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MAT - Q1 2020 Mattel Inc Earnings Call

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OVERVIEW:

Co. reported 1Q20 gross sales of $670m, net sales of $594m and reported operating loss of $150m.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Mattel, Inc. First Quarter 2020 Earnings Conference Call. (Operator Instructions) As a reminder, today's conference call is being recorded (Operator Instructions)

I would now like to introduce your host for today's call, David Zbojniewicz, Vice President of Investor Relations. Mr. Zbojniewicz, you may begin.

David Zbojniewicz - *Mattel, Inc. - Head of IR*

Thank you, operator, and good afternoon, everyone. Joining me today are Ynon Kreiz, Mattel's Chairman and Chief Executive Officer; Richard Dickson, Mattel's President and Chief Operating Officer; and Joe Euteneuer, Mattel's Chief Financial Officer.

As you know, this afternoon, we reported Mattel's 2020 First quarter financial results. Given the extenuating circumstances around COVID-19, we will begin today's call with Ynon providing commentary around the impact to our business. Ynon and Joe will then provide some commentary on our results, after which, we will provide some time for Ynon, Richard and Joe to take your questions. To help guide our discussion today, we have provided you with a slide presentation. Our discussion, slide presentation and earnings release reference non-GAAP financial measures, including Gross Sales; Adjusted Gross Profit and Adjusted Gross Margin; Adjusted Other Selling and Administrative Expenses; Adjusted Operating Income and Loss; Adjusted Earnings and Loss per Share; Earnings Before Interest, Taxes, Depreciation and Amortization, or EBITDA; Adjusted EBITDA; Free Cash Flow; and Constant Currency. Please note that the sales figures referenced on this call will be stated in constant currency.

The information required by Regulation G regarding non-GAAP financial measures is included in our earnings release and slide presentation, and both documents are available in the Investors section of our corporate website, corporate.mattel.com.

Before we begin, I'd like to remind you that certain statements made during the call may include forward-looking statements related to the future performance of our business, brands and product lines. These statements are based on currently available information and assumptions. They are subject to a number of significant risks and uncertainties that could cause our actual results to differ materially from those projected in the forward-looking statements, including risks and uncertainties associated with the COVID-19 pandemic. We describe some of these uncertainties in the Risk Factors section of our 2019 annual report on Form 10-K, our earnings release, and the presentation accompanying this call, and other filings we make with the SEC from time to time as well as in other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so, except as required by law.

Now I'd like to turn the call over to Ynon.

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Thank you, everyone, for joining Mattel's First Quarter 2020 Earnings Call. We hope that you and your loved ones are safe and healthy.

Since our last earnings call, the world has been facing the unprecedented health and economic impact of COVID-19. While there is no playbook for a pandemic of this nature, we have been quickly adjusting the way we operate and how we manage the company.

Our top priority has been to protect the health and safety of our people, and at the same time, mitigate the disruption to our business. We successfully transitioned to a remote work structure for our employees working in 35 countries, implemented stringent measures to safeguard personnel at our plant and distribution centers, and temporarily closed our American Girl retail stores.

We were able to ensure almost seamless business continuity, and remain, for the most part, in full work mode throughout the period. Our back-office support functions rose to the occasion and supported the enterprise, while the organization stayed focused on the execution of our strategy.

Our global supply chain organization has rapidly responded to the frequent and unpredictable changes occurring in various locations where we operate. We have taken mitigating actions to return our manufacturing and distribution operations to near-normal operating capacity, including in China, and we are taking similar actions in other parts of the world where necessary.

The digital design systems that we recently implemented have enabled our design and development organization to innovate and collaborate remotely. We have maintained our business calendar, successfully executing our Spring 2021 Toy Fair virtually, allowing customers from around the world to engage with our category and commercial teams.

Our global commercial organization has also been working with our retail partners daily to navigate the dynamic landscape and evolving consumer path to purchase. We quickly developed and launched new promotions and marketing activation initiatives that were tailored to the new consumer behaviors, including our global Fun Ways to Play Together campaign on Amazon, a one-stop shop for families to search, discover and purchase our toys.

Our work over the past two years to develop a flexible and results-oriented organization is serving us well. We are confident about our path forward and remain focused on the execution of our strategy to transform Mattel into an IP-driven, high-performing toy company. At no time in our 75-year history has our mission to create innovative products and experiences that inspire, entertain and develop children through play, been more vital than now.

Turning to our first quarter performance. Our results were impacted by the global events that unfolded in February and March. Gross Sales were $670 million, down 14% as reported and 12% in constant currency. Net sales were $594 million, down 14% as reported and 12% in constant currency. Reported gross margin was 43.0%, an improvement of 820 basis points. Adjusted gross margin was 43.5%, an improvement of 550 basis points. And adjusted EBITDA was negative $65 million, a decline of $44 million.

In the midst of the disruption, we are encouraged by the continued improvement of our gross margin. This speaks to the progress we are making in optimizing our cost structure and restoring profitability.

Looking at our Gross Sales in constant currency for the quarter. While we expected higher retail inventories entering the year to have a negative impact on our revenues, the majority of the decline was COVID-19 related. This was driven primarily by the temporary closures of retail stores and distribution centers as well as retailers prioritizing essential items. By the end of the first quarter, more than 30% of the retail outlets, which sell our products, representing about 1/3 of our revenue base, were closed.

Looking at it by region, as of March 31, in North America, with mass, grocery and online channels operating under limitations, roughly 1/4 of retail outlets were closed. Gross Sales in the region declined 17%.

In EMEA, where we sell more through hypermarkets and specialty stores, roughly half of retail outlets were closed. Gross Sales in the region, however, increased 3%, driven by strong momentum in the January and February time frame.

In Asia Pacific, approximately 10% of retail outlets were closed. Gross Sales in the region declined 28%, driven primarily by significant revenue decline in China, yet with the country reopening, we're seeing an improving trend.

In Latin America, roughly half of retail outlets across the region were closed, primarily in Brazil and Mexico. Gross Sales in the region declined 14%.

Overall, we had very strong growth in online retail and e-commerce POS across all regions, but it was not enough to offset the negative impact from the decline in brick-and-mortar retail globally.

Looking at POS in more detail in the quarter. Our global POS through February was up low single digits, and we maintained global market share per NPD. However, in March, our POS declined 7% per NPD, as COVID-19 impacted the retail market and consumer demand shifted to other toy categories where we have a smaller presence.

