



**Third Quarter 2026
Financial Results Conference Call Management Remarks
October 20, 2026**

Fred Wightman, Vice President, Investor Relations

Thank you and good morning, everyone.

Joining me today are Chris Cocks, Hasbro's Chief Executive Officer, and Gina Goetter, Hasbro's Chief Financial Officer and Chief Operating Officer. We will begin today's call with Chris and Gina providing commentary on the Company's performance before taking your questions.

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

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

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

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

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

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

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

I would now like to introduce Chris Cocks, Chris.

Chris Cocks, Hasbro CEO

Thanks, Fred, and good morning, everyone. Hasbro delivered another strong quarter with record profitability. Revenue grew +15% and adjusted operating profit improved +52%, with growth across all three of our segments. Wizards of the Coast momentum continued, driven by the *Magic* flywheel, and our Consumer Products business posted another quarter of gains. We're increasing our outlook for the year, which Gina will walk through in her remarks.

Despite all of the macro noise in the quarter, we stayed true to our superpower: inspiring a lifetime of play. We do that by building deep, lasting fandom around great IP. *Magic* is the clearest proof point.

Magic revenue topped \$600 million for the first time, growing 34% versus last year and beating the record we set last quarter. Strength was broad-based across tentpole releases, backlist, and Secret Lair.

The Hobbit, which launched in August, is the fourth-best-selling set in *Magic's* history, and it did that with a leaner product lineup. Shipments of *Reality Fracture*, which debuted in early October, exceeded our expectations. And backlist and Secret Lair are on track for record years.

Looking to Q4, *Star Trek*, our final set of the year, arrives in November, and early signs are encouraging. It's drawing *Star Trek* fans who are new to *Magic*, which is the core thesis behind Universes Beyond.

You can see that demand in engagement. *Hobbit* Prerelease participation across our 13,000 Wizards Play Network partners was the highest we've seen for a Universes Beyond release, and MagicCon Atlanta is sold out with badge sales up nearly 30% versus last year.

The clearest proof is the player base. Take the first nine months of 2026 and compare it with all of 2024, our last year without a tentpole Universes Beyond release. Organized Play participants are up more than 40%, with three months left in the year.

Fans come in through IP they already love, and expanded distribution makes it easier to find us. They stay because deep gameplay, married with best-in-class fan experiences, distinguishes *Magic* from other trading card games.

In 2027, we expect *Magic* to grow on top of a record 2026. Each of our six tentpole releases next year has a full product suite, we're scaling production capacity to meet demand, and our fanbase and retail distribution keep expanding. At New York Comic Con, we announced *Marvel: Darkhold Destiny*. Our prior *Marvel* sets brought existing storylines into *Magic*; this one tells an original *Marvel* story, centered on a brand-new character and a companion comic. All six sets next year are bangers, and we look forward to telling you more about them in the coming months.

Turning to digital games. At Gamescom, we kicked off hands-on previews for *Exodus* and confirmed an April 7, 2027 launch date. We're excited to get *Exodus* in front of players, with more demos and announcements in the coming months. *Warlock*, our *D&D* action-adventure game, follows in 2027 and was the #1 most wishlisted new game from Opening Night. We'll share more on both titles before year-end.

Starting this quarter, we're providing additional information on our licensing business, and it's a model we like. It's asset-light, which lets us focus on what we do best, while leaning into our partners' capital investments. Hasbro is a top-five global licensor with more than \$17 billion in annual retail sales, and we plan to build on that position across five priorities.

First, we're building an enterprise-wide franchise system that aligns story, product and retail around key moments. *Peppa Pig's Baby Evie* initiative is the proof point: retail sales grew nearly 30% while we spent a third less on marketing.

Second, we're scaling Licensed Consumer Products, anchored by *Peppa Pig*, *Transformers* and *My Little Pony* and extending into *Magic* and *Dungeons & Dragons*.

Third, we're accelerating Location-Based Entertainment, where we're the number one licensor in the space.

Fourth, we're diversifying digital licensing with a pipeline of mobile, PC and console titles. *Monopoly Go!* shows the asymmetric opportunity when you partner with industry leaders.

Fifth, we're using Entertainment and Music to create fandom that pays off across the portfolio.

What connects all five strategies is the same asset-light model, and these businesses generate nearly \$700M in annual revenue across consumer products, digital and entertainment.

Turning to consumer products. Revenue grew 4% to \$828 million, in line with our expectations, and our toy and game business delivered its fourth consecutive quarter of growth.

Marvel product was the standout, with revenue up more than 35%, supported by theatrical releases from our partners at *Marvel Studios*.

