



2021 HASBRO



ANNUAL REPORT

Dear Fellow Shareholder

.....

Let me begin by introducing myself, I am Chris Cocks, the newly appointed Chief Executive Officer of Hasbro. I am thrilled to have the opportunity to lead Hasbro – a truly amazing company with an exceptional team of people around the world and a compelling view to how we profitably grow for the long term.

For the past six years, I've been President of Hasbro's Wizards of the Coast (Wizards) business. During that time, we more than doubled Wizards' revenue to greater than \$1 billion, invested in new capabilities, built an industry-leading team and set the stage for continued growth in tabletop and digital gaming.

2021 was a transformational year for Hasbro. Across the business we delivered very strong results, invested in long-term strategic growth initiatives, and navigated through a change in leadership.

In October, our long-time Chairman and CEO, Brian Goldner, unexpectedly passed away. I, along with our proven leadership team and our now Chair of the Board, Rich Stoddart, stepped up to lead Hasbro. We focused on keeping our purpose and the consumer always front and center, making decisions to drive shareholder value creation over the long term, and on delivering an excellent year. I couldn't be prouder of all we accomplished during difficult circumstances.

2021: Growth Across the Brand Blueprint



The **Brand Blueprint** is driving profitable growth across our diversified portfolio, and Hasbro's unique set of strategic assets provide the foundation for maximizing the value of both our existing franchises and new IP.

We finished the year strong, delivering full-year results above our guidance, including 17% revenue growth to \$6.42 billion; a 40-basis point improvement in adjusted operating profit margin* to 15.5%; 41% growth in adjusted earnings* to \$5.23 per share; 23% growth in adjusted EBITDA* to \$1.31 billion; and \$817.9 million in operating cash flow.

Throughout the year and especially in the fourth quarter, we successfully navigated supply chain challenges across the business. We grew revenue across segments, brand portfolios and geographies.

Net revenues increased 17% to \$6.42 billion



Wizards of the Coast and Digital Gaming segment revenues up **42%**



Entertainment segment revenues up **27%**



Consumer Products segment revenues up **9%**

Operating profit of \$763.3 million, or 11.9% of revenue, up from 9.2% of revenue in 2020

Adjusted operating profit* up 20% to \$995.2 million, or 15.5% of revenue, an expansion of 40 basis points year-over-year

EBITDA up 32% to \$1.04 billion

Adjusted EBITDA* up 23% to \$1.31 billion

Year-end cash of \$1.02 billion; Generated \$817.9 million in operating cash flow for the full-year 2021 and paid down \$1.08 billion in long-term debt

Paid \$374.5 million in dividends to shareholders during the year; Board of Directors increased quarterly dividend 3%, payable in May 2022



*The As Adjusted figures are non-GAAP financial measures. A reconciliation of non-GAAP financial measures can be found on Hasbro's investor relations website www.investor.hasbro.com.

Building on our Strengths: Brands, Fans and Gaming

We are operating at the intersection of timeless consumer motivations: the transportive power of great storytelling and the human energy and connection generated from play. The blueprint allows us to unlock that potential and, with the consumer at the center of all we do, we can and will supercharge our business guided by insight and a can-do growth mindset.

Hasbro possesses exceptional talent and unique capabilities that allow us to engage with fans of all ages across all aspects of play and entertainment. I have seen the power of Hasbro’s Brand Blueprint firsthand. We’ve created blockbuster movies with

TRANSFORMERS, given children around the globe a new best friend with PEPPA PIG, scaled two of the biggest brands in gaming with MAGIC: THE GATHERING and DUNGEONS & DRAGONS, unlocked imaginations with PLAY-DOH, driven buzz-worthy entertainment with shows like *Yellowjackets* and *The Rookie* and delivered big-ticket fan excitement with Hasbro Pulse. Our future is even brighter.

As I begin my work as CEO, I along with our teams will be focused on:

Driving Growth with the Brand Blueprint

This strategy is at the heart of Hasbro. It enables us to expand the value of our brands and capabilities as we engage our fans across all aspects of play and entertainment – from consumer products to games to streaming TV shows; executing through our owned and operated assets and the best partners in the industry.

Gaming Expertise and Growth



and many more...

Gaming lives at the intersection of storytelling and human connections and is core to Hasbro’s DNA. It brings people together to compete; to laugh; and to reach new heights. Hasbro’s portfolio of gaming brands is among the world’s largest and most valuable, reaching the youngest of players to families to adult strategy gamers and to the most passionate gamers.

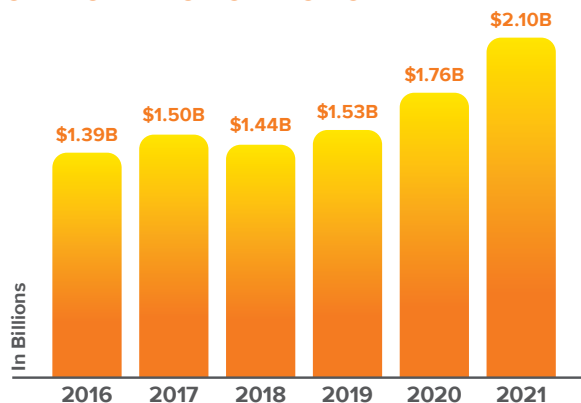
In 2021, Hasbro’s total gaming revenues grew 19% to \$2.1 billion, with an operating profit margin of more than 30%. Over the past five years, this portfolio has grown at a 9% compound annual growth rate. Most of this is in physical face-to-face and tabletop gaming, but we are investing to grow our in-house and high-margin licensed digital gaming businesses.

We’ve built amazing games by understanding our consumers and creating compelling games they want to play. We are innovating with new brands, new platforms, and with new play patterns.

MAGIC: THE GATHERING is Hasbro’s largest gaming brand and ended 2021 just shy of the \$1 billion revenue mark. Over the past five years we’ve invested close to

Hasbro Total Gaming Portfolio \$2.1B,
2021 REVENUE UP 19%;
9% 5-YEAR REVENUE CAGR

TOTAL GAMING PORTFOLIO



Multigenerational Fan Engagement

Play isn't just for kids anymore. It's a lifelong pursuit. Gen Z's favorite brands are the ones they play with, that surround them with engaging experiences, and Millennials and Gen X aren't far off. We are creating omni-media play and entertainment that spans age ranges, connects people together and is passed along generation to generation.

New Growth Opportunities: Specifically, Games & Direct

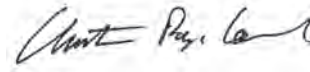
At \$2.1 billion and 19% year-over-year growth, Hasbro is one of the biggest and fastest growing games publishers in the world. Our investments in digital and direct to consumer give us an amazing opportunity to forge tighter relationships with our most valued customers, to learn from them in real time via cutting edge data analytics and to reinvent how we bring product to market and customize it for our most passionate fans. While the whole Blueprint generates

immense value for Hasbro, look for us to put particular focus on these fast-growing businesses as we take our portfolio to the next level.

Underlying these priorities will be a laser focus on capital allocation, how we invest in the business, prioritize our brands, and drive total shareholder return, while continuing to pay down debt, maintaining an investment grade rating and returning cash to shareholders.

I am eager to share more with you on my vision to forge a bold new future for Hasbro, our brands and, most importantly, the fans who make them all so special, and to do so guided by a strong sense of purpose and commitment to our planet and people.

Thank you for your continued support of Hasbro.



Chris Cocks
Chief Executive Officer

\$1 billion to drive 150% growth in high margin revenue and position us for growth in the coming years across tabletop and digital gaming. These investments are meaningfully expanding our tabletop products and creating best-in-class digital game capabilities, while recruiting and retaining world-class talent.

We are so excited to have Cynthia Williams join us earlier this year from Microsoft to serve as President of Wizards of the Coast and Digital Gaming along with Tim Fields, former CEO of Kabam Games, who joined us as Senior Vice President and General Manager of Digital Gaming. Gaming talent is in high demand, and the ability to attract such strong leaders to Hasbro reflects the strength of our brands and the tremendous opportunity ahead of us.

The strong and consistent growth of MAGIC: THE GATHERING is a testament to the long-term durability of our strategy and focus on growing this business. It has been led by doubling down on collectability, expanding the MAGIC product suite to maximize relevance across consumer segments, and giving players exciting and compelling worlds to participate in.

In digital, *Magic: The Gathering Arena's* launch on mobile has been impressive, generating significant growth with continued high engagement from our players of around 9 hours per week.

We have only begun to unlock the value of the digital

Invested Nearly \$1B in MAGIC: THE GATHERING over past five years to drive 150% revenue growth

gaming potential of our brands and the capabilities of the team. In 2021, digital gaming revenue — including the high-margin licensed digital gaming business — grew 36% and represented 26% of the \$1.29 billion Wizards & Digital Gaming segment. Tabletop gaming revenue represents the largest piece of the segment, at 74% of the total, and grew 44% for the year.

We have significant plans to leverage the power of Wizards' brands across the Blueprint for both current fans and to expand our reach to new players and fans. This begins with the *Magic: The Gathering* Netflix series coming later this year, and, in 2023, the planned theatrical release of the DUNGEONS & DRAGONS feature film. Furthermore, these upcoming releases will harness the full potential of our Brand Blueprint, with a comprehensive sales and marketing plan across our organization including special edition tabletop and card set releases, digital games, a robust Hasbro toy line and expansive licensed consumer products. Our many years of investment in these brands and in building assets to drive growth around the Blueprint, position us to leverage them in bigger and more powerful ways for years to come.

Year in Review

In 2021, we updated our segment reporting to reflect how we are operating our business following the integration of eOne and the tremendous growth in Wizards of the Coast. This financial reporting structure provides enhanced visibility to revenue and operating profit across our new reporting segments: **Hasbro Consumer Products**, **Wizards of the Coast** and **Digital Gaming**, and **Entertainment**. This reporting will better help you understand Hasbro's differentiated capabilities and how they come together across the Brand Blueprint to deliver greater value for our Company and its shareholders.

Wizards of the Coast and Digital Gaming had its best year ever, doubling the size of the Wizards business two years earlier than anticipated. The segment's revenue grew 42% to \$1.29 billion with operating profit of \$547.0 million, or 42.5% of revenue. Tabletop and digital gaming revenues grew behind several record set releases for **MAGIC: THE GATHERING** and continued growth in **DUNGEONS & DRAGONS**. Wizards of the Coast reached \$1.2 billion in revenues. Licensed digital gaming revenue also increased double digits for the year. We continue investing in developing future digital gaming and development of new IP.



Licensed Digital Gaming Up Double Digits



Consumer Products, which represents Hasbro's toys, games and licensed merchandise, grew 9% for the year and fourth quarter. We executed amidst ever-changing global supply chain challenges to successfully launch Hasbro's line of toys and games for **PEPPA PIG** and **PJ MASKS**. We grew across much of our iconic portfolio of brands including **NERF**, **TRANSFORMERS**, **PLAY-DOH** and Hasbro's products for the **Marvel** portfolio. Higher shipments along with strategic pricing actions, offset the rapid increase in freight costs and overall improvement in our Latin America business and led to a 170-basis point improvement in operating profit margin for the year.

Early this year, Eric Nyman was named President and Chief Operating Officer for Hasbro. He will continue to lead our Consumer Products team, as he has for the past several years. Eric is a valued member of the Hasbro team with more than 18 years of inspiring our people and driving consumer-focused innovation across our iconic brand portfolio.

Entertainment segment revenue increased 27%. We furthered the integration of eOne launching new, increasingly Hasbro brand-led content campaigns. This acquisition is highly strategic with unfortunate short-term exogenous headwinds as pandemic-induced production shutdowns impacted performance in both 2020 and 2021. Despite this, we remain on track to achieve the \$130 million run rate of cost and in-sourcing synergies by the end of this year. Last year, we achieved robust content deliveries above 2019 levels, and we divested the music business using the approximately \$400M in proceeds to pay down debt.



Yellowjackets

During the year we delivered 229 half hours of scripted television content; 695 half hours of unscripted television content; acquired 236 half hours of third-party produced television content; produced seven feature films; and completed production on six series of animated content. All metrics were up year-over-year. Television revenues grew with deliveries including *Yellowjackets*, *Cruel Summer*, *Graymail* and *The Rookie*, as well as sales of other scripted and unscripted programs. New film releases and deliveries are improving, and revenues grew led by *Clifford the Big Red Dog*, *Come From Away* and *Finch*.

Importantly, eOne has been focused on developing a strong pipeline of content for Hasbro brands and we've seen an incredible response from the market. In 2021, we started to see that pipeline converted into greenlights, production and releases to be activated across the Brand Blueprint.



The successful Netflix release of *My Little Pony: A New Generation* supported entertainment revenue growth in the year, as well as higher Consumer Products sales. Future Hasbro-led content this year includes additional animated MY LITTLE PONY specials and series, a *MAGIC: THE GATHERING* Netflix series, *Transformers EarthSpark* series on Nickelodeon; *Transformers BotBots* Netflix series, and new seasons of PEPPA PIG and PJ MASKS. In 2023 we are planning for the theatrical release of *Transformers: Rise of the Beast* and *Dungeons & Dragons* live action films. Each of these offer an enhanced opportunity to activate brands around the Blueprint in entertainment, in gaming, in toys and in licensed merchandise unlocking additional value for our rich brand portfolio.

We strengthened our balance sheet – paying down over \$1 billion in debt, ending the year with over \$1 billion in cash and, after reducing our debt to adjusted EBITDA* last year by 1.7X to 3.1X, we are on track to hit our target of 2.0 to 2.5X by year-end 2023. Importantly, we invested across Hasbro to profitably grow over the long term. We also returned \$374.5 million in cash to shareholders through our quarterly dividend. Earlier this year, the Board increased the quarterly dividend 3% effective with our next dividend payment in May.



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Advancing our Commitment to Planet and People

As a purpose-led organization, we are committed to making the world a better place for children, fans and families, through multigenerational play and entertainment. Purpose and ESG (Environment, Social and Governance) are at the center of our strategy and are foundational to how we lead and operate our business. We believe strong ESG performance drives long-term value creation for all of our stakeholders. Throughout 2021, we took important steps in ESG, including to reduce our environmental footprint. We set a goal to transition the beloved Potato Head brand to plant-based or renewable materials by year-end 2024 and began our work to transition our toy and game lines to recycled or renewable



materials by 2033. We remain on track to meet our goal to eliminate virtually all plastic from new product packaging by end of the 2022. At the start of 2022, we announced that we joined the Science-Based Targets initiative (SBTi), furthering our commitment to supporting a lower carbon economy. Additional ESG achievements in 2021 can be found in the graphic below.

2021 KEY ESG ACHIEVEMENTS

CLIMATE & SUSTAINABILITY

- > On track to eliminate plastic in new Hasbro product packaging by end of 2022.
- > Set goal to make POTATO HEAD brand with plant-based or renewable materials by end of 2024. Transitioning all other existing toys and games to recycled or renewable materials by 2033.
- > Continued Global Expansion of industry-leading Toy Recycling program, now in 12 countries.
- > Achieved 100% Renewable Energy Goal for Owned & Operated facilities.
- > Achieved 99% Supplier Participation in Higg Index environmental assessment tool.

HUMAN RIGHTS & ETHICAL SOURCING

- > Audited 100% of third-party vendors and major subcontractors for social compliance globally.
- > Achieved 100% third-party factory compliance with mandatory Hasbro Ethical Sourcing Academy online training.
- > Advanced Female Empowerment Program in third-party factories.

PHILANTHROPY

- > Provided more than \$17 million through in-kind and financial support including the donation of more than 750,000 toys and games.
- > Engaged 92% of our employees worldwide at more than 300 volunteer projects through our Team Hasbro Employee Volunteer program.

DIVERSITY, EQUITY & INCLUSION

- > On track with our 2025 goals to increase the percentage of women in leadership roles globally to 50% and to expand ethnically and racially diverse employee representation in the US to 25%.
- > Continued to foster a culture of inclusion through initiatives such as providing unconscious bias workshops for a majority of our employees globally.

In October, our beloved leader and longtime Chairman & CEO Brian Goldner passed away.

Brian joined Hasbro in 2000 and was quickly recognized as a visionary in the industry. He was appointed CEO in 2008 and became Chairman of the Board in 2015. He was instrumental in transforming the Company into a global play and entertainment leader, architecting a strategic Brand Blueprint to create the world's best play and storytelling experiences. Through his tireless work ethic and unwavering focus, he invested to grow Hasbro's reach, expanding Hasbro's capabilities beyond toys and games into television, movies, digital gaming and more, to ensure Hasbro's iconic brands reached every consumer. Brian is remembered for not only his visionary leadership but the impact he made on the people he interacted with and the communities he served. Thank you, Brian. We miss you.

— IN LOVING MEMORY —
BRIAN GOLDNER
1963 – 2021



Board of Directors



Richard S. Stoddart
Chair of the Board
Former Interim
Chief Executive Officer,
Hasbro; Former
President and Chief
Executive Officer
InnerWorkings, Inc.



Christian P. Cocks
Chief Executive Officer,
Hasbro



Edward M. Philip
Retired Chief Operating
Officer
Partners in Health



Kenneth A. Bronfin
Senior Managing
Director
Hearst Ventures



Lisa Gersh
Outside Advisor;
Former Chief Executive
Officer Alexander Wang



Laurel J. Richie
Independent Branding
Consultant; Former
President of Women's
National Basketball
Association



Michael R. Burns
Vice Chairman
Lions Gate
Entertainment Corp.



Elizabeth Hamren
Chief Operating Officer
Discord, Inc.



Mary Beth West
Former Senior Vice
President and Chief
Growth Officer
The Hershey Company



Hope F. Cochran
Managing Director
Madrona Venture Group
Former CFO, King Digital



Blake Jorgensen
Executive Vice
President,
Special Projects
Electronic Arts Inc.



Linda Zecher Higgins
Chief Executive Officer
and Managing Partner
The Barkley Group



Tracy A. Leinbach
Retired Executive
Vice President and
Chief Financial Officer
Ryder System, Inc.

Executive Management



Christian P. Cocks
Chief Executive
Officer and Director



Cynthia W. Williams
President,
Wizards of the Coast
and Digital Gaming



Najuma Atkinson
Executive Vice
President,
Chief Talent &
Operations Officer



Eric C. Nyman
President & Chief
Operating Officer



Tarrant L. Sibley
Executive Vice
President, Chief
Legal Officer and
Corporate Secretary



Kathrin P. Belliveau
Executive Vice
President and Chief
Purpose Officer



Deborah M. Thomas
Executive Vice President
& Chief Financial Officer



Dolph L. Johnson
Executive Vice
President,
Chief Global Human
Resources Officer



Steven L. Zoltick
Executive Vice
President and Chief
Information Officer

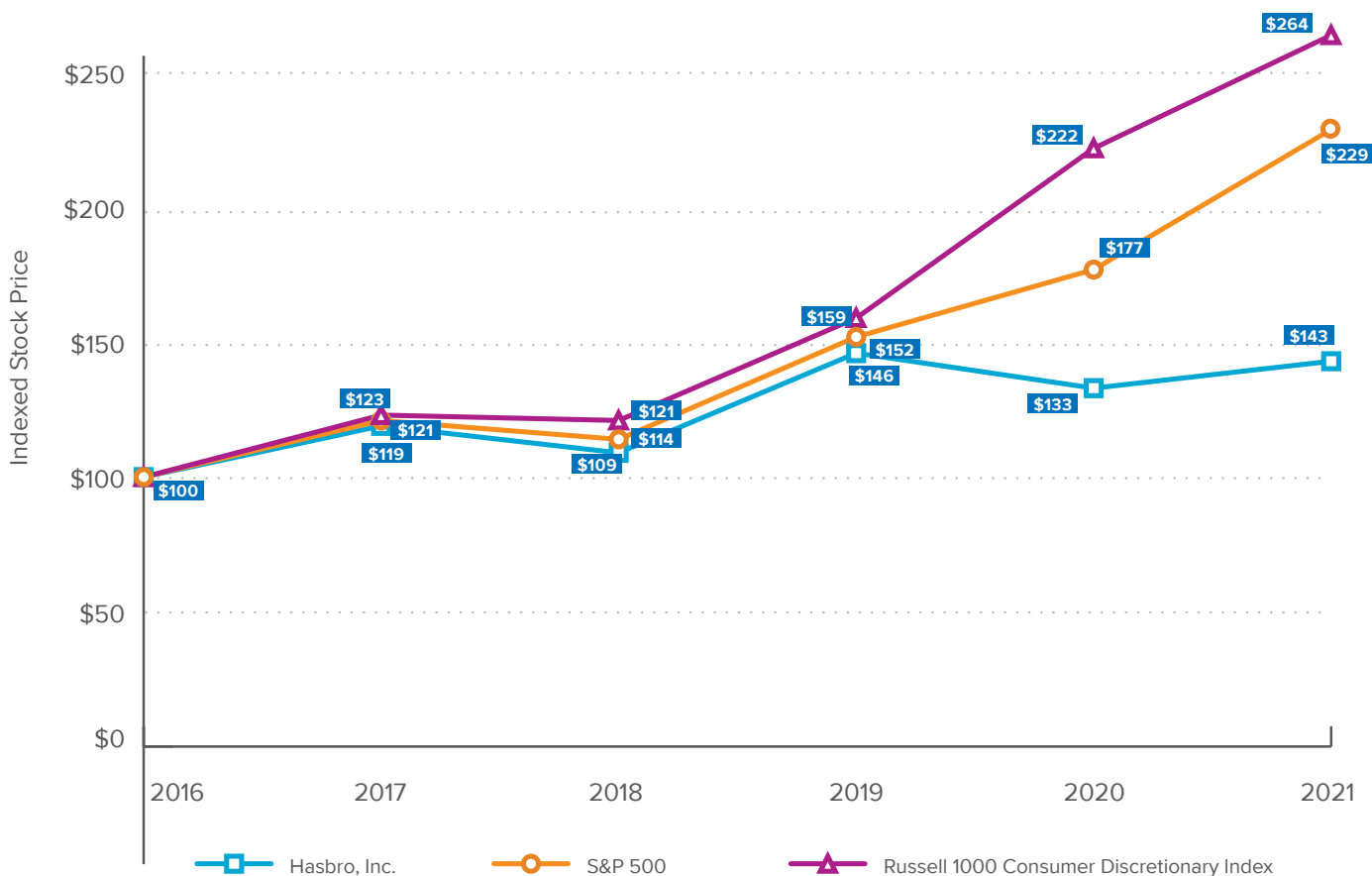


Darren D. Throop
President & Chief
Executive Officer,
eOne

5-Year Total Shareholder Return

Hasbro vs. S&P 500 and Russell 1000 Consumer Discretionary Index

The following graph tracks an assumed investment of \$100 at the end of 2016 in the Company's Common Stock, the S&P 500 Index and the Russell 1000 Consumer Discretionary Index, assuming full reinvestment of dividends and no payment of brokerage or other commissions or fees. Past performance of the Company's Common Stock is not necessarily indicative of future performance.



	2016	2017	2018	2019	2020	2021
Hasbro, Inc.	\$100	\$119	\$109	\$146	\$133	\$143
S&P 500 Index	\$100	\$121	\$114	\$152	\$177	\$229
Russell 1000 Consumer Discretionary Index	\$100	\$123	\$121	\$159	\$222	\$264

Data reflects Hasbro's fiscal year ends.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 26, 2021

Commission file number 1-6682

Hasbro, Inc.

(Exact Name of Registrant As Specified in its Charter)

Rhode Island

(State of Incorporation)

05-0155090

(I.R.S. Employer Identification No.)

1027 Newport Avenue
Pawtucket, Rhode Island

(Address of Principal Executive Offices)

02861

(Zip Code)

Registrant's telephone number, including area code (401) 431-8697

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	HAS	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes or No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes or No .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes or No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes or No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes or No .

The aggregate market value on June 27, 2021 (the last business day of the Company's most recently completed second quarter) of the voting common stock held by non-affiliates of the registrant, computed by reference to the closing price of the stock on that date, was approximately \$11,813,779,632. The registrant does not have non-voting common stock outstanding.

The number of shares of common stock outstanding as of February 7, 2022 was 138,959,768.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive proxy statement for our 2022 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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Special Note Regarding Forward-Looking Statements

From time to time, including in this Annual Report on Form 10-K (“Form 10-K”) and in our annual report to shareholders, we publish “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These “forward-looking statements” may relate to matters such as: our business and marketing strategies; anticipated financial performance or business prospects in future periods; expected technological and product developments; relationships with business partners, customers and suppliers; purchasing patterns of our customers and consumers; efforts to expand ecommerce capabilities; the expected timing for scheduled new product introductions or our expectations concerning the future acceptance of products by customers; expected benefits and plans relating to acquired brands, properties and businesses; the development and timing of planned consumer and digital gaming products and entertainment releases; changes in the methods of content distribution, including increased reliance on streaming outlets; marketing and promotional efforts; goals relating to our Environmental Social Governance (ESG) activities; research and development activities; geographic plans, adequacy of supply; manufacturing capacity; expectations related to our manufacturing; the potential for tariffs and their impact on our business; impact of the coronavirus pandemic and other public health conditions; adequacy of our properties; expected benefits and cost-reductions from certain restructuring actions; capital expenditures; working capital; liquidity; timing of and amount of repayment of indebtedness; capital allocation strategy, including plans for dividends and share repurchases; and other financial, tax, accounting and similar matters. Forward-looking statements are inherently subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. These statements may be identified by the use of forward-looking words or phrases such as “anticipate,” “believe,” “could,” “expect,” “intend,” “looking forward,” “may,” “planned,” “potential,” “should,” “will” and “would” or any variations of words with similar meanings. We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed or anticipated in our forward-looking statements. The factors listed in the risk factors below and in Part I, Item 1A. *Risk Factors*, of this Form 10-K are illustrative and other risks and uncertainties may arise as are or may be detailed from time to time in our public announcements and our filings with the Securities and Exchange Commission, such as on Forms 8-K, 10-Q and 10-K. We undertake no obligation to make any revisions to the forward-looking statements contained in this Form 10-K or in our annual report to shareholders to reflect events or circumstances occurring after the date of the filing of this report.

RISK FACTORS SUMMARY

We are subject to a variety of risks and uncertainties, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. These include strategic, operational, global economic, financial, governmental, regulatory and legal risks related to our business. Risks that we deem material are described under “Risk Factors” in Item 1A of this Form 10-K. These risks include, but are not limited to, the following:

Strategic Risks

- We may not successfully develop and expand brands across the elements of our brand blueprint.
- Our ability to build our brands and sell products will suffer if we or our partners fail to successfully develop and deliver engaging storytelling or play patterns.
- Consumer interests change quickly, making it difficult to develop successful products and entertainment.
- The sophistication of today’s children and array of technology and entertainment offerings available to them create challenges to develop sought after products and storytelling experiences.
- A key to our future success will be our ability to further invest in and grow our Wizards of the Coast and digital gaming businesses.
- Digital games require significant investments of time and money to develop and commercialize, and may not be successful. Our performance in future periods, compared to our past performance, can be negatively impacted by the timing, quantity and success of digital game releases.
- Changes in viewing behaviors occurring in the entertainment industry may harm our business.
- We may lose rights to existing partner brands or fail to secure such rights in the future.
- Our third-party licenses may not be profitable and generate significant royalties for us if licensed material does not achieve sufficient market appeal.
- The play and entertainment industry is highly competitive, with low barriers to entry.
- Our entertainment business faces significant competition from large and independent studios and producers.
- Similarly to digital games, entertainment, in forms such as motion pictures, television and streaming episodes, can take significant investments of time and money to develop and produce, and may not be successful. Our performance in future periods, compared to past performance, can be negatively impacted by the timing, quantity and success of entertainment releases.
- Acquisitions and investments we complete may not provide us with the benefits we expect, or the realization of such benefits may be significantly delayed.

Operational Risks

- We may be unable to develop, introduce and ship products on a timely and cost-effective basis.
- We may be unable to successfully adapt to the increasing use of ecommerce for sales.
- Our retail customer base is highly concentrated, making us susceptible to the success of their businesses.
- Our substantial business, sales and manufacturing outside the U.S. subjects us to risks of international operations.
- Our reliance on third-party manufacturers, particularly in China, presents risks to our business.
- Supply chain challenges, including issues caused by Covid-19, or other public health, economic, or political conditions, may harm our ability to obtain sufficient product to meet demand in a timely and cost-effective manner, thereby harming our financial results.
- Our entertainment operations may be dependent on third-party studios, content producers and distribution channels.
- Many of our digital game offerings rely on third-party studios and other partners for their development, distribution and success.

- We may be unable to renew certain long-term output licensing agreements for access to partner brands and the acquisition of content.
- We have had recent leadership changes. If we lose key management or other employees or are unable to attract and retain talented people with the skill sets we need for our diverse and changing business, our business may be harmed. Similarly, if new members of management and new employees are not successful that will negatively impact our business.
- We may be unable to acquire and develop diverse talent, thereby making it difficult to compete.
- Our entertainment business could be adversely affected by strikes or other union job actions.
- Our business may be harmed if we are unable to protect our critical intellectual property rights.
- If we do not successfully operate our information technology systems, or if our electronic data is compromised, our business may be harmed.

Global and Economic Risks

- The global coronavirus outbreak has had and may continue to have an adverse effect on our business, including harming our ability to source and ship products in a timely and cost-effective manner.
- Changes in U.S., global or regional economic conditions can harm our business, such as inflation and rising interest rates, as well as the markets in which we and our employees, consumers, customers, suppliers and manufacturers operate.
- Tariffs or other trade restrictions, and/or other political tensions and issues, can materially harm our ability to source and ship products and may increase the cost of those products.

Financial Risks

- Seasonality in our business may cause our quarterly and annual operating results to fluctuate.
- Impairment charges related to acquired assets or other investments could harm our results.
- Our financial performance can be impacted by changes in foreign currency rates due to our global business.
- Our indebtedness may limit our availability of cash, cause us to divert cash to fund debt service payments or make it more difficult to take certain other actions.
- We may be unable to obtain or service our external borrowings, or restrictions imposed by such borrowings may be burdensome.
- If we are unable to obtain production financing, on favorable terms or at all, we may be unable to produce certain films and television programs or the costs and risks of doing so may increase.
- Our effective tax rate may vary due to changes in or differing tax law and rules in the territories we operate.
- We could lose certain licenses, incentives and tax credits if certain of our subsidiaries lose Canadian status.

Governmental, Regulatory and Legal Risks

- If we were to violate laws or regulations applicable to our business, our business could be harmed.
- Failure to achieve our sustainability goals may result in increased costs and reputational damage.
- We could be the subject of product liability suits or product recalls, either of which could harm our business.
- Our entertainment business could become the subject to liability claims for media content.
- We are involved in other litigation and similar matters which may entail significant expense or otherwise adversely impact our business.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business, financial condition, results of operations and cash flows.

PART I

Except as expressly indicated or unless the context otherwise requires, as used herein, “Hasbro”, the “Company”, “we”, or “us”, means Hasbro, Inc., a Rhode Island corporation organized on January 8, 1926, and its subsidiaries.

Item 1. Business.

Overview

Hasbro, Inc. (“Hasbro”) is a global play and entertainment company committed to Creating the World’s Best Play and Entertainment Experiences and its purpose of making the world a better place for all children, fans and families. Hasbro delivers immersive brand experiences for global audiences through consumer products, including toys and games; entertainment through Entertainment One (“eOne,”), our independent studio; and gaming, led by the team at Wizards of the Coast, an award-winning developer of tabletop and digital games. With our eOne studio and Wizards gaming business, we continue to expand our global audiences beyond children, fans and families, through content and gaming.

Our iconic brands include NERF, MAGIC: THE GATHERING, MY LITTLE PONY, TRANSFORMERS, PLAY-DOH, MONOPOLY, BABY ALIVE, DUNGEONS & DRAGONS, POWER RANGERS, PEPPA PIG and PJ MASKS, as well as premier partner brands. For the past decade, we have been consistently recognized for our corporate citizenship, including being named one of the 100 Best Corporate Citizens by 3BL Media and one of the World’s Most Ethical Companies by Ethisphere Institute.



Fiscal 2021 Developments

Leadership Matters

On October 12, 2021, we announced the passing of our beloved leader and long-time Chairman and Chief Executive Officer, Brian D. Goldner. Mr. Goldner joined Hasbro in 2000 and was quickly recognized as a visionary in the industry. He was appointed CEO in 2008 and

became Chairman of the Board in 2015. He was instrumental in transforming the Company into a global play and entertainment leader, architecting a strategic Brand Blueprint to create the world's best play and storytelling experiences. Through his unwavering focus, he expanded the Company beyond toys and games into television, movies, digital gaming and beyond, to ensure Hasbro's iconic brands reached every consumer, in every way they engage in entertainment and play.

Following Mr. Goldner's passing, Richard S. Stoddart, an independent member of the Board since 2014, was appointed by the Board to serve as Hasbro's interim CEO while the Company completed its CEO succession process. In addition to the appointment of Mr. Stoddart, Tracy A. Leinbach, a member of the Board since 2008, was appointed to serve as Chair of the Board, and the Lead Independent Director role was eliminated.

In January 2022, we announced the appointment of Christian (Chris) Cocks as Chief Executive Officer and a member of the Board of Directors, both effective February 25, 2022. He will succeed interim CEO, Mr. Stoddart, who will become Chair of the Board, effective February 25, 2022. Since 2021, Mr. Cocks has served as President and Chief Operating Officer of Hasbro's Wizards of the Coast and Digital Gaming division, a global leader in tabletop and digital gaming, and prior to that he served as President and COO of Wizards of the Coast since 2016, when he joined Hasbro from Microsoft.

In January 2022, we also announced the appointment of Eric Nyman as President and Chief Operating Officer, effective February 25, 2022, where he will oversee global business, operational and foundational platform investments; continue to lead Hasbro's consumer products business, overall consumer licensing strategy and strategic partnerships; and oversee Hasbro's global supply chain. Mr. Nyman, who joined Hasbro in 2003, currently serves as Chief Consumer Officer and Chief Operating Officer of Hasbro Consumer Products.

eOne Music Sale

In June 2021, we completed the sale of our Entertainment One Music business ("eOne Music") as we continue to focus on the core strategic elements of our Brand Blueprint to further strengthen our position as a purpose-led play and entertainment company.

Segment Realignment

Effective for the first quarter of 2021, we realigned our reportable segment structure to correspond with the evolution of our company. The realigned segments represent changes to our reporting structure and reflect management's allocation of decision-making responsibilities for evaluating the Company's performance. Our new reportable segments are: Consumer Products, Wizards of the Coast and Digital Gaming, Entertainment and Corporate and Other. See "Reportable Segments" below and note 21 to the consolidated financial statements included in Part II, Item 8. Financial Statements, of this Form 10-K for further discussion on the Company's segment realignment.

Coronavirus Pandemic

During fiscal 2020, the novel coronavirus (COVID-19) pandemic had a substantial adverse impact on our business, as well as our employees, consumers, customers, partners, licensees, suppliers and manufacturers, due both to the direct impact of the virus, as well as the preventative measures taken to reduce the spread of the virus worldwide.

In fiscal 2020, and continuing into fiscal 2021, we experienced:

- difficulties in shipping and distributing products due to ongoing port capacity, shipping container and truck transportation shortages, resulting in higher costs for both ocean and air freight and delays in the availability of products, which can result in delayed sales and in some cases result in lost sales. These and other disruptions are expected to continue in 2022;

- disruptions in supply of products, due to closures or reductions in operations at third-party manufacturing facilities across several geographies including, but not limited to, China, Vietnam, India, the United States and Ireland;
- adverse sales impact due to changes in consumer purchasing behavior and availability of products to consumers, resulting from retail store closures, limited reopening of retail stores and limitations on the capacity of ecommerce channels to supply additional products;
- fluctuations in our performance based on the progress of different countries in controlling the coronavirus and the maturity of e-commerce platforms in those markets;
- in fiscal 2020, limited production of live-action scripted and unscripted entertainment content due to the hard stop and soft reopening of production studios;
- delays or postponements of entertainment productions and releases of entertainment content both internally and by our partners;
- increases in entertainment production costs due to measures required to minimize COVID-19 risks; and
- challenges of working remotely, including in the design and development of both physical and digital product offerings by us and our licensees.

In response to these challenges, we developed and continue to develop and execute plans to mitigate the negative impact of COVID-19 to the business. Our responses included:

- utilizing our global supply chain and existing inventory to work to meet demand, while managing freight cost increases across all markets, as our manufacturing facilities returned to varying levels of operation;
- mitigating risk in the global supply chain by expanding shipping capacity, activating alternate ports in China and the U.S. and prioritizing supply based on inventory and customer needs, including utilizing air freight to a greater degree, which has raised our costs;
- accelerating our business online and expanding omni-channel to get products to customers and consumers;
- developing innovative ways to enable players to continue to play games remotely;
- continuing to create new entertainment, including post-production work and the development of animation productions remotely;
- implementing preventative measures and health and safety protocols; and
- introduction of a hybrid work model.

We have maintained sufficient liquidity and access to capital resources. We also continue to closely monitor customer health and collectability of receivables. The COVID-19 outbreak continues to be fluid and it is difficult to forecast the impact it could have on our future operations. Please see Part I, Item 1A. Risk Factors, in this Form 10-K for further information.

Brand Blueprint Strategy

Our strategic plan is centered around the Hasbro Brand Blueprint, a framework for bringing compelling and expansive brand experiences to consumers and audiences around the world. Our brands are story-led and play-led consumer franchises brought to life through a wide array of consumer products, digital gaming and compelling content offered across a multitude of platforms and media. Our commitment to disciplined, strategic investments across the Brand Blueprint over the long-term has built a differentiated business with diversified capabilities to drive profitable growth and enhance shareholder value.



Hasbro's purpose of making the world a better place for all children, fans and families sits at the center of the Hasbro Brand Blueprint and is a key driver of our brands and content. The development and execution of our brands and content are informed by our proprietary consumer insights, which help us understand the behavior of our consumers. We have learned that consumers will travel with a brand that they love across multiple forms and formats, including our core historical strength of toys and games and licensed consumer products, as well as digital gaming and story-led entertainment, such as short-form content online and long-form content in television and film.

The value of Hasbro is fully activated when we can take a brand across all elements of the Brand Blueprint – consumer products; Wizards of the Coast and digital gaming; and entertainment. The ability to build a brand in any of our segments and leverage in-house capabilities to create multiple categories of engagement with consumers and fans is unique to Hasbro and optimizes our economics today and in the future.

As the global consumer landscape, shopping behaviors and the retail and entertainment environments continue to evolve, we continue to adapt and refine our business strategy. This process includes reexamining the ways we organize across the Hasbro Brand Blueprint, re-shaping our business into a more adaptive and digitally-driven organization, expanding our ecommerce capabilities, including building direct to consumer expertise, and attracting and developing a high-performing and diverse workforce through human capital investments.

Below is summary of the key areas of focus for activating our brands across the Hasbro Brand Blueprint.

- *Toys and Games.* We market and sell toys and games based on our owned and controlled brands globally at retail stores, through e-commerce platforms and through our fan-based direct-to-consumer platform, Hasbro PULSE. Additionally, through license agreements with third parties, we develop and sell products based on popular third-party brands through these channels. Our toys and games include action figures, arts and crafts and creative play products, fashion and other dolls, play sets, preschool toys, plush products, sports action blasters and accessories, vehicles and toy-related specialty products, games and many other consumer products which represent an array of internationally recognizable brands that capture the imagination of our consumers worldwide.

Within toys and games, as a leading producer of new and innovative gaming brands and play experiences our gaming business continues to transform game play. To successfully execute our gaming strategy, we consider brands which capitalize on existing trends while evolving our approach to gaming using consumer insights and offering gaming experiences relevant to consumer demand for face-to-face, trading card and digital game experiences played as board, off-the-board, digital, card, electronic, trading card and role-playing games.

Our subsidiary, Wizards of the Coast (“Wizards”), is a critical part of our gaming business, driving innovation and growth through its popular role-playing and fantasy card-collecting games such as MAGIC: THE GATHERING and DUNGEONS & DRAGONS. Our iconic game brands include long-time favorites such as MONOPOLY, JENGA, CONNECT 4, THE GAME OF LIFE, SCRABBLE, CLUE and TRIVIAL PURSUIT. Our gaming business also includes new social gaming brands as well as many other well-known game brands.

- *Licensed Consumer Products.* We promote our brands through the out-licensing of our intellectual properties to third parties for promotional and merchandising uses in a wide range of consumer products. These include apparel, publishing, home goods and electronics, or in certain situations, toy products where we consider the out-licensing of brands to be more effective and profitable than developing and marketing the products ourselves. We also out-license our brands for uses in theme park attractions, other forms of location-based entertainment and within formats such as film and TV programming. In cases where we license our intellectual property to a third party, we enter into contracts with licensees that pay us either a sales-based or usage-based royalty, or a combination of both, for use of the brands, and, in some cases, the license arrangements are subject to minimum guaranteed amounts or fixed fees, over the term of the license.
- *Digital Gaming.* We are investing to grow our digital gaming business to further unlock the value of our brands through play and storytelling. This includes development of digital games internally and through third parties. For example, we have developed and launched digital versions of the MAGIC: THE GATHERING card game, including *Magic: The Gathering Arena*, which includes the game’s mobile application launch in 2021. Additionally, through Wizards we launched *Dungeons & Dragons: Dark Alliance*, a team-based action role-playing game, set in the DUNGEONS & DRAGONS world, released in the first half of 2021 for PC and gaming consoles. We also out-license certain of our brands to other third-party digital game developers who transform Hasbro brand-based characters and other intellectual properties, into digital gaming experiences.
- *Entertainment.* A key driver of the Hasbro Brand Blueprint is to reinforce storylines associated with our brands through several entertainment mediums, including television, film, digital content and other programming. Our entertainment business, through eOne, is a global independent studio, that specializes in the development, acquisition, production, distribution and sales of entertainment content. With our cross-platform capabilities our entertainment business leverages film and television production and sales, digital content and children’s

programming to create compelling entertainment and drive creativity across brands with merchandising and licensing tie-ins.

- Television. In television, we are a major independent producer of television content with a focus on the development, production and acquisition of high-quality television programming for sale to broadcasters and digital platforms globally. Through our television studios, we develop and produce original programming for broadcast in our core television production territories of Canada and the U.S., which is then distributed into global markets to various broadcasters and cable networks by our international sales network. We also distribute programming globally on various digital platforms, including Netflix and Apple TV. Our television programming is typically financed on a production-by-production basis by way of production financing facilities. Our original television programming is sold to broadcasters on a series-by-series or individual show basis for broadcast on free television, pay television, Subscription Video-On-Demand (“SVOD”) and other digital platforms. Our programming spans a variety of genres, including scripted drama, non-scripted reality and documentaries, and in multiple formats, including series, television films, mini-series and specials.
- Film. In film, our focus is on the development, production and co-production of films, an increasing number of which are based on Hasbro brands, as well as the acquisition and development of film production rights and the exploitation of these rights on a multi-territory basis across all media channels, including cinema, physical home entertainment and broadcast and digital.

In October 2017, we entered into an agreement with Paramount Pictures (“Paramount”) to produce and distribute live action and animated films, as well as television programming based on Hasbro brands over a five-year period. Hasbro’s global eOne studio plays an active role alongside Paramount in content development and production under this relationship. Hasbro also plays a significant role in financing films created through this cooperative agreement. Under this relationship we plan to release *TRANSFORMERS: RISE OF THE BEASTS*, a feature length film expected in summer of 2023. In addition, under a separate agreement entered with Paramount, where Hasbro’s eOne studio will serve as the production entity, we plan to release a *DUNGEONS & DRAGONS* feature length film, expected in early 2023.

- Family Brands Animation. Our family brands team develops, produces and distributes animation content for children’s properties on a worldwide basis. The principal brands include MY LITTLE PONY, PEPPA PIG and PJ MASKS, whose content entertains children worldwide and generates revenues around the Hasbro Brand Blueprint through licensing and merchandising programs across multiple retail categories. These brands generate revenues from Advertising Video-On-Demand (“AVOD”) through platforms such as YouTube and SVOD revenues from the sale of content to video streaming platforms. Our portfolio of preschool brand driven content also includes PJ MASKS, CUPCAKE & DINO: GENERAL SERVICES, and RICKY ZOOM, as well as BABY ALIVE and PLAY-DOH.
- *Other Brand Blueprint Areas*. Other aspects of the Hasbro Brand Blueprint that help drive our storytelling experiences include, digital content, e-sports, location-based entertainment, and publishing.
 - Digital Content. We understand the importance of digital content to drive fan engagement, including in gaming and across other media, and of integrating such content with our products. Digital media encompasses digital gaming applications and the creation of digital environments for analog products through the use of complementary digital applications, social media and websites which extend storylines and enhance play.

- e-sports. We continue to seek innovative ways to bring our traditional games to the digital world, where consumers can experience our brands and compete with each other in a multiplayer online adventure experience. A prime example of this is *Magic: The Gathering Arena*, our digital gaming version of the MAGIC:THE GATHERING trading card game.
- Location-Based Entertainment. Location-based entertainment (“LBE”) allows consumers to experience and share our brands. LBE includes licensing our brands to theme parks, water parks, hotels and resorts, family entertainment centers, retail, dining and entertainment, shows, exhibits and exhibitions. These experiences bring our brands to life and further immerse our consumers in our storytelling.
- Publishing. Licensing our brands to global publishers is another way to bring our brands to consumers in a meaningful way through various publishing formats, from puzzle and trivia books to novels and comics.
- Music. Music remains a key medium to increase brand affinity and awareness. We create branded music, working with distributors to exploit that music in physical, digital and streaming formats. We partner our brands with music artists to increase exposure for our products and we work closely with music publishers to collect music publishing income from all manner of exploitation.
- **Brand Blueprint in Action**. A few examples of our Brand Blueprint in action during 2021 and beyond are described below.
 - In 2021, our gaming portfolio grew 19% to \$2.1 billion. Our gaming portfolio is one of the biggest, most profitable and fastest growing combinations of gaming brands across face to face, tabletop and digital platforms in the world. Led by MAGIC: THE GATHERING, which had its best year ever, we continue to invest in this growing business. Tabletop to digital, MAGIC: THE GATHERING and DUNGEONS & DRAGONS have generated significant growth with high engagement. We have plans to leverage the power of Wizards’ brands across the Brand Blueprint for both current fans and potential new fans as we have a new MAGIC: THE GATHERING Netflix series coming later in 2022, and, in early 2023, the planned theatrical release of the DUNGEONS & DRAGONS feature film as described above. We believe these efforts will harness the full potential of the Brand Blueprint with new products introduced in toy & game and licensed consumer products.
 - We experienced a successful relaunch of one of our iconic brands, MY LITTLE PONY. Led by the expertise of our eOne entertainment team, we released *My Little Pony: A New Generation*, an animated feature film that was #1 in the Netflix Kids Top 10 in more than 80 countries on opening weekend. This relaunch fueled greater than 100% growth in toy and game point of sale in the fourth quarter 2021. We have a significant multi-year content roadmap led by eOne and a deep and innovative merchandise program, which we believe will position this brand to reclaim its place as a leading global lifestyle brand.
 - Two other valuable brands that benefited from the Brand Blueprint were PEPPA PIG and PJ MASKS. In August 2021, we launched the first Hasbro toys and games for these leading preschool brands. PEPPA PIG was one of our top brand growers for 2021, and as we shifted licensed revenue to in-sourced revenue in toys and games, we were still able to grow licensed consumer products revenue, highlighting the powerful reach of PEPPA PIG across categories.

Brand Portfolios

We organize and market owned, controlled and licensed intellectual properties within our brand architecture under the following five brand portfolios:

- Franchise Brands
- Partner Brands
- Hasbro Gaming
- Emerging Brands
- TV/Film/Entertainment

<i>Brand Portfolio</i>	<i>Key Brands</i>	<i>Description and Significant Developments</i>
Franchise Brands	<ul style="list-style-type: none"> • MAGIC: THE GATHERING • NERF • PLAY-DOH • TRANSFORMERS • MONOPOLY • BABY ALIVE • MY LITTLE PONY 	<p>Includes our flagship owned or controlled brands, which we believe can deliver significant revenues, profits and growth across the brand blueprint over the long term.</p> <ul style="list-style-type: none"> • In 2021, MAGIC: THE GATHERING benefited from numerous successful card set releases including <i>Strixhaven</i>, <i>Modern Horizons 2</i>, <i>Adventures in Forgotten Realms</i> and <i>Innistrad: Midnight Hunt</i>. • In September 2021, we released the feature length film, <i>MY LITTLE PONY: A NEW GENERATION</i>, as well as a new MY LITTLE PONY product line.
Partner Brands	<ul style="list-style-type: none"> • MARVEL, including SPIDER-MAN and THE AVENGERS⁽¹⁾ • LUCASFILMS' STAR WARS⁽¹⁾ • DISNEY FROZEN⁽¹⁾⁽²⁾ • BEYBLADE • DISNEY PRINCESS⁽¹⁾⁽²⁾ • SESAME STREET • DISNEY'S DESCENDANTS⁽¹⁾ <p>⁽¹⁾Owned by The Walt Disney Company ("Disney").</p> <p>⁽²⁾ License expires at the end of 2022.</p>	<p>Includes those brands we license from other parties for which we develop toy and game products. Partner brand revenues fluctuate based primarily on the entertainment releases around these brands in any given year.</p> <ul style="list-style-type: none"> • We hold global toy and game licensed merchandise rights for major Disney entertainment properties Marvel and Star Wars, each for multi-year terms. • Our products were also supported by numerous streaming and broadcast television series of our partners.
Hasbro Gaming	<ul style="list-style-type: none"> • DUNGEONS & DRAGONS • DUEL MASTERS 	<p>Includes the Company's face-to-face, trading card and digital game experiences played as board,</p>

<i>Brand Portfolio</i>	<i>Key Brands</i>	<i>Description and Significant Developments</i>
	<ul style="list-style-type: none"> • JENGA • OPERATION • CONNECT 4 • CLUE • THE GAME OF LIFE • TWISTER • TRIVIAL PURSUIT • And many others 	<p>off-the-board, digital, card, electronic, trading card and role-playing games.</p> <ul style="list-style-type: none"> • We launched <i>Dungeons & Dragons: Dark Alliance</i>, a team-based action role-playing game, set in the DUNGEONS & DRAGONS world, in the first half of 2021 for PC and gaming consoles.
Emerging Brands	<ul style="list-style-type: none"> • PEPPA PIG • FURREAL FRIENDS • PJ MASKS • POWER RANGERS • GI JOE • SUPER SOAKER • POTATO HEAD • PLAYSKOOL • LITTLEST PET SHOP 	<p>Includes those brands we own or control which have not yet grown to the significance of a franchise brand, many of which we believe could be potential franchise brands. We also launch new brands in this portfolio.</p> <p>During 2021, Hasbro launched its toy & game products for the PEPPA PIG and PJ MASKS brands.</p> <p>Beginning in 2022, we have advanced PEPPA PIG to Franchise Brands.</p>
TV, Film & Entertainment	<p>eOne programming series include:</p> <p><u>Television Series</u></p> <ul style="list-style-type: none"> • YELLOWJACKETS • CRUEL SUMMER • DESIGNATED SURVIVOR • THE ROOKIE <p><u>Film</u></p> <ul style="list-style-type: none"> • CLIFFORD THE BIG RED DOG • COME FROM AWAY <p>eOne also has numerous TV and Film distribution rights including:</p> <ul style="list-style-type: none"> • FINCH • FEAR THE WALKING DEAD 	<p>Includes all film, TV and other entertainment related revenues that are not Hasbro-branded. All Hasbro-branded content is included in the portfolios noted above.</p> <ul style="list-style-type: none"> • In 2020, due to the pandemic, the entertainment industry saw shutdowns in live-action productions and delays or postponements in releases of productions. • By early 2021, our production studios were operating in line with pre-pandemic levels, together with appropriate health and safety protocols.

