



**Second Quarter 2025  
Financial Results Conference Call Management Remarks  
July 23, 2025**

**Fred Wightman, Vice President, Investor Relations**

Thank you and good morning, everyone.

Joining me today are Chris Cocks, Hasbro's chief executive officer, and Gina Goetter, Hasbro's chief financial officer and chief operating officer. Today, we will begin with Chris and Gina providing commentary on the Company's performance. Then we will take your questions.

Our earnings release and presentation slides for today's call are posted on our investor website.

The press release and presentation include information regarding Non-GAAP adjustments and Non-GAAP financial measures. Our call today will discuss certain Adjusted measures, which exclude these Non-GAAP Adjustments. A reconciliation of GAAP to non-GAAP measures is included in the press release and presentation.

Please note that whenever we discuss earnings per share or EPS, we are referring to earnings per diluted share.

Before we begin, I would like to remind you that during this call and the question and answer session that follows, members of Hasbro management may make forward-looking statements concerning management's expectations, goals, objectives and similar matters.

There are many factors that could cause actual results or events to differ materially from the anticipated results or other expectations expressed in these forward-looking statements.

These factors include those set forth in our annual report on form 10-K, our most recent 10-Q, in today's press release and in our other public disclosures.

We undertake no obligation to update any forward-looking statements made today to reflect events or circumstances occurring after the date of this call.

I would now like to introduce Chris Cocks, Chris.

## Chris Cocks, Hasbro CEO

Good morning, and thank you for joining us today.

Before we begin today's call, I want to take a moment to honor the life and legacy of Alan Hassenfeld, our former Chairman and CEO, and a dear friend and mentor.

Alan was a driving force behind Hasbro for decades. He led with heart, conviction, and an unwavering belief in the transformative power of play. But more than that, Alan believed in people. He made it his mission to lead with empathy, to give generously, and to use Hasbro as a platform for doing good in the world.

Alan reminded us that the true measure of our success isn't just financial performance, it's the positive impact we make on people's lives, especially the joy we bring every day to children around the world. Alan, you will be missed but your vision and mission will never be forgotten.

Now let's turn to 2Q results...

We're now halfway through 2025 and already seeing momentum on our Playing to Win strategic plan announced in February. I'm pleased to report that Hasbro is performing ahead of expectations—driven by exceptional results from our Wizards of the Coast business, continued performance in our licensing and digital segments, and a steady, long-term approach to navigating a complicated and evolving macro environment.

While the broader consumer landscape remains dynamic, our play-focused, partner-scaled strategy is paying off - leaning into premium, high-margin segments like Wizards, licensing, and digital and we're seeing it translate to bottom-line outperformance.

Let's break it down.

**Wizards of the Coast** had a standout quarter. **MAGIC: THE GATHERING** continues to deliver, growing 23% year-over-year in the second quarter and up 32% year-to-date.

This isn't just a one-off moment. It's a clear indication of the power of **MAGIC'S** community, our release cadence, and the resonance of our **Universes Beyond** strategy.

**MAGIC'S** engine of growth is durable. It's diversified. And it's accelerating.

We're seeing strength across every KPI of the brand. *Tarkir: Dragonstorm* is on pace to become the top-selling **MAGIC** premier set of all time. *Final Fantasy*, the latest release in our **Universes Beyond** portfolio is already the highest-grossing **MAGIC** set ever. And **Secret Lair**, our direct-to-consumer collectible business, just delivered the strongest sales quarter in its history.

It's not just about new releases either. Our backlist MAGIC sets have already set an all-time annual sales record and we're only six months into the year. That's a testament to the depth and durability of MAGIC'S value to players, collectors, and fans alike, a play system of over 22,000 cards that retain full compatibility.

Community engagement is also hitting new highs. Last month's MagicCon Las Vegas drew record attendance, with over 19,000 badges sold eclipsing our previous high from Chicago just earlier this year. And the Wizards Play Network continues to expand, now totaling nearly 9,000 locations globally.

Organized Play is on fire. We saw a nearly 40% year-over-year increase in unique players during the first half of 2025. A clear signal that our play programs are bringing new energy and deeper connection to local communities, *Final Fantasy* set a record for New Player growth delivering more new players in its first two weeks than any prior set posted over an entire season.

For the balance of this year, fans are eagerly anticipating our upcoming slate of releases, including *Edge of Eternities*, Marvel's *Spider-Man* and *Avatar the Last Airbender*, both new additions to our ever-expanding Universes Beyond portfolio.

We're committed to scaling MAGIC through thoughtful innovation, smart operational execution, and a continued focus on player-first experiences. We see a bright future for the brand both in the second half of 2025 and beyond.

Simply put: MAGIC is stronger than ever, and we're just getting started.

Sticking with Wizards, we're now in a place where we can start talking more confidently about our digital pipeline, a major investment area for both Wizards and Hasbro as we scale our ability to deliver play in new ways, across more platforms with more partners.

