

The Study of LEGO's Market Leadership: A Financial Valuation Model and Strategic Evaluation

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Abstract: In an era where digital entertainment dominates, understanding how traditional toy companies maintain market competitiveness is essential. LEGO, as the world's leading toy manufacturer, serves as a compelling case study. This paper examines LEGO's market leadership through a financial valuation using the Discounted Cash Flow (DCF) model and a strategic evaluation of its business practices. Using data from LEGO's annual reports, the DCF model estimates LEGO's enterprise value at DKK 392,139 million as of 2023. The strategic evaluation highlights LEGO's unique "System of Play", innovative product design, IP collaborations with major franchises, fan engagement and ventures into movies, video games, and theme parks as key drivers of its market dominance. With an estimated value of the LEGO company, the study underscores LEGO's innovation and diversification in achieving success, offering relevant lessons for peer companies.

Keywords: LEGO, company valuation, discounted cash flow, strategic evaluation

1. Introduction

Within the toy industry, which has seen significant shifts in recent decades due to the rise of digital entertainment and changing consumer preferences, the LEGO company stands out as an exemplar of success. With a market share of over 60% in the category of construction toys worldwide, LEGO has established itself as a dominant player. Founded in 1932 by Ole Kirk Christiansen in Denmark, LEGO was originally a small toy company producing wooden toys. In 1949, LEGO began producing toys with plastic bricks, which became the foundation of its business [1]. Today, LEGO is the world's leading toy manufacturer, with a presence in over 130 countries. The company's business is centered around its iconic plastic bricks, but also generates revenue from licensing agreements, movie franchises, video games, and theme parks.

To better understand the foundation of LEGO's success, it is necessary to conduct a financial valuation on the company. A company valuation is a process used to determine the economic value of a business, which is crucial for investors, managers, and stakeholders to understand the company's financial health, potential growth, and market standing. Various methods are used to conduct a valuation, and the Discounted Cash Flow (DCF) model is one of the most widely used models. The DCF model views the company as a cash flow generator and uses a suitable discount rate to calculate the present value of future cash flows in order to obtain the company's value [2].

In order to understand the value of the LEGO company and how it has managed to maintain its market dominance, it is essential to consider both quantitative and qualitative factors. This article aims to evaluate LEGO's market leadership through two key lenses: a financial valuation using the DCF model and a strategic evaluation of its business practices. The DCF analysis will estimate LEGO's enterprise value, and the strategic evaluation will focus on critical elements of LEGO's business model, including its product centricity, community engagement, and multi-channel development. The targeted main contribution of this paper is to provide insights into how LEGO's strategies have allowed it to maintain its market leadership, offering relevant lessons for other manufacturers that aim to stay competitive in a rapidly changing market.

2. Methodology

2.1. Research Approach

2.1.1. Financial Valuation

This paper uses the Discounted Cash Flow (DCF) model to estimate LEGO's value. The DCF model is a widely used approach for estimating the present value of a company based on its projected future cash flows and a discount factor that accounts for both risk and the time value of money. The Weighted Average Cost of Capital (WACC) is used as the discount rate. The WACC combines the required rates of return on both equity and debt, reflecting the overall risk profile of the company. A key element of the DCF model is the estimation of free cash flow, which is the residual cash generated after all operating expenses and taxes, but before debt payments. The formula for the calculation is as follows:

$$\text{Value of Company} = \sum_{t=1}^{t=n} \frac{CF_t}{(1+WACC)^t} \quad (1)$$

Where CF_t is the expected cash flow to firm in period t .

While the DCF model is highly effective, the accuracy of the valuation depends on the assumptions made about future cash flows and the discount rate. Consequently, to mitigate uncertainties and biases, assumptions are based on a thorough analysis of LEGO's historical performance and future prospects. By applying the DCF method with the WACC as the discount rate, this research will provide an estimation of LEGO's enterprise value, offering insights into its financial status.

2.1.2. Strategic Evaluation

In addition to the financial valuation, a strategic evaluation of LEGO's business practices is essential to understand the factors that contribute to its market leadership. Strategic evaluation involves assessing the effectiveness of the company's competitive advantages and strategic initiatives. This paper will examine LEGO's strategies in the following three aspects: product centricity, community engagement, and multi-channel development. This approach complements the financial valuation by offering a broader understanding of LEGO's long-term success.

