



BAIRD

Toy Products Consumer Survey

October 2023

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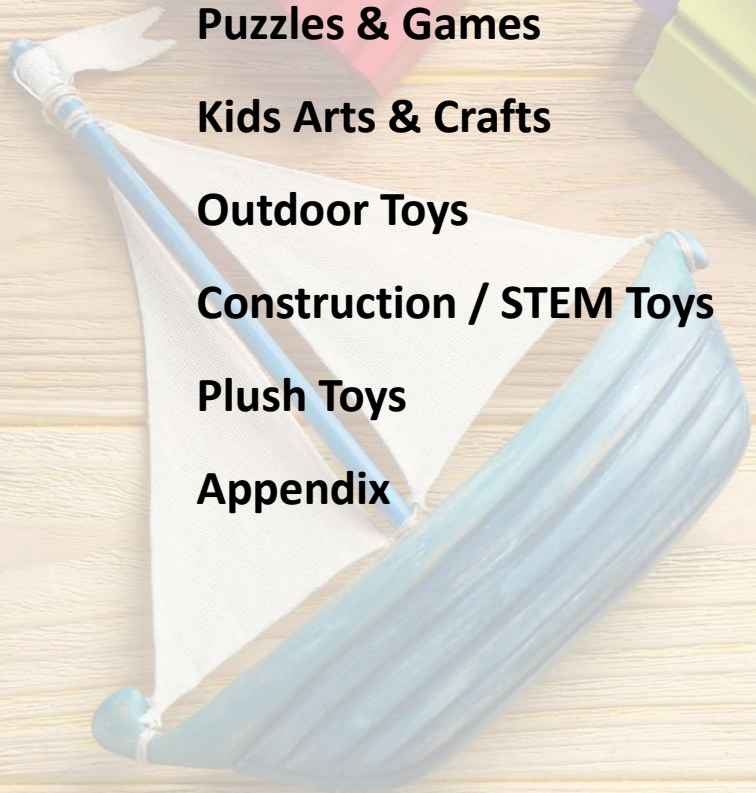
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Plush Toys

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A photograph of a man and a young child sitting at a round wooden table, playing with colorful wooden blocks. The man is leaning over the child, smiling and holding a red block. The child is focused on the blocks on the table. The scene is set in a bright, indoor environment with a white wall and a potted plant in the background. The entire image is overlaid with a semi-transparent blue filter.

Executive Summary

Key Industry Trends & Themes

1 Toy Category Challenged by Difficult Macro Environment

- Global toy industry is down ~10% on point-of-sale data as a weaker macro economy and high inflation have impacted consumer purchasing
- Student loan repayments and high levels of inflation are significant drivers of a weak discretionary spending environment
- Research analysts anticipate a strong Q4 in the category as customers have deferred toy purchases to the holiday season

2 Inventory Visibility Expected to Drive Normalized Purchasing Habits

- Retailer inventory clearance has largely concluded, and large public companies have reported stabilized levels of balance sheet inventories
- Investors anticipate a more normal second half of the year as active destocking and promotional activity has cleared elevated inventory levels and purchasing behavior at key retail accounts

3 Content is King

- Global manufacturers have benefited from strong intellectual property as success of the Barbie movie (and other TV / film releases) have revitalized toy sales; other notable IP includes Paw Patrol, Sonic, Super Mario Brothers, Encanto, Spider-Man and Indiana Jones
- Manufacturers will continue to leverage media assets to increase toy sales, with a particular focus on the “play” category
- Reliance on strong halo brands and products continues to be critical as co-branded Monopoly releases and the Furby relaunch have been among the best performing recent product launches

4 New Participants and Channels Leading Growth

- “Kiddults” (purchasers ages 12 and older) are a leading driver of category growth as manufacturers have seen a fondness for action figures, cartoons and collectibles transcend a traditionally younger demographic (contributed \$9BN of revenue in 2022 to the category)
- Whitespace remains in the direct-to-consumer channel as manufacturers continue to prioritize digital sales; Hasbro anticipates it can 2.5x its digital footprint in the near future (~\$200 million of annual sales currently)

Survey Overview & Category Descriptions

Survey Parameters

Baird employed a market research firm, Qualtrics, to obtain consumer insights and preferences within the Juvenile category

The survey was performed on a completely anonymous basis and consisted of 41 questions, while segmenting consumers by the juvenile product they purchased most recently

~800 participants were included in the overall study, spanning a broad range of demographics and consumer backgrounds

Key topics included: consumer demographic profile, purchase history, COVID-19 purchasing behavior, purchase habits, purchase preferences, among others

Category Descriptions



Puzzles and Games:

Puzzles refers to jigsaw and wooden puzzles while games refers to nonelectronic/app-based games that commonly involve 2+ players (e.g., board games, card games, children's games, etc.)



Kids Arts & Crafts:

Includes artistic or craft-based design kits and supplies or items used by a child to create art, sculpture, or other similar projects. Includes paints, crayons, yarn kits, construction papers and other associated supplies aimed at children's arts & crafts projects



Outdoor Toys:

Includes outdoor vehicles and rideable / pushable toys, lawn and gardening sets for children, bubble and water toys as well as kites and playground equipment



Construction / STEM Toys:

Refers to building sets with interlocking pieces that can be assembled in a variety of ways (e.g., Lego, K'Nex, etc.) as well as science kits, maps and globes and other education-oriented toy sets that promote learning



Plush Toys:

Includes toys that are made from plush or another type of thick, soft cloth, and filled with a soft material

Summary Findings by Category



Puzzles & Games

90%+ of respondents purchased Puzzles and Games within the last year with a **36% / 64%** male / female purchase split

65% of end-users of Puzzles and Games are adults vs. children, the largest adult percentage of the toy categories

34% of respondents learn of new games to purchase from seeing the product in-store, while **70%** indicate that Puzzle and Games are often impulse purchases



Kids Arts & Crafts

97% of respondents purchased Kids Arts & Crafts within the last year with a **22% / 78%** male / female purchase split

43% of Kids Arts & Crafts users are children ages 5-13

41% of respondents indicated that COVID led them to be increased purchasers of Kids Arts & Crafts

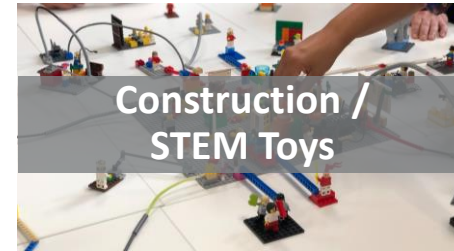


Outdoor Toys

98% of respondents purchased an Outdoor Toy within the last year with a **55% / 45%** male / female purchase split

54% of Outdoor Toys are used by children ages 2-7

26% of respondents learn of new Outdoor Toys from product advertising (digital, print, tv, etc.), while **20%** learned of new product through their children or grandchildren



Construction / STEM Toys

92%+ of respondents purchased Construction / STEM Toys within the last year with a **44% / 56%** male / female purchase split

44% of end-users are children ages 5-13

35% of respondents prefer purchasing Construction / STEM Toys from online retailers, while **43%** prefer to purchase in-store (Brick-and-Mortar)



Plush Toys

95% of respondents purchased Plush Toys within the last year with a **23% / 76%** male / female split

43% of Plush Toys users are children ages 0-4

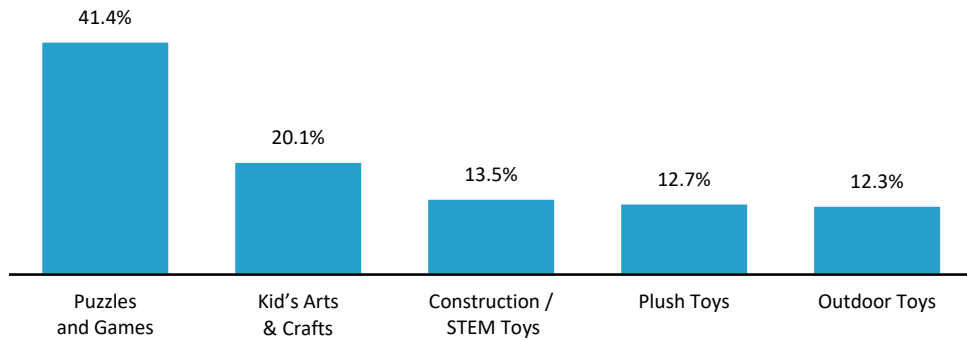
53% of respondents indicated that COVID had no impact on their Plush Toys purchasing behavior



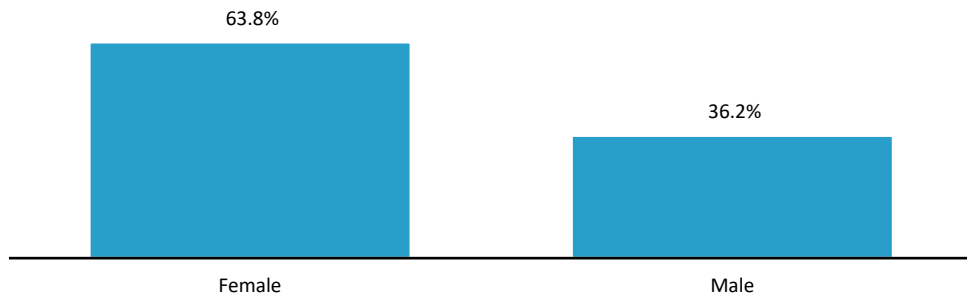
Puzzles & Games

Baird 2023 Puzzles & Games Survey Results

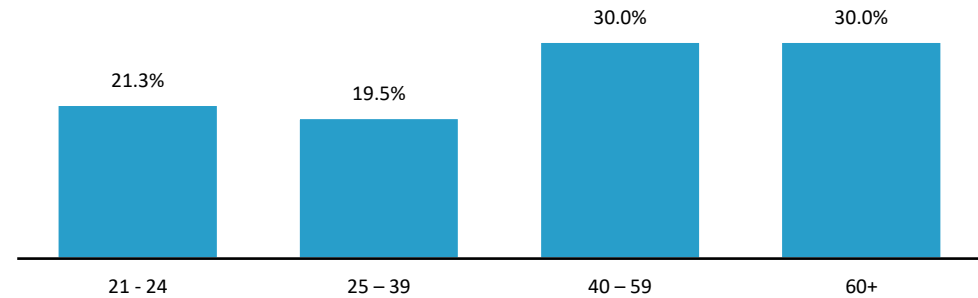
WHICH OF THE FOLLOWING TOY CATEGORIES DO YOU PURCHASE MOST FREQUENTLY? (1)



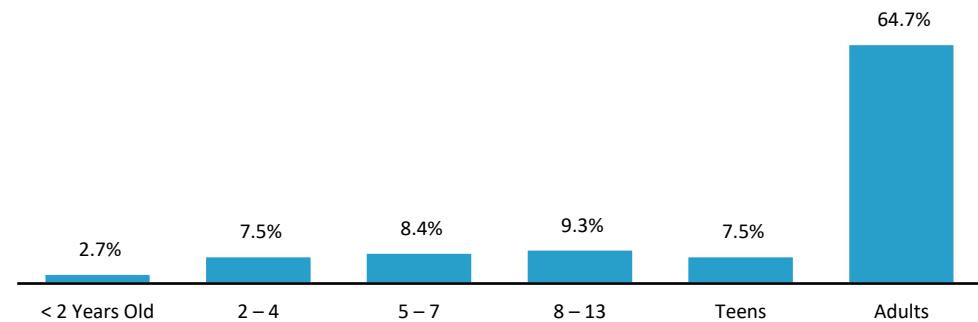
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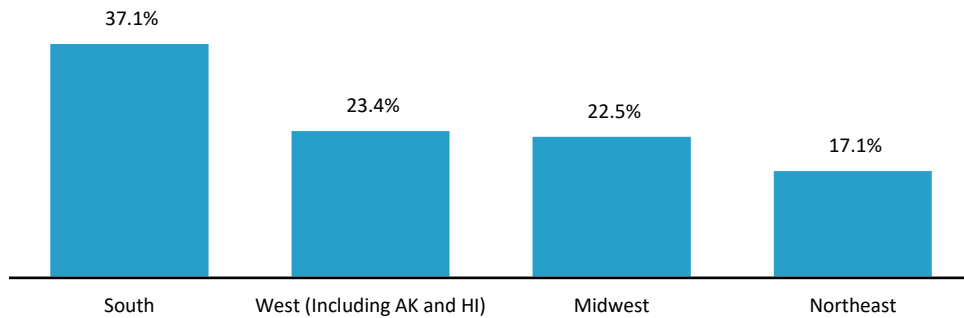
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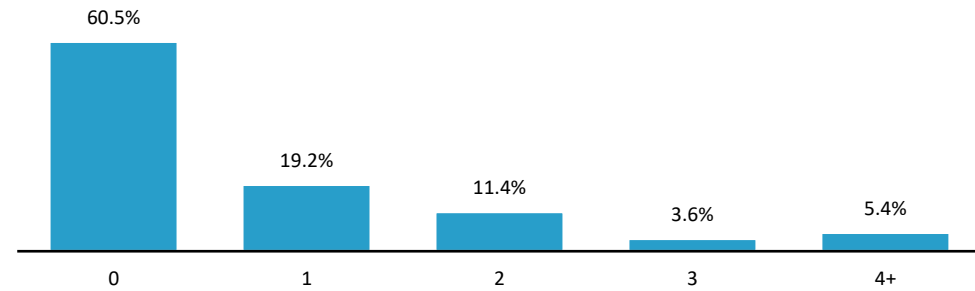
Source: Qualtrics survey results with ~800 total participants, of which 334 prioritized Puzzles and Games.
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Baird 2023 Puzzles & Games Survey Results (Cont'd)

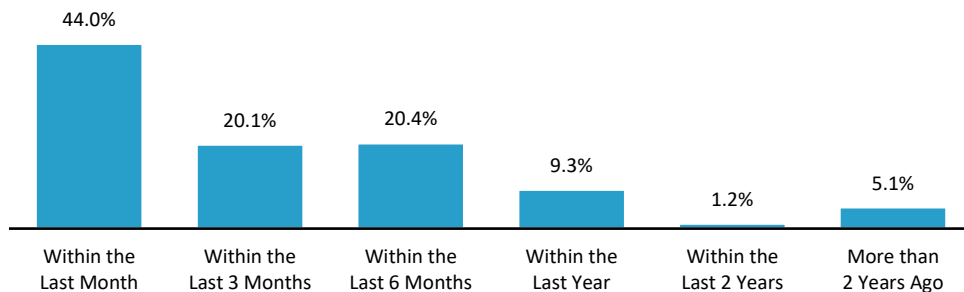
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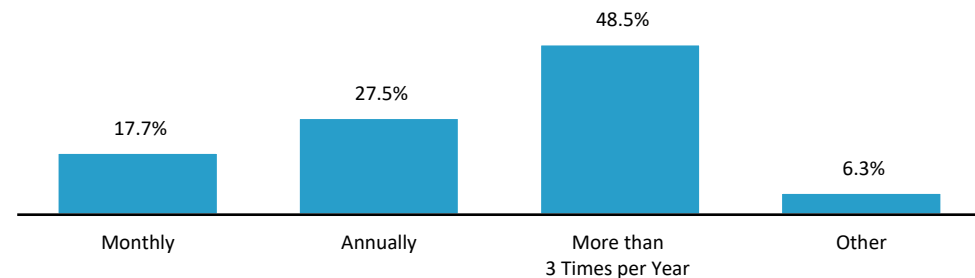
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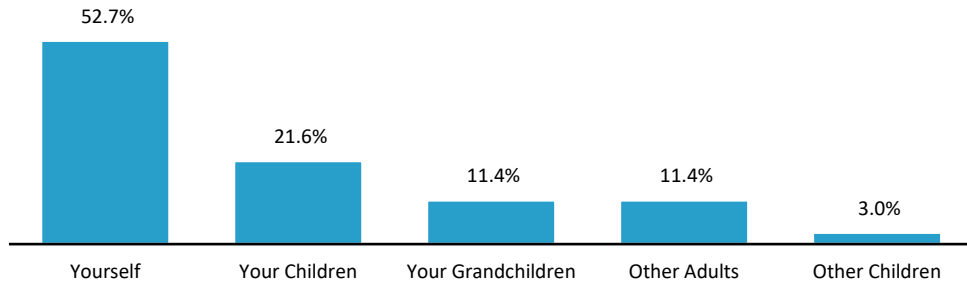


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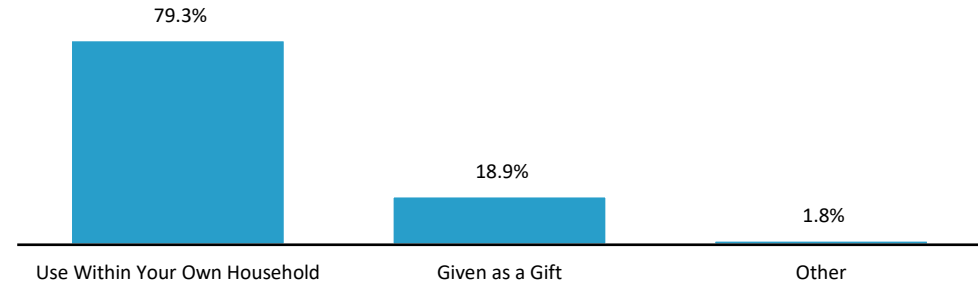


