



**Fourth Quarter and Full Year 2024  
Financial Results Conference Call Management Remarks  
February 20, 2025**

**Kern Kapoor, Senior 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**

Thanks Kern and good morning.

We closed 2024 with momentum, beating plan across the board. Our Wizards of the Coast and Digital Games segment had another record year, we saw strong growth across our licensing business, and we delivered the best operating profit margin in company history, eclipsing 20%, including a return to profitability for our Consumer Products segment.

We began last year a healthier, stronger Hasbro with an improved balance sheet and operating structure outlining plans for greater cost savings and reinvigorating the company's innovation engine. We over-delivered, exceeding our guidance on nearly every metric, operating with renewed discipline that we believe positions Hasbro for multi-year growth and margin expansion.

Wizards of the Coast and Digital Games was up 4% YoY with an operating margin north of 40% as MAGIC: THE GATHERING and *Monopoly Go!* proved a potent one-two punch with both poised for continued growth in 2025. Wizards grew for the 14<sup>th</sup> time in the last 15 years, led by a booming digital licensing business. *Monopoly Go!* maintained its high levels of engagement, capping the year with a star-studded TV campaign and success with its new Tycoon Club. *Baldur's Gate 3* saw solid year 2 sales, nearly doubling our initial expectations.

MAGIC: THE GATHERING had another impressive year. 2024 nearly matched 2023's record year despite fewer set releases, and the MAGIC ecosystem is as healthy and engaged as it has ever been. We saw year-over-year increases in active players and Magic-Con attendance, and better than expected demand for several tentpole sets including Q4's release, Foundations.

Magic also exhibited strength beyond its tentpoles. We saw strong demand for backlist and Secret Lair, capping off the year with a record setting Marvel offering, which sold out instantly.

D&D released the first significant update to 5<sup>th</sup> Edition since 2014 and closed out the year strong with both the new Players Handbook and Dungeon Master's Guide breaking records for the best-selling D&D books ever. And we also shared more about our video game future, including a new best-selling novel for *Exodus* by award-winning author Peter Hamilton, a top-rated episode on the new hit Amazon Prime game anthology series *Secret Level* exploring more about the *Exodus* universe, and our first gameplay sneak peek that has sci-fi videogame fans buzzing.

Consumer Product licensing was a standout, led by MY LITTLE PONY trading cards. And our out-licensed brands like FURREAL FRIENDS and LITTLEST PET SHOP saw POS lifts of over 50% in 2024, showing the value of our IP vault and promise of our partnerships. The LEGO Ideas: Dungeons and Dragons set delighted fans and is nominated for a Toy of the Year Award. We celebrated over 140 location-based entertainment experiences open around the globe reaching over 50M visitors annually, making Hasbro one of the most visited brand portfolios in the world. The momentum in our licensing business has been a huge catalyst for Hasbro with a highly diversified and high profit revenue stream across over 1,000 partners driving over 4,000 individual collaborations.

Toys and board games finished the year on much stronger footing. Our revamped innovation, marketing effectiveness, and retailer alignment drove some nice wins for the holidays. One of the biggest was Beyblade, which saw demand acceleration in Q4 following media support and streaming content ahead of the holidays. We also saw solid growth in TRANSFORMERS following the animated movie *Transformers One*, strength in our Marvel Collector range, and outperformance in Preschool led by Marvel's Spidey and his Amazing Friends. Discounting was down for the quarter across the business. In fact, when factoring in a significant reduction year over year in inventory clearance, our mainline toy sales grew in the quarter indicating momentum as we enter 2025.

2024 wasn't just a good year for Hasbro proving we can deliver, it also helps set up the foundation for our new strategic plan, Playing To Win. Playing To Win focuses Hasbro on what

has always made us great – Play and Partners. Through the power of our brands and breadth of our partnerships, we bring joy and community to over half a billion fans across the world, whether it's 4D theme park rides for TRANSFORMERS, unique collectibles for JEM & THE HOLOGRAMS, epic quests with D&D, all new videogames with GI JOE, or bankrupting your little brother with a well-timed hotel on Boardwalk in MONOPOLY.

