

Spin Master Corp.

Management's Discussion and Analysis of Financial Results

For the three months ended March 31, 2022

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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") provides information concerning the Company's financial condition, financial performance and cash flows for the three months ended March 31, 2022 ("first quarter", "the quarter", "Q1"). This MD&A should be read in conjunction with the Company's unaudited Condensed consolidated interim financial statements for the three months ended March 31, 2022 and March 31, 2021 ("interim financial statements"), its audited annual Consolidated financial statements and accompanying notes ("financial statements") and its annual MD&A for the year ended December 31, 2021 ("Annual MD&A"). Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2021, can be found under the Company's profile on the System of Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

BASIS OF PRESENTATION

The financial information included in the MD&A are derived from the financial information included in the Company's interim financial statements and accompany notes that were prepared in accordance with International Accounting Standard 34, Interim Reporting and consistent with International Financial Reporting Standards ("IFRS"). However, certain financial measures 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" 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. is a leading global children's entertainment company, creating exceptional play experiences through its three creative centres: Toys, Entertainment and Digital Games. With distribution in over 100 countries, Spin Master is best known for award-winning brands PAW Patrol®, Bakugan®, Kinetic Sand®, Air Hogs®, Hatchimals®, Rubik's Cube® and GUND®, and is the global toy licensee for other popular properties. Spin Master Entertainment creates and produces compelling multiplatform content, through its in-house studio and partnerships with outside creators, including the preschool franchise *PAW Patrol* and numerous other original shows, short-form series and feature films. The Company has an established presence in Digital Games, anchored by the Toca Boca® and Sago Mini® brands, offering open-ended and creative game and educational play in digital environments. Through Spin Master Ventures, the Company makes minority investments globally in emerging companies and start-ups. With over 30 offices in close to 20 countries, Spin Master employs more than 2,000 team members globally.

Seasonality factors cause the Company's operating results to fluctuate significantly from quarter to quarter. In particular, Toy revenue is typically concentrated in the third and fourth quarters of a fiscal year with a significant portion of its net income earned and cash flows generated during the same period.

Segment information

Effective January 1, 2022, the Company revised its reportable operating segments to align with its current business structure and how the Company's new Chief Operating Decision Maker ("CODM") reviews operations and makes decisions.

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) Activities, Games & Puzzles and Plush; (2) Wheels & Action; (3) Outdoor and (4) Preschool and Dolls & Interactive, and 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 around the world. The Entertainment segment also licenses Spin Master's brands for use in non-toy consumer products, including apparel, publishing, and live entertainment.

Digital Games

The Digital Games segment engages in the creation of digital play experiences for players around the world, created by teams globally. Digital Games develops, markets and delivers digital applications ("apps") which are hosted by third-party platform providers, and monetized through multiple business models, including subscriptions and in-app purchases. These digital play experiences are delivered as mobile first and through a Games As A Service model.

The Company also presents Corporate & Other which includes certain corporate costs, foreign exchange and merger and acquisition-related costs, as well as fair value gains and losses and distribution income on minority interest investments.

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	- Brands - Innovation - Geographic Expansion	- Evergreen Franchises - New IP - Distribution - Licensing & Merchandising	- Build Digital Playgrounds - Fan & Community Engagement - Digitize Owned IP
Mergers & Acquisitions and Spin Master Ventures	Focus on targets with quality IP and accretive margin profiles where existing expertise and the Company's global platform can be leveraged	Acquire IP with franchise potential	- Multiple smaller, pre-revenue targets - talent/capabilities - easier to integrate - Transformational opportunity considered if identified

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

Selected Financial Information

The following provides selected key performance metrics of the Company for the three months ended March 31, 2022 and 2021, which should be read in conjunction with the Condensed consolidated interim financial statements of the Company.

Consolidated Results

(US\$ millions, except per share information)	Q1 2022	Q1 2021
Revenue	424.2	316.6
Operating Income	61.7	6.7
Operating Margin ¹	14.5 %	2.1 %
Adjusted Operating Income ²	77.3	13.6
Adjusted Operating Margin ²	18.2 %	4.3 %
Net Income	45.6	3.2
Adjusted Net Income ²	57.5	8.4
Adjusted EBITDA ²	95.7	36.7
Adjusted EBITDA Margin ²	22.6 %	11.6 %
Earnings Per Share ("EPS")		
Basic EPS	0.45	0.03
Diluted EPS	0.43	0.03
Adjusted Basic EPS ²	0.56	0.08
Adjusted Diluted EPS ²	0.55	0.08
Cash Flow		
Cash (used in) provided by operating activities	(62.9)	9.0
Cash used in investing activities	(8.3)	(64.0)
Free Cash Flow ²	(79.4)	(6.5)
Balance Sheet		
	Mar 31, 2022	Dec 31, 2021
Cash and cash equivalents	493.1	562.7
Total assets	1,604.4	1,736.7
Total liabilities	497.0	684.3

¹ Operating Margin is calculated as Operating Income divided by Revenue.

² Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Q1 2022 Executive Summary

- Revenue was \$424.2 million, an increase of 34.0% from \$316.6 million driven by revenue growth in Toys and Digital Games.
- Operating Income was \$61.7 million compared to \$6.7 million, an increase of \$55.0 million or 820.9%. Operating Margin was 14.5% compared to 2.1%.
- Adjusted Operating Income¹ was \$77.3 million compared to \$13.6 million, an increase of \$63.7 million or 468.4%. Adjusted Operating Margin was 18.2% compared to 4.3%.
- Adjusted EBITDA¹ was \$95.7 million compared to \$36.7 million. Adjusted EBITDA Margin¹ was 22.6% compared to 11.6%.
- In the first quarter of 2022, Spin Master Ventures made minority investments in two companies for a total of \$1.0 million.

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

Segmented Results

(US\$ millions)	Q1 2022	Q1 2021
Toys		
Toy Gross Product Sales ²	397.5	294.7
Toy revenue	350.9	255.6
Operating Income (Loss)	41.4	(12.1)
Operating Margin ¹	11.8 %	(4.7)%
Adjusted EBITDA ²	58.9	5.1
Adjusted EBITDA Margin ²	16.8 %	2.0 %
Cash Flow		
Toys capital expenditures	7.2	5.2
	Mar 31,	Dec 31,
	2022	2021
Balance Sheet		
Moulds, dies and tools, net carrying amount	21.9	21.2
	Q1 2022	Q1 2021
Entertainment		
Entertainment revenue	22.2	26.9
Operating Income	11.2	10.6
Operating Margin ¹	50.5 %	39.4 %
Adjusted Operating Income ²	11.4	11.6
Adjusted Operating Margin ²	51.4 %	43.1 %
Cash Flow		
Entertainment capital expenditures	6.8	8.5
	Mar 31,	Dec 31,
	2022	2021
Balance Sheet		
Entertainment content development, net carrying amount	30.2	27.4
	Q1 2022	Q1 2021
Digital Games		
Digital Games revenue	51.1	34.1
Operating Income	19.8	13.2
Operating Margin ¹	38.7 %	38.7 %
Adjusted Operating Income ²	21.6	13.5
Adjusted Operating Margin ²	42.3 %	39.6 %
Cash Flow		
Digital Games capital expenditures	2.5	1.8
	Mar 31,	Dec 31,
	2022	2021
Balance Sheet		
Digital Games app development, net carrying amount	13.6	12.8

¹ Operating Margin is calculated as segment Operating Income divided by segment Revenue.

² Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

FINANCIAL PERFORMANCE

Consolidated Results

The following tables provide a summary of Spin Master's consolidated results for the three months ended March 31, 2022 compared to the same period in 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Revenue	424.2	316.6	107.6	34.0 %
Cost of sales	186.9	159.2	27.7	17.4 %
Gross profit	237.3	157.4	79.9	50.8 %
Selling, general and administrative expenses	158.6	138.9	19.7	14.2 %
Depreciation and amortization	7.9	8.9	(1.0)	(11.2)%
Other income, net	(0.5)	(0.8)	0.3	(37.5)%
Foreign exchange loss, net	9.6	3.7	5.9	159.5 %
Operating Income	61.7	6.7	55.0	820.9 %
Finance costs	1.9	2.5	(0.6)	(24.0)%
Income before income tax expense	59.8	4.2	55.6	1,323.8 %
Income tax expense	14.2	1.0	13.2	1,320.0 %
Net Income	45.6	3.2	42.4	1,325.0 %

Revenue

For the three months ended March 31, 2022 as compared to the same period in 2021:

The following table provides a summary of Spin Master's revenue by segment, for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Toy revenue	350.9	255.6	95.3	37.3 %
Entertainment revenue	22.2	26.9	(4.7)	(17.5)%
Digital Games revenue	51.1	34.1	17.0	49.9 %
Revenue	424.2	316.6	107.6	34.0 %

Revenue was \$424.2 million, an increase of 34.0% from \$316.6 million of which 30.1% was attributable to Toy revenue, 5.4% to Digital Games revenue, offset partially by a decline due to Entertainment revenue of 1.5%. Constant Currency Revenue¹ was \$431.1 million, up from \$316.6 million, an increase of 36.2%².

Toy revenue increased by \$95.3 million or 37.3% to \$350.9 million driven by growth in all product categories, particularly Preschool and Dolls & Interactive and Wheels & Action.

Entertainment revenue decreased by \$4.7 million or 17.5% to \$22.2 million primarily driven by more content deliveries in the prior period. Deliveries in Q1 2022 included the *PAW Patrol* series and *Bakugan Evolutions* as compared to Q1 2021, which included *PAW Patrol* series, *Bakugan Evolutions*, *Mighty Express* and *Abby Hatcher*.

Digital Games revenue increased by \$17.0 million or 49.9% to \$51.1 million. The increase was driven primarily by higher in-app purchases in *Toca Life World*.

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

² See "Percentage change in Constant Currency Toy Gross Product Sales" and "Percentage change in Constant Currency Revenue" within "Non-GAAP Financial Measures and Ratios".

Gross Profit as compared to the same period in 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Revenue	424.2	316.6	107.6	34.0 %
Gross profit	237.3	157.4	79.9	50.8 %
Gross Margin	55.9 %	49.7 %		6.2 %

For the three months ended March 31, 2022, gross profit increased by at \$79.9 million or 50.8% to \$237.3 million, primarily driven by a 37.3% increase in Toy revenue and higher Digital Games revenue.

Gross Margin increased to 55.9% from 49.7% as compared to the same period in 2021, as a result of favourable changes in toy product mix and price increases, offset in part by inflation on product costs and ocean freight and higher proportion of Digital Games revenue. In addition, the mix of Entertainment content deliveries resulted in a lower proportion of program amortization, which positively impacted Gross Margin.

Selling, General and Administrative Expenses ("SG&A") as compared to the same period in 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Administrative	79.7	69.0	10.7	15.5 %
Marketing	27.2	26.3	0.9	3.4 %
Selling	29.6	20.7	8.9	43.0 %
Distribution	16.1	16.8	(0.7)	(4.2)%
Product development	6.0	6.1	(0.1)	(1.6)%
SG&A	158.6	138.9	19.7	14.2 %

Administrative expenses increased by \$10.7 million or 15.5% to \$79.7 million. The increase was primarily due to higher personnel related costs and incentive compensation driven by higher operating results. Administrative expenses as a percentage of consolidated revenue decreased to 18.8% from 21.8%.

Marketing expenses increased by \$0.9 million or 3.4% to \$27.2 million, due to higher digital media and trade shows spend. Marketing expenses as a percentage of consolidated revenue decreased to 6.4% from 8.3%.

Selling expenses increased by \$8.9 million or 43.0% to \$29.6 million primarily due to higher sales volume of partner licensed brands. Selling expenses as a percentage of Toy revenue increased to 8.4% from 8.1% driven by a change in product mix.

Distribution expenses decreased by \$0.7 million or 4.2% to \$16.1 million, primarily due to lower warehousing and outbound transportation costs. Distribution expenses as a percentage of Toy revenue decreased to 4.6% from 6.6% driven by higher domestic sales volume.

Product development expenses was \$6.0 million compared to \$6.1 million.

Adjusted SG&A as compared to the same period in 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
SG&A	158.6	138.9	19.7	14.2 %
Adjustments¹:				
Restructuring expense ²	(0.6)	(0.7)	0.1	(14.3)%
Share based compensation ³	(4.1)	(3.2)	(0.9)	28.1 %
Transaction costs ⁴	(0.1)	—	(0.1)	n.m.
Adjusted SG&A⁵	153.8	135.0	18.8	13.9 %

1) These adjustments relate to items recorded within Administrative expenses.

2) Restructuring expense primarily relates to changes in personnel.

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

4) Professional fees incurred relating to acquisitions and other transactions.

5) Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Adjusted SG&A¹ increased by \$18.8 million or 13.9% to \$153.8 million as a result of higher personnel related costs and incentive compensation and higher sales volume of partner licensed brands. Adjusted SG&A¹ as a percentage of revenue decreased to 36.3% from 42.6%, due to a higher proportion of revenues in the first quarter of this year.

Depreciation and Amortization as compared to the same period in 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	5.2	6.0	(0.8)	(13.3)%
Equipment, included in cost of sales	—	0.1	(0.1)	(100.0)%
Equipment	0.6	0.9	(0.3)	(33.3)%
Building and leasehold improvements	1.4	1.6	(0.2)	(12.5)%
Computer hardware	0.2	0.4	(0.2)	(50.0)%
	7.4	9.0	(1.6)	(17.8)%
Intangible assets				
Entertainment content development, included in cost of sales	4.3	6.4	(2.1)	(32.8)%
Trademarks, licenses, IP & customer lists - definite	1.3	1.9	(0.6)	(31.6)%
Digital Games app development, included in cost of sales	1.0	1.7	(0.7)	(41.2)%
Computer software	1.4	0.9	0.5	55.6 %
	8.0	10.9	(2.9)	(26.6)%
Right-of-use assets	3.0	3.2	(0.2)	(6.3)%
Depreciation and amortization	18.4	23.1	(4.7)	(20.3)%

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Included in cost of sales	10.5	14.2	(3.7)	(26.1)%
Included in expenses	7.9	8.9	(1.0)	(11.2)%
Depreciation and amortization	18.4	23.1	(4.7)	(20.3)%

For the three months ended March 31, 2022, depreciation and amortization expense decreased by \$4.7 million to \$18.4 million.

Depreciation and amortization related to property, plant and equipment decreased by \$1.6 million or 17.8%, primarily due to lower depreciation for moulds, dies and tools.

Depreciation and amortization related to intangible assets decreased by \$2.9 million or 26.6%, primarily due to lower expenses related to entertainment content development due to more content deliveries in the prior year (two in Q1 2022 compared to four in the comparative period).

Foreign Exchange Loss as compared to the same period in 2021:

For the three months ended March 31, 2022, the Company incurred a foreign exchange loss of \$9.6 million (unrealized loss of \$10.4 million and realized gain of \$0.8 million) compared to a net foreign exchange loss of \$3.7 million (unrealized loss of \$2.5 million and realized loss of \$1.2 million).

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

Operating Income and Adjusted Operating Income as compared to the same period in 2021:

Operating Income for the three months ended March 31, 2022 was \$61.7 million, an increase of \$55.0 million from an Operating Income of \$6.7 million. Adjusted Operating Income¹ for the three months ended March 31, 2022 was \$77.3 million, an increase of \$63.7 million from \$13.6 million. The increase in Operating Income was primarily driven by an increase in Toys Operating Income of \$53.5 million, Digital Games Operating Income of \$6.6 million and Entertainment Operating Income of \$0.6 million.

