

Spin Master Reports Third Quarter 2023 Financial Results

Spin Master Delivers strong Revenue and Profitability growth highlighting strength of its diversified platform and updates 2023 Outlook

TORONTO, Nov. 1, 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 nine months ended September 30, 2023. The Company's full Management's Discussion and Analysis ("MD&A") for the three and nine months ended September 30, 2023 is available under the Company's profile on SEDAR+ (www.sedarplus.com) and posted on the Company's web site at www.spinmaster.com. All financial information is presented in United States dollars ("\$", "dollars" and "US\$") and has been rounded to the nearest hundred thousand, except per share amounts and where otherwise indicated.

"We delivered a strong third quarter with increased revenue across all our three creative centres," said Max Rangel, Spin Master's Global President & CEO. "Digital Games and Entertainment revenue in particular grew double digits for the quarter, highlighting the strength of our diversified platform. Digital Games revenue has now returned to growth on year-to-date basis. At the box office, our second theatrical release of our preschool powerhouse, *PAW Patrol*, captured the #1 position globally. We secured a major new toy licence for Paramount's *Dora the Explorer*. In Digital Games, we launched *PAW Patrol Academy* to complement the movie launch, while *Sago Mini* introduced *Piknik*, our value-added subscription app bundle and we saw increased player engagement in *Toca Life World*. Just after the quarter, we were very pleased to announce the planned acquisition of Melissa & Doug, a trusted brand and our largest acquisition to date, which is highly strategic and will significantly expand our offering into early childhood play. Looking forward, pressure on the toy industry is expected in the fourth quarter as a result of economic headwinds, which has reduced consumer spend. As macroeconomic pressure continues, we have seen POS and orders for toys slow down, particularly from mid-October. We expect this trend to persist for the remainder of 2023. Our team remains focused on executing our long-term growth strategy and we continue to invest and make significant progress by leveraging our deep expertise in play, well-established global network, and innovation capability to inspire future generations and unlock growth."

"Our results in the third quarter reflect the diversified nature of our three creative centre revenue streams. We executed well across the business and are particularly pleased with our operating profitability in the quarter, delivering Adjusted EBITDA of just under \$235 million at a 33% Adjusted EBITDA margin" said Mark Segal, Spin Master's CFO. "Regarding our planned acquisition of Melissa & Doug, by combining two profitable companies, we expect to unlock significant value for our shareholders. The acquisition represents a strategic deployment of our balance sheet while preserving financial flexibility for strategic initiatives and potential future acquisitions. As a result of the macroeconomic pressure we are seeing in Q4, we are lowering our top line outlook for 2023. However, we remain confident in our ability to execute with high levels of operational discipline and navigate retailer and consumer dynamics and we are pleased to raise our outlook for Adjusted EBITDA margin."

Consolidated Financial Highlights for Q3 2023 as compared to the same period in 2022

- Revenue was \$710.2 million, an increase of 13.8% from \$624.0 million. Constant Currency Revenue¹ was \$700.3 million, an increase of 12.2%, from \$624.0 million.
- Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ of \$15.6 million was \$694.6 million, an increase of \$70.6 million or 11.3% from \$624.0 million.
- Revenue by operating segment reflected a 71.4% increase in Entertainment, a 30.9% increase in Digital Games and an 8.9% increase in Toys.
- Operating Income was \$197.2 million compared to \$187.4 million.
- Operating Margin was 27.8% compared to 30.0%.
- Adjusted Operating Income¹ was \$190.2 million compared to \$151.8 million.
- Adjusted Operating Margin¹ was 26.8% compared to 24.3%.
- Net Income was \$155.4 million or \$1.45 per share (diluted) compared to \$141.4 million or \$1.33 per share (diluted).
- Adjusted Net Income¹ was \$143.6 million or \$1.34 per share (diluted) compared to \$114.4 million or \$1.08 per share (diluted).
- Adjusted EBITDA¹ was \$234.9 million compared to \$167.6 million, an increase of \$67.3 million or 40.2%. Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ was \$219.3 million, an increase of \$51.7 million or 30.8% from \$167.6 million.
- Adjusted EBITDA Margin¹ was 33.1% compared to 26.9%. Adjusted EBITDA Margin, excluding *PAW Patrol:*

The Mighty Movie Distribution Revenue¹ was 31.6%.

