Australia Toys Market Full Year 2019 Review

ATA Webinar

Australian Toll-Free – 1800 179 061

Access Code – 5463535#

25th March 2020

npd

GLOBAL OVERVIEW SUMMARY OF 2019

2019, was better for some, but still finding its new normal

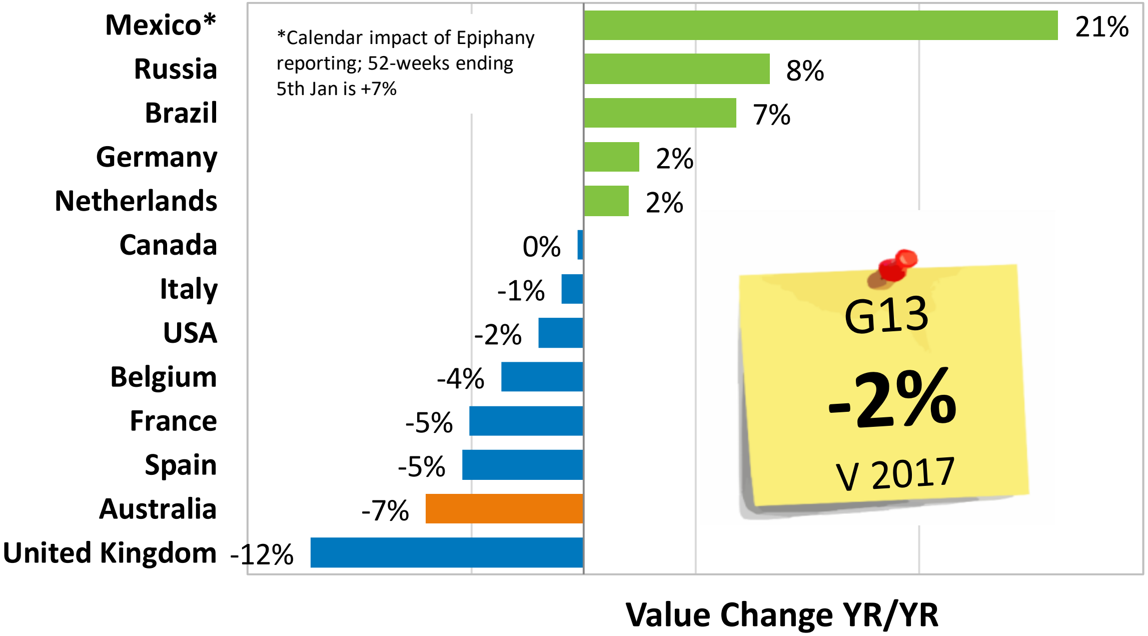
US
Toy sales in 2019:
-4%

EU8
Toy sales in 2019:
-2%

AUS
Toy sales in 2019:
-1%

If you recall Australia's position …

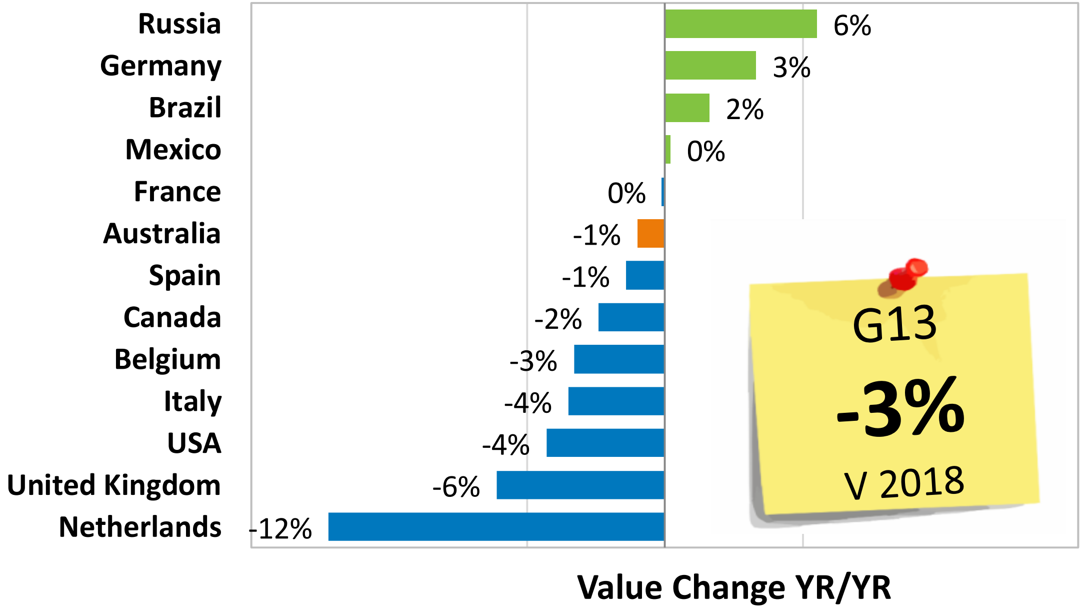
Australia was the second worst performing country in 2018. Fast forward a year to 2019



Note: USA data includes TRU data throughout the liquidation period.
Last date TRU accounted for in data: UK 3rd March, AUS 24th June 2018

Industry growth / decline by country

Australia's position improved. 4/13 countries grew $ sales. A tough retail climate and poor Q4 led to -3% decline overall



Country	Q4 % Chg	Licensed FY % Chg
Russia	-3%	+5%
Germany	+3%	+7%
Brazil	Flat	+4%
Mexico	-4%	+4%
France	Flat	+4%
Australia	+3%	+9%
Spain	-4%	+7%
Canada	-5%	+7%
Belgium	-5%	-1%
Italy	-6%	-1%
USA	-3%	+3%
United Kingdom	-5%	-3%
Netherlands	-14%	-11%

NL imapcted by closure of 60+ intertoys stores & final sale to Mirage Group

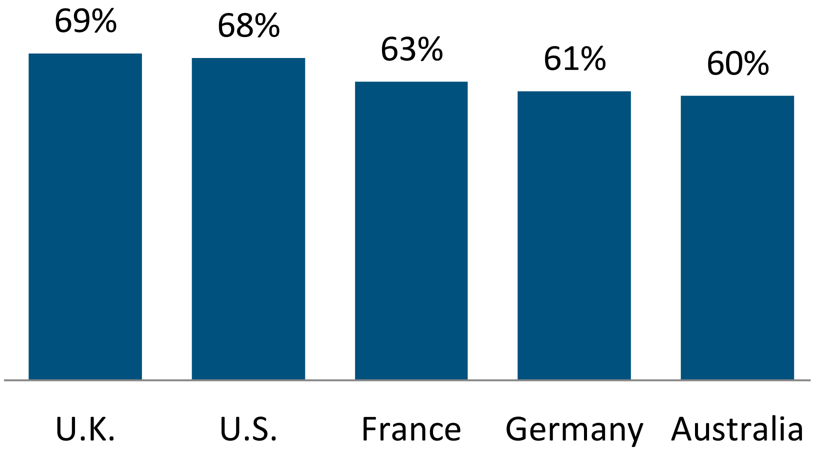
Note: USA data includes TRU data throughout the liquidation period. Last date TRU accounted for in data: UK 3rd March, AUS 24th June 2018

Source: The NPD Group | Retail Tracking Service | $ Sales adjusted | G13 | Full Year 2019

Canibalisation from second-hand toys?

More developed in the U.K. compared to other countries

% parents having bought second-hand toys at least once



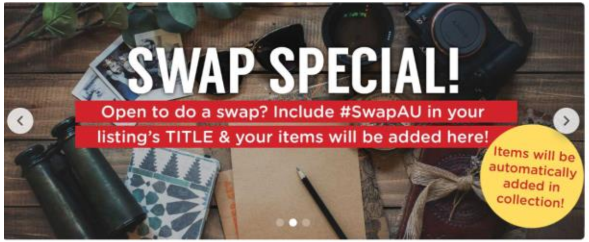
% parents having bought second-hand toys several times

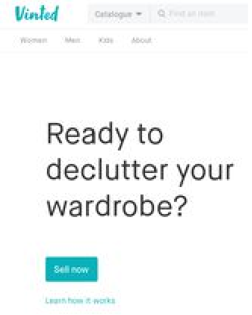
Source The NPD Group | 2019 Christmas Wishlist Study

De-consumption & circular economy

De-cluttering, second-hand, waste: what impact on toy sales?

