

Spin Master Corp.

Condensed consolidated interim financial statements (unaudited)

For the three and nine months ended September 30, 2024 and September 30, 2023

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

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Spin Master Corp.

Condensed consolidated interim statements of financial position

(Unaudited in US\$ millions)	Notes	Sep 30, 2024	Dec 31, 2023
Assets			
Current assets			
Cash	9	114.2	705.7
Trade receivables, net	10	643.5	414.4
Other receivables	10	56.5	60.0
Inventories, net	11	264.2	98.0
Income tax receivable		14.0	—
Prepaid expenses and other assets	12	46.2	40.9
		1,138.6	1,319.0
Non-current assets			
Intangible assets	14	835.3	281.3
Goodwill	15	381.4	165.9
Right-of-use assets	24	160.7	53.6
Property, plant and equipment	13	63.5	32.6
Deferred income tax assets		162.6	110.8
Other assets	12	36.5	26.5
		1,640.0	670.7
Total assets		2,778.6	1,989.7
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	16	528.6	385.4
Loans and borrowings	18	408.8	—
Provisions	19	24.7	32.1
Lease liabilities	24	28.3	11.4
Deferred revenue	17	11.2	11.0
Income tax payable		—	6.6
		1,001.6	446.5
Non-current liabilities			
Deferred income tax liabilities		217.6	59.1
Lease liabilities	24	125.9	50.7
Provisions	19	12.1	14.3
		355.6	124.1
Total liabilities		1,357.2	570.6
Shareholders' equity			
Share capital	20	768.0	783.4
Retained earnings		612.8	604.5
Contributed surplus		40.0	27.4
Accumulated other comprehensive income		0.6	3.8
Total shareholders' equity		1,421.4	1,419.1
Total liabilities and shareholders' equity		2,778.6	1,989.7

Approved by the Board of Directors on October 30, 2024.

The accompanying notes on pages 5 to 34 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of earnings and comprehensive income

(Unaudited, in US\$ millions, except earnings per share)	Notes	Nine Months Ended Sep 30,			
		Q3 2024	Q3 2023	2024	2023
Revenue	3	885.7	710.2	1,613.9	1,402.3
Cost of sales	6, 11	416.4	323.3	788.5	625.9
Gross Profit		469.3	386.9	825.4	776.4
Expenses					
Selling, general and administrative	6	247.0	202.1	645.0	530.9
Depreciation and amortization	6	18.7	6.0	53.8	18.3
Other expense, net	4	1.6	0.8	5.0	5.2
Foreign exchange (gain) loss, net	7	(1.2)	(19.2)	3.2	(3.5)
Operating Income		203.2	197.2	118.4	225.5
Interest income		(1.0)	(7.2)	(3.4)	(20.4)
Interest expense	5	14.4	4.8	39.4	11.2
Income before income tax expense		189.8	199.6	82.4	234.7
Income tax expense	8	49.7	44.2	21.6	53.2
Net Income		140.1	155.4	60.8	181.5
Earnings per share					
Basic	21	1.36	1.50	0.59	1.75
Diluted	21	1.32	1.45	0.57	1.72
Weighted average number of shares (in millions)					
Basic	21	103.0	103.6	103.6	103.4
Diluted	21	105.9	107.3	106.1	105.3
(Unaudited, in US\$ millions)		Nine Months Ended Sep 30,			
		Q3 2024	Q3 2023	2024	2023
Net Income		140.1	155.4	60.8	181.5
Items that may be subsequently reclassified to Net Income					
Foreign currency translation gain (loss)		5.7	(30.5)	(3.2)	(10.2)
Other comprehensive income (loss)		5.7	(30.5)	(3.2)	(10.2)
Total comprehensive income		145.8	124.9	57.6	171.3

The accompanying notes on pages 5 to 34 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of changes in shareholders' equity

(Unaudited, in US\$ millions)	Note	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive (loss) income	Total
Balance at January 1, 2023		754.7	477.4	40.7	(21.0)	1,251.8
Net Income		—	181.5	—	—	181.5
Other comprehensive loss		—	—	—	(10.3)	(10.3)
Share-based compensation	20	—	—	15.4	—	15.4
Dividends declared	20	—	(14.0)	—	—	(14.0)
Shares issued upon settlement of long-term incentive plan	20	31.4	—	(31.4)	—	—
Subordinate voting shares purchased and cancelled	20	(4.7)	(5.8)	—	—	(10.5)
Balance at September 30, 2023		781.4	639.1	24.7	(31.3)	1,413.9
Balance at January 1, 2024		783.4	604.5	27.4	3.8	1,419.1
Net Income		—	60.8	—	—	60.8
Other comprehensive loss		—	—	—	(3.2)	(3.2)
Share-based compensation	20	—	—	22.4	—	22.4
Dividends declared	20	—	(22.8)	—	—	(22.8)
Shares issued upon settlement of long-term incentive plan	20	9.8	—	(9.8)	—	—
Subordinate voting shares purchased and cancelled ¹	20	(25.2)	(22.5)	—	—	(47.7)
Obligation for automatic share purchase plan	20	—	(7.2)	—	—	(7.2)
Balance at September 30, 2024		768.0	612.8	40.0	0.6	1,421.4

¹ Includes premium and tax on shares repurchased and cancelled of \$22.1 million and \$0.4 million, respectively, in retained earnings.

The accompanying notes on pages 5 to 34 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim statements of cash flows

(Unaudited, in US\$ millions)	Notes	Nine Months Ended Sep 30,	
		2024	2023
Operating activities			
Net Income		60.8	181.5
Adjustments to reconcile net income to cash provided by operating activities			
Income tax expense	8	21.6	53.2
Interest expense	5	29.3	—
Interest income		(3.4)	(20.4)
Depreciation and amortization	6	102.5	88.4
Loss on disposal of non-current assets	13, 14, 24	0.1	1.0
Accretion expense	5	8.1	3.9
Amortization of Facility fee costs	5	1.0	0.3
Gain on investment in limited partnership, net	27	0.3	(0.3)
Impairment of non-current assets	13, 14, 15	2.2	3.6
Loss on minority interest and other investments	4	0.5	—
Unrealized foreign exchange loss, net	7	3.8	8.3
Share-based compensation expense	20	22.4	15.4
Net changes in non-cash working capital	22	(101.9)	(131.9)
Net change in non-cash provisions and other assets		(22.5)	(0.7)
Fair value adjustment on inventory sold	11	66.3	—
Income taxes paid		(50.7)	(64.1)
Income taxes received		4.1	0.6
Interest (paid) received		(19.9)	20.3
Cash provided by operating activities		124.6	159.1
Investing activities			
Investment in property, plant and equipment	13	(25.1)	(22.3)
Investment in intangible assets	14	(60.0)	(61.5)
Business acquisitions, net of cash acquired	26	(952.9)	(26.5)
Investment distribution income	27	—	0.3
Minority interest and other investments	12	—	(2.0)
Cash used in investing activities		(1,038.0)	(112.0)
Financing activities			
Proceeds from loans and borrowings	18	525.0	—
Repayment of loans and borrowings	18	(115.0)	—
Payment of lease liabilities	24	(28.4)	(11.4)
Dividends paid	20	(18.3)	(14.0)
Change in restricted cash		3.1	—
Repurchase of subordinate voting shares	20	(46.7)	(10.5)
Cash provided by (used in) financing activities		319.7	(35.9)
Effect of foreign currency exchange rate changes on cash		2.1	(4.8)
Net decrease in cash during the period		(591.5)	6.4
Cash, beginning of period		705.7	644.3
Cash, end of period		114.2	650.7

The accompanying notes on pages 5 to 34 are an integral part of these Condensed consolidated interim financial statements.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

1. Description of business

Spin Master Corp. was formed by the amalgamation of Spin Master Corp. (formerly SML Investments Inc. which was incorporated on June 9, 2004 under the *Business Corporations Act* (Ontario)), SML Investments 2008 Inc. and Varadi Bee Corp. pursuant to the filing of articles of amalgamation under the *Business Corporations Act* (Ontario) on July 29, 2015. The Company is a leading global children's entertainment company, creating exceptional play experiences through its three creative centres: Toys, Entertainment and Digital Games. Its head and registered office is located at 225 King Street West, Suite 200, Toronto, Canada, M5V 3M2. Spin Master Corp. and its subsidiaries are together referred to, in these Condensed consolidated interim financial statements, as the "Company" or "Spin Master".

The Company has three reportable operating segments: Toys, Entertainment and Digital Games (see Note 28).

On January 2, 2024, the Company completed the acquisition of MND Holdings I Corp ("Melissa & Doug") by acquiring all issued and outstanding capital stock (see Note 26). Melissa & Doug is a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. The results from the operations of Melissa & Doug are included in the Company's results from operations and financial position commencing January 2, 2024.

2. Summary of material accounting policy information

(A) Statement of compliance

These Condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The same accounting policies, presentation and methods of computation have been followed in these Condensed consolidated interim financial statements as were applied in the preparation of the audited Company's Consolidated financial statements for the year ended December 31, 2023.

Effective January 1, 2024, the Company adopted the IASB issued Classification of Liabilities as Current or Non-current. The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments also clarify the definition of a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that a company will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In addition, a requirement has been introduced whereby a company must disclose when a liability arising from a loan agreement is classified as non-current and the company's right to defer settlement is contingent on future covenants within twelve months. The adoption of this standard did not have any impact on these Condensed consolidated interim financial statements.

