



**First Quarter 2025
Financial Results Conference Call Management Remarks
April 24, 2025**

Fred Wightman, Vice President, Investor Relations

Thank you and good morning, everyone.

Joining me today are Chris Cocks, Hasbro's chief executive officer, and Gina Goetter, Hasbro's chief financial officer and chief operating officer. Today, we will begin with Chris and Gina providing commentary on the Company's performance. Then we will take your questions.

Our earnings release and presentation slides for today's call are posted on our investor website.

The press release and presentation include information regarding Non-GAAP adjustments and Non-GAAP financial measures. Our call today will discuss certain Adjusted measures, which exclude these Non-GAAP Adjustments. A reconciliation of GAAP to non-GAAP measures is included in the press release and presentation.

Please note that whenever we discuss earnings per share or EPS, we are referring to earnings per diluted share.

Before we begin, I would like to remind you that during this call and the question and answer session that follows, members of Hasbro management may make forward-looking statements concerning management's expectations, goals, objectives and similar matters.

There are many factors that could cause actual results or events to differ materially from the anticipated results or other expectations expressed in these forward-looking statements.

These factors include those set forth in our annual report on form 10-K, our most recent 10-Q, in today's press release and in our other public disclosures.

We undertake no obligation to update any forward-looking statements made today to reflect events or circumstances occurring after the date of this call.

I would now like to introduce Chris Cocks, Chris.

Chris Cocks, Hasbro CEO

Thanks Fred and good morning.

Q1 delivered another clear proof point of our Playing to Win strategy at work: play-focused, partner-scaled, and performing. Revenue rose 17%, led by a surging MAGIC business and continued strength in licensing. Wizards was up 46%. Consumer Products was down 4%, driven by quarterly phasing due to a later Easter - but still ahead of plan. Both segments beat expectations.

Adjusted operating profit jumped 50%, a result of favorable mix and the cost discipline embedded in our Transformation program. Our games portfolio and industry-leading licensing business remain standout performers: high growth, high margin, and structurally resilient due to lower exposure to international sourcing.

On tariffs, we acknowledge the challenge posed by the current global trade environment. While no company is insulated, Hasbro is well-positioned. Our U.S. Games business benefits from largely digital or domestic sourcing, maintaining low COGS and healthy margins. We make many of our board games just up the road in East Longmeadow, MA, not far away from where Milton Bradley printed his first board games in the 1860s.

Wizards has low tariff exposure with sub-\$10M in expected duty for the year. Most of our domestic supply is produced in North Carolina and Texas, with the balance from Kyoto, Japan. Our Licensing business is primarily digital or minimum guarantee-based, with manageable partner exposure.

While our Toys segment faces higher exposure, we're responding proactively. Our asset-light sourcing model means we can rapidly shift production to help mitigate tariff impacts.

We're accelerating our \$1 billion cost-savings plan to offset tariff pressures internally. While targeted pricing actions remain likely, we are prioritizing key price points and strengthening retail partnerships. We will work to capture market share and shelf space through our Growth and Optimize brands at critical consumer-friendly price points, particularly \$9.99 and \$19.99.

We want the hundreds of millions of families and fans we serve each year to keep experiencing unbeatable value at the shelf, whether it's an all new home playset for PEPPA PIG and her growing family, a play booster for MAGIC'S Final Fantasy Universes Beyond collaboration, or a hot new action figure for MARVEL'S upcoming Fantastic Four movie.

We're also thinking long term as we Play to Win, especially with partners, a superpower of Hasbro's. This week we announced the extension of our multi-decade licensing agreement with Disney Consumer Products for MARVEL and STAR WARS with enhanced category rights in preschool, PLAY-DOH, action and role play. Combined with the MARVEL agreement for MAGIC: THE GATHERING, our collaboration with one of the world's most valuable brand portfolios has never been stronger.

Expect more announcements of new partnerships with leading brands across toys, games, and video games aimed at all demographics, further solidifying our position for long-term success.

Looking ahead, while we remain hopeful for a more predictable and favorable U.S. trade policy environment, we must acknowledge the costs imposed by current tariffs. Even with Hasbro's relative strength and flexibility, logistics are becoming more complex and changes in receivables and shipping dynamics present a challenge. Ultimately, tariffs translate into higher consumer prices, potential job losses as we adjust to absorb increased costs, and reduced profits for our shareholders.

