Mattel Inc at Morgan Stanley Global Consumer & Retail Conference
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Corporate Participants
Ynon Kreiz, Mattel Inc. Chairman of the Board, Chief Executive Officer
Paul Ruh, Mattel Inc. Chief Financial Officer

Conference Call Participants
Megan Christine Alexander, Morgan Stanley – Moderator

Megan Christine Alexander: Okay. Good morning, everyone. A quick disclaimer before we start. For important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. For any questions, you can reach out to your Morgan Stanley sales rep.

So again, good morning, everyone. Welcome, day two of the Morgan Stanley 2025 Global Consumer and Retail Conference. I'm Megan Clapp. I am the US Food and Leisure Analyst here at Morgan Stanley. And really glad to be here today with Mattel, the company's CEO, Ynon Kreiz; and CFO, Paul Ruh.

Mattel probably needs no introduction, but global toy and family entertainment company, leading brands like Barbie, Hot Wheels, Fisher-Price. Company operates an IP-driven model spanning toys, consumer products, digital gaming, and a growing film and TV partnership business through their company, Mattel Films.

So again, thank you both so much for being here during what's a busy time.

Ynon Kreiz: Thank you for inviting us.

Megan Christine Alexander: So Ynon, last year, sitting on the stage at this time, you described Mattel as an IP company managing franchises rather than just a toy maker, which is maybe how people have thought about the business historically. As you think over the past year, can you just talk about how your perspective on the company's position has evolved beyond some of the organizational changes we've seen you implement this year?

What other tangible shifts have you seen in how you manage the business and allocate resources?

Ynon Kreiz: Yeah. Thank you for inviting us. Always great to be here. Our journey over the last few years was to transform Mattel from being a toy manufacturing company that was making items to become an IP company that is managing brands. So today, we are very much a brand management company with toys being a key vertical, where we are a global leader. But we see incredible opportunities to extend our brands outside the toy aisle and capture significant value from other -- highly accretive business verticals that are all driven by big brands.

In today's world, it's all about access to a big IP, big brands with a built-in fan base. This is what the entertainment industry is all about. And we are in a very fortunate position to own one of the strongest portfolios in the world in family entertainment. That's been our journey, it's never ending, and we see so many opportunities ahead of us.

2026 is shaping to be a pivotal year in our entertainment strategy. And in many ways, what we've done in 2025 is to set the stage for future growth. The recent announcement in our organizational change was designed to create closer alignment between our toy and entertainment business. We see opportunities to become an opportunity to become much more brand-centric organization.

So it's not about toys versus non-toys or toys versus entertainment. It's about managing our brands holistically with a global strategy, global perspective across all consumer touch points. And the other thing that we've done is we brought our marketing together -- marketing and activation together. One of the biggest challenges today, not just in toys or children, but overall, is to reach and engage consumers.

In today's world, with the proliferation of distribution platforms, with the fragmentation of entertainment outlets, it's becoming harder and harder to reach the consumer. We have a unique advantage in that our brands are very strong. People are proactively looking for opportunities to engage with our brands. And our job in marketing is to find ways to reach and engage more and more consumers and build this emotional connection that will drive our business in play and family entertainment.

Megan Christine Alexander: Great overview. We're in the midst of the holiday season. It's a bit of a near-term question. Last year sitting on this stage, you called out a strong Black

Friday. Now that we're December 3rd here today, can you just give us an update on how Black Friday and Cyber Monday results came in this year versus your expectations and comment broadly on what you're seeing in terms of promotional activity, both from yourselves and competitors?

Ynon Kreiz: Well, it's -- we had a positive Black Friday. We see POS positive for Mattel year to date and quarter to date. We expect to have a good holiday season, and we feel very good about how we are positioned in the marketplace with strong product offering and a lot of innovation in our portfolio.

Megan Christine Alexander: Okay. And as it relates to the guidance, you reiterated your full-year guidance back in October. There were some shifting US retail ordering patterns. Just given the comments on Black Friday and positive POS, can you just talk about how you track today relative to that guidance?

And as you've seen the POS come through Black Friday, how have those kind of retailer conversations around replenishment evolved? And how are you thinking about it, just first your guidance at the end of December?

Paul Ruh: Of course. First of all, Mattel POS both year to date and is quarter to date is positive. Our orders from the retailers are positive in the year as well and, therefore, our guidance remains unchanged. From an industry perspective, we also see that Circana is saying that the industry is actually growing high single digits. We are gaining share within that industry. We're gaining share in dolls, in vehicles, in action figures, and in plush as well.

