



# Fourth Quarter and Full Year 2018 Earnings

February 8, 2019

# Safe Harbor

**FORWARD-LOOKING STATEMENTS:** This presentation contains forward-looking statements concerning management's expectations, goals, objectives and similar matters, which are subject to risks and uncertainties. These forward-looking statements may include comments concerning our product and entertainment plans, anticipated product performance, business opportunities, plans and strategies, costs, financial goals and expectations for our future financial performance and achieving our objectives, as well as the anticipated impact of foreign exchange rates. There are many factors that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in these forward-looking statements, including consumer and retailer interest in and acceptance of our products and product lines, changes in marketing and business plans and strategies as well as future global economic conditions, including foreign exchange rates. Some of those factors are set forth in the Company's Annual Reports on Form 10-K, in the Company's Quarterly Reports on Form 10-Q, in the Company's Current Reports on Form 8-K, the risk factors in the earnings release for the fourth quarter and full year 2018 and in the Company's other public disclosures.

The Company undertakes no obligation to make any revisions to the forward-looking statements contained in this presentation to reflect events or circumstances occurring after the date of this presentation.

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# Brand Blueprint



# MANAGED DISRUPTIVE YEAR POSITIONED FOR PROFITABLE GROWTH

## 2018 was a disruptive year

- Managed through the loss of Toys“R”Us revenues in the U.S., Europe and Asia Pacific while taking strategic steps to drive long-term success.
  - Expanding with existing retailers; Growing online revenues; Adding new retail doors
- Europe continues to address changing consumer behaviors, a rapidly evolving retail landscape and reducing retail inventory amidst challenging economic conditions in most economies, notably in the U.K.
  - Retailers’ inventory down meaningfully in U.S. and Europe
- Modernizing global organization-streamlined and focused our teams, cutting costs across the business
  - Re-shaped the organization to be a more agile, modern and digitally driven play and entertainment company

## Positioned for Profitable Growth in 2019

- New Innovation across all brand portfolios; New Gaming experiences across all formats
- Robust entertainment and innovation for 2019, including POWER RANGERS launch, new brand innovation and film slate which appeals to broad demographics
- Right-sized expense model

## Strong financial position despite a challenging year

- \$1.18 billion in cash at year end; Generated \$646.0M in operating cash flow
- Board of Directors increased dividend by 8%, or \$0.05 per share, to \$0.68 per share
- Returned approximately \$559.4M through dividend payments and share repurchases in 2018



# FULL-YEAR SNAPSHOT

## FY 2018 Net Revenues \$4.6B, down 12% year-over-year

- Revenue decline due to the loss of Toys“R”Us revenues in the U.S., Europe and Asia Pacific, including a larger than expected impact from liquidated inventory in the markets; rapidly evolving retail landscape and reduced retailer inventory, amidst challenging economic conditions in key markets, notably the U.K.
- \$43.0M negative impact from foreign exchange
- U.S. and Canada segment down 10%; International segment down 17%; Entertainment and Licensing segment up 5%

## Full-Year 2018 Brand Portfolio Revenue Performance

- Franchise Brands down 9%; Partner Brands down 22%; Hasbro Gaming down 12%; Emerging Brands up 1%
- BEYBLADE, MARVEL, LOST KITTIES, DUNGEONS & DRAGONS, MONOPOLY and MAGIC:THE GATHERING grew for the full year 2018

## Operating Profit: \$331.1M in FY 2018 vs. \$810.4M in FY 2017

- FY 2018 operating profit includes pre-tax charges of \$267.3 million excluded in the reconciliation of as reported to adjusted operating results\*

## Net Earnings: FY 2018 was \$220.4M, or \$1.74 per diluted share vs. \$396.6M, or \$3.12 per diluted share in FY 2017

- Adjusted Net Earnings for FY 2018 were \$488.8 million, or \$3.85 per diluted share, excluding aggregate after-tax charges of \$268.4 million, or \$2.11 per diluted share\*
- Adjusted Net Earnings for FY 2017 were \$693.1 million, or \$5.46 per diluted share, excluding charges of \$296.5M, or \$2.33 per diluted share relating to U.S. tax reform\*

## Strong Financial Position & Balance Sheet

- \$1.18B in cash at year end; Board increased 2019 quarterly dividend by 8%
- Generated \$646.0M in operating cash flow
- Returned \$559.4M to shareholders through dividend payments and share repurchases in FY 2018



# FOURTH QUARTER SNAPSHOT

## Q4 2018 Net Revenues \$1.39B, down 13% year-over-year

- Revenue decline due to the loss of Toys“R”Us revenues in the U.S., Europe and Asia Pacific, including a larger than expected impact from liquidated inventory in the markets; rapidly evolving retail landscape and reduced retailer inventory amidst challenging economic conditions in key markets, notably the U.K
- \$35.1M unfavorable impact from foreign exchange
- U.S. and Canada segment down 9%; International segment down 14%; Entertainment and Licensing segment down 31%

## Fourth Quarter 2018 Brand Portfolio Revenue Performance

- Franchise Brands down 8%; Partner Brands down 20%; Hasbro Gaming down 22%; Emerging Brands up 5%
- LOST KITTIES, DUNGEONS & DRAGONS, BEYBLADE, MARVEL, MAGIC: THE GATHERING, and MONOPOLY grew in the quarter

## Operating Profit: \$10.5M in Q4 2018 vs. \$271.1M in Q4 2017

- Adjusted operating profit of \$190.0M excludes pre-tax charges of \$179.5M\*
- Adjusted operating profit margin of 13.7%

## Net Earnings: Q4 2018 was \$8.8M, or \$0.07 per diluted share, vs. a loss of \$5.3M, or \$0.04 per diluted share, in Q4 2017

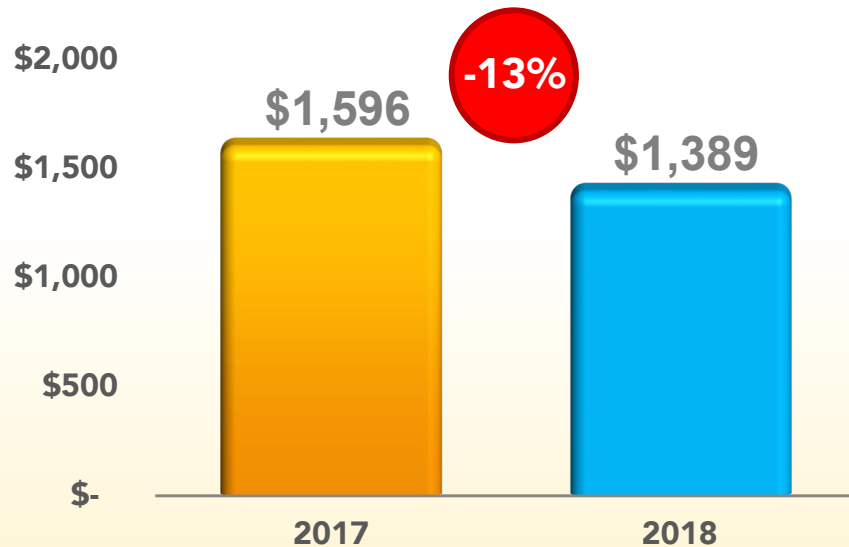
- Adjusted Net Earnings for Q4 2018 were \$169.6 million, or \$1.33 per diluted share, excluding net after-tax charges of \$160.8M or \$1.26 per diluted share\*
- Adjusted Net Earnings for Q4 2017 were \$291.2 million, or \$2.30 per diluted share, excluding charges of \$296.5M, or \$2.35 per diluted share relating to U.S. tax reform\*

*\*A reconciliation of reported to adjusted operating profit can be found on slide 28 and a reconciliation of reported to adjusted net earnings and EPS can be found on slide 29*

