

Juvenile Products

M&A Update

“Market Intelligence for Industry Players”

Q3 2013



Capstone Partners
Investment Banking Advisors



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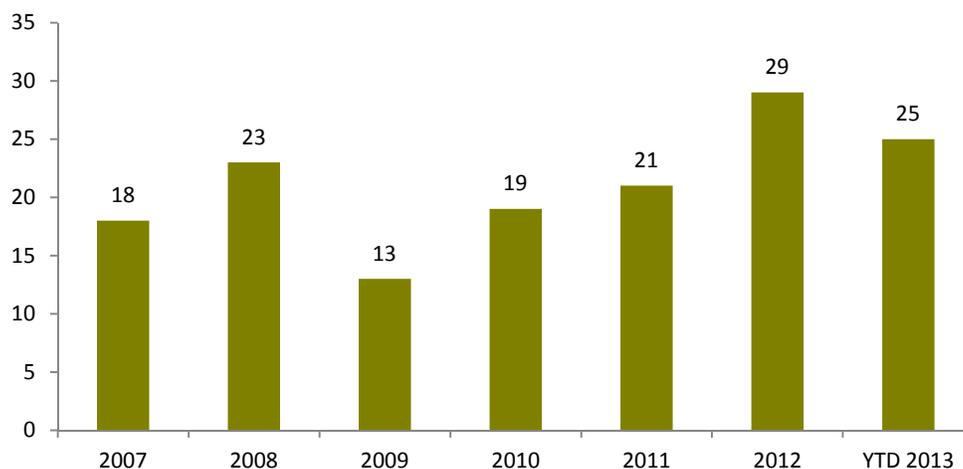
2013 THIRD QUARTER UPDATE

Merger and acquisition activity in the juvenile products industry is accelerating, as the sector continues to benefit from an increase in consumer spending and a general improvement in the economy. M&A activity was robust in 2012, during which 29 transactions were closed in the industry. The positive trend continues in 2013, with 25 transactions reported closed year-to-date.

The juvenile products industry has proven resilient. Although the industry experienced flat sales in recent years, spending per child has continued to increase. Now that the economy is improving, birth rates are expected to again rise, suggesting renewed revenue growth and an improved operating environment for juvenile products companies.

Recent transactions involved corporate buyers who are looking for growth opportunities afforded by the acquisition of new products, technologically advanced products, popular brands, attractive target markets, new sales channels including e-tailing, and expanded geographic territories. Private equity firms are also active in the industry as they are attracted to the sector's fragmented nature and long-term growth prospects.

M&A Activity: Juvenile Products



Source: Capital IQ; 2013 transactions in Europe and North America through September 30

Capstone's outlook for the juvenile products industry is positive. In our view, the sector is supported by strong fundamentals that include solid long-term demographic trends and rising U.S. employment and income levels. These market fundamentals should continue to drive growth in the space, making it an attractive target for corporate and private equity buyers alike. As the economy continues its slow recovery, middle-market companies in the juvenile products industry should show improved results, putting those who are interested in selling in good shape for an acquisition by one of the many buyers who are looking to improve their position vis-à-vis increased sales and market share.

SELECTED DEAL BRIEFS

There have been several notable transactions in the juvenile products industry over the last twelve months. Selected transactions are outlined below, followed by a more comprehensive list of recent transactions in the following table.

POOF-Slinky acquires ZOOB of Infinitoy, Inc. (September 2013) – POOF-Slinky, which is owned by consumer-focused private equity firm Propel Equity Partners, acquired construction toy brand ZOOB. Introduced in 1997, ZOOB – an acronym for Zoology, Ontology, Ontogeny and Botany – has five basic pieces inspired by nucleotides, which are organic molecules that are the basic building blocks of nucleic acids. "It is an alternative to Lego," said Robert Farinholt, a partner at Propel. "The construction category is the healthiest one in toys as it has education, construction and science components." In addition, Propel was drawn to ZOOB because the game is patented. "Not a lot of toys have intellectual property protection," said Mr. Farinholt. This transaction is the second deal Propel has done in 2013. The private equity group also acquired ALEX Toys in May of 2013, which is detailed on the following page.

