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PRESENTATION

Trevor Young - *Jefferies & Company - Analyst*

Good morning. I think we will go ahead and get started since everyone has a jam packed day. My name is Trevor Young; I am a research analyst here at Jefferies. Since we have such a short time today I'm going to go ahead and give it over to Brian Goldner, the CEO, President and Chairman. And also on my left I have Deb Thomas, the CFO of Hasbro.

Trevor Young - *Jefferies & Company - Analyst*

Great, good morning, everyone, and now we can say we actually had a get together in the middle of a thunderstorm. I think it is a first for me for sure. Happy to be with you today and thanks, Trevor, and to Jefferies for having us here.

I'll remind you that we will make some forward-looking statements in our presentation. And Deb Thomas, our CFO, is here with me today. And I would encourage you to look at our SEC filings.

Those of you who may not be that familiar with Hasbro over the last 15 years, the Company is 94 years old but yet so much has changed and our transformation is underway. I thought I would set a little bit of context for our business and then talk a bit about our strategy.

Last year our revenues were up 13% to a record \$4.4 billion and we saw double-digit growth in every region around the world absent the impact of foreign exchange which last year was \$395 million.

Our strategy in focusing on our brand blueprint does drive higher profitability for Company and over time we have been able to improve operating margin, both gross margin and operating profit margin, last year achieving 15.5%.

This is our brand blueprint; this is on one piece of paper how we distill our strategy as we go forward as a Company, something that we've built over a number of years. We put the brands at the center of everything that we do. We then surround our brands with both storytelling and proprietary consumer insights; we garner those insights from around the world in a number of ways.

And then we create the brand blueprint by creating toy and game product innovation. We have a very robust consumer products licensing organization and effort in bringing on consumer products licensees in digital gaming and then in immersive entertainment experiences.

So, that it is both episodic television and motion pictures, but also any number of forms of social media and connectivity to our audience that inspires them and I will talk more about that today.

We then take this strategy out around the world and we obviously have significant strategic retail partnerships and online as well as omni-channel and big-box retailers in a number of channels that we go to.

Hasbro owns 1,500 brand that really focus on some of our most important brands, our franchise brands I will talk about today, our seven brands in the Company and then we add to that our gaming business, that really makes up a key focus for us.

We are focusing on investing in those great and important proprietary consumer insights while developing compelling content and then of course innovation across a raft of brands, both our own as well as partners' brands.

Speaking of investing in innovation, one of the ways we've been able to generate the kinds of revenues and earnings growth that you have seen over a period has been through our investment in innovation. And this is our spend in R&D particularly, which has trended up a little bit more recently because of our addition of the Disney Princess business and the R&D that went into that business just prior to getting the revenues for that business.

I would expect that that 5.1% of revenues in R&D would be a number I would take forward, that has been on trend over the last five years. I would expect that trend to continue to about 5.1%. And I also think it is very important to note that this is more than our competition spends by a significant amount and it is what has powered our business to allow us to connect digital and analog play and to enthrall audiences and consumers around the world.

But in doing that, in creating these compelling stories we are also able to create great high margin business in our Consumer Products business. So this is where, because of storytelling, we are able to bring on consumer products licensees outside of the toy and game space.

As well, our digital gaming royalty income and revenues come into this category called Entertainment and Licensing. This is also where we get paid for our content, that is a reportable segment for us, Entertainment and Licensing, so last year was \$245 million.

And this business enjoys an operating margin that is almost twice that of the Company average operating margin. So Company average is 15.5%, this part of our business is a 28% on average operating profit margin taken together with Entertainment and Licensing, Licensing being more profitable as well as Digital Gaming.

We go out around the world with one voice. This is where our Consumer Products personnel and our sales and marketing personnel team up to bring our brands to life across a number of dimensions to global retailers both online and omni-channel.

If you ask the question how is it working, this is a sense for how it is working. Our franchise brands last year grew 7%. So again, the top seven brands of the Company, they represent just over 50% of revenues. Our partner brands, the Who's Who of entertainment, represent between 25%-28% of revenues, about that.

And then the other is in our Gaming business and some other brands that we have. And that is how we go forward. If you think about the fulcrum -- the balance being between partner brands and our franchise brands, the partner brands about one quarter at about 28% of revenues.