With families quarantined at home, parents sought out products that were geared towards multiplayer participation, time-consuming activities or toys suitable for backyard play. This led to growth in categories such as games, construction, arts and crafts and outdoor, per NPD. We did benefit to a certain degree from this category-driven growth, and our games business actually outpaced the industry and gained market share in the first quarter, per NPD.

However, for Mattel, it was not enough to offset the declines that the industry experienced in the other categories, especially in dolls and infant, toddler and preschool, where we are a market leader and where we have a large revenue base. This is in spite of the fact that we grew market share in two of our leader categories, dolls and vehicles, per NPD.

We believe the factors that have been driving the category shift are temporary. And based on our most recent data, we expect that the industry will return to its pre-COVID-19 category trends. Our internal research shows that parents and kids are already looking to expand their options and return to their favorite pre-COVID-19 play patterns.

Looking to the second quarter. The retail environment remains fluid, with some markets starting to open and others expanding closures. The combined impact remains to be seen.

Online retail continues to grow and perform strongly, helping to partially offset the decline in brick-and-mortar. Quarter-to-date, our online POS in the U.S. has increased over 90%. Total POS normalized for Easter seasonality is showing improvement in April compared to March, especially in the U.S., where in the last two weeks, we saw double-digit year-over-year increases.

As it relates to our supply chain, during the month of April, we experienced temporary closures of certain manufacturing plants and distribution centers. However, we are still several months away from the beginning of our peak production, and are proactively working to meet inventory demand for our product through the rest of the year. With the majority of our manufacturing and distribution centers operational and increasing demand for our toys, we believe the main challenge in the current environment has become getting our products into the hands of consumers.

The retail disruptions we faced in March were also present in April, and are expected to continue over a longer period, most likely through June. In addition, we will be impacted by the postponed launch of Universal's Minions, which was expected to be a key driver for us this year, and has moved to Summer 2021, as well as a number of Olympic tie-ins across our brands. Given the combination of these factors, we expect a more significant revenue decline in the second quarter than we experienced in the first quarter.

Looking beyond the second quarter, we expect to see continuing improvement in our supply chain and retail distribution, as quarantine restrictions are relaxed. We are planning for increased demand for our products as the economy reopens in expectation of a much improved second half and the all-important holiday season.

While our first quarter results and second quarter outlook are down versus prior year, we are very satisfied with our execution given the circumstances.

We believe there are several macro industry factors that will benefit us going forward. Historically, while not recession-proof, the toy industry has been resilient in downturns. Although there is no direct comparison to the current circumstances, we believe parents will continue to prioritize spend on their children, even in tough economic times. Retailers are aggressively looking to attract consumers to their online or brick-and-mortar stores, and toys have always been considered a strategic category. Our retail partners have done a remarkable job adapting to the current operating environment, and we expect to see a gradual reopening of markets over time. Also, the highly seasonal nature of the industry leaves time for recovery before we enter the all-important holiday period.

For these reasons, we believe the toy industry is in a much better position compared to most consumer-discretionary industries.

In addition, from Mattel' perspective, the progress we made in reshaping our operations over the past two years, together with our assets, resources and capabilities, position us well to manage successfully through this period.

Our design and category management organizations have been quick to respond to consumer needs and find new ways to engage with our brands. Within a matter of weeks, we adjusted our demand creation across our portfolio. In addition, we launched the Mattel Playroom, a free online platform that brings the best of Mattel forward and offers parents and caregivers a centralized resource for activities, expert advice, games and content from our iconic brands.

Our supply chain organization has largely restored global manufacturing and distribution capacity, and we believe that operations are on the right path to meet our production needs for the second half of the year leading up to and including the holiday season.

Our global commercial organization, with its focus on regional execution, continues to closely partner with retailers to accelerate our joint business plans to compensate for the disruption and adapt to the new retail environment, including transition to online retail and omnichannel experience.

Our strong collection of iconic evergreen brands is another competitive advantage. As major entertainment releases are shifting to next year, we are working with our retail partners to rebuild their fall and holiday planograms with our trusted brands to meet consumer demand.

With approximately 65% to 70% of our sales usually coming in the second half of the year, there is time to regain sales momentum.

At the same time, we continue to optimize our cost structure, both fixed and variable. This includes daily decisions on production and inventory commitment based on market dynamics, with particular focus on managing profitability, capital allocation and working capital.

We are targeting $90 million of adjusted SG&A savings in 2020 compared to 2019. Most of the SG&A savings are structural, and will come from the expansion or acceleration of actions we were contemplating before COVID-19. As part of that, yesterday, we announced the reduction of our global nonmanufacturing workforce by 4%. The remainder of the SG&A savings are planned to be realized from temporary actions taken in response to COVID-19.

As a reminder, separately from these efforts, we expect to realize $92 million of adjusted EBITDA savings this year from our recently concluded Structural Simplification program as well as the previously announced $50 million of savings from our Capital Light program. With that, together with the cumulative savings of $875 million from Structural Simplification that we have already achieved, we expect to exceed $1 billion of savings exiting 2020.

As it relates to the balance of our cost structure, at this time of the year, approximately 75% of our costs are variable. This means that we can assess changes in demand and make the appropriate inventory commitments ahead of peak production starting the summer as well as potential adjustments in advertising and trade spend to maximize returns.

Capital Light remains a key priority. We continue to make progress and, as of the end of April, have already exceeded our full year target to reduce SKUs by 30%. This is an important achievement that will allow us to improve the match between demand and supply, optimize manufacturing decisions, improve customer fill rates and capture additional revenue opportunities.

Growing our cash flow and enhancing our liquidity also remain key priorities. With that in mind, we have been proactively improving our capital structure and financial flexibility to ensure we can continue to grow our business.

As you know, in 2019, we refinanced our near-term debt, and now have no maturities until March of 2023. We also extended our existing $1.6 billion senior secured revolving credit facilities to November 2022. We exited 2019 with over $600 million in cash and no short-term borrowings, and are comfortable with our liquidity.

Having achieved tangible progress across every part of the enterprise, we expect to regain the momentum we had entering 2020 after the disruption is over and continue to execute on our short- to mid-term strategy to restore profitability and regain top line growth.