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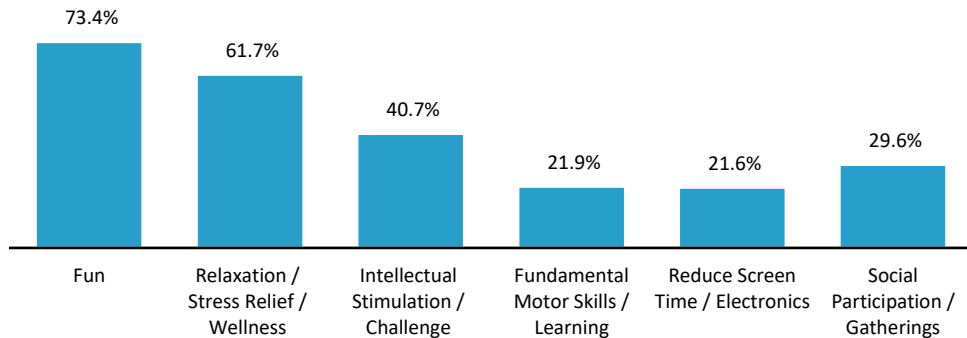
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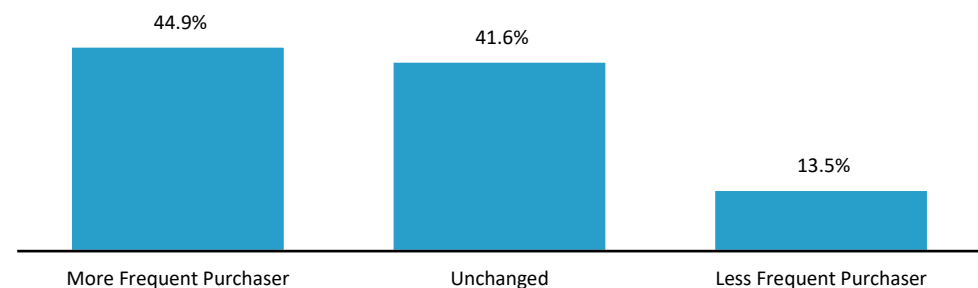
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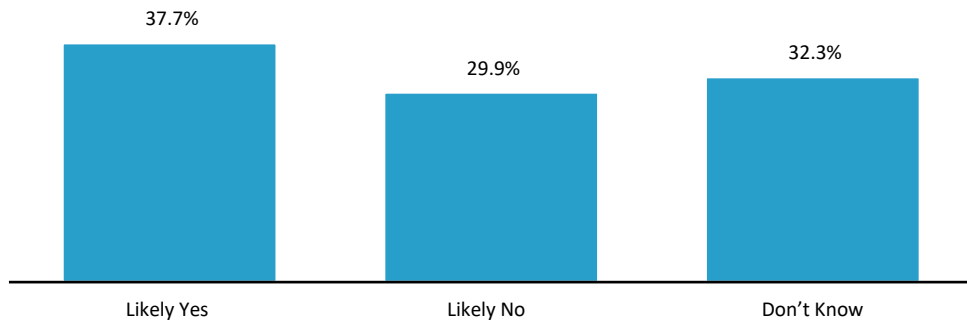
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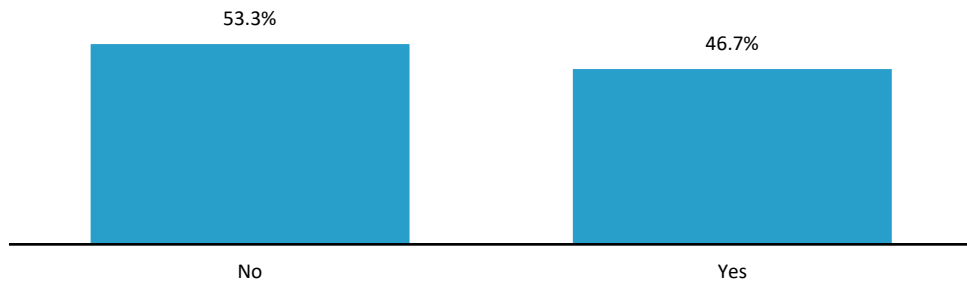
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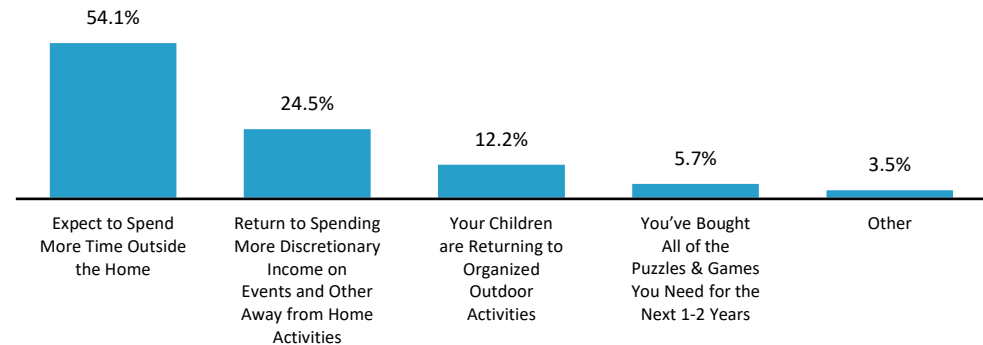
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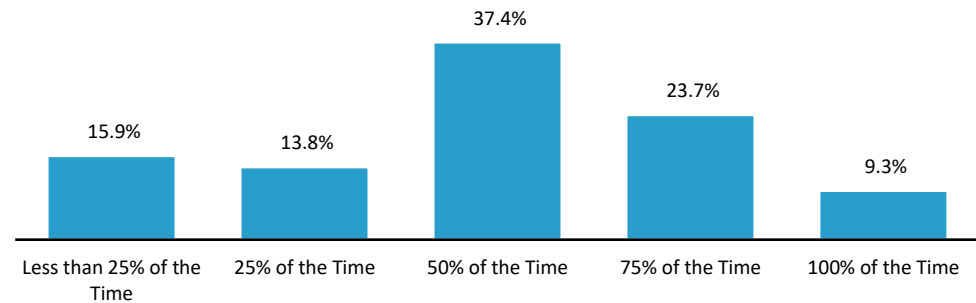
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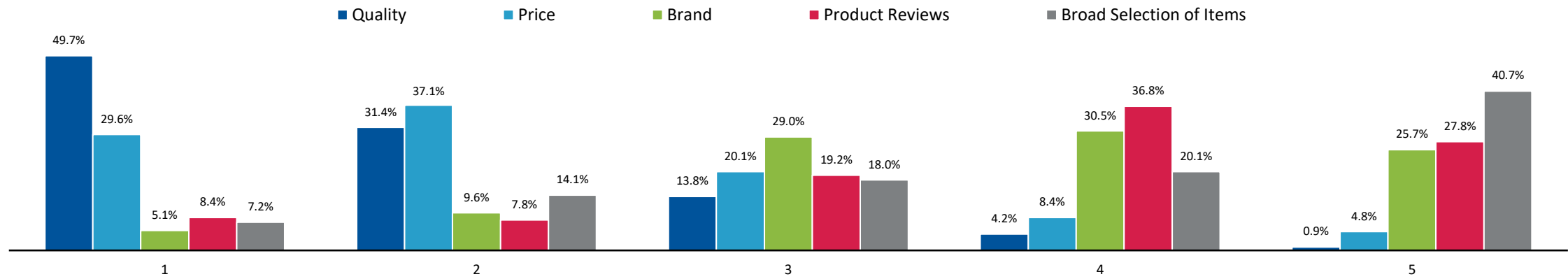
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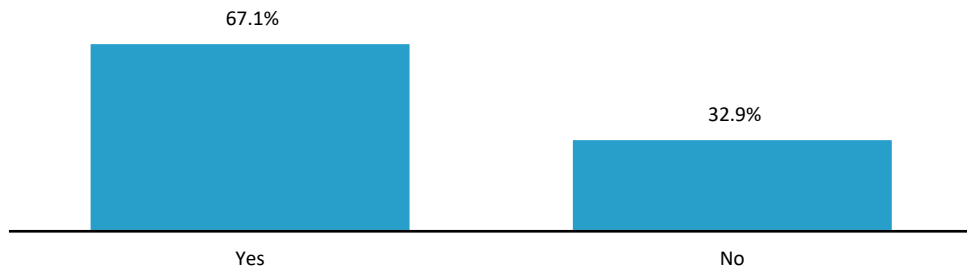
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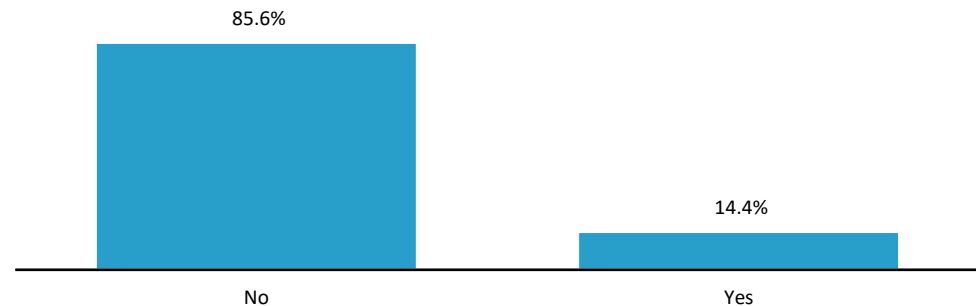
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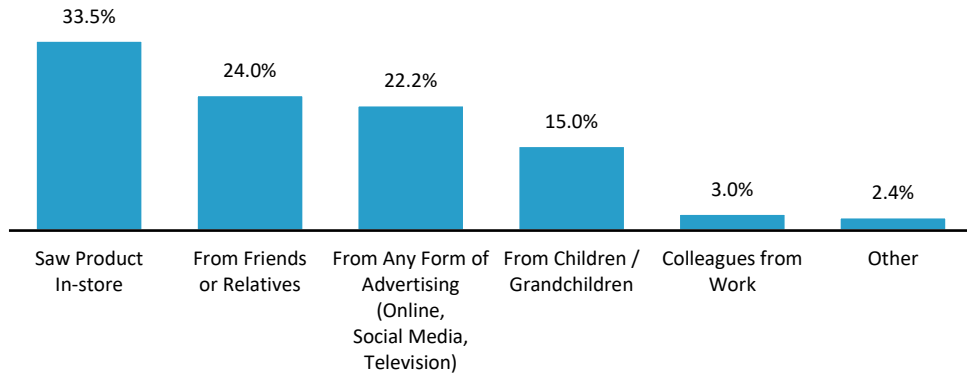
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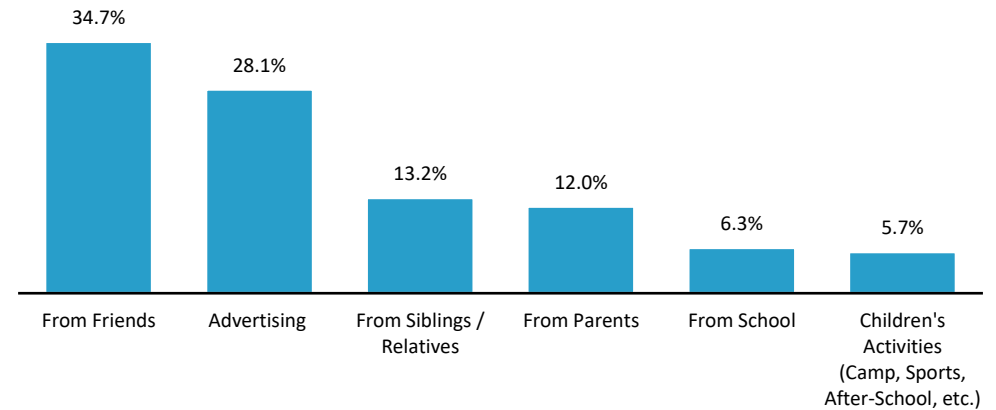
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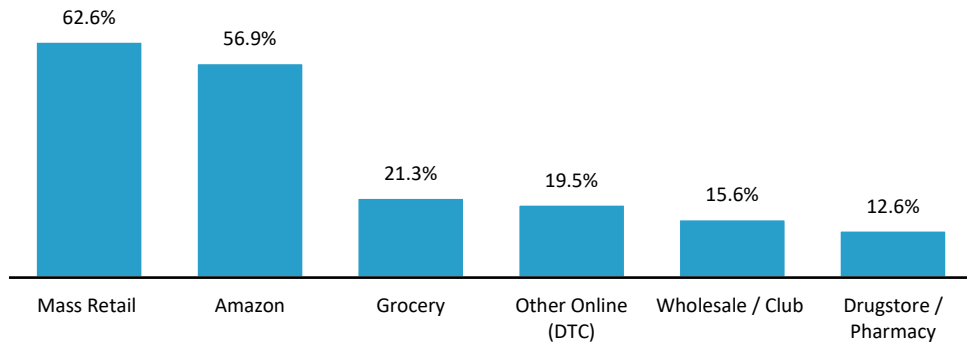
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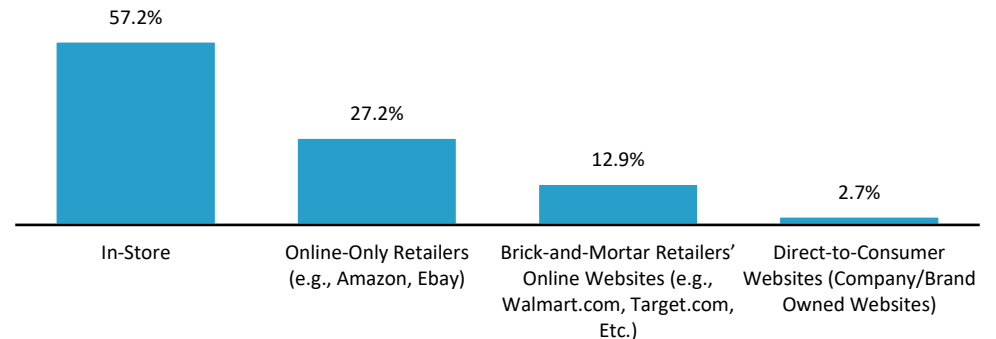
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WHERE WOULD YOU BUY PUZZLES & GAMES, IF AVAILABLE? (SELECT ALL THAT APPLY)



WHAT PURCHASE LOCATION DO YOU PREFER WHEN BUYING PUZZLES & GAMES?

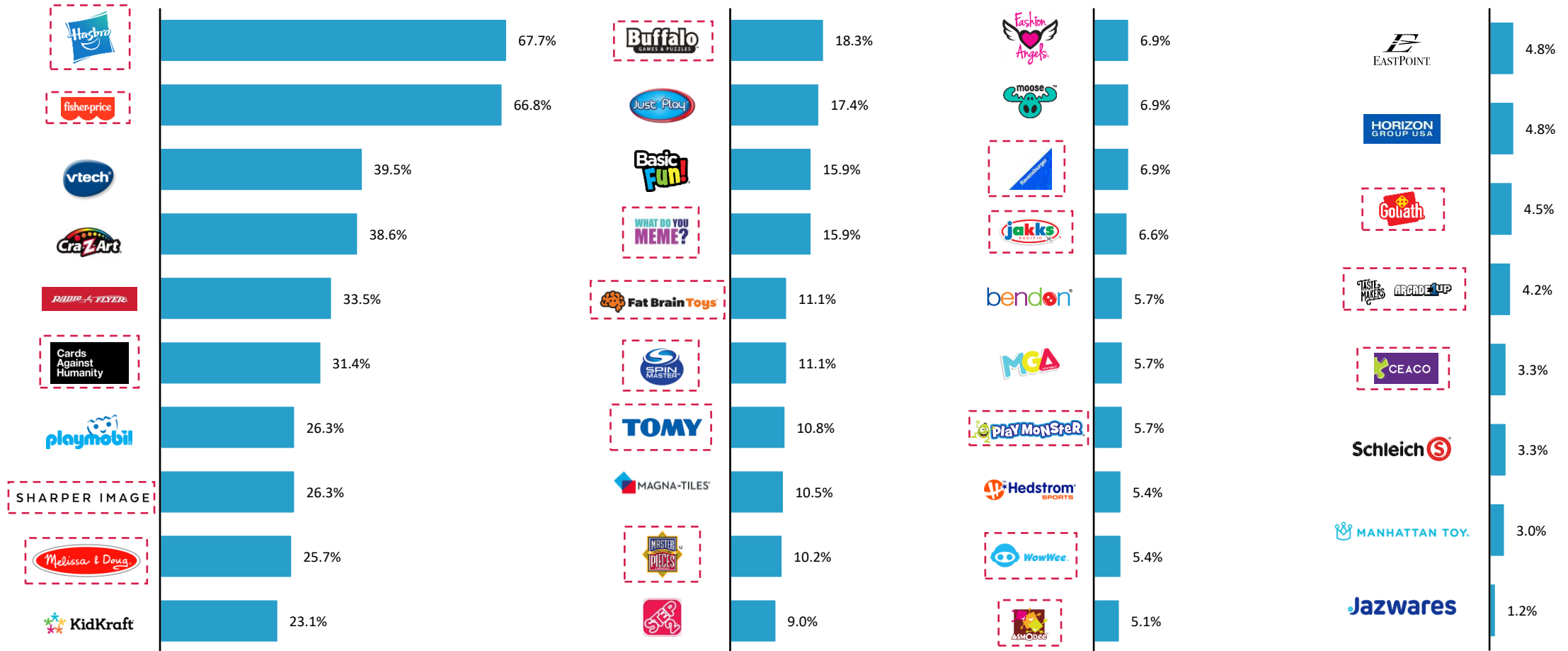


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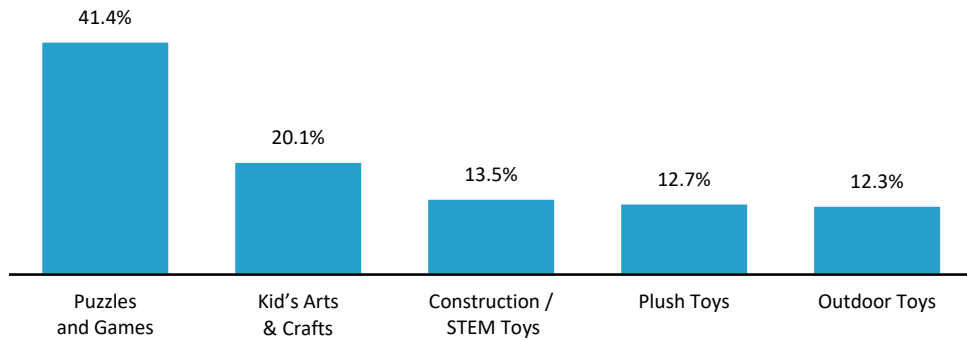
Note: [Red dashed box] denotes specific brands within the Puzzles & Games category, as participants were otherwise able to comment on familiarity with all brands included in the survey.

Kids Arts & Crafts

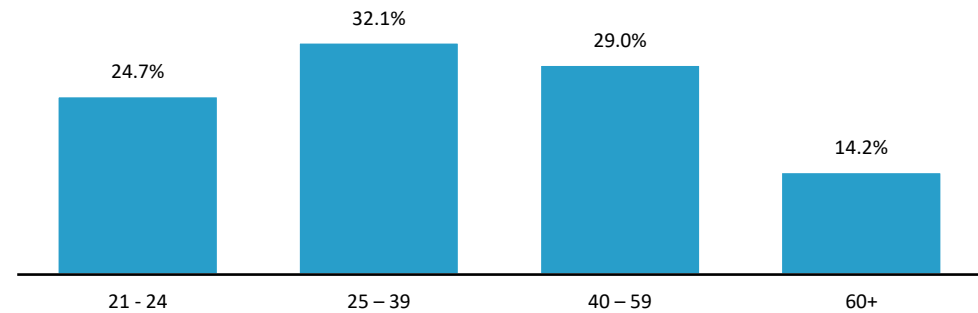
A young child with dark hair, wearing a light purple sleeveless top and pink striped pants, is sitting on a white carpeted floor. The child is focused on playing with a large, colorful toy that has a yellow body, a blue top, and a pink circular front with three cutouts. The child is holding a red piece and appears to be inserting it into the toy. Several other colorful blocks and pieces are scattered on the floor around the child. In the background, there is a white bookshelf with various colorful items on the shelves. The entire image has a light blue tint.

