May 5, 2021

SPIN MASTER CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Spin Master Corp. ("Spin Master" or the "Company") provides information concerning the Company's financial condition, financial performance and cash flows for the three months ended March 31, 2021 ("first quarter", "the quarter", "Q1"). This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2021 ("interim financial statements"), its audited annual consolidated financial statements and accompanying notes ("financial statements") and its annual MD&A for the year ended December 31, 2020 ("Annual MD&A"). Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2020, can be found under the Company's profile on the System of Electronic Document Analysis and Retrieval (SEDAR), which is administered by the Canadian Securities Administrators ("CSA") at www.sedar.com.

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

BASIS OF PRESENTATION

The Company's interim financial statements and accompanying notes have been prepared in accordance with International Accounting Standard 34, Interim Reporting and all financial information is prepared in accordance with International Financial Reporting Standards ("IFRS"). However, certain financial measures contained in this MD&A are non-IFRS measures and are discussed further in the "Non-IFRS Financial Measures" section. 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 is a leading global children's entertainment company creating exceptional play experiences through a diverse portfolio of innovative toys, entertainment franchises and digital games. Spin Master is best known for award-winning brands *PAW Patrol*, *Bakugan*, *Kinetic Sand*, *Air Hogs*, *Hatchimals*, *Rubik's Cube* and *GUND* and is the toy licensee for other popular properties. Spin Master's entertainment team creates and produces compelling multiplatform content, stories and endearing characters through its in-house studio and partnerships with outside creators, including the preschool success *PAW Patrol* and 9 other original shows along with multiple short-form series, which are distributed in more than 190 countries. The Company has an established digital games presence, anchored by the *Toca Boca* and *Sago Mini* brands, which combined have more than 50 million monthly active users. With close to 2,000 employees in 28 offices globally, Spin Master distributes products in more than 100 countries.

Spin Master's principal strategies to drive the Company's continued growth include:

- Innovate using our global internal and external research and development network;
- Increase international sales in developed and emerging markets;
- Develop evergreen global entertainment franchises;
- Establish a leading position in digital games; and
- Leverage the Company's global platform through strategic acquisitions.

Spin Master's organic growth strategy is centered around the Company's 36-month brand innovation pipeline. This pipeline is fed by internal innovation and multiple touch points with inventors, licensors, consumers and potential acquisitions, traditional and innovative entertainment contact and digital toys. These touch points strengthen consumers' attachments to Spin Master's brands and franchises and are the engine of long-term growth.

Spin Master continues to expand into content for traditional television, video-on-demand, subscription video-on-demand, in addition to other short-form and long-form content, including movies, across a variety of distribution channels. In addition, the Company will continue its focus on direct-to-consumer initiatives as consumer purchasing trends in the retail landscape evolve.

Spin Master’s business comprises three geographic segments: North America, comprised of the United States ("U.S.") and Canada; Europe, comprised of the United Kingdom, France, Italy, the Netherlands, Germany, Austria, Switzerland, Belgium, Luxembourg, Slovakia, Hungary, Romania, Czech Republic, Poland, Turkey, Russia and Greece; and the Rest of World, primarily comprised of Hong Kong, China, Vietnam, India, Australia, New Zealand, Japan and Mexico and all other areas of the world serviced by Spin Master’s third party distribution network. The Company remains focused on its long-term goal of more than 45% of sales outside of the North America segment.

Spin Master’s diversified portfolio of toys, games and products is organized into four product categories: (1) Activities, Games & Puzzles and Plush; (2) Boys; (3) Outdoor and (4) Preschool and Girls.

Seasonality factors cause the Company's operating results to fluctuate significantly from quarter to quarter. A majority of the Company’s Gross Product Sales[1] occur during the third and fourth quarters of the Company’s fiscal year with a significant portion of its net income earned and cash flows generated during the same period.

COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic. The crisis related to COVID-19 is unprecedented and in 2021 continues to have an impact on the Company's employees, customers and suppliers.

Supply Chain

The Company closely monitors the changing global environment to enable immediate actions to be taken to ensure customer order fulfillment is achieved across the various markets.

Demand

Due to continued government-imposed restrictions and the closure of certain retail locations, the pandemic has resulted in reductions in retail consumer traffic in various countries globally, including some of Spin Master’s largest markets. As a result, retail consumer traffic continues to be impacted in markets with government-imposed restrictions. Online and e-commerce channels continue to remain active in most countries.

Liquidity

As at March 31, 2021, the Company had unutilized liquidity of $779.8 million, comprised of $262.3 million in cash and $517.5 million under its credit facilities. The Company believes it has sufficient liquidity to meet its operational requirements.

Selected Financial Information

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

Key Performance Metrics	**Three Months Ended Mar 31**	
(US$ millions, except per share information)	**2021**	**2020**
Sales and Earnings		
Gross Product Sales[1]	294.7	242.3
Net Sales[1]	255.6	205.4
Entertainment and Licensing revenue	26.9	15.0
Digital games revenue	34.1	6.9
Total revenue	316.6	227.3
Net income (loss)	3.2	(26.7)
Adjusted Net Income (Loss)[1]	8.4	(46.8)
EBITDA[1]	29.8	(48.8)
Adjusted EBITDA[1]	36.7	(32.3)
Adjusted EBITDA Margin[1]	11.6 %	(14.2)%
Earnings Per Share ("EPS")		
Basic EPS	0.03	(0.26)
Diluted EPS	0.03	(0.26)
Adjusted Basic EPS[1]	0.08	(0.46)
Adjusted Diluted EPS[1]	0.08	(0.45)
	Mar 31, 2021	**Dec 31, 2020**
Balance Sheet Data		
Cash	262.3	320.6
Total assets	1,267.2	1,342.1
Total liabilities	413.8	499.2
	Three Months Ended Mar 31	
	2021	**2020**
Cash Flow Data		
Cash provided by (used in) operating activities	9.0	(8.8)
Cash used in investing activities	(64.0)	(19.0)
Cash (used in) provided by financing activities	(4.8)	345.0
Free Cash Flow[1]	(6.5)	(27.8)

Notes:

1) See "Non-IFRS Financial Measures".