All financial information is presented in millions of United States dollars ("US\$") and has been rounded to the nearest hundred thousand, except as otherwise indicated.

These Condensed consolidated interim financial statements and accompanying notes were approved and authorized for issuance by the Board of Directors of the Company on October 30, 2024.

(B) Basis of preparation

These Condensed consolidated interim financial statements include the accounts of Spin Master Corp. and its subsidiaries and should be read in conjunction with the Company's audited Consolidated financial statements, including the notes thereto, for the year ended December 31, 2023.

The Company has assessed significant accounting judgments and estimates in preparing the Company's Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023. The accounting policies, judgments and estimates as disclosed in Note 3 of the Company's audited Consolidated financial statements for the year ended December 31, 2023 have been applied consistently in the preparation of these Condensed consolidated interim financial statements.

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Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

2. Summary of material accounting policy information (continued)

(C) Functional Currency

Effective January 1, 2024, the functional currency of Spin Master Ltd. ("SML"), a wholly owned subsidiary of Spin Master Corp., changed from the Canadian dollar ("C\$") to the US\$. The US\$ was determined to be the functional currency of the primary economic environment in which SML operates, as the majority of the operational and financing activities are now denominated in or influenced by the US\$. Considering that the underlying transactions, events and conditions that justify the change in functional currency have developed gradually, and those of greater relevance took place towards the end of 2023 and beginning of 2024, the change was made prospectively as of January 1, 2024.

3. Revenue

The Company earns revenue from the following primary sources: Toys, Entertainment and Digital Games.

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Toy revenue	810.9	601.5	1,378.2	1,134.1
Entertainment revenue	37.1	63.4	117.3	134.9
Digital Games revenue	37.7	45.3	118.4	133.3
Revenue	885.7	710.2	1,613.9	1,402.3

4. Other expense, net

(US\$ millions)	Notes	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
				2024	2023
Acquisition related deferred incentive compensation		0.9	1.8	3.5	6.0
Impairment on non-current assets	13, 14, 15	0.1	0.2	2.2	3.6
Loss on minority interest and other investments	12	0.5	—	0.5	—
Net unrealized loss (gain) on investment	27	—	—	0.3	(0.3)
Net realized gain on investment	27	—	(0.2)	—	(0.1)
Legal settlement expense (recovery)		0.4	(0.7)	(0.2)	(0.5)
Acquisition related deferred consideration	19	0.4	—	(1.7)	(2.1)
Other		(0.7)	(0.3)	0.4	(1.4)
Other expense, net		1.6	0.8	5.0	5.2

Acquisition related deferred incentive compensation includes amounts that are contingent on the continued employment of key principals as well as the achievement of certain performance metrics, over their respective requisite service periods.

5. Interest expense

(US\$ millions)	Notes	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
				2024	2023
Interest on loans and borrowings		7.5	—	23.3	—
Interest on lease liabilities and accretion expense		2.7	1.3	8.1	3.9
Bank fees and financing charges		2.8	3.3	6.0	7.0
Amortization of Facility fee costs		0.3	0.1	1.0	0.3
Change in fair value of interest rate swaps	27	1.1	—	1.0	—
Other		—	0.1	—	—
Interest expense		14.4	4.8	39.4	11.2

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6. Expenses

Expenses include selling, general and administrative expenses and depreciation and amortization.

Selling, general and administrative expenses

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Administrative	115.2	90.1	347.5	278.1
Marketing	50.1	35.6	124.8	90.7
Selling	52.2	50.9	87.7	95.6
Distribution	19.3	17.2	58.2	44.1
Product development	10.2	8.3	26.8	22.4
Selling, general and administrative	247.0	202.1	645.0	530.9

Depreciation and amortization

(US\$ millions)	Notes	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
				2024	2023
Property, plant and equipment	13				
Moulds, dies and tools, included in cost of sales		5.9	5.0	16.7	14.8
Equipment		1.5	0.8	4.6	1.8
Computer hardware		1.6	0.3	4.5	0.7
Building and leasehold improvements		1.4	0.5	3.5	2.9
Equipment, included in cost of sales		0.4	0.6	1.0	1.8
		10.8	7.2	30.3	22.0
Intangible assets	14				
Entertainment content development, included in cost of sales		10.0	31.7	27.5	49.7
Trademarks, licenses, IP & customer lists - definite life		2.6	0.9	7.8	2.3
Digital games and app development, included in cost of sales		1.1	1.3	3.6	3.7
Computer software		0.5	0.7	1.6	1.8
		14.2	34.6	40.5	57.5
Right-of-use assets	24	10.9	2.9	31.7	8.9
Depreciation and amortization		35.9	44.7	102.5	88.4

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Included in cost of sales	17.3	38.7	48.7	70.1
Included in expenses	18.6	6.0	53.8	18.3
Depreciation and amortization	35.9	44.7	102.5	88.4

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Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

7. Foreign exchange

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Unrealized foreign exchange loss (gain), net	4.4	(17.9)	3.8	8.3
Realized foreign exchange gain, net	(5.6)	(1.3)	(0.6)	(11.8)
Foreign exchange (gain) loss, net	(1.2)	(19.2)	3.2	(3.5)

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 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 subsidiary entity are settled and includes gains and losses related to the Company's hedging programs. The Company periodically enters into derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk on cash flows denominated in currencies other than the US\$ (see Note 27).

8. Income tax

The income tax expense recognized in the Condensed consolidated interim statements of earnings and comprehensive income comprises of the following:

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Current income tax expense	62.5	38.9	27.0	47.3
Deferred income tax (recovery) expense	(12.8)	5.3	(5.4)	5.9
Income tax expense	49.7	44.2	21.6	53.2

The income tax expense is calculated as follows:

(US\$ millions)	Nine Months Ended Sep 30,			
	2024		2023	
Income before income tax expense	82.4		234.7	
Income tax expense at Canadian statutory tax rate of 26.5%	21.8	26.5 %	62.2	26.5 %
Effect of:				
Different tax rates of subsidiaries operating in other jurisdictions	(3.5)	(4.2)%	(7.0)	(3.0)%
Unused tax losses and tax attributes not recognized as deferred tax assets	0.2	0.2 %	2.4	1.0 %
Expense not deductible in determining taxable income	1.8	2.2 %	1.2	0.5 %
Other	1.3	1.5 %	(5.6)	(2.3)%
Income tax expense	21.6	26.2 %	53.2	22.7 %

The tax rates used for the reconciliations above are the Canadian statutory tax rates of Spin Master Corp., payable by corporate entities in the Company, on taxable profits under tax laws in the respective jurisdictions in which the Company operates.

9. Cash

As at September 30, 2024, the Company held \$8.4 million of cash in a geographic region which is subject to certain limitations.

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Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

10. Trade and other receivables, net

Trade receivables

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Trade receivables	888.8	660.1
Provisions for sales allowances	(235.6)	(241.7)
Allowance for doubtful accounts	(9.7)	(4.0)
Trade receivables, net	643.5	414.4

Trade receivables disclosed above include any amounts that are past due as at the end of the reporting period.

Other receivables

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Investment tax credits receivables	50.5	48.9
Sales tax receivables	3.4	4.1
Other	2.6	7.0
Other receivables	56.5	60.0

11. Inventories, net

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Raw materials	2.0	2.7
Finished goods	262.2	95.3
Inventories, net	264.2	98.0

Inventories as at September 30, 2024 are net of \$14.5 million for the provision of inventories to net realizable value (December 31, 2023 - \$9.0 million).

The cost of inventories recognized as an expense in cost of sales during the three and nine months ended September 30, 2024 was \$380.5 million (2023 - \$265.6 million) and \$692.3 million (2023 - \$508.0 million), respectively.

On January 2, 2024, the Company acquired \$179.6 million of inventories as part of the acquisition of Melissa & Doug, of which \$66.3 million relates to a fair value adjustment, representing the difference between inventory cost and its fair value less cost of disposal. The fair value adjustment is recognized as an expense in cost of sales as the related inventories are sold. For the three and nine months ended September 30, 2024, the Company recognized \$21.5 million and \$66.3 million of the fair value adjustment in cost of sales, which decreased gross profit realized. The fair value adjustment for inventory as at September 30, 2024 was \$nil.

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Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

12. Prepaid expenses and other assets

(US\$ millions)	Notes	Sep 30, 2024	Dec 31, 2023
Prepaid expenses		24.4	35.2
Advances on royalties		16.0	1.6
Unrealized foreign exchange gain on financial instruments	27	5.8	4.1
Prepaid expenses and other assets		46.2	40.9

(US\$ millions)	Notes	Sep 30, 2024	Dec 31, 2023
Trade receivables - non-current portion		11.1	—
Minority interest and other investments		9.0	11.3
Investment tax credits - non-current portion		5.2	4.6
Advances on royalties		4.6	5.0
Investment in a limited partnership	27	3.4	3.7
Investment in associate		2.8	—
Other non-current assets		0.3	0.2
Unamortized Facility fee costs	18	0.1	1.7
Other assets, non-current		36.5	26.5

Minority interest and other investments

Minority interest and other investments classified as fair value through other comprehensive income ("FVTOCI") is comprised of equity instruments that the Company has irrevocably elected to recognize in this category. These are strategic investments, and the Company considers this classification to be more relevant.

