

Spin Master Corp.

Management's Discussion and Analysis of Financial Results

For the three and nine months ended September 30, 2024

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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 and nine months ended September 30, 2024 ("third quarter", "the quarter", "Q3"). This MD&A should be read in conjunction with the Company's unaudited Condensed consolidated interim financial statements for the three and nine months ended September 30, 2024 ("interim financial statements"), its audited annual Consolidated financial statements and accompanying notes ("annual financial statements") and its annual MD&A for the year ended December 31, 2023 ("Annual MD&A"). Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2023, can be found under the Company's profile on the System for Electronic Data Analysis and Retrieval Plus (SEDAR+) at www.sedarplus.com.

Some of the statements in this MD&A contain forward-looking information that are based on assumptions and involve risks and uncertainties. See "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 this MD&A is derived from the financial information included in the Company's interim financial statements and accompanying notes that were prepared in accordance with International Accounting Standard 34, Interim Reporting and consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). However, certain financial measures and ratios contained in this MD&A do not have any standardized meaning under IFRS ("Non-GAAP") and are discussed further in the "Non-GAAP Financial Measures and Ratios, Supplementary Financial Measures" section of this MD&A. Management believes the Non-GAAP financial measures and Non-GAAP financial ratios defined in the section noted above are important supplemental measures of operating performance and highlight trends in the business. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts and other interested parties frequently use these Non-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

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

BUSINESS OVERVIEW

Spin Master Corp. (TSX:TOY) is a leading global children's entertainment company, creating exceptional play experiences 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®, Melissa & Doug®, 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 31 offices spanning nearly 20 countries, Spin Master employs approximately 3,000 team members globally.

Segment information

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

Toys

The Toys segment engages in the creation, design, manufacturing, licensing, and marketing of consumer products. Effective January 1, 2024, Spin Master changed its product categories to align with the Company's product offerings going forward: (1) Preschool, Infant & Toddler and Plush; (2) Activities, Games & Puzzles and Dolls & Interactive; (3) Wheels & Action; and (4) Outdoor. Products in the Toys segment are sold in three geographic regions: (1) North America; (2) Europe; and (3) Rest of World. Previously, Spin Master's Toys segment was organized into the following: (1) Preschool and Dolls & Interactive; (2) Activities, Games & Puzzles and Plush; (3) Wheels & Action; and (4) Outdoor. The 2023 Toy Gross Product Sales¹ have been presented in the same format that the Company presents Toy Gross Product Sales in 2024 (see "Addendum"). The Toys segment also generates other revenue streams through licensing of its brands.

The acquisition of MND Holdings I Corp ("Melissa & Doug"), completed on January 2, 2024, is included within Preschool, Infant & Toddler and Plush category (refer to Acquisition of Melissa & Doug section for more details).

Entertainment

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

Digital Games

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

Corporate & Other

Corporate & Other includes certain corporate costs (such as certain employee compensation and professional services expenses), foreign exchange and transaction and integration related costs, as well as fair value gains and losses and distribution income on minority 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	• Build and expand core portfolio • Drive Spin Master franchises • Build licensed partner portfolio • Expand existing partnerships • Expand geographic & retail footprint • Pursue strategic Mergers & Acquisitions ("M&A") and Ventures	• Build new franchises • Expand <i>PAW Patrol</i> Universe • Accelerate new content for direct to audience platforms • Expand Licensing & Merchandising • Pursue strategic M&A and Ventures	• Leverage Spin Master IP and rapidly prototype new digital games • Deepen consumer insights to create robust player ecosystems • Expand digital games portfolio to capture kids of all ages • Pursue strategic M&A and Ventures
Enterprise Shared Capabilities	• Grow Franchise and Brand Developments • Build Consumer and Parent Data and Insights • Expand Licensing and Merchandising • Accelerate Omni-Channel Engagement and Commerce • Pursue M&A opportunities		

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

Selected Financial Information

The following provides selected key performance metrics of the Company for the three and nine months ended September 30, 2024 and 2023, which should be read in conjunction with the interim financial statements.

On January 2, 2024, the Company completed its acquisition of Melissa & Doug by acquiring all issued and outstanding capital stock. Melissa & Doug is a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. Melissa & Doug's operating results for the three and nine months ended September 30, 2024 are included in the Company's consolidated results (refer to "Acquisition of Melissa & Doug" section for more details).

Consolidated Results (US\$ millions, except per share information)	Nine Months Ended Sep 30,			
	Q3 2024	Q3 2023	2024	2023
Revenue	885.7	710.2	1,613.9	1,402.3
Operating Income	203.2	197.2	118.4	225.5
Operating Margin ¹	22.9 %	27.8 %	7.3 %	16.1 %
Adjusted Operating Income ²	243.4	190.2	252.5	265.5
Adjusted Operating Margin ²	27.5 %	26.8 %	15.6 %	18.9 %
Net Income	140.1	155.4	60.8	181.5
Adjusted Net Income ²	169.7	143.6	159.8	204.7
Adjusted EBITDA ²	277.5	234.9	349.7	353.9
Adjusted EBITDA Margin ²	31.3 %	33.1 %	21.7 %	25.2 %
Earnings Per Share ("EPS")				
Basic EPS	1.36	1.50	0.59	1.75
Diluted EPS	1.32	1.45	0.57	1.72
Adjusted Basic EPS ²	1.65	1.39	1.54	1.98
Adjusted Diluted EPS ²	1.60	1.34	1.51	1.94
Cash dividends declared per share (C\$)	0.12	0.06	0.18	0.12
Weighted average number of shares (in millions)				
Basic	103.0	103.6	103.6	103.4
Diluted	105.9	107.3	106.1	105.3
Selected Cash Flow Data				
Cash provided by operating activities	74.9	144.3	124.6	159.1
Cash used in investing activities	(30.2)	(25.1)	(1,038.0)	(112.0)
Cash (used in) provided by financing activities	(88.5)	(8.4)	319.7	(35.9)
Free Cash Flow ²	44.7	118.9	40.5	78.6
Selected Balance Sheet Data				
			Sep 30, 2024	Dec 31, 2023
Cash			114.2	705.7
Total assets			2,778.6	1,989.7
Loans and borrowings			408.8	—
Total liabilities			1,357.2	570.6

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 and Supplementary Financial Measures".

Executive Summary for Q3 2024 as compared to Q3 2023

- Revenue was \$885.7 million, an increase of 24.7% from \$710.2 million, and includes Melissa & Doug Revenue of \$155.0 million.
- Revenue by operating segment reflected an increase of 34.8% in Toys and declines of 41.5% in Entertainment and 16.8% in Digital Games.
- Toy Revenue was \$810.9 million compared to \$601.5 million. Toy Gross Product Sales¹ were \$922.7 million, an increase of \$244.1 million or 36.0% from \$678.6 million, and includes Melissa & Doug Toy Gross Product Sales¹ of \$182.3 million. Toy Gross Product Sales, excluding Melissa & Doug¹ were \$740.4 million, an increase of \$61.8 million or 9.1%.
- Operating income was \$203.2 million compared to \$197.2 million.
- Adjusted EBITDA¹ was \$277.5 million, including Melissa & Doug Adjusted EBITDA¹ of \$49.4 million, compared to \$234.9 million, an increase of \$42.6 million. Adjusted EBITDA Margin¹ was 31.3% compared to 33.1%. Adjusted EBITDA, excluding Melissa & Doug¹ was \$228.1 million compared to \$234.9 million. Included in Q3 2023 was distribution revenue of \$15.6 million related to the initial delivery of *PAW Patrol: The Mighty Movie*. Excluding this distribution revenue, Adjusted EBITDA, excluding Melissa & Doug¹ increased by \$8.8 million, driven by higher Toy Revenue, partially offset by fewer Entertainment content deliveries and a decrease in the Digital Games Segment. Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 31.2%. Adjusted EBITDA Margin, excluding Melissa & Doug¹ and the accretive effect of *PAW Patrol: The Mighty Movie* distribution revenue in the prior year, decreased by 40 basis points. The decrease is due to a higher proportion of Adjusted EBITDA¹ contributed by the Toys Segment and a decrease in the Digital Games Segment.
- Net Income was \$140.1 million or \$1.32 per share (diluted) compared to \$155.4 million or \$1.45 per share (diluted).
- Adjusted Net Income¹ was \$169.7 million or \$1.60 per share (diluted) compared to \$143.6 million or \$1.34 per share (diluted).
- Achieved \$3.1 million in Net Cost Synergies² and continues to expect to achieve approximately \$6 million in Net Cost Synergies² in 2024.
- Cash provided by operating activities was \$74.9 million compared to \$144.3 million.
- Free Cash Flow¹ was \$44.7 million compared to \$118.9 million.
- Repurchased and cancelled 952,142 subordinate voting shares for \$21.4 million (C\$29.2 million) through the Company's Normal Course Issuer Bid (the "NCIB") program.
- Subsequent to September 30, 2024, the Company declared a quarterly dividend of C\$0.12 per outstanding subordinate voting share and multiple voting share, payable on January 10, 2025.

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

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

Executive Summary for the nine months ended September 30, 2024 as compared to September 30, 2023

- Revenue was \$1,613.9 million, an increase of 15.1% from \$1,402.3 million, and includes Melissa & Doug Revenue of \$238.7 million. Revenue, excluding Melissa & Doug¹ was \$1,375.2 million, a decrease of 1.9%.
- Revenue by operating segment reflected an increase of 21.5% in Toys, and declines of 13.0% in Entertainment and 11.2% in Digital Games.
- Toy Revenue was \$1,378.2 million compared to \$1,134.1 million. Toy Gross Product Sales¹ were \$1,571.5 million, an increase of \$286.6 million or 22.3% from \$1,284.9 million, and includes Melissa & Doug Toy Gross Product Sales¹ of \$280.7 million. Toy Gross Product Sales, excluding Melissa & Doug¹ were \$1,290.8 million, an increase of \$5.9 million or 0.5%.
- Operating income was \$118.4 million compared to \$225.5 million.
- Adjusted EBITDA¹ was \$349.7 million, including Melissa & Doug Adjusted EBITDA¹ of \$33.2 million, compared to \$353.9 million, a decrease of \$4.2 million. Adjusted EBITDA Margin¹ was 21.7% compared to 25.2%. Adjusted EBITDA, excluding Melissa & Doug¹ was \$316.5 million compared to \$353.9 million, a decrease of \$37.4 million. Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 23.0% compared to 25.2%.
- Net Income was \$60.8 million or \$0.57 per share (diluted) compared to \$181.5 million or \$1.72 per share (diluted).
- Adjusted Net Income¹ was \$159.8 million or \$1.51 per share (diluted) compared to \$204.7 million or \$1.94 per share (diluted).
- Cash provided by operating activities was \$124.6 million compared to \$159.1 million.
- Free Cash Flow¹ was \$40.5 million compared to \$78.6 million.
- Achieved \$4.5 million in Net Cost Synergies² and continues to expect to achieve approximately \$6 million in Net Cost Synergies² in 2024.
- Repurchased and cancelled 2,063,723 subordinate voting shares for \$47.3 million (C\$64.4 million) through the NCIB program.
- Paid \$18.3 million in dividends.

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

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

Acquisition of Melissa & Doug

On January 2, 2024, the Company completed its acquisition of Melissa & Doug, a leading brand in early childhood play with offerings of open-ended, creative, and developmental toys. The acquisition is reported in the Toys segment with Melissa & Doug Gross Product Sales¹ reported within the Preschool, Infant & Toddler and Plush product category.

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. During the nine months ended September 30, 2024, the Company repaid \$115.0 million towards its credit facilities (refer to "Liquidity and Capital Resources" section).

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 ¹	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
Provision	0.8
	263.4
Fair value of identifiable net assets acquired	773.6

¹ In Q3 2024, deferred income tax assets was reduced by \$2.6M and allocated to goodwill.

Goodwill arising on acquisition

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

The following summarizes the impact of Melissa & Doug's operating results on the three and nine months ended September 30, 2024 consolidated results:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Revenue	885.7	710.2	175.5	24.7 %
Melissa & Doug Revenue	155.0	—	155.0	n.m.
Revenue, excluding Melissa & Doug¹	730.7	710.2	20.5	2.9 %
Toys Gross Product Sales ¹	922.7	678.6	244.1	36.0 %
Melissa & Doug Toy Gross Product Sales ¹	182.3	—	182.3	n.m.
Toys Gross Product Sales, excluding Melissa & Doug¹	740.4	678.6	61.8	9.1 %
Adjusted EBITDA ¹	277.5	234.9	42.6	18.1 %
Melissa & Doug Adjusted EBITDA ¹	49.4	—	49.4	n.m.
Adjusted EBITDA, excluding Melissa & Doug¹	228.1	234.9	(6.8)	(2.9)%
Adjusted EBITDA Margin¹	31.3 %	33.1 %		
Adjusted EBITDA Margin, excluding Melissa & Doug¹	31.2 %	33.1 %		

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

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Revenue	1,613.9	1,402.3	211.6	15.1 %
Melissa & Doug Revenue	238.7	—	238.7	n.m.
Revenue, excluding Melissa & Doug¹	1,375.2	1,402.3	(27.1)	(1.9)%
Toys Gross Product Sales ¹	1,571.5	1,284.9	286.6	22.3 %
Melissa & Doug Toy Gross Product Sales ¹	280.7	—	280.7	n.m.
Toys Gross Product Sales, excluding Melissa & Doug¹	1,290.8	1,284.9	5.9	0.5 %
Adjusted EBITDA ¹	349.7	353.9	(4.2)	(1.2)%
Melissa & Doug Adjusted EBITDA ¹	33.2	—	33.2	n.m.
Adjusted EBITDA, excluding Melissa & Doug¹	316.5	353.9	(37.4)	(10.6)%
Adjusted EBITDA Margin¹	21.7 %	25.2 %		
Adjusted EBITDA Margin, excluding Melissa & Doug¹	23.0 %	25.2 %		

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

Segmented Results

Toys				
		Nine Months Ended Sep 30,		
(US\$ millions)	Q3 2024	Q3 2023	2024	2023
Toy Gross Product Sales ¹	922.7	678.6	1,571.5	1,284.9
Toy Revenue	810.9	601.5	1,378.2	1,134.1
Toys Operating Income	183.5	149.0	57.8	131.0
Toys Operating Margin ²	22.6 %	24.8 %	4.2 %	11.6 %
Toys Adjusted EBITDA ¹	242.2	166.8	230.6	193.1
Toys Adjusted EBITDA Margin ¹	29.9 %	27.7 %	16.7 %	17.0 %
Cash Flow				
Toys capital expenditures	9.6	7.3	30.9	27.4

	Sep 30	Dec 31
Balance Sheet	2024	2023
Moulds, dies and tools, net carrying amount	24.9	19.2

Entertainment				
		Nine Months Ended Sep 30,		
(US\$ millions)	Q3 2024	Q3 2023	2024	2023
Entertainment Revenue	37.1	63.4	117.3	134.9
Entertainment Operating Income	19.9	23.3	66.3	68.3
Entertainment Operating Margin ²	53.6 %	36.8 %	56.5 %	50.6 %
Entertainment Adjusted Operating Income ¹	20.9	24.0	70.0	70.2
Entertainment Adjusted Operating Margin ¹	56.3 %	37.9 %	59.7 %	52.0 %
Cash Flow				
Entertainment capital expenditures	12.9	13.1	29.8	42.4

	Sep 30	Dec 31
Balance Sheet	2024	2023
Entertainment content development, net carrying amount	53.4	48.3

Digital Games				
		Nine Months Ended Sep 30,		
(US\$ millions)	Q3 2024	Q3 2023	2024	2023
Digital Games Revenue	37.7	45.3	118.4	133.3
Digital Games Operating Income	5.1	13.6	22.6	39.4
Digital Games Operating Margin ²	13.5 %	30.0 %	19.1 %	29.6 %
Digital Games Adjusted Operating Income ¹	7.3	15.5	28.4	47.3
Digital Games Adjusted Operating Margin ¹	19.4 %	34.2 %	24.0 %	35.5 %
Cash Flow				
Digital Games capital expenditures	7.7	5.0	24.4	14.0

	Sep 30,	Dec 31,
Balance Sheet	2024	2023
Digital game and app development, net carrying amount	50.6	31.5

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

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

FINANCIAL PERFORMANCE

Consolidated Results

The following table provides a summary of Spin Master's consolidated results for the three months ended September 30, 2024 compared to the same period in 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Revenue	885.7	710.2	175.5	24.7 %
Cost of sales	416.4	323.3	93.1	28.8 %
Gross Profit	469.3	386.9	82.4	21.3 %
Selling, general and administrative expenses	247.0	202.1	44.9	22.2 %
Depreciation and amortization	18.7	6.0	12.7	211.7 %
Other expense, net	1.6	0.8	0.8	100.0 %
Foreign exchange gain, net	(1.2)	(19.2)	18.0	(93.8)%
Operating Income	203.2	197.2	6.0	3.0 %
Interest income	(1.0)	(7.2)	6.2	(86.1)%
Interest expense	14.4	4.8	9.6	200.0 %
Income before income tax expense	189.8	199.6	(9.8)	(4.9)%
Income tax expense	49.7	44.2	5.5	12.4 %
Net Income	140.1	155.4	(15.3)	(9.8)%
Adjusted Gross Profit¹	490.8	386.9	103.9	26.9 %
Adjusted EBITDA¹	277.5	234.9	42.6	18.1 %
Adjusted Net Income¹	169.7	143.6	26.1	18.2 %

The following tables provide a summary of Spin Master's consolidated results for the nine months ended September 30, 2024 compared to the same period in 2023:

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Revenue	1,613.9	1,402.3	211.6	15.1 %
Cost of sales	788.5	625.9	162.6	26.0 %
Gross Profit	825.4	776.4	49.0	6.3 %
Selling, general and administrative expenses	645.0	530.9	114.1	21.5 %
Depreciation and amortization	53.8	18.3	35.5	194.0 %
Other expense, net	5.0	5.2	(0.2)	(3.8)%
Foreign exchange loss (gain), net	3.2	(3.5)	6.7	(191.4)%
Operating Income	118.4	225.5	(107.1)	(47.5)%
Interest income	(3.4)	(20.4)	17.0	(83.3)%
Interest expense	39.4	11.2	28.2	251.8 %
Income before income tax expense	82.4	234.7	(152.3)	(64.9)%
Income tax expense	21.6	53.2	(31.6)	(59.4)%
Net Income	60.8	181.5	(120.7)	(66.5)%
Adjusted Gross Profit¹	891.7	776.4	115.3	14.9 %
Adjusted EBITDA¹	349.7	353.9	(4.2)	(1.2)%
Adjusted Net Income¹	159.8	204.7	(44.9)	(21.9)%

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

Revenue as compared to the same period in 2023:

The following table provides a summary of Spin Master's revenue by segment, for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Toy Revenue	810.9	601.5	209.4	34.8 %
Entertainment Revenue	37.1	63.4	(26.3)	(41.5)%
Digital Games Revenue	37.7	45.3	(7.6)	(16.8)%
Revenue	885.7	710.2	175.5	24.7 %

For the three months ended September 30, 2024, revenue was \$885.7 million, an increase of \$175.5 million or 24.7% from \$710.2 million driven by a \$209.4 million increase in Toy Revenue, partially offset by declines of \$26.3 million in Entertainment Revenue and \$7.6 million in Digital Games Revenue. Constant Currency Revenue¹ was \$886.6 million, an increase of 24.8%.

