



# Second Quarter 2017 Earnings

July 24, 2017

# 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 second quarter 2017 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 "Financial Information" – "Quarterly Results."



# Brand Blueprint



# Second Quarter Snapshot

## ■ Q2 2017 Net Revenues \$973M up 11% year-over-year

- U.S. and Canada segment up 16%; International segment up 6%; Emerging markets revenues increased 7%
- Entertainment and Licensing segment down 1%

## ■ Second Quarter Brand Portfolio Performance

- Franchise Brands up 21%: Growth in TRANSFORMERS, MAGIC: THE GATHERING, NERF, MONOPOLY.
- Partner Brands Revenues Grew 1%: Growth in BEYBLADE, DREAMWORKS' TROLLS, MARVEL and DISNEY PRINCESS
- Hasbro Gaming up 6%: Growth from diverse brand portfolio- New games, digital gaming, classic gaming
- Emerging Brands down 14%: Declines in PLAYSKOOL, SUPER SOAKER and EASY-BAKE OVEN

## ■ Operating Profit \$100.0M in Q2 2017 vs. \$84.9M in Q2 2016, up 18% year-over-year

- Attributable to higher revenues, favorable product mix and expense leverage

## ■ Strong Financial Position & Balance Sheet

- \$1.4B in cash at quarter end
- Returned \$71.9M to shareholders in the quarter

## ■ Net Earnings up 30% to \$67.7M, or \$0.53 per diluted share, in Q2 2017

vs. \$52.1M, or \$ 0.41 per diluted share, in Q2 2016

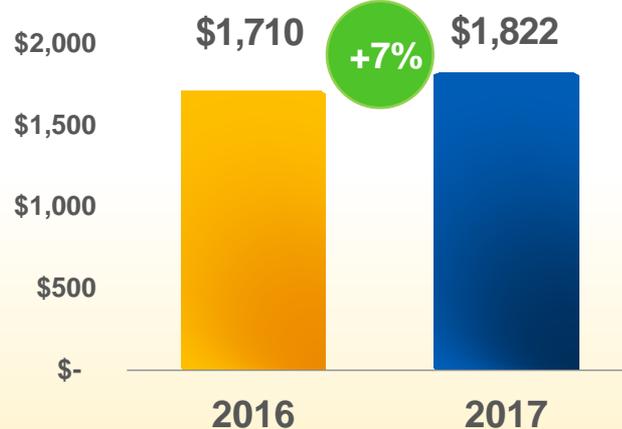
# Second Quarter and Six Months Net Revenue Performance

(\$ millions, unaudited)

## Second Quarter Net Revenues



## Six Months Net Revenues



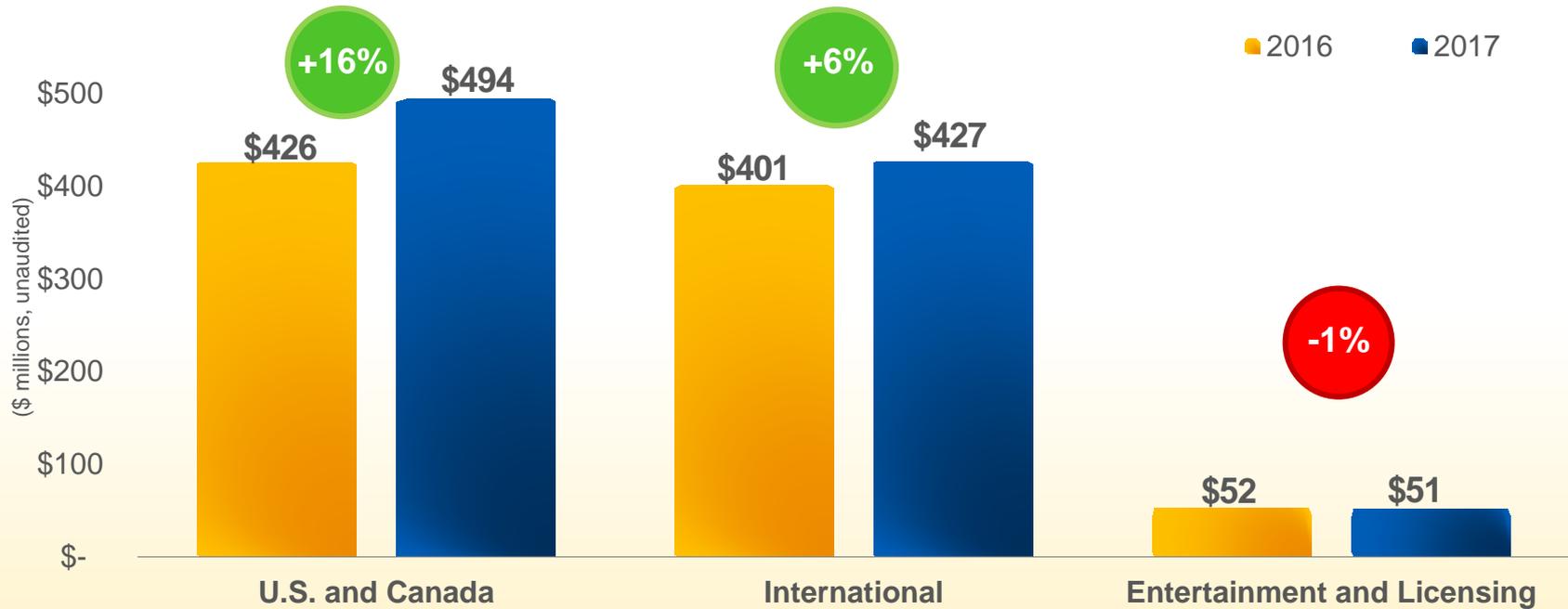
Strong Consumer Takeaway in Q2 2017 and 1H 2017

