

Mattel, Inc.

Earnings Conference Call

Fourth Quarter and Full Year 2013

(Unaudited Results)



JANUARY 31, 2014

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 & Media” section of <http://corporate.mattel.com/>, under the subheading “Financial Information” – “Earnings Releases.”

Q4 and Full Year Key Takeaways



Toy Industry held up relatively well in evolving and challenging retail environment

- U.S. Toy market slightly down (-1%) and Euro 5 flat (per NPD Group)
- Continued shift to e-commerce from brick and mortar, retail traffic fell at most retailers
- Consumers were more focused, shopped later with a strong emphasis on price promotion

Q4 sales below expectations, impacting results

- Weakness in North American Region* (-10%), partially offset by strength in Asia-Pac (+5%) and Europe (+2%)
- Strong P&L management of gross margin and SG&A helped to partially offset sales decline
- Advertising spending (+130bps) and Mattel-owned inventories higher (+22%) due to sales shortfall

Despite Q4 challenges, 2013 FY results show growth in sales, gross margins, operating income and EPS

- Gross sales of \$7.1 billion, up (+1%) for the year
- Continued strength in gross margin of 53.6% up 50bps
- Operating income of \$1.2 billion, up (+1%) vs. 2012 adjusted operating income**
- EPS \$2.58, up (+4%) vs. 2012 adjusted EPS**

Continued to deploy capital effectively and maintain strong balance sheet

- Paid Q4 dividend of \$0.36/share on December 13, 2013 – up over 16% vs. prior year
- Repurchased 2 million shares for \$83 million in Q4 and 11 million shares for \$469 million for full year
- Declared Q1 2014 dividend of \$0.38/share, \$1.52 annualized dividend up 6% from 2013
- Year-end cash over \$1 billion

Domestic retail inventory levels up slightly

- Overall retail inventory slightly higher; varies by brand, retailer and country

