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PRESENTATION

Operator

Good day ladies and gentlemen. Welcome to the 2017 Mattel Incorporated Toy Fair Q&A Conference Call. At this time, all participants are in a listen-only mode. As a reminder, this conference call is being recorded. I would now like to introduce your host for today's Q&A, Mr. David Zbojniewicz, Vice President of Investor Relations. Mr. Zbojniewicz, you may begin.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Thank you, Karen, and good morning, everyone. Joining me today are Margo Georgiadis, Chief Executive Officer and Director, Chris Sinclair, Executive Chairman, Richard Dickson, President and Chief Operating Officer, and Kevin Farr, Chief Financial Officer.

As you know, Mattel has already reported its 2016 fourth-quarter and fiscal year-end financial results and has also hosted a management presentation at our New York Toy Fair Gallery last week. Today's call will be a question-and-answer session with a number of Mattel sell side analysts in attendance today. We will begin today's call with some opening remarks from Chris and Margo and then begin to take questions.

Before we proceed, I'd like to remind you that certain statements made during the call may include forward-looking statements relating to the future performance of our overall business, brands and product lines. These statements are based on currently available information and they are subject to a number of significant risks and uncertainties that could cause our actual results to differ materially from those projected in the forward-looking statements. We described some of these uncertainties in the risk factors section of our 2015 annual report on Form 10-K, our 2016 quarterly reports on Form 10-Q, and other filings we make with the SEC from time to time, as well as in our other public statements. Mattel does not update forward-looking statements and expresses -- and disclaims claims any obligation to do so.

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

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

All right. Thank you, Dave, and good morning, everybody. I appreciate your joining us today.

I think most of you would have seen our presentations on Friday, but (technical difficulty) a few of the comments I made as a way to get started. And then I'm going to turn it over to Margo to make a few comments as well.

Let me begin by sort of once again saying that, clearly, we had a difficult fourth quarter and we are disappointed with the results, which we found to be more difficult than anticipated. Essentially, what we had done is we had built a pretty positive set of plans for the fourth quarter based on the assumption that we would maintain the strong momentum we had in POS leading into the fourth quarter.

Obviously, as the category began to slow down fairly precipitously in the first few weeks of December, we were forced to scramble. And I would tell you that, frankly, we didn't have a lot of levers to pull. We were relying very heavily on our core brands and the momentum of those core brands. We didn't have any big entertainment or new products to sort of help buttress things, so we were probably a little more vulnerable than we would have liked. So that was sort of the major thing.

We obviously got into discounting to support shipping and tried to move product off of retail. At the same time that that was occurring, we faced another fairly big headwind, which was some of our international currencies. Particularly, the euro and the Mexican peso deteriorated fairly significant starting in November after the US election. So we kind of faced a perfect storm, if you will. We had two things coming together. And obviously, the fourth quarter was not what we anticipated.

But I said again on Friday, look, we own the results. We think we made the right decisions at the time to try to get our shipments in and try to get product moving at retail. But clearly, it cost us financially. So net, not where we expected to be or wanted to be in the quarter.

But the other thing I would point out, again, I said this, the unfortunate thing is the way we exited the year financially masked a lot of very good progress that this organization has been making and progress that we think continues to set us up very well for growth in 2017 and for the future. If you stand back and look at it, our core brands exited the year with great POS momentum. They are much healthier than they certainly were a couple of years ago. I think we've added some great work on positioning and innovation, on content, so we are feeling very good about the health of the core business. Our Toy Box is definitely a whole lot stronger. The relations with our key license partners are dramatically improved, and our slate of entertainment properties is the best it's been in a long time, and a big boost as we go into 2017, clearly.

We've also worked hard on our commercial organization to improve our relations with our key retail partners, improve execution, merchandising support, in-store experiences, and so forth. And I think they've made great strides. We've regained a lot of space. Our merchandising support is as good as it's been in a long time. And I would say, frankly, the relationships we've got around the world with our key retail partners is dramatically improved.

We are also doing a lot of things in emerging markets. I think you know China and Russia have been our focal points (technical difficulty) extremely well. China in particular we are excited about, just announced two major strategic partnerships with Alibaba and Babytree, which will give us a lot of lift and exposure in that market and I think sets us up pretty well for this year and beyond.

We've also worked hard, as you know, on the cost front. And we've continued to take out a lot of cost. Our global supply chain is now sort of kicking in with a lot of major programs on productivity and efficiencies, so we expect to get more cost out as we go through this year. And certainly, we've announced some programs for the next two years to take out product costs.

So, on balance, a lot of great things going on. I think this set us up well. And I think the most important for my standpoint is the strength of the leadership team. And I think you got a chance to see some of that over the last two presentations, certainly not just Richard and Kevin and myself, but you began to see Juliana and Susie and recently Steve Totzke. But we've got a great team of folks building underneath (technical difficulty) this side of the organization, and not the least of which is the recent addition of Margo, which I think adds a world-class leader to this organization, somebody who knows how to scale global trends. She's unparalleled in her experience in new media, new content, and technology innovation, all things that are vitally important as we look at the future, the digital future, of this business. So I can tell you the board and I are extremely excited to have her. I think she will make a lot of improvements on the old CEO, so excited about that. And I'm going to ask Margo just to give a few comments on sort of why Mattel and what she is seeing in her early days here. I would caution you and ask you to be polite here; she's only been on the job two weeks, so we want to go easy on her. But I think it's a great opportunity to meet Margo. Certainly, she'll get out and see all of you in the coming weeks and months. Margo?

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

Thank you Chris. It's been really great to be here in New York spending time with the team at the Toy Fair to see all of their ideas really in full form and the excitement and passion that this organization has for the future of the Company, and also, as Chris said, the partnerships on the retail side. Obviously, these are customers that I also spend a lot of time with in my previous life and it's been great to see the quality of the relationships that the team has built. These are truly deep partnerships, and all of them are particularly important for Mattel to their future and the commitment of the Mattel team to making their businesses more effective.

For me personally, what you probably did wonder when you saw the announcement, why would someone with my background be interested in being at a company like Mattel? There are really three reasons that drew me to the Company. The first is that I am deeply passionate about childhood learning and development. If any of you googled me, you would probably see that I am out talking a lot to different groups about the importance of STEM and STEAM education. As you think about this increasingly global, connected, and complex world that kids today are growing up in, there's never been a more important time for us to have a positive (technical difficulty) on that next generation.

