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Bryan G. Stockton – Chairman & Chief Executive Officer, Mattel, Inc.
Kevin M. Farr – Chief Financial Officer, Mattel, Inc.

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Mattel's Third Quarter 2013 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, this conference is being recorded.

I will now turn the call over to your host, Drew Vollero, Senior Vice President of Corporate Strategy and Investor Relations. Please go ahead.

Drew Vollero, SVP-Investor Relations & Corporate Strategy

Thank you, Stephanie. As you know, this morning we reported Mattel's 2013 third quarter financial results. We've provided you with a slide presentation to help guide our discussion today. The slide presentation and the information required by Regulation G regarding non-GAAP financial measures is available on the Investors and Media section of our corporate website, corporate.mattel.com. In a few minutes, Bryan Stockton, Mattel's Chairman and CEO and Kevin Farr, Mattel's CFO, will provide comments on the results, and then the call will be opened for your questions.

Certain statements made during the call may include forward-looking statements related to the future performance of our overall business, brands and product lines. These statements are based on currently available information, and they're subject to a number of significant risks and uncertainties, which could cause our actual results to differ materially from those projected in the forward-looking statements.

We describe some of these uncertainties in the Risk Factors section of our 2012 Annual Report on Form 10-K, and our 2013 Quarterly Reports on Form 10-Q, and in 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.

Now, I'd like to turn the call over to Bryan.

Bryan G. Stockton, Chairman & Chief Executive Officer

Thank you, Drew, and good day, everyone. As many have heard me say before, we've referred to the first half of the year in our business as the "pre-season," and the second half of the year as "the season." Overall, "the season" got off to a good start. I'm pleased with our performance in the third quarter, as sales grew, margins expanded, the balance sheet got stronger and we returned more capital to shareholders. I'll build out each of these points in a few minutes.

But first I'd like to provide a brief overview of what we're seeing from an industry wide perspective. Globally, the toy category looks much like it has over the last decade or so. According to NPD, the U.S. toy business, which is about a quarter of the global market, is slightly up this year. The Western European markets which comprise about a quarter of the global toy market are flat, which we view as a positive sign given the region's economic challenges this year. Both these numbers are pretty consistent with the historical rates of growth for both regions. While NPD does not provide syndicated data for the rest of the world, our internal analysis would suggest that remaining toy markets are growing at a mid to high-single digit rate, again consistent with historical trends.

As we look across the NPD toy categories, growth rates continue to vary. Overall, the faster growing categories in the toy space are fueled by innovative products and brands. All three of Mattel's core NPD categories: dolls, vehicles, and infant & preschool are growing in the U.S.

To continue my assessment in the industry, let me make a couple of comments about the retail environment. Overall, it looks a lot like it has for the past few years. Retailers have been cautious and they remain cautious. They continue to order based on what is selling. Their goal, like many companies including Mattel is to deliver better performance with less inventory.

To date, we're seeing the toy industry and retail performing much as it has been over the last few years. As such, we're confident that the holidays are coming, Christmas will once again arrive on December 25 and this year, there will be more presents under the tree from Mattel than from any other toy company in the world.

Now, let me turn my comments to our results in the third quarter. We have a good quarter overall, and I am pleased with where sit are as we head into the holiday season. On the sales side, we grew revenue in every region of the world. The key drivers of our global growth largely fall into three categories: our Girls portfolio, Fisher-Price Friends anchored by Thomas & Friends and several successful new launches.

First, as we discussed before, Mattel's Girls portfolio features the top four bestselling doll brands in the world: Barbie, American Girl, Monster High and Disney Princess. We're committed to managing the portfolio to drive category growth. In the quarter, our Girls portfolio had its 16th consecutive quarter of growth.

We continued to be very excited about the strength of Monster High, American Girl and Disney Princess. Monster High had another standout quarter with strong growth in both the U.S. and International markets. Engagement continues to be impressive with a "monstrous" response to the new theme song, which has racked up more than 1 million downloads since its launch in June. We continue to see millions of fans engaging with our content, downloading videos and sharing their freaky experiences on social media, further highlighting their passion for this amazing franchise.

American Girl also continues to fire on all cylinders by growing 20% in the quarter. Strong sales both online and at retail destinations fueled brand growth. Disney Princess also had solid performance driven by the launch of Sofia, which I'll speak about in a minute.

Overall, Barbie performed better in the third quarter with worldwide shipping up 3%. The key driver was our International Region, which was up 6% for the quarter, driven by the strong initial launch of

Barbie's fall Entertainment line. Barbie shipments in the U.S. were down 1% reflecting continued POS softness in the U.S. However, this also represents an improvement from the first half of the year.

The second important driver of our third quarter worldwide growth was Fisher-Price Friends, which ended the quarter up 14% due in large part to our friends from the Island of Sodor. Thomas had a strong performance in the quarter and we continue to see more opportunities to expand the brand. Last month, we launched the newest Thomas movie, "King of the Railway," and early numbers looked look fantastic. In its first week, King of the Railway raced to become the number one Children's Non-theatrical New Release in the U.S. according to Nielsen VideoScan. The DVD also reached number one on the Kids & Family Best Sellers on Amazon.com and was a top five video in the iTunes Kids & Family category.

Fisher-Price Friends also got a nice boost from BBC's Octonauts toy line as well as from our successful launch of Bubble Guppies with our partner Nickelodeon.

Finally, the third top-line driver that helped fuel sales growth in the quarter was our success at executing a number of new launches.

As I have said before, our goal with new launches is to hit the singles and doubles that will deliver consistent, sustained growth for our business over the long run. As I look at our batting average this past quarter, I am very pleased with our progress. This summer, the latest Disney Pixar movie Planes took flight and this exceptionally toyetic property has exceeded our expectations around the world. With another Planes movie slated for 2014, we believe this brand has the potential to be another fantastic evergreen property.

The initial launch of Disney's Sofia the First has also exceeded our expectations. We know the princess play pattern is universal and the Sofia characters seem to be resonating well with consumers. We're also pleased with the rollout of the Thomas wood line, which is the main entry point to the brand for most consumers. We see this line as a strategic building block for our Thomas franchise and we continue to execute well in the specialty and mass channels.

