

A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance and Financial Markets - Executive from the Nova School of Business and Economics.

LEGO:

Why the Danish Company Never Went Public

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Abstract

This project aims to study the reasons behind the decision to maintain the LEGO Group as a privately owned company and what motivates them not to undergo an IPO. The analysis of LEGO's journey will provide intel on how they changed over time and how the shareholder's vision was impacted by crucial events such as the 2000's successful turnaround story and sale of all LEGOLAND parks. Financial analysis, followed by a full valuation, will provide additional evidence on LEGO's financial situation and overall placement in the market, to understand the need for an IPO and the estimated Enterprise Value.

Keywords: LEGO, Initial Public Offering, Valuation, Restructuring, Governance.

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Introduction

It is difficult to mention the name “LEGO” in a room full of people and find someone that doesn’t know what we are referring to. The famous LEGO bricks are one of the main products of LEGO, a multi-billion-dollar Danish enterprise with over 90 years of history in the toy industry, especially in the plastic construction toy production. The company has more than one thousand branded stores worldwide and is one of the main players in the \$115 billion global toy market¹, sharing the stage with competitors such as Hasbro, Mattel and Bandai¹. The spotlight of this case falls on the LEGO Group, which is comprised of all the companies that contribute to the operational business of the brand. An interesting aspect of LEGO is the fact that it has been a family-owned company since it was founded. Many people think the company is publicly traded due to its size and position in the market, and we can easily find dozens of websites in a simple search history clarifying that the usual investor can’t buy LEGO stocks. But why isn’t LEGO publicly traded? What are the benefits and disadvantages of an IPO and what reasons motivate LEGO not to do it? To get remotely close to a possible explanation, we need to deep dive into LEGO’s history, analyze their successes/obstacles and understand the strategy behind one of the biggest players in the global toy market.

From wooden toys to a plastic brick sensation

The LEGO brand as we know it was brought to life by Ole Kirk Kristiansen in 1932, in Billund, Denmark. A carpenter fired from his job and challenged to provide for the family, began building wooden toys for his children and soon expanded from his home and created a small business out of it. The low volume of sales led Kirk to develop a name that would bring

¹ The amounts in Danish Kroner and Yens have been converted to dollars according to the exchange rates historical data provided by FRED – Federal Reserve Bank of St. Louis.

recognition to the product, and shortly after, in 1936, the name LEGO appeared. The name derives from two Danish words, “leg godt”, which translates into the expression “play well”.

The company started to grow with small steps. Soon after, Kirk was joined by his son, Godtfred, in leading the business, which dealt with a major setback in 1942, when the family’s workshop suffered a fire that destroyed all the toy drawings and models. Kirk’s resilience led him to rebuild his factory and continue to believe in the potential of his business. A mere 5 years later, he invested in his first plastic injection-molding machine, which created the first prototype of the indistinguishing LEGO bricks we know today. It wasn’t until 1954 that Godtfred came up with the idea of a “system of bricks” to be assembled. On January 28, 1958, the first patent application was submitted for a brick with a “clutch power” that would allow bricks to stick together and expand the possibilities of what you could build. The popularity for plastic bricks increased and after a second fire in 1960, the wooden toys production would be terminated, giving way to the LEGO System in Play.

Eventually, the company grew steadily, reaching international markets and making its way in the global toy market. The production didn’t stop at LEGO bricks, and rather expanded to a variety of toys, video games, theme parks (the first one being LEGOLAND in Denmark), clothing lines, and other products², including many series dedicated to captivate customers outside of the children age gap, creating a cross-generational appeal within the households.

The 2000’s LEGO Crisis

For several years the company had only positive results and growth, until the market started to pose more challenges, with shifting trends and generations in constant evolution. Competing against the increasing demand for computer and video games was not an easy task and by 1993, sales started to slow down. The entry of new players into the market with similar products of less quality and lower prices also had a big impact and only brought more obstacles.

LEGO responded with the “firm’s 2000 innovation binge”³, focusing on numerous ideas on how to innovate the brand, which increased the product diversity even further. Unfortunately, the sales didn’t increase as expected, the manufacturing costs for several different products and delivery costs skyrocketed, and the licensed themes (such as Harry Potter and Star Wars) were blockbusters and would only thrive when movies/books were released.

With this directionless innovation that required substantial capital, LEGO faced dark times that were heading to a scenario of cash-flow insolvency. By 2003, the company was facing instability after reporting pre-tax losses up to DKK 1.5 billion (DKK = Danish krone) and a fall of 29% in revenues (DKK -2.9 billion, approx. \$ -500 million)⁴, shifting from the previous two years growth in sales of 13% and 7%, respectively. This loss, accompanied by a Net Cash Flow of almost zero, meant that the shareholder’s investment was not generating additional value and the company was entering an unhealthy status that required changes. LEGO’s debt was DKK 3.8 billion and its debt-to-equity (D/E) ratio was approximately 84%. This was a sign that something was wrong, and the situation was only “controlled” due to the wealth structure of the Kristiansen family. As stated by Jørgen Knudstorp, former LEGO’s CEO, “Had the company not been owned by a wealthy private family, it would have been technically insolvent.”⁵. This particular financial situation summarized in **Exhibit 1** could have a lower impact on the company’s future if the management team acted quickly to amend the declining sales and the inefficient cost structure of the business.

By the end of the year, LEGO was aware that it was necessary to review the company’s strategy, and one of the decisions was to revise the leadership team and have a “simplified dynamic organization”⁶. This restructure introduced Jørgen Vig Knudstorp as the new CEO in 2004, alongside with Jesper Ovesen as CFO, and together they tackled the ongoing crisis and created the foundations that would lead to the remarkable company that LEGO became.

The hero behind the curtain

Knudstorp was 35 years old when he began his role as LEGO's CEO in 2004, a role held until 2016 when he became an executive chairman of the company. Started his journey as a kindergarten teacher, but later followed a career in economics, which led him to a position as director of strategic development at LEGO. His view on organized and controlled innovation strategies made him the perfect candidate for the CEO position during the challenging period LEGO was facing. He left his mark by becoming the second person outside of the Kristiansen family to take on that role, showing how the growth of LEGO was of a higher priority than maintaining control within the family members. Knudstorp's experience in the McKinsey & Co. consulting firm came in handy when he was required to take aggressive measures to save the company. Knudstorp explained: "We are on a burning platform, losing money with negative cash flow and a real risk of debt default which could lead to a breakup of the company."⁷ The complications started right on the top-line where an overexpansion scenario was inducing a decline in sales. The action taken was to focus on developing and advertising the core products and limit the extensive product diversity that had been advanced in the past. The diversity of LEGO bricks produced also required a level of manufacturing costs that were not sustainable, hence a reduction in the number of individual pieces produced from 13.000 to 6.500.⁸

Regaining customer attention and loyalty to the products that made LEGO's identity would make the company reach another objective, to regain market share that was previously lost to competitors. The company had to understand what the fans wanted and what the recent trends were, and from this, "LEGO Ideas" was born. The platform allowed fans to give feedback and provide ideas of themes and sets where the company should invest time and research into. Giving a voice to the community allowed them to understand what the focus in the upcoming years should be and what the fans actually wanted from LEGO.

Another key point in LEGO's transformation relied on their digital footprint. The video gaming industry had been gaining attention from the public, surpassing \$50 billion in revenue, and posing as a strong competitor for children's free time⁹. LEGO then worked to enter this industry and accompany the changing consumer preferences, by bringing the well-known LEGO mini-figures into the screens, each with stories of their own. Luckily, the company didn't stop at video games and made a brilliant move to enter the film industry and release the first "LEGO Movie" in 2014, about a LEGO mini-figure that would have to save the world, taking the familiar LEGO "face" even further. The movie resulted from a collaboration with Warner Animation Group and became a fan favorite, grossing approximately \$470 million after an investment of about \$60 million, and setting the way for three more movies in 2017 and 2019.