And as I said, the partners that we work with are the Who's Who of entertainment, most notably the Walt Disney Company; we do all of the Star Wars and Marvel toys and games. More recently this past January we took on both Disney Princess and Frozen.

And then this year we are very happy to add to that DreamWorks and their TROLLS lineup that will come for a movie this fall. Perennially Sesame Street and then a couple of Japanese brands that are great brands and great opportunities for us, one, Yo-Kai Watch and then a BEYBLADE which we have done a couple times in the past with great success.

The other good news, the background for this industry, something that a lot of people don't know as they think about our business is that this industry is growing. Last year we saw in developed economies mid-single-digit growth, in some of the emerging markets more double-digit growth.

Hasbro's market share grew in every country around the world because we grew 13% on average. And so, in fact we are gaining market share but we are gaining it in the backdrop of an industry that is growing. And year to date the industry has grown in a similar manner.

This is a great slide inasmuch as we talk about telling stories around our brands and our ambition from 2000 when we began developing this strategy was that we would be great storytellers among storytellers that are out there in the world.

And this is a photograph from our most recent Transformers writers' room where, unlike the era of the 1990s where other studios would tell us stories, we were up in front of a group of really renowned writers telling them stories and about the mythology of Transformers and our brands and that set them loose on developing a number of stories around the Transformers business. And I will talk more about how that has now landed us with three Transformers films coming over the next three years.

We have produced over 1,500 half hours of television, that is since about late 19 -- 2009, 2010. So 1,500 half hours of TV that is being distributed around the world in more than 150 geographies around the world between My Little Pony, Transformers, Rescue Bots, Littlest Pet Shop, what have you.

We are also developing content for all screens, so we have streaming deals with all the OTT networks and also obviously streaming on YouTube and other places that kids really enjoy. We have generated nearly \$2 billion in TV backed merchandise sales as a result of the stories that we tell. And then of course same in film.

And for next year we have two feature films that will hit the marketplace, one Transformers that comes in June and the other is My Little Pony, a movie that we are producing distributed by Lionsgate that comes in October.

So as I mentioned, over the next three years beginning 2017 we will have three Transformers films, it is the first time we've had Transformers films back-to-back in any year. Typically there have been a few years between each movie.

And Transformers 5 comes out next year; it is called The Last Knight. And I was just out shooting that movie visiting Michael Bay and his team on the set and so that is underway. In 2018 we will have a BumbleBee movie. He is one of the key characters and most favorite characters from [the lore]. And then 2019 another Transformers movie.

This is early and first image of a My Little Pony feature film that comes next year -- next October, again, being distributed by Lionsgate. And it is a wonderful story about the My Little Pony characters. And for the first time they travel out beyond -- for those of you who are fans, you would know they live in Equestria and Canterlot. And so, we are traveling beyond their known lands into new lands as part of this movie.

We also have entered into an unprecedented era of new entertainment from our partners. On the top you see 2016's lineup of movies that we'll support with toys and games. On the bottom is 2017, and I would point you specifically to 2017, a very robust year of entertainment from partners as well as Hasbro.

In March we have a live-action Beauty and the Beast, Emma Watson is starring that, it is Disney movie so a live-action movie coming to theaters. And obviously a way to help us propel our Princess business.

Spiderman then comes in the summer, Guardians of the Galaxy. Then Transformers and Pony I talked about. And then by holiday next year you get both Thor as well as a new Star Wars film and this is the second of the trilogy movies, so this is the chronology of the trilogy movies. So a very robust year in entertainment.

And you can see how the calendar for what used to be known as summer entertainment has really stretched now -- I say kind of goes from Valentine's Day to Christmas Day. It used to be Memorial Day to Labor Day, so we have really stretched the calendar.

We also engage with our consumers across multiple digital platforms. Almost any screen that someone might enjoy a brand they will enjoy a Hasbro brand and that enables us to continue that connection to build the residents and [salience] of our brands for consumers as they are increasingly using their mobile devices.

We also engage with a number of influencers, both those known influencers, as well what we would call emerging influencers, micro influencers. And what we find from consumers is that these folks have a great deal of authority and that authenticity enables us to build brand salience as well. So we engage with them.