We have also made progress on our mid- to long-term strategy to capture the full value of our IP. We are actively advancing the projects underway and expect to have more announcements soon.

The film industry has also been impacted by the COVID-19 disruption with production delays and changes in release schedules by all major studios, and we are currently working with our partners to assess the timing implications.

We recently announced that we have entered into an exclusive multiyear global music licensing agreement with Warner Music Group. Warner Music will serve as the exclusive distributor of Mattel's current catalog of more than 1,000 songs from brands, including Barbie, Hot Wheels, American Girl, Fisher-Price and Thomas & Friends, among others. We will also be partnering with Warner Music on new music releases from our brands.

Just as importantly, during this time, we recognize the role we play as a global corporate citizen, and are leveraging our expertise, products and resources to support communities, those in need and frontline heroes.

Our design teams across campuses are partnering with our manufacturing facilities to make personal protective equipment, including 500,000 face shields for donation to medical professionals. We launched our "Thank You Heroes" collection, which includes special edition products to salute current day heroes, utilizing our preschool action and Little People figures, with all net proceeds being donated to First Responders First.

Globally, we gave grants to Feed the Children and Save the Children. Domestically, the Mattel Children's Foundation has donated art supplies, games and other toys to the Los Angeles Unified School District's "L. A. Students Most in Need" charitable efforts.

In closing, we exited 2019 with real operating momentum and in growth mode, and we started the new year with clear plans that we articulated at New York Toy Fair just two months ago. 2020, however, is now being reshaped by exogenous and macroeconomic factors.

In spite of the challenging start, we are very satisfied with our execution considering the circumstances. With supply chain and retail distribution continuing to improve and markets reopening, we are planning for increased demand for our products in expectation of a much improved second half and the holiday season.

We are confident in our ability to navigate through the balance of the year, and believe we have the assets, resources and capabilities that position us well to succeed in the recovery. We expect to recapture the momentum that we had entering 2020 after the disruption is over.

We are committed to our strategic road map to restore profitability and regain top line growth in the short- to mid-term, and to capture the full value of our IP in the mid- to long-term. We remain focused on transforming Mattel into an IP-driven, high-performing toy company, and creating long-term shareholder value.

This is an exceptional time to be leading this company, and I'm proud of how our team has embraced uncertainty and change, and demonstrated resilience in the face of this challenge. I'm grateful for all the hard work that everyone has done.

With that, Joe will now cover the financials in more detail.

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Thank you, Ynon, and good afternoon, everyone. As you have heard, the work we have been doing over the past two years to build a more efficient business, has put us on more solid financial ground.

We have created a significantly more flexible business model, which is serving us well during these challenging times, and we expect to have sufficient liquidity to effectively manage through the COVID-19 disruption and continue to execute our strategy.

I will now provide more details on the company's first quarter results. Starting with the top line performance. As Ynon said, Gross Sales decreased 12% in constant currency compared to the prior year.

Early on, we were encouraged by the POS momentum in the business, even as we absorbed the expected mid-single-digit impact of higher retail inventories coming into the year. However, the effects of COVID-19, which emerged in late February, drove the majority of the quarter's decline.

Our global internal POS was relatively flat through February, and finished the quarter down low single digits due to the category shift that Ynon described. Our POS normalized for Easter seasonality is showing improvement in April compared to March, especially in the U.S.

Looking at the top line performance by category. Dolls revenue decreased 9%, primarily driven by declines in Barbie and American Girl. POS for the category was down low-single-digits through February, and ended the quarter down mid-single-digits. However, we grew market share in the category for the quarter, per NPD.

Barbie sales ended down 8%, primarily as a result of the category shift due to COVID-19. Barbie POS through February was up low-single-digits despite facing a tough 60th anniversary comparison, and increased competition from entertainment properties, but ultimately ended the quarter down low-single-digits.

Despite these headwinds, Barbie gained share in the quarter according to NPD. We saw continued strength in Fashionistas and in the new introduction of Color Reveal. We also launched the next 13 episodes of Dreamhouse Adventures on Netflix to provide more at-home entertainment.

We are pleased with the positive direction of April POS trends for Barbie.

American Girl sales ended down 16%, driven primarily by the retail store closures we initiated in March. Prior to March, sales were tracking ahead of expectations in direct-to-consumer and flagship stores, and new customer activations were up versus the prior year.

We also saw strong growth in the online channel, where we generated a double-digit sales increase in March and overall growth for the quarter, with further acceleration in April. However, the strong online retail growth only partially offset the loss of sales due to the closure of all our brick-and-mortar stores. This was the first time we have seen first quarter e-commerce growth in 6 years.

We are very encouraged with the momentum in American Girl this past quarter despite the challenging retail landscape.

Our other doll brands were also down slightly with declines in our licensed doll properties and the sunsetting of some owned smaller brands. This was partially offset by the growth in Enchantimals and new product introductions.

Vehicles category revenue, driven by Hot Wheels, grew 4% in the quarter, and we gained market share according to NPD. POS for the category was up mid-single-digits through February, but ended the quarter down-low single-digits.

Hot Wheels sales were up 8%, with growth across multiple product lines and play systems, including basic cars, Mario Kart and our Monster Trucks line. Hot Wheels gained share with POS up double digits through February, and up high single digits for the quarter.

Overall vehicles category growth was partially offset by the expected decline of Disney Cars vehicles given the nonmovie year.

Infant, Toddler and Preschool category revenue was down 26%, primarily due to the decline of Fisher-Price, including Thomas & Friends, and Fisher-Price Friends. POS for the category was down double-digits through February and ended the quarter down double-digits.

Our POS trends followed the industry with declines accelerating in March as consumers focused on other categories of play. Shipping significantly trailed POS, as consumer demand shifted to other toy categories as a result of COVID-19.

Fisher-Price core revenues were down, partially due to declines in our Imaginext Toy Story line. As expected, Fisher-Price Friends was down, as we continue to exit underperforming licenses.

We are encouraged by the April to date POS trend, which shows significant improvement compared to the first quarter.

Revenue for Action Figures, Building Sets and Games, our challenger categories, together declined 20%. However, POS for the combined category was up mid-single-digits through February and ended the quarter up double-digits.