Toy Revenue increased by \$209.4 million for the three months ended September 30, 2024 driven by higher Toy Gross Product Sales. Toy Gross Product Sales¹ increased primarily due to inclusion of Melissa & Doug Toy Gross Product Sales¹ of \$182.3 million, higher shipment volume driven by enhanced product innovation and a shift of customer orders into the third quarter from the second quarter.

Entertainment Revenue decreased by \$26.3 million for the three months ended September 30, 2024. The decrease was primarily due to fewer Entertainment content deliveries. Distribution revenue in Q3 2023 included the initial delivery of *PAW Patrol: The Mighty Movie* (\$15.6 million) and the delivery of *Unicorn Academy*.

Digital Games Revenue decreased by \$7.6 million for the three months ended September 30, 2024, due to lower in-game purchases in *Toca Boca World*. Despite continued strong consumer engagement, increased competition in the marketplace has led to lower in-game spending per user. The revenue decline in *Toca Boca World* was offset in part by growth in subscription revenue in both *Piknik* and *PAW Patrol Academy*.

The following table provides a summary of Spin Master's revenue by segment, for the nine months ended September 30, 2024 and 2023:

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Toy Revenue	1,378.2	1,134.1	244.1	21.5 %
Entertainment Revenue	117.3	134.9	(17.6)	(13.0)%
Digital Games Revenue	118.4	133.3	(14.9)	(11.2)%
Revenue	1,613.9	1,402.3	211.6	15.1 %

For the nine months ended September 30, 2024, revenue was \$1,613.9 million, an increase of 15.1% from \$1,402.3 million due to a 21.5% increase in Toy Revenue, partially offset by declines of 13.0% in Entertainment Revenue and 11.2% in Digital Games Revenue. Constant Currency Revenue¹ was \$1,613.5 million, an increase of 15.1%.

Toy Revenue increased by \$244.1 million for the nine months ended September 30, 2024. Toy Gross Product Sales¹ increased by \$286.6 million primarily due to inclusion of Melissa & Doug Toy Gross Product Sales¹ of \$280.7 million, higher shipment volume driven by enhanced product innovation and a shift of customer orders into the third quarter from the second quarter.

Entertainment Revenue decreased by \$17.6 million for the nine months ended September 30, 2024. The decrease was primarily due to fewer Entertainment content deliveries. Distribution revenue in Q3 2023 included the initial delivery of *PAW Patrol: The Mighty Movie* (\$15.6 million) and the delivery of *Unicorn Academy*.

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

Digital Games Revenue decreased by \$14.9 million for the nine months ended September 30, 2024, due to lower in-game purchases in *Toca Boca World*. Despite continued strong consumer engagement, increased competition in the marketplace has led to lower in-game spending per user. The revenue decline in *Toca Boca World* was offset in part by growth in subscription revenue in both *Piknik* and *PAW Patrol Academy*.

Gross Profit as compared to the same period in 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Revenue	885.7	710.2	175.5	24.7 %
Gross Profit	469.3	386.9	82.4	21.3 %
Gross Margin	53.0 %	54.5 %		(1.5)%
Gross Profit	469.3	386.9	82.4	21.3 %
Adjustments¹:				
Fair value adjustment for inventories acquired ²	21.5	—	21.5	n.m.
Adjusted Gross Profit³	490.8	386.9	103.9	26.9 %
Adjusted Gross Margin³	55.4 %	54.5 %		0.9 %

¹ These adjustments relate to items recorded within Gross Profit.

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

³ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

For the three months ended September 30, 2024, Gross Profit increased by \$82.4 million to \$469.3 million, and Gross Margin decreased by 150 basis points to 53.0% from 54.5%.

The Company acquired \$179.6 million of inventories as part of the Melissa & Doug acquisition, of which \$66.3 million relates to the inventory fair value adjustment, representing the difference between inventory cost and its fair value less costs of disposal. The inventory fair value adjustment is recognized as an expense in cost of sales as the related inventories are sold. For the three months ended September 30, 2024, the Company recognized \$21.5 million of the inventory fair value adjustment (refer to "Acquisition of Melissa & Doug" section) in cost of sales in the Toys segment, which impacted Gross Profit and Gross Margin. The fair value adjustment for inventory as at September 30, 2024 was \$nil.

Excluding the impact of the inventory fair value adjustment for the three months ended September 30, 2024, Adjusted Gross Profit¹ increased by \$103.9 million to \$490.8 million primarily due to the Toys segment, partially offset by a decline in the Digital Games segment. The increase in the Toys segment is due to higher Toy Gross Product Sales¹ primarily from the inclusion of Melissa & Doug, higher shipment volume driven by enhanced product innovation and a shift of customer orders into the third quarter from the second quarter, offset by lower revenue from *Toca Boca World* in the Digital Games segment.

Adjusted Gross Margin¹ increased by 90 basis points to 55.4% compared to 54.5% for the three months ended September 30, 2024, primarily as a result of fewer content deliveries in the Entertainment segment. Gross Margin was lower in the prior year due to the dilutive effect of the initial delivery of *PAW Patrol: The Mighty Movie* (revenue less amortization of production costs).

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

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Revenue	1,613.9	1,402.3	211.6	15.1 %
Gross Profit	825.4	776.4	49.0	6.3 %
Gross Margin	51.1 %	55.4 %		(4.3)%
Gross Profit	825.4	776.4	49.0	6.3 %
Adjustments¹:				
Fair value adjustment for inventories acquired ²	66.3	—	66.3	n.m.
Adjusted Gross Profit³	891.7	776.4	115.3	14.9 %
Adjusted Gross Margin³	55.3 %	55.4 %		(0.1)%

¹ These adjustments relate to items recorded within Gross Profit.

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

³ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

For the nine months ended September 30, 2024, Gross Profit increased by \$49.0 million to \$825.4 million, and Gross Margin decreased by 430 basis points to 51.1% from 55.4%.

For the nine months ended September 30, 2024, the Company recognized \$66.3 million of the inventory fair value adjustment (refer to "Acquisition of Melissa & Doug" section) in cost of sales for the Toys segment, which impacted Gross Profit and Gross Margin.

Excluding the impact of the inventory fair value adjustment for the nine months ended September 30, 2024, Adjusted Gross Profit¹ increased by \$115.3 million to \$891.7 million, primarily due to an increase in the Toys segment, partially offset by a decline in the Digital Games segment. The increase in the Toys segment is due to higher Toy Gross Product Sales¹ primarily from the inclusion of Melissa & Doug, higher shipment volume driven by enhanced product innovation and a shift of customer orders into the third quarter from the second quarter, offset by lower revenue from *Toca Boca World* in the Digital Games segment.

Adjusted Gross Margin¹ remained relatively flat at 55.3% compared to 55.4% for the nine months ended September 30, 2024. A decline in the Toys segment due to a change in product mix and higher sales allowances was offset by the on-going distribution revenue from the *PAW Patrol* series and *PAW Patrol: The Mighty Movie* in the Entertainment segment.

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

Selling, General and Administrative Expenses ("SG&A") and Adjusted SG&A¹ as compared to the same period in 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Administrative	115.2	90.1	25.1	27.9 %
Selling	52.2	50.9	1.3	2.6 %
Marketing	50.1	35.6	14.5	40.7 %
Distribution	19.3	17.2	2.1	12.2 %
Product development	10.2	8.3	1.9	22.9 %
SG&A	247.0	202.1	44.9	22.2 %
Adjustments¹:				
Restructuring and other related costs ²	(2.7)	(0.8)	(1.9)	237.5 %
Share based compensation ³	(9.3)	(5.1)	(4.2)	82.4 %
Transaction and integration costs ⁴	(4.5)	(5.2)	0.7	(13.5)%
Adjusted SG&A⁵	230.5	191.0	39.5	20.7 %
Revenue				
	885.7	710.2	175.5	24.7 %
SG&A as a percentage of revenue	28.0 %	28.5 %		(0.5)%
Adjusted SG&A⁵ as a percentage of revenue	26.0 %	26.9 %		(0.9)%

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 long-term incentive plan and the mark to market loss related to DSUs.

⁴ Professional fees and integration costs incurred relating to acquisitions, including \$(1.0) million of transaction costs for the acquisition of Melissa and Doug in the current year.

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

SG&A increased by \$44.9 million, or 22.2% to 247.0 million. The increase was driven by the inclusion of Melissa & Doug, transaction and integration costs related to the acquisition of Melissa & Doug included in Administrative expenses, as well as higher Marketing costs. SG&A as a percentage of revenue decreased to 28.0% from 28.5%.

Adjusted SG&A¹ increased by \$39.5 million or 20.7% to \$230.5 million and as a percentage of revenue decreased to 26.0% from 26.9%, primarily due to the inclusion of Melissa & Doug, which resulted in lower proportion of expenses in relation to revenue.

Administrative expenses increased by \$25.1 million or 27.9% to \$115.2 million and as a percentage of revenue increased to 13.0% from 12.7%. The increase was due to the inclusion of Melissa & Doug as well as transaction and integration costs related to the acquisition of Melissa & Doug.

Selling expenses increased by \$1.3 million or 2.6% to \$52.2 million due to the inclusion of Melissa & Doug. Selling expenses as a percentage of Toy Revenue decreased to 6.4% from 8.5% primarily due to the inclusion of Melissa & Doug, which has a lower proportion of partner licensed brands sales.

Marketing expenses increased by \$14.5 million or 40.7% to \$50.1 million and as a percentage of revenue increased to 5.7% from 5.0%, due to increased investments in Melissa & Doug marketing and marketing across the Digital Games portfolio.

Distribution expenses increased by \$2.1 million or 12.2% to \$19.3 million and as a percentage of Toy Revenue decreased to 2.4% from 2.9%, due to the inclusion of Melissa & Doug.

Product development expenses increased by \$1.9 million or 22.9% to \$10.2 million due to higher development and design activities in the Toys segment.

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

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Administrative	347.5	278.1	69.4	25.0 %
Marketing	124.8	90.7	34.1	37.6 %
Selling	87.7	95.6	(7.9)	(8.3)%
Distribution	58.2	44.1	14.1	32.0 %
Product development	26.8	22.4	4.4	19.6 %
SG&A	645.0	530.9	114.1	21.5 %
Adjustments¹:				
Restructuring and other related costs ²	(6.2)	(14.3)	8.1	(56.6)%
Share based compensation ³	(21.6)	(15.3)	(6.3)	41.2 %
Transaction and integration costs ⁴	(25.6)	(7.3)	(18.3)	250.7 %
Adjusted SG&A⁵	591.6	494.0	97.6	19.8 %
Revenue				
	1,613.9	1,402.3	211.6	15.1 %
SG&A as a percentage of revenue	40.0 %	37.9 %		2.1 %
Adjusted SG&A⁵ as a percentage of revenue	36.7 %	35.2 %		1.5 %

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 long-term incentive plan, and the mark to market (loss) gain related to DSUs.

⁴ Professional fees and integration costs incurred relating to acquisitions, including \$9.0 million of transaction costs for the acquisition of Melissa and Doug in the current year.

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

SG&A increased by \$114.1 million or 21.5% to \$645.0 million. The increase was driven by the inclusion of Melissa & Doug, transaction and integration costs related to the acquisition of Melissa & Doug included in Administrative expenses, as well as higher Marketing and Product development costs partially offset by lower Selling expenses. SG&A as a percentage of revenue increased to 40.0% from 37.9%.

Adjusted SG&A¹ increased by \$97.6 million or 19.8% to \$591.6 million and as a percentage of revenue increased to 36.7% from 35.2% primarily driven by the inclusion of Melissa & Doug, which resulted in lower operating leverage due to the seasonality of Melissa & Doug's revenue, which is more heavily weighted to the second half of the year.

Administrative expenses increased by \$69.4 million or 25.0% to \$347.5 million and as a percentage of revenue increased to 21.5% from 19.8% as a result of the inclusion of Melissa & Doug and transaction and integration costs related to the acquisition of Melissa & Doug.

Marketing expenses increased by \$34.1 million or 37.6% to \$124.8 million and as a percentage of revenue increased to 7.7% from 6.5% due to increased investments in Melissa & Doug marketing and higher spend in the Entertainment and Digital Games segments for marketing of new Entertainment content and the Digital Games portfolio.

Selling expenses decreased by \$7.9 million or 8.3% to \$87.7 million due to a decline in the sales of licensed brands. Selling expenses as a percentage of Toy Revenue decreased to 6.4% from 8.4% primarily due to the inclusion of Melissa & Doug, which has a lower proportion of partner licensed brands sales.

Distribution expenses increased by \$14.1 million or 32.0% to \$58.2 million and as a percentage of Toy Revenue increased to 4.2% from 3.9%, due to the inclusion of Melissa & Doug.

Product development expenses increased by \$4.4 million or 19.6% to \$26.8 million due to higher development and design activities in the Toys segment.

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

Depreciation and Amortization as compared to the same period in 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	5.9	5.0	0.9	18.0 %
Building and leasehold improvements	1.4	0.5	0.9	180.0 %
Equipment	1.5	0.8	0.7	87.5 %
Computer hardware	1.6	0.3	1.3	433.3 %
Equipment, included in cost of sales	0.4	0.6	(0.2)	(33.3)%
	10.8	7.2	3.6	50.0 %
Intangible assets				
Entertainment content development, included in cost of sales	10.0	31.7	(21.7)	(68.5)%
Trademarks, licenses, IP & customer lists - definite	2.6	0.9	1.7	188.9 %
Digital games and app development, included in cost of sales	1.1	1.3	(0.2)	(15.4)%
Computer software	0.5	0.7	(0.2)	(28.6)%
	14.2	34.6	(20.4)	(59.0)%
Right-of-use assets	10.9	2.9	8.0	275.9 %
Depreciation and amortization	35.9	44.7	(8.8)	(19.7)%

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Included in cost of sales	17.3	38.7	(21.4)	(55.3)%
Included in expenses	18.6	6.0	12.6	210.0 %
Depreciation and amortization	35.9	44.7	(8.8)	(19.7)%

For the three months ended September 30, 2024, depreciation and amortization decreased by \$8.8 million to \$35.9 million primarily as a result of lower amortization of production costs due to fewer Entertainment content deliveries. Included in Q3 2023 was amortization related to the deliveries for *PAW Patrol: The Mighty Movie* and *Unicorn Academy*. This was partially offset by higher depreciation of the right-of-use assets, intangible assets and property, plant and equipment acquired through the Melissa & Doug acquisition.

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	16.7	14.8	1.9	12.8 %
Equipment, included in cost of sales	1.0	1.8	(0.8)	(44.4)%
Equipment	4.6	1.8	2.8	155.6 %
Building and leasehold improvements	3.5	2.9	0.6	20.7 %
Computer hardware	4.5	0.7	3.8	542.9 %
	30.3	22.0	8.3	37.7 %
Intangible assets				
Entertainment content development, included in cost of sales	27.5	49.7	(22.2)	(44.7)%
Trademarks, licenses, IP & customer lists - definite	7.8	2.3	5.5	239.1 %
Digital games and app development, included in cost of sales	3.6	3.7	(0.1)	(2.7)%
Computer software	1.6	1.8	(0.2)	(11.1)%
	40.5	57.5	(17.0)	(29.6)%
Right-of-use assets	31.7	8.9	22.8	256.2 %
Depreciation and amortization	102.5	88.4	14.1	16.0 %

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Included in cost of sales	48.7	70.1	(21.4)	(30.5)%
Included in expenses	53.8	18.3	35.5	194.0 %
Depreciation and amortization	102.5	88.4	14.1	16.0 %

For the nine months ended September 30, 2024, depreciation and amortization increased by \$14.1 million to \$102.5 million primarily as a result of the right-of-use assets, intangible assets and property, plant and equipment acquired through the Melissa & Doug acquisition, partially offset by lower amortization of production costs for fewer Entertainment content deliveries. Included in Q3 2023 was amortization related to the deliveries for *PAW Patrol: The Mighty Movie* and *Unicorn Academy*.