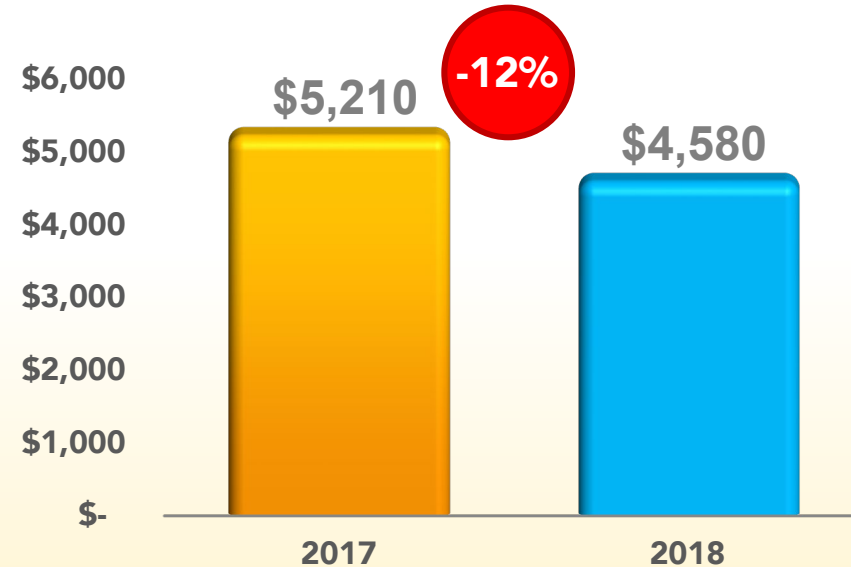


# Fourth Quarter & Full Year Net Revenue Performance

## FOURTH QUARTER NET REVENUES



## FULL YEAR NET REVENUES



- Lower revenues reflect the loss of Toys“R”Us revenues in the U.S., Europe and Asia Pacific and a more meaningful impact from liquidated inventory in the markets
- International revenues decline also reflects changing consumer shopping behaviors, a rapidly evolving European retail landscape and reducing retail inventory amidst challenging economic conditions
- Foreign Exchange: Q4 2018 revenues include a \$35.1 million negative impact & FY 2018 revenues include a \$43.0 million negative impact

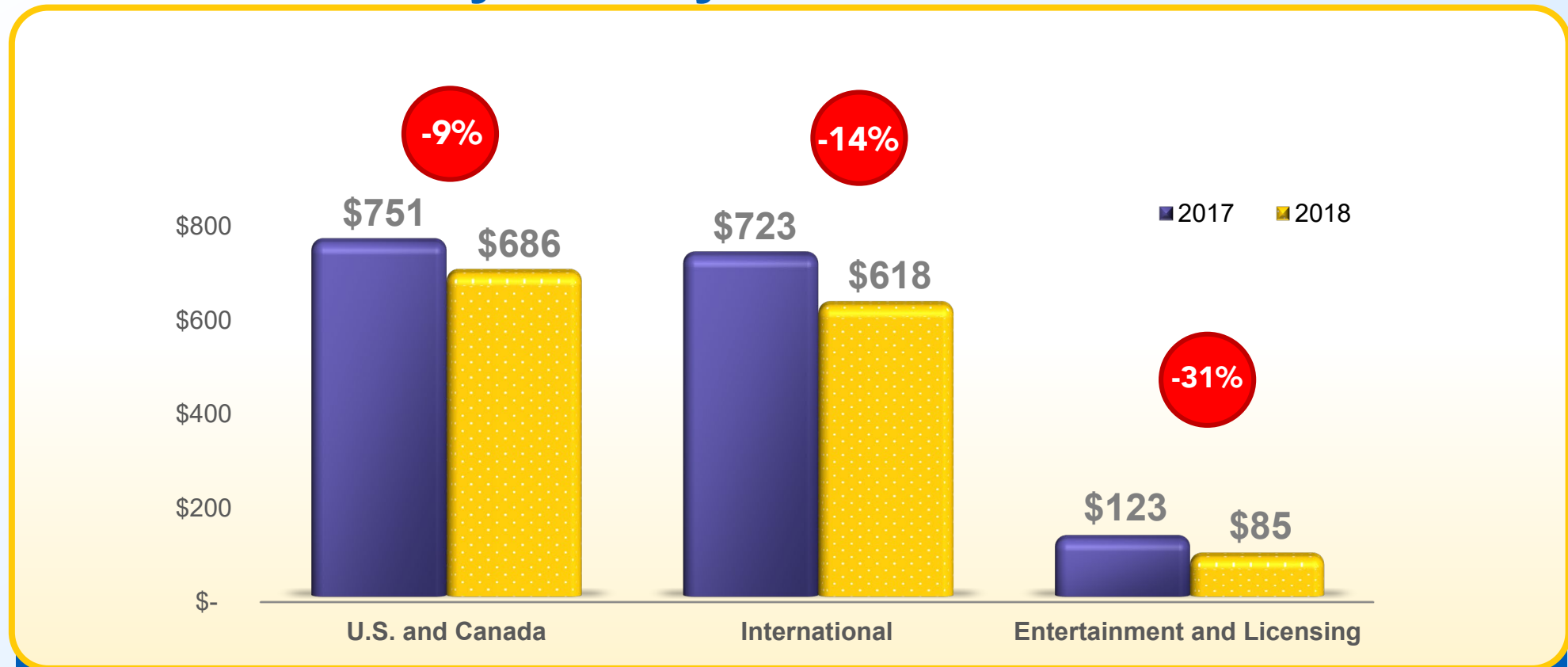
(\$ millions, unaudited)



# Fourth Quarter Segment Net Revenues

## G11 Toy Industry Declined 6% in Q4 2018\*

(\$ millions, unaudited)



### U.S. & CANADA

Reflects the loss of Toys“R”Us revenues, more meaningful impact from liquidation of inventory in the marketplace; Meaningful decline in retail inventory

### INTERNATIONAL

Reflects loss of Toys“R”Us revenues in Europe & Asia Pacific; Macroeconomic factors; Meaningfully lowered retail inventory

### ENTERTAINMENT & LICENSING

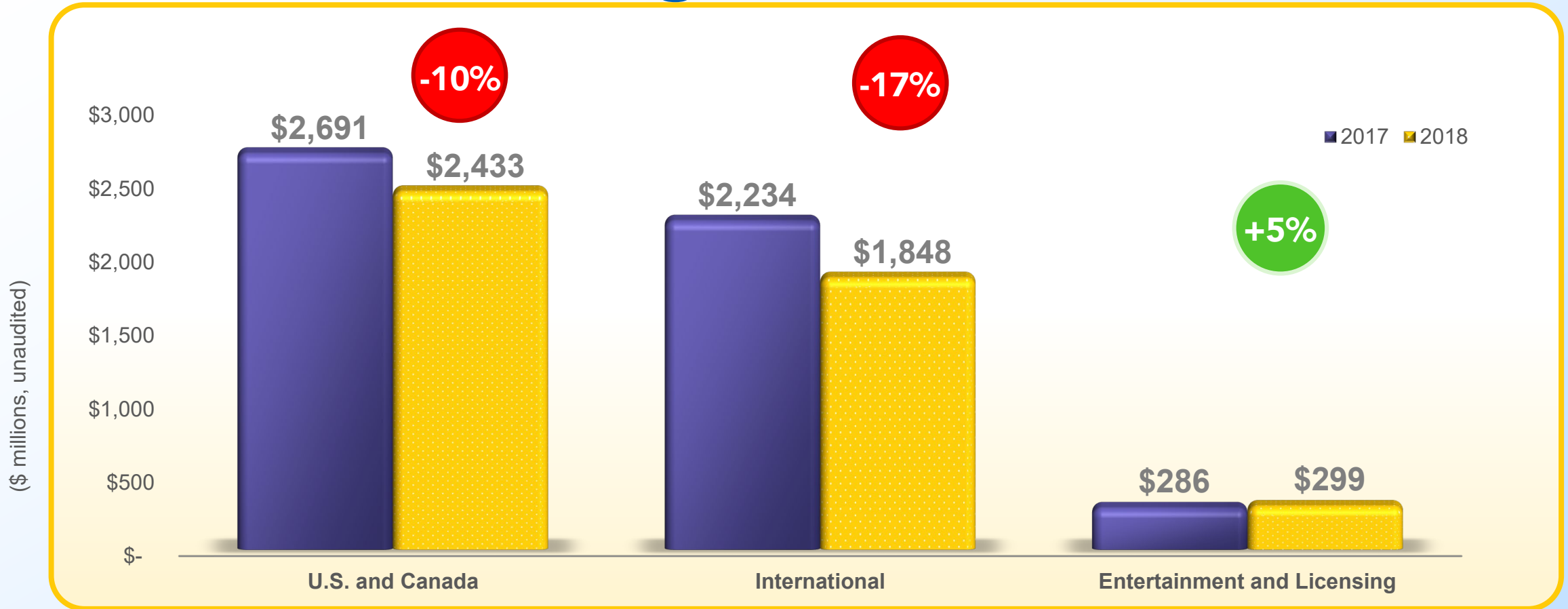
Unfavorable impact from changes in revenue recognition, including the timing of revenue recognition for minimum license contracts