And then through all of that we inspire our audiences and fans to be part of the content development. So in fact, we had nearly 2 billion items created by our fans; these are points of contact and ideations that they may come up with. And that has led to nearly 15 billion views over the last year.

A really interesting point is when you think about a Nerf business and storytelling, we only create about 3% of the content -- we, Hasbro create only about 3% of the content that is available for Nerf. And that most of the content that is created is graded by what we call [Nerf Nation] or our fans.

We are also building our digital gaming expertise; I talked about it earlier, as part of the Entertainment and Licensing business. Recently purchased 70% of Backflip Studios, which is based in Boulder, Colorado. And this is the first year they are launching Hasbro branded mobile games, the first of which was Transformers Earth Wars, which is a highly ranked new launch for them and it is a combat builder.

So in the genre of things like Clash of Clans. For those of you who haven't downloaded it, I encourage you. You can download it for free and play and then the way you build revenues is through micro-transactions or buying credits into the game.

By doing all of that what we intend to do is to build Hasbro's share of life. And the share of life is as we connect with consumers across a multitude of platforms we have people who are playing with us and traveling with us across all of those platforms. And in return they are paying us, creating streams of income across a multitude of ways to enjoy our brands and experiences.

And so, we continue to talk about building our share of life beyond just our share of market in the Toys and Games business. That enables us to continue to expand our audience for brands like My Little Pony.

So now we go across most age demographics and psychographics. And as well an increasingly large fan oriented business where we are going across fans in a multitude of psychographics and demographics, everything from Nerf to MAGIC: The Gathering to our collector business in Marvel and Star Wars. It enables us to connect with fans in new and different ways.

So we are connected with more consumers across more demographics than we ever have and, again, building our share of life and obviously the income that comes with that.

In terms of capital, we focus first and foremost on investing in the long-term profitable growth of Hasbro and then we return excess cash to shareholders through both a dividend and stock repurchase program while maintaining a solid investment grade rating which gives us access to commercial paper.

Our target to operating cash flow is between \$550 million and \$600 million per year and that is up a bit. If you are familiar with the Company I think we were about \$500 million a few years ago, so we have raised that a bit since then.

If you look over a 10-year period you really get a sense for how the Company has deployed its excess capital. We have returned \$4.8 billion to shareholders, that is 136% of net earnings. We have raised our dividend 12 of the last 13 years and by that, the Board has approved that increase. And most notably recently they approved another 11% increase this spring.

So in summary, we are out to create the world's best play experiences. And many people at the Company view that as an opportunity to make the world a better place for both kids and their families. And with that I will turn things back to Trevor and over to you guys.

Trevor Young - Jefferies & Company - Analyst

Great, thanks, Brian. If there are any questions out in the audience, please raise your hand and we will get a microphone over to you. But one thing you didn't touch on, Brian, was the Nerf story. And I think that is a really great story because it is now your largest brand companywide. And that wasn't the case 10 or 15 years ago.

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

Yes.

Trevor Young - *Jefferies & Company - Analyst*

So maybe you could walk us through that story as well is kind of what the growth prospects are for that business.

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

Sure, great. Nerf -- again, much of what we talk about at the Company is sort of pre-2000 and post-2000 -- year 2000, it is where we made a major transformation of the Company and the current management team has been together for about a decade.

So, at that time Nerf business was about \$20 million and only present in the United States. And most people thought that that play pattern, that high action play pattern was typically American and wouldn't really travel.

So what we did is set out to do an incredible amount of proprietary research. We went out around the world and discovered that moms around the world all believe that there were certain things that kids shouldn't be doing around the house, it didn't matter whether they were a German mom or a Chinese mom or a Brazilian mom.

And so Nerf solved that innate problem that is inherent in play which is that mom says you can't do certain things and Nerf gives you permission to do those things. Or the way the marketers would talk about it, achieving the impossible.

And in doing that and going after that strategy with great innovation and this user generated, user inspired storytelling the brand is now the largest brand at Hasbro, bigger than Star Wars. Star Wars last year was \$500 million. And the brand is growing double-digits and was growing double-digits through the first quarter this year.