86%	Of Australian parents have already **donated** one of their children's toys
54%	Of Australian parents have already **sold** their children's toys
42%	Of Australian parents have already **borrowed** toys for their children
45%	Of Australian parents decided **not to buy** a particular toy because they are concerned about the environment and sustainability

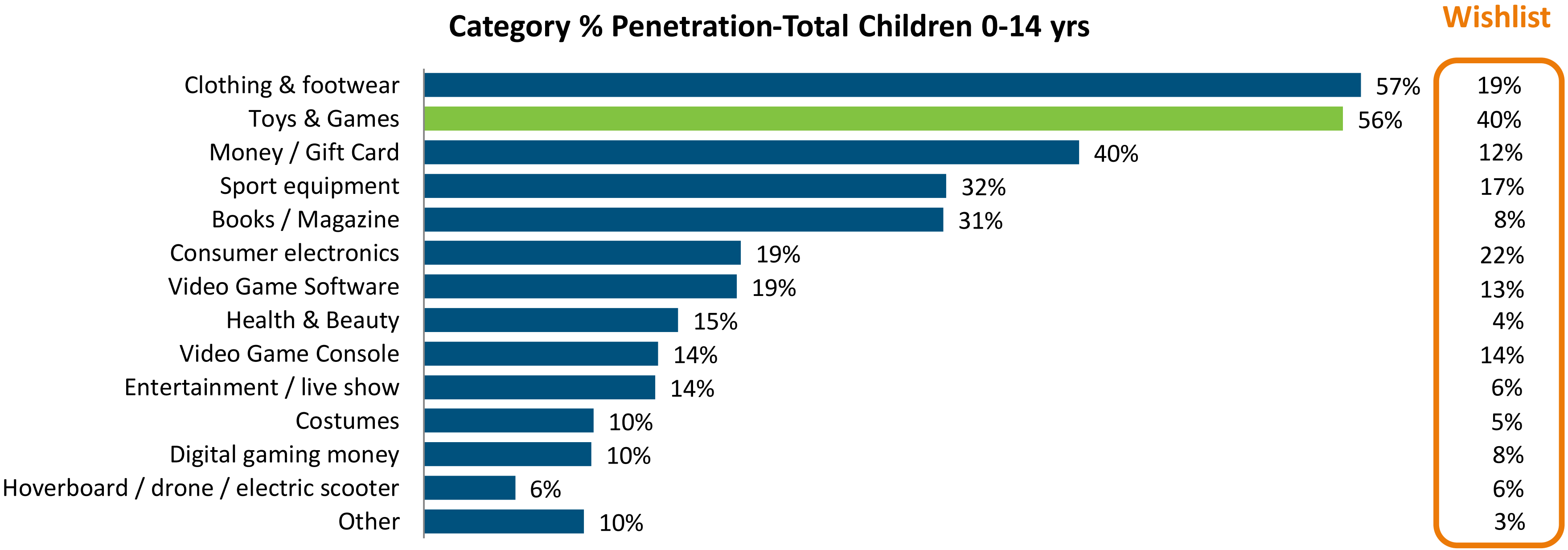




Source The NPD Group | 2019 Australia Christmas Wishlist Study

Gifts Received By Category vs. Wishlist

Although kids ranked Toys & Games at the top of their wishlists, they received slightly more Clothing & Footwear than what they wished for

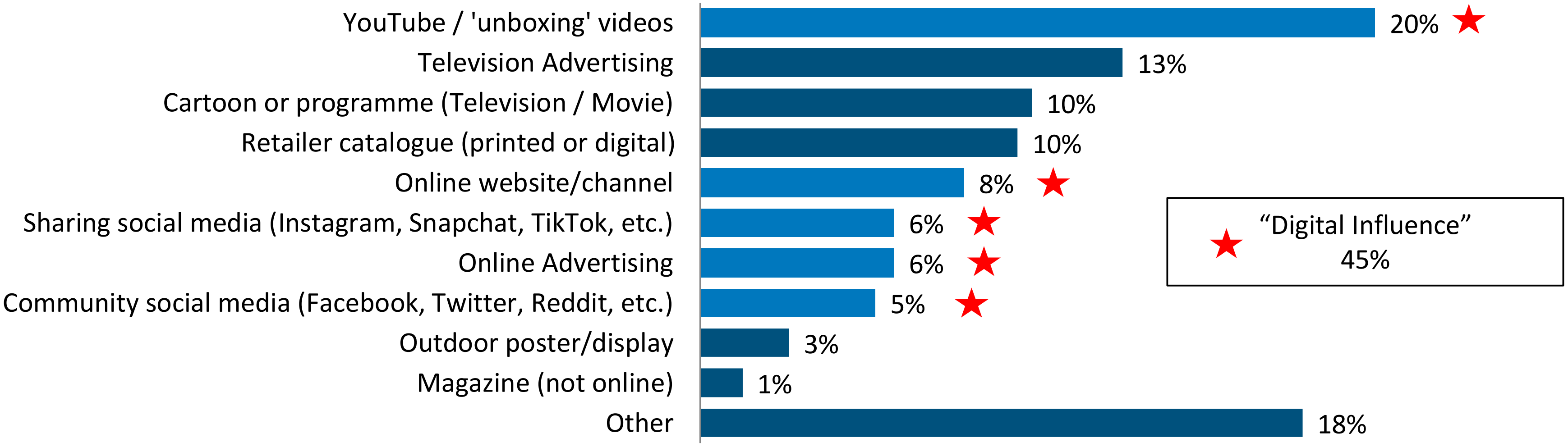


Question : Did your child receive a gift from any of the following categories at Christmas 2019 from you and other family members / friends (Grandparents,relatives etc) ?

Wish List Media Influence

"Digital" accounted for 45% across YouTube, online website/ads and social media. YouTube however, was the single largest influence for children

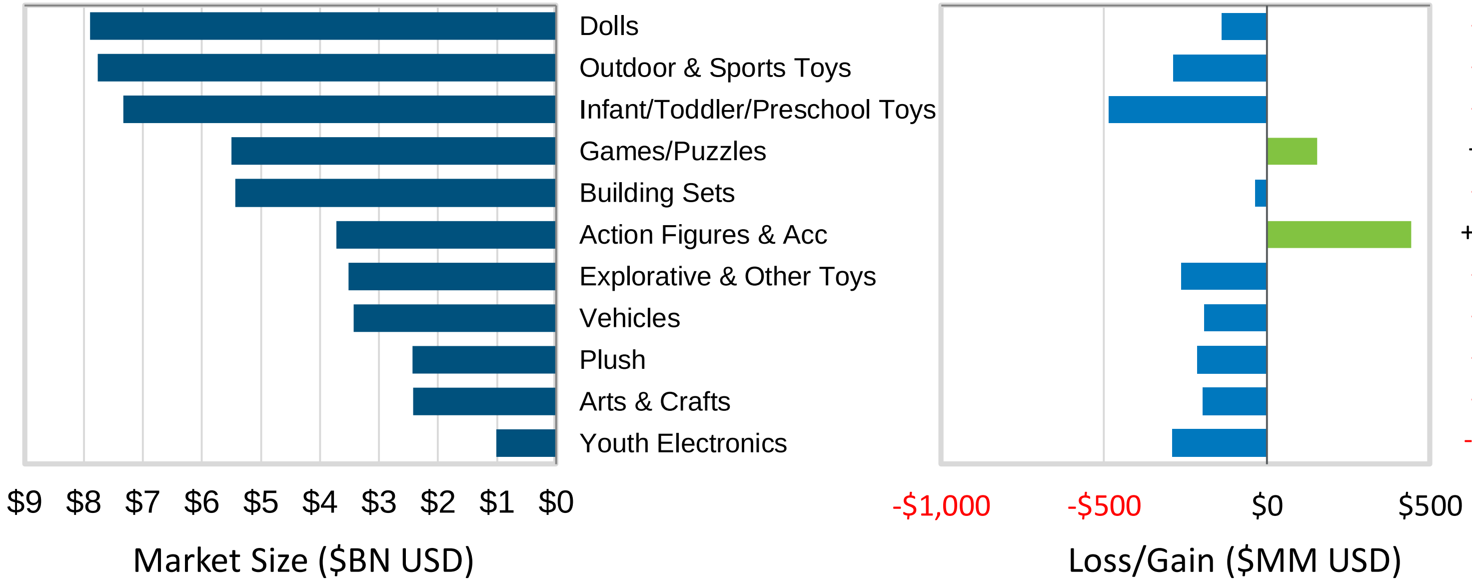
Media Influence % Total Children 0-14 yrs



Question : what influenced your child to request their top wish list item from the list below?

