



MATTEL

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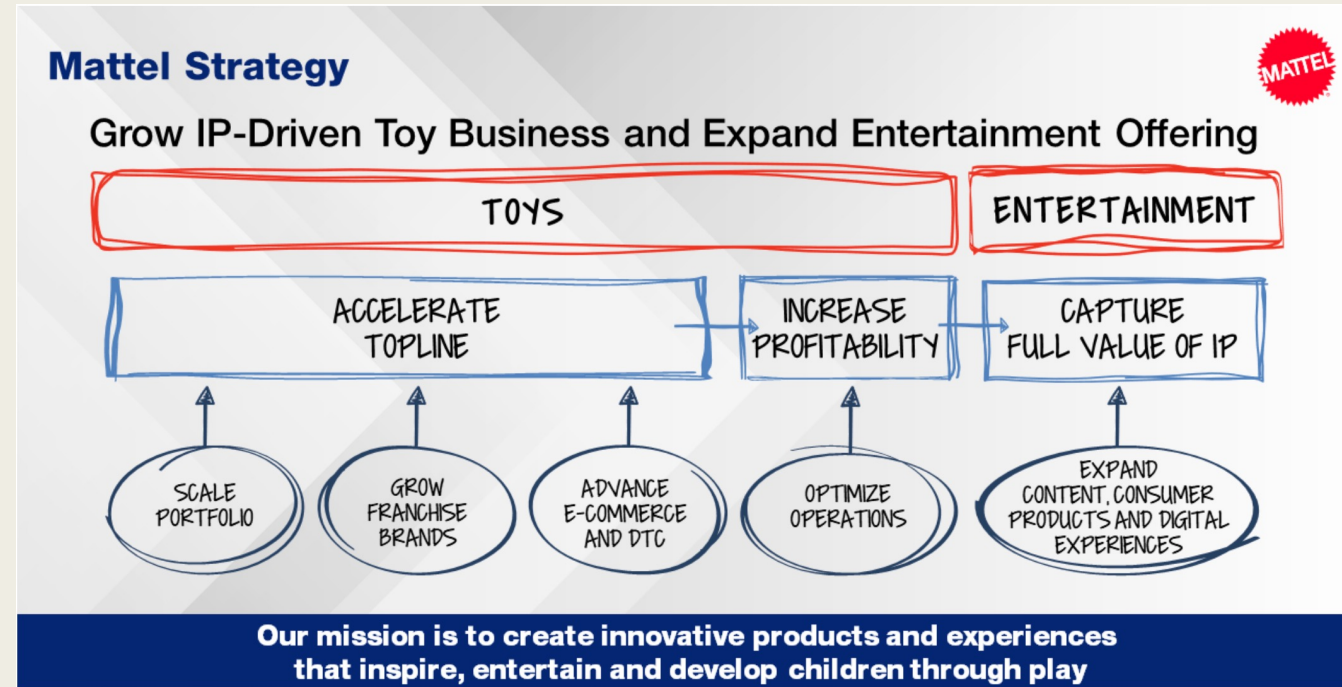
Recommendation:

BUY STOCK

BUY BOND

Business Overview

- Multinational Toy Manufacturing and Entertainment Company
- Headquarters in El Segundo, California
- Founded in 1945 by Ruth Handler, Elliot Handler, and Harold Matson
- Mattel's manufacturing facilities are located in China, Indonesia, Malaysia, Mexico, and Thailand
- Stopped paying dividends in 2017 due to bankruptcy costs of Toys“R”Us



American Girl[®]



Barbie

fisher-price[®]



Capital Structure and Stock

- Operating Cash Flow: 637.97 Million
- Debt/Book Value of Equity = 1.14
- Debt/Market Value of Equity = 0.33
- Bond Rating: BB+



