



# **Mattel, Inc. At a Glance**

# Regulation G

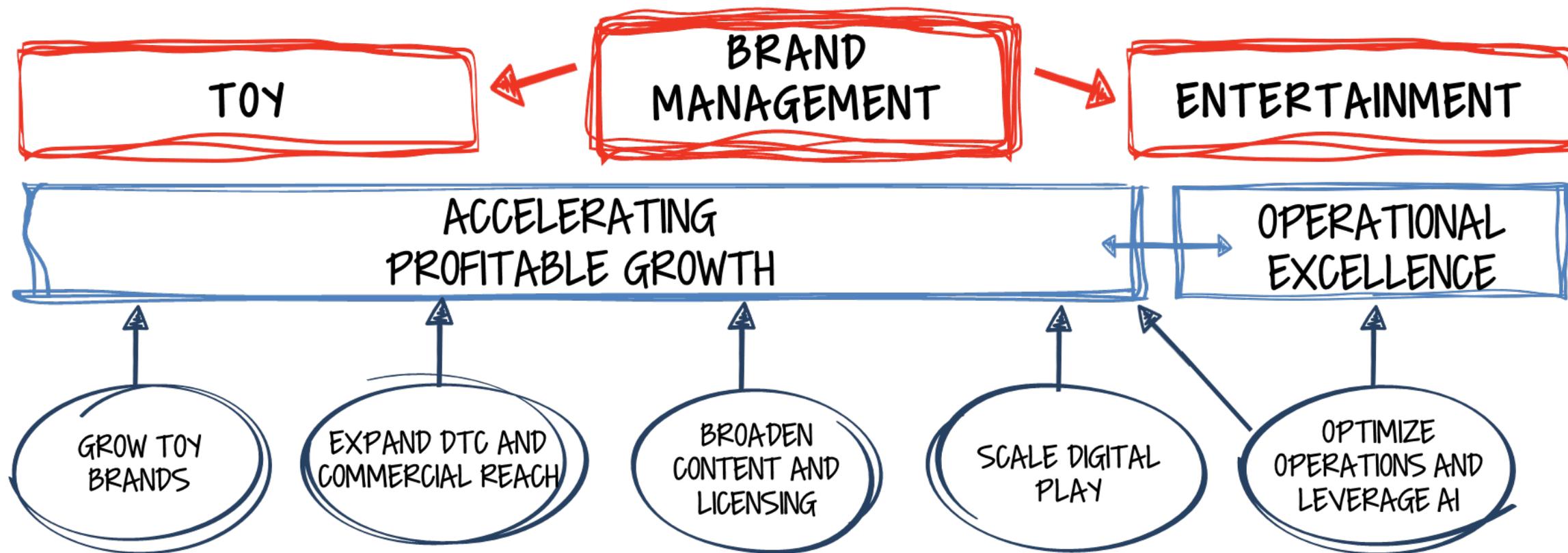


To supplement our financial results presented in accordance with generally accepted accounting principles in the United States (“GAAP”), Mattel presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measures that Mattel uses in this presentation include Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Operating (Loss) Income, Adjusted Operating (Loss) Income Margin, Adjusted Earnings (Loss) Per Share, earnings before interest expense, taxes, depreciation and amortization (“EBITDA”), Adjusted EBITDA, Free Cash Flow, Leverage Ratio (Total Debt/Adjusted EBITDA). Mattel uses these measures to analyze its continuing operations and to monitor, assess and identify meaningful trends in its operating and financial performance, and each is discussed below. Mattel believes that the disclosure of non-GAAP financial measures provides useful supplemental information to investors to be able to better evaluate ongoing business performance and certain components of Mattel’s results. These measures are not, and should not be viewed as, substitutes for GAAP financial measures and may not be comparable to similarly-titled measures used by other companies. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are attached to this presentation as an appendix.

