquired assets from a games and puzzles company for purchase considerations of \$3.3 million. During Q1 2023, the Company acquired certain assets of 4D Brands International Inc. for total purchase considerations of \$18.9 million and acquired the *HEXBUG* brand of toys from Innovation First International, Inc., for total purchase considerations of \$14.6 million.
- During the six months ended June 30, 2023, the Company incurred restructuring expenses of \$13.5 million (\$0.10 per diluted share) related to a reduction in the Company's global workforce and the closure of its manufacturing facility in Calais, France.
- During the six months ended June 30, 2023, the Company repurchased and cancelled 397,700 subordinate voting shares through the

Company's NCIB program for \$10.5 million.

Consolidated Financial Results as compared to the same period in 2022

(US\$ millions, except per share information)				Six Months Ended Jun 30		
	Q2 2023	Q2 2022	\$ Change	2023	2022	\$ Change
Consolidated Results						
Revenue	\$ 420.7	\$ 506.3	\$ (85.6)	\$ 692.1	\$ 930.5	\$ (238.4)
Constant Currency Revenue ¹	\$ 419.9	\$	\$ (86.4)	\$ 695.5	\$	\$ (235.0)
Operating Income	\$ 34.4	\$ 118.2	\$ (83.8)	\$ 28.3	\$ 179.9	\$ (151.6)
Operating Margin	8.2 %	23.3 %		4.1 %	19.3 %	
Adjusted Operating Income ^{1,2}	\$ 62.6	\$ 97.6	\$ (35.0)	\$ 75.3	\$ 174.9	\$ (99.6)
Adjusted Operating Margin ¹	14.9 %	19.3 %		10.9 %	18.8 %	
Net Income	\$ 28.0	\$ 88.1	\$ (60.1)	\$ 26.1	\$ 133.7	\$ (107.6)
Adjusted Net Income ^{1,2}	\$ 48.8	\$ 72.4	\$	\$ 61.1	\$ 129.9	\$ (68.8)
Adjusted EBITDA ^{1,2}	\$ 88.4	\$ 113.7	\$ (25.3)	\$ 119.0	\$ 209.4	\$ (90.4)
Adjusted EBITDA Margin ¹	21.0 %	22.5 %		17.2 %	22.5 %	
Earnings Per Share ("EPS")						
Basic EPS	\$ 0.27	\$ 0.86		\$ 0.25	\$ 1.30	
Diluted EPS	\$ 0.26	\$ 0.83		\$ 0.25	\$ 1.26	
Adjusted Basic EPS ¹	\$ 0.47	\$ 0.70		\$ 0.59	\$ 1.26	
Adjusted Diluted EPS ¹	\$ 0.45	\$ 0.68		\$ 0.58	\$ 1.22	
Weighted average number of shares (in millions)						
Basic	103.6	102.9		103.7	102.9	
Diluted	107.3	106.3		105.6	106.3	
Selected Cash Flow Data						
Cash used in operating activities	\$ 19.1	\$ 111.6	\$ (92.5)	\$ 14.8	\$ 48.7	\$ (33.9)
Cash used in investing activities	\$ (30.3)	\$ (30.4)	\$ 0.1	\$ (86.9)	\$ (38.7)	\$ (48.2)
Free Cash Flow ¹	\$ (5.9)	\$ 84.1	\$ (90.0)	\$ (40.3)	\$ 4.7	\$ (45.0)

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

² Refer to the "Reconciliation of Non-GAAP Financial Measures" section for further details on the adjustments for Q2 2023 and the six months ended June 30, 2023.

Segmented Financial Results as compared to the same period in 2022

(US\$ millions) Q2 2023						Q2 2022					
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total		Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	\$ 346.3	\$ 33.9	\$ 40.5	\$ —	\$ 420.7	\$	\$ 437.6	\$ 28.4	\$ 40.3	\$ —	\$ 506.3
Operating Income	\$ 23.8	\$ 15.7	\$ 9.6	\$ (14.7)	\$ 34.4	\$	\$ 62.6	\$ 17.5	\$ 8.4	\$ 29.7	\$ 118.2
Adjusted Operating Income ²	\$ 35.5	\$ 16.3	\$ 12.8	\$ (2.0)	\$ 62.6	\$	\$ 71.7	\$ 18.0	\$ 10.0	\$ (2.1)	\$ 97.6
Adjusted EBITDA ²	\$ 47.7	\$ 28.0	\$ 14.7	\$ (2.0)	\$ 88.4	\$	\$ 83.2	\$ 21.1	\$ 11.5	\$ (2.1)	\$ 113.7

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 Toys segment operating results, for the three months ended June 30, 2023 and 2022:

(US\$ millions)	Q2 2023	Q2 2022	\$ Change	% Change
Preschool and Dolls & Interactive Activities, Games & Puzzles and Rush Wheels & Action	\$ 181.3	\$ 228.8	\$ (47.5)	(20.8) %
Outdoor	\$ 93.4	\$ 123.6	\$ (30.2)	(24.4) %
	\$ 101.0	\$ 115.8	\$ (14.8)	(12.8) %
	\$ 14.3	\$ 16.2	\$ (1.9)	(11.7) %
Toy Gross Product Sales¹	\$ 390.0	\$ 484.4	\$ (94.4)	(19.5) %
Constant Currency Toy Gross Product Sales ¹	\$ 387.7	\$	\$ (96.7)	(20.0) %
Sales Allowances ²	\$ (43.7)	\$ (46.8)	\$ 3.1	(6.6) %
Sales Allowances % of GPS	11.2 %	9.7 %		1.5 %
Toy revenue	\$ 346.3	\$ 437.6	\$ (91.3)	(20.9) %
Operating Income	\$ 23.8	\$ 62.6	\$ (38.8)	(62.0) %
Operating Margin³	6.9 %	14.3 %		(7.4) %
Adjusted EBITDA¹	\$ 47.7	\$ 83.2	\$ (35.5)	(42.7) %
Adjusted EBITDA Margin¹	13.8 %	19.0 %		(5.2) %

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

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

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

- Toy revenue declined by \$91.3 million or 20.9% to \$346.3 million primarily driven by a decline in Toy Gross Product Sales¹.
- Toy Gross Product Sales¹ declined by \$94.4 million or 19.5%, to \$390.0 million from \$484.4 million. Constant Currency Toy Gross Product Sales¹ declined by \$96.7 million or 20.0% to \$387.7 million, down from \$484.4 million.
- The decline in Toy Gross Product Sales¹ was a result of lower order volume, as customers focused on reducing their retail inventory levels carried forward from Q4 2022. In comparison, Toy Gross Product Sales¹ in 2022 was supported by customers ordering earlier in the year.
- Sales Allowances decreased by \$3.1 million to \$43.7 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased by 1.5% to 11.2% from 9.7%, primarily driven by geographic and customer mix.
- Operating Income was \$23.8 million compared to \$62.6 million, representing a decrease of \$38.8 million.
- Operating Margin was 6.9% compared to 14.3%.
- Adjusted EBITDA Margin¹ was 13.8% compared to 19.0%. Adjusted EBITDA Margin¹ declined primarily as a result of lower Operating Margin. The decline was due to lower Toy revenue relative to administrative and marketing expenses, partially offset by higher gross margin.

Entertainment Segment Results

The following table provides a summary of Entertainment segment operating results, for the three months ended June 30, 2023 and 2022:

(US\$ millions)	Q2 2023	Q2 2022	\$ Change	% Change
Entertainment revenue	\$ 33.9	\$ 28.4	\$ 5.5	19.4 %
Operating Income	\$ 15.7	\$ 17.5	\$ (1.8)	(10.3) %
Operating Margin	46.3 %	61.6 %		(15.3) %
Adjusted Operating Income ¹	\$ 16.3	\$ 18.0	\$ (1.7)	(9.4) %
Adjusted Operating Margin ¹	48.1 %	63.4 %		(15.3) %

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

- Entertainment revenue increased by \$5.5 million or 19.4% to \$33.9 million, from higher distribution revenue due to new content deliveries of *Vida the Vet*, *Rubble & Crew* and *Unicorn Academy*. Also contributing to the increase was the Company's share of revenue related to the continued distribution of *PAW Patrol: The Movie*. Licensing and merchandising revenue declined for the period. Constant Currency Entertainment Revenue¹ increased by \$5.6 million or 19.7% to \$34.0 million, from \$28.4 million.
- Operating Margin decreased by 15.3% from 61.6% to 46.3%.
- Adjusted Operating Margin¹ decreased by 15.3% from 63.4% to 48.1%.
- Operating Margin and Adjusted Operating Margin¹ declined primarily due to higher amortization of production costs from new content deliveries.