Our guidance is unchanged, supported by our robust games and licensing businesses and our strategic flexibility, but prolonged tariff conditions create structural costs and heighten market unpredictability.

Hasbro produces a substantial amount of product in the U.S. and around the world, has served as an engine of local jobs, creativity and innovation for over a hundred years, and licenses to hundreds of American companies employing tens of thousands of American workers across toys, games, entertainment, experiences and more. As such we fully endorse the Toy Association's advocacy for zero tariffs on toys and games globally, either on U.S. exports or on imports. Other toy associations around the world are quickly joining the advocacy efforts.

We believe there should be free and fair trade for toys - an industry critical not only to hundreds of thousands of American jobs but also to the joy and developmental wellbeing of millions of children, families, and fans across the U.S. and worldwide.

Before handing it over, let me extend my sincere thanks to our team and partners. Our strong performance amid challenging conditions can be directly attributed to your dedication, agility, and shared ambition. In an unpredictable environment, our greatest assets remain our people and our valued partners – they are what truly enable us to Play to Win.

Now, over to Gina.

Gina Goetter, Hasbro CFO and COO

Thanks, Chris, and good morning, everyone.

We are off to a strong start in 2025, delivering growth across revenue, profit, and operating margin while continuing to execute on our strategic priorities. Our Q1 performance reflects early traction from our "Playing to Win" strategy, ongoing transformation initiatives, and a continued focus on cost discipline and profitable growth.

Net revenue in the first quarter was \$887 million, up 17% versus prior year, driven by growth in MAGIC and *Monopoly Go!*. Adjusted operating profit increased 50% to \$222 million, reflecting a 25.1% adjusted margin – a 5.5-point improvement over last year due to the favorable business mix. Adjusted Earnings per diluted share rose 70% to \$1.04, driven by top-line growth, margin expansion, and broader expense management.

From a segment perspective, Wizards of the Coast and Digital Gaming once again led the charge. Segment revenue grew 46% to \$462 million, with growth across both MAGIC Tabletop and Digital Licensing. MAGIC delivered a strong quarter with revenue up 45%, driven by healthy demand for recent releases and ongoing engagement in backlist content.

The strong performance in Q1 reinforces our confidence in the momentum and stickiness of the business across our core consumers. Our licensed digital gaming portfolio grew 56% in Q1 driven by *Monopoly Go!* lapping the minimum guarantee for the final quarter. This game is now celebrating its second anniversary and has announced the next third-party IP collaboration with Lucas Films and Star Wars, launching in-game on May 1st. Operating margin in Wizards reached 49.8%, up 11 points year-over-year, driven by mix and leverage from top-line growth.

Consumer Products revenue declined 4% to \$398 million, finishing slightly better than our original expectations behind strength in licensing. Importantly, the segment's adjusted operating loss of \$31 million improved 18% versus last year and adjusted operating margin improved 140 basis points, reflecting progress on our cost transformation, and lower promotional activity. Through the first quarter we saw minimal impact from tariffs across our cost structure or customer order patterns.

The Entertainment segment declined modestly, with revenue down 5% to \$27 million primarily due to deal timing. Segment adjusted operating profit held flat year-over-year at \$17 million. Across total Hasbro, we continued to unlock savings from our transformation. Total adjusted EBITDA was \$274 million, up 59% versus the prior year, with margin expansion supported by \$22M of gross cost savings from our operational excellence initiatives.

On the cash side, we generated \$138 million in operating cash flow, funded \$52 million in strategic investments, and returned \$98 million to shareholders via our dividend. We also paid down \$50 million in long-term debt, keeping us on track to meet our gross leverage target of 2.5x by 2026.

As we look at the remainder of the year, we're encouraged by the strength of our Q1 results and the early execution of our strategic priorities. That said, we're operating in a dynamic macro environment. The expanded rate on imports from China, and potential reciprocal tariffs on other toy manufacturing hubs, including Vietnam and India is creating volatility and introducing a range of scenarios for how the year could unfold.

