

Earnings Presentation H1 2023

tonies SE | August 23, 2023



Disclaimer



This document contains forward-looking statements. Forward-looking statements can typically be identified by the use of words such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" or other words of similar meaning. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the tonies SE. They are not historical or current facts, nor are they guarantees of future performance.

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This presentation includes key performance indicators (KPI), including adjusted EBITDA margin, gross margin, gross margin after licensing costs, contribution margin, net working capital and free cash flow which are not measures of liquidity or financial performance under International Financial Reporting Standards (IFRS). Adjusted EBITDA is calculated from EBITDA by adjusting for various effects to create a metric for the underlying profitability of the business. EBITDA was historically adjusted for the following non-recurring effects: (i) effects of share-based compensation, (ii) own software development (as this is not currently capitalized), (iii) special projects and bonuses, and (iv) costs and effects related to tonies IPO / business combination. The adjusted EBITDA margin is defined as adjusted EBITDA in percent of revenue. Gross margin is defined as gross profit (revenue less costs of goods sold) in percent of revenue. Gross margin after licensing costs is defined as gross profit less licensing costs in percent of revenue. Contribution margin is the contribution profit in percent of revenue. The contribution profit is calculated from the gross profit after licensing costs less various revenue-related costs that are together aggregated as fulfilment (mostly freight and logistics costs, fees for online marketplaces, costs of payments and certain variable sales costs). Contribution profit and contribution margin show how much is available for coverage of fixed costs such as personnel, other expenses and marketing. Net working capital is defined as the sum of inventories and trade receivables less trade payables. Net working capital outlines how much cash is bound in tonies' operations. Free cash flow is defined as the sum of cash flow from operating activities and cash flow from investing activities and represents the Group's cash efficiency and enables an assessment of profitability.

Who you have on the call today



Marcus Stahl

Co-CEO,
Co-Founder



Jan Middelhoff

CFO



Business Update

H1 2023 Results

Outlook

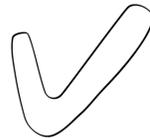
Q&A

H1 2023 – we are a profitable, high growth company – our strategy works!



Results H1 2023

- Achieved **profitability** with adj. EBITDA margin at **2.6% (+10.4 pp YOY)**
- Profitable business model can be **replicated internationally**
- **Revenue growth of 34% YOY (113m)**, led by the US (+171%), growth in mature DACH market continued with +4%



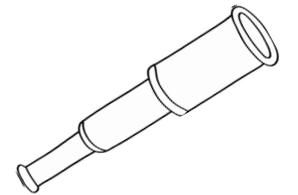
Business update

- Establishing sound **sustainability** framework to lead our category
- Leveraging our unique tech platform, we **are progressing** in the field of **artificial intelligence**
- **Rapid US growth** across all channels – platform grows **exponentially** with strong cohorts

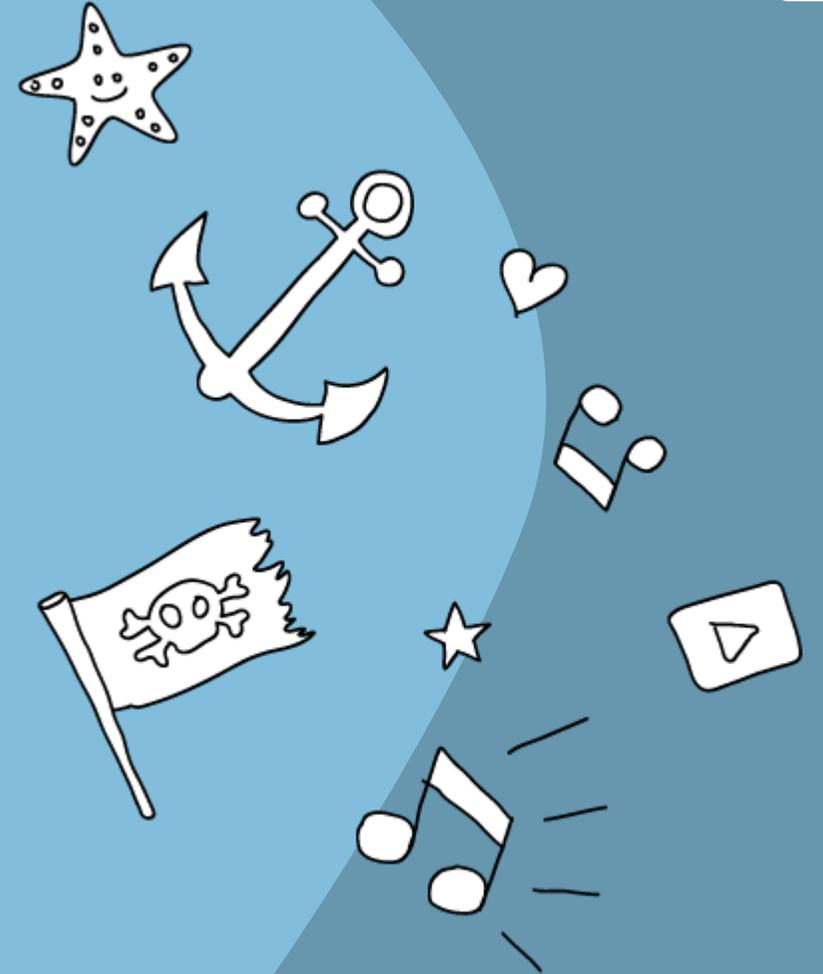


Outlook FY 2023

- We are **fully on track** to reach our goals and confirm our guidance
- **Revenue growth of 37% YOY to EUR 354m**, led by the US (77% YoY to EUR 116m)
- **Profitable on group level** with positive adj. EBITDA



Business Update



The world's largest interactive audio platform for kids...



~5.3m

Tonieboxes sold



+1.4m

in last 12 months

~67m

Tonies sold



+19m

in last 12 months

~4,800 titles
in our **audio library**

Psst, there's
much more to
come soon.

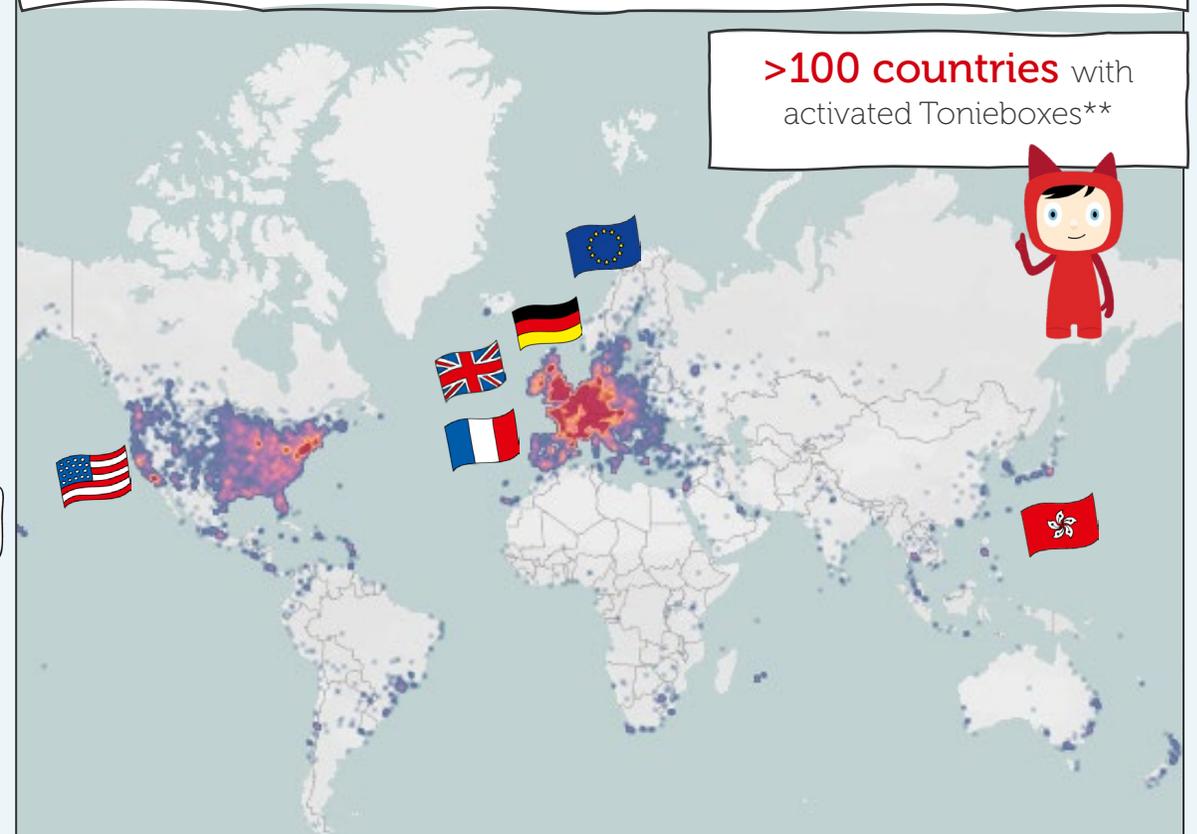


~268 minutes
average weekly playtime*



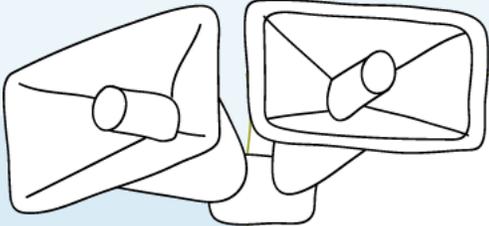
Kids are the same around the globe

>100 countries with
activated Tonieboxes**



* in H1 2023
**July 2023

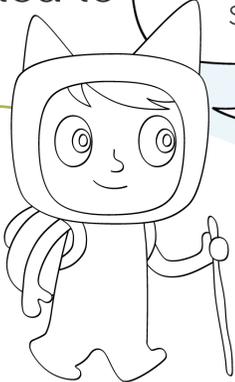
Sustainability: We want to lead the change in our category



“Lead the change”

“For us, a planet worth living on is a part of our vision, and so we are committed to **leading change in our category** toward a more **sustainable future.**”

The journey just started!



