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Equity Research – Mattel: From Toymaker to Global Intellectual Property Player

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Abstract

This report is part of a joint equity research project on Mattel, Inc., a leading global toy and family entertainment company undergoing a strategic transition toward an intellectual property (IP)-driven business model. The analysis evaluates Mattel's business positioning, industry dynamics, and financial performance and expanding IP monetization strategy across entertainment, digital gaming, and licensing.

Mattel's intrinsic equity value is estimated using Discounted Cash Flow methodology, supported by detailed revenue and cost forecasts at the category and geographic segment level. The valuation is complemented by sensitivity analysis, scenario analysis, trading and transaction multiples, and a Monte Carlo simulation to assess robustness under uncertainty.

The results indicate an intrinsic equity value of approximately $25 per share, implying upside relative to the current market price. Accordingly, the report supports a Buy recommendation, while acknowledging risks related to tariffs, content execution, and cost pressures.

Keywords:
Valuation, Toys & Games, Equity Research, Mattel

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This report is part of the "Equity Research – Mattel report: From Toymaker to Global Intellectual Property Player" (annexed), developed by Inês Ferreira and Raquel Marto and should be read has an integral part of it.

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Introduction

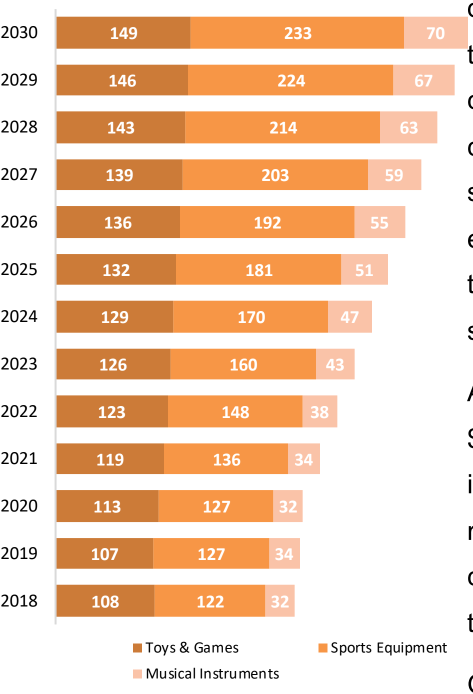
This report forms part of a joint equity research project on Mattel, Inc., a leading global toy and family entertainment company. The primary objective of the joint report is to conduct a comprehensive analysis of the company's operating environment, financial performance, and valuation in order to draw well-founded conclusions regarding its investment attractiveness. Based on the combined qualitative and quantitative analyses, the joint report supports a Buy recommendation, reflecting Mattel's improved profitability, strong free cash flow generation, and the ongoing expansion of intellectual property monetization beyond traditional toy sales.

Structurally, the joint report is organized into complementary sections that together provide a comprehensive and coherent assessment of Mattel. This part of the report focuses on an in-depth analysis of the global Toys & Games industry, examining its macroeconomic context, structural growth characteristics, competitive landscape, demand drivers, distribution channels, and substitution risk from digital entertainment. Building on this industry framework, the report then presents a detailed financial overview of Mattel, evaluating its profitability, liquidity position, capital efficiency, and cash flow generation. Finally, this section estimates Mattel's intrinsic equity value through the application of discounted cash flow–based valuation techniques, supported by additional valuation analyses designed to assess the internal consistency and robustness of the results.

The remaining sections, developed by the co-author, complement this analysis by providing a detailed company overview, including Mattel's historical development, business segments, and brand portfolio, as well as an explicit identification and discussion of the firm's main value drivers. In addition, these sections incorporate scenario analysis to evaluate the sensitivity of the valuation outcomes to changes in key assumptions. Together, these complementary analyses extend the conclusions derived in this report and contribute to a more comprehensive assessment of Mattel's overall investment case.

Industry Overview

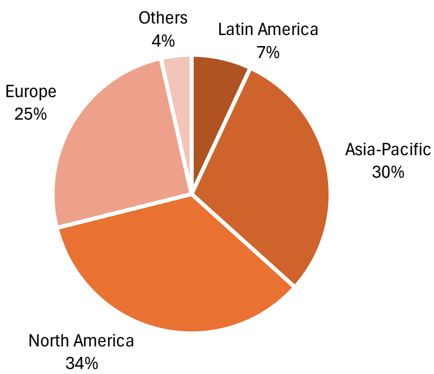
Figure 1 – Evolution of revenues of the Toys & Hobbies market from 2018 to 2030 (in billion U.S. dollars)
Source: Statista



The Toys & Games industry represents a mature but constantly evolving segment of the consumer discretionary market, including a broad range of physical and digital products that serve both entertainment and educational purposes. Besides their recreational use, toys play a role in cognitive and social development, which contributes to a relatively resilient demand compared to other discretionary categories. Over the past decade, however, the industry has experienced a structural change, led by the combined influence of media, technology, and evolving consumer expectations, requiring manufacturers to move beyond the traditional model focused on products, toward content integration, interactivity, and sustainability.

