



Fourth Quarter 2020 Earnings

(Unaudited Results)

February 9, 2021



Forward-Looking Statements / Regulation G

This presentation contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. The use of words such as “anticipates,” “expects,” “intends,” “plans,” “confident that” and “believes,” among others, generally identify forward-looking statements. These forward-looking statements are based on currently available operating, financial, economic and other information and assumptions, and are subject to a number of significant risks and uncertainties. A variety of factors, many of which are beyond our control, could cause actual future results to differ materially from those projected in the forward-looking statements, and are currently, or in the future could be, amplified by the COVID-19 pandemic. Specific factors that might cause such a difference include, but are not limited to: (i) potential impacts of and uncertainty regarding the COVID-19 pandemic (and actions taken in response to it by governments, businesses, and individuals) on our business operations, financial results and financial position and on the global economy, including its impact on our sales; (ii) Mattel's ability to design, develop, produce, manufacture, source and ship products on a timely and cost-effective basis, as well as interest in and purchase of those products by retail customers and consumers in quantities and at prices that will be sufficient to profitably recover Mattel's costs; (iii) downturns in economic conditions affecting Mattel's markets which can negatively impact retail customers and consumers, and which can result in lower employment levels, lower consumer disposable income and spending, including lower spending on purchases of Mattel's products; (iv) other factors which can lower discretionary consumer spending, such as higher costs for fuel and food, drops in the value of homes or other consumer assets, and high levels of consumer debt; (v) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (vi) other economic and public health conditions or regulatory changes in the markets in which Mattel and its customers and suppliers operate, which could create delays or increase Mattel's costs, such as higher commodity prices, labor costs or transportation costs, or outbreaks of disease; (vii) currency fluctuations, including movements in foreign exchange rates, which can lower Mattel's net revenues and earnings, and significantly impact Mattel's costs; (viii) the concentration of Mattel's customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel's customers, or changes in their purchasing or selling patterns; (ix) the future willingness of licensors of entertainment properties for which Mattel currently has licenses or would seek to have licenses in the future to license those products to Mattel; (x) the inventory policies of Mattel's retail customers, including retailers' potential decisions to lower their inventories, even if it results in lost sales, as well as the concentration of Mattel's revenues in the second half of the year, which coupled with reliance by retailers on quick response inventory management techniques increases the risk of underproduction of popular items, overproduction of less popular items and failure to achieve compressed shipping schedules; (xi) legal, reputational, and financial risks related to security breaches or cyberattacks; (xii) the increased costs of developing more sophisticated digital and smart technology products, and the corresponding supply chain and design challenges associated with such products; (xiii) work disruptions, which may impact Mattel's ability to manufacture or deliver product in a timely and cost-effective manner; (xiv) the bankruptcy and liquidation of Mattel's significant retailers, or the general lack of success of one of Mattel's significant retailers which could negatively impact Mattel's revenues or bad debt exposure; (xv) the impact of competition on revenues, margins and other aspects of Mattel's business, including the ability to offer products which consumers choose to buy instead of competitive products, the ability to secure, maintain and renew popular licenses and the ability to attract and retain talented employees; (xvi) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xvii) changes in laws or regulations in the United States and/or in other major markets, such as China, in which Mattel operates, including, without limitation, with respect to taxes, tariffs, trade policies, or product safety, which may increase Mattel's product costs and other costs of doing business, and reduce Mattel's earnings; (xviii) failure to realize the planned benefits from any investments or acquisitions made by Mattel; (xix) the impact of other market conditions, third party actions or approvals and competition which could reduce demand for Mattel's products or delay or increase the cost of implementation of Mattel's programs or alter Mattel's actions and reduce actual results; (xx) changes in financing markets or the inability of Mattel to obtain financing on attractive terms; (xxi) the impact of litigation, arbitration, or regulatory decisions or settlement actions; (xxii) uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; and (xxiii) other risks and uncertainties as may be described in Mattel's periodic filings with the Securities and Exchange Commission, including the “Risk Factors” section of Mattel's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as amended, and Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, as well as in Mattel's other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

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 may include Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Other Selling and Administrative Expenses, Adjusted Operating Income (Loss), Adjusted Earnings (Loss) Per Share, earnings before interest expense, taxes, depreciation and amortization (“EBITDA”), Adjusted EBITDA, Leverage Ratio (Debt/Adjusted EBITDA), Free Cash Flow, and constant currency. 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. In addition, Mattel presents changes in gross billings, a key performance indicator, as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business. Changes in gross billings are discussed because, while Mattel records the details of sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with categories, brands, and individual products.

Who We Are

Mattel is a leading global toy company and owner of one of the strongest catalogs of children's and family entertainment franchises in the world. We engage consumers through our portfolio of iconic brands, as well as other popular intellectual properties that we own or license in partnership with global entertainment companies. Our offerings include film and television content, gaming, music and live events. Founded in 1945, we operate in 35 locations and our products are available in more than 150 countries in collaboration with the world's leading retail and e-commerce companies.

Our Purpose

Empower the next generation to explore the wonder of childhood and reach their full potential.

Our Mission

Create innovative products and experiences that inspire, entertain and develop children through play.



Q4 and FY 2020 CEO Perspective

Major upswing in topline and a significant increase in profitability

- **Fourth Quarter**

- Net Sales grew 10% as reported and in constant currency¹; highest Q4 as reported since 2016
- Adjusted Gross Margin¹ reached 51.4%; tenth consecutive quarter of YOY improvement
- Adjusted Operating Income¹ increased 88%
- Adjusted EBITDA¹ increased 53%

- **Full Year**

- Net Sales grew 2% as reported, and 3% in constant currency; second consecutive year of growth in constant currency
- Adjusted Gross Margin was 49.1%, an improvement of 420 bps
- Adjusted Operating Income of \$448 million was the highest in four years; more than 2.5x last year
- Adjusted EBITDA was \$719 million, increasing by 59%
- Free Cash Flow¹ was \$167 million, an improvement of \$102 million

**Continued to progress our strategy to transform Mattel
into an IP-driven, high-performing toy company**

(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.

Q4 and FY 2020 CEO Perspective (continued)

- For the second quarter in a row, Mattel achieved double digit growth, outpaced the industry and gained share on a global basis¹
- Achieved revenue growth in each of our four regions in constant currency² in Q4, with particularly strong performance in North America and EMEA
- Gross Billings² increased in six of our seven categories in Q4, with particularly strong gains in Dolls and Vehicles
- Total company POS³ momentum remained strong throughout the quarter, increasing double-digits and continuing to outpace sales
- Continued strong growth in online retail and e-commerce
- Supply chain performed very well in fulfilling more of the extraordinary growth in consumer demand than expected

**Continued to progress our strategy to transform Mattel
into an IP-driven, high-performing toy company**

(1) Mattel Global Insights internal analysis and The NPD Group/Retail Tracking Service/G12/JUL-SEP 2020 and OCT-DEC 2020/Total Toys/Projected USD.

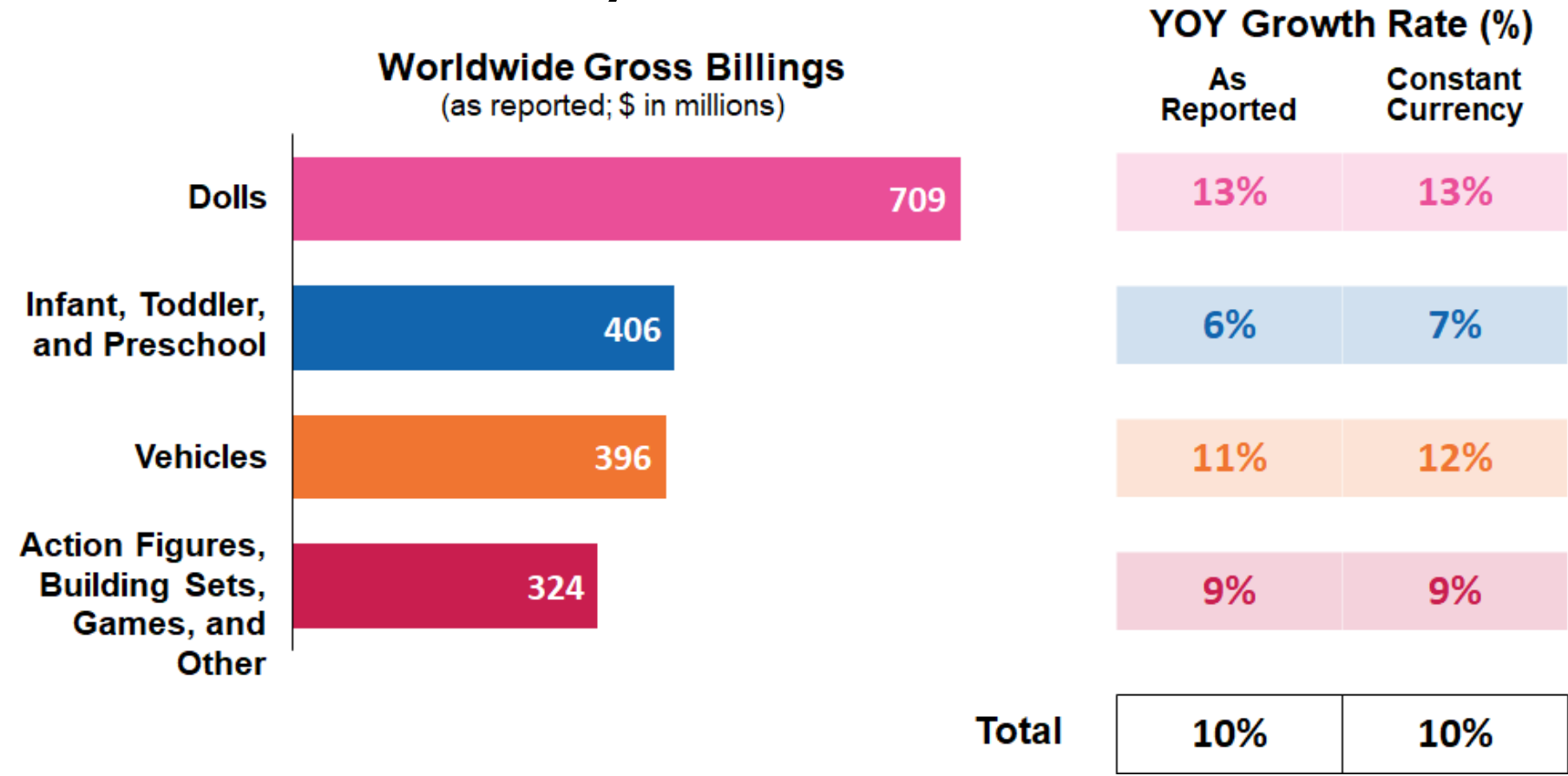
(2) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.