Price: 18.49

Market Cap: 6.53 B

P/E: 80.39

EV/EBITDA: 13.04

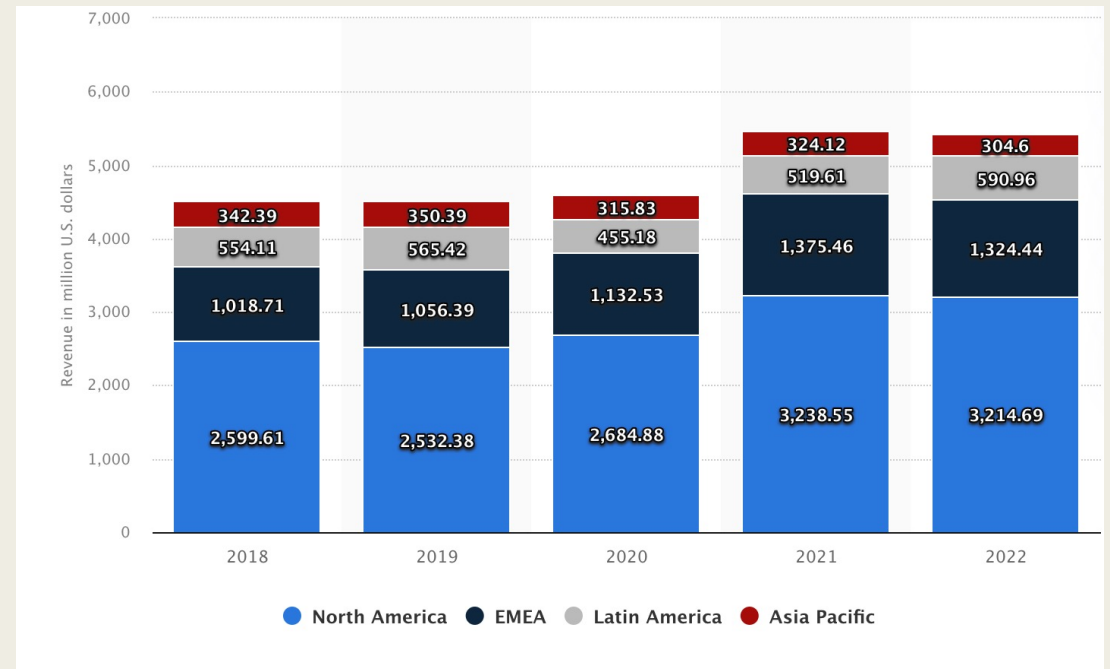
EPS: 0.23

52-Week range: 15.36 - 22.64



Challenges

- Mattel is exposed to financial market risk resulting from changes in interest and foreign currency exchange rates.
- “While we’re seeing higher volatility related to macroeconomic challenges that may impact consumer spending, the toy industry has historically demonstrated its resilience during difficult economic times and is forecast to grow for the full year and thereafter,” Ynon Kreiz (CEO of Mattel)
- Mattel films has 45 more movies in the works and 14 that they have publicly announced which slowed down because of the WGA and SAG-AFTRA strike which just ended.



Business Overview Trends

Revenue



- Revenue remains to be above \$5.0 billion after Q2 2023
- Potential revenue increase in Q4 2023

Operating Income



- Q3 2023 operating income increased by \$82 million compared to prior year
- Large growth in operating income after Q2 2020