According to Statista, the global Toys & Games market reached approximately $129.12 billion in 2024, having grown at a CAGR of 3.0% since 2018. The market is expected to expand at a moderate but stable CAGR of 2.4% through 2030, reaching around $48.82 billion. In comparison with the overall entertainment category, Toys & Hobbies (market CAGR of 4.5%), the Toys & Games growth trajectory is more modest (figure 1).

Figure 2 – Global Toys & Games market by region in 2024
Source: Statista



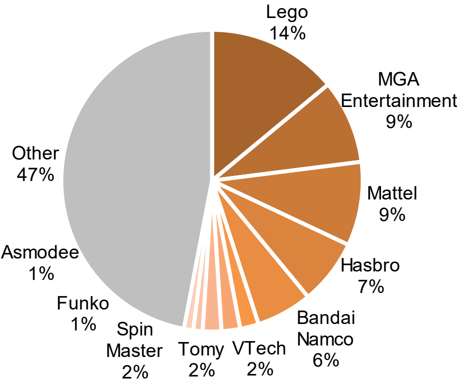
Geographically, Asia-Pacific represents one of the largest and fastest-growing regions, accounting for nearly 30% of global retail value, supported by demographic growth and rising disposable income in China and India. North America (34%) and Europe (25%) remain mature markets, characterized by high brand penetration, premiumization, and stable demand, while Latin America and the Others continue to grow from smaller bases as retail infrastructure improves (figure 2).

Competitive landscape

The industry's landscape remains highly fragmented in terms of number of participants but economically concentrated at the top, with low switching costs, and high product turnover. Global companies such as LEGO (14%), Mattel (9%), Hasbro (7%), MGA Entertainment (9%), Spin Master (2%), and Bandai Namco (6%) command leading positions (figure 3) through extensive portfolios of proprietary and licensed brands, global distribution reach, and ties to film, television, gaming, and digital content franchises. Beneath these market leaders, thousands of small and medium-sized firms operate regionally, often constrained by high compliance costs, limited access to marketing capital, and a lack of global scale.

Within this landscape, Mattel's competitive positioning is primarily driven by the global recognition and longevity of its intellectual property portfolio, including Barbie, Hot Wheels, Fisher-Price, and UNO, supported by licensing partnerships

Figure 3 – Key players in Toys & Games in 2024 by market share
Source: Statista



with major entertainment groups such as Disney, NBCUniversal, Microsoft, and WWE. These brands benefit from long product life cycles and appeal across generations, reducing dependence on continuous product renewal. The renewal of the Disney Princess license and the performance of licensed lines such as Jurassic World and Minecraft have reinforced Mattel's visibility and relevance in key toy categories.

The success of the Barbie film in 2023, estimated to have generated an incremental revenue impact of approximately $125 million (around 2.3% of annual net sales), demonstrated the potential to extend IP monetization beyond physical toys, leading to the creation of Mattel Studios in 2025. With more than 16 projects announced or in production, these initiatives position Mattel in the broader entertainment market, valued at approximately $2.93 trillion in 2024 and expected to grow at a CAGR of around 3.7% through 2029.

Distribution structure and buyer dynamics

Distribution in the Toys & Games industry remains dominated by large mass retailers and specialist chains, however e-commerce has become a structural channel, accounting for around 34% of global sales. This shift reflects the growth of online retail across consumer goods, where online retail sales are projected to increase from approximately $3.24 trillion in 2024 to $4.96 trillion by 2030. While digital channels expand reach and access to consumer data, they also increase price transparency and competition, limiting pricing power across the sector.

Within this framework, Mattel demonstrates a high degree of customer concentration. In 2024, Walmart, Amazon, and Target accounted for approximately 44% of total revenue and over 40% of net accounts receivable. This concentration increases exposure to retailer bargaining power and inventory policy changes, limiting the company's ability to pass through inflation in costs and contributing volatility in volatility. These risks are a characteristic of a distribution model reliant on large retailers, and have historically become apparent during periods of retailer disruption, such as the Toys "R" Us bankruptcy.

At the same time, the gradual expansion of sales through Mattel's own channels and digital activities improves the quality of its revenue mix. Owned e-commerce and digital platforms typically operate with lower working-capital requirements, as online transactions are settled at the point of sale. In contrast, wholesale channels rely on bulk orders and extended payment terms, tying up cash in inventories and receivables. In addition, direct-to-consumer (DTC) channels tend to deliver higher margins: wholesalers generally earn operating margins of around 15–30%, while retail and DTC models can capture margins of approximately 30–50% on the wholesale price. In this case, the expansion of Mattel Creations, focused on limited-edition collectibles and brand-driven engagement, and Mattel163, a gaming joint venture with NetEase, which generated over $200 million in revenue in 2024 (around 3.7% of annual net sales), represent a move toward more scalable, lower-capital monetization of intellectual property, while still being complementary to core toy sales.

At the level of the final consumer, buyer power is fragmented individually, i.e. no single buyer has meaningful bargaining power, collectively consumers have a strong influence on pricing. Low switching costs and online price comparison increase price sensitivity, particularly for seasonal products, whose inventory quickly loses value if unsold, and products that are widely stocked across retailers. However, brand loyalty and gifting partially offset these effects during peak periods, allowing demand to remain stable despite pressure on margins.

