PARTICIPANTS

Corporate Participants

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

Other Participants

Jaime M. Katz – Analyst, Morningstar Research
Michael A. Swartz – Analyst, SunTrust Robinson Humphrey
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to Mattel's First Quarter 2014 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Drew Vollero, Senior Vice President of Investor Relations and Corporate Strategy. Sir, you may begin.

Drew Vollero, SVP-Investor Relations & Corporate Strategy

Thanks, Latoya. As you know, this morning we reported Mattel's 2014 first quarter financial results. We've provided you with a slide presentation to help guide our discussion today. The slide presentation and the information required by Regulation G regarding non-GAAP financial measures is available on the Investors and Media section of our corporate website, corporate.mattel.com. In a few minutes, Bryan Stockton, Mattel's Chairman and CEO; and Kevin Farr, Mattel's CFO, will provide comments on the results, and then call will be opened for your questions.

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're subject to a number of significant risks and uncertainties, which could cause our actual results to differ materially from those projected in the forward-looking statements. We describe some of these uncertainties in the Risk Factors section of our 2013 Annual Report on Form 10-K and our 2014 Quarterly Reports on Form 10-Q, and in other filings we make with the SEC from time to time, as well as in other public statements. Mattel does not update forward-looking statements and expressly disclaims any obligation to do so.

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

Bryan G. Stockton, Chairman & Chief Executive Officer

Thank you, Drew, and good day everyone.

When we spoke with you in February, we said the key to success in 2014 would be to improve POS. And to do that, we needed to introduce more product and brand innovation, improve the execution of our promotion and marketing spending, and to leverage some of the tailwinds we had coming out of 2013.

We also said, we needed to work through inventory, both owned and at retail in the first half of the year as well as managed the cost structure to align with more realistic revenue assumptions. Overall, we made progress in the quarter on a number of these areas. However, it is the pre-season, the time we use to make adjustments for the fall and we recognize we have a lot of work to do as we continue to prepare for the all-important holiday season.

Let me briefly outline the results for the quarter. As expected, revenues were down slightly as we worked our way through pockets of retail inventory, managed our owned inventory and shifted trade spend and advertising to the back half of the year. Gross margins were lower than prior year and down a little more than expected, reflecting the progress made on managing inventories. That said, we continue to manage gross margins for the full year and remain committed to our near-term outlook of low to mid 50% gross margins.

Advertising expenses were lower in the quarter, both in dollars and by percentage, as we shift spending to later in the year. SG&A was up slightly, consistent with the outlook we shared with you in February, including incremental severance expenses of $16 million tied to our ongoing OE 3.0 initiatives. And we remain committed to sound capital deployment in the quarter. We raised our dividend 6%, announced our plans to acquire MEGA Brands and continue to buy back our own stock.

In regards to POS, we did see some improvement in the quarter versus the 2013 fall season, but there is more work to be done here. Excluding the timing impact of Easter week, which comes later this year, our global POS was down low-single digits in the quarter, but recently was improving to essentially flat over the last few weeks. Domestically, we saw improving trends during the quarter, although POS still ended down high single digits. And International POS showed improving performance, ending the quarter up mid single digits.

As I said, one of the keys to driving improved POS is to introduce more product and brand innovation, and I feel we made good progress here. In the quarter, we launched BOOMco, our differentiated entry into the NPD blaster category. We also expanded the distribution of our new franchise Ever After High from a handful of markets to essentially a global launch. At Fisher-Price, we saw strong and positive consumer reaction to our new innovative offerings in the baby gear business. And we continued to invest in digital content, launching new and improved websites for both Barbie and Hot Wheels as well as providing new content for a number of our core brands.

Another key to driving POS is to improve the execution of our marketing and promotional spending. As I'd mentioned before, the consumer path to purchase is expanding and becoming much more complex, and with most of our $1 billion in trade spend and advertising yet to be committed, we still have the opportunity to adjust our spending and make it more effective and efficient. In the quarter, we began applying more science and analytics to how, where, and when we should spend this money and began to develop programs with our regional partners. You can see we reduced spending in the quarter so we can shift spending later where it will be much more impactful. This will give us the flexibility and funds to execute the strategies that are coming out of our marketing mix modeling study.

We plan to continue to shift spending to the back half of the year, and like last year, these actions are likely to impact Q2 revenue performance slightly, but we believe they will allow us to align our spending to drive POS and top-line revenues in the all-important holiday season.

We also made progress in the quarter, managing inventory, both owned and retail, but again, we have more work to do. First, we reduced the year-over-year impact of Mattel-owned inventory by about 50% or about $50 million in the quarter. And second, we made progress against retail inventories. As expected, domestic retail inventories are up slightly given the later timing of Easter this year, and in international markets, we worked through pockets of carryover inventory in select markets, but still have work to do in key regions like Latin America.

Another area we discussed with you was managing our cost structure. We've made a lot of progress in the quarter, aligning the company's cost structure through our Operational Excellence 3.0 program, which achieved $16 million in gross savings in the quarter.

We did make some tough decisions in regards to the organization, which is reflected in the additional severance charges taken in the quarter. And, while we always approach decisions like this with great sensitivity, we do believe the actions we are undertaking are necessary to better position Mattel to grow its business globally. Actions like these will allow us to continue to fund expansion into strategic geographies like Russia and China, and allow us to continue to make strategic investments in new categories and franchises.

Now, while we made progress on our 2014 action plan, the toy industry continued to be pretty steady. According to NPD, results through February showed the U.S. flat and Euro 5 up moderately.

The results to date are encouraging, but we recognize that it's early and there are a number of factors that impact these results. Specifically, retailers are shifting to spring planograms and continue to tightly manage retail inventories and buy only what they're selling. And the timing of Easter always complicates the early results in markets like the U.S. where Easter is an important toy holiday. And as we see every year, we anticipate all these factors to settle up and then normalize later in the second quarter.

Looking into the quarter in a little more detail, we see the gross portfolio results as mixed with overall POS positive, but shipping down slightly.

American Girl continues to grow and show strength despite comping 32% growth in the prior-year quarter, which also included the Easter Week. Our new Girl of the Year, Isabelle is off to a great start, and we're continuing to see good consumer takeaway across our doll lines and channels.

We're continuing to see high consumer demand for Disney Princess product driven by the success of Frozen as well as Sofia.

Barbie shipping was down 14% in the quarter. In the U.S., consumer takeaway continues to be down, and in international where Barbie POS was positive, shipping was impacted by retail inventory headwinds. Our focus here remains to improve POS for the year, and we shifted some advertising to later in the year, where we feel it will be more impactful. While we see improvement, we clearly have more work to do here.

