



Fourth Quarter 2022 Earnings

(Unaudited Results)

February 8, 2023



Cautionary Note Regarding Forward-Looking Statements / Presentation Information

Mattel cautions the viewer that this presentation contains a number of forward-looking statements, which are statements that relate to the future and are, by their nature, uncertain. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include statements regarding Mattel's guidance and goals for future periods and other future events. The use of words such as "anticipates," "expects," "intends," "plans," "projects," "look forward," "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. Specific factors that might cause such a difference include, but are not limited to: (i) Mattel's ability to design, develop, produce, manufacture, source, ship, and distribute products on a timely and cost-effective basis; (ii) sufficient interest in and demand for the products and entertainment Mattel offers by retail customers and consumers 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 and 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) the effect of inflation on Mattel's business, including cost inflation in supply chain inputs and increased labor costs, as well as pricing actions taken in an effort to mitigate the effects of inflation; (viii) currency fluctuations, including movements in foreign exchange rates, 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 such as plant or port closures, 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 that 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 and adapt to evolving workplace models; (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 and liquidity; (xvi) business disruptions or other unforeseen impacts due to economic instability, political instability, civil unrest, armed hostilities (including the impact of the war in Ukraine), natural and manmade disasters, or other catastrophic events; (xvii) failure to realize the planned benefits from any investments or acquisitions made by Mattel; (xviii) the impact of other market conditions or third party actions or approvals, including those 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; (xix) changes in financing markets or the inability of Mattel to obtain financing on attractive terms; (xx) the impact of litigation, arbitration, or regulatory decisions or settlement actions; (xxi) Mattel's ability to navigate regulatory frameworks in connection with new areas of investment, product development, or other business activities, such as non-fungible tokens and cryptocurrency; and (xxii) 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, 2021 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.

The financial results included herein represent the most current information available to management and are preliminary until Mattel's Form 10-K is filed with the SEC. Actual results may differ from these preliminary results.

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 (Total Debt/Adjusted EBITDA), Net Debt, Adjusted Tax Rate, 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 and digital experiences, 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 2022 Chairman and CEO Perspective

Results below our expectations as the macro-economic environment was more challenging than anticipated

POS¹ grew in the quarter, including double digit growth in December, but it came later than expected and was not enough to offset lower than anticipated consumer demand in October and November

Gross Margin was negatively affected by higher costs to manage inventory, but lower operating expenses helped reduce the impact on our bottom-line results

Ended the year on strong financial footing, lowered our debt and further improved our Leverage Ratio²

Balance sheet is in the strongest position it has been in years, which will provide more flexibility to execute our strategy

Full year growth in Net Sales in constant currency² for the fourth consecutive year

(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

Q4 and FY 2022 Chairman and CEO Perspective (continued)



Mattel outpaced industry and gained market share in the fourth quarter, per NPD¹

Fourth quarter:

- Net Sales declined 22%, or 19% in constant currency
- Adjusted EPS² declined by \$0.35 to \$0.18
- Adjusted EBITDA declined by \$163 million to \$158 million
- POS³ up mid-single digits and up in all four regions; highest Q4 POS in 8 years



Full year:

- Net Sales flat as reported, up 3% in constant currency
- Adjusted EPS declined 4% to \$1.25
- Adjusted EBITDA declined 4% to \$968 million
- Leverage Ratio² improved to 2.4x compared to 2.6x a year ago
- POS up low-single digits and up in all four regions; highest FY POS in 9 years



Comparing to 2019, before the pandemic, full year Net sales in constant currency² up more than 20% and Adjusted EBITDA² more than doubled

(1) Source: The NPD Group/Retail Tracking Service/G11/2019-2022, OCT-DEC 2022/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

Industry Overview

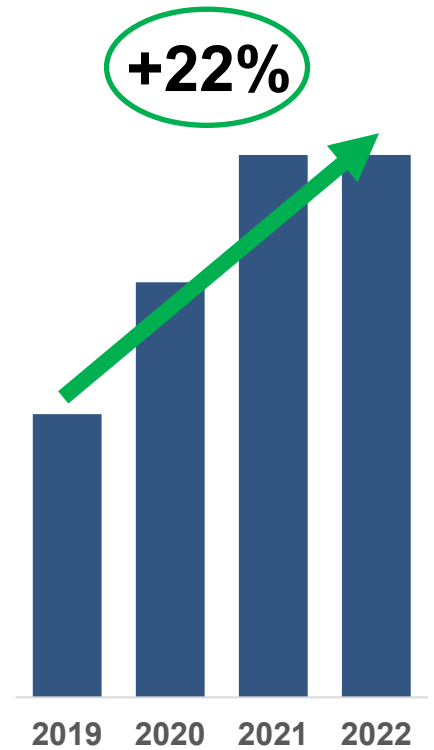


The toy industry continued to show its resilience

Following two years of double-digit growth and a record year in 2021, the toy industry finished flat compared to the prior year and up 22% compared to 2019, prior to the pandemic, per NPD¹

We believe the toy industry is a growth industry and we expect it will continue to grow over time

That said, given continuing macro-economic headwinds and market volatility that may impact consumer demand, we expect the industry to be flat to slightly up in 2023



Mattel aims to outpace the industry and gain market share



Gross Billings¹ and POS²

Q4 POS significantly outpaced Gross Billings; Positive POS for full year

Fourth quarter:

- Dolls, ITPS, and our Challenger categories Gross Billings down significantly as retailers reduced replenishment orders
- Vehicles Gross Billings up strongly
- POS was positive for Dolls, Vehicles, and Challenger categories; flat for ITPS

Full year:

- Vehicles and Challenger categories Gross Billings grew strongly; Dolls and ITPS declined
- Vehicles and Challenger categories POS grew low-double digits; Dolls and ITPS declined low-single digits

Barbie, Hot Wheels, and Fisher-Price were the #1 global property in their respective categories, per NPD³

Barbie was the #2 property overall globally, per NPD³

Mattel was the #1 toy company in the U.S. overall and #1 globally in our leader categories, per NPD³

(1) In constant currency, unless otherwise stated. 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