Demand drivers and substitution risk

Consumer demand in the Toys & Games industry varies a lot by age group, intended use, purchasing priorities (such as price vs. brand or educational vs. entertaining), which contributes to steady revenues but limits overall growth, as catering to one segment often comes at the expense of another. Most demand continues to come from households buying for children, where decisions are influenced by safety, educational value, price, and brand trust. In this group, infant and preschool purchases tend to focus on developmental products, while older children show more interest in character-based and collectible toys.

In mature markets, the “kidult” segment, i.e. adult consumers purchasing toys for nostalgia, collecting, or leisure, has become economically meaningful, accounting for an estimated over 25% of toy sales in Europe (valued at €4.5 billion in 2023) and driving a large share of sales in higher-margin categories such as construction sets, model vehicles, and collectibles.

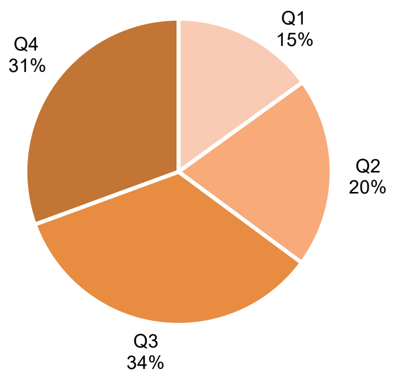
Incremental growth also comes from educational and STEM-focused, eco-friendly, and digitally enhanced toys, although these segments require higher R&D investment and design complexity, which can reduce margins when there is not enough pricing power. Furthermore, institutional buyers, such as schools and childcare providers, represent a smaller but stable demand segment with limited margin potential, as budgets are typically constrained.

At the same time, digital substitutes are the main source of competition. Video games, mobile applications, and digital entertainment platforms increasingly capture consumer attention and discretionary spending, especially with older children. Hybrid physical-digital products partially mitigate this risk, but are associated with high development costs and a complex execution. At the company level, Mattel is also investing in digital tools to improve efficiency in design and personalization, including a 2025 partnership with OpenAI to apply generative AI to product development and customer engagement.

Cost structure, cyclicality, and value chain

Although demand is relatively stable, earnings are volatile due to input costs and seasonality. Margins are sensitive to raw material prices, freight costs, and foreign exchange movements, which are difficult to offset through pricing in a competitive retail environment. Seasonality amplifies these effects even more, as a significant share of annual sales is concentrated in the holiday period, by which point pricing and inventory decisions are already made, limiting flexibility to adjust prices or manage excess inventory.

Figure 4 – Mattel revenue distribution by quarter in 2024
Source: Company Reports



For Mattel, around 65% of annual revenues are generated in the second half of the year (figure 4), making performance very dependent on consumer spending behaviour during the holiday season. This concentration limits the ability to adjust inventory and pricing if economic conditions become worse, increasing downside risk during slowdowns when discretionary spending falls.

The industry faces high compliance and operating costs related to product safety, environmental, and data protection requirements, which increase fixed costs and limit operating leverage. Trade policy changes and tariffs increase margin volatility by disrupting supply chains, especially considering that about 80% of toy sold in the U.S. in 2024 were made in China, while reliance on licensed intellectual property, which accounts for over one-third of U.S. toy sales, exposes earnings to renewal and concentration risk. In addition, counterfeiting and unauthorized imports push prices down, particularly in markets where enforcement is weak.

In the toy industry, most value is captured through brand ownership, product design, and marketing, rather than manufacturing. Mattel, like its largest peers, relies on outsourced manufacturing, primarily in Asia. While outsourcing reduces capital requirements and costs by around 16–30% compared with production in The U.S., it also exposes firms to supply-chain risks, including cost inflation, logistics disruptions, and geopolitical tensions. In response, rising labor costs and geopolitical risk have led manufacturers to diversify their production sites, with India and Indonesia becoming alternative manufacturing locations.

Peer Companies

Building on the prior discussion, several peer groups can be identified within the global toy and entertainment industry. Among these, Hasbro, Inc., Tomy Company Ltd., Spin Master Corp., Asmodee Group, and JAKKS Pacific, Inc. are considered the most comparable to Mattel in terms of business model, product portfolio, geographic exposure, and strategic orientation toward intellectual property monetization beyond traditional toy manufacturing. To ensure methodological consistency and robust comparability across financial and valuation metrics, the analysis is restricted to publicly listed firms with transparent and available financial disclosures.

Hasbro, Inc. is Mattel's most direct rival. Both are large U.S. based multinational toy and entertainment companies that operate across comparable categories. Like Mattel, Hasbro has transitioned from a traditional toy producer to an intellectual property focused company, monetizing iconic brands such as Transformers, My Little Pony, Dungeons & Dragons, and Monopoly through films, television series, and digital media.

Tomy Company Ltd., due to its extensive portfolio of traditional toys, dolls, vehicles, and preschool products, aligns closely with Mattel's Fisher-Price and Hot Wheels lines. The company operates in Japan, the United States, and Europe, making it useful as a comparison on geographical footprint and production structure. Although Tomy relies more on mass retail and external licensing partnerships than on proprietary brands, its long operating history and focus on toy quality make it a meaningful benchmark.

