

Mattel, Inc.

Earnings Conference Call

Second Quarter 2013

(Unaudited Results)



JULY 17, 2013

BRYAN STOCKTON – CHAIRMAN AND CEO
KEVIN FARR – CFO





FORWARD-LOOKING STATEMENTS: This presentation includes forward-looking statements relating to the future performance of our overall business, brands and product lines. These statements are based on currently available operating, financial, economic and other information and they are 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, in 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.

REGULATION G: Information required by Securities and Exchange Commission Regulation G, regarding non-GAAP financial measures, as well as other financial and statistical information, will be available at the time of the conference call on the “Investors” section of <http://corporate.mattel.com/>, under the subheading “Financial Information” – “Earnings Releases.”

Q2 2013 Key Takeaways



Delivered another quarter of sales growth and strong gross margins, with lower operating profit due to higher SG&A expenses

- **Gross sales of \$1.3 billion, up (+1%)**
 - North American Region* gross sales down (-2%); International Region** gross sales up (+4%)
- **Gross margin of 51.3%**, flat to prior year, due to favorable mix, O.E. 3.0 savings, and pricing partially offset by increased input costs, and foreign exchange
- **Operating income of \$95 million**, down (-28%), including a \$14 million asset impairment charge and continued strategic growth investment spending
- **EPS of \$0.21**, down \$0.07



Underlying first half results consistent with long-term financial goals

- **Gross sales of \$2.4 billion, up (+4%)**
 - North American Region* gross sales up (+2%); International Region** gross sales up (+6%)
- **Gross margin of 52.7%** up 150 bps, due to favorable mix, O.E. 3.0 savings, and pricing partially offset by increased input costs
- **Operating income of \$161 million**, flat to prior year, including a \$14 million asset impairment charge and continued strategic growth investment spending
- **EPS of \$0.32**, up \$0.02



Global growth continues

- Girls portfolio (Barbie, Other Girls, American Girl) up (+6%) in Q2, up (+14%) for first half
- Growth in all international regions for the quarter and the first half
- Grew share in U.S. and EURO 5 markets (results thru May)***



Continued to deploy capital effectively

- Paid Q2 dividend of \$0.36/share on June 14, 2013, \$1.44 annualized dividend up over (+16%) vs. prior year
- Repurchased 2.7 million shares for \$119 million in Q2; increased authorization by \$500 million
- Declared Q3 2013 dividend of \$0.36/share

* Includes North America Division and American Girl (AG) (see Appendix)

