



# Second Quarter 2018 Earnings

JULY 23, 2018

**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 second quarter 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.

**REGULATION G:** Information required by Securities and Exchange Commission Regulation G, regarding non-GAAP financial measures, as well as other financial and statistical information, will be available at the time of the conference call on the Investor Relations' section of Hasbro's website at: [investor.hasbro.com](http://investor.hasbro.com), under the subheading "Financials & Filings – Quarterly Results."



# Brand Blueprint



# EXECUTING FOR LONG-TERM PROFITABLE GROWTH

## 2018 is Unfolding as Expected

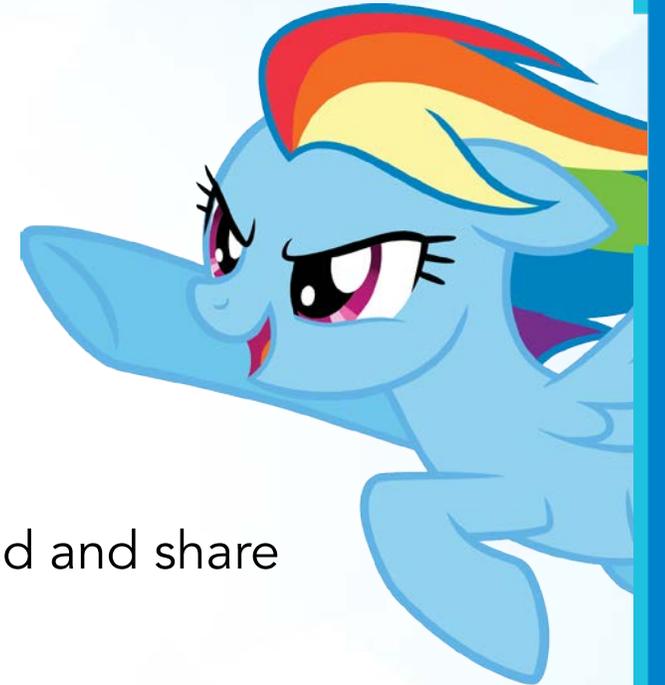
- Managing the liquidation of Toys“R”Us
- Addressing a rapidly evolving European retail environment

## Investing in Innovation, Entertainment, Organization

- Acquisition of POWER RANGERS
- Multi-screen content and storytelling
- Creating a modern commercial organization around the world
- Returned approximately \$260M to shareholders through dividend and share repurchase in first six months of 2018
- \$1.2 billion in cash at quarter end

## Collaborating with Retailers to Execute Joint Plans

- Activate Hasbro’s innovative portfolio this holiday season to capture share in toy and game category
- Consumer takeaway is positive for Hasbro brands
- Retail inventory down



# SECOND QUARTER SNAPSHOT

## Q2 2018 Net Revenues \$904.5M down 7% year-over-year

- Revenue decline due to the liquidation of Toys“R”Us in many global markets and the rapidly evolving European retail landscape
- U.S. and Canada segment down 7%; International segment down 11%; Entertainment and Licensing segment up 26%
- Positive consumer takeaway

## Second Quarter Brand Portfolio Revenue Performance

- Franchise Brands down 8%: Growth in BABY ALIVE, MAGIC: THE GATHERING & MONOPOLY off set by declines in the other Franchise Brands
- Partner Brands declined 10%: Growth in BEYBLADE and MARVEL offset by declines in the other Partner Brands
- Hasbro Gaming flat: Growth in DUNGEONS AND DRAGONS, DUEL MASTERS, JENGA & new game launches offset by other portfolio games, including PIE FACE
- Emerging Brands declined 1%: New initiatives: LOST KITTIES and LOCK STARS performed well, offset by declines in other Emerging Brands

## Operating Profit: \$87.6M in Q2 2018 vs. Operating Profit \$100.0M in Q2 2017

- Impacted by lower revenues and expense deleverage
- Operating Profit Margin 9.7%

## Net Earnings: Q2 2018 was \$60.3M, or \$0.48 per diluted share vs. \$67.7M, or \$0.53 per diluted share in Q2 2017

## Strong Financial Position & Balance Sheet

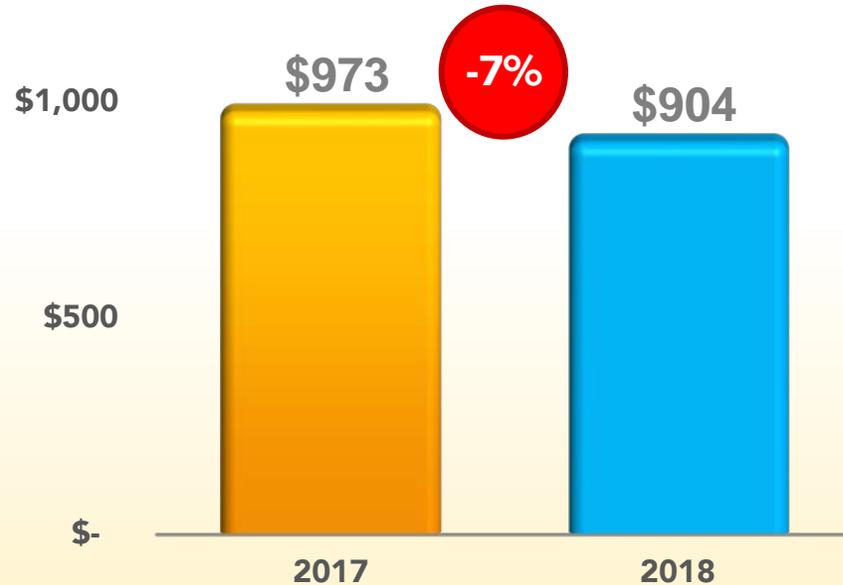
- \$1.2B in cash at quarter end
- Returned \$152.8M to shareholders through dividend and share repurchases in the quarter