Baird 2023 Kids Arts & Crafts Survey Results

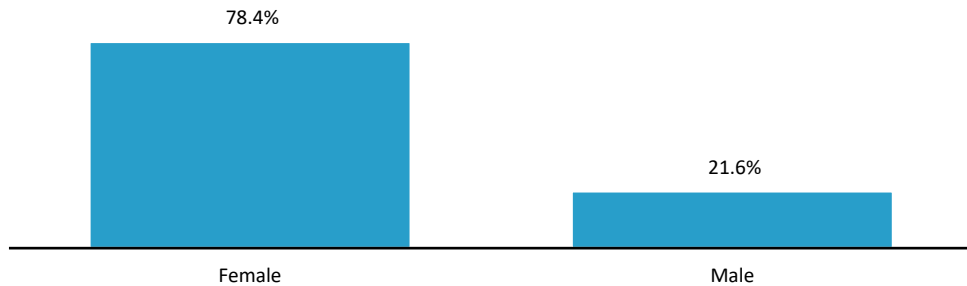
WHICH OF THE FOLLOWING TOY CATEGORIES DO YOU PURCHASE MOST FREQUENTLY? ⁽¹⁾



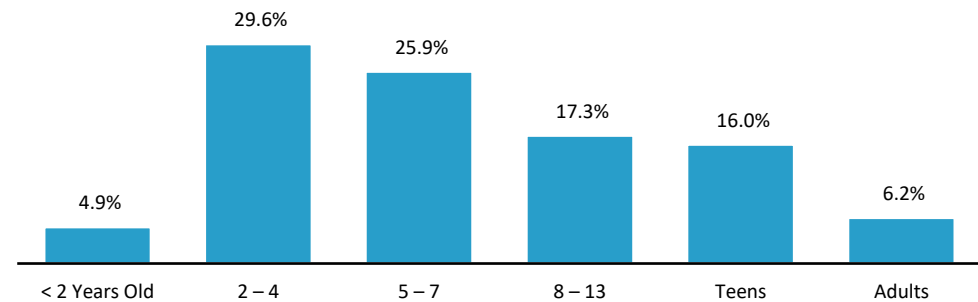
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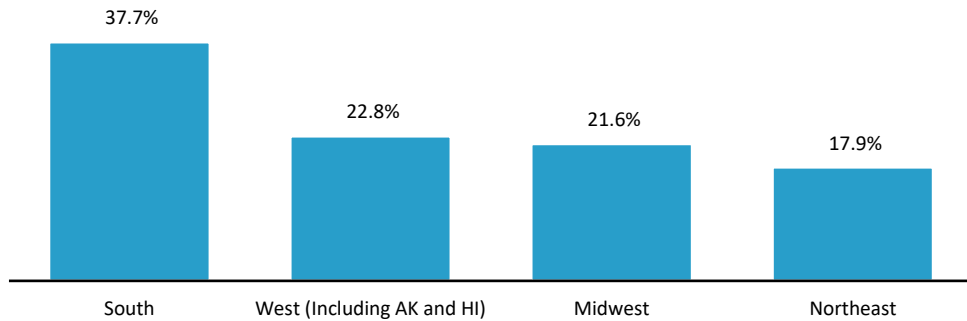
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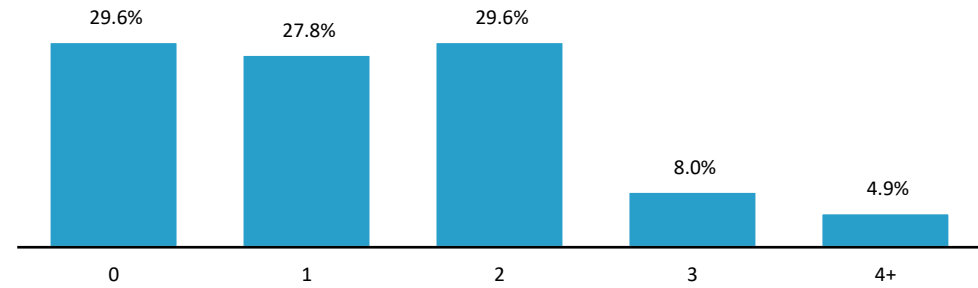
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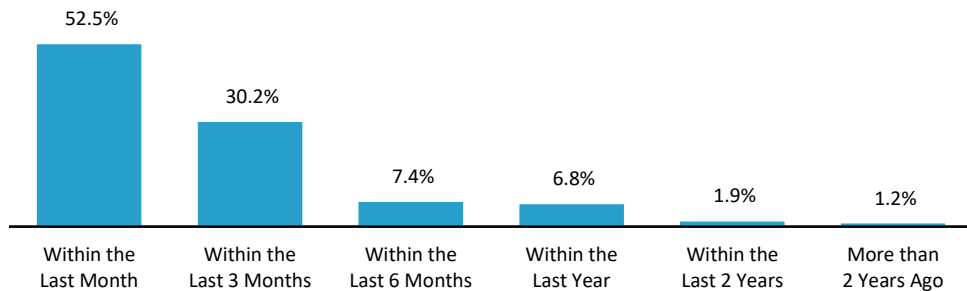
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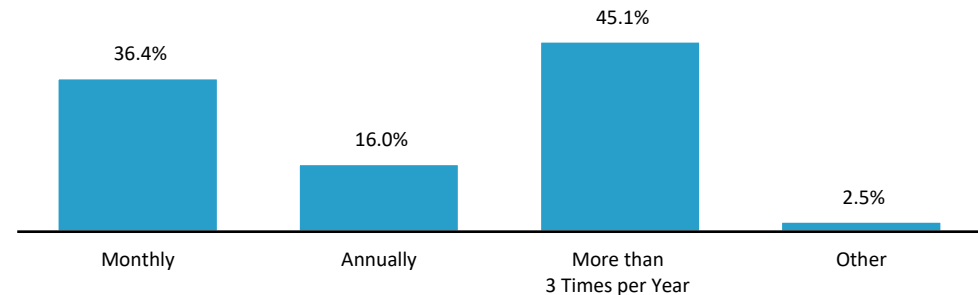
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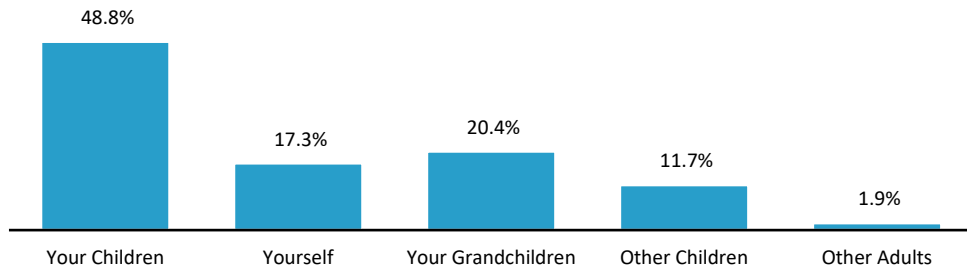
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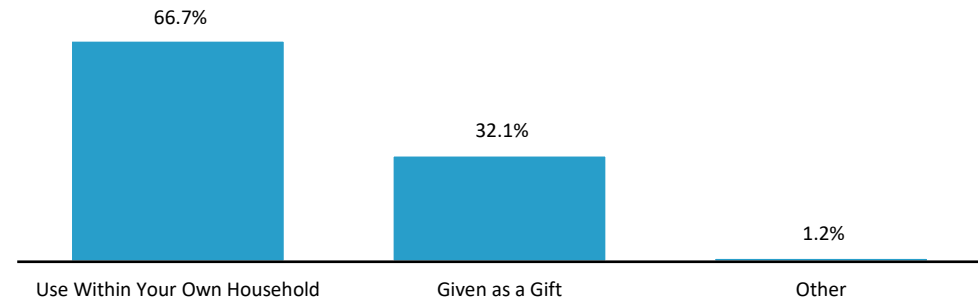
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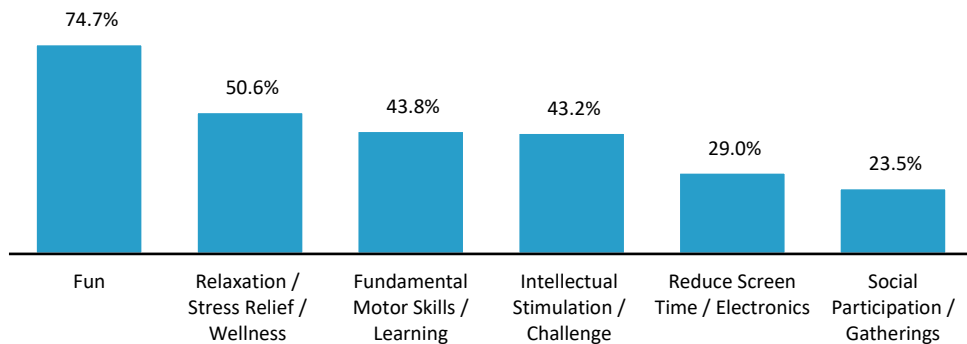
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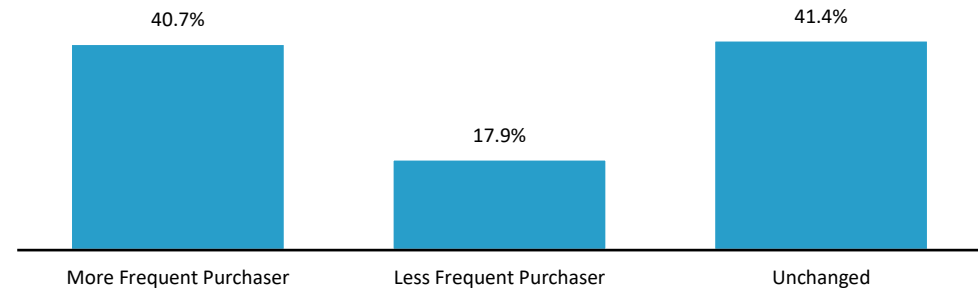
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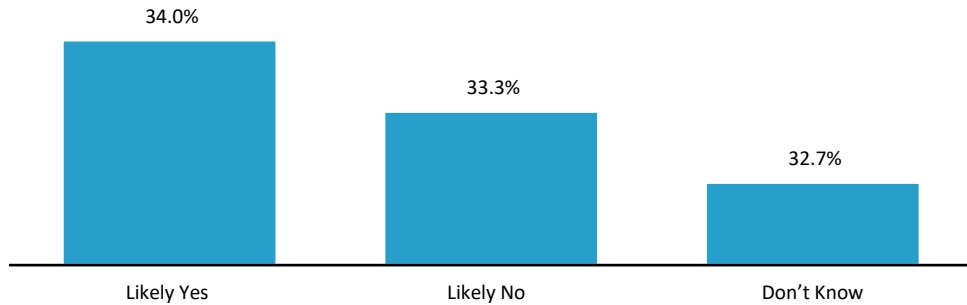
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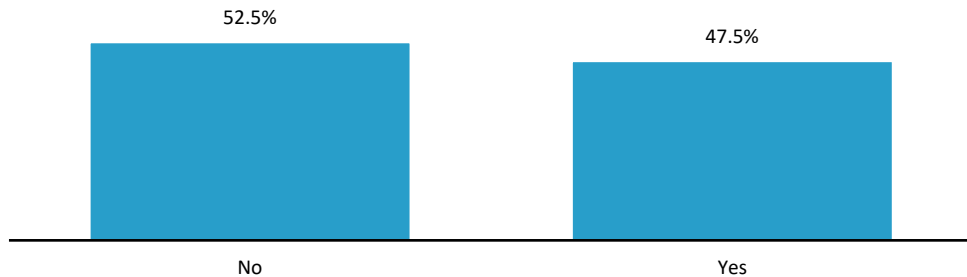
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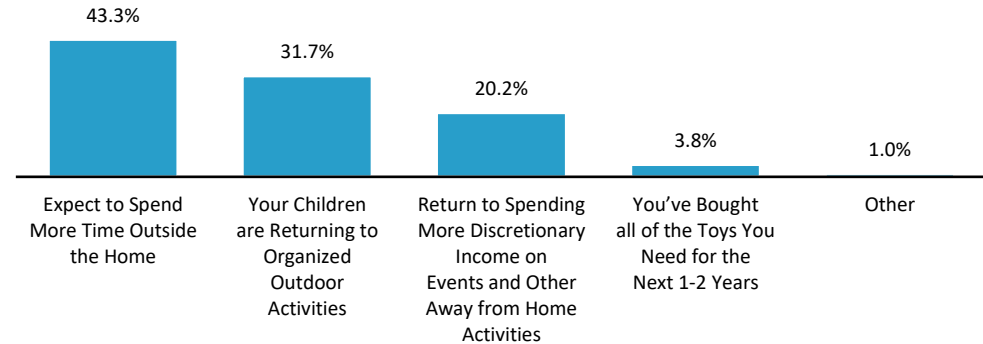
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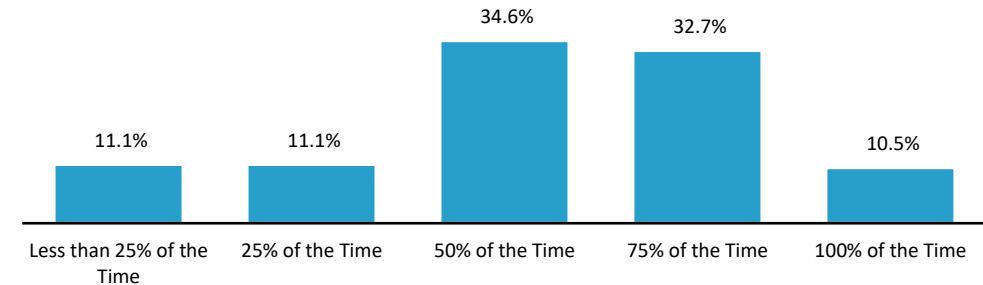
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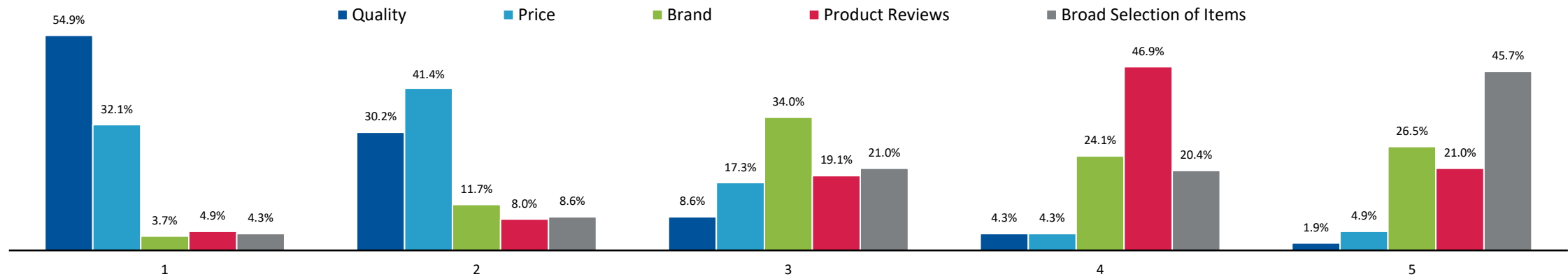
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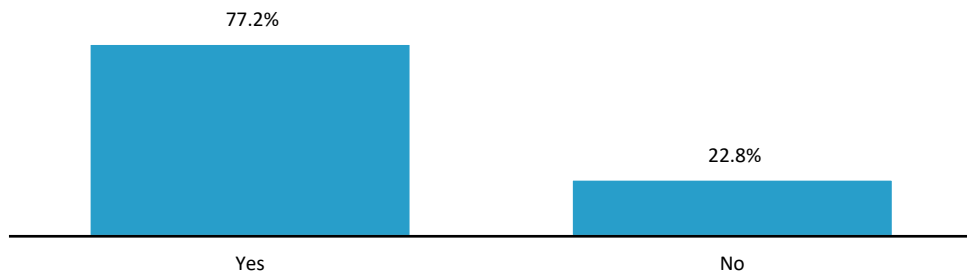
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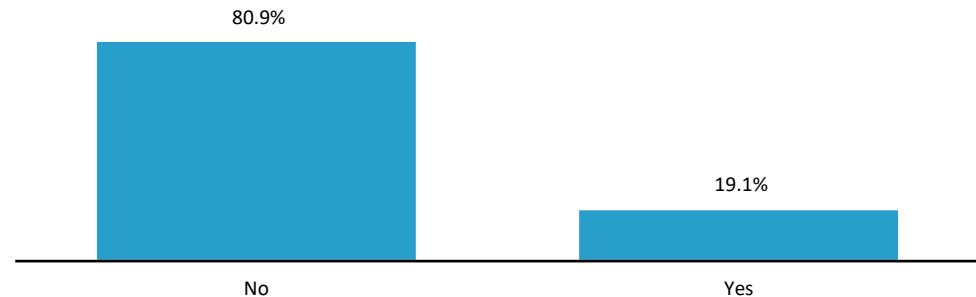
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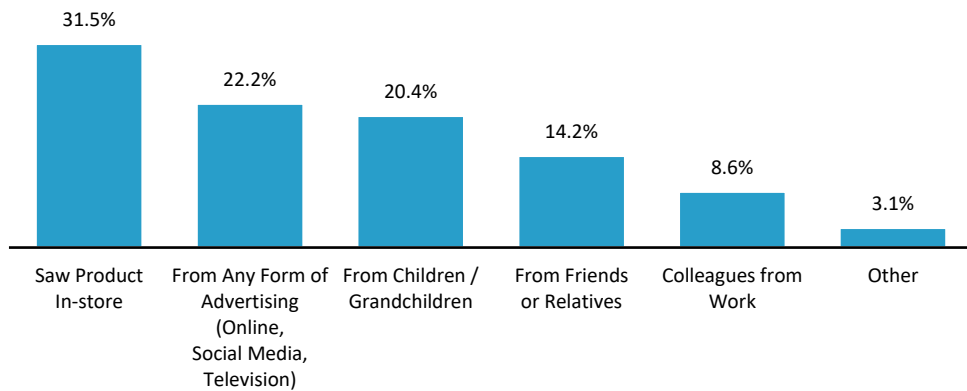
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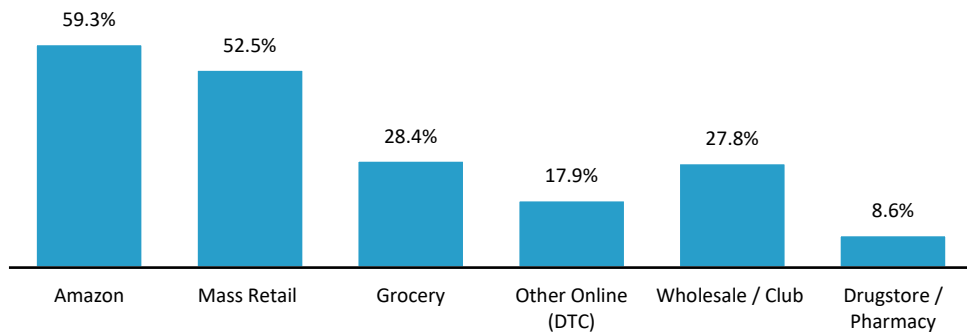
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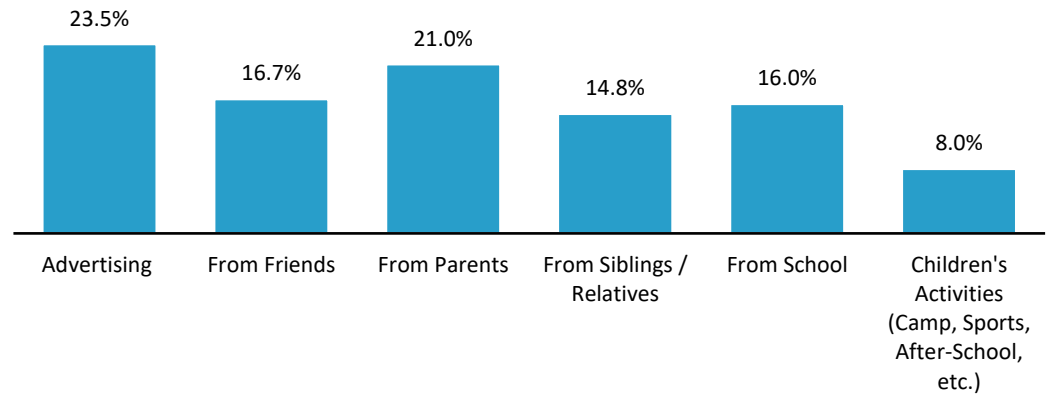
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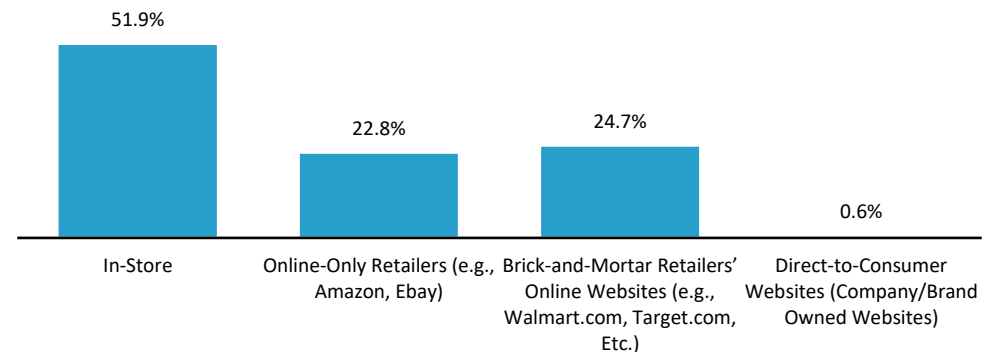
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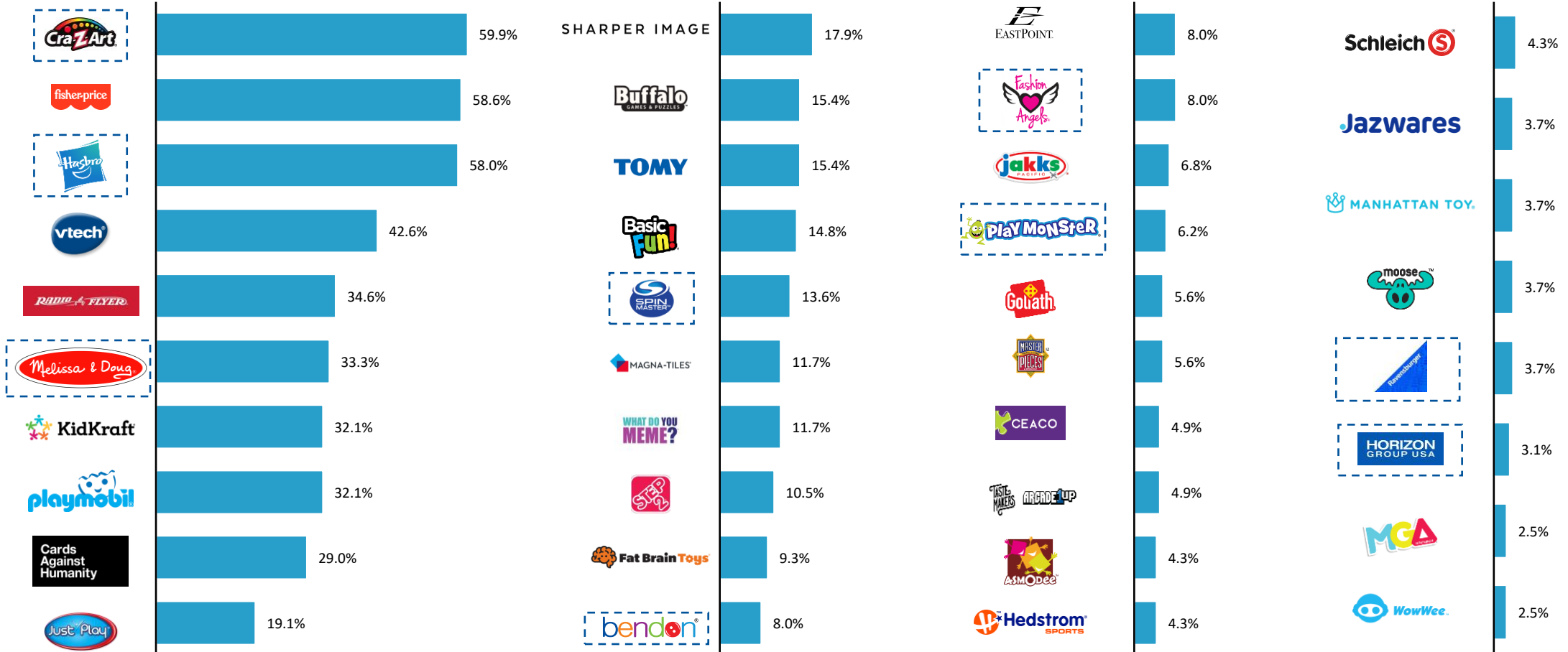


