

Spin Master Corp.

Management's Discussion and Analysis of Financial Results

For the three months ended March 31, 2023

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INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") for Spin Master Corp. and its subsidiaries ("Spin Master" or the "Company") provides information concerning the Company's financial condition, financial performance and cash flows for the three months ended March 31, 2023 ("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, 2023 ("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, 2022 ("Annual MD&A"). Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2022, can be found under the Company's profile on the System of Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

BASIS OF PRESENTATION

The financial information included in 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"). However, certain financial measures and ratios contained in this MD&A do not have any standardized meaning under IFRS ("Non-GAAP") and are discussed further in the "Non-GAAP Financial Measures and Ratios" section of this MD&A. Management believes the Non-GAAP financial measures and Non-GAAP financial ratios defined in the section noted above are important supplemental measures of operating performance and highlight trends in the business. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is consistent and comparable between reporting periods. The Company believes that investors, lenders, securities analysts and other interested parties frequently use these Non-GAAP financial measures and Non-GAAP financial ratios in the evaluation of issuers.

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

BUSINESS OVERVIEW

Spin Master Corp. is a leading global children's entertainment company, creating exceptional play experiences through its three creative centres: Toys, Entertainment and Digital Games. With distribution in over 100 countries, Spin Master is best known for award-winning brands PAW Patrol®, Bakugan®, Kinetic Sand®, Air Hogs®, Hatchimals®, Rubik's Cube® and GUND®, and is the global toy licensee for other popular properties. Spin Master Entertainment creates and produces compelling multiplatform content, through its in-house studio and partnerships with outside creators, including the preschool franchise *PAW Patrol* and numerous other original shows, short-form series and feature films. The Company has an established presence in Digital Games, anchored by the Toca Boca® and Sago Mini® brands, offering open-ended and creative game and educational play in digital environments. Through Spin Master Ventures, the Company makes minority investments globally in emerging companies and start-ups. With over 30 offices in close to 20 countries, Spin Master employs more than 2,400 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. Spin Master's Toys segment is organized into four product categories: (1) Activities, Games & Puzzles and Plush; (2) Wheels & Action; (3) Outdoor; and (4) Preschool and Dolls & Interactive and are sold in three geographic regions: (1) North America; (2) Europe; and (3) Rest of World.

Entertainment

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

Digital Games

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

Corporate & Other

Corporate & Other includes certain corporate costs (such as certain employee compensation and professional services expenses), foreign exchange and merger and acquisition ("M&A") 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 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".

Selected Financial Information

The following provides selected key performance metrics of the Company for the three months ended March 31, 2023 and 2022, which should be read in conjunction with the interim financial statements.

Consolidated Results		
(US\$ millions, except per share information)	Q1 2023	Q1 2022
Revenue	271.4	424.2
Operating (Loss) Income	(6.1)	61.7
Operating Margin ¹	(2.2)%	14.5 %
Adjusted Operating Income ²	12.7	77.3
Adjusted Operating Margin ²	4.7 %	18.2 %
Net (Loss) Income	(1.9)	45.6
Adjusted Net Income ²	12.3	57.5
Adjusted EBITDA ²	30.6	95.7
Adjusted EBITDA Margin ²	11.3 %	22.6 %
Earnings Per Share ("EPS")		
Basic EPS	(0.02)	0.45
Diluted EPS	(0.02)	0.43
Adjusted Basic EPS ²	0.12	0.56
Adjusted Diluted EPS ²	0.12	0.55
Cash dividends declared per share (CAD)	0.06	—
Weighted average number of shares (in millions)		
Basic	103.0	102.4
Diluted	106.6	105.5
Selected Cash Flow Data		
Cash used in operating activities	(4.3)	(62.9)
Cash used in investing activities	(56.6)	(8.3)
Free Cash Flow ²	(34.4)	(79.4)
Selected Balance Sheet Data		
	Mar 31,	Dec 31,
	2023	2022
Cash and cash equivalents	569.3	644.3
Total assets ³	1,669.1	1,805.1
Total liabilities ³	430.0	553.3

¹ Operating Margin is calculated as Operating (Loss) Income divided by Revenue.

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

³ December 31, 2022 restated for the change in accounting policy (see Note 3 of the interim financial statements).

Executive Summary for the three months ended March 31, 2023 as compared to March 31, 2022

- Revenue was \$271.4 million, a decrease of 36.0% from \$424.2 million. Constant Currency Revenue¹ decreased by 35.0% to \$275.6 million from \$424.2 million.
- The decline in Revenue was driven primarily by a decline in Toy revenue of 46.9% as well as a decline in Digital Games revenue of 7.0%, partially offset by an increase in Entertainment revenue of 69.4%.
- Operating Loss was \$6.1 million compared to Operating Income of \$61.7 million, a decrease of \$67.8 million. Operating Margin was (2.2)% compared to 14.5%. The decrease in Operating Income was primarily driven by a decrease in Toy revenue of \$164.6 million.
- Adjusted Operating Income¹ was \$12.7 million compared to \$77.3 million, a decrease of \$64.6 million or 83.6%. Adjusted Operating Margin¹ was 4.7% compared to 18.2%.
- Adjusted EBITDA¹ was \$30.6 million compared to \$95.7 million, a decrease of \$65.1 million or 68.0%.
- Adjusted EBITDA Margin¹ was 11.3% compared to 22.6%.
- The Company repurchased and cancelled 241,500 subordinate voting shares during the quarter, through the Company's normal course issuer bid ("NCIB") program, at a cost of \$6.3 million. Subsequent to March 31, 2023, the Company repurchased 156,200 subordinate voting shares for cancellation at a cost of \$4.2 million.
- On January 17, the Company acquired certain assets of 4D Brands International Inc. for total purchase consideration of \$20.2 million. On February 2, the Company acquired the *HEXBUG* brand of toys from Innovation First International, Inc., for total purchase consideration of \$15.5 million. The acquisitions are reported in the Activities, Games & Puzzles and Plush and Wheels & Action product categories within the Toy operating segment, respectively.
- Subsequent to the quarter end, the Company acquired certain IP of Mondrian Blocks, a Hungarian company, on April 12, 2023 for total purchase consideration of \$3.0 million. The acquisition is expected to complement the Company's existing Games & Puzzles offering.
- Subsequent to March 31, 2023, the Company declared a quarterly dividend of 0.06 CAD per outstanding subordinate voting share and multiple voting share in respect of the second quarter of 2023, payable July 14, 2023.

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

Segmented Results

(US\$ millions)	Q1 2023	Q1 2022
Toys		
Toy Gross Product Sales ²	216.3	397.5
Toy revenue	186.3	350.9
Operating (Loss) Income	(41.8)	41.4
Operating Margin ¹	(22.4)%	11.8 %
Adjusted EBITDA ²	(21.4)	58.9
Adjusted EBITDA Margin ²	(11.5)%	16.8 %
Cash Flow		
Toys capital expenditures	7.8	7.2
	Mar 31	Dec 31
	2023	2022
Balance Sheet		
Moulds, dies and tools, net carrying amount	20.0	19.2
	Q1 2023	Q1 2022
Entertainment		
Entertainment revenue	37.6	22.2
Operating Income	29.3	11.2
Operating Margin ¹	77.9 %	50.5 %
Adjusted Operating Income ²	29.9	11.4
Adjusted Operating Margin ²	79.5 %	51.4 %
Cash Flow		
Entertainment capital expenditures	18.4	6.8
	Mar 31	Dec 31
	2023	2022
Balance Sheet		
Entertainment content development, net carrying amount ³	90.5	77.1
	Q1 2023	Q1 2022
Digital Games		
Digital Games revenue	47.5	51.1
Operating Income	16.2	19.8
Operating Margin ¹	34.1 %	38.7 %
Adjusted Operating Income ²	19.0	21.6
Adjusted Operating Margin ²	40.0 %	42.3 %
Cash Flow		
Digital Games capital expenditures	3.9	2.5
	Mar 31	Dec 31
	2023	2022
Balance Sheet		
Digital Games development, net carrying amount	19.4	17.1

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

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

³ Effective January 1, 2023, the Company adopted a voluntary change to its accounting policy for the determination of the unit of account used for measuring the entertainment content development assets resulting in a prior year restatement of \$12.6 million.

