

Hasbro

## HAS alternative data &amp; channel update

Maintain Rating: NEUTRAL | PO: 51.00 USD | Price: 50.29 USD

## Toy imports tracking up y/y for 4 consecutive months

According to data from Panjiva, imports of toys to the U.S. were up 14.2% y/y in January, which is an acceleration from +13.0% in December and versus an easy comparison of -33.3% last year. Toy imports declined y/y for 4 consecutive quarters beginning in 4Q22 before increasing 26% in 4Q23 (see Exhibit 1).

## General merchandise spending accelerated in January

According to BAC aggregated credit and debit card data, spending at general merchandise stores accelerated to +3.0% in January (from -0.3% in December) and versus -1.7% y/y in 4Q23 (see Exhibit 2). See the [BofA on USA](#) report and the end of this report for methodology, limitations, and disclaimers related to BAC aggregated credit and debit card data.

## Toys underperformed at WMT/COST in 4Q

According to its F4Q release, WMT saw softness in toys “due in part to deflation,” which contributed to -LSD% general merchandise comps. According to HAS’ recently released 10-K, WMT accounted for 11% of net sales in 2023 (flat with last year), while AMZN accounted for 11% of net sales (up from 10% last year). Toys were highlighted as an “underperforming department” at COST in December. We maintain our Neutral rating on HAS, as we expect continued weakness in the consumer products segment until turnaround efforts take hold.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.45	2.51	3.03	3.31	3.49
GAAP EPS	1.46	(10.73)	3.03	3.31	3.49
EPS Change (YoY)	-14.9%	-43.6%	20.7%	9.2%	5.4%
Consensus EPS (Bloomberg)			3.27	3.93	4.51
DPS	2.77	2.79	2.80	2.80	2.80
Valuation (Dec)					
P/E	11.3x	20.0x	16.6x	15.2x	14.4x
GAAP P/E	34.4x	NM	16.6x	15.2x	14.4x
Dividend Yield	5.5%	5.6%	5.6%	5.6%	5.6%
EV / EBITDA*	9.0x	14.8x	10.8x	10.3x	9.9x
Free Cash Flow Yield*	2.8%	7.4%	2.8%	6.7%	7.0%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

01 March 2024

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## Stock Data

Price	50.29 USD
Price Objective	51.00 USD
Date Established	13-Feb-2024
Investment Opinion	B-2-7
52-Week Range	42.66 USD - 73.58 USD
Mkt Val (mn) / Shares Out (mn)	6,978 USD / 138.8
Free Float	93.9%
Average Daily Value (mn)	94.03 USD
BofA Ticker / Exchange	HAS / NAS
Bloomberg / Reuters	HAS US / HAS.OQ
ROE (2024E)	36.9%
Net Dbt to Eqty (Dec-2023A)	268.7%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

AMZN: Amazon

COST: Costco

LSD: low single digit

WMT: Walmart

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 2.

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Timestamp: 01 March 2024 03:00PM EST

# iQprofile<sup>SM</sup> Hasbro

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	9.7%	6.9%	11.2%	11.7%	12.0%
Return on Equity	20.9%	17.7%	36.9%	36.9%	36.4%
Operating Margin	15.8%	9.5%	18.1%	18.9%	19.2%
Free Cash Flow	199	516	194	465	490

