



# **Second Quarter 2023 Earnings**

(Unaudited Results)

July 26, 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, pandemics or other public health crises, such as the COVID-19 pandemic, 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, 2022 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-Q 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.

For comparability, point-of-sale ("POS") and consumer demand data exclude the impact related to Mattel's Russia business, due to Mattel's decision to pause all shipments into Russia in 2022.

## 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.





# Q2 2023 Chairman and CEO Perspective

## Financial results in-line with company expectations

Sales trends improved significantly from Q1 but were down vs. the prior year due to the continued impact of retailers managing inventory levels and industry softness

Net Sales declined 12% as reported, or 13% in constant currency<sup>1</sup>

Adjusted EBITDA<sup>1</sup> declined \$37 million to \$148 million

Trailing twelve months free cash flow<sup>1</sup> increased \$214 million to \$361 million

POS<sup>2</sup> down high-single digits in Q2, but continued to exceed shipping

Mattel gained share globally and in our three leader categories, per Circana<sup>3</sup>

Share repurchases continued and will look to make further repurchases this year

Gross Billings for Dolls and Vehicles grew, while ITPS and Challenger categories declined

**Expect to outpace the industry and gain market share, and are reiterating our full year guidance**

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

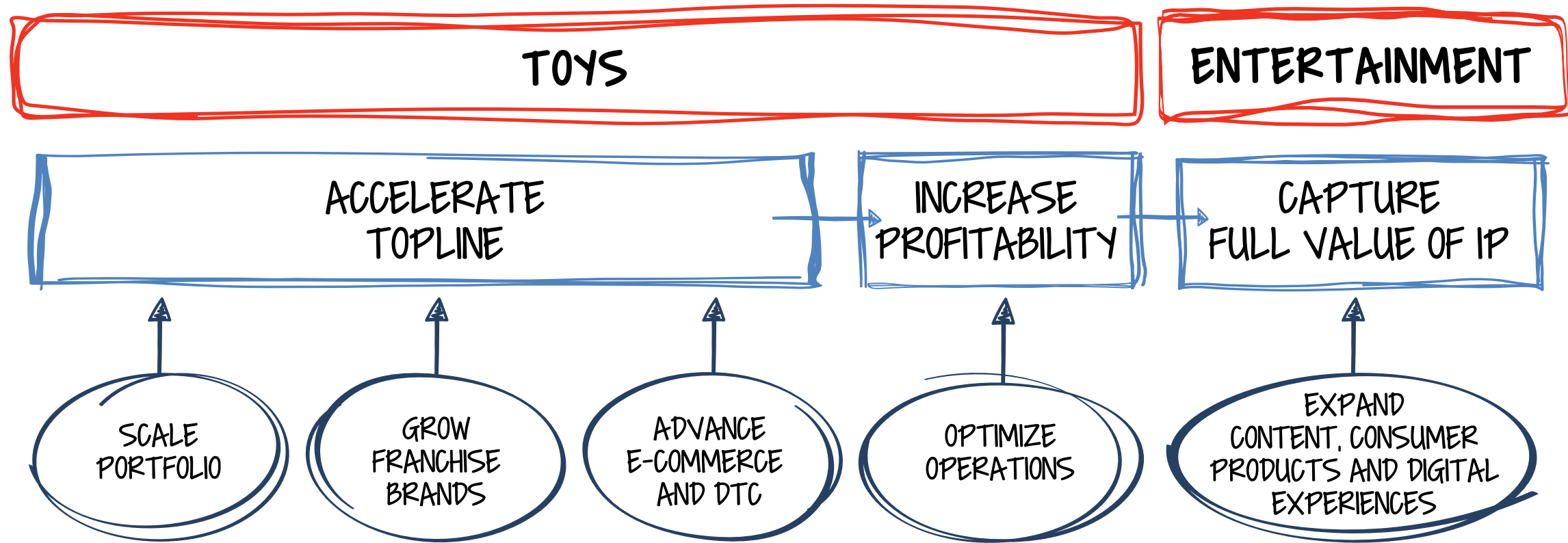
(2) For comparability, POS and consumer demand excludes Russia business. POS: Mattel internal analysis, at wholesale; excludes American Girl.

(3) Source: Circana/Retail Tracking Service/G9/APR-JUN 2023/Dolls, Vehicles, Infant Toddler & Preschool Supercategories/Projected USD



# 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's Strategy – Grow IP-driven Toy Business

## Recent announcements in the toy business

Barbie movie range of toys and products launched with releases to date sold out across major distribution channels; expanding range in 2H

Franchise brands expanded with the launch of new innovative products, including Hot Wheels Racerverse

Warner Brothers multi-category licensing partnership renewed



Successfully executing our strategy to grow Mattel's IP-driven toy business and expand our entertainment offering



# Mattel's Strategy – Expand Entertainment Offering

## The Barbie movie is a milestone moment for Mattel

Largest opening weekend at the box office of 2023, with a comprehensive marketing campaign and positive film reviews

Extensive product tie-ins, cross-platform amplification from Warner Bros Discovery cable and streaming services, a global philanthropic campaign, and sell-out toy line

Strong creative collaboration with Greta Gerwig, Margot Robbie and Lucky Chap Entertainment, Noah Baumbach, David Heyman, and Warner Bros

A showcase for the cultural resonance of our IP, our ability to attract and partner with top creative talent, and the capabilities of our franchise management organization



Speaks to the potential of Mattel Films and the significant progress of our strategy to capture the full value of our IP

# Mattel's Strategy – Expand Entertainment Offering



## Recent announcements outside the toy aisle

The Barbie movie music album released in partnership with Warner Brothers and Warner Music Group, produced by Mark Ronson, and featuring a stellar lineup including Dua Lipa, Nicki Minaj & Ice Spice, Billie Eilish, Lizzo, Sam Smith and other major global talent

Over 165 consumer product partnerships associated with Barbie The Movie

Barbie Dreamhouse Challenge premiered July 16; nearly 4M total viewers and a top 5 cable premiere among women and adults 25-54

Hot Wheels Ultimate Challenge premiered on NBC and Peacock on May 30; ranks as the top NBC alternative series to launch on Peacock

Hot Wheels Unleashed 2: Turbocharged announced

Monster High live tour coming fall



Successfully executing our strategy to grow Mattel's IP-driven toy business and expand our entertainment offering





# Financial Review



# Q2 2023 P&L Highlights

Results impacted by retailers managing inventory levels and industry softness

(in millions, except EPS and percentages)	Q2 2023	YOY Change
<b>Net Sales</b> <i>Constant Currency</i> <sup>1</sup>	\$1,087	-12% -13%
<b>Adjusted Gross Margin</b> <sup>1</sup>	44.9%	-
<b>Adjusted Operating Income</b> <sup>1</sup>	\$75	-\$47
<b>Adjusted EPS</b> <sup>1</sup>	\$0.10	-\$0.08
<b>Adjusted EBITDA</b> <sup>1</sup>	\$148	-\$37