Spin Master Corp. has a strong presence in preschool, action figures, games, and entertainment content. The company owns and develops successful global franchises such as PAW Patrol, Hatchimals, and Bakugan, and produces its own television content, which is similar to Mattel's approach to linking brands with media and licensing.

Asmodee Group is one of the world's largest board game publishers, with globally recognized titles including Catan, Ticket to Ride, and Dobble. Like Mattel, Asmodee relies on the creation and acquisition of intellectual property to support long-term licensing and expansion. Its international distribution network and brand portfolio make it a useful benchmark for IP management and global reach, although its limited presence in dolls, vehicles, and preschool segments differentiates its product mix.

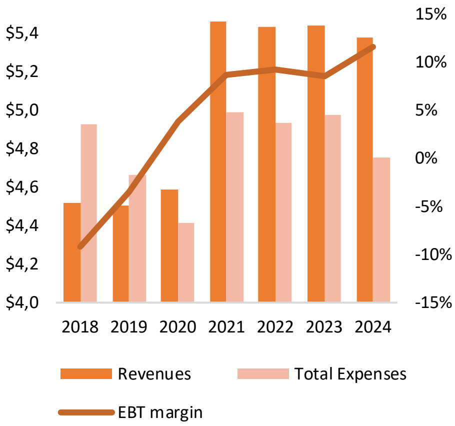
Jakks Pacific Inc. owns a diverse portfolio that includes dolls, action figures, role-play, and seasonal outdoor toys, many of which overlap with Mattel's product lines. The company competes directly in North America, Mattel's largest market, and operates primarily through licensing agreements with major entertainment companies such as Disney, Nintendo, and Sega. However, unlike Mattel, Jakks relies heavily on licensed properties rather than owned brands, resulting in a different risk profile and typically lower margins.

Other significant players operating in the broader toy and entertainment landscape include Dream International Limited, Bandai Namco Holdings, and Funko, Inc. However, Dream International Limited operates in the B2B segment as a contract manufacturer without proprietary brands or IP ownership, contrasting with Mattel's model. Additionally, Bandai Namco Holdings derives only 25–30% of revenues from toys, with most coming from digital gaming and amusement operations, which limits financial comparability. At last, Funko, Inc. concentrates on licensed collectibles and pop culture merchandise, which means it lacks exposure to core Mattel's toy categories such as dolls, vehicles, and preschool products.

Financial Overview

Profitability

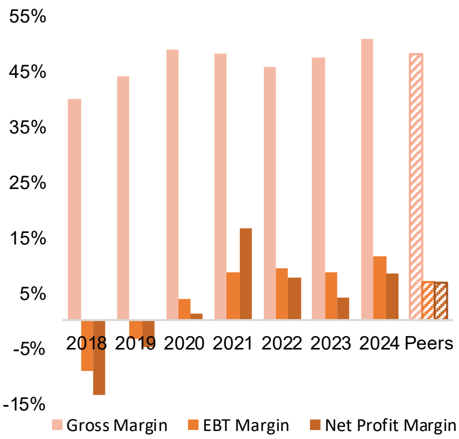
Figure 5 – Evolution of Mattel's revenues, total expenses, and EBT margin from 2018 to 2024 (in billion U.S. dollars)
Source: Company reports



Between 2018 and 2024, Mattel implemented a wide range of structural reforms, aiming at reducing costs and improving operational efficiency (figure 5). The company began its turnaround with the Structural Simplification and Capital Light programs, which streamlined operations, reduced management layers, and consolidated manufacturing facilities. These initiatives generated approximately $875 million in annualized savings by 2019, including a 29% reduction in the non-manufacturing workforce, lower SG&A expenses, and a more than 60% decline in capital expenditures. In parallel, Mattel optimized its supply chain by closing factories in Mexico, China, and Indonesia, outsourcing non-core production, and achieving notable fixed-cost reductions.

During the COVID-19 pandemic, the company achieved further efficiencies through centralized procurement, digitalized inventory management, and simplifying its logistics operations, mitigating disruptions in global supply chains. Following these efforts, in 2021 the *Optimizing for Growth* initiative targeted $250 million in incremental savings by 2023, later increased to $300 million as Mattel realized an additional $106 million in cost reductions during 2022, despite higher inflation and constraints in logistics. The company also implemented shared service centres to integrate administrative functions, reduce overhead costs, and improve cost transparency.

