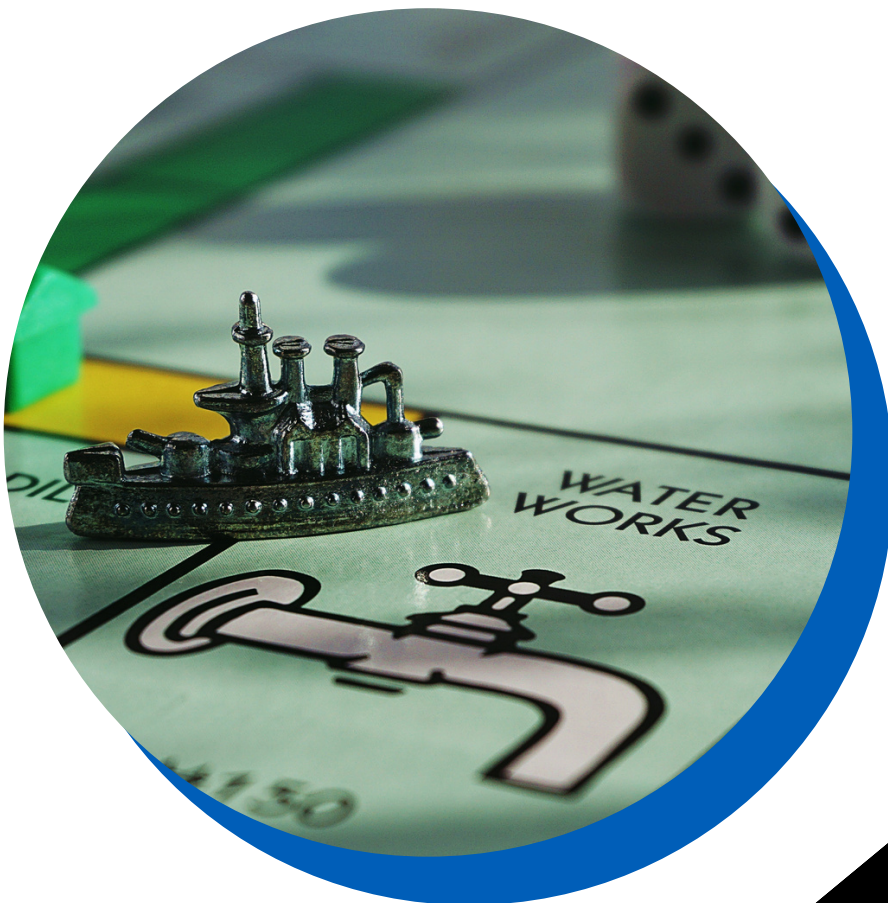


January 2023

Equity Research



PREPARED FOR
SIM INC T&R

PREPARED BY
Zen Lim Zhen Yu
Chua Zi Jun
Poon Chun Kar

HASBRO, INC. (NASDAQ: HAS)

Figure 1: Valuation Summary

Market Information	
Industry	Toys & Children's Products
Sector	Cyclical Consumer Products
Beta 5Y	0.74
Dividend Yield	5.01%
P/E Last 12 Mth	18.75
EV/EBITDA	9.22
Market Price	\$ 64.10
Target Price	\$ 57.74
52-Week Range	55.65 - 105.13
Market cap	8.85B
Free Float	127.37M

Figure 2: Price History



Source: Company Data

Figure 3: Hasbro's Top Shareholders

Top Shareholders		
Name of Shareholders	No. of shares (M)	%
The Vanguard Group Inc.	15.08	10.92
Alan Geoffrey (Chairman Emeritus)	7.60	5.50
BlackRock Institutional	7.42	5.37

Source: Company Data

Executive Summary

We initiate coverage on Hasbro Inc. with a **“SELL”** recommendation at a target price of USD\$57.74, representing a 9.92% downside from the closing price of USD\$64.10 as of 25 January 2023 (Figure 1).

Supply Chain Woes

Due to problems with its supply chain, Hasbro has had financial problems. In 2020, Hasbro's net sales fell by 4% from the previous year. Additionally, the business revealed a \$68.6 million operating income loss for the fourth quarter of 2020, mostly as a result of supply chain interruptions brought on by the epidemic. The firm has also seen greater costs, according to Hasbro's CEO, as a result of rising freight and transportation costs as well as rising raw material prices.

Hasbro reported a net sales rise of 18% in Q1 of 2021, which it attributed in part to robust consumer demand, the cessation of supply chain interruptions caused by the epidemic, and other factors. But it also acknowledged that it still has to deal with supply chain issues including a lack of shipping containers and rising freight prices.

Retail Channel Squeeze

By operating in a consolidated retail channel, Hasbro relies on its top three retailers for a significant portion of its sales. If these retailers are not willing to invest in promotional spending or if there is a decrease in demand for Hasbro products, it could have a negative impact on the company's profits.

The concentration of sales through a few large retailers can be problematic for a company like Hasbro because it gives these retailers a significant amount of bargaining power. They can use this power to negotiate lower prices or demand more favorable terms from Hasbro, which could ultimately hurt the company's bottom line.

Additionally, relying on a few large retailers can make a company more vulnerable to market changes or consumer preferences shifts. If one of these retailers experiences financial difficulties or decides to stop carrying a particular product line, it could significantly impact Hasbro's sales and profits.

