Spin Master Corp.

Management's Discussion and Analysis

For the three months and year ended December 31, 2025

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INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Spin Master Corp. and its subsidiaries ("Spin Master" or the "Company") is dated March 4, 2026 and provides information concerning the Company's financial condition, financial performance and cash flows for the three months and year ended December 31, 2025, ("fourth quarter", "the quarter", "Q4"). This MD&A should be read in conjunction with the Company's audited Consolidated financial statements and accompanying notes ("annual financial statements") for the year ended December 31, 2025, as well as its current Annual Information Form. These and additional information relating to the Company can be found under the Company's profile on SEDAR+ at www.sedarplus.com.

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

BASIS OF PRESENTATION

The annual financial statements of the Company have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB). However, certain financial measures and ratios contained in this MD&A do not have any standardized meaning under IFRS ("Non-GAAP") and are discussed further in the "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures" section of this MD&A. Management believes the Non-GAAP financial measures and Non-GAAP financial ratios defined in the section noted above are important supplemental measures of operating performance and highlight trends in the business. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts and other interested parties frequently use these Non-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

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 Corp. (TSX:TOY) is a leading global children's entertainment company, creating exceptional play experiences across its three creative centres: Toys, Entertainment and Digital Games. With worldwide toy distribution, Spin Master is best known for award-winning brands including PAW Patrol®, Melissa & Doug®, Bakugan® and Rubik's® Cube, and is the global toy licensee for other iconic properties. Through its in-house entertainment studio, the company creates and produces captivating multiplatform content including powerhouse preschool franchise PAW Patrol, along with other original shows, short-form series and feature films. With an established presence in digital games anchored by Toca Boca® and Piknik™, Spin Master engages close to 60 million active users monthly in open-ended, creative and safe play. With 29 offices spanning nearly 20 countries, Spin Master employs more than 2,500 team members globally.

Segment information

The Company has three reportable operating segments: Toys, Entertainment and Digital Games.

Toys

The Toys segment engages in the creation, design, manufacturing, licensing, and marketing of consumer products. Spin Master's Toys segment is organized into four product categories: (1) Preschool, Infant & Toddler and Plush; (2) Activities, Games & Puzzles and Dolls & Interactive; (3) Wheels & Action; and (4) Outdoor. Products in the Toys segment are sold in three geographic regions: (1) North America; (2) Europe; and (3) Rest of World.

Entertainment

The Entertainment segment engages in the creation, development, production and distribution of multi-platform content for children and families globally. The Entertainment segment also licenses its brands for use in non-toy consumer products, including apparel and other consumer goods, publishing and live entertainment.

Digital Games

The Digital Games segment engages in the creation of digital play experiences for players globally. The Digital Games segment develops, markets and delivers digital games, which are distributed via third-party platform providers and monetized through subscriptions or in-app purchases. The Digital Games segment also generates revenue through licensing of its brands and strategic distribution partnerships.

Corporate & Other

Corporate & Other includes certain corporate costs (such as certain employee compensation, corporate social responsibility and professional services expenses), foreign exchange, acquisition related transaction costs, as well as investment income and loss.

Strategy

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

	Toys	Entertainment	Digital Games
Vision	Be a global leader in Toys by creating play experiences that spark creativity and imagination in kids and families globally	Be a leading global creator of children's entertainment, igniting imaginations and deep character connections	Create exceptional digital play experiences for kids of all ages around the world
Primary Role	Provide a stable base of Revenue/Adjusted EBITDA[1]/ Free Cash Flow[1] to build brands & innovate	Create content and build evergreen franchises that kids love, across physical and digital platforms	Create digital games and play-to-learn platforms using both new and existing intellectual property ("IP")
Key Strategic Focus	• Expand leadership position in major categories • Create new categories by developing and introducing innovation • Expand into high growth categories • Build licensed partner portfolio and expand existing partnerships • Expand geographic & retail footprint • Pursue Mergers & Acquisitions ("M&A")	• Build *PAW Patrol* universe, develop new content and expand distribution • Creation new IP and build new franchises • Expand Licensing & Merchandising	• Invest in *Toca Boca World* • Expand and grow the *Piknik* subscription business • Leverage and explore AI opportunities • Pursue M&A
Enterprise Shared Capabilities	• Grow Franchise and Brand Developments • Build Consumer and Parent Data and Insights • Expand Licensing and Merchandising • Accelerate Omni-Channel Engagement and Commerce • Pursue M&A opportunities		

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Global Tariffs Uncertainty

Overview

In 2025, the United States ("U.S.") imposed new tariffs on imports from key global trading partners, including China, Vietnam, India, Mexico, Indonesia, the European Union, and others. The timing, extent, and enforcement of these tariffs remain uncertain, and the Company continues to monitor global trade policies closely. A significant portion of the Company's goods are sourced from or manufactured in regions subject to these tariffs. Increases in import duties or transportation costs have led to higher product costs, necessitating pricing adjustments or margin trade-offs.

Uncertainty surrounding tariffs continues to influence consumer behaviour. Inflationary pressures through the year reduced discretionary income, and broader economic instability has dampened overall demand. In addition, retailer order patterns have shifted from direct import orders to domestic replenishment, which impacts timing of shipments. The Company remains focused on maintaining price competitiveness and delivering strong value propositions across its portfolio to mitigate any adverse consumer reaction.

The Toys segment represented approximately 85% of the Company's Revenue in 2025, of which approximately 45% of Toy Gross Product Sales[1] was generated from geographic areas outside of the U.S. In addition, Spin Master's Entertainment and Digital Games segments, which represented approximately 15% of Revenue in 2025, are not currently subject to tariffs. To date, these sources of revenue continue to provide revenue and margin diversification amid evolving global trade dynamics.

Diversification and Strategic Response

While tariffs have led to increased costs of sales for Spin Master's Toys segment, the Company has implemented various strategies to mitigate this impact, including diversifying sourcing, optimizing pricing strategies, adjusting the composition of the product lines, and evaluating different business models to lower tariffs.

Since the imposition of tariffs, the Company has moved production outside of China. These actions were aimed to preserve margins where possible, protect and potentially grow the Company's market share, and meet consumer demand. However, to the extent that cost increases due to tariffs could not be offset through operational efficiencies or other measures, the Company has passed certain costs on to its retail customers. These retailers, in turn, may pass the increased costs on to end consumers, which could negatively affect consumer demand and, ultimately, impact order volumes and sales performance.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Selected Financial Information

The following provides selected key performance metrics of the Company for the year ended December 31, 2025 and 2024, which should be read in conjunction with the annual financial statements.

Consolidated Results	Year Ended Dec 31,		
(US$ millions, except per share information)	**2025**	**2024**	**2023**
Revenue	2,112.9	2,263.0	1,904.9
Operating (Loss) Income	(87.2)	165.5	188.9
Operating Margin[1]	(4.1)%	7.3 %	9.9 %
Adjusted Operating Income[2]	222.0	333.8	288.7
Adjusted Operating Margin[2]	10.5 %	14.8 %	15.2 %
Net (Loss) Income	(148.5)	81.9	151.4
Adjusted Net Income[2]	138.1	217.2	225.2
Adjusted EBITDA[2]	357.1	463.6	418.8
Adjusted EBITDA Margin[2]	16.9 %	20.5 %	22.0 %
Earnings Per Share ("EPS")			
Basic EPS	$(1.46)	$0.79	$1.46
Diluted EPS	$(1.46)	$0.77	$1.43
Adjusted Basic EPS[2]	$1.36	$2.10	$2.18
Adjusted Diluted EPS[2]	$1.33	$2.05	$2.13
Cash dividends declared per share (C$)	$0.48	$0.42	$0.24
Weighted average number of shares (in millions)			
Basic	101.4	103.3	103.5
Diluted	103.9	105.8	105.7
Selected Cash Flow Data			
Cash provided by operating activities	307.8	328.0	227.0
Cash used in investing activities	(201.7)	(1,068.5)	(135.3)
Cash (used in) provided by financing activities	(231.6)	270.2	(44.1)
Free Cash Flow[2]	123.6	215.5	122.9

Selected Balance Sheet Data	Dec 31, 2025	Dec 31, 2024	Dec 31, 2023
Cash	104.6	233.5	705.7
Total assets	2,403.3	2,633.4	1,989.7
Loans and borrowings	264.1	389.1	—
Total liabilities	1,179.7	1,231.0	570.6

[1] Operating Margin is calculated as Operating (Loss) Income divided by Revenue.

[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Executive Summary for Q4 2025 as compared to Q4 2024

- Revenue was $618.2 million, a decrease of 4.8%, compared to $649.1 million
- Operating Loss was $163.7 million, a change of 447.6%, compared to Operating Income of $47.1 million. Operating Loss in the current year includes $229.1 million of non-cash impairment of goodwill and intangible assets.
- Adjusted EBITDA[1] was $111.3 million, a decrease of $2.6 million, compared to $113.9 million.
- Adjusted EBITDA Margin[1] was 18.0% compared to 17.5%.
- Net Loss was $184.3 million or $(1.85) per share (diluted) compared to Net Income of $21.1 million or $0.20 per share (diluted). Net Loss in the current year includes $229.1 million of non-cash impairment of goodwill and intangible assets. Adjusted Net Income[1] was $42.3 million or $0.41 per share (diluted) compared to $57.4 million or $0.55 per share (diluted).
- Cash provided by operating activities was $194.3 million compared to $203.4 million.
- Free Cash Flow[1] was $128.0 million compared to $175.0 million.
- Subsequent to December 31, 2025, the Company declared a quarterly dividend of C$0.12 per outstanding subordinate voting share and multiple voting share, payable on April 10, 2026.

Executive Summary for the year ended December 31, 2025 as compared to December 31, 2024

- Revenue was $2,112.9 million, a decrease of 6.6%, compared to $2,263.0 million.
- Operating Loss was $87.2 million, a change of 152.7%, compared to Operating Income of $165.5 million. Operating Loss in the current year includes $247.1 million of non-cash impairment of goodwill and intangible assets.
- Adjusted EBITDA[1] was $357.1 million, a decrease of $106.5 million, compared to $463.6 million.
- Adjusted EBITDA Margin[1] was 16.9% compared to 20.5%.
- Net Loss was $148.5 million or $(1.46) per share compared to Net Income of $81.9 million or $0.77 per share (diluted). Net Loss in the current year includes $247.1 million of non-cash impairment of goodwill and intangible assets. Adjusted Net Income[1] was $138.1 million or $1.33 per share (diluted) compared to $217.2 million or $2.05 per share (diluted).
- In the second quarter of 2025, the Company achieved its target of $25 million to $30 million in total Run-rate Net Cost Synergies[2] related to the acquisition of Melissa & Doug.
- Cash provided by operating activities was $307.8 million compared to $328.0 million.
- Free Cash Flow[1] was $123.6 million compared to $215.5 million.
- Repurchased and cancelled 2,717,288 subordinate voting shares for $46.6 million (C$65.9 million) through the Company's Normal Course Issuer Bid (the "NCIB") program. Subsequent to December 31, 2025, the Company repurchased and cancelled 313,833 subordinate voting shares for $4.4 million.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".
[2] Supplementary financial measure. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Segmented Results

Toys

			Year Ended Dec 31,	
(US$ millions)	**Q4 2025**	**Q4 2024**	**2025**	**2024**
Toy Gross Product Sales[1]	627.4	660.0	2,054.8	2,231.5
Toy Revenue	522.3	561.7	1,768.7	1,939.9
Toys Operating (Loss) Income	(171.0)	31.7	(132.5)	89.5
Toys Operating Margin[2]	(32.7)%	5.6 %	(7.5)%	4.6 %
Toys Adjusted EBITDA[1]	61.6	76.2	196.8	306.8
Toys Adjusted EBITDA Margin[1]	11.8 %	13.6 %	11.1 %	15.8 %
Cash Flow				
Toys capital expenditures	44.9	14.7	95.9	45.6

	Dec 31,	Dec 31,
Balance Sheet	**2025**	**2024**
Moulds, dies and tools, net carrying amount	23.8	22.7

Entertainment

			Year Ended Dec 31,	
(US$ millions)	**Q4 2025**	**Q4 2024**	**2025**	**2024**
Entertainment Revenue	42.5	41.3	145.2	158.6
Entertainment Operating Income	14.3	19.7	67.8	86.0
Entertainment Operating Margin[2]	33.6 %	47.7 %	46.7 %	54.2 %
Entertainment Adjusted Operating Income[1]	14.3	20.3	70.3	90.3
Entertainment Adjusted Operating Margin[1]	33.4 %	49.2 %	48.4 %	56.9 %
Cash Flow				
Entertainment capital expenditures	14.6	9.7	56.9	39.5

	Dec 31,	Dec 31,
Balance Sheet	**2025**	**2024**
Entertainment content development, net carrying amount	75.3	57.9

Digital Games

			Year Ended Dec 31,	
(US$ millions)	**Q4 2025**	**Q4 2024**	**2025**	**2024**
Digital Games Revenue	53.4	46.1	199.0	164.5
Digital Games Operating Income (Loss)	3.0	(0.5)	11.6	22.1
Digital Games Operating Margin[2]	5.6 %	(1.1)%	5.8 %	13.4 %
Digital Games Adjusted Operating Income[1]	14.3	11.5	48.8	39.9
Digital Games Adjusted Operating Margin[1]	27.0 %	24.9 %	24.5 %	24.3 %
Cash Flow				
Digital Games capital expenditures	6.9	8.1	31.4	32.5

	Dec 31,	Dec 31,
Balance Sheet	**2025**	**2024**
Digital game and app development, net carrying amount	41.8	46.3

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Operating Margin is calculated as segment Operating Income divided by segment Revenue.

FINANCIAL PERFORMANCE

Consolidated Results

The following table provides a summary of Spin Master's consolidated results for the three months ended December 31, 2025 compared to the same period in 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Revenue	618.2	649.1	(30.9)	(4.8) %
Cost of sales	288.9	283.6	5.3	1.9 %
Gross Profit	**329.3**	**365.5**	**(36.2)**	**(9.9)%**
Selling, general and administrative expenses ("SG&A")	252.2	286.9	(34.7)	(12.1) %
Depreciation and amortization	18.7	18.9	(0.2)	(1.1) %
Impairment of non-current assets	230.1	18.5	211.6	1,143.8 %
Other Income, net	(12.2)	(1.2)	(11.0)	916.7 %
Foreign exchange loss (gain), net	4.2	(4.7)	8.9	(189.4) %
Operating (Loss) Income	**(163.7)**	**47.1**	**(210.8)**	**(447.6)%**
Interest income	(0.6)	(0.6)	—	— %
Interest expense	11.2	11.1	0.1	0.9 %
(Loss) Income before income tax expense	**(174.3)**	**36.6**	**(210.9)**	**(576.2)%**
Income tax expense[1]	10.0	15.5	(5.5)	(35.5) %
Net (Loss) Income	**(184.3)**	**21.1**	**(205.4)**	**(973.5)%**
Adjusted Gross Profit[2]	329.3	365.5	(36.2)	(9.9) %
Adjusted EBITDA[2]	111.3	113.9	(2.6)	(2.3) %
Adjusted Net Income[2]	42.3	57.4	(15.1)	(26.3) %

The following tables provide a summary of Spin Master's consolidated results for the year ended December 31, 2025 compared to the same period in 2024:

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Revenue	2,112.9	2,263.0	(150.1)	(6.6) %
Cost of sales	967.6	1,072.1	(104.5)	(9.7) %
Gross Profit	**1,145.3**	**1,190.9**	**(45.6)**	**(3.8)%**
Selling, general and administrative expenses	908.6	931.9	(23.3)	(2.5) %
Depreciation and amortization	70.3	72.7	(2.4)	(3.3) %
Impairment of non-current assets	250.4	20.7	229.7	1,109.7 %
Other (income) expense, net	(11.3)	1.6	(12.9)	(806.3) %
Foreign exchange loss (gain), net	14.5	(1.5)	16.0	(1,066.7) %
Operating (Loss) Income	**(87.2)**	**165.5**	**(252.7)**	**(152.7)%**
Interest income	(2.5)	(4.0)	1.5	(37.5) %
Interest expense	42.5	50.5	(8.0)	(15.8) %
(Loss) Income before income tax expense	**(127.2)**	**119.0**	**(246.2)**	**(206.9)%**
Income tax expense[1]	21.3	37.1	(15.8)	(42.6) %
Net (Loss) Income	**(148.5)**	**81.9**	**(230.4)**	**(281.3)%**
Adjusted Gross Profit[2]	1,145.3	1,257.2	(111.9)	(8.9) %
Adjusted EBITDA[2]	357.1	463.6	(106.5)	(23.0) %
Adjusted Net Income[2]	138.1	217.2	(79.1)	(36.4) %

[1] Income tax expense excludes the impact of non-cash impairment of goodwill.
[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Revenue as compared to the same period in 2024:

The following table provides a summary of Spin Master's revenue by segment, for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Toy Revenue	522.3	561.7	(39.4)	(7.0) %
Entertainment Revenue	42.5	41.3	1.2	2.9 %
Digital Games Revenue	53.4	46.1	7.3	15.8 %
Revenue	**618.2**	**649.1**	**(30.9)**	**(4.8)%**

Revenue was $618.2 million, a decrease of 4.8% from $649.1 million, due to the decline of 7.0% in Toy Revenue, partially offset by an increase of 15.8% in Digital Games Revenue and 2.9% in Entertainment Revenue. Constant Currency Revenue[1] was $607.4 million, a decrease of 6.4%.

Toy Revenue declined by $39.4 million due to lower Toy Gross Product Sales[1] and higher markdowns and promotional activities. The decline in Toy Gross Product Sales[1] was primarily due to global market uncertainties resulting in part from ongoing changes to tariff policies, including a continued slowdown in U.S. retailer orders.

Entertainment Revenue increased by $1.2 million, driven by distribution revenue from higher volume of content deliveries, partially offset by lower ongoing distribution revenue from *PAW Patrol: The Mighty Movie* and licensing & merchandising revenue.

Digital Games Revenue increased by $7.3 million, driven by revenue generated from strategic distribution partnerships, higher in-game purchases in *Toca Boca World* from growth in user engagement, and higher subscription revenue from *Piknik*.

The following table provides a summary of Spin Master's revenue by segment, for the year ended December 31, 2025 and 2024:

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Toy Revenue	1,768.7	1,939.9	(171.2)	(8.8) %
Entertainment Revenue	145.2	158.6	(13.4)	(8.4) %
Digital Games Revenue	199.0	164.5	34.5	21.0 %
Revenue	**2,112.9**	**2,263.0**	**(150.1)**	**(6.6)%**

Revenue was $2,112.9 million, a decrease of 6.6% from $2,263.0 million due to declines of 8.8% in Toy Revenue and 8.4% in Entertainment Revenue, partially offset by an increase of 21.0% in Digital Games Revenue. Constant Currency Revenue[1] was $2,097.7 million, a decrease of 7.3%.

Toy Revenue declined by $171.2 million due to lower Toy Gross Product Sales[1] and higher promotional activities. The decline in Toy Gross Product Sales[1] was primarily due to global market uncertainties resulting in part from ongoing changes to tariff policies, including a continued slowdown in U.S. retailer orders.

Entertainment Revenue decreased by $13.4 million, primarily driven by lower ongoing distribution revenue from *PAW Patrol: The Mighty Movie*.

Digital Games Revenue increased by $34.5 million, driven by higher in-game purchases in *Toca Boca World* driven by higher user engagement and new content releases, revenue generated from strategic distribution partnerships, and continued growth in subscriptions in *Piknik*.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Gross Profit and Adjusted Gross Profit[1] as compared to the same period in 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Revenue	618.2	649.1	(30.9)	(4.8)%
Gross Profit	329.3	365.5	(36.2)	(9.9)%
Gross Margin	**53.3 %**	**56.3 %**		**(3.0)%**

Gross Profit decreased by $36.2 million to $329.3 million and Gross Margin decreased by 300 basis points to 53.3%.

The decrease in Gross Profit was primarily due to a decrease in the Toys and Entertainment segments partially offset by an increase in the Digital Games segment. The decrease in the Toys segment was primarily driven by lower revenue. The decrease in the Entertainment segment was driven by increased amortization of production costs from higher volume of Entertainment content deliveries. The increase in the Digital Games segment was due to higher revenue.

Gross Margin decreased by 300 basis points to 53.3% compared to 56.3%. The decrease in Gross Margin was primarily driven by lower ongoing distribution revenue and the dilutive effect of higher volume of content deliveries in the Entertainment segment and higher promotional activities in the Toys segment, partially offset by an increase in revenue generated from strategic distribution partnerships in the Digital Games segment.

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Revenue	2,112.9	2,263.0	(150.1)	(6.6)%
Gross Profit	1,145.3	1,190.9	(45.6)	(3.8)%
Gross Margin	**54.2 %**	**52.6 %**		**1.6 %**
Adjustments[1]:				
Fair value adjustment for inventories acquired[2]	—	66.3	(66.3)	(100.0)%
Adjusted Gross Profit[3]	**1,145.3**	**1,257.2**	**(111.9)**	**(8.9)%**
Adjusted Gross Margin[3]	**54.2 %**	**55.6 %**		**(1.4)%**

[1] These adjustments relate to items recorded within Gross Profit.

[2] Relates to the fair value adjustment of Melissa & Doug's inventory sold recorded as part of the acquisition on January 2, 2024.

[3] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Gross Profit decreased by $45.6 million to $1,145.3 million and Gross Margin increased by 160 basis points to 54.2%.

For the year ended December 31, 2024, the Company recognized $66.3 million of the inventory fair value adjustment related to the acquisition of Melissa & Doug in cost of sales in the Toys segment.

Adjusted Gross Profit[1] decreased by $111.9 million to $1,145.3 million primarily due to lower revenue from the Toys and Entertainment segments, partially offset by an increase in revenue in the Digital Games segment.

Adjusted Gross Margin[1] decreased by 140 basis points to 54.2% compared to 55.6%, primarily driven by higher promotional activities in the Toys segment and lower ongoing distribution revenue and the dilutive effect of higher volume of content deliveries in the Entertainment segment.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

SG&A and Adjusted SG&A[1] as compared to the same period in 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Administrative	90.2	103.5	(13.3)	(12.9) %
Marketing	89.9	101.0	(11.1)	(11.0) %
Selling	39.0	43.3	(4.3)	(9.9) %
Distribution	23.1	27.6	(4.5)	(16.3) %
Product development	10.0	11.5	(1.5)	(13.0) %
SG&A	**252.2**	**286.9**	**(34.7)**	**(12.1)%**
Adjustments[1]:				
Transaction and integration costs[2]	(4.4)	(5.2)	0.8	(15.4) %
Restructuring and other related costs[3]	(0.2)	(3.9)	3.7	(94.9) %
Share based compensation[4]	1.1	(7.6)	8.7	(114.5) %
Adjusted SG&A[5]	**248.7**	**270.2**	**(21.5)**	**(8.0)%**
Revenue	**618.2**	**649.1**	**(30.9)**	**(4.8)%**
SG&A as a percentage of revenue	**40.8 %**	**44.3 %**		**(3.5)%**
Adjusted SG&A[5] as a percentage of revenue	**40.2 %**	**41.6 %**		**(1.4)%**

[1] These adjustments relate to items recorded within Administrative expenses.

[2] Transaction and integration costs incurred relating to acquisitions.

[3] Restructuring and other related costs in the current and prior period relates to the reduction in the Company's global workforce.

[4] Related to non-cash expenses associated with long-term incentive plan and includes mark to market change of deferred share units ("DSUs") .

[5] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

SG&A decreased by $34.7 million to $252.2 million primarily due to lower administrative, marketing, distribution and selling expenses. Adjusted SG&A[1] decreased by $21.5 million to $248.7 million due to lower marketing, distribution, and selling expenses.

SG&A as a percentage of revenue decreased to 40.8% from 44.3%. Adjusted SG&A[1] as a percentage of revenue decreased to 40.2% from 41.6%. The decrease was primarily driven by reduction in marketing expenses.

Administrative expenses decreased by $13.3 million to $90.2 million primarily due to lower share based compensation and restructuring costs. Administrative expenses as a percentage of revenue decreased to 14.6% from 15.9%.

Marketing expenses decreased by $11.1 million to $89.9 million due to a shift in timing of marketing spend in the Toys segment driven by higher investments in the first half of the year to support key brand initiatives and retailer programs. Marketing expenses as a percentage of revenue decreased to 14.5% from 15.6%.

Selling expenses decreased by $4.3 million to $39.0 million. Selling expenses as a percentage of Toy Revenue decreased to 7.5% from 7.8%, primarily due to a change in product mix for partner licensed brands.

Distribution expenses decreased by $4.5 million to $23.1 million due to inventory and warehouse optimization, partially offset by higher outbound transportation costs from increased domestic sales volumes. Distribution expenses as a percentage of Toy Revenue decreased to 4.4% from 5.0%.

Product development expenses decreased by $1.5 million to $10.0 million due to lower design and development activities in the Toys and Entertainment segments.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

(US$ millions)	Year Ended Dec 31, 2025	2024	$ Change	% Change
Administrative	415.4	451.0	(35.6)	(7.9)%
Marketing	235.5	225.8	9.7	4.3 %
Selling	145.5	131.0	14.5	11.1 %
Distribution	72.3	85.8	(13.5)	(15.7)%
Product development	39.9	38.3	1.6	4.2 %
SG&A	**908.6**	**931.9**	**(23.3)**	**(2.5)%**
Adjustments[1]:				
Transaction and integration costs[2]	(20.4)	(30.8)	10.4	(33.8)%
Restructuring and other related costs[3]	(14.7)	(10.1)	(4.6)	45.5 %
Share based compensation[4]	(8.3)	(29.2)	20.9	(71.6)%
Adjusted SG&A[5]	**865.2**	**861.8**	**3.4**	**0.4 %**
Revenue	**2,112.9**	**2,263.0**	**(150.1)**	**(6.6)%**
SG&A as a percentage of revenue	**43.0 %**	**41.2 %**		**1.8 %**
Adjusted SG&A[5] as a percentage of revenue	**40.9 %**	**38.1 %**		**2.8 %**

[1] These adjustments relate to items recorded within Administrative expenses.

[2] Transaction and integration costs incurred relating to acquisitions.

[3] Restructuring expense primarily relates to changes in personnel.

[4] Related to non-cash expenses associated with long-term incentive plan, and includes $3.1 million of mark to market gain of DSUs.

[5] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

SG&A decreased by $23.3 million to $908.6 million. Adjusted SG&A[1] increased by $3.4 million to $865.2 million. The increase was driven by higher selling and marketing expenses, partially offset by lower distribution expenses and administrative expenses reflecting cost synergies realized related to the acquisition of Melissa & Doug.

SG&A as a percentage of revenue increased to 43.0% from 41.2%. Adjusted SG&A[1] as a percentage of revenue increased to 40.9% from 38.1%. The increase was primarily driven by a decline in revenue, resulting in lower operating leverage.

Administrative expenses decreased by $35.6 million to $415.4 million. The decrease was primarily driven by lower share based compensation, transaction and integration costs and personnel-related costs from the Company's global workforce reduction, partially offset by higher restructuring costs. Administrative expense as a percentage of revenue decreased to 19.7% from 19.9%.

Marketing expenses increased by $9.7 million to $235.5 million. Marketing expense as a percentage of revenue increased to 11.1% from 10.0%. The increase was primarily due to higher paid user acquisition costs in the Digital Games segment, partially offset by lower spend in the Toys segment.

Selling expenses increased by $14.5 million to $145.5 million due to higher partner licensed brands sales. Selling expenses as a percentage of Toy Revenue increased to 8.2% from 6.8% primarily due to a change in product mix for partner licensed brands.

Distribution expenses decreased by $13.5 million to $72.3 million due to inventory and warehouse optimization. Distribution expenses as a percentage of Toy Revenue decreased to 4.1% from 4.4%.

Product development expenses increased by $1.6 million to $39.9 million due to higher development and design activities in the Digital Games segment.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Depreciation and Amortization as compared to the same period in 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	5.1	5.1	—	— %
Building and leasehold improvements	1.0	1.1	(0.1)	(9.1)%
Equipment	0.9	1.4	(0.5)	(35.7)%
Computer hardware	1.3	1.8	(0.5)	(27.8)%
Equipment, included in cost of sales	0.4	0.4	—	— %
	8.7	**9.8**	**(1.1)**	**(11.2)%**
Intangible assets				
Entertainment content development, included in cost of sales	19.2	6.9	12.3	178.3 %
Trademarks, licenses, IP & customer lists - definite life	2.9	2.6	0.3	11.5 %
Digital games and app development, included in cost of sales	3.3	2.9	0.4	13.8 %
Computer software	1.7	0.5	1.2	240.0 %
	27.1	**12.9**	**14.2**	**110.1 %**
Right-of-use assets	**10.8**	**11.6**	**(0.8)**	**(6.9)%**
Depreciation and amortization	**46.6**	**34.3**	**12.3**	**35.9 %**

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Included in cost of sales	27.9	15.4	12.5	81.2 %
Included in expenses	18.7	18.9	(0.2)	(1.1)%
Depreciation and amortization	**46.6**	**34.3**	**12.3**	**35.9 %**

For the three months ended December 31, 2025, depreciation and amortization increased by $12.3 million to $46.6 million primarily as a result of increased amortization of production costs from higher volume of Entertainment content deliveries.

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	20.5	21.8	(1.3)	(6.0)%
Computer hardware	4.8	6.3	(1.5)	(23.8)%
Equipment	4.6	6.0	(1.4)	(23.3)%
Building and leasehold improvements	4.1	4.6	(0.5)	(10.9)%
Equipment, included in cost of sales	1.4	1.4	—	— %
	35.4	**40.1**	**(4.7)**	**(11.7)%**
Intangible assets				
Entertainment content development, included in cost of sales	40.7	34.4	6.3	18.3 %
Trademarks, licenses, IP & customer lists - definite life	10.9	10.4	0.5	4.8 %
Digital games and app development, included in cost of sales	9.3	6.5	2.8	43.1 %
Computer software	3.5	2.1	1.4	66.7 %
	64.4	**53.4**	**11.0**	**20.6 %**
Right-of-use assets	42.3	43.3	(1.0)	(2.3)%
Depreciation and amortization	**142.1**	**136.8**	**5.3**	**3.9 %**

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Included in cost of sales	71.8	64.1	7.7	12.0 %
Included in expenses	70.3	72.7	(2.4)	(3.3)%
Depreciation and amortization	**142.1**	**136.8**	**5.3**	**3.9 %**

For the year ended December 31, 2025, depreciation and amortization increased by $5.3 million to $142.1 million primarily as a result of the higher amortization of production costs for higher volume of Entertainment content deliveries, increases in amortization of Digital game and app development and computer software, partially offset by lower depreciation for computer hardware, equipment and moulds, dies and tools.

Foreign Exchange Loss (Gain) as compared to the same period in 2024:

For the three months ended December 31, 2025, the Company recognized a net foreign exchange loss of $4.2 million (comprised of realized loss of $8.7 million and unrealized gain of $4.5 million) as compared to a net foreign exchange gain of $4.7 million (comprised of unrealized gain of $12.2 million and realized loss of $7.5 million).

