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EDITED TRANSCRIPT

MAT.OQ - Q3 2026 Mattel Inc Earnings Call

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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

Katina Metzidakis *Mattel Inc - Head of Investor Relations*

Roger Lynch *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Paul Ruh *Mattel Inc - Executive Advisor*

Peter Griffith *Mattel Inc - Chief Financial Officer, Non-Independent Director*

CONFERENCE CALL PARTICIPANTS

Eric Handler *Roth Capital Partners LLC - Analyst*

Anthony Bonadio *Wells Fargo Securities LLC - Analyst*

Chris Horvers *JPMorgan - Analyst*

Arpine Kocharyan *UBS AG - Analyst*

Jim Chartier *Monness, Crespi, Hardt - Analyst*

Stephen Laszczyk *Goldman Sachs International - Analyst*

Xian Siew *BNP Paribas - Analyst*

Gerrick Johnson *Seaport Research Partners - Analyst*

PRESENTATION

Operator

Hello, everyone, and thank you and welcome to the Mattel Incorporated third quarter 2026 earnings conference call. (Operator Instructions)

I'll now hand the conference over to Katina Metzidakis, Mattel's Head of Investor Relations. Katina, please go ahead.

Katina Metzidakis - *Mattel Inc - Head of Investor Relations*

Thank you, operator, and good afternoon, everyone. Joining me today are Roger Lynch, Mattel's Chairman and Chief Executive Officer, Peter Griffith, Mattel's Chief Financial Officer, and Paul Ruh, Executive Advisor. This afternoon, we reported Mattel's third quarter 2026 financial results. We will begin today's call with commentary on our results, after which we will provide some time for questions.

During the question-and-answer session, we ask that you limit to one question and one follow-up. Today's discussion and earnings release may reference certain non-GAAP financial measures and key performance indicators, which are defined in the earnings release appendices. Please note that Gross Billings figures referenced on this call will be stated in constant currency unless otherwise stated.

Our earnings release and supplemental non-GAAP information can be accessed through the investors section of our corporate website, corporate.mattel.com, and the information required by Regulation G regarding non-GAAP financial measures, as well as information regarding our key performance indicators, is included in those documents.

The financial results included in the earnings release are preliminary until Mattel's Form 10-Q is filed with the SEC, and actual results when disclosed in the Form 10-Q may differ from these preliminary results. Before we begin, I'd like to remind you that certain statements made during the call may include forward-looking statements related to the future performance of our business, brands, categories, and product lines. Any statements we make about the future are, by their nature, uncertain.

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These statements are based on currently available information and assumptions, and they are subject to a number of significant risks and uncertainties that could cause our actual results to differ from those projected in the forward-looking statements.

We describe some of those uncertainties in the risk factors section of the latest Form 10-K annual report, our Form 10-Q quarterly reports, our most recent earnings release, and other filings we may make with the SEC from time to time, as well as in other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

Now, I'd like to turn the call over to Roger.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Katina, and thanks, everyone, for joining. I'm pleased to be speaking with you today on my first earnings call as Chairman and CEO of Mattel. It's a privilege to lead a company with one of the most iconic brand portfolios in the world and a strong legacy of innovation and leadership in toys. My history as a Mattel board member has given me a deep appreciation for the strength of our brands, people, and global capabilities.

Now, as Chairman and CEO, the team and I will build upon those strengths and lead Mattel into its next chapter. In my first few weeks on the job, I spent time getting closer to the business and have had the pleasure of meeting with customers, partners, and colleagues from around the world. What I've seen has deepened my confidence in Mattel's long-term opportunity.

