

Juvenile Products and Toys M&A Update

Q4 2023

M&A activity in juvenile products and toys expected to increase in 2024

Thus far in 2023, merger and acquisition (“M&A”) activity in the Juvenile Products and Toys sector has mirrored that of overall M&A activity in North America. There has been a noticeable slowdown in deal activity due to several macro concerns, including rising interest rates, uncertainty in the economic environment and global political volatility. These factors have led prospective acquirers and investors to be more focused on their organic growth strategy and more selective in their acquisition strategy. That said, companies with tremendous brand equity and stable growth prospects continue to trade at healthy multiples. Looking forward to year-end 2023 and into 2024, M&A activity should pick up as sellers reset expectations to align with company performance and market trends, and as buyers continue to seek established brands with a strong growth momentum.

Industry Drivers and Trends

- ◇ The increasing popularity of educational toys that encourage STEAM (Science, Technology, Engineering, Art and Mathematics) learning is anticipated to boost demand as parents and educators increasingly seek toys and games that combine entertainment with educational value. Additionally, there is a growing trend toward eco-friendly and sustainable products as consumers become more environmentally conscious. This shift is leading to a greater emphasis on responsibly sourced materials and eco-conscious manufacturing processes.
- ◇ Licensing agreements with popular franchises and characters from movies, TV shows and books will continue to be a key strategy for toy manufacturers to leverage brand recognition and drive sales.
- ◇ The proliferation of e-commerce and online retail channels following COVID-19 has expanded the accessibility of Juvenile Products and Toys, allowing consumers to explore a diverse range of products and make purchases conveniently from their homes. Given these trends, the Juvenile Products and Toys market is poised for further growth in the coming years.

Key Takeaways

- M&A activity has been slow year-to-date due to uncertain economic and political environments
- Potential buyers have been focused inward while being more selective in their acquisition strategies
- Businesses with significant brand equity and strong growth prospects continue to trade at healthy multiples

Key Contacts



Sophea Chau
Senior Managing Director
617.603.8963
sophea.chau@griffinfgroup.com



Max F. Traynor
Senior Associate
610.603.8966
max.traynor@griffinfgroup.com

Juvenile Products

Q4 2023

Shift to high-quality and premium products in Juvenile Products continues to drive market expansion.

Despite a challenging retail environment, the rapid acceleration in e-commerce and continued strength in consumer spending have created opportunities for industry players to grow and diversify their product offerings.

Industry Drivers and Trends

- ◆ The demand for baby products has remained robust as disposable income levels grow and parents are increasingly willing to invest in high-quality products.
- ◆ E-Commerce has been a significant driver of industry growth. Direct-to-consumer (D2C) baby products retailers have utilized social media to reach customers directly, and many have embraced trends such as social and environmental responsibility to heighten their engagement with consumers.
- ◆ The diversity of product offerings reflects the changing needs and preferences of parents and caregivers, responding to the rise in demand for gender-neutral, minimalist and environmentally conscious products.

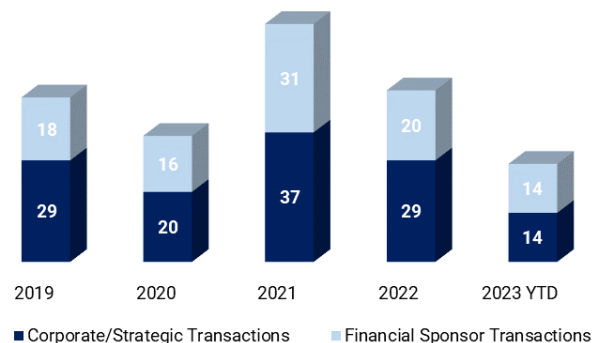
Outlook

- ◆ Dream on Me purchased Buy Buy Baby's IP at a bankruptcy auction in June and plans to reopen 11 brick-and-mortar locations alongside an improved e-commerce platform. The new owners plan to leverage an omnichannel strategy to reach both new and existing customers.
 - *Dream on Me* plans to open at least 100 new physical locations over the next three years.
- ◆ Innovative and tech-enabled products remain a major avenue for growth, with a strong demand for educational and STEM-related products.
- ◆ Juvenile products are, to an extent, less cyclical than other consumer discretionary goods. Parents will generally prioritize spending on products for their children over goods they purchase for themselves.
- ◆ Given tighter lending markets and a rising interest rate environment, financial buyers are showing a preference for middle-market companies with high brand value and consistent financial performance.