Our Games category performed exceptionally well, with POS up significantly, marking the fourth consecutive quarter of positive POS growth. UNO, in particular, benefited from extraordinary demand during the quarter. UNO was the #1 purchased item in the Games category, both in the U.S. and globally, per NPD. Even when you exclude UNO, POS for the rest of our Games portfolio performed very well, including Pictionary, as well as other top-performing brands as Kerplunk, Apples to Apples and Blokus.

In spite of heavy competition in the category during the period, we gained market share, according to NPD. We believe this bodes well for the trajectory of our Games business as it continues to be a growth category for Mattel.

The decline in our overall challenger category was primarily driven by Toy Story 4, post its movie launch year, and Mega, which began the year with higher inventory levels and limited retail distribution. Games POS remains strong through April.

Turning to the rest of the P&L. Starting with Gross Margin, we delivered significant improvement with our highest first quarter Gross Margin since 2016 despite disruption related to COVID-19.

First quarter Reported Gross Margin was 43.0% of Net Sales, an increase of 820 basis points versus the prior year. This improvement was driven by realized savings from our Structural Simplification and Capital Light programs, and the absence of the 2019 inclined sleeper recall expense.

Adjusted Gross Margin was 43.5% of net sales, an increase of 550 basis points versus the prior year. This improvement was driven by realized savings from our Structural Simplification and Capital Light programs.

Our Gross Margin in the first quarter exceeded our expectations, even after taking into account headwinds driven by COVID-19.

We continue to make progress towards restoring profitability, and we remain on track to return our gross margin to the high-40s in the mid to long term.

Moving on to Advertising. First quarter Advertising expenses totaled $76 million or 12.8% of Net Sales. This compares to $70 million or 10.1% of Net Sales in the prior year. The year-over-year increase was primarily driven by the timing of nonmedia expense, which was pulled forward into the first quarter.

Reported SG&A for the quarter was $329 million, an increase of $31 million versus the prior year. Adjusted SG&A for the quarter was $315 million, an increase of $26 million versus the prior year. The year-over-year increase was primarily driven by higher incentive compensation and employee-related costs, partially offset by realized savings from our Structural Simplification program.

As we said on our fourth quarter call, we expect full year incentive compensation to be down versus the prior year. The higher expense in the first quarter is timing related, as we booked a higher incentive compensation accrual compared to the prior year.

For the quarter, Reported Operating Loss was $150 million compared to a loss of $127 million in the prior year. Adjusted Operating Loss for the quarter was $133 million compared to a loss of $97 million in the prior year. The declines in reported and adjusted operating loss were due to lower sales and the timing of Advertising and SG&A expenses partially offset by Gross Margin improvements.

Adjusted EBITDA was negative $65 million compared to negative $21 million in the prior year, driven primarily by lower sales and the timing of Advertising and SG&A expenses partially offset by improvements in Gross Margin.

Moving to Taxes. In the first quarter, our Income Tax expense was $11.9 million. We continue to expect that going forward, our overall effective tax rate may vary significantly from quarter-to-quarter due to the level and mix of income or losses in our foreign jurisdictions and due to the full valuation allowance on our U.S. deferred tax assets.

We have also analyzed the potential benefit of the CARES Act and similar stimulus legislation globally and determined it will be immaterial to our financial results, but will modestly benefit our liquidity given that some tax payments may be deferred.

Turning to the balance sheet. We ended the quarter with a cash balance of $499 million, including $150 million of Short-Term Borrowings drawn down from our Senior Secured Revolving Credit Facilities. We drew on our credit facilities in the first quarter to address any potential near-term capital market disruptions. This was followed by a similar $250 million drawdown in April. Please note that we expect the second quarter borrowing needs to be relatively consistent with the prior year's quarter.

Our Working Capital decreased year-over-year as a result of a decrease in Accounts Receivable and lower Inventory. More specifically, Net Accounts Receivable decreased 15% year-over-year, and our Days Sales Outstanding improved by 2 days to 80 days. Owned Inventory decreased $55 million versus the prior year. The decrease in owned Inventory is primarily due to the plant closures that took place in February and March relating to COVID-19.

Capital Expenditures totaled $35 million for the quarter compared to $24 million last year as we continue to invest in the modernization of our IT systems and improve the efficiency of our operations.

Moving on to the second quarter. Our supply chain continues to do a tremendous job rapidly responding to the dynamic environment, and we have begun to see increasing demand for our toys.

As Ynon said, the retail disruptions we faced in March are expected to continue in the second quarter, and we believe the main challenge in the current environment has become getting our products in the hands of consumers. In addition, we will be impacted by the shift in the entertainment slate.

Given the combination of these factors, we expect a more significant revenue decline in the second quarter than we experienced in the first quarter.

Our accomplishments over the past two years have allowed us to establish a more flexible financial structure that positions us well to respond to changing market conditions. These accomplishments include: our cost savings efforts, which we expect to deliver $1 billion of cumulative savings exiting the year; our more streamlined cost structure that is now approximately 75% variable; and the much-improved productivity and performance of our supply chain, driven by our Capital Light program.

We continue to expect the 2020 P&L will benefit from realized savings of $92 million related to Structural Simplification and $50 million related to our Capital Light program. We do not anticipate COVID-19 to have any impact on the savings related to these programs.

Looking at the P&L for the full year. We do expect to see continuing improvement in our supply chain and retail distribution as quarantine restrictions are relaxed. We are also planning for increased demand for our products as the economy reopens, an expectation of a much improved second half and the all-important holiday season.

We hope to have a much clearer picture in the coming months. However, considering the level of uncertainty at this time, we are withdrawing our full year guidance.

I would now like to spend a few minutes on our liquidity and cost structure.

While we regularly perform liquidity stress test, we have analyzed more extreme scenarios given COVID-19. Following this in-depth analysis, where we considered a number of assumptions around the potential size and duration of the impact. We continue to believe that we have sufficient liquidity to effectively manage through this disruption and continue to execute our strategy.

As a matter of practice, we also routinely evaluate our capital structure and access to the capital markets to opportunistically improve our financial flexibility.

As Ynon mentioned, we have no debt maturities until 2023, and we continue to have access to our $1.6 billion senior secured revolving credit facilities. Additionally, we have numerous levers available to manage our variable cost across the P&L.

We have also significantly reduced capital expenditures over the past 3 years and continue to review all noncritical capital spending and cutback were prudent.