FINANCIAL PERFORMANCE

Consolidated Results

The following table provides a summary of Spin Master's consolidated results for the three months ended March 31, 2023 compared to the same period in 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Revenue	271.4	424.2	(152.8)	(36.0)%
Cost of sales	112.9	186.9	(74.0)	(39.6)%
Gross Profit	158.5	237.3	(78.8)	(33.2)%
Selling, general and administrative expenses	149.3	158.6	(9.3)	(5.9)%
Depreciation and amortization	6.6	7.9	(1.3)	(16.5)%
Other expense (income), net	4.4	(0.5)	4.9	(980.0)%
Foreign exchange loss	4.3	9.6	(5.3)	(55.2)%
Operating (Loss) Income	(6.1)	61.7	(67.8)	(109.9)%
Interest income	(6.7)	(0.4)	(6.3)	1,575.0 %
Interest expense	3.1	2.3	0.8	34.8 %
(Loss) Income before income tax (recovery) expense	(2.5)	59.8	(62.3)	(104.2)%
Income tax (recovery) expense	(0.6)	14.2	(14.8)	(104.2)%
Net (Loss) Income	(1.9)	45.6	(47.5)	(104.2)%

Revenue as compared to the same period in 2022:

The following table provides a summary of Spin Master's revenue by segment, for the three months ended March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change	% Change in Revenue
Toy revenue	186.3	350.9	(164.6)	(46.9)%	(38.8)%
Entertainment revenue	37.6	22.2	15.4	69.4 %	3.6 %
Digital Games revenue	47.5	51.1	(3.6)	(7.0)%	(0.8)%
Revenue	271.4	424.2	(152.8)		(36.0)%

Revenue was \$271.4 million, a decrease of 36.0% from \$424.2 million primarily due to the 38.8% decline in Toy revenue and 0.8% from the decline in Digital Games revenue, partially offset by 3.6% growth in Entertainment revenue. Constant Currency Revenue¹ was \$275.6 million, a decrease of 35.0%, from \$424.2 million.

Toy revenue decreased by \$164.6 million or 46.9% to \$186.3 million driven by a decrease in Toy Gross Product Sales¹. Toy Gross Product Sales¹ decreased by \$181.2 million or 45.6%, to \$216.3 million from \$397.5 million. Constant Currency Toy Gross Product Sales¹ decreased by \$177.8 million or 44.7% to \$219.7 million.

Entertainment revenue increased by \$15.4 million or 69.4% to \$37.6 million driven by higher distribution revenue and licensing and merchandising revenue primarily related to *PAW Patrol* and the newly launched *Rubble & Crew*. Constant Currency Entertainment Revenue¹ increased by \$15.4 million or 69.4% to \$37.6 million, from \$22.2 million.

Digital Games revenue decreased by \$3.6 million or 7.0% to \$47.5 million. Constant Currency Digital Games Revenue¹ decreased by \$1.9 million or 3.7% to \$49.2 million, from \$51.1 million. The decrease was primarily due to lower in-app revenue in *Toca Life World*.

Gross Profit as compared to the same period in 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Revenue	271.4	424.2	(152.8)	(36.0)%
Gross Profit	158.5	237.3	(78.8)	(33.2)%
Gross Margin	58.4 %	55.9 %		2.5 %

For the three months ended March 31, 2023, Gross Profit decreased by \$78.8 million or 33.2% to \$158.5 million, primarily driven by a 46.9% decrease in Toy Revenue and 7.0% decrease in Digital Games Revenue, and partially offset by an increase of 69.4% in Entertainment Revenue.

Gross Margin increased to 58.4% from 55.9% as compared to the same period in 2022, as a result of higher Entertainment distribution revenue and licensing and merchandising revenue primarily related to *PAW Patrol*. This was partially offset by higher Sales Allowances as a percentage of Toy Gross Product Sales¹ due to geographic and customer mix and an unfavourable impact of foreign exchange.

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

Selling, General and Administrative Expenses ("SG&A") as compared to the same period in 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Administrative	88.3	79.7	8.6	10.8 %
Marketing	24.3	27.2	(2.9)	(10.7)%
Selling	16.4	29.6	(13.2)	(44.6)%
Distribution	14.0	16.1	(2.1)	(13.0)%
Product development	6.3	6.0	0.3	5.0 %
SG&A	149.3	158.6	(9.3)	(5.9)%

Administrative expenses increased by \$8.6 million or 10.8% to \$88.3 million. The increase was primarily due to higher personnel and travel costs offset by lower incentive compensation. Administrative expenses as a percentage of consolidated revenue increased to 32.5% from 18.8%.

Selling expenses decreased by \$13.2 million or 44.6% to \$16.4 million primarily due to a decrease in sales of partner licensed brands, as a result of an overall decline in sales in the first quarter. Selling expenses as a percentage of Toy revenue increased to 8.8% from 8.4% due to a shift in product sales mix.

Marketing expenses decreased by \$2.9 million or 10.7% to \$24.3 million, due to lower media and market research spend. Marketing expenses as a percentage of consolidated revenue increased to 9.0% from 6.4%.

Distribution expenses decreased by \$2.1 million or 13.0% to \$14.0 million, primarily due to lower warehousing and outbound transportation costs from lower domestic sales volume. Distribution expenses as a percentage of Toy revenue increased to 7.5% from 4.6%, primarily due to fixed warehousing costs relative to a decline in Toy revenue.

Product development expenses increased by \$0.3 million or 5.0% to \$6.3 million, due to higher Toy development and design activities.

Adjusted SG&A¹ as compared to the same period in 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
SG&A	149.3	158.6	(9.3)	(5.9)%
Adjustments¹:				
Restructuring and other related costs ²	(3.8)	(0.6)	(3.2)	533.3 %
Share based compensation ³	(5.4)	(4.1)	(1.3)	31.7 %
Transaction costs ⁴	(0.6)	(0.1)	(0.5)	500.0 %
Adjusted SG&A⁵	139.5	153.8	(14.3)	(9.3)%

¹ These adjustments relate to items recorded within Administrative expenses.

² Restructuring and other related costs primarily relates to changes in personnel.

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

⁴ Professional fees incurred relating to acquisitions and other transactions.

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

Adjusted SG&A¹ decreased by \$14.3 million or 9.3% to \$139.5 million primarily as a result of lower selling, marketing and distribution costs. Adjusted SG&A¹ as a percentage of consolidated revenue increased to 51.4% from 36.3%, due to lower revenue in the first quarter compared to the prior period which is expected to normalize in the remainder of the year.

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

Depreciation and Amortization as compared to the same period in 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Property, plant and equipment				
Moulds, dies and tools, included in cost of sales	5.2	5.2	—	—
Equipment, included in cost of sales	0.1	—	0.1	n.m.
Equipment	0.5	0.6	(0.1)	(16.7)%
Building and leasehold improvements	1.3	1.4	(0.1)	(7.1)%
Computer hardware	0.2	0.2	—	—
	7.3	7.4	(0.1)	(1.4)%
Intangible assets				
Entertainment content development, included in cost of sales	4.7	4.3	0.4	9.3 %
Trademarks, licenses, IP & customer lists - definite	1.2	1.3	(0.1)	(7.7)%
Digital games and app development, included in cost of sales	1.3	1.0	0.3	30.0 %
Computer software	0.4	1.4	(1.0)	(71.4)%
	7.6	8.0	(0.4)	(5.0)%
Right-of-use assets	3.0	3.0	—	—
Depreciation and amortization	17.9	18.4	(0.5)	(2.7)%

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Included in cost of sales	11.3	10.5	0.8	7.6 %
Included in expenses	6.6	7.9	(1.3)	(16.5)%
Depreciation and amortization	17.9	18.4	(0.5)	(2.7)%

For the three months ended March 31, 2023, depreciation and amortization expense decreased by \$0.5 million to \$17.9 million primarily due to a decline in amortization for intangibles assets.

Depreciation and amortization related to property, plant and equipment decreased by \$0.1 million or 1.4%.

Depreciation and amortization related to intangible assets decreased by \$0.4 million or 5.0%, as a result of lower amortization of computer software, partially offset by higher amortization on entertainment and digital games content in the current quarter.

Foreign Exchange Loss (Gain) as compared to the same period in 2022:

For the three months ended March 31, 2023, the Company recognized a net foreign exchange loss of \$4.3 million (comprised of an unrealized loss of \$0.6 million and realized loss of \$3.7 million) as compared to a foreign exchange loss of \$9.6 million (comprised of an unrealized loss of \$10.4 million and realized gain of \$0.8 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 applicable entity are settled. 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 US dollar.