At the same time, I'm also clear-eyed about where we must improve. We must prioritize, concentrate resources on our greatest opportunities, and translate the strength of Mattel's brands and capabilities into more consistent financial performance. Before going further, I'd like to welcome Lee Matheson to our board of directors. Lee brings significant investment and public markets experience, as well as the perspective of one of Mattel's largest and longstanding shareholders, EdgePoint. I look forward to working closely with Lee, as does our board. I'd also like to welcome Peter Griffith, who joins Mattel as our Chief Financial Officer and as a member of our board. Peter brings extensive public company financial leadership experience, a strategic perspective, effective technology and AI execution, and a disciplined approach to capital allocation. He has also driven companies to improve financial performance and navigate periods of significant change. He's already proven to be a close partner to me and to the rest of the leadership team. I want to thank Adriana Cisneros, who has stepped down from the board, for her contributions to Mattel over her many years of service. Finally, I'd like to congratulate Steve Totzke on his appointment as President and Chief Operating Officer. As announced earlier today, Steve will oversee our global brand portfolio and commercial operations. Steve is a highly accomplished and respected leader with 30 years at Mattel, deep relationships across the global toy industry, and a comprehensive understanding of our business and brands. And I'd like to thank Roberto Stanichi for his many contributions over his 20 years at Mattel. Roberto will step down as President and Chief Marketing and Brand Officer to join Netflix as its new head of consumer products and licensing. We're very happy for Roberto and grateful that we will continue to work closely with him as a valued partner to Mattel. Congratulations, Steve and Roberto. Before I discuss my priorities for Mattel, I want to acknowledge there's been considerable external commentary about the company recently. The board and management team are aligned on executing our responsibilities to explore any actionable opportunities and creating value for all Mattel shareholders.

As I step into the CEO role, I see significant opportunity to improve our focus and execution. For me, that means prioritizing our greatest opportunities and executing with greater consistency. That approach will run through my three priorities for Mattel. These are, first, strengthen our brands and win in toys. Second, drive innovation and creativity. Third, invest with discipline to drive profitable growth. Mattel has an extraordinary portfolio of brands, and our brands emanate from toys. When we build great brands through play, we create fans who engage with our toys in different ways and at different stages of their lives. Strong brands give us permission to extend that engagement through content, digital and live experiences, consumer products, and other expressions of our IP. A strong core toy business is the foundation for building broader franchise ecosystems around our brands and reaching consumers across multiple touchpoints. With Mattel's global scale and reach, we have significant opportunities to build on that foundation. As we do, we will prioritize where we focus our resources and allocate capital with discipline. My second priority is to drive innovation and creativity, which are essential to Mattel's DNA. We will continue innovating in our existing categories while also pursuing opportunities in attractive, growing toy categories, such as building sets and trading cards. We also see opportunities to reach new audiences, including adult fans and collectors. I believe we can be better storytellers to

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support our core business. Finally, we must be disciplined in how we allocate capital. We will continue investing in our brands and opportunities for growth, but we will be selective, focusing our resources where we see the greatest potential for attractive returns. Let me bring these priorities to life with a few examples from our portfolio, starting with Hot Wheels. Hot Wheels is perhaps the clearest example of what our brand-centric strategy can look like when we execute well. Hot Wheels is our largest brand and is on track for its ninth consecutive record year and is approaching $2 billion in gross billings. To put the scale of the franchise in perspective, we will produce approximately 1 billion die-cast cars this year, which is roughly 32 cars every second. We have also been very deliberate about understanding where else consumers are spending their time and how play patterns are evolving. Building sets are one of the fastest-growing categories in toys. We created Mattel Brick Shop, combining a growing play pattern with something Hot Wheels has a real advantage in, our knowledge of cars and car culture, and consumers have responded. Brick Shop has been a great success, and we are increasing our focus on optimizing our supply chain to support that growth, including evaluating capacity around the world. We are prepared to allocate capital where we see attractive returns. What's important to me is how all of this connects. Start with a great toy brand driving a strong core business. Understand what fans are telling you and where play patterns are moving. Invest where our brands have a right to win, and then build an ecosystem around the brand that deepens engagement and makes the underlying brand stronger. I believe our toys drive strong brands. Hot Wheels is one of our best examples of it.

Now I'd like to talk about Barbie. Barbie is a priority, but the current performance is not where it needs to be. Barbie is one of the most iconic and recognized brands in the world and the number one doll globally. We know consumers respond when we bring them compelling product, content, and cultural moments. Our focus is on doing that with more consistency with Barbie. That means strengthening the core product offering, continuing to innovate around the brand, and broadening our appeal, particularly among adult fans and collectors.

