Consumer Industry Research

Teavana Holdings, Inc. (TEA-NYSE)

Coverage Initiated with a BUY Rating: Steeping Growth

March 22, 2012

Edward J. Yruma
(917) 368-2394
eyruma@keybanccm.com

Jane Thorn Leeson
(917) 368-2220
jthornleeson@keybanccm.com

KeyBanc Capital Markets

For important disclosures and certifications, please refer to page 27 of this document.

KeyBanc Capital Markets Inc., Member NYSE/FINRA/SIPC

Contents

Teavana Holdings, Inc. (TEA-NYSE)

INITIATING COVERAGE WITH A BUY RATING: STEEPING GROWTH

Edward J. Yruma: (917) 368-2394 — eyruma@keybanccm.com
Jane Thorn Leeson: (917) 368-2220 — jthornleeson@keybanccm.com

Rating	BUY
Price	$22.30
12-Mo. Price Target	$28.00
Dividend	$0.00
Yield	0.0%
52-Wk. Range	$14 - $29
Trading Volume (000)	231
Market Cap. (mm)	$869.7
Shares Out. (mm)	39.00
Book Value/Share	$1.38

EPS (Net) Summary

FY Jan	2010A	2011E	2012E
1Q	$0.05	$0.09A	$0.12
2Q	$0.02	$0.03A	$0.04
3Q	$0.01	$0.02A	$0.03
4Q	$0.24	$0.31	$0.40
YEAR	$0.32	$0.45	$0.59
First Call	--	$0.47E	$0.61E
P/E	69.7x	49.6x	37.8x

AT A GLANCE

Teavana Holdings, Inc. (TEA-NYSE) is a rapidly growing, multi-channel specialty tea retailer that develops, sources and offers more than 100 varieties of premium loose-leaf teas, authentic artisanal teawares and other tea-related merchandise through 196 company-owned stores and a number of franchised stores. Teavana is well-positioned to capitalize on growing tea awareness in the United States; tea is already the second most popular drink globally. In 2010, loose leaf tea sales represented 56% of total Company sales, while tea-related merchandise (40%) and prepared beverages (4%) made up the remainder.

SUMMARY AND RECOMMENDATION

Teavana has a strong combination of a distinctive store environment, attractive secular trends, and a visible gross margin tail – we initiate with a BUY rating. The Company's 19% operating margin is one of the highest in our coverage universe. We believe the Company has continued margin expansion opportunity as the penetration of loose tea increases from store maturation. Also, our proprietary field work points to a unique performance management and compensation model; we think this helps institutionalize the highly consultative nature of the business. Finally, and perhaps most importantly, the store's "theater" differentiates it from other mall-based retailers, and we think evokes the best from our lifestyle-focused retailers (including lululemon athletica inc. and Zumiez Inc.). We think this will drive 25%+ EPS growth for the next three to five years.

We establish a price target of $28, which implies a 37.5x P/E and a 1.2x PEG based on our 2012 estimates. This compares to a 30.1x 2012E P/E and 1.3x 2012E PEG for the high growth retail peer group.

KEY INVESTMENT POINTS

The Company has a highly consultative sales force and a distinct store environment. Our proprietary field work points to an in-store operations model that combines many of the best elements of our other covered companies. Employees have rigorous goal setting, and the Company has intensive training. Sales incentives drive a consultative environment similar to Nordstrom and Buckle. A unique store environment that stimulates the senses evokes lululemon athletica. We think these attributes that differentiate the store experience are important in the age of internet retailing.

