

# Juvenile Products and Toys M&A Update

Q2 2024

## Uncertainty Drives a Flight to Quality

Although personal incomes and consumption continued to grind higher throughout the year, 2023 was a challenging period for consumer products M&A. Many firms saw earnings significantly impacted by increased labor and raw material costs. Further, high interest rates and macroeconomic uncertainty have led to potential acquirers pulling back from dealmaking.

While it has been widely anticipated that 2024 will see a measured rebound in deal activity as interest rates stabilize and acquirers come off the sidelines, we are unlikely to return to the ideal conditions seen in 2021-22. Recent inflation data has cast doubt upon the ability of the Fed to cut rates at the pace that the market was anticipating at the start of the year. Additionally, we are now entering the 6-month lead-up to the 2024 U.S. elections, which may have significant implications for Consumer Products companies, particularly those that depend on overseas manufacturing. With these risks in mind, it is essential that business owners interested in completing a transaction in the next year come to market prepared to run a rigorous sale process.

Potential headwinds aside, it should be noted that recent activity indicates that acquirers remain willing to pay competitive multiples for high quality businesses. Despite overall fundraising cooling off in 2023, lack of deal activity has left private equity (PE) firms sitting on record levels of uninvested capital that will need to be invested over the next few years. Likewise, on the corporate side, we continue to see firms willing to pay up for the right assets. In toys and games for example, Spin Master (TSE: TOY) recently closed a \$950M deal for Melissa & Doug, their largest transaction to date by a significant margin.

## Key Takeaways

- Inflation data suggests rate cuts may be less of a tailwind than hoped
- 2024 elections present potential risks for businesses with an overseas nexus
- Acquirers remain willing to pay up for high quality assets

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# Juvenile Products

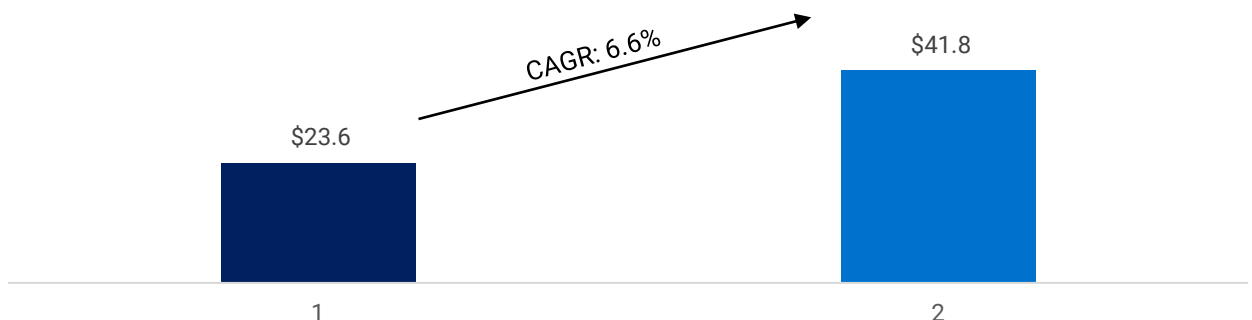
## Industry Drivers and Trends

- The demand for baby and juvenile products is largely a function of both household disposable income levels and birth rates. Incomes have continued to rise as wages trend upward; however, inflation continues to eat away at true spending ability for families. In terms of birth rates, most recent CDC data suggests births continue to be slightly above the pre-pandemic trend. It remains to be seen if this represents a true inflection point in terms of overall fertility, but if so, this would represent a significant tailwind for the industry moving forward.
- 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.
- Due to the changing needs and preferences of parents and caregivers, we have seen a substantial rise in demand for gender-neutral, minimalist and environmentally conscious products in recent years.

## Outlook

- A significant headwind for juvenile product firms over the past year, particularly domestically, was the lack of demand from the brick-and-mortar retail channel.
  - Buy Buy Baby's 2023 bankruptcy was a significant setback for the industry. While the speed and scope of its plans remain to be seen, Dream on Me acquired the firm's IP at a bankruptcy auction in June and has since re-opened 11 brick-and-mortar locations.
- Tech-enabled products remain a major avenue for growth.
- We continue to view juvenile products as, to an extent, being less cyclical than consumer discretionary products overall. The nature of consumption in this space means that consumers are less likely to completely shift spending on baby products due to changes in the macroeconomic environment.
- The global market for juvenile products is expected to grow at an annual rate of 6.6% over the next 10 years.