Our focus on Play and Partners is clarifying. It has allowed us to exit non-core businesses like eOne film and TV, reduce our content budget by over 95% while increasing our active production pipeline for Hasbro IP by 15% and take out over \$600M of costs from our P&L in the process. Our balance sheet is stronger, our line-up of partnerships is the best it has ever been and our focus has allowed us to lean into high profit, high growth areas like digital games where our brands have proven resonance and our diversified digital revenue streams allow us to self-fund the efforts.

Play is the foundation for our incredible portfolio of brands, a library of thousands of marks spanning our 164-year history, from the Checkered GAME OF LIFE created by Milton Bradley in 1860, to the first mass marketed toy in history, MR. POTATO HEAD in 1952, to cutting edge video games like *Baldur's Gate 3*.

What distinguishes us is the breadth and depth of our portfolio. Hasbro generates nearly 70% of our revenue in categories outside traditional toys for kids – games, digital, licensing, compounds. While we have powerhouse brands for children, over 60% of our audience is 13 or older, representing the lifetime fandom we create with consumers of all ages – whether it's collecting your first Spidey & Friends action figure to completing your collection of super rare Mox cards for MAGIC: THE GATHERING. Our audience diversity, the lifetime nature of our fandom, and the diversification of our brand portfolio gives us conviction to invest in the future of play.

As strong as our brands are, partners are the rocket fuel that helps them go supersonic. In the last three years, our licensing business has grown by 60%. Hasbro is the third largest entertainment licensor on the planet and the biggest in digital games, by far the fastest growing entertainment category of the last decade. Across digital games, location-based entertainment and toys and merchandising partners, our brands are expected to see over \$4B in incremental

partner-led investment over the next three years. Our upcoming collaborations span blockbuster movies, themed hotels, cruise ships, quick service restaurants, category expanding toy partnerships and of course, AAA videogames.

Our approach thrives on some of the most expansive inbound partnerships in the industry. Today I'm pleased to announce two more. First off, today we are unveiling an all-new licensing collaboration with Mattel combining the creativity of PLAY-DOH with the empowering play of Barbie. PLAY-DOH Barbie allows children to unlock their inner fashion designer, creating PLAY-DOH fashions with amazing ruffles, bows and realistic fabric textures all made with every kid's favorite dough for a never-before-seen creativity experience. Second, we have many new digital collaborations in the works but I am especially excited to announce this one today being a personal fan of many of this team's games. Hasbro and Saber Interactive will be collaborating on an all-new videogame partnership developed by the team behind 2024's mega hit, *Warhammer 40,000: Space Marine 2*. Combining high octane single player action and amazing multi-play with Saber's Swarm tech, this new AAA title based on one of our tentpole IPs is sure to be a hit.

Playing To Win is grounded in five strategic building blocks.

First, Hasbro has a unique advantage in Aging Up, driving play experiences for fans of all ages whether it's thru major retail partners like Amazon, Walmart, Smyths or Target, or via our growing direct initiatives including Hasbro Pulse, Magic Secret Lair and D&D Beyond.

Second, leadership in Digital play. We have been investing in video games for over seven years, through our portfolio of over a dozen projects in various stages of development coupled with 100+ licensing partnerships. I'm excited to show off our first project, *Exodus*, to the world when we launch it in 2026. James Ohlen, the creative visionary behind *Exodus*, has a track record of success serving as the Design Leader for *Baldur's Gate 1 and 2* as well as the Creative Director during the golden age of Bioware who helped to helm the creation of the *Dragon Age* and *Mass Effect* franchises.

Our third building block – Everyone Plays – will drive Hasbro’s expansion in fashion, dolls and girls’ collectibles and leverage our much-improved supply chain efficiency to better serve emerging markets and value channels globally. You’ll see some early pay off in these areas from audience-expanding play and collectible innovation later this year with some new announcements we have in store next week at New York Toy Fair.

Partnership, our fourth building block, will continue to be a huge part of our story with projects in the works spanning everything from new toy collaborations, new Universes Beyond partners with MAGIC, new video game partnerships, AI enabled games and toys, and major new location-based entertainment investments from partners around the world.