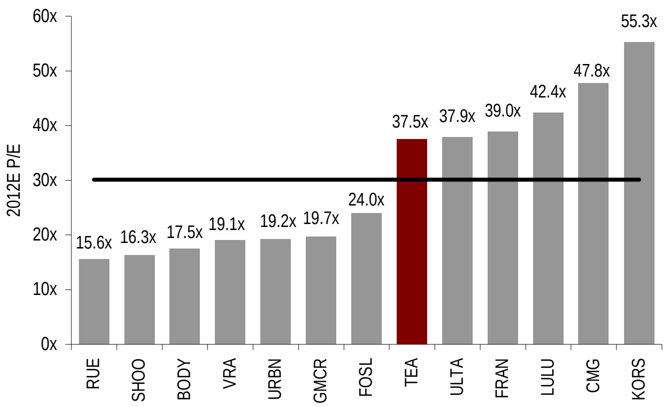
Teavana has a leading position in the secularly attractive specialty tea market. Eighty-five percent of Teavana's products are blends, which we think adds an element of stickiness to the consumer offer. Despite the ubiquity of tea, the Company does not have a national specialty retail competitor that offers high quality loose tea. Our analysis indicates that Teavana is generally the only loose tea retailer located in its shopping centers.

Store operating metrics are some of the strongest in our coverage and loose tea penetration provides a gross margin tail. The Company has roughly $1,000 in sales PSF, one of the highest in our coverage universe. Moreover, we view its 60% gross margin as defensible given a positive tailwind from higher penetration of loose tea (600-800+ bps maturation mix benefit). The Company continues to see strong performance from its most recent store vintages, and we believe that store performance from smaller markets will remain strong.

VALUATION

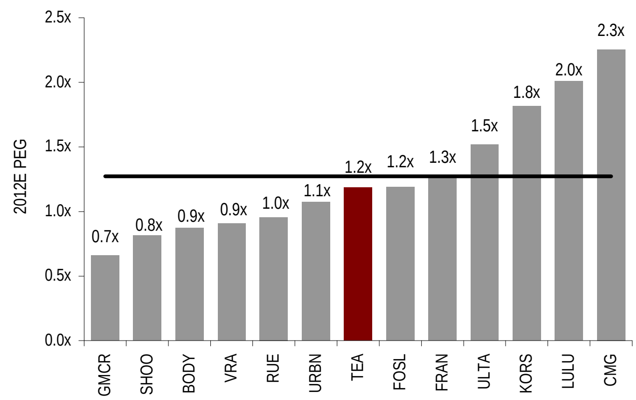
At 37.5x 2012E P/E, 4.0x 2012E EV/Sales and 1.2x 2012E PEG, valuation is reasonable for a high growth retailer. The stock is up over 32% from its $17 IPO price, compared to an 8% gain in the S&P 500 Index over the same time period. We think the Company can sustain accelerating earnings growth, particularly given its aggressive new store opening program, strong new store economics and multi-year runway for gross margin expansion compared to the specialty retail peer group. Thus, we think Teavana deserves to trade at a premium to the high growth retail peer group averages of 30.1x 2012E P/E, 3.0x 2012E EV/Sales and 1.3x 2012E PEG. We establish a $28 price target, which implies a 47.1x P/E based on our $0.59 2012 EPS estimate. We think the multiple is fair given the Company's earnings profile and compelling unit growth opportunity.

Exhibit 1: High Growth P/E Comparison



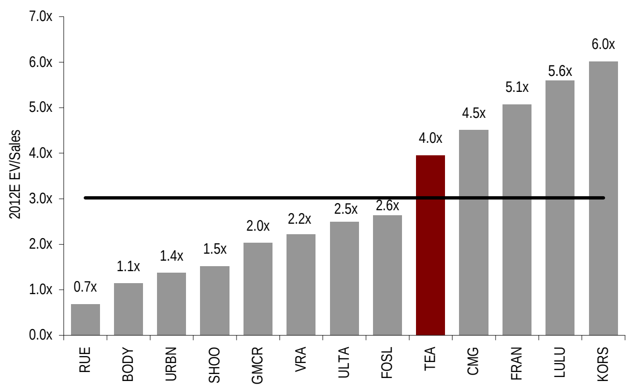
Source: Company reports, FactSet and KeyBanc Captial Markets Inc. estimates, as of 3/21/12