Total revenue of $316.6 million increased by 39.3% from $227.3 million in 2020. In Constant Currency[1] terms, total revenue increased by 36.9%. The increase in total revenue was primarily driven by higher Gross Product Sales[1] and higher other revenue, partially offset by higher Sales Allowances[1].

Net income for the three months ended March 31, 2021 was $3.2 million, an increase of $29.9 million from net loss of $26.7 million. Excluding share-based compensation expense, restructuring expense, foreign exchange loss, a one-time income tax recovery in the first quarter of 2020 and other non-recurring items, Adjusted Net Income[1] for the three months ended March 31, 2021 was $8.4 million, an increase of $55.2 million from Adjusted Net Loss[1] of $46.8 million.

Adjusted EBITDA[1] increased to $36.7 million or 11.6% of revenue, compared to negative $32.3 million or negative 14.2% in 2020, primarily driven by higher gross profit and lower distribution expenses, offset in part by higher administrative expenses.

For the three months ended March 31, 2021, Free Cash Flow[1] was negative $6.5 million compared to negative $27.8 million, an increase of $21.3 million. Free Cash Flow[1] increased primarily due to higher cash flows generated by operating activities, partially offset by higher cash flows used in investing activities.

FINANCIAL PERFORMANCE

For the three months ended March 31, 2021 compared to the three months ended March 31, 2020:

Consolidated Results

The following tables provide a summary of Spin Master's consolidated results for the three months March 31, 2021 and 2020:

	Three Months Ended Mar 31			
(US$ millions)	**2021**	**2020**	**$ Change**	**% Change**
Total revenue	316.6	227.3	89.3	39.3 %
Cost of sales	159.2	136.5	22.7	16.6 %
Gross profit	**157.4**	**90.8**	**66.6**	**73.3 %**
Selling, marketing, distribution and product development	69.9	80.9	(11.0)	(13.6)%
Administrative expenses	69.0	65.7	3.3	5.0 %
Depreciation and amortization expenses	8.9	9.2	(0.3)	(3.3)%
Other income	(0.8)	(1.4)	0.6	(42.9)%
Foreign exchange loss	3.7	8.5	(4.8)	(56.5)%
Finance costs	2.5	2.8	(0.3)	(10.7)%
Income (loss) before income tax expense (recovery)	**4.2**	**(74.9)**	**79.1**	**(105.6)%**
Income tax expense (recovery)[2]	1.0	(48.2)	49.2	(102.1)%
Net income (loss)	**3.2**	**(26.7)**	**29.9**	**(112.0)%**

2) An internal transfer of intellectual property had a one-time income tax recovery impact of $33.3 million in the first quarter of 2020.

Highlights for the three months ended March 31, 2021 as compared to the same period in 2020:
(US$ millions, except per share information)

- Total revenue of $316.6 million increased by 39.3% from $227.3 million. In Constant Currency[1] terms, total revenue increased by 36.9%.
- Gross profit as a percentage of total revenue increased to 49.7% from 39.9%.
- Selling, marketing, distribution and product development expenses decreased to $69.9 million from $80.9 million.
- Administrative expenses increased to $69.0 million or 21.8% of total revenue from $65.7 million or 28.9%.
- Net income was $3.2 million or earnings per share of $0.03 (diluted) compared to net loss of $26.7 million or loss per share of $0.26.
- Adjusted Net Income[1] was $8.4 million or Adjusted Diluted EPS[1] of $0.08 compared to Adjusted Net Loss[1] of $46.8 million or Adjusted Basic EPS[1] of $(0.46).
- Adjusted EBITDA[1] increased to $36.7 million or 11.6% of revenue, from negative $32.3 million or negative 14.2% of revenue.
- Cash provided by operating activities was $9.0 million compared to cash used in operating activities of $8.8 million, primarily driven by higher EBITDA[1].
- Free Cash Flow[1] was negative $6.5 million compared to negative $27.8 million, driven by higher cash flows provided by operating activities, offset in part by higher cash flows used in investing activities.

Acquisition of Rubik's Brand Limited

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

The total purchase consideration of $55.2 million is comprised of $51.4 million of cash consideration plus $3.8 million related to the estimated fair value of future royalties. The total purchase consideration has been allocated to the identifiable intangible assets based on their estimated fair values of $38.1 million (related to brands and customer relationships), $22.6 million of goodwill, $6.5 million of tangible assets and assumed liabilities of $12.0 million.

The Company incurred transaction related costs of $0.9 million. These costs were recorded in administrative expenses in the consolidated statement of earnings and comprehensive income for the year ended December 31, 2020.

Subsequent Event

Subsequent to March 31, 2021, the Company acquired certain assets from a product invention and development company and in conjunction with this acquisition, the employees and principals of the company became employees of Spin Master. These employees will complement the Company's toy innovation and development capabilities. The total consideration including deferred consideration is approximately $22.0 million. Given the timing of the transaction and measurement with final purchase agreement consideration adjustments, the purchase price allocation is not yet final. The purchase price allocation will be disclosed in the Company's second quarter 2021 condensed consolidated interim financial statements.

The Company incurred $0.2 million in transaction related costs, which were included in administrative expenses in the consolidated statement of earnings and comprehensive income for the three months ended March 31, 2021.