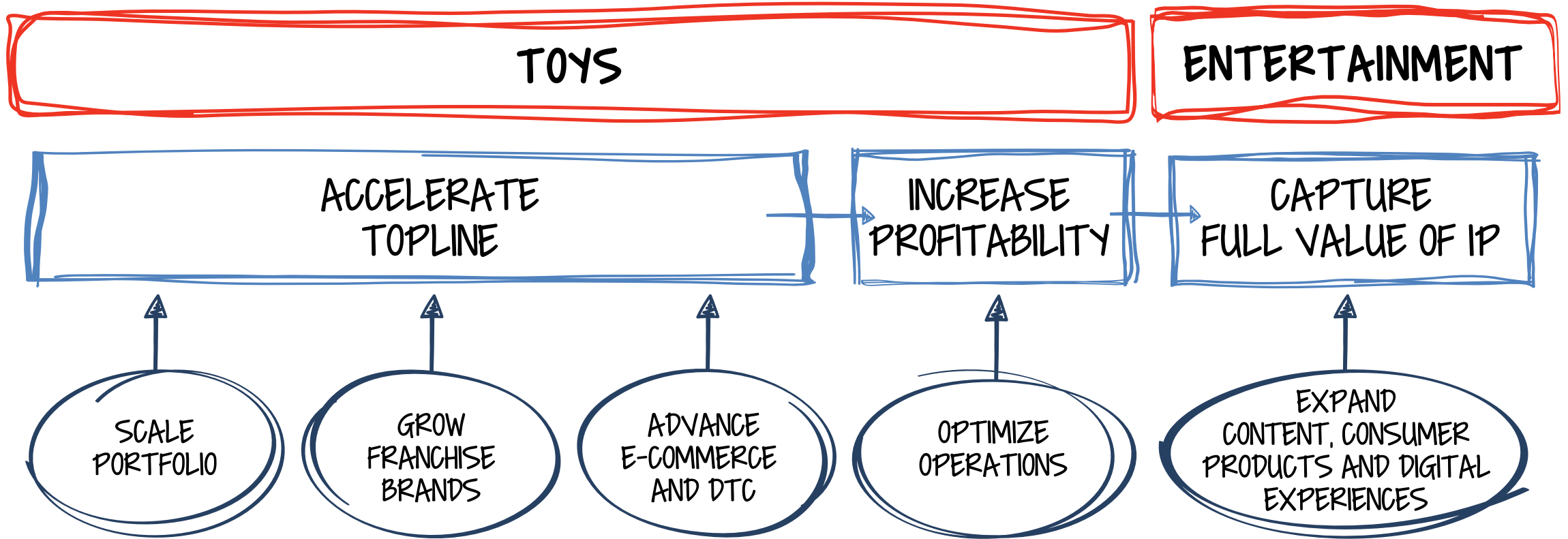
(3) For both fourth quarter and full year. Source: The NPD Group/Retail Tracking Service/US & G11/OCT-DEC 2022 & JAN-DEC 2022/Total Toys, Dolls Supercategory, Vehicles Supercategory, Infant Toddler & Preschool Supercategories/Projected USD

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Mattel's Strategy



Grow IP-Driven Toy Business and Expand Entertainment Offering



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



Mattel Guidance

Continue to see a period of volatility and macro-economic challenges impacting the consumer

Expect full year Net Sales in constant currency¹ to be comparable to 2022 and for Adjusted EBITDA¹ to be in the range of \$900-to-\$950 million

Aim to outpace the toy industry and gain market share

Beyond 2023, believe our strategy will drive top and bottom-line growth



Guidance assumes growth in consumer demand for our product and positive POS² for the year

(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
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Financial Review



Q4 and FY 2022 P&L Highlights

Fourth quarter performance was below expectations

(in millions, except EPS, percentages and bps) ¹	Q4 2022	Q4 YOY Change	FY 2022	FY YOY Change
Net Sales <i>Constant Currency</i>	\$1,402	-22% -19%	\$5,435	- +3%
Adjusted Gross Margin¹	43.1%	-620 bps	45.9%	-230 bps
Adjusted Operating Income¹	\$79	-\$185	\$689	-\$75
Adjusted EPS¹	\$0.18	-\$0.35	\$1.25	-\$0.05
Adjusted EBITDA¹	\$158	-\$163	\$968	-\$39



Achieved full year Net Sales growth in constant currency¹

(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator
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Q4 and FY 2022 Gross Billings¹ by Category

POS² increased mid-single digits in Q4 and low-single digits for the full year

Q4 Worldwide Gross Billings (as reported; \$ in millions)		Q4 YOY Growth Rate (%)		FY YOY Growth Rate (%)	
		As Reported	Constant Currency	As Reported	Constant Currency
Dolls	589	-27%	-24%	-9%	-6%
Vehicles	402	6%	10%	16%	20%
Infant, Toddler, and Preschool	267	-33%	-31%	-8%	-6%
Action Figures, Building Sets, Games and Other	301	-26%	-22%	7%	10%
Total		-22%	-19%	-1%	3%



Full year results benefited from diversified portfolio strategy

(1) Amounts may not foot due to rounding. In constant currency, unless otherwise stated. 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
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Q4 and FY 2022 Gross Billings¹ by Region

Full year Gross Billings and POS² growth across all regions

	Q4 Gross Billings (as reported; \$ in millions)	Q4 YOY Growth Rate (%)		FY YOY Growth Rate (%)	
		As Reported	Constant Currency	As Reported	Constant Currency
North America ²	702	-25%	-25%	1%	1%
EMEA	428	-25%	-16%	-5%	5%
Latin America	203	-7%	-8%	14%	14%
Asia Pacific	113	-14%	-5%	-6%	1%



