

First Websites Then Social Media, Now NFTs - Toy R Us Summit

Every single business on earth will have NFT integration to their business in 15 years The way that every business has a website and social media accounts that's not the moat how you use the tool is the moat First of all thanks for having me It's really nice to be with all of you You know I grew up I was born in the Soviet Union and moved to the US when I was three in 1978 I moved to New Jersey in 1982 and grew up a really 19 eighties kid on the east coast So I'm sure for anybody who knows or enjoys the history of toys R US You can imagine what that meant It it is for me one of the most iconic brands it was such a tale you know North Star of my childhood We were talking about Jeffrey Bucks um outside you know Charles is an entrepreneur I look up to because also on top of my obsession with IP and storytelling and pop culture and being very affected by eighties cartoons which were driving toy sales I grew up as a retailer You know I grew up in a family liquor store business And so I've always thought retail I've always thought N caps Like I remember when he man and Transformers and Cabbage Patch kids hit toys R us and what that meant and how they merchandised and teddy Ruxpin And like I took note even as a kid everything that's happening with me right now with the building of my IP on the back of NFTS now seems so apropos with the way that I rolled even even in my older age I sold my entire sports card collection when I was 17 because I thought the market was moving and spent four years only investing and trading on collectible toys So living on Jeffrey Bucks starting line ups and you know action figures and all that stuff So a profoundly interested in the mascot driven entrepreneur in retail really you know definitely one of those characters that I know a lot about and admire how he did it and how the company did it Um And I'm just really really humbled to be with all of you today when we announced the partnership together with Macy's and we have 13 executives from Macy's here in the room today The partnership that Macy's is going to roll out toys R US inside every Macy's store across the US Uh We actually didn't know each other at the time Uh We met afterwards but unprompted you posted a video on Twitter Do you mind if we play it Yeah Ok If Jessica you can cue it Go for it Love to Toys R US is coming back as a store inside a store at Macy's the guy that read 400 locations This is a classic example of like brand always matters If Macy's announced today that they

were putting toys in their stores it wouldn't even hit like a press release Toys R Us A store inside a store People care a brand All matters how somebody operates brand how they may be contemporary how they execute that brand is the variable but you can resurrect any class was unfiltered Awesome Tell us about that Um For I'll tell you about that in a very interesting way 14 years ago I started a client service business the president of the United States told me he was disappointed in me when I did Mark Zuckerberg told me he was disappointed All my friends that knew me that kind of had a sense of me at that point in my life who thought I was on to big things did not comprehend why I decided to start such a stupid business Um What I knew or what I thought I knew Now I can say I feel like I nailed It was I sensed in 2007 8 and nine that the only thing that wasn't going to be commoditized was brands and the ability to be a contemporary marketer And and at that point I just didn't have any money You know I spent my entire career building my dad's business for him If any of you are an immigrant family businesses he'd always be like well you'll get the business one day I'm like dad you have great DNA I'm gonna be fucking 75 years old when that happens So I had to start my own thing I wanted to learn fortune 500 land I knew entrepreneur land I knew Silicon Valley Land I did not know Fortune 500 land So I decided to have the humility and the patience to build a client service business and work with for Fortune 500 businesses But I always knew that I was building an operating system I knew that my agency would eventually turn insular and be a reverse private equity machine So instead of buying brands and CFO them I wanted to buy brands and CMO them create hyper growth Um And I've always thought about arbitrage like this like what is out there That's you know for whatever circumstances an opportunity and how do you inject this is to me the brilliance was it was distribution in a moment's notice For me the thing I spend the majority of my time on is you know I have 14 million followers on tiktok because I got serious about it when it was musically Now that's a moat for me to market But then it's also been a moat for all the brands I work with and as I build B Friends I'm always looking for the ARB As a matter of fact let's talk real really about toys R Us and toys for a second I believe as a preview to I'm sure we'll get to it I believe that NFTS right now are the first thing I've seen since after school television in the eighties as a platform for IP building at this scale If you think about 1981 to 1986 after school television you're talking about transformers Thundercats He man strawberry shortcake care bears my little pony all building through that distribution channel The rebirth of G I Joe It's

profound If you think about that window we've had for 30 years there's been other pockets of IP building but that many of significance It was a moment in time where there was a lot of attention on a specific distribution I feel like NFT land 99% of the NFT IP S that we see right now are destined to go to 0 99 And I'm talking about the ones that are valuable right now because the operators are young and not focused on IP development but there will be 15 meaningful IP S out of the tens of thousands that I think will replicate that era And so I'm always looking for those moments underpriced attention I call it in marketing and what I saw in that deal when I saw the headline was underpriced arbitrage of distribution against an IP that I thought carried a lot more weight than a lot of people might have not recognized And so I thought it was a masterful job on both ends is what is what will make as you just said the IP S that are real ID What will make NFTS work Because believe me we're thinking about NFTS We've launched a couple of the toys R Us We definitely want to launch more we want to do on a global scale We love to hear your thoughts I think the first thing to think about NFTS and looking around this room not everybody but a lot of the people in this room lived through when the internet hit as a professional Definitely when social media hit as a professional people are very good at underestimating and over estimating things when they are new And so the same thing that happened with Web one and Web two is going to happen with Web three The the I remember when I launched an ecommerce wine retail website in 1997 I remember in 98 99 2000 when I started getting attention for it because we became the largest independent wine retailer in the country on dot com People would come up to me and say Gary I've got a website now and they thought that was the win and I was like that's nice Like what are you gonna do with it Twitter and Facebook For sure At that point my career was in a different place So many people would come up to me in 2007 and eight and say I've got a Twitter as if that was the win Uh Same thing with this just because you have an NFT Every single business on earth will have NFT integration into their business in 15 years The way that every business has a website and social media accounts that's not the moat how you use the tool is the moat And so um that's how I think about that as far as Von when I did Vriend So Vriend is an IP that I stood up last May Um Though it's uh 268 characters that really focus on the attributes in the world that I most admire Patience kindness empathy I think it's a mix of Sesame Street meets Sweet Pickles If you remember that book series with a little bit of like Pokemon Um And so I'm really excited about it I've always wanted to buy an old IP I

