



Third Quarter 2021 Earnings

(Unaudited Results)
October 21, 2021

Note: Based on Mattel's preliminary estimates of its third quarter 2021 financial results as of October 21, 2021. Please see Mattel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, at <https://investors.mattel.com/node/33376/html> for Mattel's unaudited financial statements for the third quarter of 2021 as updated from this presentation and filed with the SEC on November 4, 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,” “believes,” and “targeted,” 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 Mattel’s control, could cause actual future results to differ materially from those projected in the forward-looking statements, and are currently, and in the future may 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 Mattel’s business operations, financial results and financial position and on the global economy, including its impact on Mattel’s sales; (ii) Mattel’s ability to design, develop, produce, manufacture, source, ship, and distribute products on a timely and cost-effective basis; (iii) sufficient interest in and demand for the products and entertainment we offer by retail customers and consumers to profitably recover Mattel’s costs; (iv) downturns in economic conditions affecting Mattel’s markets which can negatively impact retail customers and consumers, and which can result in lower employment levels and lower consumer disposable income and spending, including lower spending on purchases of Mattel’s products; (v) 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; (vi) potential difficulties or delays Mattel may experience in implementing cost savings and efficiency enhancing initiatives; (vii) 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; (viii) currency fluctuations, including movements in foreign exchange rates and inflation, which can lower Mattel’s net revenues and earnings, and significantly impact Mattel’s costs; (ix) the concentration of Mattel’s customers, potentially increasing the negative impact to Mattel of difficulties experienced by any of Mattel’s customers, such as bankruptcies or liquidations or a general lack of success, or changes in their purchasing or selling patterns; (x) the inventory policies of Mattel’s retail customers, 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, overproduction, and shipping delays; (xi) legal, reputational, and financial risks related to security breaches or cyberattacks; (xii) work disruptions, including as a result of supply chain disruption and plant shutdowns, which may impact Mattel’s ability to manufacture or deliver product in a timely and cost-effective manner; (xiii) 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 from licensors of entertainment properties, and the ability to attract and retain talented employees; (xiv) the risk of product recalls or product liability suits and costs associated with product safety regulations; (xv) 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; (xvi) failure to realize the planned benefits from any investments or acquisitions made by Mattel; (xvii) the impact of other market conditions or third party actions or approvals, including that result in any significant failure, inadequacy, or interruption from vendors or outsourcers, which could reduce demand for Mattel’s products, delay or increase the cost of implementation of Mattel’s programs, or alter Mattel’s actions and reduce actual results; (xviii) changes in financing markets or the inability of Mattel to obtain financing on attractive terms; (xix) the impact of litigation, arbitration, or regulatory decisions or settlement actions; (xx) uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; and (xxi) other risks and uncertainties as may be described in Mattel’s 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, 2020 and subsequent periodic filings, 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 Operating Income (Loss) Margin, Adjusted Earnings (Loss) Per Share, earnings before interest expense, taxes, depreciation and amortization (“EBITDA”), Adjusted EBITDA, Free Cash Flow, Free Cash Flow Conversion (Free Cash Flow/Adjusted EBITDA), Leverage Ratio (Debt/Adjusted EBITDA) 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.



Continued strong performance and consumer demand for our products

- Net Sales grew 8% as reported, and 7% in constant currency¹ vs. prior year; the 5th consecutive quarter of year-over-year growth
- Adjusted EBITDA¹ was \$463 million, essentially flat
- Cash generation continued to improve, with TTM Free Cash Flow¹ of \$320 million; ~2.5x prior year
- Gross Billings¹ up high-single digits vs. prior year, and up 18% vs. the third quarter of 2019 pre-COVID
- POS² grew high-single digits, with strength in North America, EMEA, and Latin America more than offsetting the impact of temporary retail closures across several countries in Asia-Pacific
- Mattel continued to outpace the industry, with market share gains across all regions, for the fifth quarter in a row³

Mattel is operating as 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.

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

(3) Source: The NPD Group/Retail Tracking Service/G12/JUL 2020-SEP 2021/Total Toys/Projected USD



Q3 2021 CEO Perspective; Cont'd

Continued strong performance and consumer demand for our products

- E-commerce grew and represented more than 25% of our total POS¹
- Supply chain and commercial organizations were successful in working through global supply chain disruption and closely collaborated with our retail partners in trying to meet consumer demand
- Mattel Playbook is driving consumer demand across multiple categories and our portfolio strategy is delivering growth overall
- The fourth quarter is off to a good start; expect to continue growing for the balance of the year, gain market share, and have a strong holiday season
- Raising guidance for both Net Sales in constant currency² and Adjusted EBITDA² for the full year in 2021

Mattel is operating as an IP-driven, high-performing toy company

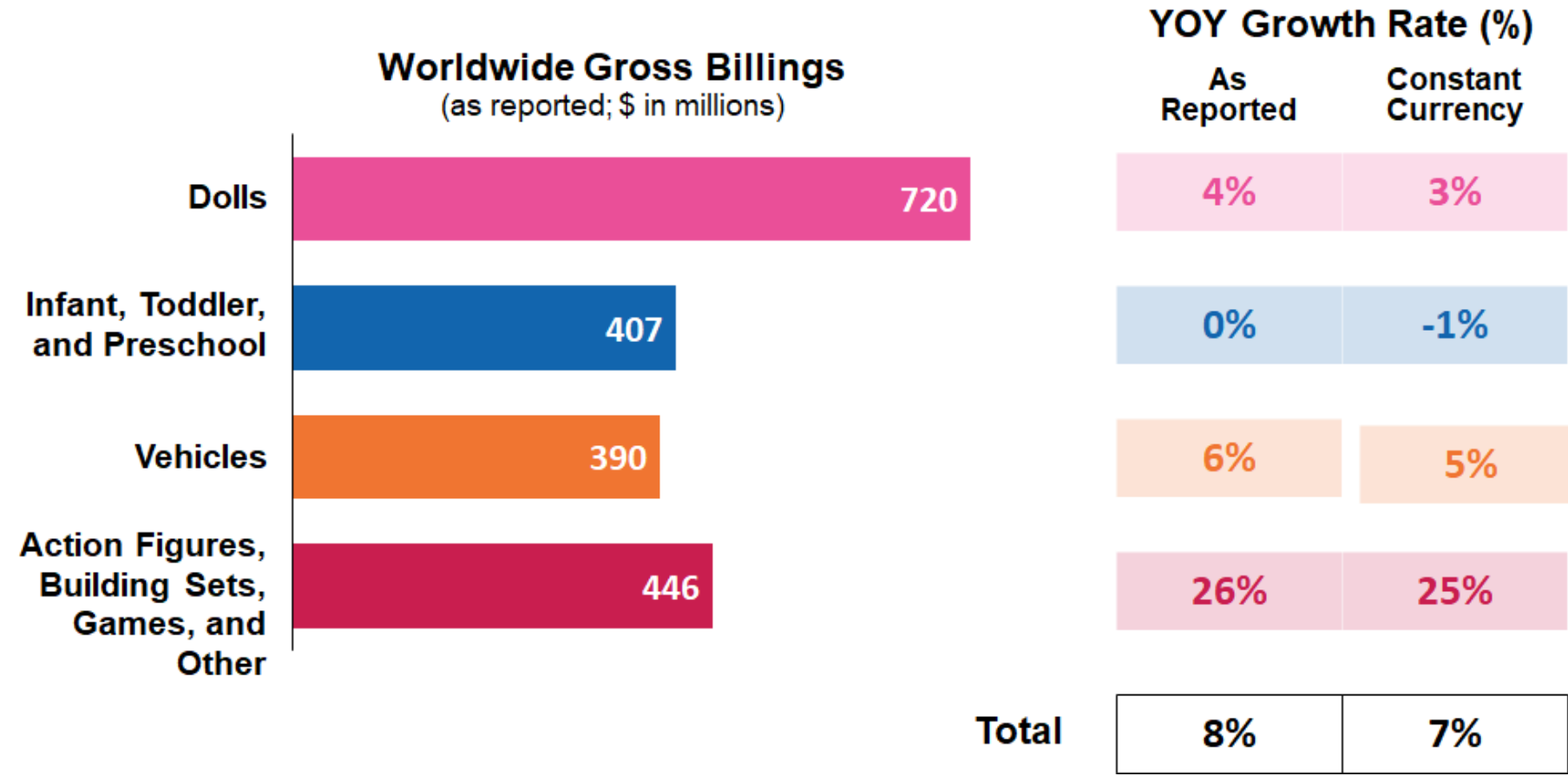
(1) POS: Mattel internal analysis, at wholesale; excludes American Girl

