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# EDITED TRANSCRIPT

HAS - Hasbro Inc at JPMorgan Tech, Media and Telecom Conference

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## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Christopher Michael Horvers** *JP Morgan Chase & Co, Research Division - Senior Analyst*

## PRESENTATION

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Good afternoon. My name is Chris Horvers. I'm the broadlines and hardlines retail analyst here at JPMorgan, and I'm very happy to sub in here and host the fireside chat with Chairman and CEO Brian Goldner from Hasbro.

Since it's a 35-minute session, we're supposed to do sort of half me asking questions, half you guys asking questions, and we have people dialed in. Would love for it to be interactive. So if you have a question following up on something I asked or another topic that you want to delve into, please feel free to put your hand up and ask the question, and we can be very flexible and dynamic in that way.

## QUESTIONS AND ANSWERS

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

So maybe we'll just start with a very big-picture question. I was able to sit in on a meeting earlier today. I think a lot of people are trying to understand what's been the secret ingredient of success in Hasbro, your outperformance relative to some of your peers and the outlook going forward. So maybe you can start just very broadly, and we'll go that way.

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

Sure. So first and foremost, we have developed Brand Blueprint strategy that we've been developing over the last decade. And in that blueprint, we put the brands at the center of everything we do. And we develop proprietary global consumer insights, and then we inform our brands through storytelling in a multitude of ways, across multitude of screens. So we build immersive entertainment experiences that help people globally to understand the characters and the stories around those brands, make the brands more salient and relevant. And therefore, the audience and fans travel with the brand across a multitude of experiences that we create for them, and therefore, it creates streams of income for the company in Digital Gaming, one key area for us; in consumer products beyond just toys and games; and, certainly, in toys and games innovation. That framework then goes out around the world and our teams around the world. Increasingly, we own and operate our businesses in markets around the world, including emerging markets, and they are executing this Brand Blueprint strategy to great effect.

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

And so as you think about -- so as -- maybe you could then, therefore, differentiate sort of your go-to-market strategy versus your largest competitor and talk about what you think differentiates your success versus theirs. And how do we think about that competitive moat and the dynamic going forward?

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

Yes. We're trying to build very ownable differentiations and differentiators with our brand. One of those is our proprietary consumer insights. Second is our digital engagement, the way we engage with our fans and audiences digitally between our social scraping and our social listening

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skills and how we're developing just-in-time product around that, particularly in our games business. We've seen great growth in our gaming business. Our games brands are one big competitive differentiator. And then the way we execute those brands and the fact that we're able to get product by looking at social media and social scraping, develop and see what people are playing and what videos and things that they're posting online and then developing games in less than 1 quarter's time and putting them out in the market. So PIE FACE was a game that we did that. SPEAK OUT was a game that we did that. And so we continue to drive our games business. We then take our games business across all platforms, including mobile gaming. We own a mobile gaming company called Backflip Studios out in Boulder, Colorado. So we're developing our own proprietary games at Backflip, but we also have third-party relationships. So that builds a competitive moat around digital and mobile gaming. Our brands perform incredibly well in that mobile gaming space. The innovation that we put into our products, we develop integrated play teams where the analog play that we've experienced over many, many years and decades is now connected to digital play. So whether kids or fans are playing with analog MY LITTLE PONY or TRANSFORMERS, whatever it might be, they're also able to connect directly to an online digital experience, and one play experience informs the other. And then, of course, these proprietary insights lead to great storytelling. We develop content, and about 1/3 of our media spend is being spent on digital engagement and digital marketing. And what that results in is great understanding of our audience, marketing directly to the audience and then inspiring the audience to market back, if you will, to other fans of the brand. So for example, for NERF, which is our largest brand and growing very quickly, we only create 3% of the content that exists in the world. 97% of that content is being created by our fans. It's UGC content but it's inspired by our content. And we use some of the key influencers online like Dude Perfect, who are guys who do all kinds of crazy fun stunt tricks. And in doing that, they're inspiring our fans to come back, and they then echo back to us, mirror back to us great content that inspires other fans. And so they have become known as NERF NATION, and NERF NATION really creates the content around those brands. So getting our fans of our brands the authorship of those brands and helping -- they help to co-create what those brands look like and how people experience those brands, all those elements lead to that proprietary nature of the ownership of our model and our blueprint.