\*According to NPD





# Full Year Segment Net Revenues



## U.S. & CANADA

- Reflects the loss of Toys“R”Us revenues & the impact from the liquidation of inventory in the market;
- Retailer efforts to lower inventory;
- Retail inventory down significantly

## INTERNATIONAL

- Reflects loss of Toys“R”Us revenues in Europe & Asia Pacific;
- Macroeconomic factors;
- Meaningfully lowered retail inventory

## ENTERTAINMENT & LICENSING

- Favorable impact from changes in revenue recognition in 2018;
- Signed multi-year digital content deal;
- Reflects loss of consumer products revenue at Toys“R”Us



# International Segment Revenues

|                      | Q4 2018<br>AS<br>REPORTED | Q4 2018<br>ABSENT FX | FY 2018<br>AS<br>REPORTED | FY 2018<br>ABSENT FX |
|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Europe               | -22%                      | -18%                 | -24%                      | -24%                 |
| Latin America        | --                        | +7%                  | -6%                       | --                   |
| Asia Pacific         | -3%                       | --                   | -5%                       | -5%                  |
| <b>INTERNATIONAL</b> | <b>-14%</b>               | <b>-10%</b>          | <b>-17%</b>               | <b>-15%</b>          |

## Emerging Markets

- Q4 2018 down 12%; FY 2018 down 12%
- Absent FX, Q4 2018 emerging markets down approximately 3%; FY 2018 down approximately 7%



# Fourth Quarter & Full Year Brand Portfolio Performance

| (\$ millions, unaudited) | Q4 2018        | Q4 2017        | % CHANGE    | Full Year 2018 | Full Year 2017 | % CHANGE    |
|--------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| Franchise Brands         | \$730          | \$796          | -8%         | \$2,446        | \$2,690        | -9%         |
| Partner Brands           | 273            | 343            | -20%        | 987            | 1,272          | -22%        |
| Hasbro Gaming*           | 267            | 343            | -22%        | 788            | 893            | -12%        |
| Emerging Brands          | 119            | 114            | +5%         | 359            | 355            | +1%         |
| <b>TOTAL</b>             | <b>\$1,389</b> | <b>\$1,596</b> | <b>-13%</b> | <b>\$4,580</b> | <b>\$5,210</b> | <b>-12%</b> |

\*Hasbro's total gaming category, including all gaming revenue, most notably MAGIC: THE GATHERING and MONOPOLY which are included in Franchise Brands in the table above, was \$479M for Q4 2018, down 12% vs. \$546M in Q4 2017. Hasbro's total gaming category for FY 2018 was \$1.4B, down 4% vs. \$1.5B in FY 2017

<sup>11</sup> Hasbro believes its gaming portfolio is a competitive differentiator and views it in its entirety.

## Full Year 2018

- **Franchise Brands:** Growth in **MAGIC: THE GATHERING** and **MONOPOLY** offset by declines in other Franchise Brands
- **Partner Brands:** Growth in **BEYBLADE** and **MARVEL** offset by declines in other Partner Brands
- **Hasbro Gaming:** Growth in **DUNGEONS AND DRAGONS, DON'T STEP IN IT, JENGA** and new game launches offset by other portfolio games, including **PIE FACE** and **SPEAK OUT**
- **Emerging Brands:** Growth in **POWER RANGERS** licensing revenues, **LOST KITTIES** and **YELLIES**



# Fourth Quarter Major Expense Items\*

| (\$ millions, unaudited)               | Q4 2018 | Q4 2017 | % CHANGE YOY* | Q4 2018 % OF REVENUE |
|--|---------|---------|---------------|----------------------|
| Cost of Sales                          | \$602   | \$629   | -4%           | 43.3%                |
| Royalties                              | \$111   | \$123   | -10%          | 8.0%                 |
| Product Development                    | \$63    | \$76    | -17%          | 4.5%                 |
| Advertising                            | \$150   | \$160   | -6%           | 10.8%                |
| Amortization of Intangibles            | \$9     | \$7     | +35%          | 0.6%                 |
| Program Production Cost Amortization   | \$10    | \$20    | -47%          | 0.8%                 |
| Selling, Distribution & Administration | \$434   | \$312   | +39%          | 31.2%                |

**Underlying Operating Profit Margin**  
Declines due to lower revenues combined with higher costs to clear inventory



Percent changes may vary due to rounding

\*As reported SD&A for the 4th quarter 2018 includes certain charges outlined on slide 28, totaling \$179M.

# Full Year Major Expense Items\*

| (\$ millions, unaudited)               | FY 2018 | FY 2017 | % CHANGE YOY* | FY 2018 % OF REVENUE |
|--|---------|---------|---------------|----------------------|
| Cost of Sales                          | \$1,851 | \$2,034 | -9%           | 40.4%                |
| Royalties                              | \$352   | \$405   | -13%          | 7.7%                 |
| Product Development                    | \$246   | \$269   | -8%           | 5.4%                 |
| Advertising                            | \$440   | \$502   | -12%          | 9.6%                 |
| Amortization of Intangibles            | \$29    | \$29    | --            | 0.6%                 |
| Program Production Cost Amortization   | \$44    | \$36    | +23%          | 1.0%                 |
| Selling, Distribution & Administration | \$1,288 | \$1,125 | +14%          | 28.1%                |

