

Earnings Presentation FY 2022

tonies SE | April 13, 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



Florian Drabeck

CFO



Jan Middelhoff

MD International

tonies SE | Earnings Presentation



Business Update

FY 2022 Results

Outlook

Q&A

Successful international expansion and major progress on path to profitability



Results FY 2022

Exponential *revenue* growth fueled by international expansion

- Group: 37% YoY to EUR 258m
- US: 223% YoY to EUR 66m

Adjusted EBITDA at upper end of the updated guidance range

- Adj. EBITDA margin up to -2.4% (+5.7pp YoY)

Business update

Despite macroeconomic challenges we saw a *fantastic Q4* business

First own license brand *Sleepy Friends* was a bestseller from start

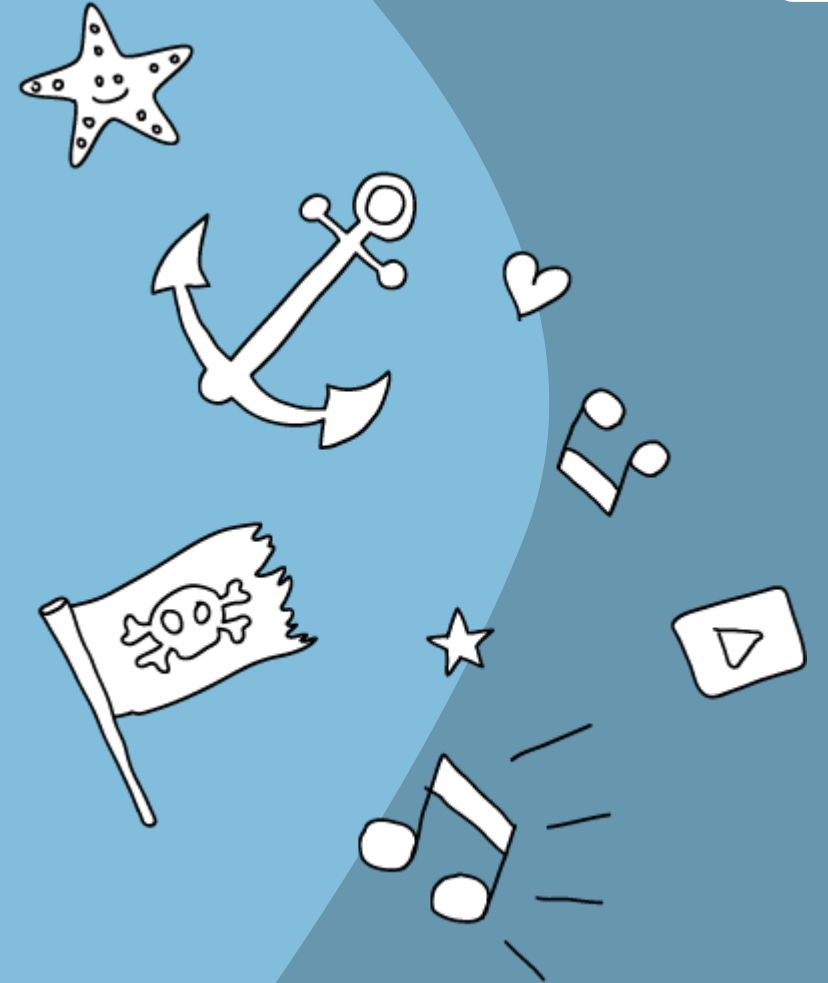
Outstanding US business and we have big news today

Outlook FY 2023

Continued very strong *revenue* growth to EUR 354m, led by the *US*

We will become profitable on group level and reach a positive *adjusted EBITDA*

Business Update



tonies: the world's largest interactive audio platform & creator of a multi-billion Euro category in kids entertainment & beyond 

Digitally connected



No screen-time



Audio / Listening



Educational



Child friendly



Playful



Independent play



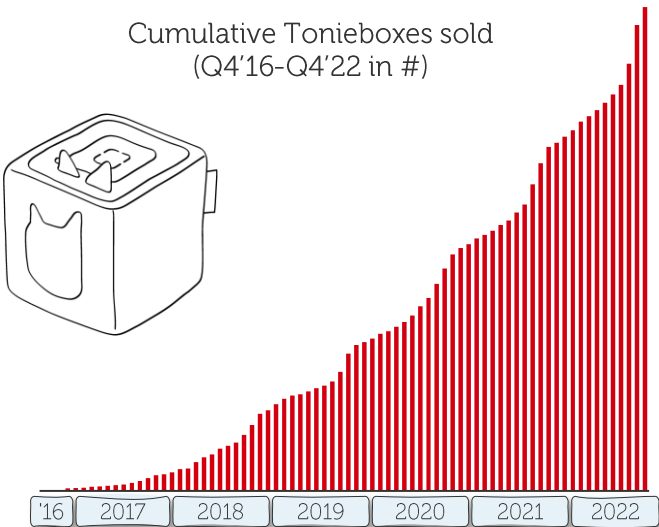
We are the pioneers of connected, technology-enabled audio systems for kids and provider of premium, curated audio content

Our business model in a nutshell



Our platform is exponentially growing with more and more Tonieboxes...

Cumulative Tonieboxes sold (Q4'16-Q4'22 in #)

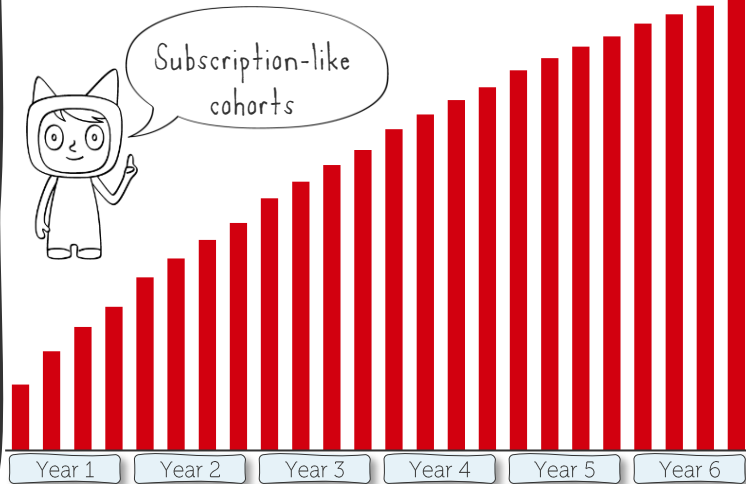


-262 minutes
average weekly playtime*

YEAH!

... fueling our razorblade business model with highly predictable Tonie activations

Cumulative Tonies over customer lifetime

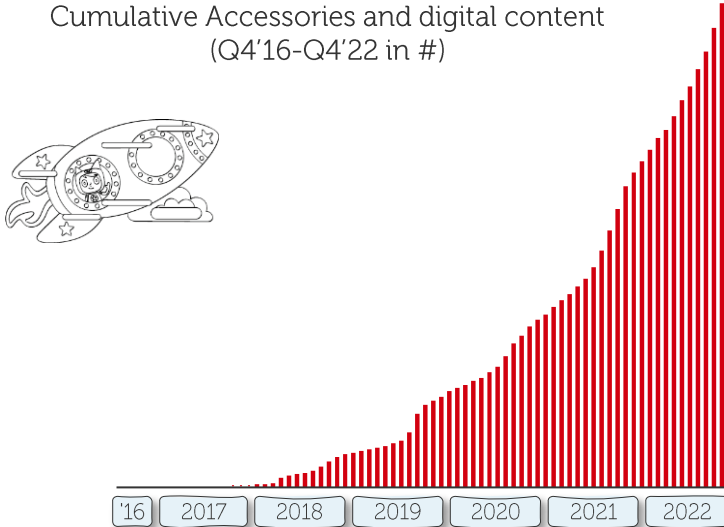


-20

Tonies per Toniebox after 4.5 years

... and adding further high margin products to our tonies universe

Cumulative Accessories and digital content (Q4'16-Q4'22 in #)