- Cash provided by operating activities was \$144.3 million compared to \$207.4 million.
- Free Cash Flow¹ was \$118.9 million compared to \$175.3 million.
- Subsequent to September 30, 2023, the Company declared a quarterly dividend of CA\$0.06 per outstanding subordinate voting share and multiple voting share, payable on January 12, 2024.
- On October 11, 2023, the Company announced it reached a definitive agreement to acquire U.S.-based Melissa & Doug for \$950 million in cash. Additional contingent consideration of up to \$150 million is subject to exceeding certain financial targets for 2024 and 2025. Spin Master plans to finance the \$950 million purchase price with approximately \$450 million cash and \$500 million in debt financing. The acquisition is expected to close early in the first quarter of 2024 subject to customary regulatory approval and closing conditions.
- The Company updates full year 2023 Outlook.

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

- Revenue was \$1,402.3 million, down 9.8% from \$1,554.5 million. Constant Currency Revenue¹ decreased by 10.2% to \$1,395.8 million from \$1,554.5 million.
- Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ of \$15.6 million was \$1,386.7 million, a decrease of \$167.8 million or 10.8% from \$1,554.5 million.
- Revenue by operating segment reflected a decline of 15.4% in Toys, partially offset by increases of 54.0% in Entertainment and 5.8% in Digital Games.
- Operating Income was \$225.5 million compared to \$367.3 million. The decrease in Operating Income was primarily driven by the decrease in Toy revenue.
- Operating Margin was 16.1% compared to 23.6%.
- Adjusted Operating Income¹ was \$265.5 million compared to \$326.7 million.
- Adjusted Operating Margin¹ was 18.9% compared to 21.0%.
- Net Income was \$181.5 million or \$1.72 per share (diluted) compared to \$275.1 million or \$2.59 per share (diluted).
- Adjusted Net Income¹ was \$204.7 million or \$1.94 per share (diluted) compared to \$244.3 million or \$2.30 per share (diluted).
- Adjusted EBITDA¹ was \$353.9 million compared to \$377.0 million, a decrease of \$23.1 million or 6.1%. Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ was \$338.3 million, a decrease of \$38.7 million or 10.3% from \$377.0 million.
- Adjusted EBITDA Margin¹ was 25.2% compared to 24.3%. Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ was 24.4%.
- Cash provided by operating activities was \$159.1 million compared to \$256.1 million.
- Free Cash Flow¹ was \$78.6 million compared to \$180.0 million.
- During the second quarter of 2023, the Company acquired assets from a games and puzzles company for purchase consideration of \$3.3 million. During the first quarter of 2023, the Company acquired certain assets from 4D Brands International Inc. for total purchase consideration of \$18.9 million and acquired the HEXBUG brand of toys from Innovation First International, Inc., for total purchase consideration of \$14.6 million.
- During the nine months ended September 30, 2023, the Company incurred restructuring expenses of \$14.3 million (\$0.14 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)				Nine Months Ended Sep 30		
	Q3 2023	Q3 2022	\$ Change	2023	2022	\$ Change
Consolidated Results						
Revenue	\$ 710.2	\$ 624.0	\$ 86.2	\$ 1,402.3	\$ 1,554.5	\$ (152.2)
Revenue, excluding <i>PAW Patrol: The Mighty Movie</i> ¹	\$ 694.6	\$ 624.0	\$ 70.6	\$ 1,386.7	\$ 1,554.5	\$ (167.8)
Constant Currency Revenue ¹	\$ 700.3		\$ 76.3	\$ 1,395.8		\$ (158.7)
Operating Income	\$ 197.2	\$ 187.4	\$ 9.8	\$ 225.5	\$ 367.3	\$ (141.8)
Operating Margin	27.8 %	30.0 %		16.1 %	23.6 %	
Adjusted Operating Income ^{1,2}	\$ 190.2	\$ 151.8	\$ 38.4	\$ 265.5	\$ 326.7	\$ (61.2)
Adjusted Operating Margin ¹	26.8 %	24.3 %		18.9 %	21.0 %	
Net Income	\$ 155.4	\$ 141.4	\$ 14.0	\$ 181.5	\$ 275.1	\$ (93.6)
Adjusted Net Income ^{1,2}	\$ 143.6	\$ 114.4	\$ 29.2	\$ 204.7	\$ 244.3	\$ (39.6)

Adjusted EBITDA ^{1,2}	\$ 234.9	\$ 167.6	\$ 67.3	\$ 353.9	\$ 377.0	\$ (23.1)
Adjusted EBITDA Margin ¹	33.1 %	26.9 %		25.2 %	24.3 %	
Earnings Per Share ("EPS")						
Basic EPS	\$ 1.50	\$ 1.37		\$ 1.75	\$ 2.67	
Diluted EPS	\$ 1.45	\$ 1.33		\$ 1.72	\$ 2.59	
Adjusted Basic EPS ¹	\$ 1.39	\$ 1.11		\$ 1.98	\$ 2.37	
Adjusted Diluted EPS ¹	\$ 1.34	\$ 1.08		\$ 1.94	\$ 2.30	
Weighted average number of shares (in millions)						
Basic	103.6	102.9		103.4	102.9	
Diluted	107.3	106.3		105.3	106.3	