Just to take a simple fact, 65% of the jobs that kids today will have don't even exist. So we have a really big opportunity to help kids today be more adaptable, resilient, curious, truly understand how to blend arts and science together in new ways that will help us solve new problems. And obviously, in my former life, I saw that every day, how the next generation could come up with more creative and innovative solutions to problems that people didn't even think were possibly solved. So I kind of come to the Company with that ethos.

And if I think about - Mattel, it's always been a market leader and innovator. The mission of the Company and Richard has done a lot of work to really crystallize this with Chris, but it's to inspire the wonder of childhood and be a leader in play learning and development. I think we have a meaningful opportunity to have a significant impact on how kids develop. And I think, at the end of the day, when you lead a company, you have to feel that sense of personal passion for what you do every day, and that's what I sensed when I talked to every leader at Mattel. They come to work every morning with a sense of purpose and a commitment to truly making the best products possible that help kids really succeed, but also can win in the market because they are based on deep insight about what's possible.

Also, if you look at the brand portfolio from 0 to 12, it's pretty unrivaled, these are decade-long brands that have the opportunity to become true platform systems. If I think about it, in my old terminology, again, a very high penetration of users, much higher revenue per user, and a longer life span by the nature these platforms when you think about Barbie, Fisher-Price, Hot wheels, etc. And as Richard and I have talked a lot about where the Company is already going and can go even faster, how do we think about building these systems and creating a much stronger embedded set of relationships with both parents and children.

And also the global footprint of the Company gives a lot of opportunity for development. As Chris said, the commercial expertise of this Company is really unmatched and where there's so much growth, especially in the emerging markets, I think Mattel is extremely well positioned. And obviously (technical difficulty) enabler. And not only is the Company great, but the industry is great.

This is an industry that's fundamentally growing, it's global and it's transforming. And technology is at the heart of how this industry is transforming, whether it's the products that we are creating -- and if you went to the Toy Fair, I'm sure many of you did, you could see how technology is deeply embedded in nearly every one of the new launches and how products will be developed. As we build great relationships with users, how we think about content and experience has forever changed in the digital age as well as how people shop for these products. The path to purchase is really different.

And lastly, I'm actually a true believer, coming from a company that has deep systems capability, in highly complex SKU-intensive industries where we are really trying to optimize the portfolio end-to-end and the relationships with users. I think there is significant opportunity for us to transform the internal operations of the Company so that we can speed up and address all of the opportunities that are there in the marketplace.

So that's really what attracted me to take on this role. And I do believe that my experience can really help propel Mattel to the next level. Just the leadership of large, complex, innovative global organizations. I spent a lot of time in my career understanding how you build distinctive global platforms, and then understand how to apply those in smart ways in the local markets, both developed and developing. And I think there's an art to understanding what the global capability, but the fact that it needs to be reinterpreted in the local markets based on the development.

So, just think about Asia, which is a very mobile first market, offers us distinctive opportunities to accelerate our business in a different kind of way. You can think about our recent partnership with Alibaba versus Europe. And even within Europe, you have very different dynamics in terms of how you think about the retail environment, how you think about your competitive set, etc. And that is something that I think we can continue to push on and build on our capabilities for commercial excellence.

Also, I believe in pattern recognition. And so having had the opportunity over the last eight-plus years at Google to partner with literally everybody from packaged goods manufacturers to retailers, etc., all throughout the value chain, really understand how you stay in step with today's consumer. How do we truly think about our products, our content and relationships? How do we think differently about partnerships and how we evolve our strategy to win in a very different kind of world than I think this industry has existed in traditionally. There's a lot of ways in which business has been done historically that I think needs to be reimagined to really accelerate the growth of the Company.

So that kind of brings me to you're probably all wondering so what are you going to focus on? (technical difficulty). There are five things that I really believe are important. The strategy that was laid out a couple of years ago by Richard and Chris I truly believe is the right strategy for the Company. So the concept of really focusing on the core brand franchises, Toy Box as the partner of choice -- expanding in emerging markets, driving cost improvements, because I truly believe we can invest. There's a lot of lines on this P&L that we can leverage to drive the business faster. And also commercial excellence, as I talked about earlier.

So, those five pillars will remain our strategy, but it's really about how do we accelerate them. When you are driving a transformation, and Richard and I have spent a lot of time over the last two weeks really talking about how do we make sure we have the right resources and internal alignment to run faster.

Again, this is an industry with a lot of excellent embedded practices, and in some cases, we need to re-imagine how we collaborate and make decisions end-to-end so that we can speed up and move faster. So, how do we take all this talent and ensure that it's in lockstep, running against driving topline revenue and improving operating margin?

Second, I think we can spend a lot of time developing and executing strategies that accelerate our growth. I think, particularly on the technology side, we've had really good progress in terms of creating next-generation toys and capabilities, but I think we can do it in a more systemic way across all of the brands. So I think now we have a lot of great items, but I think we can have systemic systems that underpin the innovation path in our products.

I also believe that we can make even faster products -- progress on digital content and communication, something Richard and I spent a lot of time with, even when I was in my former life, great examples in areas like Hot Wheels, but I think we can drive it across the entire system, both when we think about short-form and long-form content as well as how we develop and engage in(technical difficulty) a real relationship with our users. We have the 0 to 12 footprint, but we have to activate that in a much more purposeful way in terms of building that relationship with our users.

And I think also we have a lot of opportunities to continue to make our business more operationally efficient. How do we reduce duplication? How do we improve our efficiencies? How do we reprioritize where we put our money to drive the highest impact? And so those are really the areas that I am focusing on.

And obviously (technical difficulty) the last one that I know is near and dear to everyone's heart in this room is the fact that we need to maintain the right balance between investing for growth and value to the shareholder. And Chris and I have spent a lot of time talking about this in the last few weeks, and I truly believe that the strategy the Company has pursued is really smart. While the Company has been transformed and under pressure, losing the Disney Princess and the Monster High franchises, that's a piece that happened in the last few years, that's really tough to recover from. This is a high leverage business, but I really respect the commitment that Richard and Chris made to invest in the future while also retooling the core business, and I think that's really put the Company in a good position for the future.

QUESTIONS AND ANSWERS

David Zbojniewicz - *Mattel, Inc. - VP IR*

Excellent. So we'll begin the Q&A. First up will be Gerrick Johnson, BMO.

Gerrick Johnson - *BMO Capital Markets - Analyst*

All right, thank you. Margo, welcome to the toy industry. Spent the last three days at Javits Center, and heard a few comments from various executives, what does someone from Google know about the toy industry? So I am going to lead with the very obvious first question. You kind of touched on it a little bit, but maybe a little bit more specifically. Prior to this, the company was run by several folks from the packaged food industry to mixed success. What is your response when someone says, well, what does someone from Google know about toys, making toys, and the toy industry?

