

# Remote Control & Interactive Characters



## Market Strategy

Our Remote Control business is targeted at boys aged 6-11 and emphasizes dynamic motion. *Air Hogs* is marketing driven, focused on product innovation, strategic product line development and strategic licensing. For 2016 we intend to introduce a new category of connected toys to keep *Air Hogs* as the category innovator while attracting older “gamer” consumers, and a preschool line of remote control toys.

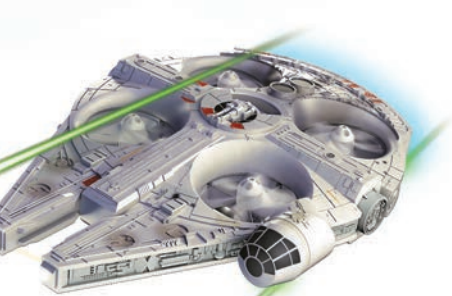


The Interactive Characters business targets girls and boys aged 6-9 years. We will drive innovation through our leading-edge robotics expertise blending technology and compelling characters, bringing them to life for children. We will expand our offering to include lower retail price points.

## New for 2016

In addition to an expanded *Star Wars* line, the *Air Hogs Batmobile* will launch in conjunction with the *Batman vs Superman* movie. Also, in conjunction with a new *Star Trek* movie, we'll be introducing the first-ever flying *Starship Enterprise*, as well as a *Thunderbirds* licensed product line. We are launching *Air Hogs Connect*, an exciting new 3D-augmented reality technology gaming



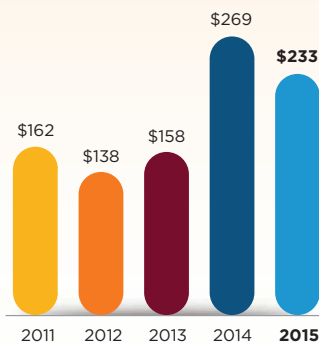


system, which brings the world of physical toys together with a digital game experience. We will continue to develop the *Air Hogs Connect* line with new technology and exciting licensed applications.

Interactive Characters will introduce new technology in our high-end *Zoomer* products, including “True Expression Technology”, and innovative animated face technology, launched on the *Zoomer Chimp*. Our exciting new *Hatchimals* product will be a big focus, launching with revolutionary, patented “auto-hatching” technology.

# +9.5%<sup>(1)</sup>

## Gross Product Sales



(US\$ millions)

(1) Compound Annual Growth Rate 2011-2015.

## PARTNERSHIP WITH INVENTORS

In the mid 1990s, model planes were only available from hobby stores and required glued assembly, gasoline, and adult supervision. In 1996, turned down by many other toy companies, two British inventors brought to Spin Master a prototype flying vehicle that was essentially a pop bottle with Styrofoam wings, powered by a miniature single-piston air-powered engine. Only Spin Master had the vision to see the mass market potential of the concept of a miniature air pressure motor. This led to the development of the *Sky Shark*, which became the genesis of the *Air Hogs* brand.



# Boys Action & High-Tech Construction

**MECCANO** TECH  
MAKER SYSTEM



## Market Strategy

Boys Action focuses primarily on products for 4–8-year-olds, with a secondary market of older kids and collectors, who love the way our high-quality products bring top entertainment brands to life. We thrive on the cutting edge of what's new for boys, from entertainment franchises to innovative technology. We intend to grow the business through partnering with world-class licenses, investing in our own entertainment content, expanding our product offering and distribution in specialty and value channels and broadening our distribution and marketing in Europe, Latin America, and Asia.

High-Tech Construction delivers engineering and robotics play for boys 6 and older. *Meccano* provides the budding engineer a system to graduate to. Our objective is to excel in engineering toys, through the introduction of new technology and materials that enhance the building and educational experience. Our growth strategy is to be the first brand to establish a segment of toys centered on engineering and robotics, with new offerings across a wide variety of price points.

## New for 2016

In 2016, our Boys Action business will be the master toy licensee for a number of major upcoming movie properties including launching toy lines for *Angry Birds*, based on the motion picture that's relaunching the hit app franchise, and *Secret Life of Pets*, an animated comedy from the makers of the record-

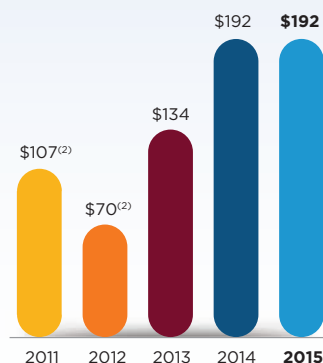


breaking *Despicable Me* franchise. We are continuing to develop *Star Wars* robotic items and have been working on a new original animated TV show.