Selected Cash Flow Data						
Cash provided by operating activities	\$ 144.3	\$ 207.4	\$ (63.1)	\$ 159.1	\$ 256.1	\$ (97.0)
Cash used in investing activities	\$ (25.1)	\$ (42.3)	\$ 17.2	\$ (112.0)	\$ (81.0)	\$ (31.0)
Cash used in financing activities	\$ (8.4)	\$ (4.1)	\$ (4.3)	\$ (35.9)	\$ (11.8)	\$ (24.1)
Free Cash Flow ¹	\$ 118.9	\$ 175.3	\$ (56.4)	\$ 78.6	\$ 180.0	\$ (101.4)

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 Q3 2023 and the nine months ended September 30, 2023.

Segmented Financial Results as compared to the same period in 2022

(US\$ millions)		Q3 2023					Q3 2022				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total		Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	\$ 601.5	\$ 63.4	\$ 45.3	\$ —	\$ 710.2		\$ 552.4	\$ 37.0	\$ 34.6	\$ —	\$ 624.0
Operating Income	\$ 149.0	\$ 23.3	\$ 13.6	\$ 11.3	\$ 197.2		\$ 109.4	\$ 28.9	\$ 8.2	\$ 40.9	\$ 187.4
Adjusted Operating Income ²	\$ 154.0	\$ 24.0	\$ 15.5	\$ (3.3)	\$ 190.2		\$ 115.3	\$ 29.2	\$ 10.0	\$ (2.7)	\$ 151.8
Adjusted EBITDA ²	\$ 166.8	\$ 53.8	\$ 17.6	\$ (3.3)	\$ 234.9		\$ 126.9	\$ 31.7	\$ 11.7	\$ (2.7)	\$ 167.6

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

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

Toys Segment Results

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

(US\$ millions)	Q3 2023	Q3 2022	\$ Change	% Change
Preschool and Dolls & Interactive Activities, Games & Puzzles and Rush	\$ 347.7	\$ 284.7	\$ 63.0	22.1 %
Wheels & Action	\$ 172.4	\$ 175.6	\$ (3.2)	(1.8) %
Outdoor	\$ 151.2	\$ 145.3	\$ 5.9	4.1 %
	\$ 7.3	\$ 12.1	\$ (4.8)	(39.7) %
Toy Gross Product Sales¹	\$ 678.6	\$ 617.7	\$ 60.9	9.9 %
Constant Currency Toy Gross Product Sales ¹	\$ 665.1		\$ 47.4	7.7 %
Sales Allowances ²	\$ (77.1)	\$ (65.3)	\$ (11.8)	18.1 %
Sales Allowances % of GPS	11.4 %	10.6 %		0.8 %
Toy revenue	\$ 601.5	\$ 552.4	\$ 49.1	8.9 %
Operating Income	\$ 149.0	\$ 109.4	\$ 39.6	36.2 %
Operating Margin³	24.8 %	19.8 %		5.0 %
Adjusted EBITDA¹	\$ 166.8	\$ 126.9	\$ 39.9	31.4 %
Adjusted EBITDA Margin¹	27.7 %	23.0 %		4.7 %

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 increased by \$49.1 million or 8.9% to \$601.5 million.
- Toy Gross Product Sales¹ grew by \$60.9 million or 9.9%, to \$678.6 million from \$617.7 million. Constant Currency Toy Gross Product Sales¹ grew by \$47.4 million or 7.7% to \$665.1 million, up from \$617.7 million.
- The increase in Toy Gross Product Sales¹ was a result of higher order volume in comparison to the prior year. Toy Gross Product Sales¹ in Q3 2023 increased as customers focused on increasing their retail inventory levels in anticipation of the holiday season consistent with historical seasonality of the business. Toy Gross Product Sales¹ in Q3 2022 were lower due to the acceleration of customer shipments into the first half of 2022 due to then anticipated global logistics and supply chain issues.
- Sales Allowances increased by \$11.8 million to \$77.1 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased by 0.8% to 11.4% from 10.6%, primarily driven by geographic and customer mix.
- Operating Income increased by \$39.6 million to \$149.0 million compared to \$109.4 million.
- Operating Margin was 24.8% compared to 19.8%.
- Adjusted EBITDA Margin¹ was 27.7% compared to 23.0%. The improvement in Operating Margin and Adjusted EBITDA Margin¹ was driven primarily by improved gross margin and lower administrative, marketing, product development, distribution and selling expenses.