We set standards to rise to

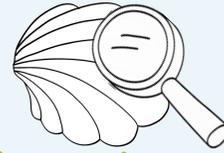


We focus on sustainability in our category



We take a holistic approach to sustainability

Sustainability starts with our product – the Toniebox is a sustainability cornerstone



Conscious content

raising awareness for endangered species with "Conservation Crew"-Tonies



Durable

148x more play time than an average gifted toy**



Educates generations

every 2nd child in DACH owns a Toniebox*



No screen-time

contributes to physical and mental well-being



Encourages independence

can already be operated by very young children

* Penetration rates based on assumed 6 years average lifetime
** Source: tonies DACH data 2022, Attest Survey September 2022

Our sustainability goals have four pillars related to the ESG areas: Planet, Play, People, Principles



Environmental Social Governance

Planet

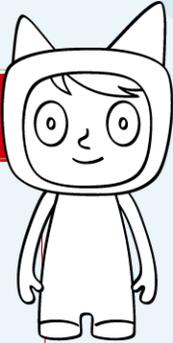
We take increasing responsibility in measuring and reducing the environmental impact of our products and operations



Deep-dive next

People

We prioritize strong and long-lasting relationships with employees and suppliers and hold up non-negotiable standards

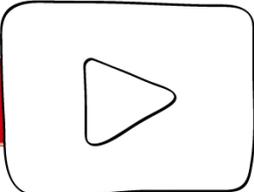


Visit our new website for more information!



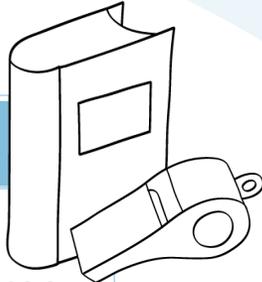
Play

We aim to have a positive impact on the next generation promoting consciousness, minimizing screen time, and encouraging independence

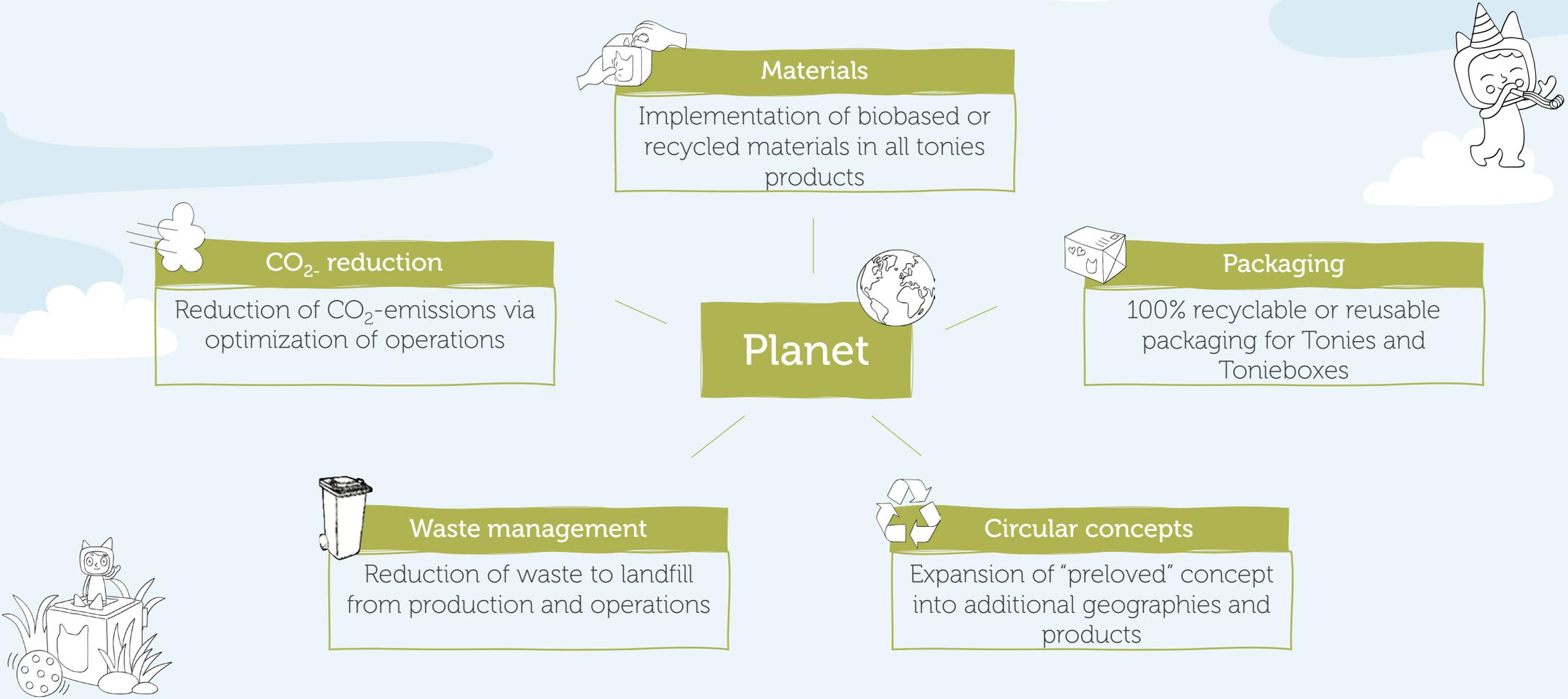


Principles

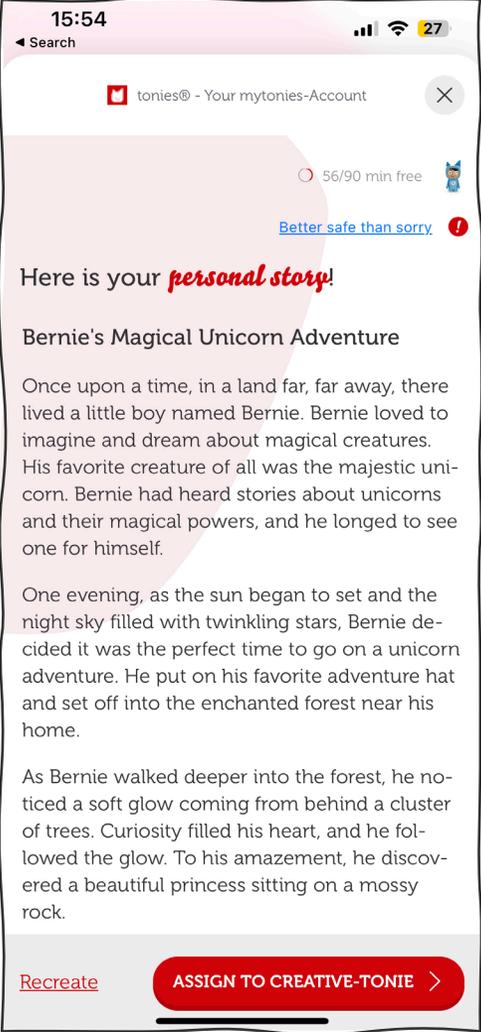
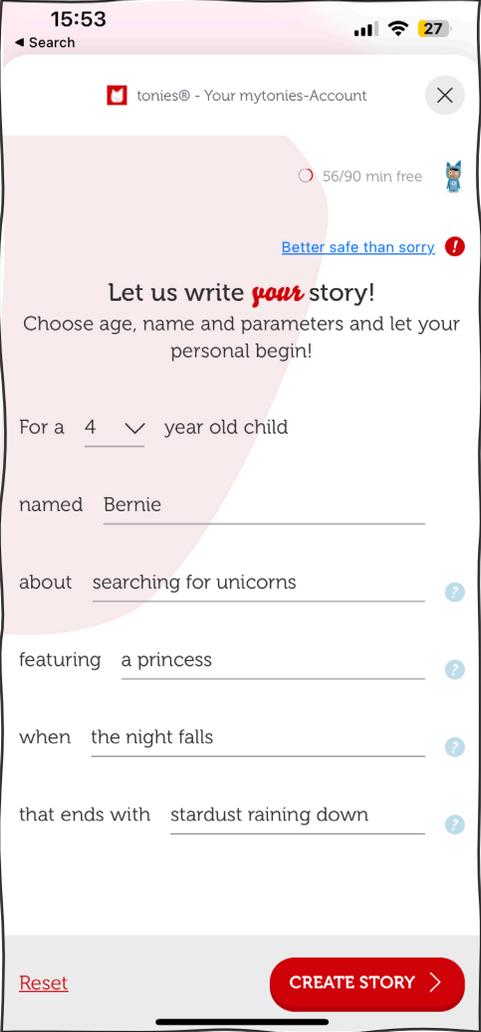
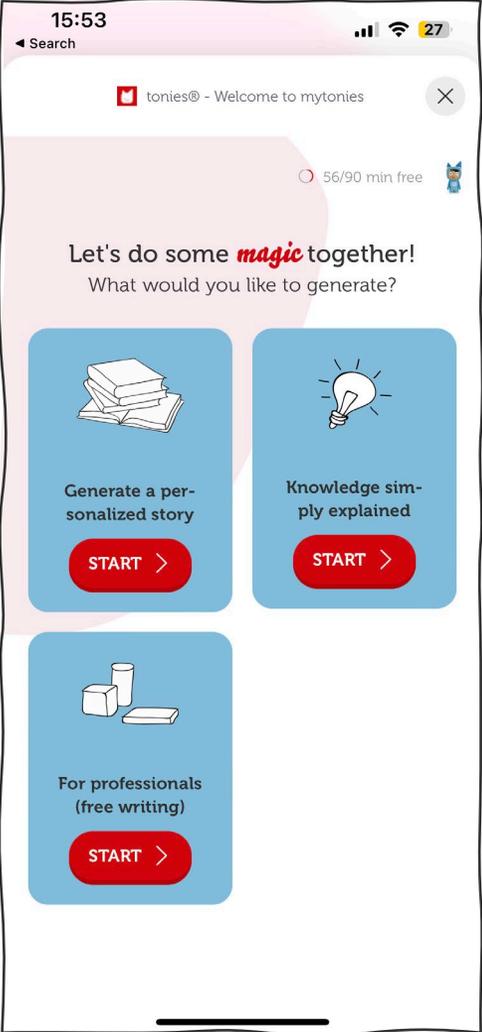
We engage in ongoing evaluation of internal systems, processes and policies and fulfill reporting requirements