After drawing up an Action Plan for product sales, the next step was to make adjustments to the cost structure. Limiting the number of different products sold already had a big impact on manufacturing costs by reallocating resources and cutting unnecessary costs, specific to certain products of the brand. It is estimated that the workforce was reduced by approximately 1000 people, in response to aggressive cost-cutting measures¹⁰ to enhance competitiveness and efficiency. All the measures applied in 2004 culminated in restructuring fees and impairment of fixed assets of DKK 502 million and DKK 723 million, respectively, resulting in increased losses for the play materials business when compared to the previous year¹¹. Although the numbers reflected a darker picture, such actions were necessary to establish the crucial strategy that would put LEGO back on track.

Another section of the proposed Action Plan was the decision to sell the four LEGOLAND parks for nearly \$460 million, to bring financial stability to the company and improve liquidity. The parks were sold in 2005 to Merlin Entertainments Group, a theme park company based in England, and a jointly owned company was created alongside Blackstone Capital Partners. While Blackstone maintained 70% of the ownership, the remaining 30% of

the share capital were split between the LEGO Group and KIRKBI A/S, the Kirk Kristiansen's family investment company¹². This decision allowed the LEGO Group to maintain a connection with the parks, and the ownership allowed them to appoint representatives to the Merlin board, translating into a co-cooperation that would keep on reflecting the LEGO values¹³. The company never disclosed any financial information from the parks specifically, except when the sale was announced in the previous annual report and all financials were placed under the note of "Discontinuing activities", where we were able to retrieve the parks' net sales, around DKK 1.2 billion both in 2004 and 2003. Additionally, the company disclosed the business line's profit after tax, of DKK 20 million and DKK 27 million for the same years. Although the numbers show a positive outlook, the investment behind the opening and maintenance of each park is enormous and weighed heavily on LEGO's balance sheet, which stated in 2001 that the parks hadn't yet made a positive contribution to the profits of the company¹⁴. The limited information available from 2001/2002 also provided insights on the opening of the fourth park, LEGOLAND Deutschland in Germany, reflecting an investment of around DKK 1.2 billion¹⁵. As expected, the increase in fixed assets was followed by a similar increase in long-term debt, reflecting a different financing strategy from the one adopted in the next decades, relying on external borrowers for large investments.

The strategy of selling the parks was necessary for the survival of the Group and due to this decision, the parks remained a huge success during the next two decades, with ten LEGOLAND parks scattered around the world, one water park and three parks under construction in China¹⁶. Additionally, the liquidity from the sale of the LEGOLAND parks was used to repay part of the long-term debts that LEGO maintained with credit institutions, thus decreasing the 2005 long-term debt by 44%¹⁷.

Besides the park's sale, ownership changes also went through and both the Danish and Swiss parts of the Group became subsidiaries of LEGO Holding A/S, the parent company of

the LEGO Group. It was followed by a share capital increase from the acquisition of the entire capital of INTERLEGO AG (a company created to manage LEGO's intellectual property), as part of a strategy to simplify the group structure. A subordinate loan of DKK 800 million also went through with KIRKBI A/S, due to be paid by December 2011. The increased liquidity may not have been possible if not through private ownership because the year's records might have dissuaded creditors from providing loans, or providing them but fixing the interest too high.

The way of thinking within the company members also suffered great changes. Knudstorp wanted the team to be more involved in the whole process and have a close follow-up on how the operational business would turn into results. Communication within the team was also given a higher importance and restructuring, discarding any impersonal IT systems and incentivizing in person catch-ups. Knudstorp explained: “(...) it's a social mechanism that starts driving change, because once you've written that red number up there, you don't need to be told “I need to change that”, you start changing it (...)”.¹⁸

The company endured the crisis for the next years, following the Action Plan laid out in 2003/2004. The intent was to stabilize and reorganize the company, creating efficient financial reports that could support the growth strategy that would be implemented in subsequent years. This was a tough period for LEGO, facing negative profits, but the strict plan idealized by Knudstorp continued to move forward until the company became financially stable and ready to grow in a healthy way: “We're gonna spend three years restoring profitability and then eventually we're gonna get back to organic growth”¹⁹

On a side note, and regarding corporate details, the LEGO Group is owned by KIRKBI A/S (75%), and the LEGO Foundation (25%). By 2006, the parent company of the LEGO Group was LEGO Holding A/S, however, from 2007 onwards, the LEGO A/S company takes that title. See **Exhibit 2** for a diagram of the simplified group structure. The ownership split is

a way for the family to maintain control over the company with a long-term perspective and strategies²⁰ while maintaining product quality and the principle shared by the LEGO founder, where “only the best is good enough”²¹. On one side, KIRKBI reinvests the proceeds from the LEGO Group in three main areas: tackling global climate change, shaping children’s education and delivering the global LEGO brand vision²². On the opposite end, the LEGO Foundation is focused on fulfilling Ole Kirk Kristiansen’s mission and is fully dedicated to children by working in a future where all can be empowered by learning through play²³. Regarding the LEGO brand itself, most trademarks legally belong to LEGO Juris A/S, a subsidiary of KIRKBI A/S, created with the purpose of serving as responsible for all legal constraints and pursue legal actions when necessary. In this sense, the LEGO Group must pay royalties to KIRKBI’s subsidiary to use the LEGO brand in their operating activity, however, it is also holder of an outbound license, which gives the right to receive royalties from external companies in the name of the legal owner of the intellectual property.

Becoming one of the world’s most powerful brands

A decade after the crisis, LEGO’s financials had suffered a radical change, breaking record sales every year. Revenues from 2014 reached DKK 28.6 billion (approx. \$5.1 billion), as seen in the revenue evolution graph of **Exhibit 3**, with an operating profit around DKK 9.7 billion (34% of revenues), surpassing Hasbro in the global toy market, and losing first place as market leader only to Mattel. In a couple of years, the situation would invert itself and LEGO would become the leader of the toy industry, a role maintained for several years. **Exhibit 4** details the revenue evolution of both LEGO and its competitors. LEGO managed to expand to young girls, conquering a new market (until then, the customer base was 90% made up of boys), taking over the children’s market in its entirety.²⁴ This achievement was possible with the development of “LEGO Friends”, a new product backed by years of research that introduced a new representation of the mini figure. This maneuver was planned and studied for quite some

time with specific intentions in mind, thanks to LEGO's ethnographic study of children, which is said to be the largest one in the world. In just a few years, LEGO became one of the most successful turnaround cases in history, not only reverting their negative position, but growing immensely and outperforming brands like Apple and Ferrari as world's most powerful brand²⁵.

Fast-forward another ten years and the LEGO Group is almost unrecognizable, with outstanding results and growth. An example of the company's dominance is its brand awareness in the United States, which reaches 91% (93% in the UK and Germany)²⁶, proving that the LEGO brand has become a commonly known toy brand across all generations. By 2024, sales had reached DKK 74.3 billion, displaying double-digit growth in four out of the previous five years. In 2021 the company reported an astonishing growth of 27%, especially when we consider the effects and constraints of the Covid-19 pandemic that were still observed in the economy. This performance was due to high demand, but also the outcome of a consistent investment in e-commerce, product innovation and a strong supply-chain network.²⁷ These record sales also pushed LEGO's competitors far back, with 2024 revenues of \$6.9 billion, \$5.4 billion and \$4.1 billion for Bandai Namco, Mattel and Hasbro, respectively²⁸.

For the past four years, the American continent has been the predominant market, representing more than 48% of the total net sales in 2024. It is followed by Europe, Middle East and Africa with approximately 39% of net sales and Asia and Pacific, with the remaining 13%, as demonstrated in **Exhibit 5**. The LEGO Group employs more than 26.500 full-time employees, across all markets²⁹, and continues to expand worldwide. Increasing fixed asset investments in over DKK 8.8 billion and DKK 8.3 billion in 2024 and 2023, respectively, the company is expanding capacity in existing factories in Mexico, Hungary and China, building two new factories in Vietnam and the U.S., and expanding office and warehouse capacities³⁰.

