

Spin Master Corp.

First Quarter 2024 Results Conference call

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Spin Master First Quarter 2024 Results Conference call.

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

This call is being recorded on Wednesday, May 8, 2024.

I would now like to turn the conference over to Sophia Bisoukis, please go ahead.

Sophia Bisoukis — Investor Relations Spin Master Corp.

Thank you, John, and good morning. Welcome to Spin Master's Financial Results Conference call for the First Quarter 2024.

I'm joined this morning by Max Rangel, Spin Master's Global President and CEO and Mark Segal, Spin Master's Chief Financial Officer. For your convenience, the press release, MD&A, and interim 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, level of activity, performance goals or achievements, and any other future events or developments.

Forward-looking statements are based on information currently available to Management and on estimates and assumptions made based on factors that Management believes are appropriate and reasonable in the circumstances. However, there can be no assurance that certain estimates or assumptions will prove to be correct.

Many factors could cause actual results to differ materially from those expected or implied by the forward-looking statements. As a result, Spin Master cannot guarantee that any forward-looking statements will materialize, and you are cautioned not to place undue reliance on these forward-looking statements.

Except as may be required by law, Spin Master has no obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise. For additional info on these assumptions and risks, please consult our cautionary statements regarding forward-looking information and our earnings release dated May 7, 2024.

Please note that Spin Master reports in U.S. dollars and all dollar amounts to lead expressed today are in U.S. currency, unless otherwise noted.

I would now like to turn the call over to Max.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Good morning, everyone.

Before we get into details, I wanted to briefly reflect on the tremendous growth and evolution of Spin Master as we celebrate our 30th anniversary in May. It's quite remarkable how we've grown from our beginnings as an innovative Canadian, start-up toy manufacturer to become a global, fully imagined children's entertainment company.

We've continued to build on our legacy as a disruptor in the toy category with a long track record of breakthrough items such as Bakugan, Hatchimals and Bitzee and have expanded our robust portfolio through licensing partnerships, international growth and close to 30 acquisitions. Our Entertainment creative centre has created a diverse slate of captivating multiplatform content for kids around the world and our Digital Games creative centre is expanding our mobile player ecosystem.

Our strategy to reimagine everyday play is positioning us to be where kids play and engage. Our Q1 performance reflected an increase in total revenue of 16.5 percent, primarily due to the addition of Melissa & Doug and their trusted portfolio of early childhood play offerings, which are highly complementary to our existing business. Excluding Melissa & Doug, revenue was up 1.6 percent.

Toy Gross Product Sales were \$264 million, an increase of 22.1 percent, most of this increase was from Melissa & Doug. Excluding M&D, Toy Gross Product Sales were slightly up. We continue to see global macroeconomic forces at play, which are putting pressure on consumers' discretionary spending. We expect this environment will continue throughout 2024, as consumers manage through the impact of high interest rates and inflation. With rising prices for basics like shelter, food and energy, consumers

are feeling the pinch. As a result, demand and dollar spend for many general merchandise categories will be under pressure in 2024, according to Circana.

The Toy category experienced this pressure from a POS perspective in Q1. Total toy industry sales increased 2.8 percent globally, while average selling prices declined 1.9 percent, per Circana. It's important to note that the increase in POS is in large part due to the timing of Easter, which fell into Q1 in 2024 compared to Q2 last year. Additionally, much of the growth in toy POS was driven by one category, construction & building sets, a category in which we do not participate.

According to Circana, our global Q1 POS increased 21 percent, including Melissa & Doug. Excluding Melissa & Doug, our global Q1 POS declined 3 percent. Our U.S. was up 28 percent with Melissa & Doug and down 4 percent excluding Melissa & Doug. We grew market share in six of the 11 global markets tracked by Circana, including France, Germany, Italy, Mexico, the Netherlands and Spain.

We grew share in four of 11 Circana product super categories, including arts and crafts, youth electronics, plush and vehicles, and maintained our share in games and puzzles. Global and U.S. POS for the infant, toddler, and preschool category in Q1 was down 3 percent and 4 percent, respectively, per Circana. Spin Master's POS in Q1 was down in line with the category.

With the acquisition of Melissa & Doug, we became the number one manufacturer in the infant, toddler, and preschool category in Q1 globally. Spin Master had four of the top 10 items in the U.S. preschool toys segment for Q1, per Circana, including the number one new item, the PAW Patrol Jungle Pups Vehicle Assortment, demonstrating our commitment to innovation.

Globally, PAW Patrol POS declined by 3.7 percent and in the U.S. 5.5 percent. International POS for PAW Patrol declined at 1.5 percent. Gabby's Dollhouse was the number nine property globally in the infant, toddler, preschool category in Q1, per Circana, and international POS was up 44 percent. Universal Dreamworks Animation just announced plans for the first feature film for Gabby's Dollhouse, set to debut September 2025. The TV series has been among the top 10 most watched shows on Netflix in 57 countries.

We're further expanding our preschool portfolio later in 2024 and into '25. Our licensed toy line with YouTube sensation, Ms. Rachel, is set to launch in the fall. Ms. Rachel has an uncanny ability to connect with babies, children and parents and retailers are eagerly awaiting our new toy line. Our design teams from both Spin Master and Melissa & Doug have been working closely with Rachel to deliver hands-on play for her avid fanbase of 50 million unique monthly viewers.

We are strategically positioned as a leader in preschool and have further deepened our presence in this important toy category with our acquisition of Melissa & Doug. The integration of Melissa & Doug is well underway, and we are focused on revenue and cost synergy opportunities. With the trust of multiple generations of parents, coupled with a leading e-commerce platform, we believe that Melissa & Doug has strong potential for global growth.

M&D POS in the U.S. was down in Q1 slightly more than the category average but improved sequentially in Q1 to finish in line with the category. During Easter, we saw Melissa & Doug POS performance ahead of the industry. We are launching some exciting innovation at Melissa & Doug this fall. Sticker WOW offers a new way to play with stickers through collectible and refillable sticker

stampers, which help build fine motor and problem-solving skills, as well as drive creativity and character play.

Sticker WOW launched in 2023 and made Circana's list of top 10 new items in Q1. More exciting innovation arrives in the fall with the new easy-fold Play Gym and the innovative Blockables line, a wood-based construction toy for young kids that is positioned in the construction/building sets category.