Monster High is now a well-established property in the industry, and remains a key component of a much larger Mattel Girls portfolio. In the quarter, Monster High toy shipping was down in domestic and international markets as it faced a challenging Q1 comp. However, toy sales continued to grow in emerging markets like Russia and the Monster High consumer products business continued to grow across all regions.

And while it's still early, our latest franchise, Ever After High, looks to be a solid single at this point. In markets where we had an earlier launch, we had good retail support, strong consumer engagement, and we're seeing good shipping and sell-through patterns.

It was good to see Hot Wheels grow in the quarter, both domestically and internationally, driven by demand for our basic cars. We saw increased traffic to our re-launched Hot Wheels website and successfully launched our new Team Hot Wheels animated content.

As for Fisher-Price, we continue to make progress on the four key strategies we highlighted in February: launching a new marketing campaign, bringing more innovative product to market, growing the business globally and leveraging new licenses. In the quarter, we began to roll out our new digital campaign, "Love Every Moment," targeting the millennial mom. We saw positive consumer response to our new innovative baby gear products. We began to roll out localized marketing and region-specific products to our international markets, including our Emerging Consumer Line that specifically targets the growing middle class with a popular product at a good price point.

We continue to develop product for Julius Jr. as well as product to support the new "Dora & Friends: Into the City" series from Nickelodeon coming out in August. Our Friends business was down as it too had a very challenging comparison to prior year, which included the successful launch of our Thomas Wood line as well as strong momentum from Jake and the Never Land Pirates and Dora's 10th anniversary.

We were happy to see our strategic efforts around Thomas & Friends to improve execution, expand content placement and build brand awareness, begin to pay off in strategic markets like Latin America and Asia Pacific.

Mattel's sales were down across its international regions reflecting the performance of our Girls portfolio and Fisher-Price, as well as the impact of inventory headwinds in select markets. In the quarter, Europe was down slightly with declines in core Europe, partially offset by continued strong growth in Russia, as well as strength in other eastern European countries. Latin America was down as we continue to manage through pockets of inventory in Brazil and Mexico, and Asia was down as softness in Australia offset double-digit growth in China and strength in North and Southeast Asia.

Overall, I feel we made progress in the first quarter, but we clearly have work to do, and as I said upfront, the key to success will be our ability to drive POS. We can already point to progress on product and brand innovation, and by managing our spending. We now have more flexibility in our promotion and marketing spend to incorporate strategies coming out of our marketing mix initiative.

I also said we'll drive POS leveraging some of the tailwinds we had coming out of 2013. Some of these tailwinds include new, innovative product and content across the entire Girls portfolio, including American Girl, which will continue to expand its retail footprint in the U.S. and move into Canada later this year. American Girl will also begin to leverage its new omni-channel system and enhanced digital marketing capabilities across its entire distribution network. We'll also continue to benefit from the global launch of Ever After High, as well as the continued success of Disney's Frozen, and we'll continue to roll out our new characters and content for Monster High.

We'll see new innovation in the Boys portfolio, including our new Team Hot Wheels content, the launch of our Marvel and Star Wars diecast licenses, a new Disney Planes theatrical release and the continued launch of BOOMco with the U.S. launch set for this summer.

We'll see new innovation at Fisher-Price, including the rollout of our Laugh & Learn "Smart Stages" product line, the launch of our Julius Jr. product line as well as product supporting the new

Nickelodeon series, "Dora and Friends: Into the City", and new and improved Thomas TrackMaster product and additional content including a new fall DVD release, "Tale of the Brave."

And of course, we'll benefit from the planned acquisition of MEGA Brands. This acquisition advances our strategy to grow by acquiring new brands and to extend our existing brands into other toy categories. It gives us meaningful exposure to two of the fastest growing categories, construction and arts and crafts. We continue to believe this is a great opportunity to combine MEGA Brands' licenses and expertise with our brands and global scale to create an even stronger and more profitable number two player. We're working on business development plans in anticipation of closing the deal this quarter, and we look forward to working with our newest member of the Mattel family.

So in summary, we continue to believe in the toy industry, and in our ability to execute given our strong portfolio of brands, countries and customers. We'll continue to focus on our strategies to drive POS, reduce inventories and align our cost structure as we work towards delivering another profitable year, consistent with our top-third to top-quartile total shareholder return aspiration.

Thank you for your time today and your continued interest in Mattel. And now I'd like to introduce Kevin Farr, our Chief Financial Officer. Kevin.

Kevin M. Farr, Chief Financial Officer & Executive Vice President

Thank you, Bryan, and good morning everyone. As Bryan said, we made good progress in the quarter on a number of areas as we work to deliver top-third to top-quartile total shareholder returns in the near term.

First, we made good progress with regard to addressing higher retail in Mattel owned inventories. We reduced the year-over-year impact of our owned inventory by about 50% or $50 million. And after normalizing for Easter, we believe retail inventories are in much better shape from where we were at the beginning of the year.

Second, we aligned our infrastructure with realistic revenue assumptions, which puts us in a better position for 2014 and beyond. We leaned into our O.E. 3.0 cost savings program and made some tough strategic decisions in the quarter, including a reduction in force. The savings related to this action will help us achieve the program's $175 million of gross sustainable savings target by year end. We also continue to see savings in gross margin related to our O.E. 3.0 program such as our packaging initiative.

Third, we made progress in global POS by leveraging our North American organization and international subsidiaries and by working closely with our retail partners. These gains represent a good step forward from our 2013 holiday season, but there is more work to be done.

And finally, as we said, given the evolving consumer path to purchase, we're working on ways to get a higher return on our advertising spending by bringing better science and analytics to our advertising and trade spending programs, so the spending can work harder and go further.

In this regard, we made considerable progress on developing a sophisticated marketing mix model, which allows us to measure the sales contribution of each of our advertising and trade spending program levers. As a result, we began developing action plans with retailers to implement the findings to leverage our $1 billion of advertising and trade spending in 2014 to drive both global POS and our top-line revenues.

And although we made good progress executing the first quarter, our financial results show we still have a lot of work to do. You can clearly see this when you look at the financial results. Total gross revenues, $1 billion, were down 4% versus the prior-year, primarily the result of working through pockets of the inventory at retail, softness in POS, managing our owned inventory and shifting trade and advertising to the back half of the year.

The progress made in the inventory had an obvious effect on first quarter gross margins. We aggressively executed initiatives to reduce Mattel-owned inventories. As a result, our gross margin was 50.9% or 330 basis points lower than the prior year. As we will talk about in a minute with the slide deck, the year-over-year declines in gross margin was really driven by three factors: First, roughly half of the 330 basis point decline in gross margins is due to efforts to reduce Mattel-owned inventories. Second, we did see an increase in royalties for the quarter due to the strength of entertainment properties, including Frozen, Planes and Sofia. And third, the remainder of the variance is primarily the result of comping against a record margin last year.