**Underlying Operating Profit Margin**  
Decline due to lower revenues combined with higher costs to clear inventory

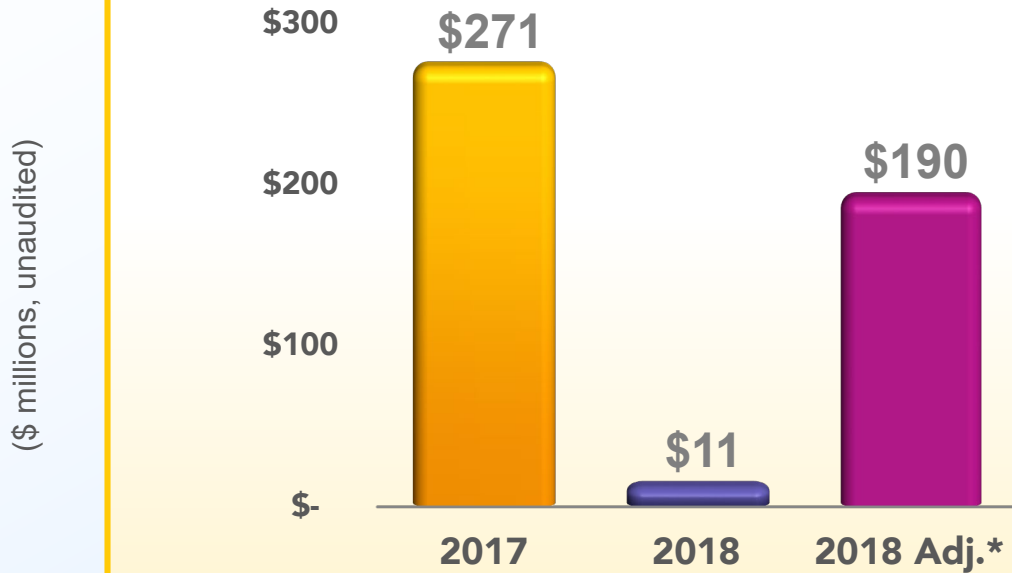


Percent changes may vary due to rounding

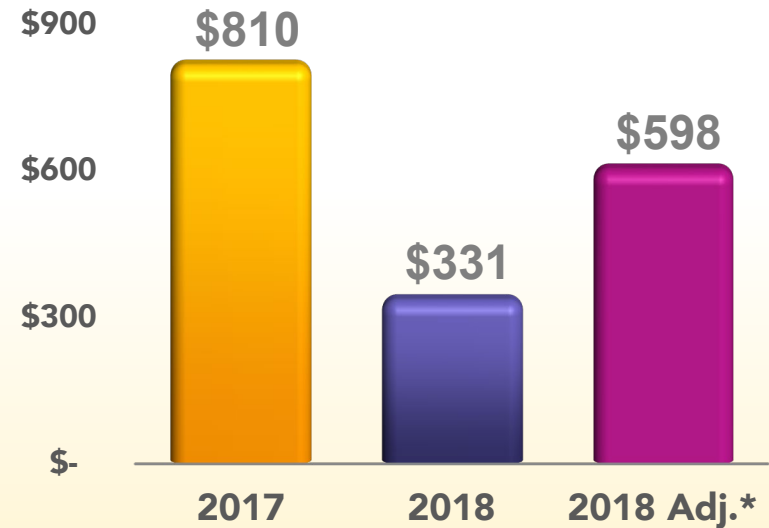
\*As reported results for the full year 2018 include certain charges outlined on slide 28, totaling \$267M, primarily within SD&A.

# Fourth Quarter & Full Year Operating Profit

## FOURTH QUARTER OPERATING PROFIT



## FULL YEAR OPERATING PROFIT

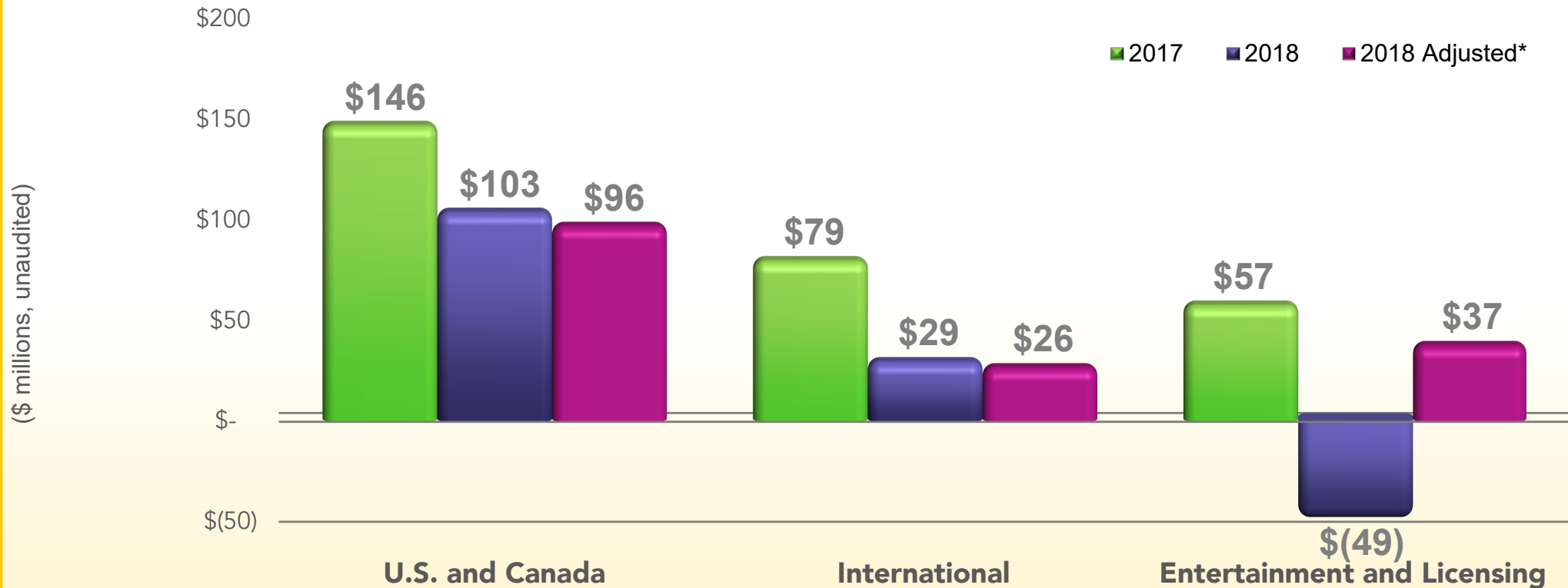


- Lower revenues
- Lower operating expenses offset by higher costs to clear inventory

\*A reconciliation of reported to adjusted operating profit can be found on slide 28



# Fourth Quarter Segment Operating Profit



\*A reconciliation of reported to adjusted segment operating profit can be found on slide 28

## U.S. & CANADA

Lower revenues partially offset by lower expenses

## INTERNATIONAL

Lower revenues due to loss of Toys“R”Us in Europe and Asia Pacific; Costs to clear retail inventory in Europe; Partially offset by lower expenses

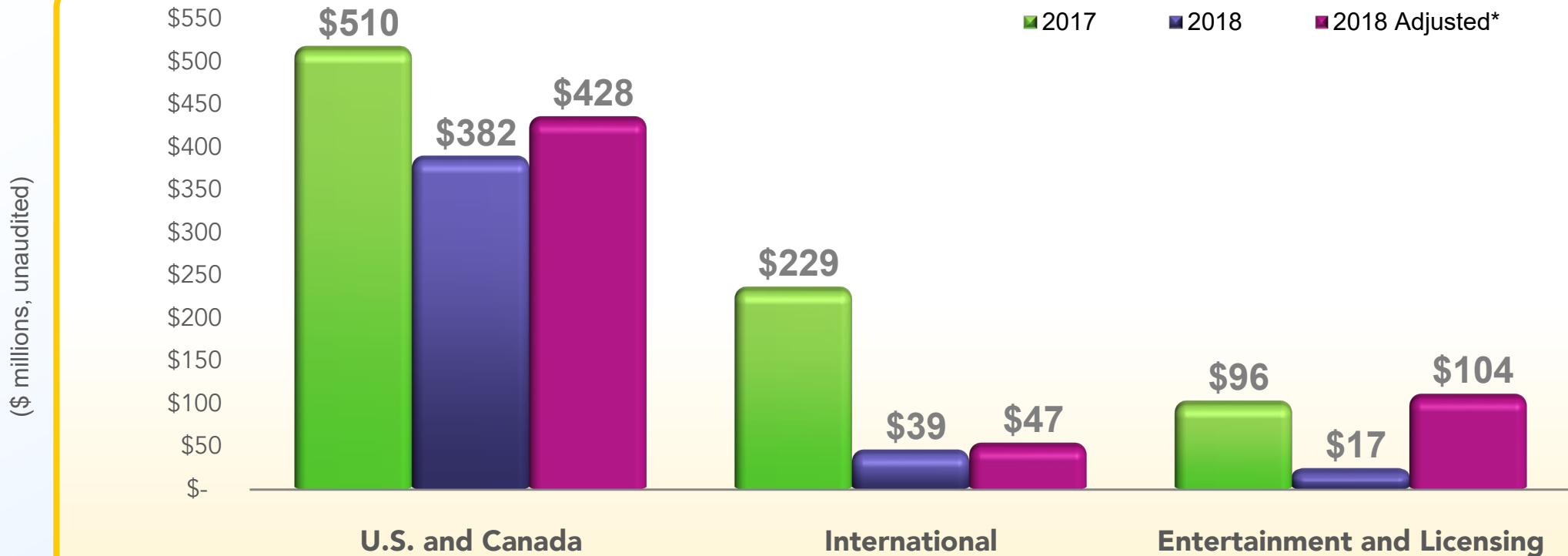
## ENTERTAINMENT & LICENSING

Lower revenue and impairment charge impacted as reported;