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



Q3 2021 Gross Billings¹ by Categories

Growth of 8% as reported; 7% in constant currency¹



Portfolio strategy is delivering growth overall



(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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Q3 2021 Category Highlights¹

Dolls

Gross Billings up 3%, led by Barbie, Universal’s Spirit, and Polly Pocket, and aligned with POS

Barbie up 3% with POS up low-single digits; Gross Billings up 26% YTD

Barbie is expected to grow double digits for the full year

American Girl flat; up 17% YTD

American Girl is expected to grow high-single digits for the full year



Barbie #1 overall toy property globally in the third quarter
Mattel continued to gain Doll market share globally in the third quarter and year-to-date³

(1) In Gross Billings, unless otherwise stated. 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) Source: The NPD Group/Retail Tracking Service/G12/JUL-SEP 2021/Total Toys/Projected USD, The NPD Group/Retail Tracking Service/G12/JAN-SEP 2021 & JUL-SEP 2021/Dolls Supercategory/Projected USD
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Q3 2021 Category Highlights¹

Vehicles

Gross Billings up 5%, led by Hot Wheels

Vehicles POS² continued to be strong, up double digits

Hot Wheels up 4%; up 20% YTD

Hot Wheels expected to achieve its fourth consecutive record year of sales



Mattel continued to gain Vehicle market share globally
Hot Wheels #1 vehicle property globally in the third quarter and year-to-date³

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(2) POS: Mattel internal analysis, at wholesale.
(3) Source: The NPD Group/Retail Tracking Service/G12/JAN-SEP 2021 & JUL-SEP 2021/Vehicles Supercategory/Projected USD
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Q3 2021 Category Highlights¹

Infant, Toddler, and Preschool

Gross Billings down 1%; up 8% YTD

ITPS POS² up low-single digits, with particularly strong demand in North America

Fisher-Price Core Gross Billings down 1% with POS up mid-single digits; Gross Billings up 9% YTD

Fisher-Price and Thomas is expected to grow for the full year, for the first time in five years



**Mattel continued to gain ITPS market share globally
Fisher-Price #1 ITPS property globally in the third quarter and year-to-date³**

(1) In Gross Billings, unless otherwise stated. In constant currency. Please see Appendix – Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
 (2) POS: Mattel internal analysis, at wholesale.
 (3) Source: The NPD Group/Retail Tracking Service/G12/JUL-SEP 2021 & JAN-SEP 2021/Infant, Toddler, & Preschool Supercategory/Projected USD
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Q3 2021 Category Highlights¹

Action Figures, Building Sets, Games, and Other

Gross Billings grew 25%, with exceptional strength in Action Figures and strong growth in Building Sets and Other

Action Figures increased more than 50%, driven by Jurassic World, Masters of the Universe, and WWE; up 76% YTD

Building Sets up double digits; up 29% YTD

Games down mid-single digits as it lapped high YOY comps, POS up in the quarter

Other, including Plush, up 25%, with expanded products tied to Star Wars and new licensed offerings

Challenger category expected to grow double digits for full year

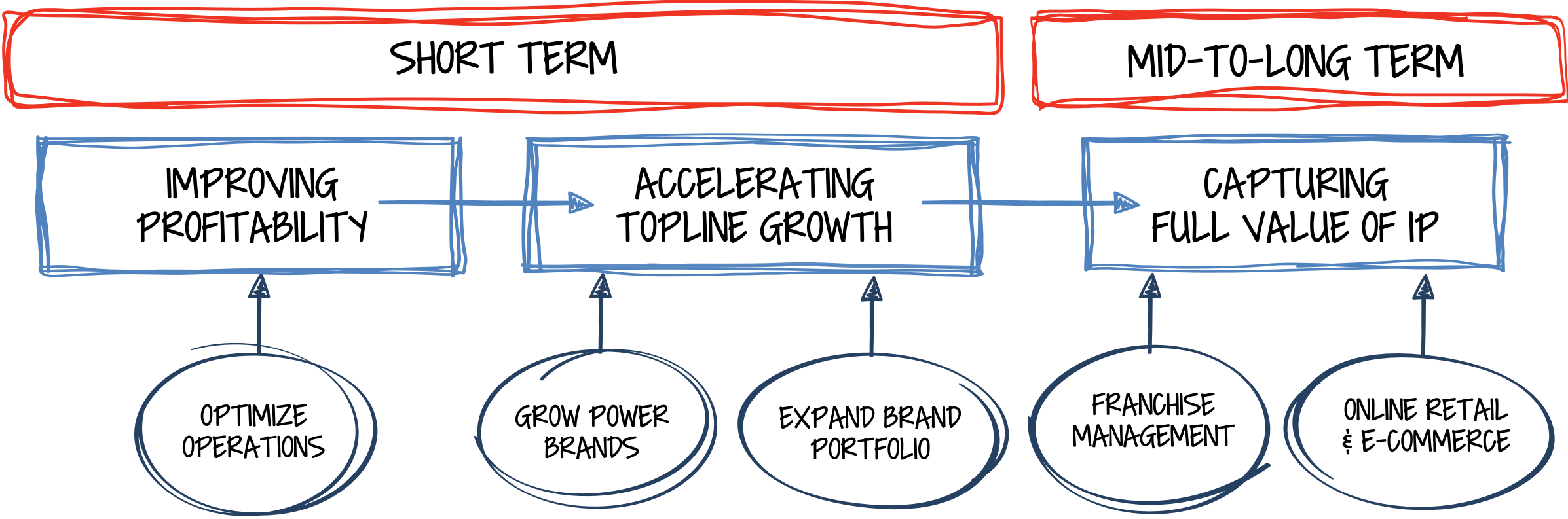


Mattel grew global share in Action Figures and Building Sets in the third quarter and year-to-date²

(1) In Gross Billings, unless otherwise stated. In constant currency. Please see Appendix – Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
(2) Source: The NPD Group/Retail Tracking Service/G12/JUL-SEP 2021 & JAN-SEP 2021/Action Figures and Building Sets Supercategories/Projected USD
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Strategy

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

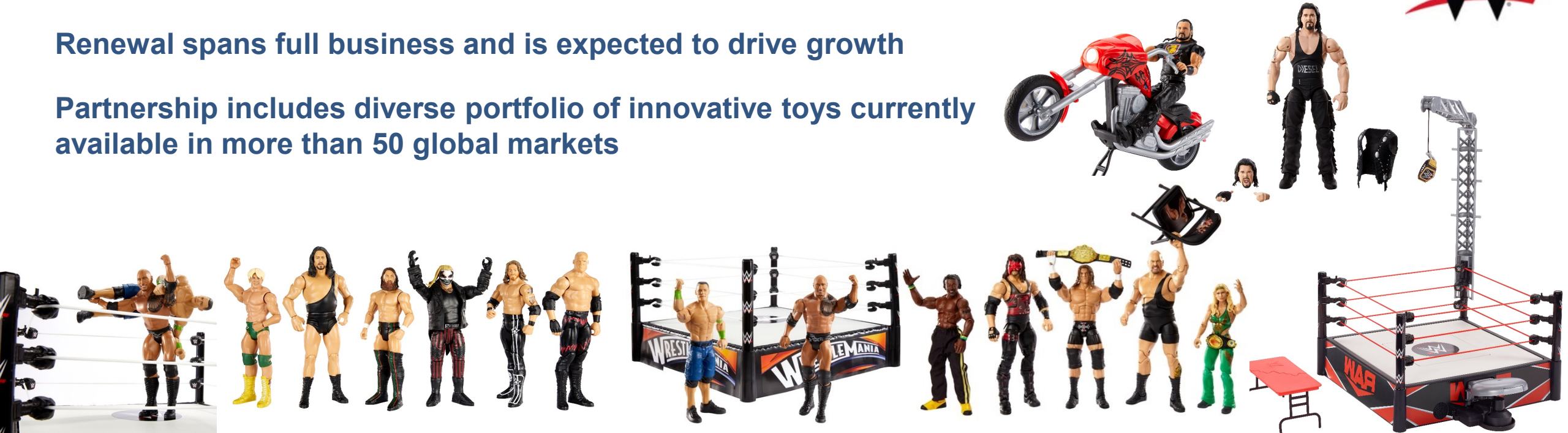


Our mission is to create innovative products and experiences that inspire, entertain and develop children through play