*Exodus*, our flagship AAA sci-fi RPG from Archetype Entertainment, is progressing well and is currently targeting launch in the second half of calendar 2026. This game represents a bold step forward into premium digital storytelling, and we'll be sharing a major update with players later this year.

This quarter, we announced an exclusive publishing agreement with Giant Skull, led by industry veteran Stig Asmussen. Stig has an exceptional track record, and not coincidentally is the force behind some of my favorite games — *God of War III* and *Star Wars Jedi: Fallen Order* to name two, and he's now leading the development of a brand-new, single-player *Dungeons & Dragons* action-adventure game. This is a premium title, built from the ground up in Unreal Engine 5, and we believe it will set a new bar for narrative and immersion in the D&D universe.

This agreement reflects our Playing to Win strategy in action: investing in top-tier talent, deepening digital engagement, and expanding our presence in premium genres.

Whether its *Exodus*, D&D or tapping into the amazing portfolio of collector and aged up oriented brands across Hasbro, we're building a diverse, high-quality slate that strengthens our connection with fans and unlocks new growth for Hasbro's digital games portfolio. Starting at this year's Game Awards in December you will be hearing a lot more from us.

Turning to Consumer Products, as anticipated sales were down in the quarter particularly in North America where our retail partners made a shift in ordering from Direct Imports to Domestic given the uncertainty around tariffs over the last few months. We expect to make up much of this delayed ordering in Q3 and into Q4 as sales ramp into the holidays. EMEA and APAC are performing well and we anticipate each of these regions will end the year in growth mode.

While tariffs represent a headwind for the business, the current duties are better than the range we discussed in our last earnings call. We are compensating for these costs through a combination of cost reductions, re-balancing our marketing spend, diversifying our supplier mix, and implementing some targeted pricing actions.

Coupled with a strong slate of new toys, including PLAY-DOH Barbie, our new line of PEPPA PIG toys celebrating the birth of Peppa's little sister Evie, retooled and reimagined board game favorites like CANDY LAND and OPERATION, and Marvel Legends series product tied to the upcoming *Fantastic Four* release, we expect top-line performance for Consumer Products to improve sequentially as we move through the balance of the year.

Lastly, our licensing business, which is embedded into our CP and Wizards segments, continues to outperform. *Monopoly Go!* continues an impressive run of user and revenue milestones, proving to be an enduring hit from our partners at Scopely.

We have just inked a new multi-party deal in Casino Gaming with Aristocrat Technologies, Ballys, Evolution and Galaxy Gaming. They join Sci-Play to form a five-company partnership to expand our brands in a lucrative and high growth market for digital on-premise gaming. And the balance of our LBE, consumer products and digital gaming licensing business is both growing and providing an important source of high profit diversification.

All this adds up to a business that is showing strong signs of underlying momentum and meaningful progress against our Playing To Win objectives.

While I won't steal much of Gina's thunder, based on the strength we are seeing across our diversified portfolio, especially from MAGIC, we are raising both top and bottom-line guidance for 2025 and reaffirming our mid-term outlook. 2025 will be the year Hasbro returns to growth and we will do so backed by record operating margins.

I want to thank our teams across the world for making this possible. Our supply chain organization has done yeoman's work diversifying our supply chain while keeping costs low. Our sales teams are partnering with our retailers to navigate an unpredictable environment with agility and a long-

term mindset. And our product, marketing and design teams are delivering some of the best new products and campaigns Hasbro has dreamed up in years. Alan would be proud.

Now, I'll turn over the call to Gina Goetter, our CFO and COO.

### **Gina Goetter, Hasbro CFO and COO**

Thanks, Chris, and good morning, everyone.

We delivered a strong Q2, outperforming expectations on revenue, profit and margin, all while navigating a dynamic external environment. Our performance this quarter reflects the strength of our portfolio strategy, the outsized momentum in our MAGIC business, and the disciplined execution behind our transformation and operational excellence initiatives.

Net revenue came in at \$981 million, essentially flat year-over-year on the strength of MAGIC. Adjusted operating profit delivered \$247 million, with an adjusted operating margin of 25.2%, which was up 20 basis points versus last year despite a material step-up in royalties expense. Adjusted earnings per diluted share rose to \$1.30, up 7% year-over-year, driven by favorable mix and margin discipline.

Our Wizards of the Coast and Digital Gaming segment continues to be the growth engine. Revenue grew 16% to \$522 million, led by MAGIC: THE GATHERING, which delivered 23% growth. *Final Fantasy* became the biggest MAGIC set in our history, exceeding expectations and attracting both long-time players and new fans. Segment operating profit was \$242 million, with an exceptional 46.3% margin, reflecting both scale and disciplined cost execution.

As expected, Consumer Products revenue declined 16% to \$442 million primarily due to retailer order timing and market softness in select geographies. As we foreshadowed last quarter, most of our U.S. Retailers managed their discretionary inventory tightly through the quarter. While revenue declined, we improved margins, delivering near breakeven profitability through cost actions, mix, and promotional spending discipline.

