Spin Master Corp.

Third Quarter 2026 Results

Event Date/Time: October 29, 2026— 9:30 a.m. E.T.

CORPORATE PARTICIPANTS

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

Christina Miller
Spin Master Corp. — Chief Executive Officer

Jonathan Roiter
Spin Master Corp. — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Adam Shine
National Bank Financial — Analyst

Brian Morrison
TD Cowen — Analyst

Drew McReynolds
RBC— Analyst

Ty Collin
CIBC World Markets — Analyst

Luke Hannan
Canaccord Genuity — Analyst

Martin Landry
Stifel — Analyst

PRESENTATION

Operator

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

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

This call is being recorded today, Thursday, October 29, 2026.

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

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

Thank you.

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

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

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

For additional information on these assumptions and risks, please consult cautionary statements regarding forward-looking information in our earnings release dated October 29, 2026. Except as may be required by law, Spin Master disclaims any intention to update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

Please note that Spin Master reports in U.S. dollars and all dollar amounts today are expressed in U.S. currency unless otherwise noted. Also, unless otherwise noted, all percentage growth rates refer to the periods ending September 30, 2026, relative to the same period in 2025. Also, all industry data that we reference related to toys is from Circana, LLC Retail Tracking Service and relates to data from our G11 markets, which are specified in our Q3 2026 supplementary presentation available on our investors website. I would now like to turn the conference call over to Christina.

Christina Miller — Chief Executive Officer, Spin Master Corp.

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

Our results demonstrated steady progress against our 2026 strategic priorities, and we again delivered on our stated financial expectations for the quarter. On a year-to-date basis, revenue is stable and Adjusted EBITDA is up 7% giving us confidence to reiterate our guidance for the full year which Jonathan will cover.

Looking at the quarter specifically, both revenue and Adjusted EBITDA were stable, driven by double digit growth across core brands PAW Patrol, Melissa & Doug and Toca Boca World.

Within Toy, we recorded growth in our owned brands led by a 26% increase in PAW Patrol, 10% in Melissa & Doug, and from new products and existing brands.

Within Digital Games, Toca Boca World revenue increased 13% and Piknik revenue grew 6%, driven by an increased player base for both, a direct result of our investment in improving the player experience and expanding partnerships with key global brands.

Finally, revenue in our Entertainment center increased by $20 million, the result of distribution revenue we received upon delivery of *PAW Patrol: The Dino Movie.*

The movie has been a success: it received the highest critical acclaim of the three movies to date, delighted audiences globally, and increased the brand's relevance and franchise strength. I'm proud of the collaboration and execution around the movie across our entire company and with our partners at Paramount Skydance. By fully aligning our combined creative centers, we have engaged new and existing audiences and extended the movie momentum across the PAW Patrol ecosystem. This includes increasing viewership of our content universe, monetizing our PAW digital apps, activating the brand across consumer products, music, and social platforms, and driving toy sales. The latter achievement resulted in us ranking number one in infant, toddler and preschool toys in the quarter.

Building on the positive momentum, this week we announced the greenlighting of our fourth movie, to be released in association with Nickelodeon movies and distributed by Paramount slated for 2029. The first three movies have instantly become family favourites, grossing a combined half a billion dollars in box office revenue.

PAW Patrol's success is a great example of building and scaling franchise value across categories and platforms to provide multiple touchpoints for our fans. We are starting to

see the benefits of this approach in other brands in our portfolio including Melissa & Doug and Toca Boca.

We delivered healthy sales growth for Melissa & Doug in the third quarter. The brand benefited from broader distribution in the U.S. and internationally, marketing and innovation in core categories, and expansion into new areas of play including playsets with our new Cheery Lane launch. We are also building Melissa & Doug into a holistic family brand centered around its positioning as a leader in purposeful play. Like our current collaboration with Van Leeuwen, we are building a pipeline of partnerships and out-licensing opportunities that will lead to other toy collaborations and retail experiences, but also new categories including publishing, apparel, and music. Earlier this month, we began expansion of M&D outside the toy aisle with the launch of a line of branded books in partnership with Penguin Random House.