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**Christopher Michael Horvers** - JP Morgan Chase & Co, Research Division - Senior Analyst

You've talked a lot about the differentiation being culture in the management team. Can you talk about the turnover in the management team over the past 10 years? Can you talk about where you think the culture differentiates yourself versus others in the market?

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

Yes. So the rookie on my team has been with us, and we've all been together for the last 10 years. We've been developing this model over 10 years. John Frascotti was just promoted to President of Hasbro. And again, alongside of some great product development, people, storytellers, designers, digital gaming experts, animation experts and film experts, we've really transformed the capabilities of the company and the composition of our workforce. In fact, 49% of our employees have been at the company less than 5 years. So while Hasbro is more than a 90-year-old company, the fact is the composition of our workforce and who's driving our business is both global in nature, now half our employees are outside the United States, as well, the capabilities of the company are all about agility, responsiveness to audiences and consumers in real time, the ability to develop innovative product around the blueprint, digital games and immersive experiences that continue to delight and enthrall our consumers and bring them along in that journey of storytelling. And by doing that, they are more engaged with our brands than other people's brands. We also do it with our partners. Our partners trust that we are helping to develop toys and games around their brands because we'll put innovation into those brands, first and foremost. We'll develop consumer insights alongside of the owners of those brands and make sure that we are thinking about those brands the way we think about our own brands, applying those proprietary insights, innovative products and driving it in every element of the blueprint that we can.

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**Christopher Michael Horvers** - JP Morgan Chase & Co, Research Division - Senior Analyst

And so as you think about content, as you think about 2017 looks to be a strong year for entertainment, you have multiple box office properties going on at the same time, how do you manage that? And then, as you look further out into the pipeline, how's the outlook for growth beyond this year as well?



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

Yes. So the pipeline is certainly robust this year. We've really entered, over the last few years, an unprecedented era of entertainment. And for us, we're particularly excited that this is our first year where we have 2 feature films, one of which we produced ourselves, an animated feature film for MY LITTLE PONY that comes in October, distributed by Lionsgate; and then, of course, TRANSFORMERS, in partnership with Paramount. So we've got our 2 films, but then a raft of great entertainment that comes from our partners, lots of television that comes from both Hasbro as well as our partners. And that has to do with the fact that we do the toys and games in the core categories for MARVEL and for STAR WARS and, of course, PRINCESS and FROZEN. And there's lots of entertainment that's coming for those brands, but it really doesn't end in 2017. In fact, 2018 and 2019, as we look out at the landscape, it continues to be an entertainment-rich environment. 2018, we see some really big properties coming from MARVEL. We see another STAR WARS film coming next summer in Han Solo. And of course, we have our own additional TRANSFORMERS movie next year. We're going to spend some time and really celebrate Bumblebee, and he's going to star in his own movie next summer in the TRANSFORMERS lore, for those of you who don't -- aren't familiar with Bumblebee. And so...

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Everybody knows Bumblebee.

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

Good. So as I look out over the horizon, I think we, again, have entered this entertainment era. We want to participate in it, and our partners are certainly driving that. And it's been incredibly good for the industry that continues to grow.

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

So -- but how do you think about -- obviously, your pipeline is rich this year and you talked about the go forward, but how do you think about others' pipeline and competing for attention in the market versus other franchise-type entertainment and movies that are animated?

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

Yes. So we've had years like this before where, in 1 year, we've had both a TRANSFORMERS movie and a Spider-Man movie. We're really excited about the new Spider-Man that's coming this year. And we've been able to manage those because the psychographics and demographics of those brands are different, the play patterns are different, the innovation is different. And so in fact, categories like action-oriented brands are very demand-elastic. It's a category that really grows as people get engaged in and participate with those brands. So we see there's a lot of complementarity and growth opportunity within the industry overall as a result of great storytelling and great studios putting out great titles. And for us, as we get into the fall, particularly excited about MY LITTLE PONY. It's really unique in the market because it celebrates the idea, the magic of friendship, and that's been uniquely positioned in the marketplace for parents and kids. And a lot of the properties that we really focus on are bimodal. You have that adult audience fan that's participating either as a fan or as part of a family. You have the kids that are participating. And so we're making product increasingly not only for the family or for the child, but for the fan of the brand. In fact, 20% of our revenues now are going to people older than 15 who are directly buying our product so they can participate, whether it's our games business, MAGIC: THE GATHERING or collector-oriented product around some of these action-oriented brands. So it's increasingly a fan world, a fan economy, and we like participating in that.