Spin Master Ltd. acquires Meccano (August 2013) – In an effort to expand its global portfolio, Spin Master Ltd., Canada's largest children's toy and entertainment company, has acquired the toy company Meccano (known as Erector Set in the U.S.). Spin Master has been known for its ability to innovate in the toy industry and the addition of Meccano offers exciting opportunities to expand the brand into new categories. "Meccano is iconic. It was founded in 1901 and has always been about creating toys that enable children and adults to imagine and create completely new worlds," says Anton Rabie, co-chief executive officer of Spin Master. "This classic construction system has stood the test of time with phenomenal lines, and we are looking forward to building a future together." The Meccano acquisition follows two other recent purchases by Spin Master – Spy Gear in November of 2012 and Perplexus in February of 2013.

Bendon, Inc. acquires Dalmatian Press LLC (August 2013) – Dalmatian Press provides coloring and activity products, crayons, educational books, novelty products and stickers. This acquisition by Bendon, which is owned by private equity sponsor The Wicks Group, creates one of the largest producers of children's educational coloring and activity products in the U.S. The acquisition strengthens Bendon's product offering and significantly broadens its distribution footprint. Wicks believes industry consolidation is inevitable and views this transaction as a critical step in accelerating the process.

Domtar Corporation (NYSE:UFS) acquires Associated Hygienic Products LLC (July 2013) – Domtar substantially increased its personal care product range with the acquisition of Associated Hygienic Products ("AHP") from DSG International. AHP is the largest supplier of store brand infant diapers in the U.S. and provides Domtar entry to the children's market. The transaction was valued at \$272 million. Domtar designs and manufactures a wide variety of fiber-based products including writing and packaging papers and adult incontinence products. "This acquisition will add a key product line to our offering, a competitive manufacturing base to our existing footprint and solid access to the retail channels for our adult incontinence products," said Michael Fagan, Senior Vice President of Domtar.

SELECTED DEAL BRIEFS (CONTINUED)

Summer Infant, Inc. (NASDAQ: SUMR) acquires the assets of Little Looster, LLC (June 2013) – In an example of a middle-market firm purchasing a single-product company, Summer Infant, a designer and distributor of branded juvenile health, safety and wellness products, acquired the assets of Little Looster, a manufacturer of a potty training step stool. The acquisition expanded Summer Infant's offerings in the safety category, while leveraging its distribution channel to expand the reach of Little Looster. Summer Infant continues to seek innovative items to add to its product line. Under the terms of the transaction, Summer Infant acquired all of Little Looster's intellectual property which includes a patent, trade names and website, as well as the tooling (injection mold) for manufacturing. The purchase price included cash and an ongoing royalty payment.

Campbell Soup Co. acquires Plum Organics (June 2013) – Plum Organics produces premium, organic foods and snacks that serve the nutritional needs of babies, toddlers and children. It is the No. 2 brand of organic baby food in the United States and the No. 4 baby food brand overall. The acquisition of Plum provides Campbell with a platform to extend its core categories of simple meals, snacks and beverages. Plum's products are strong in key customer channels, including online, natural and baby specialty outlets. "Plum Organics' nutritious, on-trend products are a great addition to our North American portfolio of leading brands. The acquisition will help deliver on our dual mandate to strengthen our core businesses and to expand into faster-growing categories and adjacencies. It represents another step toward our long-term goal of shifting Campbell's center of gravity," said Denise Morrison, Campbell's President and CEO. Campbell plans to operate Plum as a standalone business, with senior members of its management team continuing to lead Plum.

Propel Equity Partners acquires ALEX Toys, Inc. (May 2013) – Propel Equity Partners has acquired ALEX Toys, a maker of children's creative products. The ALEX brand features more than 1,000 items for infants to 'tweens, and includes products for imaginative and dramatic play, fashion and jewelry, and bath and outdoor toys. ALEX products are sold in more than 80 countries. ALEX joins the POOF-Slinky family of brands, which includes Slinky, POOF, Ideal, Scientific Explorer and Fundex Games. Propel Equity Partners provides its portfolio companies with strategic and operational support to enable more efficient operations and accelerated sales growth. "ALEX has developed into a leading lifestyle brand for kids, presenting tremendous opportunities for expansion," said Michael Cornell, CEO of Propel. "This acquisition represents another step in our mission of bringing the most innovative and successful companies in the toy and craft industry under our umbrella." ALEX founders remained with the company post-transaction.

Saban Brands, LLC acquires Zui.com (October 2012) – Capstone Partners represented Zui.com in its sale to Saban Brands. The acquisition of Zui, which provides access to the largest collection of curated, kid-friendly online content, strengthens Saban Brands' position as a leading digital innovator for kids' entertainment, and expands the company's digital capabilities. Said Elie Dekel, President of Saban Brands, "This is a very exciting acquisition that allows us to further develop our online offering and deepens our position as a premier provider of kids' entertainment across all media."