Operating (Loss) Income and Adjusted Operating (Loss) Income¹ as compared to the same period in 2022:

Operating Loss for the three months ended March 31, 2023, was \$6.1 million compared to Operating Income of \$61.7 million, representing a variance of \$67.8 million. Adjusted Operating Income¹ for the three months ended March 31, 2023 was \$12.7 million, a variance of \$64.6 million from an Adjusted Operating Income¹ of \$77.3 million. The decrease in Operating Income was primarily driven by decreases in Toys Operating Income of \$83.2 million and Digital Games Operating Income of \$3.6 million, offset partially by an increase in Entertainment Operating Income of \$18.1 million.

Adjusted EBITDA¹ as compared to the same period in 2022:

Adjusted EBITDA¹ for the three months ended March 31, 2023 decreased to \$30.6 million with Adjusted EBITDA Margin¹ of 11.3%, compared to \$95.7 million and 22.6% respectively. The decrease in Adjusted EBITDA¹ was primarily driven by lower Gross Profit as well as a slight increase in administrative expenses partially offset by lower distribution, marketing and selling expenses. Adjusted EBITDA Margin¹ declined due to lower Toy revenue relative to selling, general & administrative expenses.

Interest Income and Interest Expense as compared to the same period in 2022:

Interest expense includes bank fees and financing charges, accretion expense and the amortization of Facility fee cost.

For the three months ended March 31, 2023, interest expense was \$3.1 million, an increase of \$0.8 million from \$2.3 million in the prior year due to higher bank fees and financing charges.

For the three months ended March 31, 2023, interest income was \$6.7 million, an increase of \$6.3 million from \$0.4 million in the prior year as a result of higher interest earned on cash and cash equivalents.

Income Tax (Recovery) Expense as compared to the same period in 2022:

For the three months ended March 31, 2023, income tax recovery was \$0.6 million compared to an income tax expense of \$14.2 million. The effective tax rate was 24.0% compared to 23.7%.

Net (Loss) Income and Adjusted Net Income¹ as compared to the same period in 2022:

Net loss for the three months ended March 31, 2023 was \$1.9 million, a decrease of \$47.5 million from Net Income of \$45.6 million. Adjusted Net Income¹ for the three months ended March 31, 2023 was \$12.3, a decrease of \$45.2 million.

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

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 March 31, 2023 and 2022 are as follows:

(US\$ millions)						Q1 2022				
	Toys	Entertainment	Digital Games	Corporate & Other	Total	Toys	Entertainment	Digital Games	Corporate & Other	Total
Revenue	186.3	37.6	47.5	—	271.4	350.9	22.2	51.1	—	424.2
Operating (Loss) Income	(41.8)	29.3	16.2	(9.8)	(6.1)	41.4	11.2	19.8	(10.7)	61.7
Restructuring and other related costs	3.1	0.1	0.6	—	3.8	0.5	—	0.1	—	0.6
Foreign exchange loss	—	—	—	4.3	4.3	—	—	—	9.6	9.6
Share based compensation	3.4	0.3	0.6	1.1	5.4	3.0	0.2	0.5	0.4	4.1
Impairment of goodwill	1.0	—	—	—	1.0	—	—	—	—	—
Impairment of property, plant and equipment	0.2	—	—	—	0.2	—	—	—	—	—
Impairment of intangible assets	—	0.2	0.2	0.8	1.2	—	—	—	—	—
Legal settlement expense (recovery)	—	—	—	0.2	0.2	—	—	—	(1.5)	(1.5)
Acquisition related deferred incentive compensation	0.7	—	1.4	—	2.1	1.5	—	1.2	—	2.7
Transaction costs	—	—	—	0.6	0.6	—	—	—	0.1	0.1
Adjusted Operating (Loss) Income¹	(33.4)	29.9	19.0	(2.8)	12.7	46.4	11.4	21.6	(2.1)	77.3
Adjusted Operating Margin¹	(17.9)%	79.5%	40.0%	n.m.	4.7%	13.2%	51.4%	42.3%	n.m.	18.2%
Depreciation and amortization	12.0	3.7	2.0	0.2	17.9	12.5	4.4	1.5	—	18.4
Adjusted EBITDA¹	(21.4)	33.6	21.0	(2.6)	30.6	58.9	15.8	23.1	(2.1)	95.7
Adjusted EBITDA Margin¹	(11.5)%	89.4%	44.2%	n.m.	11.3%	16.8%	71.2%	45.2%	n.m.	22.6%

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

Toys Segment Results

The following table provides a summary of Toys segment operating results for the three months ended March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Toy Gross Product Sales ^{1, 2}	216.3	397.5	(181.2)	(45.6)%
Toy revenue	186.3	350.9	(164.6)	(46.9)%
Operating (Loss) Income	(41.8)	41.4	(83.2)	(201.0)%
Operating Margin	(22.4)%	11.8 %		(34.2)%
Adjusted EBITDA ¹	(21.4)	58.9	(80.3)	(136.3)%
Adjusted EBITDA Margin ¹	(11.5)%	16.8 %		(28.3)%
Selected Cash Flow Data				
Toys capital expenditures	7.8	7.2	0.6	8.3 %

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

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

Toy revenue decreased by \$164.6 million or 46.9% to \$186.3 million primarily driven by a decrease in Toy Gross Product Sales¹. Toy Gross Product Sales¹ decreased by \$181.2 million or 45.6%, to \$216.3 million from \$397.5 million as a result of lower order volume, as customers focused on reducing their retail inventory levels carried forward from 2022. In comparison, Toy Gross Product Sales¹ in Q1 2022 was supported by customers ordering earlier in the year and sales related to the launch of the *DC Comics Batman* movie and *PAW Patrol: The Movie*. Sales allowances increased primarily due to geographic and customer mix.

Constant Currency Toy Gross Product Sales¹ decreased by \$177.8 million or 44.7% to \$219.7 million, down from \$397.5 million.

Operating Loss was \$41.8 million compared to Operating Income of \$41.4 million representing a variance of \$83.2 million. Operating Margin was (22.4)% compared to 11.8%. Adjusted EBITDA¹ decreased by \$80.3 million to \$(21.4) million. Adjusted EBITDA Margin¹ was (11.5)% compared to 16.8%. The decrease in Operating Margin was due to lower Toy revenue relative to selling, general & administrative expenses and depreciation and amortization. Adjusted EBITDA Margin¹ declined as a result of lower Operating Margin.

Toys capital expenditures increased by \$0.6 million to \$7.8 million, primarily as a result of higher investments in moulds, dies and tools.

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

Toy Revenue

For the three months ended March 31, 2023 as compared to the same period in 2022:

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 March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Preschool and Dolls & Interactive	84.0	151.8	(67.8)	(44.7)%
Activities, Games & Puzzles and Plush	61.1	101.9	(40.8)	(40.0)%
Wheels & Action	43.8	99.7	(55.9)	(56.1)%
Outdoor	27.4	44.1	(16.7)	(37.9)%
Toy Gross Product Sales¹	216.3	397.5	(181.2)	(45.6)%
Sales Allowances ²	(30.0)	(46.6)	(16.6)	(35.6)%
<i>Sales Allowances % of GPS</i>	<i>13.9 %</i>	<i>11.7 %</i>		<i>2.2 %</i>
Toy revenue	186.3	350.9	(164.6)	(46.9)%

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

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 and Dolls & Interactive decreased by \$67.8 million or 44.7% to \$84.0 million, primarily from a decrease in sales of *Paw Patrol*, *Hatchimals*, *Wizarding World* and *Purse Pets*, partially offset by an increase in *Gabby's Dollhouse* and *Rubble & Crew*.

Activities, Games & Puzzles and Plush decreased by \$40.8 million or 40.0% to \$61.1 million, mainly due to a decrease in the Games & Puzzles portfolio and *Kinetic Sand*.

Wheels & Action decreased by \$55.9 million or 56.1% to \$43.8 million, due to decreases in *DC*, *Bakugan* and *Monster Jam*.

Outdoor decreased by \$16.7 million or 37.9% to \$27.4 million, primarily due to a decrease in *SwimWays*.

Sales Allowances decreased by \$16.6 million to \$30.0 million. As a percentage of Toy Gross Product Sales¹, Sales Allowances increased to 13.9% from 11.7%, primarily driven by geographic and customer mix.