We're pleased with the momentum across our entertainment-led brands. *Transformers'* 40th anniversary has been a great moment for fans, as we brought the 1986 film back to theaters on Transformers Day, which coincided with strong retail events.

In *Marvel*, *Spider-Man* remains strong following *Brand-New Day*, and *Power-Charge Spider-Man* is featured in multiple holiday gift guides. *Doctor Doom* product is on shelf ahead of the *Avengers: Doomsday* debut in December, with several items on retailers' top toy lists.

We're entering the holidays with momentum, especially in our focus GEM² categories, those parts of the toy industry that are gamified, entertainment-driven, multi-purchase and multigenerational.

The third quarter showed what happens when we stay true to our superpower of inspiring a lifetime of play. *Magic* is deepening its player base and setting records. Licensing extends our brands through great partners who bring their own capital. And our toy and game business has grown four quarters in a row.

That is a balanced portfolio, and it's the foundation for the outlook Gina will walk through.

Before I turn things over, I want to thank our teams and partners around the world for delivering another great quarter. Gina?

Gina Goetter, Hasbro CFO and COO

Thanks, Chris, and good morning, everyone.

Q3 was our strongest quarter of the year, with revenue growth and margin expansion across all three segments. Revenue, profit and cash flow each came in ahead of our expectations, and the quarter gives us the confidence to raise our outlook again.

Net revenue in the third quarter was \$1.6 billion, up 15% year-over-year. Adjusted operating profit was \$541 million, plus 52%, with an adjusted operating margin of 33.9%, up 830 basis points on favorable business mix, cost productivity and the benefit of tariff refunds, which I'll detail in a moment. Adjusted earnings per diluted share were \$2.90, up 73%, reflecting operating leverage, higher interest income and a lower effective tax rate.

Through the first nine months, net revenue of \$3.7 billion grew 15%, adjusted operating profit of \$1.1 billion grew 35%, and adjusted operating margin expanded 440 basis points to 29.7%.

Total Hasbro adjusted EBITDA was \$605 million in the quarter, up 46%, and \$1.27 billion year-to-date, up 29%. Our cost transformation program remains on track, contributing \$105 million through the first nine months against our full-year commitment of \$150 million. Those savings are doing exactly what we designed them to do, absorbing higher royalties and input costs while funding the investment behind *Magic* and our 2027 digital game launches.

Turning to the segments, Wizards delivered another exceptional quarter. Segment revenue grew 31% to \$747 million, with *Magic* growing 34% to \$616 million behind the release of *The Hobbit*, *Reality Fracture* and solid backlist performance. Third quarter results include approximately \$40 million of *Magic* sales that we had expected in the fourth quarter, primarily related to *Reality Fracture*. Predicting the timing of a set is difficult when a release falls right at the start of a quarter, so this is business as usual.

Operating profit grew 46% to \$367 million, with a 49.2% operating margin, up 520 basis points, as volume and mix more than offset higher royalty expense and the step-up in marketing behind our upcoming video game launches. Digital and Licensed Gaming revenue was \$134 million, up 3%, with *Monopoly Go!* continuing to perform in line with our expectations.

The print operations decisions we discussed last quarter continue to pay off. Increasing initial print and distribution runs has given us the capacity to meet demand at launch, reduce costs, and plan our manufacturing network more efficiently. Across premier sets, Universes Beyond, Commander decks and Secret Lair, we are producing more product than at any point in the brand's history and sell-through is confirming the demand is there to support it. Through nine months, *Magic* revenue of \$1.6 billion is up 34%, and the ecosystem remains healthy across both new releases and backlist.

Consumer Products delivered the margin inflection we have been working toward. Revenue grew 4% to \$828 million, with growth across almost all our markets. Adjusted operating profit doubled to \$178 million, inclusive of approximately \$48 million of tariff refunds, with an adjusted operating margin of 21.5% compared to 11.2% last year. The underlying improvement is the durable part of the story, and it is broad-based: supply chain productivity, lower distribution costs, disciplined operating expense, and favorable business mix was more than able to offset higher input costs. Through the third quarter, CP revenue of \$1.7 billion has grown 3% and adjusted operating margins of 7.7% have grown 410 basis points, including the one-time tariff refund recognized in Q3.

We also enter the holiday season in good shape operationally. Owned inventory ended the quarter at \$359 million, down 10% versus last year, and both owned and retail inventory are clean and well positioned against the seasonal build and the upcoming entertainment slate.