Finance Costs as compared to the same period in 2021:

For the three months ended March 31, 2022, finance costs decreased by \$0.6 million to \$1.9 million. The decrease was primarily due to lower interest expense.

Income Tax Expense as compared to the same period in 2021:

For the three months ended March 31, 2022, the Company had an income tax expense of \$14.2 million compared to an income tax expense of \$1.0 million. The effective tax rate was consistent at 23.7% compared to 23.8%.

Net Income and Adjusted Net Income as compared to the same period in 2021:

Net income for the three months ended March 31, 2022 was \$45.6 million, an increase of \$42.4 million from \$3.2 million. Adjusted Net Income¹ for the three months ended March 31, 2022 was \$57.5 million, an increase of \$49.1 million from \$8.4 million.

Adjusted EBITDA as compared to the same period in 2021:

Adjusted EBITDA¹ increased to \$95.7 million with Adjusted EBITDA Margin¹ of 22.6%, compared to \$36.7 million and 11.6%, respectively, in 2021. The increase in Adjusted EBITDA¹ was primarily driven by higher gross profit and lower distribution expenses partially offset by higher administrative and selling expenses.

Adjusted EBITDA Margin¹ improved as a result of higher Toys gross margin as a result of favourable changes in toy product mix, price increases and improved operating leverage driven by higher Toy revenues, offset in part by inflation on product costs and ocean freight and marginally improved Entertainment margins due to lower selling, general and administrative expenses.

Segmented Results

The Company revised its reportable segments effective January 1, 2022. 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 March 31, 2022 and 2021 are as follows:

(US\$ millions)	Q1 2022					Q1 2021				
	Toys	Entertainment	Digital Games	Corporate & Other	Total	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	350.9	22.2	51.1	—	424.2	255.6	26.9	34.1	—	316.6
Operating Income	41.4	11.2	19.8	(10.7)	61.7	(12.1)	10.6	13.2	(5.0)	6.7
Restructuring expense	0.5	—	0.1	—	0.6	0.7	—	—	—	0.7
Foreign exchange loss	—	—	—	9.6	9.6	—	—	—	3.7	3.7
Share based compensation	3.0	0.2	0.5	0.4	4.1	2.8	0.1	0.3	—	3.2
Impairment of intangible assets	—	—	—	—	—	—	0.9	—	—	0.9
Legal settlement	—	—	—	(1.5)	(1.5)	—	—	—	—	—
Acquisition related deferred incentive compensation	1.5	—	1.2	—	2.7	—	—	—	—	—
Net unrealized gain on investment	—	—	—	—	—	—	—	—	(0.9)	(0.9)
Acquisition related contingent consideration	—	—	—	—	—	(0.7)	—	—	—	(0.7)
Transaction costs	—	—	—	0.1	0.1	—	—	—	—	—
Adjusted Operating Income (Loss)	46.4	11.4	21.6	(2.1)	77.3	(9.3)	11.6	13.5	(2.2)	13.6
Depreciation and amortization	12.5	4.4	1.5	—	18.4	14.4	6.6	2.1	—	23.1
Adjusted EBITDA	58.9	15.8	23.1	(2.1)	95.7	5.1	18.2	15.6	(2.2)	36.7

Toys Segment Results

The following table provides a summary of Toys segment operating results, for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Toy Gross Product Sales ^{1,2}	397.5	294.7	102.8	34.9 %
Toy revenue	350.9	255.6	95.3	37.3 %
Operating Income (Loss)	41.4	(12.1)	53.5	442.1 %
Operating Margin	11.8 %	(4.7)%		16.5 %
Adjusted EBITDA ¹	58.9	5.1	53.8	1,054.9 %
Adjusted EBITDA Margin ¹	16.8 %	2.0 %		14.8 %
Cash Flow and Balance Sheet Data				
Toys capital expenditures	7.2	5.2	2.0	38.5 %
	Mar 31, 2022	Dec 31, 2021	\$ Change	% Change
Moulds, dies and tools, net carrying amount	21.9	21.2	0.7	3.3 %

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

² Toy Gross Product Sales represents Toy revenue excluding Sales Allowances.

Toy revenue increased by \$95.3 million or 37.3% to \$350.9 million driven by growth in all product categories, particularly Preschool and Dolls & Interactive and Wheels & Action. Toy Gross Product Sales increased by \$102.8 million or 34.9%, to \$397.5 million from \$294.7 million. Constant Currency Toy Gross Product Sales¹ increased by \$107.9 million or 36.6%² to \$402.6 million, up from \$294.7 million. The improvement was led by growth from *Gabby's Dollhouse*, *DC Comics* and *Wizarding World*, and reflected strong customer demand and the Company's continued successful management of global supply chain volatility.

Operating Income increased by \$53.5 million or 442.1% to \$41.4 million. Operating Margin was 11.8% compared to (4.7)%. Adjusted EBITDA increased by \$53.8 million to \$58.9 million. Adjusted EBITDA Margin was 16.8% compared to 2.0%. The improvement in Operating Margin and Adjusted EBITDA Margin was driven primarily by higher gross margin from favourable changes in product mix, price increases and improved operating leverage driven by higher revenues, offset in part by inflation on product costs and ocean freight.

Toys capital expenditures increased by \$2.0 million to \$7.2 million, primarily as a result of higher investments in moulds, dies and tools.

Moulds, dies and tools, net carrying amount was \$21.9 million compared to \$21.2 million.

Toy Revenue

For the three months ended March 31, 2022 as compared to the same period in 2021:

The following table provides a summary of Spin Master's Toy revenue, by product category, for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Preschool and Dolls & Interactive ¹	151.8	97.2	54.6	56.2 %
Activities, Games & Puzzles and Plush	101.9	87.5	14.4	16.5 %
Wheels & Action ¹	99.7	68.0	31.7	46.6 %
Outdoor	44.1	42.0	2.1	5.0 %
Toy Gross Product Sales²	397.5	294.7	102.8	34.9 %
Sales Allowances ³	(46.6)	(39.1)	7.5	19.2 %
Toy revenue	350.9	255.6	95.3	37.3 %

¹ Effective Q4 2021, the "Preschool and Girls" product category was renamed "Preschool and Dolls & Interactive" and the "Boys" product category was renamed "Wheels & Action".

² Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

³ 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.

Toy Gross Product Sales within Preschool, Dolls & Interactive increased by \$54.6 million or 56.2% to \$151.8 million, arising from sales of *Gabby's Dollhouse*, *Wizarding World*, *PAW Patrol* and *Purse Pets*, offset in part by a decline in *Hatchimals* and *Present Pets*.

Toy Gross Product Sales within Activities, Games & Puzzles and Plush increased by \$14.4 million or 16.5% to \$101.9 million, mainly due to increases in *Rubik's*, *GUND*, *Orbeez* and *Kinetic Sand*.

Toy Gross Product Sales within Wheels & Action increased by \$31.7 million or 46.6% to \$99.7 million, led by increases in DC Comics licensed products and *Monster Jam*, partially offset by a decline in *DreamWorks Dragons*.

Toy Gross Product Sales within Outdoor increased by \$2.1 million or 5.0% to \$44.1 million, primarily driven by increases in *Kelsyus*.

Sales Allowances increased by \$7.5 million or 19.2% to \$46.6 million. As a percentage of Toy Gross Product Sales, Sales Allowances declined 1.6% to 11.7% from 13.3%, primarily driven by lower markdowns and favourable customer mix.