In dolls and interactive, we have a host of new introductions leading into the fall. There is big excitement at retail about our latest innovation for Hatchimals, which some of you were able to see in our LA showroom in January. We're working with our retail partners to launch this newest iteration on October 4, which we have declared as Hatchimals Day.

The toy line for our Netflix Original series, Unicorn Academy, will hit shelves this fall. The collection includes fashion dolls, unicorns and plush which mirror the diversity and magic of the characters from the series.

We have regularly proven our ability to introduce new breakthrough items in toy. Last year, Bitzee was an innovative success story that allowed us to gain 6.5 share points in the youth electronics category, per Circana. We are now introducing two new iterations of Bitzee this summer including a Magicals Bitzee and a Disney Bitzee featuring some of the most iconic characters from Disney's extensive library.

One of the Q1 highlights from a POS perspective is Monster Jam, which is off to a stellar start in 2024 with POS up 32 percent. The winning combination of live action shows combined with real-to-life

toys across a wide range of price points has helped catapult retail sales. We have more in-store for the fall with a new line of Marvel Monster Trucks featuring popular super-heroes, including Spider Man, new RC vehicles and playsets all geared to bring the action of the arena into the home.

Within Games & Puzzles, plans for Rubik's 50th anniversary are ramping up and the brand is showing no signs of slowing down. The cube has become an integral part of pop culture, influence in art, design, math, and science as well as enthralling millions of people with the goal of solving the cube. Our goal this year is to inspire the next generation of cube-solvers with our Make Your Move global campaign.

To celebrate the anniversary, we have many new product launches and over 25 collaborations celebrating our iconic status, some of which were introduced in Q1. According to Circana, this helped drive our Q1 POS up 16 percent.

I want to briefly address retail price points. We have adjusted our toy portfolio pricing to lower the average price point by 9 percent for 2024. Importantly, we have invested in increasing our product offering tailored to the value channel which will launch in H2. Looking forward for the balance of '24 and into '25, our focus in Toy is building on the '23 base.

Our top retailers in the US over the last month have begun to express cautious optimism for the second half. We've also recently had a positive response to our spring 2025-line preview with encouraging commentary on multitude of our brands across vehicles, games, and preschool. Twenty twenty-five is shaping up well.

Turning to Entertainment, our revenue increased by 16.5 percent. Total gross viewing minutes for the PAW Universe for kids aged two years to five years were up 63 percent in Q1. With more kids viewing content on YouTube, we have developed a strategic alliance with Moonbug Entertainment to create complementary PAW content for the platform, which is deepening our engagement with preschoolers.

The first shorts debuted last weekend and have already exceeded our historical view time for new content on our channels in just a few days. With production on our eleventh season underway, we are also in working on the third PAW feature film set to hit theatres in July 2026. We are in production on Rubble & Crew season two and have greenlit season three. We are seeing some early success in Europe with both the series and toy line.

Unicorn Academy, our fantasy-adventure, animated series launched on Netflix last November and quickly earned its place as the number one kids show globally for the opening weekend. The brand has retained its awareness, and the show is performing well measuring 51 million gross viewing minutes in Q1. We are excited to share that new content will drop on Netflix this summer in advance of the toy launch in the fall.

The musicality of the series lends itself to further distribution and promotional opportunities for the franchise and we are partnering with Kidz Bop for their summer concert series, which will integrate Unicorn Academy original songs into the show. Our licensing & merchandising programs that extend the brand into adjacent consumer product categories are building momentum with partnerships across stationary, fashion, personal care, and publishing.

Our newest animated preschool series, Vida the Vet, continues to build audience momentum and by summer, we will have launched Vida with premium broadcasters in over 20 countries. Similar to PAW, we are partnering with Moonbug Entertainment to create complementary in short-form content for YouTube, giving preschoolers the opportunity to delve deeper into Vida's world. We have also greenlit a second season for distribution in 2025.

Turning to our Digital Games creative centre, our subscription business is a key focus and continues to grow. At the end of Q1 we had 430,000 subscribers, up 8 percent from 399,000 in December. Of the 430,000 subscribers, Piknik and Sago Mini comprised 374,000 and PAW Patrol Academy 56,000. We are continuing to add content into the Piknik bundle and in late May MathTango from Originator Studios will be included.

More content drives higher consumer value and we are seeing higher monthly recurring revenue as well as a significant increase in cross-installs from parents who see value in the bundle compared to stand-alone apps. We are pleased with the growth in PAW Patrol Academy subscribers, which have climbed 63.7 percent since December.

Monthly active users were down 4.3 percent in Toca Life World, but downloads continued to increase, showing higher consumer engagement. We are investing in mix of initiatives including more content, and for the second half, we will be introducing exciting new features into the game. Last year we initiated cobranded digital items within Toca Life World with Hello Kitty, followed later by Spongebob Squarepants.

These collabs tap into brands that resonate with our player audience and drive revenue as fans purchase items to further customize their worlds within the game. We re-released the Hello Kitty furniture pack in January and drove over \$900,000 revenue in seven days. This summer we will release our first ever music collab within the game with a global teen focused superstar, which is on trend for our audience who love to pair music with their stories.

We are looking forward to the launch of Toca Boca Days, our first social multiplayer game that will expand the player base of the Toca Universe. Toca Boca Days represents a significant evolution for the brand and broadens the core Toca Boca experience with multiplayer capabilities, enabling players to safely create, interact and collaborate in an imaginal setting.

Days is now live in Australia and New Zealand, and we are seeing healthy organic installs, further demonstrating the strength of the brand. In the coming months we plan to release Days in Canada, Sweden and the U.K., as well as Germany, scaling to global markets in the fall.

Our team in Stockholm is also focusing on Rubik's Match, our new digital game that will leverage the global awareness of the cube and entice casual mobile gamers with a fresh take on the Match 3 game genre. Our latest soft launch data shows strong retention and app stability data and Rubik's Match is on track to release globally at the end of June, to coincide with the Rubik's 50th anniversary.

In 2025, we will release our mobile digital game for Unicorn Academy, filled with action and adventure, that brings the magic and allure of Unicorn Island into the digital world. I was recently in Stockholm and was able to see progress on the game's development, and it is out of this world.

