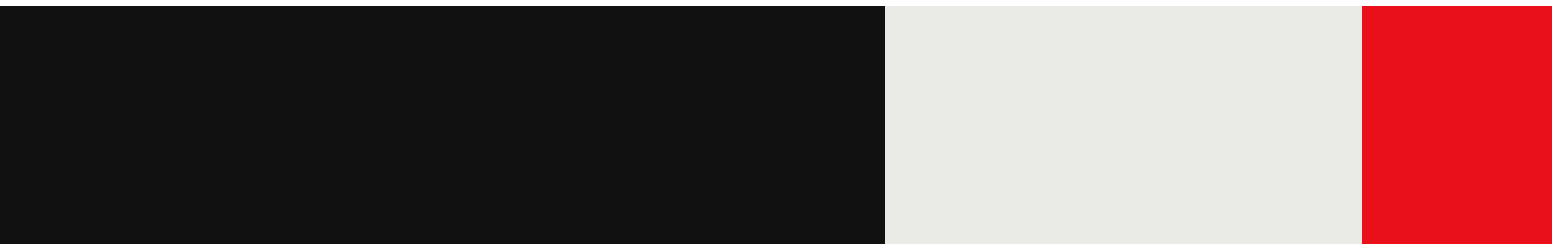


# Hasbro and Mattel earnings show some categories are more recession-proof than others

Article



**The news:** Hasbro and Mattel each reported revenue growth in Q2 as demand for toys remained unaffected by inflation and a possible recession.

**Hasbro stays optimistic:** Despite higher input and freight costs, Hasbro says it's in a "strong position" to hit its targets for the year.

- While Q2 revenues grew just 1% year-over-year (YoY) due to a strong dollar, the company's adjusted operating profits improved by 200 basis points, helped by raising prices.
- However, **inventory levels for the first half of the year were 73.6% higher YoY** as Hasbro stocked up to circumvent potential supply chain delays.
- Hasbro expects full-year revenue growth in the low single digits.

**Mattel's profit slips:** Mattel's stable of iconic brands and lucrative merchandising deals helped it grow sales by 20% YoY, to \$1.26 billion.

- But those partnerships took a toll on profits, as the toy company's reported gross margin declined by 310 basis points in part because of increased royalty expenses.
- Like Hasbro, Mattel used pricing to offset higher supply chain and materials costs.
- The company expects sales to grow 8% to 10% this year.

**The importance of IP:** A key reason for both companies' continued strength is their intellectual property holdings.

- Mattel has repositioned itself as "an IP-driven high-performing toy company," per CEO Ynon Kreiz, using high-profile deals with **Disney, Nickelodeon, Trolls Entertainment**, and other media giants to grow market share.
- Hasbro's growth was driven mainly by higher sales for its franchise brands—which include familiar names like "Peppa Pig" and "My Little Pony"—as well as increased sales for its **Marvel** and Star Wars products.

**A bullish outlook:** Both Marvel and Hasbro downplayed the impact of a potential recession, noting that their category is largely resilient to downturns.

