

SPIN MASTER CORP.**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS****INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") for Spin Master Corp. ("Spin Master" or the "Company") provides information concerning the Company's financial condition, financial performance and cash flows for the three and nine months ended September 30, 2021 ("third quarter", "the quarter", "Q3"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 ("interim financial statements"), its audited annual consolidated financial statements and accompanying notes ("financial statements") and its annual MD&A for the year ended December 31, 2020 ("Annual MD&A"). Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2020, can be found under the Company's profile on the System of Electronic Document Analysis and Retrieval (SEDAR), which is administered by the Canadian Securities Administrators ("CSA") at www.sedar.com.

Some of the statements in this MD&A contain forward-looking information that are based on assumptions and involve risks and uncertainties. See "Forward-Looking Statements". Actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those described in "Risks Relating to Spin Master's Business" in the Annual MD&A and elsewhere in the Annual MD&A and this MD&A.

BASIS OF PRESENTATION

The financial information included in the MD&A are derived from the financial information included in the Company's interim financial statements and accompany notes that were prepared in accordance with International Accounting Standard 34, Interim Reporting and consistent with International Financial Reporting Standards ("IFRS"). However, certain financial measures contained in this MD&A are non-IFRS measures and are discussed further in the "Non-IFRS Financial Measures" section. All financial information is presented in United States dollars ("\$", "dollars" and "US\$") and has been rounded to the nearest hundred thousand, except per share amounts and where otherwise indicated.

BUSINESS OVERVIEW

Spin Master is a leading global children's entertainment company creating exceptional play experiences through a diverse portfolio of innovative toys, entertainment franchises and digital games. Spin Master is best known for award-winning brands *PAW Patrol*, *Bakugan*, *Kinetic Sand*, *Air Hogs*, *Hatchimals*, *Rubik's Cube* and *GUND* and is the toy licensee for other popular properties. Spin Master's entertainment team creates and produces compelling multiplatform content, stories and endearing characters through its in-house studio and partnerships with outside creators, including the preschool success *PAW Patrol* and 9 other original shows along with multiple short-form series, which are distributed in more than 190 countries. The Company has an established digital games presence, anchored by the *Toca Boca* and *Sago Mini* brands. With approximately 2,000 employees in 28 sales and marketing offices globally, Spin Master distributes products in more than 100 countries.

Spin Master's principal strategies to drive the Company's continued growth include:

- Innovate using our global internal and external research and development network;
- Increase international sales in developed and emerging markets;
- Develop evergreen global entertainment franchises;
- Establish a leading position in digital games; and
- Leverage the Company's global platform through strategic acquisitions.

Spin Master's organic growth strategy is centered around the Company's 36-month brand innovation pipeline. This pipeline is fed by internal innovation and multiple touch points with inventors, licensors, consumers and potential acquisitions, traditional and innovative entertainment contact and digital games. These touch points strengthen consumers' attachments to Spin Master's brands and franchises and are the engine of long-term growth.

Spin Master continues to expand into content for traditional television, video-on-demand, subscription video-on-demand, in addition to other short-form and long-form content, including movies, across a variety of distribution channels.

Spin Master's business comprises three geographic segments: North America, comprised of the United States ("U.S.") and Canada; Europe, comprised of the United Kingdom, France, Italy, the Netherlands, Germany, Austria, Switzerland, Belgium, Luxembourg, Slovakia, Hungary, Romania, Czech Republic, Poland, Turkey, Russia and Greece; and the Rest of World, primarily comprised of Hong Kong, China, Vietnam, India, Australia, New Zealand, Japan and Mexico and all other areas of the world serviced by Spin Master's third party distribution network. The Company remains focused on its long-term goal of more than 45% of sales outside of the North America segment.

Spin Master's diversified portfolio of toys, games and products is organized into four product categories: (1) Activities, Games & Puzzles and Plush; (2) Boys; (3) Outdoor and (4) Preschool and Girls.

Seasonality factors cause the Company's operating results to fluctuate significantly from quarter to quarter. Revenue from sale of goods is more concentrated in the third and fourth quarters of a fiscal year with a significant portion of its net income earned and cash flows generated during the same period.

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. The crisis related to COVID-19 is unprecedented and has had an impact on the Company's employees, customers and suppliers in 2020 and 2021.

Supply Chain

The Company closely monitors the changing global environment to enable immediate actions to be taken to ensure customer order fulfillment is achieved across the various markets. The shipment of goods from ports in Asia to North America and Europe continues to be affected by shipping container availability issues and port disruptions.

Demand

Consumer demand for toys is strong in most major markets. Brick and mortar retail consumer traffic continues to be affected in some markets with government-imposed restrictions and consumer purchasing behaviour. Online and e-commerce channels are active in most countries.

Liquidity

As at September 30, 2021, the Company had unutilized liquidity of \$878.0 million, comprised of \$360.5 million in cash and \$517.5 million under its credit facilities. The Company believes it has sufficient liquidity to meet its operational requirements.

SELECTED FINANCIAL INFORMATION

The following provides selected key performance metrics of the Company for the three and nine months ended September 30, 2021, which should be read in conjunction with the financial statements of the Company.

Key Performance Metrics (US\$ millions, except per share information)	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2021	2020	2021	2020
Sales and Earnings				
Gross Product Sales ¹	681.2	587.4	1,334.9	1,111.9
Net Sales ¹	607.8	523.3	1,189.8	981.3
Entertainment and Licensing revenue	52.9	20.5	107.3	53.8
Digital games revenue	53.8	27.8	124.8	44.9
Total revenue	714.5	571.6	1,421.9	1,080.0
Net income	135.4	86.8	172.1	45.2
Adjusted Net Income ¹	132.6	95.1	182.6	38.8
EBITDA ¹	221.2	130.5	322.0	97.9
Adjusted EBITDA ¹	217.3	139.9	335.8	129.1
Adjusted EBITDA Margin ¹	30.4 %	24.5 %	23.6 %	12.0 %
Earnings Per Share ("EPS")				
Basic EPS	1.32	0.85	1.68	0.44
Diluted EPS	1.29	0.83	1.64	0.43
Adjusted Basic EPS ¹	1.30	0.93	1.77	0.38
Adjusted Diluted EPS ¹	1.26	0.91	1.74	0.37

	Sep 30, 2021	Dec 31, 2020
Balance Sheet		
Cash	360.5	320.6
Total assets	1,685.4	1,342.1
Total non-current liabilities	106.1	93.8

	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2021	2020	2021	2020
Cash Flow Data				
Cash provided by operating activities	85.8	117.2	189.0	172.6
Cash used in investing activities	(22.7)	(20.2)	(133.6)	(65.6)
Cash (used in) provided by financing activities	(5.6)	(303.6)	(14.8)	(12.3)
Free Cash Flow ¹	65.8	96.0	128.3	108.4

Notes:

1) See "Non-IFRS Financial Measures".

For the three months ended September 30, 2021, revenue increased by 25.0% to \$714.5 million from \$571.6 million in 2020. In Constant Currency terms¹ revenue increased by 24.2%. For the nine months ended September 30, 2021, revenue increased by 31.7% to \$1,421.9 million from \$1,080.0 million in 2020. In Constant Currency terms¹, revenue increased by 30.0%. The increase in revenue for the three and nine months ended September 30, 2021 was primarily driven by higher Gross Product Sales¹, digital games revenue, entertainment and licensing revenue, offset in part by an increase in Sales Allowances from higher product sales volume and market mix.

Net income for the three months ended September 30, 2021 was \$135.4 million, an increase of \$48.6 million from \$86.8 million in 2020. For the nine months ended September 30, 2021, net income was \$172.1 million, an increase of \$126.9 million from \$45.2 million in 2020. Adjusted Net Income¹ for the three months ended September 30, 2021 was \$132.6 million, an increase of \$37.5 million from \$95.1 million. Adjusted Net Income¹ for the nine months ended September 30, 2021 was \$182.6 million, an increase of \$143.8 million from \$38.8 million.

For the three months ended September 30, 2021, Adjusted EBITDA¹ increased to \$217.3 million or 30.4% of revenue, compared to \$139.9 million or 24.5% in 2020. For the nine months ended September 30, 2021, Adjusted EBITDA¹ increased to \$335.8 million or 23.6% of revenue, compared to \$129.1 million or 12.0% in 2020. In both comparative periods, the improvement in Adjusted EBITDA¹ was primarily driven by higher gross profit, digital games and entertainment revenue and lower distribution expenses, offset in part by higher administrative, marketing and selling expenses.

For the three months ended September 30, 2021, Free Cash Flow¹ was \$65.8 million compared to \$96.0 million in 2020, a decrease of \$30.2 million. Free Cash Flow¹ decreased primarily due to lower cash flows generated by operating activities and higher cash flows used in investing activities. For the nine months ended September 30, 2021, Free Cash Flow¹ was \$128.3 million compared to \$108.4 million in 2020, an increase of \$19.9 million. Free Cash Flow¹ increased primarily due to higher cash flows generated by operating activities.