Q2 2017 Revenue Growth in Franchise Brands, Partner Brands and Hasbro Gaming

1H 2017 Revenue Growth in Franchise Brands, Hasbro Gaming and Emerging Brands



# Second Quarter Segment Net Revenues



## U.S. and Canada

Growth in Franchise Brands, Partner Brands and Hasbro Gaming; Inventory in good position

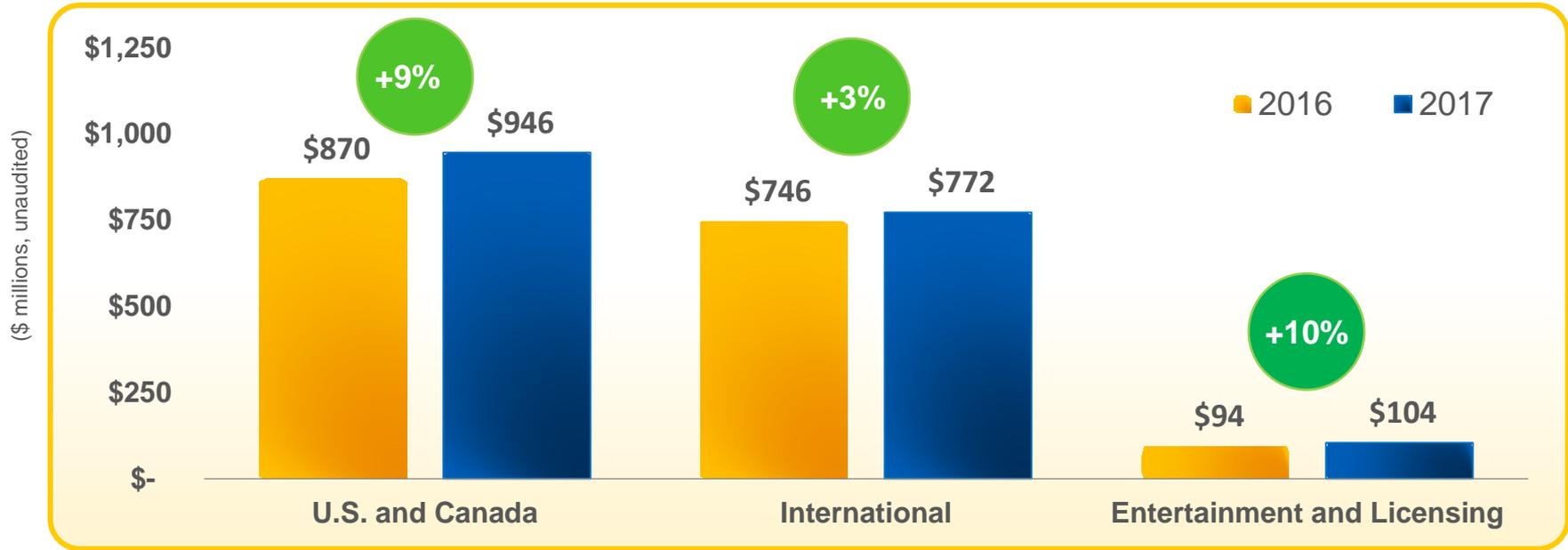
## International

Growth in Franchise Brands and Hasbro Gaming; Inventory in good position

## Entertainment and Licensing

Growth in Digital Gaming revenues, including Backflip Studios, offset by lower entertainment revenues

# Six Months Segment Net Revenues



## U.S. and Canada

Growth in Franchise Brands,  
Hasbro Gaming and Emerging  
Brands

## International

Growth in Franchise Brands and  
Hasbro Gaming

## Entertainment and Licensing

Digital Gaming revenue growth;  
Strong movie-related Consumer  
Products programs in 2H



# International Segment Revenues

	Q2 2017 As Reported	Q2 2017 Absent FX	1H 2017 As Reported	1H 2017 Absent FX
<b>Europe</b>	+4%	+4%	--	--
<b>Latin America</b>	+3%	+1%	+8%	+5%
<b>Asia Pacific</b>	+18%	+18%	+9%	+9%
<b>International</b>	<b>+6%</b>	<b>+6%</b>	<b>+3%</b>	<b>+3%</b>