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

So, as I shared earlier, there's never a moment where this industry was more being challenged to reimagine itself. And if you think about the technology space, it's embedded, as I said earlier, in every aspect of where this industry is going. Not only are toys being enabled by technology, also the way brands and engagement with the users has been happening in terms of content and relationships. That's really very connected on the technology side and (technical difficulty) operations. So I think also it may not be as well understood here, but I actually have a long history with Mattel. I worked with the Company back when I was a partner at McKinsey. I also partnered with Richard when he first came to the Company as he was partnering with Google actually on some of the innovative tech platforms that were being embedded in the Company. Google also had big commitment to kids. So we had a very significant initiative in how do we think about engagement of toys and technology.

Gerrick Johnson - *BMO Capital Markets - Analyst*

Thank you.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Jaime Katz, Morningstar.

Jaime Katz - *Morningstar - Analyst*

Thanks. My question is actually about the Toy Box. I think this is the first time we've heard about a brand like Monster High moving out of that core category and into the Toy Box. I'm curious. What are the steps going forward to sort of deconstruct and resurrect that brand? And how do you determine what is spent and how long it should take to restore a brand like that?

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

It's clear we were disappointed with the Monster High results. And I think the team did everything possible to try and revitalize that brand through content, digital engagement, new products, price points and segmentation. Despite the continued decline, it still remains a very (technical difficulty) part of our portfolio and a top ranked fashion doll.

We continue to, frankly, exploit and further develop what's working and try and edit of course edit what's not. What we continue to see work is the core characters and if the content associated with core characters works. So there's a whole series of new content, of YouTube renewed partnerships, and new developments that we will be announcing and revealing shortly.

But to be very candid, the business is now kind of in a place where we believe it has sort of stabilized I would tell you from a fashion doll perspective, we're still experiencing declines in the consumer product front. So, the licensing piece of the Monster High business is enormous, licensing being to some extent the tail. We felt the, obviously, impact of the loss of consumer product interest.

The fashion doll piece will continue, we think, to stabilize. New content will be developed. And as part of the growth portfolio in Toy Box, we will be better to be able to sort of manage the I would say features and functions of that product line versus the other pieces of the Toy Box, which you've seen hopefully at Toy Fair. We have Kuu-Kuu Harajuku which is coming out, which is a music based platform for us. We've still got DC Superhero Girls, which is a genre we believe will maintain trend and grow. And within the context of that, The High's as a franchise will continue to develop both its narrative and product lines. But whether or not this brand can ever see the heights that it did is questionable, and we don't know if it's ever frankly going to be able to get it back to that height, but there are plans in place to maintain it and to develop it as a brand within the Toy Box and girls portfolio.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Tim Conder, Wells Fargo.

Tim Conder - *Wells Fargo Securities, LLC - Analyst*

Thank you Margo. Welcome to the toy industry also. You talked a little bit about what you see and what you like as you're coming into the position. What would you put out at this point, because you're a couple weeks in here, over the next one, two, three years, benchmarks for success that maybe we can grab onto a little bit? And are there things at this point that you would tweak to get there, whether that's assets, capital structures? Thoughts? You've alluded a little bit about that. So benchmarks, what are those and what things do you see maybe having to tweak to get there?

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

So, obviously, a few weeks in. I think, in our next conversation, I'll give you a much more detailed perspective. But I think, coming in right now, I think the focus on the business is very much this is a high leverage business. So revenue is critical, so we have to really focus on driving revenue growth this year while allowing us to drop more of that to the bottom line and expand our operating margin. That is literally the most important focus this year, is really to make the most of all the investments that have been made so that we can now that we have a more robust licensed portfolio, we can deliver that. So, for me, that's the most important year one. At the same time, to sustain growth over time, I think that's one of the aspects of the industry as you look it from outside in tends to kind of one guy is successful while the other one comes down. So in parallel, to what Richard started, which is how do we enable our core brands to maintain their momentum over time.

And I think the work is clearly there. I think you saw on Friday in the presentation, we've had two years of very strong growth in the core brands. And as I look at what's embedded in those -- I think the potential to maintain that momentum is significant, but we have to make sure that that's really solid, on top of really in addition, as we set up these new partnerships in APAC, we've got to really deliver on that. So in year two that, really has to start forming into the business. So it's making sure that the core delivery is happening this year and that we set ourselves up with a couple of pillars of acceleration so we can maintain that momentum in core brands into 2018 and 2019, if that makes sense. That's really what I am personally focused on.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Felicia Hendrix, Barclays.

Felicia Hendrix - *Barclays Capital - Analyst*

Thanks. Kevin, just a question for you. When you think about the cost structure of Mattel, on a scale from 1 to 10, where one is least efficient and 10 is most efficient, where is the Company today? And the basis of my question is you've had a number of cost savings programs since 2008, saved about $900 million rounding since 2008, and now we are embarking onto the next one, which is focused on supply chain. But if my memory is correct, each one of those programs has somewhat touched on this supply chain. So, I just want to understand where the Company is in terms of its ideal cost structure. How long do you think it will take there? And with all of these programs, have you found that you are investing more in -- reinvesting more in the top line or actually in the supply chain and inventory management that maybe you need to?

Kevin Farr - *Mattel, Inc. - CFO*

I think I'd say we are four or five on a scale of 10. I think we've made good progress. I really think that we've really in earnest just started on the supply chain a few years ago with Peter Gibbons joining us and really looking at it systemically of how we can improve the supply chain. And he's been working on how do we get more productivity out of our (technical difficulty) walls. How do you really look at the process and how do you add automation to the process to take out labor, because that's getting more expensive. And I think we've got opportunities.

I think the next level that we are going into in this new program that we just announced $240 million of gross savings over the next two years and $120 million this year. It really leverages on that looking at design for manufacturing. And we recently moved development under Peter to be more effective at designing and developing for manufacturing. We look at our tooling spend and how do we make a substantial dent in the amount we spend on tooling. We've got a program over the next three years to do that, as well as looking at productivity and processes.

So, I see good innovation going there. We've got more tools that we are investing in this year in being able to look at and get transparency to our inventory at the right place, at the right time, and the right quantity. So we do continue to invest in automation and IT systems to get better. We are also looking at taking some of that and investing it in things like trade adjustments and advertising (technical difficulty).

