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THE PLAYBOY RESEARCH REPORT JULY 2023

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THE BUNNY'S AMPLE ASSETS AFFORD A **MULTI-BAGGER** OPPORTUNITY

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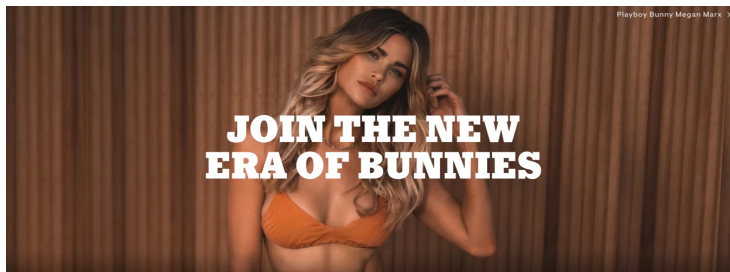
PLBY Group, Inc (PLBY) Valuation

PLBY's Distressed Valuation Disconnected from Asset Base & Profitable Royalty Business; Base Case Price Target of \$5.34

July 2023

PLBY Group closed on July 21st, 2023 at \$1.71, **down more than 97%** from an all-time high close of \$59.60 two years ago on May 4, 2021. While a recent narrative is that the company may enter bankruptcy, we believe that **the market is missing the impacts of their recently announced restructuring and strategic shift to a capital-light operating model.**

We believe that from current prices, the irreplicable global Playboy brand & basket of assets have **significant upside** which we expect to be unlocked through their already announced asset sales, executing on their creator platform initiative, or, least favorably for long-term investors, a liquidating transaction within 6–12 months.



Playboy Bunny Megan Marx as featured on the Creator Platform, April 19, 2023

Although current valuation implies deep distress, we see bankruptcy as unlikely given the current state of PLBY's financials, their assets currently being shopped, their latest credit amendment, and their ownership structure.

We see three likely scenarios given the underlying facts:

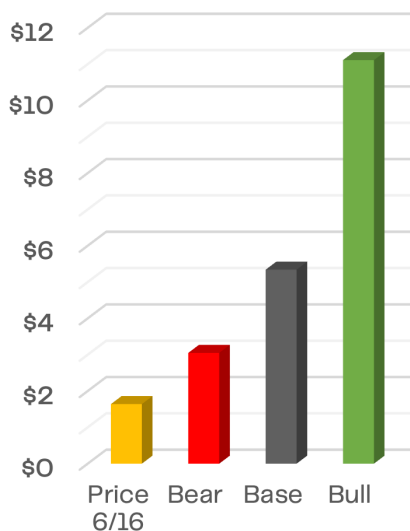
- **A Bear Case (\$3.05)** that acknowledges the risk of a take-private from current depressed levels. Chairman Suhail Rizvi has effective ownership of 29.98% of shares outstanding and we expect he would counter any hostile offers & could take PLBY back private for a second time – as soon as 2H23. A sale of the company to a strategic buyer is also possible.
- **A Base Case (\$5.34)** that anticipates completion of the announced non-core asset sales & restructuring at our base case estimates. Our base case does not contemplate any value from PLBY's creator platform, which would be shuttered by year end, with the remaining Playboy licensing business sold off, subscale for public markets.
- **A Bull Case (\$11.11)** based on achieving the necessary scale for operating pro-forma profitability before year end in their Playboy creator platform, bull case valuations for their non-core asset sales, and retention of the profitable, capital light Playboy licensing/joint ventures (JVs) and creator platform.

VALUATION

RATING:	BUY
PRICE ¹ :	\$1.71
MARKET CAP:	\$126M
BEAR CASE PT:	\$3.05
BASE CASE PT:	\$5.34
BULL CASE PT:	\$11.11

¹Prior day market close

PLBY GROUP INC (PLBY) PRICE TARGET



FULL-DISCLOSURE MODEL DO YOUR OWN DUE DILIGENCE

Don't just trust Wall Street.
Download our interactive creator model (.xls) and **perform your own analysis.**

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THE PLBY STORY

Playboy owner PLBY Group, despite facing self-inflicted financial challenges and strategic missteps, at current distressed valuations offers a compelling opportunity for the investor willing to dive beneath the surface—an ongoing liquidation coupled with a bullish call option.