During the nine months ended September 30, 2024 and 2023, there were no new minority interest and other investments acquired. In 2023, the Company invested \$2.5 million in existing minority interest and other investments classified as fair value through profit or loss ("FVTPL").

The carrying value of the six minority interest and other investments held as at September 30, 2024 (December 31, 2023 - seven investments) were as follows:

(US\$ millions)	Initial investment	Carrying value at, Sep 30, 2024	Dec 31, 2023
Minority interest and other investments classified as FVTOCI	3.6	3.0	3.0
Minority interest and other investments classified as FVTPL	8.8	6.0	8.3
Minority interest and other investments	12.4	9.0	11.3

For the three and nine months ended September 30, 2024, the Company recognized \$0.5 million loss (2023 - \$nil) on the minority interest and other investments in the Condensed consolidated interim statements of earnings and comprehensive income.

Investment in associate

In the second quarter of 2024, the Company invested an additional \$1.0 million. Prior to the second quarter of 2024, the Company had an investment of \$1.8 million, previously recognized as minority interest investment classified as FVTPL. Investment in associates are accounted for under the equity method and initially recognized at cost and carrying amount is subsequently adjusted based on the Company's share of the associate's income or loss. For the three and nine months ended September 30, 2024, the Company did not recognize any income or loss from its associate.

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Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

12. Prepaid expenses and other assets (continued)

Investment in a limited partnership

For the three and nine months ended September 30, 2024, the Company recognized \$0.3 million net unrealized loss (2023 - net unrealized gain of \$0.3 million). The Company did not incur any distribution income for the three and nine months ended September 30, 2024 (2023 - \$nil).

From inception, the Company has paid \$2.9 million to the limited partnership and is obligated to pay the remaining \$0.1 million upon receiving capital calls over the remaining term of the limited partnership agreement. The investment in a limited partnership is held for medium to long-term strategic purposes (see Note 27).

13. Property, plant and equipment

(US\$ millions)	Note	Moulds, dies and tools	Equipment	Land, building and leasehold improvements	Computer hardware	Total
Cost						
Balance at Dec 31, 2022		176.1	30.2	39.7	12.6	258.6
Additions		20.6	1.9	3.7	1.8	28.0
Disposals		(38.3)	(5.5)	(3.0)	(0.6)	(47.4)
Impairment		(0.9)	—	—	—	(0.9)
Assets acquired through business combinations	26	0.4	—	—	—	0.4
Foreign currency translation		(2.2)	0.3	0.8	0.4	(0.7)
Balance at Dec 31, 2023		155.7	26.9	41.2	14.2	238.0
Additions		17.9	2.1	1.4	3.7	25.1
Disposals		(0.4)	(0.3)	(1.5)	(0.1)	(2.3)
Impairment		(0.4)	—	—	—	(0.4)
Assets acquired through business combination	26	5.0	12.2	13.4	6.5	37.1
Foreign currency translation		0.4	—	—	—	0.4
Balance at Sep 30, 2024		178.2	40.9	54.5	24.3	297.9
Accumulated depreciation and impairment						
Balance at Dec 31, 2022		(156.9)	(23.1)	(30.9)	(11.7)	(222.6)
Depreciation		(19.9)	(4.3)	(4.7)	(1.0)	(29.9)
Disposals		37.1	4.6	2.7	0.7	45.1
Foreign currency translation		3.2	(0.4)	(0.6)	(0.2)	2.0
Balance at Dec 31, 2023		(136.5)	(23.2)	(33.5)	(12.2)	(205.4)
Depreciation		(16.7)	(5.6)	(3.5)	(4.5)	(30.3)
Disposals		0.3	0.2	0.8	0.1	1.4
Foreign currency translation		(0.4)	0.1	0.1	0.1	(0.1)
Balance at Sep 30, 2024		(153.3)	(28.5)	(36.1)	(16.5)	(234.4)
Net carrying amount						
Balance at Dec 31, 2023		19.2	3.7	7.7	2.0	32.6
Balance at Sep 30, 2024		24.9	12.4	18.4	7.8	63.5

At September 30, 2024, the Company assessed tangible assets for any indication of impairment and noted no indicators with the exception of those related to certain tooling assets. For the three and nine months ended September 30, 2024, the Company recorded impairment of \$0.1 million and \$0.4 million (2023 - \$nil and \$0.2 million, respectively) related to tooling in the Condensed consolidated interim statements of earnings and comprehensive income.

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14. Intangible assets

(US\$ millions)	Note	Brands - indefinite	Trademarks, licenses, IP & customer lists - definite	Entertainment content development	Digital game and app development	Computer software	Total
Cost							
Balance at Dec 31, 2022		159.7	56.1	290.8	34.8	36.9	578.3
Additions ¹		3.3	—	54.0	19.1	3.0	79.4
Disposals		—	—	—	—	(0.1)	(0.1)
Impairment		—	—	(6.4)	(0.7)	(1.1)	(8.2)
Assets acquired through business combination	26	12.5	3.7	—	—	—	16.2
Foreign currency translation		0.6	0.2	7.4	1.6	0.9	10.7
Balance at Dec 31, 2023		176.1	60.0	345.8	54.8	39.6	676.3
Additions		—	—	34.4	22.4	3.2	60.0
Impairment		—	—	(1.8)	—	—	(1.8)
Assets acquired through business combination	26	431.0	105.2	—	—	—	536.2
Foreign currency translation		(0.1)	—	0.1	0.1	—	0.1
Balance at Sep 30, 2024		607.0	165.2	378.5	77.3	42.8	1,270.8
Accumulated amortization							
Balance at Dec 31, 2022		—	(36.7)	(213.7)	(17.7)	(30.4)	(298.5)
Amortization		—	(3.1)	(77.7)	(5.1)	(2.6)	(88.5)
Disposal		—	—	—	—	0.1	0.1
Foreign currency translation		—	(0.8)	(6.1)	(0.5)	(0.7)	(8.1)
Balance at Dec 31, 2023		—	(40.6)	(297.5)	(23.3)	(33.6)	(395.0)
Amortization		—	(7.8)	(27.5)	(3.6)	(1.6)	(40.5)
Disposal		—	—	—	—	(0.1)	(0.1)
Foreign currency translation		—	—	(0.1)	0.2	—	0.1
Balance at Sep 30, 2024		—	(48.4)	(325.1)	(26.7)	(35.3)	(435.5)
Net carrying amount							
Balance at Dec 31, 2023		176.1	19.4	48.3	31.5	6.0	281.3
Balance at Sep 30, 2024		607.0	116.8	53.4	50.6	7.5	835.3

¹ On April 14, 2023, the Company recorded an addition of \$3.3 million in indefinite life brands as a result of the assets acquired from a games & puzzles company.

The Company's Entertainment content development and Digital Games development assets are comprised primarily of internally generated intangible assets. As at September 30, 2024, the range of remaining useful life of these definite life intangible assets based on their net carrying amount is one to five years.

At September 30, 2024, the Company assessed intangible assets for any indication of impairment. The Company recorded \$nil and \$1.8 million of impairment, respectively for the three and nine months ended September 30, 2024 related to content development projects (2023 - \$0.2 million and \$2.4 million, respectively, related to content development project and components of computer software) in the Condensed consolidated interim statements of earnings and comprehensive income.

15. Goodwill

The Company recognized \$215.5 million of goodwill on the acquisition of Melissa & Doug (Note 26).

At September 30, 2024, the Company assessed goodwill for any indication of impairment and recorded no impairment during the three and nine months ended September 30, 2024 (2023 - \$nil and \$1.0 million, respectively) in the Condensed consolidated interim statements of earnings and comprehensive income.

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16. Trade payables and accrued liabilities

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Trade payables	312.1	189.2
Accrued liabilities	216.5	196.2
Trade payables and accrued liabilities	528.6	385.4

Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax, dividends payable, and other liabilities. As at September 30, 2024, \$9.1 million of dividends payable is included in accrued liabilities (December 31, 2023 - \$4.6 million) (see Note 20).

As at September 30, 2024, accrued liabilities includes a restructuring liability of \$0.3 million which is expected to be paid within the next 12 months (December 31, 2023 - \$3.5 million), related to the reduction in the Company's global workforce, with a corresponding expense recorded in Selling, general and administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income (see Note 6).

17. Deferred revenue

Deferred revenue is comprised of advances on contracts relating to Entertainment revenue and subscriptions relating to Digital Games revenue. These amounts represent consideration received in advance of the Company fulfilling its performance obligations. As at September 30, 2024, the Company had deferred revenue of \$11.2 million (December 31, 2023 - \$11.0 million).

The Company recognized revenue during the three and nine months ended September 30, 2024 of \$2.3 million (2023 - \$7.4 million) and \$5.8 million (2023 - \$11.7 million), respectively, relating to amounts previously deferred. There was no revenue recognized that related to performance obligations from a prior year.

18. Loans and borrowings

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Unsecured debt (at amortized cost)		
Facility (i)	185.0	—
Acquisition Facility (ii)	225.0	—
	410.0	—
Less:		
Unamortized financing costs	(1.2)	—
Total unamortized financing costs	(1.2)	—
Current	408.8	—
Non-current	—	—
Total loans and borrowings	408.8	—

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18. Loans and borrowings (*continued*)

Unsecured Debt

Bank facilities

- i. The Company has an unsecured revolving credit facility (the "Facility") with a borrowing capacity of \$510.0 million which 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. During the nine months ended September 30, 2024, the Company drew \$300.0 million and repaid \$115.0 million against the Facility.

