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HAS - Hasbro Inc at Sanford C Bernstein Strategic Decisions Conference

EVENT DATE/TIME: JUNE 01, 2016 / 3:00PM GMT

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CORPORATE PARTICIPANTS

Brian Goldner *Hasbro, Inc. - Chairman, President and CEO*

CONFERENCE CALL PARTICIPANTS

Dave Beckel *Sanford C. Bernstein - Analyst*

PRESENTATION

Dave Beckel - *Sanford C. Bernstein - Analyst*

I think we'll go ahead and get started here. For those of you who don't know me, my name is Dave Beckel. I am the soon-to-be launched, Leisure and Lodging analyst here at Bernstein and it's my pleasure today to introduce Mr. Brian Goldner, who is the Chairman, President, and CEO of Hasbro. Brian has been at Hasbro since 2000 and held the title of CEO since 2008 and is really responsible for helping develop Hasbro's brand and play strategy, which I assume we'll talk about at great length today.

So just a quick procedural note, Brian's going to kick things off with some prepared remarks. We'll then engage in a fireside chat, Q&A session. Around the 30-minute mark or so, I'll take questions from the audience. You should all have the white cards. So if you do have a question, please fill out a card, pass it to one of the facilitators in the room and I'll do my best to answer as many questions or ask rather as many questions as we have time for. All right.

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Great, thanks Dave. Good morning everyone and thank you for having us here today at Bernstein and I'm happy to be here as well with Deb Thomas, who's our CFO and just to start, let me remind you of safe harbor and you can check our filings. So Hasbro has been around for 90 years, but over the last 15 years, we've made many strategic changes to our Company, have been in the process of a transformation. So those of you who aren't familiar with the Company, I'll try to get you up to speed on our performance and how we focus on our business as we go forward.

For 2015, we had 13% growth in our revenues and arrived at $4.4 billion, which was a record revenues year for the Company. We also grew in every one of our geographic regions in double-digits. Now, the focus of our strategy and I'll talk a lot about this today, our brand blueprint has enabled us to achieve higher gross and operating margins across the Company. This has a lot to do with the growth of our franchise brands, which tend to be more profitable, also the growth of our emerging market business as well the growth of our entertainment and licensing business, which is at the center of a lot of what we do in storytelling as well as in our consumer insights. So at the center of everything we do, we put our brands.

This is our brand blueprint. We try to distill everything we do down to one piece of paper and this enables us to communicate this to our constituents and to our employees all around the world. With our brands at the center, we go out and gain proprietary research in a number of ways and proprietary consumer insights that enable us to think about our brand in new and differentiated ways.

We then surround our brands with storytelling and immersive entertainment experiences of all kinds including all kinds of social media. We then move into all kinds of digital engagement including digital gaming and consumer products are growing consumer product licensing business beyond what we create in toys and games and then of course what you probably know us best for is our toy and game business and we continue to innovate in that space.

We then take that model out around the world to developing and emerging markets. Our licensing business that we've spent a lot of time investing in has enabled us to drive quite good growth in our entertainment and licensing segment, which is a reportable segment for us. We continue to build that storytelling in spite getting our stories going in the marketplace and in distributing our television series all around the world in more than 150 markets around the world for brands like Transformers and My Little Pony. It enables us to engender interest across a spectrum of consumer products licensees and they've come onboard then to sign licenses with us and create products beyond the toy and game space.

We also get revenues from the distribution of our content and we also get of course royalty income and revenues from our digital gaming and digital engagement businesses. Our franchise brands, which are the Top 7 brands of our Company where we view them to have the greatest long-term potentiality grew last year 7% absent FX and I'll talk more about our franchise brands, I'm sure throughout our time together. These brands enjoy higher-than-average operating profit margins for our Company.

So our Company average operating margin for 2015 was about 15.5%. Our franchise brands are 300 basis points to 400 basis points higher [than] operating profit margin, our partner brands meaning brands we license from other partners tend to be a bit lower and proportionality between franchise brands and partner brands is about 75% of our owned and operated business, about 50% of that or a little more than 50% are franchise brands, and about 25% to 27% are our partner brands.

Our partner brands are who's who of entertainment particularly our long-term relationship and growing relationship with the Walt Disney Company where we manage the Star Wars and Marvel toy lines as well as recently launched The Disney Princess and Frozen product lines as well. And then, for this year, this is our lineup that includes DreamWorks Trolls which launches this fall, a very fun movie from DreamWorks as well over time, we of course have developed and focused on Sesame Street as well as a product line called Beyblade.

So I mentioned earlier that we have all kinds of entertainment that we create, that storytelling engine is incredibly important because we know the brands that are being driven by storytelling are grow much faster in our industry than those that don't. So we've done billions of dollars at the box office through our motion pictures that we do with partnerships like Paramount for things like Transformers and G.I. Joe. We then produce our own television and our own studio.

