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HAS.OQ - Hasbro Inc Investor Event 2021

EVENT DATE/TIME: FEBRUARY 25, 2021 / 3:00PM GMT

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PRESENTATION

Debbie Hancock - *Hasbro, Inc. - SVP of IR*

Thank you for joining us today for Hasbro's Virtual Investor Event. I'm Debbie Hancock, Senior Vice President of Investor Relations for Hasbro. We have a tremendous team here from all over the world to share with you how Hasbro is Supercharging the Brand Blueprint to drive value for our stakeholders.

We have a series of presentations from our leaders, including Brian Goldner, Hasbro's CEO; and Deb Thomas, CFO, among many others. These presentations will be followed by a short break and then a question-and-answer session with the analysts. All content is available on our Investor Relations website. It will be available for replay later today as well.

Before we begin, please be aware that during the formal presentation and the question-and-answer session that follows, members of Hasbro management will 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. Some of those factors are set forth in our annual report on Form 10-K, our most recent 10-Q, in today's meeting and in our other public disclosures.

Additionally, our discussion and presentation today include information regarding non-GAAP financial measures. You can find a reconciliation of GAAP to non-GAAP results on our investor website.

Now let's begin with the video to get you ready for the day.

(presentation)

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Thank you for joining us today for Hasbro's 2021 Investor Event. We've taken our usual in-person experience and created a truly immersive event for you while we can't be together. Today, we'll demonstrate how Hasbro's differentiated advantage in play and entertainment is Supercharging our Brand Blueprint and creating opportunities for growth driven by our robust portfolio of brands, capabilities and talent.

Our strategy enables Hasbro through a powerful global portfolio of approximately 1,500 brands. We not only have some of the most iconic IP that connects kids and families, but we also have properties with immense future potential that resonate with adults of all ages and fans across multiple dimensions.Hasbro's ability to reach the youngest of children and travel through to adults is a distinct advantage of our portfolio.

We built our strategy with gamers, consumers and audience insight at the center, and we strengthened this through our constant daily effort to understand active trends and dynamic changes taking place across the shopper journey, as well as through gaming and content consumption. We've embedded purpose in all that we do to align and direct our actions.

Today, you will see how we've simplified our structure to maximize our growth drivers. In turn, you'll have a clear view to the drivers of Hasbro revenues, profit, margin and cash generation. Our blueprint thrives as we create value from our 3 businesses: Hasbro Consumer Products, including toys and games; Wizards and Digital; and Entertainment.

The value of play and the connection it creates has never been clearer than over the past 12 months and our ongoing investment in innovation drove growth across brands as well as both analog and digital gaming. While new live-action production was limited, audiences consumed record levels of content through streaming platforms, for kids, families and adults, reinforcing our expectation in the role that content plays in driving brands. And we delivered more than $1 billion of revenue through ecomm, a target that we'd set to reach several years out and successfully pivoted to execute against in the near term.

We're building scale behind these trends to drive more profitable revenue and meet the needs of our consumers and audiences with innovation and creativity for a modern era.

Today, you will see the depth and strength of our leadership team.

Deb Thomas, our CFO, will take you through our updated financial reporting structure, which will provide better visibility to revenue and operating profit across our new reporting segments: Hasbro Consumer Products, Wizards and Digital, and Entertainment. This reporting will better help you understand Hasbro's differentiated capabilities and how they come together to deliver greater value for our company.

Kathrin Belliveau, our newly appointed Chief Purpose Officer, will share how we are putting our purpose and ESG at the center of everything we do at Hasbro. We know ESG performance is an area of growing importance for the work that you do, and it has long been a driving force in our decision-making. We have led our industry in areas like product safety, sustainability, human rights and ethical sourcing, as well as diversity and inclusion. On D&I matters, I personally prioritize reshaping our Board and our organization to reflect the world around us and promote a culture of inclusive perspectives and experiences. I believe this is both a responsibility and an imperative to lead through our values and embed this thinking in all areas of our business and across the organization. We have made tremendous progress, and there is more to do. Kathrin will share shortly.

We will hear from other leaders who are running our businesses and how they are supercharging our blueprint. Chris Cocks is here. Chris leads the team at Wizards, having joined Hasbro from Microsoft nearly five years ago. He is shepherding some of Hasbro's most valuable brand, MAGIC: THE GATHERING and DUNGEONS & DRAGONS as we amplify the player experience, but also expand into entertainment and consumer products.

The team is solidly on track to deliver on our goal of doubling the size of Wizards by 2023. Chris is also leading all our digital gaming efforts through our publishing headquarters in Washington. Our digital publishing team covers a broad spectrum of studios, a robust licensing studio and other opportunities in a market spanning over 2 billion consumers globally and $150 billion in revenue. We have made a multi-hundred million dollar commitment to develop digital games in the near and long term while working with the industry best gaming partners to activate our brands across platforms.

As we move around the blueprint to Entertainment, Darren Throop, eOne's CEO; Olivier Dumont, President, Family Brands; and Steve Bertram, President, Film and TV, will illustrate how the strength of our eOne entertainment team is powered by our unmatched brand portfolio for kids and adults, which in turn creates new revenue and improved profit streams in entertainment, in merchandising and gaming.

While COVID kept us from active production in TV and film for many months, we leveraged our capabilities and technology to make more progress in the development of Hasbro IP between Hasbro and eOne teams. The creation of profitable entertainment activates income potential that comes from gaming and consumer products linked to the storytelling. In turn, driving revenue and profit across multiple streams of consumer touch points and managing risk.

You will hear more about this progress today. We have more than 30 Hasbro brands in development across TV, both scripted and unscripted, and feature films. Between 2022 and 2023, we expect to see 2 to 3 major motion pictures and 3 to 4 TV shows on major platforms for Hasbro brands, and this progress and pace will expand over time as new projects are greenlit. With streaming forecast to reach 1.34 billion users and $85 billion in revenue by 2025,Hasbro is uniquely positioned to produce content for any streaming service.

Next, we will focus on Hasbro Consumer Products business to continue our growing brands through innovation, category expansion and digital execution.

Eric Nyman, an 18-year Hasbro veteran, who has led commercial and brand teams and currently serves as Hasbro's Chief Consumer Officer, is here today. He will share how their teams are activating our distinct and rich portfolio across consumer touch points, adding new opportunities from both the Wizards and eOne teams.

This team pivoted in 2020 to align behind the brands and categories which were elevated with consumers and retailers while driving innovation for future periods. They are executing across retail channels, with leadership in ecomm, omnichannel and Fan, and creating direct connections with our consumers through break frame digital campaigns.

Kim Boyd, Senior Vice President and General Manager of Global Brands, will share the untapped opportunity in the preschool space, as we launch the Hasbro toy and game line for PEPPA PIG and PJ MASKS in the coming months and meaningfully build on Hasbro's existing IP in this space.

Casey Collins, Senior Vice President and General Manager of Global Consumer Products, will showcase how we are leveraging our expansive brand portfolio in our licensed Consumer Products business. His team expands the reach of our brands and our storytelling, including the value of the eOne properties and entertainment expertise into our industry-leading global licensing efforts.

The toy and game industry showed tremendous growth in 2020. Our view to 2021 is that with our diverse portfolio, global footprint, expansive innovation, entertainment across platforms and new brand initiatives, we are positioned to grow our Consumer Products revenue and operating profit in the coming year.

As we move forward, Hasbro is supercharging the blueprint by creating immersive brand experiences that drive higher value and capture more franchise economics from the brands we own. Each element of our blueprint builds on the others, enhancing the return for every part of our business.

Traditional toys and games are a profitable and cash-generating business that we expect that will grow in line with or ahead of the industry.

Our Wizards and Digital Gaming business is highly profitable and growing through player expansion, new games, and new IP. We are on track to double the size of Wizards over the 5-year period from 2018 to 2023, as previously communicated.

Through the strategic investment in Entertainment, we can elevate existing brands and launch new brands while improving the return on our entertainment investment.

At Hasbro, prior to 2020, our investment in entertainment was just that, an investment. We measured our return based on the revenue and profit we drove for toys and games, and licensing, not on the entertainment. eOne joins us with a business model that delivers profitable revenue in addition to extending the reach and effectiveness of our brand portfolio. In just one year, they have advanced our IP development further than we planned. Hasbro, in return, elevates the merchandising gaming potential of the entertainment we produce, and we enhance the value of Hasbro and expand our opportunity as we grow and add Hasbro IP that enjoys higher margins and stronger franchise economics.

You will see today how [the] integrated and assembled value of consumer products, gaming and entertainment, is how we unlock the next level of return for our business and our shareholders.

I will now turn it over to Deb Thomas, Hasbro's CFO, to begin this discussion.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Thank you, Brian. I am happy to be with you today.

We rounded out our mission to create the world's best play and entertainment company in 2020 and supercharged our blueprint as we started the year with the acquisition of eOne. While it wasn't the first year any of us expected, we made much progress as we integrated our companies and began the process of developing stories together around Hasbro's deep portfolio of brands.

We have created a strategic road map of brand entertainment, product introduction and new brands on the horizon for the next several years. Chris, Darren and Eric will highlight many of these shortly. To help you better understand each business, I will begin by sharing the lens through which we'll now be reporting.

We recognized that 2020 was a challenging year. As we return to a more normalized cadence, our reportable segments will reflect how we look at our combined business. We believe this will help highlight the inherent value in Hasbro's brands and teams, and how we are driving profitable growth across the blueprint.

Beginning in the first quarter of 2021, we've reorganized our reportable segments to Consumer Products, Wizards of the Coast and Digital Gaming, and Entertainment. You will hear from the leaders of the segments today on the growth drivers for their businesses. We will also post on our website the last 2 years of results in this view for comparability and to help you model the business.

Consumer Products includes all toy and game product manufactured through Hasbro and all other consumer products through our licensees.

This is the business that most have historically associated with Hasbro. It has the primary relationship with our global retailers, and partners, such as the Walt Disney Company. As Brian said, we expect this business to grow this year and over time, in line with or ahead of the industry.

As we create new stories around our brands, including new brands and those in our vault, consumer product revenues will grow and drive higher operating profit margin. This business also generates strong cash flow throughout the year.

Based on the continued strong consumer demand and retailer support for the category, innovation throughout the line, theatrical launches, which were postponed or scheduled for this year and the in-sourcing of PEPPA Pig and PJ MASKS toys and games, we anticipate growing revenue, operating profit margin and EBITDA in the current year for this segment.

PEPPA PIG and PJ MASKS are currently licensed brands, but as we begin insourcing toys and games, we will recognize higher revenue and related costs, driving margin akin to our Franchise Brands. Beginning with product introductions late this year, we expect a net impact to revenue between $75 million to $85 million in 2021 ramping in future years. Kim Boyd will share more about our plans.

In addition, new brands currently in development under Olivier Dumont's leadership in Family Brands are expected to be introduced beginning next year, which will drive entertainment and merchandise around the blueprint.

The investments we have made are driving ecomm revenues in this segment, and Eric will share more about our progress shortly. This year, we have capital plans underway to further our system and fulfillment capabilities, as we anticipate the ecomm channel will continue to grow beyond the nearly 30% of our revenues in 2020.

As we've scaled this business, there's no significant difference in our cost to serve our ecomm and omnichannel customers than our traditional brick-and-mortar-based customers. Within ecomm, certain costs are reflected in allowances, and therefore, impact net revenue. In the past, these expenses were in the advertising line. The net result is the same operating profit.

We are also growing our own fan-based ecomm site, The Pulse, with planned global launches outside the U.S. during 2021.

As we return to a more normalized sales pattern, led by an improved outlook in our licensed Consumer Products business, we expect overall operating profit margins to expand in the Consumer Products segment. Our expectation is that operating profit in the Consumer Products segment grows faster than revenue in the medium term, returning the segment to low-teens operating profit margin over the period.

A very distinct and valuable part of Hasbro is our Wizards of the Coast and Digital Gaming businesses. We have been investing in Wizards extensively, in both innovation and storytelling and digital game development. For many of our vast portfolio of game brands, we also have a robust digital gaming licensed business. Chris will speak about the games development pipeline in which we are investing through our in-house development studio and developing through partners.

The Wizards and Digital Gaming segment has high gross and operating profit margins. In 2020, at 46.4%, this operating margin was higher than average due to the strong growth in MAGIC: THE GATHERING and DUNGEONS & DRAGONS, and lower expenses in the business. On an ongoing basis, we are reinvesting some of this profit in new digital game development and releases, which often occur years out from the investment.

In 2021, we expect to launch multiple new Wizards-branded games that have been in development over the past several years. While we have the revenue from these game releases, we will also have depreciation of related capitalized development costs. This depreciation flows through the SG&A line on our P&L.

In total, we had approximately $70 million in capitalized game development costs at the end of 2020. We expect to depreciate approximately 40% of that amount in 2021, beginning in the first half of the year and about 60% in later years.

In addition to depreciation, we will also have additional advertising and marketing in support of the game launches and to sustain user acquisition post launch. Lastly, we will not take our foot off the gas on game development, both for existing brands and new IP.

Over the past 5 years, we spent $210 million on game development for digital games, which are expected to add hundreds of millions of dollars in revenue over the medium term. As we launch several new developed games this year, operating profit margins are expected to be lower in this segment and more in line with 2019 levels. As depreciation is completed and additional new games are launched in the out years, we expect these margins to grow over time.

For many of our brands, we make the decision to license to world-class development partners. This part of our business carries a very high operating profit, on average, 80%. As we license games around entertainment brands, we expect license revenue will increase with planned content.

Wizards and Digital Gaming will continue to grow faster than the rest of the business, in line with our guidance that Wizards can double the size of the business by 2023. Through 2020, we are already halfway there.