So we are very well positioned ahead of the holiday season. So that's why we are continuing to work with our retailers. We want to make sure that the shelves are fully stocked. And we also want to make sure that we land the year with adequate inventory position ahead of 2026. So we are in a good position based on our strengths, based on our scale, and based on what -- how we prepare the year.

Megan Christine Alexander: Okay. That's helpful. Can you talk a little bit about brand performance? You talked about some categories there specifically. Hot Wheels has done quite well this year. Barbie and Fisher-Price have lagged a little bit. But you've talked about some better trends more recently in some of those brands that have lagged.

So maybe a two-part question. Can you just spend some time talking about the underlying drivers that you've seen behind what's going on in Hot Wheels, how sustainable you think those are? And then on Barbie and Fisher-Price, as we've moved through part of the holiday season, are you still kind of seeing that momentum build? And just anything to share as we think about the recovery trajectory for those brands into '26?

Ynon Kreiz: Yes. The success of Hot Wheels has been just incredible, on track to its eighth consecutive record high after 58 years of play. What is unique about Hot Wheels or what is really special about Hot Wheels is that it manifested the Mattel playbook in the best possible way in terms of establishing a very clear brand purpose, cultural relevance, consumer-centric innovation, and a franchise mindset.

Hot Wheels is so much more than a toy. Hot Wheels is about car culture. And our team has been able to establish that relationship, grow innovation or drive innovation across the entire product offering, tap in to the adult collector, create events around the brands in terms of -- examples would be the Hot Wheels Monster Truck as one offering or the Legend tour that we established across the world. And we're seeing more and more opportunities in content, a very strong show on Netflix called Let's Race, a movie in development at Warner Bros., with JJ Abrams as a producer, Jon Chu as Director. And you can't get a stronger combination of the creative talent behind this project. So we feel very good about Hot Wheels. But importantly, it's the ultimate showcase of our playbook. And this is exactly what we're looking to establish across the portfolio.

With Barbie, we feel very confident about the brand. The brand is in great health notwithstanding the decline recently. The brand is in great shape. And we see more opportunities to drive -- to leverage cultural relevance around the brand, innovation around packaging, enhanced segmentation in the toy aisle, innovating with more play patterns and form factors, and tapping into the adult collectors, where Barbie has incredible opportunity given the heritage value of the brand. We expect to see improving trends for Barbie in the fourth quarter and beyond and see a great future for the brand with more partnerships and looking forward towards the animated Barbie movie, in partnership with Chris Meledandri and Illumination.

Chris is much more than a filmmaker, he's an innovator, just like Barbie is much more than a toy. And the opportunity there to create something very special in an animated feature is very, very exciting in what this will bring forward.

We also expect to see improving trends with Fisher-Price and the Infant, Toddler, Preschool category. We're seeing growth in Little People collectors. We see opportunities around Fisher-Price wood launch on Amazon with the Montessori line. And we also expect to finish trimming the underperforming less productive parts of the line in 2025 so there will be less comp headwinds in future years.

And overall, I would say, when we look at the entire portfolio, brands like UNO, Masters of the Universe, which is going to see a movie coming out next year, and many others of our brands are in great shape. We're very excited about innovation, about new product offering. And the new brand organization -- new brand-centric organization is set to drive growth and continued improvement in execution across all categories.

Megan Christine Alexander: Great. Definitely, I want to come back to Masters of the Universe, but you talked about collectors with Barbie. So this adult collector segment has obviously become an increasingly important growth driver topic in the toy industry over the last couple of years.

For Mattel specifically, how significant is this segment to your overall growth? And you talked about it a little bit with Barbie, but how are you thinking about kind of tailoring your innovation pipeline and product strategy to engage these collectors as we look ahead?

Ynon Kreiz: We need to remember that play starts in childhood but doesn't end there. Everybody likes to play. And when it comes to important cultural brands, we're seeing the adult collector segment becoming an established part of the industry. It's already about 25% of the toy industry today. And we don't see that as a temporary trend or phenomenon. This is here to stay. And what is interesting for Mattel, given the heritage value of our brands, the fact that we have brands that go back two and even three generations of fandom is that we can tap into the adult collectors and see significant opportunities for us in this area.