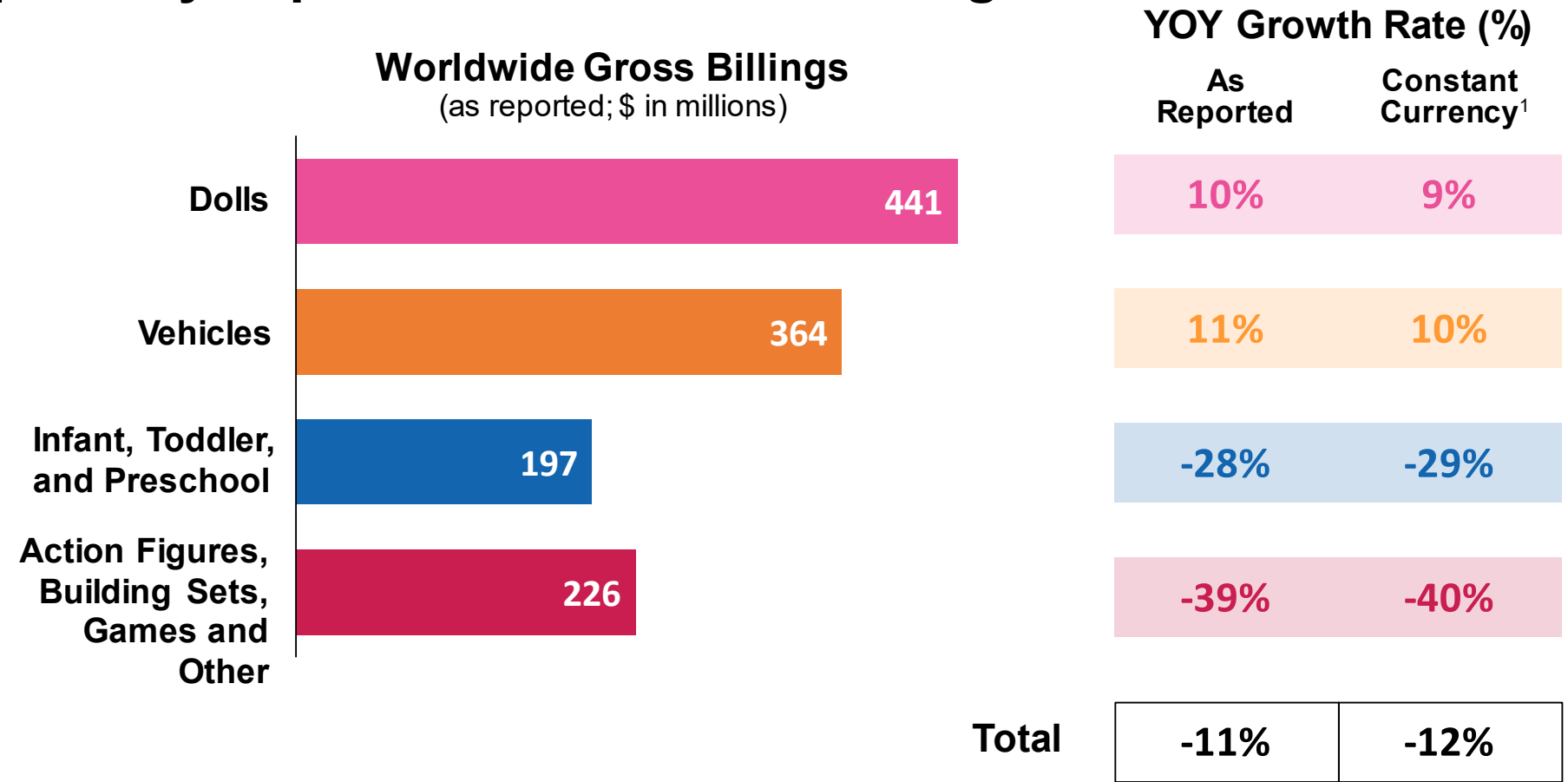
Expect consumer demand for Mattel product to be positive for the full year and revenue comparisons to improve in 2H, as shipping reverts to historical trends

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



# Q2 2023 Gross Billings<sup>1</sup> by Category

## Sequential quarterly improvement in Gross Billings



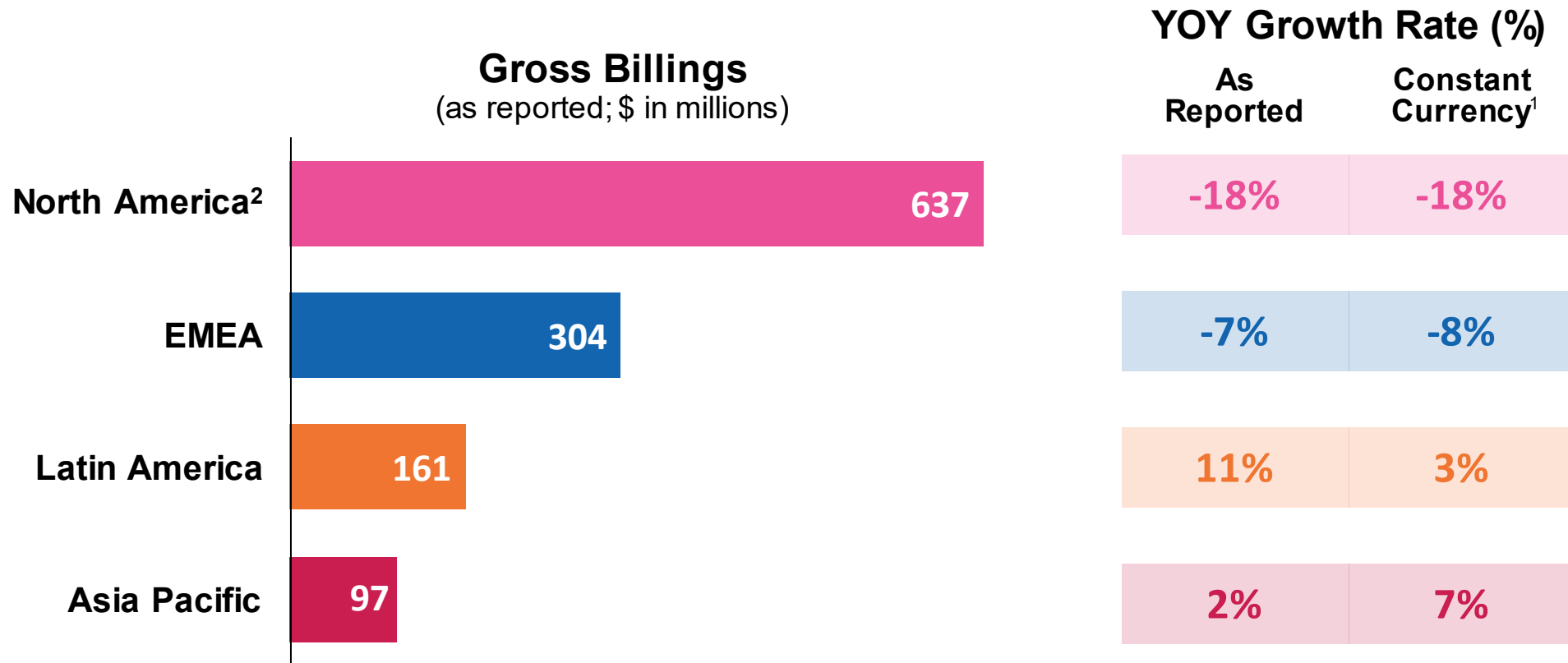
Continued to significantly outpace the industry and gain market share globally

(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. ©2023 Mattel, Inc. All Rights Reserved.