...and we just **started** with more to come



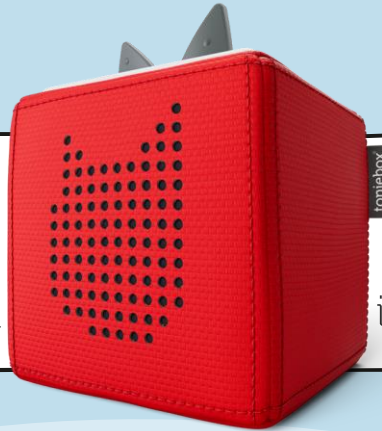
*FY 2022

We are driving market penetration despite unstable times



~5m

Tonieboxes sold



in last 12 months

+1.4m

~58m

Tonies sold



in last 12 months

+18m

~5%

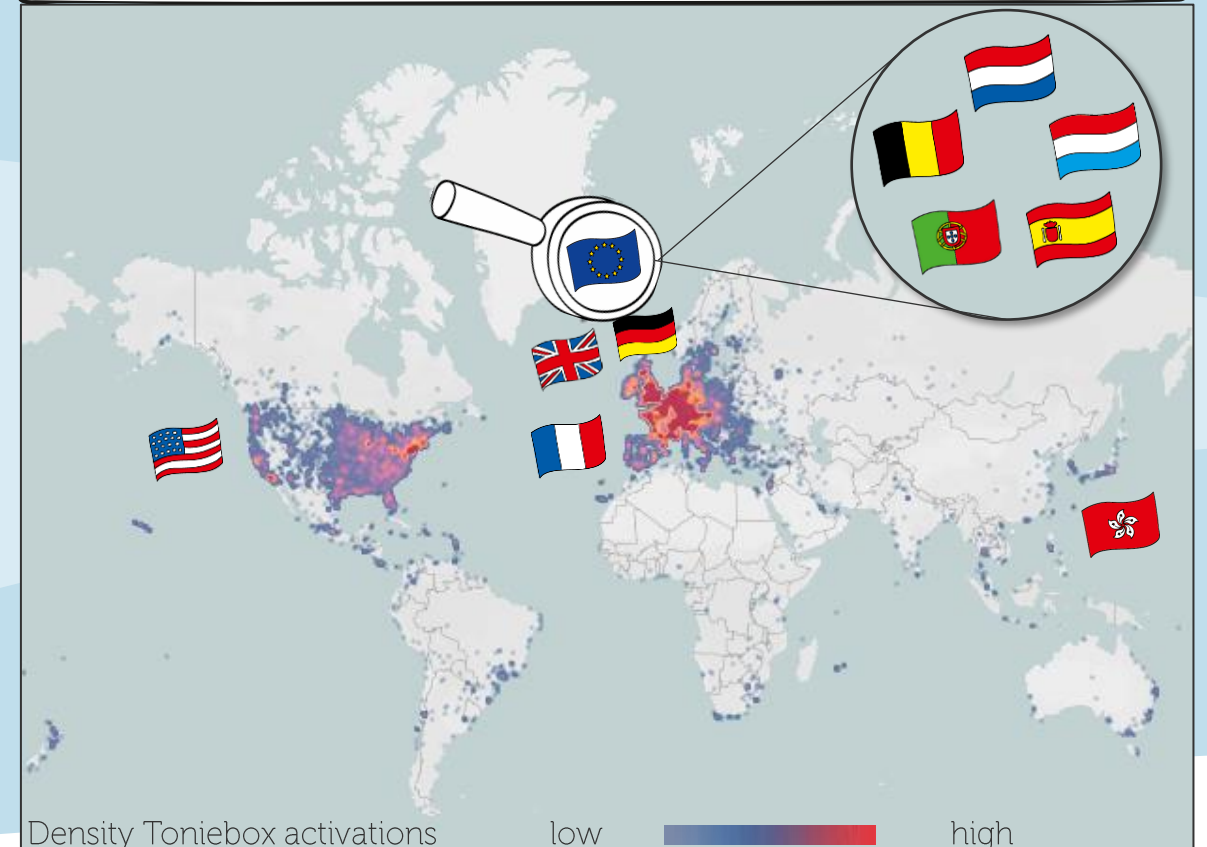
of revenue already

Accessories & Digital



>100

countries with activated Tonieboxes*



Q4 – What a finish to 2022!



19 Tonies
each sold **>50,000** times



my wish
★ list

~800k Tonieboxes
&

>6.5m Tonies
sold in Q4

★



tonies' content-driven flywheel provides comprehensive customer data...



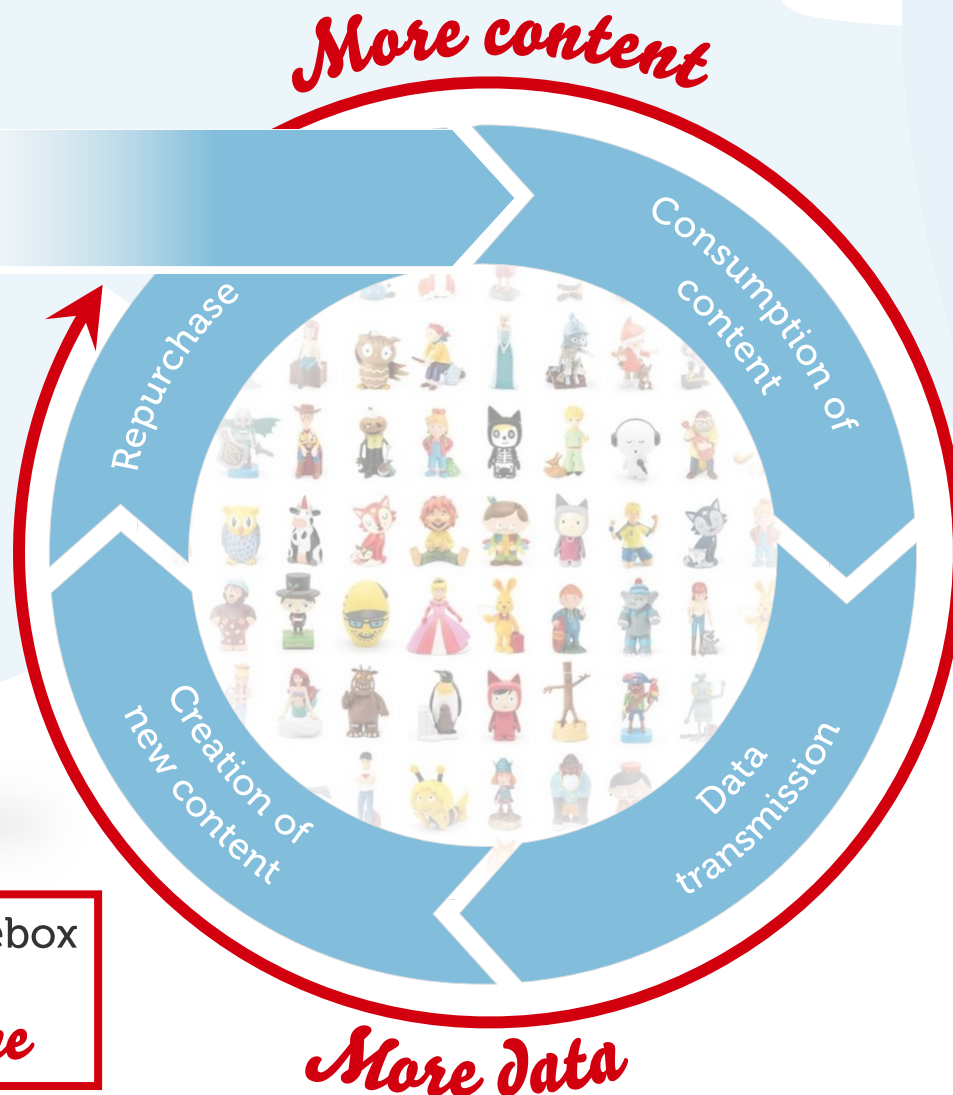
Thanks to being *data-driven*, we understand our users

...what they listen for, where and when

...how often and how long they listen for

...how many users share a box

...how intense they engage with the platform



Most frequent Toniebox use during *bedtime routine*

...and based on these insights we introduced our first own license brand centered around children's bedtime