Example: Our "Planet" goals translate into concrete actions



Artificial Intelligence: we pioneered AI-based story generation in our category ...



... and customers really *loved it*



"LOVED it, so **wonderful** to see a business being **innovative** with new technology and great to see **AI used in a positive way** - very exciting!"

65% of caretakers had not used any other AI-tool in their life

"**Excitement** of seeing **my child's face** when the story has been tailored to her with her name in and others as well"

More to come – we'll keep you posted

92% found the AI interface easy to use



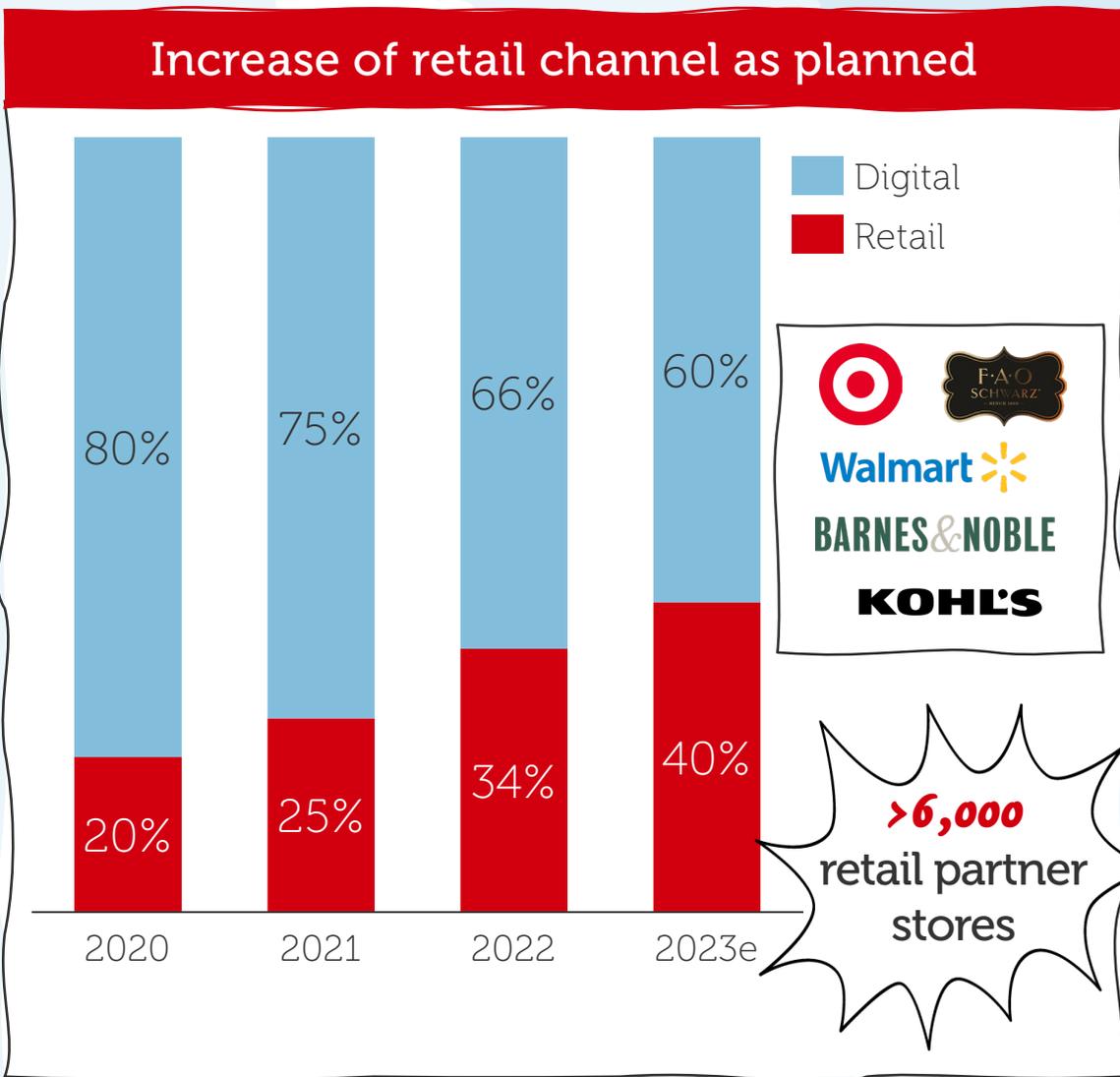
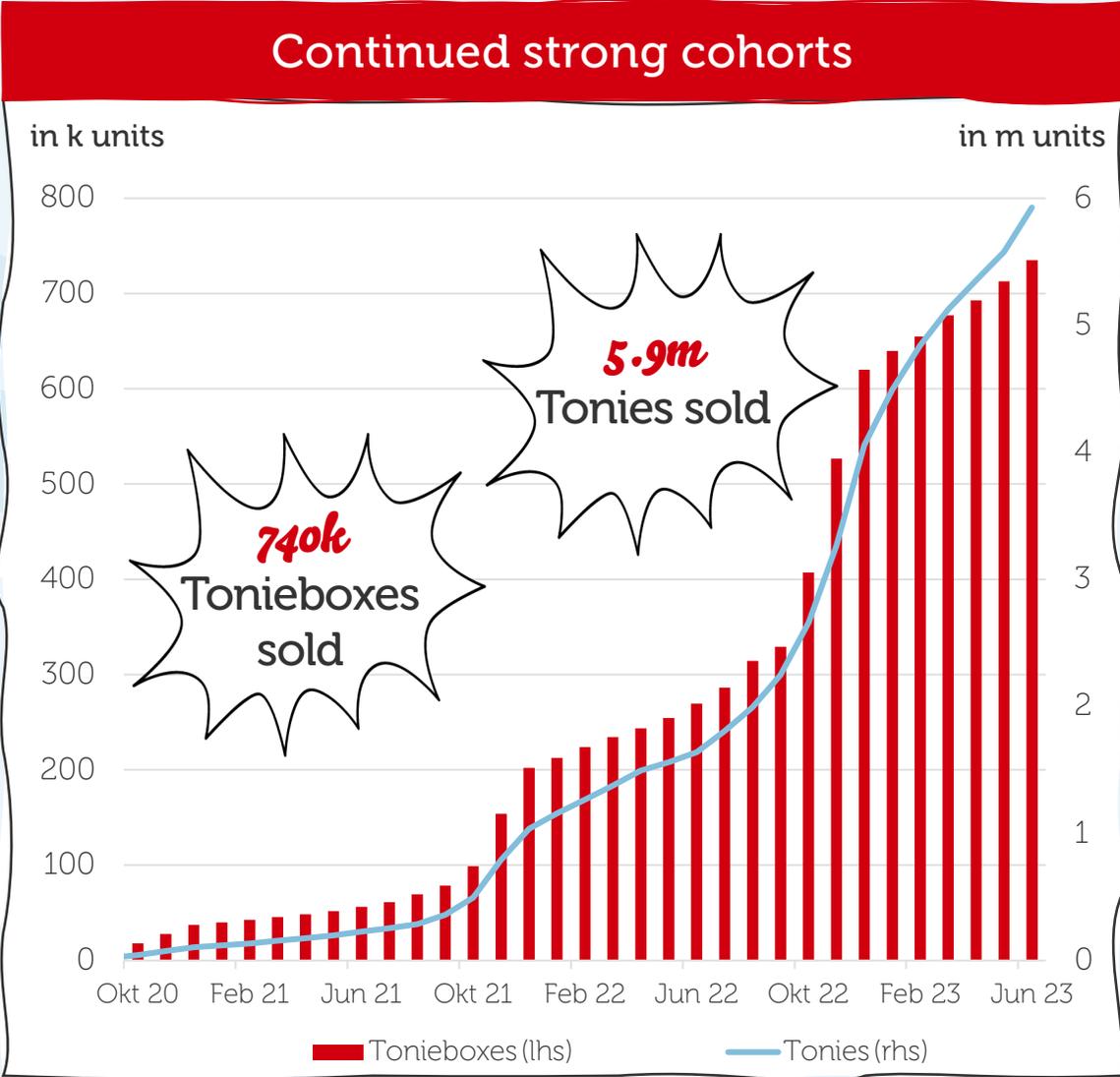
33% said they'd use the feature weekly