Our fifth and most important strategic building block is Profitable Franchises. This doesn’t just mean driving our brands through innovation and partnership. It means operating them with excellence from our supply chain to our managed cost discipline to our retail execution. As part of this pillar, I am pleased to announce we are increasing our cost savings target from \$750M by the end of 2025, a goal we are well on our way to achieving, to \$1B in total annual gross savings by 2027, with 50% flowing to the bottom line.

Playing To Win marks an important pivot for the company: a return to growth. In 2025 we are projecting modest revenue growth coupled with continued margin expansion. Through 2027 we are projecting a mid-single digit revenue CAGR with continued operating profit improvement, powered by a killer entertainment slate, all new toy innovation, and major launches from our multi-year digital investments. When we play to win, we play to grow.

In 2025, the first elements of our multi-year strategy will start to play out. MAGIC is poised to have its biggest year ever as we launch three Universes Beyond sets, starting with the blockbuster *Final Fantasy* in June. Featuring characters, items and moments from all sixteen mainline games of the beloved series, *Final Fantasy* has the potential to be our biggest MAGIC release yet. And we’ll continue to drive best-in-class partner IP across the MAGIC play system with Spider-Man and a yet to be disclosed Universes Beyond set in the back half. Stay tuned for more details at this weekend’s MagicCon in Chicago. And going beyond cards, we expect MAGIC’S reach to grow wider than ever through content like the newly announced animated Netflix series and live-action film and TV series from Legendary Entertainment.

D&D is also set up to continue its recent momentum. This week we released the widely anticipated *2025 Monster Manual* with strong initial orders. We'll continue to build the D&D community leveraging D&D Beyond as a marketplace, with many third-party publishing releases set for the first half. And the future of D&D's wider franchise ambitions is strong with all new video games and new entertainment on the horizon, including a new streaming series in development, *The Forgotten Realms*, from Netflix and executive producer Shawn Levy.

And in board games, the team is focused on driving growth through redesigned classics, celebrating MONOPOLY'S 90th anniversary, including our all-new expansion packs, and bringing to market fun new family games like CONNECT 4 FRENZY and REBOUNCE that we're unveiling at Toy Fair next week.

Last but not least, we have major new innovations across our Toy portfolio whether it's fun new fashion collectibles starting at \$3.99 with FURBY, amazing new action play with Mix Mashers allowing you to mix and mash to customize your favorite Marvel, Star Wars and TRANSFORMERS heroes, or exciting new water based outdoor play with SUPER SOAKER. Across price points, play patterns and age ranges, Hasbro is Playing To Win.

Playing To Win marks a new phase for Hasbro, one focused not just on cost discipline and improved profitability, but on growth and expanding our brands across new categories and new partnerships. I'll now turn over the call to Gina Goetter, our CFO and COO, to share details on our 2024 results and provide guidance for 2025 and beyond. Gina.

## Gina Goetter, Hasbro CFO and COO

Thanks, Chris, and good morning, everyone.

2024 marked a year of significant improvement for Hasbro across several financial and operational measures. It was a year of putting wins on the board and resetting the foundation behind a streamlined and profitable portfolio. We continued to grow revenue in Wizards while meaningfully improving the trajectory of our Consumer Products business.

We eliminated complexity across our product portfolio and within our operations, allowing us to streamline our cost structure & maintain healthy inventory levels. The actions we took at the end of 2023 improved our cost structure via lower shipping and warehousing costs, scale advantages across our suppliers and reduced inventory obsolescence cost. And we built new capabilities in design-to-value to optimize product design, ultimately driving down costs while improving the play experience. Altogether, we delivered \$227M of net cost savings and achieved a record operating margin.

With an asset light and operationally efficient business model, we strengthened cash flow, allowing us to reduce debt and return cash to shareholders with our category leading dividend.

Looking at our results more closely, starting with Q4.

Total Hasbro revenue was \$1.1 billion dollars, down 3% excluding the eOne divestiture; including eOne revenue declined 15%.

- Wizards revenue declined 7%, with the decline almost entirely driven by having one fewer set release in the quarter. As Chris mentioned, the momentum on the core business remains healthy as evidenced by growth in backlist and Secret Lair. *Monopoly Go!* contributed \$38M of revenue behind robust player retention and marketing effectiveness.
- Consumer Products declined 1% behind exited brands and reduced closeout volume. We continued to see growth in licensing and benefited from lower promotional discounts across retailers.