As we turn to the Entertainment segment, we will see all of our entertainment revenue. This includes revenue from TV & Film, Family Brands, Music, as well as all legacy Hasbro entertainment activities previously in the Entertainment, Licensing and Digital segment. This segment was particularly hard hit by COVID and the inability to deliver a live-action content for much of 2020. As we enter 2021, we are facing limited production shutdowns and higher costs on those productions due to the extensive testing and additional safety protocols in place. As vaccines roll out globally in the next year to 2 years, we expect to return to prior level EBITDA and operating profits in this segment as a whole, with a plan for expansion.

We expect revenues to grow in this segment as we deliver live-action content, continue animation development and the live event environment improves.

Based on the anticipated mix of releases within the segment, we expect that program production amortization will be between 9% to 10% of Hasbro revenues for the full year versus 6.9% in 2020.

Last year, our teams worked very closely together to identify and develop properties based on Hasbro brands, laying the pipeline of strategic development for years to come. As we develop more Hasbro-owned properties, we gain the benefit of lower cost versus using third-party IP. This, in turn, drives more revenues and profit around our entire blueprint, not just in entertainment, but in consumer products and gaming as well. As Brian spoke to, this is one way we are Supercharging the Blueprint through the combination of our businesses.

As Darren, Olivier and Steve will talk to today, eOne reduces their equity and cash at risk by preselling and licensing much of the content developed and acquired. Overall, we continue to expect that we will spend a net amount of $675 million to $750 million on content per year over the next few years, with that spend moving more to Hasbro IP over time. In 2021, given the backlog of production, which was shut down due to COVID, we expect to be at the high end of that range. For unscripted spend, the cost to produce is fully funded by the streamer or network ordering the show, and any net cash outlay is a timing issue. For scripted production, both for TV and film, the net cash outlay may be a bit longer.

We will continue to use production financing vehicles for the foreseeable future as we work to reduce our corporate debt levels and achieve our previously stated goals of returning to 2 to 2.5x debt to EBITDA.

When we bring our segments together, we see the power of being a leader in play and entertainment. Through the combination of our segments, we drive growth in revenue, operating profit and margin and EBITDA. Each have strength on their own.

As we experienced in 2020, the greatest return comes from the broad portfolio, which supports each business and, as a whole, delivers greater value. Behind growth in Hasbro and Wizards' Gaming, broader consumer product programs and eOne activating Hasbro IP and entertainment, we believe we can elevate our operating margin beyond 2020 levels over the next 2 to 3 years.

Beginning in the fall of this year, Hasbro-developed merchandise will flow through consumer product revenues for eOne preschool brands, and be available for the important holiday season. As we progress through 2022, we will expand our product offerings and complete IT system integrations associated with the acquisition. We continue to expect $130 million in insourcing and cost synergies by year-end 2022, including approximately $30 million incremental in 2021 and another $70 million by year-end 2022.

The team will speak in greater detail about the timing of expected product and entertainment launches throughout the day.

In 2020, we achieved cost synergies of approximately $30 million from the integration of eOne. We expect further charges for integration of approximately $15 million to $20 million in 2021 and 2022. Combined with the vesting of previously granted retention awards, this results in an expected adjustment to earnings of $35 million to $40 million in 2021 and 2022. Our remaining cash outlay for integration activities is expected to be $40 million to $45 million through 2022, and this will be more heavily weighted to the current year.

Somewhat offsetting the 2020 cost savings was the impact from lower license revenues. Retailers and licensees experienced more closures than the businesses that we serve directly. As I mentioned earlier, we expect our Consumer Products licensees business will improve in the latter half of 2021. In this area, we forecast being slightly below 2019 revenue levels this year, with more growth planned for 2022 when we anticipate normalized activities for the full year.

In 2021, given our anticipated product mix, we expect overall cost of sales of our products as a percentage of revenue to be slightly below last year. As Entertainment deliveries improve, program amortization will follow. And we anticipate that gross margin as a percentage of revenue will be more in line with 2019 pro forma levels of approximately 60% in the near term than the 61.5% we reported in last year. As a reminder, we began discussing gross margin inclusive of both cost of sales and program amortization in early 2020 when we acquired eOne.

I am happy to have Kathrin here to speak to our efforts in sustainability. Our purpose of making the world a better place for all children, fans and families lives within each of our segments every day. The investments we have made to create sustainable product offerings, better work environments for our employees and our third-party partner employees and to encourage curiosity and exploration in our global team have resulted in reduced cost of sales as well as innovation in product and brands. We have seen the value of reducing waste and materials, not only in our impact in society, but in our results.

As a well-funded company, we entered the pandemic with significant liquidity and did not need to raise additional capital. Our entire team of 7,000-plus employees understood the need to preserve cash. We successfully reduced our 2020 DSO and inventory while working with our customers and vendors to help them keep their businesses running through various lockdowns in most, if not all, markets. We made changes to our workforce to get better efficiencies and address what we see as longer-term strategic shifts in our markets and added talent where we see growth. We worked on developing properties for future release and designing product around eOne brands that will be released later this year and in years to come. Through everyone's collective efforts, we were able to provide our employees with a bonus for the year as they share in what we were all able to achieve together. We kept our promise to our shareholders and maintained our dividend through 2020 and ended the year with $1.45 billion in cash.

As we look to the earnings power of the company, we expect to grow revenue, earnings and EBITDA in 2021 compared with 2020. We will continue to highlight earnings absent amortization associated with the acquisition of eOne, which we expect to be approximately $94 million in 2021, and the integration charges I spoke of earlier. On an adjusted basis for EBITDA only, we will also adjust for stock-based compensation, which was $50 million in 2020 and is expected to be $76 million this year.

We remain steadfast in our priorities for our use of capital. First and foremost, we will invest in our business. We will invest in new ways to drive revenue around our brands through innovation, expertise in gaming and storytelling. This investment includes our Hasbro team wherever they sit in the world and the diverse talent we need to add to achieve our growth goals. It is unlikely that we will invest in any major acquisitions in the near term, as we focus on returning to our debt-to-EBITDA target. We believe that 2020 and the impact of COVID may have put us about a year behind in reaching that goal, and we expect to achieve our target within the next 3 to 4 years.

Our remaining priority of returning excess cash to our shareholders also continues. And earlier this month, our Board declared our second 2021 quarterly dividend payable in May.

While we don't expect the same level of working capital benefit that we saw in 2020, we do expect to generate near-term operating cash flow of $600 million to $750 million returning to 2020 levels in the medium term. This includes our expected production spend ramping to the levels I spoke of earlier. We expect our capital expenditures to be in the range of $165 million to $175 million as we continue our development of digital gaming for future revenue growth, begin to cut tooling for the insourced preschool products and spend on IT systems related to the integration.

As we progress toward our debt-to-EBITDA target, we will achieve this through a combination of debt paydown and EBITDA growth. You will hear today about the plans from our team to propel our business forward.

We anticipate paying down over $1 billion of term loans and notes by January 2023. This year, we expect to pay down the $300 million of debt we have due in May using cash on hand, in addition to paying term loan required amortization of $22.5 million. We will also evaluate the ability to pay down more debt based on our liquidity position.

You'll hear today about the specific gaming, entertainment and consumer product initiatives, which support this view to growth I've shared with you and illustrate the power of Supercharging the Blueprint.

It is now my pleasure to introduce Kathrin Belliveau, Chief Purpose Officer.

Kathrin Belliveau - *Hasbro, Inc. - Senior VP & Chief Purpose Officer*

Thank you, Deb, and good morning, everyone. My name is Kathrin Belliveau, and I am Hasbro's Chief Purpose Officer. It is great to be here this morning to talk about Hasbro's purpose and to share highlights of our environmental, social and governance performance.

Our long-standing commitment and leadership across all areas of ESG is part of the Hassenfeld family legacy and serves as a strong foundation for elevating ESG and purpose across our business. By establishing a new purpose team, we have put in place an organization that will allow us to accelerate our efforts to manage risk across our entire enterprise while fulfilling our purpose to make the world a better place for children, fans and families.

We are elevating and embedding purpose across our entire business, including at this event, to give stakeholders like you greater visibility into Hasbro's ESG performance. We believe our leadership in ESG strengthens our business and sets us apart. In a moment, you'll be hearing from the leaders of our 3 business units about their incredible brands, content and storytelling.

Exceptional brands and content are critical. But at Hasbro, we demand even more of ourselves, as do our stakeholders. Through our immersive storytelling, we are part of the fabric of our society, and we are being evaluated for how we work and why we exist just as much as we are for what we produce. Our stakeholders may use a different word than purpose, but they all want things from us that can only be delivered successfully if our organization has a strong, clear and supercharged focus on ESG and purpose.

Let me elaborate. Our employees. From the U.S. and Canada to Latin America, Europe and Asia, our employees around the world want to work in a company that they can be proud of, one that is making a positive and equitable contribution to society. New employees tell us that Hasbro's brands as well as our social impact values are why they want to work for us. And our veteran employees share that Hasbro is the best place they have ever worked.

Our consumers. Our research shows that consumers, including millennial and Gen Z, want to know who made our products, how, using what materials and under what environmental and human rights conditions.

Our audiences and gamers. Audiences, fans and gamers seek out our brands in our content, whether PEPPA PIG, TRANSFORMERS, MONOPOLY or MAGIC: THE GATHERING, not just for their high-quality and richness, but because they know that we operate responsibly, sustainably and ethically. Our partners in government, domestically and globally, whether in Brussels, Washington, D.C., or around the world, are looking to partner with us to share best practices in safety, health and sustainability. They expect us to step up to address the climate crisis through innovation.

Investors. Investors and analysts like you now understand that ESG is about companies being run better and performing better. And finally, society. With respect to consumers and society, we've seen more clearly than ever in the wake of Me Too, Black Lives Matter, and now, COVID, that consumers and society don't want business to be silent actors in daily life. They expect us to stand up on key social and environmental issues as part of a contract of trust. These are just a few examples of ways the landscape is changing, but the message for Hasbro was simple, and in a way, it hasn't changed at all. Responding effectively to the expectations of our constituents is crucial to our success. Today, this means being and being understood to be a purposeful company.

So now I'd like to touch on 3 ESG highlights: Diversity and Inclusion, Human Rights and Environmental responsibility. I'll begin with Human Capital and Diversity and Inclusion. The talent, dedication and diverse backgrounds of our employees are at the heart of our success, energizing everything we do, from developing the richest brands and innovative products to creating immersive entertainment and gaming experiences. We attract and retain the best talent in our industry because of how we treat employees, each other and because of our culture and commitment to equity.

In 2017, Hasbro set public Diversity and Inclusion goals to increase female and minority representation across our workforce. By 2025, we aim to achieve 50% female representation in our leadership globally. Also by 2025, we have a goal to achieve 25% ethnically and racially diverse representation in the U.S. And we're on track to hit those targets, and perhaps, even a bit early.

You'll also see our commitment on display and the content we create. I'll share with you just one example. We're incredibly excited for eOne's upcoming television series, Impact. Impact is a 6-part documentary series for National Geographic from executive producer, Gal Gadot, that follows the powerful stories of resilient young women around the globe who overcome obstacles and do extraordinary things to make an impact in their communities. Through our storytelling, we are using our brands and platform to help inspire, inform conversations that shape the narrative for this generation and the next, reinforcing our purpose as we grow our business.

Now let's turn to how we manage human rights in our supply chain. As a global brand, we embrace our responsibility to protect the rights, dignity and respect of workers in our supply chain. Hasbro's human rights and ethical sourcing is regarded as the gold standard in our industry, and we're often consulted by peers in and out of the industry and regulators for our insights. Through the program, at least on an annual basis, but often more frequently, every factory producing our products undergoes unannounced and comprehensive reviews to ensure compliance with our rigorous ethics principles. We do the same for all of our major subcontractors, too. Our suppliers are rated on these principles, and business incentives or consequences are tied to their performance.

In addition to social compliance, we're proud of our work to promote gender equity in our supply chain. Our female worker empowerment program provides classroom training for women in third-party factories in China and India on everything from reproductive health to financial literacy. This is an extension of our work to promote gender equity. We feel a responsibility to help women advance because when women, half the population, have more opportunities, we all benefit.

Finally, I would like to touch on environmental responsibility. Our growth and long-term success is deeply connected to responsible stewardship of our planet. For many decades, we have been working hard to reduce our footprint, decrease our use of fossil fuels and curb excess consumption of natural resources. Over the last few decades, we have been setting ambitious environmental goals, continuously challenging ourselves to do better. Our current 2025 goals include reducing our greenhouse gas emissions by 20% and reducing energy consumption by 25% at our owned and operated facilities.

At the same time, for the past 5 years, we have been setting annual renewable energy goals, which we meet every year. And as part of our commitment to a lower carbon economy, we are on track to eliminate all plastic from our product packaging by 2022, a bold move in our industry. In doing so, we estimate we will avoid using over 19.5 million pounds of plastic every year and also avoid 37,000 metric tons of CO_2 emissions every year.

And finally, on the product side, our Consumer Products team, under the leadership of Eric Nyman, has been hard at work evaluating sustainable materials as part of our commitment to a low-carbon economy. Later in the year, we will be updating you on our progress and announcing our new sustainability initiatives across our brands and product offerings.

So across these and other areas, Hasbro is leading and leading with purpose. ESG performance is integral to our long-term strategy for growth, and our purpose strategy sets us apart. To conclude, I'm pleased to share that beginning this year, Hasbro will be linking environmental, social and governance performance to executive performance and compensation. It's the latest step in our effort to raise the bar and hold ourselves accountable. But I assure you, it won't be the last.

Thank you all for your time. We couldn't be more excited about the road ahead, and we look forward to updating you in the future. Now I'm going to turn it over to Chris Cocks, President of Wizards of the Coast. Over to you, Chris.

Chris Cocks - *Wizards of the Coast LLC - President*

Good morning. My name is Chris Cocks, President of Wizards of the Coast. As a nearly $1 billion cornerstone of Hasbro, we are excited to share insights about our games and business. Let's first start with a quick overview video.

[Presentation]

Our mission at Wizards is to create legendary games and lifelong adventures. MAGIC: THE GATHERING and DUNGEONS & DRAGONS are the core foundation of our business and at their heart they share deep world building and Epic play DNA that have made them global household names in fantasy.