Renewed WWE License

Positive results with robust line of WWE products and initiatives

- Renewed long-standing licensed partnership with WWE
- Renewal spans full business and is expected to drive growth
- Partnership includes diverse portfolio of innovative toys currently available in more than 50 global markets



Actively expanding portfolio of licensed partnership as part of our growth strategy

Licensing Agreement for Disney and Pixar's "Lightyear"

Origin story of "Toy Story's" Buzz Lightyear; expected to be very toyetic

Global licensing rights to develop the toy line for the franchise

Multi-category collection expected to arrive at retailers worldwide beginning June 2022

To include Action Figures, Playsets, Role Play, Vehicles, Preschool, Games, Plush, Value, Novelty and more



Agreement expands Mattel's relationship with Disney and Pixar



Progress on Mid-to-Long Term Strategy

Capturing the full value of Mattel's IP

New content on Netflix, including Barbie, Polly Pocket, two Masters of the Universe series

Expanded global distribution for Thomas & Friends across more than 150 countries

Launched “Barbie Radio” in partnership with iHeartMedia and Warner Music Group’s Arts Music

Launched the Hot Wheels Unleashed video game on all major consoles

Announced the release of Mattel163’s Skip-Bo mobile game



13 feature film projects announced	8 TV shows/specials released in 2021 & 13 more in production	30+ projects in development
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Continued progress toward capturing the full value of our IP

Citizenship / ESG

Advanced our role as a responsible corporate citizen

Published new Citizenship Report, including updated Environmental, Social, and Governance strategy and goals

Achieved 97% recycled or FSC-certified content in the paper and wood fiber used in our products and packaging, exceeding goal of 95%

Honored with Forestry Stewardship Council 2021 Leadership Award for Excellence

Ranked among Forbes World’s Best Employers and Best Employers for Women for 2021



Continue to focus on our culture and employee well-being

CEO Closing

Fifth consecutive quarter of Y/Y growth in Net Sales and increase in market share¹ reinforces growth trajectory

Another strong quarter for Mattel, with continued consumer demand for our products

Achieved growth and continued to gain market share in spite of significant and unprecedented exogenous challenges

Increased guidance puts Mattel on track to achieve its highest full-year growth rate in decades

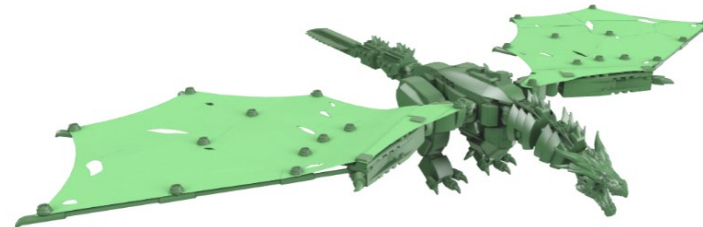
The company is on a clear trajectory to improve profitability and accelerate top line growth

Transformation strategy is working, and we are operating as an IP-driven, high-performing toy company

Remain focused on growing shareholder value and look forward to finishing the year on a high note, with a strong holiday season

Mattel is operating as an IP-driven, high-performing toy company

Financial Review





Q3 2021 P&L Highlights

Results exceeded expectations despite supply chain disruption

(\$ in millions, except per share, percentage and bps) ¹	Q3 2021	YOY Change
Net Sales <i>Constant Currency</i> ¹	1,762	8% 7%
Adjusted Gross Margin ¹	47.8%	-280 bps
Adjusted Operating Income ¹	401	+4
Adjusted EPS ¹	0.84	-0.10
Adjusted EBITDA ¹	463	-2

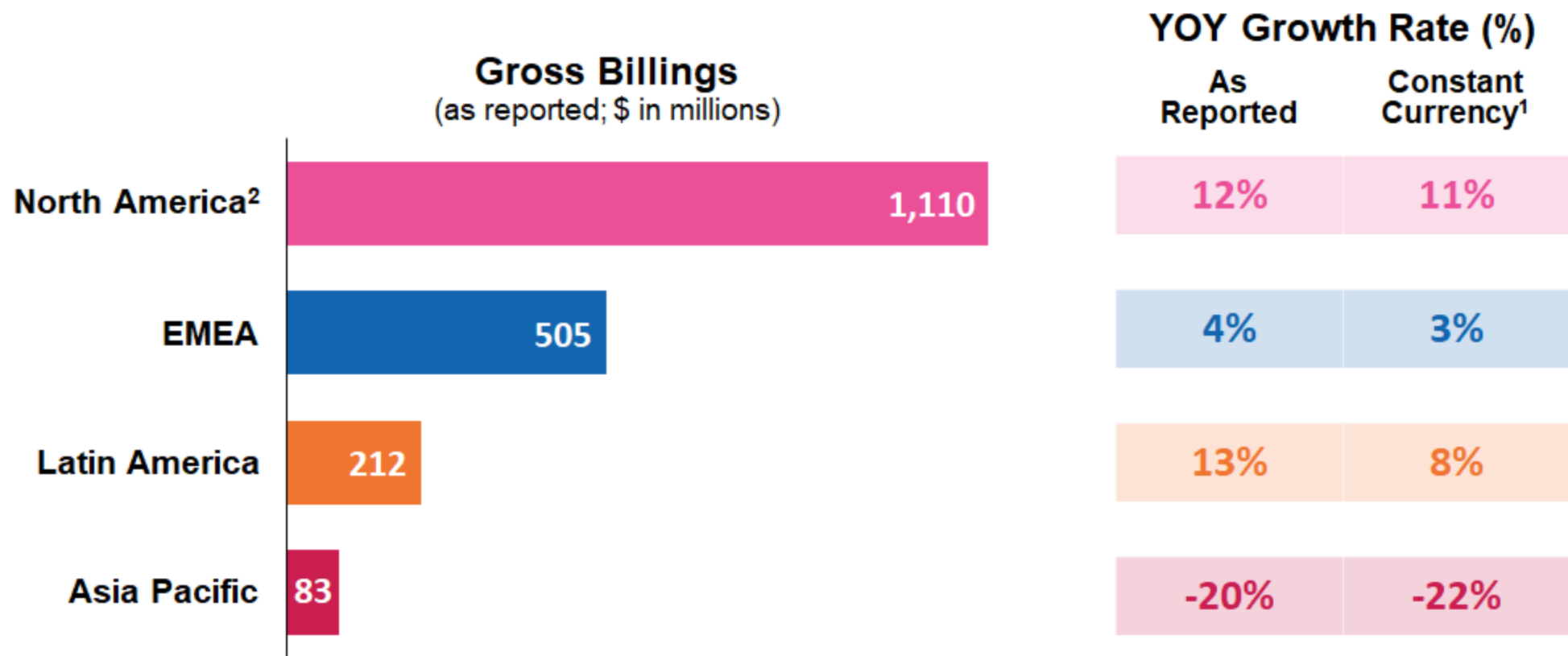
Topline growth, cost savings, and pricing actions offset the impact of inflation

(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.