FINANCIAL PERFORMANCE

For the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020:

Consolidated Results

The following tables provide a summary of Spin Master's consolidated results for the three and nine months ended September 30, 2021 and 2020:

(US\$ millions)	Three Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Total revenue	714.5	571.6	142.9	25.0 %
Cost of sales	348.5	293.7	54.8	18.7 %
Gross profit	366.0	277.9	88.1	31.7 %
Selling, marketing, distribution and product development	107.1	92.2	14.9	16.2 %
Administrative expenses	80.0	67.0	13.0	19.4 %
Depreciation and amortization expenses	8.0	9.5	(1.5)	(15.8)%
Other expense	2.2	—	2.2	n.m.
Foreign exchange (gain) loss	(10.8)	5.1	(15.9)	(311.8)%
Finance costs	2.3	2.6	(0.3)	(11.5)%
Income before income tax expense	177.2	101.5	75.7	74.6 %
Income tax expense	41.8	14.7	27.1	184.4 %
Net income	135.4	86.8	48.6	56.0 %

Highlights for the three months ended September 30, 2021 as compared to the same period in 2020:

(US\$ millions, except per share information)

- Total revenue of \$714.5 million increased by 25.0% from \$571.6 million. In Constant Currency¹ terms, total revenue increased by 24.2%. Contributing to this increase was higher Digital Games revenue of \$53.8 million, which increased by \$26.0 million or 93.5% from \$27.8 million.
- Gross profit as a percentage of total revenue increased to 51.2% from 48.6%.
- Selling, marketing, distribution and product development expenses increased to \$107.1 million or 15.0% of total revenue from \$92.2 million or 16.1%.
- Administrative expenses increased to \$80.0 million or 11.2% of total revenue from \$67.0 million or 11.7%.
- Net income was \$135.4 million or EPS of \$1.29 (diluted) compared to \$86.8 million or EPS of \$0.83 (diluted).
- Adjusted Net Income¹ was \$132.6 million or Adjusted Diluted EPS¹ of \$1.26 compared to \$95.1 million or Adjusted Diluted EPS¹ of \$0.91.
- Adjusted EBITDA¹ increased to \$217.3 million or 30.4% of revenue from \$139.9 million or 24.5%.
- Cash provided by operating activities was \$85.8 million compared to \$117.2 million, primarily driven by an increase in net working capital, offset in part by higher EBITDA¹.

- Free Cash Flow¹ was \$65.8 million compared to \$96.0 million, driven by lower cash flows provided by operating activities and higher cash flows used in investing activities.
- After the quarter, the Company announced the creation of Spin Master Ventures (“SMV”). To launch the initiative, SMV made minority investments in Hoot Reading Inc. and Nørdlight Games AB totaling \$2.4 million during the third quarter of 2021 (refer to Investments and Acquisitions section).

(US\$ millions)	Nine Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Total revenue	1,421.9	1,080.0	341.9	31.7 %
Cost of sales	688.6	593.1	95.5	16.1 %
Gross profit	733.3	486.9	246.4	50.6 %
Selling, marketing, distribution and product development	248.6	232.7	15.9	6.8 %
Administrative expenses	226.5	187.9	38.6	20.5 %
Depreciation and amortization expenses	25.6	27.7	(2.1)	(7.6)%
Other expense (income)	1.7	(1.0)	2.7	(270.0)%
Foreign exchange (gain) loss	(2.2)	17.1	(19.3)	(112.9)%
Finance costs	7.1	8.7	(1.6)	(18.4)%
Income before income tax expense (recovery)	226.0	13.8	212.2	1,537.7 %
Income tax expense (recovery)	53.9	(31.4)	85.3	(271.7)%
Net income	172.1	45.2	126.9	280.8 %

Highlights for the nine months ended September 30, 2021 as compared to the same period in 2020:
(US\$ millions, except per share information)

- Total revenue of \$1,421.9 million increased by 31.7% from \$1,080.0 million. In Constant Currency¹ terms, total revenue increased by 30.0%. Contributing to this increase was higher digital games revenue of \$124.8 million, which increased by \$79.9 million or 178.0% from \$44.9 million.
- Gross profit as a percentage of total revenue increased to 51.6% from 45.1%.
- Selling, marketing, distribution and product development expenses increased to \$248.6 million or 17.5% of total revenue from \$232.7 million or 21.5%.
- Administrative expenses increased by \$38.6 million to \$226.5 million from \$187.9 million. As a percentage of total revenue, administrative expenses declined to 15.9% from 17.4%.
- Net income was \$172.1 million or EPS of \$1.64 (diluted) compared to \$45.2 million or EPS of \$0.43 (diluted).
- Adjusted Net Income¹ was \$182.6 million or Adjusted Diluted EPS¹ of \$1.74 compared to \$38.8 million or Adjusted Diluted EPS¹ of \$0.37.
- Adjusted EBITDA¹ increased to \$335.8 million or 23.6% of revenue, compared to \$129.1 million or 12.0%.
- Cash provided by operating activities was \$189.0 million compared to \$172.6 million, primarily driven by higher EBITDA¹.
- Free Cash Flow¹ was \$128.3 million compared to \$108.4 million, driven by higher cash flows provided by operating activities.

Investments and Acquisitions

Spin Master Ventures

On October 19, 2021, the Company announced the creation of Spin Master Ventures. SMV's focus is to accelerate growth in each of the Company's three creative centres comprising of Toys, Entertainment and Digital Games, through strategic minority investments. Spin Master will initially allocate \$100.0 million to SMV, funded from existing internal resources. To launch the initiative, SMV has made minority investments in two companies for \$2.4 million during the third quarter of 2021. The minority interest investment was made in Nørdlight Games AB ("Nørdlight") for \$0.6 million and the second was in Hoot Reading Inc. ("Hoot") for \$1.8 million.

- Nørdlight, a mobile game development company based in Stockholm is comprised of a five-person team with over 50 years of experience in the mobile games industry.
- Hoot Reading, an education technology company based in Canada providing an online tutoring service that provides children with live, 1:1 reading lessons with experienced teachers.

Acquisition of Originator Inc.

On June 14, 2021, the Company acquired 100% of the shares of Originator Inc., which qualifies as a business under IFRS 3, *Business Combinations*. Originator Inc. is a developer and publisher of education focused mobile apps for kids and families. The acquisition has been reported in the Toca Boca cash generating unit ("CGU") and its revenue is included within digital games revenue beginning from the date of acquisition.

The total purchase consideration was comprised of \$15.0 million of cash consideration. The total purchase consideration has been allocated to identifiable intangible assets based on their estimated fair values of \$9.1 million (related to brands, customer relationships and content development), tangible assets of \$0.6 million and assumed liabilities of \$2.9 million with the remainder allocated to goodwill. The purchase price allocation was finalized in the Company's third quarter 2021 condensed consolidated interim financial statements.

The purchase agreement also includes deferred consideration of \$4.0 million which is contingent on meeting certain performance metrics and has been allocated a fair value of nil in the total purchase consideration.

The Company incurred \$0.1 million and \$0.3 million in transaction related costs which were included in administrative expenses in the condensed consolidated interim statements of earnings and comprehensive income for the three and nine months ended September 30, 2021, respectively.

The purchase agreement includes total deferred consideration of \$10.0 million which is contingent on the continued employment of key principals as well as certain performance metrics, over a five-year period. These payments are considered an incentive-related remuneration expense and are accrued over the five-year period. Deferred remuneration expense of \$1.2 million and \$1.4 million is included in Other expenses (income) in the condensed consolidated interim statements of earnings and comprehensive income for the three and nine months ended September 30, 2021, respectively, and in non-current provisions and contingent liabilities in the condensed consolidated interim statements of financial position.

Acquisition of certain assets from a product invention and development company

On April 16, 2021, the Company acquired assets and assumed liabilities of a product invention and development company which constitutes a business under IFRS 3. Included in the acquisition is an assembled workforce. The acquisition has been reported in the Toy CGU beginning from the date of acquisition.

The total purchase consideration was comprised of \$7.5 million of cash consideration and has been allocated as \$0.7 million of tangible assets and \$0.7 million of assumed liabilities with the remainder allocated to goodwill.

The Company had pre-existing licensing arrangements for the acquired intellectual property. No gain/loss from the settlement of the pre-existing relationship was generated from this transaction.

The Company incurred nil and \$0.2 million in transaction related costs which were included in administrative expenses in the condensed consolidated interim statements of earnings and comprehensive income for the three and nine months ended September 30, 2021, respectively.