Exhibit 2: High Growth PEG Comparison



Source: Company reports, FactSet and KeyBanc Capital Markets Inc. estimates, as of 3/21/12

Exhibit 3: High Growth EV/Sales Comparison



Source: Company reports, FactSet and KeyBanc Capital Markets Inc. estimates, as of 3/21/12

Exhibit 4: Valuation Summary

Peer Group Valuation

Company Name	TKR	Rating	Stock Price	52 Week Price Range	Price Target	2012E P/E on PT	Mkt Cap ($mm)	S/O (mm)	EPS 2011E	EPS 2012E	P/E 2011E	P/E 2012E	EV/EBITDA 2011E	EV/EBITDA 2012E	EV/Sales 2011E	EV/Sales 2012E	PEG 2011E	PEG 2012E
HEALTHY LIVING																		
GNC Holdings Inc.	GNC	-	$34.31	$16.08 - $34.71	-	-	3,663	106.7	$1.52	$1.88	22.6x	18.3x	12.7x	10.4x	2.1x	1.9x	1.7x	1.2x
Teavana Holdings Inc.	TEA	BUY	$22.30	$14.28 - $29.35	$28	47.1x	852	38.2	$0.45	$0.59	49.6x	37.5x	23.3x	17.9x	5.2x	4.0x	1.6x	1.2x
Vitamin Shoppe Inc.	VSI	-	$43.48	$30.93 - $48.36	-	-	1,270	29.2	$1.67	$1.86	26.0x	23.4x	12.3x	10.6x	1.5x	1.3x	1.3x	1.2x
Whole Foods Market Inc.	WFM	-	$83.97	$53.32 - $86.35	-	-	15,313	182.4	$2.08	$2.42	40.4x	34.7x	16.8x	13.7x	1.4x	1.2x	2.4x	2.0x
Peer Average											**39.5x**	**31.2x**	**17.9x**	**14.0x**	**3.6x**	**2.8x**	**1.8x**	**1.4x**
HIGH GROWTH RETAIL																		
Body Central Corp.	BODY	-	$26.43	$14.61 - $29.49	-	-	426	16.1	$1.24	$1.51	21.3x	17.5x	10.8x	8.7x	1.3x	1.1x	1.1x	0.9x
Chipotle Mexican Grill Inc.	CMG	-	$416.11	$240.09 - $414.45	-	-	13,008	31.3	$6.81	$8.71	61.1x	47.8x	29.1x	22.7x	5.5x	4.5x	2.9x	2.3x
Francesca's Holdings	FRAN	BUY	$31.24	$15.22 - $32.32	$34	42.4x	1,360	43.5	$0.58	$0.80	53.5x	39.0x	26.8x	20.4x	6.7x	5.1x	1.8x	1.3x
Green Mountain Coffee Roasters Inc.	GMCR	BUY	$55.79	$34.06 - $115.98	$80	28.9x	8,639	154.9	$1.64	$2.77	34.0x	20.1x	17.8x	11.3x	3.5x	2.2x	1.1x	0.7x
Michael Kors Holdings	KORS	-	$48.63	$23.51 - $50.69	-	-	9,291	191.1	$0.55	$0.88	88.4x	55.3x	42.5x	36.2x	7.6x	6.0x	2.5x	1.8x
Rue21, Inc.	RUE	-	$27.62	$19.69 - $37.33	-	-	676	24.5	$1.56	$1.77	17.7x	15.6x	6.9x	5.9x	0.8x	0.7x	1.1x	1.0x
Steve Madden, Ltd.	SHOO	HOLD	$43.78	$27.80 - $45.70	-	-	1,927	44.0	$2.25	$2.68	19.5x	16.3x	11.0x	9.2x	1.9x	1.5x	1.0x	0.8x
Teavana Holdings Inc.	TEA	BUY	$22.30	$14.28 - $29.35	$28	47.1x	852	38.2	$0.45	$0.59	49.6x	37.5x	23.3x	17.9x	5.2x	4.0x	1.6x	1.2x
Ulta Salon Cosmetics & Fragrance Inc.	ULTA	-	$92.07	$45.98 - $92.00	-	-	5,698	61.9	$1.90	$2.43	48.5x	37.9x	20.0x	15.4x	3.1x	2.5x	1.9x	1.5x
Urban Outfitters, Inc.	URBN	HOLD	$28.51	$21.47 - $33.90	-	-	4,123	144.6	$1.19	$1.48	24.0x	19.2x	10.0x	8.5x	1.6x	1.4x	1.3x	1.1x
Vera Bradley, Inc.	VRA	HOLD	$32.03	$24.83 - $52.36	-	-	1,297	40.5	$1.43	$1.68	22.4x	19.1x	13.2x	9.7x	3.0x	2.2x	1.1x	0.9x
Peer Average											**40.6x**	**30.1x**	**19.3x**	**15.1x**	**3.9x**	**3.0x**	**1.6x**	**1.3x**
Peer Average excluding KORS											**36.6x**	**28.0x**	**17.4x**	**13.4x**	**3.6x**	**2.8x**	**1.5x**	**1.2x**