These are established franchises that drive long-term engagement from fans and provide the blueprint for how we intend to explore a full new IP creation with massive global appeal.

Our games are big, enjoyed by over 40 million players each worldwide.

We have multigenerational appeal and broad gender diversity represented in our audience.

Our fans feel a deep connection to our franchises and view gaming as a lifestyle transcending a mere hobby.

They want to immerse themselves in many types of content and experiences, and through the combination of Wizards, Hasbro and eOne, we have an opportunity to engage them in more ways than ever.

Our blueprint puts games at the epicenter of a vast web of experiences, and these experiences foster a deep long-term connection with our fans.

Our tabletop games are constantly innovating and are supported by a network of retail stores to create unique, face-to-face branded social play experiences.

We use branded content with streamers and influencers, ranging from massive celebrities to gaming phenoms to increase global consumer awareness.

We have a publishing program that expands our universes with some of the biggest names in Sci-Fi and fantasy novels and comic books.

And we continue to develop our entertainment and consumer products, partnering with Hasbro and eOne on everything from collectible action figures to live-action TV.

Combined, it fuels a resilient and unique business model that engages players year-round through digital and analog play, content and experiences.

We have had a 10-year track record of impressive growth and a consistent resilient cadence of content on our way to becoming a nearly $1 billion business.

In 2020, Wizards had its largest year ever and generated $816 million in revenue, finishing up 24% year-over-year. This was led by record-breaking years from Magic, up 23%; and D&D, up 33%.

Our Hasbro Digital Licensing business grew 17% year-over-year, and combined with Wizards, the segment totaled $907 million in revenue last year.

Over the last 10 years, Wizards has average growth of 13%, with the last 3 years, seeing an acceleration to over 21% on average, as we transformed our content cadence, launched new digital initiatives like MAGIC: THE GATHERING Arena and made smart choices in digital licensing, an area we continue to see high growth and high profit potential beyond our core, including more broadly with our Hasbro brands.

And we are accomplishing all of this with industry-leading profit margins, with Wizards operating profit up over 400% in the period shown.

Our intention is to be the leading publisher of fantasy-inspired games across any platform, and to achieve that goal, we will continue to power our growth behind 5 key engines.

Our tabletop innovation is led by MAGIC and its ability to continuously surprise and delight underserved segments of our audience with new products, new formats and new ways to have fun.

We are capitalizing on the biggest names in fantasy by digitizing MAGIC and D&D with new games, new genres and new platforms.

We are building a robust new IP pipeline, hiring key talent from the likes of Ubisoft, BioWare, Warner Bros. and Disney to explore fantasy-adjacent genres, like Sci-Fi, action, horror and collectibles.

We are going beyond our 7,000 hobby retail stores and expanding underdeveloped retail channels like direct-to-consumer, e-commerce and mass market on a global scale.

Lastly, we are making smart choices about our digital licensing business to drive new fans and franchise innovation for both Wizards and Hasbro.

Let's take a sneak peek at what we have in the pipeline.

Presentation

Just thinking about Wizards as a publisher, between our partners and internal projects, we have over a dozen games in development.

DUNGEONS & DRAGONS is the centerpiece of this effort with massive digital gaming potential.

Later this year, we will launch the action role-playing game, Dark Alliance, with our wholly owned Montreal-based studio, Tuque Games.

Longer term, we're expanding publishing with second-party developers, including Hidden Path Entertainment, developers of the Smash Hit, CounterStrike: Global Offensive and OtherSide Entertainment, helmed by legendary game designers, Paul Neurath and Warren Spector.

And we will continue to work with world-class licensing partners, like Larian Studios, who, late last year, opened up early access to the highly anticipated Baldur's Gate 3.

For MAGIC, we will continue to expand Arena like we did last month with the introduction of the game on Android with the full launch on iOS and Android later this Q2.

In the second half of the year, we'll introduce an all-new way to play the biggest trading card game on the planet with MAGIC Spellslingers, opening the game to expanded audiences on PC, phones and tablets.

And of course, partners will be an important part of the MAGIC story, like our friends at Cryptic Entertainment, who later this year will release the free-to-play, action role-playing game, Magic: Legends, to fans around the world.

Beyond the continued development of our core brands, we're also looking toward our next big Tentpole franchises.

Over the next 5 years, we expect to launch several successful new brands by focusing on what defines our success today, namely, fantasy-adjacent genres to appeal to the lifestyle gamer, like Sci-Fi and horror, with games that offer deep world building and a consistent drumbeat of content that supports long-term engagement, punctuated by epic play DNA that crosses borders and generations.

And in addition to developing our own IP, we will also be leveraging some perennial Hasbro favorites with an eye towards developing them digitally. Hasbro has an amazing vault of brands with decades of stories and characters with generations of fan coattails to tap into. We will bring these brands to digital life and develop experiences that resonate with the lifestyle gamer in ways that are new, fresh and provocative.

Brands that capture our imagination run the gamut from GI JOE to OUIJA to TRANSFORMERS to MICRONAUTS, just to name a few.

As big as our aspirations are as a publisher of mid- and hardcore games, we recognize the opportunity in digital games is vast fast. And that's where our licensing business comes into play.

Digital games are an amazingly broad category, where Wizards will focus on core games for the lifestyle gamers segment, our digital licensing business, including more broadly Hasbro brands, work with the best developers and publishers in the world in their respective genres, platforms and audiences.

At Wizards, that means working with partners who specialize in specific genres like Larian Studios and Cryptic.

Across Hasbro, our mass appeal brands include MONOPOLY, TRANSFORMERS, YAHTZEE, SCRABBLE, POWER RANGERS and MY LITTLE PONY. To bring those brands to digital, we work with major partners, including Ubisoft, Marmalade, Scientific Games, Scopely and many more for a variety of platforms and venues. This helps us cover the broadest possible spectrum of gamers and opportunities in a market spanning over 2 billion consumers globally and $150 billion in annual revenue.

As exciting as digital is, our innovation doesn't stop there. Wizards business is built on a steady stream of thrilling collectible content that delights our fans and invites new players into our games. For MAGIC, this year, we'll expand the number of premier sets, our major annual content releases from 5 to 6, including a return to one of our best-selling collectors products of all time with Modern Horizons 2 in June.

For DUNGEONS & DRAGONS, we're coming off our best year ever and aiming to capitalize on that momentum in 2021 with new formats and storytelling opportunities in our main campaigns while increasing the cadence of those releases.

And last but not least, we'll have our first in a series of Magic crossover products that build on what we started last year with the incorporation of Godzilla and the Walking Dead in the Magic. Later this year, we'll be launching a new class of product we call Universes Beyond, starting with our own Dungeons & Dragons: Adventures in the Forgotten Realms crossover in July.

Universes Beyond takes fan favorite brands and brings them into the Magic play system for exciting new collectible and social play opportunities.

We'll be partnering with some of the biggest names in games and entertainment to bring Magic to life in bold new ways, including 2 I'm proud to announce today: the science-fantasy collectible powerhouse, Warhammer 40,000 by Games Workshop and Middle-Earth Enterprises to include characters from the beloved Lord of the Rings universe in future Magic sets.

So wrapping up, Wizards is a nearly $1 billion business with an impressive track record of growth and operational excellence with a consistent flow of content for our tens of millions of fans around the world. Our franchise innovation on tabletop continues to drive strong engagement and record sales.

The 2 biggest names in fantasy are now at the center of an aggressive digital transformation, including the upcoming launches of Magic: Arena on mobile, Spellslingers, Magic Legends, Dark Alliance and Baldur's Gate 3. And our new IP pipeline is backed by some of the best talents and biggest partners in the industry. We are looking forward to another great year.

So that's all from us at Wizards. And now I'll send it over to Darren Throop, President and CEO of eOne, to discuss the exciting projects we have coming up in Entertainment. Take it away, Darren.

Darren Dennis Throop - *Entertainment One Ltd. - CEO, President & Director*

Hello, everyone. I'm Darren Throop, CEO of eOne. I'm delighted to be sharing with you more about eOne and what we have planned for the future. With deep relationships across the entertainment industry, global reach and a well-differentiated business model, we've created a powerful entertainment ecosystem where we tap into full franchise economics.

Entertainment is no longer an ancillary part of Hasbro's business. It's a key driver. We're Supercharging Hasbro's Brand Blueprint. We're reimagining entire brand universes, and we're able to expertly control the IP from end-to-end.

With eOne onboard, Hasbro is now fully owning the creative and monetization strategies of our content, which is different than what you might have seen and heard here in past years. In the next few minutes, you'll hear from me about the core drivers of our business, what makes eOne unique and a valuable addition to Hasbro's business.

Then I'll pass the mic on to my colleagues, Olivier Dumont, who leads Family Brands; and Steve Bertram, who leads Film & Television, to share more about our content pillars. I'll also leave it to them to cover the exciting stuff, our content pipeline. To start, let's take a look at eOne.

(presentation)

Our focus is on building the leading talent-driven entertainment company by unlocking the power and value of creativity. Our growth is anchored by 5 key tenants, each of these reinforces the other. And together, it's what makes us stand out and stay ahead. We source or develop our own intellectual property. We attach the best creative talent possible, and we invest in the development and production of that content smartly. By remaining platform-agnostic, we leverage our broad international sales network to minimize our risk. And through our approach, we're able to maximize revenue opportunities across the entire group. And as a result, we deliver world-class content to audiences around the world across all media.

I'll expand briefly on these growth anchors, each brought to life by eOne's unmatched brand strength. First, we develop, invest and deliver world-class content. Our creative and production teams shepherd projects based on, first, Hasbro's rich portfolio of brands; and second, high-quality IPs sourced from a variety of places. We make content that illuminates and entertains, that consumers and fans want and always with a business-first understanding of creating real value for our stakeholders.

Even in the face of the global pandemic, our teams in Canada and the U.S. were able to swiftly adapt, safely completing production on more than 70 projects across film and TV.

On our extensive Hasbro collaborations, we're focused on creating go-to-market entertainment strategies across kid and non-kid properties, animated new live-action, scripted and unscripted. We partner with the industry's top talent to deliver IP, and our team is focused on attracting the best talent and pairing the right people with the right projects. We work closely with creatives to set up optimal deal structures, and we make sure they feel supported to nurture their stories and bring our brands to life in new and thoughtful ways.

And the great thing about being talent-friendly is that talent notices, and they come back to work with us again and again. As we move forward to bring Hasbro brands to life in new formats and for new audiences, we're bringing more outstanding creative talent onboard. This includes internal talent. Last year, we brought one of the industry's top TV executives in-house, welcoming Michael Lombardo to lead eOne's global television team.

We're platform-agnostic. This is something we can offer creatives that most other studios can't. As a pure-play content company, we aren't beholding to servicing one platform or a distributor over another. We have long-standing relationships with all the major platforms and networks. This keeps a lot of doors open for us when it comes to explaining our content, and it works. For example, we can sell our series to a leading broadcaster in the U.S. and then sell it around the world to a top global streaming service, getting great visibility, but also spreading our risk. And this is unique.

We maximize revenue opportunities across the group. With every piece of IP, we aim to fully extract value by leveraging our capabilities as a full-service one-stop shop. You've heard Brian talk about the Hasbro blueprint, so this won't be a new concept for you. We're not thinking about a single exploitation of each Hasbro brand. We're conceiving a full entertainment universe, content development, production, brand management, international sales and marketing, not to mention AR and VR, live entertainment and digital and for every age demographic. We can do it all, which enables us to fully control a property's life cycle. And we do it well, finding synergy and savings along the way. Take any one of our brands, and you can see this blueprint in action.

And lastly, innovation across our business and in how we do business. As the streaming economy evolves, we are extremely well positioned to benefit and have been forward-thinking in our strategy and our approach. We're finding ways to elevate our customer experience, like hosting world-class virtual markets for our esteemed international content buyers to fill the gap left last year by the in-person market.

In the face of the pandemic, we are creating innovative solutions to develop and produce content and get it out to the world, all of this while experimenting with innovative formats and ensuring we're at the forefront of the future of storytelling. This ethos of being a step ahead has always served us well, but especially so throughout the last year, and as we look towards the future.

With that, I'm going to throw it to Olivier Dumont, who leads our Family Brands business to expand on some of our marquee Preschool and animation brands.

Olivier Dumont - *Entertainment One Ltd. - President of Family Brands*

Thank you, Darren. Hi, everyone. I'm Olivier Dumont, President of eOne's Family Brands division. I'm delighted to be joining you today from our mixing studio, where we're working on new episodes of our global hit phenomenon, PJ MASKS.

Coming out of 2020, here are a few points I wanted to highlight. One, we have not been impacted by COVID as hard as other areas of the business with all production and developments delivering on time and on budget. Two, appetite for animation has never been stronger for linear and nonlinear platforms, whether for kids, teenagers or adults. Thirdly, distribution and marketing models are shifting, but eOne Family Brands is really well positioned because we're platform agnostic, we're trained to market content and full brands and not just products and drive eyeballs to our content, which is going to become a critical capability as the strength of linear platforms continues to diminish, and our content gets streamed more and more.

Thirdly, we are a leader in the direct-to-consumer delivery of our content. In 2020, the eOne team took over the management of all YouTube channels for the combined portfolio, and Hasbro became the #1 kids content owner on YouTube, delivering 48.4 billion views in 2020, plus 139% in viewership for MY LITTLE PONY content. And there is more growth planned for 2021, particularly for Hasbro classic franchises.

We develop brands for each of the key commercial demos by age group and interest and play pattern. Our aim with each of these brands is to create lifelong memories for children and their parents, so impact is very, very important to us.

Let's take a closer look on what's going on with some of our key brands. First off, the eOne marquee preschool IP, which are allowing Hasbro to become a market leader in Preschool. For PEPPA PIG, we're just about to greenlight the production of additional episodes featuring preschooler's favorite little girl, which will guarantee a steady stream of new content throughout 2025, which is so relevant and meaningful to preschoolers and families around the world and reflect our strong values.