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 March 31, 2023 and 2022:

	Q1 2023		Q1 2022		Change	
(US\$ millions)	\$	% of GPS	\$	% of GPS	\$	% of GPS
North America	105.5	48.7 %	238.6	60.0 %	(133.1)	(11.3)%
Europe	76.0	35.1 %	113.6	28.6 %	(37.6)	6.5 %
Rest of World	34.8	16.1 %	45.3	11.4 %	(10.5)	4.7 %
International	110.8	51.2 %	158.9	40.0 %	(48.1)	11.2 %
Toy Gross Product Sales¹	216.3	99.9 %	397.5	100.0 %	(181.2)	
Sales Allowances	(30.0)	(13.9)%	(46.6)	(11.7)%	16.6	(2.2)%
Toy revenue	186.3		350.9		(164.6)	

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

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

As a percentage of Toy Gross Product Sales¹, the North America segment decreased 11.3% to 48.7% compared to 60.0%. International sales, comprised of the Europe and Rest of World segments, increased 11.2% to 51.2% compared to 40.0%.

North America decreased by \$133.1 million or 55.8% to \$105.5 million, which includes an unfavourable foreign exchange impact of \$0.1 million. The decrease was driven by *Gabby's Dollhouse*, *PAW Patrol, DC*, the Games & Puzzles portfolio, *SwimWays*, *Kinetic Sand* and *Monster Jam*, partially offset by an increase from *Rubble & Crew* and *Flash*.

Europe decreased by \$37.6 million or 33.1% to \$76.0 million, which includes an unfavourable foreign exchange impact of \$3.8 million. The decrease was mainly driven by *PAW Patrol, DC*, *Cool Maker* and *Wizarding World*, partially offset by an increase from *Gabby's Dollhouse*.

Rest of World decreased by \$10.5 million or 23.2% to \$34.8 million, which includes a favourable foreign exchange impact of \$0.5 million. The decrease arose from *PAW Patrol, DC* and *Monster Jam*, partially offset by an increase from *Gabby's Dollhouse*.

Toys Segment Trend Analysis

(US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Toy Gross Product Sales ¹	216.3	479.2	617.7	484.4	397.5	627.5	681.2	359.0
Toy revenue	186.3	396.7	552.4	437.6	350.9	542.0	607.8	326.4
Operating (Loss) Income	(41.8)	(43.3)	109.4	62.6	41.4	14.6	128.0	28.5
Operating Margin	(22.4)%	(10.9)%	19.8%	14.3%	11.8%	2.7%	21.1%	8.7%
Adjusted EBITDA ¹	(21.4)	(24.4)	126.9	83.2	58.9	40.8	146.5	47.3
Adjusted EBITDA Margin ¹	(11.5)%	(6.2)%	23.0%	19.0%	16.8%	7.5%	24.1%	14.5%

Selected Cash Flow and Balance Sheet Data

Toys capital expenditures	7.8	7.5	7.9	9.8	7.2	3.8	9.1	8.7
Moulds, dies and tools, net carrying amount ²	20.0	19.2	19.5	23.5	21.9	21.2	23.6	23.6

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

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

Entertainment Segment Results

The following table provides a summary of the Entertainment segment's operating results for the three months ended March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Entertainment revenue	37.6	22.2	15.4	69.4 %
Operating Income	29.3	11.2	18.1	161.6 %
Operating Margin	77.9 %	50.5 %		27.4 %
Adjusted Operating Income ¹	29.9	11.4	18.5	162.3 %
Adjusted Operating Margin ¹	79.5 %	51.4 %		28.1 %

Selected Cash Flow Data

Entertainment capital expenditures	18.4	6.8	11.6	170.6 %
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¹ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

Entertainment revenue increased by \$15.4 million or 69.4% to \$37.6 million, driven by higher distribution revenue and licensing and merchandising revenue primarily related to *PAW Patrol* and the newly launched *Rubble & Crew*.

Operating Income increased by \$18.1 million or 161.6% to \$29.3 million. Operating Margin was 77.9% compared to 50.5%. Adjusted Operating Income¹ was \$29.9 million compared to \$11.4 million. Adjusted Operating Margin¹ was 79.5% compared to 51.4%.

The increase in Operating Income, Adjusted Operating Income¹, and Adjusted Operating Margin¹ was primarily a result of higher distribution revenue and licensing and merchandising revenue as well as lower costs due to fewer content deliveries in the current period compared to the prior period.

Entertainment capital expenditures increased by \$11.6 million to \$18.4 million, primarily as a result of higher content development costs driven by the production of *PAW Patrol: The Mighty Movie*, *Rubble and Crew*, *Vida the Vet* and *Unicorn Academy*.

Effective January 1, 2023, the Company adopted a voluntary change to its accounting policy for the determination of the unit of account used for measuring the entertainment content development assets resulting in a prior year restatement of \$12.6 million. The change in accounting policy was applied retrospectively to all periods presented within the Company's interim financial statements. The change impacted previously reported retained earnings and associated line items within the statement of financial position.

Entertainment Segment Trend Analysis

(US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Entertainment revenue	37.6	31.2	37.0	28.4	22.2	28.5	52.9	27.5
Operating Income	29.3	19.1	28.9	17.5	11.2	12.1	18.2	12.5
Operating Margin	77.9%	61.2%	78.1%	61.6%	50.5%	42.5%	34.4%	45.5%
Adjusted Operating Income ¹	29.9	20.5	29.2	18.0	11.4	13.4	18.3	12.6
Adjusted Operating Margin ¹	79.5%	65.7%	78.9%	63.4%	51.4%	47.0%	34.6%	45.8%

Selected Cash Flow and Balance Sheet Data

Entertainment capital expenditures	18.4	11.9	21.3	14.9	6.8	12.1	8.5	14.9
Entertainment content development, net carrying amount ^{2,4}	90.5	77.1	57.4	41.3	30.2	27.4	20.1	39.1 ³

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

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

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

⁴ Effective January 1, 2023, the Company adopted a voluntary change to its accounting policy for the determination of the unit of account used for measuring the entertainment content development assets resulting in a prior year restatement of \$12.6 million.

Digital Games Segment Results

The following table provides a summary of the Digital Games segment's operating results for the three months ended March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change	% Change
Digital Games revenue	47.5	51.1	(3.6)	(7.0)%
Operating Income	16.2	19.8	(3.6)	(18.2)%
Operating Margin	34.1 %	38.7 %		(4.6)%
Adjusted Operating Income ¹	19.0	21.6	(2.6)	(12.0)%
Adjusted Operating Margin ¹	40.0 %	42.3 %		(2.3)%

Selected Cash Flow Data

Digital Games capital expenditures	3.9	2.5	1.4	56.0 %
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¹ Non-GAAP financial measure or ratio. See "Non-GAAP Financial Measures and Ratios".

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

Digital Games revenue decreased by \$3.6 million or 7.0% to \$47.5 million. Constant Currency Digital Games Revenue¹ decreased by \$1.9 million or 3.7% to \$49.2 million, down from \$51.1 million. The decrease in Digital Games revenue and Constant Currency Digital Games Revenue¹ were primarily due to lower in-app revenue in *Toca Life World*.

Operating Income decreased by \$3.6 million or 18.2% to \$16.2 million. Adjusted Operating Income¹ decreased by \$2.6 million or 12.0% to \$19.0 million from \$21.6 million. The decline in Operating Income and Adjusted Operating Income¹ was from lower revenue from in-app purchases in *Toca Life World* and higher development costs related to the investment in future products.

Operating Margin was 34.1% compared to 38.7%. Adjusted Operating Margin¹ was 40.0% compared to 42.3%. Operating Margin decreased due to higher development costs related to the investment in future products. Adjusted Operating Margin¹ decreased due to a decrease in Operating Margin partially offset by higher acquisition related deferred incentive compensation.

Digital Games capital expenditures were \$3.9 million compared to \$2.5 million, an increase of \$1.4 million or 56.0%, primarily as a result of higher digital game development costs related to both current and future digital games including *Toca Days*, *Paw Patrol Academy*, *Toca Life World* and *Rubik's*.

Digital Games Segment Trend Analysis

(US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Digital Games revenue	47.5	37.9	34.6	40.3	51.1	50.0	53.8	36.9
Operating Income	16.2	10.1	8.2	8.4	19.8	17.3	24.2	12.8
Operating Margin	34.1 %	26.6 %	23.7 %	20.8 %	38.7 %	34.6%	45.0%	34.7%
Adjusted Operating Income ¹	19.0	12.3	10.0	10.0	21.6	19.0	26.0	13.7
Adjusted Operating Margin ¹	40.0 %	32.5%	28.9%	24.8%	42.3 %	38.0%	48.3%	37.1%

Selected Cash Flow and Balance Sheet Data

Digital Games capital expenditures	3.9	3.9	2.9	2.8	2.5	2.9	2.4	1.6
Digital Games development, net carrying amount ²	19.4	17.1	14.6	14.2	13.6	12.8	11.9	9.2

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

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

Corporate & Other for the three months ended March 31, 2023 as compared to the same period in 2022:

For the three months ended March 31, 2023, Operating Loss for Corporate & Other decreased by \$0.9 million to \$9.8 million. Adjusted Operating Loss¹ was \$2.8 million compared to \$2.1 million.