Rating system is: BUY; HOLD; UNDERWEIGHT.
Primary coverage of FOSL and SHOO by Jane Thorn Leeson. Primary coverage of GMCR by Akshay Jagdale.
WFM FY ends in September; KORS FY ends in April; EPS estimates represent calendar year estimates.
Source: Company reports, FactSet and KeyBanc Capital Markets Inc. estimates, as of 3/21/12

RISKS

Risks that could impede the shares from achieving our price target include:

Teavana is moving into smaller markets. The Company has 196 stores, and a number of new stores will be opened in shopping malls with lower average sales per square foot than the malls in which the Company currently has a presence. New stores will generally operate at lower gross margins and higher operating expenses, as a percentage of sales, compared to mature stores. Our estimates could be at risk if the Company is unable to identify suitable locations to open new stores, obtain favorable lease terms, attract customers, hire and retain personnel, and maintain sufficient levels of cash flow to support expansion.

While we see few national competitors, the tea market remains highly competitive. The U.S. tea market remains highly fragmented with low barriers to entry. Our estimates could be at risk if the Company is unable to provide a differentiated, superior customer experience and attract more business than its regional and local competitors.

Management, particularly founder and CEO Andrew Mack, has been instrumental in the development of the concept; continued involvement is a key area of our investment thesis. Having founded the Company in 1997, CEO Andrew Mack has hired experienced senior managers to implement the Company's long-term growth strategy. The potential sudden departure of key management executives would likely impact the stock price in a significant manner, in our opinion.

EARNINGS OUTLOOK: 25%+ ANNUAL EPS GROWTH

We think that Teavana will have 25% annual EPS growth over the next three to five years. The Company has, in our opinion, one of the most differentiated store environments in the mall. The Company has an ongoing operating margin expansion opportunity not only through the typical rent/occupancy leverage, but also via higher contribution from loose teas as stores mature. The Company has the ability to at least double the current store base and should continue to post mid to high single-digit comps.

