



# **Second Quarter 2024 Earnings**

(Unaudited Results)

July 23, 2024



# 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 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, product safety, or sustainability, 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 and geopolitical developments in the Middle East), natural and manmade disasters, pandemics or other public health crises, 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 artificial intelligence, non-fungible tokens, and cryptocurrency; (xxii) an inability to remediate the material weakness in Mattel's internal control over financial reporting, or additional material weaknesses or other deficiencies in the future or the failure to maintain an effective system of internal control; and (xxiii) 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, 2023 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.

## Who We Are

---

Mattel is a leading global toy and family entertainment company and owner of one of the most iconic brand portfolios in the world. We engage consumers and fans through our franchise brands, including Barbie, Hot Wheels, Fisher-Price, American Girl, Thomas & Friends, UNO, Masters of the Universe, Matchbox, Monster High, MEGA, and Polly Pocket, as well as other popular properties that we own or license in partnership with global entertainment companies. Our offerings include toys, content, consumer products, digital and live experiences. Our products are sold in collaboration with the world's leading retail and e-commerce companies. Since its founding in 1945, Mattel is proud to be a trusted partner in empowering generations to explore the wonder of childhood and reach their full potential. Visit us at [mattel.com](https://mattel.com).

## Our Purpose

---

We empower generations to explore the wonder of childhood and reach their full potential.

## Our Mission

---

We create innovative products and experiences that inspire fans, entertain audiences, and develop children through play.





# Chairman and CEO Perspective

## A good quarter for Mattel

Net Sales declined 1% as reported, and were comparable in constant currency<sup>1</sup>

Adjusted Gross Margin<sup>1</sup> increased 430 basis points to 49.2%

Adjusted EBITDA<sup>1</sup> improved \$23 million to \$171 million

Adjusted EPS<sup>1</sup> increased \$0.09 to \$0.19

Gross Billings<sup>1</sup> declined 2%, with low single-digit declines in North America, EMEA, and LATAM, partially offset by high-single digit growth in APAC

POS<sup>2</sup> comparable in Q2 and H1 and positive for Dolls, Vehicles, Building Sets, and Games

Mattel gained share globally in Q2 and maintained its leadership position in Dolls, Vehicles, and Infant, Toddler, and Preschool, with Barbie, Hot Wheels, and Fisher-Price #1 in their respective categories<sup>3</sup>

TTM Free Cash Flow<sup>1</sup> was \$826 million, compared to \$361 million in the prior-year period

Repurchased \$200 million of shares in H1 and expect to continue repurchases

## Reiterating full year guidance

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

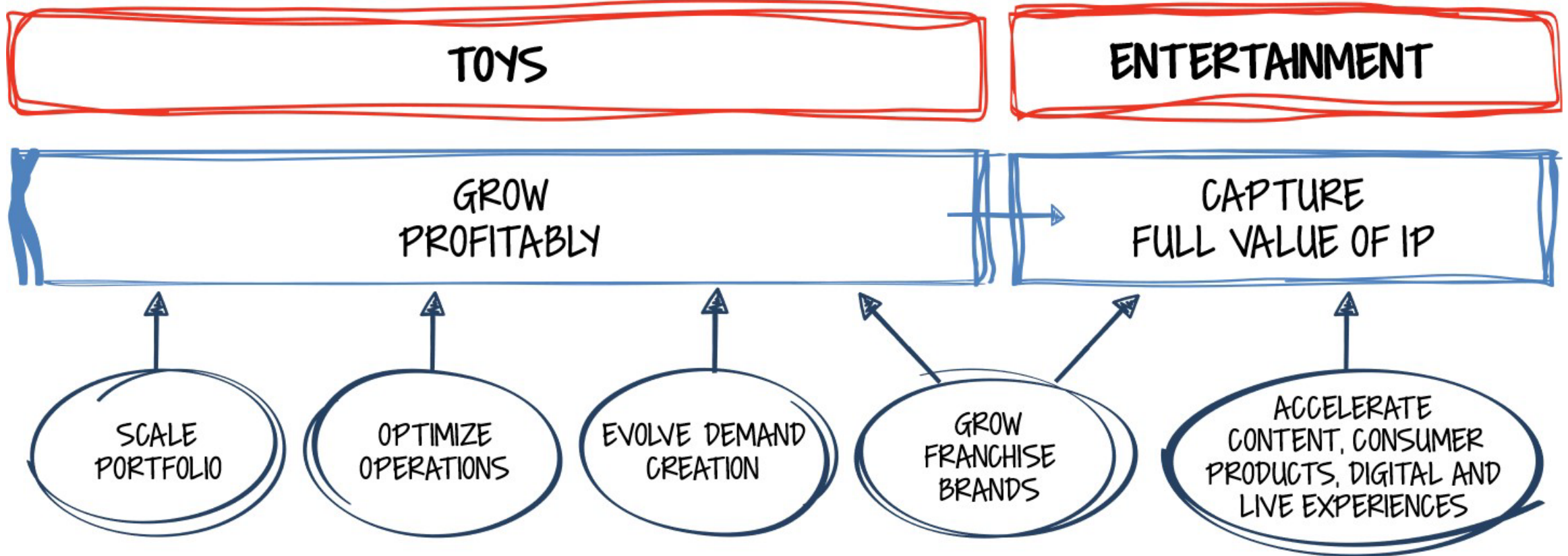
(2) POS: Mattel internal analysis, at wholesale; excludes American Girl

(3) Source: Circana/Retail Tracking Service/G10(FR,SP,IT,GE,UK,US,CA,BR,MX,AU)/APR-JUN 2024/Total Toys & Dolls, and 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 fans, entertain audiences, and develop children through play**



# Mattel's Strategy – Grow IP-driven Toy Business

## Recent toy business progress

Dolls Gross Billings<sup>1</sup> declined while POS<sup>2</sup> was positive

Vehicles was up and POS was positive

In ITPS, Fisher-Price grew double-digits, reflecting early success of new strategy

Challenger categories in total grew, led by Games and UNO “Show Em No Mercy”

Mattel gained share in Games<sup>3</sup>

Mattel Creations, our DTC channel serving adult fans and collectors, continued to increase traffic and significantly grew its subscriber base

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

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

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

(3) Source: Circana/Retail Tracking Service/G10(FR,SP,IT,GE,UK,US,CA,BR,MX,AU)/APR-JUN 2024/Games & Puzzles Supercategory/Projected USD



# Mattel's Strategy – Expand Entertainment Offering

## Recent entertainment progress

**Masters of the Universe feature film worldwide theatrical release on June 5, 2026 and distributed by Amazon MGM Studios**

**Monster High feature film will be co-developed with Universal Pictures and Academy Award-winning producer and screenwriter Akiva Goldsman**

**Barney's World, a new animated series, will debut this fall on Max and Cartoon Network**

**Hot Wheels Let's Race season 2 and a new Barbie animated series will premiere this fall on Netflix**

**Multi-year licensing agreement with video games publisher Outright Games**

**Moving forward, look to extend Digital Gaming beyond IP licensing to self-publishing of mobile games**

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



# Industry Performance and Expectations

## Toy industry performed better than anticipated in H1

Expect toy industry to decline modestly in 2024, an improvement from our outlook at the start of the year

