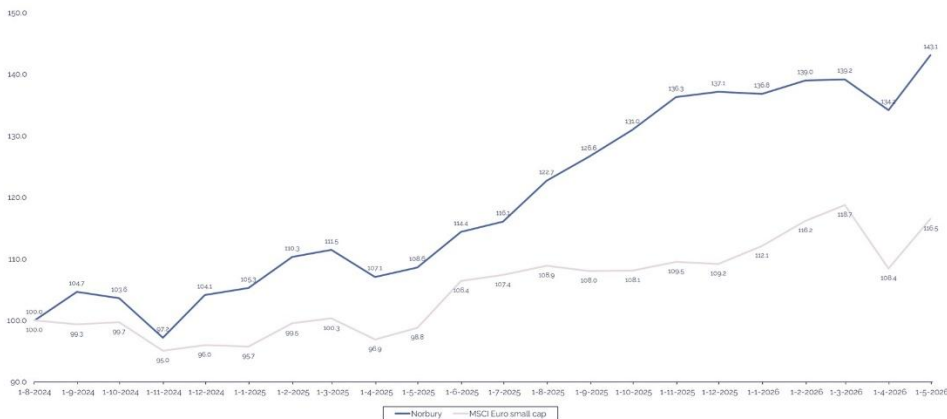


Monthly update

The Norbury Capital Fund was up +6.7% in April, slightly lagging the MSCI Europe Small-Cap index which was up +7.4%. Year-to-date, the fund is up +4.6% (versus +3.9% for the index). Global markets shrugged off the worries around the war in Iran and had a strong month. Top performers for the fund were **PVA Tepla** and **PolyPeptide Group**, whereas only Vopak was a meaningfully negative contributor. A company we believe has strong potential to perform from here is **Tonies**, which we discuss below.



As parents of young children, we are constantly searching for screen-free ways to entertain our children. Enter Tonies. We can say from our own experience that their products are a godsend, working especially well at bedtime.

Tonies sells audio-boxes and figurines. The figurines contain a chip that plays audio when placed on the box (mostly stories and songs related to the figurines). Tonies has the IP-licenses of most of the figures that kids are familiar with: Disney, Paw Patrol, Cars, Peppa Pig etc.



The box is sold at no margin, instead the money is made on the figurines. At €15-20, it is a small purchase and works well as a gift. Typically, you can also buy additional stories in the app for existing figurines at €5-10 per story. This is easily done and – again from experience – an additional €5 to entertain your kids for an extra hour is money well spent. In essence the Toniebox is the razor and the Tonies are the razorblades. A typical buyer of a Toniebox acquires an additional ~€200 on figurines and content.

Given the large installed base of nearly 12m Tonieboxes sold, the extensive content library with many licensed IPs, large retail footprint and modest margin, competition is increasingly unlikely. Its nearest but much smaller competitor, Yoto, sells a differentiated

player with audio cards, rather than figurines, which does not cater as well to younger kids.

Tonies were introduced in 2016. Since then, the company has achieved an impressive penetration rate of over 50% in Germany with parents with young children. Tonieboxes are to be found also in many daycares. Despite its high penetration, Tonies has been able to grow at double-digit rates for three years in a row in the DACH region, mainly through more content.

Last year the company grew 36% organically, of which an impressive 40% in its largest market, the US. Growth is mainly limited by what the organization can support. The CEO says continued growth around 30% is what it aims for. Currently they are only physically sold in the DACH region, the US, UK, Australia and New Zealand and France. Thus, Tonies has many years left to expand geographically. Additionally, it grows in content. This summer both Pokémon figurines and audio-based games for older children are launched, which is called Tonieplay. At its capital markets day in June, we expect to hear further expansion plans.

This year it expects to grow above 20% revenue. Its EBITDA margin is reaching double digits for the first time. In the mature DACH region this margin is already above 25%, so over time other markets should trend towards this figure as the product mix moves towards more figurines and fewer Tonieboxes. It's a pretty unique investment case with both near-term triggers and excellent long-term prospects. Many investors dismiss it superficially as a fad or hype, but that perception is slowly changing. At 13x EV/EBITDA, with an in our view conservative EBITDA estimate, you get more than 30% earnings growth for the foreseeable future.