LEGO's gross profit has remained constant, reporting small changes between 67% and 70% of revenues in the previous nine years, pointing out a consistent structure of variable costs. Operating profit has also shown positive results, with an increase of 10% in 2024 due to top-line results and scale efficiencies³¹, however, the operating margin as a percentage of sales has been decreasing slightly in the last years. Net profit follows a similar trend, reaching DKK 13.8 billion, as seen in **Exhibit 6** with LEGO's complete financial statements. Additionally, the company's D/E ratio, an indicator that measures the ratio of financial leverage that a company uses to finance their operations³², suffered a great change compared to previous decades. LEGO's D/E ranged between 15% and 19% in the previous five years, well below the average for the recreation industry, which roams a D/E ratio of 65% in 2025³³. On the other hand, LEGO's competitors have a wide range of D/E ratios. The Canadian multinational Spin Master has one of the lowest D/E ratios among them, around 38%, while Mattel presents 119% and Hasbro places itself at the opposite end with almost 300%, all at book values.

Under the new management of Niels Christiansen as CEO, LEGO continued the strategy that was responsible for their turnaround, and focused on LEGO's greatest asset, the brick. Christiansen took place in October 2017, after a short period under the management of Bali Padda, successor of Jørgen Vig Knudstorp. By 2024, the Executive Leadership Team of LEGO was comprised of 7 people, all of them independent from the Kirk Kristiansen family, displaying a clear separation between management and ownership of the company³⁴. The family continues to be close to the business through the Board of Directors.

Another important event occurred in 2019, when Merlin Entertainment went private through a buyout made by non-other than the LEGO Group, thus regaining ownership of the LEGOLAND parks, 14 years after selling them. The buyout was made through a consortium under the name "Berkeley Bidco Ltd.", composed mainly of KIRKBI Invest A/S (with 50% ownership), and Blackstone Core Equity Advisors L.L.C, for a price of approximately \$7.5

billion³⁵. KIRKBI CEO Søren Thorup Sørensen explained: “We are committed to ensuring Legoland and the other activities in Merlin reach their full potential, which we believe is best pursued under private ownership, in order to deliver fantastic experiences to visitors of all ages around the world”³⁶. This statement only reinforces the idea that the LEGO owners believe strongly that a privately owned company provides the best set-up to obtain the desired values and achievements for a business to thrive.

What to expect from future years

While the global toy market declined for the past couple of years, by 7% in 2023³⁷ and 0.6% in 2024³⁸, LEGO has been sailing in the opposite direction with consistent growth. These numbers show the influence of the LEGO brand and how it is able to prosper in challenging market conditions. The brand described by many as “toy industry’s leading company”³⁹, has gained such dimension that we look at a plastic brick construction and immediately think “LEGO”, even if it’s from another brand. It has evolved into a brand that stays updated on trends, listens to what customers like and provides a unique experience across all age gaps, with products of enviable quality.

According to the company’s annual reports, LEGO is highly invested in long-term strategies for sustainable growth⁴⁰. There is a continuous investment in strategic initiatives to improve their portfolio of products, become more sustainable, increase capacity to face the growing revenues and enhance their digital footprint, both on the buyer’s end and the company’s side with improved technology solutions, developments and cybersecurity. LEGO is also employing an increasing portion of its capital in developing sustainable growth. A company with such an operating size will most likely have a negative environmental impact, and LEGO is working on reducing that impact with specific targets and KPIs. From studying and working with new and more sustainable materials, replacing plastic with paper in products packaging

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Exhibits:

Exhibit 1: LEGO financials from 2001 to 2003 (in million DKK) & Comparison between LEGO and competitors' financials for 2003 (in million dollars)

in million DKK	LEGO			2003 - LEGO & Competitors (in dollars):		
	2001	2002	2003	LEGO	Hasbro	Mattel
Revenues	10,670	11,426	8,433	1,282	3,139	4,960
Operating Profit	700	820	-1,484	-226	345	786
%Op.Margin	6.6%	7.2%	-17.6%	-17.6%	11.0%	15.8%
Net Profit	433	428	-1,072	-163	158	538
%Net Profit	4.1%	3.7%	-12.7%	-12.7%	5.0%	10.8%
Total Assets	13,683	12,144	9,646	1,467	3,163	4,511
Total Liabilities	6,880	5,192	4,397	669	1,758	2,295
Total Shareholder's Equity	6,803	6,952	5,249	798	1,405	2,216
Debt-to-Equity Ratio	101%	75%	84%	84%	125%	104%
Net Cash Flow	771	-289	-16	-2	25	-114

*Figures according to LEGO's 2003 Financials, before discontinuing businesses (ex: LEGOLAND Parks)