We've produced more than 1,500 half-hours of programing. We distribute that programing all over the world. As I mentioned, this is on the air in emerging markets like Russia as well as in the US. We also distribute to all the streaming channels and OTT or Over-the-top networks including specific distribution arrangements with companies like Netflix.

For 2017, we'll have two of our franchise brands and we'll have feature films, both Transformers which happens in June and then My Little Pony as our first animated feature film that we're producing, it's distributed by Lions Gate and that comes in October of next year.

As we think about capital priorities, we look at and target an operating cash flow of $550 million to $600 million per year. We of course first and foremost invest in the long-term growth of our Company. We then return excess cash to our shareholders through dividends and stock repurchase programs and continue to look at maintaining a solid investment grade rating, which allows us access to commercial paper markets.

So if you look at the period, you've seen a great growth in our dividend over time. In fact, our Board just approved another 11% growth in our dividend and over the last five years, we've returned 136% of net earnings to our shareholders in the form of both dividends and share repurchases, over 10 years $4.8 billion.

These are our franchise brands, seven brands that we continue to focus on unlocking the economic value of these brands whether it'd be NERF or Play-Doh, My Little Pony, Monopoly Magic, Littlest Pet Shop, of course, Transformers. These are the brands that have the greatest economic value to our Company and we think has the greatest potentiality over time to be beyond $1 billion each over some period of time.

And by generating all this interest in our brands through storytelling based on great consumer insights and going all over the blueprint, what we are seeing is a great growth in our brands across what we call the share of life meaning our greater share of mind and share of wallet of consumers.

We know through research and proprietary research we've done over many years beyond the decade that if a consumer loves your brand and loves the characters and stories around your brand, they will travel with you across a myriad of platforms and mediums and therefore we are gaining more and more business outside of just the toy and game space and in fact, we are going to new demographics all the time based on the fan economy that continues to grow.

We were looking at some numbers, about 20% of our revenues today come from people 16 years old and older. So that's the fan economy that continues to grow as well as our magic to gathering business, which are the core of that older audience those older demographics, but that we do gain royalty income or revenues from all of these different categories. And so those are my prepared remarks and I'll turn things back to David.

QUESTIONS AND ANSWERS

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great, thank you, Brian. Very helpful context. I'll kick my questions off at a fairly broad level. So, regarding the toy industry, for those who are maybe little bit less familiar, there seems to be some concern that kids just aren't playing with toys as much as they used to given the bevy of digital substitutes that exist today that didn't five or 10 years ago, but prevailing data would suggest that that's not necessarily the case. Industry data provider NPD puts out a study and what they've shown is that traditional toy base players, the Number 1 activity among kids age 0-14 and toy sales in the US actually grew 7% last year. So, my question is how has the traditional toy space been able to fend off this variety of digital substitutes that have come across over the last couple of years to actually grow. Is it that toys are becoming better or more competitive or is there sort of an innate resiliency in traditional toy play patterns?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, I don't think traditional toys are traditional anymore. We have teams of people at the Company called the iPlay team, the integrated play team and so we know that young people today want to travel with the brand between a digital engagement and an analog engagement and we're now creating those toys that enable those children to actually just move very seamlessly between all the different mediums.

So if you're playing with My Little Pony, those of you who are fans of My Little Pony would know they have little cutie marks and this past year, all of those cutie marks are scannable and they allow those characters to actually project right into digital games or digital apps and allow the children to play across a multitude of different games, apps, what have you, in the digital space. So we're constantly working to ensure that our audience can travel with our brands from analog to digital and back again.

If you look around the world, we've seen the growth of the industry and very robust growth. In fact, globally where we get data, growth was mid-single to high-single digits all around the world. Last year it continues to be that way through the first quarter of this year and Hasbro's growth has outstripped that, so our market share is growing around the world.

The other element that really has a lot to do with the growth of the industry has to do with storytelling. We'd seen an unprecedented era of new entertainment come into the industry, both from ourselves as well as many of our partners like the Walt Disney Company and we know the brands that are subject to storytelling are growing at a much faster rate than the underlying industry even beyond those mid-single digit growth rates.

So the storytelling combined with great consumer insights, great innovative product that also travels in an integrated play way across digital platforms I think all spells a success recipe that we've developed through the blueprint over the last decade.