Excluding the impairment charge, operating profit margin was 43.9%



# Full Year Segment Operating Profit



\*A reconciliation of reported to adjusted segment operating profit can be found on slide 28

## U.S. & CANADA

- Lower revenues
- Pre-tax charges of \$45.8M associated with Toys“R”Us
- Higher level of close out sales

## INTERNATIONAL

- Lower revenues
- Costs to clear retail inventory
- Pre-tax charges \$7.6M associated with Toys“R”Us

## ENTERTAINMENT & LICENSING

- Higher revenues
- Pre-tax charge of \$86.3M related to Backflip goodwill impairment
- Underlying operating profit margin excluding impairment charges increased to 34.7%





# Non-OP

| Other (Income) Expense, net            | FY 2018         | FY 2017         | FY 2016        |
|--|-----------------|-----------------|----------------|
| Interest Income                        | \$(22.4)        | \$(22.2)        | \$(9.4)        |
| Foreign Currency Losses (Gains)        | 10.8            | (1.3)           | \$32.9         |
| Earnings from Discovery Family Channel | (21.1)          | (23.3)          | (23.8)         |
| Revaluation of Tax Sharing Liability   | --              | (19.9)          | --             |
| Pension                                | 5.8             | --              | --             |
| Gain on Certain Investments            | (3.0)           | (3.3)           | (6.2)          |
| Other                                  | \$(0.3)         | (4.1)           | 4.6            |
| <b>Total*</b>                          | <b>\$(30.2)</b> | <b>\$(74.1)</b> | <b>\$(1.8)</b> |



## 2018 Drivers

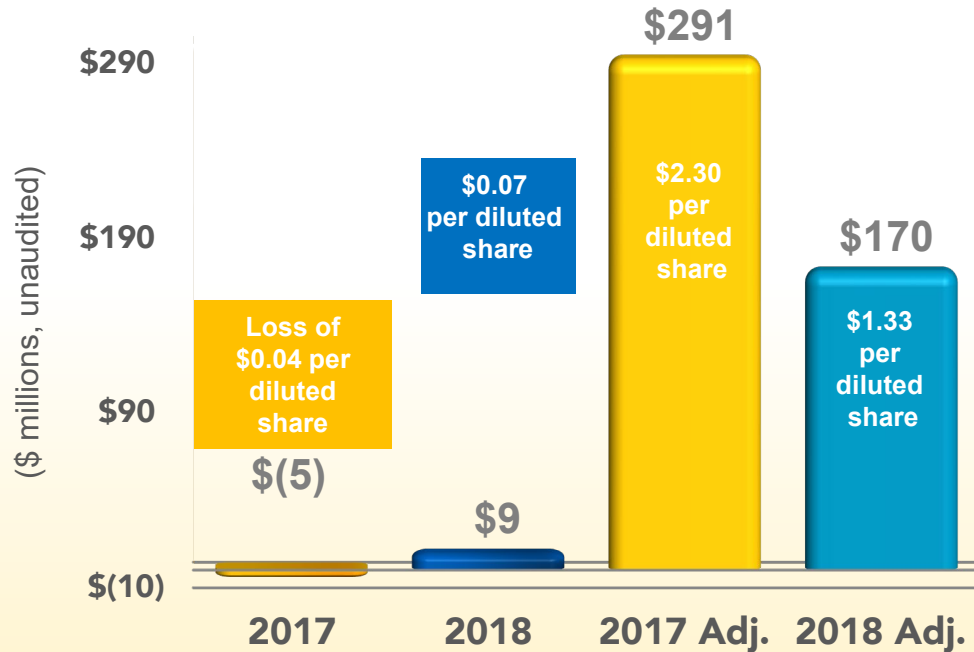
- 2017 \$19.9M gain on revaluation of tax sharing liability as a result of U.S. tax reform
- 2018 Foreign currency losses versus gains in 2017
- Pension expense now recognized in other expense

<sup>17</sup> \*May not total due to rounding for presentation format

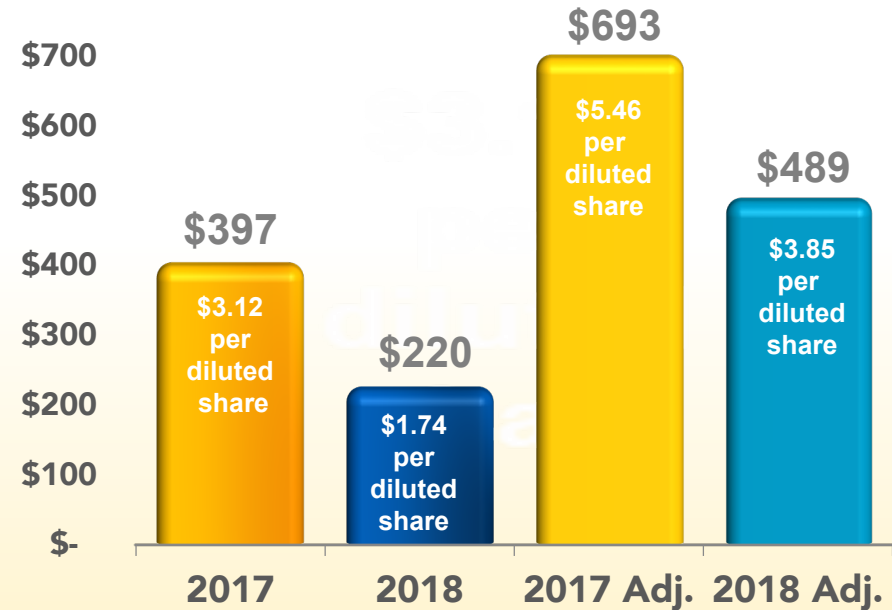


# Fourth Quarter & Full Year Net Earnings

## FOURTH QUARTER NET EARNINGS (LOSS) AS REPORTED & AS ADJUSTED



## FULL YEAR NET EARNINGS AS REPORTED & AS ADJUSTED



- Adjusted Net Earnings for Q4 2018 were \$169.6 million, or \$1.33 per diluted share, excluding net after-tax charges of \$160.8 million, or \$1.26 per diluted share.
- Adjusted Net Earnings for Q4 2017 were \$291.2 million, or \$2.30 per diluted share excluding a \$296.5 million, or \$2.35 per diluted share, impact from U.S tax reform.

- Adjusted Net Earnings for FY 2018 were \$488.8 million, or \$3.85 per diluted share, excluding aggregate after-tax charges of \$268.4 million, or \$2.11 per diluted share.
- Adjusted Net Earnings for FY 2017 were \$693.1 million, or \$5.46 per diluted share, excluding a \$296.5 million, or \$2.33 per diluted share, impact from U.S. tax reform.