The good news with respect to gross margins is that overall our assumptions around our basket of product costs align both with our pricing assumptions and our efficiency programs, including O.E. 3.0.

As we said in February, we don't expect the Mattel-owned inventory headwinds to have a material impact on gross margins for the full year, but they will continue to modestly impact the business in the second quarter.

There are a lot of factors that impact gross margins. And while we don't manage margins quarter-to-quarter, we remain committed to our near-term guidance of targeting low to mid-50%s gross margins.

Our advertising spending was down both in dollars and percentages as we look to return to levels in line with our 11% historical average and leverage and shift spending to later in the year.

And our SG&A was up slightly, roughly 4% and consistent with the outlook we gave you earlier. Excluding severance, SG&A was flat year-over-year. Moving forward, strategic growth investments remain high priorities as we continue to balance growth and cost management. We continue to look for opportunities to invest back in the business to drive future revenues and profits. Right now, we're targeting flat spending in absolute dollars on strategic growth initiatives, which are already in our cost base, but that should be ample to fund the right ideas to drive growth in 2014 and beyond. Our SG&A goal for the year remains consistent with what we have discussed at Toy Fair, which is a modest increase in SG&A in absolute dollars, which includes O.E. 3.0 severance charges and strategic growth investments.

We remain committed to achieving our goal of delivering operating profit growth of 6% to 8% over the near term.

The planned MEGA Brands acquisition is proceeding well and we anticipate closing the deal this quarter. The opening balance sheet will be finalized after the acquisition is completed and we should have more information about the financial impact of the deal for you on our second quarter conference call.

We still expect the deal to be dilutive in 2014, when you consider deal costs, integration and restructuring cost and the non-cash amortization impacts like the write-up of inventory and amortization related to the intangible assets on the opening balance sheet. Excluding these costs, the underlying business should be slightly accretive to operating income in 2014 since we expect to have positive EBITDA.

So to summarize, overall, we made solid progress in the quarter on a number of fronts, but recognize we have a lot of work to do to deliver top-third to top-quartile TSR.

Now let's review our first quarter results starting on Page 4 of the slide deck. As you can see, our worldwide gross sales are down 4% for the quarter, with sales down 2% in the North American region, which includes our North American division and American Girl operations, and down 7% in International.

As I previously said at Toy Fair in New York, we are seeing a moderate impact in shipping in the first quarter due to retail inventory headwinds and continued softness in POS.

Turning to Page 5 of the presentation, you can see the brand perspective on sales. Worldwide sales for Mattel Girls and Boys brands were down 5% for the quarter.

We continue to see strong demand for Disney's Sofia, increased interest in Disney's hit movie Frozen, and we have the benefit of the global launch of Ever After High. As Bryan noted, Monster High toy shipments were down in the quarter. Similarly, Barbie sales were also down, primarily due to continued soft consumer takeaway domestically, and inventory overhang in some international markets. And while we saw growth in our Hot Wheels business, as well as Disney Planes, it was offset by declines of certain other entertainment properties.

Worldwide sales for Fisher-Price brands were down 6% for the quarter. The lower sales were primarily a result of declines in several of our Fisher-Price Core brands, partially offset by growth in our Laugh and Learn line and improving trend in our Baby Gear line where sales were flat as the new innovative products began to resonate with consumers.

Our Fisher-Price Friends line was down for the quarter given the tough comparisons to last year's Jake and the Never Land Pirates and Nickelodeon's Dora properties. And Thomas & Friends was up against last year's successful launch of its wood line, but still performed relatively well as we're encouraged to see Thomas grow internationally in the quarter, particularly in Latin America.

American Girl had another great quarter, with sales up 5% despite a very tough comparison to last year and a shift of Easter from the first quarter to the second quarter.

On Page 6, we highlight the performance of our North American region. Overall sales for the region were down 2%. Our International business, as seen on page seven, was down 7% this quarter, with Latin America down 21%, including seven points of unfavorable impact from currency. And we continue to be encouraged by the strength in emerging markets, in Russia, in China and recognize that we have pockets of inventory to work through in certain other international markets.

Now let's review the P&L starting on Page 8 of the slide presentation. For the quarter, gross margin was 50.9%, down 330 basis points from last year's record of 54.2%. As I said, half of the decline is a result of continuing efforts to aggressively execute initiatives to reduce Mattel-owned inventory position as we get ready for the second half of the year. For the most part, the increase in our product costs have been consistent with our expectations, and we continue to expect to offset inflationary pressures with our pricing actions that were effective January 1st and savings from our O.E. 3.0 program.

That said, we remain committed to our near-term target for gross margins of low-to-mid 50%s range, but we do expect some modest first quarter headwinds to continue in the second quarter related to our ongoing efforts to reduce Mattel-owned inventories.

As seen on Page 9, selling, general and administrative expenses for the quarter increased approximately $15 million to $385 million. This is primarily attributable to severance costs associated with ongoing O.E. 3.0 initiatives and a slight increase in strategic growth initiatives, offset by reduced incentive and equity compensation.

Page 10 of the presentation summarizes the performance of our ongoing Operational Excellence 3.0 program. For the quarter, we delivered incremental Operational Excellence 3.0 gross savings of $16 million. And we're on track to deliver our full-year target of around $115 million in gross savings and our two-year cumulative target of gross sustainable savings of $175 million.

Turning to Page 11, operating income in the first quarter was $6.2 million. The decrease in operating income was driven by lower sales and lower gross margins as we continue to work on our inventory situation and higher SG&A due to the impact of severance, partially offset by reduced spending on advertising as we work to align our full-year historical averages and shift spending to later quarters.

Turning to page 12, our net loss for the quarter was $0.03, a decrease of $0.14 compared to the prior year first quarter. The decrease in EPS was driven by a lower operating income, partially offset by lower non-operating expenses, lower tax expense and a reduction in share count.

For the full year, excluding discrete tax items, we expect that our income tax rate would be approximately 21% to 22%, assuming no changes to the current tax laws.

We discuss cash flow on page 13. Cash flow from operations in the quarter was $61 million compared to cash flow used for operations of $62 million in the first quarter last year. The impact is primarily due to lower working capital usage, partially offset by lower net income. Capital expenditures for the quarter were $44 million, down slightly from last year first quarter. We still anticipate spending about $230 million to $240 million in CapEx in 2014.

We did not have any major refinancing in the first quarter, but we continue to look to issue $500 million of additional debt in 2014, which is consistent with achieving our targeted long-term debt to total capital ratio of around 35%.