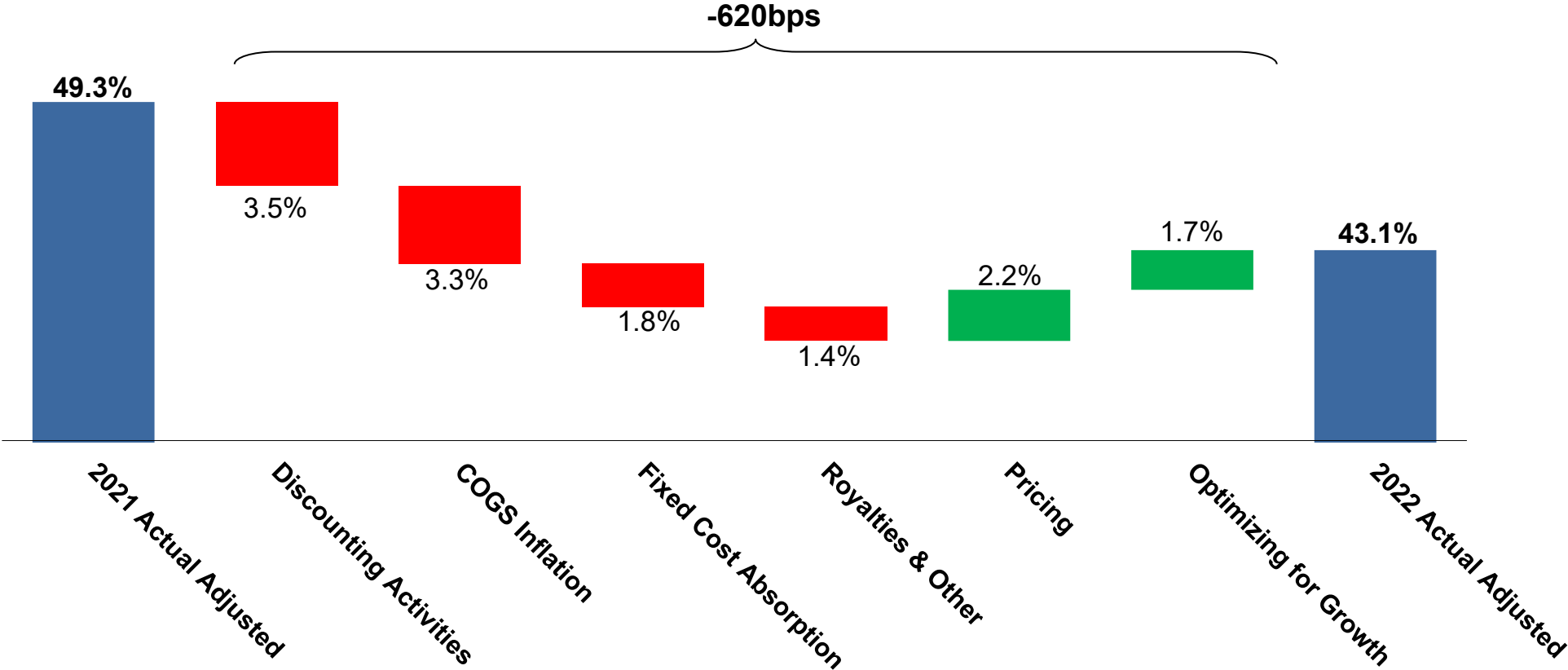
Mattel outpaced the industry and gained market share in the 4th quarter, per NPD³

(1) In constant currency, unless otherwise stated. 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/G11/OCT-DEC 2022/Total Toys/Projected USD
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Q4 2022 Adjusted Gross Margin¹ Comparison



Margin significantly impacted by inventory management and inflation

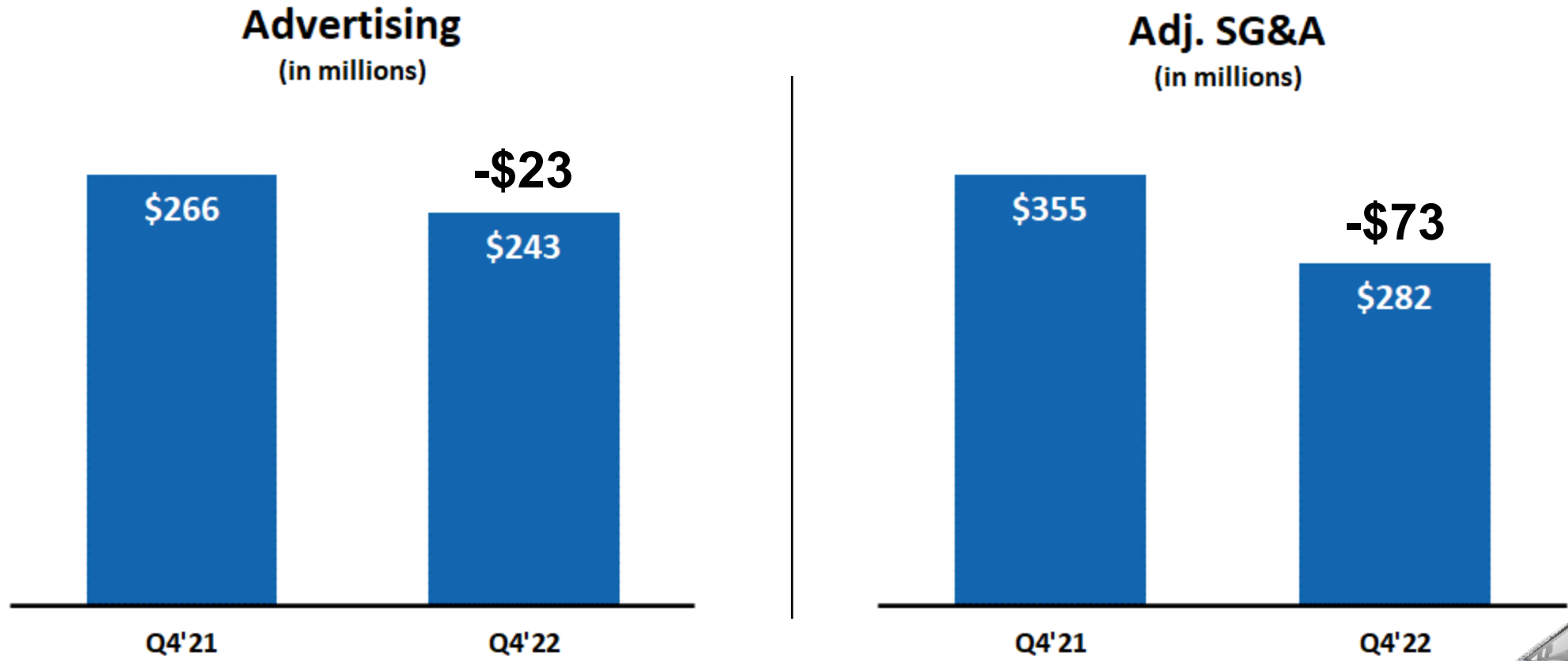


Price increases and cost savings mitigated margin pressures

(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 2022 Advertising and Adjusted SG&A¹