Global performance by super category

2/11 grew. Despite the decline, Dolls became the largest supercategory (#2 LY). ITP contributed to 23% of the losses followed by Youth El. at 14%



	% Chg	% Chg AU
Dolls	-2%	+2%
Outdoor & Sports Toys	-4%	-13%
Infant/Toddler/Preschool Toys	-6%	-6%
Games/Puzzles	+3%	-2%
Building Sets	-1%	+9%
Action Figures & Acc	+14%	+7%
Explorative & Other Toys	-7%	-10%
Vehicles	-5%	-2%
Plush	-8%	Flat
Arts & Crafts	-8%	Flat
Youth Electronics	-22%	-1%

2019 Top 10 properties

6 Properties grew in the top 10. Top 3 ranking remained the same as LY. Frozen made it to #6, performed better than Toy Story #12 despite late entry

+2% growth
Driven by Fashion Dolls, Playset Accessories

+6% growth

+2% growth

+7% growth

-11% decline (#4 LY)

NEW to Top 10

NEW to Top 10

-6% decline

-9% decline

-20% decline (#5 LY)

Source: The NPD Group | Retail Tracking Service | $ Sales adjusted | G13 | Full Year 2019

Top 5 Properties

Rank	Australia*	Belgium	Brazil	Canada	France	Germany	Italy
1	Barbie	Playmobil	Barbie	L.O.L. Surprise!	Playmobil	Playmobil	L.O.L. Surprise!
2	LEGO City	L.O.L. Surprise!	Hot Wheels	Pokemon	L.O.L. Surprise!	LEGO City	Barbie
3	L.O.L. Surprise!	LEGO City	Marvel Universe	Marvel Universe	VTech Baby	LEGO Technic	LEGO City
4	Star Wars	VTech Baby	L.O.L. Surprise!	Barbie	Pokemon	LEGO Ninjago	Marvel Universe
5	Hot Wheels	Pokemon	Baby Alive	Nerf	Barbie	Toniebox	Playmobil

Rank	Mexico	Netherlands	Russia	Spain	UK	USA
1	Marvel Universe	LEGO City	LEGO City	Playmobil	L.O.L. Surprise!	L.O.L. Surprise!
2	Barbie	Playmobil	L.O.L. Surprise!	L.O.L. Surprise!	Paw Patrol	Barbie
3	Hot Wheels	L.O.L. Surprise!	Hot Wheels	Pin Y Pon	Harry Potter/Fantastic Beasts	Marvel Universe
4	Toy Story	VTech Baby	Nerf	Marvel Universe	Barbie	Nerf
5	Play-Doh	LEGO Technic	LEGO Duplo	Cry Babies	Marvel Universe	Pokemon

Colour key. Cells with the same property share a colour on the slide:

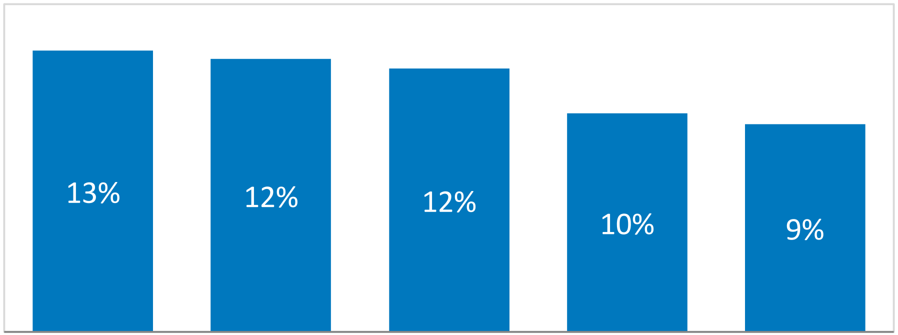
- Pink: Barbie
- Green: L.O.L. Surprise!
- Orange: Hot Wheels
- Dark red: Marvel Universe
- Blue: Star Wars
- Dark grey: Toy Story

*If we include Bikes, Drawing & Craft: Disney Frozen #4

Collectibles: 11% of sales globally $5.6B (-3%)

Will 2020 new lines drive growth?

% of Collectables / total toys



	UK	US	Spain	Australia	France
2018 Share %	14%	12%	11%	12%	8%
% Chg	-12%	-4%	+10%	-17%	+26%

Barbie Colour Reveal

Na! Na! Na! Surprise by MGA

Twisty Pet Treatz by Spin Master

Oh My Gif by Moose

Cloudees by Mattel

Paka Paka by Funko

Prima Sugarina by WowWee

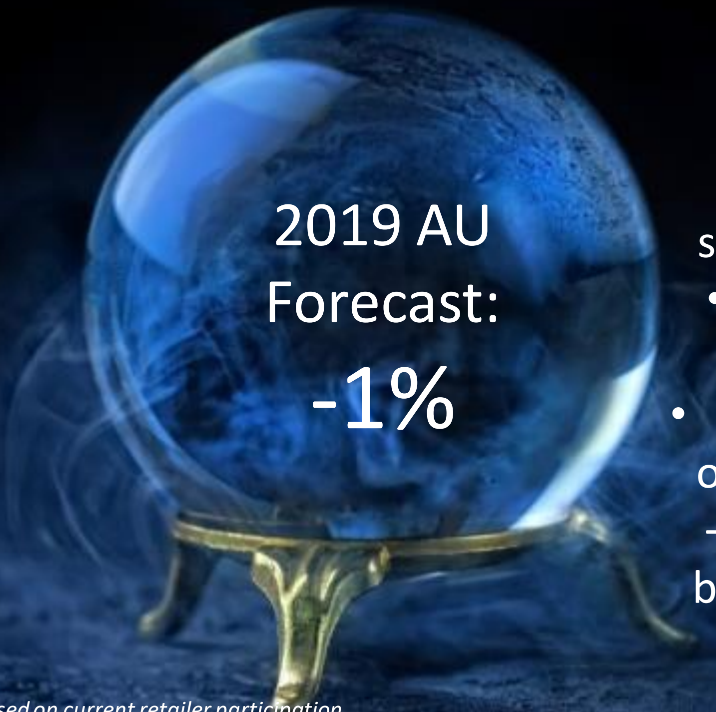
Source: The NPD Group | Retail Tracking Service | $ Sales adjusted |G13 | Full Year 2019

Mattel #1 in 2019, kept #1 position from LY

Although Hasbro was #1 in Dec19, largest share (10.3%) in any single month in 2019, Lego climbed to #2 taking Hasbro's spot

Top Gains

If you recall our forecast from a year ago



What will 2020 bring?

- Spend on toys will continue to be challenged by VG and content. Content overload will lead to less eyeballs on any single content (Disney +, Netflix, TikTok etc)
- Increased sustainability awareness – deconsumption
- Not a big year for family films at the box office that generally drive licensed toy sales – but recent avenues for kids' content can bring new opportunities to toys and it's also time for brands to shine

**Estimate only and based on current retailer participation*

AUSTRALIAN MARKET OVERVIEW

Australia 2019 Highlights

-1%

$decline slowed, Avg price increased +7%. However, volume sales decreased by -7%.