The broader operating environment remains dynamic, and our teams continue to manage it well. The oil-related input costs we flagged earlier in the year are now flowing through the P&L, and the mitigation playbook we built is helping to offset that pressure.

On tariffs, the refunds recognized this quarter relate to prior-year duties, and we have updated our guidance to incorporate the lower China tariff rate of 12.5%. With greater stability in the trade environment, we are taking a more measured and flexible approach to our sourcing footprint,

balancing cost, speed and resilience across our network, and we remain focused on exiting the year with a dependable supply base and clean inventory on both sides of the shelf.

Entertainment segment revenue was \$20 million, up 9% and adjusted operating profit of \$18 million contributed at a 91.1% margin, driven by favorable mix and deal timing.

Beginning this quarter, we are reporting licensing revenue as a separate line on the P&L. This disclosure puts together the licensing revenue for digital gaming, including *Monopoly Go!*, as well as our licensed consumer products business. At roughly 11% of year-to-date revenue, it is a meaningful and capital-light contributor that spans the entire portfolio, and we believe the added transparency provides better visibility into our primary revenue streams.

Total Licensing revenue was \$144 million in the quarter and \$417 million year-to-date, which is down 4% primarily due to \$26 million of non-recurring items across several licensing agreements in the prior year, as well as tough *Kayou My Little Pony* trading cards compares.

From a balance sheet and cash flow perspective, through the first nine months we generated \$907 million in operating cash flow, up 85% versus last year on earnings growth and improved working capital. We ended the quarter with \$851 million of cash and \$576 million of short-term investments, which are match-dated against our November 2026 maturity. We contributed \$226 million toward debt reduction and returned \$445 million to shareholders through dividends and share repurchases.

Turning to our full-year outlook, we are raising guidance for the year. We now expect consolidated revenue to grow 7 to 9 percent year-over-year on a constant currency basis and adjusted EBITDA to be in the range of \$1.575 to \$1.625 billion.

At the segment level, Wizards is now expected to grow revenue between 16 to 18 percent, with operating margins of approximately 44 to 45%. From a phasing standpoint, the fourth quarter carries a step-up in royalties as well as approximately \$15 million of marketing spend behind the video game launches. Also note that the approximately \$40 million of *Reality Fracture* and backlist revenue pre-ships recognized in the third quarter shifts out of our fourth-quarter expectations.

For Consumer Products, we continue to expect revenue to grow 1 to 3% for the year, with an increase in adjusted operating margin to 8 to 10% including the benefit from the tariff refunds. The fourth quarter margin will step down sequentially from Q3, as the tariff refund benefit was completely recognized in Q3 and the Q4 carries a heavier promotional and shipping mix.

Entertainment segment revenue is now expected to grow 3 to 5% with operating margins of approximately 65%.

On capital allocation, our priorities are unchanged, but our capacity has grown. First, we continue to invest in the business behind our highest-return growth opportunities, led by Wizards, Digital

Gaming and Licensing. Second, we remain focused on paying down debt and maintaining a healthy balance sheet. Third, based on the continued strength of our cash flow, we are again increasing our share repurchase target for the year, from \$200 million to \$400 million. We have repurchased \$149 million through the first nine months and expect to be active through the balance of the year. And finally, we remain firmly committed to our dividend. As part of today's release, the Board has authorized the fourth-quarter dividend.

A few words on how we are thinking about next year. While we're not giving 2027 guidance today, directionally, the setup is a good one. Wizards enters the year with a deeper release pipeline and a supply chain that can support it, and we expect over time the segment to continue operating at a healthy margin profile in the high 30's and low 40% range. With two video games scheduled for next year, *Exodus* and *Warlock*, we expect the non-cash amortization to result in 2027 margins in the high-30's range. As a reminder, amortization will show up as a depreciation charge within our cost of goods, and it will not be added back to adjusted EBITDA. It will be broken out separately on our cash flow statement, making it easy to identify, and added back in operating cash flow.

In Consumer Products, the productivity and mix work we completed this year carries forward, and we expect to build off a structurally cleaner cost base. And as previously noted, 2026 is the peak investment year for digital gaming, which means the spending curve begins to work in our favor from here.

As we wrap up, Q3 was a quarter of execution. Wizards is scaling profitably and doing it at a size that was not possible two years ago. Consumer Products has delivered four quarters of revenue growth and has turned the corner on margin, with the underlying improvement holding up even before the tariff recovery. And our cost discipline is funding the investments that will drive 2027 and beyond. We are raising our outlook with confidence, and we remain focused on closing the year from a position of strength.

With that, I'll turn it back to the Operator for questions.