

MATTEL INC /DE/  
Form 10-Q  
October 27, 2010  
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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 September 30, 2010

**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)  
**333 Continental Blvd.**

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

**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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 October 22, 2010:

358,829,360 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**

	September 30, 2010	September 30, 2009	December 31, 2009
	(Unaudited; in thousands, except share data)		
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and equivalents	\$ 960,545	\$ 323,718	\$ 1,116,997
Accounts receivable, net	1,550,016	1,450,320	749,335
Inventories	741,433	606,019	355,663
Prepaid expenses and other current assets	313,747	323,435	332,624
<b>Total current assets</b>	<b>3,565,741</b>	<b>2,703,492</b>	<b>2,554,619</b>
<b>Noncurrent Assets</b>			
Property, plant, and equipment, net	478,083	513,160	504,808
Goodwill	824,799	826,816	828,468
Other noncurrent assets	890,224	945,599	892,660
<b>Total Assets</b>	<b>\$ 5,758,847</b>	<b>\$ 4,989,067</b>	<b>\$ 4,780,555</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
<b>Current Liabilities</b>			
Short-term borrowings	\$ 5,454	\$ 159,292	\$ 1,950
Current portion of long-term debt	250,000	50,000	50,000
Accounts payable	466,048	406,436	350,675
Accrued liabilities	672,164	709,829	617,881
Income taxes payable	52,160	11,115	40,368
<b>Total current liabilities</b>	<b>1,445,826</b>	<b>1,336,672</b>	<b>1,060,874</b>
<b>Noncurrent Liabilities</b>			
Long-term debt	960,000	710,000	700,000
Other noncurrent liabilities	495,879	536,697	488,692
<b>Total noncurrent liabilities</b>	<b>1,455,879</b>	<b>1,246,697</b>	<b>1,188,692</b>
<b>Stockholders' Equity</b>			
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	1,684,274	1,638,563	1,684,694
	(1,611,897)	(1,569,386)	(1,555,046)

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Treasury stock at cost; 81.9 million shares, 80.2 million shares, and 79.5 million shares, respectively

Retained earnings	2,699,432	2,286,112	2,339,506
Accumulated other comprehensive loss	(356,036)	(390,960)	(379,534)
<b>Total stockholders equity</b>	<b>2,857,142</b>	<b>2,405,698</b>	<b>2,530,989</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 5,758,847</b>	<b>\$ 4,989,067</b>	<b>\$ 4,780,555</b>

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

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**MATTEL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	(Unaudited; in thousands, except per share amounts)			
<b>Net Sales</b>	\$ 1,833,056	\$ 1,791,875	\$ 3,731,641	\$ 3,475,718
Cost of sales	895,525	873,260	1,872,642	1,805,171
<b>Gross Profit</b>	937,531	918,615	1,858,999	1,670,547
Advertising and promotion expenses	201,636	197,106	397,655	370,990
Other selling and administrative expenses	377,264	385,055	988,050	985,799
<b>Operating Income</b>	358,631	336,454	473,294	313,758
Interest expense	13,843	19,317	40,910	52,723
Interest (income)	(1,842)	(1,510)	(7,076)	(7,513)
Other non-operating expense (income), net	11	14,014	(2,518)	5,548
<b>Income Before Income Taxes</b>	346,619	304,633	441,978	263,000
Provision for income taxes	63,357	74,791	82,299	62,675
<b>Net Income</b>	\$ 283,262	\$ 229,842	\$ 359,679	\$ 200,325
<b>Net Income Per Common Share Basic</b>	\$ 0.78	\$ 0.63	\$ 0.98	\$ 0.55
Weighted average number of common shares	360,608	360,843	362,245	359,513
<b>Net Income Per Common Share Diluted</b>	\$ 0.77	\$ 0.63	\$ 0.97	\$ 0.55
Weighted average number of common and potential common shares	363,483	361,925	365,370	360,330

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

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

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited; in thousands)</b>	
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 359,679	\$ 200,325
Adjustments to reconcile net income to net cash flows used for operating activities:		
Depreciation	113,192	112,812
Amortization	11,556	13,719
Asset impairments	15,444	10,332
Deferred income taxes	(6,404)	(27,086)
Share-based compensation	44,800	35,030
(Decrease) increase from changes in assets and liabilities:		
Accounts receivable	(779,197)	(545,404)
Inventories	(371,199)	(81,242)
Prepaid expenses and other current assets	23,064	(31,698)
Accounts payable, accrued liabilities, and income taxes payable	162,587	23,155
Other, net	(1,152)	(28,750)
Net cash flows used for operating activities	(427,630)	(318,807)
<b>Cash Flows From Investing Activities:</b>		
Purchases of tools, dies, and molds	(59,458)	(57,615)
Purchases of other property, plant, and equipment	(35,672)	(32,837)
Proceeds from sale of investments		67,134
Proceeds from sale of other property, plant, and equipment	2,387	454
Proceeds from foreign currency forward exchange contracts	3,571	20,214
Net cash flows used for investing activities	(89,172)	(2,650)
<b>Cash Flows From Financing Activities:</b>		
Payments of short-term borrowings	(1,950)	(294,392)
Proceeds from short-term borrowings	5,454	453,090
Payments of long-term borrowings		