

MATTEL INC /DE/
Form 10-Q
April 29, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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

Commission File Number 001-05647

MATTEL, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of incorporation or organization)

95-1567322
(I.R.S. Employer Identification No.)

333 Continental Blvd.

El Segundo, CA 90245-5012

(Address of principal executive offices)

(310) 252-2000

(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

NONE

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Number of shares outstanding of registrant's common stock, \$1.00 par value, as of April 27, 2009:

358,534,844 shares

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MATTEL, INC. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****MATTEL, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	March 31, 2009	March 31, 2008	December 31, 2008
	(Unaudited; in thousands, except share data)		
ASSETS			
Current Assets			
Cash and equivalents	\$ 404,872	\$ 624,863	\$ 617,694
Accounts receivable, net	565,314	728,229	873,542
Inventories	487,886	534,158	485,925
Prepaid expenses and other current assets	375,561	314,503	409,689
Total current assets	1,833,633	2,201,753	2,386,850
Noncurrent Assets			
Property, plant, and equipment, net	516,424	514,747	536,162
Goodwill	812,233	846,264	815,803
Other noncurrent assets	943,659	878,728	936,224
Total Assets	\$ 4,105,949	\$ 4,441,492	\$ 4,675,039
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current portion of long-term debt	150,000	10,000	150,000
Accounts payable	198,584	307,591	421,736
Accrued liabilities	401,545	505,709	649,383
Income taxes payable	20,838	3,214	38,855
Total current liabilities	770,967	826,514	1,259,974
Noncurrent Liabilities			
Long-term debt	750,000	900,000	750,000
Other noncurrent liabilities	538,939	375,704	547,930
Total noncurrent liabilities	1,288,939	1,275,704	1,297,930
Stockholders' Equity			
Common stock \$1.00 par value, 1.0 billion shares authorized; 441.4 million shares issued	441,369	441,369	441,369
Additional paid-in capital	1,650,966	1,632,945	1,642,092
Treasury stock at cost; 82.9 million shares, 78.9 million shares and 82.9 million shares, respectively	(1,620,062)	(1,548,725)	(1,621,264)
Retained earnings	2,034,654	1,930,838	2,085,573
Accumulated other comprehensive loss	(460,884)	(117,153)	(430,635)

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Total stockholders' equity	2,046,043	2,339,274	2,117,135
Total Liabilities and Stockholders' Equity	\$ 4,105,949	\$ 4,441,492	\$ 4,675,039

The accompanying notes are an integral part of these financial statements.

Table of Contents**MATTEL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Three Months Ended	
	March 31,	March 31,
	2009	2008
	(Unaudited; in thousands, except per share amounts)	
Net Sales	\$ 785,646	\$ 919,299
Cost of sales	439,774	522,463
Gross Profit	345,872	396,836
Advertising and promotion expenses	84,064	102,961
Other selling and administrative expenses	317,017	330,410
Operating Loss	(55,209)	(36,535)
Interest expense	15,917	16,049
Interest (income)	(3,478)	(8,547)
Other non-operating (income) expense, net	(2,198)	15,765
Loss Before Income Taxes	(65,450)	(59,802)
Benefit for income taxes	(14,464)	(13,156)
Net Loss	\$ (50,986)	\$ (46,646)
Net Loss Per Common Share Basic	\$ (0.14)	\$ (0.13)
Weighted average number of common shares	358,891	361,751
Net Loss Per Common Share Diluted	\$ (0.14)	\$ (0.13)
Weighted average number of common and potential common shares	358,891	361,751

The accompanying notes are an integral part of these financial statements.

Table of Contents**MATTEL, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Three Months Ended	
	March 31, 2009	March 31, 2008
	(Unaudited; in thousands)	
Cash Flows From Operating Activities:		
Net loss	\$ (50,986)	\$ (46,646)
Adjustments to reconcile net loss to net cash flows used for operating activities:		
Net gain on disposal of property, plant, and equipment		(100)
Depreciation	38,388	40,315
Amortization	5,977	2,911
Deferred income taxes	(8,169)	(25,668)
Share-based compensation	9,438	7,050
Increase (decrease) from changes in assets and liabilities:		
Accounts receivable	291,386	289,525
Inventories	(4,539)	(89,921)
Prepaid expenses and other current assets	(27,528)	(31,404)
Accounts payable, accrued liabilities, and income taxes payable	(477,021)	(365,647)
Other, net	8,247	(44,850)
Net cash flows used for operating activities	(214,807)	(264,435)
Cash Flows From Investing Activities:		
Purchases of tools, dies, and molds	(9,366)	(16,544)
Purchases of other property, plant, and equipment	(10,766)	(16,153)
Proceeds from sale of investments	55,400	
Proceeds from sale of other property, plant, and equipment	135	1,388
(Payments) proceeds from foreign currency forward exchange contracts	(12,112)	34,256
Net cash flows provided by investing activities	23,291	2,947
Cash Flows From Financing Activities:		
Payments of short-term borrowings		(349,003)
Payments of long-term borrowings		(40,000)
Proceeds from long-term borrowings		347,182
Payment of credit facility renewal costs	(10,208)	
Share repurchases		(129)
Proceeds from exercise of stock options	206	13,320
Other, net	499	373
Net cash flows used for financing activities	(9,503)	(28,257)
Effect of Currency Exchange Rate Changes on Cash	(11,803)	13,460
Decrease in Cash and Equivalents	(212,822)	(276,285)
Cash and Equivalents at Beginning of Period	617,694	901,148
Cash and Equivalents at End of Period	\$ 404,872	\$ 624,863
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Income taxes, gross	\$ 24,935	\$ 22,369

Interest

12,093

9,301

The accompanying notes are an integral part of these financial statements.

Table of Contents**MATTEL, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****1. Basis of Presentation**

The accompanying unaudited consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments, consisting of only those of a normal recurring nature, considered necessary for a fair presentation of the financial position and interim results of Mattel, Inc. and its subsidiaries (Mattel) as of and for the periods presented, have been included. Because Mattel's business is seasonal, results for interim periods are not necessarily indicative of those that may be expected for a full year.

The year-end balance sheet data was derived from audited financial statements, however, the accompanying interim notes to the consolidated financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America.

The financial information included herein should be read in conjunction with Mattel's consolidated financial statements and related notes in its 2008 Annual Report on Form 10-K.

2. Accounts Receivable

Accounts receivable are net of allowances for doubtful accounts of \$23.2 million as of March 31, 2009 and 2008, and \$25.9 million as of December 31, 2008.

3. Inventories

Inventories include the following:

	March 31, 2009	March 31, 2008	December 31, 2008
	(In thousands)		
Raw materials and work in process	\$ 63,996	\$ 58,350	\$ 57,311
Finished goods	423,890	475,808	428,614
	\$ 487,886	\$ 534,158	\$ 485,925

4. Property, Plant, and Equipment

Property, plant, and equipment, net include the following:

	March 31, 2009	March 31, 2008	December 31, 2008
	(In thousands)		
Land	\$ 26,694	\$ 26,940	\$ 26,499
Buildings	237,040	241,078	237,561
Machinery and equipment	754,302	814,624	758,656

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Tools, dies, and molds	553,565	600,486	544,789
Capital leases	23,271		