Figure 6 – Profitability margins of Mattel and peers (2018–2024)
Source: Companies reports

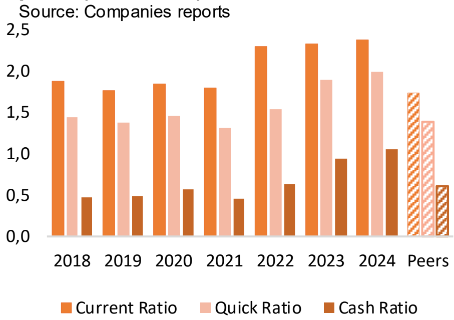


In 2024, Mattel continued to improve its cost position through the Optimizing for Profitable Growth program, which achieved $83 million in savings in its first year and set a goal of $200 million by 2026. This position is reflected in the sharp rise of the EBT/Revenues ratio from –9.2% in 2018 to 11.6% in 2024, especially when compared with peers, whose average margin is around 7% (figure 6). Mattel's profitability clearly stands out, demonstrating its superior ability to convert revenues into earnings. This progress was influenced by increased automation, supplier renegotiations, and the application of predictive planning tools, which led to the company's most efficient cost structure in over a decade.

At the same time, due to both internal and external factors, Mattel experienced a significant improvement in sales performance, with results rising more than 19% in the analysed period, reaching $5.38 billion in 2024. As the company increased its reliance on IP across film, digital media, and merchandise, cases of success such as the Barbie movie in 2023 illustrated the higher-margin profitability potential of this strategic shift, as seen by a gross margin expanding to approximately 50% and a net profit margin increasing to around 8%, both above the peer averages of roughly 48% and 7% respectively (figure 6). While the differences may appear modest, at Mattel's scale they represent meaningful incremental profitability, which reinforce the effectiveness of its IP-driven business model.

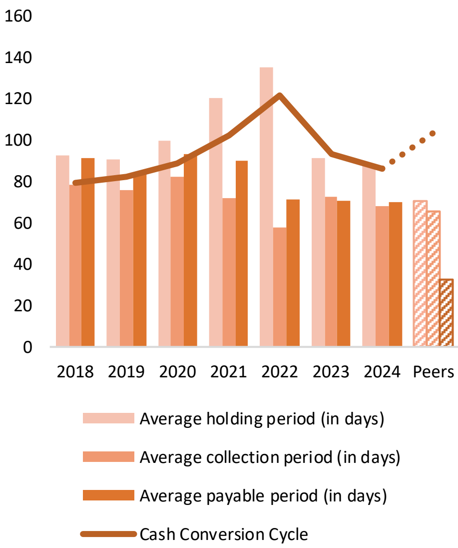
Liquidity and Cash Flow Management

Figure 7 – Liquidity metrics of Mattel and peers (2018–2024)
Source: Companies reports



In 2018, Mattel's current, quick, and cash ratios stood at 1.88, 1.44, and 0.48, respectively (figure 7), reflecting the company's significant liquidity constraints at the time. The relatively low liquidity was mainly led by several years of falling sales and the bankruptcy of Toys "R" Us, one of Mattel's largest retail distributors, translating in higher bad debt expenses. This disruption weakened key sales channels, led to inventory accumulation, and temporarily constrained cash flows, which resulted in longer collection and holding periods. In response, Mattel prioritized liquidity preservation through tighter working-capital controls, by way of the previously mentioned improved procurement practices and leaner supply chain management; factory closures; and reduced capital expenditures. These measures helped the company maintain short-term solvency and stabilize its financial position despite operational pressures.

Figure 8 – Evolution of Mattel's cash conversion cycle versus peers (in days)
Source: Companies reports

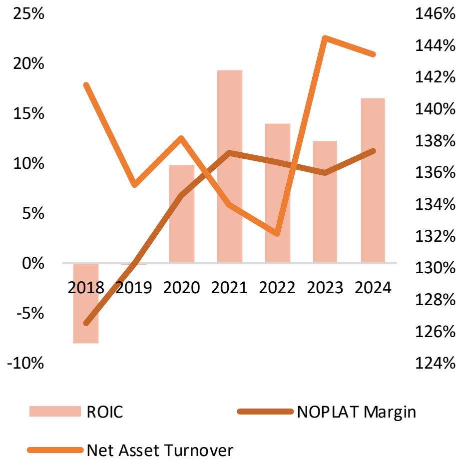


The years 2021 and 2022 marked a significant increase in Mattel's cash conversion cycle (CCC), rising to 110 days (figure 8), largely influenced by increasing holding periods due to the effects of Covid-19. The pandemic introduced additional challenges in the toy and entertainment sector, including supply-chain disruptions, longer shipping times, and inflationary cost pressures. Moreover, as families spent more time at home, which increased demand for toys, the company deliberately increased inventory levels to mitigate restocking risks, at a time when restocking was becoming increasingly difficult. Despite these events, Mattel maintained solid liquidity, with its quick ratio staying between 1.3 and 1.6, which was supported by the expansion of digital retail channels and higher control over operating costs. The cash ratio also remained stable throughout the global disruptions, reflecting the benefits of centralized procurement, supplier renegotiations, and broader operational optimization initiatives.

By 2024, Mattel had achieved substantial improvements in operational efficiency, reducing its CCC to below 90 days, significantly outperforming peers such as Hasbro (136 days), Spin Master (107 days), and Jakks Pacific (110 days). This development was a result of an improved demand forecast, increased automation in supply-chain processes, and stricter credit policies, which together decreased both inventory holding and collection periods. Meanwhile, the payable period remained stable, demonstrating balanced supplier relationships and consistent payment practices.

