

HASBRO INC
Form 10-Q
August 03, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 1, 2012

Commission file number 1-6682

HASBRO, INC.

(Exact Name of Registrant, As Specified in its Charter)

Rhode Island
(State of Incorporation)

05-0155090
(I.R.S. Employer Identification No.)

1027 Newport Avenue, Pawtucket, Rhode Island 02862
(Address of Principal Executive Offices, Including Zip Code)

(401) 431-8697
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes or No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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Yes or No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes or No

The number of shares of Common Stock, par value \$.50 per share, outstanding as of July 23, 2012 was 130,229,255.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Thousands of Dollars Except Share Data)
(Unaudited)

	July 1, 2012 -----	June 26, 2011 -----	Dec. 25, 2011 -----
Assets			
Current assets			
Cash and cash equivalents	\$ 779,931	584,778	641,688
Accounts receivable, less allowance for doubtful accounts of \$24,300, \$34,700 and \$23,700	651,410	837,972	1,034,580
Inventories	416,905	426,930	333,993
Prepaid expenses and other current assets	297,580	196,425	243,431
	-----	-----	-----
Total current assets	2,145,826	2,046,105	2,253,692
Property, plant and equipment, less accumulated depreciation of \$472,000, \$449,800 and \$453,700	223,383	239,201	218,021
	-----	-----	-----
Other assets			
Goodwill	474,608	475,447	474,792
Other intangibles, less accumulated amortization of \$638,300, \$597,300 and \$622,500	445,073	489,411	467,293
Other	725,831	690,581	716,976
	-----	-----	-----
Total other assets	1,645,512	1,655,439	1,659,061
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Total assets	\$ 4,014,721	3,940,745	4,130,774

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HASBRO, INC. AND SUBSIDIARIES
Consolidated Balance Sheets (continued)
(Thousands of Dollars Except Share Data)
(Unaudited)

	July 1, 2012	June 26, 2011	Dec. 25, 2011
	-----	-----	-----
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term borrowings	\$ 220,605	12,430	180,430
Accounts payable	161,785	172,094	134,864
Accrued liabilities	456,303	522,001	627,050
	-----	-----	-----
Total current liabilities	838,693	706,525	942,344
Long-term debt	1,399,557	1,403,031	1,400,872
Other liabilities	376,981	362,570	370,043
	-----	-----	-----
Total liabilities	2,615,231	2,472,126	2,713,259
	-----	-----	-----
Shareholders' equity			
Preference stock of \$2.50 par value. Authorized 5,000,000 shares; none issued	-	-	-
Common stock of \$.50 par value. Authorized 600,000,000 shares; issued 209,694,630	104,847	104,847	104,847
Additional paid-in capital	641,012	632,902	630,044
Retained earnings	3,152,647	2,972,323	3,205,420
Accumulated other comprehensive earnings (loss)	(39,643)	4,169	(35,943)
Treasury stock, at cost; 79,440,495 shares at July 1, 2012, 74,738,456 at June 26, 2011 and 81,061,373 at December 25, 2011	(2,459,373)	(2,245,622)	(2,486,853)
	-----	-----	-----
Total shareholders' equity	1,399,490	1,468,619	1,417,515
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Total liabilities and shareholders' equity	\$ 4,014,721	3,940,745	4,130,774

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See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(Thousands of Dollars Except Per Share Data)
(Unaudited)

	Quarter Ended		Six Months Ended	
	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
Net revenues	\$ 811,467	908,454	1,460,317	1,580,440
Costs and expenses:				
Cost of sales	311,984	378,010	569,020	645,256
Royalties	70,893	82,197	123,327	125,423
Product development	50,113	54,965	95,039	100,783
Advertising	79,297	81,770	144,342	148,307
Amortization of intangibles	11,501	10,598	22,156	21,294
Program production cost amortization	10,018	7,121	13,156	10,238
Selling, distribution and administration	191,379	213,386	391,269	399,809
Total costs and expenses	725,185	828,047	1,358,309	1,451,110
Operating profit	86,282	80,407	102,008	129,330
Non-operating (income) expense				
Interest expense	22,413	22,848	45,525	44,223
Interest income	(1,689)	(1,464)	(4,164)	(2,876)
Other expense, net	5,899	6,069	5,854	12,191
Total non-operating expense, net	26,623	27,453	47,215	53,538
Earnings before income taxes	59,659	52,954	54,793	75,792
Income tax expense (benefit)	16,232	(5,097)	13,945	545
Net earnings	\$ 43,427	58,051	40,848	75,247

