

Valuation and Competitive Comparison of Mattel and Hasbro

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Abstract. Mattel and Hasbro, as the two giants of American toy companies, have always been in competition with each other. This paper takes these two companies as research objects, and uses historical data to conduct financial analysis, valuation analysis and market analysis, thus drawing a comparison of the valuation and competitiveness of Mattel and Hasbro. The results show that overall Hasbro's valuation and competitiveness as well as the company's performance are better than Mattel's. Whether it is financial analysis or valuation analysis, it can be seen from the relevant data that Hasbro's performance is more stable and optimistic than Mattel. But Mattel and Hasbro are both facing difficulties, and their recent sales results have suffered steep year-on-year declines, the industry situation has also changed significantly. Therefore, competitive advantages and challenges should be fully considered when conducting company analysis. Finally, this paper summarizes the valuation and competitiveness of Mattel and Hasbro, and puts forward some suggestions for investors and industry practitioners.

Keywords: Mattel; Hasbro; valuation; competitive comparison.

1. Introduction

Mattel and Hasbro, as the two largest toy companies in the world, they are in a highly similar market segment. Both companies grew out of toy development and sales, but also dabbled in digital games and entertainment products. In addition, there is significant overlap in their target markets in terms of the range of ages and locations. So the competition between the two is fierce [1]. Based on this background, this paper analyzes the historical data of the industry and discusses the valuation and competitiveness of Mattel and Hasbro.

Founded in 1945 by Harold, Elliot and Matson, Mattel is a world-renowned toy manufacturer. Mattel's best-selling brands are Barbie, Hot Wheels and Power Wheels. The company expanded into the video game industry in 1977, initiating television set, and straight challenge. Later, due to unsatisfactory results, the core business was restructured and all non-toy-related subsidiaries were closed in 1984.

Hasbro was founded in 1923 by Herman, Hillel and Henry Hassenfeld. In 1985, Hasbro merged its four subsidiaries into Hasbro, Inc. In 1995, Mattel approached Hasbro about merging the two companies, and Hasbro's board unanimously rejected a \$5.2 billion merger proposal. Hasbro makes its money primarily by developing and producing games and toys that it then sells wholesale to large retailers. In addition, they began to expand into consumer and digital games, and began to produce television shows and other entertainment [2].

Enterprise value assessment is an important basis for investment decisions. For investors, shareholders or potential buyers, understanding the value of an enterprise can help them decide whether to invest or buy equity in the enterprise. The competitiveness analysis can understand the advantages and disadvantages of the competitors and highlight the comprehensive quality of the enterprise. The purpose of this paper is to compare the enterprise valuation and competitiveness analysis of Mattel and Hasbro, so as to provide targeted recommendations for investors' decision-making and the development of the company. As the two giant enterprises in the toy industry, taking Mattel and Hasbro as the research object is not only helpful to understand the operating conditions of these two enterprises, but also can provide reference for related enterprises.

2. Valuation Comparison

2.1. Financial Analysis

2.1.1 Financial analysis of Mattel

As shown in the Table 1, Mattel's sales net profit margin has displayed significant fluctuations. It was highest in 2021 at 16.55%, followed by a decline to 7.25% in 2022. The profit margin was relatively low in 2020 and even negative in 2019. This implies that Mattel's profitability has been inconsistent and even faced losses in certain years.

The return on equity (ROE) for Mattel has been quite erratic. It was negative in 2019 at -44.49%, indicating a significant loss. However, there was a substantial recovery in 2021, with the ROE reaching 57.56%. Regarding return on assets (ROA), Mattel has also experienced fluctuations. The ROA was negative in 2019, indicating inefficiency in utilizing assets to generate profits. However, there was a remarkable recovery in 2021, with the ROA reaching 14.12%. It further decreased in 2022. This shows that Mattel's asset utilization has improved, but fluctuates wildly.

Table 1. Financial data of Mattel and Hasbro

	Mattel				Hasbro			
	2022	2021	2020	2019	2022	2021	2020	2019
Net Profit Margin	7.25%	16.55%	2.69%	-4.86%	3.47%	6.68%	4.07%	11.03%
ROE	19.16%	57.56%	20.25%	-44.49%	7.18%	14.06%	7.62%	17.38%
ROA	6.38%	14.12%	2.23%	-4.11%	2.19%	4.27%	2.06%	5.88%

2.1.2 Financial analysis of Hasbro

Hasbro's sales net profit margin has shown a decreasing trend from 2021 to 2022. However, the profit margin was relatively stable in 2020 and significantly higher at 11.03% in 2019. This indicates some fluctuation in the company's profitability in the past, but have remained stable in recent years.