Entertainment Segment Results

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

(US\$ millions)	Q3 2023	Q3 2022	\$ Change	% Change
Entertainment revenue	\$ 63.4	\$ 37.0	\$ 26.4	71.4 %
Operating Income	\$ 23.3	\$ 28.9	\$ (5.6)	(19.4) %
Operating Margin	36.8 %	78.1 %		(41.3) %
Adjusted Operating Income ¹	\$ 24.0	\$ 29.2	\$ (5.2)	(17.8) %
Adjusted Operating Margin ¹	37.9 %	78.9 %		(41.0) %

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

- Entertainment revenue increased by \$26.4 million or 71.4% to \$63.4 million, due to higher distribution revenue from new content deliveries including *PAW Patrol: The Mighty Movie* (\$15.6 million), *Unicorn Academy*, *Rubble & Crew* and *Vida the Vet*, partially offset by lower licensing and merchandising revenue. Constant Currency Entertainment Revenue¹ increased by \$26.3 million or 71.1% to \$63.3 million, from \$37.0 million.
- Operating Margin decreased by 41.3% from 78.1% to 36.8% and Adjusted Operating Margin¹ decreased by 41.0% from 78.9% to 37.9%, primarily due to the amortization of production costs from additional content deliveries, including *Unicorn Academy* and \$11.0 million for *PAW Patrol: The Mighty Movie*.

Digital Games Segment Results

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

(US\$ millions)	Q3 2023	Q3 2022	\$ Change	% Change
Digital Games revenue	\$ 45.3	\$ 34.6	\$ 10.7	30.9 %
Operating Income	\$ 13.6	\$ 8.2	\$ 5.4	65.9 %
Operating Margin	30.0 %	23.7 %		6.3 %
Adjusted Operating Income ¹	\$ 15.5	\$ 10.0	\$ 5.5	55.0 %
Adjusted Operating Margin ¹	34.2 %	28.9 %		5.3 %

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

- Digital Games revenue increased by \$10.7 million or 30.9% to \$45.3 million from higher in-game purchases in *Toca Life World*. Constant Currency Digital Games Revenue¹ increased by \$11.0 million or 31.8% to \$45.6 million, up from \$34.6 million.
- Operating Margin increased by 6.3% from 23.7% to 30.0% and Adjusted Operating Margin¹ increased by 5.3% from 28.9% to 34.2% due to lower marketing and administrative expenses.

Liquidity and Capitalization

For the nine months ended September 30, 2023, cash flows provided by operating activities were \$159.1 million, compared to \$256.1 million in the prior year, the decrease was driven by lower Operating Income and the change in non-cash working capital (increase in trade receivables partially offset by a decrease in trade payables).

For the nine months ended September 30, 2023, Free Cash Flow¹ was \$78.6 million compared to \$180.0 million, primarily due to lower Operating Income, the change in non-cash working capital (increase in trade receivables partially offset by a decrease in trade payables) and higher investment in intangible assets and property, plant, and equipment.

As at September 30, 2023, the Company had unutilized liquidity of \$1,159.3 million, comprised of \$650.7 million in Cash and cash equivalents and \$508.6 million under the Company's credit facilities.

The weighted average basic and diluted shares outstanding as at September 30, 2023 were 103.4 million and 105.3 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 January 12, 2024 to shareholders of record at the close of business on December 29, 2023. The dividend is designated to be an eligible dividend for purposes of section 89(1) of the *Income Tax Act* (Canada).

Outlook

The Company now expects 2023 Toy Gross Product Sales¹ to be down high single digits compared to 2022, as compared to flat to slightly down announced on August 2, 2023.

The Company now expects 2023 Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ to be

down mid-single digits compared to 2022, as compared to flat announced on August 2, 2023.

The Company now expects 2023 Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ to be up compared to 2022, as compared to flat to slightly up announced on August 2, 2023.