# Key Cash Flow & Balance Sheet Data

| (\$ millions, unaudited)    | YEAR TO DATE ENDED: |               | NOTES   |
|-----------------------------|---------------------|---------------|---|
|                             | Dec. 30, 2018       | Dec. 31, 2017 |   |
| Cash                        | \$1,182             | \$1,581       | Strong cash position; Access to cash reduces need for short-term borrowings   |
| Depreciation                | \$139               | \$143         |   |
| Amortization of Intangibles | \$29                | \$29          | Includes ~\$11M from the acquisition of POWER RANGERS   |
| Program Production Costs    | \$132               | \$48          | 2018 Film and TV programming spend target was ~\$145M-\$150M; Partially funded Bumblebee film   |
| Capital Expenditures        | \$140               | \$135         | Targeted \$135M to \$155M for the full year 2018  |
| Dividends Paid              | \$309               | \$277         | In February 2019, quarterly dividend increased 8% to \$0.68 per share; In February 2018, the quarterly dividend increased 11% to \$0.63 per share |
| Stock Repurchases           | \$250               | \$151         | \$428M remains in authorizations at year end; Repurchased \$58M in Q4 2018  |
| Operating Cash Flow         | \$646               | \$724         | Generating strong cash flow   |
| Accounts Receivable         | \$1,188             | \$1,405       | Receivables decreased 15% and DSOs decreased 2 days to 78 days  |
| Inventory                   | \$443               | \$433         | Inventory up 2%; up 7% absent negative impact from FX; Retail inventory down meaningfully in U.S. and Europe                                      |

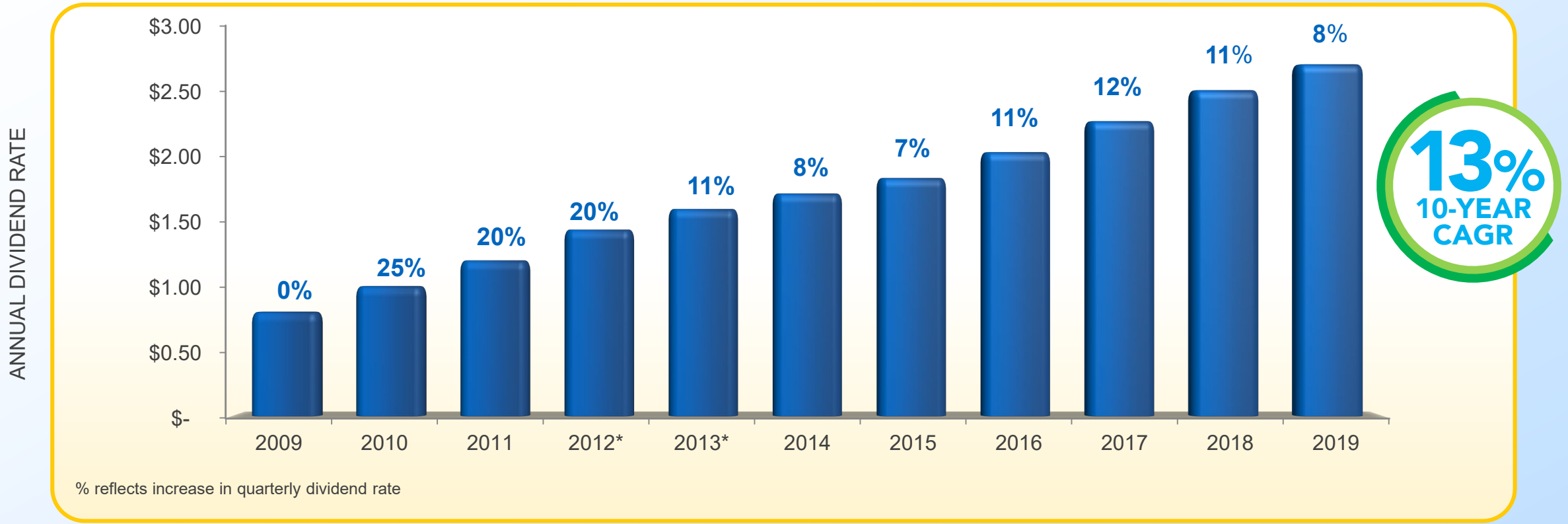




# Capital Priorities

- Invest in the long-term profitable growth of Hasbro
- Return excess cash to shareholders through dividend and stock repurchase program
- Committed to goal of maintaining an investment grade rating and access to commercial paper market

# Returning Cash to Shareholders: DIVIDEND GROWTH



**8%**  
**2019 Quarterly Dividend Increase**

**Dividend in 15 of last 16 years**

**10 Years \$2.1B**

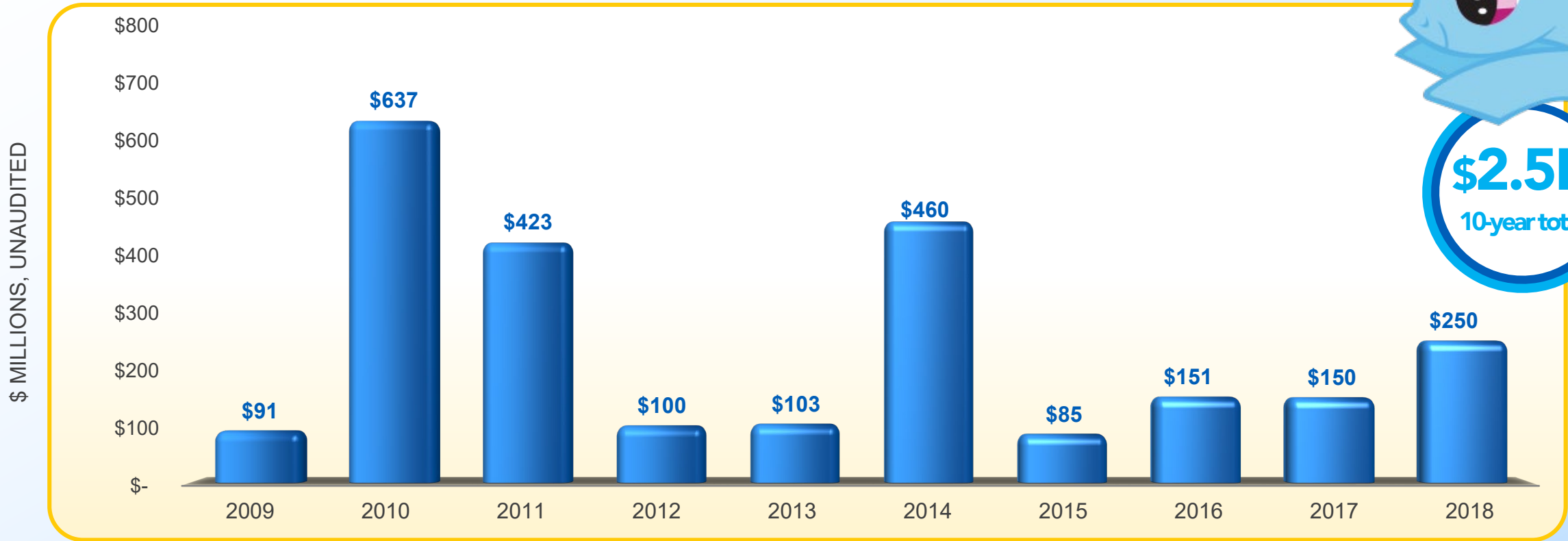


\*2012 and 2013 annual dividend rates have been adjusted to move accelerated payment paid in 2012 to 2013

# Returning Cash to Shareholders: SHARE REPURCHASES



**\$2.5B**  
10-year total



FY 2018 End  
**\$428M** Remains  
in Authorization

Q4 2018 Repurchases  
**\$58M**

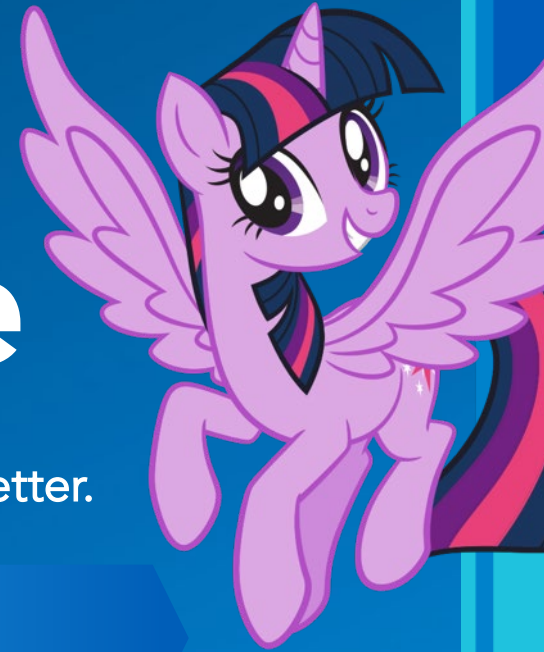
FY 2018 Repurchases  
**\$250M**



# CORPORATE SOCIAL RESPONSIBILITY

# Playing with Purpose

We believe every day is a chance to do better.