## Foreign Exchange Impact

Second Quarter 2017: +\$2.4M; 1H 2017: +\$5.4M; Growth in all three regions despite some economic challenges in UK and Brazil

Q2 2017 Emerging Markets up 7% as reported; 1H 2017 up 13% as reported

➤ Absent FX, Emerging Markets up approximately 5% in Q2 and 8% in 1H 17



# Second Quarter & Six Months Brand Portfolio Performance

(\$ millions, unaudited)	Q2 2017	Q2 2016	% Change	Six Mo. 2017**	Six Mo. 2016	% Change
<b>Franchise Brands</b>	\$546	\$452	+21%	\$976	\$869	+12%
<b>Partner Brands</b>	230	227	+1%	443	485	-9%
<b>Hasbro Gaming*</b>	134	126	+6%	270	227	+19%
<b>Emerging Brands</b>	63	73	-14%	133	130	+3%
<b>Total</b>	<b>\$973</b>	<b>\$879</b>	<b>+11%</b>	<b>\$1,822</b>	<b>\$1,710</b>	<b>+7%</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, totaled \$273M for Q2 2017, up 20% vs. \$228M in Q2 2016. YTD 2017 Hasbro's total gaming totaled \$527M, up 15% vs. \$459M YTD 2016. Hasbro believes its gaming portfolio is a competitive differentiator and views it in its entirety.

\*\*For the six months ended July 2, 2017, first quarter revenues of \$7M were reclassified from Hasbro Gaming to Franchise Brands to conform to the presentation for the quarter ended July 2, 2017. See slide 26 for restated first quarter 2017 Brand Portfolio performance.

# Second Quarter Major Expense Items

(\$ millions, unaudited)	Q2 2017	Q2 2016	% Change YOY*	Q2 2017 % of Revenue
Cost of Sales	\$368	\$322	+14%	37.9%
Royalties	\$79	\$70	+14%	8.1%
Product Development	\$63	\$64	-1%	6.5%
Advertising	\$92	\$87	+6%	9.5%
Amortization of Intangibles	\$8	\$9	-9%	0.8%
Program Production Cost Amortization	\$5	\$5	+3%	0.5%
Selling, Distribution & Administration	\$257	\$239	+8%	26.4%

\*Percent changes may not calculate due to rounding

# Six Months Major Expense Items

(\$ millions, unaudited)	6 Mo. 2017	6 Mo. 2016	% Change YOY*	6 Mo. 2017 % of Revenue
Cost of Sales	\$674	\$612	+10%	37.0%
Royalties	\$144	\$139	+3%	7.9%
Product Development	\$125	\$121	+4%	6.9%
Advertising	\$173	\$167	+4%	9.5%
Amortization of Intangibles	\$16	\$17	-9%	0.9%
Program Production Cost Amortization	\$11	\$11	-4%	0.6%
Selling, Distribution & Administration	\$501	\$472	+6%	27.5%

\*Percent changes may not calculate due to rounding



# Second Quarter and Six Months Operating Profit

(\$ millions, unaudited)