Beyond 2024, believe trends will further improve and industry will return to growth and continue to grow long term

Fundamentals are strong, toys are an important part of consumers' lives, and retailers see category as a strategic lever

For Mattel, we expect our toy business to grow in H2 and look forward to a good holiday season, with new product innovation, increased retailer support, more marketing and promotions, and new content

We expect to grow sales and earnings in 2025

**We expect to outpace the industry and gain market share this year**



# P&L Highlights

## Another quarter of increased profitability

(in millions, except EPS, percentages, and bps)	Q2 2024	YOY Change
<b>Net Sales</b> <i>Constant Currency</i> <sup>1</sup>	\$1,080	-1%
<b>Adjusted Gross Margin</b> <sup>1</sup>	49.2%	+430 bps
<b>Adjusted Operating Income</b> <sup>1</sup>	\$96	+\$21
<b>Adjusted EPS</b> <sup>1</sup>	\$0.19	+\$0.09
<b>Adjusted EBITDA</b> <sup>1</sup>	\$171	+\$23

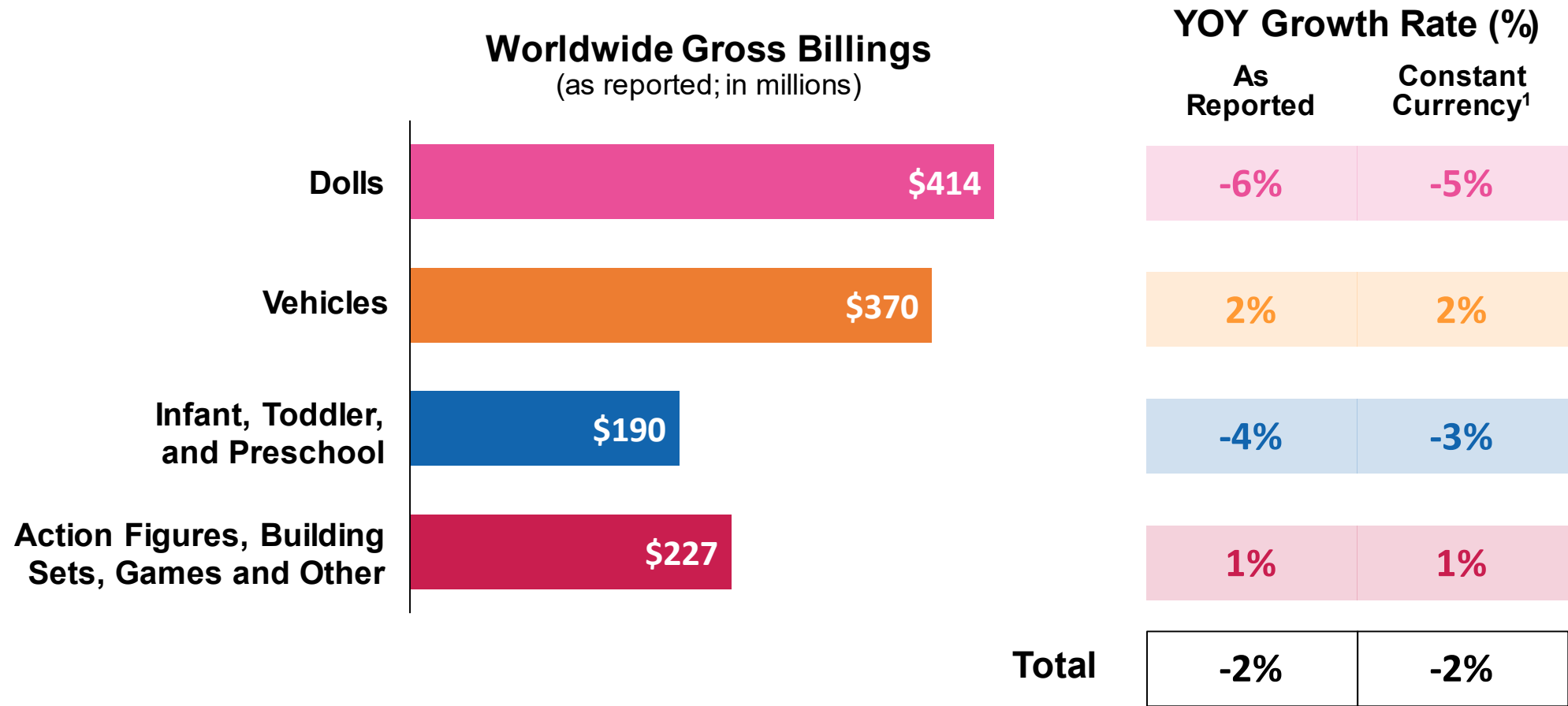
**On track to achieve full-year sales and earnings guidance**

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



# Q2 2024 Gross Billings by Category<sup>1</sup>

## Gross Billings<sup>1</sup> declined 2%



### POS<sup>2</sup> comparable in Q2 and H1 to prior year

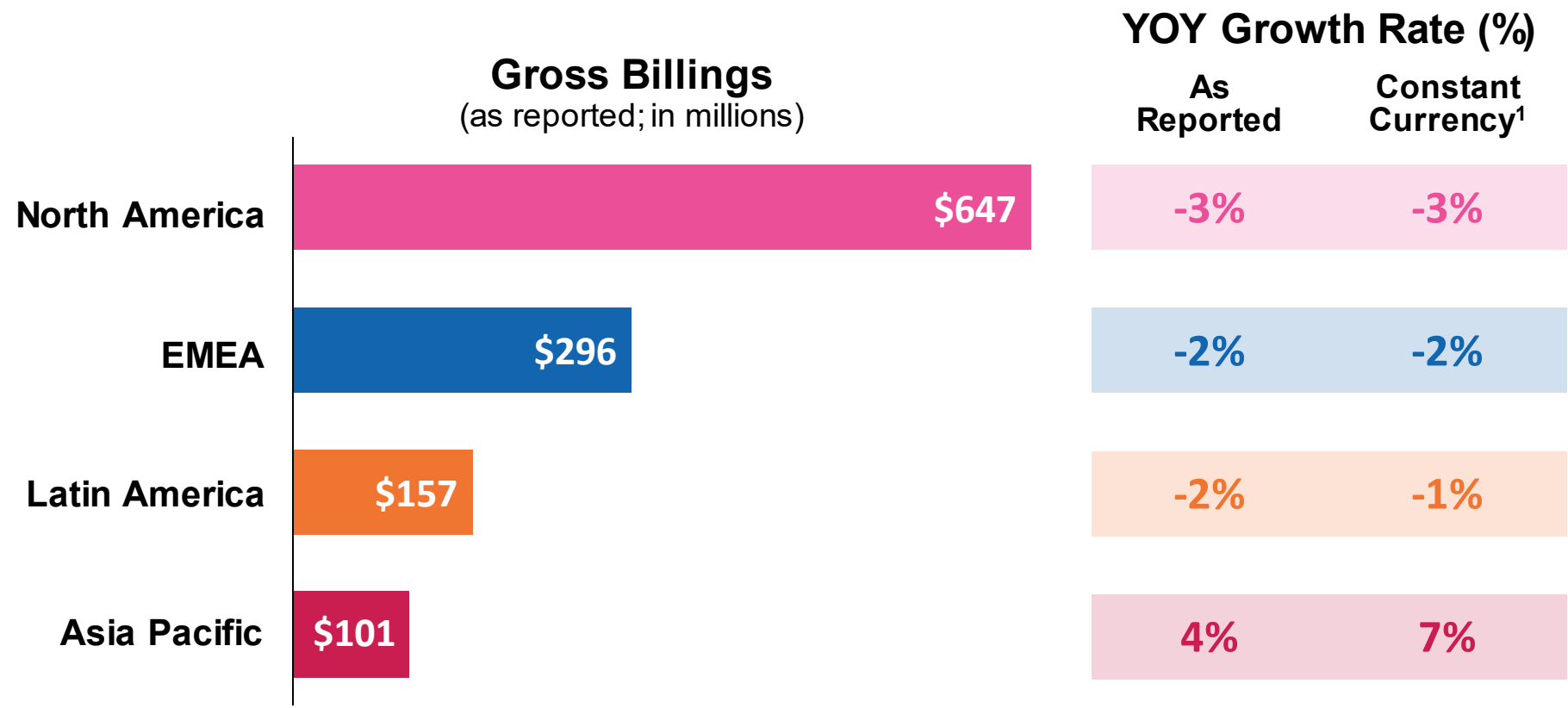
(1) Amounts may not add due to rounding. In constant currency, unless otherwise stated. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator.