For PJ MASKS, we're in production on Season 5, which will launch later this year on Disney+ and Disney Junior globally. And we have started development on Season 6, which means we will have new content throughout the end of 2023. Finally, for RICKY ZOOM, we are expanding our reach on the brand with the launch of Season 2 this year and the development of Season 3.

We're also activating Hasbro classic IP. We're reimagining the MY LITTLE PONY brand with a brand-new cast of ponies, which will include a male pony for the very first time, and all ponies will be featured in glorious CGI also for the very first time. This reimagining will begin with a release this fall of the CGI feature film introducing our brand-new cast of ponies, which will be released globally to Netflix's 200 million subscribers this fall.

I can also announce today that this feature film will be followed on Netflix by a 44-minute special, a brand-new CGI series as well as made for YouTube content needing a steady rollout of original content throughout 2022 and 2023, supporting the rollout of a brand-new line of toys and consumer products.

Now with regards to TRANSFORMERS, I am thrilled to announce today that we have an ambitious new CGI series which is starting production with Nickelodeon as production partner for a release in 2023. But there's more on TRANSFORMERS. We have greenlit the first comedy series based on TRANSFORMERS for Netflix called, BotBots, which will premier in Q4 2021. And finally, we will also be premiering later this year 2 Transformers Cyberverse 44-minute specials.

The POWER RANGERS were fully in production in New Zealand on 2 seasons of a brand-new iteration called, Dino Fury, which will be released on Netflix and Nickelodeon. But Steve Bertram will tell you more about how we're going to continue reinventing and expanding the reach of the brand.

Finally, we also have a pipeline of brand-new IP, and I'm happy to share the very first one with you today. We're excited to announce that we're greenlighting an ambitious brand-new preschool CGI series for Disney+ and Disney Junior globally as well as key linear broadcasters all around the world, featuring 3 highly aspirational heroes. We're working closely with the toy group and the Consumer Products division to ensure we're maximizing the commercial potential of this brand-new preschool property.

Thank you. And now I'm going to turn it to Steve Bertram in L.A., who leads the Film and TV division.

Steve Bertram - *Entertainment One Ltd. - President of Film & Television*

Hi, everyone. I'm Steve Bertram, President of eOne's film and television business. I'm excited to join you today from the Los Angeles set of The Rookie, where we are in the midst of filming our third season of the hit series, which currently airs Sunday nights on ABC.

Today, I'll be discussing why we believe eOne has a competitive advantage in the evolving media landscape. And I'll talk about how we structure our slates and make investment decisions. And then I'll share a few exciting updates on our progress bringing the Hasbro brands to life.

Even before the pandemic created massive disruption, our industry was already experiencing a period of unprecedented change. The entrance of technology giants into our business had permanently altered the traditional media landscape with the delivery platforms they created, offering consumers incredible, convenience, value and user experience. In order to compete, the major media conglomerates have now launched their own direct-to-consumer businesses, resulting in a crowded streaming marketplace.

eOne is in a uniquely advantaged position as a pure-play, agnostic content company, giving us the opportunity to sell to legacy buyers while also positioning ourselves as a key supplier to the well-capitalized newer market entrants. As competition intensifies, all these companies are chasing the most valuable content, favoring known brands and [A-list] talent. With Hasbro's deep and rich library, we believe that we are able to create new premium content based on the brands that consumers already know and love.

And in addition, being an agnostic seller means we are not tied to any specific platform or distribution imperative. This allows us to put the storytelling, the brands, and ultimately, the consumer first.

Before I get into our content pipeline, I'd like to walk you through how we approach our entertainment slates and how we manage the risk reward on our productions. Our revenue and margin are driven by a mixed portfolio of new films, scripted and unscripted TV series as well as ongoing sales from our library. Over the course of 2020, we completed production on 59 TV series and 5 feature films. And we currently have over 200 projects in development, which fuels our steady-state volume, providing a range of properties from which we make our investment selections.

There are varied levels of risk across projects, and we structure our slates to balance some bigger bets across film and scripted TV with a variety of low-risk, profitable cost-plus models, which include direct to streamer and unscripted TV productions. Although our annual production investment net of tax incentives is in the $675 million to $750 million range, our actual cash funding requirement is just 30% of that total when reduced by contractual license fees and international minimum guarantees.

To help illustrate this, we thought we'd share a couple of example P&Ls and walk through how we mitigate production investment risk. Here's a sample of an actual recent theatrical film at eOne. The project had a gross production budget of $34 million, reduced by $5 million in tax credits, which were confirmed at the time of greenlight. Of the remaining $29 million net budget, $9 million was covered by contractual minimum guarantees from international territories, an additional $10 million was covered by a third-party equity investor, leaving $10 million of eOne capital at risk, approximately 30% of the original $34 million budget.

We will recoup the $10 million investment over the life of the film through our share of global box office receipts, video-on-demand, television and streaming. Our return on equity will be approximately 45% on revenue of $37 million with margin of $4.5 million over the first 10 years of the film's life cycle.

On larger Hasbro 4 quadrant properties, we will likely take on more capital risk on an absolute basis. But this will be supported by significant revenue and margin potential, not only from the monetization of the content, but also across consumer products, toys and merchandise.

For television, we typically secure a majority of the budget through tax credits and license fees prior to greenlight. This example shows 2 seasons of a premium scripted television series, produced in partnership with a U.S. network broadcaster. Over the 40 episodes produced across 2 seasons, the gross production cost is $190 million. $25 million of this is covered by tax credits and another $40 million in equity from the commissioning network partner. Additionally, the network contributes $80 million in license fees, which reduces the net eOne production investment to $45 million.

The 2 seasons will bring in approximately $225 million in revenue derived from network broadcast license fees of $80 million, international license fees of $110 million, the majority of which is in the form of minimum guarantees prior to production and off network sales of $35 million, all of which ultimately drive $30 million of margin.

Many of our properties have the potential to be sold directly to an OTT streamer on a cost-plus basis, where the partner takes 100% of the production risk. This model is the likely path for Hasbro-branded properties as the known IP will solicit a greater premium. And all of our unscripted series are produced on a cost-plus basis in partnership with either global streaming platforms or traditional broadcast and cable networks. Thanks to our mixed portfolio of new and returning productions, we earn revenue over multiple years as content is monetized through various windows, from initial exhibition through transactional and from video-on-demand to free television and streaming. And as a result of this long revenue-generating life cycle, we were still able to achieve nearly $700 million in revenue in 2020 despite theater closures and pauses in production as a result of the pandemic.

2019 is a better representation of a steady state year with a vibrant mix of new production and library content. We delivered just under $900 million in revenue, 60% of which came from television and 40% from film. Roughly 60% of revenue was driven by new releases from production initial broadcast and theatrical exhibition, while the remaining 40% was driven by recent releases, library sales and the exploitation of third-party content. Once we get through near-term cost pressures related to COVID, we expect to see improved margins in the coming years as we shift our focus to the Hasbro brands.

Prior to the acquisition of eOne, Hasbro licensed its brands to third parties for exploitation. But now, by leveraging eOne's infrastructure, we have full control of creative and production. We can drive our own time lines and we're able to unlock the profitability of the content across the entire value chain. In addition to the increased revenue and margin driven by the content, we will deliver value across the entire Hasbro brand blueprint, including consumer products, toys and games.

Now before I get into our plans for Hasbro-branded content, I wanted to quickly touch on our upcoming eOne slate. For film, we're in production on 9 feature films and currently have 15 unique releases slated for 2021. With talent such as Mark Wahlberg in Arthur the King, Chris Pine and

Thandie Newton in All The Old Knives and Ben Affleck and Ana de Armas in Deep Water. And we're excited for audiences to see the adaptation of the children's classic, Clifford the Big Red Dog coming to theaters later this year.

For scripted TV, we have a mix of new and returning productions across various broadcasters and platforms. We're currently in production on 8 scripted series and expect another 2 to 4 to be ordered in the year. Returning series include The Rookie on ABC, Nurses on NBC and The Walking Dead on AMC. And we'll be premiering new exciting shows later this year, such as Yellowjackets for Showtime and Cruel Summer for ABC Freeform and Amazon Prime.

Our unscripted business continues to grow with over 70 projects anticipated for delivery this year and 38 projects currently in production. The content ranges from long-running entertainment favorites like Ex On The Beach on MTV, to big adventure series like Naked and Afraid on Discovery and documentaries such as the new inspirational series, Impact, with Gal Gadot also on Discovery.

And now on to our exciting Hasbro content plans. Over the past 12 months, we have been intensely focused on developing content for these iconic brands. And while it was an incredibly disruptive time for the industry, we took the opportunity to make significant progress on our new strategic focus. Our creative teams have been working together to envision how these properties will be best brought to life, working to create elevated content universes that are designed to sustain consumer engagement and affinity.

We've attached proven storytellers who bring a fresh perspective and are building new narratives to transform how our audiences engage with these brands. We now have over 30 Hasbro properties in development, and the level of interest in the marketplace has been outstanding. We've already converted some of this development into reality, and we'll have a steady state of Hasbro content delivering to audiences beginning this year with unscripted projects, and in 2022 and 2023 with, scripted TV and film.

We've unlocked several new opportunities within eOne's unscripted TV division as many of the Hasbro brands naturally lend themselves to this type of format, especially from the games portfolio. We recently launched our first unscripted series with Hasbro in November with the release of CANDYLANDCandy Land on Food Network. And we've started development on a new game show as well, centered on one of Hasbro's most beloved brands, MONOPOLY. To help bring the game to life, we've attached a superstar host that we're excited to announce soon.

In addition, we have a pipeline of other well-loved brands in development across unscripted, including MOUSE TRAP, EASYBAKE, OPERATION, NERF and PLAY-DOH, to name just a few. We've also recently closed deals for 2 scripted series based on classic Hasbro games. show runner, Bo Williman, best known for creating the hit series, House of Cards, has come onboard to create a premium scripted series based on the board game, RISK. And we recently announced a new partnership with Fox to develop a primetime animated series based on the game CLUE.

And now on to our highest priority action venture properties, where we are creating long-term content franchise plans. At the very top of our list is TRANSFORMERS. We're building a slate that will reignite this brand, adding new characters and new narratives designed to unlock incredible value across the Brand Blueprint. The next live-action film is set for release in summer 2022 with a fresh vision that will launch a new trajectory for this franchise. We recently announced our Director, Steven Caple Jr., who directed Creed 2. And we're reteaming with producer, Lorenzo di Bonaventura, and Steven Spielberg as executive producer. Additionally, we have an animated full-length feature film currently in development and have signed Josh Cooley to direct. He most recently won the Academy Award for Toy Story 4.

And finally, last summer, we successfully launched the fan-based animated trilogy Transformers: War for Cybertron on Netflix.

For G.I. JOE, we're focused on reinvigorating the brand and expanding our fandom, taking this property to new heights. The next feature film, Snake Eyes, starring Henry Golding, is set for a global theatrical release in October of this year. The film is a complete reboot for the brand and will cover the origin story of one of the franchise's most infamous characters. And we're also working on expanding beyond film. To that end, we just announced a new partnership with Amazon and Paramount Pictures to create an action-packed premium scripted series based on G.I. JOE.

Another top priority for us is POWER RANGERS. And I'm excited to say that this brand is about to enter a new era. We're creating a new POWER RANGERS universe for a broader audience across film, premium TV, animation and kids content. And to architect this universe, we've engaged with the highly sought after show runner, Jonathan Entwistle, known for the hit series on Netflix, The End of the (expletive) World. Entwistle has a great passion for POWER RANGERS. This will be a complete reinvention, and we're hoping to spark new interest in the storied property.

And now on to the Wizards of the Coast brands, where we see massive potential. Our goal is to use entertainment to expand the universes of DUNGEONS & DRAGONS and MAGIC: THE GATHERING. These outstanding brands offer deep and rich narrative opportunities, and we are envisioning new robust content franchises for both. The slate for MAGIC: THE GATHERING is well underway with a feature film in development at Fox and a premium animated series in production for Netflix and expected to reach consumers next year.

On DUNGEONS & DRAGONS, we're currently prepping a truly epic new feature film in partnership with Paramount. We have amazing talent attached, including writer directors, Jonathan Daley and Jonathan Goldstein, whose credits include Spiderman: Homecoming. Producer, Jeremy Latcham is also onboard. He executive produced Marvel Studios Juggernauts such as the Avengers and Guardians of the Galaxy. Chris Pine, known for his leading roles in major franchises, such as Star Trek and Wonder Woman, will lead an all-star cast, including Michelle Rodriguez from the Fast and Furious franchise, Regé-Jean Page from the Netflix hit, Bridgerton and Justice Smith, who starred in Jurassic World: Fallen Kingdom. We plan to announce the rest of this ensemble cast in the coming weeks, and the film is set to start principal photography this spring in Ireland.

In addition to the film, we've engaged several writers to develop premium television projects designed as a foundation for a new robust D&D brand universe. We expect to bring our first premium series to the marketplace soon after the new film reaches consumers. This new content pipeline will fuel all aspects of the D&D Brand Blueprint, creating significant opportunity across Consumer Products, toys and games. All of this really just scratches the surface. We have so many more projects in development. And we anticipate many exciting announcements in the months to come.

And now I'm so pleased to introduce Hasbro's Chief Consumer Officer, Eric Nyman. Eric?

Eric C. Nyman - *Hasbro, Inc. - Chief Consumer Officer*

Thanks for the opportunity to discuss our future and our approach to our brands. And specifically, our toy and game and licensed Consumer Products business. Kim Boyd, Casey Collins and I are very excited for the chance to talk to you today about the incredible opportunities we see as our Hasbro teams pivot into the next decade.

Our fast and flexible teams continue to show incredible passion and innovative spirit even in these challenging and uncertain times. And I am very heartened and motivated that we will continue to find innovative solutions to keep Hasbro ahead of the curve and growing faster than the industry as we build out our play experiences for all children and all families for 2021 and beyond.