"Very **impressive** feature, Definitely gives you an **edge over competition.**"



"**Endless options:** It could make a story out of whatever prompts we gave it & it **made sense to a child**"

US-market lives up to our high expectations



Disney's Encanto - most successful Tonie launch in the US



Huge commercial success...



3.8x sales over typical AAA-Tonie launch

Amazon Hot New Releases

Our best-selling new and future releases. Updated frequently.

New Releases in Toys & Games

#1	#2	#3
<p>Tonies Mirabel Audio Play Character from Disney's Encanto \$17.99</p>	<p>Mattel Disney The Little Mermaid Ariel Doll, Mermaid Fashion Doll with Signature Outfit, Toys Inspired by Disney's The Little Mermaid ★★★★☆ 279 \$14.97</p>	<p>LEGO Minifigures Disney 100 6 Pack 66734 Limited Edition Collectible Figures, Surprise Buildable Disney Characters for Role Play, A... ★★★★☆ 49 \$29.94</p>

#1 Amazon new release in Toys & Games

...leveraged by social media



Platinum Launch

- Hero product
- 700,115 reach
- 3,689 engagements

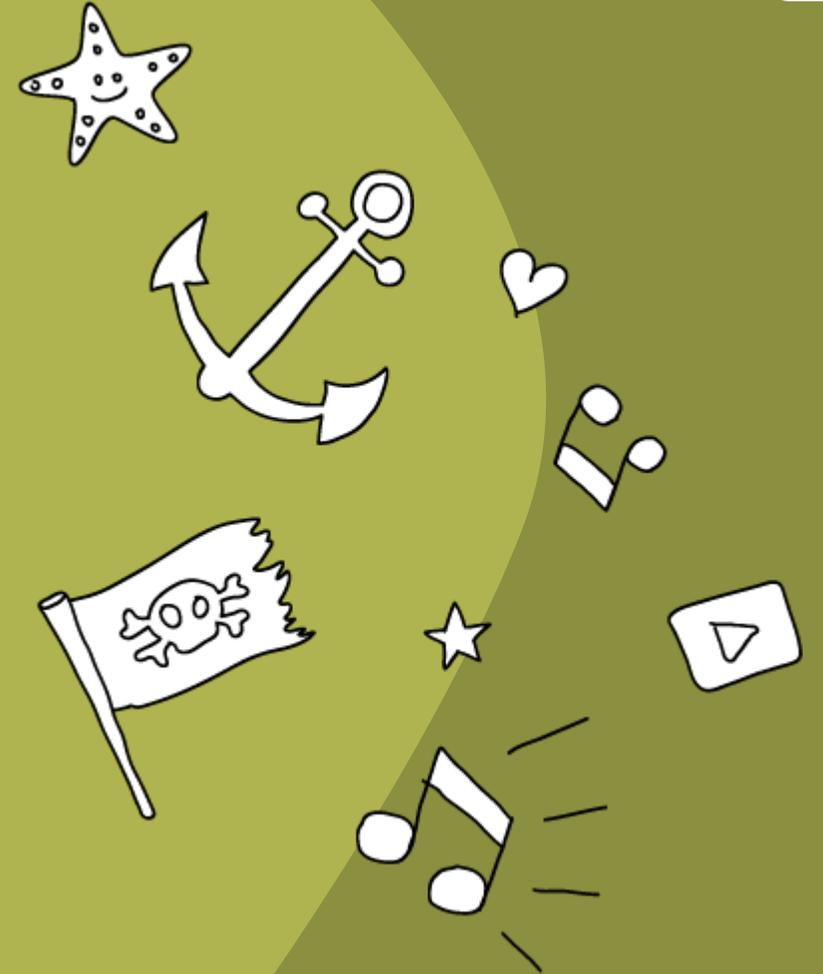


Tik Tok

Platinum Launch

- Content Creator
- 1.7m views
- 18k likes

Financial Results H1 2023

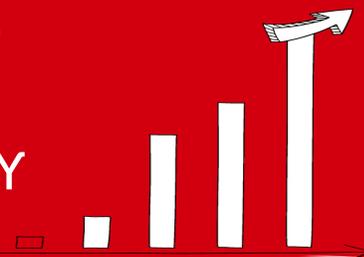


We delivered profitable growth in H1 2023



Revenue

EUR **113m** +**34%** YoY



- In line with plan & on track to reach EUR 354m
- Fueled by **international markets**...:
 - with rapid **US** growth of 171%
 - and **Rest of World** (55%), driven by UK & FR
 - continued growth in mature **DACH** (4%)
- ...and all **product categories**
 - **Tonieboxes** with 21%
 - **Tonies figurines** growth of 37%
 - and **Accessories & Digital** was up 62%

Adjusted EBITDA margin

+**2.6%** +**10.4pp** YoY

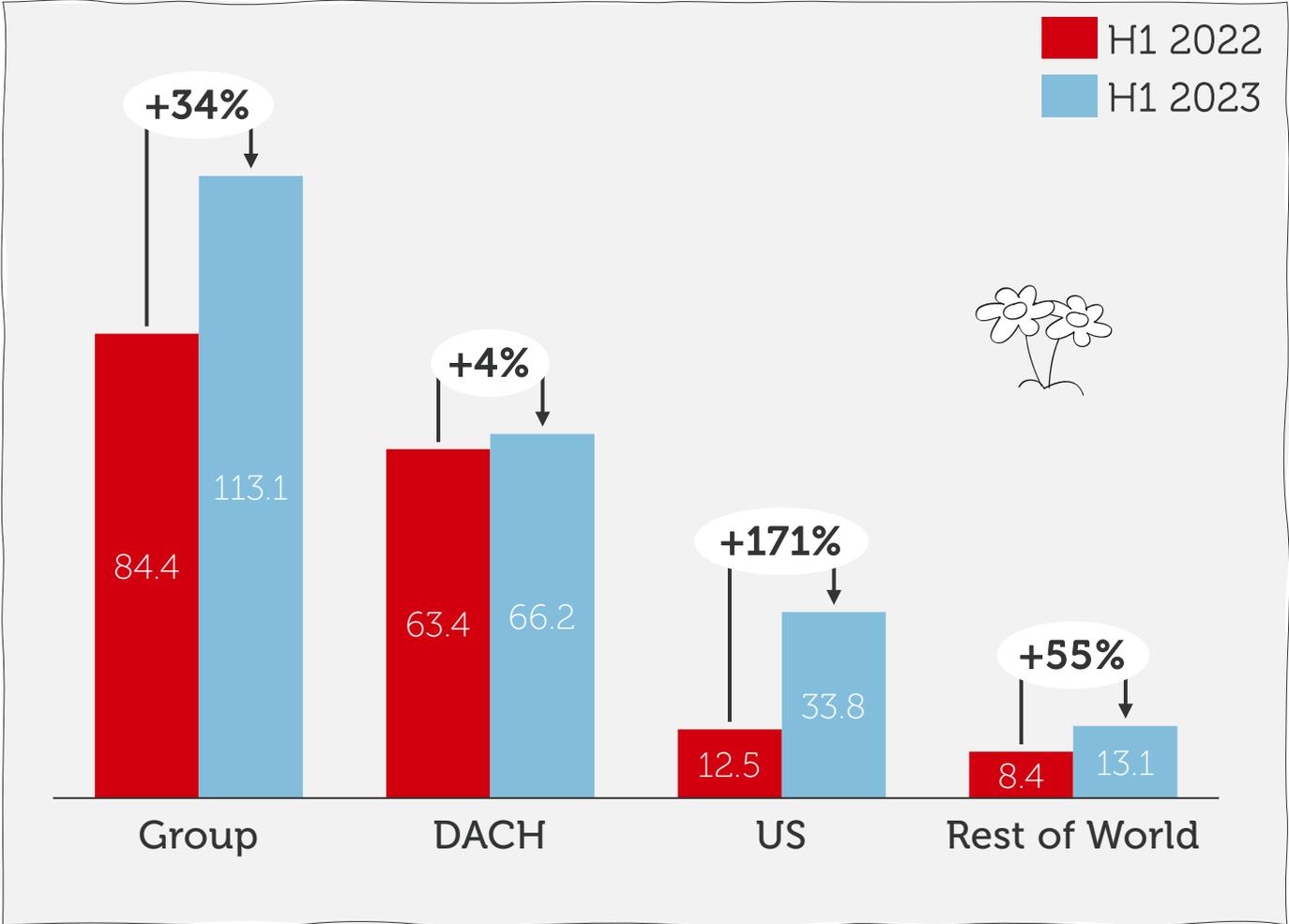


- **Achieved profitability** in H1 2023 driven by:
 - **increased gross margin** (+7.1pp) mainly due to price increases, channel mix, product mix and lower costs for inbound-logistics (e.g. airfreight)
 - **higher contribution margin** (+12.0pp) due to substantially higher gross margin & **lower licensing costs**, including non-recurring effects from the release of licensing related provisions
- **Continued to invest** in international expansion