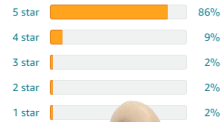


SLEEPY FRIENDS

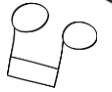
Customers

love us

Customer reviews
★★★★★ 4.8 out of 5
153 global ratings



Sleepy Rabbit



is the **2nd** most sold Tonie in 2023 in DACH



Highest average weekly **playtime** in DACH



The first time that **we** become a licensor for merchandise!



tonies is highly recognized



Europe's **#1** preschool toy



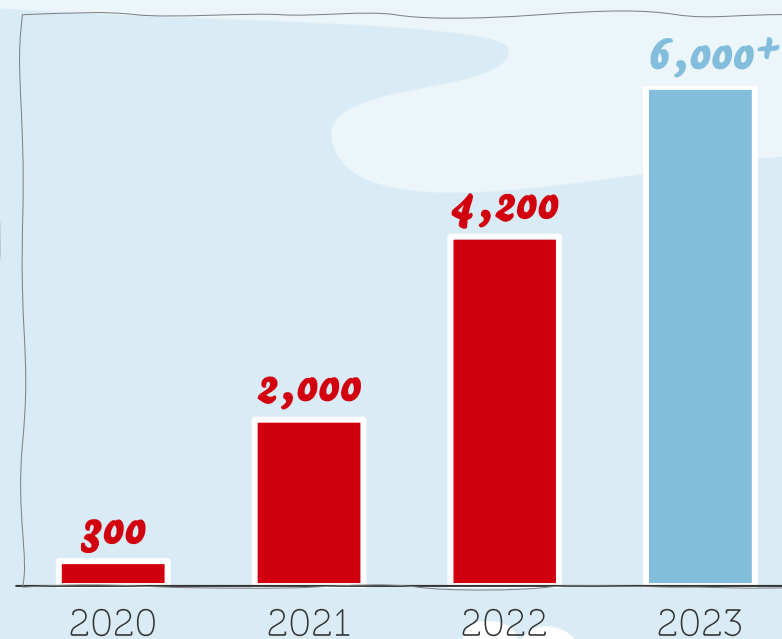
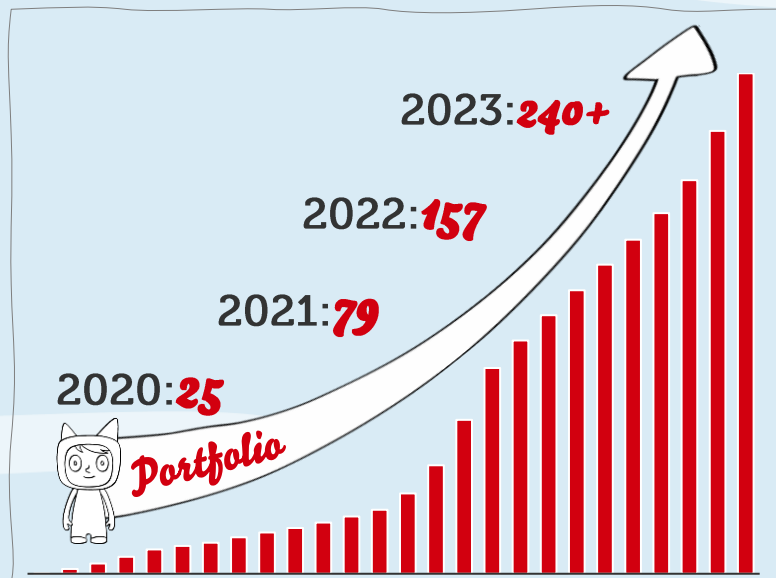
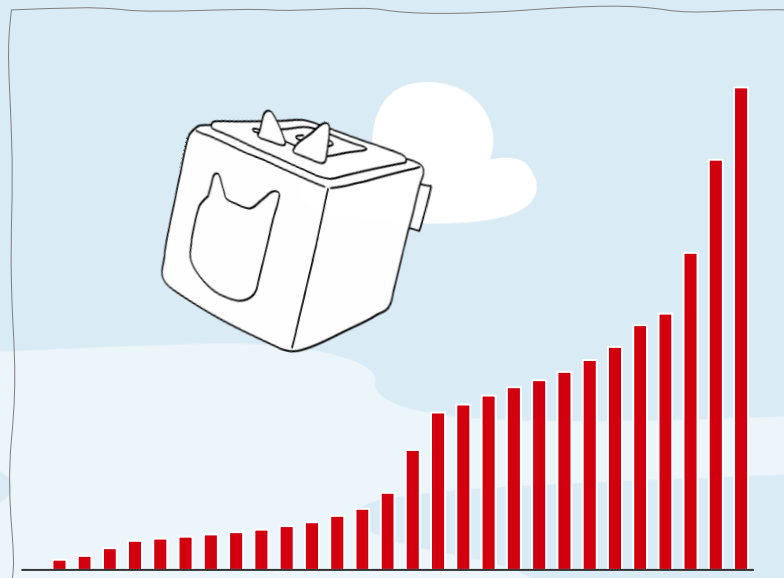
Onwards and upwards for the US market



... growing our base with
>620,000 **Tonieboxes** sold

... with already
>4,100,000 **Tonies** sold

... and available in >4,200 **stores***
with opportunity to grow



FY 22 guidance exceeded! EUR 66m vs guidance of EUR 52m



*including seasonal listings

We will be listed with Target nationwide in the US starting fall 2023...



*representation will vary by location and size of store

...and for the first time also in 1,700 Walmart stores



BOOM!

1,700+

new stores* nationwide starting Oct



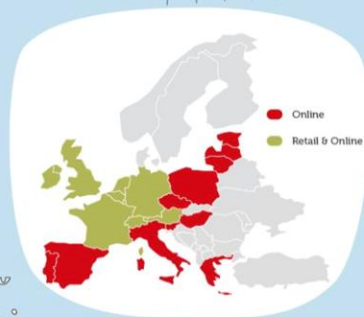
*representation will vary by location and size of store



And there have been even more highlights ...



We rolled out the **EU-webshop** and now ship to 16 European countries



We introduced our new **sustainability** project "Preloved Toniebox"



PRE LOVED



Disney

We partnered with **Disney** for a joint Christmas ad

We took our first step into Asia pacific with launch in **Hong Kong**



We took our first step into Asia pacific with launch in **Hong Kong**

Financial Results FY 2022

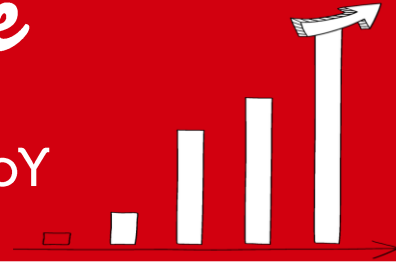


Exponential revenue growth and step up in margins in FY 2022



Revenue

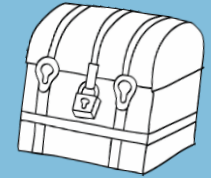
EUR **258m** +**37%** YoY



- **Exceeded** guidance of EUR 250m
- Driven by **international markets**...:
 - with rapid **US** growth of 223%
 - and **Rest of World** (111%), driven by UK
 - growth in mature **DACH** persisted (5%)
- ...and all **product categories**:
 - **Tonieboxes** with 53%
 - and **Tonies figurines** growth of 29%
 - while **Accessories & Digital** was up 66%