In the third quarter, we saw meaningful results of our strategy to fully realize the potential of Toca Boca by driving reach through a digital to physical loop that bridged real world and virtual interactions inside and outside the game. We expanded the brand to connect with audiences in new locations and increase social media and fan engagement. This successfully drove players and revenues back into Toca Boca World. It also amplified the brand's industry position as a leader in tween culture. Our Music Months partnership

with artists like Olivia Rodrigo and TWICE broadened our reach and elevated our brand with this demographic. Our Toca Boca x Miniso partnership generated strong fan interest, record levels of user generated content, and strong in-game engagement through a physical and digital crossover with exclusive merchandise in more than 400 stores as well as in-game gifts. And with Adidas, we established a first of its kind lifestyle partnership, with in game style packs and in store activations. Behind the scenes, we supported this engagement strategy with investments in content quality and technical stability to reduce friction for players. As a result, the game achieved multi-year highs in player engagement and sentiment. Moving into Q4, we are aiming to convert this engagement into increased monetization through more content drops, merchandising, and improving live-services. Beyond 2026, Toca Boca is one of our brands that we can scale by expanding into other categories including content and toys.

So, we are excited about the momentum of our core brands. In Toys, PAW Patrol's Dino theme continues to resonate with fans and retailers. In Digital Games, we're excited about Toca Boca's new collab with KPop Demon Hunters that will bring the best of the movie's music, fashion and characters to life. And in Entertainment, PAW Patrol: The Dino Movie has moved to streaming where it has been in the top 10 across digital storefronts both domestically and globally.

We are also making progress on our long-term growth strategy including expanding into high growth categories.

Our new strategic trading card game Hellbreak has added more studio partners, and we will begin selling the first set of cards this quarter with the game going live to consumers in January.

And, with the close of the Hapiko acquisition, we head into the holiday season with one of the industry's leading new products, Stickerbox, a modern creative tool that brings children's ideas to life. Stickerbox has already seen strong results, engagement and momentum. It is on multiple top toy lists, has been nominated for awards, and made Time magazine's Best Inventions of 2026 list, an honour it shares with our Rubik's Tetris Cube. Stickerbox has also sold out three more times since we acquired it. Next year, we will expand distribution into wider channels and markets as part of our growth strategy. This will significantly increase its installed base across the world, which in turn drives re-ocurring revenue. We also plan to evolve the offering with our IP, licensed partnerships and new creative play experiences. In short, we see a much bigger vision for Hapiko as a platform for modern creativity that will help us define the future of play.

With that, I now turn it over to Jonathan.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Thank you, Christina, and good morning, everyone.

As Christina noted, our financial results in Q3 were in line with the expectations we outlined.

Consolidated revenues were stable, with underlying growth in core brands offset by the impact of the timing issues noted on our last call. Specifically, in Toy, there was a pull forward of approximately $40 million in gross product sales from Q3 into Q2. And in digital games, we generated approximately $12 million in Q3 last year related to the licensing of certain games to partners – the accounting for which was required to be accrued upon delivery as opposed to across the length of the contract.

Gross Profit before depreciation and amortization was stable on a dollar and margin basis as the anticipated decline in Toy and Digital Games margins was offset by higher Entertainment revenues.

Adjusted EBITDA was also stable on a dollar and margin basis as operating expenses below gross profit remained flat because our guided increase in marketing expenses was offset by lower selling royalties, while higher product development costs related to internal growth initiatives was offset by lower administrative costs.

Both Gross Margin after D&A and Adjusted Operating Margin decreased by about 200 basis points, or in dollar terms around $15 million, due primarily to a $13 million increase in amortization of Entertainment content driven by delivery of the PAW Patrol movie.

IFRS Operating Income declined by a further $24 million related to non-cash impairments. These reflect the continued review of our portfolio since we joined, as we set the foundation for sustainable stronger profitable growth in the medium turn by being more disciplined in our execution.

Over the past twelve months or so we have;

- Simplified our operating model bringing greater focus on growth areas. In addition to organizing our Digital investment across two core Studios, Toca Boca and Sago Mini and three main revenue steams including Toca Boca World, Piknik and strategic app distribution partnerships, we have wound down some Entertainment projects in order to focus as Christina noted on content investments in our existing, scaled brands.

- We have also accelerated manufacturing diversification and implemented cost reduction measures to create a more resilient and flexible platform.