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

Forward-Looking Statements

Certain statements, other than statements of historical fact, contained in this Press Release constitute "forward-looking information" within the meaning of certain securities laws, including the Securities Act (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this Press Release. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this Press Release include, without limitation, statements with respect to: the acquisition of Melissa & Doug, including the terms, cost, expected sources of funding and timing for completion thereof, the strength, complementarity and compatibility of Melissa & Doug's business with the Company's existing business; the macroeconomic environment and consumer spending; the Company's outlook for 2023; future growth expectations in 2023 and beyond; the Company's dividend policy and future dividends; 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, liquidity and financial performance; and the creation of long term shareholder value.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this Press Release, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this Press Release, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: applicable regulatory approvals and other customary closing conditions to the acquisition will be satisfied, and consummation of the transaction will occur in a timely manner; internal cash flow projections will be as expected in order to finance, in part, the acquisition with cash on hand; the Company will be able to incur further indebtedness as expected and on an economical basis to finance, in part, the acquisition; the Company will be able to successfully integrate the acquisition; the Company will be able to successfully expand its portfolio across new channels and formats, and internationally; achieve other expected benefits through this acquisition; management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Company's financial performance in addition to the proposed transaction and resulting impact on growth in various financial metrics; the realization of the expected strategic, financial and other benefits of the proposed transaction in the timeframe anticipated; the absence of significant undisclosed costs or liabilities associated with the proposed transaction; Melissa & Doug's business will perform in line with the industry; there are no material changes to Melissa & Doug's core customer base; implementation of certain information technology systems and other typical acquisition related cost savings; the Company's dividend payments being subject to the discretion of the Board of Directors and dependent on a variety of factors and conditions existing from time to time; seasonality; ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; the steps taken will create long term shareholder value; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure, maintain and renew broader licenses from third parties for premiere children's properties consistent with past practices, and the success of the licenses; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition and minority investment opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company's products will expand; 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, risks relating to the inability to successfully integrate the Melissa & Doug business upon completion of the proposed transaction; the possible delay or failure to satisfy the conditions to the closing of the proposed transaction; the risk that the proposed transaction may not be completed in a timely manner, or at all; the potential failure to obtain the regulatory approvals in a timely manner, or at all; the Company's failure to obtain adequate funding for the acquisition on acceptable terms; the occurrence of any event, change or other circumstance that could give rise to the termination of the definitive agreement; the potential failure to realize anticipated benefits from the proposed transaction; concentration of manufacturing and geopolitical risks; uncertainty and adverse changes in general economic conditions and consumer spending habits; and the factors discussed in the Company's disclosure materials, including the Annual or subsequent, most recent interim MD&A and the Company's most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR+ (www.sedarplus.com). These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future, including the expected performance of the Company and Melissa & Doug. 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, November 2, 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)	Sep 30, 2023	Dec 31, 2022
Assets		
Current assets		
Cash and cash equivalents	650.7	644.3
Trade receivables, net	442.8	311.0

Other receivables	59.3	49.5
Inventories, net	153.3	105.1
Prepaid expenses and other assets	38.2	22.3
	1,344.3	1,132.2
Non-current assets		
Intangible assets	295.9	279.8
Goodwill	191.0	179.0
Right-of-use assets	54.8	62.9
Property, plant and equipment	36.4	36.0
Deferred income tax assets	91.4	94.7
Other assets	23.4	20.5
	692.9	672.9
Total assets	2,037.2	1,805.1
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	433.3	339.4
Deferred revenue	4.5	11.5
Provisions	29.9	30.7
Income tax payable	14.1	29.7
Lease liabilities	14.4	16.3
	496.2	427.6
Non-current liabilities		
Provisions	20.2	15.1
Deferred income tax liabilities	57.9	55.7
Lease liabilities	48.9	54.9
	127.0	125.7
Total liabilities	623.2	553.3
Shareholders' equity		
Share capital	781.4	754.7
Retained earnings	639.1	477.4
Contributed surplus	24.7	40.7
Accumulated other comprehensive loss	(31.2)	(21.0)
Total shareholders' equity	1,414.0	1,251.8
Total liabilities and shareholders' equity	2,037.2	1,805.1

Spin Master Corp.

Condensed consolidated interim statements of earnings and comprehensive income

(Unaudited, in US\$ millions, except earnings per share)	Nine Months Ended Sep 30,			
	Q3 2023	Q3 2022	2023	2022
Revenue	710.2	624.0	1,402.3	1,554.5
Cost of sales	323.3	273.6	625.9	683.1
Gross profit	386.9	350.4	776.4	871.4
Expenses				
Selling, general and administrative	202.1	195.3	530.9	544.3
Depreciation and amortization	6.0	7.1	18.3	21.8
Other expense, net	0.8	4.1	5.2	4.2
Foreign exchange gain, net	(19.2)	(43.5)	(3.5)	(66.2)
Operating income	197.2	187.4	225.5	367.3
Interest income	(7.2)	(3.5)	(20.4)	(5.2)
Interest expense	4.8	3.9	11.2	9.8
Income before income tax expense	199.6	187.0	234.7	362.7
Income tax expense	44.2	45.6	53.2	87.6
Net income	155.4	141.4	181.5	275.1
Earnings per share				
Basic	1.50	1.37	1.75	2.67
Diluted	1.45	1.33	1.72	2.59
Weighted average number of shares (in millions)				
Basic	103.6	102.9	103.4	102.9
Diluted	107.3	106.3	105.3	106.3

(Unaudited, in US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2023	Q3 2022	2023	2022
Net income	155.4	141.4	181.5	275.1
Items that may be subsequently reclassified to Net Income				
Foreign currency translation loss	(30.5)	(70.8)	(10.2)	(101.3)
Items that are not subsequently reclassified to Net Income				
Gain on Minority interest and other investments	—	—	—	0.1
Other comprehensive loss	(30.5)	(70.8)	(10.2)	(101.2)
Total comprehensive income	124.9	70.6	171.3	173.9

Spin Master Corp.