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

** 2012 adjusted operating income and 2012 adjusted EPS exclude a litigation charge of \$138 million



Worldwide Gross Sales

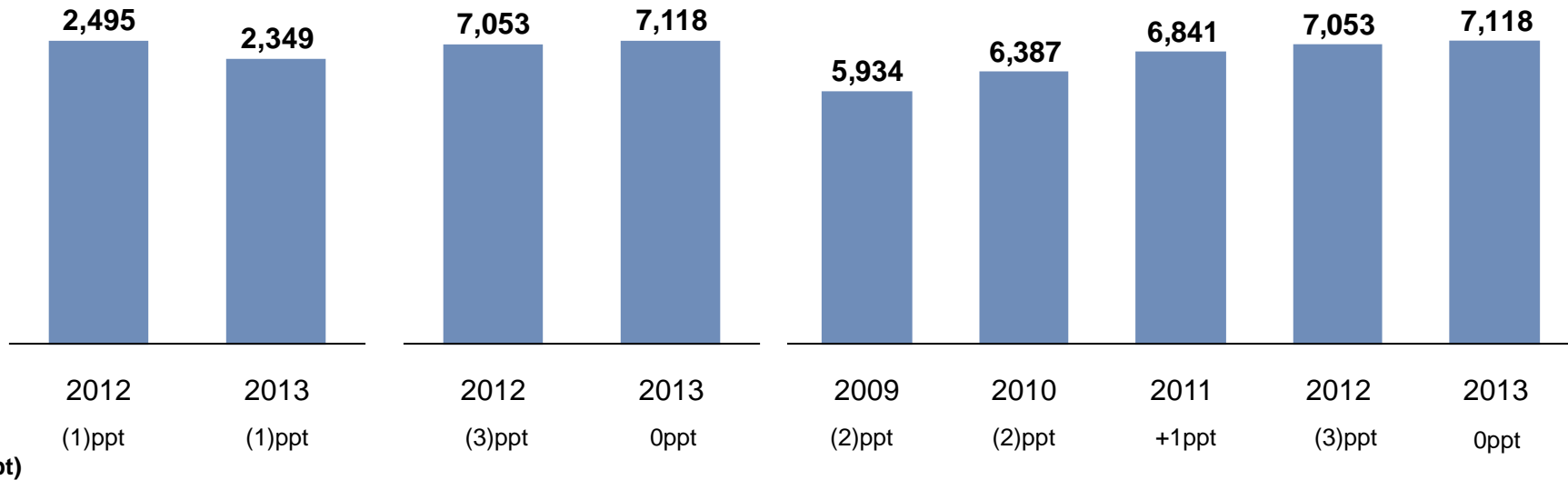


Fourth Quarter 2013 (\$ In Millions – Unaudited)

Quarter -6%

Full Year 1%

Historical Trend Full Year



- Q4 WW gross sales down (-6%) and up (+1%) for the year, including a 1 ppt unfavorable impact from currency in Q4 and no currency impact for full year
- Softness in North American Region* in the quarter (-10%) resulted in full year decline (-2%); new launches and strength in American Girl and Disney Princess offset by declines in Games/Radica, Fisher-Price Core, Barbie and Wheels
- International Region** flat in the quarter but up for the year (+5%) including a 1 ppt unfavorable impact from currency; strength in emerging markets drove solid results from Europe and Asia-Pacific and offset Latin America economic challenges

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

** Includes International Division (see Appendix)



Worldwide Gross Sales by Brand

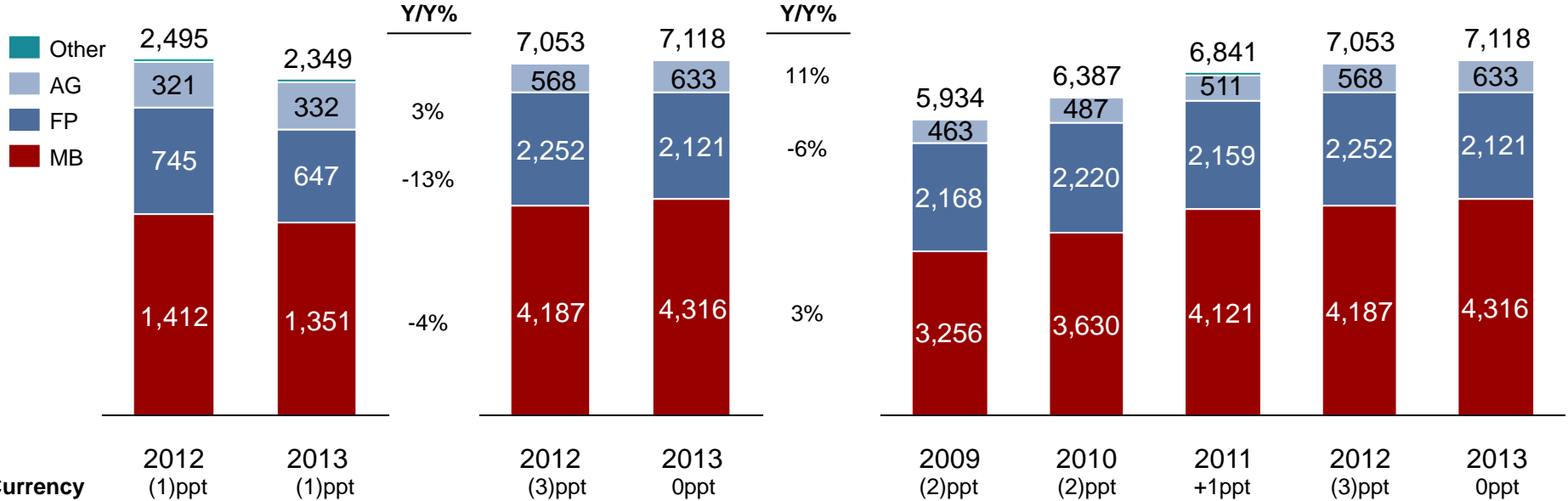


Fourth Quarter 2013
(\$ In Millions – Unaudited)