Reportable Segments

Segment Realignment

Effective for the first quarter 2021, we realigned our reportable segment structure to correspond with the evolution of our company, which includes the integration of our global independent studio, eOne. The realigned segments represent changes to our reporting structure and reflect management's allocation of decision-making responsibilities for evaluating the Company's performance.

Our new reportable segments are:

- Consumer Products

- Wizards of the Coast and Digital Gaming
- Entertainment
- Corporate and Other

Segment	Description of Segment
Consumer Products	<ul style="list-style-type: none"> • Engages in the sourcing, marketing and sales of toy and game products around the world. Our Consumer Products business also promotes our brands through the out-licensing of our trademarks, characters and other brand and intellectual property rights to third parties, through the sale of branded consumer products such as toys and apparel. Additionally, through license agreements with third parties, we develop and sell products based on popular third-party brands. • Our toy and game products are supported by cross-functional teams including members of our global development and marketing groups. Our global development teams develop, design and engineer new products alongside the redesign of existing products, driven by our understanding of consumers and using marketplace insights while leveraging opportunistic toy and game lines and licenses. Our global marketing function establishes a cohesive brand direction and assists our selling entities in establishing local marketing programs. This strategy leverages efforts to increase consumer awareness of our brands through the Company’s entertainment experiences, including film and television programming and digital gaming. • As of December 26, 2021, we had offices supporting our Consumer Products business in more than 35 countries contributing to sales in more than 120 countries. Additionally, we seek to grow internationally through further expansion in Eastern Europe, Asia, Africa and Latin and South America.
Wizards of the Coast and Digital Gaming	<ul style="list-style-type: none"> • Engages in the promotion of our brands through the development of trading card, role-playing and digital game experiences based on Hasbro and Wizards of the Coast properties. • Wizards of the Coast offerings include popular games such as the collectible card game <i>MAGIC: THE GATHERING</i> and the fantasy tabletop role-playing game <i>DUNGEONS & DRAGONS</i>, as well as other digital games developed for mobile devices, personal computers and video gaming consoles including <i>Magic: The Gathering Arena</i>. Additionally, we out-license certain of our brands to other third-party digital game developers who transform Hasbro brand-based characters and other intellectual properties, into digital gaming experiences.
Entertainment	<ul style="list-style-type: none"> • Engaged in the development, acquisition, production, distribution and sale of world-class entertainment content including film, scripted and unscripted television, children’s programming, digital content and live entertainment. • Film and TV operations produce film and television content which is sold worldwide to distributors, broadcasters, television networks and streaming platforms. While maintaining ownership of the content rights, we sell content for specific time periods to generate broadcast license fees from television content and to collect minimum guarantees and overage participations from films.

Segment	Description of Segment
	<ul style="list-style-type: none"> • Acquires third-party film and television content. <ul style="list-style-type: none"> ◦ In television, the Entertainment segment engages in the sale of acquired third-party content internationally. ◦ For acquired films, the Entertainment segment obtains territorial rights from independent producers to distribute in those territories and acquires global rights which are sold internationally. • Feature length film and television programming based on our owned and controlled brands provide both immersive storytelling and the ability for our consumers to enjoy these properties in different formats, which also drives product sales, results in increased licensing revenues, and expands overall brand awareness.
Corporate and Other	<ul style="list-style-type: none"> • Provides management and administrative services to the Company's principal reporting segments described above. The segment consists of unallocated corporate expenses and administrative costs and activities not considered when evaluating segment performance as well as certain assets benefiting more than one segment. In addition, intersegment transactions are eliminated within the Corporate and Other segment.

- Additional Segment Information.
 - To further extend our range of products in the various segments of our business, we sell a portion of our toy and game products to retailers on a direct import basis from the Far East. These sales are reflected in the revenue of the related segment, to which the sale relates.
 - Certain of our products are licensed to other companies for sale in selected countries where we do not otherwise have a direct business presence.
 - For more financial and geographic information regarding our segments, please see note 21 to our consolidated financial statements, included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

Working Capital Requirements; Seasonality

Our working capital needs are financed through available cash and cash generated from operations, primarily through the sale of toys and games and secondarily through our consumer products licensing and entertainment operations, and, when necessary, by issuing commercial paper or borrowing under our revolving credit agreement. In the event the Company is not able to issue commercial paper, we intend to utilize our available lines of credit.

In addition, the Company's Entertainment operating segment uses production financing to fund certain of its television and film productions which are typically arranged on an individual production basis by special purpose production subsidiaries.

Our customer order patterns may vary from year to year largely due to fluctuations in the degree of consumer acceptance of product lines, supply and product availability, marketing strategies and inventory policies of retailers, TV and film content releases, including the dates of theatrical releases of major motion pictures for which we offer products, and changes in overall economic conditions. As a result, a disproportionate volume of our net revenues from our consumer products business has historically been earned during the third and fourth quarters leading up to the retail industry's holiday selling season, including Christmas. Moreover, quick response, or just-in-time, inventory management

practices result in a significant proportion of orders being placed for immediate delivery. We expect retailers will continue to follow this strategy. In 2021 and 2020, the second half of the year accounted for approximately 62% and 65% of full year revenues, respectively, with the third and fourth quarters each accounting for approximately 31% of full year net revenues in 2021 and 33% and 32% of full year revenues in 2020.

Historically, we commit to the majority of our inventory production and advertising and marketing expenditures for a given year, prior to the peak fourth quarter retail selling season. Our accounts receivable balances increase during the third and fourth quarters as customers increase their purchases to meet expected consumer demand in the holiday season. Due to the concentrated timeframe of this selling period, payments for these accounts receivable are generally not due until later in the fourth quarter or early in the first quarter of the subsequent year. The timing difference between expenses paid and revenues collected sometimes makes it necessary for us to borrow varying amounts during the year, however, we have had sufficient liquidity and capital resources throughout 2021 and 2020 and have not had to borrow under our revolving credit facility.

Our entertainment business is also subject to seasonal variations based on the timing of film, television, streaming and digital content releases, which are often determined based on the timing of prime television seasons, certain geographic release dates and competition in the market.

Product Development and Royalties

Development

Our success is dependent on continuous innovation in our play and entertainment offerings and requires ongoing development of new brands and products alongside the redesign of existing products to drive consumer interest and market acceptance. Our toy and game products are developed by a global development function, the costs of which are allocated to the selling entities which comprise our principal operating segments. These costs include activities related to the development, design and engineering of new products and their packaging and on the improvement or modification of ongoing products. Much of this work is performed by our internal staff of designers, artists, model makers and engineers.

Development and related costs associated with Wizards of the Coast products are specifically allocated to that line of business, including significant investments in tabletop gaming as well as digital gaming, most notably, for the development of *Magic: The Gathering Arena*, the free-to-play adaptation of the MAGIC: THE GATHERING card game available online and for *Dungeons & Dragons: Dark Alliance*, launched for console play during the first half of 2021. We also continue to invest in Wizards of the Coast tabletop and digital gaming initiatives planned for release in the coming years.

In addition to the design and development work performed by our own staff, we work with a number of independent toy and game designers, and compete for their designs and ideas with other toy and game manufacturers. Rights to such designs and ideas, when acquired or licensed by us, are usually exclusive and the agreements require us to pay the designer a royalty on our net sales of the item. These designer royalty agreements may also provide for advance royalties and minimum guarantees.

Royalties and Participations

We also produce an array of products under licenses based on our partners' trademarks and copyrights for the names or likenesses of characters from movies, television shows and other entertainment media. We compete with other toy and game manufacturers for these licensed rights and we refer to our products produced under these arrangements as Partner Brands. Licensing fees for these rights are generally paid as a royalty on our net sales of the item. Licenses for the use of characters may be exclusive for specific products or product lines in specified territories, or may be non-exclusive, in which case our product offerings may be competing with the product offerings of other licensees. In many instances, advance royalties and minimum guarantees are required by these license agreements. Our royalty expense in any given year may vary depending upon product mix and the timing of movie releases and other entertainment media.

Our entertainment offerings also require us to pay royalties and participations to those involved in the creation of the content, such as producers, writers, directors and actors.

Marketing and Sales, Customer Concentration and Advertising

Marketing and Sales

While our global development function focuses on brand and product innovation and re-invention, our global marketing function establishes brand direction and messaging and assists the selling entities in establishing local marketing programs. The global marketing group works cross-functionally with the global development function to deliver unified, brand-specific consumer experiences. The costs of this group are allocated to the selling entities which comprise our principal operating segments. In addition to the global marketing function, our local selling entities employ sales and marketing functions responsible for local market activities and execution.

Our products are sold globally to a broad spectrum of customers, including mass-market retailers, distributors, wholesalers, discount stores, drug stores, mail order houses, catalog stores, department stores and other traditional retailers, large and small, as well as ecommerce retailers and direct-to-customer through Hasbro PULSE, our fan-based ecommerce website. Our own sales forces account for the majority of sales of our products with remaining sales generated by independent distributors who, for the most part, sell our products in areas of the world where we do not otherwise maintain a direct presence. The majority of our product sales are to large chain stores, distributors, e-retailers and wholesalers.

Customer Concentration

During 2021, net revenues from our top five retail customers accounted for approximately 36% of our consolidated global net revenues, including our largest customers, Wal-Mart Stores, Inc., Amazon.com and Target Corporation, who represented 13%, 11% and 8%, respectively, of consolidated global net revenues. Net revenues from the Company's major customers are reported within the Consumer Products segment, Wizards of the Coast & Digital Gaming segment and the Entertainment segment. In 2020, ecommerce sales represented a significant portion of overall sales to these customers as consumers increasingly purchased our products online as compared to in-store shopping due to the shutdown and limited access to retail stores during the COVID-19 pandemic and we saw this trend continue throughout 2021 as compared to pre-pandemic levels. Please see Part I, Item 1A. *Risk Factors*, of this Form 10-K for a further discussion of risks relating to customer concentration.

Advertising

We advertise many of our products extensively and brands through digital marketing and on television. Products are strategically cross-promoted by spotlighting specific products alongside related offerings in a manner that promotes the sale of not only the selected item, but also those complementary products.

As described earlier, the Hasbro Brand Blueprint strategy includes focusing on reinforcing storylines associated with our brands through several mediums, including television, film, digital gaming and live action experiences. Our brands obtain marketing and advertising support through entertainment appearing on major networks globally, theatrical releases as well as on various other digital platforms, such as Netflix and Apple TV. Through our independent studio we are able to cultivate branded-content and activate and re-ignite our brands, including brands from our vault. The most recent example of this was the September 2021 release of the *MY LITTLE PONY: A NEW GENERATION* animated film produced by eOne, and launched on Netflix globally.

Many of our new toy and game products are introduced to major customers within one to two years leading up to their year of retail introduction. We have historically showcased certain new products through international toy shows, including New York City, Hong Kong and Nuremberg, Germany, though

with the pandemic our participation in these shows in 2021 was mostly virtual, which is planned to continue in 2022. Our advertising expenditures are impacted by our product mix in any given year. For example, brands based on major motion picture releases generally require less advertising as a result of the promotional activities around the motion picture release, whereas leading into a major digital gaming launch, our Wizards of the Coast business will have substantial increases to advertising, marketing and promotional expenses to acquire players and promote gaming releases.

Producing, marketing and distributing films and television programming can involve significant costs and the timing of a film's release can cause our financial results to vary. For instance, marketing costs are generally incurred before and throughout the theatrical release of a film and, to a lesser extent, other distribution windows, and are expensed as incurred. Therefore, we typically incur losses with respect to a particular film prior to and during the film's theatrical release and profitability for the film may not be realized until after its theatrical release window.

Manufacturing and Supply Chain

During 2021, the majority of our products were manufactured in third-party facilities in the Far East, primarily China, Vietnam and India, using a Hong Kong based wholly-owned subsidiary operation for quality control and order coordination purposes. Within the U.S. and Ireland, we utilize two previously owned facilities now operated by Cartamundi, which are located in East Longmeadow, Massachusetts and Waterford, Ireland, to manufacture significant quantities of Hasbro game products under a multi-year manufacturing agreement. We have diversified our global sourcing mix and decreased our dependence on Chinese manufacturing by increasing production of our products in other countries, including Vietnam and India. As of December 26, 2021, 48% of third-party product manufacturing was sourced outside of China.

Beginning in early 2020 with the onset of the COVID-19 pandemic, and continuing throughout 2021, we experienced disruptions to supply of our products due to closures of third-party manufacturing facilities across several geographies, primarily in early 2020, or reductions in manufacturing facility operations across multiple geographies throughout 2020 and 2021. Additionally, we have experienced difficulties in shipping and distributing certain products due to the ongoing global port capacity, shipping container and truck transportation shortages. These challenges have at times caused delays in the availability of products, which in some instances have led to delayed sales and in certain isolated cases, lost sales. These and other disruptions are expected to continue into 2022. However, despite these adverse manufacturing and supply chain conditions, at this time, we believe the manufacturing capacity of our third-party manufacturers, as well as the supply of components, accessories and completed products which we purchase from unaffiliated manufacturers, are adequate to meet the anticipated demand in 2022 for our products. Additionally, during 2021 in response to global supply chain disruptions, we have expanded shipping capacity, activated alternate ports in China and the U.S. and we have prioritized supply based on inventory and customer needs, including the utilization of air freight when needed. However, if global supply chain challenges do not improve or worsen, or we or our suppliers suffer prolonged manufacturing disruptions due to public health conditions, such as the coronavirus, manufacturing capacity of our third-party manufacturers as well as supply of components, accessories and our products may be adversely impacted. See Part I, Item 1A. *Risk Factors*, of this Form 10-K for further information.

Most of our toys and games are manufactured from basic raw materials such as plastic, paper and cardboard, although certain products also use electronic components. All of these materials are readily available but may be subject to significant fluctuations in price. There are certain chemicals (including phthalates and BPA) that national, state and local governments have restricted or are seeking to restrict or limit the use of; however, we do not believe these restrictions have or will materially impact our business. We generally enter into agreements with suppliers at the beginning of a fiscal year that establish prices for that year. However, significant volatility in the prices of any of these materials may require renegotiation with our suppliers during the year.

Competition

We are a worldwide leader in the development, design, sale and marketing of toys and games and entertainment offerings, operating in a highly competitive business environment. We compete with several large toy and game companies in our product categories, as well as with many smaller United States and international toy and game designers, manufacturers and marketers. In certain instances, we also compete with large retailers, who offer such products under their own private labels, often at lower prices. In addition, we compete with digital gaming developers, who focus primarily on digital gaming products. We also compete with other companies that offer TV and film content and branded entertainment specific to children and their families. Given the ease of entry into our business we view our primary competition as coming from content providers, digital gaming providers and toy and game companies who are creating entertainment experiences that compete with our brand-driven storytelling and product experiences for consumer attention and spending. Businesses that create compelling content can readily translate that content into a full range of product offerings. Competition is based primarily on meeting consumer preferences and on the quality and play value of our products and experiences. To a lesser extent, competition is also based on product pricing.

Our entertainment business competes with other companies that produce and distribute films, television programs and other entertainment content. For example, eOne, as an independent distributor and content producer, competes with other major U.S. and international studios that historically have released a large number of films annually and command a significant share of box office and streaming revenues and television airtime, as well as other independent film and television production or distribution companies. Many of the major U.S. studios are part of large, diversified corporate groups with a variety of other operations, including television networks and cable channels that can provide both in-house distribution capability and varied sources of earnings that may allow them to better offset fluctuations in the financial performance of their film and television operations. Some of these competitors have substantially greater marketing and financial resources than we do and may be able to compete aggressively on pricing in order to increase box office revenues and television airtime or streaming placement. In addition, the resources of the major studios may give them an advantage in acquiring other businesses or assets, including content libraries, that we might also be interested in acquiring. The competition we face may cause us to lose market share, achieve lower prices for our productions or pay more for third party content, any of which could harm our business. Additionally, the Discovery Family Channel, our cable television joint venture with Discovery Communications, Inc. in the U.S., competes with a number of other children's television networks for viewers, advertising revenue and distribution fees.

In addition to contending with competition from other toy and game and entertainment and storytelling companies, we contend with the phenomenon that children are increasingly sophisticated and have been moving away from traditional toys and games. The variety of digital gaming and digital entertainment offerings available for children has expanded while product life cycles of traditional toys and games have shortened as children move on to more sophisticated offerings at earlier ages. As a result, our products not only compete with those offerings produced by other toy and game manufacturers and companies offering branded family play and entertainment, we also compete, particularly in meeting the demands of older children, with entertainment offerings of many technology companies, such as makers of tablets, mobile devices, video games and other digital gaming products and screens, and social media companies.

The changing trends in consumer preferences with respect to entertainment and low barriers to entry as well as the emergence of new technologies and different mediums for viewing content, such as the growing number of streaming platform options, continually creates new opportunities for existing competitors and start-ups to develop products and offerings that compete with our entertainment and toy and game offerings.

Environment, Social and Governance (ESG) Performance

Overview

At Hasbro, we believe strong Environment, Social, and Governance (ESG) performance drives long-term value creation for all our stakeholders. Our ESG priorities include climate and sustainability, ethical sourcing and human rights, culture, and human capital management, including Diversity, Equity & Inclusion (DEI), and product and content safety.

Governance

The governance of ESG starts with our Board of Directors (Board), with specific oversight by our Nominating, Governance, and Social Responsibility Committee of the Board (Governance Committee). ESG topics, including DEI, climate, and human rights, are regular agenda items at the Governance Committee. Additionally, the Audit Committee of our Board oversees SEC and public disclosures in specific areas like conflict minerals, climate risk, and enterprise risk. The full Board receives regular updates regarding our ESG progress.

In addition to Board-level governance, our CEO and the senior management team regularly review our ESG performance, progress and opportunities. The Chief Purpose Officer, who reports to the CEO and is a member of senior management, is responsible for setting the strategic direction for our global ESG strategy and performance, and ensures the integration of ESG throughout the global organization and supply chain.

Building on Our Success and Reaching New Heights

ESG and Purpose are at the center of our Brand Blueprint and drive how we operate the business. We continue to integrate ESG across the business and are proud of our innovative, best-in-class strategic initiatives that uphold our purpose and make a positive impact for our stakeholders.

Below are some of the highlights from 2021:

2021 Key ESG Achievements

- Climate & Sustainability**
 - ✓ Set goal to make **Potato Head brand with plant-based or renewable materials** by end of **2024**. Transitioning all other existing toys and games to recycled or renewable materials by **2033**
 - ✓ On track to **eliminate plastic in new product packaging** by end of **2022**
 - ✓ Achieved **99.6% Renewable Energy Goal** for Owned & Operated facilities
 - ✓ Continued **Global Expansion** of first-in-industry **Toy Recycling** program, in **12 countries** at end of 2021.
 - ✓ Achieved **100% Supplier Participation** in **Higg Index** environmental assessment tool
- Ethical Sourcing & Human Rights**
 - ✓ Audited **100% of Third-party Vendors** annually for social compliance
 - ✓ **Advanced Female Empowerment Program** in third-party factories
- Philanthropy**
 - ✓ Impacted millions of **children and families** through programming, in-kind and financial support
 - ✓ Supported **92% of eligible employee volunteers** in completing 250 service projects
- Diversity, Equity & Inclusion**
 - ✓ Made progress against our goals to **increase the percentage of women in leadership roles** globally to 50% by 2025 and to **expand ethnically and racially diverse employee representation** in the US to 25% by 2025
 - ✓ Continued to **foster a culture of inclusion** through initiatives such as providing **unconscious bias workshops** for employees; **70% of US employees trained**

Play-Doh character illustration and Hasbro logo.

Some of our accolades in the ESG area include:



Key Areas of Focus

- **Climate and Sustainability:** We recognize the impact our business can have on the environment and are working to reduce our footprint. We view sustainability challenges as opportunities to innovate and to continuously improve our product design and operational efficiencies. We believe the long-term viability and health of our own operations and our supply chain, and the significant potential for environmental improvements, are key components to our business success.

Reducing our Carbon Footprint and Setting Science-Based Targets: We are proud to be taking action on climate. In 2019, we began a comprehensive measurement of our supply chain footprint, with 100% of our suppliers participating. We are now in the process of setting science-based targets for our greenhouse gas emission reductions with a near-term 2030 goal, based on limiting emissions to keep warming below 1.5°C above pre-industrial levels, and a long-term 2050 goal, based on net-zero emissions across our value chain.

In addition to taking action to reduce our energy consumption and improve energy efficiency, we support initiatives to increase the generation of renewable energy in the marketplace. We continue to meet our renewable energy goal, matching virtually 100 percent (99.6%) of the energy used in our owned and operated facilities with investments in renewable energy. To address the greenhouse gases generated by electricity consumption, we purchase Renewable

Energy Certificates (RECs) which support the production of renewable energy such as wind, solar, thermal, and similar renewable sources, at levels equal to what we use from the public grid. These RECs are bought in and applied to the markets where the energy is used by our facilities across the globe.

We purchase carbon offsets to address the remaining GHG emissions generated by the use of gas and liquid fuel at our leased and owned facilities, company vehicles, all employee business air travel and the remaining small amount (0.4%) of emissions generated by electricity consumption at our facilities in markets where RECs are not available.

Other key goals and objectives in this area include:

- Eliminating virtually all plastic in packaging for new products by the end of 2022.
- Expanding our industry-first toy recycling program (currently in 12 countries) in partnership with TerraCycle, a leader in product recycling outside of municipal recycling.
- Reducing energy consumption by 25%, greenhouse gas emissions by 20%, waste to landfill by 50%, and water consumption by 15%, by the end of 2025 for our owned/operated facilities.
- Climate Risk and Resilience; TCFD: Managing the resilience of our business to the risks of climate change, including severe weather events, is also a priority. We are working to further integrate climate risk and resilience into our overall enterprise risk management process, including our plans to use the Task Force on Climate-related Financial Disclosures (TCFD) framework.
- Human Rights and Ethical Sourcing: Our Human Rights and Ethical Sourcing program, first launched in 1993, is dedicated to ensuring that facilities involved in the production of our toys and games, or licensed consumer products, comply with Hasbro's Global Business Ethics Principles. The program is designed to ensure fair and safe working conditions; fairness, dignity, and respect for workers; and robust supplier engagement to ensure strong safety, health and environmental performance. While working on these issues with partners, suppliers, third-party factories, and licensees is complex, we remain vigilant in our commitment to ensure workers in our supply chain are treated in accordance with our high ethical standards and applicable laws.

Key goals and objectives in this area include:

- On an annual basis, achieve 100% social compliance audit rate for all third-party vendor and major sub-contractor facilities (Facilities), as well as 100% follow-up audit rate for all Facilities with pending remediation issues.
- Requiring 100% of Facilities to participate and complete the Hasbro Ethical Sourcing Academy, a 30-hour, e-learning social compliance course, which trains and reinforces Hasbro's rigorous ethical sourcing requirements. This mandatory online training is in addition to monthly in-person vendor workshops that the Hasbro Ethical Sourcing team hosts in our sourcing office locations around the world.
- Empowering female factory workers through our Worker Well-Being program, which provides life-enhancing skills training and knowledge on topics from nutrition and reproductive health to problem solving and financial literacy.

Human Capital Management

Overview

Our key human capital management objectives for our direct workforce are to attract, develop and retain diverse talent. The experience, dedication and diverse backgrounds of our employees are at the heart of our success, energizing everything we do, from developing innovative products to creating immersive gaming and entertainment experiences. Working together, we seek to create a culture that embraces our values of Community, Creativity, Inclusion, Integrity and Passion. We also believe that when everyone feels valued, they feel empowered to deliver their best every day. As our organization continues to grow and evolve, we remain steadfast in our ambition to provide a supportive and inclusive community that is the best place our employees have ever worked.

Governance

Our governance of human capital falls within the governance structure for ESG overall. The Governance Committee of the Board oversees the company's human capital policies and practices, including the company's approach to promoting diversity, equity and inclusion in the workplace. The Compensation Committee of the Board oversees our compensation programs.

Our Chief Human Resources Officer ("CHRO") is responsible for developing and executing key aspects of our human capital strategy, including the attraction, acquisition, development, and engagement of talent to deliver on the Company's strategy and the design of competitive compensation and employee benefit programs. Our Chief Purpose Officer (CPO) is responsible for developing and executing our strategy for human rights and ethical sourcing programs for the workers across our supply and value chain. Our CPO and CHRO sit on our internal DEI Steering Committee, a committee comprised of global management leaders from various parts of the business. The DEI Steering Committee is responsible for setting the DEI strategy, and our Senior Vice President of DEI is responsible for executing the strategy.

Employees

As of December 26, 2021, we employed 6,640 people worldwide, with approximately 51% of our employees in North America (42% in the United States; 9% in Canada), 24% in Europe, 18% in Asia Pacific, and 7% in Latin America (includes Mexico). As of fiscal year end, approximately 55% of our global workforce was female, 46% of our employees in managerial roles (director level and above) were female, and minorities represented approximately 22% of the Company's U.S. workforce, of which 14% were in managerial roles. For our U.S. workforce, we also disclose our diversity by job type (based on the EEO-1 filing), which is available on our CSR website. The contents of our CSR website are not incorporated herein.

Approximately 6% of our employees globally are covered by unions or collective bargaining agreements.

Key Areas of Focus:

- *Diversity, Equity, and Inclusion.* We believe that the more inclusive we are as a company, the more effective our employees will be and the stronger our business will perform. Hasbro views DEI as a strategic ESG priority that is linked to the future success of our business and the growth of our brands. In 2018, our former Chairman and CEO, Brian Goldner, along with 800 other CEOs, signed on to the CEO Action for Diversity and Inclusion pledge, developed by the accounting firm PwC, to publicly affirm Hasbro's commitment to DEI as a fundamental value and corporate priority. A summary of some of the significant steps we have taken to further build a culture of DEI within our organization include:
 - Establishing a DEI function responsible for DEI programs and initiatives, talent acquisition and employee engagement.
 - Holding numerous meetings with employees across the U.S., outlining the business case for DEI.

- Launching a Global Diversity, Inclusion and Belonging program to discuss employee experiences and concerns in the aftermath of social unrest.
- Implementing unconscious bias training to help acknowledge subtle biases, which impact employee and management behavior, from hiring to project team selections and people management.
- Setting ambitious DEI goals for the organization:
 - Increasing female representation in management (Director +) roles globally to 50% by 2025;
 - Expanding ethnically and racially diverse employee representation in the U.S. to 25% by 2025; and
 - Targeting a 50% diverse slate of candidates when recruiting for open U.S. positions where there is ethnic and minority underrepresentation.
- Employee Engagement. At Hasbro, we support 12 Employee Resource Groups (ERGs), with nearly 1,000 members, reflecting our diverse employee population and the dynamic opportunities for employee engagement. These groups give voice to member concerns, create opportunities for networking and leadership skills development, aid in employee recruitment and retention efforts, and celebrate ethnic and cultural themes important to our workforce. In addition to our ERGs, we established a Business Resource Group (BRG), which provides a channel for the ERGs to consult on business decisions and programs, many related to diversity, as well as on the marketing, design, and content of products.
- Compensation, Health, Safety & Well-being of Employees. Employee attraction, development and retention has long been a key Hasbro priority. We recognize and reward our employees with a total rewards package that includes competitive base pay, equity compensation (for certain levels), annual incentives, product discounts and other comprehensive benefits, including wellness programs that help people integrate work and life commitments. We regularly review salary ratios for men and women in similar roles to help maintain internal equity and market competitiveness across the globe, including among managers. We review both industry and local market data at least annually to identify trends and market gaps to maintain the competitiveness of our compensation and employee benefit programs. When designing our compensation and employee benefit programs, we also look beyond the fundamentals of these important components and consider the bigger picture of how these programs contribute to the overall employee experience.

Employee health, safety and wellness are top priorities at Hasbro. We support our colleagues' well-being, which includes mental, physical, and financial wellness, through a number of programs, including:

- Employee Wellness & Happiness Teams organized in our major offices that offer wellness programs.
- Robust employee assistance programs, including virtual therapy sessions, that help employees experiencing stress or other mental health needs.
- Childcare solutions, including in-home and back-up care, as well as back-up adult and elder care for employees balancing work with childcare or elder care needs.
- Webinars for managers to help identify risk factors and types of mental health issues.
- A commitment to flexible work arrangements to help employees with work-life balance and to take care of health needs.
- Financial wellness resources offered by third-party vendors with whom we work that can assist our employees with retirement and other financial planning services.

In 2021, our organization continued to showcase great resilience, with most of our workforce continuing to work remotely due to the COVID-19 pandemic. As part of our ongoing commitment to supporting our diverse and geographically dispersed employee population, we issued regular and frequent communications to ensure the health, safety and, welfare of our employees. We encourage a continuous dialogue with our employees by inviting their feedback and, as a result, we continue to learn about and respond to their concerns. We provided technological tools, ergonomic support, internet capacity, mental health support and many other tools designed to support our workforce in working effectively in their homes or safely on site, if their jobs so required it. We developed engaging COVID-19 handbooks for employees returning to work in our offices around the world and implemented robust employee health and safety protocols and sanitization in our owned and operated offices and facilities globally. We provided employees with a stipend to help them with expenses relating to remote work. In the U.S., we adopted changes to certain employee benefit plans that were authorized by legislation enacted as a result of COVID-19 to allow greater flexibility and broader coverage to our employees in the event they were negatively impacted by COVID-19. Our employees' health, safety and well-being during the pandemic has been a top priority.

- *Training and Talent Development.* We are committed to the continued development of our people. Strategic talent reviews and succession planning occur on a planned cadence annually – globally and across all business areas. The CEO and CHRO convene meetings with senior company leadership and the Board to review top company talent. We provide opportunities for our employees to grow their careers. We have programs and training to help develop our employees, such as the Hasbro Management Academy, a global program for managers that identifies and describes what it takes to be an effective leader at Hasbro. We invest in the development of our employees by providing in-house training and opportunities to participate in third-party programs, including specialized training as well as broader academic pursuits.
- *Community Service.* The power of service is core to our culture. We cultivate this culture of community and volunteerism by offering our employees four hours of paid time off every month to volunteer with programs and organizations benefiting children, DEI, environmental stewardship, and other important causes. In addition, team-building company-sponsored volunteer projects are organized throughout the year providing large groups of employees the opportunity to make a meaningful difference in their communities. Our Global Day of Joy is Hasbro's annual, company-wide day of service and has become a cherished company tradition. The annual tradition takes place every December, and employees from each Hasbro office around the world participate in service projects to benefit child-focused organizations. Finally, in 2021, we also began offering skills-based volunteer opportunities to encourage our employees with specific skills, talents, and professions to donate their time to organizations and communities in need, pro bono. Overall, in 2021, 92% of eligible employees around the world completed more than 250 service projects to positively impact the lives of more than 100,000 children.

Trademarks, Copyrights and Patents

We seek to protect our products, for the most part, and in as many countries as practical, through registered trademarks, copyrights and patents to the extent that such protection is available, cost effective, and meaningful. The loss of such rights concerning any particular product is unlikely to result in significant harm to our business, although the loss of such protection for a number of significant items might have such an effect.

Government Regulation

Our toy and game products sold in the United States are subject to the provisions of The Consumer Product Safety Act, as amended by the Consumer Product Safety Improvement Act of 2008, (as amended, the "CPSIA"), The Federal Hazardous Substances Act (the "FHSA"), The Flammable Fabrics

Act (the “FFA”), and the regulations promulgated thereunder. In addition, a few of our products, such as the food mixes for our EASY-BAKE ovens, are also subject to regulation by the Food and Drug Administration.

The CPSIA empowers the Consumer Product Safety Commission (the “CPSC”) to take action against hazards presented by consumer products, including the formulation and implementation of regulations and uniform safety standards. The CPSC has the authority to seek to declare a product “a banned hazardous substance” under the CPSIA and to ban it from commerce. The CPSC can file an action to seize and condemn an “imminently hazardous consumer product” under the CPSIA and may also order equitable remedies such as recall, replacement, repair or refund for the product. The FHSA provides for the repurchase by the manufacturer of articles that are banned.

Consumer product safety laws also exist in some states and cities within the United States and in many international markets including Canada, Australia and Europe. We utilize independent third party laboratories that employ testing and other procedures intended to maintain compliance with the CPSIA, the FHSA, the FFA, other applicable domestic and international product standards, and our own standards. Any material product recall or other safety issue impacting our products could have an adverse effect on our results of operations or financial condition, depending on the product and scope of the recall, could damage our reputation and could negatively affect sales of our other products as well.

The Children’s Television Act of 1990 and the rules and regulations of the United States Federal Communications Commission, the rules and regulations of the Federal Trade Commission, as well as the laws of certain other countries, also place limitations on television commercials during children’s programming and on advertising in other forms to children, and on the collection of information from children, such as restrictions on collecting information from children under the age of thirteen subject to the provisions of the Children’s Online Privacy Protection Act.

In addition to laws restricting the collection of information from children, our business is subject to other regulations, such as the General Data Protection Regulation which became effective in the European Union in May 2018, which restricts the collection, use, and retention of personal information, as well as data protection laws in the United States and other countries. Failure to comply with any of those restrictions can subject us to severe liabilities.

Further we maintain programs to comply with various United States federal, state, local and international requirements relating to the environment, health, safety and other matters.

Our Canadian television and film operations benefit from certain funding and tax credits for certain productions in Canada. To continue to avail ourselves of these benefits, we plan to comply with applicable regulations and directives of the Investment Canada Act and the Minister of Canadian Heritage.

Our Executive Officers

The following persons are our executive officers. Such executive officers are elected annually. The position(s) and office(s) listed below are the principal position(s) and office(s) held by such persons with the Company. The persons listed below generally also serve as officers and directors of certain of our various subsidiaries at our request.

Name	Age	Position and Office Held	Period Serving in Current Position*
Richard S. Stoddart(1)	58	Interim Chief Executive Officer	Since 2021
Deborah M. Thomas(2)	58	Executive Vice President and Chief Financial Officer	Since 2013
Christian Cocks(3)	48	President and Chief Operating Officer, Wizards of the Coast & Digital Gaming	Since 2016
Eric Nyman(4)	49	Chief Consumer Officer and Chief Operating Officer, Hasbro Consumer Products	Since 2021
Darren Throop(5)	57	Chief Executive Officer, Entertainment One	Since 2020
Tom Courtney(6)	61	Executive Vice President, Chief Global Operations Officer	Since 2017
Michael Hogg(7)	67	Executive Vice President and Chief Commercial Officer	Since 2020
Dolph Johnson	63	Executive Vice President and Chief Human Resources Officer	Since 2012
Tarrant Sibley(8)	53	Executive Vice President and Chief Legal Officer and Secretary	Since 2019

* Effective Feb 25, 2022, Christian Cocks has been appointed as CEO and a Director, Eric Nyman has been appointed as President and Chief Operating Officer, and Rich Stoddart will no longer serve as interim CEO and will become Chair of the Board.

- (1) Mr. Stoddart was appointed to serve as interim CEO in October 2021; Mr. Stoddart, most recently the Lead Independent Director of the Board, was appointed to the Company's Board in 2014. Mr. Stoddart was President and Chief Executive Officer of InnerWorkings, Inc., from 2018 to 2020; prior thereto, Chief Executive Officer of Leo Burnett Worldwide from February 2017 to 2018, the Chief Executive Officer of Leo Burnett North America from 2013 to 2017 and the President of Leo Burnett North America from 2005 to 2013.
- (2) Prior thereto, Senior Vice President and Chief Financial Officer from 2009 to 2013.
- (3) Effective February 25, 2022, Mr. Cocks will become Chief Executive Officer of Hasbro.
- (4) Effective February 25, 2022, Mr. Nyman will become President and Chief Operating Officer of Hasbro. Prior thereto, he served as Chief Consumer Officer and Chief Operating Officer of Hasbro Consumer Products from 2021-2022, Chief Consumer Officer from 2020-2021, President, North America Sales and Marketing from 2018-2020, President US Sales Marketing from 2016-2020, and President-Canada from 2015-2016.
- (5) Mr. Throop was appointed an executive officer of Hasbro in February 2020. He has served as Chief Executive Officer of eOne since 2003.
- (6) Prior thereto, Senior Vice President and General Manager, Global Operations, from 2012 to 2017.
- (7) Prior thereto, Chief Operating Officer, Commercial Markets from 2018 to 2019; prior thereto, President, Hasbro North America from 2011 to 2018.
- (8) Prior thereto, Senior Vice President, Chief Legal Officer and Secretary from 2018 to 2019 and Senior Vice President and Deputy General Counsel from 2010 to 2018.

Availability of Information

Our internet address is <http://www.hasbro.com>. We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, available free of charge on or

through the investor section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Investors and others should note that we announce material financial information to our investors using our investor relations website at www.hasbro.com, under “Corporate — Investors”, SEC filings, press releases, public conference calls and webcasts. We use these channels as well as social media to communicate with our shareholders and the public about our Company, our products and other matters. It is possible that the information we post on social media could be deemed to be material information. Therefore, we encourage investors, the media, and others interested in our Company to review the information we post on the social media channels listed on our investor relations website. Hasbro has used, and intends to continue to use, our investor relations website, as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Further corporate governance information, including our articles of incorporation, bylaws, governance guidelines, committee charters, and code of business conduct and ethics, is also available on our investor relations website <https://hasbro.gcs-web.com>, under “Corporate — Investors — Corporate Governance.” The contents of our website are not intended to be incorporated by reference into this Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors.

In evaluating our business, the material risks described below, as well as other information contained in this Annual Report on Form 10-K and in our other filings with the Securities and Exchange Commission should be considered carefully. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business. The occurrence of any of these events or circumstances could individually or in the aggregate have a material adverse effect on our business, financial condition, cash flow or results of operations. This report contains forward-looking statements. Please refer to the cautionary statements made under the heading “Special Note Regarding Forward-Looking Statements” for more information on the qualifications and limitations on forward-looking statements.

Strategic Risks Related to Our Business

Our business will suffer if we are not successful in developing and expanding our owned and partner brands across our brand blueprint.

Our strategy is to focus on fewer, larger global brands with an emphasis on developing and expanding those of our owned and key partner brands, which we view as having the largest global potential, across our brand blueprint. As we concentrate our efforts on a more select group of brands, we believe we can gain additional leverage and enhance the consumer experience. This focus means that our success depends disproportionately on our and our partners’ ability to successfully develop this select group of brands across our brand blueprint and to maintain and extend the reach and relevance of these brands to global consumers in a wide array of markets. This strategy has required us to acquire, build, invest in and develop our competencies in storytelling, digital gaming, consumer products and entertainment. Acquiring, developing, investing in and growing these competencies has required significant effort, time and money, with no assurance of success. The success of our brand blueprint strategy also requires significant alignment and integration among our business segments. If we are unable to successfully develop, maintain and expand our owned and key partner brands across our brand blueprint, our business performance will suffer.

If we or our partners fail to successfully develop and deliver engaging storytelling through entertainment media our ability to build our brands and sell products will suffer.

Engaging storytelling offered through entertainment media, such as television, films, digital content and other media, is an important way for consumers to experience our and our partners’ brands. The success, or lack of success, of such entertainment media efforts can significantly impact the demand for

our products and our financial performance. We spend considerable resources in designing and developing products in conjunction with our and our partners' planned media releases. We also rely heavily on the efforts of third parties, such as licensors, film studios, content producers and distribution channels with whom we work, with respect to the development of content and timing of media development, release dates and the ultimate consumer interest in and success of these media efforts. In some cases, we do not fully control when or if any particular project will be greenlit, developed or released. Our licensors, media partners or other third parties may change their plans with respect to projects and release dates or may decide to cancel development. Lack of control can make it difficult for us to get entertainment projects developed, plan future entertainment slates and to successfully develop and market products in conjunction with such entertainment projects, given the lengthy lead times involved in product development and successful marketing efforts. Any delay or cancellation of planned product development work, releases, or media support may decrease the number of products we sell, which may harm our business. In 2020 and continuing into parts of 2021, productions and entertainment releases were delayed due to the shutdown of productions and theaters during the COVID-19 pandemic. Delays and shutdowns such as those we have experienced, can have and had an adverse effect on our results. If films, television shows, or any other key entertainment content for which we develop and market products are not as successful as we and our partners anticipate, our revenues and earnings will decline.

Consumer interests change rapidly and acceptance of products and entertainment offerings are influenced by outside factors, making it difficult to create storytelling experiences and to design and develop products, play patterns and entertainment offerings which are and will continue to be popular with children, families and audiences.

The interests of children, families, fans and audiences evolve extremely quickly and can change dramatically from year to year and by geography. To be successful, we must correctly anticipate the types of entertainment, products and play patterns which will capture consumers' interests and imagination, and quickly develop and introduce innovative products and engaging entertainment which can compete successfully for consumers' limited time, attention and spending. This challenge is more difficult with the ever-increasing utilization of technology, social media and digital media in entertainment offerings, and the increasing breadth of entertainment available to consumers. Evolving consumer tastes and shifting interests, coupled with an ever-changing and expanding pipeline of entertainment and consumer properties and products which compete for consumer interest and acceptance, create an environment in which some products and entertainment offerings can fail to achieve consumer acceptance, and other products and entertainment offerings can be popular during a certain period of time but then be rapidly replaced. As a result, our products and entertainment offerings can have short consumer life cycles.

Consumer acceptance of our or our partners' entertainment offerings is also affected by outside factors, such as critical reviews, promotions, the quality and acceptance of films and television programs and content released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and public tastes generally, all of which could change rapidly and most of which are beyond our control. There can be no assurance that television programs and films we produce or distribute will obtain favorable reviews or ratings, that films we produce or distribute will be popular with consumers and perform well at the box office or in other distribution channels, or that broadcasters will license the rights to broadcast any of our television programs in development or renew licenses to broadcast programs in our library.

If we devote time and resources to developing and marketing products or entertainment that consumers do not accept or do not find interesting enough to buy in sufficient quantities to be profitable to us, our revenues and profits may decline and our business performance may be harmed. Similarly, if our product offerings and entertainment fail to correctly anticipate consumer interests, our revenues and earnings will be reduced.

The challenge of continuously developing and offering products and storytelling experiences that are sought after by children is compounded by the sophistication of today's children and the increasing array of technology and entertainment offerings available to them.

Children are increasingly utilizing electronic devices, such as computers, tablets and mobile phones, and they are expanding their interests to a wider array of innovative, technology-driven entertainment products and digital and social media offerings at younger and younger ages. Our products and digital games business compete with the offerings of consumer electronics companies, gaming, digital media and social media companies. To meet this challenge we, and our competitors, are investing in, designing and marketing products and digital games which incorporate more technology, seek to integrate digital and analog play, and aim to capitalize on new play patterns and increased consumption of digital and social media. There can be no assurance our brands, products and digital games will successfully compete with other offerings or will achieve or sustain popularity.

Our business will suffer if we are unable to grow our Wizards of the Coast and digital gaming business.

A key component to the success of our brand blueprint strategy is to continue to invest in digital gaming and technology, particularly through our Wizards of the Coast and digital gaming business. We have invested substantially in this business segment and as a result it has seen significant growth over the past several years, and while primarily through growth in tabletop play, continued digital game development is a key growth factor for the future. If we are unable to continue to grow this business and ensure its integration with our other business segments, our business may be harmed. The digital gaming industry is highly competitive and costs associated with designing, developing and producing digital games and technologically advanced or sophisticated toy products tend to be higher than for many of our other more traditional products, such as board and trading card games and action figures, with no assurance of success. The ability to sell enough of these advanced products, at prices high enough to recoup our costs and make a profit, is constrained by heavy competition in consumer electronics and entertainment offerings and can be further constrained by difficult economic conditions. As a result, we face increased risk of not achieving sales sufficient to recover our costs and we may lose money on the development and sale of these products. Additionally, designing, developing and producing digital and technologically advanced or sophisticated products often relies on third parties and requires different competencies and follows different timelines than traditional toys and games. Delays in the design, development or production of these digital gaming products could have a significant impact on our ability to successfully offer such products. In addition, the pace of change in product offerings and consumer tastes in the electronics and digital gaming areas is potentially even greater than for our other products. If a digital game fails to gain consumer acceptance early in its life cycle, there are limited opportunities to gain such acceptance through secondary launches or distribution through alternative platforms. This pace of change or lack of consumer acceptance means that the window in which a digital gaming product can achieve and maintain consumer interest may be even shorter than traditional toys and games.

If we fail to respond to or capitalize on the rapid technological development in the entertainment industry, including changes in entertainment delivery formats, our business could be harmed.

The entertainment industry continues to experience frequent change driven by technological development, including developments with respect to the formats through which films, television programming, and other episodic content are delivered to consumers. With rapid technological changes and dramatically expanded digital content offerings, the scale and scope of these changes have accelerated in recent years. For example, consumers are increasingly accessing television, film and other episodic content on streaming and digital content networks, such as Netflix, Amazon Prime Video, Hulu, Disney+ and Apple TV+ to name a few. Similarly, as a result of the COVID-19 pandemic, some entertainment offerings have gone direct to streaming channels as opposed to theaters or at the same time as theaters or have gone to streaming channels after only a short period of time in the theaters. Direct release to streaming channels is likely to continue. Technological as well as other changes

caused by the pandemic have caused significant disruption to the retail distribution of entertainment offerings, and have caused and could in the future cause a negative impact on sales of our products and other forms of monetization of content, especially those which are reliant on box office success. We may lose opportunities to capitalize on changing market dynamics, technological innovations or consumer tastes if we do not adapt our content offerings or distribution capabilities in a timely manner. The overall effect that technological development and new digital distribution platforms have on the revenue and profits we derive from our entertainment content, including from merchandise sales derived from such content, and the additional costs associated with changing markets, media platforms and technologies, is unpredictable. If we fail to accurately assess and effectively respond to changes in technology and consumer behavior in the entertainment industry, our business may be harmed.

We may not realize the full benefit of our licenses if the licensed material has less market appeal than expected or if revenue from the licensed products is not sufficient to earn out the minimum guaranteed royalties.

The success of entertainment properties for which we have a license, such as licenses we have with The Walt Disney Company, and the ability of us to successfully market and sell related products, can significantly affect our revenues and profitability. If we produce a line of products based on a movie or television series, the success of the movie or series has a critical impact on the level of consumer interest in the associated products we are offering. In addition, competition in our industry for access to entertainment properties can lessen our ability to secure, maintain, and renew popular licenses to entertainment products on beneficial terms, if at all, and to attract and retain the talented employees necessary to design, develop and market successful products based on these properties.

The license agreements we enter to obtain these rights usually require us to pay minimum royalty guarantees that may be substantial, and in some cases may be greater than what we are ultimately able to recoup from actual sales, which could result in write-offs of significant amounts which, in turn, would harm our results of operations. Acquiring or renewing licenses may require the payment of minimum guaranteed royalties that we consider to be too high to be profitable, which may result in losing licenses that we currently hold when they become available for renewal, or not pursuing certain new licenses. Additionally, as a licensee of entertainment-based properties, we cannot guarantee that a particular property or brand will translate into successful toy, game or other family entertainment products, and underperformance of any such products may result in reduced revenues and operating profit for us.

The play and entertainment industry is highly competitive and the barriers to entry are low. If we are unable to compete effectively with existing or new competitors, our revenues, market share and profitability could decline.

The play and entertainment industry is highly competitive. We compete in the U.S. and internationally with a wide array of large and small manufacturers, marketers, and sellers of analog toys and games, products which combine analog and digital play, digital gaming products, and other entertainment and consumer products, as well as with retailers who offer such products under their own private labels often at lower prices. In addition, we compete with companies who are focused on building their brands across multiple product and consumer categories, including through entertainment offerings. Across our business, we face competitors who are constantly monitoring and attempting to anticipate consumer tastes and trends, seeking ideas which will appeal to consumers, and introducing new products that compete with our products for consumer acceptance and purchase.

In addition to existing competitors, the barriers to entry for new participants in the play and entertainment industry are low, and the increasing importance of digital media and the heightened connection between digital media and consumer interest, has further increased the ability for new participants to enter our markets, and has broadened the array of companies we compete with. New participants with a popular product idea or entertainment property can gain access to consumers and become a significant source of competition for our products in a very short period of time. These existing and new competitors may be able to respond more rapidly than us to changes in consumer preferences. Our competitors' products may achieve greater market acceptance than our products and potentially reduce demand for our products, lower our revenues and lower our profitability.

Our entertainment business faces competition from major film studios and television production companies as well as other independent distributors and independent content producers.