Condensed consolidated interim statements of cash flows

(Unaudited, in US\$ millions)	Nine Months Ended Sep 30,	
	2023	2022
Operating activities		
Net income	181.5	275.1
Adjustments to reconcile Net Income to cash provided by operating activities		
Income tax expense	53.2	87.6
Interest income	(20.4)	(5.2)
Depreciation and amortization	88.4	50.3
Loss on disposal of non-current assets	1.0	1.2

Accretion expense on lease liabilities and non-current provisions	3.9	4.1
Amortization of Facility fee costs	0.3	0.3
Gain on investment in limited partnership, net	(0.3)	(0.2)
Impairment of non-current assets	3.6	1.0
Loss on Minority interest and other investments	—	0.5
Unrealized foreign exchange loss (gain), net	8.3	(57.7)
Share-based compensation expense	15.4	12.9
Net changes in non-cash working capital	(131.9)	(65.8)
Net change in non-cash provisions and other assets	(0.7)	6.1
Income taxes paid	(64.1)	(62.0)
Income taxes received	0.6	3.9
Interest received	20.3	4.0
Cash provided by operating activities	159.1	256.1
Investing activities		
Investment in property, plant and equipment	(22.3)	(22.9)
Investment in intangible assets	(61.5)	(53.2)
Business acquisitions	(26.5)	(10.2)
Investment distribution income	0.3	0.1
Minority interest and other investments	(2.0)	(4.0)
Proceeds from sale of manufacturing operations	—	9.2
Cash used in investing activities	(112.0)	(81.0)
Financing activities		
Payment of lease liabilities	(11.4)	(11.9)
Dividends paid	(14.0)	—
Proceeds from issuance of common shares from exercise of share options	—	0.1
Repurchase of subordinate voting shares under the NCIB	(10.5)	—
Cash used in financing activities	(35.9)	(11.8)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(4.8)	(51.1)
Net increase in cash and cash equivalents during the period	6.4	112.2
Cash and cash equivalents, beginning of period	644.3	562.7
Cash and cash equivalents, end of period	650.7	674.9

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

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

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

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

Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as revenue excluding distribution revenue of \$15.6 million related to *PAW Patrol: The Mighty Movie*. Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is used to measure the underlying financial performance of the business on a consistent basis over time.

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

Non-GAAP Financial Ratios

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

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

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

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

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

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

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

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

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

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

Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding *PAW Patrol: The Mighty Movie* Distribution Revenue divided by Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue. Management uses Adjusted EBITDA Margin excluding *PAW Patrol: The*

Mighty Movie Distribution Revenue to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors on a consistent basis over time.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Operating Income to Adjusted Operating Income, Adjusted EBITDA, Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue, Adjusted Net Income, and cash used in operating activities and investing activities to Free Cash Flow for the three months ended September 30, 2023 and 2022:

(in US\$ millions)	Q3 2023	Q3 2022	\$ Change	% Change
Operating Income	197.2	187.4	9.8	5.2 %
Adjustments:				
Share based compensation ¹	5.1	4.3	0.8	18.6 %
Foreign exchange gain ²	(19.2)	(43.5)	24.3	(55.9) %
Restructuring and other related costs ³	0.8	—	0.8	n.m
Acquisition related deferred incentive compensation ⁴	1.8	2.8	(1.0)	(35.7) %
Impairment of intangible assets ⁵	0.2	—	0.2	n.m
Transaction costs ⁶	5.2	0.3	4.9	n.m
Legal settlement recovery ⁷	(0.7)	—	(0.7)	n.m
Net realized gain on investment ⁸	(0.2)	—	(0.2)	n.m
Acquisition related contingent consideration ⁹	—	(0.5)	0.5	(100.0)
Adjusted Operating Income	190.2	151.8	38.4	25.3 %
Depreciation and amortization	44.7	15.8	28.9	182.9 %
Adjusted EBITDA	234.9	167.6	67.3	40.2 %
Distribution revenue related to <i>PAW Patrol: The Mighty Movie</i>	(15.6)	—	(15.6)	n.m
Adjusted EBITDA, excluding PAW Patrol: The Mighty Movie Distribution Revenue	219.3	167.6	51.7	30.8 %
Income tax expense	(44.2)	(45.6)	1.4	(3.1) %
Interest income (expense)	2.4	(0.4)	2.8	(700.0) %
Depreciation and amortization	(44.7)	(15.8)	(28.9)	182.9 %
One-time income tax recovery ¹⁰	(6.6)	—	(6.6)	n.m
Tax effect of normalization adjustments ¹¹	1.8	8.6	(6.8)	(79.1) %
Adjusted Net Income	143.6	114.4	29.2	25.5 %
Cash provided by operating activities	144.3	207.4	(63.1)	(30.4) %
Cash used in investing activities	(25.1)	(42.3)	17.2	(40.7) %
Add:				
Cash provided by business acquisitions, asset acquisitions, and investment in limited partnership and Minority interest and other investments, net of investment distribution income	(0.3)	10.2	(10.5)	(102.9) %
Free Cash Flow	118.9	175.3	(56.4)	(32.2) %