(3) POS: Mattel internal analysis, at wholesale; excludes American Girl.



Q4 2020 Gross Billings¹ by Categories

Growth of 10% in constant currency¹



Strong performance across the portfolio



(1) Amounts may not foot due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
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Q4 2020 Category Highlights¹

Dolls

Gross Billings up 13%, driven by continued strength in Barbie and growth in American Girl

Dolls POS² remained strong, more than doubling our growth in Gross Billings

Barbie up 18%, with innovation across the portfolio

American Girl up 9%, the first quarter of year-over-year growth in four years



Barbie was the #1 toy property globally in both Q4 and full year 2020, per NPD³

(1) In constant currency. Please see Appendix – Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
 (2) POS: Mattel internal analysis, at wholesale, excludes American Girl.
 (3) The NPD Group/Retail Tracking Service/G12/JAN-DEC 2020/Total Toys/Projected USD
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Q4 2020 Category Highlights¹

Vehicles

Gross Billings up 12%, driven by the strong performance of Hot Wheels and Matchbox

Vehicles POS² remained strong, up double-digits and aligned with Gross Billings

Hot Wheels up 14%, with broad-based growth across product segments

Third consecutive year of record Gross Billings for Hot Wheels



Hot Wheels was the #1 Vehicles property globally in both Q4 and full year 2020, per NPD³

(1) In constant currency. Please see Appendix – Glossary of Non-GAAP Financial Measures & Key Performance Indicator.

(2) POS: Mattel internal analysis, at wholesale.

(3) The NPD Group/Retail Tracking Service/G12/OCT-DEC 2020 and JAN-DEC 2020/Vehicles Supercategory/Projected USD

Q4 2020 Category Highlights¹

Infant, Toddler, and Preschool

Gross Billings up 7%, driven by an increase in Fisher-Price and Thomas & Friends

Fisher-Price Core up 11%, driven by growth in its Infant, Little People, and Imaginext product segments

Fisher-Price Core POS² was flat for the quarter, with positive POS in our Infant and Baby Gear business



Fisher-Price was the #1 Infant, Toddler, and Preschool manufacturer globally, per NPD³

(1) In constant currency. Please see Appendix – Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
 (2) POS: Mattel internal analysis, at wholesale.
 (3) The NPD Group/Retail Tracking Service/G12/JAN-DEC 2020/Infant Toddler & Preschool Supercategory/Projected USD
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Q4 2020 Category Highlights¹

Action Figures, Building Sets, Games, and Other

Gross Billings up 9%, driven by growth in Games, Plush, and Building Sets

Games achieved its 8th consecutive quarter of YOY growth

Plush continued to grow, driven by Star Wars

Building Sets up double-digits, driven by strong POS² and expanded distribution of MEGA

Action Figures declined primarily due to Toy Story 4 post its launch year, partially offset by increases in evergreen licenses



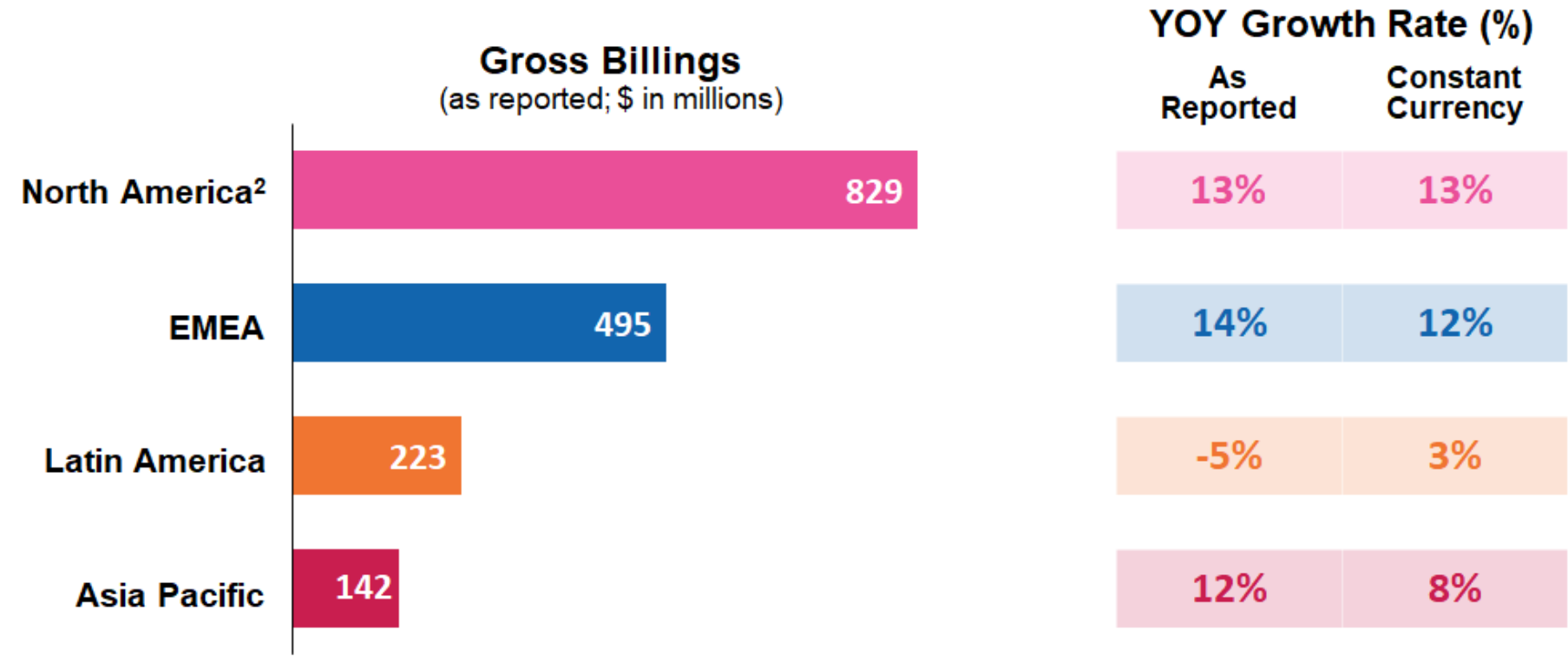
11-inch Star Wars: The Child plush was the #1 selling item in the plush supercategory in the U.S. in 2020, per NPD³

(1) In constant currency. Please see Appendix – Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
 (2) POS: Mattel internal analysis, at wholesale.
 (3) The NPD Group/Retail Tracking Service/US/JAN-DEC 2020/Plush Supercategory/USD
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Q4 2020 Gross Billings¹ by Region

Growth in all four regions in constant currency¹



Double-digit gains in North America and EMEA, our two largest markets



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(2) Excludes American Girl.
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Q4 2020 E-commerce

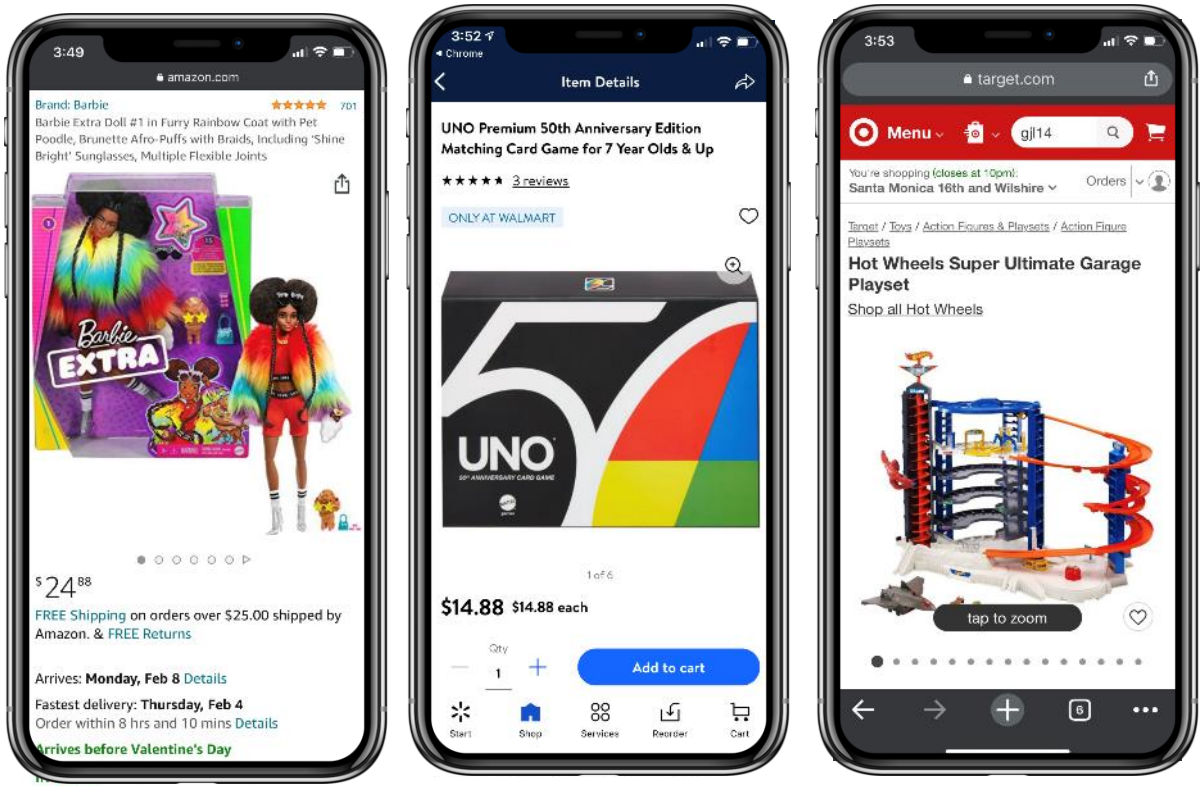
E-commerce maintained strong momentum

POS¹ up more than 40% versus last year

Represented more than 35% of global POS

Mattel was the #1 manufacturer in the U.S. online in the fourth quarter, per NPD²

Mattel grew online share in the U.S. both in the fourth quarter and the full year, per NPD