Dave Beckel - *Sanford C. Bernstein - Analyst*

That's great. So you talked a lot about the digital aspect of toys, perhaps causing the traditional toy space to be a bit of a misnomer perhaps. You mentioned placing -- various things you've done, My Little Pony, you're also heavily involved in digital gaming development with your majority investment in gaming provider Backflip. So I'd love if you could just talk a minute about your overall, overarching digital strategy and specifically, you touched on this a bit, but just maybe a little bit more about how technology has become more part of your product development and planning process over the last couple of years?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

We do it in a number of ways. In our traditional, more traditional toy space, we have the integrated play team, we also have lots of futurists that work in our business and technology experts looking three years, four years or five years out on the horizon on what kinds of technology can we bring in. So in VR, AR, MR, looking at all those categories, in addition to more traditional toys and games that are connected digitally into all these different platforms. So that's one thing that we're clearly looking at and developing and putting products out into the market.

The other area is digital gaming. We began in our digital gaming efforts using a lot of third-party relationships. We created a team so that we could learn from the best in the industry. We have relationships with all the great gaming companies in the industry whether it's Activision or EA, Gameloft, DNA, you name it, they're all making games on our behalf and over time what we've been able to do is develop our expertise so much so that we then a few years ago bought 70% interest in Backflip.

In fact, tomorrow Backflip will launch its first Hasbro game. They were purchased two years ago, which is a Transformers game, Earth Wars is coming. Then there's a My Little Pony game, a couple of Monopoly games and then a sequel to their very popular DragonVale game. So I'd encourage you to download that and see just how people are going to play digital games from Hasbro and it's really for us a very iterative process. We really follow with the consumer trends and we are trying to in effect allow the consumer to lead us in these new and differentiated ways, but we believe mobile gaming in particular is a very strong area of growth and we're going to be more involved in mobile gaming as we go forward.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great. So I want to talk a little bit about the brand blueprint, which you've highlighted in one of your slides, I think sort of the central tenant of your overall strategy. Under the guise of that blueprint, you've successfully made a transition from what I guess you would call traditional toy manufacturer to more of a brand franchise developer/manager, but in doing so, you've had to acquire or build a certain number of competencies that you didn't have before such as storytelling, digital design among others. So my question is how difficult was that transition and how much further along the path that you really laid out about a decade ago. Do you have to go to sort of fully realize that vision that you put in place?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

We've spent the last decade building the brand blueprint. 49% of our employees today have been at the Company less than five years. So the capabilities of our Company have changed dramatically. The transformation is underway and a lot of the investments we needed to make whether it was in the emerging markets or licensing personnel or studio personal or digital gaming personal have been made. So now it's a matter of looking strategically at add-on capabilities we may need or honing a capability, but primarily the blueprint has now been formed. So I would say we're in the starting gate after a 10-year period of development and we're really seeing 2015 probably be the first year of a multi-year sense of visibility to how this blueprint can help us execute at a higher level.

Dave Beckel - *Sanford C. Bernstein - Analyst*

I don't think I saw the slide, but you do have a film slate now that goes out three years or four years I believe of consistent regular releases of films that probably would've been unthinkable as little as five years or six years ago?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Look, I think not only have we noticed the importance of storytelling, a lot of our major partners have noticed this as well and so studios more than ever are dating films out into the future. We know and have visibility to films coming from the Walt Disney Company around Star Wars, around Marvel, Disney Princess, all of those different areas coming over the next several years and so we've entered this unprecedented era of new entertainment.

There's more Star Wars entertainment coming in the next five years than have come in the last 30 years and more Marvel movies coming in the next three years than have come in the last three years. So I think you're seeing the family tree of all these characters be developed by our partners and we're doing the same. We'll have three transformers movies over the next three years.

It's the first time back-to-back films. For next year, it's a story that's consistent with the story that's been going. So it's a sequel to that. And then in 2018 is a story all about Bumblebee, which is one of the more beloved characters in the Autobot legion. And then for 2019, another story, we have My Little Pony coming as an animated film for next fall and I imagine we'll be doing more in the area of animation.

It's an area of capability that we've built and yet we feel there's more opportunity and headroom there because the technology really has changed in the way you can develop animated films and so it no longer takes a studio model to create those animated films and we're using some of the best in the business to create them at a much more nominal price point.

Dave Beckel - *Sanford C. Bernstein - Analyst*

So a lot more consistency among the film-based revenue over the next couple of years than you've probably seen in the past I would imagine?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

That's exactly right. I think that we have far more visibility to what's happening three years out than we ever have.

Dave Beckel - *Sanford C. Bernstein - Analyst*

That's great. I want to touch on some specific growth opportunities. We're already sort of touched on a few, but before I do, I'd just like to get your sense for what you're most excited about as CEO of Hasbro today when you look out into the future with respect to potential growth opportunities?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Well, for me it's been a 10-year effort. I've been at the Company for just about 16 years. The first five years were really repairing where we had been in the past, building a team, and building a management team that's now been together for the last decade and then building out this brand blueprint, re-organizing the Company around that and building on all these capabilities.