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

INVESTMENTS AND ACQUISITIONS

Acquisition of certain assets from 4D Brands International Inc

On January 17, 2023, the Company acquired certain assets from 4D Brands International Inc. and 4D Cityscape Worldwide Limited, (collectively, the “Vendors”) creators of puzzle games. Management performed an analysis under IFRS 3, Business Combinations (“IFRS 3”) and has determined that the assets and processes acquired comprised a business and there, 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 preliminary estimate of purchase consideration of \$20.2 million is comprised of \$14.8 million cash consideration and \$5.4 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 \$20.2 million has been allocated as follows: \$6.7 million to intangible assets, \$0.7 million to inventories and \$0.4 million to prepaid and other assets, with the remainder of \$12.4 million allocated to goodwill. Given the timing of the transaction and measurement uncertainty with final purchase agreement consideration adjustments, the purchase price allocation is not yet final.

The Company incurred \$0.2 million in transaction related costs which were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income.

Acquisition of certain assets from Innovation First International, Inc.

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

The preliminary estimate of purchase consideration of \$15.5 million is comprised of \$13.2 million cash consideration and \$2.3 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 \$15.5 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 \$4.0 million allocated to goodwill. Given the timing of the transaction and measurement uncertainty with final purchase agreement consideration adjustments, the purchase price allocation is not yet final.

The Company incurred \$0.2 million in transaction related costs which were included in administrative expenses in the Condensed consolidated interim statements of earnings and comprehensive income.

Prior year acquisitions

Acquisition of certain assets from SolidRoots, LLC

On August 2, 2022, the Company acquired certain assets from SolidRoots, LLC (“SolidRoots”), a creator of family board games. Management performed an analysis under IFRS 3 and 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 board games offering and is reported in the Toys segment within the Activities, Games & Puzzles and Plush product category and included in the Games and Puzzles CGU beginning from the date of acquisition.

Purchase consideration of \$10.7 million has been allocated as follows: \$4.4 million to intangible assets (related to the brand), \$2.0 million to inventories and \$0.1 million to prepaid expenses and other assets, with the remainder of \$4.2 million allocated to goodwill.

Acquisition of the remaining shares of Nørdlight Games AB

On August 24, 2021, the Company acquired 18.53% of the shares in Nørdlight Games AB ("Nørdlight"), a company that creates and develops digital games, based in Sweden. On August 8, 2022, the Company acquired the remaining 81.47% of the shares of Nørdlight, resulting in ownership and control of 100% of the voting shares in Nørdlight. This investment was classified in 2021 as an equity instrument measured at FVTOCI. Management performed an analysis under IFRS 3 and 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. The acquisition has been reported under the Digital Games segment and CGU beginning from the date of acquisition.

The Company paid cash consideration of \$2.5 million. The total purchase consideration has been allocated to the identifiable assets of \$0.5 million, and liabilities of \$0.2 million, with the remainder \$2.9 million allocated to goodwill.

The purchase agreement also includes contingent consideration of \$4.9 million which is payable on achieving certain performance metrics and has been allocated a fair value of \$nil in the total purchase consideration.

Spin Master Ventures

Spin Master Ventures ("SMV") focus is to accelerate growth by making minority 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 March 31, 2023, the Company has invested \$9.9 million.

The SMV portfolio currently consists of the following investments:

	Creative Centre	Location	Acquisition date	Initial investment	Mar 31, 2023	Dec 31, 2022
Classified as FVTPL						
Education technology company	Digital Games	Canada	Q3 2021	1.8	1.8	1.8
Virtual reality gaming company	Digital Games	U.K.	Q1 2022	0.5	0.5	0.5
Content streaming platform ¹	Entertainment	U.S.A	Q1 2022	0.5	—	—
Baby consumer product brand	Toys	U.S.A	Q2 2022	3.0	3.0	3.0
Animation technology company	Entertainment	U.S.A	Q4 2022	0.5	0.5	0.5
Classified as FVTOCI						
Mobile game development company ²	Digital Games	Sweden	Q3 2021	0.6	—	—
Global publishing company	Entertainment	U.S.A	Q4 2022	3.0	3.0	3.0
				9.9	8.8	8.8

¹ Fair value loss of \$0.5 million recorded in Q2 2022 through the statement of earnings

² Fair value gain of \$0.1 million recorded in Q2 2022 through other comprehensive income. In Q3 2022, the Company acquired the remaining ownership interest and control of the minority interest investment.

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)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	271.4	465.8	624.0	506.3	424.2	620.5	714.5	390.8
Operating (Loss) Income	(6.1)	(24.0)	187.4	118.2	61.7	39.1	179.5	46.9
Operating Margin	(2.2)%	(5.2)%	30.0%	23.3%	14.5%	6.3%	25.1%	12.0%
Adjusted Operating Income (Loss) ¹	12.7	(5.5)	151.8	97.6	77.3	55.3	175.6	57.7
Adjusted Operating Margin ¹	4.7%	(1.2)%	24.3%	19.3%	18.2%	8.9%	24.6%	14.8%
Net (Loss) Income	(1.9)	(13.8)	141.4	88.1	45.6	26.5	135.4	33.5
Basic EPS	\$(0.02)	\$(0.13)	\$1.37	\$0.86	\$0.45	\$0.26	\$1.32	\$0.33
Diluted EPS	\$(0.02)	\$(0.13)	\$1.33	\$0.83	\$0.43	\$0.25	\$1.29	\$0.32
Adjusted EBITDA ¹	30.6	12.4	167.6	113.7	95.7	78.3	217.3	81.8
Adjusted EBITDA Margin ¹	11.3%	2.7%	26.9%	22.5%	22.6%	12.6%	30.4%	20.9%
Adjusted Net Income ¹	12.3	—	114.4	72.4	57.5	38.7	132.6	41.6
Adjusted Basic EPS ¹	\$0.12	\$—	\$1.11	\$0.70	\$0.56	\$0.38	\$1.30	\$0.41
Adjusted Diluted EPS ¹	\$0.12	\$—	\$1.08	\$0.68	\$0.55	\$0.37	\$1.26	\$0.40
Balance Sheet and Cash Flow								
Cash and cash equivalents	569.3	644.3	674.9	558.1	493.1	562.7	360.5	310.7
Cash (used in) provided by operating activities	(4.3)	(6.8)	207.3	111.6	(62.9)	230.1	85.8	94.2
Cash used in investing activities	(56.6)	(28.2)	(42.3)	(30.4)	(8.3)	(19.6)	(22.7)	(46.9)
Free Cash Flow ¹	(34.4)	(30.1)	175.3	84.1	(79.4)	211.3	65.8	69.0

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

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

Toy Gross Product Sales¹ volume in the first quarter of 2023 was lower as customers focused on decreasing retail inventory levels from Q4 2022 and the Company expects Toy Gross Product Sales¹ seasonality for 2023 to return to historical trends of 30 percent to 35 percent in the first and second quarter cumulatively, as compared to 2022

In 2022, Toy Gross Product Sales¹ volume was pulled forward from the third quarter into the first and second quarters as retailers ordered earlier in the year to minimize supply chain disruptions. The third and fourth quarters of 2022 were pressured by the macroeconomic environment, particularly from higher inflation compounded by foreign exchange volatility and a carry-over of inventory at retail from the first half of 2022. These factors resulted in a strong first half of 2022 with Toy Gross Product Sales¹ representing 45 percent of the annual Toy Gross Product Sales¹.

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

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2023, the Company had Cash and cash equivalents of \$569.3 million (December 31, 2022 - \$644.3 million).

The Company has an unsecured five-year 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 \$1.7 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.

As at March 31, 2023, there were \$1.4 million (December 31, 2022 - \$1.4 million) in letters of credit outstanding under the Facility. As at March 31, 2023, there was \$nil drawn (December 31, 2022 - \$nil) under the Facility.