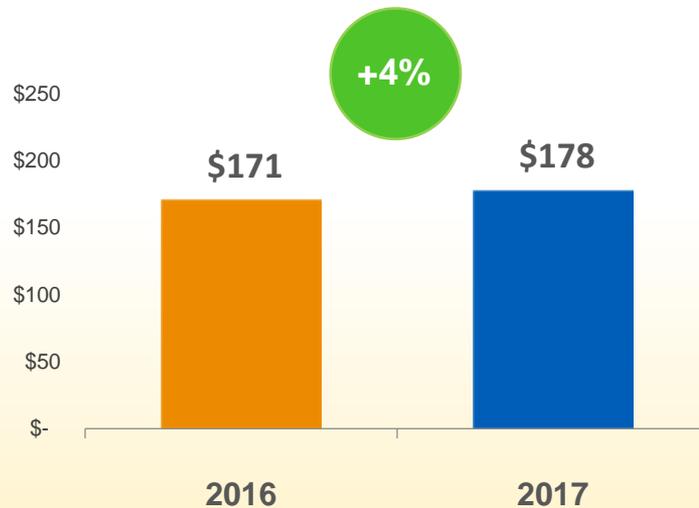
## As Reported Quarter Operating Profit



Q2 2017 Operating Profit Margin 10.3% vs 9.7% in Q2 2016

Higher Revenues  
Favorable Product Mix  
Expense Leverage

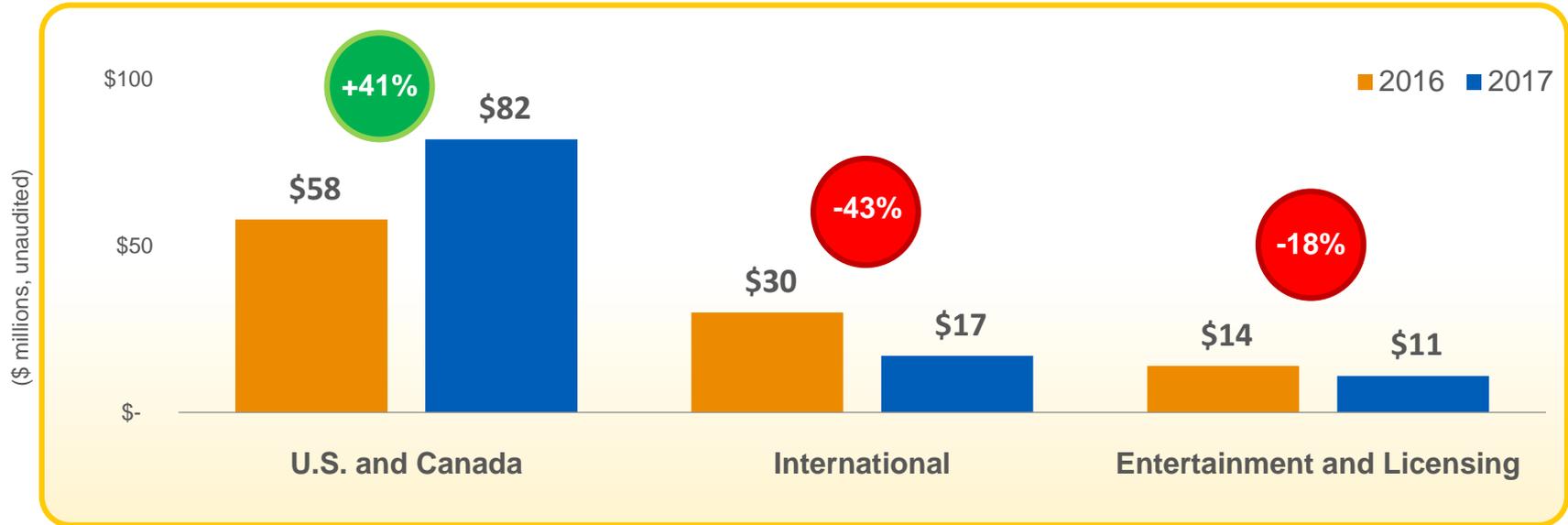
## As Reported 1H Operating Profit



1H 2017 Operating Profit Margin 9.8% vs 10.0% in 1H 2016

Higher Revenues  
Extra Week of Expenses in Q1 2017

# Second Quarter Segment Operating Profit



## U.S. and Canada

Operating profit margin 16.5% vs. 13.6% in Q2 16; Higher Revenues and Favorable Product Mix

## International

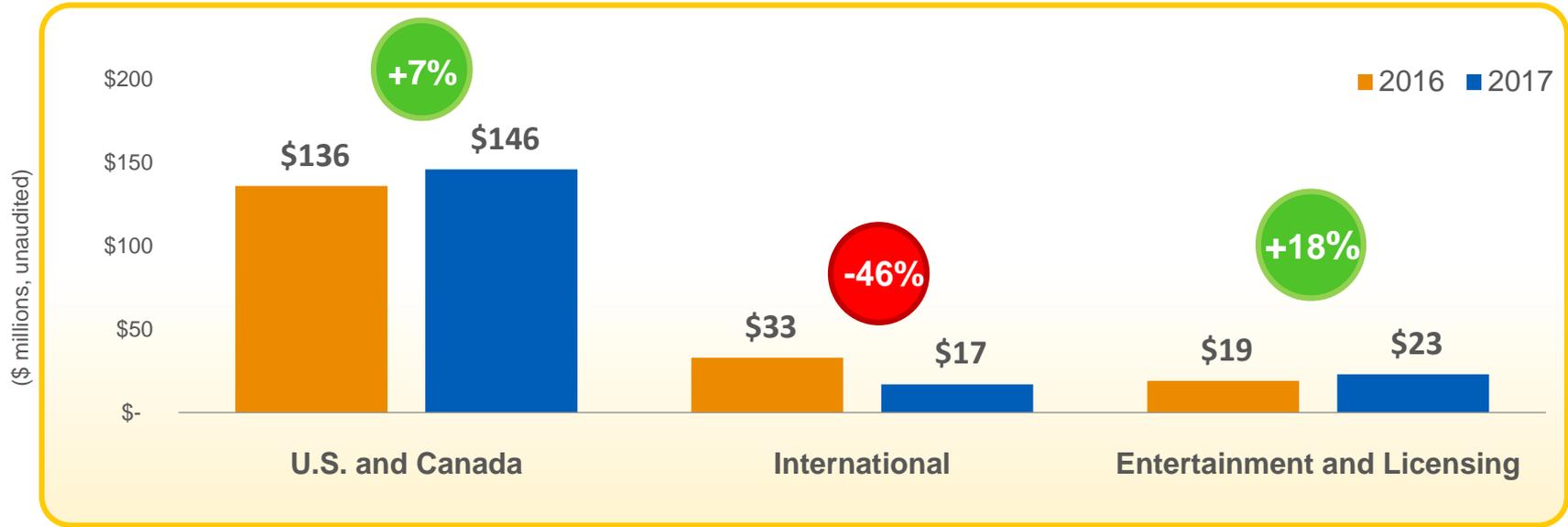
Operating profit margin 4.0% vs. 7.4% in Q2 16; Operating profit declined \$13 million; Higher revenues offset by challenging economic conditions in UK and Brazil