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

So that's a good segue. So just thinking about this sort of fandom, especially when you're leveraging assets that were created 20, 30 years ago. I mean, do you think entertainment and particularly play -- is it taking an increased share of consumer wallet? I think a lot of people are concerned about how the brick-and-mortar versus Amazon and how that's going to play out from your perspective, but overall, do you think the pie's actually just expanding and it's allowing greater growth for a company like Hasbro?



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

Yes. No, look, there's certainly a lot of noise at retail and retailers, but the fact is the industry has continued to grow globally. Across the markets where we get measurement, our business has continued to grow, our market share has continued to grow. And it is about incredible consumer insights that we garner on a proprietary basis. We use a multitude of means to really understand our audience and those consumers. And then it is about that global entertainment that's appearing in, for our animation and our television, 190 geographies around the world, so every one of the major markets and the emerging markets. And we're seeing great growth rates in the emerging markets for these brands, people increasingly adopting these brands and participating and enjoying these brands in markets where they really haven't existed before in their current form and the entertainment coming to life on channels like Carousel in Russia and in Brazil and in China. And so we would continue to expect that we'll get -- we could generate double-digit growth rates in emerging markets absent FX and low to mid-single digit growth rates in the developed economies over time. And so then, again, that portends good things and an expanding operating margin over time as a result of that participation in these wonderful brands that have been enjoyed by generations, but also really resonate with new fans in these new markets.

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Yes. And so how do you manage like Target, for example? I cover Target. Target has negative traffic trends. So how are you managing the play between negative traffic at Target versus, obviously, mid-teens comps -- mid-teens growth for most online categories? How does that impact your business?

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

Yes. So there's both a channel management strategy and a development of brands with our retail partners, and Target is a great retail partner for us. We develop a raft of product that will appear in stores. We also have great products that appear online. And the opportunity online is to disintermediate all of the calendars that have existed historically in retail. Because we can sell at different price points, we sell to these different audiences and to fans collector-oriented product. We sell Nerf, for example, Modulus, which is like a customizable blaster business that's particularly suited for an online business. In fact, it's one of our fastest-growing online businesses, is our NERF business. So what we're trying to do in online, it brings together content, commerce and innovation in a way that you can't bring together brick-and-mortar. And yet, brick-and-mortar, we give our retailers not only our core product lines that appear everywhere but also exclusives and direct-to-retail opportunities for licensing in other categories like apparel and other consumer products categories as we do entertainment. So in TRANSFORMERS or in MY LITTLE PONY, we have hundreds of licensees, but we also work directly with global retailers so they can create product lines in key categories where they have the expertise like apparel and other categories. And in doing that, we're able to help them grow. And we continue to see growth with all of our major retailers, and each retailer is using different sets of tools to make our categories particularly important. And increasingly, Hasbro is informing more of the box -- the big box at retail because of these brands that have story. It's not just the toy and game department. It's also, as I said, apparel or back-to-school or arts and crafts or whatever it might be, so increasingly important across the retail spectrum.

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

How does that change the value-creation equation? We talked about retail disintermediation and price transparency, but it would seem like who creates a content and who controls a content is going to take more share of that value creation over time. So how is that -- how is Amazon and online changing the share of the pie that you're able to capture over the long term?

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

Yes. It's interesting, what we're seeing overall. And we've talked about our POS growing roughly 10%, sort of double-digit growth U.S. business, and online retailing is growing at about 3x that. And for us, it really is an opportunity for us to work directly with the consumer, where we're able to deliver a content experience, a digital asset that helps them to engage with the brand. We even know that at brick-and-mortar shopping, 70% of consumers are having first experience in shopping online and then sort of deciding what is it they want to buy in store. A lot of what works for



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retailers is that idea that they're able to pick up in store -- shop online but pick up in store, and I think that, that brick and -- that click and brick kind of focus has also been important. So for us, what we're saying and executing is the fact that we're agnostic about where we grow or how we grow. We want to grow with all our retail partners, and we can accelerate our growth by offering the right kinds of products in each of those formats connected to content and innovation, recognizing that we can offer different kinds of price points than you could just in the toy department. You can break apart the retail calendar because we can offer high price points at times other than Christmas, as you could imagine, as you have fans and other people participating in brands. And so I think, overall, it's very good for our business and certainly good for the industry.

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**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Any questions from the audience so far?