# Mattel's Brand-Centric Strategy

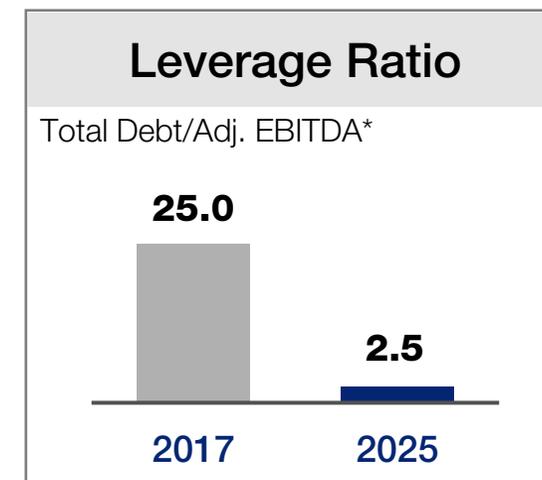
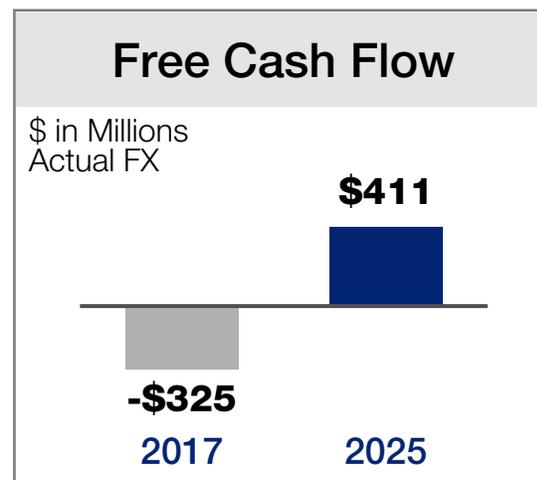
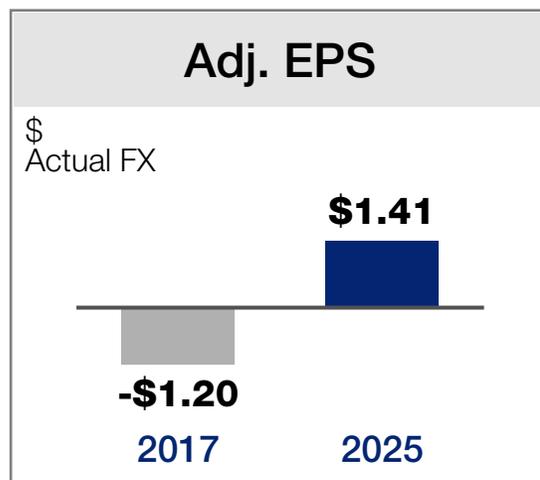
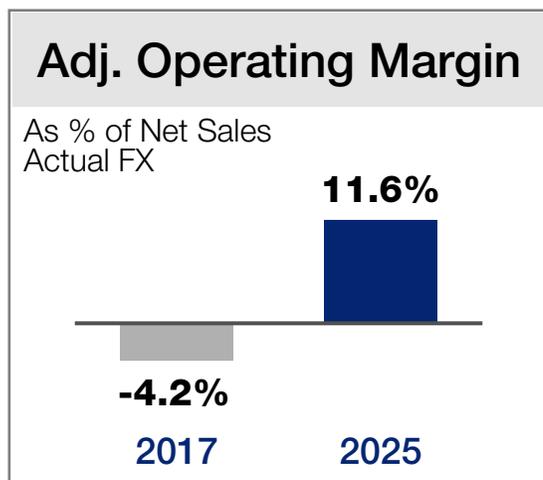