Digital Games Segment Results

The following table provides a summary of Digital Games segment operating results, for the three months ended June 30, 2023 and 2022:

(US\$ millions)	Q2 2023	Q2 2022	\$ Change	% Change
Digital Games revenue	\$ 40.5	\$ 40.3	\$ 0.2	0.5 %
Operating Income	\$ 9.6	\$ 8.4	\$ 1.2	14.3 %
Operating Margin	23.7 %	20.8 %		2.9 %
Adjusted Operating Income ¹	\$ 12.8	\$ 10.0	\$ 2.8	28.0 %
Adjusted Operating Margin ¹	31.6 %	24.8 %		6.8 %

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

- Digital Games revenue increased by \$0.2 million or 0.5% to \$40.5 million from higher in-game purchases in the *Toca Life World* platform. Constant Currency Digital Games Revenue¹ increased by \$1.1 million or 2.7% to \$41.4 million, up from \$40.3 million.
- Operating Margin increased by 2.9% from 20.8% to 23.7% and Adjusted Operating Margin¹ increased by 6.8% from 31.6% to 24.8% due to lower marketing and administrative expenses.

Liquidity and Capitalization

For the six months ended June 30, 2023, cash flows provided by operating activities were \$14.8 million, compared to \$48.7 million in the prior year.

For the six months ended June 30, 2023, Free Cash Flow¹ was \$(40.3) million compared to \$4.7 million.

As at June 30, 2023, the Company had unutilized liquidity of \$1,063.5 million, comprised of \$554.9 million in Cash and cash equivalents and \$508.6 million under the Company's credit facilities.

On March 10, 2023, the Company entered into an automatic share repurchase plan with its designated broker to effect the purchase of subordinate voting shares under the NCIB. The Company repurchased and cancelled 397,700 subordinate voting shares during the first half of 2023 for proceeds of \$10.5 million.

The weighted average basic and diluted shares outstanding as at June 30, 2023 were 103.7 million and 105.6 million, compared to 102.9 million and 106.3 million in the prior year, respectively.

The Company's Board of Directors declared a dividend of C\$0.06 per outstanding subordinate voting share and multiple voting share, payable on October 13, 2023 to shareholders of record at the close of business on September 29, 2023. The dividend is designated to be an eligible dividend for purposes of section 89(1) of the *Income Tax Act* (Canada).

Dividend Reinvestment Plan

The DRIP will provide Spin Master's eligible shareholders with the opportunity to have all or a portion of the cash dividends declared on their subordinate voting shares or multiple voting shares automatically reinvested into additional subordinate voting shares of the Company (the "Reinvestment Shares") on an ongoing basis.

Participants in the DRIP will, until further notice, acquire Reinvestment Shares issued from treasury (a "Treasury Purchase") at a price equal to the volume weighted average price of the Company's subordinate voting shares on the Toronto Stock Exchange during the five (5) trading days immediately preceding the dividend payment date (the "Average Market Price"). Spin Master will have the discretion, and in accordance with the DRIP, to fund the DRIP with subordinate voting shares acquired on the open market.

To participate in the DRIP, registered shareholders must deliver a properly completed enrollment form to Computershare Trust Company of Canada (the "Agent") at a minimum five (5) business days before a dividend record date. Beneficial shareholders who wish to participate in the DRIP should contact their financial advisor, broker, investment dealer, bank, financial institution or other intermediary through which they hold subordinate voting shares or multiple voting shares to inquire about the applicable enrollment deadline and to request enrollment in the DRIP.

No commissions, service charges or brokerage fees will be payable by participants in connection with the acquisition of Reinvestment Shares under the DRIP. However, beneficial shareholders who wish to participate in the DRIP through their financial advisor, broker, investment dealer, bank, financial institution or other intermediary should consult that intermediary to confirm what fees, if any, the nominee may charge to enroll in the DRIP on their behalf or whether the nominee's policies might result in any costs otherwise becoming payable by the beneficial shareholder. Commissions, service charges, brokerage fees and other administrative fees may be payable in connection with the termination of participation in the DRIP or the withdrawal or disposition of Reinvestment Shares.

Participation in the DRIP does not relieve shareholders of any liability for taxes that may be payable in respect of dividends that are reinvested in Reinvestment Shares. Shareholders should consult their tax advisors concerning the tax implications of their participation in the DRIP having regard to their particular circumstances. Shareholders resident outside of Canada will not be eligible to participate in the DRIP.

This news release does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction nor will there be any sale of these securities in any province, state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such province, state or jurisdiction. This news release does not constitute an offer to sell or the solicitation to buy securities in the United States. The securities mentioned herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

The foregoing is a summary of the key attributes of the DRIP. A complete copy of the DRIP and the enrollment form will be available on the Agent's website at www.investorcentre.com. Shareholders should carefully read the complete text of the DRIP before making any decisions regarding their participation in the DRIP. For more information on how to enroll for registered shareholders or any other inquiries, contact the Agent at +1 (800) 564-6253 (North America) or +1 (514) 982-7555 (outside North America) or through the Agent's website at www.investorcentre.com/service.

Outlook

The Company continues to expect 2023 Toy Gross Product Sales¹ to be flat to slightly down compared to 2022.