Product Safety

Environmental Sustainability

Human Rights and Ethical Sourcing

Diversity and Inclusion



# SUPPLEMENTARY FINANCIAL INFORMATION





# Fourth Quarter & Full Year Consolidated Statements of Operations

| (\$ millions, unaudited)                   | QUARTER ENDED  |                |                 |                | FULL YEAR ENDED |                |                |                |
|--|----------------|----------------|-----------------|----------------|-----------------|----------------|----------------|----------------|
|  | Dec. 30, 2018  | % Net Revenues | Dec. 31, 2017   | % Net Revenues | Dec. 30, 2018   | % Net Revenues | Dec. 31, 2017  | % Net Revenues |
| <b>NET REVENUES</b>                        | <b>\$1,389</b> | <b>100.0%</b>  | <b>\$1,596</b>  | <b>100.0%</b>  | <b>\$4,580</b>  | <b>100.0%</b>  | <b>\$5,210</b> | <b>100.0%</b>  |
| Cost of Sales                              | 602            | 43.3%          | 629             | 39.4%          | 1,851           | 40.4%          | 2,034          | 39.0%          |
| Royalties                                  | 111            | 8.0%           | 123             | 7.7%           | 352             | 7.7%           | 405            | 7.8%           |
| Product Development                        | 63             | 4.5%           | 76              | 4.8%           | 246             | 5.4%           | 269            | 5.2%           |
| Advertising                                | 150            | 10.8%          | 160             | 10.0%          | 440             | 9.6%           | 502            | 9.6%           |
| Amortization of Intangibles                | 9              | 0.6%           | 7               | 0.4%           | 29              | 0.6%           | 29             | 0.6%           |
| Program Production Cost Amortization       | 10             | 0.8%           | 20              | 1.2%           | 44              | 1.0%           | 36             | 0.7%           |
| Selling, Distribution & Administration     | 434            | 31.2%          | 312             | 19.5%          | 1,288           | 28.1%          | 1,125          | 21.6%          |
| <b>OPERATING PROFIT</b>                    | <b>\$11</b>    | <b>0.8%</b>    | <b>271</b>      | <b>17.0%</b>   | <b>\$331</b>    | <b>7.2%</b>    | <b>810</b>     | <b>15.6%</b>   |
| Interest Expense                           | 22             | 1.6%           | 25              | 1.5%           | 91              | 2.0%           | 98             | 1.9%           |
| Other Income, Net                          | (7)            | (0.5)%         | (32)            | (2.0)%         | (30)            | (0.7)%         | (74)           | (1.4)%         |
| <b>(LOSS) EARNINGS BEFORE INCOME TAXES</b> | <b>(5)</b>     | <b>(0.4)%</b>  | <b>279</b>      | <b>17.5%</b>   | <b>270</b>      | <b>5.9%</b>    | <b>786</b>     | <b>15.1%</b>   |
| Income Tax (Benefit) Expense               | (14)           | (1.0)%         | 284             | 17.8%          | 50              | 1.1%           | 390            | 7.5%           |
| <b>NET EARNINGS (LOSS)</b>                 | <b>9</b>       | <b>0.6%</b>    | <b>(5)</b>      | <b>(0.3)%</b>  | <b>220</b>      | <b>4.8%</b>    | <b>397</b>     | <b>7.6%</b>    |
| <b>Diluted EPS</b>                         | <b>\$0.07</b>  |                | <b>\$(0.04)</b> |                | <b>\$1.74</b>   |                | <b>\$3.12</b>  |                |



# Condensed Consolidated Balance Sheets

(\$ millions, unaudited)

|   | Dec. 30, 2018  | Dec. 31, 2017  |
|---|----------------|----------------|
| Cash & Cash Equivalents                           | \$1,182        | \$1,581        |
| Accounts Receivable, Net                          | 1,188          | 1,405          |
| Inventories                                       | 443            | 433            |
| Other Current Assets                              | 269            | 214            |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>3,083</b>   | <b>3,634</b>   |
| Property, Plant & Equipment, Net                  | 256            | 260            |
| Other Assets                                      | 1,924          | 1,396          |
| <b>TOTAL ASSETS</b>                               | <b>\$5,263</b> | <b>\$5,290</b> |
| Short-term Borrowings                             | 10             | 155            |
| Payables & Accrued Liabilities                    | 1,265          | 1,097          |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>1,274</b>   | <b>1,252</b>   |
| Long-term Debt                                    | 1,695          | 1,694          |
| Other Liabilities                                 | 539            | 515            |
| <b>TOTAL LIABILITIES</b>                          | <b>3,509</b>   | <b>3,460</b>   |
| Total Shareholders' Equity                        | 1,754          | 1,830          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$5,263</b> | <b>\$5,290</b> |

\*Subtotals/totals and percent changes may vary due to rounding



# Condensed Consolidated Cash Flow-Full Year Ended

| (\$ millions, unaudited)                                     | Dec. 30, 2018  | Dec. 31, 2017  |
|--|----------------|----------------|
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>             | <b>\$646</b>   | <b>\$724</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 |                |                |
| Additions to Property, Plant and Equipment                   | (140)          | (135)          |
| Investments & Acquisitions, Net of Cash Acquired             | (155)          | -              |
| Other  | 9              | 3              |
| <b>NET CASH UTILIZED BY INVESTING ACTIVITIES</b>             | <b>(286)</b>   | <b>(131)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                 |                |                |
| Proceeds from Borrowings with Maturity Greater Than 3 Months | -              | 494            |
| Repayments of Borrowings with Maturity Greater Than 3 Months | -              | (350)          |
| Net Repayments of Short-term Borrowings                      | (142)          | (18)           |
| Purchases of Common Stock                                    | (250)          | (151)          |
| Stock-based Compensation Transactions                        | 30             | 29             |
| Dividends Paid   | (309)          | (277)          |
| Employee Taxes Paid for Shares Withheld                      | (58)           | (32)           |
| Other  | (7)            | (7)            |
| <b>NET CASH UTILIZED BY FINANCING ACTIVITIES</b>             | <b>(737)</b>   | <b>(312)</b>   |
| Effect of Exchange Rate Changes on Cash                      | (21)           | 18             |
| Cash and Cash Equivalents at Beginning of Year               | 1,581          | 1,282          |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>              | <b>\$1,182</b> | <b>\$1,581</b> |



## Supplemental Financial Data

### Reconciliation of As Reported to Adjusted Operating Profit and Margin Results (Unaudited) (Thousands of Dollars)

#### Non-GAAP Adjustments Impacting Operating Profit

|  | Quarter Ended          |                         | Year Ended             |                         |
|--|------------------------|-------------------------|------------------------|-------------------------|
|  | December 30, 2018      |                         | December 30, 2018      |                         |
|  | Pre-tax<br>adjustments | Post-tax<br>adjustments | Pre-tax<br>adjustments | Post-tax<br>adjustments |
| Incremental costs impact of Toys"R"Us <sup>(1)</sup> | \$ (10,068)            | \$ (8,543)              | \$ 60,360              | \$ 52,829               |
| Severance <sup>(2)</sup>                             | 72,000                 | 62,249                  | 89,349                 | 77,948                  |
| Asset Impairments <sup>(3)</sup>                     | 117,556                | 96,928                  | 117,556                | 96,928                  |
|  | <u>\$ 179,488</u>      | <u>\$ 150,634</u>       | <u>\$ 267,265</u>      | <u>\$ 227,705</u>       |

<sup>(1)</sup> In the first quarter of 2018, Toys"R"Us announced a liquidation of its U.S. operations, as well as other retail impacts around the globe. As a result, the Company recognized incremental bad debt expense on outstanding Toys"R"Us receivables, royalty expense, inventory obsolescence as well as other related costs. In the fourth quarter of 2018, the Company made adjustments to the charges previously recorded based on its final settlement with Toys"R"Us.