Juvenile Products - Expected Market Growth (\$B)

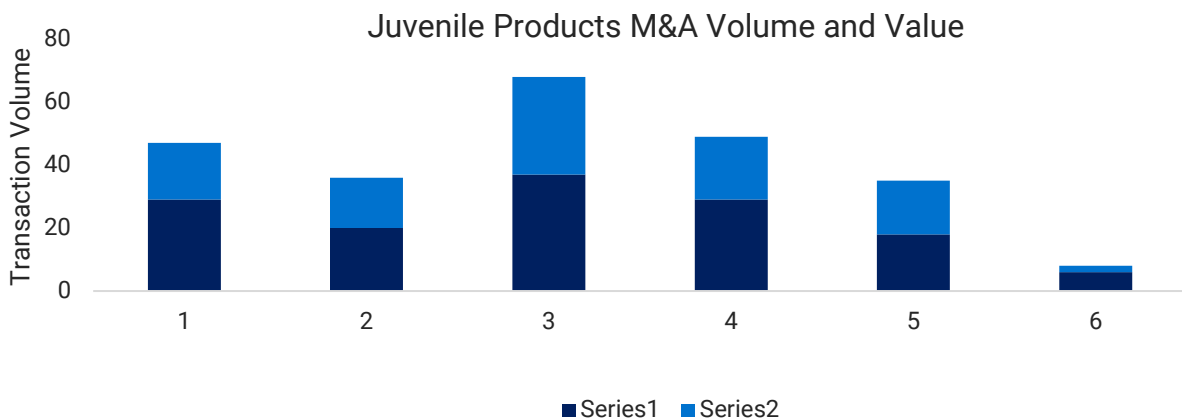


Sources: imarc Data, S&P CapitalIQ, Pitchbook, Griffin Financial Group Research

# Juvenile Products

## M&A Insights

- As anticipated in [our prior report](#), total deal activity declined substantially overall in 2023 from the preceding 12 months.
  - Dealmaking has remained subdued YTD, continuing to be far below the rate of previous periods post-pandemic.
  - Despite this, growth assumptions for the industry remain robust, and relative valuations of public companies in the space have begun to rebound. Given that these shifts tend to be observed in public markets first, we view this as a positive leading indicator for private market valuations in the near/intermediate term.



## Public Company Analysis

- Public companies in our juvenile products index are currently trading at approximately 88% of the 52-week high.
  - These companies are now trading at a median level of 10.4x trailing 12-month EBITDA, an increase from 9.0x as of our prior report in Q4 last year.

\$ 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
Carter's, Inc.	\$74.53	85%	\$2,696	\$3,409	\$2,946	-5.8%	\$392	1.2x	7.5x
Crown Crafts, Inc.	5.25	88%	54	80	87	15.5%	8	0.9x	10.5x
Dorel Industries, Inc.	4.70	88%	152	508	1,389	-5.9%	-25	0.4x	NM
Goodbaby International Holdings	0.09	94%	145	335	1,015	-1.0%	75	0.3x	13.6x
Newell Brands, Inc.	7.39	58%	3,043	8,321	8,133	-8.4%	780	1.0x	10.4x

### Select Public Companies Summary

Mean	83%	-1.1%	0.8x	10.5x
Median	88%	-5.8%	0.9x	10.4x
Maximum	94%	15.5%	1.2x	13.6x
Minimum	58%	-8.4%	0.3x	7.5x