The Company continues to expect 2023 Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ to be in line with 2022.

The Company continues to expect 2023 Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ to be flat to slightly up compared to 2022.

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

² Operating Margin is calculated as Operating (Loss) Income divided by Revenue.

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 2023; future growth expectations in 2023 and beyond; the Company's dividend policy; drivers and trends for such growth and financial performance; the successful execution of its strategies for growth; the integration of and benefits from acquisitions; content and product pipeline and their impacts; financial position, cash flows, purchases under the NCIB, and financial performance; the creation of long term shareholder value; and future dividends and the operation of the DRIP.

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'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 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 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; 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 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, 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.ca). 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.

Conference call

Max Rangel, Global President and Chief Executive Officer and Mark Segal, Chief Financial Officer will host a conference call to discuss the financial results on Thursday, August 3, 2023 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®, 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 over 30 offices in close to 20 countries, Spin Master employs more than 2,000 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, 2023	Dec 31, 2022
Assets		
Current assets		
Cash and cash equivalents	554.9	644.3
Trade receivables, net	272.4	311.0
Other receivables	60.0	49.5
Inventories, net	151.6	105.1
Income tax receivable	12.7	—
Prepaid expenses and other assets	35.1	22.3
	1,086.7	1,132.2
Non-current assets		
Intangible assets	316.9	279.8
Goodwill	191.5	179.0
Right-of-use assets	58.5	62.9
Property, plant and equipment	35.8	36.0
Deferred income tax assets	94.9	94.7
Other assets	23.8	20.5
	721.4	672.9
Total assets	1,808.1	1,805.1
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	332.4	339.4
Deferred revenue	16.1	11.5
Provisions	26.6	30.7
Income tax payable	—	29.7
Lease liabilities	15.0	16.3
	390.1	427.6
Non-current liabilities		
Provisions	21.8	15.1
Deferred income tax liabilities	55.9	55.7
Lease liabilities	51.9	54.9
	129.6	125.7
Total liabilities	519.7	553.3
Shareholders' equity		
Share capital	780.9	754.7
Retained earnings	488.3	477.4
Contributed surplus	19.9	40.7
Accumulated other comprehensive loss	(0.7)	(21.0)
Total shareholders' equity	1,288.4	1,251.8
Total liabilities and shareholders' equity	1,808.1	1,805.1

Spin Master Corp.

Condensed consolidated interim statements of earnings and comprehensive income

(Unaudited, in US\$ millions, except earnings per share)	Six Months Ended Jun 30,			
	Q2 2023	Q2 2022	2023	2022
Revenue	420.7	506.3	692.1	930.5
Cost of sales	189.7	222.6	302.6	409.5
Gross profit	231.0	283.7	389.5	521.0
Expenses				
Selling, general and administrative	179.5	190.4	328.8	349.0
Depreciation and amortization	5.7	6.8	12.3	14.7
Other expense, net	—	0.6	4.4	0.1
Foreign exchange loss (income)	11.4	(32.3)	15.7	(22.7)
Operating income	34.4	118.2	28.3	179.9
Interest income	(6.5)	(1.3)	(13.2)	(1.7)

Interest expense	3.3	3.6	6.4	5.9
Income before income tax expense	37.6	115.9	35.1	175.7
Income tax expense	9.6	27.8	9.0	42.0
Net Income	28.0	88.1	26.1	133.7
Earnings per share				
Basic	0.27	0.86	0.25	1.30
Diluted	0.26	0.83	0.25	1.26
Weighted average number of shares (in millions)				
Basic	103.6	102.9	103.7	102.9
Diluted	107.3	106.3	105.6	106.3

Six Months Ended Jun 30,				
(Unaudited, in US\$ millions)	Q2 2023	Q2 2022	2023	2022
Net Income	28.0	88.1	26.1	133.7
Items that may be subsequently reclassified to Net Income				
Foreign currency translation gain (loss)	17.7	(35.8)	20.3	(30.5)
Items that are not subsequently reclassified to Net Income				
Gain on Minority interest and other investments	—	0.1	—	0.1
Other comprehensive income (loss)	17.7	(35.7)	20.3	(30.4)
Total comprehensive income	45.7	52.4	46.4	103.3