In the quarter, we also launched our second franchise, Max Steel. As many of you know, Max Steel is Latin America's number one action hero and we're excited to be bringing him to the world market. In Latin America, Max has seen strong growth this year. In our new launch markets, including the U.S. and Europe, Max is building awareness and momentum through immersive consumer engagement that includes television programs, webisodes, digital support and more.

Our newest franchise, Ever After High, the latest addition to our Girls portfolio, had a very strong exclusive debut at Justice stores in the U.S. Starting in the fourth quarter, the line will be shift to major retailers in 14 markets around the world.

We'll also launch product later in the fourth quarter to support the holiday release of Disney's new princess movie Frozen. We hear good buzz about the movie and, of course, we are always excited by great entertainment featuring, not one, but two princesses. Disney plans to begin releasing the movie in the U.S. and other select world markets at the end of November and will complete their global theatrical rollout early next year.

So, overall, we feel like we are off to a good start with these launches. We see them not only as important top-line drivers in 2013, but important brands for the Mattel portfolio for 2014 and beyond.

Let me finish the top-line discussion here and talk about Fisher-Price. Like many of our brands, performance of Fisher-Price also improved in the third quarter when compared to the first half of the year. Total brand shipping was flat in the quarter with Fisher-Price Friends up 14% offset by Core sales which were down 3% globally. Fisher-Price Core continues to see strong gains in key branded segments like Laugh & Learn, Little People and Imaginext. This strength is being offset by weakness in BabyGear and our decision to move away from lower margin, less brand differentiated segments.

That said, recent Fisher-Price POS trends are improving in both the U.S. and International markets as we see promotional, product and consumer engagement plans coming together. There is more work to do here, and the brand remains a work-in-progress.

Kevin will cover in detail our P&L, which continues to be strong. However, I'd like to briefly touch on three elements: our expanding margins, consistent return of capital to shareholders and our strong balance sheet.

Operating income was up 8% for the quarter, driven by higher gross margins and modest overhead leverage. Additionally, in the quarter, we returned $373 million to our shareholders in the form of share repurchases and dividends.

Our balance sheet is also in great shape. Cash on hand is higher and our inventory is up just 1% year-over-year. As we move forward, the goal is to deliver another strong year in 2013 and we know we need to execute well in the all-important fourth quarter.

As I have outlined here, we had good momentum in important areas of our business: our Girls portfolio, our Fisher-Price Friends business and our many new product launches. And we had growth in every region of the world in the third quarter. The growth in some of our Emerging Markets is particularly exciting. As retailers continue to focus on inventory, they are buying what is selling and we remain focused on driving both shipments and POS.

To date this year our POS has been mixed with International markets delivering year-over-year gains for Mattel. Our objective in the fourth quarter is to build on that momentum. POS is down mid-single digits in the US year-to-date and our focus remains on improving POS trends on key brands like Barbie and Fisher-Price. As you may know, more than 50% of the POS in the toy business occurs in the fourth quarter and our teams around the world are focused on executing their plans and programs to maximize shipping and sell through.

To wrap it up here, as we look to the holiday season, we once again have a strong lineup of innovative products for the fall. In fact, again this year, Mattel has shown that when you innovate you grow, as we have more than 80 different toys represented on top-rated holiday lists globally. As you know, innovation is a critical element for success in the toy business and these lists remind us that we have tremendous talent here at Mattel. It is now our job to ensure flawless execution in these final three months to ensure that we deliver another successful year of growth for the company, our employees and our shareholders.

And now, I would like to turn it over to Kevin Farr, our CFO, to give you more insight into our financial performance. Kevin?

Kevin M. Farr, Chief Financial Officer

Thank you, Bryan, and good day everyone. As Bryan pointed out, we are continuing to make good progress this year as we remain focused on our company objectives: to consistently grow the business, to maintain financial discipline and to deploy the cash we generate effectively to reward our shareholders.

In this quarter, I was very happy to see improvement on a number of operating metrics. For the quarter, sales momentum continued and was up 6%. Our gross margin improved in the quarter and is up 90 basis points year-to-date. We improved our SG&A spending leverage even with our continued strategic investments to grow our business and we saw a good flow-through resulting in a 23.9% operating margin in the quarter. This strong operating performance coupled with the favorable tax rate due to discrete period tax items resulted in EPS of a $1.21, a 16% improvement over last year. And while we had a very solid quarter, we recognize the need to continue to execute in the fourth quarter in order to deliver another year of strong growth to our shareholders.

Now, before I start reviewing the slide deck with you, I did want to highlight a couple of key items in the P&L and touch on our capital deployment strategy. First, we continue to see strength in our gross margin. Our peak production season is behind us and while there has been puts and takes in our input costs, our overall basket of cost for the first nine months of 2013 are fairly consistent with what we had initially planned for 2013. And while there is still a number of factors outside of our control that can impact gross margin, including volatility in input costs, and foreign exchange, we will continue to actively manage manufacturing efficiency and O.E. 3.0 cost savings programs, and we expect to benefit from favorable mix related to growth in our doll portfolio and our pricing actions taken at the beginning of the year. So, currently, we believe that we're in a good shape to deliver gross margins in the low to mid 50% range over the near term.

I also wanted to briefly touch on our SG&A spending, which remains in line with our expectations that we outlined with you at the beginning of the year. While spending is up, I continue to like the quality of our SG&A as we invest in strategic growth initiatives, some of which would generate tangible benefits this year. For example, in the fourth quarter, we will launch our third franchise, Ever After High, at our mass retail partners in 14 countries, and we'll open our 16th American Girl store in Palo Alto, California.

Next, I want to highlight that in the third quarter of 2013 our EPS reflected a $0.05 per share tax benefit as we realized discrete period tax items primarily to the reassessment of prior year's tax liabilities based on the current status of tax audits and enacted tax law changes. As a result for full year 2013, we currently estimate that our annual effective tax rate including discrete period tax items will be approximately 19% versus 18% in 2012. So, down from the near term expectation of 22% to 23% that we had previously communicated.