The purchase agreement includes deferred consideration of \$14.5 million which is contingent on continued employment of key principals over a five-year period. These payments are considered an incentive-remuneration expense and are accrued over the five-year period. Deferred remuneration expense of \$1.5 million and \$2.8 million is included in Other expenses (income) in the condensed consolidated interim statements of earnings and comprehensive income for the three and nine months ended September 30, 2021, respectively, and in non-current provisions and contingent liabilities in the condensed consolidated interim statements of financial position.

Acquisition of Rubik's Brand Limited

On January 4, 2021, the Company completed the acquisition of Rubik's Brand Limited by acquiring 100% of the shares of its holding company, Rubiks Malta Holding Company Limited ("Rubik's"). Rubik's is a licensor and distributor of various editions of the Rubik's product lines and qualifies as a business under IFRS 3. The Company secured the global intellectual property for the Rubik's portfolio and the ability to sell, market and license for further penetration directly to wholesale customers or continue to sell indirectly through distributors into markets as well as expansion into new territories. The brand has been reported in the Activities, Games & Puzzles and Plush product category and included in the Rubik's CGU beginning from the date of acquisition.

The total purchase consideration of \$55.2 million was comprised of \$51.4 million of cash consideration plus \$3.8 million related to the estimated fair value of future royalties. The total purchase consideration has been allocated to the identifiable intangible assets based on their estimated fair values of \$38.1 million (related to brands and customer relationships), tangible assets of \$6.5 million and assumed liabilities of \$12.0 million with the remainder allocated to goodwill.

The Company incurred transaction related costs of \$1.1 million. \$0.9 million was recorded in administrative expenses in the consolidated statement of earnings and comprehensive income for the year ended December 31, 2020 and \$0.2 million was recorded in administrative expenses in the condensed consolidated interim statements of earnings and comprehensive income for the nine months ended September 30, 2021.

Revenue

For the three months ended September 30, 2021 as compared to the same period in 2020:

The following table provides a summary of Spin Master's revenue by product category for the three months ended September 30, 2021 and 2020:

(US\$ millions)	Three Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Preschool & Girls	311.0	242.7	68.3	28.1 %
Activities, Games & Puzzles and Plush	195.8	181.0	14.8	8.2 %
Boys	153.8	151.4	2.4	1.6 %
Outdoor	20.6	12.3	8.3	67.5 %
Gross Product Sales^{1, 2}	681.2	587.4	93.8	16.0 %
Sales Allowances ¹	(73.4)	(64.1)	(9.3)	14.5 %
Net Sales¹	607.8	523.3	84.5	16.1 %
Entertainment and Licensing revenue	52.9	20.5	32.4	158.0 %
Digital games revenue ³	53.8	27.8	26.0	93.5 %
Other revenue	106.7	48.3	58.4	120.9 %
Total revenue	714.5	571.6	142.9	25.0 %

1) See "Non-IFRS Financial Measures".

2) Gross Product Sales includes \$7.6 million related to Rubik's acquired in Q1 2021.

3) Digital games revenue includes \$1.0 million related to acquisitions made in Q2 2021.

Gross Product Sales increased by \$93.8 million or 16.0%, to \$681.2 million with a favourable foreign exchange impact of \$3.5 million or 0.6%. Excluding the impact of foreign exchange, Gross Product Sales increased by

\$90.3 million or 15.4% to \$677.7 million. The increase was driven by Preschool & Girls and Activities, Games & Puzzles and Plush.

Gross Product Sales in Preschool & Girls increased by \$68.3 million or 28.1% to \$311.0 million, primarily driven by increases in *PAW Patrol* and *Wizarding World* as well as sales of *Purse Pets*, offset in part by declines in *Present Pets* and *Hatchimals*.

Gross Product Sales in Activities, Games & Puzzles and Plush increased by \$14.8 million or 8.2% to \$195.8 million, primarily driven by increases in *Kinetic Sand* and *GUND* as well as sales of *Rubik's*⁴, offset in part by declines in the Games & Puzzles portfolio.

Gross Product Sales in Boys increased by \$2.4 million or 1.6% to \$153.8 million, primarily driven by increases in *Monster Jam RC*, *DC* licensed products and *Tech Deck*, partially offset by declines in *Ninja Bots* and *DreamWorks Dragons*.

Gross Product Sales in Outdoor increased by \$8.3 million or 67.5% to \$20.6 million, primarily driven by increases in *SwimWays* and *Aerobie*.

Sales Allowances increased by \$9.3 million or 14.5% to \$73.4 million. As a percentage of Gross Product Sales, Sales Allowances were 10.8% in line with 10.9% in the prior year.

Entertainment and Licensing revenue grew by \$32.4 million or 158.0% to \$52.9 million. The increase was primarily driven by distribution revenue related to *PAW Patrol: The Movie*.

Digital games revenue grew by \$26.0 million or 93.5% to \$53.8 million. The increase was driven by higher in-game purchases in the *Toca Life World* platform.

The following table provides a summary of Spin Master's Gross Product Sales by geographic segment for the three months ended September 30, 2021 and 2020:

(US\$ millions)	Three Months Ended Sep 30					
	2021	% of GPS	2020	% of GPS	\$ Change	% Change
North America	412.5	60.5 %	362.4	61.7 %	50.1	13.8 %
Europe	192.6	28.3 %	159.8	27.2 %	32.8	20.5 %
Rest of World	76.1	11.2 %	65.2	11.1 %	10.9	16.7 %
Gross Product Sales¹	681.2	100.0 %	587.4	100.0 %	93.8	16.0 %

1) See "Non-IFRS Financial Measures".

As a percentage of total Gross Product Sales, the North America segment decreased 1.2% to 60.5% compared to 61.7%. International sales, comprised of the Europe and Rest of World segments, increased 1.2% to 39.5% compared to 38.3%.

Gross Product Sales in North America increased by \$50.1 million or 13.8% to \$412.5 million, with a favourable foreign exchange impact of \$0.4 million. The increase was driven by *PAW Patrol*, *Wizarding World*, *Kinetic Sand*, *Gabby's Dollhouse*, *Purse Pets* and *Monster Jam RC* offset in part by the Games & Puzzles portfolio.

Gross Product Sales in Europe increased by \$32.8 million or 20.5% to \$192.6 million, with a favourable foreign exchange impact of \$1.6 million. The increase was driven by *PAW Patrol*, *Wizarding World*, *Purse Pets*, *Zoobles*, *Kinetic Sand* and *Rubik's*.

Gross Product Sales in Rest of World increased by \$10.9 million or 16.7% to \$76.1 million, with an favourable foreign exchange impact of \$1.5 million. The increase arose from *PAW Patrol*, *Wizarding World* and *Rubik's*.

For the nine months ended September 30, 2021 as compared to the same period in 2020:

The following table provides a summary of Spin Master's revenue by product category for the nine months ended September 30, 2021 and 2020:

(US\$ millions)	Nine Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Preschool & Girls	557.8	409.3	148.5	36.3 %
Activities, Games & Puzzles and Plush	381.3	360.9	20.4	5.7 %
Boys	299.5	266.2	33.3	12.5 %
Outdoor	96.3	75.5	20.8	27.5 %
Gross Product Sales^{1, 2}	1,334.9	1,111.9	223.0	20.1 %
Sales Allowances ¹	(145.1)	(130.6)	(14.5)	11.1 %
Net Sales¹	1,189.8	981.3	208.5	21.2 %
Entertainment and Licensing revenue	107.3	53.8	53.5	99.4 %
Digital games revenue ³	124.8	44.9	79.9	178.0 %
Other revenue	232.1	98.7	133.4	135.2 %
Total revenue	1,421.9	1,080.0	341.9	31.7 %

1) See "Non-IFRS Financial Measures".

2) Gross Product Sales includes \$14.6 million related to Rubik's acquired in Q1 2021.

3) Digital games revenue includes \$1.3 million related to acquisitions made in Q2 2021.

Gross Product Sales increased by \$223.0 million or 20.1% to \$1,334.9 million, with a favourable foreign exchange impact of \$13.7 million or 1.2%. Excluding the impact of foreign exchange, Gross Product Sales increased by \$209.3 million or 18.9% to \$1,321.2 million. The increase was driven by Preschool & Girls, Boys and Outdoor.

Gross Product Sales in Preschool & Girls increased by \$148.5 million or 36.3% to \$557.8 million, primarily driven by increases in *PAW Patrol*, *Wizarding World* and *Gabby's Dollhouse* as well as sales of *Purse Pets*, offset in part by declines in *Hatchimals* and *Twisty Petz*.

Gross Product Sales in Activities, Games & Puzzles and Plush increased by \$20.4 million or 5.7% to \$381.3 million, primarily driven by sales of *Rubik's*² and increases in *GUND* and *Kinetic Sand*, offset in part by the declines in Games & Puzzles portfolio.