PLBY, having returned to public markets in early 2021 during the SPAC frenzy, initially pursued a merger and acquisition-driven growth strategy oriented on the sexual wellness + style & apparel categories. This approach, however, fell far short of expectations over 2021 and 2022. By August 2022 the company began the process of unwinding its assets, a pivot that has accelerated into a partial liquidation and likely sale of the remaining business should its remaining growth initiative, an OnlyFans-like creator platform, fail to achieve run-rate profitability before year end.

We believe that the ongoing partial liquidation of Honey Birdette, Lovers, and the artwork collection may yield a base case of \$210M in proceeds, ranging from \$160M to \$260M. With total debt of \$210M and a negative working capital trademark licensing business that generated \$42M in segment operating income in 2022, the remaining operation can support financial leverage. Additionally, a net operating loss (NOL) tax shield exceeding \$300M sits on PLBY's balance sheet to either offset future taxable income or, more likely, represent an additional incentive for potential buyers of what by itself (~\$100M in pro forma revenue) will be an operation too small to justify remaining in public markets.

The only scenario where we see PLBY remaining in public markets is if it can rapidly scale its ~\$25M run-rate gross merchandising value Playboy creator platform to achieve run-rate breakeven (~\$45M RR GMV) before end of year. A blend between OnlyFans and Instagram, Playboy's creator platform for all types of influencers (models, actors, musicians, artists, professional athletes) allows creators to monetize through paid messaging, subscriptions, a la carte exclusive content, live stream tips, and other perks. The platform is not exclusively R-rated and builds on the unique value proposition of PLBY: it's iconic Playboy brand. We further believe that Playboy has evolved to appeal to a younger, more diverse audience, and away from their legacy magazine product's older male audience.

While CEO Ben Kohn, who Wook Capital Managing Director Rod Alzmann has been calling on to resign since August 2022, has overseen the company's value-destructive actions to date, there have been strategic shifts in management year to date. After investing over \$30M in a subscription rights offering in February, ~30% owner and Chairman of the Board Suhail Rizvi fired CFO Lance Barton & brought in CFO/COO Marc Crossman to oversee their restructuring process. Discussions with investors who have met with management suggest that Kohn is now primarily focused on & accountable for the creator platform. This platform represents a potential growth engine for the company should it succeed, providing a valuable real call option for investors.

Our summary findings that follow are three scenarios whose outcomes represent ~80%, ~220%, and ~570% upside over a twelve-month duration. We see the likeliest results for investors as value realization through a liquidation or take-private transaction, coupled with a tail case that the significant brand value of Playboy and the potential growth from the creator platform is realized.

Joe Fomicello

John Kim

Han Jeong

WOOK

Wook Capital Management

Rod Alzmann

J.P. Park

PLBY Group, Inc (PLBY) Valuation

Bear Case: Operating results continue deteriorating throughout 2023. Loss-making creator platform is shuttered in 2H23. Management sells non-core assets at low end valuations with Rizvi or another buyer taking the licensing/JV business private.

Our downside scenario **assumes failure of their creator platform growth initiative coupled with poor non-core asset sale proceeds**. The company's cost cutting proves to be insufficient & the remaining business finds itself too small for public markets (~\$80M pro-forma annual revenue ex. Honey Birdette & Lovers).

In this case, we **consider the likeliest outcome to be a takeout by the controlling shareholder, Suhail Rizvi, or a strategic buyer, such as Authentic Brands Group**. Rizvi is chairman of the board, has an investor rights agreement, and after oversubscribing to the subscription rights offering in February 2022 now owns 29.98% of shares outstanding with his affiliates plus those of the CEO.



PLBY Group's Significant Insider Ownership

Given that there were ~\$100M in total subscription indications in the rights offering, Rizvi, among others, clearly saw attractive returns on capital from an implied ~\$370M enterprise value.

The timeframe for this scenario sees all of PLBY formally put up for sale as soon as next quarter.