Finally, I want to touch briefly on capital deployment. As you know, we study capital deployment very closely since our business consistently generates strong cash flow and the return of that capital is an important part of our total shareholder returns. Mattel has a strong history of returning capital to our shareholders. Last year, we returned a significant amount of capital to our shareholders in the form of dividends and share repurchases. We also deployed cash to invest in strategic growth initiatives like the acquisition of HIT.

In 2013, consistent with our historical capital investment framework, we expect to pay dividends of about $500 million based upon our annualized dividend of a $1.44 per share, which is up 16% versus 2012 and we continue to buyback our shares opportunistically with year-to-date share repurchases of 9 million shares at a total cost of about $387 million. In the quarter, we purchased 6.1 million shares at a total cost of about $259 million.

Looking forward, we will continue to be disciplined and opportunistic in deploying our cash to enhance shareholder value while maintaining a strong balance sheet with targeted yearend cash of $800 million to a $1 billion and debt-to-total capital of approximately 35%.

Now, let's turn to the slide deck. Starting on page four, you can see that our worldwide growth sales are up 6% in the quarter and 5% year-to-date. We saw continued strength in our International Region, which was up 9% in the quarter and improvement in the North American Region, which was up 3%. Our Girls portfolio saw growth in all of its major brands: Barbie, Monster High, American Girl, and Disney Princess, and we continued to see growth in Fisher-Price Friends. And retail inventories are down slightly which puts us in a good position to deliver another solid holiday season.

Turning to page five of the presentation, you can see the brand perspective on sales. Worldwide sales of Mattel Girls & Boys Brands were up 8% for the quarter and 7% year-to-date. Barbie shipments improved in the quarter and we saw a strong growth in Monster High and Disney Princess, which includes its new animated series, Sofia the First. Hot Wheels was down 2% for the quarter and year-to-date. We saw solid growth in our Entertainment line driven by Disney Planes and our own Max Steel. As Bryan mentioned, we are pleased with the year-to-date performance of Max in Latin America and the brand continues to build an audience here in the U.S. and other countries around the world.

Worldwide sales of Fisher-Price Brands were flat for the quarter and down 2% year-to-date. Key brand drivers include continued strength in Fisher-Price Friends, especially with our own Thomas & Friends and Mike the Knight properties, solid performance from our Disney licenses as well as our new Octonauts and Bubble Guppies licenses and improved shipments in Core Fisher-Price as compared to the first half of this year, driven by our Little People, Imaginext and Laugh & Learn brands. Our American Girl Brands had yet another great quarter with sales up 20% and up 22% year-to-date.

On page six, we highlight the performance of our North American region. Overall, sales for the region were up 3% in the quarter and up 2% year-to-date. For the quarter, growth was driven by continued strength in our Girls portfolio including American Girl as well as our Fisher-Price Friends business, which was partially offset by Wheels, Games & Puzzles and Fisher-Price Core.

Our International Region, as seen on page seven, grew 9% this quarter and 7% year-to-date. For the quarter¸ all of our regions grew in U.S. dollars. We also continue to see strong results in emerging and developing markets like China, Russia and Eastern Europe, as well as Mexico, and Brazil and India had strong sales, which were partially offset by unfavorable foreign currency.

Now let's review the P&L starting on page eight of the slide presentation. I've already talked to you about gross margin performance for the third quarter. For the quarter, gross margins improved by 10 basis points to 53.8% driven by improved mix due to the continued strength in the performance of our Girls portfolio, savings from O.E. 3.0 initiatives, and our pricing actions offset by increased input costs, which were partially offset by unfavorable foreign exchange and increased logistics cost. Year-to-date, the gross margin of 53.3% is up 90 basis points over last year, consistent with our goal of delivering gross margins in the low-to-mid 50% range over the near term.

And I have also already talked to you about our SG&A expenses as seen on page nine, which continue to be consistent with our expectations. About half of the $17 million increase in third quarter SG&A was due to spending on strategic growth initiatives with the balance in spending primarily related to higher employee-related costs, principally merit and benefits. For the quarter, SG&A expense as a percentage of net sales was 18.6%, a 30 basis point improvement over the prior year.

Page 10 of the presentation summarizes the performance of our company-wide cost savings initiatives, and the continuing efforts on our ongoing Operational Excellence 3.0 program. For the quarter, we delivered incremental O.E. 3.0 gross savings of $15 million and we remain on track to deliver our full year target of around $50 million in gross savings.

Turning to page 11, operating income in the third quarter was $528 million, or 23.9% of net sales, a 40 basis point improvement over last year's third quarter. The improvement in operating margin was driven by higher sales, improved gross margin, and slightly lower SG&A as a percentage of net sales.

Turning to page 12, earnings per share for the quarter were $1.21, an increase of $0.17, or 16% compared to the prior year. The increase in EPS was driven by higher operating income, lower nonoperating expenses, a lower tax rate due to favorable discrete period tax items and a slight decrease in share count.

The impact of foreign exchange in the quarter was a negative $0.05 per share and a negative $0.10 per share year-to-date. As I said previously, we currently expect our worldwide effective tax rate for the year to be about 19% including discrete tax items. And assuming no tax law changes, we believe that the tax rate for foreseeable future will be around 22% to 23%.

Slide 13 outlines the HIT integration and amortization costs Mattel incurred in 2012 and the first nine months of 2013. For the quarter, acquisition and integration expenses were $2 million, down $1 million compared to the third quarter of 2012. For the full year, we expect these expenses to be about $7 million compared to $24 million in 2012.

We discuss cash flow on page 14. Year-to-date, cash flow used for operations were $321 million compared to $101 million last year. The increase is primarily due to higher working capital usage, partially offset by higher net income. Cash used for investing is significantly lower than last year when we acquired HIT Entertainment for $685 million. Capital expenditures are up slightly to $179 million. Year-to-date, we repurchased 9 million shares of stock at a total cost of about $387 million and we continue to pay our quarterly dividend of $0.36 per share, which represents year-to-date cash payments of $372 million.