Revenue

For the three months ended March 31, 2021 as compared to the same period in 2020[1]:

The following table provides a summary of Spin Master's revenue by product category for the three months ended March 31, 2021 and 2020:

	Three Months Ended Mar 31			
(US$ millions)	**2021**	**2020**	**$ Change**	**% Change**
Preschool and Girls	97.2	73.1	24.1	33.0 %
Activities, Games & Puzzles and Plush	87.5	80.1	7.4	9.2 %
Boys	68.0	60.7	7.3	12.0 %
Outdoor	42.0	28.4	13.6	47.9 %
Gross Product Sales[2, 3]	**294.7**	**242.3**	**52.4**	**21.6 %**
Sales Allowances[2]	(39.1)	(36.9)	(2.2)	6.0 %
Net Sales[2]	**255.6**	**205.4**	**50.2**	**24.4 %**
Entertainment and Licensing revenue	26.9	15.0	11.9	79.3 %
Digital games revenue	34.1	6.9	27.2	394.2 %
Other revenue	**61.0**	**21.9**	**39.1**	**178.5 %**
Total revenue	**316.6**	**227.3**	**89.3**	**39.3 %**

1) Effective January 1, 2021, Spin Master has simplified 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.
2) See "Non-IFRS Financial Measures".
3) A total of $3.3 million related to Rubik's is included in the three months ended March 31, 2021.

Gross Product Sales increased by $52.4 million, or 21.6%, to $294.7 million with a favourable foreign exchange impact of $4.1 million or 1.7%. Excluding the impact of foreign exchange, Gross Product Sales increased by $48.3 million or 19.9%.

Gross Product Sales in Preschool and Girls increased by $24.1 million or 33.0% to $97.2 million. The increase was primarily driven by sales of *PAW Patrol* and *Present Pets*, offset in part by declines in *Twisty Petz*, *Candylocks*, *Owleez*, *Hatchimals* products and *Universe.*

Gross Product Sales in Activities, Games & Puzzles and Plush increased by $7.4 million or 9.2% to $87.5 million. The increase was driven primarily by sales of *Rubik's* and *Inkfluencer* and increases in the Games & Puzzles portfolio.

Gross Product Sales in Boys increased by $7.3 million or 12.0% to $68.0 million. The increase was primarily driven by sales of *Monster Jam* products, *Bakugan*, *Tech Deck* and *Supercross*, partially offset by declines in *DC* licensed products and *DreamWorks Dragons*.

Gross Product Sales in Outdoor increased by $13.6 million or 47.9% to $42.0 million, primarily driven by higher sales of *SwimWays* and *Coop*.

Sales Allowances increased by $2.2 million or 6.0% to $39.1 million. As a percentage of Gross Product Sales, Sales Allowances decreased by 1.9% to 13.3% from 15.2%. The decrease was primarily driven by lower markdowns, promotions and non-compliance charges.

Other revenue increased by $39.1 million or 178.5% to $61.0 million, driven by higher in-game purchases in the *Toca Life World* platform and growth in the *Sago Mini* subscription user base in addition to higher television distribution revenue and licensing and merchandising revenue.

The following table provides a summary of Spin Master's Gross Product Sales by geographic segment for the three months ended March 31, 2021 and 2020:

	Three Months Ended Mar 31					
(US$ millions)	**2021**	**% of GPS**	**2020**	**% of GPS**	**$ Change**	**% Change**
North America	170.6	57.9 %	144.6	59.7 %	26.0	18.0 %
Europe	89.1	30.2 %	73.5	30.3 %	15.6	21.2 %
Rest of World	35.0	11.9 %	24.2	10.0 %	10.8	44.6 %
Gross Product Sales[1]	**294.7**	**100.0 %**	**242.3**	**100.0 %**	**52.4**	**21.6 %**

1) See "Non-IFRS Financial Measures".

As a percentage of total Gross Product Sales, the North America segment decreased 1.8% to 57.9% compared to 59.7% in the prior year. International sales, comprised of the Europe and Rest of World segments, increased 1.8% to 42.1% compared to 40.3% in the prior year.

Gross Product Sales in North America increased by $26.0 million or 18.0% to $170.6 million, with a favourable foreign exchange impact of $0.3 million. The increase was primarily driven by higher sales of *PAW Patrol*, *SwimWays*, *Bakugan*, *Monster Jam* products and *Coop* and sales of *Present Pets*, *Inkfluencer* and *Supercross*, offset in part by declines in *DC* licensed products, *Kinetic Sand*, the Games & Puzzles portfolio, *Marshmallow* and *Twisty Petz*.

Gross Product Sales in Europe increased by $15.6 million or 21.2% to $89.1 million, with a favourable foreign exchange impact of $2.9 million. The increase was primarily driven by higher sales of *PAW Patrol*, *Kinetic Sand*, the Games & Puzzles portfolio, *Tech Deck* and *DC* licensed products, offset in part by declines in *Twisty Petz*, *Candylocks* and *DreamWorks Dragons*.

Gross Product Sales in the Rest of World region increased by $10.8 million or 44.6% to $35.0 million, with a favourable foreign exchange impact of $0.9 million. The increase was primarily driven by higher sales of *PAW Patrol*, the Games & Puzzles portfolio, *Monster Jam* products and sales of *Rubik's*.