So what's exciting for me is to be after a 10-year effort to be in the starting gate. And so people asked all the time, what inning are we in and I think for us we're in probably the second inning of this game and the rule of the game continues to change as we all know, but certainly very early stages.

So that's what's exciting to me is to see what's possible having built this capability. Last year was the first year where we really began to activate all the elements of the blueprint. You can see that in our results. You see it in the growth of our business, but also the growth of our market share and you see it in the share of [life], the fact that we are now garnering more revenues, royalty income in our entertainment and licensing business, which as you may know, is about twice as profitable as the Company average operating profit about a 28% net operating margin, up against the Company's 15.5% overall. So the more we grow there obviously that gives us that leverage toward growth and operating margin overall.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Got it. So switching gears a bit to your brand specifically. I want to first start with partner brands, which I think you mentioned is about 20% to 25% of consolidated revenues, sort of forward-looking basis. You've long been a strong partner to many very well-known third-party franchises Marvel, Lucas among others and you recently won the contract for Disney's Princess and Frozen characters from Mattel, which obviously has a very long history in the sort of girls doll space. So my question is what is it that makes Hasbro a preferred partner rather for Disney and other brand owners?

What is the competitive advantage that Hasbro has that other toy manufacturers do not and maybe more importantly, how defensible is that competitive advantage?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

I think it's a great question. For us, we have built this blueprint and being a brand owner and brand manager enables us to be a great partner because we treat other partners' brands like we treat our own and so we imagine those brands contained within our blueprint, obviously the entertainment comes from those partners, but we take and understand proprietary consumer insights around those brands. We did a lot of research around the Disney Princess business.

In fact, we did a study called The Modern Princess, which really enabled us to understand how girls view empowerment today, that's very differentiated versus where it's been in the past. We work on with dedicated teams and great innovations across Lucas as well as in the Marvel business and so by treating other people's brands the way we treat our brands and thinking about them as storytellers with great proprietary consumer insights, I feel that our partners understand and respect and appreciate that.

The other part about the Disney Princess because I don't think people know is that in order to get on the radar screen of Disney, we had built a $1 billion girls business. When we first started our girls business, it was about a $50 million business back in 2000 and we built that to about a $ 1 billion business. So clearly, we had a lot of expertise in the girls arena. We were able to begin to show that to the Disney Company through some work we had done on the Descendants, which was a Disney Channel original movie and a property and a toy line that we developed with them and so through that experience, they asked us to take a crack at and look at the Disney Princess and Frozen business and provide a different perspective. And what's interesting about that is that as we've launched the Disney Princess line just this past January, you've already seen in the marketplace the fact that we've launched with all 11 Princesses, a very different looking doll, lot more fashion orientation even at the lowest opening price points around the world and so we get what little girls want and we try to put ourselves in the shoes of the brand owners in the case of our partner brand.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And you mentioned that revenue starts kicking in this year. Has the transition at the retail point of purchase fully sort of turned over at this point because you were -- there was a hand-off period I guess, between Mattel and yourself?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

There was. The hand-off period is over the first two quarters of this year. So I think you'll continue to see the impact from prior product dissipate through the second half of the year and then as we go forward, clearly more clear air for our own brands, but already we're seeing great results and it's heartening to see that product for product, our sales are better than predecessor product.

Dave Beckel - *Sanford C. Bernstein - Analyst*

That's great. So you mentioned that you treat partner brands similar to your own. There are obviously some limitations there I would imagine with respect to IP, but certainly it sounds like there's a lot of investment that goes into your time and resources put into partner brands. So how is that you select which partners you're going to partner with for a lack of better word. Is there adamant sort of calling process? And secondarily I guess, are there any partner brands on the horizon that are sort up for bid that investors might want to be aware of?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, we really feel that we have good long-term relationships with some key partners and key entertainment companies that provide amazing entertainment over a long period of time. So we really look at the opportunity to partner strategically with the Walt Disney Company. We have been very thoughtful about other licenses that we brought on. We're not trying to go out and get every license that is available. We like the balance, the fulcrum being around that 25% of revenues coming from our partner brands.