+9%

Licenses turned around, 31% of toys (ex Disney Group +1%)
Non-licensed **-5%**

+3%

Q4 improved vs. same period LY

Not the case in other countries U.S: -3% and EU8: -2% (UK: -5%)

-17%

Collectibles is 10% of total toys.
Sub $20 ↘ declined.
Mid price points $20-$40 and high price points $100+ ↗

5/13

Super Categories ↗

Building Sets 67% of dollar gains
Action Figs 18% of dollar gains

40%

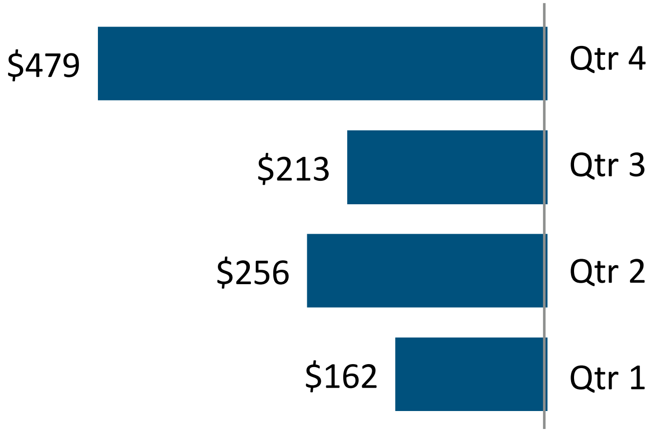
Top 3 manufacturers, still $2 out of $5 spent on toys.

Source: The NPD Group | Retail Tracking Service | AUS | Full Year 2019

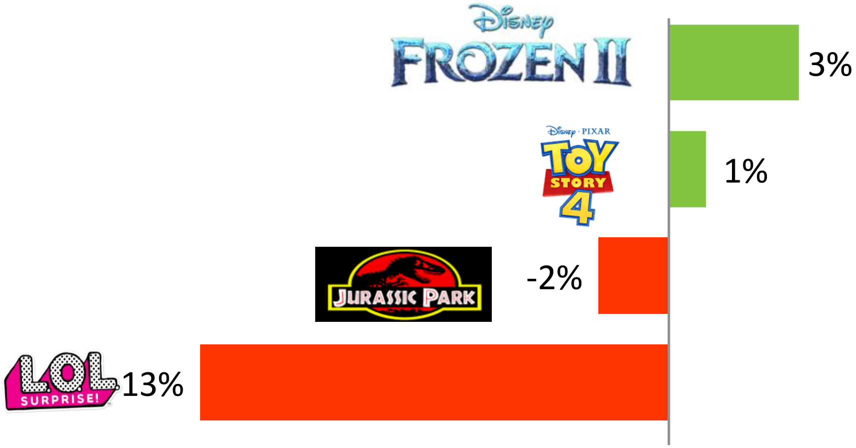
2019 Australia Toy Dollar Sales by Quarter

Q4 contributed 43% of the full year 2019 vs. 41% a year ago

Dollar Sales ($M) by Qtr

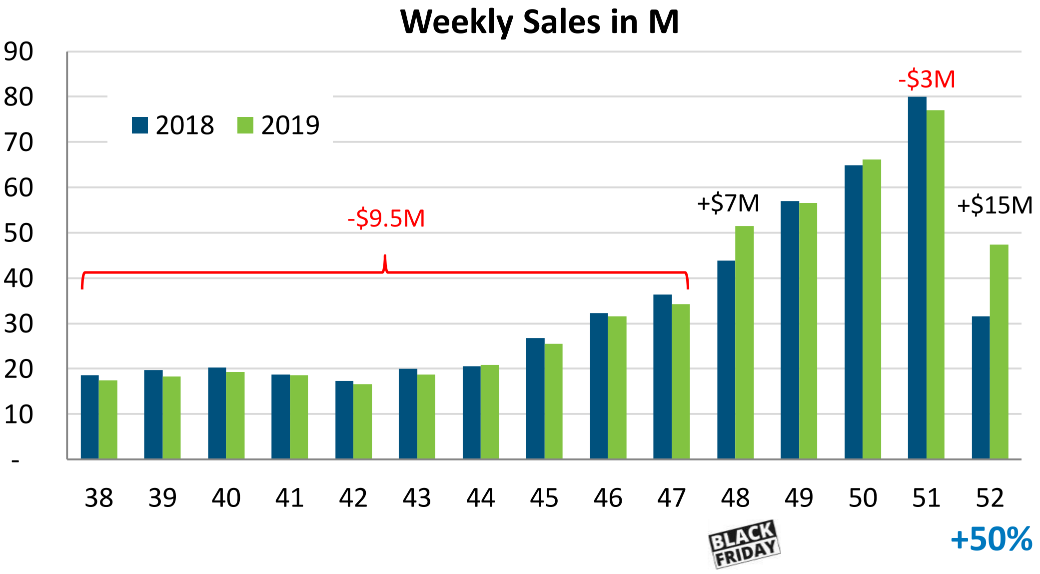


% Change by Qtr



Waiting for Black Friday?

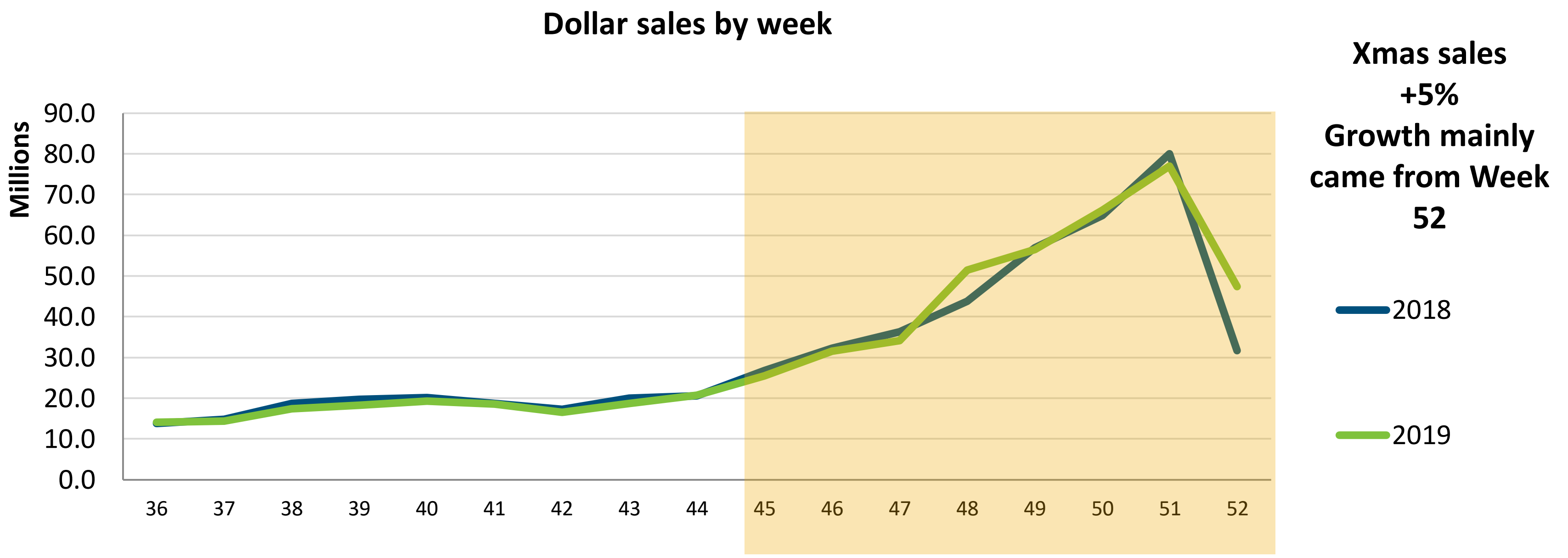
Loss of under $10M before Black Friday



Source: The NPD Group | Retail Tracking Service | AUS | FY 2019

Xmas'19 accounted for 35% of dollar sales

Grew in importance vs. last year, 33%



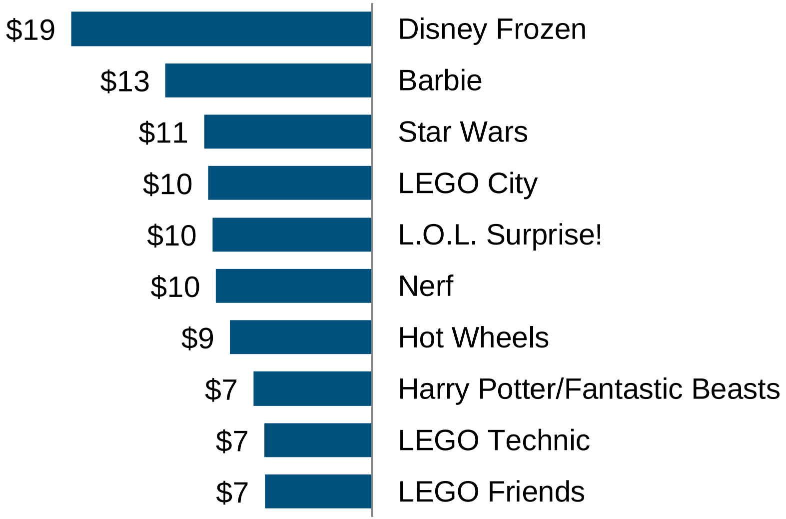
Source: The NPD Group | Retail Tracking Service | AUS | Week 36 – 52 2019

Who won Christmas?