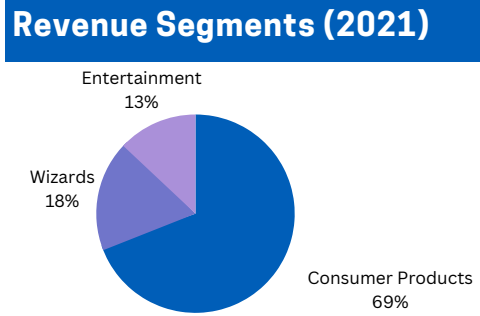
Overall, being at the mercy of its largest outlets puts Hasbro in a position of vulnerability and could potentially affect its profits depending on demand and promotional spending.

Long Run Contraction

The market for traditional toys, such as dolls, action figures, and board games, could continue to decline as a percentage of the overall toy market as technology becomes increasingly prevalent in children's lives. With the rise of smartphones, tablets, and other digital devices, children are being exposed to and using technology at younger and younger ages. As a result, they may be more inclined to choose digital toys, such as video games and interactive learning apps, over traditional ones.

Overall, the market for traditional toys is likely to continue shrinking as technology becomes more prevalent and children become more interested in digital play. However, it is important to note that traditional toys are still popular and have a place in many children's play routines.

Figure 4: Revenue Segment Breakdown



Source: Company Data

Business Description

Hasbro, Inc. (Hasbro) is a global play and entertainment company. Hasbro operates through three segments: Consumer Products, Wizards of the Coast and Digital Gaming, and Entertainment. Consumer Products is engaged in selling toy and game products worldwide. The Wizards of the Coast and Digital Gaming promotes its brands by developing trading cards, role-playing, and digital game. The entertainment segment is engaged in developing, producing, and selling entertainment content. Brands include:



Consumer Products

The Consumer Products segment engages in the sourcing, marketing, and sales of toy and game products around the world. The Consumer Products business also promotes the Company's brands through the out-licensing of its trademarks, characters, and other brand and intellectual property rights to third parties, through the sale of branded consumer products such as toys and apparel. The segment generated \$1.16 Billion in revenue for Q3 2022 (Down 10% YOY).

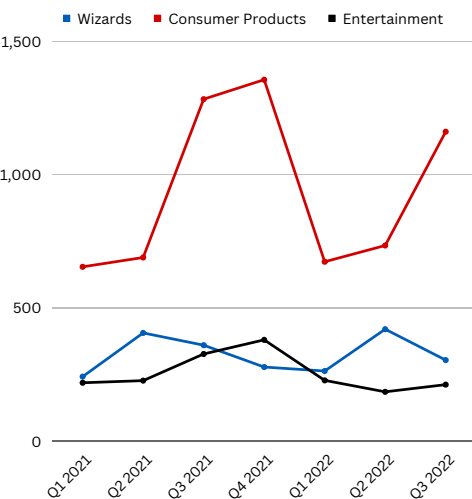
Wizards of the Coast & Digital Gaming

The Wizards of the Coast and Digital Gaming business promotes the Company's brands through the development of trading cards, role-playing, and digital game experiences based on Hasbro and Wizards of the Coast games. Additionally, the Company out-licenses certain brands to other third-party digital game developers who transform Hasbro brand-based characters and other intellectual properties into digital gaming experiences. Wizards of the Coast ("Wizards") is a critical part of Hasbro's gaming business, driving innovation and growth through its popular role-playing and fantasy card-collecting games such as MAGIC: THE GATHERING. The segment generated \$303.5 million in revenue in Q3 2022 (Down 16% YOY)

Entertainment

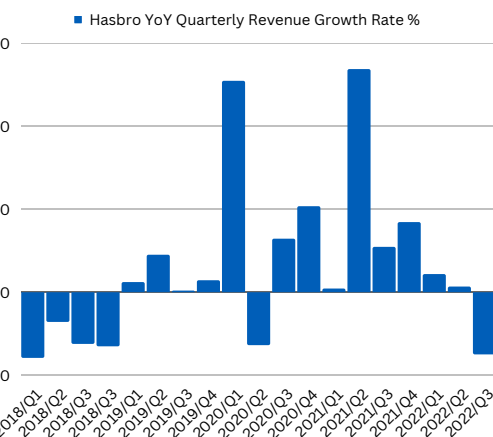
The entertainment segment of Hasbro's business model is an important part of the company's overall strategy. By creating and distributing entertainment based on its popular toy and game franchises, Hasbro is able to reach a wider audience and increase brand awareness. This can increase Hasbro's product sales and help the company stay competitive in the global toy and game market. The segment generated \$211.6 million in revenue in Q3 2022 (Down 35% YOY)

Figure 5: Segment Revenue Breakdown



Source: Company Data

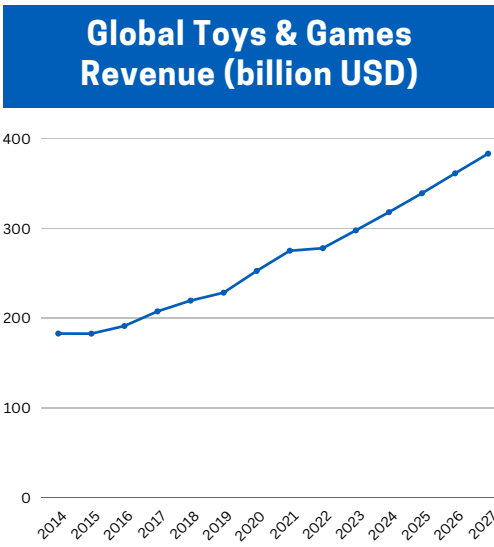
Figure 6: YoY Quarter Revenue Growth



Source: Company Data

	2019A	2020A	2021A	2022E	2023E	2024E
Revenue (US\$m)	4720.23	5465.44	6420.40	6101.40	6222.93	6522.61
Revenue Growth	-	15.79%	17.47%	-4.97%	1.99%	4.82%
Gross Income (US\$m)	2912	3747	4493	3795	3968	4165
Gross Profit Margin	61.70%	68.55%	69.98%	62.31%	63.58%	63.23%
EBITDA (US\$m)	911.05	1015.20	1310.20	1205.39	1268.78	1407.22
NET INCOME	524.68	514.62	723.40	636.78	699.24	823.13
EPS	4.08	3.74	5.23	4.64	5.14	5.98