- Q4 Adjusted operating profit was \$113 million for an adjusted operating margin of 10.2%, over a 14-point improvement year on year driven by the lap of non-recurring items, favorable business mix and supply chain productivity.
- Q4 Adjusted Net Earnings were \$64 million, with diluted earnings per share of \$0.46, benefitting from improved profitability and tax rate favorability.

For the full year,

Total Hasbro revenue was \$4.1 billion, down 7% excluding the eOne divestiture; including eOne, revenue declined 17%.

Wizards revenue grew 4% percent, benefiting from the success of *Monopoly Go!* and solid performance from MAGIC. The profitable mix of revenue led to a record profit margin for Wizards at 41.8%, almost a 6-point improvement over last year.

Consumer Products revenue was down 12%, as growth in our licensed consumer products business was more than offset by exited brands, reduced closeouts and softer volume, namely across NERF, and Star Wars.

Despite the segment decline we saw growth in several brands including Beyblade, FURBY, and MY LITTLE PONY, and we continued to improve the profitability of the segment resulting in a 6% adjusted operating margin or 6.7-point improvement versus last year.

On a reported basis, Entertainment Segment revenue declined by 88% given the sale of eOne; absent this impact, revenue declined 4% and finished within our expectations.

Total Hasbro adjusted operating profit was \$839 million, up 76% vs last year reflecting the lap of non-recurring inventory costs, favorable business mix and cost savings. We delivered \$370M of gross cost savings and \$227M of net cost savings and continue to track ahead of schedule to achieve the \$750M savings goal by end of 2025.

Adjusted Net Earnings of \$563 million, was up \$214 million versus last year leading to a \$4.01 earnings per diluted share.

Operating Cash Flow for the full year was \$847 million, an improvement of \$122 million and we ended the year with \$695 million in cash on our balance sheet after investing about \$200M back into the business to support organic growth. Additionally, we reduced debt by \$83 million in Q4, bringing our gross leverage ratio to 3.2 times Adjusted EBITDA and our net debt ratio to 2.5 times. We also returned \$390 million of capital to our shareholders via dividends.

Looking to 2025 and beyond, we are excited to launch our updated strategy, “Playing to Win”, which is anchored in play and partnerships. while continuing to drive operational excellence. Playing to Win is centered around five key strategic building blocks, targeted operational transformation initiatives and an investment framework that prioritizes spend and resources across our major brands, channels, and markets, to deliver strong financial returns. The five building blocks that Chris described reinforce each other, and when coupled with our unmatched IP and improved capabilities, drive a positive flywheel that serves to reinforce Hasbro’s competitive advantage and positions us for growth.

Underlying the strategy, we are planning for the toy industry to be relatively flat over the next three years, with growth peaks driven by strength in the broader entertainment slate. Emerging market growth and aging up of the consumer will influence our innovation priorities. And the broader video gaming market will continue to accelerate driven by the next generation of console releases.

Through Playing to Win, we expect Hasbro’s business mix to continue shifting, aligning more with how we see the future of play patterns. We expect through 2027 that our digital and partner-driven licensing will represent about a quarter of the corporate revenue mix. We also expect the broad definition of gaming to grow its contribution to our revenue mix through this period including board games, trading cards, digital licensing and video games. This combination of growing high-margin revenue streams while our brands scale through partnerships will sustain our investments towards our biggest opportunities, including MAGIC and self-publishing video games, as well as continue to support the innovation pipeline for Toys.

As we think about the major brands, channels, and markets in which we operate, a new prioritization framework will ensure we're driving the best returns on our investments. Growth Brands with the highest growth and margin potential, like MAGIC and PLAY-DOH and new business opportunities like our self-published video games including 2026's release, *Exodus*, will receive higher incremental investment. Opportunities with a lower growth or margin profile will see more targeted investments to maintain share and optimize profitability. And for brands like NERF, which are facing structural category headwinds, the focus will be towards reinventing the business model to ultimately put it back on a path towards renewed profitability.