For the year ended December 31, 2025, the Company recognized a net foreign exchange loss of $14.5 million (comprised of realized loss of $18.2 million and unrealized gain of $3.7 million), compared to a net foreign exchange gain of $1.5 million (comprised of unrealized gain of $8.4 million and realized loss of $6.9 million).

Operating Income and Adjusted Operating Income[1] as compared to the same period in 2024:

			Year Ended Dec 31,	
(in US$ millions)	**Q4 2025**	**Q4 2024**	**2025**	**2024**
Operating (Loss) Income	**(163.7)**	**47.1**	**(87.2)**	**165.5**
Operating Margin	**(26.5)%**	**7.3 %**	**(4.1)%**	**7.3 %**
Adjustments:				
Impairment of goodwill	215.6	12.9	215.6	12.9
Impairment of intangible assets	13.5	5.5	31.5	7.3
Transaction and integration costs	5.1	5.0	21.5	31.9
Foreign exchange loss (gain)	4.2	(4.7)	14.5	(1.5)
Amortization of intangible assets acquired	1.7	1.7	7.0	7.0
Impairment of property, plant and equipment	1.0	0.1	3.3	0.5
Acquisition related deferred incentive compensation	0.7	(1.1)	2.6	2.4
Investment loss, net	0.2	0.1	1.6	0.9
Restructuring and other related costs	0.2	3.9	14.7	10.1
Share based compensation	(1.1)	7.6	8.3	29.2
Legal settlement expense	—	0.6	—	0.4
Fair value adjustment for inventories acquired	—	—	—	66.3
Acquisition related deferred consideration	(1.2)	2.6	(1.6)	0.9
Gain on sale of asset	(9.8)	—	(9.8)	—
Total Adjustments	**230.1**	**34.2**	**309.2**	**168.3**
Adjusted Operating Income[1]	**66.4**	**81.3**	**222.0**	**333.8**
Adjusted Operating Margin[1]	**10.7 %**	**12.5 %**	**10.5 %**	**14.8 %**
Depreciation and amortization[2]	44.9	32.6	135.1	129.8
Adjusted EBITDA[1]	**111.3**	**113.9**	**357.1**	**463.6**
Adjusted EBITDA Margin[1]	**18.0 %**	**17.5 %**	**16.9 %**	**20.5 %**

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Depreciation and amortization for the calculation of Adjusted EBITDA excludes amortization of intangible assets acquired with Melissa & Doug.

For the three months ended December 31, 2025, Operating Loss was $163.7 million, compared to Operating Income of $47.1 million, and Operating Margin was (26.5)% compared to 7.3%. The change in Operating Loss was primarily driven by higher non-cash impairment of goodwill and intangible assets, mainly attributable to Melissa & Doug, partially offset by the gain on disposal of a certain trademark in the current year.

[1] *Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".*

Adjusted Operating Income[1] for the three months ended December 31, 2025 was $66.4 million, a decrease of $14.9 million. Adjusted Operating Margin[1] was 10.7% compared to 12.5%. Adjusted Operating Income[1] decreased driven by the Toys and Entertainment segments, partially offset by the increase in Digital Games segment. The decrease in the Toy segment was primarily driven by lower Toy Revenue, partially offset by lower marketing due to a shift in timing of marketing spend in the Toys segment driven by higher investments in the first half of the year to support key brand initiatives and retailer programs and lower distribution expenses due to inventory and warehouse optimization, partially offset by higher outbound transportation costs from increased domestic sales volumes. The decrease in the Entertainment segment was primarily driven by lower ongoing distribution revenue and increased amortization of production costs from higher volume of content deliveries in the current year. The increase in the Digital Games segment was primarily due to revenue generated from strategic distribution partnerships.

For the year ended December 31, 2025, Operating Loss was $87.2 million, compared to Operating Income of $165.5 million, and Operating Margin was (4.1)% compared to 7.3%. The change in Operating Loss was primarily driven by higher non-cash impairment of goodwill and intangible assets, mainly attributable to Melissa & Doug, partially offset by the fair value adjustment for inventories acquired in the prior year and the gain on sale of a certain trademark in the current year.

Adjusted Operating Income[1] for the year ended December 31, 2025 was $222.0 million, a decrease of $111.8 million. Adjusted Operating Margin[1] was 10.5% compared to 14.8%. Adjusted Operating Income[1] decreased driven by the Toys and Entertainment segments, partially offset by the increase in Digital Games segment. The decrease in the Toys segment was primarily driven by lower Toy Revenue and higher selling expenses, partially offset by lower distribution expenses. The decrease in the Entertainment segment was primarily driven by lower distribution revenue and the dilutive effect of higher volume of content deliveries in the current year. The increase in the Digital Games segment was primarily due to revenue generated from strategic distribution partnerships, partially offset by higher marketing expenses related to paid user acquisition costs across the Digital Games portfolio to drive the increase in Digital Games Revenue.

Adjusted EBITDA[1] as compared to the same period in 2024:

	Adjusted EBITDA[1]				Adjusted EBITDA Margin[1]	
(US$ millions)	**Q4 2025**	**Q4 2024**	**$ Change**	**% Change**	**Q4 2025**	**Q4 2024**
Toys	61.6	76.2	(14.6)	(19.2)%	11.8 %	13.6 %
Entertainment	33.5	26.3	7.2	27.4 %	78.8 %	63.7 %
Digital Games	18.8	15.4	3.4	22.1 %	35.2 %	33.4 %
Corporate and Other	(2.6)	(4.0)	1.4	(35.0)%	n.m.	n.m.
Adjusted EBITDA[1]	**111.3**	**113.9**	**(2.6)**	**(2.3)%**	**18.0 %**	**17.5 %**

Adjusted EBITDA[1] for the three months ended December 31, 2025 was $111.3 million compared to $113.9 million. The decrease was primarily driven by the Toys segment, partially offset by the Entertainment and Digital Games segments. Adjusted EBITDA Margin[1] was 18.0% compared to 17.5%. The increase was primarily driven by lower Adjusted SG&A[1] as percentage of revenue, partially offset by lower Gross Margin.

	Adjusted EBITDA[1]				Adjusted EBITDA Margin[1]	
	Year Ended Dec 31,				Year Ended Dec 31,	
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**	**2025**	**2024**
Toys	196.8	306.8	(110.0)	(35.9)%	11.1 %	15.8 %
Entertainment	111.4	121.1	(9.7)	(8.0)%	76.7 %	76.4 %
Digital Games	61.6	49.7	11.9	23.9 %	31.0 %	30.2 %
Corporate and Other	(12.7)	(14.0)	1.3	(9.3)%	n.m.	n.m.
Adjusted EBITDA[1]	**357.1**	**463.6**	**(106.5)**	**(23.0)%**	**16.9 %**	**20.5 %**

Adjusted EBITDA[1] for the year ended December 31, 2025 was $357.1 million compared to $463.6 million. The decrease was primarily driven by the Toys and Entertainment segments, partially offset by the Digital Games segment. Adjusted EBITDA Margin[1] was 16.9% compared to 20.5%. The decrease was primarily driven by the decline in revenue resulting in lower operating leverage.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Interest Income and Interest Expense as compared to the same period in 2024:

Interest income includes interest earned on cash held by the Company. Interest expense includes bank fees, financing charges, interest on loans and borrowing, accretion expense and the amortization of facility fees.

For the three months ended December 31, 2025, interest expense and interest income remained flat at $11.2 million and $0.6 million, respectively.

For the year ended December 31, 2025, interest expense was $42.5 million, a decrease of $8.0 million from $50.5 million primarily as a result of lower loans and borrowings balance outstanding during the period due to loan repayments. Interest income was $2.5 million, a decrease of $1.5 million from $4.0 million, from lower cash balances held during the period.

Income Tax Expense as compared to the same period in 2024:

For the three months ended December 31, 2025, income tax expense was $10.0 million on loss before income tax expense of $174.3 million compared to $15.5 million on income before income tax expense of $36.6 million. The effective tax rate was (5.7)% for the three months ended December 31, 2025 compared to 42.3%. Excluding the impairment of goodwill of $215.6 million for the three months ended December 31, 2025 and the one-time income tax expense of $8.1 million for the three months ended December 31, 2024, the effective tax rate was 24.1% compared to 20.2%. The effective tax rate increased primarily due to lower tax benefits in certain tax jurisdictrions.

For the year ended December 31, 2025, income tax expense was $21.3 million on loss before income tax expense of $127.2 million compared to $37.1 million on income before income tax expense of $119.0 million. The effective tax rate was (16.7)% for the year ended December 31, 2025 compared to 31.2%. Excluding the impairment of goodwill of $215.6 million for the year ended December 31, 2025 and a one-time income tax expense of $8.1 million for the year ended December 31, 2024, the effective tax rate was 24.1% compared to 24.4%.

Net (Loss) Income and Adjusted Net Income[1] as compared to the same period in 2024:

Net Loss for the three months ended December 31, 2025 was $184.3 million or $(1.85) per share, compared to Net Income of $21.1 million or $0.21 per share (diluted). Net Loss in the current year includes non-cash impairment of goodwill and intangible assets. Adjusted Net Income[1] for the three months ended December 31, 2025 was $42.3 million or $0.41 per share (diluted), compared to $57.4 million or $0.55 per share (diluted). The decline in Adjusted Net Income[1] was primarily driven by lower Adjusted Gross Profit[1], partially offset by lower marketing, distribution, selling and product development expenses.

Net Loss for the year ended December 31, 2025 was $148.5 million or $(1.46) per share, compared to Net Income of $81.9 million or $0.77 per share (diluted). Net Loss in the current year includes non-cash impairment of goodwill and intangible assets. Adjusted Net Income[1] for the year ended December 31, 2025 was $138.1 million or $1.33 per share (diluted), an decrease of $79.1 million from $217.2 million or $2.05 per share (diluted). The decline in Adjusted Net Income[1] was primarily driven by lower Adjusted Gross Profit[1], higher selling and marketing expenses, partially offset by lower distribution and administrative expenses.

Segmented Results

The Company's reportable segments are: Toys, Entertainment and Digital Games. The Company's results from operations by reportable segment for the three months ended December 31, 2025 and 2024 are as follows:

(US$ millions)	Q4 2025					Q4 2024				
	Toys	Entertain-ment	Digital Games	Corporate & Other[1]	Total	Toys	Entertain-ment	Digital Games	Corporate & Other [1]	Total
Revenue	**522.3**	**42.5**	**53.4**	**—**	**618.2**	**561.7**	**41.3**	**46.1**	**—**	**649.1**
Operating (Loss) Income	**(171.0)**	**14.3**	**3.0**	**(10.0)**	**(163.7)**	**31.7**	**19.7**	**(0.5)**	**(3.8)**	**47.1**
Adjusting items:										
Impairment of goodwill	215.6	—	—	—	215.6	10.0	—	2.9	—	12.9
Impairment of intangible assets	2.4	0.4	10.7	—	13.5	—	—	5.5	—	5.5
Transaction and integration costs	2.4	—	0.1	2.6	5.1	2.6	—	—	2.4	5.0
Foreign exchange loss (gain)	—	—	—	4.2	4.2	—	—	—	(4.7)	(4.7)
Amortization of intangible assets acquired	1.7	—	—	—	1.7	1.7	—	—	—	1.7
Impairment of property, plant and equipment	1.0	—	—	—	1.0	0.1	—	—	—	0.1
Acquisition related deferred incentive compensation	0.1	—	0.6	—	0.7	0.2	—	(1.3)	—	(1.1)
Restructuring and other related costs	—	(0.1)	0.3	—	0.2	1.7	0.1	2.1	—	3.9
Investment loss, net	—	—	—	0.2	0.2	—	—	—	0.1	0.1
Legal settlement expense	—	—	—	—	—	—	—	—	0.6	0.6
Share based compensation	(0.8)	(0.4)	(0.3)	0.4	(1.1)	5.1	0.5	0.6	1.4	7.6
Acquisition related deferred consideration	(1.2)	—	—	—	(1.2)	0.4	—	2.2	—	2.6
Gain on sale of asset	(9.8)	—	—	—	(9.8)	—	—	—	—	—
Adjusted Operating Income (Loss)[2]	**40.4**	**14.2**	**14.4**	**(2.6)**	**66.4**	**53.5**	**20.3**	**11.5**	**(4.0)**	**81.3**
Adjusted Operating Margin[2]	**7.7%**	**33.4%**	**27.0%**	**n.m.**	**10.7%**	**9.5%**	**49.2%**	**24.9%**	**n.m.**	**12.5%**
Depreciation and amortization[3]	21.2	19.3	4.4	—	44.9	22.7	6.0	3.9	—	32.6
Adjusted EBITDA[2]	**61.6**	**33.5**	**18.8**	**(2.6)**	**111.3**	**76.2**	**26.3**	**15.4**	**(4.0)**	**113.9**
Adjusted EBITDA Margin[2]	**11.8%**	**78.8%**	**35.2%**	**n.m.**	**18.0%**	**13.6%**	**63.7%**	**33.4%**	**n.m.**	**17.5%**

[1] Corporate & Other includes certain corporate costs (such as certain employee compensation, corporate social responsibility and professional services expenses), foreign exchange, acquisition related transaction costs, as well as investment income and loss.

[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[3] Depreciation and amortization for the calculation of Adjusted EBITDA excludes $1.7 million (Q4 2024 - $1.7 million) of amortization of intangible assets acquired with Melissa & Doug.

The Company's results from operations by reportable segment for the year ended December 31, 2025 and 2024:

(US$ millions)	Year Ended Dec 31, 2025					2024				
	Toys	Entertain-ment	Digital Games	Corporate & Other[1]	Total	Toys	Entertain-ment	Digital Games	Corporate & Other[1]	Total
Revenue	**1,768.7**	**145.2**	**199.0**	**—**	**2,112.9**	**1,939.9**	**158.6**	**164.5**	**—**	**2,263.0**
Operating (Loss) Income	**(132.5)**	**67.8**	**11.6**	**(34.1)**	**(87.2)**	**89.5**	**86.0**	**22.1**	**(32.1)**	**165.5**
Impairment of goodwill	215.6	—	—	—	215.6	10.0	—	2.9	—	12.9
Impairment of intangible assets	2.4	1.3	27.8	—	31.5	—	1.8	5.5	—	7.3
Transaction and integration costs	11.8	—	3.2	6.5	21.5	15.8	—	—	16.1	31.9
Restructuring and other related costs	10.8	0.7	2.5	0.7	14.7	6.6	0.3	3.2	—	10.1
Foreign exchange loss	—	—	—	14.5	14.5	—	—	—	(1.5)	(1.5)
Share based compensation	8.3	0.5	1.4	(1.9)	8.3	21.4	1.8	3.4	2.6	29.2
Amortization of intangible assets acquired[3]	7.0	—	—	—	7.0	7.0	—	—	—	7.0
Impairment of property, plant and equipment	3.3	—	—	—	3.3	0.5	—	—	—	0.5
Acquisition related deferred incentive compensation	0.8	—	1.8	—	2.6	1.8	—	0.6	—	2.4
Investment loss, net	—	—	—	1.6	1.6	—	—	—	0.9	0.9
Legal settlement recovery	—	—	—	—	—	—	0.4	—	—	0.4
Fair value adjustment for inventories acquired	—	—	—	—	—	66.3	—	—	—	66.3
Acquisition related deferred consideration	(2.1)	—	0.5	—	(1.6)	(1.3)	—	2.2	—	0.9
Gain on disposal of asset	(9.8)	—	—	—	(9.8)	—	—	—	—	—
Adjusted Operating Income (Loss)[2]	**115.6**	**70.3**	**48.8**	**(12.7)**	**222.0**	**217.6**	**90.3**	**39.9**	**(14.0)**	**333.8**
Adjusted Operating Margin[2]	**6.5%**	**48.4%**	**24.5%**	**n.m.**	**10.5%**	**11.2%**	**56.9%**	**24.3%**	**n.m.**	**14.8%**
Depreciation and amortization[3]	81.2	41.1	12.8	—	135.1	89.2	30.8	9.8	—	129.8
Adjusted EBITDA[2]	**196.8**	**111.4**	**61.6**	**(12.7)**	**357.1**	**306.8**	**121.1**	**49.7**	**(14.0)**	**463.6**
Adjusted EBITDA Margin[2]	**11.1%**	**76.7%**	**31.0%**	**n.m.**	**16.9%**	**15.8%**	**76.4%**	**30.2%**	**n.m.**	**20.5%**

[1] Corporate & Other includes certain corporate costs (such as certain employee compensation, corporate social responsibility and professional services expenses), foreign exchange, acquisition related transaction costs, as well as investment income and loss.

[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[3] Depreciation and amortization for the calculation of Adjusted EBITDA excludes $7.0 million (2024 - $7.0 million) of amortization of intangible assets acquired with Melissa & Doug.

Toys Segment Results

The following table provides a summary of Toys segment operating results for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Toy Gross Product Sales[1, 2]	627.4	660.0	(32.6)	(4.9) %
Toy Revenue	522.3	561.7	(39.4)	(7.0) %
Toys Operating (Loss) Income	(171.0)	31.7	(202.7)	(639.4) %
Toys Operating Margin	(32.7)%	5.6 %		(38.3) %
Toys Adjusted EBITDA[1]	61.6	76.2	(14.6)	(19.2) %
Toys Adjusted EBITDA Margin[1]	11.8 %	13.6 %		(1.8) %
Selected Cash Flow Data				
Toys capital expenditures	44.9	14.7	30.2	205.4 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Toy Gross Product Sales represents Toy Revenue excluding Sales Allowances.

Toy Revenue declined by $39.4 million to $522.3 million due to lower Toy Gross Product Sales[1] and higher markdowns and promotional activities to manage inventory levels and support sell-through. Constant Currency Toy Gross Product Sales[1] was $614.2 million, a decrease of 6.9%. Constant Current Toy Revenue was $512.9 million, a decrease of 8.7%

Toys Operating Loss was $171.0 million compared to Operating Income of $31.7 million. Toys Operating Margin was (32.7)% compared to 5.6%. The change was primarily driven by non-cash impairment of goodwill related to Melissa & Doug and lower Toy Revenue, partially offset by a decrease in SG&A expenses. The impairment of goodwill related to Melissa & Doug was due to revised cash flow projections for the Melissa & Doug CGU due to the ongoing global trade policy uncertainty and other macroeconomic headwinds.

Toys Adjusted EBITDA[1] was $61.6 million compared to $76.2 million. Toys Adjusted EBITDA Margin[1] was 11.8% compared to 13.6%. The decrease in Toys Adjusted EBITDA[1] and Toys Adjusted EBITDA Margin[1] was driven by lower Toy Revenue, partially offset by lower marketing and lower distribution expenses. Marketing expenses decreased due to a shift in timing as a result of higher investments in the first half of the year to support key brand initiatives and retailer program. Distribution expenses decreased due to inventory and warehouse optimization, partially offset by higher outbound transportation costs from increased domestic sales volumes.

Toys capital expenditures increased by $30.2 million to $44.9 million, mainly as a result of higher investments in leasehold improvements, computer software, moulds, dies and tools and computer hardware.

The following table provides a summary of the Toys segment's operating results for the year ended December 31, 2025 and 2024:

	Year Ended Dec 31,			
(US$ millions)	2025	2024	$ Change	% Change
Toy Gross Product Sales[1, 2]	2,054.8	2,231.5	(176.7)	(7.9) %
Toy Revenue	1,768.7	1,939.9	(171.2)	(8.8) %
Toys Operating Income	(132.5)	89.5	(222.0)	(248.0) %
Toys Operating Margin	(7.5)%	4.6 %		(12.1) %
Toys Adjusted EBITDA[1]	196.8	306.8	(110.0)	(35.9) %
Toys Adjusted EBITDA Margin[1]	11.1 %	15.8 %		(4.7) %
Selected Cash Flow and Balance Sheet Data				
Toys capital expenditures	95.9	45.6	50.3	110.3 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Toy Gross Product Sales represents Toy Revenue excluding Sales Allowances.

Toy Revenue declined by $171.2 million due to lower Toy Gross Product Sales[1] and higher promotional activities. The decline in Toy Gross Product Sales[1] was primarily due to global market uncertainties resulting in part from ongoing changes to tariff policies, including a continued slowdown in U.S. retailer orders.

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

Toys Operating Loss was $132.5 million compared to Operating Income of $89.5 million. Toys Operating Margin was (7.5)% compared to 4.6%. The decrease was driven by non-cash impairment of goodwill related to Melissa & Doug, lower Toy Revenue and higher selling expenses, partially offset by lower distribution expenses. In addition, Toys Operating Income in the prior year included $66.3 million of fair value adjustment for inventories acquired.

Toys Adjusted EBITDA[1] decreased by $110.0 million to $196.8 million due to lower Toy Revenue and higher selling expenses, partially offset by lower distribution expenses. Selling expenses increased due to higher partner licensed brands sales. Distribution expenses decreased due to inventory and warehouse optimization. Toys Adjusted EBITDA Margin[1] was 11.1% compared to 15.8% due to a decline in Toy Revenue resulting in lower operating leverage.

Toys capital expenditures increased by $50.3 million to $95.9 million, as a result of higher investments in leasehold improvements, computer software, and moulds, dies and tools.

Toy Revenue

For the three months ended December 31, 2025 as compared to the same period in 2024:

The following table provides a summary of Spin Master's Toy Revenue, including Toy Gross Product Sales[1] by product category, for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Preschool, Infant & Toddler and Plush	336.8	345.7	(8.9)	(2.6) %
Activities, Games & Puzzles and Dolls & Interactive	175.7	206.2	(30.5)	(14.8) %
Wheels & Action	107.1	91.7	15.4	16.8 %
Outdoor	7.8	16.4	(8.6)	(52.4) %
Toy Gross Product Sales[1]	**627.4**	**660.0**	**(32.6)**	**(4.9)%**
Sales Allowances[2]	(107.3)	(102.5)	(4.8)	4.7 %
Sales Allowances % of Toy Gross Product Sales[1]	*17.1 %*	*15.5 %*		1.6 %
Toy Net Sales	**520.1**	**557.5**	**(37.4)**	**(6.7)%**
Toy - Other Revenue	2.2	4.2	(2.0)	(47.6) %
Toy Revenue	**522.3**	**561.7**		

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

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

Preschool, Infant & Toddler and Plush decreased by $8.9 million to $336.8 million, primarily due to decreases in *Ms. Rachel* and *PAW Patrol,* partially offset by increases in *Gabby's Dollhouse* and sales of *Dora the Explorer*.

Activities, Games & Puzzles and Dolls & Interactive decreased by $30.5 million to $175.7 million, primarily due to decreases in *Hatchimals,* the Games & Puzzles portfolio, *Punirunes, Unicorn Academy* and *Rubik's,* partially offset by sales of *Primal Hatch*.

Wheels & Action increased by $15.4 million to $107.1 million, primarily due to increases in *DreamWorks Dragons, Monster Jam* and *Hex Bots,* partially offset by a decline in *Tech Deck*.

Outdoor decreased by $8.6 million to $7.8 million, driven by a decrease in *SwimWays*.

Sales Allowances increased by $4.8 million to $107.3 million. As a percentage of Toy Gross Product Sales[1], Sales Allowances increased to 17.1% from 15.5% driven by higher markdowns and promotional activities.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Revenue by Geographic Area

Toy Gross Product Sales[1] by geographical area are based on the location of the customers. The following table provides a summary of Spin Master's Toy Gross Product Sales[1] by geographic area for the three months ended December 31, 2025 and 2024:

	Q4 2025		Q4 2024		Change	
(US$ millions)	**$**	**% of GPS**	**$**	**% of GPS**	**$**	**% of GPS**
North America[1]	379.4	60.4 %	417.4	63.2 %	(38.0)	(2.8) %
Europe	179.8	28.7 %	172.2	26.1 %	7.6	2.6 %
Rest of World[1]	68.2	10.9 %	70.4	10.7 %	(2.2)	0.2 %
International	248.0	39.6 %	242.6	36.8 %	5.4	2.8 %
Toy Gross Product Sales[1]	**627.4**	**100.0 %**	**660.0**	**100.0 %**	**(32.6)**	
Sales Allowances	(107.3)	(17.1) %	(102.5)	(15.5) %	(4.8)	(1.6) %
Toy Net Sales	**520.1**		**557.5**		**(37.4)**	
Toy - Other Revenue	2.2		4.2		(2.0)	(47.6) %
Toy Revenue	**522.3**		**561.7**		**(39.4)**	

[1] Includes a reclassification between North America and Rest of World in the prior year comparatives for $10.4 million and $91.8 million for the three months and year ended December 31, 2024, respectively.

North America as a percentage of Toy Gross Product Sales[1] decreased to 60.4% compared to 63.2%. International sales, comprised of Europe and Rest of World, increased to 39.6% compared to 36.8%.

North America decreased by $38.0 million to $379.4 million. The decline was mainly driven by the Games & Puzzles portfolio, *Ms. Rachel*, *SwimWays*, *Hatchimals, PAW Patrol* and *Kinetic Sand,* partially offset by an increase in *Monster Jam* and sales of *Primal Hatch*.

Europe increased by $7.6 million to $179.8 million, which includes a favourable foreign exchange impact of $11.1 million. The increase was mainly driven by *DreamWorks Dragons,* sales of *Primal Hatch and Hex Bots*, partially offset by declines in *PAW Patrol, Hatchimals, Punirunes, Melissa & Doug, Tech Deck, Meccano* and *Unicorn Academy*.

Rest of World decreased by $2.2 million to $68.2 million, which includes a favourable foreign exchange impact of $2.2 million. The decrease was mainly driven by declines in *Hatchimals*, *Unicorn Academy, Punirunes, Tech Deck and Bitzee*, partially offset by increases in *DreamWorks Dragons, Monster Jam* and sales of *Primal Hatch*.

For the year ended December 31, 2025, as compared to the same period in 2024:

The following table provides a summary of Spin Master's Toy Revenue, including Toy Gross Product Sales[1] by product category, for the year ended December 31, 2025 and 2024:

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Preschool, Infant & Toddler and Plush	1,024.9	1,103.1	(78.2)	(7.1) %
Activities, Games & Puzzles and Dolls & Interactive	547.3	710.5	(163.2)	(23.0) %
Wheels & Action	430.5	361.0	69.5	19.3 %
Outdoor	52.1	56.9	(4.8)	(8.4) %
Toy Gross Product Sales[1]	**2,054.8**	**2,231.5**	**(176.7)**	**(7.9)%**
Sales Allowances[2]	(290.6)	(299.1)	8.5	(2.8) %
Sales Allowances % of Toy Gross Product Sales[1]	14.1 %	13.4 %		0.7 %
Toy Net Sales	**1,764.2**	**1,932.4**	**(168.2)**	**(8.7)%**
Toy - Other Revenue	4.5	7.5	(3.0)	(40.0) %
Toy Revenue	**1,768.7**	**1,939.9**		

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

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

Preschool, Infant & Toddler, Plush decreased by $78.2 million or 7.1% to $1,024.9 million, primarily driven by decreases in *PAW Patrol, Melissa & Doug* and *Gabby's Dollhouse,* partially offset by sales of *Dora the Explorer and* an increase in *Ms. Rachel*.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Activities, Games & Puzzles and Dolls & Interactive decreased by $163.2 million or 23.0% to $547.3 million, primarily due to decreases in *Hatchimals*, the Games & Puzzles portfolio, *Punirunes*, *Rubik's*, *Bitzee* and *Kinetic Sand,* partially offset by sales of *Primal Hatch*.

Wheels & Action increased by $69.5 million or 19.3% to $430.5 million, due to increases in *Dreamworks Dragons, DC* and *Hex Bots,* partially offset by decreases in *Tech Deck* and *Bakugan*.

Outdoor decreased by $4.8 million or 8.4% to $52.1 million, driven by a decrease in *SwimWays*.

Sales Allowances decreased by $8.5 million to $290.6 million. As a percentage of Toy Gross Product Sales[1], Sales Allowances increased to 14.1% compared to 13.4% driven by higher markdowns and promotional activities.

Revenue by Geographic Area

The following table provides a summary of Spin Master's Toy Gross Product Sales[1] by geographic area for the year ended December 31, 2025 and 2024:

	Year Ended Dec 31,				Change	
(US$ millions)	**2025**	**% of GPS**	**2024**	**% of GPS**	**$**	**% of GPS**
North America[1]	1,269.8	61.8 %	1,416.6	63.5 %	(146.8)	(1.7) %
Europe	553.5	26.9 %	560.9	25.1 %	(7.4)	1.8 %
Rest of World[1]	231.5	11.3 %	254.0	11.4 %	(22.5)	(0.1) %
International	785.0	38.2 %	814.9	36.5 %	(29.9)	1.7 %
Toy Gross Product Sales[2]	**2,054.8**	**100.0 %**	**2,231.5**	**100.0 %**	**(176.7)**	
Sales Allowances	(290.6)	14.1 %	(299.1)	13.4 %	8.5	0.7 %
Toy Net Sales	**1,764.2**		**1,932.4**		**(168.2)**	
Toy - Other Revenue	4.5		7.5		(3.0)	n.m.
Toy Revenue	**1,768.7**		**1,939.9**		**(171.2)**	

[1] Includes a reclassification between North America and Rest of World in the prior year comparatives for $10.4 million and $91.8 million for the three months and year ended December 31, 2024, respectively.

[2] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

North America as a percentage of Toy Gross Product Sales[1] decreased to 61.8% compared to 63.5%. International sales, comprised of the Europe and Rest of World, increased to 38.2% compared to 36.5%.

North America decreased by $146.8 million or 10.4% to $1,269.8 million. The decrease was driven by *Melissa & Doug*, *Hatchimals*, *PAW Patrol*, the Games & Puzzles portfolio*, Kinetic Sand, Rubik's and Tech Deck,* partially offset by an increase in *Dreamworks Dragons* and sales of *Primal Hatch and Dora the Explorer*.

Europe decreased by $7.4 million or 1.3% to $553.5 million, which includes a favourable foreign exchange impact of $19.4 million. The decrease was driven by declines in *PAW Patrol, Bitzee, Hatchimals, Punirunes* and *Tech Deck,* partially offset by an increase in *Dreamworks Dragons* and sales of *Primal Hatch*.

Rest of World decreased by $22.5 million or 8.9% to $231.5 million. The decrease was driven by declines in *Hatchimals*, *PAW Patrol*, *Gabby's Dollhouse, Tech Deck*, *Unicorn Academy* partially offset by an increase in *Dreamworks Dragons.*

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Toys Segment Trend Analysis

(US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Toy Gross Product Sales[1]	627.4	742.7	371.0	313.7	660.0	922.7	384.7	264.1
Toy Revenue	522.3	650.4	322.3	273.7	561.7	810.9	340.9	226.4
Toys Operating (Loss) Income	(171.0)	128.8	(39.7)	(50.6)	31.7	183.5	(34.9)	(90.8)
Toys Operating Margin	(32.7)%	19.8 %	(12.3)%	(18.5)%	5.6 %	22.6 %	(10.2)%	(40.1)%
Toys Adjusted EBITDA[1]	61.6	156.4	(0.7)	(20.5)	76.2	242.2	20.9	(32.5)
Toys Adjusted EBITDA Margin[1]	11.8 %	24.0 %	(0.2)%	(7.5)%	13.6 %	29.9 %	6.1 %	(14.4)%
Selected Cash Flow and Balance Sheet Data								
Toys capital expenditures	44.9	19.5	17.6	14.0	14.7	9.6	12.1	9.2
Moulds, dies and tools, net carrying amount[2]	23.7	23.5	28.2	23.5	22.7	24.9	26.8	23.4

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Net carrying amount represents balance as at end of the period.