Figure 7: Global Market Projections



Source: Company Data

Industry Overview

Hasbro, Inc. and its subsidiaries operate mainly in the Toys & Children's Products industry. The sector can be further broken down into traditional toys, board games, and digital gaming.

The global toy market size was \$129.45 billion in 2020. The global Covid-19 impact has been unprecedented and staggering, with the product witnessing a positive demand shock across all regions amid the pandemic. The market has exhibited a growth of 22.3% and is projected to grow at a CAGR of 7.3% by 2028. The decline in CAGR can be attributed to the market's demand and growth returning to pre-pandemic levels as the pandemic draws to a close.

In the short term, the stock prices in the Toys & Children's Products industry have been declining over the past quarter, suggesting a slowdown in demand for such products. Likewise, the Consumer Cyclical sector has followed a falling path.

Key Industry Drivers

Rising Social Media Influence:

Companies are now focusing on establishing partnerships with different marketing firms and popular social media influencers to develop children-related content to build and establish a strong brand image. This will help them in driving revenues from their products.

Additionally, the growing popularity of multi-colored toy products among preschool children is likely to fuel market growth. Nowadays, parents find different ways to supplement their children's education outside the classroom by allowing them to play educational games. This will accelerate consumer demand for the advanced educational base product.

Increasing Popularity of Smart Toys to Stimulate Educational Toys Market Growth:

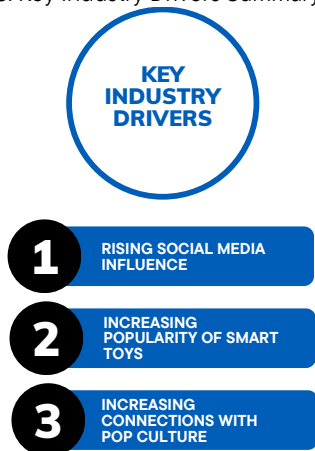
Internet-connected educational toys featuring high-tech innovations are becoming increasingly popular among an expanding population of tech-savvy consumers. A smart toy operates through embedded sensors and onboard electronics and has its intelligence. Despite their high costs, smart toys are preferred over other learning toys for their ease of use and personalized instructive approach.

The rising adoption of these smart toys will likely create a healthy demand for Science, Technology, Engineering, and Math (STEM) toys worldwide throughout the forecast timeframe. STEM toys are designed to improve problem-solving skills and creativity in children in an interesting and engaging manner. With a rising number of parents focusing on making their children future-ready by purchasing smart toys, STEM toys are likely to witness a robust over the next decade.

Pop Culture:

Pop culture has played a crucial role in driving the toy industry by utilizing elements popular within mainstream society, such as music, movies, television shows, and celebrities. These elements often significantly influence the toy industry, as consumers may be more likely to purchase toys related to popular characters or franchises. The toy industry also closely follows trends in pop culture and may produce toys designed to appeal to specific groups or demographics within the population. This can help to ensure that the toys produced are relevant and popular with consumers. Pop culture plays a significant role in driving the toy industry by influencing the types of toys produced and consumers' demand for those toys.

Figure 8: Key Industry Drivers Summary



Source: Company Data

Figure 9: Global Market Outlook in Numbers

Attained a value of nearly

11.8b
in 2022.

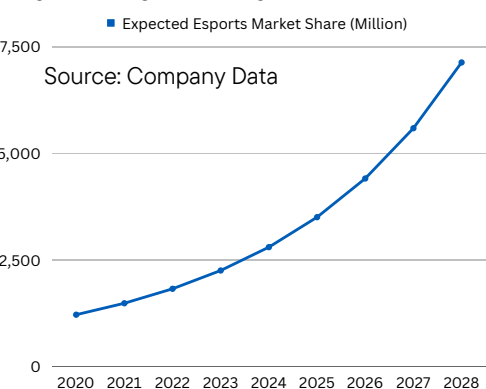
Expected to grow at a CAGR of

16.70%
during the forecast period
of 2023-2028

Likely to reach a value of about

29.73b
by 2028.