** Includes International Division (see Appendix)

*** Based on NPD Retail Tracking Service and addition of American Girl results which are not part of NPD calculation



Worldwide Gross Sales

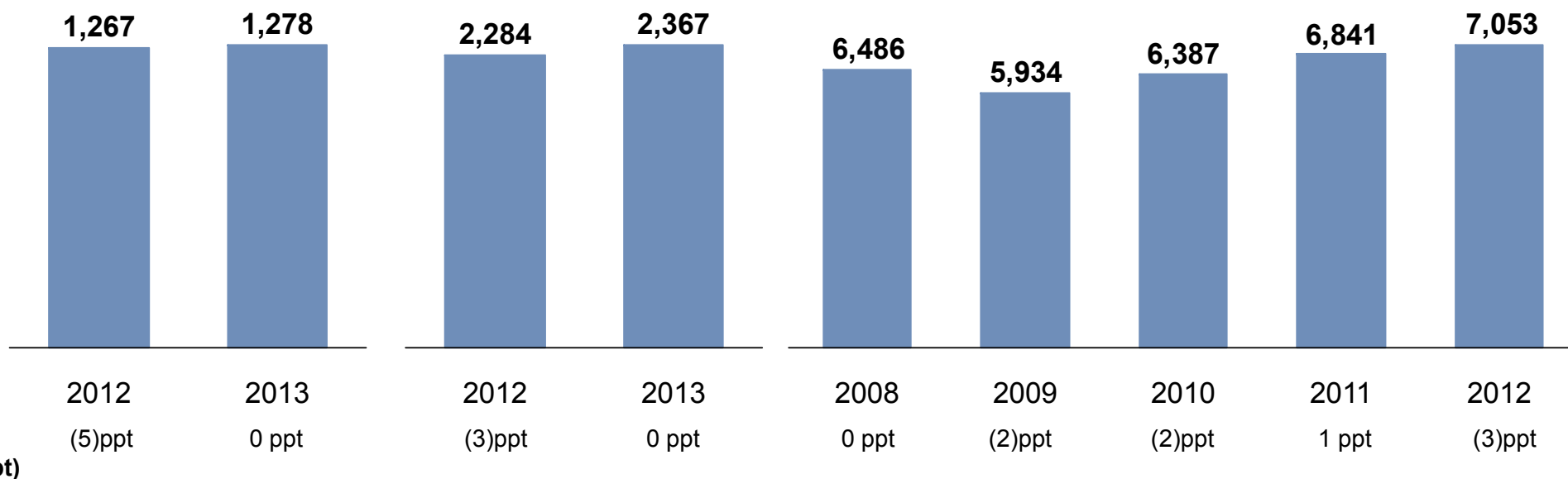


Second Quarter 2013
(\$ In Millions – Unaudited)

Quarter
+1%

Year-to-Date
+4%

Historical Trend Full Year



- WW gross sales up (+1%) in the quarter and up (+4%) for the first half
 - For Q2, continued strength in International Region** (+4%) partially offset by North American Region* (-2%)
 - For first half, growth in International Region (+6%) and North American Region (+2%)
- WW growth driven by strong girls portfolio, including Monster High and American Girl, and Fisher-Price Friends
- Grew share in U.S. and EURO 5 markets (results thru May)***
- Inventory at U.S. retail and Mattel in good shape
 - U.S. retail inventory down as retailers continue to tightly manage inventories
 - Mattel inventory up (+6%) due to higher costs and preparation for summer entertainment and franchise launches

* Includes North America Division and American Girl (see Appendix)

** Includes International Division (see Appendix)

*** Based on NPD Retail Tracking Service and addition of American Girl results which are not part of NPD calculation



Worldwide Gross Sales by Brand

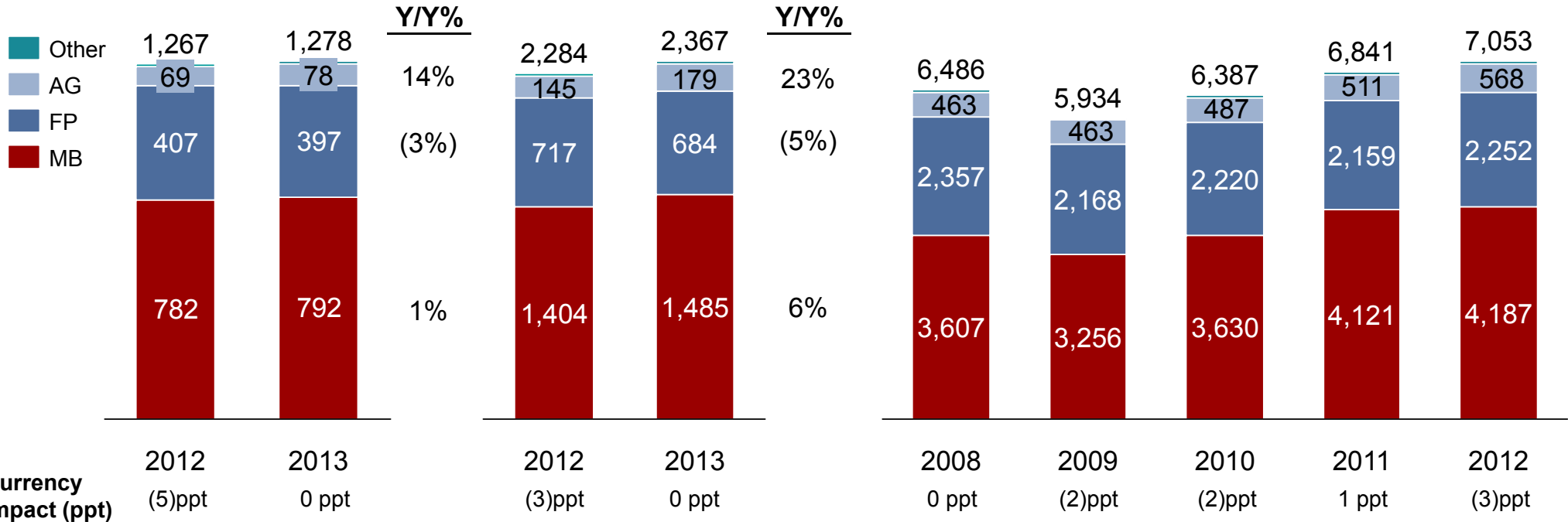


Second Quarter 2013
(\$ In Millions – Unaudited)