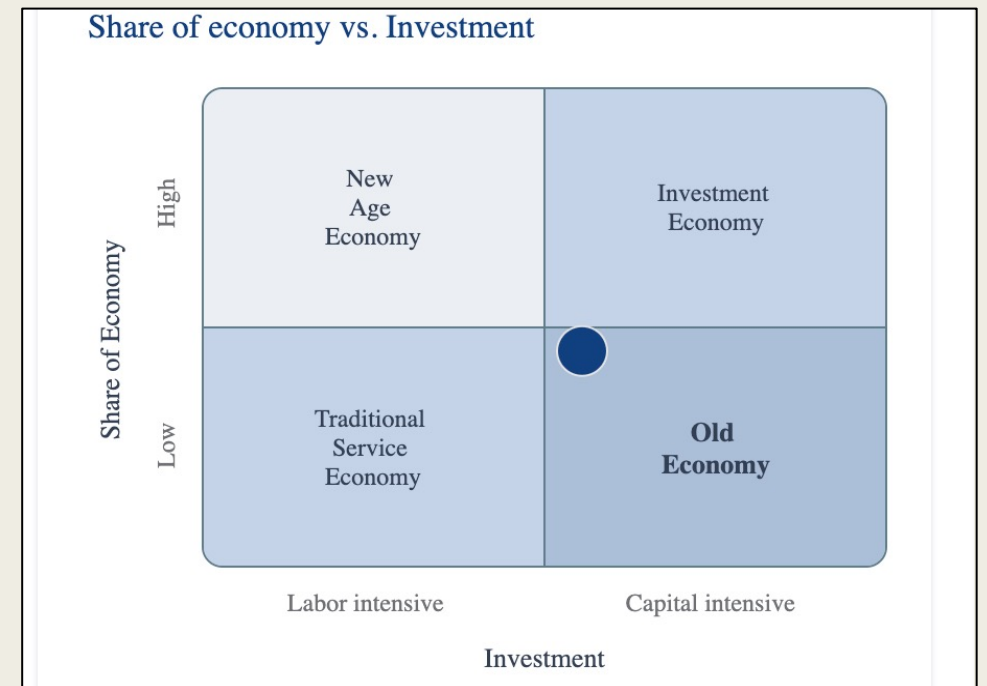
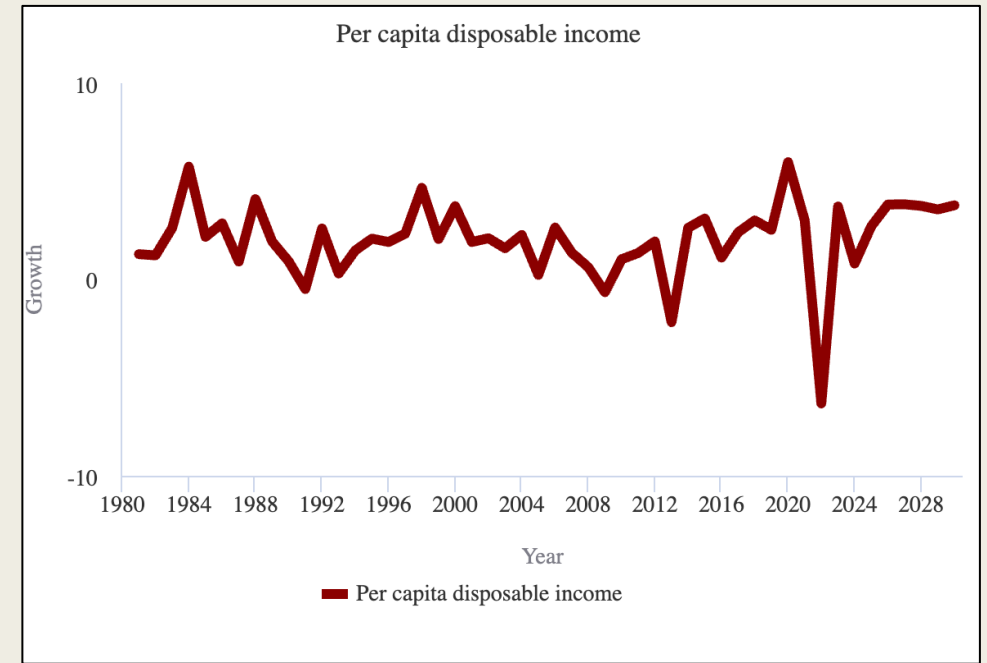
Net Income



- Mattel's Q3 2023 net income was \$146.3 million
- Remains ahead when compared to a competitor since 2021

Industry Overview

- 2023 Industry Revenue: \$43.5 B
- Revenue growth: 7.3%
- Key Drivers:
 - *Consumer age and development stage*
 - *Consumer disposable income*
 - *Social trends*
- Consumer preferences causes fluctuations in industry growth
 - *Increase in the development and production of tech toys*



SWOT Analysis

Strengths

- *Strong brand portfolio and current expansion on it*
- *Powerful licensing agreements with Disney and Warner Bros.*
- *Expanding global network*

Weaknesses

- *Supply chain issues which cause production and distribution*
- *Financial challenges might affect company's ability to invest in growth initiatives*

Opportunities

- *E-commerce growth gives chance for expansion of audience*
- *Current cinema production initiative*
- *Digital transformation to create new experiences for children*

Threats

- *Economic downturn might affect consumer spending patterns*
- *Change in consumer preferences- growing interest in digital entertainment*
- *Regulatory changes might cause increase in compliance costs*

Porters Five Forces

Threat of New Entrants

- Low to moderate
- The industry requires high standards of R&D before new companies can enter the market

Bargaining power of suppliers

- Moderate
- Mattel has a diversified supplier base and maintains long term relationships making this a lower focus

Bargaining power of buyers

- Moderate
- Mattel has a strong brand portfolio which holds down it's consumer base

Threat of substitutes

- Low to moderate
- Alternatives such as digital entertainment, video games
- But Mattel is diversifying their product line and trying to ward off this loss

Rivalry among competitors

- High
- Rivalry with companies like LEGO & Hasbro
- Competition can drive innovation and quality