In addition, we repurchased 736,000 shares of stock in the first quarter at a total cost of $28 million. While we continue to look opportunistically at stock repurchases, we were out of the market most of the quarter due to the pending acquisition of MEGA Brands. We anticipate being more active in the remainder of the year consistent with our historical capital investment framework. In March, we paid out a quarterly dividend of $0.38 per share at a total cost of $129 million. And our cash on hand at the end of the quarter was $897 million, down from the prior year first quarter of $1.26 billion.

Moving forward, we'll continue to grow our business consistently, grow it profitably and deploy the cash generated in value-enhancing ways to reward our shareholders.

This concludes my review of the financial results.

Now, we'd like to open the call to questions. Latoya?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] The first question comes from Jaime Katz of Morningstar. Your line is open.

<Q – Jaime Katz – Morningstar Research>: Good morning, everybody. Thanks for taking my questions. Can we start off by talking about the Other Girls category and the slowing cadence, obviously you're lapping some difficult numbers, but was there anything else in that category that we should know about?

<A – Bryan Stockton – Mattel, Inc.>: Yeah, hi, Jamie. Good morning. It's Bryan. We're pleased with where we are I think at this point. As I mentioned, overall for Other Girls portfolio POS was positive for the quarter, shipping was down a little bit, and that was due to us trying to work through some pockets of inventory out of retail. If you think about what's in the Other Girls area, Ever After High, I think I mentioned in my comments, if you look at where that is today with the retail support and consumer takeaway, that looks like it's going to be at least a solid single. Monster High, we're very keen on, it's a huge, huge business for us now, it's a brand that we think is deeply ingrained with girls, it's still the number two doll brand, it's the number three property in toys according to NPD for the U.S. And we know consumers are still very engaged with the brand.

If you look at the minutes the girls are spending on the website, it's unchanged. What's impressive is, if you look at the total video views of Monster High, sequentially from quarter four to quarter one, it's up 14%. So we know girls still are engaged with this brand. We're going to continue to support this brand with a lot of things. As I mentioned, we're going to support it with 16 new characters and new segments like the pets and new accessories. And I think you may have seen the Monster Maker at Toy Fair. That we think is a huge breakthrough, innovative product, and we're going to continue with webisodes. So, we still like Monster High.

Then you start looking at Disney Princess, we're very pleased, Frozen is doing quite well, as is Sofia. And with the growth in the Box Office in that movie, we've been ramping up our ability to support the demand that's being created by that. So, we like that a lot too.

So if you built what's in there, Disney Princess looks good, Monster High, we had a bit of a bump in the first quarter, but we continue to believe that that's an important part of our portfolio, and we're going to continue to invest in it. Ever After High is off to a pretty good start, and we'll see how it goes.

<Q – Jaime Katz – Morningstar Research>: Okay. And then, there was a comment in your slide saying that there's this continued shift to e-commerce from brick and mortar. And I think at Toy Fair, it was indicated that it's still something like 80% to 85% of people shop for toys in the brick-and-mortar channels, so can you talk a little bit about how you guys are adapting to that shift, and where you think you can sort of make some strides there?

<A – Bryan Stockton – Mattel, Inc.>: Sure. The statistics that I think we shared was that purchases of toys were about 85% still in brick-and-mortar. When we use the word shopping, we're careful how we're using that because shopping is really a variety of exercises. It's exploring, it's evaluating, it's reading all the various reviews of products out there.

So, what we said is that consumer path to purchase is becoming very complex, a lot of touch points. But ultimately when the purchase is made, last year, about 15% was made online and about 85% was done in-store. So what we're doing is a couple of things. Number one, we're going to continue to invest in the e-commerce channel. We have invested in this channel for a number of years and I always bore everyone with the same example of a grocery/drug that we invested in years ago. But we continue to over-index in terms of share in that channel.

And then, the second thing we're doing is we've talked about this marketing mix modeling, where we're using pretty sophisticated techniques and analytics to understand the impact of how we spend our money. And we are able to get a better understanding of how things are impacted online. For example, things like paid search. So we're really anxious to start to apply those lessons learned to the e-commerce channel as well as to brick-and-mortar, and throughout the entire path to purchase.

<A – Kevin Farr – Mattel, Inc.>: Yeah. I think I'd just like to add to the path to purchase, I think also starts online, we're seeing more people look online to really look at what they want to purchase. And as you said, 80% to 85% of those purchases are still done in-store. So we're really working on first maximizing our business online and getting all the logistics together to be a good e-retailer. So we're getting product reviews in place. We're getting digital assets where they need to be, and obviously our investment in LaunchPad and our ability really to connect with consumers with regard to our brands gives us a good opportunity to highlight our brands online. And then we're also putting dedicated resources on being a good e-tailer as well as having our brands be prominent online so that as we look at our marketing mix model and do more paid searches that they can really review our products in their exploration to the path to purchase and then convert in online or in brick-and-mortars.

<Q – Jaime Katz – Morningstar Research>: Okay. And then lastly, the gross margin assumptions that you guys have for the year, the low – the low 50% range. Does that include sort of where you think you can go with MEGA or should we expect any changes, once that acquisition is closed?

<A – Kevin Farr – Mattel, Inc.>: Yeah. I think with regard to the acquisition, if we look at it without MEGA, again, I think we're focused over the near-term of delivering margins in the low-to-mid 50%s range. When you add MEGA Brands, it has a gross margin, which has a near-term negative impact, about 100 basis points. But we see an opportunity to improve this materially over time. So I'd say in the near term, there's a negative impact, longer term, I think there's an opportunity to grow gross margins for MEGA because when you look at the category, in total, the gross margin profile of the category is very comparable to what it is – to our doll portfolio, and we look at opportunities as we put our brands on their platform to increase gross margins for MEGA Brands, and that should also help our gross margins over the long term.

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

Operator: Thank you. The next question is from Mike Swartz of SunTrust. Your line is open.

<Q – Mike Swartz – SunTrust Robinson Humphrey>: Hey. Good morning, guys. Could you maybe talk about the emerging markets may be in a little more color and kind of the trends you're seeing there, understanding that there were some pockets of inventory as you pointed out, but maybe just boiling it down to what inventories look like there overall and maybe just POS you're seeing coming out of emerging markets right now.

<A – Kevin Farr – Mattel, Inc.>: Good morning, Mike, it's Bryan. I would say if you think about emerging markets, and I'll sort of lump a number of them together, if you think about Latin America, Eastern Europe, China, Russia for example, they are all quite strong. We think long-term, the economy should be growing and household formation is, particularly in the middle class, we think augurs well for continued growth in the toy industry. Retail continues to modernize in each of those countries, which also augurs well for the toy category and for Mattel.

So from a long-term standpoint, we like these markets a lot and we're going to continue to invest in these markets a lot. If you think about performance, Asia, led particularly by China, is quite strong, it was offset by Australia, which, as I think we probably mentioned before, is going through some adjustments in how they dealt with their Catalog and Christmas businesses and that's a country and retailer comment, not a Mattel-specific comment.