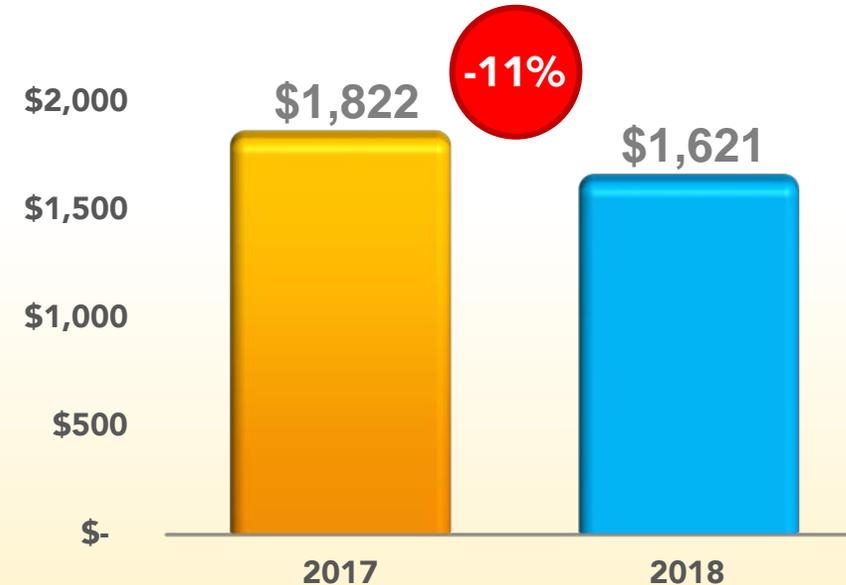
# Second Quarter & Six Months Net Revenue Performance

## SECOND QUARTER NET REVENUES

(\$ millions, unaudited)



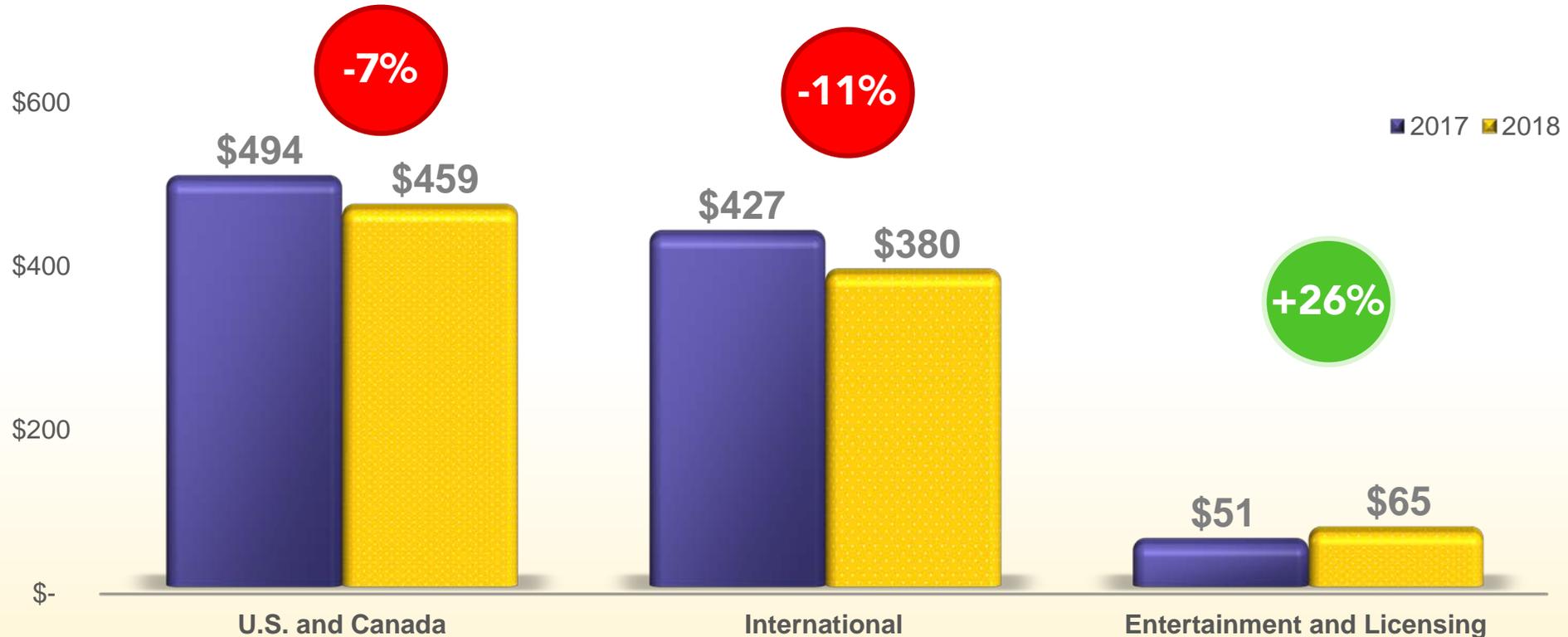
## YEAR TO DATE NET REVENUES



- Lower revenues reflect the liquidation of Toys“R”Us in the U.S. and many other global markets and rapidly evolving European retail environment

# Second Quarter Segment Net Revenues

(\$ millions, unaudited)



## U.S. & CANADA

Reflects the loss of Toys“R”Us revenues and the liquidation impact on the overall marketplace; Retail inventory down