Figure 10: Digital Gaming Market Outlook



Source: Company Data

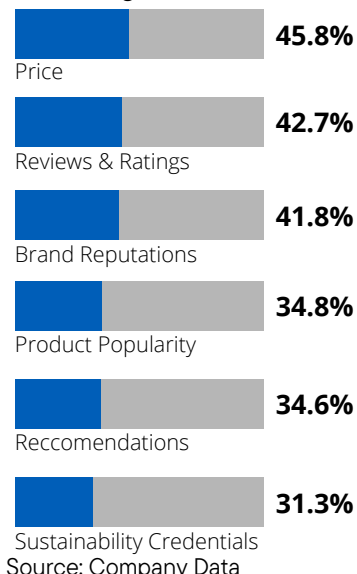
Figure 11: Competitors Comparisons

Company Name	EV / EBITDA
Hasbro Inc	9.26
Mattel Inc	7.00
Funko Inc	5.50
JAKKS Pacific Inc	2.18
Spin Master Corp	4.79
Activision Blizzard Inc	13.43
NetEase Inc	9.92
Bandai Namco Holdings Inc	9.56
Take-Two Interactive Software Inc	12.91
Walt Disney Co	12.64
Paramount Global	9.15
Electronic Arts Inc	11.29
Warner Bros Discovery Inc	6.22

Source: Company Data

Figure 12: ESG survey for Toys & games

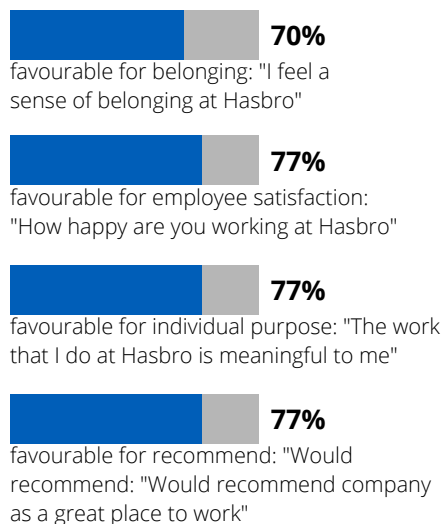
What are some of the most important deciding factors for you when buying toys and games online?



Source: Company Data

Figure 13: Employee Engagement Summary

Employee Engagement Results At-A-Glance



Source: Company Data

Competitive Positioning

Deceleration of Sales In Consumer Products

The overall decline in sales volume of 3% within the first nine months of 2022 in the toys industry. Hasbro Inc and Mattel Inc (Hasbro's main competitor) both saw a decline in Q3 revenue of 10% and 0.37%, respectively, compared to the previous year. This could be likely due to the trend away from traditional toys and a move towards computerised toys.

Increasingly competitive entertainment industry

Hasbro's entertainment subsidiary, including eOne TV, saw a fall of 35% in revenue in Q3 as compared to the previous year. Rivals like Warner Brothers and NBCUniversal only saw a fall of 8% and 4.3%, respectively. This is highly likely due to the competitive nature of the entertainment industry, which already has strong competitors like Netflix and Disney+.

Move towards digital gaming

The digital gaming industry has seen significant increase in market share, of USD166B in 2020 that is expected to increase to USD276B by 2026. Even though revenue is expected to increase year on year, we see a decline in revenue for Hasbro's Wizard of the Coast & digital gaming subsidiary that has seen a decline of 16% year on year for Q3. While we see an increase in rivals like Electronic Arts in revenue of 3.8%. The decline in revenue could be due to the over production of Magic The Gathering cards, which include reprinting rare collectables. This turns away collectors that are value maximising, causing criticisms within the community.

ESG

Environment:

Hasbro claimed a 27% decrease in emissions from 2015 to 2019 despite having set a target to reduce greenhouse gas emissions from its operations and supply chain by 30% by 2025. The business has said that it plans to utilise 100% renewable energy by 2025 and that in 2019 it obtained around 20% of its energy from renewable sources.

Hasbro has said that has achieved a 12% decrease in trash from 2015 to 2019 and that its objective is to reduce waste in its operations by 15% by 2025.

Social:

Hasbro is boosting its long-term shareholders' value by dedicating itself to social responsibility. They consider the interests of all parties.

- 1. Employees** - Hasbro offers programs to assist team members in job training, remuneration and benefits, life skills, and, most importantly, security. In addition, they foster an open mindset that supports and promotes all team members regardless of color, nationality, religion, age, handicap, sex (including a pregnant woman), or any other special privilege.
- 2. Community** - Hasbro provides a range of programs and services to support employees in establishing and maintaining healthy habits, such as on-site fitness centers, wholesome food options in the company cafeterias, programming focused on meditation and mindfulness, and Weight Watchers at Work, yoga classes, 5k training, and smoking cessation programs. The activities offered by Hasbro are made to benefit staff members in four areas: activity, eating, health, and happiness. Hasbro has received awards for worksite health from the Greater Providence Chamber of Commerce, Blue Cross and Blue Shield of Rhode Island, and the American Heart Association as a Gold-Level Fit-Friendly Worksite.
- 3. Consumer** - One game, one toy, and one narrative at a time are how Hasbro hopes to bring consumers happiness and a sense of community. Via their generosity, they inspire generations of storytellers, make a lasting effect, and spread joy through play. They contend that play satisfies a basic human need. They aim to spread happiness, stability, and relief by way of charitable organizations around the world through their Joyful Play product donation program.