Brands like Barbie, Hot Wheels, UNO, Monster High, incredible brands that have heritage following. We know that these brands stood the test of time, and our job is to take these brands that are timeless and make them timely and continue to innovate with more cultural relevance and find ways to excite and delight the fans of today. Mattel Creations is our direct-to-consumer site that offers a highly curated and exciting offering for the adult collector business.

It's very fast growing. It's already becoming -- if it was a customer, a third-party customer, it would have been today the fourth largest or the fifth largest actually in the world and for Mattel. And we see more opportunities around this service. And I encourage you to log online and see the offering there. It's very exciting. And we sell product there in the hundreds of dollars. And often, these products sell out in hours.

We also leverage the site not just for Mattel IP, but also for partner brands. Recently, we launched the K-Pop Demon Hunters Collector Set that was literally sold out in an hour, this is the pre-sale, sold out in an hour. The product is only coming out next year and it was sold out in an hour.

And other brands, other offering, and partnerships, such as the recent offering that we created with MoMA. And you should also check that out. The innovation and creativity about how Mattel and MoMA came together and interpreted work of art in our product. That is also selling out very fast. So the opportunity for Mattel to tap into the adult collector market is very exciting, especially given the strength and heritage value of our IP.

Megan Christine Alexander: You mentioned the entertainment slate for next year. You brought up K-Pop, Demon Hunter, which is a new win that we'll see in April. But you've also got Moana, Toy Story 5. You recently had major renewal wins with Disney Princess and Toy Story. You'll have, as I mentioned, K-Pop Demon Hunters.

As you think about just for the partner IP, sticking with partner IP, as we look into next year, can you talk about how incremental you expect these entertainment tie-ins and licenses to be to top-line growth for 2026?

Ynon Kreiz: We are in a very fortunate position that the majority, the vast majority of our business is based on our own IP. For the rest of the industry, most of other company's business is licensing brands. This is the traditional toy side of the industry. But for Mattel, we own incredible brands.

So we are in a very fortunate position. But given our scale in design, in supply chain, in commercial execution, the fact that we sell product in 500,000 stores, brick-and-mortar stores and, of course, we also have a thriving online partnership with all the major retailers as well as Mattel Creations, we have a global platform that we can leverage and benefit and partner with important brands that we can represent in partnership with all the major entertainment companies.

So this, not just -- it doesn't cannibalize our business, but it creates a more fulsome product offering, and a rising tide lifts all boats. And that's the opportunity we have, is that by adding third-party brands, important global cultural brands, to our portfolio, that gives us an even stronger opportunity to enhance our brand management strategy.

We think about these brands as our own. There's no separation of how we run these brands. So when we brought on board DC, it was an important partnership that we will launch next year, or the extension of Disney Princess and Frozen that we'll launch in 2027 with a big movie, these are important partnerships that we treat as our own brands and manage as part of our brand management strategy holistically. The same people that manage Barbie and Monster High, and American Girl, which is also having a great run, will manage Disney Princess and Frozen, managed Wicked with exciting success this year. And that gives our partners the confidence that we put our best people, best resources, and manage our portfolio holistically.

So we see that as an exciting opportunity for Mattel and expect to see more wins down the road.

Megan Christine Alexander: So is it fair to say, just what we talked about, with the core and Hot Wheels continuing its strength, and Barbie and Fisher-Price momentum, and what you've talked about with the partner that you expect the quarter to grow next year and then these entertainment tie-ins or something on top of it?

Ynon Kreiz: Look, we'll talk about '26 -- at the end of this year, we'll give proper guidance. But it's fair to say that 2026 is shaping up to be an exciting year for Mattel with continued strength that we expect to see in Hot Wheels and UNO, improving trends in Barbie and Fisher-Price, a thriving portfolio for Mattel, more partnerships with third-party brands. We have two big movies that are coming out next year: Masters of the Universe on June 5, which is going to be a very exciting reflection of our portfolio when it will be compared to Barbie, the vast offering in terms of range from the pink of the Barbie Land all the way to the dark world of Eternia, and everything in between.

So this will be -- we're very excited about this launch of this movie, Masters of the Universe. And Matchbox will follow suit shortly after that. This is another exciting movie around heritage brands in partnership with Skydance. Very excited about that movie as well. We also -- we will have two mobile games that we will -- that we are self-publishing, first out of

our new strategy that will be new for Mattel.

So important development of our strategy in the way we're looking to leverage the strength of our brands in the mobile space -- mobile gaming space, where we will take a very minor -- win back a very minor investment in return for asymmetric potential upside in success.