## Entertainment and Licensing

Operating profit margin 22.0% vs. 26.6% in Q2 16; Investments in global teams and slightly lower revenues



# Six Months Segment Operating Profit



## U.S. and Canada

Operating profit margin 15.5% vs. 15.7% 1H 2016; Higher revenues and product mix partially offset by extra week of expenses

## International

Operating profit margin 2.3% vs. 4.4% in 1H 2016; Operating profit declined \$15 million; Higher revenues offset by extra week of expenses and challenging economic conditions in UK and Brazil

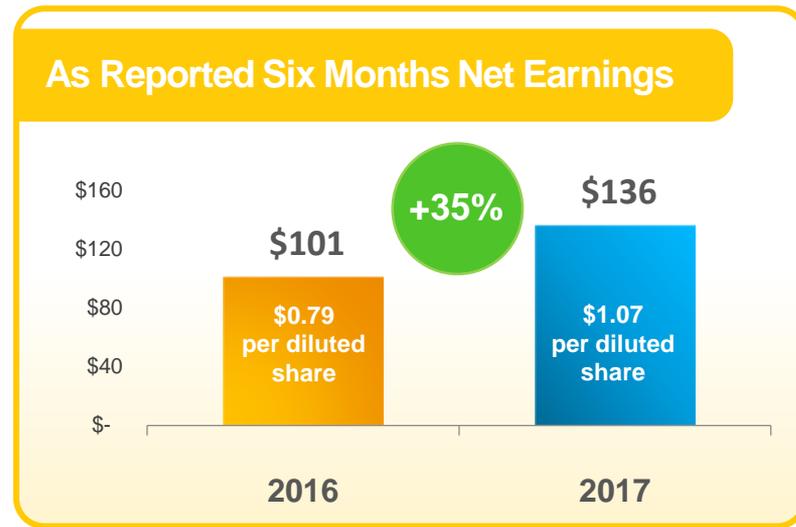
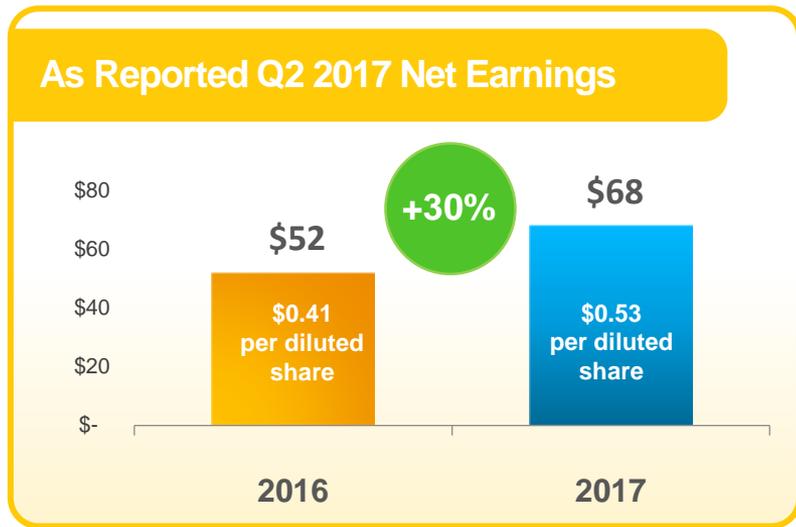
## Entertainment and Licensing

Operating profit margin 21.8% vs. 20.4% 1H 2016; High margin Digital Gaming revenue growth



# Second Quarter and Six Months Net Earnings Attributable to Hasbro, Inc.

(\$ millions, except per share, unaudited)



Q2 2017 Underlying Tax Rate of 24.7% vs. 26.1% in Q2 2016

Q2 2017 Other Income \$11M vs. \$6M in Q2 2016  
 Q2 2017 Includes an approx. \$0.01 per diluted share benefit from adoption of FASB ASU No. 2016-09

1H 2017 Other Income \$28M vs. \$3M in 1H 2016

1H 2017 Includes an approx. \$0.12 per diluted share benefit from adoption of FASB ASU No. 2016-09