Quarter -6%

Full Year 1%

Historical Trend Full Year



Currency Impact (ppt)

- 2012 (1)ppt
- 2013 (1)ppt
- 2012 (3)ppt
- 2013 0ppt
- 2009 (2)ppt
- 2010 (2)ppt
- 2011 +1ppt
- 2012 (3)ppt
- 2013 0ppt

Mattel Brands →

Fisher-Price →

American Girl →

- Q4** Increase in Other Girls and some entertainment properties (Planes and Max Steel), offset by Barbie, Games/Radica and Wheels
- FY** Increase in Other Girls and some entertainment properties (Planes and Max Steel), partially offset by Games/Radica, Barbie and Wheels
- Q4** Decline in Core, Power Wheels, and a tough 2012 Friends comp (Jake and Never Land Pirates and Dora), partially offset by Thomas, Octonauts, and Mike the Knight
- FY** Decline in Fisher-Price Core and Power Wheels, partially offset by Fisher-Price Friends (Thomas, Octonauts, and Mike the Knight)
- Q4** Strong sales in Girl of the Year, “Saige”; solid direct and retail traffic (new and existing stores), partially offset by the difficult comp of 2012’s successful Historical doll ‘Caroline’
- FY** Strong sales in Girl of the Year, “Saige”, and solid results across all distribution channels



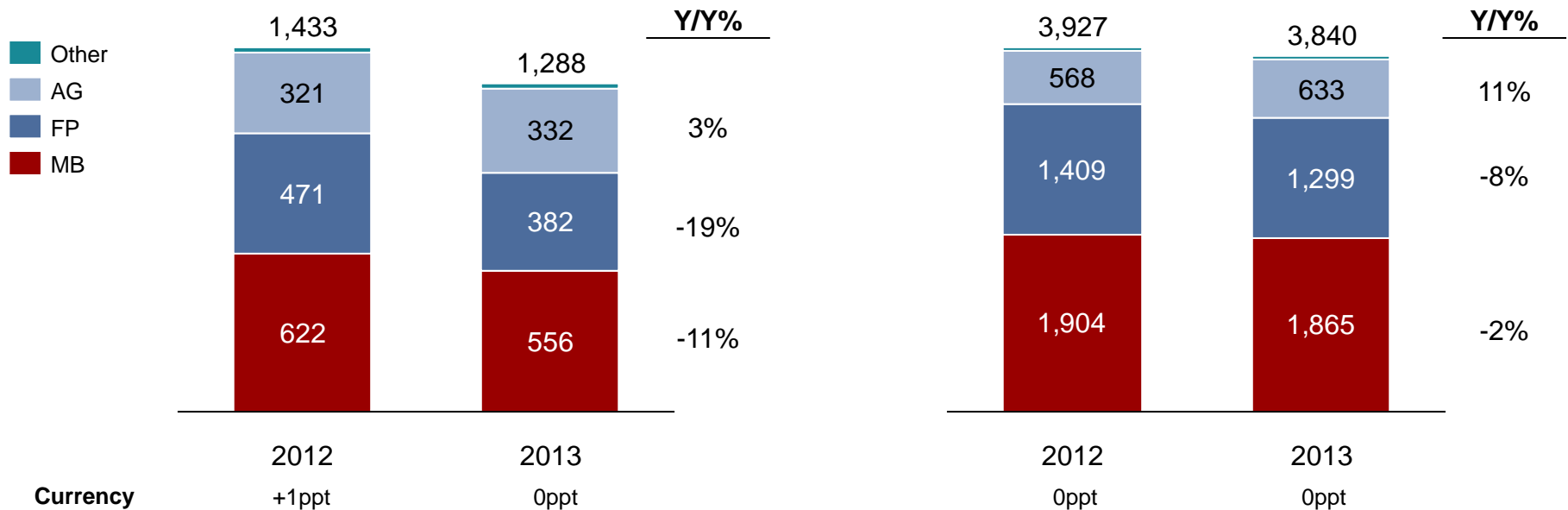
North American Region Gross Sales by Brand