In closing, the work we've done to reshape our operations over the past two years has improved our financial flexibility, cost structure and liquidity, positioning us well to navigate through the COVID-19 disruption and continue to execute our strategy.

We are thoughtfully balancing the appropriate actions in the short-term with our long-term strategic priorities.

We remain focused on consistent execution and are taking the necessary actions to emerge stronger.

With that, I'll turn it back over to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Tami Zakaria with JPMorgan.

Tami Zakaria - *JP Morgan Chase & Co, Research Division - Analyst*

I hope everyone is doing well, and thanks for taking my question. So, my first question is, could you talk about the April POS trend by geography? And also, which categories are driving the strength you've seen in the last two weeks of April?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Sure. When you think about -- you're talking about quarter-to-date April, remember, you have Easter in there. So if you think about the U.S., when you adjust it for the Easter holiday, so you can get a comparable year-over-year, we have a high single-digit growth overall for all brands. Dolls were up double-digits. Dolls, excluding American Girl, was up double-digits. Infant, Toddler and Preschool is up double-digits, and [Action Figures, Building Sets] (corrected by company after the call) and Games were up double-digits.

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

And Tami, let me expand a little bit. For total Mattel, based on our internal POS, normalized for Easter seasonality, we are showing improvement in April compared to March. And just to emphasize what Joe was saying, it's particularly strong in the U.S., where in the last two weeks, we saw double-digit growth in POS, and triple-digit growth online. So strong momentum, especially in the U.S. We still don't have full data for international, but what we see in the U.S. is strong so far.

Tami Zakaria - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. Thank you. And so my follow-up question is, as you think about the second quarter, should we expect operating losses to be worse than what you did in the first quarter given the ongoing store closures? Or do you have expense levers to pull to have better operating losses than the first quarter?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Yes. We're not giving guidance yet for the second quarter. And given the uncertainty over the disruption, we can't be more specific at this time. As we said in the prepared remarks, the retail disruptions we faced in March are still present -- or were still present in April and expect it to continue over a longer period of time. So it's not that it's getting worse, but rather it's the same type of disruption over a longer period of time. But we are seeing early trends of improvement. And given the fact that we're seeing improvement in supply chain and early signs of demand, the challenge now is getting product in the hands of consumers. This is what we see the challenge is. And as retail continues to improve and markets reopen, we expect things to get better as we move towards the second half.

Operator

Our next question comes from the line of Tim Conder with Wells Fargo.

Timothy Andrew Conder - *Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst*

Joe and Ynon, just a couple of things, maybe following on the prior question. If we look at, at this point, I know, Ynon, you don't have formal guidance there, would you anticipate the back half of the year at this point given the trends you've seen, the time you have to get there for yourselves and maybe more of an industry comment also? Could that be comparable at worst to what we saw in 2019?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

I'll take it, and Joe can add. Looking beyond the second quarter, we expect to see a continuing improvement in our supply chain and retail distribution as quarantine restrictions are relaxed. We are planning for increased demand for our products as the economy reopens, an expectation of a much improved second half and the all-important holiday season. Situation is still fluid, so it's still too early to tell, and we continue to monitor the retail landscape. But if retail -- if the retail environment returns to normal, we expect it will be a good holiday season. But it is too early to tell at this point. We do know that the toy industry has proved to be resilient in downturns. It is a strategic category for retailers, as we said before. Retailers are doing what they can to capture volume and sales. And we believe that the toy industry is in a much better position compared to most other consumer discretionary industries. So too early to tell, but we do see early signs of demand growing. And we expect things to improve into the second half of the year.

Timothy Andrew Conder - *Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst*

Okay. And then gentlemen, I guess, along that line, how would you term -- you said it came in a little heavy, particularly in MEGA into the year within the channel. How would you term the channel inventories now? And then, Joe, just maybe a little color on that nonmedia-related advertising expense that was pulled into Q1?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Yes. Sure. So on an inventory basis, retail inventories did improve in the first quarter. However, they were still up but at a reduced level compared to year-end. All of our inventories are healthy. We are very pleased with the inventory we have out there. And we continue to work closely with our retail partners to ensure we are able to get the right product to them in the right place at the right time. So we're feeling pretty good about our inventory. And remember, timing has been one of the biggest difficulties that we've been facing. In regards to your nonmedia expenses, it's things like trade shows and stuff like that caused that...and timing.

Timothy Andrew Conder - *Wells Fargo Securities, LLC, Research Division - MD and Senior Leisure Analyst*

Okay. So -- so pulled forward into Q1, from...

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Yes. Exactly. Exactly.

Operator

And our next question comes from the line of William Reuter with Bank of America.

William Michael Reuter - *BofA Merrill Lynch, Research Division - MD*

You gave us the data points around what percentage of your retail outlets as of the end of the first quarter were closed. Has that changed at all between the end of March and where we are today on May 5?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

We're seeing puts and takes. It varies by market. Some markets reopening, others are moving towards closure, especially in Latin America, which is a step behind. So we still expect disruption in the second quarter, similar to what we saw in the first quarter. But as I said earlier, over a longer period of time. What is changing, and I think it's important to emphasize that, is demand. Quarter-to-date, our online POS in the U.S. has increased over 90%, and we've seen, similarly, 50% to 100% increases in e-commerce, depending on the market. So there are puts and takes in -- if you see reduction in retail, growth in online, but overall, we do expect the disruption to continue for the majority of the quarter.

William Michael Reuter - *BofA Merrill Lynch, Research Division - MD*

That's helpful. And then just one follow-up. You were helpful with regard to some of those entertainment properties that have been shifted into next year. Is there any way that you can quantify what the percentage of your annual sales that you expected to be tied to those properties? Or kind of broadly tied to entertainment properties that are going to be pushed out?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

No, we haven't provided that information.

Operator

And our next question comes from the line of Arpine Kocharyan with UBS.

Arpine Kocharyan - *UBS Investment Bank, Research Division - Director and Analyst*

I hope everyone is doing well. I had a question on the retail doors closures, sort of assuming that at least 30% are closed, and assuming that's around 1/3 of your revenues, give or take, for Q2, does that mean Q2 is down at least by that market in terms of top line? Or are there some offsetting factors that we should think about?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

No. I wouldn't guide you to extrapolate the numbers linearly like that. There's a strong impact -- positive impact of e-commerce that is growing. There's another factor to consider, which is the shift in consumer demand by category, which we're now starting to see towards the categories where we have a larger presence. So there are offsetting factors to the closure of retail. But with that said, we're not -- we haven't provided guidance for the quarter.