These savings have allowed us to re-invest in our long-term growth initiatives such as in advanced technology, both organically and through the recent acquisition of Hapiko, as well as our upcoming expansion into high growth categories such as strategic trading cards and collectibles.

- We have also been able to maintain stable marketing expenditures in 2026 by leaning into and enhancing our organic and social marketing capabilities and delivery.
- And lastly, we are in a transition period between some licenses we have exited and a number of new licenses we have entered into, many of which have been announced this year with more to come.

Our operational discipline has been reflected in our cash flows. Operating cash flow in the third quarter increased by $40 million. On a year-to-date basis, we have more than doubled operating cash flow through operational execution and working capital management improvements. This has provided us with resources to reinvest in multiple organic and inorganic growth initiatives across the business, while returning capital to shareholders through our dividend and active share buyback program, all the while repaying debt. We ended the quarter with approximately 0.8 turns of net leverage or 0.3 turns when you exclude leases, both approximately 0.4 turns less than last year.

Turning to our individual creative centers' performance:

Toy revenues declined by $19 million due to the as noted pull forward of orders into the second quarter. On a year-to-date basis, both Toy GPS and revenues are down about 1%, generally in line with POS, as growth in PAW Patrol, Monster Jam and other products has been offset by lapping the How to Train Your Dragon and Gabby's Dollhouse movies last year as well as exiting certain licenses. These headwinds will continue in the fourth quarter but roll off in 2027. From a geographic perspective, positively GPS in the U.S. - our largest market - increased 4% in the quarter, and 4% year to date. Europe has offset this growth however, as it has relatively higher exposure to Gabby's and significantly less exposure to Monster Jam and Gund, two important growth brands for us. Combined with Mellisa & Doug, we see this underpenetration in Europe as a significant medium term tail wind opportunity. Lastly, within Toy, Adjusted Operating Income and IFRS operating income decreased by $9 million as a decrease in gross profit was partially offset by lower operating expenses.

Entertainment revenues increased by $20 million, driven by revenues received upon delivery of Paw Patrol: The Dino Movie. Adjusted Operating Income increased by $11 million, as the increase in revenues was partially offset by higher amortization. IFRS operating income declined slightly due to an impairment expense.

Digital Games revenues declined modestly by $3 million and Adjusted Operating Income decreased by $12 million, due primarily to the previously noted, large strategic distribution partnership revenues recorded last year. IFRS Operating Income was further impacted by impairment expense.

Now, turning to our outlook, we reiterated our 2026 guidance today for stable to low single-digit growth in revenues and mid to upper single-digit growth in Adjusted EBITDA. For the fourth quarter specifically, we are targeting modest revenue and similar Adjusted EBITDA growth. However, it is too soon for us to provide specifics on where we expect to land within our full year guidance range as 50% of our POS occurs in the fourth quarter, primarily in the holiday period and a healthy majority of our orders in the fourth quarter are domestic replenishment rather than direct import.

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

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star followed by the one on your touchtone phone. You will hear a prompt that your hand has been raised. If you wish to decline from the polling process, please press star followed

by the two. If you are using a speakerphone, please lift the handset before pressing any keys.

First question from Adam Shine with National Bank of Canada. Please go ahead.

Adam Shine — Analyst, National Bank Financial

Thanks a lot. Good morning. Jonathan, I'll just hand off from the guidance commentary. I'm not going to push you too much. Obviously, year-to-date results are coming in well, and you certainly beat on the Q3 in terms of street expectations. Any timing issues worth noting as we go into Q4? Any slippage of costs from Q3 into Q4, for example? In regards to the comments on replenishment, there's no doubt that could offer some upside subject to timing, and most of that tends to come in December. Is there any line of sight potentially to any earlier replenishment that you might be getting signals from in terms of retailers? Then I'll follow up with one or two others.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Sure. Hey, good morning, Adam, and very kind that you're not going to push me. In terms of what can I say? We did call out, and please do remember that last year in digital games, there was the partnership revenue that won't materialize again this year. That is kind of one-off. You did ask about that.

