



Analysis on Mattel (MAT) and Hasbro (HAS) and the Toy Industry

MAT Share Price: \$13.84

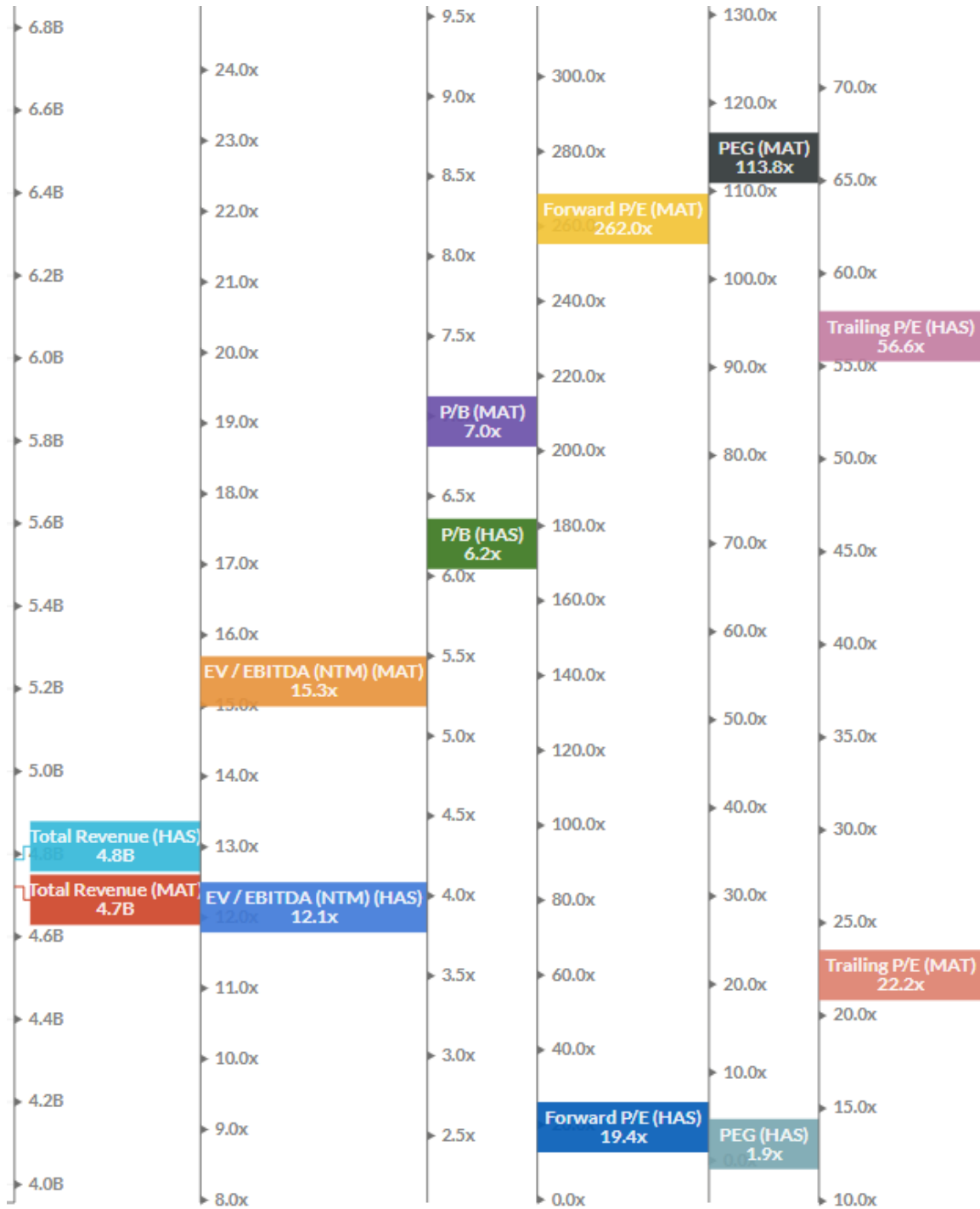
HAS Share Price: \$93.50

MAT YTD: -10%

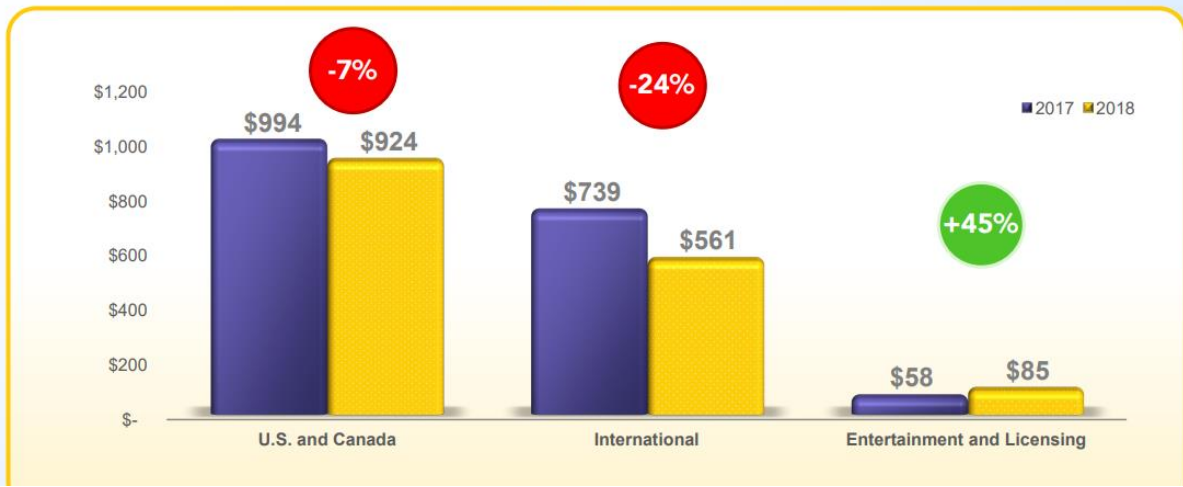
HAS YTD: +4.6%

- Looking at their multiples HAS is cheaper in almost every category aside from last twelve month earnings
- Its not in the chart but on a forward price to sales basis that is where MAT is considerably cheaper at 1.0x vs. HAS at 2.3x
- Not going to lie though given the industry and their numbers these numbers still look pretty expensive to me
- MAT reported operating profit at \$122M vs. last year's \$86.2M, an increase of 41% - their first time seeing growth in 8 quarters
- HAS reported operating profit of \$313M vs. last year's \$361M
- Mind you both bring in roughly identical revs so you can see the difference in margins between the two
- the catch is that HAS is larger but falling vs. MAT at a lower margin but growing
- Rev Y/Y fell at MAT by 8%
- Rev Y/Y at HAS fell 12%

- Both have international revs at 59% so their exposure is basically the same



Third Quarter Segment Net Revenues

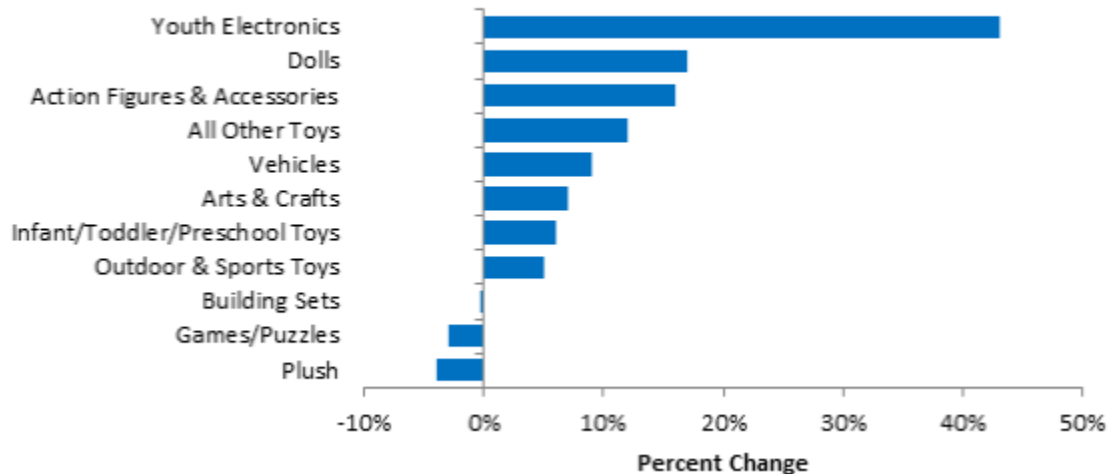


International Segment Revenues

	Q3 2018 AS REPORTED	Q3 2018 ABSENT FX	9 Mo. 2018 AS REPORTED	9 Mo. 2018 ABSENT FX
Europe	-29%	-27%	-26%	-27%
Latin America	-16%	-7%	-9%	-3%
Asia Pacific	-14%	-11%	-6%	-7%
INTERNATIONAL	-24%	-20%	-19%	-18%

Here's some stats I found on the toy industry. So yes Toys R Us closing up hurt these companies but growth is still there for the most part. Overall toy sales grew 7% (edited)

Supercategory Performance, January-June 2018 vs. 2017



Our honest opinion on these two companies and the industry is that I wouldn't make an investment in them. I feel there are much better places to invest and also really don't like investing in companies where top line growth is flat to negative and the only way they can reward shareholders is by looking to cut costs

It's also really sad and perhaps anecdotal but my younger cousins don't even play with toys that much anymore. It's a shame but they're friggen 3 years olds on iPads

If you feel you'd like to invest then by all means. I'm not saying you won't make money I'm just saying given the nature of the industry and the performance of these companies, it's not something we'd get involved in