

Spin Master Corp.**Second Quarter 2026 Results**

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PRESENTATION

PRESENTATION

Operator

Good morning, ladies and gentlemen, welcome to the Spin Master Second Quarter 2026 Results Conference Call.

At this time all lines are in listen only mode. Following the presentation we will conduct a question-and-answer session for analysts. If at any time during this call you require immediate assistance, please press star zero for the Operator.

This call is being recorded today, Thursday, July 30, 2026.

I would now like to turn the conference over to Tim Foran, VP, Investor Relations. Please go ahead.

Tim Foran — Vice President, Investor Relations, Spin Master Corp.

Thank you.

Good morning, everyone, and thank you for joining our call. With me here today are our CEO, Christina Miller, and our CFO, Jonathan Roiter.

For your convenience, the press release, MD&A, and consolidated financial statements are available on the Investor Relations section of our website at spinmaster.com and on SEDAR+.

Before we begin, please note that remarks on this conference call may contain forward-looking statements about Spin Master's current and future plans, expectations, intentions, results, levels of activity, performance, goals or achievements, and any other future events or developments. Forward-looking statements are based on currently available information and assumptions that Management believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such assumptions will prove to be correct, and many factors could cause actual results to differ materially from those expected or implied by the forward-looking statements. As a result, you are cautioned not to place undue reliance on these forward-looking statements.

For additional information on these assumptions and risks, please consult cautionary statements regarding forward-looking information in our earnings release dated July 30, 2026. Except as may be required by law, Spin Master disclaims any intention to update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

Please note that Spin Master reports in U.S. dollars and all dollar amounts today are expressed in U.S. currency unless otherwise noted. Also, all industry data that we reference related to toys is from Circana, LLC Retail Tracking Service and relates to data from our G11 markets, which are specified in our Q2 2026 supplementary presentation available on our investors website. Unless noted otherwise, all percentage growth rates refer to the periods ending June 30, 2026, relative to the same period in 2025. I would now like to turn the conference call over to Christina.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thank you, Tim, and good morning to everyone who is joining us for our second quarter call.

We had another strong quarter, which has powered our return to profitable growth. And we are making progress on our three 2026 priorities and long-term growth strategy, which has us well positioned as we enter the second half of the year.

Our financial results came in ahead of the expectations we outlined. This was driven by strong sell-in of our core brands including PAW Patrol, Monster Jam, and Gund. And we benefited from growth in our 4D Puzzles, CrystaLynx, Primal Hatch, and Cool Maker. We also introduced multiple new products - Magic Jellykins, Bitzee Aquarium, Peekimo, and Rubik's Rush. We have an incredible amount of innovation in our 2026 toy portfolio, a credit to our design and development team and increased collaboration across the global organization.

We have three core priorities for 2026: one, capture the PAW Patrol Movie moment across each of the three creative centers; two, return Melissa & Doug to growth; and three, fully realize the value of Toca Boca by providing more opportunities for fans to engage with the brand.

Starting with PAW Patrol. The Dino Movie will hit theaters in two short weeks, August 14. The second trailer for the movie dropped on June 11 and had 110 million views in the first week, significantly better than the first two movies. Excitement for the movie is building with positive buzz from families and for the new single from the Backstreet Boys, Bottle Up. The Dino Movie is well positioned with its target audience and is generally tracking at or above the last two movies. The movie is a priority for our partner

Paramount. To maximize franchise impact, the marketing team is delivering a unified campaign by leveraging the full breadth of Paramount's ecosystem,.

Within our own Entertainment center, in the second quarter, we announced that PAW Patrol and Rubble & Crew had been renewed with Nickelodeon. This pickup marks seasons 14 and 15 for PAW Patrol, and seasons five and six for Rubble & Crew; Season 14 of PAW Patrol drops today! The franchise continues to rank as the #1 preschool series year-to-date, and we continue to grow on YouTube, part of our approach to always be where kids are.

Within Toys, the PAW Patrol movie line launched on Amazon, Target, and Walmart.com in July and will be in-store at Walmart in early August. Early reads are positive. We have curated content and programs for each major retailer in support of the movie toy line. This includes social content for Walmart and Target with key movie talent as well as an integrated marketing campaign with Amazon featuring close to a million branded PAW Patrol Dino boxes for deliveries. We sold down our inventory in stores in the first half of the year; therefore, we believe we have a healthy inventory level to support sales.