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



# Q2 2024 Gross Billings by Region<sup>1</sup>

Maintained share in North America, and gained share in EMEA, in Q2 and H1<sup>2</sup>



We are well-positioned as we head into H2

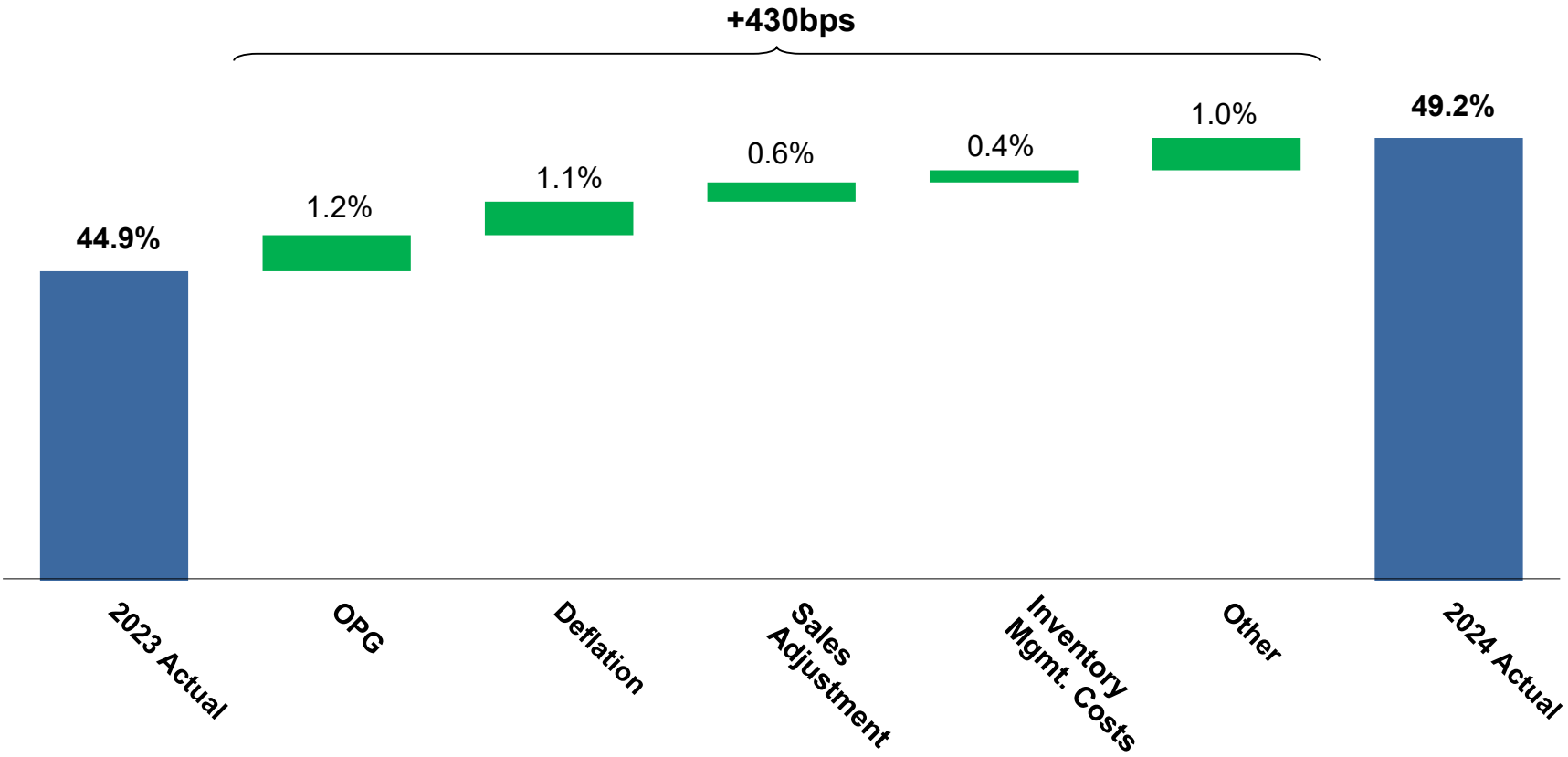
(1) In constant currency, unless otherwise stated. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator

(2) Source: Circana/Retail Tracking Service/North America (US+CA) & EMEA (SP+IT+GE+UK+FR)/APR-JUN 2024 & JAN-JUN 2024/Total Toys/Projected USD