The Company has an uncommitted Overdraft Facility Agreement (the "European Facility") for €15.0 million (US\$16.3 million). The European Facility will be used to fund working capital requirements in Europe. As at March 31, 2023, the outstanding balance was \$nil (December 31, 2022 - \$nil).

The Company has an uncommitted Revolving Credit Facility to finance television and film production. The limit of the credit facility (the "Production Facility") is 10.0 million CAD (US\$7.4 million). As at March 31, 2023, the outstanding balance of the Production Facility was \$nil (December 31, 2022 - \$nil).

As at March 31, 2023, the Company had unutilized liquidity of \$1,079.3 million, comprised of \$569.3 million in Cash and cash equivalents and \$510.0 million under the Company's credit facilities.

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 creation and 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 fourth quarter, however, may be impacted by the factors discussed below.

The Company paid 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.

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 facility, are sufficient to finance capital expenditures and ongoing business requirements over the next 12 months. However, in order to manage its capital allocation, the Company may adjust the amount 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 in light of 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 November 2, 2021, pursuant to which, for a period of 25 months thereafter, the Company (and shareholders of the Company) may sell up to an aggregate of 1.0 billion CAD of subordinate voting shares, preferred shares, debt securities, subscription receipts, warrants or any combination thereof as a unit. This filing provides the Company with the flexibility to access debt and equity markets on a timely basis.

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 March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change
Net cash flows used in operating activities	(4.3)	(62.9)	58.6
Net cash flows used in investing activities	(56.6)	(8.3)	(48.3)
Net cash flows used in financing activities	(14.8)	(3.9)	(10.9)
Net decrease in cash and cash equivalents (excluding the effect of foreign currency exchange rate changes on cash and cash equivalents)	(75.7)	(75.1)	(0.6)
Effect of foreign currency exchange rate changes on cash and cash equivalents	0.7	5.5	(4.8)
Cash and cash equivalents, beginning of period	644.3	562.7	81.6
Cash and cash equivalents, end of period	569.3	493.1	76.2

Operating Activities as compared to the same period in 2022:

Cash flows used in operating activities were \$4.3 million for the three months ended March 31, 2023 compared to \$62.9 million driven by the change in net working capital (a decrease of \$5.4 million as compared to an increase of \$131.8 million in the comparative period) and lower Operating Income as a result of fewer orders, as customers focused on decreasing retail inventory levels from Q4 2022, compared to the prior year.

The following table provides a summary of Spin Master's net changes in non-cash working capital for the three months ended March 31, 2023 as compared to the same period in 2022:

(US\$ millions)	Three Months Ended Mar 31		\$ Change
	2023	2022	
Decrease (increase) in:			
Trade receivables, net	111.5	84.4	27.1
Other receivables	(7.4)	2.6	(10.0)
Inventories, net	(2.3)	(8.8)	6.5
Prepaid expenses and other assets	(11.3)	(25.7)	14.4
Assets reclassified as held for sale	—	(8.9)	8.9
	90.5	43.6	46.9
(Decrease) increase in:			
Trade payables and accrued liabilities	(79.4)	(175.0)	95.6
Deferred revenue	2.7	2.4	0.3
Provisions	(8.4)	(2.8)	(5.6)
	(85.1)	(175.4)	90.3
Net changes in non-cash working capital	5.4	(131.8)	137.2

Net Working Capital¹

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

(US\$ millions)	Mar 31, 2023	Dec 31, 2022	\$ Change
Trade receivables, net ¹	177.5	311.0	(133.5)
Other receivables ²	56.2	49.5	6.7
Inventories, net ³	109.6	105.1	4.5
Prepaid expenses and other assets	31.3	22.3	9.0
Current assets	374.6	487.9	(113.3)
Trade payables	92.2	153.0	(60.8)
Accrued liabilities ⁴	149.6	186.4	(36.8)
Deferred revenue	14.3	11.5	2.8
Provisions	25.8	30.7	(4.9)
Current liabilities	281.9	381.6	(99.7)
Net working capital	92.7	106.3	(13.6)

¹ Trade receivables are net of allowance for doubtful accounts and provisions for sales allowances. Refer to Note 11 of the interim financial statements.

² Other receivables include investment tax credits receivable, royalties, sales tax and other balances. Refer to Note 11 of the interim financial statements.

³ Inventories are net of write-downs. Refer to Note 12 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, and other balances. Refer to Note 18 of the interim financial statements.

Total net working capital decreased by \$13.6 million to \$92.7 million at March 31, 2023 from \$106.3 million. Excluding the impact of foreign exchange, total net working capital decreased by \$5.4 million.

Trade receivables, net, decreased by \$133.5 million to \$177.5 million at March 31, 2023 from \$311.0 million, driven by lower sales in the first quarter of 2023.

Other receivables increased by \$6.7 million to \$56.2 million at March 31, 2023 from \$49.5 million, driven primarily by an increase in investment tax credits receivables.

Inventories, net, increased by \$4.5 million to \$109.6 million at March 31, 2023 from \$105.1 million, due to the timing of the purchase of inventories.

Trade payables and accrued liabilities decreased by \$97.6 million to \$241.8 million at March 31, 2023 from \$339.4 million, driven by the timing of payments in line with the seasonality of the business and lower purchasing volumes.

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

Investing Activities as compared to the same period in 2022:

The following table provides a summary of Spin Master's consolidated cash flows used in investing activities for the three months ended March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change
Property, plant and equipment			
Tooling	5.7	6.2	(0.5)
Other	1.0	0.5	0.5
Total property, plant and equipment	6.7	6.7	—
Intangible assets			
Entertainment content and Digital Games development	21.9	8.6	13.3
Computer software	1.5	0.7	0.8
Brands, licenses and trademark acquisitions	—	0.5	(0.5)
Total intangible assets	23.4	9.8	13.6
Total capital expenditures	30.1	16.5	13.6
Business acquisitions, net of cash acquired	26.5	—	26.5
Minority interest and other investments, net of investment distribution income	—	1.0	(1.0)
Proceeds from sale of manufacturing operations	—	(9.2)	9.2
Cash used in investing activities	56.6	8.3	48.3

Cash used in investing activities was \$56.6 million for the three months ended March 31, 2023 compared to \$8.3 million primarily as a result of higher investments related to Entertainment and Digital Games content and business acquisitions.

Financing Activities as compared to the same period in 2022:

Cash flows used in financing activities were \$14.8 million for the three months ended March 31, 2023 compared to \$3.9 million primarily from the payment of cash dividends and the repurchase of subordinate voting shares under the Company's NCIB program ("repurchase of SVS").

Free Cash Flow¹ as compared to the same period in 2022:

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 March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022	\$ Change
Cash flows used in operating activities	(4.3)	(62.9)	58.6
Cash flows used in investing activities	(56.6)	(8.3)	(48.3)
Add:			
Business acquisitions, net of cash acquired	26.5	—	26.5
Minority interest and other investments	—	1.0	(1.0)
Proceeds from sale of manufacturing operations	—	(9.2)	9.2
Free Cash Flow¹	(34.4)	(79.4)	45.0

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

Free Cash Flow¹ was \$(34.4) million for the three months ended March 31, 2023 compared to \$(79.4) million, an increase of \$45.0 million. Free Cash Flow¹ increased primarily due to the change in non-cash working capital compared to the prior year driven by the decrease in trade payables and accrued liabilities, offset by a decrease in trade receivables.

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

OUTLOOK

The Company continues to expect 2023 Toy Gross Product Sales¹ to be flat to slightly down compared to 2022.

The Company continues to expect 2023 Toy Gross Product Sales¹ seasonality to return to historical averages of 30%-35% in the first half of the year.

The Company continues to expect 2023 Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ to be in line with 2022.

The Company continues to expect 2023 Adjusted EBITDA Margin, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue¹ to be flat to slightly up compared to 2022.

CONTRACTUAL OBLIGATIONS & COMMITMENTS

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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

CAPITALIZATION

Share Capital

As at May 3, 2023, there were 102.9 million shares outstanding comprised of 68.7 million multiple voting shares and 35.0 million subordinate voting shares.

As of May 3, 2023, pursuant to grants under the Company's Long-Term Incentive Plan, 1.0 million subordinate voting shares were issuable under outstanding Restricted Stock Units, up to 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.

As at March 31, 2023, the Company had dividends declared and accrued of \$4.7 million at a rate of 0.06 CAD per outstanding subordinate voting share and multiple voting share of Spin Master. Dividends of \$4.6 million were paid on January 14, 2023 to shareholders of record at the close of business on December 30, 2022. Dividends of \$4.7 million were paid on April 14, 2023 to shareholders of record at the close of business on March 31, 2023.

