



Passport

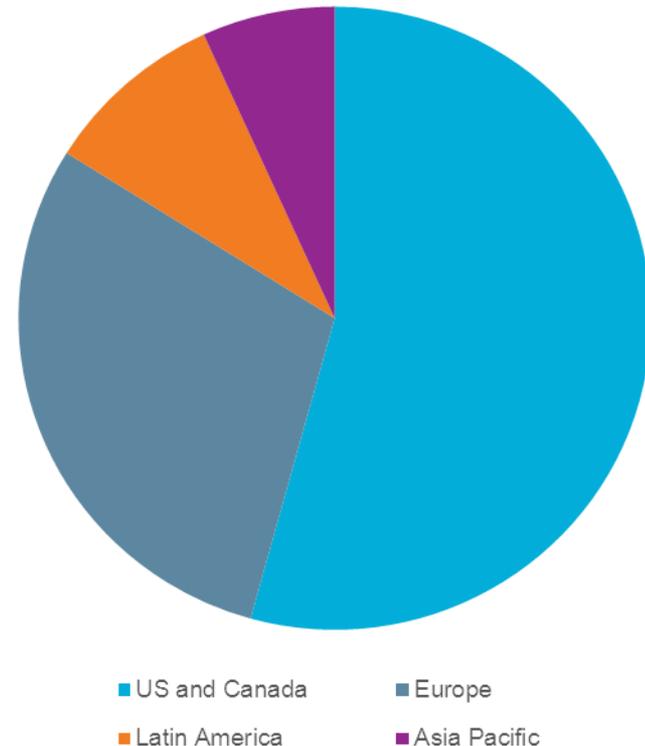
HASBRO INC IN TOYS AND GAMES (WORLD)

October 2013

Exposure to growth in international markets still narrow

- Although there has been a history of increased exposure to its International segment, Hasbro is still dependent on over half its revenue coming from the US and Canada segment.
- North America experienced static growth for traditional toys and games in 2012, impacting Hasbro's largest geographic regions growth.
- Although Hasbro did post growth for Latin America in 2012 of 8%, this still underperformed the regional market which saw Latin America grow by 17%
- Hasbro's European and Asia Pacific net revenues both saw decline in 2012, falling 8% and 3%, respectively. This is despite the wider Asia Pacific region growing 6% and Eastern Europe growing 12%. Hasbro is again underperforming against the market.
- Hasbro does not split Entertainment and licensing segment sales geographically, which includes revenue from The Hub television channel as well as royalties from licensing out its brands. It is important to note that this segment was Hasbro's highest in growth terms, posting a 12% rise in 2012.

Hasbro Inc: Value Sales by Business Segment 2012



Notes: Company reported data (msp)
Excludes sales of Entertainment and Licensing segment

SWOT: Hasbro Inc

STRENGTHS

Deep pockets

- Hasbro has and can continue to grow through mergers and acquisitions, as the acquisition of Backflip Studios indicates. As a global company with multiple assets Hasbro has strong financial credentials.

Brands

- Hasbro's brand value remains high with games such as Monopoly, Trivial Pursuit and Risk still championing one of the largest categories in the traditional play industry, games and puzzles.

OPPORTUNITIES

Digital gaming

- The acquisition of Backflip Studios shows renewed interest in developing Hasbro's presence in the category which is forecast to be the most dynamic in video games over 2012-2017 with a CAGR of 13.

Media segment

- As one of the most efficient ways to engage a wider audience, Entertainment and Licensing is a key growth strategy for Hasbro which can drive revenues for many of its key products.

WEAKNESSES

Strength in declining categories

- Hasbro's key categories, games and puzzles and action figures and accessories, either declined or remained static in 2012, representing a weakness in lack of category diversification.

International business not growing

- International business is where most forecast revenue is set to come from and Hasbro has not developed its international presence enough over the past years to capitalise on this.