Spin Master Corp. Condensed consolidated interim statements of cash flows

Six Months Ended Jun 30,			
(Unaudited, in US\$ millions)	2023	2022	
Operating activities			
Net Income	26.1	133.7	
Adjustments to reconcile Net Income to cash provided by operating activities			
Income tax expense	9.0	42.0	
Interest income	(13.2)	(1.7)	
Depreciation and amortization	43.7	34.5	
Loss on disposal of non-current assets	0.7	0.8	
Accretion expense on lease liabilities and non-current provisions	2.6	2.8	
Amortization of Facility fee costs	0.2	0.2	
Gain on investment in limited partnership, net of loss on investment	(0.2)	(0.2)	
Impairment of non-current assets	3.4	—	
Loss on Minority interest and other investments	—	0.5	
Unrealized foreign exchange loss (gain), net	26.2	(11.9)	
Share-based compensation expense	10.1	8.6	
Net changes in non-cash working capital	(60.5)	(124.1)	
Net change in non-cash provisions and other assets	4.5	7.4	
Income taxes paid	(51.3)	(48.6)	
Income taxes received	0.2	3.4	
Interest received	13.3	1.3	
Cash provided by operating activities	14.8	48.7	
Investing activities			
Investment in property, plant and equipment	(14.1)	(16.0)	
Investment in intangible assets	(44.3)	(28.0)	
Business acquisitions	(26.5)	—	
Minority interest and other investments	(2.0)	(4.0)	
Proceeds from sale of manufacturing operations	—	9.2	
Cash used in investing activities	(86.9)	(38.7)	
Financing activities			
Payment of lease liabilities	(7.8)	(7.7)	
Dividends paid	(9.2)	—	
Repurchase of subordinate voting shares under the NCIB	(10.5)	—	
Cash used in financing activities	(27.5)	(7.7)	
Effect of foreign currency exchange rate changes on cash and cash equivalents	10.2	(6.9)	
Net decrease in cash and cash equivalents during the period	(89.4)	(4.6)	
Cash and cash equivalents, beginning of period	644.3	562.7	
Cash and cash equivalents, end of period	554.9	558.1	

Non-GAAP Financial Measures and Ratios

In addition to using financial measures prescribed under International Financial Reporting Standards ("IFRS"), references are made in this Press Release to the following terms, each of which is a non-GAAP financial measure:

- Toy Gross Product Sales
- Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue
- Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue
- Constant Currency Toy Gross Product Sales
- Constant Currency Digital Games Revenue
- Constant Currency Entertainment Revenue
- Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue
- Constant Currency Revenue
- Adjusted EBITDA
- Adjusted Operating Income
- Adjusted Net Income
- Free Cash Flow

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Additionally, references are made in this Press Release to the following terms, each of which is a non-GAAP financial ratio:

- Percentage change in Constant Currency Toy Gross Product Sales

- Percentage change in Constant Currency Digital Games Revenue
- Percentage change in Constant Currency Entertainment Revenue
- Percentage change in Constant Currency Revenue
- Adjusted EBITDA Margin
- Adjusted Operating Margin
- Adjusted Basic EPS
- Adjusted Diluted EPS
- Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue

Non-GAAP financial ratios are ratios or percentages that are calculated using a Non-GAAP financial measure. Non-GAAP financial ratios do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Management believes the Non-GAAP financial measures and Non-GAAP financial ratios defined above are important supplemental measures of operating performance and highlight trends in the business. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts and other interested parties frequently use these Non-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

Non-GAAP Financial Measures

Toy Gross Product Sales represent Toy revenues, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses Toy Gross Product Sales to provide meaningful comparisons across product category 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, 2023, as compared to the same period in 2022 in this Press Release.

Constant Currency Toy Gross Product Sales, Constant Currency Sales Allowances, Constant Currency Toy Revenue, Constant Currency Entertainment Revenue, Constant Currency Digital Games Revenue, and Constant Currency Revenue represent Toy Gross Product Sales, Sales Allowance, Toy revenue, Entertainment revenue, Digital Games revenue, and Revenue presented excluding the impact from changes in foreign currency exchange rates, respectively. The current period and prior period results for entities reporting in currencies other than the US dollar are translated using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from fluctuations in foreign currency exchange rates. Management uses Constant Currency Toy Gross Product Sales, Constant Currency Sales Allowances, Constant Currency Toy Revenue, Constant Currency Entertainment Revenue, Constant Currency Digital Games Revenue, and Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of these metrics to Revenue, the closest IFRS measure.

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

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

Adjusted Net Income (Loss) is calculated as Net Income (Loss) excluding adjustments (as defined in Adjusted EBITDA), the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income (Loss) to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

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

Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as revenue excluding distribution revenue of \$26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is used to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Revenue, the closest IFRS measure.

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

Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding distribution revenue of \$26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue 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 Net Income, the closest IFRS measure.

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

Non-GAAP Financial Ratios

Sales Allowances as a percentage of Toy Gross Product Sales is calculated by dividing Sales Allowances by Toy Gross Product Sales.