Revenue by Geographic Area

Toy Gross Product Sales 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 by geographic area for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	% of GPS	Q1 2021	% of GPS	\$ Change	Change in % of GPS
North America	238.6	60.0 %	170.6	57.9 %	68.0	2.1 %
Europe	113.6	28.6 %	89.1	30.2 %	24.5	(1.6)%
Rest of World	45.3	11.4 %	35.0	11.9 %	10.3	(0.5)%
International	158.9	40.0 %	124.1	42.1 %	34.8	(2.1)%
Toy Gross Product Sales¹	397.5	100.0 %	294.7	100.0 %	102.8	
Sales Allowances	(46.6)	(11.7)%	(39.1)	(13.3)%	(7.5)	1.6 %
Toy revenue	350.9		255.6		95.3	

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

As a percentage of total Toy Gross Product Sales, the North America segment increased 2.1% to 60.0% compared to 57.9%. International sales, comprised of the Europe and Rest of World segments, decreased 2.1% to 40.0% compared to 42.1%.

Toy Gross Product Sales in North America increased by \$68.0 million or 39.9% to \$238.6 million. The increase was driven by *Gabby's Dollhouse*, *DC Comics*, *Monster Jam*, *PAW Patrol*, *Rubik's*, *Kelsyus* and *Wizarding World*, partially offset by *Present Pets*.

Toy Gross Product Sales in Europe increased by \$24.5 million or 27.5% to \$113.6 million, with an unfavourable foreign exchange impact of \$4.8 million. The increase was driven by *Wizarding World*, *Purse Pets*, *DC Comics*, *Zoobles*, *Tech Deck* and *GUND*, partially offset by *Hatchimals* and *Bakugan*.

Toy Gross Product Sales in Rest of World increased by \$10.3 million or 29.4% to \$45.3 million, with an unfavourable foreign exchange impact of \$0.3 million. The increase arose from *DC Comics*, *PAW Patrol*, *Wizarding World*, *Purse Pets* and *Gabby's Dollhouse*, partially offset by *Hatchimals*.

Toys Segment Trend Analysis

(US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Toy Gross Product Sales ¹	397.5	627.5	681.2	359.0	294.7
Toy revenue	350.9	542.0	607.8	326.4	255.6
Operating Income (Loss)	41.4	14.6	128.0	28.5	(12.1)
Operating Margin	11.8%	2.7%	21.1%	8.7%	(4.7)%
Adjusted EBITDA ¹	58.9	40.8	146.5	47.3	5.1
Adjusted EBITDA Margin ¹	16.8%	7.5%	24.1%	14.5%	2.0%

Cash Flow and Balance Sheet Data

Toys capital expenditures	7.2	3.8	9.1	8.7	5.2
Moulds, dies and tools, net carrying amount ²	21.9	21.2	23.6	23.6	20.6

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

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

Entertainment Segment Results

The following table provides a summary of the Entertainment segment's operating results, for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Entertainment revenue	22.2	26.9	(4.7)	(17.5)%
Operating Income	11.2	10.6	0.6	5.7 %
Operating Margin	50.5 %	39.4 %		11.1 %
Adjusted Operating Income ¹	11.4	11.6	(0.2)	(1.7)%
Adjusted Operating Margin ¹	51.4 %	43.1 %		8.3 %
Cash Flow and Balance Sheet Data				
Entertainment capital expenditures	6.8	8.5	(1.7)	(20.0)%
	Mar 31,	Dec 31,		
	2022	2021	\$ Change	% Change
Entertainment content development, net carrying amount	30.2	27.4	2.8	10.2 %

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

Entertainment revenue decreased by \$4.7 million or 17.5% to \$22.2 million, primarily driven by more content deliveries in the prior period. Deliveries in Q1 2022 included the *PAW Patrol* series and *Bakugan Evolutions* as compared to Q1 2021, which included *PAW Patrol* series, *Bakugan Evolutions*, *Mighty Express* and *Abby Hatcher*.

Operating Income increased by \$0.6 million or 5.7% to \$11.2 million. The increase was primarily a result of lower entertainment content amortization expenses due to fewer content deliveries in Q1 2022, as well as lower selling, general and administrative expenses.

Operating Margin was 50.5% compared to 39.4%. The increase was primarily a result of the mix of Entertainment content deliveries which resulted in a lower proportion of program amortization expense in relation to revenue, as well as lower selling, general and administrative expenses.

Adjusted Operating Income was \$11.4 million compared to \$11.6 million.

Adjusted Operating Margin¹ was 51.4% compared to 43.1%. This increase was driven primarily by the mix of Entertainment content deliveries which resulted in a lower proportion of program amortization expense in relation to revenue, as well as lower selling, general and administrative expenses.

Entertainment capital expenditures decreased by \$1.7 million to \$6.8 million, primarily as a result of lower content production costs.

Entertainment content development, net carrying amount increased by \$2.8 million to \$30.2 million, primarily as a result of content production costs on series and films, including *PAW Patrol* series, *PAW Patrol: The Mighty Movie* and other projects in production.

Entertainment Segment Trend Analysis

(US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Entertainment revenue	22.2	28.5	52.9	27.5	26.9
Operating Income	11.2	12.1	18.2	12.5	10.6
Operating Margin	50.5 %	42.5 %	34.4 %	45.5 %	39.4 %
Adjusted Operating Income ¹	11.4	13.4	18.3	12.6	11.6
Adjusted Operating Margin ¹	51.4 %	47.0%	34.6%	45.8%	43.1 %

Cash Flow and Balance Sheet Data

Entertainment capital expenditures	6.8	12.1	8.5	14.9	8.5
Entertainment content development, net carrying amount ²	30.2	27.4	20.1	39.1 ³	35.2

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

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

³ Includes Entertainment content development costs associated with *PAW Patrol: The Movie*.

Digital Games Segment Results

The following table provides a summary of the Digital Games segment's operating results, for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change	% Change
Digital Games revenue	51.1	34.1	17.0	49.9 %
Operating Income	19.8	13.2	6.6	50.0 %
Operating Margin	38.7 %	38.7 %		— %
Adjusted Operating Income ¹	21.6	13.5	8.1	60.0 %
Adjusted Operating Margin ¹	42.3 %	39.6 %		2.7 %

Cash Flow and Balance Sheet Data

Digital Games capital expenditures	2.5	1.8	0.7	38.9 %
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	Mar 31, 2022	Dec 31, 2021	\$ Change	% Change
Digital Games app development, net carrying amount	13.6	12.8	0.8	6.3 %

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

Digital Games revenue increased by \$17.0 million or 49.9% to \$51.1 million.

Operating Income increased by \$6.6 million or 50.0% to \$19.8 million. Adjusted Operating Income increased by \$8.1 million or 60.0% to \$21.6 million from \$13.5 million.

The increases to Digital Games revenue, Operating Income and Adjusted Operating Income were driven primarily by higher in-app purchases in *Toca Life World*.

Operating Margin was 38.7% compared to 38.7%.

Adjusted Operating Margin¹ was 42.3% compared to 39.6%, driven primarily by higher in-app purchases in *Toca Life World* offset by higher product development and personnel costs.

Digital Games capital expenditures was \$2.5 million compared to \$1.8 million, primarily as a result of higher Digital Games app development costs.

Digital Games app development, net carrying amount was \$13.6 million compared to \$12.8 million.

Digital Games Segment Trend Analysis

(US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Digital Games revenue	51.1	50.0	53.8	36.9	34.1
Operating Income	19.8	17.3	24.2	12.8	13.2
Operating Margin	38.7 %	34.6 %	45.0 %	34.7 %	38.7 %
Adjusted Operating Income ¹	21.6	19.0	26.0	13.7	13.5
Adjusted Operating Margin ¹	42.3 %	38.0%	48.3%	37.1%	39.6 %
Cash Flow and Balance Sheet Data					
Digital Games capital expenditures	2.5	2.9	2.4	1.6	1.8
Digital Games app development, net carrying amount ²	13.6	12.8	11.9	9.2 ³	3.3

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

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

³ Includes Digital Games app development related to *Originator Inc.* acquired in Q2 2021.