Our balance sheet remains strong. Our cash on hand at the end of the period was $406 million, up $124 million from the prior year. And our debt-to-total capital ratio was 36.5%, up slightly from 36.3% in the prior year, but consistent with our targeted rate of 35%. Today, we announced our fourth quarter dividend of $0.36 per share, a 16% increase over the prior year.

In July, we also announced that we increased our share repurchase authorization by $500 million and we have $463 million remaining under this authorization as of the end of the third quarter. As I said, we remain committed to our capital investment framework and expect to end the year with cash and debt levels consistent with our targeted levels.

As a reminder, we've enhanced our level of disclosure in our 10-Q and 10-K filings for consolidated and segment revenue. You will find schedules that outline these enhancements including the quarterly schedules that we provided this morning. We have also posted these schedules on our corporate website in the "Investors" Sections under the subheading, "Financial Information."

In summary, we made good progress this quarter. Our performance to-date is consistent with our long-term financial goals for sales and operating profits. As we enter the all-important fourth quarter, our goal is to deliver another year of strong financial performance to our shareholders. As we look ahead, we remain keenly focused on growing our business consistently, growing it profitably and deploying the cash generated in value-enhancing ways to reward our shareholders.

This concludes my review of the financial results. Now we'd like to open the call to questions. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Greg Badishkanian with Citigroup. Your line is open.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Thank you and nice job guys in the quarter. First question is just, as you guys have talked about last quarter, you saw an improvement in Fisher-Price Core, Barbie and you saw that in the third quarter. How much left in terms of incremental improvement do we have over the next few quarters or do you think it'll kind of be a steady state for the next few quarters at this point?

<A – Bryan Stockton – Mattel, Inc.>: Well, good day, Greg. It's Bryan. We're feeling I think encouraged by what we're seeing on both Barbie and on Fisher-Price. As we think about Fisher-Price, we like the fact that global shipments were flat for the quarter with Fisher-Price Friends up about 14% and Core down 3%. As we think about the overall portfolio of Fisher-Price, we always think about Friends and that business seems to be doing pretty well. We like what we see in both Mike the Knight and then Thomas. Some of the partner brands that we've got there with Disney and Nick and BBC are doing well. So that part of the Fisher-Price portfolio has positive momentum both in the U.S. and outside the U.S.

As we think about the Core business, we saw an improvement compared to the first half and there are a couple of things that we like when we look at Fisher-Price. The first thing is really a few of the segments like Imaginext and Little People and Laugh & Learn are doing pretty well. International, and recall, International is an important part of the Fisher-Price growth plan. It's only about a third of Fisher-Price revenue for us globally. So, International is a key part and we're seeing POS improve as we get some of the new programs and packaging out there in International, so we like that.

The biggest challenge we have on Fisher-Price is really in the U.S. We need to improve consumer takeaway on the Core business. We're really focusing on that in the fourth quarter as the new packaging and promotional programs and some space expansion come into play. So, we feel like we have more work to do on Core in the U.S. more specifically. But our plan is still on Fisher-Price to plan to grow that business overall. Again, we've got good momentum on Friends. It's taking longer than I think any of us would have liked to get the Core business turned around in the U.S. in particular. But, having said that, we've got about 50% of the industry in our POS ahead of us and we're committed to executing. So, I'd say it's a pretty good summary of how we feel about Fisher-Price.

Now, as it relates to your question on Barbie, again, we feel pretty good about the shipments, they were up 3% for the quarter. That's a similar story in terms of International. As you recall, International represents about two-thirds of Barbie global revenues and we see some progress in International, shipping was up 6%, it's up 2% for the year-to-date in International. POS trends and Barbie are improving. We talked about the launch of the new fall video, which is having a positive impact. And it goes back to the U.S. The shipments are improved from the first half. They're still down 1%.

We think one tailwind that we saw in the U.S. is as we talked about at the second quarter, there was some promotional spending that we shifted into the second half. Some of that spending was executed in the third quarter and that obviously was a bit of a tailwind. But, we're also dealing with the Barbie POS softness in the U.S. that kind of offsets a bit of the tailwind on shipping. So, we would say in the U.S., Barbie shipping and POS is pretty well aligned, and we got to focus on executing the same programs we're doing in International. So, progress on both, more work to be done on both. We're feeling better than we did at the end of the second quarter.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Good. And just another question. Inventory, U.S. inventory was down. I think retailers seem to be managing inventory levels a lot more aggressively and just wondering when you talk to your retail customers, has there been much of a change over last month or two in terms of their outlook for the holiday or is that pretty consistent with a few months ago?

<A – Bryan Stockton – Mattel, Inc.>: Well, I would start with the notion that retailers are really working hard to reduce inventories is not a new idea. That's something we've been working with them for the past couple of years. As you recall, in 2012, we were able to get our inventory retail down sort of mid-single digits. We're running at about that rate this year. We like that it keeps the product more fresh at retail, helps inventory trends at retail, that's good. As Mattel as well is also working on reducing our inventories, we were pleased quite frankly that even with all the new launches we have in place, our inventory is only up about 1%, so we like that.

As we talk to retailers, everybody is focusing on executing well. As you know, we always suffer the pre-Christmas jitters both at retail and here on the vendors' side. But, we think that the toy industry looks good. In the U.S., it's up marginally. It's kind of flat in Europe. So, we think the outlook for toys is actually quite strong.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Good. Thanks, again. Good execution, appreciate it.

<A – Bryan Stockton – Mattel, Inc.>: Thanks, Greg.

Operator: Our next question comes from Gerrick Johnson with BMO Capital Markets. Your line is open.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Hey, good morning. I'd like a little bit more clarity on your point of sale. I think you said down mid-single digit U.S. Was that year-to-date or in the quarter? And with shipments up slightly in the U.S., is there anything to be concerned about with that disconnect?