Source: Annual financial statements for LEGO, Hasbro and Mattel

Exhibit 2: Simplified diagram of the KIRKBI Group Structure in 2006/2007

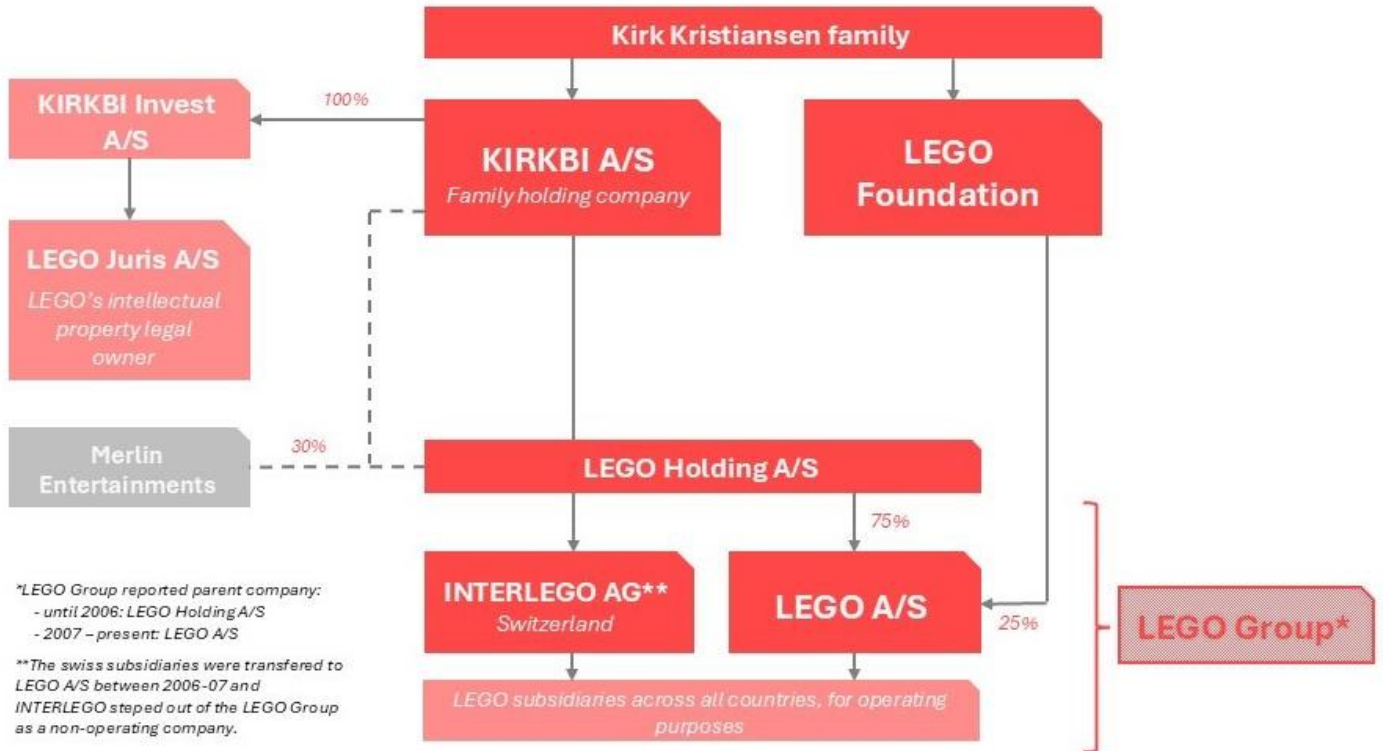
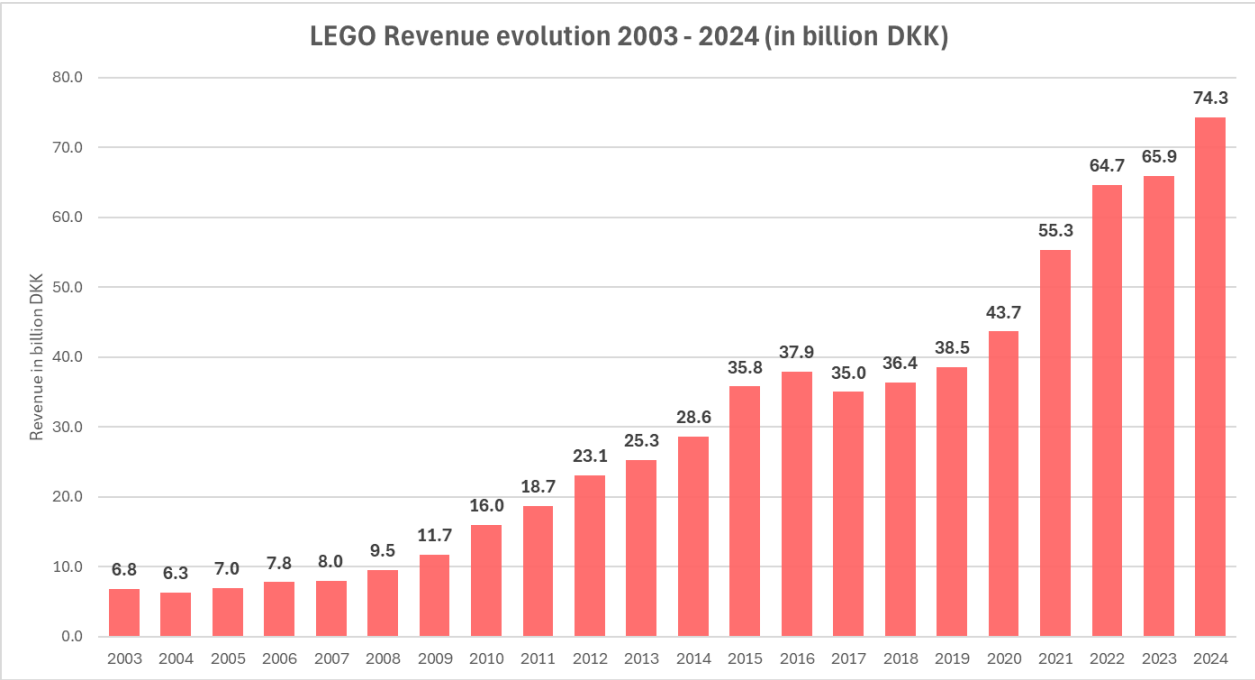
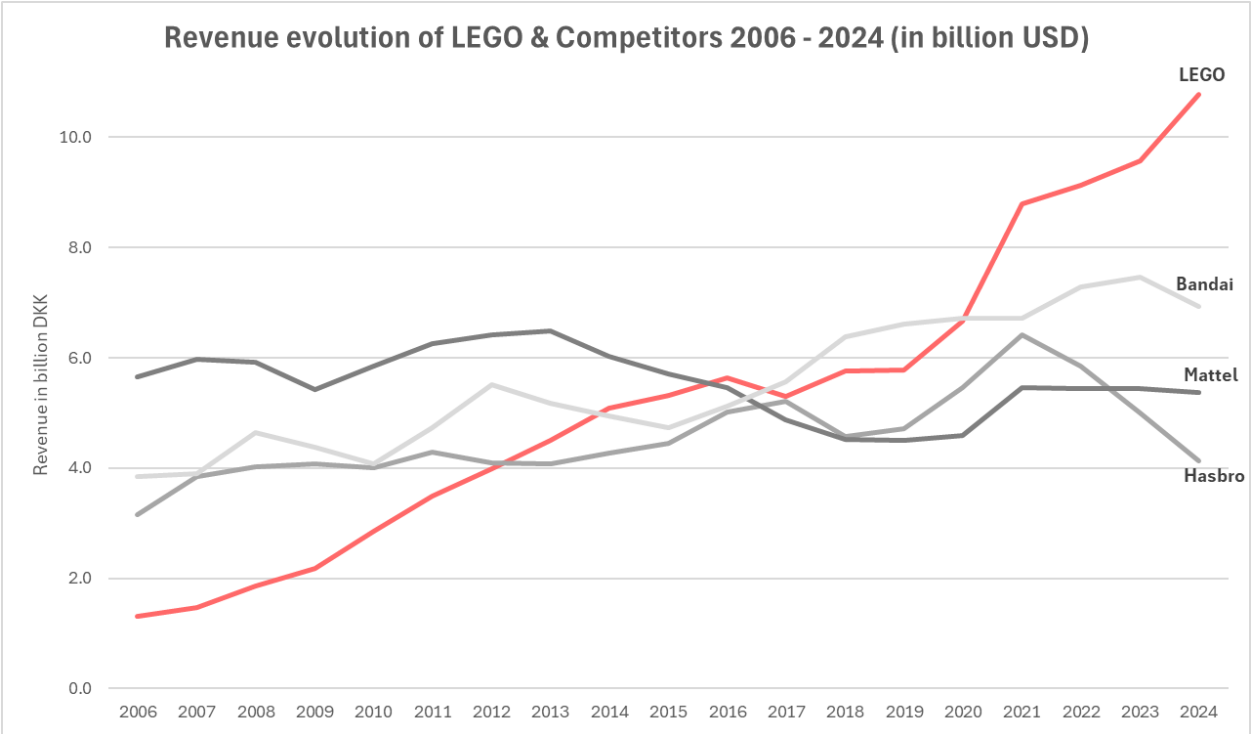


Exhibit 3: LEGO revenue evolution - 2003 to 2024



Source: LEGO. "Revenue of the LEGO Group from 2003 to 2024 (in billion Danish kroner)." Chart. March 7, 2025. Statista. Accessed August 10, 2025. <https://www.statista.com/statistics/282870/lego-group-revenue/>

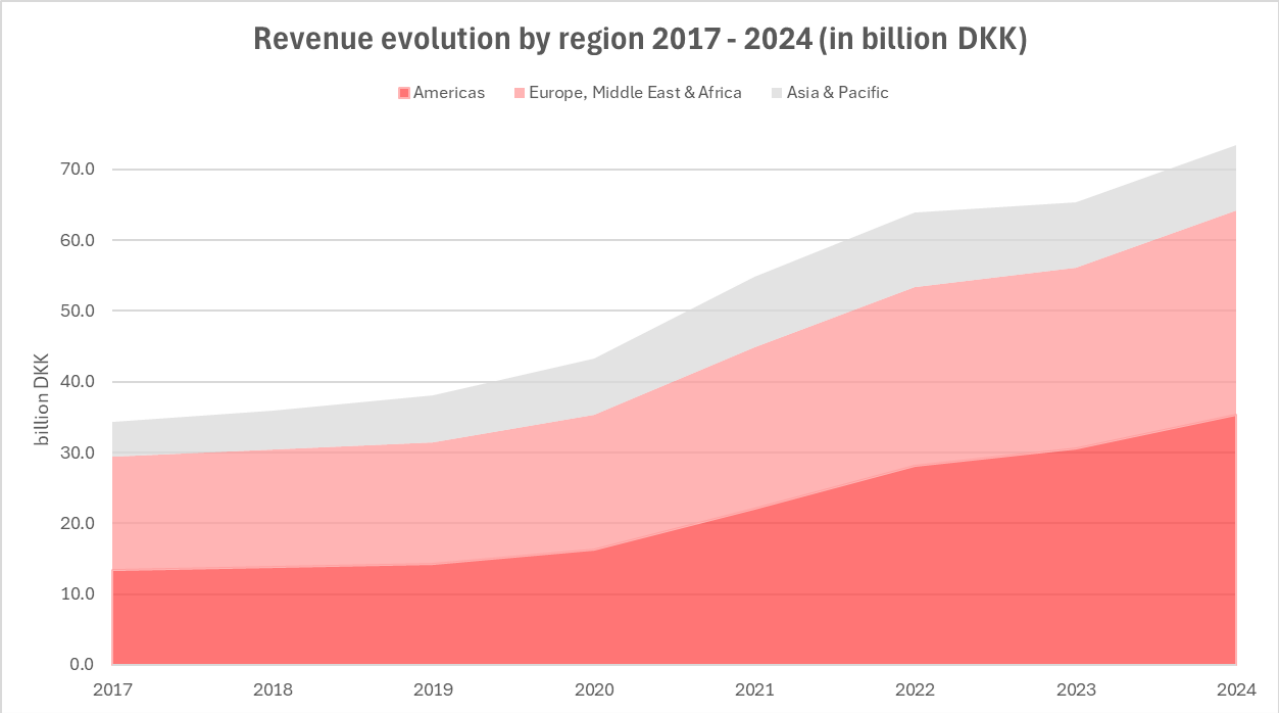
Exhibit 4: Revenue evolution for LEGO and competitors from 2006 to 2024 (in billion dollars)