mean literally three months before um I started the friends I had heard that Gumby was on the market and was like going to like look into it Like that's how much my brain's been in this world for two decades And so I stood that up for context of economics We've done two series drops in 15 months actually I'm sorry What's the name In One year 13 months Max Yeah 12.5 months We've done two series drops We've done \$100 million in revenue Um and then more interestingly enough and that's an NFT revenue more interestingly enough And this is where this gets real serious real fast The when you drop an NFT you get the royalties in perpetuity So when I go find like I did two years ago a thunder cat at a garage sale for a dollar in package still LJM May they rest in peace I sell it on ebay for \$280 and I make all that margin Ebay makes all that margin Fedex makes all that margin and whoever owns LJM these days makes none of it Whoever owns Thundercats makes none of it I the friends in 12 months has done \$250 million in secondary sales I have three different series in play I'm getting between 5.5 and 10% royalties on every transaction These are staggering economics on an IP trade and trade and that's how profound royalties are You know I always say if George Lucas was lucky enough to have his timing down because if you look at how thoughtful he was when he made his Kenner deal and why he didn't make other deals If he had done that when NFTS were happening let's say Destiny had NFTS and the Blockchain happening in '76 and '77 there wouldn't be anybody in a mile of his wealth today And so I think um for everybody here I mean you it's very rare to actually have IP that matters There's a lot to think through Uh now the economics I just threw out are a by product of timing You know there's a lot of grown ups in this room if you remember what pets dot com was valued at in 1999 in the stock market you know I knock on wood feel like I'll be able to put my head on my pillow because I'm going to spend the next four decades executing this IP Um But if I was to launch B friends today I would not be able to get the economics I just threw out because the market is already out of its gold rush base which is actually a great thing because there's a lot of scamming and a lot of like gold rush you know just the mockery that's not fun with early technology but the but the royalty component stays in place The IP building stays in place As a matter of fact I will tell you I can't find a logical reason why anybody on earth wouldn't start an intellectual property first as an NFT to establish their economics There's absolutely no sense to start an IP as a book as a toy as a youtube video as anything else Than an NFT because of the way the economics and the royalties and the leverage work So it's going to be a big

impact this show everybody in it Everybody in this convention center right now is going to be aggressively affected by the consumer Blockchain because of what it means for royalties and ownership and IP rights And if you are sitting in this room knowing what you do for a living even though you might not be touching directly IP you're going to be interacting with IP in a very aggressive way Please don't read the headlines Please don't have your opinion on NFTS based on one friend's opinion on it please if you're in this room please spend the 25 hours to understand what the Blockchain actually is what it actually means how it's actually going to impact because it's going to impact everybody on earth But speaking of gold rushes and then you mentioned Blockchain let's maybe segue from NTS to crypto Are you a buyer seller of Bitcoin I bought Bitcoin in 2014 So as you can imagine I'm in a very unique spot where my basis is so low Um I think Cryptocurrency is in such a different place than NFTS So for me NFTS come very natural based on some of the things I just said cryptocurrencies put far more pressure on governments than NFTS do NFTS are gonna be tax profit centers for governments Bitcoin starts going after tender in a real serious way when Emirates Eyre announces that it's now accepting Bitcoin you sort of you know governments only have so much control they have control around the money and the bombs And if you take the money away there's only one thing left And so I I haven't spent the intellectual time on Cryptocurrency that I have on NFTS I would hold Bitcoin from me myself even if I bought it today because I think it's crossed the chasm as a brand as far as every other Cryptocurrency I have besides Ethereum and Solana which I need to buy NFTS I spent no time on it So when all week in the last couple of weeks when everyone's like what do you think about Luna I'm like I have no idea You know what I understand is why people buy things What are you doing in toys and collectibles Because as you mentioned that you we talked about some of your kind of growing up on your roots Uh It's very well known that you were an avid collector of a lot of things In fact you mentioned Jeffrey dollars I believe you told us on the phone that you have Did you say I think you told us \$17,000 I should definitely not tell this room what I used to do with Jeffrey dollars The refund policies were very different back in the nineties So once as you can imagine when you do \$50 million in sales in a week on 94% margin You're like uh oh I've got a big tax event I've got a big opportunity And so for me be friends is going to be vertically and horizontally integrated the animation studio the toys all of it comma I want to do lots of things with other partners as well Yes I want to make my own

plush I'm incredibly open to Mattel and Hasbro and anybody else who wants to have a conversation I want to do JB si want to own my own stuff Serendipity clicks in It's really fun that they're here Darren Like you know I met Toy Quito early on He was fundraising Darren told me about his background Um I've made the majority of my decisions in my life around intuition I made a substantial investment in his company and I felt that I owned enough of toy Keto where I could do my core business instead of just fully doing it inside myself Here was somebody who really knows the business I like I think is capable And so we're doing our toys right now with toy keto But from day one from the first combo I'm looking at him right now I said hey I'm gonna probably do stuff with Hasbro Mattel and Squish mellows and Moose toys and like I need to you need to understand how I think about the world I think about the world as and as long as you're very upfront and over communicate what your strategies are and who you are I think there's a lot more and than or I'm thrilled to do an exclusive I'm thrilled to do exclusive for a period of time but I always want to be able to have flexibility Um And so we uh we got very serious about that conversation and then obviously we got connected and we got very serious about our conversation