

Mattel

MAT alternative data & channel update

Reiterate Rating: BUY | PO: 22.00 USD | Price: 19.58 USD

Toy imports tracking up y/y for 4 consecutive months

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General merchandise card data accelerates in January

According to BAC aggregated Credit & Debit Card Data spending at general merchandise stores accelerated to +3.0% in January (from -0.3% in December) and vs. -1.7% y/y in 4Q23. 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 soft in 4Q; but Mattel gained share

According to its F4Q release, WMT saw softness in toys “due in part to deflation” which contributed to -LSD% general merchandise comps. However, WMT called out Mattel as an outperformer in its remodeled stores. Toys were highlighted as an “underperforming department” at COST in December. Although MAT faces tough compares this year from the Barbie movie, we reiterate Buy & \$22 PO as we believe in the company’s ability to grow its IP-driven toy business and continue expanding its entertainment offering.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	1.25	1.23	1.40	1.54	1.68
GAAP EPS	1.10	0.60	1.40	1.54	1.68
EPS Change (YoY)	-5.3%	-1.6%	13.8%	10.0%	9.1%
Consensus EPS (Bloomberg)			1.39	1.54	1.70
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	15.7x	15.9x	14.0x	12.7x	11.7x
GAAP P/E	17.8x	32.6x	14.0x	12.7x	11.7x
EV / EBITDA*	8.8x	9.0x	8.5x	8.2x	7.9x
Free Cash Flow Yield*	3.7%	10.3%	7.4%	8.8%	9.3%

* For full definitions of *IQmethod*SM measures, see page 6.

01 March 2024

Equity

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Stock Data

Price	19.58 USD
Price Objective	22.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-1-9
52-Week Range	15.36 USD - 22.64 USD
Mkt Val (mn) / Shares Out (mn)	6,916 USD / 353.2
Free Float	99.2%
Average Daily Value (mn)	67.80 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

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”](#).

WMT: Walmart

COST: Costco

LSD: low single digit

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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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iQprofileSM Mattel

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	10.8%	10.2%	10.8%	10.9%	10.9%
Return on Equity	24.8%	20.8%	21.4%	20.7%	19.9%
Operating Margin	12.7%	11.8%	13.1%	13.6%	14.0%
Free Cash Flow	256	710	513	611	641

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.0x	2.0x	1.5x	1.5x	1.5x
Asset Replacement Ratio	1.0x	0.9x	1.1x	0.9x	0.9x
Tax Rate	24.1%	23.0%	23.5%	23.5%	23.5%
Net Debt-to-Equity Ratio	76.1%	49.7%	40.5%	28.7%	17.6%
Interest Cover	5.2x	5.2x	5.7x	6.0x	6.3x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,435	5,441	5,440	5,540	5,643
% Change	-0.4%	0.1%	0%	1.9%	1.9%
Gross Profit	2,492	2,583	2,653	2,716	2,780
% Change	-5.2%	3.6%	2.7%	2.4%	2.4%
EBITDA	968	948	997	1,035	1,074
% Change	-3.8%	-2.1%	5.2%	3.8%	3.8%
Net Interest & Other Income	(130)	(96)	(110)	(110)	(110)
Net Income (Adjusted)	450	438	483	512	542
% Change	-3.5%	-2.6%	10.1%	6.0%	5.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	424	420	463	492	522
Depreciation & Amortization	182	177	177	177	177
Change in Working Capital	(348)	122	(45)	(8)	(8)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	184	151	105	105	105
Capital Expenditure	(187)	(160)	(188)	(155)	(155)
Free Cash Flow	256	710	513	611	641
% Change	-23.3%	177.0%	-27.8%	19.1%	4.9%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(250)	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	761	1,261	1,375	1,586	1,827
Trade Receivables	860	1,082	1,103	1,123	1,144
Other Current Assets	1,108	779	772	784	796
Property, Plant & Equipment	469	466	514	529	545
Other Non-Current Assets	2,980	2,848	2,848	2,848	2,848
Total Assets	6,178	6,436	6,612	6,870	7,159
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,188	1,343	1,312	1,336	1,360
Long-Term Debt	2,326	2,330	2,330	2,330	2,330
Other Non-Current Liabilities	608	614	614	614	614
Total Liabilities	4,121	4,287	4,256	4,280	4,304
Total Equity	2,056	2,149	2,355	2,590	2,855
Total Equity & Liabilities	6,178	6,436	6,612	6,870	7,159