M&A Activity

- ◆ Although the juvenile product market continues to consolidate, creating demand as established players look to add innovation and new product lines, M&A volume has declined since its 2021 high.
- ◆ Strategic buyers continue to seek market share through the acquisition of high-quality assets, driving M&A activity in the space.
- ◆ Despite a challenging macro environment, companies with solid fundamentals, authentic brand identity and differentiated products continue to receive strong market interest.

Juvenile Products M&A Activity



*YTD (Through Q3 2023)

Toys and Games

Q4 2023

The Toys and Games sector is expected to see significant growth over the coming years as demand and accessibility expand.

Toys and Games benefited greatly during the COVID-19 pandemic. Although there have been some challenges with supply chain and inflation, the sector remains robust as parents and caregivers seek brands that offer engaging and educational options.

Industry Drivers and Trends

- ◇ Interactive and tech-driven toys provide immersive experiences that bridge the gap between digital and physical play, incorporating tech components that help to prepare children for a tech-driven future.
- ◇ Within the toys and games segment, we have seen greater consumer preference for products that offer a balance between entertainment and education, with a focus on STEM toys that help enhance children's critical thinking skills.
- ◇ Toys targeted to children aged 5-10, particularly those toys that stimulate creativity, critical thinking and problem-solving, hold the largest share in the market and continue to drive growth.

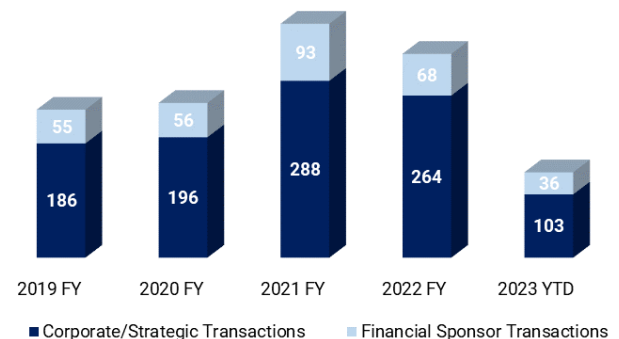
Outlook

- ◇ Innovative and tech-enabled toys remain a major avenue for growth, with a strong demand for educational and STEM-related products.
- ◇ The role of online retail and e-commerce toy sales is expected to continue to grow as Amazon, Target, Walmart and other online retailers compete on price, quality and variety of offerings.
- ◇ We anticipate licensing and entertainment partnerships will offer new opportunities for those in the toys and games sector to capitalize on their existing brand equity through movie and television adaptations.
- ◇ The success of this strategy can be seen in the 25% increase of Barbie toy sales in July and August after the release of the *Barbie* movie, the highest grossing domestic box office release of 2023 to date.

M&A Activity

- ◇ According to *Statista*, the U.S. toys and games market is estimated to reach \$126 billion in 2023 and is projected to grow 2.6% annually over the next five years.
- ◇ The toys and games sector is dominated by a handful of established players (i.e., Mattel, Hasbro, LEGO and Spin Master) who are looking to add new products creating activity in the market.
- ◇ Technological innovations will enhance product performance, leading to wider application downstream. Toys and games is uniquely positioned to continue growing, leveraging demand from Gen Z and Millennial consumers.

Toys and Games M&A Activity



*YTD (Through Q3 2023)

Juvenile Products M&A Insights

- Public companies in the juvenile products sector currently trade at an average of approximately 70% of the 52-week high, reflecting slowing consumer spending in an inflationary economic environment.
- Rising interest rates and an uncertain macro environment have decreased both transaction volume and valuation in 2023; however, high-quality assets with differentiated products continue to see interest from private equity groups.



O2C brands, a Middleton Partners portfolio company, acquired Green Sprouts in August 2023. Green Sprouts offers natural baby products including swimwear, sun wear, mealtime, bath time, hair care, toys and more. The line stands out for its wide range of products for newborns, infants and toddlers up to 4 years old.