# Q2 2024 Adjusted Gross Margin Comparison<sup>1</sup>

## Significant year-over-year improvement



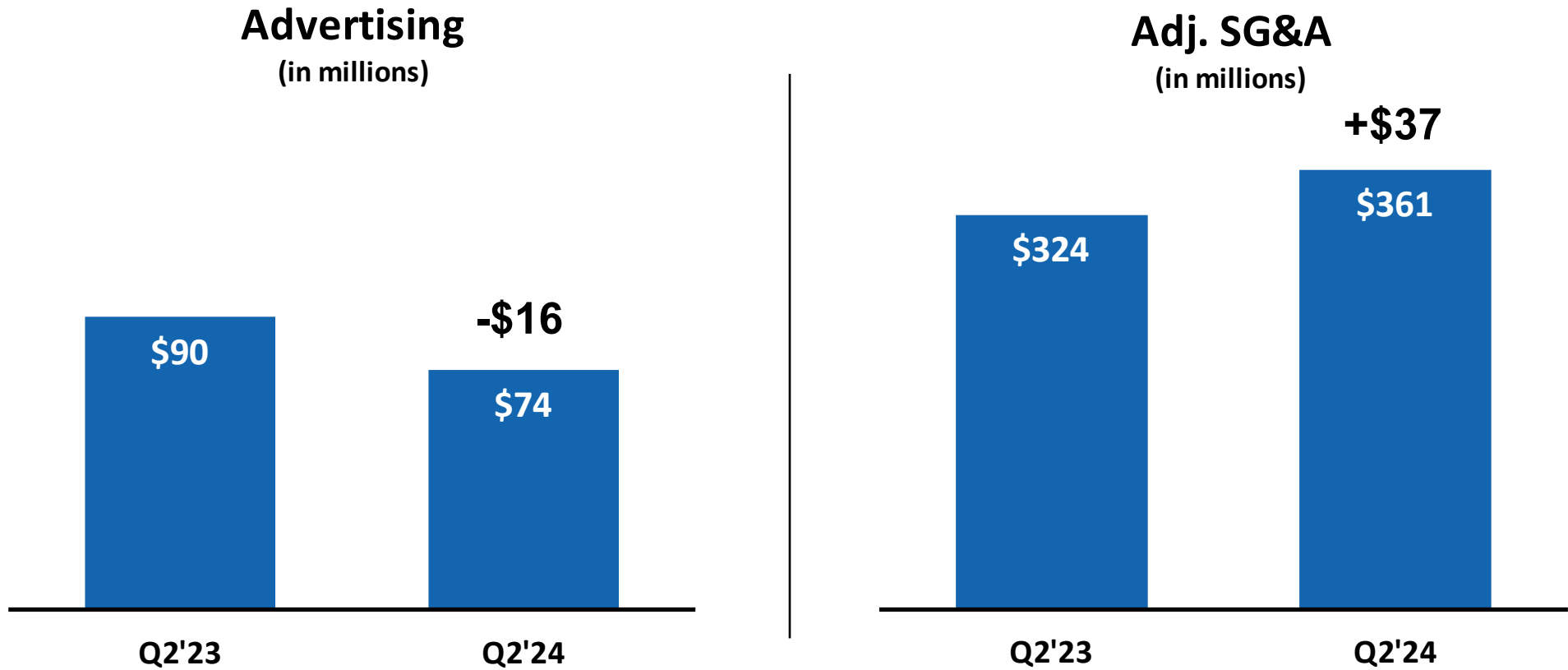
**Benefiting from cost savings and cost deflation**

(1) Amounts may not add due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator ©2024 Mattel, Inc. All Rights Reserved.



# Q2 2024 Advertising and Adjusted SG&A<sup>1</sup>

Advertising timing benefit; Adjusted SG&A impacted by several factors



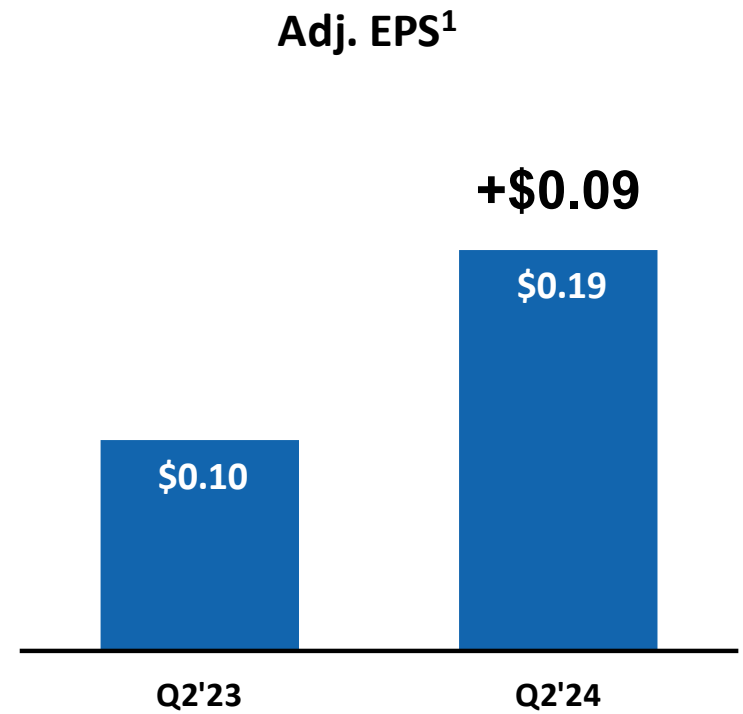
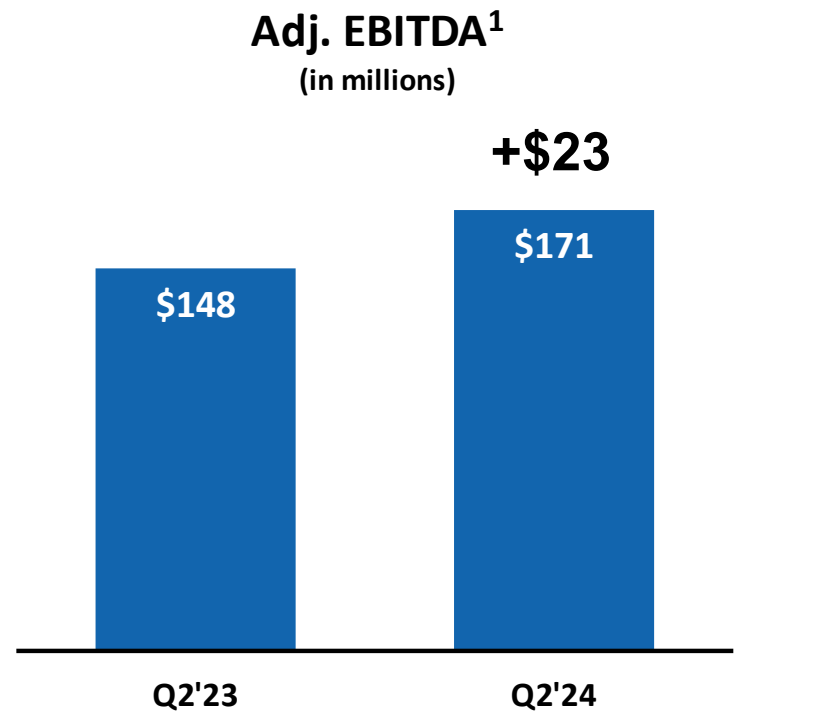
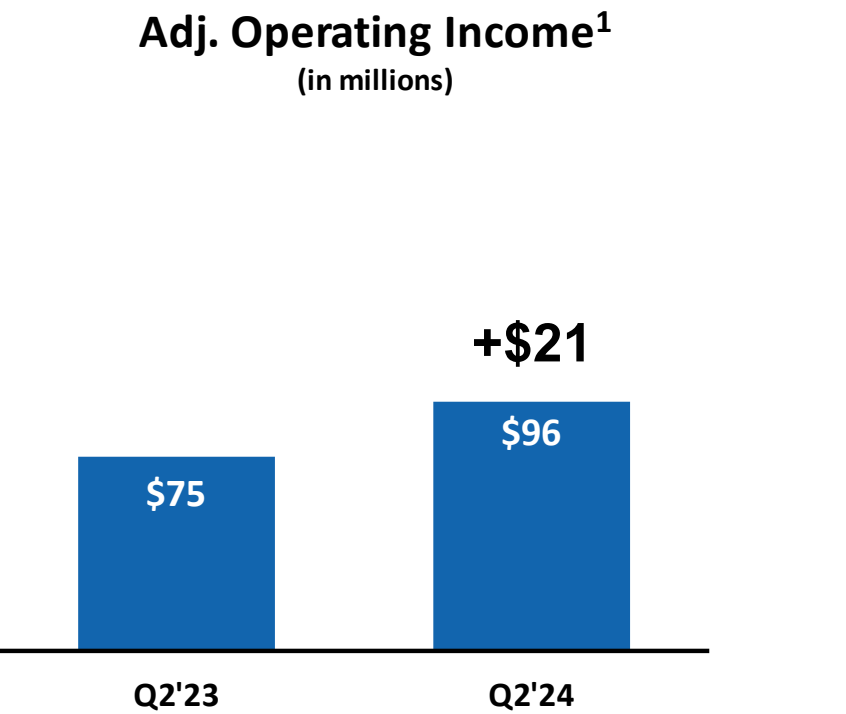
Expect 2024 Advertising and Adjusted SG&A to be comparable as a percentage of Net Sales