As Mattel improved its operations, it also improved its liquidity position. While the current ratio remained relatively stable at 2.38, both the quick ratio (2.00) and cash ratio (1.05) improved as inventory levels normalized and liquid assets increased. The toy and games industry typically shows relatively high current ratios due to its pronounced seasonality and the timing dynamics of its operating cycle. Companies in this sector generate a substantial share of annual sales during the fourth quarter, leading to sharp reductions in inventory and increases in cash and receivables by the end of the year, while payments to suppliers are often settled in the following quarter. This seasonal imbalance temporarily inflates current assets relative to current liabilities, naturally resulting in higher industry benchmarks, generally ranging from 1.15 to 2.25 for the current ratio and 0.94 to 1.80 for the quick ratio. Mattel's liquidity position, however, even stands above these elevated norms. The company's strong free cash flow generation in recent years, its more conservative liquidity policy adopted following the Toys "R" Us bankruptcy, and the substantial improvement in its cash conversion cycle have all contributed to a larger and more liquid current-asset base. As a result, Mattel's current and quick ratios materially exceed typical sector levels, and its cash ratio of 1.05 is significantly higher than those of competitors such as Hasbro (0.50), Spin Master (0.26), and Asmodee (0.11).

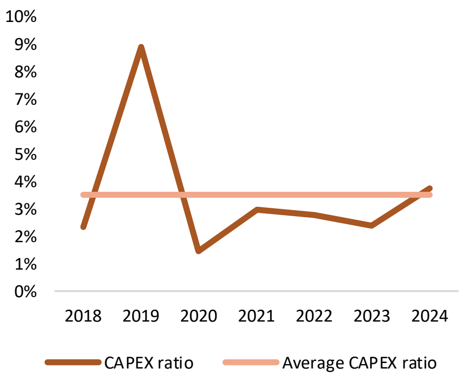
Figure 9 – Mattel's ROIC, NOPLAT margin and net asset turnover
Source: Company reports



Invested Capital

In 2018, as Mattel was still restructuring and operating at a loss, ROIC was -8% due to a negative operating margin (NOPLAT). Nevertheless, as sales and operation efficiency grew, ROIC values quickly grew to 19% in only three years, staying above 12% ever since (figure 9). This double-digit ROIC can be mostly attributed to several cost cutting programs and an increase in revenues. Following the success of the Barbie movie, the company began to opt for an increased media share of business, not only in cinemas, but in television, with Mattel Television Studios, and in mobile gaming, with Mattel163, both highly scalable business models, since once created, these assets can be replicated and distributed at minimal marginal cost. Even in their traditional business, a focus on limited run items and a shift to e-commerce translated into higher-margin products, further supporting its ROIC numbers, underscoring Mattel's capacity to sustain attractive returns even amid demand normalization and persistent cost pressures.

Figure 10 – Mattel's CAPEX ratio
Source: Company reports



Over the analysed period, the company invested an average of $150–200 million per year, equivalent to 2–4% of annual revenues (figure 10). The temporary Capex increase in 2019 stemmed from the initial implementation of Mattel's cost saving programs. While the initiative aimed to reduce long-term investment requirements, it necessitated one-time expenditures to restructure the manufacturing footprint, consolidate production, upgrade facilities, and restore operational efficiency following the Toys “R” Us bankruptcy.

Valuation

Cost of Capital

Table 1 – Inputs and outputs used in the estimation of Mattel’s cost of capital
Source: Bloomberg and Author’s own calculations

Risk Free Rate	4,02%
Equity Risk Premium	5,52%
Levered Beta	0,94
Cost of Equity (Re)	**9,23%**
Yield to Maturity	6,05%
Credit Rating	BBB-
Probability of Default	0,19%
Recovery Rate	40,00%
Cost of Debt (Rd)	**5,93%**
Beta Debt	0,35
Unlevered Beta	0,82
Return on Assets (Ru)	**8,56%**
Net Debt / EV	20,3%
WACC	**8,30%**

Mattel’s cost of equity was estimated using the Capital Asset Pricing Model (CAPM), based on data as of 10 December 2025. The risk-free rate of 4.02% corresponds to the yield on 10-year U.S. Treasury securities, while the equity risk premium of 5.52% reflects the long-term expected excess return of the S&P 500 Index over risk-free assets, and the levered beta of 0.94 was derived from a five-year weekly regression of Mattel’s stock returns against the S&P 500. Applying these parameters leads to a cost of equity of 9.23%, reflecting investors’ required return for holding Mattel’s equity (table 1).

To estimate Mattel’s cost of debt, the Mid Yield to Maturity of the company’s corporate bond maturing on 11 January 2041 was used, which amounted to 6.05% as of 10 December 2025. Since the observed yield does not account for potential credit losses, it was necessary to adjust it by incorporating Mattel’s BBB– credit rating, which implies a long-term probability of default of 0.19%, and applying a standard 40% recovery rate for senior unsecured corporate debt allowed the yield to be corrected for expected losses, resulting in a pre-tax cost of debt of 5.93%. This adjusted rate better reflects the effective funding cost expected by lenders after accounting for credit risk.