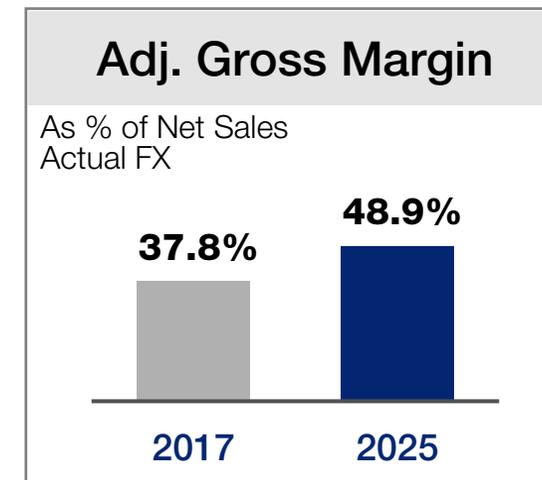
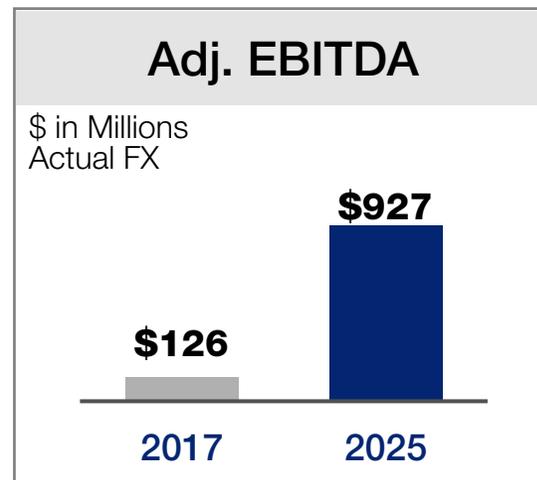
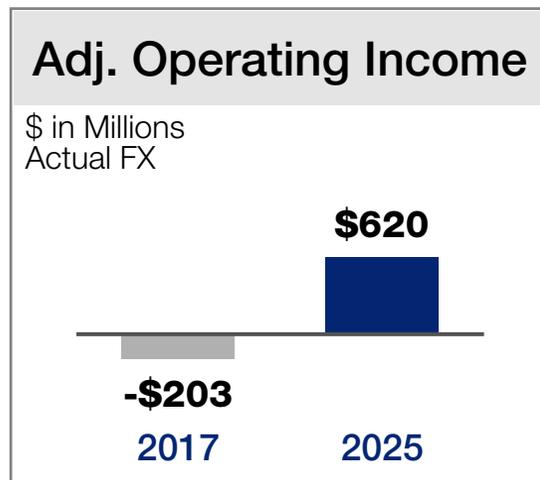
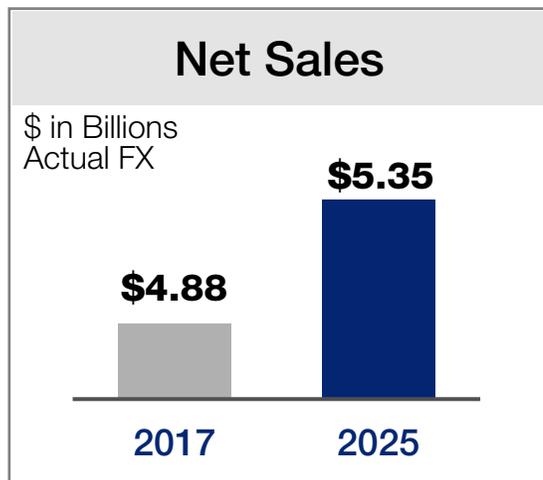