Quarter +1%

Year-to-Date +4%

Historical Trend Full Year



Mattel Brands

- Growth in girls portfolio driven by Monster High, partially offset by Barbie, as well as growth from Max Steel, Man of Steel and the initial shipments of new entertainment properties partially offset by Batman and Games and Puzzles

Fisher-Price

- Strength in Friends portfolio, driven by owned properties Thomas & Friends and Mike the Knight, as well as continued strength in Fisher-Price Core, primarily Little People, offset by performance of other Fisher-Price Core brands

American Girl

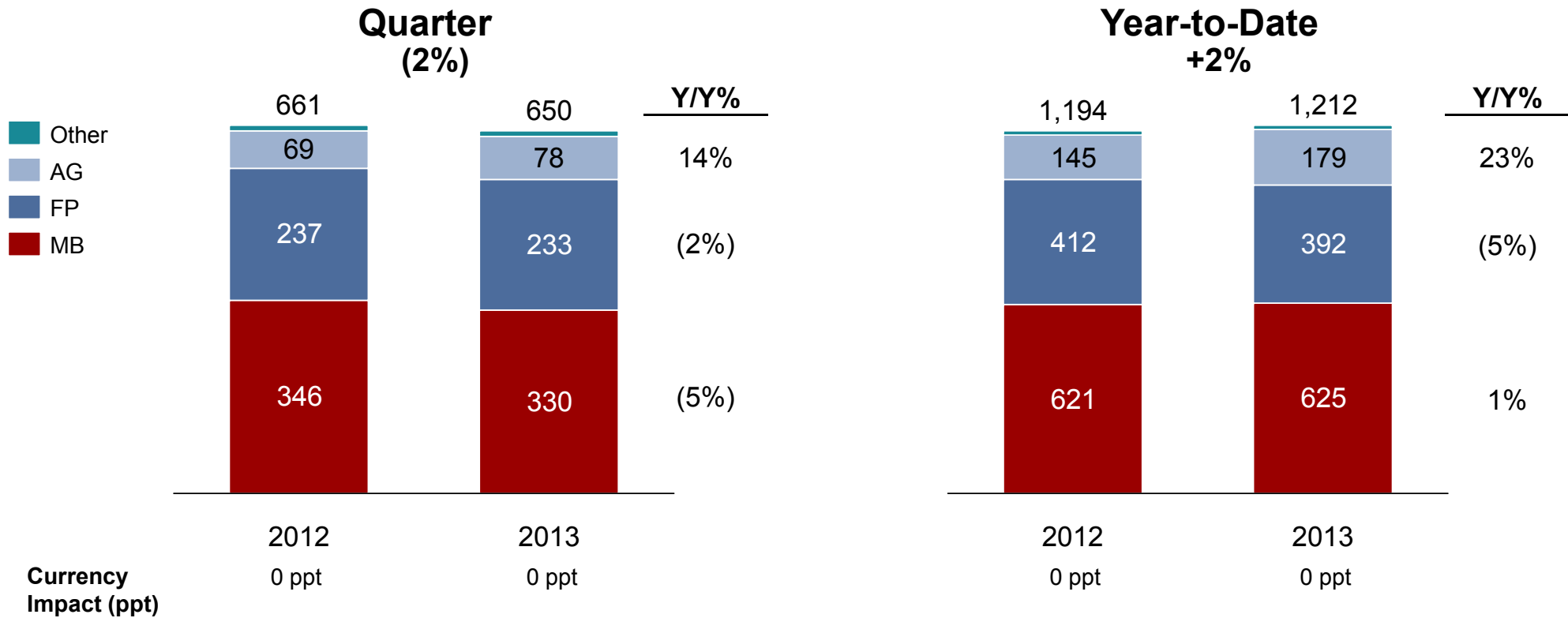
- Strong sales in core dolls, led by Saige, 2013 Girl of the Year, and strong performance at retail including three new store openings in 2012 and the new Columbus, Ohio location which opened in late Q2 2013