Our primary focus is to continue to drive growth across all three creative centres with a particular emphasis on ensuring that we integrate and achieve our growth goals for Melissa & Doug. Given the challenging economic environment we find ourselves operating in, we are also focused on driving operational efficiencies in every area of the business.

Our financial framework is solid, we have a robust pipeline of innovation, and we are evolving our offering and marketing plans to ensure our brands remain relevant and resonate with consumers. Finally, we continue to strengthen our enterprise capabilities to drive long-term growth and value for our shareholders.

With that, I will now turn it over to Mark.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Thank you, Max, and good morning.

We delivered \$316.2 million in revenue across all three creative centres, up 16.5 percent from 2023, and including \$40.4 million of revenue from Melissa & Doug. We delivered \$18.6 million in Adjusted EBITDA, an expected decline compared to last year, because of the increased proportion of revenue contributed from the toy creative centre, the Melissa & Doug acquisition, and the associated seasonality and profitability arising from the acquisition.

Excluding Melissa & Doug, Adjusted EBITDA was \$27.8 million, slightly lower than last year. It's important to remember that Q1 is our seasonally lowest quarter from a toy revenue perspective,

typically representing between 10 percent and 15 percent revenue and this has an impact on operating leverage and profitability.

Q1 gross profit decreased by \$2 million to \$156.5 million, and gross margin declined to 49.5 percent from 58.4 percent, primarily due to toys and digital games, partially offset by entertainment. It is important to note that as part of the acquisition of Melissa & Doug, we acquired \$179.6 million of inventory, of which \$66.3 million relates to a fair market value step up adjustment, representing the difference between inventory cost and its realizable value.

This fair value adjustment is recognized as an expense in cost of sales as the inventory is sold. In Q1, \$20.6 million of the inventory fair market value adjustment was recognized in toy cost of sales. As a result, we have introduced a new metric, adjusted gross profit, to exclude the effect of the fair value adjustment and which is more reflective of true operating performance.

Adjusted gross profit increased by \$18.6 million to \$177.1 million. Adjusted gross margin was 56 percent compared to 58.4 percent, down 240 bases points mainly due to market and customer mix and higher sales allowances. Excluding the fair value adjustment, the contribution of Melissa & Doug was accretive to toy gross margin.

Let me spend a few minutes on each creative centres financial performance. Toy gross product sales in Q1 were up 22.1 percent, including Melissa & Doug and were up 50 bases points, without Melissa & Doug. As a reminder, with the acquisition of Melissa & Doug, we've adjusted our 2024 toy product categories into preschool, infant and toddler and plush, which includes Melissa & Doug; activities, games and puzzles and dolls and interactive; wheels and action; and outdoor.

Preschool, infant and toddler and plush led growth in Q1, up \$40.2 million or 48.7 percent, driven by Melissa & Doug, PAW Patrol and GUND. Activities, games and puzzles and dolls and interactive grew \$17.9 million or 28.6 percent, led by Bitzee, Kinetic Sand and the games and puzzles portfolio. Wheels and action declined \$3 million or 6.9 percent and outdoor was down \$7.3 million. Geographically, gross product sales growth was driven by North America with the inclusion of Melissa & Doug, who currently generate most of their sales in the U.S.

Sales allowances in Q1 were 14.5 percent of toy gross product sales compared to 13.9 percent, slightly elevated from geographic market mix factors and greater promotional activity outside of the U.S. Adjusted EBITDA in Q1 for toy was a loss of \$32.5 million or negative 14.4 percent compared to negative 11.5 percent.

The decrease in Adjusted EBITDA margin was from lower gross margin and higher SG&A from the inclusion of Melissa & Doug, which reduced operating leverage, given the seasonal weighting toward second half that M&D has relative to Spin Master. Melissa & Doug revenue is typically 20 percent H1, 80 percent H2 compared to 30 percent and 70 percent for Spin Master. This deleveraging was partially reduced by lower selling expenses relative to toy revenue due to the lower proportion of Melissa & Doug sales from licensed brands.

In Q1, entertainment revenue increased by \$6.2 million or 16.5 percent, driven by higher revenue from the distribution of the PAW Patrol series and movie. Although revenue increased, adjusted operating income decreased slightly to \$29.1 million from \$29.9 million and adjusted operating

margin to 66.4 percent from 79.5 percent. The margin decline was due to mix, with a higher proportion of lower margin distribution revenue compared to higher margin licensing and merchandising revenue.

Digital games revenue declined slightly by \$1.5 million or 3.2 percent to \$46 million, primarily due to lower in-game purchases in Toca Life World, offset in part by higher subscription revenue from Piknik and PAW Patrol Academy. In Toca Life World, we saw a slight softening in short term retention, which has led to lower spend conversion, but revenue per player increased. We have actions underway to ensure we can better capitalize on continued strong player acquisition, as Max described.

Digital games adjusted operating margin was 33 percent from 40 percent from the slight decline in revenue and higher marketing costs for PAW Patrol Academy and Piknik.

Turning back to consolidated results, adjusted SG&A increased by \$34.1 million or 24.4 percent to \$173.6 million, and as a percentage of revenue, from 54.9 percent to 51.4 percent. Primarily driven by the inclusion of Melissa & Doug, which resulted in deleveraging as I described earlier.

Consolidated adjusted EBITDA for Q1, was \$18.6 million compared to \$30.6 million. Adjusted EBITDA margin was 5.9 percent compared to 11.3 percent. The decrease in Adjusted EBITDA was primarily from the toys segment, due to the inclusion of Melissa & Doug, which had standalone Adjusted EBITDA loss of \$9.2 million and digital games, partially offset by an increase in entertainment.

Adjusted EBITDA, excluding Melissa & Doug was \$27.8 million compared to \$30.6 million, a decrease of \$2.8 million. Adjusted EBITDA margin, excluding Melissa & Doug, decreased slightly to 10.1 percent compared to 11.3 percent.

Looking at our balance sheet, inventory at the end of Q1 was well above our historical levels due to Melissa & Doug's inventory. We expect Melissa & Doug inventory to be significantly lower by the end of 2024, as we flush the fair market value step up adjustment through the P&L and refine purchasing patterns.