For valuation purposes, it was necessary to estimate both the return on assets and the weighted average cost of capital (WACC). The return on assets was calculated by unlevering the equity beta by using a debt beta of 0.35, consistent with the previously estimated cost of debt, which resulted in an unlevered beta of 0.82 and, when applying the CAPM, resulted in a return on assets of 8.56%.

The WACC was estimated under the assumption of a stable net debt–to–enterprise value (net debt/EV) ratio throughout the forecast horizon, reflecting a steady-state capital structure. Combined with an effective corporate tax rate of 21%, this framework results in a WACC of 8.30%.

The net debt/EV ratio was estimated using the average observed between 2021 and 2024, a period that captures Mattel’s post-turnaround stabilization and is therefore considered the more representative of its long-term financial profile, as discussed previously. This approach results in a normalized net debt–to–enterprise value ratio of 20.3%.

Valuation of Free Cash Flows

Mattel's intrinsic equity value was estimated using the Discounted Cash Flow (DCF) methodology, with operational and non-operational components of cash flows treated separately. While operational cash flows determine the core enterprise value, non-operational invested capital from 2026 onward was added as a separate adjustment. For the terminal value, it was estimated using a perpetual growth rate of 1.8%, consistent with long-run U.S. GDP growth and appropriate for a mature, steady-growth consumer business such as Mattel.

Under the DCF framework, enterprise value was derived by discounting projected operational free cash flows at the previously estimated WACC. This results in a core enterprise value of $10.0 billion.

After incorporating non-operational adjustments and deducting projected net debt for 2026, the resulting common equity value amounts to $10.8 billion. Assuming a constant number of 310.8 million shares outstanding, this corresponds to an implied intrinsic value of $25.01 per share, with the difference attributable to rounding effects. Based on the share price observed on 10 December 2025 ($20.92), this value implies an estimated upside of approximately 20%.

In addition to the DCF analysis, the Adjusted Present Value (APV) methodology was employed to reinforce the robustness of the valuation and reduce reliance on a single modelling framework. Under the assumption that the net debt–to–enterprise value ratio remains constant throughout the forecast horizon (20.3%), both valuation approaches converge to essentially the same intrinsic value estimate. This assumption also allows for the derivation of annual net debt levels by applying the constant net debt–to–enterprise value ratio to the projected total unlevered enterprise value in each forecast year.

Trading Multiples

Table 2 – Trading multiples comparison across toy and entertainment peers
Source: Bloomberg and Author's own calculations

	P/E	EV/ Revenues	EV/ EBITDA	EV/EBIT
Mattel Inc	**15,04**	**1,62**	**11,58**	**15,05**
Hasbro Inc	20,11	3,20	15,50	17,60
Spin Master Corp	11,22	0,89	7,33	14,7
Tomy Co Ltd	14,96	0,84	6,48	8,91
Jakks Pacific	41,62	0,37	11,35	26,54
Asmodee	150,00	1,81	13,28	20,07
Median	*20,11*	*0,89*	*11,35*	*17,60*
EV per share	**32,01**	**9,22**	**25,06**	**32,55**

To complement the intrinsic valuation, a relative valuation was performed using trading multiples of comparable publicly listed peers within the global toy and entertainment industry. The selected peer group (Hasbro, Spin Master, TOMY, JAKKS Pacific, and Asmodee) corresponds to the comparables defined previously in the *Peer Companies* section.

The multiples considered include P/E, EV/Revenue, EV/EBITDA, and EV/EBIT, which capture, respectively, the market's valuation of earnings, operational scale, operating profitability (table 2).

Mattel trades at moderate EV/EBITDA and EV/EBIT multiples relative to peers, consistent with its scale, diversified brand portfolio, and improving margin profile driven by cost optimization and the gradual expansion of IP monetization beyond physical toys. Higher multiples observed for companies such as Hasbro and Asmodee are primarily explained by greater exposure to licensing, gaming, and content-driven revenues, which command valuation premiums due to higher margins and lower capital intensity, despite weaker near-term earnings in some cases. In contrast, peers such as Spin Master, Tomy, and JAKKS Pacific trade at lower EV-based multiples, reflecting their heavier reliance on physical product sales, greater earnings volatility, higher customer and product concentration, and more limited operating leverage. The particularly wide dispersion in P/E ratios further highlights differences in capital structures, tax profiles, and the cyclicality of net income, making P/E less comparable across firms. Overall, the relative positioning of Mattel across all multiples is consistent with a business transitioning from a traditional manufacturing model toward a more IP-driven platform, supporting the use of profit-based (EBITDA and EBIT) enterprise value multiples as the most informative valuation metrics.

Transaction Multiples

The relative valuation based on precedent transactions relies on three comparable acquisitions: Spin Master's acquisition of Melissa & Doug (2024), Hasbro's acquisition of Entertainment One (2019), and Embracer Group's acquisition of Asmodee (2022).

The acquisition of Melissa & Doug by Spin Master (2024) represents a key recent transaction within the traditional toy industry. The target is a well-established educational toy brand defined by product quality, parental trust, and stable, long-term demand, which are attributes closely aligned with Mattel's core portfolio. From a valuation perspective, the transaction demonstrates how the market currently prices durable toy businesses with strong retail relationships amid cost pressures, omnichannel distribution, and increasing requirements regarding sustainability.