(1) Amounts may not add due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator  
©2024 Mattel, Inc. All Rights Reserved.



# Q2 2024 Adjusted Profit Metrics

Increase primarily driven by Gross Margin expansion



**Adjusted EPS<sup>1</sup> benefiting from lower share count, reflecting share repurchase activity**

(1) Amounts may not add due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator  
©2024 Mattel, Inc. All Rights Reserved.

# YTD 2024 Cash Flow

## Improvements in both Net Income and Working Capital performance

(in millions) <sup>1</sup>	YTD 2024	YTD 2023
Net Income (Loss)	\$29	(\$79)
Depreciation & Amortization	\$84	\$87
Share-Based Compensation	\$38	\$37
Other Non-Cash Charges	\$50	\$41
Changes in Working Capital & Other	(\$418)	(\$411)
Cash (used for) Operations	(\$217)	(\$326)
Capital Expenditures	(\$65)	(\$73)
Free Cash Flow <sup>1</sup>	(\$283)	(\$399)
Free Cash Flow TTM	\$826	\$361

**Repurchased \$200 million of shares in H1 and expect to continue share repurchases**

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

# Q2 2024 Balance Sheet Highlights

## Balance sheet and financial position continue to improve

(in millions)	Q2 2024	Q2 2023
<b>Cash</b>	\$722	\$300
<b>Accounts Receivable</b>	\$839	\$891
<b>Inventory</b>	\$777	\$972
<b>Debt</b>	\$2,332	\$2,328
<b>Leverage Ratio (Total Debt / Adj. EBITDA)<sup>1</sup></b>	2.3x	3.1x

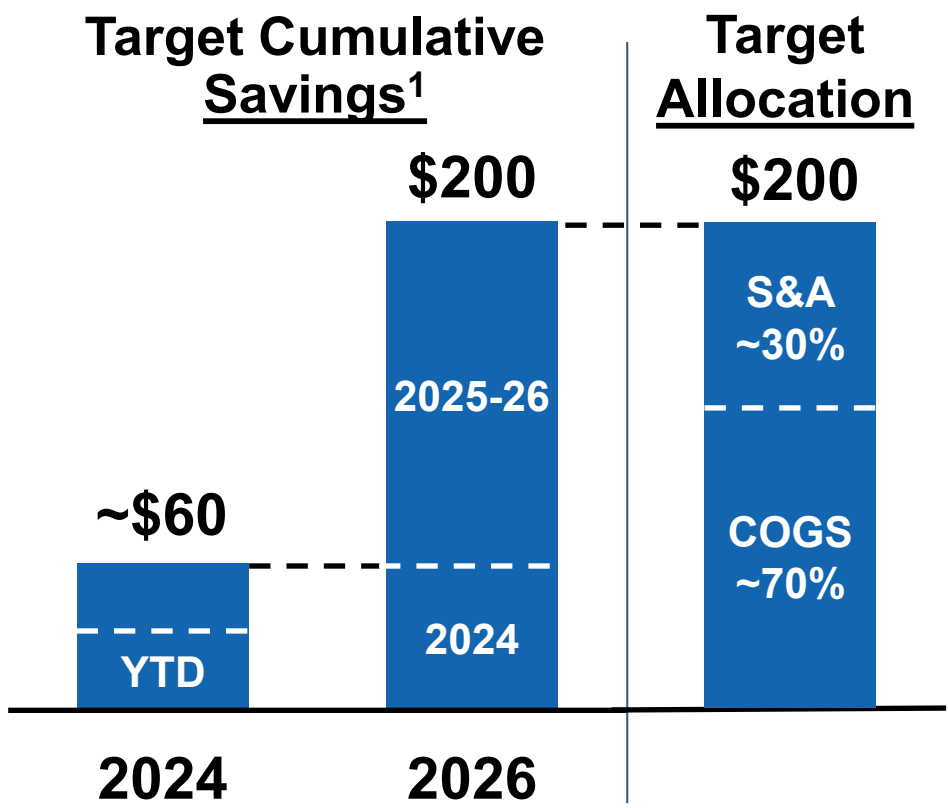
**Debt portfolio well positioned with no maturities until 2026**





# 2024-2026 Optimizing for Profitable Growth (OPG)

## Continue to achieve significant cost savings



\$20 million of savings achieved in Q2

\$37 million of savings achieved in H1

Target program savings of \$200 million

Expected cash expenditures of \$130-\$165 million

**On track to achieve or exceed 2024 targeted savings of \$60 million**

(1) In Millions. Amounts may not add due to rounding. Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator ©2024 Mattel, Inc. All Rights Reserved.



# 2024 Guidance

## Reiterating guidance; Expect to outpace industry and gain market share

(in millions, except EPS and percentages)	FY2024 Guidance	FY2023 Actual
<b>Net Sales</b>	<b>Comparable (Constant Currency<sup>1</sup>)</b>	<b>\$5,441</b>
<b>Adjusted Gross Margin<sup>1</sup></b>	<b>48.5% - 49%</b>	<b>47.5%</b>
<b>Adjusted EPS<sup>1</sup></b>	<b>\$1.35 - \$1.45</b>	<b>\$1.23</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$975 - \$1,025</b>	<b>\$948</b>
<b>Adjusted Tax Rate<sup>1</sup></b>	<b>23% - 24%</b>	<b>23%</b>
<b>Capital Expenditures</b>	<b>\$175 - \$200</b>	<b>\$160</b>
<b>Free Cash Flow<sup>1</sup></b>	<b>~ \$500</b>	<b>\$709</b>

### Expect to grow sales and earnings in 2025

(1) Please see Appendix – Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicator ©2024 Mattel, Inc. All Rights Reserved.