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**Unidentified Analyst**

Would you try to explain how you decide how to invest in certain brands? And you talk a lot in your slide deck about research -- proprietary research that you do. I'm sure it's testing and doing small, little investments and making it work. But it seems like you have so many brands, you could pour money into different areas and have it not return much. So what's the secret to having it develop a good return on investment?

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

Yes. It's a great question. And so first and foremost, we -- management is measured on return on invested capital, and our return on invested capital is as high today as it's ever been because of the way we approach our brands. Our Franchise Brands, which are the top 7 brands of our company that we own and control, represent -- have represented the biggest opportunity for growth and enjoy a much higher operating margin than the company's average operating margin. So when we first got started building those Franchise Brands, we created brand enterprise value measures because we really wanted to look at brands that had the potential to become billion-dollar-plus brands at wholesale for us, our sales, and then, obviously, sizably bigger at retail. And then we look at Emerging Brands, where we think they cover unique whitespace and/or new brands that we intend to launch that we think will help to fill out our portfolio. And then, of course, we have dedicated resources in our partner brands. We look at those brands that we think have the greatest opportunity to grow over time. So we use dedicated resources for partners or licensed brands from great companies like The Walt Disney Company, dedicated resources on MARVEL and STAR WARS and PRINCESS and FROZEN that bring innovations to those brands as well. And so again, a lot of what we look at are the abilities to drive audiences and consumers globally, the ability to build an enterprise value around the blueprint, where we can get paid for those elements of brand engagement and then we get paid for the different streams of income as they participate, whether it's in digital games. For example, in TRANSFORMERS we have a TRANSFORMERS: EARTH WARS game, which is a digital game that was produced by our own Digital Gaming studio, Backflip Studios. So that adds to the value of the brand. Then we have Consumer Products licensees for this movie that's coming out in June, 200-plus licensees for TRANSFORMERS merchandise. So all that's additive, and it adds to that experience around the brand. Then as we look at new spaces, we're strategically and selectively launching new brands. This fall, we'll launch a brand from our vault called Stretch Armstrong. I hope a few of you recognize or remember Stretch Armstrong. And we're launching it with an animated series directly -- an original series direct for Netflix, and that will be the way that we'll tell story around that brand first. We've launched the brand that we found in Europe from 2 artists called Hanazuki, and we created just 300 minutes of animated content that we launched directly with YouTube as a short-form format, 11-minute format. And just over the first few months, we've already generated 120 million views of that content, so more than most of the linear kids' networks could create. And then we'll begin to platform that brand and expand its presence in a multitude of ways. So we use a lot of measures. We do use a lot of proprietary research. So we have family panels online -- real-time family panels online in a multitude of countries. We get real-time feedback from them. We do big proprietary studies around modern -- quantitative studies around modern fan, modern princess, modern girls, modern gamers, so we're constantly getting information. And then, of course, there's always qualitative information that we use around particular product or advertising ideas, we call it the Fun Lab. We have that in several territories around the world. We also have a mobile Fun Lab. People who will travel, we call them insight hunters, and they travel the world and set up shop in any number of countries as our global brand leaders have ideas or questions about how people might respond to an idea, product, story, whatever it might be in a particular territory. So we use, again, a lot of proprietary means. It's been an investment we've made from the very beginning, and it's really -- it helps to inform the investments we make and how we get a higher return on investment.



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**Unidentified Analyst**

How often do you strike out? And how often do you...

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

Our batting average is pretty good. We have a -- we make mistakes along the way, but we try to fail early before it gets really expensive. And again, we try to -- it gives us an opportunity to take singles and turn them into doubles and doubles and turn them into triples.

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**Unidentified Analyst**

You mentioned that -- you said 20% of your SKUs go to people over 15 years old. Can you talk about how much that's migrating to young kids in creating content that they can grow with versus going out and actively looking for things that, that 15-year-old or older would be interested in? And I'm guessing you try to do what the video game companies do, which is hold on to somebody all the way up into that mid-30-year-old range. You may not be able to go that far, but help us understand the balance of those 2 things and -- because, obviously, there's a lot of duration to holding someone.