North American Region Gross Sales by Brand



Second Quarter 2013
(\$ In Millions – Unaudited)



Mattel Brands

- Growth in girls portfolio driven by Monster High, partially offset by Barbie, as well as growth from the initial shipments of new entertainment properties and Man of Steel partially offset by Batman, Games and Puzzles, and Hot Wheels

Fisher-Price

- Strength in Friends portfolio, driven by owned properties Thomas & Friends and Mike the Knight, as well as continued strength in Fisher-Price Core, primarily Little People and Imaginext, offset by performance of other Fisher-Price Core brands

American Girl

- Strong sales in core dolls, led by Saige, 2013 Girl of the Year, and strong performance at retail including three new store openings in 2012 and the new Columbus, Ohio location which opened in late Q2 2013

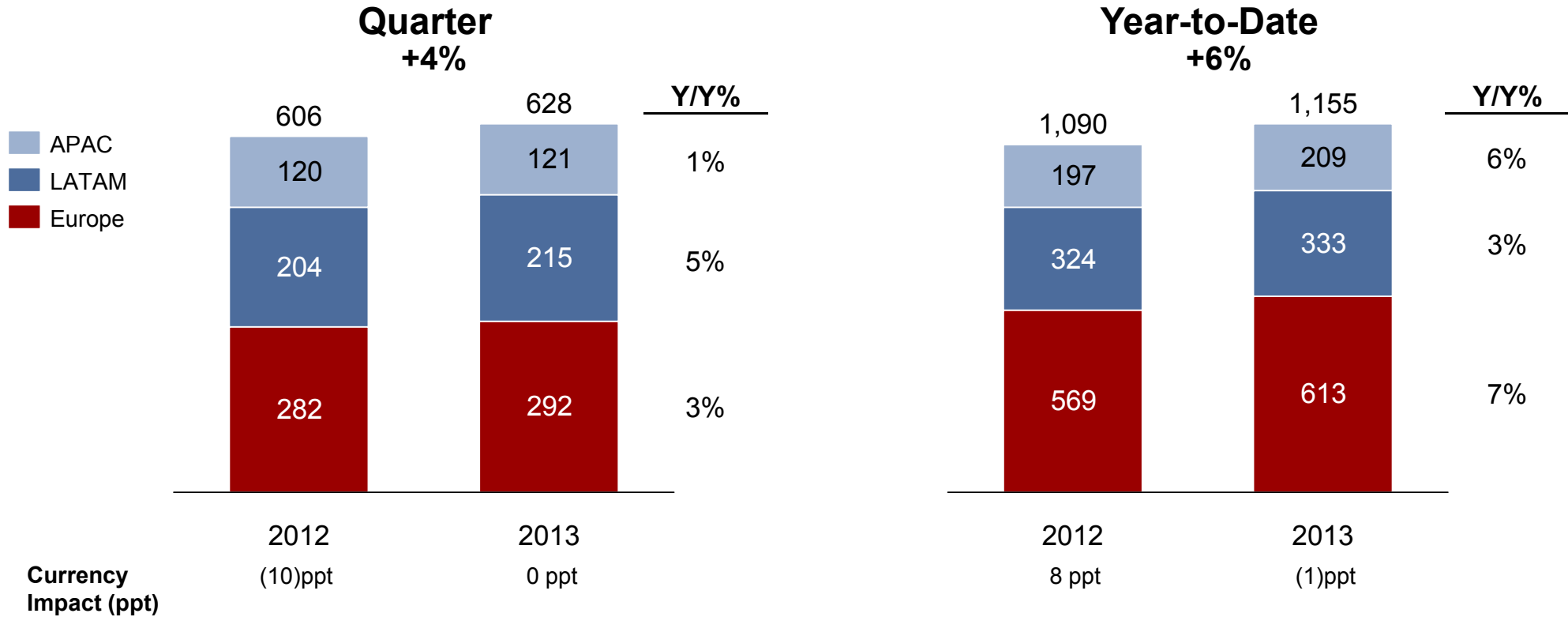


Note: North American Region includes North America Division and American Girl (see Appendix)