## Grow IP-Driven Play and Family Entertainment Business



**Our mission is to create innovative products and experiences that inspire fans, entertain audiences, and develop children through play**

# Key Financial Highlights (2017-2025)



\* Note: Includes Short-term Borrowings and Long-term Debt  
Source: Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures



# Appendix



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1,2,3</sup>

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	<u>2017</u>	<u>2025</u>
<b><u>Gross Profit</u></b>		
Gross Profit, As Reported	\$ 1,824.6	\$ 2,605.7
<i>Gross Margin</i>	37.4%	48.7%
<i>Adjustments:</i>		
Asset Impairments	20.6	-
Severance and Restructuring Expenses	-	7.8
Gross Profit, As Adjusted	<u>\$ 1,845.2</u>	<u>\$ 2,613.5</u>
<i>Adjusted Gross Margin</i>	37.8%	48.9%

<sup>1</sup> 2017 key financial metrics were not revised to reflect the impact of immaterial adjustments.

<sup>2</sup> Amounts may not foot due to rounding.

<sup>3</sup> For further detail refer to Exhibits and Reg G for the respective periods.



# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1,2,3</sup>

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	<u>2017</u>	<u>2025</u>
<b><u>(In millions, except percentage information)</u></b>		
<b><u>Operating (Loss) Income</u></b>		
Operating (Loss) Income, As Reported	\$ (335.7)	\$ 546.4
Operating (Loss) Income Margin	-6.9%	10.2%
<i>Adjustments:</i>		
Asset Impairments	56.3	-
Non-Recurring Executive Compensation	11.3	-
Severance and Restructuring Expenses	65.1	46.9
Inclined Sleeper Product Recalls	-	26.7
Operating (Loss) Income, As Adjusted	<u>\$ (203.0)</u>	<u>\$ 620.0</u>
Adjusted Operating (Loss) Income Margin	-4.2%	11.6%

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# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1,2,3</sup>

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	<u>2017</u>	<u>2025</u>
<b><u>Earnings Per Share</u></b>		
Net (Loss) Income Per Common Share, As Reported	\$ (3.07)	\$ 1.24
<i>Adjustments:</i>		
Asset Impairments	0.16	-
Non-Recurring Executive Compensation	0.03	-
Severance and Restructuring Expenses	0.19	0.15
Inclined Sleeper Product Recalls	-	0.08
Loss on Liquidation of Subsidiary	0.17	-
Tax Items including Changes in Valuation Allowances	1.34	-
Tax Effect of Adjustments	(0.03)	(0.05)
Net (Loss) Income Per Common Share, As Adjusted	<u>\$ (1.20)</u>	<u>\$ 1.41</u>

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# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1,2,3</sup>

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

	<u>2017</u>	<u>2025</u>
<b>(In millions)</b>		
<b><u>EBITDA and Adjusted EBITDA</u></b>		
Net (Loss) Income, As Reported	\$ (1,054.6)	\$ 397.6
<i>Adjustments:</i>		
Interest Expense	105.2	118.7
Provision for Income Taxes	553.3	89.8
Depreciation	240.8	136.5
Amortization	33.9	31.5
EBITDA	<u>(121.3)</u>	<u>774.0</u>
<i>Adjustments:</i>		
Asset Impairments	56.3	-
Share-Based Compensation	67.1	79.7
Severance and Restructuring Expenses	65.1	46.9
Inclined Sleeper Product Recalls	-	26.7
Loss on Liquidation of Subsidiary	59.0	-
Adjusted EBITDA	<u>\$ 126.2</u>	<u>\$ 927.3</u>

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# Reconciliation of Non-GAAP Financial Measures

## MATTEL, INC. AND SUBSIDIARIES

### SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1,2,3</sup>

#### RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

<u>(In millions)</u>	<u>2017</u>	<u>2025</u>
<b><u>Leverage Ratio (Total Debt / Adjusted EBITDA)</u></b>		
<i>Total Debt</i>		
Long-Term Debt	\$ 2,873.1	\$ 2,331.7
Current Portion of Long-Term Debt	250.0	-
<i>Adjustments:</i>		
Debt Issuance Costs and Debt Discount	26.9	18.3
Total Debt	<u>\$ 3,150.0</u>	<u>\$ 2,350.0</u>
Total Debt / Net (Loss) Income	(3.0)x	5.9x
Leverage Ratio (Total Debt / Adjusted EBITDA)	25.0x	2.5x
<b><u>Free Cash Flow</u></b>		
Net Cash Flows (Used For) Provided by Operating Activities	\$ (27.6)	\$ 593.3
Capital Expenditures	(297.2)	(182.0)
Free Cash Flow	<u>\$ (324.8)</u>	<u>\$ 411.3</u>

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# Glossary of Non-GAAP Financial Measures

## NON-GAAP FINANCIAL MEASURES

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### Adjusted Gross Profit and Adjusted Gross Margin

Adjusted Gross Profit and Adjusted Gross Margin represent reported Gross Profit and reported Gross Margin, respectively, adjusted to exclude the impact of asset impairments and severance and restructuring expenses. Adjusted Gross Margin represents Mattel’s Adjusted Gross Profit, as a percentage of Net Sales. Adjusted Gross Profit and Adjusted Gross Margin are presented to provide additional perspective on underlying trends in Mattel’s core Gross Profit and Gross Margin, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel’s current business performance from one period to another.