Total financing costs of \$1.8 million, which include Facility amendment fees and related legal fees, are offset in Loans and borrowings and are being amortized over the term of the amended and restated agreement. This facility is subject to the maintenance of certain financial covenants.

As at September 30, 2024, there was \$4.8 million (December 31, 2023 - \$1.5 million) in letters of credit outstanding under the Facility. As at September 30, 2024, there was \$185.0 million drawn (December 31, 2023 - \$nil) under the Facility.

- ii. On November 20, 2023, the Company entered into a non-revolving credit facility (the "Acquisition Facility") with a borrowing capacity of \$225.0 million which matures on November 19, 2024, and contains certain financial covenants. The Acquisition Facility was used to fund the acquisition of Melissa & Doug. Total financing costs of \$0.8 million, which include facility arranger fees, agency fees and related legal fees, are offset in Loans and borrowings and are being amortized over the term of the Acquisition Facility. This facility is subject to the maintenance of certain financial covenants.

During the nine months ended September 30, 2024, the Company drew \$225 million and made no repayment against the Acquisition Facility.

As at September 30, 2024, there was \$225.0 million drawn (December 31, 2023 - \$nil) under the Acquisition Facility.

For the nine months ended September 30, 2024, the weighted average interest rates on the Facility and Acquisition Facility were both 6.6% (2023 - N/A).

As at December 31, 2023, unamortized financing costs of \$1.7 million is included in Prepaid expenses and other assets in the Condensed consolidated interim statements of financial position.

The Company was in compliance with all financial covenants as at September 30, 2024 and December 31, 2023.

Bank overdraft facility

The Company has an uncommitted overdraft facility agreement (the "European Facility") for \$15.9 million (equivalent to €15.0 million). The European Facility will be used, if needed, to fund working capital requirements in Europe. As at September 30, 2024, the outstanding balance was \$nil (December 31, 2023 - \$nil).

Secured Debt

Bank facilities

The Company has an uncommitted revolving credit facility to finance television and film production (the "Production Facility"). The limit of the Production Facility is \$7.4 million (equivalent to C\$10.0 million). As at September 30, 2024, the outstanding balance of the Production Facility was \$nil (December 31, 2023 - \$nil).

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19. Provisions

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Deferred Consideration ⁽ⁱ⁾	20.2	26.7
Defectives ⁽ⁱⁱ⁾	11.3	14.5
Supplier liabilities ⁽ⁱⁱⁱ⁾	4.7	5.2
Other	0.6	—
Provisions	36.8	46.4
Current	24.7	32.1
Non-current	12.1	14.3
Provisions	36.8	46.4

(US\$ millions)	Deferred consideration ⁽ⁱ⁾	Defectives ⁽ⁱⁱ⁾	Supplier liabilities ⁽ⁱⁱⁱ⁾	Total
Dec 31, 2022	26.7	13.6	5.4	45.7
Provisions recognized	14.2	9.7	1.5	25.4
Accretion recognized	1.2	—	—	1.2
Payments	(8.7)	(9.0)	(1.7)	(19.4)
Revaluation of provisions	(6.7)	0.2	—	(6.5)
Dec 31, 2023	26.7	14.5	5.2	46.4
Provisions recognized	3.5	7.1	0.6	11.2
Accretion recognized	1.2	—	—	1.2
Payments	(8.6)	(10.2)	(1.1)	(19.9)
Revaluation of provisions	(2.6)	(0.1)	—	(2.7)
Sep 30, 2024	20.2	11.3	4.7	36.2

- (i) Certain business combinations include agreement terms associated with royalty payables or deferred incentive compensation and are based on the achievement of certain financial performance criteria and/or continued employment. The accretion of the royalties is recorded in Interest expense in the Condensed consolidated interim statements of earnings and comprehensive income. Accrued deferred incentive compensation is recorded in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income. Subsequent reviews of financial performance may result in the recording of additional considerations or reductions of the existing provision and are recorded in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income.
- (ii) Defectives occur when the end consumer returns faulty goods to the Company's customers. Customers without a fixed allowance for defectives are eligible for a credit for the cost of the product if returned as defective by the end consumer. The estimate of defectives is made based on the class and nature of the product and reduces the revenue figure in the Condensed consolidated interim statements of earnings and comprehensive income.
- (iii) Supplier liabilities represent the estimated amounts to be paid to suppliers for lower than expected volumes purchased, resulting in the supplier having excess raw material and/or finished goods inventory. While such payments are not legally required, the Company may compensate suppliers to maintain supplier relationships. The supplier obligation is based on the Company's estimate of the cost of the supplier's excess raw material and/or finished goods inventory. The provision for supplier obligations is recorded in cost of sales in the Condensed consolidated interim statements of earnings and comprehensive income.

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19. Provisions (continued)

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not probable to have a material adverse effect on the Company's business, financial condition and/or its results of operations. However, considering the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period.

20. Share capital

(a) Authorized as at September 30, 2024 and December 31, 2023

- Unlimited number of multiple voting shares with no par value;
- Unlimited number of subordinate voting shares with no par value; and
- Unlimited number of preferred shares issuable in series with no par value.

Multiple voting shares and subordinate voting shares entitle the holder to receive dividends, and to receive the proceeds of liquidation, dissolution or winding up the Company in proportion to the number of shares held. These rights are subject to the prior rights of the holders of any shares ranking prior to the multiple voting shares and the subordinate voting shares.

The holders of the multiple voting shares are entitled to 10 votes for each share held and the holders of the subordinate voting shares are entitled to 1 vote for each share held.

Multiple voting shares are convertible at any time into an equivalent number of subordinate voting shares. Subordinate voting shares do not have any redemption or conversion rights.

Preferred shares of each series will be entitled to preference over the multiple voting shares and subordinate voting shares with respect to the payment of dividends and to receive the proceeds of liquidation, dissolution or winding up of the Company.

	Nine Months Ended Sep 30, 2024		Year Ended Dec 31, 2023	
	Shares (millions)	Amount (US\$ millions)	Shares (millions)	Amount (US\$ millions)
<u>Multiple voting shares:</u>				
Outstanding, beginning of period	68.7	350.5	68.7	350.5
Conversion to subordinate voting shares	(0.2)	—	—	—
Outstanding, end of period	68.5	350.5	68.7	350.5
<u>Subordinate voting shares:</u>				
Outstanding, beginning of period	35.0	432.9	34.2	404.2
Issuance of subordinate voting shares	1.0	9.8	1.2	33.4
Subordinate voting shares purchased and cancelled	(2.1)	(25.3)	(0.4)	(4.7)
Conversion from multiple voting shares	0.2	—	—	—
Outstanding, end of period	34.1	417.4	35.0	432.9
Shares issued and outstanding, end of year	102.6	768.0	103.7	783.4

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

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20. Share capital (continued)

On February 28, 2024, the Company entered into an automatic share purchase plan ("ASPP") to purchase the subordinate voting shares under the NCIB for a period up to April 30, 2024. In the first quarter of 2024, the Company repurchased and cancelled 333,300 subordinate voting shares for \$8.4 million, of which \$5.1 million was paid and \$3.3 million was paid subsequent to March 31, 2024.

In the second quarter of 2024, the Company repurchased and cancelled 778,281 subordinate voting shares for \$17.5 million under the NCIB, of which \$0.3 million was paid subsequent to June 30, 2024. On June 14, 2024, the Company reentered into an ASPP to purchase subordinate voting shares under the NCIB for a period up to August 1, 2024.

In the third quarter of 2024, the Company repurchased and cancelled 952,142 subordinate voting shares for \$21.4 million under the NCIB, of which \$0.6 million was paid subsequent to September 30, 2024. On September 17, 2024, the Company reentered into an ASPP to purchase subordinate voting shares under the NCIB for a period up to November 1, 2024. Subsequent to September 30, 2024, the Company repurchased and cancelled 265,900 subordinate voting shares for \$6.3 million.

During the nine months ended September 30, 2024, the Company repurchased and cancelled 2,063,723 (2023 - 397,700) subordinate voting shares for \$47.3 million (2023 - \$10.5 million).

The following table summarizes the Company's activities under the NCIB for the nine months ended September 30, 2024:

(US\$ millions, unless otherwise noted)	Nine Months Ended Sep 30,	
	2024	2023
Subordinate voting shares repurchased for cancellation (number of shares)	2,063,723	397,700
Consideration	47.3	10.5
Reduction in share capital	25.2	4.7
Premium on repurchased and cancelled shares recorded in retained earnings	22.1	5.8

The Company paid and declared its first quarterly dividend in the third quarter of 2022. The following table provides a summary of dividends declared and paid in 2024 and 2023.

Declaration Date	Record Date	Payment Date	Dividend per Share (C\$)	Dividends declared and paid (in US\$ millions) ¹
Oct 30, 2024	Dec 27, 2024	Jan 10, 2025	0.12	—
Jul 30, 2024	Sep 27, 2024	Oct 11, 2024	0.12	9.1
May 7, 2024	Jun 28, 2024	Jul 12, 2024	0.12	9.1
Feb 28, 2024	Mar 29, 2024	Apr 12, 2024	0.06	4.6
Nov 1, 2023	Dec 29, 2023	Jan 12, 2024	0.06	4.6
Aug 2, 2023	Sep 29, 2023	Oct 13, 2023	0.06	4.6
May 3, 2023	Jun 30, 2023	Jul 14, 2023	0.06	4.7
Mar 8, 2023	Mar 31, 2023	Apr 14, 2023	0.06	4.6
Nov 2, 2022	Dec 30, 2022	Jan 13, 2023	0.06	4.6

¹Dividends declared on Oct 30, 2024 will be accrued on record date of Dec 27, 2024.