## INTERNATIONAL

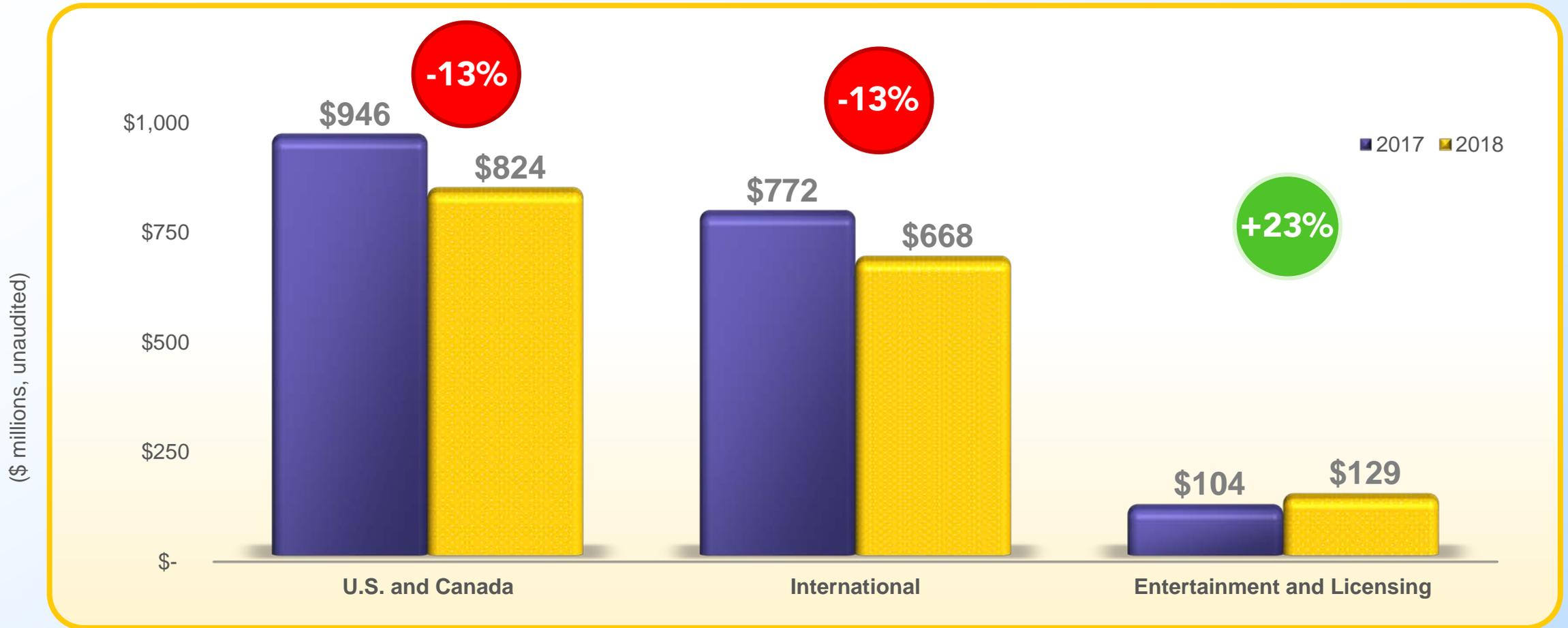
Reflects continuing efforts to manage retail inventory in Europe; Loss of Toys“R”Us revenues in many markets; Retail inventory down

## ENTERTAINMENT & LICENSING

Growth in Licensing and Entertainment; Favorable impact from adoption of ASC 606



# Six Months Segment Net Revenues



## U.S. & CANADA

Reflects the loss of Toys“R”Us revenues and the liquidation impact on the overall marketplace; Retail inventory down

## INTERNATIONAL

Reflects continuing efforts to manage retail inventory in Europe; Loss of Toys“R”Us revenues in many markets; Retail inventory down

## ENTERTAINMENT & LICENSING

Growth in Licensing and Digital Gaming; Favorable impact from adoption of ASC 606



# International Segment Revenues

	Q2 2018 AS REPORTED	Q2 2018 ABSENT FX	1H 2018 AS REPORTED	1H 2018 ABSENT FX
Europe	-16%	-19%	-22%	-26%
Latin America	-3%	+2%	-1%	+2%
Asia Pacific	-5%	-7%	-2%	-5%
<b>INTERNATIONAL</b>	<b>-11%</b>	<b>-11%</b>	<b>-13%</b>	<b>-16%</b>

## Emerging Markets

- Q2 2018 down 9%; YTD 2018 down 7%
- Absent FX, Q2 2018 emerging markets down approximately 7%; YTD 2018 down approximately 8%



# Second Quarter & Six Months Brand Portfolio Performance

(\$ millions, unaudited)	Q2 2018	Q2 2017	% CHANGE	Six Mo. 2018	Six Mo. 2017	% CHANGE
<b>Franchise Brands</b>	<b>\$507</b>	<b>\$552</b>	<b>-8%</b>	<b>\$868</b>	<b>\$1,002</b>	<b>-13%</b>
<b>Partner Brands</b>	<b>208</b>	<b>230</b>	<b>-10%</b>	<b>409</b>	<b>443</b>	<b>-8%</b>
<b>Hasbro Gaming*</b>	<b>134</b>	<b>134</b>	<b>-</b>	<b>240</b>	<b>270</b>	<b>-11%</b>
<b>Emerging Brands</b>	<b>56</b>	<b>56</b>	<b>-1%</b>	<b>104</b>	<b>108</b>	<b>-3%</b>
<b>TOTAL</b>	<b>\$904</b>	<b>\$973</b>	<b>-7%</b>	<b>\$1,621</b>	<b>\$1,822</b>	<b>-11%</b>

**Total Gaming\***  
 Q2: \$313M, +14%  
 YTD: \$516M, -2%

\*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 \$313M for Q2 2018, up 14% vs. \$273M in Q2 2017. YTD 2018 Hasbro's total gaming category was \$516M, down 2% vs. \$527M in YTD 2017



# Second Quarter Major Expense Items

(\$ millions, unaudited)	Q2 2018	Q2 2017	% CHANGE YOY*	Q2 2018 % OF REVENUE
Cost of Sales	\$338	\$368	-8%	37.4%
Royalties	\$66	\$79	-17%	7.3%
Product Development	\$60	\$63	-5%	6.6%
Advertising	\$88	\$92	-5%	9.7%
Amortization of Intangibles	\$5	\$8	-42%	0.5%
Program Production Cost Amortization	\$7	\$5	+41%	0.8%
Selling, Distribution & Administration	\$253	\$257	-1%	28.0%

\*Percent changes may not calculate due to rounding



# Six Months Major Expense Items

(\$ millions, unaudited)	YTD 2018	YTD 2017	% CHANGE YOY*	YTD 2018 % OF REVENUE
Cost of Sales	\$593	\$674	-12%	36.6%
Royalties**	\$136	\$144	-5%	8.4%
Product Development	\$117	\$125	-6%	7.2%
Advertising	\$156	\$173	-10%	9.6%
Amortization of Intangibles	\$11	\$16	-30%	0.7%
Program Production Cost Amortization	\$19	\$11	+80%	1.2%
Selling, Distribution & Administration**	\$581	\$501	+16%	35.9%