Hasbro's acquisition of Entertainment One (2019) serves as a benchmark for the entertainment-driven evolution of toy companies. The transaction reflects the market's valuation of vertically integrated models that combine content creation with consumer products, allowing the monetization of intellectual property across toys, licensing, and media. It highlights the importance of IP ownership and storytelling capabilities as drivers of long-term franchise value.

Lastly, the Asmodee's acquisition of Embracer Group (2022) provides a relevant benchmark for valuing companies transitioning toward IP-driven entertainment platforms. Asmodee's portfolio of globally recognized gaming franchises reflects a monetization model based on established IP, licensing, and cross-platform extensions, closely aligned with Mattel's strategic transformation. From a valuation perspective, the transaction illustrates how the market prices diversified entertainment portfolios capable of generating recurring revenues and scalable franchise value across formats.

Table 3 – Transaction multiples comparison across toy and entertainment peers
Source: Bloomberg, Companies press releases and Author's own calculations

Target	Acquirer	TV/ Revenues	TV/ EBITDA	TV/ EBIT
Melissa & Doug LLC	Spin Master Corp	1,94	10,50	n.a.
Entertainment One Ltd	Hasbro Inc	3,67	5,58	24,07
Asmodee Group SASU	Embracer Group AB	2,50	11,46	13,35
Median		*2,50*	*10,50*	*18,71*
EV per share		**38,18**	**22,68**	**35,04**

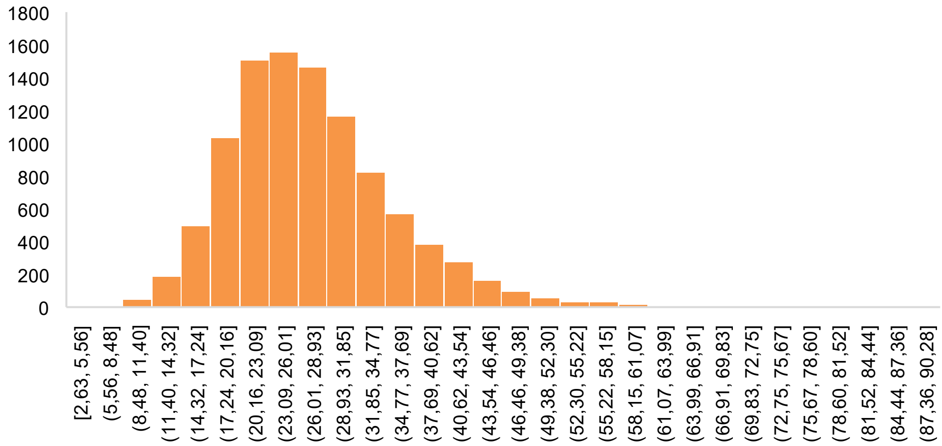
Based on the press releases issued by the respective companies, the observed transaction multiples range from 1.94x to 3.67x EV/Revenue, 5.58x to 11.46x EV/EBITDA, and 13.95x to 24.07x EV/EBIT, with median values of 2.50x, 10.50x, and 18.71x, respectively. Applying these median multiples to Mattel's 2026 forecast financials leads to an implied Enterprise Value between $9.2 billion and $14.0 billion, corresponding to an Equity Value per share of $22.33 to $38.18. (table 3)

Monte Carlo Simulation

A Monte Carlo simulation was performed to assess the distribution of Mattel's intrinsic equity value under uncertainty in key operating inputs. The simulation incorporates variation in revenues and cost of sales, which were identified as the primary drivers of operating income and free cash flow in the valuation model.

Revenues and cost of sales were modelled as random variables following probability distributions calibrated using historical variability and forward-looking assumptions consistent with the base-case forecast. For each simulation iteration, random draws of these variables were applied to the valuation framework, producing a corresponding equity value per share. This process was repeated across a sample of 10,000 iterations, resulting in a distribution of simulated share prices.

Figure 11 – Distribution of implied equity values from Monte Carlo simulation
Source: Author's own calculations



The simulated equity values range from $2.63 to $90.28 per share. Where the median simulated value is $26.29, with a standard deviation of $8.36, which is close to the target price per share obtained from the intrinsic valuation. Lastly, the distribution exhibits right skewness, reflecting the nonlinear relationship between operating performance and equity value. (figure 11)

Final Recommendation

The combined application of intrinsic valuation methodologies, namely the Adjusted Present Value (APV) and Discounted Cash Flow (DCF) frameworks, provides a rigorous assessment of the company's fundamental value and long-term value creation potential. Under the assumption of a stable capital structure over the forecast horizon, both methodologies converge toward an intrinsic equity value of approximately $25 per share, indicating an implied upside of around 20% relative to the market price of $20.92 as of 10 December 2025.

On the basis of these intrinsic valuation outcomes, the analysis supports a BUY recommendation. This conclusion is further corroborated by complementary valuation approaches, including relative valuation techniques and scenario analyses, which produce estimates overall aligned with the intrinsic valuation range.

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