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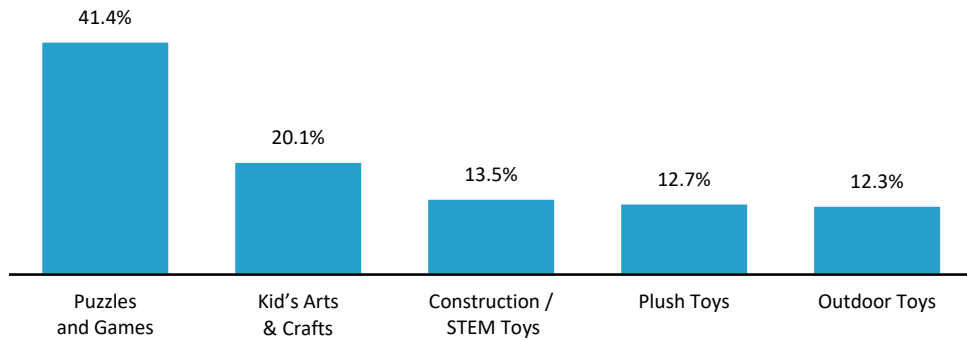
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Outdoor Toys

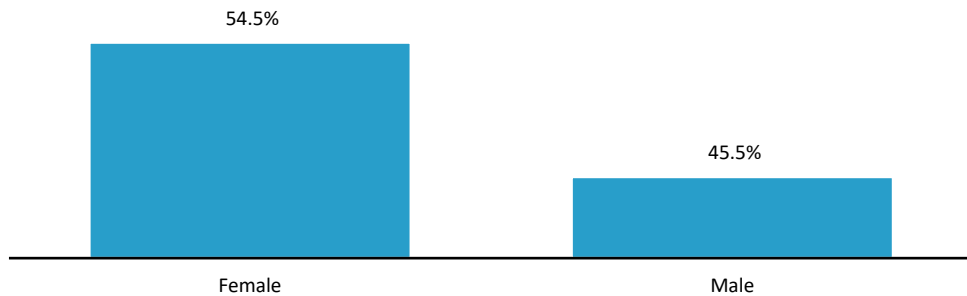


Baird 2023 Outdoor Toys Survey Results

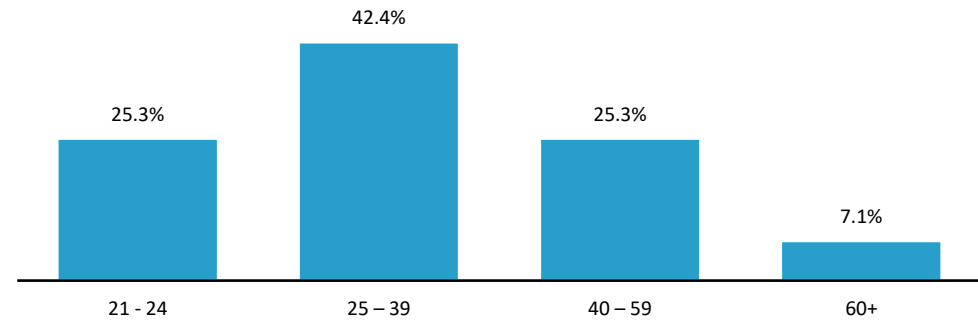
WHICH OF THE FOLLOWING TOY CATEGORIES DO YOU PURCHASE MOST FREQUENTLY? ⁽¹⁾



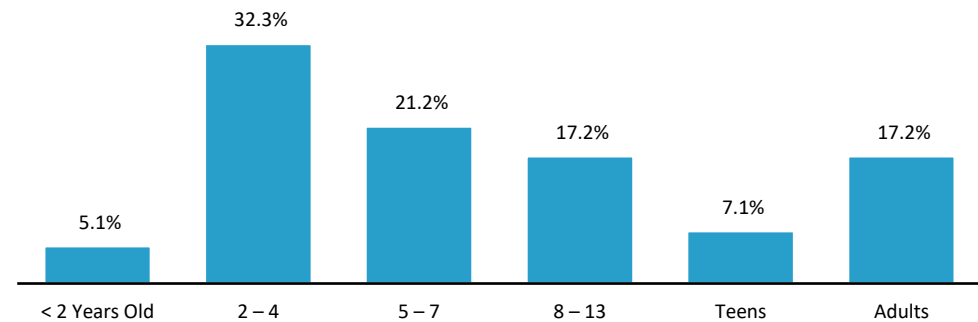
WHAT IS THE GENDER OF THE PERSON MOST OFTEN BUYING OUTDOOR TOYS IN YOUR HOUSEHOLD?



WHAT IS THE AGE OF THE PERSON MOST OFTEN BUYING OUTDOOR TOYS IN YOUR HOUSEHOLD?



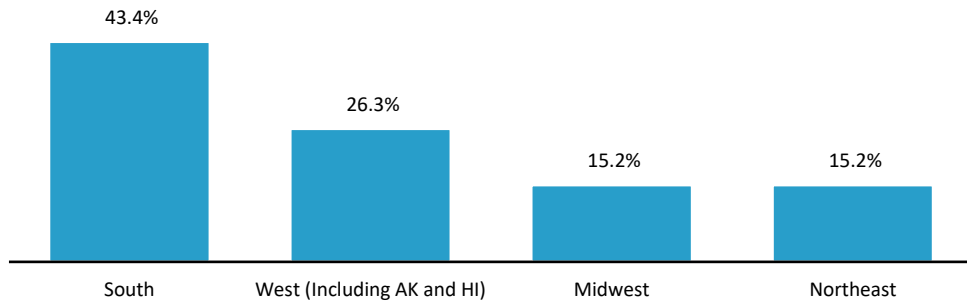
WHAT IS THE AGE OF THE PERSON MOST OFTEN PLAYING WITH OUTDOOR TOYS IN YOUR HOUSEHOLD?



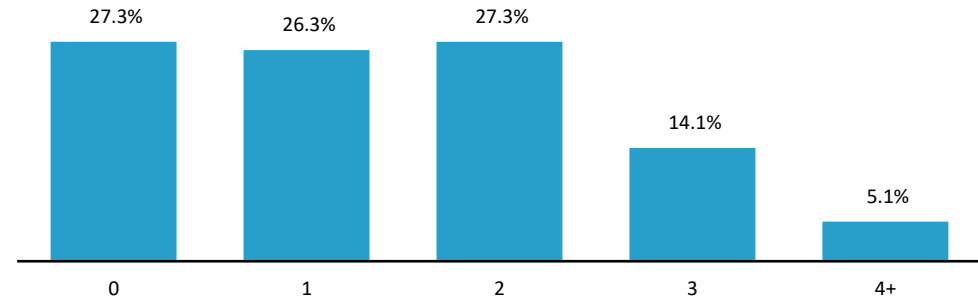
Source: Qualtrics survey results with ~800 total participants, of which 99 prioritized Outdoor Toys.
 1) Based on the results from the ~800 total survey participants.

Baird 2023 Outdoor Toys Survey Results (Cont'd)

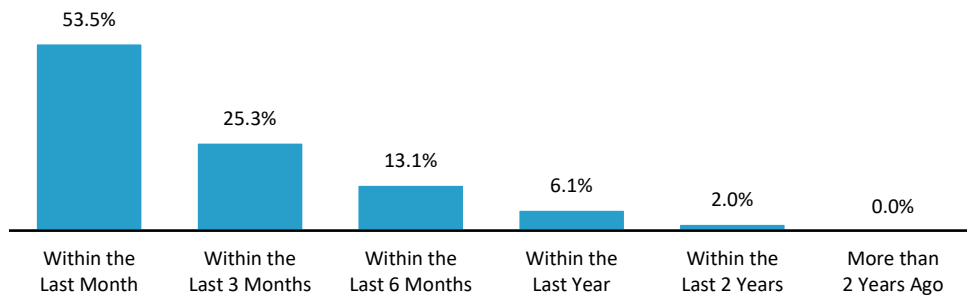
IN WHICH REGION OF THE UNITED STATES DO YOU PRIMARILY RESIDE?



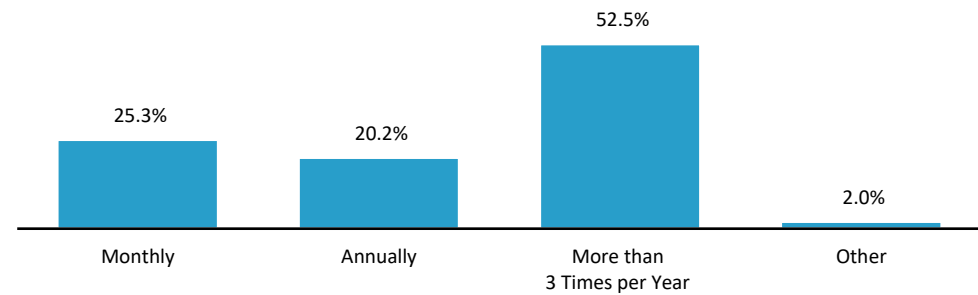
HOW MANY CHILDREN (12 OR UNDER) LIVE IN YOUR HOUSEHOLD?



WHEN WAS THE LAST TIME YOU PURCHASED OUTDOOR TOYS?



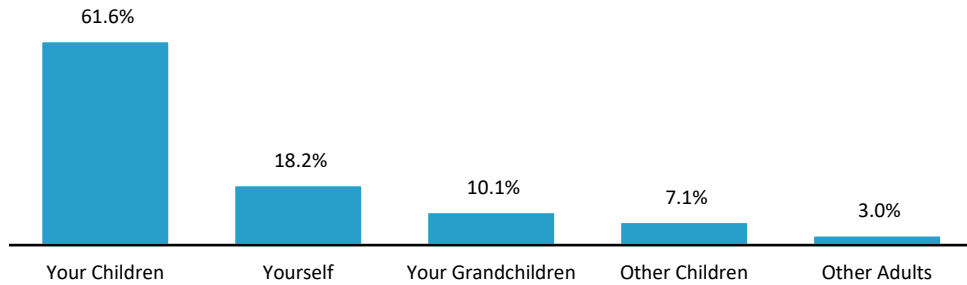
HOW OFTEN DO YOU PURCHASE NEW OUTDOOR TOYS?



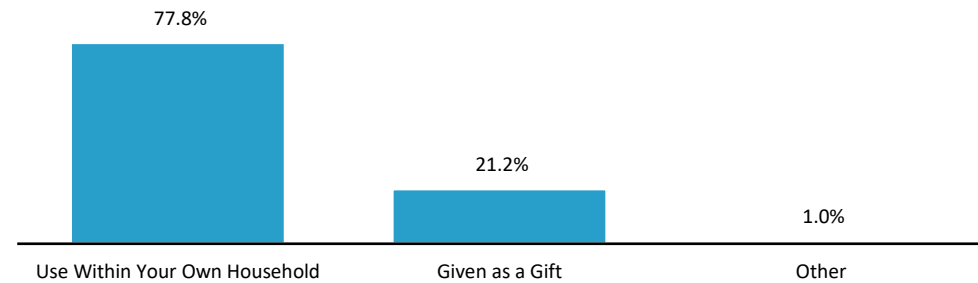
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Baird 2023 Outdoor Toys Survey Results (Cont'd)

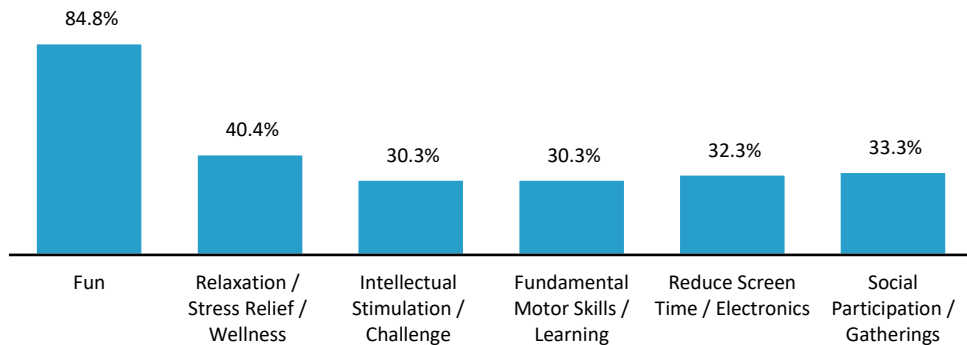
WHEN YOU PURCHASE OUTDOOR TOYS IT IS MOST OFTEN FOR:



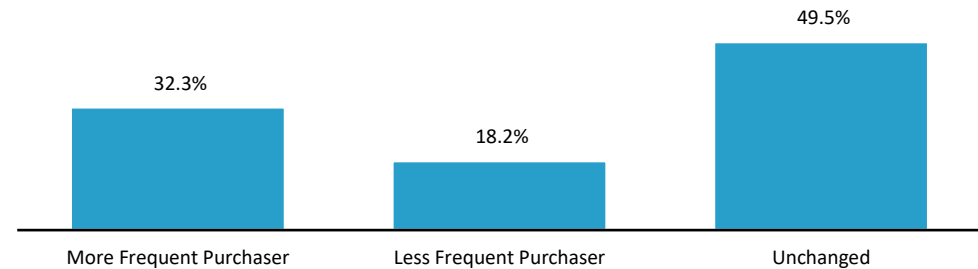
WHEN YOU PURCHASE / USE OUTDOOR TOYS IT IS MOST OFTEN TO:



WHY DO YOU PURCHASE / USE OUTDOOR TOYS? (SELECT ALL THAT APPLY)



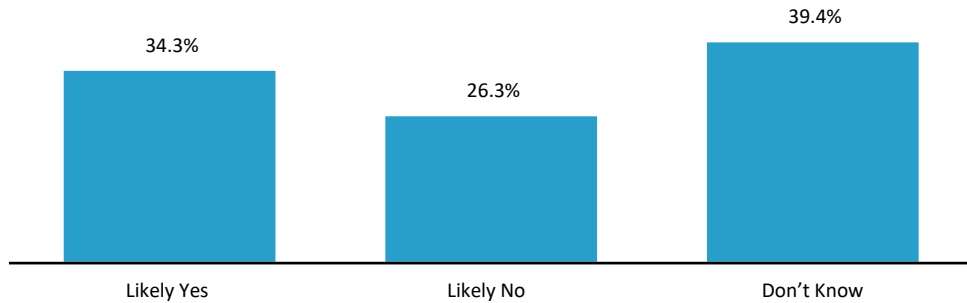
HOW HAS COVID CHANGED YOUR OUTDOOR TOY PURCHASING BEHAVIOR OVER THE PAST YEAR?



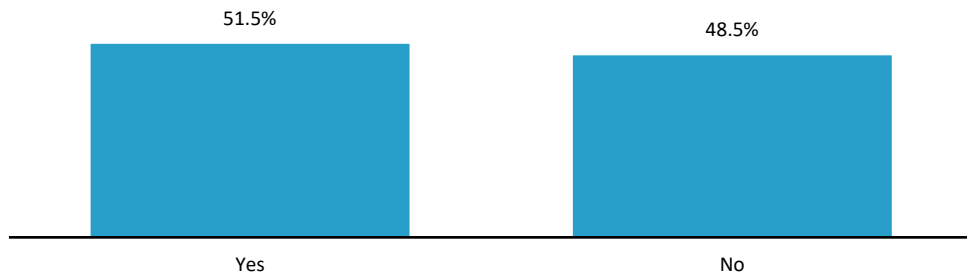
Source: Qualtrics survey results with ~800 total participants, of which 99 prioritized Outdoor Toys.

Baird 2023 Outdoor Toys Survey Results (Cont'd)

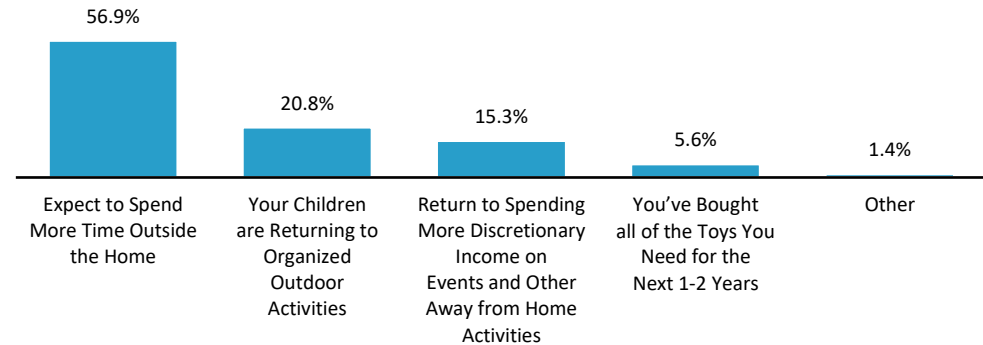
IF YOU ANSWERED MORE OR LESS FREQUENTLY TO THE PRIOR QUESTION, DO YOU BELIEVE THAT POST-COVID, YOUR PURCHASING BEHAVIOR WILL REVERT BACK TO PRE-COVID LEVELS / FREQUENCY?



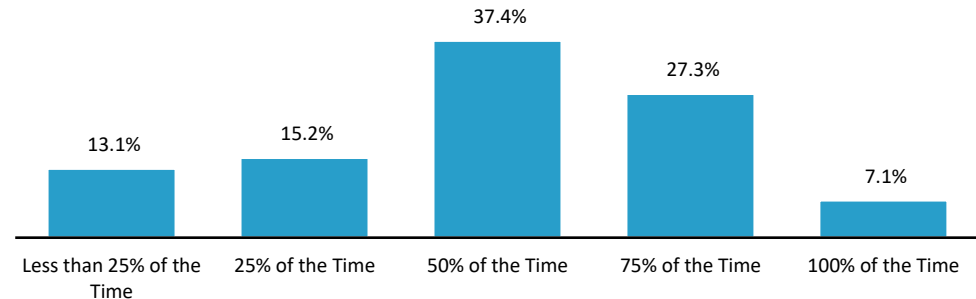
AFTER COVID, WILL YOUR PREFERENCE OF WHERE TO PURCHASE OUTDOOR TOYS REVERT BACK TO PRE-COVID HABITS?