Arpine Kocharyan - *UBS Investment Bank, Research Division - Director and Analyst*

Right, right. No, that's at least helpful. And then just quickly, I believe you mentioned $92 million of cost saves flow through for this year. But I had in my notes that, that was the expectation before today for the year in terms of what flows through to EBITDA. But today, you indicated that, that program is actually still running ahead of expectations. So I'm just wondering why that number is unchanged. Or did I catch that incorrectly? Are you still expecting $92 million to flow through to EBITDA from Structural Simplification?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

You have to break it out into 2 pieces, so there's no confusion. So one is yes, the year-end number exiting '19 was $92 million. In addition, we told you that we were going to save an additional amount on SG&A that we raised on this call, up to $90 million. So you have $92 million associated with Structural Simplification, and an overall $90 million improvement in SG&A.

Arpine Kocharyan - *UBS Investment Bank, Research Division - Director and Analyst*

On top of that?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

On top of that. In the period, we had the benefit of $39 million out of the $92 million of Structural Simplification.

Operator

And our next question comes from the line of Fred Wightman with Wolfe Research.

Frederick Charles Wightman - *Wolfe Research, LLC - Research Analyst*

Perfect. Just to follow up on that last question. If we look at the $90 million in SG&A savings that you're guiding to for this year, I think you had previously talked about $42 million in SG&A savings for this year. So is the $90 million incremental to the $42 million or the upsize is just developing between?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

It's -- Right. Right. It was $42 million. We upsized an additional $50 million, so that's how you get to $90 million. Correct.

Frederick Charles Wightman - *Wolfe Research, LLC - Research Analyst*

Perfect. Okay. Yes, great. So just if we could -- hoping that you guys could maybe help us think about some of the sequential softening in the power brands versus last quarter. I mean how much of that is really just due to changes in consumer demand versus some of the production or distribution issues that you guys highlighted?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Well, you mean as far as in regards to the -- what happened in the quarter? Or going into the second quarter?

Frederick Charles Wightman - *Wolfe Research, LLC - Research Analyst*

Yes. I mean however you guys want to address, yes.

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

So remember, in the quarter, it was really just the fact that COVID-19 hit, everyone had to stay at home. And so there was this category shift to games and construction. So we think that was the biggest reason for the shift in the quarter.

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Yes. And I can expand a little bit. The shift that we saw, we believe, is temporary. And based on our most recent internal POS data, we expect that the industry will return to its pre-COVID-19 category trends. In looking at our own total POS, as we said in the prepared remarks, if you normalize the numbers for Easter seasonality, we're seeing improvement in April relative to March already. And we said specifically in the U.S., where we're seeing strong double-digit growth and triple-digit increases online. You're seeing positive momentum for Barbie in April POS, especially -- well, in the U.S., where we have data. The brand strength continues as Barbie remains the #1 fashion doll brand globally. Anecdotally, we have been seeing a strong performance of Barbie Dreamhouse, which is now our #1 selling item in the U.S. Typically, it's an item that sells in the holiday. So seeing it now is telling that there's clear demand for Barbie. And even for Fisher-Price, April to date, POS trend in the U.S. show a significant improvement compared to the first quarter. So as we said before, there is momentum. And with the retail disruptions that we saw in March continuing into the second quarter, the challenge is less about demand and definitely not about supply chain, but rather, it's about getting products in the hands of consumers. It's still a fluid situation, and we continue to follow how the market evolves. But in terms of demand, we're feeling the trend, the category shift, is reversing back to normal play patterns.

Frederick Charles Wightman - *Wolfe Research, LLC - Research Analyst*

Great. And just one more quick one. On the accounts receivable, I think in the slides, you guys mentioned lower past due balances. A little surprising just given that 30% of the retail doors are closed. Can you talk about any changes you've made to reserves or any risks for repayment there?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Right. So when you see the 10-Q, there is a new accounting pronouncement that causes us to bring up the reserve just slightly a couple of million dollars. But other than that, we've been pretty fortunate working with all of our retailers on making sure that we get the cash collected and sticking to the terms that we have. So -- and remember, about 85%, 86% of our receivables are insured. And if you look across the globe, especially in Europe, the latter, the governments have provided reinsurance capabilities to these insurers. So, we feel pretty good about the collectibility of our receivables.

Operator

And our next question comes from the line of Carla Casella with JPMorgan.

Sarah Stuart Clark - *JP Morgan Chase & Co, Research Division - High Yield Credit Research Analyst*

This is Sarah Clark on for Carla Casella. Just a few quick questions from us. You mentioned that you're seeing improving trends in China. Can you just give a little bit more color around how that recovery has been for toy sales post-lockdown?

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Well, I mean, the fact is it was pretty low. And so now that the people are back and they're getting out and starting to hit the retail stores, we're starting to see a slow recovery. Obviously, online has been tremendously helpful for us. So remember, China was one that we had to restart over a year ago to set it back a little bit. And so now we're going to come back in a very slow and disciplined manner to build that business back up appropriately.

Sarah Stuart Clark - *JP Morgan Chase & Co, Research Division - High Yield Credit Research Analyst*

Helpful. And then on American Girl, can you talk about any plans to reopen retail stores? And how you'll approach that? And how -- and if that brand still remains a priority for a turnaround? And how you're approaching that given COVID disruption?

Richard Dickson - *Mattel, Inc. - President & COO*

Sure. We remain incredibly focused on the American Girl's strategies we laid out at New York Toy Fair. If you refer to the Analyst Day presentations, the turnaround initiatives specifically that we talked about included redesigning our website into a digital flagship, experiences in our flagship stores and a focus on digital. Now clearly, COVID-19 has definitely led to some challenges for us in our retail fleet. We have temporary closure of all of our stores, so we've stopped, obviously, the progress on our flagship stores, but we've seen an incredible acceleration in our e-commerce platform. And obviously, the focus and investment that we put on that early on is really starting to pay off. We've seen our e-commerce business up mid-double-digits in March. We've seen further acceleration in April to high double-digits. And while the retail environment remains uncertain, the evolution of our momentum is really going to be channeled with our e-commerce platform. The products and programs that we have coming out in the back half look very strong. And we'll continue to evaluate each state and each store according with government regulations and the health and safety of our consumers and our employees.