Within Digital Games, we will officially launch our new PAW Patrol: The Game with marketing support around the movie release. It will be launched as a standalone game and available to play for free with in-app purchases.

Turning to Melissa & Doug. During the second quarter, revenues were down but this was anticipated. As you will recall, unlike Spin Master toys, Melissa & Doug had a challenging comp this quarter. Its revenues increased almost 40% last Q2 2025 as it held considerable domestic inventory last year that we were able to monetize. We supported retail partners through heightened promotional

activity to drive share and strategically moved inventory into off-price and discount channels to meet retailer demand for onshore product availability. Positively, Melissa & Doug's gross profit was stable year-over-year due to the expansion in gross margin. The team is executing well on our return to growth strategy. This includes reclaiming market share through innovation with new items for the fall such as Cheery Lane and new licensed products, both of which are tracking well out of the gate. Cheery Lane is a new toy collection featuring play sets, vehicles, and figures, designed for the way kids play to help encourage developmental skills for toddlers and preschoolers. Our growth strategy also includes strategic partnerships. In the quarter, we announced collaborations with cult favourite ice cream brand Van Leeuwen for a limited-edition collection of toys; the Van Leeuwen Ice Cream counter has been our #1 DTC item since launch. Through our partnership with Penguin Random House, we will also be expanding the brand beyond the toy aisle into publishing, with a line of Melissa & Doug books anticipated to launch this fall. Additionally, we have increased our shelf space with key retailers.

Finally, fully realizing the potential of Toca Boca by providing more opportunities for its millions of fans to engage with the brand. We are bringing the brand off the screen and into stores with the launch of an exclusive lifestyle collection in more than 350 MINISO stores across the U.S. available next month, just in time for back to school. With Toca Boca World itself, we are also providing kids more opportunities to express themselves. During the quarter, we advanced our music strategy by bringing tweens closer to the music they love with hit songs from popular artists Olivia Rodrigo, SIENNA SPIRO, and TWICE, providing a personalized soundtrack for players. This immersive experience creates a powerful new way for artists to connect with our fans across 173 countries. It also underscores the importance of music as a key driver of identity and self-expression for kids and tweens, building on the proven success of prior music collaborations with Conan Gray, KATSEYE, and Wicked. In the second half of the year, you can expect to

see more high-profile collaborations between Toca Boca and global brands and entertainment franchises. Toca Boca World's underlying operational performance was stable in the second quarter with a decline in monthly active users essentially offset by improved conversion percentage and increased average revenue per paying user. We remain focused on optimizing the user experience, testing new opportunities to increase conversion, increasing the frequency of content drops and adding more high-profile partnerships. The number of paying users increased from Q1, resulting from these changes. We are also planning to expand mobile monetization with the launch of our DTC web store on Toca Boca World this quarter, which will help us keep more of the net revenue from direct purchases while also enabling us to potentially increase conversion, retention and lifetime value. For Piknik, we have increased subscribers since the end of the year, due in part to a new title screen user experience which has increased free trial conversion and retention. We are rolling it out to additional apps in the bundle. Post quarter we were excited to add Gabby's Dollhouse: Cat Games to our subscription bundle. This adds another game featuring high profile IP to go along with PAW Patrol and Toca Boca Jr.

Beyond 2026, a key aspect of our long-term growth strategy is accelerating our expansion into high growth categories. This includes collectibles and strategic trading cards, both of which are extremely popular with fans and the Kidults demographic. In May, we announced a global toy licensing agreement with mobile games giant Supercell. Supercell's games, including Clash of Clans, Clash Royale, and Brawl Stars, have been downloaded around the world billions of times and reach 290 million monthly active users. As part of a multi-year agreement, we will create toys and collectibles that bring the iconic characters, battles and adventures from the digital screen to fans around the world. The collection is targeted to launch next summer. As it relates to strategic trading cards, earlier this month we announced we were deepening our lineup of new studio collaborators - AMC, Blumhouse, and Lionsgate - to bring

their horror icons to our new game Hellbreak. And there are more studios to come. The game is set to unleash late this fall.