Toy Revenue seasonality factors cause the Company's operating results to fluctuate from quarter to quarter. Toy Revenue is historically concentrated in the third and fourth quarters of each fiscal year, with the proportional Toys Operating Income earned and cash flows generated during the same period.

Additionally:

- Toy Gross Product Sales[1] in Q3 2024 was higher as a result of a shift in customer orders and shipments from the first half into the second half of 2024.
- Toys capital expenditures in Q4 2025 was higher due to investments in leasehold improvements, partially paid by proceeds from lease incentives of $15.2 million.
- Toys Operating Loss in Q4 2025 included non-cash impairment of goodwill and intangible assets primarily related to Melissa & Doug.

Entertainment Segment Results

The following table provides a summary of the Entertainment segment's operating results for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Entertainment Revenue	42.5	41.3	1.2	2.9 %
Entertainment Operating Income	14.3	19.7	(5.4)	(27.4)%
Entertainment Operating Margin	33.6 %	47.7 %		(14.1)%
Entertainment Adjusted Operating Income[1]	14.3	20.3	(6.0)	(29.6)%
Entertainment Adjusted Operating Margin[1]	33.4 %	49.2 %		(15.8)%
Selected Cash Flow Data				
Entertainment capital expenditures	14.6	9.7	4.9	50.5 %
Selected Balance Sheet Data	**Dec 31, 2025**	**Dec 31, 2024**	**$ Change**	**% Change**
Entertainment content development, net carrying amount	75.3	57.9	17.4	30.1 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Entertainment Revenue increased by $1.2 million to $42.5 million, driven by distribution revenue from higher volume of content deliveries, partially offset by lower ongoing distribution revenue from *PAW Patrol: The Mighty Movie* and licensing & merchandising revenue.

Entertainment Operating Income declined by $5.4 million to $14.3 million, primarily due to increased amortization of production costs from higher volume of content deliveries in the current year and lower ongoing distribution revenue from *PAW Patrol: The Mighty Movie*. Entertainment Operating Margin was 33.6% compared to 47.7%.

Entertainment Adjusted Operating Income[1] declined by $6.0 million to $14.3 million compared to $20.3 million. Entertainment Adjusted Operating Margin[1] was 33.4% compared to 49.2%, primarily due to the dilutive effect of higher volume of content deliveries in the current year and lower ongoing distribution revenue from *PAW Patrol: The Mighty Movie*.

Entertainment capital expenditures increased by $4.9 million to $14.6 million, as a result of higher content development production costs capitalized for *PAW Patrol: The Dino Movie, Vida the Vet, Unicorn Academy*.

The following table provides a summary of the Entertainment segment's operating results for the year ended December 31, 2025 and 2024:

	Year Ended Dec 31,			
(US$ millions)	**2025**	**2024**	**$ Change**	**% Change**
Entertainment Revenue	145.2	158.6	(13.4)	(8.4) %
Entertainment Operating Income	67.8	86.0	(18.2)	(21.2) %
Entertainment Operating Margin	46.7 %	54.2 %		(7.5) %
Entertainment Adjusted Operating Income[1]	70.3	90.3	(20.0)	(22.1) %
Entertainment Adjusted Operating Margin[1]	48.4 %	56.9 %		(8.5) %
Selected Cash Flow and Balance Sheet Data				
Entertainment capital expenditures	56.9	39.5	17.4	44.1 %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Entertainment Revenue decreased by $13.4 million or 8.4% to $145.2 million, primarily driven by lower ongoing distribution revenue from *PAW Patrol: The Mighty Movie*.

Entertainment Operating Income decreased by $18.2 million or 21.2% to $67.8 million, primarily driven by lower ongoing distribution revenue and increased amortization of production costs from higher volume of content deliveries in the current year. Entertainment Operating Margin was 46.7% compared to 54.2%.

Entertainment Adjusted Operating Income[1] decreased by $20.0 million to $70.3 million compared to $90.3 million. Entertainment Adjusted Operating Margin[1] was 48.4% compared to 56.9%, primarily driven by lower distribution revenue and the dilutive effect of higher volume of content deliveries in the current year.

Entertainment capital expenditures increased by $17.4 million to $56.9 million, as a result of higher content development production costs capitalized for *Vida the Vet, PAW Patrol: The Dino Movie, and Unicorn Academy* and higher investments in computer software.

Entertainment Segment Trend Analysis

(US$ millions)	**Q4 2025**	**Q3 2025**	**Q2 2025**	**Q1 2025**	**Q4 2024**	**Q3 2024**	**Q2 2024**	**Q1 2024**
Entertainment Revenue	42.5	32.8	32.1	37.8	41.3	37.1	36.4	43.8
Entertainment Operating Income	14.3	11.9	15.7	25.9	19.7	19.9	17.8	28.6
Entertainment Operating Margin	33.6 %	36.3 %	48.9 %	68.5 %	47.7 %	53.6 %	48.9 %	65.3 %
Entertainment Adjusted Operating Income[1]	14.2	12.2	17.7	26.1	20.3	20.9	20.0	29.1
Entertainment Adjusted Operating Margin[1]	33.4 %	37.2 %	55.1 %	69.0 %	49.2 %	56.3 %	54.9 %	66.4 %
Selected Cash Flow and Balance Sheet Data								
Entertainment capital expenditures	14.6	13.2	15.1	14.0	9.7	12.9	9.1	7.8
Entertainment content development, net carrying amount[2]	75.3	79.3	75.5	67.5	57.9	53.4	48.6	49.7

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Net carrying amount represents balance as at end of the period.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Entertainment segment results fluctuate from quarter to quarter as distribution and licensing & merchandising revenue are dependent on the number and timing of film and television programs delivered as well as the timing and level of success achieved of associated merchandise licensed in the market, which cannot be predicted with certainty.

Additionally:

- As at September 30, 2025, Entertainment content development, net carrying amount in intangibles assets increased due to the capitalized costs to produce *PAW Patrol: The Dino Movie, PAW Patrol* series and *Unicorn Academy*. *PAW Patrol: The Dino Movie* production will be delivered and amortized in the second half of 2026 and the *Unicorn Academy* production was delivered and amortized starting in Q4 2025.

Digital Games Segment Results

The following table provides a summary of the Digital Games segment's operating results for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change	% Change
Digital Games Revenue	53.4	46.1	7.3	15.8 %
Digital Games Operating Income (Loss)	3.0	(0.5)	3.5	(700.0)%
Digital Games Operating Margin	5.6 %	(1.1)%		6.7 %
Digital Games Adjusted Operating Income[1]	14.3	11.5	2.8	24.3 %
Digital Games Adjusted Operating Margin[1]	27.0 %	24.9 %		2.1 %
Selected Cash Flow Data				
Digital Games capital expenditures	6.9	8.1	(1.2)	(14.8)%
Selected Balance Sheet Data	**Dec 31, 2025**	**Dec 31, 2024**	**$ Change**	**% Change**
Digital game and app development, net carrying amount	41.8	46.3	(4.5)	(9.7)%

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Digital Games Revenue increased by $7.3 million to $53.4 million, driven by revenue generated from strategic distribution partnerships, higher in-game purchases in *Toca Boca World* from growth in user engagement, and higher subscription revenue from *Piknik*. Constant Currency Digital Games Revenue[1] was $52.2 million, an increase of 13.2%.

Digital Games Operating Income was $3.0 million, a change of $3.5 million from Digital Games Operating Loss of $0.5 million, primarily driven by revenue generated from strategic distribution partnerships, partially offset by higher non-cash impairment of digital game and app development assets.

Digital Games Operating Margin was 5.6% compared to (1.1)%.

Digital Games Adjusted Operating Income[1] increased by $2.8 million to $14.3 million, primarily due to revenue generated from strategic distribution partnerships.

Digital Games Adjusted Operating Margin[1] increased from 24.9% to 27.0%.

Digital Games capital expenditures decreased by $1.2 million to $6.9 million.

Digital game and app development, net carrying amount decreased by $4.5 million to $41.8 million, primarily as a result of impairment of *Toca Boca Days, Cubric,* and *Unicorn Academy,* partially offset by higher app development costs capitalized for *Toca Boca World* and *Piknik.*

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

The following table provides a summary of the Digital Games segment's operating results for the year ended December 31, 2025 and 2024:

(US$ millions)	Year Ended Dec 31, 2025	2024	$ Change	% Change
Digital Games Revenue	199.0	164.5	34.5	21.0 %
Digital Games Operating Income	11.6	22.1	(10.5)	(47.5) %
Digital Games Operating Margin	5.8 %	13.4 %		(7.6) %
Digital Games Adjusted Operating Income[1]	48.8	39.9	8.9	22.3 %
Digital Games Adjusted Operating Margin[1]	24.5 %	24.3 %		0.2 %
Selected Cash Flow and Balance Sheet Data				
Digital Games capital expenditures	31.4	32.5	(1.1)	(3.4) %

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Digital Games Revenue increased by $34.5 million or 21.0% to $199.0 million, driven by higher in-game purchases in *Toca Boca World* driven by higher user engagement and new content releases, revenue generated from strategic distribution partnerships, and continued growth in subscriptions in *Piknik*.

Digital Games Operating Income decreased by $10.5 million to $11.6 million and Digital Games Operating Margin decreased from 13.4% to 5.8%, primarily due to higher impairment for digital game and app development assets and higher marketing expenses related to paid user acquisition costs across the portfolio, partially offset by the increase in Digital Games Revenue. The impairment reflects a strategic decision to streamline the Digital Games business and concentrate investments in core areas with long-term growth potential.

Digital Games Adjusted Operating Income[1] increased by $8.9 million to $48.8 million and Digital Games Adjusted Operating Margin[1] increased from 24.3% to 24.5%, primarily due to revenue generated from strategic distribution partnerships, partially offset by higher marketing expenses related to paid user acquisition costs across the Digital Games portfolio to drive the increase in Digital Games Revenue.

Digital Games capital expenditures were $31.4 million compared to $32.5 million, an decrease of $1.1 million, primarily driven by higher app development costs capitalized for *Toca Boca World* and *Piknik.*

Digital Games Segment Trend Analysis

(US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Digital Games Revenue	53.4	51.5	46.3	47.8	46.1	37.7	34.7	46.0
Digital Games Operating Income (Loss)	3.0	15.9	(15.5)	8.2	(0.5)	5.1	4.3	13.2
Digital Games Operating Margin	5.6 %	30.9 %	(33.5)%	17.2 %	(1.1)%	13.5 %	12.4 %	28.7 %
Digital Games Adjusted Operating Income[1]	14.4	17.3	7.7	9.5	11.5	7.3	5.9	15.2
Digital Games Adjusted Operating Margin[1]	27.0 %	33.6 %	16.6 %	19.9 %	24.9 %	19.4 %	17.0 %	33.0 %
Selected Cash Flow and Balance Sheet Data								
Digital Games capital expenditures	6.9	8.2	8.6	7.7	8.1	7.7	8.8	7.9
Digital game and app development, net carrying amount[2]	41.8	48.0	44.1	54.2	46.3	50.6	43.5	36.4

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Net carrying amount represents balance as at the end of the period.

Digital Games Revenue tracks the play patterns of its target audience. For games that have a target audience of ages 6-12, the traditional seasonality peaks in both engagement and revenue during school holidays. Digital Games Revenue is typically higher during traditional vacation periods and when new content is launched in each fiscal year, with proportionate Digital Games Operating Income and cash flows generated during the same period. Digital Games Operating Income and Digital Games Adjusted Operating Margin[1] fluctuate between quarters due to the timing of product development and personnel-related costs. Quarters with higher Digital Games Revenue will also drive operating leverage, leading to higher Operating Margins.

Additionally:

- Digital Games Revenue from Q4 2024 to Q4 2025 was higher compared to historical quarters driven by the increase in paid user acquisition investments and revenue generated from strategic distribution partnerships.
- In Q2 2025, development for *Toca Boca Days* was discontinued, and in Q4 2025, development for *Cubric* and *Unicorn Academy* were discontinued, as part of a strategic decision to streamline the Digital Games business and concentrate investments in core areas with long-term growth potential. This resulted in a $17.1 million and $10.7 million of impairment for digital game and app development assets in Q2 2025 and Q4 2025, respectively.

Corporate & Other for the three months and year ended December 31, 2025 as compared to the same period in 2024:

For the three months ended December 31, 2025, Operating Loss for Corporate & Other was $10.0 million compared to $3.8 million, an increase of $6.2 million primarily related to changes in foreign exchange. Adjusted Operating Loss[1] was $2.6 million compared to $4.0 million.

For the year ended December 31, 2025, Operating Loss was $34.1 million compared to $32.1 million, an increase of $2.0 million, primarily related to decreases in transaction and integration expenses and shared based compensation, partially offset by changes in foreign exchange. Adjusted Operating Loss[1] was $12.7 million compared to $14.0 million.

INVESTMENTS AND ACQUISITIONS

Spin Master Ventures

Spin Master Ventures' focus is to accelerate growth by making investments in companies operating in each of the Company's three creative centres comprising Toys, Entertainment and Digital Games. As at December 31, 2025, the carrying value of investment in associate, minority interest investments, and portfolio investment was $17.2 million.

Acquisition of Lylli AB

On October 8, 2025, the Company completed the acquisition of 100% of the shares of Lylli AB ("Lylli"), a Sweden-based digital reading and storytelling company. Management performed an analysis under IFRS 3, Business Combinations ("IFRS 3") and has determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. The acquired business has been reported in the Digital Games segment and included in the Digital Games cash-generating unit ("CGU") beginning from the date of acquisition.

The purchase consideration of $16.0 million is comprised of $12.7 million of cash consideration and $3.3 million of contingent consideration related to the estimated fair value of certain performance metrics. The contingent consideration is recorded in provisions and contingent liabilities in the Consolidated statements of financial position.

The total purchase consideration of $16.0 million has been allocated as follows: $4.8 million to intangible assets with the remainder of $11.2 million allocated to goodwill.

The Company incurred $0.2 million in transaction related costs which were included in administrative expenses in the Consolidated statements of (loss) earnings and comprehensive (loss) earnings.

The preliminary purchase price allocation is based on management's best estimates of fair value. The actual allocation to certain identifiable net assets could vary as the purchase price allocation is finalized. The Company has one year to finalize the fair value of intangible assets, deferred income tax assets and goodwill. The tables below summarize the purchase price allocation of the purchase consideration of $16.0 million:

Assets acquired at the date of acquisition

(US$ millions)	Fair value as at Oct 8, 2025
Assets acquired	
Intangible assets	4.8
Fair value of identifiable net assets acquired	**4.8**

Goodwill arising on acquisition

Purchase consideration	16.0
Fair value of identifiable net assets acquired	4.8
Goodwill arising from transaction	**11.2**

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, $11.2 million of goodwill is not expected to be deductible for income tax purposes.

Net cash outflow on acquisition

Cash consideration	12.7
Net cash outflow on acquisition	**12.7**

Impact of acquisition on the results of the Company

Included in the Company's financial results for the year ended December 31, 2025 is $0.3 million in revenue attributable to the acquisition.

Prior year acquisition

Acquisition of MND Holdings I Corp

On January 2, 2024, the Company, through its subsidiaries, completed the acquisition of all issued and outstanding capital stock of MND Holdings I Corp ("Melissa & Doug"). Melissa & Doug is a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. Management performed an analysis under IFRS 3 and has determined that the assets and processes acquired comprised a business and accounted for the transaction as a business combination using the acquisition method of accounting. The addition of Melissa & Doug complements the Company's existing offering by adding complementary early childhood products and further diversifies its portfolio across new channels and formats. This acquisition has been reported in the Toys segment within the Preschool, Infant & Toddler and Plush product category and included in the Melissa & Doug CGU beginning from the date of acquisition.

On January 2, 2024, cash consideration paid was $991.7 million, which includes $36.2 million in cash acquired, resulting in net purchase consideration of $955.5 million. During the year ended December 31, 2024, the purchase consideration was reduced by $2.6 million for working capital adjustments, resulting in purchase consideration of $989.1 million. The purchase consideration was allocated to the identifiable intangible assets based on their estimated fair values of $536.2 million (related to brands and customer relationships), tangible assets of $501.4 million and assumed liabilities of $263.9 million with the remaining $215.4 million allocated to goodwill. The Company funded the acquisition with $466.7 million cash and $525.0 million of debt. The debt was sourced through a drawdown of $300.0 million from the Facility and $225.0 million from the Acquisition Facility.

The purchase price allocation is based on management's best estimates of fair value. The tables below summarize the final purchase price allocation of the purchase consideration of $989.1 million:

Assets acquired and liabilities assumed at the date of acquisition

(US$ millions)	Fair value as at Jan 2, 2024
Assets acquired	
Cash	36.2
Restricted Cash	3.1
Inventories, net	179.6
Prepaid expenses and other assets	3.0
Trade receivables, net	104.7
Deferred income tax assets	50.5
Intangible assets	536.2
Other assets	1.2
Property, plant and equipment	37.1
Right-of-use assets	86.0
	1,037.6
Liabilities assumed	
Trade payables and accrued liabilities	39.6
Deferred income tax liabilities	161.6
Lease liabilities	61.2
Income tax payable	0.7
Provision	0.8
	263.9
Fair value of identifiable net assets acquired	**773.7**

Goodwill arising on acquisition

Purchase consideration	989.1
Fair value of identifiable net assets acquired	773.7
Goodwill arising from transaction	**215.4**

Goodwill impairment of $215.4 million and an indefinite life brand impairment of $1.6 million were recognized for the year ended December 31, 2025.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table provides selected historical information and other data, which should be read in conjunction with the annual financial statements and current and past interim financial statements.

(in US$ millions, except EPS)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	618.2	734.7	400.7	359.3	649.1	885.7	412.0	316.2
Operating (Loss) Income	(163.7)	151.0	(52.4)	(22.1)	47.1	203.2	(23.0)	(61.8)
Operating Margin	(26.5)%	20.6 %	(13.1)%	(6.2)%	7.3 %	22.9 %	(5.6)%	(19.5)%
Adjusted Operating Income (Loss)[1]	66.4	162.4	(0.9)	(5.9)	81.3	243.4	23.6	(14.5)
Adjusted Operating Margin[1]	10.7 %	22.1 %	(0.2)%	(1.6)%	12.5 %	27.5 %	5.7 %	(4.6)%
Net (Loss) Income	(184.3)	106.8	(46.5)	(24.5)	21.1	140.1	(24.5)	(54.8)
Basic EPS	$(1.85)	$1.06	$(0.46)	$(0.24)	$0.21	$1.36	$(0.24)	$(0.53)
Diluted EPS	$(1.85)	$1.03	$(0.46)	$(0.24)	$0.20	$1.32	$(0.24)	$(0.53)
Adjusted EBITDA[1]	111.3	195.5	28.7	21.6	113.9	277.5	53.6	18.6
Adjusted EBITDA Margin[1]	18.0 %	26.6 %	7.2 %	6.0 %	17.5 %	31.3 %	13.0 %	5.9 %
Adjusted Net Income (Loss)[1]	42.3	115.2	(7.4)	(12.0)	57.4	169.7	9.6	(19.5)
Adjusted Basic EPS[1]	$0.43	$1.14	$(0.07)	$(0.12)	$0.56	$1.65	$0.09	$(0.19)
Adjusted Diluted EPS[1]	$0.41	$1.11	$(0.07)	$(0.12)	$0.55	$1.60	$0.09	$(0.19)
Selected Balance Sheet and Cash Flow								
Cash	104.6	127.9	128.0	152.7	233.5	114.2	154.6	205.5
Cash provided by operating activities	194.3	62.6	26.1	24.8	203.4	74.9	25.4	24.3
Cash used in investing activities	(79.3)	(42.7)	(43.1)	(36.6)	(30.5)	(30.2)	(27.4)	(980.4)
Free Cash Flow[1]	128.0	21.6	(15.2)	(10.8)	175.0	44.7	(3.6)	(0.6)

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

The seasonality factors outlined in the Toys, Entertainment and Digital Games segment trend analysis have the following impact on the Company's results from quarter to quarter:

- Revenue, Operating Income (Loss), Net Income (Loss), and cash flows generated are significantly affected by the seasonality factors of the Toys segment which experiences a higher concentration historically in the third and fourth quarters of each fiscal year.
- Quarters with higher cash used in investing activities reflect higher capital expenditures across the operating segments as well as periods with investment or acquisition related activity.
    - In Q1 2024, the Company acquired all of the issued and outstanding capital stock in Melissa & Doug for total cash consideration of $991.7 million, including $36.2 million of cash acquired, which was funded with $466.7 million in cash and $525.0 million of debt.
    - In Q4 2025, the Company acquired all of the issued and outstanding capital stock in Lylli for total cash consideration of $12.7 million.
- Operating Income (Loss) from Q1 2024 to Q3 2024 included fair value adjustments for inventories acquired, amortization of intangible assets acquired, and higher transaction and integration costs due to the acquisition of Melissa & Doug on January 2, 2024.
- Operating Loss in Q4 2025 included goodwill impairment of $215.4 million related to the Melissa & Doug CGU.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2025, the Company held $104.6 million of cash (December 31, 2024 - $233.5 million).

As at December 31, 2025, the Company's available liquidity of $566.9 million was comprised of $104.6 million in cash and $462.3 million under the Company's committed credit facilities.

The Company has a committed unsecured revolving credit facility (the "Facility") with a borrowing capacity of $510.0 million 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. On June 27, 2025, the Company entered into an agreement to amend its existing Facility, which now matures on June 27, 2030. Total financing costs of $3.2 million, which include Facility amendment fees and related legal fees, are offset in Loans and borrowings and are being amortized over the term of the amended and restated agreement.

The Company has a non-revolving credit facility (the "Acquisition Facility") for the acquisition of Melissa & Doug with a borrowing capacity of $225.0 million, which contains certain financial covenants. On June 27, 2025, the Company entered into an agreement to amend its existing Acquisition Facility, which now matures on June 27, 2027. The Acquisition Facility was used to fund the acquisition of Melissa & Doug. Total financing costs of $1.2 million, which include facility arranger fees, agency fees and related legal fees, are offset in Loans and borrowings and are being amortized over the term of the Acquisition Facility.

As at December 31, 2025, there were $5.7 million (December 31, 2024 - $4.8 million) in letters of credit outstanding under the Facility.

During the year ended December 31, 2025, the Company drew $55.0 million and repaid $178.0 million (2024 - $135.0 million) of the Facility. As at December 31, 2025, there was $42.0 million outstanding (December 31, 2024 - $165.0 million) under the Facility and $225.0 million outstanding (December 31, 2024 - $225.0 million) under the Acquisition Facility.

For the year ended December 31, 2025, the weighted average interest rates on the Facility and Acquisition Facility were 5.8% and 5.6%, respectively (2024 - 6.5% and 6.5%).

The Facility and the Acquisition Facility bear interest at variable rates. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in short term rates. The Company has the following outstanding interest rate swaps (refer to "Financial Instruments" for details):

(US$ millions)		**Dec 31, 2025**	**Dec 31, 2024**
Effective date	**Contract expiry**	**Notional value**	**Notional Amount**
Apr 01, 2024	Sep 30, 2025	—	35.0
Apr 01, 2024	Dec 31, 2025	—	35.0
Sep 29, 2025	Jun 27, 2027	35.0	—
Dec 31, 2025	Dec 31, 2027	15.0	—
Dec 31, 2025	Dec 31, 2028	10.0	—
Dec 31, 2025	Dec 31, 2029	10.0	—
Total		**70.0**	**70.0**

The Company has an uncommitted overdraft facility agreement (the "European Facility") for €15.0 million (equivalent to $17.6 million). The European Facility will be used, if needed, to fund working capital requirements in Europe. As at December 31, 2025, the outstanding balance was $nil (December 31, 2024 - $nil).

The Company has an uncommitted revolving credit facility to finance television and film production (the "Production Facility"). The limit of the Production Facility is C$10.0 million (equivalent to $7.4 million). As at December 31, 2025, the outstanding balance of the Production Facility was $nil (December 31, 2024 - $nil).

The Company's primary source of liquidity is cash flow from operations. The Company's primary working capital needs are related to inventory purchasing and accounts payable funding. Capital expenditures comprise of purchases for Toys tooling, Entertainment content production, Digital Games development, IT and computer software investments and to fund strategic acquisitions and minority investments. 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 in anticipation of peak shipments to customers in the third quarter. Toy revenue is historically concentrated in the second half of the year due to seasonal demand

patterns, with a large percentage of retail sales occurring between October and December for the holiday season. The Company's cash flows from operating activities are typically at their highest levels in the second half of the year.

Cash flows from operations could be negatively impacted by lower demand for the Company's products, which may result from factors such as adverse economic conditions and changes in 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 declaration and payment of dividends on the Company's subordinate voting shares and multiple voting shares and the amount thereof are at the discretion of the Company's Board of Directors, which considers the Company's financial results, capital requirements, available cash flows, future prospects of the Company's business and other factors considered relevant from time to time. Subsequent to December 31, 2025, the Company declared a quarterly dividend of C$0.12 per outstanding subordinate voting share and multiple voting share, payable on April 10, 2026.

The Company expects that cash on hand, future operating cash flows and the amount available under its committed credit facilities are sufficient to finance capital expenditures and ongoing business requirements over the next 12 months. The Company continually assesses its liquidity needs. In addition, in order to manage its capital allocation, the Company may adjust the quantum of dividends paid to shareholders or whether dividends are paid at all, purchase shares for cancellation under its NCIB program, issue new shares or issue or repay borrowings to ensure sufficient liquidity is available to support its financial obligations, and to execute its operating and strategic plan. The Company may also adjust its capital structure considering changes in economic conditions, utilize short-term funding sources to manage its seasonal working capital requirements and long-term funding sources to manage the long-term capital investments of the business.

Short Form Base Shelf Prospectus

The Company filed a short form base shelf prospectus dated April 12, 2024, pursuant to which, for a period of 25 months thereafter, the Company (and, in the case of subordinate voting shares, shareholders of the Company) may sell 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.

Capital and Investment Framework

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 expenditures are generally comprised of the purchase of tooling used in the manufacturing process of toys, entertainment content production and digital games development.

Over the long term, the Company plans to use its cash on hand, cash from operations and its facilities 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, minority investments, and capital investments.

CASH FLOW

The following table provides a summary of Spin Master's consolidated cash flows for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change
Net cash flows provided by operating activities	194.3	203.4	(9.1)
Net cash flows used in investing activities	(79.3)	(30.5)	(48.8)
Net cash flows (used in) provided by financing activities	(137.9)	(49.5)	(88.4)
Net decrease in cash (excluding the effect of foreign currency exchange rate changes on cash)	**(22.9)**	**123.4**	**(146.3)**
Effect of foreign currency exchange rate changes on cash	(0.4)	(4.1)	3.7
Cash, beginning of period	127.9	114.2	13.7
Cash, end of period	**104.6**	**233.5**	**(128.9)**

The following table provides a summary of Spin Master's consolidated cash flows for the year ended December 31, 2025 as compared to the same period in 2024:

	Year Ended Dec 31,		
(US$ millions)	**2025**	**2024**	**$ Change**
Net cash flows provided by operating activities	307.8	328.0	(20.2)
Net cash flows used in investing activities	(201.7)	(1,068.5)	866.8
Net cash flows (used in) provided by financing activities	(231.6)	270.2	(501.8)
Net decrease in cash (excluding the effect of foreign currency exchange rate changes on cash)	**(125.5)**	**(470.3)**	**344.8**
Effect of foreign currency exchange rate changes on cash	(3.4)	(1.9)	(1.5)
Cash, beginning of the year	233.5	705.7	(472.2)
Cash, end of the year	**104.6**	**233.5**	**(128.9)**

Operating Activities as compared to the same period in 2024:

Cash flows provided by operating activities were $194.3 million for the three months ended December 31, 2025 compared to $203.4 million driven by changes in non-cash working capital, partially offset by changes in non-cash provisions and other assets and higher income taxes received. Changes in non-cash working capital increased by $90.0 million as compared to an increase of $126.8 million, due to changes in trade receivables and other receivables, partially offset by changes in trade payables and accrued liabilities.

Cash flows provided by operating activities were $307.8 million for the year ended December 31, 2025 compared to $328.0 million driven by lower Net Income, adjusted for non-cash items, partially offset by changes in other provisions and other assets, lower income taxes and interest paid and changes in non-cash working capital. Changes in non-cash working capital increased by $40.8 million as compared to an increase of $24.9 million.

The following table provides a summary of Spin Master's net changes in non-cash working capital for the year ended December 31, 2025 as compared to the same period in 2024:

	Year Ended Dec 31,		
(US$ millions)	**2025**	**2024**	**$ Change**
(Increase) decrease in:			
Trade receivables, net	(9.3)	19.8	(29.1)
Other receivables	(2.8)	5.0	(7.8)
Inventories, net[1]	35.0	26.6	8.4
Prepaid expenses and other assets	5.2	(0.8)	6.0
	28.1	**50.6**	**(22.5)**
Increase (decrease) in:			
Trade payables and accrued liabilities	9.3	(39.3)	48.6
Deferred revenue	9.5	11.0	(1.5)
Provisions	(6.1)	2.6	(8.7)
	12.7	**(25.7)**	**38.4**
Net changes in non-cash working capital	**40.8**	**24.9**	**15.9**

[1] Excludes fair value adjustment to Melissa & Doug's inventory of $66.3 million recorded as part of the acquisition on January 2, 2024.

Net Working Capital[1]

The table below outlines key financial information pertaining to the Company's Net Working Capital[1]:

(US$ millions)	Dec 31, 2025	Dec 31, 2024	$ Change	% Change
Trade receivables, net[1]	508.1	499.4	8.7	1.7 %
Other receivables[2]	71.5	54.9	16.6	30.2 %
Inventories, net[3]	149.7	184.7	(35.0)	(18.9) %
Prepaid expenses and other assets	44.3	48.7	(4.4)	(9.0) %
Current assets	**773.6**	**787.7**	**(14.1)**	**(1.8)%**
Trade payables	239.6	224.2	15.4	6.9 %
Accrued liabilities[4]	196.4	205.3	(8.9)	(4.3) %
Deferred revenue	31.5	22.0	9.5	43.2 %
Provisions	22.9	24.7	(1.8)	(7.3) %
Current liabilities	**490.4**	**476.2**	**14.2**	**3.0 %**
Net Working Capital[5]	**283.2**	**311.5**	**(28.3)**	**(9.1)%**

[1] Trade receivables are net of allowance for doubtful accounts and provisions for Sales Allowances. Refer to Note 11 of the annual financial statements.