So, I think as we get more progress in our supply chain, we will have more money to invest in growth as we have been investing in emerging markets and high growth places like China and Russia. I think as we gain more momentum in these activities in the supply chain for that, we'll be going to investing in growth and getting the top line. Ultimately to get to our operating margin, we would need to grow the top line and continue to invest in (technical difficulty)

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

Let me just add a little, and Margo touched on this, but if you look at our system, the complexity of the way we operate and the number of SKUs that we operate against, the productivity of those SKUs, there's a lot of ground to be had in there. It touches everything from the molds we build, to the tools we build, to the warehouses, logistics, line speeds. All of that is what we're focused on right now. The sharper we can get on that, the better the tools on the forecasting and management. It pipes all the way through the supply chain. So that's the big nut, so to speak. I think, if you look over the next two or three years, that's where you'll see the biggest savings. We are doing all the right things on getting larger co-man operations, getting automations (technical difficulty) until you attack that complexity, you are leaving a lot of stuff on the table.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Excellent. Steph Wissink, Piper Jaffray.

Steph Wissink - *Piper Jaffray & Co. - Analyst*

This is a question for everybody on the panel. I'm curious if you can talk a little bit about or help us dimensionalize the cost of doing business in the toy industry today, because it does seem like it has changed. Particularly, the demand cycles appear to be shortening. You talked about technology, Margo, and I think some of the cycles are very fast. So how should we think about the Company today, its ability to forecast the business, to build the cost structure, to make it the most agile and then the ability to flex and move in season as you experienced in the fourth quarter to try to respond when opportunities (technical difficulty) arise.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

I'll start that off, and then everybody please jump in. It's kind of what I was touching on right now. We've been investing a lot in improving our forecasting tools, our build time tools, and managing inventory, upgrading our logistics and supply chain to make sure it's responsive. Part of that is the economics of what we're trying to get done, obviously, but part of it is to make sure we get product there quicker, on time, the right product and so forth.

Having just met with the Walmart folks, our avails are terrible when you look at it. We've made a lot of improvements. But getting product there in their two-day window, getting the right product there on time and having it in the warehouse, all of that is what we are trying to flex against. And I think that gives you a heck of a lot more weapons to deal with as you're moving into a fourth quarter or whatever. But the Amazons and the online business is dramatically reshaping things. So we have to be more agile. We've got to be quicker on that and -- look the economics are going to dictate it. If we don't, we are going to be constantly running down the wrong track. I don't disagree.

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

I'll add to it. I think the perception today is that it could be more expensive, generally speaking, to launch new toys or brands when, in fact, there some great examples within the industry of people who have launched huge trends by just digital presence, or viral association. To some extent, I think it's probably even more entrepreneurial than ever and more exciting than ever to break through in an industry today, particularly in the toy industry. This is an industry, arguably, that we built on 30-second commercials in Saturday morning cartoons, right? You had to have a certain amount of money to invest in just getting that 30-second spot and then hoping that you broke through.

Today, it's agnostic. There are various ways that you can break through and reach an audience. And so I think it's an exciting time for marketers in particular within this industry to be more creative, more inventive. The blend, as Margo said, of the art and science is more prevalent than ever.

Look, I which Hatchimals was ours and Shopkins was ours, but, as an industry participant, I can stand back and say, wow, this industry has vibrant creativity and new ways of reaching our audience to create demand that could be incredibly cost effective. So, while I think, in general, there's a perception that you need to do all these things ultimately to be where your consumer is, which I believe has an aspect of truth. There is this sort of raw entrepreneurial breakthrough capability that exists today -- sorry, that exists today that I think could be incredibly cost effective with the right creativity and invention and mindset.

Kevin Farr - *Mattel, Inc. - CFO*

To add to that, I think what Margo and Chris talked about too about SKU productivity and bringing things to market a lot faster and more often. Retailers are looking for new things every month to bring people in the stores. So I think getting more agile at bringing product to market rapidly and not just in the spring and fall, that's every month to make a new impression and fail fast, too. But we're not going to fail. We're going to succeed.

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

It's definitely something Richard and I spent a lot of time already talking about institutionally as an organization, going back to some of the things we were talking about earlier. We have amazing talent and how they collaborate and work together so that we can do things faster, how we take inspiration and insight from some of the competitors that Richard was sharing before. There are much quicker, leaner ways of developing new ideas. And we actually have so many ideas that today end up on the cutting room floor because they can get clogged up in the system. So what we are excited about is bringing -- really kind of going back to the garage mentality of the Company, how you really think about becoming a more deep embracer of innovation. Obviously coming from a tech space, I'm used to the fact that not all your great ideas have to come from your own company. How do we become a great collaborator with others?

Richard hosted a great cocktail party last night with all our inventor community, and I think he is doing a great job of really embracing and how do we think about becoming the best partner in the industry for anybody with a great idea. I still do believe it's not easy to scale cost-effectively and distribute with ease. So you can get to the consumer, but the rest of the piece is a huge leveraged asset that I think we can use really to propel the Company forward.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Jim Chartier, Monness, Crespi.

Jim Chartier - *Monness, Crespi, Hardt & Co. - Analyst*

A couple of years ago, two key pillars of the turnaround were accelerating innovation and increasing media content to drive engagement for the brands, both of which have long lags in terms of when they impact sales. So, where are you in terms of innovation today versus where you think you can be? The same question in terms of the entertainment and the media content to drive the brands?

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

You know, for those of you who have walked the gallery, I hope that you see a lot of innovation. Innovation can be in two forms. Clearly, we've leveraged technology as an enabler for innovation. Think and Learn, a platform from Fisher-Price has had enormous success with Code-a-Pillar and now MOBI, which is going to be another big item for us.

Even in the Barbie world, the most basic innovation of our new Dream Horse, which has gotten -- has everybody seen Dream Horse? Hopefully? It's a great sort of basic innovation in traditional toys. Simple innovation with Barbie, changing her body, changing ethnicities. I think innovation to some extent can be associated only with technology, but, in this business, innovation can be a simple twist and turn to an obviously basic play pattern that strikes a chord.

We've established enormous traction in our new content group with Catherine, our Chief Content Officer. We've got incredible relationships out there with Amazon, creating content with American Girl. We've got a great new platform of programs with YouTube, accelerated digital presence across the community of content. I think you're going to find and see a lot more coming from us in the content space with major partners.