<A – Bryan Stockton – Mattel, Inc.>: Hey, good morning, Gerrick. We look at POS on a year-to-date basis generally because there is all sorts of puts and takes depending on the timing of promotional programs and holidays and things of that nature. So, when we look at our POS and shipments, we would say across most of our brands and most of our countries, it's pretty well aligned on a year-to-date basis. We think that's a good place for us to be as we go into the all important fourth quarter and we focus on execution. It means we're on balance even with retail inventories down at mid single digits. So, we like where we are.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. And can you tell us a little bit more about Playground Productions, I think that you didn't mention in your preamble, but maybe you could tell us a little bit about it now?

<A – Bryan Stockton – Mattel, Inc.>: Sure. As you know, we're spending a lot more time creating content and that's a fundamental part of our brand building strategy. As we look at successful brands in the toy industry at the moment, they tend to be the ones that have great consumer engagement whether that's through television or movies or webisodes or any other kind of consumer engagement. And it's just our fancy term for a group we have internally here at Mattel that is producing terrific programs like, things like Max Steel for example. But it's not a studio in the pure sense of the word; it's a fancy term for a group of highly talented people here at Mattel that have been employees for a number of years. And they do a terrific job as you can see by all the content that we've been producing. And you look at Monster High, Ever After High, Max Steel, they're just doing a terrific job.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. I just want to sneak one more in. Are you seeing any changes in the way retailers are managing their inventory risk, meaning less FOB, more domestic fulfillment, any changes in how they're getting fulfilled this year?

<A – Bryan Stockton – Mattel, Inc.>: Not really. Every year as we look across our customers around the globe, there is always changes at some customers somewhere who wants to try something a little bit different. But, as we look across our portfolio of customers, we are not seeing a growing trend one way or the other, but we partner with our customers everyday to make sure that we optimize the execution of the flow of inventory and merchandising and driving POS. So, overall I would say, no, and I'm sure there is an example somewhere out there where somebody has made a change, but overall for Mattel it's not material.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: All right, great. Thanks a lot.

<A – Bryan Stockton – Mattel, Inc.>: Thank you.

<A – Kevin Farr – Mattel, Inc.>: Thanks, Gerrick.

Operator: Our next question comes from Jim Chartier from Monness, Crespi & Hardt. Your line is open. Your line is open, sir.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Good morning. Thanks for taking my call. Two questions. Just wanted to confirm, do you still expect to grow Fisher-Price sales overall in 2013?

<A – Bryan Stockton – Mattel, Inc.>: Yes. What we said is we plan to grow Fisher-Price and when we talk about planning to grow Fisher-Price overall, that's a combination of Friends, which is our owned properties like Thomas and Mike the Knight as well as our licensed partners like Nickelodeon and Disney, and also our Fisher-Price Core business. As we look at our Fisher-Price business, we've got momentum on the Friends business, both our owned properties and our licensed properties. So we like that a lot. We're also working hard on the execution on Fisher-Price Core. As I mentioned, we like some of the momentum we're seeing in International. That's the key to Fisher-Price growth in the future. It's taken longer on the core part of the business in the U.S. to get that business turned around, it's all about POS and in-store execution and working hard to make sure we get everything lined up.

We've always said it was the second half plan for Fisher-Price Core. We had the new packaging in place. We have new promotions and new space. But, if you look at Fisher-Price overall, year-to-date we're down about 2%, so we've got some work ahead of us to pull ahead, but it's our plan and we're working really hard across both parts of our portfolio to do that.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>:: Thanks. And then just, I know it's early, but can you compare the response to Ever After High relative to kind of Monster High at this stage in terms of out on YouTube downloads or other engagement with the consumer?

<A – Bryan Stockton – Mattel, Inc.>: Well, it's difficult to compare because Monster High was such a shocking thing to all of us the way it took off. We would say based on what we've seen in terms of the response to just the stores, not just on the toys, but on consumer products, and the engagement overall, we like what we see. It is just way, way too early. Shipments on this brand don't really start till later this quarter. So, we like what we see, but it's – it is pre, preseason for Ever After High.

<Q – Jim Chartier – Monness, Crespi, Hardt & Co., Inc.>: Thanks a lot. Best of luck.

<A – Bryan Stockton – Mattel, Inc.>: Thank you.

Operator: Our next question comes from Jaime Katz with Morningstar. Your line is open.

<Q – Jaime Katz – Morningstar Research>: Good morning. Nice quarter, everyone. Can you guys talk a little bit about what is resonating in, I guess Europe and Asia-Pacific specifically, and what you see as sort of the growth opportunities longer term for those businesses? It kind of looked like Latin America was sort of the drag on International. So, I'm curious maybe what Europe and Asia-Pacific like that that made that work well outside of what we already know?

<A – Bryan Stockton – Mattel, Inc.>: Sure. Why don't I take you on a little tour around the world here? Let's start first with Europe. We like where we are in Europe. We think a couple of things are happening there. Number one, we're executing well with all of our retailer partners on our core brands as noted with our Barbie performance as well as launching new brands like Monster High and some of our partner brands. We've also invested we think very wisely in Russia, as a part of Europe, and that's growing quite well. We've been trying to leverage our scale in core brands in Russia. So, we like what we're doing there. And it's really about building momentum and leveraging our brands and our opportunities there.

And as you look at Europe, what is most encouraging is that as you look across every market, it's positive across almost every market, and so it's not one or two countries driving, it's pretty broad scale of performance.

As we think about Latin America, we've always loved Latin America. As you know, it's about a $1 billion business for us. It's been growing. It continues to grow. POS continues to grow there. Our shipments are up there. The two key markets in Latin America are Brazil and Mexico and we continue to see POS grow there, and we are really strong in fourth quarter execution in both of those markets as you recall those are two very, very seasonal markets.

In Brazil, one of the issues that everyone is dealing with is currency impact and even with that we feel quite positive about Brazil. So we think there is still more opportunity for growth in Latin America, particularly in the two anchors of Mexico and Brazil and so we're quite positive about it.