This year we have a few other partners that are out there like the DreamWorks' Trolls launch and movie that comes this fall, which we're very excited about, but really focusing on the Disney business and then a few other select partners has really worked for us and we'll continue to work as we go forward and there are no specific new licenses that are up that I could speak to that would tell you that things that we're going after.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Got it, got it. So transitioning from partner to internal brands, which is the bread and butter of your business so to speak. You have reported an interesting tier structure, you have your franchise brands, your Top 7 brands that presumably receive the vast majority of investment dollars, but then you have a category of challenger brands, which are still well known brands, but haven't received I guess the same level of attention internally. So I'm curious to know if there any challenger brands that you see as being capable of making the jump to franchise status and then I guess taking a step back, how is it exactly internally that you decide which brands are going to get the investment dollar relative to another?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, so first our challenger brands are really being pressure tested all the time to see if they have the potentiality to be future franchise brands and in fact two of our prior challenger brands entered the franchise brand status just over the last few years. They were NERF and Play-Doh. So in fact rather than thinking about them as getting less resource, what it really is about is applying a level of pressure to those brands and a level of resource to the brands and see if we can't spark them toward the next level of interest and if we can, then we pour more on and pour more resources toward that and now NERF is our largest brand across our Company even including our partner brands and Play-Doh has had its best three years in the last three years in its 60-year history.

So by thinking about brands, we call it a brand enterprise value, we look at the brand's potentiality and value over a period of time. We use some modeling and some work. There's both art and science involved in that, but a good combination of the two and we now have franchise brand leaders, global brand leaders that are focusing on those brands and what that potentiality could look like over time.

What's great about where we are is that while we have now our franchise brands representing 52% of revenues and NERF being our largest brand, we still have a lot of headroom as we compare the size of a brand like NERF to some of our competitors' brands that are out there that are still far bigger. So we still see a lot of headroom and growth for the franchise brands and I think over time what we're seeing a good example is that certain brands are really performing at certain levels in the challenger arena, brands like Baby Alive, the baby doll market is still a perennial strong market in places like Brazil and in fact Baby Alive is our largest brand in Brazil.

So, you have to take into account some of the regional differences that exist between brands and that broad portfolio that goes to multitude of demographics and psychographics is beneficial and it's one of the strategic advantages that we have as a Company. The fact that we have 1,500 brands that we do focus on the top tier franchise brands and we have an array of challenger brands, but we also have lots of brands that are in our vault that we begin to think about how we might use those in the future.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Interesting. So some of your brands like My Little Pony, NERF, which you mentioned is a relatively new franchise brand, Monopoly, they've been around for decades and a few of those were actually developed by predecessor companies I believe. Can you give an example of a more recently developed homegrown brand to illustrate sort of what that development process looks like specifically within the prism of the brand blueprint?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, sure. I think you've got a couple of really good examples because back in 2000, both NERF and My Little Pony were about $20 million businesses and today, I've mentioned that Star Wars last year was about $500 million business and I've said NERF is our biggest brand. So you can sort of get the idea that NERF is now a far bigger brand than it was just 15 years ago and the way we got there, many people would believe that that NERF play pattern, if you will, the blasters, the NERF darts and blasters wouldn't play all around the world.

So we went out and did a lot of proprietary research, went out and understood consumers and what was clear is that moms all around the world believe the similar thing about play, that there were certain kinds of play that they just didn't want their children to do around their homes and when we introduced the idea of NERF, they said, well, that would be permissible play in a high action kind of a way. So it gave -- NERF was the permission to allow for certain kinds of play.

So mom might say no, but NERF says you can and so that marketing team then turned that into a universal truth that we now use in our product development and marketing called achieving the impossible. It allows you to play in a way that you could only imagine you could play and mom appreciates it as well and it's really propelled both the product development process as well as the marketing process is primarily done through social media.

And so we go out and create only about 3% of all the content that exist out there in storytelling and then what we call our NERF NATION, which is the online community of NERF players, create the rest and they are doing that to really celebrate the way they play NERF and inspire other people to create content that also goes up on places like YouTube.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And there was -- there are a couple of viral videos I believe, it was Dude Perfect.

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Dude Perfect. Right, you might know these guys from the -- like all the trick shots and you see them around the Super Bowls and we met them a number of years ago, they're out of Dallas and we saw some of the fun stuff they were doing and we said, well, what's possible if we handed them some of our newer product? What could they do with it? And they started to create a sensation and inspired other people for trick shots or for a webisodes or you even see if you go online today a little mini movies that are created by our fan base.

Dave Beckel - *Sanford C. Bernstein - Analyst*

That's great. Free advertising. So speaking a little bit about -- touching on some of the emerging markets that you mentioned are a substantial area of focus for Hasbro. It's currently [around 14%] of consolidated revenues. What are some of the biggest challenges you face when entering new markets? Are play patterns and brand acceptance universal in nature or there's certain amount of market conditioning that needs to take place before you can really gain traction?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Each market is a bit different, but we've taken some important steps to ensure that our brands are seen in those markets in a really contemporary way. So as we went into Russia for example, we went out and met with and then created a placement of our programing on the state-owned kids TV network called Carousel. So today, our shows run on Carousel so the young people are seeing the television series Transformers, My Little Pony, other series, we're developing not only our toy and game business, but a raft of those consumer products licensees and relationships there.