OUR TAKE

- Rizvi's oversubscription to the rights offering implies a view that the asset base represents an attractive forward return from \$2.56/sh. **Shares now trade at a ~35% discount to that level.**
- We do not believe Rizvi will pursue this course of action.
- We further believe Rizvi would counter any competing offer, to a point.** While no other 13D filer exists at this point, any activist involvement represents an upside risk to our bear case price level.
- Under this scenario **current valuation presents upside of ~85%.**

VALUATION

RATING:	BUY
PRICE:	\$1.71
MARKET CAP:	\$126M
BEAR CASE PT:	\$3.05
BASE CASE PT:	\$5.34
BULL CASE PT:	\$11.11

¹Prior day market close

ESTIMATED ASSET VALUES IN MILLIONS (USD)

Playboy Licensing/Joint Ventures	\$225
Honey Birdette	\$135
Artwork Collection	\$15
Lovers	\$10
Net Operating Losses	\$20
Creator Platform	\$0
Less: Net Debt	\$174
Liquidation Subtotal	\$231

EQUITY VALUE PER SHARE

\$3.05

FULL-DISCLOSURE MODEL DO YOUR OWN DUE DILIGENCE

Don't just trust Wall Street.

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DESPITE \$3B IN LICENSING SALES, PLAYBOY TRADES FOR JUST ~\$100M

RANKING	COMPANY	LICENSING RETAIL SALES 2021 (\$B)	MARKET CAP (\$B) OF PARENT COMPANY	ENTERPRISE VALUE (\$B)
1	The Walt Disney Company	\$ 56.20	\$ 163.16	\$ 213.79
2	Dotdash Meredith	\$ 35.90		
3	Authentic Brands Group	\$ 21.70		\$ 12.70
4	WarnerMedia/Warner Bros.	\$ 15.00	\$ 30.40	\$ 78.03
5	The Pokémon Company International	\$ 8.50		
6	Hasbro	\$ 8.40	\$ 8.39	\$ 12.08
7	NBCUniversal/Universal Brand Development	\$ 8.30	\$ 167.63	\$ 263.83
8	Mattel	\$ 7.40	\$ 6.54	\$ 8.76
9	Bluestar Alliance	\$ 6.50		
10	Paramount	\$ 6.00	\$ 9.92	\$ 25.74
11	WHIP Global	\$ 4.20		\$ 160
12	Toei Animation	\$ 4.10	\$ 3.94	\$ 3.53
13	Stanley Black & Decker	\$ 4.00	\$ 11.89	\$ 20.31
14	The Electrolux Group	\$ 3.84	\$ 1.63	\$ 1.85
15	Sanrio	\$ 3.60	\$ 3.65	\$ 3.48
16	Procter & Gamble	\$ 3.50	\$ 365.40	\$ 393.99
17	BBC Studios	\$ 3.43		
18	Bandai Namco Group	\$ 3.20	\$ 15.78	\$ 13.91
19	Kathy Ireland Worldwide	\$ 3.20		\$ 2.00
20	Serta Simmons Bedding	\$ 3.20		
21	Playboy Enterprises	\$ 3.00	\$ 0.11	\$ 0.30
22	Caterpillar	\$ 2.89	\$ 107.77	\$ 139.03
23	Whirlpool Corporation	\$ 2.81	\$ 7.10	\$ 14.35
24	WildBrain	\$ 2.56	\$ 0.24	\$ 0.88
25	NFL Players Association	\$ 2.20		

VALUATIONS AS OF MAY 15TH, 2023

DATA SOURCE: LICENSE GLOBAL JULY 2022

DATA SOURCE: [HTTPS://WWW.WORLDFOOTWEAR.COM/NEWS/AUTHENTIC-BRANDS-GROUP-VALUED-AT-127-BILLION-US-DOLLARS/7256.HTML](https://www.worldfootwear.com/news/authentic-brands-group-valued-at-127-billion-us-dollars/7256.html)

DATA SOURCE: [HTTPS://WWW.BLOOMBERG.COM/NEWS/ARTICLES/2023-03-08/ARES-BACKS-TOYS-R-US-OWNER-WHP-GLOBAL-AT-1-6-BILLION-VALUATION](https://www.bloomberg.com/news/articles/2023-03-08/ares-backs-toys-r-us-owner-whp-global-at-1-6-billion-valuation)

DATA SOURCE: [HTTPS://IMPOSTERS.MORNINGBREW.COM/OVERCOMING-REJECTION-TO-BUILD-A-2-BILLION-EMPIRE-WITH-MODEL-TURNED-CEO-KATHY-IRELAND/](https://imposters.morningbrew.com/overcoming-rejection-to-build-a-2-billion-empire-with-model-turned-ceo-kathy-ireland/)

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PLBY Group, Inc (PLBY) Valuation

Base Case: PLBY completes non-core asset sales, sees favorable results from China JV, and shuts creator platform by year end. The Playboy licensing business is also sold.