As you heard from Debbie, Brian, Deb, Chris and Darren and his team, the next dynamic step forward for Hasbro will be to supercharge our blueprint to take full advantage of the new opportunities afforded to us by taking the great brands built through digital gaming at Wizards and the powerful entertainment stories from eOne and fully monetizing them across all consumer product categories, from toys and games, which we will continue to primarily control vertically, to a full suite of other categories, which we will address via a highly profitable licensing division.

We have never had these types of brand activations to create against, and it truly pushes the gates wide open for the next significant decade of growth for us at Hasbro.

To put that into context, we believe that Hasbro has a multibillion-dollar opportunity for growth in the years ahead. Over the next 5 years, Hasbro estimates that the categories in which we hold a leadership position, like action figures, gaming, arts and crafts, plush and outdoor sports, will grow to an addressable market opportunity of over $30 billion globally. We believe just holding share could contribute over $500 million in revenues in this period, but we certainly have greater ambitions.

And in the categories where we are targeting to gain more significant share, which is led by the preschool category with the brands we are bringing to Hasbro from eOne, like PEPPA PIG and PJ MASKS, we believe we have the opportunity to capture another incremental $500 million in growth as we gain share by Supercharging the Blueprint. To provide greater confidence against this ambition, we wanted to share that our channel strategy is working. After a tumultuous 5 years, we have augmented our brick-and-mortar presence by building a leadership position in the e-comm space via Amazon and other leading omnichannel retailers and greatly enhanced our direct-to-consumer initiatives. For example, in Q4 alone, the toy and game POS on Amazon grew by 28% across the U.S. and top European markets, while Hasbro grew by plus 37%. Fueled by this outsized momentum, we will continue to double down on e-commerce, where we plan to do 50% of our business by 2025 through the right levels of exclusivity and a strategic channel mix.

Additionally, we believe our direct-to-consumer business, Hasbro Pulse, will continue to grow as a leader in the fan collectible marketplace, with our goal of doubling every year. This fan market is valued at over $5 billion across the G11. Our growth in this space will continue to be fueled by global expansion as we roll out into the U.K. and Canada in 2021 and are targeting a presence in the rest of the G11 by year-end 2023.

Additionally, we will power the Pulse through exclusives, all-new crowdsourcing initiatives, all new personalization features and great events like PulseCon. We have only begun our D2C journey. And as the business signals strong growth over the last year, we will continue to invest to ensure we realize its full potential.

With that as context, I wanted to highlight some of the great innovations the teams are working on in the near term to fully exploit this significant opportunity. We start with our franchises, where through our ownership of the brands, we can Supercharge the Blueprint and deliver high operating profitability above the Hasbro norm.

Let's begin with Hasbro Gaming. 2020 was a huge year for Hasbro Gaming. Not only did our biggest franchise brand, MONOPOLY, soared to its highest level ever. We also had one of the most successful new game launches of the year with DEER PONG in the U.S., a new entrant in the $1 billion category of family games. And it doesn't stop there. In 2021, we'll continue to grow and lead the category with a lineup driven by consumer insights and innovation, breaking into new gaming categories like strategy. This will drive our leadership position to new heights in this all-important $3.7 billion market.

In 2021, for the first time, MONOPOLY will break into the light-family strategy space, a white-hot $475 million market with MONOPOLY Builder. We'll also debut MONOPOLY Crooked Cash, a follow-up to the hugely popular MONOPOLY Cheaters Edition, which was a top 10 rank game in its category, where it's a race to find the fake cash to make your fortune. Additionally, the core game is going to have some unbelievably exciting news for 2021. Just this morning, Mr. MONOPOLY has asked his fans around the world to tell us what community means to them. Stay tuned for more as we reveal the next big MONOPOLY campaign around World Monopoly Day on March 19. It just might change the game forever.

And that's not all. This year, we'll bring the relaunch of the AVALON HILL brand within the Hasbro Gaming portfolio. Iconic titles like RISK, BETRAYAL AT HOUSE ON THE HILL and HEROQUEST have achieved cult status in the gaming world. And the timing couldn't be better to refresh and reinvigorate these titles for our fans. We see a long runway in front of us, not only for HEROQUEST, which we fully funded in under 24 hours on the Hasbro Pulse crowdsourcing platform last year for shipment this fall, but for all of our amazing AVALON HILL brands.

Let's now move to NERF, the leader in the $9.6 billion outdoor category. Here, we hold just under 10% share and are looking forward to significant growth as both our share and the category expands. In '21, we have aggressive plans to grab an even bigger share of the blaster business, where we hold over 65% share in the G11 by delivering our most innovative product line ever. And we have plans in place to grow the franchise by further expanding to new audiences and into new categories.

A few highlights, starting with our youngest consumer. This year, we plan to recruit, expand and engage this audience like never before through all-new kid-approved themes like DinoSquad pictured here. Dinosaurs consistently rank as the top theme for kids in our research, and we are bringing them to life through fun blaster play.

We also know breaking boundaries on performance innovation is a key to driving growth. And in 2021, we are taking competitive play to the next level. Our all-new 14-plus performance-based Hyper line delivers our highest-capacity fastest firing at 110 feet per second easy-to-reload blaster ever. And the new Rival Curve will allow players the ability to curve shots, first for any NERF blaster, giving them the upper hand in any blaster competition.

And finally, in 2021, we are reigniting NERF sports through new products and new franchise partnerships. I am thrilled to announce we have partnered with reigning champs to become the official ball for NFL FLAG, the official flag league of the NFL. We sanctioned teams in all 50 states, reaching over 500,000 annual participants. In addition to NERF footballs being used in league play, it will be available for sale through retail and be included in official NFL FLAG kits that will be donated to underprivileged schools, giving every kid a chance to play.

We also see strong additional growth prospects for our PLAY-DOH brands. Through the power of PLAY-DOH, we are enabling children to express their imagination creatively more than ever. And we have built compelling stories, stimulated our innovation pipeline and enhanced our content to fuel their imagination. PLAY-DOH is the #1 property in arts and crafts, a $2.6 billion growing market, where we hold 19% share. We know that 90% of consumers buy PLAY-DOH before any other arts and craft purchase, and we are poised to drive our market share in this growth category through innovations in color, texture and compounds.

Next up is action brands. Over the last 10 years, we have built an action brand portfolio with a 31% share in a $3.4 billion category. But the world is changing. New capabilities, new brands, new innovation and brand reinvention are needed to drive growth. We feel, entering 2021, that we have the best portfolio of brands that we've ever had and continue to add new capabilities to our blueprint such as building retail events and programming around streaming episodes, driving preorder sales long before products ever hit the market with new e-commerce capabilities, crowdfunding and much, much more. With this new approach, we feel a new era of action brands has arrived and it kicks off now.

Beginning with Transformers, where, for the first time ever, we have bespoke content and products for all of our most important consumer segments, from preschool to kids to our most passionate fans, as we celebrate all-new products behind 2 new eagerly awaited Netflix streaming launches: BotBots, an animated show for kids; and the final chapter of the global Netflix streaming event, The War for Cybertron, for fans of all ages. And of course, we already have an expansive product and retail merchandising effort underway in preparation for the upcoming 2022 feature film, which we feel will be one of the most groundbreaking Transformers films to date.

Another brand with strong momentum is Star Wars. Star Wars: Mandalorian highlighted the power of streaming for the action figure business this past fall. The series drove significant toy and game sales across action figures and role play, plush and games with our Child Animatronic edition leading the way as one of Hasbro's top-selling SKUs globally from its launch in Q4.

Looking forward, we are excited for the massive Disney+ streaming slate recently announced for Star Wars, including new 2021 series, The Book of Bobba Fett, launching holiday '21; as well as the new animated series, Star Wars: The Bad Batch, which is a spin-off of the very popular Star Wars: The Clone Wars series, both of which are backed by strong cross-category merchandising plans.

And the Marvel content slate is also jampacked with amazing content across all platforms. We are looking forward to the planned Marvel character films across Marvel Studios and Sony in 2021, 6 different Marvel Studios series streaming on Disney+ and a new Spidey preschool show launching this fall on Disney junior. We are confident that this lineup will drive growth across all of our consumers, both young and old, across a myriad of toy and game categories for Hasbro. And we know that the 2022 schedule is equally jampacked with amazing content across movies and Disney streaming series.

We are also very excited to reinvent and reignite the next-generation of POWER RANGERS with DINO FURY. DINO FURY is going to bring back Dinos with incredible Dino-powered toy innovation, one of the hottest themes in POWER RANGERS history backed now by eOne's production superpowers. We are also partnering closely with eOne and creative steward Jonathan Entwistle to re-envision the future of POWER RANGERS' storytelling and product innovation.

And in 2021, we will reignite one of our most cherished brands, G.I. JOE, and reimagine it in a way that will not only delight current fans but will also appeal to a whole new generation of fans behind the launch of Snake Eyes. Our all-new G.I. JOE Classified line for fans, an all-new role-play expression for kids, will allow fans of any age to bring out their inner ninja.

We also highlighted that there was some new news in the hopper. Today, we are thrilled to announce a new partnership for a new era with Fortnite. Fortnite has risen to the top of the charts in the video game arena and continues to engage at a record pace with over 350 million players. We are very excited to be extending our partnership with Epic Games, which will continue our NERF and games Fortnite license, and expand the scope of rights to include action figures and role play, which will be all-new business for us in 2021 and beyond. To celebrate this new relationship for all of you Fortnite fans, we just dropped Snake Eyes into the Fortnite universe for the very first time. This is one of the first in a series of collabs our fans will be excited to talk about, engage with and collect in the years to come.

Now I'd like to introduce Kim Boyd, who leads our fashion and preschool business, to discuss the incredible growth potential in her categories.

Kim Boyd - *Hasbro, Inc. - Senior Vice President & General Manager of Global Brands*

Thank you, Eric. You just heard Eric highlight where we are #1 and growing. I'm thrilled to share 2 focus areas of our business where we aren't the leader yet but have the largest opportunity for growth.

The first is with dolls, the second largest super category. We hold the #3 position. This category goes beyond just traditional dolls. Play patterns are mixed and matched across small dolls, play sets, nurturing and fashion dolls. Our strategy begins with an unmatched portfolio of brands that will inspire, empower and ignite imagination and lifelong connections for our consumers while innovating across a variety of important play trends and societal needs.

The first is MY LITTLE PONY. It was only 5 years ago that MY LITTLE PONY was a $1 billion franchise at retail. This year, we will reimagine and reignite the MY LITTLE PONY brand. Fueled by a stellar entertainment plan and breakthrough innovation, MY LITTLE PONY will skate into the hearts and minds of kids all over the world with new characters and a whole new line of ponies. The next generation of MY LITTLE PONY begins now.

BABY ALIVE continues to be #1 in nurturing dolls in the G11, growing 9% at retail and adding 2 points of market share last year. However, the larger opportunity is to expand globally beyond nurturing dolls into new categories with new play experiences. We will continue to focus on our brand promise of offering dolls that are reflective of our consumers all around the world while delivering magical interactivity as we take the BABY ALIVE franchise to the next level.

And finally, Disney Princess and Frozen continue to be top properties within dolls. The Disney Princess portfolio includes the most diverse offering of princesses, each with inspiring stories. With the launch of Disney+, all of the Disney Princess films are together for the first time, creating repeat viewing opportunities. This new model is a game changer as it is contributing to increased doll sales and trade up castles. The platform drives audience expansion and earlier adoption of new characters, which we anticipate will continue as new films are added, like Raya and The Last Dragon premiering in theaters and on Disney+ with Premier Access on March 5.

The next opportunity category is Preschool. Preschool is the third largest super category, driving over $7 billion annually across the G11. Hasbro ranked #7 with just under 2.5% market share. Today, I will share our plans to go from a small player to a category leader with the potential to add 4 to 5 points of market share by year-end 2022 and become a top 3 player in the preschool category.

Our supercharged preschool plan starts with our preschool center of excellence. We have assembled a team of some of the most creative minds in the industry with expertise and focus on our youngest preschool consumers. We have a winning portfolio of brands backed by amazing storytelling, which we will bring to life in new and innovative ways, bringing more play value to every experience. And our global footprint and distribution capabilities gives us access to markets and retailers around the world. We have never been better positioned to grow our business than right now with the powerful combination of Hasbro and eOne.

This August, we will debut 2 incredible new lines of toys to support 2 of the biggest preschool entertainment brands: PJ MASKS and PEPPA PIG. As you heard from Olivier, we are telling new stories and introducing new themes and characters through all forms of content that we know preschoolers will love. With this powerful partnership with eOne, we will take these brands to new heights.

Our strategy is focused around 3 key pillars: The first is eventize entertainment themes. We will leverage the new stories to create powerful messages across our toy line that our retail partners will celebrate throughout the year, creating incremental shopping occasions.

Next is drive show-to-shelf innovation. With our close partnership, our storytellers are aligning with our toy designers early and often to create innovative ways the stories and characters can come to life and play, just like they do in the entertainment.

And the final pillar is audience expansion. These properties will grow as we reach new audiences through category, channel and global expansion. Additionally, we have newness across our preschool action brands. These are big boy brands for little boy hands. TRANSFORMERS RESCUE BOTS is a clear entry point into the franchise for our youngest TRANSFORMERS fans, with over 200 episodes of content available on Netflix. And Marvel will launch their first dedicated preschool show, Spidey and His Amazing Friends, on Disney Junior. We will bring these stories to life with new lines of toys to support the entertainment.

And finally, for our youngest consumer, our portfolio targeting toddlers focuses on iconic brands that are modernized for today's consumer. This modern mom has new expectations around what her favorite brands stand for. Play with purpose has never been more important than it is right now.