International Gross Sales by Region



Second Quarter 2013
(\$ In Millions – Unaudited)















- Europe** → Q2 revenues up (+3%), driven by strong growth in Russia and Eastern European emerging markets, partially offset by softness in Southern Europe
- LATAM** → Q2 revenues up (+5%), driven by strong growth in Mexico and positive sales in Brazil, partially offset by small declines elsewhere in the region
- APAC** → Q2 revenues up (+1%), including a 3 ppt unfavorable impact from currency, driven by strong double-digit growth in China and India, partially offset by declines in Australia

 Note: International Region includes International Division (see Appendix)

Gross Margin



Second Quarter 2013
(As a Percentage of Net Sales – Unaudited)




	<u>Quarter</u>	<u>Year-to-Date</u>
Prior Year:	51.3%	51.2%
Change Primarily Driven By:		
Pricing		
Product Mix		
O.E. 3.0		
Input Costs		
Currency		
Other Product-Related		
Current Year:	51.3%	52.7%
Change:	0 bps	150 bps

Q2 2013 Drivers

- Favorable mix due to strong Girls portfolio
- Good progress on O.E. 3.0 savings
- Low single-digit pricing actions implemented January 1
- Partially offset by increased input costs and foreign exchange

Near-Term Objective

- Maintain margins within the low-to-mid 50% range

 Improvement in GM
 Detriment to GM
 Neutral to GM





Second Quarter 2013

(\$ In Millions and as a Percentage of Net Sales – Unaudited)

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year:	\$351	30.3%	\$698	33.4%
Change Primarily Driven By:				
Intangible Impairment				
Strategic Growth Investments				
Employee-Related Costs				
Incentive & Equity Comp				
O.E. 3.0				
Other				
Current Year:	\$392	33.5%	\$762	35.2%
Change:	\$41	320 bps	\$64	180 bps

Key Drivers

- Polly Pocket impairment charge of \$14 million, accounting for 1/3 of incremental Q2 expenses
- Spending on strategic growth investments accounting for 1/3 of incremental Q2 expenses
- Severance and increased employee-related costs, including merit increases and higher benefit expenses, impacted quarter

Improvement in SG&A

Detriment to SG&A

Neutral to SG&A



Operational Excellence 3.0



Second Quarter 2013 (\$ In Millions – Unaudited)

	Global Cost Leadership		Operational Excellence 2.0		Operational Excellence 3.0				2013-2014 Total Target
	2009-2010 Total	% of Gross	2011-2012 Total	% of Gross	2013				
					Q1 Act	Q2 Act	YTD Act	FY Target	
Structural Savings/ Legal Savings									
• Gross Margin	\$89	40%	\$42	23%	\$3	\$7	\$10		
• SG&A*	\$108	48%	\$122	65%	\$2	\$2	\$4		
• Advertising	\$28	12%	\$23	12%	\$0	\$0	\$0		
Gross Savings	\$225	100%	\$187	100%	\$5	\$9	\$14	\$50	\$150
• Severance/Investment	(13)		(39)		(5)	(8)	(13)	<i>Run rate</i>	
Net Savings	\$212		\$148		\$0	\$1	\$1		

- Global Cost Leadership and O.E. 2.0 exceeded expectations and delivered over \$400 million in gross savings
- O.E. 3.0 initiatives to focus on:
 - Packaging Optimization
 - Manufacturing Efficiencies: Automation and LEAN
 - Enterprise Quality: Design for Manufacturing
 - Operational Efficiencies: NAD Initiative and Enhanced International Clustering
 - Indirect Procurement
- Severance expenses are driven by continuing alignment of International and North American organizations

* Includes \$81 million of Legal Savings in O.E. 2.0



Operating Income



Second Quarter 2013


(\$ In Millions and as Percentage of Net Sales – Unaudited)

	Quarter		Year-to-Date	
	In Millions	% of Sales	In Millions	% of Sales
Prior Year:	\$131	11.3%	\$160	7.7%
Change Primarily Driven By:				
Sales Volume				
Gross Margin				
Advertising & Promotion				
SG&A				
Currency				
Asst Impairment				
Current Year:	\$95	8.1%	\$161	7.4%
Change:	(\$36)	(320)bps	\$1	(30)bps