Sources:

- LEGO. "Revenue of the LEGO Group from 2003 to 2024 (in billion Danish kroner)." Chart. March 7, 2025. Statista. Accessed August 10, 2025. <https://www.statista.com/statistics/282870/lego-group-revenue/>
- Hasbro. "Hasbro net revenue from 2006 to 2024 (in million U.S. dollars)." Chart. April 2, 2025. Statista. Accessed August 10, 2025. <https://www.statista.com/statistics/198710/net-revenues-of-hasbro-since-2006/>
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Exhibit 5: LEGO revenue evolution by region from 2017 to 2024



Source: LEGO Group’s annual reports from 2017 to 2024.

Exhibit 6: LEGO's Financial Statements from 2018 to 2024 (in DKK million)

(mDKK)	2024	2023	2022	2021	2020	2019	2018
Statement of Financial Position							
Revenue	74,325	65,914	64,647	55,294	43,656	38,544	36,391
Sale of goods	73,503	65,358	63,866	54,844	43,262	38,093	35,882
Licence income	670	515	781	450	394	451	509
Other revenue	152	41	-	-	-	-	-
Sale of goods per region:							
Americas	35,408	30,613	28,079	22,031	16,345	14,328	13,769
Europe, Middle East & Africa	28,853	25,587	25,301	22,906	19,060	17,089	16,644
Asia & Pacific	9,242	9,158	10,486	9,907	7,857	6,676	5,469
Revenue Growth (%)	12.8%	2.0%	16.9%	26.7%	13.3%	5.9%	4.0%
Expenses	-55,584	-48,806	-46,726	-38,250	-30,744	-27,707	-25,617
Production costs	-23,570	-21,056	-20,160	-16,783	-13,244	-12,196	-10,417
Sales and distribution expenses	-23,438	-20,618	-20,318	-15,982	-13,540	-11,893	-10,740
Administrative and IT expenses	-6,100	-5,185	-4,530	-4,005	-3,023	-2,850	-2,246
Other operating expenses	-2,476	-1,947	-1,718	-1,480	-937	-768	-2,214
Operating profit	18,741	17,108	17,921	17,044	12,912	10,837	10,774
%	25%	26%	28%	31%	30%	28%	30%
EBITDA	21,839	20,018	21,283	19,088	15,026	12,800	12,103
EBITDA Margin	29%	30%	33%	35%	34%	33%	33%
Financial items	-695	-49	-245	-39	-412	-85	-264
Financial income	281	217	45	108	7	29	9
Financial expenses	-976	-266	-290	-147	-419	-114	-273
Profit before tax	18,046	17,059	17,676	17,005	12,500	10,752	10,510
Income tax expenses	-4,254	-3,950	-3,894	-3,720	-2,584	-2,446	-2,434
Net profit	13,792	13,109	13,782	13,285	9,916	8,306	8,076
%	19%	20%	21%	24%	23%	22%	22%
Statement of Comprehensive Income							
Net profit	13,792	13,109	13,782	13,285	9,916	8,306	8,076
Items to be reclassified to the Statement of Profit or Loss, when specific conditions are met:							
Change in market value of cash flow hedges	-431	177	-467	-524	246	-297	-99
Reclassification of cash flow hedges from equity to be recognised in:							
Revenue	78	-256	891	235	-96	293	14
Production costs	6	-53	-16	-14	-9	-	-
Tax on cash flow hedges	76	29	-90	67	-31	1	19
Currency translation differences	-412	112	282	532	-653	154	10
Items not to be reclassified to the Statement of Profit or Loss:							
Remeasurements of defined benefit plans	-	7	25	14	-11	-35	28
Tax on remeasurements of defined benefit plans	-	-2	-6	-4	2	8	-9
Total comprehensive income	13,109	13,123	14,401	13,591	9,364	8,430	8,039

(mDKK)	2024	2023	2022	2021	2020	2019	2018
Statement of Financial Position							
Intangible assets	735	609	452	406	443	488	253
Property, plant and equipment	31,104	25,193	18,494	14,191	12,099	12,356	11,721
Right-of-use assets	6,385	5,216	5,298	4,679	3,067	3,123	-
Prepayments	162	-	-	-	-	-	142
Other receivables	105	78	110	70	-	-	-
Deferred tax assets	1,211	967	1,099	999	789	738	638
Total non-current assets	39,702	32,063	25,453	20,345	16,398	16,705	12,754
Inventories	6,052	5,050	5,549	3,509	2,948	2,672	2,579
Trade receivables	10,834	9,592	8,461	8,409	6,590	7,201	6,766
Receivables from related parties	211	280	723	-	-	-	-
Prepayments	746	1,101	876	475	299	376	250
Other receivables	2,205	1,668	1,588	1,345	954	974	931
Income tax receivables	217	276	266	123	373	284	249
Loans to related parties	8,152	7,577	10,896	12,748	8,463	5,876	6,858
Cash	572	1,249	1,380	1,037	1,177	858	1,098
Total current assets	28,989	26,793	29,739	27,646	20,804	18,241	18,731
Total assets	68,691	58,856	55,192	47,991	37,202	34,946	31,485
Share capital	20	20	20	20	20	20	20
Hedging reserve	-217	54	157	-161	75	-35	-32
Currency translation reserve	-556	-144	-256	-538	-1,070	-417	-571
Retained earnings	42,524	37,732	33,618	29,817	24,522	22,615	22,336
Total equity	41,771	37,662	33,539	29,138	23,547	22,183	21,753
Borrowings	-	-	118	127	137	147	157
Lease liabilities	5,314	4,167	4,204	4,038	2,519	2,523	-
Deferred tax liabilities	130	41	48	29	111	168	134
Employee benefit obligations	135	138	134	146	223	209	161
Provisions	160	163	158	153	85	78	60
Deferred income	392	339	265	6	23	14	12
Debt to related parties	-	-	-	-	-	-	-
Other debt	194	159	168	148	86	176	139
Total non-current liabilities	6,325	5,007	5,095	4,647	3,184	3,315	663
Borrowings	118	114	9	10	10	10	10
Lease liabilities	965	870	1,212	714	581	573	-
Trade payables	7,362	5,918	5,862	5,116	2,947	3,422	3,207
Income tax liabilities	561	569	919	427	541	347	257
Provisions	51	94	137	67	75	9	54
Deferred income	1,243	1,014	813	501	331	248	249
Debt to related parties	292	262	-	-	-	-	-
Other debt	10,003	7,346	7,606	7,371	5,986	4,839	5,292
Wage-related payables and other charges	4,400	2,758	2,977	3,339	2,632	1,663	1,768
VAT and other indirect taxes	699	635	559	498	432	381	371
Finance lease obligations	-	-	-	-	-	-	10
License liabilities	850	774	721	644	-	-	-
Derivative financial instruments	393	62	120	342	-	-	-
Discounts	-	-	-	-	-	-	-
Amortised debt	-	-	-	-	-	34	65
Sales incentives	1,729	1,684	1,590	1,573	1,144	1,154	1,266
Other liabilities to related parties	-	-	212	203	551	570	504
Other current liabilities	1,932	1,433	1,427	772	1,227	1,037	1,308
Total current liabilities	20,595	16,187	16,558	14,206	10,471	9,448	9,069
Total liabilities	26,920	21,194	21,653	18,853	13,655	12,763	9,732