Look, as we head into the fourth quarter, we are certainly entering a quarter that is, when I switch over to the toy side, certainly more of a DOM-focused quarter, certainly more replenishment, as you called out. Ultimately, how consumers show up in the back half of the quarter will determine the amount of replenishments that we do, both within Melissa & Doug and our legacy Spin business. With 50 percent of our POS still to come, if you will, there's a lot of baseball left, and it's really hard to be able to pinpoint down how that last quarter will shape up.

Adam Shine — Analyst, National Bank Financial

Okay. I will pivot, Christina, to you on Hapiko. There's no doubt there's a lot of excitement in terms of what you're going to do with this brand going into next year. Is there any sort of potential different seasonality worth noting, or is this going to be a similar heavily weighted SKU to the second half of the year? Maybe not necessarily related to usual toy seasonality, but maybe just in terms of how momentum and efforts around the brand that you'll deploy will sort of scale into the back half of this year? Anything around the growth potential and time would be appreciated.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Good morning, Adam. Good to hear from you this morning. You're asking about Hapiko, right? Just to clarify.

Adam Shine — Analyst, National Bank Financial

Yes.

Christina Miller — Chief Executive Officer, Spin Master Corp.

That's great. I think if you're asking when we'll start to widen our distribution or get to more mass channels, it will be back half of next year. I don't believe that it is necessarily seasonality related. I think the creativity of that category will continue to be an all year-round category, but like a lot of our other products, just the seasonality of the industry tends to be back half weighted. But yes, we will start to ship wider as we get deeper into 2027.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yeah, and Adam, when we talk in late February, we'll give obviously more details on our guidance, and we'll clarify when we think we'll be shipping in to the retailers.

Adam Shine — Analyst, National Bank Financial

Okay. Thanks. I'll queue up again. Thank you.

Operator

Thank you. Next question from Brian Morrison with TD Cowen. Please go ahead.

Brian Morrison — Analyst, TD Cowen

Good morning. The question is, when I look at the growth drivers following a PAW movie, can you just touch upon the tail from PAW or the anticipated change next year in contribution and then the key drivers to more than offset that in 2027? I know you mentioned Europe and Hellbreak, Stickerbox, M&D, but I just want to get a level of confidence that we can offset the PAW benefit from this year.

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yeah. Thank you for the question. From a kind of direct benefit, if you will, on the movie, we expect about $25 million of revenue and EBITDA directly associated with the release of the movie this year. For modeling purposes, I think you probably want to assume that that doesn't reoccur as you head into 2027. You are right that if you look at our history from a bottom line perspective, an EBITDA perspective, post-movie releases, there's been

stability or even some declines, depending if you strip out M&A. That being said, so EBIT in some ways is a better metric post-a-movie.

Then from a top-line perspective, there's still a lot of growth drivers that we have next year that can offset the movie. Firstly, beginning with PAW, the PAW toys are doing incredibly well. We think there's long legs with the dino theme. We anticipate still being able to sell the product well into next year. Consumers are still buying well into next year as the movie goes into second window distribution.

Then we have the continuation of growth within M&D. GUND continues to grow. Monster Jam as examples. We have Hellbreak as you know. Supercell. We just talked about Stickerbox. There's a breadth of products that we have that we're going to be not only continuing to grow year-over-year, but then introduce as we head into 2027.

Brian Morrison — Analyst, TD Cowen

Okay. Then maybe a follow-up. Thank you for that, Jonathan. Then maybe, Christina, can you just talk about where do we stand now on this potential tariff deal with China and U.S.? What is your view and what are the levers you would pull if it is finalized? Would you let the benefits flow through the bottom line, or would you invest in price to drive share?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yeah. Tariffs continue to be a very fluid topic, one that full visibility on continues—we don't necessarily have. Ultimately, when we—we don't really have any updates more to say because, like you were waiting to see, we think most toys would qualify, though, based on what we've heard. But right now, we don't know the timing, don't know what happens. It's just all premature to kind of get into. Obviously, when we meet again in February, if we have more information, we'll certainly share that.

Brian Morrison — Analyst, TD Cowen

Okay. Thank you. It's about a $30 million tariff headwind this year, correct?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

The tariffs that we paid was about, yeah, in that realm.

Brian Morrison — Analyst, TD Cowen

Okay. Thank you. Thank you very much, Jonathan.

Operator

Thank you. Next question from Drew McReynolds with RBC. Please go ahead.