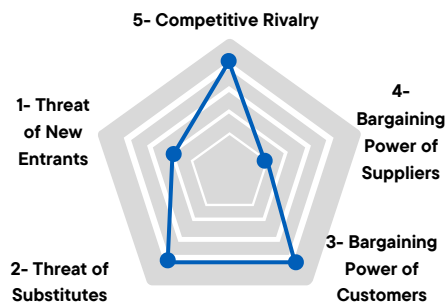
Figure 14: Hasbro's Top Executives

EXECUTIVE MANAGEMENT	
Chris Cocks	Naj Atkinson
Deborah M. Thomas	Kathrin Belliveau
Eric Nyman	Tarrant Sibley
Cynthia Williams	Steve Zoltick
Darren Throop	
Naj Atkinson	

BOARD OF DIRECTORS	
Richard S. Stoddart	Blake Jorgensen
Kenneth A. Bronfin	Tracy A. Leinbach
Michael Burns	Edward M. Philip
Hope Cochran	Laurel J. Richie
Chris Cocks	Mary Beth West
Lisa Gersh	Linda K. Zecher
Elizabeth Hamren	

Source: Company Data

Figure 15: Porter's 5 forces Summary



Source: Team Analysis

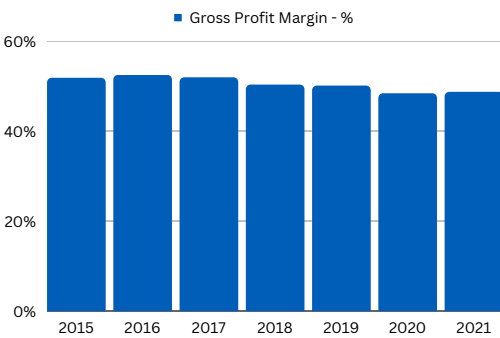
Figure 16: Hasbro's support for Charity

3+

million worth of toys & games to Toys for Tots distribution centers across the U.S. and its territories.

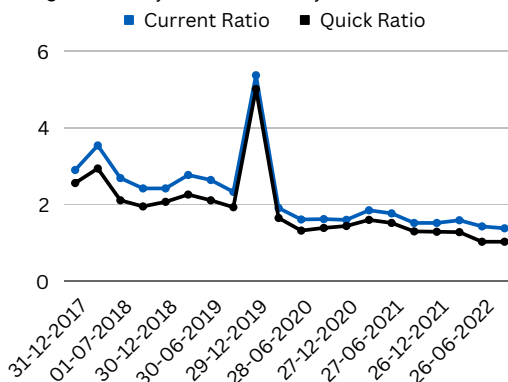
Source: Company Data

Figure 17: Gross Profit Margin YoY



Note: GPM has been steadily decreasing.
Source: Company Data

Figure 18: Key Ratio Summary YoY



Governance:

Executive Management

Creating high-performing teams, the senior management is made up of 9 individuals, 40% of whom are women. The executive team is managed and directed by highly qualified, accomplished business professionals with years of expertise in their fields. They have a wide variety of core skills, different skill sets, and a wealth of expertise in company development, industry knowledge, proven financial acumen, international expansion strategy, innovation, and widespread business relationships, all of which help Hasbro realize its goals and fulfill its mission.

Board Of Directors

The Hasbro board of directors is made up of a variety of people with suitable training and experience. There are 10 people on the board, and 5 of them are independent directors. The board members serve an average of 6.9 years, and the bulk of the directors have backgrounds in the retail or consumer goods sectors. The firm places a great priority on openness and moral conduct in business, and its board of directors is dedicated to upholding high standards of corporate governance. To supervise the organization's financial reporting, executive remuneration, and adherence to governance best practices, the board formed an audit committee, a compensation committee, and a nominating and corporate governance committee.

40% of the board members are female, which reflects gender diversity. The board is made up of 80% white people and 20% of people of other races. It is crucial to remember that diversity on the board of directors is seen as a crucial component of effective corporate governance and may promote more informed judgment and risk management. Varied organizations have different rules for board diversity, and certain investors could favor businesses with a more diverse board of directors.

Financial Analysis

Gross Profit Margin

We analyzed Hasbro's gross profit margin ("GPM") as we found it a suitable ratio to evaluate Hasbro's performance in the profitability aspect. Over five years, Hasbro has faced a steady decline in GPM. In Q3 2022, Hasbro's gross profit margin reduced to 46.5% from 49.4% in the previous year (Figure 17). This could be attributed to mainly the reduction in revenue as the cost of goods has cushioned its negative impact on GPM as it had seen a reduction from 1970.0M to 1675.9M. We forecast this metric to deteriorate further as Hasbro continues to operate in an increasingly challenging economy in the coming quarters.

Leverage

Hasbro, Inc. has a relatively low leverage ratio, which indicates that the company has a strong financial position and is not heavily reliant on debt to finance its operations and assets. As of FY2021, Hasbro had total debt of \$1.53 billion and total assets of \$7.72 billion, resulting in a leverage ratio of 0.20. This is well below the industry average for the Cyclical Consumer Products sector, which is typically around 0.70.

Liquidity

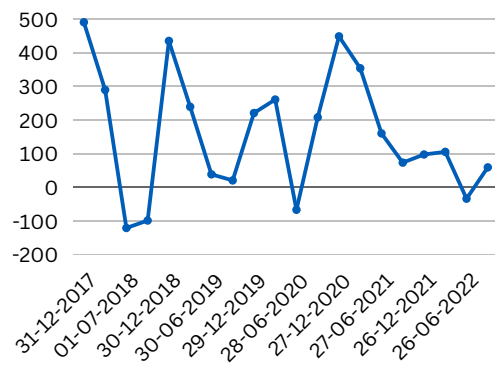
In terms of liquidity, ratios like the Current Ratio and Quick Ratio have weakened over the last few quarters. The current Ratio of Hasbro has steadily declined from 2.90 in Q4 2017 to 1.38 in Q3 2022 (Figure 18). A decline in this ratio means that Hasbro may have reduced its ability to generate cash, thereby increasing its business's liquidity risk. Overall, Hasbro enjoys its low liquidity risk but it can be a sign of worry that this risk is slowly increasing over the years.