WHY DO YOU EXPECT TO CHANGE YOUR OUTDOOR TOYS PURCHASING BEHAVIOR POST-COVID?



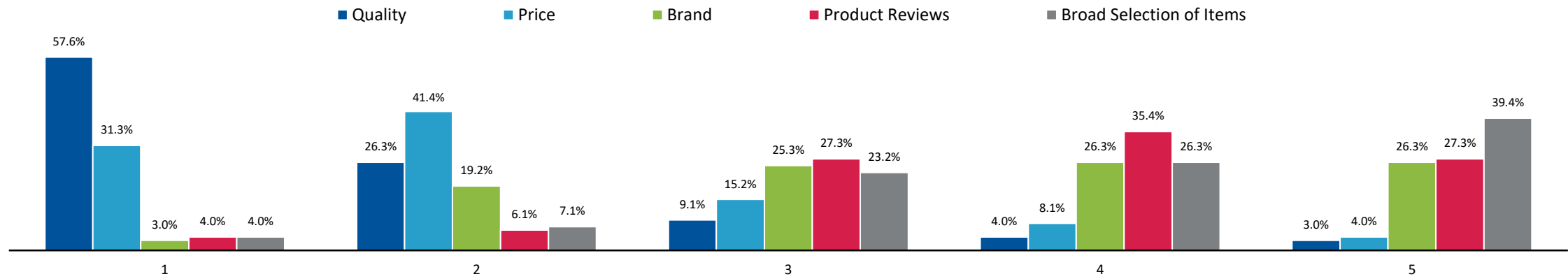
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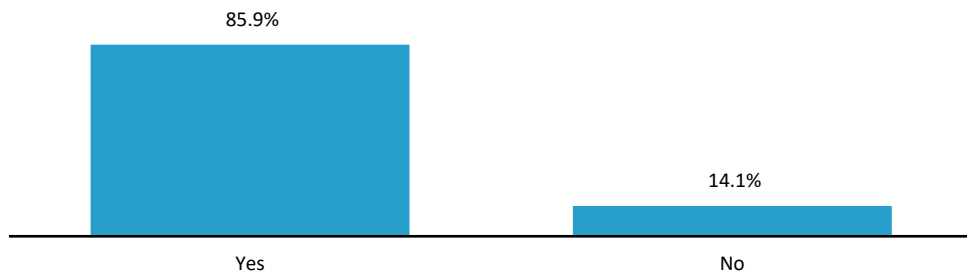
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Baird 2023 Outdoor Toys Survey Results (Cont'd)

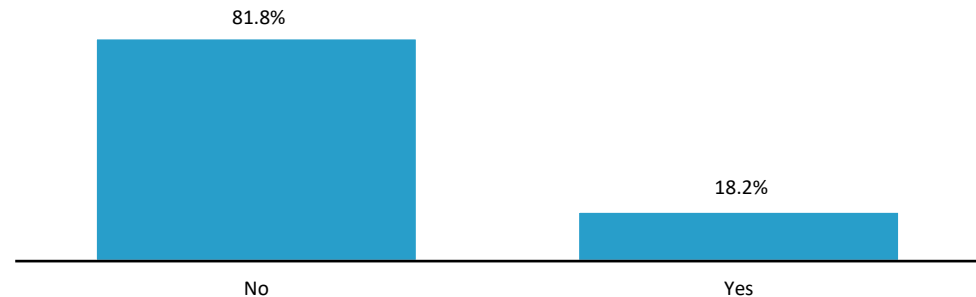
PLEASE RANK THE BELOW CRITERIA IN TERMS OF IMPORTANCE WHEN IT COMES TO PURCHASING OUTDOOR TOYS:



ARE YOU MORE LIKELY TO BE INTERESTED IN OUTDOOR TOYS FROM COMPANIES THAT YOU ARE FAMILIAR WITH?



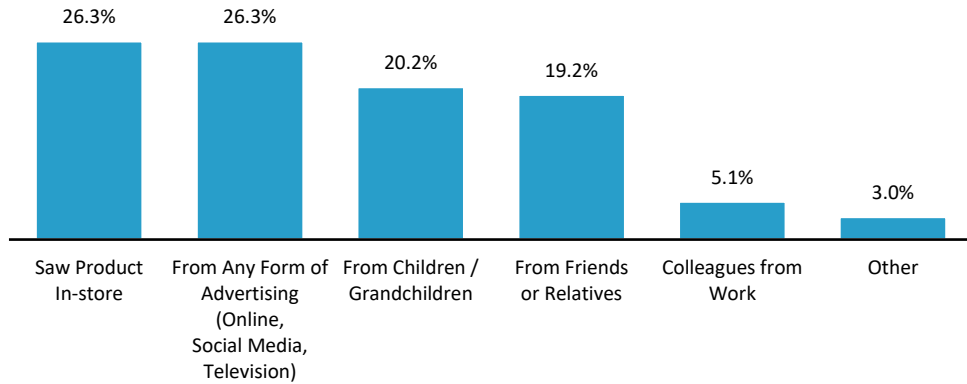
ARE YOU LOYAL TO ANY BRANDS THAT MAKE OUTDOOR TOYS?



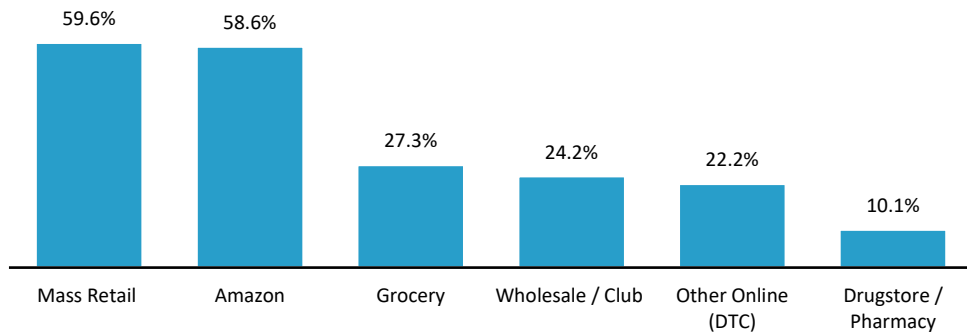
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Baird 2023 Outdoor Toys Survey Results (Cont'd)

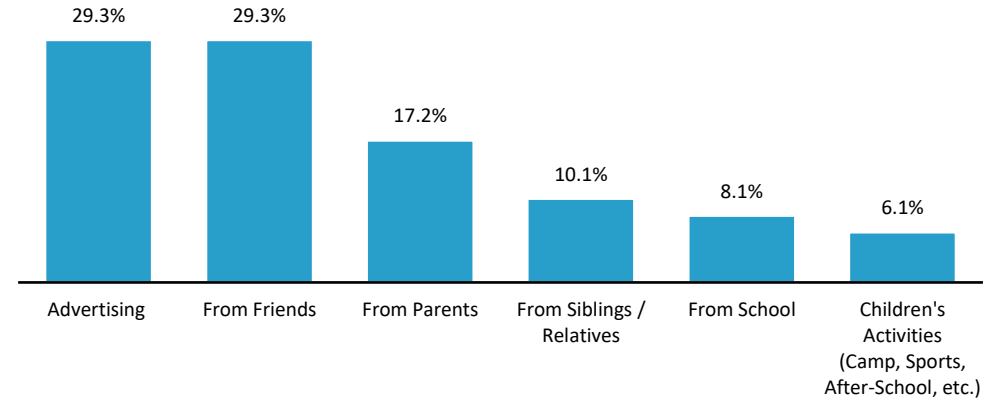
HOW DO YOU MOST OFTEN LEARN ABOUT NEW OUTDOOR TOYS?



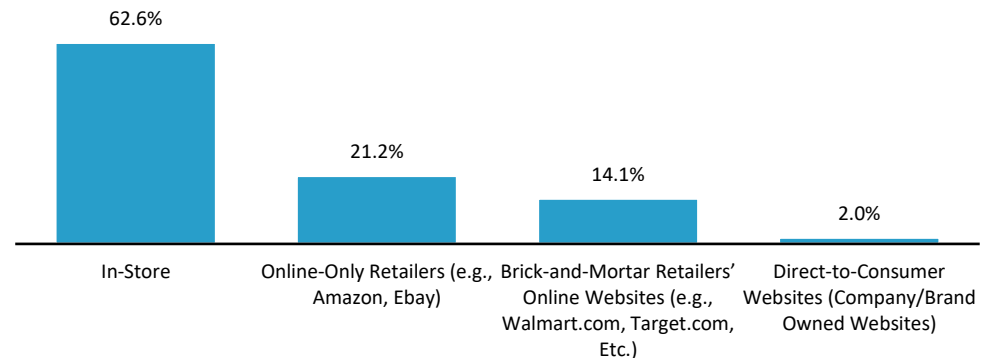
WHERE WOULD YOU BUY OUTDOOR TOYS, IF AVAILABLE? (SELECT ALL THAT APPLY)



HOW DO YOUR CHILDREN / GRANDCHILDREN MOST OFTEN LEARN ABOUT NEW OUTDOOR TOYS?



WHAT PURCHASE LOCATION DO YOU PREFER WHEN BUYING OUTDOOR TOYS?

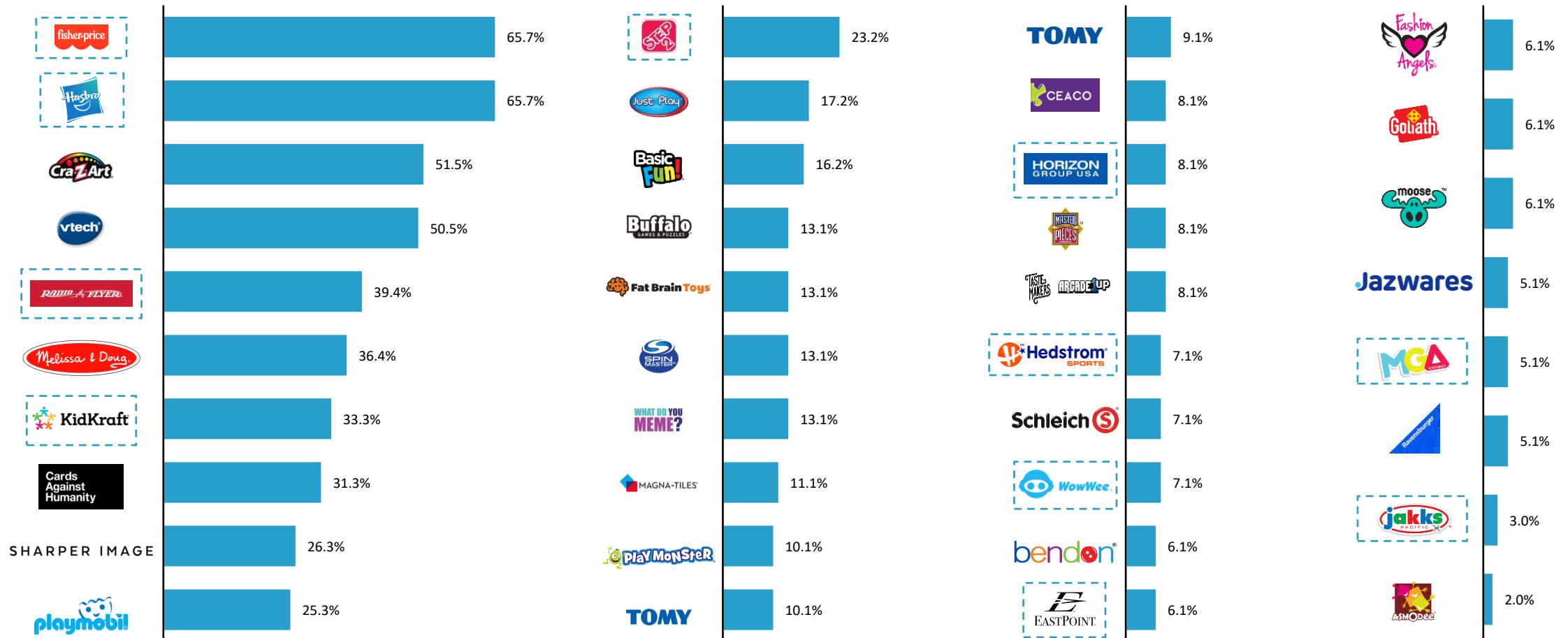


Source: Qualtrics survey results with ~800 total participants, of which 99 prioritized Outdoor Toys.

Baird 2023 Outdoor Toys Survey Results (Cont'd)

Includes outdoor vehicles and rideable / pushable toys, lawn and gardening sets for children, bubble and water toys as well as kites and playground equipment

WHICH OF THE FOLLOWING TOY PRODUCT BRANDS DO YOU RECOGNIZE?



Source: Qualtrics survey results with ~800 total participants, of which 99 prioritized Outdoor Toys.

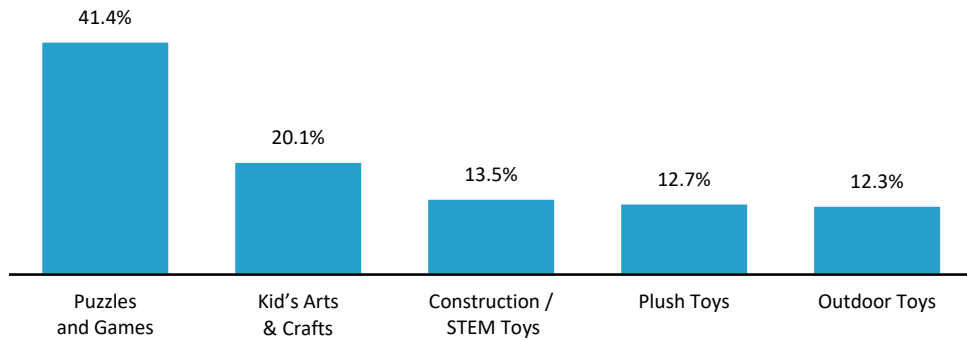
Note: [Dashed Box] denotes specific brands within the Outdoor Toys category, as participants were otherwise able to comment on familiarity with all brands included in the survey.

Construction / STEM Toys

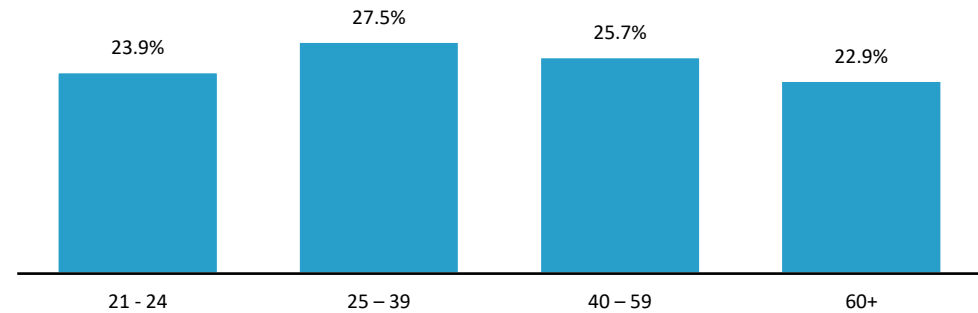
A woman and a young girl are playing with colorful wooden blocks on a table. The woman is smiling and looking at the girl as she stacks a block. The girl is focused on the task. The scene is overlaid with a blue tint.

Baird 2023 Construction / STEM Toys Survey Results

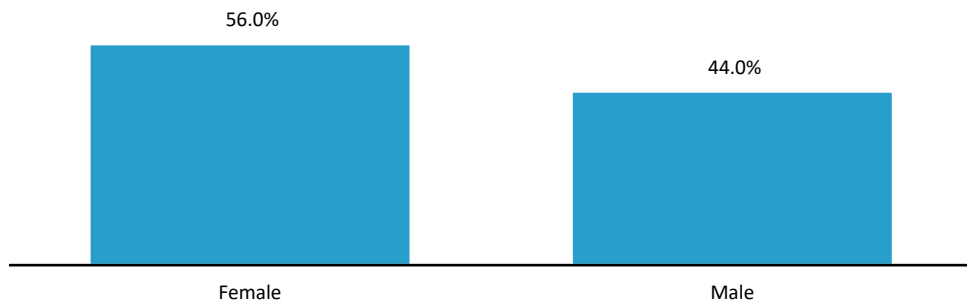
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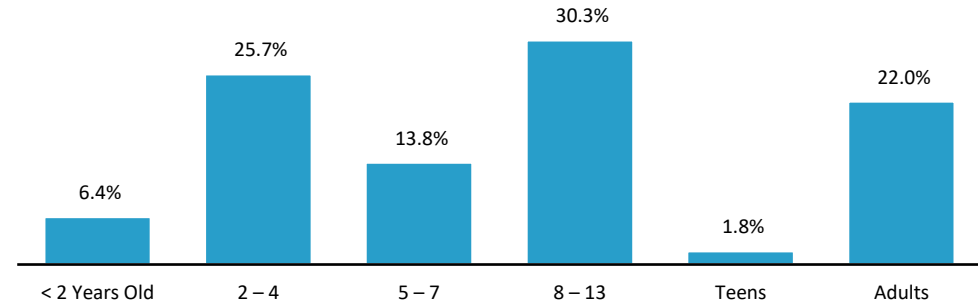
WHAT IS THE AGE OF THE PERSON MOST OFTEN BUYING CONSTRUCTION / STEM TOYS IN YOUR HOUSEHOLD?