Gross Profit as compared to the same period in 2020:

	Three Months Ended Mar 31			
(US$ millions)	**2021**	**2020**	**$ Change**	**% Change**
Total revenue	316.6	227.3	89.3	39.3 %
Gross profit	157.4	90.8	66.6	73.3 %
Gross profit as % of revenue	**49.7 %**	**39.9 %**	**N/A**	**9.8 %**

For the three months ended March 31, 2021, gross profit increased by $66.6 million or 73.3% to $157.4 million. As a percentage of total revenue, gross profit increased to 49.7% from 39.9%. The improvement in gross margin was driven by higher digital games net revenue and entertainment and licensing net revenue, in addition to cost reductions resulting from the Company's operational improvement initiatives, which include lower scrap and obsolescence, freight-related expenses, reconfiguration costs and Sales Allowances[1].

Selling, Marketing, Distribution and Product Development Expenses as compared to the same period in 2020:

	Three Months Ended Mar 31					
(US$ millions)	**2021**	**as a % of revenue**	**2020**	**as a % of revenue**	**$ Change**	**% Change**
Selling expenses	20.7	6.5 %	17.3	7.6 %	3.4	19.7 %
Marketing expenses	26.3	8.3 %	26.7	11.7 %	(0.4)	(1.5)%
Distribution expenses	16.8	5.3 %	28.5	12.5 %	(11.7)	(41.1)%
Product development expenses	6.1	1.9 %	8.4	3.7 %	(2.3)	(27.4)%
Total	**69.9**	**22.1 %**	**80.9**	**35.6 %**	**(11.0)**	**(13.6)%**

Selling expenses increased by $3.4 million or 19.7% to $20.7 million. Selling expenses as a percentage of revenue decreased to 6.5% from 7.6%, driven by a lower proportion of revenue attributable to third-party licensed products.

Marketing expenses decreased by $0.4 million or 1.5% to $26.3 million, primarily as a result of lower trade show and in-store merchandising costs as a result of the COVID-19 environment, offset in part by higher digital media marketing. Marketing expenses as a percentage of revenue decreased to 8.3% from 11.7%.

Distribution expenses decreased by $11.7 million or 41.1% to $16.8 million, primarily due to lower storage and outbound transportation costs as a result of the remediation of operational challenges, which arose in the fourth quarter of 2019. Also contributing to the decline was the Company's reduction of its footprint from 18 warehouses to 4 warehouses in North America as at March 31, 2021. Distribution expenses as a percentage of revenue decreased to 5.3% from 12.5%.

Product development expenses decreased by $2.3 million or 27.4% to $6.1 million.

Administrative Expenses as compared to the same period in 2020:

	Three Months Ended Mar 31			
(US$ millions)	**2021**	**2020**	**$ Change**	**% Change**
Administrative expenses	69.0	65.7	3.3	5.0 %
Adjustments:				
Restructuring expense[1]	(0.7)	(4.4)	3.7	(84.1)%
Share based compensation[2]	(3.2)	(3.6)	0.4	(11.1)%
Adjusted Administrative Expenses[3]	**65.1**	**57.7**	**7.4**	**12.8 %**

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

2) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the initial public offering ("IPO"), share option expense and long-term incentive plan ("LTIP").

3) See “Non-IFRS Financial Measures”.

For the three months ended March 31, 2021, administrative expenses increased by $3.3 million or 5.0% to $69.0 million. The increase was primarily due to incentive compensation related costs driven by improved operating results, personnel related costs and professional services expenses, offset in part by lower restructuring expenses from changes to senior leadership in the prior year and lower travel related expenses as a result of COVID-19 travel restrictions. Administrative expenses as a percentage of revenue decreased to 21.8% from 28.9%. Adjusted Administrative Expenses[1] increased by $7.4 million or 12.8% to $65.1 million. Adjusted Administrative Expenses[1] as a percentage of revenue decreased to 20.6% from 25.4%.

Finance Costs as compared to the same period in 2020:

For the three months ended March 31, 2021 finance costs decreased by $0.3 million to $2.5 million. The decline was primarily due to lower interest expense, bank fees and amortization of financing costs.

Depreciation and Amortization Expenses as compared to the same period in 2020:

For the three months ended March 31, 2021, depreciation and amortization expense decreased by $0.3 million to $8.9 million. The decrease was primarily due to lower equipment, computer software and right-of-use assets.

Foreign Exchange Loss as compared to the same period in 2020:

For the three months ended March 31, 2021 foreign exchange loss decreased by $4.8 million to $3.7 million. Unrealized foreign exchange gains and losses are generated by the translation of monetary assets and liabilities denominated in a currency other than the functional currency and also includes gains and losses related to the Company's hedging programs. Realized foreign exchange gains and losses are recognized when monetary assets and liabilities denominated in a currency other than the functional currency of the applicable entity are settled. The Company uses derivative financial instruments such as foreign exchange forward contracts to manage foreign currency risk.

Income Tax Expense (Recovery) as compared to the same period in 2020:

For the three months ended March 31, 2021 the Company had an income tax expense of $1.0 million compared to an income tax recovery of $48.2 million. The effective tax rate was 23.8% compared to 64.4%. An internal transfer of intellectual property resulted in a one-time income tax recovery of $33.3 million or 44.6% on the effective tax rate for the three months ended March 31, 2020. The remaining change in the effective income tax rate was primarily driven by different tax rates of subsidiaries operating in other jurisdictions and items of expense not deductible in determining the taxable income.

Net Income (Loss) as compared to the same period in 2020:

Net income for the three months ended March 31, 2021 was $3.2 million, an increase of $29.9 million from net loss of $26.7 million. Excluding share-based compensation expense, restructuring expense, foreign exchange loss, a one-time income tax recovery in the first quarter of 2020 and other non-recurring items, Adjusted Net Income[1] for the three months ended March 31, 2021 was $8.4 million, an increase of $55.2 million from Adjusted Net Loss[1] of $46.8 million.

