



Toys & Giftware M&A Report - 2015

M&A Activity Follows Strong 2014 with an Even Stronger 2015

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Toys & Giftware M&A Posts Big Numbers in 2015

Fueled by a very strong second quarter, M&A in the Toys & Giftware sector in 2015 significantly outperformed 2014. The year saw robust interest from strategic and financial acquirers across multiple industry subsectors, including collectibles, education, games/puzzles, construction, vehicles and juvenile products. Intrepid believes that this momentum will continue in 2016 based on favorable underlying conditions, an abundance of debt and equity capital, success of content-driven products, major players' interest in continued growth through acquisitions and the overall sentiment that we picked up in our on-going industry conversations.

Sector highlights include:

- According to NPD Group, U.S. retail sales of toys grew by almost 7% in 2015;
- Nine of the 11 key sub-sectors grew in 2015, highlighted by games/puzzles and vehicles (both up approximately 10%);
- Deal volume in 2015 increased 25% from 2014 (see page 2 for details);
- Public company valuation multiples remained strong in 2015, exceeding the industry average over the prior 5-year period;
- Private equity continued to roll up smaller brands to form larger platforms for future acquisitions.

The year is off to a good start—we believe the best is yet to come in 2016!

Thank you,

A handwritten signature in black ink, reading "Mike Rosenberg".

Mike Rosenberg

Senior Managing Director

Head of Toys & Giftware

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Recently Announced Transactions

ACON Acquired Funko in Partnership with Management (November 2015)

Private equity firm ACON Investments acquired Washington-based Funko, a provider of branded pop culture products—most notably its large-headed “POP!” collectibles. Incumbent private equity sponsor, Fundamental Capital, will retain an approximate 20% stake as well as a seat on the company’s board. Cerberus Business Finance provided a \$225 million senior-secured credit facility as part of the acquisition financing.



SpinMaster Added to Games Portfolio with Cardinal Industries (June 2015)

SpinMaster agreed to acquire 100% of Cardinal Industries, one of the oldest U.S. toy companies. Cardinal will bolster SpinMaster’s presence in the classic games and puzzles category, while contributing an attractive portfolio of game and puzzle licenses, including Disney, Marvel, Nickelodeon, Sanrio, Twentieth Century Fox, Warner Bros, Sesame Street and Lucas, among others. The acquisition was announced just a month before SpinMaster completed its IPO on the Toronto Stock Exchange (TSX:TOY).



Propel Equity Partners Acquired Two More for Alex Brands Platform (May 2015)

Partners entered an agreement to purchase Buzz Bee Toys, a provider of active outdoor toys, to join its collection of indoor and outdoor active play products at Alex Brands, including POOF foam balls and the Backyard Safari adventure series. Within weeks of that acquisition, the firm announced an investment in Juratoys, the French parent company for toy brands Janod and Kaloo. Juratoys marks the first major European acquisition for Alex Brands.



Irving Place Capital Acquired Bendon from The Wicks Group (March 2015)

Private equity firm Irving Place Capital agreed to acquire Bendon from The Wicks Group. Bendon’s product portfolio features over 2,000 internally-developed products across various categories, including coloring and activity books, puzzles and other early childhood development games. Under Wicks’ ownership, Bendon merged with Dalmatian Press, nearly doubling the company’s size. The merged entity is estimated to ship over 200 million coloring and activity books annually. It was reported that GE Antares Capital underwrote a \$138 million senior-secured credit facility to finance the deal.









Ravensburger Continued its Diversification with the Purchase of BRIO (January 2015)

Ravensburger has acquired Swedish toy company, BRIO. Known for its high-quality wooden train sets, BRIO will afford Ravensburger growth outside of its native country, Germany, and further the Company’s evolution from the games market into the toy market. The transaction also includes Alga, the Swedish market leader in board games. The sale marks an exit for Swedish private equity firm Proventus, which had owned BRIO for over a decade after restructuring and revitalizing the business beginning in 2004.

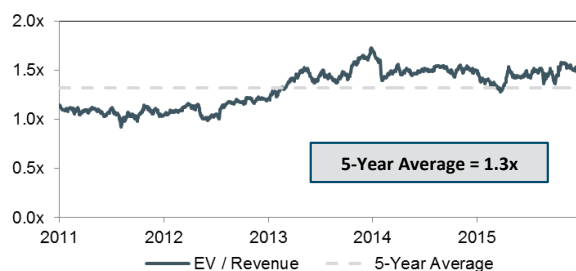


Publicly Traded Companies (USD Millions)