Comparable Company Analysis

	Market Data (Current)		Financial Data (2022)					Valuation		
	Price	Market Cap (\$B)	Sales (\$M)	EBITDA (\$M)	EBIT (\$M)	Earnings (\$M)	EV (\$M)	EV/Sales	EV/EBITDA	EV/EBIT
Mattel	\$18.49	653,100	5,434.7	2,481.4	504.3	393.9	8,720.0	1.67	13.04	17.29
Hasbro	\$43.11	598,200	5,856.7	407.7	261.5	203.5	9,540.0	1.77	33.72	36.48
The Walt Disney Company	\$88.27	157,209	82,722.0	11,696.0	6,533.0	3,553.0	189,460.0	2.13	16.70	29.00
Carnival Corporation	\$12.76	16,668	12,168.0	(4,379.0)	(6,080.0)	(6,093.0)	46,450.0	2.32	16.80	(7.64)
AVERAGE								2.0x	20.1x	18.8x
MEDIAN								2.0x	16.8x	23.1x

Metric focused on is EV/EBITDA
Because the company's ratio is lower than the mean, there is the conclusion that the company might be undervalued currently, making it a good investment

Discounted Cash Flow

Implied Share Price	
Enterprise Value	9,851,171
Debt	2,597,000
Cash	762
Minority Interest	0
Equity Value	7,254,933
# of shares outstanding	354,942
Implied Share Price	\$20.44
Current Price	\$18.49
Implied Upside/(Downside) to Intrinsic Value:	11%

Stock Prices Over the Years

- 1998: ownership of Fisher Price and American Girl
 - *Annual Revenue of 4.83 billion*
- 2013: implemented slightly higher price bump
- 2023: ~ \$5.1 billion revenue
- No dividends as of 2017!

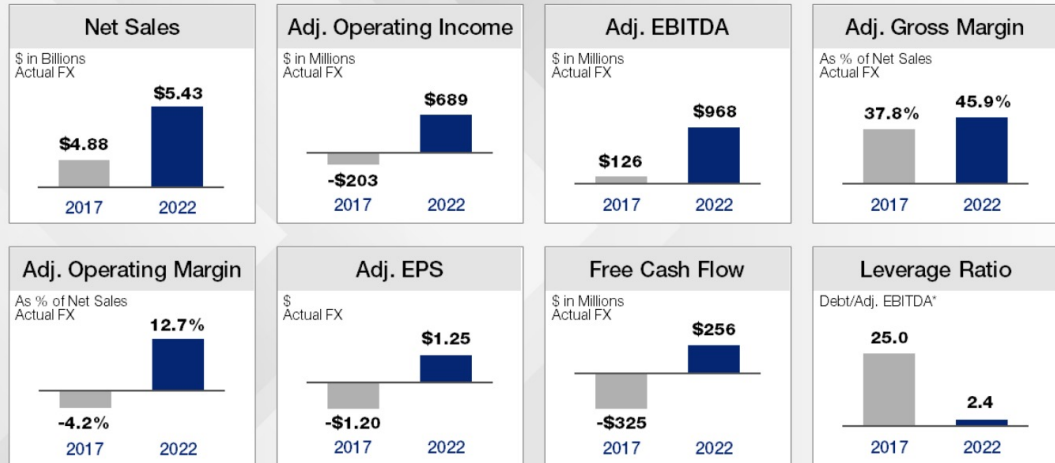
2035: stock price predicted to be ~\$31.42



Key Statistics

- Mattel x Hasbro
- Mattel x Disney (Jan . 2022)
 - Share prices jumped 9% from announcement
- Hot Wheels video games
- Monster High Live Tour