During the nine months ended September 30, 2024, dividends of \$18.3 million (2023 - \$14.0 million) were paid.

In 2023, the Company implemented a Dividend Reinvestment Plan (the "DRIP"). The DRIP provides the Company's eligible shareholders with the opportunity to have all or a portion of the cash dividends declared on their subordinate voting shares or multiple voting shares automatically reinvested into additional subordinate voting shares of the Company on an ongoing basis.

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20. Share capital (continued)

(b) Share-based plans

The total expense recognized for employee services received during the nine months ended for September 30, 2024 equity-settled transactions is shown in the following table:

(US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2024	Q3 2023	2024	2023
Equity-settled RSUs and PSUs	8.9	5.4	22.4	15.5

Share based compensation expense is recorded in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income with a corresponding amount recorded in contributed surplus.

Long-Term Incentive Plan

The Company has an equity based compensation plan providing for the issuance of securities from treasury under which the grants will be made by the Company. Under the Long-Term Incentive Plan ("LTIP"), the Board of Directors may at its discretion from time to time, grant share options, share units, in the form of Restricted Stock Units ("RSUs") and Performance Share Units ("PSUs"), stock appreciation rights, restricted stock and any other equity based awards. As at September 30, 2024, the aggregate number of subordinate voting shares that may be issued pursuant to grants under the LTIP may not exceed 9,669,599 (December 31, 2023 - 9,669,599). As at September 30, 2024, 1,680,486 (December 31, 2023 - 2,952,265) subordinate voting shares remained reserved for issuance under the LTIP.

The Company settled vested LTIP grants through the issuance of shares. For the nine months ended September 30, 2024, \$9.8 million (2023 - \$31.4 million) was transferred from contributed surplus to share capital, which is net of \$12.0 million related to a reclassification between share capital and contributed surplus for historical LTIP settlements.

Restricted Stock Units and Performance Share Units

RSUs and PSUs are granted to eligible persons by the Company's Board of Directors. The Board of Directors determines the grant value and valuation date for each grant. RSUs and PSUs vest from the date of grant in accordance with the vesting schedule determined by the Board of Directors and set out in the applicable grant agreement for each Eligible Person.

Below is a summary of the activity related to RSUs outstanding as at September 30, 2024 and December 31, 2023.

(number of units)	Sep 30, 2024	Dec 31, 2023
Outstanding, beginning of period	1,146,027	1,082,423
Granted	859,706	676,978
Exercised	(553,667)	(562,775)
Forfeited	(66,657)	(50,599)
Outstanding, end of period	1,385,409	1,146,027

Below is a summary of the activity related to PSUs outstanding as at September 30, 2024 and December 31, 2023.

(number of units)	Sep 30, 2024	Dec 31, 2023
Outstanding, beginning of period	722,624	1,006,332
Granted	484,079	404,009
Exercised	(424,112)	(665,519)
Forfeited	(23,185)	(22,198)
Outstanding, end of period	759,406	722,624

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20. Share capital (*continued*)

Deferred Share Units ("DSUs")

DSUs are an incentive program for Board of Directors members, whereby Board of Directors members may elect to receive remuneration in the form of DSUs, cash or combination thereof. The DSUs vest immediately upon grant but cannot be exercised until the Board of Directors member ceases to serve on the Company's Board of Directors.

Below is a summary of the activity related to the DSUs outstanding as at September 30, 2024 and December 31, 2023.

(number of units)	Sep 30, 2024	Dec 31, 2023
Outstanding, beginning of period	256,680	187,864
Granted	61,745	72,506
Exercised	(60,744)	(3,690)
Outstanding, end of period	257,681	256,680

The fair value of the DSUs is determined to be the share price on the grant date. Share based compensation expense of \$0.9 million (2023 - \$0.4 million) and \$1.4 million (2023 - \$1.4 million) was recorded for the three and nine months ended September 30, 2024, respectively.

A mark to market loss of \$0.4 million (2023 - gain of \$0.1 million) and gain of \$0.8 million (2023 - gain of less than \$0.1 million) on the DSU liability is recorded for the three and nine months ended September 30, 2024, respectively.

The share based compensation and mark to market gain related to DSUs are reflected in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income. A corresponding amount was recorded in accrued liabilities.

The total share based compensation expense for the three and nine months ended September 30, 2024, of \$8.9 million and \$22.4 million, (2023 - \$18.4 million and \$28.6 million) respectively, includes the equity-settled RSU and PSU share based compensation and the mark to market loss on DSUs of \$0.4 million and gain of \$0.8 million (2023 - gain of \$0.1 million and gain of less than \$0.1 million) respectively.

Share Purchase Options ("Options")

The Company has one share option plan for key employees, which forms part of their LTIP. Under this plan, the exercise price of each option equals the market price of the Company's shares on the date of grant and the Options have a maximum term of ten years. The Options vest ratably over a four-year vesting period.

The Company did not issue any Options in 2024 and 2023. As at September 30, 2024, 476,224 (December 31, 2023 - 476,224) Options are outstanding with a weighted average exercise price of C\$34.78 (December 31, 2023 - C\$34.78).

21. Earnings per share

(US\$ millions, except per share amounts)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Net Income	140.1	155.4	60.8	181.5
Weighted average number of shares (in millions)	103.0	103.6	103.6	103.4
Dilutive effect of equity ¹	2.9	3.7	2.5	1.9
Diluted weighted average number of shares (in millions)	105.9	107.3	106.1	105.3
Basic earnings per share	1.36	1.50	0.59	1.75
Diluted earnings per share	1.32	1.45	0.57	1.72

¹ The dilutive effect of equity includes equity instruments which comprise of employee stock options.

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22. Net changes in non-cash working capital

(US\$ millions)	Nine Months Ended Sep 30,	
	2024	2023
(Increase) decrease in assets:		
Trade receivables, net ¹	(125.1)	(147.9)
Other receivables	(5.4)	(9.9)
Inventories, net	(52.9)	(44.6)
Prepaid expenses and other assets	0.5	(16.6)
	(182.9)	(219.0)
Increase (decrease) in liabilities:		
Trade payables and accrued liabilities	81.3	95.8
Deferred revenue	0.2	(7.0)
Provisions	(0.5)	(1.7)
	81.0	87.1
Net changes in non-cash working capital	(101.9)	(131.9)

¹ Includes a change in presentation from trade receivables to non-current other assets of \$11.4 million in 2024.

23. Related party transactions

In the normal course of operations, the Company engaged the services of a law firm whose managing partner is also a member of the Company's Board of Directors, which have been made on terms equivalent to those that prevail in arm's length transactions.

For the three and nine months ended September 30, 2024, related party transactions were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income of the Company in the amount of \$0.2 million (2023 - \$0.9 million) and \$0.7 million (2023 - \$1.5 million), respectively. As at September 30, 2024, amounts payable to the director's law firm were \$0.1 million (December 31, 2023 - \$0.4 million).

During the three months ended June 30, 2024, the Company paid incentive compensation related liabilities of \$1.5 million on behalf of three members of the Company's Board of Directors (2023 - \$3.7 million). These amounts were repaid by all three directors to the Company in the second quarter of 2024.

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24. Leases

Amounts recognized in the Condensed consolidated interim statements of financial position

Leased office buildings represented approximately 99% of the right-of-use assets with the remainder comprised of leases of distribution centres, information technology ("IT") equipment, and vehicles.

The Company has categorized classes of assets for leases of office buildings and distribution centres as "Building" and IT equipment and vehicles are as "Equipment". The weighted average lease term for both classes is 9 years (2023 - 11 years). The carrying value of right-of-use assets and depreciation by class of underlying assets are as follows:

(US\$ millions)	Building	Equipment	Right-of-use assets
Jan 1, 2023	62.1	0.8	62.9
Additions	0.6	0.5	1.1
Disposals	(3.0)	(0.3)	(3.3)
Modifications	3.5	0.1	3.6
Depreciation	(11.1)	(0.5)	(11.6)
Foreign currency translation	0.9	—	0.9
Dec 31, 2023	53.0	0.6	53.6
Additions	51.6	0.3	51.9
Disposals	(0.7)	—	(0.7)
Assets acquired through business combinations (Note 26)	85.0	0.4	85.4
Modifications	2.8	0.1	2.9
Depreciation	(31.6)	(0.4)	(32.0)
Foreign currency translation	(0.3)	(0.1)	(0.4)
Sep 30, 2024	159.8	0.9	160.7

(US\$ millions)	Lease liabilities
Jan 1, 2023	71.2
Additions	1.0
Disposals	(3.6)
Modifications	3.5
Interest expense	3.9
Lease payments	(14.9)
Foreign currency translation	1.0
Dec 31, 2023	62.1
Additions	51.6
Disposals	(0.7)
Liabilities assumed upon acquisition (Note 26)	60.7
Modifications	2.1
Interest expense	6.9
Lease payments	(28.4)
Foreign currency translation	(0.1)
Sep 30, 2024	154.2

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Lease liabilities, current	28.3	11.4
Lease liabilities, non-current	125.9	50.7
Total lease liabilities	154.2	62.1

Extension and termination options are included in a number of building and equipment leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. Extension and termination options are exercisable only by the Company and not by the respective lessor.