The success of our brand blueprint strategy is dependent in part on our ability to produce and distribute entertainment offerings that consumers want to experience and that create further awareness of our brands and products. Our global independent studios, operated by eOne, compete with major U.S. and international studios, that typically release a large number of films annually and command a significant share of box office revenues, streaming revenues, and television airtime, as well as other independent film and television production or distribution companies.

Many of the major U.S. studios are part of large, diversified corporate groups with a variety of other operations, including television networks, cable channels and streaming services that can provide both in-house distribution capability and varied sources of earnings that may allow them to better offset fluctuations in the financial performance of their film and television operations. Some of these competitors have substantially greater marketing and financial resources than we do and may be able to compete aggressively on pricing in order to increase box office or streaming revenues, obtain distribution rights and obtain television airtime. In addition, the resources of the major studios may give them an advantage in acquiring other businesses or assets, including content libraries, that we might also be interested in acquiring. The competition we face may cause us to lose market share, achieve lower prices for our productions or pay more for third-party content, any of which could harm our business.

We may not realize the anticipated benefits of acquisitions or investments in joint ventures, or those benefits may be delayed or reduced in their realization.

Acquisitions and investments have been a component of our growth and the development of our business, such as our acquisition of our global independent studio, eOne. Acquisitions can broaden and diversify our brand holdings and product offerings, and allow us to build additional capabilities and competencies around our brand blueprint, such as entertainment and digital gaming offerings.

We cannot be certain that the products and offerings of companies we may acquire, or acquire an interest in, will achieve or maintain popularity with consumers in the future or that any such acquired companies or investments will allow us to more effectively market our products, develop our competencies or grow our business. In some cases, we expect that the integration of the companies that we may acquire into our operations will create production, marketing and other operating, revenue or cost synergies which will produce greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other advantages. However, we cannot be certain that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we may acquire or invest in companies that we believe have strong and creative management, in which case we may plan to operate them more autonomously rather than fully integrating them into our operations. We cannot be certain that the key talented individuals at these companies would continue to work for us after the acquisition or that they would develop popular and profitable products, entertainment or services in the future. We cannot guarantee that any acquisition or investment we may make will be successful or beneficial, and acquisitions can consume significant amounts of management attention and other resources, which may negatively impact other aspects of our business.

Operational Risks Related to our Business

An inability to develop, introduce and ship planned products, product lines and new brands in a timely and cost-effective manner may damage our business.

In developing products, product lines and new brands we have anticipated dates for the associated product and brand introductions. When we state that we will introduce, or anticipate introducing, a particular product, product line or brand at a certain time in the future those expectations are based on completing the associated development, implementation, and marketing work in accordance with our currently anticipated development schedule. We cannot guarantee that we will be able to manufacture,

source and ship new or continuing products in a timely manner and on a cost-effective basis to meet constantly changing consumer demands. This risk is heightened by our customers' compressed shipping schedules and the seasonality of our business.

The risk is also exacerbated by the increasing sophistication of many of the products we are designing, and brands we are developing in terms of combining digital and analog technologies, and providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process, significant increases in the planned cost of development, or changes in anticipated consumer demand for our products and new brands may cause the introduction date for products to be later than anticipated, may reduce or eliminate the profitability of such products or, in some situations, may cause a product or new brand introduction to be discontinued.

If we are unable to navigate through global supply chain challenges, our business may be harmed.

In 2021 and continuing into 2022, we have faced global supply chain challenges with the production and delivery of some products being delayed due to logistics, including labor, trucking and container shortages, port congestion and other shipping disruptions. We have experienced increases in material costs and shortages for some of our products, due in part to higher wages being paid due to labor shortages in China and Vietnam, as well as periodic and unpredictable manufacturing shut-downs due to COVID-19. While we have taken actions to lessen the impact of these supply chain challenges, such as through the use of alternative ports and air freight, such actions have resulted in higher costs and there can be no assurance that the actions taken will continue to be effective. We have also increased prices in some cases to help offset increased costs. We can provide no assurance that we will be able to increase prices in the future and we cannot assure that price increases we have already taken will offset the entirety of additional costs we have incurred and may incur in the future to mitigate the supply chain disruption. Further, if we are unable to negotiate favorable carrier agreements, deliver products on time or otherwise satisfy demand for our products, our business may be harmed.

If we are unable to adapt our business to the continued shift to ecommerce, our business may be harmed.

Our ecommerce business is accounting for a higher portion of the ultimate sales of our products to consumers than it has historically. In 2021, ecommerce sales represented a significant portion of overall sales to our key customers as consumers increasingly purchased our products online as compared to through in-store shopping due to the continued transition to ecommerce accelerated by the shutdown and limited access to retail stores during the COVID-19 pandemic. Ecommerce sales have resulted in retailers holding less inventory, which has caused us to adjust our supply chain. Additionally, if our technology and systems used to support ecommerce order processing are not effective, our ability to deliver products on time on a cost-effective basis may be adversely affected. Failure to continue to adapt our systems and supply chain and successfully fulfill ecommerce sales could harm our business.

The concentration of our retail customer base and continued shift to ecommerce sales means that economic difficulties or changes in the purchasing or promotional policies or patterns of our major customers could have a significant impact on us.

We depend upon a relatively small retail customer base to sell the majority of our products. For the fiscal year ended December 26, 2021, Wal-Mart Stores, Inc., Amazon.com and Target Corporation accounted for approximately 13%, 11% and 8%, respectively, of our consolidated net revenues. Due to our customer concentration, if one or more of our major customers were to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us, favor competitors or new entrants, increase their direct competition with us by expanding their private-label business, change their purchasing patterns, impose unexpected fees on us, alter the manner in which they promote our products or the resources they devote to promoting and selling our products, or return substantial amounts of our products, our business may be harmed.

Our customers do not make binding long-term commitments to us regarding purchase volumes and make all purchases by delivering purchase orders. Any customer could reduce its overall purchase of

our products and reduce the number and variety of our products that it carries and the shelf space allotted for our products. In addition, increased concentration among our customers could negatively impact our ability to negotiate higher sales prices for our products and could result in lower gross margins than would otherwise be obtained if there were less consolidation among our customers. Furthermore, as we experienced with the bankruptcy of Toys“R”Us, the failure or lack of success of a significant retail customer could negatively impact our revenues and profitability.

Our substantial business, sales and manufacturing operations outside the U.S. subject us to risks associated with international operations.

We operate facilities and sell products and entertainment offerings in numerous countries outside the U.S. Over time, we expect our international sales and operations to continue to grow both in dollars and as a percentage of our overall business as a result of a key business strategy to expand our presence in emerging and underserved international markets, such as Eastern Europe, Latin America, Africa and Asia. Additionally, we utilize third-party manufacturers primarily located in the Far East, including China, Vietnam and India, to produce most of our products. These international operations, including operations in emerging markets, have unique consumer preferences and business climates, present additional challenges and are subject to risks that may significantly harm our sales, increase our costs or otherwise damage our business, including:

- Currency conversion risks and currency fluctuations;
- The imposition of tariffs, quotas, border adjustment taxes or other protectionist measures;
- Potential challenges to our transfer pricing determinations and other aspects of our cross border transactions, which can materially increase our taxes and other costs of doing business;
- Political instability, civil unrest and economic instability;
- Greater difficulty enforcing intellectual property rights and weaker laws protecting such rights;
- Implications or difficulties arising out of the United Kingdom’s exit from the European Union;
- Complications in complying with different laws in varying jurisdictions and in dealing with changes in governmental policies and the evolution of laws and regulations and related enforcement, as such laws and policies relate to our products and approval of entertainment;
- Difficulties understanding the retail climate, consumer trends, local customs and competitive conditions in foreign markets which may be quite different from the U.S.;
- Natural disasters and the greater difficulty and cost in recovering therefrom;
- Difficulties in moving materials and products from one country to another, including port congestion, strikes, labor shortages and other events causing transportation delays and interruptions;
- Increased investment and operational complexity to make our products compatible with systems in various countries and compliant with local laws; and
- Changes in international labor costs and other costs of doing business internationally.

Because of the importance of international sales, sourcing and manufacturing to our business, our financial condition and results of operations could be significantly harmed if any of the risks described above were to occur or if we are otherwise unsuccessful in managing our increasing global business and operating in an environment with these risks.

Our reliance on third-party manufacturers to produce our products, particularly in China, Vietnam and India, presents risks to our business.

All our products are manufactured by third-party manufacturers, the majority of which are in China, with a significant amount of our product sourcing also coming from manufacturers in Vietnam and a lesser

amount from India. Should changes be necessary, our external sources of manufacturing can be shifted, over a significant period of time, to alternative sources of supply. If we were prevented or delayed in obtaining products or components for a material portion of our product lines due to economic, political, civil, labor or other factors beyond our control, including work stoppages, slowdowns or strikes, natural disasters, adverse health conditions or pandemics, our ability to manufacture would be adversely affected and our operations may be substantially disrupted, potentially for a significant period of time. This delay could significantly reduce our revenues and profitability and harm our business while alternative sources of supply are secured.

Given that our toy and game manufacturing is conducted by third-party manufacturers, health conditions, such as the coronavirus, and other factors affecting social and economic activity where our manufacturers are located may affect the movement of people and products into and from those locations to our major markets, including North America and Europe. Further, increases in the costs of labor and other costs of doing business in markets where we manufacture, could also have a significant negative impact on our operations, revenues and earnings. Prolonged disputes or slowdowns at west coast or other ports can negatively impact both the time and cost of transporting goods into the U.S. Natural disasters or health pandemics, such as COVID-19, impacting our manufacturers had and can have a significant negative impact on our business.

Further, the imposition of tariffs, border adjustment taxes, trade sanctions or other regulations or economic penalties by the U.S. or the European Union against products imported by us from China or other foreign countries, or the loss of “normal trade relations” status with China or other foreign countries in which we operate, could significantly increase our cost of products imported into the U.S. or Europe, shift more orders from direct import to domestic sales, put additional shipping and warehousing burdens on us, delay the time of our sales to retailers, result in lost sales, and otherwise harm our business. Additionally, the suspension of the operations of a third-party manufacturer by government inspectors in China or another market in which we source products could result in delays to us in obtaining product and may harm sales.

We have been working over the last several years to reduce our reliance on manufacturing in China, such as by moving production of certain products to facilities in other countries like Vietnam, India and Mexico, as well as by increasing production of our products in other markets, including in the U.S. We plan to continue those efforts in future years, but cannot guarantee we will be as successful in these efforts as we plan. Furthermore, many of these newer production facilities, such as in Vietnam and India, raise other risks in that we are working with vendors who have not been manufacturing products like ours for as long as historical vendors in China. That means these new vendors must successfully develop the capability to manufacture our products to the quality and safety standards we require and within the tight timeframe required by our customers. Newer and less experienced vendors are more susceptible to product quality, logistics and other issues, due in part to their less mature infrastructure or unfamiliarity with our product standards.

We require our third-party manufacturers to comply with our Global Business Ethics Principles, which are designed to prevent products manufactured for us from being produced under inhumane or exploitive conditions. Notwithstanding these requirements and our monitoring and testing of compliance with them, there is always a risk that one or more of our third-party manufacturers will not comply with our requirements and that we will not immediately discover such non-compliance. Any failure of our third-party manufacturers to comply with labor, consumer, product safety or other applicable requirements in manufacturing products for us could result in damage to our reputation, harm sales of our products and potentially create liability for us.

Our dependence on third-party relationships with studios, content producers and distribution channels to develop and distribute entertainment content is critical to our entertainment operations.

We rely on third party relationships with studios, content producers and distribution channels to develop and distribute entertainment content. For example, eOne relies on third-party content producers and

distribution channels to sell and distribute films and television programs. Our financial performance may be adversely affected by our relationships with these studios, content producers and distribution channels. Some of our content producers are affiliates of major studios that have their own distribution capability in the markets in which we operate, and some of our distribution channels produce their own content or are affiliated with other content producers. These third-party content producers and distribution channels may decide, or be required by their respective parent companies, to use their intra-company distribution or content production capabilities rather than contracting with us. Our business may be harmed if the studios, content producers and distribution channels with which we work stop or reduce the amount of work they do with us or otherwise demand less favorable terms to us.

We have entered into long-term output licensing agreements for the acquisition of content and these agreements may not be renewed on favorable terms or at all.

In some cases, we have entered into long-term agreements to acquire films with producers. These agreements require us to pay for films released by the relevant studio at rates typically calculated by reference to the film's budget. In addition, we have entered into long term contracts for the acquisition of certain of our television programs. As these contracts expire, we may choose to renew, renegotiate or terminate them. These arrangements are also terminable by the counterparty under certain circumstances. If we are unable to renew or replace them on acceptable terms, we may not be able to replace this content with other film acquisitions. Even if these contracts are renewed or replaced, the terms on which we acquire content may be less favorable than the terms of our current agreements and the financial success or quantity of films and television programs we acquire through these long-term contracts may decrease. There can also be no assurance that revenues based on these long-term contracts will exceed the costs of acquiring the films or television programs.

Our success is dependent on the efforts and dedication of our officers and other employees.

Our officers and employees are at the heart of all our efforts. It is their skill, innovation and hard work that drive our success. We compete with many other potential employers in recruiting, hiring and retaining our management team and our many other skilled officers and employees around the world. In the entertainment and digital gaming industries, experienced personnel and top creative talent are in high demand and competition for their talent is intense. The increasing prevalence of remote work creates further challenges in retaining employees as some employees desire more flexibility in their employment and the ability to work remotely opens up more employment opportunities. The impact of failing to retain key employees can be high due to loss of key knowledge and relationships, loss of creative talent, lost productivity, hiring and training costs, all of which could result in lower profitability. We cannot guarantee that we will recruit, hire or retain the key personnel we need to succeed.

We have experienced significant changes in our leadership due in part to the untimely passing of our former Chief Executive Officer and Chairman, Brian Goldner in October of 2021, resulting in the recent appointment of Chris Cocks as our new Chief Executive Officer and, Eric Nyman as our new President and Chief Operating Officer, both becoming effective February 25, 2022. Our future success will depend on the leadership of our key executives such as Mr. Cocks and Mr. Nyman. In addition, we have experienced the retirement and transition of certain other executives, and changes in our employee composition, both in terms of global distribution and in skill sets. Our loss of key management or other employees, inability to drive success through our new leaders, or our inability to retain or hire talented people with the skill sets we need for our diverse and changing business, could significantly harm our business.

If we fail to develop diverse top talent, we may be unable to compete and our business may be harmed.

To compete successfully, we must continuously develop a diverse group of talented people. We promote a diverse and inclusive work environment. To that end, we have set goals and objectives with respect to hiring and retention of talented, diverse employees, which we believe will foster new ideas and perspectives that will benefit our business. Competition for diverse talent is intense. We cannot guarantee we will achieve our goals or that our actions will result in expected benefits to our business.

Our entertainment business could be adversely affected by strikes or other union job actions.

Our entertainment business is dependent in part upon highly specialized union members who are essential to the production of films and television programs. A strike by, or a lockout of, one or more of the unions that provide personnel essential to the production of films or television programs could delay or halt our ongoing production activities. Such a halt or delay, depending on the length of time, could cause a delay or interruption in our release of new films and television programs, which could harm our entertainment business.

Our business may be harmed if we are unable to protect our critical intellectual property rights.

Our intellectual property, including our trademarks and tradenames, copyrights, patents, and rights under our license agreements and other agreements that establish our intellectual property rights and maintain the confidentiality of our intellectual property, is of critical value. We rely on a combination of trade secret, copyright, trademark, patent and other proprietary rights laws to protect our rights to valuable intellectual property in the U.S. and around the world. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property in the U.S. and around the world. In addition, our business is subject to the risk of third parties counterfeiting our products or infringing on our intellectual property rights, as well as the risk of unauthorized third parties copying and distributing our entertainment content or leaking portions of planned entertainment content. We may need to resort to litigation to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Similarly, third parties may claim ownership over certain aspects of our products, productions or other intellectual property. Our failure to successfully protect our intellectual property rights could significantly harm our business and competitive position.

Failure to successfully operate our information systems and implement new technology effectively could disrupt our business or reduce our sales or profitability.

We rely extensively on various information technology systems and software applications to manage many aspects of our business, including product development, management of our supply chain, sale and delivery of our products, royalty and financial reporting and various other processes and transactions. We are critically dependent on the integrity, security and consistent operations of these systems and related back-up systems. These systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, malware and other cybersecurity breaches, catastrophic events such as hurricanes, fires, floods, earthquakes, tornadoes, acts of war or terrorism and usage errors by our employees or partners. The efficient operation and successful growth of our business depends on these information systems, including our ability to operate them effectively and to select and implement appropriate upgrades or new technologies and systems and adequate disaster recovery systems successfully. The failure of our information systems or third-party hosted technology to perform as designed or our failure to implement and operate them effectively could disrupt our business, require significant capital investments to remediate a problem or subject us to liability.

If our electronic data is compromised our business could be significantly harmed.

We and our business partners maintain significant amounts of data electronically in locations around the world and in the cloud. This data relates to all aspects of our business, including current and future products and entertainment under development, and also contains certain customer, consumer, supplier, partner and employee data. We maintain systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion, cyber-attacks or tampering that could compromise the integrity and privacy of this data. Cyber-attacks are increasing in their frequency, sophistication and intensity, and are becoming increasingly difficult to detect. They are often carried out by motivated, well-resourced, skilled and persistent actors, including nation states, organized crime groups, “hacktivists” and employees or contractors acting with malicious intent. Cyber-attacks could include the deployment of harmful malware and key loggers, ransomware, a denial-of-service

attack, a malicious website, the use of social engineering and other means to affect the confidentiality, integrity and availability of our technology systems and data. Cyber-attacks could also include supply chain attacks, which could cause a delay in the manufacturing of our products. In addition, we provide confidential and proprietary information to our third-party business partners in certain cases where doing so is necessary to conduct our business. While we obtain assurances from those parties that they have systems and processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, those partners may also be subject to data intrusion or otherwise compromise the protection of such data. Any compromise of the confidential data of our customers, consumers, suppliers, partners, employees or ourselves, or failure to prevent or mitigate the loss of or damage to this data through breach of our information technology systems or other means could substantially disrupt our operations, harm our customers, consumers, employees and other business partners, damage our reputation, violate applicable laws and regulations, subject us to potentially significant costs and liabilities and result in a loss of business that could be material.

Global and Economic Risks Relating to our Business

The global coronavirus outbreak or other similar outbreaks of communicable infections, diseases, or public health pandemics in the markets in which we and our employees, consumers, customers, partners, licensees, suppliers and manufacturers operate, could substantially harm our business.

The global outbreak of the coronavirus which continues to adversely impact global populations, and any other variants or outbreaks of communicable infections, diseases or other adverse public health conditions in markets in which we, our employees, consumers, customers, partners, licensees, licensors, suppliers and manufacturers operate, could have a significant negative impact on our business, revenues and profitability. The occurrence of these types of events can result, and in the case of the coronavirus has resulted in, disruptions and damage to our business, caused by a number of factors:

- difficulties in shipping and distributing products due to ongoing port capacity, and labor, shipping container and truck transportation shortages, resulting in higher costs for both ocean and air freight and delays in the availability of products, which can result in delayed sales and in some cases result in lost sales. These and other disruptions are expected to continue in 2022;
- disruptions in supply of products, due to closures or reductions in operations at third-party manufacturing facilities across several geographies including, but not limited to, China, Vietnam, India, the United States and Ireland;
- adverse sales impact due to changes in consumer purchasing behavior and availability of products to consumers, resulting from retail store closures, limited reopening of retail stores and limitations on the capacity of ecommerce channels to supply additional products;
- fluctuations in our performance based on the progress of different countries in controlling the coronavirus and the maturity of e-commerce platforms in those markets;
- limited production of live-action scripted and unscripted entertainment content due to the hard stop and soft reopening of production studios;
- delays or postponements of entertainment productions and releases of entertainment content both internally and by our partners;
- increases in entertainment production costs due to measures required to minimize COVID-19 risks; and
- challenges of working remotely.

In response to these challenges, we developed and continue to develop and execute plans to mitigate the negative impact of COVID-19 to the business. Our responses included:

- utilizing our global supply chain and existing inventory to work to meet demand, while managing freight cost increases across all markets, as our manufacturing facilities returned to varying levels of operation;
- mitigating risk in our global supply chain by expanding shipping capacity, activating alternate ports in China and the U.S. and prioritizing supply based on inventory and customer needs, including utilizing air freight if necessary;
- accelerating our business online and expanding omni-channel to get products to customers and consumers;
- developing innovative ways to enable players to continue to play games remotely;
- continuing to create new entertainment, including post-production work and the development of animation productions remotely; and
- implementing preventative measures and health and safety protocols.

We have reopened our offices, providing employees flexibility in their return to the office by working partially in the office and partially remote. We have taken measures to safely bring additional workers back to the office, including a return to fully remote work when variants emerge which increase infection rates significantly in areas where we do business. The transition back from fully remote work to partial remote and partial in person may be difficult for some employees. We are actively soliciting feedback and making modifications to provide our employees with a productive and safe environment, and plan to continue to monitor employee efficiency, satisfaction, and morale as we continue to transition. There can be no assurance that employees will not have some disruption in their work due to the transition. Changes in flexible working arrangements could impact employee retention, employees' productivity and morale, strain our technology resources and introduce operational risks. Additionally, the risk of cyber-attacks or other privacy or data security incidents may be heightened as a result of our moving increasingly towards a remote working environment, which may be less secure and more susceptible to hacking attacks.

The impact of coronavirus outbreak continues to be fluid and uncertain, and while vaccines are being rolled out, it is still difficult to forecast the final impact it could have on our future operations. If our business experiences prolonged occurrence of adverse public health conditions due to the coronavirus or other similar outbreaks, we believe our business could be substantially harmed.

Adverse economic conditions in the markets in which we and our employees, consumers, customers, suppliers and manufacturers operate could negatively impact our ability to produce and ship our products, and lower our revenues, margins and profitability.

Various economic conditions in the markets we, our employees, consumers, customers, suppliers and manufacturers operate, could have a significant negative impact on our revenues, profitability and business. The occurrence of adverse economic conditions can result in manufacturing and other work stoppages, slowdowns and delays; shortages or delays in production or shipment of products or raw materials; delays or reduced purchases from customers and consumers; and other factors that cause increases in costs or delay in revenues.

Inflation, such as what consumers in the U.S. and other economies are experiencing, can cause significant increases in the costs of other products which are required by consumers, such as gasoline, home heating fuels, or groceries, may reduce household spending on the discretionary products and entertainment we offer. Weakened economic conditions, lowered employment levels or recessions in any of our major markets may also significantly reduce consumer purchases of our products and spending on entertainment. Economic conditions may also be negatively impacted by terrorist attacks,

wars and other conflicts, natural disasters, increases in critical commodity prices or labor costs, or the prospect of such events. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could harm our revenues and profitability.

Our success and profitability not only depend on consumer demand for our products, but also on our ability to produce and sell those products at costs which allow for us to make a profit. Rising fuel and raw material prices, due to inflation or otherwise, for paperboard and other components such as resin used in plastics or electronic components, increased transportation and shipping costs, and increased labor costs in the markets in which our products are manufactured all may increase the costs we incur to produce and transport our products, which in turn may reduce our margins, reduce our profitability and harm our business.

Changes in U.S., global or regional economic conditions could harm our business and financial performance.

Our financial performance is impacted by the level of discretionary consumer spending in the markets in which we operate. Reductions in stimulus payments provided to consumers could impact discretionary spending. Recessions, credit crises and other economic downturns, or disruptions in credit markets, in the U.S. and in other markets in which we operate can result in lower levels of economic activity, lower employment levels, less consumer disposable income, and lower consumer confidence. Similarly, reductions in the value of key assets held by consumers, such as their homes or stock market investments, can lower consumer confidence and consumer spending power. Any of these factors can reduce the amount which consumers spend on the purchase of our products and entertainment. This in turn can reduce our revenues and harm our financial performance and profitability.

Financial Risks Relating to our Business

Our quarterly and annual operating results may fluctuate due to seasonality in our business.

Sales of our toys, games and other entertainment products are extremely seasonal, with a majority of retail sales occurring during the period from September through December in anticipation of the holiday season. This seasonality for our consumer products business has increased over time, as retailers become more and more efficient in their control of inventory levels through quick response or just in time inventory management techniques, including the use of automated inventory replenishment programs. Further, ecommerce continues to grow significantly and accounts for a higher portion of the ultimate sales of our products to consumers. Ecommerce retailers tend to hold less inventory and take inventory closer to the time of sale to consumers than traditional retailers. As a result, customers are timing their orders so that they are being filled by suppliers, such as us, closer to the time of purchase by consumers. While these techniques reduce a retailer's investment in inventory, they increase pressure on suppliers like us to fill orders promptly and thereby shift a significant portion of inventory risk and carrying costs to the supplier. This can also result in our losing significant revenues and earnings if our supply chain is unable to supply product to our customers when they want it. Tariffs can exacerbate this negative impact by causing retailers to shift from direct import to domestic orders, further pressuring our supply chain.

The level of inventory carried by retailers may also reduce or delay retail sales resulting in lower revenues for us. If we or our customers determine that one of our products is more popular at retail than was originally anticipated, we may not have sufficient time to produce and ship enough additional products to fully meet consumer demand. Additionally, the logistics of supplying more product within shorter time periods increases the risk that we will fail to achieve tight and compressed shipping schedules, which also may reduce our sales and harm our financial performance. These risks have been exacerbated in 2021 and continuing into 2022 due to the global supply chain challenges we have faced due to logistics, including labor, trucking and container shortages, port congestion and other shipping disruptions.

Our entertainment business is also subject to seasonal variations based on the timing of television, film, streaming and digital content releases. Release dates are determined by several factors, including the

timing of holiday periods, geographical release dates and competition in the market, and more recently, the timing of release dates has been affected by the pandemic.

This seasonal patterns of our business requires significant use of working capital, mainly to manufacture or acquire inventory during the portion of the year prior to the holiday season, and requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of popular products or producing excess inventory of products that are less popular with consumers. Our failure to accurately predict and respond to consumer demand, resulting in under producing popular items and/or overproducing less popular items, would reduce our total sales and harm our results of operations.

As a result of the seasonal nature of our business, we would be significantly and adversely affected, in a manner disproportionate to the impact on a company with sales spread more evenly throughout the year, by unforeseen events such as a natural disaster, a terrorist attack, economic shock or pandemic that harms the retail environment or consumer buying patterns during our key selling season, or by events such as strikes or port delays or other supply chain challenges that interfere with the shipment of goods, particularly from the Far East, during the critical months leading up to the holiday shopping season.

If we incurred any significant impairment charges, our net earnings would be reduced.

Declines in the profitability of acquired brands or our decision to reduce our focus or exit these brands may impact our ability to recover the carrying value of the related assets and could result in an impairment charge. Similarly, declines in our profitability may impact the fair value of our reporting units, which could result in a write-down of our goodwill and consequently harm our net earnings.

We may incur impairments if the films and television programs we acquire and produce do not perform well enough to recoup our acquisition, production, marketing and distribution costs.

We incur significant costs to acquire, produce and distribute entertainment content. Most agreements to acquire content for distribution require minimum guarantees against royalties. The minimum guarantees are derived from our estimate of net revenues that will be realized from our distribution of the title in the relevant markets, and actual results may differ from those estimates. If sales do not meet our original estimates, we may:

- not recognize the expected gross margin or net profit;
- not recoup our minimum guarantees or distribution expenses;
- record accelerated amortization and/or fair value write-downs of minimum guarantees paid; or
- not recoup the additional funds and expenses invested to market films that we have produced or acquired.

With respect to content we produce, we are required to amortize capitalized production costs based on estimated ultimate revenue as we recognize revenues from the associated films or television productions. Unamortized production costs are evaluated for impairment each reporting period on a project-by-project basis. If estimated remaining revenue is not sufficient to recover the unamortized production costs, the unamortized production costs will be written down to fair value. In any given quarter, if we lower our previous forecast with respect to total anticipated revenue from any individual film or other project, we may be required to accelerate amortization or record impairment charges with respect to the unamortized costs, even if we have previously recorded impairment charges for such film or other project. Such impairment and accelerated amortization charges and write-offs could harm our financial results.

Similarly, our business could be harmed by greater-than-expected costs, or unexpected delays or difficulties, associated with our investment in Discovery Family Channel, such as difficulties in increasing subscribers to the network or in building advertising revenues for Discovery Family Channel. During the

fourth quarter of 2021 we recorded an impairment loss of \$74.1 million associated with our investment in the Discovery Family Channel.

Changes in foreign currency exchange rates can significantly impact our reported financial performance.

Our global operations mean we transact business in many different jurisdictions with many different currencies. As a result, if the exchange rate between the U.S. dollar and a local currency for an international market in which we have significant sales or operations changes, our financial results as reported in U.S. dollars, may be meaningfully impacted even if our business in the local currency is not significantly affected. Similarly, our expenses can be significantly impacted, in U.S. dollar terms, by exchange rates, meaning the profitability of our business in U.S. dollar terms can be negatively impacted by exchange rate movements which we do not control. Depreciation in key currencies may have a significant negative impact on our revenues and earnings as they are reported in U.S. dollars.

Our indebtedness may limit our availability of cash, cause us to divert cash to fund debt service payments or make it more difficult to take certain other actions.

We incurred significant indebtedness to finance our acquisition of eOne. The increase in our debt service obligations resulting from additional indebtedness could have a material adverse effect on our results of operations and financial condition. In particular, our increased indebtedness could:

- make it more difficult and/or costly for us to pay or refinance our debts as they become due, particularly during adverse economic and industry conditions, because a decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments;
- require a substantial portion of our available cash to be used for debt service payments, thereby reducing the availability of our cash to fund working capital, capital expenditures, development projects, acquisitions or other strategic opportunities, dividend payments, share repurchases and other general corporate purposes;
- result in downgrades in the credit ratings on our indebtedness, which could limit our ability to borrow additional funds on favorable terms or at all (including in order to refinance our other debt), increase the interest rates under our credit facilities and under any new indebtedness we may incur;
- make it more difficult for us to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes;
- result in higher interest expense, which could be further increased in case of current or future borrowings subject to variable rates of interest;
- require that materially adverse terms, conditions or covenants be placed on us under our debt instruments, which could include, for example, limitations on additional borrowings or limitations on our ability to create liens, pay dividends, repurchase our common stock or make investments, any of which could hinder our access to capital markets or our flexibility in the conduct of our business and make us more vulnerable to economic downturns and adverse competitive industry conditions; and
- jeopardize our ability to pay our indebtedness if our business experienced a severe downturn.

If we were unable to obtain or service our other external financings, or if the restrictions imposed by such financing were too burdensome, our business would be harmed.

Due to the seasonal nature of our business, in order to meet our working capital needs, particularly those in the third and fourth quarters, we may rely on our commercial paper program, revolving credit facility and our other credit facilities for working capital. We currently have a commercial paper program which, subject to market conditions, and availability under our committed revolving credit facility, allows us to issue up to

\$1,000.0 million in aggregate amount of commercial paper outstanding from time to time as a source of working capital funding and liquidity. We cannot guarantee that we will be able to issue commercial paper on favorable terms, or at all, at any given point in time.

We also have a revolving credit agreement which provides for a \$1,500.0 million committed revolving credit facility. The credit agreement contains certain restrictive covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility. These restrictive covenants may limit our future actions as well as our financial, operating and strategic flexibility. Non-compliance with our debt covenants could result in us being unable to utilize borrowings under our revolving credit facility and other bank lines, a circumstance which potentially could occur when operating shortfalls would require supplementary borrowings to enable us to continue to fund our operations.

Not only may our individual financial performance impact our ability to access sources of external financing, but significant disruptions to credit markets in general may also harm our ability to obtain financing. In times of severe economic downturn and/or distress in the credit markets, it is possible that one or more sources of external financing may be unable or unwilling to provide funding to us. In such a situation, it may be that we would be unable to access funding under our existing credit facilities, and it might not be possible to find alternative sources of funding.

We also may choose to finance our capital needs, from time to time, through the issuance of debt securities. Our ability to issue such securities on satisfactory terms, if at all, will depend on the state of our business and financial condition, any ratings issued by major credit rating agencies, market interest rates, and the overall condition of the financial and credit markets at the time of the offering. The condition of the credit markets and prevailing interest rates have fluctuated significantly in the past and are likely to fluctuate in the future. Variations in these factors could make it difficult for us to sell debt securities or require us to offer higher interest rates in order to sell new debt securities. The failure to receive financing on desirable terms, or at all, could damage our ability to support our future operations or capital needs or engage in other business activities.

If we are unable to generate sufficient available cash flow to service our outstanding debt we would need to refinance our outstanding debt or face default. We cannot guarantee that we would be able to refinance debt on favorable terms, or at all.

If we are unable to obtain production financing, on favorable terms or at all, we may be unable to produce certain films and television programs or if we do so, would have to produce them at higher cost and greater risk to us.

With the acquisition of eOne we expect to continue to use production financing to finance certain of our productions, which eOne has historically been able to obtain on commercially reasonable terms. The use of third party financing also reduces the risk to us and reduces the demand on our cash and liquidity. In the event that we are unable to provide eOne with appropriate financing or if third party production financing becomes unavailable on reasonable commercial terms or at all, we may not have sufficient alternative funding sources available to finance a particular production. In this case, we may not be able to produce the films and television programs we plan to do, which could harm our business.

Changes in, or differing interpretations of, income tax laws and rules, and changes in our geographic operating results, may impact our effective tax rate.

We are subject to income taxes in the U.S. and in various international tax jurisdictions. We also conduct business activities between our operating units in various jurisdictions and we are subject to transfer pricing rules in the countries in which we operate. There is some degree of uncertainty and subjectivity in complying with transfer pricing rules. Our effective tax rate could be impacted by changes in, or the interpretation of, tax laws, such as those being considered by the current U.S. administration and other jurisdictions in which we do business, or by changes in the amount of revenue and earnings we derive, or are determined to derive by tax authorities, from jurisdictions with differing tax rates.

In addition, we may be subject to tax examinations by federal, state, and international jurisdictions, and these examinations can result in significant tax findings if the tax authorities interpret the application of laws and rules differently than we do or disagree with the intercompany rates we are applying. We assess the likelihood of outcomes resulting from tax uncertainties. While we believe our estimates are reasonable, the ultimate outcome of these uncertain tax benefits, or results of possible current or future tax examinations, may differ from our estimates and may have a significant adverse impact on our business and operating results.

If we lose the Canadian status of Entertainment One Canada Ltd., we could lose licenses, incentives and tax credits.

Through our acquisition of eOne, we indirectly acquired the economic interests in Entertainment One Canada Ltd., a Canadian corporation (“EOCL”). EOCL is able to benefit from a number of licenses, incentive programs and Canadian government tax credits as a result of it being “Canadian controlled” as defined in the Investment Canada Act. We have taken measures to ensure that EOCL’s Canadian status is maintained. There can be no assurance, however, that we will be able to continue to maintain EOCL’s Canadian status. The loss of EOCL’s Canadian status could harm our business, including the possible loss of future incentive programs and clawback of funding previously provided to EOCL.

Governmental and Legal Risks Relating to our Business

We are subject to various government regulations, violation of which could subject us to sanctions or otherwise harm our business. In addition, we could be the subject of future product liability suits or product recalls, which could harm our business.

We are subject to significant government regulations, including, in the U.S., under The Consumer Products Safety Act, The Federal Hazardous Substances Act, and The Flammable Fabrics Act, as well as under product safety and consumer protection statutes in our international markets. In addition, certain of our products are subject to regulation by the Food and Drug Administration or similar international authorities. Advertising to children is subject to regulation by the Federal Trade Commission, the Federal Communications Commission and a host of other agencies globally, and the collection of information from children under the age of 13 is subject to the provisions of the Children’s Online Privacy Protection Act and other privacy laws around the world. The collection of personally identifiable information from anyone, including adults, is under increasing regulation in many markets, such as the General Data Protection Regulation adopted by the European Union, and data protection laws in the United States and in a number of other countries. While we take all the steps we believe are necessary to comply with these acts and regulations, we cannot assure you that we will be in compliance and, if we fail to comply with these requirements or other regulations enacted in the future, we could be subject to fines, liabilities or sanctions which could have a significant negative impact on our business, financial condition and results of operations. We may also be subject to involuntary product recalls or may voluntarily conduct a product recall. While costs associated with product recalls have generally not been material to our business, the costs associated with future product recalls individually or in the aggregate in any given fiscal year could be significant. In addition, any product recall, regardless of direct costs of the recall, may harm the reputation of our products and have a negative impact on our future revenues and results of operations.

As a large multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust, employment, customs and tax requirements, anti-boycott regulations, environmental regulations and the Foreign Corrupt Practices Act. Complying with these regulations imposes costs on us which can reduce our profitability and our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could further harm our business and financial condition.

We may face increased costs in achieving our sustainability goals, and, any failure to achieve our goals could result in reputational damage.

We view sustainability challenges as opportunities to innovate and continuously improve our product design and operational efficiencies. We also believe the long-term viability and health of our own operations and our supply chain, and the significant potential for environmental improvements, are critical to our business success. We have set key goals and objectives in this area as described in our business section of this Form 10-K.

We devote significant resources and expenditures to help achieve these goals. It is possible that we will incur significant expense in trying to achieve these goals with no assurance that we will be successful. Additionally, our reputation could be damaged if we fail to achieve our sustainability goals, or if we or others in our industry do not act, or are perceived not to act, responsibly with respect to the production and packaging of our products.

Our entertainment business involves risks of liability claims for media content, which could adversely affect our business, results of operations and financial condition.

As a distributor and producer of media content, we may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operation and financial condition.

We are involved in litigation, arbitration or regulatory matters where the outcome is uncertain and which could entail significant expense.

As a large multinational corporation, we are subject to regulatory investigations, litigation and arbitration disputes, including potential liability from personal injury or property damage claims by the users of products that have been or may be developed by us, claims by third parties that our products infringe upon or misuse such third parties' property or rights, or claims by former employees for employment related matters. Because the outcome of litigation, arbitration and regulatory investigations is inherently difficult to predict, it is possible that the outcome of any of these matters could entail significant cost for us and harm our business. The fact that we operate in a significant number of international markets also increases the risk that we may face legal and regulatory exposures as we attempt to comply with a large number of varying legal and regulatory requirements. Any successful claim against us could significantly harm our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Hasbro owns its corporate headquarters in Pawtucket, Rhode Island consisting of approximately 343,000 square feet, which is used by corporate functions as well as the Corporate and Other and Entertainment segments. The Company also owns an adjacent building consisting of approximately 23,000 square feet and leases a building in East Providence, Rhode Island consisting of approximately 120,000 square feet, both of which are used by corporate functions. The Company's significant leased properties include a facility in Providence, Rhode Island consisting of approximately 136,000 square feet which is used primarily by the Consumer Products segment, as well as the Entertainment and Corporate and Other segments. In addition, the Company leases warehouse space aggregating approximately 3,270,000 square feet in Georgia, California, Texas, Illinois and Quebec that are used by the Consumer Products segment. The Company leases approximately 95,000 square feet in Toronto, 80,000 square feet in Burbank, California, and 20,000 square feet in Dublin, Ireland that are used by the Entertainment

segment. The Company also leases approximately 126,000 square feet in Renton, Washington as well as 20,000 square feet in Austin, Texas used primarily by the Wizards of the Coast and Digital Gaming segment for office space. The Corporate and Other segment leases an aggregate of 81,700 square feet of office and warehouse space in Hong Kong as well as 59,400 square feet of office space leased in the People's Republic of China.

Outside of the properties listed above, the Company leases or owns property in over 35 countries. The primary international locations for facilities in the Consumer Products segment are in Australia, Brazil, France, Germany, Mexico, Russia, Spain, the People's Republic of China, and the United Kingdom, all of which are comprised of both office and warehouse space. In addition, the Company also leases offices in Switzerland and the Netherlands which are primarily used in corporate functions.

The above properties consist, in general, of brick, cinder block or concrete block buildings which the Company believes are in good condition and well maintained.

The Company believes that its facilities are adequate for its needs at this time, although as part of its ongoing business it does periodically assess if alternate facilities to one or more of the facilities mentioned above would provide business advantages. The Company believes that, should it not be able to renew any of the leases related to its leased facilities, it could secure similar substitute properties without a material adverse impact on its operations.

Item 3. Legal Proceedings.

The Company is currently party to certain legal proceedings, none of which we believe to be material to our business or financial condition.

Item 4. Mine Safety Disclosures.

None

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company’s common stock, par value \$0.50 per share (the “Common Stock”), is traded on The NASDAQ Global Select Market under the symbol “HAS”. As of February 7, 2022, there were approximately 7,602 shareholders of record of the Company’s Common Stock.

Our practice has been to pay dividends on a quarterly basis. The declaration of dividends is subject to the discretion of the Board of Directors and will depend on various factors, including our net income, financial condition, cash requirements, future prospects and other relevant factors. On February 3, 2022, our Board declared a dividend of \$0.70 per share, which is payable on May 16, 2022 to shareowners of record on May 2, 2022.

Issuer Repurchases of Common Stock

In May 2018, the Company announced that its Board of Directors authorized the repurchase of up to an additional \$500 million in Common Stock. Purchases of the Company’s Common Stock may be made from time to time, subject to market conditions. These shares may be repurchased in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under this authorization. The timing, actual number and value of the shares that are repurchased, if any, will depend on a number of factors, including the price of the Company’s stock and the Company’s generation of, and uses for, cash.

Following the Company’s acquisition of eOne, the Company suspended its share repurchase program while it prioritizes deleveraging. There were no share repurchases made in 2020 or 2021, however a share repurchase program continues to be an important long-term component of Hasbro’s planned capital allocation strategy and Hasbro has \$367 million available under its authorized share repurchase programs. We anticipate resuming share repurchase when it is not expected to materially impact the timeline to reach our deleverage targets. The Company believes this could be in the second half of 2023 or sooner, depending on business performance and other factors.

Item 6. *Reserved*

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

OBJECTIVE

Our objective within the following discussion is to provide an analysis of the Company’s Financial Condition, Cash Flows and Results of Operations from management’s perspective which should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto, included in Part II, Item 8. *Financial Statements*, of this Annual Report on Form 10-K.

This Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements concerning the Company’s expectations and beliefs. See “Statement Regarding Forward-Looking Statements” and Part I, Item 1A. *Risk Factors*, of this Form 10-K for a discussion of other uncertainties, risks and assumptions associated with these statements.

Unless otherwise specifically indicated, all dollar or share amounts herein are expressed in millions of dollars or shares, except for per share amounts.

EXECUTIVE SUMMARY

Hasbro, Inc. (“Hasbro”) is a global play and entertainment company committed to Creating the World’s Best Play and Entertainment Experiences and making the world a better place for all children, fans and families. Hasbro delivers immersive brand experiences for global audiences through consumer products, including toys and games; entertainment through Entertainment One (“eOne”), our independent studio; and gaming, led by the team at Wizards of the Coast, an award-winning developer of tabletop and digital games.

Our iconic brands include NERF, MAGIC: THE GATHERING, MY LITTLE PONY, TRANSFORMERS, PLAY-DOH, MONOPOLY, BABY ALIVE, DUNGEONS & DRAGONS, POWER RANGERS, PEPPA PIG and PJ MASKS, as well as premier partner brands. For the past decade, we have been consistently recognized for our corporate citizenship, including being named one of the 100 Best Corporate Citizens by 3BL Media and one of the World's Most Ethical Companies by Ethisphere Institute.

Our strategic plan is centered around the Hasbro Brand Blueprint, a framework for bringing compelling and expansive brand experiences to consumers and audiences around the world. Our brands are story-led consumer franchises brought to life through a wide array of consumer products, digital gaming and compelling content offered across a multitude of platforms and media.

Hasbro generates revenue and earns cash across our Brand Blueprint by developing, marketing, licensing, distributing and selling products and entertainment content, based on our global brands as well as other IP in a broad variety of categories. This includes: the marketing and sale of toys and games, including our owned and partner brands, innovative gaming brands and role-playing and fantasy card collecting games, through retail stores, e-commerce platforms and Hasbro PULSE, our direct-to-consumer platform; the distribution, license and sale of digital games developed internally, such as *Magic: The Gathering Arena* and other digital games based on our IP that is licensed to third parties. Additionally, the Company generates revenue through the development, acquisition, production, distribution and sales of entertainment content as well as out-licensing our brands for uses in consumer products, such as apparel and publishing, and for use in theme park attractions, other forms of location-based entertainment and within formats such as film and TV programming.

Effective for the first quarter of 2021, we realigned our reportable segment structure to correspond with the evolution of our company, including the integration of eOne, which was acquired in fiscal 2020. The realigned segments represent changes to our reporting structure and reflect management's allocation of decision-making responsibilities for evaluating the Company's performance. Our reportable segments are: Consumer Products, Wizards of the Coast & Digital Gaming, Entertainment and Corporate and Other. See Part I, Item 1. *Business*, and note 21 to the consolidated financial statements included in Part II, Item 8. *Financial Statements*, of this Form 10-K for further information on our reportable segments.

The impact of changes in foreign currency exchange rates used to translate the consolidated statements of operations is quantified by translating the current period revenues at the prior period exchange rates and comparing this amount to the prior period reported revenues. The Company believes that the presentation of the impact of changes in exchange rates, which are beyond the Company's control, is helpful to an investor's understanding of the performance of the underlying business.

The Company's 2021 and 2020 results presented in this Form 10-K include eOne's results of operations and financial position beginning on December 30, 2019, the date of acquisition. The Company's 2019 results do not include eOne results.

During each of the periods presented in this Form 10-K there were significant charges and benefits incurred which impacted operating results. These charges are detailed below in the Summary of Financial Performance.

2021 highlights

- Net revenues of \$6,420.4 million increased 17% from \$5,465.4 million in 2020. The increase in net revenues includes a favorable foreign currency translation of \$54.7 million.
 - Net revenues in the Consumer Products segment increased 9% to \$3,981.6 million; Wizards of the Coast and Digital Gaming segment increased 42% to \$1,286.6 million; and Entertainment segment net revenues increased 27% to \$1,152.2 million.

- Emerging Brands net revenues increased 29%; TV/Film/Entertainment portfolio net revenues increased 24%; Franchise Brands net revenues increased 22%; Partner Brands net revenues increased 8%; and Hasbro Gaming net revenues increased 4%.
- Hasbro's total gaming portfolio, including the Hasbro Gaming portfolio as reported above, and all other gaming revenue, most notably MAGIC: THE GATHERING and MONOPOLY, increased 19%, and totaled \$2,098.9 million.
- Operating profit was \$763.3 million, or 11.9% of net revenues in 2021 compared to operating profit of \$501.8 million, or 9.2% of net revenues in 2020.
 - Operating Profit in the Consumer Products segment increased 30% to \$401.4 million; Wizards of the Coast and Digital Gaming segment increased 30% to \$547.0 million; Entertainment segment operating losses decreased 35% to \$91.8 million and Corporate and Other operating losses increased 9% to \$93.3 million.
- Net earnings attributable to Hasbro, Inc. increased in 2021 to \$428.7 million, or \$3.10 per diluted share, compared to \$222.5 million, or \$1.62 per diluted share in 2020.

2020 highlights

- Net revenues of \$5,465.4 million increased 16% from \$4,720.2 million in 2019. The increase in net revenues includes an unfavorable foreign currency translation of \$15.9 million attributable to the Company's legacy Hasbro business.
 - Net revenues in the Wizards of the Coast and Digital Gaming segment increased 19% to \$906.7 million; Entertainment segment net revenues increased >100% to \$909.2 million; and Consumer Products segment net revenues decreased 6% to \$3,649.6 million.
 - Hasbro Gaming net revenues increased 15%; Emerging Brands net revenues increased 27%; TV/Film/Entertainment portfolio net revenues increased >100%; Partner Brands net revenues decreased 12%; and Franchise Brands net revenues declined 5%.
- Operating profit was \$501.8 million, or 9.2% of net revenues in 2020 compared to operating profit of \$652.1 million, or 13.8% of net revenues in 2019.
 - Operating Profit in the Wizards of the Coast and Digital Gaming segment increased 43% to \$420.4 million; Consumer Products segment remained relatively flat at \$308.1 million; Entertainment segment operating losses increased >100% to \$141.1 million and Corporate and Other operating losses increased >100% to \$85.6 million.
- Net earnings attributable to Hasbro, Inc. declined in 2020 to \$222.5 million, or \$1.62 per diluted share, compared to \$520.5 million, or \$4.05 per diluted share in 2019.

Summary of Financial Performance

A summary of the Company's results of operations for 2021, 2020 and 2019 is illustrated below.

	2021	2020	2019
Net revenues	\$ 6,420.4	\$ 5,465.4	\$ 4,720.2
Operating profit	763.3	501.8	652.1
Earnings before income taxes	581.9	322.1	594.3
Net earnings	435.3	225.4	520.5
Net earnings attributable to noncontrolling interests	6.6	2.9	—
Net earnings attributable to Hasbro, Inc.	428.7	222.5	520.5
Diluted earnings per share	3.10	1.62	4.05

Results of Operations — Consolidated

The fiscal years ended December 26, 2021, December 27, 2020 and December 29, 2019 were each fifty-two week periods. Beginning with the fiscal year ended December 27, 2020, the Company's results reflect the inclusion of the eOne business following the completion of the eOne acquisition on December 30, 2019.

Net earnings attributable to Hasbro, Inc. increased to \$428.7 million for the fiscal year ended December 26, 2021 compared to \$222.5 million for the fiscal year ended December 27, 2020, and were \$520.5 million for the fiscal year ended December 29, 2019.

Diluted earnings per share attributable to Hasbro, Inc. were \$3.10 in 2021, \$1.62 in 2020 and \$4.05 in 2019.

Net earnings and diluted earnings per share attributable to Hasbro, Inc. for each fiscal year in the three years ended December 26, 2021 include certain charges and benefits as described below.