One of Mattel's great advantages is the breadth of our brands and our position across multiple toy categories, and that includes our partner brands. Netflix's KPop Demon Hunters is a prime example. We moved quickly behind a rapidly evolving cultural phenomenon and translated that consumer interest into strong demand for Mattel products. That ability to identify opportunities, prioritize quickly, and execute against them is something I want us to do more consistently across the company. Partner brands are a very important part of our strategy, and we treat these brands as if they were our own. Before I turn it over to Paul, I want to take this moment to thank him personally for his many contributions to Mattel. During Paul's tenure, we strengthened our finance and global technology organizations and began modernizing our systems. Paul has been a respected and collaborative partner to our management team, our board, and colleagues across the company. Paul, thank you for your support and partnership you've shown me during my time on the board and as I've stepped into the CEO role. I'm grateful that you'll continue to support us through the end of the year and help ensure a seamless transition to Peter.

Paul will now take you through our third quarter results.

Paul Ruh - *Mattel Inc - Executive Advisor*

It has been a privilege to serve as Mattel's CFO, and I would like to thank the leadership team and all of you for your partnership and support during my time with the company. I look forward to working with Roger, Peter, and the team to ensure a smooth transition through the end of the year. With that, let me turn to Mattel's third quarter performance.

Looking at Mattel's key financial metrics for Q3 as compared to the prior year quarter, net sales grew 4% as reported and 3% in constant currency to $1.81 billion. Adjusted gross margin increased 480 basis points to 55%, including $88 million of tariff refunds that benefited cost of goods sold. Adjusted operating income increased by $106 million to $502 million, and adjusted earnings per share increased $0.39 to $1.30.

Turning to our portfolio, growth in gross billings was driven by Vehicles, Challenger categories, and Dolls, partly offset by Infant, Toddler, and Preschool. Within Vehicles, all brands grew in the quarter. Within the Challenger categories, Action Figures grew double digits, as did Games, including the contribution of Mattel163. Excluding the contribution of Mattel163, Gross Billings for the Challenger categories declined, primarily due to the loss of the Pokémon license in the prior year and the timing of retailer orders shifting into the fourth quarter. Dolls growth was primarily driven by partner brands, including KPop Demon Hunters, partially offset by declining Barbie. Infant, Toddler, and Preschool

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declined primarily due to Fisher-Price. In terms of brand highlights, the new Hot Wheels Let's Race special was released in October and reached number two on Netflix's global top 10 movies list.

Looking at Gross Billings by region, three of our four regions grew, with North America up 4%, EMEA up 3%, Asia Pacific up 15%, while Latin America was down 3%. The mix of direct import versus domestic US retailer ordering patterns remained stable in Q2 and Q3. More broadly, we continue to see retailers buying closer to demand.

Moving down the P&L, Adjusted Gross Margin was 55%. The significant improvement was primarily driven by the tariff refunds, which contributed 490 basis points. Excluding this, inflation and higher royalties more than offset other benefits, including the contribution of Mattel163, cost savings, and favorable foreign exchange. Advertising increased $25 million to $143 million, primarily due to expenses associated with Mattel163.

Adjusted SG&A declined $8 million to $349 million, primarily due to the lower equity and incentive compensation, including the reversal of previously recognized executive compensation expense, partly offset by expenses associated with our strategic investments, as well as the addition of Mattel163. Adjusted Operating Income was $502 million as compared to $395 million in the prior year period, primarily driven by higher gross profit, partially offset by higher Advertising.

Adjusted EBITDA was $543 million as compared to $466 million, and Adjusted Earnings per Share was $1.30 as compared to $0.91, both mostly due to the same factors that impacted adjusted operating income. Free Cash Flow generation on a trailing 12-month basis was $440 million as compared to $488 million in the prior year period. The difference was primarily due to higher capital expenditures.

We continue to opportunistically repurchase shares, purchasing $308 million year to date and nearly $500 million of shares on a trailing 12-month basis, and more than $1.5 billion since resuming share repurchases in 2023. Approximately $1.2 billion remain under Mattel's current authorization. Turning to the balance sheet, cash at quarter end was $541 million as compared to $692 million a year ago. The decrease over the trailing 12 months was primarily due to share repurchases, capital expenditures, and cash used for the acquisition of the remaining 50% interest in Mattel163, partially offset by operating cash flows. Total debt was comparable with the prior year, and owned inventory at quarter end was $828 million, comparable versus prior year.