2.2. Data Collection

Relevant quantitative and qualitative data will be drawn from a variety of secondary sources. Financial data, such as revenue, profitability and historical performance, will be sourced from LEGO's annual reports and credible financial databases. Qualitative data will be obtained through articles and press releases that highlight LEGO's strategic initiatives and market positioning. Other key sources include academic journals, industry reports, and trusted websites.

3. Valuation Model

3.1. Calculation of Unlevered Free Cash Flow (UFCF)

To conduct the Discounted Cash Flow (DCF) model for LEGO, accurate financial data is crucial. All numbers used in the calculations of Unlevered Free Cash Flow (UFCF) are sourced from LEGO's annual reports from 2019 to 2023, specifically from the balance sheets, income statements, and cash flow statements.

The calculation of historical UFCF begins with revenue, from which operating expenses are subtracted to determine Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). Depreciation and amortization are then deducted from EBITDA to obtain Earnings Before Interest and Taxes (EBIT). Next, Net Operating Profit After Taxes (NOPAT) is calculated using the formula:

$$\text{NOPAT} = \text{EBIT} \times (1 - \text{Effective Tax Rate}) \quad (2)$$

Finally, UFCF is obtained using the following formula:

$$\text{UFCF} = \text{NOPAT} + \text{Depreciation and Amortization} - \text{Capital Expenditure} - \text{Change in Working Capital} \quad (3)$$

3.2. Forecast

Forecast Period: The forecast period will be set to ten years, assuming that LEGO reaches the terminal stage in 2033, during which the free cash flow grows at a constant rate. The value of this period is called the terminal value.

Revenue Growth: The forecasted revenue growth rate plays a critical role in the accuracy of the DCF model, as it directly impacts future cash flow and consequently, the estimated value of LEGO. From 2019 to 2023, LEGO's revenue has had a 4-year CAGR of 14%. Respectively, the double-digit revenue growths from 2020 to 2022 are a result of strong consumer demand for the company's portfolio in all major markets despite COVID-19 impacts, whereas the 2% revenue growth in 2023 results from macroeconomic headwinds and a decline in the Chinese market. Despite a declining toy market in the challenging economic environment, it is believed that LEGO's competitive advantages will allow it to continue outperforming the industry. These competitive advantages include innovation abilities, a resilient supply chain, strong retailer partnerships and expansion of sales channels. LEGO's management anticipates stabilization of the toy market in the coming years, predicting that growth rates will normalize to pre-pandemic levels [3]. Consequently, the revenue growth is projected to increase before eventually settling at a steady state of approximately 3%, in line with the forecasted global real GDP growth rate in 2024 according to Euromonitor [4].

Operating Costs: Operating costs consist of production costs and operating expenses, while operating expenses include sales and distribution, administration and IT and other operating expenses. Based on historical numbers of the past five years and the organizational scale and structure of the LEGO company, operating costs are projected to be consistent, with production costs and operating expenses accounting for 30% and 41.5% of revenue respectively.

Depreciation and Amortization: As a result of LEGO's persistent effort to stay competitive and innovative, continuous investments are expected. Depreciation and amortization are forecasted as a percentage of revenue and remain at 4.5% in line with historical average.

Tax: The current corporate tax rate in Denmark is 22%. Consequently, the projected effective tax rate has been determined at 22%, assuming that it will remain unchanged throughout the forecast period.

Capital Expenditure: Since 2022, LEGO has initiated a strategic expansion of its supply chain network to meet long-term growth. It is announced in 2022 that the company would expand its factory network from five to seven facilities over a three-year period, with one new factory in Binh Duong,

Vietnam and another near Richmond, Virginia, U.S. LEGO is also increasing capacity at factories in Hungary, Mexico and China to meet future demand [3]. Given the strategic investment in infrastructure, capital expenditure is expected to be relatively high as a percentage of revenue during the 2024-2025 forecast period, in line with the elevated levels observed in 2023. Then capital expenditure will gradually decrease and stabilize at a historical average of approximately 6%, assuming that no additional factory expansions are planned during the forecast period.