So when you go to the big retailers, [Detschemia] being a big retailer in Russia, one of the bigger retailers and fast growing retailers, you're not only seeing an array of our toys and games created by Hasbro, but you're seeing a raft of consumer products, T-shirts, backpacks, bedding, whatever it might be being displayed in a -- we might call it a more traditional way, but frankly in a more of a feature shop meaning an array of brand offerings that go across -- run the gamut across the consumer product spectrum.

So that's how we think about the model for our emerging market business. Obviously there were some initial investments we had to make in the emerging markets to get the right kinds of personnel on the ground and that's a lot of where the new personnel have come from is in those markets and some bigger markets we needed some infrastructure and distribution centers and supply chain and so as we continue to grow beyond where we are today, the economy of scale takes hold and we start to have our emerging markets' operating profit margins improve and continue to head toward Company average operating profit margins. They're not there yet. They're around 10% obviously impacted by forex, but about 10% and then we would expect those to approach Company average operating margins as our scale and revenues grow in those markets.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And which markets currently present sort of biggest opportunity for Hasbro overall?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

We clearly see you know the Russian business, the Brazilian business and certainly the Chinese business among the emerging markets as being the biggest -- China is probably the biggest opportunity and what's great about the Chinese market for us is that Transformers is one of the more beloved brands. So we're just scratching the surface of what's possible. Back in the 1980s, Transformers was on the air on Chinese TV in animation and so you have a whole generation of young adults, they call themselves the Fans Kidults, sort of kids at heart but adults and so it's helped us to bring Transformers back to that market in a bigger way. We're still just scratching the surface, but you could see in the performance of the movie. Transformers did $300 million, the last Transformers $300 million at the box office, which makes it one of the highest grossing movies in China.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Better than Star Wars?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Better than Star Wars to date. So that's a big opportunity for us as we go forward. We then begin to introduce some other brands, My Little Pony is taking hold in China, but we're in the very early days and China particularly will require a bit more investment over time, but the payoff we think over time -- in the next four to five years, China could be the size of one of our big European markets. Just going to take some time to get there.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Right, I'll pause for a quick second. Does anyone in the audience have questions via card that they'd like pass this way. If so, please make sure they get up here somehow. Hopefully there's somebody walking around taking those and I'll introduce those as we go here. So moving on, you know, I'd be remiss if I didn't at least broach the topic of industry structure.

I think a lot of people, maybe a misperception is that Mattel, Hasbro, Lego control the vast majority of the toy market. That's actually not the case at all. It's a very fragmented marketplace even in countries and markets as mature as the US. So I guess not to mention any specific deal or rumor or whatnot, but I'm just curious if you could give us a sense for what real benefits there are to be gained from industry consolidation for large toy producers such as yourself and more specifically is there any sense that there's a need for consolidation maybe with the continuous incursion of digital forms of media sort of encroaching on the space of child play?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Well, if you think about our business back from 2000, we were about a $2.5 billion Company. Today we're $4.5 billion and our operating margin has gone from single-digits to double-digits and we've done that virtually organically with very little in terms of acquisition. So we believe that our brands have lots of headroom for continued growth. We're really as I said early days in having developed a brand blueprint. We also have brands in our vault.

We are presently working with Paramount Pictures. We've created a writer's room and we have five vault brands that we're now developing for the motion picture space and that will also go into television and they include Micronauts and MASK and Visionaries as well as ROM as a well as a brand new take and a direction for G.I. Joe. We've also done a deal directly with Netflix. We'll create a first original series for Stretch Armstrong, which is another brand in our vault.

So you can imagine that over time we have a raft of incredible properties, many of whom have the DNA of the comic book era. In fact, Micronauts is one of the better known comic book brands that was out there that was owned by neither of the other big comic book companies and we're redeveloping those today.

So we don't feel we have any shortage of brands, that there's certainly ample room for growth in our own franchise brands as well as challenger brands and we will strategically and selectively launch new brands now that we've developed the brand blueprint. It's a relentlessly repeatable model that we'll use and employ. So I know I didn't specifically answer your question about consolidation because I don't think we need to have consolidation in order to grow our business and to over-achieve the marketplace growth.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great, fair enough. I think you mentioned Micronauts. I think at least I wasn't initially aware of the Micronaut legacy, but it's a series of different properties that sort of come together very much like a Marvel or DC comic universe. Could you talk a little bit about exactly what that is and what we can expect from an entertainment perspective in the not-too-distant future?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, so we've re-launched several of our brands into comics using a comic book partner in IDW. So we do that through a publishing relationship. So you're seeing new comics coming out for lots of our classic brands, as I said, like Micronauts and ROM and others. We're then working with a series of writers. Akiva Goldsman is an academy award-winning writer who is heading up our writers room for us. We're producing a raft of movies for Paramount and the coming out of this writer's room, we'll have scripts for a number of movies going into the future.