2021

- A net charge of \$116.1 million, or \$0.84 per diluted share, comprised of a non-cash goodwill impairment charge of \$108.8 million and transaction expenses of \$7.3 million, associated with the closing of the sale of eOne Music. The goodwill impairment charge of \$108.8 million is based on revalued assets and liabilities of eOne music as of the second quarter of 2021 and finalized closing working capital adjustments made during the fourth quarter 2021.
- In association with the Company's acquisition of eOne, the Company incurred related expenses of \$77.0 million, comprised of the following:
 - Net expenses of \$70.4 million, or \$0.51 per diluted share, of incremental intangible amortization costs related to the intangible assets acquired in the eOne acquisition; and
 - A net charge of \$6.6 million, or \$0.05 per diluted share, of acquisition and related costs.
- Charges of \$20.9 million, or \$0.15 per diluted share, of stock compensation expense due to the contractual accelerated vesting of certain equity awards following the passing of the Company's former CEO in the fourth quarter of 2021.
- A net impairment charge of \$41.3 million, or \$0.30 per diluted share, associated with Hasbro's investment in the Discovery Family Channel, due to the impact of accelerating changes in the cable distribution industry. This charge was comprised of a pre-tax impairment of the investment held in Discovery of \$74.1 million, which resulted in a pre-tax reduction to the Company's Discovery option agreement liability of \$20.1 million. See note 7 to the consolidated financial statements included in Part II, Item 8. *Financial Statements*, of this Form 10-K for further information on the Company's Discovery option.
- A net charge of \$39.4 million or \$0.28 per diluted share of income tax expense as a result of revaluation of Hasbro's UK tax attributes in accordance with the Finance Act of 2021 enacted by the United Kingdom on June 10, 2021. Effective April 1, 2023, the law increases the corporate income tax rate to 25% from 19%.

2020

- In association with the Company's acquisition of eOne, the Company incurred related expenses of \$269.3 million, comprised of the following:
 - A net charge of \$188.6 million, or \$1.37 per diluted share, of acquisition and related costs; and

- Net expenses of \$80.7 million, or \$0.59 per diluted share, of incremental intangible amortization costs related to the intangible assets acquired in the eOne acquisition.
- A net charge of \$7.4 million, or \$0.05 per diluted share, of severance charges associated with cost-savings initiatives within the Company's commercial and Music businesses.
- A net charge of \$15.4 million, or \$0.11 per diluted share, of income tax expense as a result of revaluation of Hasbro's UK tax attributes in accordance with the Finance Act of 2020 enacted by the United Kingdom on July 22, 2020. Retroactive to April 1, 2020, the new law maintains the corporate income tax rate at 19% instead of the planned reduction to 17% that was previously enacted in the UK Finance Act of 2016.

2019

- A net charge of \$86.0 million or \$0.67 per diluted share, associated with the settlement of the Company's U.S. defined benefit pension plan in the second quarter of 2019. During 2018 the Compensation Committee of the Company's Board of Directors approved a resolution to terminate the Company's U.S. defined benefit pension plan and commenced the termination process. During the second and fourth quarters of 2019, the Company settled remaining benefits directly with vested participants.
- A net benefit, of \$81.8 million or \$0.64 per diluted share related to transaction costs and hedge gains associated with the Company's agreement to acquire eOne in an all cash transaction. The \$81.8 million after-tax gain consisted of the following: (i) hedge gains of \$114.1 million related to the foreign exchange forward and option contracts to hedge a portion of the eOne purchase price and related costs; (ii) financing transaction fees of \$20.6 million, primarily related to the Company's bridge facility which was terminated unused in the fourth quarter of 2019; (iii) eOne acquisition costs of \$17.8 million during the fourth quarter of 2019; and (iv) tax benefits of \$6.1 million for the full year 2019 related to the charges outlined in (ii) and (iii) above.

Consolidated net revenues for the year ended December 26, 2021 grew 17% to \$6,420.4 million from \$5,465.4 million for the year ended December 27, 2020 and include a favorable foreign currency translation impact of \$54.7 million as the result of strengthening foreign currencies against the US dollar across the Company's regions.

Consolidated net revenues for the year ended December 27, 2020 grew 16% to \$5,465.4 million from \$4,720.2 million for the year ended December 29, 2019 and included an unfavorable foreign currency translation of \$15.9 million.

The following table presents net revenues expressed in millions of dollars, by brand portfolio for each year in the three years ended December 26, 2021.

	2021	%	2020	%	2019
	Net Revenues	Change	Net Revenues	Change	Net Revenues
Franchise Brands	\$ 2,792.7	22 %	\$ 2,286.1	-5 %	\$ 2,411.8
Partner Brands	1,161.0	8 %	1,079.4	-12 %	1,221.0
Hasbro Gaming	851.4	4 %	814.8	15 %	709.8
Emerging Brands	617.6	29 %	480.4	27 %	377.6
TV/Film/Entertainment	997.7	24 %	804.7	100 %	—

2021 versus 2020

Net revenues grew in all brand portfolios in 2021 compared to 2020. Emerging Brands growth of 29%; TV/Film/Entertainment growth of 24%; Franchise Brands growth of 22%; Partner Brands growth of 8%; and Hasbro Gaming growth of 4% with Hasbro's total gaming category up 19%.

Franchise Brands: The Franchise Brands portfolio net revenues increased 22% in 2021 compared to 2020. The majority of the 2021 increase was driven by higher net revenues from MAGIC: THE GATHERING products, as a result of successful card sets released throughout the year, including multiple record setting releases and higher digital gaming net revenues from *Magic: The Gathering Arena*. To a lesser extent, higher net revenues from NERF products, most notably in the US, higher net revenues from the MY LITTLE PONY brand, due to the release of the film *MY LITTLE PONY: A NEW GENERATION* and the launch of the associated product line, as well higher net revenues from TRANSFORMERS products supported by the release of the final chapter of the animated television series trilogy, *TRANSFORMERS: WAR FOR CYBERTRON* in July 2021, contributed to the increase. In addition to these increases, were higher net revenues from PLAY-DOH products.

Partner Brands: The Partner Brands portfolio net revenues increased 8% in 2021 compared to 2020.

Within the Partner Brands portfolio, there are a number of brands which are reliant on related entertainment, including television and movie releases. As such, net revenues fluctuate from year-to-year by brand, depending on entertainment popularity, release dates and the success of related product line offerings. Historically these entertainment-based brands experience higher revenues during years in which major motion pictures are released.

Net revenue increases from the Company's products for MARVEL, DISNEY PRINCESS and STAR WARS drove growth in the Partner Brands portfolio, and to a lesser extent, GHOSTBUSTERS products contributed to net revenue growth during 2021. The Company's products for MARVEL benefited from fan support, primarily in the U.S., across multiple properties including MARVEL LEGENDS, as well as from entertainment releases including the theatrical release of *SPIDER-MAN: NO WAY HOME* in December 2021, the launch of the preschool product line supporting the children's animated television series, *SPIDEY and HIS AMAZING FRIENDS*, and by the introduction of products supported by the theatrical release of *SHANG-CHI and the LEGEND of the TEN RINGS* which premiered in September 2021. The Company's products for DISNEY PRINCESS and STAR WARS benefited throughout 2021 from supporting entertainment, including; Disney's *RAYA and THE LAST DRAGON*, which premiered in March 2021; the Disney Princess film library, available for streaming on Disney+; and, the Disney+ streaming series *STAR WARS: THE MANDALORIAN*, season two.

These increases were partially offset by net revenue declines from DISNEY FROZEN and TROLLS products in 2021 compared to 2020, as a result of entertainment support in the prior year from the November 2019 theatrical release of *DISNEY'S FROZEN 2* and the *TROLLS WORLD TOUR* film, released in April 2020.

Hasbro Gaming: The Hasbro Gaming portfolio net revenues increased 4% in 2021 compared to 2020. Higher net revenues from DUNGEONS & DRAGONS products and digital game and to a lesser extent, higher net revenues from DUEL MASTERS products and several other Hasbro Gaming brands, were partially offset by lower net revenues from JENGA, OPERATION and certain other Hasbro Gaming products. During 2020, due in part to the onset of the COVID-19 pandemic, the Hasbro Gaming portfolio experienced accelerated growth in sales of games, as families were playing more games while at home.

Net revenues for Hasbro's total gaming category, including the Hasbro Gaming portfolio as reported above, and all other gaming revenue, most notably MAGIC: THE GATHERING and MONOPOLY, which are included in the Franchise Brands portfolio, totaled \$2,098.9 million in 2021, up 19%, from \$1,763.8 million in 2020.

Emerging Brands: The Emerging Brands portfolio net revenues grew 29% in 2021 compared to 2020. Net revenue increases were primarily driven by the Company's launch of its first PEPPA PIG and PJ MASKS products during the second half of 2021, as well as demand for fan-oriented products.

TV/Film/Entertainment: During 2021, net revenues from the TV/Film/Entertainment portfolio grew 24% compared to 2020. In 2020, the shutdown of live action TV and film productions and theatrical releases, beginning late in the first quarter of 2020 as a result of the COVID-19 pandemic, had a significant impact

on entertainment deliveries during the second half of 2020 and into 2021. However, the Company's production studios were back to operating at pre-pandemic levels across all businesses by mid-2021. Theatrical box office levels, and related film distribution, remained much lower than pre-pandemic levels throughout 2021.

The drivers of the net revenue increase during 2021 include higher scripted television production deliveries, most notably from *YELLOWJACKETS*, *CRUEL SUMMER* and *THE ROOKIE* television series, as well as contributions from the Netflix streaming series, *GRAYMAIL*, premiering in 2022. In addition to these increases were higher deliveries from eOne's slate of unscripted programming, as well as higher film production revenues from 2021 releases that include *CLIFFORD the BIG RED DOG*, *COME FROM AWAY* and *FINCH*. These increases were partially offset by lower 2021 film distribution revenues overall, due to the gap in available entertainment deliveries as described above, compared to 2020 which had a higher number of successful films which were released pre-pandemic.

2020 versus 2019

Net revenues from Hasbro Gaming, Emerging Brands and TV/Film/Entertainment grew in 2020 compared to 2019, while net revenues from Franchise Brands and Partner Brands declined. Growth in TV/Film/Entertainment revenues during 2020 was primarily the result of the addition of eOne entertainment net revenues to legacy Hasbro Entertainment net revenues following the Company's acquisition of eOne in 2020.

Franchise Brands: The Franchise Brands portfolio net revenues decreased 5% in 2020 compared to 2019. Declines in net revenues from TRANSFORMERS and MY LITTLE PONY products were the primary drivers of the overall decline in Franchise Brands net revenues, while, to a lesser extent, NERF and PLAY-DOH products also contributed to segment net revenue declines. Much of the segment net revenue declines were due to reduced customer ordering, supply chain delays and other disruptions to the business as a result of the impact of the COVID-19 pandemic. Additionally, in 2019 TRANSFORMERS products benefited from the December 2018 theatrical release of *TRANSFORMERS: BUMBLEBEE*, driving lower revenues in 2020 compared to 2019. These declines were partially offset by net revenue increases from MAGIC: THE GATHERING products, due to favorable card set releases, and to a lesser extent, MONOPOLY products during 2020.

Partner Brands: The Partner Brands portfolio declined 12% in 2020 compared to 2019.

Due to the impact of the COVID-19 pandemic on the entertainment industry during 2020, including the postponement of certain theatrical releases, and other production delays during the year, sales of certain of the Company's Partner Brands products declined during 2020 compared to 2019. Further, in 2019, Partner Brands products benefited from a successful entertainment slate that included MARVEL'S theatrical release, *AVENGERS: END GAME* and *SPIDER-MAN: FAR FROM HOME*, as well as DISNEY'S *FROZEN 2* and *STAR WARS: THE RISE OF SKYWALKER*, released during 2019.

Overall, the decrease in Partner Brands net revenues during 2020 was largely driven by MARVEL products which are dependent on entertainment releases as described above, and to a lesser extent, DISNEY FROZEN products, also heavily reliant on supporting entertainment. In addition to these net revenue declines were lower net revenues from BEYBLADE products. These decreases were partially offset by net revenue increases from STAR WARS and TROLLS products, which were supported by entertainment releases in 2020 despite the industry challenges described above. To a lesser extent, the Partner Brands portfolio benefited from the introduction of select items from the Company's GHOSTBUSTERS product line in 2020, ahead of the release of the *GHOSTBUSTERS: AFTERLIFE* film.

Hasbro Gaming: The Hasbro Gaming portfolio net revenues increased 15% in 2020 compared to 2019. Higher net revenues from DUNGEONS & DRAGONS products and higher net revenues from classic games including, JENGA, OPERATION and CLUE products were partially offset by lower net revenues from PIE FACE and certain other Hasbro Gaming products.

Net revenues for Hasbro's total gaming category, including the Hasbro Gaming portfolio as reported above, and all other gaming revenue, most notably MAGIC: THE GATHERING and MONOPOLY, which are included in the Franchise Brands portfolio, totaled \$1,763.8 million in 2020, an increase of 15%, versus \$1,528.3 million in 2019.

Emerging Brands: The Emerging Brands portfolio net revenues grew 27% in 2020 compared to 2019. Contributing to the net revenue increases in 2020 were the inclusion of brands acquired through the eOne acquisition such as PEPPA PIG and PJ MASKS.

TV/Film/Entertainment: Net revenues from the TV/Film/Entertainment portfolio grew significantly in 2020 due to the inclusion of a full year of eOne results following the acquisition on December 30, 2019. TV/Film/Entertainment net revenues were approximately 15% of total Company net revenues in 2020 and included (i) theatrical and transactional net revenue contributions from the Amblin Partners film 1917, released in December 2019; (ii) broadcast and licensing contributions from key scripted deliveries including season two of THE ROOKIE and the fifth season of FEAR THE WALKING DEAD; (iii) the Company's strong lineup of unscripted television programming that includes season one of THE PACK and the NAKED AND AFRAID television series which aired its eleventh series in 2020; and (iv) participations from the Company's television content library which included well know titles such as GREY'S ANATOMY and CRIMINAL MINDS.

SEGMENT RESULTS

Effective for the first quarter of 2021, we realigned our reportable segment structure to correspond with the evolution of our company, including the integration of eOne, which reflects how we manage our business, and how we allocate resources and decision-making responsibilities for assessing the Company's performance. Our reportable segments are: Consumer Products, Wizards of the Coast & Digital Gaming, Entertainment and Corporate and Other.

Net Revenues

The table below illustrates net revenues expressed in millions of dollars, derived from our principal operating segments in 2021, 2020 and 2019.

	2021 Net Revenues	% Change	2020 Net Revenues	% Change	2019 Net Revenues
Consumer Products	\$ 3,981.6	9 %	\$ 3,649.6	-6 %	\$ 3,881.2
Wizards of the Coast & Digital Gaming	1,286.6	42 %	906.7	19 %	761.2
Entertainment	1,152.2	27 %	909.1	>100 %	77.8

Consumer Products Segment

The following table presents the Consumer Products segment net revenues by major geographic region for each fiscal year in the three years ended December 26, 2021.

	2021 Net Revenues	% Change	2020 Net Revenues	% Change	2019 Net Revenues
North America	\$ 2,315.9	9 %	\$ 2,116.2	1 %	\$ 2,098.1
Europe	1,067.7	8 %	989.2	1 %	982.2
Asia Pacific	310.1	5 %	295.6	-18 %	359.4
Latin America	287.9	16 %	248.6	-44 %	441.5
Net Revenues	<u>\$ 3,981.6</u>	9 %	<u>\$ 3,649.6</u>	-6 %	<u>\$ 3,881.2</u>

2021 versus 2020

Consumer Products segment net revenues increased 9% in 2021 compared to 2020 and included the impact of a favorable \$23.8 million foreign currency translation. Segment net revenues increased from

growth in Franchise Brands, Emerging Brands and to a lesser extent, Partner Brands and were partially offset by lower net revenues from the Hasbro Gaming portfolio.

The drivers of the net revenue increase include higher sales of NERF products, due to new and innovative product launches in 2021, higher sales of TRANSFORMERS products as well as higher sales of the Company's Partner Brands for MARVEL and DISNEY PRINCESS, which were supported by recent entertainment releases. Also contributing to the increase were higher sales of PEPPA PIG and PJ MASKS products, following the launch of the Company's own product lines for these brands during the second half of 2021. Partially offsetting these increases were lower sales of certain Partner Brands, notably, the Company's products for DISNEY FROZEN and TROLLS. Revenue grew across all geographic regions in 2021, most notably in the U.S. and Europe, and to a lesser extent, in the Company's Latin American and Asia Pacific markets.

2020 versus 2019

Consumer Products segment net revenues decreased 6% in 2020 compared to 2019 and included an unfavorable \$20.1 million foreign currency translation. The decline in consumer products revenue in 2020 was primarily driven by the COVID-19 pandemic and its impact on supply chain and retail store closures. Lower net revenues from Franchise Brands and Partner Brands were partially offset by growth in the Hasbro Gaming and Emerging Brands portfolios.

The primary drivers of the 2020 net revenue declines included lower sales of MARVEL products and to a lesser extent, lower sales of DISNEY FROZEN, TRANSFORMERS and MY LITTLE PONY products, all of which were impacted in part by the lack of 2020 entertainment releases in support of the Company's product sales, as a result of the COVID-19 pandemic. These decreases were partially offset by net revenue increases from STAR WARS and TROLLS products and from the inclusion of licensed products for brands acquired through the eOne acquisition such as PEPPA PIG and PJ MASKS and, to a lesser extent, higher net revenues delivered across many of the Company's games brands, most notably from JENGA, OPERATION and CLUE products in 2020.

Wizards of the Coast and Digital Gaming Segment

2021 versus 2020

Wizards of the Coast and Digital Gaming segment net revenues increased 42% in 2021 compared to 2020 and included the impact of a favorable \$10.7 million foreign currency translation. The net revenue increase was attributable to higher net revenues from Wizards of the Coast tabletop and digital gaming products, most notably, MAGIC: THE GATHERING, driven by the number of strong performing card set releases, and from DUNGEONS & DRAGONS and to a lesser extent, DUEL MASTERS tabletop games. In total, 74% of segment net revenues were attributable to Wizards of the Coast tabletop games. In addition to these increases were higher digital gaming sales from *Magic: The Gathering Arena*, including the launch on mobile, and net revenue contributions associated with the launch of *Dungeons & Dragons: Dark Alliance* during the second quarter 2021, as well as growth in certain other of the Company's licensed digital games.

2020 versus 2019

In 2020, net revenues from the Wizards of the Coast and Digital Gaming segment increased 19% compared to 2019 and included the impact of a favorable \$2.6 million foreign currency translation. The net revenue increase in 2020 was driven by higher net revenues from tabletop gaming products, primarily MAGIC: THE GATHERING, as a result of popular set releases throughout the year and to a lesser extent, higher revenues from DUNGEONS & DRAGONS products and licensed digital gaming revenues in 2020 which benefited from the stay-at-home COVID-19 environment. These increases were partially offset by lower net revenues associated with the closure of the Backflip business in the fourth quarter of 2019.

Entertainment Segment

The following table presents Entertainment segment net revenues by category for each fiscal year in the three years ended December 26, 2021.

	2021 Net Revenues	% Change	2020 Net Revenues	% Change	2019 Net Revenues
Film and TV	\$ 932.5	33 %	\$ 700.5	>100 %	\$ 45.1
Family Brands	132.9	54 %	86.5	>100 %	31.8
Music and Other	86.8	-29 %	122.1	>100 %	0.9
Net Revenues	<u>\$ 1,152.2</u>	27 %	<u>\$ 909.1</u>	>100 %	<u>\$ 77.8</u>

*Music and Other category net revenues for the periods ended December 26, 2021 and December 27, 2020 include \$65.2 million and \$116.7 million, respectively, from eOne Music, which was sold by the Company early in the third fiscal quarter of 2021.

2021 versus 2020

Entertainment segment net revenues grew 27% in 2021 compared to 2020 and included the impact of a favorable \$20.1 million foreign currency translation. The segment net revenue increase was primarily driven by higher scripted programming and film production deliveries and to a lesser extent, increased deliveries of unscripted programming following the return of live-action entertainment production in late 2020 and throughout 2021. Also contributing to the increase were higher Family Brands net revenues from streaming content deals related to programming featuring the Company's brands, such as the Netflix release of *MY LITTLE PONY: A NEW GENERATION*. These increases were partially offset by the sale of the eOne Music business during the third quarter of 2021 and from lower film distribution revenues in 2021.

2020 versus 2019

In 2020, Entertainment segment net revenues were \$909.1 million compared to \$77.8 million in 2019. Foreign currency exchange did not have a material impact on the Entertainment segment results in 2020. The segment net revenue increase reflects the inclusion of eOne entertainment revenues following the acquisition of eOne in early fiscal 2020. The drivers of Entertainment segment net revenues included television production revenues from key scripted programming deliveries, theatrical and transactional net revenue contributions from the Amblin Partners film *1917*, a strong lineup of unscripted television programming deliveries as well as distribution revenues from acquired content libraries. These revenue contributions were partially offset by lower film revenues associated with the Company's share of revenue related to the 2018 theatrical release of *TRANSFORMERS: BUMBLEBEE* film.

Operating Profit (Loss)

The table below illustrates operating profit expressed in millions of dollars and operating profit margins, derived from our principal operating segments in 2021, 2020 and 2019. For a reconciliation of segment operating profit to total Company operating profit, see note 21 to our consolidated financial statements which are included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

	2021	% Net Revenues	% Change	2020	% Net Revenues	% Change	2019	% Net Revenues
Consumer Products	\$ 401.4	10 %	30 %	\$ 308.1	8 %	— %	\$ 306.9	8 %
Wizards of the Coast & Digital Gaming	547.0	43 %	30 %	420.4	46 %	43 %	294.7	39 %
Entertainment	(91.8)	-8 %	35 %	(141.1)	-16 %	>-100 %	13.6	17 %

Consumer Products Segment

2021 versus 2020

Consumer Products segment operating profit increased \$93.3 million to \$401.4 million in 2021, compared to \$308.1 million in 2020. Operating profit margin increased to 10% of net revenues in 2021 from 8% of net revenues in 2020. The increase in segment operating profit and profit margin was driven by higher segment net revenues as a result of increased sales volumes, product price increases and lower sales allowances and obsolescence charges. These benefits were partially offset by higher freight costs, increased royalty expenses from higher sales of the Company's Partner Brand products and higher advertising costs in support of the sales increase within the segment.

2020 versus 2019

Consumer Products segment operating profit increased \$1.2 million to \$308.1 million in 2020, compared to \$306.9 million in 2019. Operating profit margin remained flat at 8% of net revenues in 2020 compared to 2019. The increase in segment operating profit was primarily due to a favorable brand mix, lower royalty expense associated with lower sales of the Company's Partner Brand products and lower marketing and advertising costs. These increases were mostly offset by lower net revenues related to disruptions to the business as a result of the COVID-19 pandemic, most notably from within the Company's international geographies and from higher freight costs as a result of greater domestic shipments and increased direct-to-customer shipments which carry higher fulfillment costs.

Wizards of the Coast and Digital Gaming Segment

2021 versus 2020

Wizards of the Coast and Digital Gaming segment operating profit increased \$126.6 million to \$547.0 million in 2021, compared to \$420.4 million in 2020. Operating profit margin decreased to 43% in 2021 from 46% in 2020. The increase in segment operating profit in 2021 is due to higher net revenue volumes, partially offset by higher product development costs and higher advertising and marketing costs in support of segment digital gaming initiatives and tabletop set releases, as well as increased administrative expenses, including digital game depreciation expense and personnel costs. The decrease in segment operating profit margin is primarily due to higher expenses associated with the support of certain digital gaming initiatives and tabletop set releases during 2021.

2020 versus 2019

Wizards of the Coast and Digital Gaming segment operating profit increased \$125.7 million to \$420.4 million in 2020, compared to \$294.7 million in 2019. Operating profit margin increased to 46% in 2020 from 39% in 2019. The increase in segment operating profit and operating profit margin in 2020 was driven by higher net revenues, a favorable mix from growth in Wizards tabletop gaming and licensed digital gaming, and reduced operating expenses associated with the closure of the Backflip business in the fourth quarter of 2019. These increases were partially offset by higher administrative expenses including higher compensation expense and higher shipping and warehousing costs during 2020.

Entertainment Segment

2021 versus 2020

Entertainment segment operating losses were \$91.8 million, or 8% of segment net revenues in 2021, compared to operating losses of \$141.1 million, or 16% of segment net revenues in 2020.

The 2021 results were negatively impacted by a non-cash impairment charge of \$108.8 million associated with the sale of eOne Music and \$85.0 million of intangible amortization costs related to the intangible assets acquired in the eOne acquisition. The 2020 results were impacted by \$133.2 million of acquisition and related costs including expense associated with the acceleration of eOne stock-based

compensation and advisor fees settled at closing of the acquisition, as well as integration costs and impairment charges for certain definite-lived intangible and production assets driven by a change in entertainment strategy as a result of the eOne acquisition; combined with \$97.9 million of intangible amortization costs related to the intangible assets acquired in the eOne acquisition. Absent these charges, the 2021 results reflect increased deliveries compared to 2020, offset by higher content amortization and increased compensation expense.

2020 versus 2019

Entertainment segment operating losses were \$141.1 million, or 16% of segment net revenues in 2020, compared to operating profit of \$13.6 million, or 17% of segment net revenues in 2019.

The decrease in 2020 operating profit in the Entertainment segment was driven by the acquisition and integration costs and intangible amortization costs described above and reflects the addition of the eOne entertainment business results, following the Company's acquisition of eOne in fiscal 2020. Operating profit in 2019 reflects the Company's share of revenues related to *TRANSFORMERS: BUMBLEBEE*, the 2018 theatrical release produced jointly with Paramount Pictures, partially offset by related program production cost amortization.

Corporate and Other Segment

In the Corporate and Other segment, the operating losses were \$93.3 million in 2021 compared to operating losses of \$85.6 million in 2020 and operating profit of \$36.9 million in 2019.

Segment operating losses in 2021 were primarily driven by stock compensation expense of \$20.9 million associated with the contractual accelerated vesting of certain equity awards as a result of the passing of the Company's former CEO, higher administrative expenses and advertising costs; including \$9.5 million of transaction costs associated with the sale of eOne Music and higher compensation expense as well as retention costs of \$7.6 million in relation to the eOne acquisition. The Corporate and Other operating loss in 2020 was driven by charges related to the eOne acquisition; including acquisition and integration costs of \$32.8 million and restructuring costs of \$52.6 million, including impairment charges for certain definite-lived intangible assets driven by the change in strategy for the combined company's entertainment assets. In addition to the charges associated with the eOne acquisition, the Company incurred \$8.5 million of severance charges associated with cost-savings initiatives within the Company's commercial and Film and TV businesses. Corporate and Other segment operating profit in 2019 includes \$17.8 million of transaction costs associated with the eOne acquisition.

OPERATING COSTS AND EXPENSES

The Company's operating expenses, stated as percentages of net revenues, are illustrated below for the fiscal years ended December 26, 2021, December 27, 2020 and December 29, 2019:

	2021	2020	2019
Cost of sales	30.0 %	31.5 %	38.3 %
Program cost amortization	9.8	7.1	1.8
Royalties	9.7	10.4	8.8
Product development	4.9	4.7	5.6
Advertising	7.9	7.6	8.8
Amortization of intangibles	1.8	2.6	1.0
Selling, distribution and administration	22.3	22.9	22.0
Loss on disposal of business	1.7	—	—
Acquisition and related costs	—	4.0	—

Operating expenses for 2021, 2020 and 2019 include benefits and expenses related to the following events:

- During 2021, in association with the sale of the eOne Music business, the Company incurred a loss of \$118.3 million comprised of a goodwill impairment charge of \$108.8 million included within Loss on Disposal of Business, and transaction costs of \$9.5 million included within Selling, Distribution and Administration.
- During 2021, the Company incurred incremental intangible amortization costs of \$85.0 million related to the intangible assets acquired in the eOne acquisition.
- During 2021, the Company incurred \$20.9 million of stock compensation expense associated with the accelerated vesting of certain equity awards as a result of the passing of its former CEO included within Selling, Distribution and Administration.
- During 2021, in association with the Company's acquisition of eOne, the Company incurred stock compensation expense of \$7.7 million for acquisition related equity grants, included within Selling, Distribution and Administration.
- During 2020, in association with the Company's acquisition of eOne, the Company incurred related expenses of \$218.6 million, comprised of \$145.2 million of acquisition and integration costs and restructuring and related costs of \$73.4 million, included within Acquisition and related costs.
- During 2020, the Company incurred incremental intangible amortization costs of \$97.9 million related to the intangible assets acquired in the eOne acquisition.
- During 2020 the Company incurred \$8.5 million of severance charges, associated with cost-savings initiatives recorded within Selling, Distribution and Administration.
- During 2019, the Company incurred acquisition costs related to eOne of \$17.8 million within Selling, Distribution and Administrative.

Cost of Sales

Cost of sales primarily consists of purchased materials, labor, manufacturing overhead and other inventory-related costs such as obsolescence. Cost of sales increased 12% to \$1,927.5 million, or 30.0% of net revenues, for the year ended December 26, 2021 compared to \$1,718.9 million, or 31.5% of net revenues, for the year ended December 27, 2020. The cost of sales increase in dollars was primarily due to higher sales volumes and higher inventory costs as a result of increased freight costs and, to a lesser extent, the impact of \$10.0 million of foreign currency exchange. As a percent of net revenues, the cost of sales decrease was the result of a favorable product mix due to higher sales of Wizards of the Coast tabletop games and higher entertainment revenues, as well as lower sales allowances and obsolescence charges compared to 2020.

In 2020, cost of sales decreased 5% to \$1,718.9 million, or 31.5% of net revenues, for the year ended December 27, 2020 compared to \$1,807.8 million, or 38.3% of net revenues, for the year ended December 29, 2019. The cost of sales decrease as a percent of net revenues is primarily related to the acquisition of eOne, which experiences lower cost of sales as a percentage of net sales, and to a lesser extent, the decrease was due to the impact of \$14.4 million of foreign exchange translation. The cost of sales decrease in dollars was driven by a favorable brand mix including an increase in net sales of MAGIC: THE GATHERING products, and improved inventory costing, partially offset by higher markdowns to address excess retail inventory, primarily across certain international markets.

Program Cost Amortization

Program cost amortization totaled \$628.6 million, or 9.8% of net revenues in 2021, compared to \$387.1 million, or 7.1% of net revenues in 2020 and \$85.6 million, or 1.8% of net revenues, in 2019. The

majority of the Company's program costs are capitalized as incurred and amortized using the individual-film-forecast method. The Company also utilizes the percentage of completion methodology, primarily related to unscripted content. Program cost amortization reflects both the phasing of revenues associated with films and television programming, as well as the type of content being produced and distributed. Program production cost amortization increased in dollars and as a percent of net revenues in 2021 as a result of the increase in TV and Film deliveries overall, and from the mix of programs delivered, some of which carry higher programming costs. In addition to these increases was amortization of film production costs associated with the *MY LITTLE PONY: A NEW GENERATION* film released on Netflix in 2021.

Program production cost amortization increased in dollars and as a percent of net revenues in 2020 as a result of the addition of eOne's business, which experiences higher program cost amortization as a percentage of net sales. Program cost amortization attributable to eOne was 6.2% of net revenues in 2020. This increase was partially offset by lower program cost amortization attributable to the *TRANSFORMERS: BUMBLEBEE* theatrical release, which the Company began to amortize during the third quarter of 2019.

Royalty Expense

Royalty expense of \$620.4 million, or 9.7% of net revenues, in 2021 compared to \$570.0 million, or 10.4% of net revenues, in 2020 and \$414.5 million, or 8.8% of net revenues, in 2019. Fluctuations in royalty expense generally relate to the volume of entertainment-driven products sold in a given period, especially if the Company is selling product tied to one or more major motion picture releases in the period. Product lines related to Hasbro-owned or controlled brands supported by entertainment generally do not incur the same level of royalty expense as licensed properties, particularly DISNEY FROZEN and DISNEY PRINCESS, STAR WARS and MARVEL, as well as DREAMWORKS products and certain other licensed properties which carry higher royalty rates than other licensed properties. In 2021, higher royalty expense in dollars was driven primarily by higher sales of Partner Brand products as compared to 2020, and to a lesser extent, higher expense for guaranteed minimum royalty payments for certain brands. The decrease in royalty expense as a percentage of net revenues was due to product mix, most notably, higher sales of Wizards of the Coast products, Franchise Brands and higher sales of certain of the Company's Emerging Brands during 2021.

Higher royalty expense in dollars and as a percentage of net revenues in 2020 compared to 2019, was driven by the addition of eOne royalty expenses in 2020 which represented 3.2% of net revenues, partially offset by lower sales of Partner Brand products. See note 20 to the Company's consolidated financial statements in Part II, Item 8. *Financial Statements*, of this Form 10-K for information on the Company's future royalty commitments as of December 26, 2021.

Product Development

Product development expense in 2021 totaled \$315.7 million, or 4.9% of net revenues, compared to \$259.5 million, or 4.7% of net revenues, in 2020. Product development expenditures reflect the Company's investment in innovation and anticipated growth across our brand portfolio. The increase in 2021 was primarily related to investments in the Wizards of the Coast & Digital Gaming segment, for both tabletop and digital gaming initiatives, such as for the development of MAGIC: THE GATHERING tabletop set releases and for the development of digital games such as *Dungeons & Dragons: Dark Alliance*, and to a lesser extent, increased investments in certain other mobile gaming projects and other product lines currently in development.

Product development expense in 2020 totaled \$259.5 million, or 4.7% of net revenues, compared to \$262.2 million, or 5.6% of net revenues, in 2019. The decrease as a percentage of net revenues was primarily related to the addition of eOne revenues, with no associated product development costs. The decrease in dollars during 2020 was driven by lower spending as a result of global cost savings initiatives combined with the impact of the closure of the Company's Backflip business during the

fourth quarter of 2019. These decreases were partially offset by increased investments in the Company's Wizards of the Coast business.

Advertising Expense

Advertising expense in 2021 totaled \$506.6 million, or 7.9% of net revenues, compared to \$412.7 million or 7.6% of net revenues in 2020 and \$413.7 million or 8.8% in 2019. The level of the Company's advertising expense is generally impacted by revenue mix, the amount and type of theatrical releases and television programming delivered. The advertising expense increase in 2021 reflects growth in revenues compared to 2020 and higher advertising costs in support of MAGIC: THE GATHERING tabletop gaming releases, higher advertising costs in support of the feature length film, *MY LITTLE PONY: A NEW GENERATION*, and for the Company's digital gaming initiatives, most notably, *Magic: The Gathering Arena* and *Dungeons & Dragons: Dark Alliance*. These increases were partially offset by reduced promotional spend in the Entertainment segment due to fewer theatrical releases in 2021 compared to 2020.

The decrease in dollars in 2020 was driven by lower advertising costs related to the Company's digital gaming initiatives due to the timing of launch dates and reduced advertising levels across substantially all of the Company's regions, most notably in Latin America, reflecting the impact of COVID-19. These decreases were partially offset by increased advertising expenses as a result of the addition of eOne operations in 2020. Advertising expense attributable to eOne was 1.5% of net revenues in 2020, as early 2020 included the advertising behind the film 1917 prior to Covid-related shutdown of theaters.

Amortization of Intangible Assets

Amortization of intangible assets decreased to \$116.8 million, or 1.8% of net revenues, in 2021 compared to \$144.7 million, or 2.6% of net revenues, in 2020 and \$47.3 million, or 1.0% of net revenues in 2019. The decrease in 2021 is primarily related to certain licensed property rights which became fully amortized in the fourth quarter of 2020 combined with the discontinuation of amortization related to the eOne Music intangible assets in the second quarter of 2021, upon being classified as held for sale assets and subsequently sold in the third quarter of 2021.

In 2020, the increase in dollars and as a percentage of net revenues is primarily related to the acquisition of eOne, which contributed intangible asset amortization of \$97.9 million, or 1.8% of net revenues in 2020.

Selling, Distribution and Administration Expenses

In addition to the following drivers, Selling, Distribution and Administration ("SD&A") expenses include certain charges noted under the Operating Costs and Expenses table above.

SD&A expenses increased to \$1,432.7 million, or 22.3% of net revenues in 2021, from \$1,252.1 million, or 22.9% of net revenues, in 2020. In 2021, the increase reflects higher marketing and sales costs consistent with the increase in net revenues, higher compensation expense and increased freight and warehousing costs, primarily due to ongoing global supply chain disruptions. In addition, 2021 included higher depreciation expense associated with capitalized games held and used within the Wizards of the Coast business. These increases were partially offset by the divestiture of eOne Music and lower expense for credit losses during 2021.

In 2020, SD&A increased to \$1,252.1 million, or 22.9% of net revenues, from \$1,037.0 million or 22.0% of net revenues in 2019. The increase in SD&A expenses was driven primarily by the inclusion of eOne's operations, accounting for 3.9% of net revenues. Also contributing to the increase was higher freight costs and higher expense for credit losses due to the impacts of the COVID-19 pandemic. This increase was partially offset by lower marketing, sales and warehousing expenses across the regions during the year.

Loss on Disposal of Business

The loss on disposal of business of \$108.8 million, or 1.7% of net revenues, represents a non-cash impairment charge associated with the disposition of eOne Music during 2021.

Acquisition and Related Costs

During 2020, the Company incurred charges of \$218.6 million, or 4.0% of net revenues, of acquisition and related costs in connection with the eOne acquisition. These expenses were comprised of \$145.2 million of acquisition and integration costs and \$73.4 million of restructuring and related costs. Most notably, \$47.4 million of expenses associated with the acceleration of eOne stock-based compensation and \$38.2 million of advisor fees, substantially all of which were settled at the closing of the acquisition as well as certain other integration costs.

NON-OPERATING EXPENSE (INCOME)

Interest Expense

Interest expense totaled \$179.7 million in 2021 compared to \$201.1 million in 2020 and \$101.9 million in 2019. The decrease in interest expense during 2021 primarily reflects long-term debt repayments made throughout the year primarily related to borrowings utilized for the eOne acquisition, and lower interest rates. These decreases were partially offset by higher production financing borrowings compared to 2021. The increase in interest expense in 2020 compared to 2019 reflects interest related to long-term debt issued in connection with the financing of the eOne acquisition, partially offset by lower average short-term borrowings during 2020.

Interest Income

Interest income was \$5.4 million in 2021 compared to \$7.4 million in 2020 and \$30.1 million in 2019. Lower interest income in 2021 is primarily the result of lower cash balances due to long-term debt repayments and lower average interest rates in 2021 compared to 2020. In 2019, the Company's cash balances were higher due to the long-term debt and equity financings completed in November 2019, resulting in proceeds of approximately \$3.3 billion which were used in the December 30, 2019 acquisition of eOne. In 2020, the decrease in interest income was primarily the result of lower cash balances and lower average interest rates compared to 2019.

Other Expense (Income), Net

Other expense (income), net was \$7.1 million, \$(14.0) million and \$(13.9) million in 2021, 2020 and 2019, respectively. The following table outlines major contributors to other expense (income), net, expressed in millions of dollars.

	2021	2020	2019
Foreign currency (gains) losses	\$ (5.1)	\$ 2.1	\$ (124.3)
Earnings from Discovery Family Channel	(20.8)	(21.8)	(23.6)
Discovery Family Channel impairment	74.1	—	—
Discovery Family Channel option	(20.1)	(1.5)	(1.2)
Pension expense	1.7	1.2	119.5
Gain on PP&E	(0.2)	(4.9)	(0.4)
eOne deferred financing costs	—	1.0	19.6
Loss (gain) on investments	(3.8)	7.3	(6.1)
Legal settlement	(26.7)	(3.2)	—
Other	8.0	5.8	2.6
	<u>\$ 7.1</u>	<u>(14.0)</u>	<u>(13.9)</u>

- Foreign currency (gains) losses reflect fluctuations of foreign currency translation across the Company's international markets against the U.S. dollar. Foreign currency gains in 2019 reflect realized and unrealized gains of approximately \$114.1 million on the foreign exchange forward and option contracts entered to hedge a portion of the British pound sterling purchase price in relation to the eOne acquisition.
- Earnings from the Discovery joint venture are comprised of the Company's share in the results of the Network.
- During 2021, the Company recorded an impairment loss of \$74.1 million related to its investment in Discovery Family Channel. The Network projected a significant decline in affiliate revenue driven by changes in the cable distribution industry due to a decline in linear subscribers.
- In relation to the Discovery joint venture, Hasbro and Discovery have a put/call option on the share of the Discovery Family Channel. The option's fair value is periodically re-measured and in 2021, as a result of the Discovery Family Channel impairment, the adjustment of the option's fair value resulted in a \$20.1 million gain. In 2020 and 2019, the Company recorded gains of \$1.5 million and \$1.3 million, respectively, due to the option's value decrease.
- During 2019, the Company incurred \$111.0 million of settlement charges related to the termination of its U.S. defined benefit pension plan which is reflected as a non-cash charge to pension expense.
- The gain on PP&E in 2020 reflects a \$6.1 million gain related to the sale of the Dragonvale software and brand.
- During 2019, the Company incurred costs associated with the financing of the eOne transaction. With the termination of the bridge facility, the Company wrote off the associated financing costs in the fourth quarter of 2019.
- During 2021, the gain on investments primarily reflects a recoupment of the 2020 loss on investments, which was driven by a partial write off of an investment in Quibi, a mobile streaming service, which was obtained as part of the eOne acquisition. The 2019 gain on investments primarily reflects proceeds from the sale of certain long-term investments sold during the year.
- During the 2021, the Company realized a gain of \$26.7 million from a legal settlement related to a historical eOne dispute.

INCOME TAXES

Income tax expense totaled 25.2% of pre-tax earnings in 2021 compared with 30.0% in 2020 and 12.4% in 2019. Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. Income tax expense for 2021 includes a discrete expense primarily related to: (i) a non-deductible impairment charge from the sale of eOne Music and; (ii) the remeasurement of UK net deferred tax liability as a result of the United Kingdom's enactment of the Finance Act of 2021; offset by (iii) a benefit from the release of uncertain tax positions resulting from a change in management judgement; and (iv) discrete tax planning benefits. Income tax expense for 2020 includes a discrete net tax benefit primarily related to: (i) eOne acquisition and related costs; (ii) the remeasurement of UK net deferred tax liability as a result of the United Kingdom's enactment of the Finance Act of 2020; and (iii) an increase of uncertain tax positions based on changes in management judgment; offset by (iv) tax planning, including planning directly related to the eOne integration. Income tax expense for 2019 includes discrete tax benefits primarily related to: (i) the settlement of the U.S. defined benefit pension plan liability; and (ii) the acquisition of eOne, specifically the nontaxable integrated hedging gains and nondeductible transaction costs.

Subsequent to the United States passing the Tax Cuts and Jobs Act (the Tax Act), the Company has greater flexibility to manage cash globally. The Company intends to repatriate the accumulated foreign earnings as needed from time to time. The Company still has significant cash needs outside the United States and continues to consistently monitor and analyze its global working capital and cash requirements. As of 2021, we have recorded \$3.4 million of foreign withholding and U.S. state income tax liability. The Company will continue to record additional tax effects, if any, in the period that the on-going distribution analysis is completed and is able to make reasonable estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued Accounting Standards Update No. 2018-14 (ASU 2018-14) Compensation – Retirement Benefits – *Defined Benefit Plans – General (Subtopic 715-20) – Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. The amendments in this update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. For public companies, this standard is effective for annual reporting periods beginning after December 15, 2020. The Company adopted the standard in the first quarter of 2021 and the adoption of the standard did not have a material impact on its consolidated financial statements.

In December 2019, the FASB issued Accounting Standards Update No. 2019-12 (ASU 2019-12), Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*. The amendments in this update remove certain exceptions for performing intra-period tax allocations, recognizing deferred taxes for investments, and calculating income taxes in interim periods. The guidance also simplifies the accounting for franchise taxes, transactions that result in a step-up in the tax basis of goodwill, and the effect of enacted changes in tax laws or rates in interim periods. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. The Company adopted the standard in the first quarter of 2021 and the adoption of the standard did not have a material impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

In March of 2020, the FASB issued Accounting Standards Update No. 2020-04 (ASU 2020-04) Reference Rate Reform (Topic 848): *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions, for a limited period of time, to ease the potential burden of recognizing the effects of reference rate reform on financial reporting. The amendments in this update apply to contracts, hedging relationships and other transactions that reference the London Inter-Bank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued due to the global transition away from LIBOR and certain other interbank offered rates. An entity may elect to apply the amendments provided by this update beginning March 12, 2020 through December 31, 2022. The change from LIBOR to an alternate rate has not had a material impact on the Company’s consolidated financial statements and the Company is continuing to evaluate the standard’s potential impact to its consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically generated a significant amount of cash from operations. In 2021, the Company primarily funded its operations and liquidity needs through cash on hand and from cash flows from operations, and when needed, used borrowings under its available lines of credit. In addition, the Company’s Entertainment operating segment used production financing to fund certain of its television and film productions which are typically arranged on an individual production basis by special purpose production subsidiaries. For more information on the Company’s production financing facilities, including expected future repayments, see notes 9 and 11 to the consolidated financial statements included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

During 2022, the Company expects to continue to fund its working capital needs primarily through available cash, cash flows from operations and from production financing facilities and, if needed, by issuing commercial paper or borrowing under its revolving credit agreement. In the event that the

Company is not able to issue commercial paper, the Company intends to utilize its available lines of credit. The Company believes that the funds available to it, including cash expected to be generated from operations, funds available through its commercial paper program or its available lines of credit and production financing, are adequate to meet its working capital needs for 2022, including the repayment of the current portion of long-term debt of \$200.1 million, as shown on the consolidated balance sheets which represents the current portion of required quarterly principal amortization payments for our term loan facilities and other production financing facilities, each as described below. The Company may also issue debt or equity securities from time to time, to provide additional sources of liquidity when pursuing opportunities to enhance our long-term competitive position, while maintaining a strong balance sheet. However, unexpected events or circumstances such as material operating losses or increased capital or other expenditures, or the inability to otherwise access the commercial paper market, may reduce or eliminate the availability of external financial resources. In addition, significant disruptions to credit markets may also reduce or eliminate the availability of external financial resources. Although the Company believes the risk of nonperformance by the counterparties to its financial facilities is not significant, in times of severe economic downturn in the credit markets, it is possible that one or more sources of external financing may be unable or unwilling to provide funding to the Company.

As of December 26, 2021, the Company's cash and cash equivalents totaled \$1,019.2 million, of which \$35.8 million is restricted under the Company's production financing facilities. Prior to 2017, deferred income taxes had not been provided on the majority of undistributed earnings of international subsidiaries as such earnings were indefinitely reinvested by the Company. Accordingly, such international cash balances were not available to fund cash requirements in the United States unless the Company was to change its reinvestment policy. The Company has maintained sufficient sources of cash in the United States to fund cash requirements without the need to repatriate any funds. The Tax Act provided significant changes to the U.S. tax system including the elimination of the ability to defer U.S. income tax on unrepatriated earnings by imposing a one-time mandatory deemed repatriation tax on undistributed foreign earnings. As of December 26, 2021, the Company had a total liability of \$156.1 million related to this tax, \$18.4 million is reflected in current liabilities while the remaining long-term payable related to the Tax Act of \$137.7 million is presented within other liabilities, non-current on the consolidated balance sheets included in Part II, Item 8. *Financial Statements*, of this Form 10-K. As permitted by the Tax Act, the Company will pay the transition tax in annual interest-free installments through 2025 as follows: 2022: \$18.4 million; 2023: \$34.4 million; 2024: \$45.9 million; and 2025: \$57.3 million. As a result, in the future, the related earnings in foreign jurisdictions will be made available with greater investment flexibility. The majority of the Company's cash and cash equivalents held outside of the United States as of December 26, 2021 are denominated in the U.S. dollar.

The table below outlines key financial information pertaining to our consolidated balance sheets including the year-over-year changes, expressed in millions of dollars.

	2021	%	2020	%	2019
Cash and cash equivalents, net of short-term borrowings (including restricted cash of \$35.8, \$73.2 and \$0.0)	\$ 1,019.2	-30%	\$ 1,449.7	-68%	\$ 4,580.4
Accounts receivable, net	1,500.4	8%	1,391.7	-1%	1,410.6
Inventories	552.1	40%	395.6	-11%	446.1
Prepaid expenses and other current assets	656.4	8%	609.6	96%	310.5
Other assets	1,297.0	3%	1,260.3	>100%	585.0
Accounts payable and accrued liabilities	2,255.0	15%	1,964.1	56%	1,256.6
Other liabilities	670.7	-16%	794.0	43%	556.6

Accounts receivable, net increased 8% in 2021 compared to 2020. The increase in accounts receivable was driven primarily by higher sales during 2021, partially offset by improved collections, most notably in the Company's European and Latin American markets. Days sales outstanding decreased from 74 days at December 27, 2020 to 68 days at December 26, 2021, primarily due to the increase in revenues and mix of sales during 2021 as well as from the improved collections described above. In 2020, absent eOne, accounts receivable balances decreased 15% due to improved collections and fewer sales to customers that carry longer payment terms. Days sales outstanding decreased to 74 days at December 27, 2020 from 90 days at December 29, 2019. The days sales outstanding primarily reflects improved collections throughout 2020 as well as the mix of sales.

Inventories increased 40% in 2021 compared to 2020 reflecting increased lead-times from supply chain disruptions, as well as higher freight-in costs, primarily in the U.S. and Europe, impacting the Company's Consumer Products and Wizards of the Coast tabletop gaming businesses. This increase was partially offset by lower inventory levels in the Company's Asia Pacific and Latin American markets. In 2020, inventories decreased 11% compared to 2019 reflecting lower levels, primarily in the U.S., and across all regions, due to improved inventory management and lower sales.

Prepaid expenses and other current assets increased 8% in 2021 compared to 2020. The increase was driven by higher accrued tax credit balances related to film and television production costs, due to increased productions and timing of tax credit claims, as well as higher unrealized gains on foreign exchange contracts. These increases were partially offset by lower accrued income and prepaid expense balances associated with the sale of eOne Music, lower prepaid royalty balances in relation to the 2020 extension of Company's Marvel and Lucasfilm royalty agreements and lower prepaid tax balances. In 2020, prepaid expenses and other current assets increased 96% compared to 2019 due to higher accrued royalty and licensing income, primarily attributable to accrued revenue balances of \$236.9 million associated with eOne's properties and content, higher prepaid royalty amounts due to payments made in the first quarter of 2020 in relation to the Company's Marvel and Lucas agreements, higher accrued tax credits related to film and television production costs and higher prepaid tax balances as a result of lower earnings relative to estimated tax payments. These 2020 increases were partially offset by lower unrealized gains on foreign exchange contracts and lower short-term investment balances as a result of the Company's global cash management strategy.