# Q2 2023 Gross Billings<sup>1</sup> by Region

## Results impacted by retailers managing inventory levels and industry softness



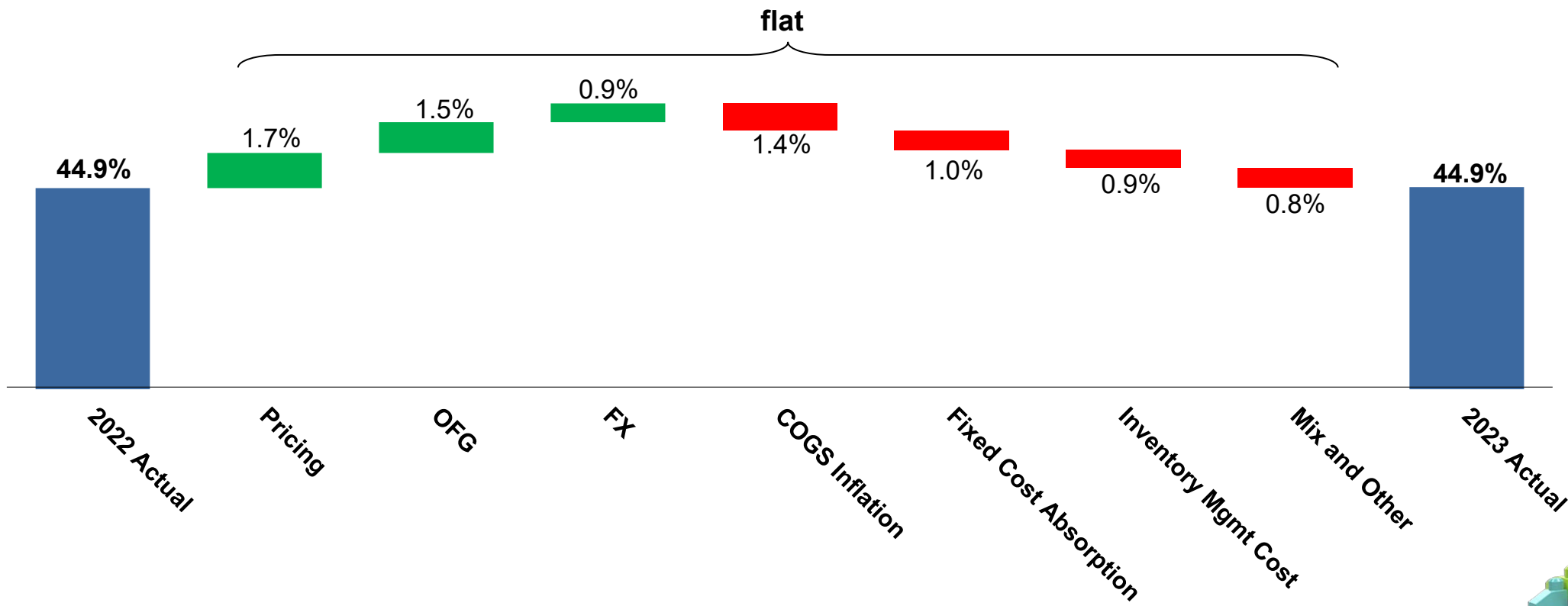
**Believe the retail inventory correction is mostly behind us**

(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) Excludes American Girl  
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# Q2 2023 Adjusted Gross Margin<sup>1</sup> Comparison

## Pricing, cost savings, and favorable foreign exchange offset margin headwinds



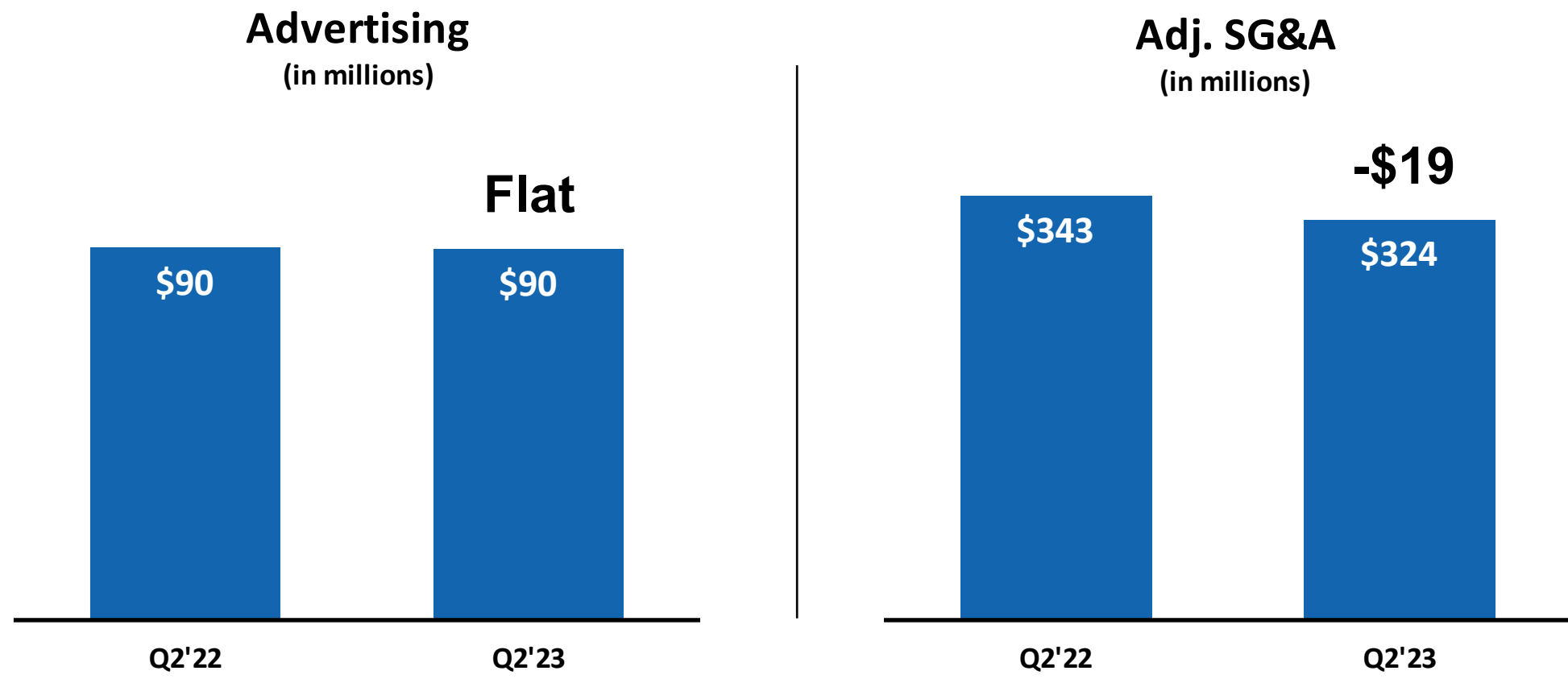
### Gross Margin improvement expected in 2H