[2] Other receivables include investment tax credits receivable, royalties, sales tax and other balances. Refer to Note 11 of the annual financial statements.

[3] Inventories are net of write-downs. Refer to Note 12 of the annual financial statements.

[4] Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax, dividends payable, accrued liability for the automatic share purchase plan, restructuring liability and other balances.

[5] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Net Working Capital[1] decreased by $28.3 million to $283.2 million at December 31, 2025 compared to December 31, 2024.

Trade receivables, net, increased by $8.7 million to $508.1 million at December 31, 2025, driven by change in customer mix of Toy revenue in the fourth quarter.

Other receivables increased by $16.6 million to $71.5 million at December 31, 2025, driven by increases in investment tax credits receivable and receivables from the sale of a certain trademark.

Inventories, net, decreased by $35.0 million to $149.7 million at December 31, 2025, due to continuing focus on optimizing inventory levels and lower freight costs, partially offset by higher cost of inventories related to tariffs.

Trade payables and accrued liabilities increased by $6.5 million to $436.0 million at December 31, 2025, driven by the timing of purchasing activity and payments.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

Investing Activities as compared to the same period in 2024:

The following table provides a summary of Spin Master's consolidated cash flows used in investing activities for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change
Property, plant and equipment			
Land, building and leasehold improvements[1]	27.0	1.3	25.7
Moulds, dies and tools	6.3	4.9	1.4
Equipment	(2.0)	0.6	(2.6)
Computer hardware	3.8	2.1	1.7
Total property, plant and equipment	**35.1**	**8.9**	**26.2**
Intangible assets			
Entertainment content and Digital game and app development	21.3	18.5	2.8
Computer software	9.9	5.1	4.8
Total intangible assets	**31.2**	**23.6**	**7.6**
Total capital expenditures	**66.3**	**32.5**	**33.8**
Business acquisitions, net of cash acquired	12.7	—	12.7
Minority interest investments and portfolio investments, net of investment distribution income	0.3	1.1	(0.8)
Change in restricted cash	—	(3.1)	3.1
Cash used in investing activities	**79.3**	**30.5**	**48.8**

[1] Leasehold improvements are paid by proceeds from lease incentives of $15.2 million.

Cash used in investing activities was $79.3 million for the three months ended December 31, 2025 compared to $30.5 million primarily as a result of higher capital expenditures related to investments in leasehold improvements, computer software, Entertainment content and the acquisition of Lylli.

The following table provides a summary of Spin Master's consolidated cash flows used in investing activities for the year ended December 31, 2025 as compared to the same period in 2024:

	Year Ended Dec 31,		
(US$ millions)	**2025**	**2024**	**$ Change**
Property, plant and equipment			
Moulds, dies and tools	26.2	22.8	3.4
Land, building and leasehold improvements[1]	35.1	2.7	32.4
Equipment	2.3	2.7	(0.4)
Computer hardware	7.6	5.8	1.8
Total property, plant and equipment	**71.2**	**34.0**	**37.2**
Intangible assets			
Entertainment content and Digital Games development	84.1	75.3	8.8
Computer software	25.8	8.3	17.5
Intellectual property	3.1	—	3.1
Total intangible assets	**113.0**	**83.6**	**29.4**
Total capital expenditures	**184.2**	**117.6**	**66.6**
Business acquisitions	12.7	952.9	(940.2)
Change in restricted cash	—	(3.1)	3.1
Minority interest investments and portfolio investments, net of investment distribution income	4.8	1.1	3.7
Cash used in investing activities	**201.7**	**1,068.5**	**(866.8)**

[1] Leasehold improvements are paid by proceeds from lease incentives of $15.2 million.

For the year ended December 31, 2025, cash used in investing activities was $201.7 million compared to $1,068.5 million. The decrease was primarily related to the acquisition of Melissa & Doug in the prior year, partially offset by higher capital expenditures related to investments in leasehold improvements, computer software, Entertainment content, moulds, dies and tools and intellectual property.

Financing Activities as compared to the same period in 2024:

Cash flows used in financing activities were $137.9 million for the three months ended December 31, 2025 compared to $49.5 million, driven by repayment of $148.0 towards the Facility (2024 - $20.0 million), lease payments of $2.7 million (2024 - $9.4 million) and shares repurchased under the Company's NCIB for $6.7 million (2024 - $7.8 million), partially offset by proceeds of $30.0 million from the Facility (2024 - nil).

Cash flows used in financing activities were $231.6 million for the year ended December 31, 2025 compared to cash provided by financing activities of $270.2 million, mainly due to proceeds of $55.0 million from the Facility (2024 - $525.0 million to finance the Melissa & Doug Acquisition), repayment of $178.0 million towards the Facility (2024 - $135.0 million) and dividends payments of $34.7 million (2024 - $27.5 million), partially offset by lease payments of $25.6 million (2024 - $37.8 million) and shares repurchased under the Company's NCIB for $46.6 million (2024 - $54.5 million.

Free Cash Flow[1] as compared to the same period in 2024:

The following table provides a reconciliation of Spin Master's consolidated Free Cash Flow[1] to cash from operating activities and cash used in investing activities for the three months ended December 31, 2025 and 2024:

(US$ millions)	Q4 2025	Q4 2024	$ Change
Cash provided by operating activities	194.3	203.4	(9.1)
Cash used in investing activities	(79.3)	(30.5)	(48.8)
Add:			
Business acquisitions, net of cash acquired	12.7	—	12.7
Investments[2]	0.3	2.1	(1.8)
Free Cash Flow[1]	**128.0**	**175.0**	**(47.0)**

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Includes investment in associate, portfolio investments, and minority interest investments.

Free Cash Flow[1] was $128.0 million for the three months ended December 31, 2025 compared to $175.0 million, a decrease of $47.0 million. Free Cash Flow[1] decreased due to higher investment in leasehold improvements, computer software, and Entertainment content.

The following table provides a reconciliation of Spin Master's consolidated Free Cash Flow[1] to cash from operating activities and cash used in investing activities for the year ended December 31, 2025 as compared to the same period in 2024:

	Year Ended Dec 31,		
(US$ millions)	**2025**	**2024**	**$ Change**
Cash flows provided by operating activities	307.8	328.0	(20.2)
Cash flows used in investing activities	(201.7)	(1,068.5)	866.8
Add:			
Business acquisitions, net of cash acquired	12.7	952.9	(940.2)
Investments[2]	4.8	3.1	1.7
Free Cash Flow[1]	**123.6**	**215.5**	**(91.9)**

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

[2] Includes investment in associate, portfolio investments, and minority interest investments.

For the year ended December 31, 2025, Free Cash Flow[1] was $123.6 million compared to $215.5 million, a decrease of $91.9 million. Free Cash Flow[1] decreased primarily due to lower Net Income, adjusted for non-cash items and higher capital expenditures related to investments in leasehold improvements, computer software, Entertainment content, moulds, dies and tools, partially offset by changes in non-cash working capital, changes in other assets and provisions and lower income tax and interests paid.

[1] Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures".

2026 Outlook

For the full year 2026, the Company expects:

- Revenue: stable to low single digit percentage growth compared to 2025.
- Adjusted EBITDA[1]: mid to high single digit percentage growth compared to 2025.

CONTRACTUAL OBLIGATIONS & 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 intellectual properties 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.

The following table summarizes Spin Master's contractual commitments and obligations as at December 31, 2025, which are primarily for the leasing of offices and related office equipment and minimum guarantees due to licensors. The leases have terms of between one and twenty years (including renewal periods) and minimum guarantees to licensors are primarily due within 24 months.

(US$ millions)	<1 Year	1-5 Years	> 5 Years	Total
Loans and borrowings	267.0	—	—	267.0
Lease obligations - undiscounted	34.3	120.4	98.1	252.8
Guaranteed payments due to licensors	33.7	14.0	—	47.7
Purchase commitments	29.3	6.4	—	35.7
Total obligations and commitments	**364.3**	**140.8**	**98.1**	**603.2**

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have 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 March 4, 2026, there were 100.2 million shares outstanding comprised of 68.5 million multiple voting shares and 31.7 million subordinate voting shares.

As of March 4, 2026, pursuant to grants under the Company's Long-Term Incentive Plan, 1.4 million subordinate voting shares were issuable under outstanding Restricted Share Units, up to 1.5 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.

The following table provides a summary of dividends declared and paid for the year ended December 31, 2025 and 2024.

Declaration Date	Record Date	Payment Date	Dividend per Share (C$)	Dividends declared and paid (in US$ millions)[1]
Mar 4, 2026	Mar 27, 2026	Apr 10, 2026	0.12	—
Oct 29, 2025	Dec 24, 2025	Jan 9, 2026	0.12	8.8
Jul 30, 2025	Sep 26, 2025	Oct 10, 2025	0.12	8.7
Apr 30, 2025	Jun 27, 2025	Jul 11, 2025	0.12	8.9
Feb 24, 2025	Mar 28, 2025	Apr 11, 2025	0.12	8.5
Jul 30, 2024	Sep 27, 2024	Oct 11, 2024	0.12	9.1
Jul 30, 2024	Sep 27, 2024	Oct 11, 2024	0.12	9.1
May 7, 2024	Jun 28, 2024	Jul 12, 2024	0.12	9.1
Feb 28, 2024	Mar 29, 2024	Apr 12, 2024	0.06	4.6
Nov 1, 2023	Dec 29, 2023	Jan 12, 2024	0.06	4.6

1 Dividends declared on March 4, 2026 will be accrued on record date of March 27, 2026.

During the year ended December 31, 2025, dividends of $34.7 million (2024 - $27.5 million) were paid.

Normal Course Issuer Bid

On February 28, 2024, the Company launched, and the Toronto Stock Exchange ("TSX") accepted the notice to launch, a Normal Course Issuer Bid ("NCIB"). Under this NCIB, the Company was able to repurchase (and cancel) its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws and the rules of the TSX. This NCIB commenced on March 4, 2024, and was scheduled to end on the earlier of March 3, 2025, and the completion of purchases under the NCIB, of up to 2,984,559 subordinate voting shares, which represented approximately 10% of the "public float" (within the meaning of the rules of the TSX) upon launch of the NCIB. As at March 31, 2025, the Company had repurchased an aggregate of 2,984,559 subordinate voting shares under this NCIB.

On March 4, 2025, the TSX accepted the Company's notice to launch a NCIB. Under this NCIB, the Company is permitted to repurchase (and cancel) its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws and the rules of the TSX. This NCIB commenced on March 7, 2025, and will end on the earlier of March 6, 2026, and the completion of purchases under the NCIB, of up to 2,417,522 subordinate voting shares, which represented approximately 10% of the "public float" (within the meaning of the rules of the TSX) upon launch of the NCIB.

On December 17, 2025, the Company gave instructions under an automatic share purchase plan ("ASPP") pursuant to which a broker is authorized to purchase subordinate voting shares under the NCIB for a period up to March 6, 2026. As at December 31, 2025, an obligation for the outstanding repurchase commitments of $5.1 million was recognized in trade payables and accrued liabilities (December 31, 2024 - $7.0 million). Subsequent to December 31, 2025, the Company repurchased and cancelled 313,833 subordinate voting shares for $4.4 million.

The following table summarizes the Company's activities under the NCIBs:

	Year Ended Dec 31,	
(US$ millions)	**2025**	**2024**
Subordinate voting shares repurchased for cancellation (number of shares)	2,717,288	2,370,960
Consideration	46.6	54.5
Reduction in share capital	33.8	29.0
Premium on repurchased and cancelled shares recorded in retained earnings	12.8	25.5

During the year ended December 31, 2025, the Company repurchased and cancelled 2,717,288 subordinate voting shares (2024 - 2,370,960 shares) which represents 8.5% of total subordinate voting shares outstanding as at December 31, 2025 through the Company's NCIB program for $46.6 million (C$65.9 million) (2024 - $54.5 million). From time to time, the Company gives instructions under ASPP with its designated broker to facilitate the repurchase of subordinate voting shares.

Subsequent to December 31, 2025, the TSX accepted the Company's notice to launch a new NCIB. Under this NCIB, the Company is permitted to repurchase (and cancel) its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws and the rules of the TSX. This NCIB will

commence on March 7, 2026, and will end on the earlier of March 6, 2027, and the completion of purchases under the NCIB, of up to 2,633,813 subordinate voting shares, which represented approximately 10% of the "public float" (within the meaning of the rules of the TSX) upon launch of the NCIB.

RISKS RELATING TO SPIN MASTER'S BUSINESS

An investment in securities of the Company involves significant risks. Investors should carefully consider the risks described below, the other information described elsewhere in this Annual Information Form and those risks set out in the Company's management's discussion and analysis ("MD&A") for the year ended December 31, 2025 (as updated by subsequent interim MD&A) before making a decision to buy securities of the Company. If any of the following or other risks occur, the Company's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the ability of the Company to make distributions to holders of Subordinate Voting Shares could be adversely affected, the trading price of securities of the Company could decline and investors could lose all or part of their investment in such securities. These factors are also currently, and in the future may be, amplified by the global or regional economic or geopolitical climate and additional or unforeseen circumstances, developments, or risks. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks. The risk factors below describe factors, events, or contingencies that could have an adverse effect on Spin Master and are not intended as an exhaustive discussion of whether any such factors, events, or contingencies have or have not occurred.

If Spin Master does not create original, or enhance existing, products, brands, entertainment properties, and digital games products that satisfy consumer preferences, and anticipate, initiate and capitalize on developments in its industry, the Company's business will suffer.

Spin Master depends on its ability to innovate and sell original products, brands, entertainment properties, and digital games products and to identify changing consumer sentiments and respond to such changes on a timely basis. Spin Master also relies on its ability to identify third-party entertainment media that is likely to be popular with consumers and license rights to such media to incorporate into the Company's products. Spin Master's ability to maintain current sales, and increase sales or establish sales with new, innovative products, will depend on its ability to satisfy play preferences, enhance existing products, engineer, develop, introduce and achieve market acceptance of its original products, brands, entertainment properties, and digital games products. If the Company is unable to anticipate consumer preferences, its products, brands, entertainment properties, and digital games products may not be accepted by children, parents, or families, demand for the Company's products, brands, entertainment properties, and digital games products could decrease and Spin Master's business, financial condition and performance could be materially and adversely affected.

Spin Master's business and financial performance depend largely upon the appeal of its products, brands, entertainment properties, and digital games products. Product life cycles and consumer preferences continue to be affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information is shared. Failure to anticipate, identify and react to changes in children's interests and consumer preferences could significantly lower sales of its products, brands, entertainment properties, and digital games products and harm its revenues and profitability. This challenge is more difficult with the ever- increasing utilization of technology and digital media in entertainment and product offerings, and the increasing breadth of entertainment available to consumers. Evolving consumer tastes and shifting interests, coupled with changing and expanding sources of entertainment and consumer products and properties which compete for children's and families' interest and acceptance, create an environment in which some products and properties can fail to achieve consumer acceptance, and other products and properties can be popular during a certain period of time but then be rapidly replaced. The preferences and interests of children, families and fans evolve quickly, can change from year to year and season to season and are difficult to anticipate. Significant, sudden shifts in demand are caused by consumer preferences, technologies, and trends, which are often unpredictable and can result in short consumer life cycles. Consumer acceptance is even more critical for Spin Master's toy business due to the recent decline in the overall toy industry. Even the Company's successful brands and products typically have a relatively short period of high demand followed by a decrease in demand as the product matures or is superseded by newer technologies and / or brands and products. A decline in the popularity of the Company's existing products, brands, entertainment properties, and digital games products or the failure of Spin Master's original products, brands, entertainment properties, and digital games products to achieve and sustain market acceptance with retailers and consumers, could significantly lower the Company's revenues and operating margins, which would harm Spin Master's business, financial condition, and performance.

The industries in which Spin Master operates are highly competitive and the Company's inability to compete effectively may materially and adversely impact its business, financial condition, and performance.

Spin Master operates in industries characterized by intense competition. The Company competes domestically and internationally with numerous large and small companies that develop, market and sell analog toys and games, products which combine analog and digital play, digital games products, and other entertainment and consumer products, as well as with retailers who offer such products under their own private labels often at lower prices. The growing importance of digital media, and the heightened connection between digital media and consumer interest, has further increased the ability for new participants to enter Spin Master's markets, and has broadened the array of companies Spin Master competes with which can become a significant source of competition for the Company in a very short period of time. In addition to existing customers, low barriers to entry enable new competitors to quickly establish themselves with only a single popular product, and the increasing prevalence of digital media has further increased the ability for new participants to enter the same markets as the Company and broadened the array of competitors to the Company. New participants with a popular product idea, entertainment property or digital game, can gain access to consumers and become a significant source of competition for the Company. These risks may be heightened if the use of AI in developing products becomes safer, more accepted and otherwise more broadly adopted. Spin Master's competitors' products may achieve greater market acceptance than the Company's products and, in doing so, may potentially reduce the demand for the Company's products, brands or properties. Spin Master's competitors have obtained and are likely to continue to obtain licenses that overlap with the Company's licenses with respect to products, geographic areas and markets. Spin Master may not be able to obtain adequate shelf space in retail stores to support or expand its brands or products, and the Company may not be able to continue to compete effectively against current and future competitors. These existing and new competitors may be able to respond more rapidly than Spin Master to changes in consumer preferences. Spin Master's competitors' products may achieve greater market acceptance than the Company's products and potentially reduce demand for the Company's products, lower its revenues and lower its profitability.

Spin Master also faces competition in the entertainment industry. Some of the Company's competitors in the content market have interests in multiple media businesses, which are often vertically integrated. Spin Master's ability to compete in this market depends on several factors, including its ability to develop high quality and popular entertainment content, adapt to new technologies and distribution platforms and achieve widespread distribution. Some of Spin Master's competitors have longer operating histories, significantly greater financial, marketing, and other resources, greater economies of scale, more long-standing brands and products and greater name recognition. The Company may be unable to compete with them in the future. If Spin Master fails to compete, its business, financial condition and performance could be materially and adversely affected.

Failure to protect or enforce Spin Master's IP rights and claims by third parties that the Company is infringing their IP rights could materially and adversely affect Spin Master's business, financial condition and performance.

Spin Master relies on a combination of patents, copyrights, trademarks, trade secrets, confidentiality provisions and licensing arrangements to establish and protect its IP and proprietary rights. Contractual arrangements and other steps the Company has taken to protect its IP may not prevent misappropriation of its IP or deter independent third-party development of similar products. In addition, Spin Master's business is subject to the risk of third parties counterfeiting its products or infringing on its intellectual property rights, and the availability of certain AI tools has facilitated the creation of infringing works based on the unauthorized use of Spin Master's IP. The legal landscape for some new technologies, including AI (particularly generative AI), remains uncertain, and development of the law in this area could impact Spin Master's ability to protect against potentially infringing uses associated with both the development and use of AI. In addition, the availability of copyright protection and other legal protections for IP generated by certain new technologies, such as generative AI platforms, is uncertain. The steps Spin Master has taken may not prevent unauthorized use of its IP, particularly in foreign countries where the Company does not hold patents or trademarks or where the laws may not protect its IP as fully as in North America. Some of Spin Master's products and product features have limited IP protection, and, therefore, the Company may not have the legal right to prevent others from reverse engineering or otherwise copying and using these features in competitive products. Monitoring the unauthorized use of the Company's IP is costly, and any dispute or other litigation, regardless of the outcome, may be costly and time consuming and may divert the Company's resources.

Additionally, Spin Master has registered various domain names relating to some of its brands and products. If the Company fails to maintain these registrations, or if a third party acquires domain names similar to the Company's

and engages in a business that may be confusing to the Company's users and customers, Spin Master's revenues may decline, and it may incur additional expenses in maintaining its brands.

Spin Master periodically receives claims of infringement or otherwise becomes aware of potentially relevant patents, copyrights, trademarks, or other IP rights held by other parties. Responding to any infringement claim, regardless of its validity, may be costly and time-consuming and may divert the Company's resources. If Spin Master or its licensors are found to be infringing on the IP rights of any third-party, Spin Master or its licensors may be required to obtain a license to use those rights, which may not be obtainable on reasonable terms, if at all. The Company also may be subject to significant damages or injunctions against the development and sale of some of its products or against the use of a trademark or copyright in the sale of some of its products. Spin Master's insurance does not cover all types of IP claims and insurance levels for covered claims may not be adequate to indemnify the Company against all liability, which could materially and adversely harm its business, financial condition, and performance.

Spin Master licenses IP rights from third-party owners. The Company may or may not renew its licenses or licensors may seek to terminate Spin Master's license. Failure of such owners to properly maintain or enforce the IP underlying such licenses could have a material adverse effect on the Company's business, financial condition and performance.

Spin Master is a party to several licenses that give the Company rights to third-party IP that is necessary or useful to the Company's business. Spin Master's success will depend in part on the ability of its ability to license IP and the ability of its licensors to obtain, maintain and enforce its licensed IP, particularly those IP rights to which the Company has secured exclusive rights. Without protection for the IP Spin Master licenses, other companies might be able to offer substantially identical products for sale, which could have a material adverse effect on the Company's business, financial condition, and performance.

One or more of the Company's licensors may not renew its expiring licenses or may not renew its expiring licenses on beneficial terms to Spin Master, or allege that Spin Master has breached its license agreement with them, and accordingly seek to terminate Spin Master's license. If successful, this could result in the Company's loss of the right to use the licensed IP, which could adversely affect the Company's ability to commercialize its technologies, products, or services, as well as have a material adverse effect on its business, financial condition, and performance.

Spin Master may not be able to sustain or manage its growth strategy, which may prevent the Company from increasing its revenues.

Historically, Spin Master has experienced growth in its product lines, which at times has been rapid. The Company's growth strategy calls for it to continuously develop and diversify its business by introducing original products, innovating, and refining its existing product lines and expanding into international markets, entering into additional license agreements, and acquiring other companies, which will place additional demands upon the Company's management, operational capacity and financial resources and systems. The increased demand upon management may necessitate Spin Master's recruitment and retention of qualified personnel. This can be particularly difficult when unexpected, significant, sudden shifts in demand are caused by trends. There can be no assurance that the Company will be able to recruit and retain qualified personnel or expand and manage its operations effectively and profitably. Implementation of Spin Master's growth strategy is subject to risks beyond its control, including competition, market acceptance of original products, changes in economic conditions, its ability to obtain or renew licenses on commercially reasonable terms and its ability to finance increased levels of accounts receivable and inventory necessary to support its sales growth, if any. Accordingly, there can be no assurance that the Company's growth strategy will be successful or that it will be able to achieve its targeted future sales growth. The lack of success in the Company's growth strategy may have a material and adverse effect on its business, financial condition and performance.

Uncertainty and adverse changes in general economic conditions may negatively affect consumer spending, which could have a material adverse effect on Spin Master's revenue and profitability.

Current and future conditions in the economy have an inherent degree of uncertainty. As a result, it is difficult to estimate the level of growth or contraction for the economy. It is even more challenging to estimate growth or contraction in various parts, sectors, and regions of the economy, including the many different markets in which Spin Master participates. The Company's budgeting and forecasting are dependent upon estimates of demand for its products and growth or contraction in the markets it serves. Economic uncertainty complicates reliable estimation of future income and expenditures. Adverse changes may occur because of weakening global or regional economic conditions, tightening of consumer credit, inflation, rising interest rates and mortgage rates, falling consumer confidence, increasing unemployment, declining stock markets or other factors affecting economic

conditions generally. These changes may negatively affect demand for Spin Master's products, increase exposure to retailers with whom it does business, increase the cost and decrease the availability of financing to fund Spin Master's working capital needs, or increase costs associated with manufacturing and distributing products, any of which could have a material and adverse effect on the Company's revenue and profitability.

Consumer spending habits, including spending on Spin Master products, are affected by, among other things, prevailing economic conditions, inflation, rising interest rates and mortgage rates, levels of employment, fuel prices, salaries and wages, the availability of consumer credit, foreclosures, bankruptcies, falling home prices, consumer confidence and consumer perception of economic conditions. A general economic slowdown in Canada, the U.S. and other parts of the world could decrease demand for the Company's products which would adversely affect its revenue; an uncertain economic outlook may adversely affect consumer spending habits and customer traffic, which may result in lower revenue. A prolonged global or regional economic downturn could have a material negative impact on the Company's business, financial condition, and performance.

In addition to experiencing potentially lower revenues during times of economic difficulty, to maintain sales during such times, Spin Master may need to reduce the price of its products, increase promotional spending and/or sales allowances, offer incentives or take other steps to encourage retailer and consumer purchases of its products. Those steps may lower the Company's net revenues or increase its costs, thereby decreasing its operating margins and lowering its profitability. These challenges can be exacerbated if customers accumulate excess retail inventories over time due to their purchases of Spin Master's products exceeding sales of those products to ultimate consumers. It can then take the Company significant time, working with retailers, to reduce those excess retail inventories, and in the interim its sales of new products can be negatively impacted.

During periods of increased cost inflation, Spin Master has increased prices of certain products and may in the future need to increase prices further in order to cover increased costs of goods sold, which may reduce demand for products. There can be no guarantee that Spin Master will be able to successfully increase prices in the future or that the price increases Spin Master has already taken will offset the entirety of additional costs it has incurred and may incur in the future. In addition, geopolitical instability (such as the ongoing conflict between Russia and Ukraine and ongoing conflicts in the Middle East) and related sanctions could continue to have significant ramifications on global financial markets, including volatility in the U.S. and global financial markets. The inability to adequately increase prices to offset increased costs and inflationary pressures or otherwise mitigate the impact of these macro-economic conditions and market disruptions, may also increase costs and/or decrease profit margins.

While historically the Company's sales have been resilient to recessionary environments, there is no assurance that this historical trend will continue, or that increased inflation or price sensitivity on the part of retailers or consumers will not influence Spin Master's sales. Any reduction in discretionary spending by consumers in the face of macro-economic factors could unfavourably impact the Company's future sales and materially and adversely affect its financial performance and results of operations.

Disruptions in Spin Master's manufacturing operations or supply chain due to political instability, civil unrest, the threat or occurrence of war or terrorist activities, pandemic or other public health crises, or earthquakes or other natural disasters outside of Spin Master's control, and actions taken by governments, businesses, and individuals in response to such events have adversely affected and could further adversely affect Spin Master's business, financial position, sales, and results of operations.

Spin Master's business and operations could be materially and adversely affected by political instability, civil unrest, the threat or occurrence of war or terrorist activities, pandemics or other public health crises, earthquakes, natural disasters, and other natural or man-made economic, political, or environmental disruptions. Disruptions, and government responses to any disruption, could adversely affect Spin Master's business, financial position, sales, and results of operations and may vary based on the length and severity of the disruption. For example, the COVID-19 pandemic and the actions taken by governments, businesses, and individuals in response thereto affected how Spin Master and its suppliers and partners operated their businesses, caused supply chain disruption and retail store closures, and adversely affected Spin Master's operating results.

The Company utilizes third-party manufacturers and suppliers in China, as well as in Vietnam, India, Mexico, Indonesia, Hungary, Tunisia, Honduras, Poland and the Netherlands as well as third-party warehousing and logistics providers in the US, Canada, Mexico, UK, the Netherlands, Hungary, Spain and Australia. The risk of political instability, civil unrest and the threat or occurrence of war or terrorist activities, in certain of these countries, which could temporarily or permanently damage the manufacturing or supply chain operations of the Company or its third-party manufacturers. Outbreaks of communicable diseases have also been known to occur in certain of these

countries and around the world. Other disruptions from public health crises such as these result from, among other things, workers contracting diseases, restrictions on factory openings, restrictions on travel, restrictions on shipping and shopping, and the closure of critical infrastructure. The design, development, manufacture, distribution and sale of the Company's products has suffered and could further suffer if a significant number of the Company's employees or the employees of its third-party manufacturers, their suppliers, or of businesses where the Company's products are sold, contract communicable diseases such as these, or if the Company, the Company's third-party manufacturers, or their suppliers are adversely affected by other impacts of such diseases.

Furthermore, a catastrophic event where Spin Master or its third-party manufacturers and suppliers has important operations, such as an earthquake, tsunami, flood, typhoon, fire, wildfire, power outage or other natural or manmade disaster, including as a result of climate change, could disrupt Spin Master's operations or those of its business partners and impair production or distribution of its products, damage inventory, interrupt critical functions, or otherwise affect its business negatively.

The impact of these events could further result in:

- third-party suppliers resulting in limitations on Spin Master's ability to design, develop, manufacture, and distribute products effectively, efficiently, and in a timely manner;
- delays in entertainment content releases by Spin Master or its licensors, or changes in release plans, that can adversely impact sales of the Company's products;
- disruptions or restrictions on the ability of Spin Master's employees, suppliers, and manufacturers to work effectively, including due to illness, quarantines, government actions, and facility closures or other similar restrictions; and
- increased operational risks, including increased risks of accounts receivable collection, insolvency of retailers (particularly specialty retailers), delays in payment, and negotiations with third parties over payment terms or the ability to perform under certain contracts or licenses.

Any one of these factors, or a combination thereof, could impact Spin Master's ability to meet demand for its products or could increase the costs of its products. To the extent any of these disruptions become prolonged or recur, particularly during seasonally high periods of production or distribution, Spin Master's ability to meet demand may be materially impacted. Insurance for certain disruptions may not be available or affordable. Such disruptions in the markets in which Spin Master, its employees, consumers, customers, business partners, licensees, licensors, suppliers, and manufacturers operate, can have, and at times in the past have had, a significant negative impact on Spin Master's business, liquidity, financial position, sales, and results of operations. In addition, the contingency plans the Company has developed to help mitigate the impact of disruptions in its operations, have not and may not prevent its business, financial position, sales, and results of operations from being adversely affected by a significant disruption to its operations, suppliers or demand for the Company's products.

The occurrence of war or hostilities between countries or threat of terrorist activities, and the responses to and results of these activities, could adversely impact Spin Master, its personnel and facilities, its customers and suppliers, retail and financial markets, and general economic conditions. For example, the global economy has been negatively impacted as a result of the Russia-Ukraine war as well as the conflict in the Middle East, and Spin Master exited its operations in Russia in 2022.

Spin Master's failure to market or advertise products could have a material adverse effect on the Company's business, financial condition, and performance.

Spin Master's products are marketed worldwide through a diverse spectrum of advertising, marketing and promotional programs, including the use of digital and social media to reach consumers. The Company's ability to sell products is largely dependent upon the success of these programs. If Spin Master does not market its products, sales could decline or if media or other advertising or promotional costs increase, Spin Master's costs could increase, which could have a material adverse effect on the Company's business, financial condition, and performance. Additionally, loss of television media or other marketing support related to any of the Company's products may decrease the number of products it sells and harm its business, financial condition, and performance.

Spin Master's business is subject to seasonality factors, and therefore its annual financial performance depends, in large part, on its sales relating to the holiday seasons and the timing of its product launches. As retailers become more efficient in their control of inventory levels and give shorter lead times for production, failures to predict demand and possible transportation, production or other disruptions during peak demand

times may affect the Company's ability to deliver products in time to meet retailer demands. An inability to develop, introduce and ship planned products, product lines and new brands in a timely and cost-effective manner could result in excess inventory, a shortage of products or otherwise damage Spin Master's business.

