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SPIRAL TOYS, INC.

In 2011, a former senior executive from Disney and Sony, created what we know today as **Spiral Toys, Inc.** (OTCQB: **STOY**). It's a California-based tech company focused on developing and marketing products and mobile applications in the quickly emerging "mobile-connected" space.

Let's face it we're all looking for ways to stay connected to the ones we love and care about, and the mobile-connected entertainment platform that Spiral Toys has introduced to the market is connecting physical items, like a child's plush toy, to mobile devices, like smartphones and tablets, through wireless technologies, and with it, the company is creating a new kind of "interactive experience" for consumers.

About a year ago, Spiral Toys launched its signature product, **CloudPets™**, a Bluetooth-enabled, interactive plush toy, with a small test run. Well, needless to say, that initial run was a success because in 2015, the company is selling its products on the worldwide stage and has already received 1 million purchase orders for its CloudPets™ product, which is slated to hit U.S. retail markets in July/August 2015.

Spiral Toys CEO, Mark Meyers, has surrounded himself with a team of professionals capable of positioning the company to compete in this space. Meyers and his team have created a platform technology from which a long line of products can be developed, and at the same time, he's been able to fund the development and marketing of Spiral Toys' products without damaging the company's share structure.

This report initiates Stock Market Media Group's coverage on Spiral Toys and will serve as the firm's explanation for issuing a **Speculative Buy** rating on the company.

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Company Ticker Symbol	STOY
Current Price as of 7/8/2015	\$0.475
52-Week High/Low	\$0.20/0.87
Outstanding Shares – as of 5/7/2015	42,792,806
Est. Public Float – as of 5/7/2015	20.8M
Market Capitalization	\$20,540,547
Stock Market Media Group Rating	Speculative Buy

Company Overview

Spiral Toys, Inc. is bringing a bit of magic to the mobile connected space and to familiar toys. The company is essentially turning toys that we're all familiar with into "smart toys" and creating a whole new way to enjoy them.



It all starts with the world's need to stay connected. With so many consumers staying connected in so many ways, Spiral Toys is taking advantage of the fast-growing market by connecting smartphones and tablets to toys and entertainment devices and creating new ways to have fun that weren't possible even as little as a few years ago.

So far, the company has turned plush toys like teddy bears, dogs and cats into toys called **CloudPets™** that allow parents and even grandparents and children to communicate.



Spiral Toys has developed several technology platforms that enable the company to acquire and engage consumers in the sale and marketing of physical consumer products and toys.

As much as Spiral Toys is a tech company, executives are quick to point out that they are, more specifically, a mobile apps company. It will be through the mobile apps, which Spiral Toys develops for the products that they sell, that the company feels it can retain a customer for a long, long time.

Spiral Toys operates using a three-pronged revenue strategy that includes hardware and licensing fees for Spiral Toys' technology, the sale of the physical toy to the consumer, and the ongoing revenue from in-app purchases and digital content creation from that end-user. Spiral Toys' apps can be purchased at both the Apple App

Store for iOS devices and the Google Play Store for Android devices.

In late June 2015, the company issued its **2015 annual revenue target of between \$6-\$8 million**. With purchase orders for CloudPets™ already **exceeding \$40 million at retail**, it is easy to see how the company arrived at these promising numbers.

For investors, this revenue target is exciting in itself, but what makes it even more interesting is that the \$6-8 million target only includes April 2015 to December 2015.

So, if we were to broaden that annual target out over a typical four quarters rather than the three quarters included in that figure, we'd have a very good idea what a full year of revenue generation for Spiral Toys would look like as CloudPets™ saturates the market.

This further lends to the importance of the U.S. retail launch, which is surely a much-anticipated event for both the company and its shareholders.

Spiral Toys – Industry

There is no stopping what is a worldwide explosion in the use of mobile devices, and with it we're seeing an increasingly more and more complex digital world being shaped right in front of us and well into the future.