Foreign Exchange (Gain) Loss as compared to the same period in 2023:

For the three months ended September 30, 2024, the Company recognized a net foreign exchange gain of \$1.2 million (comprised of an unrealized loss of \$4.4 million and realized gain of \$5.6 million) as compared to a net foreign exchange gain of \$19.2 million (comprised of an unrealized gain of \$17.9 million and realized gain of \$1.3 million).

For the nine months ended September 30, 2024, the Company recognized a net foreign exchange loss of \$3.2 million (comprised of an unrealized loss of \$3.8 million and realized gain of \$0.6 million), compared to a net foreign exchange gain of \$3.5 million (comprised of an unrealized loss of \$8.3 million and realized gain of \$11.8 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 subsidiary entity are settled and also 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 its foreign currency risk on cash flows denominated in currencies other than the US dollar.

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 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\$. The change was made prospectively on January 1, 2024.

Operating Income and Adjusted Operating Income¹ as compared to the same period in 2023:

(in US\$ millions)	Q3 2024	Q3 2023	\$ Change
Operating Income	203.2	197.2	6.0
Operating Margin	22.9 %	27.8 %	
Adjustments:			
Fair value adjustment for inventories acquired ¹	21.5	—	21.5
Share based compensation	9.3	5.1	4.2
Transaction and integration costs ²	3.9	5.2	(1.3)
Restructuring and other related costs	2.7	0.8	1.9
Amortization of intangible assets acquired	1.8	—	1.8
Acquisition related deferred incentive compensation	0.9	1.8	(0.9)
Impairment of intangible assets	—	0.2	(0.2)
Legal settlement expense (recovery)	0.4	(0.7)	1.1
Acquisition related contingent consideration	0.4	—	0.4
Impairment of property, plant and equipment	0.1	—	0.1
Net realized gain on investment	—	(0.2)	0.2
Foreign exchange gain	(1.2)	(19.2)	18.0
Total Adjustments	40.2	(7.0)	47.2
Adjusted Operating Income³	243.4	190.2	53.2
Adjusted Operating Margin³	27.5 %	26.8 %	
Depreciation and amortization ⁴	34.1	44.7	(10.6)
Adjusted EBITDA³	277.5	234.9	42.6
Adjusted EBITDA Margin³	31.3 %	33.1 %	

¹ Relates to the fair value adjustment of Melissa & Doug's inventory sold 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 Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

⁴ Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$1.8 million of amortization of intangible assets acquired with Melissa & Doug.

Operating Income for the three months ended September 30, 2024 was \$203.2 million, an increase of \$6.0 million from \$197.2 million. Operating Margin for the three months ended September 30, 2024 was 22.9% compared to 27.8%. The increase in Operating Income was primarily driven by the increase in Operating Income from the Toys segment of \$34.3 million, partially offset by a decrease in Operating Income from Corporate and Other of \$28.3 million due to a decrease in foreign exchange gain.

Adjusted Operating Income¹ for the three months ended September 30, 2024 was \$243.4 million, an increase of \$53.2 million from \$190.2 million. Adjusted Operating Margin¹ was 27.5% compared to 26.8%. The increase in Adjusted Operating Income¹ was primarily driven by an increase in Toys Adjusted Operating Income¹ of \$65.0 million, a decrease in Digital Games Adjusted Operating Income¹ of \$8.2 million, and a decrease in Entertainment Adjusted Operating Income¹ of \$3.1 million.

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

(in US\$ millions)	Nine Months Ended Sep 30,		
	2024	2023	\$ Change
Operating Income	118.4	225.5	(107.1)
Adjustments:			
Fair value adjustment for inventories acquired ¹	66.3	—	66.3
Transaction and integration costs ²	26.9	7.3	19.6
Share based compensation	21.6	15.3	6.3
Restructuring and other related costs	6.2	14.3	(8.1)
Amortization of intangible assets acquired	5.3	—	5.3
Acquisition related deferred incentive compensation	3.5	6.0	(2.5)
Foreign exchange loss (gain)	3.2	(3.5)	6.7
Impairment of intangible assets	1.8	2.4	(0.6)
Net unrealized loss (gain) on investment	0.8	(0.3)	1.1
Impairment of property, plant and equipment	0.4	0.2	0.2
Impairment of goodwill	—	1.0	(1.0)
Net realized gain on investment	—	(0.1)	0.1
Legal settlement recovery	(0.2)	(0.5)	0.3
Acquisition related contingent consideration	(1.7)	(2.1)	0.4
Total Adjustments	134.1	40.0	94.1
Adjusted Operating Income³	252.5	265.5	(13.0)
Adjusted Operating Margin³	15.6 %	18.9 %	
Depreciation and amortization ⁴	97.2	88.4	8.8
Adjusted EBITDA³	349.7	353.9	(4.2)
Adjusted EBITDA Margin³	21.7 %	25.2 %	

¹ Relates to the fair value adjustment of Melissa & Doug's inventory sold 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 Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

⁴ Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$5.3 million of amortization of intangible assets acquired with Melissa & Doug.

Operating Income for the nine months ended September 30, 2024 was \$118.4 million, a decrease of \$107.1 million from \$225.5 million. Operating Margin for the nine months ended September 30, 2024 was 15.6% compared to 18.9%. The decrease in Operating Income was primarily driven by a decline in Operating Income from the Toys segment of \$73.2 million and an increase in Operating Loss from Corporate and Other of \$15.1 million due to an increase in foreign exchange loss and transaction and integration costs.

Adjusted Operating Income¹ for the nine months ended September 30, 2024 was \$252.5 million, a decrease of \$13.0 million from \$265.5 million. Adjusted Operating Margin¹ was 15.6% compared to 18.9%. The decrease in Adjusted Operating Income¹ was primarily driven by a decrease in Digital Games Adjusted Operating Income¹ of \$18.9 million, partially offset by an increase in Toys Adjusted Operating Income¹ of \$8.0 million.

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

Adjusted EBITDA¹ as compared to the same period in 2023:

(US\$ millions)	Adjusted EBITDA ¹				Adjusted EBITDA Margin ¹	
	Q3 2024	Q3 2023	\$ Change	% Change	Q3 2024	Q3 2023
Toys, excluding Melissa & Doug	192.8	166.8	26.0	15.6 %	29.4 %	27.7 %
Melissa & Doug	49.4	—	49.4	n.m.	31.9 %	— %
Toys	242.2	166.8	75.4	45.2 %	29.9 %	27.7 %
Entertainment	30.0	53.8	(23.8)	(44.2)%	80.9 %	84.9 %
Digital Games	9.1	17.6	(8.5)	(48.3)%	24.1 %	38.9 %
Corporate and Other	(3.8)	(3.3)	(0.5)	15.2 %	n.m.	n.m.
Adjusted EBITDA¹	277.5	234.9	42.6	18.1 %	31.3 %	33.1 %
Adjusted EBITDA, excluding Melissa & Doug¹	228.1	234.9	(6.8)	(2.9)%	31.2 %	33.1 %

(US\$ millions)	Nine Months Ended Sep 30				Nine Months Ended Sep 30	
	2024	2023	\$ Change	% Change	2024	2023
Toys, excluding Melissa & Doug	197.4	193.1	4.3	2.2 %	17.3 %	17.0 %
Melissa & Doug	33.2	—	33.2	n.m.	13.9 %	— %
Toys	230.6	193.1	37.5	19.4 %	16.7 %	17.0 %
Entertainment	94.8	115.4	(20.6)	(17.9)%	80.8 %	85.5 %
Digital Games	34.3	53.3	(19.0)	(35.6)%	29.0 %	40.0 %
Corporate and Other	(10.0)	(7.9)	(2.1)	26.6 %	n.m.	n.m.
Adjusted EBITDA¹	349.7	353.9	(4.2)	(1.2)%	21.7 %	25.2 %
Adjusted EBITDA, excluding Melissa & Doug¹	316.5	353.9	(37.4)	(10.6)%	23.0 %	25.2 %

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

Adjusted EBITDA¹ for the three months ended September 30, 2024 was \$277.5 million compared to \$234.9 million. Adjusted EBITDA Margin¹ was 31.3% compared to 33.1%.

Adjusted EBITDA¹ for the nine months ended September 30, 2024 was \$349.7 million compared to \$353.9 million. Adjusted EBITDA Margin¹ was 21.7% compared to 25.2%.

Adjusted EBITDA Margin¹ for the three and nine months ended September 30, 2024 declined due to a higher proportion of Adjusted EBITDA contributed by the Toys Segment and a decrease in the Digital Games Segment, offset by lower Selling expenses relative to Revenue.

Adjusted EBITDA¹ for the three and nine months ended September 30, 2024 included Melissa & Doug Adjusted EBITDA¹ of \$49.4 million and \$33.2 million, respectively.

Adjusted EBITDA, excluding Melissa & Doug¹ for the three months ended September 30, 2024 was \$228.1 million compared to \$234.9 million. Included in Q3 2023 was distribution revenue of \$15.6 million related to the initial delivery of *PAW Patrol: The Mighty Movie*. Excluding this distribution revenue, Adjusted EBITDA, excluding Melissa & Doug¹ increased by \$8.8 million, driven by higher Toy Revenue, partially offset by fewer Entertainment content deliveries and a decrease in the Digital Games Segment. Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 31.2%. Adjusted EBITDA Margin, excluding Melissa & Doug¹ and the accretive effect of *PAW Patrol: The Mighty Movie* distribution revenue in the prior year, decreased by 40 basis points. The decrease is due to a higher proportion of Adjusted EBITDA¹ contributed by the Toys Segment and a decrease in the Digital Games Segment.

Adjusted EBITDA, excluding Melissa & Doug¹ for the nine months ended September 30, 2024 was \$316.5 million compared to \$353.9 million, a decrease of \$37.4 million, driven by lower gross profit due to lower revenue in the Entertainment and Digital Games segments and higher investments in marketing across the Digital Games portfolio, partially offset by lower selling expenses. Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 23.0% compared to 25.2% due to a higher proportion of Adjusted EBITDA contributed by the Toys Segment and a decrease in the Digital Games Segment.

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

Interest Income and Interest Expense as compared to the same period in 2023:

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

For the three months ended September 30, 2024, interest expense was \$14.4 million, an increase of \$9.6 million from \$4.8 million primarily due to interest expense on loans and borrowings. Interest income was \$1.0 million, a decrease of \$6.2 million from \$7.2 million in the prior year, a result of lower cash balances held during the period.

For the nine months ended September 30, 2024, interest expense was \$39.4 million, an increase of \$28.2 million from \$11.2 million primarily due to interest expense on loans and borrowings. Interest income was \$3.4 million, a decrease of \$17.0 million from \$20.4 million in the prior year, a result of lower cash balances held during the period.

Income Tax Expense as compared to the same period in 2023:

For the three months ended September 30, 2024, income tax expense was \$49.7 million compared to income tax expense of \$44.2 million.

For the nine months ended September 30, 2024, income tax expense was \$21.6 million compared to income tax expense of \$53.2 million. The effective tax rate was 26.2% compared to 22.7%.

For the three and nine months ended September 30, 2023, the Company had a one-time income tax recovery of \$6.6 million, with an impact on effective tax rate of 3.3% and 2.8%, respectively. The effective income tax rates, excluding the one-time income tax recovery, were 25.4% and 25.5%, respectively.

Net Income and Adjusted Net Income¹ as compared to the same period in 2023:

Net Income for the three months ended September 30, 2024 was \$140.1 million or \$1.32 per share (diluted), a decrease of \$15.3 million from Net Income of \$155.4 million or \$1.45 per share (diluted). Adjusted Net Income¹ for the three months ended September 30, 2024 was \$169.7 million or \$1.60 per share (diluted), an increase of \$26.1 million from Adjusted Net Income¹ of \$143.6 million or \$1.34 per share (diluted). The increase in Adjusted Net Income¹ was primarily driven by higher Gross Profit partially offset by higher SG&A expenses, lower foreign exchange gain, higher interest expenses and higher depreciation and amortization.

Net Income for the nine months ended September 30, 2024 was \$60.8 million or \$0.57 per share (diluted), a decrease of \$120.7 million from Net Income of \$181.5 million or \$1.72 per share (diluted). Adjusted Net Income¹ for the nine months ended September 30, 2024 was \$159.8 million or \$1.51 per share (diluted), a decrease of \$44.9 million from Adjusted Net Income¹ of \$204.7 million or \$1.94 per share (diluted). The decrease in Net Income and Adjusted Net Income¹ was primarily driven by higher administrative, marketing and distribution expenses partially offset by higher Gross Profit.

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

Segmented Results

The Company's reportable segments are: Toys, Entertainment and Digital Games. The Company's results from operations by reportable segment for the three months ended September 30, 2024 and 2023 are as follows:

(US\$ millions)	Q3 2024					Q3 2023				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	810.9	37.1	37.7	—	885.7	601.5	63.4	45.3	—	710.2
Operating Income (Loss)	183.5	19.9	5.1	(5.3)	203.2	149.0	23.3	13.6	11.3	197.2
Adjusting items:										
Fair value adjustment for inventories acquired ²	21.5	—	—	—	21.5	—	—	—	—	—
Share based compensation	6.6	0.5	1.1	1.1	9.3	3.7	0.4	0.7	0.3	5.1
Transaction and integration costs ³	2.7	—	—	1.2	3.9	—	—	—	5.2	5.2
Restructuring and other related costs	2.0	0.1	0.6	—	2.7	0.6	0.1	0.1	—	0.8
Amortization of intangible assets acquired	1.8	—	—	—	1.8	—	—	—	—	—
Acquisition related deferred incentive compensation	0.4	—	0.5	—	0.9	0.7	—	1.1	—	1.8
Net unrealized loss on investment	—	—	—	0.4	0.4	—	—	—	—	—
Legal settlement expense (recovery)	—	0.4	—	—	0.4	—	—	—	(0.7)	(0.7)
Acquisition related contingent consideration	0.4	—	—	—	0.4	—	—	—	—	—
Impairment of property, plant and equipment	0.1	—	—	—	0.1	—	—	—	—	—
Impairment of intangible assets	—	—	—	—	—	—	0.2	—	—	0.2
Net realized gain on investment	—	—	—	—	—	—	—	—	(0.2)	(0.2)
Foreign exchange gain	—	—	—	(1.2)	(1.2)	—	—	—	(19.2)	(19.2)
Adjusted Operating Income (Loss)⁴	219.0	20.9	7.3	(3.8)	243.4	154.0	24.0	15.5	(3.3)	190.2
Adjusted Operating Margin⁴	27.0%	56.3%	19.4%	n.m.	27.5%	25.6%	37.9%	34.2%	n.m.	26.8%
Depreciation and amortization ⁵	23.2	9.1	1.8	—	34.1	12.8	29.8	2.1	—	44.7
Adjusted EBITDA⁴	242.2	30.0	9.1	(3.8)	277.5	166.8	53.8	17.6	(3.3)	234.9
Adjusted EBITDA Margin⁴	29.9%	80.9%	24.1%	n.m.	31.3%	27.7%	84.9%	38.9%	n.m.	33.1%

¹ Corporate & Other includes certain corporate costs, foreign exchange, transaction and integration costs and merger and acquisition-related costs, as well as fair value gains and losses.

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

³ Professional fees and integration costs incurred relating to acquisitions, including \$(1.0) million of transaction cost recovery for the acquisition of Melissa and Doug.

⁴ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios and Supplementary Financial Measures".

⁵ Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$1.8 million (Q3 2023 - \$nil) of amortization of intangible assets acquired with Melissa & Doug.

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

Nine Months Ended Sep 30,										
(US\$ millions)	2024					2023				
	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total	Toys	Entertainment	Digital Games	Corporate & Other ¹	Total
Revenue	1,378.2	117.3	118.4	—	1,613.9	1,134.1	134.9	133.3	—	1,402.3
Operating Income (Loss)	57.8	66.3	22.6	(28.3)	118.4	131.0	68.3	39.4	(13.2)	225.5
Fair value adjustment for inventories acquired ²	66.3	—	—	—	66.3	—	—	—	—	—
Transaction and integration costs ³	13.2	—	—	13.7	26.9	—	—	—	7.3	7.3
Share based compensation	16.3	1.3	2.8	1.2	21.6	10.9	1.1	2.2	1.1	15.3
Restructuring and other related costs	4.9	0.2	1.1	—	6.2	13.0	0.2	1.1	—	14.3
Amortization of intangible assets acquired ³	5.3	—	—	—	5.3	—	—	—	—	—
Acquisition related deferred incentive compensation	1.6	—	1.9	—	3.5	2.1	—	3.9	—	6.0
Foreign exchange loss (gain)	—	—	—	3.2	3.2	—	—	—	(3.5)	(3.5)
Impairment of intangible assets	—	1.8	—	—	1.8	—	0.6	0.7	1.1	2.4
Net unrealized loss (gain) on investment	—	—	—	0.8	0.8	—	—	—	(0.3)	(0.3)
Impairment of property, plant and equipment	0.4	—	—	—	0.4	0.2	—	—	—	0.2
Impairment of goodwill	—	—	—	—	—	1.0	—	—	—	1.0
Net realized gain on investment	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Legal settlement expense (recovery)	—	0.4	—	(0.6)	(0.2)	—	—	—	(0.5)	(0.5)
Acquisition related deferred consideration	(1.7)	—	—	—	(1.7)	(2.1)	—	—	—	(2.1)
Adjusted Operating Income (Loss)⁴	164.1	70.0	28.4	(10.0)	252.5	156.1	70.2	47.3	(8.1)	265.5
Adjusted Operating Margin²	11.9%	59.7%	24.0%	n.m.	15.6%	13.8%	52.0%	35.5%	n.m.	18.9%
Depreciation and amortization ⁵	66.5	24.8	5.9	—	97.2	37.0	45.2	6.0	0.2	88.4
Adjusted EBITDA⁴	230.6	94.8	34.3	(10.0)	349.7	193.1	115.4	53.3	(7.9)	353.9
Adjusted EBITDA Margin⁴	16.7%	80.8%	29.0%	n.m.	21.7%	17.0%	85.5%	40.0%	n.m.	25.2%

¹ Corporate & Other includes certain corporate costs, foreign exchange, transaction and integration costs and merger and acquisition-related costs, as well as fair value gains and losses.