The business in Russia continues to grow very substantially. We're very pleased with that business as we are with the rest of Eastern Europe. Latin America, we've been there a long time. We think Latin America has a lot of potential left in it still for household formation and toy industry growth. We've been there a long time and it's a very profitable business for us, it's a large business. But as you know, the economy slowed down in Latin America. That in turn had an impact on the toy industry. Our assessment of the Latin American toy industry right now is, in the first quarter, it's sort of flattish. So when you plan for growth and then the category doesn't grow, we wind up with some pockets of inventory in Latin America, and you see us working through that. The good news is, is the POS is up substantially in Latin America as we work through that. There is more work to be done in inventories in Latin America, but overall, I would tell you long term, we're very keen on investing in all of these emerging and developing markets.

<Q – Mike Swartz – SunTrust Robinson Humphrey>: Okay. That was helpful. And then just in terms of O.E. 3.0, and maybe thinking about how the cadence of those savings that are planned kind of rolled throughout the year, I mean can you just help us with a little more color there?

<A – Kevin Farr – Mattel, Inc.>: Yeah. I think they'd be a little bit incremental over the next few quarters. But the majority of those savings are going to come in the second half of the year. And principally, the biggest driver of the O.E. 3.0 savings this year is really our initiatives that you're going to see in gross margin and particularly packaging savings. So, you saw that come online and increase in the first quarter. Incrementally, that should continue to increase, but most of it will be in the back half of the year.

<Q – Mike Swartz – SunTrust Robinson Humphrey>: Okay. Thanks a lot.

Operator: Thank you. And the next question is from Eric Handler of MKM Partners. Your line is open.

<Q – Eric Handler – MKM Partners LLC>: Thanks a lot. Just two quick things. First, when you look at the gross savings versus net savings for the O.E. 3.0 program for this year, where do you think the net savings finish out relative to the gross savings? And then if I'm hearing you correctly, it seems like inventories in the U.S. now are pretty clean and the issues are pretty much just all international?

<A – Kevin Farr – Mattel, Inc.>: Okay. So, I think with regard to O.E. 3.0 savings, we expect to deliver the gross savings of $115 million this year. And as we said in February, we intend to lean into O.E. 3.0 cost savings programs in 2014. As we look at the first quarter, our reduction of workforce was strategic to streamline our workforce as part of our O.E. 3.0 initiatives to drive efficiencies across the organization in order to reallocate funds to invest in growth and to improve our profitability. And we're going to continue to look at additional opportunities to improve the effectiveness and efficiency of Mattel across brands, geographies and functions including our global supply chain. So I think there will be additional investments as we go through the year to drive O.E. 3.0 savings. But at this point, we're not going to give you the detailed assessment of that. But we do expect overall O.E. 3.0 programs to have a net savings for the year after investments.

With respect to inventories, we've done a pretty good job with regard to managing retail inventories that were slightly up at year end. So it's not been the issue. Really, when we look at pockets of inventory, really it's – it varies by brand. But overall, we're in pretty good shape with regard to retail inventories. But there is, as we said, more work to do with retail inventories in selected markets and particularly in Latin America.

<Q – Eric Handler – MKM Partners LLC>: Okay. Thank you.

Operator: Thank you. And the next question is from Linda Bolton Weiser of B. Riley. Your line is open.

<Q – Linda Weiser – B. Riley & Co. LLC>: Just one clarification on Monster High, I didn't quite catch, if you had said that POS in the U.S. was actually up in the quarter, could you clarify that? Thanks.

<A – Bryan Stockton – Mattel, Inc.>: Hi, Linda. It's Bryan. I'm not going to get into brand detail on POS on Monster High. What I would tell you is that our Consumer Products business, as we look at that did grow both in the U.S and outside of the U.S and the Consumer Products business is things like apparel and hair accessories and sporting goods, so I did mention that.

<Q – Linda Weiser – B. Riley & Co. LLC>: Okay. And then just another question on the cost savings, I guess I'm a little confused about the head count reductions and severance charges in the first quarter. Were those things that were planned to be in addition to O.E 3.0 programs or are they just – were they always kind of planned as part of the O.E 3.0 program. So should we think of that as...

<A – Kevin Farr – Mattel, Inc.>: No. They were part of the O.E 3.0 initiatives.

<Q – Linda Weiser – B. Riley & Co. LLC>: Okay. Great, that's all I had. Thanks.

Operator: Thank you. And the next question is from Tim Conder of Wells Fargo. Your line is open.

<Q – Tim Conder – Wells Fargo Securities LLC>: Thank you. Good morning gentlemen. Couple of things here, I guess on the inventories. Again, you talked quite a bit about, you're fairly happy at retail, more work to go especially in Latin America at the retail level. But at the company level, I'm a little confused because you're up $50 million year-over-year in the quarter and up $80 million since year end. Can you give us a little bit more color on that? I know BOOMco is coming and the shift in Easter on that, just maybe a little bit more how much those components are driving that versus anything else?

<A – Kevin Farr – Mattel, Inc.>: Yeah. I think going back to the inventory, I think where we ended the year in 2013, we were up year-over-year by about $104 million. And as we closed the first quarter, we were up by about $50 million. So we've made significant progress on Mattel-owned inventories in the quarter in reducing them. We've got more to go, but we feel like we've made good progress in the first quarter.

And as I said, the initiative to sell Mattel-owned inventories resulted in about half of the decline in gross margin versus last year or about 160 basis points or so. The other key factors in margin were royalties and a record comp in the prior year. And in the first quarter, we executed on the initiatives, reduced the Mattel-owned inventories and we said that's down by $50 million. And the aggressive disposition of our owned inventories was a local management decision made market-by-market to convert inventory into cash and be better positioned as we move throughout the year. That cost of that disposition is around $15 million in the quarter versus the prior year, which, given the size of Mattel, is a relatively small impact in our full-year results, and did cause a swing in the quarter. But as we look at the full year and we look at our cost assumptions that from the perspective of the good news in gross margins is that our cost assumptions align with our pricing actions and our O.E 3.0 expectations. And as we look at the near term, we are focusing on delivering on their target margins of low to mid-50%s range.

<Q – Tim Conder – Wells Fargo Securities LLC>: Okay. Okay, Kevin, and along that line, from a good news standpoint, the weakening of the Chinese currency, here 2.5%, 3% since mid-February in particular. Will that potentially have any benefit by fourth quarter? I know you contract and you have cost set several quarters in advance, but when if – assuming nothing changes from here, could that potentially show some incremental benefit to gross margin?