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Retailing-Hardlines

Company Description

Mattel is a global company that manufactures, markets and sells toys, games and other products. Mattel's product categories include: (1) Dolls including Barbie, Monster High, American Girl and Polly Pocket, (2) Infant, Toddler, and Preschool including Fisher-Price and Thomas & Friends, (3) Vehicles including Hot Wheels and Matchbox and (4) Action Figures, Building Sets, Games, and Other including Masters of the Universe, MEGA and UNO.

Investment Rationale

Mattel is a successful turnaround story that we believe the market has not yet fully rewarded. We expect multiple expansion as the company continues to grow by leveraging its IP through content to drive toy and game sales.

Stock Data

Average Daily Volume

3,462,933

Quarterly Earnings Estimates

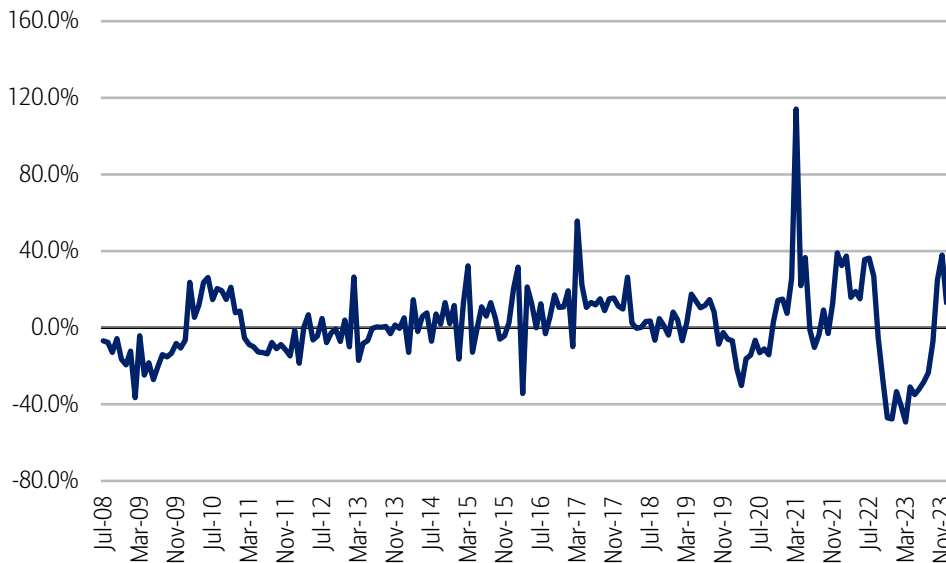
	2023	2024
Q1	-0.24A	-0.16E
Q2	0.10A	0.19E
Q3	1.08A	1.07E
Q4	0.29A	0.30E

Toy imports tracking up y/y for four consecutive months

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Exhibit 1: Imports of toys to the U.S. has increased for 4 consecutive months following 13 months of y/y declines