Operator

And our next question comes from the line of Steph Wissink with Jefferies.

Stephanie Marie Schiller Wissink - *Jefferies LLC, Research Division - Equity Analyst and MD*

I just want to follow on that e-commerce comment if we could unpack it a little bit more. Joe, can you remind us what percentage of your business in 2019 was via e-comm? And if that were to grow pretty substantially post-COVID, does that change any of your investment criteria or allocations as you think about the back half and into '21?

Richard Dickson - *Mattel, Inc. - President & COO*

Are you referring to American Girl as a question related to e-commerce? Or total e-commerce for Mattel?

Stephanie Marie Schiller Wissink - *Jefferies LLC, Research Division - Equity Analyst and MD*

Total e-comm, if you're willing to.

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Yes. So we've never really given out the total e-com number. All we have discussed historically is that typical, based on the region, our e-comm numbers are pretty close to what the regional averages are. And all that we've seen here in the first quarter is a step-up of an acceleration of e-comm across the globe.

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Yes. And Steph, let me -- I'll add that, what we said in the prepared remarks that we are seeing very strong performance in e-commerce, online retail, obviously, the retailers themselves that offer omnichannel experience are doing an excellent job in partnership with us. Quarter-to-date, as we said, POS in the U.S. was up 90%. So this is very strong performance already. The size of our e-commerce business varies throughout the year. It tends to be a bigger part of the mix towards the holiday period. So seeing it now is obviously encouraging. We do extract the same margin between brick-and-mortar retail as online, which is good. And as e-commerce continues to evolve, we expect to be a big player in that category. And as you hopefully remember, we were the #1 -- we were #1 in the U.S. in the fourth quarter last year in online retail. So we have the muscle. We know what we do, and this remains a focus area for the company going forward.

Stephanie Marie Schiller Wissink - *Jefferies LLC, Research Division - Equity Analyst and MD*

Okay. That's helpful. And then one follow-up, if I could. I'm just going to ask you guys to weigh in on a current debate, which is, is this demand that you're seeing today a pull forward? Or do you think that the holiday versus the current crisis are distinct buying occasions at retail in toys?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

We would distinct between the two periods. You have a very specific situation right now. An economy, global retail, which is affected by the pandemic with all of the implications. And by and large, the challenge, as we said before, is literally getting product to the hands of consumers. There is demand. So if you extend that approach as retail opens and the market resume and get back into a normal behavior, we do expect demand to be fulfilled, and that the industry will recover. So it is not about a pull-forward demand. There's no pantry loading. It's a very specific situation related to the current disruption. And over time, the market will return to a normal situation. I can add that based on our own internal research, which we conduct still in full force these days, parents are telling us that this -- the current situation will not impact their demand and purchase behavior over the holidays. I want to caveat that this is our own research. But with that said, we invest heavily into getting as much information as we can, and this is the best we can tell at this point.

Operator

And our next question comes from the line of Felicia Hendrix with Barclays.

Felicia Rae Kantor Hendrix - *Barclays Bank PLC, Research Division - MD & Senior Equity Research Analyst*

Ynon, I know that you've been trying to articulate this in a number of ways, so bear with me. But based on the comments that are still coming to me, I think that there's some confusion about your -- the comments about demand in April improving vis-à-vis the disruption challenges that you're expecting in the second quarter. So I think where the confusion is coming from is, isn't the demand that you're seeing for April that's improving, isn't that a function of retail distribution? Or are you just kind of saying that there could be a risk to this momentum in demand if retail doesn't improve?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Well, you have to think of it in 3 -- you have 3 areas that we -- that have to come together, between supply chain, demand and retail. And so we did, as we said, already address the issues we had in supply chain. And by and large, this is completely now up and running. Within a matter of weeks, it will be in full capacity. We're also seeing indication right now of increasing demand. This is what we shared with you in terms of POS, that is showing early signs of momentum. And we also -- we said that by reference specifically to the category shift that is now returning to its normal shopping and purchase patterns. So at this point, what we see is a gap in retail, where simply stores are not fully open. And by that, that's a gap in the market. That is outside of our control. And as well as we do online and as well as some of the retailers, especially the omnichannel retailers, are doing, there's still a gap in retail, which is going to impact the quarter. And as I said also, some geographies have not yet seen the full impact of COVID-19, and we expect them to come to show negative trends later in the quarter. So all in all, it's going to be a challenging quarter, especially from a retail distribution perspective.

Felicia Rae Kantor Hendrix - *Barclays Bank PLC, Research Division - MD & Senior Equity Research Analyst*

Okay. That's super clear. Then just to paraphrase for a second, the improvements that you're seeing in POS and everything that you talked about is more kind of underscoring that the shift to games and construction and all that kind of stuff is now shifting back to more normalized patterns, which you're benefiting from, but there's still a headwind from retail?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

That's right. And if you extrapolate from that, assuming successful supply chain, continuous demand and retail coming online as markets reopen, this is the reason why we expect a much-improved second half as things get back to normalcy.

Felicia Rae Kantor Hendrix - *Barclays Bank PLC, Research Division - MD & Senior Equity Research Analyst*

Right. That makes a lot of sense. And then, Joe, I just had a question for you on the gross margins. You explained it well, and it's also -- the improvement is also articulated in the kind of slide deck that you always give. But I think that there's kind of conventional wisdom out there that when Barbie doesn't do well, it's a drag on margins. So we've been just getting the question in terms of how could gross margins be so strong when Barbie was down 8% in the quarter. So I was just wondering if you could bifurcate the drag that Barbie might have on the quarter with the other good guys that benefited the quarter in terms of gross margin?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Well, before we get to the Barbie detail, let me say that we've done a lot of work over the last two years to improve the way we operate, increase performance and extract better numbers from our operations. This -- by the end of this year, we will be $1 billion lighter in structural costs. As you know, it's not a net saving because they're also offsetting factors, but we reduce structural costs by over $1 billion by the end of this year. This is clearly a big reason why gross margin is improving in spite of the revenue decline in the quarter. And it's actually, when you kind of focus on it, it's a huge achievement to grow gross margin by that level, 820 basis points or 550 basis points relative to adjusted gross margin is a huge achievement. It's the best number we've had in 4 years. And this really goes back to all the work we've been doing, where we're starting to see the benefit in the numbers, in the bottom line.