November December dollar sales grew by +5%.

Top 4 gainers

Top 10 Properties Market Size $M

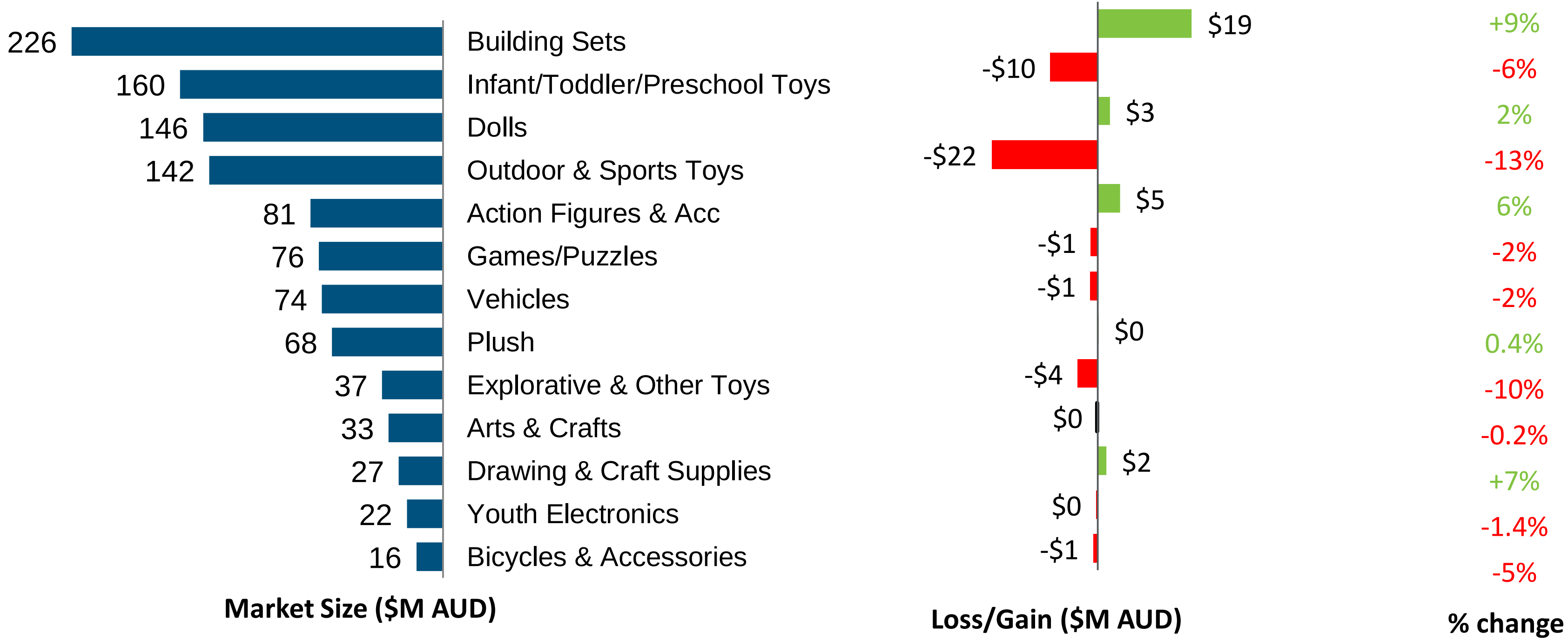


Top 'New' Properties & Size $

Christmas period: 8 weeks (Nov 05 2018 - Dec 30 2018 vs. Nov 04 2019 - Dec 29 2019)

Australia – Performance by super category

5/13 categories grew vs. 2018. Dolls managed to turn performance around for the year thanks to a strong Dec.



2019: Traditional play still wins

Licensing making a strong comeback in Building Sets, Action Figs

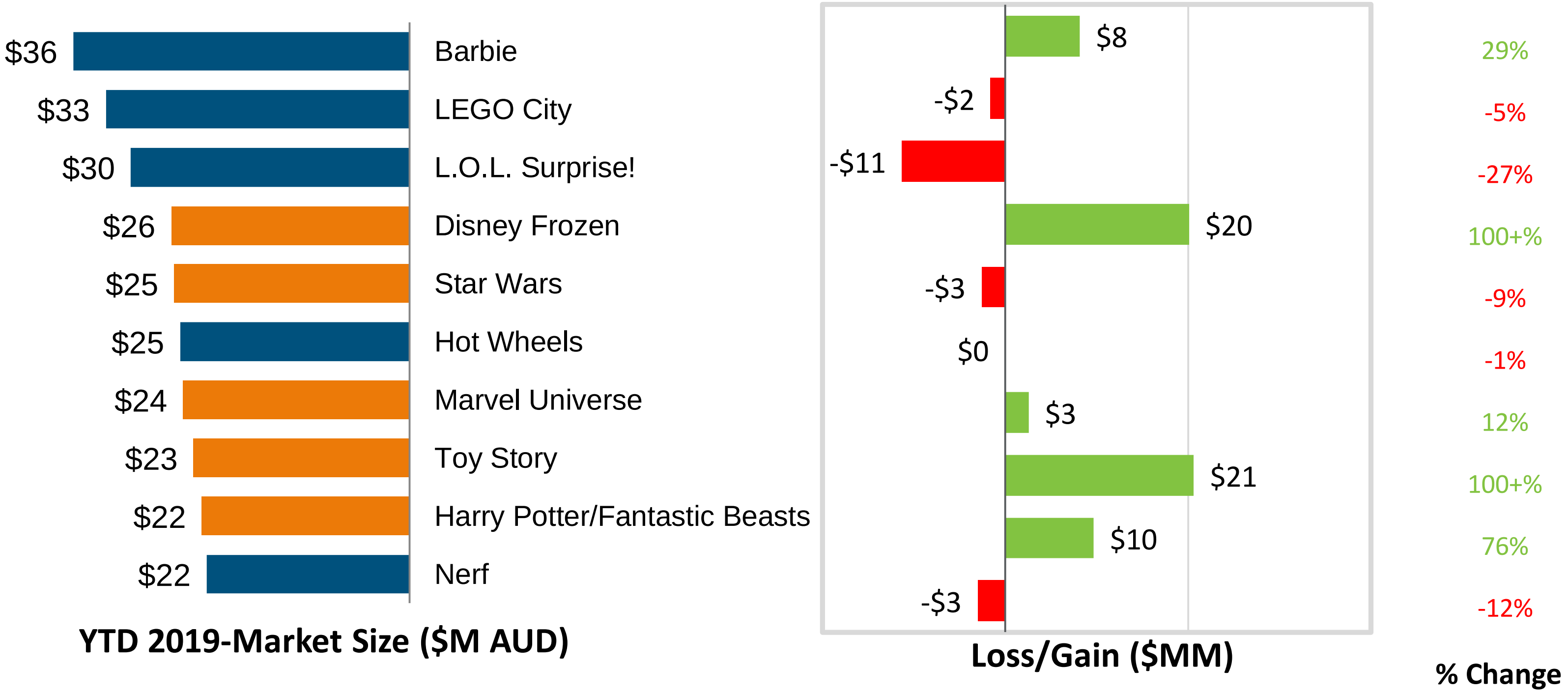
+10%	+52%	+42%	+18%	+3%
Std Building Sets	Fashion Dolls	Fashion Doll Accessories	Action Figures	Traditional Plush

Top gaining class in $M

Source: The NPD Group | Retail Tracking Service | AUS | Full Year 2019

Australia – Top Toy properties

5/10 Top properties are licensed this year vs. 2/10 in 2018



Fragmentation accelerates

The number of properties valued under $10M grew by +16% in the last 3 years, while # of properties valued >$10M declined

# of Properties by $ Sales

	2016	2017	2018	2019	% chg 2019 vs 2016
$0 - $1.99M	971	1,041	1,104	1,122	+16%
$2 - $4.99M	41	40	45	49	+20%
$5 - $9.99M	26	22	25	31	+19%
$10M+	27	31	28	23	-15%
Total	3,081	3,151	3,220	3,244	+5%

Source: The NPD Group | Retail Tracking Service | AUS | Full Year 2019

Why is this significant?