Our base scenario assumes that PLBY concludes 2023 with a streamlined balance sheet, having raised additional cash through the sale of Honey Birdette for ~\$180M, Lovers for ~\$12.5M, and the artwork collection for ~\$17.5M.

In this scenario, their creator platform is closed by year end and no longer consuming cash. Given that CEO Ben Kohn's KPIs are now solely based on the creator platform, we believe that Kohn would no longer be CEO in this scenario. Given dissatisfaction with Kohn among investors, we believe this would be bullish for the stock.

Additionally, we see their recently finalized China JV making further progress on renegotiated licensing agreements (accepting lower minimum guarantees more than offset by higher percent of sales royalties), growing Playboy's Douyin (TikTok of China) presence, and driving mid-single digit revenue growth.

When It Comes To Playboy In China, Sex Doesn't Sell — The Bunny Logo Does

Juliana Law / February 1, 2023



“

Based in Shanghai, this new team will focus on reinvigorating all aspects of the China-market Playboy apparel business, including online and offline retail strategies, product design and assortment, and brand marketing to its multi-generational audience.

When It Comes To Playboy In China, Sex Doesn't Sell — The Bunny Logo Does, February 1, 2023 – JING DAILY

Despite identifying \$22M in overhead cost cuts for 2023 forward, the remaining Playboy licensing/JV business would be too small to remain public on a standalone basis.

We believe the remaining Playboy business would be sold to the highest bidder, fetching \$337.5M at our midpoint, with an announcement that business is also for sale as soon as next quarter.

OUR TAKE

- Although we believe this case is **more likely than the bear scenario**, the upside in this scenario is capped by the failure of their creator platform and realized sales proceeds.
- Outcomes in this case hinge widely on the Honey Birdette transaction price; we see 8x estimated \$22.5M LTM EBITDA, or ~\$180M, as a reasonable base valuation for the luxury lingerie brand.
- Price paid for the remaining Playboy licensing business is another key variable; our base case assumes \$337.5M, with no consideration for the NOLs, see the ensuing asset valuation deck for detail.

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VALUATION

RATING:	BUY
PRICE ¹ :	\$1.71
MARKET CAP:	\$126M
BEAR CASE PT:	\$3.05
BASE CASE PT:	\$5.34
BULL CASE PT:	\$11.11

¹Prior day market close

ESTIMATED ASSET VALUES IN MILLIONS (USD)

Playboy Licensing/Joint Ventures	\$338
Honey Birdette	\$180
Artwork Collection	\$18
Lovers	\$13
Net Operating Losses	\$23
Creator Platform	\$0
Less: Net Debt	\$174
Liquidation Subtotal	\$396

EQUITY VALUE PER SHARE

\$5.34

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Don't just trust Wall Street.