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

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

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

⁴ Deferred incentive compensation associated with acquisitions.

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

⁶ Professional fees incurred relating to acquisitions and other transactions.

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

⁸ Net realized loss (gain) related to investment in limited partnership.

⁹ Recovery associated with contingent consideration for acquisitions.

¹⁰ Adjustment for one-time income tax recovery in Q3 2023.

¹¹ 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 Mighty Movie* Distribution Revenue, Adjusted Net Income, and cash from operating activities to Free Cash Flow for the nine months ended September 30, 2023 and 2022:

(in US\$ millions)	Nine Months Ended Sep 30			
	2023	2022	\$ Change	% Change
Operating Income	225.5	367.3	(141.8)	(38.6) %
Restructuring and other related costs ¹	14.3	5.1	9.2	180.4 %
Foreign exchange gain ²	(3.5)	(66.2)	62.7	(94.7) %
Share based compensation ³	15.3	12.9	2.4	18.6 %
Impairment of goodwill ⁴	1.0	—	1.0	n.m
Impairment of property, plant and equipment ⁵	0.2	1.0	(0.8)	(80.0)
Impairment of intangible assets ⁶	2.4	—	2.4	n.m
Legal settlement recovery ⁷	(0.5)	(2.1)	1.6	(76.2) %
Acquisition related deferred incentive compensation ⁸	6.0	8.1	(2.1)	(25.9) %
Net unrealized gain on investment ⁹	(0.3)	(0.1)	(0.2)	200.0 %
Net realized gain on investment ¹⁰	(0.1)	(0.1)	—	— %
Loss on Minority interest and other investments ¹¹	—	0.5	(0.5)	(100.0) %
Acquisition related contingent consideration ¹²	(2.1)	(0.5)	(1.6)	320.0 %
Transaction costs ¹³	7.3	0.8	6.5	812.5 %
Adjusted Operating Income	265.5	326.7	(61.2)	(18.7) %
Depreciation and amortization	88.4	50.3	38.1	75.7 %
Adjusted EBITDA	353.9	377.0	(23.1)	(6.1) %
Distribution revenue related to <i>PAW Patrol: The Mighty Movie</i>	(15.6)	—	(15.6)	n.m
Adjusted EBITDA, excluding PAW Patrol: The Mighty Movie Distribution Revenue	338.3	377.0	(38.7)	(10.3) %
Income tax expense	(53.2)	(87.6)	34.4	(39.3) %
Interest income (expense)	9.2	(4.6)	13.8	(300.0) %

Depreciation and amortization	(88.4)	(50.3)	(38.1)	75.7 %
One-time income tax recovery ¹⁴	(6.6)	—	(6.6)	n.m.
Tax effect of adjustments ¹⁵	(10.2)	9.8	(20.0)	(204.1) %
Adjusted Net Income	204.7	244.3	(39.6)	(16.2) %
Cash provided by operating activities	159.1	256.1	(97.0)	(37.9) %
Cash used in investing activities	(112.0)	(81.0)	(31.0)	38.3 %
Add:				
Cash provided by (used in) business acquisitions, asset acquisitions, investment in limited partnership and Minority interest and other investments and trademark license agreement, net of investment distribution income	31.5	4.9	26.6	542.9 %
Free Cash Flow	78.6	180.0	(101.4)	(56.3) %

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 gain related to investment in limited partnership.

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

¹² Expense associated with contingent consideration for acquisitions.

¹³ Professional fees incurred relating to acquisitions and other transactions.

¹⁴ Adjustment for one-time income tax recovery in Q3 2023.