Sources: S&P CapitalIQ, Pitchbook, Griffin Financial Group Research

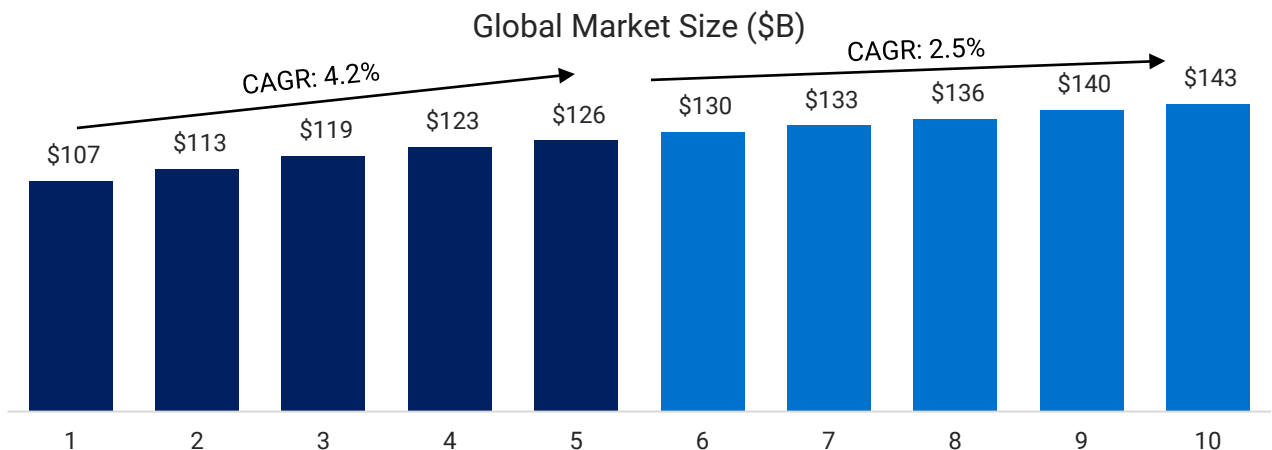
# Toys and Games

## Industry Drivers and Trends

- As technology becomes more and more integrated in children’s lives and education, the industry has been increasingly focused on developing interactive and tech-related toys. These products, which provide immersive experiences helping to bridge the gap between digital and physical play, are seen as helping to prepare children for a future defined by digital technology.
- Within the toys and games segment, we continue to see a consumer preference for those products with a focus on STEM.
  - Products that are able to both engage children and help enhance their critical thinking skills are particularly sought after.
  - With the growth of AI, we anticipate parents will be even more concerned with ensuring their children are able to safely navigate digital environments that are becoming increasingly difficult to avoid.
- Toys targeted to children aged 5-10, particularly those that stimulate creativity, critical thinking and problem-solving, hold the largest share in the market and continue to drive industry growth.

## Outlook

- The pandemic was a significant catalyst for changing consumer behavior in the toy and games space, as parents faced having to keep kids engaged and entertained for extended periods of time in the home.
  - As illustrated in the chart below, the global market size increased by over 4% annually from pre-pandemic through the end of 2023.
  - As conditions have now relatively normalized, the market is expected to grow at a slower rate over the next five years, at 2.5% annually.
  - One byproduct of this is that larger market participants may look to grow via M&A, especially if we see a drop in financing costs.



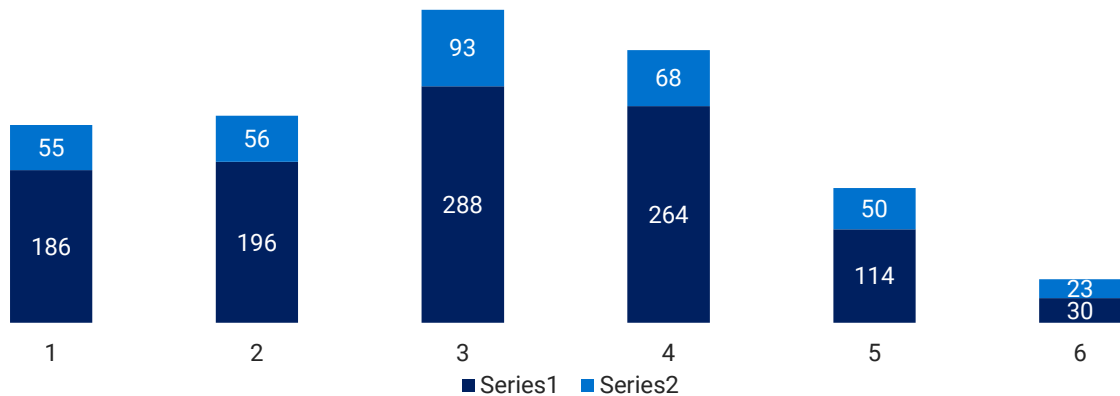
Sources: Statista, S&P CapitalIQ, Pitchbook, Griffin Financial Group Research

