BARINGTON

BARINGTON CAPITAL GROUP, L.P.

February 1, 2024

Ynon Kreiz
Executive Chairman & CEO
Mattel, Inc.
333 Continental Boulevard
El Segundo, CA 90245-5012

Dear Mr. Kreiz:

Barington Capital Group, L.P. and its affiliates ("Barington" or "we") are shareholders of Mattel, Inc. ("Mattel" or "the Company"). Barington has a long history of assisting undervalued publicly traded companies to unlock value, and we believe we can help Mattel to achieve its potential.

We view Mattel as a house of iconic, globally-recognized brands, beloved by generations of consumers and enthusiasts; and we believe that Mattel is a best-in-class designer, manufacturer, and distributor of fashion dolls and vehicle toys. We recognize the meaningful improvements that you and your team have delivered over the last six years. You have grown revenues from \$4.5 billion in 2018 to \$5.2 billion for the twelve months ending September 30, 2023[1]. At the same time, the Company's adjusted EBITDA margin grew from 3.3% to 15.4%, and its leverage ratio, as measured by net debt/adjusted EBITDA, declined from 15.2x to 2.3x.[2] Moreover, Mattel's inaugural theatrical release of the Barbie movie has been widely lauded as an unparallelled success. We believe that it is a testament to the potential of your IP-led strategy.

Despite these achievements, Mattel's share price has declined by 13.2% over the last two years, underperforming the S&P 500 by approximately 22.3%.[3] During the nearly six years of your tenure as CEO of the Company, the value of Mattel's shares have increased at an average annual rate of 3.6% while the S&P 500 index increased at an average annual rate of 11.2% and the Nasdaq Composite grew at an average annual rate of 13.9%.[4] Moreover, Mattel's dividend-adjusted share price has underperformed most of its peer companies ("Peers"), as identified in the Company's 2023 proxy statement,[5] over both the short-term and the long term. Mattel's dividend-adjusted share price lagged 11 of 19 Peers (58%) over the last two years and underperformed 13 of 17 Peers (76%) over the last 10 years.[6]

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[1] Source: Mattel 2018 10-K and third quarter 2023 10-Q

[2] Source: Mattel fourth quarter 2018 and third quarter 2023 earnings presentations. Adjusted EBITDA includes stock-based compensation.

[3] Source: S&P Capital IQ; reflect share price and index performance from January 31, 2022 to January 30, 2024.

[4] Reflects compounded annual growth rate of Mattel share price change and index change between April 26, 2018 and January 19, 2024.

[5] Peer companies identified include Campbell Soup Company (CPB); Church & Dwight Co., Inc. (CHD); Edgewell Personal Care Company (EPC); Electronic Arts Inc. (EA); Hanesbrands Inc. (HBI); Hasbro, Inc. (HAS) Lions Gate Entertainment Corp. (LGF.A); Live Nation Entertainment, Inc. (LYV); Newell Brands Inc. (NWL) Paramount Global (PARA); PVH Corp. (PVH); Ralph Lauren Corporation (RL); Spectrum Brands Holdings, Inc. (SPB); Spin Master Corp. (TOY); Take-Two Interactive Software, Inc. (TTWO); Tapestry, Inc. (TPR); The Clorox Company (CLX); The Hershey Company (HSY); The J. M. Smucker Company (SJM)

[6] The 10-year analysis excludes Lions Gate Entertainment Corp., which reclassified its stock in 2016, and Spin Master Corp., which became a publicly traded company in 2015.

We believe that the Company's shares are undervalued, based on a range of valuation measures. For example, Mattel's shares trade at 8.4x enterprise value to next twelve months' EBITDA ("EV/NTM EBITDA").[7] That represents a 10% discount to its Peer median EV/NTM EBITDA trading multiple of 9.3x and a 26% discount to Hasbro's trading multiple of 11.2x. Moreover, Mattel's shares are trading well below its adjusted 10-year average EV/NTM EBITDA multiple of 11.2x.[8] In its latest report on Mattel, Morgan Stanley points out that the Company's shares have underperformed the market because of its "P/E multiple de-rating approximately 3x turns."[9]

In our view, this valuation dichotomy exists due to three primary factors:

1) Mattel's inability to stem declines in revenue at Fisher-Price and American Girl;
2) The Company's persistent and excessive stock-based compensation awards, at comparatively low share prices; and
3) The absence of any meaningful return of capital to shareholders. Instead, the Company appears to prioritize M&A ahead of share repurchases or dividends.