y/y % change of toy imports to the U.S. according to Panjiva



Source: Panjiva

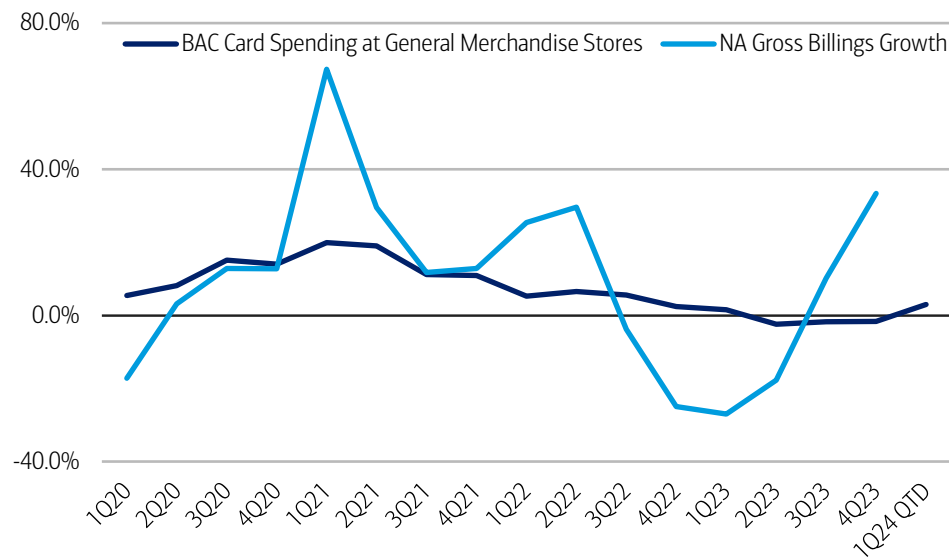
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Exhibit 2: MAT N. America Gross Billings Growth has been outperforming spending at General Merchandise stores

Spending at General Merchandise Stores according to BAC Card Data vs. MAT NA Gross Billings Growth



Source: BAC Internal Data, Company Filings

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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 & 4 yr.) 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 upon request

Price objective basis & risk

Mattel (MAT)

Our \$22 PO is based on 15x '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.

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
BUY				
	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
NEUTRAL				
	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
UNDERPERFORM				
	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



iQmethodSM 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 & 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

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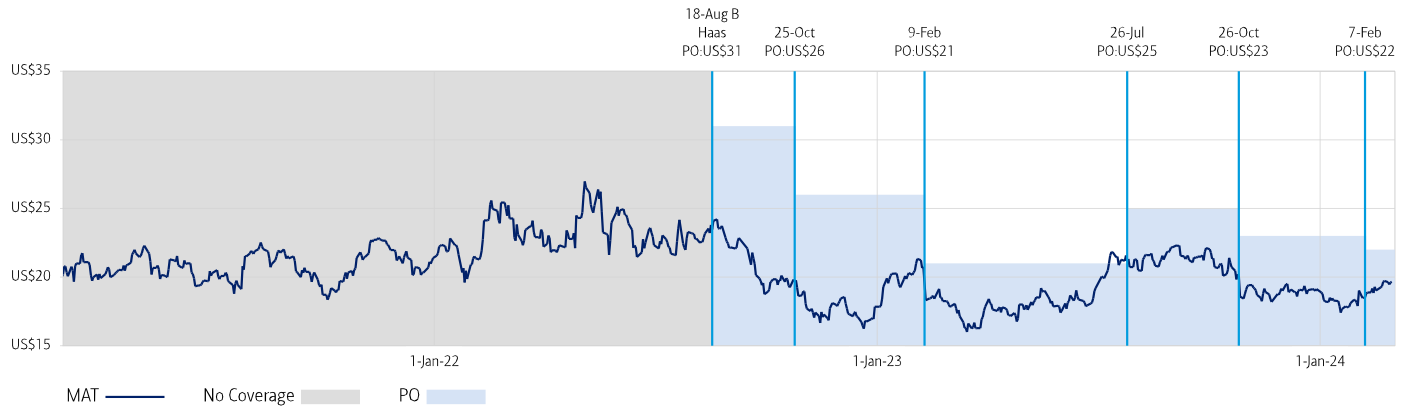
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Important Disclosures

Mattel (MAT) Price Chart



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 ^{R1}	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 ^{R1}	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%

^{R1} 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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} 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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