So we are very excited about that opportunity as well as continuing to expand our digital offering in third-party licensing. Mattel163, our joint venture with NetEase, that already has over $200 million -- generates over $200 million of revenues and important partnerships and play within the creator networks such as Roblox and Fortnite. So a lot to look forward to in 2026.

Megan Christine Alexander: Okay. I want to follow up on some of those. So Masters of the Universe and Matchbox, you talked about it a bit. But obviously, the last big Mattel IP movie we saw with Barbie, huge global success. As we think about Masters of the Universe and Matchbox, how would you frame maybe the potential scale and brand impact of these movies relative to Barbie?

And second part, what learnings are you taking from the Barbie movie and applying to these movies in '26?

Ynon Kreiz: So our goal is to release two movies per year after 2026[1] in partnership with major Hollywood talent and Hollywood studios. What we see and what we learned out of the Barbie experience is that our brands matter. Our brands have an incredible following and tap into culture in a way that very few brands can do. This is more than releasing movies. This is about creating emotional engagement and touch points with global fans that love our brands and have that built-in relationship.

And as I said before, people are proactively looking for opportunities to engage with our brands. And big movie releases will be an important part of that strategy. We know that not every movie will be the next Barbie in terms of box office success. Barbie went on to become the fourth highest grossing movie ever and Warner Bros.' biggest movie in terms of box office in 100 years.

So we know this is not easy to replicate. Not to say we cannot exceed that. And we still

[1] Intended to refer to 1-2 movies per year.

have, of course, exciting projects in the pipeline. But the point is that we don't need every movie to be the next Barbie for that -- for those movies to have real economic impact on Mattel.

The Barbie movie was actually not very toyetic. It targeted adults. A movie can have less of a box office success and have more impact in the toy aisle and broader consumer product offerings. And the approach is to have a portfolio of brands across different genres, different partners, different commercial models. So it's a holistic strategy, a portfolio strategy that we expect will have a meaningful economic impact on the company. And importantly, continue to proliferate our brands across the world and strengthen the emotional relationship that fans have with our brands.

But it's important to say, this strategy is not just about Barbie and not just about movies. It's a holistic strategy to extend our brands into other entertainment verticals. And as I said earlier, in today's world, it's all about accessing big brands, big brands that matter. It's harder and harder to rise above -- with everything that's happening in the world, it's harder and harder to reach the consumers and stand out in a very crowded marketplace. So strong brands, unique brands especially in children and family entertainment have an incredible advantage.

And we see an asymmetric opportunity for Mattel to participate in these other verticals in a meaningful way.

Megan Christine Alexander: Just to put a finer point. Masters of the Universe and Matchbox, any way to frame that how we should think about this being toyetic versus Barbie? Just given you mentioned Barbie wasn't that toyetic.

Ynon Kreiz: Yeah. We do expect Masters of the Universe especially to be very toyetic. The initial footage that we are seeing is very exciting. Of course, it will have to come together for the alchemy of great footage and a great storyline, and a great cast, director, all the creative elements are there. We feel very confident about it. But obviously, ultimately, it will be about what fans will say. But it is a toyetic movie.

And what happened in the movie is that Travis Knight, the creator, was able to bring to bear the incredible legacy of the franchise. It's a big world creation project. It's of epic proportions. So he was able to bring that historical heritage legacy brand and make it very contemporary, very current, and a lot of fun. So we do expect it to be toyetic, and we'll

speak more to that when we give more specific guidance for 2026 at the end of this year.

Megan Christine Alexander: Great. And you talked about this a little bit, but you announced two self-publishing game launches for next year, a little bit of a new venture for Mattel. Can you just talk about the economics of these games? You mentioned it a little bit low investment, high metric return potential. But what do the economics look like that you can share? What KPIs are you looking at? And just how to think about the expected contribution for Mattel's P&L broadly?

Ynon Kreiz: What is unique about the mobile game side of the industry is that it evolved dramatically over the last few years. It used to be that you needed to own a game engine, own a studio to actually develop these games. Today, you can create games through relationship with third-party studios, outsource the development, and own the underlying game. And the cost of the games came down -- or producing these games, developing these games came down significantly. So today, for between $5 million to $10 million, single-digit number, you can actually develop a mobile game.