Cash Flow

Cash flow is considered by many investors to be the ultimate measure of company performance and more reliable than reported earnings. Hasbro's overall cash flow health has only slightly improved over the quarters. The quarterly operating cash flow quality improved with a reported number of 114.4M and an adjusted number that was 80.2% of the reported. In addition, the quarterly free cash flow quality improved with a reported number of -37.2M and an adjusted number of 22.6M less than reported(Figure 18). Together these changes represent an improvement from the previous period when the ratio of reported to adjusted numbers was lower.

Figure 19 Free Cash Flow Summary QoQ

■ Free Cash Flow



Source: Company Data

Figure 20: Quality Assurance Framework

Hasbro Quality Assurance Process

STEP 1: Product Concept

STEP 2: Design & Development

STEP 3: Production

STEP 4: Market Monitoring

STEP 5: Continuous Improvement

Source: Company Data

Figure 21: WACC Breakdown

WACC	Value	Weight
Total Equity	\$13,507.76	77.04%
Total Debt	\$4025.10	22.96%
Weighted Avg	7.798%	

Source: Company Data

Figure 22: Cost of Equity, CAPM Approach

Cost of Equity Via CAPM	
Beta	0.74
Risk Free Rate	0.0515
ERP	0.0489
Cost of Equity	8.77%
Shrs Outstanding	210.73
Current Shr Price	64.10
Mkt Cap	13507.76

Source: Company Data

Technical Analysis



Technical Analysis Commentary

Technical Analysis on the daily time frame shows that Hasbro Inc. has just broken trend to the upside with a potential pullback continuing uptrend. However, we are still skeptical that it has fully broken trend, and might trend meet some resistance at around \$63.83. We expect Hasbro to trend sideways within the range of \$61.55 - \$66.40. We suggest a Long position only after price have broken out of the Ichimoku Cloud and have confirmation of a bullish trend. In the meantime, we propose a Long Straddle strategy, with a strike price of \$62 for both legs, as we are bullish on the near-term volatility from the expected earnings call on 16 Feb 23. For a longer-term trade, we recommend a short position, following the current downward trend, this is also inline with our fundamental analysis.

Valuations

Implied Price

With two pricing methods used, we used a 60/40 weightage in favor of the discounted cash flow method as we believe in stronger fundamentals in the longer term. After calculations, we arrived at the overall target price of USD\$57.74, representing a 9.92% downside. Thus resulting in a "SELL" call recommendation.

Relative Valuation

Using key multiples, we used the relative valuation of similar Toys & Leisure product groups globally, including Hasbro's top competitors in each segment, Mattel Inc, Activision Blizzard Inc, and Warner Bros Discovery Inc. matched with Hasbro's multiples; we forecast enterprise value. A 9.26x Hasbro EV/EBITA multiple suggests a USD\$61.34 valuation.

Weighted Average Cost of Capital, WACC

The WACC, 7.80%, is used as the discount rate in the DCF valuation, comprising the cost of debt and equity. We estimated the cost of debt to be 4.54% after tax. As Hasbro Inc is listed and based in the United States, we assumed the risk-free rate of 5.15%, the forecasted peak federal fund rate in 2023. The cost of Equity is derived using the CAPM formula, and the Beta of 0.74 assumed is obtained by calculating the 5-year monthly data of Hasbro against the S&P500 Index. The Equity Risk Premium (4.89%) is referenced from Refinitiv's Starmine Equity Risk Premium Data. (Refer to appendix for full breakdown)

Terminal Growth

Our expected terminal growth rate is 0.22% based on the US projected average GDP growth rate for the next five years (Refinitiv). Given the Hawkish stance of the Federal Reserve and the lack of growth catalysts of the company, we expect Hasbro to perform just on par or slightly below the GDP growth.

Discount Cashflow Modelling

By using the above assumptions, we are able to determine the present value of Hasbro Inc. From the model, we implied a value of USD \$55.34 per share for Hasbro in 5 years. Representing a 13.70% downside from the current price.

Sensitivity Analysis

We test the effects of the terminal growth rate and the WACC on the Enterprise Value. Under the worst-case situation, where the WACC rises by 1%, and the terminal growth rate is at its lowest, share prices will fall to USD \$43.26. While on the other end of the spectrum, the share price will rise to USD \$75.89.

		Fair Value per share (\$USD)				
		Terminal Growth Rate				
WACC	\$55.34	-0.78%	-0.28%	0.22%	0.72%	1.22%
	6.80%	\$57.63	\$61.23	\$65.36	\$70.20	\$75.89
	7.30%	\$53.37	\$56.47	\$59.99	\$64.07	\$68.81
	7.80%	\$49.61	\$52.30	\$55.34	\$58.80	\$62.79
	8.30%	\$46.26	\$48.61	\$51.24	\$54.22	\$57.63
	8.80%	\$43.26	\$45.32	\$47.62	\$50.21	\$53.14

Figure 23: Risk Management Summary

Summary of Key Risks and Mitigation Measures in Place

RISKS	MITIGATION
MARKET RISK	
MR1. Forex Risk	Employed instruments to hedge Forex exposure
ECONOMIC RISK	
ER1. Seasonality Risk	Forecasting & Inventory Buffer Management
ER2. Supplier Risk	Monitor Risk
ER3. Retailer Risk	Direct Online Retailer
ER4. Competitor Risk	Strong spending on R&D
OPERATIONAL RISK	
OR1. Product Safety Risks	Strong spending on R&D
TECHNOLOGY RISK	
TR1. Consumer Preference Risks	Products with Integrated Technologies
LEGAL RISK	
LR1. Intellectual property Risks	Strong Brand Identity & Recognizable Brands
LR2. Regulatory environment Risks	Monitor Risk

Source: Team Analysis

Key Risk Factors

Market Risks

Fluctuations in currency exchange rates (MR1) - High Probability, Low Impact

Hasbro conducts business in a number of different countries and is exposed to fluctuations in currency exchange rates. Changes in exchange rates can impact the company's revenues and costs, potentially affecting its financial performance. To treat this risk, Hasbro hedged its foreign currency exposure by entering forward and option contracts into foreign exchange.