As you have been hearing, playing with purpose is not only critical to Hasbro, but also to our consumers. In partnership with Amazon, we are combining PLAYSKOOL, a brand with 90 years of history, with a new focus on learning through play and sustainability. Parents are familiar with iconic toys from their childhood, but we are adding innovation for this modern mom, and we will introduce sustainability across the line, filling a gap in the marketplace for our consumers who are more environmentally focused than ever.

Another iconic brand, MR. POTATO HEAD, will be reimagined for the modern consumer. The brand will drop the "Mr. " from the brand name and logo to promote gender equity and inclusion. And in the fall, we will celebrate the many faces of the modern family with the new my potato family pack, which allows kids to create different and unique families as yet another example of our commitment to embed diversity and inclusion across our business.

We are so excited to drive this portfolio in the years ahead. And now I will hand it over to Casey Collins to talk about another area of acceleration for our business.

Casey Collins - *Hasbro, Inc. - Senior VP & GM of Consumer Products*

Thank you, Kim. Having a robust Consumer Products business contributed to the transformation of Hasbro to a global play and entertainment company. Licensed products and experiences allows us to expand storytelling and fan engagement across multiple touch points throughout the day and help strengthen brand loyalty.

Last year, we completed the integration of 2 powerful and respected license organizations. And now we have the very best combined team to drive and accelerate the growth of our brands. We bring our stories and characters to life through innovative and engaging physical products in over 60 countries and across more than 100 categories.

Hasbro is now the third largest entertainment consumer products organization in the world, behind only Disney and Warner. The eOne acquisition moved us up from the #5 spot we held in 2019. Today, we have one of the deepest and most well-balanced portfolios in the entire industry. From film and TV properties, to classic games, to our nostalgic-rich vault brands, our properties offer a variety of play for everyone. Combining the power of a portfolio with the expertise of eOne's content capabilities truly sets us apart. Our proven strategic framework and storytelling over the next 3 years showcases the most compelling content we have ever delivered. That's the eOne advantage.

After a decade of heartwarming friendships and daring adventures, the beloved pony world of Equestria is reimagined with our September film release. These new stories and characters enable us to bring even more consumer products across fashion, home, publishing and lifestyle categories to a whole new generation of fans.

Snake Eyes will introduce audiences to one of G.I. JOE most popular characters. This new film provides an opportunity to grow consumer products in apparel, accessories, collectibles and more.

Another powerful franchise that we will be expanding to new audiences is DUNGEONS & DRAGONS, tied to our exciting entertainment plans.

As you've heard today, TRANSFORMERS has a robust slate of new content to reach diverse audiences. All these stories will fuel expansion for consumer products across all categories. Slated to release this summer, the next TRANSFORMER blockbuster film will thrill audiences and continue to propel the franchise forward across our entire blueprint.

Additionally, new entertainment for POWER RANGERS will set up a new storytelling universe to fully leverage a wide variety of product categories.

Another way we will accelerate growth is with the creation of new experiences for some of our iconic brands through unscripted entertainment. Last fall, Kristin Chenoweth hosted a food competition series set in the magical world of CANDYLAND. To capitalize on this new show, we had a CANDYLAND product launch hit retail, like our new Toms shoe line and a range of colorful cosmetics with ColourPop. We're already working closely with Steve's team to deliver products tied to more new series.

Now due to COVID, our preschool brands struggled in the first half of 2020 due to global retail closures and orders being delayed or canceled. I'm happy to report today that these properties were able to rebound strong in the second half of 2020 and carry strong momentum into '21. PEPPA PIG is a global sensation on both the small screen and the stage and has sold over $1 billion in merchandise last year. PEPPA PIG was the #1 most-streamed kids show of any age in 2020 and has captured the hearts of fans around the world. PEPPA is our top license franchise, and we took home the award for best animated entertainment character brand at the 2020 International Licensing Awards.

PJ MASKS, the top-rated superhero show on Disney Junior, is streamed in over 48 markets around the world. In 2020, the PJ MASKS app was downloaded over 42 million times, which is up 56% year-over-year. Working closely with Olivier, we have an expansion plan to continue to build on the success of this franchise across all consumer products as we bring show to shelf for season 5.

Additionally, as part of our acceleration strategy, we've brought iconic vehicle brands to the market. To leverage the evergreen play pattern of wheeled play, we utilized classics from our vault with new TONKA and MICRO MACHINES launches.

Storytelling is where our characters come to life and emotionally connect with our consumers. Our award-winning publishing program allows us to explore and expand new stories across comics, novels, magazines and more. Impactful promotions are also key to our growth. Our diverse portfolio of properties and characters are being used globally by Fortune 500 companies to drive consumer awareness and revenue.

We live in an experience economy, and consumers want to engage with their favorite brands in new and unique ways. Location-based entertainment is a critical category for Hasbro's growth. Coming out of COVID, our partners are confident that consumers will be excited to interact with our brands in unique and memorable ways. Whether it's experiencing one of our CLUE escape rooms, a NERF action Battle, a PJ MASKS live show or visiting our upcoming TRANSFORMERS metro-based land at Universal Studios Beijing, location-based entertainment enhances emotional connections with our fans.

I'm thrilled to announce today that we are partnered with Merlin Entertainments to open the world's first PEPPA PIG theme park at LEGOLAND Florida Resort in Winter Haven in 2022. Thank you, and I'll pass it back to Eric now.

Eric C. Nyman - *Hasbro, Inc. - Chief Consumer Officer*

Thank you, Casey, and thanks for the time. It's so exciting to partner with wizards and their digital gaming expertise, focus even more on the power of eOne and their incredible content capabilities and have the chance to Supercharge the Blueprint with all-new toys, games and license experiences that the world has never seen.

And now I'll turn it back to Brian Goldner for closing remarks.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Thank you, Eric, and thank you to the entire Hasbro team for their tremendous work on our first virtual investor event. We outlined how Hasbro is Supercharging our Brand Blueprint through our unique combination of gaming, entertainment and consumer products backed by a portfolio of 1,500 brands.

We have outlined how we have simplified our reporting to help you better understand these drivers. We introduced our newly created Chief Purpose Officer and how we are putting purpose at the center of all we do at Hasbro to drive progress. We shared how we are doubling the size of Wizards of the Coast from 2018 to 2023, and the value of owning an industry-leading gaming studio and rich, valuable gaming brands.

We discussed the progress we have made in developing Hasbro IP through entertainment and the unique advantage Hasbro has in owning not just the brands, but a studio experienced in developing IP across platforms in a time when the demand for content is rapidly growing. We showcased how we continue to drive Hasbro's Consumer Products business across toys, games and license categories to deliver innovation across the portfolio, to expand in segments where we are underrepresented and to grow our retail and e-comm leadership.

Our expectation is that we return to growth in revenues, earnings and EBITDA in 2021 absent any charges. This includes revenue growth in all 3 segments to potentially achieve double-digit revenue growth across Hasbro for the year. After increasing adjusted operating profit margins by 110 basis points last year, we believe we can maintain a similar level in 2021 while supporting new gaming and product launches and returning to the 2019 levels of TV and film revenue. Importantly, our investments and plans drive revenue growth across each segment over a multiyear period.

As we grow, we expand the reach of our brands to deliver higher operating margin and enhanced cash generation with the potential for Hasbro to reach operating margin levels greater than 16% and cash generation close to the $1 billion level over the medium term. Each business supercharges the others across the blueprint to drive value for our stakeholders.

Thank you. We are going to take a 10-minute break to assemble for the Q&A session.

(Break)

QUESTIONS AND ANSWERS

Debbie Hancock - *Hasbro, Inc. - SVP of IR*

Thank you for joining us for the Q&A session for our 2021 investor event. I'm joined by Brian Goldner, Deb Thomas and several members of Hasbro senior management today. I will turn it over to the operator to facilitate the discussion. Laurence?

Operator

(Operator Instructions) And your first question comes from the line of Fred Wightman.

Frederick Charles Wightman - *Wolfe Research, LLC - Research Analyst*

In today's presentations, there was a lot of talk about increasing the mix of content spend on Hasbro brands versus partner brands going forward. Just wondering if you could put some specific numbers around that and how we should think about the mix over the next few years.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes, Fred. As we look at Hasbro brands, we're just seeing acceleration. You're seeing it for 2021. Obviously, you're also seeing acceleration of eOne revenues as well as Wizards' revenues. So just as a percent of revenues, as we try to drive our partner brands' revenues as high as they can possibly be, they likely come down by a little bit in terms of total percent of revenues this year given the fact that we're expecting double-digit growth between the 3 business units, including getting eOne back to 2019 levels in TV and film. We do expect our family brand business within eOne to also grow, consumer products to grow and then, of course, MAGIC: THE GATHERING. So I think that percentage probably is still in the low 20% range in terms of revenues for our partner brands. We continue to invest in innovation. We continue to invest in marketing and certainly are paying royalties. But just as we see the acceleration this year and in a few years -- over the next few years in Hasbro brands, that percentage probably comes down a little bit.

Frederick Charles Wightman - *Wolfe Research, LLC - Research Analyst*

Sorry, I meant more so just on the content spend side of the equation as opposed to just sort of the revenue mix. If we're expecting earmarked more -- more content dollars for Hasbro brands down the road, where is that today? Where is it going to be next year? And where could that be 3, 4 years down the road?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Oh, I see. You're not really talking about partner brands. You're talking about other third-party content. Now I understand. So yes, over time -- and Steve and Olivier outlined for U.S. and Darren, the fact that we're already up and underway with several Hasbro IP initiatives. So that will attract the production capital dollars, whether that be the DUNGEONS & DRAGONS film or a DUNGEONS & DRAGONS live-action production, the POWER RANGERS production, Jon Entwistle collaboration. And then over time, more and more of that production capital goes towards Hasbro brands, but we want to continue to focus on other good third-party IP. And eOne has done an excellent job of sourcing great material with great creative stewards. Deb, I don't know if you want to comment any further on that.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

I think as we talk about the -- moving the content,forward to more Hasbro brands, that's when we'll see the increase in profitability. As Brian said, we see the opportunity to bring ourselves to an operating profit over the medium term to over 16%. And as we gravitate more toward partner brands, that's when you're going to see that processing.

Operator

And your next question comes from the line of Steph Wissink from Jefferies.

Stephanie Marie Schiller Wissink - *Jefferies LLC, Research Division - Equity Analyst and MD*

We have 2 follow-up questions. The first, Deb, is for you. Just on the operating margin 2021. Can you just give us some insight into the base that you're referencing when you're looking back at 2020? I think there are a few different figures out there based on the adjustments. So what is the base that you want us to use for operating margin for 2021?

And then, Brian, a bigger picture question for you. I think what we're hearing from you is based on this new segmentation, you would expect your business to deliver upper mid or even high single-digit annual growth on the top line at expanding levels of margin. As we think about the cash flow, I think you mentioned $1 billion annually. How do you think about reinvesting that cash? I think one of your directives represented that maybe some of the investment in content could come off of your balance sheet -- or from your balance sheet instead of using some of these third-party financing vehicles. So maybe talk about the $1 billion cash flow level and how you would think about allocating that under this new business structure.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. Sure. Deb, do you want to go first?

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Sure. Well, thanks, Steph. When we talk about operating profit and our growth, we talk about our adjusted operating profit, which was 15.1% in 2020.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

All right. And Steph, as you look at what we intend to spend in production capital over the next few years, we'd said we expect to be at the high end of that range that we had given of $675 million to $750 million. Clearly, this year is partly because we're catching up on some of the productions that we had planned for 2020. But as we look forward, we just see so much opportunity. And clearly, for every Hasbro IP we activate in entertainment and then take across the blueprint, Hasbro brands enjoy higher operating margins. It engenders that Consumer Products business that has higher operating profit margins as well. Our franchise brands enjoy higher operating margins, as does our games business, as does Wizards of the Coast.

And clearly, this year, we have a bit of a -- just a small step back on Wizards' operating margin just because we are paying for the development of the digital games that are being launched this year. We believe in the out-years, Wizards, again, operating margin can expand as it has and will continue on that track to double in size. So as we look at ways of investing in our business, clearly, we always are looking, first and foremost, how do we invest in Hasbro. And we're going to look to activate Hasbro IP. We're also going to look to continue to develop an array of games for our Wizards brands.

Right now, we do use some production financing. We think that's good risk mitigation. And we'll take decisions about that over time. But between the risk mitigation strategy that Steve Bertram outlined for you, where only 30% of our production capital is really at risk at any period in time given the way we either presell or license and the way that we use outside production funding, we think it's smart, it's a risk-mitigated model. And clearly, we will consider how we change that mix over time. Deb, I don't know if you want to comment further.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Yes. No. I think as we do look at that, that's where you see the expansion in the operating profit margin. And I would add, you also see the expansion in EBITDA. As we look at that and we drive the growth in our various brands, we see the improvement in the EBITDA percentages and margins as well. And depreciation does have an impact on that in the shorter term.

Stephanie Marie Schiller Wissink - *Jefferies LLC, Research Division - Equity Analyst and MD*

And Deb, just a follow-up on that. How should we think about cash flow conversion from that $1 billion level? Is your CapEx likely to stay pretty stable? Again, I recognize that there's some depreciation and tooling for PEPPA and PJ and the acquisition.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Right. I think this year, we've talked about $165 million to $175 million in CapEx. Normally, our CapEx level has been -- last year, it was about $120 million -- it's usually in the $130 million to $140 million range. So see, while we're investing more in digital game development, it'll be a bit higher, but we'll be seeing the revenues that come with that as well.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes. But I would expect it to be somewhat in this range at...

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Yes. I wouldn't expect it to go higher than that range, the $165 million to $175 million.

Operator

[Audio Gap]Eric Handler from MKM Partners.

Eric Owen Handler - *MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst*

I wondered if you could maybe provide a little bit more depth in terms of how you're thinking about revenue growth over the next several years. First, when you look at all of the new entertainment and gaming content that's coming out, that should lead to improved toy production. So why wouldn't you be able to outpace the toy industry growth for several years to come? And I'm just curious sort of what do you view as a good growth rate to use for the toy business.