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Yes. So I mean, Felicia, when you think about our SKU rationalization, when you think about all of the tooling, all the things that we've been doing to just create a better margin across the board, I mean, there is not a brand that hasn't been focused on improving its profitability. So there may have been a historical time where Barbie was the best, but times have changed, and they're actually some better. So...

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

And when we mentioned SKU reduction, it was one line in our prepared remarks, but there's a ton of work that went into fixing that part of the company. So being -- having achieved the target eight months ahead of schedule into the year, is another testament to the way we are owning the things that we have to improve, how supply chain is stepping up and doing incredible work across the company? And why it's becoming now a competitive advantage. So you will see more progress on our Capital Light effort. This, as you know, SKU rationalization is part of Capital Light. We said there would be progress. Some of it is in eliminating some of our distribution manufacturing capacity. And others is in just pure operations, such as reducing our SKU count.

Operator

And our next question comes from the line of Ray Stochel with Consumer Edge Research.

Corey Chaff - *Consumer Edge Research, LLC - Research Analyst*

This is Corey on for Ray. Can you talk about what changes you've made to your holiday plans so far relative to what you discussed at Toy Fair? That could be a product line changes, such as your Olympics -- such as the Olympics? But also anything you're hearing from retail as well.

Richard Dickson - *Mattel, Inc. - President & COO*

Yes. There's been no significant changes to our product lineup. Obviously, we're assessing the situation and adapting with new forms of creativity in our demand creation programs. But ultimately, as I mentioned and as we presented at New York Toy Fair, this is a great year for us with great product and great programs which will continue. The changes that we've made have been about adapting to a new creative world in the context of some of the demand creation program. So quickly dialoguing with our consumers online and various ways that we've driven new forms of product and brand communication have been really successful. And as time moves on, we'll continue to assess it and adjust it accordingly.

Joseph J. Euteneuer - *Mattel, Inc. - CFO*

Richard, do you also want to mention the fact that we've been able to keep to our calendar, even though we can't have in-person meetings, we've been doing it virtually, and it's been very, very successful?

Richard Dickson - *Mattel, Inc. - President & COO*

We have. Thank you, Joe. We've done a great job, frankly, as a global organization, adapting to the new norm, driving many of our product and marketing conversations online through various new technologies that have united the global organization that has truly stepped up, and we continue to be on track and on calendar to deliver a strong back half.

Operator

And our next question comes from the line of Jamie Katz with Morningstar.

Jaime M. Katz - *Morningstar Inc., Research Division - Equity Analyst*

I hope you could just help us think about how maybe that movie calendar being pushed back and some of the content being pushed back might help benefit margins as a greater percentage of sales shift to owned versus partner brands? Is there any sort of mix shift you might be thinking about that? That might be helpful for us to understand.

Richard Dickson - *Mattel, Inc. - President & COO*

This is obviously a big disruption to the entertainment calendar at large. Our main partner in the context of what we had planned this spring was Minions, which moves to 2021. Frankly, what this actually does is pivot the consumers' interest in core evergreen properties and play patterns that ultimately really give us a lot of strength. There's been no major shift in our margin profile or ultimately, our programs and products on the whole. There will be obviously a shift in spring with Minions. But ultimately, it really starts to strengthen, if you will, our own proprietary brands this year as evergreen brands become more important. And we're looking forward, frankly, to a truly robust 2021 as many of the entertainment properties are shifting their programs into '21.

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

And Jamie, I would add that -- sorry. I would just want to emphasize the point that owning one of the strongest catalogs of children and family entertainment franchises in the world, we see as an absolute strategic advantage. The fact that we're less dependent on third-party IP, is an advantage. The fact that our brands are so strong and still resonate with consumers and are part of pop culture, and we are able to continuously reinvent and come at the consumer from different angles is a huge benefit. So we feel very comfortable sitting where we are with the ownership of our catalog, and at the same time, we did say we look to expand into third-party partnerships. But having a strong foundation with our own catalog that we own is a huge advantage.

Did you have another question?

Jaime M. Katz - *Morningstar Inc., Research Division - Equity Analyst*

I was actually just curious you talked about effectively managing through the COVID-19 disruption. Can you tell me how long you're anticipating the COVID-19 disruption to be?

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

No one has a crystal ball, and it is -- no one knows. No one knows. I would say that, at Mattel, we're starting to think -- think about the day after, getting back to the office. We've done a lot of work to protect our employees globally, as of today, across tens of thousands of people, including our factories, we had 11 confirmed cases, which you can say is 11 people impacted that we know. But in the big scheme of things, it didn't really stop us from performing the way we do. With that said, we continue to look at the situation and make sure that we are ahead of the game and are prepared for all types of eventualities. And time is on our side, and the fact that the majority of our business is at the end of the year is helpful. It's never a good time to be facing with this type of disruption, but if it ever happens, you might as well deal with it in the early part of the year. So we have time to assess things and respond and adjust what we do, and make sure that we optimize the situation.

Operator

Thank you. This concludes today's Q&A session. I will now turn the call back over to Mr. Kreiz for any closing remarks.

Ynon Kreiz - *Mattel, Inc. - Executive Chairman & CEO*

Thank you, operator. Thank you, everyone, for joining us today. These are special times, and we appreciate your continued interest in the company. As you can see, we've quickly adjusted the way we operate and how we manage the company during this unprecedented time, and we are very satisfied with our execution considering the circumstances.

We covered a lot this afternoon, and I just want to end by saying that we are confident in our ability to navigate through the balance of the year, and believe we have the assets, resources and capabilities that position us well to succeed in the recovery. We do expect to recapture the momentum that we had entering 2020 after the disruption is over, and as always, we remain focused on transforming Mattel into an IP-driven, high-performing toy company, and creating long-term shareholder value.

We hope that you and your families are safe and healthy. And I will now turn the call back to Dave to provide the replay details. Thank you.

David Zbojniewicz - *Mattel, Inc. - Head of IR*

Thank you, Ynon, and thank you, everyone, for joining the call today. The replay of this call will be available via webcast and audio beginning at 8:30 p.m. Eastern Time today. The webcast link can be found on our investor page. Or for an audio replay, please dial (404) 537-3406. The passcode is 4767309. Thank you for participating in today's call.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.