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	2.1x	1.0x	1.5x	1.5x
Asset Replacement Ratio	0.9x	-0.4x	1.1x	1.1x	1.1x
Tax Rate	20.4%	NM	24.0%	24.0%	24.0%
Net Debt-to-Equity Ratio	120.7%	268.7%	253.7%	240.1%	221.8%
Interest Cover	5.4x	2.6x	4.6x	4.9x	5.1x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,857	5,003	4,110	4,204	4,301
% Change	-8.8%	-14.6%	-17.8%	2.3%	2.3%
Gross Profit	3,960	3,297	2,302	2,371	2,443
% Change	-11.9%	-16.7%	-30.2%	3.0%	3.0%
EBITDA	1,173	709	974	1,025	1,059
% Change	-10.5%	-39.5%	37.4%	5.2%	3.3%
Net Interest & Other Income	(146)	(170)	(183)	(183)	(183)
<b>Net Income (Adjusted)</b>	<b>618</b>	<b>349</b>	<b>425</b>	<b>464</b>	<b>490</b>
<b>% Change</b>	<b>-14.6%</b>	<b>-43.6%</b>	<b>22.0%</b>	<b>9.0%</b>	<b>5.5%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	618	349	425	464	490
Depreciation & Amortization	788	0	292	292	292
Change in Working Capital	(878)	0	(298)	(66)	(66)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(156)	377	0	0	0
Capital Expenditure	(174)	(209)	(225)	(225)	(225)
<b>Free Cash Flow</b>	<b>199</b>	<b>516</b>	<b>194</b>	<b>465</b>	<b>490</b>
<b>% Change</b>	<b>-71.0%</b>	<b>159.8%</b>	<b>-62.4%</b>	<b>139.4%</b>	<b>5.5%</b>
Share / Issue Repurchase	(125)	0	0	(100)	(100)
Cost of Dividends Paid	(385)	(388)	(393)	(393)	(393)
Change in Debt	(61)	(399)	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	513	545	367	358	376
Trade Receivables	1,132	1,029	957	979	1,002
Other Current Assets	1,354	749	818	832	847
Property, Plant & Equipment	423	489	564	639	714
Other Non-Current Assets	5,874	3,729	3,729	3,729	3,729
<b>Total Assets</b>	<b>9,296</b>	<b>6,541</b>	<b>6,434</b>	<b>6,537</b>	<b>6,667</b>
Short-Term Debt	256	500	500	500	500
Other Current Liabilities	1,934	1,556	1,315	1,345	1,376
Long-Term Debt	3,711	2,966	2,966	2,966	2,966
Other Non-Current Liabilities	533	432	432	432	432
<b>Total Liabilities</b>	<b>6,434</b>	<b>5,454</b>	<b>5,213</b>	<b>5,243</b>	<b>5,274</b>
<b>Total Equity</b>	<b>2,862</b>	<b>1,087</b>	<b>1,221</b>	<b>1,294</b>	<b>1,393</b>
<b>Total Equity &amp; Liabilities</b>	<b>9,296</b>	<b>6,541</b>	<b>6,434</b>	<b>6,537</b>	<b>6,667</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Retailing-Hardlines

## Company Description

Hasbro is a global play and entertainment company that delivers immersive brand experiences through its three segments: (1) Consumer Products, (2) Wizards of the Coast and (3) Entertainment. Consumer Products sells toys and games. Wizards of the Coast sells trading card, role-playing and digital games including Magic: The Gathering and Dungeons & Dragons. Entertainment produces and distributes film and TV content.

## Investment Rationale

Hasbro has a long track record of successfully developing content and brands that engage kids, their parents, and fans of all ages. While the company has had a number of successes, its performance remains mixed across brands, and its self-help story, while compelling, will take time to play out.

## Stock Data

Average Daily Volume 1,875,192

## Quarterly Earnings Estimates

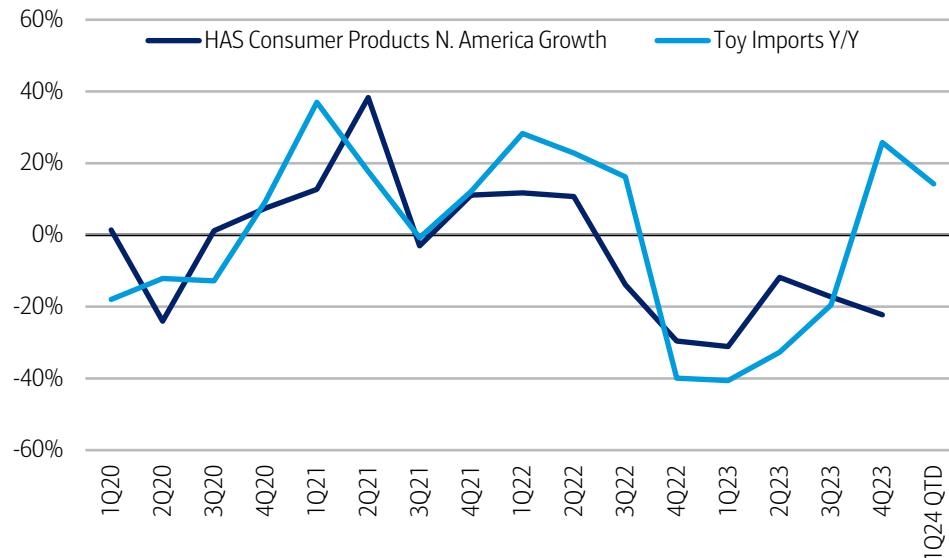
	2023	2024
Q1	0.01A	0.45E
Q2	0.49A	0.66E
Q3	1.64A	1.05E
Q4	0.37A	0.87E

## Toy imports tracking up y/y for four consecutive months

According to data from Panjiva, imports of toys to the U.S. were up 14.2% y/y in January, which is an acceleration from +13.0% in December and versus an easy comparison of -33.3% last year. Toy imports declined y/y for 4 consecutive quarters beginning in 4Q22 before increasing 26% in 4Q23.