Asia, I think, is couple of things going on. Number one, like Russia, we've been investing pretty heavily in China and we're seeing good response. We've built that business, the foundation as I like to call it brick by brick, focusing in on our core brands and core customers, and really making sure we build a sustainable business in China. We've got the scale there that now we're beginning to be able to leverage things like advertising investments in China, and that seems to be paying off, so we like that.

The Australian market, which we include as a part of Asia, has been undergoing some changes in how retailer promotional programs have been timed. Traditionally, that's a very strong market for retailer toy promotions in the summer, and that seems to be evolving for less focus on the summer and more focus on the fall. So we're seeing some improvement there as well, but we like Asia, India is continuing to do well for us. We've been there for a while, and continue again to invest in our programs there. So, outside of North America, Europe is doing well, great execution. Latin America is doing well, great execution and growth, and Asia is doing well because it's new and growing. We've been there for a while and we're investing.

<Q – Jaime Katz – Morningstar Research>: Thanks. And then can you talk a little bit about the Wheels business, and whether or not, you guys are looking to maybe put some marketing dollars behind that to sort of reengage the consumer, since it looks like we've had a couple of quarters of weak performance?

<A – Bryan Stockton – Mattel, Inc.>: Well, we like where we are in the Wheels business. We think we're well-positioned with Hot Wheels with some innovation in the fourth quarter, with things like the Car Maker, which is really interesting and innovative new item. So we like where we are, and we really think about Wheels in terms of everything that's sort of diecast, we have to look at Hot Wheels, we have to look at Cars and of course, Planes is really taking off, pun intended, and that appears to be some nice new incremental business for us everywhere where that brand has been launched. So if we look at our overall diecast business, we like it. Hot Wheels has solid momentum again with the Car Maker and some other new things. So we think we're well-positioned to execute well in the fourth quarter and feel good about that business.

<Q – Jaime Katz – Morningstar Research>: Thank you.

Operator: Our next question comes from Tim Conder with Wells Fargo Securities. Your line is open.

<Q – Tim Conder – Wells Fargo Securities LLC>: Thank you. Just a couple here. Bryan, a little bit more color, if you could, on Barbie. I know you commented on POS year-to-date in a previous – answer to previous question. But it appears on the NPD that that had weakened quite a bit in the third quarter. Can you maybe kind of give us a little bit of color there? Was that primarily older product versus what you've now shipped in during the third quarter? Was that due to that bleed-down of that old product? Or is there something else going on?

And then the second question is Girls. Monster High as you said continues to do well, but you would think that that at some point here the rate of growth is going to start to slow, but still grow. So, can you kind of comment on Monster High, Barbie, Disney Princess, how you see that growth going forward here as the Monster High growth comes down but still progresses? Thank you.

<A – Bryan Stockton – Mattel, Inc.>: Sure. Well, let me start with Barbie POS, I'm really not going to get into a discussion of Barbie POS specifics by month and by good product, old product, in-between product. But what I would tell you, as I mentioned earlier, when we looked at POS and shipments because of timing and promotional programs, we tend to like to look at it on a year-to-date basis. And again, I would tell you that our shipments and POS are pretty well balanced and we've gone through about 50% of the POS here in toys and we have the next 50% ahead of us in the fourth quarter. So, we like where we are. We've said we've got some positive momentum of Barbie International, we like that. We know that there is still some POS softness in the U.S. We're addressing that through more space, better merchandising, and some solid promotional tie-ins with our retail partners. We have two movies, a Ponytale launches on October 22. That should be a terrific movie with a Camper and a terrific remote control horse that I know girls are going to love around the world. So, we're all about execution on Barbie in the fourth quarter and we'll see where we end up and again, we know the big challenges here in the U.S.

The other question I think really talks about our doll portfolio and we like where we are in our doll portfolio. We have the leading brands of dolls between Barbie and American Girl and Monster High and Disney Princess and, obviously, we're launching Ever After High. We have high hopes that that too will become a solid success.

As we think about that portfolio, obviously, just as you manage your portfolios, we want the portfolio to grow and we would like for all brands within that portfolio to grow. But as you look at the impact of new initiatives on the sales of other brands, we know that they have impacted. If I pick on Monster High, for example, to try to get more specific to your question, we're still seeing the Monster High consumer base grow. We think that's very good as that consumer base grows. It's obviously going to have some impact on other brands in the doll category, including in our own category. So, we think Monster High, we can plan on that to continuing to grow. We're in a solid place for the fourth quarter.

And as we look at the other brands, as we've said particularly, and I guess I'll answer this question expecting it to come up. As it relates to the impact on Barbie, again, as that base grows we know it's having some impact on Barbie. But it's just really hard to quantify what the impact is on Barbie or other doll brands. In the case of Barbie, it's pretty simple – the Barbie business whether you look at it on a Q3 basis or year-to-date basis for 2013 is larger than it was in 2010, which was as you'll recall the base year for the Monster High launch. So Barbie is bigger than she was for Monster High launch. Monster High is huge. Monster High is driving the category. So we are pleased to have the top four brands, and we love all four, and hope we have the fifth one to love with Ever After High.

<Q – Tim Conder – Wells Fargo Securities LLC>: Okay. Well, again, congrats on great execution everybody. And something. Bryan, you are not too concerned that as Monster High growth rate starts to slow, but again still growing, you're not too concerned about the Girls business on a go-forward basis?

<A – Bryan Stockton – Mattel, Inc.>: Well. I would tell you, Tim, that we feel there is still opportunity for Monster High to continue to grow, and what's driving that is again we see more growth in that base. And it's such a fantastic property to create new stories and new characters, so we like that. Ever After High is just launching, as I mentioned, it's beginning to take hold in Justice. At Disney, we have Sofia, which is really doing well. We like that a lot.

Frozen, the movie launch is quite late to have a lot of impact on this year, but we think Frozen like as you'll recall the Tangled movie should have some positive impact on this in the following year for us, 2014. And then, there is American Girl, and we don't talk a lot about American Girl, but we sure love it, it's a $600 million business, it's growing, strong double-digits. We have another store opening in Palo Alto here in a few weeks, and the growth in that brand is strong across the portfolio, whether it's portfolio of dolls, or portfolio of locations, or portfolio of channels. So we feel really quite positive about our Girls business.