Advertising and Adjusted SG&A expenses declined



Effectively managing cost structure



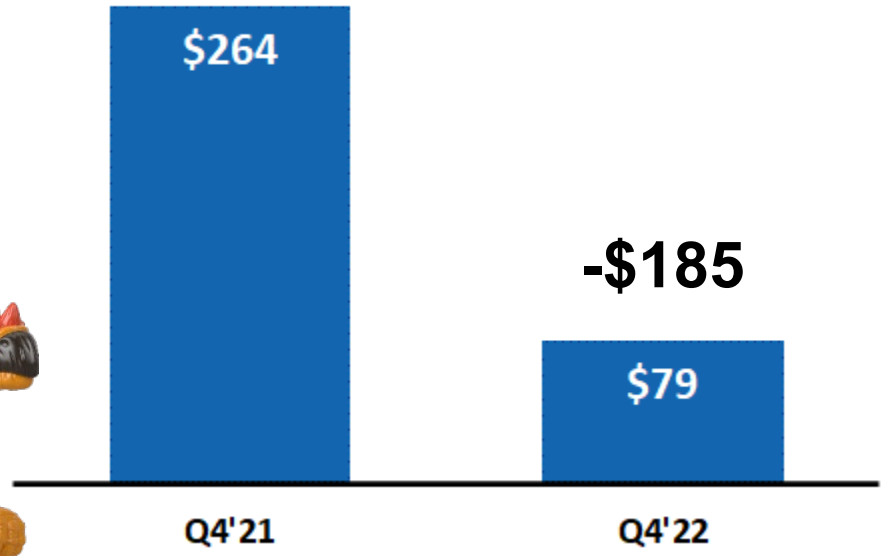
(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator
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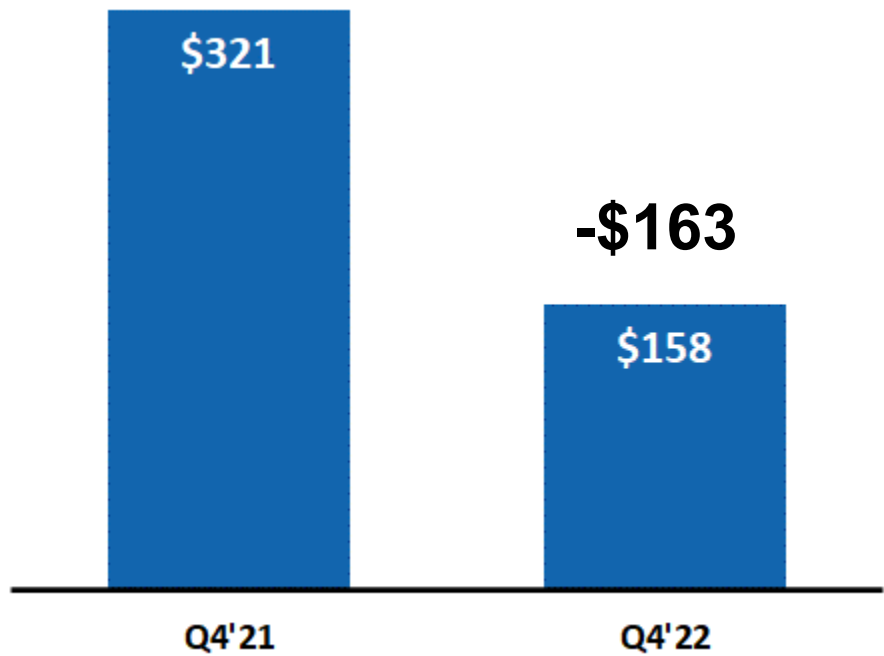
Q4 2022 Adjusted Operating Income¹ and Adjusted EBITDA¹

Decline primarily due to lower sales and margin, partly offset by lower Advertising and Adjusted SG&A¹

Adj. Operating Income
(in millions)



Adj. EBITDA
(in millions)



Full Year Adjusted EBITDA of \$968 million

(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator
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FY 2022 Cash Flow

Cash from Operations declined primarily due to higher working capital usage, partly offset by changes in net income, excluding the impact of non-cash items

(in millions) ¹	FY 2022	FY 2021
Net Income	\$394	\$903
Valuation Allowances	-	(\$541)
Depreciation & Amortization	\$182	\$184
Share-Based Compensation	\$69	\$60
Other Non-Cash Charges	\$146	\$165
Changes in Working Capital & Other	(\$348)	(\$286)
Cash from Operations	\$443	\$485
Capital Expenditures	(\$187)	(\$151)
Free Cash Flow ¹	\$256	\$334



Increasing production capacity in fashion dolls and die cast cars to support future growth

(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 2022 Balance Sheet Highlights

Redeemed the \$250 million 3.15% notes due March 2023; reduced total debt

(in millions)	Q4 2022	Q4 2021
Cash	\$761	\$731
Total Debt	\$2,326	\$2,571
Accounts Receivable	\$860	\$1,073
Inventory	\$894	\$777
Leverage Ratio (Total Debt / Adj. EBITDA) ¹	2.4x	2.6x



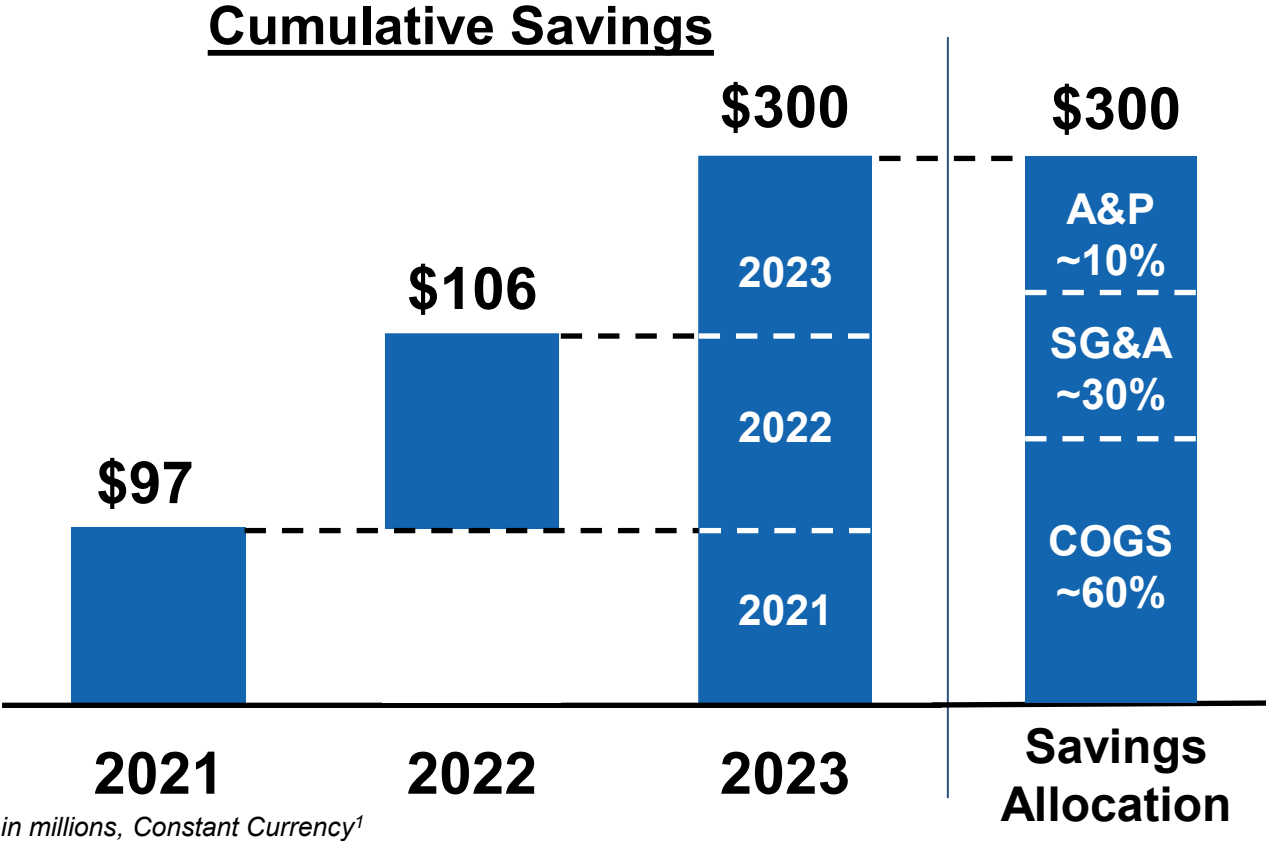
Continued to improve credit metrics

(1) Includes Short-Term Borrowings and Long-Term Debt, including Current Portion. 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