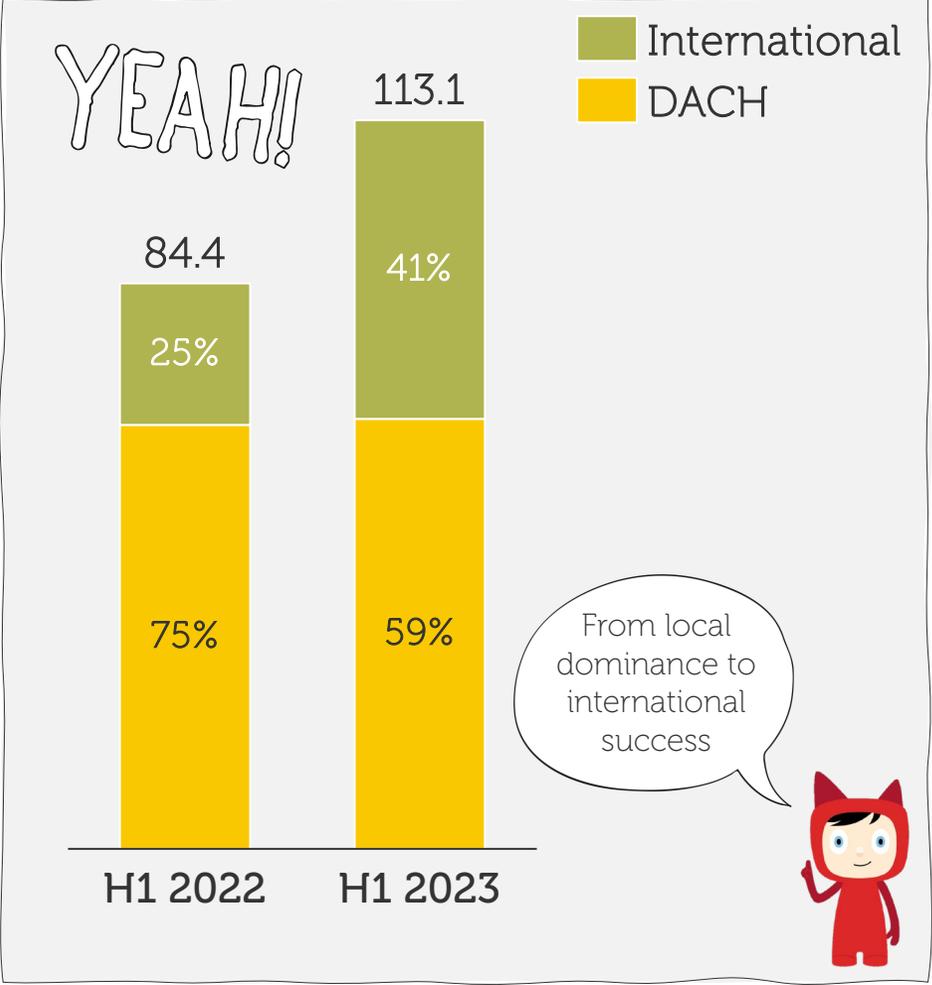
H1 2023 – revenue growth in line with full year guidance...