Other assets increased 3% in 2021 compared to 2020. The increase was driven by higher investments in film and television productions, higher investments in content development and higher long-term accrued income balances related to certain of the Company's content distribution arrangements. These increases were partially offset by a lower balance for the Company's investment in Discovery Family Channel, due to impairment charges recorded in the fourth quarter of 2021. Other assets increased 115% in 2020 compared to 2019. The increase was primarily due to the addition of eOne's investments in acquired content and production for film, television and music content of \$627.9 million. Also contributing to the increase in 2020 are higher long-term accrued income balances primarily driven by eOne and higher deferred tax balances resulting from the eOne acquisition. These increases were partially offset by lower capitalized television production costs in the legacy Hasbro business and lower non-current royalty advances which have been reclassified from non-current to current.

Accounts payable and accrued liabilities increased 15% in 2021 compared to 2020. The drivers of the increase include higher account payable balances driven by an extension of payable terms, higher accrued expenses for investments in content and productions, higher accrued freight balances due to increased costs as a result of supply chain disruptions and higher incentive compensation accruals. These increases were partially offset by lower accrued participations and residuals, lower balances of certain accounts payable and accrued liabilities associated with the sale of eOne Music and lower severance accruals from payments made in relation to restructuring actions taken in 2018 and eOne integration severance in 2020. Accounts payable and accrued liabilities increased 56% in 2020 compared to 2019. The increase was primarily attributable to accrued participation and deferred

revenue balances attributable to eOne. In addition, increases included higher account payable balances, higher accrued royalty balances, and higher accrued salaries and incentive compensation balances.

Other liabilities decreased 16% in 2021 compared to 2020. The decrease was driven by lower long-term lease liability balances and a lower transition tax liability balance reflecting the reclassification of the 2022 installment payment, lower tax reserves and a lower Discovery option agreement balance due to a revaluation of the Discovery Family Channel investment during the fourth quarter of 2021. These decreases were partially offset by higher deferred compensation reserve balances. Other liabilities increased 43% in 2020 compared to 2019. The increase was primarily driven by deferred tax liabilities recorded as a result of the eOne acquisition, higher long-term lease liability balances resulting from the eOne acquisition and higher reserves for uncertain tax positions. In addition, the balance in 2020 includes the inclusion of long-term deferred revenue balances related to eOne. These increases were partially offset by a lower transition tax liability balance reflecting the reclassification of the 2021 installment payment.

Cash Flow

The following table summarizes the changes in the consolidated statement of cash flows included in Part II, Item 8. *Financial Statements*, of this Form 10-K, expressed in millions of dollars, for each of the years ended on December 26, 2021, December 27, 2020 and December 29, 2019.

	2021	2020	2019
Net cash provided by (used in):			
Operating Activities	\$ 817.9	\$ 976.3	\$ 653.1
Investing Activities	242.0	(4,500.2)	(60.9)
Financing Activities	(1,459.8)	405.9	2,810.6

In 2021, 2020 and 2019, Hasbro generated \$817.9 million, \$976.3 million and \$653.1 million of cash from its operating activities, respectively. Operating cash flows in 2021, 2020 and 2019 included \$697.3 million, \$438.9 million and \$33.9 million, respectively, of cash used for television program and film production. The decrease in net cash provided by operating activities during 2021, was primarily attributable to the increased spend for television program and film production, as well as an increase in working capital cash outflows associated with increased accounts receivable and inventory balances as noted above. These outflows were partially offset by higher earnings in 2021 and favorable changes in accounts payable terms in certain markets. The increase in operating cash flows in 2020 was primarily attributable to higher collections of accounts receivable balances and higher earnings excluding non-cash charges. These increases were partially offset by higher film and television production spend as a result of the inclusion of eOne operations during 2020.

Cash flows provided by investing activities were \$242.0 million in 2021 compared to cash flows utilized by investing activities of \$4,500.2 million in 2020 and \$60.9 million in 2019. Investing activities in 2021 include \$378.5 million of proceeds, net of cash sold, from the sale of eOne Music. Investing activities in 2020 reflect \$4.4 billion of cash utilized to acquire eOne, net of cash acquired. Additions to property, plant and equipment were \$132.7 million, \$125.8 million and \$133.6 million in 2021, 2020 and 2019, respectively. Of these additions, 52% in 2021, 51% in 2020 and 54% in 2019 were for purchases of tools, dies and molds related to the Company's products. During the fiscal years ended December 26, 2021, December 27, 2020 and December 29, 2019, the depreciation of plant and equipment was \$163.3 million, \$120.2 million and \$133.5 million, respectively. Fluctuations in depreciation of plant and equipment correlate with the percentage of additions to property, plant and equipment relating to tools, dies and molds which have shorter useful lives and accelerated depreciation. The net proceeds received from the sale of eOne Music during the third quarter of 2021, were used for long-term debt repayments as part of the Company's plan to accelerate deleveraging, and for general corporate purposes to run the business. The cash used for the purchase of eOne in 2020 consisted of the net proceeds from the issuance of an aggregate principal amount of \$2.4 billion in senior secured notes in

November 2019, net proceeds \$975.2 million from of the issuance of approximately 10.6 million shares of common stock in November 2019 and \$1.0 billion in term loans drawn in the first quarter of 2020. Excluding capital expenditures, 2019 cash utilized for investing activities reflects a cash payment net of cash acquired of \$8.8 million related to the acquisition of Tuque Games in October of 2019 as well as offsetting realized gains of \$80.0 million from hedges in relation to the Company's exposure to fluctuations in the British pound sterling associated with the eOne acquisition purchase price and other transaction related costs. The Company's 2019 investing activities also included \$6.4 million received from the installment note relating to the sale of the Company's manufacturing operations in 2015.

Net cash (utilized) provided by financing activities was \$(1,459.8) million, \$405.9 million, and \$2,810.6 million in 2021, 2020 and 2019, respectively.

Cash utilized by financing activities in 2021 included repayment of \$300.0 million aggregate principal amount of 3.15% Notes due 2021, during the first quarter; early repayment of \$300.0 million aggregate principal of 2.60% Notes due 2022 and related debt extinguishment costs of \$9.1 million during the third quarter; payments totaling \$480 million related to the \$1.0 billion in term loans consisting of \$300.0 million for the remaining principal balance of the Three-Year Tranche loans and \$150.0 million principal and quarterly principal amortization payments totaling \$30 million toward the Five-Year Tranche loan; and drawdowns of \$144.0 million and repayments of \$140.1 million related to production financing loans.

Cash provided by financing activities in 2020 included the drawdown of the Company's \$1.0 billion in term loans, as well as drawdowns of \$115.6 million related to production financing loans. Partially offsetting these cash inflows were production financing loan repayments of \$159.8 million, payments of \$47.4 million associated with the redemption of eOne stock awards that were accelerated as a result of the acquisition and payments totaling \$122.5 million towards the \$1.0 billion term loans described above.

In 2019, net cash provided by financing activities included the following financing activities associated with the Company's acquisition of eOne: net proceeds of \$2,355.0 million from the November 2019 issuance of senior unsecured long-term debt securities, net proceeds of \$975.2 million from the issuance of 10.6 million shares of common stock and debt acquisition costs of \$26.7 million paid in relation to eOne acquisition financing arrangements. In addition, net cash from 2019 financing activities included the Company's remaining payment of \$100.0 million related to the 2018 POWER RANGERS brand acquisition.

Financing activities in 2019 also reflect \$61.4 million of cash paid, including transaction costs, to repurchase the Company's Common Stock. There were no repurchases of the Company's common stock in 2021 or 2020 as the Company suspended its share repurchase program while it prioritizes deleveraging. During 2019, the Company repurchased 0.7 million shares at an average price of \$87.41. At December 26, 2021, \$366.6 million remained for share repurchases under the May 2018 Board authorization.

Dividends paid were \$374.5 million in 2021, \$372.7 million in 2020 and \$336.6 million in 2019. The Company has a long history of returning cash to its shareholders through quarterly dividends and has maintained its quarterly dividend rate of \$0.68 per share throughout 2021. The increase in dividends from 2019 to 2020 reflects higher shares outstanding as a result of the November 2019 stock issuance. Net repayments of short-term borrowings were \$5.6 million, \$8.6 million and \$8.8 million in 2021, 2020 and 2019, respectively. The Company generated cash from employee stock option transactions of \$30.6 million, \$16.6 million, and \$31.8 million in 2021, 2020 and 2019, respectively. The Company paid withholding taxes related to share-based compensation of \$13.7 million, \$6.0 million and \$13.1 million in 2021, 2020 and 2019, respectively.

Sources and Uses of Cash

In relation to the Company's consumer products business, the Company commits to inventory production, advertising and marketing expenditures prior to the peak fourth quarter retail selling season. Accounts receivable increase during the third and fourth quarter as customers increase their purchases to meet expected consumer demand in their holiday selling season. Due to the concentrated timeframe of this selling period, payments for these accounts receivable are generally not due until the fourth quarter or early in the first quarter of the subsequent year. This timing difference between expenditures and cash collections on accounts receivable sometimes makes it necessary for the Company to borrow amounts during the latter part of the year. The entertainment business often expends cash for production well in advance of sale and delivery of the content. Trading card and digital gaming revenues have shorter collection periods, but development expense occurs often years prior to release and revenue generation. During 2021, 2020 and 2019 the Company primarily used cash from operations and, to a lesser extent, borrowings under available lines of credit, in particular production financing vehicles, to fund its working capital.

The Company has an agreement with a group of banks which provides for a commercial paper program (the "Program"). Under the Program, at the request of the Company and subject to market conditions, the banks may either purchase from the Company, or arrange for the sale by the Company, of unsecured commercial paper notes. The Company may issue notes from time to time up to an aggregate principal amount outstanding at any given time of \$1.0 billion. The maturities of the notes may vary but may not exceed 397 days. The notes are sold under customary terms in the commercial paper market and are issued at a discount to par, or alternatively, sold at par and bear varying interest rates based on a fixed or floating rate basis. The interest rates vary based on market conditions and the ratings assigned to the notes by the credit rating agencies at the time of issuance. Subject to market conditions, the Company intends to utilize the Program as its primary short-term borrowing facility and does not intend to sell unsecured commercial paper notes in excess of the available amount under the revolving credit agreement discussed below. If, for any reason, the Company is unable to access the commercial paper market, the Company intends to use the revolving credit agreement to meet the Company's short-term liquidity needs. At December 26, 2021, the Company had no outstanding borrowings related to the Program and has not borrowed under the program in 2021 or 2020.

The Company has a second amended and restated revolving credit agreement with Bank of America, N.A., as administrative agent, swing line lender and a letter of credit issuer and lender and certain other financial institutions, as lenders thereto (the "Amended Revolving Credit Agreement"), which provides the Company with commitments having a maximum aggregate principal amount of \$1,500.0 million. The Amended Revolving Credit Agreement also provides for a potential additional incremental commitment increase of up to \$500.0 million subject to agreement of the lenders. The Amended Revolving Credit Agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Amended Revolving Credit Agreement extends through September 20, 2024. The Company was in compliance with all covenants as of December 26, 2021. The Company had no borrowings outstanding under its committed revolving credit facility as of December 26, 2021. However, letters of credit outstanding under this facility as of December 26, 2021 were approximately \$3.1 million. Amounts available and unused under the committed line, at December 26, 2021 were approximately \$1,496.9 million, inclusive of borrowings under the Company's commercial paper program. The Company also has other uncommitted lines from various banks, of which approximately \$11.2 million was utilized at December 26, 2021. Of the amount utilized under, or supported by, the uncommitted lines, approximately \$0.7 million and \$10.5 million represent outstanding short-term borrowings and letters of credit, respectively.

In September of 2019, the Company entered into a \$1.0 billion Term Loan Agreement (the "Term Loan Agreement") with Bank of America N.A. ("Bank of America"), as administrative agent, and certain financial institutions as lenders, pursuant to which such lenders committed to provide, contingent upon

the completion of the eOne acquisition and certain other customary conditions to funding, (1) a three-year senior unsecured term loan facility in an aggregate principal amount of \$400.0 million (the “Three-Year Tranche”) and (2) a five-year senior unsecured term loan facility in an aggregate principal amount of \$600.0 million (the “Five-Year Tranche” and together with the Three-Year Tranche, the “Term Loan Facilities”). On December 30, 2019, the Company completed the acquisition of eOne and on that date, borrowed the full amount of \$1.0 billion under the Term Loan Facilities. Of the Three-Year Tranche \$400 million principal balance, the Company repaid \$100 million during the fourth quarter 2020 and the remaining \$300 million balance during 2021. Of the Five-Year Tranche \$600.0 million principal balance, the Company repaid \$22.5 million and \$180.0 million during 2020 and 2021, respectively.

The Company is subject to certain financial covenants contained in this agreement and, as of December 26, 2021, the Company was in compliance with these covenants. The terms of the Term Loan Facilities are described in note 11 to the consolidated financial statements included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

During November 2019, in conjunction with the Company’s acquisition of eOne, the Company issued an aggregate of \$2.4 billion of senior unsecured debt securities (collectively, the “Notes”) consisting of the following tranches: \$300 million of notes due 2022 (the “2022 Notes”) that bear interest at a fixed rate of 2.60%; \$500 million of notes due 2024 (the “2024 Notes”) that bear interest at a fixed rate of 3.00%; \$675 million of notes due 2026 (the “2026 Notes”) that bear interest at a fixed rate of 3.55%; and \$900 million of notes due 2029 (the “2029 Notes”) that bear interest at a fixed rate of 3.90%. During the third quarter of 2021, the Company repaid in full, its 2022 Notes in the aggregate principal amount of \$300.0 million, including early redemption premiums and accrued interest of \$10.8 million. The terms of the Notes are described in note 11 to the consolidated financial statements in Part II, Item 8. *Financial Statements*, of this Form 10-K.

During 2021 and 2020, the Company used production financing to fund certain of its film and television productions which were typically arranged on an individual production basis by special purpose production subsidiaries. Production financing facilities were secured by the assets and future revenue of the individual production subsidiaries and were non-recourse to the Company’s assets. During 2021, the Company had drawdowns of \$144.0 million and repayments of \$140.1 million towards its production financing facilities. As of December 26, 2021 the Company outstanding production financing borrowings related to these facilities were \$170.1 million, all of which are recorded within the current portion of long-term debt in the Company’s consolidated balance sheets, included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

During November 2021, the Company secured a senior revolving film and television production credit facility (the “RPCF”) with MUFG Union Bank, N.A., as administrative agent and lender and certain other financial institutions, as lenders thereto (the “Revolving Production Financing Agreement”) which provides the Company with commitments having a maximum aggregate principal amount of \$250.0 million. The Revolving Production Financing Agreement also provides the Company the option to request a commitment increase up to an aggregate additional amount of \$150.0 million subject to agreement of the lenders. The Revolving Production Financing Agreement extends through November 22, 2024. The Company will use the RPCF to fund certain of the Company’s original film and TV production costs. Borrowings under the RPCF will be non-recourse to the Company’s assets.

The Company has principal amounts of long-term debt at December 26, 2021 of \$4.1 billion due at varying times from 2022 through 2044. Of the total principal amount of long-term debt, \$200.1 million is current at December 26, 2021 of which \$30.0 million is related to principal amortization of the 5-year term loans due December 2024 and \$170.1 million represents the Company’s outstanding production financing facilities at December 26, 2021. In addition to the early repayment of the 2022 Notes described above, during the first quarter of 2021, the Company repaid in full, its 3.15% Notes in the aggregate principal amount of \$300.0 million due in May 2021, including accrued interest. See note 11 and note 20 to the Company’s consolidated financial statements in Part II, Item 8. *Financial Statements*,

of this Form 10-K for additional information on long-term debt and long-term debt interest repayment, respectively.

In November of 2019, the Company completed an underwritten public offering of 10.6 million shares of common stock, par value \$0.50 per share, at a public offering price of \$95.00 per share. Net proceeds from this public offering were approximately \$975.2 million, after deducting underwriting discounts and commissions and offering expenses of approximately \$31.1 million. The net proceeds were used to finance, in part, the acquisition of eOne and to pay related costs and expenses. See note 9 to the consolidated financial statements in Part II, Item 8. *Financial Statements*, of this Form 10-K for more information on the Company's eOne acquisition financing.

Under a multi-year game production agreement entered with Cartamundi, the Company has purchase commitments of \$95.0 million in 2022 and \$85.0 million in 2023. The Company also has various third-party, inventory and tooling purchase commitments related primarily to the Company's Consumer Products segment which may total approximately \$441.7 million in 2022. These payments exclude inventory and tooling purchase liabilities included in accounts payable or accrued liabilities on the consolidated balance sheets as of December 26, 2021.

Share Repurchases and Dividends

The Company has a long history of returning cash to its shareholders through quarterly dividends and share repurchases. In 2021, Hasbro maintained its quarterly dividend rate of \$0.68 per share. In February 2022 the Company's Board announced a 3% increase in the Company's quarterly dividend rate to \$0.70 per share for the quarterly dividend scheduled to be paid in May 2022. In addition to the dividend, the Company periodically returns cash to shareholders through its share repurchase program. As part of this initiative, since 2005 the Company's Board of Directors (the "Board") adopted numerous share repurchase authorizations with a cumulative authorized repurchase amount of \$4.3 billion. The most recent authorization was approved in May 2018 for \$500 million. Since 2005, Hasbro has repurchased 108.6 million shares at a total cost of \$4.0 billion and an average price of \$36.44 per share. At December 26, 2021, Hasbro had \$366.6 million remaining available under these share repurchase authorizations. Share repurchases are subject to market conditions, the availability of funds and other uses of funds. As a result of the financing activities related to the eOne acquisition, the Company has suspended its current share repurchase program while it prioritizes deleveraging. There were no share repurchases made in 2020 or 2021, however a share repurchase program continues to be an important long-term component of Hasbro's capital allocation strategy and Hasbro has \$367 million available under its authorized share repurchase programs. We anticipate resuming share repurchase when it is not expected to materially impact the timeline to reach our deleverage targets. The Company believes this could be in the second half of 2023 or sooner, depending on business performance and other factors.

The Company believes that cash from operations, and, if necessary, its committed line of credit and other borrowing facilities, will allow the Company to meet its obligations over the next twelve months. The Company intends to resume this program when it will not materially impact its ability to de-lever.

Critical Accounting Policies and Significant Estimates

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, management is required to make certain estimates, judgments and assumptions that it believes are reasonable based on information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the periods presented. The critical accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include film and television production costs, recoverability of goodwill, intangible assets, income taxes and business combinations. Additionally, the Company identified the valuation of the Company's equity method investment in Discovery Family Channel as a significant accounting estimate.

Film and Television Production Costs

The Company incurs certain costs in connection with the production of television programs and films which are capitalized as they are incurred, the majority of which are amortized using the individual-film-forecast method. These costs, which include direct production costs, development costs, acquisition and inventory costs as well as residuals and participations, are amortized in the proportion that the current year's revenues bear to management's estimate of total ultimate revenues as of the beginning of each fiscal year related to the film or television program. These capitalized costs are reported at the lower of cost, less accumulated amortization, or fair value, and reviewed for impairment when an event or change in circumstances occurs that indicates that impairment may exist. The fair value is determined using a discounted cash flow model which is primarily based on management's future revenue and cost estimates.

The most significant estimates are those used in the determination of ultimate revenue in the individual-film-forecast method. Ultimate revenue estimates impact the timing of program production cost amortization in the consolidated statements of operations. Ultimate revenue includes revenue from all sources that are estimated to be earned related to a film or television program and include theatrical exhibition; first run program distribution fees; toy, game and other consumer product licensing fees; and other revenue sources, such as secondary market home entertainment formats and subscription video on demand services. Our ultimate revenue estimates for each film or television program are developed based on our estimates of expected future results. We review and revise these estimates at each reporting date to reflect the most current available information. When estimates for a film or television program are revised, the difference between the program production cost amortization determined using the revised estimate and any amounts previously expensed during that fiscal year, are included as an adjustment to program production cost amortization in the consolidated statements of operations in the period in which the estimates are revised. Prior period amounts are not adjusted for subsequent changes in estimates. Factors that can impact our revenue estimates include the historical performance of similar films and television programs, expected distribution platforms, factors unique to our television and film content and the success of our program-related toy, game and other merchandise.

Recoverability of Goodwill and Intangible Assets

The Company tests goodwill for impairment at least annually. If an event occurs or circumstances change that indicate that the carrying value of a reporting unit exceeds its fair value, the Company will perform an interim goodwill impairment test at that time. The Company may perform a qualitative assessment and bypass the quantitative impairment testing process, if it is not more likely than not that impairment exists.

If it is more likely than not that impairment exists, a quantitative goodwill impairment test is performed. When performing a quantitative impairment test, goodwill is tested for impairment by comparing the carrying value to the estimated fair value of the reporting unit which is calculated using an income approach. Other intangible assets with indefinite lives are tested for impairment by comparing their carrying value to their estimated fair value.

In 2020, following the acquisition of eOne during the first quarter, the Company allocated its \$4.6 billion purchase price to tangible and identifiable intangible assets acquired and liabilities assumed, based on their estimated fair values as of the acquisition date. The excess of the purchase price over those fair values amounted to \$3.2 billion and was recorded to goodwill and allocated to the Company's reportable segments as follows: Entertainment: \$2.241 million and Consumer Products: \$954.0 million.

During the first quarter of 2021, the Company realigned its financial reporting structure creating the following three principal reporting segments: Consumer Products, Wizards of the Coast and Digital Gaming and Entertainment. As a result of these changes, the Company reallocated its goodwill among the revised reporting units based on the change in relative fair values of the respective reporting units. See note 6 to the Company's consolidated financial statements in Part II, Item 8. *Financial Statements*, of this Form 10-K for details on the allocation of goodwill across the Company's new reporting structure.

In conjunction with the goodwill reallocation described above, during the first quarter of 2021, the Company performed a qualitative impairment test of goodwill balances held by the reporting units impacted by the segment realignment. The reporting units were tested as of December 28, 2020 and included our Europe, Asia Pacific, Global Consumer Products Licensing, Wizards of the Coast and Family Brands reporting units. Based on the results of the goodwill assessment, we determined that the fair values of each of these reporting units exceeded their carrying values, and as such, we concluded that there was no indication of goodwill impairment for these reporting units as of December 28, 2020.

In the third quarter 2021, the Company sold eOne Music for net proceeds of \$397.0 million. The Company acquired eOne Music through its acquisition of eOne in fiscal 2020. Based on the value of the net assets held by eOne Music, which included certain goodwill and intangible assets allocated as described above, to the eOne reportable segment and attributable to eOne Music, the Company recorded a pre-tax non-cash goodwill impairment charge of \$108.8 million within Loss on Disposal of Business on the Consolidated Statements of Operations for the year ended December 26, 2021. See note 6 to the Company's consolidated financial statements in Part II, Item 8. *Financial Statements*, of this Form 10-K for details on the eOne Music goodwill impairment.

During the fourth quarter of 2021, the Company performed a quantitative goodwill analysis with respect to each of its reporting units to determine the existence and extent of any impairment. The quantitative analysis concluded that the fair values of the Company's reporting units exceeded their carrying values. As a result of this assessment, the Company concluded there was no impairment to any of its reporting units as of December 26, 2021 other than the Music impairment loss noted above.

During the fourth quarter of 2020 the Company performed a qualitative goodwill assessment with respect to each of its reporting units, including an assessment of eOne. The assessment included the consideration of COVID-19 and the impact to the business in 2020. Based on the conclusions reached, the Company determined that it was not necessary to perform a quantitative assessment for the goodwill of the reporting units in 2020.

The estimation of future cash flows utilized in the evaluation of the Company's goodwill requires significant judgments and estimates with respect to future revenues related to the respective asset and the future cash outlays related to those revenues. Actual revenues and related cash flows or changes in anticipated revenues and related cash flows could result in a change in this assessment and result in an impairment charge. The estimation of discounted cash flows also requires the selection of an appropriate discount rate. The use of different assumptions would increase or decrease estimated discounted cash flows and could increase or decrease the related impairment charge.

Intangible assets, other than those with indefinite lives, are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

During 2020, the Company determined that certain of its definite-lived intangible entertainment and production assets related to properties, from both the legacy Hasbro business as well as properties acquired through the eOne acquisition, were impaired. It was determined that the carrying values of these intangible assets exceeded their related future cash flows, thus indicating impairment. As a result, charges of \$20.1 and \$30.7 million were recorded in the first and fourth quarters of 2020, respectively, within acquisition and related costs in the Company's consolidated statement of operations, included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

There were no other triggering events in 2021 or 2020 which would indicate the Company's intangible assets were impaired.

Income Taxes

The Company's annual income tax rate is based on its income, statutory tax rates, changes in prior tax positions and tax planning opportunities available in the various jurisdictions in which it operates. Significant judgment and estimates are required to determine the Company's annual tax rate and

evaluate its tax positions. Despite the Company's belief that its tax return positions are fully supportable, these positions are subject to challenge and estimated liabilities are established in the event that these positions are challenged, and the Company is not successful in defending these challenges. These estimated liabilities, as well as the related interest, are adjusted in light of changing facts and circumstances such as the progress of a tax audit.

In May 2019, a public referendum held in Switzerland approved the Swiss Federal Act on Tax Reform and AHV Financing (TRAF) proposals previously approved by the Swiss Parliament. The Swiss tax reform measures were effective on January 1, 2020. Changes in tax reform include the abolishment of preferential tax regimes for holding companies, domicile companies and mixed companies at the cantonal level. The enacted changes in Swiss federal and cantonal tax, including cantonal transitional provisions adopted in 2021, were not material to the Company's financial statements.

In certain cases, tax law requires items to be included in the Company's income tax returns at a different time than when these items are recognized in the consolidated financial statements or at a different amount than that which is recognized in the consolidated financial statements. Some of these differences are permanent, such as expenses that are not deductible on the Company's tax returns, while other differences are temporary and will reverse over time, such as depreciation expense. These differences that will reverse over time are recorded as deferred tax assets and liabilities on the consolidated balance sheets. Deferred tax assets represent deductions that have been reflected in the consolidated financial statements but have not yet been reflected in the Company's income tax returns. Valuation allowances are established against deferred tax assets to the extent that it is determined that the Company will have insufficient future taxable income, including capital gains, to fully realize the future deductions or capital losses. Deferred tax liabilities represent expenses recognized on the Company's income tax return that have not yet been recognized in the Company's consolidated financial statements or income recognized in the consolidated financial statements that has not yet been recognized in the Company's income tax return.

Business Combinations

The Company accounts for business combination under FASB Accounting Standards Codification Topic 805, Business Combinations ("Topic 805"). Identifiable assets acquired, liabilities assumed and any noncontrolling interests in the acquiree are recognized and measured as of the acquisition date at fair value. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interests in the acquiree exceed the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interests requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items.

The Company's evaluation of the facts and circumstances available as of December 30, 2019, to assign fair values to eOne assets acquired and liabilities assumed, including income tax related amounts continued throughout 2020. As further analysis of assets including program rights, investment in films and television content, intangible assets, as well as deferred revenue, noncontrolling interests, tax and certain other liabilities was completed during the year, additional information on the assets acquired and liabilities assumed became available. Changes in the information related to the net assets acquired changed the amount of the purchase price assigned to goodwill, and as a result, the preliminary fair values disclosed were adjusted as additional information was obtained and valuations were finalized. Provisional adjustments were recognized during the reporting periods in which the adjustments were determined. For more information on the eOne acquisition see note 3 to the consolidated financial statements included in Part II, Item 8. *Financial Statements*, of this Form 10-K.

Valuation of Equity Method Investment in Discovery Family Channel

The Company owns an interest in a joint venture, Discovery Family Channel ("the Network"), with Discovery Communications, Inc. ("Discovery"). The Company has determined that it does not meet the

control requirements to consolidate the Network and accounts for the investment using the equity method of accounting. The Network was established to create a cable television network in the United States dedicated to high-quality children's and family entertainment. In October 2009, the Company purchased an initial 50% share in the Network for a payment of \$300 million and certain future tax payments based on the value of certain tax benefits expected to be received by the Company. In September 2014, the Company and Discovery amended their relationship with respect to the Network and Discovery increased its equity interest in the Network to 60% while the Company retained a 40% equity interest in the Network. In connection with the amendment, the Company and Discovery entered into an option agreement related to the Company's remaining 40% ownership in the Network, exercisable during the one-year period following December 31, 2021. The exercise price of the option agreement is based upon 80% of the then fair market value of the Network, subject to a fair market value floor.

The Company tests its equity method investment in the Network for impairment annually. If an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim test at that time. The Company's valuation of its equity method investment in the Network includes assumptions surrounding forecasted revenue and expenses, a discount rate and a terminal growth rate, which are used to estimate the fair value of the investment and involve a high degree of subjectivity given the volatility in consumer interest when choosing entertainment media.

During the fourth quarter of 2021, the Company reviewed its investment in the Network for impairment and concluded that the fair value of the Company's interest in the joint venture was less than its carrying value. Recent accelerating changes in the cable distribution industry, including technological changes and expanding options for digital content offerings, has resulted in the fragmentation of viewership, declines in subscribers to the traditional cable bundle, and pricing pressure. These factors led to a lower valuation of the Network as compared to its carrying value. As a result, the Company recorded an impairment loss of \$74.1 million, related to its investment in the Network, which is included in other (income) expense, net in the consolidated statements of operations for the year ended December 26, 2021. As result of the Network's revaluation, the Company recorded a gain of \$20.1 million in relation to the Company's Discovery option agreement described above.

Contractual Obligations and Commercial Commitments

In the normal course of its business, the Company enters into contracts related to obtaining rights to produce products under license, which may require the payment of minimum guarantees. In addition, the Company enters into contractual commitments to obtain film and television content distribution rights and minimum guarantee commitments related to the purchase of film and television rights for content to be delivered in the future. The Company has also entered into operating leases for certain facilities and equipment. In addition, the Company has \$3,824.2 million in principal amount of long-term debt outstanding at December 26, 2021. See note 20 to the consolidated financial statements included in Part II, Item 8. *Financial Statements*, of this Form 10-K for further information on the Company's contractual obligations and commercial commitments.

Other Expected Future Payments

From time to time, the Company may be party to arrangements, contractual or otherwise, whereby the Company may not be able to estimate the ultimate timing or amount of the related payments. These amounts are described below:

- Included in other liabilities in the consolidated balance sheets at December 26, 2021, the Company has a liability of \$41.4 million of potential tax, interest and penalties for uncertain tax positions that have been taken or are expected to be taken in various income tax returns. The Company does not know the ultimate resolution of these uncertain tax positions and as such, does not know the ultimate amount or timing of payments related to this liability.

- At December 26, 2021, the Company had letters of credit and related instruments of approximately \$13.6 million.

The Company believes that cash from operations and funds available through its commercial paper program or lines of credit, as described above under “Liquidity and Capital Resources”, will allow the Company to meet these and the other contractual obligations and commercial commitments described above.

Financial Risk Management

The Company is exposed to market risks attributable to fluctuations in foreign currency exchange rates primarily as the result of sourcing products priced in U.S. dollars, Hong Kong dollars and Euros while marketing and selling those products in more than twenty currencies. Results of operations may be affected primarily by changes in the value of the U.S. dollar, Euro, British pound sterling, Canadian dollar, Brazilian real, Russian ruble and Mexican peso and, to a lesser extent, other currencies in Latin American and Asia Pacific countries.

To manage this exposure, the Company has hedged a portion of its forecasted foreign currency transactions using foreign exchange forward contracts. At December 26, 2021, the Company estimates that a hypothetical immediate 10% depreciation of the U.S. dollar against all foreign currencies included in these foreign exchange forward contracts could result in an approximate \$24.3 million decrease in the fair value of these instruments. A decrease in the fair value of these instruments would be substantially offset by increases in the value of the forecasted foreign currency transactions.

The Company is also exposed to foreign currency risk with respect to its net cash and cash equivalents or short-term borrowing positions in currencies other than the U.S. dollar. The Company believes, however, that the on-going risk on the net exposure should not be material to its financial condition. In addition, the Company’s revenues and costs have been and will likely continue to be affected by changes in foreign currency rates. A significant change in foreign exchange rates can materially impact the Company’s revenues and earnings due to translation of foreign-denominated revenues and expenses. The Company does not hedge against translation impacts of foreign exchange. From time to time, affiliates of the Company may make or receive intercompany loans in currencies other than their functional currency. The Company manages this exposure at the time the loan is made by using foreign exchange contracts.

The Company reflects all derivatives at their fair value as an asset or liability on the consolidated balance sheets. The Company does not speculate in foreign currency exchange contracts. At December 26, 2021, these contracts had net unrealized gains of \$8.3 million, of which \$10.7 million are recorded in prepaid expenses and other current assets, \$0.2 million are recorded in other assets, \$2.6 million are recorded in accrued liabilities. Included in accumulated other comprehensive earnings at December 26, 2021 are deferred gains of \$9.6 million, net of tax, related to these derivatives.

In addition, during the third quarter of 2019 the Company hedged a portion of its exposure to fluctuations in the British pound sterling in relation to the eOne acquisition purchase price and other transaction related costs using a series of both foreign exchange forward and option contracts. These contracts did not qualify for hedge accounting and as such, were marked to market through the Company’s Consolidated Statement of Operations. For tax purposes these contracts qualified as nontaxable integrated tax hedges. The Company recorded realized gains of \$80.0 million to other (income) expense, net on the matured portion of these contracts for the year ended December 29, 2019. The remaining contracts matured on December 30, 2019, the closing date of the transaction. The net gains or losses recognized in 2020 were immaterial to the Company’s consolidated financial statements.

At December 26, 2021, the Company had fixed rate long-term debt of \$3,484.9 million. In May 2014 the Company issued an aggregate \$600.0 million of long-term debt which consisted of \$300.0 million of 3.15% Notes, subsequently repaid in 2021, and \$300.0 million of 5.10% Notes due 2044. Prior to the May

2014 debt issuance, the Company entered into forward-starting interest rate swap agreements with a total notional value of \$500.0 million to hedge the anticipated underlying U.S. Treasury interest rate. These interest rate swaps were matched with this debt issuance and were designated and effective as hedges of the change in future interest payments. At the date of issuance, the Company terminated these swap agreements and their fair value at the date of issuance was recorded in accumulated other comprehensive loss and is being amortized through the consolidated statements of operations using an effective interest rate method over the life of the related debt. Included in accumulated other comprehensive loss at December 26, 2021 are deferred losses, net of tax, of \$15.6 million related to these derivatives.

Industry Trends, the Economy and Inflation

The principal market for the Company's toys and games and licensed consumer products, is the retail sector. Revenues from the Company's top five retail customers, accounted for approximately 36% of its consolidated net revenues in 2021, 35% in 2020 and 38% of its consolidated net revenues in 2019. The Company monitors the creditworthiness of its customers and adjusts credit policies and limits as it deems appropriate.

The Company's revenue pattern continues to show the second half of the year to be more significant to its overall business for the full year. In 2021, approximately 62% of the Company's full year net revenues were recognized in the second half of the year. The Company expects that this concentration will continue. The concentration of sales in the second half of the year increases the risk of (a) underproduction of popular items, (b) overproduction of less popular items, and (c) failure to achieve tight and compressed shipping schedules. The business of the Company is characterized by customer order patterns which vary from year to year largely because of differences in the degree of consumer acceptance of a product line, product availability, marketing strategies, inventory levels, policies of retailers and differences in overall economic conditions. Larger retailers generally maintain lower inventories throughout the year and purchase a greater percentage of product within or close to the fourth quarter holiday consumer buying season, which includes Christmas.

Quick response inventory management practices being used by retailers as well as growth in ecommerce result in orders increasingly placed for immediate delivery and fewer orders placed well in advance of shipment. Retailers are timing their orders so that they are filled by suppliers closer to the time of purchase by consumers. To the extent that retailers do not sell as much of their year-end inventory purchases during this holiday selling season as they had anticipated, their demand for additional product earlier in the following fiscal year may be curtailed, thus negatively impacting the Company's future revenues. However, in 2021, the Company's inventory levels increased 40% compared to 2020. This increase is the result of ongoing global supply chain disruptions, which began in late 2020 as economies slowly recovered from COVID-19 shutdowns, while consumer demand began to outpace the capacity of the global supply chain infrastructure. Supply chain inefficiencies including overcrowding of cargo ports and shipping container and truck transportation shortages, have led to higher costs for ocean, air and over the road freight and delays in the availability of products, as inventory remains in transit for extended periods of time. These and other disruptions are expected to continue throughout 2022.

In addition to these inventory management challenges, the bankruptcy or other lack of success of one of the Company's significant retailers could negatively impact the Company's future revenues.

Unlike the Company's retail sales patterns, revenue patterns from the Company's entertainment businesses fluctuate based on the timing and popularity of television, film, streaming and digital content releases. Release dates are determined by factors including the timing of holiday periods, geographical release dates and competition in the market. In addition, entertainment business operating results fluctuate due to expenses recorded in relation to film and television productions and content such as program amortization costs and advertising expenses, which are incurred and recognized, beginning prior to initial releases and then continue throughout the related distribution windows.

Inflation

The impact of inflation on the Company's business operations has been significant during 2021 compared to prior years. However, due to mitigating actions taken by the Company, such as modest price increases when deemed necessary, the impact of general price inflation on our 2021 financial position and results of operations has not been significant. The Company continues to monitor the impact of inflation to its business operations on an ongoing basis and may need to adjust its prices further to mitigate the impacts of changes to the rate of inflation during 2022 or in future years. However, future volatility of general price inflation and the impact of inflation on costs and availability of materials, costs for shipping and warehousing and other operational overhead could adversely affect the Company's financial results.

Other Information

The Company is not aware of any material amounts of potential exposure relating to environmental matters and does not believe its environmental compliance costs or liabilities to be material to its operating results or financial position.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is included in Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operation*, of this Form 10-K and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Hasbro, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Hasbro, Inc. and subsidiaries (the Company) as of December 26, 2021 and December 27, 2020, the related consolidated statements of operations, comprehensive earnings, cash flows, and shareholders' equity and redeemable noncontrolling interests for each of the years in the three-year period ended December 26, 2021, and the related notes and financial statement schedule II - valuation and qualifying accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 26, 2021 and December 27, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 26, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 26, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment of the carrying value of the investment in Discovery Family Channel As discussed in Note 7 to the consolidated financial statements, the Company's equity method investment in Discovery Family Channel, Inc. (DFC) at December 26, 2021 was \$161.2 million. During the fourth quarter ended December 26, 2021, the Company recorded an impairment loss of \$74.1 million related to its investment with Discovery. The Company tests its equity method investment in DFC annually or whenever an event or circumstance occurs that indicates that the carrying value may not be recoverable.

We identified the evaluation of the impairment of investment in DFC as a critical audit matter. The forecasted revenue, discount rate, and terminal growth rate used to estimate the fair value of the investment involved a high degree of auditor subjectivity given the volatility in consumer interest when choosing entertainment media. The fair value is also sensitive to changes to the forecasted revenue, discount rate, and terminal growth rate assumptions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the impairment evaluation process. This included controls related to the review of forecasted revenue, discount rate, and terminal growth rate assumptions. We assessed the Company's ability to accurately estimate forecasted revenue by comparing historical forecasts to actual revenue reported by DFC. We also compared revenue forecasts to executed contracts. We involved a valuation professional with specialized skills and knowledge who assisted in:

- evaluating the discount rate by comparing it against a discount rate that was independently developed using publicly available data for comparable entities
- evaluating the terminal growth rate by comparing it against publicly available industry reports and to DFC's historical revenue growth
- developing an estimate of the fair value of the investment using (1) DFC's forecasted cash flows and estimated terminal growth rate and (2) an independently developed discount rate, which was then compared to the Company's fair value estimate.

/s/ KPMG LLP

We have not been able to determine the specific year that we began serving as the Company's auditor, however, we are aware that we have served as the Company's auditor since at least 1968.

Providence, Rhode Island
February 23, 2022

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
December 26, 2021 and December 27, 2020
(Millions of Dollars Except Share Data)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents including restricted cash of \$35.8 in 2021 and \$73.2 in 2020	\$ 1,019.2	1,449.7
Accounts receivable, less allowance for credit losses of \$22.9 in 2021 and \$28.1 in 2020	1,500.4	1,391.7
Inventories	552.1	395.6
Prepaid expenses and other current assets	656.4	609.6
Total current assets	<u>3,728.1</u>	<u>3,846.6</u>
Property, plant and equipment, net	421.1	489.0
Other assets		
Goodwill	3,419.6	3,691.7
Other intangibles, net	1,172.0	1,530.8
Other	1,297.0	1,260.3
Total other assets	<u>5,888.6</u>	<u>6,482.8</u>
Total assets	<u><u>\$ 10,037.8</u></u>	<u><u>10,818.4</u></u>
LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term borrowings	\$ 0.8	6.6
Current portion of long-term debt	200.1	432.6
Accounts payable	580.2	425.5
Accrued liabilities	1,674.8	1,538.6
Total current liabilities	<u>2,455.9</u>	<u>2,403.3</u>
Long-term debt	3,824.2	4,660.0
Other liabilities	670.7	794.0
Total liabilities	<u>6,950.8</u>	<u>7,857.3</u>
Redeemable noncontrolling interests	23.9	24.4
Shareholders' equity		
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	—	—
Common stock of \$0.50 par value. Authorized 600,000,000 shares; issued 220,286,736 shares as of 2021 and 2020	110.1	110.1
Additional paid-in capital	2,428.0	2,329.1
Retained earnings	4,257.8	4,204.2
Accumulated other comprehensive loss	(235.3)	(195.0)
Treasury stock, at cost, 82,066,136 shares in 2021 and 82,979,403 shares in 2020	(3,534.7)	(3,551.7)
Noncontrolling interests	37.2	40.0
Total shareholders' equity	<u>3,063.1</u>	<u>2,936.7</u>
Total liabilities, noncontrolling interests and shareholders' equity	<u><u>\$10,037.8</u></u>	<u><u>10,818.4</u></u>

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Fiscal Years Ended in December
(Millions of Dollars Except Per Share Data)

	2021	2020	2019
Net revenues	\$6,420.4	5,465.4	4,720.2
Costs and expenses:			
Cost of sales	1,927.5	1,718.9	1,807.8
Program cost amortization	628.6	387.1	85.6
Royalties	620.4	570.0	414.5
Product development	315.7	259.5	262.2
Advertising	506.6	412.7	413.7
Amortization of intangible assets	116.8	144.7	47.3
Selling, distribution and administration	1,432.7	1,252.1	1,037.0
Loss on disposal of business	108.8	—	—
Acquisition and related costs	—	218.6	—
Total costs and expenses	5,657.1	4,963.6	4,068.1
Operating profit	763.3	501.8	652.1
Non-operating expense (income):			
Interest expense	179.7	201.1	101.9
Interest income	(5.4)	(7.4)	(30.1)
Other expense (income), net	7.1	(14.0)	(13.9)
Total non-operating expense, net	181.4	179.7	57.8
Earnings before income taxes	581.9	322.1	594.3
Income taxes	146.6	96.7	73.8
Net earnings	435.3	225.4	520.5
Net earnings attributable to noncontrolling interests	6.6	2.9	—
Net earnings attributable to Hasbro, Inc.	\$ 428.7	222.5	520.5
Per common share			
Net earnings attributable to Hasbro, Inc.			
Basic	\$ 3.11	1.62	4.07
Diluted	\$ 3.10	1.62	4.05
Cash dividends declared	\$ 2.72	2.72	2.72

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings
Fiscal Years Ended in December
(Millions of Dollars)

	2021	2020	2019
Net earnings	\$435.3	225.4	520.5
Other comprehensive earnings (loss):			
Foreign currency translation adjustments, net of tax	(61.9)	10.1	9.6
Unrealized holding (losses) gains on available-for-sale securities, net of tax	(0.1)	0.6	0.5
Net gains on cash flow hedging activities, net of tax	13.5	2.4	11.7
Changes in unrecognized pension amounts, net of tax	3.4	(6.6)	14.9
Reclassifications to earnings, net of tax:			
Net losses (gains) on cash flow hedging activities	2.6	(19.3)	(18.5)
Amortization of unrecognized pension and postretirement amounts	2.2	2.0	6.2
Settlement of U.S. defined benefit plan	—	—	85.9
Other comprehensive (loss) earnings, net of tax	(40.3)	(10.8)	110.3
Total comprehensive earnings, net of tax	395.0	214.6	630.8
Total comprehensive earnings attributable to noncontrolling Interests	6.6	2.9	—
Total comprehensive earnings attributable to Hasbro, Inc.	\$388.4	211.7	630.8

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Fiscal Years Ended in December
(Millions of Dollars)

	2021	2020	2019
Cash flows from operating activities			
Net earnings	\$ 435.3	225.4	520.5
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation of property, plant and equipment	163.3	120.2	133.5
Loss on disposal of business	108.8	—	—
Impairment of intangibles and production assets	—	71.5	—
Loss on Discovery investment	74.1	—	—
Fair value adjustment on Discovery Option	(20.1)	(1.5)	(1.2)
Non-cash pension settlement	—	—	111.0
Amortization of intangible assets	116.8	144.7	47.3
Program cost amortization	628.6	387.1	85.6
Deferred income taxes	36.0	30.3	(15.0)
Stock-based compensation	97.8	49.7	28.0
Other non-cash items	(1.5)	9.0	(53.0)
Changes in operating assets and liabilities, net of acquired and disposed balances:			
(Increase) decrease in accounts receivable	(159.5)	210.8	(211.5)
(Increase) decrease in inventories	(173.9)	62.8	(4.6)
(Increase) decrease in prepaid expenses and other current assets	(30.6)	(7.5)	18.1
Program spend, net	(697.3)	(438.9)	(33.9)
Increase in accounts payable and accrued liabilities	313.2	49.3	62.3
Change in net deemed repatriation tax	(18.4)	(18.4)	(14.6)
Other	(54.7)	81.8	(19.4)
Net cash provided by operating activities	<u>817.9</u>	<u>976.3</u>	<u>653.1</u>
Cash flows from investing activities			
Additions to property, plant and equipment	(132.7)	(125.8)	(133.6)
Investments and acquisitions, net of cash acquired	—	(4,412.9)	(8.8)
Proceeds from sale of business, net of cash	378.5	—	—
Net gains on derivative contracts	—	—	80.0
Other	(3.8)	38.5	1.5
Net cash provided (utilized) by investing activities	<u>242.0</u>	<u>(4,500.2)</u>	<u>(60.9)</u>
Cash flows from financing activities			
Net proceeds from borrowings	144.0	1,112.6	2,355.0
Repayments of borrowings	(1,220.1)	(275.5)	—
Net repayments of other short-term borrowings	(5.6)	(8.6)	(8.8)
Purchases of common stock	—	—	(61.4)
Stock-based compensation transactions	30.6	16.6	31.8
Dividends paid	(374.5)	(372.7)	(336.6)
Payments related to tax withholding for share-based compensation	(13.7)	(6.0)	(13.1)
Redemption of equity instruments	—	(47.4)	—
Deferred acquisition payments	—	—	(100.0)
Proceeds from issuance of common stock	—	—	975.2
Debt extinguishment costs	(9.1)	—	—
Debt acquisition costs	—	—	(26.7)
Other	(11.4)	(13.1)	(4.8)
Net cash (utilized) provided by financing activities	<u>(1,459.8)</u>	<u>405.9</u>	<u>2,810.6</u>
Effect of exchange rate changes on cash	(30.6)	(12.7)	(4.8)
(Decrease) increase in cash, cash equivalents and restricted cash	(430.5)	(3,130.7)	3,398.0
Cash, cash equivalents and restricted cash at beginning of year	1,449.7	4,580.4	1,182.4
Cash, cash equivalents and restricted cash at end of year	<u>\$ 1,019.2</u>	<u>1,449.7</u>	<u>4,580.4</u>
Supplemental information			
Interest paid	\$ 171.9	182.9	82.2
Income taxes paid	\$ 160.5	81.6	103.1

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity and Redeemable Noncontrolling Interests (Millions of Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non- controlling Interests	Total Shareholders' Equity	Redeemable Non- controlling Interests
Balance, December 30, 2018	\$104.8	1,275.1	4,184.4	(294.5)	(3,515.2)	—	\$ 1,754.6	\$ —
Net earnings	—	—	520.5	—	—	—	520.5	—
Equity issuance, net of fees	5.3	969.9	—	—	—	—	975.2	—
Other comprehensive earnings	—	—	—	110.3	—	—	110.3	—
Stock-based compensation transactions	—	3.0	—	—	15.7	—	18.7	—
Purchases of common stock	—	—	—	—	(61.4)	—	(61.4)	—
Stock-based compensation expense	—	27.8	—	—	0.2	—	28.0	—
Dividends declared	—	—	(350.2)	—	—	—	(350.2)	—
Balance, December 29, 2019	\$ 110.1	2,275.8	4,354.7	(184.2)	(3,560.7)	—	\$2,995.7	\$ —
Noncontrolling interests related to acquisition of eOne	—	—	—	—	—	43.3	43.3	26.2
Net earnings attributable to Hasbro, Inc.	—	—	222.5	—	—	—	222.5	—
Net earnings attributable to noncontrolling interests	—	—	—	—	—	2.5	2.5	0.4
Buyout of noncontrolling interest	—	0.6	—	—	—	—	0.6	—
Other comprehensive loss	—	—	—	(10.8)	—	—	(10.8)	—
Stock-based compensation transactions	—	1.9	—	—	8.7	—	10.6	—
Stock-based compensation expense	—	49.4	—	—	0.3	—	49.7	—
Dividends declared	—	—	(373.0)	—	—	—	(373.0)	—
Distributions paid to noncontrolling owners and other foreign exchange	—	1.4	—	—	—	(5.8)	(4.4)	(2.2)
Balance, December 27, 2020	\$ 110.1	2,329.1	4,204.2	(195.0)	(3,551.7)	40.0	\$2,936.7	\$24.4
Net earnings attributable to Hasbro, Inc.	—	—	428.7	—	—	—	428.7	—
Net earnings attributable to noncontrolling interests	—	—	—	—	—	3.3	3.3	3.3
Change in put option value	—	(1.3)	—	—	—	—	(1.3)	—
Other comprehensive loss	—	—	—	(40.3)	—	—	(40.3)	—
Stock-based compensation transactions	—	1.2	—	—	15.6	—	16.8	—
Stock-based compensation expense	—	96.4	—	—	1.4	—	97.8	—
Dividends declared	—	—	(375.1)	—	—	—	(375.1)	—
Distributions paid to noncontrolling owners and other foreign exchange	—	2.6	—	—	—	(6.1)	(3.5)	(3.8)
Balance, December 26, 2021	<u>\$ 110.1</u>	<u>2,428.0</u>	<u>4,257.8</u>	<u>(235.3)</u>	<u>(3,534.7)</u>	<u>37.2</u>	<u>\$ 3,063.1</u>	<u>\$23.9</u>

See accompanying notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Preparation of Consolidated Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes thereto. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of Hasbro, Inc. and all majority-owned subsidiaries (“Hasbro” or the “Company”). Investments representing 20% to 50% ownership interests in other companies are accounted for using the equity method. For those majority-owned subsidiaries that are not 100% owned by Hasbro, the interests of the minority owners are accounted for as noncontrolling interests.