Gross Product Sales in Boys increased by \$33.3 million or 12.5% to \$299.5 million, primarily driven by increases in *Monster Jam RC*, *Tech Deck* and *Bakugan*, partially offset by declines in *Ninja Bots* and *DreamWorks Dragons*.

Gross Product Sales in Outdoor increased by \$20.8 million or 27.5% to \$96.3 million, primarily driven by increases in *SwimWays* and *Aerobie*.

Sales Allowances increased by \$14.5 million or 11.1% to \$145.1 million. As a percentage of Gross Product Sales, Sales Allowances declined 0.8% to 10.9% from 11.7%, primarily driven by lower markdowns, promotions and non-compliance charges.

Entertainment and Licensing revenue grew by \$53.5 million or 99.4% to \$107.3 million. The increase was driven by distribution revenue from *PAW Patrol: The Movie* and higher licensing and merchandising revenue.

Digital games revenue grew by \$79.9 million or 178.0% to \$124.8 million. The increase was driven by higher in-game purchases in the *Toca Life World* platform and growth in the *Sago Mini* subscription user base.

Spin Master's Gross Product Sales by geographic segment for the nine months ended September 30, 2021 and 2020:

(US\$ millions)	Nine Months Ended Sep 30					
	2021	% of GPS	2020	% of GPS	\$ Change	% Change
North America	835.5	62.6 %	711.0	63.9 %	124.5	17.5 %
Europe	343.2	25.7 %	283.0	25.5 %	60.2	21.3 %
Rest of World	156.2	11.7 %	117.9	10.6 %	38.3	32.5 %
Gross Product Sales¹	1,334.9	100.0 %	1,111.9	100.0 %	223.0	20.1 %

1) See "Non-IFRS Financial Measures".

As a percentage of total Gross Product Sales, the North America segment decreased 1.3% to 62.6% compared to 63.9%. International sales, comprised of the Europe and Rest of World segments, increased 1.3% to 37.4% compared to 36.1%.

Gross Product Sales in North America increased by \$124.5 million or 17.5% to \$835.5 million, with a favourable foreign exchange impact of \$1.3 million. The increase was driven by *PAW Patrol*, *Gabby's Dollhouse*, *Monster Jam RC*, *SwimWays*, *Bakugan*, *Wizarding World*, *Purse Pets* and *GUND*, offset in part by the Games & Puzzles portfolio.

Gross Product Sales in Europe increased by \$60.2 million or 21.3% to \$343.2 million, with a favourable foreign exchange impact of \$8.3 million. The increase was driven by *PAW Patrol*, *Wizarding World*, *Kinetic Sand*, *Rubik's*, *Purse Pets*, *Tech Deck*, DC licensed products and *GUND*, offset in part by *Hatchimals*.

Gross Product Sales in Rest of World increased by \$38.3 million or 32.5% to \$156.2 million, with a favourable foreign exchange impact of \$4.1 million. The increase was driven by *PAW Patrol*, *Wizarding World*, *Rubik's* and *Orbeez*, offset in part by *Present Pets*.

Gross Profit as compared to the same period in 2020:

(US\$ millions)	Three Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Total revenue	714.5	571.6	142.9	25.0 %
Gross profit	366.0	277.9	88.1	31.7 %
Gross profit as % of total revenue	51.2 %	48.6 %	N/A	2.6 %

For the three months ended September 30, 2021, gross profit increased by \$88.1 million or 31.7% to \$366.0 million, primarily driven by a 16.0% increase in Gross Product Sales, higher digital games revenue, higher entertainment distribution revenue and cost reductions resulting from the Company's operational improvement and productivity initiatives.

Gross profit as a percentage of total revenue (gross margin) increased to 51.2% from 48.6%, primarily due to cost reductions resulting from the Company's operational improvement and productivity initiatives, favourable changes in product mix, lower closeout sales as well as higher digital games and entertainment distribution and licensing revenue. This increase was offset in part by the dilutive effect of *PAW Patrol: The Movie* (revenue less amortization of production costs) and the inflationary pressures on product costs and ocean freight, which was in turn mitigated in part by price increases implemented during the third quarter.

(US\$ millions)	Nine Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Total revenue	1,421.9	1,080.0	341.9	31.7 %
Gross profit	733.3	486.9	246.4	50.6 %
Gross profit as % of total revenue	51.6 %	45.1 %	N/A	6.5 %

For the nine months ended September 30, 2021, gross profit increased by \$246.4 million or 50.6% to \$733.3 million, primarily driven by a 20.1% increase in Gross Product Sales, higher digital games revenue, cost reductions resulting from the Company's operational improvement and productivity initiatives, favourable changes in product mix and higher entertainment and licensing revenue.

Gross margin increased to 51.6% from 45.1%, primarily due to cost reductions resulting from the Company's operational improvement and productivity initiatives, favourable changes in product mix, lower closeout sales as well as higher digital games and entertainment distribution and licensing revenue. This increase was offset in part by the dilutive effect of *PAW Patrol: The Movie* (revenue less amortization of production costs) and inflationary pressures on product costs and ocean freight, which was in turn mitigated by price increases implemented during the third quarter.

Selling, Marketing, Distribution and Product Development Expenses as compared to the same period in 2020:

(US\$ millions)	Three Months Ended Sep 30					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Selling expenses	47.4	6.6 %	39.8	7.0 %	7.6	19.1 %
Marketing expenses	34.2	4.8 %	25.0	4.4 %	9.2	36.8 %
Distribution expenses	17.9	2.5 %	20.7	3.6 %	(2.8)	(13.5)%
Product development expenses	7.6	1.1 %	6.7	1.2 %	0.9	13.4 %
Total	107.1	15.0 %	92.2	16.1 %	14.9	16.2 %

Selling expenses increased by \$7.6 million or 19.1% to \$47.4 million due to higher sales volume of licensed products. Selling expenses as a percentage of total revenue decreased to 6.6% from 7.0%, driven by higher revenue, offset in part by higher sales of licensed products.

Marketing expenses increased by \$9.2 million or 36.8% to \$34.2 million, due to higher media, experiential marketing and trade show spend. Marketing expenses were lower in the prior year due to decreased media marketing, lower experiential marketing and trade show cancellations as a result of COVID-19. Marketing expenses as a percentage of total revenue increased to 4.8% from 4.4%.

Distribution expenses decreased by \$2.8 million or 13.5% to \$17.9 million, primarily due to lower storage and outbound transportation costs as a result of the remediation of operational challenges, which arose in the fourth quarter of 2019. Distribution expenses as a percentage of total revenue decreased to 2.5% from 3.6%.

Product development expenses increased by \$0.9 million or 13.4% to \$7.6 million.

(US\$ millions)	Nine Months Ended Sep 30					
	2021	% of revenue	2020	% of revenue	\$ Change	% Change
Selling expenses	92.5	6.5 %	77.5	7.2 %	15.0	19.4 %
Marketing expenses	87.7	6.2 %	63.1	5.8 %	24.6	39.0 %
Distribution expenses	48.4	3.4 %	68.0	6.3 %	(19.6)	(28.8)%
Product development expenses	20.0	1.4 %	24.1	2.2 %	(4.1)	(17.0)%
Total	248.6	17.5 %	232.7	21.5 %	15.9	6.8 %

Selling expenses increased by \$15.0 million or 19.4% to \$92.5 million, due to higher sales volume of licensed products. Selling expenses as a percentage of total revenue decreased to 6.5% from 7.2%, driven by higher revenue.

Marketing expenses increased by \$24.6 million or 39.0% to \$87.7 million, due to higher media and commercial production spend. Marketing expenses were lower in the prior year due to decreased media marketing,

lower experiential marketing and trade show cancellations as a result of COVID-19. Marketing expenses as a percentage of total revenue increased to 6.2% from 5.8%.

Distribution expenses decreased by \$19.6 million or 28.8% to \$48.4 million, primarily due to lower storage and outbound transportation costs as a result of the remediation of operational challenges, which arose in the fourth quarter of 2019. Also contributing to the decline was the Company's reduction of its North American warehouse footprint from 18 warehouses to 4 warehouses by the end of 2020. Distribution expenses as a percentage of total revenue decreased to 3.4% from 6.3%.

Product development expenses decreased by \$4.1 million or 17.0% to \$20.0 million.

Administrative Expenses as compared to the same period in 2020:

(US\$ millions)	Three Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Administrative expenses	80.0	67.0	13.0	19.4 %
Adjustments:				
Restructuring expense ²	(0.4)	(1.4)	1.0	(71.4)%
Share based compensation ³	(4.1)	(2.9)	(1.2)	41.4 %
Transaction costs ⁴	(0.1)	—	(0.1)	n.m.
Adjusted Administrative Expenses¹	75.4	62.7	12.7	20.3 %

1) See "Non-IFRS Financial Measures".