I now turn it over to Jonathan.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Thank you, Christina, and good morning, everyone.

As Christina noted, our financial results in Q2 came in ahead of the expectations we outlined.

Consolidated revenues increased 9%, or \$36 million, driven by 12% growth in Toys, ahead of our expectations due to a pull forward of approximately \$40 million in gross product sales from Q3, in part as retailers prepared for the PAW Patrol: Dino Movie release.

Due to the volatility in retailer order patterns last year, the first half change in revenues is a better indicator than either the Q1 decline of 9% or the Q2 increase of 9%.

Adjusted EBITDA increased by 80% in the second quarter, or \$23 million. This was driven by a \$24 million increase in gross profit excluding depreciation and amortization and tariff refunds that we received. Marketing expense was \$12 million less than last year. This is primarily timing related and we expect to see a similar quantum of increase in Q3.

Adjusted Operating Income in Q2 was \$19 million, an increase of \$20 million, driven by the increase in Adjusted EBITDA partially offset by a small increase in depreciation and amortization.

IFRS Operating Income in the second quarter was \$46 million, compared to a loss of \$52 million last year. The increase was due to the increase in Adjusted Operating Income, an impairment that was recorded last year, a reduction in non-recurring cash costs, currency fluctuations, and \$38 million in IEEPA tariff refunds received late in the quarter which were recorded as an offset to cost of sales.

The tariff refunds have been excluded from Adjusted EBITDA, Adjusted Operating Income, and Adjusted Net Income due to their one-time nature. However, the amount added back is just the refund received and does not add back tariff expenses. In 2025, we expensed approximately \$30 million in tariffs, and we anticipate a similar level this year excluding the refund due to the proposed introduction of new, higher tariff rates.

Our operating cash flow increased by \$32 million to \$58 million, due to the increase in IFRS profits partially offset by changes in working capital flows. For the first half, operating cash flow increased \$110 million to \$160 million due to improved profitability, effective working capital management, and tariff refunds received. CapEx in the first half was \$70 million, which includes the IT investments we are making to improve and automate our data quality and processes and facilitate tighter integration within our creative centers. In order to avoid any disruption in the fourth quarter of this year, which is our busiest period, we are now planning to launch this next year.

In the current macro environment, we have maintained a balanced approach to capital allocation in the first half of the year, prioritizing growth investments including CapEx, returning capital to shareholders through our dividends and share buybacks, and reducing debt. We ended the quarter with approximately 0.8 turns of net leverage, including leases, or 0.3 turns excluding leases. Since the

acquisition of M&D, we have reduced gross debt by more than \$350 million while returning almost \$200 million of capital to shareholders.

Now, turning to our individual creative centers' performance:

Both Toy GPS and revenues increased by 12%, or \$39 million, as I previously noted. Both Toy Adjusted EBITDA and Adjusted Operating Income increased by \$25 million driven by the increase in gross margin, with Adjusted SG&A stable. IFRS Operating income was \$34 million compared to a loss of \$40 million last year.

For the first half, Toy revenues increased by 1%. Year-to-date Toy POS was close to H1 revenues, with a small decrease of approximately 1%, as an anticipated decline in June offset a modest increase that we had seen through May. We expected POS to be negative in June and July as we are lapping the How to Train Your Dragons and Superman movies released in June and July respectively last year. Additionally, M&D POS in Q2 was impacted by less in-store promotional items compared to last year as Christina noted.

Entertainment revenues were generally stable, declining by just under \$1 million. Adjusted Operating Income declined by just under \$2 million driven by an increase in amortization expense stemming from the dilutive impact that occurs when we deliver new content. IFRS Operating Income was stable.

Digital Games revenues declined modestly by \$2 million. However, Adjusted Operating Income was stable as the revenue decline was offset by a reduction in Adjusted SG&A. IFRS Operating Income increased to \$6 million, a \$22 million increase, due to an impairment that was taken last year.

Now, turning to our outlook, we reiterated our 2026 guidance today for stable to low single-digit growth in revenues and mid to upper single-digit growth in Adjusted EBITDA. Obviously, we are a back half weighted company; last year, the second half comprised 64% of our full year revenues and all of our profits, so it is too early to change guidance or provide specifics on where we expect to land within the range.