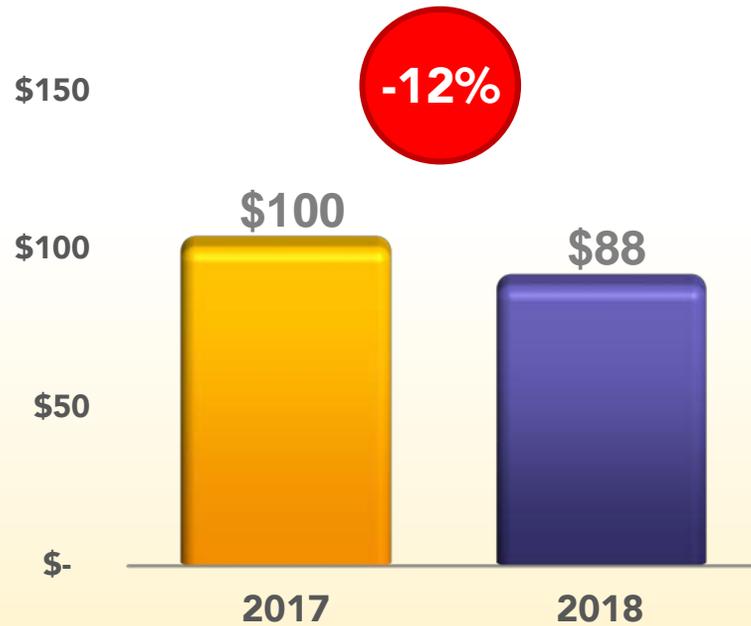
**\*\* Royalties and SD&A include expenses associated with Toys“R”Us and severance costs**



\*Percent changes may not calculate due to rounding

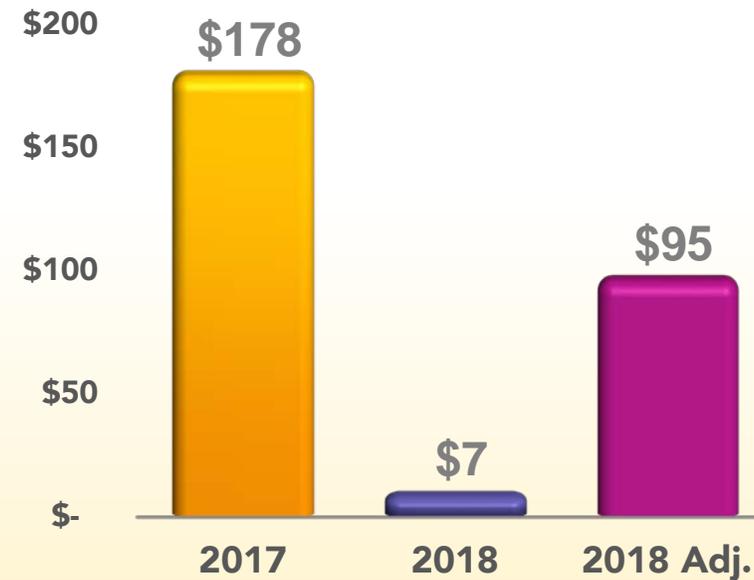
# Second Quarter & Six Months Operating Profit

## AS REPORTED SECOND QUARTER OPERATING PROFIT



Profits negatively impacted by lower revenues

## AS REPORTED & ADJUSTED SIX MONTHS OPERATING PROFIT

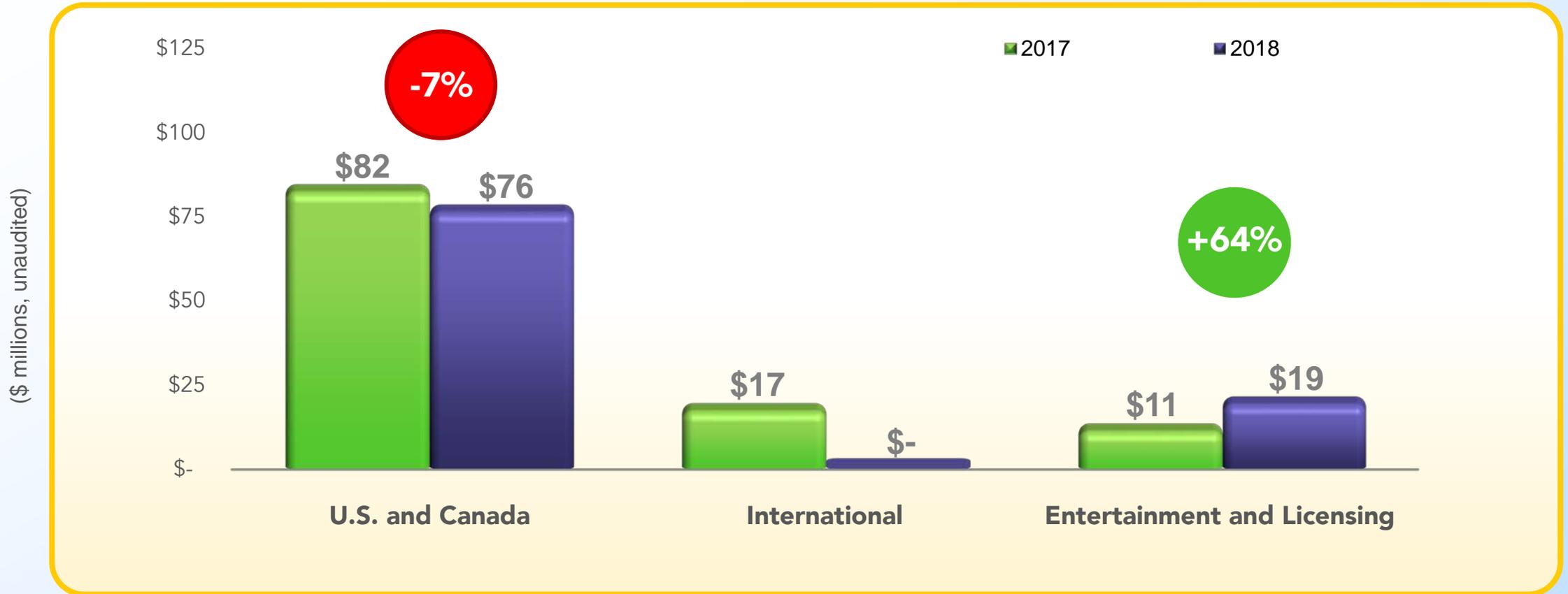


- Includes Q1 2018 costs associated with the Toys“R”Us liquidation and accelerated transformation of Hasbro’s commercial organization
- As Adjusted Six Months 2018 Operating Profit was \$95M

A reconciliation of operating profit can be found on slide 26



# Second Quarter Segment Operating Profit



## U.S. & CANADA

Lower revenues due to loss of Toys“R”Us revenues and near-term disruption due to the liquidation in the marketplace