Free cash flow in Q1 was negative \$600,000, compared to negative \$34.4 million, an increase of \$33.8 million due to cash generated from working capital reductions. We ended Q1 with \$205.5 million in cash. As part of the Melissa & Doug transaction, we raised debt financing of \$525 million, of which \$50 million was repaid in Q1. The combined cash balance and unused credit facility gives us \$464 million of available liquidity.

From a capital allocation perspective, we will continue to focus on investments in innovation, content, and M&A as well as share buybacks, dividends and debt reduction. Regarding M&A, we will focus on integrating Melissa & Doug. M&A activity in 2024 will be focused on digital games, entertainment, and ventures.

Following the approval of our NCIB for just over \$2.94 million shares on March 4, we've repurchased almost 600,000 shares to date, at a cost of just under \$15 million, of which roughly 333,000 shares were repurchased in Q1 and the balance since. Looking ahead, we are committed to the share buyback program and will continue to execute opportunistically.

We believe that the NCIB represents a prudent use of our capital and is an attractive investment given our low multiple, strong financial position and exciting prospects. We are also pleased to announce that we've raised our quarterly dividend by 100 percent from \$0.06 per share to \$0.12 per

share. The decision to initiate a higher dividend reflects confidence in our performance, and together with the NCIB reflects our commitment to drive shareholder value, while maintaining a strong balance sheet for future growth. Since 2022 we have returned approximately \$53 million directly to shareholders through share buybacks and dividends.

Turning to our 2024 outlook, we are maintaining the full year guidance given in March. As we mentioned in March, we expect the toy industry to face macroeconomic headwinds, causing reduced consumer discretionary spending. We have an innovative, deep and value-focused toy line; however, this is tempered by the reality that consumer behavior in 2024 is likely to continue to be pressured. For that reason, we are maintaining our previous guidance, which is that, excluding Melissa & Doug, we expect 2024 toy gross product sales to be in line with 2023 and seasonality to be 28 percent to 32 percent in H1.

Total revenue growth, excluding Melissa & Doug, is also expected to be in line with 2023, with lower revenue from entertainment, offset by higher digital games revenue. We continue to expect sales allowances to be approximately 13 percent of gross product sales, higher than our typical range mostly due to market and customer mix. We expect marketing costs to be between 9 percent to 10 percent of revenue. We continue to expect Adjusted EBITDA margins to be in line with 2023, excluding Melissa & Doug.

Our key focus in 2024 is the integration and realization of cost synergies and growth opportunities for Melissa & Doug. Our teams are working hard on integration activities and are focused on building a platform for revenue growth, international growth, and cost synergies. We continue to

expect Melissa & Doug gross product sales of between \$420 million and \$430 million, with revenue of \$370 million to \$375 million.

As a reminder, Melissa & Doug generates about 80 percent of its revenue in the second half and as illustrated in Q1, this impacts the cadence of operating leverage and quarterly profitability. For 2024 we continue to expect Melissa & Doug Adjusted EBITDA margins to be approximately 19.5 percent.

The consistent cash flow we've generated gives us confidence in our ability to implement share buybacks, increase our dividend, reduce debt, and keep capacity for opportunistic M&A. We expect to end 2024 with a net debt to Adjusted EBITDA ratio of approximately 0.8 times, up slightly from 0.5 times discussed previously, as we intend to allocate more free cash to the NCIB. Cash interest paid will be around \$25 million in 2024, up slightly from the March estimate due to higher average leverage.

Our consolidated effective tax rate estimate remains at approximately 26 percent. CapEx is expected to be just under 6 percent of revenue, slightly lower than previously guided. We now expect depreciation and amortization to be slightly lower than previously advised at \$116 million versus \$120 million, and for Melissa & Doug D&A to be \$32.5 million versus \$30 million. Sophia will provide details by Creative Centre and COGS versus other categories for you after the call.

In conclusion, we remain well positioned strategically, financially, and operationally. We also remain fully committed to continuing to execute our strategy for long-term growth and shareholder value creation.

That concludes our prepared remarks. We will now be pleased to take questions. Operator, please open the line.

Operator

Thank you.

Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press star, followed by the number one on your touchstone phone. You will hear a three tone prompt acknowledging your request. If you would like to cancel your request, please press star two. Please ensure you lift the handset if you're using a speakerphone before pressing any keys. One moment please for your first question.

Your first question comes from the line of Brian Morrison, from TD Cowen. Your line is now open.
Your first question comes from the line of Brian Morrison, your line is now open.

Brian Morrison — Analyst, TD Cowen

Apologies. Good morning, Mark, good morning, Max.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Good morning, Brian.

Brian Morrison — Analyst, TD Cowen

I guess let's tackle the Melissa & Doug head on here. While you guided us on a more pronounced seasonality for its revenue, it's pretty clear that consensus didn't bake in that that would lead to greater seasonal variance or deleverage in the margin. That I think really explains the Q1 shortfall to consensus. Max, maybe you can start.

I think it's important to unpack and provide confidence in the Melissa & Doug outlook and ability to hit your guidance specifically after a few headwinds out of the gate here. Then Mark, I know it's small based on the annual guidance context, but can you provide clarity on how we should think about toy seasonality for both the incumbent operations and Melissa and Doug, the remainder of the year, and how we should think about the quarterly margin cadence for the toy segment year-over-year as we progress through the year?

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Great question. Let me take the first part and then I'll turn it over to Mark.

Here's what I would tell you about Melissa & Doug. In the first four months of the year, we have seen sequential improvement month on month since January, culminating in Easter week in which we grew above the category, and that's real important. That was driven by the core business and new items like Sticker WOW, which I commented on.

Now, following Easter, and maybe before I tell you after Easter, I just want to give you some magnitude because I think it's really important. January consumption was down double digit—high double digit, and that improved in February to 10 percent down. It improved in March to down 3.9

percent and in Easter week we were up almost 1 percent. We saw the sequential improvement, which is really important.

Since Easter, we continue to see the brand performance at or above the category rate and that's also really important. We've caught up through the, obviously, four months and are in a better position. What's more encouraging, and as we look to the balance of year, is two things to note. The items that we began to, once again, get behind with support up to Easter that actually drove the performance were the items that we would expect to do really well, given the evergreen nature and the saliency of these items.