Change in Working Capital: Change in working capital is driven by items like inventories, trade receivables, other receivables, prepayments, trade payables, deferred income and other debt. None of these items show an explicit trend, so change in working capital remains in line with the historical average.

Unlevered Free Cash Flow: Based on the forecasted values, unlevered free cash flow is projected, and details can be found in Table 1 below.

Table 1: Calculation of Unlevered Free Cash Flow

(mDKK)	Historical					Forecast									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenue	38,544	43,656	55,294	64,647	65,914	67,562	69,589	72,024	74,905	78,276	82,190	85,888	89,324	92,540	95,316
Revenue Growth Rate	6.0%	13.3%	26.7%	16.9%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	4.5%	4.0%	3.6%	3.0%
Operating costs	25,744	28,630	35,952	44,143	45,896	48,307	49,756	51,497	53,557	55,967	58,766	61,410	63,867	66,166	68,151
% Revenue	66.8%	65.6%	65.0%	68.3%	69.6%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%	71.5%
EBITDA	12,800	15,026	19,342	20,504	20,018	19,255	19,833	20,527	21,348	22,309	23,424	24,478	25,457	26,374	27,165
Depreciation and amortization	(1,963)	(2,114)	(2,298)	(2,583)	(2,910)	(3,040)	(3,131)	(3,241)	(3,371)	(3,522)	(3,699)	(3,865)	(4,020)	(4,164)	(4,289)
% Revenue	5.1%	4.8%	4.2%	4.0%	4.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
EBIT	10,837	12,912	17,044	17,921	17,108	16,215	16,701	17,286	17,977	18,786	19,726	20,613	21,438	22,209	22,876
Effective tax rate	22.7%	20.7%	21.9%	22.0%	23.2%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
NOPAT	8,377	10,239	13,311	13,978	13,139	12,648	13,027	13,483	14,022	14,653	15,386	16,078	16,721	17,323	17,843
Depreciation and amortization	1,963	2,114	2,298	2,583	2,910	3,040	3,131	3,241	3,371	3,522	3,699	3,865	4,020	4,164	4,289
Capital expenditure	(2,162)	(1,884)	(3,156)	(5,972)	(8,463)	(10,810)	(9,742)	(6,482)	(5,243)	(5,088)	(4,931)	(5,153)	(5,359)	(5,552)	(5,719)
% Revenue	5.6%	4.3%	5.7%	9.2%	12.8%	16.0%	14.0%	9.0%	7.0%	6.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Change in working capital	(696)	888	927	(1,431)	(416)	(338)	(313)	(288)	(262)	(235)	(247)	(258)	(268)	(278)	(286)
% Revenue	-1.8%	2.0%	1.7%	-2.2%	-0.6%	-0.5%	-0.5%	-0.4%	-0.4%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
Unlevered Free Cash Flow	7,482	11,357	13,380	9,158	7,170	4,540	6,103	9,954	11,887	12,853	13,907	14,532	15,114	15,658	16,127

3.3. Weighted Average Cost of Capital (WACC)

To determine LEGO company's value using the DCF model, the forecasted unlevered free cash flow should be discounted by the weighted average cost of capital (WACC), which is the weighted average cost of debt and equity. The WACC reflects the opportunity cost that investors face by choosing to invest their funds in one specific business instead of others with comparable risk [5]. The WACC is calculated with the following formula:

$$WACC = \frac{E}{E+D} \times r_e + \frac{D}{E+D} \times (1 - t) \times r_d \quad (4)$$

Where E is market value of the equity, D is market value of the debt, t is tax rate, r_e is required return to equity, r_d is required return to debt.

As the WACC is a weighted average with respect to the company's financial structure, LEGO's financial structure must first be determined. According to LEGO's 2023 annual report, the company is not reliant on external financing. In order to maintain its strong financials, LEGO fund investments in subsidiaries via equity and intercompany loan funding. Its dividend payment further reflects this strategy as any surplus liquidity is distributed to the owners. It can be safely assumed that LEGO will continue this financial structure in the forecast period. Therefore, the WACC is only determined by the cost of equity.

To calculate cost of equity, Capital Asset Pricing Model (CAPM) is used:

$$\text{Cost of Equity} = r_f + \beta \times (r_M - r_f) \quad (5)$$

Where r_f is the rate of return for risk-free investments, r_M is the expected market return, $(r_M - r_f)$ means market risk premium.