With that, I will pass it over to Peter to cover the outlook for the remainder of the year.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Thank you, Paul. I very much appreciate your partnership as I transition into the role and look forward to working closely with you through the end of the year. Before I cover our outlook for the remainder of the year, I would like to share some initial perspectives since joining Mattel. I've been fortunate throughout my career to work with great companies that have a meaningful impact on people's lives. Mattel's purpose to empower generations to explore the wonder of childhood and reach their full potential really resonated with me. So did the opportunity I see to help this company perform at even a higher level. Those were two of the really important reasons why I joined the team at Mattel. I share Roger's view of the opportunities at Mattel. We have some of the most iconic brands in the world, a strong legacy of innovation, leadership in toys, and opportunities to drive performance through strong, focused, and disciplined execution. I've been here a short period of time, but long enough to recognize there are short-term and longer-term ways to make tangible differences. I believe my experience can help us become more effective in how we operate, invest, and allocate capital.

I'm already working with teams across the company to take an enterprise-wide view of these opportunities and identify where we can simplify how we operate, eliminate unnecessary distractions, and accelerate impact. We'll be back in February with our plans and share them when we expect to give you guidance for 2027. As Roger discussed, focus and execution will be critical. That means bringing a rigorous financial discipline to how we operate, where we invest, and how we allocate capital. A returns-driven process that prioritizes the highest return on invested capital projects, allocating capital to those projects that signal after-tax cash-on-cash returns above the company's hurdle rate. We will be intentional about prioritizing investment in our core toy business and strengthening its performance to drive the success of our brands.

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Our capital allocation priorities remain unchanged, investing for organic growth, maintaining a strong balance sheet and investment-grade rating, and as part of investing for organic growth, optimizing our capacity through our capital expenditures, pursuing external development opportunities where they make strategic and financial sense, and returning capital to shareholders opportunistically. With that, let me turn to our outlook for the remainder of 2026.

We're revising our full-year guidance as follows: Net Sales growth in the range of 1%-4% in constant currency, Adjusted Gross Margin of roughly 48%, Adjusted Operating Income in the range of $500 million-$570 million, and Adjusted Earnings per Share in the range of $1.05-$1.20. Foreign exchange is expected to have roughly a 1% benefit on full-year Net Sales based on current spot rates, and we expect an adjusted effective tax rate of roughly 23% for the full year. Our revised full-year outlook primarily reflects softer-than-expected Point of Sales, POS, including a deceleration in trends during the latter part of the third quarter that we've seen continue into the fourth quarter, with similar trends across our major markets.

We've also revised our full-year Adjusted Gross Margin and Adjusted Operating Income outlooks, primarily reflecting the impact of the lower sales outlook. We're maintaining our commitment to invest behind our brands, including the content and brand support contemplated in our plans for the remainder of the year. Our updated full-year guidance reflects what we know today, including current trends and what we're seeing in the business. The company's earlier commentary reflected the information available at that time, and we've now provided you with our current view on how we see 2026 evolving. Our revised guidance excludes the benefits of tariff refunds recognized year to date, as well as any additional tariff refunds that may be recognized during the remainder of the year.

We'll update you on our progress and share more about our plans when we provide 2027 guidance, as you know we customarily do on the fourth quarter 2026 earnings call in February 2027. Let me now thank all of my colleagues for their commitment to shareholders and customers, and I'm very grateful to be here with the entire team at Mattel.

I will now turn it back to Darragh, and please let our colleagues know the instructions for the Q&A period.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Eric Handler, Roth Capital Partners.

Eric Handler - *Roth Capital Partners LLC - Analyst*

Good afternoon. Thanks for the question.

Roger, I guess from a big-picture perspective, as long as I can remember, 15 years plus, Mattel has constantly been in just in a perpetual cost-cutting program. From my view at least, it seems like at some point they started cutting into muscle. What's your view there? While Mattel is spending this year as an investment year for a number of products, is there more that needs to be done with investment spending?

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Thanks, Eric. I think that Mattel has done a good job in prior years of optimizing its cost structure and improving its balance sheet. But that doesn't mean that there isn't more opportunities around that. The main thing that I think you'll see Peter and I focused on is really prioritization and execution. We think there is an opportunity to improve the financial performance of the company by focusing on those areas. As part

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of that, we will look at global cost structures and how we leverage technology, data, and AI to increase productivity and make better decision-making.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Roger, I might add.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Great.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Eric, it's Peter. We'll be focused on technology, data, and AI, and how we see that driving productivity and better decision-making. We also think it accelerates how we can get things accomplished that'll help both the top and the bottom line. Understood on your point around cutting costs, but I think there's a point to get to efficiencies that are driven through tools available to us in the future, that we want to take advantage of at this point in time.