The top end of our range reflects the growth drivers I have outlined on past calls with the downside reflecting conservatism due to the uncertain economy and geopolitical situation including the conflict in the Middle East.

From the latter, we ballparked on our last call the increased costs for us in the second half to be \$15 million assuming \$100 a barrel of oil. Originally, we anticipated offsetting up to two thirds of the additional costs through price increases which would have benefited our revenues. However, with the reception of the tariff refunds, we have decided to utilize those refunds to counter the increased costs without having to increase pricing. We intend to do the same to counter the proposed new tariffs coming into place this month. For modeling purposes, this will impact what we would have otherwise expected to report in revenues and Adjusted EBITDA but obviously is a benefit to our IFRS profits and cash flows.

As it relates to the third quarter, we are targeting general stability in consolidated revenues. This is due to the pull forward of orders into the second quarter. Also, we are anticipating a higher proportion of domestic replenishment Toy orders in 2026 than 2025 which will result in Q4 comprising a larger percentage of the full year.

In terms of puts and takes for the third quarter, we anticipate benefiting from the PAW Patrol movie in Entertainment. In Toy, Melissa & Doug has an easier comp and the PAW movie will be a tailwind; with offsets being that we don't have the How to Train Your Dragon, Superman, and Gabby's Dollhouse movies that we had last year. Within Digital Games, we are targeting improvement in our core platforms Toca Boca World and Piknik, with an offset being that we generated approximately \$12 million in the third quarter and \$9 million in the fourth quarter in high margin revenues related to the delivery of certain games to partners which do not repeat this year. In terms of costs, we expect gross margin to be approximately 2 percentage points lower due to the higher Toy costs I noted, higher Entertainment amortization related to the release of the movie, and those digital games partnership revenues last year. Operating expenses below gross profit are anticipated to be generally stable, except for the additional marketing spend that was not spent in the second quarter. And now with that, I'll pass it back to Christina.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thank you Jonathan.

In closing, we are proud of the execution of our teams as we return to profitable growth. We have achieved this by focusing on consistent foundational improvements, applying greater executional discipline, and executing on our three-part growth strategy: increasing innovation in our toys and digital games; accelerating our expansion into high growth categories including collectibles and strategic trading cards; and collaborating across our creative centers to unlock the full potential of our brands.

With that, Operator, please open the line for questions.

Q & A

Operator

Thank you, ladies and gentlemen. If you would like to ask a question, please press star, then one your telephone keypad. If you would like to withdraw your question, please press star, then the number two.

Your first question comes from Adam Shine from National Bank. Please go ahead.

Adam Shine — Analyst, National Bank

Thanks a lot. Good morning. Lots of good colour there already, but maybe, we're a little bit into the Q3 already. Can you elaborate maybe a little bit further on how retailers are adjusting to what we'll call a new resetting of the equilibrium? And as Jonathan referred to earlier, maybe a bit more domestic replenishment dynamic, but maybe talk about the nature of shipments in general. And as much as there was the \$40 million of pull forward, are we still seeing a good level of demand already being exhibited in the Q3? Thanks.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Good morning, Adam. Lots of questions in there. I don't think I'll be able to remember every single one, but I'll give you some—obviously you're asking for some colour into the second half of the year.

What's nice about 2026 is that the retailers have returned to their historical set patterns for fall. And so as we speak today, I think they're in the final throes, one retailer in the final, final throe of their

set. And so we're pleased to see that. I think we want to not lose sight of that last year, June and July. There were three theatrical releases that we had toy products, strong toy products that we were selling against and so when you look at early July until our PAW movie comes out in mid-August, we don't have that tailwind benefit on our toy sales. So from a kind of sell-through, there is that headwind that we're facing. But as we head to mid-August is obviously when we launch the movie—that we've had the pleasure of seeing. It's a fantastic movie, a lot of really exciting buzz around it. That will start the catalyst of the drive of return to POS growth in the second half.

Adam Shine — Analyst, National Bank

Can you talk about any early retailer receptivity to Hellbreak? I know it's coming late fall, but just any initial feedback commentary?

Christina Miller — Chief Executive Officer, Spin Master Corp.