# Key Cash Flow & Balance Sheet Data

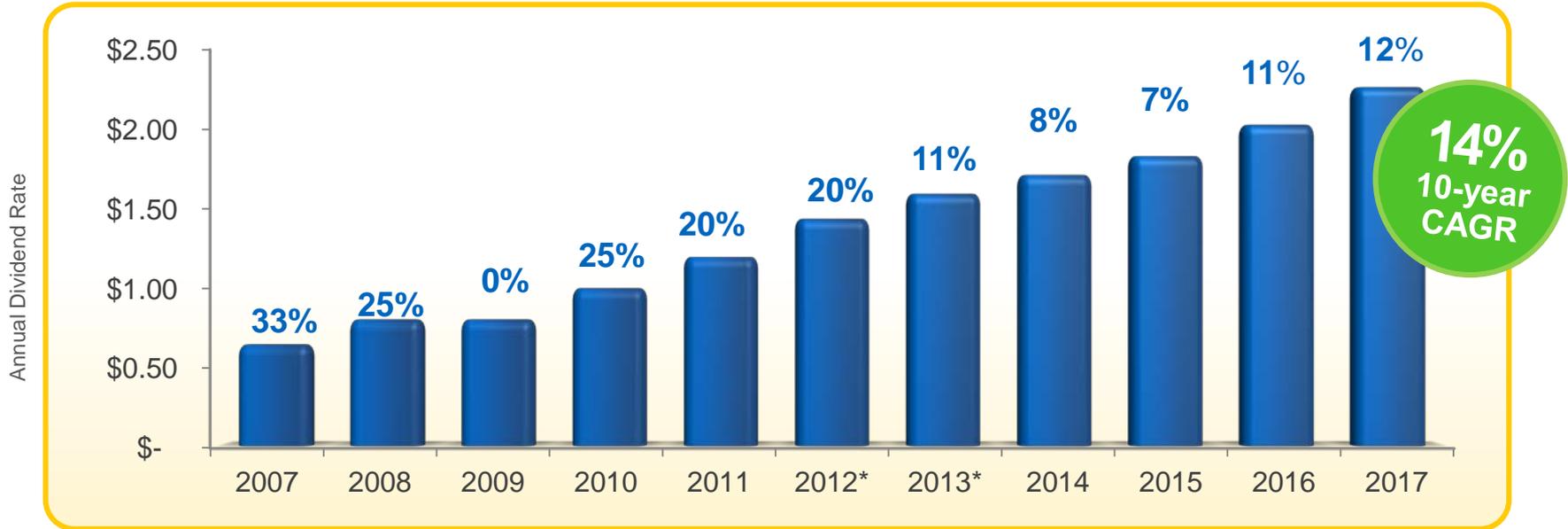
(\$ millions, unaudited)	July 2 , 2017	June 26, 2016	Notes
Cash	\$1,434	\$924	Strong cash position, mostly held overseas
Depreciation	\$66	\$35	Increased depreciation of IT systems
Amortization of Intangibles	\$8	\$9	In line with full-year target of \$29M
TV Program and Film Spending	\$7	\$14	Continued investment in TV programming and film
Capital Expenditures	\$36	\$35	Tooling and information systems investments
Dividends Paid	\$71	\$64	Next dividend payable on August 15, 2017
Stock Repurchase	\$0.6	\$22	\$309M remains in authorization at quarter end
Operating Cash Flow	\$(46)	\$(7)	\$877M over past 12 months
Accounts Receivable	\$847	\$704	DSOs up 6 days to 78 days; AR in good condition
Inventory	\$558	\$572	Inventory down 3%: Well positioned to support full year