So again, an opportunity to build a business that is inspiring our audience. We sort of liken our content strategy to pebbles in the pond where we are inspiring them with some name brand talent as well as our own videos and streaming efforts. And then our users and fans are responding in kind.

I don't know if any of you know of Dude Perfect, you've seen him around the Super Bowl doing all those crazy stunt tricks online. But we employed them a number of years ago, we give them our latest and greatest blasters and they go out and do incredible trick shots. And that inspires our audience to come back to us with great inspirational videos that are then shared with fans all over the world.

Trevor Young - *Jefferies & Company - Analyst*

That is really helpful. Maybe you could talk about your online retail presence. I think you commented that that is actually -- you use that as a model that you hope to replicate across some of your partners with Amazon using some of your technology for your Nerf blasters. Maybe you can touch on that a little bit.

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

Sure. So a lot of people have asked over time how does Hasbro feel about online, is it a threat to your business? And in fact we don't see it as a threat but a significant opportunity. And in fact we are taking advantage of it across a number of dimensions.

So first and foremost what Trevor is noting is that we have a Hasbrotoyshop.com, and it is not the biggest online retailer, but it gives us the opportunity to demonstrate the best-in-class digital marketing.

So, for example, in Nerf we launched a product line last year called Modulus, which enables a consumer to customize a blaster online the way you would -- some of you guys may have built a car online, you put all the accessories on in you sort of build it out.

And so we created something like that for our Nerf Modulus business on our own online site. And then used that support, reported that system over to people like Amazon once they came on board and bought into the Nerf Modulus business.

Online retailing for us is growing at about twice the rate our overall POS has been up about double-digits. And online retailing is growing at twice that rate, so quite a robust growth rate.

Online retailing also enables us to get outside of typical price points and price barriers. It is also enabling us to dis-intermediate what had been the toy buying mentality, just that traditional toy department at retail.

So, a great example is a product when we are launching this year, as you know Captain America is out in theaters. And we are now launching a lineup of product that is really dress up play for adults at higher price points, so Captain America's shield now available at \$100 retail and at \$200 retail and a robust array of products like that for collectors and fans.

And that is -- again, because of online we can get almost anything today merchandised and available in front of the consumer. So it is a great opportunity for us as we go forward.

Trevor Young - Jefferies & Company - Analyst

Thanks, Brian. And now, Deb, I'd like to get you involved in the conversation as well. Maybe shifting a little bit to cash. You've talked about how you have grown the dividend, you do periodic share repurchases.

Maybe you could talk a little bit about the excess cash that you currently have, how much is overseas? Any plans for that? And then maybe touch on the M&A front as well.

Deb Thomas - Hasbro, Inc. - EVP & CFO

Sure. Well, as Brian mentioned earlier in the presentation, first and foremost we believe we should put that cash to use for the long-term growth of our Company for our shareholders.

So we have invested hundreds of millions of dollars back through our P&L over the past 5 to 10 years in growing these capabilities we talked about around the blueprint: storytelling, advancing consumer insight, growing our digital platform, because that is the way the world is moving today.

So that is our first and foremost investment of that cash. Beyond that we believe in returning it to our shareholders. So, we tend to target a 45% to 55% payout ratio on the dividend. Our Board looks at that each year and sets the dividend.

Brian mentioned we increased our dividend 10 of the last 11 years and we have -- the Board also increased the dividend 11% in 2016 again. And we have a robust share repurchase program. Most of our cash at the end of the first quarter was actually overseas. So we do look for cost effective ways to return it to the US.

Trevor Young - Jefferies & Company - Analyst

And then maybe you could touch on the M&A front. It seems like it hasn't been a big growth driver for you guys. Obviously Backflip Studios.

Deb Thomas - *Hasbro, Inc. - EVP & CFO*

Right. We look to grow over capabilities around our blueprint. So one of the things, [Backflip is great], we didn't have the capability to do mobile gaming. And even though Hasbro is known for some of the most iconic game brands you can think of, MONOPOLY, Scrabble, Operation, Life, we believe the future is really not just in the board game arena but also in the mobile gaming platform.

And those of you who have kids see that they are on these phones and iPads all the time. So we really wanted to invest in that capability. And our most recent acquisition of any scale, we do tend to pick up brands here and there, but with Backflip Studios.