Entertainment delivered \$16 million in revenue, in line with plan, and \$10 million in adjusted operating profit. The team continues to execute well against a leaner, more focused content portfolio.

As we look at our YTD results, we are back to growth with Revenue growing 7% versus last year behind the strength of MAGIC. Operating Profit of \$470M is up 18% behind volume, favorable business mix and cost productivity.

We remain intensely focused on transformation and cost leadership. With \$98M of gross savings delivered through the first half, we are firmly on track to meet our annual target, reflecting strong execution across supply chain, SG&A, and product development.

Year-to-date adjusted EBITDA reached \$576 million, up 19%, behind the drivers previously noted. Through the first half of the year, we generated \$209 million in operating cash flow and returned \$196 million to shareholders via dividends. We have also bought back \$62M of debt as we work towards our target leverage ratio.

Our teams are executing decisively against the evolving tariff backdrop. While the current China tariff rate is more favorable than what was proposed in April, rates remain fluid. Last quarter we were modeling a broad range of potential outcomes with a net impact of \$60 - \$180M. Based on the updated trade policies with China at 30% and Vietnam at 20%, we are now estimating that we'll be at the lower end of the range and expect \$60M of expense in our 2025 P&L.

We've incurred minimal tariff-related expense in our year-to-date results, as most of the impacted inventory is still sitting on the balance sheet and has yet to flow through the P&L. Company-owned inventories are up versus last year, but reflect several factors including tariffs, foreign exchange, and a planned shift in revenue mix towards domestic fulfillment. We feel well positioned ahead of the retail seasonal inventory build & expect to exit the year slightly up versus last year.

As a result of the impact of tariffs on our long-term outlook, we recorded a \$1 billion non-cash goodwill impairment charge in the Consumer Products segment this quarter.

We're also seeing downstream impacts from trade uncertainty across the retail landscape. Many retailers are delaying holiday inventory builds and pushed shelf resets into Q3, both of which weighed on Q2 Consumer Products revenue and are requiring us to remain agile in the second half.

To that end, we've activated a comprehensive mitigation playbook, including SKU rationalization, sourcing diversification, pricing strategy, and retailer collaboration, to manage risk and preserve profitability.

Today, approximately 50% of our U.S. toy and game volume originates from China and we have plans in place to bring that exposure down to less than 40% by 2027 through accelerated geographic diversification.

At the same time, we're identifying opportunities to onshore more production, including continuing to source from East Longmeadow, which manufactures most of our U.S. Hasbro Gaming portfolio. These steps are strengthening our long-term supply chain resilience while protecting margin performance.

Based on our strong first half and improved visibility into the back half, we are raising full-year guidance for revenue, margin and adjusted EBITDA. The upgrade reflects the continued strength of our Wizards business, confidence in our cost transformation efforts, and a tariff impact that is now expected to be less significant than we had anticipated back in April.

As Chris said, we are back to growth, and we now expect total Hasbro to grow Revenue mid-single digits at an adjusted operating margin of 22 to 23%.

We are now forecasting Wizards of the Coast revenue to grow in the high-twenty percent range, with an operating margin between 42% and 43%.

The stronger outlook is driven by the record-breaking success of *Final Fantasy*, strong engagement across upcoming Universes Beyond sets like *Spider-Man* and *Avatar: The Last Airbender*, and continued momentum in backlist titles and Secret Lair, all of which are reinforcing the durability and depth of the MAGIC franchise.

In Consumer Products, we now expect revenue to decline 5 to 8 percent for the year, with an adjusted operating margin between 4 and 6 percent. This revised guidance reflects the cost of the tariffs themselves, the revenue shortfall and operating deleverage in Q2 tied to changing order patterns and the anticipated impact from retailers shifting their holiday resets back as they adjust to a more fluid consumer demand environment.

We are also on track to achieve \$175–\$225 million in gross cost savings this year and continue to prioritize investments behind our core growth engines while maintaining balance sheet strength and financial flexibility.

As a result, we are increasing our full-year adjusted EBITDA guidance to \$1.17 to \$1.2B dollars, which reflects the strong first-half execution, cost discipline, and improved tariff backdrop.

Our capital allocation priorities remain unchanged. Our first priority is to invest in the business, particularly behind high-return growth drivers like Wizards and digital.

Second, we remain focused on debt reduction and long-term leverage goals, including opportunistic debt repurchases and pre-funding next year's bond maturity through match-dated Treasuries.

And third, return cash to shareholders via our dividend. As announced in today's release, we have kept the Q3 dividend unchanged.

In short, we delivered another strong quarter, beating expectations, expanding margins, and strengthening our foundation for the second half. The MAGIC business continues to lead, our portfolio is resilient, and our teams are executing with clarity and discipline.

We remain confident in our ability to deliver our updated full-year financial commitments and create long-term value for shareholders.

With that, I'll turn it back to the Operator for questions.