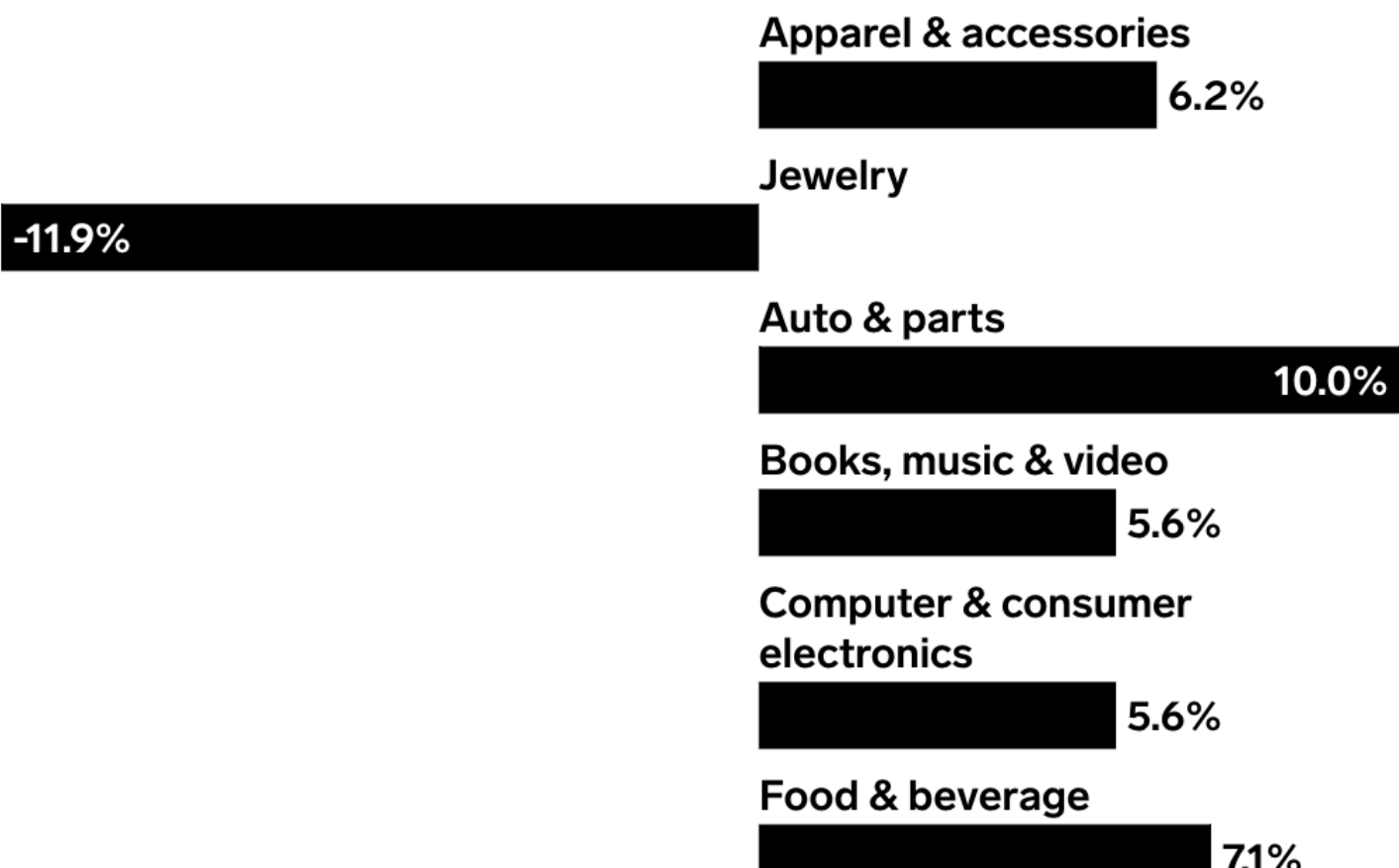
- Hasbro CEO **Chris Cocks** said that toys, games, and entertainment "tend to be small luxuries" that customers feel comfortable indulging in.

- Kreiz said on Mattel's earnings call that the company's internal research found "most shoppers plan on spending the same or more on toys in 2022" compared with last year when they still had access to stimulus money.
- We **expect** toy and hobby sales to grow 6.4% this year to \$199.05 billion.

**The big takeaway:** The resiliency of the toy category makes it an attractive area of investment for retailers, particularly those like **Target** and **Macy's** that are struggling to adapt to shifting consumer demands.

- Macy's is bringing **Toys R Us-branded shops** to all of its US stores to help it attract more dollars this holiday season.
- Sustained interest from US retailers could help Mattel and Hasbro mitigate the effects of a strong dollar.

**Retail Sales Growth, by Product Category**  
*US, 2022, % change*



**Furniture & home furnishings**

**5.3%**

**Health & personal care**

**8.6%**

**Cosmetic & beauty**

**9.4%**

**Fragrance**

**8.9%**

**Pet products**

**3.6%**

**Office equipment & supplies**

**5.9%**

**Toys & hobby**

**6.4%**

**Other categories**

**2.4%**

*Source: eMarketer, June 2022*

**eMarketer | InsiderIntelligence.com**