<Q – Tim Conder – Wells Fargo Securities LLC>: Okay. Great. Thank you, gentlemen.

<A – Bryan Stockton – Mattel, Inc.>: Thanks, Tim.

Operator: Our next question comes from Michael Kelter with Goldman Sachs. Your line is open.

<Q – Michael Kelter – Goldman Sachs & Co.>: Hey, guys. I guess first thing, there is a pretty big delta right now between your sell-in and your sell-through in the U.S. And you've touched on a few things, but I was hoping you could maybe walk us through the drivers of the delta in a little more detail.

<A – Bryan Stockton – Mattel, Inc.>: Hi, Michael. Sure, we'd love to do that. We really think about a handful of things as we look at how our shipments and POS and inventory are shaping up. As I mentioned, as we look at our POS and shipments, we believe we're pretty well-aligned across brands and across countries. Again, as you look at on a year-to-date basis and we think that's probably the most reflective way to look at our POS and shipments. And we feel good about that even in the phase of retailers managing inventory quite closely. And as you know when they do that, they tend to buy what's selling and that's why we feel pretty good. They're buying what our POS is driving and that's why we feel pretty good about that alignment. Again, our inventory is down at retail about mid single-digits. Our retail inventory is down, we like that.

And I think another thing that we think about with Q3, as I mentioned we had a number of new launches. And when you look at those new launches, there has been an impact as we begin to gain more space and get these products on the shelf at retail. So we like the early signs of success on these new launches. So, I would say that's kind of a handful of things as we think about why we feel pretty good about the balance of shipments and POS, why we believe we're well-positioned at the end of the third quarter to execute well in the fourth.

<Q – Michael Kelter – Goldman Sachs & Co.>: And then kind of a related question. I mean, you said on the – U.S. POS is down roughly mid-singles year-to-date and as I understand that it's actually decelerated as the years unfolded and maybe a little lower than that now. And it sounds like on the call, it sounds like you're treating it as business as usual, whereas I'd have expected a major sense of urgency to turn things around. And so I guess my question is, what are you doing to adapt and adjust to what's going on in POS, are you stepping up trade spend heading into Christmas? Are you reducing orders from some of the manufacturers you use in China? Are you pulling back on discretionary expenses? Are you doing things differently or you just kind of have faith things will come in in the end?

<A – Bryan Stockton – Mattel, Inc.>: Well, I would probably argue with your premise that our POS is decelerating. We're a global business and we sell toys all around the world, not just in the U.S., and the U.S. is only about a quarter of the world's toy market. It's about half of our sales. So as we look at our POS, we tend to look at it globally, not just the U.S.

The second thing I would tell you in terms of why we feel good about the fourth quarter is if you look at the shelf space gains we have and this is a U.S. comment as well as an International comment, the level of support we're getting from retailers, if you look at the – I'll call it the informal ratings of our products that we get on all the hot toy lists and as I mentioned in my comments we have 80 products on different lists from around the world. You look at the quality of the marketing efforts that we're putting in, the advertising is across the board better than it was last year, our spending levels are quite strong including in the U.S.

So I think we're well-positioned to execute well in the fourth quarter. And again, we've said the POS is a little softer than we like in the U.S. but we have 50% of the industry ahead of us in POS. And the fourth quarter is what this business is all about and I frankly think we execute as well, if not better than anyone else in the industry.

<Q – Michael Kelter – Goldman Sachs & Co.>: And then just kind of a quick one here. Have you seen any impacts to the industry or yourselves from the recent government stalemate and I ask Walmart made some comments yesterday at their Analyst Day about seeing an impact to consumers. They weren't specific to toys at all, but as the largest toy company in the world, I hope to get your read on things?

<A – Bryan Stockton – Mattel, Inc.>: Well, it's difficult to say if you watch television, you're not sure if you should be happy or sad. It depends on which five-minute segment of what network you're watching. What we would say is the toy industry has been pretty resilient. If you look at the challenges over the last five to six years, recall in the fourth quarter of 2008, the wheels came off the bus particularly in the U.S. In 2009, it happened in Europe. And as we always take a look at, every year there is always something that happens in the industry: hurricanes, doc strikes, U.S. politics, and we always seem to get through it. But again, if there is a short-term issue with U.S. politics, hopefully I think most Americans hope that will get taken care of and we can get back to business. But this is a pretty resilient industry and one thing we've learned and I've been in this business 13 years and many of you have covered it a lot longer than that. Christmas always comes on December 25, and there are always toys under the tree for kids, and we're proud of the fact that there are always more Mattel toys under trees around the world than any other company.

<Q – Michael Kelter – Goldman Sachs & Co.>: And last thing. Can you just maybe talk us through the key sales drivers, not for Christmas or the next couple of months, but for 2014 and 2015, are there movies or other things we should be thinking about that are going to help propel you forward.

<A – Bryan Stockton – Mattel, Inc.>: Well, sure. I think if you – you think about what we've been talking about, the first thing we love is our core businesses. And I'll start with Barbie and Fisher-

Price, those two businesses we've been talking about trying to make some progress on and in 2014 we expect to make more progress on that.

Our doll portfolio is really I think one of our key strengths. We have the top four brands in the world in dolls, all are performing well. We're launching a fifth with Every After High. So we like where we are with that. With Max Steel, we have some new launches with that going on. But from an Entertainment standpoint, we have a number of things going on with Planes and again what I would call the post-year effect of Frozen. But we'll review this in a lot more detail at our Analyst Meeting, which we hope we'll see you at in a couple of weeks. But we feel quite positive about the 2014 and the opportunities to grow.

<Q – Michael Kelter – Goldman Sachs & Co.>: Thank you very much.

<A – Bryan Stockton – Mattel, Inc.>: Thank you.

Operator: Our next question comes from Linda Bolton Weiser with B. Riley. Your line is open.