### Exhibit 1: Toy Import data suggests a potential acceleration in HAS Consumer Products North America Growth

HAS Consumer Products North America Growth versus y/y % change in toy imports, according to Panjiva



Source: Panjiva, Company Filings

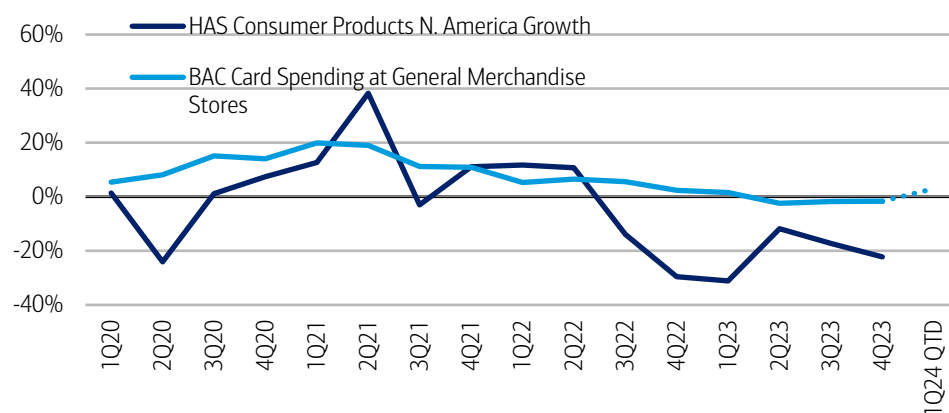
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## General merchandise spending accelerated in January

According to BAC aggregated credit and debit card data, spending at general merchandise stores accelerated to +3.0% in January (from -0.3% in December) and versus -1.7% y/y in 4Q23 (see Exhibit 2).

### Exhibit 2: Spending at General Merchandise Stores accelerated, according to BAC card data

HAS Consumer Products N. America Growth vs. BAC Card Spending at General Merchandise Stores



Source: BAC Internal Data, Company Filings

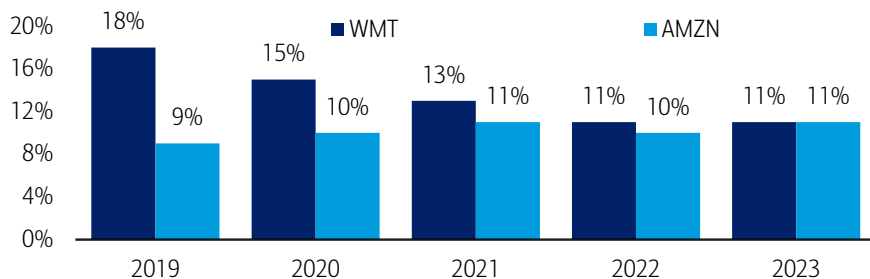
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## Toys underperformed at WMT/COST in 4Q

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**Exhibit 3: WMT has been declining as a % of HAS net sales, while AMZN has been increasing**  
WMT/AMZN as a percent of HAS net sales



Source: Company Filings

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## Disclaimer and Methodology regarding BAC card data

Selected Bank of America ("BAC") transaction data are used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used are not comprehensive; they are based on aggregated and anonymized selections of BAC data and may reflect a degree of selection bias and limitations on the data available.

### Methodology explained

Readers should be aware that although the BAC datasets utilized in our analysis represent a significant number of data points, they nevertheless present a degree of selection bias, including but not limited to income levels and geographies. In addition, the data is limited to debit and credit cards and does not include other payment methods such as cash or checks.

Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Please note we calculate % change (both y/y and 4-year) by matching the corresponding day of the week.

The monthly subsector data are adjusted to control for seasonality and other factors.

Additional information about the methodology used to aggregate the data is available on request

## Price objective basis & risk

### Hasbro (HAS)

Our \$51 PO is based on 15x '24E P/E, in-line with its toy company comp set average which we think is fair given similar growth prospects.

Upside risks to our PO are a better-than-expected content lineup driving toy demand, upside from successful Magic: The Gathering and other releases in Hasbro's Wizards of the Coast and Digital Gaming segment, and lower input costs.

