

Spin Master Corp.**Spin Master Executive Leadership Changes Conference Call**

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CORPORATE PARTICIPANTS

Mark Segal

Spin Master Corp. — Executive Vice President and Chief Financial Officer

Ronnen Harary

Spin Master Corp. — Director, Co-Founder, and Co-Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Stephanie Wissink

Jefferies — Analyst

Brian Morrison

TD Securities — Analyst

Sabahat Khan

RBC Capital Markets — Analyst

Adam Shine

National Bank Financial — Analyst

Derrick Johnson

BMO Capital Markets — Analyst

Richard Tattersall

Heathbridge Capital Management Ltd. — Analyst

PRESENTATION

Operator

Welcome to the Spin Master Executive Leadership Changes Conference Call.

At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. To ask a question during this session, you will need to press star, one on your telephone. Please be advised that today's conference is being recorded. If you require any further assistance, please press star, zero.

I would now like to hand the conference over to your speaker today, Mark Segal, Chief Financial Officer. Thank you. You may begin.

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Thank you, Operator.

Good Morning, everybody, and thank you for joining us this morning. My name is Mark Segal, and I am Spin Master's Chief Financial Officer. I am joined this morning by Ronnen Harary, Spin Master's Co-Founder and Co-CEO.

Before we begin, please note that remarks on this conference call may contain forward-looking statements about Spin Master's current and future plans and expectations, intentions, goals or achievements, or any other future events or developments. Forward-looking statements are based on

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I would now like to turn the conference call over to Ronnen.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Thanks, Mark. Good morning, and thanks for joining us on short notice. Today, we announced plans for Spin Master's Executive Leadership succession.

Since founding Spin Master, we have achieved significant growth, transforming our business from a single product toy company into a leading global, diversified, multi-platform and highly-innovative children's entertainment company with three creative centres in toys, entertainment and digital games.

Throughout this period, we have remained focused on our long-term vision. It is this commitment to our growth strategy that has now positioned us for our next phase of growth. With a well-defined strategy and a deep capable Executive Management Team in place, the time is now right to transition Spin Master beyond its founders at an operational level. Streamlining our leadership structure will enable us to accelerate the execution of our strategy.

As you saw from our release this morning, Max Rangel has been appointed Global President starting in January 2021, and will assume the position of Global President and CEO in April. He will be responsible for Spin Master's day-to-day operations and the execution of our long-term strategy. Max is a seasoned executive who has successfully led global businesses across multiple consumer packaged goods categories. He brings extensive experience in leading consumer-focused and high-performing teams, developing innovative marketing and brand management programs, and managing complex operations. He is an effective people leader with a unique ability to unlock the potential of teams to boost organizational capability. We believe he will champion our culture of collaboration, partnerships, and innovation to successfully achieve our long-term goals.

Anton and I will work closely with Max over the next several months to ensure a seamless transition while maintaining our roles as co-CEOs. Come April '21, Max will assume the position of Global President and CEO, and at that time, both Anton and I will transition to Board roles where we will continue to drive Spin Master's vision and strategy.

In addition to our Board roles, I will continue to lead the growth of the digital games creative centre, and will be actively involved in the creative process for our Entertainment business. Anton will provide ongoing guidance on Spin Master's talent and culture globally. We will continue to oversee Spin Master's long-term strategic vision focused on charting the Company's future growth, and we will both continue to drive all mergers and acquisition activity.

Ben Varadi, Spin Master's third Co-Founder, will continue in his role as Chief Creative Officer supporting all three creative centres, and will remain on Spin Master's Board.

In addition to Max's appointment, we will also further refine the Leadership Team for our three creative centres; Toys, Entertainment and Digital Games. To further solidify these creative centres and to provide each with dedicated executive leadership, we've created a President's role.

Chris Beardall, who's been with us for over 20 years and is currently EVP Global Sales, will be appointed President, Spin Master Toys.

Jennifer Dodge, who's currently EVP, Entertainment, will be appointed President, Spin Master Entertainment. Jennifer will oversee all aspects of the entertainment creative centre from franchise growth through to content development, production, and distribution globally.

Fredrik Loving, a digital games industry expert who recently joined Spin Master as EVP, Digital Studios, will be appointed President, Spin Master Digital Games. In this new role based in Sweden, Fredrik will oversee Spin Master's digital games creative centre from managing game development at Toca Boca's and Sago Mini's Stockholm and Toronto studios, through to sales and platform growth.

To conclude, we remain very confident in our ability to create magic for children globally through the strength of our diversified portfolio of brands, entertainment franchises and digital games' offerings. Our strategic direction, our solid financial foundation and diverse geographic platform, combined with the commitment of our global teams, positions us to take advantage of many evolving opportunities.