Fourth Quarter 2013
(\$ In Millions – Unaudited)

Quarter
-10%

Full Year
-2%



Currency Impact (ppt)

2012
+1ppt

2013
0ppt

2012
0ppt

2013
0ppt

Mattel Brands

- Q4** Increase in Other Girls and some entertainment properties (Planes and Max Steel), offset by Barbie, Games/Radica and Wheels
- FY** Increase in Other Girls and some entertainment properties (Planes and Max Steel), offset by Games/Radica, Barbie and Wheels

Fisher-Price

- Q4** Decline in Core, Power Wheels, and a tough 2012 Friends comp (Jake and Never Land Pirates and Dora), partially offset by Octonauts, Thomas and Mike the Knight
- FY** Decline in Fisher-Price Core and Power Wheels, partially offset by Fisher-Price Friends (Thomas, Octonauts, and Mike the Knight)

American Girl

- Q4** Strong sales in Girl of the Year, "Saige"; solid direct and retail traffic (new and existing stores), partially offset by the difficult comp of 2012's successful Historical doll 'Caroline'
- FY** Strong sales in Girl of the Year, "Saige", and solid results across all distribution channels

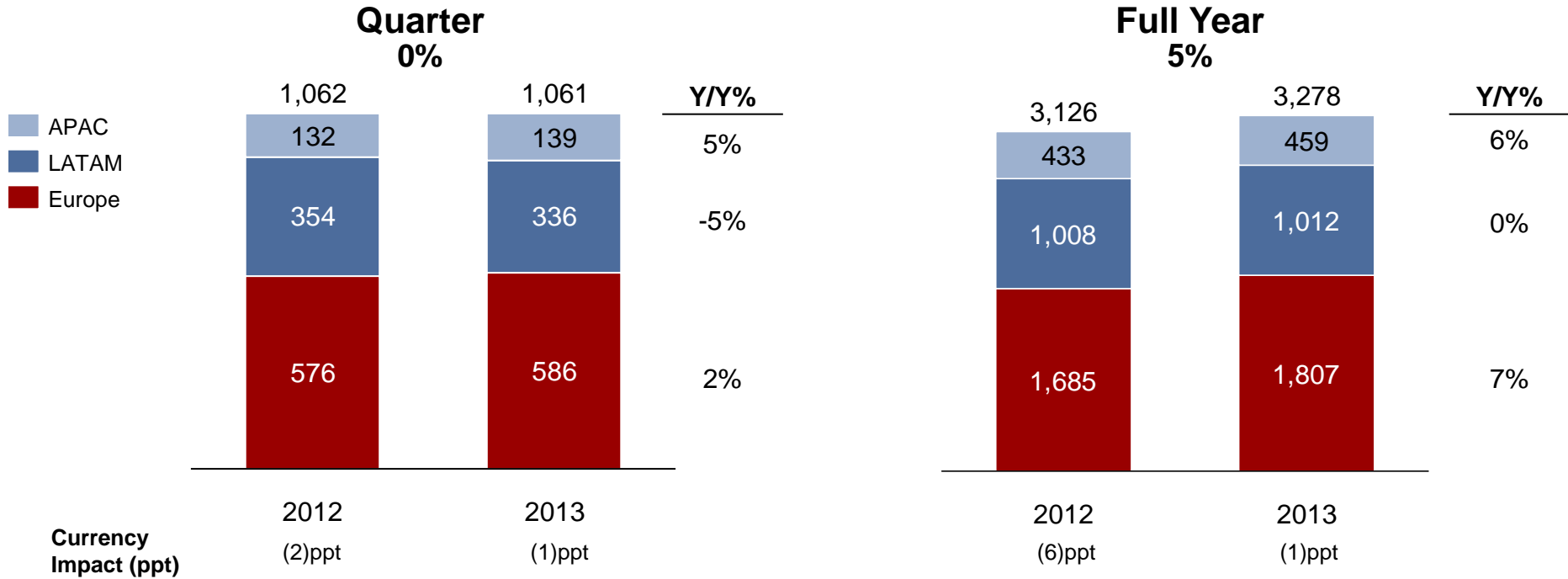


Note: North American Region includes North America Division and American Girl (see Appendix)