There will more small to mid sized competitors and less revenue for each property

The result is more competition in a small space vying for the same share of wallet

Top 5 NEW Properties in Australia

#1 New Property in 2019 did not reach the levels from 2018 and 2017

Lego Spider-Man
$4.0M
20 SKUS

LEGO Hidden Side
$2.4M
8 SKUS

Pets Alive
$2.4M
2 SKUS

Bluey
$2.0M
4 SKUS

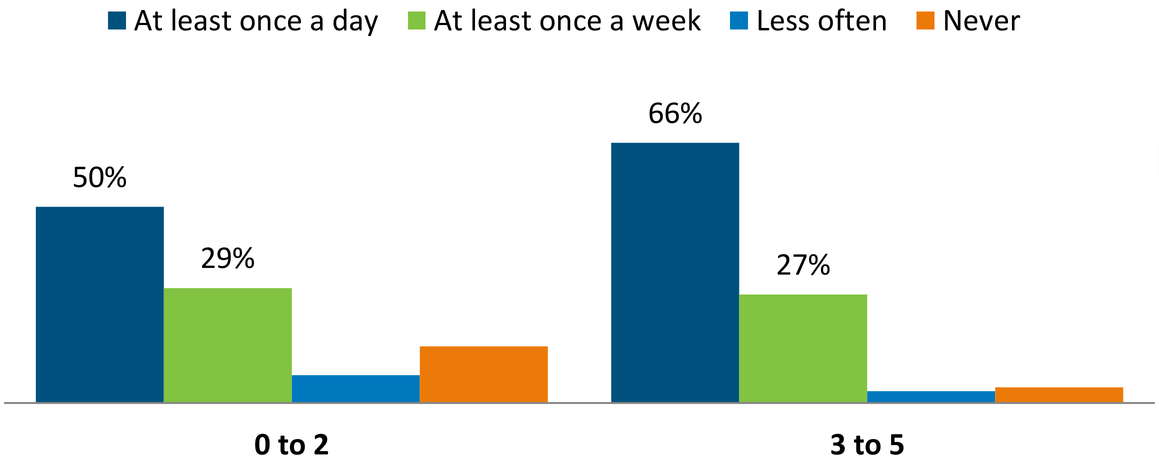
Pinkfong Baby Shark
$1.6M
12 SKUS

Top New Property 2018 = $7.1M (Lego Harry Potter)
Top New Property 2017 = $16.4M (L.O.L Surprise!)

Source: The NPD Group | Retail Tracking Service | AUS | Full Year 2019

Kids 0-5 yr old & Entertainment

Toys compete with screen time from very early on, 4/5 children 5 and under consume content



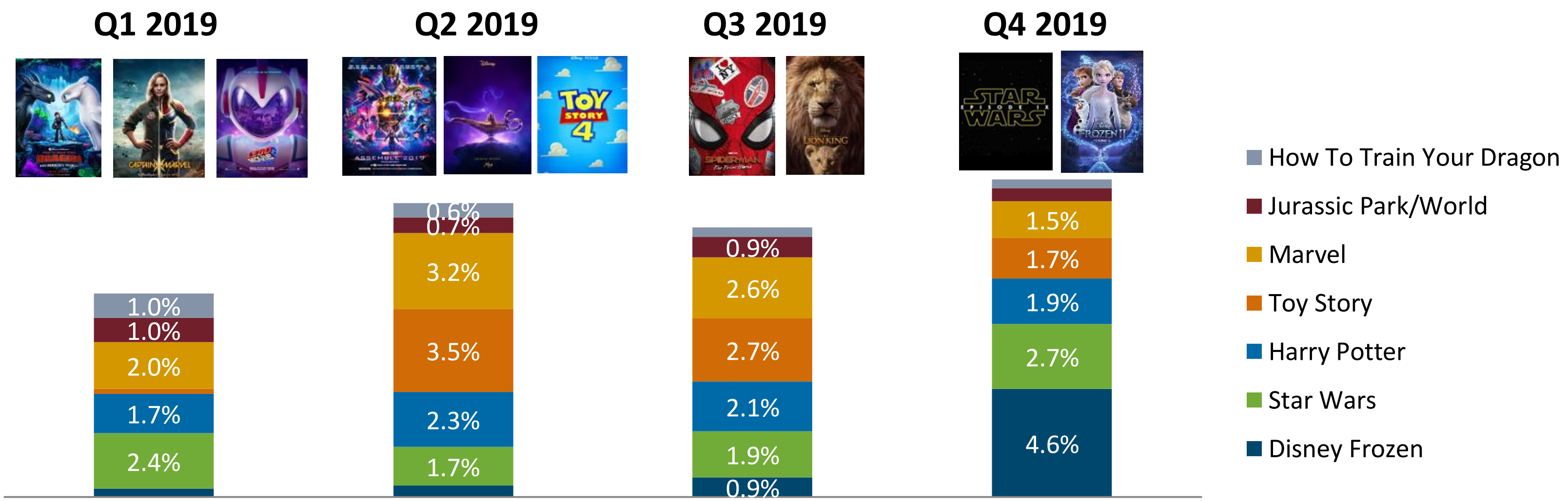
Q1: How frequently does your child watch TV/Videos/Movies and or listen to music/radio/podcasts?

YouTube: Top influence for kids 3- 5, 6-9 and 10-12

Source: The NPD Group | 2019 Christmas Gift Study AUS

2019 was touted the year of the movies

Frozen had a strong Q4 2019, reached 4.6% of toys, and outperformed Q4 2014 which had 4.0% share of toys