Seasonality factors cause Spin Master's operating results to fluctuate significantly from quarter to quarter. Typically, a large percentage of the Company's Toy revenue is concentrated in the third and fourth quarters, with a large percentage of retail sales occurring during the period from September through December in anticipation of the traditional holiday season. Generally, the first quarter is the period of lowest shipments and revenues in the toy industry and therefore, the least profitable because of certain fixed costs. Further, ecommerce continues to grow significantly and accounts for a higher portion of the ultimate sales of the Company's products to consumers. Ecommerce retailers tend to hold less inventory and take inventory closer to the time of sale to consumers than traditional retailers. Spin Master's failure to predict levels of consumer demand surrounding the holiday season may result in under-producing popular products and overproducing underperforming items, which, in either case, would adversely affect the Company's business, financial condition and performance. Spin Master's results of operations may also fluctuate because of factors such as the timing of new products or new products that its competitors introduce in the marketplace, the advertising activities of its competitors and the emergence of new market entrants. In addition, due to the seasonal nature of Spin Master's business, the Company would be materially and adversely impacted, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events, such as public health crises and pandemics, terrorist attacks, wars or other conflicts, adverse weather conditions or economic shocks that harm the retail environment or consumer buying patterns during the Company's key selling season, or by events such as strikes, port delays or supply chain interruptions, regional conflict, tariffs, trade restrictions, or trade barriers, and geopolitical and macro-economic factors, including high inflation and high interest rates, that interfere with the manufacture or shipment of goods during critical months leading up to the peak purchasing season.

If Spin Master fails to meet transportation schedules, it could damage the Company's relationships with retailers, increase the Company's distribution and logistics costs or cause sales opportunities to be delayed or lost. In order to be able to deliver its merchandise on a timely basis, Spin Master needs to maintain adequate inventory levels of the desired products. If the Company's inventory forecasting and production planning processes result in Spin Master manufacturing inventory more than the levels demanded by its customers, the Company could be required to record inventory write-downs for excess and obsolete inventory, which could materially and adversely affect the Company's financial performance. If the inventory of Spin Master products held by its retailers is too high, they may not place or may reduce orders for additional products, which could unfavourably impact the Company's future sales and materially and adversely affect its financial performance.

In developing products, product lines and new brands, Spin Master anticipates dates for the associated product and brand introductions. When the Company states that it will introduce, or anticipate introducing, a particular product, product line or brand at a certain time in the future those expectations are based on completing the associated development, implementation, and marketing work in accordance with the Company's currently anticipated development schedule. If the Company does not have in place, appropriate systems and technology, or does not obtain sufficient data, analytics and insights, it may not be able to adequately predict demand for its products. If the Company fails to accurately forecast demand, it may experience excess inventory levels or a shortage of product to deliver to its customers. Inventory levels in excess of demand have in the past resulted in, and may in the future result in, inventory write-downs or write-offs, and the sale of excess inventory at discounted prices or through less preferred distribution channels, which could harm the Company's profit margins. If the Company does not operate its supply chain in an effective manner, it will not be able to manufacture, source and ship new or continuing products in a timely manner and on a cost-effective basis to meet constantly changing consumer demands. This risk is heightened by the Company's customers' compressed shipping schedules and the seasonality of the Company's business.

The risk is also exacerbated by the increasing sophistication of many of the brands and products Spin Master is designing and developing in terms of combining digital and traditional technologies, and providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process, significant increases in the planned cost of development, or changes in anticipated consumer demand for the Company's products and new brands may cause the introduction date for products to be later than anticipated, may reduce or eliminate the profitability of such products, result in excess inventory, or, in some situations, may cause a product or new brand introduction to be discontinued.

Spin Master's dependence on third-party manufacturers, distributors, distribution centres and logistics service providers present risks to the Company's business and exposes it to risks associated with international operations.

All of Spin Master's products are manufactured by third-party manufacturers, most of which are in Asia and primarily in China, and transported, stored and distributed by third parties on its behalf. The Company's operations could be adversely affected if the Company lost its relationship with any of its third-party service providers, or if there was any material failure, inadequacy or interruption resulting from its third-party service providers due to factors beyond the Company's control. Although Spin Master's external sources of manufacturing and its distribution centres and logistics service providers can be shifted over a period to alternative sources, should such changes be necessary, the Company's operations could be disrupted, potentially for a significant period of time, while alternative sources were secured, and significant capital investments could be required to remediate the problem. Working with vendors who have not historically manufactured products for the Company means these new vendors must successfully develop the capability to manufacture the Company's products to the quality and safety standards Spin Master requires and within the tight timeframe required by Spin Master's customers. Newer and less experienced vendors are more susceptible to product quality, logistics and other issues, due in part to their less mature infrastructure or unfamiliarity with Spin Master's product standards.

Given that all of Spin Master's products are manufactured by third-party manufacturers, public health crises, and other factors affecting political, social and economic activity where the Company's manufacturers are located, may affect the movement of people and products into and from those locations to the Company's major markets, including North America and Europe. Public health crises impacting the Company's third-party manufacturers, distributors, distribution centres and logistics service providers had and can have a significant negative impact on Spin Master's business.

As a result of Spin Master's dependence on third-party manufacturers, any difficulties encountered by one of the Company's third-party manufacturers that results in production delays, cost overruns or the inability to fulfill its orders on a timely basis, including political disruptions, labour difficulties and other factors beyond the Company's control, including the impacts of climate change (which have resulted in rolling blackouts in China in previous years to meet provincial climate targets), could adversely affect the Company's ability to deliver its products to its customers, which in turn could harm the Company's reputation and adversely affect its business, financial condition and performance. Similarly, Spin Master relies on third-party distribution centres and logistics service providers to transport its products to the markets in which they are sold and on third-party distributors to distribute those products within those markets. Any disruption affecting the ability of the Company's third-party service providers to timely deliver or distribute its products to its customers could cause delays in product sales, cause customers to cancel orders, have a material adverse effect on Spin Master's revenue and profitability, and harm its reputation.

Spin Master's significant use of third-party manufacturers outside of North America also exposes the Company to risks, including:

- currency fluctuations;
- limitations on the repatriation of capital;
- potential challenges to the Company's transfer pricing determinations and other aspects of its cross-border transactions, which may impact income tax expense;
- political instability, civil unrest and economic instability;
- greater difficulty enforcing IP rights and weaker laws protecting such rights;
- requirements to comply with different laws in varying jurisdictions, which laws may dictate that certain practices that are acceptable in some jurisdictions are not acceptable in others, and changes in governmental policies;
- natural disasters and greater difficulty and expense in recovering from them;
- difficulties in moving materials and products from one country to another, including port congestion, strikes and other transportation delays and interruptions;
- difficulties in controlling the quality of raw materials and components used to manufacture the Company's products, which may lead to public health and other concerns regarding its products;
- changes in international labour costs, labour strikes, disruptions or lock-outs; and

- the imposition of tariffs, trade restrictions, trade barriers, trade sanctions, quota or other protectionist measures, or the breakdown of trade relations.

Due to Spin Master's reliance on international sourcing of manufacturing, its business, financial condition, and performance could be significantly and materially harmed if any of the risks described above were to occur.

Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to the Company or may require the Company to modify its supply chain organization or other current business or financial practices, any of which could harm Spin Master's business, financial condition, results of operations and cash flow. Moreover, political events, including the outcome of the recent election in the United States, may increase the likelihood that countries impose such trade restrictions. Such trade restrictions, as may be exacerbated by retaliatory trade restrictions, could harm Spin Master's business, financial condition, results of operations and cash flow. In particular, the recent announcement of broad tariffs and retaliatory tariffs in and against countries in which Spin Master operates could result in increased costs, which may result in lower profit margins, decreased consumer spending and other negative impacts to the Company's financial condition and results of operations.

Spin Master requires its third-party manufacturers and distributors to comply with Spin Master's code of conduct, which is designed to prevent products manufactured by or for the Company from being produced under inhumane or exploitive conditions. Spin Master's code of conduct addresses several issues, including work hours and compensation, health and safety, and abuse and discrimination. In addition, the Company requires that its products supplied by third-party manufacturers or distributors be produced or distributed in compliance with all applicable laws and regulations, including consumer and product safety laws in the markets where those products are sold. The Company has the right, both directly and using outside monitors, to monitor compliance by its third-party manufacturers and distributors with Spin Master's code of conduct and other manufacturing requirements. In addition, the Company conducts quality assurance testing on its products, including products manufactured or distributed for the Company by third parties. Notwithstanding these requirements and Spin Master's monitoring and testing of compliance with them, there remains the risk that one or more of the Company's third-party manufacturers or distributors will not comply with Spin Master's requirements and that Spin Master will not immediately discover such non-compliance. Any failure of the Company's third-party manufacturers or distributors to comply with labour, consumer, product safety or other applicable requirements in manufacturing or distributing products for the Company could result in damage to Spin Master's reputation, harm sales of its products and potentially create liability for Spin Master and its business, financial condition and performance could be materially and adversely impacted.

Significant increases in the price of commodities, transportation, or labour, if not offset by declines in other input costs, or a reduction or interruption in the delivery of raw materials, components, and finished products from Spin Master's vendors, could adversely affect Spin Master's business, financial condition, and results of operations.

Cost increases, whether resulting from rising costs of materials, transportation, services, labour, or compliance with existing or future regulatory requirements, including tariffs, trade restrictions, or trade barriers, impact the profit margins realized by Spin Master on the sale of its products. Because of market conditions, timing of pricing decisions, and other factors, there can be no assurance that Spin Master will be able to offset any of these increased costs by adjusting the prices of its products. Increases in prices of Spin Master's products may not be sustainable and could result in lower sales. Spin Master's ability to meet customer demand depends, in part, on its ability to obtain timely and adequate delivery of materials, parts, and components from its suppliers and internal manufacturing capacity. Additionally, as Spin Master cannot guarantee the stability of its major suppliers, major suppliers may stop manufacturing components at any time with little or no notice. If Spin Master is required to use alternative sources, it may be required to redesign some aspects of the affected products, which may involve delays and additional expense. Reductions or interruptions in supplies or in the delivery of finished products, whether resulting from more stringent regulatory requirements, disruptions in transportation, port delays, labour strikes or disputes, lockouts, loss or impairment of key manufacturing facilities, discontinuity or disruptions in information technology systems, changes in trade policy, including the imposition of tariffs, trade restrictions, or trade barriers, an outbreak of a disease or a severe public health crisis, natural disasters, including severe weather due to climate change or otherwise, the occurrence or threat of wars or other conflicts, or a significant increase in the price of one or more supplies (or an inability to procure sufficient supplies), such as wood, fuel or resin (which is an oil-based product used in plastics), the cost of transportation, or otherwise, have at times adversely affected and could in the future adversely affect Spin Master business, financial condition, and results of operations. In recent years, the

Panama Canal drought and Suez Canal attacks have, and could continue to, adversely impact the reliability and cost of the Company's export shipments to customers. Additionally, the Company is looking to reduce the amount of virgin plastic it uses and to use sustainable alternatives where available. The availability, efficacy and cost effectiveness of these materials is essential to the future of Spin Master's business, and an inability to continue to source these sustainable alternatives could in the future adversely affect Spin Master business, financial condition, and results of operations.

Failure to leverage Spin Master's portfolio of franchises effectively across entertainment and media platforms, maintain relationships with key television and motion picture studios, and entertainment and media companies could have a material adverse effect on the Company's business, financial condition, and performance.

Complementing Spin Master's product offerings with entertainment and media initiatives is an integral part of the Company's growth strategy. Spin Master invests in interactive media and other entertainment initiatives, extending the Company's brands across multiple platforms. Establishing and maintaining relationships with key broadcasters and motion picture studios, and entertainment and media companies are critical to the successful execution of these initiatives. The Company's failure to execute effectively on these initiatives could result in its inability to recoup its investment and harm the related toy brands employed in these initiatives. Such failures could have a material adverse effect on the Company's business, financial condition and performance.

Risks Related to the Entertainment Industry

The entertainment industry involves a substantial degree of risk. Acceptance of children's entertainment programming represents a response not only to the production's artistic components, but also the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of children's entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly or without notice and cannot be predicted with certainty. There is a risk that some or all of Spin Master's programming will not be purchased or accepted by the public generally, resulting in a portion of costs not being recouped or anticipated direct and indirect profits not being realized, which could have a material and adverse effect on the Company's business, financial condition and performance. There can be no assurance that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any production or that Spin Master's entertainment programming will generate product sales.

The business of producing and distributing television programs is highly competitive. There are numerous suppliers of entertainment content and Spin Master faces intense competition with other producers and distributors, many of whom are substantially larger and have greater resources. Further, vertical integration of the television broadcast industry worldwide and the creation and expansion of new networks, which create a substantial portion of their own programming, has decreased access for programs produced by third-party production companies. The Company competes with other television production companies for ideas and storylines created by third parties as well as for access to animation studios, writers, producers, actors, directors, and other personnel required for a production. Spin Master may not be successful in any of these efforts which could have a material and adverse effect on its business, financial condition and performance.

Spin Master also faces competition from both regulated and unregulated players using existing or new technologies and from illegal services. The rapid deployment of new technologies, services and products have reduced the traditional lines between internet and broadcast services and further expanded the competitive landscape. The Company may also be affected by changes in customer discretionary spending patterns, which in turn are dependent on consumer confidence, disposable consumer income and general economic conditions. New or alternative media technologies and business models, such as video-on-demand, subscription-video-on-demand, high-definition television, personal video recorders, mobile television, internet protocol television, over-the-top internet-based video entertainment services, connected televisions, virtual multichannel programming distributors, audio streaming platforms, podcasting and direct-to-home satellite compete for audiences. As well, mobile devices like smartphones and tablets allow consumers to access content anywhere, anytime and are creating consumer demand for mobile, portable or free content. These technologies and business models may increase audience fragmentation. Technological developments may also disrupt traditional distribution platforms by enabling content owners to provide content directly to consumers, thus bypassing traditional content aggregators.

Distributors' decisions regarding the timing of release and promotional support of Spin Master's television programs are important in determining the success of these programs. The Company does not ultimately control the timing

and way its distributors distribute the Company's television programs. Any decision by those distributors not to distribute or promote one of Spin Master's television programs or to promote competitors' programs to a greater extent than they promote Spin Master's programs could have a material and adverse effect on the Company's business, financial condition, and performance.

Production of film and television programs requires a significant amount of capital. Unforeseen events such as labour disputes, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, or other unforeseen events affecting aspects of production may cause cost overruns and delay or frustrate completion of a production. Although Spin Master has historically completed its productions within budget, there can be no assurance that it will continue to do so. The Company currently maintains insurance policies covering certain of these risks. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that such insurance will continue to be available or, if available on terms acceptable to Spin Master. In the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a material and adverse effect on the Company's business, financial condition, and performance.

Financial risks exist in productions relating to tax credits. There can be no assurance that industry funding assistance programs and Federal or Provincial government tax credits which Spin Master may access in Canada and internationally from time to time, including those sponsored by various European, Australian, and Canadian governmental agencies, will not be reduced, amended, or eliminated or that Spin Master's production projects will continue to qualify for them. Any change in the policies of those countries in connection with their incentive programs could have a material and adverse effect on the Company's business, financial condition, and performance.

Spin Master depends on third-party animation studios to complete and deliver its content. Financial pressures, liquidity challenges or bankruptcy among these partners may result in production delays, cost overruns, or the need to transition projects to alternative providers. Replacing specialized Entertainment partners, particularly those responsible for animation, visual effects, editing or technical pipeline support, can be difficult and may impact delivery schedules and overall production costs. Any such disruption may adversely affect Spin Master's ability to deliver content on time and materially impact the Company's business, financial condition and performance.

Spin Master may not realize the full benefit of its licenses from third parties if the licensed material has less market appeal than expected and licenses may not be profitable to the Company if sales revenue from the licensed products are not sufficient to support the minimum guaranteed royalties.

An integral part of Spin Master's business involves obtaining licenses to produce products utilizing various entertainment brands and content. As a licensee of entertainment-based properties, the Company has no guarantee that a particular brand or property will translate into a successful toy, entertainment brand or other product. Additionally, a successful brand may not continue to be successful or maintain a high level of sales. If Spin Master produces a line of products based on entertainment-based properties, the success of the entertainment series has a critical impact on the level of consumer interest in the associated products being offered by the Company. Spin Master relies on the efforts of third parties, such as licensors, film studios, content producers and distribution channels with whom the Company works, with respect to development of content and timing of media development, release dates and the ultimate consumer interest in and success of these media efforts. Spin Master does not fully control when or if any particular project will be developed or released, and the Company's licensors, media partners or other third parties may change their plans with respect to projects and release dates or cancel development all together. Lack of control can make it difficult for the Company to successfully develop and market products in conjunction with such entertainment projects, given the lengthy lead times involved in product development and successful marketing efforts. Any delay or cancellation of planned product development work, releases, or media support may decrease the number of products sold by the Company, which could harm its business. If any production or entertainment releases are delayed, it could adversely affect the Company's business, financial condition, and performance.

The license agreements into which the Company enters usually require it to pay minimum royalty guarantees that may be substantial, and in some cases may be greater than the amount it earns from sales of the licensed brands. This could result in write-offs of significant amounts, which in turn could materially and adversely impact the Company's financial condition and performance. Acquiring or renewing licenses may require the payment of minimum guaranteed royalties that Spin Master considers to be too high to be profitable, which may result in losing licenses it currently holds when they become renewable under their terms, or missing business opportunities for new licenses. If the Company is unable to acquire or maintain successful licenses on advantageous terms, its business, financial condition, and performance may be materially and adversely impacted.

Spin Master's business could be significantly harmed if its electronic data is compromised.

Spin Master and its business partners maintains significant amounts of data electronically in locations around the world. This data relates to all aspects of the Company's business and contains certain customer and consumer data. The Company and its partners maintain systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion or tampering that could compromise the integrity and privacy of this data. Cyberattacks are increasing in their frequency, sophistication, and intensity, and are becoming increasingly difficult to detect. The risk of cyberattacks may increase as AI becomes more widespread. They are often carried out by motivated, well-resourced, skilled, and persistent actors, including nation states, organized crime groups, "hacktivists" and employees or contractors acting with malicious intent. Cyberattacks could include the deployment of harmful malware and key loggers, ransomware, a denial of-service attack, a malicious website, AI, the use of social engineering and other means to affect the confidentiality, integrity and availability of the Company's or third party technology systems and data or the compromise of the Company's source code and games assets. Cyberattacks could also include supply chain attacks, which could cause a delay in the manufacturing of the Company's products. Such incidents could also lead to product source codes and game distribution platform exploitation, should undetected viruses, spyware, or other malware be inserted into the Company's products, services, or networks. In addition, Spin Master provides confidential and proprietary information to its third-party business partners in certain cases where doing so is necessary to conduct the Company's business. While Spin Master obtains assurances from those parties that they have systems and processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, nonetheless those partners may also be subject to data intrusion or otherwise compromise the protection of such data. While Spin Master and its business partners maintain systems for preventing and detecting a breach of their respective information technology systems, Spin Master and those third parties may be unaware that a breach has occurred, may be unable to detect an ongoing breach or may be delayed in detecting a breach. Spin Master has exposure to similar security risks faced by other large companies that have data stored on their information technology systems. If Spin Master's or any third-party service providers' systems fail to operate effectively or are damaged, destroyed, or shut down, or there are problems with transitioning to upgraded or replacement systems, or there are security breaches in these systems, any of the aforementioned could occur as a result of natural disasters, software or equipment failures, human error, telecommunications failures, loss or theft of equipment, acts of terrorism, circumvention of security systems, or other cyber-attacks, Spin Master could experience delays or decreases in sales, and reduced efficiency of its operations. Any compromise of the confidential data of Spin Master's customers, its consumers or itself, or failure to prevent or mitigate the loss of this data could disrupt Spin Master's operations and digital games business, damage its reputation, violate applicable laws and regulations, and subject the Company to additional costs and liabilities and have a material and adverse impact on its business, financial condition and performance.

Spin Master relies extensively on information technology in its operations, and any material failure in design, inadequacy, interruption, or security breach of that technology, or difficulties in upgrading its enterprise resource planning ("ERP") system could have a material adverse impact on the Company's business, financial condition, and performance.

Spin Master relies extensively on various information technology systems and software applications across its operations to manage many aspects of the business, including product development, management of its supply chain, sale and delivery of its products, financial reporting, collection and storage of data, and various other processes and transactions. If Spin Master does not allocate and effectively manage the resources necessary to build, sustain and protect an appropriate technology infrastructure, it could be subject to transaction errors, processing inefficiencies, loss of customers, business disruptions, shutdowns or loss of or damage to IP through security breach. Certain of the Company's key information technology systems are dated and require, or are in the process of, modernization. Many of these systems are managed by third-party service providers. The Company relies on such third parties to provide services on a timely and effective basis, but the Company ultimately does not control their performance. The Company is critically dependent on the integrity, security and consistent operations of these systems and related back-up systems. In addition, Spin Master's distributors, suppliers, and other external business partners utilize their own information technology systems that are subject to similar risks to Spin Master as described above. Their failure to perform as expected or as required by contract, or a cyber-attack on them that disrupts their systems, could result in significant disruptions and costs to Spin Master's operations or, in the case of third- party service providers, a penetration of Spin Master's systems. These systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, malware and other security breaches, catastrophic events such as hurricanes, fires, floods, earthquakes, tornadoes, acts of war or

terrorism and usage errors by employees or partners. The efficient operation and successful growth of Spin Master's business depends on these information systems, including its ability to operate them effectively and to select and implement appropriate upgrades or new technologies and systems successfully. As new systems and technologies are implemented, the Company could experience unanticipated difficulties resulting in unexpected costs and adverse impacts to its financial reporting and other business processes. The failure of the information systems design, to perform as designed, Spin Master's failure to implement and operate them effectively, or when implemented may not provide the benefits anticipated, could disrupt the Company's business, require significant capital investments to remediate a problem or subject the Company to liability and could have a material adverse effect on its business, financial condition, and performance.

Spin Master has exposure to security risks similar to those faced by other large companies that have data stored on their information technology systems, such as security breaches, cyber-attacks, and other hacking activities such as denial of service, malware, and ransomware. The systems and processes that Spin Master has developed to protect personal information and prevent data loss and other security breaches, including systems and processes designed to prevent, detect, and minimize the impact of a security breach at a third-party provider, do not provide absolute security, and any failure or inadequacy of such systems or processes could have an adverse effect on Spin Master's business, financial condition, and results of operations. While Spin Master carries cyber and business continuity insurance commensurate with its size and the nature of its operations, there can be no guarantee that costs incurred as a result of cyber events will be covered completely. Remote or hybrid work environments (including for Spin Master's employees, customers, sellers, suppliers, vendors, and other third parties) may amplify these security risks or introduce additional security vulnerabilities. Additionally, the prevalence and increasing sophistication of AI may increase the frequency or efficacy of cyberattacks against Spin Master.

The Company's information systems require an ongoing commitment of significant resources to maintain, upgrade and enhance existing systems and develop or contract for new systems in order to keep pace with continuing changes in information processing technology, emerging cybersecurity risks and threats, evolving industry, legal and regulatory standards and requirements, and other changes in the Company's business, among other things. Spin Master has made and expects to continue to make significant investments in updating and integrating IT systems; however, those investments could turn out to be insufficient or fail to yield the expected results. If Spin Master's or its third-party service providers' systems fail to operate effectively or are damaged, destroyed, or shut down, or there are problems with transitioning to upgraded or replacement systems, or there are future security breaches in these systems, any of which could occur as a result of natural disasters, software or equipment failures, telecommunications failures, loss or theft of equipment, acts of terrorism, circumvention of security systems, or other cyber- attacks, including denial-of-service attacks, Spin Master could experience delays or decreases in product sales and reduced efficiency of its operations. Additionally, any of these types of events could lead to violations of privacy laws, loss of customers, or loss, misappropriation or corruption of confidential information, trade secrets, or data, which could expose Spin Master to potential litigation, regulatory actions, sanctions, or other statutory penalties, any or all of which could adversely affect its business and cause it to incur significant losses and remediation costs.

The Company is currently upgrading its ERP system, which will replace its existing financial and operating systems. The design and implementation of this upgrade requires an investment of significant personnel and financial resources, including expenditures for outside consultants, system hardware and software in addition to other expenses. The upgraded system may require new organizational structures and financial and operating processes. The Company may not be able to upgrade the ERP system successfully without experiencing delays, increased costs and other difficulties, including potential design defects, miscalculations, testing requirements, and the diversion of management's attention from day-to-day business operations. If it is unable to upgrade the ERP system as planned, the effectiveness of the internal control over financial reporting could be adversely affected, the ability to assess those controls adequately and to disseminate its financial documents could be delayed, operations may be affected and could have a material and adverse effect on the Company's business, financial condition, and performance.

Spin Master's sales are concentrated with a small number of retailers that do not make long-term purchase commitments. Consequently, economic difficulties or changes in the purchasing strategies and patterns of those retailers could have a material adverse effect on the Company's business, financial condition, and performance.

A small number of retailers account for a large proportion of Spin Master's revenue. This concentration means that if one or more of Spin Master's major customers were to experience difficulties in fulfilling their obligations to the Company, cease doing business with the Company, significantly reduce the amount of their purchases from the

Company, return substantial amounts of Spin Master's products, favour its competitors or new entrants, or increase their competition with Spin Master by expanding their private label-product lines, or seek material financial contributions from the Company towards price reductions at the retail level, the Company's business, financial condition, and performance could suffer. In addition, increased concentration among Spin Master's customers could also negatively impact its ability to negotiate higher sales prices for its products, could result in lower margins and could reduce the number of products the Company would otherwise be able to bring to market. Retailers do not make any long-term commitments to the Company regarding purchase volumes and make all purchases by delivering one-time purchase orders. Any customer could reduce its overall purchases of the Company's products, reduce the number and variety of the Company's products that it carries, and the shelf space allotted for Spin Master's products, or otherwise seek to materially change the terms of their business relationship with Spin Master at any time. Any such change could significantly harm the Company's business, financial condition, and performance. Similarly, liquidity problems at one or more of the Company's key customers could expose the Company to losses from bad debts and negatively impact its business, financial condition, and performance. Spin Master's sales to retailers are typically made on credit without collateral. There is a risk that customers will not pay, or that payment will be delayed, because of bankruptcy or other factors beyond Spin Master's control, which could increase its exposure to losses from bad debts and increase its cost of sales. In addition, if these or other retailers were to cease doing business because of bankruptcy, or significantly reduce the number of stores they operate, it could have a material adverse effect on the Company's business, financial condition, and performance. Spin Master's credit insurance may not cover all types of claims against customers and insurance levels for covered claims may not be adequate to indemnify the Company against all liability, which could materially and adversely harm the Company's business, financial condition, and performance.

Failure to maintain existing relationships, or to develop new relationships, with inventors and entertainment content collaborators could have a material adverse effect on Spin Master's business, financial condition, and performance.

Spin Master's relationships with inventors are a critical aspect of the Company's product development. A significant portion of Spin Master's product ideas have been sourced from inventors and developed by the Company. If Spin Master fails to maintain existing relationships or to develop new relationships within the inventor community or if the Company experiences an adverse change in the perception of the Company by inventors, Spin Master may receive fewer product concepts from inventors. This would adversely impact Spin Master's ability to introduce new, innovative brands and products, which in turn would materially and adversely harm its business, financial condition and performance. Spin Master's relationships with entertainment collaborators, including writers, content developers, broadcasters, and directors, are a critical aspect of the Company's development of its entertainment properties, brands and content. A portion of Spin Master's entertainment properties, brands and content have been sourced from external collaborators. If Spin Master fails to maintain existing relationships or to develop new relationships with entertainment collaborators or if the Company experiences an adverse change in the perception of the Company by these entertainment collaborators, Spin Master may receive fewer concepts. This would adversely impact Spin Master's ability to introduce new entertainment properties, brands, and content, which in turn would materially and adversely harm its business, financial condition, and performance.

International sales are subject to various risks and failure to implement the international growth strategy could have a material adverse effect on the Company's business, financial condition, and performance.

Spin Master currently relies on international sales of its products and expects to do so to a greater extent in the future as it continues to expand its business. The Company believes that its revenue and financial performance will depend in part upon its ability to increase sales in international markets. Implementation of Spin Master's international growth strategy is subject to risks beyond its control, and accordingly, there can be no assurance that the Company's international growth strategy will be successful. The lack of success in the Company's international growth strategy may have a material and adverse effect on its business, financial condition, and performance. International sales are subject to various risks, including exposure to currency fluctuations; political and economic instability; increased difficulty of administering business; and the need to comply with a wide variety of international and domestic laws and regulatory requirements. There are a number of risks inherent in the Company's international activities, including: unexpected changes in Canadian, U.S. or other governmental policies concerning the import and export of goods; services and technology and other regulatory requirements; tariffs and other trade barriers; costs and risks of localizing products for foreign languages; longer accounts receivable payment cycles; limits on repatriation of earnings; the burdens of complying with a wide variety of non-Canadian or U.S. laws; and difficulties supervising and managing local personnel. The financial stability of non-Canadian or U.S. markets could also affect Spin Master's international sales. In addition, international income may be subject to taxation by more

than one jurisdiction, which could also have a material adverse effect on the Company's financial performance. Such factors may have a material adverse effect on the Company's revenues and expenses related to international sales and, consequently, business, financial condition, and performance.

Spin Master's business, financial condition, cash flows and results of operations are subject to risks arising from the international scope of its operations.

Spin Master conducts a significant portion of its business outside the United States and Canada and may, in the future, expand the portion of its business internationally and its operations into new countries, including emerging markets. Spin Master sells its products in many countries around the world. All of Spin Master's foreign operations are subject to risks inherent in conducting business abroad, including, among other things:

- difficulties in coordinating and managing foreign operations, including ensuring that foreign operations comply with foreign laws as well as Canadian and U.S. laws applicable to Canadian companies with U.S. and foreign operations, such as export and sanctions laws and the FCPA, the Canadian Corruption of Foreign Public Officials Act and other applicable worldwide anti-bribery laws;
- price and currency exchange controls;
- restrictions on the repatriation of funds;
- scarcity of hard currency, including the U.S. dollar, which may require a transfer or loan of funds to the operations in such countries, which they may not be able to repay on a timely basis;
- political and economic instability;
- ongoing uncertainties as a result of instability or changes in geopolitical conditions, including military or political conflicts, such as those caused by the ongoing conflicts between Russia and Ukraine or in the Middle East (the potential escalation or geographic expansion of which could heighten other risks identified elsewhere in this "Risks Relating to Spin Master's Business" section);
- compliance with multiple regulatory regimes;
- compliance with economic sanctions laws and other laws that apply to Spin Master's activities in the countries where Spin Master operates;
- less established legal and regulatory regimes in certain jurisdictions, including as relates to enforcement of anti-bribery and anti-corruption laws and the reliability of the judicial systems;
- differing degrees of protection for intellectual property;
- unexpected changes in foreign regulatory requirements, including quality standards and other certification requirements; new export license requirements;
- adverse changes in tariff, quota and trade protection measures (including recent tariffs initiated by the United States and retaliation by other countries as a result);
- differing labor regulations;
- potentially negative consequences from changes in or interpretations of tax laws;
- restrictive governmental actions;
- possible nationalization or expropriation;
- credit market uncertainty;
- restrictions on business activities and other challenges associated with pandemics, epidemics, outbreaks of an infectious disease or similar events;
- differing local practices, customs and cultures, some of which may not align or comply with Spin Master's company practices and policies or Canadian or U.S. laws and regulations;
- difficulties with licensees, contract counterparties, or other commercial partners; and
- differing local product preferences, and product and packaging regulation which may lead to increased costs.