Corporate & Other for the three months ended March 31, 2022 as compared to the same period in 2021:

Operating Loss increased by \$5.7 million to \$10.7 million as a result of a higher foreign exchange loss. Adjusted Operating Loss was flat at \$2.1 million compared to \$2.2 million.

INVESTMENTS AND ACQUISITIONS

Acquisition of Rubik's Brand Limited

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

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

Acquisition of certain assets from a product invention and development company

On April 16, 2021, the Company acquired assets and assumed liabilities of a product invention and development company which constitutes a business under IFRS 3. Included in the acquisition is an assembled workforce to complement the Company's toy innovation and development capabilities. The acquisition has been reported in the Toys CGU from the date of acquisition.

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

Acquisition of Originator Inc.

On June 14, 2021, the Company acquired 100% of the shares of Originator Inc., which qualifies as a business under IFRS 3. Originator Inc. is a developer and publisher of education focused mobile apps for kids and families and was acquired to complement Sago Mini's edutainment digital games offering. The acquisition has been reported in the Digital Games CGU and its revenue is included within Digital Games revenue from the date of acquisition.

The total purchase consideration was comprised of \$15.0 million of cash consideration. The total purchase consideration has been allocated to identifiable intangible assets based on their estimated fair values of \$9.1 million (related to brands, customer relationships and Digital Games app development), tangible assets of \$0.6 million and assumed liabilities of \$2.9 million with the remainder allocated to goodwill.

Spin Master Ventures

On October 19, 2021, the Company announced the creation of Spin Master Ventures ("SMV"). SMV's focus is to accelerate growth in each of the Company's three creative centres comprising of Toys, Entertainment and Digital Games, through strategic minority investments. Spin Master will initially allocate \$100 million capital to SMV, funded from existing internal resources. In the first quarter of 2022, SMV made minority investments in two companies for a total of \$1.0 million.

The SMV portfolio currently consists of the following investments:

	Creative Centre	Location	Acquisition date	Initial investment	Carrying value at ,	
					Mar 31, 2022	Dec 31, 2021
Classified as FVTPL						
Education technology company	Digital Games	Canada	Q3 2021	1.8	1.8	1.8
Virtual reality gaming company	Digital Games	U.K.	Q1 2022	0.5	0.5	—
Content streaming platform	Entertainment	U.S.A	Q1 2022	0.5	0.5	—
Classified as FVTOCI						
Mobile game development company	Digital Games	Sweden	Q3 2021	0.6	0.6	0.6
				3.4	3.4	2.4

SELECTED QUARTERLY FINANCIAL INFORMATION

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

(in US\$ millions, except EPS)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue	424.2	620.5	714.5	390.8	316.6	490.6	571.6	281.1
Operating Income (Loss)	61.7	39.1	179.5	46.9	6.7	(1.0)	104.1	(9.5)
Operating Margin	14.5%	6.3%	25.1%	12.0%	2.1%	(0.2)%	18.2%	(3.4)%
Adjusted Operating Income (Loss)	77.3	55.3	175.6	57.7	13.6	23.9	113.5	(4.2)
Adjusted Operating Margin	18.2%	8.9%	24.6%	14.8%	4.3%	4.9%	19.9%	(1.5)%
Net Income (Loss)	45.6	26.5	135.4	33.5	3.2	0.3	86.8	(14.9)
Basic EPS	\$0.45	\$0.26	\$1.32	\$0.33	\$0.03	\$—	\$0.85	\$(0.15)
Diluted EPS	\$0.43	\$0.25	\$1.29	\$0.32	\$0.03	\$—	\$0.83	\$(0.15)
Adjusted EBITDA ¹	95.7	78.3	217.3	81.8	36.7	51.5	139.9	21.5
Adjusted EBITDA Margin ¹	22.6%	12.6%	30.4%	20.9%	11.6%	10.5%	24.5%	7.6%
Adjusted Net Income (Loss) ¹	57.5	38.7	132.6	41.6	8.4	14.6	95.1	(9.5)
Adjusted Basic EPS ¹	\$0.56	\$0.38	\$1.30	\$0.41	\$0.08	\$0.14	\$0.93	\$(0.09)
Adjusted Diluted EPS ¹	\$0.55	\$0.37	\$1.26	\$0.40	\$0.08	\$0.14	\$0.91	\$(0.09)
Balance Sheet and Cash Flow								
Cash and cash equivalents, net of loans and borrowings	493.1	562.7	360.5	310.7	262.3	320.6	207.3	111.5
Cash (used in) provided by operating activities	(62.9)	230.1	85.8	94.2	9.0	138.2	117.2	64.2
Cash used in investing activities	(8.3)	(19.6)	(22.7)	(46.9)	(64.0)	(19.3)	(20.2)	(26.4)
Free Cash Flow ¹	(79.4)	211.3	65.8	69.0	(6.5)	123.7	96.0	40.2

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

Seasonality factors cause the Company's operating results to fluctuate significantly from quarter to quarter. In particular, Toy revenue is concentrated in the third and fourth quarters of a fiscal year with a significant portion of its Net Income earned and cash flows generated during the same period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash flow from operations. As a result of the seasonal nature of the toy industry, working capital requirements are variable throughout the year. Working capital needs typically grow through the first three quarters as inventories are built up for the peak sales periods for retailers in the fourth quarter. The Company's cash flows from operating activities are typically at their highest levels of the year in the fourth quarter. As at March 31, 2022, the Company had cash and cash equivalents of \$493.1 million (December 31, 2021 - \$562.7 million).

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

On September 28, 2021, the Company entered into an agreement to amend and restate its existing \$510.0 million secured five-year revolving credit facility (the "Facility"). Under the terms of the amended and restated agreement, the Facility is now unsecured, matures on September 28, 2026 and contains certain financial covenants. The Facility also has an option which permits the Company to increase the total capital available by an additional \$200.0 million. Total financing costs of \$1.7 million, which include Facility amendment fees and related legal fees, are recognized in Other assets and will be amortized over the term of the amended and restated agreement.

As at March 31, 2022, there were \$0.4 million (December 31, 2021 - \$0.4 million) in letters of credit utilized under the Facility and \$nil drawn (December 31, 2021 - \$nil) under this Facility.

The Company has an uncommitted Overdraft Facility Agreement (the "European Facility") for €15.0 million (US\$16.7 million). The European Facility will be used to fund working capital requirements in Europe. As at March 31, 2022, the outstanding balance was \$nil (December 31, 2021 - \$nil).

The Company has a Revolving Credit Facility to finance television and film production. The limit of the credit facility (the "Production Facility") is CAD\$10.0 million (US\$8.0 million). As at March 31, 2022, the outstanding balance of the Production Facility was \$nil (December 31, 2021 - \$nil).

As at March 31, 2022, the Company had available liquidity of \$1,010.7 million, comprised of \$493.1 million in cash and cash equivalents and \$517.6 million under the Company's credit facilities. The Company believes it has sufficient liquidity to meet its operational requirements.

Short Form Base Shelf Prospectus

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

Capital and Investment Framework

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

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

CASH FLOW

The following table provide a summary of Spin Master's consolidated cash flows for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change
Net cash flows (used in) provided by operating activities	(62.9)	9.0	(71.9)
Net cash flows used in investing activities	(8.3)	(64.0)	55.7
Net cash flows used in financing activities	(3.9)	(4.8)	0.9
Net decrease in cash and cash equivalents (excluding the effect of foreign currency exchange rate changes)	(75.1)	(59.8)	(15.3)
Effect of foreign currency exchange rate changes on cash and cash equivalents	5.5	1.5	4.0
Cash and cash equivalents, beginning of period	562.7	320.6	242.1
Cash and cash equivalents, end of period	493.1	262.3	230.8

Cash from Operating Activities as compared to the same period in 2021:

Cash flows used in operating activities were \$62.9 million for the three months ended March 31, 2022 compared to cash flows provided by operating activities of \$9.0 million driven by higher Net Income offset by the increase in change in net working capital.