To stay ahead of this uncertainty, we're making targeted operational pivots. We're further rationalizing our SKU portfolio to prioritize velocity and margin, reassessing our logistics routes and manufacturing to reduce exposure, and accelerating efforts to diversify our sourcing footprint. Today, roughly 50% of our U.S. toy and game volume originates from China and we're accelerating plans to bring that down meaningfully starting this year.

China will continue to be a major manufacturing hub for us globally in large part due to specialized capabilities developed over decades. In parallel, we're partnering closely with our customers to manage inventory flows and work through a range of pricing strategies tailored to different trade

outcomes and protect key price points. These actions ensure we remain agile and margin-focused, even as external conditions evolve.

With that context, let's turn to our 2025 total company outlook.

We are pulling a lot of levers and making a number of puts and takes in our assumptions. The net is we are keeping full company guidance unchanged. While we are dealing with a wide range of potential tariff, retailer and consumer outcomes, our games business and our strategic flexibility give us options. I'd like to spend a couple minutes to unpack how we are modeling the costs of tariffs, impacts to the toy category both in terms of retailer ordering and consumer take away, and provide more color on our supply chain and pricing direction.

Our forecast assumes various scenarios for China tariffs ranging from 50% to the rate holding at 145% and 10% for the rest of world. This translates to an estimated \$100 - \$300 million gross impact across the enterprise in 2025, before any mitigation.

As I mentioned, our team has moved quickly to offset, activating a range of levers including sourcing optimization and diversification, coordination with retail partners on SKU assortment and promotion activity, and readying targeted pricing actions. We've also modeled multiple scenarios around how the tariffs could impact our Consumer Products revenue anchoring our assumptions to prior significant events, including the 2008/2009 Great Recession and COVID.

Factoring in all the mitigating levers, we estimate that the net profit impact in 2025 to be between \$60 – 180M. The range in outcomes is dependent on final trade policy, customer order patterns and consumer behavior.

Turning to the Wizards Segment, given the broad-based strength in the Q1 results, we are raising our full-year outlook and now expect revenue to grow mid to high teens, with a low 40's operating margin.

This increase is driven by strong demand signals we're seeing across upcoming Universes Beyond releases, including *Final Fantasy*, *Spider-Man*, and *Avatar: The Last Airbender*. These sets are generating early excitement across both core and new fan segments, reinforcing the strength of our multi-franchise strategy.

As we scale these tentpole releases, it's important to note that we will begin to accumulate higher royalty expenses starting in Q2. This is fully contemplated in our outlook and consistent with the broader strategy to grow high-margin, franchise-led revenue across our portfolio and attract new and lapsed fans. The momentum in Wizards provides a strategic buffer as we navigate broader cost pressures in Consumer Products.

At this stage, we don't have sufficient clarity to credibly adjust our full-year Consumer Products guidance. The range of potential outcomes tied to the evolving tariff environment remains wide, and we are continuing to assess the implications in real time.

Until we see greater certainty on the scope and timing of these trade measures and how they could influence customer order patterns and consumer behavior, we believe it is prudent to leave our outlook unchanged while actively managing the levers within our control.

As part of this, we're accelerating elements of our cost savings program, now targeting \$175 - \$225 million in gross savings this year, as we look for additional profit offsets.

Despite macro uncertainty, a combination of CP mitigation, Wizards outperformance, and accelerated cost savings gives us a line of sight to delivering on our full-year financial commitments.

Our capital allocation priorities for the year are unchanged. We continue to invest behind the core growth engines of the business, namely MAGIC and digital games, while maintaining discipline and flexibility in an evolving macro environment. In light of current trade uncertainty, we are placing even greater emphasis on balance sheet health and liquidity.

We remain committed to our long-term leverage targets and are taking a balanced approach to returning capital and prioritizing debt reduction. We have kept our Q2 dividend unchanged.

To wrap up, as we move through the rest of 2025, we're executing with focus, scaling our high-margin growth engines, actively managing volatility, and accelerating cost transformation. Our Q1

performance affirms the durability and advantage of our diversified model and gives us line of sight to delivering full-year commitments, even in a dynamic environment.

We remain disciplined in capital deployment, responsive to external risks, and confident in our ability to create value across the balance of the year.

We'll now turn it back to the Operator to take your questions.