And there's not necessarily a silver bullet to it. We need to do a lot of things (technical difficulty) today and I think we are doing more than ever. So, I am pleased, really pleased, with the progress with innovation across the Company and, more importantly, the mindset. This sort of entrepreneurial return, using the garage as a metaphor, has inspired our group to return back to the ultimate sort of origins of what Mattel was, which was an invention house creating the future of play. And we reference it constantly, to inspire the organization to return to that speed, creative, entrepreneurial place that built the Company. And to some extent, I think, over the course of the last several years, the packaged goods mentality, which had a lot of benefits and continues to have a lot of benefits, might have tilted us into a direction and what we now try to balance is returning, if you will, to the roots of ultimately what we are about, which is exciting and delighting the consumer and attracting them with new products and new ways of storytelling that drives demand. And I think that balance is really coming into place now. You can certainly see it through our core brand momentum. These brands are now narrated with a purpose. And you can't underestimate the power of that connection not only with mom, but what it inspires our design community to create, in terms of product.

So I think you will see a lot more pronounced innovation through content and certainly our product, and we will continue to drive this sort of spirit and the balance of art and science as a methodology to continue to grow.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

I'd just that, we've spent the last two years doing a lot of work to clean up some of the content side of the business. As you know, our history has been you license it out; you basically take an option; then the studio decides whether you're going to see a thing on air. We cleaned up a lot of those deals. We pushed deep into Sony with Barbie, and now it's on a track. If it doesn't happen, it's ours again. We didn't have that before. Legendary is doing Hot Wheels. That's on a very tight set of guardrails. We've been structuring a bunch of bigger content deals for long-form or short-form. We have a lot of very good things that are happening and I think we're right on the verge. I think Margo is engaged in those now. But it's a much different landscape. We have much better control of our destiny there, and I think we now have a team in place that can make this happen. So (technical difficulty)

David Zbojniewicz - *Mattel, Inc. - VP IR*

Excellent. Michael Ng, Goldman Sachs.

Michael Ng - *Goldman Sachs - Analyst*

Thanks. I have a question for Richard. A lot of the innovation that we saw out of Toy Fair was really focused on the fashion doll category with Kuu Kuu Harajuku, Enchantimals and obviously Barbie. Can you talk about what you are seeing in the fashion doll category as a whole, and whether or not you're concerned about cannibalization like we may have seen with Monster High and Ever After High?

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

Look, we're the fashion doll leaders. Despite the fact that we obviously lost the Disney Princess license, we are still the single largest portfolio in the fashion doll space. I think what we've seen evolve from the category is excitement around newness, meaning scale which has become very important, whether it's through Barbie's new shapes and sizes, the resurgence, if you will, of the small doll, collectibles. Obviously Shopkins sort of broke through in the category to attract that (technical difficulty).

I also think the DC Supergirl entry was again based on insight where it was a whole superhero genre that was obviously built both ways with an opportunity to really go after growth with a product and narrative, which we've broken through and created a whole new space. We are launching

Enchantimals, which is a new brand within Mattel with content supporting but, based on the insights, if you will, that girls love pets and the idea of actually combining the two with a really innovative narrative and great new product also featuring different scales as well.

So, look, the fashion doll business, while it may not be the fastest-growing category obviously within the toy space, we have incredible insights and incredible sense of design and creativity that keeps us relevant not only with core brands, but with new entries. And I think you'll see that continue.

There are various new ways that we are exploring innovation, technology-based -- technology-enabled innovation. You saw the new Hello Barbie line, which, again, takes a fashion doll character and puts her into an artificially intelligent world. I think you're going to see more pronounced ways where fashion dolls enter new categories. We've included also in fashion dolls leveraging Mega, the construction asset, so you've seen that actually with Hot Wheels as well where we're moving construction play into vehicle play; we are moving construction play into fashion doll play. We are working on, if you will, sort of mashup of categories in a more pronounced way. You've seen that in content, right? The idea of mashing up different characters and content, that used to be a taboo. Today we are working on various different ways where there's mashups within categories, so leveraging construction to drive more fashion dolls and vice versa.

Kevin Farr - *Mattel, Inc. - CFO*

I'll just add, Michael, I think the core competency really is our ability to launch doll segments, whether that's Monster High or Ever After High, DC Superhero Girls, even within Barbie this year where we are now competing in fantasy with Dreamtopia. Again, we are much (technical difficulty) doll segments that have a pretty powerful impact on the marketplace.

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

I think segmentation is a good one to bring up. I think Barbie is probably the best example of that where, clearly, we were treading lightly on the fantasy space when we had the Disney Princess piece in our portfolio. With the introduction of Dreamtopia, which deliberately went after that space in younger girl, you can see the momentum there was a pronounced effort around the 3 to 5 and then obviously basic kind of fashion doll business, the 5 to 7 and plus with fashionistas. Both have very pronounced plans in content, digital, marketing, product packaging, and merchandising.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Linda Bolton Weiser, B. Riley.

Linda Bolton Weiser - *B. Riley & Co. - Analyst*

Thank you. So when you reported the fourth-quarter results, there was a lot of discussion around the significant increase in sales adjustments in North America. But when you really look at the results, the adjustment in North America was only about 2%, but it was actually quite a bit larger in Europe and Latin America. So, could you give us a little bit of state of the union kind of on those regional markets and how you ended the year and also, on a longer-term basis, where you think the opportunities are and how you are competitively in those markets?

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

I'll take a shot at that, Linda. Your assessments are completely accurate. The issues started here in North America with a slowdown, and that's where we sort of first responded. But it was almost simultaneous. We saw the same trends in Europe, and even Latin America showed some softening as well as Australia.

I'd say we were probably better positioned here in the US, frankly, as we got into trying to get product into the stores and discounting, than we were in Europe. Europe, because Disney Princess was a much bigger factor, frankly, we probably had less in our arsenal there to work with. So I think we scrambled across the board. It was a combination of Europe, North America, and parts of Latin America where we saw elevated discounting.

On balance, though, I think we came out in Europe in reasonably good shape. Our trends were good. Our business there is fairly healthy in terms of inventory.

Russia continues to be a great spot for us, but, clearly, we've got to figure out how to make more money there with the devaluation of the ruble. But the trends are good; it's building out.

Look we have to figure out how to get more scale in Europe, and that's been one of the issues on the table. Losing Disney Princess didn't help on that front. We've also been a bit challenged with Fisher-Price in Europe, and some of that was our own doing a few years ago on price value. We've invested in getting pricing right there. We are starting to get the product line better, so that actually has showed some improvement. But we've still got pockets Germany and France are still very soft spots for us.

I'd say Latin America is actually in pretty good shape. We have a great business in Mexico that's powered through it. The peso obviously hurt us badly but Brazil (technical difficulty) is looking a lot better. Our Southern (technical difficulty) business is great. So I'd say Latin America feels like a very solid franchise, where we still dominate or certainly are the biggest player in the market.