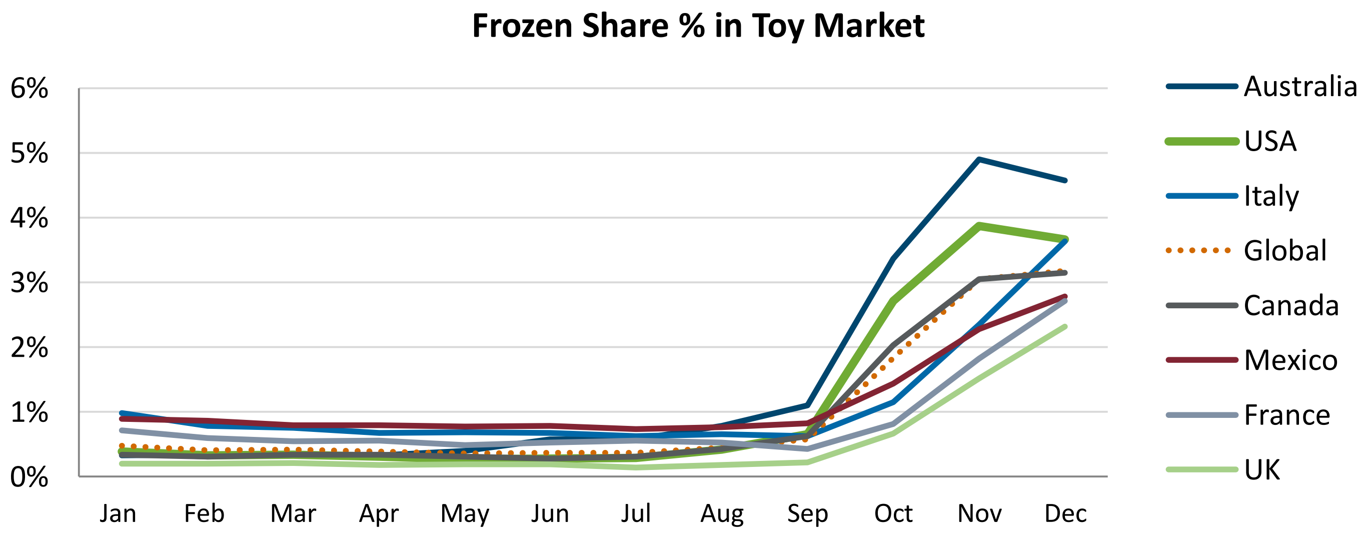


Movie related toys share of total toys

Source: The NPD Group | Retail Tracking Service | AUS | Full Year 2019

Frozen % Share by country

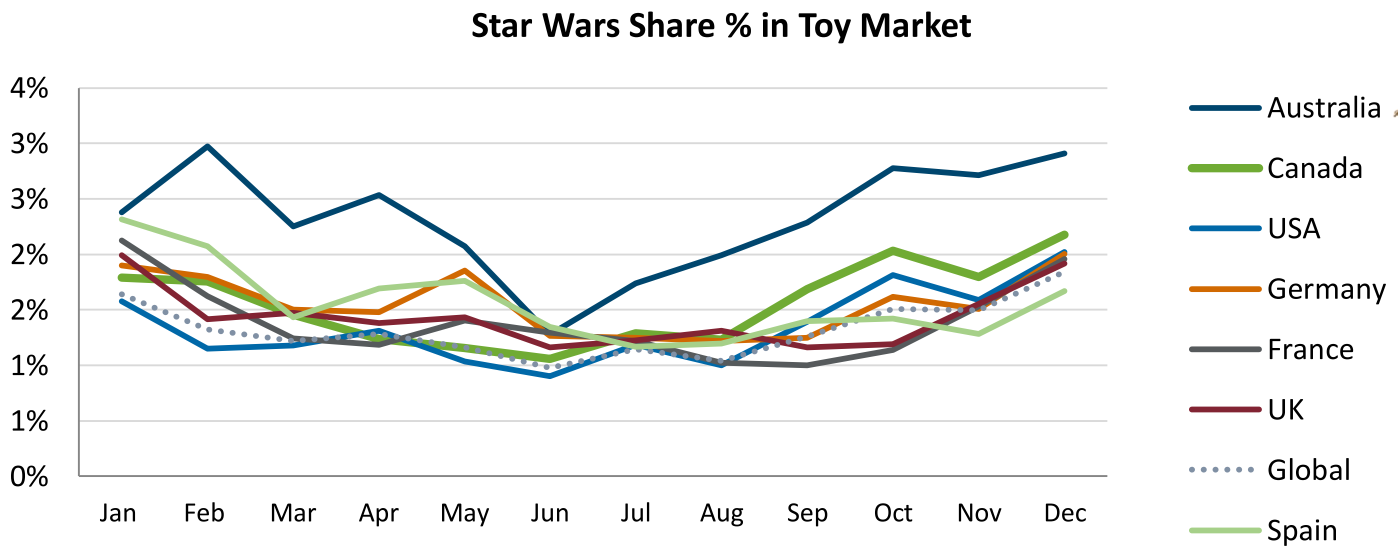
From August, Frozen in Australia had the largest share of toys compared to the global average and other countries



Source: The NPD Group | Retail Tracking Service | G13 | Full Year 2019

Star Wars % Share by country

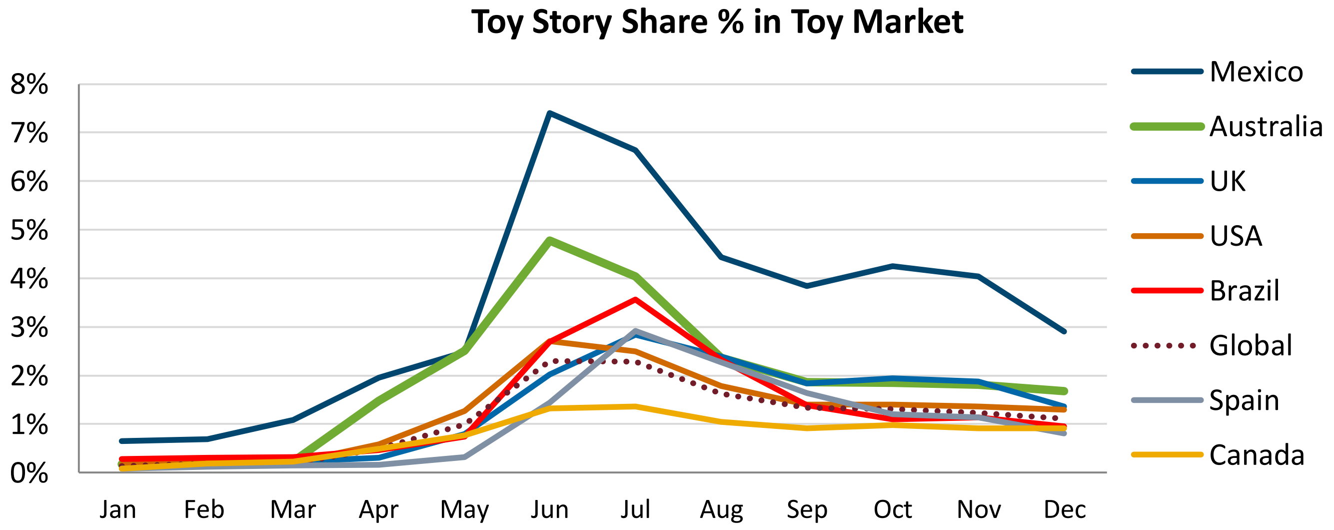
Star Wars in Australia had a higher share of toys in 2019 compared to any single country in 2019. Share on average is 1% higher than the global average



Source: The NPD Group | Retail Tracking Service | G13 | Full Year 2019

Toy Story % Share by country

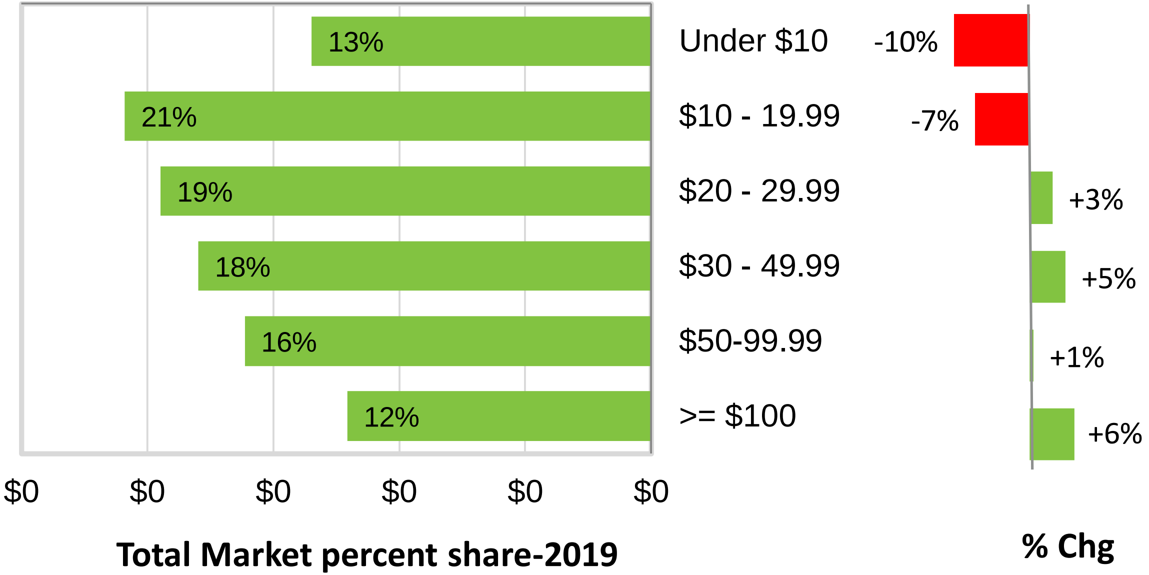
Toy Story in Australia still had a large share of toys compared to most countries



