

G.I. Joe Battles For 8.8 Percent Profit Increase

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NEW YORK (AP) — Hasbro Inc., the nation's second-biggest toymaker, saw profit rise nearly 9 percent in the third quarter as the company trimmed costs amid a slight decline in sales.

Hasbro also was upbeat about the holidays, saying Monday that results are picking up so far in the fourth quarter.

Strong sellers in the third quarter included Transformers, G.I. Joe, Nerf, Littlest Pet Shop, Play-Doh and Tonka. But overall sales fell 2 percent during the quarter, or up 1 percent excluding the effect of the stronger dollar.

Hasbro said North American sales reflect stronger sales of toys for boys, but revenue was weighed down by weakness in girls, preschool and games and puzzles. In part, weakness in the girls division is due to discontinuing some higher-priced items, like Kota the Triceratops, a robotic dinosaur, which retailed for about \$249.

"This year's line is priced more appropriately for today's consumers but did contribute to a decline in 2009 revenue," Goldner said. He added the company also selectively rolled back some of the 3 percent price increase introduced earlier in this year to offset higher costs for commodities such as oil, since raw material prices have moderated.

CEO Brian Goldner said so far in the fourth quarter, sales have shown momentum.

"In recent weeks, Hasbro's point-of-sale trends have shown further signs of improvement," Goldner said. "While it is still very early in the fourth quarter ... the trends are encouraging."

He said if the trend continues, the company would have sales and earnings for the year higher than in 2008, including the costs related to its TV network joint venture with Discovery Communications.

That is positive news, because industry analysts predict sales during the crucial holiday season will be flat to down 1 percent. Toy makers can make up to half of their annual sales during the holidays.

For the quarter ended Sept. 27, Hasbro said its earnings rose to \$150.4 million, or 99 cents per share, up from \$138.2 million, or 89 cents a share, a year ago.

The latest results top the average analyst estimate of 93 cents a share, as measured by a survey by Thomson Reuters.

The Pawtucket, R.I.-based company said its joint venture with Discovery

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Communications hurt earnings per share by 3 cents. The network is slated to debut next year.

Revenue fell to \$1.28 billion from \$1.3 billion a year ago, missing analysts' estimates of \$1.32 billion. Excluding the effect of the stronger dollar, net revenue grew 1 percent. A stronger dollar results in overseas sales translating back into fewer dollars.

The company said it was perhaps too optimistic about how well toys tied to August's "G.I. Joe: Rise of Cobra" would sell. It expects revenue of more than \$100 million for the property, three times bigger than a year ago, but substantially less than the \$484 million in revenue the company recorded for Transformers in 2007 when the first movie in that series debuted.

"I don't think we can expect that every motion picture we put out to be Transformers," Goldner said. He added "expectations for G.I. Joe were high at retail, and going forward we need to do a better job of setting our expectations for future movie properties."

The company is moving forward a sequel to G.I. Joe with Paramount.

Shares of Hasbro slipped \$1.19, or 4 percent, to \$28.33 during morning trading. The stock has traded between \$21.14 and \$31.05 over the past year.

"Stock weakness (is) likely due to normal profit taking considering the strong recent performance in toy names and potentially some investors developing overly excessive optimistic near-term expectations for Hasbro," wrote Wells Fargo Securities analyst Tim Conder.

Last week, the nation's biggest toymaker, Mattel Inc., reported a decline in profit on a sharper decline in sales.

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