Eric Handler - *Roth Capital Partners LLC - Analyst*

That's very helpful. Just quickly on your softer POS comment, deceleration in trends in 3Q and continues to 4Q. Was that broadly speaking, or are there some areas that were weaker than others?

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

I think what we said was the consumer demand at POS, as you point out, Eric, it was a positive in the third quarter, but below our expectations. It started to trend down, some headwinds, as we went towards the end of the quarter and year-to-date now. Our updated outlook reflects that effect on the POS. We see those deceleration trends continuing to occur through the fourth quarter. Similar trends across each of our major markets, so we're watching that closely. Our updated expectations are in the guidance we provided for you. I would add to that, though, that from a supply chain perspective, we're ready to handle all parts of our Net Sales range. We're fully prepared to do that. From that standpoint, we stand ready, and we'll keep a close eye on the POS as it develops.

Thank you very much for the question, Eric.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Thank you.

Operator

Anthony Bonadio, Wells Fargo.

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Anthony Bonadio - *Wells Fargo Securities LLC - Analyst*

Yeah. Hey, guys. Thanks for taking our questions. I guess maybe for starters, realize you guys are new to your seats, but just high-level on your early view on how you're thinking about the strategic plan communicated by the prior management team, as we think about mobile gaming and some of the other initiatives, and then just anything you can say around strategic interest and what process might look like there.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Sure. Look, I think that the opportunities in some of these new areas, digital and entertainment, they exist from the core strength of our brands. When we have a strong core toy business, we can build broader franchise ecosystems around the brands and reach consumers across all these multiple touchpoints, including digital, but also content, live experiences, consumer products, and just other expressions of our IP. As I mentioned, I think Hot Wheels is the best example of that, what that brand-centric strategy can look like when we execute well and focus on strengthening the core business. So, we will continue investing in our brands and look for opportunities to growth, but we are going to be rigorous about where we invest and focus the resources where we see the greatest potential to generate attractive returns for shareholders.

Anthony Bonadio - *Wells Fargo Securities LLC - Analyst*

Got it. Thanks. Just to clarify on the point-of-sale question, I guess maybe just any thoughts on what is driving that deceleration, and then the numbers you are talking about, is that industry or is that Mattel-specific?

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Anthony, I would just say that on the POS, it is really across the board, just some lower numbers in POS, and I do not think we comment on whether it is just Mattel or the industry. So, it is what we are seeing.

Anthony Bonadio - *Wells Fargo Securities LLC - Analyst*

Thanks, guys.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

You bet. Thank you.

Operator

Chris Horvers, JPMorgan.

Chris Horvers - *JPMorgan - Analyst*

Thanks so much. As it relates to how you are thinking about the fourth quarter, I know you mentioned what you are seeing in your business. Are any of the brands impacted more or less? Then as you think about Barbie relative to Hot Wheels in the fourth quarter, would you expect both of those power brands to be down on a year-over-year basis as implied in the guidance?

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Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Hot Wheels continues to show strength, and really, the playbook that the company has been using for Hot Wheels is a playbook that we think we can really implement more effectively across our portfolio. It starts with clear audience segmentation, and then that has enabled us to evolve Hot Wheels to become more about car culture and lifestyle. The growth we have seen has been, I think, quite impressive. As I mentioned, approaching $2 billion, but we see more headroom in that category. It also expands to adult fans and to the growing audience and the expansion of that fan ecosystem beyond traditional vehicles into what we are doing in building sets and with Mattel Brick Shop. So, I like that strategy. I think we have the ability to apply that more effectively, and I think Barbie is a good example where we need to be more effective.

Barbie is a priority for us, and the current performance is frankly not where it needs to be. It is one of the most iconic and recognized brands in the world. It is the number one doll globally, and we know consumers respond when we bring them compelling products and content and cultural moments. Our focus is going to be on doing that more consistently with Barbie. That includes strengthening the core product and continuing to innovate around the brand while pursuing opportunities to reach these growing audiences, including, importantly, adult fans and collectors. I have a lot of confidence in Barbie's relevance and opportunity, and I think you are going to see us have a lot more focus on execution on that.