International Gross Sales by Region



Fourth Quarter 2013
(\$ In Millions – Unaudited)



- Europe** → **Q4/ FY** Strong growth in Russia, positive performance in Germany/Austria and UK along with a positive impact from currency, partially offset by economic challenges in Spain/Portugal and Italy
- LATAM** → **Q4/ FY** Positive momentum in most regions offset by Q4 softness in Brazil as well as unfavorable impact from currency
- APAC** → **Q4/ FY** Strong growth in China, partially offset by unfavorable impact from currency in the region



Note: International Region includes International Division (see Appendix)

Gross Margin



Fourth Quarter 2013

(As a Percentage of Net Sales – Unaudited)

	Quarter	Full Year
Prior Year:	54.3%	53.1%
Change Primarily Driven By:		
Input Costs		
Pricing		
Currency		
O.E. 3.0		
Royalty		
Other Product-Related		
Current Year:	54.5%	53.6%
Change:	20 bps	50 bps

Q4 2013 Drivers

- Favorable mix primarily due to Girls portfolio strength
- Full year pricing actions offsetting input cost increases
- O.E. 3.0 savings
- Net unfavorable impact from currency in Latin America and Asia

Sustained Gross Margins

5th straight year with GM of at least 50%

Improvement in GM
 Detriment to GM
 Neutral to GM





Fourth Quarter 2013

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

	Quarter		Full Year	
	In Millions	% of Sales	In Millions	% of Sales
Adjusted Prior Year*:	\$441.8	19.6%	\$1,532.6	23.9%
Change Primarily Driven By:				
Incentive & Equity Comp				
Employee-Related Costs				
Currency				
Strategic Investments				
O.E. 3.0				
HIT Entertainment Integration Costs				
Intangible Impairment				
Other				
Current Year:	\$388.6	18.4%	\$1,560.6	24.1%
Change*:	(\$53.2)	(120bps)	\$28.0	20 bps

Company Adjusted SG&A*

Key Drivers

- Reduced incentive/equity comp due to not meeting performance goals
- Strategic investments and employee-related expenses partially offset by lower HIT integration costs
- Recorded impairment of Polly Pocket intangible asset in Q2

* 2012 Excluding litigation charge of \$138 million

Improvement in SG&A

Detriment to SG&A

Neutral to SG&A



Operational Excellence 3.0



Fourth Quarter 2013 (\$ In Millions – Unaudited)

	Global Cost Leadership		Operational Excellence 2.0		Operational Excellence 3.0			
	2009-2010 Total	% of Gross	2011-2012 Total	% of Gross	2013			2013-2014 Total Target
					Q1-Q3 Act	Q4 Act	FY Act	
Structural Savings/ Legal Savings								
• Gross Margin	\$89	40%	\$42	23%	\$21	\$30	\$51	\$130
• SG&A*	\$108	48%	\$122	65%	\$8	\$0	\$8	\$41
• Advertising	\$28	12%	\$23	12%	\$0	\$1	\$1	\$4
Gross Savings	\$225	100%	\$187	100%	\$29	\$31	\$60	\$175
• Severance/Investment	(13)		(39)		(16)	(5)	(21)	<i>Run rate</i>
Net Savings	\$212		\$148		\$13	\$26	\$39	

- 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
- Announced an increase to \$175 million in sustainable O.E. 3.0 savings

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

Operating Income



Fourth Quarter 2013

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

	Quarter		Full Year	
	In Millions	% of Sales	In Millions	% of Sales
Adjusted Prior Year*:	\$511.3	22.7%	\$1,158.8	18.0%
Change Primarily Driven By:				
Sales Volume				
Gross Margin				
Advertising & Promotion				
SG&A*				
Currency				
Current Year:	\$479.3	22.7%	\$1,168.1	18.0%
Change*:	(\$32.0)	0 bps	\$9.3	0 bps