OUTLOOK

Spin Master continues to focus on driving long-term growth. Its principle strategies are to:

- Innovate using our global internal and external research and development network;
- Increase international sales in developed and emerging markets;
- Develop evergreen global entertainment franchises;
- Establish a leading position in digital games; and
- Leverage the Company's global platform through strategic acquisitions.

The Company expects 2021 Gross Product Sales[1] to increase high single digits compared to 2020, as compared to low to mid single digits previously announced on March 3, 2021. The seasonality of Gross Product Sales[1] for 2021 is expected to be approximately 35-37% in the first half of 2021 and 63-65% in the second half of 2021. The Company now expects 2021 total revenue to increase low double digits compared to 2020, as compared to mid to high single digits previously announced on March 3, 2021. The Company now expects 2021 Adjusted EBITDA Margin[1] to be at the high end of the mid to high teens range previously announced on March 3, 2021.

SELECTED QUARTERLY FINANCIAL INFORMATION

Seasonality factors cause Spin Master's operating results to fluctuate significantly from quarter to quarter. A majority of the Company's annual Gross Product Sales[1] occur during the third and fourth quarters of the Company's fiscal year.

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

(in US$ millions, except EPS)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Gross Product Sales[1]	294.7	511.8	587.4	282.2	242.3	550.7	583.3	316.8
Entertainment and Licensing revenue	26.9	24.5	20.3	18.4	15.0	25.5	20.6	22.6
Digital games revenue	34.1	31.8	27.9	10.2	6.9	6.3	6.2	7.7
Total revenue	316.6	490.6	571.6	281.1	227.3	473.5	548.1	321.0
Adjusted EBITDA[1]	36.7	51.5	139.9	21.5	(32.3)	6.7	150.2	55.2
Adjusted EBITDA Margin[1]	11.6%	10.5%	24.5%	7.6%	(14.2)%	1.4%	27.4%	17.2%
Net income (loss)	3.2	0.3	86.8	(14.9)	(26.7)	(17.2)	92.2	10.2
Basic EPS	$0.03	$—	$0.85	$(0.15)	$(0.26)	$(0.17)	$0.90	$0.10
Diluted EPS	$0.03	$—	$0.83	$(0.15)	$(0.26)	$(0.17)	$0.89	$0.10
Adjusted Net Income (Loss)[1]	8.4	14.6	95.1	(9.5)	(46.8)	(7.8)	93.3	19.9
Adjusted Basic EPS[1]	$0.08	$0.14	$0.93	$(0.09)	$(0.46)	$(0.08)	$0.91	$0.19
Adjusted Diluted EPS[1]	$0.08	$0.14	$0.91	$(0.09)	$(0.45)	$(0.08)	$0.91	$0.19
Cash, net of loans and borrowings	262.3	320.6	207.3	111.4	74.8	115.3	150.2	77.1
Free Cash Flow[1]	(6.5)	123.7	96.0	40.2	(27.8)	(19.3)	86.5	(34.7)

1) See "Non-IFRS Financial Measures".

The following table provides reconciliations of net income (loss) to EBITDA[1], Adjusted EBITDA[1] and Adjusted Net Income (Loss)[1].

(US$ millions)	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Net income (loss)	**3.2**	**0.3**	**86.8**	**(14.9)**	**(26.7)**	**(17.2)**	**92.2**	**10.2**
Finance costs	2.5	3.4	2.6	3.3	2.8	3.2	3.2	2.6
Depreciation and amortization expenses	23.1	27.6	26.4	25.7	23.3	16.2	22.2	24.8
Income tax expense (recovery)	1.0	(4.7)	14.7	2.1	(48.2)	(7.5)	33.0	2.8
EBITDA[1]	**29.8**	**26.6**	**130.5**	**16.2**	**(48.8)**	**(5.3)**	**150.6**	**40.4**
Adjustments								
Restructuring expense[2]	0.7	0.5	1.4	(1.0)	4.4	0.7	0.3	7.2
Foreign exchange loss (gain)[3]	3.7	10.5	5.1	3.5	8.5	(0.1)	(4.1)	3.6
Share based compensation[4]	3.2	2.9	2.9	2.8	3.6	3.5	3.4	3.9
Acquisition related contingent consideration[5]	(0.7)	3.7	—	—	—	3.2	—	—
Impairment of intangible assets[6]	0.9	0.4	—	—	—	5.6	—	—
Net unrealized gain on investment[7]	(0.9)	—	—	—	—	—	—	—
Impairment of property, plant and equipment[8]	—	0.5	—	—	—	—	—	—
Legal settlement[9]	—	5.5	—	—	—	—	—	—
Transaction costs[10]	—	0.9	—	—	—	—	—	—
Bad debt recovery[11]	—	—	—	—	—	(0.9)	—	—
Adjusted EBITDA[1]	**36.7**	**51.5**	**139.9**	**21.5**	**(32.3)**	**6.7**	**150.2**	**55.1**
Finance costs	2.5	3.4	2.6	3.3	2.8	3.2	3.2	2.6
Depreciation and amortization expenses	23.1	27.6	26.4	25.7	23.3	16.2	22.2	24.8
Income tax expense (recovery)	1.0	(4.7)	14.7	2.1	(48.2)	(7.5)	33.0	2.8
One-time income tax recovery[12]	—	—	—	—	33.3	—	—	—
Tax effect of adjustments[13]	1.7	10.6	1.1	(0.1)	3.3	2.6	(1.5)	5.1
Adjusted Net Income (Loss)[1]	**8.4**	**14.6**	**95.1**	**(9.5)**	**(46.8)**	**(7.8)**	**93.3**	**19.8**

Footnotes:

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense included costs related to changes in senior leadership in the first quarter of 2020. In the second quarter of 2019, restructuring expenses also included costs related to facility closures.