By the end of 2015, eMarketer, an independent market research company that provides insights and trends related to digital marketing, media and commerce, says it expects that there will be almost 1.91 billion smartphone users around the world. According to the firm's research, that number will rise to near 2.16 billion in 2016, and to 2.56 billion smartphone users by 2018.

In the U.S. alone, smartphone users will surpass 200 million by 2017 according to eMarketer, which represents nearly 65% of the country's entire population. And this is just smartphones. When we discuss all mobile connected devices, their use is expected to increase to more than 4.5 billion units by 2018.

With all of these devices, the proliferation of apps is equally as explosive across a number of key marketplaces. Google's Play Store and Apple's App Store currently have a combined 1.5 million apps listed.

App demand is expected to continue as Gartner Inc., an information technology research and advisory firm providing technology related insight, estimates that global revenue from app stores will surpass \$25 billion in 2015, and by 2017, Gartner reports that revenue from mobile apps is expected to reach \$77 billion.

Now toss in that Spiral Toys also operates in the \$22 billion toy industry, and the company is positioned to compete in a big, big way for many years to come across multiple industries.

Spiral Toys – Products

CloudPets™ lets users send a message to anyone, from anywhere, and have that message delivered through a child's plush toy like a teddy bear. Spiral Toys' technology lets consumers use CloudPets™



- To send and receive messages right from their smartphone or tablet,
- To power the CloudPets™ mobile apps, and
- To enable the addition of new features in the future to make CloudPets™ do even more.

This is the first product launched under Spiral Toys' innovative approach, which uses physical entertainment products to engage end-users with digital content through the use of mobile applications.

Spiral Toys has been aggressive in marketing its first product as well; including a \$9.6 million national advertising campaign introducing CloudPets™, to audiences everywhere.

The media campaign began on April 7, 2015, and it consists of 3,800 individual 30-, 60- and 120-second commercials running on top-tier children's networks including:

- Nickelodeon
- The Cartoon Network
- ABC Family
- Disney XD, among others.

The products are sold over the phone and on the direct response site www.mycloudpets.com. Click below to view one of the company's television ads.



Spiral Toys placed its first product with the established global distributor and marketer, Jay@Play, which has shown that it clearly believes in the product, so much so, that Jay@Play agreed to fund the marketing and distribution of CloudPets™.

The company's distribution partner placed an **initial purchase order of 500,000 units** of CloudPets™ and has since placed its second order for an **additional 500,000 units** totaling 1 million units ordered by Jay@Play.

These orders mark the largest order of Spiral-enabled products to date, and according to the CEO, it is a direct result of the CloudPets™ April direct response campaign.

Spiral Toys CEO Mark Meyers said of the company's push to get CloudPets™ into major retailers, "The initial release of 500,000 units to North America's preeminent retailers is an enormous accomplishment for

CloudPets™, and is an excellent indicator of the strength of our strategic plan.”

He added, “Spiral's three-pronged revenue strategy, beginning with the device's manufacture, and continuing through the entire lifecycle of the device, is proving to be a very successful model. In addition to the 500,000 unit order, we are currently in the process of filling orders in response to our television advertising campaign...”

Spiral works with several suppliers and factories in southern China to manufacture the modules used for CloudPets™ toys. The formation of Spiral Toys' Hong Kong entity earlier on in 2015 has strengthened the company's relationship with Chinese manufacturers and suppliers, and has enabled the company to receive favorable pricing.

Let's look at some of the Key Facts that should lead to a very bright future for CloudPets™ and Spiral Toys:

- Strong Profit Margin on Millions of Dollars in Revenue
- Two 500,000 orders placed by Jay@Play totaling 1 million units
- Revenue Streams from Product Sales, Royalties and Digital Purchases
- Direct Response Television
- Enter Retail Market in U.S. in July/August 2015



Vinyl is the second product that Spiral Toys plans to release. Vinyl will revolutionize the social media experience by combining the fun of stickers with the brains of digital communication.