So, in addition to the other Transformers films, Paramount has an intention of producing and distributing films that we'll produce. Obviously those movies have always had a merchandise DNA as well in addition to the comic DNA and so that's just for us another opportunity to continue to bring brands from our vault out to the global marketplace.

They all have a legacy fan base that's out there if you go and search those brands, you'll see that many of them had animated series or comic books or consumer products or toys and games back in their history and so now it's a matter of reigniting and reimagining those brands.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great, I'll turn to some audience questions and apologize if I don't get to them. All we have is about 11 minutes here, but one question from the audience has sort of involved the distribution channel -- the online distribution channel, which has obviously taken a pretty substantial amount of share from traditional brick and mortar type stores.

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So the question is really around how is the development of e-commerce affected the toy industry in your business model given there's presumably greater price transparency, fragmentation, and other things and does it detract at all from your sort of experience of a kid walking through the aisles. I'd imagine that's difficult to replicate online. Is there any sort of natural erosion that takes place because of the business model change?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

In fact online retailing is one of the most exciting opportunities that we have and something that we really embrace. We've continued to develop digital assets in order to get that virtual experience in a digital way. So when you go online today, you can get a virtual experience around our brands whether its webisodes around the characters and the content or digital films that explain how products work and young people today get it. I mean they are digital natives and they don't feel that there's necessarily any trade off.

The other great part about online retailing for us has been the idea of dis-intermediating just being in the toy department at retail. So in fact this year we're launching a raft of product that's around that adult fan. Everybody know about cos play, costume play and dress up play in all these fan conventions. So Captain America shield that may sell for $100 or $200 to more of an adult fan or an Iron Man helmet or our own Transformers brand. Those are opportunities that we wouldn't have had in the past.

So we're able to actually break traditional price points and get to new and exciting categories of products that continue to drive the fan economy, continue to drive our business beyond traditional demographics. So we've embraced online retailing fully fundamentally and in fact I would encourage people to think along the lines of what's going on in the UK and Germany as leading markets for where this business will go and where the industry will be in the next three to four years.

They both are around 30% of revenues coming from online retailing for the industry. The rest of the developed world is about mid-teens and so we see rapid growth there and in fact we talked about our POS through the first quarter. Online retailing was growing at twice the rate. Our overall POS was up double-digits, but the online POS was up twice that. So we continue to embrace online retailing. We think it's great and it really matches with the brand blueprint strategy of being ubiquitous with our brands in every medium.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great, another question from the audience. Kind of touches on a question I asked earlier about deciding where to invest? Question is really about do you have any brands that aren't profitable today perhaps and how do you think about sort of keeping or pruning certain brands or just shuttering them altogether?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

So we have a few brands where as we did some brand enterprise value work, we felt that those brands were multinational brands, but may be not as global as we would want and so we found some great relationships with some smaller companies where we licensed out those brands, brands like Tonka, a great brand, they have a great pedigree in a multitude of countries, but maybe not as global as we would want and maybe in a category where we feel that a licensee could handle that brand quite well.

So our consumer products team handles those license relationships for toy category. So, Lincoln Logs and Tinkertoys and Tonka are brands that we own and we get royalty income in the consumer products business, but our own toy and game teams don't focus their time and effort on them.

Dave Beckel - *Sanford C. Bernstein - Analyst*

So those companies that you license to essentially have taken the role that you once had as primarily a toy manufacturer?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

That's exactly right. So we find more traditional toy and game companies, they're able to handle that and that may be because we feel the DNA of some of those brands is more in several countries but not necessarily as much of a global footprint or the opportunity to make it as global and as multi-faceted as some of the other brands, but still great valuable brands in those markets and certainly great royalty income that comes to the Company.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great. So I'll try to amalgamate a couple of questions here, try to kill a few birds with one stone. Question is really about and I think I kind of touched on it earlier about Hasbro no longer being a hit or miss company to the extent it ever was considered that. How much visibility do you currently have in your business and then kind of a side question of what is the nature of the cyclicality of the toy business. So you have both cyclicality presumably some correlation to GDP and then also just the nature of the theatrical market being somewhat hit or miss or at least difficult to have a property every quarter on the quarter looking out into the future?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

I think we look at the business in several different ways. Our own franchise brands have continued to grow at a good pace. We have brands that are both part of -- I'll call it traditional storytelling like episodic programming and motion pictures as well as those that are more social media-oriented storytelling like Play-Doh and NERF and some other brands as well. Magic: The Gathering is a great example where it's about the gameplay and people getting together in social media engagement more so than episodic programing or theatrical releases.