Q3 2021 Gross Billings¹ by Region

Growth in three of four regions, with Asia-Pacific impacted by lockdowns



Market share gains across all regions³

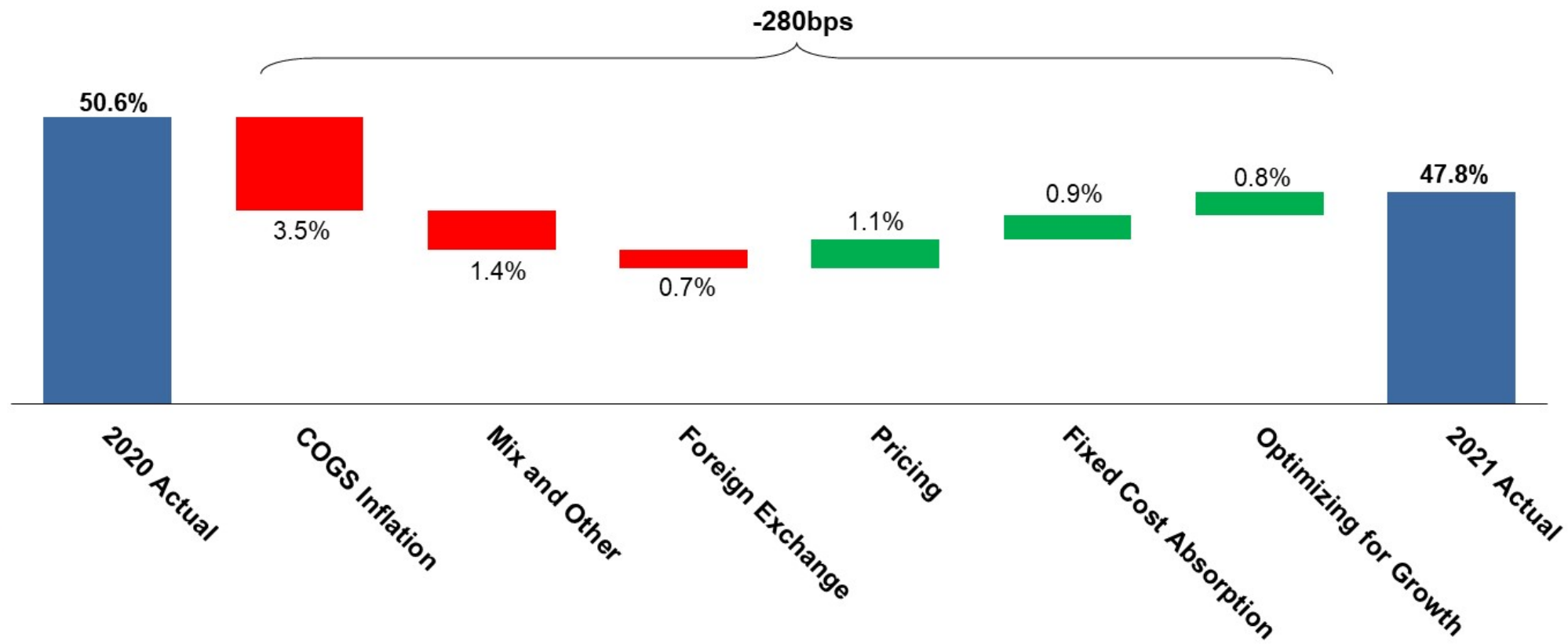


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(2) Excludes American Girl.
(3) Source: The NPD Group/Retail Tracking Service/G12/JUL 2020-SEP 2021/Total Toys/Projected USD
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Q3 2021 Adjusted Gross Margin¹ Comparison

Gross Margin impacted by inflation



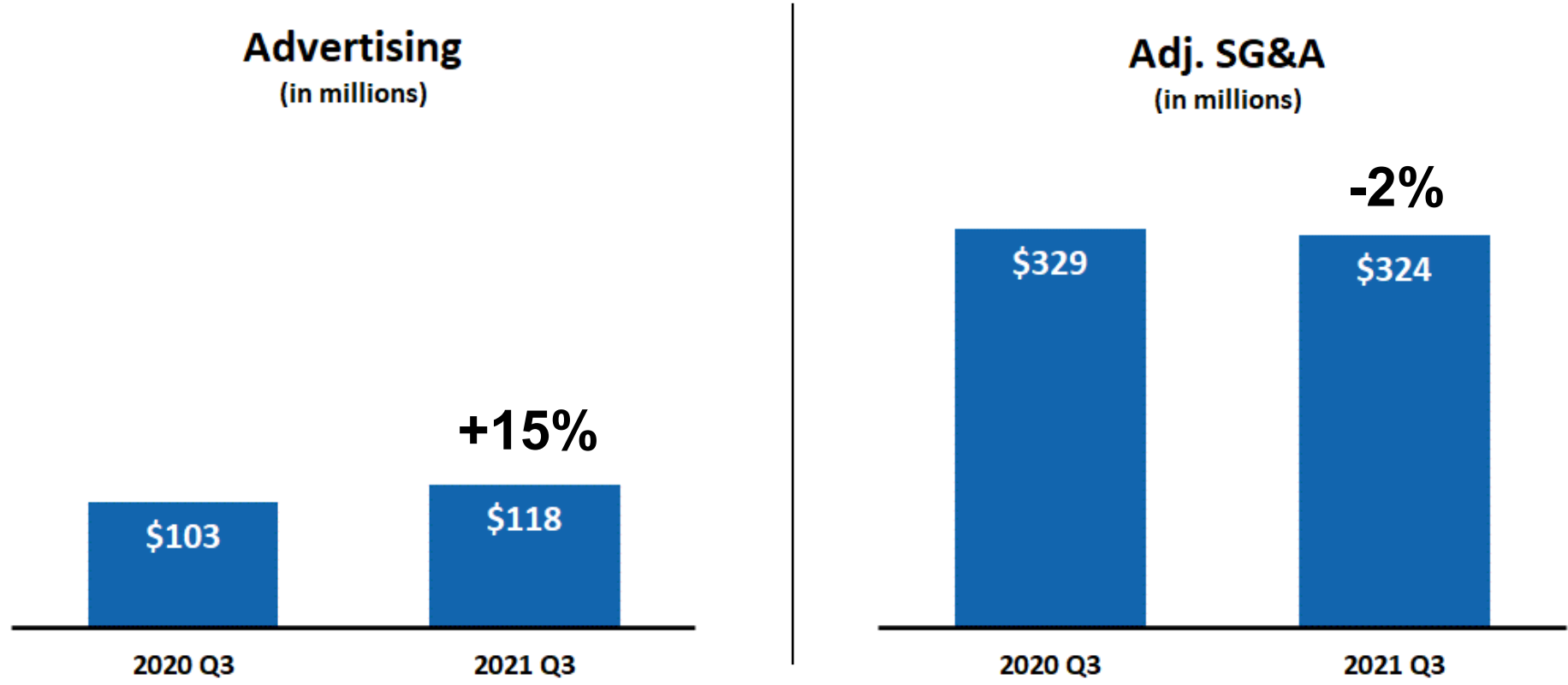
Pricing and cost savings help mitigate the impact of inflation

(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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Q3 2021 Advertising¹ and Adjusted SG&A¹