Drew Reynolds — Analyst, RBC

Yeah, thanks very much. Good morning. Maybe just a follow-up on the Stickerbox and Hapiko acquisition. Maybe for you, Christina. Certainly, really interesting to kind of combine the physical and digital and in your opening remarks, you highlighted that. Just wondering whether it is through innovation of yours or potential other tuck-in acquisitions. Is this what you see as certainly a growing category here for the Company?

Christina Miller — Chief Executive Officer, Spin Master Corp.

I definitely think it is a growing category for the industry and an opportunity for us to lead in that category, both from a creative play standpoint and just a future of play standpoint, right? Hapiko as a complete acquisition, I think will continue to grow their line. With the proprietary voice operating system that can be used both on products to come as well as products in our portfolio or things we are unaware of yet. I think it gives us a real sort of leading edge into that space with a great first product out of the gate for the Company.

We are seeing such success already. Since we have acquired, it sold out another three times. We just see that momentum and buzz continue to build. We have won a lot of awards around that. It's a must-have item for this fall, and think it has just lots more opportunity as we expand out. I think from a category of play, from innovation standpoint, in all those cases, yes. Then, we have a long history of acquisitions and really being able to

both grow those acquisitions as well as integrate them into the Company beyond where we started. I think all of that is possible with Hapiko, and we're super excited about the first item being Stickerbox.

Drew Reynolds — Analyst, RBC

Yeah, fantastic. Just one more on Melissa & Doug, in your opening remarks and obviously in the release, you talked about the key drivers. Nothing surprising here. This has been a focus for you. You've talked about these key drivers before, whether it's shelf space or your own innovation or global expansion. Is there one driver across the flywheel here that's returning it to growth particularly? Then, I'm assuming you have confidence in sustaining that growth in Q4 and into 2027, but just maybe talk to the outlook here.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yeah, I think it always, beginning, middle, end is product, right? Really driving great product that is both innovative and long tail for Melissa & Doug in particular, right? I think the success lies in that. As we continue to execute against our strategy, expanding our shelf space, growing internationally, what is the fuel to doing that? Day in and day out, it will be product.

Drew Reynolds — Analyst, RBC

Okay. Thank you very much.

Operator

Thank you. Next question from Ty Collin with CIBC. Please go ahead.

Ty Collin — Analyst, CIBC

Hey, good morning. Thanks for taking my questions. To start off, obviously we're still in a very volatile environment from a commodity standpoint. I'm just curious, what's your level of confidence that you've kind of built the appropriate level of cost into your product planning for next year? How have you approached that just given the level of volatility that still exists?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Sure. Let me take that, Ty. I think it is the first time we have spoke since your newborn, so congratulations. From a commodities price, well, let's just start with this year. For this year, we essentially have full visibility on what our cost will look like as we head into, as we finish up these last really two and a bit months. Next year, the good news is we've known about this kind of $100 Brent oil since last April, right? Even late March.

As we've been putting the final touches on what we were showing to our retailers late August, early September in the LA Toy Fair, the mix, the construction, the products themselves were all based on that assumption. As we head into 2027, we certainly can get our heads around and our arms around what the incremental costs will be. What we've tried to do is design product and design the right mix to be able to really offset the increased cost in our supply chain.

Then lastly, because we have had that nine months of lead time, our full supply chain team, whether it be in Asia, whether it be here, in North America or Europe, has been working very diligently on where can we improve our processes, and improve how we look at our cost structure to eliminate costs or reduce costs as well, to be able to offset some of that. As we head into 2027, I think we are pretty comfortable with the heightened commodity prices, both from an internal perspective, what we have done to reduce costs, and then also from how we are building out our product.

Ty Collin — Analyst, CIBC

Okay, great. Appreciate the answer and the congratulations as well. Maybe just for my follow-up sort of on a related note, there's been some headlines around about toy prices rising as we approach this holiday season. I know you guys have been very much focused on continuing to hit those key price points, but I'm sure some of your smaller

competitors aren’t quite as able to keep costs down. Do you think that your price positioning has gotten a little bit better relative to your competitors as you approach the holidays? How does that all play into what you're thinking about the promotional environment?

Christina Miller — Chief Executive Officer, Spin Master Corp.