All intercompany balances and transactions have been eliminated.

Fiscal Year

Hasbro’s fiscal year ends on the last Sunday in December. The fiscal years ended December 26, 2021, December 27, 2020, and December 29, 2019 were all fifty-two week periods.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all cash balances and highly liquid investments purchased with an initial maturity to the Company of three months or less. Under the Company’s production financing facilities, certain of the Company’s cash is restricted while the financing is outstanding. At December 26, 2021, \$35.8 million of the Company’s cash was restricted by such facilities. See Production Financing below and notes 9 and 11 for further details.

Marketable Securities

Included in marketable securities is common stock in a public company arising from a business relationship. This type of investment is also included in prepaid expenses and other current assets in the accompanying consolidated balance sheets; however, due to its nature and business purpose, the Company records unrealized gains and losses in accumulated other comprehensive loss in the consolidated balance sheets until it is sold or the decline in value is deemed to be other than temporary, at which point the gains or losses will be recognized in the consolidated statements of operations.

Accounts Receivable and Allowance for Credit Losses

Credit is granted to customers predominantly on an unsecured basis. Credit limits and payment terms are established based on extensive evaluations made on an ongoing basis throughout the fiscal year with regard to the financial performance, cash generation, financing availability and liquidity status of each customer. The majority of customers are formally reviewed at least annually; more frequent reviews are performed based on the customer’s financial condition and the level of credit being extended. For customers on credit who are experiencing financial difficulties, management performs additional financial analyses before shipping orders. The Company uses a variety of financial transactions, based on availability and cost, to increase the collectability of certain of its accounts, including letters of credit, credit insurance, and requiring cash in advance of shipping.

The Company records an allowance for credit losses for accounts receivable based on management’s expected credit losses. Management’s estimate of expected credit losses is based on its

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

assessment of the business environment, customers' financial condition, historical collection experience, accounts receivable aging and customer disputes.

Accounts receivable, net on the consolidated balance sheet represents amounts due from customers less the allowance for credit losses as well as allowances for discounts, rebates and returns.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value. Based upon a consideration of quantities on hand, actual and projected sales volume, anticipated product selling price and product lines planned to be discontinued, slow-moving and obsolete inventory is written down to its estimated net realizable value. At both December 26, 2021 and December 27, 2020, substantially all inventory is comprised of finished goods.

Equity Method Investment

For the Company's equity method investments, only the Company's investment in and amounts due to and from the equity method investment are included in the consolidated balance sheets and only the Company's share of the equity method investment's earnings (losses) is included in other expense (income), net in the consolidated statements of operations. Dividends, cash distributions, loans or other cash received from the equity method investment, additional cash investments, loan repayments or other cash paid to the investee are included in the consolidated statements of cash flows.

The Company reviews its equity method investments for impairment on a periodic basis. If it has been determined that the fair value of the equity investment is less than its related carrying value and that this decline is other-than-temporary, the carrying value of the investment is adjusted downward to reflect these declines in value. The Company owns an interest in a joint venture, Discovery Family Channel ("the Network"), with Discovery Communications, Inc. ("Discovery"). The Company has determined that it does not meet the control requirements to consolidate the Network and accounts for the investment using the equity method of accounting.

During the fourth quarter of 2021, the Company reviewed its investment in the Network for impairment and concluded that the fair value of the Company's interest in the joint venture was less than its carrying value, and as such, recorded an impairment loss of \$74.1 million, which is included in other expense (income), net in the consolidated statements of operations for the year ended December 26, 2021. This impairment was caused by the impact of accelerating changes in the cable distribution industry.

The Company and Discovery are also party to an option agreement with respect to the Network. The Company has recorded a liability for this option agreement at fair value which is included in other liabilities in the consolidated balance sheets. Unrealized gains and losses on this option are recognized in other expense (income), net in the consolidated statements of operations as they occur. In 2021, as a result of the impairment loss recognized on the investment in the Network, the Company adjusted the option's fair value resulting in a \$20.1 million gain.

See notes 7 and 14 for additional information.

Noncontrolling Interests

The financial results and position of the noncontrolling interests acquired through the acquisition of eOne are included in their entirety in the Company's consolidated statements of operations and consolidated balance sheets beginning with the first quarter of 2020. The value of the redeemable noncontrolling interests is presented in the consolidated balance sheets as temporary equity between liabilities and shareholders' equity. The value of the non-redeemable noncontrolling interests is

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

presented in the consolidated balance sheets within total shareholders' equity. Earnings (losses) attributable to the redeemable noncontrolling interests and non-redeemable noncontrolling interests are presented as a separate line on the consolidated statements of operations which is necessary to identify those earnings (losses) specifically attributable to Hasbro. A breakout of the remaining redeemable noncontrolling interests and non-redeemable noncontrolling interests as of December 26, 2021 is listed below.

Name	Country of Incorporation	Ownership Interest	Proportion	Principal Activity
Astley Baker Davies Limited	England and Wales	Nonredeemable	70 %	Ownership of intellectual property
Renegade Entertainment, LLC	United States	Redeemable	65 %	Production of television programs
Round Room Live, LLC	United States	Nonredeemable	60 %	Production of live events

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using accelerated and straight-line methods to depreciate the cost of property, plant and equipment over their estimated useful lives. The principal lives, in years, used in determining depreciation rates of various assets are: land improvements 15 to 19, buildings and improvements 15 to 25 and machinery and equipment (including computer hardware and software) 3 to 12. Depreciation expense is classified in the consolidated statements of operations based on the nature of the property and equipment being depreciated. Tools, dies and molds are depreciated over their useful lives, which is generally three years, using an accelerated method. The Company generally owns all tools, dies and molds related to its products.

Property, plant and equipment, net is reviewed for impairment whenever events or circumstances indicate the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset or related asset group to future undiscounted cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying value of the assets exceeds their fair value wherein the fair value is the appraised value. Furthermore, assets to be disposed of are carried at the lower of the net book value or their estimated fair value less disposal costs.

Goodwill and Other Intangible Assets, Net

Goodwill results from acquisitions the Company has made over time. Substantially all of the Company's other intangible assets consist of the cost of acquired product rights. In establishing the value of such rights, the Company considers existing trademarks, copyrights, patents, license agreements and other product-related rights. These rights were valued on their acquisition dates based on the anticipated future cash flows from the underlying product lines. The Company has certain intangible assets related to the Tonka and Milton Bradley acquisitions that have indefinite lives.

Goodwill and intangible assets deemed to have indefinite lives are not amortized and are tested for impairment at least annually. The annual goodwill test begins with a qualitative assessment, where qualitative factors and their impact on critical inputs are assessed to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the Company determines that a reporting unit has an indication of impairment based on the qualitative assessment, it is required to perform a quantitative assessment.

During the first quarter of 2021, the Company realigned its financial reporting structure creating the following three principal reporting segments: Consumer Products, Wizards of the Coast and Digital

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Gaming and Entertainment. As a result of these changes, the Company reallocated its goodwill among the revised reporting units based on the change in relative fair values of the respective reporting units. (See note 6 for details on the allocation of goodwill across the Company's new reporting structure.)

In the third quarter 2021, the Company sold eOne Music for net proceeds of \$397.0 million. The Company acquired eOne Music through its acquisition of eOne in 2020. Based on the value of the net assets held by eOne Music, which included certain goodwill and intangible assets allocated to the eOne reportable segment and attributable to eOne Music, the Company recorded a pre-tax non-cash goodwill impairment charge of \$108.8 million within Loss on Disposal of Business on the Consolidated Statements of Operations for the year ended December 26, 2021. (See note 6 for details on the eOne Music goodwill impairment.)

Prior to its 2021 annual impairment test, the Company had not performed a quantitative assessment of goodwill since 2013. Given the length of time since the last quantitative analysis, as well as the changes that have occurred within its goodwill balances since that time, the Company elected to perform a quantitative assessment of goodwill for each reporting unit in the fourth quarter of 2021. Based on the quantitative assessment with respect to each of its reporting units, the Company determined that the fair values of its reporting units exceeded their carrying values. As a result of this assessment, the Company concluded that there was no impairment to any of its reporting units. Accordingly, other than the Music goodwill impairment loss noted above, there was no goodwill impairment recorded for the year ended December 26, 2021.

During the fourth quarters of 2020 and 2019, the Company performed a qualitative goodwill assessment with respect to each of its reporting units, including an assessment of eOne. Our assessment included the consideration of COVID-19 and the impact to our business in 2020. We determined that it was not necessary to perform a quantitative assessment for the goodwill of the reporting units in any of the years.

The remaining intangible assets having definite lives are being amortized over periods ranging from two to twenty-five years, primarily using the straight-line method.

The Company reviews other intangible assets with definite lives for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset or asset group. If such assets were considered to be impaired, the impairment to be recognized would be measured by the amount by which the carrying value of the assets exceeds their fair value wherein that fair value is determined based on discounted cash flows.

During 2020, the Company determined that certain of its definite-lived intangible entertainment and production assets related to properties, from both the legacy Hasbro business as well as properties acquired through the eOne acquisition, were impaired. It was determined that the carrying values of these intangible assets exceeded their related future cash flows. As a result, charges of \$20.0 million and \$30.7 million were recorded in the first and fourth quarters, respectively, within acquisition and related costs in the Company's Consolidated Statement of Operations.

There were no other triggering events in 2021 or 2020 which would indicate the Company's intangible assets were impaired.

Financial Instruments

Hasbro's financial instruments include cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and certain accrued liabilities. At December 26, 2021, the carrying cost of these instruments approximated their fair value. The Company's financial instruments at December 26, 2021

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Notes to Consolidated Financial Statements — (Continued)

also include long-term borrowings (see note 11 for carrying cost and related fair values) as well as certain assets and liabilities measured at fair value (see notes 14 and 18).

Production Financing

Production financing relates to financing facilities for certain of the Company's television and film productions. Beginning in the first quarter of 2020 with the acquisition of eOne, the Company funded certain of its television and film productions using production financing facilities. Production financing facilities are secured by the assets and future revenues of the individual production subsidiaries, typically have maturities of less than two years while the titles are in production, and are repaid once the production is delivered and all tax credits, broadcaster pre-sales and international sales have been received. In connection with the production of a television or film program, the Company records initial cash outflows within cash flows from operating activities due to its investment in the production and concurrently records cash inflows within cash flows from financing activities from the production financing it normally obtains. Under these facilities, certain of the Company's cash is restricted while the financing is outstanding. At December 26, 2021, \$35.8 million of the Company's cash was restricted by such facilities. For further details, see note 11.

Revenue Recognition

Revenue is recognized when control of the promised goods, intellectual property or production is transferred to the customers or licensees, in an amount that reflects the consideration the Company expects to be entitled to in exchange for transferring those goods. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

The majority of the Company's revenues are derived from sales of finished products to customers. Revenues from sales of finished products to customers accounted for 74%, 77% and 91% of the Company's revenues for the years ended December 26, 2021, December 27, 2020 and December 29, 2019, respectively. When determining whether control of the finished products has transferred to the customer, the Company considers any future performance obligations. Generally, the Company has no post-shipment obligation on sales of finished products to customers and revenues from product sales are recognized upon passing of title to the customer, which is generally at the time of shipment. Any shipping and handling activities that are performed by the Company, whether before or after a customer has obtained control of the products, are considered activities to fulfill our obligation to transfer the products, and are recorded as incurred within selling, distribution, and administration expenses. The Company offers various discounts, rebates, allowances, returns, and markdowns to its customers (collectively, "allowances"), all of which are considered when determining the transaction price. Certain allowances are fixed and determinable at the time of sale and are recorded at the time of sale as a reduction to revenues. Other allowances can vary depending on future outcomes such as customer sales volume ("variable consideration"). The Company estimates the amount of variable consideration using the expected value method. In estimating the amount of variable consideration using the expected value method, the Company considers various factors including but not limited to: customer terms, historical experience, any expected deviations from historical experience, and existing or expected market conditions. The Company then records an estimate of variable consideration as a reduction to revenues at the time of sale. The Company adjusts its estimate of variable consideration at least quarterly or when facts and circumstances used in the estimation process may change. Historically, adjustments to estimated variable consideration have not been material.

The Company enters into contracts to license its intellectual property, which consists of its brands, in various channels including but not limited to: consumer products such as apparel or home goods,

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

within formats such as on-line and digital games, within venues such as theme parks, or within formats such as television and film. The licensees pay the Company either a sales-based or usage-based royalty, or a combination of both, for use of the brands, in some cases subject to minimum guaranteed amounts or fixed fees. The license of the Company's brands provide access to the intellectual property over the term of the license, generally without any other performance obligation of the Company other than keeping the intellectual property active, and is therefore considered a right-to-access license of symbolic intellectual property. The Company records sales-based or usage-based royalty revenues for right-to-access licenses at the occurrence of the licensees' subsequent sale or usage. When the arrangement includes a minimum guarantee, the Company records the minimum guarantee on a ratable basis over the term of the license period and does not record the sales-based or usage-based royalty revenues until they exceed the minimum guarantee.

The Company also produces, sells and licenses television and film content for distribution to third parties in formats that include broadcast, digital streaming, transactional and theatrical. These are intellectual property licenses where the licensees pay either a fixed fee for the content license or a variable fee in the form of a sales based royalty. The content that the Company delivers to its licensees typically has stand-alone functionality, generally without any other performance obligation of the Company, and is therefore considered a right-to-use license of functional intellectual property. The Company records revenues for right-to-use licenses once the license period has commenced and the licensee has the ability to use the delivered content. In arrangements where the licensee pays the Company a fixed fee for multiple seasons or multiple series of programming, arrangement fees are recorded as revenues based upon their relative fair values. The Company also earns advertising revenues from certain content made available on free to consumer, streaming video on demand platforms where the Company earns a portion of the advertising revenues earned by the service provider. The performance obligation is met and revenue is recorded, when the user accesses the Company's content through the streaming platform.

The Company develops digital games featuring its brands within the games, such as *Magic: The Gathering Arena*. The Company does not charge a fee to the end users for the download of the games or the ability to play the games. The end users make in-application purchases of virtual currencies with such purchased virtual currencies to be used in the games. The Company records revenues from in-application purchases based on either the usage patterns of the players or the player's estimated life, depending on the nature of the game item purchased in exchange for virtual currency. For items recognized over the player's estimated life, the Company currently recognizes digital game's revenues within six months of purchase. The Company controls all aspects of the digital goods delivered to the consumer. In the case of *Magic the Gathering: Arena*, the Company hosts the game on its own platform and therefore is the principal and records the gross revenues within Net Revenues in our Consolidated Statements of Operations.

The Company also develops certain digital games available for online and offline play, such as *Dungeons & Dragons: Dark Alliance*, which are delivered to customers through digital downloads or as physical discs compatible for play through various gaming platforms. Initially these game purchases may come with future software updates to be delivered as needed, or additional downloadable content, delivered when made available by the Company. For these games, the Company allocates the revenue to the identified performance obligations. For the software license performance obligation, the Company recognizes revenue when control of the gaming license has been transferred to the customer, typically at the time of purchase. If applicable, revenue related to future downloadable content or software updates is recognized ratably over the estimated service period.

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Notes to Consolidated Financial Statements — (Continued)

Costs of Sales

Cost of sales primarily consists of purchased materials, labor, tooling, manufacturing overheads and other inventory-related costs such as obsolescence.

Investment in Productions and Acquired Content Rights and Program Cost Amortization

The Company incurs costs in connection with the production of television programming and motion pictures. The majority of these costs are capitalized by the Company as they are incurred and amortized using the individual-film-forecast method, whereby these costs are amortized in the proportion that the current year's revenues bear to management's estimate of total ultimate revenues as of the beginning of such period related to the program. Ultimate revenue estimates are periodically reviewed and adjustments, if any, will result in changes to amortization rates and estimated accruals for residuals and participations. Ultimate revenue includes estimates over a period not to exceed ten years following the date of release of the production. Ultimate revenue used in amortization of acquired content rights is estimated over the life of the acquired rights but no longer than a period of ten years. These capitalized costs are reported at the lower of cost, less accumulated amortization, or fair value, and reviewed for impairment when an event or change in circumstances occurs that indicates that impairment may exist. The fair value is determined using a discounted cash flow model which is primarily based on management's future revenue and cost estimates. Certain of these agreements require the Company to pay minimum guaranteed advances ("MGs") for participations and residuals. MGs are recognized in the consolidated balance sheets when a liability arises, usually on delivery of the television or film program to the Company. The current portion of MGs are recorded as Payables and Accrued Liabilities and the long-term portion are recorded as Other Liabilities.

Royalties

The Company enters into license agreements with strategic partners, inventors, designers and others for the use of intellectual properties in its products. In addition, the Company enters into minimum guarantee royalty arrangements related to the purchase of film and television rights for content to be delivered in the future. These agreements may call for payment in advance or future payment of minimum guaranteed amounts. Amounts paid in advance are recorded as an asset and charged to expense when the related revenue is recognized in the consolidated statements of operations. If all or a portion of the minimum guaranteed amounts appear not to be recoverable through future use of the rights obtained under the license, the non-recoverable portion of the guaranty is charged to expense at that time.

Advertising

Production costs of commercials are expensed in the fiscal year during which the production is first aired. The costs of other advertising and promotion programs are expensed in the fiscal year incurred.

Shipping and Handling

Hasbro expenses costs related to the shipment and handling of goods to customers as incurred. For 2021, 2020 and 2019, these costs were \$264.1 million, \$228.0 million and \$218.7 million, respectively, and are included in selling, distribution and administration expenses.

Operating Leases

The Company leases certain property, vehicles and other equipment through operating leases. Operating lease right-of-use assets are recorded within Property, Plant and Equipment and the related liabilities recorded within Accrued Liabilities and Other Liabilities on the Company's consolidated balance sheets. The Company has no material finance leases.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Operating lease assets represent the Company's right to use the underlying asset for the lease term and lease liabilities represent an obligation to make lease payments according to the terms of the lease. Operating lease assets and liabilities are recognized at the inception of the lease agreement based on the estimated present value of lease payments over the lease term, using our incremental borrowing rate based on information available on the lease commencement date. The Company capitalizes non-lease components for equipment leases, but expenses non-lease components as incurred for real estate leases. Leases with an expected term of 12 months or less are not capitalized. Lease expense under such leases is recorded straight line over the life of the lease. For further details on the Company's operating leases, see note 17.

Income Taxes

Hasbro uses the asset and liability approach for financial accounting and reporting of income taxes. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred taxes are measured using rates expected to apply to taxable income in years in which those temporary differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The assumptions utilized in determining future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. Actual operating results in future years could differ from our current assumptions, judgments and estimates. However, we believe that it is more likely than not that most of the deferred tax assets recorded on our Consolidated Balance Sheets will ultimately be realized. We record a valuation allowance to reduce our deferred tax assets to the net amount that we believe is more likely than not to be realized. As of December 26, 2021, the valuation allowance of \$171.2 million was primarily related to net operating losses acquired as part of the eOne acquisition. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company uses a two-step process for the measurement of uncertain tax positions that have been taken or are expected to be taken in a tax return. The first step is a determination of whether the tax position should be recognized in the consolidated financial statements. The second step determines the measurement of the tax position. The Company records potential interest and penalties on uncertain tax positions as a component of income tax expense.

Foreign Currency Translation

Foreign currency assets and liabilities are translated into U.S. dollars at period-end exchange rates, and revenues, costs and expenses are translated at weighted average exchange rates during each reporting period. Net earnings include gains or losses resulting from foreign currency transactions and, when required, translation gains and losses resulting from the use of the U.S. dollar as the functional currency in highly inflationary economies. Other gains and losses resulting from translation of financial statements are a component of other comprehensive earnings (loss).

Pension Plans, Postretirement and Postemployment Benefits

Pension expense and related amounts in the consolidated balance sheets are based on actuarial computations of current and future benefits. Actual results that differ from the actuarial assumptions are

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

accumulated and, if outside a certain corridor, amortized over future periods and, therefore affect recognized expense in future periods. The corridor used for this purpose is equal to 10% of the greater of plan liabilities or market asset values, and future periods vary by plan, but generally equal the actuarially determined average expected future working lifetime of active plan participants. The Company's policy is to fund amounts which are required by applicable regulations and which are tax deductible. The estimated amounts of future payments to be made under other retirement programs are being accrued currently over the period of active employment and are also included in pension expense. Hasbro has a contributory postretirement health and life insurance plan covering substantially all employees who retired under any of its United States defined benefit pension plans prior to January 1, 2020, and meet certain age and length of service requirements. During the fourth quarter of 2019, with the approval of the Compensation Committee of the Company's Board of Directors, the Company announced the elimination of the contributory post-retirement health and life insurance coverage for employees whose retirement eligibility begins after December 31, 2019. See note 16 for further discussion.

The cost of providing these benefits on behalf of employees who retired prior to 1993 has been substantially borne by the Company.

The cost of providing benefits on behalf of eligible employees who retire after 1992 is borne by the employee. The Company also has several plans covering certain groups of employees, which may provide benefits to such employees following their period of employment but prior to their retirement. The Company measures the costs of these obligations based on actuarial computations.

In February 2018, the Compensation Committee of the Company's Board of Directors approved a resolution to terminate the Company's U.S. defined benefit pension plan ("U.S. Pension Plan"). The Company commenced the U.S. Pension Plan termination process and received regulatory approval during 2018 and settled all remaining benefits in 2019 directly with vested participants electing a lump sum payout, and purchased a group annuity contract from Massachusetts Mutual Life Insurance Company to administer all future payments to remaining U.S. Pension Plan participants. Upon settlement of the pension liability, the Company recognized a non-operating settlement charge of \$111.0 million in 2019 related to pension losses, reclassified from accumulated other comprehensive loss to other (income) expense in the Company's consolidated statements of operations, adjusted for market conditions and settlement costs at benefit distribution.

Stock-Based Compensation

The Company has a stock-based employee compensation plan for employees and non-employee members of the Company's Board of Directors. Under this plan the Company may grant stock options at or above the fair market value of the Company's stock, as well as restricted stock, restricted stock units and contingent stock performance awards. All awards are measured at fair value at the date of the grant and amortized as expense on a straight-line basis over the requisite service period of the award. For awards contingent upon Company performance, the measurement of the expense for these awards is based on the Company's current estimate of its performance over the performance period. See note 15 for further discussion.

Risk Management Contracts

Hasbro uses foreign currency forward contracts to mitigate the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future purchases of inventory, product sales, television and film production costs and production financing as well as other cross-border currency requirements not denominated in the functional currency of the business unit, are primarily denominated in United States, Canadian and

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Hong Kong dollars as well as Euros and British pound sterling. All contracts are entered into with a number of counterparties, all of which are major financial institutions. The Company believes that a default by a counterparty would not have a material adverse effect on the financial condition of the Company. Hasbro does not enter into derivative financial instruments for speculative purposes.

At the inception of the contracts, Hasbro designates its derivatives as either cash flow or fair value hedges. The Company formally documents all relationships between hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking various hedge transactions. All hedges designated as cash flow hedges are linked to forecasted transactions and the Company assesses, both at the inception of the hedge and on an on-going basis, the effectiveness of the derivatives used in hedging transactions in offsetting changes in the cash flows of the forecasted transaction.

The Company records all derivatives, such as foreign currency exchange contracts, on the consolidated balance sheets at fair value. Changes in the derivative fair values that are designated as cash flow hedges are deferred and recorded as a component of Accumulated Other Comprehensive Loss (“AOCE”) until the hedged transactions occur and are then recognized in the consolidated statements of operations. The Company’s foreign currency contracts hedging anticipated cash flows are designated as cash flow hedges. When it is determined that a derivative is not highly effective as a hedge, the Company discontinues hedge accounting prospectively. Any gain or loss deferred through that date remains in AOCE until the forecasted transaction occurs, at which time it is reclassified to the consolidated statements of operations. To the extent the transaction is no longer deemed probable of occurring, hedge accounting treatment is discontinued and amounts deferred would be reclassified to the consolidated statements of operations. In the event hedge accounting requirements are not met, gains and losses on such instruments are included in the consolidated statements of operations. The Company uses derivatives to economically hedge intercompany loans denominated in foreign currencies. The Company does not use hedge accounting for these contracts as changes in the fair value of these contracts are substantially offset by changes in the fair value of the intercompany loans.

During the third quarter of 2019, the Company hedged a portion of its exposure to fluctuations in the British pound sterling in relation to the Entertainment One Ltd. (“eOne”) acquisition purchase price and other transaction related costs using a series of both foreign exchange forward and option contracts. These contracts did not qualify for hedge accounting and as such, were marked to market through the Company’s Consolidated Statement of Operations. For tax purposes these contracts qualified as nontaxable integrated tax hedges. The Company recorded realized gains of \$80.0 million on matured contracts to other (income) expense, net for the year ended December 29, 2019. These contracts matured on December 30, 2019 (the closing date of the transaction) and net gains or losses recognized on these contracts in 2020 were immaterial.

Prior to the issuance of certain long-term Notes due 2021 and 2044, the Company entered into a forward-starting interest rate swap contract to hedge the anticipated U.S. Treasury interest rates on the anticipated debt issuance. These instruments, which were designated and effective as hedges, were terminated on the date of the related debt issuance and the then fair value of these instruments was recorded to AOCE and amortized through the consolidated statements of operations using an effective interest rate method over the life of the related debt.

Net Earnings Per Common Share

Basic net earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding for the year as well as awards that have not been issued but all contingencies have been met. Diluted net earnings per share is similar except that the weighted average number of shares outstanding is increased by dilutive securities, and net earnings are adjusted,

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Notes to Consolidated Financial Statements — (Continued)

if necessary, for certain amounts related to dilutive securities. Dilutive securities include shares issuable upon exercise of stock options for which the market price exceeds the exercise price, less shares which could have been purchased by the Company with the related proceeds. Dilutive securities also include shares issuable under restricted stock unit award agreements. Options and restricted stock unit awards totaling 2.2 million, 2.8 million and 0.9 million for 2021, 2020, and 2019, respectively, were excluded from the calculation of diluted earnings per share because to include them would have been antidilutive.

A reconciliation of net earnings and average number of shares for each of the three fiscal years ended December 26, 2021 is as follows:

(In millions, except per share data)	2021		2020		2019	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net earnings attributable to Hasbro, Inc.	\$428.7	428.7	222.5	222.5	520.5	520.5
Average shares outstanding	138.0	138.0	137.3	137.3	127.9	127.9
Effect of dilutive securities:						
Options and other share-based awards	—	0.4	—	0.3	—	0.6
Equivalent shares	138.0	138.4	137.3	137.6	127.9	128.5
Net earnings per share attributable to Hasbro, Inc.	\$ 3.11	3.10	1.62	1.62	4.07	4.05

(2) Revenue Recognition

Contract Assets and Liabilities

In the ordinary course of business, the Company's Consumer Products and Entertainment segments enter into contracts to license certain of the Company's intellectual property, providing licensees right-to-use access for use in the production and sale of consumer products and digital game development, and for use within content for distribution over streaming platforms and for television and film. The Company also licenses owned television and film content for distribution to third parties in formats that include broadcast, digital streaming and theatrical. Through these arrangements, the Company may receive advanced royalty payments from licensees, either in advance of a licensees' subsequent sales to customers or, prior to the completion of the Company's performance obligation. In addition, the Company's Wizards of the Coast and Digital Gaming segment may receive advanced payments from end users of its digital games at the time of the initial purchase or through in-application purchases. These digital gaming revenues are recognized over a period of time, determined based on player usage patterns or the estimated playing life of the user or when additional downloadable content is made available. The Company defers revenues on all licensee and digital gaming advanced payments until the respective performance obligations are satisfied. The Company records the aggregate deferred revenues as contract liabilities, with the current portion recorded within Accrued Liabilities and the long-term portion recorded as Other Non-current Liabilities in the Company's consolidated balance sheets. The Company records contract assets in the case of (1) minimum guarantees being recognized in advance of contractual invoicing, which are recognized ratably over the terms of the respective license periods, and (2) film and television distribution revenues recorded for content delivered, where payment will occur over the license term. The current portion of contract assets is recorded in Prepaid Expenses and Other Current Assets, respectively, and the long-term portion is recorded within Other Long-Term Assets.

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Notes to Consolidated Financial Statements – (Continued)

At December 26, 2021 and December 27, 2020, the Company had the following contract assets and liabilities in its consolidated balance sheets:

(In millions)	December 26, 2021	December 27, 2020
Assets		
Contract assets - current	\$ 286.9	284.4
Contract assets - long term	104.2	77.0
Total	<u>\$ 391.1</u>	<u>361.4</u>
Liabilities		
Contract liabilities - current	\$ 114.1	161.0
Contract liabilities - long term	7.1	18.2
Total	<u>\$ 121.2</u>	<u>179.2</u>

For the year ended December 26, 2021, the Company recognized \$49.4 million of the contract assets and \$123.2 million of contract liabilities that were included in the December 27, 2020 balances.

Unsatisfied Performance Obligations

Unsatisfied performance obligations relate primarily to in-production television content to be delivered in the future under existing agreements with partnering content providers such as broadcasters, distributors, television networks and subscription video on demand services. As of December 26, 2021, unrecognized revenue attributable to unsatisfied performance obligations expected to be recognized in the future was \$304.1 million. Of this amount, we expect to recognize approximately \$238.1 million in 2022, \$53.9 million in 2023, and \$12.1 million in 2024. These amounts include only fixed consideration.

Accounts Receivable and Allowance for Credit Losses

The Company's balance for accounts receivable on the consolidated balance sheets as of December 26, 2021 and December 27, 2020 are primarily from contracts with customers. In the year ended December 29, 2019, the Company recorded a charge for credit losses for accounts receivable of approximately \$49.0 million related to Toys“R”Us. The Company had no other material expense for credit losses in the years ended December 26, 2021, December 27, 2020, or December 29, 2019.

Disaggregation of revenues

The Company disaggregates its revenues from contracts with customers by reportable segment: Consumer Products, Entertainment, and Wizards of the Coast and Digital Gaming. The Company further disaggregates revenues within its Consumer Products segment by major geographic region: North America, Europe, Latin America, and Asia Pacific; and within its Entertainment segment by category: Film & TV, Family Brands, and Music and Other. Finally, the Company disaggregates its revenues by brand portfolio into five brand categories: Franchise Brands, Partner Brands, Hasbro Gaming, Emerging Brands and TV/Film/Entertainment. We believe these collectively depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See note 21 for additional information on disaggregation of revenues.

In addition to the required disclosures below, see further discussion of the Company's revenue recognition policy in note 1.

(3) Business Combination

On December 30, 2019, the Company completed its acquisition of eOne, a global independent studio that specializes in the development, acquisition, production, distribution and sales of entertainment content.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

The aggregate purchase price of \$4.6 billion was comprised of \$3.8 billion of cash consideration for shares outstanding and \$0.8 billion related to the redemption of eOne’s outstanding senior secured notes and the payoff of eOne’s revolving credit facility. The Company financed the acquisition with proceeds from the following debt and equity financings: (1) the issuance of senior unsecured notes in an aggregate principal amount of \$2.4 billion in November 2019, (2) the issuance of 10.6 million shares of common stock at a public offering price of \$95.00 per share in November 2019 (resulting in net proceeds of \$975.2 million) and (3) \$1.0 billion in term loans provided by a term loan agreement, which were borrowed on the date of closing. See note 11 for further discussion of the issuance of the senior unsecured notes and term loan agreement.

eOne’s results of operations and financial position have been included in the Company’s consolidated financial statements and accompanying footnotes since the date of the acquisition, which was the beginning of the Company’s fiscal year 2020.

The acquisition was accounted for as a business combination under FASB Accounting Standards Codification Topic 805, Business Combinations (“Topic 805”). Pursuant to Topic 805, the Company allocated the eOne purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, December 30, 2019. The excess of the purchase price over those fair values was recorded to goodwill.

The following table summarizes the intangible assets acquired as part of the eOne acquisition:

Intangible assets acquired	Weighted Average Amortization Period	Fair value	(In millions)
Established brands	10 years	\$	615.0
Trade names	15 years		100.0
Artist relationships	14 years		100.0
Music catalogs	12 years		120.0
Other	8 years		121.0
Total intangible assets acquired	11 years	\$	<u>1,056.0</u>

Intangible assets consisted of intellectual property associated with established brands, eOne artist relationships, eOne music catalogs and trademarks and trade names with estimated useful lives ranging from 7 to 15 years, determined based on when the related cash flows are expected to be realized. The fair value of the intangible assets acquired was determined based on the estimated future cash flows to be generated from the acquired assets, considering assumptions related to contract renewal rates and estimated brand franchise revenue growth. eOne acquired intangible asset amortization expense was \$85.0 million and \$97.9 million for the years ended December 26, 2021 and December 27, 2020, respectively.

Deferred tax liabilities within other liabilities were adjusted to record the deferred tax impact of purchase price accounting adjustments, primarily related to intangible assets.

Investments in productions and content, or IIP and IIC, were valued at \$564.8 million on the acquisition date, and include the fair value of completed films and television programs which have been produced by eOne or for which eOne has acquired distribution rights, as well as the fair value of films and television programs in production, pre-production and development. For films and television programs, fair values were estimated based on forecasted cash flows, discounted to present value. For titles less than 3 years old and titles in development, the content assets will be amortized using the individual film forecast method, wherein the amortization will phase to the revenues incurred. For titles over 3 years old, the estimated useful life is 10 years, and will be amortized straight-line over that period.

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Notes to Consolidated Financial Statements – (Continued)

Goodwill of \$3.2 billion represents the excess of the purchase price over the fair value of the underlying tangible and identifiable intangible assets acquired and liabilities assumed. The acquisition goodwill represents the value placed on the combined company's brand building capabilities, storytelling capabilities and franchise economics in TV, film and other mediums to strengthen Hasbro brands. In addition, the acquisition goodwill depicts added benefits of long-term profitable growth through in-sourcing toy and game production for the acquired preschool brands and cost-synergies, as well as future revenue growth opportunities. The goodwill recorded as part of this acquisition was included within the Entertainment and Consumer Products segments for the year ended December 27, 2020. The goodwill associated with the acquisition will not be amortized for financial reporting purposes and will not be deductible for federal tax purposes. See note 6 for information on the Company's goodwill reallocation during the first quarter of 2021 and the goodwill impairment charge recorded in the second quarter of 2021 as a result of the sale of the eOne music business, which was completed during the third quarter of 2021.

In 2020, the Company incurred charges of \$218.6 million related to the eOne acquisition, which were recorded in acquisition and related costs within the Company's Consolidated Statement of Operations. Included within the Entertainment segment results for the year ended December 27, 2020 were \$133.2 million of acquisition and related charges. The remaining charges were included in Corporate and Other.

The acquisition and related costs for the year ended December 27, 2020 consisted of the following:

- Acquisition and integration costs of \$145.2 million, including expense associated with the acceleration of eOne stock-based compensation and advisor fees settled at the closing of the acquisition, as well as integration costs and impairment charges in the fourth quarter of 2020 for certain definite-lived intangible and other assets; and
- Restructuring and related costs of \$73.4 million which includes severance and retention costs, as well as \$40.9 million in impairment charges for certain definite-lived intangible and production assets. The impairment charges of \$40.9 million were driven by the change in strategy for the combined company's entertainment assets.

Pursuant to Topic 805, unaudited supplemental pro forma results of operations for the year ended December 29, 2019, as if the acquisition of eOne had occurred on December 31, 2018, the first day of the Company's 2019 fiscal year are presented below (in millions, except per share amounts):

(In millions, except per share data)	Year Ended December 29, 2019
Revenues	\$ 5,936.0
Net earnings	351.3
Net earnings attributable to Hasbro, Inc.	345.9
Net earnings per common share attributable to Hasbro, Inc.:	
Diluted	\$ 2.51
Basic	\$ 2.51

These pro forma results do not represent financial results that would have been realized had the acquisition occurred on December 31, 2018.

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Notes to Consolidated Financial Statements — (Continued)

The unaudited pro forma results include certain pro forma adjustments to net earnings that were directly attributable to the acquisition, as if the acquisition had occurred on December 31, 2018, including the following:

- elimination of transaction costs of \$24.3 million for the year ended December 29, 2019, incurred by Hasbro and eOne related to the eOne Acquisition, included in Selling, Distribution and Administration;
- additional amortization expense of \$38.8 million for the year ended December 29, 2019, that would have been recognized as a result of the allocation of purchase consideration to definite-lived intangible assets subject to amortization;
- estimated differences in interest expense of \$75.4 million for the year ended December 29, 2019, as a result of incurring new debt and extinguishing historical eOne debt;
- total adjustments to Other (Income) Expense of \$74.8 million for the year ended December 29, 2019, consisting of:
 - elimination of a gain of \$94.6 million for the year ended December 29, 2019, related to the mark to market of foreign exchange forward and option contracts, which the Company entered into in order to hedge a portion of the British pound sterling purchase price for the eOne Acquisition; and
 - elimination of a charge of \$19.8 million for the year ended December 29, 2019, related to premiums paid by eOne in connection with the 2019 early redemption and refinancing of its senior secured notes and the related write-off of unamortized deferred finance charges associated with the senior secured notes;
- the income tax effect of the pro forma adjustments resulted in income tax benefits of \$12.3 million for the year ended December 29, 2019, calculated using a blended statutory income tax rate of 22.5% for the eOne adjustments, and a blended statutory tax rate of 21% for the Hasbro adjustments.

(4) Other Comprehensive Earnings (Loss)

Components of other comprehensive earnings (loss) are presented within the consolidated statements of comprehensive earnings (loss). The following table presents the related tax effects on changes in other comprehensive earnings (loss) for each of the three fiscal years ended December 26, 2021.

(In millions)	2021	2020	2019
Other comprehensive earnings (loss), tax effect:			
Tax (expense) on unrealized holding (losses) gains	\$ —	\$ (0.2)	(0.2)
Tax (expense) benefit on cash flow hedging activities	(1.0)	(3.4)	0.2
Tax benefit on foreign currency translation amounts	(7.2)	2.1	—
Tax (expense) benefit on changes in unrecognized pension amounts	(1.5)	2.6	(3.5)
Reclassifications to earnings, tax effect:			
Tax (benefit) expense on cash flow hedging activities	(0.5)	4.3	2.3
Tax benefit on amortization of unrecognized pension and postretirement amounts reclassified to the consolidated statements of operations	(0.6)	(0.8)	(2.0)
Tax benefit on settlement of U.S. defined benefit plan	—	—	(24.9)
Total tax effect on other comprehensive earnings (loss)	\$ (10.8)	4.6	(28.1)

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Notes to Consolidated Financial Statements — (Continued)

Changes in the components of accumulated other comprehensive earnings (loss), net of tax for each of the three fiscal years ended December 26, 2021 are as follows:

(In millions)	Pension and Postretirement Amounts	Gains (Losses) on Derivative Instruments	Unrealized Holding Gains (Losses) on Available for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Earnings (Loss)
2021					
Balance at December 27, 2020	\$ (40.7)	(22.1)	0.3	(132.5)	(195.0)
Current period other comprehensive earnings (loss)	3.4	13.5	(0.1)	(61.9)	(45.1)
Reclassifications from AOCE to earnings	2.2	2.6	—	—	4.8
Balance at December 26, 2021	<u>\$ (35.1)</u>	<u>(6.0)</u>	<u>0.2</u>	<u>(194.4)</u>	<u>(235.3)</u>
2020					
Balance at December 29, 2019	\$ (36.1)	(5.2)	(0.3)	(142.6)	(184.2)
Current period other comprehensive earnings (loss)	(6.6)	2.4	0.5	10.1	6.4
Reclassifications from AOCE to earnings	2.0	(19.3)	—	—	(17.2)
Balance at December 27, 2020	<u>\$ (40.7)</u>	<u>(22.1)</u>	<u>0.3</u>	<u>(132.5)</u>	<u>(195.0)</u>
2019					
Balance at December 30, 2018	\$ (143.1)	1.5	(0.9)	(152.2)	(294.7)
Current period other comprehensive earnings (loss)	14.8	11.7	0.6	9.6	36.7
Reclassifications from AOCE to earnings	92.2	(18.4)	—	—	73.8
Balance at December 29, 2019	<u>\$ (36.1)</u>	<u>(5.2)</u>	<u>(0.3)</u>	<u>(142.6)</u>	<u>(184.2)</u>

Gains (Losses) on Derivative Instruments

At December 26, 2021, the Company had remaining net deferred gains on foreign currency forward contracts, net of tax, of \$9.6 million in AOCE. These instruments hedge payments related to inventory purchased in the fourth quarter of 2021 or forecasted to be purchased in 2022, intercompany expenses expected to be paid or received during 2022, television and movie production costs paid in 2021 or expected to be paid in 2022 or 2023, and cash receipts for sales made at the end of the fourth quarter of 2021 or forecasted to be made in 2022. These amounts will be reclassified into the consolidated statements of operations upon the sale of the related inventory or recognition of the related sales expenses.

In addition to foreign currency forward contracts, the Company entered into hedging contracts on future interest payments related to the 3.15% Notes, that were repaid in full in the aggregate principal amount of \$300.0 million during the first quarter of 2021 (See note 11), and the 5.10% Notes due 2044. At

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Notes to Consolidated Financial Statements — (Continued)

the date of debt issuance, these contracts were terminated and the fair value on the date of settlement was deferred in AOCE and is being amortized to interest expense over the life of the related notes using the effective interest rate method. At December 26, 2021, deferred losses, net of tax, of \$15.6 million related to these instruments remained in AOCE. For the year ended December 26, 2021, losses, net of tax of \$1.0 million related to these hedging instruments were reclassified from AOCE to net earnings. For each of the years ended December 27, 2020 and December 29, 2019, losses, net of tax of \$1.4 million, related to these hedging instruments were reclassified from AOCE to net earnings.

Of the net deferred gains included in AOCE at December 26, 2021, the Company expects net gains of approximately \$8.0 million to be reclassified to the consolidated statements of operations within the next 12 months. However, the amount ultimately realized in earnings is dependent on the fair value of the hedging instruments on the settlement dates.

See notes 16 and 18 for additional discussion on reclassifications from AOCE to earnings.

(5) Property, Plant and Equipment

(In millions)	2021	2020
Land and improvements	\$ 3.2	3.4
Buildings and improvements	220.3	219.6
Machinery, equipment and software	604.7	559.2
	<u>828.2</u>	<u>782.2</u>
Less accumulated depreciation	630.0	553.0
	<u>198.2</u>	<u>229.2</u>
Tools, dies and molds, net of accumulated depreciation	63.6	68.0
	<u>261.8</u>	<u>297.2</u>
Right of use assets	256.4	255.1
Less accumulated depreciation	97.1	63.3
Total property, plant and equipment, net	<u>\$ 421.1</u>	<u>489.0</u>

Expenditures for maintenance and repairs which do not materially extend the life of the assets are charged to operations as incurred. In 2021, 2020 and 2019 the Company recorded \$163.3 million, \$120.2 million and \$133.5 million, respectively, of depreciation expense.

See note 17 for additional discussion on right of use assets.

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Notes to Consolidated Financial Statements — (Continued)

(6) Goodwill and Intangible Assets

Goodwill

During the first quarter of 2021, the Company realigned its financial reporting structure creating the following three principal reporting segments: Consumer Products, Wizards of the Coast and Digital Gaming and Entertainment. In our realignment, some, but not all, of our reporting units were changed. As a result of these changes, the Company reallocated its goodwill among the revised reporting units based on the changes in relative fair values of the respective reporting units. Changes in the carrying amount of goodwill, by operating segment, for the years ended December 26, 2021 and December 27, 2020 are as follows:

(In millions)	Consumer Products	Wizards of the Coast and Digital Gaming	Entertainment	Total
2021				
Balance at December 27, 2020	\$1,385.7	53.1	2,252.9	3,691.7
Goodwill allocation	199.4	254.2	(453.6)	—
Goodwill associated with disposal of business	—	—	(162.2)	(162.2)
Impairment during the period	—	—	(108.8)	(108.8)
Foreign exchange translation	(0.2)	—	(0.9)	(1.1)
Balance at December 26, 2021	<u>\$1,584.9</u>	<u>307.3</u>	<u>1,527.4</u>	<u>3,419.6</u>
2020				
Balance at December 29, 2019	\$ 430.1	52.7	11.8	494.6
Acquired during the period	0.4	—	3,195.4	3,195.8
Allocation of eOne acquired Goodwill	954.0	—	(954.0)	—
Foreign exchange translation	1.2	0.4	(0.3)	1.3
Balance at December 27, 2020	<u>\$1,385.7</u>	<u>53.1</u>	<u>2,252.9</u>	<u>3,691.7</u>

The \$3.2 billion of goodwill acquired during 2020 is attributable to the eOne acquisition and represents the value placed on the combined company's brand building capabilities, our storytelling capabilities and franchise economics in TV, film and other mediums to strengthen Hasbro brands. In addition, the acquisition goodwill depicts added benefits of long-term profitable growth through in-sourcing toy and game production for the acquired preschool brands and cost-synergies, which are expected to impact all of the Company's reporting segments. For this reason, a portion of the goodwill associated with the eOne acquisition was allocated to certain legacy reportable segments based on a calculated synergy value comprised of toy and game insourcing, labor cost-savings and certain other expected benefits. See note 3 for more information about the acquisition of eOne.

A portion of the Company's goodwill and other intangible assets reside in the Corporate segment of the business. For purposes of the goodwill impairment testing, these assets are allocated to the reporting units within the Company's operating segments.

The Company performs an annual impairment assessment on goodwill. This annual impairment assessment is performed in the fourth quarter of the Company's fiscal year. In addition, if an event occurs or circumstances change that indicate that the carrying value may not be recoverable, the Company will perform an interim impairment test at that time. Although COVID-19 has had and will continue to have an

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Notes to Consolidated Financial Statements — (Continued)

impact to our business and the economies in which we operate, the impact of COVID-19 did not constitute a triggering event for purposes of goodwill testing in 2020 or 2021.

In conjunction with the goodwill reallocation described above, during the first quarter of 2021, the Company performed an impairment test of goodwill balances held by the reporting units impacted by the segment realignment. The reporting units were tested as of December 28, 2020 and included our Europe, Asia Pacific, Global Consumer Products Licensing, Wizards of the Coast and Family Brands reporting units. Based on the results of the goodwill assessment, we determined that the fair values of each of these reporting units exceeded their carrying values, and as such, we concluded that there was no indication of goodwill impairment for these reporting units as of December 28, 2020.

During the second quarter of 2021, the Company entered into a definitive agreement to sell the Entertainment One Music business (“eOne Music”) for an aggregate sales price of \$385.0 million, subject to certain closing adjustments related to working capital and net debt. Based on the value of the net assets held by eOne Music, which included goodwill and intangible assets allocated to eOne Music as part of the eOne acquisition, the Company recorded a pre-tax non-cash goodwill impairment charge of \$108.8 million, during 2021, within Loss on Disposal of Business in the Consolidated Statements of Operations, and within the Entertainment segment. On June 29, 2021, during the Company’s fiscal third quarter, the eOne Music sale was completed and associated goodwill and intangible assets were removed from the consolidated financial statements. There were no underlying business conditions that provided an indication of the existence of impairment.

During the fourth quarter of 2021 the Company performed a quantitative goodwill assessment with respect to each of its reporting units and determined that the fair values of the Company’s reporting units exceeded their carrying values. As a result of this assessment, the Company concluded that, other than the Music goodwill impairment loss noted above, there was no other impairment to any of its reporting units. Accordingly, no goodwill impairment was recorded as a result of the quantitative test for the year ended December 26, 2021.

During the fourth quarter of 2020 the Company performed a qualitative goodwill assessment with respect to its reporting units, including eOne, and determined that it was not necessary to perform a quantitative assessment for the goodwill of the Company’s reporting units.

During the fourth quarter of 2019, the Company took a number of actions to react to a rapidly changing mobile gaming industry that resulted in a modification to the Company’s long-term plan for its Backflip business. These modifications included organizational actions and related personnel changes, the extension of launch dates for games currently in or planned for development and the addition of partners for the development of future games releases. The modifications resulted in changes to the long-term projections for the Backflip business. The goodwill impairment analysis involved comparing the Backflip carrying value to its estimated fair value, which was calculated based on the Income Approach. Discounted cash flows serve as the primary basis for the Income Approach. The Company utilized forecasted cash flows for the Backflip reporting unit that included assumptions including but not limited to: expected revenues to be realized based on planned future mobile game releases, expected EBITDA margins derived in part based on expected future royalty costs, advertising and marketing costs, development costs, overhead costs, and expected future tax rates. The cash flows beyond the forecast period were estimated using a terminal value growth rate of 3%. To calculate the fair value of the future cash flows under the Income Approach, a discount rate of 19% was utilized, representing the reporting unit’s estimated weighted-average cost of capital. Based on the results of the impairment test, the Company determined that the carrying value of the Backflip reporting unit exceeded its estimated fair value. Based on this assessment, the Company recorded an impairment charge of \$86.3 million in the fourth quarter of 2019, in the Company’s Wizards of the Coast & Digital Gaming segment, which was the full amount of remaining goodwill associated with the Backflip reporting unit.