Chris Horvers - *JPMorgan - Analyst*

Then, is it fair to say that you would expect, despite the lowered sale guidance, you would expect Hot Wheels to be up and the pain more felt in some of the other larger brands like Barbie in the fourth quarter?

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

We continue to see Hot Wheels performing well, as you saw in our results for the third quarter. The trends that we saw, as Peter said, towards the end of the third quarter continued into the fourth quarter. That is consistent with the guidance that Peter gave.

Chris Horvers - *JPMorgan - Analyst*

Got it. Thanks so much.

Operator

Arpine Kocharyan, UBS.

Arpine Kocharyan - *UBS AG - Analyst*

Hi. Thanks for taking my question. I wanted to go back to a bigger-picture question I have, which relates to what investors should expect will change now versus prior strategy. Specifically, your reference in the release to priorities you have in front of you. I couldn't help but notice how it's very toy-centric, investing in the toy business, making sure that's profitable, and noticed very little mention of digital strategy, given heavy investments the company has made in digital strategy this year. I know it's very early days, so in some ways it's an unfair question to you at this point, but I was wondering if you could maybe lay out in simple terms how we should read into this initial wording of your strategy. Is there a significant departure for that strategy that was communicated earlier in 2026, or do you longer term still believe the investments Mattel has made this year should serve the company well into 2027, 2028? And then I have a follow-up.

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Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Yeah. Thanks, Arpine. Look, what I believe is that the opportunities that we have in some of these areas of digital, whether it's gaming or film, television, live experiences, they flow from strength in our core business. When we have a strong core business, which is the toy business, we can build the broader franchise ecosystems around the brands and reach consumers more effectively with all these new areas that you mentioned.

I believe we have an opportunity to increase our focus and our execution in that core business. As we do that, it unlocks the ability in these other areas that you mentioned. So, it's not a strategy change. It is a focus change, and it's a focus on the execution of that core business, because when it's not meeting our expectations and it's not meeting the expectations of our investors, we know there's opportunities to improve. And I think as we do that, you'll see us unlock some of the other opportunities we've talked about in digital and content and live experiences. You said you had a follow-up, Arpine?

Arpine Kocharyan - *UBS AG - Analyst*

Yeah. Thank you. That's very helpful. Then in terms of the guidance adjustment for the year, it's a little bit interesting because a short month ago, you were talking about more shift into Q4, but overall unchanged outlook. Mattel had talked about overall pretty steady business trends, but it seems like you've seen much more significant deceleration in latter part of the quarter and into Q4. I was hoping you could maybe talk a little bit about what's driving that. What are you seeing with the consumer? It seemed like, at least based on current reads, retailer is pretty well positioned. POS for the industry have been fine. Competitors have reported pretty steady numbers. Where is the shortfall coming from to push Net Sales so much lower for the full year?

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Arpine, thank you for that question. Look, the question you're posing is what's been changing since September. Our revised guidance for the full year that we went through reflects, as we said, the lower-than-expected POS, including the deceleration in trends across that latter part of the third quarter. We've seen it continue into the fourth quarter, and as I said a few moments ago, similar trends across each of the major markets.

Second, I would say we're going to maintain our commitment to invest behind the brands, including the content and brand support that we contemplated in those plans, and do that for the remainder of the year. Third, we've revised, as you saw too, full-year adjusted gross margin, adjusted operating income outlooks, driven primarily by the lower sales outlook. That updated full-year guidance reflects what we know today, including those current trends and what we're seeing in the business. As I said earlier, it's important to note we believe that we have the products available for our customers, so we don't expect any issues in the supply chain at the levels of demand that we have in our revised Net Sales range. Now, I would say, Arpine, the company's earlier commentary reflected the information available at the time, and we've provided you our current view on how we see 2026 evolving. The revised guidance, just as a reminder, excludes the tariff refunds recognized year to date and any additional refunds that may be recognized during the remainder of 2026. Then let's just go up in altitude for a moment, finish up on this thought about what's been going on since September. As we go up in altitude, we've shared with you, we see opportunities to improve both the top and the bottom line. We've said we'll be back in February about expectations for those in 2027 that will reflect those opportunities when we expect to give you guidance in 2027 next year. I think that's the way we look at it. I think we're prepared for where we're at. I would also say and suggest that the changes, given a company of our size and that POS, those headwinds, we're simply trying to indicate a range there. This lower-than-expected POS is simply driving us to take a close look at that, be fully prepared for all parts of our Net Sales range, and we'll be watching POS closely.