Vinyl stickers use Spiral technology to combine stickers with digital content.

With any compatible smartphone, users can put pictures, messages, videos and more on Vinyl stickers, and then anyone with a compatible smartphone can read the content on those stickers.

And all of this fun is done wirelessly. So, all you'll need to join in on the fun is a pack of custom-printed Vinyl stickers and a smartphone.

Spiral Toys will sell packets of stickers and the Vinyl application for mobile devices, and here's just a few things you can do with those Vinyl stickers.

Make A Photo Into an Album

Using custom-printed Vinyl stickers, you could print one photo on a sticker, and then you can put an entire album digitally on the sticker.

Get The Word Out About Your Latest Video

Using stickers to promote videos is nothing new, but Vinyl lets you actually put your video on the sticker. So the next time you're ready to drop your latest work, you can use stickers to both promote and distribute it.

Covert Messaging

One of the clever things about Vinyl stickers is that they look just like any other sticker. But, of course, they're not. So if you wanted to hide a digital message on a perfectly ordinary looking sticker, you could do it.

Instantly RSVP

Vinyl lets you digitally share event information. So you can use a custom or pre-designed Vinyl sticker to get the word out about your weekend party, concert, reunion, etc., and then let people RSVP wirelessly through the app.



Spiral Toys – 2015 Outlook

Spiral Toys has a platform that lets it enhance toy companies, media companies, and other consumer-product companies by allowing them to easily make their products smart and mobile-connected.

Spiral has built technology platforms on the latest Apple and Android devices using Bluetooth Low Energy, Near Field Communication, Ultrasonics, and Augmented Reality technologies to make toys interact with apps.

According to the CEO, by the holiday season this year (2015), CloudPets™ sales will be in full swing supported by the product's U.S. launch in July/August 2015 and a large national media campaign, which should deliver significant revenue to the company and value to Spiral Toys' shareholders.

Additionally, Mark Meyers said that Spiral Toys will have announced two new products with expanded market-appeal, and will move into 2016 with a strong revenue picture.

The future is looking up especially when we combine this revenue growth with the CEO's biggest goal for 2015, which is to continue marching towards an early 2016 up-listing onto the NASDAQ platform.

Mark Meyers says this move will create even more value for the company's investors by offering greater liquidity. The CEO also feels that a move to NASDAQ will give Spiral Toys the leverage and capabilities for continued growth as it introduces even more products to the world.



Spiral Toys – Management Team

Founder, President & Chief Executive Officer

Mark Meyers is the former Vice President of Interactive Studios at The Walt Disney Company, where he built and managed the internal product development organization for console, handheld, and mobile devices.

Mark Meyers and his team developed and launched

several key interactive franchises, transforming an organization traditionally focused on licensing into a world-class development organization.

His team was responsible for generating approximately \$500 million in annual revenues and was rated the top third party publisher of games for the Nintendo Wii and Nintendo DS platforms in 2007 and 2008.

Meyers is also a former Studio General Manager at Sony Computer Entertainment, and former Studio General Manager at Midway Games.

Meyers has over 18 years of experience in the creation of entertainment software and emerging technologies, ranging from executive management expertise leading large creative organizations, to starting his own company focused on emerging technologies.

Mark has his Masters in Business Administration, with an emphasis on Finance and Strategic Management from the University of Chicago and Bachelor of Science degree in Electrical and Electronics Engineering from North Dakota State University.

Chief Technology Officer

Jorge Freitas was Director of Technology of Def Jam for Electronic Arts prior to joining Spiral Toys. Jorge Freitas was a co-founder of Propaganda Studios, which was acquired by The Walt Disney Company.



Freitas has over 20 years of experience in the video game industry, including acting as Vice President of Operations at Kidzsmart Concepts and Digital Director of Kidzsmart.

He was a co-founder and Head of Software Development for Cage of Monkeys Games.

Jorge has experience in game design, game development, iOS development, Computer Games, programming, Social Games, 3D games, and console games.

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