The rate of return for risk-free investments, also known as the risk-free rate, is typically regarded as the 10-year government bond rate in mature markets [6]. The 10-year government bond rate should be consistent with the currency of the cash flows measured. Using a 3-year arithmetic average of the Denmark 10-year government bond rate, the risk-free rate is estimated at 1.89% [7].

In this paper, the market risk premium is sourced from a survey conducted about market risk premiums and risk-free rates for 96 countries. For Denmark, the number was 5.8% [8].

The beta value reflects the systematic risk compared to the market portfolio. Normally, the slope of a regression of stock returns against market returns is considered as the stock's beta value. However, LEGO, as an unlisted company, makes the method above infeasible. Therefore, in this paper, LEGO's beta is based on its peer companies, Mattel and Hasbro. The 5-year monthly beta values for Mattel (0.79) and Hasbro (0.62) yield an arithmetic average beta of 0.71 for LEGO.

Finally, the WACC can be calculated as:

$$\text{WACC} = 1.89\% + 0.71 \times 5.8\% = 6.01\% \quad (6)$$

3.4. DCF Analysis

With the forecasted unlevered free cash flow and the WACC, the valuation of LEGO can be computed. The terminal value of the company is determined on the basis of Gordon's formula:

$$\text{Terminal Value} = \frac{\text{UFCF}_{t+1}}{i-g} \quad (7)$$

Where UFCF_{t+1} is estimated free cash flow for the first year after the forecast period, i is the discount rate (WACC in this case), g is the terminal growth rate [9].

The estimated value of LEGO is DKK 392,139 million as of December 31, 2023. Details can be found in Table 2 below. With a market valuation of USD 54.90 billion (1 DKK = 0.14 USD as of January 10, 2025), LEGO surpasses its primary competitors, Hasbro (USD 10.78 billion) and Mattel (USD 8.12 billion), highlighting its leadership in the industry.

Table 2: Estimation of Enterprise Value

(mDKK)		Forecast										
		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Terminal
Unlevered Free Cash Flow		4,540	6,103	9,954	11,887	12,853	13,907	14,532	15,114	15,658	16,127	16,611
WACC		6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%	6.01%
Discount factor		0.943	0.890	0.839	0.792	0.747	0.705	0.665	0.627	0.591	0.558	0.558
Present Value of UFCF		4,283	5,431	8,355	9,412	9,600	9,798	9,658	9,475	9,260	8,997	
Terminal growth rate	3.00%											
Terminal value	551,869											
Present value of Terminal value	307,870											
Enterprise Value	392,139											

3.5. Sensitivity Analysis

To understand how different inputs of a financial model affects its outputs, a sensitivity analysis is often conducted. A sensitivity analysis in the DCF valuation model can enhance its quality and reliability, which examines the results of valuation when changing key parameters. The WACC and terminal growth rate are two chosen variables, because small adjustments to these variables can lead to large differences in the valuation. The conducted sensitivity analysis can be found in Table 3 below.

Table 3: Sensitivity Analysis

		Terminal Growth Rate						
(mDKK)	392,139	2.67%	2.78%	2.89%	3.00%	3.11%	3.22%	3.33%
WACC	5.35%	454,355	470,468	488,022	507,220	528,303	551,563	577,357
	5.57%	418,437	431,899	446,465	462,279	479,506	498,347	519,037
	5.79%	387,597	398,980	411,226	424,437	438,733	454,253	471,161
	6.01%	360,832	370,557	380,968	392,139	404,158	417,125	431,157
	6.23%	337,386	345,770	354,706	364,252	374,470	385,435	397,232
	6.45%	316,678	323,964	331,701	339,930	348,702	358,071	368,101
	6.67%	298,258	304,634	311,382	318,534	326,128	334,206	342,816

When the WACC is set at 6.01% and the terminal growth rate ranges from 2.67% to 3.33%, the value of equity changes from DKK 360,832 million to DKK 431,157 million. When the terminal growth rate is set at 3.00% and the WACC ranges from 5.35% to 6.67%, the value of equity changes from DKK 507,220 million to DKK 318,534 million. This analysis demonstrates the degree to which the estimated valuation is sensitive to changes in the WACC and the terminal growth rate.