### Adjusted Operating (Loss) Income and Adjusted Operating (Loss) Income Margin

Adjusted Operating (Loss) Income and Adjusted Operating (Loss) Income Margin represent reported Operating (Loss) Income and reported Operating (Loss) Income Margin, respectively, adjusted to exclude the impact of asset impairments, the impact of non-recurring executive compensation, severance and restructuring expenses, and the impact of the inclined sleeper product recalls, which are not part of Mattel’s core business. Adjusted Operating (Loss) Income Margin represents Mattel’s Adjusted Operating (Loss) Income, as a percentage of Net Sales. Adjusted Operating (Loss) Income and Adjusted Operating (Loss) Income Margin are presented to provide additional perspective on underlying trends in Mattel’s core operating results, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel’s current business performance from one period to another.

### Adjusted Earnings Per Share

Adjusted Earnings Per Share represents Mattel’s reported Diluted Earnings Per Common Share, adjusted to exclude the impact of asset impairments, the impact of non-recurring executive compensation, severance and restructuring expenses, the impact of the inclined sleeper product recalls, loss on liquidation of subsidiary, and the impact of tax items including changes in valuation allowances, which are not part of Mattel’s core business. The aggregate tax effect of the adjustments was determined using the effective tax rates on a jurisdictional basis of the respective adjustments and dividing by the reported weighted-average number of common shares. Adjusted Earnings Per Share is presented to provide additional perspective on underlying trends in Mattel’s core business. Mattel believes it is useful supplemental information for investors to gauge and compare Mattel’s current earnings results from one period to another. Adjusted Earnings Per Share is a performance measure and should not be used as a measure of liquidity.

### EBITDA and Adjusted EBITDA

EBITDA represents Mattel’s Net (Loss) Income, adjusted to exclude the impact of interest expense, taxes, depreciation, and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude the impact of asset impairments, share-based compensation, severance and restructuring expenses, the impact of the inclined sleeper product recalls, and loss on liquidation of a subsidiary, which are not part of Mattel’s core business. Mattel believes EBITDA and Adjusted EBITDA are useful supplemental information for investors to gauge and compare Mattel’s business performance to other companies in its industry with similar capital structures. The presentation of Adjusted EBITDA differs from how Mattel calculates EBITDA for purposes of covenant compliance under the indentures governing its high yield senior notes and the syndicated facility agreement governing its senior secured revolving credit facilities. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to invest in the growth of Mattel’s business. As a result, Mattel relies primarily on its GAAP results and uses EBITDA and Adjusted EBITDA only supplementally.



# Glossary of Non-GAAP Financial Measures

## NON-GAAP FINANCIAL MEASURES

### **Leverage Ratio (Total Debt / Adjusted EBITDA)**

The leverage ratio is calculated by dividing Total Debt by Adjusted EBITDA. Total Debt represents the aggregate of Mattel's current portion of long-term debt, short-term borrowings, and long-term debt, excluding the impact of debt issuance costs and debt discount. Mattel believes the leverage ratio is useful supplemental information for investors to gauge trends in Mattel's business and to compare Mattel's business performance to other companies in its industry.

### **Free Cash Flow**

Free Cash Flow represents Mattel's net cash flows from operating activities less capital expenditures. Mattel believes Free Cash Flow is useful supplemental information for investors to gauge Mattel's liquidity and performance and to compare Mattel's business performance to other companies in our industry. Free Cash Flow does not represent cash available to Mattel for discretionary expenditures.