Advertising driving demand creation; Adjusted SG&A benefited from OFG savings



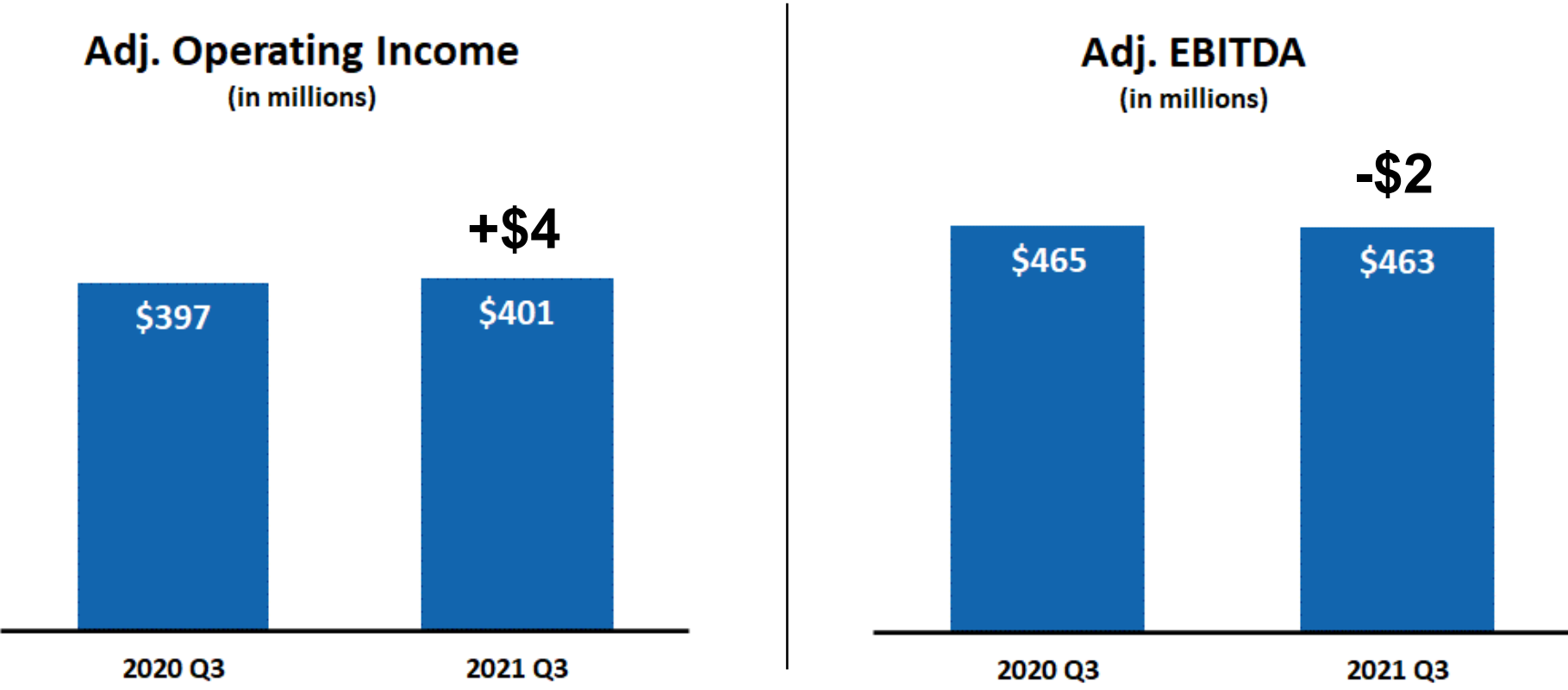
Disciplined approach to cost management

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Q3 2021 Adjusted Operating Income¹ and Adjusted EBITDA¹

Topline growth and lower SG&A partly offset by a decline in gross margin and higher advertising expense



Stable bottom line performance overcoming significant inflation

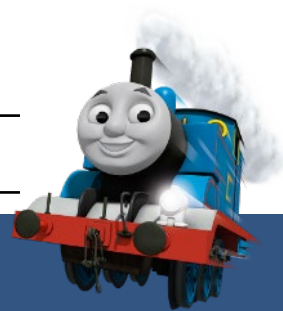
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Q3 2021 Cash Flow Results

Free Cash Flow¹ of \$320 million in the trailing twelve months

(\$ in millions) ²	Year-to-Date (as of 9/30)		Trailing Twelve Months (as of 9/30)	
	2020	2021	2020	2021
Net (Loss) Income	(5)	695	(9)	824
Valuation Allowances	-	(510)	-	(510)
Depreciation & Amortization	150	137	208	181
Share-based compensation	40	46	57	67
Other non-cash charges	44	57	55	51
Changes in Working Capital & Other	(670)	(682)	(59)	(141)
Cash from Operations	(442)	(256)	251	472
Capital Expenditures	(82)	(115)	(121)	(152)
Free Cash Flow	(524)	(371)	130	320



Further improvements in cash flow generation

(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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Q3 2021 Free Cash Flow Conversion¹

Continued improvement in Free Cash Flow conversion

(\$ in millions, except percentages) ¹	Trailing Twelve Months (as of 9/30)	
	2020	2021
Adjusted EBITDA ¹	618	959
Free Cash Flow ¹	130	320
Free Cash Flow Conversion ²	21%	33%



Well-positioned to continue momentum

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) Free Cash Flow Conversion is calculated by taking Mattel's Free Cash Flow divided by Adjusted EBITDA.



Q3 2021 Balance Sheet Highlights

Significant improvement in leverage ratio

(\$ in millions) ¹	Q3 2020	Q3 2021
Cash	452	149
Short-term Borrowings	400	128
Long-term Debt	2,853	2,570
Accounts Receivable	1,326	1,438
Inventory	679	854
Leverage Ratio ² (Debt / Adj. EBITDA ²)	5.3	2.8



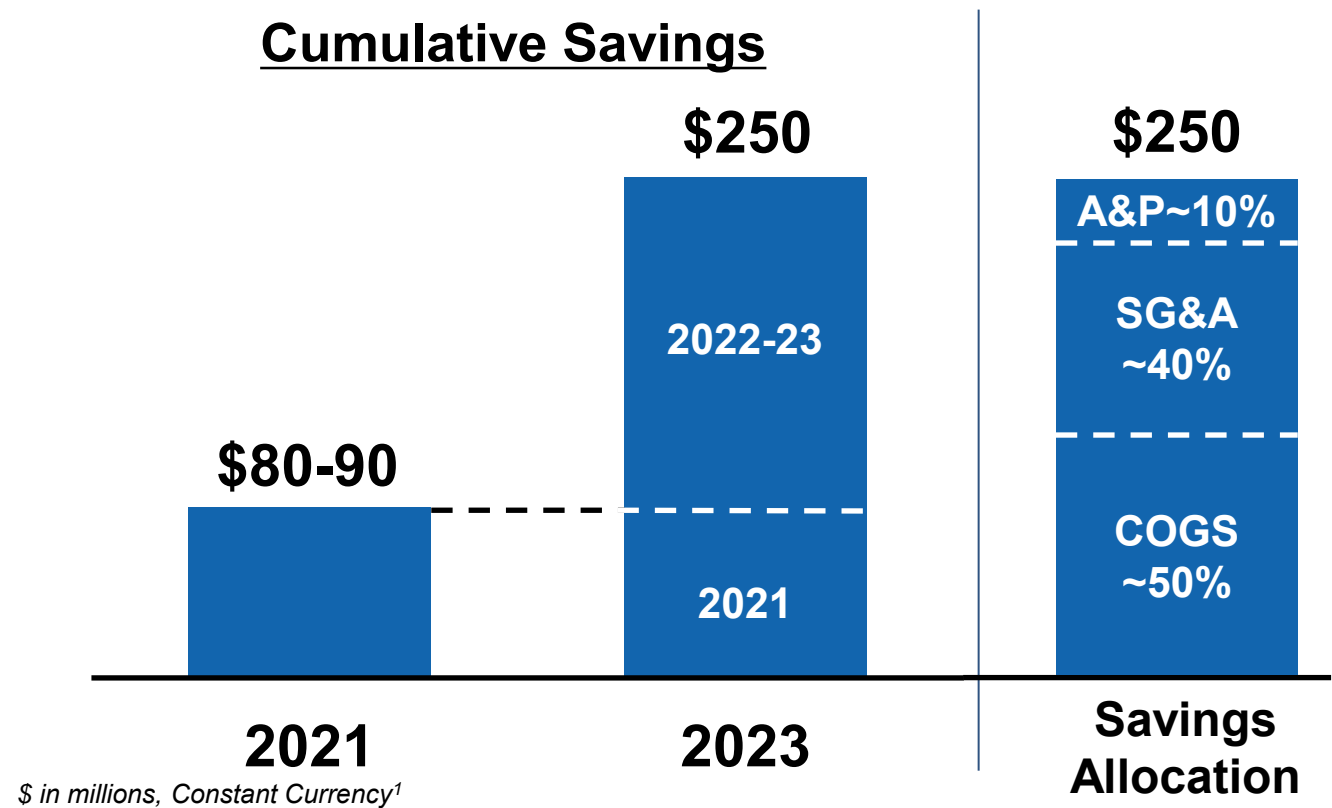
Strengthening the balance sheet and approaching investment grade metrics