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

(US\$ millions)	Mar 31, 2022	Dec 31, 2021	\$ Change
Trade receivables, net ¹	238.8	327.9	(89.1)
Other receivables ²	63.8	66.7	(2.9)
Inventories	147.5	137.4	10.1
Prepaid expenses and other assets	43.1	16.1	27.0
Total current assets	493.2	548.1	(54.9)
Trade payables	153.7	274.7	(121.0)
Accrued liabilities ³	145.6	201.7	(56.1)
Deferred revenue	13.4	10.9	2.5
Provisions and contingent liabilities	22.6	25.1	(2.5)
Total current liabilities	335.3	512.4	(177.1)
Total net working capital	157.9	35.7	122.2

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

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

3) Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax and other balances. Refer to Note 15 of the financial statements.

Total net working capital increased by \$122.2 million to \$157.9 million at March 31, 2022 from \$35.7 million.

Excluding the impact of foreign exchange, total net working capital increased by \$131.8 million.

Trade receivables, net, decreased by \$89.1 million to \$238.8 million at March 31, 2022 from \$327.9 million, driven by the increase in Toy revenue in the first quarter compared to the prior year.

Inventories increased by \$10.1 million to \$147.5 million at March 31, 2022 from \$137.4 million, driven by higher product and ocean freight costs due to inflation, partially offset by lower in-transit inventory.

Trade payables and accrued liabilities decreased by \$177.1 million to \$299.3 million at March 31, 2022 from \$476.4 million, driven by the timing of payments in line with the seasonality of the business.

Investing Activities as compared to the same period in 2021:

The following table provide a summary of Spin Master's consolidated cash flows used in investing activities for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change
Property, plant and equipment			
Tooling	6.2	4.6	1.6
Other	0.5	0.9	(0.4)
Total property, plant and equipment	6.7	5.5	1.2
Intangible assets			
Entertainment content and Digital Games app development	8.6	9.7	(1.1)
Computer software	0.7	0.3	0.4
Brands, licenses and trademark acquisitions	0.5	—	0.5
Total intangible assets	9.8	10.0	(0.2)
Total capital expenditures	16.5	15.5	1.0
Business acquisitions, net of cash acquired	—	48.5	(48.5)
Investment in minority interests	1.0	—	1.0
Proceeds from sale of manufacturing operations	(9.2)	—	(9.2)
Cash used in investing activities	8.3	64.0	(55.7)

Cash used in investing activities was \$8.3 million for the three months ended March 31, 2022 compared to \$64.0 million as a result of higher investments related to the *Rubik's* acquisition in the prior year.

Financing Activities as compared to the same period in 2021:

Cash flows used in financing activities were \$3.9 million for the three months ended March 31, 2022 compared to \$4.8 million driven by higher payment of lease liabilities.

Free Cash Flow¹ as compared to the same period in 2021:

The following table provide a reconciliation of Spin Master's consolidated Free Cash Flow¹ to cash from operating activities and cash used in investing activities for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change
Cash flows (used in) provided by operating activities	(62.9)	9.0	(71.9)
Cash flows used in investing activities	(8.3)	(64.0)	55.7
Add:			
Business acquisitions, net of cash acquired	—	48.5	(48.5)
Investment in minority interests	1.0	—	1.0
Proceeds from sale of manufacturing operations	(9.2)	—	(9.2)
Free Cash Flow¹	(79.4)	(6.5)	(72.9)

Free Cash Flow¹ was \$(79.4) million for the three months ended March 31, 2022 compared to \$(6.5) million, a decrease of \$72.9 million. Free Cash Flow¹ decreased primarily due to the decrease in net working capital partially offset by higher Net Income.

OUTLOOK

The Company now expects 2022 Toy Gross Product Sales¹ to increase low double digits compared to 2021, up from mid to high single digits previously announced on February 28, 2022. The seasonality of Toy Gross Product Sales for 2022 is expected to be approximately 40% in the first half of 2022.

The Company now expects 2022 Revenue to increase low double digits compared to 2021 Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue¹ of \$26.0 million, up from mid to high single digits previously announced on February 28, 2022.

The Company expects 2022 Adjusted EBITDA Margin¹ to be in line with 2021 Adjusted EBITDA Margin, excluding *PAW Patrol: The Movie* Distribution Revenue¹ of \$26.0 million, consistent with the Outlook previously announced on February 28, 2022.

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 to ensure availability and timely delivery of future purchases of goods and services. These arrangements include commitments for future services, purchases, commitments to settle foreign currency forward contracts and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the terms of the contracts. Additionally, Spin Master routinely enters into non-cancellable lease agreements for premises and equipment, which contain minimum rental payments.

OFF-BALANCE SHEET ARRANGEMENTS

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

CAPITALIZATION

Share Capital

As at May 4, 2022, there were 102.9 million shares outstanding comprised of 70.6 million Multiple Voting Shares and 32.3 million Subordinate Voting Shares.

As of May 4, 2022, pursuant to grants under the Company's Long-Term Incentive Plan, 1.0 million Subordinate Voting Shares were issuable under outstanding Restricted Stock Units, up to 2.0 million Subordinate Voting Shares were issuable under outstanding Performance Share Units (assuming vesting at a maximum of 200% for units with an outstanding performance period) and 0.5 million Subordinate Voting Shares were issuable under outstanding Share Option grants.

RELATED PARTY TRANSACTIONS

The Company periodically engages the services of a law firm whose managing partner is also a member of the Company's Board of Directors. During the three months ended March 31, 2022, the fees for services rendered were in the amount of \$0.2 million (March 31, 2021 - \$0.4 million). As at March 31, 2022, amounts payable to the director's law firm were \$0.2 million (December 31, 2021 - \$0.2 million).

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies under IFRS are included in the Company's 2021 financial statements, as well as in the Company's 2021 Annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three months ended March 31, 2022, there were no material changes to the critical accounting estimates of the Company from those reported in the 2021 Annual MD&A and financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's Internal Control over Financial Reporting ("ICFR") during the three months ended March 31, 2022 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

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

NON-GAAP FINANCIAL MEASURES AND RATIOS

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 Operating Income (Loss)
- Adjusted Net Income (Loss)
- Free Cash Flow
- Toy Gross Product Sales
- Constant Currency Toy Gross Product Sales
- Constant Currency Revenue
- Adjusted Selling, General and Administration Expenses ("Adjusted SG&A")
- Net Working Capital
- Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue
- Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue

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
- Adjusted Operating Margin
- Adjusted Basic EPS
- Adjusted Diluted EPS
- Sales Allowance as a percentage of Toy Gross Product Sales
- Adjusted SG&A as a percentage of Revenue
- Percentage change in Constant Currency Toy Gross Product Sales
- Percentage change in Constant Currency Revenue
- Adjusted EBITDA Margin, excluding *PAW Patrol: The Movie* Distribution 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.

Management believes the Non-GAAP financial measures and Non-GAAP financial ratios 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 and Non-GAAP financial ratios in the evaluation of issuers.

Non-GAAP Financial Measures

Adjusted EBITDA is calculated as Net Income (Loss) before finance costs, income tax expense (recovery) and depreciation and amortization (EBITDA) excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring expenses, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, impairment of goodwill, investment distribution income, acquisition related deferred incentive compensation, net unrealized gain on investment, impairment of property, plant and equipment, legal settlement, transaction costs, gain on disposal of asset and bad debt recovery. 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.

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.

Adjusted Net Income (Loss) is calculated as Net Income 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 and investment in limited partnership and minority interests, net of investment distribution income. Management uses the Free Cash Flow metric to analyze the cash flows being generated by the Company's business. In the third quarter of 2021, the calculation of this metric was revised to include the impact of investment distribution income as Management believes this composition to be relevant to investors, lenders, securities analysts and other interested parties of the Company. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Cash flow from operating activities, the closest IFRS measure.