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

³ Professional fees and integration costs incurred relating to acquisitions, including \$9.0 million of transaction costs for the acquisition of Melissa and Doug.

⁴ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios and Supplementary Financial Measures".

⁵ Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$5.3 million (2023 - \$nil) of amortization of intangible assets acquired with Melissa & Doug.

Toys Segment Results

The following table provides a summary of Toys segment operating results for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Toy Gross Product Sales ^{1, 2}	922.7	678.6	244.1	36.0 %
Toy Revenue	810.9	601.5	209.4	34.8 %
Toys Operating Income	183.5	149.0	34.5	23.2 %
Toys Operating Margin	22.6 %	24.8 %		(2.2)%
Toys Adjusted EBITDA ¹	242.2	166.8	75.4	45.2 %
Toys Adjusted EBITDA Margin ¹	29.9 %	27.7 %		2.2 %
Selected Cash Flow Data				
Toys capital expenditures	9.6	7.3	2.3	31.5 %

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

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

Toy Revenue increased by \$209.4 million or 34.8% to \$810.9 million primarily driven by an increase in Toy Gross Product Sales¹. Toy Gross Product Sales¹ increased by \$244.1 million or 36.0%, to \$922.7 million from \$678.6 million primarily as a result of the inclusion of Melissa & Doug, higher shipment volume driven by enhanced product innovation and a shift of customer orders into the third quarter from the second quarter. Toy Gross Product Sales, excluding Melissa & Doug¹ was \$740.4 million, a increase of \$61.8 million or 9.1% from \$678.6 million.

Constant Currency Toy Gross Product Sales¹ increased by \$245.2 million or 36.1% to \$923.8 million, compared to \$678.6 million.

Toys Operating Income increased by \$34.5 million or 23.0% to \$183.5 million. Toys Operating Margin was 22.6% compared to 24.8%. The increase in Operating Income was driven by the inclusion of Melissa & Doug and higher Gross Profit, offset by the fair value adjustment for inventories acquired, higher personnel related costs, transaction and integration costs, and higher depreciation and amortization.

Toys Adjusted EBITDA¹ increased by \$75.4 million to \$242.2 million. The increase was driven by the inclusion of Melissa & Doug and higher Gross Profit. Toys Adjusted EBITDA Margin¹ was 29.9% compared to 27.7%. The increase in Toys Adjusted EBITDA Margin¹ was driven by the higher Toy Revenue and the inclusion of Melissa & Doug, resulting in improved operating leverage.

Toys capital expenditures increased by \$2.3 million to \$9.6 million.

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

The following table provides a summary of the Toys segment's operating results for the nine months ended September 30, 2024 and 2023:

(US\$ millions)	Nine Months Ended Sep 30,		\$ Change	% Change
	2024	2023		
Toy Gross Product Sales ^{1, 2}	1,571.5	1,284.9	286.6	22.3 %
Toy Revenue	1,378.2	1,134.1	244.1	21.5 %
Toys Operating Income	57.8	131.0	(73.2)	(55.9)%
Toys Operating Margin	4.2 %	11.6 %		(7.4)%
Toys Adjusted EBITDA ¹	230.6	193.1	37.5	19.4 %
Toys Adjusted EBITDA Margin ¹	16.7 %	17.0 %		(0.3)%
Selected Cash Flow and Balance Sheet Data				
Toys capital expenditures	30.9	27.4	3.5	12.8 %

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

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

Toy Revenue increased by \$244.1 million or 21.5% to \$1,378.2 million. Toy Gross Product Sales¹ increased by \$286.6 million or 22.3%, to \$1,571.5 million from \$1,284.9 million due to the inclusion of Melissa & Doug, higher shipment volume driven by enhanced product innovation and a shift of customer orders into the third quarter from the second quarter. In addition, 2023 was supported by higher shipments related to the launch of *PAW Patrol: The Mighty Movie*. Toy Gross Product Sales, excluding Melissa & Doug¹ was \$1,290.8 million, an increase of \$5.9 million or 0.5% from \$1,284.9 million.

Constant Currency Toy Gross Product Sales¹ increased by \$286.0 million or 22.3% to \$1,570.9 million from \$1,284.9 million.

Toys Operating Income decreased by \$73.2 million or 55.9% to \$57.8 million. Toys Operating Margin was 4.2% compared to 11.6%. The decrease in both Toys Operating Income and Operating Margin was due to the fair value adjustment for inventories acquired, transaction and integration costs, and higher depreciation and amortization, offset by inclusion of Melissa & Doug and lower selling, administrative and distribution expenses.

Toys Adjusted EBITDA¹ increased by \$37.5 million to \$230.6 million. The increase was driven by the inclusion of Melissa & Doug and lower selling, administrative and distribution expenses. Toys Adjusted EBITDA Margin¹ was 16.7% compared to 17.0%. The decline in Toys Adjusted EBITDA Margin¹ was due to the inclusion of Melissa & Doug as a result of lower operating leverage from seasonality of the business. Toys Adjusted EBITDA Margin, excluding Melissa & Doug¹ was 17.3% compared to 17.0%. The increase is due to a lower proportion of partner licensed brands sales, partially offset by a change in product mix and higher proportion of product development spend in relation to Revenue.

Toys capital expenditures increased by \$3.5 million to \$30.9 million, primarily as a result higher investments in moulds, dies and tools.

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

Toy Revenue

For the three months ended September 30, 2024 as compared to the same period in 2023:

The following table provides a summary of Spin Master's Toy Revenue, including Toy Gross Product Sales¹ by product category, for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Preschool, Infant & Toddler and Plush ¹	469.6	301.4	168.2	55.8 %
Activities, Games & Puzzles and Dolls & Interactive	294.5	218.7	75.8	34.7 %
Wheels & Action	152.9	151.2	1.7	1.1 %
Outdoor	5.7	7.3	(1.6)	(21.9)%
Toy Gross Product Sales^{2,4}	922.7	678.6	244.1	36.0 %
Sales Allowances ³	(112.7)	(77.1)	(35.6)	46.2 %
<i>Sales Allowances % of Toy Gross Product Sales²</i>	<i>12.2 %</i>	<i>11.4 %</i>		<i>0.8 %</i>
Toy Net Sales	810.0	601.5	208.5	34.7 %
Toy - Other Revenue	0.9	—	0.9	n.m.
Toy Revenue	810.9	601.5		

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

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

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.

⁴ Effective January 1, 2024, the Company changed its product categories to align with the Company's product offerings going forward. Prior year comparative information has been updated to conform with the current disclosure. Refer to Addendum section for more details.

Preschool, Infant & Toddler and Plush increased by \$168.2 million or 55.8% to \$469.6 million, primarily due to the inclusion of Melissa & Doug and *Ms. Rachel* offset by decreases in *PAW Patrol*, *Gabby's Dollhouse* and *Firebuds*.

Activities, Games & Puzzles and Dolls & Interactive increased by \$75.8 million or 34.7% to \$294.5 million, led by increases in *Hatchimals*, *Unicorn Academy*, *Bitzee*, *Punirunes* and *Kinetic Sand* partially offset by a decline in the Games & Puzzles portfolio and *Purse Pets*.

Wheels & Action increased by \$1.7 million or 1.1% to \$152.9 million, mainly due to *Monster Jam*, *HEXBUG* offset by *Bakugan*, *DC* and *Tech Deck*.

Outdoor decreased by \$1.6 million or 21.9% to \$5.7 million, primarily driven by *SwimWays*.

Sales Allowances increased by \$35.6 million to \$112.7 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased to 12.2% from 11.4%, primarily driven by retail trade promotions related to Melissa & Doug.

Revenue by Geographic Area

Toy Gross Product Sales¹ by geographical area are based on the location of the customers. The following table provides a summary of Spin Master's Toy Gross Product Sales¹ by geographic area for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024		Q3 2023		Change	
	\$	% of GPS	\$	% of GPS	\$	% of GPS
North America	529.0	57.3 %	397.4	58.6 %	131.6	(1.3)%
Europe	225.1	24.4 %	181.4	26.7 %	43.7	(2.3)%
Rest of World	168.6	18.3 %	99.8	14.7 %	68.8	3.6 %
International	393.7	42.7 %	281.2	41.4 %	112.5	1.3 %
Toy Gross Product Sales¹	922.7	100.0 %	678.6	100.0 %	244.1	
Sales Allowances	(112.7)	(12.2)%	(77.1)	(11.4)%	(35.6)	(0.8)%
Toy Net Sales	810.0		601.5		208.5	
Toy - Other Revenue	0.9		—		0.9	n.m.
Toy Revenue	810.9		601.5		209.4	

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

As a percentage of Toy Gross Product Sales¹, North America decreased to 57.3% compared to 58.6%. International sales, comprised of Europe and Rest of World, increased to 42.7% compared to 41.4%.

North America increased by \$131.6 million or 33.1% to \$529.0 million. The increase was driven by inclusion of Melissa & Doug, *Hatchimals*, *Monster Jam* and *Ms. Rachel* partially offset by *PAW Patrol*, *Gabby's Dollhouse*, *Bakugan* and the Games & Puzzles portfolio.

Europe increased by \$43.7 million or 24.1% to \$225.1 million, the increase was mainly driven by *Unicorn Academy*, *Bitzee*, *Rubble* and *Punirunes* partially offset by *Bakugan*, *Purse Pets* and a favourable foreign exchange impact of \$2.4 million.

Rest of World increased by \$68.8 million or 68.9% to \$168.6 million, the increase was mainly driven by inclusion of Melissa & Doug and *Hatchimals* partially offset by *PAW Patrol* and an unfavourable foreign exchange impact of \$3.4 million.

For the nine months ended September 30, 2024, as compared to the same period in 2023:

The following table provides a summary of Spin Master's Toy Revenue, including Toy Gross Product Sales¹ by product category, for the nine months ended September 30, 2024 and 2023:

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Preschool, Infant & Toddler and Plush	757.4	548.9	208.5	38.0 %
Activities, Games & Puzzles and Dolls & Interactive	504.3	391.0	113.3	29.0 %
Wheels & Action	269.3	296.0	(26.7)	(9.0)%
Outdoor	40.5	49.0	(8.5)	(17.3)%
Toy Gross Product Sales¹	1,571.5	1,284.9	286.6	22.3 %
Sales Allowances ²	(196.6)	(150.8)	(45.8)	30.4 %
<i>Sales Allowances % of Toy Gross Product Sales¹</i>	12.5 %	11.7 %		0.8 %
Toy Net Sales	1,374.9	1,134.1	240.8	21.2 %
Toy - Other Revenue	3.3	—	3.3	n.m.
Toy Revenue	1,378.2	1,134.1		

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

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

Preschool, Infant & Toddler, Plush increased by \$208.5 million or 38.0% to \$757.4 million, primarily driven by the inclusion of Melissa & Doug, *Ms. Rachel*, and *Vida the Vet*, partially offset by *Gabby's Dollhouse*, *PAW Patrol* and *Firebuds*.

Activities, Games & Puzzles and Dolls & Interactive increased by \$113.3 million or 29.0% to \$504.3 million, mainly due to *Hatchimals*, *Bitzee*, *Unicorn Academy*, *Punirunes*, and *Kinetic Sand*, partially offset by the Games & Puzzles portfolio and *Purse Pets*.

Wheels & Action decreased by \$26.7 million or 9.0% to \$269.3 million, led by decreases in *Bakugan*, *DC* and *Tech Deck*, partially offset by *Monster Jam*.

Outdoor declined by \$8.5 million or 17.3% to \$40.5 million, primarily driven by *SwimWays*.

Sales Allowances increased by \$45.8 million to \$196.6 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased to 12.5% from 11.7%, primarily driven by retail trade promotions related to Melissa & Doug.

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

Revenue by Geographic Area

The following table provides a summary of Spin Master's Toy Gross Product Sales¹ by geographic area for the nine months ended September 30, 2024 and 2023:

(US\$ millions)	Nine Months Ended Sep 30,					Change in % of GPS
	2024	% of GPS	2023	% of GPS	\$ Change	
North America	917.8	58.4 %	741.5	57.7 %	176.3	0.7 %
Europe	388.7	24.7 %	350.2	27.3 %	38.5	(2.6)%
Rest of World	265.0	16.9 %	193.2	15.0 %	71.8	1.9 %
International	653.7	41.6 %	543.4	42.3 %	110.3	(0.7)%
Toy Gross Product Sales¹	1,571.5	100.0 %	1,284.9	100.0 %	286.6	
Sales Allowances	(196.6)	12.5 %	(150.8)	11.7 %	(45.8)	0.8 %
Toy Net Sales	1,374.9		1,134.1		240.8	
Toy - Other Revenue	3.3		—		3.3	n.m.
Toy Revenue	1,378.2		1,134.1		244.1	

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

As a percentage of Toy Gross Product Sales¹, North America increased to 58.4% compared to 57.7%. International sales, comprised of the Europe and Rest of World, decreased to 41.6% compared to 42.3%.

Toy Gross Product Sales¹ in North America increased by \$176.3 million or 23.8% to \$917.8 million. The increase was driven by inclusion of Melissa & Doug, *Hatchimals*, *Monster Jam*, *Ms. Rachel*, *Kinetic Sand* and *Bitzee*, partially offset by the Games & Puzzles portfolio, *PAW Patrol*, and *Gabby's Dollhouse*.

Europe increased by \$38.5 million or 11.0% to \$388.7 million which includes a favourable foreign exchange impact of \$3.2 million. The increase was driven by inclusion of Melissa & Doug, *Bitzee*, *Unicorn Academy* and *Rubble*, partially offset by *Bakugan* and *Purse Pets*.

Rest of World increased by \$71.8 million or 37.2% to \$265.0 million. The increase was driven by inclusion of Melissa & Doug, *Hatchimals* and *Unicorn Academy*, partially offset by *PAW Patrol*, the Games & Puzzles portfolio and an unfavourable foreign exchange impact of \$2.6 million.

Toys Segment Trend Analysis

(US\$ millions)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2024	2024	2024	2023	2023	2023	2023	2022
Toy Gross Product Sales ¹	922.7	384.7	264.1	502.3	678.6	390.0	216.3	479.2
Toy Revenue	810.9	340.9	226.4	406.8	601.5	346.3	186.3	396.7
Toys Operating Income (Loss)	183.5	(34.9)	(90.8)	(30.0)	149.0	23.8	(41.8)	(43.3)
Toys Operating Margin	22.6%	(10.2)%	(40.1)%	(7.4)%	24.8%	6.9%	(22.4)%	(10.9)%
Toys Adjusted EBITDA ¹	242.2	20.9	(32.5)	19.3	166.8	47.7	(21.4)	(24.4)
Toys Adjusted EBITDA Margin ¹	29.9%	6.1%	(14.4)%	4.7%	27.7%	13.8%	(11.5)%	(6.2)%

Selected Cash Flow and Balance Sheet Data

Toys capital expenditures	9.6	12.1	9.2	7.2	7.3	12.3	7.8	7.5
Moulds, dies and tools, net carrying amount ²	24.9	26.8	23.4	19.2	20.4	21.7	20.0	19.2

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

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

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

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

Additionally:

- Effective Q1 2024, Melissa & Doug is included in the Toys segment. Toys Operating Margin and Toys Adjusted EBITDA Margin¹ in Q1 and Q2 2024 are lower than prior comparable periods as a result of lower operating leverage due to the seasonality of Melissa & Doug Revenue, which is more heavily weighted to the second half of the year.
- Toy Gross Product Sales¹ in Q2 2024 was lower than 2023 as a result of a shift in customer orders and shipments into the second half of 2024. Q2 2023 was supported by higher shipments related to the launch of *PAW Patrol: The Mighty Movie*.
- Toy Gross Product Sales¹ in the first half of 2023 was lower than 2022 due to lower sales volumes as retailers focused on decreasing their retail inventory carried over from Q4 2022.
- In 2022, a higher proportion of Toy Gross Product Sales¹ shifted into the first and second quarters from the third and fourth quarters as retailers ordered earlier in the year to minimize the then anticipated supply chain disruptions. The third and fourth quarters of 2022 were also pressured by the macroeconomic environment, particularly from higher inflation compounded by foreign exchange volatility and a carry-over of inventory at retailers from the first half of 2022. These factors resulted in a strong first half of 2022 with Toy Gross Product Sales¹ representing 45% of 2022 annual Toy Gross Product Sales¹ compared to 30%-35% typically.

Entertainment Segment Results

The following table provides a summary of the Entertainment segment's operating results for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Entertainment Revenue	37.1	63.4	(26.3)	(41.5)%
Entertainment Operating Income	19.9	23.3	(3.4)	(14.6)%
Entertainment Operating Margin	53.6 %	36.8 %		16.8 %
Entertainment Adjusted Operating Income ¹	20.9	24.0	(3.1)	(12.9)%
Entertainment Adjusted Operating Margin ¹	56.3 %	37.9 %		18.4 %
Selected Cash Flow Data				
Entertainment capital expenditures	12.9	13.1	(0.2)	(1.5)%

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

Entertainment Revenue decreased by \$26.3 million or 41.5% to \$37.1 million, primarily due to fewer Entertainment content deliveries. Distribution revenue in Q3 2023 included the initial delivery of *PAW Patrol: The Mighty Movie* (\$15.6 million) and the delivery of *Unicorn Academy*. Constant Currency Entertainment Revenue¹ decreased by \$26.3 million or 41.5% to \$37.1 million, up from \$63.4 million.