(1) Amounts may not foot due to rounding.
(2) Includes Short-term Borrowings and Long-term Debt. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
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Optimizing For Growth Program Update

Optimizing operations and driving greater productivity



- Year-to-date savings of \$69 million
- 2021 expected savings of ~\$80-90 million
- Total estimated cash expenditures of \$100-125 million by 2023

On track 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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Revised 2021 Guidance

Increasing Net Sales in Constant Currency¹ and Adjusted EBITDA¹ guidance

(\$ in millions, except percentages) ¹	FY2020	Prior FY2021E (as of Q2 2021)	Revised FY2021E
Net Sales	4,588	Up 12 - 14% (Constant currency)	↑ Up ~15% (Constant currency)
Adjusted Gross Margin ¹	49.0%	47.6 - 48.1%	47.6 - 48.1%
Adjusted EBITDA	706	875 - 900	↑ 900 - 925
Capital Expenditures	119	150 - 175	150 - 175



Well-positioned to achieve Net Sales and Adjusted Operating Income Margin goals in 2022 and 2023, and exceed \$1 billion in Adjusted EBITDA in 2022

(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.
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A Message From Our Chairman and CEO



“This was another strong quarter for Mattel, with increased consumer demand for our products and results exceeding expectations. We successfully navigated ongoing global supply chain disruption, achieved sales growth and, per The NPD Group, continued to gain market share. We expect to grow for the balance of the year and have a strong holiday season.

Our strength is foundational and broad-based, and we are on a clear path to improve profitability and accelerate top line growth. The Mattel team continues to execute on our strategy, and we are operating as an IP-driven, high-performing toy company.”

- Ynon Kreiz

Mattel Q3 2021 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 September 30,						For the Nine Months Ended September 30,					
	2021		2020 ²		% Change as Reported	% Change in Constant Currency	2021 ²		2020 ²		% Change as Reported	% Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
Net Sales	\$ 1,762.3		\$ 1,636.5		8%	7%	\$ 3,662.9		\$ 2,962.7		24%	22%
Cost of sales	919.8	52.2%	808.7	49.4%	14%		1,920.5	52.4%	1,555.8	52.5%	23%	
Gross Profit	842.5	47.8%	827.7	50.6%	2%	2%	1,742.4	47.6%	1,406.9	47.5%	24%	25%
Advertising and promotion expenses	117.6	6.7%	102.5	6.3%	15%		280.1	7.6%	239.0	8.1%	17%	
Other selling and administrative expenses	335.8	19.1%	345.7	21.1%	-3%		990.2	27.0%	981.2	33.1%	1%	
Operating Income	389.1	22.1%	379.5	23.2%	3%	4%	472.1	12.9%	186.7	6.3%	153%	169%
Interest expense	52.1	3.0%	50.4	3.1%	3%		220.7	6.0%	149.0	5.0%	48%	
Interest (income)	(0.8)	0.0%	(0.5)	0.0%	65%		(2.2)	-0.1%	(3.6)	-0.1%	-39%	
Other non-operating expense, net	3.9		1.3				3.3		7.0			
Income Before Income Taxes	333.9	18.9%	328.2	20.1%	2%	4%	250.2	6.8%	34.2	1.2%	632%	628%
(Benefit) provision for income taxes	(474.3)		22.1				(433.4)		46.8			
Income from equity method investments	4.5		5.2				11.1		7.1			
Net Income (Loss)	\$ 812.6	46.1%	\$ 311.3	19.0%	161%		\$ 694.7	19.0%	\$ (5.5)	-0.2%	n/m	
Net Income (Loss) Per Common Share - Basic	\$ 2.32		\$ 0.90				\$ 1.99		\$ (0.02)			
Weighted-average number of common shares	350.4		347.6				349.6		347.2			
Net Income (Loss) per Common Share - Diluted	\$ 2.29		\$ 0.89				\$ 1.96		\$ (0.02)			
Weighted-average number of common and potential common shares	354.2		348.7				354.3		347.2			

¹ Amounts may not sum due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

n/m - Not meaningful

Condensed Consolidated Balance Sheets

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

CONDENSED CONSOLIDATED BALANCE SHEETS¹

	September 30,		December 31,
	2021 ²	2020 ²	2020 ²
(In millions)	(Unaudited)		
Assets			
Cash and equivalents	\$ 148.5	\$ 452.2	\$ 762.2
Accounts receivable, net	1,437.9	1,326.1	1,034.0
Inventories	854.5	679.5	528.5
Prepaid expenses and other current assets	188.3	157.9	172.1
Total current assets	2,629.2	2,615.7	2,496.7
Property, plant, and equipment, net	455.9	462.5	473.8
Right-of-use assets, net	325.9	291.1	291.6
Other noncurrent assets	2,783.7	2,244.2	2,272.8
Total Assets	\$ 6,194.6	\$ 5,613.5	\$ 5,534.9
Liabilities and Stockholders' Equity			
Short-term borrowings	\$ 128.0	\$ 400.0	\$ 1.0
Accounts payable and accrued liabilities	1,371.2	1,228.2	1,327.3
Income taxes payable	101.6	21.3	27.1
Total current liabilities	1,600.8	1,649.4	1,355.4
Long-term debt	2,569.8	2,852.8	2,854.7
Noncurrent lease liabilities	288.2	252.0	249.4
Other noncurrent liabilities	404.5	439.6	465.4
Stockholders' equity	1,331.2	419.8	610.1
Total Liabilities and Stockholders' Equity	\$ 6,194.6	\$ 5,613.5	\$ 5,534.9

¹ Amounts may not sum due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

Supplemental Balance Sheet and Cash Flow Data

MATTEL, INC. AND SUBSIDIARIES

SUPPLEMENTAL BALANCE SHEET AND CASH FLOW DATA (Unaudited)¹

Key Balance Sheet Data:

Accounts receivable, net days of sales outstanding (DSO)

September 30,	
2021	2020 ²
73	73

(In millions)

Condensed Cash Flow Data:

Cash flows used for operating activities

Cash flows used for investing activities

Cash flows (used for) provided by financing activities and other

Decrease in cash and equivalents

Nine Months Ended September 30,	
2021 ²	2020 ²
\$ (256)	\$ (442)
(71)	(107)
(286)	371
<u>\$ (614)</u>	<u>\$ (178)</u>

¹ Amounts may not sum due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

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 September 30,			For the Nine Months Ended September 30,		
	2021	2020 ²	Change	2021 ²	2020 ²	Change
Gross Profit						
Gross Profit, As Reported	\$ 842.5	\$ 827.7		\$ 1,742.4	\$ 1,406.9	
Gross Margin	47.8%	50.6%	-280 bps	47.6%	47.5%	+ 10 bps
Adjustments:						
Severance and Restructuring Expenses	0.1	0.3		1.9	4.8	
Gross Profit, As Adjusted	<u>\$ 842.7</u>	<u>\$ 828.1</u>		<u>\$ 1,744.3</u>	<u>\$ 1,411.7</u>	
Adjusted Gross Margin	47.8%	50.6%	-280 bps	47.6%	47.6%	flat
Other Selling and Administrative Expenses						
Other Selling and Administrative Expenses, As Reported	\$ 335.8	\$ 345.7	-3%	\$ 990.2	\$ 981.2	1%
% of Net Sales	19.1%	21.1%		27.0%	33.1%	
Adjustments:						
Severance and Restructuring Expenses	(9.2)	(6.7)		(25.7)	(30.5)	
Inclined Sleeper Product Recalls ³	(2.8)	(10.1)		(14.9)	(19.2)	
Sale of Assets ⁴	-	-		15.8	-	
Other Selling and Administrative Expenses, As Adjusted	<u>\$ 323.8</u>	<u>\$ 328.9</u>	-2%	<u>\$ 965.4</u>	<u>\$ 931.6</u>	4%
% of Net Sales	18.4%	20.1%		26.4%	31.4%	
Operating Income						
Operating Income, As Reported	\$ 389.1	\$ 379.5	3%	\$ 472.1	\$ 186.7	153%
Operating Income Margin	22.1%	23.2%		12.9%	6.3%	
Adjustments:						
Severance and Restructuring Expenses	9.3	7.0		27.6	35.3	
Inclined Sleeper Product Recalls ³	2.8	10.1		14.9	19.2	
Sale of Assets ⁴	-	-		(15.8)	-	
Operating Income, As Adjusted	<u>\$ 401.2</u>	<u>\$ 396.6</u>	1%	<u>\$ 498.8</u>	<u>\$ 241.1</u>	107%
Adjusted Operating Income Margin	22.8%	24.2%		13.6%	8.1%	

¹ Amounts may not sum due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

³ For the three and nine months ended September 30, 2021 and 2020, represents expenses related to inclined sleeper product recall litigation.