Management uses Sales Allowance as a percentage of Toy Gross Product Sales to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Percentage change in Constant Currency Toy Gross Product Sales is calculated by dividing the change in Toy Gross Product Sales excluding the impact from changes in foreign currency exchange rates by the Toy Gross Product Sales of the comparative period. Management uses Percentage change in Constant Currency Toy Gross Product Sales to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Sales Allowances is calculated by dividing the change in Sales Allowances excluding the impact from changes in foreign currency exchange rates by the Sales Allowances of the comparative period. Management uses Percentage change in Constant Currency Sales Allowances to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Toy Revenue is calculated by dividing the change in Toy Revenue excluding the impact from changes in foreign currency exchange rates by the Toy Revenue of the comparative period. Management uses Percentage change in Constant Currency Toy Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Entertainment Revenue is calculated by dividing the change in Entertainment revenue excluding the impact from changes in foreign currency exchange rates by the Entertainment revenue of the comparative period. Management uses Percentage change in Constant Currency Entertainment Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Digital Games Revenue is calculated by dividing the change in Digital Games revenue excluding the impact from changes in foreign currency exchange rates by the Digital Games revenue of the comparative period. Management uses Percentage change in Constant Currency Digital Games Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

Percentage change in Constant Currency Revenue is calculated by dividing the change in Revenue excluding the impact from changes in foreign currency exchange rates by the Revenue of the comparative period. Management uses Percentage change in Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time excluding the impact from changes in foreign currency exchange rates.

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

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

Adjusted Basic EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period. Management uses Adjusted Basic EPS and Adjusted Diluted EPS to measure the underlying financial performance of the business on a consistent basis over time.

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

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Operating Income to Adjusted Operating 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, 2023 and 2022:

(in US\$ millions)	Q2 2023	Q2 2022	\$ Change	% Change
Operating Income	34.4	118.2	(83.8)	(70.9) %
Adjustments:				
Share based compensation ¹	4.8	4.5	0.3	6.7 %
Foreign exchange loss (gain) ²	11.4	(32.3)	43.7	(135.3) %
Restructuring and other related costs ³	9.7	4.5	5.2	115.6 %
Acquisition related deferred incentive compensation ⁴	2.1	2.6	(0.5)	(19.2) %
Impairment of intangible assets ⁵	1.0	—	1.0	n.m.
Transaction costs ⁶	1.5	0.4	1.1	275.0 %
Legal settlement expense (recovery) ⁷	—	(0.6)	0.6	(100.0) %
Net unrealized gain on investment ⁸	(0.3)	(0.1)	(0.2)	200.0 %
Net realized loss (gain) on investment ⁹	0.1	(0.1)	0.2	(200.0) %
Loss on Minority interest and other investments ¹⁰	—	0.5	(0.5)	(100.0) %
Acquisition related contingent consideration ¹¹	(2.1)	—	(2.1)	n.m.
Adjusted Operating Income	62.6	97.6	(35.0)	(35.9) %
Depreciation and amortization	25.8	16.1	9.7	60.2 %
Adjusted EBITDA	88.4	113.7	(25.3)	(22.3) %
Income tax expense	(9.6)	(27.8)	18.2	(65.5) %
Interest income (expense)	3.2	(2.3)	5.5	(239.1) %
Depreciation and amortization	(25.8)	(16.1)	(9.7)	60.2 %
Tax effect of normalization adjustments ¹²	(7.4)	4.9	(12.3)	(251.0) %
Adjusted Net Income	48.8	72.4	(23.6)	(32.6) %
Cash provided by operating activities	19.1	111.6	(92.5)	(82.9) %
Cash used in investing activities	(30.3)	(30.4)	0.1	(0.3) %
Add:				
Cash provided by business acquisitions, asset acquisitions, and investment in limited partnership and Minority interest and other investments, net of investment distribution income	5.3	2.9	2.4	82.8 %
Free Cash Flow	(5.9)	84.1	(90.0)	(107.0) %

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

² Includes foreign exchange losses (gains) generated by the translation and settlement of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) related to the Company's hedging programs.

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

⁴ Deferred incentive compensation associated with acquisitions.