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# Q2 2023 Advertising and Adjusted SG&A<sup>1</sup>

## Advertising flat, Adjusted SG&A benefited from cost savings



Effectively managing cost structure

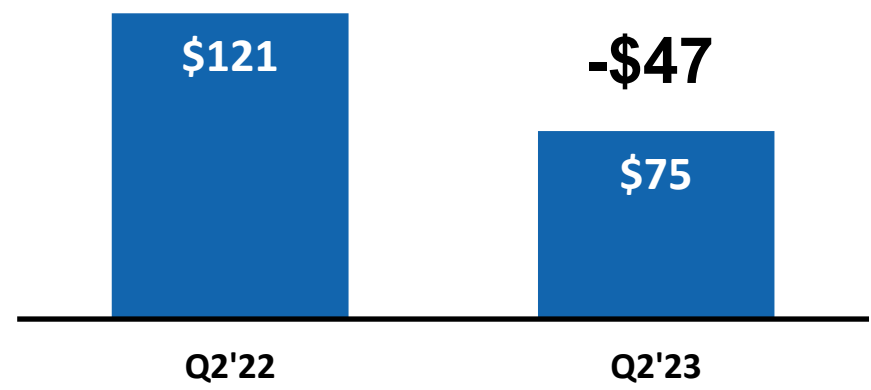
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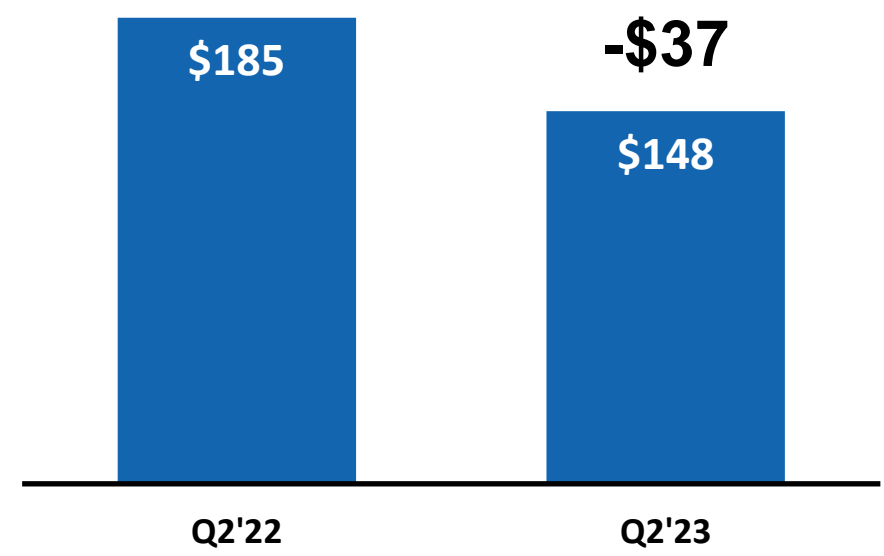
# Q2 2023 Adjusted Operating Income<sup>1</sup> and Adjusted EBITDA<sup>1</sup>

Decline primarily due to lower sales, partly offset by lower Adjusted SG&A<sup>1</sup>

Adj. Operating Income  
(in millions)



Adj. EBITDA  
(in millions)



Expect to achieve full year Adjusted EBITDA guidance

(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

# YTD 2023 Cash Flow

Cash Flow improvement primarily driven by working capital performance, partly offset by lower Net Income

(in millions) <sup>1</sup>	Q2 2023	Q2 2022
Net Income (Loss)	(\$79)	\$88
Depreciation & Amortization	\$87	\$91
Share-Based Compensation	\$37	\$38
Other Non-Cash Charges	\$20	\$27
Changes in Working Capital & Other	(\$390)	(\$669)
Cash Used for Operations	(\$326)	(\$425)
Capital Expenditures	(\$73)	(\$79)
Free Cash Flow <sup>1</sup>	(\$399)	(\$503)



**\$50 million of shares repurchased in 1H; look to continue repurchases in 2H**

(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



# Q2 2023 Balance Sheet Highlights

## Meaningful reduction in owned inventory

(in millions)	Q2 2023	Q2 2022
<b>Cash</b>	\$300	\$275
<b>Debt</b>	\$2,328	\$2,576
<b>Accounts Receivable</b>	\$891	\$989
<b>Inventory</b>	\$972	\$1,178
<b>Leverage Ratio (Total Debt / Adj. EBITDA)<sup>1</sup></b>	3.1x	2.3x



**Increase in Leverage Ratio primarily due to the timing of quarterly results; expect to end 2023 at approximately 2.5x**