⁴ For the nine months ended September 30, 2021, Mattel recorded a gain on sale of assets of \$15.8 million in Other Selling and Administrative Expenses, and a gain on sale of business of \$3.9 million in Other Non-Operating Expense, net.

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

<u>(In millions, except per share and percentage information)</u>	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2021	2020 ²	Change	2021 ²	2020 ²	Change
<u>Earnings Per Share</u>						
Net Income (Loss) Per Common Share, As Reported	\$ 2.29	\$ 0.89	157%	\$ 1.96	\$ (0.02)	n/m
<i>Adjustments:</i>						
Severance and Restructuring Expenses	0.03	0.02		0.08	0.10	
Inclined Sleeper Product Recalls ³	0.01	0.03		0.04	0.06	
Sale of Assets/Business ⁴	-	-		(0.06)	-	
Loss on Debt Extinguishment	0.05	-		0.29	-	
Valuation Allowance Releases ⁵	(1.44)	-		(1.44)	-	
Tax Effect of Adjustments ⁶	(0.10)	-		(0.10)	(0.01)	
Net Income Per Common Share, As Adjusted	<u>\$ 0.84</u>	<u>\$ 0.94</u>	-11%	<u>\$ 0.78</u>	<u>\$ 0.13</u>	500%
<u>EBITDA and Adjusted EBITDA</u>						
Net Income (Loss), As Reported	\$ 812.6	\$ 311.3	161%	\$ 694.7	\$ (5.5)	n/m
<i>Adjustments:</i>						
Interest Expense	52.1	50.4		220.7	149.0	
(Benefit) Provision for Income Taxes	(474.3)	22.1		(433.4)	46.8	
Depreciation	36.1	38.1		108.8	120.1	
Amortization	9.5	9.8		28.6	29.5	
EBITDA	<u>\$ 436.0</u>	<u>\$ 431.7</u>		<u>\$ 619.5</u>	<u>\$ 339.9</u>	
<i>Adjustments:</i>						
Share-based Compensation	16.2	16.5		46.5	39.9	
Severance and Restructuring Expenses	8.3	6.8		24.9	34.6	
Inclined Sleeper Product Recalls ³	2.8	10.1		14.9	19.2	
Sale of Assets/Business ⁴	-	-		(19.7)	-	
Adjusted EBITDA	<u>\$ 463.3</u>	<u>\$ 465.1</u>	0%	<u>\$ 686.0</u>	<u>\$ 433.6</u>	58%
<u>Free Cash Flow</u>						
Net Cash Flows Used for Operating Activities				\$ (255.9)	\$ (442.0)	
Capital Expenditures				<u>(115.2)</u>	<u>(82.4)</u>	
Free Cash Flow				<u>\$ (371.1)</u>	<u>\$ (524.4)</u>	

¹ Amounts may not sum due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

³ For the three and nine months ended September 30, 2021 and 2020, represents expenses related to inclined sleeper product recall litigation.

⁴ For the nine months ended September 30, 2021, Mattel recorded a gain on sale of assets of \$15.8 million in Other Selling and Administrative Expenses, and a gain on sale of business of \$3.9 million in Other Non-Operating Expense, net.

⁵ For the three and nine months ended September 30, 2021, the amount includes a net benefit of approximately \$510 million related to the release of valuation allowances against deferred tax assets of the U.S. and certain International affiliates.

⁶ During the first half 2021, adjustments for the U.S. and certain International affiliates were not tax effected because of the valuation allowance on deferred tax assets, which were released during the three months ended September 30, 2021. For the three months ended September 30, 2021, the tax effect of adjustments includes an \$0.08 impact related to adjustments not previously tax effected during the first half of 2021 and a \$0.02 impact related to adjustments during the three months ended September 30, 2021. 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.

n/m - Not meaningful

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)

Leverage Ratio (Debt / Adjusted EBITDA)

Debt

Long-term debt

Current portion of long-term debt

Short-term borrowings

Adjustments:

Debt issuance costs and debt discount

Debt

EBITDA and Adjusted EBITDA

Net Income (Loss), As Reported

Adjustments:

Interest Expense

(Benefit) Provision for Income Taxes

Depreciation

Amortization

EBITDA

Adjustments:

Share-based Compensation

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls

Sale of Assets/Business

Asset Impairments

Adjusted EBITDA

Debt / Net Income (Loss)

Leverage Ratio (Debt / Adjusted EBITDA)

Free Cash Flow

Net Cash Flows Provided by Operating Activities

Capital Expenditures

Free Cash Flow

Net Cash Flows Provided by Operating Activities / Net Income (Loss)

Free Cash Flow Conversion (Free Cash Flow/Adjusted EBITDA)

For the Trailing Twelve Months Ended September 30,		
2021 ²	2020 ²	Change
\$ 2,569.8	\$ 2,852.8	
-	-	
128.0	400.0	
30.2	47.2	
<u>\$ 2,728.0</u>	<u>\$ 3,300.0</u>	
\$ 823.8	\$ (9.1)	n/m
270.0	209.2	
(414.6)	58.9	
143.3	168.2	
38.0	39.4	
<u>\$ 860.5</u>	<u>\$ 466.7</u>	
66.7	56.8	
29.5	46.6	
21.9	22.2	
(19.7)	-	
-	25.9	
<u>\$ 958.8</u>	<u>\$ 618.1</u>	55%
3.3x	(364.5)x	
<u>2.8x</u>	<u>5.3x</u>	
\$ 471.8	\$ 251.0	88%
(151.6)	(121.4)	
\$ 320.3	\$ 129.5	147%
57%	-2758%	
<u>33%</u>	<u>21%</u>	

¹ Amounts may not sum due to rounding.

² Reflects the impact of immaterial revisions to the financial statements.

n/m - Not meaningful



Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT IV

WORLDWIDE GROSS BILLINGS¹ (Unaudited)⁴
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2021	2020 ²	% Change as Reported	% Change in Constant Currency	2021	2020 ²	% Change as Reported	% Change in Constant Currency
Worldwide Gross Billings:								
Net Sales	\$ 1,762.3	\$ 1,636.5	8%	7%	\$ 3,662.9	\$ 2,962.7	24%	22%
Sales Adjustments ³	200.4	186.7			427.4	345.0		
Gross Billings	<u>\$ 1,962.7</u>	<u>\$ 1,823.2</u>	8%	7%	<u>\$ 4,090.3</u>	<u>\$ 3,307.7</u>	24%	22%
Worldwide Gross Billings by Categories:								
Dolls	\$ 719.5	\$ 690.5	4%	3%	\$ 1,495.5	\$ 1,177.4	27%	25%
Infant, Toddler and Preschool	406.9	408.8	0	-1	819.4	749.0	9	8
Vehicles	389.9	369.4	6	5	871.6	713.7	22	20
Action Figures, Building Sets, Games, and Other	446.4	354.5	26	25	903.7	667.6	35	33
Gross Billings	<u>\$ 1,962.7</u>	<u>\$ 1,823.2</u>	8%	7%	<u>\$ 4,090.3</u>	<u>\$ 3,307.7</u>	24%	22%
Supplemental Gross Billings Disclosure								
Worldwide Gross Billings by Top 3 Power Brands:								
Barbie	\$ 555.2	\$ 532.2	4%	3%	\$ 1,122.7	\$ 879.0	28%	26%
Hot Wheels	329.9	312.8	5	4	741.9	607.9	22	20
Fisher-Price and Thomas & Friends	383.7	387.6	-1	-2	763.0	692.7	10	9
Other	693.9	590.5	18	16	1,462.6	1,128.1	30	28
Gross Billings	<u>\$ 1,962.7</u>	<u>\$ 1,823.2</u>	8%	7%	<u>\$ 4,090.3</u>	<u>\$ 3,307.7</u>	24%	22%

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 Reflects the impact of immaterial revisions to the financial statements.

³ Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

⁴ Amounts may not sum due to rounding.

Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT V

GROSS BILLINGS¹ BY SEGMENT (Unaudited)⁴
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2021	2020 ²	% Change as Reported	% Change in Constant Currency	2021	2020 ²	% Change as Reported	% Change in Constant Currency
<u>North America Segment Gross Billings:</u>								
Net Sales	\$ 1,037.0	\$ 926.6	12%	12%	\$ 2,077.5	\$ 1,647.1	26%	26%
Sales Adjustments ³	73.1	66.9			142.2	113.8		
Gross Billings	<u>\$ 1,110.1</u>	<u>\$ 993.5</u>	12%	11%	<u>\$ 2,219.7</u>	<u>\$ 1,760.8</u>	26%	26%
<u>North America Gross Billings by Categories:</u>								
Dolls	\$ 349.6	\$ 328.6	6%	6%	\$ 698.4	\$ 523.6	33%	33%
Infant, Toddler and Preschool	271.8	257.2	6	5	520.2	466.2	12	11
Vehicles	216.7	189.6	14	14	457.8	356.2	29	28
Action Figures, Building Sets, Games, and Other	272.0	218.1	25	24	543.3	414.8	31	31
Gross Billings	<u>\$ 1,110.1</u>	<u>\$ 993.5</u>	12%	11%	<u>\$ 2,219.7</u>	<u>\$ 1,760.8</u>	26%	26%

Supplemental Gross Billings Disclosure

North America Gross Billings by Top 3 Power Brands:

Barbie	\$ 308.8	\$ 297.6	4%	4%	\$ 617.1	\$ 477.7	29%	29%
Hot Wheels	181.1	156.5	16	15	383.5	296.8	29	29
Fisher-Price and Thomas & Friends	252.4	241.6	4	4	476.1	423.2	13	12
Other	367.8	297.8	23	23	743.0	563.2	32	31
Gross Billings	<u>\$ 1,110.1</u>	<u>\$ 993.5</u>	12%	11%	<u>\$ 2,219.7</u>	<u>\$ 1,760.8</u>	26%	26%

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 Reflects the impact of immaterial revisions to the financial statements.

³ Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

⁴ Amounts may not sum due to rounding.

Supplemental Key Performance Indicator

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT VI

GROSS BILLINGS¹ BY SEGMENT (Unaudited)⁴
SUPPLEMENTAL KEY PERFORMANCE INDICATOR

(In millions, except percentage information)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2021	2020 ²	% Change as Reported	% Change in Constant	2021	2020 ²	% Change as Reported	% Change in Constant Currency
<u>International Segment Gross Billings:</u>								
Net Sales	\$ 673.3	\$ 658.4	2%	0%	\$ 1,447.5	\$ 1,198.8	21%	17%
Sales Adjustments ³	125.7	117.5			281.6	227.2		
Gross Billings	<u>\$ 799.0</u>	<u>\$ 775.9</u>	3%	1%	<u>\$ 1,729.1</u>	<u>\$ 1,426.0</u>	21%	17%
<u>International Gross Billings by Geographic Area:</u>								
EMEA								
Net Sales	\$ 420.8	\$ 410.2	3%	2%	\$ 905.8	\$ 735.5	23%	20%
Sales Adjustments ³	83.8	75.2			189.3	149.3		
Gross Billings	<u>\$ 504.7</u>	<u>\$ 485.5</u>	4%	3%	<u>\$ 1,095.2</u>	<u>\$ 884.8</u>	24%	21%
Latin America								
Net Sales	\$ 180.8	\$ 159.0	14%	8%	\$ 329.6	\$ 268.0	23%	18%
Sales Adjustments ³	30.8	27.7			56.2	46.0		
Gross Billings	<u>\$ 211.6</u>	<u>\$ 186.6</u>	13%	8%	<u>\$ 385.8</u>	<u>\$ 314.0</u>	23%	18%
Asia Pacific								
Net Sales	\$ 71.7	\$ 89.2	-20%	-21%	\$ 212.2	\$ 195.4	9%	3%
Sales Adjustments ³	11.0	14.6			36.0	31.9		
Gross Billings	<u>\$ 82.7</u>	<u>\$ 103.8</u>	-20%	-22%	<u>\$ 248.2</u>	<u>\$ 227.2</u>	9%	3%
<u>International Gross Billings by Categories:</u>								
Dolls	\$ 316.4	\$ 308.2	3%	1%	\$ 655.8	\$ 532.9	23%	20%
Infant, Toddler and Preschool	135.1	151.6	-11	-13	299.2	282.8	6	2
Vehicles	173.2	179.8	-4	-5	413.7	357.5	16	12
Action Figures, Building Sets, Games, and Other	174.4	136.4	28	25	360.4	252.7	43	37
Gross Billings	<u>\$ 799.0</u>	<u>\$ 775.9</u>	3%	1%	<u>\$ 1,729.1</u>	<u>\$ 1,426.0</u>	21%	17%
<u>Supplemental Gross Billings Disclosure</u>								
<u>International Gross Billings by Top 3 Power Brands:</u>								
Barbie	\$ 246.4	\$ 234.6	5%	3%	\$ 505.6	\$ 401.3	26%	22%
Hot Wheels	148.8	156.3	-5	-7	358.4	311.1	15	12
Fisher-Price and Thomas & Friends	131.3	146.1	-10	-12	286.9	269.5	6	3
Other	272.5	238.9	14	11	578.2	444.1	30	26
Gross Billings	<u>\$ 799.0</u>	<u>\$ 775.9</u>	3%	1%	<u>\$ 1,729.1</u>	<u>\$ 1,426.0</u>	21%	17%

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 Reflects the impact of immaterial revisions to the financial statements.

³ Sales Adjustments are not allocated to individual products. As such, Net Sales are not presented on a categories or brand level.

⁴ Amounts may not sum 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 September 30,				For the Nine Months Ended September 30,			
	2021	2020	% Change as Reported	% Change in Constant	2021	2020	% Change as Reported	% Change in Constant Currency
<u>American Girl Segment Gross Billings:</u>								
Net Sales	\$ 52.0	\$ 51.4	1%	1%	\$ 137.8	\$ 116.8	18%	18%
Sales Adjustments ²	1.6	2.3			3.6	4.1		
Gross Billings	<u>\$ 53.6</u>	<u>\$ 53.7</u>	0%	0%	<u>\$ 141.4</u>	<u>\$ 120.9</u>	17%	17%

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 sum 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 earnings release 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, Free Cash Flow, Free Cash Flow Conversion (Free Cash Flow / Adjusted EBITDA), Leverage Ratio (Debt / Adjusted EBITDA), 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. 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 sale of assets, 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 sale of assets, 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, the impact of sale of assets/business, loss on debt extinguishment, and releases of valuation allowances, 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, 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 sale of assets/business, 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 & Key Performance Indicator

NON-GAAP FINANCIAL MEASURES

Free Cash Flow and Free Cash Flow Conversion

Free Cash Flow represents Mattel's net cash flows from operating activities less capital expenditures. Free Cash Flow Conversion represents Mattel's free cash flow divided by Adjusted EBITDA. Mattel believes Free Cash Flow and Free Cash Flow Conversion are 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.