The other thing that changed is that it's a lot -- the way you reach consumers through performance marketing is much more scientific. So you can -- it is capital intensive to acquire users, but it's performance marketing, and you'll have -- you'll get clear visibility into the ROI on your investment. And you only spend the money to the extent it's actually yielding result in acquiring users down the road. So relatively speaking, this is regarded as low-risk investment and accessible, much more accessible than it used be.

Now because of that, there are more games that are coming out. So the market is crowded. But this is where owning a strong underlying brand that has a built-in fan base is becoming a very clear advantage for Mattel. So we see an asymmetric opportunity for us to develop mobile games within our capital-light construct, very low risk that is not consequential for us in terms of our capital resources. But in the event of success, there's significant upside, significant upside.

And the approach is to develop a portfolio. We have multiple games in development. We will release two games in 2026. And the plan is to release at least two games thereafter. And you only need moderate success. I'm not saying home run, but moderate success for that to have meaningful economic impact on the company. And given the strength of our brands, the quality of the games we're developing, our expertise in creating demand and tapping into culture, we see exciting opportunities for us in this important area. And in

combination with Mattel163, where we're already seeing success with just three games that the JV launched, we know that people are looking for our brands.

Barbie was the number one branded game on Roblox. With no marketing, out of thousands of games on the platform, Barbie for more than a year was the number one branded game on the platform. And this was yet another showcase of the fact that if you create quality product, and this goes without saying that it's not enough to just put a game and call it Barbie or Hot Wheels, there's got to be underlying quality offering behind it. But if you put quality product out there, people would find it. People are searching for it and will engage with our brands. And that is our opportunity.

Megan Christine Alexander: Great. Paul, maybe we can talk about Gross Margin. So 3Q down around 300 bps. 4Q, you expect to be down, again, but to a lesser degree. Can you just talk about the various puts and takes and your 4Q expectations, how -- what you've seen from a promotional perspective so far this holiday season kind of plays into how you're thinking about the fourth quarter and as well as the tariff impact continuing to flow through, how that's impacting your expectations?

Paul Ruh: Of course, happy to talk about Gross Margins. So Q3 Gross Margins were impacted by four factors. Number one was Forex, number two was inflation, number three was tariffs, and number four was sales adjustments. And if you fast forward to how we see the balance of the year, remember, we talked about our guidance is for the full year approximately 50%. And given the Q3 year-to-date trends, we expect Q4 to be below the 50% mark that I talked about.

We are expecting to see slightly more impact of tariffs as the tariff cost has been flowing through the inventory. But we are within the guidance range that we talked about of approximately 50%. If we look at the different puts and takes and how we see this going forward, we continue to drive efficiencies to offset those headwinds.

From a tailwind perspective, we have our Optimizing for Profitable Growth program that impacts Gross Margins. We will continue to drive accretive mix. Ynon talked a lot about how the entertainment part of our business is going to grow, and that's going to be accretive from a Gross Margin perspective. It has a better Gross Margin. And our scale will also be a tailwind that will allow us to drive Gross Margins. We do not see any reason why we should not continue to drive Gross Margin enhancements over the foreseeable future.

Megan Christine Alexander: Great. Okay. That's helpful. That was kind of my next question. But maybe taking a step back, as we look to '26, I think in the last call, you talked about you're still evaluating your pricing strategy for '26. I think tariffs will continue to be with you, at least into the first half. So as we think about the framework for mitigating tariffs into 2026, how are you thinking about protecting gross profit dollars versus Gross Margin rate? And you answered it a little bit, but just bigger picture as we think about puts and takes in '26 on Gross Margin.

Paul Ruh: So on Gross Margin, and then I'll talk about overall Operating Margin. Adjusted Gross Margins, we do see continued impact of tariffs given the current situation. But remember, if we look at how our sales behave every year, about one-third of our sales happens in the first half, two-thirds happens in the second half. And if we do the math, about $100 million, or shy of $100 million is the full-year impact in 2025. So in doing the math for next year, you will see less than half of 2 times that -- less than 2 times that amount just given the math.[2]

Against that, we have a continued array of initiatives. We took pricing this year and we are assessing opportunities to take further pricing, of course, keeping the consumer in mind, first and foremost. We want to make sure that we provide value to our consumers. We have a broad array of products within our portfolio so that we have multiple offerings for multiple price points. And we will continue to drive our efficiencies, our scale, and Optimizing for Profitable Growth.