THREATS

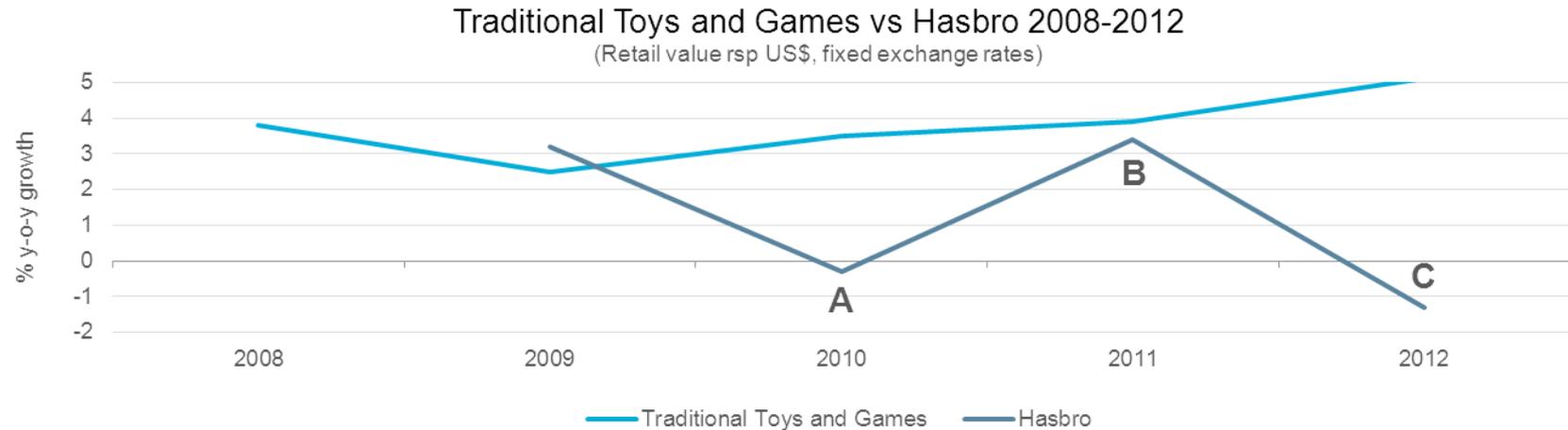
Competition

- The play industry remains highly competitive with companies such as LEGO, Mattel, VTech and LeapFrog all gaining market share in 2012.

Reliance on licensed property

- Much of Hasbro's revenue is dependent on key licensing agreements. If these lose popularity or are not renewed, Hasbro's business would be damaged.

Growth in entertainment and licensing not enough to save Hasbro



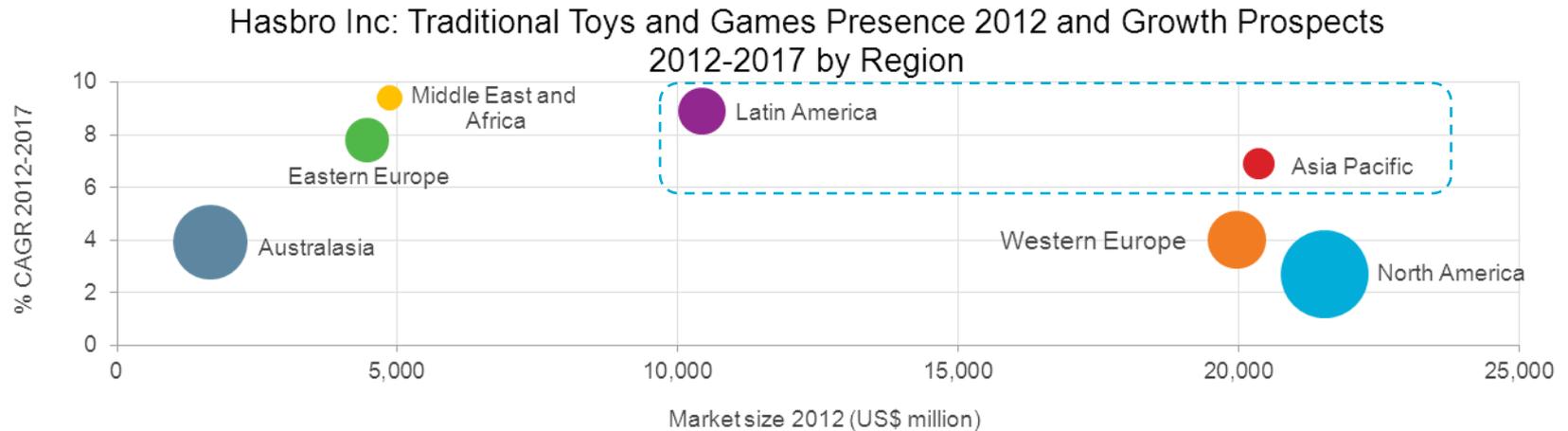
A: In an environment of declining consumer demand for board games, and lack of major movie tie-ins, Hasbro struggles to maintain growth. Games and puzzles declines by 11% in value terms in its key US market, and while strong sales of Nerf Blasters boost revenue, overall sales remain flat.