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

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's IPO, share option expense and LTIP.

5) Remuneration (recovery) expense associated with contingent consideration for previous acquisitions.

6) Impairment charges for intangible assets relating to licenses, content development, brands and trademarks.

7) Net unrealized gain related to investment in limited partnership.

8) Impairment of property, plant and equipment related to machinery.

9) Legal settlement in the fourth quarter of 2020.

10) Non-recurring transaction costs relating to the acquisition of Rubik's.

11) Bad debt recovery related to the bankruptcy declaration and liquidation proceedings of Toys "R" Us.

12) One-time income tax recovery relates to internal transfer of intangible property of $33.3 million.

13) Tax effect of adjustments (Footnotes 2-11). Adjustments are tax effected at the effective tax rate of the given year-to-date period.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary source of liquidity is cash flow from operations. As a result of the seasonal nature of the toy industry, working capital requirements are variable throughout the year. Working capital needs typically grow through the first three quarters as inventories are built up for the peak sales periods for retailers in the fourth quarter. The Company’s cash flows from operating activities are typically at their highest levels of the year in the fourth quarter. As at March 31, 2021, the Company had cash of $262.3 million.

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

The Company has a secured revolving credit facility (the "Facility") in the amount of $510.0 million, which matures in July 2023. Advances under the Facility may be used for general corporate purposes including funding working capital requirements, permitted acquisitions and permitted distributions. The Facility also has an option which permits the Company to increase the total capital available by an additional $200.0 million. As at March 31, 2021, unamortized debt issuance costs related to this facility were $0.5 million.

As at March 31, 2021, the Company had utilized $0.4 million (December 31, 2020 - $0.4 million) of the Facility: $0.4 million (December 31, 2020 - $0.4 million) drawn in letters of credit and nil (December 31, 2020 - nil) drawn in LIBOR Loans.

The Company has an uncommitted Overdraft Facility Agreement (the "European Facility") for $17.6 million (€15.0 million). The European Facility may be used to fund working capital requirements in Europe. As at March 31, 2021, the European Facility was undrawn.

The Company has a credit facility (the "Production Facility") with a limit of $7.9 million ($10.0 CAD million) to finance television and film production. The interest rate on amounts drawn under the Production Facility bear interest at a variable rate referenced to the lending institution's Canadian dollar prime rate. As at March 31, 2021, the Production Facility was undrawn.

As at March 31, 2021, the Company had unutilized liquidity of $779.8 million, comprised of $262.3 million in cash and $517.5 million under its credit facilities. The Company believes it has sufficient liquidity to meet its operational requirements.

Capital and Investment Framework

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

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

CASH FLOW

The following tables provide a summary of Spin Master's consolidated cash flows for the three months ended March 31, 2021 and 2020:

	Three Months Ended Mar 31		
(US$ millions)	**2021**	**2020**	**$ Change**
Net cash flows provided by (used in) operating activities	9.0	(8.8)	17.8
Net cash flows used in investing activities	(64.0)	(19.0)	(45.0)
Net cash flows (used in) provided by financing activities	(4.8)	345.0	(349.8)
Net (decrease) increase in cash	**(59.8)**	**317.2**	**(377.0)**
Effect of foreign currency exchange rate changes on cash	1.5	(8.5)	10.0
Cash at beginning of period	320.6	115.3	205.3
Cash at end of period	**262.3**	**424.0**	**(161.7)**

Cash from Operating Activities as compared to the same period in 2020:

For the three months ended March 31, 2021, cash flows provided by operating activities were $9.0 million compared to cash flows used in operating activities of $8.8 million, primarily driven by higher EBITDA[1], offset in part by the increase in net working capital.

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

(US$ millions)	**Mar 31, 2021**	**Dec 31, 2020**	**$ Change**	**% Change**
Trade receivables, net[1]	185.2	265.2	(80.0)	(30.2)%
Other receivables[2]	78.6	73.4	5.2	7.1 %
Inventories	103.9	102.0	1.9	1.9 %
Advances on royalties	13.2	17.2	(4.0)	(23.3)%
Prepaid expenses	11.7	7.9	3.8	48.1 %
Other assets	—	3.0	(3.0)	(100.0)%
Total current assets	**392.6**	**468.7**	**(76.1)**	**(16.2)%**
Trade payables	130.1	161.4	(31.3)	(19.4)%
Accrued liabilities[3]	116.2	153.0	(36.8)	(24.1)%
Contract liabilities	16.4	25.3	(8.9)	(35.2)%
Provisions and contingent liabilities	24.0	29.2	(5.2)	(17.8)%
Total current liabilities	**286.7**	**368.9**	**(82.2)**	**(22.3)%**
Total net working capital	**105.9**	**99.8**	**6.1**	**6.1 %**

1) Trade receivables are net of allowance for doubtful accounts and provisions for sales allowances. Refer to Note 8 of the financial statements for additional details.

2) Other receivables include investment tax credits receivable, royalties, sales tax and other balances. Refer to Note 8 of the financial statements.

3) Accrued liabilities are comprised of employee compensation liabilities, royalties and commodity tax balances. Refer to Note 14 of the financial statements for additional details.

Total net working capital increased by $6.1 million or 6.1% to $105.9 million at March 31, 2021 from $99.8 million at December 31, 2020. Excluding the impact of foreign exchange, total net working capital increased by $12.4 million.

Trade receivables, net, decreased by $80.0 million or 30.2% to $185.2 million at March 31, 2021 from $265.2 million at December 31, 2020, driven by the timing of collections in line with the seasonality of the business.

Inventories increased by $1.9 million or 1.9% to $103.9 million at March 31, 2021 from $102.0 million at December 31, 2020.