On May 3, 2023, the Company's Board of Directors declared a dividend of 0.06 CAD per outstanding subordinate voting share and multiple voting share, payable on July 14, 2023 to shareholders of record at the close of business on June 30, 2023.

Secondary Offering

On November 10, 2022, the Company announced a secondary offering (the "Secondary Offering") on a bought deal basis of its subordinate voting shares through a secondary sale of shares by an entity owned and or controlled by a Director of the Company (the "Selling Shareholder"). The Secondary Offering of 1,900,000 subordinate voting shares raised gross proceeds of approximately 61.0 million CAD for the Selling Shareholder, at a price of 32.10 CAD per subordinate voting share and was completed on November 17, 2022. The Company did not receive any proceeds from the Secondary Offering, and the underwriting fees and other expenses related to the Secondary Offering were paid by the Selling Shareholder. To satisfy the sale under the Secondary Offering, the Selling Shareholder converted 1,900,000 multiple voting shares into subordinate voting shares on a one-for-one basis.

Normal Course Issuer Bid

On January 5, 2023, the Company launched, and the Toronto Stock Exchange ("TSX") accepted the notice to launch an NCIB. Under the NCIB, the Company may 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 January 9, 2023, and will end on the earlier of January 8, 2024, and the completion of purchases under the NCIB, of up to 2,845,904 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. Under the TSX rules, daily purchases on the TSX pursuant to the NCIB will be limited to 20,814 subordinate voting shares, other than purchases made pursuant to the block purchase exception provided for in the rules of the TSX.

The following table shows the Company's activities under the NCIB during the period:

(US\$ millions)	Q1 2023
Subordinate voting shares repurchased under the NCIB for cancellation (number of shares)	241,500
Cash consideration paid	6.3
Reduction in share capital	2.8
Premium paid on repurchased and cancelled shares	3.5

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with its designated broker in order to facilitate the repurchase of SVS. As at March 31, 2023, 241,500 subordinate voting shares have been repurchased and cancelled at a cost of \$6.3 million. An obligation in the amount of \$7.2 million (December 31, 2022 – nil) has been recognized in trade payables and accrued liabilities for the remaining shares not yet purchased. Subsequent to March 31, 2023, the Company repurchased 156,200 subordinate voting shares at a cost of \$4.2 million. All repurchased subordinate voting shares have been cancelled.

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. For the three months ended March 31, 2023, 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 (2022 - \$0.2 million). As at March 31, 2023, amounts payable to the director's law firm were \$0.2 million (December 31, 2022 - \$0.4 million).

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.

Effective January 1, 2023, the Company adopted a voluntary change to its accounting policy for the determination of the unit of account used for measuring the entertainment content development assets resulting in a prior year restatement of \$12.6 million (refer to Note 3 of the Condensed consolidated interim financial statements for the three months ended March 31, 2023 and March 31, 2022).

For the three months ended March 31, 2023, there were no other material changes to the critical accounting estimates of the Company from those reported in the Annual MD&A and annual 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, 2023 which have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

LIMITATIONS OF AN INTERNAL CONTROL SYSTEM

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

NON-GAAP FINANCIAL MEASURES AND RATIOS

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

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

Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

Additionally, references are made in this MD&A to the following terms, each of which is a non-GAAP financial ratio:

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

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

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

Non-GAAP Financial Measures

Adjusted EBITDA is calculated as Net Income (Loss) before finance costs, income tax expense (recovery) and depreciation and amortization (EBITDA) excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring 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 on investment, impairment of property, plant and equipment, legal settlement, transaction costs, gain on disposal of asset and bad debt recovery. Adjusted EBITDA is used by management as a measure of the Company's profitability. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

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

Adjusted Net Income (Loss) is calculated as Net Income excluding adjustments (as defined in Adjusted EBITDA), the corresponding impact these items have on income tax expense. Management uses Adjusted Net Income (Loss) to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section below for a reconciliation of this metric to Operating Income (Loss), the closest IFRS measure.

Free Cash Flow is calculated as cash flows provided by/used in operating activities reduced by cash flows used in investing activities and adding back cash used for business acquisitions and investment in limited partnership and Minority interest, and other investments, net of investment distribution income. Management uses the Free Cash Flow metric to analyze the cash flows being generated by the Company's business. In the third quarter of 2021, the calculation of this metric was revised to include the impact of investment distribution income as Management believes this composition to be relevant to investors, lenders, securities analysts and other interested parties of the Company. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Cash flow from operating activities, the closest IFRS measure.

Toy Gross Product Sales represent Toy revenues, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses Toy Gross Product Sales to provide meaningful comparisons across product category and geographical results to highlight trends in Spin Master's business. For a reconciliation of Toy Gross Product Sales to Revenue, the closest IFRS measure, refer to the "Revenue" section within the "Financial Performance" section for the three and three months ended March 31, 2023, and the "Reconciliation of Non-GAAP Financial Measures" section for the previous eight fiscal quarters.

Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is calculated as revenue excluding distribution revenue of \$26.0 million related to *PAW Patrol: The Movie* recognized in 2021. Revenue, excluding *PAW Patrol: The Movie* Distribution Revenue is used to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Reconciliation of Non-GAAP Financial Measures" section for a reconciliation of this metric to Revenue, the closest IFRS measure.

Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is calculated as revenue excluding distribution revenue related to *PAW Patrol: The Mighty Movie*. Revenue, excluding *PAW Patrol: The Mighty Movie* Distribution Revenue is used to measure the underlying financial performance of the business on a consistent basis over time.

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

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.

Constant Currency Toy Gross Product Sales, Constant Currency Sales Allowances, 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 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 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 SG&A is calculated as selling, general and administrative expenses adjusted for restructuring and other related costs, share based compensation expenses, transaction costs and bad debt recovery. Refer to the Adjusted SG&A table for the three months ended March 31, 2023 as compared to the same period in 2022 in this MD&A. Management uses Adjusted SG&A to measure the underlying financial performance of the business on a consistent basis over time. Refer to the "Selling, General & Administrative Expenses" section within the "Financial Performance" section for a reconciliation of these metrics to selling, general & administrative Expenses, the closest IFRS measure.

Net Working Capital is calculated as the difference between total current assets and total current liabilities. Refer to the Total Net Working Capital table for the three months ended March 31, 2023 as compared to the same period in 2022 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.

Non-GAAP Financial Ratios

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

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

Adjusted Basic EPS is calculated by dividing Adjusted Net Income by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period. Management uses Adjusted Basic EPS and Adjusted Diluted EPS to measure the underlying financial performance of the business on a consistent basis over time.

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

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

(in US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Operating (Loss) Income	(6.1)	(24.0)	187.4	118.2	61.7	39.1	179.5	46.9
Share based compensation ¹	5.4	4.7	4.3	4.5	4.1	4.0	4.1	4.0
Foreign exchange loss (gain) ²	4.3	4.8	(43.5)	(32.3)	9.6	(0.7)	(10.8)	4.9
Restructuring and other related costs ³	3.8	(0.2)	—	4.5	0.6	1.4	0.4	—
Acquisition related deferred incentive compensation ⁴	2.1	2.2	2.8	2.6	2.7	2.6	2.7	1.5
Impairment of intangible assets ⁵	1.2	1.1	—	—	—	1.2	—	0.5
Impairment of goodwill ⁶	1.0	—	—	—	—	1.9	—	—
Transaction costs ⁷	0.6	0.2	0.3	0.4	0.1	2.1	0.1	0.6
Impairment of property, plant and equipment ⁸	0.2	0.9	1.0	—	—	—	—	—
Legal settlement expense (recovery) ⁹	0.2	1.6	—	(0.6)	(1.5)	—	—	—
Net unrealized loss (gain) on investment ¹⁰	—	0.1	—	(0.1)	—	0.3	—	(0.3)
Investment distribution income ¹¹	—	—	—	(0.1)	—	—	(0.2)	(0.4)
Loss on Minority interest and other investments ¹²	—	—	—	0.5	—	—	—	—
Acquisition related contingent consideration ¹³	—	3.1	(0.5)	—	—	3.4	—	—
Gain on disposal of asset ¹⁴	—	—	—	—	—	—	(0.2)	—
Adjusted Operating (Loss) Income	12.7	(5.5)	151.8	97.6	77.3	55.3	175.6	57.7
Depreciation and amortization	17.9	17.9	15.8	16.1	18.4	23.0	41.7	24.1
Adjusted EBITDA	30.6	12.4	167.6	113.7	95.7	78.3	217.3	81.8
Distribution revenue related to <i>PAW Patrol: The Movie</i> ¹⁵	—	—	—	—	—	—	(26.0)	—
Adjusted EBITDA, excluding <i>PAW Patrol: The Movie</i> Distribution Revenue	30.6	12.4	167.6	113.7	95.7	78.3	191.3	81.8
Distribution revenue related to <i>PAW Patrol: The Movie</i> ¹⁵	—	—	—	—	—	—	26.0	—
Income tax recovery (expense)	0.6	8.5	(45.6)	(27.8)	(14.2)	(9.5)	(41.8)	(11.1)
Interest income (expense)	3.6	1.7	(0.4)	(2.3)	(1.9)	(3.1)	(2.3)	(2.3)
Depreciation and amortization	(17.9)	(17.9)	(15.8)	(16.1)	(18.4)	(23.0)	(41.7)	(24.1)
Tax effect of normalization adjustments ¹⁶	(4.6)	(4.7)	8.6	4.9	(3.7)	(4.0)	1.1	(2.7)
Adjusted Net Income	12.3	—	114.4	72.4	57.5	38.7	132.6	41.6