The return on equity (ROE) for Hasbro has also shown a decreasing trend. It was highest in 2019 at 17.38%, followed by a decline to 14.06% in 2021. It further decreased in 2022. In terms of return on assets (ROA), Hasbro demonstrated a similar pattern. The ROA was highest in 2019 and showed a decline in 2021 and 2022. This indicates that the company's efficiency in utilizing its assets to generate profits has been somewhat volatile.

In summary, based on the sales net profit margin, ROE, and ROA, Hasbro has demonstrated relatively stable profitability in the past, albeit with some fluctuations. On the other hand, Mattel has experienced significant ups and downs, including periods of losses and notable recoveries.

2.2. Evaluation Index Analysis

The P/E ratio is often used to measure how many years it would take to invest in a company's stock to recoup its costs through dividends [3]. Under normal circumstances, the lower the P/E ratio of the stock, it means that the income of 1 yuan needs to pay a lower cost, so the time required to recover the cost of its investment is shorter, the smaller the investment risk, so the greater the value of the investment.

Table 2. Evaluation index of Mattel and Hasbro

	Mattel	Hasbro
TTM EPS	0.68	3.23
NTM EPS	1.29	4.66
TTM P/E	25.12	19.98
NTM P/E	16.74	13.85
EPS growth	50.0%	44.3%
PEG	0.50	0.45
GP/Assets	40.2%	42.4%

It can be seen in Table 2 that Mattel has a higher P/E ratio, which implies that its stock is relatively expensive and needs longer time to recover the cost of its investment. However, the positive EPS growth rate and moderate PEG ratio indicate that the company's stock has a good growth performance in the past period of time, and the future growth prospects are more optimistic.

Hasbro has a lower P/E ratio compared to Mattel, suggesting a potentially more reasonably priced stock and shorter time to recover the cost of its investment. Its positive EPS growth rate and lower PEG ratio further enhance its investment value. And the lower NTM P/E value than TTM P/E value means that the expected earnings growth in the future is higher than the current earnings growth. This may indicate that the market is more optimistic about the Hasbro's future performance.

3. Competitive Analysis

3.1. Brand Portfolio Analysis

3.1.1 Brand portfolio analysis of Hasbro

Since the first quarter of 2023, Hasbro has divided its business into four segments: Franchise Brands, Partner Brands, Portfolio Brands, and Non-Hasbro Branded Film & TV [4].

From the perspective of the 2023 Q2 performance of Hasbro's four major brand portfolios, Franchise Brand is Hasbro's brand portfolio that contributes the most revenue, which includes Dungeons & Dragons, Magic, Peppa Pig, Transformers and other well-known brands. In terms of strategic investment, Hasbro is focusing on digital content areas and brand portfolios, increasing investment in its own online e-commerce business and iconic game brands. Hasbro is also investing in an internal brand insights platform to drive brand-related innovation through data collection and analytics.

The net income of Hasbro in Q2 2023 was 788 million US dollars, down 5% year-on-year. The reason is the impact of macroeconomic trends and inventory reduction. Net revenue in the first half of 2023 reached \$1.402 billion, down 5% year on year.

3.1.2 Brand portfolio analysis of Mattel

Mattel's products are divided into four categories: Doll products; infant and preschool products; automotive toy products; and action figures, construction sets, games, and other products.

As the sales pillar of Mattel's various toy categories, the sales of doll products in Q2 were \$441 million, an increase of 10% over the same period last year. First-half sales were \$7.47 billion, down 6% from a year earlier. Automotive toy products is the only category of four toy products to achieve sales growth in the first half of 2023, mainly driven by the growth in sales revenue of the auto toy brand Hot Wheels. And Q2 sales fell in both other categories [5].

While the Q2 results were an improvement over the Q1, Mattel's Q2 results were negatively impacted by the external environment, and the performance of each product portfolio was unsatisfactory.

3.1.3 Conclusion of brand portfolio analysis

While both Hasbro and Mattel's Q2 results improved over Q1, they were negatively impacted by retailers continuing to work through excess inventory of toys stockpiled during the COVID-19 pandemic, as well as overall industry weakness [6]. For now, however, the industry believes the period of retail inventory adjustment is largely behind it and looks forward to further satisfying consumer demand as we head into the second half of the year and the all-important holiday season.

3.2. Marketing and Advertising Strategies

3.2.1 Marketing and advertising strategies of Hasbro

Digital is the key to success in Hasbro's marketing strategy [7]. Hasbro's digital conversions include:

Advertising technology. Orientation is important. With the help of the retargeting technology company, Hasbro increased its AD returns by 1,100%. By knowing when consumers are shopping at multiple retail stores and what toy or game category they are looking for, they can put that item at the top, which increases the effectiveness of advertising.

Use multiple channels. Working with retail partners on online advertising and offline promotion is also an important way to drive sales. Hasbro, for example, has partnered with Walmart across the country to not only have hands-on stores for offline products, but also online events. Hasbro also partnered with Amazon on a program called Game Night Delivered, which ensures that the game is delivered to customers' doors within two hours of placing an order. After adopting a multi-channel strategy, Hasbro's stock price has improved a lot.