4. Strategic Evaluation

While the financial valuation offers an estimation of LEGO’s value, a strategic evaluation provides deeper insights into the factors driving its market leadership and aims to complement the DCF model. This section examines the qualitative aspects that contribute to LEGO’s enduring success, focusing on its strategies in product centricity, community engagement, and multi-channel development. These strategies are integral to LEGO’s ability to adapt to market changes, foster innovation, and maintain its leadership position.

4.1. Product Centricity

LEGO’s success lies in its ability to focus on the core of its popularity — high-quality products built from plastic bricks. LEGO’s ability to consistently capture consumer interest is achieved through its unique “System of Play”, continuous innovation, and strategic IP collaborations with popular franchises.

4.1.1. “System of Play”

The “System of Play” is a key concept in LEGO’s product strategy, emphasizing the compatibility of all LEGO bricks. The system ensures that each brick can fit with any other, giving them almost infinite potential.

The “System of Play” provides LEGO with two significant advantages: cost savings and a competitive moat. The toy industry is highly dynamic, with children’s preferences shifting rapidly. While competitors need to continuously design and produce something new by making changes to

factories and product lines, LEGO can save costs by only making modifications to sets and themes while the overall system remains the same. Furthermore, the system serves as a competitive moat, as LEGO is one of the few companies that has designed a product meant to endure across generations. The fact that bricks from the past fit perfectly with bricks in the future creates a unique experience, fostering lifelong customer loyalty and distinguishing LEGO from its competitors.

4.1.2. Innovation

Innovation has been an indispensable part of LEGO's success, enabling LEGO to stay appealing to customers in a rapidly changing market. With new sets consisting of approximately 50% of the product portfolio every year, LEGO demonstrates a commitment to innovation that distinguishes itself from competitors [10]. A notable example of LEGO's innovation is LEGO Ideas, an online crowd-sourcing platform that empowers fans to contribute their own designs. Two successful efforts were LEGO Architecture, which increased LEGO's popularity with adults, and LEGO Friends, which expanded the brand's female audience. Every year, hundreds of ideas are submitted to LEGO Ideas, which drives innovation on a global basis and allows LEGO to reach new audiences. Compared with its competitors, LEGO employs an open innovation strategy to engage with consumers and partners, generating ideas from around the world to introduce new products that reinforce LEGO's market leadership.

4.1.3. IP Collaborations

IP collaborations have played a pivotal role in LEGO's lasting popularity. These collaborations broaden the LEGO universe with new sets and also attract a diverse range of fans that encompass both children and adults. By partnering with globally renowned franchises, LEGO is able to connect to the popularity of iconic brands and attract both franchise fans and traditional LEGO enthusiasts. For example, the LEGO Star Wars series, launched in 1999, has become one of the company's most successful product lines, generating billions in revenue over the years. Similarly, LEGO Marvel and LEGO Harry Potter are series that have captivated new audiences by showcasing well-loved characters and iconic scenes from movies and novels. These IP-driven products contribute to LEGO's top-line growth. More importantly, they enhance LEGO's brand equity and enable it to stay relevant for decades by associating itself with trendy franchises as well as cultural phenomena.

4.2. Community Engagement

Community engagement is central to LEGO's strategy, as the company deeply values its diverse fan base, including both children and adults. By actively involving its fans in product development, LEGO strengthens its brand awareness and customer loyalty.

4.2.1. Children

LEGO places significant value on children as they represent the core of its consumer base. Furthermore, recognizing that children are natural creators and imaginative thinkers, LEGO views them as both customers and co-creators in the development process. In the early 2000s, LEGO initiated programs that invited children to suggest ideas for future products, believing that "children will never buy a product that isn't fun" [11]. Today, LEGO is dedicated to a child participation strategy and co-creates with children across its business, not just on products and experiences but also on strategies and sustainability goals. By actively listening to and incorporating children's feedback, LEGO builds deeper emotional connections with its young audiences than peer competitors.