Toy Gross Product Sales represent Toy revenues, 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 category 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 "Revenue" section within the "Financial Performance" section for the three months and year ended March 31, 2022, and the "Reconciliation of Non-GAAP Financial Measures" section for the previous eight fiscal quarters.

Constant Currency Toy Gross Product Sales and Constant Currency Revenue represent Toy Gross Product Sales 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 dollar are translated using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from fluctuations in foreign currency exchange rates. Management uses Constant Currency Toy Gross Product Sales 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 SG&A is calculated as selling, general and administrative expenses adjusted for restructuring expenses, share based compensation expenses, impairment of property, plant and equipment, transaction costs and bad debt recovery. Refer to the Adjusted SG&A table for the three months ended March 31, 2022 as compared to the same period in 2021 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 Total Net Working Capital table for the three months ended March 31, 2022 as compared to the same period in 2021 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.

Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as revenue excluding distribution revenue of \$26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is used 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 this metric to Revenue, the closest IFRS measure.

Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding distribution revenue of \$26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Adjusted EBITDA, excluding *PAW Patrol: The Movie* Distribution Revenue is used by management as a measure of the Company's profitability on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Net Income, the closest IFRS measure.

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.

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.

Adjusted Basic EPS is calculated by dividing Adjusted Net Income by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period. 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 Allowance as a percentage of Toy Gross Product Sales is calculated by dividing Sales Allowance by Toy Gross Product Sales. Management uses Sales Allowance as 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 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 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.

Adjusted EBITDA Margin, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding *PAW Patrol: The Movie* Distribution Revenue divided by Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue. Management uses Adjusted EBITDA Margin excluding *PAW Patrol: The Movie* Distribution Revenue to evaluate the Company's performance compared to internal targets and to benchmark its performance against key competitors on a consistent basis over time.

Reconciliation of Non-GAAP Financial Measures

The following table provides reconciliations of Operating Income (Loss) to Adjusted Operating Income (Loss), Adjusted EBITDA, Adjusted EBITDA, excluding PAW Patrol: The Movie Distribution Revenue and Adjusted Net Income (Loss) for the previous eight fiscal quarters.

(in US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Operating Income (Loss)	61.7	39.1	179.5	46.9	6.7	(1.0)	104.1	(9.5)
Adjustments								
Share based compensation ¹	4.1	4.0	4.1	4.0	3.2	2.9	2.9	2.8
Acquisition related contingent consideration ²	—	3.4	—	—	(0.7)	3.7	—	—
Acquisition related deferred incentive compensation ³	2.7	2.6	2.7	1.5	—	—	—	—
Transaction costs ⁴	0.1	2.1	0.1	0.6	—	0.9	—	—
Restructuring expense ⁵	0.6	1.4	0.4	—	0.7	0.5	1.4	(1.0)
Impairment of intangible assets ⁶	—	1.2	—	0.5	0.9	0.4	—	—
Impairment of goodwill ⁷	—	1.9	—	—	—	—	—	—
Net unrealized loss (gain) on investment ⁸	—	0.3	—	(0.3)	(0.9)	—	—	—
Impairment of property, plant and equipment ⁹	—	—	—	—	—	0.5	—	—
Legal settlement ¹⁰	(1.5)	—	—	—	—	5.5	—	—
Investment distribution income ¹¹	—	—	(0.2)	(0.4)	—	—	—	—
Gain on disposal of asset ¹²	—	—	(0.2)	—	—	—	—	—
Foreign exchange loss/(gain) ¹³	9.6	(0.7)	(10.8)	4.9	3.7	10.5	5.1	3.5
Adjusted Operating Income (Loss)	77.3	55.3	175.6	57.7	13.6	23.9	113.5	(4.2)
Depreciation and amortization	18.4	23.0	41.7	24.1	23.1	27.6	26.4	25.7
Adjusted EBITDA	95.7	78.3	217.3	81.8	36.7	51.5	139.9	21.5
Distribution revenue related to PAW Patrol: The Movie ¹⁴	—	—	(26.0)	—	—	—	—	—
Adjusted EBITDA, excluding PAW Patrol: The Movie Distribution Revenue	95.7	78.3	191.3	81.8	36.7	51.5	139.9	21.5
Distribution revenue related to PAW Patrol: The Movie ¹⁴	—	—	26.0	—	—	—	—	—
Income tax (expense) recovery	(14.2)	(9.5)	(41.8)	(11.1)	(1.0)	4.7	(14.7)	(2.1)
Finance costs	(1.9)	(3.1)	(2.3)	(2.3)	(2.5)	(3.4)	(2.6)	(3.3)
Depreciation and amortization	(18.4)	(23.0)	(41.7)	(24.1)	(23.1)	(27.6)	(26.4)	(25.7)
Tax effect of normalization adjustments ¹⁵	(3.7)	(4.0)	1.1	(2.7)	(1.7)	(10.6)	(1.1)	0.1
Adjusted Net Income (Loss)	57.5	38.7	132.6	41.6	8.4	14.6	95.1	(9.5)

¹ Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering, share option expense and long-term incentive plan.

² Remuneration expense associated with contingent consideration for acquisitions.

³ Deferred incentive compensation associated with acquisitions.

⁴ Professional fees incurred relating to acquisitions and other transactions.

⁵ Restructuring expense primarily relates to changes in personnel. Restructuring expense in the prior year includes costs related to changes in senior leadership.

⁶ Impairment of intangible assets related to entertainment content and Digital Games app development.

⁷ Impairment of goodwill associated with assets held for sale and one other CGU.

⁸ Net unrealized loss (gain) related to investment in limited partnership.

⁹ Impairment of property plant and equipment related to machinery.

¹⁰ Legal settlement in the first quarter of 2022 and fourth quarter of 2020.

¹¹ Distribution income related to investment in limited partnership.

¹² Gain on disposal of intangible asset.

¹³ Includes foreign exchange (gains) losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and (gains) losses related to the Company's hedging programs.

¹⁴ Distribution revenue related to PAW Patrol: The Movie recognized in Q3 2021 within Entertainment revenue.

¹⁵ Tax effect of adjustments (Footnotes 1-13). Adjustments are tax effected at the effective tax rate of the given period.

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

(in US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Cash (used in) provided by operating activities	(62.9)	230.1	85.8	94.2	9.0	138.2	117.2	64.2
Cash used in investing activities	(8.3)	(19.6)	(22.7)	(46.9)	(64.0)	(19.3)	(20.2)	(26.4)
Add (Deduct):								
Business acquisitions, net of cash acquired ¹	—	0.7	—	21.7	48.5	—	(1.0)	—
Investment in limited partnership ²	—	0.1	0.9	—	—	1.8	—	—
Advance paid for business acquisitions ³	—	—	—	—	—	3.0	—	—
Investment in trademark license agreement ⁴	—	—	—	—	—	—	—	2.4
Investment distribution income ⁵	—	—	(0.6)	—	—	—	—	—
Investment in minority interests ⁶	1.0	—	2.4	—	—	—	—	—
Proceeds from sale of manufacturing operations ⁷	(9.2)	—	—	—	—	—	—	—
Free Cash Flow	(79.4)	211.3	65.8	69	(6.5)	123.7	96.0	40.2

¹ Cash paid relating to acquisitions of *Rubik's, Originator Inc.* and a product invention and development company in 2021

² Cash paid to fund capital calls relating to the Investment in a limited partnership in 2020 and 2021.

³ Cash advance paid in 2020 relating to the acquisition of *Rubik's*.

⁴ Cash paid relating to the investment in a trademark license agreement in 2020.

⁵ Distribution income earned relating to the investment in a limited partnership.

⁶ Cash paid in relation to the investments made in minority interests during 2021 and 2022.

⁷ Cash received for the sale of manufacturing assets located in Tarboro, North Carolina in Q1 2022.