2) Restructuring expense in the prior year includes costs related to changes in senior leadership.

3) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the initial public offering ("IPO"), share option expense and long-term incentive plan ("LTIP").

4) Transaction costs relating to acquisitions in the year.

For the three months ended September 30, 2021, administrative expenses increased by \$13.0 million or 19.4% to \$80.0 million. The increase was primarily due to higher personnel related costs and incentive compensation accruals driven by improved operating results. Administrative expenses as a percentage of total revenue decreased to 11.2% from 11.7%. Adjusted Administrative Expenses¹ increased by \$12.7 million or 20.3% to \$75.4 million. Adjusted Administrative Expenses¹ as a percentage of total revenue decreased to 10.6% from 11.0%.

(US\$ millions)	Nine Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Administrative expenses	226.5	187.9	38.6	20.5 %
Adjustments:				
Restructuring expense ²	(1.1)	(4.8)	3.7	(77.1)%
Share based compensation ³	(11.3)	(9.3)	(2.0)	21.5 %
Transaction costs ⁴	(0.7)	—	(0.7)	n.m.
Adjusted Administrative Expenses¹	213.4	173.8	39.6	22.8 %

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense in the prior year includes costs related to changes in senior leadership.

3) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the IPO, share option expense and LTIP.

4) Transaction costs relating to acquisitions in the year.

For the nine months ended September 30, 2021, administrative expenses increased by \$38.6 million or 20.5% to \$226.5 million. The increase was primarily due to higher personnel related costs and incentive compensation accruals driven by improved operating results as well as higher professional services expenses. Administrative expenses as a percentage of total revenue decreased to 15.9% from 17.4%. Adjusted Administrative Expenses¹ increased by \$39.6 million or 22.8% to \$213.4 million. Adjusted Administrative Expenses¹ as a percentage of total revenue decreased to 15.0% from 16.1%.

Finance Costs as compared to the same period in 2020:

For the three months ended September 30, 2021, finance costs decreased by \$0.3 million to \$2.3 million. For the nine months ended September 30, 2021, finance costs decreased by \$1.6 million to \$7.1 million. The decrease was primarily due to lower interest expense, offset in part by higher bank fees driven by higher sales volumes.

Depreciation and Amortization Expenses as compared to the same period in 2020:

For the three months ended September 30, 2021, depreciation and amortization expense decreased by \$1.5 million to \$8.0 million. For the nine months ended September 30, 2021, depreciation and amortization expense decreased by \$2.1 million to \$25.6 million. The decrease was primarily due to lower expenses related to computer software, trademarks and equipment.

Foreign Exchange (Gain) Loss as compared to the same period in 2020:

For the three months ended September 30, 2021, the Company incurred a foreign exchange gain of \$10.8 million (unrealized gain of \$9.9 million and realized gain of \$0.9 million) compared to a net foreign exchange loss of \$5.1 million (unrealized loss of \$31.4 million, net of realized gain of \$26.3 million). For the nine months ended September 30, 2021, the Company incurred a net foreign exchange gain of \$2.2 million (realized gain of \$2.5 million, net of unrealized loss of \$0.3 million) compared to a net foreign exchange loss of \$17.1 million (unrealized loss of \$35.3 million, net of realized gain of \$18.2 million).

Unrealized foreign exchange gains and losses are generated by the translation of monetary assets and liabilities denominated in a currency other than the functional currency and also includes gains and losses related to the Company's hedging programs. Realized foreign exchange gains and losses are recognized when monetary assets and liabilities denominated in a currency other than the functional currency of the applicable entity are settled. The Company uses derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk.

Income Tax Expense (Recovery) as compared to the same period in 2020:

For the three months ended September 30, 2021, the Company had an income tax expense of \$41.8 million compared to \$14.7 million. For the nine months ended September 30, 2021, the Company had an income tax expense of \$53.9 million compared to an income tax recovery of \$31.4 million. The effective tax rate was 23.9% compared to (227.5)%. The prior year effective tax rate related to an internal transfer of intellectual property, which resulted in a one-time income tax recovery of \$33.3 million or (241.3)% for the nine months ended September 30, 2020 as well as from different tax rates of subsidiaries operating in other jurisdictions and income not taxable in determining the taxable income.

Net Income as compared to the same period in 2020:

Net income for the three months ended September 30, 2021 was \$135.4 million, an increase of \$48.6 million from \$86.8 million. Excluding share-based compensation, restructuring expense, foreign exchange (gain) loss, acquisition related deferred incentive compensation, investment distribution income, gain on disposal of asset and transaction costs, Adjusted Net Income¹ for the three months ended September 30, 2021 was \$132.6 million, an increase of \$37.5 million from \$95.1 million.

Net income for the nine months ended September 30, 2021 was \$172.1 million, an increase of \$126.9 million from \$45.2 million. Excluding share-based compensation, restructuring expense, foreign exchange (gain) loss, impairment of intangible assets, acquisition related contingent consideration, acquisition related deferred incentive compensation, investment distribution income, net unrealized gain on investment, gain on disposal of asset, transaction costs, and a one-time income tax recovery and other non-recurring items, Adjusted Net Income¹ for the nine months ended September 30, 2021 was \$182.6 million, an increase of \$143.8 million from \$38.8 million.

OUTLOOK

Spin Master continues to focus on driving long-term growth. Its principal strategies are to:

- Innovate using our global internal and external research and development network;
- Increase international sales in developed and emerging markets;
- Develop evergreen global entertainment franchises;
- Establish a leading position in digital games; and
- Leverage the Company's global platform through strategic acquisitions.

The Company now expects 2021 Gross Product Sales¹ to increase mid-teens compared to 2020, as compared to high single digits announced on August 4, 2021. The Company now expects 2021 total revenue to increase slightly above 20% compared to 2020, as compared to mid-teens previously announced on August 4, 2021. The Company continues to expect 2021 Adjusted EBITDA Margin¹ to be at the high end of the mid to high teens range, consistent with prior guidance.

SELECTED QUARTERLY FINANCIAL INFORMATION

Seasonality factors cause Spin Master's operating results to fluctuate significantly from quarter to quarter. A majority of the Company's annual Gross Product Sales¹ occur during the third and fourth quarters of the Company's fiscal year.

The following table provides selected historical information and other data, which should be read in conjunction with the financial statements of the Company.

(in US\$ millions, except EPS)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Gross Product Sales ¹	681.2	359.0	294.7	511.8	587.4	282.2	242.3	550.7
Net Sales ¹	607.8	326.4	255.6	434.3	523.3	252.6	205.5	441.6
Entertainment and Licensing revenue	52.9	27.5	26.9	24.5	20.5	18.3	14.9	25.6
Digital games revenue	53.8	36.9	34.1	31.8	27.8	10.2	6.9	6.3
Total revenue	714.5	390.8	316.6	490.6	571.6	281.1	227.3	473.5
Adjusted EBITDA ¹	217.3	81.8	36.7	51.5	139.9	21.5	(32.3)	6.7
Adjusted EBITDA Margin ¹	30.4%	20.9%	11.6%	10.5%	24.5%	7.6%	(14.2)%	1.4%
Net income (loss)	135.4	33.5	3.2	0.3	86.8	(14.9)	(26.7)	(17.2)
Basic EPS	\$1.32	\$0.33	\$0.03	\$—	\$0.85	\$(0.15)	\$(0.26)	\$(0.17)
Diluted EPS	\$1.29	\$0.32	\$0.03	\$—	\$0.83	\$(0.15)	\$(0.26)	\$(0.17)
Adjusted Net Income (Loss) ¹	132.6	41.6	8.4	14.6	95.1	(9.5)	(46.8)	(7.8)
Adjusted Basic EPS ¹	\$1.30	\$0.41	\$0.08	\$0.14	\$0.93	\$(0.09)	\$(0.46)	\$(0.08)
Adjusted Diluted EPS ¹	\$1.26	\$0.40	\$0.08	\$0.14	\$0.91	\$(0.09)	\$(0.45)	\$(0.08)
Cash, net of loans and borrowings	360.5	310.7	262.3	320.6	207.3	111.4	74.8	115.3
Free Cash Flow ¹	65.8	62.5	(6.5)	123.7	96.0	40.2	(27.8)	(19.3)

1) See "Non-IFRS Financial Measures".

The following table provides reconciliations of net income (loss) to EBITDA¹, Adjusted EBITDA¹ and Adjusted Net Income (Loss)¹.