(mDKK)	2024	2023	2022	2021	2020	2019	2018
Statement of Cash Flow							
Operating profit	18,741	17,108	17,676	17,005	12,500	10,752	10,510
Depreciation, amortisation and impairment losses	3,098	2,910	3,362	2,044	2,114	1,963	1,329
Other non-cash items	-102	-6	-	-	649	83	72
Change in working capital	1,627	-416	-1,839	927	888	-696	440
Interest received	281	217	45	11	7	8	9
Interest paid	-216	-238	-227	-147	-119	-114	-37
Income tax paid	-4,279	-4,178	-3,713	-3,792	-2,657	-2,439	-2,476
Cash flow from operating activities	19,150	15,397	15,304	16,048	13,382	9,557	9,847
Purchase of intangible assets	-143	-193	-90	-45	-51	-346	-54
Purchase of property, plant and equipment	-8,817	-8,273	-5,886	-3,114	-1,840	-1,827	-1,448
Proceeds from sale of property, plant and equipment	3	3	4	3	7	11	10
Cash flow used in investing activities	-8,957	-8,463	-5,972	-3,156	-1,884	-2,162	-1,492
Free cash flow	10,193	6,934	9,332	12,892	11,498	7,395	8,355
Payments of lease liabilities	-1,058	-1,356	-868	-697	-606	-555	-
Free cash flow, adjusted	9,135	5,578	8,464	12,195	10,892	6,840	8,355
Proceeds from borrowings	-	114	-	-	-	-	-
Repayments of borrowings	-	-122	-10	-10	-10	-10	-11
Payments of lease liabilities	-1,058	-1,356	-868	-697	-606	-555	-
Repayments from related parties	17,274	16,250	16,034	14,469	12,388	11,845	12,069
Payments to related parties	-17,849	-12,931	-14,182	-18,754	-14,975	-10,863	-12,839
Acquisition of non-controlling interest	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-
Dividend paid to shareholders	-9,000	-9,000	-10,000	-8,000	-8,000	-8,000	-7,000
Cash flow used in financing activities	-10,633	-7,045	-9,026	-12,992	-11,203	-7,583	-7,781

Source: LEGO Group's annual reports from 2018 to 2024

TEACHING NOTE – Exhibits:

Exhibit TN.7: LEGO's cash conversion cycle calculation and comparable firms' CCC

(mDKK)	2024	2023	2022	2021	2020	2019	2018
Cash Flow Analysis							
Sale of goods	74,325	65,914	64,647	55,294	43,656	38,544	36,391
Trade receivables	10,834	9,592	8,461	8,409	6,590	7,201	6,766
DSO	53	53	48	56	55	68	68
Δ DSO	0	5	-8	0	-13	0	2
Cost of goods sold	-23,570	-21,056	-20,160	-16,783	-13,244	-12,196	-10,417
Trade payables	7,362	5,918	5,862	5,116	2,947	3,422	3,207
DPO	114	103	106	111	81	102	112
Δ DPO	11	-4	-5	30	-21	-10	12
Cost of goods sold	-23,570	-21,056	-20,160	-16,783	-13,244	-12,196	-10,417
Inventory	6,052	5,050	5,549	3,509	2,948	2,672	2,579
DIO	94	88	100	76	81	80	90
Δ DIO	6	-13	24	-5	1	-10	5
Cash Conversion Cycle	33	38	42	21	55	46	46
Δ CCC	-5	-4	22	-35	9	-0	-5

	Comparable firms' Cash Conversion Cycle			
	2024	2023	2022	2022
Hasbro	65	74	101	82
Mattel	82	89	110	97
Bandai	51	63	67	66
Spin Master	67	41	37	12
Funko	60	78	121	129
LEGO	33	38	42	21

Source: LEGO Group's annual reports & Comparable firms' financial statements.

^{a)} **DSO** = Accounts Receivables / (Revenues / 365 days)

^{b)} **DPO** = Accounts Payables / (Cost of Goods Sold / 365 days)

^{c)} **DIO** = Ending Inventory / (Cost of Goods Sold / 365 days)

^{d)} **Cash Conversion Cycle** = DSO + DIO - DPO

Exhibit TN.8: LEGO's ROCE calculation

(mDKK)	2024	2023	2022	2021	2020	2019	2018
Inventories	6,052	5,050	5,549	3,509	2,948	2,672	2,579
Trade receivables	10,834	9,592	8,461	8,409	6,590	7,201	6,766
Receivables from related parties	211	280	723	-	-	-	-
Prepayments	746	1,101	876	475	299	376	250
Other receivables	2,205	1,668	1,588	1,345	954	974	931
Income tax receivables	217	276	266	123	373	284	249
Current Operating Assets	20,265	17,967	17,463	13,861	11,164	11,507	10,775
Trade payables	7,362	5,918	5,862	5,116	2,947	3,422	3,207
Income tax liabilities	561	569	919	427	541	347	257
Provisions	51	94	137	67	75	9	54
Deferred income	1,243	1,014	813	501	331	248	249
Other debt	9,610	7,284	7,274	6,826	5,435	4,235	4,713
Wage-related payables and other charges	4,400	2,758	2,977	3,339	2,632	1,663	1,768
VAT and other indirect taxes	699	635	559	498	432	381	371
License liabilities	850	774	721	644	-	-	-
Discounts	-	-	-	-	-	-	-
Sales incentives	1,729	1,684	1,590	1,573	1,144	1,154	1,266
Other current liabilities	1,932	1,433	1,427	772	1,227	1,037	1,308
Current Operating Liabilities	18,827	14,879	15,005	12,937	9,329	8,261	8,480
Net Working Capital Requirements	1,438	3,088	2,458	924	1,835	3,246	2,295
Δ NWCR	1,650	-630	-1,534	911	1,411	-951	255
Net Working Capital Requirements	1,438	3,088	2,458	924	1,835	3,246	2,295
Fixed Assets	38,224	31,018	24,244	19,276	15,609	15,967	11,974
Property, plant and equipment	31,104	25,193	18,494	14,191	12,099	12,356	11,721
Intangible assets	735	609	452	406	443	488	253
Right-of-use assets	6,385	5,216	5,298	4,679	3,067	3,123	-
Capital Employed	39,662	34,106	26,702	20,200	17,444	19,213	14,269
Δ Capital Employed	5,556	7,404	6,502	2,756	-1,769	4,944	-94
After-Tax Operating profit (NOPLAT)	14,334	13,147	13,973	13,315	10,237	8,372	8,282
Capital Employed (average)	36,884	30,404	23,451	18,822	18,329	16,741	14,316
ROCE (after-tax)	39%	43%	60%	71%	56%	50%	58%

e) Return on Capital Employed = NOPLAT / Average Capital Employed

Capital Employed = Net Working Capital Requirements + Fixed Assets

	Comparable firms's ROCE (after-tax)		
	2024	2023	2022
Hasbro	72%	35%	23%
Mattel	24%	12%	24%
Bandai	23%	13%	19%
Spin Master	24%	23%	32%
Funko	12%	-32%	-1%
LEGO	39%	43%	60%