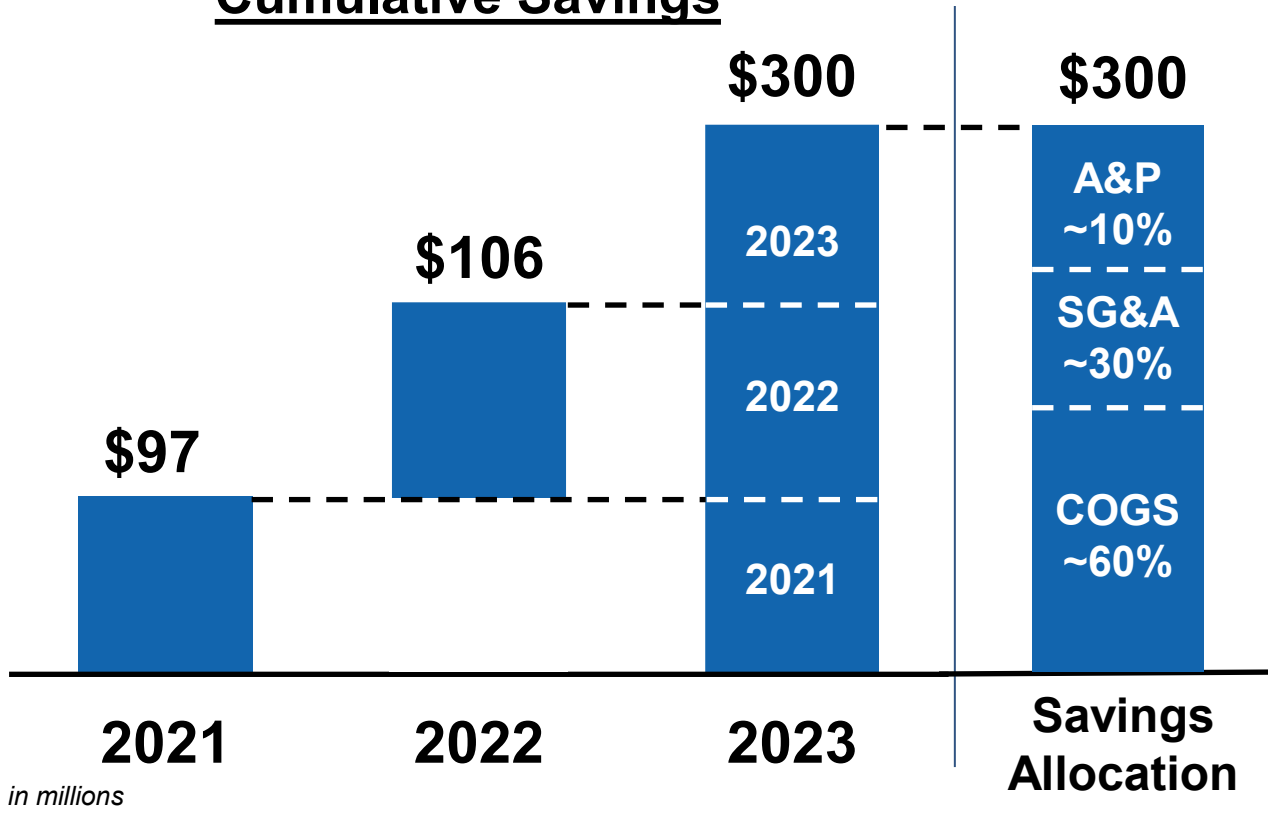
(1) Includes Short-Term Borrowings and Long-Term Debt, including Current Portion. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator



# Optimizing For Growth

## Q2 2023 savings of \$24 million

### Cumulative Savings



Program to date savings of \$257 million

Total estimated cash expenditures now \$155 - \$185 million



**On track to achieve \$300 million cost savings goal**

(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 ©2023 Mattel, Inc. All Rights Reserved.

# 2023 Guidance

## Reiterating full year guidance

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



**Expect shipments to revert to historical trends in 2H**

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



# Q2 2023 Closing

**“Mattel’s second quarter financial results were in-line with our expectations. We significantly increased free cash flow and continued to gain market share. Importantly, this moment will be remembered as a key milestone in our company’s history with the release of the Barbie movie, our first ever major theatrical film.**

**The Barbie movie is a showcase for the cultural resonance of our IP, our ability to attract and collaborate with top creative talent, and the capabilities of our franchise management organization. This also speaks to the potential of Mattel Films and the significant progress of our strategy to capture the full value of our IP.”**

**- Ynon Kreiz, Chairman & CEO**

# Q2 2023 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)<sup>1</sup>

(In millions, except per share and percentage information)	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2023		2022		% Change as Reported	% Change in Constant Currency	2023		2022		% Change as Reported	% Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
<b>Net Sales</b>	\$ 1,087.2		\$ 1,235.7		-12%	-13%	\$ 1,901.7		\$ 2,277.0		-16%	-17%
Cost of Sales	597.4	54.9%	686.8	55.6%	-13%		1,086.1	57.1%	1,245.2	54.7%	-13%	
<b>Gross Profit</b>	489.8	45.1%	548.9	44.4%	-11%	-13%	815.6	42.9%	1,031.8	45.3%	-21%	-22%
Advertising and Promotion Expenses	90.0	8.3%	90.2	7.3%	—%		166.1	8.7%	163.9	7.2%	1%	
Other Selling and Administrative Expenses	337.0	31.0%	333.6	27.0%	1%		701.8	36.9%	662.7	29.1%	6%	
<b>Operating Income (Loss)</b>	62.8	5.8%	125.1	10.1%	-50%	-59%	(52.3)	-2.7%	205.1	9.0%	n/m	n/m
Interest Expense	30.6	2.8%	32.8	2.7%	-7%		61.8	3.2%	65.9	2.9%	-6%	
Interest (Income)	(4.3)	-0.4%	(2.0)	-0.2%	121%		(10.8)	-0.6%	(3.2)	-0.1%	243%	
Other Non-Operating (Income) Expense, Net	(2.1)		7.1				(3.6)		16.3			
<b>Income (Loss) Before Income Taxes</b>	38.6	3.6%	87.1	7.0%	-56%	-65%	(99.6)	-5.2%	126.2	5.5%	n/m	n/m
Provision (Benefit) for Income Taxes	14.4		26.6				(12.6)		50.5			
(Income) from Equity Method Investments	(3.0)		(5.9)				(7.7)		(12.2)			
<b>Net Income (Loss)</b>	\$ 27.2	2.5%	\$ 66.4	5.4%	-59%		\$ (79.3)	-4.2%	\$ 87.9	3.9%	n/m	
<b>Net Income (Loss) Per Common Share - Basic</b>	\$ 0.08		\$ 0.19				\$ (0.22)		\$ 0.25			
Weighted-Average Number of Common Shares	354.6		353.5				354.7		352.8			
<b>Net Income (Loss) Per Common Share - Diluted</b>	\$ 0.08		\$ 0.18				\$ (0.22)		\$ 0.24			
Weighted-Average Number of Common and Potential Common Shares	357.2		359.8				354.7		358.9			

<sup>1</sup> Amounts may not sum due to rounding.

n/m - Not meaningful



# Condensed Consolidated Balance Sheets

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

## CONDENSED CONSOLIDATED BALANCE SHEETS<sup>1</sup>

(In millions)	June 30,		December 31,	
	2023	(Unaudited) 2022	2022	
<b>Assets</b>				
Cash and Equivalents	\$ 299.9	\$ 274.5	\$	761.2
Accounts Receivable, Net	890.9	989.2		860.2
Inventories	971.6	1,177.6		894.1
Prepaid Expenses and Other Current Assets	261.3	273.2		213.5
<b>Total Current Assets</b>	<b>2,423.7</b>	<b>2,714.4</b>		<b>2,729.0</b>
Property, Plant, and Equipment, Net	464.1	442.1		469.1
Right-of-Use Assets, Net	296.2	326.2		318.7
Goodwill	1,384.2	1,379.2		1,378.6
Other Noncurrent Assets	1,329.5	1,305.8		1,282.3
<b>Total Assets</b>	<b>\$ 5,897.8</b>	<b>\$ 6,167.7</b>	<b>\$</b>	<b>6,177.7</b>
<b>Liabilities and Stockholders' Equity</b>				
Short-Term Borrowings	\$ —	\$ 3.0	\$	—
Current Portion of Long-Term Debt	—	250.0		—
Accounts Payable and Accrued Liabilities	1,021.7	1,216.0		1,150.2
Income Taxes Payable	9.4	19.2		37.6
<b>Total Current Liabilities</b>	<b>1,031.1</b>	<b>1,488.2</b>		<b>1,187.7</b>
Long-Term Debt	2,327.8	2,323.3		2,325.6
Noncurrent Lease Liabilities	243.8	282.3		271.4
Other Noncurrent Liabilities	332.8	345.9		336.6
Stockholders' Equity	1,962.4	1,728.0		2,056.3
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 5,897.8</b>	<b>\$ 6,167.7</b>	<b>\$</b>	<b>6,177.7</b>

<sup>1</sup> 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)<sup>1</sup>

### Key Balance Sheet Data:

Accounts Receivable, Net Days of Sales Outstanding (DSO)

		June 30,	
		2023	2022
		74	72

### (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

For the Six Months Ended June 30,			
		2023	2022
\$	(326)	\$	(425)
	(62)		(54)
	(74)		22
\$	(461)	\$	(457)

<sup>1</sup> Amounts may not sum due to rounding.



# Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1</sup>

## RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage information)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Gross Profit</b>						
Gross Profit, As Reported	\$ 489.8	\$ 548.9		\$ 815.6	\$ 1,031.8	
Gross Margin	45.1 %	44.4 %	70 bps	42.9 %	45.3 %	-240 bps
Adjustments:						
Severance and Restructuring Expenses	(1.2)	5.8		(1.2)	8.4	
Gross Profit, As Adjusted	\$ 488.6	\$ 554.7		\$ 814.4	\$ 1,040.2	
Adjusted Gross Margin	44.9 %	44.9 %	0 bps	42.8 %	45.7 %	-290 bps
<b>Other Selling and Administrative Expenses</b>						
Other Selling and Administrative Expenses, As Reported	\$ 337.0	\$ 333.6	1%	\$ 701.8	\$ 662.7	6%
% of Net Sales	31.0 %	27.0 %	400 bps	36.9 %	29.1 %	780 bps
Adjustments:						
Severance and Restructuring Expenses	(9.8)	(5.8)		(33.7)	(12.6)	
Inclined Sleeper Product Recalls	(3.4)	—		(7.7)	(0.6)	
Sale of Assets <sup>2</sup>	—	15.2		—	15.2	
Other Selling and Administrative Expenses, As Adjusted	\$ 323.8	\$ 343.1	-6%	\$ 660.3	\$ 664.7	-1%
% of Net Sales	29.8 %	27.8 %	200 bps	34.7 %	29.2 %	550 bps
<b>Operating Income (Loss)</b>						
Operating Income (Loss), As Reported	\$ 62.8	\$ 125.1	-50%	\$ (52.3)	\$ 205.1	n/m
Operating Income (Loss) Margin	5.8 %	10.1 %	-430 bps	-2.7%	9.0 %	n/m
Adjustments:						
Severance and Restructuring Expenses	8.6	11.5		32.5	21.0	
Inclined Sleeper Product Recalls	3.4	—		7.7	0.6	
Sale of Assets <sup>2</sup>	—	(15.2)		—	(15.2)	
Operating Income (Loss), As Adjusted	\$ 74.7	\$ 121.4	-38%	\$ (12.0)	\$ 211.6	n/m
Adjusted Operating Income (Loss) Margin	6.9 %	9.8 %	-290 bps	-0.6%	9.3 %	n/m

<sup>1</sup> Amounts may not sum due to rounding.

<sup>2</sup> For the three and six months ended June 30, 2022, Mattel recorded a gain on sale of assets of \$15.2 million in other selling and administrative expenses.

n/m - Not meaningful



# Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1</sup>  
 RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except per share and percentage information)	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2023	2022	Change	2023	2022	Change
<b>Earnings Per Share</b>						
Net Income (Loss) Per Common Share, As Reported	\$ 0.08	\$ 0.18	-56%	\$ (0.22)	\$ 0.24	n/m
<i>Adjustments:</i>						
Severance and Restructuring Expenses	0.02	0.03		0.09	0.06	
Inclined Sleeper Product Recalls	0.01	—		0.02	—	
Sale of Assets/Business <sup>2</sup>	—	(0.04)		—	(0.04)	
Tax Effect of Adjustments <sup>3</sup>	(0.01)	—		(0.03)	—	
Net Income (Loss) Per Common Share, As Adjusted	\$ 0.10	\$ 0.18	-44%	\$ (0.14)	\$ 0.26	n/m
<b>EBITDA and Adjusted EBITDA</b>						
Net Income (Loss), As Reported	\$ 27.2	\$ 66.4	-59%	\$ (79.3)	\$ 87.9	n/m
<i>Adjustments:</i>						
Interest Expense	30.6	32.8		61.8	65.9	
Provision (Benefit) for Income Taxes	14.4	26.6		(12.6)	50.5	
Depreciation	34.3	35.8		68.0	71.7	
Amortization	9.5	9.7		19.0	19.0	
EBITDA	116.1	171.3		56.9	294.9	
<i>Adjustments:</i>						
Share-Based Compensation	20.0	18.6		36.9	37.9	
Severance and Restructuring Expenses	8.6	10.5		32.5	18.9	
Inclined Sleeper Product Recalls	3.4	—		7.7	0.6	
Sale of Assets/Business <sup>2</sup>	—	(15.2)		—	(15.2)	
Adjusted EBITDA	\$ 148.0	\$ 185.2	-20%	\$ 134.1	\$ 337.2	-60%
<b>Free Cash Flow</b>						
Net Cash Flows Used for Operating Activities				\$ (325.6)	\$ (425.0)	
Capital Expenditures				(73.4)	(78.5)	
Free Cash Flow				\$ (399.0)	\$ (503.5)	

<sup>1</sup> Amounts may not sum due to rounding.

<sup>2</sup> For the three and six months ended June 30, 2022, Mattel recorded a gain on sale of assets of \$15.2 million in other selling and administrative expenses.

<sup>3</sup> 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.

n/m - Not meaningful



# Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

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

### RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage and pts information)

#### Tax Rate

Income Before Income Taxes, As Reported

Adjustments:

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls

Sale of Assets/Business<sup>2</sup>

Income Before Income Taxes, As Adjusted

Provision for Income Taxes, As Reported

Adjustments:

Tax Effect of Adjustments<sup>3</sup>

Provision for Income Taxes, As Adjusted

Tax Rate, As Reported

Tax Rate, As Adjusted

	For the Three Months Ended June 30,		
	2023	2022	Change
Income Before Income Taxes, As Reported	\$ 38.6	\$ 87.1	
Adjustments:			
Severance and Restructuring Expenses	8.6	11.5	
Inclined Sleeper Product Recalls	3.4	—	
Sale of Assets/Business <sup>2</sup>	—	(15.2)	
Income Before Income Taxes, As Adjusted	<u>\$ 50.6</u>	<u>\$ 83.4</u>	
Provision for Income Taxes, As Reported	\$ 14.4	\$ 26.6	
Adjustments:			
Tax Effect of Adjustments <sup>3</sup>	2.8	(1.0)	
Provision for Income Taxes, As Adjusted	<u>\$ 17.2</u>	<u>\$ 25.6</u>	
Tax Rate, As Reported	37%	31%	6 pts
Tax Rate, As Adjusted	<u>34%</u>	<u>31%</u>	3 pts

#### Net Debt

Long-Term Debt

Current Portion of Long-Term Debt

Short-Term Borrowings

Adjustments:

Cash and Equivalents

Net Debt

	June 30,	
	2023	2022
Long-Term Debt	\$ 2,327.8	\$ 2,323.3
Current Portion of Long-Term Debt	—	250.0
Short-Term Borrowings	—	3.0
Adjustments:		
Cash and Equivalents	(299.9)	(274.5)
Net Debt	<u>\$ 2,027.9</u>	<u>\$ 2,301.8</u>

<sup>1</sup> Amounts may not sum due to rounding.