In 2016, High-Tech Construction will continue to innovate across the *Meccano* brand with new materials, new build designs and new technologies, including the introduction of *Meccanoid 2.0* with natural language interaction. In addition, we will offer simplified programming to a broader audience with *Meccasaur T-Rex* as well as an entry price point robotic line of *Micronoids*.

+15.7%<sup>(1)(2)</sup>

Gross Product Sales

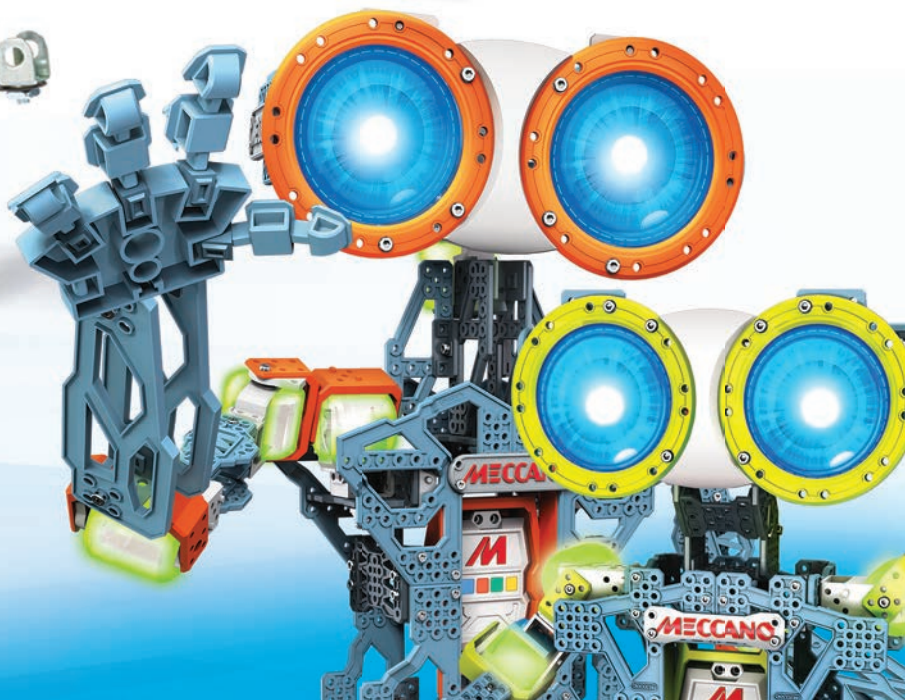


(US\$ millions)

(1) Compound Annual Growth Rate 2011-2015.  
 (2) Excluding Bakugan of \$151 and \$38 respectively.

**GROWING BY ACQUISITION**

*Meccano* was a brand with over 100 years of history that needed product innovation and fresh marketing. We leveraged our core strength in innovation to acquire and infuse the brand with new life, evidenced by *Meccanoid* winning the prestigious “Last Gadget Standing” at 2015’s Consumer Electronics Show.



# Activities, Games & Puzzles and Fun Furniture

## Kinetic Sand



## Bunchems!

### Market Strategy

The Activities business is targeted at girls and boys aged 2-10. We offer a wide range of products that integrate fashion, food and popular culture into innovative products that have global appeal. Our products promote both gender specific and gender neutral play patterns designed to teach children new skills and provide multiple outlets for creative play and expression. We are growing the business through brand building, focusing on *Kinetic Sand*, *Bunchems*, the recently acquired *Etch-A-Sketch* brand, and the *Cool* line. We're targeting global and channel expansion to increase our footprint, and entering into "basic activities" through our Entertainment and Preschool & Girls products.

Games and Puzzles targets not just children, but also families and adult gamers. Games and puzzles are the perfect antidote to an increasingly technological world and provides an emotional connection between family and friends. We are growing by acquiring business and titles, investing in existing brands such as *Hedbanz*, reinventing existing titles such as *Beat the Parents*, growing our global footprint through new market and product launches and introducing new game experiences.

Fun Furniture features our *Marshmallow* line, aimed at boys and girls between 18 months and 4 years. Our objective is to provide kid-sized, comfortable furniture with the most popular children's entertainment characters. Our growth strategy includes expanding E-commerce and direct-to-consumer channel sales through product and licensing expansion, new formats and expanded price points.