Social media. Hasbro's core brands are all focused on Facebook, and these brands have used a series of interactive activities to attract a large number of fans, as well as millions of subscribers on YouTube. The speed of innovation is not limited to social media, the speed with which Hasbro collects and processes data and builds projects, media purchases and creative testing has changed the entire marketing landscape.

3.2.2 Marketing and advertising strategies of Mattel

Mattel's marketing strategy in recent years has been to expand its business from toys to games, video entertainment and other segments, as the Hasbro has done before. Mattel, for example, partnered with French fashion house Balmain to launch a line of ready-to-wear and accessories, and launched three non-homogeneous Barbie dolls tokens at auction.

In addition to the apparel retail industry, the new strategy also targets the digital entertainment sector, including video games, mobile games and NFT. Digital gaming is an area Mattel is just beginning to explore, with several titles already available.

In terms of film and television, Mattel has taken the Barbie brand as a breakthrough [8]. With the movie "Barbie" setting box office records, the inevitable Barbie product boom followed. As part of Mattel's extensive marketing strategy to capitalize on Barbie's unique brand, the company entered into more than 100 partnerships to promote the iconic doll's image and maximize movie release opportunities for the company and its partners.

4. Competitive Advantages and Challenges

4.1. Identification of Unique Strengths

Hasbro is a toy company that can make its own super IP. The toy industry has a blockbuster effect, with high-quality IP companies have inherent advantages, the release of the movie will greatly promote the sales of related products, the release year revenue can even reach twice before the release. From the perspective of the number and box office of Hasbro's IP image films, Hasbro has done better than Mattel in the film and television commercialization of toys and other derivatives. At the same time, Hasbro has many core private brands and strong brands, which also makes the company highly competitive.

Mattel has a competitive advantage in the product portfolio. In addition to the four product categories mentioned above, Mattel makes subdivision management of the brand, such as boy brand, girl brand, preschool brand, etc., and decides the development market of derivatives according to the category and product portfolio. Than organic integration with IP, creating Mattel derivatives industry chain. Besides, the strong IP mining ability is the core of Mattel's development. In cooperation with Disney and Warner Bros., Mattel makes its toy brand and image keep pace with The Times through their classic IP image and continuous influence in movies, which keeps the company's products in high heat.

4.2. Identification of Common Challenges

Toy company rankings had been stable until 2015, with Mattel and Hasbro holding on to first and second place globally. However, since the first half of 2015, both in terms of revenue and profit, Lego has won the title of the world's No. 1 toymaker, Hasbro is still ranked second, and Mattel has slipped to third place. The sudden rise of Lego and the collapse of Toys-R-Us have changed the order of the world's toy industry [9]. In addition, it can be seen from the above brand portfolio analysis that the sales performance of Mattel and Hasbro in the first half of 2023 is not ideal, and they are pessimistic about the industry prospects. This indicates that the two companies' performance is under pressure and sales are sluggish.

To address this dilemma, former rivals Mattel and Hasbro recently signed a multi-year licensing deal for the first time to share their core IP resources to launch co-branded toys and games. It can inject new vitality into the brand, benefiting each other and creating greater potential. Mattel and Hasbro recently signed a multi-year licensing deal for the first time to share their core IP resources to launch co-branded toys and games [10]. Although it may improve the company's business situation, the downward pressure and competition with Lego will continue to be a serious challenge for both Mattel and Hasbro.

5. Conclusion

Through the above valuation comparison and competitiveness comparison, it can be concluded that Hasbro's performance and investment prospects are better than Mattel's. Financial analysis shows that Hasbro's financial situation is relatively stable in recent years, whether from the perspective of net profit margin, ROE or ROA. By contrast, Mattel's financial numbers have fluctuated wildly, even turning negative in some years. As a result, Hasbro's finances are in relatively better shape and its investments are less risky. In addition, it can be seen from evaluation index analysis that Hasbro has lower P/E ratio, lower PEG ratio and positive EPS growth rate. And the lower NTM P/E value than TTM P/E value indicates that the market is more optimistic about the Hasbro's future performance.

Although the performance of Mattel and Hasbro has been under downward pressure in recent years, they have generally performed well. From the perspective of valuation and competitiveness comparison, Hasbro's investment prospects are relatively better and can be used as a reference for investment. Moreover, external risks can not be ignored, and the company should also improve the internal risk control mechanism and enhance the ability to counter risks. The COVID-19 epidemic and various market risks make it impossible for enterprises to completely avoid certain risk factors. Therefore, both investors and enterprise practitioners should pay full attention to the uncertainty of risk factors to achieve sustainable development of enterprises.

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