# Closing

**“This was a good quarter for Mattel, where we achieved significant gross margin expansion, and growth in Adjusted EBITDA and Adjusted EPS. We further strengthened our balance sheet and more than doubled free cash flow in the trailing twelve-month period. Mattel is well positioned for the second half, with new product innovation and increased retail support. We are in a strong financial position to execute our strategy to grow our IP-driven toy business and expand our entertainment offering.”**

**- Ynon Kreiz, Chairman & CEO**

# Q2 2024 Earnings Call



One of the most iconic brand portfolios in the world





# Appendix



# Consolidated Statements of Operations

MATTTEL, INC. AND SUBSIDIARIES

EXHIBIT I

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)<sup>1</sup>

	For the Three Months Ended June 30,						For the Six Months Ended June 30,					
	2024		2023		% Change as Reported	% Change in Constant Currency	2024		2023		% Change as Reported	% Change in Constant Currency
	\$ Amt	% Net Sales	\$ Amt	% Net Sales			\$ Amt	% Net Sales	\$ Amt	% Net Sales		
<b>(In millions, except per share and percentage information)</b>												
<b>Net Sales</b>	\$ 1,079.7		\$ 1,087.2		-1%	—%	\$ 1,889.2		\$ 1,901.7		-1%	-1%
Cost of Sales	549.0	50.8%	597.4	54.9%	-8%		969.6	51.3%	1,086.1	57.1%	-11%	
<b>Gross Profit</b>	530.7	49.2%	489.8	45.1%	8%	10%	919.6	48.7%	815.6	42.9%	13%	13%
Advertising and Promotion Expenses	73.7	6.8%	90.0	8.3%	-18%		145.2	7.7%	166.1	8.7%	-13%	
Other Selling and Administrative Expenses	373.8	34.6%	337.0	31.0%	11%		726.8	38.5%	701.8	36.9%	4%	
<b>Operating Income (Loss)</b>	83.2	7.7%	62.8	5.8%	33%	68%	47.7	2.5%	(52.3)	-2.7%	-191%	-130%
Interest Expense	30.0	2.8%	30.6	2.8%	-2%		60.0	3.2%	61.8	3.2%	-3%	
Interest (Income)	(12.4)	-1.1%	(4.3)	-0.4%	187%		(29.7)	-1.6%	(10.8)	-0.6%	174%	
Other Non-Operating Expense (Income), Net	6.1		(2.1)				11.7		(3.6)			
<b>Income (Loss) Before Income Taxes</b>	59.5	5.5%	38.6	3.6%	54%	130%	5.6	0.3%	(99.6)	-5.2%	-106%	-87%
Provision (Benefit) from Income Taxes	9.2		14.4				(11.6)		(12.6)			
(Income) from Equity Method Investments	(6.5)		(3.0)				(11.4)		(7.7)			
<b>Net Income (Loss)</b>	\$ 56.9	5.3%	\$ 27.2	2.5%	109%		\$ 28.6	1.5%	\$ (79.3)	-4.2%	-136%	
<b>Net Income (Loss) Per Common Share - Basic</b>	\$ 0.17		\$ 0.08				\$ 0.08		\$ (0.22)			
Weighted-Average Number of Common Shares	342.2		354.6				344.6		354.7			
<b>Net Income (Loss) Per Common Share - Diluted</b>	\$ 0.17		\$ 0.08				\$ 0.08		\$ (0.22)			
Weighted-Average Number of Common and Potential Common Shares	344.4		357.2				347.4		354.7			

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





# Condensed Consolidated Balance Sheets

MATTEL, INC. AND SUBSIDIARIES

EXHIBIT II

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

	June 30,		December 31,
	2024	2023	2023
	(Unaudited)		
<b>(In millions)</b>			
<b>Assets</b>			
Cash and Equivalents	\$ 722.4	\$ 299.9	\$ 1,261.4
Accounts Receivable, Net	839.4	890.9	1,081.8
Inventories	776.9	971.6	571.6
Prepaid Expenses and Other Current Assets	265.7	261.3	207.5
<b>Total Current Assets</b>	<b>2,604.4</b>	<b>2,423.7</b>	<b>3,122.3</b>
Property, Plant, and Equipment, Net	444.9	464.1	465.5
Right-of-Use Assets, Net	292.4	296.2	313.2
Goodwill	1,383.4	1,384.2	1,384.5
Other Noncurrent Assets	1,180.8	1,329.5	1,150.2
<b>Total Assets</b>	<b>\$ 5,905.8</b>	<b>\$ 5,897.8</b>	<b>\$ 6,435.8</b>
<b>Liabilities and Stockholders' Equity</b>			
Accounts Payable and Accrued Liabilities	\$ 1,005.4	\$ 1,021.7	\$ 1,308.6
Income Taxes Payable	5.7	9.4	33.9
<b>Total Current Liabilities</b>	<b>1,011.2</b>	<b>1,031.1</b>	<b>1,342.5</b>
Long-Term Debt	2,332.2	2,327.8	2,330.0
Noncurrent Lease Liabilities	243.2	243.8	259.5
Other Noncurrent Liabilities	346.1	332.8	354.6
Stockholders' Equity	1,973.1	1,962.4	2,149.2
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 5,905.8</b>	<b>\$ 5,897.8</b>	<b>\$ 6,435.8</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,	
2024	2023
70	74

**(In millions)**

**Condensed Cash Flow Data:**

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

For the Six Months Ended June 30,	
2024	2023
\$ (217)	\$ (326)
(73)	(62)
(249)	(74)
<u>\$ (539)</u>	<u>\$ (461)</u>

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





# Reconciliation of Non-GAAP Financial Measures

MATTTEL, 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>	For the Three Months Ended June 30,			For the Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
<b>Gross Profit</b>						
Gross Profit, As Reported	\$ 530.7	\$ 489.8		\$ 919.6	\$ 815.6	
<i>Gross Margin</i>	49.2 %	45.1 %	410 bps	48.7 %	42.9 %	580 bps
<i>Adjustments:</i>						
Severance and Restructuring Expenses	0.4	(1.2)		2.6	(1.2)	
Gross Profit, As Adjusted	\$ 531.1	\$ 488.6		\$ 922.2	\$ 814.4	
<i>Adjusted Gross Margin</i>	49.2 %	44.9 %	430 bps	48.8 %	42.8 %	600 bps
<b>Other Selling and Administrative Expenses</b>						
Other Selling and Administrative Expenses, As Reported	\$ 373.8	\$ 337.0	11%	\$ 726.8	\$ 701.8	4%
<i>% of Net Sales</i>	34.6 %	31.0 %	360 bps	38.5 %	36.9 %	160 bps
<i>Adjustments:</i>						
Severance and Restructuring Expenses	(10.4)	(9.8)		(16.7)	(33.7)	
Inclined Sleeper Product Recalls	(2.2)	(3.4)		(5.9)	(7.7)	
Other Selling and Administrative Expenses, As Adjusted	\$ 361.2	\$ 323.8	12%	\$ 704.1	\$ 660.3	7%
<i>% of Net Sales</i>	33.5 %	29.8 %	370 bps	37.3 %	34.7 %	260 bps
<b>Operating Income (Loss)</b>						
Operating Income (Loss), As Reported	\$ 83.2	\$ 62.8	33%	\$ 47.7	\$ (52.3)	n/m
<i>Operating Income (Loss) Margin</i>	7.7%	5.8%	190 bps	2.5%	-2.7%	520 bps
<i>Adjustments:</i>						
Severance and Restructuring Expenses	10.8	8.6		19.3	32.5	
Inclined Sleeper Product Recalls	2.2	3.4		5.9	7.7	
Operating Income (Loss), As Adjusted	\$ 96.2	\$ 74.7	29%	\$ 72.9	\$ (12.0)	n/m
<i>Adjusted Operating Income (Loss) Margin</i>	8.9%	6.9%	200 bps	3.9%	-0.6%	450 bps