# Toys and Games

## M&A Insights

- In line with the overall trend in M&A markets, transaction activity in Q1 remains not only behind the record pace of 2021-22, but below pre-pandemic averages as well.
  - That said, as previously mentioned, there are still significant deals being done. Notable transactions in Q1 2024 include Spin Master’s (TSE:TOY) acquisition of Melissa & Doug from PE firm AEA Investors, and the acquisition of Mastermind Toys by Unity Acquisitions from prior owner Birch Hill Partners.

Toys and Games M&A Activity



## Public Company Analysis

- Publicly traded companies in our toys and games index are currently trading at approximately 82.5% of 52-week highs.
  - These companies are now trading at a median level of 7.7x trailing 12-month EBITDA, a decrease from 8.2x as of [our prior report in Q4 last year](#).

\$ 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.	\$ 5.82	43%	\$ 292	\$ 624	\$1,096	-13.4%	\$ -29	0.6x	NM
Hasbro, Inc.	56.23	76%	7,904	11,000	5,003	-12.1%	575	2.2x	8.7x
Mattel, Inc.	18.57	82%	6,429	7,835	5,441	4.5%	818	1.4x	6.7x
Spin Master Corp.	24.01	83%	2,542	1,921	1,905	2.0%	302	1.0x	6.3x
TOMY Company, Ltd.	17.34	91%	1,570	1,353	1,410	0.1%	184	1.0x	7.7x
Vtech Holdings Limited	5.83	87%	1,473	1,530	2,218	-1.1%	226	0.7x	9.8x

### Select Public Companies Summary

Mean	77%	-3.3%	1.1x	7.8x
Median	83%	-0.5%	1.0x	7.7x
Maximum	91%	4.5%	2.2x	9.8x
Minimum	43%	-13.4%	0.6x	6.3x