And look, we are betting big on Asia and China. So again, over time we need to figure out how to leverage that into starting to make real money, but we've been over investing and over (technical difficulty). Some of those partnerships we think will help us scale dramatically. So that's a big bet we are making, and obviously it's a focus for Margo, as she has indicated. But I think your read was right. The fourth quarter was not just the US. It started here and hit us first here, but if you look at the NPD trends, they were almost identical across the board.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Trevor Young, Jefferies.

Trevor Young - *Jefferies LLC - Analyst*

Would you mind framing your CapEx expectations for 2017 and beyond, do you anticipate any increased one-off expenditures to help (technical difficulty) cost savings initiatives? Kevin, I think I recall, Friday, you mentioned focusing on tooling and automation among other factors (technical difficulty) a couple times focusing on putting in pillars and processes to accelerate growth. Thanks.

Kevin Farr - *Mattel, Inc. - CFO*

I think, over the last couple of years, we've been spending between $250 million and $260 million. This year, we're targeting about $270 million, $275 million. We are investing in technology with regard to supply chain really to get on a global basis, insights and transparency into inventory, where the inventory is, the right inventory at the right place at the right time. We are also investing in the opening of the new American Girl store in New York City. The lease is up on our old store and we're moving across the street to Rockefeller Center. So those are couple of big investments. Again, we continue, as we have in the last couple of years, to invest in automation, and we are, as I said, focusing in on how to optimize tooling. We think there is a big opportunity in looking at how many SKUs we are making better, invest in tooling, and we'll cut that expense significantly over the next few years.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

It looks like we are investing heavily in this Hot Wheels capacity. (technical difficulty) so we've added a lot -- we'll add a lot this coming year.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Tyler Seidman, MKM.

Tyler Seidman - *MKM - Analyst*

Hi. This is Tyler on for Eric. My question is related to the Alibaba agreement you guys announced. It seems to be that the fantasy genre is really driving the box office in China, given Mermaid did $550 million last year or Monkey King doing $200 million last year. Do you guys have a team on the ground over in China focused on getting consumer insights in the country, and maybe just a little bit more about that agreement?

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

Look. I think we've -- I believe I said this once before, I think our China team, pound for pound, is as good as any. We've built a great organization, a terrific culture (technical difficulty) in terms of digital experiences and building our online business, and a lot of creative talent there that's working hard. We've supplemented that with kind of a call it a China growth team that we've supplemented out of headquarters, helping them accelerate, do deals like Alibaba and Babytree that kind of add to the portfolio.

Alibaba is a fabulous deal for us. As you know, they don't do global strategic partnerships with many folks. We not only are the exclusive toy player for them, they did a three-year deal with us, which they've never done before, they're dedicating resources to codevelop. We are going to do content to drive early childhood development learning on their platform, which they think is a huge opportunity, and we do too. We are going to port a lot of our IP from Fisher-Price that we have been developing for Babytree into the Alibaba system, so we're going to train folks on (technical difficulty) stages and gates for kids as you're going through the pipe. We will curate some more Fisher-Price products for them. They're going to develop content on their equivalent of a YouTube site and start to demonstrate how child development works, how play integrates with that, all those sorts of things. We get the full position on the six core holidays a year, so they will use us as the flagship. It really is a great joint partnership. They see it as a huge deal. They, frankly, see it as an opportunity to build beyond in other parts of Asia. And they are looking at how do they build their off-line business. So some of the stuff we're doing with Babytree will ultimately move into learning centers and things like that. They want to be a part of that. They want to sort of co-develop and co-invest. So it's a big deal. I think this is a big win for us.

And I think Babytree, by the way, is another huge one. This is by far the biggest social website in the world. It's all about -- they're got 80% of new moms in China on their site. We are going to be using Fisher-Price as the core platform. We already spent the last year developing that platform. They will be curating content for us and eventually will start to do subscription business and so forth. But a linkage with that and Alibaba gets our presence up and builds the Fisher-Price presence enormously, we think.

Kevin Farr - *Mattel, Inc. - CFO*

It's really about category development. So play equals fun which equals learning which equals development, and that's the way we work with Alibaba and Babytree on this. That category development that moms understand that play is development.

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

Just to I think reinforce the point, if you look at China data, they are significantly underinvested in toy purchases versus the rest of the market. So yes, you could just focus on things like the fantasy success, but there's a less direct correlation in that market for the toy business.

We're taking a different approach which is a more centered approach going back to the concept of understand your market. So is that market, parents don't necessarily connect toys historically as a critical investment for them and the concept of play. So, really understanding purposeful play was never a better market for us to take our many decades of IP on the Fisher-Price side to start out with parents at the front end so that you can truly build a relationship with a parent's trust that the product that you are providing and the relationship between those really is accretive, because they look at both EQ and IQ. And so that's very much why we are taking this very purposeful approach that Chris and Richard really created and how we'll think about taking that to the next level. Again, we want a business that has a moat that's built to last, but we have critical strategic partnerships in these markets, but we are taking a little bit of different approach, if that makes sense.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

The access to that consumer data, the ability to stay with that person all the way through the lifecycle is huge, so I think that's what we are trying to test out and develop there. But with Babytree, we'll directly get access to it. With Alibaba, we will have more access to their database to target but, over time, that can migrate to our CRM as well.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Michael Swartz, SunTrust.

Michael Swartz - *SunTrust Robinson Humphrey - Analyst*

I just wanted to touch on something that I think multiple people have talked about and -- just continuing the momentum of the core brands. So if you take a step back and think about that process going forward, help us frame maybe the investments, the resources, that are needed to continue the momentum in things like Barbie, American Girl, Fisher-Price, versus what you've invested over the past several years to get those back up and running?

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

I think Margo mentioned that one of her areas of focus is redeployment. And I think some of the success that we've seen in core brands particularly has not been about incrementing investment. It's about redeploying investment. That will continue. I think there's a lot more traction that we could get as more ways that we could redeploy the investments that we make, spend that we make, to continue to fuel what's already working. You'll see more of it. Systems of play is a big intent for us, extending Barbie further into estate play, extending Hot Wheels into a systems play, understanding how to communicate that, extend that into a much broader, if you will, platform that these brands can start to communicate versus key item-driven businesses. I think this is a business arguably that is driven by key items. But in these core brands, as we develop these purpose statements, it broadens the ability for us to create systems of play. Barbie established a system of play long ago that we haven't necessarily marketed or built with a renewed momentum. So you've got Camper and fashion doll and Dream House (technical difficulty). Hot Wheels is very similar. We've introduced Track Builders in various different ways that these tracks connect, now infusing construction as part of that. So these are actually systems of play. And our marketing and content will be brand-driven, sort of defining these systems so that we are not necessarily dependent upon items. Won't necessarily lose the focus of driving innovation in key items traditionally, but we would like to invest more in these systems of play and narratives that promote the purpose of the brand.