We anticipate that the Company's shares will continue to underperform unless Mattel takes the following steps:

1) Pursue strategic alternatives for Fisher-Price and American Girl;
2) Cease, what we believe is, excessive stock-based compensation;
3) Announce a $2 billion share repurchase authorization starting with an accelerated share repurchase program

We estimate that these actions together with continued operating improvements in the core fashion doll and vehicle toy segments have the potential to more than double Mattel's share price in three years. In addition, we don't believe that the combined CEO and Chairman role reflects best-in-class corporate governance. We recommend that the Company strengthen its governance by separating the CEO and Chairman roles.

Pursue strategic alternatives for Fisher-Price and American Girl.

Mattel's Fisher-Price and American Girl segments have witnessed dramatic and consistent revenue declines over a multi-year period. According to the Company, Fisher-Price is the dominant brand in the Infant, Toddler, Pre-School ("ITPS") segment. Yet, despite Fisher-Price's leadership position, we estimate that ITPS revenue has deteriorated by more than 40%, from an estimated $1.9 billion in 2015 to less than $1.0 billion in the 12 months ending September 30, 2023.[11] In comparison, global revenue of ITPS toys grew by approximately 17% between 2015 and 2022, according to Circana, Inc, a leading provider of consumer market data.

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[7] Source: S&P Capital IQ, Q3 2023 10-Q. Analysis reflects enterprise value excluding lease obligations divided by consensus average EBITDA for next 12 months, before one-time adjustments.
[8] Source: S&P Capital IQ. This represents the average EV/NTM EBITDA multiple for the quarters ending March 31, 2014 to December 31, 2023, excluding the quarters ending December 29, 2017 to September 13, 2019 when multiples were inflated due to the impact of the Toys R US bankruptcy on the Company's results. The average EV/NTM EBITDA multiple during the quarters ending December 29, 2017 to September 13, 2019 was 61.5x.
[9] Source: Morgan Stanley Research, *2024 Roadmap & Best Ideas; Upgrade PII to OW, Downgrade MAT to EW*, January 17, 2024
[11] Source: Mattel, Inc. 2015 10K and third quarter 2023 10Q; we compare the Fisher-Price Brands segment revenue as reported in the 2015 10K with the Infant, Toddler, and Preschool segment revenue, as reported in the Q3 2023 10Q.

Similarly, American Girl revenue fell by 61% between 2016 and the last 12 months ending September 30, 2023, compared to approximately 23% growth in global doll revenue between 2015 and 2022, according to Circana.

In our view, this long-run market share cession suggests that Mattel may not be the right owner of these brands. Indeed, we believe that these brands are now detracting from the success at Mattel's other segments, and hurting shareholder value. To put it in numbers, without the ITPS and American Girl segments, Mattel's total four-year revenue growth rate would have been nearly double its reported number. Between the third quarter of 2019 and the third quarter of 2023, Mattel grew total revenue 27% *excluding* ITPS and American Girl, compared with 14% revenue growth including these segments. And, in 2022, Mattel would have delivered overall revenue growth, excluding ITPS and American Girl, compared a revenue decline when these segments were included. We believe that Mattel's inability to fix the American Girl and ITPS segments is putting a dark cloud over the Company, dragging down growth and deterring investor interest.

If Mattel cannot fix these segments, as part of the Company, as appears to be the case, we believe that the Company should immediately explore strategic alternatives. SpinMaster's recent of acquisition of Fisher-Price competitor, Melissa & Doug, for $950 million or 2x revenue and 10.5x EBITDA, suggests now is the time to consider the sale of Fisher-Price and American Girl. In our view, there could be strong demand for these highly recognized brands, and a sale would not only free up capital for other activities, but would change the growth profile of the Company and yield a higher multiple of earnings for the stock.

Cease excessive stock-based compensation.

We believe that Mattel's stock-based compensation is excessive compared to Peers and inappropriately transfers undue value from shareholders to the Company's management. The impact on shareholders is exacerbated by the Company's low share price. As you know, Mattel's compensation committee awards performance units, stock options and RSUs to the management team, which in aggregate reflect annual stock-based compensation. According to the Company's filings, Mattel's stock-based compensation expanded the Company's share base by approximately 16 million shares (equal to an increase of nearly 4.6%) during your tenure as CEO.