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

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

(US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2023	Q3 2022	2023	2022
Constant Currency Toy Gross Product Sales	665.1	640.5	1,272.4	1,533.2
Impact of foreign exchange	13.5	(22.8)	12.5	(33.6)
Toy Gross Product Sales	678.6	617.7	1,284.9	1,499.6
Constant Currency Sales Allowances	(73.7)	(71.6)	(147.6)	(167.4)
Impact of foreign exchange	(3.4)	6.3	(3.2)	8.7
Sales Allowances	(77.1)	(65.3)	(150.8)	(158.7)
Toy revenue	601.5	552.4	1,134.1	1,340.9
Constant Currency Entertainment revenue	63.3	38.6	134.9	90.3
Impact of foreign exchange	0.1	(1.6)	—	(2.7)
Entertainment revenue	63.4	37.0	134.9	87.6
Constant Currency Digital Games revenue	45.6	36.2	136.1	131.9
Impact of foreign exchange	(0.3)	(1.6)	(2.8)	(5.9)
Digital Games revenue	45.3	34.6	133.3	126.0
Constant Currency Revenue	700.3	643.7	1,395.8	1,588.0
Impact of foreign exchange	9.9	(19.7)	6.5	(33.5)
Revenue	710.2	624.0	1,402.3	1,554.5

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 nine months ended September 30, 2023 and 2022:

			\$ Change			% Change	
			Impact of				
(US\$ millions)	Q3 2023	Q3 2022	As reported	foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	678.6	617.7	60.9	(13.5)	47.4	9.9 %	7.7 %
Sales Allowances	(77.1)	(65.3)	(11.8)	3.4	(8.4)	18.1 %	12.9 %
Toy revenue	601.5	552.4	49.1	(10.1)	39.0	8.9 %	7.1 %
Entertainment revenue	63.4	37.0	26.4	(0.1)	26.3	71.4 %	71.1 %
Digital Games revenue	45.3	34.6	10.7	0.3	11.0	30.9 %	31.8 %
Revenue	710.2	624.0	86.2	(9.9)	76.3	13.8 %	12.2 %

Nine Months Ended Sep 30,			\$ Change			% Change	
			Impact of				
(US\$ millions)	2023	2022	As reported	foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	1,284.9	1,499.6	(214.7)	(12.5)	(227.2)	(14.3) %	(15.2) %
Sales Allowances	(150.8)	(158.7)	7.9	3.2	11.1	(5.0) %	(7.0) %
Toy revenue	1,134.1	1,340.9	(206.8)	(9.3)	(216.1)	(15.4) %	(16.1) %
Entertainment revenue	134.9	87.6	47.3	—	47.3	54.0 %	54.0 %
Digital Games revenue	133.3	126.0	7.3	2.8	10.1	5.8 %	8.0 %
Revenue	1,402.3	1,554.5	(152.2)	(6.5)	(158.7)	(9.8) %	(10.2) %

Segment Results

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

(US\$ millions)	Q3 2023					Q3 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	601.5	63.4	45.3	—	710.2	552.4	37.0	34.6	—	624.0
Operating Income	149.0	23.3	13.6	11.3	197.2	109.4	28.9	8.2	40.9	187.4
Restructuring and other related costs	0.6	0.1	0.1	—	0.8	(0.1)	—	0.1	—	—
Foreign exchange loss gain	—	—	—	(19.2)	(19.2)	—	—	—	(43.5)	(43.5)
Share based compensation	3.7	0.4	0.7	0.3	5.1	3.0	0.3	0.5	0.5	4.3
Impairment of intangible assets	—	0.2	—	—	0.2	—	—	—	—	—
Legal settlement recovery	—	—	—	(0.7)	(0.7)	—	—	—	—	—
Acquisition related deferred incentive compensation	0.7	—	1.1	—	1.8	1.6	—	1.2	—	2.8
Net realized gain on investment	—	—	—	(0.2)	(0.2)	—	—	—	—	—
Acquisition related contingent consideration	—	—	—	—	—	0.4	—	—	(0.9)	(0.5)
Transaction costs	—	—	—	5.2	5.2	—	—	—	0.3	0.3
Adjusted Operating Income	154.0	24.0	15.5	(3.3)	190.2	115.3	29.2	10.0	(2.7)	151.8
Adjusted Operating Margin	25.6 %	37.9 %	34.2 %	n.m.	26.8 %	20.9 %	78.9 %	28.9 %	n.m.	24.3 %
Depreciation and amortization	12.8	29.8	2.1	—	44.7	11.6	2.5	1.7	—	15.8
Adjusted EBITDA	166.8	53.8	17.6	(3.3)	234.9	126.9	31.7	11.7	(2.7)	167.6
Adjusted EBITDA Margin	27.7 %	84.9 %	38.9 %	n.m.	33.1 %	23.0 %	85.7 %	33.8 %	n.m.	26.9 %

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