Kevin Farr - *Mattel, Inc. - CFO*

If I could just add to that, I think 2016 was the (technical difficulty) but I think if you peel back the financial results (technical difficulty) core brand momentum. If you go back to prior to 2015, you really didn't see any core brand momentum sustained in our years, particularly in core brands and core markets, mature markets. The last two years, both for 2015 and 2016, were seeing mid single-digit growth. Consumer takeaway (technical difficulty) key core brands like Barbie, Fisher-Price, Hot Wheels and Thomas. You saw that in 2016, which gives us a good outlook. We are entering 2017 with momentum in core brands, in core markets, which is two-thirds or 75% of our revenue base. So that's something we've really accomplished really through purposeful play, (inaudible) brand statements and then execution of the existing resources to gain that momentum coming into 2017.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Arpine Kocharyan, UBS.

Arpine Kocharyan - *UBS - Analyst*

Thank you. Welcome Margo, and thanks for having us here. I heard a key phrase in your prepared remarks, and that was the balance between growth and profitability. And I've got to tell you that's top of mind for investors. And as you look at the business over the next 18 to 24 months, where do you see that balance, is my sort of first part of my question. And then are there any -- is there any low-hanging fruit as you are looking on the online digital space? Because for the fourth quarter for example, one of your key competitors half of that POS growth was driven by online alone. So where do you -- is there any low-hanging fruit you see there?

Then when you think about investing in the business, this is probably an unfair question to ask at this point because you've just started, but given the dividend payout and the investments you need to make, how much time do you have to come back to the Board and say, look, I can put this money into higher ROIC to turn into a higher ROIC initiative?

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

Let me try to take it.

Arpine Kocharyan - *UBS - Analyst*

Sorry, it was long-winded.

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

I think we feel so really good about (technical difficulty) coming into this year. And again, I'm two weeks in, but having sat down and spent a lot of time with Chris and Richard, I do think that the addition of the card franchise plus the fundamental momentum of the core brand gives us that clear path to (technical difficulty) growth path this year. And I think, if you were to sort of drag and drop the Disney Princess from one business to another, that pretty much is what drives that huge productivity, right, in comparison.

And sometimes, though, challenge creates opportunity. And I do think that the relentless focus that Richard is on, reimagining the core brand, was driven by having to really close that gap.

So what I am excited about is, in coming and spending time with the team, is all that work to close that gap, which is pretty tough, right?, to create almost -- I think your analogy was a top toy company in a year off these core brands. That doesn't happen if you really look at other franchises. So I think that should give a lot of confidence in the fundamental growth momentum of the business.

In terms of margin accretion, if you just think about the fact that we've put that type of topline on the same machine, and we've demonstrated the ability of really understanding how do we manage SG&A in a smart, purposeful way, so we've delivered on the cost savings target certainly well over the last couple of years. It's not hard to believe that we can deliver operating margin improvement.

And then Richard and I, just having sat down for two weeks, can see lots of opportunities where we can reprioritize existing investments in a smart way. So we believe that there's plenty of room to invest for growth in the business. And again, as I said earlier, Chris and Richard have been making significant investments in growth, both acquisitions of technology companies as well as investments in Russia and China and capabilities. So I think it's not as if we haven't been investing, and it's about now taking some of those investments and getting the payout from those.

So, if you think about it, last year, we bought Nabi, but we didn't have revenue from that because we believe the core business wasn't -- you know, being in hardware tablets is not a really easy segment. But we've got a bunch of really smart people and competence that can now enable us to accelerate velocity in other areas. So, this is the year we're going to pay that off.

Kevin Farr - *Mattel, Inc. - CFO*

I think, from a profitability perspective, we are really at a turning point now which is really going to start in the second quarter with, instead of our topline moving in the wrong direction, our topline is going to move in the right direction, and we are going to grow. And at that scale, particularly with the Cars business, it's going to drop to the bottom line because it will provide a scale on our fixed costs and supply chain as well as the fixed SG&A costs that we have. So, it will be different this year than it has been in the last two years because we'll be growing (technical difficulty)

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

Take on the dividend, or payback. We've been consistent on this one. If we can grow the business like we think, we can get ourselves back in the generating cash disciple. But we've also said, if we find the right investments that require us to accelerate the business (technical difficulty) cash, we looked at that every quarter so Margo will have every opportunity to come in and make a case if she sees other ways that we need to use that cash. Right now, we've been spending a lot of cash on other things, so it's not like we've starved the business.

David Zbojniewicz - *Mattel, Inc. - VP IR*

David Pang, Stifel Nicolaus.

David Pang - *Stifel Nicolaus - Analyst*

You guys touched on this a bit earlier but I wanted to revisit it a litte. So what can you guys do to mitigate the risk of a slowdown in consumer takeaway in the fourth quarter, just trying to avoid what we saw last year going forward?

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

Do you want me to take a stab and then feel free to jump in. Hindsight is always a great (technical difficulty). Certainly, we need to be a lot more planful and thoughtful and conservative as we've thought about our forecasting. And I think that's been -- that's what we've been engaged in internally to lay out a plan to try to get you some guidelines this year. But we have a pretty high degree of confidence on them and we are not operating on all cylinders to have to work. We have to work clearly last year didn't have a lot of levers we were pushing real hard and things were going well, but there weren't a lot of degrees of freedom, to be honest with you. So, that, to me, is one of the big lessons.

The other is to make sure we thought through the year and how we manage that year to kind of mitigate the big pilot of the end of the fourth quarter. We are trying to do a lot of things there. We have the (technical difficulty) of cars hitting us in the second quarter, which will change the whole dynamic of how the business moves. So, getting momentum early, taking some of the heat off the back end, those would be the things. I mean we are always going to have some stress at the end, but the more leverage you have and the more prudent you've been in your forecasting would be the way I would think about it.

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

I would just reinforce that. From all of the conversations internally and with the partners, this is a momentum business. So, the team had to work really hard (technical difficulty) some shelf space from Monster High, the Disney Princess piece, right? How do you actually maintain your momentum in the channel? This year, we are in a very different position. We've gained back shelf space. We've reimagined those relationships. They are much stronger than they were before. And I think the combination of really rigorous joint planning -- Richard and I were meeting with some of our key partners at Toy Fair -- if we can avert some of those challenges that we had last year, because we are in a very different position than we were last year.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Fred Wrightman, Citigroup.