Revenue by geography



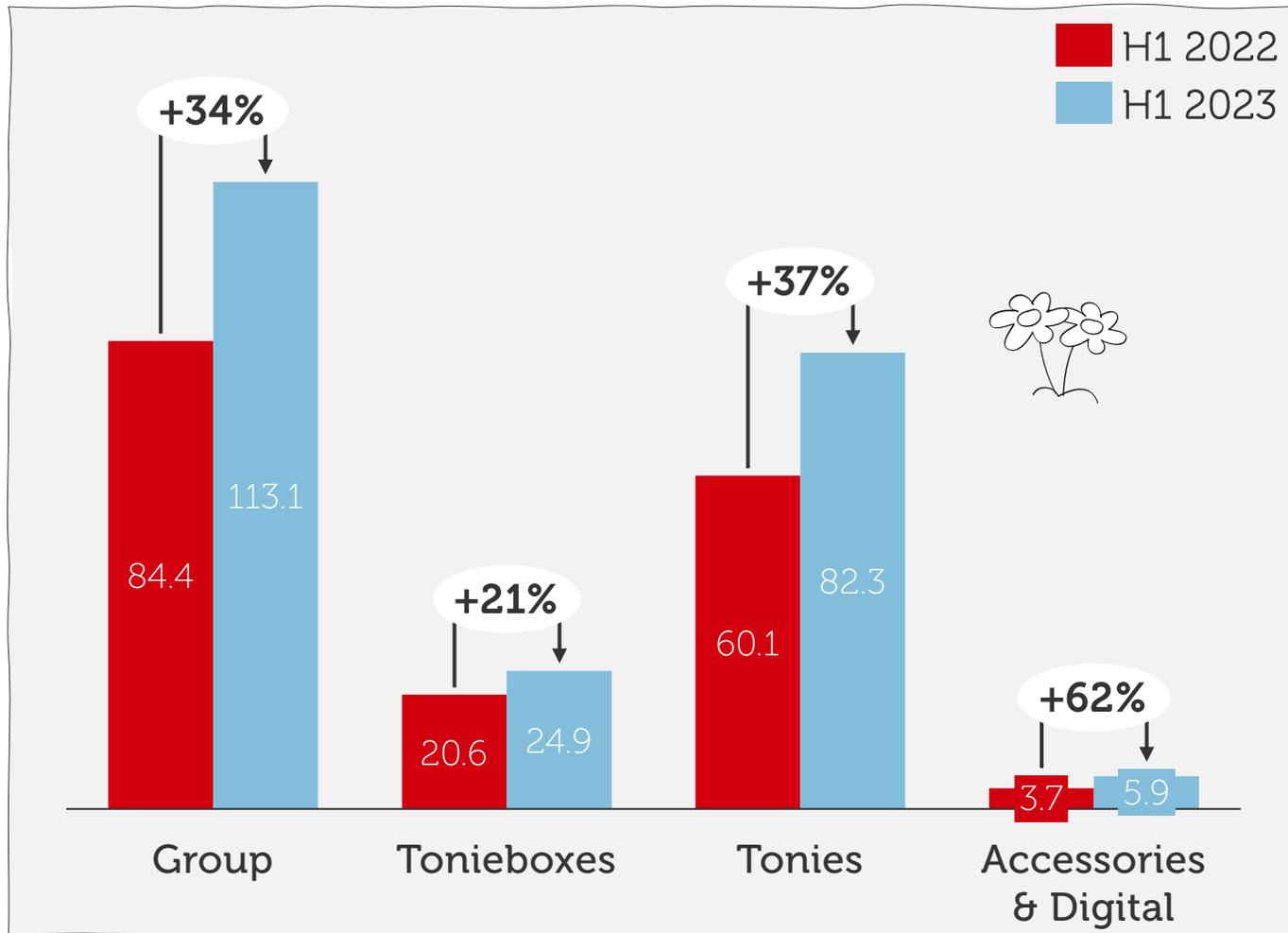
Revenue split by geography



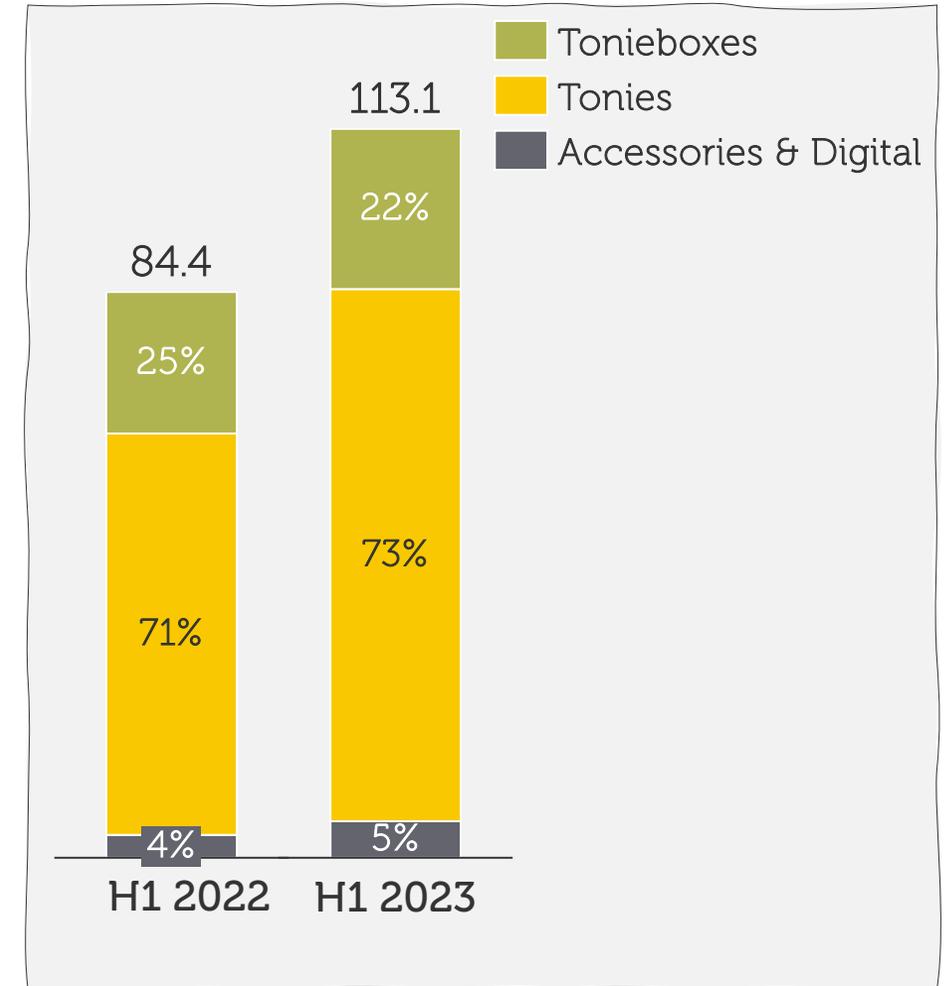
...and driven by all product categories!



Revenue by product category



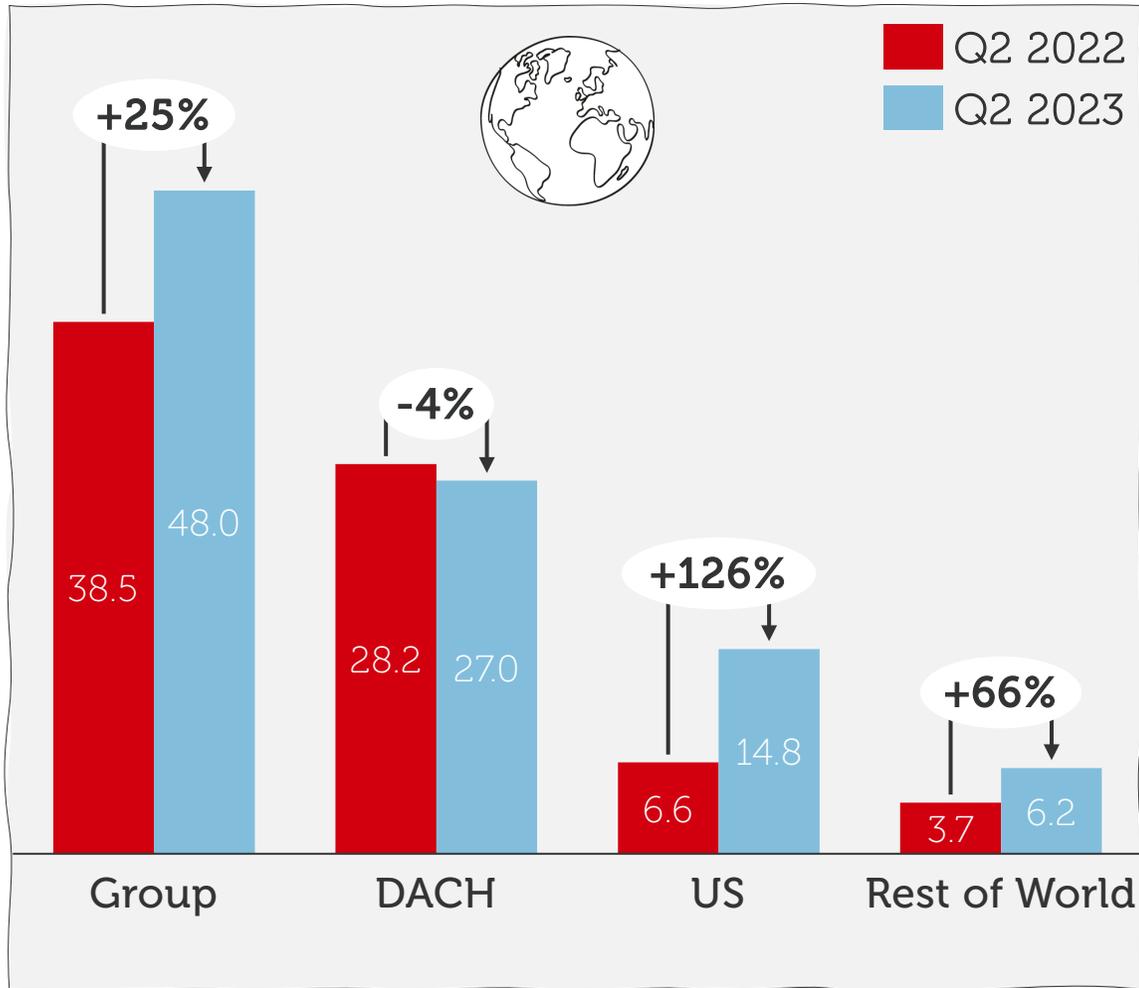
Revenue split by product category



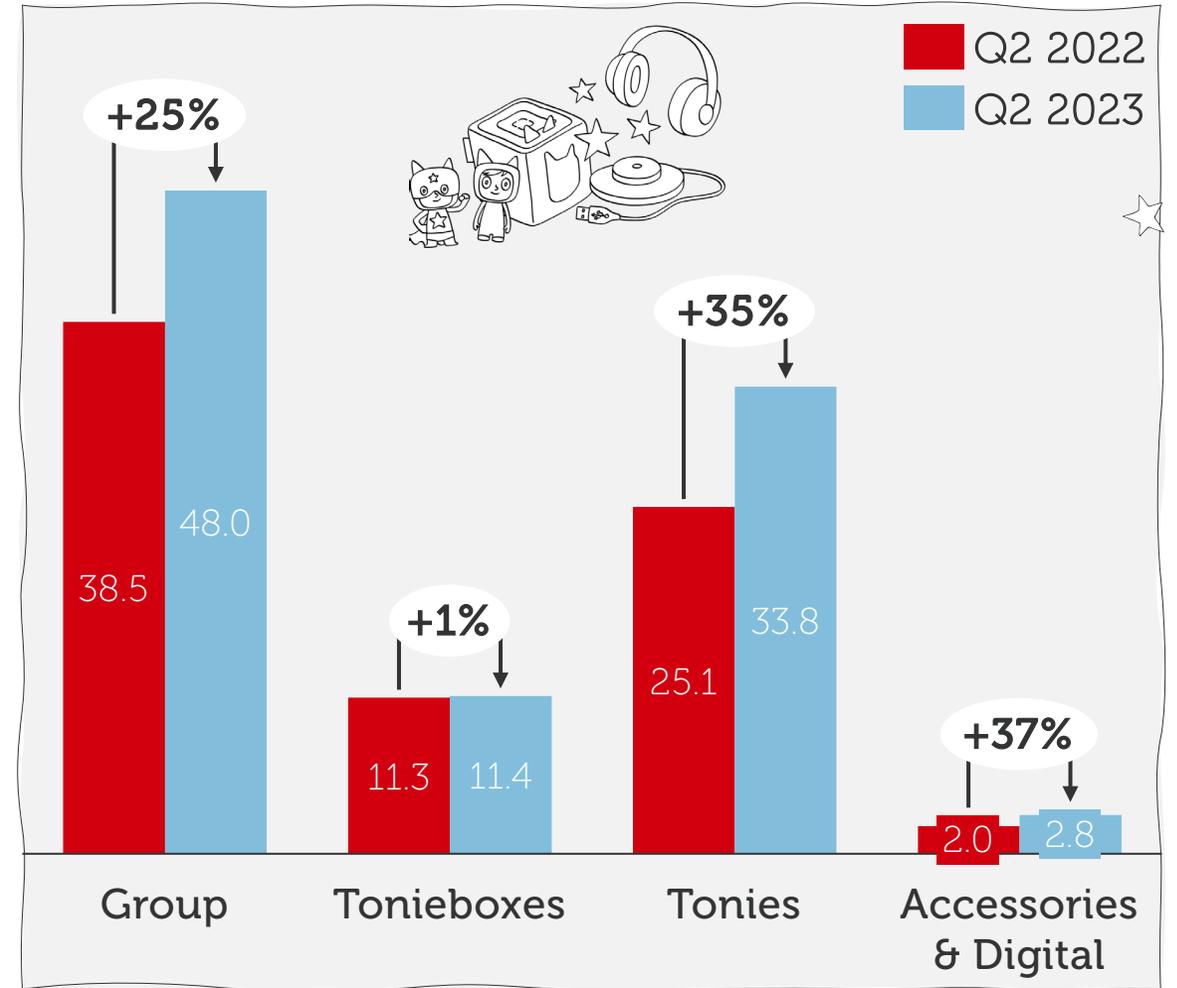
Q2 2023 – Easter was early this year with retail revenues mostly booked in Q1