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25. Commitments for expenditures

As at September 30, 2024, the Company had minimum guarantees due to licensors of \$50.9 million (December 31, 2023 - \$54.2 million).

26. Business acquisitions

Acquisition of MND Holdings I Corp

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

On January 2, 2024, cash consideration paid was \$991.7 million, which includes \$36.2 million in cash acquired, resulting in net purchase consideration of \$955.5 million. During the nine months ended September 30, 2024, purchase consideration was reduced by \$2.6 million for working capital adjustments, resulting in purchase consideration of \$989.1 million. The purchase consideration was allocated to the identifiable intangible assets based on their estimated fair values of \$536.2 million (related to brands and customer relationships), tangible assets of \$500.8 million and assumed liabilities of \$263.4 million with the remaining \$215.5 million allocated to goodwill. The Company funded the acquisition with \$466.7 million cash and \$525.0 million of debt. The debt was sourced through a drawdown of \$300.0 million from the Company's Facility and \$225.0 million from the Acquisition Facility (see Note 18).

The Company incurred \$9.0 million in transaction related costs which were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income.

The preliminary purchase price allocation is based on management's current best estimates of fair value. The actual allocation to certain identifiable net assets could vary as the purchase price allocation is finalized. The Company has one year from the acquisition date to finalize the fair value of net tangible assets, goodwill, and intangible assets. The tables below summarize the preliminary purchase allocation of the purchase consideration of \$989.1 million:

Assets acquired and liabilities assumed at the date of acquisition

(US\$ millions)	Fair value as at Jan 2, 2024
Assets acquired	
Cash	36.2
Restricted Cash	3.1
Inventories, net	179.6
Prepaid expenses and other assets	3.0
Trade receivables, net	104.7
Deferred income tax assets	50.5
Intangible assets	536.2
Other assets	1.2
Property, plant and equipment	37.1
Right-of-use assets	85.4
	1,037.0
Liabilities assumed	
Trade payables and accrued liabilities	39.6
Deferred income tax liabilities	161.6
Lease liabilities	60.7
Income tax payable	0.7
Provisions	0.8
	263.4
Fair value of identifiable net assets acquired	773.6

Spin Master Corp.

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26. Business acquisitions (*continued*)

Goodwill arising on acquisition

Purchase consideration	989.1
Fair value of identifiable net assets acquired	773.6
Goodwill arising from transaction	215.5

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. During the three months ended September 30, 2024, the Company allocated an additional \$2.6 million to goodwill from deferred income tax assets. As at September 30, 2024, \$215.5 million of goodwill is not expected to be deductible for income tax purposes.

Net cash outflow on acquisition

Cash consideration	991.7
Less: cash balance acquired	36.2
Net cash outflow on acquisition	955.5

Impact of acquisition on the results of the Company

Included in the Company's financial results for the nine months ended September 30, 2024 is \$238.7 million in revenue and \$1.8 million in operating income attributable to the acquisition.

Summary of prior year acquisitions

Acquisition of certain assets from 4D Brands International Inc

On January 17, 2023, the Company acquired certain assets from 4D Brands International Inc. and 4D Cityscape Worldwide Limited, (collectively, the "Vendors") creators of puzzle games. Management performed an analysis under IFRS 3 and has determined that the assets and processes acquired comprised a business and accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition complements the Company's existing games and puzzles offering and has been reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Games and Puzzles cash generating unit ("CGU") beginning from the date of acquisition.

The total purchase consideration of \$18.9 million is comprised of \$14.6 million cash consideration and \$4.1 million contingent consideration related to the estimated fair value of future royalties as well as certain performance metrics. The contingent consideration is recorded in provisions and contingent liabilities in the Consolidated statements of financial position.

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, \$9.3 million of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

The total purchase consideration includes \$4.1 million in deferred payments for future royalties recorded in provisions in the Condensed consolidated interim statements of financial position. The future royalties are payable to the vendor upon the achievement of key performance indicators over a five-year period. The potential undiscounted amount of all future payments that the Company could be required to make under this contingent consideration arrangement is between \$nil and \$7.4 million.

Spin Master Corp.

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26. Business acquisitions (continued)

Acquisition of certain assets from Innovation First International, Inc.

On February 2, 2023, the Company acquired certain assets from Innovation First, Inc., Innovation First International Inc., Innovation First Labs, Inc., Innovation First Logistics, Inc. Management performed an analysis under IFRS 3, and has determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition is an opportunity for Spin Master to enter the niche market of robotic toys and grow the *HEXBUG* brand. The acquired business has been reported in the Toys segment within the Wheels & Action product category and included in the Wheels & Action cash generating unit ("CGU") beginning from the date of acquisition.

The total purchase consideration of \$14.6 million is comprised of \$12.9 million cash consideration and \$1.4 million contingent consideration related to the estimated fair value of future royalties. The contingent consideration is recorded in provisions and contingent liabilities in the Condensed consolidated interim statements of financial position.

Goodwill arose on the acquisition as the consideration paid effectively included amounts for the benefit of expected revenue growth and future market development. These benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. As at the date of acquisition, \$3.1 million of goodwill is expected to be deductible for income tax purposes and is being amortized for tax purposes over 15 years.

The total purchase consideration includes \$1.4 million in deferred payments for future royalties. The contingent consideration is recorded in provisions in the Condensed consolidated interim statements of financial position. The future royalties are payable to the vendor upon the achievement of key performance indicators over a seven-year period. The potential undiscounted amount of all future payments that the Company could be required to make under this contingent consideration arrangement is between \$nil and \$3.7 million.

Assets acquired and liabilities recognized at the date of acquisition

	4D Brands International Inc	Innovation First International, Inc.
(US\$ millions)	Fair value as at Jan 17, 2023	Fair value as at Feb 2, 2023
Assets acquired		
Inventories	0.7	2.9
Prepaid expenses and other assets	0.4	0.5
Property, plant and equipment	—	0.4
Intangible assets	8.5	7.7
Fair value of identifiable net assets acquired	9.6	11.5

Goodwill arising on acquisition

	4D Brands International Inc	Innovation First International, Inc.
Cash consideration	14.6	12.9
Purchase price adjustment	0.2	0.3
Present value of future royalties	4.1	1.4
Total purchase consideration	18.9	14.6
Fair value of identifiable net assets acquired	9.6	11.5
Goodwill arising from transaction	9.3	3.1

Net cash outflow on acquisition

	4D Brands International Inc	Innovation First International, Inc.
Cash consideration	14.6	12.9
Less: advance paid in 2022	0.5	0.5
Net cash outflow on acquisition	14.1	12.4

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27. Financial instruments and risk management

Market risk

Foreign currency risk

Due to the structure of the Company's international operations, it is exposed to foreign currency risk driven by fluctuations in exchange rates. Risk arises because the value of monetary assets, liabilities, revenues and expenditures arising from transactions denominated in foreign currencies may vary due to changes in exchange rates ("transaction exposures") and because the non-US dollar denominated financial statements of the Company's subsidiaries may vary on translation into the US dollar presentation currency ("translation exposures"). These exposures could impact the Company's earnings and cash flows.

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

As at September 30, 2024, the Company is committed under outstanding foreign exchange contracts representing a total net sell commitment notional value of \$44.8 million (December 31, 2023 - net sell commitment of \$74.7 million). These foreign exchange contracts have maturity dates varying from October 2024 to December 2025. For the nine months ended September 30, 2024, net realized gains on the Company's matured foreign exchange contracts were \$3.1 million (2023 - realized losses of \$6.7 million) and are included in the Condensed consolidated interim statements of earnings and comprehensive income.

As at Sep 30, 2024 (in millions)		Notional value: foreign currency (Sell)/Buy	Notional value: US\$	Unrealized (loss) gain: US\$
Foreign exchange contracts				
Buy US\$	GBP	(19.6)	(25.1)	(0.9)
Buy US\$	EUR	(61.0)	(67.2)	(1.6)
Buy US\$	MXN	(569.0)	(31.4)	3.6
Buy US\$	AUD	(11.9)	(7.9)	(0.3)
Sell US\$	CAD	240.6	176.4	2.1
Sell US\$	JPY	—	—	—
Sell US\$	HKD	—	—	—
Total			44.8	2.9

As at Dec 31, 2023 (in millions)		Notional value: foreign currency (Sell)/Buy	Notional value: US\$	Unrealized (loss) gain: US\$
Foreign exchange contracts				
Buy US\$	GBP	(14.5)	(17.6)	(0.8)
Buy US\$	EUR	(46.5)	(50.9)	(0.7)
Buy US\$	MXN	(311.5)	(15.7)	(2.0)
Buy US\$	AUD	(5.5)	(3.7)	(0.1)
Sell US\$	CAD	212.9	157.1	4.0
Sell US\$	JPY	320.7	2.2	0.1
Sell US\$	HKD	25.7	3.3	—
Total			74.7	0.5

Interest rate risk

Interest rate risk is the risk that the Company's financial assets and liabilities will increase or decrease in value due to a change in interest rates. The Company's Facility and Acquisition Facility bear interest at variable rates. As a result, the Company is exposed to interest rate cash flow risk due to fluctuations in lenders' base rates.