Although it's a big change for Anton and me, we're excited to take the next step in the evolution of Spin Master, and we are very confident in both our long-term growth strategy and the Leadership Team that will execute that plan. After all that we have achieved in 2020, we are now in a strong

position heading into 2021. This leadership evolution positions us to be even stronger and more capable, and ultimately deliver greater shareholder value.

That concludes the formal part of the call. We're happy now to take any questions. Operator, can you please open the line?

Q & A

Operator

At this time, if you would like to ask a question, please press star, followed by the number one on your telephone keypad.

Our first question comes from Steph Wissink with Jefferies. Your line is now open.

Stephanie Wissink — Analyst, Jefferies

Good morning, everyone. Thanks for taking our question.

We just would like to learn a little bit more about the process of vetting the CEO candidates, how you decided on this specific individual, and then what you anticipate would be the communication around any changes in strategy or plans over the course of the next six to 12 months.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Steph, I thought your first question was going to be, Ronnen, I'm going to miss you on the quarterly calls.

Stephanie Wissink — Analyst, Jefferies

Well, that too, but let's start with the question.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

I'm only teasing you.

The vetting process was very long, it was very extensive, it was very thorough, and went through the full Board approval, many interviews. It was very lengthy and very long. That's what I can tell you, and the nice thing is that there was no rush to do it, and we just felt that this was the right time in terms of putting together what we believe to be the optimal org design for the long term to unlock what we believe to be tremendous horsepower in the Company, and expand and diversifying (inaudible) Company.

So, we took our time with the search, and Max is a person with incredible judgment; a long tenure in consumer packaged goods; great experience working for some of the best companies in the business, especially with his long tenure at Procter & Gamble; started out his career as a engineer, which is always very positive for our business because there's a lot of engineering in the toy aspect of our business; understands supply chain management very well; understands marketing, because he's an incredible marketer; and most important, really has a talent and a gift with people, and so, for us, when you're managing a company now with 2,000 people around the world, the ability to unlock the potential and the talent within each individual, we believe Max has that gift and has that ability to bring that to the fore for the Company.

And in terms of the overall strategy, our strategy is set in place. We've spent a lot of time working on it over the years, and especially in the last couple of years really harnessing these three creative centres; how our Company should be set up (phon) and be organized going forward, and so our strategy's not changing. We're just optimizing our org design to actually thrive and get more horsepower into the Company.

Stephanie Wissink — Analyst, Jefferies

That's great, and Mark, just really quickly as a follow-up to that, any—should we assume any restructuring of the company, or is it purely just a re-alignment?

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Steph, no restructuring. This is purely just an organizational design evolution, so there won't be any impact on the financials.

Stephanie Wissink — Analyst, Jefferies

Okay. Thank you.

Operator

Our next question comes from Brian Morrison with TD Securities. Your line is now open.

Brian Morrison — Analyst, TD Securities

Hi. Good morning.

I think you've touched on a couple of these points, Ronnen, but maybe you can just go a bit deeper on why now from a timing perspective, and then just talk about how your and Anton's engagement in the company changes at all, or if it's more just a redirection of your time and resources.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Yes, I think I would say like this: from why now, there is no rhyme or reason to why December. We took a long time to do the search and it just happened to all come together at this juncture in time, but I'll say that for the future of a company of this size, the co-CEO model is not the ideal model. The best model is to have one CEO for better alignment, for clear direction, implementation on day-to-day strategy, driving results.

We felt that given where the Company is in its station and its life, being around for close to 27 years, it is the right time and place for there to be a one CEO model for the Company, and to have a CEO specifically like Max as—when we were doing the search, to find someone like Max who has worked with other founders before was an important part of the mix; someone that has the ability to amplify the internal part of the business while providing opportunity for Anton and I to play an external role in the business, especially around mergers and acquisitions, which we believe is going to be a very important part to drive growth.

It really gives us the ability to spend time in those areas, and then, of course, Ben Varadi, who is going to stay on as Chief Creative Officer and continue to actually drive creative for the three creative centres, but it's a combination, Brian, of maximizing our abilities to be outwards-focused for the business, and then having a person come in and be inwards-focused, and so when you have those dual—

those things together side-by-side, we think it's very complementary to where the Company is at this station.

Brian Morrison — Analyst, TD Securities

Okay, and second question; Ronnen, historically, you've operated with the three pillars of Toys, Entertainment, and Digital. Is the creation of the three creative centres, is this a formality and really recognition of Ben's strength, or is there any directional change here at all?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

No, it's a real recognition of Ben's strength. I will say like this, is that it gives me great pleasure to solidify and promote these three individuals into these president roles. You have three individuals who truly, truly love their craft.