Fred Wrightman - *Citi - Analyst*

Sure. Just one last one. You guys -- I think guidance calls for operating margin improvements of 100 to 200 basis points for 2017. Could you just talk about what gets you to the low end versus the high end of that range, and just sort of opportunistically how you're thinking about pricing?

Kevin Farr - *Mattel, Inc. - CFO*

I think with regards to sort of our (technical difficulty) 2017 we've talked about, we mid to high single digits. And sales adjustments (technical difficulty) higher than our historical average to slightly down from this year, so we are planning conservatively there. Also gross margins we expected to be up. I think the driver of that is going to be scale as we are growing, see scale add to our gross margin with respect to covering our fixed supply chain base as well as SG&A.

And then pricing, we are going to price in developed countries probably low single digits and in international pricing more aggressively to get back to the strength in the US dollar and ForEx, which will help our margins.

And then we talked about a cost savings program of $240 million of gross savings over the next couple of years. We expect $120 million this year. And there will still be a bit of a headwind with ForEx but we expect gross margin moving in the right direction, advertising to be likely down because of the fact that we've got a more robust weight of entertainment properties. And then SG&A probably a little higher because of merit increases for employees. We've got to fund more incentive as well as we're going to invest in places like China and Russia, but also (technical difficulty) we are at the lower end of the range, we're at the higher end of the range. I think some of that will be how did we do with regard to sales? Are we higher single digits as well as can we spend all of what we plan for sales adjustments? So this (technical difficulty) be low end to the mid range or above.

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

I'd probably say, just to add to that, the single lever -- we obviously have strong momentum for our brands, but how well we do on cars will be the main driver, because I think the (technical difficulty) we have good plans to control those, that's the one wildcard. If the movie see great success and great pull-through, we will get the higher end of that range. If something else happens, it will make it more challenging.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

So, I think Dave we've got time for a couple more questions. If you want to send it out to anybody.

David Zbojniewicz - *Mattel, Inc. - VP IR*

Do we have any additional questions? I'm sure there are some out there.

Felicia Hendrix - *Barclays Capital - Analyst*

Margo, there are some folks sitting on this panel who know how excited I've been past two years about the Company's transparency and kind of for those of us who've been around for a long time have changed in terms of helping the investment community understand Company guidance and things like that. Two weeks into it, what are your views? There are different levels of transparency, so where are you comfortable?

Margo Georgiadis - *Mattel, Inc. - CEO, Director*

So I don't have the history of the before and the after, but I think it's we're -- we believe in being very thoughtful and sincere about what our strategy is and what we are betting on. And I think we truly believe in being transparent about where we believe the topline is going and the direction of the bottom line is really how we can help you understand the business and the opportunity. So, I think you can expect us to continue to give you that insight.

Gerrick Johnson - *BMO Capital Markets - Analyst*

Richard, a lot of hard work in (technical difficulty) Barbie success and how you've repositioned Barbie. Going through your showroom, I saw a line of 3-inch mini-fig Barbies. And my question to you, what would you say to someone who says that's kind of a risk. You've done all this work in changing the perception of Barbie, and here you have a little 3-inch figure that kind of is not really core to what Barbie is. Yet you happen to have a brand that's dormant right now called Polly Pocket. That would've been perfect for a 3-inch doll. So go through the thinking of why take that kind of a risk with Barbie after all the hard work you've done to develop the brand to where it is now?

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

Toy expert Gerrick. I think that you know it's called Barbie On The Go. There's a small doll execution, again, leveraging a bit of a mashup play. So, there's a track system as well, so it includes a little vehicle play combined with small dolls. The truth is we think Barbie, as a platform, as I mentioned, could extend both shape, scale, size, and even category in a more progressive way. Clearly, there's a small doll trend. We know that girls are interested in vehicle play. We believe that the idea of extending Barbie in that world could be incredibly exciting and successful. We tested it with girls in both Barbie branding and non-Barbie branding and found the excitement around it being a Barbie brand, frankly, exciting enough to extend it as part of the franchise. It doesn't necessarily mean that we are not going to take advantage of Polly Pocket. In fact, Polly Pocket is a brand that we are working on launching or relaunching. It will include a content play as well, so it will be a more robust announcement with comprehensive content and new product offering.

I think what you're going to continue to see is us extend Barbie across different categories based on insights, and with the confidence in the renewed positioning that Barbie has in the marketplace. We believe that there's going to be interesting ways that Barbie can extend itself in new play patterns, and Barbie On The Go is just going to be one of them. It also expands the aisle. It gives us more brand presence, and it gives girls and boys, frankly, more offerings as part of the franchise. So we think it's going to be great and retail reaction has been pretty good.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

So, one more question.

Arpine Kocharyan - *UBS - Analyst*

So, Richard, previously you have mentioned that the DC Superhero launch was about anywhere from 25% to 30% CAGR in its first annualized year than Monster High when it first came around. In other words, it's been a great success. How do you think about the opportunity this year? And how do you think about sort of offsetting those tougher comps the year after in 2018 when you do not have a Wonder Woman at the box office? How do you think about the franchise for those a little bit longer term?

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

We believe that is a long-term franchise for us. The interest in superheroes and fantasy play with girls is more and more pronounced. We had an incredible year with the DC franchise, highly successful. We have more content that we are working on with DC. There's going to be two- to three-minute episodic content continued on YouTube. There's two DVDs they are going to be launching as well with DC that we are participating on. There are some other new forms of content that we are in the beginnings of talking about that are going to be pretty innovative. There's new characters that are coming out as well to keep the excitement around the line.

The Wonder Woman piece could be, frankly, a lot bigger than any of us are anticipating. So we will chase that opportunity if it comes to fruition, but we do think it will continue to sort of maintain the buzz with girls on superheroes. There's also some line extensions that we are working on in the DC franchise that will continue to excite girls. And we think we have got programs in place over the next two years, particularly with big ideas coming down the pipe, that will make the DC superhero girl franchise within the fashion doll portfolio a staple.

Chris Sinclair - *Mattel, Inc. - Executive Chairman*

Excellent. So, this concludes the Q&A event today, before I turn it back over to the operator, let me announce that there will be a replay of this call available beginning at 1 p.m. Eastern time today. The number to call for the replay is 404-537-3406, and the passcode is 65329538. Thank you all for participating in today's call. Operator?

Operator

Thank you. Ladies and gentlemen, thank you for your participation in today's conference call. This concludes the program, and you may now disconnect. Have a great day.