Entertainment Operating Income decreased by \$3.4 million or 14.6% to \$19.9 million. Entertainment Operating Margin was 53.6% compared to 36.8%. Entertainment Adjusted Operating Income¹ decreased by \$3.1 million to \$20.9 million compared to \$24.0 million, primarily due to fewer Entertainment content deliveries.

Entertainment Adjusted Operating Margin¹ was 56.3% compared to 37.9%, primarily as a result of fewer Entertainment content deliveries.

Entertainment capital expenditures decreased by \$0.2 million to \$12.9 million, primarily due to lower content development production costs capitalized for *Bakugan*, *PAW Patrol: The Mighty Movie* and *Vida the Vet*, partially offset by the third *PAW Patrol* movie, the *PAW Patrol* series and *Unicorn Academy*.

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

The following table provides a summary of the Entertainment segment's operating results for the nine months ended September 30, 2024 and 2023:

(US\$ millions)	Nine Months Ended Sep 30,		\$ Change	% Change
	2024	2023		
Entertainment Revenue	117.3	134.9	(17.6)	(13.0)%
Entertainment Operating Income	66.3	68.3	(2.0)	(2.9)%
Entertainment Operating Margin	56.5 %	50.6 %		5.9 %
Entertainment Adjusted Operating Income ¹	70.0	70.2	(0.2)	(0.3)%
Entertainment Adjusted Operating Margin ¹	59.7 %	52.0 %		7.7 %
Selected Cash Flow and Balance Sheet Data				
Entertainment capital expenditures	29.8	42.4	(12.6)	(29.7)%
Entertainment content development, net carrying amount	53.4	48.3	5.1	10.6 %

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

Entertainment Revenue decreased by \$17.6 million or 13.0% to \$117.3 million, primarily due to fewer Entertainment content deliveries. Distribution revenue in Q3 2023 included the initial delivery of *PAW Patrol: The Mighty Movie* (\$15.6 million) and the delivery of *Unicorn Academy*. Constant Currency Entertainment Revenue¹ decreased by \$17.6 million or 13.0% to \$117.3 million, down from \$134.9 million.

Entertainment Operating Income decreased by \$2.0 million or 2.9% to \$66.3 million. Entertainment Operating Margin was 56.5% compared to 50.6%. Entertainment Adjusted Operating Income¹ decreased by \$0.2 million to \$70.0 million compared to \$70.2 million, from lower distribution revenue and fewer Entertainment content deliveries in the current year relative to prior year, partially offset by higher marketing costs for Entertainment content.

Entertainment Adjusted Operating Margin¹ was 59.7% compared to 52.0%, primarily as a result of fewer Entertainment content deliveries, partially offset by higher marketing costs for Entertainment content.

Entertainment capital expenditures decreased by \$12.6 million to \$29.8 million, primarily as a result of lower content development production costs capitalized for *PAW Patrol: The Mighty Movie*, *Bakugan*, *Vida the Vet* and *Unicorn Academy*, partially offset by the third *PAW Patrol* movie and the *PAW Patrol* series.

Entertainment content development, net carrying amount increased by \$5.1 million to \$53.4 million.

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

Entertainment Segment Trend Analysis

(US\$ millions)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Entertainment Revenue ¹	37.1	36.4	43.8	55.2	63.4	33.9	37.6	31.2
Entertainment Operating Income	19.9	17.8	28.6	9.7	23.3	15.7	29.3	19.1
Entertainment Operating Margin	53.6%	48.9%	65.3%	17.6%	36.8%	46.3%	77.9%	61.2%
Entertainment Adjusted Operating Income ²	20.9	20.0	29.1	10.5	24.0	16.3	29.9	20.5
Entertainment Adjusted Operating Margin ²	56.3%	54.9%	66.4%	19.0%	37.9%	48.1%	79.5%	65.7%
Selected Cash Flow and Balance Sheet Data								
Entertainment capital expenditures	12.9	9.1	7.8	9.7	13.1	10.9	18.4	11.9
Entertainment content development, net carrying amount ³	53.4	48.6	49.7	48.3	68.8	90.8	90.5	77.1

¹ Q3 2023 and Q4 2023 include Entertainment revenue associated with the theatrical release of *PAW Patrol: The Mighty Movie*.

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

³ Net carrying amount represents balance as at end of the period.

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

Additionally:

- In Q3 2023, Entertainment Revenue included \$15.6 million of distribution revenue from the theatrical release of *PAW Patrol: The Mighty Movie*. Entertainment Operating Margin and Entertainment Adjusted Operating Margin¹ was lower as a result of the dilutive effect of the amortization of production costs of \$11.0 million.
- In the first half of 2023, Entertainment content development, net carrying amount in intangibles assets increased primarily due to the capitalized costs to produce *PAW Patrol: The Mighty Movie* and *Unicorn Academy*. These productions were delivered and amortized starting in the second half of 2023.
- In Q1 2023 and Q3 2022, the Entertainment segment experienced higher Entertainment Operating and Entertainment Adjusted Operating Margin¹ from higher margin accretive licensing and merchandising revenue, as well as lower costs due to fewer content deliveries compared to other quarters.

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

Digital Games Segment Results

The following table provides a summary of the Digital Games segment's operating results for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Digital Games Revenue	37.7	45.3	(7.6)	(16.8)%
Digital Games Operating Income	5.1	13.6	(8.5)	(62.5)%
Digital Games Operating Margin	13.5 %	30.0 %		(16.5)%
Digital Games Adjusted Operating Income ¹	7.3	15.5	(8.2)	(52.9)%
Digital Games Adjusted Operating Margin ¹	19.4 %	34.2 %		(14.8)%
Selected Cash Flow Data				
Digital Games capital expenditures	7.7	5.0	2.7	54.0 %

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

Digital Games Revenue declined by \$7.6 million or 16.8% to \$37.7 million, due to lower in-game purchases in *Toca Boca World*. Despite continued strong consumer engagement, increased competition in the marketplace has led to lower in-game spending per user. The revenue decline in *Toca Boca World* was offset in part by growth in subscription revenue in both *Piknik* and *PAW Patrol Academy*. Constant Currency Digital Games Revenue¹ decreased by \$7.8 million or 17.2% to \$37.5 million, down from \$45.3 million.

Digital Games Operating Income decreased by \$8.5 million or 62.5% to \$5.1 million. Digital Games Adjusted Operating Income¹ decreased by \$8.2 million or 52.9% to \$7.3 million from \$15.5 million. Digital Games Operating Margin decreased from 30.0% to 13.5%. Digital Games Adjusted Operating Margin¹ decreased from 34.2% to 19.4%. The decrease in Digital Games Operating Income, Adjusted Operating Income¹, Operating Margin and Adjusted Operating Margin¹ was due to the decline in revenue and increased investments in marketing across the Digital Games portfolio.

Digital Games capital expenditures were \$7.7 million compared to \$5.0 million, an increase of \$2.7 million or 54.0%, from higher development costs for *Toca Days*, *Toca Boca World*, *Rubik's Match*, *PAW Patrol Academy*, *Piknik* and *Unicorn Academy*.

The following table provides a summary of the Digital Games segment's operating results for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended Sep 30,			
(US\$ millions)	2024	2023	\$ Change	% Change
Digital Games Revenue	118.4	133.3	(14.9)	(11.2)%
Digital Games Operating Income	22.6	39.4	(16.8)	(42.6)%
Digital Games Operating Margin	19.1 %	29.6 %		(10.5)%
Digital Games Adjusted Operating Income ¹	28.4	47.3	(18.9)	(40.0)%
Digital Games Adjusted Operating Margin ¹	24.0 %	35.5 %		(11.5)%
Selected Cash Flow and Balance Sheet Data				
Digital Games capital expenditures	24.4	14.0	10.4	74.3 %
Digital Games development, net carrying amount	50.6	31.5	19.1	60.6 %

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

Digital Games Revenue declined by \$14.9 million or 11.2% to \$118.4 million, due to lower in-game purchases in *Toca Boca World*. Despite continued strong consumer engagement, increased competition in the marketplace has led to lower in-game spending per user. The revenue decline in *Toca Boca World* was offset in part by growth in subscription revenue in both *Piknik* and *PAW Patrol Academy*. Constant Currency Digital Games Revenue¹ decreased by \$15.0 million or 11.3% to \$118.3 million, up from \$133.3 million.

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

Digital Games Operating Income decreased by \$16.8 million or 42.6% to \$22.6 million. Digital Games Adjusted Operating Income¹ decrease by \$18.9 million or 40.0% to \$28.4 million from \$47.3 million. Digital Games Operating Margin decreased from 29.6% to 19.1%. Digital Games Adjusted Operating Margin¹ decreased from 35.5% to 24.0%. The decrease in Digital Games Operating Income, Adjusted Operating Income¹, Operating Margin and Adjusted Operating Margin¹ was due to the decline in revenue and increased investments in marketing across the Digital Games portfolio.

Digital Games capital expenditures were \$24.4 million compared to \$14 million, an increase of \$10.4 million or 74.3%, from higher development costs for *Toca Days*, *Toca Boca World*, *PAW Patrol Academy*, *Unicorn Academy* and *Piknik*.

Digital Games development, net carrying amount increased by \$19.1 million to \$50.6 million compared to \$31.5 million, primarily as a result of higher development costs for *Toca Days*, *Toca Boca World*, *PAW Patrol Academy*, *Unicorn Academy*, *Rubik's Match* and *Piknik*.

Digital Games Segment Trend Analysis

(US\$ millions)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Digital Games Revenue	37.7	34.7	46.0	40.6	45.3	40.5	47.5	37.9
Digital Games Operating Income	5.1	4.3	13.2	9.7	13.6	9.6	16.2	10.1
Digital Games Operating Margin	13.5 %	12.4 %	28.7 %	23.9 %	30.0 %	23.7%	34.1%	26.6%
Digital Games Adjusted Operating Income ¹	7.3	5.9	15.2	10.8	15.5	12.8	19.0	12.3
Digital Games Adjusted Operating Margin ¹	19.4 %	17.0%	33.0%	26.6%	34.2 %	31.6%	40.0%	32.5%

Selected Cash Flow and Balance Sheet Data

Digital Games capital expenditures	7.7	8.8	7.9	6.7	5.0	5.1	3.9	3.9
Digital Games development, net carrying amount ²	50.6	43.5	36.4	31.5	25.3	22.0	19.4	17.1

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

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

Digital Games segment results fluctuated from quarter to quarter. Digital Games Revenue tracks the play patterns of its target audience. For games that have a target audience of ages 6-12, the traditional seasonality peaks in both engagement and revenue during school holidays. Digital Games Revenue is typically higher during traditional vacation periods and when new content is launched in each fiscal year, with proportionate Digital Games Operating Income and cash flows generated during the same period. Digital Games Operating Income and Digital Games Adjusted Operating Margins¹ fluctuate between quarters due to the timing of product development and personnel related costs. Quarters with higher Digital Games Revenue will also drive operating leverage, leading to higher Operating Margins.

In 2023 and 2024, Digital Games capital expenditure and development costs as well as the net carrying amount of intangibles assets increased primarily due to the capitalized costs for the development of a number of new games including *Toca Days*, *Paw Patrol Academy*, *Toca Boca World*, *Rubik's Match* and *Unicorn Academy*.

Corporate & Other for the three and nine months ended September 30, 2024 as compared to the same period in 2023:

For the three months ended September 30, 2024, Operating Loss for Corporate & Other was \$5.3 million, a decrease of \$16.6 million compared to an Operating Gain of \$11.3 million, primarily related to a decrease in foreign exchange gain from \$19.2 million to \$1.2 million. Adjusted Operating Loss¹ was \$3.8 million compared to \$3.3 million.

For the nine months ended September 30, 2024, Operating Loss was \$28.3 million compared to \$13.2 million, a change of \$15.1 million primarily related to a decrease in foreign exchange gain from foreign exchange gain of \$3.5 million to foreign exchange loss of \$3.2 million and increase in transaction and integration expenses. Adjusted Operating Loss¹ increased to \$10.0 million compared to \$8.1 million.

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

INVESTMENTS AND ACQUISITIONS

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 "4D Vendors") creators of puzzle games. Management performed an analysis under IFRS 3, Business Combinations ("IFRS 3") and has determined that the assets and processes acquired comprised a business and therefore, accounted for the transaction as a business combination using the acquisition method of accounting. This acquisition complements the Company's existing puzzle games 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.

Purchase consideration of \$18.9 million has been allocated as follows: \$8.5 million to intangible assets, \$0.7 million to inventories and \$0.4 million to prepaid and other assets, with the remainder of \$9.3 million allocated to goodwill.

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., and Innovation First Logistics, Inc (collectively, the "Innovation First Vendors"). 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 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 interim statements of financial position.

The total purchase consideration of \$14.6 million has been allocated as follows: \$7.7 million to intangible assets, \$2.9 million to inventories, \$0.5 million to prepaid and other assets, and \$0.4 million to property, plant and equipment with the remainder of \$3.1 million allocated to goodwill.

Spin Master Ventures

Spin Master Ventures ("SMV") focus is to accelerate growth by making investments in companies operating in each of the Company's three creative centres comprising Toys, Entertainment and Digital Games. Spin Master has initially allocated \$100 million of capital to SMV, to be funded from existing internal resources. As at September 30, 2024, the carrying value of investment in associate, minority interest and other investments was \$11.8 million.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

(in US\$ millions, except EPS)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue	885.7	412.0	316.2	502.6	710.2	420.7	271.4	465.8
Operating Income (Loss)	203.2	(23.0)	(61.8)	(36.6)	197.2	34.4	(6.1)	(24.0)
Operating Margin	22.9%	(5.6)%	(19.5)%	(7.3)%	27.8%	8.2%	(2.2)%	(5.2)%
Adjusted Operating Income (Loss) ¹	243.4	23.6	(14.5)	23.2	190.2	62.6	12.7	(5.5)
Adjusted Operating Margin ¹	27.5%	5.7%	(4.6)%	4.6%	26.8%	14.9%	4.7%	(1.2)%
Net Income (Loss)	140.1	(24.5)	(54.8)	(30.1)	155.4	28.0	(1.9)	(13.8)
Basic EPS	\$1.36	\$(0.24)	\$(0.53)	\$(0.29)	\$1.50	\$0.27	\$(0.02)	\$(0.13)
Diluted EPS	\$1.32	\$(0.24)	\$(0.52)	\$(0.28)	\$1.45	\$0.26	\$(0.02)	\$(0.13)
Adjusted EBITDA ¹	277.5	53.6	18.6	64.9	234.9	88.4	30.6	12.4
Adjusted EBITDA Margin ¹	31.3%	13.0%	5.9%	12.9%	33.1%	21.0%	11.3%	2.7%
Adjusted Net Income (Loss) ¹	169.7	9.6	(19.50)	20.5	143.6	48.8	12.3	—
Adjusted Basic EPS ¹	\$1.65	\$0.09	\$(0.19)	\$0.20	\$1.39	\$0.47	\$0.12	\$—
Adjusted Diluted EPS ¹	\$1.60	\$0.09	\$(0.19)	\$0.19	\$1.34	\$0.45	\$0.12	\$—
Balance Sheet and Cash Flow								
Cash and cash equivalents	114.2	154.6	205.5	705.7	650.7	554.9	569.3	644.3
Cash provided by (used in) operating activities	74.9	16.3	24.3	67.9	144.3	19.1	(4.3)	(6.8)
Cash used in investing activities	(30.2)	(27.4)	(980.4)	(23.3)	(25.1)	(30.3)	(56.6)	(28.2)
Free Cash Flow ¹	44.7	(3.6)	(0.6)	44.3	118.9	(5.9)	(34.4)	(30.1)

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

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

- Revenue, Operating Income (Loss), Net Income (Loss), and cash flows generated are significantly affected by the seasonality factors of the Toys segment, with a higher concentration historically in the third and fourth quarters of each fiscal year. Melissa & Doug is included in the Toys segment effective in Q1 2024.
- In 2022, a higher proportion of Toy Gross Product Sales¹ shifted into the first and second quarters from the third and fourth quarters as retailers ordered earlier in the year to minimize the then anticipated supply chain disruptions. The third and fourth quarters of 2022 were also pressured by the macroeconomic environment, particularly from higher inflation compounded by foreign exchange volatility and a carry-over of inventory at retailers from the first half of 2022. These factors resulted in a strong first half of 2022 with Toy Gross Product Sales¹ representing 45% of 2022 annual Toy Gross Product Sales¹ compared to 30%-35% typically.
- Quarters with higher cash used in investing activities reflect higher capital expenditures across the operating segments as well as periods with investment or acquisition related activity.
 - In Q1 2024, the Company acquired all of the issued and outstanding capital stock in Melissa & Doug for total cash considerations of \$991.7 million, including \$36.2 million of cash acquired, which was funded with \$466.7 million in cash and \$525.0 million of debt.

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

- In Q1 2023, the Company acquired certain assets from the 4D Vendors for total purchase considerations of \$18.9 million which included \$14.6 million of cash consideration and acquired certain assets from the Innovation First Vendors. for total purchase consideration of \$14.6 million (\$12.9 million of cash consideration).
- In the Q3 2022, the Company acquired certain assets from SolidRoots LLC for total purchase considerations of \$10.7 million (\$8.5 million of cash consideration) and acquired the remaining shares of Nørdlight Games AB for total purchase considerations of \$3.2 million which included \$2.5 million of cash consideration.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2024, the Company had Cash of \$114.2 million (December 31, 2023 - \$705.7 million).