Hi, Ty, it's Christina. I would say that our prices and our pricing strategy holds steady from earlier in this year. We continue to have about 50 percent of our product price below the $19.99 range. We're, I think, create availability for all economic brackets and all parents and people shopping for toys. I don't think that it has changed. As it relates to our competitors, I always say I don't sit in their chair, so I'm not sure one way or the other if they're increasing prices or not, but I will, we're keeping it steady.

Ty Collin — Analyst, CIBC

Okay, appreciate the comments. All the best. Thank you.

Operator

Thank you. Next question from Luke Hannan with Canaccord Genuity. Please go ahead.

Luke Hannan — Analyst, Canaccord Genuity

Thanks. Good morning, everyone. I want to start with the license-in business, if we can. Jonathan, you had mentioned clearly you guys are in a bit of a transition period where some of the licenses you had previously are rolling off. There's also some new licenses that I'm sure you guys will be announcing in short order. Can you just, and maybe it's a two-part question. First is, can you just confirm the overall mix of licensing revenues, percentage of overall GPS, that that's not really going to change? Maybe, secondly, what is Spin Master's positioning or has Spin Master's positioning changed at all as being the licensee of choice, I guess, within the toy space more broadly?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Sure. Hey, Luke. I'll answer the numeric question and then pass it on to Christina. Last year, our license mix was—so the industry is kind of call it one-third, two-thirds, if you kind of take a full step back. Last year, we were certainly higher than that rate. I think long-term we'll continue to be kind of like the average of the industry. This year, we certainly are closer to the average of the industry in terms of licensed and non-licensed and known brands.

Christina Miller — Chief Executive Officer, Spin Master Corp.

As it relates to licensee of choice, I believe we still are. What I would say is that what you see this year versus last year is last year, we were heavily indexing in licensed movies and this year, we're not. But when you look at where we are, where we continue to deepen our relationships, it's with our partners like Universal. We recently announced preschool Jurassic World and Core Plush expanding our licenses with them as a core partner. You see us building deeper into our Hellbreak partnerships with other studios. Then obviously, the extension of Supercell that we announced earlier this year.

When you just look at the day-to-day, it's like we have very deep ongoing day-in and day-out partnerships. This year in particular, slightly lighter on movie-based partnerships. Then if you just look at a little bit of the reshaping of the industry, you see that there is more licenses by segments than Master, if you will. You look at something like KPop Demon Hunter, where we have a nice piece of it as it relates to our platforms or our core products and brands. I think you're going to see more of that. But where there is a big license, a big moment, we will be at the table to pitch every time.

Luke Hannan — Analyst, Canaccord Genuity

That's helpful. Thanks. Then for my follow-up, and this is a bit of a broader question on the digital games segment. I realize the impairment that you guys recorded this quarter is not something related to necessarily a new property or anything. It's from decisions that

you had made previously. But I guess my question is, more broadly, if we look three to five years out, I think what most investors are focused on is the ability for you guys to be able to deliver sustained above average growth, we'll say, within the digital game segment as a function of you guys monetizing some of the existing IP that you have within toys.

What is the plan over the course of the next three or five years to be able to bring that level of growth up? Is it more of a focus on having the internal capabilities to be able to monetize that IP? Do you maybe entertain the idea of licensing out some of that to some partners in order to get there? I'm just trying to wrap my head around, basically, what does digital games look like three or five years from now? What do you need to put in place in order to achieve what you're envisioning here?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Let me start off. First of all, just from a numerical perspective this year, remember we have two focus areas, but three revenue streams. The third revenue stream around partnership revenue creates headwinds or creates noise, if you will, on looking at the underlying performance of our studios. The performance of our studios, grew, we expect them to grow this year. We expect them ultimately to be able to grow at rates that are combined higher than our overall business. That's the beauty, if you will, of the digital games creative center.

Within Toca, this was the year where we said we wanted to begin to fully realize the potential of Toca. We've done that. We've shown the proof point that Toca can be taken out of the digital world and brought into the physical with our partnership with Miniso. That has exceeded all our expectations and will lead to some very interesting announcements as we go into, as we're in ‘27, excuse me. We really do believe that Toca can continue to expand outside of the digital world. That's where you will see the above rate of growth being driven by. It's an at-scale business. It's got 60 million active users. It's a very large business. That's where you'll see the outsized growth rate.