Operating profit margin +10 basis points on favorable mix

## INTERNATIONAL

Lower revenues associated with addressing evolving European retail landscape and loss of Toys“R”Us revenues in many markets

Operating profit reflects lower revenues and expense deleverage

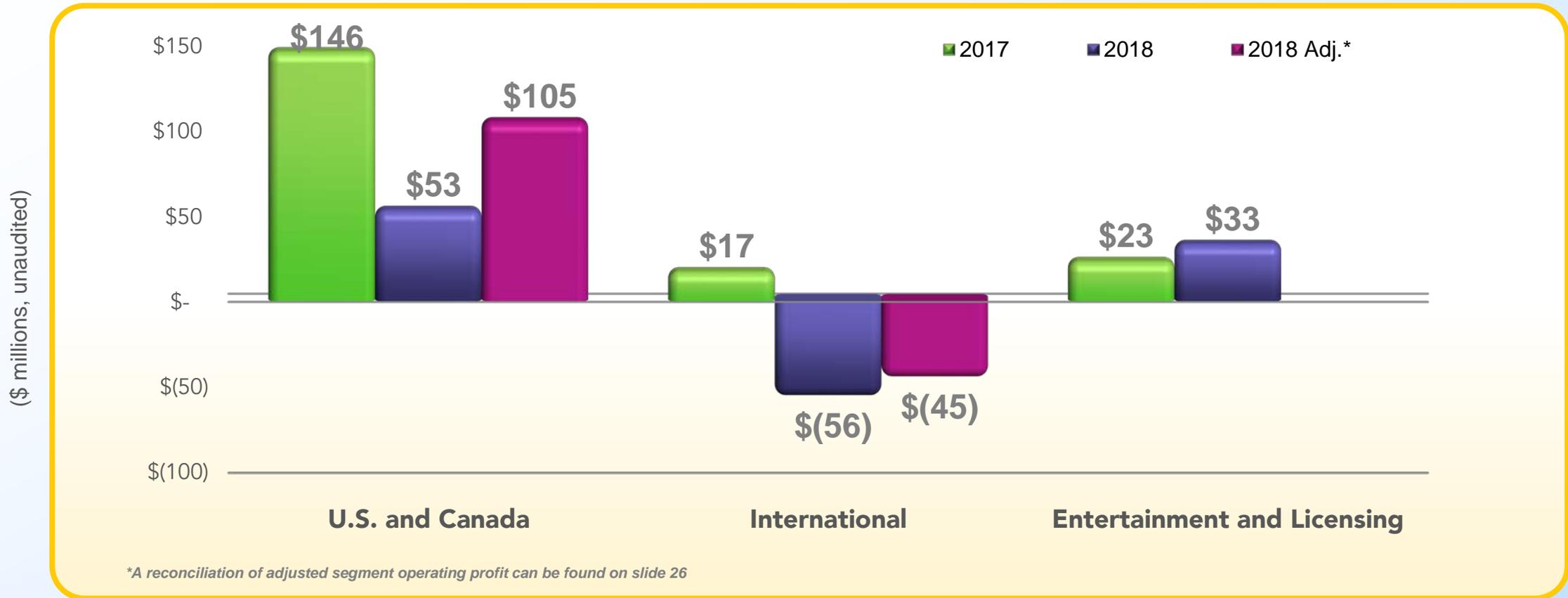
## ENTERTAINMENT & LICENSING

High revenues drove 64% increase in operating profit

Operating profit margin 28.8% versus 22.0% last year



# Year to Date Segment Operating Profit (Loss)



## U.S. & CANADA

Lower revenues and \$52.3 million of expense related to Toys“R”Us, primarily bad debt, taken in Q1 2018

Adjusted operating profit reflects lower revenues and expense deleverage

## INTERNATIONAL

Lower revenues and \$11.2 million of expense associated with Toys“R”Us, primarily bad debt, taken in Q1 2018

Adjusted operating loss was primarily the result of lower revenues and expense deleverage

## ENTERTAINMENT & LICENSING

High revenues drove 44% increase in operating profit

Operating profit margin 25.3% versus 21.8% last year



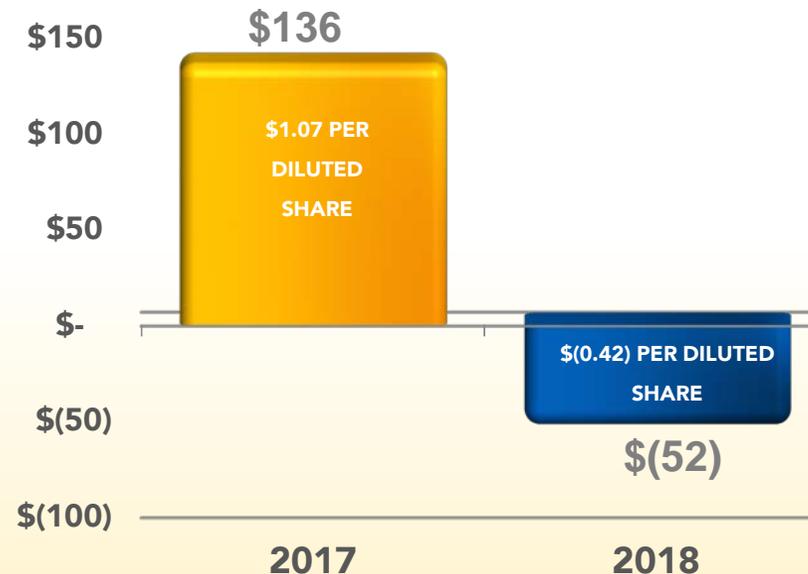
# Second Quarter & Six Months 2018 Net Earnings (Loss)

(\$ millions, unaudited)

## AS REPORTED SECOND QUARTER NET EARNINGS



## AS REPORTED SIX MONTHS 2018 NET EARNINGS (LOSS)



- Q2 2018 underlying tax rate of 17.4% vs. 24.7% in Q2 2017
- Rate reflects the benefit of U.S tax reform

- Includes Q1 2018 after tax expenses associated with the Toys“R”Us liquidation, severance expense associated with the acceleration of the Company’s commercial organization and a net charge related to U.S. tax reform
- Adjusted net earnings were \$73M, or \$0.58 per diluted share