**FY Operating
Income* Up
1%**

Q4

Driven by sales decline resulting in deleveraged A&P, partially offset by reduced SG&A expenses and a higher gross margin

Full Year

Driven by strong gross margin and sales gains, partially offset by higher A&P and SG&A

* 2012 Excluding litigation charge of \$138 million

Improvement in Op Inc %

Detriment to Op Inc %

Neutral to Op Inc %



EPS



Fourth Quarter 2013
(\$ Per Share – Unaudited)

Adjusted Prior Year*:

Change Primarily Driven By:

Operating Income

Interest/Non-Operating

Tax Items/Rate

Share Count

Current Year:

Change*:

	Quarter	Full Year
Adjusted Prior Year*	\$1.12	\$2.47
Operating Income		
Interest/Non-Operating		
Tax Items/Rate		
Share Count		
Current Year:	\$1.07	\$2.58
Change*:	(\$0.05) (4%)	\$0.11 4%

Q4
EPS down*
\$0.05 or 4%

Full Year
EPS up*
\$0.11 or 4%

FY EPS improvement
driven by improved
operating income and
lower tax rate

Continued share
repurchases
throughout 2013

* 2012 Excluding litigation charge of \$138 million

Improvement in EPS
 Detriment to EPS
 Neutral to EPS





2013 Acquisition and Other Related Costs

(\$ in Millions – Unaudited)

	Q1-Q3 ACT		Q4 ACT		Full Year	
	2012 (actual)	2013 (actual)	2012 (actual)	2013 (actual)	2012 (actual)	2013 (actual)
Acquisition and Integration Expenses	\$20	\$5	\$4	\$0	\$24	\$5
Amortization of Intangibles	\$3	\$3	\$2	\$1	\$5	\$4
Total	\$23	\$8	\$6	\$1	\$29	\$9

- 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*



Full Year 2013

(\$ In Millions – Unaudited)

	<u>2012</u>	<u>2013</u>
Net Income	\$ 776	\$ 904
Depreciation	158	179
Amortization	17	17
Change in Working Capital & Other	325	(402)
Net Cash (Used for)/From Operations	1,276	698
Capital spending	(219)	(252)
Acquisitions	(685)	-
Other investing	4	10
Net Cash (Used for)/From Investing	(900)	(242)
Share Repurchases	(67)**	(493)†
Dividends	(423)	(494)
Financing Activities and Other	81	235
Net Cash (Used for)/From Financing Activities & Other	(409)	(752)
Change in cash	(33)	(296)
Cash at the beginning of the period	1,369	1,336
Cash at the end of the period	\$ 1,336	\$ 1,039

- Net income improvement of 16% vs. prior year which includes \$138 million litigation charge
- Higher working capital usage
- Paid litigation judgment of \$138 million

Cash Flow from Ops

Dividend

- Annualized dividend of \$1.44; 16% increase over 2012
- Over \$1 billion in dividends over 3 years

Issuance and repayment of Senior Notes

Financing Activities

Capital Deployment

- Nearly \$1 billion in value returned to shareholders in 2013
- Over \$1 billion in share repurchases over 3 years

* Amounts shown are preliminary estimates. Actual amounts will be reported in Mattel's Annual Report on Form 10-K for the year ended December 31, 2013.

** Cash paid for share repurchases totaled \$67 million in 2012. Share repurchases of \$24 million remained unsettled at 12/31/2012.

† Cash paid for share repurchases totaled \$493 million in 2013, including payment of \$24 million for unsettled share repurchases from 2012.