As at September 30, 2024, the Company had unutilized liquidity of \$434.4 million, comprised of \$114.2 million in Cash and \$320.2 million under the Company's credit facilities.

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. Total financing costs of \$1.8 million, which include facility amendment fees and related legal fees, are recognized in Other assets and are being amortized over the term of the amended and restated agreement.

The Company has a non-revolving credit facility (the "Acquisition Facility") for the acquisition of Melissa & Doug with a borrowing capacity of \$225.0 million which 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 arrangement and agency fees and related legal fees, are recognized in Other assets and are being amortized over the term of the facility.

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

During the nine months ended September 30, 2024, the Company repaid \$115.0 million of the Facility. As at September 30, 2024, there was \$185.0 million drawn (December 31, 2023 - \$nil) under the Facility and \$225.0 million drawn (December 31, 2023 - \$nil) under the Acquisition Facility.

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

The Company's Facility and Acquisition Facility bear interest at variable rates. As a result, the Company is exposed to interest rate risk due to fluctuations in lenders' base rates. The Company manages its interest rate risk by using a variable to fixed interest rate swap, where the Company pays the fixed interest rate. On March 27, 2024, the Company entered into four interest rate swaps with an aggregate notional principal of \$140.0 million, effective on April 1, 2024, maturing in four tranches until December 31, 2025.

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).

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).

The Company's primary source of liquidity is cash flow from operations. The Company's primary capital needs are related to inventory financing, accounts payable funding, and capital expenditures for Toys tooling, Entertainment content production, Digital Games development and to fund strategic acquisitions and minority investments. As a result of the seasonal nature of the toy industry, working capital requirements are variable throughout the year. Working capital needs typically grow through the first three quarters as inventories are built up 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 third quarter, however, may be impacted by the factors discussed below.

The Company paid and declared its first quarterly dividend in the third quarter of 2022. The declaration and payment of dividends on the Company's subordinate voting shares and multiple voting shares and the amount thereof are at the discretion of the Company's Board of Directors, which considers the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Subsequent to September 30, 2024, the Company declared a quarterly dividend of C\$0.12 per outstanding subordinate voting share and multiple voting share, payable January 10, 2025.

Cash flows from operations could be negatively impacted by lower demand for the Company's products, which may result from factors such as adverse economic conditions and changes in consumer preferences, the loss of confidence by the Company's principal customers in the Company and its product lines, or by increased costs associated with manufacturing and distribution of products.

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

Short Form Base Shelf Prospectus

The Company filed a short form base shelf prospectus dated April 12, 2024, pursuant to which, for a period of 25 months thereafter, the Company (and shareholders of the Company) may sell subordinate voting shares, preferred shares, debt securities, subscription receipts, warrants or any combination thereof as a unit. This filing provides the Company with the flexibility to access debt and equity markets on a timely basis.

The Company previously filed a short form base shelf prospectus dated November 2, 2021 for a period of 25 months.

Capital and Investment Framework

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

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

CASH FLOW

The following table provides a summary of Spin Master's consolidated cash flows for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change
Net cash flows provided by operating activities	74.9	144.3	(69.4)
Net cash flows used in investing activities	(30.2)	(25.1)	(5.1)
Net cash flows used in financing activities	(88.5)	(8.4)	(80.1)
Net decrease in cash (excluding the effect of foreign currency exchange rate changes on cash)	(43.8)	110.8	(154.6)
Effect of foreign currency exchange rate changes on cash	3.3	(15.0)	18.3
Cash, beginning of period	154.6	554.9	(400.3)
Cash, end of period	114.2	650.7	(536.5)

The following table provides a summary of Spin Master's consolidated cash flows for the nine months ended September 30, 2024 as compared to the same period in 2023:

	Nine Months Ended Sep 30,		
(US\$ millions)	2024	2023	\$ Change
Net cash flows provided by operating activities	124.6	159.1	(34.5)
Net cash flows used in investing activities	(1,038.0)	(112.0)	(926.0)
Net cash flows provided by (used in) financing activities	319.7	(35.9)	355.6
Net decrease in cash (excluding the effect of foreign currency exchange rate changes on cash)	(593.7)	11.2	(604.9)
Effect of foreign currency exchange rate changes on cash	2.1	(4.8)	6.9
Cash, beginning of period	705.7	644.3	61.4
Cash, end of period	114.2	650.7	(536.5)

Operating Activities as compared to the same period in 2023:

Cash flows provided by operating activities were \$74.9 million for the three months ended September 30, 2024 compared to \$144.3 million driven by the change in non-cash working capital and higher interests paid, partially offset by higher Net Income, adjusted for non-cash items. Change in non-cash working capital decreased \$183.8 million as compared to a decrease of \$71.4 million.

Cash flows provided by operating activities were \$124.6 million for the nine months ended September 30, 2024 compared to \$159.1 million driven by higher interests paid and lower Net Income, adjusted for non-cash items, partially offset by the change in non-cash working capital and lower income taxes paid. Change in non-cash working capital decreased \$101.9 million as compared to a decrease of \$131.9 million.

The following table provides a summary of Spin Master's net changes in non-cash working capital for the nine months ended September 30, 2024 as compared to the same period in 2023:

	Nine Months Ended Sep 30,		
(US\$ millions)	2024	2023	\$ Change
(Increase) decrease in:			
Trade receivables, net	(125.1)	(147.9)	22.8
Other receivables	(5.4)	(9.9)	4.5
Inventories, net	(52.9)	(44.6)	(8.3)
Prepaid expenses and other assets	0.1	(16.6)	16.7
Advances on royalties	0.4	—	0.4
	(182.9)	(219.0)	36.1
Increase (decrease) in:			
Trade payables and accrued liabilities	81.3	95.8	(14.5)
Deferred revenue	0.2	(7.0)	7.2
Provisions	(0.5)	(1.7)	1.2
	81.0	87.1	(6.1)
Net changes in non-cash working capital	(101.9)	(131.9)	30.0

Net Working Capital¹

The table below outlines key financial information pertaining to the Company's Net Working Capital¹:

(US\$ millions)	Sep 30, 2024	Dec 31, 2023	\$ Change
Trade receivables, net ¹	643.5	414.4	229.1
Other receivables ²	56.5	60.0	(3.5)
Inventories, net ³	264.2	98.0	166.2
Prepaid expenses and other assets	46.2	40.9	5.3
Current assets	1,010.4	613.3	397.1
Trade payables	312.1	189.2	122.9
Accrued liabilities ⁴	216.5	196.2	20.3
Deferred revenue	11.2	11.0	0.2
Provisions	24.7	32.1	(7.4)
Current liabilities	564.5	428.5	136.0
Net Working Capital⁵	445.9	184.8	261.1

¹ Trade receivables are net of allowance for doubtful accounts and provisions for sales allowances. Refer to Note 10 of the interim financial statements.

² Other receivables include investment tax credits receivable, royalties, sales tax and other balances. Refer to Note 10 of the interim financial statements.

³ Inventories are net of write-downs. Refer to Note 11 of the interim financial statements.

⁴ Accrued liabilities are comprised of payroll related liabilities, accrued royalties, commodity tax, dividends payable, accrued liability for the automatic share purchase plan, restructuring liability and other balances. Refer to Note 16 of the interim financial statements.

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

Net Working Capital¹ increased by \$261.1 million to \$445.9 million at September 30, 2024 from \$184.8 million. Excluding the impact of the net working capital acquired through the acquisition of Melissa & Doug and foreign exchange, total Net Working Capital¹ increased by \$101.9 million.

Trade receivables, net, increased by \$229.1 million to \$643.5 million at September 30, 2024 from \$414.4 million, primarily as a result of the inclusion of Melissa & Doug and from the timing of orders and shipments, change in geographic and customer mix of Toy Revenue.

Other receivables decreased by \$3.5 million to \$56.5 million at September 30, 2024 from \$60.0 million, driven by a decrease in interest and rebate receivables.

Inventories, net, increased by \$166.2 million to \$264.2 million at September 30, 2024 from \$98.0 million, due to the inventories acquired from Melissa & Doug and the timing of the purchase of inventories in line with the seasonality of the business.

Trade payables and accrued liabilities increased by \$143.2 million to \$528.6 million at September 30, 2024 from \$385.4 million, driven by the timing of purchasing activity and payments, partially offset by the inclusion of Melissa & Doug.

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

Investing Activities as compared to the same period in 2023:

The following table provides a summary of Spin Master's consolidated cash flows used in investing activities for the three months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change
Property, plant and equipment			
Tooling	3.4	4.1	(0.7)
Other	3.9	4.1	(0.2)
Total property, plant and equipment	7.3	8.2	(0.9)
Intangible assets			
Entertainment content and Digital Games development	21.7	16.8	4.9
Computer software	1.2	0.4	0.8
Total intangible assets	22.9	17.2	5.7
Total capital expenditures	30.2	25.4	4.8
Minority interest and other investments, net of investment distribution income	—	(0.3)	0.3
Cash used in investing activities	30.2	25.1	5.1

Cash used in investing activities was \$30.2 million for the three months ended September 30, 2024 compared to \$25.1 million primarily as a result of the development of Entertainment content and Digital Games.

The following table provides a summary of Spin Master's consolidated cash flows used in investing activities for the nine months ended September 30, 2024 as compared to the same period in 2023:

(US\$ millions)	Nine Months Ended Sep 30,		\$ Change
	2024	2023	
Property, plant and equipment			
Tooling	17.9	15.6	2.3
Other	7.2	6.7	0.5
Total property, plant and equipment	25.1	22.3	2.8
Intangible assets			
Entertainment content and Digital Games development	56.8	55.6	1.2
Computer software	3.2	2.6	0.6
Brands, licenses and trademark acquisitions	—	3.3	(3.3)
Total intangible assets	60.0	61.5	(1.5)
Total capital expenditures	85.1	83.8	1.3
Business acquisitions	952.9	26.5	926.4
Minority interest and other investments, net of investment distribution income	—	1.7	(1.7)
Cash used in investing activities	1,038.0	112.0	926.0

For the nine months ended September 30, 2024, cash used in investing activities was \$1,038.0 million compared to \$112.0 million. The increase was primarily related to the business acquisitions of Melissa & Doug.

Financing Activities as compared to the same period in 2023:

Cash flows used in financing activities were \$88.5 million for the three months ended September 30, 2024 compared to \$8.4 million primarily due to repayment of \$50.0 million towards the Facility and the repurchase of shares for \$21.1 million (refer to the "Liquidity and Capital Resources" section for more details).

Cash flows provided by financing activities were \$319.7 million for the nine months ended September 30, 2024 compared to cash used in financing activities of \$27.5 million primarily due to proceeds of \$525.0 million of debt comprised of \$300.0 million from the Facility and \$225.0 million from the Acquisition Facility, to finance the Melissa & Doug acquisition. During the nine months ended September 30, 2024, the Company repaid \$115.0 million towards the Facility and repurchased shares for \$46.7 million.

Free Cash Flow¹ as compared to the same period in 2023:

The following table provides 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 September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change
Cash provided by operating activities	74.9	144.3	(69.4)
Cash used in investing activities	(30.2)	(25.1)	(5.1)
Free Cash Flow¹	44.7	118.9	(74.2)

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

Free Cash Flow¹ was \$44.7 million for the three months ended September 30, 2024 compared to \$118.9 million, a decrease of \$74.2 million. Free Cash Flow¹ decreased due to the change in non-cash working capital and higher interests paid, partially offset by higher Net Income, adjusted for non-cash items. Change in non-cash working capital decreased \$183.8 million as compared to a decrease of \$71.4 million. .

The following table provides a reconciliation of Spin Master's consolidated Free Cash Flow¹ to cash from operating activities and cash used in investing activities for the nine months ended September 30, 2024 as compared to the same period in 2023:

(US\$ millions)	Nine Months Ended Sep 30,		\$ Change
	2024	2023	
Cash flows provided by operating activities	124.6	159.1	(34.5)
Cash flows used in investing activities	(1,038.0)	(112.0)	(926.0)
Add:			
Business acquisitions, net of cash acquired	952.9	26.5	926.4
Investment in associate	1.0	—	1.0
Investment in trademark license agreement	—	3.3	(3.3)
Investment distribution income	—	(0.3)	0.3
Minority interest and other investments	—	2.0	(2.0)
Free Cash Flow¹	40.5	78.6	(38.1)

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

For the nine months ended September 30, 2024, Free Cash Flow¹ was \$40.5 million compared to \$78.6 million, an decrease of \$38.1 million. Free Cash Flow¹ decreased primarily due to higher interests paid and lower Net Income, adjusted for non-cash items, partially offset by the change in non-cash working capital and lower income taxes paid. Change in non-cash working capital decreased \$101.9 million as compared to a decrease of \$131.9 million.

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

OUTLOOK

The Company continues to expect for 2024:

- Toy Gross Product Sales, excluding Melissa & Doug¹ to be in line with 2023.
- Consolidated Revenue, excluding Melissa & Doug¹, to be in line with 2023.
- Adjusted EBITDA Margin, excluding Melissa & Doug¹ and Net Cost Synergies² realized, to be in line with 2023.

Incrementally, the Company continues to expect for 2024:

- Melissa & Doug Toy Gross Product Sales¹ to be between \$420 million to \$430 million.
- Melissa & Doug Revenue to be between \$370 million to \$375 million.
- Melissa & Doug Adjusted EBITDA Margin¹ of approximately 19.5%.
- To achieve in addition approximately \$6 million in Net Cost Synergies² towards the target of approximately \$25 million to \$30 million in Run-rate Net Cost Synergies² by the end of 2026.

CONTRACTUAL OBLIGATIONS & COMMITMENTS

In the normal course of business, the Company enters into contractual arrangements to obtain and protect its 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, the Company routinely enters into non-cancellable lease agreements for premises and equipment, which contain minimum rental payments.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

CAPITALIZATION

Share Capital

As at October 30, 2024, there were 102.4 million shares outstanding comprised of 68.5 million multiple voting shares and 33.9 million subordinate voting shares.

As of October 30, 2024, pursuant to grants under the Company's Long-Term Incentive Plan, 1.4 million subordinate voting shares were issuable under outstanding Restricted Stock Units, up to 1.5 million subordinate voting shares were issuable under outstanding Performance Share Units (assuming vesting at a maximum of 200% for units with an outstanding performance period) and 0.5 million subordinate voting shares were issuable under outstanding Share Option grants.

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

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

The following table provides a summary of dividends declared and paid.

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.

Normal Course Issuer Bid

On February 28, 2024, the Company launched, and the Toronto Stock Exchange ("TSX") accepted the notice to launch an NCIB. Under the NCIB, the Company can repurchase its subordinate voting shares on the open market at its discretion and subject to compliance with applicable securities laws. 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.

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

(US\$ millions)	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

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with its designated broker to facilitate the repurchase of subordinate voting shares. During the nine months ended September 30, 2024, the Company repurchased and cancelled 2,063,723 subordinate voting shares (2023 - 397,700 shares) (6.0% of total shares outstanding as at September 30, 2024) through the Company's NCIB program for \$47.3 million (C\$64.4 million) (2023 - \$10.5 million), of which \$0.6 million was paid subsequent to September 30, 2024. Subsequent to September 30, 2024, the Company repurchased and cancelled 265,900 subordinate voting shares for \$6.3 million (C\$8.5 million).

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.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies under IFRS are included in the Company's annual financial statements, as well as in the Company's annual MD&A. These accounting policies under IFRS and estimates are critical to the understanding of the business and to the results of operations.

For the nine months ended September 30, 2024, there were no material changes to the critical accounting estimates of the Company from those reported in the annual MD&A and annual financial statements.

FINANCIAL INSTRUMENTS

Foreign exchange forward contracts

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.

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

Interest rate swaps

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.

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)

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.

Investment in a limited partnership

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 valuation 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 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.

Minority interest and other investments

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.

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 September 30, 2024 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR, except as noted below.

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, the Company excluded Melissa & Doug from its evaluation of disclosure controls and procedures ("DC&P") and ICFR. Given the size and timing of the Melissa & Doug acquisition, the limitation in scope is primarily due to the time required to assess their DC&P and ICFR. The Company acquired Melissa & Doug on January 2, 2024.