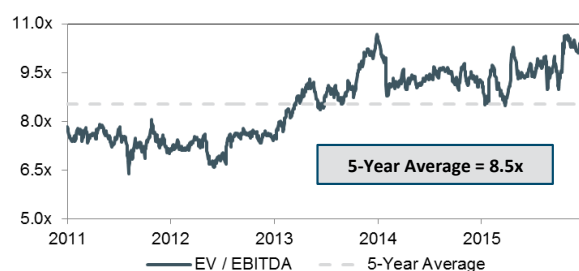
Company	Enterprise Value	Market Capitalization	Last Twelve Months			Revenue Growth		Enterprise Value / LTM	
			Revenue	Gross Profit % Margin	EBITDA % Margin	1-year	3-year	Revenue	EBITDA
	\$3,538	\$4,788	\$4,921	36.8%	13.6%	7.5%	6.3%	0.7x	5.3x
	\$9,536	\$8,395	\$4,281	53.3%	19.2%	0.5%	1.2%	2.2x	11.6x
	\$306	\$147	\$836	30.9%	7.8%	20.6%	7.4%	0.4x	4.7x
	\$11,192	\$9,220	\$5,697	49.0%	14.6%	(7.3%)	(3.4%)	2.0x	13.4x
	\$1,524	\$1,524	\$859	51.9%	13.0%	0.0%	0.0%	1.8x	13.7x
	\$956	\$574	\$1,302	35.6%	7.2%	2.6%	(5.5%)	0.7x	10.2x
Average				42.9%	12.6%	4.0%	1.0%	1.3x	9.8x
Adjusted Mean*				43.3%	12.3%	2.6%	1.0%	1.3x	10.1x

Five-Year Historical Trading Multiples

EV / Revenue Multiples

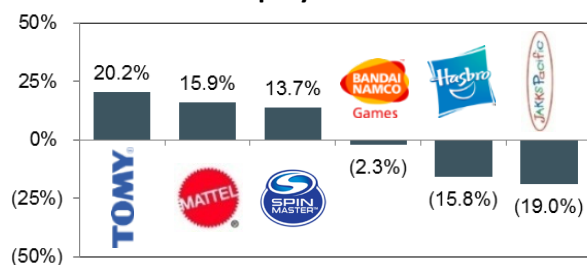


EV / EBITDA Multiples



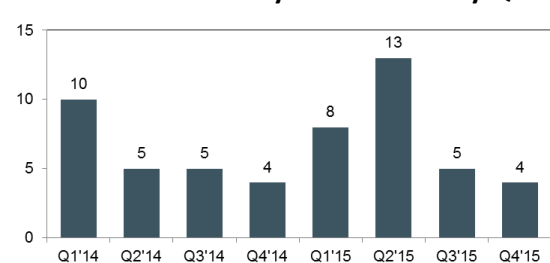
Global Toy Equity Price Performance

Past Five-Month Equity Price Performance



Global Toy M&A Transactions

No. of Announced Toy Transactions by Quarter





Creativity to Win Big for Our Clients

The value of a toy company is often defined by attributes that go beyond financial metrics. Intrepid's Toys & Giftware investment banking practice is uniquely devoted to serving the needs of entrepreneurs and middle-market companies. Our bankers have a deep understanding of the trends and value-drivers across the toy industry. We know how to tell your story and position your company's key value attributes to leading strategic acquirers and private equity groups.

Talk to us.

Mike Rosenberg, Senior Managing Director
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Brian Levin, Vice President
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Select Transactions



a portfolio company

Transom Capital Group

has been acquired by



Advisor to Uncle Milton



has sold substantially all of its
operating assets, including



to



Advisor to Wild Planet

Meet Our Team at

Toy Fair 2016













Jacob K. Javits
Convention Center
New York City
Feb. 13-16, 2016

Teamwork, tenacity and creativity to win big for our clients.

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Select Transactions

 <p>a portfolio company of</p> <p>Transom Capital Group</p> <p>has been acquired by</p>  <p>Advisor to Uncle Milton</p>	 <p>has sold substantially all of its operating assets, including</p>  <p>to</p>  <p>Advisor to Wild Planet</p>	 <p>has been acquired by</p> <p>Pacific Direct Marketing LLC</p> <p>an affiliate of</p>  <p>Advisor to SMC</p>	 <p>has completed a recapitalization with</p> <p>JAYTS, LLC</p> <p>Advisor to Airsoft Megastore</p>
 <p>has been acquired by</p>  <p>Advisor to X-Concepts, LLC.*</p>	 <p>has been acquired by</p>  <p>Advisor to Spectra Star, Inc.*</p>	 <p>has been acquired by</p>  <p>Advisor to Corinthian*</p>	 <p>Figi Graphics, Inc.</p> <p>has been acquired by</p>  <p>Advisor to Figi Graphics*</p>
 <p>Applause, LLC a company organized by Robert G. Solomon</p> <p>has acquired the assets and business of</p> <p>Applause, Inc.</p> <p>Advisor to Applause*</p>	 <p>has been acquired by</p>  <p>Advisor to Dakin*</p>		

*Represents transactions executed by principals of Intrepid while at previous securities firms.





Toys & Giftware Team



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Intrepid Investment Bankers provides M&A, capital raising and strategic advisory services to entrepreneurs and middle-market companies in various industry sectors. Our heritage, rooted in our founders' successful 35-year history, breeds a culture that embraces teamwork, tenacity and creativity to win big for our clients. We believe that every company has an entrepreneurial passion that drives it and a story that defines it. Our team delivers results through skillful positioning of the client's story and relentless execution. Based in Los Angeles, Intrepid augments its international capabilities through active membership in M&A International, an exclusive global alliance of M&A advisory firms.

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