Full year savings of \$106 million, exceeding prior forecast



Program to date savings of \$204 million

2023 expected savings now \$96 million

Total estimated cash expenditures of \$135 - \$165 million by 2023

Increasing cost savings goal to \$300 million from \$250 million



(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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2023 Guidance

Retail inventory reductions expected to have a negative impact of 3-4% on topline

(in millions, except EPS and percentages)	FY2023 Guidance	FY2022 Actual
Net Sales	Comparable (Constant Currency ¹)	\$5,435
Adjusted Gross Margin ¹	~ 47%	45.9%
Adjusted EPS ¹	\$1.10 - \$1.20	\$1.25
Adjusted EBITDA ¹	\$900 - \$950	\$968
Adjusted Tax Rate ¹	25% - 26%	24%
Capital Expenditures	\$175 - \$200	\$187
Free Cash Flow ¹	> \$400	\$256



Expect to resume share repurchases in 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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Q4 and FY 2022 Closing

“Our fourth quarter results were below our expectations, as the macro-economic environment was more challenging than anticipated. While less than expected, POS grew in the quarter and the full year, and we achieved growth in net sales in constant currency for the fourth consecutive year.

The increase in consumer demand for our product speaks to the strength of our portfolio as a whole, even in a challenging environment. We believe we are well-positioned to continue executing our multi-year strategy to grow our IP-driven toy business and expand our entertainment offering.”

- Ynon Kreiz, Chairman & CEO

Q4 and FY 2022 Earnings Call



One of the strongest catalogs of children's and family entertainment franchises in the world





Appendix

Consolidated Statements of Operations

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT I

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)¹

	For the Three Months Ended December 31,						For the Year Ended December 31,					
	2022		2021		% Change as Reported	% Change in Constant Currency	2022		2021		% Change as Reported	% Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
(In millions, except per share and percentage information)												
Net Sales	\$ 1,401.9		\$ 1,794.9		-22%	-19%	\$ 5,434.7		\$ 5,457.7		—%	3%
Cost of Sales	799.3	57.0%	910.6	50.7%	-12%		2,953.3	54.3%	2,831.1	51.9 %	4%	
Gross Profit	602.7	43.0%	884.3	49.3%	-32%	-30%	2,481.4	45.7%	2,626.7	48.1 %	-6%	-3%
Advertising and Promotion Expenses	242.7	17.3%	265.6	14.8%	-9%		534.3	9.8%	545.7	10.0 %	-2%	
Other Selling and Administrative Expenses	281.0	20.0%	361.2	20.1%	-22%		1,271.6	23.4%	1,351.4	24.8 %	-6%	
Operating Income	79.0	5.6%	257.5	14.3%	-69%	-67%	675.5	12.4%	729.6	13.4 %	-7%	-4%
Interest Expense	33.1	2.4%	33.2	1.9%	—%		132.8	2.4%	253.9	4.7 %	-48%	
Interest (Income)	(4.3)	-0.3%	(1.3)	-0.1%	222%		(9.4)	-0.2%	(3.5)	-0.1%	168%	
Other Non-Operating Expense,Net	35.8		5.0				47.8		8.4			
Income Before Income Taxes	14.4	1.0%	220.6	12.3%	-93%	-95%	504.3	9.3%	470.8	8.6 %	7%	8%
Provision (Benefit) for Income Taxes	5.3		(4.6)				135.9		(420.4)			
(Income) from Equity Method Investments	(7.0)		(0.7)				(25.4)		(11.8)			
Net Income	\$ 16.1	1.2%	\$ 225.8	12.6%	-93%		\$ 393.9	7.2%	\$ 903.0	16.5 %	-56%	
Net Income Per Common Share - Basic	\$ 0.05		\$ 0.64				\$ 1.11		\$ 2.58			
Weighted-Average Number of Common Shares	354.9		351.1				353.8		350.0			
Net Income Per Common Share - Diluted	\$ 0.04		\$ 0.63				\$ 1.10		\$ 2.53			
Weighted-Average Number of Common and Potential Common Shares	359.0		358.1				359.6		357.3			

¹ Amounts may not sum due to rounding.



Condensed Consolidated Balance Sheets

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

CONDENSED CONSOLIDATED BALANCE SHEETS¹

(In millions)

Assets

Cash and Equivalents
Accounts Receivable, Net
Inventories
Prepaid Expenses and Other Current Assets
Total Current Assets
Property, Plant, and Equipment, Net
Right-of-Use Assets, Net
Goodwill
Other Noncurrent Assets
Total Assets

December 31,	
2022	2021
(Unaudited)	
\$ 761.2	\$ 731.4
860.2	1,072.7
894.1	777.2
213.5	293.3
2,729.0	2,874.5
469.1	456.0
318.7	325.5
1,378.6	1,390.2
1,282.3	1,347.7
<u>\$ 6,177.7</u>	<u>\$ 6,393.9</u>
\$ 1,150.2	\$ 1,570.7
37.6	27.5
1,187.7	1,598.3
2,325.6	2,571.0
271.4	283.6
336.6	372.2
2,056.3	1,568.8
<u>\$ 6,177.7</u>	<u>\$ 6,393.9</u>

Liabilities and Stockholders' Equity

Accounts Payable and Accrued Liabilities
Income Taxes Payable
Total Current Liabilities
Long-Term Debt
Noncurrent Lease Liabilities
Other Noncurrent Liabilities
Stockholders' Equity
Total Liabilities and Stockholders' Equity

¹ Amounts may not sum 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

Key Balance Sheet Data:

Accounts Receivable, Net Days of Sales Outstanding (DSO)

December 31,	
2022	2021
55	54

(In millions)

Condensed Cash Flow Data:

Cash Flows Provided by Operating Activities
 Cash Flows (Used for) Investing Activities
 Cash Flows (Used for) Financing Activities and Other
 Increase (Decrease) in Cash and Equivalents

For the Year Ended December 31,	
2022	2021
\$ 443	\$ 485
(144)	(105)
(269)	(411)
\$ 30	\$ (31)

¹ Amounts may not sum due to rounding.