For the three and nine months ended September 30, 2024, Melissa & Doug's Revenue was \$155.0 million and \$238.7 million, respectively, and Operating Income was \$49.4 million and \$37.4 million, respectively. Additionally, as at September 30, 2024, Melissa & Doug's current assets and current liabilities were approximately 25% and 13% of Current Assets and Current Liabilities, respectively, and Melissa & Doug's Non-Current Assets and Non-Current Liabilities were approximately 37% and 19% of Non-Current Assets and Non-Current Liabilities, respectively.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

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

NON-GAAP FINANCIAL MEASURES AND RATIOS, SUPPLEMENTARY FINANCIAL MEASURES

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

- Adjusted EBITDA
- Melissa & Doug Adjusted EBITDA
- Toys Adjusted EBITDA
- Entertainment Adjusted EBITDA
- Digital Games Adjusted EBITDA
- Adjusted Operating Income (Loss)
- Toys Adjusted Operating Income (Loss)
- Entertainment Adjusted Operating Income (Loss)
- Digital Games Adjusted Operating Income (Loss)
- Adjusted Net Income (Loss)
- Free Cash Flow
- Toy Gross Product Sales
- Melissa & Doug Toy Gross Product Sales
- Toy Revenue, excluding Melissa & Doug
- Revenue, excluding Melissa & Doug
- Constant Currency Toy Gross Product Sales
- Constant Currency Sales Allowances
- Constant Currency Toy - Other Revenue
- Constant Currency Toy Revenue
- Constant Currency Digital Games Revenue
- Constant Currency Entertainment Revenue
- Constant Currency Revenue
- Adjusted Gross Profit
- Adjusted SG&A
- Net Working Capital
- Adjusted EBITDA, excluding Melissa & Doug
- Toys Adjusted EBITDA, excluding Melissa & Doug
- Toy Gross Product Sales, excluding Melissa & Doug
- Adjusted EBITDA, excluding *PAW Patrol: The Mighty 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
- Melissa & Doug Adjusted EBITDA Margin
- Toys Adjusted EBITDA Margin
- Entertainment Adjusted EBITDA Margin
- Digital Games Adjusted EBITDA Margin
- Adjusted Operating Margin
- Toys Adjusted Operating Margin
- Entertainment Adjusted Operating Margin
- Digital Games Adjusted Operating Margin
- Adjusted Basic EPS
- Adjusted Diluted EPS
- Sales Allowance as a percentage of Toy Gross Product Sales
- Adjusted Gross Margin
- Adjusted SG&A as a percentage of Revenue
- Percentage change in Constant Currency Toy Gross Product Sales

- Percentage change in Constant Currency Toy - Other Revenue
- Percentage change in Constant Currency Toy Revenue
- Percentage change in Constant Currency Digital Games Revenue
- Percentage change in Constant Currency Revenue
- Percentage change in Constant Currency Entertainment Revenue
- Adjusted EBITDA Margin, excluding Melissa & Doug
- Toys Adjusted EBITDA Margin, excluding Melissa & Doug

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

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

- Net Cost Synergies
- Run-rate Net Cost Synergies

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

Non-GAAP Financial Measures

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

Melissa & Doug Adjusted EBITDA is calculated as Melissa & Doug Operating Income (Loss) before before interest income and interest expense and depreciation and amortization (EBITDA) excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring and other related costs, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, impairment of goodwill, investment distribution income, loss on Minority interest and other investments, acquisition related deferred incentive compensation, net unrealized gain or loss on investment, impairment of property, plant and equipment, legal settlement, transaction cost and gain on disposal of asset. Melissa & Doug 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 Melissa & Doug Operating Income (Loss), the closest IFRS measure.

Toys Adjusted EBITDA is calculated as Toy Operating Income (Loss) before before interest income and interest expense and depreciation and amortization (EBITDA) excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring and other related costs, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, impairment of goodwill, investment distribution income, loss on

Minority interest and other investments, acquisition related deferred incentive compensation, net unrealized gain or loss on investment, impairment of property, plant and equipment, legal settlement, transaction cost and gain on disposal of asset. Toys Adjusted EBITDA is used by management as a measure of the Company's profitability. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Toys Operating Income (Loss), the closest IFRS measure.

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

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

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

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

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

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

Adjusted Net Income (Loss) is calculated as Net Income (Loss) excluding adjustments (as defined in Adjusted EBITDA), the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income (Loss) to measure the underlying financial performance of the business on a consistent basis over time.

Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Free Cash Flow is calculated as cash flows provided by/used in operating activities reduced by cash flows used in investing activities and adding back cash used for business acquisitions, advance paid for business acquisitions, asset acquisitions, investment in limited partnership, Minority interest and other investments, proceeds from sale of manufacturing operations and net of investment distribution income. Management uses the Free Cash Flow metric to analyze the cash flows being generated by the Company's business. 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 Revenue, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses Toy Gross Product Sales to provide meaningful comparisons across product categories and geographical results to highlight trends in Spin Master's business. For a reconciliation of Toy Gross Product Sales to Revenue, the closest IFRS measure, refer to the "Toy Revenue" section within the "Financial Performance" section for the three and nine months ended September 30, 2024, and the "Reconciliation of Non-GAAP Financial Measures" section for the previous eight fiscal quarters.

Melissa & Doug Toy Gross Product Sales represent Toy revenue contributed by Melissa & Doug, excluding the impact of Sales Allowances, to measure the underlying financial performance of the business on a consistent basis over time. For a reconciliation of Melissa & Doug Toy Gross Product Sales to Melissa & Doug Revenue, the closest IFRS measure, refer to "Reconciliation of Non-GAAP Financial Measures" section.

Toy Revenue, excluding Melissa & Doug represents Toy Revenue, excluding Melissa & Doug Toy Revenue, to measure the underlying financial performance of the business on a consistent basis over time. Refer to "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Toy Revenue, the closest IFRS measure.

Revenue, excluding Melissa & Doug is calculated as revenue excluding Melissa & Doug Revenue, to measure the underlying financial performance of the business on a consistent basis over time. Refer to "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Revenue, the closest IFRS measure.

Constant Currency Toy Gross Product Sales, Constant Currency Sales Allowances, Constant Currency Toy - Other Revenue, Constant Currency Toy Revenue, Constant Currency Entertainment Revenue, Constant Currency Digital Games Revenue, and Constant Currency Revenue represent Toy Gross Product Sales, Sales Allowance, Toy - Other Revenue, Toy revenue, Entertainment revenue, Digital Games revenue, and Revenue presented excluding the impact from changes in foreign currency exchange rates, respectively. The current period and prior period results for entities reporting in currencies other than the US 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, Constant Currency Sales Allowances, Constant Currency Toy - Other Revenue, Constant Currency Toy Revenue, Constant Currency Entertainment Revenue, Constant Currency Digital Games Revenue, and Constant Currency Revenue to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of these metrics to Revenue, the closest IFRS measure.

Adjusted Gross Profit is calculated as Gross Profit adjusted for fair value adjustment for inventories acquired. Refer to the Adjusted Gross Profit table for the three and nine months ended September 30, 2024 as compared to the same period in 2023 in this MD&A. Management uses Adjusted Gross Profit to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Gross Profit"

section within the "Financial Performance" section for a reconciliation of these metrics to Gross Profit, the closest IFRS measure.

Adjusted SG&A is calculated as selling, general and administrative expenses adjusted for restructuring and other related costs, share based compensation expenses, transaction and integration costs and bad debt recovery. Refer to the Adjusted SG&A table for the three and nine months ended September 30, 2024 as compared to the same period in 2023 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 nine months ended September 30, 2024 as compared to the same period in 2023 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.

Adjusted EBITDA, excluding Melissa & Doug is calculated as Adjusted EBITDA excluding Melissa & Doug Adjusted EBITDA. Adjusted EBITDA, excluding Melissa & Doug 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 Operating Income (Loss), the closest IFRS measure.

Toys Adjusted EBITDA, excluding Melissa & Doug is calculated as Toys Adjusted EBITDA excluding Melissa & Doug Adjusted EBITDA. Toys Adjusted EBITDA, excluding Melissa & Doug 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 Toys Operating Income (Loss), the closest IFRS measure.

Toy Gross Product Sales, excluding Melissa & Doug represent Toy Revenue, excluding Melissa & Doug Toy Gross Product Sales and the impact of Sales Allowances, to measure the underlying financial performance of the business on a consistent basis.

Adjusted EBITDA, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as Adjusted EBITDA excluding distribution revenue related to *PAW Patrol: The Mighty Movie*. Adjusted EBITDA, excluding *PAW Patrol: The Mighty 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.

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

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

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

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

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

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

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

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

Adjusted Basic EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of 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 Allowances as a percentage of Toy Gross Product Sales is calculated by dividing Sales Allowances by Toy Gross Product Sales. Management uses Sales Allowance as a percentage of Toy Gross Product Sales to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

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

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

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

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

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

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

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

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

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

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

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

Supplementary Financial Measures

Net Cost Synergies represent cost savings, net of costs to achieve, attributable to the integration of Melissa & Doug.

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

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

(in US\$ millions)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Operating Income (Loss)	203.2	(23.0)	(61.8)	(36.6)	197.2	34.4	(6.1)	(24.0)
Adjusting items:								
Fair value adjustment for inventories acquired ¹	21.5	24.2	20.6	—	—	—	—	—
Share based compensation ²	9.3	6.2	6.1	4.8	5.1	4.8	5.4	4.7
Transaction and integration costs ³	3.9	6.3	16.7	3.8	5.2	1.5	0.6	0.2
Restructuring and other related costs ⁴	2.7	0.5	3.0	3.8	0.8	9.7	3.8	(0.2)
Amortization of intangible assets acquired ⁵	1.8	1.8	1.7	—	—	—	—	—
Acquisition related deferred incentive compensation ⁶	0.9	1.1	1.5	1.6	1.8	2.1	2.1	2.2
Net unrealized loss (gain) on investment ⁷	0.4	0.4	—	0.2	—	(0.3)	—	0.1
Legal settlement expense (recovery)	0.4	—	(0.6)	(0.1)	(0.7)	—	0.2	1.6
Acquisition related contingent consideration ⁸	0.4	(0.5)	(1.6)	(4.7)	—	(2.1)	—	3.1
Impairment of property, plant and equipment ⁹	0.1	—	0.3	0.7	—	—	0.2	0.9
Impairment of intangible assets ¹⁰	—	1.8	—	5.8	0.2	1.0	1.2	1.1
Impairment of goodwill ¹¹	—	—	—	25.7	—	—	1.0	—
Net realized (gain) loss on investment ¹²	—	—	—	—	(0.2)	0.1	—	—
Foreign exchange (gain) loss ¹³	(1.2)	4.8	(0.4)	18.2	(19.2)	11.4	4.3	4.8
Adjusted Operating Income (Loss)	243.4	23.6	(14.5)	23.2	190.2	62.6	12.7	(5.5)
Depreciation and amortization ¹⁴	34.1	30.0	34.8	41.7	44.7	25.8	17.9	17.9
Adjusted EBITDA	277.5	53.6	18.6	64.9	234.9	88.4	30.6	12.4
Distribution revenue related to <i>PAW Patrol: The Mighty Movie</i> ¹⁵	—	—	—	—	(15.6)	—	—	—
Adjusted EBITDA, excluding <i>PAW Patrol: The Mighty Movie</i> Distribution Revenue	277.5	53.6	18.6	64.9	219.3	88.4	30.6	12.4
Distribution revenue related to <i>PAW Patrol: The Movie</i>	—	—	—	—	15.6	—	—	—
Income tax (expense) recovery	(49.7)	9.6	18.5	3.4	(44.2)	(9.6)	0.6	8.5
Interest (expense) income	(13.4)	(11.1)	(11.5)	3.1	2.4	3.2	3.6	1.7
Depreciation and amortization	(34.1)	(30.0)	(33.1)	(41.7)	(44.7)	(25.8)	(17.9)	(17.9)
One-time income tax expense (recovery) ¹⁶	—	—	—	5.7	(6.6)	—	—	—
Tax effect of normalization adjustments ¹⁷	(10.6)	(12.5)	(12.0)	(14.9)	1.8	(7.4)	(4.6)	(4.7)
Adjusted Net Income (Loss)	169.7	9.6	(19.5)	20.5	143.6	48.8	12.3	—

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

² Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan.

³ Professional fees and integration costs incurred relating to acquisitions, including \$9.0 million of transaction costs for the acquisition of Melissa and Doug in 2024 (Q1 2024 - \$9.5 million, Q2 2024 - \$0.5M, Q3 2024 - \$(1.0) million).

⁴ Restructuring expense in the current and prior period relates to the reduction in the Company's global workforce..

⁵ Relates to the amortization of intangible assets acquired with Melissa & Doug.

⁶ Deferred incentive compensation associated with acquisitions.

⁷ Net unrealized loss (gain) related to investment in limited partnership and minority interest and investments.

⁸ Expense associated with contingent consideration for acquisitions.

⁹ Impairment of property plant and equipment related to tooling.

¹⁰ Impairment of intangible assets related to content development projects.

¹¹ Impairment of goodwill associated with three CGUs in Q4 2023.

¹² Net realized (gain) loss related to investment in limited partnership, net of distribution income.

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

¹⁴ Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$1.8 million of amortization of intangible assets acquired with Melissa & Doug.

¹⁵ Distribution revenue related to *PAW Patrol: The Mighty Movie* recognized in Q3 2023 within Entertainment revenue.

¹⁶ Adjustment of one-time income tax recovery in Q3 2023 and one-time income tax expense in Q4 2023.

¹⁷ 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 of Operating Income (Loss) to Adjusted Operating (Loss) Income, and Adjusted EBITDA for the Company's reportable segments for the previous eight fiscal quarters:

Toys Segment

(US\$ millions)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2024	2024	2024	2023	2023	2023	2023	2022
Revenue	810.9	340.9	226.4	406.8	601.5	346.3	186.3	396.7
Operating Income (Loss)	183.5	(34.9)	(90.8)	(30.0)	149.0	23.8	(41.8)	(43.3)
Adjusting items:								
Fair value adjustment for inventories acquired	21.5	24.2	20.6	—	—	—	—	—
Share based compensation	6.6	5.5	4.2	3.2	3.7	3.8	3.4	3.3
Restructuring and other related costs (recovery)	2.0	0.5	2.4	3.3	0.6	9.3	3.1	(0.2)
Transaction and integration costs	2.7	4.3	6.2	—	—	—	—	—
Amortization of intangible assets acquired	1.8	1.8	1.7	—	—	—	—	—
Acquisition related contingent consideration	0.4	(0.5)	(1.6)	(3.5)	—	(2.1)	—	3.1
Acquisition related deferred incentive compensation	0.4	0.4	0.8	0.6	0.7	0.7	0.7	0.7
Impairment of property, plant and equipment	0.1	—	0.3	0.7	—	—	0.2	0.9
Impairment of goodwill	—	—	—	25.7	—	—	1.0	—
Impairment of intangible assets	—	—	—	5.4	—	—	—	—
Adjusted Operating Income (Loss)	219.0	1.3	(56.2)	5.4	154.0	35.5	(33.4)	(35.5)
Adjusted Operating Margin	27.0%	0.4%	(24.8)%	1.3%	25.6%	10.3%	(17.9)%	(8.9)%
Depreciation and amortization	23.2	19.6	23.7	13.9	12.8	12.2	12.0	11.1
Adjusted EBITDA	242.2	20.9	(32.5)	19.3	166.8	47.7	(21.4)	(24.4)
Adjusted EBITDA Margin	29.9%	6.1%	(14.4)%	4.7%	27.7%	(6.2)%	(11.5)%	(6.2)%

Entertainment Segment

(US\$ millions)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2024	2024	2024	2023	2023	2023	2023	2022
Revenue	37.1	36.4	43.8	55.2	63.4	33.9	37.6	31.2
Operating Income	19.9	17.8	28.6	9.7	23.3	15.7	29.3	19.1
Adjusting items:								
Share based compensation	0.5	0.4	0.4	0.3	0.4	0.4	0.3	0.3
Legal settlement expense	0.4	—	—	—	—	—	—	—
Restructuring and other related costs	0.1	—	0.1	0.1	0.1	—	0.1	—
Impairment of intangible assets	—	1.8	—	0.4	0.2	0.2	0.2	1.1
Adjusted Operating Income	20.9	20.0	29.1	10.5	24.0	16.3	29.9	20.5
Adjusted Operating Margin	56.3%	54.9%	66.4%	19.0%	37.9%	48.1%	79.5%	65.7%
Depreciation and amortization	9.1	8.4	7.3	25.6	29.8	11.7	3.7	4.8
Adjusted EBITDA	30.0	28.4	36.4	36.1	53.8	28.0	33.6	25.3
Adjusted EBITDA Margin	80.9%	78.0%	83.1%	65.4%	84.9%	82.6%	89.4%	81.1%

Digital Games Segment

(US\$ millions)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2024	2024	2024	2023	2023	2023	2023	2022
Revenue	37.7	34.7	46.0	40.6	45.3	40.5	47.5	37.9
Operating Income	5.1	4.3	13.2	9.7	13.6	9.6	16.2	10.1
Adjusting items:								
Share based compensation	1.1	0.9	0.8	0.7	0.7	0.9	0.6	0.7
Acquisition related deferred incentive compensation	0.5	0.7	0.7	1.0	1.1	1.4	1.4	1.5
Restructuring and other related costs	0.6	—	0.5	0.4	0.1	0.4	0.6	—
Acquisition related contingent consideration	—	—	—	(1.0)	—	—	—	—
Impairment of intangible assets	—	—	—	—	—	0.5	0.2	—
Adjusted Operating Income	7.3	5.9	15.2	10.8	15.5	12.8	19.0	12.3
Adjusted Operating Margin	19.4%	17.0%	33.0%	26.6%	34.2%	31.6%	40.0%	32.5%
Depreciation and amortization	1.8	2.0	2.1	2.2	2.1	1.9	2.0	1.9
Adjusted EBITDA	9.1	7.9	17.3	13.0	17.6	14.7	21.0	14.2
Adjusted EBITDA Margin	24.1%	22.8%	37.6%	32.0%	38.9%	36.3%	44.2%	37.5%

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

(in US\$ millions)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2024	2024	2024	2023	2023	2023	2023	2022
Cash provided by (used in) operating activities	74.9	16.3	24.3	67.9	144.3	19.1	(4.3)	(6.8)
Cash used in investing activities	(30.2)	(27.4)	(980.4)	(23.3)	(25.1)	(30.3)	(56.6)	(28.2)
Add (Deduct):								
Business acquisitions, net of cash acquired ¹	—	(2.6)	955.5	—	—	—	26.5	0.4
Investment in associate ²	—	1.0	—	—	—	—	—	—
Asset acquisition ³	—	—	—	—	—	3.3	—	—
Advance paid for business acquisitions ⁴	—	—	—	—	—	—	—	1.0
Investment distribution income ⁵	—	—	—	—	(0.3)	—	—	—
Minority interest and other investments ⁶	—	—	—	0.5	—	2.0	—	3.5
Proceeds from sale of manufacturing operations ⁷	—	—	—	(0.8)	—	—	—	—
Free Cash Flow	44.7	(3.6)	(0.6)	44.3	118.9	(5.9)	(34.4)	(30.1)

¹ Cash paid relating to acquisitions of Melissa & Doug in Q1 2024. (2023 - 4D Brands and HEXBUG, both in Q1 2023, 2022 - SolidRoots and Nørdlight).

