

Creating stories that cross generations and continents

A case study of timeless toy figurines that appeal to children and parents everywhere

Overview

Everyone remembers their favorite childhood toy as more than just a figurine, doll, teddy bear, or fire truck. A cherished toy encourages more than just play; it fires up the imagination and sharpens storytelling skills, making it an essential element in every child's development.

Founded more than 85 years ago in Schwäbisch Gmünd, Schleich is one of Germany's largest toy manufacturers and a leading international provider of high-quality figurines, with sales of more than 40 million toys per year.

The company had already started modernizing when Partners Group took a majority stake in it, on behalf of its clients, in 2019. It had expanded its product range of animal figurines to include playsets, with farms and other accessories, which allow children to create their own play worlds. Playsets have proved a popular move, accounting for more than 40% of sales in 2021.

Under Partners Group's ownership, Schleich's figurine range has continued to grow substantially and the company has entered into a new phase of international expansion. Supported by our entrepreneurial governance model, we have helped Schleich expand beyond its core Germanic market while maintaining its strong focus on creating long-lasting toys that can contribute to sustainable play all around the world.

A global love brand

While Schleich has firmly established itself as a leading toymaker in Germany, the timeless nature of its products also has a strong international

Schleich

Industry vertical: Goods & Products

Location: HQ in Schwäbisch Gmünd, Germany, serving mainland Europe, UK, US and Asian markets

Investment year: 2019

For more information: www.schleich-s.com

appeal. Since investing in the company, one of Partners Group's key value creation initiatives has therefore been focused on turning Schleich into a global brand. Initiatives such as localized marketing focused on storytelling and free play, and deploying local teams with deep connections to relevant retail channels, have led to gross sales growth of about 20% per year at actual exchange rates in the US, the UK, and France – despite a retail environment that has been heavily marked by the COVID-19 pandemic. Under Partners Group's ownership, Schleich has for the first time generated a majority of its sales outside of Germany.

Digitization has helped the company reach consumers even where its brand is little known. Local digital teams work with distributors on their own digital platforms and engage directly with consumers. That direct link helps Schleich gather useful insights and behavioral data on parents and their children to understand what works best in each local market. >



50+ markets, with accelerating growth in the US, the UK, and France



40m+ figurines sold per year



+13% compound revenue growth since Partners Group's entry

> When it comes to digitizing Schleich's products, though, we understand the importance of having a careful balance between the intrinsic value of playing with physical toys and using digital to benefit engagement and learning. Reinforced by COVID lockdowns, parents today are well aware that the digital-only world is not always conducive to learning or creativity, as it leaves little room for a child's imagination to grow. Under Partners Group's ownership, Schleich has therefore maintained its strong focus on hands-on play, with digital media used to enhance and enrich, rather than replace, the interactive and educational nature of Schleich's toys.

Most recently, we supported Schleich with a major brand relaunch focused on storytelling, open-ended play and creativity. Schleich's new tagline 'where stories begin' emphasizes how important free roleplay is for creativity and problem-solving.

ESG: a strategic priority

ESG is a core strategic priority for both Partners Group and Schleich. Schleich toys are often handed from one generation to the next; an important value as consumers push back at the disposable nature

“Schleich is a love brand with an emotional attachment. Producers of purely functional products can grow beautifully but there is a limit to the loyalty and followership they create. In an increasingly digital world, our focus is on the physical, genuine, haptic figurine with digital complements that allow children to learn where the lion lives and what it eats.”

Luisa Delgado
Lead Operating Director, Schleich

of modern consumption. Digital add-on content is aimed at expanding children's knowledge of animals and the planet, sustainability and circularity.

We have worked with Schleich to redesign its packaging so that it uses less plastic and is easier to recycle. The company has also been experimenting with different materials for its figurines and accessories. Water-based paints have proved successful, durable and safe, whether for the automated spraying of body colors, or for the hand-painted eyes that give each Schleich character its soul.

For sustainability to work, companies must extend ESG principles throughout the entire value chain. Global suppliers and producers have strict ESG KPIs to follow, including targets on staff and diversity, corporate governance and reputational risks. Under Partners Group's ownership, Schleich has adopted a strategic partnership approach across its value chain, choosing to work with supply partners with which it has shared values.

Logistics reworked

Since acquiring the company, we have also had a clear aim to make the Schleich supply chain more sustainable and reactive. This strategic priority was further accelerated by the COVID pandemic, which has led many companies to rethink outsourced production given the disruption to supply chains that has affected every sector of the global economy.

As with many companies globally, logistics have been a challenge during this time at Schleich too. We have been working closely with the company and its partners to navigate supply chain disruptions and improve Schleich's supplier network and footprint. We have leveraged our relationship with global transport and logistics company Kuehne+Nagel to bolster Schleich's shipping and transport needs and made specific additions to the company's board in this area. Outsourced producers in Asia are being encouraged to diversify their plants. Plans are also in place for more near-shoring and regional production to ensure Schleich products are on shelves in time for key selling seasons.

Sharing success

Applying ESG principles is not just limited to Schleich's value and supply chain. Partners Group's vision is to ensure that the employees of our portfolio companies share in the success we create together. Initiating a Stakeholder Benefits Program to invest into relevant initiatives that benefit portfolio company employees is a core part of our Sustainability Strategy. Within Partners

✓ Sales **+38%** ⁽¹⁾

✓ EBITDA **+40%** ⁽¹⁾

(1) From the investment close in August 2019 to June 2022.
Source: Partners Group.



Group's portfolio of controlled companies, this strategic program aims to build better businesses by reinvesting up to 10% of profit growth into initiatives that further the professional, personal and financial growth of portfolio company employees. Such initiatives include learning and development programs, enhanced health and benefit programs, and financial participation plans.

At Schleich, we have established a company-wide employee incentive program that allows employees to invest in the company and benefit from the value creation and financial upside. To date, over 160 — or more than one third — of Schleich's employees have opted to invest in the program.

Global values – always

Schleich's fundamental shift from a largely wholesale business to a consumer-led, engaged global company continues. The heritage brand has seen its sales increase by 38% since mid-2019. Improvements in time-to-market and a more nimble, de-risked supply chain will allow Schleich not only to lead its market niche, but also to anticipate future trends in play and creativity globally.

“We want our ownership to have a positive impact on our portfolio company employees. Through our employee incentive program, we are proud to be offering employees the opportunity to share and actively participate in Schleich's success story.”

Andreas Holzmüller
Managing Director, Private Equity, Goods & Products
Industry Vertical, Partners Group; Schleich Board
Member



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Source: Partners Group, September 2022.

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