\$ in mm's, except per share data



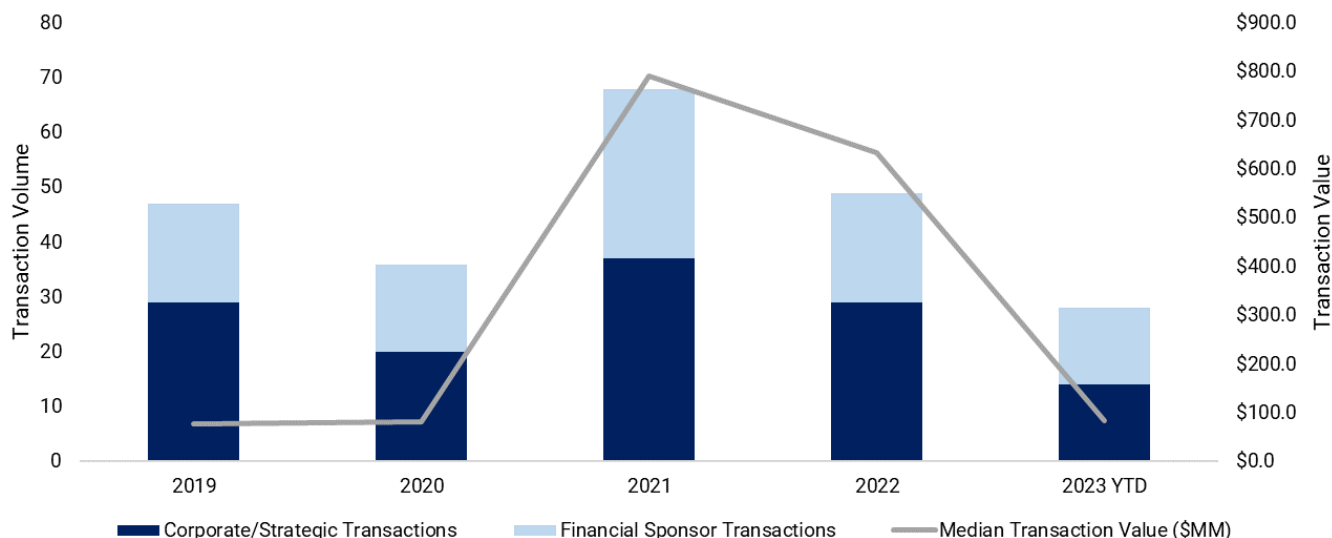
Transom Capital Group announced the successful completion of its acquisition of Aden & Anais, Inc. in August 2023. Aden & Anais is a global designer and manufacturer of infant products which are sold under the brands HALO and aden + anais via e-commerce, mass retail, international, hospital/government, DTC and other channels.

Company	Stock Price \$	% 52-Week High	Market Cap	Enterprise Value (TEV)	LTM Revenue	1-year Revenue Growth (%)	LTM EBITDA	TEV / Revenue	TEV / EBITDA
Carter's, Inc.	67.90	78.3%	2,581	3,446	3,027	-11.9%	372	1.1x	8.1x
Crown Crafts, Inc.	4.95	79.8%	51	74	76	-9.4%	8	1.0x	10.0x
Dorel Industries Inc.	4.00	80.1%	133	503	1,393	-19.4%	-87	0.4x	NM
Goodbaby International Holdings	0.06	51.6%	107	387	996	-17.1%	46	0.4x	6.5x
Newell Brands Inc.	9.50	56.7%	3,931	9,728	8546	-18.7%	752	1.1x	11.4x

Select Public Companies Summary

Mean	69.29%	-15.3%	0.8x	9.0x
Median	78.26%	-17.1%	1.0x	9.0x
Maximum	80.14%	-9.4%	1.1x	11.4x
Minimum	51.55%	-19.4%	0.4x	6.5x

Juvenile Products M&A Volume and Value



Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

Toys and Games M&A Insights

- Public companies in the toys and games sector currently trade at an average of approximately 78% of the 52-week high.
- In recent years, M&A has become increasingly prevalent, reshaping the landscape of the toy industry and allowing companies to expand their market share and continue to fuel innovation.
- M&A activity has created cross-branding and licensing opportunities, revitalizing classic characters and opening new avenues for storytelling and merchandising.



Mayfair Games' acquisition of Mr. B Games in August 2023 is part of Mayfair's mission to expand its existing board games portfolio and strengthen its ability to deliver diverse and exciting experiences to gamers across the globe.