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 percentage information)	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2022	2021	Change	2022	2021	Change
Gross Profit						
Gross Profit, As Reported	\$ 602.7	\$ 884.3		\$ 2,481.4	\$ 2,626.7	
Gross Margin	43.0 %	49.3 %	-630 bps	45.7 %	48.1 %	-240 bps
Adjustments:						
Severance and Restructuring Expenses	0.9	1.0		10.7	2.9	
Gross Profit, As Adjusted	\$ 603.5	\$ 885.2		\$ 2,492.0	\$ 2,629.5	
Adjusted Gross Margin	43.1 %	49.3 %	-620 bps	45.9 %	48.2 %	-230 bps
Other Selling and Administrative Expenses						
Other Selling and Administrative Expenses, As Reported	\$ 281.0	\$ 361.2	-22%	\$ 1,271.6	\$ 1,351.4	-6%
% of Net Sales	20.0 %	20.1 %	-10 bps	23.4 %	24.8 %	-140 bps
Adjustments:						
Severance and Restructuring Expenses	(9.1)	(5.9)		(26.2)	(31.5)	
Inclined Sleeper Product Recalls ²	1.5	(0.2)		0.3	(15.1)	
Sale of Assets ³	8.3	—		23.5	15.8	
Other Selling and Administrative Expenses, As Adjusted	\$ 281.7	\$ 355.2	-21%	\$ 1,269.2	\$ 1,320.6	-4%
% of Net Sales	20.1 %	19.8 %	30 bps	23.4 %	24.2 %	-80 bps
Operating Income						
Operating Income, As Reported	\$ 79.0	\$ 257.5	-69%	\$ 675.5	\$ 729.6	-7%
Operating Income Margin	5.6 %	14.3 %	-870 bps	12.4 %	13.4 %	-100 bps
Adjustments:						
Severance and Restructuring Expenses	10.0	6.8		36.8	34.4	
Inclined Sleeper Product Recalls ²	(1.5)	0.2		(0.3)	15.1	
Sale of Assets ³	(8.3)	—		(23.5)	(15.8)	
Operating Income, As Adjusted	\$ 79.1	\$ 264.5	-70%	\$ 688.6	\$ 763.3	-10%
Adjusted Operating Income Margin	5.6 %	14.7 %	-910 bps	12.7 %	14.0 %	-130 bps

¹ Amounts may not sum due to rounding.

² For the three months and year ended December 31, 2022 and 2021, represents net benefits/expenses related to inclined sleeper product recall litigation.

³ For the three months ended December 31, 2022, Mattel recorded a gain on sale of assets of \$8.3 million. For the year ended December 31, 2022, and 2021, Mattel recorded a gain on sale of assets of \$23.5 million and \$15.8 million, respectively, 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,		
	2022	2021	Change	2022	2021	Change
Earnings Per Share						
Net Income Per Common Share, As Reported	\$ 0.04	\$ 0.63	-94%	\$ 1.10	\$ 2.53	-57%
Adjustments:						
Severance and Restructuring Expenses	0.03	0.02		0.10	0.10	
Inclined Sleeper Product Recalls ²	—	—		—	0.04	
Sale of Assets/Business ³	(0.02)	—		(0.07)	(0.06)	
Loss on Debt Extinguishment	—	—		—	0.28	
Valuation Allowance Releases ⁴	—	(0.14)		—	(1.51)	
Loss on Liquidation of Argentina Subsidiary ⁵	0.13	—		0.13	—	
Tax Effect of Adjustments ⁶	0.01	0.02		—	(0.08)	
Net Income Per Common Share, As Adjusted	\$ 0.18	\$ 0.53	-66%	\$ 1.25	\$ 1.30	-4%
EBITDA and Adjusted EBITDA						
Net Income, As Reported	\$ 16.1	\$ 225.8	-93%	\$ 393.9	\$ 903.0	-56%
Adjustments:						
Interest Expense	33.1	33.2		132.8	253.9	
Provision (Benefit) for Income Taxes	5.3	(4.6)		135.9	(420.4)	
Depreciation	36.1	37.4		144.6	146.3	
Amortization	9.6	9.5		37.9	38.0	
EBITDA	100.2	301.4		845.0	920.9	
Adjustments:						
Share-Based Compensation	13.1	13.6		69.1	60.1	
Severance and Restructuring Expenses	8.9	5.8		32.7	30.7	
Inclined Sleeper Product Recalls ²	(1.5)	0.2		(0.3)	15.1	
Sale of Assets/Business ³	(8.3)	—		(23.5)	(19.7)	
Loss on Liquidation of Argentina Subsidiary ⁵	45.4	—		45.4	—	
Adjusted EBITDA	\$ 157.8	\$ 320.9	-51%	\$ 968.4	\$ 1,007.0	-4%
Free Cash Flow						
Net Cash Flows Provided by Operating Activities				\$ 442.8	\$ 485.5	
Capital Expenditures				(186.5)	(151.4)	
Free Cash Flow				\$ 256.3	\$ 334.1	

¹ Amounts may not sum due to rounding.

² For the three months and year ended December 31, 2022 and 2021, represents net benefits/expenses related to inclined sleeper product recall litigation.

³ For the three months and year ended December 31, 2022, Mattel recorded a gain on sale of assets of \$8.3 million and \$23.5 million, respectively, in other selling and administrative expenses. For the year ended December 31, 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.

⁴ For the three months and year ended December 31, 2021, the amount includes a net benefit of \$48.6 million and \$540.8 million, respectively, related to the release of valuation allowances against deferred tax assets of the U.S. and certain International affiliates.

⁵ During the three months ended December 31, 2022, the liquidation of Mattel's subsidiary in Argentina was substantially completed, and Mattel recognized its cumulative translation adjustments of \$45.4 million as a loss in other non-operating expense, net.

⁶ The aggregate tax effect of adjustments was determined using the effective tax rates on a jurisdictional basis of the respective adjustments, and dividing by the reported weighted average number of common and potential common shares.