The top 10 items in Melissa & Doug grew in Easter, 50 percent plus versus year ago. If you extend that to the hundred top items, they were up 36 percent versus last year. Some of the iconic evergreen items like Dust! Sweep! Mop!, Burrow Bunny, Dentist Set, Scoop and Serve Ice Cream were the items that truly drove that performance, and that's really important.

On top of that, Sticker Wow was a top 10 item in Q1 per Circana. As we looked to the balance of the year, in Q3, Q4, we have twice as much revenue from new items in Melissa & Doug than we did last year. As we get into the second half from a consumption where the inventory is netted and where the inventories have gotten to and the plans for the second half, we have confidence we can deliver the guidance we've promised.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Thanks, Max. Brian, I'm going to pick up the second part of your question. I'm sorry if I'm going to give you a long answer, but I want everyone to clearly understand all the points about seasonality, both for Spin Master and for Melissa & Doug from a top line and bottom line perspective.

Because it's clear that we need to make sure that the street understands this, and we don't have another situation where we have a difference between where the street is at and our expectations. Let me just reaffirm that Spin Master has always been a seasonal business and with Melissa & Doug, even more so.

Because Melissa & Doug is more heavily weighted towards the second half of the year than we are. If you actually look at Spin Master for a second, focusing on that, we've typically been around a 30 percent H1, 70 percent H2 GPS company. If you actually take the mathematical averages over the last five years, excluding 2022, it's actually around 31 percent to 69 percent to be precise.

Now, as a Company, we've always tried to encourage the street and all of you to focus on H1, H2, spring and fall, because that's the way the toy industry works. But we recognize that obviously we're a public Company and we have to report quarterly. Let me give you more granularity on the quarterly side of Spin Master and then I'll do it for Melissa & Doug.

Q1 is typically around 10 percent to 15 percent of Spin Master, Q2 is typically around 15 percent to 20 percent and then you have Q3 at around 35 percent to 40 percent, and Q4 at around 25 percent to 30 percent. That's typically the way the quarters break down. Melissa & Doug, on the other hand, is around 20 percent in H1 and 80 percent in H2.

The way the quarters break down in the second half of the year is around 40 percent in Q3 and around 40 percent in Q4. Just remember that Melissa & Doug is more domestic and is more e-commerce than Spin Master, which is why they're more heavily weighted towards the fourth quarter than we are.

It's very important to note that from an EBITDA perspective, most—in fact, all of Melissa & Doug's EBITDA is generated in the second half of the year due to the issues with operating leverage. Now, if you look at Spin Master from an EBITDA perspective, in Q3, we typically make about 30 percent or even more EBITDA margins because we are shipping in large volumes in Q3, but we're not spending any dollars on marketing because that's when consumers are not actually shopping actively at that time.

In Q4, we actually have lower volume, but all of our marketing dollars and we typically have lower EBITDA margins in Q4, roughly mid-single digits to high-single digits. That's the way that the seasonality in EBITDA typically breaks down by quarter.

There two nuances that I just want to call out to you. Firstly, in Q2 of last year, we shipped about \$25 million to \$30 million of product for the second PAW movie, which is not going to anniversary this year. That's something for you to keep in mind in your models. Also, in 2023, keep in mind we had about a \$15 million to \$16 million EBITDA bump as a result of the PAW Movie 2, which again, is not going to anniversary. If you actually look at '23 EBITDA margins for the year, they were actually 21.3 percent, excluding the second PAW movie.

The final point that I will make on seasonality relates to SG&A. You saw our SG&A numbers in Q1 are extremely high because of de-leveraging, but if you actually look at the year, typically SG&A comes in at around 38 percent, adjusted SG&A comes in at around 38 percent of revenue. If you put that all

together, Brian, you and all the other analysts hopefully will be able to refine your models to make sure everything looks reasonable on a quarterly basis.

Brian Morrison — Analyst, TD Cowen

Okay. Thank you for the detail. If I'm just dumbing it down a bit here, Mark, it sounds like from a toy margin perspective, we're going to be down again in Q2 because of Melissa & Doug and then up in Q3 and Q4, is that correct?

Mark Segal — Chief Financial Officer, Spin Master Corp.

Yes, that's right.

Brian Morrison — Analyst, TD Cowen

Okay. Then I guess when I look at the PAW Patrol \$15 million makeup that needs to be achieved to get to flat year-over-year, I assume that the drivers of this are the entry into the value chain, the ramp of the—or intro of the digital games, you've got new licenses, NIP, am I thinking those are the drivers correctly?

Then can you just update us on the progress on timing of entry into the value segment and maybe just elaborate on the reprieve on the active monthly users? I didn't catch that.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Okay. There was a lot in there, Brian. I think you've accurately captured the growth drivers. I think both Max and I went through the growth drivers. I think there was a question in there about Toca Life world, did I hear that correctly at the end?

Brian Morrison — Analyst, TD Cowen

Yes. I want to understand two things. When are you going to—when do you have timing of entry into the value segment? Where does that stand? Then the active monthly users, I didn't quite understand the reprieve with respect to active monthly users on digital games.

Mark Segal — Chief Financial Officer, Spin Master Corp.

The timing of entry into the value channel is the second half of the year and it's relatively modest this year. Then on Toca Life World what we called out was a reduction in the number of monthly active users, which drove a reduction in in-app purchases for the month.

Just remember, it's a free-to-play game, and then we have to convert those players to revenue. We saw a slightly lower conversion in Q1, but those players that did convert actually spent more. We're going to be focusing on driving that conversion ratio up and spend ratio up in the balance of the year. Max, do you want to just add anything to that?

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

I think beyond that, I think if you look beyond this year, we're also launching Toca Boca Days, which is really an important complement to Toca Boca Life. That happens basically as we described in

the script starting now, where we're live into markets and through the summer and into the fall for all the big global markets. I think that's going to be a huge complement.

Outside of that, Brian, I think the team is actually instituting several new things with content and new features for the balance of the year. That's, basically, Toca Life World, and you also had comments about PAW, if I'm not mistaken, that you want us to address. You talked about how are we going to make up the revenue that we're not getting from the movie across other parts of the line. I believe that's what you asked, and I just want to make sure I pause to understand. Is that your—is that the question?