B: Strong international demand for Beyblade and Transformers action figures lifts Hasbro's global sales, registering 4% value sales growth, after allowing for exchange rate impact. Its US business, however, declined by 3% due to continued weakness of the games and puzzles category.

C: There is no Transformers movie release in 2012 which does not help Hasbro's growth although Entertainment and Licensing still grows as a business segment. A lack of international presence and market dominance in static or declining categories also play a major part in Hasbro's 2012 decline.

Everything to play for in emerging markets

- Hasbro has strong international presence in toys and games matched by only a few toy companies. Its strongest market in terms of share remained North America, where it held 16.3% of traditional toys and games sales. In Western Europe, its second largest market, Hasbro accounted for 7.2% of traditional toys and games sales. Both regions are forecast to be among the worst performers over 2012-2017 with North America forecast a 2.7% CAGR and Western Europe slightly better at 4% CAGR. European countries are still struggling to recover from fiscal problems, and the US toys and games market has historically been stagnant, and is showing few signs of recovery in the current economic climate.
- The strongest expansion opportunities for Hasbro are in emerging markets, in particular in Asia Pacific and Latin America. All of the mentioned markets are expected to register average CAGRs of 7-9% over 2012-2017. Both regions had a combined value of over US\$30 billion in 2012, while Hasbro's share of this total is still small, representing opportunities for expansion and growth.



Notes: Bubble size shows company share of region in 2012. Range displayed 1.4-16.3%. Forecast in current prices

Licensed action figures key driver for growth globally

- Hasbro had nearly 18% market share in 2012 in action figures and over US\$1.1 billion in sales in 2012. This category is set to grow by over US\$1 billion over 2012-2017 with a CAGR of just over 3%, and so a strong opportunity remains for Hasbro in this category. However, 2012 also saw a 14% decline in value sales in this category for Hasbro with the company losing 270 basis points of share in this year alone.
- This is mainly because Hasbro is heavily focused on North America and the US performed very badly in 2012 for Hasbro, declining by over 20%. The worst performing brand in the US was Transformers, declining by nearly 40% in 2012. There was no film release for Transformers in 2012, highlighting the fact that success for action figures that are based on films is highly dependent on new film releases.
- However, it is still the most widely diversified company across all regions when compared against the other top companies in this category. Asia Pacific is forecast to grow by the most over 2012-2017, up US\$387 million with a CAGR of 4.4%. This growth will be driven by licensed products and so with future film releases scheduled, such as Transformers: Age of Extinction in 2014, Hasbro should be able to benefit from this growth in Asia Pacific.

Action Figures and Accessories: Top Five Companies by Global Market Share Per Region 2012