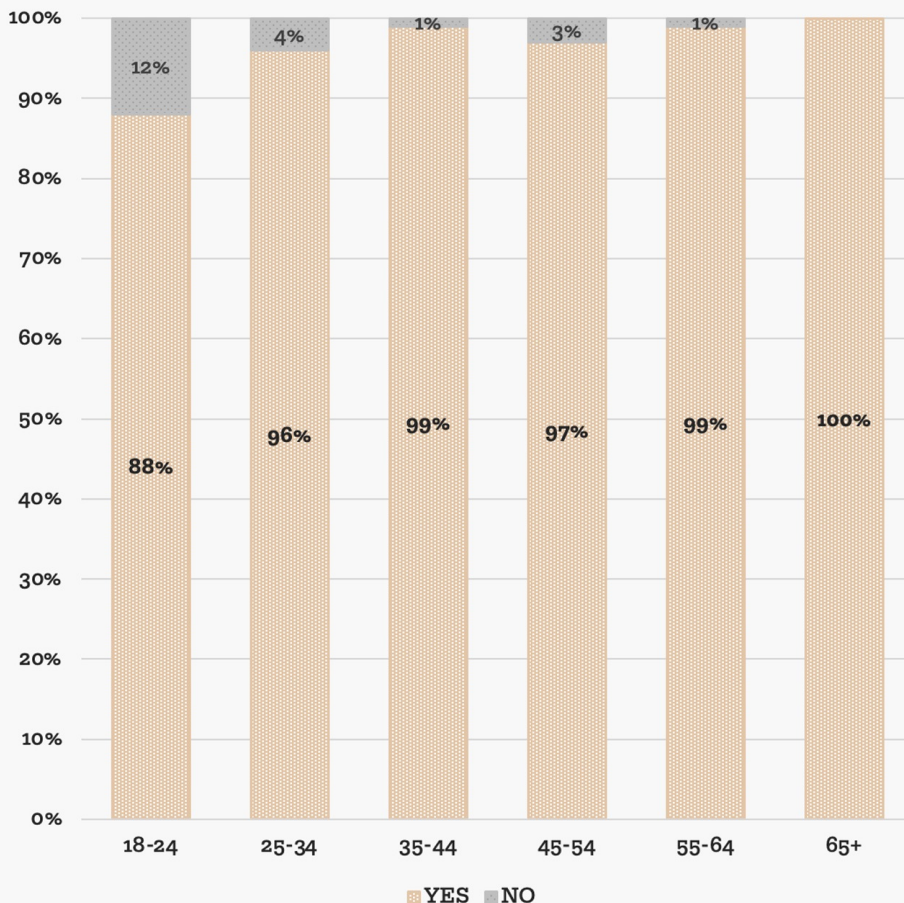
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EVERYONE KNOWS PLAYBOY*

HAVE YOU HEARD OF PLAYBOY?



90%

GLOBAL AWARENESS
AMONGST GEN Z

60%

VIEW PLAYBOY AS
A DIFFERENT
BRAND TODAY
THAN ITS PAST

2/3

OF PLAYBOY'S
AUDIENCE IS
UNDER 34

DATA SOURCE: HEDGEYE SURVEY MAY 2021 UNITED STATES 18+ [N=1000]

DATA SOURCE: PLBY 2023 INVESTOR DECK-V2

*WELL, ALMOST EVERYONE.

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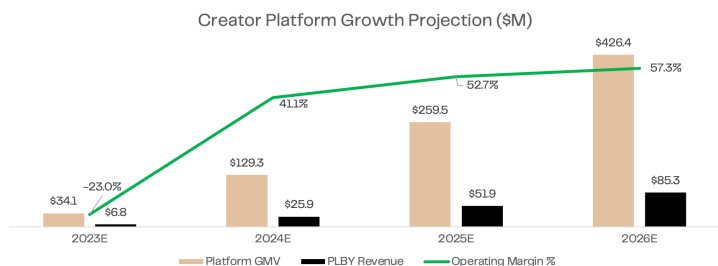
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PLBY Group, Inc (PLBY) Valuation

Bull Case: A rabbit is pulled out of their hat: Playboy's OnlyFans competitor sees significant growth and non-core asset sales are successful.

In our bull case, management successfully exits non-core assets at favorable valuations while PLBY's nascent creator platform grows enough to reach breakeven (~\$45M run-rate gross merchandising value [RR GMV]) before year end. Based on our growth forecast RR GMV reaches ~\$70M by year end 2023 (YE23), ~\$190M by YE24, and ~\$330M by YE25. **Utilizing exit EBIT multiples discounted back under these assumptions, the creator platform is today worth nearly as much as the entire current enterprise value of ~\$295M** (see our model for further detail).

Stats shared by management as of early May include the mix of creator revenues across messaging (60%), subscriptions (15%), a la carte content (15%), & live stream tips (10%). 2.2k active creators and 1.9M users, reflecting a ~5% weekly CAGR since their initial early March disclosure of 1.5k creators.



PLAYBOY Creator Platform Growth Projection as seen in the PLBYdd.com full-disclosure model

PLBY's Chinese JV's economics highlight the upside opportunity that exists from China reopening & continued growth beyond their legacy low take rate licensing approach in that market.