We sit here in, I believe, week 43, and we know that this is about the week when POS starts going up very, very rapidly. So we'll be watching that, we'll be on it, and we're ready to work really, really hard to meet or exceed what we've been talking about today.

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Arpine Kocharyan - *UBS AG - Analyst*

You'll have the inventory to supply to that demand?

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

That's exactly what I've been saying, yes. Thank you. Absolutely.

Arpine Kocharyan - *UBS AG - Analyst*

Thanks.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Yep. You bet.

Operator

Jim Chartier, Monness, Crespi, Hardt.

Jim Chartier - *Monness, Crespi, Hardt - Analyst*

Hi, thanks for the question. Barbie, there was previously some optimism about that business improving in the back half behind new packaging, more content on YouTube, and especially on Netflix, and some new products. I guess, could you just talk about how any of that is working, or is based on kind of the commentary, has not really kind of moved the needle?

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Yeah, as I said earlier, Jim, it's really, we think we have further opportunities to improve performance on Barbie. And it is a strong brand, but our execution needs to be more consistent. And the trends on Barbie have maybe improved slightly, as you saw in Q3, but still down year-over-year, and we have work to do. But we actually think there's reason to be confident that Barbie has opportunity in the future. We're not guiding on 2027 yet, but I do have a lot of confidence in Barbie's relevance and in the opportunity that we'll be able to create around that.

Jim Chartier - *Monness, Crespi, Hardt - Analyst*

Okay. In terms of the investments that have been made this year, have you kind of re-evaluated those investments, and are there any areas where you think there's more opportunity or less opportunity than what you had invested?

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

I think the way we're looking at that, thank you again for the question, our updated expectations, again, we've reflected them in the 2026 guidance. Those incorporate in the strategic investments we previously discussed and announced. Going forward, we're going to continue to invest in growth, just like Roger said. We're committed to that while applying a rigorous financial discipline to the investment decisions around strategic investments. Again, as I said earlier, focusing on after-tax cash-on-cash returns above the company's hurdle rate. When we talk about strategic investments for 2027, we expect to provide 2027 guidance as we customarily have done on the Q4 call next year.

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That's how we're looking at strategic investments. The puts and the takes are all in what we've provided you for 2026. Thanks again for that question.

Jim Chartier - *Monness, Crespi, Hardt - Analyst*

Thank you.

Operator

Stephen Laszczyk, Goldman Sachs.

Stephen Laszczyk - *Goldman Sachs International - Analyst*

Great. Thanks for the questions. Maybe two bigger-picture ones for Roger. I am just curious, just with this being your first earnings call, could you maybe talk a bit more about the perspective and approach you are bringing to Mattel in this new role, maybe from past experience or your worldview in media and IP? Then maybe related to that, just with Mattel's clear assets being IP, I would be curious, as you look at the portfolio, where you think the IP portfolio is most under-monetized, and then looking ahead, is there any creative ideas or new ideas you think you can introduce to unlock some of the value of that IP? Thank you.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Sure. Stephen, first I would say, what originally attracted me to join the board was really the IP portfolio, because I felt like it created a lot of opportunity. Coincidentally, it is what attracted me to my last role leading Condé Nast, and that was some of the most iconic and well-known brands in the world that I felt gave an opportunity for transformation and investment, and we did a lot of that at my prior company. I think Mattel has brands that are similar. They are some of the most valuable brands in their categories, the most well-known brands, and I think all of our large brands have opportunities across these areas. But as I said earlier, I think those opportunities really stem from a strong core business. What you are going to see from us is a real focus on making sure we have a strong core business.

Because as we do that, that gives us the brand strength, the financial strength, everything to expand the opportunities across the IP areas that you have talked about, and to be innovative around there. I am excited about those opportunities, but I also know right now we need to make sure we are really clearly focused on our execution and improving our execution to deliver more consistent financial performance.

Stephen Laszczyk - *Goldman Sachs International - Analyst*

Great. Thank you.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Thanks.

Operator

Xian Siew, BNP Paribas.