SELECTED JUVENILE PRODUCTS M&A TRANSACTIONS

Date	Target	Buyer	Target Business Description	Transaction	EV/LTM	
				Value (mm)	Revenue	EBITDA
9/11/13	Infinity, Inc., ZOOB	Propel Equity Partners	A building set toy which consists of interlocking pieces for children to improve their abilities with spatial relationships and motor skills.	-	-	-
8/13/13	Meccano SN	Spin Master Ltd.	Designs, develops and manufactures toys, including wheel sets, trains and vintage construction sets.	-	-	-
8/8/13	Schylling Associates, Inc.	Gladstone Investment Corp.; Crofton Capital	Manufactures and markets toys including animal/plush, infant and preschool, games, musical, outdoor play and others.	-	-	-
8/6/13	Dalmatian Press, LLC	Bendon, Inc.	Produces early childhood development, coloring and activity products dominated by activity-based items.	-	-	-
8/1/13	Kids Today	Progressive Business Media	Publishes several publications including Kids Today and <i>Playthings</i> .	-	-	-
7/2/13	Associated Hygienic Products LLC	Domtar Corporation (NYSE:UFS)	Manufactures disposable baby diapers and training pants under store brands.	\$272.00	0.9x	8.8x
7/2/13	MindWare Holdings Inc.	Oriental Trading Co	Manufacturer and distributor of educational toys, specializing in creative and brain-teasing products.	-	-	-
6/28/13	Totsy, Inc.	Modnique, Inc.	Operates an online private-sale site dedicated to delivering deals on products for parents, babies and children.	-	-	-
6/27/13	MindWare Holdings, Inc.	Oriental Trading Company, Inc.	Creates, manufactures and distributes toys for kids of various ages.	-	-	-
6/27/13	Little Looster, LLC	Summer Infant, Inc. (NasdaqCM:SUMR)	Manufactures potty training step stools for kids.	-	-	-
6/13/13	Plum Organics, Inc.	Campbell Soup Company (NYSE:CPB)	Produces of organic baby food products.	-	-	-
5/31/13	Chelsea & Scott, Ltd.	Colony Brands, Inc.	Provides educational toys, kids products and parent resources online.	-	-	-
5/28/13	ALEX Toys, Inc.	Propel Equity Partners	Produces children's lifestyle products, including fashion and jewelry, furniture, toys and preschool products.	-	-	-
5/13/13	Happy Family	Groupe Danone	Operates as the fourth largest producer of baby food in the United States.	-	-	-
5/8/13	Brio AB, Buggy and Child Seat Division	BRITAX Childcare Holdings Limited	Manufactures buggies and child car seats under the brand names of BRIO GO, BRIO HAPPY, BRIO SMILE, BRIO, Simo and Carena.	-	-	-
5/7/13	Sensational Beginnings, Inc.	Creative Kidstuff Inc.	Operates as a catalog retailer of toys and other products designed for infants and toddlers.	-	-	-
4/10/13	Tribal Nova, Inc.	HMH Holdings Inc.	Markets educational online services and online games for children in North America and Europe.	-	-	-
4/5/13	Clearly Herbal	Green Hygienics, Inc.	Manufacturers and sells herbal and bamboo baby wipes.	-	-	-
3/31/13	EcoMom, Inc.	Green Cupboards, Inc.	Operates as an online retailer of a wide range of healthy and eco-conscious products for kids, moms and families.	-	-	-
2/25/13	FlipOutz, LLC	Wild Creations, Inc.	Manufactures armbands and coins for children and sells its products online.	-	-	-
2/15/13	Nutmeg Media, LLC	Dreamscape Media LLC	Produces children's picture books-on-video for children in the pre-school through early primary grades.	-	-	-
2/12/13	Bunnies By The Bay	Kids Preferred	Manufactures a high-end collection of toys, books and apparel for children.	-	-	-
1/18/13	JustFab	FabKids	Operates as a children's apparel brand and e-commerce website offering a personalized online shopping experience for parents.	-	-	-
1/9/13	Babysun	Jarden Corp. (NYSE:JAH)	A baby product brand from Challenger International S.A. that includes toys and games.	-	-	-
10/01/12	Zui.com	Saban Brands, LLC	Provides access to the largest collection of curated, kid-friendly online content.	CF	CF	CF

LTM = last twelve months; EV = enterprise value; CF = Confidential
Transaction highlighted in blue was completed by Capstone Partners