Adjusted EBITDA margin

-2.4% +**5.7pp** YoY

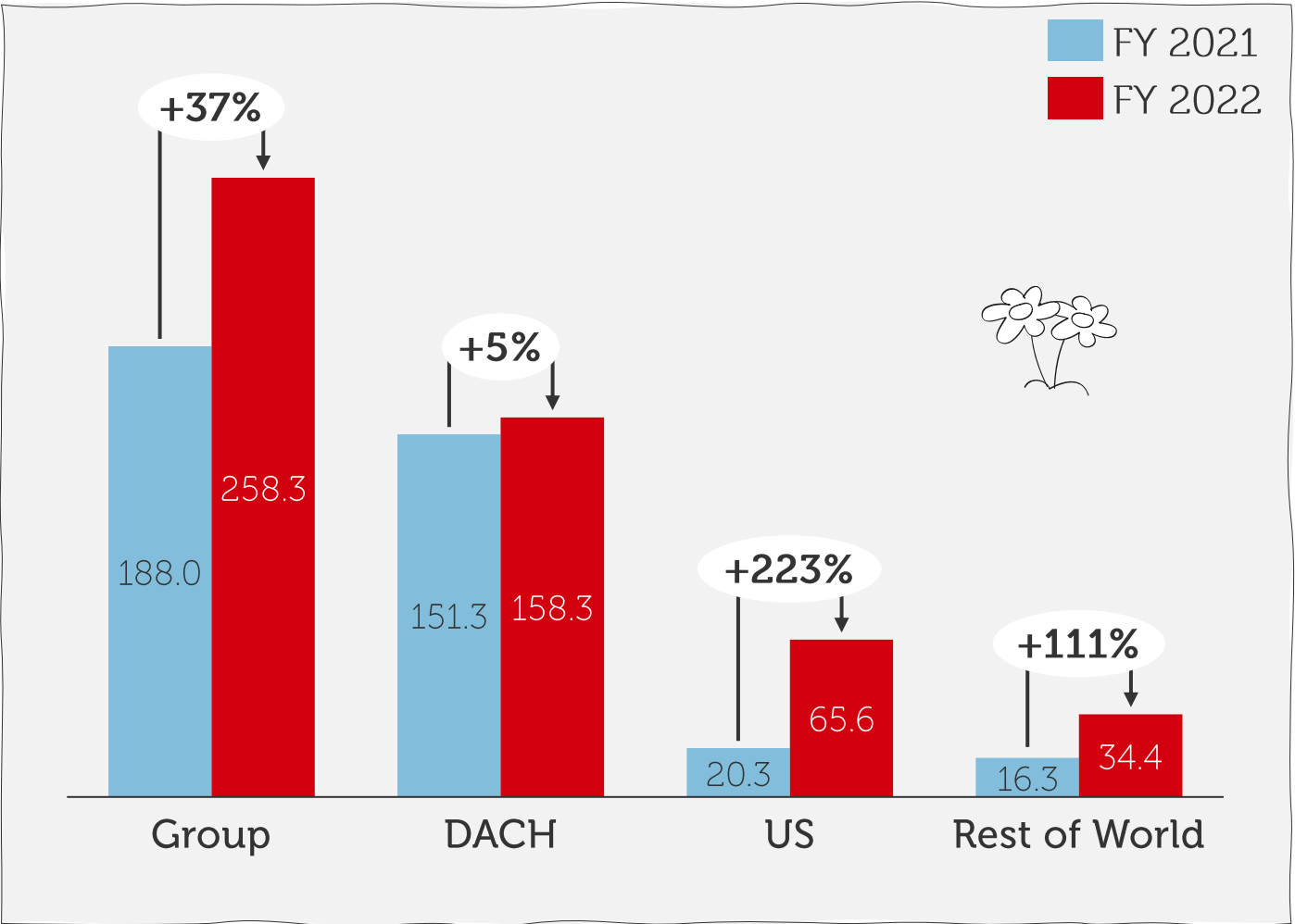


- Achieved **upper end** of updated guidance range
- Improvement driven by higher **contribution margin** (+6.2pp to 27.4%) due to materially improved **licensing costs**
- **Gross margin** largely flat at 54.2%, temporary higher air freight to balance seasonal demand patterns offset improvements and effects of price increases
- **Continued investments** in international expansion as part of our strategy

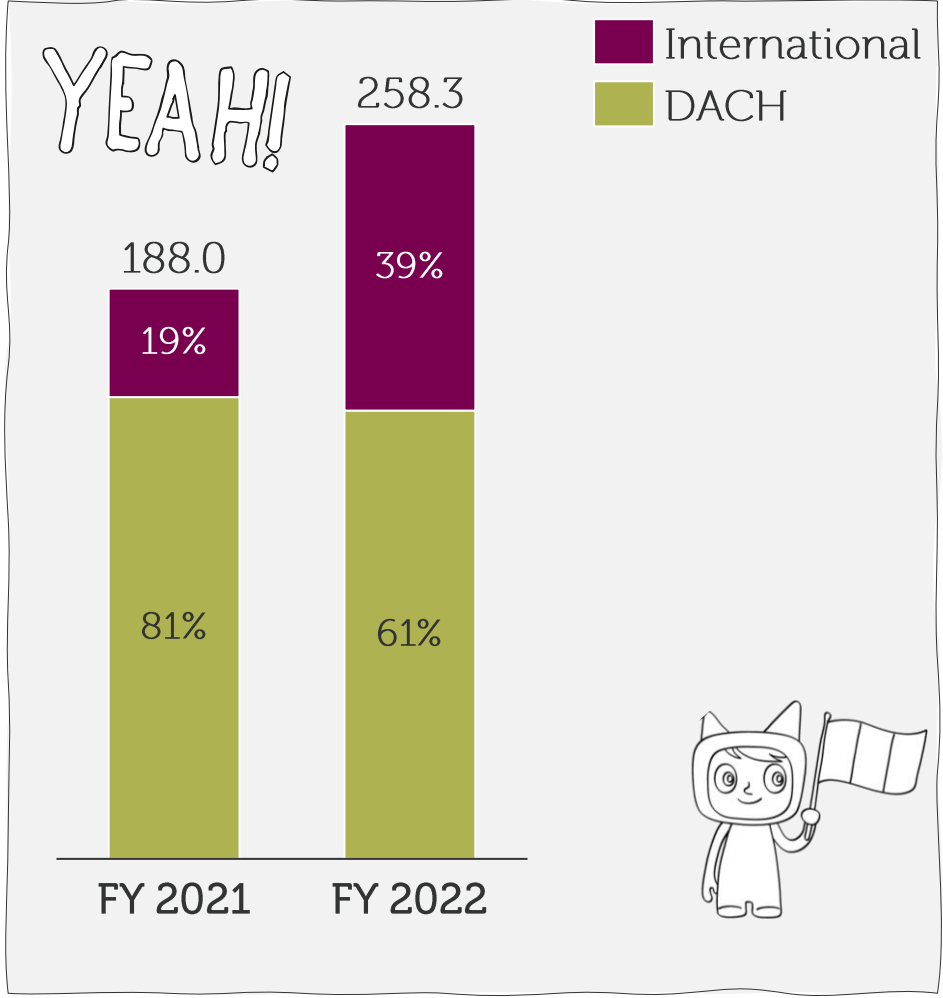
FY 2022 – Very strong growth driven by international markets...