Downside risks to our PO are a prolonged downturn in consumer spending, share losses to video games or other competing products, weak fan engagement with Hasbro's brands, fading appetite for Magic releases, poor performance of a key customer, and higher input costs.

## Analyst Certification

I, Jason Haas, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Retail Hardline Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Arhaus, Inc.	ARHS	ARHS US	Jason Haas, CFA
	Boot Barn	BOOT	BOOT US	Jason Haas, CFA
	Driven Brands	DRVN	DRVN US	Jason Haas, CFA
	Five Below Inc.	FIVE	FIVE US	Jason Haas, CFA
	Floor and Decor Holdings, Inc.	FND	FND US	Robert F. Ohmes, CFA
	Genuine Parts	GPC	GPC US	Jason Haas, CFA
	Lowe's Companies, Inc.	LOW	LOW US	Robert F. Ohmes, CFA
	Mattel	MAT	MAT US	Jason Haas, CFA
	Mister Car Wash	MCW	MCW US	Jason Haas, CFA
	Ollie's	OLLI	OLLI US	Jason Haas, CFA
	O'Reilly Automotive, Inc.	ORLY	ORLY US	Jason Haas, CFA
	Petco	WOOF	WOOF US	Jason Haas, CFA
	PROG Holdings Inc	PRG	PRG US	Jason Haas, CFA
	Rollins Inc.	ROL	ROL US	Jason Haas, CFA
	Tempur Sealy International Inc.	TPX	TPX US	Jason Haas, CFA
	The Home Depot, Inc.	HD	HD US	Robert F. Ohmes, CFA
	Upbound Group Inc.	UPBD	UPBD US	Jason Haas, CFA
<b>NEUTRAL</b>				
	AutoZone Inc.	AZO	AZO US	Jason Haas, CFA
	Hasbro	HAS	HAS US	Jason Haas, CFA
	Sonos, Inc.	SONO	SONO US	Jason Haas, CFA
	Williams-Sonoma	WSM	WSM US	Jason Haas, CFA
<b>UNDERPERFORM</b>				
	Advance Auto Parts, Inc.	AAP	AAP US	Jason Haas, CFA
	Best Buy Co., Inc.	BBY	BBY US	Robert F. Ohmes, CFA
	Snap-on	SNA	SNA US	Elizabeth L Suzuki
	Tractor Supply Company	TSCO	TSCO US	Jason Haas, CFA
	Whirlpool	WHR	WHR US	Jason Haas, CFA



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

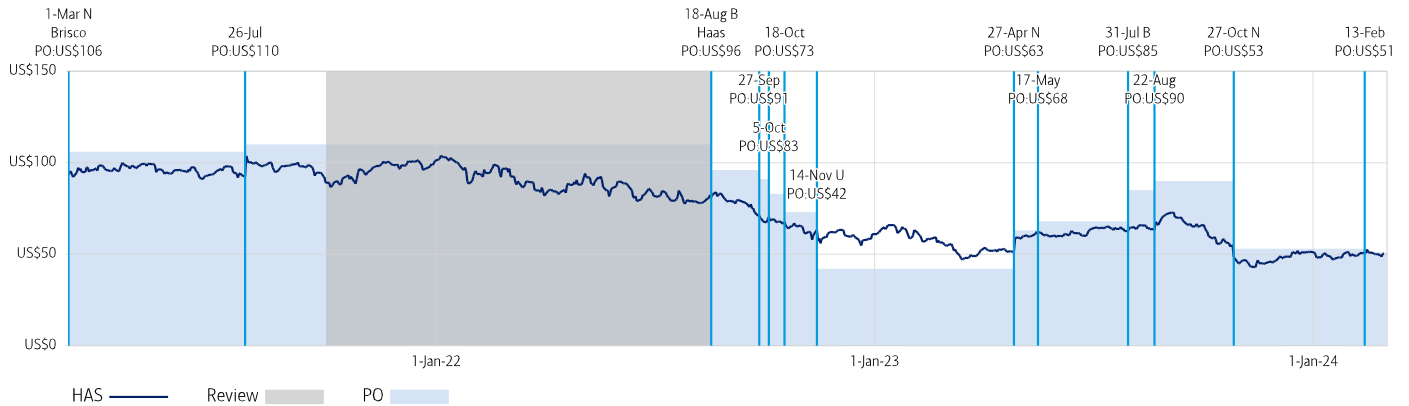
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# Disclosures

## Important Disclosures

### Hasbro (HAS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### 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%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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