Then if you look on kind of on top of that, you have kind of the EKG of the ups and downs of the movie business, but given the importance of movies to not only Hasbro but to our partners, you're getting more movies than ever before. So you do have some working in and out of different brands but overall that trend has been up into the right for movies and for revenues that have come from movie business. That's why we say we continue to believe that our partner brands revenue should be about 25%, maybe 27% of revenue because our franchise brands are also growing. So we expect growth over the medium term.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And how did the toy industry do during the last recession albeit a very significant one?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

So look we had a year or two in there that was particularly challenging as we were transitioning to the brand blueprint -- fully to the brand blueprint. We weren't all the way there yet with our own brands. So therefore we were a little more at the mercy of some of the entertainment seasonality that was going on and our partners hadn't really gotten fully to the place they are today in terms of the amount of entertainment that they were on the way toward producing.

That's why we said 2015 is really the first year in a multi-year plan of unprecedented entertainment that we're seeing. The era of entertainment and the number of Star Wars movies coming, the number of Marvel movies coming, the number of initiatives around the Disney Princess and Frozen business, our own television production which continues unabated around our franchise brands and now new brands and then our movie business as well.

So I think that our visibility to what's going on through 2017, 2018, and 2019 is better today [about] those three years than it was in 2010 looking out toward 2014.

Dave Beckel - *Sanford C. Bernstein - Analyst*

So fair to say it's a much less cyclical business now for you guys particularly than it was in the past?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

The cyclicality is also an interesting thing for those people who may be broadly, but lightly familiar with the toy business, there used to be adage that the toys had a natural life cycle that they would had to grow for a few years and then they would flatten out and inevitably decline. I've said all along and I think everybody at our Company believes that toy brands don't get tired, people may get tired, but what we need to do is continue to refresh those brands with great ideas and innovations, new consumer insights, and new entertainment, and immersive experiences and we do move our personnel around all over the world so that they are able to get new experiences, something we hadn't done in the past and that keeps things lively and fresh and everybody is trying to find a new way to grow a brand over time because brands don't have to inevitably step backwards. That doesn't mean that every brand will grow every year, but it does mean that over time we can grow our brands.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And a fairly large percentage of your revenue is based on brands or sort turns over every year, is that fair assessment?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, it's [about 80%, 75% to 80% of the SKUs] within a particular brand are new, but that just has to do with the fashion orientation. It's like a lot of FMCG companies, so a fast-moving consumer goods company is where the product lines change, the brands remain.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Got it. We've a couple minutes left. I have received a number of questions about the sort of exclusive whether or not that's the right word, exclusive nature of your relationships with partner brands specifically, how long do the contracts, I know you can't comment on that specifically, but how long do these contracts typically last and what's the sort of risk that one of these very substantial partner brands may leave going forward?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, so a couple things there. First, we have said that the Marvel relationship and Star Wars relationship go out through 2020. So they're multi-year deals that go out for the next several years. We have renewed those deals in the past and we have no reason to believe we wouldn't renew them in the future. Obviously we put many of our best and brightest personnel on those brands.

We do lots of new innovative product lines for those partners and that we launch first within those partner brands. So they are getting a lot of our new innovation and thought process first, like Hero Mashers was a new lineup, a way to play with action figures that nobody had seen before. They came from proprietary consumer work around the ability to mash up characters literally taking arms and legs from certain characters and combining between Star Wars characters, Transformers characters, and Marvel characters and be able to put that all together. That's been a very successful launch for us.

So if we're willing to put our best and brightest, our new innovative products thoughtfully executed around other people's brands, then we believe that we should maintain those businesses, but those contracts do go out for years and remind people that we've had the Marvel business for almost a decade and we've had the Star Wars business since the late 1970s.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And the Star Wars business, I've heard some comment that, I know there's a lot of Star Wars exposure, presumably there's a decent amount but what I think people may forget is that Star Wars, they have tent-pole films and then the character films coming out. [Was it every other year] in-between?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Yes, so this year is a movie called Rogue One.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Can we get an inside sneak peek into the movie, anything you want to add?

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

Hopefully if you've gone on the Internet, I think what's known out there is that it's a story about capturing the plans for the Death Star, okay. So that's about all we'll say there. Everything else -- go look at the trailer. It's certainly been seen a number of times online, but I think these anthology movies are going to be quite powerful. The next one that comes up after Rogue One is a Han Solo movie, we know that and then there'll be future movies as well, I'm sure.

Dave Beckel - *Sanford C. Bernstein - Analyst*

Great, I think we're just about out of time. So I want to say thank you very much, Brian Goldner.

Brian Goldner - *Hasbro, Inc. - Chairman, President and CEO*

David, Thank you.

Dave Beckel - *Sanford C. Bernstein - Analyst*

And hope you all found this as fascinating as I did.