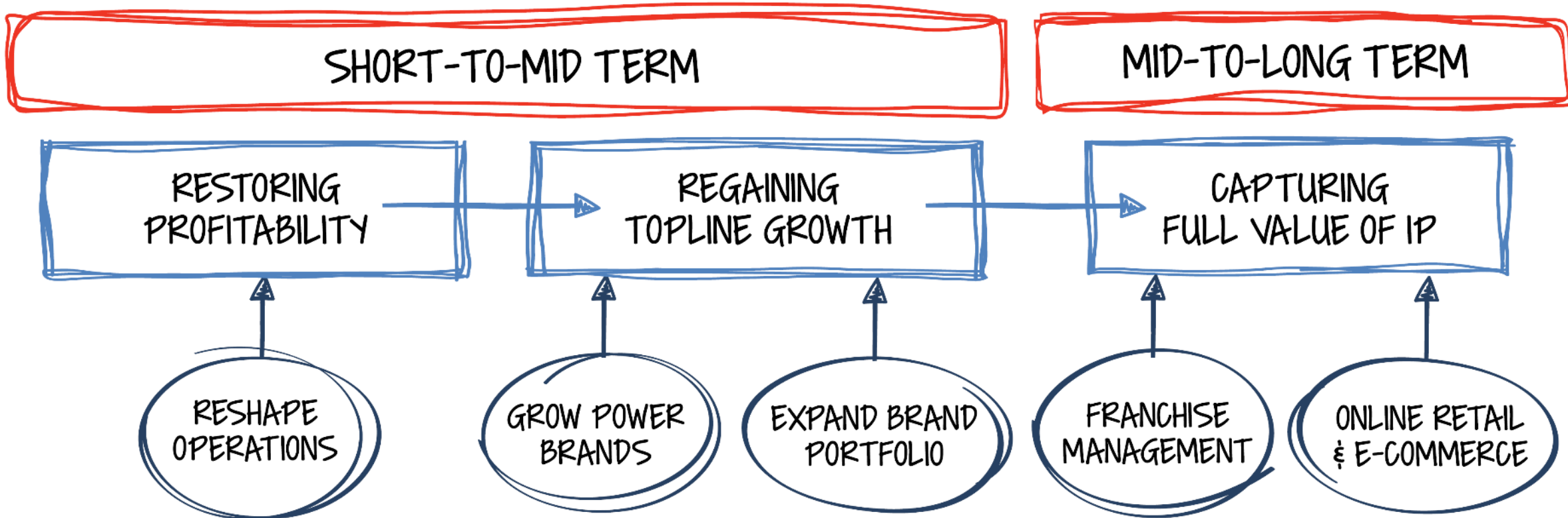


Accelerating our online retail and e-commerce business

(1) POS: Mattel internal analysis, at wholesale.
 (2) The NPD Group/Consumer Tracking Service/US/JAN-DEC 2020/Online Retailers/Total Toys/USD
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Strategy

Transforming Mattel into an IP-driven, high-performing toy company



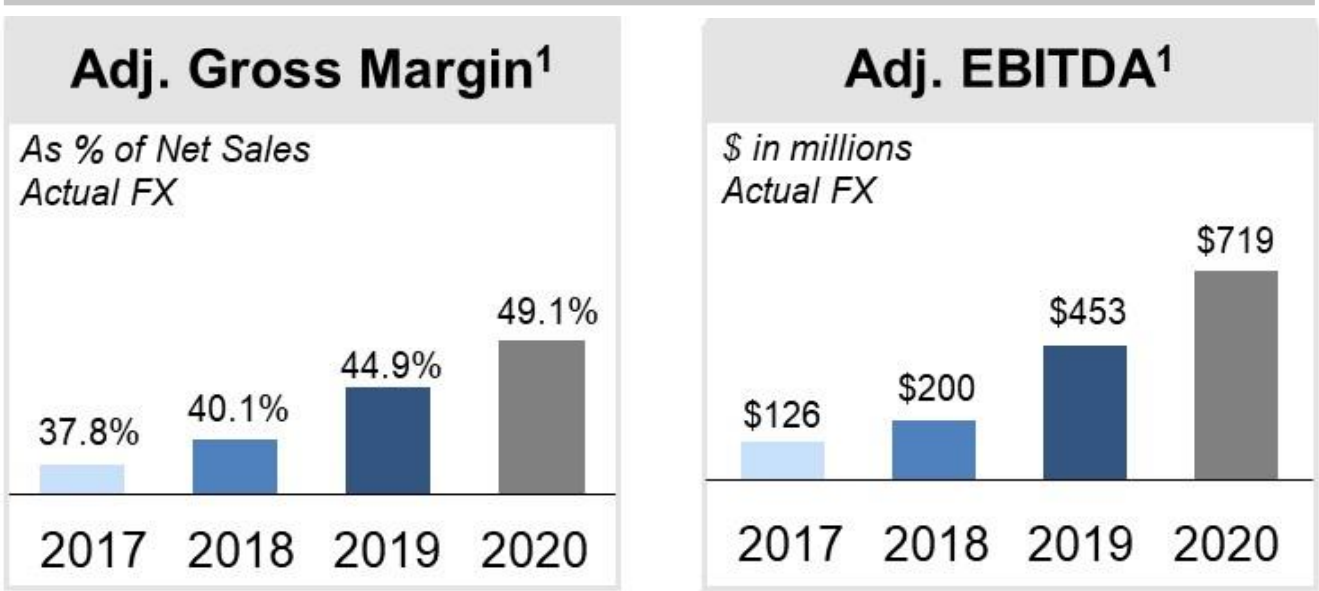
Our mission is to create innovative products and experiences that inspire, entertain and develop children through play



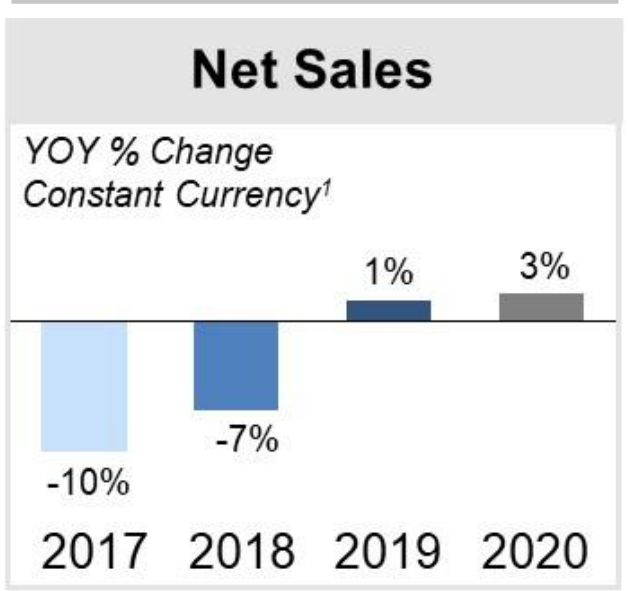
Progress on Short-to-Mid Term Strategy

Significant progress in our short-to-mid term strategy to restore profitability and regain top line growth

Restoring Profitability



Regaining Growth



Mattel expects to continue growing sales and profitability in the coming years

Progress on Mid-to-Long Term Strategy

Mattel Films and Mattel Television

- UNO live-action film in development with Grammy Award-nominated rapper Lil Yachty
- UNO game show in development with Propagate
- Whac-A-Mole television game show in development with Fremantle
- Thomas & Friends: All Engines Go series will be available this fall on Cartoon Network and Netflix in the U.S.; international distribution partners to be announced



11 feature film projects announced

17 TV shows/specials in production

25+ projects in development

Continued to advance mid-to-long term strategy to capture the full value of our IP

A Message From Our Chairman and CEO

“This was a banner quarter for the company with our best performance in years. 2020 was another milestone for Mattel, a year in which we grew both the top line and bottom line, gained global market share, and continued to make significant progress in our transformation strategy.

I could not be more proud of the work of the entire Mattel global team and the innovation, collaboration and execution that was demonstrated in an extremely tumultuous year. We also stepped up as a responsible corporate citizen and leveraged our resources to support consumers, customers, business partners and communities where we live and work.

The momentum across the enterprise positions us well to accelerate our growth and make continued progress towards our goal to transform Mattel into an IP-driven, high-performing toy company.

We remain committed to continued progress of our strategy and the creation of long-term shareholder value.”

- Ynon Kreiz

CFO Perspective

Q4 results exceeded expectations

- Strong fourth quarter results
- Achieved double-digit topline growth
- Gross Margin continued to improve
- Announcing “Optimizing For Growth” program
- Providing full year 2021 guidance



Positive outlook for 2021



Q4 and FY 2020 P&L Highlights

Strong performance reflects gains across the P&L



(\$ in millions, except per share, percentage and bps) ¹	Q4 2020	% Change	FY 2020	% Change
Net Sales	1,626	↑ +10%	4,584	↑ +2%
Constant Currency ¹		↑ +10%		↑ +3%
Adjusted Gross Margin ¹	51.4%	↑ +250 bps	49.1%	↑ +420 bps
Adjusted Operating Income ¹	205	↑ +88%	448	↑ +187%
Adjusted EPS ¹	0.40	↑ +264%	0.54	↑ NA ²
Adjusted EBITDA ¹	284	↑ +53%	719	↑ +59%



Sales and profitability continued to improve

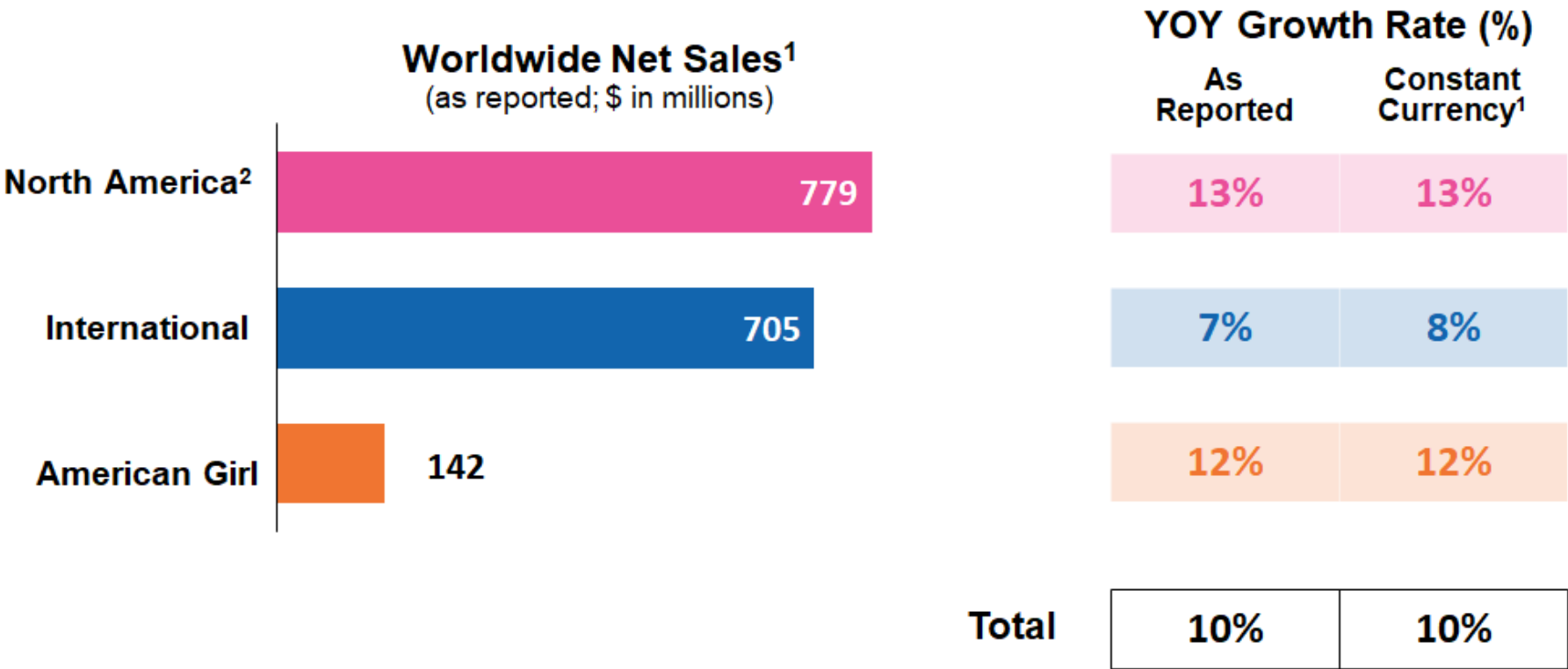
(1) Amounts may not foot due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.