Capital Deployment

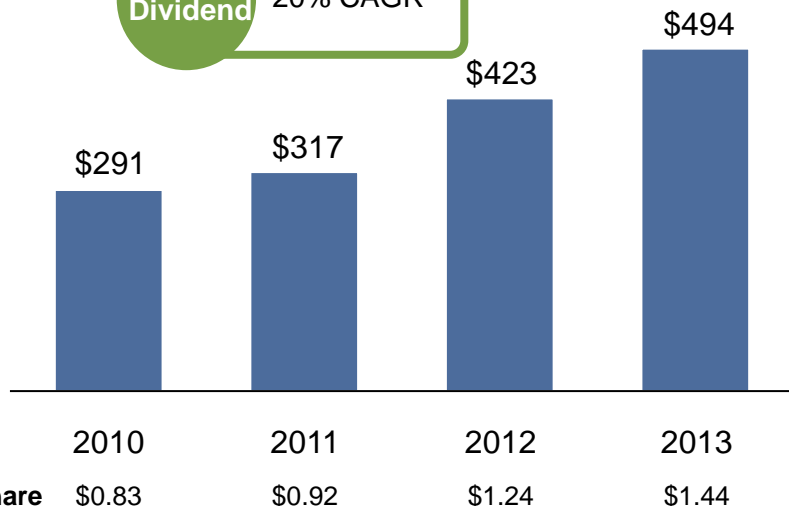


Dividends

(\$MM)

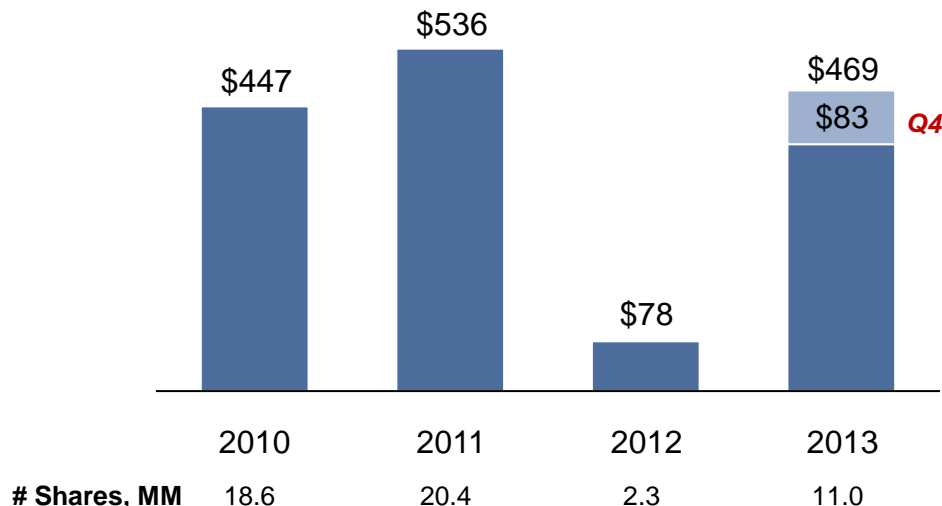
Annual Dividend

20% CAGR



Share Repurchases*

(\$MM)



- Dividends remain a key component of our Capital and Investment framework and key driver of Mattel's Total Shareholder Return (TSR)
- Mattel remains committed to delivering top quartile dividend yield and targets a 50-60% payout returns of prior year EPS
- Declared \$0.38 2014 first quarter dividend, a 6% increase from 2013
- For U.S. Federal Income tax purposes, 2013 dividend is a non-dividend distribution**

- Share repurchase remains an important piece of Mattel's Capital Deployment Framework. Mattel continues to opportunistically repurchase shares
- 2012 share repurchases were less given Mattel acquired HIT Entertainment for \$685 million
- Mattel has repurchased over 52 million shares, at a total cost of approx. \$1.5 billion, since 2010
- In 2013, 11 million shares were repurchased at an average price of \$42.61

* Shares repurchased in FY on accrual basis

** Further tax information available in the Investors section at Mattel.com





Where We'll Grow

- Core Brands
- Entertainment Properties
- New Franchises
- International

How We'll 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

North American Region

International Region

North America Division

International Division

American Girl

Description

Includes North America Division and American Girl

Includes International Division

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

Excludes U.S. and Canada

Includes American Girl



creating
the future
of play™