Oh, hi, Adam. It's Christina. Yes, it's a little too early to tell as we sit here. It's a specialty launch, so it will be more late fall. So I think we will have more to tell you as we get into the fourth quarter.

To date, super excited about it and we'll have a little special launch on Friday the 13th in November.

Adam Shine — Analyst, National Bank

Thanks for that.

Jonathan, just one quick point of clarification. You're very clear in terms of marketing and the time in Q2 and into Q3. But on the administrative line item, I know that one sometimes has some timing factors involved with it. It did step down. I'm just curious if that's an area where perhaps you're tackling some cost savings, or again, is that a timing factor as well?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

So the short answer is that you should consider timing. The longer answer is that there is the team, because it's worth mentioning the work that the team is doing. There is a significant investment in people's time and energy in looking at where we are spending money and ensuring that we're getting the returns that we would like. If we're not getting those returns, there is a reduction. But then there is reinvestment in other areas of the business.

Adam Shine — Analyst, National Bank

Understood. Okay, I'll queue up again. Thank you.

Operator

Your next question comes from Ty Collin from CIBC. Please go ahead.

Ty Collin — Analyst, CIBC

Hey, good morning. Thanks for taking my questions. You kind of characterized the Q2 toy growth as being mostly timing related. It sounds like the expectation is that Q3 is going to be kind of flattish to a softer Q3 last year, and you're expecting more domestic replenishment in Q4. Is it fair to sort of summarize

those comments as you not really expecting any material restocking at this point heading into the holiday season or exiting this year?

Christina Miller — Chief Executive Officer, Spin Master Corp.

Well, we just started to sell in for the third and fourth quarter, so it's a little early to say whether we expect material restocking or not. We've had some great new products start to ship. We're at the very early stages of PAW Patrol. So, I think it's just a bit too early to talk through restock at this point.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yes, and I think, Ty, not to lose sight, but our second quarter certainly benefitted from, you know, we've quantified it as around \$40 million of Q3 orders that shipped late in Q2. A lot of those orders were PAW related as the retailers wanted to stock their shelves. And so, it's certainly Q3 going to be a less positive year, less positive quarter than you saw in this quarter, the quarter that you saw here.

Ty Collin — Analyst, CIBC

Okay, got it. I appreciate it's obviously early days, but I'm just wondering if you could comment a little bit on how the initial sell-in and sell-through of some of that PAW movie-related product has gone compared to your expectations heading into this year.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yes, I think it's meeting our expectations. Again, it's kind of early, but we have some great products out already across all retailers. One retailer left to set in store, and we're seeing movie product start to

get a real lift as we market the movie, as we get closer to the release date. There's lots of retail promotions curated to each one of the retailers, so we're seeing the product that is included in that see a nice lift. We're two weeks out from the movie, so we will certainly have more to tell you next quarter.

Ty Collin — Analyst, CIBC

Okay, great. Thanks. All the best.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thank you.

Operator

Your next question comes from the line of Gerrick Johnson from Seaport Research. Please go ahead.

Gerrick Johnson — Analyst, Seaport Research

Great. Thank you. On the \$40 million pull-forward, this is not incremental. This is just pull-forward. It's not retailers increasing orders?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

No, Gerrick, we're maintaining our full-year guidance, and when we look at the order patterns that came in versus what we were expecting when we built out our guidance, we can attribute essentially \$40 million of pull-forward orders.

Gerrick Johnson — Analyst, Seaport Research

Okay, okay. And then, do you have to kick back any of your refund to retail partners? I assume you increase price. So is Walmart, Target, are those guys coming back to you for part of your refund, or is that why you're funding some promotions in the back half?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

I think, Gerrick, one of the pieces we have to look at is we are still in an inflationary environment. We called out on our last call, and it's worth mentioning again, that when we look at oil at current rates versus our budgeted rates, there's about \$15 million that we believe that our costs will go up, and those will be in H2. So we anticipate those costs coming through in H2.

When we talked last time, we were contemplating offsetting the vast majority of that through price. Looking at where we stand, looking at where the consumer stands, looking at our products, looking at our peer set, we ultimately elected not to move forward with price, and as a result, when we look in the back half of the year, we have this \$15 million incremental costs that are going to come through.