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

Yes. So the question was about how brands can grow with people over time and age. Actually, because our brands -- several of our brands have been around for multiple decades, whether it's TRANSFORMERS or MY LITTLE PONY or LITTLEST PET SHOP or MAGIC: THE GATHERING, in fact, these brands have been enjoyed by generations. So it's kind of the other way around, which is that families or adults or people in families have enjoyed those brands when they were kids, and so our responsibility is to reinvent and reignite or reimagine those brands for today's kids so that parents of those kids can enjoy the brands again through their eyes, through the kids' eyes. And then, in turn, they get excited about those brands again because we're offering new ideas, but based on frames of reference that they're very familiar with. So whether it's in our publishing model where we do new comics all the time through lots of great partnerships, including IDW, and put out new comics around TRANSFORMERS or starting to put out a new range of comics in the universe with Micronauts and M.A.S. K. and Visionaries and ROM, which were some historical brands that we've owned and over time, we'll platform them into storytelling, that's really how we look at it. So it's not brands that only have worked for the adult audience. We do have some brands like MAGIC: THE GATHERING that is clearly a brand that's played by -- it's a card game brand that's played by people typically older than 15, and then they play it up throughout their life. Increasingly, it's a brand that's played face to face in many occasions, and we've been working on technology and the capabilities so that people can play digitally and virtually online to a greater extent. It's also a brand that enjoys the e-sports viewership. In fact, we're getting, on average, about 1 million people a month watching on Twitch the tournaments that are played around Magic. So there are certain brands that are innately adult, and then there are other brands where they actually began as kids brands but -- 30 or 40 years ago and now have grown up to be multimodal brands with parents and kids both enjoying them.

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**Unidentified Analyst**

So you talked about your management team being together for 10 years, and you obviously have done very well over that time. And that's really polar opposite over your biggest competitor. Are you feeling like some of the things that they're talking about being the same -- that you're talking about with generating content and creating a story and doing more consumer insights and their management change and the talk of there being cultural change within the organization, are you feeling like they're getting positioned to give you more run for your money?

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

We're really very focused on the differentiation we're going to create go forward and the things that we're doing from this point forward. In many ways, we built a strategy that began -- I started 17 years ago. We began to build the strategy with our core brands. The first inning of our development



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was building our core brands back and getting that culture reengaged in the company. The second phase was global brand leadership. Third phase has been this Brand Blueprint and capability. So that's what's happened over the first 17 years. We really view this moment as a point of departure for our company. Because we've built these capabilities, now we can really make things move, and we've created an engine for growth for the future. That's really our focus. Our focus is how do we make our brands -- Franchise Brands bigger, how do we take new brands and launch them strategically into the marketplace, adding new technology and new capabilities. You're going to see product from us in the VR, MR and AR space over time. You'll see some things from us as -- over the next year in that space, but brought down to be very cost affordable. So we're working in new technologies and digital technologies, and that's really our passion and our focus. And we don't spend a lot of time thinking about other companies. We just spend a lot of time thinking about our audience and consumers and the fans of our brand and how we can enthrall and delight them and engage them in our brands so that they travel with our brands across all the play patterns in a multitude of screens. And as a result of their enjoyment, they participate in those brands, and that leads to good streams of income for the company.

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#### Unidentified Analyst

And with the blueprint that you've developed, obviously, working so well, wouldn't there be, theoretically, a ton of value to unlock in a combination of you and Mattel?

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#### Brian D. Goldner - Hasbro, Inc. - Chairman and CEO

Again, we've really focused fully and fundamentally on our own company and the growth of our brands. We still see such significant headroom and growth. Somebody asked the question earlier about how do we develop our Franchise Brands. Our Franchise Brands are still -- although they're big and they've grown significantly, and NERF is our biggest brand, one of our own Franchise Brands and it's growing double digits, it's still far smaller than many of our competitors' bigger and smaller brands. So there's lots of headroom for growth for our company across a multitude of platforms. That's really our focus. And then as I mentioned throughout the talk, we have so many brands that are vault brands. These are brands we own and control, own and control all the IP rights as well as all the rights to the brand globally, and yet, they're not in the marketplace today. And so we own about 1,500 brands. Not all of them are right for entertainment, not all of them are right for feature film, not all of them are right for an animated TV series, but all of them are right for reinvention, reimagination and reignition, particularly probably 100 to 150 of those brands over time. We have a great robust games business that's a strategic differentiator for us. The games business and our Franchise Brands both enjoy high-teens, 20 -- low 20% range operating profit margin, which is ahead of the company average operating profit margin. Our content business, consumer products business has very high operating margin, and we're just scratching the surface. Just 5 or 6 years ago, it was nearly nonexistent. So as you can hear, a great passion for growing our business, a great passion for our brands, no shortage of brands both on the market and those brands waiting in the wings -- on the bench, waiting in the wings to be reinvented by this team now that we've built this model. And again, I think we're about in the third inning of this game, so we're just scratching the surface as to unlocking the potential and power of our brands. And that's absolutely what we're focused on.