YTD OP Income flat including a 9% or \$14 million asset impairment charge

- Q2 decrease driven by impairment charge and higher SG&A spending partially offset by higher sales
- YTD increase driven by higher sales and gross margins offset by impairment charge and higher SG&A spending









Improvement in Op Inc %
 Detriment to Op Inc %
 Neutral to Op Inc %



EPS



Second Quarter 2013
(\$ Per Share – Unaudited)

	<u>Quarter</u>	<u>Year-to-Date</u>
Prior Year:	\$0.28	\$0.30
Change Primarily Driven By:		
Operating Income		
Non-Operating Income / Expense		
Tax Rate		
Share Count		
Current Year:	\$0.21	\$0.32
Change:	(\$0.07)	\$0.02
	-25%	7%

**Q2 EPS down
\$0.07**

**YTD EPS up
\$0.02**

Q2 decrease driven by lower operating income and an increase in share count, partially offset by lower non-operating expenses and a favorable tax rate driven by discrete tax benefits

Impact of Foreign Exchange

Q2: \$0.03 unfavorable
YTD: \$0.05 unfavorable

 Improvement in EPS

 Detriment to EPS

 Neutral to EPS





2013 Acquisition and Other Related Costs

(\$ in Millions – Unaudited)

	Q2		Year-to-Date		Full Year	
	2012 (actual)	2013 (actual)	2012 (actual)	2013 (actual)	2012 (actual)	2013 (estimate)
Acquisition and Integration Expenses	\$1	\$1	\$17	\$3	\$24	\$10
Amortization of Intangibles	\$1	\$1	\$2	\$2	\$5	\$5
Total	\$2	\$2	\$19	\$5	\$29	\$15

- Acquisition and integration costs include facility-closing costs, consulting costs, severance and IT costs
- Intangibles expected to be amortized over an average of 4-5 years

Cash Flow*



First Half 2013

(\$ In Millions – Unaudited)

	2012*	2013
Net Income	\$104	\$112
Depreciation	\$75	\$87
Amortization	\$8	\$8
Change in Working Capital & Other	(\$249)	(\$493)
Net Cash From / (Used for) Operations	(\$62)	(\$286)
Capital Spending	(\$107)	(\$115)
Acquisitions	(\$685)	-
Other Investing	(\$23)	(\$17)
Net Cash (Used for) Investing	(\$815)	(\$132)
Payments of Long-Term Borrowing	-	(\$350)
Net Proceeds from Long-Term Borrowing	-	\$495
Share Repurchases**	(\$34)	(\$151)
Dividends	(\$211)	(\$249)
Financing Activities and Other	\$125	\$160
Net Cash From / (Used for) Financing Activities & Other	(\$120)	(\$95)
Change in Cash	(\$997)	(\$513)
Cash at Beginning of Period	\$1,369	\$1,336
Cash at End of Period	\$372	\$823

Primarily driven by changes in working capital

Cash Flow from Ops

Dividend

Paid quarterly dividend of \$0.36, up (+16%) vs. prior year

Issued \$500 million of Senior Notes and repaid \$350 million of Senior Notes at scheduled maturity

Financing Activities

Share Repurchase

Bought \$119 million in shares in Q2

* Certain balances related to the acquisition of HIT Entertainment have been retrospectively adjusted to reflect their final acquisition-date fair values

** Cash paid for share repurchases in 2012 included \$12 million of payments related to shares acquired in 2011. Cash paid for share repurchases in 2013 included \$24 million of payments related to shares acquired in 2012





Where to Grow

- Core Brands
- Entertainment Properties
- New Franchises
- International

How to Grow

- Align behind Strategic Growth Plan
- Structure for growth
- Nurture talent
- Accelerate an already innovative culture

Strategic Priorities

- Deliver consistent growth
- Build on operating margins
- Generate and deploy cash



APPENDIX

Reporting Guide



Name

Description

North American Region

Includes North America Division and American Girl

International Region

Includes International Division

North America Division

Consists of the U.S. and Canada, excludes American Girl

International Division

Excludes U.S. and Canada

American Girl

Includes American Girl, excludes Corolle

Core Europe

Includes France, Belgium, Netherlands, Spain, Portugal, Italy, Germany, Austria, Switzerland, Nordics/Scandinavia, U.K.



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