Gerrick Johnson — Analyst, Seaport Research

Okay, so your price decision is totally independent. That's your decision. It's not the retailers putting pressure on you to do that because you're getting a refund.

Christina Miller — Chief Executive Officer, Spin Master Corp.

No, it was totally independent.

Gerrick Johnson — Analyst, Seaport Research

Okay, okay, great. Thank you.

Operator

Your next question comes from Drew McReynolds from RBC Capital Markets. Please go ahead.

Drew McReynolds — Analyst, RBC

Yes, thanks. Thanks very much. Good morning, Three for me, maybe starting with you, Christina.

Just with respect to the full pipeline of toy innovation and the new products, so obviously great to see, and it's been a priority of yours, are you able to just kind of quantify or qualify just the strength of that new innovation and new product pipeline relative to previous years? I guess the more important question, the success and traction you're seeing this year versus previous years. Obviously hard for us to get a good glimpse of that, so that would be helpful.

Second, just on the Toca Boca World MAUs, I recall, I think, last quarter, the expectation of return to MAU growth in the back half year, and I think I still got that from your opening remarks, but just maybe some comment there.

Then just lastly, maybe for you, Jonathan, on just the M&A appetite here, it looks as if certainly the industry is finally normalizing and settling down. You've got a great balance sheet. You're obviously doing a great job returning excess capital to shareholders. Just wondering any updated thoughts on that. Thank you.

Christina Miller — Chief Executive Officer, Spin Master Corp.

So, there's a few questions in there, but first I'll say good morning, and then I'll go into new product pipeline.

We have a great new product pipeline, and you're seeing it in Magic Jelly Cans that launched. You're seeing it in PIKIMO. You're seeing it in CrystaLynx and OneZZZ. So, it's also about category entry. In some of those cases, it's collectibles. In some of its cases, it's electronics. And then you're seeing it across our existing line as well.

It's hard to parse out year on year, because especially when we came off of a year where we had a win Best Toy of the Year for Primal Hatch, and we have a great follow-up coming to that. So, I think it's about innovation in more categories and launching lots of new product in addition to driving that innovation in our existing lines like Monster Jam, Kinetic Sands, 4D, GUND. So, it's really about all boats rising is what I would say.

When I look at some of the exciting new product that is tracking well at retail, I would say things like Magic Jellykins are doing well. CrystaLynx is doing well. We've just rolled out OneZZZ. Those are all new categories. And then we have Murder Phone that just launched, which is a new game that's at retail and already looking like it's going to perform well. So, I think it's across all categories you see it and that's the goal. It was really to inject it in existing core brands, which powered us in this quarter, and then really pushing into some new categories and finding some new play systems that we can keep growing year after year, not just quarter after quarter.

I think your second question was around Toca Boca and MAU. We are still looking at returning or growing our MAUs in the back half of the year. We have a really strong pipeline of featured content that is set to drop that is really impactful over the back half of the year. If the summer was music, I'd say big partnerships are what we're looking at for the back half of the year. We've done a fair amount of tests, and we will continue on conversion. So, we're working both sort of the top of the funnel and conversion. That's what we're focused and trying to be really disciplined about for Toca Boca.

Then as it relates to M&A, I think Jonathan, you can jump in.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

I think with Toca the underlying metrics of that business are stable, which is what we expected. Revenue, obviously, you didn't see that there. Last year, there was in the quarter, some one-time elements in that first quarter that we were here. We probably should have called that out in our first quarter. There was a lot going on. So, that's the reason, ultimately, why the underlying stable metrics aren't—you're not seeing that in the revenue figure. But as Christina laid out, H2, there's each month an incredible amount of content and features coming out and some really exciting partnerships that we're going to announce as the fall makes its way through.

Turning to M&A, M&A has always been core to Spin Master. We have an incredibly attractive balance sheet and the team is working hard on freeing up capital through our working capital—sorry, through our balance sheet to ultimately give even more flexibility.

When we look at M&A, we put it kind of in two very easy buckets in the toy field. One would be around, are there brands out there that ultimately allow us cost synergies when we bring them together? Or are there brands out there that allow us to enter new categories and go into categories that are much higher growth? We certainly are looking at both of those and look forward to keep on updating you as we make progress in that area.