Piknik is still, I call it in its infancy. We're still building out the capabilities. We're still building out the content. We're still building out the reasons for parents to stay on the platform. Lylli was a recent acquisition that will help with that. We're at about half a million subscribers, growing to ultimately to keep growing at an above rate on our subscriber rate and keeping families longer because we have better content will drive the above average rate of growth in our business within that platform.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Yeah. The only things I would add to that is that when you look at Toca Boca, really, we talk a lot about fully realizing its potential, both in and out of game and continuing to grow and monetize that platform. I think you see us doing it with lots of partnerships as

well. If you were to go in today, you'd notice KPop Demon Hunter is a big partnership. We did a really big partnership with Adidas. I think being that—like leaning fully into that position, number one with tweens is core to the strategy today and as we go to the future.

In addition, you'd look at something like Gabby's Dollhouse and what we were able to build there across our Piknik business. You can look for moments like that, but we are very focused. We spent a lot of time saying, "Hey, we're going to clean up our business models and be focused about how we go to market in digital, build our own IP in Toca Boca and build out that platform and live capabilities there, Piknik to be a subscription-based business, and then know that we have a downstream revenue to tap into as we create more and more. I think fully realizing those business models and building IP inside of them is really where we drive the future value.

Luke Hannan — Analyst, Canaccord Genuity

Got it. Thanks.

Operator

Thank you. Next question from Martin Landry with Stifel. Please go ahead.

Martin Landry — Analyst, Stifel

I'd like to know how you're approaching Black Friday at retail. Trying to understand a little bit, how's your shelf space allocation right now versus last year? Do you have any specific promotions like end cap or pallets that you want to highlight? Just trying to understand a little bit, what's your strategy with Black Friday coming up in less than a month?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Hey, good morning, Martin. We work with each of our partners, our retail partners. We work with them to ensure that our brands are prominently displayed, whether it be on end caps, whether it be on pallet drops, whether it be in shelf, and have the right level of marketing and promotion associated with it. When you look at kind of the growth brands that we have this year, whether it be Monster Jam, Primal Hatch, Hatchin' Yoshi, GUND, CrystaLynx, 4D Build, this is where our retail partners are going to—Rubik's, Cool Maker—this is where our retail partners are going to lean in because we see a lot of, you know, positive momentum—Melissa & Doug—a lot of positive momentum with our brand.

We'll work with our retail partners. We'll make sure that they have the product. We'll make sure they have the right prices, and we'll make sure they have the right promotional dollars associated with it so that we can be successful, helping them be successful, bring our product to the end consumer.

Martin Landry — Analyst, Stifel

Okay. I'm sorry, you may have touched earlier on. I didn't fully understand, but can you talk a little bit about your inventory levels at retail? How does it compare versus last year? How do you look at them right now?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Both our inventory and at the retail level, I think you would see, on our balance sheet, you'd see how healthy our inventory levels are. Then at the retailer, as well, as you know, there was that shift last year from FOB to DOM. That means that ultimately, we're more in Q4 of a replenishment business. We like how we're positioned from a retailer kind of health of inventory position across all of our—or most of our retail partners.

Martin Landry — Analyst, Stifel

Okay. Then just lastly any colour on how October has trended so far?

Jonathan Roiter — Chief Financial Officer, Spin Master Corp.

Yeah. October is kind of playing out as we expected, both from a GPS perspective, both from a digital game and from a POS perspective. I think one nice thing that we saw so far is in the pay-per-view of the movie, it's done exceptionally well. I think it was in the top

three at one point. It's certainly the top five on the pay-per-view of choices that families have. I think that's been almost a pleasant surprise, but that certainly has been something we liked as we began October and we're ending October.

Martin Landry — Analyst, Stifel

Perfect. Thank you for all the colour and best of luck. Thank you.

Operator

Thank you. There are no further questions at this time. I'll turn the call back over to Christina for closing remarks. Christina Miller, Chief Executive Officer, Spin Master Corp.

Christina Miller — Chief Executive Officer, Spin Master Corp.

Thank you all for being with us today. We look forward to talking to you again on our year-end call in February. Have a good day.

Operator

Ladies and gentlemen, this concludes today's conference call.