Brian Morrison — Analyst, TD Cowen

Yes. That's exactly right, Max. Thank you.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Yes. I think there's a number of things you should take into account. Number one, a year ago, we had Rubble successfully launched in the U.S. and we didn't have Rubble internationally. This year we're going to have Rubble, basically, be a big driver outside of the U.S. and that's an important complement.

Second, if you look beyond infant and preschool, we also have an important part of our innovation kicking in, and for all of us innovation in 2024 is going to contribute three times what it contributed in 2023. If you look at the consumption in Q1 in '24, and you look at our consumption in 2023 and you see our glide path to achieving consumption objectives for the year, we're not in a very different place.

We typically get a lot of our consumption upswings in the back half behind innovation. Because we have more new innovation in the pipeline for 2024 and there's great receptivity and commitment by customers to execute that, we feel very confident that we will be able to overcome what you just described would be a PAW-base period revenue.

Brian Morrison — Analyst, TD Cowen

Okay. I appreciate all the color. Thank you, very much, and good luck.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Thank you.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Thanks, Brian.

Operator

Your next question comes from the line of Martin Landry, from Stifel. Your line is now open.

Martin Landry — Analyst, Stifel

Hi. Good morning, guys.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Morning.

I want to just follow up on the last comment that you provided, Max. Did I hear you correctly when you said that innovations is going to have a 3X contribution to revenues versus 2023, is that correct?

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Yes. We're very excited about the fall '24 innovation pipe. We have a number of things that we're, basically, bringing incremental to what we would've had last year. Let's not forget we had a really successful BT launch in 2023. We're anniversaring that with two new executions on Bitzee to extend that success and is being well received and so we feel good about that.

Hatchimals is really net new incremental, and the opportunity to, basically, capitalize on that is huge and we're feeling very strongly about it. Great receptivity. Third, we have Puny Rooms (phon). You might remember from the LA showroom that's net new incremental. We didn't have that last year.

Beyond that we have great innovation on Monster Jam. We have great innovation on PAW Patrol beyond, obviously, Rubble expanding into wide space in Europe. Let's not forget one more thing we didn't have last year, and it is brewing to be a very big contributor to both the Spin Master portfolio and Melissa & Doug portfolio, which is Ms. Rachel.

Ms. Rachel is brewing to be a very big component of our revenue in the fall, and we're super excited. We have confidence in what we need to build to, between now and then. We have support in terms of marketing and sales support and promotional support and PR support to bring this to life.

Martin Landry — Analyst, Stifel

Okay. Just to clarify, when you talk about innovation, it's not a new—it's not a new brand, not a new—it's just a new toys within an existing brand. Is that fair?

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

It's both, right? If you think about Hatchimals, Hatchimals is currently a brand, but the Big Egg has not been a component of the Hatchimals line for a long time. We rested it and we're coming back with a big bang. That's going to be net new on that line.

As opposed to Rachel, which is complete white space, there's nothing in the base we're launching in, basically, from scratch. For Puny Rooms, there's nothing in the base, we're launching from scratch brand new brand. I think it's a combination of both.

Martin Landry — Analyst, Stifel

Okay. Lastly, just to touch quickly on Melissa & Doug, how's the inventory quality both at retail and within your warehouses? Is there a cleanup that's needed to do to clear some of the low selling SKUs or is the inventory in good shape?

Mark Segal — Chief Financial Officer, Spin Master Corp.

Martin, the inventory's clean, there's no concerns on the inventory. Really what we've been dealing with, I think through the last period of time, both pre-acquisition and post-acquisition, was that I think the inventory levels were high. But because the line is recurring in nature, it's simply a question of working it down.

I think their numbers have come down, if you actually ignore the fair market value adjustment, their Q1 inventory was significantly down compared to the same period last year, and we expect by the end of the year it'll be down much further.

We are not concerned about Melissa & Doug inventory, I think it's in good shape, both in our warehouses and at retail, as is ours at retail as well. Our inventory is down year-over-year, Spin Master inventory is down year-over-year, in our warehouses and at retail quite significantly. I think from a retail perspective, we're actually in good shape overall with inventory.

Martin Landry — Analyst, Stifel

Okay. Okay. Thank you very much. Best of luck.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Thank you.

Operator

Your next question comes from the line of Jaime Katz, from Morningstar. Your line is now open.

Jaime Katz — Analyst, Morningstar

Hi, thanks for taking my question. I'd be curious to hear what progress you guys are making in maybe expanding Melissa & Doug abroad, given its primarily U.S. focus and the ability to grow to a much wider distribution base.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Jaime, good morning. We're making progress. I will tell you that the progress broadly is happening in '25, particularly in Europe and other markets around the world. However, we've already begun that expansion in Canada and Mexico. In North America, we prioritize taking over the business in Canada and taking over the business in Mexico, which was actually being done through distributors.

We have two really strong teams in both countries and that's going to happen basically starting now. Basically, we're about to ship within 30 days into our first major customer in Canada, we're excited about that. That happens in the next two, three months in Mexico as well. We're getting going. At the same time, we're getting the line curated and ready to go and expand more broadly beyond North America.

Mark Segal Chief Financial Officer, Spin Master Corp.

Just to add to that—sorry Max. Just to add one point. As Max described the conversion of distributors to our own in-house selling, we do get the volume pickup and the margin pickup as a result of that as well. That's another reason behind the confidence in our earlier reaffirmation of our guidance for 2024.

Jaime Katz — Analyst, Morningstar

Oh, that's helpful. I don't know that it's been discussed much, but the efficiency of the marketing and promotional programs, the shift to value would probably indicate that there may be more handholding to facilitate conversion from consumers. Has there been a step up in the marketing and

promotional ROI that you guys are seeing, or are you finding different ways to connect with consumers than in the past?

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Are you speaking to Melissa & Doug specifically, or you're speaking broadly? I just want to make sure I answer your question well.

Jaime Katz — Analyst, Morningstar

Both.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Okay. Excellent. Let me start with toy. I think in toy you would've seen in our numbers that we did increase our marketing investments in Q1, and we were able to get the return on that where we spent that and it's basically a reflection of our consumption. In some places we actually got really great consumption results for that marketing investment.