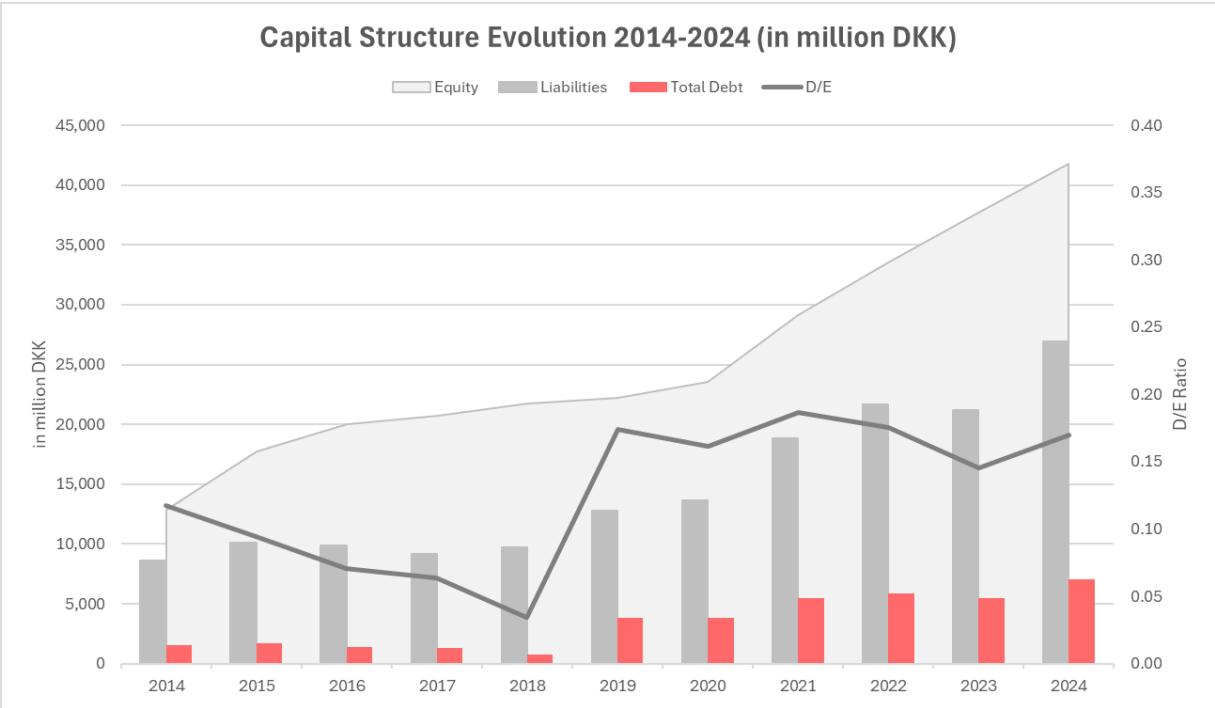
Source: LEGO Group's annual reports & Comparable firms' financial statements.

Exhibit TN.9: LEGO’s credit rating according to Moody’s Scoreboard for the “Consumer Packaged Goods” Industry

Category	Weight (%)	Rating	Score per category	Description	LEGO Score
SCALE					
Revenue (USD billions)	20%	A	6	\$10 - \$30	1.2
BUSINESS PROFILE					
Geographic Diversification	10%	Baa	9	Worldwide presence, with increased degree of concentration in some regions.	0.9
Segmental Diversification	10%	Ba	12	2 - 3 relatively balanced segments.	1.2
Market Position	5%	A	6	Mostly No. 1 in broad categories in key markets.	0.3
Category Assessment	5%	A	6	Good innovation; broad appeal; low degree of price elasticity; consistent demand; solid growth potential.	0.3
PROFITABILITY					
EBITDA Margin	10%	Aa	3	25% - 30%	0.3
LEVERAGE					
Debt / EBITDA	10%	Aa	3	0.75x - 1.5x	0.3
RCF / Net Debt	8%	A	6	35% - 50%	0.5
EBITA / Interest Expense	8%	Aa	3	12.5x - 20x	0.2
FINANCIAL POLICY					
Financial Policy	15%	Aa	3	Expected to have very conservative financial policies (including risk and liquidity management); stable metrics; minimal event risk that would cause a rating transition; and public commitment to a strong credit profile over the long term.	0.5
Overall Score:		5.63			
		A2			

Source: Moody’s scoreboard for the Consumer-packaged Goods industry.

Exhibit TN.10: LEGO's capital structure evolution from 2014 to 2024



Source: LEGO Group's annual reports.

Exhibit TN.11: Reformulated Financial Statements – Forecast Figures from 2025 to 2030 (in DKK million)

(mDKK)	2030	2029	2028	2027	2026	2025	2024
Reformulated Statement of Financial Position							
Revenue	102,099	99,487	96,757	93,235	88,410	82,039	74,325
Sale of goods	101,380	98,767	96,037	92,515	87,690	81,319	73,503
Licence income	655	655	655	655	655	655	670
Other revenue	64	64	64	64	64	64	152
Sale of goods per region:							
Americas	55,154	53,495	51,698	49,136	45,572	40,947	35,408
Europe, Middle East & Africa	34,297	33,724	33,160	32,557	31,678	30,456	28,853
Asia & Pacific	11,929	11,548	11,179	10,822	10,440	9,917	9,242
Revenue Growth (%)	2.6%	2.8%	3.8%	5.5%	7.8%	10.4%	12.8%
Cost of Sales							
Production costs	-32,278	-31,452	-30,589	-29,475	-27,950	-25,936	-23,570
Sales and distribution expenses	-32,074	-31,253	-30,396	-29,289	-27,774	-25,772	-23,438
Gross Profit	37,748	36,782	35,773	34,471	32,687	30,331	27,317
%	37%	37%	37%	37%	37%	37%	37%
Administrative and IT expenses	-10,435	-9,715	-8,994	-8,273	-7,552	-6,828	-6,100
Other operating expenses	-4,537	-4,194	-3,852	-3,509	-3,166	-2,822	-2,476
Total operating profit (EBIT)	22,775	22,873	22,927	22,688	21,968	20,680	18,741
%	22%	23%	24%	24%	25%	25%	25%
<i>Weighted average expected tax rate</i>	22.9%	22.9%	22.9%	22.9%	22.9%	22.9%	23.6%
Recurrent taxes on EBIT	-5,220	-5,242	-5,255	-5,200	-5,035	-4,740	-4,418
Tax Adjustments	3	3	3	3	3	2	11
Taxes on Operating profit	-5,217	-5,239	-5,252	-5,197	-5,032	-4,737	-4,407
After-Tax Operating profit (NOPLAT)	17,559	17,633	17,675	17,491	16,936	15,943	14,334
Financial income	313	311	308	304	298	289	281
<i>Expected applicable tax rate (Denmark)</i>	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Taxes on Non-operating profit	-69	-68	-68	-67	-65	-64	-62
Cash flow hedges (net of taxes)	-72	-72	-72	-72	-72	-72	-271
Currency translation adjustments (OCI)	164	275	-251	98	211	378	-412
Pension plan, net of taxes (OCI)	8	8	8	8	8	8	-
After-Tax Non-Operating profit	344	454	-75	271	379	539	-464
Financial expenses	-641	-634	-617	-599	-578	-554	-976
<i>Expected applicable tax rate (Denmark)</i>	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Taxes on financial expenses (tax shield)	141	139	136	132	127	122	215
After-Tax Financial expenses	-500	-494	-481	-467	-451	-432	-761
Total comprehensive income	17,403	17,593	17,119	17,294	16,864	16,050	13,109

(mDKK)	2030	2029	2028	2027	2026	2025	2024
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Reformulated Statement of Financial Position

Inventories	8,304	8,092	7,870	7,583	7,191	6,673	6,052
Trade receivables	14,368	14,000	13,616	13,120	12,441	11,545	10,834
Other receivables	2,806	2,735	2,659	2,563	2,430	2,255	2,205
Receivables from related parties	313	298	284	271	258	246	211
Income tax	-128	-158	-189	-220	-251	-280	-344
Trade payables	-9,513	-9,270	-9,015	-8,687	-8,238	-7,644	-7,362
Deferred income (current)	-1,615	-1,557	-1,506	-1,474	-1,423	-1,229	-1,243
Prepayments (current)	1,096	1,052	1,008	957	897	825	746
Provisions (current)	-94	-94	-94	-94	-94	-94	-51
Other debt	-11,598	-11,342	-11,075	-10,730	-10,257	-9,633	-9,610
Net working capital	3,941	3,756	3,559	3,289	2,955	2,663	1,438
Intangible assets	1,538	1,387	1,240	1,099	966	844	735
Property, plant and equipment	70,524	65,075	59,582	52,898	45,762	38,414	31,104
Right-of-use assets	8,217	8,007	7,787	7,504	7,115	6,603	6,385
Total Fixed and Intangible Assets	80,279	74,469	68,609	61,501	53,844	45,861	38,224

(mDKK)	2030	2029	2028	2027	2026	2025	2024
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Statement of Cash Flow