Revenue growth by geography



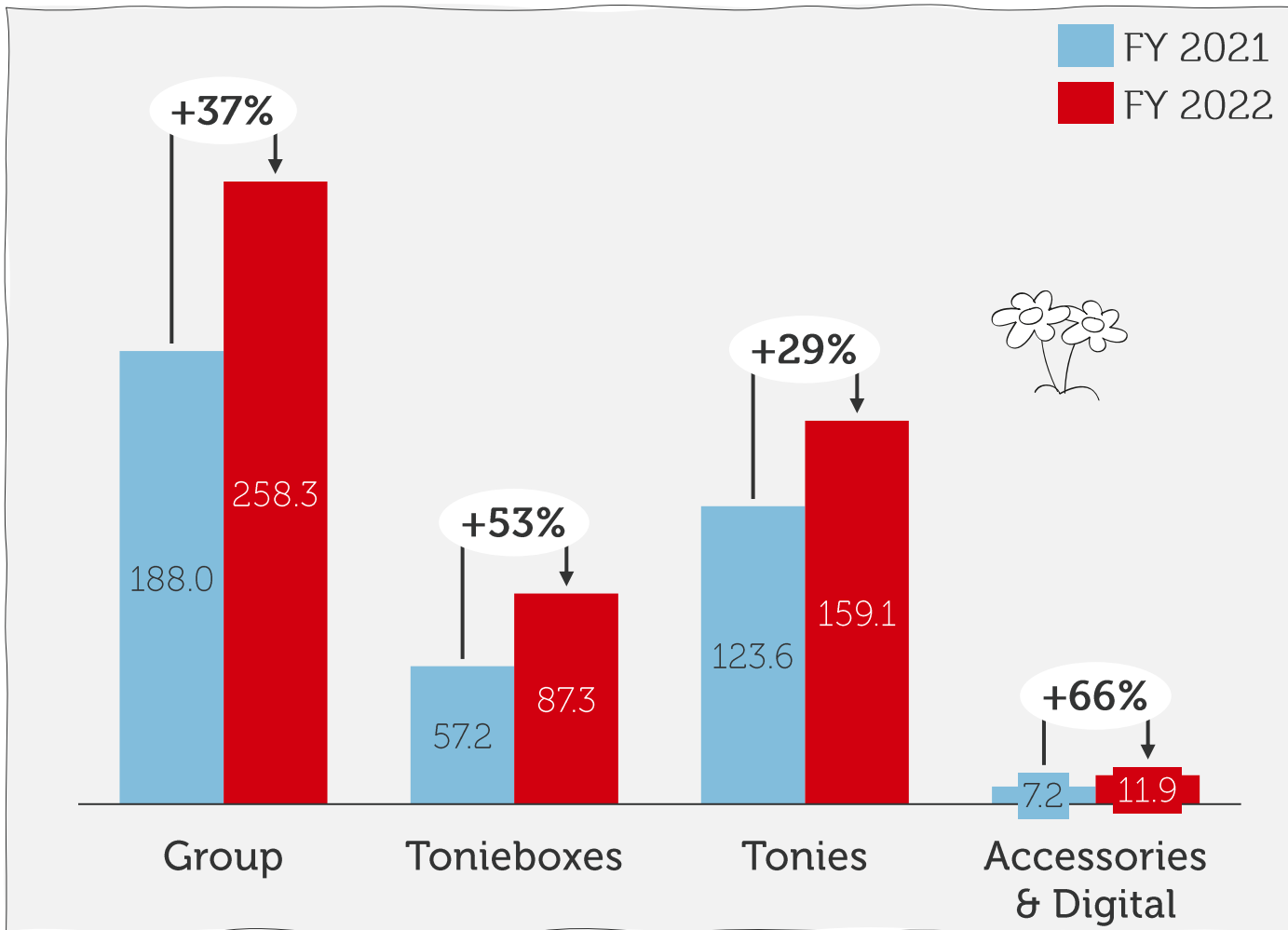
Revenue split by geography



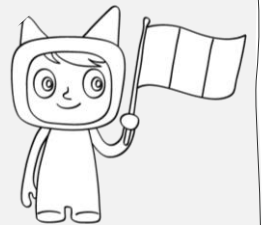
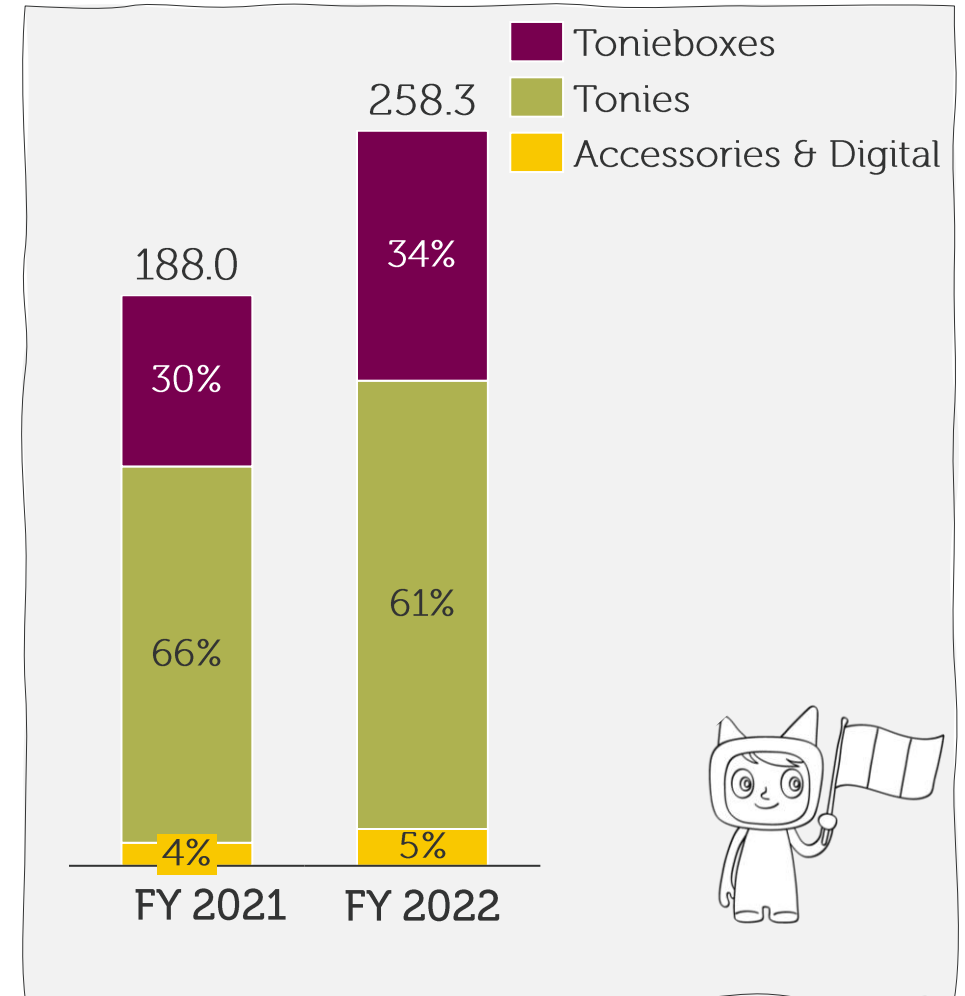
...and by all product categories