<A – Kevin Farr – Mattel, Inc.>: I think as we look at our basket of cost, there's always a bunch of moving pieces. So, yeah I think when we look at the Chinese currency that could be a positive. But we really look at this from a perspective of managing gross margins and achieving that near-term goal of low to mid-50%s, that there is a basket of costs, and we try to estimate that basket of costs. And there is always ups and downs. The good news over the last couple of years is that there has been low-volatility input costs, that include Forex as one of those input costs, and assuming that mix holds up well, and that we have little volatility in input costs, I think what we're seeing right now is the good news is that aligns with our pricing and O.E. 3.0 expectations to keep us on track to deliver in the near-term low-to-mid-50%s gross margins.

<Q – Tim Conder – Wells Fargo Securities LLC>: Okay. And then on the innovation side. Bryan, the commentary that you and Kevin made in the preamble regarding Fisher-Price, core, some of the products there and the price points, that would seem somewhat critical to accelerating that penetration of the Fisher-Price core on the international side, can you expand on that? And then, maybe a little bit more expansion on how you're taking and looking at the ability to gather enhanced consumer insights, and to then tailor your R&D for innovation?

<A – Bryan Stockton – Mattel, Inc.>: Sure, Tim. Let me first comment on Fisher-Price and innovation. We're pleased, for example, with our Baby Gear line, Baby Gear POS is positive, and that's driven by the innovation that we shared with you at New York Toy Fair. We shared some of the Smart Stages technology, where you take a toy, and then you basically are able to age-grade it up as your child grows. We think that's pretty innovative, and moms tell us it is. So we're hoping the response to that is as positive as it is to Baby Gear, so we're excited about that. As we said on Fisher-Price, we're sort of fine-tuning the marketing and really dialing at the energy behind innovation. As it relates to what we're doing in international on Fisher-Price, you're probably tired of me talking about the Soothe & Sleep Seahorse in China, but that's an example of the kinds of things we're trying to do in some of the countries with scale like a Brazil or Mexico.

I mentioned the emerging consumer line and that's basically really working with consumers in those markets to understand what some of the key benefits are and some of the key features, trying to design them and offer a toy that may not be as attractive in the U.S., but is very appealing to someone who has just joined the middleclass in one of these emerging countries. So we're spending a lot of time doing that.

And then finally as it relates to Insights, we're investing heavily in that both in terms of people and in terms of technology. I've mentioned and Kevin has mentioned too, the marketing mix modeling, we're very pleased with the early reads on that and have begun to really try to translate some of those findings and how we want to change our spending in the second half. We've been sharing that with our retail partners and are beginning to reshape plans for the fall. So I think that's a good example of better execution. And as we add more capabilities and more human resources into Insights, we'll be able to extend that into more regions of the world.

So, I'm pleased with our progress, but as I think our theme this morning is, we're happy, but not satisfied, there's more work to do. I'm happy, but there's more work to do on Insights.

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

Operator: Thank you. And the next question is from Sean McGowan of Needham & Company. Your line is open.

<Q – Sean McGowan – Needham & Co. LLC>: Good morning, guys. I have a couple of questions too. You've been talking about the toy sales of Monster High, taking a little dip in the first quarter, but having now Ever After, which wasn't there a year ago. With the increment of Ever After have offset, whatever decline you saw on the toy sales on Monster High?

<A – Bryan Stockton – Mattel, Inc.>: Yes Sean, good morning. I'm not going to get into the detail of what offsets what. We try to run our Girls business as a portfolio. And in that portfolio, we have a number of brands that as we look at each, really kind of make up that portfolio with Disney Princess sort of on the lower end of the age range and Monster High and Ever After on the upper end. So as I said, Monster High, all the signs are there that it's a large brand, it's a brand that's becoming evergreen and there's lots of things that we're doing in terms of investing in it. It's a huge business for us, as you know.

Now on Ever After High, I think the last time we got together, I said it was too early. I'll tell you it's still too early, but the data that we've seen between our last call and this call would suggest that it's at least a solid single, again, looking at retail support and consumer takeaway and brand engagement.

<A – Kevin Farr – Mattel, Inc.>: Yeah, it's still early yet, but I think what we're excited about is we're doing the global launch of Ever After High. And we think as Bryan said, it has good potential on a global basis. Right now we think it's at least a single, and hopefully with the engagement we're seeing that it'll be better than at least a single.

<Q – Sean McGowan – Needham & Co. LLC>: Okay, thanks. Couple of others. When you talk about the impact of the efforts to clean out Mattel's owned inventory, and you've been pretty clear about what the impact of that has been. But surely, the efforts that the retailers are taking as well to clear out the inventories that are at the store level, to what degree is your gross margin being affected by whatever costs they're incurring on their end to clear out their inventories and their desire to pass some of that back to you? In other words, did markdown money get ratcheted up in the first quarter?

<A – Kevin Farr – Mattel, Inc.>: Yeah. I think consistent with what I said in New York that retail inventories, we have accrued most of that in the year-end accounts. So, when you look at the retail inventories impact, programs around that in the first quarter results, it had an insignificant impact in gross margins. It was, Sean, about 20 basis points.

<Q – Sean McGowan – Needham & Co. LLC>: Okay. I mean the reason I ask is, Toys "R" Us has had a fairly extensive and long-running clearance campaign that's getting ratcheted up, and they addressed investors recently saying they're taking some aggressive steps and [indiscernible] (51:41) they were passing some of that back on to you. One of the things they also said was that they were going to be kind of deemphasizing this move to side-by-side, and I have for years been viewing that move to the side-by-side stores as a plus for sellers of Baby Gear as a greater amount of their square footage is dedicated to babies, and with that de-emphasis, do you think that's going to put further pressure on Fisher-Price?

<A – Bryan Stockton – Mattel, Inc.>: Hi Sean. I'm not going to comment on Toys "R" Us store strategy. They certainly know their business well and are trying to execute with their new leadership and new strategy. As we think about our opportunity at Fisher-Price, it is in the U.S., but frankly, it's even more so outside of the U.S. Recall that Barbie, for example, is about one-thirds U.S., two-thirds international, Fisher-Price, you just sort of flip those numbers around. And that's why we're going through all this work to reposition the brand and get the innovation right and develop the emerging consumer lines of Fisher-Price, digitally connecting with the moms around the world. And so, we're going to continue to push that. Toys "R" Us clearly is an important customer to us outside the U.S., but we just think with all the things going on, whether it's online purchasing or baby stores, there is a lot of opportunities for us to grow Fisher-Price. But Toys "R" Us is a good retail partner for us and we'll work with them no matter what their strategy is.

<A – Kevin Farr – Mattel, Inc.>: Yeah, and I think again, I think it's about innovation and then I think also as Bryan said, particularly with things like Fisher-Price where there are mom purchases and there are also big bulky products. We think online is a great opportunity for us on a global basis, including places like China. So, retail will continue to evolve. But I think having innovation in our brands, having the right marketing message, really focusing on solving consumer issues and providing benefits to them are going to drive the Fisher-Price brand in the future.