Just to give you some numbers. Optimizing for Profitable Growth, Q3 year-to-date 2025, we have accomplished $148 million. We are on track to deliver $200 million for the full -- by 2026. So that will be also something that will help us to continue to drive the margins.

So we are preparing for those headwinds that we talked about. We have demonstrated we can do it. We have efficiency in our DNA. That's what we do. We have the scale, and that's what Mattel is built for. And we are getting ready for 2026 and to continue to drive margin enhancement, as I said before.

Ynon Kreiz: Just to make a final point. At the start of the year, the question was about the cost impact of tariffs in terms of how much tariff will impact your cost. Then we mitigated for that. The question then became, okay, how will consumers react to price increase? And

[2] As stated in later half of sentence, intended to refer to less than 2 times.

as we've said, we haven't seen impact on consumers so far this year, POS is up for the industry overall and for Mattel as well.

Then the question was about the change in the way retailers behave in ordering patterns and shifting from the direct import to domestic shipping basically postponing their decisions given the tariff uncertainty. And this is really now the issue. It's not about consumer demand. It's not about cost. It's about the logistics of fulfilling, meeting consumer demand in the holiday period.

So important to say that it's actually not about tariff, per se. It's about tariff uncertainty. And we believe that once the market settles and people understand the law of the land, we will move forward and it will no longer be an issue that people talk about. And so beyond this year and, even more so, beyond Q3, Q4 transition, we see much clearer visibility into 2026 and beyond in terms of the ability to plan ahead and be ready to address different market conditions.

And as a final point on that is that what we've done at Mattel over the last few years is develop a resilient, flexible, and modular organization, and operating model that allows us to respond and address different and changing market conditions. It used to be COVID, the trade dynamics, and other factors. There's always going to be something, some change, some unexpected change in the marketplace. And our job is to be able to respond and address and even come out on the other side stronger and increase our market share as we have done during COVID.

So beyond the current situation, which is very specific to this current time frame, looking forward, it's about your ability to respond and addressed and be adaptive to changing market conditions. And we feel very strongly, very confident about our organization and capabilities to be able to withstand disruptions in different forms.

Megan Christine Alexander: Okay. Can I just follow up, maybe just to clarify on -- and you talked about the shift domestic versus DI. You've been talking about that since Liberation Day. But -- and you said your guidance is unchanged. But are you still seeing retailers be a little bit -- tariff regime is changing every day, but seemingly, are you still seeing retailers be cautious as it relates to replenishment? Or that -- so far, has that kind of played out as you thought?

Paul Ruh: We are seeing it played out as we thought. We talked about the fact that there

was a shift from direct imports to domestic shipping. Fast forward into Q4, that's exactly what's happening. If you look at the retailer behavior, they are picking up the domestic orders. They are replenishing. The orders are pretty much within the expectation, online stronger than offline. But it's playing out pretty much as we expected it.

Megan Christine Alexander: Okay. Great. I know we've got about two minutes left. I want to open up to the room to see if there's any questions in the room. Otherwise, I can keep going. Anyone?

Okay. I'll keep going. Capital allocation is always a good topic to end on. $600 million of share repo, I think you're going to do this year. If you look to '26, maybe you can just talk about -- you've done a lot of share buyback over the years. But how are you thinking about balancing buybacks, some of these new investments you're making on self-published games, other strategic initiatives you're focused on?

Paul Ruh: Yeah. Capital allocation is very clear. It starts with investing for profitable growth and growing our business. Number two, maintaining a very strong balance sheet, which we actually have. We recently refinanced $600 million at investment grade. So we're back to the investment grade market. And we aim to maintain our gross leverage ratio between 2 and 2.5. And the third one is potential corporate business development opportunities. If the right one were to come along, that advances our strategy, that drives profitable growth and that makes sense overall.

And the last one, as you very well say, is share buybacks, which is a means that we use to manage our capital structure. But keep this in mind. We have bought back -- by the end of the year, we will have bought back $1.2 billion since we came back to buying our shares. That is about 20% of our shares outstanding. So every one of the shareholders has about a quarter more of our company. So we have been really, really disciplined in how we manage our capital allocation based on those principles. And we expect to continue to do -- to go along those lines into 2026 and beyond.

Megan Christine Alexander: Great. Well, that's a perfect place to end. Thank you, Ynon, and Paul, for being here. Thanks, everyone, for joining. And I hope everyone has a great holiday.

Paul Ruh: Thank you.

Ynon Kreiz: Thank you.