<sup>2</sup> For the three months ended June 30, 2022, Mattel recorded a gain on sale of assets of \$15.2 million in other selling and administrative expenses.

<sup>3</sup> 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)<sup>1</sup>  
RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage and pts information)

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

Total Debt

	For the Trailing Twelve Months Ended June 30,		
	2023	2022	Change
Long-Term Debt	\$ 2,327.8	\$ 2,323.3	
Current Portion of Long-Term Debt	—	250.0	
Short-Term Borrowings	—	3.0	
Adjustments:			
Debt Issuance Costs and Debt Discount	22.2	26.7	
Total Debt	<u>\$ 2,350.0</u>	<u>\$ 2,603.0</u>	

EBITDA and Adjusted EBITDA

Net Income, As Reported	\$ 226.7	\$ 1,108.8	-80%
Adjustments:			
Interest Expense	128.7	151.2	
Provision (Benefit) for Income Taxes	72.8	(410.8)	
Depreciation	140.9	145.2	
Amortization	37.9	38.0	
EBITDA	607.0	1,032.4	
Adjustments:			
Share-Based Compensation	68.1	67.7	
Severance and Restructuring Expenses	46.3	33.0	
Inclined Sleeper Product Recalls	6.9	3.5	
Sale of Assets/Business	(8.3)	(15.2)	
Loss on Liquidation of Argentina Subsidiary	45.4	—	
Adjusted EBITDA	<u>\$ 765.3</u>	<u>\$ 1,121.4</u>	-32%
Total Debt / Net Income	10.4x	2.3x	
Leverage Ratio (Total Debt / Adjusted EBITDA)	<u>3.1x</u>	<u>2.3x</u>	

**Free Cash Flow**

Net Cash Flows Provided by Operating Activities	\$ 542.2	\$ 301.9	80%
Capital Expenditures	(181.4)	(155.2)	
Free Cash Flow	<u>\$ 360.8</u>	<u>\$ 146.7</u>	146%
Net Cash Flows Provided by Operating Activities / Net Income	239%	27%	212 pts
Free Cash Flow Conversion (Free Cash Flow/Adjusted EBITDA)	<u>47%</u>	<u>13%</u>	34 pts

<sup>1</sup> Amounts may not sum due to rounding.



# Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

## SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1</sup> RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

(In millions, except percentage and per share information)

### Gross Profit

	<u>For the Year Ended December 31,</u>	
	<u>2022</u>	
Gross Profit, As Reported	\$	2,481.4
Gross Margin		45.7%
Adjustments:		
Severance and Restructuring Expenses		10.7
Gross Profit, As Adjusted	\$	<u>2,492.0</u>
Adjusted Gross Margin		<u>45.9%</u>

### Earnings Per Share

Net Income Per Common Share, As Reported	\$	1.10
Adjustments:		
Severance and Restructuring Expenses		0.10
Sale of Assets/Business <sup>2</sup>		(0.07)
Loss on Liquidation of Argentina Subsidiary <sup>3</sup>		0.13
Net Income Per Common Share, As Adjusted	\$	<u>1.25</u>

### EBITDA and Adjusted EBITDA

Net Income, As Reported	\$	393.9
Adjustments:		
Interest Expense		132.8
Provision for Income Taxes		135.9
Depreciation		144.6
Amortization		37.9
EBITDA	\$	<u>845.0</u>
Adjustments:		
Share-Based Compensation		69.1
Severance and Restructuring Expenses		32.7
Inclined Sleeper Product Recalls		(0.3)
Sale of Assets/Business <sup>2</sup>		(23.5)
Loss on Liquidation of Argentina Subsidiary <sup>3</sup>		45.4
Adjusted EBITDA	\$	<u>968.4</u>

<sup>1</sup> Amounts may not sum due to rounding.

<sup>2</sup> 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.

<sup>3</sup> 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.



# Reconciliation of Non-GAAP Financial Measures

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT III

## SUPPLEMENTAL FINANCIAL INFORMATION (Unaudited)<sup>1</sup> RECONCILIATION OF GAAP AND NON-GAAP FINANCIAL MEASURES

<u>(In millions, except percentage information)</u>	<u>For the Year Ended December 31, 2022</u>
<b>Tax Rate</b>	
Income Before Income Taxes, As Reported	\$ 504.3
<i>Adjustments:</i>	
Severance and Restructuring Expenses	36.8
Inclined Sleeper Product Recalls	(0.3)
Sale of Assets/Business <sup>2</sup>	(23.5)
Loss on Liquidation of Argentina Subsidiary <sup>3</sup>	45.4
Income Before Income Taxes, As Adjusted	<u>\$ 562.8</u>
Provision for Income Taxes, As Reported	\$ 135.9
<i>Adjustments:</i>	
Tax Effect of Adjustments <sup>4</sup>	1.3
Provision for Income Taxes, As Adjusted	<u>\$ 137.2</u>
Tax Rate, As Reported	<u>27 %</u>
Tax Rate, As Adjusted	<u>24 %</u>

<sup>1</sup> Amounts may not sum due to rounding.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Tax effect of adjustments was determined using the effective tax rates on a jurisdictional basis of the respective adjustments.