EDC, a specialty children's book publisher, acquired SmartLab Toys in October 2022. SmartLab creates toys and games that focus on hands-on learning and educational experiences that help children to develop core skills in science, technology, engineering, art and math.

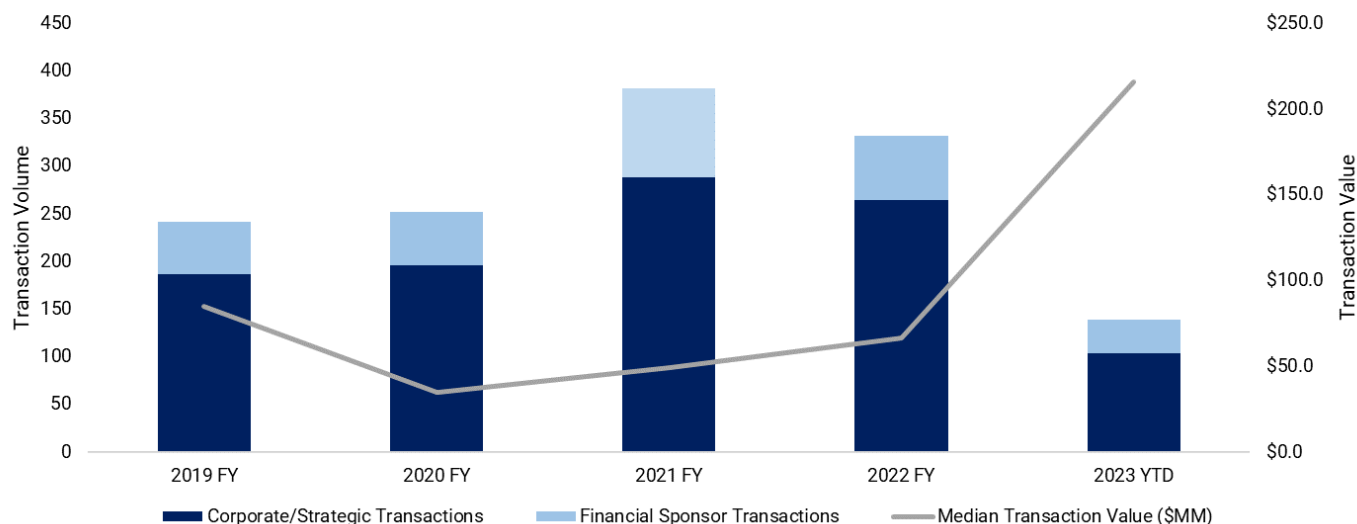
\$ in mm's, except per share data

Company	Stock Price	% 52-Week High	Market Cap	Enterprise Value (TEV)	LTM Revenue	1-year Revenue Growth (%)	LTM EBITDA	TEV / Revenue	TEV / EBITDA
Funko, Inc.	7.41	30.98%	369	744	1,191	-3.1%	-9	0.6x	NM
Hasbro, Inc.	66.20	84.97%	9,208	13,091	5,565	-14.2%	852	2.4x	6.5x
Mattel, Inc.	21.55	95.16%	7,462	9,810	5,059	-13.3%	633	1.9x	8.0x
Spin Master Corp.	26.24	74.36%	2,696	2,218	1,782	-21.3%	217	1.2x	8.2x
TOMY Company, Ltd.	15.42	93.68%	1,398	1,219	1,320	5.5%	154	0.9x	8.6x
Vtech Holdings Limited	6.05	86.55%	1,528	1,509	2,242	-6.4%	214	0.7x	10.5x

Select Public Companies Summary

Mean	77.6%	-8.8%	1.3x	8.4x
Median	85.8%	-9.8%	1.1x	8.2x
Maximum	95.2%	5.5%	2.4x	10.5x
Minimum	31.0%	-21.3%	0.6x	6.5x