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

(in US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Toy Gross Product Sales	397.5	627.5	681.2	359.0	294.7	511.8	587.4	282.2
Sales Allowances	(46.6)	(85.5)	(73.4)	(32.6)	(39.1)	(77.5)	(64.1)	(29.6)
Toy revenue	350.9	542.0	607.8	326.4	255.6	434.3	523.3	252.6
Entertainment revenue	22.2	28.5	52.9	27.5	26.9	24.5	20.5	18.3
Digital Games revenue	51.1	50.0	53.8	36.9	34.1	31.8	27.8	10.2
Revenue	424.2	620.5	714.5	390.8	316.6	490.6	571.6	281.1

The following table presents a reconciliation of Revenue to Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue for the previous eight fiscal quarters:

(in US\$ millions)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue	424.2	620.5	714.5	390.8	316.6	490.6	571.6	281.1
Distribution revenue related to <i>PAW Patrol: The Movie</i> ¹	—	—	(26.0)	—	—	—	—	—
Revenue, excluding <i>PAW Patrol: The Movie</i> Distribution Revenue	424.2	620.5	688.5	390.8	316.6	490.6	571.6	281.1

¹ Distribution revenue related to *PAW Patrol: The Movie* recognized in Q3 2021 within Entertainment revenue.

The following tables present reconciliations of Revenue to Constant Currency Toy Gross Product Sales and Revenue to Constant Currency Revenue for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021
Constant Currency Toy Gross Product Sales	402.6	290.4
Impact of foreign exchange	(5.1)	4.3
Toy Gross Product Sales	397.5	294.7
Sales Allowances	(46.6)	(39.1)
Toy revenue	350.9	255.6
Entertainment revenue	22.2	26.9
Digital Games revenue	51.1	34.1
Revenue	424.2	316.6

(US\$ millions)	Q1 2022	Q1 2021
Constant Currency Revenue	431.1	310.7
Impact of foreign exchange	(6.9)	5.9
Revenue	424.2	316.6

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales and Percentage change in Constant Currency Revenue for the three months ended March 31, 2022 and 2021:

(US\$ millions)	Q1 2022	Q1 2021	\$ Change			% Change	
			As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	397.5	294.7	102.8	5.1	107.9	34.9%	36.6 %
Revenue	424.2	316.6	107.6	6.9	114.5	34.0%	36.2 %

ADDENDUM

Effective January 1, 2022, the Company revised its reportable operating segments to align with its current business structure and how the Company's new CODM reviews operations and makes decisions. The following table presents 2021 segments in the same format that the Company presents its operating segments in 2022.

(US\$ millions)		Year Ended December 31, 2021			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	1,731.8	135.8	174.8	—	2,042.4
Operating Income	159.0	53.4	67.5	(7.7)	272.2
Restructuring expense	2.3	—	0.2	—	2.5
Foreign exchange gain	—	—	—	(2.9)	(2.9)
Share based compensation	13.4	0.4	1.5	—	15.3
Impairment of goodwill	1.9	—	—	—	1.9
Impairment of intangible assets	—	2.1	0.5	—	2.6
Acquisition related deferred incentive compensation	4.3	—	2.5	—	6.8
Net unrealized gain on investment	—	—	—	(0.9)	(0.9)
Investment distribution income	—	—	—	(0.6)	(0.6)
Acquisition related contingent consideration	2.7	—	—	—	2.7
Transaction costs	—	—	—	2.8	2.8
Gain on disposal of asset	(0.2)	—	—	—	(0.2)
Adjusted Operating Income	183.4	55.9	72.2	(9.3)	302.2
Depreciation and amortization	56.3	48.2	7.4	—	111.9
Adjusted EBITDA	239.7	104.1	79.6	(9.3)	414.1

(US\$ millions)		Q1 2021			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	255.6	26.9	34.1	—	316.6
Operating Income (Loss)	(12.1)	10.6	13.2	(5.0)	6.7
Restructuring expense	0.7	—	—	—	0.7
Foreign exchange loss	—	—	—	3.7	3.7
Share based compensation	2.8	0.1	0.3	—	3.2
Impairment of intangible assets	—	0.9	—	—	0.9
Net unrealized gain on investment	—	—	—	(0.9)	(0.9)
Acquisition related contingent consideration	(0.7)	—	—	—	(0.7)
Adjusted Operating Income (Loss)	(9.3)	11.6	13.5	(2.2)	13.6
Depreciation and amortization	14.4	6.6	2.1	—	23.1
Adjusted EBITDA	5.1	18.2	15.6	(2.2)	36.7

(US\$ millions)		Q2 2021			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	326.4	27.5	36.9	—	390.8
Operating Income	28.5	12.5	12.8	(6.9)	46.9
Foreign exchange loss	—	—	—	4.9	4.9
Share based compensation	3.7	0.1	0.2	—	4.0
Impairment of intangible assets	—	—	0.5	—	0.5
Acquisition related deferred incentive compensation	1.3	—	0.2	—	1.5
Net unrealized gain on investment	—	—	—	(0.3)	(0.3)
Investment distribution income	—	—	—	(0.4)	(0.4)
Transaction costs	—	—	—	0.6	0.6
Adjusted Operating Income	33.5	12.6	13.7	(2.1)	57.7
Depreciation and amortization	13.8	8.4	1.9	—	24.1
Adjusted EBITDA	47.3	21.0	15.6	(2.1)	81.8

(US\$ millions)		Q3 2021			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	607.8	52.9	53.8	—	714.5
Operating Income	128.0	18.2	24.2	9.1	179.5
Restructuring expense	0.4	—	—	—	0.4
Foreign exchange gain	—	—	—	(10.8)	(10.8)
Share based compensation	3.4	0.1	0.6	—	4.1
Acquisition related deferred incentive compensation	1.5	—	1.2	—	2.7
Investment distribution income	—	—	—	(0.2)	(0.2)
Transaction costs	—	—	—	0.1	0.1
Gain on disposal of asset	(0.2)	—	—	—	(0.2)
Adjusted Operating Income	133.1	18.3	26.0	(1.8)	175.6
Depreciation and amortization	13.4	26.9	1.4	—	41.7
Adjusted EBITDA	146.5	45.2	27.4	(1.8)	217.3

(US\$ millions)		Q4 2021			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	542.0	28.5	50.0	—	620.5
Operating Income	14.6	12.1	17.3	(4.9)	39.1
Restructuring expense	1.2	—	0.2	—	1.4
Foreign exchange gain	—	—	—	(0.7)	(0.7)
Share based compensation	3.5	0.1	0.4	—	4.0
Impairment of goodwill	1.9	—	—	—	1.9
Impairment of intangible assets	—	1.2	—	—	1.2
Acquisition related deferred incentive compensation	1.5	—	1.1	—	2.6
Net unrealized loss on investment	—	—	—	0.3	0.3
Acquisition related contingent consideration	3.4	—	—	—	3.4
Transaction costs	—	—	—	2.1	2.1
Adjusted Operating Income	26.1	13.4	19.0	(3.2)	55.3
Depreciation and amortization	14.7	6.3	2.0	—	23.0
Adjusted EBITDA	40.8	19.7	21.0	(3.2)	78.3

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 with respect to: the Company’s outlook for 2022 (see “Outlook”); future growth expectations in 2022 and beyond; drivers and trends for such growth and financial performance; the successful execution of its strategies for growth; the Company’s long-term goal of more than 45% of Toys segment sales outside of North America; the Company’s SMV initiative; content and product pipeline; financial position, cash flows and financial performance; and the creation of long term shareholder value.

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: 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 broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition 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 intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company’s products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers, retailers and license partners; the Company will continue to attract qualified personnel to support its development requirements; and the Company’s key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled and that the risk factors noted in this MD&A, collectively, do not have a material impact on the Company.

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

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