Secondly, when eOne was an independent company, I believe in some of their annual filings, they talked about being able to grow revenue at a double-digit rate. Is that still -- is that a good number to think about in the coming years? And then what might you think about the gaming business growing over the next several years?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. Well, we've said that we expect this year that we could be in line with their head of the industry for Consumer Products. And certainly, our plans are -- continue to be somewhat ahead of the industry. And that has a lot to do with the innovation, the creativity, our content, our e-commerce capability, our e-comm and omnichannel capability, and Eric outlined that along with Kim and then Casey, as he accelerates his Consumer Products business. That should all lead to higher growth rates.

You're right. We do believe that eOne can compound double-digit growth. Clearly, our first priority is to get you on. And we believe they will achieve numbers that are very similar to 2019 revenues. So that would be a substantial step-up in revenues growth for 2021, get back on track. They're actively producing and delivering. And you heard from the team the robust plans that now increasingly include the Hasbro IP that enjoys the high operating margin and the additional streams of income that get created as a result of activating content in that space.

And then for Wizards, we're about -- as Deb said, by 2020, we're more than halfway through our goal of doubling the size of Wizards of the Coast. We expect the CAGR for the Wizards business to continue at a robust pace to enable us to achieve the doubling in size of that business. But clearly, you heard from Chris and you saw the gaming plans. Our enthusiasm for that business is very high, very strong, the returns that we're seeing as we take Magic Arena and we take it to mobile as we are seeing the early feedback on Dark Alliance from our own studios. You'll hear more about the feedback that we're getting as we launch that game.

And then future games, the fact that Chris has more than a dozen games in development, including new IP that really reflect this idea of a lifelong love of gaming and that ability to have a lifestyle game that you can literally enjoy for a lifetime. We think the fantasy gaming area is unique and differentiated. The way that Chris and the team approach that allow us to get higher revenues and, frankly, much higher margins. And that margin will return to where it's been more classically like the last year. Over the next few years, clearly, we have to pay for some of that early digital game development that we've been doing. So you're right, we expect Hasbro to grow at a faster pace than it has historically, and we believe we have the tools to accomplish that.

In return, we also expect the operating margin, as Deb outlined, to get north of the 16%, which was our -- in fact, 15.7% was our highest operating margin certainly in my tenure, and we'll get north of that in the next 2 to 3 years. Cash generation does go toward $1 billion or better over time, and we expect a higher rate of return across the business.

Eric Owen Handler - *MKM Partners LLC, Research Division - MD, Sector Head & Senior Analyst*

Great. And just one quick follow-up for Deb. A little bit of an accounting in the weeds question for you here. Video games in that business, GAAP accounting can be impossible to model because there are tons of revenue deferrals. Just wondering, with this business, is there a big difference between what would be the GAAP revenue and sort of how the rest of the industry in video games looks at revenue more of like a cash bookings-type basis? And is that -- does that create a lot of distortion in your revenue numbers?

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

I mean given where we sit with the games that we have in the past, Chris mentioned our license gaming, our licensed game portfolio is pretty quick turnover, straight revenue as it's reported to us. But we have a pretty quick turnaround now. So I think -- and that's in our time periods in our 10-K. So I would look to that, Eric. I don't know that it's long as some other companies may have from a differential standpoint.

Operator

Your next question comes from the line of Arpine Kocharyan from UBS.

Arpine Kocharyan - *UBS Investment Bank, Research Division - Director and Analyst*

You mentioned about 16% of operating profit margin medium term. And Hasbro has come close to that before on adjusted basis in the underlying toy licensing business but, of course, you are now integrating eOne, which carries operating margins a bit lower. But then when we think about vertical integration of the toy business, which can be certainly margin-accretive for you over time, and then Wizards business doubling, why -- I'm trying to understand why 16% is the right number. If you could give us some broad sort of puts and takes.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

No, we just said north of 16%. We didn't say 16%. We just -- we're trying to give you a frame of reference that says we fully expect our business to be more -- to be more successful from a profitability standpoint than it's ever been in our recent history as we go forward. So we expect in the next 2, 3 years to be able to surpass 16% operating profit margins, and then we'll update you as we go forward. But certainly believe that the earnings power of this company, as we activate more Hasbro IP across more of the Brand Blueprint, we should be able to achieve those levels. And that's just the next mile marker as we think about the next 2 to 3 years. But it's certainly not a ceiling. It's just the floor.

Arpine Kocharyan - *UBS Investment Bank, Research Division - Director and Analyst*

That is very helpful. And did I hear right that the Consumer Products segment will actually grow operating margin this year, not just profit dollars during the presentation? I think I heard margins, but I just wanted to clarify quickly.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

That's correct. Consumer Products will grow operating margin this year.

Arpine Kocharyan - *UBS Investment Bank, Research Division - Director and Analyst*

And then just quickly, my follow-up. During the presentation, there was a mention of targeting 4 to 5 points of higher market share with the $7 billion of Preschool super category from something like 2.5% share today. By my math, that's about $350 million of revenue. I thought the opportunity should be sort of larger given the $700 million of toy business within eOne, which is mostly in Preschool. I guess I'm just trying to understand what percentage of the roughly $700 million of toy business wholesale will be vertically integrated into Hasbro by year, say, 2023.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes. So we noted -- and I'll ask Deb to comment on the future plan. But we noted that this year, we should get a contribution of $75 million to $85 million in revenue. In the out-years, it should be several hundred million dollars in revenue just for PEPPA and PJ. And then Olivier outlined a few new properties that we're launching. I think Eric, as he opened up the presentation, talked about a minimum of $500 million opportunity in Preschool. And we think that's the first minimum opportunity we have in that segment and we can look at growing from there. Deb, I don't know if you want to comment further on the future plans or strategic plan.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Right. And as we look at it, Arpine, we see some of that consumer product revenue will move out of entertainment, where you may have seen in the past, and move up toward in the consumer products as we start gaining that wholesale revenue. But don't forget, we don't really start introducing that until the holiday season late this year. And in 2022, we'll be ramping as well. So as you look to the future, we see great opportunity in Preschool with the eOne brands that have been introduced today and the ones that are in the pipeline, too. So we see lots of opportunity in the future.

Operator

Your next question comes from the line of Mike Ng from Goldman Sachs.

Michael Ng - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Just first on Wizards of the Coast. There clearly is a lot of innovation across both tabletop and digital gaming. I was just wondering if you could just help outline some of those initiatives between those that may be more near-term benefiting, let's call it, 2021 and those initiatives that might be a little farther out. And then I have a quick follow-up.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. Sure. Let me comment just for a second, and then I'm going to ask Chris Cocks to comment as well. But look, I think that MAGIC has moved up the number of releases and the cadence of releases, and the strength of releases are quite good. But I'll remind you, just as we may not have another opportunity to cover this, that last year, in Q1, we were preparing for the pandemic. So as you think about the modeling for 2021, think about the bigger comp opportunities being in Q2 through the rest of the year. And in Q1, a little more -- just a little more challenging as a comp, but the brand continues to perform incredibly well.

So you have the table top and tabletop innovation. You have digital tabletop as well. And then a range of games that Chris had outlined for this year, including the DARK ALLANCE game, MAGIC ARENA going to mobile, Spellslingers as well as some third-party games. But let me turn it over to Chris and talk about -- a little bit of the future plans that he has -- that he had outlined.

Chris Cocks - *Wizards of the Coast LLC - President*

Yes, sure. Yes. So for 2021, I think we have a pretty balanced plan between tabletop as well as digital. Brian, I think, outlined several of the initiatives that we talked in the presentation. We continue to see robust growth in our tabletop business. We're looking forward to the resumption of organized play, which I think is constituted to over 1 million events that we run through stores that we effectively put on hold this time last year and we're hopeful that will come back in the second half of this year. So we see that as certainly a tailwind. The first of our crossover products with D&D and Adventures in the Forgotten Realms, we think, will be a nice kind of marquee product in the middle of the year that will benefit both our tabletop business as well as ARENA.

And then we have several digital launches between us and our partners. BALDUR'S GATE 3 released late last year. Larian just had a -- just announced a major update to that just this past week, and they will continue to do updates on that early release product throughout 2021. MAGIC ARENA went into early access on mobile for a small percentage of Android phones in late January. And by the end of Q1, we plan to release that for all mobile phones and tablets on Android and iOS. And we're seeing that being a significant boost to the products, both for MAGIC and D&D -- I'm sorry, MAGIC tabletop and digital.

And then a series of new products will release later in the year. DARK ALLIANCE from our Tuque studio, which will be the first self-published game by Wizards of the Coast in the D&D line. Later in the year, MAGIC Spellslingers, which we think will introduce the brand to a broader segment of players and more casual set of fans who can come into the MAGIC franchise. And then our partners at Cryptic later this year will be expanding their beta and hopefully go into a full commercial launch of their action role-playing RPG MAGIC: LEGENDS.

So 2021, I think, has a series of initiatives spread across quarters that will be buoyant to our overall growth plans. And then in the midterm, we started talking about some of the other initiatives that we have. I think we see a fairly balanced growth pattern between tabletop and digital as those start to release. We're not prepared to talk about timelines on those yet, but our portfolio for digital releases spans from 2022 to 2027. And our tabletop plans we'll continue to be investing behind and continue to find new entertainment partners that we think will expand the opportunity for MAGIC, like we announced with Warhammer 40,000 and Lord of the Rings. Warhammer 40,000 should release in 2022. And then we'll announce timings on other entertainment partnerships and cross-collaborations in future months and future quarters.

Michael Ng - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. Thanks for that very comprehensive answer, Chris and Brian. And just as a follow-up for Deb. It sounds like the high-level kind of financial guidance for 2021, potentially double-digit revenue growth and flattish or flat EBIT margins, is pretty consistent with what you guys said on the 4Q '20 call. I was just wondering if any of the components varied at all from what was said on the 4Q '20 call gross margins. I think this is the first time you commented on, for instance.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Well, Mike, no, nothing has varied from what we said on the Q4 call. And I'll just remind you, while we talked about the components of gross margin, we do look at it with program amortization as well as our cost of sales.

Michael Ng - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Okay. So the gross margin similar to 2019 levels of, I think, 60%, that's the headwind from program amortization?

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Yes.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

And that's consistent with what we said on our call.

Operator

Your next question comes from the line of David Beckel from Berenberg Capital Markets.

David James Beckel - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

I have 2 questions. First one, I guess, a bit higher level longer term. I was hoping you could help frame the return on investment opportunity of content that's self-produced as in with -- in conjunction with eOne rather than a third party. Do you think about it in terms of an ROI perspective as in you put $100 million into a production and expect to get a net operating profit of x on the back end throughout the implementation of the blueprint? And if so, would you mind like characterizing what type of return as investors we could expect to see going forward? And then I have a follow-up.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. Well, we clearly are looking at that return. I think Steve and -- or Bertram and the team did a really nice job of showing you how we get a return on the content spend that we are creating. And then in addition, of course, we are generating incremental or new revenues around either an existing Hasbro IP or a vault or a new IP that is Hasbro-owned and operated IP at high operating margin in consumer products, both traditional toy and game as well as licensed consumer products as well as in gaming. And so we have an internal measure for that on ROIC. And Deb, I don't know how much you might want to share there as we look at our modeling.

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Certainly. When we look at some of those larger productions that we talk about featuring Hasbro IP, we obviously expect a greater return. I think Steve did a great job outlining when we're looking at scripted TV or film, how we could defer some of the risk on that and what the types of returns are.

Now we get the benefit if it's Hasbro IP in the future, which is where we see the growth potential in our operating profit margin and EBITDA. We get the benefit of working entirely around the blueprint. We've seen that in the past, working with partners on films like TRANSFORMERS. But as we work forward with eOne and they're the producers and releasing any type of content in a different way, if it's Hasbro-related content, we have a greater return from that. And even if we look at some of the unscripted production, that's funded by the person who's ordering that production.

So when you think about returns, we look at them differently for each item. And when you think about our brands, our franchise and the brands that are key to the company remain the most important brands. We've talked about a few today that are currently in the entertainment pipeline, and that's where you're going to see the greater return.

David James Beckel - *Joh. Berenberg, Gossler & Co. KG, Research Division - Analyst*

All right. And just as a follow-up, I think I heard correctly you expect e-commerce to represent 50% of your Consumer Products business in the near future. So clearly, you're planning to either lean into that category or you expect it to just naturally grow. I'm wondering, you did mention, I believe, as well that you don't necessarily expect a different margin per se on that channel. But I'm wondering if you can talk a little bit about the return on advertising investment you've seen through that channel. Have you seen, especially this year with such great growth in that channel, a stronger return on investment such that an equal level of investment relative to traditional media forms might actually generate a higher rate of sales growth over the long term?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes. Well, you've asked a question that kind of -- all those elements are really wrapped together. So what we said is that we do expect that our e-commerce business, including omnichannel, should be about 50% of our business by 2025. Recognize that as you look at e-comm, we are agnostic about growth in e-comm and are focused on the growth of e-comm and omnichannel. The costs of executing e-comm or omnichannel program fall into different buckets. But overall, the cost of business is very similar to cost of business that we do in other channels. And that's why we can grow without worry about giving up any margin as a result.

One of the things you're pointing out is that advertising, which historically would sit in an advertising line, when you look at e-comm or sort of omnichannel execution, those advertising costs can sit up in the cost of sales because of the way we're using SEO and other algorithmic marketing, content-to-commerce marketing or other short-form content that we use to drive the algorithm to drive the returns on the search or to ensure that the consumer is getting to see the best overall presentation of our product linked to our brands and our brands' message.

So I'd say, yes, we can get a very strong return on our digital marketing initiatives. Overall digital marketing for the company is about 1/3 of our total spend. And we do get a higher rate of return, and that's been true for a while. And that's why, overall, you have seen the percent that we spend in traditional advertising has drifted downward over time from our historical roughly 10% of our advertising to sales downward, but yet the effectiveness has increased.