As a result of further changes to Canadian or U.S. policy, there may be changes to existing trade agreements and greater restrictions on trade generally. The United States recently introduced broad tariffs against Canada, Mexico

and China and has threatened to do so against other countries, resulting in retaliatory tariffs or the threat of retaliatory tariffs. In addition, support for protectionism and rising anti-globalization sentiment in Canada, the United States, and other countries may slow global growth. In particular, a protracted and wide-ranging trade conflict between the United States and various other countries, including Canada, Mexico and China could adversely affect global or regional economic growth. Concerns also remain around the social, political and economic impacts of the changing political landscape in Europe and elsewhere. In addition, there are growing concerns over an economic slowdown in emerging markets in light of capital outflows in favor of developed markets and expected interest rate increases. Broader geopolitical tensions remain high among the United States, Russia, China and across the Middle East.

Given the international scope of Spin Master's operations, any of the above factors, including sanctions, export controls, tariffs, trade wars and other governmental actions, could have a material adverse effect on Spin Master's business, financial condition, cash flows and results of operations and could cause the market value of Spin Master's Subordinate Voting Shares to decline. Similarly, adverse economic conditions impacting Spin Master's customers in these countries or uncertainty about global or regional economic conditions could cause purchases of Spin Master's products to decline, which would adversely affect the Company's revenues and operating results. Moreover, Spin Master's projected revenues and operating results are based on assumptions concerning certain levels of customer spending. Any failure to attain Spin Master's projected revenues and operating results as a result of adverse economic or market conditions could have a material adverse effect on Spin Master's business, financial condition, cash flows and results of operations and could cause the market value of Spin Master's Subordinate Voting Shares to decline.

An increasing portion of Spin Master's business may come from new and emerging markets, and growing business in new and emerging markets presents additional challenges which could have a material adverse effect on the Company's business, financial condition, and performance.

Spin Master expects an increasing portion of its revenues to come from new and emerging markets. Operating in new and emerging markets, each with its own unique consumer preferences and business climates, presents additional challenges that Spin Master must meet. In addition, sales and operations in new and emerging markets are subject to other risks associated with international operations. Such risks include, but are not limited to: complications in complying with different laws in varying jurisdictions; dealing with changes in governmental policies and the evolution of laws and regulations that impact Spin Master's product offerings and related enforcement; difficulties understanding the retail climate, consumer trends, local customs and competitive conditions in foreign markets, which may be quite different from Canada and the U.S.; difficulties in moving materials and products from one country to another, including port congestion, strikes and other transportation delays and interruptions; potential challenges to Spin Master's transfer pricing determinations and other aspects of its cross border transactions; and the impact of tariffs, trade restrictions, trade barriers, quotas, or other protectionist measures. Spin Master's business, financial condition and performance could be harmed if any of the risks described above are not appropriately managed, or if the Company is otherwise unsuccessful in managing its new and emerging market business.

Product recalls, post-manufacture repairs of Spin Master's products, product liability claims, absence or cost of insurance, and associated costs could harm the Company's reputation, which could have a material adverse effect on the Company's business, financial condition and performance.

Spin Master is subject to regulation by Health Canada, the U.S. Consumer Product Safety Commission, and regulatory authorities and by similar consumer protection regulatory authorities in other countries in which Spin Master sells its products. These regulatory bodies have the authority to remove from the market products that are found to be defective and present a substantial hazard or risk of serious injury or death. The Company has experienced, and may in the future experience, issues in relation to products that result in recalls, delays, withdrawals, or post-manufacture repairs or replacements of products, which could result in liability to the Company or reputational harm among the Company's customers.

Individuals have asserted claims, and may in the future assert claims, that they have sustained injuries from the Company's products, and Spin Master may be subject to lawsuits relating to these claims. There is a risk that these claims or liabilities may exceed, or fall outside of the scope of, Spin Master's insurance coverage as Spin Master does not maintain separate product recall insurance. The Company has recorded, and in the future may record, charges and incremental costs relating to recalls, withdrawals or replacements of its products, based on the Company's most recent estimates of retailer inventory returns, consumer product replacement costs, associated legal and other professional fees, and costs associated with advertising and administration of product recalls. As these current and

expected future charges are based on estimates, they may increase as a result of numerous factors, many of which are beyond Spin Master's control, including the amount of products that may be returned by consumers and retailers, the number and type of legal, regulatory, or legislative proceedings relating to product recalls, withdrawals or replacements or product safety proceedings in Canada, the U.S. and elsewhere that may involve the Company, as well as regulatory or judicial orders or decrees in Canada, the U.S. and elsewhere that may require the Company to take certain actions in connection with product recalls.

Moreover, Spin Master may be unable to obtain adequate liability insurance in the future. Any of these issues could result in damage to the Company's reputation, diversion of development and management resources, reduced sales, and increased costs and could cause the Company's licensors to terminate or not renew its licenses, any of which could materially and adversely harm its business, financial condition, and performance. Product recalls, withdrawals, or replacements may also increase the competition that Spin Master faces. Some competitors may attempt to differentiate themselves by claiming that their products are produced in a manner or geographic area that is insulated from the issues that preceded recalls, withdrawals, or replacements of Spin Master's products. In addition, to the extent that the Company's competitors choose not to implement enhanced safety and testing protocols comparable to those that the Company and its third-party manufacturers have adopted, such competitors could enjoy a cost advantage that could enable them to offer products at lower prices than Spin Master.

Additionally, product recalls relating to Spin Master's competitors' products, post-manufacture repairs of their products and product liability claims against the Company's competitors may indirectly impact the Company's product sales even if its products are not subject to the same recalls, repairs, or claims.

Unfavourable resolution of litigation matters and disputes, including those arising from recalls, withdrawals, or replacements of Spin Master's products, could have a material adverse effect on the Company's business, financial condition and performance.

Spin Master is involved from time to time in litigation and disputes, including those arising from recalls, withdrawals, or replacements of its products. Since outcomes of regulatory investigations, litigation and arbitration disputes are inherently difficult to predict, there is the risk that an unfavourable outcome in any of these matters could negatively affect the Company's business, financial condition and performance. Regardless of the outcome, litigation may result in substantial costs and expenses to Spin Master and significantly divert the attention of its management. The Company may not be able to prevail in, or achieve a favourable settlement of, pending litigation. In addition to pending litigation, future litigation, government proceedings, labour disputes or environmental matters could lead to increased costs or interruption of the Company's normal business operations.

Failure to implement new initiatives or meet product introduction schedules could have a material adverse effect on Spin Master's business, financial condition, and performance.

Spin Master has undertaken, and in the future may undertake, initiatives to increase its efficiency, reduce its costs, improve the execution of its core business, globalize and extend its brands, develop or extend entertainment properties, leverage new trends, create new brands or franchises, offer new innovative products and technologies, enhance product safety, develop its employees, improve productivity, simplify processes, maintain customer service levels, drive sales growth, capitalize on its scale advantage and improve its supply chain. These initiatives involve investment of capital and complex decision-making, as well as extensive and intensive execution, and these initiatives may not succeed or there may be a delay in the anticipated timing of the launch of new initiatives. In addition, Spin Master may anticipate introducing a specific product, product line or brand at a certain time in the future. There is no guarantee that Spin Master will be able to manufacture, source and ship new or continuing products in a timely manner and on a cost-effective basis. The risk is also exacerbated by the increasing sophistication of many of the products the Company is designing, and the brands being developed in terms of combining digital and analog technologies and providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process or significant increases in the planned cost of development for new products may cause the introduction date for products to be later than anticipated or, in some situations, may cause a product or new product introduction to be discontinued. Failure to implement any of these initiatives, or the delay of the anticipated launch, or the failure of any of these initiatives or launches to produce the results anticipated by management, could have a material adverse effect on the Company's business, financial condition and performance.

A reduction or interruption in the delivery of raw materials, parts and components from Spin Master's suppliers or a significant increase in the price of raw materials and labour could negatively impact the Company's profit margins or result in lower sales.

Spin Master's ability to meet customer demand depends in part on its ability to obtain timely and adequate delivery of materials, parts, and components from Spin Master's suppliers. The Company has experienced shortages in the past, including shortages of raw materials and components, and may encounter these problems in the future. A reduction or interruption in supplies, whether resulting from more stringent regulatory requirements, disruptions in transportation, port delays, labour strikes, lockouts, an outbreak of a severe public health crisis, severe weather due to climate change or otherwise, the occurrence of threat of wars or other conflicts, or a significant increase in the price of one or more supplies, such as wood, fuel and resin (which is a petroleum-based product), could have a material adverse effect on the Company's business, financial condition and performance. Cost increases, whether resulting from shortages of materials or rising costs of materials, transportation, services, or labour, could impact the profit margins on the sale of Spin Master's products. Due to market conditions, timing of pricing decisions and other factors, the Company may not be able to offset any of these increased costs by adjusting the prices of its products. Increases in prices of the Company's products could result in lower sales and have a material adverse effect on its financial condition and performance.

Political developments, including trade relations, and/or trade actions could adversely impact Spin Master, its personnel and facilities, its customers and suppliers, retail and financial markets, and general economic conditions.

Spin Master's business is worldwide in scope and can be directly and indirectly impacted in a negative way by geopolitical tensions. Political instability, civil unrest, the deterioration of the political, economic, or social situation in a country in which Spin Master has significant sales or operations, or the breakdown of trade relations between the U.S. and a foreign country in which Spin Master has significant manufacturing facilities or other operations, could adversely affect Spin Master's business, financial condition and results of operations. For example, a change in trade status between the U.S. and a foreign country could result in a substantial increase in the import duty of toys manufactured in that foreign country and imported into the U.S. The U.S. previously implemented certain trade actions directed at China, including imposing increased tariffs on certain goods imported into the U.S. from China, which previously resulted in retaliatory tariffs imposed by China. China has also previously implemented various trade actions directed at the United States.

Global trade policy continues to evolve and the ultimate impact of recent developments with respect to U.S. tariffs is unclear. On February 20, 2026, the United States Supreme Court issued a ruling striking down certain tariffs previously imposed under the International Emergency Economic Powers Act ("IEEPA"). Following the Supreme Court's decision, the U.S. presidential administration announced its intention to invoke other laws to collect tariffs and announced new tariffs on imports from all countries, in addition to any existing non-IEEPA tariffs. There remains substantial uncertainty regarding the duration of existing and newly announced tariffs, potential changes or pauses to such tariffs, tariff levels, and whether further additional tariffs or other retaliatory actions may be imposed, modified, or suspended, and the impacts of such actions on Spin Master's business. These and future changes in tariffs, trade policies, trade actions, or retaliatory trade measures in response, have resulted and may continue to result in additional costs and pricing pressures, supply chain disruptions, volatile or unpredictable customer spending patterns, and increased economic or geopolitical risks, which could adversely impact Spin Master's future sales, business, financial condition, and results of operations, materially or in ways that Spin Master cannot predict. For example, diverting more production to, or sourcing from, countries other than China, could raise the cost of Spin Master's products in those markets, and could cause customers in those markets to seek domestic or non-U.S. sources for products that Spin Master sells, or to be pressured or incentivized by foreign governments not to purchase goods of U.S. or Canadian companies, which could adversely impact Spin Master's future sales.

In addition, the United States, United Kingdom, and European Union, among other jurisdictions, have each imposed export controls, as well as financial and economic sanctions, currency controls, and other trade actions, on certain products, technologies, industry sectors, and parties in Russia and Belarus because of the conflicts between Russia and Ukraine, which have resulted and could further result in retaliatory measures and actions by Russia. Any increased trade barriers or restrictions on global trade imposed by the U.S. whether towards China, Russia or other countries, or further retaliatory trade measures or currency controls taken by China, Russia, or other countries in response, could adversely affect Spin Master's business, financial condition, and performance.

Global climate change, evolving stakeholder regulations and expectations for corporate responsibility matters, and Spin Master's related goals present challenges to its business and reputation that could adversely affect Spin Master.

The effects of global climate change create financial, operational, and reputational risks to Spin Master's business, both directly and indirectly. There is a consensus that greenhouse gas ("GHG") emissions are linked to global climate

change, and that these emissions must be reduced dramatically to avert the worst effects of climate change. Spin Master's operations may be vulnerable to the adverse effects of climate change, which are predicted to increase the frequency and severity of weather events and other natural cycles such as wildfires, heatwaves, floods, and droughts. The effects of climate change may cause disruptions in Spin Master's operations, including its supply chain and the productivity of its third-party manufacturers, increase Spin Master's production costs, impose capacity restraints, and impact the types of products that consumers purchase, including for example an increased focus on eco-friendly toys, all of which may cause Spin Master to suffer losses and additional costs to maintain or resume operations. Spin Master may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for Spin Master's products. In addition, Spin Master may incur capital expenditures, compliance costs, and other costs to comply with increasingly stringent environmental laws, compliance reporting, and enforcement policies. Governments around the world are increasingly focused on enacting laws and regulations regarding climate change and regulation of GHG emissions. Lawmakers and regulators in Canada, the United States and certain jurisdictions where Spin Master operates have proposed or enacted regulations requiring reporting of GHG emissions and the restriction thereof, including increased fuel efficiency standards, carbon taxes or cap and trade systems, restrictive permitting, and incentives for renewable energy. For example, in October 2023, California enacted legislation addressing the disclosure of GHG emissions, climate-related risks, environmental claims, and the use or sale of voluntary carbon offsets. The Canadian securities regulatory authorities continue to consider the adoption of a mandatory climate change reporting framework that may increase the amount of time, monitoring, diligence and reporting costs related to these matters. Global efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues. In January 2023, the EU enacted the Corporate Sustainability Reporting Directive, which will require sustainability reporting across a broad range of sustainability topics for both EU and non-EU companies. In addition, as costs and taxes are imposed on fossil fuels, which are the inputs for resin and fuel for shipping, the cost of production will increase, which could result in increased expenses to Spin Master, which may not be offset by increased prices, if such increases cannot be passed on to consumers.

The effect of increased severity of extreme weather could affect the quality of the Company's products and its ability to distribute them in a timely fashion. For example, monsoons in South, Southeast and East Asia can cause excessive moisture, which can affect or damage products and product packaging, leading to write-offs, transport delays, and affect the Company's ability to deliver on its retail customers' quality needs. There are also certain areas, for example, the Pearl River Delta in southern China, which are major areas for toy manufacturing, but are also subject to severe flood threats from watershed floods, sea level rise and storm surges. Increased heat could cause working conditions to deteriorate for those employed in physical labour in the Company's supply chains. Increased heat has also led to blackouts and brownouts in certain parts of the world, which would also impact the ability of the Company's employees and supply chains to be productive or to access the Company's systems. Droughts or inadequate water supply in certain parts of the world could also have a negative impact on the Company's manufacturing facilities, where the facilities are powered by nuclear energy which requires water to cool. Similarly, in areas where the Company may be powered by hydroelectric energy, such as in Canada or in certain parts of China, inadequate water supply could lead to a lack of energy production. These could be a risk in the medium and long term for the Company.

A variety of stakeholders, including regulators, investors, advisory firms, rating agencies, and customers, are establishing laws, regulations, expectations, reporting obligations and/or assessments reflecting their expectations for corporate practices related to climate change and other corporate responsibility matters. In 2022, Spin Master announced its intention to develop and release a climate action plan. Spin Master has previously purchased offsets relating to Scope 1 and 2 GHG emissions, as well as some of the Company's Scope 3 GHG emissions. The Company has also planned for a 50% reduction in plastic packaging by 2025 and utilizing eco-friendly inks on 50% of packaging by 2025. Spin Master has subsequently established additional goals related to environmental, social, and governance ("ESG") matters, some of which is detailed in the Company's Corporate Social Responsibility reports, available on its website. Such goals are based on management's current assumptions related to scientific or technological developments, carbon markets, the workforce and hiring market, and other matters that are subject to change in the future and which are outside of Spin Master's control, as well as standards for measuring progress that are still in development, and subject to a number of significant risks and uncertainties. Spin Master's efforts to be responsive to climate change, to reduce its carbon footprint, and regarding other ESG matters cannot provide assurance that Spin Master will successfully achieve its ESG goals, that related costs may not be higher than expected, that proposed regulation or deregulation related to climate change and other ESG matters will not be more aggressive than Spin Master's measures and result in higher costs (or require additional resources), or that any investments Spin Master makes in furtherance of achieving such goals will meet expectations for all

stakeholders or any applicable binding or non-binding legal standards, any one of which could have an adverse effect on Spin Master's financial condition, results of operations, or reputation.

Climate-related litigation has increased in recent years, including claims involving the failure of organizations to mitigate their impacts on climate change, the failure of organizations to adapt to climate change, and the insufficiency of disclosure around material financial risks or inaccuracy of climate-related disclosure. Additionally, as consumers and customers continue to put an increased priority on purchasing products that are sustainably manufactured and packaged, Spin Master may need to incur increased costs in order to effectively source materials that are more sustainable, as well as increased costs for additional transparency, due diligence, and reporting. If Spin Master's ESG practices do not meet, or are not viewed as meeting, investor or other stakeholder expectations and standards (which are continually evolving and may emphasize different priorities than the ones Spin Master chooses to focus on), or if Spin Master does not or appears not to achieve its ESG goals, then investors, consumers, and other stakeholders could lose confidence in Spin Master and its brands, and negatively impact Spin Master's operations, brand, and reputation, and employee retention may be negatively impacted. Furthermore, if regulators disagree with the Company's ESG disclosures, for example because they believe them to be incomplete or misleading, the Company may face regulatory enforcement action, and its business or reputation could be adversely affected. There is also a risk that a significant reorientation in the market following the implementation of measures relating to ESG disclosure requirements could be adverse to the Company's business if the Company is perceived to be presenting a product or business as having green or sustainable characteristics where this is not, in fact, the case (i.e., "greenwashing"). Additionally, compliance with any new regulations or laws generally increases the Company's regulatory burden and could make compliance more difficult and expensive, thereby adversely impacting the Company's financial position.

Spin Master's operating procedures and product requirements are subject to change and may increase costs, which may materially and adversely affect its relationship with vendors and make it more difficult for it to produce, purchase and deliver products on a timely basis to meet market demands. Future conditions may require the Company to adopt further changes that may increase its costs and adversely affect the Company's relationship with vendors.

Spin Master's operating procedures and requirements for both its own manufacturing facilities and vendors, which are regularly monitored, and which are subject to change, including by implementing enhanced testing requirements and standards, impose additional costs on both Spin Master and the vendors from whom it purchases products. These changes may also delay delivery of the Company's products. Additionally, changes in industry wide product safety guidelines may affect the Company's ability to sell its inventory and may negatively impact its business. Spin Master's relationship with existing vendors may be adversely affected as a result of these changes, making it more dependent on a smaller number of vendors. Some vendors may choose not to continue to do business with the Company or not to accommodate the Company's needs to the extent that they have done so in the past. Due to the seasonal nature of Spin Master's business and the demands of its customers for deliveries with short lead times, Spin Master depends upon the cooperation of its vendors to meet market demand for its products in a timely manner. Existing and future events may require the Company to impose additional requirements on its vendors that may adversely affect the Company's relationships with those vendors and its ability to meet market demand in a timely manner which may in turn have a material and adverse effect on the Company's business, financial condition, and performance.

Spin Master may engage in acquisitions, mergers, or dispositions, which may affect the profit, revenues, profit margins or other aspects of its business. Spin Master may not realize the anticipated benefits of future acquisitions, mergers or dispositions to the degree anticipated, or such transactions could have a material adverse impact on the Company's business, financial condition, and performance.

Acquisitions have been a part of Spin Master's growth and have enabled it to further broaden and diversify its product offerings. The Company expects that in the future it will further expand its operations, brands, and product offerings through the acquisition of additional businesses, products, or technologies. However, the Company may not be able to identify suitable acquisition targets or merger partners and the Company's ability to efficiently integrate large acquisitions may be limited by its lack of experience with them. If Spin Master can identify suitable targets or merger partners, it may not be able to acquire these targets on acceptable terms or agree to terms with merger partners. Also, Spin Master may not be able to integrate or profitably manage acquired businesses and may experience substantial expenses, delays or other operational, systems, technological, personnel or financial problems associated with the integration of acquired businesses. The need to integrate the operations, systems, technologies, products, and personnel of each acquired company, the inefficiencies and lack of control that may

result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise in connection with integration. The Company may also face substantial expenses, delays or other operational or financial problems if it is unable to sustain the distribution channels and other relationships currently in place at an acquired business. The businesses, products, brands, or properties the Company acquires may not achieve or maintain popularity with consumers, and other anticipated benefits may not be realized immediately or at all. Further, integration of an acquired business may divert the attention of the Company's management from its core business. Acquisitions of businesses and brands could also be adversely affected by changes in Spin Master's business strategy. In cases where Spin Master acquires businesses that have key individuals, Spin Master cannot be certain that those persons will continue to work for it after the acquisition or that they will continue to develop popular and profitable products. Loss of such individuals could materially and adversely affect the value of businesses that the Company acquires.

Acquisitions also entail numerous other risks, including but not limited to:

- unanticipated costs and legal liabilities;
- adverse effects on the Company's existing business relationships with its suppliers and customers;
- risk of entering markets in which the Company has limited or no prior experience;
- amortizing any acquired intangible assets; and
- difficulties in maintaining uniform standards, procedures, controls, and policies.

Some or all the foregoing risks could have a material adverse effect on Spin Master's business, financial condition, and performance. In addition, any businesses, products, or technologies the Company may acquire may not achieve anticipated revenues or income and the Company may not be able to achieve cost savings and other benefits that it would hope to achieve with an acquisition.

Acquisitions could also consume a substantial portion of Spin Master's available cash, could result in incurring substantial debt which may not be available on favourable terms, and could result in the Company assuming contingent liabilities. In addition, if the business, product, or technologies the Company acquires are unsuccessful it would likely result in the incurrence of a write-down of such acquired assets, that could adversely affect Spin Master's financial performance. The Company's failure to manage its acquisition strategy could have a material adverse effect on its business, financial condition, and performance.

Consistent with Spin Master's past practice and in the normal course, the Company may have outstanding non-binding letters of intent and / or conditional agreements or may otherwise be engaged in discussions with respect to possible acquisitions which may or may not be material. However, there can be no assurance that any of these letters, agreements and / or discussions will result in an acquisition and, if they do, what the final terms or timing of any acquisition would be.

Spin Master has had and may in the future have significant impairment charges that adversely affect its results of operations.

Changes in strategy, shifting focus to certain lines of business, lower projections in an area of the business, declines in the profitability of acquired brands or businesses, or the decision to reduce the Company's focus or exit these brands has in the past impacted and may in the future impact the Company's ability to recover the carrying value of the related assets and could result in an impairment charge. Similarly, declines in the Company's profitability may impact the recoverable amount of its cash generating units, which could result in an impairment of goodwill and intangible assets, and consequently negatively impact the Company's results of operations.

The Company has incurred, and may in the future incur, significant costs in connection with the development of entertainment content and digital games. If the Company determines that capitalized costs of the content or games are unlikely to be recovered by future sales due to the termination of development, lack of success of the content, game or otherwise, the Company will impair the costs related to the asset, which will be recognized in the period in which such determination is made.

If Spin Master fails to maintain an effective system of internal controls, Spin Master may not be able to report its financial results or prevent fraud, which could harm the Company's financial performance and may cause investors to lose confidence in it.

Spin Master must maintain effective internal financial controls for it to provide reliable and accurate financial reports. The Company's compliance with the internal control reporting requirements will depend on the

effectiveness of its financial reporting and data systems and controls. Spin Master expects these systems and controls to become increasingly complex to the extent that its business grows, including through acquisitions. To effectively manage such growth, the Company will need to continue to improve its operational, financial and management controls and its reporting systems and procedures. These measures may not ensure that Spin Master designs, implements, and maintains adequate controls over its financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation or operation, could harm the Company's financial performance, or cause it to fail to meet its financial reporting obligations. Inferior internal controls could also cause investors to lose confidence in the Company's reported financial information, which could have a material and adverse effect on the trading price of its stock and its access to capital.

Spin Master is subject to tax and regulatory compliance in all the jurisdictions in which it operates and may be subject to audits from time to time that could result in the assessment of additional taxes, interest and penalties.

Spin Master conducts business globally and is subject to tax and regulatory compliance in the jurisdictions in which it operates. These include those related to collection and payment of value added taxes at appropriate rates and the appropriate application of value added taxes to each of the Company's products, those designed to ensure that appropriate levels of customs duties are assessed on the importation of its products, as well as transfer pricing and other tax regulations designed to ensure that its intercompany transactions are consummated at prices that have not been manipulated to produce a desired tax result, that appropriate levels of income are reported as earned and that it is taxed appropriately on such transactions. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment.

Spin Master may be subject to audits that are at various levels of review, assessment, or appeal in a number of jurisdictions involving various aspects of value added taxes, customs duties, transfer pricing, income taxes, withholding taxes, sales and use and other taxes and related interest and penalties in material amounts. The taxation authorities in the jurisdictions where the Company carries on business could challenge the Company's transfer pricing policies. In some circumstances, additional taxes, interest, and penalties may be assessed and deposits required to be paid in order to challenge the assessments. When applicable, the Company reserves in the consolidated financial statements an amount that it believes represents the most likely outcome of the resolution of disputes, but if it is incorrect in its assessment, it may have to pay a different amount which could potentially be material. Ultimate resolution of these matters can take several years, and the outcome is uncertain. If the taxing authorities in any of the jurisdictions in which the Company operates were to successfully challenge its transfer pricing practices or its positions regarding the payment of income taxes, customs duties, value added taxes, withholding taxes, sales and use, and other taxes, it could become subject to higher taxes and its revenue and earnings could be adversely affected.

Significant changes in currency exchange rates could have a material adverse effect on Spin Master's business, financial condition, and performance.

Spin Master's global operations means business is transacted in many different currencies and financial performance and cash flows are subject to changes in currency exchange rates and regulations. As the Company's financial results are reported in U.S. dollars, changes in the exchange rate between the U.S. dollar and local currencies in which the Company operates may have an adverse effect / beneficial impact on the Company's U.S. dollar results. Furthermore, potential significant revaluation of the Chinese yuan, which may result in an increase in the cost of producing products in China, could negatively affect Spin Master's business. Government action may restrict the Company's ability to transfer capital across borders, such as currency control regulations in Russia, China or other countries, and may also impact the fluctuation of currencies in the countries where the Company conducts business or has invested capital. Significant changes in currency exchange rates and reductions in Spin Master's ability to transfer capital across borders could have a material adverse effect on its business, financial condition and performance. Currency fluctuations may also adversely affect the Company's financial performance when it repatriates the funds it receives from these sales or other sources.

Spin Master is subject to various laws and government regulations, which, if violated, could subject Spin Master to sanctions or third-party litigation or, if changed, could lead to increased costs, changes in the Company's effective tax rate or the interruption of normal business operations that would negatively impact the Company's business, financial condition, and performance.

Spin Master operates in a highly regulated environment in the U.S., Canada, and international markets, including its products and the importation and exportation of its products. These policies or regulations may include accounting standards, taxation requirements (including changes in applicable income tax rates, new tax laws, and revised tax law interpretations), product safety and other safety standards, supply chain management (such as the Fighting Against Forced Labour and Child Labour in Supply Chains Act and similar legislation relating to modern slavery), duties and tariffs (including international trade laws and regulations, export controls, and economic sanctions), trade restrictions, trade barriers, regulations regarding currency and financial matters, anticorruption standards, labour and employment, environmental matters, advertising directed toward children, product content, screen time, AI, cybersecurity and privacy and data protection, as well as other administrative and regulatory restrictions. In addition, as Spin Master enters into new areas of investment, product development, or other business activities, it will have to learn to navigate the regulatory framework surrounding those areas, which may be continuing to develop. The steps Spin Master takes to comply with these laws, regulations, and policies do not ensure that Spin Master will comply in the future. Compliance with these various laws, regulations, and policies, as well as initiatives to comply with new or proposed legal regimes, imposes significant costs on Spin Master's business, and failure to comply could result in monetary liabilities and other penalties and could also lead to negative media attention, reputational damage, and consumer dissatisfaction, which could have an adverse effect on Spin Master's business, financial condition, and results of operations.

Many foreign countries have laws that permit governmental entities to restrict or prohibit marketing or distribution of interactive entertainment software products (and similar legislation has been introduced at one time or another at the federal and state levels in the U.S., including legislation that attempts to impose additional taxes based on content). In addition, certain jurisdictions have laws that restrict or prohibit marketing or distribution of interactive entertainment software products with random digital item mechanics, which some of the Company's online games and services include, or subject such products to additional regulation and oversight, such as reporting to regulators, mandatory disclosure to consumers of item drop rates, and higher age ratings for products that contain such mechanics.

In addition, changes in laws or regulations may lead to increased costs, changes in the Company's effective tax rate, or the interruption of normal business operations that would materially and adversely impact its business, financial condition and performance. The Company believes that it takes all necessary steps to comply with these laws and regulations, but Spin Master cannot be certain that it is in full compliance or will be in the future. Failure to comply could result in sanctions or delays that could have a negative impact on the Company's business, financial condition, and performance. In addition, increases in import and excise duties and/or sales or value added taxes in the jurisdictions in which Spin Master operates could affect the affordability of Spin Master's products and, therefore, reduce demand.

Spin Master is subject to income taxes in the jurisdictions in which it operates and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events.

Legislation implementing the Organization for Economic Cooperation and Development's (OECD) model rules outlining a structure for a new 15% global minimum tax regime (the "Pillar Two Rules") has been enacted or substantively enacted locally in a number of jurisdictions in which the Company operates in. Based on an assessment, the Pillar Two Rules effective tax rate in most of the jurisdictions in which the Company operates in, is already above 15%. As a result, any impact of these rules is not expected to be material. The Company will continue to monitor and reassess the impact of the Pillar Two Rules and any change may impact its financial condition and operating results.

Changes in tax laws in any of the multiple jurisdictions in which Spin Master operates, or adverse outcomes from tax audits that Spin Master may be subject to in any of the jurisdictions in which Spin Master operates, could result in an unfavorable change in the Company's effective tax rate, which could adversely affect its business, financial condition and operating results

The challenge of continuously developing and offering products and entertainment experiences that are sought after by children is compounded by the sophistication of today's children and the increasing array of technology and entertainment offerings available to them.