Sources: Capstone Partners LLC research; Capital IQ; public filings and press releases

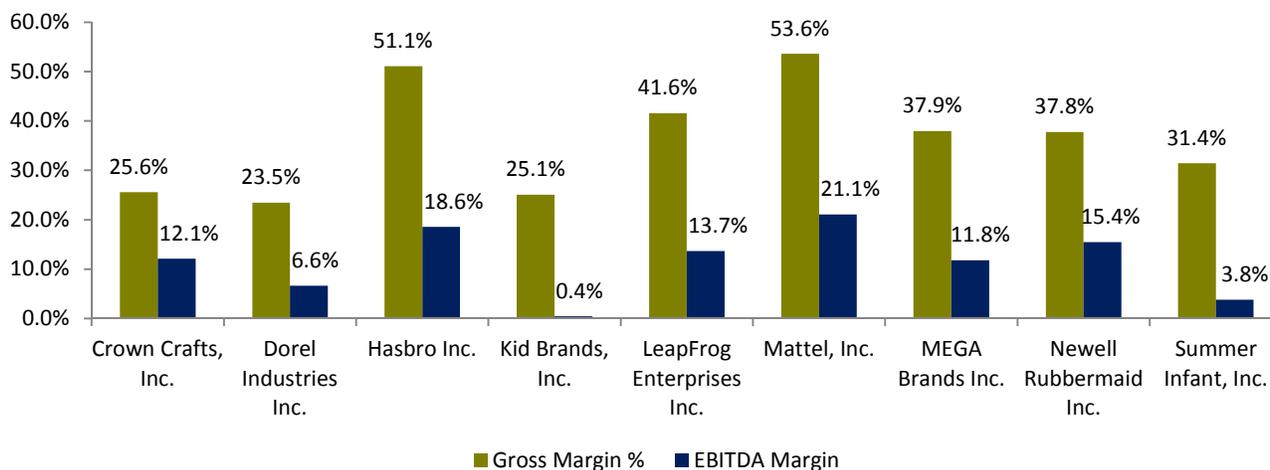
PUBLIC COMPANY TRADING & OPERATING DATA

Company	Price 9/30/13	% 52 Wk High	Market Cap	Enterprise Value	LTM			EV / LTM	
					Revenue	EBITDA	Margin	Revenue	EBITDA
Crown Crafts, Inc.	\$7.22	94.4%	\$ 71.0	\$ 68.1	\$ 77.6	\$ 9.4	12.1%	0.9x	7.2x
Dorel Industries Inc.	\$36.45	83.2%	1,171.8	1,481.3	2,430.5	160.6	6.6%	0.6x	9.2x
Hasbro Inc.	\$47.14	94.8%	6,115.3	6,654.6	4,058.7	753.0	18.6%	1.6x	8.8x
Kid Brands, Inc.	\$1.47	73.5%	32.2	82.2	214.3	0.9	0.4%	0.4x	NM
LeapFrog Enterprises Inc.	\$9.42	78.8%	644.0	462.6	603.7	82.4	13.7%	0.8x	5.6x
Mattel, Inc.	\$41.88	86.4%	14,430.0	15,297.7	6,498.4	1,369.4	21.1%	2.4x	11.2x
MEGA Brands Inc.	\$15.78	94.1%	361.6	419.7	430.2	50.7	11.8%	1.0x	8.3x
Newell Rubbermaid Inc.	\$27.50	96.6%	7,920.0	9,883.0	5,942.4	917.5	15.4%	1.7x	10.8x
Summer Infant, Inc.	\$2.77	74.3%	49.8	98.7	235.4	8.9	3.8%	0.4x	11.1x