This scenario sees the company begin to spin the high margin, negative working capital intensity flywheel that their global brand & presence enables. **With the creator economy exceeding \$100B in 2022 and growing rapidly, and Playboy holding a unique brand advantage in the creator space, this scenario is not priced by the market today.**

OUR TAKE

- While we recognize the creator platform merits continued investment in the very near term and, alongside other retail investors, are actively monitoring its progress, this case is unlikely to be achieved with legacy management given their track record of operational & capital allocation failures.
- Should creator trends accelerate over 2023, a revived share price would yield greater flexibility & optionality to address the debt covenants by 1Q2025.
- Fung JV upside being priced in by the market would further support valuation.
- We do not believe Ben Kohn's leadership can achieve this.** A replacement is likely required to achieve this scenario.

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VALUATION

RATING:	BUY
PRICE:	\$1.71
MARKET CAP:	\$126M
BEAR CASE PT:	\$3.05
BASE CASE PT:	\$5.34
BULL CASE PT:	\$11.11

¹Prior day market close

ESTIMATED ASSET VALUES IN MILLIONS (USD)

Playboy Licensing/Joint Ventures	\$450
Honey Birdette	\$225
Artwork Collection	\$20
Lovers	\$15
Net Operating Losses	\$25
Creator Platform	\$257
Less: Net Debt	\$174
Subtotal	\$818

EQUITY VALUE PER SHARE

\$11.11

FULL-DISCLOSURE MODEL DO YOUR OWN DUE DILIGENCE

Don't just trust Wall Street.

Download our interactive creator model (.xls) and [perform your own analysis](#).

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— NOW AVAILABLE —

PLBYdd.com ASSET DECK

The deep dive into Playboy's Assets



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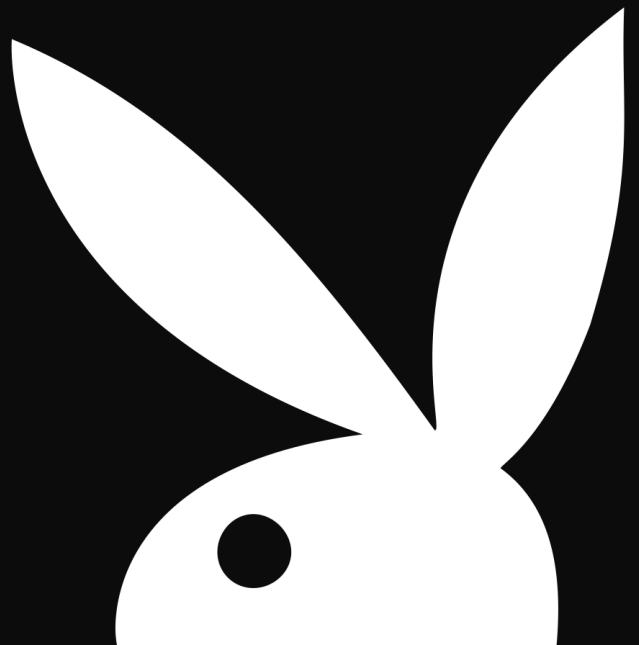
VIEW THE OFFICIAL

PLAYBOY

*Company
Overview*

MARCH 2023

WOOK CAPITAL HAS NO AFFILIATION WITH PLBY GROUP INC



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THE PLAYBOY REPORT

JULY 2023 • 1.71 USD

PLBYdd.com



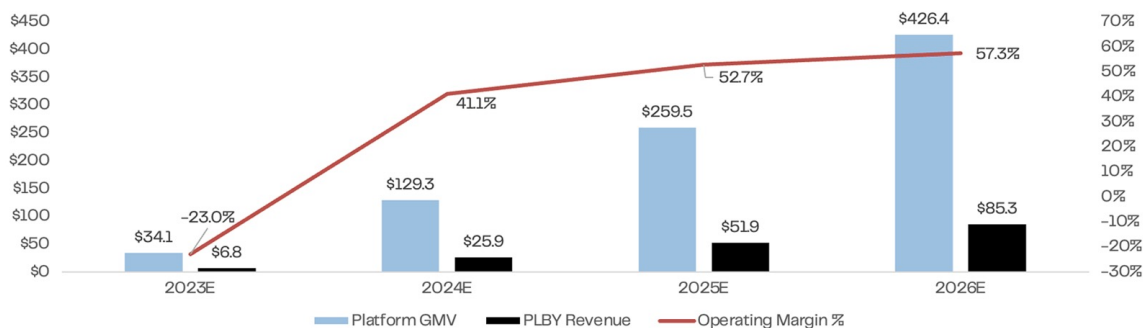
THE TWO-HOUR PLAYBOY RESEARCH REPORT OVERVIEW WITH Q&A HOSTED
BY WOOK CAPITAL MANAGING DIRECTOR ROD ALZMANN AND JOE FONICELLO