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

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**

<b>(In millions, except per share and percentage information)</b>	<b>For the Three Months Ended June 30,</b>			<b>For the Six Months Ended June 30,</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b><u>Earnings Per Share</u></b>						
Net Income (Loss) Per Common Share, As Reported	\$ 0.17	\$ 0.08	113%	\$ 0.08	\$ (0.22)	n/m
<i>Adjustments:</i>						
Severance and Restructuring Expenses	0.03	0.02		0.06	0.09	
Inclined Sleeper Product Recalls	0.01	0.01		0.02	0.02	
Tax Effect of Adjustments <sup>2</sup>	(0.01)	(0.01)		(0.02)	(0.03)	
Net Income (Loss) Per Common Share, As Adjusted	<u>\$ 0.19</u>	<u>\$ 0.10</u>	90%	<u>\$ 0.14</u>	<u>\$ (0.14)</u>	n/m
<b><u>EBITDA and Adjusted EBITDA</u></b>						
Net Income (Loss), As Reported	\$ 56.9	\$ 27.2	109%	\$ 28.6	\$ (79.3)	n/m
<i>Adjustments:</i>						
Interest Expense	30.0	30.6		60.0	61.8	
Provision (Benefit) from Income Taxes	9.2	14.4		(11.6)	(12.6)	
Depreciation	34.1	34.3		68.6	68.0	
Amortization	7.8	9.5		15.6	19.0	
EBITDA	138.0	116.1		161.3	56.9	
<i>Adjustments:</i>						
Share-Based Compensation	19.8	20.0		37.8	36.9	
Severance and Restructuring Expenses	10.8	8.6		19.3	32.5	
Inclined Sleeper Product Recalls	2.2	3.4		5.9	7.7	
Adjusted EBITDA	<u>\$ 170.8</u>	<u>\$ 148.0</u>	15%	<u>\$ 224.3</u>	<u>\$ 134.1</u>	67%
<b><u>Free Cash Flow</u></b>						
Net Cash Flows (Used for) Operating Activities				\$ (217.4)	\$ (325.6)	
Capital Expenditures				(65.4)	(73.4)	
Free Cash Flow				<u>\$ (282.9)</u>	<u>\$ (399.0)</u>	

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

<sup>2</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

Income Before Income Taxes, As Adjusted

Provision for Income Taxes, As Reported

*Adjustments:*

Tax Effect of Adjustments<sup>2</sup>

Provision for Income Taxes, As Adjusted

Tax Rate, As Reported

Tax Rate, As Adjusted

	For the Three Months Ended June 30,		
	2024	2023	Change
Income Before Income Taxes, As Reported	\$ 59.5	\$ 38.6	
<i>Adjustments:</i>			
Severance and Restructuring Expenses	10.8	8.6	
Inclined Sleeper Product Recalls	2.2	3.4	
Income Before Income Taxes, As Adjusted	<u>\$ 72.5</u>	<u>\$ 50.6</u>	
Provision for Income Taxes, As Reported	\$ 9.2	\$ 14.4	
<i>Adjustments:</i>			
Tax Effect of Adjustments <sup>2</sup>	3.1	2.8	
Provision for Income Taxes, As Adjusted	<u>\$ 12.3</u>	<u>\$ 17.2</u>	
Tax Rate, As Reported	15%	37%	-22 pts
Tax Rate, As Adjusted	<u>17%</u>	<u>34%</u>	-17 pts
	<b>June 30,</b>		
	<b>2024</b>	<b>2023</b>	
Long-Term Debt	\$ 2,332.2	\$ 2,327.8	
<i>Adjustments:</i>			
Cash and Equivalents	(722.4)	(299.9)	
Net Debt	<u>\$ 1,609.8</u>	<u>\$ 2,027.9</u>	

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

<sup>2</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

MATTTEL, 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**

Long-Term Debt

*Adjustments:*

Debt Issuance Costs and Debt Discount

Total Debt

**EBITDA and Adjusted EBITDA**

Net Income, As Reported

*Adjustments:*

Interest Expense

Provision for Income Taxes

Depreciation

Amortization

EBITDA

*Adjustments:*

Share-Based Compensation

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls

Sale of Assets

Loss on Liquidation of Argentina Subsidiary<sup>2</sup>

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 Trailing Twelve Months Ended June 30,		
	2024	2023	Change
	\$ 2,332.2	\$ 2,327.8	
	17.8	22.2	
	<u>\$ 2,350.0</u>	<u>\$ 2,350.0</u>	
	\$ 322.2	\$ 226.7	42%
	122.1	128.7	
	270.5	72.8	
	140.1	140.9	
	34.5	37.9	
	889.4	607.0	
	84.2	68.1	
	46.5	46.3	
	16.2	6.9	
	1.8	(8.3)	
	—	45.4	
	<u>\$ 1,038.0</u>	<u>\$ 765.3</u>	36%
	7.3x	10.4x	
	<u>2.3x</u>	<u>3.1x</u>	
	\$ 978.0	\$ 542.2	80%
	(152.3)	(181.4)	
	<u>\$ 825.7</u>	<u>\$ 360.8</u>	129%
	304%	239%	65 pts
	<u>80%</u>	<u>47%</u>	33 pts

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

<sup>2</sup> During the trailing twelve months ended June 30, 2023, 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

(In millions, except percentage and per share information)

### Gross Profit

Gross Profit, As Reported

*Gross Margin*

*Adjustments:*

Severance and Restructuring Expenses

Gross Profit, As Adjusted

*Adjusted Gross Margin*

### Earnings Per Share

Net Income Per Common Share, As Reported

*Adjustments:*

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls

Changes to Deferred Tax Assets<sup>2</sup>

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

Net Income Per Common Share, As Adjusted

### EBITDA and Adjusted EBITDA

Net Income, As Reported

*Adjustments:*

Interest Expense

Provision for Income Taxes

Depreciation

Amortization

EBITDA

*Adjustments:*

Share-Based Compensation

Severance and Restructuring Expenses

Inclined Sleeper Product Recalls

Sale of Assets

Adjusted EBITDA

	<u>For the Year Ended</u> <u>December 31,</u>	
	<u>2023</u>	
	\$	2,583.7
		47.5 %
		(1.2)
	\$	2,582.6
		47.5 %
	\$	0.60
		0.17
		0.05
		0.45
		(0.04)
	\$	1.23
	\$	214.4
		123.8
		269.5
		139.5
		37.9
		785.0
		83.3
		59.7
		18.1
		1.8
	\$	947.8

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

<sup>2</sup> For the year ended December 31, 2023, Mattel recorded an expense of \$212.4 million related to the release of foreign deferred tax assets and a benefit of \$51.0 million upon the establishment of deferred tax assets related to an intra-group transfer of certain IP rights.