(2) NA – Not Applicable

Q4 2020 Net Sales by Segment



Growth across all segments



Continued high growth of e-commerce was a key contributor globally



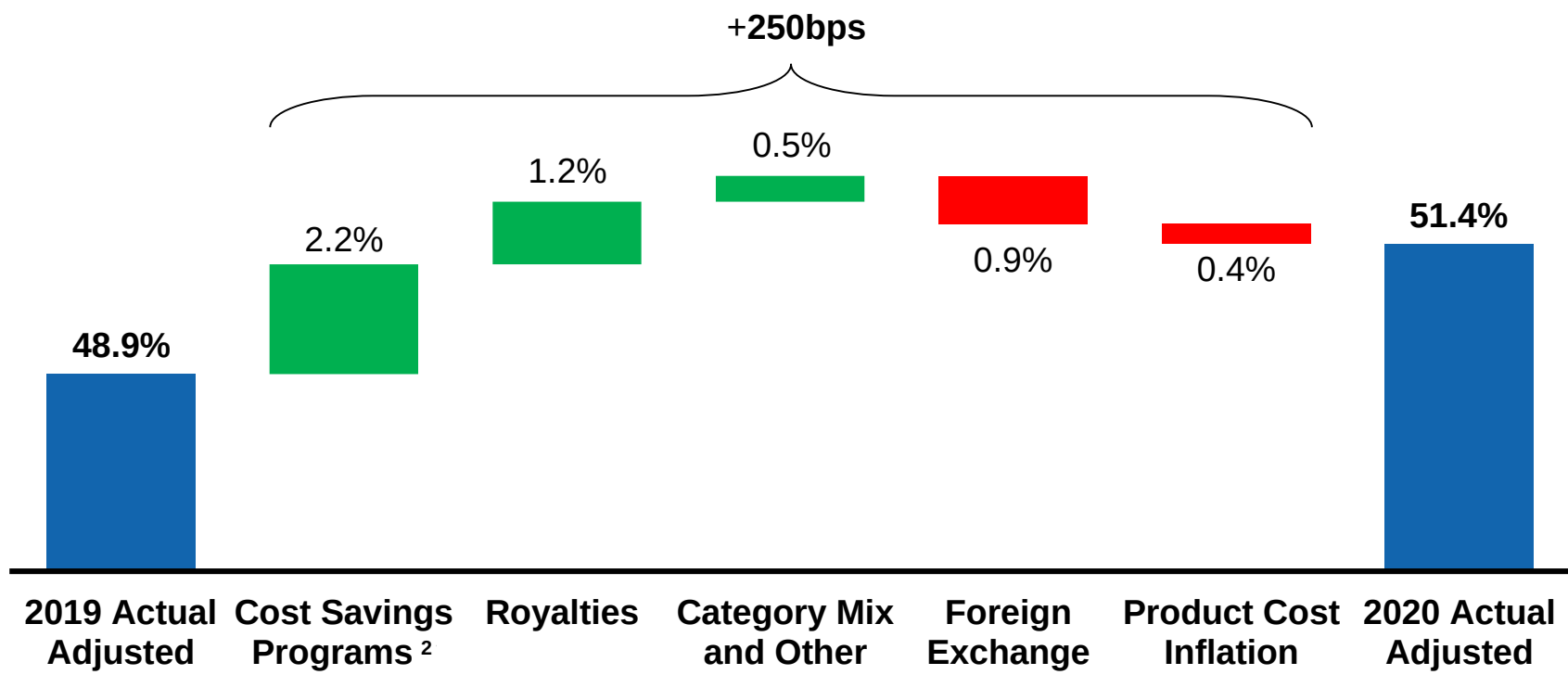
(1) Amounts may not foot due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.

(2) Excludes American Girl.



Q4 2020 Adjusted Gross Margin¹ Comparison

Improvement driven by cost savings programs and lower royalties

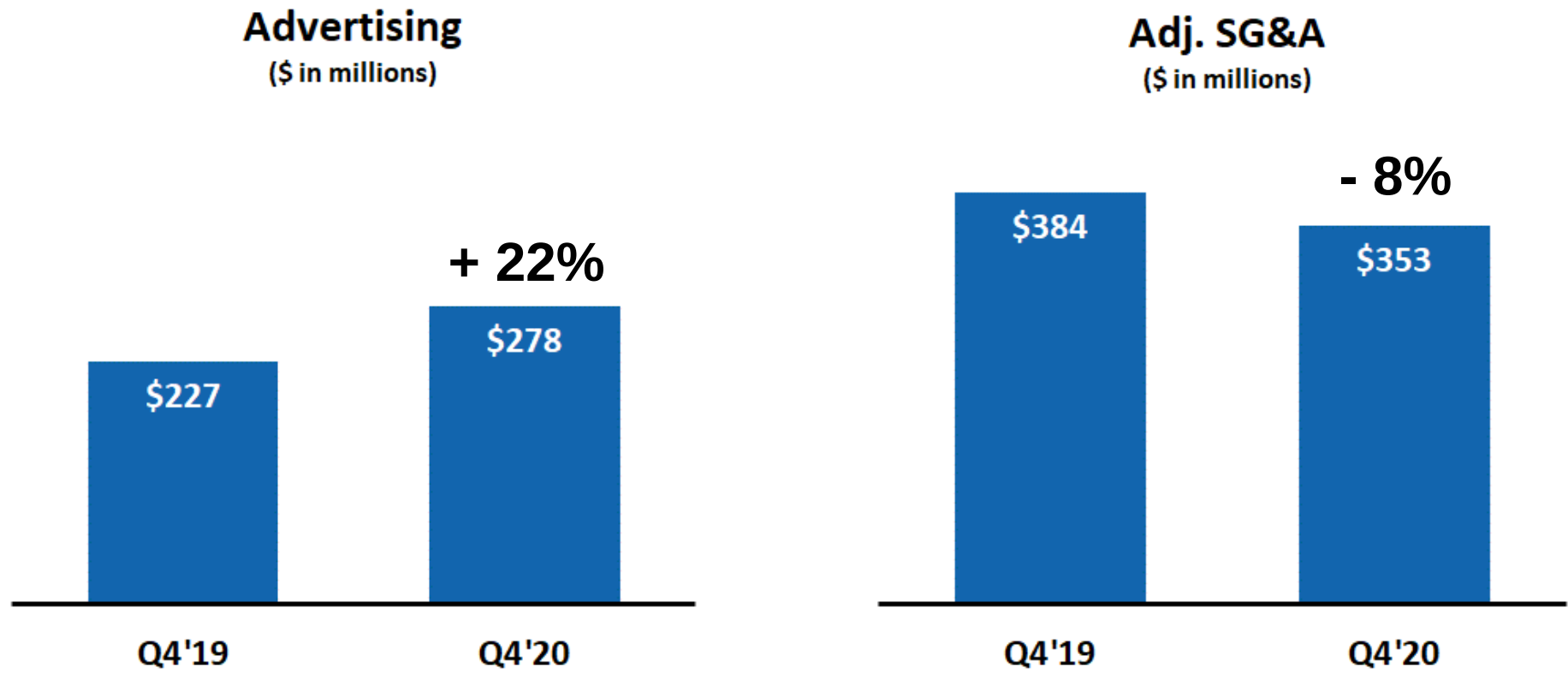


Continued progress towards restoring profitability

(1) Amounts may not foot due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
(2) Includes \$11M from Structural Simplification Savings Program and \$24M from Capital Light Savings Program, versus prior year.
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Q4 2020 Advertising¹ and Adjusted SG&A¹