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Notes to Consolidated Financial Statements – (Continued)

Based on its qualitative assessment of goodwill for all reporting units with the exception of Backflip in 2019, the Company concluded there was no other impairment of goodwill during 2019.

Other Intangible Assets, Net

The following table represents a summary of the Company's other intangible assets, net at December 26, 2021 and December 27, 2020:

(In millions)	2021	2020
Acquired product rights	\$ 2,101.7	2,374.7
Licensed rights of entertainment properties	45.0	45.0
Accumulated amortization	(1,050.4)	(964.6)
Amortizable intangible assets	1,096.3	1,455.1
Product rights with indefinite lives	75.7	75.7
Total other intangibles assets, net	<u>\$ 1,172.0</u>	<u>1,530.8</u>

Certain intangible assets relating to rights obtained in the Company's acquisition of Milton Bradley in 1984 and Tonka in 1991 are not amortized. These rights were determined to have indefinite lives and are included as product rights with indefinite lives in the table above. The Company tests these assets for impairment on an annual basis in the fourth quarter of each year or when an event occurs or circumstances change that indicate that the carrying value may not be recoverable. The Company completed its annual impairment tests of indefinite-lived intangible assets in the fourth quarter of 2021, 2020, and 2019 concluding that there was no impairment of these assets. The Company's other intangible assets are amortized over their remaining useful lives, and accumulated amortization of these other intangibles is reflected in other intangible assets, net in the accompanying consolidated balance sheets.

Intangible assets are reviewed for indications of impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

During 2020, the Company determined that certain of its definite-lived intangible entertainment and production assets related to properties, from both the legacy Hasbro business as well as properties acquired through the eOne acquisition, were impaired. It was determined that the carrying values of these intangible assets exceeded their related future cash flows. As a result, charges of \$20.0 million and \$30.7 million were recorded in the first and fourth quarters, respectively, within acquisition and related costs in the Company's Consolidated Statement of Operations.

There were no other triggering events in 2021 or 2020 which would indicate the Company's intangible assets were impaired.

In the fourth quarter of 2019, the Company reviewed intangible assets recorded in connection with licensed property rights and owned technology. Due to a decline in revenue and revised projections for future revenue, it was determined that the intangible asset carrying values exceeded expected future cash flows, indicating that the intangible assets were impaired. The Company calculated the fair value of the intangible assets based on a discounted cash flow, which resulted in a charge of \$31.3 million recorded within administrative expense and in the Company's Corporate and Eliminations segment.

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Notes to Consolidated Financial Statements — (Continued)

Other than the intangible assets discussed above, no other indications of impairment existed. The Company will continue to incur amortization expense related to the use of acquired and licensed rights to produce various products. A portion of the amortization of these product rights will fluctuate depending on brand activation, related revenues during an annual period and future expectations, as well as rights reaching the end of their useful lives. The Company currently estimates amortization expense related to the above intangible assets for the next five years to be approximately:

	(In millions)
2022	\$ 107.9
2023	99.6
2024	97.9
2025	97.9
2026	97.9

(7) Equity Method Investment

The Company owns an interest in a joint venture, Discovery Family Channel (the “Network”), with Discovery. The Company has determined that it does not meet the control requirements to consolidate the Network and accounts for the investment using the equity method of accounting. The Network was established to create a cable television network in the United States dedicated to high-quality children’s and family entertainment. In October 2009, the Company purchased an initial 50% share in the Network for a payment of \$300.0 million and certain future tax payments based on the value of certain tax benefits expected to be received by the Company. On September 23, 2014, the Company and Discovery amended their relationship with respect to the Network and Discovery increased its equity interest in the Network to 60% while the Company retained a 40% equity interest in the Network.

As of December 26, 2021 and December 27, 2020, the Company’s investment in the Network totaled \$161.2 million and \$216.6 million, respectively. During the fourth quarter of 2021, the Company reviewed its investment with Discovery for impairment and concluded that the fair value of the Company’s interest in the joint venture was less than its carrying value, and as such, recorded an impairment loss of \$74.1 million, which is included in other (income) expense, net in the consolidated statements of operations for the year ended December 26, 2021. The Company utilized the discounted cash flow method under the income approach to estimate the fair value of the Network, which requires assumptions and estimates that include: future annual cash flows, income tax rates, discount rates, estimated growth rates, and other market factors. Recent accelerating changes in the cable distribution industry, including technological changes and expanding options for digital content offerings, has resulted in the fragmentation of viewership, declines in subscribers to the traditional cable bundle, and pricing pressure. These factors led to the lower valuation of the Network as compared to its carrying value.

The Company’s share in the earnings of the Network for the years ended December 26, 2021, December 27, 2020 and December 29, 2019 totaled \$20.8 million, \$21.8 million and \$23.6 million, respectively, and is included as a component of other expense (income), net in the consolidated statements of operations. The Company also enters into certain other transactions with the Network. During 2021, 2020 and 2019, these transactions were not material.

In connection with the amendment, the Company and Discovery entered into an option agreement to acquire the Company’s remaining 40% ownership in the Network, exercisable during the one-year period following December 31, 2021. The exercise price of the option agreement is based upon 80% of the then fair market value of the Network, subject to a fair market value floor. At December 26, 2021 and

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Notes to Consolidated Financial Statements — (Continued)

December 27, 2020, the fair market value of this option was \$1.7 million and \$20.6 million, respectively, and was included as a component of other liabilities. The change in the option's value was driven by the impairment loss recorded on the Company's investment in the Network. During 2021, 2020 and 2019, the Company recorded gains of \$20.1 million, \$1.5 million and \$1.3 million in other (income) expense, net relating to the change in fair value of this option.

The Company also has a related liability due to Discovery under the existing tax sharing agreement. The balance of the associated liability, including imputed interest, was \$18.3 million and \$19.9 million at December 26, 2021 and December 27, 2020, respectively, and is included as a component of other liabilities in the accompanying consolidated balance sheets. The Company recognized a loss of \$2.1 million in the fourth quarter of 2021 related to an increase of this liability. This was caused by a change in the Company's 2020 tax rate that resulted in future payments owed to the Network. During 2021, 2020 and 2019, the Company made payments under the tax sharing agreement to Discovery of \$5.3 million, \$4.7 million and \$4.8 million, respectively. See note 20 for more information on estimated future payments in relation to the Company's Discovery tax sharing agreement.

The Company has a license agreement with the Network that requires the payment of royalties by the Company to the Network based on a percentage of revenue derived from products related to television shows broadcast by the joint venture. The license includes a minimum royalty guarantee of \$125.0 million, which was paid in five annual installments of \$25.0 million per year, commencing in 2009, which can be earned out over approximately a 12-year period. As of December 26, 2021 the Company did not have a prepaid royalty balance related to this agreement as the licensing agreement ended in 2021. As of December 27, 2020 the Company's prepaid royalties related to this agreement were \$15.1 million, all of which were included in prepaid expenses and other current assets. Beginning in 2021, the Company and the Network agreed that Hasbro would no longer provide the Network with new content. Previous to this amendment, the parties were subject to an agreement under which the Company would provide the Network with an exclusive first look in the U.S. to license certain types of programming developed by the Company based on its intellectual property. In the event the Network licenses the programming from the Company to air, it is required to pay the Company a license fee.

(8) Investments in Productions and Investments in Acquired Content Rights

Investments in productions and investments in acquired content rights are predominantly monetized on a title-by-title basis and are recorded within other assets in the Company's consolidated balance sheets, to the extent they are considered recoverable against future revenues. These amounts are being amortized to program cost amortization using a model that reflects the consumption of the asset as it is released through various channels including broadcast licenses, theatrical release and home entertainment. Amounts capitalized are reviewed periodically on an individual film basis and any portion of the unamortized amount that appears not to be recoverable from future net revenues is expensed as part of program cost amortization during the period the loss becomes evident.

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Notes to Consolidated Financial Statements — (Continued)

Programming costs are included in other assets and consist of the following at December 26, 2021 and December 27, 2020:

(In millions)	2021	2020
Investment in Films and Television Programs:		
Individual Monetization		
Released, net of amortization	\$ 481.7	\$ 428.0
Completed and not released	18.5	17.3
In production	151.6	185.5
Pre-production	84.0	67.6
	735.8	698.4
Film/TV Group Monetization ⁽¹⁾		
Released, net of amortization	32.2	—
In production	13.0	—
	45.2	—
Investment in Other programming:		
Released, net of amortization	5.3	13.7
Completed and not released	0.4	2.1
In production	12.6	5.4
Pre-production	1.7	7.6
	20.0	28.8
Total Program Investments	\$ 801.0	\$ 727.2

⁽¹⁾ Due to a monetization strategy change, during 2021 the Company began monetizing certain content assets as a film/TV group.

The Company recorded \$628.6 million of program cost amortization related to released programming during 2021, consisting of the following:

(In millions)	Investment in Production	Investment in Content	Other	Total
Program cost amortization	\$ 541.8	\$ 78.3	\$ 8.5	\$ 628.6

Based on management's total revenue estimates at December 26, 2021, the Company's expected future amortization expenses for capitalized programming costs over the next five years are as follows:

(In millions)	2022	2023	2024	2025	2026
Completed and not released	\$ 19.6	0.4	0.4	0.3	0.3
Released	102.2	71.0	65.0	72.5	60.1
In production	46.6	49.2	8.7	7.9	7.1
Pre-production	6.0	8.0	10.0	—	—
Total	\$ 174.4	128.6	84.1	80.7	67.5

In the normal course of its business, the Company also enters into contracts related to obtaining right of first refusal ("first look deals") to purchase, distribute, or license certain entertainment projects or content. See note 20 for more information on the Company's expected future payments for first look deals.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

(9) Financing Arrangements

At December 26, 2021, Hasbro had available an unsecured revolving credit agreement (see Amended Revolving Credit Agreement below) in the amount of \$1.5 billion and unsecured uncommitted lines of credit from various banks approximating \$139.8 million. Substantially all of the short term borrowings outstanding at the end of 2021 and 2020 represent borrowings made under, or supported by, these lines of credit. Borrowings under the lines of credit as of December 26, 2021 and December 27, 2020 were made in the form of production demand loans at various interest rates. The weighted average interest rates of the outstanding borrowings under the uncommitted lines of credit as of December 26, 2021 and December 27, 2020 were 3.9% and 3.8%, respectively. The Company had no borrowings outstanding under its committed line of credit at December 26, 2021 and December 27, 2020. During 2021 and 2020, Hasbro's working capital needs were fulfilled by cash available and cash generated from operations.

During the second half of 2019, in preparation for the Company's acquisition of eOne, the Company completed the following debt and equity financings: (i) the issuance of senior unsecured Notes in an aggregate principal amount of \$2.4 billion, (ii) the issuance of 10.6 million shares of common stock at a public offering price of \$95.00 per share and (iii) \$1.0 billion in term loans provided by a Term Loan Agreement (the "Term Loan Agreement") entered into with Bank of America, N.A., as administrative agent, and certain financial institutions, as lenders, pursuant to which such lenders committed to provide, contingent on completion of the eOne acquisition and certain other customary conditions to funding, facilities consisting of a three-year senior unsecured term loan facility in an aggregate principal amount of \$400.0 million and a five-year senior unsecured term loan facility in an aggregate principal amount of \$600.0 million. On December 30, 2019, the Company completed the acquisition of eOne and on that date, borrowed the full amount of \$1.0 billion under the Term Loan Facilities. As of December 26, 2021, the Company has repaid the full aggregate principal amount of \$400.0 million on the three-year term loan facility and \$180.0 million of the aggregate principal amount on the five-year term loan facility. See note 11 for further discussion on the Term Loan Agreement and note 3 for further discussion on the eOne acquisition.

The Company has a second amended and restated revolving credit agreement with Bank of America, as administrative agent, swing line lender and a letter of credit issuer and lender and certain other financial institutions, as lenders thereto (the "Amended Revolving Credit Agreement"), which provides the Company with commitments having a maximum aggregate principal amount of \$1.5 billion. The Amended Revolving Credit Agreement also provides for a potential additional incremental commitment increase of up to \$500.0 million subject to agreement of the lenders. The Amended Revolving Credit Agreement contains certain financial covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility, including with respect to liens, mergers and incurrence of indebtedness. The Amended Revolving Credit Agreement extends through September 20, 2024. The Company was in compliance with all covenants as of and for the year ended December 26, 2021. The Company had no borrowings outstanding under its committed revolving credit facility as of December 26, 2021.

The Company pays a commitment fee (0.100% as of December 26, 2021) based on the unused portion of the revolving credit facility and interest equal to a Base Rate or Eurocurrency Rate plus a spread on borrowings under the facility. The Base Rate is determined based on either the Federal Funds Rate plus a spread, or Prime Rate plus a spread. The commitment fee and the amount of the spread to the Base Rate or Eurocurrency Rate both vary based on the Company's long-term debt ratings and the Company's leverage. At December 26, 2021, the interest rate under the revolving credit facility was equal to Eurocurrency Rate plus 1.125%.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

The Company also has an agreement with a group of banks providing a commercial paper program (the “Program”). Under the Program, at the Company’s request and subject to market conditions, the banks may either purchase from the Company, or arrange for the sale by the Company of, unsecured commercial paper notes. Borrowings under the Program are supported by the aforementioned unsecured committed line of credit and the Company may issue notes from time to time up to an aggregate principal amount outstanding at any given time of \$1.0 billion. The maturities of the notes may vary but may not exceed 397 days. Subject to market conditions, the notes will be sold under customary terms in the commercial paper market and will be issued at a discount to par, or alternatively, will be sold at par and will bear varying interest rates based on a fixed or floating rate basis. The interest rates will vary based on market conditions and the ratings assigned to the notes by the credit rating agencies at the time of issuance. At December 26, 2021 and December 27, 2020, the Company did not have any notes outstanding under the Program.

During November 2021, the Company secured a senior revolving film and television production credit facility (the “RPCF”) with MUFG Union Bank, N.A., as administrative agent and lender and certain other financial institutions, as lenders thereto (the “Revolving Production Financing Agreement”) which provides the Company with commitments having a maximum aggregate principal amount of \$250.0 million. The Revolving Production Financing Agreement also provides the Company the option to request a commitment increase up to an aggregate additional amount of \$150.0 million subject to agreement of the lenders. The Revolving Production Financing Agreement extends through November 22, 2024. The Company will use the RPCF to fund certain of the Company’s original film and TV production costs. Borrowings under the RPCF will be non-recourse to the Company’s assets.

(10) Accrued Liabilities

Components of accrued liabilities for the fiscal years ended on December 26, 2021 and December 27, 2020 are as follows:

(In millions)	2021	2020
Participations and residuals	\$ 299.1	\$ 327.3
Royalties	253.0	229.2
Deferred revenue	114.1	161.0
Payroll and management incentives	183.6	132.4
Freight	107.5	32.3
Dividends	94.0	93.4
Other Taxes	95.0	81.9
Accrued expenses IIC & IIP	74.9	29.7
Advertising	60.4	58.6
Severance	32.0	49.7
Accrued income taxes	30.9	29.7
Other	330.3	313.4
Total accrued liabilities	\$1,674.8	1,538.6

HASBRO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements — (Continued)

(11) Long-Term Debt

Components of long-term debt for the fiscal years ended on December 26, 2021 and December 27, 2020 are as follows:

(In millions)	2021		2020	
	Carrying Cost	Fair Value	Carrying Cost	Fair Value
3.90% Notes Due 2029	\$ 900.0	991.7	\$ 900.0	1,011.1
3.55% Notes Due 2026	675.0	725.6	675.0	752.7
3.00% Notes Due 2024	500.0	521.2	500.0	540.6
6.35% Notes Due 2040	500.0	692.8	500.0	636.5
3.50% Notes Due 2027	500.0	539.2	500.0	544.5
2.60% Notes Due 2022 ⁽¹⁾	—	—	300.0	311.5
5.10% Notes Due 2044	300.0	374.5	300.0	338.1
3.15% Notes Due 2021 ⁽²⁾	—	—	300.0	302.3
6.60% Debentures Due 2028	109.9	136.7	109.9	137.4
Variable % Notes Due December 30, 2022 ⁽³⁾	—	—	300.0	300.0
Variable % Notes Due December 30, 2024 ⁽⁴⁾	397.5	397.5	577.5	577.5
Production Financing Facilities	170.1	170.1	165.5	165.5
Total long-term debt	\$4,052.5	4,549.3	\$ 5,127.9	5,617.7
Less: Deferred debt expenses	28.2	—	35.3	—
Less: Current portion	200.1	—	432.6	—
Long-term debt	\$3,824.2	4,549.3	\$4,660.0	5,617.7

⁽¹⁾ During the third quarter of 2021, the Company repaid in full its 2.60% Notes, in the aggregate principal amount of \$300.0 million due in November 2022.

⁽²⁾ During the first quarter of 2021, the Company repaid in full its 3.15% Notes, in the aggregate principal amount of \$300.0 million due in May 2021.

⁽³⁾ During the second quarter of 2021, the Company repaid \$250.0 million of the Variable % Notes Due December 30, 2022 and during the third quarter of 2021, the Company repaid the remaining balance of \$50.0 million of the Variable % Notes Due December 30, 2022.

⁽⁴⁾ During the third quarter of 2021, the Company repaid \$50.0 million, and during the fourth quarter of 2021, the Company repaid \$100.0 million of the Variable % Notes Due December 30, 2024.

In November 2019, in conjunction with the Company's acquisition of eOne, the Company issued an aggregate of \$2.4 billion of senior unsecured debt securities (the "Notes") consisting of the following tranches: \$300.0 million of notes due 2022 (the "2022 Notes") that bear interest at a fixed rate of 2.60%, \$500.0 million of notes due 2024 (the "2024 Notes") that bear interest at a fixed rate of 3.00%, \$675.0 million of notes due 2026 (the "2026 Notes") that bear interest at a fixed rate of 3.55% and \$900.0 million of notes due 2029 (the "2029 Notes") that bear interest at a fixed rate of 3.90%. Net proceeds from the issuance of the Notes, after deduction of \$20.0 million of underwriting discount and fees, totaled \$2.4 billion. These costs are being amortized over the life of the Notes outstanding, which range from five years to ten years from the date of issuance. During the third quarter of 2021, the

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Company repaid in full the \$300.0 million of 2022 Notes and recorded \$9.1 million of debt extinguishment costs within other expense (income) in the Consolidated Statements of Operations.

The Notes bear interest at the stated rates but may be subject to upward adjustment if the credit rating of the Company is reduced by Moody's or Standard & Poors. The adjustment can be from 0.25% to 2.00% based on the extent of the ratings decrease. The Company may redeem the Notes at its option at the greater of the principal amount of the Notes or the present value of the remaining scheduled payments discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase, plus (1) 25 basis points (in the case of the 2024 Notes); (2) 30 basis points (in the case of the 2026 Notes); and (3) 35 basis points (in the case of the 2029 Notes). In addition, on and after October 19, 2024 for the 2024 Notes, September 19, 2026 for the 2026 Notes and August 19, 2029 for the 2029 Notes, such series of Notes will be redeemable, in whole at any time or in part from time to time, at the Company's option at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest.

In September 2019, the Company entered into a \$1.0 billion Term Loan Agreement (the "Term Loan Agreement") with Bank of America N.A. ("Bank of America"), as administrative agent, and certain financial institutions as lenders, pursuant to which such lenders committed to provide, contingent upon the completion of the eOne acquisition and certain other customary conditions to funding, (1) a three-year senior unsecured term loan facility in an aggregate principal amount of \$400.0 million (the "Three-Year Tranche") and (2) a five-year senior unsecured term loan facility in an aggregate principal amount of \$600.0 million (the "Five-Year Tranche" and together with the Three-Year Tranche, the "Term Loan Facilities"). The full amount of the Term Loan Facilities were drawn down on December 30, 2019, the closing date of the eOne acquisition. During 2020, the Company made \$122.5 million in payments towards the \$1.0 billion term loan notes consisting of \$100.0 million on the principal of the Three-Year Tranche loans in addition to the required quarterly principal amortization payments totaling \$22.5 million on the Five-Year Tranche loans. During 2021, the Company paid \$480.0 million toward the \$1.0 billion term loan notes consisting of the remaining \$300.0 million of the principal balance of the Three-Year Tranche loans as well as \$150.0 million principal balance and principal amortization payments totaling \$30.0 million on the Five-Year Tranche loans.

Loans under the Five-Year Tranche bear interest at the Company's option, at either the Eurocurrency Rate or the Base Rate, plus a per annum applicable rate that fluctuates between 100.0 basis points and 187.5 basis points, in the case of loans priced at the Eurocurrency Rate, and between 0.0 basis points and 87.5 basis points, in the case of loans priced at the Base Rate, in each case, based upon the non-credit enhanced, senior unsecured long-term debt ratings of the Company by Fitch Ratings Inc., Moody's Investor Service, Inc. and S&P Global Rankings, subject to certain provisions taking into account potential differences in ratings issued by the relevant rating agencies or a lack of ratings issued by such rating agencies. Loans under the Five-Year Tranche require principal amortization payments that are payable in equal quarterly installments of 5.0% per annum of the original principal amount thereof for each of the first two years after funding, increasing to 10.0% per annum of the original principal amount thereof for each subsequent year. The Term Loan Agreement contains affirmative and negative covenants typical of this type of facility, including: (i) restrictions on the Company's and its domestic subsidiaries' ability to allow liens on their assets, (ii) restrictions on the incurrence of indebtedness, (iii) restrictions on the Company's and certain of its subsidiaries' ability to engage in certain mergers, (iv) the requirement that the Company maintain a Consolidated Interest Coverage Ratio of no less than 3.00:1.00 as of the end of any fiscal quarter and (v) the requirement that the Company maintain a Consolidated Total Leverage Ratio of no more than, depending on the gross proceeds of equity securities issued after the effective date of the acquisition of eOne, 5.65:1.00 or 5.40:1.00 for each of the first, second and third fiscal quarters ended after the funding of the Term Loan

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Facilities, with periodic step downs to 3.50:1.00 for the fiscal quarter ending December 31, 2023 and thereafter. As of December 26, 2021, the Company was in compliance with the financial covenants contained in the Term Loan Agreement.

The Company may redeem its 5.10% notes due in 2044 (the “2044 Notes”) at its option, at the greater of the principal amount of the notes or the present value of the remaining scheduled payments, discounted using the effective interest rate on applicable U.S. Treasury bills at the time of repurchase.

Current portion of long-term debt at December 26, 2021 of \$200.1 million, as shown on the consolidated balance sheet, represents the current portion of required quarterly principal amortization payments for the 5-Year Tranche of the Term Loan Facilities and other production financing facilities. All of the Company’s other long-term borrowings have contractual maturities that occur subsequent to 2023 with the exception of certain of the Company’s production financing facilities and annual principal payments related to the Term Loan Facilities.

The Company’s long-term borrowings have the following future contractual maturities:

Future long-term borrowings contractual payments	(In millions)
2022*	\$ 52.5
2023**	60.0
2024	785.0
2025	—
2026	675.0
2027 and thereafter	2,309.9
	<hr/> 3,882.4
Production financing facilities	170.1
	<hr/> \$ 4,052.5

* Represents the Company’s current portion of required quarterly principal amortization payments for term loan facilities.

** Represents the Company’s required quarterly principal amortization payments for term loan facilities in 2023.

The fair values of the Company’s long-term debt are considered Level 3 fair values (see note 13 for further discussion of the fair value hierarchy) and are measured using the discounted future cash flows method. In addition to the debt terms, the valuation methodology includes an assumption of a discount rate that approximates the current yield on a similar debt security. This assumption is considered an unobservable input in that it reflects the Company’s own assumptions about the inputs that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement.

Production Financing

In addition to the Company’s financial instruments, the Company uses production financing to fund certain of its television and film productions which are typically arranged on an individual production basis by special purpose production subsidiaries.

Production financing facilities are secured by the assets and future revenue of the individual production subsidiaries and are non-recourse to the Company’s assets.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

Production financing facilities typically have maturities of less than two years, while the titles are in production, and are repaid once delivered and all credits, broadcaster pre-sales and international sales have been received. The production financing facilities as of December 26, 2021 are as follows:

(In millions)	2021	2020
Production financing held by production subsidiaries	\$ 170.1	\$ 165.5
Other loans ⁽¹⁾	—	5.4
Total	\$ 170.1	\$ 170.9

Production financing included in the consolidated balance sheet as:

Non-current	\$ —	\$ 62.9
Current	170.1	102.6
Total	\$ 170.1	\$ 165.5

⁽¹⁾ Other loans of \$5.4 million, consist of production related demand loans, and are recorded within Short-term Borrowings in the Company's consolidated balance sheets.

Interest is charged at bank prime rate plus a margin based on the risk of the respective production. The weighted average interest rate on all production financing as of December 26, 2021 was 3.9%.

The Company has Canadian dollar and U.S. dollar production credit facilities with various banks. The carrying amounts are denominated in the following currencies:

(In millions)	Canadian Facilities	U.S. Facilities	Total
As of December 26, 2021	\$ 35.8	134.3	170.1

The following table represents the movements in production financing and other related loans during 2021:

(In millions)	Production Financing	Other Loans	Total
December 27, 2020	\$ 165.5	\$ 5.4	\$170.9
Drawdowns	\$ 144.0	\$ 15.3	\$159.3
Repayments	\$ (140.1)	\$(20.9)	\$(161.0)
Foreign exchange differences	\$ 0.7	\$ 0.2	\$ 0.9
Balance at December 26, 2021	\$ 170.1	\$ —	\$ 170.1

The Company expects to repay all of its outstanding production financing loans in 2022.

(12) Income Taxes

The components of earnings before income taxes, determined by tax jurisdiction, are as follows:

(In millions)	2021	2020	2019
United States	\$236.8	191.5	250.5
International	345.1	130.6	343.8
Total earnings before income taxes	\$ 581.9	322.1	594.3

HASBRO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Income taxes attributable to earnings before income taxes are:

(In millions)	2021	2020	2019
Current			
United States	\$ 59.5	22.3	41.4
State and local	15.4	6.2	5.6
International	42.9	37.9	41.8
	<u>117.8</u>	<u>66.4</u>	<u>88.8</u>
Deferred			
United States	7.1	27.2	(20.1)
State and local	(0.3)	(10.8)	(1.5)
International	22.0	13.9	6.6
	<u>28.8</u>	<u>30.3</u>	<u>(15.0)</u>
Total income taxes	<u>\$146.6</u>	<u>96.7</u>	<u>73.8</u>

A reconciliation of the statutory United States federal income tax rate to Hasbro's effective income tax rate is as follows:

	2021	2020	2019
Statutory income tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net	1.5	2.2	0.5
Tax on international earnings	(1.1)	(3.5)	(2.7)
Domestic tax on foreign earnings	(1.7)	(2.7)	(1.9)
Change in unrecognized tax benefits	(3.4)	4.1	0.6
Change in valuation allowance	(1.6)	4.5	—
Share-based compensation	(0.6)	(0.4)	(0.8)
Research and development tax credits	(1.1)	(1.6)	(0.7)
Deferred tax rate change	6.5	3.6	—
Gains on integrated hedging instruments	—	—	(4.0)
Officers' compensation	1.9	1.4	—
Loss on disposition of business	3.9	—	—
Other, net	(0.1)	1.4	0.4
	<u>25.2 %</u>	<u>30.0 %</u>	<u>12.4 %</u>

Certain reclassifications have been made to prior year presentation to conform to current year presentation.

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Notes to Consolidated Financial Statements — (Continued)

The components of deferred income tax expense (benefit) arise from various temporary differences and relate to items included in the consolidated statements of operations as well as items recognized in other comprehensive earnings. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 26, 2021 and December 27, 2020 are:

(In millions)	2021	2020
Deferred tax assets:		
Accounts receivable	\$ 30.8	32.7
Inventories	14.1	14.0
Loss and credit carryforwards	175.7	221.6
Operating leases	17.8	23.1
Operating expenses	23.5	32.9
Pension	16.3	16.6
Other compensation	37.3	33.7
Postretirement benefits	8.5	7.9
Interest rate hedge	4.7	5.0
Tax sharing agreement	1.5	2.2
Deferred revenue	4.0	8.3
Other	13.5	12.0
Gross deferred tax assets	347.7	410.0
Deferred tax liabilities:		
Depreciation and amortization of long-lived assets	144.5	181.2
Equity method investment	6.7	21.3
Operating leases	15.1	20.1
Foreign exchange	13.7	7.3
Prepaid expenses	3.5	3.6
Other	8.8	19.5
Gross deferred tax liabilities	192.3	253.0
Valuation allowance	(171.2)	(174.2)
Net deferred income taxes	\$ (15.8)	(17.2)

Certain reclassifications have been made to prior year presentation to conform to current year presentation.

The most significant amount of the loss and credit carryforwards relate to tax attributes of the acquired eOne entities that historically operated at losses in certain jurisdictions. At December 26, 2021, the Company has loss and credit carryforwards of \$175.7 million, which is a decrease of \$45.9 million from \$221.6 million at December 27, 2020. Loss and credit carryforwards as of December 26, 2021 relate primarily to the U.S. and Canada. The Canadian loss carryforwards expire at various dates from 2031 to 2041. Some U.S. federal and state loss and credit carryforwards expire at various dates throughout 2022 while others have an indefinite carryforward period.

The recoverability of these future tax deductions and credits is evaluated by assessing the adequacy of future expected taxable income from all sources, including taxable income in prior carryback years, reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent the Company does not consider it more likely than not that a deferred tax asset will be recovered, a valuation allowance is generally established. To the extent that a

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

valuation allowance was established and it is subsequently determined that it is more likely than not that the deferred tax assets will be recovered, the change in the valuation allowance is recognized in the consolidated statements of income.

The Company has a valuation allowance for certain net deferred tax assets at December 26, 2021 of \$171.2 million, which is a decrease of \$3.0 million from \$174.2 million at December 27, 2020. The valuation allowance pertains to certain U.S. state and international loss and credit carryforwards, some of which have no expiration and others that expire beginning in 2022, and other net deferred tax assets. The decrease in the valuation allowance is primarily due to the realization of certain net operating losses resulting from tax planning during the year.

At December 26, 2021 and December 27, 2020, the Company's net deferred income taxes are recorded in the consolidated balance sheets as follows:

(In millions)	2021	2020
Other assets	132.1	137.6
Other liabilities	(147.9)	(154.8)
Net deferred income taxes	<u>\$ (15.8)</u>	<u>(17.2)</u>

We previously considered the earnings in our non-U.S. subsidiaries to be indefinitely reinvested and, accordingly, recorded no deferred income taxes. However, the Tax Cuts and Jobs Act (the "Tax Act") enacted on December 22, 2017 gave the Company more flexibility to manage cash globally. The Company still has significant cash needs outside the United States and continues to consistently monitor and analyze its global working capital and cash requirements. However, we intend to repatriate substantially all of our accumulated foreign earnings when appropriate. As of 2021, we have recorded \$3.4 million of a foreign withholding and U.S. state income tax liability. The Company has not finalized the timing of any actual cash distributions or the specific amounts and therefore we could still be subject to some additional foreign withholding taxes and U.S. state taxes. We will record these additional tax effects, if any, in the period that we complete our analysis and are able to make a reasonable estimate.

A reconciliation of unrecognized tax benefits, excluding potential interest and penalties, for the fiscal years ended December 26, 2021, December 27, 2020, and December 29, 2019 is as follows:

(In millions)	2021	2020	2019
Balance at beginning of year	\$67.8	36.7	46.1
Gross increases in prior period tax positions	0.6	12.7	2.0
Gross increase from acquisition	—	13.7	—
Gross decreases in prior period tax positions	(12.0)	—	—
Gross increases in current period tax positions	4.6	11.7	4.2
Decreases related to settlements with tax authorities	(2.7)	—	(12.0)
Decreases from the expiration of statute of limitations	(7.7)	(7.0)	(3.6)
Balance at end of year	<u>\$50.6</u>	<u>67.8</u>	<u>36.7</u>

Unrecognized tax benefits as of December 26, 2021, December 27, 2020 and December 29, 2019, were \$50.6 million, \$67.8 million, and \$36.7 million, respectively, and are recorded within other liabilities, prepaid expenses and other current assets, and other assets in the Company's consolidated balance sheets. If recognized, these tax benefits would have affected our income tax provision for fiscal years 2021, 2020, and 2019, by approximately \$46.0 million, \$57.0 million, and \$36.0 million, respectively.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

During 2021, 2020, and 2019, the Company recognized \$2.6 million, \$3.7 million, and \$1.8 million, respectively, of potential interest and penalties, which are included as a component of income taxes in the accompanying consolidated statements of operations. At December 26, 2021, December 27, 2020, and December 29, 2019, the Company had accrued potential interest and penalties of \$7.3 million, \$11.6 million, and \$5.5 million, respectively.

The Company and its subsidiaries file income tax returns in the United States and various state and international jurisdictions. In the normal course of business, the Company is regularly audited by U.S. federal, state and local and international tax authorities in various tax jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years before 2012. With few exceptions, the Company is no longer subject to U.S. state or local and non-U.S. income tax examinations by tax authorities in its major jurisdictions for years before 2014. The Company is currently under income tax examination by the Internal Revenue Service and in several U.S. state and local and non-U.S. jurisdictions.

The Company believes it is reasonably possible that a decrease of approximately \$0.0 million—\$5.0 million in gross unrecognized tax benefits may be necessary within the coming year as a result of expected tax return settlements and lapse of statute of limitations.

In May 2019, a public referendum held in Switzerland approved the Swiss Federal Act on Tax Reform and AHV Financing (TRAF) proposals previously approved by the Swiss Parliament. The Swiss tax reform measures were effective on January 1, 2020. Changes in tax reform include the abolishment of preferential tax regimes for holding companies, domicile companies and mixed companies at the cantonal level. The enacted changes in Swiss federal and cantonal tax, including cantonal transitional provisions adopted in 2021, were not material to the Company's financial statements.

(13) Capital Stock

The Company has a long history of increasing shareholder value through its share repurchase program. Purchases of the Company's common stock may be made from time to time, subject to market conditions, and may be made in the open market or through privately negotiated transactions. The Company has no obligation to repurchase shares under the authorization and the time, actual number, and the value of the shares which are repurchased will depend on a number of factors, including the price of the Company's common stock. As part of this initiative, since 2005, the Company's Board of Directors (the "Board") adopted numerous share repurchase authorizations with a cumulative authorized repurchase amount of \$4.3 billion. The most recent authorization for the repurchase of up to \$500.0 million in common stock was approved in May 2018. As a result of the financing activities related to the eOne acquisition, the Company suspended its share repurchase program to prioritize deleveraging, and did not repurchase any shares during 2021 and 2020. At December 26, 2021, \$366.6 million remained under the current authorization.

(14) Fair Value of Financial Instruments

The Company measures certain financial instruments at fair value. The fair value hierarchy consists of three levels: Level 1 fair values are based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access; Level 2 fair values are those based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and Level 3 fair values are based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. There have been no transfers between levels within the fair value hierarchy.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

Accounting standards permit entities to measure many financial instruments and certain other items at fair value and establish presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar assets and liabilities. The Company elected the fair value option for certain available-for-sale investments using net asset value per share and during 2020, the Company liquidated these investments as part of its global cash management strategy. The Company recorded net (losses) gains of \$(0.3) million and \$1.9 million on these investments in other (income) expense, net for the years ended December 27, 2020 and December 29, 2019, respectively, relating to the change in fair value of such investments.

At December 26, 2021 and December 27, 2020, the Company had the following assets and liabilities measured at fair value in its consolidated balance sheets (excluding assets for which the fair value is measured using net asset value per share):

(In millions)	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 26, 2021				
Assets:				
Available-for-sale securities	\$ 1.9	1.9	—	—
Derivatives	10.9	—	10.9	—
Total assets	\$ 12.8	1.9	10.9	—
Liabilities:				
Derivatives	\$ 2.6	—	2.6	—
Option agreement	1.7	—	—	1.7
Total liabilities	\$ 4.3	—	2.6	1.7
December 27, 2020				
Assets:				
Available-for-sale securities	\$ 2.1	2.1	—	—
Derivatives	4.8	—	4.8	—
Total assets	\$ 6.9	2.1	4.8	—
Liabilities:				
Derivatives	\$ 12.7	—	12.7	—
Option agreement	20.6	—	—	20.6
Total liabilities	\$ 33.3	—	12.7	20.6

Available-for-sale securities include equity securities of one company quoted on an active public market.

The Company's derivatives consist of foreign currency forward and option contracts. The Company uses current forward rates of the respective foreign currencies to measure the fair value of these contracts. The Company's option agreement relates to an equity method investment in Discovery Family Channel. The option agreement is included in other liabilities at December 26, 2021 and December 27, 2020, and is valued using an option pricing model based on the fair value of the related investment. Inputs used in the option pricing model include volatility and fair value of the underlying company which are considered unobservable inputs as they reflect the Company's own assumptions about the inputs

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

that market participants would use in pricing the asset or liability. The Company believes that this is the best information available for use in the fair value measurement. Due to the 2021 revaluation of the Discovery Family Channel and resulting impairment charges, the Company reduced the option's fair value by \$20.1 million during the fourth quarter of 2021. See note 7 for more information on the Company's investment in the Discovery Family Channel.

The following is a reconciliation of the beginning and ending balances of the fair value measurements of the Company's financial instruments which use significant unobservable inputs (Level 3):

(In millions)	2021	2020
Balance at beginning of year	\$(20.6)	\$(22.1)
Gain from change in fair value	18.9	1.5
Balance at end of year	\$ (1.7)	\$(20.6)

(15) Stock Options, Other Stock Awards and Warrants

The Company has reserved 11.3 million shares of its common stock for issuance upon exercise of options and other awards granted or to be granted under stock incentive plans for employees and for non-employee members of the Board of Directors (collectively, the "plans"). These awards generally vest and are expensed in equal annual amounts over three to five years. The plans provide that options be granted at exercise prices not less than the market value of the underlying common stock on the date the option is granted and options and share awards are adjusted for such changes as stock splits and stock dividends. Options are exercisable for periods of no more than seven years after date of grant. Upon exercise in the case of stock options, grant in the case of restricted stock or vesting in the case of performance based contingent stock and restricted stock unit grants, shares are issued out of available treasury shares. The Company's current plan permits the granting of awards in the form of stock, stock appreciation rights, stock awards and cash awards in addition to stock options.

Total compensation expense related to stock options, restricted stock units, including those awards made to non-employee members of its Board of Directors, and stock performance awards for the years ended December 26, 2021, December 27, 2020 and December 29, 2019 was \$97.8 million, \$49.7 million and \$28.0 million, respectively, and was recorded as follows:

(In millions)	2021	2020	2019
Product development	\$ 3.7	3.3	3.3
Selling, distribution and administration ^{(a)(b)}	94.1	46.4	24.7
	97.8	49.7	28.0
Income tax benefit	10.2	5.3	3.6
	\$87.6	44.4	24.4

^(a) The 2021 increase in compensation expense reflects \$20.9 million of additional expense associated with the contractual accelerated vesting of certain equity awards as a result of the passing of the Company's former CEO.

^(b) The 2020 increase in compensation expense was due to additional stock options, restricted stock units, and stock performance awards granted to eligible participants as a result of the eOne acquisition.

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Notes to Consolidated Financial Statements — (Continued)

The following table represents total stock compensation expense, net of performance adjustments, by award type related to stock performance awards, restricted stock units, stock options and awards made to non-employee members of the Company's Board of Directors, for the years ended December 26, 2021, December 27, 2020 and December 29, 2019:

(in millions)	2021	2020	2019
Stock performance awards	\$ 26.9	8.4	(1.6)
Restricted stock units	50.9	28.5	18.7
Stock options	18.4	11.0	9.1
Non-employee awards	1.6	1.8	1.8
	<u>97.8</u>	<u>49.7</u>	<u>28.0</u>
Income tax benefit	10.2	5.3	3.6
	<u>\$ 87.6</u>	<u>44.4</u>	<u>24.4</u>

Stock Performance Awards

In 2021, 2020 and 2019, as part of its annual equity grant to executive officers and certain other employees, the Company issued contingent stock performance awards (the "Stock Performance Awards"). These awards provide the recipients with the ability to earn shares of the Company's common stock based on the Company's achievement of stated cumulative operating performance targets over the three fiscal years ended December 2023, December 2022, and December 2021 for the 2021, 2020 and 2019 awards, respectively. Each Stock Performance Award has a target number of shares of common stock associated with such award which may be earned by the recipient if the Company achieves the stated diluted earnings per share and revenue targets. For certain employees participating in the 2019 and 2020 awards, the Stock Performance Awards also include an additional target for the Company's return on invested capital, in addition to the diluted earnings per share and revenue targets. Beginning with the 2021 awards, all employee awards will be measured on achieving diluted earnings per share, revenue and return on invested capital targets. The ultimate amount of the award may vary from 0% to 200% of the target number of shares, depending on the cumulative results achieved.

Information with respect to Stock Performance Awards for 2021, 2020 and 2019 is as follows:

(In millions, except per share data)	2021	2020	2019
Outstanding at beginning of year	0.6	0.5	0.6
Granted	0.2	0.4	0.3
Forfeited	—	(0.1)	(0.1)
Canceled	(0.1)	(0.2)	(0.1)
Vested	—	—	(0.2)
Outstanding at end of year	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>
Weighted average grant-date fair value:			
Granted	\$ 96.06	56.49	86.90
Forfeited	\$ —	80.31	92.90
Canceled	\$ 77.33	88.25	99.58
Vested	\$ —	99.58	74.72
Outstanding at end of year	<u>\$ 75.74</u>	<u>69.25</u>	<u>87.59</u>

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Shares granted in 2021 included additional shares related to the 2019 award, reflecting adjustments to the ultimate amount of shares to be issued based on the Company's cumulative results achieved during the performance period. These shares were excluded from the calculation of the weighted average grant-date fair value of Stock Performance awards granted in 2021. Shares canceled in 2020 and 2019 represent Stock Performance Awards granted during 2018 and 2017, respectively, that were canceled based on the failure to meet the targets set forth by the agreement.

Stock Performance Awards are valued at the market value of the underlying common stock at the dates of grant and are expensed over the performance period. On a periodic basis, the Company reviews the actual and forecasted performance of the Company against the stated targets for each award. The total expense is adjusted upward or downward based on the expected number of shares to be issued as defined in the respective stock performance award agreement. If minimum targets as detailed under the award are not met, no additional compensation expense will be recognized and any previously recognized compensation expense will be reversed. During 2021, 2020 and 2019, the Company recognized expense, net of performance adjustments, of \$26.9 million, \$8.4 million and \$(1.6) million, respectively, relating to Stock Performance Awards. The expense recognized in 2021 included \$7.6 million of additional stock expense associated with the contractual acceleration of outstanding performance share awards upon the passing of the Company's former CEO. At December 26, 2021, the amount of total unrecognized compensation cost related to these awards is approximately \$14.3 million and the weighted average period over which this will be expensed is 20 months.

Restricted Stock Units

The Company, as part of its annual equity grant to executive officers and certain other employees, issues restricted stock or grants restricted stock units. These shares or units are nontransferable and subject to forfeiture for periods prescribed by the Company. These awards are valued at the market value of the underlying common stock at the date of grant and are subsequently amortized over the periods during which the restrictions lapse, generally three years. During 2021, 2020 and 2019, the Company recognized compensation expense, net of forfeitures, on these awards of \$50.9 million, \$28.5 million and \$18.7 million, respectively. The expense recognized in 2021 included \$6.0 million of additional stock expense associated with the contractual acceleration of outstanding restricted stock awards upon the passing of the Company's former CEO. At December 26, 2021, the amount of total unrecognized compensation cost related to restricted stock units is \$71.6 million and the weighted average period over which this will be expensed is 20 months.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Information with respect to the remaining Restricted Stock Awards and Restricted Stock Units for 2021, 2020 and 2019 is as follows:

(In millions, except per share data)	2021	2020	2019
Outstanding at beginning of year	1.0	0.5	0.4
Granted	0.7	0.8	0.3
Forfeited	(0.1)	(0.1)	—
Vested	(0.5)	(0.2)	(0.2)
Outstanding at end of year	<u>1.1</u>	<u>1.0</u>	<u>0.5</u>
Weighted average grant-date fair value:			
Granted	\$ 91.06	91.80	87.98
Forfeited	\$ 85.88	94.01	92.56
Vested	\$ 91.42	94.21	90.23
Outstanding at end of year	<u>\$ 91.78</u>	<u>91.56</u>	<u>92.54</u>

Stock Options

Information with respect to stock options for each of the three fiscal years ended December 26, 2021 is as follows:

(In millions, except per share data)	2021	2020	2019
Outstanding at beginning of year	2.8	2.4	2.3
Granted	0.6	0.8	0.7
Exercised	(0.5)	(0.3)	(0.5)
Expired or forfeited	—	(0.1)	(0.1)
Outstanding at end of year	<u>2.9</u>	<u>2.8</u>	<u>2.4</u>
Exercisable at end of year	<u>2.1</u>	<u>1.5</u>	<u>1.3</u>
Weighted average exercise price:			
Granted	\$ 90.31	96.79	86.66
Exercised	\$ 65.12	55.82	58.18
Expired or forfeited	\$ 95.59	94.32	95.71
Outstanding at end of year	<u>\$ 92.15</u>	<u>88.16</u>	<u>81.58</u>
Exercisable at end of year	<u>\$ 92.05</u>	<u>82.80</u>	<u>73.03</u>

With respect to the 2.9 million outstanding options and 2.1 million options exercisable at December 26, 2021, the weighted average remaining contractual life of these options was 4.29 years and 3.83 years, respectively. The aggregate intrinsic value of the options outstanding and exercisable at December 26, 2021 was \$17.4 million and \$12.9 million, respectively. Substantially all unvested outstanding options are expected to vest.

The Company uses the Black-Scholes valuation model in determining the fair value of stock options. The expected life of the options used in this calculation is the period of time the options are expected to be outstanding and has been determined based on historical exercise experience. The weighted average fair value of options granted in fiscal 2021, 2020 and 2019 was \$21.30, \$18.58 and \$15.70, respectively. The fair value of each option grant is estimated on the date of grant using the

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Black-Scholes option pricing model with the following weighted average assumptions used for grants in the fiscal years 2021, 2020 and 2019:

	2021	2020	2019
Risk-free interest rate	0.50 %	1.38 %	2.47 %
Expected dividend yield	3.01 %	2.81 %	3.14 %
Expected volatility	38 %	30 %	27 %
Expected option life	4 years	4 years	4 years

The intrinsic values, which represent the difference between the fair market value on the date of exercise and the exercise price of the option, for the options exercised in fiscal 2021, 2020 and 2019 were \$16.0 million, \$9.7 million and \$24.5 million, respectively.

At December 26, 2021, the amount of total unrecognized compensation cost related to stock options was \$9.4 million and the weighted average period over which this will be expensed is 21 months.

Non-Employee Awards

In 2021, 2020 and 2019, the Company granted 17,000, 30,000 and 20,000 shares of common stock, respectively, to its non-employee members of its Board of Directors. Of these shares, the receipt of 10,000 shares from the 2021 grant, 20,000 shares from the 2020 grant and 10,000 shares from the 2019 grant has been deferred to the date upon which the respective director ceases to be a member of the Company's Board of Directors. These awards were valued at the market value of the underlying common stock at the date of grant and vested upon grant. In connection with these grants, compensation cost of \$1.6 million was recorded in selling, distribution and administration expense in the year ended December 26, 2021, and \$1.8 million in the years ended December 27, 2020 and December 29, 2019.

(16) Pension, Postretirement and Postemployment Benefits

Pension and Postretirement Benefits

The Company recognizes an asset or liability for each of its defined benefit pension plans equal to the difference between the projected benefit obligation of the plan and the fair value of the plan's assets. Actuarial gains and losses and prior service costs that have not yet been included in income are recognized in the consolidated balance sheets in AOCE. Reclassifications to earnings from AOCE related to pension and postretirement plans are recorded to other (income) expense.

Expenses related to the Company's defined benefit pension and defined contribution plans for 2021, 2020 and 2019 were approximately \$49.3 million, \$44.7 million and \$48.4 million, respectively. Of these amounts, \$42.7 million, \$38.4 million and \$35.1 million, respectively, related to defined contribution plans in the United States and certain international subsidiaries. The remainder of the expense relates to defined benefit pension plans discussed below.

United States Plans

Prior to 2008, substantially all United States employees were covered under at least one of several non-contributory defined benefit pension plans maintained by the Company. Benefits under the two major plans which principally covered non-union employees, were based primarily on salary and years of service. Benefits under the remaining plans are based primarily on fixed amounts for specified years of service. In 2007, for the two major plans covering its non-union employees, the Company froze benefits being accrued effective at the end of December 2007. Following the August 2015 sale of its

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

manufacturing facility in East Longmeadow, MA, the Company elected to freeze benefits related to its major plan covering union employees. Effective January 1, 2016, the plan covering union employees merged with and into the Hasbro Inc. Pension Plan, and ceased to exist as a separate plan on that date.