Drew McReynolds — Analyst, RBC

That's great. Thank you very much.

Operator

Your next question comes from Kylie Cohu from Jefferies. Please go ahead.

Kylie Cohu — Analyst, Jeffries

Hey, good morning everyone. Thank you for taking the questions.

I guess to start off, you highlighted that Melissa & Doug revenue performed basically as expected, even with the difficult comparison. Growth profit was stable. Shelf space expanded with key retailers. I was just curious, a little bit of update on that business and when do you expect sell-through and sales to return to being positive? Thanks.

Christina Miller — Chief Executive Officer, Spin Master Corp.

So I think that, you know, Kylie, as you said, that we know that we had a good Easter this year lead-up that helped Q1, but and we also had a lot of promotional space that we were comping. But as we look into Q3, we believe that it's going to be expanded space, some growth in international and innovation in the toys that is really going to help us drive that return to growth. We have a new product line in Cheery Lane that is hitting shelves and seeing some early signs of strong performance.

Kylie Cohu — Analyst, Jeffries

Got it. Super helpful. Then, I hate to kind of beat a dead horse on the call about just retail inventories, but I guess focusing in a little bit more on PAW Patrol specifically, obviously across the space they're lean, but just kind of curious how you're thinking about having enough to support the business in case there's any upside. Is that something that you could chase into? Just any colour there would be helpful.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Sure. I think you noted that we strategically and deliberately sold down some inventory to clean out space for the movie line that is now launching, and we're getting some early reads and we will be in a position to chase that product and the product that's performing. That is definitely part of the plan.

Kylie Cohu — Analyst, Jeffries

Got it. Well, thank you so much. That's all for me.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thank you.

Operator

Your next question comes from Andy Zhang from TD Cowen. Please go ahead.

Andy Zhang — Analyst, TD Cowen

Hey, good morning everyone. I just had a quick question. On the shift back to FOB port, is it back to historical levels in Q2 following like the general shift to DOM last year? And just some thoughts on the toy revenue strength, you know, being attributable to demand strength as opposed to like FOB shift back to port; any colour on that would be great.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yes, good morning, Andy. You know, what we see this year is some stability year over year when you look at the full 12 months within our direct import and domestic replenishment. There may be a little bit over the course of the year movement up on the DOM side, but ultimately, we're sitting in H2. If you look last year, you know, 65 percent of our revenue was H2, so there's still a lot left to go. And so to be able to come down to that exact percentage, I don't think we're in that position. But I would call it stable with possibility of a little bit of increase in the DOM side. Which would shift revenue more into Q4.

Andy Zhang — Analyst, TD Cowen

Okay, perfect. Thanks so much for that.

Operator

Your next question comes from Eric Zhu from Canaccord. Please go ahead.

Eric Zhu — Analyst, Canaccord Genuity

Thank you very much and good morning. This is Eric for Luke Hannan. I just have a few questions on PAW Patrol. You know, I don't know how much you could share on this, but how exactly does the profit sharing kind of work for the movie from the box office? For example, if we see a big box office gross amount, how does that translate into the company's P&L? That's the first one.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

I mean, I will take that. We're not going to get into our contractual agreements with our partners. What I would say is that we are—this is a movie that we produce. It's a movie that we write, that we direct, that we put together. We have production partners, and then we have distribution partners. And we share, obviously in the upside directly with them on the upside of the movie. And so, look forward to having another, a third movie, a record movie that outperforms the second, outperforms the first. That's ultimately what we'd like to see. And then you'd see that flow through both from an entertainment perspective. You'd see it flow through from a toy perspective. And because of the launch of our recent PAW Patrol game, you'll see that flow through in our digital side. So the three creative centers would benefit, ultimately, from an overperformance.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yes, if you're asking, Eric, I think you were asking directly about box office in that question. The box office revenue will flow through our entertainment line, but they will not be broken out specifically.

Eric Zhu — Analyst, Canaccord Genuity

Great. Thank you very much.

Then the last question for me is, historically, you've talked about the second window of product and distribution sales. I'm assuming the answer is yes, but just checking if that's already baked into your outlook, or is it that kind of incremental amount of sales?