² Cash paid to acquire additional interest in a Canadian children's education technology company.

³ Cash paid for the assets acquired from a games and puzzles company.

⁴ Cash advance paid in 2022 relating to the acquisition of 4D Brands International Inc., and Innovation First, Inc.

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

⁶ Cash paid in relation to the Minority interest and other investments.

⁷ Cash received for the sale of manufacturing assets in Calais, France in Q4 2023.

The following table presents a reconciliation of Operating Income to Adjusted Operating Income¹, Adjusted EBITDA¹, and Adjusted Net Income¹, and cash from operating activities to Free Cash Flow¹ for the nine months ended September 30, 2024 and 2023:

(in US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Operating Income	118.4	225.5	(107.1)	(47.5)%
Adjustments:				
Fair value adjustment for inventories acquired	66.3	—	66.3	n.m.
Transaction and integration costs ¹	26.9	7.3	19.6	268.5 %
Share based compensation ²	21.6	15.3	6.3	41.2 %
Restructuring and other related costs ³	6.2	14.3	(8.1)	(56.6)%
Amortization of intangible assets acquired	5.3	—	5.3	n.m.
Acquisition related deferred incentive compensation ⁴	3.5	6.0	(2.5)	(41.7)%
Foreign exchange loss (gain) ⁵	3.2	(3.5)	6.7	(191.4)%
Impairment of intangible assets ⁶	1.8	2.4	(0.6)	(25.0)%
Net unrealized loss (gain) on investment ⁷	0.8	(0.3)	1.1	(366.7)%
Impairment of property, plant and equipment ⁸	0.4	0.2	0.2	100.0 %
Impairment of goodwill ⁹	—	1.0	(1.0)	(100.0)%
Net realized gain on investment ¹⁰	—	(0.1)	0.1	(100.0)%
Legal settlement recovery	(0.2)	(0.5)	0.3	(60.0)%
Acquisition related contingent consideration ¹¹	(1.7)	(2.1)	0.4	(19.0)%
Adjusted Operating Income	252.5	265.5	(13.0)	(4.9)%
Depreciation and amortization ¹²	97.2	88.4	8.8	10.0 %
Adjusted EBITDA	349.7	353.9	(4.2)	(1.2)%
Income tax expense	(21.6)	(53.2)	31.6	(59.4)%
Interest (expense) income	(36.0)	9.2	(45.2)	(491.3)%
Depreciation and amortization ¹²	(97.2)	(88.4)	(8.8)	10.0 %
One-time income tax recovery ¹³	—	(6.6)	6.6	n.m.
Tax effect of adjustments ¹⁴	(35.1)	(10.2)	(24.9)	244.1 %
Adjusted Net Income	159.8	204.7	(44.9)	(21.9)%
Cash provided by operating activities	124.6	159.1	(34.5)	(21.7)%
Cash used in investing activities	(1,038.0)	(112.0)	(926.0)	826.8 %
Add:				
Business acquisitions, net of cash acquired	952.9	26.5	926.4	3,495.8 %
Asset acquisition	—	3.3	(3.3)	(100.0)%
Investment in associate	1.0	—	1.0	n.m.
Minority interest and other investments	—	2.0	(2.0)	(100.0)%
Free Cash Flow	40.5	78.6	(38.1)	(48.5)%

¹ Professional fees and integration costs incurred relating to acquisitions, including \$9.0 million of transaction costs for the acquisition of Melissa and Doug.

² 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.

³ Restructuring expense in the current and prior period relates to the reduction in the Company's global workforce.

⁴ Deferred incentive compensation associated with acquisitions.

⁵ Includes foreign exchange losses (gains) generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses (gains) related to the Company's hedging programs.

⁶ Impairment of intangible assets related to Entertainment content.

⁷ Net unrealized loss (gain) related to investment in limited partnership and minority interest and investments.

⁸ Impairment of property plant and equipment related to tooling.

⁹ Impairment of goodwill associated with one CGU in the prior year.

¹⁰ Net realized gain related to investment in limited partnership.

¹¹ Remuneration recovery associated with contingent consideration for acquisitions.

¹² Depreciation and amortization for the calculation of Adjusted EBITDA excludes \$5.3 million of amortization of intangible assets acquired with Melissa & Doug.

¹³ Adjustment for one-time income tax recovery in Q3 2023.

¹⁴ Tax effect of adjustments (Footnotes 1-11). Adjustments are tax effected at the effective tax rate of the given period.

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

(in US\$ millions)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Toy Gross Product Sales	922.7	384.7	264.1	502.3	678.6	390.0	216.3	479.2
Sales Allowances	(112.7)	(45.7)	(38.2)	(95.5)	(77.1)	(43.7)	(30.0)	(82.5)
Toy Net Sales	810.0	339.0	225.9	406.8	601.5	346.3	186.3	396.7
Toy - Other Revenue	0.9	2.4	0.5	—	—	—	—	—
Toy Revenue	810.9	341.4	226.4	406.8	601.5	346.3	186.3	396.7
Entertainment Revenue	37.1	36.4	43.8	55.2	63.4	33.9	37.6	31.2
Digital Games Revenue	37.7	34.7	46.0	40.6	45.3	40.5	47.5	37.9
Revenue	885.7	412	316.2	502.6	710.2	420.7	271.4	465.8

The following table presents a reconciliation of Revenue to Revenue, excluding Melissa & Doug for the previous eight fiscal quarters:

(in US\$ millions)	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue	885.7	412.0	316.2	502.6	710.2	420.7	271.4	465.8
Melissa & Doug Revenue	155.0	43.3	40.4	—	—	—	—	—
Revenue, excluding Melissa & Doug	730.7	368.7	275.8	502.6	710.2	420.7	271.4	465.8

The following tables present reconciliations of Revenue to Constant Currency Toy Gross Product Sales, Revenue to Constant Currency Entertainment Revenue and Revenue to Constant Currency Digital Games Revenue for the three and nine months ended September 30, 2024 and 2023:

(US\$ millions)	Nine Months Ended Sep 30,			
	Q3 2024	Q3 2023	2024	2023
Constant Currency Toy Gross Product Sales	923.8	665.0	1,570.9	1,272.4
Impact of foreign exchange	(1.1)	13.6	0.6	12.5
Toy Gross Product Sales	922.7	678.6	1,571.5	1,284.9
Constant Currency Sales Allowances	(112.8)	(73.6)	(196.4)	(147.6)
Impact of foreign exchange	0.1	(3.5)	(0.2)	(3.2)
Sales Allowances	(112.7)	(77.1)	(196.6)	(150.8)
Toy Net Sales	810.0	601.5	1,374.9	1,134.1
Constant Currency Toy - Other Revenue	0.9	—	3.3	—
Impact of foreign exchange	—	—	—	—
Toy - Other Revenue	0.9	—	3.3	—
Constant Currency Toy Revenue	811.9	591.4	1,377.8	1,124.8
Toy Revenue	810.9	601.5	1,378.2	1,134.1
Constant Currency Entertainment Revenue	37.1	63.3	117.3	134.9
Impact of foreign exchange	—	0.1	—	—
Entertainment Revenue	37.1	63.4	117.3	134.9
Constant Currency Digital Games Revenue	37.5	45.6	118.3	136.1
Impact of foreign exchange	0.2	(0.3)	0.1	(2.8)
Digital Games Revenue	37.7	45.3	118.4	133.3
Constant Currency Revenue	886.6	700.3	1,613.5	1,395.8
Impact of foreign exchange	(0.9)	9.9	0.4	6.5
Revenue	885.7	710.2	1,613.9	1,402.3

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales, Percentage change in Constant Currency Sales Allowance, Percentage change in Constant Currency Entertainment Revenue, Percentage change in Constant Currency Digital Games Revenue and Percentage change in Constant Currency Revenue for the three and nine months ended September 30, 2024 and 2023:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change			% Change	
			As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	922.7	678.6	244.1	1.1	245.2	36.0%	36.1 %
Sales Allowances	(112.7)	(77.1)	(35.6)	(0.1)	(35.7)	46.2%	46.3 %
Toy Net Sales	810.0	601.5	208.5	1.0	209.5	34.7%	34.8 %
Toy - Other Revenue	0.9	—	0.9	—	0.9	n.m.	n.m.
Toy Revenue	810.9	601.5	209.4	1.0	210.4	34.8%	35.0 %
Entertainment Revenue	37.1	63.4	(26.3)	—	(26.3)	(41.5)%	(41.5)%
Digital Games Revenue	37.7	45.3	(7.6)	(0.2)	(7.8)	(16.8)%	(17.2)%
Revenue	885.7	710.2	175.5	0.9	176.4	24.7%	24.8 %

(US\$ millions)	Nine Months Ended Sep 30,		\$ Change			% Change	
	2024	2023	As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	1,571.5	1,284.9	286.6	(0.6)	286.0	22.3%	22.3 %
Sales Allowances	(196.6)	(150.8)	(45.8)	0.2	(45.6)	30.4%	30.2 %
Toy Net Sales	1,374.9	1,134.1	240.8	(0.4)	240.4	21.2%	21.2 %
Toy - Other Revenue	3.3	—	3.3	—	3.3	n.m.	n.m.
Toy Revenue	1,378.2	1,134.1	244.1	(0.4)	243.7	21.5%	21.5 %
Entertainment Revenue	117.3	134.9	(17.6)	—	(17.6)	(13.0)%	(13.0)%
Digital Games Revenue	118.4	133.3	(14.9)	(0.1)	(15.0)	(11.2)%	(11.3)%
Revenue	1,613.9	1,402.3	211.6	(0.4)	211.2	15.1%	15.1 %

The following table presents a reconciliation of Melissa & Doug's Operating Income to Adjusted EBITDA for the three and nine months ended September 30, 2024:

(US\$ millions)	Nine Months Ended Sep 30,	
	Q3 2024	2024
Melissa & Doug Toy Gross Product Sales	182.3	280.7
Melissa & Doug Sales Allowance	(27.3)	(42.0)
Melissa & Doug Revenue	155.0	238.7
Melissa & Doug Operating Income	37.4	1.8
Depreciation and amortization	5.9	19.2
Melissa & Doug EBITDA	43.3	21.0
Adjustments ¹	6.1	12.2
Melissa & Doug Adjusted EBITDA	49.4	33.2
Melissa & Doug Adjusted EBITDA Margin	31.9 %	13.9 %

¹ Includes foreign exchange (gain)loss, restructuring and other related costs, and transaction and integration costs.

The following table presents a reconciliation of Revenue to Revenue, excluding Melissa & Doug, Toy Gross Product Sales to Toy Gross Product Sales, excluding Melissa & Doug, Consolidated Adjusted EBITDA to Adjusted EBITDA, excluding Melissa & Doug, Toy Revenue to Toy Revenue, excluding Melissa & Doug, and Toys Adjusted EBITDA to Toys Adjusted EBITDA, excluding Melissa & Doug for the three and nine months ended September 30, 2024:

(US\$ millions)	Q3 2024	Q3 2023	\$ Change	% Change
Revenue	885.7	710.2	175.5	24.7 %
Melissa & Doug Revenue	155.0	—	155.0	n.m.
Revenue, excluding Melissa & Doug	730.7	710.2	20.5	2.9 %
Toys Gross Product Sales	922.7	678.6	244.1	36.0 %
Melissa & Doug Toy Gross Product Sales	182.3	—	182.3	n.m.
Toys Gross Product Sales, excluding Melissa & Doug	740.4	678.6	61.8	9.1 %
Adjusted EBITDA	277.5	234.9	42.6	18.1 %
Melissa & Doug Adjusted EBITDA	49.4	—	49.4	n.m.
Adjusted EBITDA, excluding Melissa & Doug	228.1	234.9	(6.8)	(2.9)%
Adjusted EBITDA Margin, excluding Melissa & Doug	31.2 %	33.1 %		
Toy Revenue	810.9	601.5	209.4	34.8 %
Melissa & Doug Revenue	155.0	—	155.0	n.m.
Toy Revenue, excluding Melissa & Doug	655.9	601.5	54.4	9.0 %
Toys Adjusted EBITDA	242.2	166.8	75.4	45.2 %
Toys Adjusted EBITDA Margin	29.9 %	27.7 %		
Toys Adjusted EBITDA, excluding Melissa & Doug	192.8	166.8	26.0	15.6 %
Toys Adjusted EBITDA Margin, excluding Melissa & Doug	29.4 %	27.7 %		

(US\$ millions)	Nine Months Ended Sep 30,			
	2024	2023	\$ Change	% Change
Revenue	1,613.9	1,402.3	211.6	15.1 %
Melissa & Doug Revenue	238.7	—	238.7	n.m.
Revenue, excluding Melissa & Doug¹	1,375.2	1,402.3	(27.1)	(1.9)%
Toys Gross Product Sales	1,571.5	1,284.9	286.6	22.3 %
Melissa & Doug Toy Gross Product Sales	280.7	—	280.7	n.m.
Toys Gross Product Sales, excluding Melissa & Doug	1,290.8	1,284.9	5.9	0.5 %
Adjusted EBITDA	349.7	353.9	(4.2)	(1.2)%
Melissa & Doug Adjusted EBITDA	33.2	—	33.2	n.m.
Adjusted EBITDA, excluding Melissa & Doug	316.5	353.9	(37.4)	(10.6)%
Adjusted EBITDA Margin, excluding Melissa & Doug	23.0 %	25.2 %		
Toy Revenue	1,378.2	1,134.1	244.1	21.5 %
Melissa & Doug Revenue	238.7	—	238.7	n.m.
Toy Revenue, excluding Melissa & Doug	1,139.5	1,134.1	5.4	0.5 %
Toys Adjusted EBITDA	230.6	193.1	37.5	19.4 %
Toys Adjusted EBITDA Margin	16.7 %	17.0 %		
Toys Adjusted EBITDA, excluding Melissa & Doug	197.4	193.1	4.3	2.2 %
Toys Adjusted EBITDA Margin, excluding Melissa & Doug	17.3 %	17.0 %		

ADDENDUM

Effective January 1, 2024, Spin Master changed its product categories to align with the Company's product offerings going forward. The following table presents 2023 Toy Gross Product Sales¹ in the same format that the Company presents Toy Gross Product Sales¹ in 2024:

(US\$ millions)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total
Preschool, Infant & Toddler and Plush	82.6	164.9	301.4	169.3	718.2
Activities, Games & Puzzles and Dolls & Interactive	62.6	109.7	218.7	196.0	587.0
Wheels & Action	43.7	101.1	151.2	113.3	409.3
Outdoor	27.4	14.3	7.3	23.7	72.7
Gross Product Sales¹	216.3	390.0	678.6	502.3	1,787.2

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

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 acquisition of Melissa & Doug, including its expected impact on the Company's business, financial performance and creation of value; the Company's outlook for 2024; future financial performance and growth expectations, as well as the drivers and trends in respect thereof; the Company's priorities, plans and strategies; content, digital game and product pipeline and launches, as well as their impacts; deployment of cash; dividend policy and future dividends; financial position, cash flows, liquidity and financial performance; the creation of long term shareholder value; and the timing, quantity and funding of any purchases of subordinate voting shares under the Bid and the ASPP, and the expected facilities through which any such purchases may be made.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this MD&A, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: the Company will be able to successfully integrate the acquisition; the Company will be able to successfully expand its portfolio across new channels and formats, and internationally; achieve other expected benefits through this acquisition; management's estimates and expectations in relation to future economic and business conditions and other factors in relation to the Company's financial performance in addition to the proposed transaction and resulting impact on growth in various financial metrics; the realization of the expected strategic, financial and other benefits of the proposed transaction in the timeframe anticipated; the absence of significant undisclosed costs or liabilities associated with the transactions; Melissa & Doug's business will perform in line with the industry; there are no material changes to Melissa & Doug's core customer base; Net Cost Synergies towards the target of approximately \$25 million to \$30 million in Run-rate Net Cost Synergies by the end of 2026; implementation of certain information technology systems and other typical acquisition related cost savings; the Company's dividend payments being subject to the discretion of the Board of Directors and dependent on a variety of factors and conditions existing from time to time; seasonality; ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; the steps taken will create long term shareholder value; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure, maintain and renew broader licenses from third parties for premiere children's properties consistent with past practices, and the success of the licenses; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition and minority investment opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company's products will expand; the Company will be able to continue to develop and distribute entertainment content in the form of movies, TV shows and short form content; the Company will be able to continue to design, develop and launch mobile digital games to be distributed globally via app stores; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers, retailers and license partners; the Company will continue to attract qualified personnel to support its development requirements; the Company's key personnel will continue to be involved in the Company products, mobile digital games and entertainment properties will be launched as scheduled; and the availability of cash for dividends and that the risk factors noted in this MD&A, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the

control of the Company, could cause actual results to differ materially from the forward-looking information in this MD&A. Such risks and uncertainties include, without limitation, risks relating to the inability to successfully integrate the Melissa & Doug business; the potential failure to realize anticipated benefits from the proposed transaction; concentration of manufacturing and geopolitical risks; uncertainty and adverse changes in general economic conditions and consumer spending habits and the factors discussed in the Company's disclosure materials, including the Annual or subsequent, most recent interim MD&A and the Company's most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR+ (www.sedarplus.com). These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future, including the expected performance of the Company and Melissa & Doug. 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.