Increase in Advertising partially offset by lower Adjusted SG&A



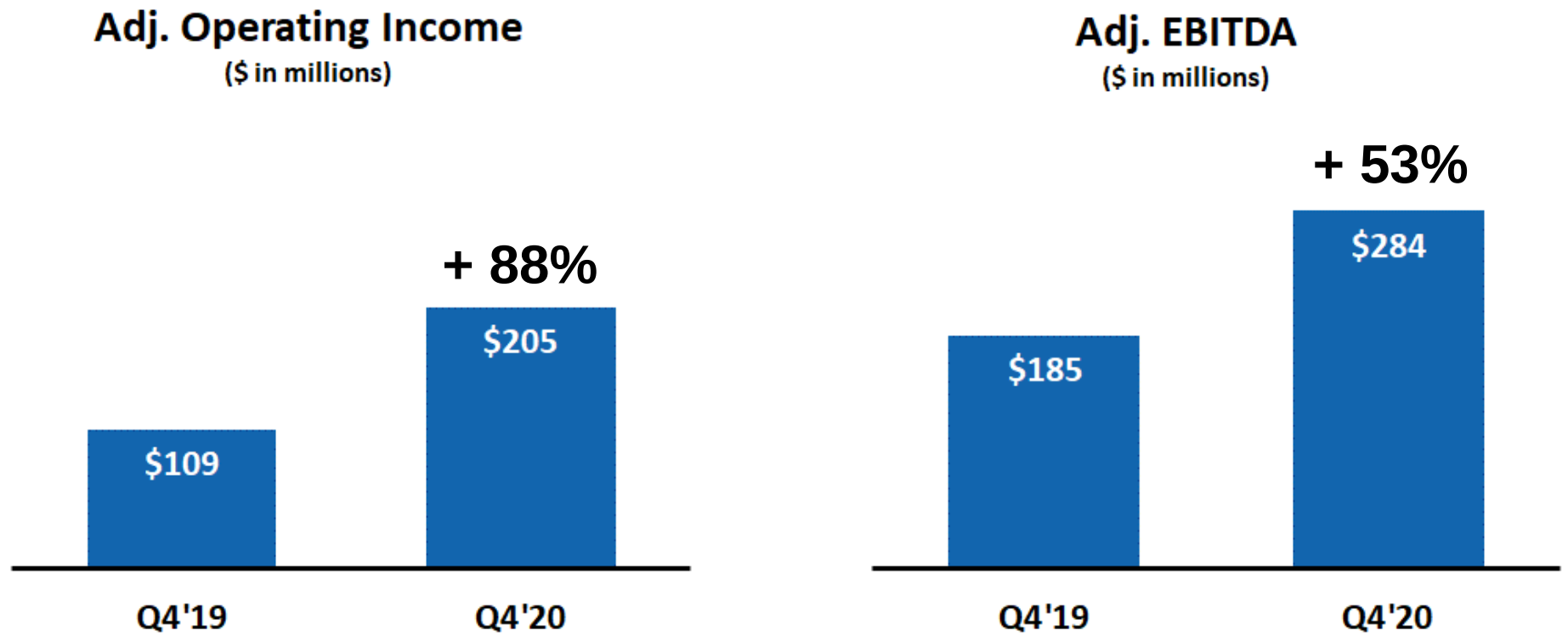
Anticipated shift in Advertising and cost management

(1) Amounts may not foot due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
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Q4 2020 Adjusted Operating Income¹ and Adjusted EBITDA¹

Adjusted Operating Income and Adjusted EBITDA continued to grow



Very strong bottom line performance

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FY 2020 Cash Flow Results

Free Cash Flow¹ of \$167 million for the year

(\$ in millions) ²	FY 2019	FY 2020
Net (loss) Income	(214)	127
Depreciation & Amortization	245	200
Share-based compensation	56	60
Other non-cash charges	93	53
Changes in Working Capital & Other	1	(151)
Cash from Operations	181	289
Capital Expenditures	(116)	(122)
Free Cash Flow	65	167



More than doubled Free Cash Flow

(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
(2) Amounts may not foot due to rounding.
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Q4 2020 Balance Sheet Highlights

Increasing cash balance driven by growth in Free Cash Flow¹

(\$ in millions) ²	Q4 2019	Q4 2020
Cash	630	762
Accounts Receivable	936	1,034
Inventory	496	515
Leverage Ratio ¹ (Debt / Adj. EBITDA ¹)	6.4	4.0



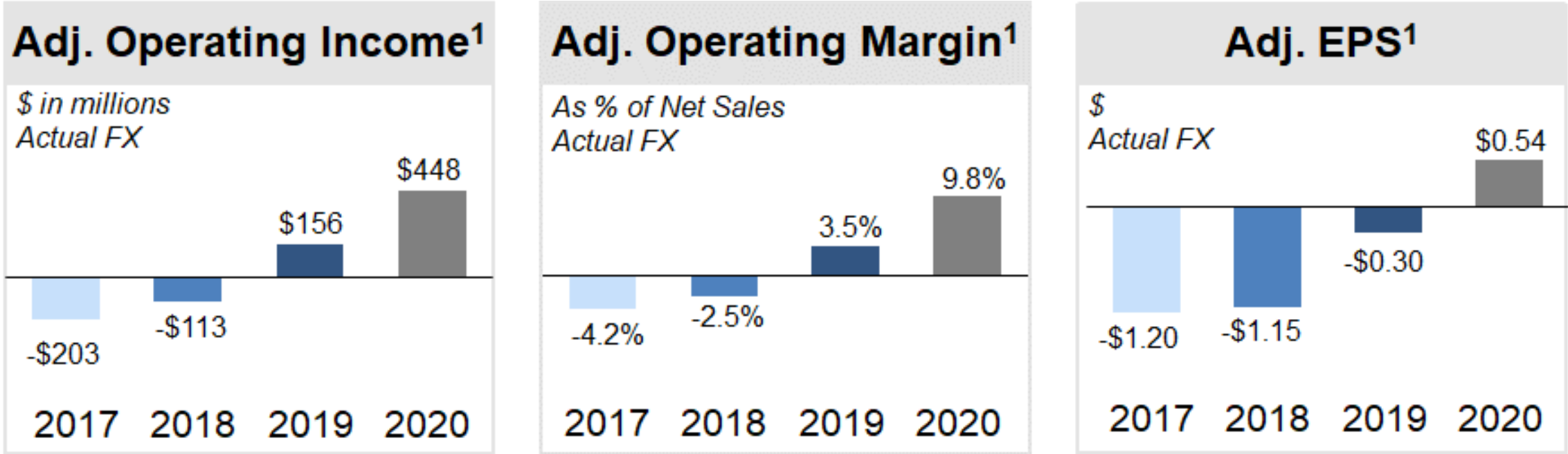
Improving balance sheet reflective of strong results

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(2) Amounts may not foot due to rounding.
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Historical Performance Review

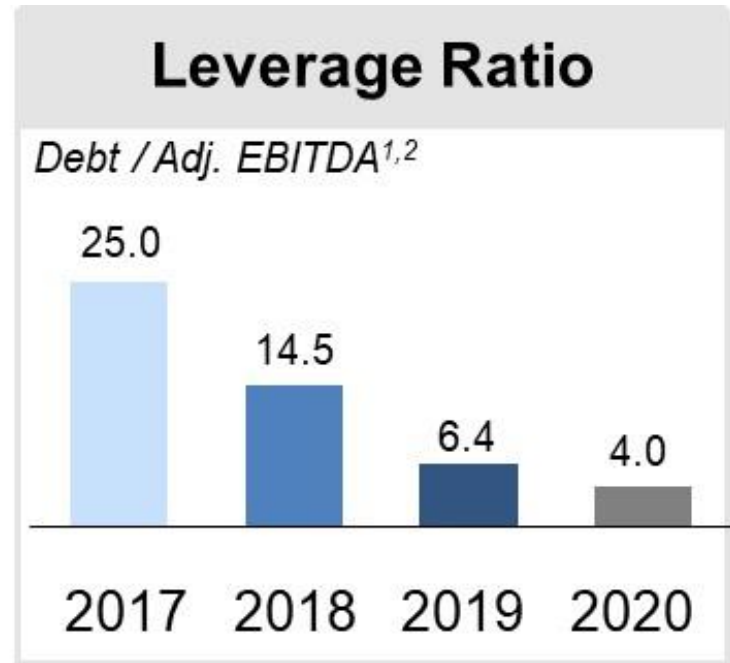
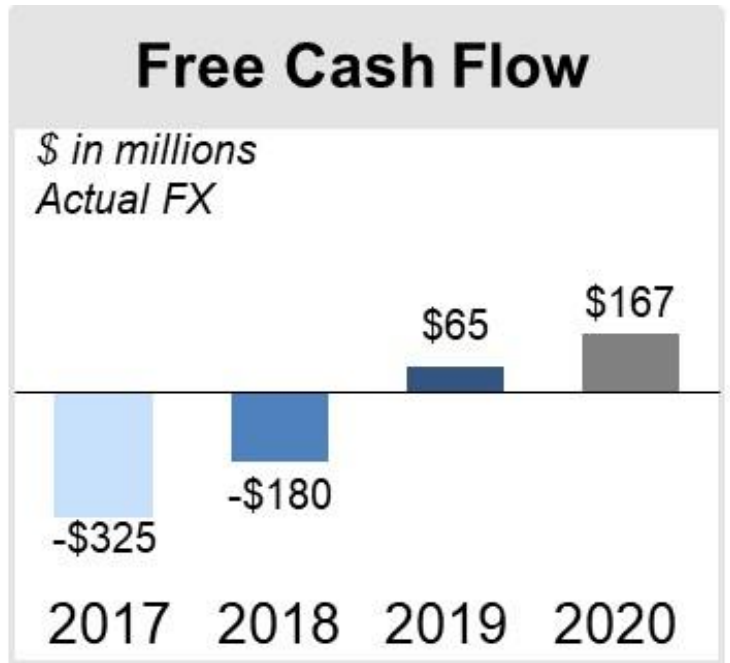
Consistent improvement across key financial metrics



Significant progress in restoring profitability

Historical Performance Review (continued)

Three years of improving Free Cash Flow¹ and Leverage Ratio¹



Expect leverage ratio to continue to improve, as we work our way back towards an investment grade rating