<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.



# 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)

### Tax Rate

	<u>For the Year Ended December 31, 2023</u>
Income Before Income Taxes, As Reported	\$ 465.4
<i>Adjustments:</i>	
Severance and Restructuring Expenses	59.7
Inclined Sleeper Product Recalls	18.1
Sale of Assets	1.8
Income Before Income Taxes, As Adjusted	<u>\$ 544.9</u>
Provision for Income Taxes, As Reported	\$ 269.5
<i>Adjustments:</i>	
Changes to Deferred Tax Assets <sup>2</sup>	(161.4)
Tax Effect of Adjustments <sup>3</sup>	15.3
Provision for Income Taxes, As Adjusted	<u>\$ 123.4</u>
Tax Rate, As Reported	58%
Tax Rate, As Adjusted	<u>23%</u>

### Free Cash Flow

Net Cash Flows Provided by Operating Activities	\$ 869.8
Capital Expenditures	(160.3)
Free Cash Flow	<u>\$ 709.5</u>

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

<sup>2</sup> For the year ended December 31, 2023, Mattel recorded an expense of \$212.4 million related to the release of foreign deferred tax assets and a benefit of \$51.0 million upon the establishment of deferred tax assets related to an intra-group transfer of certain IP rights.

<sup>3</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,			
	2024	2023	% Change as Reported	% Change in Constant Currency	2024	2023	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<b>Worldwide Net Sales:</b>								
Net Sales	\$ 1,079.7	\$ 1,087.2	-1%	—%	\$ 1,889.2	\$ 1,901.7	-1%	-1%
<b>Worldwide Gross Billings by Categories:</b>								
Dolls	\$ 414.0	\$ 440.5	-6%	-5%	\$ 708.5	\$ 746.6	-5%	-5%
Infant, Toddler, and Preschool	190.3	197.3	-4	-3	325.3	347.5	-6	-7
Vehicles	369.7	363.8	2	2	667.4	647.4	3	3
Action Figures, Building Sets, Games, and Other	227.3	225.9	1	1	399.0	397.4	-	-
Gross Billings	<u>\$ 1,201.3</u>	<u>\$ 1,227.5</u>	-2%	-2%	<u>\$ 2,100.3</u>	<u>\$ 2,138.8</u>	-2%	-2%
<b>Supplemental Gross Billings Disclosure</b>								
<b>Worldwide Gross Billings by Top 3 Power Brands:</b>								
Barbie	\$ 266.1	\$ 282.7	-6%	-5%	\$ 443.5	\$ 459.6	-3%	-3%
Hot Wheels	327.4	315.2	4	5	585.5	560.1	5	5
Fisher-Price <sup>3</sup>	135.9	123.3	10	11	229.3	216.4	6	6
Other	471.9	506.3	-7	-6	841.9	902.8	-7	-7
Gross Billings	<u>\$ 1,201.3</u>	<u>\$ 1,227.5</u>	-2%	-2%	<u>\$ 2,100.3</u>	<u>\$ 2,138.8</u>	-2%	-2%

<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.

<sup>3</sup> Beginning in the first quarter of 2024, the Fisher-Price power brand was revised to exclude Baby Gear and Imaginext products. Prior period amounts have been reclassified to conform to the current presentation.



# 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>2,3</sup>

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2024	2023	% Change as Reported	% Change in Constant Currency	2024	2023	% Change as Reported	% Change in Constant Currency
(In millions, except percentage information)								
<b>North America Net Sales:</b>								
Net Sales	\$ 606.5	\$ 624.5	-3%	-3%	\$ 1,084.3	\$ 1,094.9	-1%	-1%
<b>North America Gross Billings by Categories:</b>								
Dolls	\$ 231.1	\$ 239.2	-3%	-3%	\$ 395.9	\$ 406.3	-3%	-3%
Infant, Toddler, and Preschool	111.6	119.9	-7	-7	192.1	207.1	-7	-7
Vehicles	166.8	173.5	-4	-4	317.0	315.7	0	0
Action Figures, Building Sets, Games, and Other	137.3	133.0	3	3	248.3	239.3	4	4
Gross Billings	<u>\$ 646.9</u>	<u>\$ 665.7</u>	-3%	-3%	<u>\$ 1,153.3</u>	<u>\$ 1,168.4</u>	-1%	-1%
<b>Supplemental Gross Billings Disclosure</b>								
<b>North America Gross Billings by Top 3 Power Brands:</b>								
Barbie	\$ 140.0	\$ 148.1	-5%	-5%	\$ 232.4	\$ 237.7	-2%	-2%
Hot Wheels	144.6	146.9	-2	-1	271.3	266.6	2	2
Fisher-Price <sup>4</sup>	78.4	70.3	11	12	132.1	119.4	11	11
Other	283.9	300.4	-5	-5	517.5	544.8	-5	-5
Gross Billings	<u>\$ 646.9</u>	<u>\$ 665.7</u>	-3%	-3%	<u>\$ 1,153.3</u>	<u>\$ 1,168.4</u>	-1%	-1%

<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.

<sup>3</sup> In the first quarter of 2024, Mattel's American Girl business was integrated into its North America commercial organization and is reported within the North America operating segment. Prior period amounts have been reclassified to conform to the current period presentation.

<sup>4</sup> Beginning in the first quarter of 2024, the Fisher-Price power brand was revised to exclude Baby Gear and Imaginext products. Prior period amounts have been reclassified to conform to the current presentation.







# 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 presentation include 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, and the impact of the inclined sleeper product recalls, 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, and the impact of the inclined sleeper product recalls, 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 changes to certain deferred tax assets, 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, the impact of sale of assets, and loss on liquidation of a subsidiary, which are not part of Mattel’s core business. Mattel believes EBITDA and Adjusted EBITDA are useful supplemental information for investors to gauge and compare Mattel’s business performance to other companies in its industry with similar capital structures. The presentation of Adjusted EBITDA differs from how Mattel calculates EBITDA for purposes of covenant compliance under the indentures governing its high yield senior notes and the revolving credit agreement governing its revolving credit facility. 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, and the impact of inclined sleeper product recalls. 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.

### 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 EPS, Adjusted EBITDA, Adjusted Tax Rate, and Free Cash Flow 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 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.