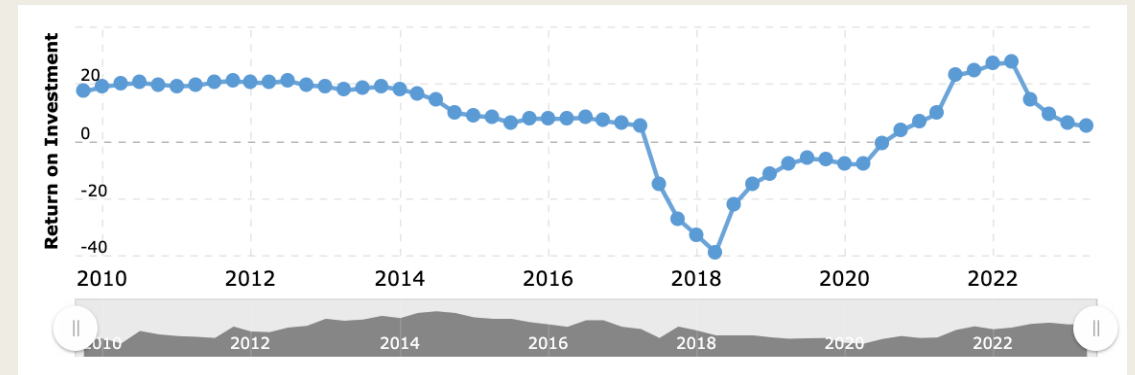
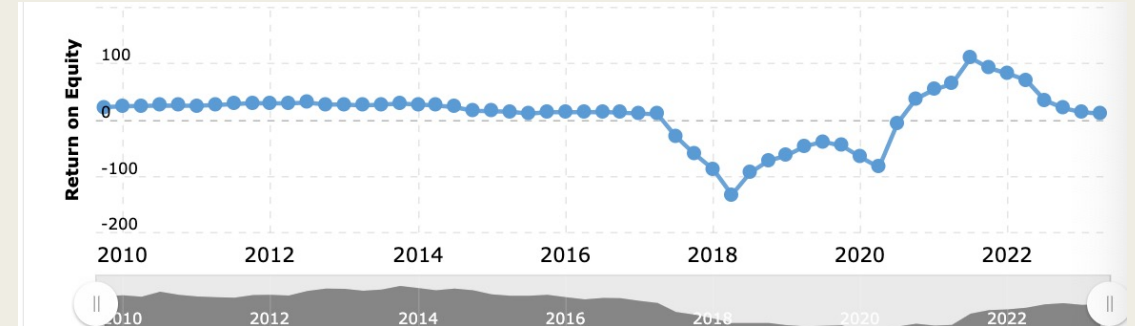
Key Financial Highlights (2017-2022)



* Note: Includes Short-term Borrowings and Long-term Debt.
Source: Please see Appendix - Reconciliation of Non-GAAP Financial Measures and Glossary of Non-GAAP Financial Measures & Key Performance Indicators

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Breakdown	TTM	12/31/2022	12/31/2021	12/31/2020	12/31/2019
> Operating Cash Flow	637,609	443,000	485,000	289,000	181,000



Bond Recommendation

- Recommendation: BUY
- Rating: BB+/BB+/Ba1
- We would recommend buying the 6-year issue over the 4-year issue as you can increase the yield by approximately 25 basis points while adding minimal risk