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#### Unidentified Analyst

Just following up from an earlier comment you made on dynamic pricing. What inning are we in for use of dynamic pricing? And is that something that happened last Christmas? And then as a follow-up, if you had to think about -- I'm not sure what the right breakout would be, but if you had to remove media from the business and just think about game sales, what percentage is offline versus online for you today?

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#### Brian D. Goldner - Hasbro, Inc. - Chairman and CEO

Yes. So you're talking about dynamic pricing online?

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#### Unidentified Analyst

Yes.

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

Okay, yes. So the way I'd look at it is we are recognizing that by offering a combination of in-line SKUs as well as exclusive SKUs and a combination of SKUs for different demographics and psychographics, that helps to build our brands and to give our retailers unique positions within our brands. And even in entertainment-led brands, there are different thematic for different retailers that allow them to participate in different ways in our brands. That's an important element of that channel management strategy. We're offering different kinds of products for a value chain or a drug chain and different kinds of products for our major retailers and then offering arrays of products in online. But yet, what we are doing is getting the economy of scale by looking at how those products will work globally for a global consumer audience and global retail audience. So we are getting the leverage out of the development of those SKUs, and that's one of the keys. That's how we sort of view dynamic pricing. So there's ways to mitigate some of that. And then we also look at how we build value through storytelling and other innovation so that our brands hold up in terms of pricing. Then, of course, you manage your inventories well, and you look at inventories as one measure of brand salience. We clearly have managed the inventories well relative to the sell-through of the brand. So I don't remember the second part of the question.

**Unidentified Analyst**

The mix between online and offline.

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

Oh yes, online, offline. Thank you. And so as I said, the -- on average, for us, today, online sales are probably high teens of the totals company's revenues, and I believe that they will double in size by 2020, 2021. But we are set and ready for that. In fact, the Brand Blueprint model positions us incredibly well to realize the potentiality of online sales because you're bringing together the content model, the digital assets and the commerce model all available to a consumer online, and we're seeing increasingly technologies that are going to allow you to participate in content or innovative ways to market a brand and then to click through and to purchase and to participate in that brand in any number of ways. NERF's a great example. We've launched a lineup of something called Nerf Modulus. An online Modulus is basically like a customizable blaster, where you can pick all the different accessories that you want and then you build your unique blaster, and then, of course, you can purchase those elements online. So we build this interactive kind of app-like online experience. And then we have worked and partnered with our retailers so that, that app experience then connects with the consumer, they are viewing the user-generated content, our own content and being able to click through and participate and buy the brand and customize it to their liking. And so increasingly, you're going to see us bring together content, commerce and innovation for online retail, and it does benefit the omnichannel retailer who's doing very strong job of building tools and expertise to allow the consumer to buy online and pick up in store and using other methodologies to ensure strong brick-and-mortar sell-through as well.

**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

We have time for 1 or 2 more questions. Sure, go ahead.

**Unidentified Analyst**

Creative process (inaudible).

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

Please use the mic.



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### Unidentified Analyst

Would you discuss the creative process of reengineering a brand that you have in the vault? And do you have enough people to do that adequately? It seems like, in different brands, you need different talent.

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

Yes. No, it's true. We definitely have different talent and -- for different brands. We also move our people around between brands because we always believe that giving people and a brand a new dynamic look through the eyes of new leadership is good. It also gives people the opportunity to develop their careers. I've had at least 10 different jobs at the company since I've been there, and it's really helpful because you get to look at the brands in a number of different ways. And we do use different skill sets. The capacity of the company and the capabilities and composition of the company have changed dramatically. Today, we have an integrated play team that's working on analog and digital play experiences and how to connect them. We have a team that's working in VR and MR and AR. We have a team that's working on design and development of our product line. We have a team that's working on Consumer Products and building style guides for licensees. We have teams that are working on animation and storytelling and working with our studio partners on marketing and on movie creation. So a very different type of workforce than we've ever had, and certainly, it's sort of underlyingly to the nature of what Hasbro has become and what we're becoming over time.

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**Christopher Michael Horvers** - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. Thank you very much, Brian.

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

Thanks. Thank you very much. Thank you. That's great. That was fun.

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