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| **Company: Costco Hasbro** | **Ticker: HAS Current Price: $ 92.45** | **Industry: Consumer**  |
| Target Price: 107 (15%)Stop Loss: $78(15%)52 Week High/ Low: $80.2 / $116.2 | TTM P/E: 19.8Forward P/E: 18.1EPS: $4.68 | Beta: 0.59Credit Rating: BBBRating Outlook: Stable | Market Cap: $11.5bAvg Vol (12 M): 1.3 milDividend Yield: 2.36% |

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| **Company Background:**  |
| Hasbro is a worldwide leader in children's and families’ leisure time, entertainment products, and services. Hasbro is not limited to just games; it covers all types of entertainment ranging from toys and games to television, movies, and digital gaming. Based on Franchise Brands and Partner Brands, Hasbro offers a set of options covering wide range of audiences, including Nerf, My Little Pony, Transformers, Play-Doh, Monopoly, Magic: The Gathering, Marvel and Disney Princesses.  |
| **Industry Outlook:**  |
| For major markets that Hasbro covers, traditional toys & games had a market size of $55.09 billion in 2016, with a projection of $63.10 billion in 2021, equivalent to a 2.75% YOY growth. The total toys & games industry was $126.76 billion in 2016, which is anticipated to expand to $162.48 billion in 2021, 5.09% YOY growth. The higher growth is ascribed to the fast-developing digital games, with a YOY growth of 6.75% from 2016 to 2021. We anticipate the traditional toys and games industry will continue to expand, but the digital trend will grow at a faster pace. As the absolute leader in the industry, Hasbro is in a strong position to take advantage of the expansion in the traditional toys and games. |
| **Investment Thesis:** |
| * Successful storytelling, primarily through movies, will continue to enhance sales.
* Hasbro will maintain partnerships with major Intellectual Property (IP) owners such as Disney and Marvel and strengthen its market position by acquiring additional popular IPs.
* Major markets will continue to grow for the next 7 years from 2.46% in 2018 to 0.94% in 2024.
* By expanding global markets, Hasbro will execute its storytelling strategy through a broader base and will increase its sales accordingly.
* Product diversification and brand awareness will help Hasbro maintain a sustainable business.
* High operating margin and EBITDA margin indicate effective corporate management and healthy operations.
* High dividend growth rate shows confidence in Hasbro’s financial status and its willingness to reward its shareholders. We expect dividends to continue to grow at an average of 10% YOY for the next 7 years.
* High EPS and ROE demonstrate Hasbro’s strong potential as a value investment.
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| **Investment Risks:**  |
| * Macro Economy Challenge
* A Stronger U.S. Dollar Can be Expected
* Potential Threat from the Fast-Developing Digital Trend
* Bankruptcy of Toys “R” Us
* Revenues Heavily Rely on Media
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| **Most recent quarter financial highlights (Jul - Sep 2017):**  |
| * Third quarter net revenues grew 7% to $1,791.5 million from $1,679.8 million in the third quarter of 2016, driven by increases in the U.S. and Canada, International and Entertainment and Licensing segments of 7%, 7%, and 4%, respectively. The growth in International segment net revenues included a favorable $27.9 million in foreign currency translation.
* Operating profit was essentially flat in the third quarter of 2017 compared to the third quarter of 2016 and net earnings attributable to Hasbro, Inc. increased 3% to $265.6 million or $2.09 per diluted share in the third quarter of 2017 compared to $257.8 million or $2.03 per diluted share in the third quarter of 2016.
* As of December 2016, the Company owned a 70% majority stake in Backflip Studios, LLC (“Backflip”), a mobile game developer, and in January 2017, the Company increased its ownership to 100% making it a wholly owned subsidiary.
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| **Financial Performance:** | **Discounted Cash Flow**  |
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| In Millions of USD | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 Est | 2018 Est |
| Revenue  | 4,089.00 | 4,082.20 | 4,277.20 | 4,447.50 | 5,019.80 | 5,371.2 | 5,681.8 |
| Operating Profit | 551.78 | 467.14 | 635.34 | 691.96 | 788.00 | 802.47 | 819.93 |
| Net Income  | 335.98 | 286.24 | 415.84 | 451.96 | 551.30 | 572.04 | 619.88 |
| Revenue Growth  | 4.59% | -0.17% | 4.78% | 3.98% | 12.87% | 7.00% | 5.78% |
| EBITDA% | 17.17% | 15.88% | 18.54% | 19.05% | 18.78% | 17.86% | 17.23% |
| Operating Profit % | 13.49% | 11.44% | 14.85% | 15.56% | 15.70% | 14.94% | 14.43% |
| Net Income Margin | 9.7% | 10.2% | 11.0% | 10.7% | 10.9% | 10.3% | 10.3% |
| D/E | 1.08 | 0.81 | 1.20 | 1.00 | 0.91 | 0.88 | 0.88 |
| EPS | 2.58 | 2.20 | 3.24 | 3.62 | 4.40 | 4.59 | 5.06 |
| PE Ratio  | 14.6 | 24.5 | 21.4 | 23 | 22.7 | 22.32 | 19.5 |
| Current Ratio | 2.61 | 1.82 | 2.53 | 2.69 | 1.99 | *2.21* | *2.22* |
| ROE | 22.98% | 17.95% | 26.42% | 28.88% | 31.27% | 26.94% | 27.84% |
| ROA | 7.95% | 6.56% | 9.31% | 9.77% | 11.24% | 10.02% | 10.44% |
| Dividend Per share  | 0.24 | 0.16 | 0.12 | 0.12 | 0.2 | 0.24 | 0.24 |
| FCF | 367.57 | 479.91 | 429.03 | 534.05 | 743.73 | 652.58 | 658.85 |