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Xian Siew - *BNP Paribas - Analyst*

Hi. Thanks for the question. Previously, the company had kind of provided some frameworks for 2027, including Barbie maybe turning positive next year and EBIT growing double digits. I guess, should we think that framework is still intact, or are you kind of reassessing, or any frameworks that we should think about for next year?

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Sure. It's Peter. Thank you for the question, Xian. We understand the interest in the prior statements regarding 2027, but we're not going to provide any 2027 guidance today. We expect to provide 2027 guidance when we report on our fourth quarter 2026 results in February 2027. Historically, that's been when the company does that, and we're going to stick with history. Thank you for the question. I'm glad I was able to clarify.

Xian Siew - *BNP Paribas - Analyst*

Okay, thanks. Maybe just on the 4Q guidance, maybe could you talk a little bit about where you see retailer inventory levels, and is maybe the lowered guide also maybe proactive a bit to make sure inventory levels are lower? I know POS is slowing, but maybe just how we should think about retailer ordering/inventory levels.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

I'll give you two data points on that as we see it. Owned inventory was comparable as it sits right now versus the prior year. We see retailer inventory has declined compared to prior year as we continue to see retailers buying closer to the sale.

Xian Siew - *BNP Paribas - Analyst*

Thank you.

Operator

Gerrick Johnson, Seaport Research Partners.

Gerrick Johnson - *Seaport Research Partners - Analyst*

Great. Hi. Thank you. I think the company has about 15 movie properties based on Mattel IP in development. What's the commitment to those projects?

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Sure. Hey, Gerrick, it's Roger. Look, I think that when we do that well, we create a really good ecosystem around our brands, and I'm always focused on how we create ecosystems around brands, because in my career, that's where you create the most success. We talked about, Paul mentioned earlier, the Hot Wheels Let's Race Netflix special that was just released in October and went to number two on all of their global top 10 movies list. We had a product, Hot Wheels Ultimate Garage, which was featured in the special, and it's now on shelves. Plus the Legends Tour is aligned with that and is expanding to more countries. I think those opportunities exist when we connect the ecosystems well, and we're going to be focused on that.

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I think that we don't control the release date of movies or when they go into production. That's done by our entertainment partners. But we have a strong portfolio and a great slate of opportunities with these partners. As they come to release, we're going to be focused on making sure we really connect the dots on the ecosystem around our brands.

Gerrick Johnson - *Seaport Research Partners - Analyst*

Okay. Thank you. When Ynon came in, he had a catchy catchphrase. He was creating an IP-driven, high-performing toy company. Do you have your own catchphrase or mission statement?

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Oh, give me a break, I just got here. I'll have to work on that to catch up with Ynon. But look.

Gerrick Johnson - *Seaport Research Partners - Analyst*

All right, let's talk February.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

I think the most important thing right now, Gerrick, that's good. Most important thing right now is the priorities that I talked about. We are going to be really laser-focused on execution, and that and building strength in our core business, because I really think all good things flow from that. If we do that well, and I do believe we have the opportunity to do that better than we've been doing it, with focus, then these other areas that I think are really great opportunities, whether it's digital games or live experiences, I think is, for our brands, is a really great opportunity. Or film and television, they'll flow from that. But they only flow well if we keep focused on our core business. Thanks for that.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

Roger, I like it. All good things flow from great execution.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Yeah.

Peter Griffith - *Mattel Inc - Chief Financial Officer, Non-Independent Director*

There you go.

Operator

There are no further questions at this time. I will now turn the call back to Roger Lynch, CEO, for closing remarks.

Roger Lynch - *Mattel Inc - Chairman of the Board, Chief Executive Officer*

Okay. Thanks everyone, and thank you, Peter and Paul. As you've heard today, there is some work ahead of us. Mattel has very strong brands, really talented people, and I think a significant long-term opportunity. But focus and execution are going to be critical to delivering

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more consistent financial performance. The priorities I laid out are clear. We're going to strengthen our brands and win in toys while driving innovation and creativity, and then investing with discipline where we see the opportunity to drive profitable growth. I'm grateful to our colleagues around the world for their commitment to our company, to our brands, and our consumers. Peter and I, together with our leadership team and the board, are aligned on these principles and on creating value for all of our shareholders, our customers, our partners, and our colleagues. Thank you very much.

Operator

This concludes the Mattel third quarter 2026 earnings conference call. Thank you for attending. You may now disconnect.

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