Revenue growth by product category



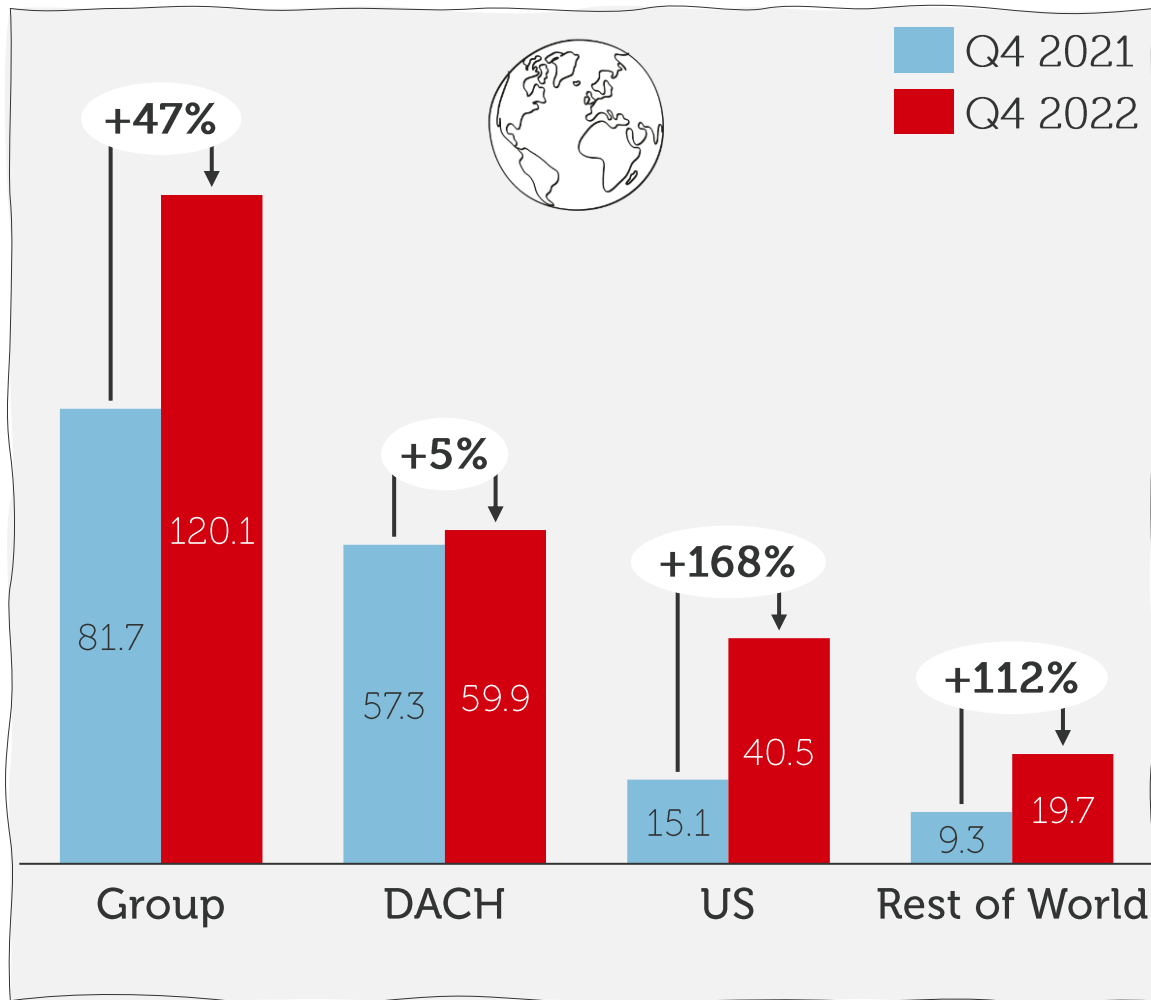
Revenue split by product category



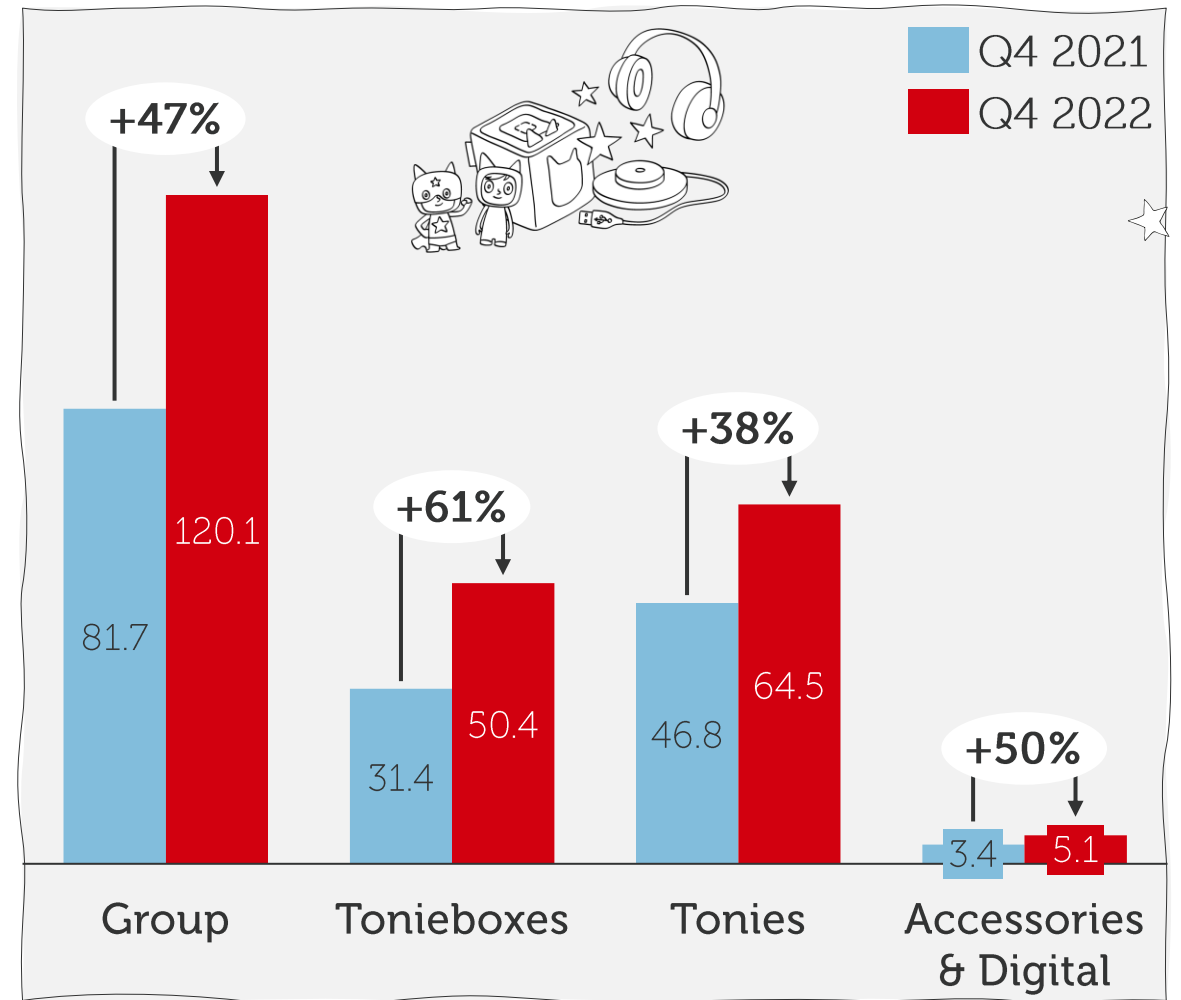
Q4 2022 – A great end to a successful year