EBIT	22,775	22,873	22,927	22,688	21,968	20,680	18,741
(-) Tax	-5,217	-5,239	-5,252	-5,197	-5,032	-4,737	-4,407
After-Tax Operating profit (NOPLAT)	17,559	17,633	17,675	17,491	16,936	15,943	14,334
(+) Depreciation, amortisation and impairment	4,336	4,225	4,109	3,960	3,755	3,484	3,098
(+) Other Adjustments Non-Cash	-27	-27	-27	-27	-27	-27	-102
Gross Cash Flow	21,868	21,832	21,758	21,424	20,664	19,400	17,330
(-) Change in Net Working Capital	-184	-198	-269	-334	-292	-1,225	1,650
(-) Total investments in Capex	-10,147	-10,085	-11,218	-11,617	-11,738	-11,121	-10,304
(-) Change in Net Other Operating Assets	-12	-16	-14	-20	32	-50	-85
Total Investments	-10,343	-10,300	-11,501	-11,971	-11,998	-12,396	-8,739
Operating unlevered free cash flows	11,525	11,532	10,256	9,453	8,666	7,005	8,591
After-Tax Non-Operating profit	172	170	168	165	160	153	-52
(-) Change in Employee benefit obligation	172	283	-243	106	219	387	-415
(-) Change in Net Non-Operating Assets	-64	-90	-151	-218	-285	-1,543	-736
Non-operating unlevered free cash flow	281	363	-226	53	94	-1,004	-1,203
Total unlevered free cash flows	11,805	11,896	10,030	9,506	8,760	6,001	7,388

Exhibit TN:12: Perpetuity assumptions and calculation for 2030

Region	GDP, current prices (billions of US dollars)		GDP nominal growth rate	GDP real growth rate
	2029	2030		
World	137,769	144,576	4.9%	3.1%
North America	40,559	42,235	4.1%	2.1%
Europe	32,469	33,734	3.9%	1.5%
Asia & Pacific	50,691	53,722	6.0%	4.0%
Perpetuity Assumption				
Lower Bound (Inflation)				
World	3.2%			
North America	2.5%			
Europe	2.2%			
Asia & Pacific	3.2%			
Upper Bound (GDP nominal growth)				
World	4.9%			
North America	4.1%			
Europe	3.9%			
Asia & Pacific	6.0%			
Perpetuity				
World	4.2%			
North America	2.5%	0.54	*approx. weight in sales	
Europe	2.2%	0.34	*approx. weight in sales	
Asia & Pacific	3.2%	0.12	*approx. weight in sales	
Incremental %	0.0%			

Source: International Monetary Fund (<https://www.imf.org>). Accessed October 10, 2025.

Exhibit TN.13: Debt-to-equity ratio of comparable firms and LEGO's ratio assumption for 2024.

Comparable Firms	D/E (book value)	D/E (market value)
Hasbro	2.97	0.33
Mattel	1.19	0.34
Bandai	0.00	0.00
Spin Master	0.38	0.19
Funko	1.10	0.26
Average	1.13	0.22
Industry (Recreation)		0.65
LEGO	0.17	0.05

Source:

Comparable information - <https://stockanalysis.com>. Accessed October 10, 2025.

Industry ratio – Damodaran, Aswath. “Debt Fundamentals by Sector (US).” Accessed November 2, 2025.
https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/dbtfund.html

^{h)} Debt-to-Equity = Total Debt / Shareholder's Equity

Exhibit TN.14: LEGO's beta estimation & comparable firms' betas

Comparable Firms	Beta Levered	Tax Rate	Debt / Equity Ratio	Beta Unlevered
Hasbro	0.60	20.6%	0.33	0.48
Mattel	0.62	16.3%	0.34	0.48
Bandai	0.24	29.7%	0.00	0.24
Spin Master	0.92	31.2%	0.19	0.81
Funko	0.82	21.0%	0.26	0.68
Average	0.64			0.54
LEGO	0.56	23.6%	0.05	0.54

Source: <https://stockanalysis.com/>. Accessed October 10, 2025.

Exhibit TN.15: Rates calculations and assumptions (Rd, Re, Rf, WACC)

Rates	
Risk Free Rate (Rf) (Denmark)	2.62%
Cost of Debt (Rd)	3.47%
Cost of Debt (Rd) (After-tax)	2.65%
Effective Tax Rate	23.57%
Credit Spread	0.85%
Cost of Equity (Re)	5.64%
Cost of Equity (Re) - Unlevered	5.53%
Levered Beta	0.56
Comparable Firms Avg Beta	0.64
Comparable Firms Avg Unlevered Beta	0.54
LEGO's D/E Ratio	0.05
Market Risk Premium (MRP)	5.40%
WACC	5.50%
D / (D + E)	4.8%
E / (D + E)	95.2%
Perpetuity growth rate	2.5%

Source: Risk-free rate – Denmark 10-year Bond Yield (<https://www.investing.com/rates-bonds/denmark-10-year-bond-yield-historical-data>). Accessed October 9, 2025.

¹⁾ **Cost of Debt (Rd)** = (Risk-free rate + Credit Spread) * (1 – Effective Tax Rate)

²⁾ **Cost of Equity (Re)** = Risk-free rate + (Beta (Lev.) * Equity Risk Premium)
Beta (Lev.) = Beta (Unl.) * [1 + (1 – Effective Tax Rate) * D/E Ratio]

³⁾ **WACC** = [Rd * D / (D+E)] + [Re * E / (D+E)]

Exhibit TN.16: Discounted Cash Flow calculations (in DKK million)

Valuation (in DKK million)	2030	2029	2028	2027	2026	2025	2024
Operating Unlevered Free Cash Flows	11,525	11,532	10,256	9,453	8,666	7,005	8,591
Tax Shield	141	139	136	132	127	122	215
DCF							
Operating Enterprise Value	391,706	382,226	372,031	361,605	350,978	339,328	329,790
Value of Non-Operating items	11,289	11,226	11,135	10,984	10,767	10,481	8,938
Total Enterprise Value	402,995	393,452	383,166	372,590	361,744	349,810	338,728
Net Debt	-9,647	-9,395	-8,811	-8,174	-7,447	-6,601	-6,704
Fair Value of Equity - DCF	393,348	384,057	374,355	364,416	354,297	343,209	332,024
Fair Value of Equity - DCF (in million USD)							48,151

Exhibit TN.17: LEGO and comparable firms' EBITDA multiples and related variables.

	LEGO & Comparable Firms					
	Hasbro	Mattel	Bandai	Spin Master	Funko	LEGO
Ratios FY 2024:						
EV/EBITDA	14.4	8.8	12.4	10.1	12.7	13x - 15x
EV (USD)	10.742B	7.887B	19.226B	2.831B	0.985B	41 - 48B
ROCE	72%	24%	23%	24%	12%	39%
D/E (mkt value)	33%	34%	0%	19%	26%	5%
Avg Growth 5Y	-1%	4%	12%	8%	9%	14%

Source: <https://stockanalysis.com/>. Accessed October 10, 2025.

Exhibit TN.18: Positioning of LEGO and comparable firms according to Growth and ROCE.

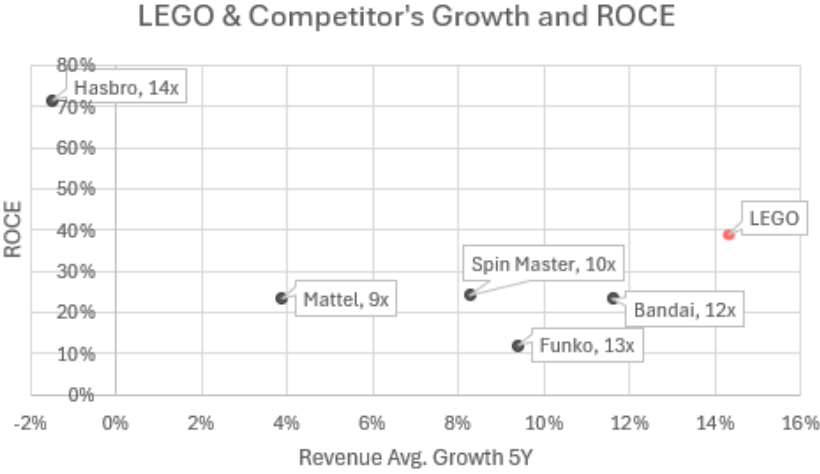


Exhibit TN.19: Football Field Chart for LEGO Valuation (2024).