On March 27, 2024, the Company entered into interest rate swap agreements with an aggregate notional of \$140.0 million, effective on April 1, 2024, maturing in four tranches until December 31, 2025. The interest rate swap is a derivative financial instrument. The Company's swap agreement is measured at fair value with gains and losses in fair value presented in interest expense in the Company's Condensed consolidated interim statements of earnings and comprehensive income.

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27. Financial instruments and risk management (continued)

The following interest rate swaps were outstanding as at September 30, 2024 (December 31, 2023: \$nil):

(US\$ millions)		Sep 30, 2024	
Effective date	Contract expiry	Notional value	Unrealized loss
Apr 01, 2024	Dec 31, 2024	35.0	—
Apr 01, 2024	Sep 30, 2025	35.0	(0.4)
Apr 01, 2024	Dec 31, 2025	35.0	(0.6)
Total		105.0	(1.0)

Fair value measurements

The following table presents the fair value of financial assets and financial liabilities. The carrying values of the Company's financial instruments approximate their fair values with the exception of foreign exchange forward contracts, Investment in a limited partnership and minority interest and other investments which are recorded at fair value.

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Financial assets		
Cash	114.2	705.7
Trade receivables, net	643.5	414.4
Other receivables	56.5	60.0
Other assets:		
Trade receivables - non-current portion	11.1	—
Minority interest and other investments	9.0	11.3
Investment in a limited partnership	3.4	3.7
Investment tax credits - non-current portion	5.2	4.6
Unrealized foreign exchange gain	5.8	4.1
Financial assets	848.7	1,203.8
Financial liabilities		
Trade payables and accrued liabilities	528.6	385.4
Loans and borrowings	408.8	—
Financial liabilities	937.4	385.4

With the exception of foreign exchange forward contracts, interest rate swaps, Investment in a limited partnership and minority interest and other investments described below, all other financial instruments are categorized within Level 1 of the fair value hierarchy.

The fair value of foreign exchange forward contracts at September 30, 2024 resulted in an unrealized gain of \$5.8 million, which is recorded in Other assets (December 31, 2023 - \$4.1 million) and an unrealized loss of \$2.9 million recorded in accrued liabilities (December 31, 2023 - \$2.3 million). These fair values are categorized within Level 2 of the fair value hierarchy. The fair values of over-the-counter derivative financial instruments are based on broker or observable market rates. Those quotes are tested for reasonableness by discounting expected future cash flows using market interest and exchange rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument for the Company and counterparty when appropriate. The fair value of foreign exchange contracts is estimated based on forward exchange rates observable at the end of the reporting period and contract forward rates. Realized and unrealized gains and losses on derivative financial instruments may be offset by realized and unrealized losses and gains on the underlying exposures being hedged and are recorded in earnings as they occur.

The fair value of interest rate swaps at September 30, 2024 resulted in an unrealized loss of \$1.0 million, which is recorded in accrued liabilities and provisions (December 31, 2023 - \$nil). These fair values are categorized within Level 2 of the fair value hierarchy. The fair value of the interest rate swaps is estimated based on the present value of the estimated future cash flows based on observable yield curves. Realized and unrealized gains and losses on derivative financial instruments may be offset by realized and unrealized losses and gains on the underlying exposures being hedged and are recorded in earnings as they occur.

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27. Financial instruments and risk management (continued)

The fair value of the investment in a limited partnership as at September 30, 2024 is recorded in Other assets at \$3.4 million (December 31, 2023 - \$3.7 million) with \$nil million and \$0.3 million net unrealized loss on investment recognized in Other expense, net in the Condensed consolidated interim statements of earnings and comprehensive income for the three and nine months ended September 30, 2024, respectively (2023 - net unrealized gain of \$nil million and \$0.3 million). For the three and nine months ended September 30, 2024, the Company recognized no net realized gain on investment (2023 - \$0.2 million and \$0.1 million) in Other expense, net.

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

From inception, the Company has paid \$2.9 million to the limited partnership and is obligated to pay the remaining \$0.1 million upon receiving capital calls over the remaining term of the limited partnership agreement. The investment in a limited partnership is held for medium to long-term strategic purposes.

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

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Minority interest and other investments classified as FVTOCI	3.0	3.0
Minority interest and other investments classified as FVTPL	6.0	8.3
Minority interest and other investments	9.0	11.3

For the three and nine months ended September 30, 2024 and 2023, there was \$0.5 million loss recognized for the minority interest and other investments classified as FVTPL in the Condensed consolidated interim statements of earnings and comprehensive income within Other expense, net.

For the three and nine months ended September 30, 2024 and 2023, there were no gains or losses recognized for minority interest and other investments classified as FVTOCI in the Consolidated statements of earnings and comprehensive income within Other comprehensive loss.

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

28. Segment information

Spin Master is a global children's entertainment company with a portfolio that includes children's products, brands, and entertainment content spanning toys, games, licensed products, film and television programming and digital games.

The Company has three reportable operating segments, which are as follows:

- (i) Toys
- (ii) Entertainment
- (iii) Digital Games

The Toys segment engages in the creation, design, manufacturing, licensing, and marketing of toys, games, and products around the world. The Entertainment segment engages in the creation and production of multi-platform content, stories and characters in original shows, short-form series, and films. The Digital Games segment engages in the creation of digital games, which include subscription services. 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 and other investments.

The Chief Operating Decision Maker ("CODM") measures total segment performance based on Adjusted EBITDA, as reported internally to management.

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

28. Segment information (continued)

Segment revenue and operating results

The Company's results from operations by reportable operating segment for the three months ended September 30, 2024 and September 30, 2023 are as follows:

(US\$ millions)	Q3 2024				Total
	Toys	Entertainment	Digital Games	Corporate & Other	
Revenue	810.9	37.1	37.7	—	885.7
Operating Income (Loss)	183.5	19.9	5.1	(5.3)	203.2
Adjustments:					
Fair value adjustment for inventories acquired ¹	21.5	—	—	—	21.5
Share based compensation	6.6	0.5	1.1	1.1	9.3
Transaction and integration costs ²	2.7	—	—	1.2	3.9
Restructuring and other related costs	2.0	0.1	0.6	—	2.7
Amortization of intangible assets acquired	1.8	—	—	—	1.8
Acquisition related deferred incentive compensation	0.4	—	0.5	—	0.9
Legal settlement recovery	—	0.4	—	—	0.4
Acquisition related contingent consideration	0.4	—	—	—	0.4
Impairment of property, plant and equipment	0.1	—	—	—	0.1
Foreign exchange gain	—	—	—	(1.2)	(1.2)
Total Adjustments	35.5	1.0	2.2	1.5	40.2
Depreciation and amortization ³	23.2	9.1	1.8	—	34.1
Adjusted EBITDA	242.2	30.0	9.1	(3.8)	277.5

¹ Relates to the fair value adjustment to Melissa & Doug's inventory recorded as part of the acquisition on January 2, 2024.

² Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including \$(1.0) million of transaction cost recovery.

³ Depreciation and amortization excludes \$1.8 million of amortization of intangible assets acquired with Melissa & Doug.

(US\$ millions)	Q3 2024				Total
	Toys	Entertainment	Digital Games	Corporate & Other	
Capital expenditures	9.6	12.9	7.7	—	30.2

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

28. Segment information (continued)

(US\$ millions)

	Q3 2023				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	601.5	63.4	45.3	—	710.2
Operating Income	149.0	23.3	13.6	11.3	197.2
Adjustments:					
Transaction and integration costs	—	—	—	5.2	5.2
Share based compensation	3.7	0.4	0.7	0.3	5.1
Acquisition related deferred incentive compensation	0.7	—	1.1	—	1.8
Restructuring and other related costs	0.6	0.1	0.1	—	0.8
Impairment of intangible assets	—	0.2	—	—	0.2
Net realized gain on investment	—	—	—	(0.2)	(0.2)
Legal settlement recovery	—	—	—	(0.7)	(0.7)
Foreign exchange gain	—	—	—	(19.2)	(19.2)
Total Adjustments	5.0	0.7	1.9	(14.6)	(7.0)
Depreciation and amortization	12.8	29.8	2.1	—	44.7
Adjusted EBITDA	166.8	53.8	17.6	(3.3)	234.9
Capital expenditures	7.3	13.1	5.0	—	25.4

(US\$ millions)

	Q3 2023				
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	7.3	13.1	5.0	—	25.4

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

28. Segment information (continued)

The Company's results from operations by reportable operating segment for the nine months ended September 30, 2024 and September 30, 2023 are as follows:

(US\$ millions)		Nine Months Ended Sep 30, 2024			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	1,378.2	117.3	118.4	—	1,613.9
Operating Income (Loss)	57.8	66.3	22.6	(28.3)	118.4
Adjustments:					
Fair value adjustment for inventories acquired ¹	66.3	—	—	—	66.3
Transaction and integration costs ²	13.2	—	—	13.7	26.9
Share based compensation	16.3	1.3	2.8	1.2	21.6
Restructuring and other related costs	4.9	0.2	1.1	—	6.2
Amortization of intangible assets acquired	5.3	—	—	—	5.3
Acquisition related deferred incentive compensation	1.6	—	1.9	—	3.5
Foreign exchange loss	—	—	—	3.2	3.2
Impairment of intangible assets	—	1.8	—	—	1.8
Impairment of property, plant and equipment	0.4	—	—	—	0.4
Net unrealized loss on investment	—	—	—	0.8	0.8
Legal settlement expense (recovery)	—	0.4	—	(0.6)	(0.2)
Acquisition related deferred consideration	(1.7)	—	—	—	(1.7)
Total Adjustments	106.3	3.7	5.8	18.3	134.1
Depreciation and amortization ³	66.5	24.8	5.9	—	97.2
Adjusted EBITDA	230.6	94.8	34.3	(10.0)	349.7

¹ Relates to the fair value adjustment to Melissa & Doug's inventory recorded as part of the acquisition on January 2, 2024.

² Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including \$9.0 million of transaction costs.

³ Depreciation and amortization excludes \$5.3 million of amortization of intangible assets acquired with Melissa & Doug.

(US\$ millions)		Nine Months Ended Sep 30, 2024			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	30.9	29.8	24.4	—	85.1

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

28. Segment information (continued)

(US\$ millions)		Nine Months Ended Sep 30, 2023			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	1,134.1	134.9	133.3	—	1,402.3
Operating (Loss) Income	131.0	68.3	39.4	(13.2)	225.5
Adjustments:					
Share based compensation	10.9	1.1	2.2	1.1	15.3
Restructuring and other related costs	13.0	0.2	1.1	—	14.3
Transaction and integration costs	—	—	—	7.3	7.3
Acquisition related deferred incentive compensation	2.1	—	3.9	—	6.0
Impairment of intangible assets	—	0.6	0.7	1.1	2.4
Impairment of goodwill	1.0	—	—	—	1.0
Impairment of property, plant and equipment	0.2	—	—	—	0.2
Net realized gain on investment	—	—	—	(0.1)	(0.1)
Net unrealized gain on investment	—	—	—	(0.3)	(0.3)
Legal settlement recovery	—	—	—	(0.5)	(0.5)
Acquisition related deferred consideration	(2.1)	—	—	—	(2.1)
Foreign exchange gain	—	—	—	(3.5)	(3.5)
Total Adjustments	25.1	1.9	7.9	5.1	40.0
Depreciation and amortization	37.0	45.2	6.0	0.2	88.4
Adjusted EBITDA	193.1	115.4	53.3	(7.9)	353.9

(US\$ millions)		Nine Months Ended Sep 30, 2023			
	Toys	Entertainment	Digital Games	Corporate & Other	Total
Capital expenditures	27.4	42.4	14.0	—	83.8

Spin Master Corp.

Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 and September 30, 2023

28. Segment information (continued)

Revenue reported by segment above represents revenue generated from external customers. There was no inter-segment revenue in any year.

The following table provides a reconciliation of the Company's consolidated Adjusted EBITDA to Income before income tax expense for the three and nine months ended September 30, 2024 and September 30, 2023:

(US\$ millions)	Nine Months Ended Sep 30			
	Q3 2024	Q3 2023	2024	2023
Revenue from reportable segments	885.7	710.2	1,613.9	1,402.3
Adjusted EBITDA	277.5	234.9	349.7	353.9
Adjusting Items:				
Depreciation and amortization ¹	(35.9)	(44.7)	(102.5)	(88.4)
Fair value adjustment for inventories acquired ²	(21.5)	—	(66.3)	—
Transaction and integration costs ³	(3.9)	(5.2)	(26.9)	(7.3)
Share based compensation	(9.3)	(5.1)	(21.6)	(15.3)
Restructuring and other related costs	(2.7)	(0.8)	(6.2)	(14.3)
Acquisition related deferred incentive compensation	(0.9)	(1.8)	(3.5)	(6.0)
Foreign exchange gain (loss)	1.2	19.2	(3.2)	3.5
Impairment of intangible assets	—	(0.2)	(1.8)	(2.4)
Net unrealized (loss) gain on investment	(0.4)	—	(0.8)	0.3
Impairment of property, plant and equipment	(0.1)	—	(0.4)	(0.2)
Impairment of goodwill	—	—	—	(1.0)
Net realized gain on investment	—	0.2	—	0.1
Legal settlement (expense) recovery	(0.4)	0.7	0.2	0.5
Acquisition related contingent consideration	(0.4)	—	1.7	2.1
Operating Income	203.2	197.2	118.4	225.5
Add (Deduct):				
Interest income	1.0	7.2	3.4	20.4
Interest expense	(14.4)	(4.8)	(39.4)	(11.2)
Income before income tax expense	189.8	199.6	82.4	234.7

¹ Depreciation and amortization for the calculation of Adjusted EBITDA includes \$1.8 million and \$5.3 million for the three and nine months ended September 30, 2024, respectively (2023 - \$nil) of amortization of intangible assets acquired with Melissa & Doug.

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

³ Professional fees and integration costs incurred relating to acquisitions (including Melissa & Doug), including \$(1.0) million and \$9.0 million of transaction (recovery) costs for three and nine months ended September 30, 2024, respectively.

Spin Master Corp.

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28. Segment information (continued)

Revenue from major product categories

Spin Master's Toys segment is organized into four major product categories as follows:

- (i) Preschool, Infant & Toddler and Plush
- (ii) Activities, Games & Puzzles and Dolls & Interactive
- (iii) Wheels & Action
- (iv) Outdoor

The Company's revenues based on its major product categories are as follows:

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Preschool, Infant & Toddler and Plush ¹	469.6	301.4	757.4	548.9
Activities, Games & Puzzles and Dolls & Interactive	294.5	218.7	504.3	391.0
Wheels & Action	152.9	151.2	269.3	296.0
Outdoor	5.7	7.3	40.5	49.0
Toy Gross Product Sales²	922.7	678.6	1,571.5	1,284.9
Sales Allowances	(112.7)	(77.1)	(196.6)	(150.8)
Toy Net Sales	810.0	601.5	1,374.9	1,134.1
Toy - Other Revenue	0.9	—	3.3	—
Toy Revenue	810.9	601.5	1,378.2	1,134.1
Entertainment Revenue	37.1	63.4	117.3	134.9
Digital Games Revenue	37.7	45.3	118.4	133.3
Revenue	885.7	710.2	1,613.9	1,402.3

¹ Melissa & Doug is included within the Preschool, Infant & Toddler and Plush product categories beginning from the date of acquisition.

² Toy Gross Product Sales represent sales of the Company's products to customers, excluding sales allowances.

Geographical information

Revenue by geographical area is based on the location of the customers and non-current assets are based on geographic location of the entity which holds the assets. The North American geographic area is comprised of the United States and Canada. The European geographic area is comprised of the United Kingdom, France, Italy, the Netherlands, Germany, Austria, Switzerland, Belgium, Luxembourg, Slovakia, Hungary, Romania, Czech Republic, Poland, Turkey, Greece, Portugal and Spain. The Rest of World is comprised of Hong Kong, China, Vietnam, India, Australia, New Zealand, Japan and Mexico, and all other areas of the world serviced by the Company's third party distribution network. Entertainment and Digital Games revenue are tracked on a global basis and are presented as such in the table below.

The Company's revenues are derived from the following geographical areas:

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
North America	529.0	397.4	917.8	741.5
Europe	225.1	181.4	388.7	350.2
Rest of World	168.6	99.8	265.0	193.2
Toy Gross Product Sales	922.7	678.6	1,571.5	1,284.9
Sales Allowances	(112.7)	(77.1)	(196.6)	(150.8)
Toy Net Sales	810.0	601.5	1,374.9	1,134.1
Toy - Other Revenue	0.9	—	3.3	—
Toy Revenue	810.9	601.5	1,378.2	1,134.1
Entertainment Revenue	37.1	63.4	117.3	134.9
Digital Games Revenue	37.7	45.3	118.4	133.3
Revenue	885.7	710.2	1,613.9	1,402.3

Toy Gross Product Sales for North America include amounts attributable to the United States of \$496.6 million (2023 - \$363.7 million) and \$860.7 million (2023 - \$682.1 million) and Canada of \$32.4 million (2023 - \$30.6 million) and \$57.1 million (2023 - \$56.3 million) for the three and nine months ended September 30, 2024, respectively.

Spin Master Corp.

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28. Segment information (*continued*)

Non-current assets by major geographic region are detailed as follows:

(US\$ millions)	Sep 30, 2024	Dec 31, 2023
Non-current assets		
North America	1,316.8	422.8
Europe	110.2	85.6
Rest of World	29.3	26.7
Non-current assets	1,456.3	535.1
Other	183.7	135.6
Total non-current assets	1,640.0	670.7

Other includes non-current assets not directly attributable to a specific geographic area.

Non-current assets for North America include assets attributable to Canada of \$175.2 million as at September 30, 2024 (December 31, 2023 - \$157.5 million).

Major customers

Sales to the Company's three largest customers accounted for 59.6% (2023 - 53.6%) and 54.9% (2023 - 51.6%) of Toy gross product sales for the three and nine months ended September 30, 2024, respectively. The Toys segment sells products to each of the Company's three largest customers. Other than the top three customers, which have remained the same as compared to the comparative period, no other single customer contributed 10% or more to Toy Gross Product Sales for the three and nine months ended September 30, 2024 (2023 - \$nil).

(US\$ millions)	Q3 2024	Q3 2023	Nine Months Ended Sep 30,	
			2024	2023
Toy Gross Product Sales				
Customer 1	247.7	93.8	332.5	196.6
Customer 2	185.7	167.8	318.3	276.4
Customer 3	116.2	102.0	212.4	190.6
Total	549.6	363.6	863.2	663.6