# Key Cash Flow & Balance Sheet Data

(\$ millions, unaudited)	YEAR TO DATE ENDED:		NOTES
	July 1, 2018	July 2, 2017	
Cash	\$1,159	\$1,434	Strong cash position; Approximately 30% in the U.S.
Depreciation	\$62	\$66	
Amortization of Intangibles	\$11	\$16	Includes \$1M from the acquisition of POWER RANGERS
Program Production Costs	\$78	\$19	Targeting \$100 to \$125M in film and TV programming spend in 2018
Capital Expenditures	\$72	\$66	Targeting \$135M to \$155M for the full year
Dividends Paid	\$150	\$135	In February 2018, quarterly dividend increased 11% to \$0.63 per share; Next dividend payable on August 15, 2018
Stock Repurchase	\$113	\$19	\$565M remains in authorizations at quarter end
Operating Cash Flow	\$241	\$366	Generating strong cash flow; \$599M over trailing twelve month period
Accounts Receivable	\$739	\$847	Receivables decreased 13% and DSOs were 74 days
Inventory	\$610	\$558	Inventory up 9%; negative \$12.5M impact from FX Retail inventory down



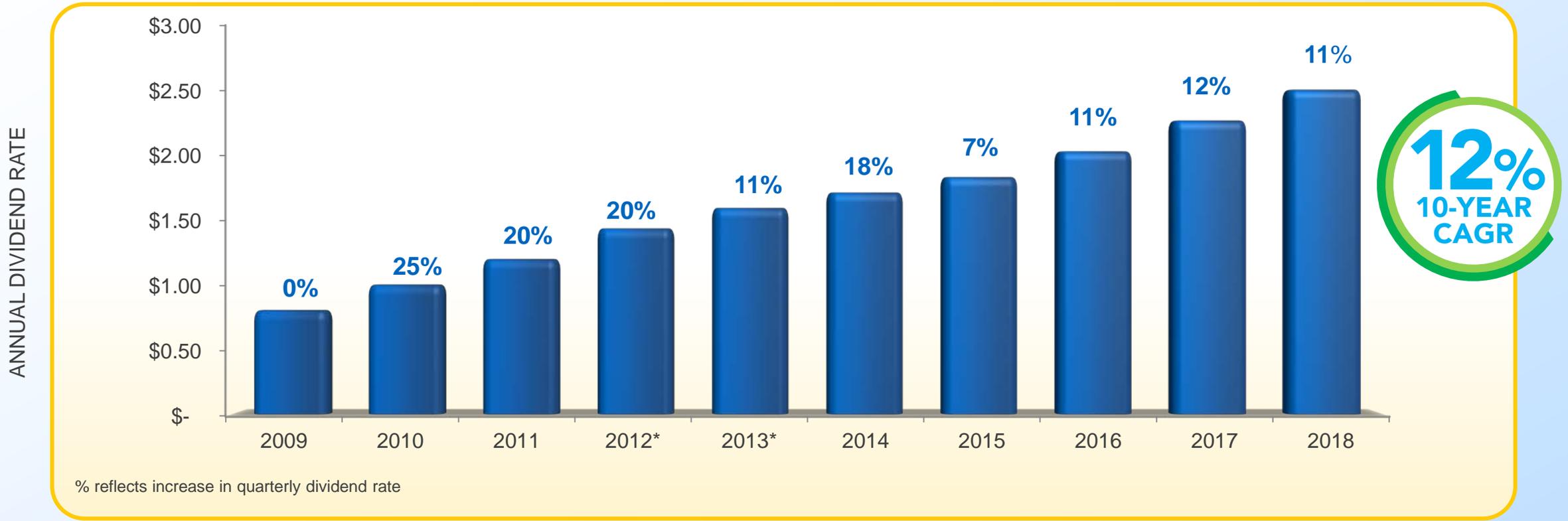


# Capital Priorities

- 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



**11%**  
**2018 Quarterly Dividend Increase**

**Dividend in 14 of last 15 years**

**10 Years \$1.9B**

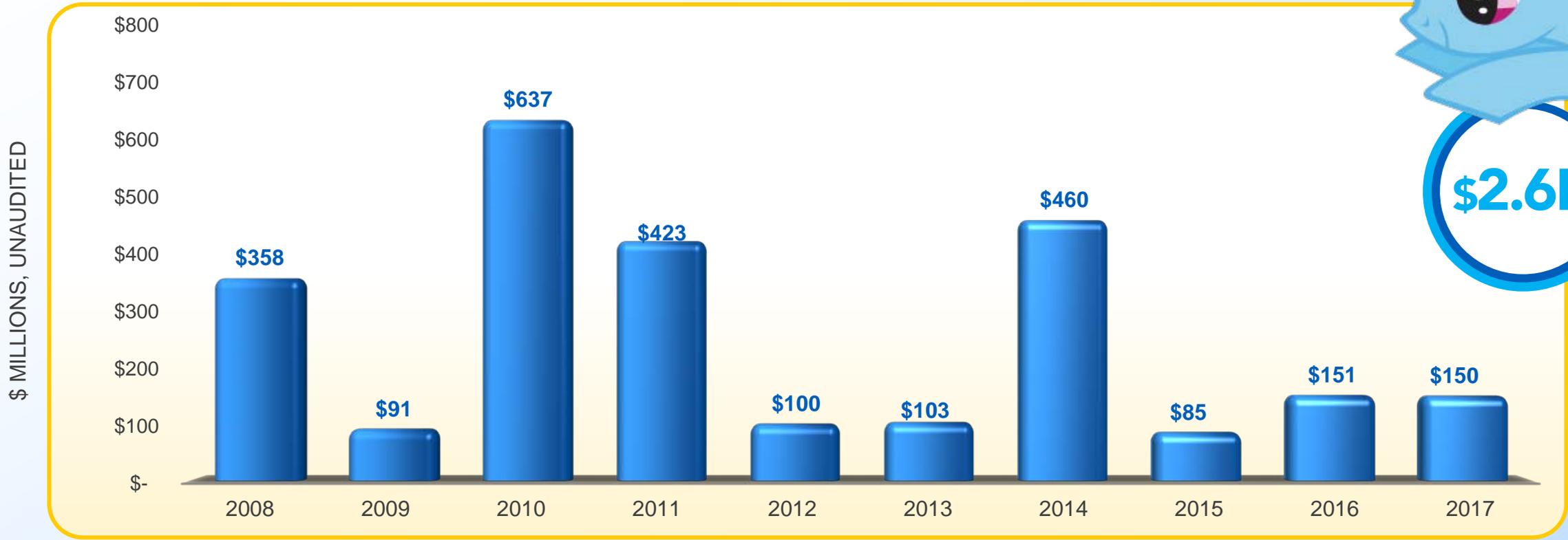


\*2012 and 2013 annual dividend rates have been adjusted to move accelerated payment paid in 2012 to 2013