# Capital Priorities

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



# Capital Priorities: Dividend



*% reflects increase in quarterly dividend rate*

**12%**  
2017 Quarterly  
Dividend Increase

**Dividend in 13  
of last 14 years**

10 Years  
**\$1.7B**



# Capital Priorities: Share Repurchase



Q2 2017 End  
**\$309M Remains**

1H 2017 Repurchases  
**\$18.6M**

10 Years  
**\$3.5B**

# Making the World a Better Place



## Corporate Social Responsibility

- Product Safety
- Ethical Sourcing
- Environmental Sustainability



# Supplementary Financial Information

# Second Quarter and Six Months Consolidated Statements of Operations

(\$ millions, unaudited)	Quarter Ended				Six Months Ended			
	July 2, 2017	% Net Revenues	June 26, 2016	% Net Revenues	July 2, 2017	% Net Revenues	June 26, 2016	% Net Revenues
<b>Net Revenues</b>	<b>\$973</b>	<b>100.0%</b>	<b>\$879</b>	<b>100.0%</b>	<b>\$1,822</b>	<b>100.0%</b>	<b>\$1,710</b>	<b>100.0%</b>
Cost of Sales	368	37.9%	322	36.6%	674	37.0%	612	35.8%
Royalties	79	8.1%	69	7.9%	144	7.9%	139	8.2%
Product Development	63	6.5%	64	7.2%	125	6.9%	121	7.1%
Advertising	92	9.5%	87	9.9%	173	9.5%	167	9.8%
Amortization of Intangibles	8	0.8%	9	1.0%	16	0.9%	17	1.0%
Program Production Cost Amortization	5	0.5%	5	0.6%	11	0.6%	11	0.7%
Selling, Distribution & Administration	257	26.4%	239	27.2%	501	27.5%	472	27.6%
<b>Operating Profit</b>	<b>100</b>	<b>10.3%</b>	<b>85</b>	<b>9.7%</b>	<b>178</b>	<b>9.8%</b>	<b>171</b>	<b>10.0%</b>
Interest Expense	24	2.5%	24	2.7%	49	2.7%	48	2.8%
Other (Income) Expense, Net	(11)	(1.1)%	(6)	-0.7%	(28)	(1.5)%	(3)	(0.2)%
<b>Earnings Before Income Taxes</b>	<b>87</b>	<b>8.9%</b>	<b>67</b>	<b>7.6%</b>	<b>158</b>	<b>8.7%</b>	<b>126</b>	<b>7.4%</b>
Income Taxes	19	2.0%	18	2.0%	21	1.2%	30	1.7%
<b>Net Earnings</b>	<b>68</b>	<b>7.0%</b>	<b>49</b>	<b>5.6%</b>	<b>136</b>	<b>7.5%</b>	<b>96</b>	<b>5.6%</b>
Net Loss Attributable to Noncontrolling Interests	-	-	(3)	-0.3%	-	-	(4)	(0.3)%
<b>Net Earnings Attributable to Hasbro, Inc.</b>	<b>\$68</b>	<b>7.0%</b>	<b>\$52</b>	<b>5.9%</b>	<b>\$136</b>	<b>7.5%</b>	<b>\$101</b>	<b>5.9%</b>
<b>Diluted EPS</b>	<b>\$0.53</b>		<b>\$0.41</b>		<b>\$1.07</b>		<b>\$0.79</b>	



# Condensed Consolidated Balance Sheets

(\$ millions, unaudited)	July 2, 2017	June 26, 2016
Cash & Cash Equivalents	\$1,434	\$924
Accounts Receivable, Net	847	704
Inventories	558	572
Other Current Assets	257	323
<b>Total Current Assets</b>	<b>3,095</b>	<b>2,523</b>
Property, Plant & Equipment, Net	269	243
Other Assets	1,549	1,578
<b>Total Assets</b>	<b>\$4,913</b>	<b>\$4,344</b>
Short-term Borrowings	\$187	\$5
Current Portion of long-term debt	350	-
Payables & Accrued Liabilities	935	740
<b>Total Current Liabilities</b>	<b>1,472</b>	<b>745</b>
Long-term Debt	1,199	1,548
Other Liabilities	409	403
<b>Total Liabilities</b>	<b>3,080</b>	<b>2,695</b>
Redeemable Noncontrolling Interests	-	36
Total Shareholders' Equity	1,832	1,613
<b>Total Liabilities, Redeemable Noncontrolling Interests and Shareholders' Equity</b>	<b>\$4,913</b>	<b>\$4,344</b>



# Condensed Consolidated Cash Flow-Six Months Ended

(\$ millions, unaudited)

	July 2, 2017	June 26, 2016
<b>Net Cash Provided by Operating Activities</b>	<b>\$366</b>	<b>\$306</b>
<b>Cash Flows from Investing Activities:</b>		
Additions to Property, Plant and Equipment	(66)	(66)
Other	(1)	20
<b>Net Cash Utilized by Investing Activities</b>	<b>(68)</b>	<b>(46)</b>
<b>Cash Flows from Financing Activities:</b>		
Net Proceeds (Repayments) from Short-term Borrowings	14	(159)
Purchases of Common Stock	(19)	(57)
Stock-based Compensation Transactions	10	37
Dividends Paid	(135)	(121)
Employee Taxes Paid for Shares Withheld	(31)	(19)
Other	--	1
<b>Net Cash Utilized by Financing Activities</b>	<b>(160)</b>	<b>(319)</b>
Effect of Exchange Rate Changes on Cash	13	7
Cash and Cash Equivalents at Beginning of Year	1,282	977
<b>Cash and Cash Equivalents at End of Quarter</b>	<b>\$1,434</b>	<b>\$924</b>



# Supplemental Financial Data

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

(Thousands of Dollars)

	Quarter Ended		% Change	Six Months Ended	
	July 2, 2017	June 26, 2016		July 2, 2017	June 26, 2016
<b><u>Reconciliation of EBITDA</u></b>					
Net Earnings Attributable to Hasbro, Inc.	\$ 67,723	\$ 52,106		\$ 136,322	\$ 100,857
Net Loss Attributable to Noncontrolling Interests	-	(2,687)		-	(4,467)
Interest Expense	24,224	23,914		48,680	47,958
Income Taxes	19,163	17,601		21,401	29,843
Depreciation	38,089	31,965		65,791	57,091
Amortization of Intangibles	7,881	8,691		15,762	17,382
EBITDA	<u>\$ 157,080</u>	<u>\$ 131,590</u>		<u>\$ 287,956</u>	<u>\$ 248,664</u>

# First Quarter Brand Portfolio Performance

For the six months ended July 2, 2017, first quarter revenues of \$7M were reclassified from Hasbro Gaming to Franchise Brands to conform to the presentation for the quarter ended July 2, 2017.