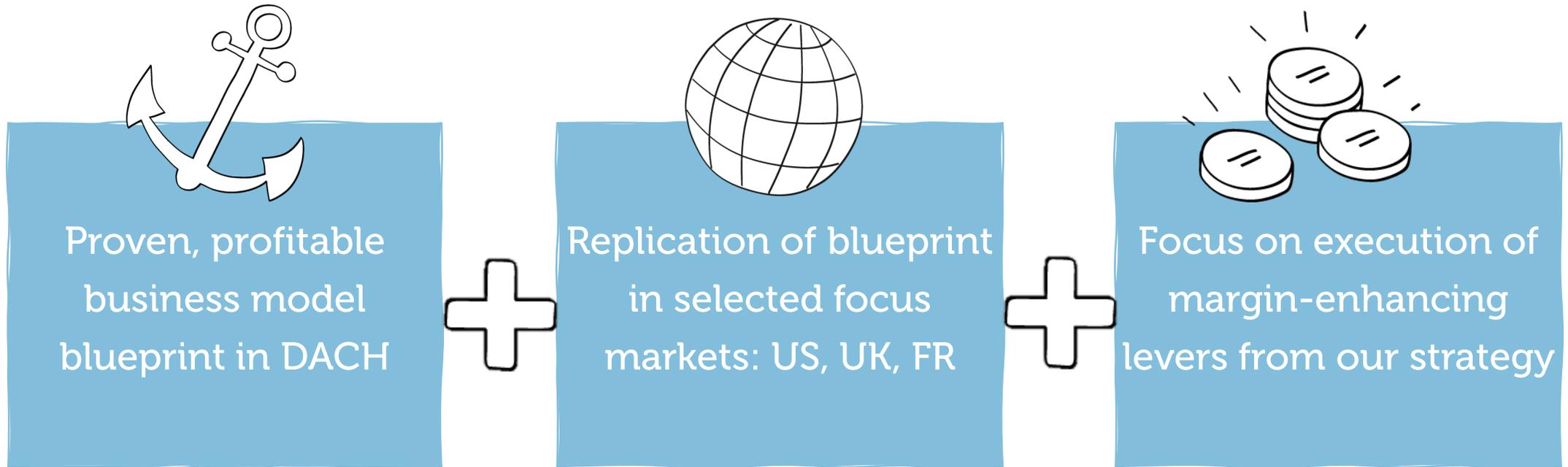
Revenue by geography



Revenue by product category



Why will tonies be a profitable company?



tonies has a profitable business model and deliberately chose to invest in international growth



	2019(HGB)	2020(IFRS)	2021(IFRS)	2022(IFRS)	H1 2023 (IFRS)
Gross margin before licensing costs	44.6%	50.1%	54.1%	54.2%	65.0%
			includes -4pp of exceptional air freight		
Gross margin after licensing costs	27.0%	32.4%	35.4%	41.9%	56.5%
Contribution margin	15.2%	19.7%	21.3%	27.4%	40.2%
Adj. EBITDA margin	3.6%	-0.2%	-8.1%	-2.4%	2.6%
Markets	only active in DACH & UK	 Launch US	 Launch FR and scale-up US & UK	 We promised you to turn a market profitable in 3-4 years!	



We have been profitable with our DACH blueprint



Business models largely resilient to macro challenges

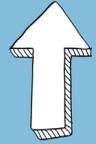


We chose to invest into international expansion



We see the fruits of our relentless execution focus

We have a clear plan of our margin-enhancing levers



Increasing gross margin

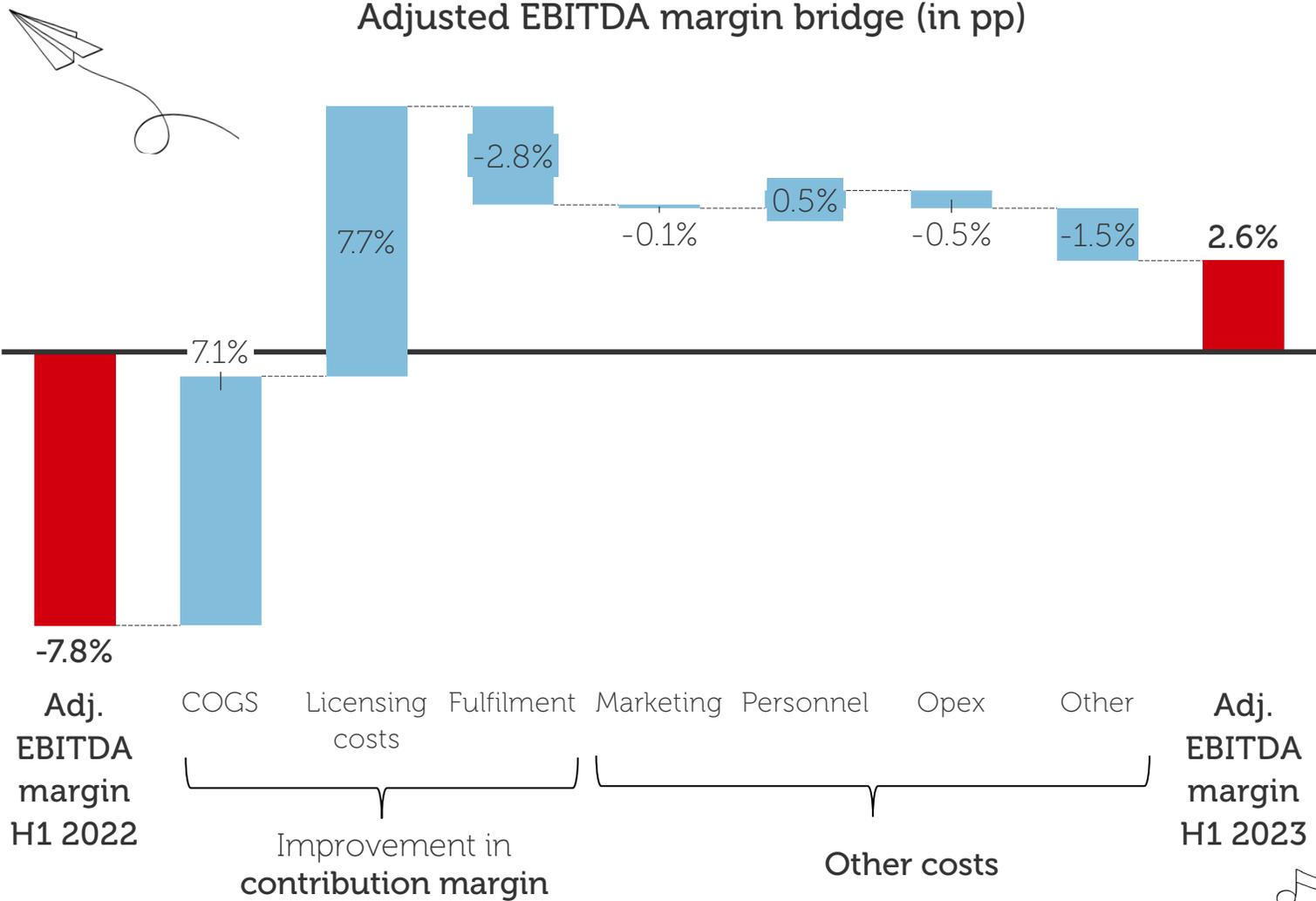


Increasing gross margin after licensing & operating leverage

Successful price increases	Expansion of high-margin offering	Optimization of product portfolio & launches	Reduction of licensing costs	Cost-conscious SG&A management
Implemented in DACH, US, UK and France where volumes remained strong	Strengthened our "blades" by offering additional accessories & digital products	Strengthened our cohorts by removing unprofitable products from the assortment and improving launch planning	Increased share of own content, international expansion and renegotiation of terms with license partners	Invested into further scale up, partly in functions, but also markets (esp. US). Enables future operating leverage

Profitable growth has always been a central part of our strategy

H1 2023 – Gross margin improvement and lower licensing costs drive positive adjusted EBITDA



- **COGS** driven by price increases, lower cost for inbound logistics (mainly airfreight) as well as favorable effects from channel and product mix
- **Licensing costs** lower due to increasing share of less expensive international markets, significantly higher share of own content and non-recurring positive effect related to the release of licensing provisions of EUR 3.4m
- **Fulfilment costs** increased due to higher revenue share from digital channels
- **Marketing, Personnel, Opex**, roughly stable at group level
- **Other** includes non-recurring effect related to the updated approach for tech development costs, as they will no longer be adjusted as of H2 2023