Toys & Games M&A Volume and Value



Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

Notable Recent Transactions: Juvenile Products and Toys

Date	Target	Acquirer	Target Business Description
10/11/23	Melissa & Doug	Spin Master (TSE: TOY)	Manufactures baby and toddler toys, puzzles, stuffed animals, arts and crafts and educational toys through independent, big-box and e-commerce retail channels across the United States.
8/24/23	Green Sprouts	O2C Brands	Provides a full range of everyday baby essentials that foster natural health for whole child development.
8/14/23	SRM Entertainment	Jupiter Wellness	Designs, manufactures, and sells toys to theme and amusement parks, and entertainment venues worldwide.
6/13/23	Aden & Anais, Inc.	Transom Capital	A global designer and manufacturer of infant products which are sold under the brands HALO and aden + anais.
6/13/23	Love All Little Things	Spinmaster Ventures and Baby List, Inc.	Manufactures a play kit for kids for daily playing, learning, and creating. Its play kit includes chairs, strollers, and play table.
3/20/23	Manhattan Group	Crown Crafts (NAS: CRWS)	Manufacturer of soft toys designed to help young children learn through the experience of play.
3/4/23	ClapJoy Innovations	Writefine Products	Manufacturer of board, educational, tabletop games, soft toys, flashcards, puzzles, art and craft games.
2/5/23	Trunki	Heroes	Offers products including rideable children's luggage, ride-on suitcases, stackable toy boxes, plush wraps and a backpack booster seat.
1/30/23	Abby&Finn	Creso Pharma (ASX: CPH)	Offers a range of diapers made using natural linen that is soft, skin-friendly, sensitive, and has been scientifically designed to offer advanced absorbency and comfort.
1/26/23	Marbotic	Lü Interactive Playground, Megaform	Developer of educational toys designed to offer a hands-on learning experience to preschoolers.
12/30/22	B4 Adventure	True Play LLC	Manufacturer of outdoor toys and backyard games.
12/21/22	Hexbug	Spin Master (TSE: TOY)	Manufacturer and retailer of robotic toys intended to give children a positive experience with robotics at a young age.
11/28/22	Fabelab	Luxkids, Reshopper	Manufacturer of children's toys and clothing designed for a cozy, creative and playful home.
11/10/22	Science4you	Atena Equity Partners	Developer of educational and scientific toys.
10/26/22	SmartLab Toys	Educational Development (NAS: EDUC)	Developer of STEAM toys and games that focus on hands-on, educational experiences to encourage kids to develop skills in the core disciplines of science, technology, engineering, arts, and math.
10/20/22	Janod	Maped, Siparex Group	Manufacturer specializing in a range of products including baby toys, wooden puzzles, dolls and drawing books.
10/19/22	Suavinex	BlueGem Capital Partners, Béaba	Producer of baby bottles, pacifiers and other baby care products
10/5/22	ToucanBox	Sandbox & Co.	Developer of theme-based creative boxes and educational toys designed to evolve the educational skills of children in an entertaining way.
6/30/22	Petite Amélie	Mentha Capital	Manufacturer of children's toys, furniture and accessories intended to serve both the newborn baby and the mother.
6/8/22	Mondo	Funko (NAS: FNKO)	Manufacturer of pop culture products intended to focus on bringing art back to music and cinema.
6/1/22	Monica + Andy	Lago Innovation Fund, Rivet Ventures	Manufacturer of mom and kids apparel intended to provide organic essentials for real-life families.
6/1/22	Béaba	Highlight Capital	Manufacturer of products such as bottles, pacifiers, food-preparation equipment, travel products, toiletries and childproofing products for infants and young children.

Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

Business Services

Griffin provides a wide range of investment banking services to middle-market companies in the business services industry.



- [Griffin Financial Group](#) is a leading investment bank focused on the needs of middle-market companies.
- We provide M&A advisory, capital advisory and strategic consulting services to the financial institutions, consumer, commercial and industrial, services, technology and private equity sectors.
- Part of The Stevens & Lee Companies, a multidisciplinary professional services platform of 250+ professionals. Together, we provide a full range of investment banking, legal, business and government consulting services to assist clients in solving their most complicated problems. This platform gives our clients access to a full range of services that, when needed, enhance our investment banking services and our ability to deliver the results our clients deserve.
- We specialize in closely held private and small-cap public companies, with broad experience with service-oriented opportunities, and particular expertise regarding family-owned and owner-operated businesses.

Select Juvenile Products and Toys Transaction Experience

has divested

Principals of Griffin served as financial advisor
November 2020

has recapitalized with

SUMMIT PARK
Principals of Griffin served as financial advisor
December 2020

the safer way to sleep®

has been acquired by

Principals of Griffin served as financial advisor
December 2016

has been acquired by

Principals of Griffin served as financial advisor

has been acquired by

Principals of Griffin served as financial advisor