So for us we really believe investing around the blueprint, getting the capabilities we may not have today or getting a brand that is compelling that we can add our skills to really grow for our shareholders over the long-term.

Trevor Young - *Jefferies & Company - Analyst*

And continuing on the Digital Gaming front, this is actually for both of you, that is obviously within the Entertainment and Licensing. I think you noted that it has grown from 4% to 6% of revenue; it is a higher margin business. Where do you see that going over time?

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

So think about the way that people engage with brands today, they are really moving seamlessly between all kinds of online streaming and online gaming. And gaming particularly casual gaming has become a very big part of our business and it will grow over time.

Because people love to play our games and we have seen great results as we have put our casual games into the space, we have some of the top games and the mobile gaming space. If you look at the ranks, the charts you can go to your phone and actually just look at the rankers of what is out there. And I will give you a specific example of just how well it works.

There is a Company that makes a mobile game called Dice with Buddies and we began a conversation. We created Yahtzee with Buddies which is a great fun playing game. And Yahtzee with Buddies today is about three times more successful than just Dice with Buddies.

So that brand name and a play pattern that people understand translated to the digital arena, really works for people and it works for us as well. And so we think over time with brands like MONOPOLY and Life, as Deb mentioned, and so many other games, brands, names that work in this space you will see us continue to build out in this area.

Trevor Young - *Jefferies & Company - Analyst*

It looks like we have a question.

QUESTIONS AND ANSWERS

Unidentified Audience Member

(Inaudible - microphone inaccessible)?



Brian Goldner - Hasbro, Inc. - Chairman, President & CEO

So interesting, casual gaming -- the question is about age target and casual games. Interestingly you get a much broader array of demographics in casual gaming or Digital Gaming than you do for just traditional gaming. In fact, predominant demographic for casual games today are women 29 to 54 years old.

So it also enables us to make that connection, multi-generational connection. People who have grown up on our games know our games and enjoy playing the games and then are sharing those experiences with their kids. And there is a very big difference between the players and the payers, if you will.

Everybody plays casual games. We have all seen kids play lots of our casual games and other casual games. But if you look at where the revenues come from, it typically comes from more of that adult audience obviously who have access to an iTunes account or to credit cards where they are buying in micro-transactions.

Unidentified Audience Member

(Inaudible - microphone inaccessible)?

Brian Goldner - Hasbro, Inc. - Chairman, President & CEO

Yes, so most of our games -- there are a few downloadable games that you pay a couple dollars for upfront. But most of the games today and the trend in the industry is you play for free and you never have to buy anything in a game, you might just -- takes you longer, you might take more time to get to the next level.

There are ways to buy in, whether it is accessories, weapons, jewels, coins, depending on the game and the format and the genre, at \$0.99, \$1.99, \$2.99 or higher. And then that gives you extra, again, credits, if you will, that enable further game player to get to new levels or unlock new levels.

Unidentified Audience Member

(Inaudible - microphone inaccessible)?

Brian Goldner - Hasbro, Inc. - Chairman, President & CEO

Yes, so we work with a number of digital gaming, mobile gaming companies, everybody from EA, DNA, Gameloft. And then we have our own studio called Backflip Studios in Boulder, Colorado. We own 70% of Backflip Studios. They just launched a Transformers game, they'll launch a My Little Pony game and two MONOPOLY games this year.

They also have a very popular title called [Dragon veil], which is their own franchise brand. And that will have a sequel this year. So we do a combination of third-party, our embedded teams with third-party and we get royalty income from those games. And then in other cases like Backflip where we are actually creating the games we get both the revenues and the income.

Unidentified Audience Member

(Inaudible - microphone inaccessible)?

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

No, so the question is about what stage we're in in terms of -- oh yeah, we are in the very, very early innings of what is possible in mobile gaming. This is an area for us -- you asked a question about the M&A strategy for the Company. And I would say I'd focus you more on the A than the M. And if you think about build or buy, Digital Gaming is an area we are going to both build and buy.

Trevor Young - *Jefferies & Company - Analyst*

I think we are actually of time.

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

Okay.

Trevor Young - *Jefferies & Company - Analyst*

Thank you Brian, thank you, Deb.

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