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 percentage information)

Tax Rate

Income Before Income Taxes, As Reported

Adjustments:

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls²

Sale of Assets/Business³

Loss on Debt Extinguishment

Loss on Liquidation of Argentina Subsidiary⁴

Income Before Income Taxes, As Adjusted

Provision (Benefit) for Income Taxes, As Reported

Adjustments:

Valuation Allowance Releases⁵

Tax Effect of Adjustments⁶

Provision for Income Taxes, As Adjusted

Tax Rate, As Reported

Tax Rate, As Adjusted

For the Year Ended December 31,				
2022		2021		Change
\$	504.3	\$	470.8	
	36.8		34.4	
	(0.3)		15.1	
	(23.5)		(19.7)	
	—		101.7	
	45.4		—	
\$	562.8	\$	602.2	
\$	135.9	\$	(420.4)	
	—		540.8	
	1.3		27.9	
\$	137.2	\$	148.4	
	27%		-89%	116 bps
	24%		25%	-1 bps
December 31,				
2022		2021		
\$	2,325.6	\$	2,571.0	
	(761.2)		(731.4)	
\$	1,564.4	\$	1,839.6	

Net Debt

Long-Term Debt

Adjustments

Cash and Equivalents

Net Debt

¹ Amounts may not sum due to rounding.

² For the year ended December 31, 2022 and 2021, represents net benefits/expenses related to inclined sleeper product recall litigation.

³ For the year ended December 31, 2022, Mattel recorded a gain on sale of assets of \$23.5 million in other selling and administrative expenses. For the year ended December 31, 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.

⁴ During the year ended December 31, 2022, the liquidation of Mattel's subsidiary in Argentina was substantially completed, and Mattel recognized its cumulative translation adjustments of \$45.4 million as a loss in other non-operating expense, net.

⁵ For the year ended December 31, 2021, the amount includes a net benefit of approximately \$540.8 million related to the release of valuation allowances against deferred tax assets of the U.S. and certain International affiliates.

⁶ Tax effect of adjustments was determined using the effective tax rates on a jurisdictional basis of the respective adjustments.

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 percentage and pts information)

Leverage Ratio (Total Debt/Adjusted EBITDA)

Total Debt

Long-Term Debt

Adjustments:

Debt Issuance Costs and Debt Discount

Total Debt

EBITDA and Adjusted EBITDA

Net Income, As Reported

Adjustments:

Interest Expense

Provision (Benefit) for Income Taxes

Depreciation

Amortization

EBITDA

Adjustments:

Share-Based Compensation

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls

Sale of Assets/Business

Loss on Liquidation of Argentina Subsidiary

Adjusted EBITDA

Total Debt / Net Income

Leverage Ratio (Total 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

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

For the Year Ended December 31,			
	2022	2021	Change
\$	2,325.6	\$ 2,571.0	
	24.4	29.0	
\$	2,350.0	\$ 2,600.0	
\$	393.9	\$ 903.0	-56%
	132.8	253.9	
	135.9	(420.4)	
	144.6	146.3	
	37.9	38.0	
	845.0	920.9	
	69.1	60.1	
	32.7	30.7	
	(0.3)	15.1	
	(23.5)	(19.7)	
	45.4	—	
\$	968.4	\$ 1,007.0	-4%
	6.0x	2.9x	
	2.4x	2.6x	
\$	442.8	\$ 485.5	-9%
	(186.5)	(151.4)	
\$	256.3	\$ 334.1	-23%
	112%	54%	58 pts
	26%	33%	(7) pts

¹ Amounts may not sum due to rounding.

Worldwide Net Sales and Gross Billings

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT IV

WORLDWIDE NET SALES AND GROSS BILLINGS¹ (Unaudited)²

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2022	2021	% Change as Reported	% Change in Constant Currency	2022	2021	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
Worldwide Net Sales:								
Net Sales	\$ 1,401.9	\$ 1,794.9	-22%	-19%	\$ 5,434.7	\$ 5,457.7	—%	3%
Worldwide Gross Billings by Categories:								
Dolls	\$ 589.3	\$ 803.6	-27%	-24%	\$ 2,084.0	\$ 2,299.1	-9%	-6%
Infant, Toddler, and Preschool	267.2	401.4	-33	-31	1,117.5	1,220.9	-8	-6
Vehicles	402.5	381.2	6	10	1,450.8	1,252.8	16	20
Action Figures, Building Sets, Games, and Other	300.5	405.1	-26	-22	1,396.1	1,308.9	7	10
Gross Billings	<u>\$ 1,559.6</u>	<u>\$ 1,991.4</u>	<u>-22%</u>	<u>-19%</u>	<u>\$ 6,048.3</u>	<u>\$ 6,081.6</u>	<u>-1%</u>	<u>3%</u>
Supplemental Gross Billings Disclosure								
Worldwide Gross Billings by Top 3 Power Brands:								
Barbie	\$ 372.2	\$ 556.6	-33%	-30%	\$ 1,490.6	\$ 1,679.3	-11%	-8%
Hot Wheels	351.9	326.4	8	13	1,251.4	1,068.3	17	22
Fisher-Price and Thomas & Friends	245.8	365.2	-33	-30	1,033.7	1,128.2	-8	-6
Other	589.7	743.2	-21	-18	2,272.5	2,205.8	3	6
Gross Billings	<u>\$ 1,559.6</u>	<u>\$ 1,991.4</u>	<u>-22%</u>	<u>-19%</u>	<u>\$ 6,048.3</u>	<u>\$ 6,081.6</u>	<u>-1%</u>	<u>3%</u>

¹ Gross billings represent amounts invoiced to customers and do 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 Amounts may not sum due to rounding.



Net Sales and Gross Billings by Segment

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT V

NET SALES AND GROSS BILLINGS¹ BY SEGMENT (Unaudited)²

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2022	2021	% Change as Reported	% Change in Constant Currency	2022	2021	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
North America Net Sales:								
Net Sales	\$ 657.1	\$ 890.8	-26%	-26%	\$ 2,987.8	\$ 2,968.3	1%	1%
North America Gross Billings by Categories:								
Dolls	\$ 224.5	\$ 312.8	-28%	-28%	\$ 940.3	\$ 1,011.1	-7%	-7%
Infant, Toddler, and Preschool	148.7	238.5	-38	-37	698.3	758.8	-8	-8
Vehicles	186.2	175.2	6	7	736.9	633.0	16	17
Action Figures, Building Sets, Games, and Other	142.3	208.7	-32	-32	810.6	752.0	8	8
Gross Billings	<u>\$ 701.7</u>	<u>\$ 935.2</u>	-25%	-25%	<u>\$ 3,186.1</u>	<u>\$ 3,154.9</u>	1%	1%
Supplemental Gross Billings Disclosure								
North America Gross Billings by Top 3 Power Brands:								
Barbie	\$ 177.2	\$ 286.4	-38%	-38%	\$ 776.3	\$ 903.5	-14%	-14%
Hot Wheels	159.5	146.0	9	10	617.9	529.5	17	17
Fisher-Price and Thomas & Friends	128.1	209.4	-39	-39	635.1	685.5	-7	-7
Other	236.9	293.4	-19	-19	1,156.8	1,036.4	12	12
Gross Billings	<u>\$ 701.7</u>	<u>\$ 935.2</u>	-25%	-25%	<u>\$ 3,186.1</u>	<u>\$ 3,154.9</u>	1%	1%

¹ Gross billings represent amounts invoiced to customers and do 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 Amounts may not sum due to rounding.

