

Mattel

# Virtual Investor Day: Growing franchise brands supports entertainment strategy

Reiterate Rating: BUY | PO: 25.00 USD | Price: 19.55 USD

## Expect continued focus on key franchise power brands

We attended a Virtual Investor Presentation with members of Mattel (MAT) management. We expect continued focus on franchise power brands led by Barbie, Hot Wheels, and Fisher-Price. We expect MAT to build on the success of the Barbie movie (14<sup>th</sup> highest grossing movie of all time) in 2024 with new product & content led by Mini Barbie Land, the reintroduction of horses into the line, a new fashion doll segment with Barbie Dream Besties, the launch of a new podcast, and a new Netflix special (Barbie and Stacie to the Rescue). We expect MAT to continue to leverage its power brands including Barbie to build out other leisure entertainment concepts including traveling restaurant exhibitions, experiential retail, and theme parks (see below). For Hot Wheels, we expect MAT to build on its success through an adult collector series, and expansion into adjacent categories such as R/C/Skate with its Tony Hawk partnership while benefitting from the Hot Wheels Let's Race Netflix animated series. Fisher Price should benefit from its updated kick and play piano and entrance into the wood category. We expect MAT to continue to out license or exit unprofitable segments such as Power Wheels. Additionally, we expect a relaunch of Barney this year with an animated series and a toy line in early 2025.

## Mattel highlights key retail partnerships including WMT

Mattel highlighted its strong retail partnerships including with Walmart (MAT was called out on both WMT & BJ 4Q EPS calls). For Walmart specifically, MAT called out multiple Barbie collaborations and its exclusive Fisher-Price wood launch this spring.

## Franchise brands should accelerate entertainment strategy

We believe MAT is focused on leveraging the success of its franchise brands to build out new entertainment verticals including the launch of a theme park with Mattel Adventure Park in Glendale, AZ. Mattel also plans to expand its digital game offering with self-publishing of mobile games. MAT highlighted a lighter theatrical slate this year, and will emphasize evergreen brands this year but called out Wicked (Nov. 2024) & Jurassic World (summer 2025).

## 2024 guidance reiterated, expect growth in 2025

MAT reiterated its 2024 guidance incl. flat net sales, 48.5-49.0% gross margin, advertising & adj. SG&A stable as a % of sales, and EPS of \$1.35-\$1.45, and expects to grow "sales and earnings in 2025." We raise our PO to \$25 (from \$22) based on 18X (from 15X) our C24E EPS of \$1.40 given our expectation for continued market share gains at retail and benefits as MAT continues to expand into other Leisure Entertainment verticals. Reiterate Buy.

07 March 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	22.00	25.00

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### Stock Data

Price	19.55 USD
Price Objective	25.00 USD
Date Established	7-Mar-2024
Investment Opinion	B-1-9
52-Week Range	15.36 USD - 22.64 USD
Mrkt Val (mn) / Shares Out (mn)	6,906 USD / 353.2
Free Float	99.1%
Average Daily Value (mn)	66.18 USD
BofA Ticker / Exchange	MAT / NAS
Bloomberg / Reuters	MAT US / MAT.OQ
ROE (2024E)	21.4%
Net Dbt to Eqty (Dec-2023A)	49.7%
ESGMeter™	High

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Timestamp: 07 March 2024 07:54PM EST

## Price objective basis & risk

### Mattel (MAT)

Our \$25 PO is based on 18x '24E P/E, a premium to the toy company comp set average given Mattel's higher growth prospects driven by its strategy to leverage its IP through content to drive toy and game sales.

Upside risks to our PO are a strong reception to Mattel's content lineup, better-than-expected performance of Mattel's Disney Princess license, a continued rebound in American Girl and stronger margins on lower input costs.

Downside risks to our PO are a prolonged downturn in consumer spending, a lower birth rate negatively impacting toy sales, share losses to video games or other competing products, weak fan engagement with Mattel's owned and licensed brands, poor performance of a key customer and margin pressure on higher input costs.

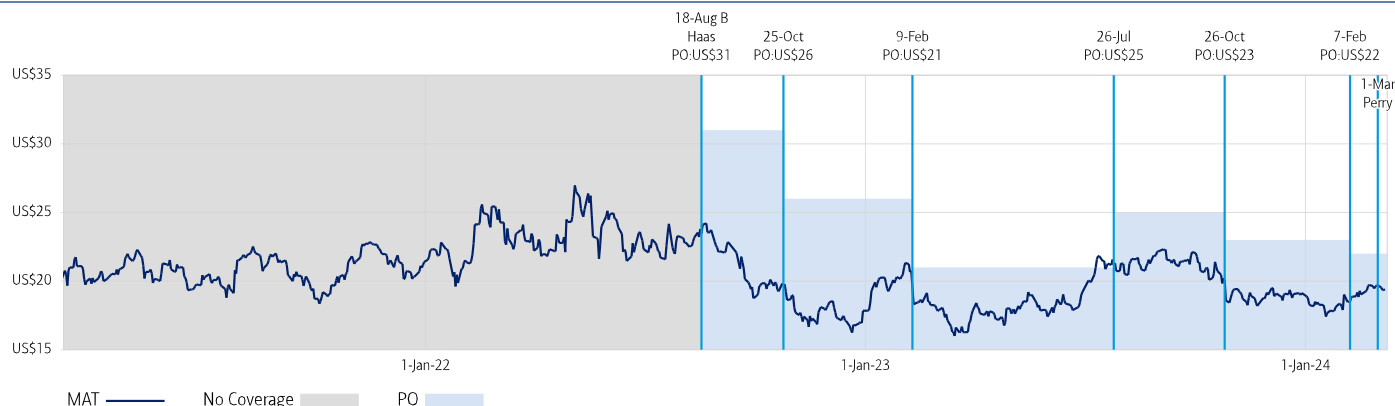
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### Mattel (MAT) Price Chart



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### Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
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Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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