Source: The NPD Group | Retail Tracking Service | G13 | Full Year 2019

Price Segment Performance in 2019

Under $10 was the leading price point loss. Although under $20 declined, it still accounted for $1 out of $3 spent on toys



Outdoor & Sports Toys (-9%), Infant/Toddler/Preschool Toys (-21%), Dolls (-24%), Plush (-21%)

Dolls (-18%), Outdoor & Sports Toys (-18%)

Plush (+70%) ,Dolls (+12%), Action Figures & Acc (+19%)

Dolls (+40%), Action Figures & Acc (+28%), Plush (+23%) Games&Puzz(+32%)

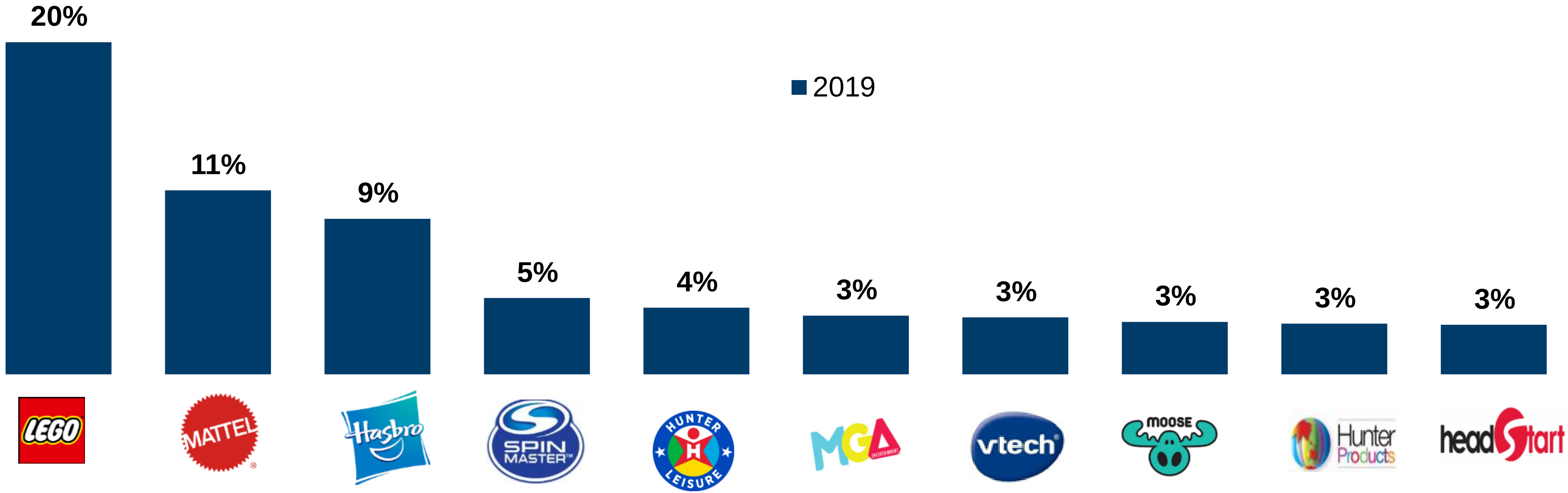
Building Sets (+30%), Youth electronics (90%)

Building Sets (+16%), Dolls(+82%)

Source: The NPD Group | Retail Tracking Service | AUS | Full Year 2019

Top 10 Corp Manufacturers $M

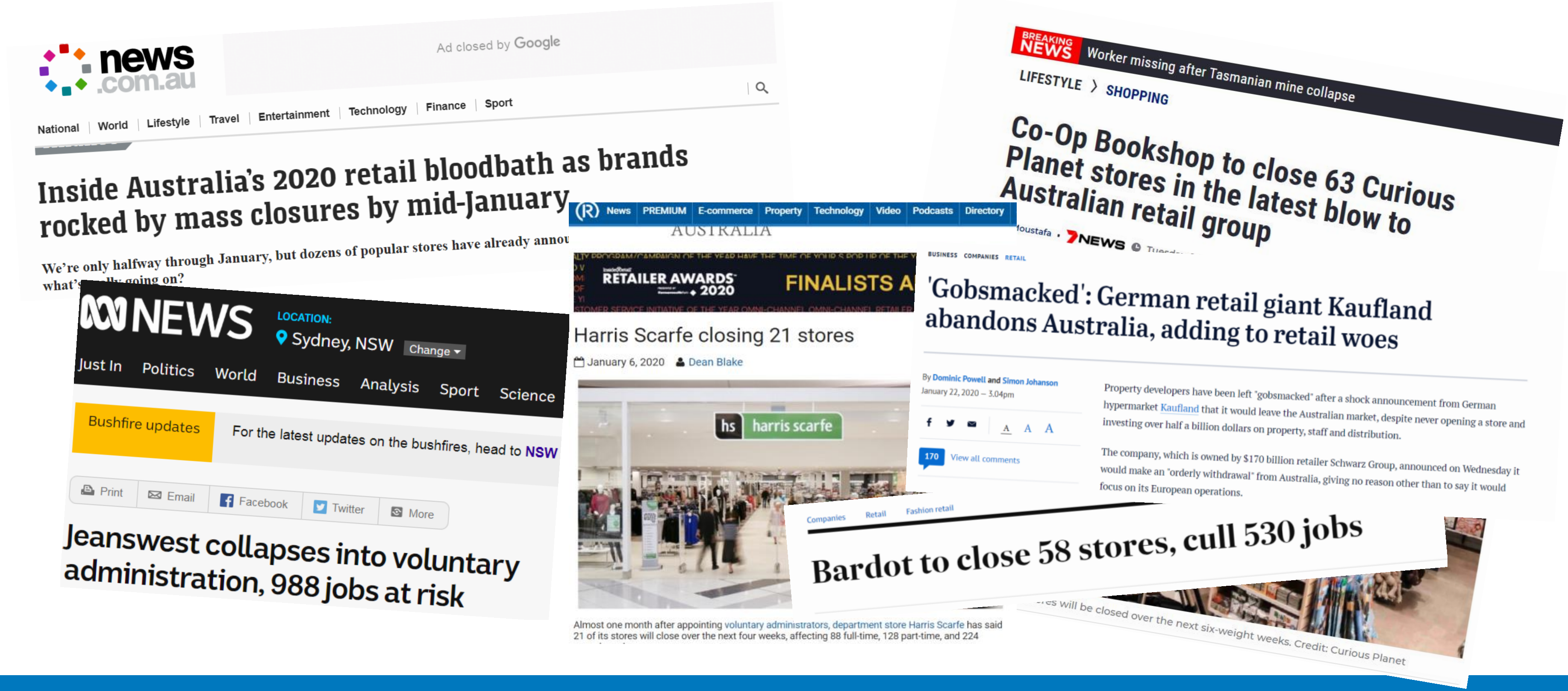
5 out of Top 10 corporate manufacturers registered growth, top 3 corporate manufacturers accounted for 40% of the total toy sales in 2019.



2020: Into the Unknown

Changes to the retail landscape

Only 3 months into the year, but multiple retailers already impacted

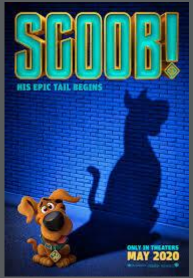


2020 new launches

Movies in 2020

Q1

Q2



Q3

Q4

Conclusion and 2020 outlook

2019 was tough but Australia fared better most, movies not strong enough to reverse negative trend

Fragmentation of properties will continue and there will be more small to mid sized properties as content overload continues

Opportunities in the upper price tiers grew – sign of deconsumption? Buy less, but better product

2019 was a year full of surprises. Cautious for 2020.
Q4 likely to be weak.
YTD'2020(total toys): +0.4%

THANK YOU

Apparel | Appliances | Automotive | B2B Technology | Beauty | Books | Consumer Technology | E commerce
Fashion Accessories | Food Consumption | Foodservice | Footwear | Home | Juvenile Products | Media Entertainment
Mobile | Office Supplies | Retail | Sports | Toys | Travel Retail | Video Games | Watches

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