<Q – Sean McGowan – Needham & Co. LLC>: Okay. And then my last question is I knew I was asking a couple of questions that you probably wouldn't comment on, but maybe this, I'll have more luck with. Retail – I mean toy manufacturers faced couple of challenges of shipping in the first quarter. One was maybe in your case, retail overhang of some of your own products. Second was overall category sluggishness in the fourth quarter. But in addition, you have retail across the board just about every category and most retailers having a pretty tough first quarter for a variety of reasons economic, weather, whatever. To what extent do you think that larger non-toy non-Mattel sort of general retail weakness affected you and do you think that that's cleared out now? I mean not just weather-wise, but do you think retailers are feeling generally better about their overall [ph] open device (54:30)?

<A – Bryan Stockton – Mattel, Inc.>: Hey Sean I guess the way I would think about that question is as you know, every year at this time, it's always difficult to determine exactly where we are and I'll use the we as in the toy category in this case. Easter timing is quite late this year and that's a very important toy gift holiday here in the United States and a couple of countries outside the U.S. So it's really hard I think to assess where are we in terms of consumer purchasing, particularly in toys, until we sort of get to mid May. One thing, I think we're encouraged by is that retailers did do a little bit better in March based on some of the reports in the last week or so. If I look at our POS across Mattel and on brands like Barbie, for example, we did much better in March than we did earlier in the quarter. And so there's probably some upside to retail in March, we'll wait and see, and we'll have to wait and see what the NPD category tells us for March and also for Easter as well. So I'd say we're cautiously optimistic and that's driven by the recent trends in our POS.

<Q – Sean McGowan – Needham & Co. LLC>: As George Harrison said it's been a long cold, lonely winter. So let's bring on the spring. Thanks.

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

Operator: Thank you. The next question is from Gerrick Johnson of BMO Capital Markets. Your line is open.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Hey, good morning guys. I just wanted to be clear about POS because earlier on, you mentioned that you were doing some adjustments for that late Easter. I was hoping to get, maybe you give us both a clean unadjusted number for POS in North America and international and perhaps an adjusted number of how much you think Easter did impact POS?

<A – Bryan Stockton – Mattel, Inc.>: Gerrick, I'm not going to get into detail on POS. The issue we have this year and looking at the analytics is, Easter was on March 31st last year, so the POS for that holiday, again particularly here in the U.S. would have been in the prior week. The POS for Easter is happening now in the middle of April for this year. And so, it's really hard to look at that. We've tried to take a look at the potential impact of that and we like where we are. Easter is worth we think probably a couple points of category growth historically to the category and to Mattel, so again, we have to sort of, as we always say, every year wait till the middle of May to sort of sort through where we are. Having said that, if I looked at sort of the momentum of Mattel's brands in the fourth quarter – in kind of the back half of the fourth quarter versus the back half of the first quarter, we've made I think a solid improvement, particularly on Barbie.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. And then on margins, can you quantify an impact on mix, that's one that you didn't talk about in the rundown, I think their impact in gross margin? Thanks.

<A – Kevin Farr – Mattel, Inc.>: Yeah. Gerrick it had a small negative impact on gross margin in the quarter. It was not a significant driver of gross margins in the first quarter.

<Q – Gerrick Johnson – BMO Capital Markets (United States)>: Okay. Thank you.

<A – Kevin Farr – Mattel, Inc.>: You're welcome.

Operator: Thank you. The next question is from Drew Crum of Stifel. Your line is open.

<Q – Drew Crum – Stifel, Nicolaus & Co., Inc.>: Hey, thanks. Good morning, everyone. So just to follow up on Gerrick's question on mix. What are you assuming in terms of gross margin or the impact on gross margin from Barbie and Monster High? Obviously both were down in the first quarter. Wonder if you could comment on that. And then separately on fashion dolls, Bryan, can you remind us what the cadence on shipments were for Frozen, if I recall, it was predominantly domestic in the fourth quarter and then international in the first quarter. So just to update us there? Thanks.

<A – Bryan Stockton – Mattel, Inc.>: Hi, Drew. I'll start with the Disney and Frozen. It was primarily a U.S. launch. There were a couple of other markets there in the fourth quarter and it did expand into international. It's a huge success as I mentioned in our comments. We're ramping up our production to meet the ever-growing demand on this. So this is a great Disney property and we're pleased to be a partner with them.

<A – Kevin Farr – Mattel, Inc.>: And again with regard to mix, you have to look at it from a doll portfolio perspective, dolls are high margins, we're vertically integrated, the category is a great margin category. And when we have strengthened the portfolio like we do, it's good on margins. And as we look out assuming the doll portfolio remains relatively stable and our mix is relatively stable. And we see low volatility in costs. We expect to, in the near term, deliver low to mid-50%s range.

<Q – Drew Crum – Stifel, Nicolaus & Co., Inc.>: Got it, thanks guys.

Operator: Thank you. And the next question is from Greg Badishkanian of Citigroup. Your line is open.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Hi. Yeah. Great. I was wondering just I know you mentioned that layoffs were part of the O.E. 3.0. But it sounds like the layoffs were a little bit greater than maybe you had initially expected last year when you were planning for O.E. 3.0, is that the case or is it in line?

<A – Kevin Farr – Mattel, Inc.>: Again, Greg, I think it's in line with what we expected as we looked at October last year. We looked at, again, it was strategic. We basically looked at last year, we had a strategic opportunity to streamline our organization by scaling it. And as a result of that, we increased our O.E. 3.0 goal from $150 million to $175 million. And as we looked at the first quarter, we made those strategic cuts to streamline our organization. And what we were trying to do was really look across the organization, across Mattel brands, markets, functions to really look at opportunities to reallocate resources to take those resources and those funds either to invest in growth markets like Russia and China or drop some of it to the bottom-line to improve our profitability. So, it was very consistent with our thoughts that we shared with you in October.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Okay, all right. And then just thinking about the second quarter, there's a few impacts just maybe so we can kind of model for that, little bit of excess inventory primarily in Latin America, a shift in advertising, which may impact sales a little bit in the second quarter, and – but will benefit the second half. If you look at the different factors, how much is the second quarter going to be impacted?

<A – Kevin Farr – Mattel, Inc.>: Again, we don't give guidance on 90-day increments. I think the one thing we'd say is that with regard to the MEGA acquisition, we expect that to close in the second quarter. And we'll provide you more about the relevant financial metrics in our disclosures, which are consistent with acquisitions. But we'll do that in the second quarter call. I think the one thing you should think about in the meantime is that MEGA will be in our results in the second quarter. It's a public company. I'd point you to their public company filings to look at their revenues and their profitability in the second quarter. And then you have to consider that those won't include acquisition accounting type things like writing up their inventory or opening balance sheet issues. But that's about the only guidance I'm going to give you on the second quarter.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Okay.