In addition to having the right strategic building blocks and prioritization framework in place, it is also imperative we maintain operational rigor and continue to transform the business. We have multiple initiatives underway across the organization, including the continued modernization of our IT and back-office systems to speed up decision making and reduce costs, improving the agility of our design process to bring products to market faster, and the evergreen initiative of driving supply chain cost productivity ahead of inflation.

The transformation we have driven over the past two years has put us well on our way to hitting our goal of \$750M of gross cost savings through 2025, and we now have line of sight to reach \$1B in savings by 2027. This step-up is a result of changing how we work and building on the significant progress we have already made with supply chain.

The expected cost savings coupled with a pivot back to revenue growth will drive healthy profit and cash flow, allowing us to stay committed to our capital allocation priorities of investing in the business, paying down debt and returning cash to shareholders via the dividend. As cash flow increases in 2026 driven by video game monetization, we will create the opportunity for an even more balanced capital allocation framework.

## **Guidance and mid-term outlook**

Turning to guidance for 2025.

- We expect total Hasbro revenue to be up slightly year over year on a constant currency basis.
- Total Wizards Revenue is forecasted to grow between 5 to 7 percent driven by expected strength in MAGIC on the back of three Universes Beyond set releases. Given the set timing, we expect stronger growth quarters in Q1 and Q4. Licensed Digital Games will be

flat as contributions from a full year in *Monopoly Go!* will offset the moderation of *Baldur's Gate 3*.

- Wizards operating margin will be between 39 and 40% with the stepdown from last year largely driven by the increase in royalty expenses for MAGIC Universes Beyond tentpole sets.
  
- Consumer Products Revenue will be flat to down 4 percent.
  - This includes a roughly 4-point headwind from two businesses: NERF due to structural category declines and Star Wars on the back of a light entertainment slate. We expect closeout volume to be relatively flat year over year and exited brands will not be a material headwind. From a phasing standpoint, primarily due to a late Easter, we expect Q1 revenue to be down mid to high single digits before demonstrating sequential year-over-year improvement.
  
- Consumer Products operating margin will be between 8 and 10% with the step-up driven by ongoing cost savings. Given the volume stability across most business lines, we expect to see minimal impact from volume deleverage.
  
- Entertainment revenue is expected to be flat with an operating margin of approximately 50%.
  
- Total Hasbro Adjusted EBITDA is forecasted to be \$1.1B to \$1.15B. The increase versus last year is primarily driven by the continued profitability improvement in Consumer Products.
  
- Our guidance includes the anticipated impact of US tariffs on imports from China and potential tariffs on Mexico and Canada imports as announced on February 1st. It also reflects mitigating actions we plan to take, including leveraging the strength of our supply chain, and potential pricing. We also continue to diversify our manufacturing footprint to create optionality as we navigate the trade environment, and we are on a path to move from 50% of our US Toy and Game volume originating from China to under 40% over the next two years.

- We expect to spend approximately \$250M in project capital, with half to support our internal video game development and the balance to support organic growth in Toy, as well as the various transformation initiatives across the organization.
- We expect operating cash to be roughly flat and to sufficiently fund our existing capital allocation priorities. And the Board has declared our next quarterly dividend, payable in March.

As we look to the Playing to Win Strategy out beyond 2025,

- We expect total Hasbro revenue to grow at a mid-single digit growth rate from 2025 through 2027 with the acceleration driven by momentum in MAGIC, a stronger entertainment slate in Toys and the launch of internally published video games, starting with *Exodus* in 2026.
- We expect Hasbro operating margin to expand on average by 50 to 100 basis points annually with the favorable revenue mix shift, improved toy profitability and continued cost savings towards our \$1B goal.
- We also expect to reach our gross leverage target of 2.5x or better by 2026 through a combination of debt paydown and EBITDA growth.

In closing, after significant progress in our turnaround over the last two years, Hasbro is stronger, focused and ready to execute our latest strategic plan. We have developed a strategy that capitalizes on our unique strengths and market advantages and is focused on creating profitable growth that positions us to drive long-term value for all our stakeholders.

Special thank you to all our employees, partners and customers for your thought leadership and partnership as we turn the page to this next chapter and Play to Win.

And with that, we will take your questions.