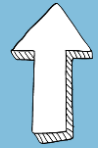
Revenue growth by geography



Revenue growth by product category



Increasing profitability – Further steps taken in line with plan



Increasing gross margin

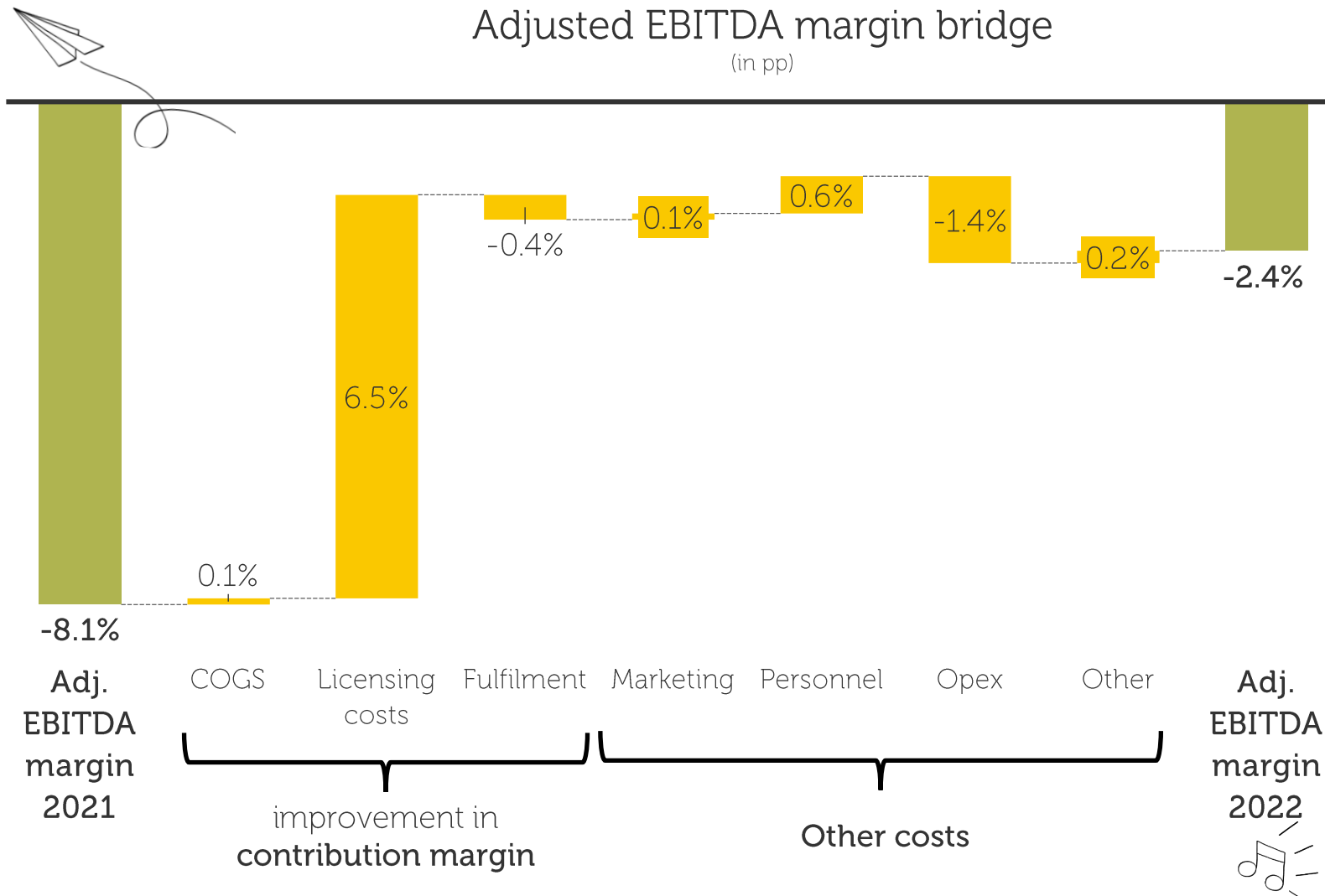


Increasing gross margin after licensing & operating leverage

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, UK and France where volumes remained strong	Strengthened our "blades" by offering additional accessories & digital products including wooden shelves and stickers	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 been a central part of our strategy

Adjusted EBITDA margin at upper end of guidance range



- **COGS** improvements from multiple-source strategy and price increases offset by temporary air freight need (~4%pts)
- **Licensing costs** with structural improvements, increasing share of less expensive international markets and certain non-recurring effects (~EUR 6m)
- **Fulfilment** roughly stable, improvements offset by increasing online share
- **Marketing** down from high level in each international market, but stable at group level due to mix effects
- **Personnel, Opex, Other** in total stable due to ongoing investments in international expansion and central infrastructure; will show strong operating leverage in future

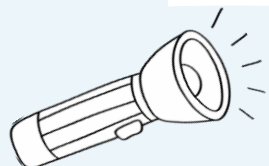


P&L: Key numbers and margins (adjusted)



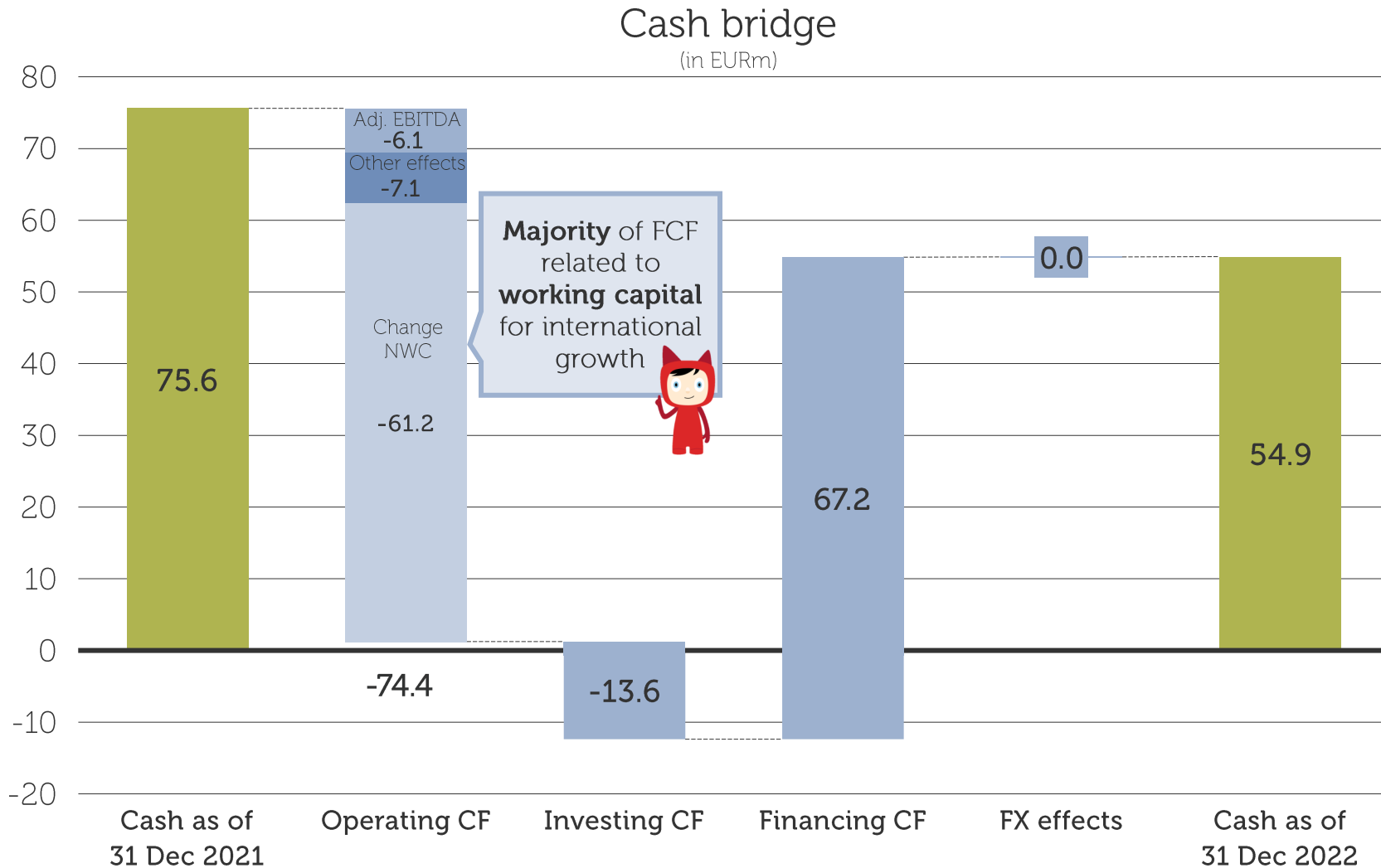
123

in EURm and % of revenue	FY 2022		FY 2021		Delta	
	Abs.	% of revenue	Abs.	% of revenue	Abs.	pp.
Revenue	258.3	-	188.0	-	70.3	-
Gross profit	140.0	54.2%	101.8	54.1%	38.2	+0.1pp
Gross profit after licensing costs	108.3	41.9%	66.5	35.4%	41.8	+6.5pp
Contribution profit	70.9	27.4%	40.0	21.3%	30.9	+6.2pp
Marketing	-25.0	-9.7%	-18.3	-9.8%	-6.6	+0.1pp
SG&A	-57.7	-22.3%	-40.6	-21.6%	-17.1	-0.8pp
Other result	5.7	2.2%	3.7	2.0%	2.0	+0.2pp
Adj. EBITDA	-6.1	-2.4%	-15.2	-8.1%	9.1	+5.7pp



Note: all numbers are unaudited

Cash Flow reflects investments into international expansion – especially in working capital / inventory



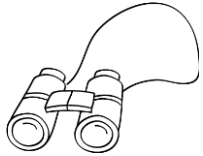
- **Operating CF** driven by strong inventory build-up for international expansion, especially in the US
- **Investing CF** mainly for manufacturing tools, product-related expenses & own content production and software
- **Free cash flow** at EUR -87.9m, mainly for growth inventory
- **Financing CF** up due to successful capital increase (EUR 60m) and convertible bond (EUR 10m)
- In addition to EUR 55m **cash**, we have EUR 26m **unused credit lines**



Outlook



Guidance FY 2023* – major milestone towards profitable growth



	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 become **profitable** on adjusted EBITDA basis

Many exciting new products & initiatives planned for 2023



Top launches

New Tonies of the most beloved characters among kids



Listening+

Product extensions that combine storytelling with creative activities such as coloring



Own content

Extension of our own bedtime routine offering towards further categories such as healthy daily routines (e.g., toothbrushing and physical exercise)



Sustainability

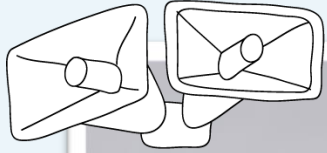
Launch of our first own content hero-characters fully focusing on sustainability



New formats

Night light that enhances Tonie experience combining beautiful melodies and the ability to record personalized goodnight messages with a warm glow

Our new CFO as of May 2023 – Welcome to the Management Board, Jan!