<sup>(2)</sup> In the first quarter of 2018, the Company incurred \$17.3 million of severance charges, primarily outside the U.S., related to actions associated with a new go-to-market strategy designed to be more omni-channel and e-commerce focused. Additionally, in the fourth quarter of 2018, the Company recorded an additional \$72.0 million of severance charges. All 2018 severance charges constitute the "2018 Restructuring Program." These charges were included in Corporate and Eliminations.

<sup>(3)</sup> In the fourth quarter of 2018, the Company conducted its annual impairment test. The results of such test resulted in a write-off of goodwill from its Backflip business of \$86.3 million, as well as impairments of certain definite-lived intangible assets totaling \$31.3 million.

#### Reconciliation of Operating Profit Results

|  | Quarter Ended December 30, 2018 |                         |              | Year Ended December 30, 2018 |                         |              |
|--|---------------------------------|-------------------------|--------------|------------------------------|-------------------------|--------------|
|  | As Reported                     | Non-GAAP<br>Adjustments | Adjusted     | As Reported                  | Non-GAAP<br>Adjustments | Adjusted     |
| <b><u>Adjusted Company Results</u></b>             |                                 |                         |              |                              |                         |              |
| External Net Revenues                              | \$ 1,389,161                    | \$ -                    | \$ 1,389,161 | \$ 4,579,646                 | \$ -                    | \$ 4,579,646 |
| Operating Profit                                   | 10,547                          | 179,488                 | 190,035      | 331,052                      | 267,265                 | 598,317      |
| Operating Margin                                   | 0.8%                            | 12.9%                   | 13.7%        | 7.2%                         | 5.8%                    | 13.1%        |
| <b><u>Adjusted Segment Results</u></b>             |                                 |                         |              |                              |                         |              |
| <b><u>U.S. and Canada Segment:</u></b>             |                                 |                         |              |                              |                         |              |
| External Net Revenues                              | \$ 685,605                      | \$ -                    | \$ 685,605   | \$ 2,433,412                 | \$ -                    | \$ 2,433,412 |
| Operating Profit                                   | 102,649                         | (6,518)                 | 96,131       | 382,013                      | 45,759                  | 427,772      |
| Operating Margin                                   | 15.0%                           | -1.0%                   | 14.0%        | 15.7%                        | 1.9%                    | 17.6%        |
| <b><u>International Segment:</u></b>               |                                 |                         |              |                              |                         |              |
| External Net Revenues                              | 618,492                         | -                       | 618,492      | 1,847,585                    | -                       | 1,847,585    |
| Operating Profit                                   | 29,111                          | (3,550)                 | 25,561       | 39,470                       | 7,601                   | 47,071       |
| Operating Margin                                   | 4.7%                            | -0.6%                   | 4.1%         | 2.1%                         | 0.4%                    | 2.5%         |
| <b><u>Entertainment and Licensing Segment:</u></b> |                                 |                         |              |                              |                         |              |
| External Net Revenues                              | 85,064                          | -                       | 85,064       | 298,540                      | -                       | 298,540      |
| Operating Profit                                   | (48,880)                        | 86,253                  | 37,373       | 17,311                       | 86,253                  | 103,564      |
| Operating Margin                                   | -57.5%                          | 101.4%                  | 43.9%        | 5.8%                         | 28.9%                   | 34.7%        |

#### Corporate and Eliminations:

The Corporate and Eliminations segment included non-GAAP adjustments of \$103.3 million for the quarter ended December 30, 2018 and \$127.7 million for the year ended December 30, 2018, consisting of \$72.0 million in Q4 2018 and \$89.3 million in FY 2018 of severance; \$31.3 million for both Q4 2018 and FY 2018 of asset impairments; and \$7.0 million of royalty expense related to Toys"R"Us losses in FY 2018.



# Supplemental Financial Data

## Reconciliation of Reported to Adjusted Net Earnings and Earnings Per Share (Unaudited)

### Reconciliation of Net Earnings and Earnings per Share

|   | Quarter Ended     |                             |                      |                             |
|---|-------------------|-----------------------------|----------------------|-----------------------------|
|   | December 30, 2018 | Diluted Per Share<br>Amount | December 31,<br>2017 | Diluted Per Share<br>Amount |
| <i>(all adjustments reported after-tax)</i> |                   |                             |                      |                             |
| Net Earnings (Loss), as Reported            | \$ 8,766          | \$ 0.07                     | \$ (5,298)           | \$ (0.04)                   |
| Incremental costs impact of Toys"R"Us       | (8,543)           | (0.07)                      | -                    | -                           |
| Severance                                   | 62,249            | 0.49                        | -                    | -                           |
| Impact of Tax Reform <sup>(1)</sup>         | 10,196            | 0.08                        | 296,512              | 2.35                        |
| Asset Impairments                           | 96,928            | 0.76                        | -                    | -                           |
| Net Earnings, as Adjusted                   | <u>\$ 169,596</u> | <u>\$ 1.33</u>              | <u>\$ 291,214</u>    | <u>\$ 2.30</u>              |

|   | Year Ended        |                             |                      |                             |
|---|-------------------|-----------------------------|----------------------|-----------------------------|
|   | December 30, 2018 | Diluted Per Share<br>Amount | December 31,<br>2017 | Diluted Per Share<br>Amount |
| <i>(all adjustments reported after-tax)</i> |                   |                             |                      |                             |
| Net Earnings, as Reported                   | \$ 220,434        | \$ 1.74                     | \$ 396,607           | \$ 3.12                     |
| Incremental costs impact of Toys"R"Us       | 52,829            | 0.42                        | -                    | -                           |
| Severance                                   | 77,948            | 0.61                        | -                    | -                           |
| Impact of Tax Reform <sup>(1)</sup>         | 40,650            | 0.32                        | 296,512              | 2.33                        |
| Asset Impairments                           | 96,928            | 0.76                        | -                    | -                           |
| Net Earnings, as Adjusted                   | <u>\$ 488,789</u> | <u>\$ 3.85</u>              | <u>\$ 693,119</u>    | <u>\$ 5.46</u>              |

<sup>(1)</sup> The Company made adjustments to provisional U.S. Tax Reform amounts recorded in the fourth quarter of 2017 based on additional regulations issued in 2018.

### Reconciliation of EBITDA

|                                     | Quarter Ended        |                      | Year Ended           |                      |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                     | December 30,<br>2018 | December 31,<br>2017 | December 30,<br>2018 | December 31,<br>2017 |
| Net Earnings (Loss)                 | \$ 8,766             | \$ (5,298)           | \$ 220,434           | \$ 396,607           |
| Interest Expense                    | 22,435               | 24,516               | 90,826               | 98,268               |
| Income Taxes (including Tax Reform) | (13,894)             | 283,884              | 49,968               | 389,543              |
| Depreciation                        | 34,340               | 35,165               | 139,255              | 143,018              |
| Amortization of Intangibles         | 8,830                | 6,564                | 28,703               | 28,818               |
| EBITDA                              | <u>\$ 60,477</u>     | <u>\$ 344,831</u>    | <u>\$ 529,186</u>    | <u>\$ 1,056,254</u>  |
| Non-GAAP Adjustments                | 179,488              | (19,911)             | 267,265              | (19,911)             |
| Adjusted EBITDA                     | <u>\$ 239,965</u>    | <u>\$ 324,920</u>    | <u>\$ 796,451</u>    | <u>\$ 1,036,343</u>  |



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