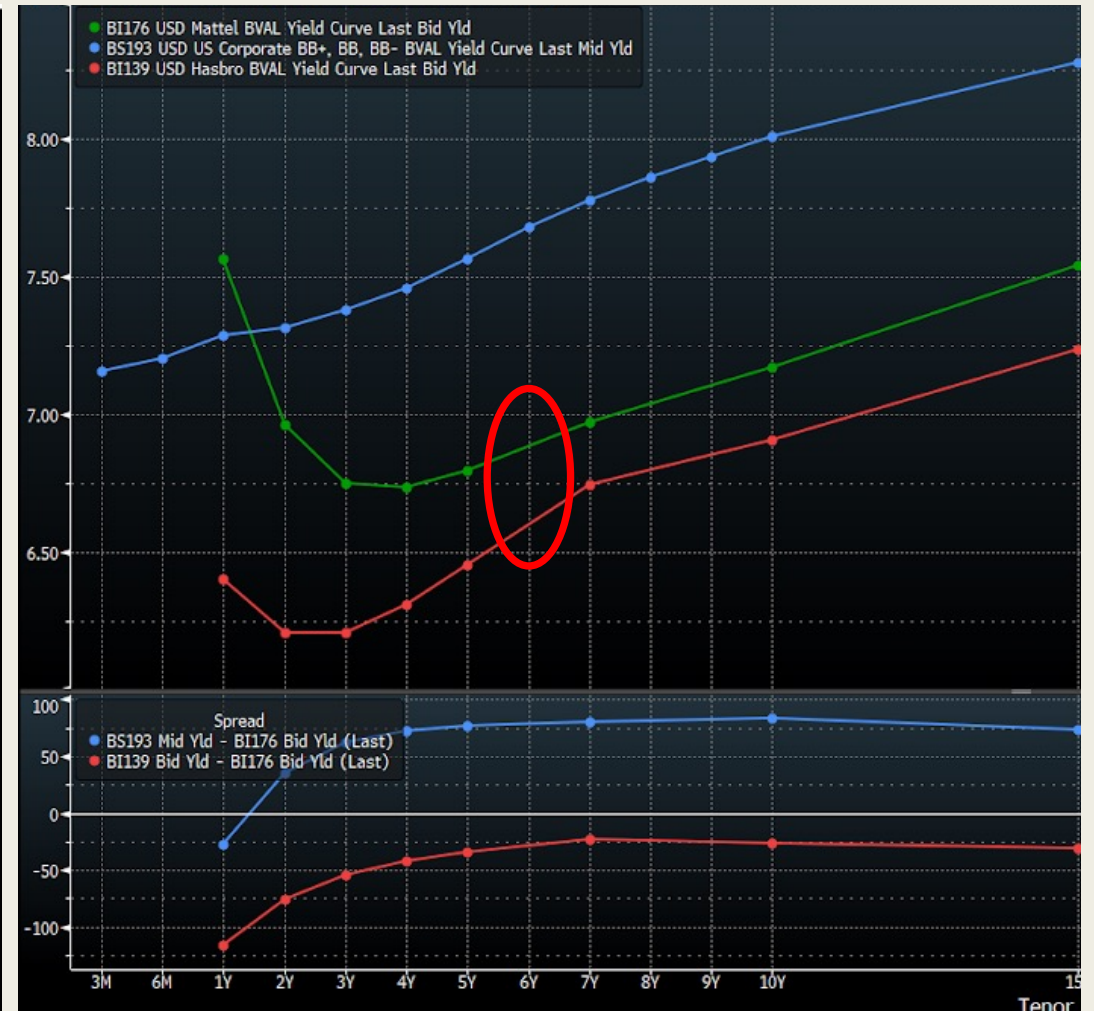
Issuer Information			
Name	MATTEL INC		
Industry	Consumer Products (BCLASS)		
Security Information			
Mkt Iss	PRIV PLACEME...		
Ctry/Reg	US	Currency	USD
Rank	Sr Unsecured	Series	144A
Coupon	3.750000	Type	Fixed
Cpn Freq	S/A		
Day Cnt	30/360	Iss Price	100.0000
Maturity	04/01/2029		
MAKE WHOLE @50.000 until 04/01/24/ CALL 04/...			
Iss Sprd	+240.00bp vs T 2 5 ₈ 02/15/29		
Calc Type	(1)STREET CONVENTION		
Pricing Date	03/09/2021		
Interest Accrual Date	03/19/2021		
1st Settle Date	03/19/2021		
1st Coupon Date	10/01/2021		

Bond Thesis

Bond Recommendation

USD (\$) in Thousands

	Debt	Equity	Ratio
Mattel D/BV of Equity	2,328,897	2,035,466	1.14
Mattel D/MV of Equity	2,328,897	6,530,000	0.36
Interest Expense Last Year			132,818
Net Income Last Year			393,913
NI/Interest			2.97x
Hasbro D/BV of Equity	3,654,600	2,223,200	1.64
Hasbro D/MV of Equity	3,654,600	5,980,000	0.61
Interest Expense Last Year			171,000
Net Income Last Year			203,000
NI/Interest			1.19x





Empowering the
next generation
through play.™

THANK YOU



LINKS:

- <https://corporate.mattel.com/news/mattel-announces-multiyear-global-licensing-partnership-with-paramount-consumer-products-for-nickelodeons-santiago-of-the-seas>
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- <https://www.bbc.com/news/business-67223711>
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- <https://retailwire.com/discussion/will-mattel-and-hasbro-sell-more-games-and-toys-through-new-collab/>
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- <https://stockscan.io/stocks/MAT/forecast>
- <https://investors.mattel.com/at-a-glance/#strategy>
- <https://www.macrotrends.net/stocks/charts/MAT/mattel/roi>
- <https://corporate.mattel.com/news/mattel-hasbro-enter-licensing-agreements-to-launch-monopoly-barbie-edition-transformers-hot-wheels-transformers-uno>
- [Q3 earnings call](#)
- [Q3 earnings report](#)
- <https://www.cnbc.com/2022/02/18/mattel-unveils-its-strategy-for-its-next-leg-of-growth.html>
- [Most recent 10-K](#)
- [Most recent 10-Q](#)
- [Toy Game and Doll Manufacturing - IBIS World](#)
- [Toy and Craft Supplies Wholesale - IBIS World](#)
- https://s201.q4cdn.com/696436908/files/doc_financials/2023/q3/Mattel-Reports-Third-Quarter-2023-Financial-Results.pdf