Wrapping up with P&L: Key numbers and margins (adjusted)



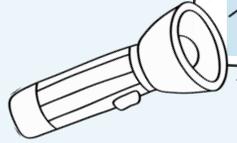
123



in EURm and
% of revenue

	H1 2023		H1 2022		Delta	
	Abs.	% of revenue	Abs.	% of revenue	Abs.	pp.
Revenue	113.1	-	84.4	-	28.7	-
Gross profit	73.5	65.0%	48.9	57.9%	24.7	+7.1pp
Gross profit after licensing costs	63.9	56.5%	35.2	41.7%	28.7	+14.8pp
Contribution profit	45.4	40.2%	23.8	28.2%	21.6	+12.0pp
Marketing	-8.4	-7.5%	-6.2	-7.4%	-2.2	-0.1pp
SG&A	-36.0	-31.8%	-26.9	-31.8%	-9.1	+0.0pp
Other result	2.0	1.8%	2.7	3.2%	-0.7	-1.5pp
Adj. EBITDA	3.0	2.6%	-6.6	-7.8%	9.5	+10.4pp

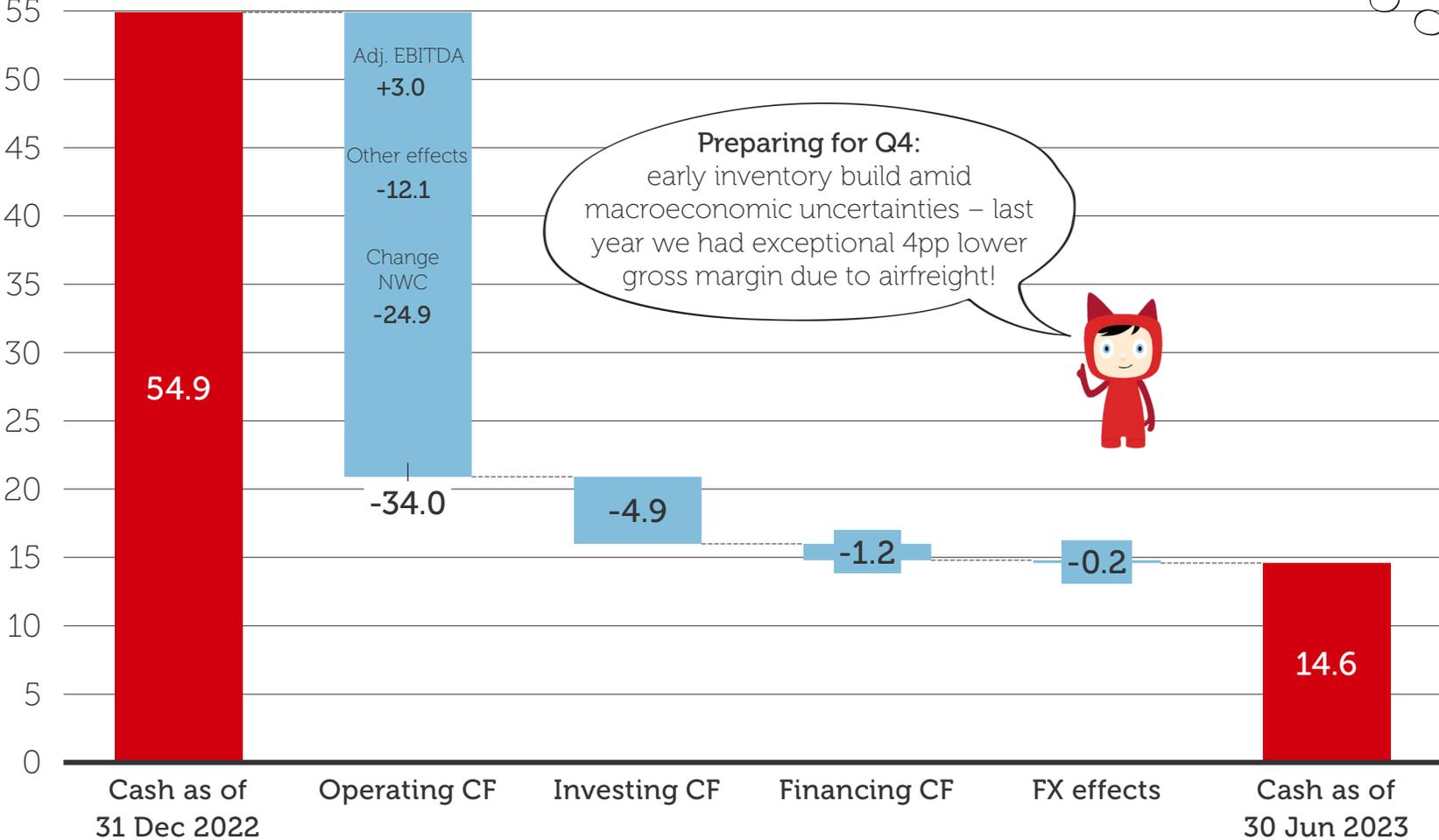
Note: all numbers are unaudited



Cash flow reflects early inventory build-up to be ready for the important Q4



Cash bridge (in EURm)



Preparing for Q4: early inventory build amid macroeconomic uncertainties – last year we had exceptional 4pp lower gross margin due to airfreight!



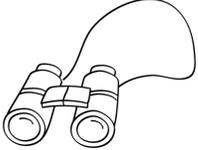
- **Operating CF** driven by strong inventory build-up to avoid stock-outs & high airfreight costs in case of macroeconomic disruptions
- **Investing CF** mainly for manufacturing tools, product-related expenses & own content production and software
- **Free cash flow** at EUR -39.0m, mainly for growth inventory
- **Financing CF** at EUR -1.2m mainly for lease payments
- In addition to EUR 15m **cash**, we have EUR 26m of **credit lines**



Outlook



Guidance FY 2023* – fully on track to achieve our ambition



	Results FY 2022	Guidance from IPO FY 2023	Guidance FY 2023
Group revenue (EURm)	258	354	354 (+37% YoY)
US revenue (EURm)	66	108	116* (+77% YoY)
Group adjusted EBITDA in % of revenue	-2.4%	na	“positive”



Further year of **significant growth** ahead with US revenue expectation even above IPO plan



tonies will be **profitable** on adjusted EBITDA basis

We have some *exciting extensions* planned for our portfolio and will also bring our Tonies to *Canada*



Top licenses

New Tonies of the most beloved characters among kids that spark imagination: e.g., Paw Patrol, Marvel, DC



Own content

New Tonies of our successful own content series that promote diversity and routines: e.g., Favorite Myths, Leo's Day, and Cultural Tales



Canada market entry

Our next step to bring joy to kids around the world: Launch with English & French Tonies in Q3 in retail and on Amazon

Our platform also offers a great basis for countless *innovations* – some new Tonie categories will launch in H2 2023



Increases daily usage

Extends customer lifetime



Podcast-like Advent Calendar

Our very first advent calendar Tonie with daily content updates: Every day from December 1st, kids can listen to a new part of the story



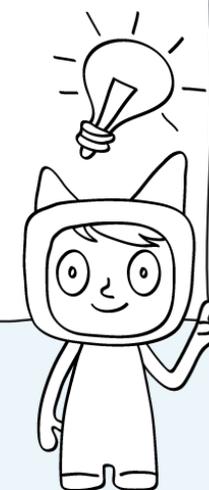
Clever Tonies

Our new, more affordable, Tonie format with edutaining audio content: sparks fascination & curiosity and is especially popular with kids aged 5-8 years due to its more grown-up design

H1 2023 – Key takeaways



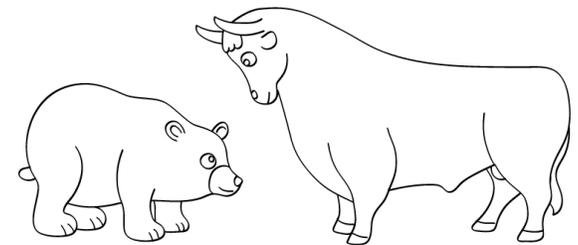
- 1 Despite challenging times, we continuously **keep our promises & deliver against the plan**
- 2 We prove that we are a **profitable growth company**
- 3 The **US-market growth is happening** – its our most important growth market
- 4 **FCF on plan**, with inventory-level in H1, we are well prepared for important Q4
- 5 We strive to **lead the sustainability change** in our category
- 6 **Outlook** for 2023 **confirmed**: we are fully confident in reaching our targets



Meet us on conferences and roadshows



Results	Conferences	Roadshows
AUG 23: H1 2023	SEP 5: Corporate Conf. Coda & ODDO BHF	AUG 30: London AUG 31: Paris SEP 6: US (virtual) SEP 7: US (virtual)
NOV 13: Q3 2023	SEP 19: BB/GS German Corporate Conference NOV 16: Warburg Conference NOV 27-29: Deutsches Eigenkapitalforum 2023 DEC 5: Berenberg European Conference	



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