## New for 2016

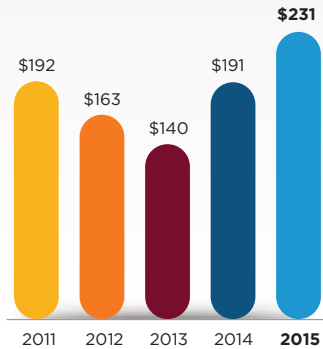
Activities is launching a product line with the *Build-A-Bear* license, for which we are the exclusive toy partner, in addition to *Pottery Cool*, a new patented way to create with clay. We're also planning a global expansion of *Bunchems*, the patented, soft, brightly colored plastic spheres that easily connect to make effortless, colourful creations; expansion of the *Kinetic Sand* line including *Kinetic Sand Disney* play sets, which allow indoor sandbox play, and the global launch of *Bendaroos*.

Games and Puzzles will focus on growing the Cardinal business in 2016, both domestically and internationally, using Spin Master's global distribution network. We will also leverage Cardinal's strengths in the value channel to grow our existing Games and Puzzle business. New *Hedbanz* games, including the deluxe electronic version and licensed versions of the game, will be launched.

Our *Marshmallow* line will feature new chairs and licenses. In addition to *Frozen*, *Paw Patrol* and *Mickey and Minnie*, we are introducing *Peppa Pig* and *Hello Kitty*.

# +4.7%<sup>(1)</sup>

## Gross Product Sales



(US\$ millions)

(1) Compound Annual Growth Rate 2011-2015.

## ENTERING NEW CATEGORIES



In 2010, we began the execution of a targeted entry into the games business, a segment with a strong and consistent revenue and cash flow profile. We made the platform acquisition of Imagination Games, and supplemented it with a number of new titles including *Quelf*, *Perplexus*, and *Hedbanz*. The 2015 acquisition of Cardinal Industries moved Spin Master into the #2 position in the North American games market, only five years after our initial entry. This position was supplemented in early 2016 by the acquisition of the Editrice Giochi games business in Italy, which includes such well known titles as *Risiko* and *Scarabeo*.



## Pre-School and Girls



### Market Strategy

The Pre-School business develops toys and children's entertainment for boys and girls aged 2-5, while the Girls business focuses on girls aged 3-8. The Pre-School business is driven by entertainment licensing - kids fall in love with aspirational characters. Our objectives are to drive innovation and exciting entertainment, keep the pipeline full with new product innovation and build global entertainment franchises, including developing *Paw Patrol* into an evergreen franchise.



Our strategy in both Pre-School and Girls is to maintain a consistent pipeline of entertainment properties, with a particular focus on those that cross geographic and cultural boundaries. *Paw Patrol* represents an excellent example of this strategy, and we continue to leverage its success with toys and licensing opportunities, driving licensing and merchandise revenue. We also see tremendous opportunities to enhance our product offerings for both the value and specialty channels.



### New for 2016

In the Pre-School business we will continue to develop the *Paw Patrol* franchise globally. In 2016 we will launch *Paw Patrol Season 3* on Nickleodeon together with a number of innovative *Paw Patrol* products. We will also launch a number of new entertainment and licensed Pre-School properties for 2016. We will launch *Rusty Rivets* on Nickelodeon and Treehouse in Fall 2016, *Noddy*

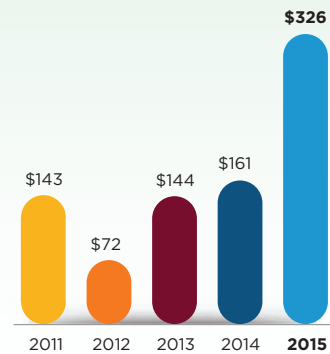


in international markets and *Masha and the Bear* in North America. *Rusty Rivets* is an internally developed show targeted primarily at boys aged 2-5.

In the Girls business we have a robust pipeline of new product introductions including *Brightlings*, an interactive plush toy with a technology overlay and *Chubby Puppies*, collectible pets that each feature unique movements. In the Girls licensed products area, we have secured master toy licenses for *Popples* and the global relaunch of *PowerPuff Girls*.

# +22.9%<sup>(1)</sup>

## Gross Product Sales



(US\$ millions)

(1) Compound Annual Growth Rate 2011-2015.

## ENTERTAINMENT AND BEYOND

Children's entertainment programming easily travels across geographies, cultures and ethnicities, fueling strong growth in global demand. Spin Master has successfully developed proprietary entertainment content including *Paw Patrol* and *Bakugan*, enhancing toy sales in the toy categories as well as developing auxiliary licensing and merchandising revenue streams from the content itself.