Christina Miller — Chief Executive Officer, Spin Master Corp.

The second window streaming is always timing related, but it would be baked into our entertainment revenue as well.

Eric Zhu — Analyst, Canaccord Genuity

Sounds good. Thank you very much. That's it for me. I will give back to you. Thanks.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thanks.

Operator

Your next question comes from Martin Landry from Stifel. Please go ahead.

Jesse Kestenbaum— Analyst, Stifel

Hi, it's Jesse on for Martin. Can you hear me?

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yes.

Jesse Kestenbaum— Analyst, Stifel

So I was wondering how your shelf space compared to the last PAW Patrol movie, if you can recall.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yes. I would tell you that it's probably at the same. Again, each retailer has curated programs, and we have out-of-aisle placement around it that is specific to the movie. And so it is definitely at or above, I would say, the last couple of movies.

Jesse Kestenbaum— Analyst, Stifel

Okay, thanks. Maybe you've talked about in the past seeing a roughly 25 percent bump. Would you expect something similar this time around?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

A 25 percent bump about what?

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yes, I'm not sure what that bump is directly in reference to.

Jesse Kestenbaum— Analyst, Stifel

A 25 percent bump to revenue, sorry.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

For what? For the movie?

Christina Miller — Chief Executive Officer, Spin Master Corp.

To toy?

Jesse Kestenbaum— Analyst, Stifel

I'll go back to the PAW Patrol movie. Sorry about that.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

So what we said is in the last call, I'm not sure about the 25 percent, but what we said is that last year, there's a \$20 million at our last movie, where we recognize—when we give the movie to our production partner, we are then able to recognize—last movie, we recognized \$20 million of revenue, 23 actually, in 2023, excuse me.

Christina Miller — Chief Executive Officer, Spin Master Corp.

It's related to the timing of the delivery of the movie. Since we deliver the movie to Paramount and they distribute it for us.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

And then there's amortization that pretty much offsets that revenue base.

Jesse Kestenbaum — Analyst, Stifel

Okay. Thank you so much.

Operator

Your next question comes from Gerrick Johnson from Seaport Research. Please go ahead.

Gerrick Johnson — Analyst, Seaport Global

Hi. Can you tell us what you're anticipating in terms of revenue amortization for the movie in the third quarter?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

I can say what we did last time and what I just said, Gerrick, which was it was 20-ish million dollars of revenue and the vast majority of that we had amortization expense.

Gerrick Johnson — Analyst, Seaport Global

Yes. Okay. All right. Great.

Then can you discuss the fourth quarter again is a larger proportion of the back half. Was that because of the shift in FOB to domestic? Or is there more going on there?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

So, my comment before was that DOM and FOB, so direct import and domestic replenishment for the year will be closer to 2025 than historical with a possibility of there being more domestic replenishment. At the very tail end of that question, I kind of referenced that you would see in Q4.

And so, when you look at our Q3 numbers with the pull for that took place, obviously, that has an implication for what our revenue and ultimately our profits will be in Q3.

Gerrick Johnson — Analyst, Seaport Global

Okay. And I realize you didn't increase your guidance, so I have a feeling I know the answer, but retailers have been talking very positively about toys. Had good same-store sales. Talking about the publicly traded U.S. retailers like Target, Walmart, so forth. It just seems to me we've been getting word out from the field that they're feeling more optimistic. So, are you seeing any increases in orders for the back half. Maybe ramping up back-to-school a little bit?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yes. You know, Gerrick, ultimately, because guidance is something that we've reiterated, just to remind you, revenue last year, 65 percent of the revenue was in the back half. All our profits last year were in the back half of last year.

The movie has not yet come out. When you look at our year-to-date performance, we are tracking 1 percent growth so far. And so, there's just a lot of baseball left to be played. It's when the consumer shows up and we think we have winning products. We think we have winning entertainment content. We think of winning digital content. But ultimately, the consumer shows up in the second half of the year and this is where we stand from reiterating our guidance on this call.

Gerrick Johnson — Analyst, Seaport Global

Okay. All right. Thank you, Jon.

Operator

There are no further questions at this time. I'll turn the call back over to Christina for closing remarks.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thank you all for being with us today. We look forward to talking to you again on our call in the fall, Q3. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.