(US\$ millions)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Net income (loss)	135.4	33.5	3.2	0.3	86.8	(14.9)	(26.7)	(17.2)
Finance costs	2.3	2.3	2.5	3.4	2.6	3.3	2.8	3.2
Depreciation and amortization expenses	41.7	24.1	23.1	27.6	26.4	25.7	23.3	16.2
Income tax expense (recovery)	41.8	11.1	1.0	(4.7)	14.7	2.1	(48.2)	(7.5)
EBITDA¹	221.2	71.0	29.8	26.6	130.5	16.2	(48.8)	(5.3)
Adjustments								
Restructuring expense (recovery) ²	0.4	—	0.7	0.5	1.4	(1.0)	4.4	0.7
Foreign exchange (gain) loss ³	(10.8)	4.9	3.7	10.5	5.1	3.5	8.5	(0.1)
Share based compensation ⁴	4.1	4.0	3.2	2.9	2.9	2.8	3.6	3.5
Acquisition related contingent consideration ⁵	—	—	(0.7)	3.7	—	—	—	3.2
Impairment of intangible assets ⁶	—	0.5	0.9	0.4	—	—	—	5.6
Acquisition related deferred incentive compensation ⁷	2.7	1.5	—	—	—	—	—	—
Investment distribution income ⁸	(0.2)	(0.4)	—	—	—	—	—	—
Net unrealized gain on investment ⁹	—	(0.3)	(0.9)	—	—	—	—	—
Impairment of property, plant and equipment ¹⁰	—	—	—	0.5	—	—	—	—
Legal settlement ¹¹	—	—	—	5.5	—	—	—	—
Transaction costs ¹²	0.1	0.6	—	0.9	—	—	—	—
Bad debt recovery ¹³	—	—	—	—	—	—	—	(0.9)
Gain on disposal of asset ¹⁴	(0.2)	—	—	—	—	—	—	—
Adjusted EBITDA¹	217.3	81.8	36.7	51.5	139.9	21.5	(32.3)	6.7
Finance costs	2.3	2.3	2.5	3.4	2.6	3.3	2.8	3.2
Depreciation and amortization expenses	41.7	24.1	23.1	27.6	26.4	25.7	23.3	16.2
Income tax expense (recovery)	41.8	11.1	1.0	(4.7)	14.7	2.1	(48.2)	(7.5)
One-time income tax recovery ¹⁵	—	—	—	—	—	—	33.3	—
Tax effect of adjustments ¹⁶	(1.1)	2.7	1.7	10.6	1.1	(0.1)	3.3	2.6
Adjusted Net Income (Loss)¹	132.6	41.6	8.4	14.6	95.1	(9.5)	(46.8)	(7.8)

Footnotes:

1) See "Non-IFRS Financial Measures".

2) Restructuring expense (recovery) primarily relates to personnel related costs. Restructuring expense in prior years included costs related to changes in senior leadership in the first quarter of 2020.

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

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's IPO, share option expense and LTIP.

5) Remuneration (recovery) expense associated with contingent consideration for previous acquisitions.

6) Impairment charges for intangible assets relating to licenses, content development, brands and trademarks.

7) Deferred incentive compensation associated with acquisitions in the year.

8) Distribution income related to investment in limited partnership.

9) Net unrealized gain related to investment in limited partnership.

10) Impairment of property, plant and equipment related to machinery.

11) Legal settlement in the fourth quarter of 2020.

12) Transaction costs relating to acquisitions in the year.

13) Bad debt recovery related to the bankruptcy declaration and liquidation proceedings of Toys "R" Us.

14) Gain on disposal of intangible asset.

15) One-time income tax recovery relates to internal transfer of intangible property of \$33.3 million.

16) Tax effect of adjustments (Footnotes 2-14). Adjustments are tax effected at the effective tax rate of the given year-to-date period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash flow from operations. As a result of the seasonal nature of the toy industry, working capital requirements are variable throughout the year. Working capital needs typically grow through the first three quarters as inventories are built up for the peak sales periods for retailers in the fourth quarter. The Company's cash flows from operating activities are typically at their highest levels of the year in the fourth quarter. As at September 30, 2021, the Company had cash of \$360.5 million (December 31, 2020 - \$320.6 million).

Cash flows from operations could be negatively impacted by decreased demand for the Company's products, which may result from factors such as adverse economic conditions and changes in public and consumer preferences, the loss of confidence by the Company's principal customers in the Company and its product lines, or by increased costs associated with manufacturing and distribution of products. The Company's primary capital needs are related to inventory financing, accounts payable funding, debt servicing and capital expenditures for tooling, film production, digital games development and to fund strategic acquisitions. The Company expects that cash, future operating cash flows and the amounts available to be drawn against the credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital and financial obligations.

On September 28, 2021, the Company entered into an agreement to amend and restate its existing \$510.0 million secured five-year revolving credit facility (the "Facility"). Under the terms of the amended and restated agreement, the Facility is now unsecured, matures on September 28, 2026 and contains certain financial covenants. The Facility also has an option which permits the Company to increase the total capital available by an additional \$200.0 million. Total financing costs of \$1.6 million, which include Facility amendment fees and related legal fees, are recognized in Other assets and will be amortized over the term of the amended and restated agreement.

As at September 30, 2021, there were \$0.4 million (December 31, 2020 - \$0.4 million) in letters of credit utilized under the Facility and no amounts drawn (December 31, 2020 - nil) under this Facility.

The Company has an uncommitted Overdraft Facility Agreement (the "European Facility") for \$17.3 million (€15.0 million). The European Facility may be used to fund working capital requirements in Europe. As at September 30, 2021, the European Facility was undrawn.

The Company has a credit facility (the "Production Facility") with a limit of \$7.9 million (\$10.0 million CAD) to finance television and film production. As at September 30, 2021, the Production Facility was undrawn.

As at September 30, 2021, the Company had unutilized liquidity of \$878.0 million, comprised of \$360.5 million in cash and \$517.5 million under its credit facilities. The Company believes it has sufficient liquidity to meet its operational requirements and investment initiatives.

Subsequent to September 30, 2021, the Company filed a short form base shelf prospectus dated November 2, 2021, pursuant to which, for a period of 25 months thereafter, the Company (and shareholders of the Company) may sell up to an aggregate of \$1.0 billion CAD of Subordinate Voting Shares, preferred shares, debt securities, subscription receipts, warrants or any combination thereof as a unit. This filing provides the Company with the flexibility to access debt and equity markets on a timely basis. The Company's previous base shelf prospectus in the amount of \$750.0 million CAD, expired during the third quarter of 2021.

Capital and Investment Framework

Over the long term, the Company plans to use its free cash flows to fund seasonal working capital requirements related to product sales, television shows, feature films, short-form content, digital games development in addition to strategic acquisitions and minority investments.

Spin Master primarily uses third parties to manufacture, warehouse and distribute its products. As a result, the Company does not have to incur material investments in property, plant and equipment. The Company's capital expenses are generally comprised of the purchase of tooling used in the manufacturing process and entertainment property production.

CASH FLOW

The following tables provide a summary of Spin Master's consolidated cash flows for the three and nine months ended September 30, 2021 and 2020:

(US\$ millions)	Three Months Ended Sep 30		
	2021	2020	\$ Change
Net cash flows provided by operating activities	85.8	117.2	(31.4)
Net cash flows used in investing activities	(22.7)	(20.2)	(2.5)
Net cash flows used in financing activities	(5.6)	(303.6)	298.0
Net increase (decrease) in cash	57.5	(206.6)	264.1
Effect of foreign currency exchange rate changes on cash	(7.7)	3.1	(10.8)
Cash at beginning of period	310.7	410.8	(100.1)
Cash at end of period	360.5	207.3	153.2

(US\$ millions)	Nine Months Ended Sep 30		
	2021	2020	\$ Change
Net cash flows provided by operating activities	189.0	172.6	16.4
Net cash flows used in investing activities	(133.6)	(65.6)	(68.0)
Net cash flows used in financing activities	(14.8)	(12.3)	(2.5)
Net increase in cash	40.6	94.7	(54.1)
Effect of foreign currency exchange rate changes on cash	(0.7)	(2.7)	2.0
Cash at beginning of period	320.6	115.3	205.3
Cash at end of period	360.5	207.3	153.2

Cash from Operating Activities as compared to the same period in 2020:

Cash flows provided by operating activities were \$85.8 million for the three months ended September 30, 2021 compared to \$117.2 million, primarily driven by the increase in net working capital, offset by higher EBITDA¹.

Cash flows provided by operating activities were \$189.0 million for the nine months ended September 30, 2021 compared to \$172.6 million, primarily driven by higher EBITDA¹ offset by the increase in net working capital.