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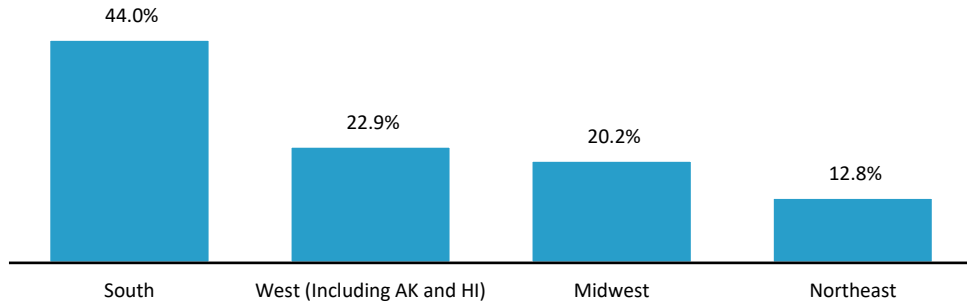
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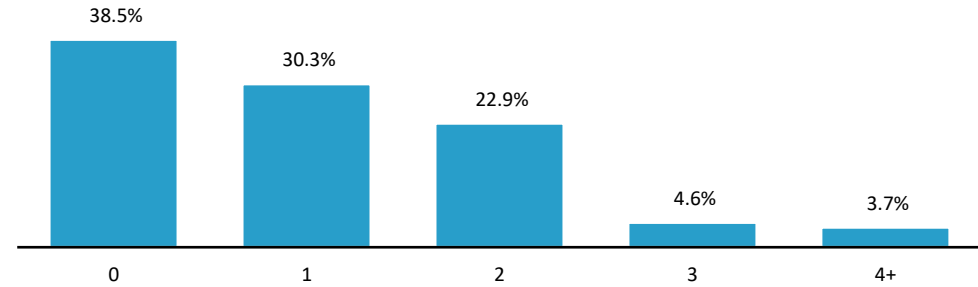
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Baird 2023 Construction / STEM Toys Survey Results (Cont'd)

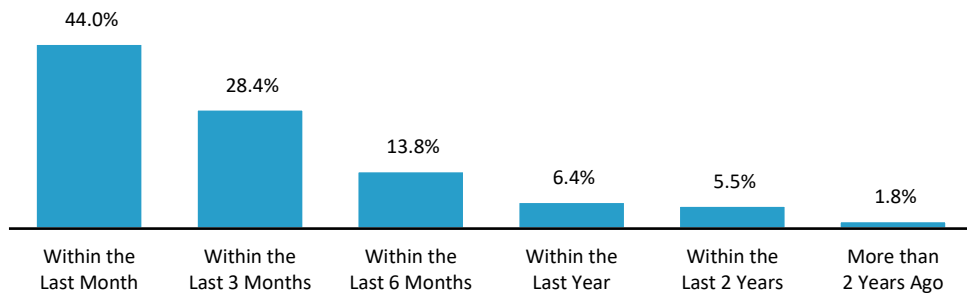
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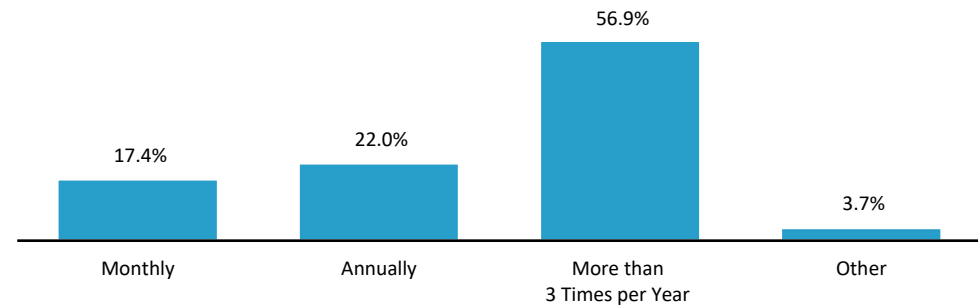
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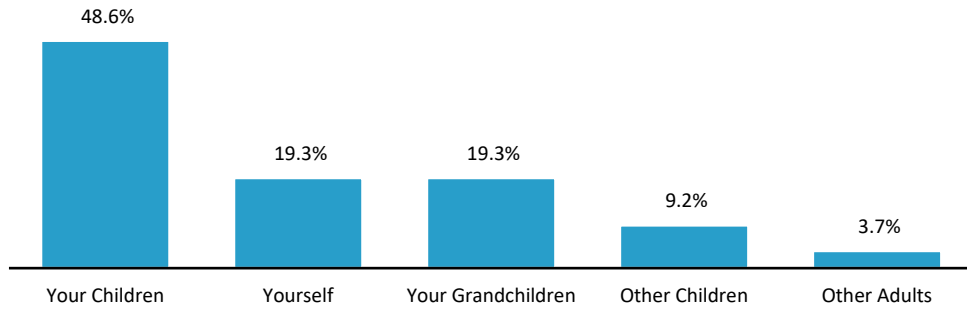
HOW OFTEN DO YOU PURCHASE NEW CONSTRUCTION / STEM TOYS?



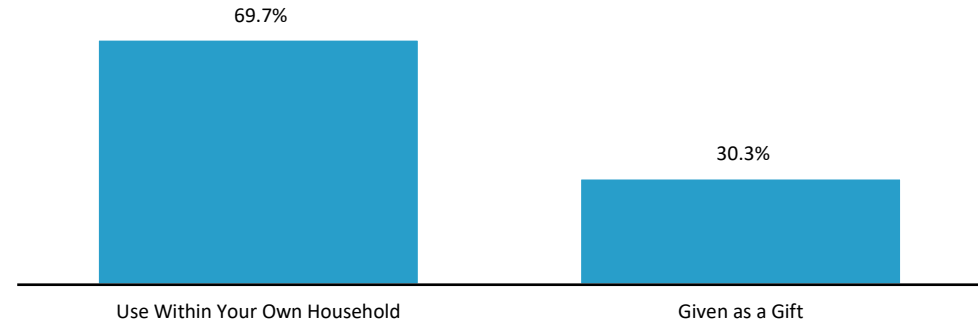
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Baird 2023 Construction / STEM Toys Survey Results (Cont'd)

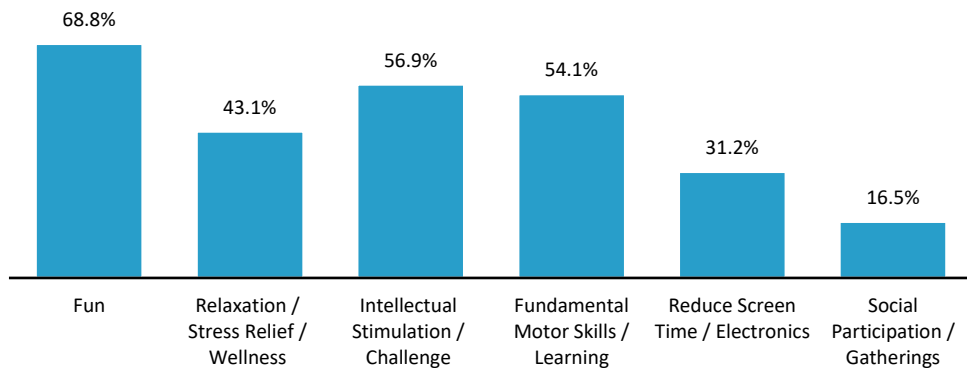
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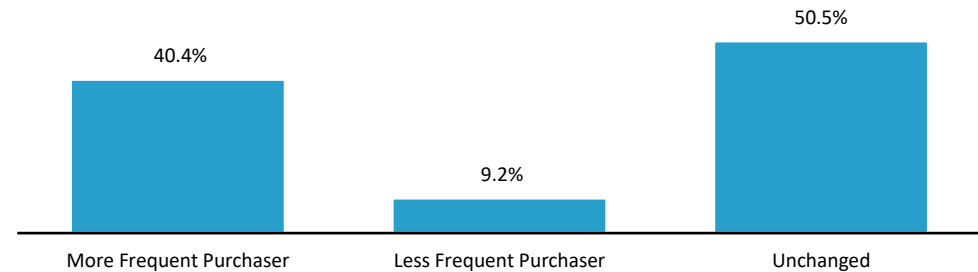
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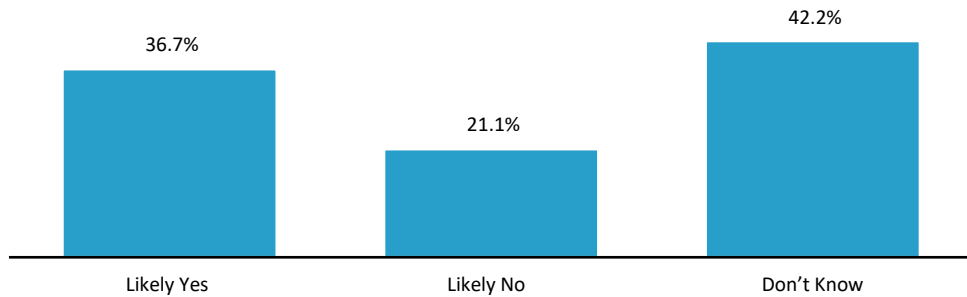
HOW HAS COVID CHANGED YOUR CONSTRUCTION / STEM TOY PURCHASING BEHAVIOR OVER THE PAST YEAR?



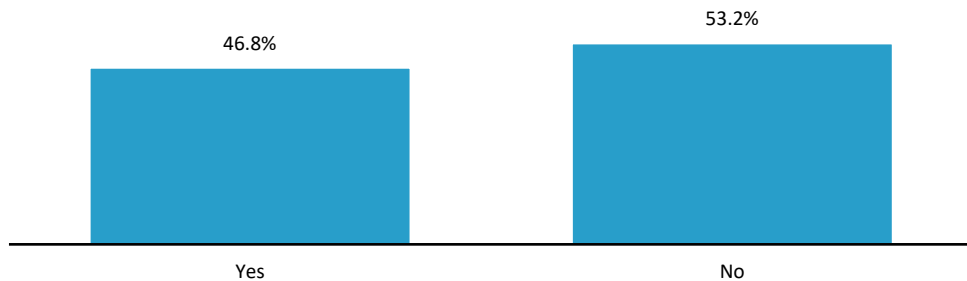
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Baird 2023 Construction / STEM Toys Survey Results (Cont'd)

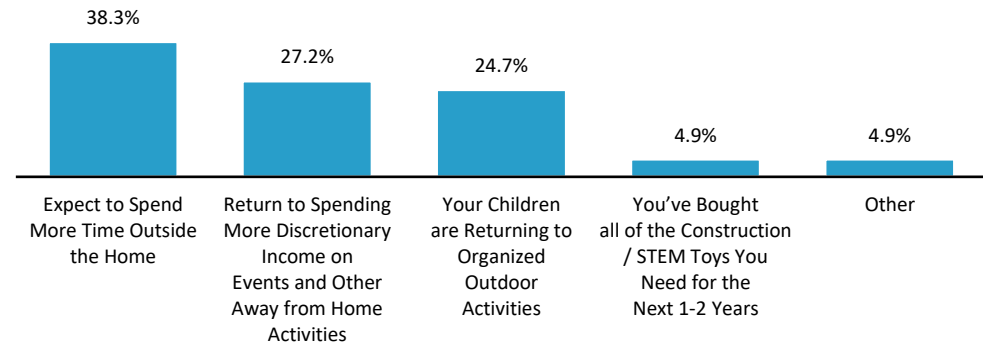
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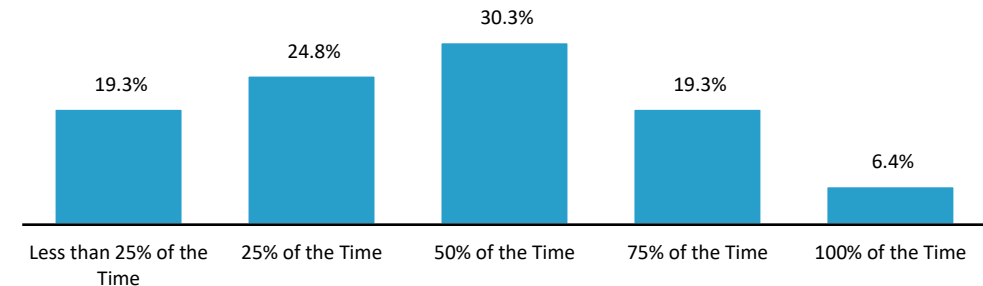
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WHY DO YOU EXPECT TO CHANGE YOUR CONSTRUCTION / STEM TOY PURCHASING BEHAVIOR POST-COVID?



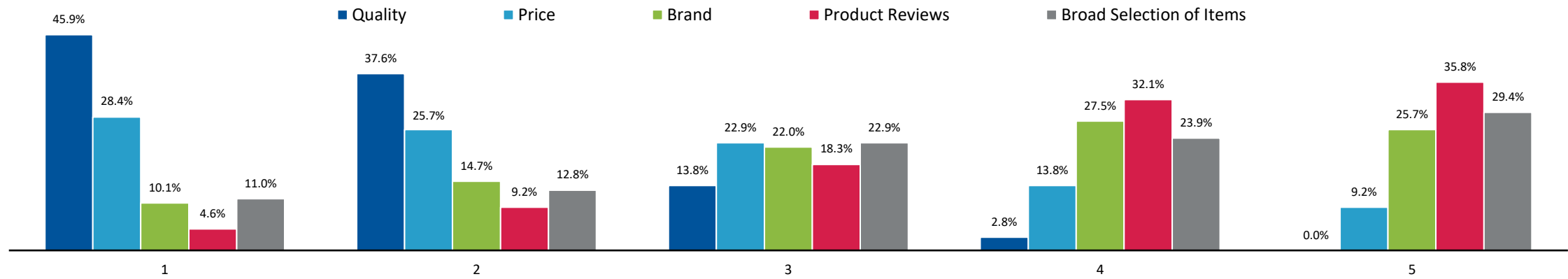
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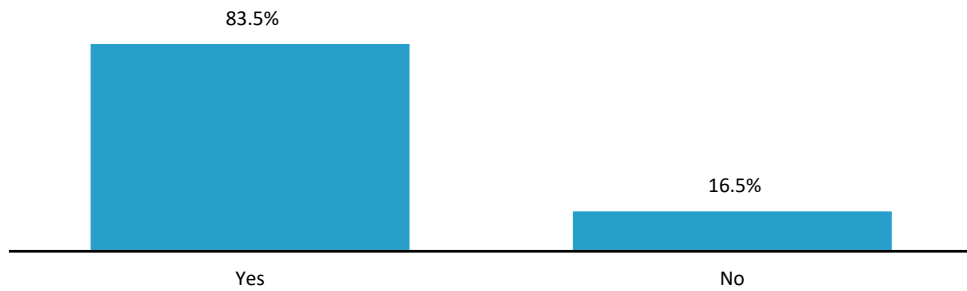
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Baird 2023 Construction / STEM Toys Survey Results (Cont'd)

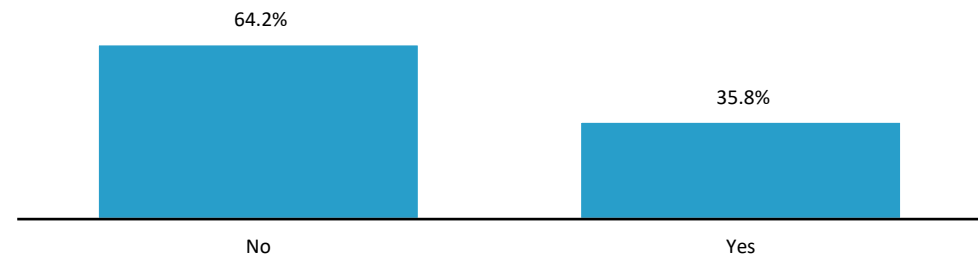
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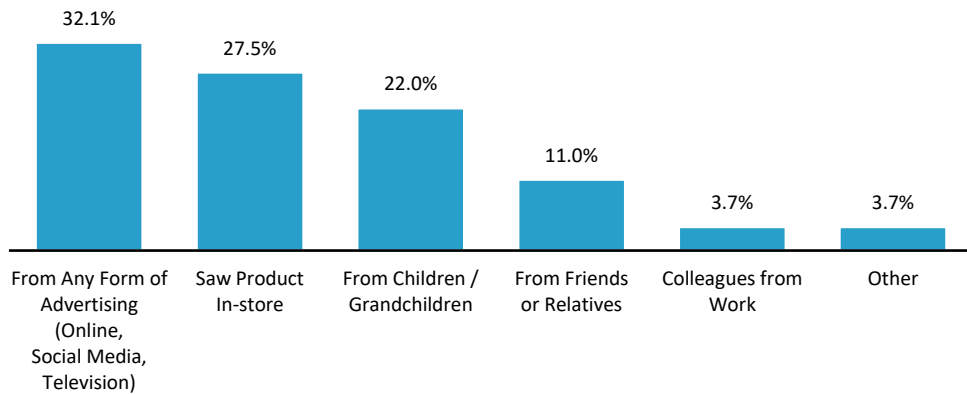
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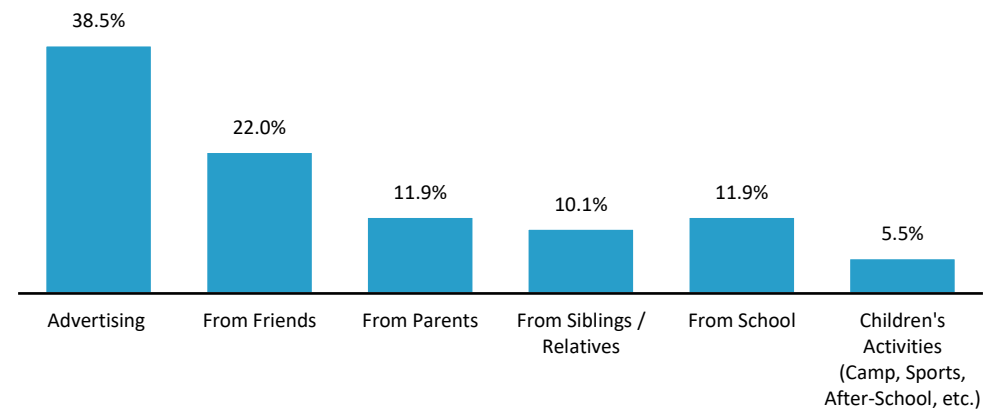
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Baird 2023 Construction / STEM Toys Survey Results (Cont'd)

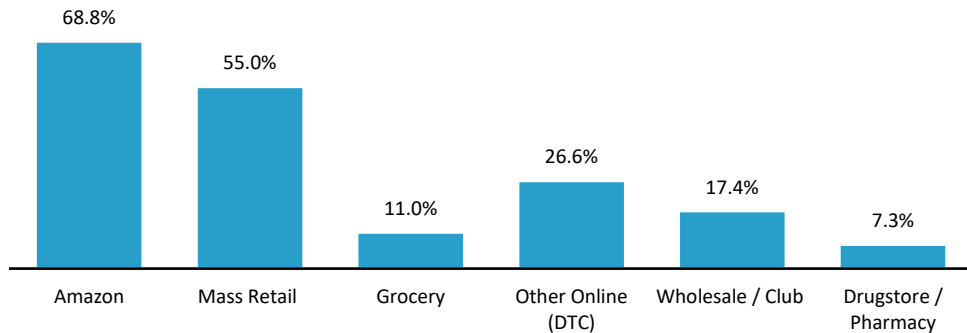
HOW DO YOU MOST OFTEN LEARN ABOUT NEW CONSTRUCTION / STEM TOYS?



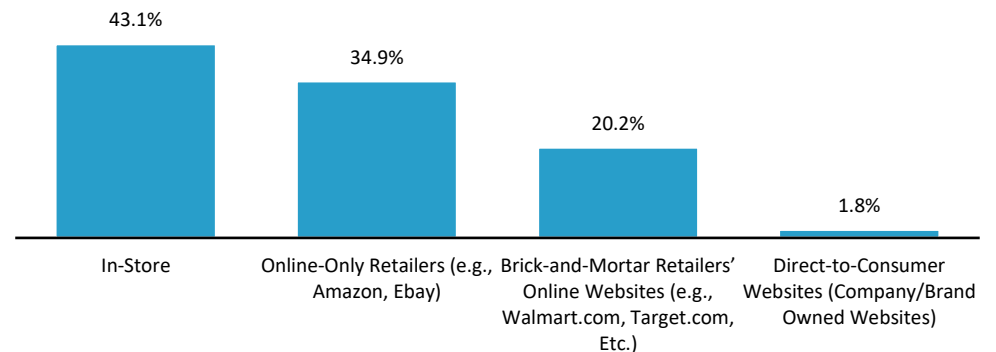
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WHERE WOULD YOU BUY CONSTRUCTION / STEM TOYS, IF AVAILABLE? (SELECT ALL THAT APPLY)



WHAT PURCHASE LOCATION DO YOU PREFER WHEN BUYING CONSTRUCTION / STEM TOYS?