# Returning Cash to Shareholders: SHARE REPURCHASE



**\$2.6B**



Q2 2018 End  
**\$565.1M**  
Remains

Q2 2018 Repurchases  
**\$74.1M**

YTD 2018 Repurchases  
**\$112.9M**



# 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**



# Second Quarter & Six Months Consolidated Statements of Operations

(\$ millions, unaudited)	QUARTER ENDED				SIX MONTHS ENDED			
	July 1, 2018	% Net Revenues	July 2, 2017	% Net Revenues	July 1, 2018	% Net Revenues	July 2, 2017	% Net Revenues
<b>NET REVENUES</b>	<b>\$904</b>	<b>100.0%</b>	<b>\$973</b>	<b>100.0%</b>	<b>\$1,621</b>	<b>100.0%</b>	<b>\$1,822</b>	<b>100.0%</b>
Cost of Sales	338	37.4%	368	37.9%	593	36.6%	674	37.0%
Royalties	66	7.3%	79	8.1%	136	8.4%	144	7.9%
Product Development	60	6.6%	63	6.5%	117	7.2%	125	6.9%
Advertising	88	9.7%	92	9.5%	156	9.6%	173	9.5%
Amortization of Intangibles	5	0.5%	8	0.8%	11	0.7%	16	0.9%
Program Production Cost Amortization	7	0.8%	5	0.5%	19	1.2%	11	0.6%
Selling, Distribution & Administration	253	28.0%	257	26.4%	581	35.9%	501	27.5%
<b>OPERATING PROFIT</b>	<b>\$88</b>	<b>9.7%</b>	<b>100</b>	<b>10.3%</b>	<b>\$7</b>	<b>0.4%</b>	<b>178</b>	<b>9.8%</b>
Interest Expense	23	2.5%	24	2.5%	46	2.8%	49	2.7%
Other (Income) Expense, Net	(3)	-0.4%	(11)	(1.1)%	(18)	-1.1%	(29)	(1.5)%
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<b>68</b>	<b>7.5%</b>	<b>87</b>	<b>8.9%</b>	<b>(20)</b>	<b>-1.3%</b>	<b>158</b>	<b>8.7%</b>
Income Taxes	8	0.9%	19	2.0%	32	2.0%	21	1.2%
<b>NET EARNINGS (LOSS)</b>	<b>60</b>	<b>6.7%</b>	<b>67</b>	<b>7.0%</b>	<b>(52)</b>	<b>-3.2%</b>	<b>136</b>	<b>7.5%</b>
<b>Diluted EPS</b>	<b>\$0.48</b>		<b>\$0.53</b>		<b>\$(0.42)</b>		<b>\$1.07</b>	



# Condensed Consolidated Balance Sheets

(\$ millions, unaudited)

	July 1, 2018	July 2, 2017
Cash & Cash Equivalents	\$1,159	\$1,433
Accounts Receivable, Net	739	847
Inventories	610	558
Other Current Assets	319	257
<b>TOTAL CURRENT ASSETS</b>	<b>2,828</b>	<b>3,095</b>
Property, Plant & Equipment, Net	266	269
Other Assets	2,020	1,549
<b>TOTAL ASSETS</b>	<b>\$5,114</b>	<b>\$4,913</b>
Short-term Borrowings	20	187
Current Portion of Long-term debt	-	350
Payables & Accrued Liabilities	1,032	935
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,052</b>	<b>1,472</b>
Long-term Debt	1,694	1,199
Other Liabilities	600	409
<b>TOTAL LIABILITIES</b>	<b>3,347</b>	<b>3,080</b>
Total Shareholders' Equity	1,767	1,833
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$5,114</b>	<b>\$4,913</b>



# Condensed Consolidated Cash Flow-Six Months Ended

(\$ millions, unaudited)	July 1, 2018	July 2, 2017
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$241</b>	<b>\$366</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to Property, Plant and Equipment	(72)	(66)
Investments & Acquisitions, Net of Cash Acquired	(155)	-
Other	3	(1)
<b>NET CASH UTILIZED BY INVESTING ACTIVITIES</b>	<b>(224)</b>	<b>(68)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (Repayments of) Proceeds from Short-term Borrowings	(134)	14
Purchases of Common Stock	(103)	(19)
Stock-based Compensation Transactions	20	10
Dividends Paid	(150)	(135)
Employee Taxes Paid for Shares Withheld	(55)	(31)
<b>NET CASH UTILIZED BY FINANCING ACTIVITIES</b>	<b>(421)</b>	<b>(160)</b>
Effect of Exchange Rate Changes on Cash	(18)	13
Cash and Cash Equivalents at Beginning of Year	1,581	1,282
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>\$1,159</b>	<b>\$1,434</b>



# Supplemental Financial Data

## Reconciliation of Non-GAAP Financial Measures

(Unaudited)

(Thousands of Dollars)

### Net Earnings (Loss) and Earnings (Loss) per Share Excluding the Impact of Toys R Us, Severance and Tax Reform

	Six Months Ended			
	July 1, 2018	Diluted Per Share Amount <sup>(1)</sup>	July 2, 2017	Diluted Per Share Amount
<i>(all adjustments reported after-tax)</i>				
Net Earnings (Loss), as Reported	\$ (52,193)	\$ (0.42)	\$ 136,322	\$ 1.07
Incremental costs impact of Toys R Us <sup>(2)</sup>	61,372	0.49	-	-
Severance <sup>(3)</sup>	15,699	0.12	-	-
Impact of Tax Reform <sup>(4)</sup>	47,790	0.38	-	-
Net Earnings, as Adjusted	<u>\$ 72,668</u>	<u>\$ 0.58</u>	<u>\$ 136,322</u>	<u>\$ 1.07</u>

<sup>(1)</sup> Diluted Per Share Amount for the impact of Toys R US, severance and Tax Reform and net earnings, as adjusted, for the six months ended July 1, 2018 are calculated using dilutive shares of 126,215.