- ⁵ Impairment of intangible assets related to content development projects and computer software.
⁶ Professional fees incurred relating to acquisitions and other transactions.
⁷ Legal settlement in the first and second quarters of 2022.
⁸ Net unrealized gain related to investment in limited partnership.
⁹ Net realized loss (gain) related to investment in limited partnership.
¹⁰ Fair value loss on the Minority interest and other investments classified as FVIFL.
¹¹ Recovery associated with contingent consideration for acquisitions.
¹² 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 Income to Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA, excluding PAW Patrol: The Movie Distribution Revenue, Adjusted Net Income, and cash from operating activities to Free Cash Flow for the six months ended June 30, 2023 and 2022:

(in US\$ millions)	Six Months Ended Jun 30			
	2023	2022	\$ Change	%Change
Operating Income	28.3	179.9	(151.6)	(84.3) %
Restructuring and other related costs ¹	13.5	5.1	8.4	164.7 %
Foreign exchange loss (gain) ²	15.7	(22.7)	38.4	(169.2) %
Share based compensation ³	10.2	8.6	1.6	18.6 %
Impairment of goodwill ⁴	1.0	—	1.0	n.m
Impairment of property, plant and equipment ⁵	0.2	—	0.2	n.m
Impairment of intangible assets ⁶	2.2	—	2.2	n.m
Legal settlement expense (recovery) ⁷	0.2	(2.1)	2.3	(109.5) %
Acquisition related deferred incentive compensation ⁸	4.2	5.3	(1.1)	(20.8) %
Net unrealized gain on investment ⁹	(0.3)	(0.1)	(0.2)	200.0 %
Net realized loss (gain) on investment ¹⁰	0.1	(0.1)	0.2	(200.0) %
Loss on Minority interest and other investments ¹¹	—	0.5	(0.5)	(100.0) %
Acquisition related contingent consideration ¹²	(2.1)	—	(2.1)	n.m
Transaction costs ¹³	2.1	0.5	1.6	320.0 %
Adjusted Operating Income	75.3	174.9	(99.6)	(56.9) %
Depreciation and amortization	43.7	34.5	9.2	26.7 %
Adjusted EBITDA	119.0	209.4	(90.4)	(43.2) %
Income tax expense	(9.0)	(42.0)	33.0	(78.6) %
Interest income (expense)	6.8	(4.2)	11.0	(261.9) %
Depreciation and amortization	(43.7)	(34.5)	(9.2)	26.7 %
Tax effect of adjustments ¹⁴	(12.0)	1.2	(13.2)	(1,100.0) %
Adjusted Net Income	61.1	129.9	(68.8)	(53.0) %
Cash provided by operating activities	14.8	48.7	(33.9)	(69.6) %
Cash used in investing activities	(86.9)	(38.7)	(48.2)	124.5 %
Add:				
Cash provided by (used in) business acquisitions, asset acquisitions, investment in limited partnership and Minority interest and other investments and trademark license agreement, net of investment distribution income	35.1	(5.3)	40.4	(762.3) %
Free Cash Flow	(40.3)	4.7	(45.0)	(957.4) %

- ¹ Restructuring expense in the current year relates to the reduction in the Company's global workforce and closure of its manufacturing facility in Calais, France. Prior year comparison relates to changes in personnel.
² Includes foreign exchange losses (gains) generated by the translation and settlement of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) related to the Company's hedging programs.
³ Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan.
⁴ Impairment of goodwill associated with one CGU.
⁵ Impairment of property plant and equipment related to tooling.
⁶ Impairment of intangible assets related to content development projects and computer software.
⁷ Legal settlement in the first quarter of 2023 and first and second quarters of 2022.
⁸ Deferred incentive compensation associated with acquisitions.
⁹ Net unrealized gain related to investment in limited partnership.
¹⁰ Net realized loss (gain) related to investment in limited partnership.
¹¹ Fair value loss on the Minority interest and other investments classified as FVIFL.
¹² Expense associated with contingent consideration for acquisitions.
¹³ Professional fees incurred relating to acquisitions and other transactions.
¹⁴ Tax effect of adjustments (Footnotes 1-13). Adjustments are tax effected at the effective tax rate of the given period.

The following tables present reconciliations of Revenue to Constant Currency Toy Gross Product Sales, Revenue to Constant Currency Digital Games revenue, Revenue to Constant Currency Entertainment Revenue, and Revenue to Constant Currency Revenue for the three and six months ended June 30, 2023, and 2022:

(US\$ millions)	Six Months Ended Jun 30,			
	Q2 2023	Q2 2022	2023	2022
Constant Currency Toy Gross Product Sales	387.7	490.2	607.4	892.8
Impact of foreign exchange	2.3	(5.8)	(1.1)	(10.9)
Toy Gross Product Sales	390.0	484.4	606.3	881.9
Constant Currency Sales Allowances	(43.2)	(47.9)	(74.0)	(95.9)
Impact of foreign exchange	(0.5)	1.1	0.3	2.5
Sales Allowances	(43.7)	(46.8)	(73.7)	(93.4)
Toy revenue	346.3	437.6	532.6	788.5
Constant Currency Entertainment revenue	34.0	29.4	71.6	51.7
Impact of foreign exchange	(0.1)	(1.0)	(0.1)	(1.1)
Entertainment revenue	33.9	28.4	71.5	50.6
Constant Currency Digital Games revenue	41.4	43.0	90.5	95.7
Impact of foreign exchange	(0.9)	(2.7)	(2.5)	(4.3)
Digital Games revenue	40.5	40.3	88.0	91.4
Constant Currency Revenue	419.9	514.7	695.5	944.3
Impact of foreign exchange	0.8	(8.4)	(3.4)	(13.8)
Revenue	420.7	506.3	692.1	930.5