Trade payables and accrued liabilities decreased by $68.1 million or 21.7% to $246.3 million at March 31, 2021 from $314.4 million at December 31, 2020, driven by the timing of payments in line with the seasonality of the business.

Investing Activities as compared to the same period in 2020:

The following tables provide a summary of Spin Master's consolidated cash flows used in investing activities for the three months ended March 31, 2021 and 2020:

	Three Months Ended Mar 31		
(US$ millions)	**2021**	**2020**	**$ Change**
Property, plant and equipment			
Tooling	4.6	2.4	2.2
Other	0.9	0.8	0.1
Total property, plant and equipment	**5.5**	**3.2**	**2.3**
Intangible assets			
Content development	9.7	13.1	(3.4)
Computer software	0.3	2.7	(2.4)
Total intangible assets	**10.0**	**15.8**	**(5.8)**
Total capital expenditures	**15.5**	**19.0**	**(3.5)**
Business acquisitions	48.5	—	48.5
Cash used in investing activities	**64.0**	**19.0**	**45.0**

For the three months ended March 31, 2021, cash used in investing activities was $64.0 million compared to $19.0 million. The increase was primarily driven by the acquisition of Rubik's in the current period.

Financing Activities as compared to the same period in 2020:

For the three months ended March 31, 2021, cash flows used in financing activities were $4.8 million compared to cash flows provided by financing activities of $345.0 million, primarily driven by the Company's utilization of its Credit Facility in the prior year.

Free Cash Flow[1] as compared to the same period in 2020:

The following tables provide a reconciliation of Spin Master's consolidated Free Cash Flow[1] to cash from operations for the three months ended March 31, 2021 and 2020:

	Three Months Ended Mar 31		
(US$ millions)	**2021**	**2020**	**$ Change**
Cash flows provided by (used in) operating activities	9.0	(8.8)	17.8
Cash flows used in investing activities	(64.0)	(19.0)	(45.0)
Add:			
Cash used for license, brand and business acquisitions	48.5	—	48.5
Free Cash Flow[1]	**(6.5)**	**(27.8)**	**21.3**

1) See "Non-IFRS Financial Measures".

For the three months ended March 31, 2021, Free Cash Flow[1] was negative $6.5 million compared to negative $27.8 million, an increase of $21.3 million. Free Cash Flow[1] increased primarily due to higher cash flows provided by operating activities, partially offset by higher cash flows used in investing activities.

COMMITMENTS

In the normal course of business, Spin Master enters into contractual arrangements to obtain and protect Spin Master's right to create and market certain products and to ensure availability and timely delivery of future purchases of goods and services. These arrangements include commitments for future services, purchases, commitments to settle foreign currency forward contracts and royalty payments pursuant to licensing agreements. Certain of these commitments routinely contain provisions for guarantees or minimum expenditures during the terms of the contracts. Additionally, Spin Master routinely enters into non-cancellable lease agreements for premises and equipment, which contain minimum rental payments.

OFF-BALANCE SHEET ARRANGEMENTS

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

CAPITALIZATION

Share Capital

As at May 5, 2021, there were 102.3 million shares outstanding comprised of 70.6 million Multiple Voting Shares and 31.7 million Subordinate Voting Shares.

As of May 5, 2021, pursuant to grants under the Company's Long-Term Incentive Plan, 0.9 million Subordinate Voting Shares were issuable under outstanding Restricted Stock Units, up to 2.2 million Subordinate Voting Shares were issuable under outstanding Performance Share Units (assuming vesting at a maximum of 200% for units with an outstanding performance period) and 0.5 million Subordinate Voting Shares were issuable under outstanding Share Option grants.

RELATED PARTY TRANSACTIONS

The Company periodically engages the services of a law firm whose managing partner is also a member of the Company’s Board of Directors. During the three months ended March 31, 2021, the fees for services rendered were approximately $0.4 million (2020 - $0.3 million).

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2020 financial statements, as well as in the Company's 2020 Annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three months ended March 31, 2021, there were no material changes to the critical accounting estimates of the Company from those reported in the 2020 Annual MD&A and financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company’s Internal Control over Financial Reporting (“ICFR”) during the three months ended March 31, 2021 which have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

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

NON-IFRS FINANCIAL MEASURES

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to “EBITDA”, “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Income (Loss)”, “Free Cash Flow”, “Gross Product Sales”, “Constant Currency”, “Sales Allowances”, "Net Sales" and "Adjusted Administrative Expenses" which are non-IFRS financial measures. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

EBITDA is calculated as net earnings (loss) before finance costs, income tax expense (recovery) and depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring expenses, foreign exchange gains or losses, share based compensation expenses, acquisition related contingent consideration, impairment of intangible assets, net unrealized gain on investment, impairment of property, plant and equipment, legal settlement, transaction costs, bad debt recovery and expense and fair market value adjustments to acquired inventories. Adjusted EBITDA is used by management as a measure of the Company's profitability.

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

Adjusted Net Income (Loss) is calculated as net income (loss) excluding adjustments, as defined above, in addition to a one-time income tax recovery in the first quarter of 2020 and 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.

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.

Constant Currency represents Revenue and Gross Product Sales results that are presented excluding the impact from changes in foreign currency exchange rates. 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.

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 in license, brand and business acquisitions. Management uses the Free Cash Flow metric to analyze the cash flow being generated by the Company's business. Prior year comparative information has been updated to conform with the current disclosure.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses changes in Gross Product Sales to provide meaningful comparisons across product category and geographical segment results to highlight trends in Spin Master's business. For a reconciliation of Gross Product Sales to Revenue, please see the revenue table for the three months and year ended March 31, 2021 as compared to the same period in 2020 in this MD&A.