Net Sales and Gross Billings by Segment

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT VI

NET SALES AND GROSS BILLINGS¹ BY SEGMENT (Unaudited)²

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2022	2021	% Change as Reported	% Change in Constant Currency	2022	2021	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
International Net Sales by Geographic Area:								
EMEA	\$ 365.6	\$ 469.6	-22%	-14%	\$ 1,324.4	\$ 1,375.5	-4%	6%
Latin America	172.4	190.1	-9	-11	591.0	519.6	14	14
Asia Pacific	97.1	112.0	-13	-4	304.6	324.1	-6	1
Net Sales	<u>\$ 635.1</u>	<u>\$ 771.7</u>	<u>-18%</u>	<u>-12%</u>	<u>\$ 2,220.0</u>	<u>\$ 2,219.2</u>	<u>—%</u>	<u>7%</u>
International Gross Billings by Geographic Area:								
EMEA	\$ 428.3	\$ 570.3	-25%	-16%	\$ 1,583.5	\$ 1,665.5	-5%	5%
Latin America	202.7	217.9	-7	-8	687.9	603.7	14	14
Asia Pacific	113.4	131.4	-14	-5	356.8	379.6	-6	1
Gross Billings	<u>\$ 744.4</u>	<u>\$ 919.7</u>	<u>-19%</u>	<u>-13%</u>	<u>\$ 2,628.2</u>	<u>\$ 2,648.8</u>	<u>-1%</u>	<u>7%</u>
International Gross Billings by Categories:								
Dolls	\$ 251.3	\$ 354.3	-29%	-23%	\$ 909.7	\$ 1,010.1	-10%	-3%
Infant, Toddler, and Preschool	118.5	162.9	-27	-22	419.2	462.1	-9	-3
Vehicles	216.3	206.0	5	13	713.9	619.8	15	24
Action Figures, Building Sets, Games, and Other	158.2	196.4	-19	-13	585.5	556.8	5	13
Gross Billings	<u>\$ 744.4</u>	<u>\$ 919.7</u>	<u>-19%</u>	<u>-13%</u>	<u>\$ 2,628.2</u>	<u>\$ 2,648.8</u>	<u>-1%</u>	<u>7%</u>
Supplemental Gross Billings Disclosures								
International Gross Billings by Top 3 Power Brands:								
Barbie	\$ 195.0	\$ 270.2	-28%	-22%	\$ 714.2	\$ 775.8	-8%	-1%
Hot Wheels	192.4	180.5	7	15	633.5	538.8	18	27
Fisher-Price and Thomas & Friends	117.7	155.8	-24	-19	398.7	442.7	-10	-4
Other	239.3	313.2	-24	-18	881.8	891.4	-1	6
Gross Billings	<u>\$ 744.4</u>	<u>\$ 919.7</u>	<u>-19%</u>	<u>-13%</u>	<u>\$ 2,628.2</u>	<u>\$ 2,648.8</u>	<u>-1%</u>	<u>7%</u>

¹ Gross billings represent amounts invoiced to customers and do 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 Amounts may not sum due to rounding.

Net Sales and Gross Billings by Segment

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT VII

NET SALES AND GROSS BILLINGS¹ BY SEGMENT (Unaudited)²

	For the Three Months Ended December 31,				For the Year Ended December 31,			
	2022	2021	% Change as Reported	% Change in Constant Currency	2022	2021	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<u>American Girl Net Sales:</u>								
Net Sales	\$ 109.7	\$ 132.5	-17%	-17%	\$ 226.9	\$ 270.3	-16%	-16%
<u>American Girl Gross Billings:</u>								
Gross Billings	\$ 113.5	\$ 136.5	-17%	-17%	\$ 234.0	\$ 277.9	-16%	-16%

¹ Gross billings represent amounts invoiced to customers and do 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 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 includes Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Other Selling and Administrative Expenses, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted Earnings 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 (Total Debt / Adjusted EBITDA), Net Debt, Adjusted Tax Rate, 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 and Adjusted Operating Income Margin

Adjusted Operating Income and Adjusted Operating Income Margin represent reported Operating Income and reported Operating Income 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 Margin represents Mattel’s Adjusted Operating Income, as a percentage of Net Sales. Adjusted Operating Income and Adjusted Operating Income Margin are presented to provide additional perspective on underlying trends in Mattel’s core operating results, which Mattel believes is useful supplemental information for investors to be able to gauge and compare Mattel’s current business performance from one period to another.

Adjusted Earnings Per Share

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

EBITDA and Adjusted EBITDA

EBITDA represents Mattel’s Net Income, 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, the impact of sale of assets/business, and loss on liquidation of Argentina subsidiary, which are not part of Mattel’s core business. Mattel believes EBITDA and Adjusted EBITDA are useful supplemental information for investors to gauge and compare Mattel’s business performance to other companies in its industry with similar capital structures. The presentation of Adjusted EBITDA differs from how Mattel calculates EBITDA for purposes of covenant compliance under the indentures governing its high yield senior notes and the syndicated facility agreement governing its senior secured revolving credit facilities. Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to invest in the growth of Mattel’s business. As a result, Mattel relies primarily on its GAAP results and uses EBITDA and Adjusted EBITDA only supplementally.



Glossary of Non-GAAP Financial Measures & 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 (Total Debt / Adjusted EBITDA)

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

Net Debt

Net Debt represents the aggregate of Mattel's current portion of long-term debt, short-term borrowings, and long-term debt, less cash and cash equivalents. Mattel believes Net Debt is useful supplemental information for investors to monitor Mattel's liquidity and evaluate its balance sheet.

Adjusted Tax Rate

The Adjusted Tax Rate is calculated by dividing Adjusted Provision for Income Taxes by Adjusted Income Before Income Taxes. Adjusted Income Before for Income Taxes represents Reported Income Before Income Taxes, adjusted to exclude severance and restructuring expenses, the impact of inclined sleeper product recalls, the impact of sale of assets/business, loss on debt extinguishment, and loss on liquidation of Argentina subsidiary. The Adjusted Provision for Income Taxes represents Reported (Benefit) for Income Taxes, adjusted to exclude the impact of releases of valuation allowance and the aggregate tax effect of adjustments. Mattel believes the adjusted tax rate provides useful supplemental information for investors to gauge and compare the impact of tax expense on Mattel's earnings results from one period to another.

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.

2023 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 EBITDA, Adjusted EPS, and Adjusted Tax Rate is not available without unreasonable effort. Mattel is unable to predict with sufficient certainty items that would be excluded from the corresponding GAAP measures, 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.