Operator

Your next question comes from the line of Shawn Collins from Citi.

Shawn Michael Collins - *Citigroup Inc., Research Division - VP*

My question is on e-commerce. It represented about 30% of your global retail sales, up from 20%. Big growth. I'm just wondering, what does this mean for Hasbro in terms of any change in overall margins or if that's really at the retail level? And then also, any need for you to change your warehousing and distribution strategy as a result? Any color might be helpful.

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes. We've continued to evolve our distribution strategy domestically. We've continued to open new warehouses and added new capabilities and technologies inside of the warehouses, including flex warehouse space, where we literally can move our inventory to the e-comm or an omnichannel retailer's inventory within moments. It enables us to get that just-in-time delivery of inventories. We have seen a change in the way we do our trucking, and Deb has talked about a few of the short-term cost pressures associated with that. Because, of course, if we're going out to e-comm, we may be using LTL trucking or less-than-truckload shipments, but we're also accommodating for that in the way we are executing our programs.

But yes, so overall, the puts and the takes say that we can execute e-comm at the same cost of business or operating margin as the rest of our business. It's incentivizing us to continue to drive that business. We're able to give the consumer a virtual, immersive, full experience of our brands because of our capabilities. You saw them really on display today from every member of the team. If you're able to create that kind of immersive experience in a digital format, you can just imagine what a consumer feels when they look at our NERF product lineup or our PLAY-DOH product lineup or TRANSFORMERS product lineup and how excited they can get even though they haven't physically handled the product. They have a pretty good idea of how satisfied they'll be when they purchase it.

Operator

Your next question comes from the line of Gerrick Johnson from BMO Capital Markets.

Gerrick Luke Johnson - *BMO Capital Markets Equity Research - Senior Toys and Leisure Analyst*

I promise to limit myself to one question, but it is multi-parts. I'm curious about, I think, (inaudible) mentioned in the Family Brands. The in-sourcing of PJ and PEPPA, can you give us still a little bit more about the cadence? What segments are coming in-house this year? What segments will come in, in later years? And then also the $75 million to $85 million impact, is that a net number taking out the royalty revenue you were getting before, call it, about $15 million maybe? And then adding -- the wholesale revenue you're getting in, maybe about $100 million, is that a net number or is that a gross number?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. So a couple of things. I'd like to ask if -- Eric Nyman, if you could talk a little bit about the PJ and PEPPA product lines, the number of SKUs that we're developing and how we're executing that and how we see that going forward. So over to you, Eric.

Eric C. Nyman - *Hasbro, Inc. - Chief Consumer Officer*

Sure. Thanks, Gerrick. Thanks, Brian. So for 2021, as Deb mentioned, the PJ and PEPPA efforts will really begin this fall and into holiday. We're working extremely efficiently as a team to bring about 50-plus SKUs for PJ MASKS and another 50-plus SKUs incrementally for PEPPA PIG across a range of categories. As we go into 2022 and some of the license agreements that eOne had, had in place, we'll continue to migrate more and more of that business over. And we have, as Brian and Deb already covered, some real optimism for what we can do with that business over the next 2 to 3 years.

Gerrick Luke Johnson - *BMO Capital Markets Equity Research - Senior Toys and Leisure Analyst*

Okay. And Deb, on numbers?

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Yes. Let me just add. And that was a number that was net of the licensing that will go away in that period. However, it's -- and I think you summarized it well. It's the margin impact that's net, right, so that will be net of the licensing impact. But on the revenue side, yes, we tried to make it net so you could just model it against the revenue that's in there now.

Gerrick Luke Johnson - *BMO Capital Markets Equity Research - Senior Toys and Leisure Analyst*

Yes. Okay. And maybe I can sneak another one in there. On Wizards of the Coast, that category, will the tabletop be included in Consumer Products or in Wizards of the Coast?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

No, tabletop is in Wizards of the Coast. So all Wizards is in Wizards of the Coast.

Operator

Your next question comes from the line of Linda Bolton-Weiser from D.A. Davidson.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

So in listening to your presentations, I mean, one thing that hit me is that there's just so much. There's so much content. And as you said, there's 1,500 brands and you're going to be developing content for many of those. I wonder if, from an allocation of capital perspective, it might not make sense to kind of retain that franchise brand concept, which seems to have gone away, both for the content development and then how it interrelates with the toy business. So can you just talk about, like, have you thrown aside that franchise brand concept? Or is that something that is going to kind of evolve? Or are you just going to make movies and TV for 1,500 brands?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. Well, no, you're absolutely right. And clearly, today, we tried to outline for you. If you were to go down the list of our most important and listed franchise brands, you would see the vast majority of those are getting eOne's attention and content creation at first. So you're seeing clearly between TRANSFORMERS and MY LITTLE PONY lots of work and effort there. You're seeing from MAGIC: THE GATHERING, we talked about some of the work there. And then you have some of our most formidable brands with the greatest opportunity that rest within an owned and operated power brand portfolio. We may not have identified them today as franchise brands. But clearly, as owned and operated brands, they have immense opportunity, and that includes an array of brands like POWER RANGERS and DUNGEONS & DRAGONS.

And so we intend to continue to have a franchise brand formula and a franchise brand structure. We have other power brands within the owned and operated Hasbro brands that we're activating, and we've gotten great creative stewardship on those brands and so we include those as well. And then over time, clearly, every company would expect to evolve, and the dynamic changes we're seeing in the marketplace and the opportunity to create more branded content. I'm going to ask Darren to comment in a moment about just the marketplace because he's out talking to this array of buyers for content and working with these creative stewards. And clearly, we're going to abide by the principles of our most important brands being executed, most fully and first, but we also have this range of incredible brands that are in the vault that are just waiting for creative stewardship and the eOne team's activation. So Darren, maybe you could comment for a moment about what the team is focused on.

We need some sound. Maybe you're on mute.

Darren Dennis Throop - *Entertainment One Ltd. - CEO, President & Director*

No. I should have sound. Can you hear me now?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

There you go. We can hear you now.

Darren Dennis Throop - *Entertainment One Ltd. - CEO, President & Director*

You can hear me now? Okay. Good. So fair to say since we've come together, our primary -- we sat down and we prioritized the brands that the team would spend the most time on. And those included things like POWER RANGERS, DUNGEONS & DRAGONS,MAGIC, MY LITTLE PONY, et cetera, G.I. JOE, et cetera. But they also included some bulk brands that we think have tremendous opportunity if we can lock entertainment and get that in front of the consumer and get engagement from the consumer that we can then power that entire franchise that we have here at Hasbro. So brands like ACTION MAN and MICRONAUTS. So there are so many. But it's fair to say that from an entertainment standpoint, we sat down both on the family brand side and on the film and TV side and prioritized the brands that we collectively thought have the biggest opportunity to give the best economics to all of our stakeholders. And I hope you heard that.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Yes. Can I ask another question? Again, in listening to the whole presentation, and most of us here are toy analysts and we're not media and entertainment analysts. So I don't think I've ever heard a whole presentation by Disney. But it strikes me that your presentation and your company is a lot like Disney. So I wonder if that's not true, can you distinguish in what way you are different than a Disney? And also, would Disney become a little more reluctant to license out some of its brands to you for consumer products as you -- as your profit mix changes over time to become even more kind of digital and media and entertainment?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Sure. Well, we have been in partnership with the Walt Disney Company for many years, I've been very privileged to be able to work with that team as had so many people in our company, and we really do treat their brands like our brands. And our expertise of owning brands and owning IP and knowing what it means to be a brand owner and how important it is that our innovation come to life in our products that reflect the real meaning of the story and the character that the Disney creatives are making and creating and delivering on so many engaging platforms really speaks to the strength of the relationship.

We are constantly bringing new innovations to Disney brands, first and foremost, to those brands. These aren't second-generation innovations. They're first generation. And you can see that in the results that we've been able to create around brands like The Mandalorian. We didn't create just a handful of the child product. We created dozens of products. We created Black Series products, new role-play products, a whole new vehicle lineup that kids are really embracing and a whole new role-play lineup. And so that's how we really look at our relationship, whether it's Marvel, whether it's Disney Princess and Frozen or whether it's Star Wars. We're looking at bringing the best creativity and the most innovation to those brands.

And we are different than Disney in that Disney now is -- obviously, we don't have theme parks. We are licensing out. We heard about PEPPA PIG. That's a licensed arrangement with the location-based entertainment team that we do have embedded here at the company, but those are third-party licenses. TRANSFORMERS is at a theme park at Universal, but again, managed by somebody else with our creative partnership and stewardship. Many of our brands began as playthings but are migrating across a spectrum of engagement.

Now with eOne, many of our brands can begin as story in character as the Family Brands team with Olivier or Steve Bertram can begin to tell stories around our brands and tap into the vast canon or mythology for a brand like DUNGEONS & DRAGONS or MAGIC: THE GATHERING.

But we, in every way, support the Disney relationship. And we believe that Hasbro, given the fact that we are an independent brand owner and a content creator, can present great content and story to any number of platforms. But remember what Olivier said earlier on. PJ MASKS is appearing on Disney+ and on Disney Junior. The new property that he outlined is appearing on Disney+ and on the Disney television linear and terrestrial television networks around the world in addition to other network supporters and broadcast providers. But in every way, we look at building our business both independently and with The Walt Disney Company.

Operator

Your next question comes from the line of Brian Callen from Bank of America.

Brian Callen - *BofA Securities - Credit Analyst*

Deb, with regard to the delay in deleveraging and the $1 billion paydown path, it seems that it gives you very little headroom to remain IG relative to the rating agency requirements. So can you just speak to that commitment and more specifically, how you might upsize the $1 billion if you needed to or what you can do to respond to pressure on the ratings front?

Deborah M. Thomas - *Hasbro, Inc. - Executive VP & CFO*

Sure, Brian]. The -- we said that we have about $1 billion that comes due by January of 2023. And that includes about -- includes $300 million of debt that we have due in May that was Hasbro long-term debt. As well as we have about $600 million due late in 2022, and then about another $100 million of term loan amortization.

As you might have seen at the end of 2020, we actually paid $100 million of our term loan down early. So as we look at our commitment, we remain fully committed to get back to about 2 to 2.5x. And we said in May -- last year may have impacted the time frame to bring us to 3 to 4 years. But we continue to assess our liquidity and our availability of cash and the ability to pay off the term loans that we have outstanding early as we did partially at the end of 2020. In addition to that, we continuously meet with the rating agencies and share with them what our plans are. We said we would achieve our targets through growth and EBITDA as well as paying down debt, but we continuously are looking at our ratios and how to get back to those in the most effective manner.

Operator

And your next question comes from the line of Tami Zakaria from JPMorgan.

Tami Zakaria - *JPMorgan Chase & Co, Research Division - Analyst*

So I have a very short-term focused question, which is, as you think about eOne revenues this year going back to 2019 levels, can you comment on the cadence of how that's going to be realized? Is it going to be more interspersed throughout the 4 quarters or maybe front half or back half-weighted?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes. I think that's a great question, and thank you for asking it. It will be more back half-weighted. And just give you an example, in 2019 and 2020, we were still receiving revenues for theatrical releases and in fact, had a very strong theatrical release during that time called 1917, a great movie that we were receiving great revenues for. Clearly, this past year, with theatrical being closed down, you don't get the same revenues in the first quarter. So what I would encourage you to look at is more of a back half-weighted revenues cadence for eOne. But recognize that overall, we expect those strong growth rates. We have the shows in development as well as the sales and the productions underway, but Q1 will be lighter than subsequent quarters.

Tami Zakaria - *JPMorgan Chase & Co, Research Division - Analyst*

Got it. That's super helpful. And if I may ask a more longer-term-oriented question. I think you mentioned, call it, about 1/3 of your sales were coming from e-commerce, omnichannel in 2020. So I'm guessing that's mostly third-party website-generated revenues. So can you give us a sense of what your own DTC, direct-to-customer, revenues are currently?

And we've been hearing from other consumer companies like Nike or Estee Lauder that they're trying to go increasingly direct-to-customer by having their own website-generated sales. So what's your plan around that? Is that in the cards? And how does the margin differ, in that case, if it's generated on your own website versus someone else's?

Brian D. Goldner - *Hasbro, Inc. - Chairman & CEO*

Yes. So you're right. The bulk of the revenues today that we are generating in e-comm and omnichannel with our third-party partners and global retailers. As Eric noted in his presentation, the Pulse has been very successful. And he said -- and we do expect that the revenues there should double each and every year going forward, but it's off a relatively small base.

We first had to find a lighthouse identity for the Pulse. We had to ensure that we could find a way to engage the fan and the fan economy in a manner that was unique and differentiated while we still gave great exclusivity and new products in this fan area -- fan community and fan area to our retailers as well. And so in doing so, and in creating that, we've been able to carve out a great content and commerce engine in the Pulse. You hear, of course, we're going to launch this in new countries this year and then subsequent new countries going into 2022.

So we see a great long-term opportunity. I think the frame of reference of a Nike or others for the sneakerheads is a good one. We want to continue to enthrall and delight our fans with great, unique content, great opportunities for product, but also offer unique and differentiated products for our retailers. There are just some really high-end opportunities. We talked about kick-starting HEROQUEST game. We talked about the Razor Crest, which is, of course, the Mandalorian ship that we were -- that we kicked off on a Pulse kick-starter campaign. We had our own products, the first one of which, if you remember, was Jabba the Hutt Sail Barge a year or 2 ago. So we'll continue to have those high-end products from both Hasbro IP as well as our partners' IP. And we see a unique opportunity with the Pulse that's different than the immense opportunity that we see with our other retail partners.

Operator

No more phone questions. Debbie, back to you.

Debbie Hancock - *Hasbro, Inc. - SVP of IR*

Appreciate it. Thank you. Sorry about that. So I just want to say thanks to everybody for all their work on the event, and thank you for everyone for joining us today as we've showcased how we're Supercharging our Brand Blueprint to drive value for our stakeholders. Thank you.