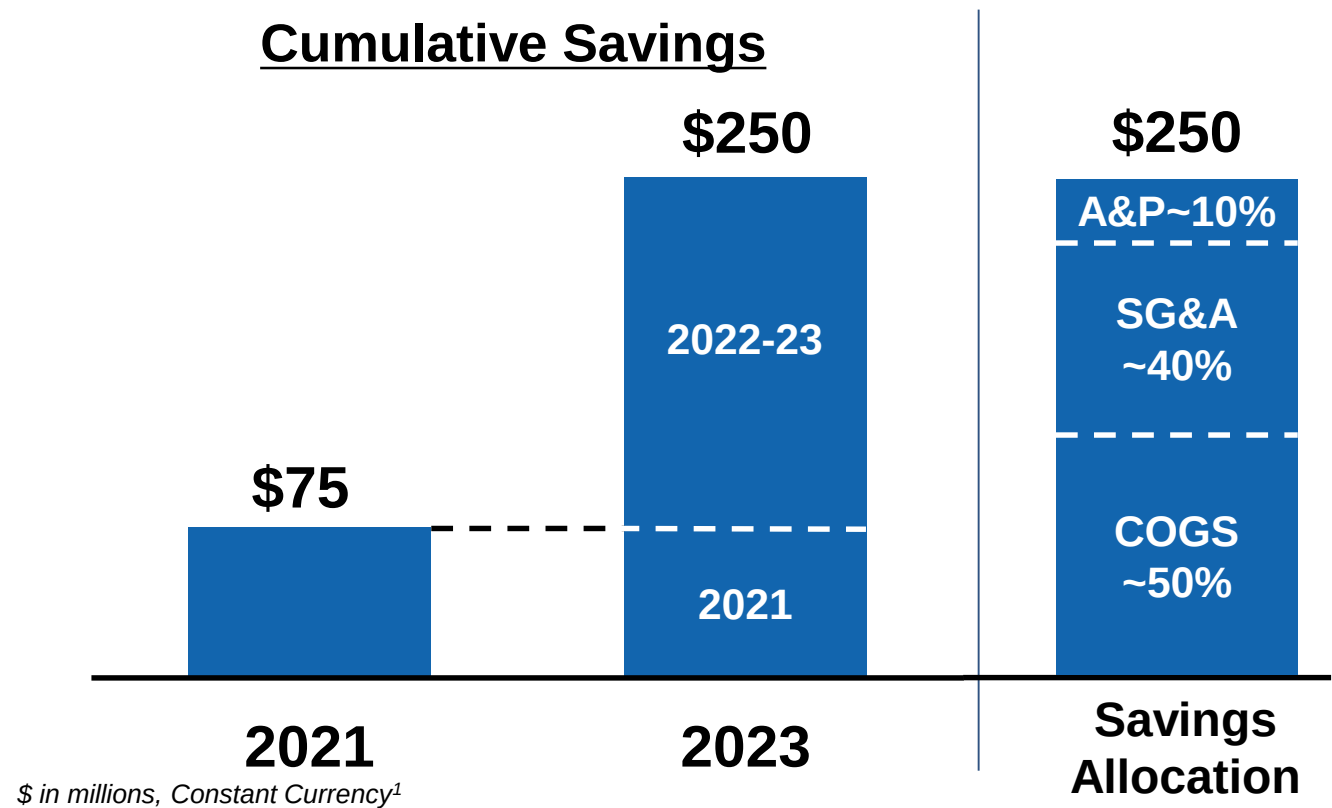


(1) Mattel Financial History Annual Trends 2015-2020. Amounts may not foot due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
(2) Excludes the impact of debt issuance costs and debt discount
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Launching “Optimizing For Growth” Program

Optimize operations and drive greater productivity to accelerate growth



- New opportunities to leverage scale and streamline key processes
- Integrates Capital Light program going forward
- Total savings of \$250 million by 2023
- \$75 million expected to be realized in 2021
- Total estimated cash expenditures of \$100 to \$125 million

Expect to achieve \$250 million of savings by 2023



(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
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2021 Guidance

Providing full year guidance

(\$ in millions, except percentages) ¹		
	FY2020	FY2021E
Net Sales	4,584	+ mid-single digit % in constant currency ¹
Adjusted Gross Margin ¹	49.1%	48.1 to 48.6%
Adjusted EBITDA ¹	719	775 to 800
Capital Expenditures	122	125 to 150

Goal to achieve mid-single digit % net sales growth in constant currency in 2022-2023 and Adjusted Operating Income Margin¹ in the mid-teens by 2023



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Mattel Q4 and FY 2020 Earnings Call



IP-Driven High-Performing Toy Company





Appendix



Consolidated Statements of Operations

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT I

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)¹

(In millions, except per share and percentage information)	For the Three Months Ended December 31,						For the Year Ended December 31,					
	2020		2019		% Change as Reported	% Change in Constant Currency	2020		2019		% Change as Reported	% Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
Net Sales	\$ 1,625.8		\$ 1,473.7		10%	10%	\$ 4,583.7		\$ 4,504.6		2%	3%
Cost of sales	790.6	48.6%	760.5	51.6%	4%		2,340.1	51.1%	2,523.8	56.0%	-7%	
Gross Profit	835.2	51.4%	713.2	48.4%	17%	20%	2,243.6	48.9%	1,980.8	44.0%	13%	16%
Advertising and promotion expenses	277.8	17.1%	227.2	15.4%	22%		516.8	11.3%	551.5	12.2%	-6%	
Other selling and administrative expenses	364.7	22.4%	418.4	28.4%	-13%		1,345.9	29.4%	1,390.0	30.9%	-3%	
Operating Income	192.7	11.9%	67.6	4.6%	185%	221%	380.9	8.3%	39.2	0.9%	871%	912%
Interest expense	49.3	3.0%	60.2	4.1%	-18%		198.3	4.3%	201.0	4.5%	-1%	
Interest (income)	(0.4)	0.0%	(1.5)	-0.1%	-75%		(3.9)	-0.1%	(6.2)	-0.1%	-36%	
Other non-operating (income) expense, net	(4.3)		0.2				2.7		1.9			
Income (Loss) Before Income Taxes	148.1	9.1%	8.7	0.6%	n/m	n/m	183.8	4.0%	(157.5)	-3.5%	n/m	n/m
Provision for income taxes	21.8		9.0				68.6		55.2			
Income (loss) from equity method investments	4.3		0.4				11.5		(0.8)			
Net Income (Loss)	\$ 130.5	8.0%	\$ 0.2	0.0%	n/m		\$ 126.6	2.8%	\$ (213.5)	-4.7%	n/m	
Net Income (Loss) Per Common Share - Basic	\$ 0.38		\$0.00				\$ 0.36		\$ (0.62)			
Weighted-average number of common shares	347.7		346.7				347.5		346.1			
Net Income (Loss) per Common Share - Diluted	\$ 0.37		\$0.00				\$ 0.36		\$ (0.62)			
Weighted-average number of common and potential common shares	351.0		348.3				349.1		346.1			

¹ Amounts may not foot due to rounding.

n/m - Not Meaningful

Condensed Consolidated Balance Sheets

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

CONDENSED CONSOLIDATED BALANCE SHEETS¹

	December 31,	
	2020 (Unaudited)	2019
(In millions)		
Assets		
Cash and equivalents	\$ 762.2	\$ 630.0
Accounts receivable, net	1,034.0	936.4
Inventories	514.7	495.5
Prepaid expenses and other current assets	172.1	186.1
Total current assets	2,482.9	2,248.0
Property, plant, and equipment, net	473.8	550.1
Right-of-use assets, net	291.6	303.2
Other noncurrent assets	2,272.8	2,223.9
Total Assets	\$ 5,521.1	\$ 5,325.2
Liabilities and Stockholders' Equity		
Short-term borrowings	\$ 1.0	\$ -
Accounts payable and accrued liabilities	1,327.3	1,228.9
Income taxes payable	27.1	48.0
Total current liabilities	1,355.4	1,276.9
Long-term debt	2,854.7	2,846.8
Noncurrent lease liabilities	249.4	270.9
Other noncurrent liabilities	465.4	439.0
Stockholders' equity	596.3	491.7
Total Liabilities and Stockholders' Equity	\$ 5,521.1	\$ 5,325.2

¹ Amounts may not foot due to rounding.

Supplemental Balance Sheet and Cash Flow Data



MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

SUPPLEMENTAL BALANCE SHEET AND CASH FLOW DATA (Unaudited)¹

	December 31,	
	2020	2019
<u>Key Balance Sheet Data:</u>		
Accounts receivable, net days of sales outstanding (DSO)	57	57
<u>(In millions)</u>	Year Ended December 31,	
	2020	2019
<u>Condensed Cash Flow Data:</u>		
Cash flows provided by operating activities	\$ 289	\$ 181
Cash flows used for investing activities	(135)	(114)
Cash flows used for financing activities and other	(21)	(31)
Increase in cash and equivalents	<u>\$ 132</u>	<u>\$ 36</u>

¹ Amounts may not foot due to rounding.



Reconciliation of Non-GAAP Financial Measures

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)¹
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share and percentage information)	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2020	2019	Change	2020	2019	Change
Gross Profit						
Gross Profit, As Reported	\$ 835.2	\$ 713.2		\$ 2,243.6	\$ 1,980.8	
Gross Margin	51.4%	48.4%	+ 300 bps	48.9%	44.0%	+ 490 bps
Adjustments:						
Severance and Restructuring Expenses	0.8	6.7		5.7	18.6	
Inclined Sleeper Product Recalls ²	-	0.4		-	21.7	
Gross Profit, As Adjusted	\$ 836.0	\$ 720.3		\$ 2,249.3	\$ 2,021.1	
Adjusted Gross Margin	51.4%	48.9%	+ 250 bps	49.1%	44.9%	+ 420 bps
Other Selling and Administrative Expenses						
Other Selling and Administrative Expenses, As Reported	\$ 364.7	\$ 418.4	-13%	\$ 1,345.9	\$ 1,390.0	-3%
% of Net Sales	22.4%	28.4%		29.4%	30.9%	
Adjustments:						
Severance and Restructuring Expenses	(4.5)	(6.1)		(34.9)	(40.5)	
Inclined Sleeper Product Recalls ²	(7.0)	(2.6)		(26.2)	(10.3)	
Asset Impairments ³	-	(25.9)		-	(25.9)	
Other Selling and Administrative Expenses, As Adjusted	\$ 353.2	\$ 383.8	-8%	\$ 1,284.8	\$ 1,313.4	-2%
% of Net Sales	21.7%	26.0%		28.0%	29.2%	
Operating Income						
Operating Income, As Reported	\$ 192.7	\$ 67.6	185%	\$ 380.9	\$ 39.2	871%
Operating Income Margin	11.9%	4.6%		8.3%	0.9%	
Adjustments:						
Severance and Restructuring Expenses	5.3	12.7		40.6	59.1	
Inclined Sleeper Product Recalls ²	7.0	3.1		26.2	32.0	
Asset Impairments ³	-	25.9		-	25.9	
Operating Income, As Adjusted	\$ 205.0	\$ 109.3	88%	\$ 447.6	\$ 156.2	187%
Adjusted Operating Income Margin	12.6%	7.4%		9.8%	3.5%	
Other Information						
Inclined Sleeper Product Recalls ²	\$ 7.0	\$ 3.5		\$ 26.2	\$ 37.8	

¹ Amounts may not foot due to rounding.

² For the three months and year ended December 31, 2020, Mattel recorded expenses related to inclined sleeper product recall litigation of \$7.0 million and \$26.2 million, respectively. Mattel recorded an estimated impact of \$3.5 million and \$37.8 million related to inclined sleeper product recalls for the three months and year ended December 31, 2019, respectively. Of the \$37.8 million recorded during the year ended December 31, 2019, \$5.8 million was a reduction to Net Sales for estimated retailer returns.

³ For the three months and year ended December 31, 2019, asset impairments represent write-offs of American Girl retail store assets of \$25.9 million, which were recorded in other selling and administrative expenses.

Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)¹

RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share and percentage information)	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2020	2019	Change	2020	2019	Change
<u>Earnings Per Share</u>						
Net Income (Loss) Per Common Share, As Reported	\$ 0.37	\$0.00	n/m	\$ 0.36	\$ (0.62)	n/m
Adjustments:						
Severance and Restructuring Expenses	0.02	0.04		0.12	0.17	
Inclined Sleeper Product Recalls ²	0.02	0.01		0.07	0.09	
Asset Impairments ³	-	0.07		-	0.07	
Tax Effect of Adjustments ⁴	-	(0.01)		(0.01)	(0.02)	
Net Income (Loss) Per Common Share, As Adjusted	<u>\$ 0.40</u>	<u>\$ 0.11</u>	264%	<u>\$ 0.54</u>	<u>\$ (0.30)</u>	n/m
<u>EBITDA and Adjusted EBITDA</u>						
Net Income (Loss), As Reported	\$ 130.5	\$ 0.2	n/m	\$ 126.6	\$ (213.5)	n/m
Adjustments:						
Interest Expense	49.3	60.2		198.3	201.0	
Provision for Income Taxes	21.8	9.0		68.6	55.2	
Depreciation	40.9	48.2		161.0	204.4	
Amortization	<u>9.5</u>	<u>10.0</u>		<u>38.9</u>	<u>40.1</u>	
EBITDA	\$ 252.1	\$ 127.5		\$ 593.5	\$ 287.3	
Adjustments:						
Share-based Compensation	20.2	16.8		60.2	56.0	
Severance and Restructuring Expenses	4.5	12.0		39.1	52.0	
Inclined Sleeper Product Recalls ²	7.0	3.1		26.2	32.0	
Asset Impairments ³	-	25.9		-	25.9	
Adjusted EBITDA	<u>\$ 283.8</u>	<u>\$ 185.2</u>	53%	<u>\$ 719.0</u>	<u>\$ 453.1</u>	59%
<u>Leverage Ratio (Debt / Adjusted EBITDA)</u>						
Long-term debt				\$ 2,854.7	\$ 2,846.8	
Current portion of long-term debt				-	-	
Short-term borrowings				1.0	-	
Adjustments:						
Debt issuance costs and debt discount				<u>45.3</u>	<u>53.2</u>	
Debt				<u>\$ 2,901.0</u>	<u>\$ 2,900.0</u>	
Debt / Net Income (Loss)				<u>22.9x</u>	<u>(13.6)x</u>	
Leverage Ratio (Debt / Adjusted EBITDA)				<u>4.0x</u>	<u>6.4x</u>	
<u>Free Cash Flow</u>						
Net Cash Flows Provided by Operating Activities				\$ 288.5	\$ 181.0	
Capital Expenditures				<u>(121.6)</u>	<u>(116.4)</u>	
Free Cash Flow				<u>\$ 166.9</u>	<u>\$ 64.6</u>	

¹ Amounts may not foot due to rounding.

² For the three months and year ended December 31, 2020, Mattel recorded expenses related to inclined sleeper product recall litigation of \$7.0 million and \$26.2 million, respectively. Mattel recorded an estimated impact of \$3.5 million and \$37.8 million related to inclined sleeper product recalls for the three months and year ended December 31, 2019, respectively. Of the \$37.8 million recorded during the year ended December 31, 2019, \$5.8 million was a reduction to Net Sales for estimated retailer returns.

³ For the three months and year ended December 31, 2019, asset impairments represent write-offs of American Girl retail store assets of \$25.9 million, which were recorded in other selling and administrative expenses.

⁴ The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, and dividing by the reported weighted average number of common and potential common shares. Adjustments for the U.S. and certain International affiliates were not tax effected because of the valuation allowance on deferred tax assets.

n/m - Not meaningful

Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)^{1,2}
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

<u>(In millions, except per share information)</u>	2017	2018	2019	2020
Net Sales	4,881.5	4,514.8	4,504.6	4,583.7
% Change	-10%	-8%	0%	2%
Impact of Currency in %	0%	-1%	-1%	-1%
Constant Currency % Change	-10%	-7%	1%	3%
Gross Profit, As Reported	1,824.6	1,798.7	1,980.8	2,243.6
Gross Margin	37.4%	39.8%	44.0%	48.9%
Adjustments:				
Asset Impairments	20.6	5.8	-	-
Severance and Restructuring Expenses	-	5.7	18.6	5.7
Inclined Sleeper Product Recalls	-	-	21.7	-
Gross Profit, As Adjusted	1,845.2	1,810.2	2,021.1	2,249.3
Adjusted Gross Margin	37.8%	40.1%	44.9%	49.1%
<u>Operating Income (Loss)</u>				
Operating Income (Loss), As Reported	(335.7)	(234.3)	39.2	380.9
Operating (Loss) Income Margin	-6.9%	-5.2%	0.9%	8.3%
Adjustments:				
Asset Impairments	56.3	11.9	25.9	-
Non-recurring Executive Compensation	11.3	1.0	-	-
Severance and Restructuring Expenses	65.1	109.8	59.1	40.6
Inclined Sleeper Product Recalls	-	-	32.0	26.2
Integration & Acquisition Costs	-	-	-	-
Sale of Assets	-	(1.4)	-	-
Operating Income (Loss), As Adjusted	(203.0)	(113.0)	156.2	447.6
Adjusted Operating (Loss) Income Margin	-4.2%	-2.5%	3.5%	9.8%
<u>Earnings Per Share</u>				
Net (Loss) Income Per Common Share, As Reported	(3.07)	(1.55)	(0.62)	0.36
Adjustments:				
Asset Impairments	0.16	0.03	0.07	-
Non-recurring Executive Compensation	0.03	-	-	-
Severance and Restructuring Expenses	0.19	0.32	0.17	0.12
Inclined Sleeper Product Recalls	-	-	0.09	0.07
Integration & Acquisition Costs	-	-	-	-
Sale of Assets	-	-	-	-
Venezuela Matters	0.17	-	-	-
Tax Effect of Adjustments	(0.03)	(0.01)	(0.02)	(0.01)
Tax Items	1.34	0.05	-	-
Net Income (Loss) Per Common Share, As Adjusted	(1.20)	(1.15)	(0.30)	0.54

¹ Amounts may not foot due to rounding.

² For further detail refer to Exhibits and Reg G for the respective periods.

Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)^{1,2}
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share information)

	2017	2018	2019	2020
<u>EBITDA and Adjusted EBITDA</u>				
Net (Loss) Income, As Reported	(1,054.6)	(533.3)	(213.5)	126.6
Adjustments:				
Interest Expense	105.2	181.9	201.0	198.3
(Benefit) Provision for Income Taxes	553.3	116.2	55.2	68.6
Depreciation	240.8	232.8	204.4	161.0
Amortization	33.9	39.1	40.1	38.9
EBITDA	(121.3)	36.8	287.3	593.5
Adjustments:				
Asset Impairments	56.3	11.9	25.9	-
Shared-based Compensation	67.1	48.9	56.0	60.2
Severance and Restructuring Expenses	65.1	104.1	52.0	39.1
Inclined Sleeper Product Recalls	-	-	32.0	26.2
Sale of Assets	-	(1.4)	-	-
Venezuela Matters	59.0	-	-	-
Adjusted EBITDA	126.2	200.2	453.1	719.0
<u>Leverage Ratio (Debt / Adjusted EBITDA)</u>				
Long-term debt	2,873.1	2,851.7	2,846.8	2,854.7
Current portion of long-term debt	250.0	-	-	-
Short-term borrowings	-	4.2	-	1.0
Adjustments:				
Debt issuance costs and debt discount	26.9	48.3	53.2	45.3
Debt	3,150.0	2,904.2	2,900.0	2,901.0
Debt / Net Income (Loss)	(3.0)	(5.4)	(13.6)	22.9
Leverage Ratio (Debt / Adjusted EBITDA)	25.0	14.5	6.4	4.0
<u>(In millions)</u>				
<u>Free Cash Flow</u>				
Net Cash Flows (Used For) Provided by Operating Activities	(27.6)	(27.3)	181.0	288.5
Capital Expenditures	(297.2)	(152.4)	(116.4)	(121.6)
Free Cash Flow	(324.8)	(179.7)	64.6	166.9

¹ Amounts may not foot due to rounding.

² For further detail refer to Exhibits and Reg G for the respective periods.

Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT IV

WORLDWIDE GROSS BILLINGS¹ (Unaudited)³
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2020	2019	% Change as Reported	% Change in Constant Currency	2020	2019	% Change as Reported	% Change in Constant Currency
<u>Worldwide Gross Billings:</u>								
Net Sales	\$ 1,625.8	\$ 1,473.7	10%	10%	\$ 4,583.7	\$ 4,504.6	2%	3%
Sales Adjustments ²	209.1	191.6			554.2	560.0		
Gross Billings	<u>\$ 1,834.9</u>	<u>\$ 1,665.3</u>	10%	10%	<u>\$ 5,137.8</u>	<u>\$ 5,064.6</u>	1%	3%
<u>Worldwide Gross Billings by Categories:</u>								
Dolls	\$ 709.1	\$ 630.1	13%	13%	\$ 1,886.4	\$ 1,724.0	9%	11%
Infant, Toddler and Preschool	405.5	381.1	6	7	1,149.7	1,257.6	-9	-8
Vehicles	396.3	356.9	11	12	1,110.0	1,101.3	1	3
Action Figures, Building Sets, Games, and Other	324.0	297.2	9	9	991.6	981.6	1	2
Gross Billings	<u>\$ 1,834.9</u>	<u>\$ 1,665.3</u>	10%	10%	<u>\$ 5,137.8</u>	<u>\$ 5,064.6</u>	1%	3%
<u>Supplemental Gross Billings Disclosure</u>								
<u>Worldwide Gross Billings by Top 3 Power Brands:</u>								
Barbie	\$ 471.1	\$ 396.9	19%	18%	\$ 1,350.1	\$ 1,159.8	16%	18%
Hot Wheels	346.3	306.8	13	14	954.2	925.9	3	5
Fisher-Price and Thomas & Friends	372.8	340.6	9	10	1,065.5	1,131.8	-6	-5
Other	644.6	620.9	4	4	1,768.0	1,847.2	-4	-3
Gross Billings	<u>\$ 1,834.9</u>	<u>\$ 1,665.3</u>	10%	10%	<u>\$ 5,137.8</u>	<u>\$ 5,064.6</u>	1%	3%

¹ Gross Billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business.

² Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

³ Amounts may not foot due to rounding.

Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT V

GROSS BILLINGS¹ BY SEGMENT (Unaudited)³
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2020	2019	% Change as Reported	% Change in Constant Currency	2020	2019	% Change as Reported	% Change in Constant Currency
<u>North America Segment Gross Billings:</u>								
Net Sales	\$ 779.4	\$ 689.6	13%	13%	\$ 2,424.6	\$ 2,275.8	7%	7%
Sales Adjustments ²	49.5	45.5			163.2	156.5		
Gross Billings	<u>\$ 828.9</u>	<u>\$ 735.1</u>	13%	13%	<u>\$ 2,587.8</u>	<u>\$ 2,432.3</u>	6%	6%
<u>North America Gross Billings by Categories:</u>								
Dolls	\$ 247.0	\$ 211.9	17%	16%	\$ 770.6	\$ 636.2	21%	21%
Infant, Toddler and Preschool	237.1	205.1	16	16	701.4	730.3	-4	-4
Vehicles	173.0	166.5	4	4	529.2	510.8	4	4
Action Figures, Building Sets, Games, and Other	171.8	151.6	13	13	586.6	555.0	6	6
Gross Billings	<u>\$ 828.9</u>	<u>\$ 735.1</u>	13%	13%	<u>\$ 2,587.8</u>	<u>\$ 2,432.3</u>	6%	6%
<u>Supplemental Gross Billings Disclosure</u>								
<u>North America Gross Billings by Top 3 Power Brands:</u>								
Barbie	\$ 226.5	\$ 189.4	20%	20%	\$ 704.2	\$ 558.3	26%	26%
Hot Wheels	149.8	142.6	5	5	446.6	419.0	7	7
Fisher-Price and Thomas & Friends	211.7	178.7	18	18	634.9	650.7	-2	-2
Other	240.9	224.5	7	7	802.1	804.2	0	0
Gross Billings	<u>\$ 828.9</u>	<u>\$ 735.1</u>	13%	13%	<u>\$ 2,587.8</u>	<u>\$ 2,432.3</u>	6%	6%

¹ Gross Billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business.

² Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

³ Amounts may not foot due to rounding.

Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT VI

GROSS BILLINGS¹ BY SEGMENT (Unaudited)³
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2020	2019	% Change as Reported	% Change in Constant Currency	2020	2019	% Change as Reported	% Change in Constant Currency
<u>International Segment Gross Billings:</u>								
Net Sales	\$ 704.7	\$ 657.2	7%	8%	\$ 1,900.7	\$ 1,972.2	-4%	-1%
Sales Adjustments ²	155.7	139.2			382.8	391.6		
Gross Billings	<u>\$ 860.4</u>	<u>\$ 796.4</u>	8%	8%	<u>\$ 2,283.5</u>	<u>\$ 2,363.8</u>	-3%	-1%
<u>International Gross Billings by Geographic Area:</u>								
EMEA								
Net Sales	\$ 397.1	\$ 353.1	12%	10%	\$ 1,129.7	\$ 1,056.4	7%	6%
Sales Adjustments ²	98.2	80.7			247.4	236.6		
Gross Billings	<u>\$ 495.2</u>	<u>\$ 433.8</u>	14%	12%	<u>\$ 1,377.1</u>	<u>\$ 1,292.9</u>	7%	6%
Latin America								
Net Sales	\$ 187.2	\$ 197.5	-5%	3%	\$ 455.2	\$ 565.4	-19%	-9%
Sales Adjustments ²	36.2	38.5			82.2	100.7		
Gross Billings	<u>\$ 223.4</u>	<u>\$ 236.0</u>	-5%	3%	<u>\$ 537.4</u>	<u>\$ 666.1</u>	-19%	-9%
Asia Pacific								
Net Sales	\$ 120.5	\$ 106.6	13%	9%	\$ 315.8	\$ 350.4	-10%	-10%
Sales Adjustments ²	21.3	20.0			53.2	54.4		
Gross Billings	<u>\$ 141.8</u>	<u>\$ 126.6</u>	12%	8%	<u>\$ 369.0</u>	<u>\$ 404.7</u>	-9%	-9%
<u>International Gross Billings by Categories:</u>								
Dolls	\$ 316.5	\$ 284.4	11%	11%	\$ 849.4	\$ 819.4	4%	7%
Infant, Toddler and Preschool	168.4	176.0	-4	-4	448.4	527.3	-15	-13
Vehicles	223.3	190.4	17	19	580.8	590.5	-2	2
Action Figures, Building Sets, Games, and Other	152.2	145.6	5	4	405.0	426.5	-5	-3
Gross Billings	<u>\$ 860.4</u>	<u>\$ 796.4</u>	8%	8%	<u>\$ 2,283.5</u>	<u>\$ 2,363.8</u>	-3%	-1%
<u>Supplemental Gross Billings Disclosure</u>								
<u>International Gross Billings by Top 3 Power Brands:</u>								
Barbie	\$ 244.6	\$ 207.6	18%	17%	\$ 645.9	\$ 601.4	7%	10%
Hot Wheels	196.5	164.3	20	22	507.6	506.9	0	4
Fisher-Price and Thomas & Friends	161.1	162.0	0	0	430.6	481.0	-10	-8
Other	258.1	262.6	-2	-1	699.3	774.5	-10	-7
Gross Billings	<u>\$ 860.4</u>	<u>\$ 796.4</u>	8%	8%	<u>\$ 2,283.5</u>	<u>\$ 2,363.8</u>	-3%	-1%

¹ Gross Billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business.

² Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

³ Amounts may not foot due to rounding.

Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT VII

GROSS BILLINGS¹ BY SEGMENT (Unaudited)³
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2020	2019	% Change as Reported	% Change in Constant Currency	2020	2019	% Change as Reported	% Change in Constant Currency
<u>American Girl Segment Gross Billings:</u>								
Net Sales	\$ 141.6	\$ 126.9	12%	12%	\$ 258.4	\$ 256.6	1%	1%
Sales Adjustments ²	4.0	6.9			8.1	11.9		
Gross Billings	<u>\$ 145.6</u>	<u>\$ 133.8</u>	9%	9%	<u>\$ 266.5</u>	<u>\$ 268.5</u>	-1%	-1%

¹ Gross Billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business.

² Sales Adjustments are not allocated to individual products.

³ Amounts may not foot due to rounding.



Glossary of Non-GAAP Financial Measures & Key Performance Indicator

NON-GAAP FINANCIAL MEASURES

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 may include Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Other Selling and Administrative Expenses, Adjusted Operating Income (Loss), Adjusted Operating Income (Loss) Margin, Adjusted Earnings (Loss) Per Share, earnings before interest expense, taxes, depreciation and amortization (“EBITDA”), Adjusted EBITDA, Leverage Ratio (Debt/Adjusted EBITDA), Free Cash Flow, and constant currency. 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.

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 severance and restructuring expenses and the impact of the inclined sleeper product recalls. 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 Other Selling and Administrative Expenses

Adjusted Other Selling and Administrative Expenses represents Mattel’s reported Other Selling and Administrative Expenses, adjusted to exclude severance and restructuring expenses, the impact of the inclined sleeper product recalls, and the impact of asset impairments, which are not part of Mattel’s core business. Adjusted Other Selling and Administrative Expenses is presented to provide additional perspective on underlying trends in Mattel’s core other selling and administrative expenses, 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 Income (Loss) and Adjusted Operating Income (Loss) Margin

Adjusted Operating Income (Loss) and Adjusted Operating Income (Loss) Margin represent reported Operating Income (Loss) and reported Operating Income (Loss) Margin, respectively, adjusted to exclude severance and restructuring expenses, the impact of the inclined sleeper product recalls, and the impact of asset impairments, which are not part of Mattel’s core business. Adjusted Operating Income (Loss) Margin represents Mattel’s Adjusted Operating Income (Loss), as a percentage of Net Sales. Adjusted Operating Income (Loss) and Adjusted Operating Income (Loss) 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 (Loss) Per Share

Adjusted Earnings (Loss) Per Share represents Mattel’s reported Diluted Earnings (Loss) Per Common Share, adjusted to exclude severance and restructuring expenses, the impact of the inclined sleeper product recalls, and the impact of asset impairments, which are not part of Mattel’s core business. The aggregate tax effect of the adjustments is calculated by tax effecting the adjustments by the current effective tax rate, adjusting for certain discrete tax items, and dividing by the reported weighted-average number of common shares. Adjusted Earnings (Loss) 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 (Loss) 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 Income (Loss), adjusted to exclude the impact of interest expense, taxes, depreciation, and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude share-based compensation, severance, and restructuring expenses, the impact of the inclined sleeper product recalls, and the impact of asset impairments, 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 indenture governing its 6.75% senior notes due 2025, the indenture governing its 5.875% senior notes due 2027, 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 & Key Performance Indicator

NON-GAAP FINANCIAL MEASURES

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.

Leverage Ratio (Debt / Adjusted EBITDA)

The leverage ratio is calculated by dividing Debt by adjusted EBITDA. 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.

Constant Currency

Percentage changes in results expressed in constant currency are presented excluding the impact from changes in currency exchange rates. To present this information, Mattel calculates constant currency information by translating current period and prior period results for entities reporting in currencies other than the US dollar using consistent exchange rates. The constant currency exchange rates are determined by Mattel at the beginning of each year and are applied consistently during the year. They are generally different from the actual exchange rates in effect during the current or prior period due to volatility in actual foreign exchange rates. Mattel considers whether any changes to the constant currency rates are appropriate at the beginning of each year. The exchange rates used for these constant currency calculations are generally based on prior year actual exchange rates. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from changes in currency exchange rates. Mattel analyzes constant currency results to provide additional perspective on changes in underlying trends in Mattel's operating performance. Mattel believes that the disclosure of the percentage change in constant currency is useful supplemental information for investors to be able to gauge Mattel's current business performance and the longer-term strength of its overall business since foreign currency changes could potentially mask underlying sales trends. The disclosure of the percentage change in constant currency enhances investor's ability to compare financial results from one period to another.

2021 Guidance

A reconciliation of Mattel's non-GAAP financial measures on a forward-looking basis, including Net Sales on a constant currency basis, Adjusted Gross Margin, Adjusted Operating Income Margin, and Adjusted EBITDA, is not available without unreasonable effort. Mattel is unable to predict with sufficient certainty items that would be excluded from the corresponding GAAP measure, including the effect of foreign currency exchange rate fluctuations, unusual gains and losses or charges, and severance and restructuring charges, due to the unpredictable nature of such items, which may have a significant impact on Mattel's GAAP measures.

KEY PERFORMANCE INDICATOR

Gross Billings

Gross Billings represent amounts invoiced to customers. It does not include the impact of sales adjustments, such as trade discounts and other allowances. Mattel presents changes in gross billings as a metric for comparing its aggregate, categorical, brand, and geographic results to highlight significant trends in Mattel's business. Changes in Gross Billings are discussed because, while Mattel records the details of such sales adjustments in its financial accounting systems at the time of sale, such sales adjustments are generally not associated with categories, brands, and individual products.