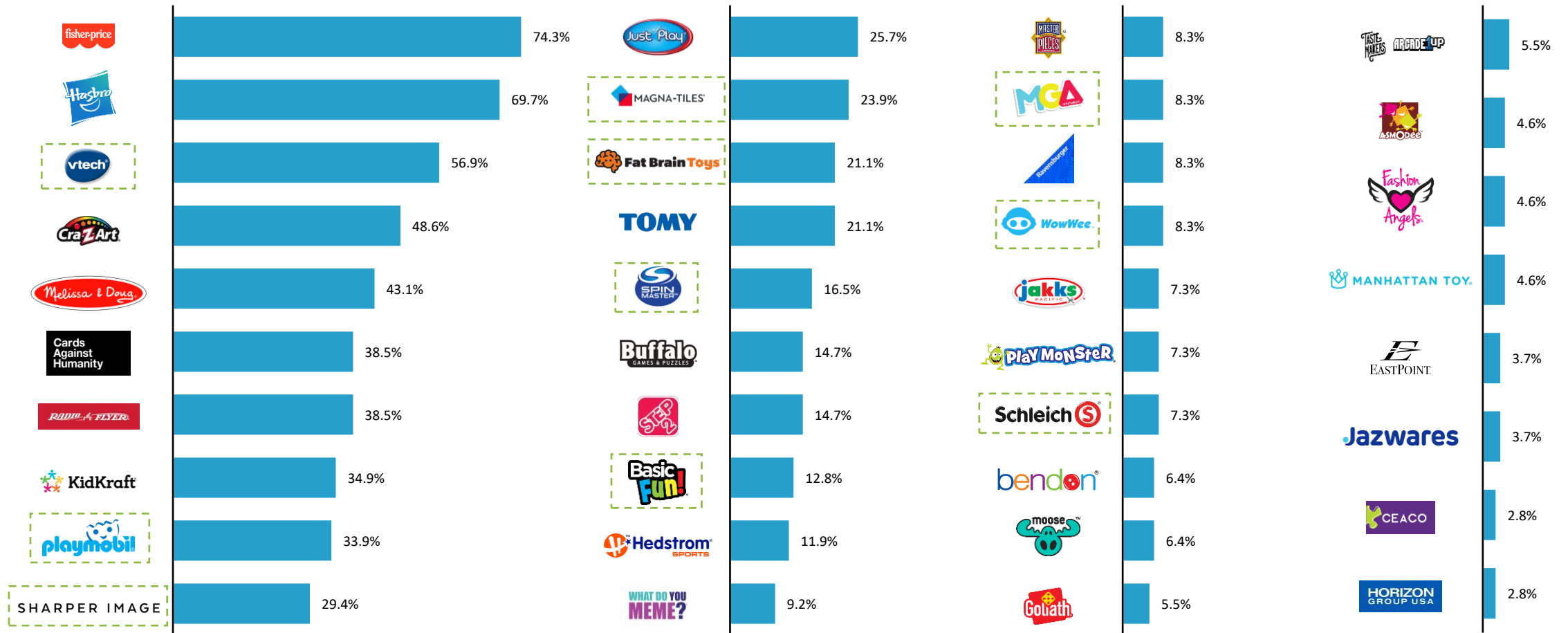


Source: Qualtrics survey results with ~800 total participants, of which 109 prioritized Construction / STEM Toys.

Baird 2023 Construction / STEM Toys Survey Results (Cont'd)

Refers to building sets with interlocking pieces that can be assembled in a variety of ways (e.g., Lego, K'Nex, etc.) as well as science kits, maps and globes and other education-oriented toy sets that promote learning

WHICH OF THE FOLLOWING TOY PRODUCT BRANDS DO YOU RECOGNIZE?



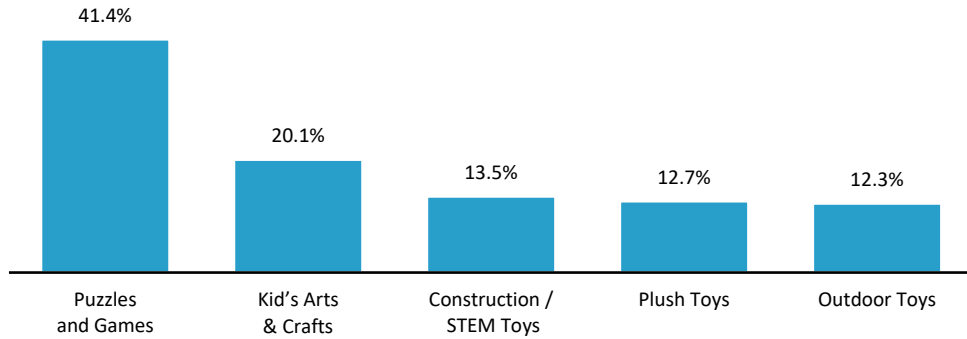
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Plush Toys

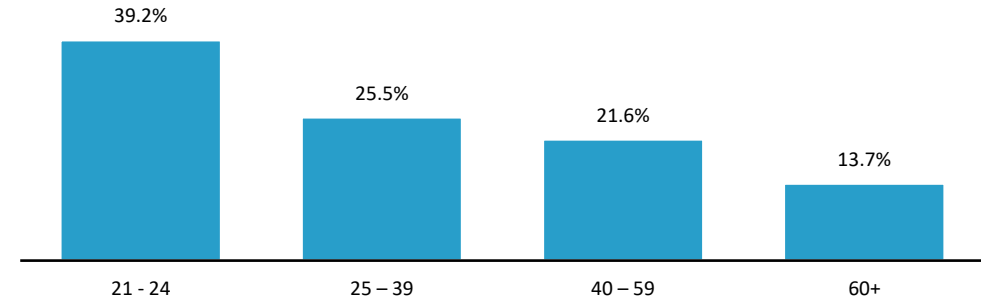


Baird 2023 Plush Toys Survey Results

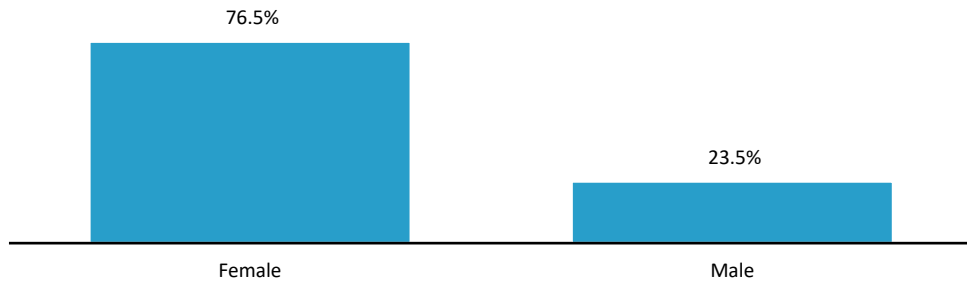
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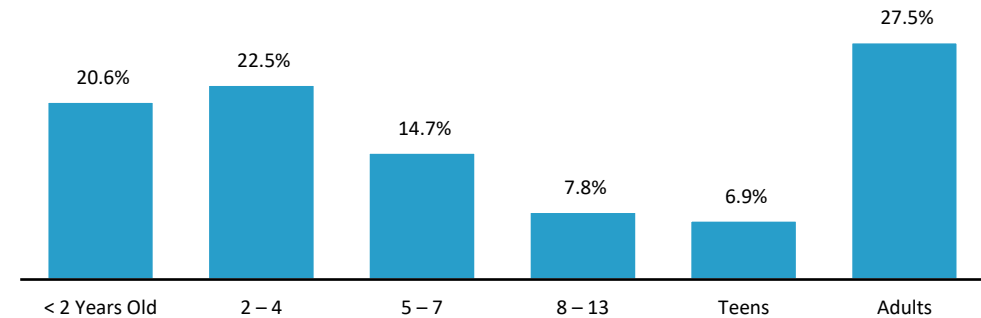
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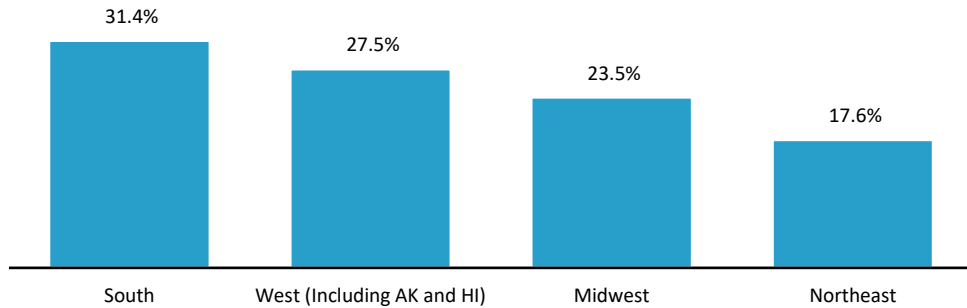
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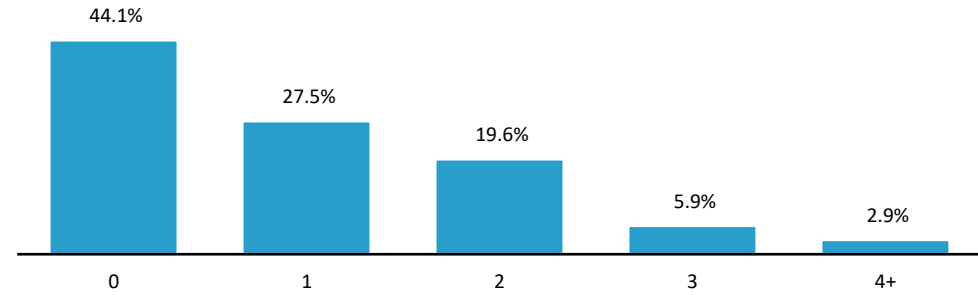
Source: Qualtrics survey results with ~800 total participants, of which 102 prioritized Plush Toys.
 1) Based on the results from the ~800 total survey participants.

Baird 2023 Plush Toys Survey Results (Cont'd)

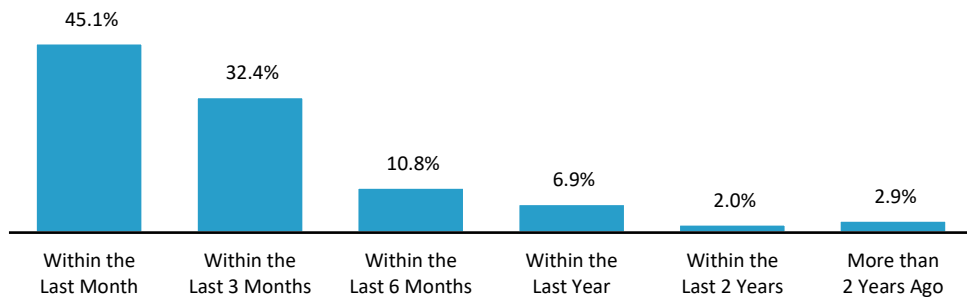
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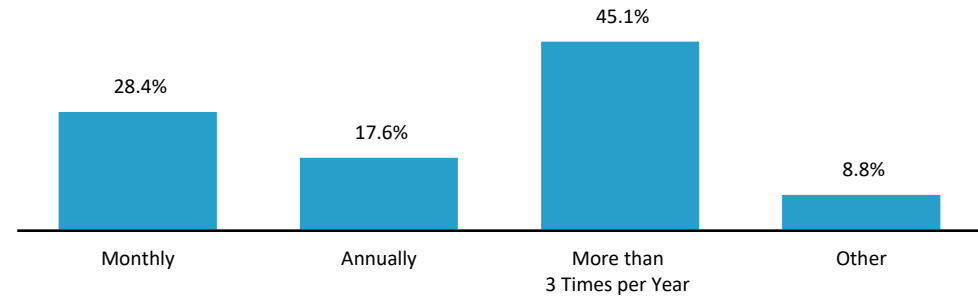
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WHEN WAS THE LAST TIME YOU PURCHASED PLUSH TOYS?



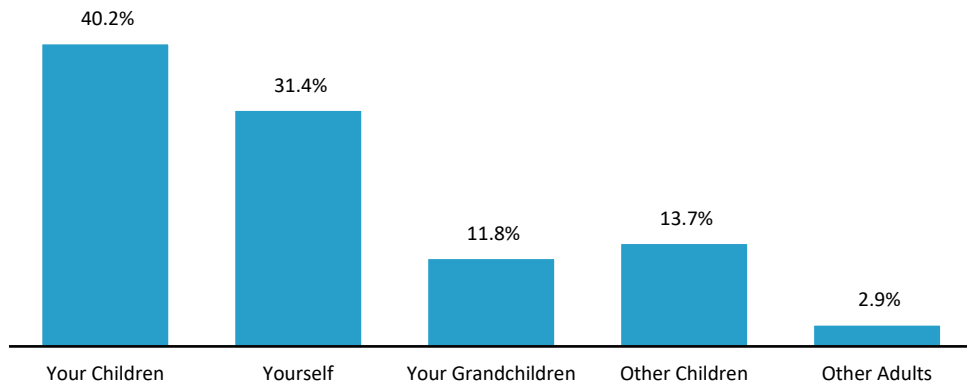
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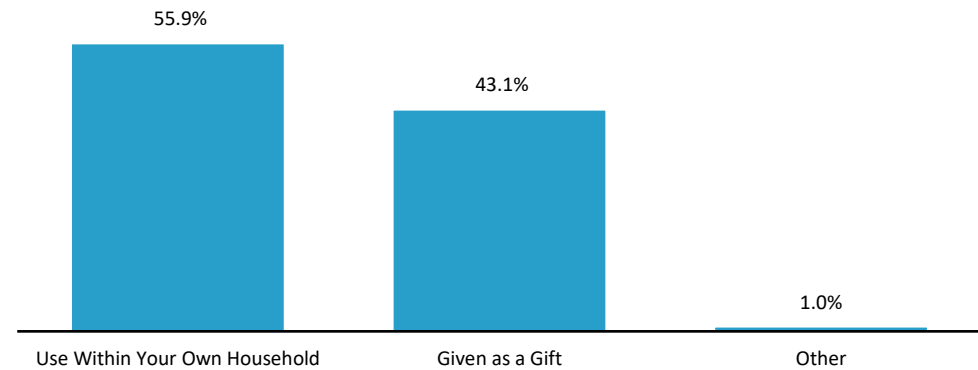
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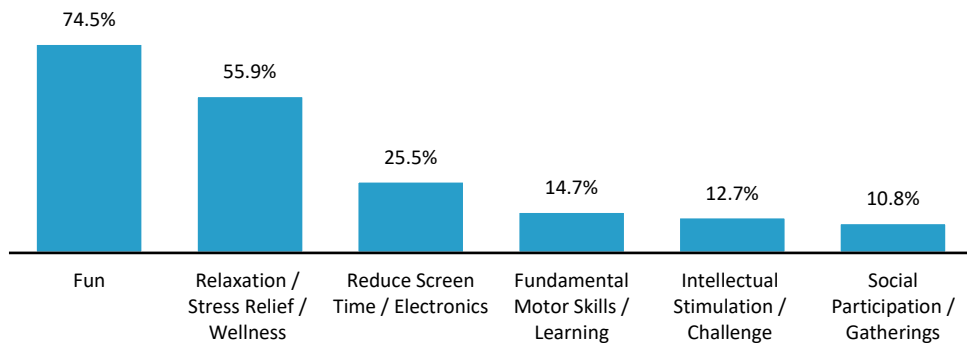
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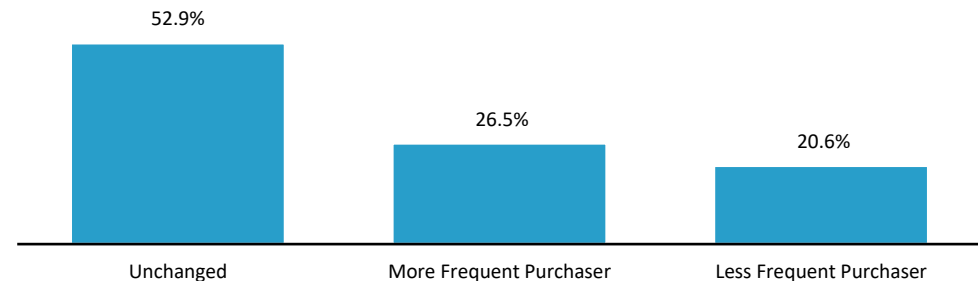
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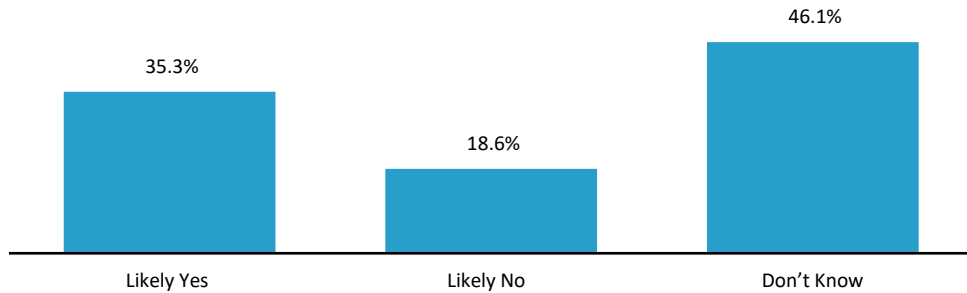
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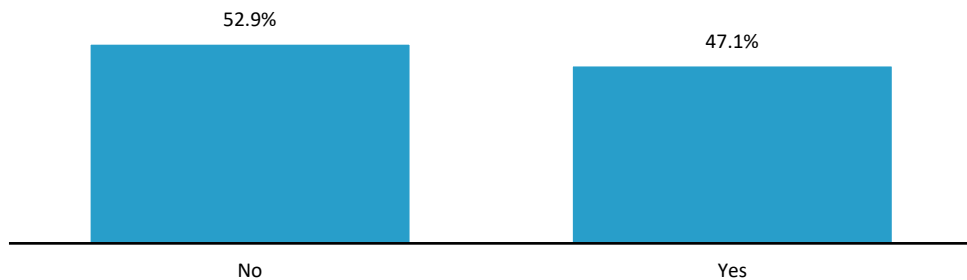
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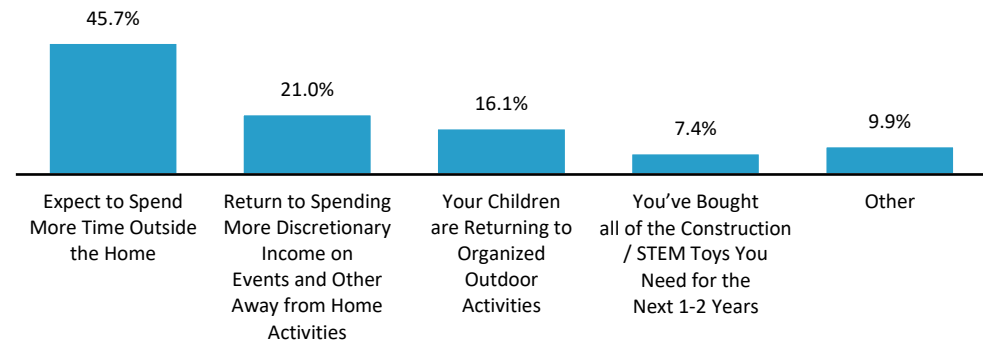
IF YOU ANSWERED MORE OR LESS FREQUENTLY TO THE PRIOR QUESTION, DO YOU BELIEVE THAT POST-COVID, YOUR PURCHASING BEHAVIOR WILL REVERT BACK TO PRE-COVID LEVELS / FREQUENCY?



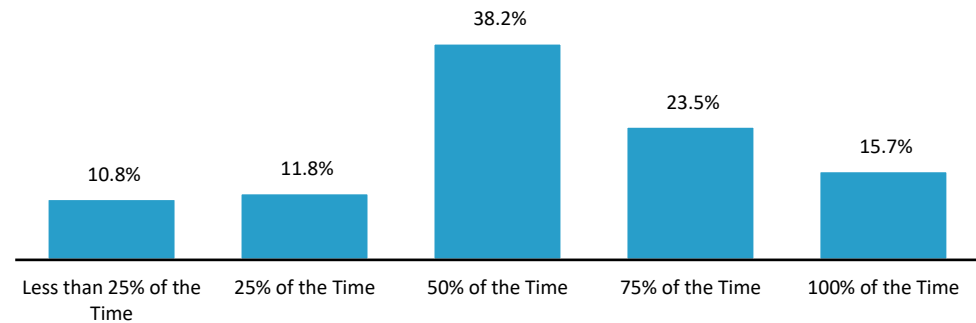
AFTER COVID, WILL YOUR PREFERENCE OF WHERE TO PURCHASE PLUSH TOYS REVERT BACK TO PRE-COVID HABITS?



WHY DO YOU EXPECT TO CHANGE YOUR PLUSH TOY PURCHASING BEHAVIOR POST-COVID?