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ANALYZING THE CREATOR PLATFORM

Creator Platform Growth Projection (\$M)



PLATFORM PF IS ANALYSIS	2022	2023E	2024E	2025E	2026E
Platform GMV (20% take)	\$ 4	\$ 31	\$ 129	\$ 259	\$ 426
PLBY Revenue	\$ 1	\$ 6	\$ 26	\$ 52	\$ 85
COGS	\$ 0	\$ 2	\$ 9	\$ 18	\$ 30
Gross Profit	\$ 1	\$ 4	\$ 17	\$ 34	\$ 55
SG&A	\$ 12	\$ 6	\$ 6	\$ 6	\$ 7
Operating Profit	\$ (11)	\$ (2)	\$ 11	\$ 27	\$ 49
Operating Margin %	-1368%	-31%	41%	53%	57%

Valuation		2024E	2025E	2026E	
EV/EBIT	Discount Rate	PV of 2025 Estimates (\$M)			
Bear (10x)	15%	\$207	\$106	\$274	\$489
Base (12x)	13%	\$257	\$128	\$328	\$586
Bull (14x)	11%	\$311	\$149	\$383	\$684

Revenue Y/Y	685%	312%	101%	64%
Operating Profit Y/Y	NM	NM	157%	79%
YE Active Creators	6219	16512	29282	49126
GMV Y/Y	685%	312%	101%	64%
YE GMV run-rate	\$70.9	\$188.2	\$333.8	\$560.0

VIEW THE FULL SHEET AT [MODEL.PLBYdd.com](https://model.plbydd.com)

ENTERTAINMENT FOR MEN

PLAYBOY



A DISCUSSION ON PLBY GROUP

ROD ALZMANN
RYAN HENDERSEN
BRETT SCHAFER



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VIEW OUR SUM-OF-THE-PARTS EXCEL MODEL

Estimated Sale Proceeds

PLBY Assets (\$ & shares in millions)	Bear	Base	Bull
Playboy Licensing/Joint Ventures	\$ 225	\$ 338	\$ 450
Honey Birdette	135	180	225
Artwork Collection	15	18	20
Lovers	10	13	15
Net Operating Losses	20	23	25
Creator Platform	-	-	257
Asset Subtotal	405	570	992
Less Net Debt	174	174	174
Equity Claim	231	396	818
Shares Outstanding	74	74	74
Dilutive Shares	2	3	6
Share Repurchase	-	3	6
Shares Outstanding Estimate	76	74	74
Equity Value Per Share	\$ 3.05	\$ 5.34	\$ 11.11

Current Share Price	\$ 1.71	\$ 1.71	\$ 1.71
12 Month Return	78.6%	212.4%	549.9%

Probability	40%	50%	10%
Weighted average share price objective	\$ 5.00		

Share Repurchase Calculation

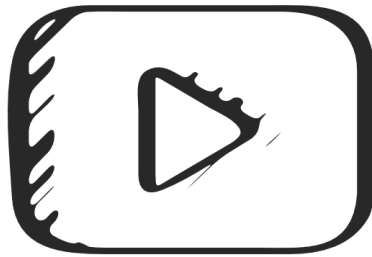
	Bear	Base	Bull
Currently Authorized Repurchase	\$ 15.00	\$ 15.00	\$ 15.00
Average Repurchase Price	\$ 3.50	\$ 3.00	\$ 2.50
Authorization Utilization	0%	50%	100%



PLAYBOY

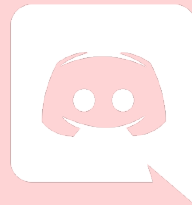
EARNINGS REVIEWS

2Q22 - 4Q22



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