# Worldwide Net Sales and Gross Billings

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT IV

## WORLDWIDE NET SALES AND GROSS BILLINGS<sup>1</sup> (Unaudited)<sup>2</sup>

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2023	2022	% Change as Reported	% Change in Constant Currency	2023	2022	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<b>Worldwide Net Sales:</b>								
Net Sales	\$ 1,087.2	\$ 1,235.7	-12%	-13%	\$ 1,901.7	\$ 2,277.0	-16%	-17%
<b>Worldwide Gross Billings by Categories:</b>								
Dolls	\$ 440.5	\$ 401.3	10%	9%	\$ 746.6	\$ 797.5	-6%	-6%
Infant, Toddler, and Preschool	197.3	274.6	-28	-29	347.5	480.2	-28	-28
Vehicles	363.8	328.3	11	10	647.4	610.4	6	6
Action Figures, Building Sets, Games, and Other	225.9	372.0	-39	-40	397.4	652.7	-39	-39
Gross Billings	<u>\$ 1,227.5</u>	<u>\$ 1,376.3</u>	-11%	-12%	<u>\$ 2,138.8</u>	<u>\$ 2,540.7</u>	-16%	-16%
<b>Supplemental Gross Billings Disclosure</b>								
<b>Worldwide Gross Billings by Top 3 Power Brands:</b>								
Barbie	\$ 282.7	\$ 300.8	-6%	-7%	\$ 459.6	\$ 598.8	-23%	-23%
Hot Wheels	315.2	286.5	10	9	560.1	527.9	6	6
Fisher-Price	164.7	228.9	-28	-29	290.3	400.2	-27	-28
Other	464.9	560.0	-17	-18	828.8	1,013.8	-18	-18
Gross Billings	<u>\$ 1,227.5</u>	<u>\$ 1,376.3</u>	-11%	-12%	<u>\$ 2,138.8</u>	<u>\$ 2,540.7</u>	-16%	-16%

<sup>1</sup> 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.

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





# Net Sales and Gross Billings by Segment

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT V

## NET SALES AND GROSS BILLINGS<sup>1</sup> BY SEGMENT (Unaudited)<sup>2</sup>

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2023	2022	% Change as Reported	% Change in Constant Currency	2023	2022	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<b>North America Net Sales:</b>								
Net Sales	\$ 596.8	\$ 726.5	-18%	-18%	\$ 1,033.8	\$ 1,328.6	-22%	-22%
<b>North America Gross Billings by Categories:</b>								
Dolls	\$ 210.9	\$ 190.7	11%	11%	\$ 343.8	\$ 372.9	-8%	-8%
Infant, Toddler, and Preschool	119.9	178.3	-33	-33	207.1	309.8	-33	-33
Vehicles	173.5	177.6	-2	-2	315.7	324.4	-3	-2
Action Figures, Building Sets, Games, and Other	133.0	228.3	-42	-42	239.3	409.6	-42	-41
Gross Billings	<u>\$ 637.4</u>	<u>\$ 774.9</u>	-18%	-18%	<u>\$ 1,105.9</u>	<u>\$ 1,416.6</u>	-22%	-22%
<b>Supplemental Gross Billings Disclosure</b>								
<b>North America Gross Billings by Top 3 Power Brands:</b>								
Barbie	\$ 148.1	\$ 156.7	-5%	-5%	\$ 237.7	\$ 320.7	-26%	-26%
Hot Wheels	146.9	152.6	-4	-3	266.6	274.3	-3	-3
Fisher-Price	100.7	150.3	-33	-33	176.1	262.9	-33	-33
Other	241.6	315.2	-23	-23	425.6	558.8	-24	-24
Gross Billings	<u>\$ 637.4</u>	<u>\$ 774.9</u>	-18%	-18%	<u>\$ 1,105.9</u>	<u>\$ 1,416.6</u>	-22%	-22%

<sup>1</sup> 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.

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



# Net Sales and Gross Billings by Segment

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT VI

## NET SALES AND GROSS BILLINGS<sup>1</sup> BY SEGMENT (Unaudited)<sup>2</sup>

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2023	2022	% Change as Reported	% Change in Constant Currency	2023	2022	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<b>International Net Sales by Geographic Area:</b>								
EMEA	\$ 241.7	\$ 270.9	-11%	-12%	\$ 451.0	\$ 548.7	-18%	-17%
Latin America	138.0	124.8	11	3	213.6	196.7	9	2
Asia Pacific	83.0	80.7	3	7	142.2	134.9	5	11
Net Sales	<u>\$ 462.7</u>	<u>\$ 476.4</u>	-3%	-5%	<u>\$ 806.8</u>	<u>\$ 880.2</u>	-8%	-8%
<b>International Gross Billings by Geographic Area:</b>								
EMEA	\$ 303.8	\$ 328.2	-7%	-8%	\$ 555.7	\$ 668.6	-17%	-16%
Latin America	160.7	144.5	11	3	248.4	227.8	9	3
Asia Pacific	97.3	95.3	2	7	166.2	158.0	5	11
Gross Billings	<u>\$ 561.8</u>	<u>\$ 568.0</u>	-1%	-3%	<u>\$ 970.4</u>	<u>\$ 1,054.3</u>	-8%	-8%
<b>International Gross Billings by Categories:</b>								
Dolls	\$ 201.4	\$ 177.3	14%	12%	\$ 340.2	\$ 354.9	-4%	-4%
Infant, Toddler, and Preschool	77.4	96.3	-20	-21	140.4	170.3	-18	-17
Vehicles	190.2	150.7	26	25	331.7	286.0	16	16
Action Figures, Building Sets, Games, and Other	92.9	143.7	-35	-37	158.1	243.1	-35	-35
Gross Billings	<u>\$ 561.8</u>	<u>\$ 568.0</u>	-1%	-3%	<u>\$ 970.4</u>	<u>\$ 1,054.3</u>	-8%	-8%
<b>Supplemental Gross Billings Disclosure</b>								
<b>International Gross Billings by Top 3 Power Brands:</b>								
Barbie	\$ 134.6	\$ 144.2	-7%	-8%	\$ 221.9	\$ 278.1	-20%	-20%
Hot Wheels	168.3	133.9	26	24	293.6	253.6	16	16
Fisher-Price	63.9	78.6	-19	-20	114.2	137.3	-17	-17
Other	195.0	211.3	-8	-9	340.7	385.2	-12	-12
Gross Billings	<u>\$ 561.8</u>	<u>\$ 568.0</u>	-1%	-3%	<u>\$ 970.4</u>	<u>\$ 1,054.3</u>	-8%	-8%

<sup>1</sup> 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.

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



# Net Sales and Gross Billings by Segment

MATTTEL, INC. AND SUBSIDIARIES

EXHIBIT VII

## NET SALES AND GROSS BILLINGS<sup>1</sup> BY SEGMENT (Unaudited)<sup>2</sup>

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2023	2022	% Change as Reported	% Change in Constant Currency	2023	2022	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<b>American Girl Net Sales:</b>								
Net Sales	\$ 27.6	\$ 32.8	-16%	-16%	\$ 61.1	\$ 68.1	-10%	-10%
<b>American Girl Gross Billings:</b>								
Gross Billings	\$ 28.3	\$ 33.4	-15%	-15%	\$ 62.6	\$ 69.7	-10%	-10%

<sup>1</sup> 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.

<sup>2</sup> 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 (Loss), Adjusted Operating Income (Loss) 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 (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 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, and the impact of sale of assets/business, 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 (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 (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 Income Taxes represents reported Income Before Income Taxes, adjusted to exclude severance and restructuring expenses, the impact of inclined sleeper product recalls, and the impact of sale of assets/business. The Adjusted Provision for Income Taxes represents reported Provision for Income Taxes, adjusted to exclude 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.