<sup>(2)</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.

<sup>(3)</sup> In the first quarter of 2018, the Company incurred severance charges, primarily outside the U.S., related to accelerating actions associated with a new go-to-market strategy designed to be more omni-channel and e-commerce focused. These charges were included in Corporate and Eliminations.

<sup>(4)</sup> Represents the adjustment of certain provisional amounts recorded in the fourth quarter of 2017 based on additional guidance issued by the U.S. Treasury Department and the Internal Revenue Service in the first quarter of 2018.

The impact of the above items on Operating Profit (Loss), and impacted segments, and Income Taxes for the six months ended July 1, 2018 is as follows:

YTD June 2018	As Reported	% Net Revenues	Less Impact of Above Items	Excluding Impact of Above Items	% Net Revenues
Operating Profit (Loss)	\$ 7,169	0.4%	\$ 87,777	\$ 94,946	5.9%
U.S. and Canada Segment	52,848	6.4%	52,277	105,125	12.8%
International Segment	(55,915)	-8.4%	11,151	(44,764)	-6.7%
Income tax expense (benefit)	31,929	2.0%	(37,084)	(5,155)	-0.3%



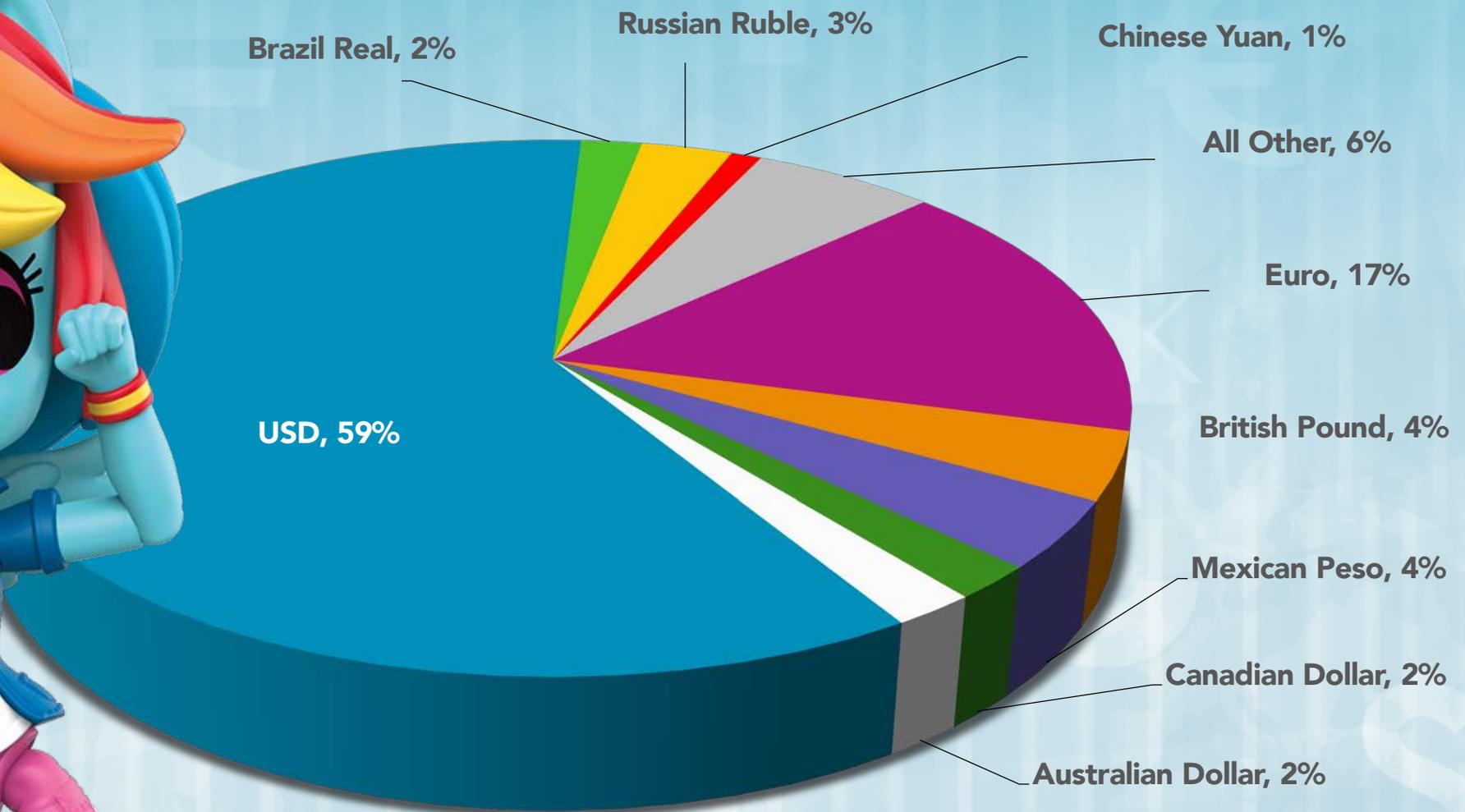
## Supplemental Financial Data

### Reconciliation of Non-GAAP Financial Measures (Unaudited)

#### Reconciliation of EBITDA

	Quarter Ended		Six Months Ended	
	July 1, 2018	July 2, 2017	July 1, 2018	July 2, 2017
Net Earnings (Loss)	\$ 60,299	\$ 67,723	\$ (52,193)	\$ 136,322
Interest Expense	22,803	24,224	45,612	48,680
Income Taxes (including tax reform)	7,825	19,163	31,929	21,401
Depreciation	36,071	38,089	62,292	65,791
Amortization of Intangibles	4,554	7,881	11,032	15,762
EBITDA	<u>\$ 131,552</u>	<u>\$ 157,080</u>	<u>\$ 98,672</u>	<u>\$ 287,956</u>
Impact of Toys R Us and Severance	-	-	(87,777)	-
Adjusted EBITDA	<u>\$ 131,552</u>	<u>\$ 157,080</u>	<u>\$ 186,449</u>	<u>\$ 287,956</u>

# 2017 NET REVENUES BY CURRENCY



TRANSFORMERS



my LITTLE PONY



MONOPOLY



Play-Doh



baby alive

# Franchise Brands

NERF



MAGIC THE GATHERING

Hasbro



Creating the  
World's **Best Play**  
**Experiences**