In Melissa & Doug, specifically, Jaime, we only began to increase the investments digitally towards the end of the quarter and more broadly beyond digitally, starting in Q2. We're very, very deep in that process and we are ROI driven, as you can imagine, so we will be watching that very closely.

Beyond toy, we've invested marketing in our franchises, specifically, Unicorn Academy, Vida the Vet, and of course PAW Patrol. Then beyond that is really about audience and building our audience and, basically, deepening love with our audience for those franchises.

Beyond that, on digital games, we also increased marketing in Q1 and that was really more on getting subscribers. We've been testing and testing weekly, and the return on ad spend in our subscription business is being very, very healthy. Reason for which we have, in fact, increased even more.

Mark alluded to Piknik and PAW Academy and those two businesses are doing really well for us. Quite a bit of that is besides the fact that it is great content for children, and we have a unique opportunity to own that space. Our paid user acquisition performance marketing machine is really working well.

Jaime Katz — Analyst, Morningstar

Okay. Thank you.

Operator

Your next question comes from the line of Luke Hannan from Canaccord Genuity. Your line is now open.

Luke Hannan — Analyst, Canaccord Genuity

Thanks, and good morning. I'll start with Melissa & Doug. We've had a public competitor of yours come out and announce that they're going to be pushing a little bit more deeply into the wooden toys business. I'm just curious if you can disclose roughly what percentage of Melissa & Doug's revenues are attributable to wooden toys in particular?

Mark Segal — Chief Financial Officer, Spin Master Corp.

Most of Melissa & Doug's business is wood toys, right? The vast majority of their line represents wooden toys, Luke, that's the basic of components of their business.

Luke Hannan — Analyst, Canaccord Genuity

Okay.

Mark Segal — Chief Financial Officer, Spin Master Corp.

There are some elements that are not wood like Sticker WOW and a few other areas. I don't have the exact percentage off of the top of my head, but the majority of Melissa & Doug is wooden toys.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Yes. Luke, good morning and great question. I think we're super excited about the Melissa & Doug investments we're making on the brand. It was one of the key items we discovered had to get done, and I think the team is now beginning to do that.

Second, we're really excited about us bringing innovation to Melissa & Doug and we talked about Sticker WOW, but beyond Sticker WOW, there's two or three items that are going to be huge. I made reference to the fact that when we did put marketing behind the line, and particularly around Easter, we saw tremendous return on that investment. As I alluded to in our consumption numbers, growing over 50 percent.

The launch of the competitive wooden line that you allude to is just starting and the really wonderful news is where it started and the week that it started, our brand grew 40 percent. We welcome the attention to the category. Melissa & Doug has been a leader in wood for so long and is so trusted and the quality of our brand is so beloved that this heirloom piece is going to, basically, take us to actually do what we need to do, which is to love the brand, invest in the brand and continue to grow the brand.

Luke Hannan — Analyst, Canaccord Genuity

Okay. That's great to hear. Then shifting to the digital games business. I know it's extremely, extremely early days, I don't even think it's been in the market for a week yet, but what has been the initial reception for Toca Days in Australia and New Zealand? Are you seeing that conversion of players from Toca Life World into Toca Days? Or right now is it just more of an influx of that new player base, those age, five to eight? Also maybe, why starting with those markets first rather than some other markets?

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Yes. I'm so glad that you asked about Toca Days, because I remember sitting not far from you when we were actually showcasing this. If you would see it now, I encourage you to go do it, it's actually progressed even more, it's very exciting.

To get to the punchline, we started in Australia and New Zealand and subsequently are going beyond that because these are test markets, control markets, where we actually get a ton of learning, and we basically get a lot of return on the learning that we get very much real life.

They are markets in which people are also very vocal, our team has a lot of great testing experience, and so we gain a lot from just going there. We also gain early testing and knowledge on technology, our tech and obviously app stability. There's a lot to be gained from going to those markets first, and so far, the reception has been terrific. It's so early that I want to be cautious to not overstep, but it's doing really well.

Luke Hannan — Analyst, Canaccord Genuity

Great. Last one for me, and then I'll pass the line. Eventually, we are going to get to a point here where there's a lot more within the digital game segment in terms of titles and properties that are representing, excuse me, a good chunk of revenue and EBITDA. Should we think about—or are you thinking about enhancing the disclosure there so that we can get a better sense of the revenue by title, EBITDA by title, and maybe some other metrics such as ARPU, for example?

Mark Segal — Chief Financial Officer, Spin Master Corp.

Luke, it's a good question. We are thinking about how to best describe digital games because the metrics are very different, for example, to what you would see in toy or entertainment.

In fact, all three of our businesses, we have expanded disclosure recently, as you know, with the breakdown of P&Ls for each creative center, which I think has given the investment community a much deeper insight into the business.

But yes. To answer your question, we are looking at ways to describe digital games with different metrics and enhanced metrics to help you understand the business better and hopefully drive shareholder value through that. Because as a Company, we don't necessarily feel that our digital games business gets the credit that it deserves in terms of our portfolio.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Yes. I think, Luke, just to add to Mark's comments, I want you to please rest assured, before we get to disclosure, know that we look at the business very differently between our subscription business and obviously the subscription, the (inaudible), the churn and the LTV as we model the business going forward and are very, very focused on that.

When it gets to the app model and specifically whether it would be Rubik's, Match or Toca Boca Life or Toca Boca Days, we're getting into D1, D3, D7, Fatui (phon), we have significant depth of how we are treating and, basically, keeping up with these business KPIs and are measuring by title and have great depth of information by title. Anyway, so far things are progressing.

Luke Hannan — Analyst, Canaccord Genuity

Okay. Thank you very much.

Operator

Your next question comes from the line of John Zamparo, from CIBC. Your line is now open.

John Zamparo — Analyst, CIBC

Thank you very much. Couple of housekeeping questions. First, I wonder if you can quantify the shift in Easter timing, either on revenue or gross product sales for Spin Master.

Mark Segal — Chief Financial Officer, Spin Master Corp.