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|  | 2012-16 | 2017-21 |
| Avg Revenue growth  | 4% | 5.6% |
| Avg EBITDA Margin  | 17.9% | 16.8% |
| Avg Net Income Margin  | 10.5% | 10.2% |
| Avg Debt/Equity  | 100% | 85% |
| Avg FCF / Margin  | 11.5% | 11.2% |
| Cost of Debt | 4.3% |
| Tax Rate | 19% |
| Cost of Equity  | 6.26% |
| WACC | 7.44% |
| Perpetuity growth rate  | 2.63% |

**Analyst Opinion**

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| Buy:9 | Hold: 8 | Sell:0 |
| Target Price Range | 105 |  |
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| Source: Bloomberg |

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| **Relative Valuation** | **Total Return** |
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|  | Mattel | [BANDAI](http://quotes.morningstar.com/stock/s?t=0P0000JJUV&culture=en-US&productcode=DIRECT&ops=clear&cur=USD&nav=yes)  | Hasbro | Industry Avg.\* |
| P/E | - | 18.9 | 19.8 | 29.1 |
| P/B | 3.8 | 2.2 | 5.8 | 3.3 |
| Dividend Yield  | 5.7% | 1.4% | 2.4% | 1.2% |
| Revn Grth  | -2.7% | 6.4% | 4% | N/A |
| NI Grth  | -3% | 6% | 3.8% | 6.7% |
| Operating Margin  | 9% | 12% | 15% | 6.8% |
| Debt / Equity  | 1.3 | - | 0.9 | 0.6 |
| Market Cap | 5.5B | 7.3B | 11.5B | 4.8B |
| Revenue TTM($mm) | 5105 | 5766 | 5731 | - |
| Net Income TTM($mm) | -559 | 383 | 574 | 2245 |
| FCF TTM | -133 | -66.2 | 652 | - |

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|  | HAS | Consumer Discretionary | S&P 500 |
| YTD | 2.7% | 8% | 5.96 |
| 2016 | 14.4% | 27.2% | 24.7% |
| Last 3 Years  | 71.8% | 34% | 38% |
| Last 5 Years  | 136% | 113.7% | 89.8% |

**CSR Characteristics**

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|  | HAS | Industry  |
| Governance Disclosure Score | 71.43 | 47.32 |
| ESG Disclosure:  | 54.55 | 22.31 |
| Social Disclosure Score | 43.86 | 22.81 |
| Environmental Disclosure Score | 51.94 | 14.73 |

Data: Bloomberg |