In February 2018, the Compensation Committee of the Company's Board of Directors approved a resolution to terminate the Company's U.S. defined benefit pension plan ("U.S. Pension Plan"). During the first quarter of 2018 the Company commenced the U.S. Pension Plan termination process and received regulatory approval during the fourth quarter of 2018. During the second quarter of 2019, the Company settled all remaining benefits directly with vested participants electing a lump sum payout, and purchased a group annuity contract from Massachusetts Mutual Life Insurance Company to administer all future payments to remaining U.S. Pension Plan participants. The U.S. Pension Plan's net funded asset position was sufficient to cover the lump sum payments and the purchase of the group annuity contract and settle all other remaining benefit obligations with no additional cost to the Company. After the settlement of the benefit obligations and payment of expenses, the Company had excess assets in the U.S. Pension Plan of approximately \$20.2 million. The Company elected to utilize the remaining surplus after payment of administrative expenses for the Company's future matching contributions under the Company's 401(k) plan. The Company made a transfer of \$19.5 million to the Company's 401(k) plan which occurred in February 2020, with the remainder transferred in November 2021. Upon settlement of the pension liability, which occurred in May 2019, the Company recognized a non-operating settlement charge of \$110.8 million, with an additional settlement charge of \$0.2 million in December 2019, related to pension losses, reclassified from accumulated other comprehensive loss to other (income) expense in the Company's consolidated statements of operations, adjusted for market conditions and settlement costs at benefit distribution.

During 2020, the Company merged its employee retirement agreements, which had beginning benefit liabilities of \$14.8 million, with its remaining US pension plans.

At December 26, 2021, the measurement date, the Company's remaining plans were unfunded with an aggregate accumulated and projected benefit obligation of \$41.6 million.

The Company also provides certain postretirement health care and life insurance benefits to eligible employees who retired prior to January 1, 2020 and have either attained age 65 with 5 years of service or age 55 with 10 years of service. The cost of providing these benefits on behalf of employees who retired prior to 1993 has been substantially borne by the Company. The cost of providing benefits to all eligible employees who retire after 1992 is borne by the employee. The plan is not funded. During the fourth quarter of 2019, with the approval of the Compensation Committee of the Company's Board of Directors, the Company announced the elimination of the contributory postretirement health and life insurance coverage for employees whose retirement eligibility begins after December 31, 2019.

As of December 26, 2021, the Company had unrecognized losses related to its remaining U.S. pension and post retirement plans of \$17.1 million.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Reconciliations of the beginning and ending balances for the projected benefit obligation, the fair value of plan assets and the funded status are included below for the years ended December 26, 2021 and December 27, 2020.

(In millions)	Pension		Postretirement	
	2021	2020	2021	2020
<u>Change in Projected Benefit Obligation</u>				
Projected benefit obligation — beginning	\$ 46.0	30.9	29.9	27.4
Interest cost	1.1	1.5	0.8	0.9
Transfer in	—	14.8	—	—
Actuarial (gain) loss	(1.1)	3.4	0.4	3.4
Benefits paid	(3.1)	(4.6)	(1.8)	(1.8)
Plan amendments	—	—	(1.2)	—
Settlements paid	(1.3)	—	—	—
Projected benefit obligation — ending	\$ 41.6	46.0	28.1	29.9
Accumulated benefit obligation — ending	\$ 41.6	46.0	28.1	29.9
<u>Change in Plan Assets</u>				
Fair value of plan assets — beginning	\$ —	\$ —	—	—
Fair value of plan assets — ending	\$ —	—	—	—
<u>Reconciliation of Funded Status</u>				
Projected benefit obligation	\$ (41.6)	(46.0)	(28.1)	(29.9)
Fair value of plan assets	—	—	—	—
Funded status	(41.6)	(46.0)	(28.1)	(29.9)
Unrecognized prior service cost (credit)	—	—	(1.2)	—
Unrecognized net loss	13.2	15.8	3.9	3.6
Net amount	\$ (28.4)	(30.2)	(25.4)	(26.3)
Accrued liabilities	\$ (3.2)	(3.2)	(1.6)	(1.7)
Other liabilities	(38.4)	(42.8)	(26.5)	(28.2)
Accumulated other comprehensive (earnings) loss	13.2	15.8	2.7	3.6
Net amount	\$ (28.4)	(30.2)	(25.4)	(26.3)

HASBRO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

Assumptions used to determine the year-end pension and postretirement benefit obligations are as follows:

	2021	2020
<u>Pension</u>		
Weighted average discount rate	2.91 %	2.51 %
Mortality table	Pri-2020/Scale MP - 2021	Pri-2012/Scale MP - 2020
<u>Postretirement</u>		
Discount rate	3.03 %	2.72 %
Health care cost trend rate assumed for next year	6.00 %	6.25 %
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00 %	5.00 %
Year that the rate reaches the ultimate trend	2025	2024

The following presents detail of the components of the net periodic benefit cost for the three years ended December 26, 2021.

(In millions)	2021	2020	2019
<u>Components of Net Periodic Cost</u>			
<u>Pension</u>			
Service cost	\$ —	—	1.2
Interest cost	1.1	1.5	6.6
Expected return on assets	—	—	(6.2)
Amortization of actuarial loss	1.0	0.7	7.6
Curtailment/Settlement losses	0.5	—	111.0
Net periodic benefit cost	<u>\$ 2.6</u>	<u>2.2</u>	<u>120.2</u>
<u>Postretirement</u>			
Service cost	\$ —	—	0.9
Interest cost	0.8	0.9	1.3
Net periodic benefit cost	<u>\$ 0.8</u>	<u>0.9</u>	<u>2.2</u>

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Assumptions used to determine net periodic benefit cost of the pension plan and postretirement plan for each fiscal year follow:

	2021	2020	2019
Pension			
Weighted average discount rate	2.51 %	3.33 %	3.72 %
Long-term rate of return on plan assets	N/A	N/A	4.20 %
Postretirement			
Discount rate	2.72 %	3.46 %	4.33 %
Health care cost trend rate assumed for next year	6.25 %	6.25 %	6.25 %
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00 %	5.00 %	5.00 %
Year that the rate reaches the ultimate trend rate	2025	2024	2024

Expected benefit payments under the defined benefit pension plans (which reflects the 2019 Plan termination) and the postretirement benefit plan for the next five years subsequent to 2021 and in the aggregate for the following five years are as follows:

(In millions)	Pension	Postretirement
2022	\$ 3.2	\$ 1.7
2023	3.3	1.6
2024	3.2	1.6
2025	3.3	1.6
2026	3.1	1.5
2027-2031	14.0	7.2

International Plans

Pension coverage for employees of Hasbro's international subsidiaries is provided, to the extent deemed appropriate, through separate defined benefit and defined contribution plans. At December 26, 2021 and December 27, 2020, the defined benefit plans had total projected benefit obligations of \$121.6 million and \$128.2 million, respectively, and fair values of plan assets of \$94.8 million and \$95.2 million, respectively. Substantially all of the plan assets are invested in equity and fixed income securities. The pension expense related to these plans was \$4.0 million, \$3.5 million and \$2.1 million in 2021, 2020 and 2019, respectively. In fiscal 2022, the Company expects \$1.2 million of unrecognized net losses and an immaterial amount of amortization of prior service costs and unrecognized transition obligation to be included as a component of net periodic benefit cost.

Expected benefit payments under the international defined benefit pension plans for the five years subsequent to 2021 and in the aggregate for the five years thereafter are as follows: 2022: \$2.3 million; 2023: \$2.5 million; 2024: \$2.6 million; 2025: \$2.7 million; 2026: \$3.0 million; and 2027 through 2031: \$16.7 million.

Postemployment Benefits

Hasbro has several plans covering certain groups of employees, which may provide benefits to such employees following their period of active employment but prior to their retirement. These plans include certain severance plans which provide benefits to employees involuntarily terminated and certain plans which continue the Company's health and life insurance contributions for employees who have left Hasbro's employ under terms of its long-term disability plan.

HASBRO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements — (Continued)

(17) Leases

The Company occupies offices and uses certain equipment under various operating lease arrangements. The Company has no finance leases. The leases have remaining terms of 1 to 17 years, some of which include options to extend lease terms or options to terminate current lease terms at certain times, subject to notice requirements set out in the lease agreement. Payments under certain of the lease agreements may be subject to adjustment based on a consumer price index or other inflationary indices. The lease liability for such lease agreements as of the adoption date, was based on fixed payments as of the adoption date. Any adjustments to these payments based on the related indices will be recorded to expense as incurred. Leases with an expected term of 12 months or less are not capitalized. Lease expense under such leases is recorded straight line over the life of the lease. The Company capitalizes non-lease components for equipment leases, but expenses non-lease components as incurred for real estate leases.

The rent expense under such arrangements and similar arrangements that do not qualify as leases under ASU 2016-02, net of sublease income amounted to \$88.2 million, \$90.6 million and \$68.9 million, respectively, for each of the three years ended December 26, 2021 and was not material to the Company's financial statements nor were expenses related to short term leases (expected term less than twelve months) or variable lease payments during those same periods.

All leases expire prior to 2038. Real estate taxes, insurance and maintenance expenses are generally obligations of the Company. It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum lease commitments will not be less than the amounts shown for 2021.

Information related to the Company's leases for the years ended December 26, 2021 and December 27, 2020 is as follows:

(In millions)	Year Ended December 26, 2021	Year Ended December 27, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 53.4	\$ 50.9
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases*	\$ 28.4	\$ 109.1
Weighted Average Remaining Lease Term:		
Operating leases	5.6 years	6.1 years
Weighted Average Discount Rate:		
Operating leases	3.0 %	3.1 %

* In 2020 as part of the acquisition of eOne, the Company recognized \$88.8 million of Right-of-use assets, net in the form of operating leases.

HASBRO, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements – (Continued)

The following is a reconciliation of future undiscounted cash flows to the operating liabilities, and the related right of use assets, included in our Consolidated Balance Sheets as of December 26, 2021:

(In millions)	Year Ended December 26, 2021
2022	\$ 50.3
2023	42.3
2024	30.2
2025	24.3
2026	18.7
2027 and thereafter	33.4
Total future lease payments	199.2
Less imputed interest	22.9
Present value of future operating lease payments	176.3
Less current portion of operating lease liabilities ⁽¹⁾	43.9
Non-current operating lease liability ⁽²⁾	132.4
Operating lease right-of-use assets, net ⁽³⁾	\$ 159.3

⁽¹⁾ Included in Accrued liabilities on the consolidated balance sheets

⁽²⁾ Included in Other liabilities on the consolidated balance sheets

⁽³⁾ Included in Property, plant and equipment on the consolidated balance sheets

(18) Derivative Financial Instruments

Hasbro uses foreign currency forward contracts to mitigate the impact of currency rate fluctuations on firmly committed and projected future foreign currency transactions. These over-the-counter contracts, which hedge future currency requirements related to purchases of inventory, product sales, television and film production cost and production financing loans (see note 11) as well as other cross-border transactions not denominated in the functional currency of the business unit, are primarily denominated in United States and Hong Kong dollars, and Euros. All contracts are entered into with a number of counterparties, all of which are major financial institutions. The Company believes that a default by a single counterparty would not have a material adverse effect on the financial condition of the Company. Hasbro does not enter into derivative financial instruments for speculative purposes.

Cash Flow Hedges

All of the Company's designated foreign currency forward contracts are considered to be cash flow hedges. These instruments hedge a portion of the Company's currency requirements associated with anticipated inventory purchases, product sales, certain production financing loans and other cross-border transactions, primarily in years 2022 and 2023, and to a lesser extent, 2024.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

At December 26, 2021 and December 27, 2020, the notional amounts and fair values of the Company's foreign currency forward contracts designated as cash flow hedging instruments were as follows:

(In millions)	2021		2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
<u>Hedged transaction</u>				
Inventory purchases	199.1	10.4	316.8	(10.0)
Sales	104.5	(1.9)	111.6	1.3
Production financing and other	217.0	2.3	89.9	0.4
Total	\$ 520.6	10.8	518.3	(8.3)

The Company has a master agreement with each of its counterparties that allows for the netting of outstanding forward contracts. The fair values of the Company's foreign currency forward contracts designated as cash flow hedges are recorded in the consolidated balance sheets at December 26, 2021 and December 27, 2020 as follows:

(In millions)	2021	2020
<u>Prepaid expenses and other current assets</u>		
Unrealized gains	\$ 13.8	2.3
Unrealized losses	(3.1)	(1.6)
Net unrealized gains	\$ 10.7	0.7
<u>Other assets</u>		
Unrealized gains	\$ 0.2	1.1
Unrealized losses	—	—
Net unrealized gains	\$ 0.2	1.1
<u>Accrued liabilities</u>		
Unrealized gains	\$ —	3.0
Unrealized losses	(0.1)	(12.9)
Net unrealized losses	\$ (0.1)	(9.9)
<u>Other liabilities</u>		
Unrealized gains	\$ —	—
Unrealized losses	—	(0.2)
Net unrealized losses	\$ —	(0.2)

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Net gains (losses) on cash flow hedging activities have been reclassified from other comprehensive earnings (loss) to net earnings for the years ended December 26, 2021, December 27, 2020 and December 29, 2019 as follows:

(In millions)	2021	2020	2019
Consolidated Statements of Operations Classification			
Cost of sales	\$ (4.7)	21.2	16.7
Net revenues	1.0	2.9	5.6
Other	2.0	1.2	0.2
Net realized (losses) gains	<u>\$ (1.7)</u>	<u>25.3</u>	<u>22.5</u>

Undesignated Hedges

The Company also enters into foreign currency forward contracts to minimize the impact of changes in the fair value of intercompany loans due to foreign currency changes. The Company does not use hedge accounting for these contracts as changes in the fair values of these contracts are substantially offset by changes in the fair value of the intercompany loans. Additionally, to manage transactional exposure to fair value movements on certain monetary assets and liabilities denominated in foreign currencies, the Company has implemented a balance sheet hedging program. The Company does not use hedge accounting for these contracts as changes in the fair values of these contracts are offset by changes in the fair value of the balance sheet items. As of December 26, 2021 and December 27, 2020, the total notional amounts of the Company's undesignated derivative instruments were \$632.0 million and \$590.6 million, respectively.

At December 26, 2021 and December 27, 2020, the fair value of the Company's undesignated derivative financial instruments are recorded in the consolidated balance sheets as follows:

(In millions)	2021	2020
<u>Prepaid expenses and other current assets</u>		
Unrealized gains	\$ —	3.5
Unrealized losses	—	(0.5)
Net unrealized gains	<u>\$ —</u>	<u>3.0</u>
<u>Accrued liabilities</u>		
Unrealized gains	\$ 3.5	—
Unrealized losses	(6.0)	(2.6)
Net unrealized losses	<u>\$ (2.5)</u>	<u>(2.6)</u>
Total unrealized (losses) gains, net	<u>\$ (2.5)</u>	<u>0.4</u>

The Company recorded net gains (losses) gains of \$4.6 million, \$(27.7) million and \$13.4 million on these instruments to other (income) expense, net for 2021, 2020 and 2019, respectively, relating to the change in fair value of such derivatives, substantially offsetting gains and losses from the change in fair value of intercompany loans to which the instruments relate.

eOne Purchase Hedges

During the third quarter of 2019, the Company hedged a portion of its exposure to fluctuations in the British pound sterling and other transactions in relation to the eOne acquisition using a series of

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

both foreign exchange forward and option contracts. These contracts did not qualify for hedge accounting and as such, were marked to market through the Company's Consolidated Statement of Operations. For tax purposes these contracts qualified as nontaxable integrated tax hedges. The Company recorded realized gains of \$80.0 million on matured contracts to other (income) expense, net for the year ended December 29, 2019. These contracts matured on December 30, 2019 (the closing date of the transaction) and the related net gains or losses recognized in the Company's 2020 results were immaterial to the Company's consolidated financial statements.

For additional information related to the Company's derivative financial instruments see notes 4 and 14.

(19) Restructuring Actions

During 2018, the Company announced a comprehensive restructuring plan which consisted of re-designing its go-to market strategy and re-shaping its organization to become a more responsive, innovative and digitally-driven play and entertainment company. As part of this process the Company took certain restructuring actions which continued through 2019. The actions primarily included headcount reduction aimed at right-sizing the Company's cost-structure and giving it the ability to add required new talent in the future. In 2020, the Company continued to streamline its commercial organization, and recorded severance of \$6.9 million associated with these cost-savings initiatives. These charges were included within selling, distribution and administrative costs on the Consolidated Statement of Operations for the year ended December 27, 2020.

During 2020, in connection with the eOne acquisition, the Company recorded \$32.5 million of severance and other employee charges related to the integration of eOne. These charges were recorded within acquisition and related costs on the Consolidated Statements of Operations for the year ended December 27, 2020, and reported within Corporate and Eliminations.

The Company also recorded severance charges of \$1.5 million in 2020 associated with cost-savings initiatives within the eOne Music business.

The detail of activity related to the programs as of December 26, 2021 is as follows:

(In millions)	2018 Restructuring & 2020 Commercial Program	eOne Integration Program	Other	Total
Remaining amounts to be paid as of December 29, 2019	\$ 31.1	\$ —	\$ —	\$ 31.1
2020 restructuring charges	6.9	32.5	1.5	40.9
Payments made in 2020	(20.7)	(15.6)	(0.7)	(37.0)
Remaining amounts to be paid as of December 27, 2020	17.3	16.9	0.8	\$ 35.0
Payments made in 2021	(7.5)	(11.8)	(0.8)	(20.1)
Remaining amounts to be paid as of December 26, 2021	\$ 9.8	\$ 5.1	\$ —	\$ 14.9

(20) Commitments and Contingencies

Hasbro had unused open letters of credit and related instruments of approximately \$13.6 million and \$16.2 million at December 26, 2021 and December 27, 2020, respectively.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

The Company enters into license agreements with strategic partners, inventors, designers and others for the use of intellectual properties in its products. Certain of these agreements contain provisions for the payment of guaranteed or minimum royalty amounts. In addition, the Company enters into contractual commitments to obtain film and television content distribution rights and minimum guarantee commitments related to the purchase of film and television rights for content to be delivered in the future. Under terms of existing agreements as of December 26, 2021, Hasbro may, provided the other party meets their contractual commitment, be required to pay amounts as follows: 2022: \$223.7 million; 2023: \$128.3 million; 2024: \$65.7 million; 2025: \$65.7 million; 2026: \$65.7 million; and thereafter: \$3.2 million. At December 26, 2021, the Company had \$79.7 million of prepaid royalties, all of which are included in prepaid expenses and other current assets

Interest payment obligations on the Company's fixed-rate long-term debt are as follows: 2022: \$145.9 million; 2023: \$145.9 million; 2024: \$145.9 million; 2025: \$130.9 million; 2026: \$130.9 million; and thereafter: \$823.1 million. See note 11 for information on repayment terms for the Company's variable rate term loans.

The Company enters into contracts with certain partners which among other things, provide the Company right of first refusal to purchase, distribute, or license certain entertainment projects or content. At December 26, 2021, the Company estimates that it may be obligated to pay \$30.8 million and \$5.4 million, in 2022 and 2023, respectively, related to such agreements.

In connection with the Company's agreement to form a joint venture with Discovery, the Company is obligated to make future payments to Discovery under a tax sharing agreement. The Company estimates these payments may total approximately \$19.8 million and may range from approximately \$0.4 million to \$6.0 million per year during the period 2022 to 2026, with no remaining payments due thereafter. These payments are contingent upon the Company having sufficient taxable income to realize the expected tax deductions of certain amounts related to the joint venture.

At December 26, 2021, the Company estimates payments related to inventory and tooling purchase commitments may total approximately \$621.7 million, including contractual commitments under the manufacturing agreement with Cartamundi as follows: 2022: \$95.0 million and 2023: \$85.0 million.

Hasbro is party to certain legal proceedings, as well as certain asserted and unasserted claims. Amounts accrued, as well as the total amount of reasonably possible losses with respect to such matters, individually and in the aggregate, are not deemed to be material to the consolidated financial statements.

See note 17 for additional information on the Company's future lease payment commitments. See note 11 for additional information on the Company's long-term debt and production financing repayments.

(21) Segment Reporting

Segment and Geographic Information

Hasbro is a global play and entertainment company with a broad portfolio of brands and entertainment content spanning toys, games, licensed products ranging from traditional to digital, as well as film and television entertainment. In the first quarter of 2020, the Company completed its acquisition of the global independent studio, eOne and throughout 2020, the Company successfully integrated the acquired eOne business and started to achieve synergies as a combined company. During the first quarter of 2021, the Company realigned its reportable segment structure to: (1) align with changes to its business structure subsequent to the integration of eOne; and (2) reflect changes to its reporting structure and provide transparency into how operating performance is measured. The Company's three principal reportable segments are (i) Consumer Products, (ii) Wizards of the Coast and Digital Gaming, and (iii) Entertainment.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

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 our 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 Wizards of the Coast and Digital Gaming business engages in the promotion of the Company's brands through the development of trading card, role-playing and digital game experiences based on Hasbro and Wizards of the Coast games. The Entertainment segment engages in the development, acquisition, production, distribution and sale of world-class entertainment content including film, scripted and unscripted television, family programming, digital content and live entertainment.

Segment performance is measured at the operating profit level. Included in Corporate and eliminations are certain corporate expenses, including the elimination of intersegment transactions and certain assets benefiting more than one segment. Intersegment sales and transfers are reflected in management reports at amounts approximating cost. Certain shared costs, including global development and marketing expenses and corporate administration, are allocated to segments based upon expenses and foreign exchange rates fixed at the beginning of the year, with adjustments to actual expenses and foreign exchange rates included in Corporate and eliminations. The accounting policies of the segments are the same as those referenced in note 1.

Results shown for fiscal years 2021, 2020 and 2019 are not necessarily those which would be achieved if each segment was an unaffiliated business enterprise.

Reclassifications of certain prior year segment results and account balances have been made to conform to the current-year presentation. None of the segment changes impact the Company's previously reported consolidated net revenue, operating profits, net earnings or net earnings per share.

On June 29, 2021, the Company completed the sale of eOne Music. The financial results of eOne Music were recorded within the Company's Entertainment segment through the date of the closing of the sale. The assets and liabilities of eOne Music were de-consolidated as of the closing date and there are no remaining carrying amounts in the Company's Consolidated Balance Sheets as of December 26, 2021. The sale of eOne Music in 2021 did not impact the Company's previously reported 2020 or 2019 net revenues, operating profit, earnings, assets or liabilities.

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

Information by segment and a reconciliation to reported amounts are as follows:

(In millions)	Revenues from External Customers	Affiliate Revenue	Operating Profit (Loss)	Depreciation and Amortization	Capital Additions	Total Assets
2021						
Consumer Products	\$3,981.6	465.4	401.4	112.4	73.1	4,925.5
Wizards of the Coast and Digital Gaming	1,286.6	121.6	547.0	48.5	35.1	1,585.1
Entertainment	1,152.2	61.5	(91.8)	96.6	6.2	6,052.8
Corporate and Other ^(a)	—	(648.5)	(93.3)	22.6	18.3	(2,525.6)
Consolidated Total	<u>\$6,420.4</u>	<u>—</u>	<u>763.3</u>	<u>280.1</u>	<u>132.7</u>	<u>10,037.8</u>
2020						
Consumer Products	\$3,649.6	379.0	308.1	78.3	69.3	5,552.5
Wizards of the Coast and Digital Gaming	906.7	77.3	420.4	9.0	35.9	585.7
Entertainment	909.1	5.9	(141.1)	138.0	6.6	6,003.0
Corporate and Other ^(a)	—	(462.2)	(85.6)	39.7	14.0	(1,322.8)
Consolidated Total	<u>\$5,465.4</u>	<u>—</u>	<u>501.8</u>	<u>265.0</u>	<u>125.8</u>	<u>10,818.4</u>
2019						
Consumer Products	\$3,881.2	386.0	306.9	92.7	78.2	5,388.9
Wizards of the Coast and Digital Gaming	761.2	55.0	294.7	9.2	31.1	613.1
Entertainment	77.8	11.5	13.6	2.8	0.6	338.5
Corporate and Other ^(a)	—	(452.5)	36.9	76.1	23.7	2,515.1
Consolidated Total	<u>\$4,720.2</u>	<u>—</u>	<u>652.1</u>	<u>180.8</u>	<u>133.6</u>	<u>8,855.6</u>

- (a) Certain long-term assets, including property, plant and equipment, goodwill and other intangibles, which benefit multiple operating segments, are included in both Entertainment and Corporate and Other. Allocations of certain expenses, related assets within the individual operating segments, are done at the beginning of the year based on budgeted amounts. Any differences between actual and budgeted amounts are reflected in Corporate and Other. Furthermore, Corporate and Other includes elimination of inter-company income statement transactions. Corporate and Other also includes the elimination of inter-company balance sheet amounts.

The following table represents consolidated Consumer Products segment net revenues by major geographic region for the three fiscal years ended December 26, 2021.

(In millions)	2021	2020	2019
North America	\$ 2,315.9	2,116.2	2,098.1
Europe	1,067.7	989.2	982.2
Asia Pacific	310.1	295.6	359.4
Latin America	287.9	248.6	441.5
Net revenues	<u>\$ 3,981.6</u>	<u>3,649.6</u>	<u>3,881.2</u>

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements – (Continued)

The following table represents consolidated Entertainment segment net revenues by category for the three fiscal years ended December 26, 2021.

(In millions)	2021	2020	2019
Film and TV	\$ 932.5	\$ 700.5	\$ 45.1
Family Brands	132.9	86.5	31.8
Music and Other	86.8	122.1	0.9
Net revenues	<u>\$ 1,152.2</u>	<u>909.1</u>	<u>77.8</u>

The following table presents consolidated net revenues by brand portfolio for the three fiscal years ended December 26, 2021.

(In millions)	2021	2020	2019
Franchise Brands	\$ 2,792.7	2,286.1	2,411.8
Partner Brands	1,161.0	1,079.4	1,221.0
Hasbro Gaming	851.4	814.8	709.8
Emerging Brands	617.6	480.4	377.6
TV/Film/Entertainment	997.7	804.7	—
Net revenues	<u>\$ 6,420.4</u>	<u>5,465.4</u>	<u>4,720.2</u>

Hasbro's total gaming category, including all gaming net revenues, most notably MAGIC: THE GATHERING and MONOPOLY, totaled \$2,098.9 million, \$1,763.8 million and \$1,528.3 million for the years ended December 26, 2021, December 27, 2020 and December 29, 2019, respectively.

Information as to Hasbro's operations in different geographical areas is presented below on the basis the Company uses to manage its business. Net revenues are categorized based on location of the customer, while long-lived assets (property, plant and equipment, goodwill and other intangibles) are categorized based on their location.

(In millions)	2021	2020	2019
Net revenues			
United States	\$ 3,898.9	3,202.4	2,653.3
International	2,521.5	2,263.0	2,066.9
	<u>6,420.4</u>	<u>5,465.4</u>	<u>4,720.2</u>
Long-lived assets			
United States	1,359.6	1,491.3	1,299.3
International	3,653.0	4,220.2	223.8
	<u>\$ 5,012.6</u>	<u>5,711.5</u>	<u>1,523.1</u>

Principal international markets include Europe, Canada, Mexico and Latin America, Australia, China and Hong Kong. Long-lived assets include property, plant and equipment, goodwill and other intangibles.

Other Information

Hasbro markets its tangible products primarily to customers in the retail sector. Although the Company closely monitors the creditworthiness of its customers, adjusting credit policies and limits as

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

deemed appropriate, a substantial portion of its customers' ability to discharge amounts owed is generally dependent upon the overall retail economic environment.

In 2021 and 2020 the Company's largest customers were Wal-Mart Stores, Inc., Amazon.com and Target Corporation. Sales to these customers amounted to 13%, 11% and 8%, respectively of consolidated net revenues in 2021 and 15%, 10% and 8%, respectively of consolidated net revenues during 2020. In 2019 the Company's largest customers were Wal-Mart Stores, Inc. and Target Corporation. Sales to these customers amounted to 18% and 9%, respectively, of consolidated net revenues during 2019. Net revenues from the Company's major customers are reported within the Consumer Products segment, Wizards of the Coast & Digital Gaming segment and the Entertainment segment.

Hasbro purchases certain components used in its manufacturing process and certain finished products from manufacturers in the Far East. The Company's reliance on external sources of manufacturing can be shifted, over a period of time, to alternative sources of supply for products it sells, should such changes be necessary. However, if the Company were prevented from obtaining products from a substantial number of its current Far East suppliers due to political, labor or other factors beyond its control, the Company's operations would be disrupted, potentially for a significant period of time, while alternative sources of product were secured. The imposition of trade sanctions, tariffs, border adjustment taxes or other measures by the United States or the European Union against a class of products imported by Hasbro from, or the loss of "normal trade relations" status with, China, or other countries where we manufacture products, or other factors which increase the cost of manufacturing in China, or other countries where we manufacture products, such as higher labor costs or an appreciation in the Chinese Yuan, could significantly disrupt our operations and/or significantly increase the cost of the products which are manufactured and imported into other markets.

The Company has agreements which allow it to develop and market products based on properties owned by third parties including its license with Marvel Entertainment, LLC and Marvel Characters B.V. (together "Marvel") and its license with Lucas Licensing Ltd. and Lucasfilm Ltd. (together "Lucas"). These licenses have multi-year terms and provide the Company with the right to market and sell designated classes of products based on Marvel's portfolio of brands, including SPIDER-MAN and THE AVENGERS, and Lucas's STAR WARS brand. The Company also has a license to market products with The Walt Disney Company for DISNEY PRINCESS and DISNEY FROZEN lines through the end of 2022. Hasbro's net revenues from these licenses can be significant in any given year based on the level of thirdparty entertainment. In addition to DISNEY PRINCESS and DISNEY FROZEN, both Marvel and Lucas are owned by The Walt Disney Company.

(22) eOne Music Sale

On April 25, 2021, the Company entered into a definitive agreement to sell eOne Music for an aggregate sales price of \$385.0 million, subject to certain closing adjustments related to working capital and net debt.

On June 29, 2021, the Company completed the sale of eOne Music for net proceeds of \$397.0 million, including the sales price of \$385.0 million and \$12.0 million of closing adjustments related to working capital and net debt calculations. The final proceeds were subject to further adjustment upon completion of closing working capital, which resulted in a net outflow of \$0.9 million. The Company acquired eOne Music through its acquisition of eOne in December 2019. Based on the value of the net assets held by eOne Music, which included goodwill and intangible assets allocated to eOne Music as part of the eOne acquisition, the Company recorded a pre-tax non-cash goodwill impairment charge of \$108.8 million within Loss on Disposal of Business on the Consolidated Statements of Operations for the year ended December 26, 2021. The Company also recorded pre-tax

HASBRO, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements — (Continued)

cash transaction expenses of \$9.5 million within Selling, Distribution and Administration expenses on the Consolidated Statements of Operations during the second quarter of 2021. The impairment charge was recorded within the Entertainment segment and the transaction costs were recorded within the Corporate and Other segment.

The operations of eOne Music did not meet the criteria to be presented as discontinued operations in accordance with Accounting Standards Update No. 2014-08 (ASU 2014-08) Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)—*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* and eOne Music did not represent an individually significant component of the Company's business. Income from operations before income taxes, attributable to eOne Music, was recorded to the Company's Consolidated Statements of Operations, within the Entertainment segment through the sale transaction closing date. Assets of \$473.5 million and liabilities of \$77.3 million, attributable to eOne Music, were de-consolidated as of the closing date and, as of December 26, 2021, there are no remaining carrying amounts in the Company's Consolidated Balance Sheets.

The following table presents the carrying amounts of the major classes of eOne Music assets and liabilities sold on June 29, 2021 and reflects final working capital adjustments.

(In millions)	December 26, 2021
Cash and Cash Equivalents	\$ 18.2
Goodwill and Other Intangible Assets	410.3
Prepaid Expenses	31.0
Other Assets	14.0
Total Assets	473.5
Accrued Liabilities	24.4
Deferred Taxes	36.9
Other Liabilities	16.0
Total Liabilities	\$ 77.3

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and that such information is accumulated and communicated to the Company’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including the Company’s Interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 26, 2021. Based on the evaluation of these disclosure controls and procedures, the Interim Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective.

Management’s Report on Internal Control over Financial Reporting

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act. Hasbro’s internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Hasbro’s management assessed the effectiveness of its internal control over financial reporting as of December 26, 2021. In making its assessment, Hasbro’s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in “Internal Control-Integrated Framework (2013)”. Based on this assessment, Hasbro’s management concluded that, as of December 26, 2021, its internal control over financial reporting is effective based on those criteria. Hasbro’s independent registered public accounting firm has issued an audit report on internal control over financial reporting, which is included herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Hasbro, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Hasbro, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 26, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 26, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 26, 2021 and December 27, 2020, the related consolidated statements of operations, comprehensive earnings, cash flows, and shareholders' equity and redeemable noncontrolling interests for each of the years in the three-year period ended December 26, 2021, and the related notes and financial statement schedule II—valuation and qualifying accounts (collectively, the consolidated financial statements), and our report dated February 23, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Providence, Rhode Island
February 23, 2022

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended December 26, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Certain of the information required by this item is contained under the captions “Election of Directors”, “Governance of the Company” and, if applicable, under “Delinquent Section 16(a) Reports” in the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

The information required by this item with respect to executive officers of the Company is included in Part I, Item 1. *Business*, of this Form 10-K under the caption “Our Executive Officers” and is incorporated herein by reference.

The Company has a Code of Conduct, which is applicable to all of the Company’s employees, officers and directors, including the Company’s Chief Executive Officer, Chief Financial Officer and Controller. A copy of the Code of Conduct is available on the Company’s website under the Corporate, Investors, Corporate Governance tabs. The Company’s investor website address is <http://hasbro.gcs-web.com>. Although the Company does not generally intend to provide waivers of or amendments to the Code of Conduct for its Chief Executive Officer, Chief Financial Officer, Controller, or other officers or employees, information concerning any waiver of or amendment to the Code of Conduct for the Chief Executive Officer, Chief Financial Officer, Controller, or any other executive officers or directors of the Company, will be promptly disclosed on the Company’s website in the location where the Code of Conduct is posted.

The Company has also posted on its website, in the Corporate Governance location referred to above, copies of its Corporate Governance Principles and of the charters for its (i) Audit, (ii) Compensation, (iii) Finance, (iv) Nominating, Governance and Social Responsibility, and (v) Cybersecurity and Data Privacy Committee of its Board of Directors.

In addition to being accessible on the Company’s website, copies of the Company’s Code of Conduct, Corporate Governance Principles, and charters for the Company’s Board Committees, are all available free of charge upon request to the Company’s Executive Vice President, Chief Legal Officer and Corporate Secretary, Tarrant Sibley, at 1027 Newport Avenue, P.O. Box 1059, Pawtucket, R.I. 02861-1059.

Item 11. Executive Compensation.

The information required by this item is contained under the captions “Compensation of Directors”, “Executive Compensation”, “Compensation Committee Report”, “Compensation Discussion and Analysis” and “Compensation Committee Interlocks and Insider Participation” in the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is contained under the captions “Voting Securities and Principal Holders Thereof”, “Security Ownership of Management” and “Equity Compensation Plans” in the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is contained under the captions “Governance of the Company” and “Certain Relationships and Related Party Transactions” in the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Our independent registered public accounting firm is KPMG LLP, Providence, RI, Auditor ID: 185.

The information required by this item is contained under the caption “Additional Information Regarding Independent Registered Public Accounting Firm” in the Company’s definitive proxy statement for the 2022 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Consolidated Financial Statements, Consolidated Financial Statement Schedules and Exhibits

(1) Consolidated Financial Statements

Included in PART II of this report:

Report of Independent Registered Public Accounting Firm (PCAOBID 185)

Consolidated Balance Sheets at December 26, 2021 and December 27, 2020

Consolidated Statements of Operations for the Three Fiscal Years Ended in December 2021, 2020 and 2019

Consolidated Statements of Comprehensive Earnings for the Three Fiscal Years Ended in December 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the Three Fiscal Years Ended in December 2021, 2020 and 2019

Consolidated Statements of Shareholders' Equity and Redeemable Noncontrolling Interests for the Three Fiscal Years Ended in December 2021, 2020 and 2019

Notes to Consolidated Financial Statements

(2) Consolidated Financial Statement Schedules

Included in PART IV of this report:

For the Three Fiscal Years Ended in December 2021, 2020 and 2019:

Schedule II—Valuation and Qualifying Accounts

Schedules other than those listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes thereto. Columns omitted from schedules filed have been omitted because the information is not applicable.

Item 16. Form 10-K Summary.

Not applicable.

Exhibit

2. Plan of Acquisition
 - (a) Arrangement Agreement by and among Hasbro, Inc., 11573390 Canada Inc. and eOne, dated as of August 22, 2019. (Incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on August 23, 2019, File No. 1-6682.)
3. Articles of Incorporation and Bylaws
 - (a) Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
 - (b) Amendment to Articles of Incorporation, dated June 28, 2000. (Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
 - (c) Amendment to Articles of Incorporation, dated May 19, 2003. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
 - (d) Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3(d) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2006, File No. 1-6682.)
 - (e) Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated August 6, 2014, File No. 1-6682.)
 - (f) Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 5, 2015, File No. 1-6682.)
 - (g) Amendment to Amended and Restated Bylaws of the Company, as amended. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 10, 2015, File No. 1-6682.)
 - (h) Certificate of Designations of Series C Junior Participating Preference Stock of Hasbro, Inc. dated June 29, 1999. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
 - (i) Certificate of Vote(s) authorizing a decrease of class or series of any class of shares. (Incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 2000, File No. 1-6682.)
4. Instruments defining the rights of security holders, including indentures.
 - (a) Indenture, dated as of July 17, 1998, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to Citibank, N.A. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 14, 1998, File No. 1-6682.)
 - (b) Indenture, dated as of March 15, 2000, by and between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4(b)(i) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1999, File No. 1-6682.)

Exhibit

- (c) First Supplemental Indenture, dated as of September 17, 2007, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 17, 2007, File No. 1-6682.)
 - (d) Second Supplemental Indenture, dated as of May 13, 2009, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 13, 2009, File No. 1-6682.)
 - (e) Third Supplemental Indenture, dated as of March 11, 2010, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed March 11, 2010, File No. 1-6682.)
 - (f) Fourth Supplemental Indenture, dated as of May 13, 2014, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed May 13, 2014, File No. 1-6682.)
 - (g) Fifth Supplemental Indenture, dated September 13, 2017, between the Company and The Bank of New York Mellon Trust Company, N.A. as successor Trustee to the Bank of Nova Scotia Trust Company of New York. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed September 13, 2017, File No. 1-6682.)
 - (h) Sixth Supplemental Indenture dated as of November 19, 2019, among the Company and The Bank of New York Mellon Trust Company, N.A. and U.S. Bank, National Association, supplementing the Indenture dated as of March 15, 2000. (Incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K filed November 19, 2019, File No. 1-6682.)
 - (i) Description of the Company's Common Stock, \$0.50 par value per share, registered pursuant to Section 12 of the Exchange Act. (Incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 29, 2019, File No. 1-6682.)
10. Material Contracts
- (a) Second Amended and Restated Revolving Credit Agreement, dated as of September 20, 2019, by and among Hasbro, Inc., Bank of America, N.A. and the other financial institutions party thereto. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 24, 2019, File No. 1-6682.)
 - (b) Form of Commercial Paper Deal Agreement. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 28, 2011, File No. 1-6682.)
 - (c) Form of Issuing and Paying Agent Agreement. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed January 28, 2011, File No. 1-6682.)

Exhibit

- (d) Term Loan Agreement, dated as of September 20, 2019, by and among Hasbro, Inc., Bank of America, N.A., and the other financial institutions party thereto. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 24, 2019, File No. 1-6682).

Executive Compensation Plans and Arrangements

- (e) Form of Director's Indemnification Agreement. (Incorporated by reference to Exhibit 10(jj) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
- (f) Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors. (Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 26, 1993, File No. 1-6682.)
- (g) First Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated April 15, 2003. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 29, 2003, File No. 1-6682.)
- (h) Second Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated July 17, 2003. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 2003, File No. 1-6682.)
- (i) Third Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated December 15, 2005. (Incorporated by reference to Exhibit 10(nn) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 25, 2005, File No. 1-6682.)
- (j) Fourth Amendment to Hasbro, Inc. Deferred Compensation Plan for Non-Employee Directors, dated October 3, 2007. (Incorporated by reference to Exhibit 10(oo) to the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 30, 2007, File No. 1-6682.)
- (k) Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix D to the definitive proxy statement for its 2017 Annual Meeting of Shareholders, File No. 1-6682.)
- (l) First Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix C to the definitive proxy statement for the Company's 2017 Annual Meeting of Shareholders, File No. 1-6682.)
- (m) Second Amendment to Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Appendix C to the definitive proxy statement for the Company's 2020 Annual Meeting of Shareholders, File No. 1-6682.)
- (n) Form of 2021 Stock Option Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by Reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)
- (o) Form of 2021 Stock Option Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Applicable to Brian Goldner.) (Incorporated by Reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)

Exhibit

- (p)** Form of 2021 Restricted Stock Unit Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Applicable to Richard Stoddart).
- (q) Form of 2021 Restricted Stock Unit Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)
- (r) Form of 2021 Restricted Stock Unit Agreement under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan. (Applicable to Brian Goldner.) (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)
- (s) Form of 2021 Contingent Stock Performance Award under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)
- (t) Form of 2021 Contingent Stock Performance Award under the Hasbro, Inc. Restated 2003 Stock Incentive Performance Plan (Applicable to Brian Goldner). (Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)
- (u) Hasbro, Inc. Amended and Restated Nonqualified Deferred Compensation Plan. (Incorporated by reference to Exhibit 10(aaa) to the Company's Annual Report on Form 10-K for the Fiscal Year ended December 28, 2008, File No. 1-6682.)
- (v) Hasbro, Inc. 2014 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix F to the Company's definitive proxy statement for its 2017 Annual Meeting of Shareholders, File No. 1-6682.)
- (w) First Amendment to Hasbro, Inc. 2014 Senior Management Annual Performance Plan. (Incorporated by reference to Appendix E to the Company's definitive proxy statement for its 2017 Annual Meeting of Shareholders, File No. 1-6682.)
- (x) Hasbro, Inc. 2021 Performance Rewards Program. (Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended June 27, 2021, File No. 1-6682.)
- (y) Amended and Restated Employment Agreement, dated October 4, 2012, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of October 11, 2012, File No. 1-6682.)
- (z) Amendment, dated August 5, 2014, to Amended and Restated Employment Agreement, between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of August 6, 2014, File No. 1-6682.)
- (aa) Amendment, dated December 15, 2016, to Amended and Restated Employment Agreement between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated as of December 20, 2016, File No. 1-6682.)
- (bb) Amendment, dated August 1, 2018, to Amended and Restated Employment Agreement between the Company and Brian Goldner. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of August 6, 2018, File No. 1-6682.)

Exhibit

- (cc) Employment Agreement, dated August 1, 2018, between the Company and John Frascotti. (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of August 6, 2018, File No. 1-6682.)
 - (dd) Transitional Advisory Services Agreement, dated October 5, 2020 with John Frascotti. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 27, 2020, File No. 1-6682.)
 - (ee) Transitional Advisory Services Agreement, dated October 4, 2021 with Dolph Johnson. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 26, 2021, File No. 1-6682.)
 - (ff) Employment Agreement with Darren Throop, dated March 22, 2017 as amended. (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 2021, File No. 1-6682.)
 - (gg) Hasbro, Inc. Change in Control Severance Plan for Designated Senior Executives. (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 28, 2021, File No. 1-6682.)
 - (hh) Hasbro, Inc. Clawback Policy. (Incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K dated as of October 11, 2012, File No. 1-6682.)
21. Subsidiaries of the registrant.
23. Consent of KPMG LLP.
- 31.1 Certification of the Interim Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1* Certification of the Interim Chief Executive Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
- 32.2* Certification of the Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934.
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

* Furnished herewith.

** Filed herewith.

The Company agrees to furnish the Securities and Exchange Commission, upon request, a copy of each agreement with respect to long-term debt of the Company, the authorized principal amount of which does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis.

Schedule II-Valuation and Qualifying Accounts
Fiscal Years Ended in December
(Thousands of Dollars)

Valuation accounts deducted from assets to which they apply — for credit losses for accounts receivable:	Balance at Beginning of Year	Expense (Benefit)	Other Additions	Write-Offs and Other	Balance at End of Year
2021	\$ 33.6	\$ 5.3	\$ —	\$(16.0)	\$ 22.9
2020	\$ 17.2	\$22.5	\$ —	\$ (6.1)	\$ 33.6
2019	\$ 9.1	\$5.0	\$ —	\$ 3.1	\$ 17.2

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HASBRO, INC.
(Registrant)

By: /s/ Richard S. Stoddart
Richard S. Stoddart
Interim Chief Executive Officer

Date: February 23, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Richard S. Stoddart</u> Richard S. Stoddart	Interim Chief Executive Officer (Principal Executive Officer)	February 23, 2022
<u>/s/ Deborah M. Thomas</u> Deborah M. Thomas	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 23, 2022
<u>/s/ Tracy A. Leinbach</u> Tracy A. Leinbach	Chair of the Board of Directors	February 23, 2022
<u>/s/ Kenneth A. Bronfin</u> Kenneth A. Bronfin	Director	February 23, 2022
<u>/s/ Michael R. Burns</u> Michael R. Burns	Director	February 23, 2022
<u>/s/ Hope F. Cochran</u> Hope F. Cochran	Director	February 23, 2022
<u>/s/ Lisa Gersh</u> Lisa Gersh	Director	February 23, 2022
<u>/s/ Edward M. Philip</u> Edward M. Philip	Director	February 23, 2022
<u>/s/ Laurel J. Richie</u> Laurel J. Richie	Director	February 23, 2022
<u>/s/ Richard S. Stoddart</u> Richard S. Stoddart	Director	February 23, 2022
<u>/s/ Mary Beth West</u> Mary Beth West	Director	February 23, 2022
<u>/s/ Linda K. Zecher Higgins</u> Linda K. Zecher Higgins	Director	February 23, 2022

Shareholder Information

Stock Exchange Information

The common stock of Hasbro, Inc. is listed on The NASDAQ Global Select Market under the symbol "HAS".

Direct Stock Purchase and Dividend Reinvestment Plan

Under this plan, interested investors may purchase their initial shares and existing Hasbro shareholders may reinvest their dividends or make optional cash payments towards the purchase of additional shares of common stock through the Computershare CIP, a Direct Stock Purchase and Dividend Reinvestment Plan for Hasbro, Inc. sponsored and administered by Computershare Trust Company, N.A. Details about the plan can be viewed and printed from Computershare's website, www.computershare.com/investor.

Transfer Agent and Registrar

Shareholders who wish to change the name or address on their record of stock ownership, report lost certificates, consolidate accounts or make other inquiries relating to shares held directly in their name, cash dividends, tax reporting, escheatment notices or the Computershare CIP should contact:

Computershare Trust Company, N.A.
PO Box 505000
Louisville, KY 40233
TEL: (781) 575-3400 / (800) 733-5001

To easily manage your account anytime, anywhere with no waiting visit Computershare's Quick Access Hub at <http://cshare.us/qahub> to view statements, tax forms, obtain stock value, share balances, replace checks, add or change account beneficiaries, update an address, enroll in direct deposit and receive text message notifications. For full access to your entire shareholder account in a secure online web environment and to consent to receive proxy materials and tax documents electronically go to www.computershare.com/investor to register your account.

Form 10-K

Hasbro's Annual Report on Form 10-K filed with the Securities and Exchange Commission provides certain additional information and is included herein. Shareholders may obtain an additional copy without charge by contacting the Investor Relations Department.

Investor Information

Securities analysts, investors and others who wish to receive information about Hasbro are invited to contact:

Hasbro Investor Relations
1027 Newport Avenue
P.O. Box 1059
Pawtucket, Rhode Island 02861
TEL: (401) 727-5401
EMAIL: Hasbro_investor_relations@hasbro.com
WEBSITE: <https://investor.hasbro.com/>

Purpose and ESG

Hasbro is committed to playing with purpose and operating our business with integrity. As a Purpose-led company, we believe that every day is a chance to do better. We strive to act responsibly, sustainably, and transparently, and in doing so, build long-term value and create trust with our stakeholders. Our Environmental, Social, Governance (ESG) strategy helps us build a sustainable and inclusive company.

Our ESG strategy focuses on material areas of impact for our business: product and content safety, climate and sustainability, human rights and ethical sourcing and human capital management, including diversity, equity, and inclusion (DEI). Hasbro's Sustainability Center of Excellence continues to guide our environmental strategy across the global organization, uniting our facilities and teams around the world to advance our environmental commitments. Our robust ethical sourcing program ensures social compliance across our global supply chain. Additionally, we are committed to advancing diversity, equity, and inclusion across our business—from our employees and brands, to the workers in our supply chain. Finally, we have a proud tradition of employee engagement and community impact. In 2021, our support exceeded \$17 million, including both financial contributions and donations of more than 750,000 toys and games. We engaged 92% of our employees worldwide through our Team Hasbro Employee Volunteer program. Our social impact work aligns with our ESG priorities; some highlights include supporting children and families in crisis and providing leadership and skills development opportunities for youth in underrepresented communities. To learn more about our Purpose and ESG impact and performance, see our 2019-2020 CSR Update Report and our 2021 Data Update, or visit www.hasbro.com/csr.



The discussion set forth in the letter to our shareholders, and in this annual report, contains forward-looking statements concerning our expectations and beliefs, including, without limitation, expected technological and product developments; relationships with business partners, customers and suppliers; purchasing patterns of our customers and consumers; efforts to expand eCommerce capabilities; the expected timing for scheduled new product introductions or our expectations concerning the future acceptance of products by customers; expected benefits and plans relating to acquired brands, properties and businesses; the development and timing of planned consumer and digital gaming products and entertainment releases; changes in the methods of content distribution, including increased reliance on streaming outlets; marketing and promotional efforts; goals relating to our ESG activities; research and development activities; geographic plans, adequacy of supply; manufacturing capacity; expectations related to our manufacturing; the potential for tariffs and their impact on our business; impact of the coronavirus pandemic and other public health conditions; adequacy of our properties; expected benefits and cost-reductions from certain restructuring actions; capital expenditures; working capital; liquidity; timing of and amount of repayment of indebtedness; capital allocation strategy, including plans for dividends and share repurchases; and other financial, tax, accounting and similar matters. For a discussion of uncertainties, risks and assumptions associated with these statements, see Part 1, Item 1A of our enclosed annual report on Form 10-K, under the heading, "Risk Factors." The Company undertakes no obligation to make any revisions to the forward-looking statements contained in the letter to shareholders and in this annual report to reflect subsequent events or circumstances.

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