Sales Allowances represent marketing and sales credits requested by customers relating to factors such as cooperative advertising, contractual discounts, negotiated discounts, customer audits, volume rebates, defective products and costs incurred by customers to sell the Company's products and are recorded as a reduction to Gross Product Sales. Management uses Sales Allowances to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Net Sales represents Gross Product Sales less Sales Allowances. Management uses Net Sales to evaluate the Company's total net revenue generating capacity compared to internal targets and as a measure of Company performance.

Adjusted Administrative Expenses is calculated as administrative expenses adjusted for restructuring expenses, share based compensation expenses, impairment of property, plant and equipment, transaction costs and bad debt recovery. Please see the Adjusted Administrative Expenses table for the three months and year ended March 31, 2021 as compared to the same period in 2020 in this MD&A.

Management believes the non-IFRS measures defined above are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. The Company believes that lenders, securities analysts, investors and other interested parties frequently use these non-IFRS financial measures in the evaluation of issuers.

Reconciliation Tables

The following table presents a reconciliation of net income (loss) to EBITDA[1], Adjusted EBITDA[1] and Adjusted Net Income (Loss)[1], and cash from operations to Free Cash Flow[1] for the three months ended March 31, 2021, and 2020:

	Three Months Ended Mar 31			
(US$ millions)	**2021**	**2020**	**$ Change**	**% Change**
Reconciliation of Non-IFRS Financial Measures				
Net income (loss)	3.2	(26.7)	29.9	(112.0)%
Income tax expense (recovery)	1.0	(48.2)	49.2	(102.1)%
Finance costs	2.5	2.8	(0.3)	(10.7)%
Depreciation and amortization expenses	23.1	23.3	(0.2)	(0.9)%
EBITDA[1]	**29.8**	**(48.8)**	**78.6**	**(161.1)%**
Adjustments:				
Restructuring expense[2]	0.7	4.4	(3.7)	(84.1)%
Foreign exchange loss[3]	3.7	8.5	(4.8)	(56.5)%
Share based compensation[4]	3.2	3.6	(0.4)	(11.1)%
Acquisition related contingent consideration[5]	(0.7)	—	(0.7)	n.m.
Impairment of intangible assets[6]	0.9	—	0.9	n.m.
Net unrealized gain on investment[7]	(0.9)	—	(0.9)	n.m.
Adjusted EBITDA[1]	**36.7**	**(32.3)**	**69.0**	**(213.6)%**
Income tax expense (recovery)	1.0	(48.2)	49.2	(102.1)%
Finance costs	2.5	2.8	(0.3)	(10.7)%
Depreciation and amortization expenses	23.1	23.3	(0.2)	(0.9)%
One-time income tax recovery[8]	—	33.3	(33.3)	n.m.
Tax effect of normalization adjustments[9]	1.7	3.3	(1.6)	(48.5)%
Adjusted Net Income (Loss)[1]	**8.4**	**(46.8)**	**55.2**	**(117.9)%**
Cash provided by (used in) operating activities	9.0	(8.8)	17.8	(202.3)%
Cash used in investing activities	(64.0)	(19.0)	(45.0)	236.8 %
Add:				
Cash used for license, brand and business acquisitions	48.5	—	48.5	n.m.
Free Cash Flow[1]	**(6.5)**	**(27.8)**	**21.3**	**(76.6)%**

1) See "Non-IFRS Financial Measures".

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

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

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the IPO, share option expense and LTIP.

5) Remuneration recovery associated with contingent consideration for previous acquisitions.

6) Impairment of intangible assets related to content development.

7) Net unrealized gain related to investment in limited partnership.

8) One-time income tax recovery related to internal transfer of intangible property of $33.3 million.

9) Tax effect of adjustments (Footnotes 2-7). Adjustments are tax effected at the effective tax rate of the given period.

FORWARD-LOOKING STATEMENTS

Certain statements, other than statements of historical fact, contained in this MD&A constitute "forward-looking information" within the meaning of certain securities laws, including the *Securities Act* (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this MD&A. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results “will”, “may”, “could”, “would”, “should”, “might” or “can”, or negative versions thereof, “be taken”, “occur”, “continue” or “be achieved”, and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this MD&A include, without limitation, statements with respect to: the Company’s outlook for 2021 (see “Outlook”); future growth expectations in 2021 and beyond; financial position, cash flows and financial performance; drivers for such growth; the program to achieve operational efficiencies supports the growth of the Company's global platform; the Company's focus on direct-to-consumer initiatives; the Company's long-term goal for sales outside of North America; the successful execution of its strategies for growth; the impacts of the COVID-19 pandemic on the Company; and consumer demand and the seasonality of financial results and performance.

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 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; that the program designed to gain operational efficiencies will achieve the desired results; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company’s products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers and retailers; the Company will continue to attract qualified personnel to support its development requirements; and the Company's key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled and that the risk factors noted in this MD&A, collectively, do not have a material impact on the Company.

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

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

ADDENDUM

Effective January 1, 2021, Spin Master has simplified its product categories to align with the Company's product offerings going forward. The following table restates 2020 Gross Product Sales[1] in the same format that the Company presents Gross Product Sales[1] in 2021:

Gross Product Sales[1] by Product Category

(US$ millions)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Pre-School and Girls	73.1	93.5	242.7	200.2	**609.5**
Activities, Games & Puzzles and Plush	80.1	99.8	181.0	173.9	**534.8**
Boys	60.7	54.1	151.4	122.1	**388.3**
Outdoor	28.4	34.8	12.3	15.6	**91.1**
Gross Product Sales[1]	**242.3**	**282.2**	**587.4**	**511.8**	**1,623.7**