¹ Related to non-cash expenses associated with the Company's share option expense and long-term incentive plan.

² Includes foreign exchange (gains) losses generated by the translation and settlement of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and (gains) losses related to the Company's hedging programs.

³ Restructuring and other related costs primarily relates to changes in personnel. Restructuring and other related costs in the prior year includes costs related to changes in senior leadership.

⁴ Deferred incentive compensation associated with acquisitions.

⁵ Impairment of intangible assets related to entertainment content development, digital game and app development and computer software.

⁶ Impairment of goodwill associated with two separate CGUs.

⁷ Professional fees incurred relating to acquisitions and other transactions.

⁸ Impairment of property plant and equipment related to tooling.

⁹ Legal settlement in the first quarter of 2023 and first, second and fourth quarters of 2022.

¹⁰ Net unrealized gain related to investment in limited partnership.

¹¹ Distribution income related to investment in limited partnership.

¹² Fair value loss on the Minority interest and other investments classified as FVTPL.

¹³ Expense associated with contingent consideration for acquisitions.

¹⁴ Gain on disposal of intangible asset.

¹⁵ Distribution revenue related to *PAW Patrol: The Movie* recognized in Q3 2021 within Entertainment revenue.

¹⁶ Tax effect of adjustments (Footnotes 1-15). Adjustments are tax effected at the effective tax rate of the given period.

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

(in US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Cash (used in) provided by operating activities	(4.3)	(6.8)	207.3	111.6	(62.9)	230.1	85.8	94.2
Cash used in investing activities	(56.6)	(28.2)	(42.3)	(30.4)	(8.3)	(19.6)	(22.7)	(46.9)
Add (Deduct):								
Business acquisitions, net of cash acquired ¹	26.5	0.4	10.2	—	—	0.7	—	21.7
Investment in limited partnership ²	—	—	—	—	—	0.1	0.9	—
Advance paid for business acquisitions ³	—	1.0	—	—	—	—	—	—
Investment distribution income ⁴	—	—	—	(0.1)	—	—	(0.6)	—
Minority interest and other investments ⁵	—	3.5	—	3.0	1.0	—	2.4	—
Proceeds from sale of manufacturing operations ⁶	—	—	—	—	(9.2)	—	—	—
Free Cash Flow	(34.4)	(30.1)	175.3	84.1	(79.4)	211.3	65.8	69.0

¹ Cash paid relating to acquisitions of 4D Brands and *HEXBUG*, both in Q1 2023 (2022 - SolidRoots and Nørdlight, both in Q3 2022, 2021 - Originator Inc. in Q2 2021 and a product invention and development company in Q2 2021).

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

³ Cash advance paid in 2022 relating to the acquisition of 4D Brands International Inc., and Innovation First, Inc.

⁴ Distribution income earned relating to the investment in a limited partnership.

⁵ Cash paid in relation to the Minority interest and other investments during 2021 and 2022.

⁶ Cash received for the sale of manufacturing assets located in Tarboro, North Carolina in Q1 2022.

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

(in US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Toy Gross Product Sales	216.3	479.2	617.7	484.4	397.5	627.5	681.2	359.0
Sales Allowances	(30.0)	(82.5)	(65.3)	(46.8)	(46.6)	(85.5)	(73.4)	(32.6)
Toy revenue	186.3	396.7	552.4	437.6	350.9	542.0	607.8	326.4
Entertainment revenue	37.6	31.2	37.0	28.4	22.2	28.5	52.9	27.5
Digital Games revenue	47.5	37.9	34.6	40.3	51.1	50.0	53.8	36.9
Revenue	271.4	465.8	624	506.3	424.2	620.5	714.5	390.8

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

(in US\$ millions)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	271.4	465.8	624.0	506.3	424.2	620.5	714.5	390.8
Distribution revenue related to <i>PAW Patrol: The Movie</i>	—	—	—	—	—	—	(26.0)	—
Revenue, excluding <i>PAW Patrol: The Movie</i> Distribution Revenue	271.4	465.8	624.0	506.3	424.2	620.5	688.5	390.8

The following tables present reconciliations of Revenue to Constant Currency Toy Gross Product Sales, Revenue to Constant Currency Digital Games revenue and Revenue to Constant Currency Revenue for the three months ended March 31, 2023 and 2022:

(US\$ millions)	Q1 2023	Q1 2022
Constant Currency Toy Gross Product Sales	219.7	402.6
Impact of foreign exchange	(3.4)	(5.1)
Toy Gross Product Sales	216.3	397.5
Constant Currency Sales Allowances	(30.9)	(48.0)
Impact of foreign exchange	0.9	1.4
Sales Allowances	(30.0)	(46.6)
Toy revenue	186.3	350.9
Constant Currency Entertainment revenue	37.6	22.4
Impact of foreign exchange	—	(0.2)
Entertainment revenue	37.6	22.2
Constant Currency Digital Games revenue	49.2	54.1
Impact of foreign exchange	(1.7)	(3.0)
Digital Games revenue	47.5	51.1
Constant Currency Revenue	275.6	431.1
Impact of foreign exchange	(4.2)	(6.9)
Revenue	271.4	424.2

The following tables present the composition of Percentage change in Constant Currency Toy Gross Product Sales, Percentage change in Constant Currency Digital Games Revenue, and Percentage change in Constant Currency Revenue for the three months ended March 31, 2023 and 2022:

			\$ Change			% Change	
(US\$ millions)	Q1 2023	Q1 2022	As reported	Impact of foreign exchange	In Constant Currency	As reported	In Constant Currency
Toy Gross Product Sales	\$ 216.3	\$ 397.5	\$ (181.2)	\$ 3.4	\$ (177.8)	(45.6)%	(44.7)%
Sales Allowances	\$ (30.0)	\$ (46.6)	\$ 16.6	\$ (0.9)	\$ 15.7	(35.6)%	(33.7)%
Toy revenue	\$ 186.3	\$ 350.9	\$ (164.6)	\$ 2.5	\$ (162.1)	(46.9)%	(46.2)%
Entertainment revenue	\$ 37.6	\$ 22.2	\$ 15.4	\$ —	\$ 15.4	69.4%	69.4 %
Digital Games revenue	\$ 47.5	\$ 51.1	\$ (3.6)	\$ 1.7	\$ (1.9)	(7.0)%	(3.7)%
Revenue	\$ 271.4	\$ 424.2	\$ (152.8)	\$ 4.2	\$ (148.6)	(36.0)%	(35.0)%

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 2023 (see “Outlook”); future growth expectations in 2023 and beyond; the Company’s dividend policy; drivers and trends for such growth and financial performance; the successful execution of its strategies for growth; the integration of and benefits from acquisitions; the Company’s SMV initiative; content and product pipeline; financial position, cash flows, purchases under the NCIB, and financial performance; and the creation of long term shareholder value.

Forward-looking statements are necessarily based upon management’s perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this MD&A, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: 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 broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition and minority investment opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company’s products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers, retailers and license partners; the Company will continue to attract qualified personnel to support its development requirements; and the Company’s key personnel will continue to be involved in the Company products and entertainment properties will be launched as scheduled and that the risk factors noted in this MD&A, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking information in this MD&A. Such risks and uncertainties include, without limitation, 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.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.