<Q – Linda Bolton Weiser – B. Riley & Co. LLC>: Hi. I was wondering, in the Fisher-Price business, you had mentioned that there was some exit of some low-profitability areas. I wonder if that could be quantified. Did that make a material impact causing some of that 3% decline in the core Fisher-Price or is it just too small to measure?

And then my second question is on Max Steel. Maybe I'm just reading too much into your comments. But it just sounded like you were a little muted on your initial commentary about Max Steel. Is it just too early or is it getting a maybe slower start than you had thought or maybe you could just give a little more color on Max Steel? Thanks.

<A – Bryan Stockton – Mattel, Inc.>: Hi, Linda. Sure, I'd love to comment on both. On Fisher-Price, we've had a number of categories and products. And I'll pick on one as an example. For example, Grow-To-Pro, which has been a number of outdoor toys that haven't really been as attractive as perhaps we'd like, and we're really trying to focus our Fisher-Price toy line on two things, things that support the developmental nature of the brand and the advertising, and frankly, things that are attractive from a gross margin standpoint. So, I'm not going to get into quantifying how much it is, but I think if you look at the Fisher-Price display this year versus the Fisher-Price display in past years, you'd notice that we've got a more focused line and a line that better reflects what we're doing with Fisher-Price.

On Max Steel, I wouldn't say I'm muted, I would just say we recognize the fact that this is a television property. It's not a movie property. As you know, movie properties tend to have the big bang and then they kind of disappear. And we're essentially using the same formula outside of Latin America that we built this brand with in Latin America, which is with, I would say, more ongoing support whether its promotional support or DVDs, et cetera. We like what we see with Max Steel in Latin America at the moment. The engagement of boys with the brand is quite strong. Again, the new product is just hitting shelves there. So, it's a little too early to make a call, but I would call that the POS quite encouraging in Latin America. So, we think all the work we put into Max Steel at minimum is going to help make us a stronger and better business in Latin America.

Outside of Latin America, when you look at other countries like the U.S. and Europe, for example, where we have pretty strong content placement we see, I would say, brand engagement that looks like the early days of Latin America, and we like that. Product is just getting to the shelves, and I think we will have a good year, but it's not going to be movie-like. And then, frankly, we have some markets, and I'll mention the U.S., as an example, where we have some more work to do in terms of content. We've been working very hard with Disney, for example, to strengthen the availability of Max and it's been recently stripped on Disney XD, so we like that. But again, with Max Steel, like we did in Latin America, it's not any one thing, it's a number of engagement points of Max Steel.

So, we like where we are. We've never said it's going to be a big bang movie. It's going to be a slow build, and that's what built that business to be the number one action figure brand in Latin America and that's what we like.

<Q – Linda Bolton Weiser – B. Riley & Co. LLC>: Thanks a lot.

<A – Bryan Stockton – Mattel, Inc.>: Thank you, Linda.

<A – Drew Vollero – Mattel, Inc.>: Operator, we have time for one more question.

Operator: And our final question comes from Drew Crum with Stifel. Your line is open.

<Q – Drew Crum – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks. Good morning, everyone. Bryan, I wonder if you could comment on your expectations for Ever After High as you sell it into retailers and what their plans are as far as placement. Is your expectation to grow the fashion doll category with this or do you cannibalize against some of the other properties? I wonder if you could comment on that. And then, on the Fisher-Price side, how far long are you in terms of shipping Thomas wood globally as well as Mike the Knight? Thanks.

<A – Bryan Stockton – Mattel, Inc.>: Sure. Good morning, Drew. Let me start with Ever After High. I'm going go back to the comment I made earlier about our doll portfolio, and we work very hard as you would expect being the leading doll company in the world to understand what girls are doing and where white space exists. And we've talked about sort of the key insight on Ever After High being the girls want to sort of re-write their history. They don't want to feel like their lives are preprogrammed for them. So, it's a different play pattern. It's a different mindset than things like Monster High and that's why we believe that this could be potentially incremental. Again, we want to grow all of our brands in the doll portfolio, whether it's Barbie or Disney Princess or Monster High or American Girl and now Ever After High. So that's the objective. We look for white space and try to fill it.

As it relates to, as I mentioned before, when we have a new launch, it's hard to imagine these new launches not having an impact on the sales of some of our other brands, but we really think about this as a portfolio, we want to grow the portfolio. Ideally, we like to have all brands grow, but there could be at any given moment, some movement of sales between brands. The doll portfolio has been growing for 16 consecutive quarters and we like that quite a lot and the category has been growing in a high single to a low double digits in most of the world. So, I would say, as we think about our doll portfolio, the strategy is working and we want to keep working the strategy.

As it relates to Fisher-Price and specifically on Thomas and on Mike the Knight, we launched Thomas wood back in January and this is an interesting one for us because it's a good product for both mass and specialty and we had a good reception from retailers on both. We like it a lot. It's what we call the entry point into the brand because moms love the wooden toy and it's a great way for kids to play with Thomas. So I'm not going to get into specifics of wood, but we really like where we are and we think it's a great opportunity to grow the brand in wood and particular in International because wood is, I would say, highly concentrated in the U.S. and a handful of other markets and as we expand the Thomas brand, you're probably tired of me talking about the great work we've done with Televisa in Mexico. But as we extend and expand the content and availability, wood will continue to grow globally as well as the plastic and diecast pieces as well.

And on Mike the Knight, we like where that brand is going. Again, it's all about content placement and the toys will follow. So, we're happy with Thomas. There's a lot of opportunity whether it's in China and Asia or Brazil and Mexico and Latin America or Russia and Europe. We think there is a lot of opportunity.

<Q – Drew Crum – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks, guys.

<A – Bryan Stockton – Mattel, Inc.>: Thank you.

Drew Vollero, SVP-Investor Relations & Corporate Strategy

Thank you. There will be a replay of this call available beginning at 11:30 a.m. Eastern Time today. The number to call for the replay is area code 404-537-3406 and the pass code is 58903743. Thank you for participating in today's call.

Operator: Thank you. Ladies and gentlemen that does conclude today's conference. You may all disconnect and have a wonderful day.