Dr. Jan Middelhoff

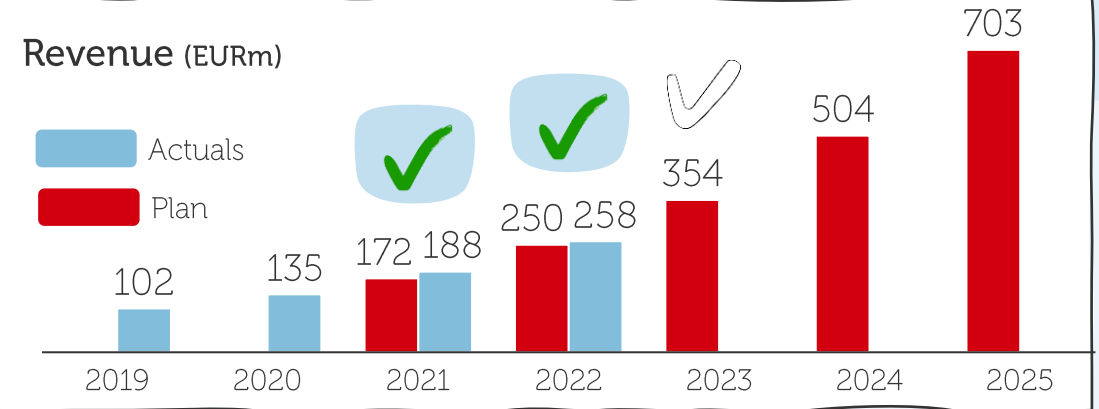
- Holds triple diploma from ESCP Europe and a PHD from RWTH Aachen university
- Advised clients in the consumer goods and retail sectors at McKinsey & Company
- Joined tonies in May 2020 as Chief of Staff
- Held several positions at tonies including Managing Director international markets and interim CFO
- Will continue to lead Strategy & Corporate Communications, along with Finance & Legal teams



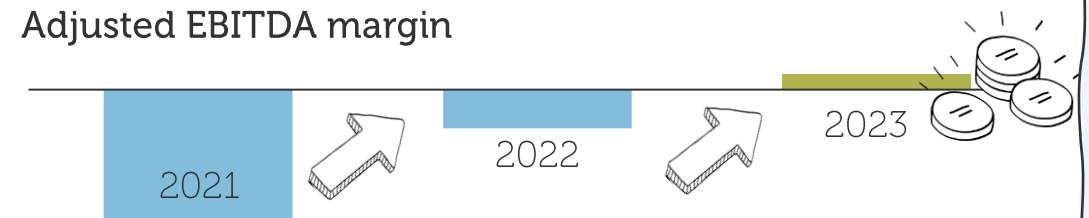
Recap from today: Excellent 2022 and fully on track for strategy and plan delivery in 2023



- ★ We delivered on our promises and are fully on track in reaching our mid-term ambition
- ★ Successful internat. expansion due to clear product market fit, US stronger than expected



- ★ Strong margin improvements in 2022 & positive adjusted EBITDA expected for 2023



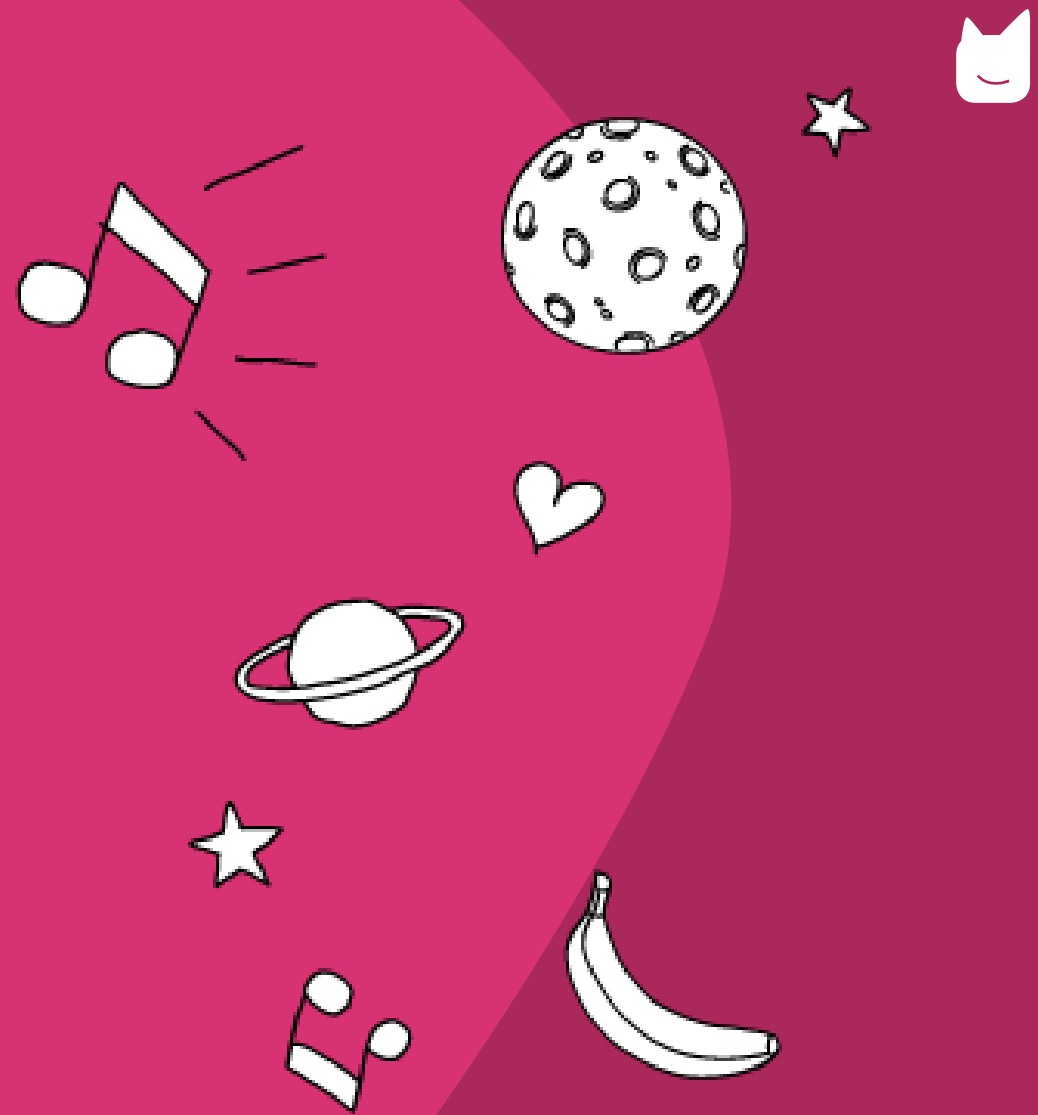
- ★ Launch of first own license was a success from start, enabled by being data-driven

Sleepy Friends



Our products excite consumers around the globe!

Q&A



Any *questions...*?



Meet us on conferences and roadshows



Q2

Results	Conference	Roadshow
APR 13: FY 2022	MAY 2: GS Europ. Small & Mid Cap Symposium	APR 17-19
MAY 11: Q1 2023	MAY 31: HAIB Stockpicker	
	MAY 16-17: UBS Best of Europe Conference	
	MAY 23: Berenberg Manhattan Conference	MAY: RS-day in the US (tbc)

H2

AUG 23: H1 2023		AUG (tbc)
	SEP 5-7: Corporate Conf. Coba & ODDO BHF	
	SEP 18-20: BB/GS German Corporate Conference	
NOV 13: Q3 2023	NOV: BNP Midcap CEO Conference	
	NOV: Warburg Conference (tbc)	
	NOV 27-29: Deutsches Eigenkapitalforum 2023	
	DEC: Berenberg European Conference	

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