<A – Kevin Farr – Mattel, Inc.>: We do, I think in our call though mention that look, when we look at Mattel-owned inventories and we look at our advertising, I think you have those two right, that those will impact results in the second quarter, but that's about the guidance we're going to give you.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Okay. And then just finally in terms of the improvement over the last few weeks in POS, that's really good to hear, and how does that compare to the industry to the extent that you – you can maybe talk to other retailers, or I don't know if your POS wouldn't track that, and I don't think NPD is out for that period. But how do you think the industry was doing during that time, and why do you think your POS improved?

<A – Bryan Stockton – Mattel, Inc.>: Hi, Greg. Well. I think what we're doing is we're spending a lot of time focusing on sharpening our execution. We've talked about that a lot. We've got some interesting new products, I mentioned the Fisher-Price, Baby Gear POS is positive. So, we're working a lot on just sharper execution, how it relates to the rest of the industry and then we'll find out when the NPD issues their report on March.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Okay. All right.

<A – Kevin Farr – Mattel, Inc.>: Yeah. I think from the industry perspective in the first quarter, I think it's relatively flat based upon the information we have. I think the categories we're in aren't growing other categories are. So, overall, it's flattish and that's about all we can tell you at this point.

<A – Bryan Stockton – Mattel, Inc.>: And we have to get through Easter too.

<A – Kevin Farr – Mattel, Inc.>: Right.

<A – Bryan Stockton – Mattel, Inc.>: That's for the U.S., a pretty significant gift giving occasion for toys.

<Q – Greg Badishkanian – Citigroup Global Markets Inc. (Broker)>: Yeah. Great, thank you.

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

Operator: Okay. The final next question is from Felicia Hendrix of Barclays. Your line is open.

<Q – Felicia Hendrix – Barclays Capital, Inc.>: Hey, good morning, thank you. If we could just step back for a second and just very big picture, given the many initiatives that you highlighted on the call, and you gave us color on, do you think that you can grow earnings this year, maybe exclusive of the noise that might come from the MEGA acquisition and also excluding share repurchase?

<A – Kevin Farr – Mattel, Inc.>: Again, I think you know this Felicia, but we don't give guidance on an annual basis. I think that said, we're focused on balancing all of our key P&L levers, including sales growth, gross margin, advertising, SG&A and strategic growth initiatives. And in 2014, I think as I said at Toy Fair, we're basing our businesses here on realistic revenue assumptions, and we're focused on making the middle of P&L work harder, which includes delivering strong gross margins. I've also said, look, we're looking to lean into O.E. 3.0 programs to work that middle of the P&L harder, and our goal is to deliver top-third to top-quartile TSR in the near term.

<Q – Felicia Hendrix – Barclays Capital, Inc.>: Okay. And then just on Ever After High, Bryan, you said many times on the call that it's a solid single, I'm just wondering, did you intend it to be a solid single? Is that – is it turning out to be kind of what you planned it to be?

<A – Bryan Stockton – Mattel, Inc.>: Well, Felicia, what we've always talked about is that Monster High is a grand, grand slam homerun. It's huge, it's over $1.5 billion at retail, it's the number two doll brand, number three toy property. And trying to replicate that would be quite a challenge. And as we talked about creating new properties, whether it's Max Steel or Ever After High for example, we've always said, we're perfectly happy with singles and doubles. The amount of investment that we make in these properties is not that high. If it's a single, we make money, we like that. So, we're perfectly happy with the series of singles and doubles. So, I would say at the moment, we're pleased with what we see, it's still early, we have to see how it plays out, but the connection with girls is great. Initial conversion just to purchase looks pretty good. We just have to see how it unfolds over the next quarter or two.

<A – Kevin Farr – Mattel, Inc.>: Yeah. We're excited about the global launch and also we're excited that this is a franchise launch, which includes both toy products and consumer good products.

<Q – Felicia Hendrix – Barclays Capital, Inc.>: Okay. That's helpful. Thanks. And then just finally, on MEGA, I know you're going to integrate it into second quarter and maybe this question is a little bit premature. But I'm just wondering, of everything that MEGA does, what product lines are you going to be most focused on and where do you think you can get the most growth out of that acquisition?

<A – Bryan Stockton – Mattel, Inc.>: Well, they've got a great product line across a number of segments. And one of the reasons we bought this is because we felt that the licenses they have, the technical capabilities they have, when you marry that with our global scale and the strength of our brands, we think we can do a great job of, number one, growing them globally because we had this massive North American and international distribution marketing organization that does so well. And by extending our brands like Barbie and Hot Wheels, they did a terrific job with sort of the initial parry into the category with that. And when this thing comes into the Mattel family, we'll work even harder with them to do that. So there's a lot of opportunities with them both in terms of global distribution gains and extending our brands.

<A – Kevin Farr – Mattel, Inc.>: Yeah, and really with the platform, what we're really, really, really excited about is the construction platform, because that category is a growing category and that the margin profile of that category is fantastic. It's like fashion dolls. And we think our brands on that platform will drive results on a global basis. So we're very excited about that. And they do have a nice arts and crafts business that we think in the future that we can also leverage that platform, because it is a growing category. And it is something that we can do globally by putting our brands again on that arts and crafts platform and grow that on a global basis, but that's really secondary. Our initial focus really is on the construction.

<Q – Felicia Hendrix – Barclays Capital, Inc.>: Okay. And did their results in the first quarter surprise you, were you aware of that or is it totally irrelevant?

<A – Kevin Farr – Mattel, Inc.>: It was as expected. So it was not a surprise to us. Obviously as we do deep due diligence, we do get into their actual results as well as we look forward in our valuation model. It's the right thing at the right time and the right price. And as we look at the right price, we're discounting cash flow people here. And we look at realistic revenue assumptions. And we look at realistic profit assumptions with regard to cost synergies. And we feel like we are going to create a lot of value for our shareholders by making this a stronger number two player in the construction category and we do see opportunities, which we didn't put much of the value on with regard to the arts and crafts. We do see opportunities again to put our brands on their platform and grow on a global basis their arts and crafts business.

<Q – Felicia Hendrix – Barclays Capital, Inc.>: Okay, that's helpful. Thank you.

Drew Vollero, SVP-Investor Relations & Corporate Strategy

Thank you. There will be a replay of this call available beginning at 11.30 AM Eastern Time today. The number to call for the replay is area code 404-537-3406 and the pass code is 16668211. Thank you for participating in today's call.

Operator: Ladies and gentlemen, this concludes today's conference. You may now disconnect. Good day.