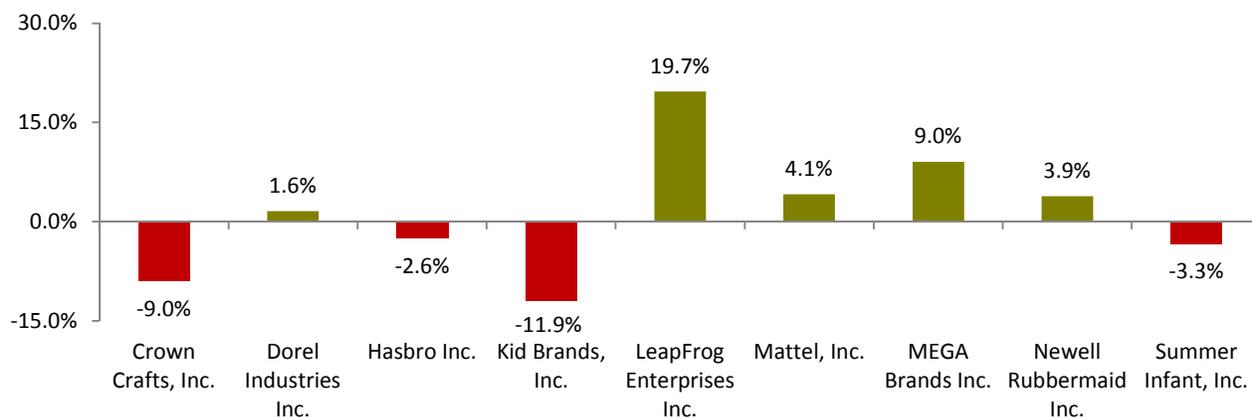
Mean	11.5%	1.1x	9.0x
Median	12.1%	0.9x	9.0x
Harmonic Mean	2.8%	0.8x	8.6x

Margin Performance

NM = Not Meaningful (EBITDA Multiples > 15x)



Last Twelve Months Revenue Growth



Source: Capital IQ as of September 30, 2013

CAPSTONE PARTNERS: COMPLETED CONSUMER PRODUCTS & SERVICES TRANSACTIONS

Capstone Partners has completed several transactions within the consumer products & services space. These transactions span the major categories of manufacturing, retail, wholesale and services. They include a wide range of companies offering a diversity of products such as those related to food, pet, juvenile, drug and nutraceutical, and recreation products and services. Capstone's experience in the consumer products & services sector provides us with insight into the valuable attributes and likely valuation of a target company, the active buyers in the industry and the nuances of transactions in this space.



has been acquired by




has been acquired by




has been acquired by




has been acquired by



a portfolio company of




has divested



America's Place To Race



has been acquired by



A Premier Provider of Early Education & Childcare Services

has been acquired by




has been acquired by




has been acquired by




has been acquired by



INTERLEUKIN GENETICS

acquisition advisory




has recapitalized with




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John Ferrara, the founder and principal shareholder of Capstone, serves as the firm's President and Managing Partner. Over his extensive career in investment banking, venture capital and management consulting, John has executed over 100 related engagements representing in excess of \$6 billion in value. John was formerly a Regional Managing Partner with Andersen Corporate Finance, where he founded the Boston office and held various national and global leadership positions. He started his career in Lehman's Brothers' M&A group in New York, London and Riyadh, later becoming a founding member of Rodman & Renshaw's M&A practice in New York. He earned an MBA in Entrepreneurial Studies from The Anderson School at UCLA and the London School of Economics, during which time he founded and operated a corporate finance advisory boutique, JG Atlas Advisors, and its related investment arm, Atlantis Capital Partners. He holds dual BA degrees from Wesleyan University and is qualified as a General Securities Principal.



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Jacob is a founding member of Capstone Partners. He focuses on asset positioning, strategy articulation, due diligence and negotiations coordination. Formerly, Jacob was with Andersen Corporate Finance LLC, where he focused his efforts on the software and direct marketing industries. He started his career in New York City with Rabobank International, a multi-national Dutch investment bank headquartered in Utrecht, the Netherlands. While at Rabobank International, Jacob worked in the mergers and acquisitions group focusing on cross-border transactions in the consumer products, food and beverage industries. The M&A Advisor named Jacob to its prestigious 40-UNDER-40 deal makers list in 2012. Jacob received an MBA from the Sloan School of Management at Massachusetts Institute of Technology (MIT) and a BS from Cornell University. Jacob is qualified as a General Securities Representative.



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Sophea joined Capstone in 2008 and specializes in mergers & acquisitions, private placements and financial advisory services. Her responsibilities include providing financial and valuation analysis, performing due diligence and drafting all marketing materials. Prior to joining Capstone, Sophea was an analyst at FTN Midwest Securities, a full-service investment banking firm based in Cleveland. While working in their New York office, she focused on M&A advisory for middle-market companies in a variety of industries, including healthcare, pharmaceutical services and marketing & advertising. Sophea is on the Board of the Columbia University Club of New England and is the Chairperson of the Boston Columbia College Young Alumni group. Sophea holds a Bachelor of Arts in Economics from Columbia University.

ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a leading international investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in the Juvenile Products sector. The firm also possesses merchant banking capabilities to actively co-invest in transactions.

Additional information about Capstone Partners can be found at www.capstonellc.com.

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