Children are increasingly utilizing electronic offerings such as computers, tablet devices and mobile phones and they are expanding their interests to a wider array of innovative, technology-driven entertainment products and digital and social media offerings at younger and younger ages. Spin Master's products and digital games compete with the

offerings of consumer electronics companies, gaming, digital media and social media companies. To meet this challenge, the Company is designing and marketing products and digital games which incorporate increasing technology, seek to combine digital and analog play, and capitalize on evolving play patterns and increased consumption of digital and social media. With the increasing array of competitive entertainment offerings, there is no guarantee that:

- any of Spin Master's and its license partners' products, brands or entertainment properties will achieve popularity or continue to be popular;
- any property for which Spin Master has a significant license will achieve or sustain popularity;
- any new products or product lines Spin Master introduces, or entertainment content that it creates, will be considered interesting to consumers and achieve an adequate market acceptance; or
- any product's life cycle or sales quantities will be sufficient to permit Spin Master to profitably recover the development, manufacturing, marketing, royalties (including royalty advances and guarantees) and other costs of producing, marketing, and selling the product.

An increasing portion of Spin Master's business may come from technologically advanced or sophisticated digital and smart technology products, which present additional challenges compared to more traditional toys and games.

Spin Master expects that children will continue to be interested in product offerings incorporating sophisticated technology, such as mobile digital games, consumer electronics and social and digital media, at younger and younger ages. Spin Master also expects that parents will seek to enhance child development and learning through digital technologies and technology-based play as well as analog play. These technologies also include increased use of machine learning and AI.

In addition to the risks associated with Spin Master's more traditional products, sophisticated digital and smart technology products face certain additional risks. Costs associated with designing, developing, and producing digital games and technologically advanced or sophisticated products tend to be higher than for many of Spin Master's more traditional products. Heavy competition in digital entertainment products and difficult economic conditions may increase the risk of Spin Master not achieving sales sufficient to recover the increased development costs associated with these products. Designing, developing, and producing sophisticated digital games and smart technology products requires different competencies and may follow longer timelines than traditional toys and games, and any delays in the design, development or production of these products could have a significant impact on Spin Master's ability to successfully offer such products. In addition, the pace of change in product offerings and consumer tastes in the mobile digital games, and social and digital media areas is potentially even greater than for Spin Master's more traditional products. This pace of change means that the window in which a technologically advanced or sophisticated product can achieve and maintain consumer interest may be shorter than traditional toys and games. These products may also present data security and data privacy risks and be subject to certain laws, government policies or regulations not applicable to more traditional products, such as the U.S. Children's Online Privacy Protection Act of 1998, the EU General Data Protection Regulation ("GDPR"), the EU Artificial Intelligence Act, Canada's Personal Information Protection and Electronic Documents Act, the California Consumer Protection Act, the California Consumer Privacy Rights Act ("CCPA"), , the Virginia Consumer Data Protection Act, the Colorado Privacy Act, the Connecticut Data Privacy Rights Act, and the Utah Consumer Privacy Act contain detailed requirements regarding collecting and processing personal information, and impose certain limitations on how such information may be used, the length for which it may be stored, with whom it may be shared, and the effectiveness of consumer consent. In addition to the comprehensive U.S. state privacy laws and regulations that have or will be going into effect in 2025, similar laws are being proposed elsewhere, which impose additional obligations such as additional rights processes, new contractual requirements, opt outs for certain uses and disclosures of sensitive personal information, and opt outs from sharing personal information for targeted advertising. Such laws also apply standards relating to privacy, data protection, AI and data security, and are continuously evolving and developing, creating significant uncertainty as privacy and data protection laws may be interpreted and applied differently from country to country and may create inconsistent or conflicting requirements. Companies are also facing an increasing number of class actions from consumer groups that claim loss or misuse of their personal information.

Additionally, regulators are increasingly scrutinizing companies that process children's data. Numerous laws, regulations, and legally-binding codes, such as the Children's Online Privacy Protection Act, California's Age Appropriate Design Code, CCPA, other U.S. state comprehensive privacy laws, GDPR, and the UK Age Appropriate Design Code impose various obligations on companies that process children's data, including requiring certain

consents to process such data and extending certain rights to children and their parents with respect to that data. Some of these obligations have wide ranging applications, including for services that do not intentionally target child users (defined in some circumstances as a user under the age of 18 years old). These laws may be, or in some cases, have already been, subject to legal challenges and changing interpretations, which may further complicate the Company's efforts to comply with these laws.

Spin Master's ongoing efforts to comply with the GDPR and other privacy and data protection laws, such as the those noted above, as well as initiatives to comply with new legal regimes relating to privacy, data protection, and AI, impose significant costs and challenges that are likely to increase over time, including as Spin Master introduces sophisticated digital and smart technology products, including products that incorporate AI. Given that the scope, interpretation, and application of these laws and regulations are often uncertain and may be in conflict across jurisdictions, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Company's practices. Any failure, or perceived failure, by Spin Master or third-party service providers to comply with the Company's privacy or security policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personal data, may result in governmental enforcement actions, litigation, or negative publicity, and could have an adverse effect on Spin Master's operating results and financial condition.

Spin Master is subject to global data privacy, data protection, security and consumer-protection laws and regulations. These laws and regulations are emerging and evolving and the interpretation, application and enforcement of these laws and regulations often are uncertain, contradictory and changing. The failure to maintain data practices that are compliant with applicable laws and regulations, or evolving interpretations of applicable laws and regulations, could result in inquiries from enforcement agencies or direct consumer complaints, resulting in civil or criminal penalties, and could adversely impact the Company's reputation and brand. In addition, the operational costs of compliance with these regulations are high and will likely continue to increase. If Spin Master is unable to meet these regulatory requirements, the Company's business, financial condition and performance may be materially and adversely affected.

Spin Master's business will suffer if it is unable to innovate, develop and invest successfully in mobile digital games.

Spin Master continues to innovate, develop and invest in mobile digital games. Spin Master has invested substantially in this business and as a result, it has seen significant growth over the past several years. Continued digital game development is a key growth factor for the future. If the Company is unable to continue to grow this business and ensure its integration with the Company's other business segments, Spin Master's business may be harmed. The digital games industry is highly competitive, including for talent, and costs associated with designing, developing and producing digital games as well as acquiring and retaining users, tend to be higher than for many of the Company's other more traditional products, with no assurance of success. As a result, the Company faces increased risk of not achieving sales sufficient to recover its costs and it may lose money on the development, marketing and sale of these products. Additionally, designing, developing and producing digital games and other technologically advanced or innovative products often relies on third parties and requires different competencies and follows different timelines than traditional toys and games. Delays in the design, development or production of the Company's digital games products could have a significant impact on Spin Master's success. In addition, the pace of change in product offerings and consumer tastes in the mobile digital games industry is potentially even greater than for other products and this pace of change is expected to accelerate as AI is further incorporated into the development of digital games. If a digital game fails to gain consumer acceptance early in its life cycle, there are limited opportunities to gain such acceptance through secondary launches or distribution through alternative platforms. This pace of change, or lack of consumer acceptance, means that the window in which a digital games product can achieve and maintain consumer interest may be even shorter than traditional toys and games.

Spin Master's success depends on key personnel and without them the Company may be unable to maintain and expand its business.

Spin Master's future success depends on the continued contribution of key personnel, including, executives, designers, inventors, technical, sales, marketing and in the Entertainment and Digital Games creative centres. If Spin Master fails to retain, hire, train and integrate key personnel, Spin Master's ability to maintain or expand its business could be harmed. Labour shortages and increased labour costs as a result of increased competition for qualified talent, higher employee turnover rates, increases in employee benefit costs, wage inflation, strikes, or other employee-related disruptions to Spin Master's workforce can negatively impact its business. In addition, changes to Spin Master's current and future work environments may not meet the needs or expectations of its employees or be

perceived as less favourable compared to other companies' policies, which could negatively impact Spin Master's ability to hire and retain qualified personnel. Recruiting and retaining skilled personnel is costly and highly competitive around the world.

Spin Master's business, financial condition, and performance could be adversely affected by strikes or other union job actions.

Any strike, prolonged or new, by, or lockout of, one or more of the unions that provide personnel essential to the development, production or distribution of films or television programs, such as the five-months long strike by the Writers Guild of America, which ended in September 2023, and the four-months long strike by the American actors' union SAG-AFTRA, which ended in November 2023, could delay or halt activities in the entertainment industry which may effect third-party owners for IP which the Company licenses, in addition to Spin Master's own development and production of content. Halts or delays, depending on the length of time, could cause a delay or interruption in development, production and release of new films and entertainment programs, for which the Spin Master licenses the IP and delay and/or lower the revenues the Company expected to receive from entertainment related toys, games and other merchandise.

Natural disasters or other catastrophic events out of Spin Master's control may damage its operations, facilities or those of its contractors and could materially and adversely affect the Company's business, financial condition and performance.

A catastrophic event where Spin Master has operations, offices or manufacturing facilities, such as an earthquake, tsunami, flood, typhoon, fire or other natural or manmade disaster, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic could disrupt the Company's operations or those of its contractors and impair production or distribution of its products, damage inventory, interrupt critical functions, or otherwise affect its business negatively, and could materially and adversely affect the Company's business, financial condition and performance.

Increases in interest rates, the lack of availability of credit and Spin Master's inability to meet the debt covenant coverage requirements in its credit facilities could negatively impact the Company's ability to conduct its business operations.

Increases in interest rates, both domestically and internationally, could negatively affect Spin Master's cost of financing its operations and investments. Adverse credit market conditions could limit the Company's ability to refinance its existing credit facilities and raise additional debt that may be needed to fund the Company's operations. Additionally, Spin Master's ability to issue or borrow long-term debt and obtain seasonal financing or pay dividends could be adversely affected by factors such as an inability to meet certain debt covenant requirements and ratios. In the past, the Company's business has required and will continue to require capital expenditures and available resources to finance acquisitions. Accordingly, Spin Master's ability to maintain its current credit facilities and its ability to issue or borrow long-term debt and raise seasonal financing are critical for the success of Spin Master's business. The Company's ability to conduct operations could be materially and adversely impacted should these or other adverse conditions affect the Company's sources of liquidity.

Expansion of social media platforms, resulting in negative publicity and product reviews or harmful leaks of information may negatively impact Spin Master's business, financial condition, and performance.

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and the accuracy of such information is not independently verified. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning Spin Master or one or more of its products or employees may be posted on such platforms at any time. Information posted may be adverse to Spin Master's interests or may be inaccurate, each of which may harm the Company's reputation and business. The harm may be immediate without affording Spin Master an opportunity for redress or correction. Ultimately, the risks associated with any such negative publicity or incorrect information cannot be eliminated and may materially and adversely impact its business, financial condition, and performance. The inappropriate use of certain social media vehicles could cause also brand damage or information leakage or could lead to legal implications from the improper collection and/or dissemination of personally identifiable information or the improper dissemination of material non-public information (including violations of applicable securities laws). In addition, negative posts, or comments about the Company and/or any of its key personnel on any social networking web site could seriously damage the Company's reputation. Further, the

disclosure of non-public company sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and protect information. If the Company's non-public sensitive information is disclosed or if its reputation or that of its key personnel is seriously damaged through social media, it could have a material adverse effect on the Company's business, financial condition, and results of operations.

System failures related to the websites that support Spin Master's internet-related products, applications, services and associated websites could harm the Company's business.

The websites, applications and services associated with Spin Master's internet-related products depend upon the reliable performance of their technological infrastructure. Customers could be inconvenienced, and the Company's business may suffer if demand for access to those websites, applications or services exceeds their capacity. Any significant disruption to, or malfunction by, those websites or services, particularly malfunctions related to transaction processing, on those associated websites could result in a loss of potential or existing customers and sales.

Although Spin Master's systems have been designed to function in the event of outages or catastrophic occurrences, they remain vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, and other events. Some of the Company's systems are not fully redundant, and its disaster recovery planning is not sufficient for all eventualities. Spin Master's systems are also subject to break-ins, sabotage, and intentional acts of vandalism. Despite any precautions the Company may take, the occurrence of a natural disaster or other unanticipated problems at the Company's hosting facilities could result in lengthy interruptions in its services. Spin Master does not carry business interruption insurance sufficient to compensate it for losses that may result from interruptions in its service because of system failures. Any unplanned disruption of the Company's systems could result in material and adverse financial impact on its business, financial condition, and performance.

Rapid developments in AI could adversely impact Spin Master's business.

AI capabilities are continuing to develop rapidly and are becoming more generally available, increasing the risk that AI could become disruptive to the Company's business. Failure to keep pace with the advancement of new technologies such as AI could impact the Company's competitive advantage and negatively affect the Company's business, financial condition, and results of operations.

Implementation and reliance on new technologies, including machine learning and generative AI, within the Company and through third-party providers, increase the risk that flaws in algorithms, processes, or data may result in inaccurate decisions and potentially increase the cost of operational or cybersecurity related interruptions. Leveraging these new and rapidly evolving technologies may also increase other risks such as risks relating to indirect infringement on intellectual property or privacy and could carry social or ethical implications including unintended bias that could increase reputational risk and potentially result in regulatory fines or penalties. Future legislative action limiting or otherwise regulating the use of these technologies could also adversely impact the Company's ability to operate using them, which, in turn, could negatively affect the Company's business, financial condition and results of operations.

There is also a risk that AI could be used to infringe upon the Company's intellectual property, impersonate the Company's people, falsely represent Spin Master's products, or be used in other ways that could result in operational or reputational harm.

Spin Master may face increased costs in achieving its sustainability goals, and any failure to achieve its goals could result in reputational damage.

Spin Master believes the long-term viability and health of the Company's own operations and its supply chain, and the significant potential for environmental improvements, are critical to its business success. The Company has set key goals and objectives in this area. Spin Master devotes resources and expenditures to help achieve these goals. It is possible that the Company will incur expenses in trying to achieve these goals with no assurance that it will be successful. Additionally, Spin Master's reputation could be damaged if it fails to achieve the sustainability goals, or if the Company or others in the industry do not act, or are perceived not to act, responsibly with respect to the production and packaging of its products.

Spin Master may be subject to risks relating to its minority investments.

Spin Master may invest in companies at different stages of development, including early-stage companies and emerging businesses, which are developing products, emerging technologies and pioneering services that will require significant additional development, testing and investment prior to any commercialization. There can be no assurance that the technologies or products these companies have under development will materialize, be capable of being produced in commercial quantities at reasonable costs or be successfully marketed, which could result in a loss of all or a substantial part of Spin Master's investment in these companies. The Company expects that its minority investments will complement its acquisition strategy, however certain minority investments may not be suitable acquisition targets. If Spin Master's minority investments are suitable acquisition targets, it may not be able to acquire these targets on acceptable terms. Spin Master may not realize the expected returns or anticipated benefits from its minority investments to the degree anticipated.

Significant developments stemming from the recent U.S. presidential election could have a material adverse effect on Spin Master's business, results of operations and financial condition.

The outcome of the recent U.S. presidential election, as well as the Republican Party gaining control of both the House of Representatives and Senate of the United States, has created uncertainty with respect to, among other things, existing and proposed trade agreements and free trade generally, having already resulted in significant increases on tariffs on goods imported into the United States, particularly from China. It is unknown at this time to what extent new laws will be passed or pending or new regulatory proposals will be adopted, if any, or the effect that such passage or adoption may have on the economy and / or Spin Master's business. However, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade in the jurisdictions in which the Company and / or Spin Master's customers or suppliers operate, may have a material adverse effect on the Company's revenues and expenses related to international sales and, consequently, business, financial condition and performance.

The production and sale of private-label toys by the retailers with which Spin Master does business may result in lower purchases of the Spin Master's branded products by those customers.

In recent years, retailers have been increasing the development of their own private-label products that directly compete with the products of their other suppliers, including children's entertainment companies. Some of the retailers with whom Spin Master does business sell private-label toys designed, manufactured, and branded by the retailers themselves. The Company's customers may sell their private-label toys at prices lower than comparable toys sold by the Company, and, particularly in the event of strong sales of private-label toys, may elect to reduce their purchases of Spin Master's branded products. In some cases, retailers who sell these private-label toys are larger than Spin Master and have substantially more resources. An increase in the sale of private-label product by retailers may reduce overall consumer demand for Spin Master's products and could have a material adverse effect on the Company's business, financial condition, and performance.

Spin Master Corp. is a holding company with no operations of its own and, as such, it depends on its subsidiary for cash to fund its operations and expenses, including future dividend payments, if any.

As a holding company, the Company's principal source of cash flow is distributions from its subsidiaries. Therefore, the Company's ability to fund and conduct its business, service its debt and pay dividends in the future will depend on the ability of its subsidiaries to generate sufficient cash flow to make upstream cash distributions to the Company. Spin Master's subsidiaries are separate legal entities, and although they are directly and indirectly wholly-owned and controlled by the Company, it has no obligation to make any funds available to the Company, whether in the form of loans, dividends or otherwise. The ability of the Company's subsidiaries to distribute cash to the Company will also be subject to, among other things, restrictions that may be contained in the Company's subsidiary agreements (as entered into from time to time), availability of sufficient funds in such subsidiary and applicable laws and regulatory restrictions. Claims of any creditors of the Company's subsidiaries generally will have priority as to the assets of such subsidiaries over the Company's claims and claims of Spin Master's creditors and shareholders. To the extent the ability of the Company's subsidiaries to distribute dividends or other payments to us is limited in any way, the Company's ability to fund and conduct its business, service its debt and pay dividends, if any, could be harmed.

The decision to pay dividends on the Subordinate Voting Shares and Multiple Voting Shares and the amount of such dividends is subject to the discretion of Spin Master's board of directors based on numerous factors and may vary from time to time.

Although the Company currently pays quarterly cash dividends on its outstanding Subordinate Voting Shares and Multiple Voting Shares, these cash dividends may be reduced or suspended. The amount of cash available to the Company to pay dividends, if any, can vary significantly from period to period for a number of reasons, including, among other things: the Company's operational and financial performance; fluctuations in market prices; the amount of cash required or retained for debt service or repayment; amounts required to fund capital expenditures and working capital requirements; access to capital markets; foreign currency exchange rates and interest rates; and the other risk factors set forth herein.

The decision whether to pay dividends and the amount of any such dividends are subject to the discretion of the board of directors of the Company, which quarterly evaluates proposed dividend payments and the solvency test requirements of the Business Corporations Act (Ontario). In addition, the level of dividends per Subordinate Voting Share and Multiple Voting Share will be affected by the number of outstanding Subordinate Voting Shares and Multiple Voting Shares and other securities that may be entitled to receive cash dividends or other payments. Dividends may be increased, reduced, or suspended depending on the Company's operational success. The market value of Subordinate Voting Shares may deteriorate if the Company is unable to meet dividend expectations in the future, and that deterioration may be material.

The market price of the Subordinate Voting Shares can be volatile.

Volatility in the Company's business can result in significant Subordinate Voting Share price and volume fluctuations. Factors such as changes in the Company's operating results, announcements by the Company's customers, competitors or other events affecting companies in the toy, entertainment or digital games industries, currency fluctuations, general market fluctuations, macro-economic conditions, and public health crises may cause the market price of the Subordinate Voting Shares to decline. In addition, if the Company's operating results do not meet the expectations of securities analysts or investors, the price of the Subordinate Voting Share could decline. Furthermore, the existence of the Company's NCIB may cause the Subordinate Voting Share price to be higher than it would be in the absence of such a program and repurchases under the NCIB expose the Company to risks resulting from a reduction in the size of its "public float", which may reduce the Company's trading volume as well as its Subordinate Voting Share price.

The dual-class structure contained in the Company's articles has the effect of concentrating voting control and the ability to influence corporate matters with the Company's Founders.

The Company's Multiple Voting Shares have 10 votes per share and its Subordinate Voting Shares have 1 vote per share. As of December 31, 2025, shareholders who hold multiple voting shares (the Company's Founders and their affiliates), together hold approximately 95% of the voting power of the outstanding voting shares and therefore have significant influence over the Company's management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions.

In addition, because of the 10-to-1 voting ratio between the Multiple Voting Shares and Subordinate Voting Shares, the holders of Multiple Voting Shares will control a majority of the combined voting power of the voting shares even where the Multiple Voting Shares represent a substantially reduced percentage of the total outstanding shares. The concentrated voting control of holders of Multiple Voting Shares limits the ability of holders of Subordinate Voting Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to decisions regarding amending of the Company's share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of the Company's business, merging with other companies and undertaking other significant transactions. As a result, holders of Multiple Voting Shares will have the ability to influence or control many matters affecting Spin Master and actions may be taken that holders of Subordinate Voting Shares may not view as beneficial. The market price of the Subordinate Voting Shares could be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant voting interest of holders of Multiple Voting Shares may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Subordinate Voting Shares, might otherwise receive a premium for the Subordinate Voting Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares.

Future transfers by holders of Multiple Voting Shares, other than permitted transfers to such holders' respective affiliates or direct family members or to other permitted holders, will result in those shares automatically converting

to Subordinate Voting Shares, which will have the effect, over time, of increasing the relative voting power of those holders of Multiple Voting Shares who retain their Multiple Voting Shares.

There can be no assurance that the Company will repurchase Subordinate Voting Shares for cancellation.

Although the Company currently has an NCIB in effect, whether the Company repurchases Subordinate Voting Shares under such NCIB for cancellation, and the amount and timing of any such repurchases, is subject to capital availability and periodic determinations by management and the board of directors that Subordinate Voting Share repurchases are in the best interest of the Company's shareholders and are in compliance with all applicable laws and agreements. Any future permitted Subordinate Voting Share repurchases, including their timing and amount, may be affected by, among other factors: the Company's views on potential future capital requirements for strategic transactions, including acquisitions; changes to applicable tax laws or corporate laws; and changes to the Company's business model. In addition, the amount the Company spends and the number of Subordinate Voting Shares the Company is able to repurchase for cancellation under any NCIB or substantial issuer bid may further be affected by a number of other factors, including the price of the Subordinate Voting Shares and blackout periods in which the Company is restricted from repurchasing Subordinate Voting Shares (other than pursuant to an automatic share repurchase plan). The Company's Subordinate Voting Share repurchases may change from time to time, and the Company cannot provide assurance that it will repurchase any or, if commenced, continue to repurchase any Subordinate Voting Shares for cancellation in any amounts or at all. Once commenced, a reduction in or elimination of the Company's Subordinate Voting Share repurchases could have a negative effect on the price of the Subordinate Voting Shares.

FINANCIAL RISK MANAGEMENT

The Company is exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth. Management's objective is to protect the Company and its subsidiaries on a consolidated basis against material economic exposures or the variability of results from various financial risks that include foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk

Due to the structure of the Company's international operations, foreign exchange risk arises from both transaction exposure, when cash flows in foreign currencies are affected by exchange rate fluctuations, and translation exposure, which occurs when non-US$ denominated financial statements of the Company's subsidiaries are translated into the US$ presentation currency.

The Company enters into derivative financial instruments such as foreign exchange forward contracts to manage its foreign currency risk on cash flows denominated in currencies other than the US$.

Interest rate risk

Interest rate risk is the risk that the Company's financial assets and liabilities will increase or decrease in value due to a change in interest rates. The Facility and the Acquisition Facility bear interest at variable rates. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in short term rates. The Company manages its interest rate risk by using variable to fixed interest rate swaps, where the Company pays the fixed interest rate.

Credit risk and Customer Concentration

The Company is dependent on three main retailers with respect to product sales for the majority of its products. These three customers accounted for 55.6% and 56.0% of consolidated Toy Gross Product Sales[1] for the years ended December 31, 2025 and 2024 respectively.

As the Company usually grants credit to customers on an unsecured basis, credit risk arises from the possibility that customers may experience financial difficulty and may be unable to fulfil their financial obligations.

This risk is mitigated through financial arrangements such as cash in advance of shipment, letters of credit or bank or parental guarantees. In addition, the Company purchases Accounts Receivables insurance for certain of our global customer base, who are not covered by other financial arrangements. This process, in conjunction with an established credit limit and payment term, mitigates the Company's risk of loss. The financial arrangements, insurance policies and customer credit limits are reviewed annually.

FINANCIAL INSTRUMENTS

Foreign exchange forward contracts

The Company enters into derivative financial instruments such as foreign exchange forward contracts to manage its foreign currency risk on cash flows denominated in currencies other than the US$.

As at December 31, 2025, the Company was committed under outstanding foreign exchange contracts representing a total net sell commitment notional value of $78.7 million (December 31, 2024 - net sell commitment of $110.1 million). These foreign exchange contracts have maturity dates varying from January 2026 to June 2027. For the year ended December 31, 2025, net realized gains on the Company's matured foreign exchange contracts were $4.3 million (2024 - realized gains of $3.1 million) and are included in the Consolidated statements of (loss) earnings and comprehensive (loss) earnings.

These fair values are categorized within Level 2 of the fair value hierarchy. The fair values of over-the-counter derivative financial instruments are based on broker or observable market rates. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest and exchange rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument for the Company and counterparty when appropriate. The fair value of foreign exchange contracts is estimated based on forward exchange rates observable at the end of the reporting period and contract forward rates. Realized and unrealized gains and losses on derivative financial instruments may be offset by realized and unrealized losses and gains on the underlying exposures being hedged and are recorded in earnings as they occur.

Interest rate swaps

The interest rate swap is a derivative financial instrument. The Company's swap agreement is measured at fair value with gains and losses in fair value presented in interest expense in the Company's Consolidated statements of (loss) earnings and comprehensive (loss) earnings.

The following interest rate swaps were outstanding as at December 31, 2025 and December 31, 2024:

(US$ millions)		Dec 31, 2025		Dec 31, 2024	
Effective date	**Contract expiry**	**Notional value**	**Unrealized loss**	**Notional Amount**	**Unrealized loss**
Apr 01, 2024	Sep 30, 2025	—	—	35.0	(0.1)
Apr 01, 2024	Dec 31, 2025	—	—	35.0	(0.2)
Sep 29, 2025	Jun 27, 2027	35.0	(0.1)	—	—
Dec 31, 2025	Dec 31, 2027	15.0	—	—	—
Dec 31, 2025	Dec 31, 2028	10.0	—	—	—
Dec 31, 2025	Dec 31, 2029	10.0	—	—	—
Total		**70.0**	**(0.1)**	**70.0**	**(0.3)**

These fair values are categorized within Level 2 of the fair value hierarchy. The fair value of the interest rate swaps is estimated based on the present value of the estimated future cash flows based on observable yield curves. Realized and unrealized gains and losses on derivative financial instruments may be offset by realized and unrealized losses and gains on the underlying exposures being hedged and are recorded in earnings as they occur.

Portfolio investments

The fair value of the portfolio investments as at December 31, 2025 is recorded in Other assets at $7.2 million (December 31, 2024 - $4.5 million). with $0.1 million unrealized loss recognized in Other expense, net in the Consolidated statements of (loss) earnings and comprehensive (loss) earnings for the year ended December 31, 2025 (2024 - $0.3 million). The Company did not recognize any distribution income in Other expense, net for the year ended December 31, 2025 (2024 - $nil).

This fair value is categorized within Level 3 of the fair value hierarchy. The fair value of the portfolio investments is estimated using various valuations techniques based on the type of investment held by the funds. The unobservable quantitative inputs used in the fair value measurement are not developed by the Company and include assumptions regarding long-term revenue growth rates and discount rates, among others.

Minority interest investments

The fair value of the minority interest investments recorded in other assets are as follows:

(US$ millions)	Dec 31, 2025	Dec 31, 2024
Minority interest investments classified as fair value through OCI ("FVTOCI")	—	3.0
Minority interest investments classified as fair value through profit and loss ("FVTPL")	6.8	6.0
Minority interest investments	**6.8**	**9.0**

For the year ended December 31, 2025, the Company recognized $1.0 million loss (2024 - $0.5 million) in Other expense, net on its minority interest investments classified as FVTPL in the Consolidated statements of (loss) earnings and comprehensive (loss) earnings. The Company recognized $3.0 million loss on its minority interest investment classified as FVTOCI (2024 - $nil) in Other comprehensive income (loss), which was transferred to retained earnings upon derecognition.

These investments are categorized within Level 3 of the fair value hierarchy. The fair value of these investments is estimated using various valuation techniques. The unobservable quantitative inputs used in the fair value measurement are not developed by the Company and include assumptions regarding long-term revenue growth rates and discount rates, among others.

ACCOUNTING POLICIES AND ESTIMATES

CRITICAL ACCOUNTING ESTIMATES

The Company's material accounting policies are described in Note 2 of the Company's audited consolidated financial statements and accompanying notes, which have been prepared in accordance with IFRS. The preparation of financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related disclosures and the reported amounts of revenues and expenses during the periods covered by the financial statements. Refer to Note 3 of the Company's audited consolidated financial statements for additional information.

The Company has identified the following accounting policies under which significant judgments, estimates and assumptions are made, where actual results may differ from these estimates under different assumptions and conditions and which may materially affect financial results or the financial position in future periods.

Determination of cash-generating units

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Determining the impact of impairment requires significant judgment in identifying which assets or groups of assets are CGUs of the Company.

Functional currency

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries (for purposes of this section, the "Group") at exchange rates as of the dates the transactions occur. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Determining the appropriate functional currencies for entities in the Group requires analysis of various factors, including the currencies and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, materials and other costs of providing goods or services.

Useful life of property, plant and equipment and intangible assets with finite useful lives

The Company employs significant estimates to determine useful lives of property, plant and equipment and intangible assets with finite useful lives, considering industry trends such as technological advancements, past experience, expected use and review of asset lives.

Components of an item of property, plant and equipment may have different useful lives. The Company makes estimates when determining depreciation methods, depreciation rates and useful lives, which require taking into account industry trends and company-specific factors. The Company reviews depreciation methods, useful lives and residual values annually or when circumstances change and adjusts, if necessary, its depreciation methods and assumptions prospectively.

Impairment testing of goodwill and indefinite life intangible assets

Goodwill and indefinite life intangible assets are assessed for impairment at least annually, and whenever there is an indication of impairment. The Company determines the fair value of its CGU groupings and indefinite life intangible assets using discounted cash flow models corroborated by other valuation techniques.

The process of determining these fair values requires the Company to make estimates and assumptions of a long-term nature regarding discount rates, projected revenues, royalty rates and margins derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

Provision for inventories

Inventories are stated at the lower of cost and estimated net realizable value. The Company estimates net realizable value as the amount at which inventories are expected to be sold, taking into consideration fluctuations in retail prices due to seasonality less estimated costs required to sell. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. Provisions for inventories are applicable to the Toys segment.

Sales allowances

A sales allowance is established to reflect amounts for programs which can be contractual or discretionary by nature, and can include negotiated discounts, defective products and refund of costs incurred by customers to sell the Company's products. Contractual allowances are fixed and determinable at the time of sale and are recorded at the time of sale as a reduction to revenue. Discretionary allowances can vary depending on future outcomes such as nature of the product, customer sales volume, inventory position, product performance at retail, historical performance, market conditions and other considerations. The Company may adjust its estimate of sales allowances when facts and circumstances used in the estimation process change. Sales allowances are applicable to the Toys segment.

Income and other taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the Consolidated statements of financial position, a charge or credit to income tax expense in the Consolidated statements of (loss) earnings and comprehensive (loss) earnings and may result in cash payments or receipts. All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reliably estimated.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The Company determines the fair value of the identifiable assets acquired and the liabilities assumed using discounted cash flow models corroborated by other valuation techniques.