Sources: S&P CapitalIQ, Pitchbook, Griffin Financial Group Research

# Select Recent Transactions

Date	Target	Acquirer	Target Business Description
2/19/24	Jabaloo	Cedar Brands	Manufacturer of natural, organic and non-toxic baby products and apparel including bibs, bows, blankets, mobiles, baby gyms and playmats.
2/13/24	The Children's Place	Mithaq Capital	A children's specialty apparel retailer that operates a number of North American retail, wholesale, manufacturing and design brands.
1/15/24	Mastermind Toys	Unity Acquisitions	Operator of a specialty toys and children's bookstore offering educational and fun toys, books, games, arts and crafts, puzzles and science-based kits on age and learning age.
1/9/24	Booginhead	Infantino	Manufacturer of affordable baby and children's products including pacifier clips, bandana teether bibs, stuffed animal pacifier holders, cotton face masks and other related products.
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.
10/2/23	Peek-a-Boo Toys	BMI Merchandise, KLH Capital, Plexus Capital	Manufacturer of a wide range of plush toys including animals, amusement, jungle and mystic toys intended for amusement parks, arcades, vending machines and family fun centers.
8/24/23	Green Sprouts	Middleton Partners, O2Cool	Manufacturer of sustainable and natural baby products intended for newborns, infants and toddlers up to four years old.
8/14/23	SRM Entertainment	Jupiter Wellness	Designs, manufactures and sells toys to theme and amusement parks, and entertainment venues worldwide.
6/13/23	Love All Little Things	Spin Master 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.
6/8/23	Aden & Anais	Transom Capital Group	Designer and retailer of infant accessories and apparel committed to creating a safer sleeping environment for children.
2/28/23	ClapJoy Innovations	Writefine Products	Manufacturer of board, educational, tabletop games, soft toys, flashcards, puzzles, art and craft games.
2/1/23	EveryLife	PublicSq.	Manufacturer of baby products including diapers and wipes.
1/31/23	Strawbees	eEducation Albert	Developer of educational tools designed to promote creativity and improve understanding of technology, enabling kids to develop critical thinking and creative skills.
1/30/23	Trunki	Heroes	Offers products including rideable children's luggage, ride-on suitcases, stackable toy boxes, plush wraps and a backpack booster seat.
1/26/23	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.
12/30/22	Manhattan Group	Crown Crafts (NAS: CRWS)	Manufacturer of soft toys designed to help young children learn through the experience of play.
12/21/22	B4 Adventure	True Play LLC	Manufacturer of outdoor toys and backyard games.
11/28/22	Marbotic	Lū Interactive Playground, Megaform	Developer of educational toys designed to offer a hands-on learning experience to preschoolers.
11/10/22	Fabelab	Luxkids, Reshopper	Manufacturer of children's toys and clothing designed for a cozy, creative and playful home.
10/26/22	Hexbug	Spin Master (TSE: TOY)	Manufacturer and retailer of robotic toys intended to give children a positive experience with robotics at a young age.
10/20/22	Science4you	Atena Equity Partners	Developer of educational and scientific toys.
10/19/22	Janod	Maped, Siparex Group	Manufacturer specializing in a range of products including baby toys, wooden puzzles, dolls and drawing books.
10/5/22	Suavinex	BlueGem Capital Partners, Béaba	Producer of baby bottles, pacifiers and other baby care products
6/30/22	ToucanBox	Sandbox & Co.	Developer of theme-based creative boxes and educational toys designed to evolve the educational skills of children in an entertaining way.
6/8/22	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.
6/1/22	Petite Amélie	Mentha Capital	Manufacturer of children's toys, furniture and accessories intended to serve both the newborn baby and the mother.
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.
5/23/22	Mondo	Funko (NAS: FNKO)	Manufacturer of pop culture products intended to focus on bringing art back to music and cinema.
4/22/22	Béaba	Highlight Capital	Manufacturer of products such as bottles, pacifiers, food-preparation equipment, travel products, toiletries and childproofing products for infants and young children.
4/14/22	Colorific	Goliath Games	Manufacturer of do-it-yourself (DIY) toys in categories including craft and activity, STEM (science, technology, engineering and mathematics), educational and preschool.
3/31/22	Anker Play Products, LLC	IG Design Group Americas Inc.	Develops and sources crafts, toys and games for the U.S. retail market.
3/31/22	JoJo Maman Bebe	Davidson Kempner, Next (UK) (LON: NXT)	Provider of maternity wear and baby clothing products.
3/21/22	Peekaboo Beans Inc.	For Heroes Only	Designs, manufactures and sells children's playwear apparel through retail stores, social platforms and online.
3/16/22	Summer Infant, Inc.	Kids2, Inc.	Designs, markets and distributes branded juvenile safety and convenience products.
2/10/22	Gaia	Ulmus Investment	Manufacturer and distributor of baby products and toys.
1/4/22	Magnetblox	Freshly Picked Seidler Equity Partners	Manufacturer of magnetic soft building blocks designed for kids.

Sources: S&P CapitalIQ, Pitchbook, Griffin Financial Group Research

# About Griffin Financial Group

## M&A Advisory Services

- Griffin manages the process of selling or buying a business and analyzing the company and the industry in which it competes. We work closely with clients to identify goals and objectives and in planning an optimal sale or buy strategy. When selling a business, Griffin works with clients to manage an extensive, customized competitive sale process, including:
  - Identifying potential strategic and financial buyers that best meet our client’s objectives
  - Developing and assisting in the preparation of management presentations
  - Preparing a confidential, descriptive selling memorandum that highlights the unique aspects of the business customized for different potential buyers
  - Evaluating offers and assisting in negotiations with prospective buyers
  - Managing multiple bidding rounds, including data room management
  - Managing the closing process

## What We Offer

### Increased Probability of Close

**Advice** based on hundreds of successful transactions for clients.

### Decreased Time to Close

**Execution** utilizing world class resources and talent.

### Improved Price, Terms and Conditions

**Insights** based on real time market participation.

## Contacts



**Sophea Chau** is a Senior Managing Director at Griffin Financial Group with nearly two decades of M&A experience in the consumer and retail space.

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**Sam Kaplan** is a Director at Griffin Financial Group. With over a decade of M&A experience, he received the prestigious top 40 under 40 Emerging Leaders in M&A award in 2020.

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