4.2.2. AFOL

LEGO has cultivated a strong relationship with its adult fan base, Adult Fans of LEGO (AFOL), a passionate and growing community that significantly contributes to the brand's innovation and market presence. AFOLs engage with LEGO in multiple ways, from building elaborate custom creations to participating in conventions and fan forums. LEGO recognizes the importance of its adult fan base through its department "AFOL Engagement Team". It supports adult fans by transforming fan creations into official LEGO sets, creating opportunities for local community engagement and connecting fans through the LEGO Ambassador Network. These activities give AFOLs a direct influence on the product line and foster a sense of belonging to the brand as well as its community. By valuing AFOLs, LEGO connects with a group that not only drives sales but also promotes the brand through word-of-mouth and social media. This relationship enhances LEGO's image as inclusive and deeply connected to its fans.

4.3. Multi-channel Development

LEGO's multi-channel development highlights its efforts to expand beyond toys, exploring numerous fields including movies, video games, and theme parks. In this era of digital entertainment, these diverse channels enhance LEGO's brand visibility and generate additional revenue streams.

4.3.1. Movies

LEGO's expansion into movies is one of the most successful multi-channel development strategies that promotes brand recognition and increases revenue. The release of *The LEGO Movie* marked a milestone for LEGO's effort in the film industry, grossing over USD 468 million worldwide on a 60 million budget. The film earned global recognition with audiences of all ages due to its creativity and humor. The success of this first film has led to more than 20 sequels and spin-offs, including *The LEGO Batman Movie* and *The LEGO Ninjago Movie*, which generated substantial box office revenue and boosted toy sales with new product lines. These movies have strengthened LEGO's brand image in pop culture, contributing to its overall brand development.

4.3.2. Games

LEGO video games have proven to be another success in LEGO's multi-channel development. *LEGO Star Wars: The Video Game*, launched in 2005, revealed the potential of combining beloved IPs with engaging gaming experiences. Since then, LEGO has worked with Warner Brothers and other publishers to produce a series of games based on popular IPs like *Harry Potter*, *Marvel*, and *Jurassic World*. Notably, the latest LEGO video game, *LEGO Star Wars: The Skywalker Saga*, was one of the top five best-selling games of 2022, having sold over 5 million copies worldwide across all platforms. In 2023, LEGO launched the game *LEGO Fortnite* with Epic Games, attracting more than 2.4 million players in the game at launch [3]. By diversifying its channels through games, LEGO expands its market even further.

4.3.3. LEGOLANDs

LEGOLAND parks play a pivotal role in LEGO's multi-channel development strategy. With 10 LEGOLAND parks globally, LEGO retains a stake in these parks managed by Merlin Entertainments. These parks are designed specifically for families with children, and they have had significant revenue growth in recent years. In 2023, LEGOLAND parks worldwide attracted approximately 16.7 million visitors, marking a 6% increase from the previous year and the highest attendance in over a decade [12]. Unlike LEGO, Hasbro and Mattel lack theme parks of similar scale. While Hasbro operates

experiential centers like NERF Action Xperience, they only cater to specific audiences. Mattel has a theme park called Mattel Adventure Park under construction in Arizona, but it is difficult for Mattel to match LEGO's global reach. LEGO's ability to integrate its products with large-scale theme parks secures its competitive edge in both the toy and experience markets.

5. Conclusion

This paper examines LEGO's enduring leadership in a rapidly changing market dominated by digital entertainment. It combines a financial valuation using the Discounted Cash Flow (DCF) model and a strategic evaluation of LEGO's business practices to provide a comprehensive understanding of its success. Using data from LEGO's annual reports from 2019 to 2023, the DCF valuation estimated LEGO's enterprise value at DKK 392,139 million as of December 31, 2023. The strategic evaluation focused on three areas: product centricity, community engagement, and multi-channel development. The analysis revealed how LEGO's innovation, IP collaborations, fan engagement, and ventures into various channels have enabled the company to maintain its dominance in the toy industry.

There is room for further improvement in this paper. First, the DCF model employed simplified assumptions, such as only including depreciation and amortization in adjustments for non-cash items when calculating NOPAT. A more accurate valuation is expected if all accounting items are considered. Second, the strategic evaluation would benefit from more revenue data for each of LEGO's business segments. Despite the limitations, this paper contributes valuable insights into the equity value of the LEGO company and its competitive advantages resulting from various business strategies. It highlights LEGO's ability to balance traditional toys with innovation and adaptation to digital trends. These findings serve as a reference for peer manufacturers aiming to remain competitive in this industry.

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