Chris loves toys. He's been in our business for over 20 years, and he was buying toys at Walmart before that for like six. He understands the toy industry through and through; every machination of it. He was handling our sales for many, many years. He worked side-by-side with Ben in product development, and the ability for him to expand his role and his scope and bring it all together and bring alignment in the Toy Team—he's practically been operating as president now for six months without the formal title, and what it's actually unleashed is incredible internally.

And so the same thing with Jen. Her love of storytelling, being in the industry for over 20 years, 12 years at Spin Master, she's an incredible storyteller. She's incredible in creating characters, and that

part of the business is growing, and it's significant. It's at scale now, so to have a president to really continue and shepherd that growth.

And the same thing with—Fred Loving is incredible. I will be working very closely with Fred. He's still going to report, actually, into me, which is one nuance to our org design, because it's one of the newest parts of our business and still going to need a lot of focus and attention, and there's a lot of growth strategy there, but I think that these promotions and creating the presidents' roles is, again, another optimization of the org design, and a real recognition of what's possible and what people can achieve at Spin Master.

Brian Morrison — Analyst, TD Securities

Thanks very much.

Operator

Our next question comes from the line of Sabahat Khan with RBC Capital Markets. Your line is now open.

Sabahat Khan — Analyst, RBC Capital Markets

Very good. Thanks, and good morning.

Ronnen touched a little bit on it earlier, but just some commentary on the M&A; kind of the outlook and thought process behind sort of managing that process still. It's been a bit of a focus for investors in terms of—it's always been on the plate for Spin Master, so how are you thinking about,

maybe, that strategy going forward, and maybe just the thought process behind getting a bit more involved there, as you indicated?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Traditionally, most of our M&A activity has taken place in the Toy part of the business, and now we really want to expand it out to Entertainment and to the Digital Games area, so we have a much larger universe of which to actually do the M&A activity, and for myself and Anton to really identify and pursue—we've never (inaudible) how content is being seen on the forefront of that (inaudible) the forefront we're able to go there and buy them at better prices as a result of being earlier (phon).

So we really want to—you'll see a lot more, what I call, acquisitions that are future-thinking, planting seeds; similar to what we did with Toca Boca and Sago Mini where we bought things that really started to bear fruits three or four or five years later, but having a lot more of those. I'm excited to actually—the Company's at a certain station where it's got great reputation and people are wanting to join the Spin Master organization because of everything we've done, so it's the right time, Sabahat.

Sabahat Khan — Analyst, RBC Capital Markets

I guess just on the comment around the amount of opportunities you indicated, obviously you guys are more focused on them. But if you look at your pipeline, do you find that it's a bit more diversified pipeline now than it might have been a year ago?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

You mean in terms of...

Sabahat Khan — Analyst, RBC Capital Markets

In terms of profitability across the three silos versus just toys.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Sorry, can you repeat the question?

Sabahat Khan — Analyst, RBC Capital Markets

Yes. In terms of the available opportunities out there for potential acquisition, are you finding that the number of opportunities across entertainment and gaming has also increased over the recent years, or it's just you're more focused on that area now versus toys previously.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

I think it's a combination of both. I think the toy area is still the same, but I do believe that there is more activity in entertainment and more activity in gaming than there was in the past, plus we weren't as focused on it as we are going to be going into the future.

Sabahat Khan — Analyst, RBC Capital Markets

Okay, great. Thanks very much.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Yes.

Operator

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad.

Our next question comes from Adam Shine with National Bank Financial. Your line is now open.

Adam Shine — Analyst, National Bank Financial

Thanks a lot. Good morning.

All on how the Q4 has been going. I know there'll be more of that because your comfort level on the backdrop and how things are evolving.

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Yes, Adam. I don't think we want to get into any commentary on Q4 at this point. We'll just keep it focused on the issue of development that we've had, so...

Adam Shine — Analyst, National Bank Financial

Okay. We'll leave it there.

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Okay.

Operator

Our next question comes from Derrick Johnson with BMO Capital Markets. Your line is now open.

Derrick Johnson — Analyst, BMO Capital Markets

Thank you.

So, does Max get a seat on the Board? That's my first question. I have several follow-ups after that.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

He does get a seat on the Board, Derrick.

Derrick Johnson — Analyst, BMO Capital Markets

He does? Okay. Okay, and you mentioned that Fred Loving reports to you, so then do you report to Max? How does that work?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

No, Fred will have a dotted line going into Max, and I do not report into Max.