It was one week, John. The one week shifted, not the whole Easter period. It wasn't a material shift. I don't have a specific number to quote, but I don't think overall it was material, but it did actually have an impact on POS as we described. We can get back to you later with a more granular answer, but in the overall scheme of things are not very significant.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

On the POS, John, just so that you have that now and then Mark can follow-up, I think, basically, the impact is an industry that shows growth versus without Easter and that shift, an industry that is declining both dollars and units, just to be clear. That's a decline in the low single digit number.

John Zamparo — Analyst CIBC

Okay. That's helpful, thank you. On Melissa & Doug, can you say how revenue and EBITDA look relative to last year? I know it's not a seasonally relevant quarter or maybe asked another way, was the POS number in Q1 reflective of their reported numbers?

Mark Segal — Chief Financial Officer, Spin Master Corp.

Yes. John, obviously, we are not providing comparable numbers for Melissa & Doug, but just given the acquisition timing, but the reality is that it's relatively consistent with priors. In fact, Q1 was a little bit better this year than it was in priors. As I said to you, Melissa & Doug will be EBITDA negative in H1 and make all of their EBITDA in H2 in line with their 40 percent Q3 and 40 percent Q4 revenue. Really, the period to focus on for Melissa & Doug will be the second half of the year.

John Zamparo — Analyst CIBC

Okay. Then on capital allocation, you recently filed a mixed shelf. I wonder if there's anything that's worth calling out on this.

Mark Segal — Chief Financial Officer, Spin Master Corp.

No. This was a renewal of a previously filed shelf that had expired. It's a two year window and we simply renewed the existing shelf or the preexisting shelf for a further two years. But nothing specific to call out on that.

John Zamparo — Analyst CIBC

Understood. Then last one, sticking with capital allocation, you doubled the dividend, you're using the buyback program, I wonder whether an SIB is a topic of discussion at this level?

Mark Segal — Chief Financial Officer, Spin Master Corp.

The Board reflects on capital allocation every quarter. I think we've been pretty specific in the script today and the plans that we've articulated around the buyback program. We have around 3 million shares authorized for 2024, and we've already executed about 600,000 of that and we'll continue to execute on the balance for 2024.

We increased the dividend or double the dividend, which I think is reflective of the Board's desire to consider total shareholder return as part of the equation of Spin Master. I think they'll continue to do that. We're not going to comment specifically on an SIB or anything else but rest assured that it's something that the Board reflects on a quarterly basis.

John Zamparo — Analyst CIBC

Okay. That's helpful. I'll leave it there. Thank you.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Thanks, John.

Operator

Your next question comes from the line of Kylie Cohu from Jefferies. Your line is now open.

Kylie Cohu — Analyst Jefferies

Hey, thank you, guys, so much for taking my question. I'll keep it brief, but you mentioned some cautious optimism from your retail partners. I was just wondering if you could expand on that. Are they expecting better demand than previously thought or earlier purchases? Just any color on that would be helpful. Thank you.

Max Rangel — Global President and Chief Executive Officer, Spin Master Corp.

Yes. I think it's really more looking to if you think about Easter and the sell through, and obviously, the fact that inventory levels are in a better place, and ultimately, a return to discretionary and cycles. The fact that they want to make sure that their toy aisles are growing, is what actually leads me to make that statement and it's really coming from them. They're also excited about the new level of innovation we're bringing. When I say cautious optimism is also basically people reacting to what is put in front of them, and I think the retail group has reacted incredibly positive to our lineup.

Last but not least, I think there's, obviously, in Europe, also the same level of optimism for the line, it's not just a U.S. three customer sentiment, it's beyond that. That's basically what constitutes our comment.

Kylie Cohu — Analyst Jefferies

Awesome. Super helpful. That's all from me, thanks.

Operator

Your next question comes from the line of Drew Reynolds from RBC. Your line is now open.

Drew Reynolds — Analyst RBC

Yes. Thanks very much. Good morning. Just I guess three housekeeping for me and maybe over to you, Mark. Not to get too granular here, but in the spirit of Brian's question earlier for Q2, Melissa & Doug, you commented on negative EBITDA, the first half, presumably that's another negative Adjusted EBITDA for Q2, is the question.

Second, just on the cadence of cost synergies, we saw a little bit come in here in Q1 of the period \$6 million you expect to realize. Just wondering how that is going to play out for the rest of the year. Then just finally big picture on the dividend policy. Great to see the doubling of the dividend. Just wondering, is there levels of payout ratio that the Board contemplates when setting the dividend? Thank you.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Hi, Drew, and welcome, I think, to your first official call covering Spin Master. To answer your question around Melissa & Doug, in terms of their seasonality, I said to you around 20 percent of their volume in H1 around roughly even split. There will be an Adjusted EBITDA loss for Melissa & Doug for the second quarter. Also just wanted to reiterate what I said earlier in case everyone didn't pick it up around the PAW patrol movie shipments that we had in the second quarter.

I just want to—which won't anniversary obviously, just keep that in mind. The seasonality of the synergies, we picked up some very minor cost synergies in Q1. We're starting to accelerate that program; we have a new leader who's looking after the integration and very heavily focused on that.

We'll start to see momentum building in Q2 into the second half of the year on the realization of the cost synergies in particular, and some of the revenue synergies that Max referenced earlier. But a big chunk of those cost synergies, Drew, will actually happen in Q3 and Q4, some of which are volume specific. But are also now based on the programs that we're actually implementing and getting some momentum behind.

The third question you asked was around the dividend. I think what we tried to do with the dividend, and what the Board considered, was really to look at a reasonable dividend yield. If you looked at the previous dividend, it was around a 70, 80 basis point dividend yield and we try to get it to around 1.5 percent at this point based on the current share price.

Obviously, that will change as the price changes, but we felt that that was a comfortable place to be at from both a yield and a dividend powered ratio perspective for 2024, taking into account our M&A, innovation, allocation of cash, as well as the buyback program, as well as debt reduction, it was an equation to keep all four in a reasonable balance and that's where we landed.

Drew Reynolds — Analyst RBC

Got it, Mark. Thanks very much. That's helpful.

Mark Segal — Chief Financial Officer, Spin Master Corp.

Okay. I think just from a time perspective, we're going to have to make that the last question. Let me just say we look forward to seeing you on the 31 of July, which is the date of our second quarter earnings call and we're going to wrap it up at that point. Thanks, Operator.

Operator

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