The table below outlines key financial information pertaining to the Company's net working capital:

(US\$ millions)	Sep 30, 2021	Dec 31, 2020	\$ Change	% Change
Trade receivables, net ¹	417.3	265.2	152.1	57.4 %
Other receivables ²	82.0	73.4	8.6	11.7 %
Inventories	183.1	102.0	81.1	79.5 %
Advances on royalties	14.0	17.2	(3.2)	(18.6)%
Prepaid expenses	12.3	7.2	5.1	70.8 %
Other assets	—	3.0	(3.0)	(100.0)%
Total current assets	708.7	468.0	240.7	51.4 %
Trade payables	297.4	161.4	136.0	84.3 %
Accrued liabilities ³	168.3	153.0	15.3	10.0 %
Contract liabilities	7.7	25.3	(17.6)	(69.6)%
Provisions and contingent liabilities	27.3	29.2	(1.9)	(6.5)%
Total current liabilities	500.7	368.9	131.8	35.7 %
Total net working capital	208.0	99.1	108.9	109.9 %

1) Trade receivables are net of allowance for doubtful accounts and provisions for sales allowances. Refer to Note 9 of the financial statements for additional details.

2) Other receivables include investment tax credits receivable, royalties, sales tax and other balances. Refer to Note 9 of the financial statements.

3) Accrued liabilities are comprised of employee compensation liabilities, royalties and commodity tax balances. Refer to Note 16 of the financial statements for additional details.

Total net working capital increased by \$108.9 million or 109.9% to \$208.0 million at September 30, 2021 from \$99.1 million. Excluding the impact of foreign exchange, total net working capital increased by \$117.4 million.

Trade receivables, net, increased by \$152.1 million or 57.4% to \$417.3 million at September 30, 2021 from \$265.2 million, driven by the timing of collections in line with the seasonality of the business.

Inventories increased by \$81.1 million or 79.5% to \$183.1 million at September 30, 2021 from \$102.0 million, driven by higher product manufacturing and freight-related costs.

Trade payables and accrued liabilities increased by \$151.3 million or 48.1% to \$465.7 million at September 30, 2021 from \$314.4 million, driven by the timing of payments in line with the seasonality of the business.

Investing Activities as compared to the same period in 2020:

The following tables provide a summary of Spin Master's consolidated cash flows used in investing activities for the three and nine months ended September 30, 2021 and 2020:

(US\$ millions)	Three Months Ended Sep 30		
	2021	2020	\$ Change
Property, plant and equipment			
Tooling	5.7	3.5	2.2
Other	3.0	1.8	1.2
Total property, plant and equipment	8.7	5.3	3.4
Intangible assets			
Content development	10.1	12.0	(1.9)
Computer software	0.7	2.9	(2.2)
Brands, licenses and trademark acquisitions	0.5	1.0	(0.5)
Total intangible assets	11.3	15.9	(4.6)
Total capital expenditures	20.0	21.2	(1.2)
Business acquisitions, net of cash acquired	—	(1.0)	1.0
Investment in minority interests and limited partnership, net of investment distribution income	2.7	—	2.7
Cash used in investing activities	22.7	20.2	2.5

Cash used in investing activities was \$22.7 million for the three months ended September 30, 2021 compared to \$20.2 million. Contributing to the increase was lower investments in computer software and content development, partially offset by higher property, plant and equipment.

(US\$ millions)	Nine Months Ended Sep 30		
	2021	2020	\$ Change
Property, plant and equipment			
Tooling	18.5	15.1	3.4
Other	4.7	4.1	0.6
Total property, plant and equipment	23.2	19.2	4.0
Intangible assets			
Content development	35.7	36.4	(0.7)
Computer software	1.3	7.6	(6.3)
Brands, licenses and trademark acquisitions	0.5	1.0	(0.5)
Total intangible assets	37.5	45.0	(7.5)
Total capital expenditures	60.7	64.2	(3.5)
Business acquisitions, net of cash acquired	70.2	(1.0)	71.2
Investment in trademark license agreement	—	2.4	(2.4)
Investment in minority interests and limited partnership, net of investment distribution income	2.7	—	2.7
Cash used in investing activities	133.6	65.6	68.0

For the nine months ended September 30, 2021, cash used in investing activities was \$133.6 million compared to \$65.6 million. Business acquisitions in the current year relate to the acquisition of *Rubik's*, *Originator* and

certain assets from a product invention and development company. Also contributing to the increase was higher investment in property, plant and equipment, offset in part by lower investments in content development and computer software.

Financing Activities as compared to the same period in 2020:

Cash flows used in financing activities were \$5.6 million for the three months ended September 30, 2021 compared to \$303.6 million, primarily driven by the Company's utilization of its Facility in the prior year. For the nine months ended September 30, 2021, cash flows used in financing activities were \$14.8 million compared to cash flows used in financing activities of \$12.3 million.

Free Cash Flow¹ as compared to the same period in 2020:

The following tables provide a reconciliation of Spin Master's consolidated Free Cash Flow¹ to cash from operations for the three and nine months ended September 30, 2021 and 2020:

(US\$ millions)	Three Months Ended Sep 30		
	2021	2020	\$ Change
Cash flows provided by operating activities	85.8	117.2	(31.4)
Cash flows used in investing activities	(22.7)	(20.2)	(2.5)
Add:			
Cash used for business acquisitions and investment in limited partnership and minority interests, net of investment distribution income	2.7	(1.0)	3.7
Free Cash Flow¹	65.8	96.0	(30.2)

(US\$ millions)	Nine Months Ended Sep 30		
	2021	2020	\$ Change
Cash flows provided by operating activities	189.0	172.6	16.4
Cash flows used in investing activities	(133.6)	(65.6)	(68.0)
Add:			
Cash used for business acquisitions, investment in limited partnership and minority interests and trademark license agreement, net of investment distribution income	72.9	1.4	71.5
Free Cash Flow¹	128.3	108.4	19.9

1) See "Non-IFRS Financial Measures".

Free Cash Flow¹ was \$65.8 million for the three months ended September 30, 2021 compared to \$96.0 million, a decrease of \$30.2 million. Free Cash Flow¹ decreased primarily due to lower cash flows generated by operating activities driven by the increase in net working capital, offset in part by higher EBITDA¹. For the nine months ended September 30, 2021, Free Cash Flow¹ was \$128.3 million compared to \$108.4 million, a decrease of \$19.9 million. Free Cash Flow¹ increased primarily due to higher cash flows generated by operating activities driven by higher EBITDA¹, offset in part by the increase in net working capital.

COMMITMENTS

In the normal course of business, Spin Master enters into contractual arrangements to obtain and protect Spin Master's right to create and market certain products and to ensure availability and timely delivery of future purchases of goods and services. These arrangements include commitments for future services, purchases, commitments to settle foreign currency forward contracts and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the terms of the contracts. Additionally, Spin Master routinely enters into non-cancellable lease agreements for premises and equipment, which contain minimum rental payments.

OFF-BALANCE SHEET ARRANGEMENTS

Spin Master has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CAPITALIZATION

Share Capital

As at November 3, 2021, there were 102.3 million shares outstanding comprised of 70.6 million Multiple Voting Shares and 31.7 million Subordinate Voting Shares.

As of November 3, 2021, pursuant to grants under the Company's Long-Term Incentive Plan, 1.0 million Subordinate Voting Shares were issuable under outstanding Restricted Stock Units, up to 2.2 million Subordinate Voting Shares were issuable under outstanding Performance Share Units (assuming vesting at a maximum of 200% for units with an outstanding performance period) and 0.5 million Subordinate Voting Shares were issuable under outstanding Share Option grants.

RELATED PARTY TRANSACTIONS

The Company periodically engages the services of a law firm whose managing partner is also a member of the Company's Board of Directors. During the nine months ended September 30, 2021, the fees for services rendered were approximately \$1.0 million (2020 - \$0.7 million).

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2020 financial statements, as well as in the Company's 2020 Annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the nine months ended September 30, 2021, there were no material changes to the critical accounting estimates of the Company from those reported in the 2020 Annual MD&A and financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's Internal Control over Financial Reporting ("ICFR") during the three months ended September 30, 2021 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

The Chief Executive Officer and the Chief Financial Officer believe that any Disclosure Controls and Procedures or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The design of any system of control is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

NON-IFRS FINANCIAL MEASURES

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

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

Adjusted EBITDA is calculated as EBITDA excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring expenses, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, investment distribution income, acquisition related deferred incentive compensation, net

unrealized gain on investment, impairment of property, plant and equipment, legal settlement, transaction costs and bad debt recovery. Adjusted EBITDA is used by management as a measure of the Company's profitability.

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

Adjusted Net Income is calculated as net income excluding adjustments, as defined above, in addition to a one-time income tax recovery in the first quarter of 2020 and the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income to measure the underlying financial performance of the business on a consistent basis over time.

Adjusted Basic EPS is calculated by dividing Adjusted Net Income by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period.

Constant Currency represents Revenue and Gross Product Sales results that are presented excluding the impact from changes in foreign currency exchange rates. The current period and prior period results for entities reporting in currencies other than the US dollar are translated using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from fluctuations in foreign currency exchange rates.