The process of determining these fair values requires the Company to make estimates and assumptions of a long-term nature regarding discount rates, projected revenues, royalty rates and margins derived from past experience, actual operating results and budgets. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. Refer to note 26 of the Consolidated financial statements for further details on acquisitions.

CHANGES IN ACCOUNTING POLICIES

Standards, Amendments and Interpretations Issued and Adopted

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates — Lack of Exchangeability

Effective January 1, 2025, the Company adopted the IASB issued The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability. The amendments to IAS 21 clarify the definition of exchangeability and how to estimate an exchange rate when there is a lack of exchangeability. New disclosure requirements are introduced when using an estimated exchange rate on the financial statements. The adoption of this standard did not have any impact on these Consolidated financial statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the year ended December 31, 2025 and, accordingly, have not been adopted. The Company is currently assessing the impact, if any, on the Consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and subtotals in the statement of profit or loss, requires disclosure of management-defined performance measures, and includes new requirements for the location, aggregation and disaggregation of financial information. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with

early adoption permitted. IFRS 18 will apply retrospectively. The Company is currently assessing the impact of the standard on its Consolidated financial statements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7. The amendments relate to derecognition of financial liabilities when settling through an electronic payment system and assessment of contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features. The amendments also require additional disclosures for financial instruments with contingent features and equity instruments classified at FVTOCI. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early adoption permitted. The Company is currently assessing the impact of the amendments on its Consolidated financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the standards. The amended standards are:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements; and
- IAS 7 Statement of Cash Flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The implementation of these amendments is not expected to have a significant impact on the Company's Consolidated financial statements.

RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company engaged the services of Torkin Manes LLP, whose managing partner, Jeffrey I. Cohen, and VaynerMedia LLC, whose owner, Gary Vaynerchuk, are members of the Company's Board of Directors on terms equivalent to those that prevail in arm's length transactions.

For the three months and year ended December 31, 2025, related party transactions were included in administrative and marketing expenses in the Consolidated statements of (loss) earnings and comprehensive (loss) earnings of the Company as follows:

			Year Ended Dec 31,	
(US$ millions)	**Q4 2025**	**Q4 2024**	**2025**	**2024**
Torkins Manes LLP (included in administrative expenses)	0.5	0.3	1.7	1.0
Vayner Media LLC (included in marketing expenses)	2.0	—	4.2	—
Total	**2.5**	**0.3**	**5.9**	**1.0**

As at December 31, 2025, amounts payable to Torkin Manes LLP and VaynerMedia LLC were $0.4 million and $0.3 million, respectively (December 31, 2024 - $0.2 million and $nil).

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers") have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P as at December 31, 2025 and have concluded that the Company's DC&P were effective as at December 31, 2025.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Certifying Officers have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control – Integrated Framework (2013 COSO Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission to design the Company's ICFR. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR as at December 31, 2025 and have concluded that the Company's ICFR were effective as at December 31, 2025.

There have been no changes in the Company's ICFR during the three months and year ended December 31, 2025 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR and its disclosure controls and procedures.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

The Chief Executive Officer and Chief Financial Officer believe that any DC&P 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-GAAP FINANCIAL MEASURES AND RATIOS, SUPPLEMENTARY FINANCIAL MEASURES

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to the following terms, each of which is a Non-GAAP financial measure:

- Adjusted EBITDA
- Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Revenue
- Toys Adjusted EBITDA
- Entertainment Adjusted EBITDA
- Digital Games Adjusted EBITDA
- Adjusted Operating Income (Loss)
- Toys Adjusted Operating Income (Loss)
- Entertainment Adjusted Operating Income (Loss)
- Digital Games Adjusted Operating Income (Loss)
- Adjusted Net Income (Loss)
- Free Cash Flow
- Toy Gross Product Sales
- Constant Currency Toy Gross Product Sales
- Constant Currency Sales Allowances
- Constant Currency Toy - Other Revenue
- Constant Currency Toy Revenue
- Constant Currency Digital Games Revenue
- Constant Currency Entertainment Revenue
- Constant Currency Revenue
- Adjusted Gross Profit
- Adjusted SG&A
- Net Working Capital

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

Additionally, references are made in this MD&A to the following terms, each of which is a Non-GAAP financial ratio:

- Adjusted EBITDA Margin
- Toys Adjusted EBITDA Margin
- Entertainment Adjusted EBITDA Margin
- Digital Games Adjusted EBITDA Margin
- Adjusted Operating Margin
- Toys Adjusted Operating Margin
- Entertainment Adjusted Operating Margin
- Digital Games Adjusted Operating Margin
- Adjusted Basic EPS
- Adjusted Diluted EPS
- Sales Allowances as a percentage of Toy Gross Product Sales
- Adjusted Gross Margin
- Adjusted SG&A as a percentage of Revenue
- Percentage change in Constant Currency Toy Gross Product Sales
- Percentage change in Constant Currency Toy - Other Revenue
- Percentage change in Constant Currency Toy Revenue
- Percentage change in Constant Currency Digital Games Revenue
- Percentage change in Constant Currency Revenue
- Percentage change in Constant Currency Entertainment Revenue

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

References are made in this MD&A to the following terms, each of which is a supplementary financial measure:

- Run-rate Net Cost Synergies

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

Free Cash Flow is calculated as cash flows provided by/used in operating activities reduced by cash flows used in investing activities and adding back cash used for business acquisitions, advance paid for business acquisitions, asset acquisitions, portfolio investments, minority interest investments, proceeds from sale of manufacturing operations and net of investment distribution income. Management uses the Free Cash Flow metric to analyze the cash flows being generated by the Company's business after accounting for operational and capital expenditures. It measures the Company's ability to generate discretionary cash, which can be used to pay dividends, repurchase shares, repay loans and borrowings, and fund business acquisitions. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Cash provided by operating activities, the closest IFRS measure.

Toy Gross Product Sales represent Toy Revenue, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses Toy Gross Product Sales to provide meaningful comparisons across product categories and geographical results to highlight trends in Spin Master's business. For a reconciliation of Toy Gross Product Sales to Revenue, the closest IFRS measure, refer to the "Toy Revenue" section within the "Financial Performance" section for the three months and year ended December 31, 2025, and the "Reconciliation of Non-GAAP Financial Measures" section for the previous eight fiscal quarters.

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

Adjusted Gross Profit is calculated as Gross Profit adjusted for fair value adjustment for inventories acquired. Refer to the Adjusted Gross Profit table for the three months and year ended December 31, 2025 as compared to the same period in 2024 in this MD&A. Management uses Adjusted Gross Profit to measure the underlying financial

performance of the business on a consistent basis over time. Refer to the "Gross Profit" section within the "Financial Performance" section for a reconciliation of these metrics to Gross Profit, the closest IFRS measure.

Adjusted SG&A is calculated as selling, general and administrative expenses adjusted for restructuring and other related costs, share based compensation expenses, transaction and integration costs and bad debt recovery. Refer to the Adjusted SG&A table for the three months and year ended December 31, 2025 as compared to the same period in 2024 in this MD&A. Management uses Adjusted SG&A to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Selling, General & Administrative Expenses" section within the "Financial Performance" section for a reconciliation of these metrics to selling, general & administrative expenses, the closest IFRS measure.

Net Working Capital is calculated as the difference between total current assets and total current liabilities. Refer to the Net Working Capital table for the year ended December 31, 2025 as compared to the same period in 2024 in this MD&A. Management uses Net Working Capital to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Cash Flow" section for a composition of this metric to total current assets and total current liabilities, the closest IFRS measures.

Non-GAAP Financial Ratios

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.

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

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

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

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

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

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

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

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

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

Adjusted Gross Margin is calculated by dividing Adjusted Gross Profit by Revenue. Management uses Adjusted Gross Margin to measure the underlying financial performance of the business on a consistent basis over time.

Adjusted SG&A as a percentage of Revenue is calculated by dividing Adjusted SG&A by Revenue. Management uses Adjusted SG&A as a percentage of Revenue to measure the underlying financial performance of the business on a consistent basis over time.

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

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

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

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

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

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

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

Supplementary Financial Measures

Run-rate Net Cost Synergies represent the expected ongoing cost savings, net of costs to achieve, attributable to the integration of Melissa & Doug.

Reconciliation of Non-GAAP Financial Measures

The following table presents a reconciliation of Operating (Loss) Income to Adjusted Operating Income, Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Revenue and Adjusted Net Income for the years ended December 31, 2025, 2024 and 2023:

	Year Ended Dec 31,		
(in US$ millions)	**2025**	**2024**	**2023**
Net (Loss) Income	(148.5)	81.9	151.4
Income tax (recovery) expense	21.3	37.1	49.8
Interest expense (income)	40.0	46.5	(12.3)
Depreciation and amortization expenses	142.1	136.8	130.1
EBITDA	**54.9**	**302.3**	**319.0**
Operating (Loss) Income	(87.2)	165.5	188.9
Adjustments:			
Impairment of goodwill[1]	215.6	12.9	26.7
Impairment of intangible assets[2]	31.5	7.3	8.2
Transaction and integration costs[3]	21.5	31.9	11.1
Restructuring and other related costs[4]	14.7	10.1	18.1
Foreign exchange loss (gain)[5]	14.5	(1.5)	14.7
Share based compensation[6]	8.3	29.2	20.1
Amortization of intangible assets acquired[7]	7.0	7.0	—
Impairment of property, plant and equipment[8]	3.3	0.5	0.9
Acquisition related deferred incentive compensation[9]	2.6	2.4	7.6
Investment loss (income), net[10]	1.6	0.9	(0.2)
Legal settlement expense (recovery)	—	0.4	(0.6)
Fair value adjustment for inventories acquired[11]	—	66.3	—
Acquisition related deferred consideration[12]	(1.6)	0.9	(6.8)
Gain on sale of asset[13]	(9.8)	—	—
Adjusted Operating Income	**222.0**	**333.8**	**288.7**
Depreciation and amortization	135.1	129.8	130.1
Adjusted EBITDA	**357.1**	**463.6**	**418.8**
Revenue related to *PAW Patrol: The Mighty Movie*	—	—	(15.6)
Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Revenue	**357.1**	**463.6**	**403.2**
Revenue related to *PAW Patrol: The Mighty Movie*	—	—	15.6
Income tax recovery (expense)	(21.3)	(37.1)	(49.8)
Interest (expense) income	(40.0)	(46.5)	12.3
Depreciation and amortization	(135.1)	(129.8)	(130.1)
One-time income tax expense (recovery)[14]	—	8.1	(0.9)
Tax effect of adjustments[15]	(22.6)	(41.1)	(25.1)
Adjusted Net Income	**138.1**	**217.2**	**225.2**

[1] Impairment of goodwill primarily related to the Melissa & Doug CGU. See Note 16 of the Consolidated financial statements.
[2] Impairment of intangible assets primarily related to Digital game and app development projects. See Note 15 of the Consolidated financial statements
[3] Transaction and integration costs incurred relating to acquisitions. See Note 26 of the Consolidated financial statements.
[4] Restructuring and other related costs relates to reduction of the Company's global workforce. See Note 7 of the Consolidated financial statements
[5] Includes foreign exchange losses (gains) generated by the translation and settlement of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) related to the Company's hedging programs. See Note 8 of the Consolidated financial statements.
[6] Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan. See Note 21 of the Consolidated financial statements.
[7] Relates to the amortization of intangible assets acquired with Melissa & Doug. See Note 15 and Note 26 of the Consolidated financial statements.
[8] Impairment of property plant and equipment related to tooling. See Note 14 of the Consolidated financial statements.
[9] Deferred incentive compensation associated with acquisitions. See Note 5 of the Consolidated financial statements.
[10] Investment loss (income), net includes unrealized and realized (gain)/loss on portfolio investments and minority interest investments and share of (income)/loss from an investment in associate. See Note 5 of the Consolidated financial statements.
[11] Relates to fair value adjustment to Melissa & Doug inventory recorded as part of the acquisition on January 2, 2024. See Note 12 of the Consolidated financial statements.
[12] (Recovery) expense for acquisition related contingent consideration. See Note 5 of the Consolidated financial statements.
[13] Gain on sale of intangible asset. See Note 15 of the Consolidated financial statements
[14] Adjustment for one-time income tax expense in 2024.
[15] Tax effect of adjustments (Footnotes 2-13). Adjustments are tax effected at the effective tax rate of the given period.

Reconciliation of Non-GAAP Financial Measures

The following table provides reconciliations of Operating (Loss) Income to Adjusted Operating Income (Loss), Adjusted EBITDA, and Adjusted Net Income (Loss) for the previous eight fiscal quarters:

(in US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Operating (Loss) Income	**(163.7)**	**151.0**	**(52.4)**	**(22.1)**	**47.1**	**203.2**	**(23.0)**	**(61.8)**
Adjusting items:								
Impairment of goodwill[1]	215.6	—	—	—	12.9	—	—	—
Impairment of intangible assets[2]	13.5	(0.5)	18.5	—	5.5	—	1.8	—
Transaction and integration costs[3]	5.1	1.2	7.5	7.7	5.0	3.9	6.3	16.7
Foreign exchange loss (gain)[4]	4.2	0.4	5.4	4.5	(4.7)	(1.2)	4.8	(0.4)
Amortization of intangible assets acquired[5]	1.7	1.7	1.8	1.8	1.7	1.8	1.8	1.7
Impairment of property, plant and equipment[6]	1.0	2.1	—	0.2	0.1	0.1	—	0.3
Acquisition related deferred incentive compensation[7]	0.7	0.7	0.7	0.5	(1.1)	0.9	1.1	1.5
Investment loss, net[8]	0.2	1.1	0.2	0.1	0.1	0.4	0.4	—
Restructuring and other related costs[9]	0.2	1.0	12.1	1.4	3.9	2.7	0.5	3.0
Fair value adjustment for inventories acquired[10]	—	—	—	—	—	21.5	24.2	20.6
Legal settlement expense (recovery)	—	—	—	—	0.6	0.4	—	(0.6)
Share based compensation[11]	(1.1)	4.2	4.8	0.4	7.6	9.3	6.2	6.1
Acquisition related deferred consideration[12]	(1.2)	(0.5)	0.5	(0.4)	2.6	0.4	(0.5)	(1.6)
Gain on sale of asset[13]	(9.8)	—	—	—	—	—	—	—
Adjusted Operating Income (Loss)	**66.4**	**162.4**	**(0.9)**	**(5.9)**	**81.3**	**243.4**	**23.6**	**(14.5)**
Depreciation and amortization[14]	44.9	33.1	29.6	27.5	32.6	34.1	30.0	33.1
Adjusted EBITDA	**111.3**	**195.5**	**28.7**	**21.6**	**113.9**	**277.5**	**53.6**	**18.6**
Income tax (expense) recovery	(10.0)	(33.5)	15.0	7.2	(15.5)	(49.7)	9.6	18.5
Interest (expense) income	(10.6)	(10.7)	(9.1)	(9.6)	(10.5)	(13.4)	(11.1)	(11.5)
Depreciation and amortization	(44.9)	(33.1)	(29.6)	(27.5)	(32.6)	(34.1)	(30.0)	(33.1)
One-time income tax recovery[15]	—	—	—	—	8.1	—	—	—
Tax effect of normalization adjustments[16]	(3.5)	(3.0)	(12.4)	(3.7)	(6.0)	(10.6)	(12.5)	(12.0)
Adjusted Net Income (Loss)	**42.3**	**115.2**	**(7.4)**	**(12.0)**	**57.4**	**169.7**	**9.6**	**(19.5)**

[1] Impairment of goodwill primarily related to the Melissa & Doug CGU.
[2] Impairment of intangible assets in 2025 primarily related to Digital game and app development projects.
[3] Transaction and integration costs incurred relating to acquisitions, including transaction costs for the acquisition of Melissa & Doug in 2024.
[4] Includes foreign exchange losses (gains) generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) related to the Company's hedging programs.
[5] Relates to the amortization of intangible assets acquired with Melissa & Doug.
[6] Impairment of property, plant and equipment related to tooling.
[7] Deferred incentive compensation associated with acquisitions.
[8] Investment loss (income), net includes unrealized and realized (gain)/loss on portfolio investments and minority interest investments and share of (income)/loss from an investment in associate.
[9] Restructuring and other related costs related to the reduction in the Company's global workforce.
[10] Relates to the fair value adjustment of Melissa & Doug's inventory sold recorded as part of the acquisition on January 2, 2024.
[11] Related to non-cash expenses associated with long-term incentive plan and includes mark to market loss of DSUs in Q4 2025.
[12] Expense (recovery) associated with contingent consideration for acquisitions.
[13] Gain on disposal of intangible asset.
[14] Depreciation and amortization for the calculation of Adjusted EBITDA excludes $1.7 million of amortization of intangible assets acquired with Melissa & Doug.
[15] Adjustment of one-time income tax (recovery) expense.
[16] Tax effect of adjustments (Footnotes 2-13). Adjustments are tax effected at the effective tax rate of the given period.

The following table provides reconciliations of Operating (Loss) Income to Adjusted Operating (Loss) Income, and Adjusted EBITDA for the Company's reportable segments for the previous eight fiscal quarters:

Toys Segment

(US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	**522.3**	**650.4**	**322.3**	**273.7**	**561.7**	**810.9**	**340.9**	**226.4**
Operating (Loss) Income	**(171.0)**	**128.8**	**(39.7)**	**(50.6)**	**31.7**	**183.5**	**(34.9)**	**(90.8)**
Adjusting items:								
Impairment of goodwill	215.6	—	—	—	10.0	—	—	—
Transaction and integration costs	2.4	0.2	2.9	6.3	2.6	2.7	4.3	6.2
Impairment of intangible assets	2.4	(0.5)	0.5	—	—	—	—	—
Amortization of intangible assets acquired	1.7	1.7	1.8	1.8	1.7	1.8	1.8	1.7
Impairment of property, plant and equipment	1.0	2.1	—	0.2	0.1	0.1	—	0.3
Acquisition related deferred incentive compensation	0.1	0.2	0.2	0.3	0.2	0.4	0.4	0.8
Restructuring and other related costs	—	0.3	9.3	1.2	1.7	2.0	0.5	2.4
Fair value adjustment for inventories acquired	—	—	—	—	—	21.5	24.2	20.6
Share based compensation	(0.8)	3.7	3.7	1.7	5.1	6.6	5.5	4.2
Acquisition related deferred consideration	(1.2)	(0.5)	0.5	(0.9)	0.4	0.4	(0.5)	(1.6)
Gain on disposal of asset	(9.8)	—	—	—	—	—	—	—
Adjusted Operating Income (Loss)	**40.4**	**136.0**	**(20.8)**	**(40.0)**	**53.5**	**219.0**	**1.3**	**(56.2)**
Adjusted Operating Margin	**7.7 %**	**20.9 %**	**(6.5)%**	**(14.6)%**	**9.5 %**	**27.0 %**	**0.4 %**	**(24.8)%**
Depreciation and amortization	21.2	20.4	20.1	19.5	22.7	23.2	19.6	23.7
Adjusted EBITDA	**61.6**	**156.4**	**(0.7)**	**(20.5)**	**76.2**	**242.2**	**20.9**	**(32.5)**
Adjusted EBITDA Margin	**11.8 %**	**24.0 %**	**(0.2)%**	**(7.5)%**	**13.6 %**	**29.9 %**	**6.1 %**	**(14.4)%**

Entertainment Segment

(US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	**42.5**	**32.8**	**32.1**	**37.8**	**41.3**	**37.1**	**36.4**	**43.8**
Operating Income	**14.3**	**11.9**	**15.7**	**25.9**	**19.7**	**19.9**	**17.8**	**28.6**
Adjusting items:								
Impairment of intangible assets	0.4	—	0.9	—	—	—	1.8	—
Legal settlement expense	—	—	—	—	—	0.4	—	—
Restructuring and other related costs	(0.1)	—	0.8	—	0.1	0.1	—	0.1
Share based compensation	(0.4)	0.4	0.3	0.2	0.5	0.5	0.4	0.4
Adjusted Operating Income	**14.2**	**12.2**	**17.7**	**26.1**	**20.3**	**20.9**	**20.0**	**29.1**
Adjusted Operating Margin	**33.4 %**	**37.2 %**	**55.1 %**	**69.0 %**	**49.2 %**	**56.3 %**	**54.9 %**	**66.4 %**
Depreciation and amortization	19.3	9.6	6.6	5.6	6.0	9.1	8.4	7.3
Adjusted EBITDA	**33.5**	**21.8**	**24.3**	**31.7**	**26.3**	**30.0**	**28.4**	**36.4**
Adjusted EBITDA Margin	**78.8 %**	**66.5 %**	**75.7 %**	**83.9 %**	**63.7 %**	**80.9 %**	**78.0 %**	**83.1 %**

Digital Games Segment

(US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	**53.4**	**51.5**	**46.3**	**47.8**	**46.1**	**37.7**	**34.7**	**46.0**
Operating Income (Loss)	**3.0**	**15.9**	**(15.5)**	**8.2**	**(0.5)**	**5.1**	**4.3**	**13.2**
Adjusting items:								
Impairment of intangible assets	10.7	—	17.1	—	5.5	—	—	—
Acquisition related deferred incentive compensation	0.6	0.5	0.5	0.2	(1.3)	0.5	0.7	0.7
Transaction and integration costs	0.1	0.2	2.9	—	—	—	—	—
Restructuring and other related costs	0.3	—	2.0	0.2	2.1	0.6	—	0.5
Impairment of goodwill	—	—	—	—	2.9	—	—	—
Acquisition related deferred consideration	—	—	—	0.5	2.2	—	—	—
Share based compensation	(0.3)	0.6	0.7	0.4	0.6	1.1	0.9	0.8
Adjusted Operating Income	**14.4**	**17.3**	**7.7**	**9.5**	**11.5**	**7.3**	**5.9**	**15.2**
Adjusted Operating Margin	**27.0 %**	**33.6 %**	**16.6 %**	**19.9 %**	**24.9 %**	**19.4 %**	**17.0 %**	**33.0 %**
Depreciation and amortization	4.4	3.1	2.9	2.4	3.9	1.8	2.0	2.1
Adjusted EBITDA	**18.8**	**20.4**	**10.6**	**11.9**	**15.4**	**9.1**	**7.9**	**17.3**
Adjusted EBITDA Margin	**35.2 %**	**39.6 %**	**22.9 %**	**24.9 %**	**33.4 %**	**24.1 %**	**22.8 %**	**37.6 %**

The following table provides reconciliations from Cash provided by operating activities and Cash used in investing activities to Free Cash Flow for the years ended December 31, 2025, 2024 and 2023:

	Year Ended Dec 31,		
(US$ millions)	**2025**	**2024**	**2023**
Cash used in investing activities	(201.7)	(1,068.5)	(135.3)
Cash provided by operating activities	307.8	328.0	227.0
Add:			
Business acquisitions, net of cash acquired[1]	12.7	952.9	26.5
Minority interest investments[2]	1.8	—	2.5
Portfolio investments[3]	3.0	1.1	—
Investment in associate[4]	—	2.0	—
Investment in trademark license agreement	—	—	3.3
Proceeds from sale of manufacturing operation[5]	—	—	(0.8)
Investment distribution income[6]	—	—	(0.3)
Free Cash Flow	**123.6**	**215.5**	**122.9**

[1] Cash paid relating to acquisitions of Lylli in Q4 2025 (2024 - Melissa & Doug in Q1 2024, 2023 - 4D Brands and HEXBUG, both in Q1 2023).

[2] Cash paid in relation to minority interest investments.

[3] Cash paid to fund capital calls relating to portfolio investments.

[4] Cash paid to acquire additional interest in a Canadian children's education technology company.

[5] Cash received for the sale of manufacturing assets in Calais, France in Q4 2023.

[6] Distribution income earned relating to portfolio investments.

The following table provides reconciliations from Cash provided by (used in) operating activities and Cash used in investing activities to Free Cash Flow for the previous eight fiscal quarters:

(in US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Cash provided by operating activities	194.3	62.6	26.1	24.8	203.4	74.9	25.4	24.3
Cash used in investing activities	(79.3)	(42.7)	(43.1)	(36.6)	(30.5)	(30.2)	(27.4)	(980.4)
Add (Deduct):								
Business acquisitions, net of cash acquired[1]	12.7	—	—	—	—	—	(2.6)	955.5
Portfolio investments[2]	0.3	0.7	1.0	1.0	1.1	—	—	—
Minority interest investments[3]	—	1.0	0.8	—	—	—	—	—
Investment in associate[4]	—	—	—	—	1.0	—	1.0	—
Free Cash Flow	**128.0**	**21.6**	**(15.2)**	**(10.8)**	**175.0**	**44.7**	**(3.6)**	**(0.6)**

[1] Cash paid relating to acquisitions of Lylli in Q4 2025 and Melissa & Doug in Q1 2024.

[2] Cash paid to fund capital calls relating to portfolio investments.

[3] Cash paid in relation to minority interest investments.

[4] Cash paid to acquire additional interest in a Canadian children's education technology company.

The following table provides reconciliations of Toy Gross Product Sales to Revenue for the previous eight fiscal quarters:

(in US$ millions)	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Toy Gross Product Sales	627.4	742.7	371.0	313.7	660.0	922.7	384.7	264.1
Sales Allowances	(107.3)	(94.0)	(48.9)	(40.4)	(102.5)	(112.7)	(45.7)	(38.2)
Toy Net Sales	**520.1**	**648.7**	**322.1**	**273.3**	**557.5**	**810.0**	**339.0**	**225.9**
Toy - Other Revenue	2.2	1.7	0.2	0.4	4.2	0.9	1.9	0.5
Toy Revenue	**522.3**	**650.4**	**322.3**	**273.7**	**561.7**	**810.9**	**340.9**	**226.4**
Entertainment Revenue	42.5	32.8	32.1	37.8	41.3	37.1	36.4	43.8
Digital Games Revenue	53.4	51.5	46.3	47.8	46.1	37.7	34.7	46.0
Revenue	**618.2**	**734.7**	**400.7**	**359.3**	**649.1**	**885.7**	**412.0**	**316.2**

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales, Percentage change in Constant Currency Sales Allowances, Percentage change in Constant Currency Entertainment Revenue, Percentage change in Percentage change in Constant Currency Digital Games Revenue and Percentage change in Constant Currency Revenue for the three months and year ended December 31, 2025 and 2024:

			$ Change			% Change	
(US$ millions)	**Q4 2025**	**Q4 2024**	**As reported**	**Impact of foreign exchange**	**In Constant Currency**	**As reported**	**In Constant Currency**
Toy Gross Product Sales	627.4	660.0	(32.6)	(13.2)	(45.8)	(4.9)%	(6.9)%
Sales Allowances	(107.3)	(102.5)	(4.8)	3.8	(1.0)	4.7 %	1.0 %
Toy Net Sales	520.1	557.5	(37.4)	(9.4)	(46.8)	(6.7)%	(8.4)%
Toy - Other Revenue	2.2	4.2	(2.0)	—	(2.0)	n.m.	n.m.
Toy Revenue	522.3	561.7	(39.4)	(9.4)	(48.8)	(7.0)%	(8.7)%
Entertainment Revenue	42.5	41.3	1.2	(0.2)	1.0	2.9 %	2.4 %
Digital Games Revenue	53.4	46.1	7.3	(1.2)	6.1	15.8 %	13.2 %
Revenue	**618.2**	**649.1**	**(30.9)**	**(10.8)**	**(41.7)**	**(4.8)%**	**(6.4)%**

	Year Ended Dec 31,		**$ Change**			**% Change**	
(US$ millions)	**2025**	**2024**	**As reported**	**Impact of foreign exchange**	**In Constant Currency**	**As reported**	**In Constant Currency**
Toy Gross Product Sales	2,054.8	2,231.5	(176.7)	(18.6)	(195.3)	(7.9)%	(8.8)%
Sales Allowances	(290.6)	(299.1)	8.5	5.7	14.2	(2.8)%	(4.7)%
Toy Net Sales	1,764.2	1,932.4	(168.2)	(12.9)	(181.1)	(8.7)%	(9.4)%
Toy - Other Revenue	4.5	7.5	(3.0)	—	(3.0)	n.m.	n.m.
Toy Revenue	1,768.7	1,939.9	(171.2)	(12.9)	(184.1)	(8.8)%	(9.5)%
Entertainment Revenue	145.2	158.6	(13.4)	(0.1)	(13.5)	(8.4)%	(8.5)%
Digital Games Revenue	199.0	164.5	34.5	(2.2)	32.3	21.0 %	19.6 %
Revenue	**2,112.9**	**2,263.0**	**(150.1)**	**(15.2)**	**(165.3)**	**(6.6)%**	**(7.3)%**

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 under the heading "Global Tariffs Uncertainty and 2026 Outlook" and statements with respect to: future financial performance and growth expectations, as well as the drivers and trends in respect thereof; the Company's priorities, plans and strategies; content, digital game and product pipeline and launches, as well as their impacts; deployment of cash; dividend policy and future dividends; financial position, cash flows, liquidity and financial performance; the creation of long term shareholder value; and the Company's intention to commence the Bid, the timing, quantity and funding of any purchases of subordinate voting shares under the NCIB and the ASPP, and the expected facilities through which any such purchases may be made.

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 Company will not have any unusual adjustments resulting from unexpected disruptions including regulatory actions impacting global trade, other macro-economic risks and uncertainties, and/or unforeseeable legal matters or non-recurring items, the Company will be able to successfully integrate acquisitions; the Company will be able to successfully expand its portfolio across new channels and formats, and internationally; the Company's ability to achieve other expected benefits through acquisitions; management’s estimates and expectations in relation to future economic and business conditions and other factors in relation to the Company's financial performance in addition to the proposed transaction and resulting impact on growth in various financial metrics; the absence of significant undisclosed costs or liabilities associated with transactions; Melissa & Doug’s business will perform in line with the industry; there are no material changes to Melissa & Doug’s core customer base; the Company’s dividend payments being subject to the discretion of the Board of Directors and dependent on a variety of factors and conditions existing from time to time; seasonality; ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; the steps taken will create long term shareholder value; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure, maintain and renew broader licenses from third parties for premiere children's properties consistent with past practices, and the success of the licenses; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition and minority investment opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded IP and successfully license it to third parties; use of advanced technology and robotics in the Company's products will expand; the Company will be able to continue to develop and distribute entertainment content in the form of movies, TV shows and short form content; the Company will be able to continue to design, develop and launch mobile digital games to be distributed globally via app stores;access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers, retailers and license partners; the Company will continue to attract qualified personnel to support its development requirements; the Company's key personnel will continue to be involved in the Company products, mobile digital games and entertainment properties will be launched as scheduled; and the availability of

cash for dividends 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, risks outlined in the "Global Tariffs Uncertainty and 2026" section; concentration of manufacturing and geopolitical risks; uncertainty and adverse changes in general economic conditions and consumer spending habits and the factors discussed in the Company's disclosure materials, including this MD&A and the Company's most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR+ (www.sedarplus.com). These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management’s expectations and plans relating to the future. The forward-looking statements contained herein are made as of March 5, 2026 and 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.