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Net earnings per common share					
Basic	\$	0.33	0.43	0.31	0.55
		=====	=====	=====	=====
Diluted	\$	0.33	0.42	0.31	0.54
		=====	=====	=====	=====
Cash dividends declared per common share					
	\$	0.36	0.30	0.72	0.60
		=====	=====	=====	=====

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Earnings
(Thousands of Dollars)
(Unaudited)

	Quarter Ended		Six Months Ended	
	July 1, 2012	June 26, 2011	July 1, 2012	June 26, 2011
Net earnings	\$ 43,427	58,051	40,848	75,247
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	(30,173)	4,353	(7,907)	33,022
Net gains (losses) on cash flow hedging activities, net of tax	16,252	(332)	6,963	(37,340)
Reclassifications to earnings, net of tax:				
Net (gains) losses on cash flow hedging activities	(1,492)	1,911	(2,756)	338
Total other comprehensive earnings (loss), net of tax	(15,413)	5,932	(3,700)	(3,980)
Total comprehensive earnings	\$ 28,014	63,983	37,148	71,267

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Thousands of Dollars)
(Unaudited)

	Six Months Ended	
	July 1, 2012	June 26, 2011
Cash flows from operating activities		
Net earnings	\$ 40,848	75,247
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of plant and equipment	43,739	48,649
Amortization of intangibles	22,156	21,294
Program production cost amortization	13,156	10,238
Deferred income taxes	912	(6,049)
Stock-based compensation	12,557	16,609
Change in operating assets and liabilities:		
Decrease in accounts receivable	391,369	141,143
Increase in inventories	(86,533)	(54,212)
Increase in prepaid expenses and other current assets	(59,683)	(30,138)
Program production costs	(25,085)	(38,154)
Decrease in accounts payable and accrued liabilities	(159,804)	(45,188)
Other	7,149	(10,584)
Net cash provided by operating activities	200,781	128,855
Cash flows from investing activities		
Additions to property, plant and equipment	(50,084)	(51,116)
Investments and acquisitions, net of cash acquired	-	(10,000)
Other	5,941	3,328
Net cash utilized by investing activities	(44,143)	(57,788)
Cash flows from financing activities		
Net proceeds (repayments) from short-term borrowings	39,756	(1,975)
Purchases of common stock	(9,926)	(172,177)
Stock option transactions	33,422	23,316

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Excess tax benefits from stock-based compensation	7,980	4,942
Dividends paid	(85,317)	(75,110)
	-----	-----
Net cash utilized by financing activities	(14,085)	(221,004)
	-----	-----
Effect of exchange rate changes on cash	(4,310)	6,919
	-----	-----
Increase (decrease) in cash and cash equivalents	138,243	(143,018)
Cash and cash equivalents at beginning of year	641,688	727,796
	-----	-----
Cash and cash equivalents at end of period	\$ 779,931	584,778
	=====	=====
Supplemental information		
Cash paid during the period for:		
Interest	\$ 47,213	45,201
Income taxes	\$ 40,066	13,727

See accompanying condensed notes to consolidated financial statements.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements
(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(1) Basis of Presentation

In the opinion of management, the accompanying unaudited interim financial statements contain all normal and recurring adjustments necessary to present fairly the financial position of Hasbro, Inc. and all majority-owned subsidiaries (Hasbro or the Company) as of July 1, 2012 and June 26, 2011, and the results of its operations and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes thereto. Actual results could differ from those estimates.

The quarters ended July 1, 2012 and June 26, 2011 are 13-week periods. The six-month periods ended July 1, 2012 and June 26, 2011 are 27-week and 26-week periods, respectively.

The results of operations for the quarter and six months ended July 1, 2012 are not necessarily indicative of results to be expected for the full year, nor were those of the comparable 2011 periods representative of those actually experienced for the full year 2011.

These condensed consolidated financial statements have been prepared without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in the consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. The Company filed audited consolidated financial statements for the year ended December 25, 2011 in its Annual Report on Form 10-K, which includes all such information and disclosures and, accordingly, should be read in conjunction with the financial information included herein.

The Company's accounting policies are the same as those described in Note 1 to the Company's consolidated financial statements in its Annual Report on Form 10-K for the fiscal year ended December 25, 2011.

Substantially all of the Company's inventories consist of finished goods.

HASBRO, INC. AND SUBSIDIARIES
Condensed Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars and Shares Except Per Share Data)
(Unaudited)

(2) Earnings Per Share

Net earnings per share data for the quarters and six months ended July 1, 2012 and June 26, 2011 were computed as follows:

Quarter -----	2012 -----		2011 -----
	Basic -----	Diluted -----	