Economic Risks

Seasonality Risks (ER1) - High Probability, Low Impact

Hasbro's success depends on its ability to anticipate and respond to changes to the seasonality of product preferences, which may lead to a seasonal fluctuation in sales and profits. This can be a risk for Hasbro if it is unable to properly manage its inventory and costs during the off-season. To manage this risk, Hasbro has leveraged its past sales data to forecast demand for that particular period.

Dependence on key suppliers (ER2) - Low Probability, High Impact

Hasbro sources a significant portion of its raw materials and components from third-party suppliers. If these suppliers experience disruptions or cannot meet Hasbro's demand, it could impact the company's ability to produce and sell its products. Given the post-pandemic supply crunch, Hasbro believes that Suppliers are adequate to meet the anticipated demand.

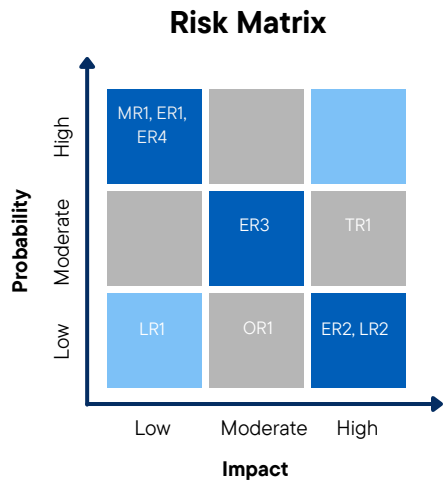
Dependence on retail Partners (ER3) - Moderate Probability, Moderate Impact

A significant portion of Hasbro's revenue is generated through sales to retail partners, such as toy stores and department stores. If these retailers experience declining sales or go out of business, it could have a negative impact on Hasbro's revenue and profitability. To reduce such a risk, Hasbro has introduced Hasbro Shop to skip the Retailers in the supply chain

Competition from other toy and game companies (ER4) - High Probability, Low Impact

Hasbro competes with other toy and game companies for market share and consumer attention. The company may face increased competition from new entrants into the market or from established players with strong brands.

Figure 24: Risk Matrix Summary



Source: Team Analysis

Operational Risks

Product safety Risks (OR1) - Low Probability, Moderate Impact

Ensuring that Hasbro's products are safe for children and other consumers is a top priority for the company. This includes complying with relevant safety regulations, testing products for potential hazards, and recalling products when necessary.

Technological Risks

Changes in consumer preferences (TR1) - Moderate Probability, High Impact

Hasbro's success depends on its ability to anticipate and respond to changes in consumer preferences, including shifts in demand for certain types of toys and games. As technology becomes more prevalent and children become more interested in digital play, consumers may demand more technologically integrated products. If the company fails to predict these changes accurately, it could negatively impact its financial performance. To counteract this, Hasbro has turned to developing digital Products to keep up.

Legal Risks

Intellectual property Risks (LR1) - Low Probability, Low Impact

Hasbro's success is dependent on its ability to protect its intellectual property, including trademarks, patents, and copyrights. If the company is unable to protect its intellectual property or if it faces litigation related to its intellectual property, it could have a negative impact on its business.

Regulatory environment Risks (LR2) - Low Probability, High Impact

Hasbro's operations and products are subject to various laws and regulations, including those related to safety, the environment, and marketing.

APPENDIX

Swot Analysis

Strengths of Hasbro Inc

Diverse product range

- Products range from toys and consumer products for kids and teenagers to digital games for young adults. eOne TV offers programs targeted at toddlers and kids. Diversifying their portfolio and reducing potential risks.

Exclusive licensing with major TV shows and movies

- Licensed to produce figurines of Star Wars and JJ Joe. Ability to gain greater profits and exposure.

Strong Distribution Network

- Over the years, Hasbro has built a reliable distribution network that can reach the majority of its potential market.

Superb Performance in New Markets

- Hasbro has built expertise at entering new markets and making a success of them. The expansion has helped the organization to build a new revenue stream and diversify the economic cycle risk in the markets it operates in.

Weakness of Hasbro Inc

Highly dependent on foreign manufacturers

- Consumer products are mostly manufactured in China, which could impede profit potential in the future as China develops further, with the rising cost of labor.

Investment in Research and Development Issues.

- Investment in Research and Development is below the fastest growing in the industry. Even though they are spending above the industry average in R&D, it has not been able to compete with the leading players in the industry in terms of innovation.

Opportunities of Hasbro Inc

Recognised brand within the toy making industry

- Simplifying the process of forming partnerships with various other brands to expand their product offerings.

Expand into untouched regions

- Hasbro can apply more aggressive expansion into developing regions like China and South East Asia.