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales, Percentage change in Constant Currency Digital Games Revenue, Percentage change in Constant Currency Entertainment Revenue, and Percentage change in Constant Currency

Revenue for the three and six months ended June 30, 2023 and 2022:

(US\$ millions)	Q2 2023	Q2 2022	\$ Change			% Change	
			As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	390.0	484.4	(94.4)	(2.3)	(96.7)	(19.5) %	(20.0) %
Sales Allowances	(43.7)	(46.8)	3.1	0.5	3.6	(6.6) %	(7.7) %
Toy revenue	346.3	437.6	(91.3)	(1.8)	(93.1)	(20.9) %	(21.3) %
Entertainment revenue	33.9	28.4	5.5	0.1	5.6	19.4 %	19.7 %
Digital Games revenue	40.5	40.3	0.2	0.9	1.1	0.5 %	2.7 %
Revenue	420.7	506.3	(85.6)	(0.8)	(86.4)	(16.9) %	(17.1) %

Six Months Ended Jun 30,			\$ Change			% Change	
(US\$ millions)	2023	2022	As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	606.3	881.9	(275.6)	1.1	(274.5)	(31.3) %	(31.1) %
Sales Allowances	(73.7)	(93.4)	19.7	(0.3)	19.4	(21.1) %	(20.8) %
Toy revenue	532.6	788.5	(255.9)	0.8	(255.1)	(32.5) %	(32.4) %
Entertainment revenue	71.5	50.6	20.9	0.1	21.0	41.3 %	41.5 %
Digital Games revenue	88.0	91.4	(3.4)	2.5	(0.9)	(3.7) %	(1.0) %
Revenue	692.1	930.5	(238.4)	3.4	(235.0)	(25.6) %	(25.3) %

Segment Results

The Company's results from operations by reportable segment for the three months ended June 30, 2023 and 2022 are as follows:

(US\$ millions)	Q2 2023					Q2 2022				
	Toys	Entertainment	Digital Games	Corporate & other	Total	Toys	Entertainment	Digital Games	Corporate & other	Total
Revenue	346.3	33.9	40.5	—	420.7	437.6	28.4	40.3	—	506.3
Operating Income	23.8	15.7	9.6	(14.7)	34.4	62.6	17.5	8.4	29.7	118.2
Restructuring and other related costs	9.3	—	0.4	—	9.7	4.4	0.1	—	—	4.5
Foreign exchange loss (gain)	—	—	—	11.4	11.4	—	—	—	(32.3)	(32.3)
Share based compensation	3.8	0.4	0.9	(0.3)	4.8	3.1	0.4	0.6	0.4	4.5
Impairment of intangible assets	—	0.2	0.5	0.3	1	—	—	—	—	—
Legal settlement recovery	—	—	—	—	—	—	—	—	(0.6)	(0.6)
Acquisition related deferred incentive compensation	0.7	—	1.4	—	2.1	1.6	—	1.0	—	2.6
Net unrealized loss on investment	—	—	—	(0.3)	(0.3)	—	—	—	(0.1)	(0.1)
Net realized loss (gain) on investment	—	—	—	0.1	0.1	—	—	—	(0.1)	(0.1)
Fair value loss on Minority interest and other investments	—	—	—	—	—	—	—	—	0.5	0.5
Acquisition related contingent consideration	(2.1)	—	—	—	(2.1)	—	—	—	—	—
Transaction costs	—	—	—	1.5	1.5	—	—	—	0.4	0.4
Adjusted Operating Income	35.5	16.3	12.8	(2.0)	62.6	71.7	18	10	(2.1)	97.6
Adjusted Operating Margin	10.3 %	48.1 %	31.6 %	n.m.	14.9 %	16.4 %	63.4 %	24.8 %	n.m.	19.3 %
Depreciation and amortization	12.2	11.7	1.9	—	25.8	11.5	3.1	1.5	—	16.1
Adjusted EBITDA	47.7	28	14.7	(2.0)	88.4	83.2	21.1	11.5	(2.1)	113.7
Adjusted EBITDA Margin	13.8 %	82.6 %	36.3 %	n.m.	21.0 %	19.0 %	74.3 %	28.5 %	n.m.	22.5 %

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