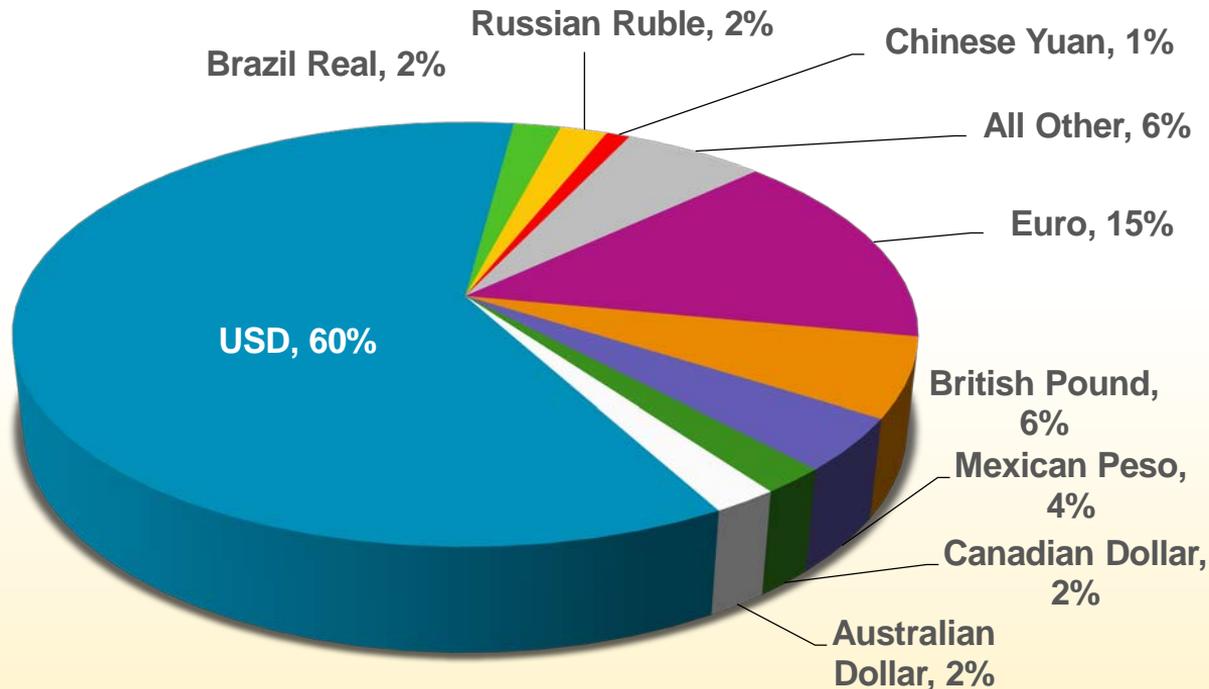
(\$ millions, unaudited)	Q1 2017	Q1 2016	% Change
<b>Franchise Brands</b>	\$431	\$416	+4%
<b>Partner Brands</b>	213	258	-18%
<b>Hasbro Gaming*</b>	136	100	+36%
<b>Emerging Brands</b>	70	56	+25%
<b>Total</b>	<b>\$850</b>	<b>\$831</b>	<b>+2%</b>

\*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, totaled \$253.3M for Q1 2017, up 10% vs. \$231.1M in Q1 2016. Hasbro believes its gaming portfolio is a competitive differentiator and views it in its entirety.

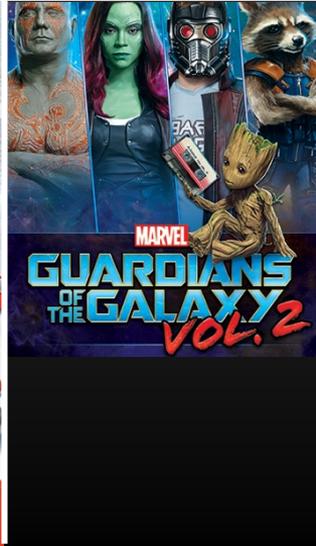


# 2016 Revenue by Currency

Hasbro 2016 Net Revenues by Currency

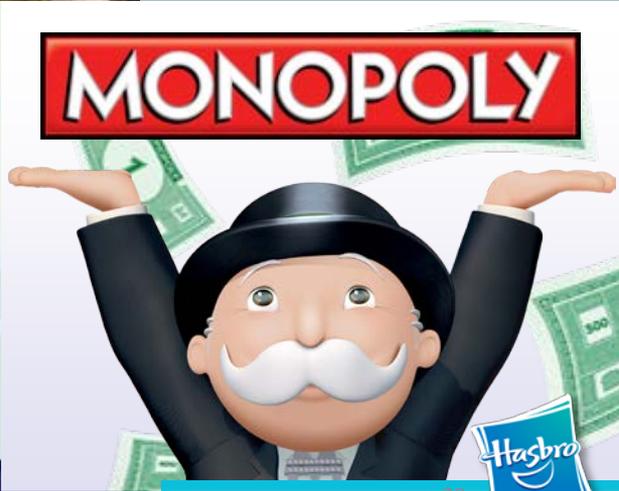


2017 Initiatives





# Franchise Brands





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