New customers from online channel

- Over the past few years the company has invested vast of money into the online platform. This investment has opened new sales channel for Hasbro. They can leverage this opportunity by knowing its customer better and serving their needs using big data analytics

Threats of Hasbro Inc

Strong competitors in the market

- Hasbro has many rivals within the toy and games industry, which include major firms like Bandai Namco and Mattel.

Imitation goods

- Cheaper imitations manufactured in China could drive current consumers towards a more affordable alternative.

Changing consumer buying behavior

- Changing consumer buying behavior from online channels could be a threat to the existing physical infrastructure-driven supply chain model.

No regular supply of innovative products

- Over the years, the company has developed numerous products, but those are often responses to the development by other players. Secondly, the supply of new products is not regular, leading to high and low swings in the sales number over a period of time.

Growing demand for digital products

- Rising demand for digital games and computerized toys will impede Hasbro's traditional toy market. R&D is needed to cope with the demands of consumers. The digital gaming subsidiary of Hasbro is also not competing well with strong players like Valve and Electronic Arts.

Porter's 5 Forces

<p>1- Threat of New Entrants: Low/Medium</p> <ul style="list-style-type: none"> Regulations to enter the entertainment and toy industry are low, market is differentiated with products at a lower cost. Even though new players try to enter the market with newly innovated products and market them strongly to attract the customer, the lack of high volumes produced, would make it harder for them to form a loyal customer base, to be profitable Requires players to employ huge financial resources to set up manufacturing units and scale the company for profitability. Hasbro's strong global presence, worldwide distribution, wide brand portfolio, exclusive licenses and strong innovation team, helps them retain and grow customer base. 	<p>3- Bargaining Power of Customers: High</p> <ul style="list-style-type: none"> Customers want newer products from time to time at a value pricing. Consumers value differentiated products, are variety seeking and ready to experiment, thereby increasing their bargaining power. Furthermore, with growing small players in the market, they are willing to take up the risk of breaching copyrights to produce replica products that are sought after. Often these replicates are priced at a fraction of the authentic product. Adult customers are inclined towards digital gaming sides of the industry rather than physical toys and are ready to buy subscription plans of the games to play. Due to the larger number of options and competitive price, the switching cost of Hasbro customers is low, and they can frequently change the companies based on the latest and most interesting stuff offered
<p>2- Threat of Substitutes: High</p> <ul style="list-style-type: none"> Trend of upcoming generations, kids and adults have started to move from toys to playing online games, making the toy industry to die out slowly. Although Hasbro is has video games and other digital entertainment, there are already strong industry players like Valve, Electronic Arts, Epic Games. Over The Top substitutes like Netflix, Disney+ and Amazon are also strong competitors for Hasbro's entertainment subsidiary. With the wide variety of options above, there are multiple substitutes available for the kids and adults to enjoy and have entertainment. 	<p>4- Bargaining Power of Suppliers: Low</p> <ul style="list-style-type: none"> Suppliers are not differentiated, there are numerous suppliers in the market, which are mainly paper and plastics. Hasbro can spread the supplies across a number of suppliers and can negotiate for the best prices. Due to its worldwide presence and strong brand portfolio, access to raw material at a cheaper cost, and suppliers would be happy to trade due to volume margins and stability.. Switching cost for Hasbro is also low, due to the multiple options. Suppliers might try to leverage on Hasbro to integrate into the toy industry, which might be done through offering competitive prices to Hasbro.
<p>5- Competitive Rivalry: High</p> <ul style="list-style-type: none"> Competition in the industry is intense; strong global players are catering to the same profile of customers. These companies come with a unique set of offers and cost differentiation in order to lure the customer and fight for the market share. On the other hand, domestic players give a tough fight to the international players by customising according to regional needs, taking a chunk of customers away from Hasbro. There also exist manufacturers in China that imitate products from global companies and sell at a lower price due the manufacturing advantages. 	<p style="text-align: center;">5- Competitive Rivalry</p> <p>The diagram is a radar chart with five axes representing Porter's 5 Forces. The axes are labeled as follows: 1- Threat of New Entrants (left), 2- Threat of Substitutes (bottom-left), 3- Bargaining Power of Customers (bottom-right), 4- Bargaining Power of Suppliers (right), and 5- Competitive Rivalry (top). The chart shows five concentric pentagonal lines. The outermost line, representing the highest level of force, is at the top (5- Competitive Rivalry). The next line inward is at the left (1- Threat of New Entrants) and bottom-left (2- Threat of Substitutes). The innermost lines are at the bottom-right (3- Bargaining Power of Customers) and right (4- Bargaining Power of Suppliers).</p>

Weighted Average Cost of Capital

Cost of Debt Via YTM Approach

Debts	Amt (in mn)	Coupon	Price	YTM	Market Value	Weight
HAS 3.000 19-Nov-2024 '24	500	3.00%	96.1184	7.16%	\$48,059.20	15.90%
HAS 3.550 19-Nov-2026 '26	675	3.55%	94.2316	5.18%	\$63,606.33	21.05%
HAS 3.500 15-Sep-2027 '27	500	3.50%	92.8879	5.15%	\$46,443.95	15.37%
HAS 6.600 15-Jul-2028	109.895	6.60%	104.8147	5.63%	\$11,518.61	3.81%
HAS 3.900 19-Nov-2029 '29	900	3.90%	90.9095	5.50%	\$81,818.55	27.07%
HAS 6.350 15-Mar-2040	500	6.35%	101.5392	6.10%	\$50,769.60	16.80%
				Total MV	\$302,216.24	Pretax Cost of debt
						5.75%
						AfterTax Cost of Debt
						<u>4.54%</u>

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