Derrick Johnson — Analyst, BMO Capital Markets

Okay. Does Anton remain on the Board?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Anton will remain Chairman of the Board until the May Board meeting, and then we're going to alternate and I will take over the Chair for the next following three years.

Derrick Johnson — Analyst, BMO Capital Markets

Okay, and how will Max be compensated, and will he be relocating? I assume he's in Wisconsin right now.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

That's a great question. He is relocating. He is moving to Canada. That was part of the understanding, the deal, and that he will be relocating to Canada.

What was the other part of your question?

Derrick Johnson — Analyst, BMO Capital Markets

Compensation.

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

What specifically would you like to know about it?

Derrick Johnson — Analyst, BMO Capital Markets

Well, I mean will—going forward, will his compensation be aligned with the benefit of the shareholders? Will there be—what will be the guideposts for bonuses, and just how will he be compensated going forward?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

I can just tell you that we did a lot of benchmarking to make sure that Max's compensation is industry standard and aligned with a lot of other CEOs, comparable CEOs for that position.

Mark, do you want to add anything?

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

No, I think that was it, Ronnen.

I think, Derrick, just take comfort that he was benchmarked and it's in line with Canadian CEO compensation; very much so.

Derrick Johnson — Analyst, BMO Capital Markets

Okay. I might be unfamiliar with how it works in Canada being domiciled here in the U.S., but there would normally be a filing which would show the employment agreement and how he'd be compensated, so I don't know if we get a chance to see something like that.

But then my last question is you said strategy's not changing, but is that door closed? Could there be changes come April? Could there be a new strategic theme—stream—sorry, would—could there be a new strategic framework, or is that door closed?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

No, not at all. Not at all

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Ronnen, just to add to Derrick's point earlier.

Derrick, there will be a filing; won't be right now, but as part of our Management Circular, all the named executive officers' compensations, levels, and structure is fully described in that Management Circular, and that will be happening in due course, so you will get an opportunity to understand the nature of how it works.

Derrick Johnson — Analyst, BMO Capital Markets

Great. Perfect. All right. Thank you, Mark. Thank you, guys.

Operator

Our next question comes from Richard Tattersall with Heathbridge Capital. Your line is now open.

Richard Tattersall — Analyst, Heathbridge Capital Management Ltd.

Thank you.

With the promotion to three people as presidents, how do you avoid the sort of siloing? Because, one of the talks was sort of the cross-fertilization between the different groups as they overlap. So how do you avoid siloing and distinctions in working together, etc.?

Ronnen Harary — Director, Co-Founder, and Co-Chief Executive Officer, Spin Master Corp.

Yes. Well, first of all, collaboration's deep within our culture, and so the ability for people to collaborate is deep and it's something we talk about all the time in our business, and just because there's a focus on the three creative centres doesn't mean—if anything, it's an opportunity to be less siloed in a sense, because there is crossover and there is overlap between the departments, and the departments actually work very closely together.

So, if you look at PAW Patrol, we make the toys for the television show. In Bakugan, we make the show for the toys. There's crossover that you guys will see in the future with Entertainment and the Digital Gaming area of the business, so there's so much cross-fertilization that it's not like these three creative centres are working in vacuums. They're actually working together where it actually makes sense, and that creates a lot of stickiness between the groups, and there's also opportunities for people within the different groups to move over.

If you've worked in Toy, you can go into Entertainment; Entertainment into Toy. And so there is deep relationships within the groups, and also the people that run the groups, especially Jen and Chris. They've worked together for over 12 years. They know each other really well. Fredrik is new, but his

personality is one of collaboration, so we look for that in the culture of the people that are leading those groups. We would never have anybody that would lead one of those groups that would be not collaborative in nature, because that's really where we're able to amplify and do things that make our Company special, so we would never want that to be siloed in any respect.

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Ronnen, if I could just add to that.

We were at pains to call the businesses creative centres and not divisions for that very reason, and so, as Ronnen described, they're highly-interactive and complementary to each other.

Richard Tattersall — Analyst, Heathbridge Capital Management Ltd.

Okay. Good luck. That makes sense. Thank you.

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Okay. Operator, are there any more questions at this point?

Operator

There are no further questions in queue at this time.

Mark Segal — Executive Vice President and Chief Financial Officer, Spin Master Corp.

Okay. Well, thank you, everybody, for joining on short notice. It's much appreciated, and we look forward to talking to you again in March, on March 4 with our final year-end results for 2020. Thank you very much.

Operator

This concludes today's conference call. You may now disconnect.