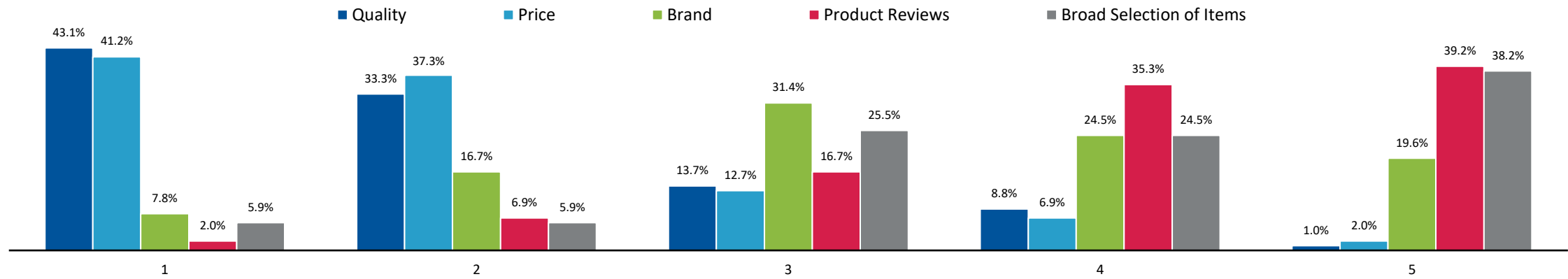
WHEN YOU PURCHASE PLUSH TOYS, HOW OFTEN IS IT AN IMPULSE PURCHASE (VS. A PLANNED PURCHASE)?



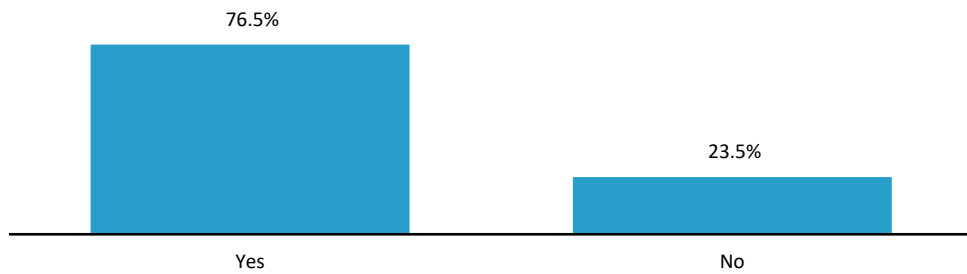
Source: Qualtrics survey results with ~800 total participants, of which 102 prioritized Plush Toys.

Baird 2023 Plush Toys Survey Results (Cont'd)

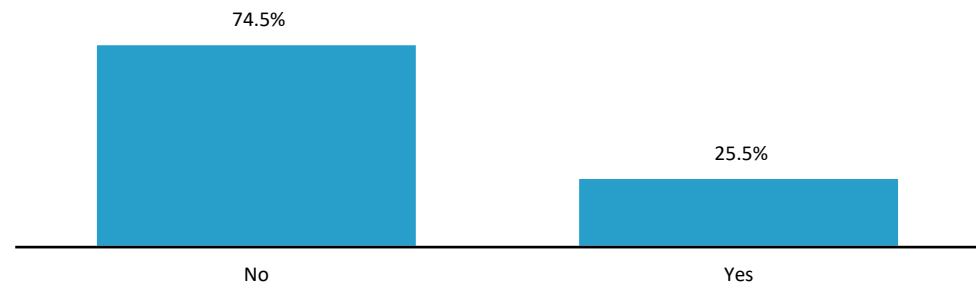
PLEASE RANK THE BELOW CRITERIA IN TERMS OF IMPORTANCE WHEN IT COMES TO PURCHASING PLUSH TOYS:



ARE YOU MORE LIKELY TO BE INTERESTED IN PLUSH TOYS FROM COMPANIES THAT YOU ARE FAMILIAR WITH?



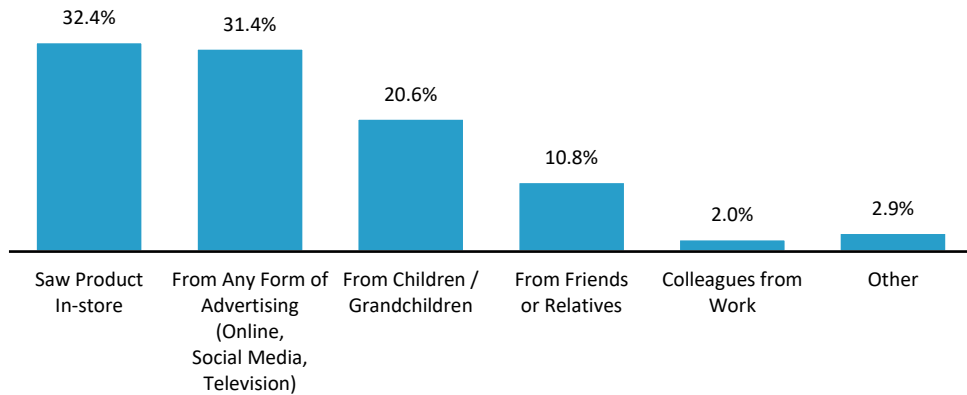
ARE YOU LOYAL TO ANY BRANDS THAT MAKE PLUSH TOYS?



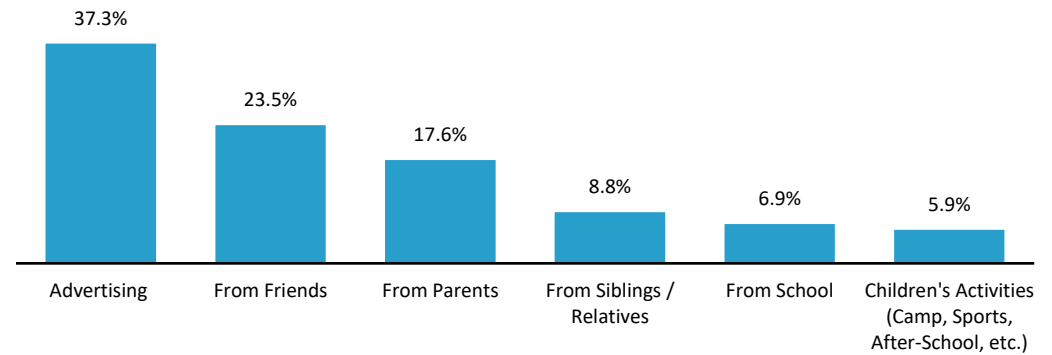
Source: Qualtrics survey results with ~800 total participants, of which 102 prioritized Plush Toys.

Baird 2023 Plush Toys Survey Results (Cont'd)

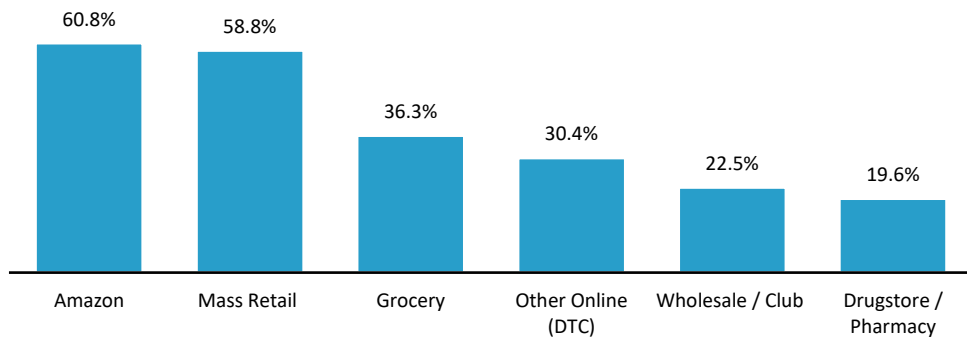
HOW DO YOU MOST OFTEN LEARN ABOUT NEW PLUSH TOYS?



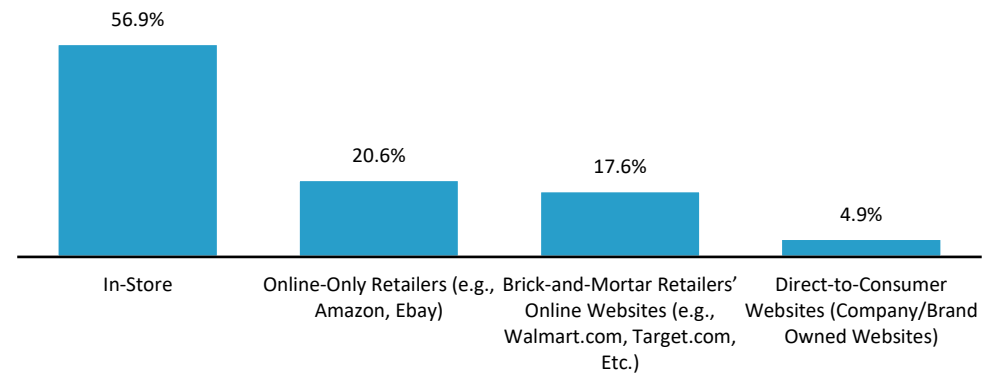
HOW DO YOUR CHILDREN / GRANDCHILDREN MOST OFTEN LEARN ABOUT NEW PLUSH TOYS?



WHERE WOULD YOU BUY PLUSH TOYS, IF AVAILABLE? (SELECT ALL THAT APPLY)



WHAT PURCHASE LOCATION DO YOU PREFER WHEN BUYING PLUSH TOYS?

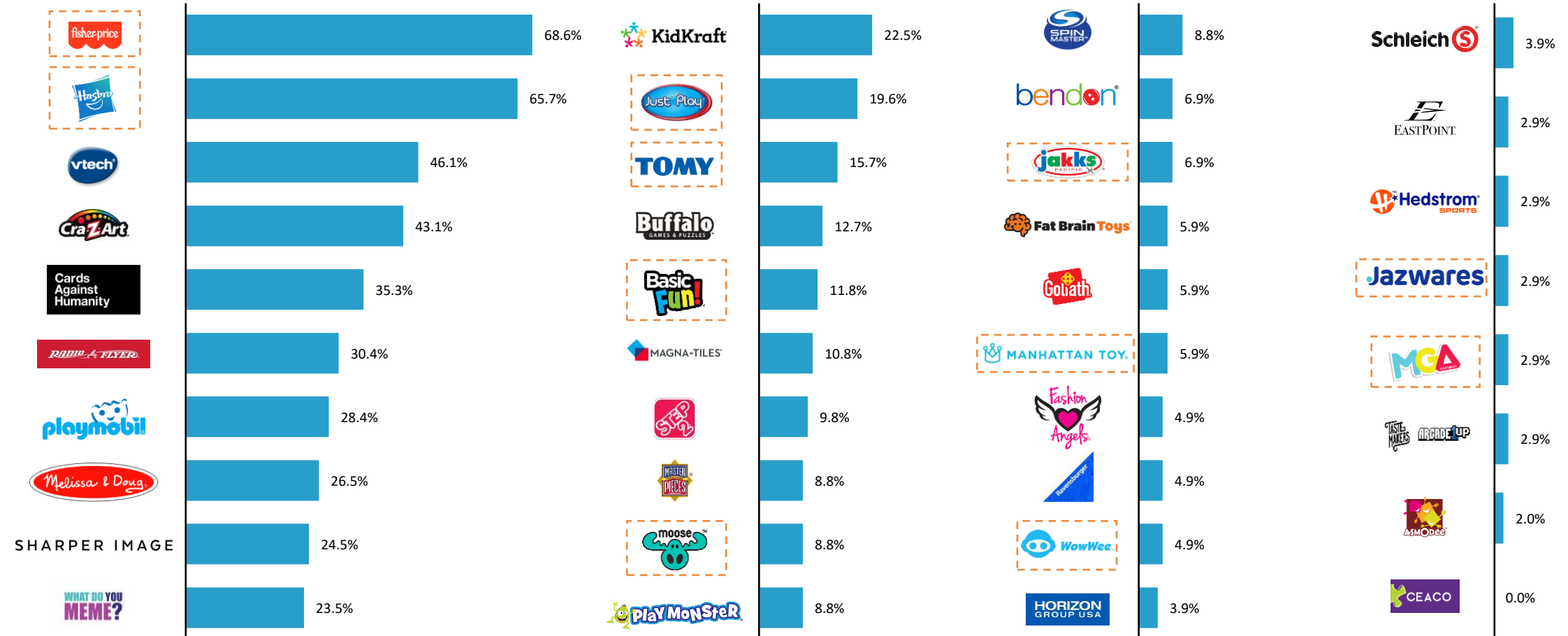


Source: Qualtrics survey results with ~800 total participants, of which 102 prioritized Plush Toys.

Baird 2023 Plush Toys Survey Results (Cont'd)

Includes toys that are made from plush or another type of thick, soft cloth, and filled with a soft material

WHICH OF THE FOLLOWING TOY PRODUCT BRANDS DO YOU RECOGNIZE?



Source: Qualtrics survey results with ~800 total participants, of which 102 prioritized Plush Toys.

Note: [Dashed orange box] denotes specific brands within the Plush Toys category, as participants were otherwise able to comment on familiarity with all brands included in the survey.

Appendix

A photograph of a man and a young child sitting at a round wooden table, playing with colorful wooden blocks. The man, wearing a white t-shirt, is leaning over the child, who is wearing a blue t-shirt and denim overalls. They are both focused on the blocks. The table is covered with various shapes and colors of blocks, including cubes, cylinders, and triangles. The background shows a bright, indoor setting with a window and some greenery. The entire image has a light blue tint.

Baird Team Biographies

ROBERT ROSENFELD – *Managing Director*



Rob Rosenfeld is a Managing Director within the Consumer Investment Banking team, focusing on consumer household, juvenile/toy and cleaning/hygiene products – targeting products that are sold omni-channel through big box, specialty and online/DTC retail. Rob provides strategic and analytical support on sell-side and buy-side M&A, strategic alternatives, and debt and equity offerings – with numerous CPG businesses including PurposeBuilt Brands (fka Weiman), Classic Accessories, Instant Brands (fka World Kitchen), Elmer's, HG International, Freudenberg, Newell Brands, SC Johnson, FILA, Wilton Brands, Contigo, TOMY, Jazwares, Mayborn, Baby Jogger, and many more. Prior to joining Baird, Rob was in the Mergers & Acquisitions group for BMO Capital Markets in Chicago focusing principally on consumer and retail clients. Rob received his M.B.A. with honors from the University of Chicago Booth School of Business and a dual degree in Business (Marketing and Finance) and Liberal Arts (French) from Washington University in St. Louis.

ROBERT FOSTER – *Managing Director*



Robert Foster is a Managing Director on Baird's Global Consumer Investment Banking team. Based in London, Robert leads Baird's European Consumer Banking coverage. He joined Baird in 2021 from Jefferies where he was European Head of Consumer & Retail Investment Banking and led dozens of successful transactions in ecommerce, health & wellness, pet care, home, foodservice, consumer services, retail and luxury goods. He was also a member of Jefferies' Global M&A Review Committee and Global Equity Review and Commitment Committee. Prior to Jefferies, he served as a senior investment banker and EMEA Head of Retail at Morgan Stanley after starting his investment banking career at UBS. Robert received a bachelor's degree with honors from Queen's University in Kingston, Canada and a master's degree from Trinity College in Dublin, Ireland.

Baird Team Biographies (Cont'd)

JARED BERK – Vice President



Jared Berk joined Baird in 2023 as a member of the Consumer Investment Banking Group. Jared provides analytical support on equity offerings, mergers and acquisitions and other financial advisory services. Prior to joining Baird, Jared worked for Houlihan Lokey in Chicago as an Investment Banking Associate in their Consumer, Food & Retail Group, and at GCM Grosvenor, where he worked as an Associate and Analyst in the firm's Business Development Group. Jared received an M.B.A from the New York University Leonard N. Stern School of Business and a B.A. from the University of Michigan.

MICHAL PIRSZEL – Associate



Michal joined Baird in 2021 and is a member of the Consumer Investment Banking Group. Michal provides analytical and execution support on mergers and acquisitions, equity and debt offerings, and other financial advisory services. Prior to joining Baird, Michal was a Senior Analyst at Prairie Capital Advisors where he specialized in ESOP advisory, corporate valuation, fairness opinions, and various other capital structuring engagements primarily within the industrial, consumer products, and technology sectors. Michal holds a Bachelor of Science in both Finance, and Economics from Lewis University.

Baird Team Biographies (Cont'd)

NIKHIL AGGARWAL – Analyst

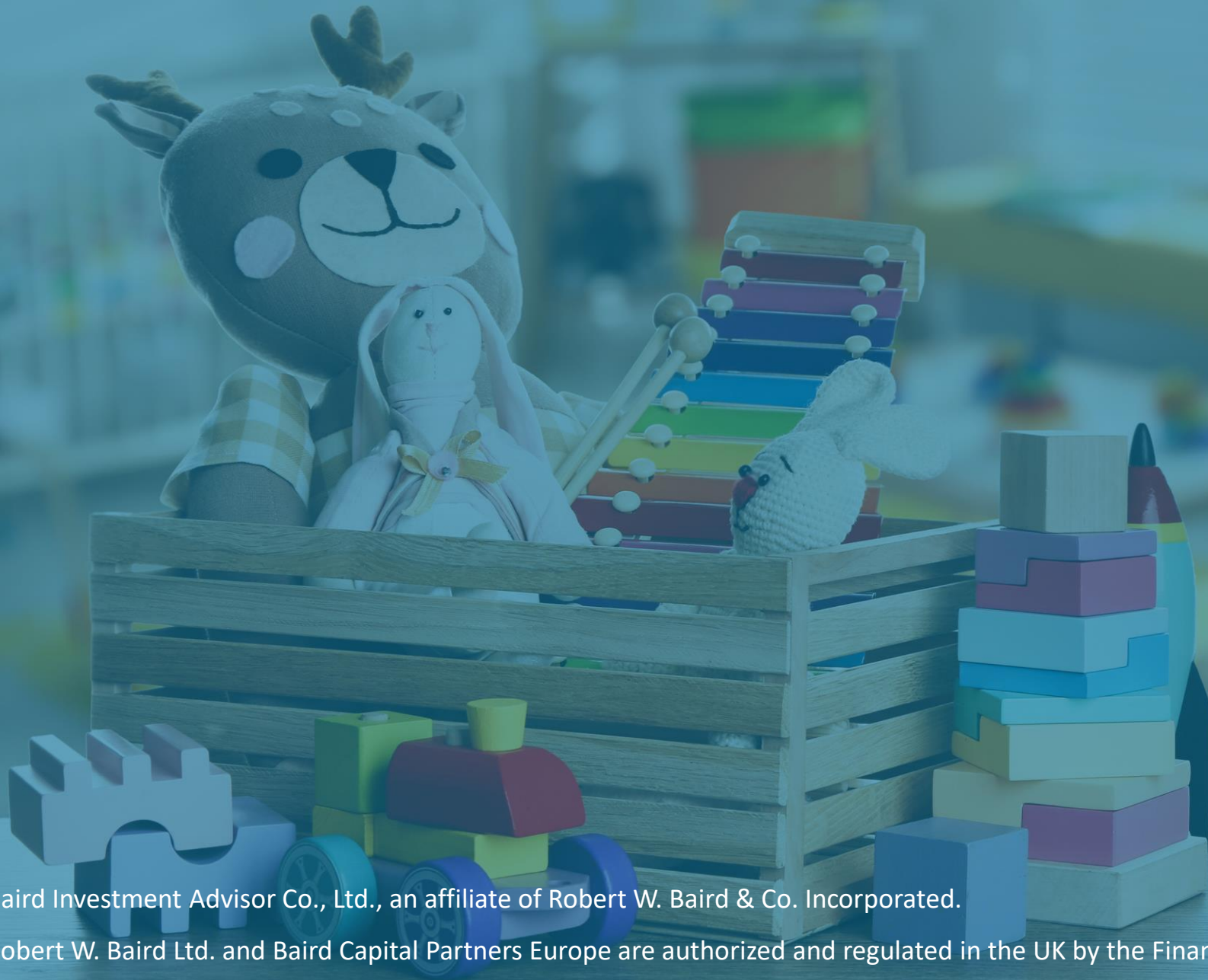


Nikhil Aggarwal joined Baird in 2023 as a member of the Consumer Investment Banking Group. Nikhil provides analytical support on equity offerings, mergers and acquisitions and other financial advisory services. Nikhil received his Bachelor of Science degree in Finance and Computing and Data Science from New York University.

MATT KRUEGER – Analyst



Matt Krueger joined Baird in 2023 as a member of the Consumer Investment Banking Group where he provides analytical support on equity offerings, mergers and acquisitions and other financial advisory services. Matt graduated with a B.S. in Accountancy and Finance from the University of Illinois at Urbana – Champaign with highest honors.



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