Free Cash Flow is calculated as cash flows provided by/used in operating activities reduced by cash flows used in investing activities and adding back cash used in license, brand and business acquisitions. Management uses the Free Cash Flow metric to analyze the cash flow being generated by the Company's business. Prior year comparative information has been updated to conform with the current disclosure.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses changes in Gross Product Sales to provide meaningful comparisons across product category and geographical segment results to highlight trends in Spin Master's business. For a reconciliation of Gross Product Sales to Revenue, please see the revenue table for the three and nine months ended September 30, 2021 as compared to the same period in 2020 in this MD&A.

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

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

Adjusted Administrative Expenses is calculated as administrative expenses adjusted for restructuring expenses, share based compensation expenses, impairment of property, plant and equipment, transaction costs and bad debt recovery. Refer to the Adjusted Administrative Expenses table for the three and nine months ended September 30, 2021 as compared to the same period in 2020 in this MD&A.

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

Reconciliation Tables

The following table presents a reconciliation of net income to EBITDA, Adjusted EBITDA and Adjusted Net Income, and Cash provided by Operations to Free Cash Flow for the three and nine months ended September 30, 2021, and 2020:

(in US\$ millions, except percentages)	Three Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Reconciliation of Non-IFRS Financial Measures				
Net income	135.4	86.8	48.6	56.0 %
Income tax expense	41.8	14.7	27.1	184.4 %
Finance costs	2.3	2.6	(0.3)	(11.5)%
Depreciation and amortization expenses	41.7	26.4	15.3	58.0 %
EBITDA¹	221.2	130.5	90.7	69.5 %
Adjustments:				
Restructuring expense ²	0.4	1.4	(1.0)	(71.4)%
Foreign exchange (gain) loss ³	(10.8)	5.1	(15.9)	n.m.
Share based compensation ⁴	4.1	2.9	1.2	41.4 %
Acquisition related deferred incentive compensation ⁵	2.7	—	2.7	n.m.
Investment distribution income ⁶	(0.2)	—	(0.2)	n.m.
Transaction costs ⁷	0.1	—	0.1	n.m.
Gain on disposal of asset ⁸	(0.2)	—	(0.2)	n.m.
Adjusted EBITDA¹	217.3	139.9	77.4	55.3 %
Income tax expense	41.8	14.7	27.1	184.4 %
Finance costs	2.3	2.6	(0.3)	(11.5)%
Depreciation and amortization expenses	41.7	26.4	15.3	58.0 %
Tax effect of adjustments ⁹	(1.1)	1.1	(2.2)	n.m.
Adjusted Net Income¹	132.6	95.1	37.5	39.4 %
Cash provided by operations	85.8	117.2	(31.4)	(26.8)%
Cash used in investing activities	(22.7)	(20.2)	(2.5)	12.4 %
Plus:				
Cash used for business acquisitions and investment in limited partnership and minority interests, net of investment distribution income	2.7	(1.0)	3.7	(370.0)%
Free Cash Flow¹	65.8	96.0	(30.2)	(31.5)%

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense in the prior year includes costs related to changes in senior leadership.

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

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering, share option expense and long-term incentive plan.

5) Deferred incentive compensation associated with acquisitions.

6) Distribution income related to investment in limited partnership.

7) Transaction costs relating to acquisitions.

8) Gain on disposal of intangible asset.

9) Tax effect of adjustments (Footnotes 2-8). Adjustments are tax effected at the effective tax rate of the given period.

(in US\$ millions, except percentages)	Nine Months Ended Sep 30			
	2021	2020	\$ Change	% Change
Reconciliation of Non-IFRS Financial Measures				
Net income (loss)	172.1	45.2	126.9	280.8 %
Income tax expense (recovery)	53.9	(31.4)	85.3	(271.7)%
Finance costs	7.1	8.7	(1.6)	(18.4)%
Depreciation and amortization expenses	88.9	75.4	13.5	17.9 %
EBITDA¹	322.0	97.9	224.1	228.9 %
Adjustments:				
Restructuring expense ²	1.1	4.8	(3.7)	(77.1)%
Foreign exchange (gain) loss ³	(2.2)	17.1	(19.3)	(112.9)%
Share based compensation ⁴	11.3	9.3	2.0	21.5 %
Impairment of intangible assets ⁵	1.4	—	1.4	n.m.
Acquisition related contingent consideration ⁶	(0.7)	—	(0.7)	n.m.
Net unrealized gain on investment ⁷	(1.2)	—	(1.2)	n.m.
Transaction costs ⁸	0.7	—	0.7	n.m.
Acquisition related deferred incentive compensation ⁹	4.2	—	4.2	n.m.
Investment distribution income ¹⁰	(0.6)	—	(0.6)	n.m.
Gain on disposal of asset ¹¹	(0.2)	—	(0.2)	n.m.
Adjusted EBITDA¹	335.8	129.1	206.7	160.1 %
Income tax expense (recovery)	53.9	(31.4)	85.3	(271.7)%
Finance costs	7.1	8.7	(1.6)	(18.4)%
Depreciation and amortization expenses	88.9	75.4	13.5	17.9 %
One-time income tax recovery ¹²	—	33.3	(33.3)	(100.0)%
Tax effect of adjustments ¹³	3.3	4.3	(1.0)	(23.3)%
Adjusted Net Income (Loss)¹	182.6	38.8	143.8	370.6 %
Cash provided by operations	189.0	172.6	16.4	9.5 %
Cash used in investing activities	(133.6)	(65.6)	(68.0)	103.7 %
Plus:				
Cash used for business acquisitions, investment in limited partnership and minority interests and trademark license agreement, net of investment distribution income	72.9	1.4	71.5	n.m.
Free Cash Flow¹	128.3	108.4	19.9	18.4 %

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense in the prior year includes costs related to changes in senior leadership.

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

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the IPO, share option expense and LTIP.

5) Impairment of intangible assets related to content development.

6) Remuneration recovery associated with contingent consideration for previous acquisitions.

7) Net unrealized gain related to investment in limited partnership.

8) Transaction costs relating to acquisitions in the year.

9) Deferred incentive compensation associated with acquisitions in the year.

10) Distribution income related to investment in limited partnership.

11) Gain on disposal of intangible asset.

12) One-time income tax recovery related to internal transfer of intangible property of \$33.3 million.

13) Tax effect of adjustments (Footnotes 2-11). Adjustments are tax effected at the effective tax rate of the given period.

FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, contained in this MD&A constitute “forward-looking information” within the meaning of certain securities laws, including the *Securities Act* (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this MD&A. The words “plans”, “expects”, “projected”, “estimated”, “forecasts”, “anticipates”, “indicative”, “intend”, “guidance”, “outlook”, “potential”, “prospects”, “seek”, “strategy”, “targets” or “believes”, or variations of such words and phrases or statements that certain future conditions, actions, events or results “will”, “may”, “could”, “would”, “should”, “might” or “can”, or negative versions thereof, “be taken”, “occur”, “continue” or “be achieved”, and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this MD&A include, without limitation, statements with respect to: the Company’s outlook for 2021 (see “Outlook”); future growth expectations in 2021 and beyond; financial position, cash flows and financial performance; drivers for such growth; the program to achieve operational efficiencies supports the growth of the Company’s global platform; the Company’s SMV initiative; the Company’s focus on direct-to-consumer initiatives; the Company’s long-term goal for sales outside of North America; the successful execution of its strategies for growth; the impacts of the COVID-19 pandemic on the Company; and consumer demand and the seasonality of financial results and performance.

Forward-looking statements are necessarily based upon management’s perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this MD&A, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: the ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; that the program designed to gain operational efficiencies will achieve the desired results; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company’s products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers and retailers; the Company will continue to attract qualified personnel to support its development requirements; and the Company’s key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled and that the risk factors noted in this MD&A, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking information in this MD&A. Such risks and uncertainties include, without limitation, the magnitude and length of economic disruption as a result of the COVID-19 pandemic; and the factors discussed in the Company’s disclosure materials, including the Annual MD&A and the Company’s most recent AIF, filed with the securities regulatory authorities in Canada and available under the Company’s profile on SEDAR (www.sedar.com). These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

ADDENDUM

Effective January 1, 2021, Spin Master has simplified its product categories to align with the Company's product offerings going forward. The following table presents 2020 Gross Product Sales¹ in the same format that the Company presents Gross Product Sales¹ in 2021:

Gross Product Sales¹ by Product Category

(US\$ millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Preschool & Girls	73.1	93.5	242.7	200.2	609.5
Activities, Games & Puzzles and Plush	80.1	99.8	181.0	173.9	534.8
Boys	60.7	54.1	151.4	122.1	388.3
Outdoor	28.4	34.8	12.3	15.6	91.1
Gross Product Sales¹	242.3	282.2	587.4	511.8	1,623.7