Mattel has incurred stock-based compensation costs that are approximately 40-50% greater than the Company's Peers. For example, in the most recent three years, the Company awarded you, its CEO, $29.8 million in stock-based compensation.[12] That is 44% more than the median aggregate stock-based compensation of $20.7 million awarded to Peer CEOs during the most recent three years.[13]

As a result, the average annual cost of the Company's stock-based compensation for the years 2020 through 2022 has grown to $63.1 million. That is equal to 1.2% of total revenue and 7.9% of EBITDA during that three-year period. During the same period, Mattel's Peers expensed a median value of stock-based compensation equal to 0.8% of revenue and 5.5% of EBITDA.

To make matters worse, Mattel adds back stock-compensation to EBITDA for the purpose of calculating cash incentive compensation hurdles. In 2022, 65% of management's annual incentive compensation was based on this "adjusted EBITDA" number. As shareholders, we find it perplexing that any dilution by

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[12] Mattel's 2023 Proxy Statement discloses that the Company awarded total stock-based compensation of $10.3 million in 2022, $10.0 million in 2021, and $9.6 million in 2020. Stock awards accounted for $22.4 million and option awards represented $7.5 million during this period.

[13] Peers are identified in footnote 5. Analysis excludes Take Two Entertainment where compensation is directed through its financial owner. 2023 Proxy statements of Peers disclose that the median Peer CEO aggregate stock awards for the most recent three years equaled $16.5 million and aggregate option awards equaled $3.7 million.

way of stock compensation is not recognized when the Company determines management's incentive compensation. In our view, it shocking that Mattel's board allows this practice, while many of the world's largest tech companies, including Google, Meta, and Amazon, have acknowledged that stock-based compensation was a "real" cost and thus adjusted their focus to GAAP results. We therefore recommend that Mattel reduce its stock-based compensation by approximately 50% and remove the stock expense "adjustment" from all incentive targets.

Announce a $2 billion share repurchase authorization starting with an accelerated share repurchase program

On earnings calls and at conferences, Mattel has consistently ranked its capital allocation priorities as follows:

1) Investments in organic growth
2) Reduce/maintain financial leverage at 2.0-2.5x EBITDA
3) Acquisitions
4) Share repurchases

We find it disappointing that acquisitions are ranked ahead of returning capital to shareholders. It is our belief that Mattel should avoid adding any more to its plate until it stems the declines at Fisher-Price and American Girl. Further, we suspect that the continued lip-service paid to the possibility of acquisitions is discouraging existing and potential shareholders, especially because Mattel only recently earned an investment grade credit rating. We are further dismayed by this capital allocation prioritization since Mattel discontinued its quarterly dividend in 2017.

Instead, we believe that shareholders would be best served if management underscored its confidence in its leadership ability and strategy by using most of its free cash flow to acquire the Company's shares. Of course, we recognize that the Company must continue to invest in the business to deliver growth, and that the share price will determine the benefit of repurchases. While we acknowledge that repurchases began in 2023, the Company has simply not gone far enough. In the nine months ending September 30, 2023, the Company has repurchased approximately 7.3 million shares.[14]

At the close of the third quarter of 2023, there remains a scant $93.2 million available under Mattel's share repurchase authorization, sufficient to purchase only approximately five million shares, at today's price. We believe that Mattel should immediately authorize $2.0 billion of share repurchases and commence an accelerated share repurchase program equal to the value of free cash flow delivered in 2023. We estimate that the Company can repurchase the full $2 billion authorization over the next several years, depending on the trajectory of the share price. In its analysis, Goldman Sachs Research expects that "Mattel will repurchase $2.3 billion of stock from 2023E to 2027E, or approximately 30% of its current market capitalization."[15]

Strengthen corporate governance by separating the CEO and Chairman roles

Finally, we believe that the Company should now separate the role of the CEO and Chairman, in part because, in our view, a combined Chairman and CEO role can hinder the independent exploration by a Board of all available alternatives to improve long-term shareholder value. We therefore recommend elevating the position of the Lead Director to the Chairman role, which we believe represents sound corporate governance.

[14] Source: Mattel Q1-Q3 2023 10-Qs

[15] Source: Goldman Sachs Research, *Assume coverage of Toys: Maintain Buy on MAT, HAS to Neutral, FNKO to Sell*, January 31, 2023

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We believe that these actions would reinforce the Company’s conviction in its strategy and future results. We estimate that by following the steps outlined in this letter, together with sustained execution in the fashion dolls and vehicle toy segments, Mattel’s share price can more than double in three years.

We are available to meet with you at your earliest convenience to discuss our recommendations and other ways in which we may be of help to the Company. We look forward to discussing these important matters.

Sincerely yours,

James Mitarotonda