Exhibit 5: Teavana Summary Income Statement and KBCM Estimates

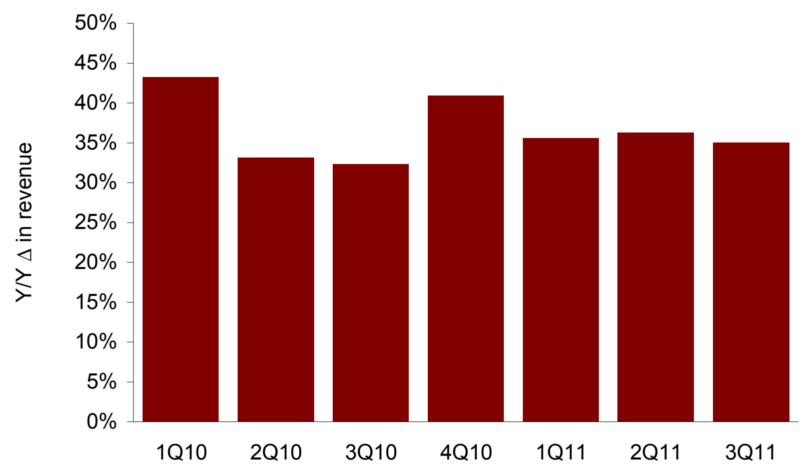
TEA Quarterly Summary													
($mm except per share data)	2009	2010			2011A/E					2012E			2013E
	Annual	Annual	1QA	2QA	3QA	4QE	Annual	1QE	2QE	3QE	4QE	Annual	Annual
Total sales	90.3	124.7	34.9	31.3	33.4	66.6	166.2	47.1	40.9	42.9	85.7	216.6	274.4
Cost of sales	36.4	46.3	12.5	12.2	12.7	21.6	59.0	16.4	15.6	16.0	27.1	75.1	92.3
Gross profit	53.8	78.4	22.5	19.1	20.7	45.0	107.3	30.7	25.4	26.9	58.6	141.6	182.2
Operating expenses	41.6	54.9	16.0	16.8	19.1	24.6	76.5	22.4	22.7	24.8	32.1	101.9	129.5
Operating profit	12.2	23.5	6.5	2.3	1.6	20.4	30.8	8.3	2.7	2.2	26.5	39.7	52.7
Earnings before taxes	9.8	20.9	5.8	1.6	1.5	20.3	29.1	8.2	2.6	2.0	26.4	39.2	52.2
Net earnings	5.3	12.0	3.3	1.0	0.9	12.0	17.3	4.7	1.7	1.3	15.6	23.2	31.0
Shares outstanding (mm)	37.3	37.7	37.7	37.8	39.0	39.1	38.4	39.1	39.1	39.1	39.1	39.1	39.1
EPS	$0.14	$0.32	$0.09	$0.03	$0.02	$0.31	$0.45	$0.12	$0.04	$0.03	$0.40	$0.59	$0.79
EBITDA	15.7	27.9	7.7	3.8	3.2	22.1	36.8	10.1	4.7	4.2	28.9	47.9	63.6
Gross margin	59.6%	62.9%	64.4%	61.1%	61.9%	67.6%	64.5%	65.2%	62.0%	62.8%	68.4%	65.3%	66.4%
Operating expenses/sales	46.1%	44.1%	45.9%	53.6%	57.0%	37.0%	46.0%	47.6%	55.3%	57.7%	37.4%	47.0%	47.2%
Operating margin	13.5%	18.8%	18.5%	7.4%	4.8%	30.6%	18.5%	17.6%	6.6%	5.0%	30.9%	18.3%	19.2%
EBITDA margin	17.4%	22.3%	22.1%	12.0%	9.5%	33.2%	22.1%	21.4%	11.4%	9.9%	33.7%	22.1%	23.2%
Total store count	108	146	161	179	196	200	200	220	238	256	260	260	330
Comps (ex. e-commerce)	6.9%	8.7%	6.0%	6.9%	6.0%	5.0%	5.8%	6.0%	5.0%	5.0%	6.0%	5.6%	5.4%
2 year stacked comps	9.9%	15.6%	21.7%	13.8%	11.9%	12.5%	14.5%	12.0%	11.9%	11.0%	11.0%	11.4%	11.0%
Y/Y inventory growth		45.7%				103.8%	103.8%	26.9%	15.3%	6.4%	4.8%	4.8%	21.3%
Y/Y sales growth	41.3%	38.2%	35.6%	36.3%	35.1%	30.0%	33.3%	34.8%	30.8%	28.3%	28.7%	30.3%	26.7%
Y/Y EPS growth	339.3%	124.4%	71.3%	77.2%	165.9%	26.2%	41.2%	36.5%	58.1%	35.9%	30.2%	32.3%	33.3%

Source: Company reports and KeyBanc Capital Markets Inc. estimates

KEY TO EARNINGS

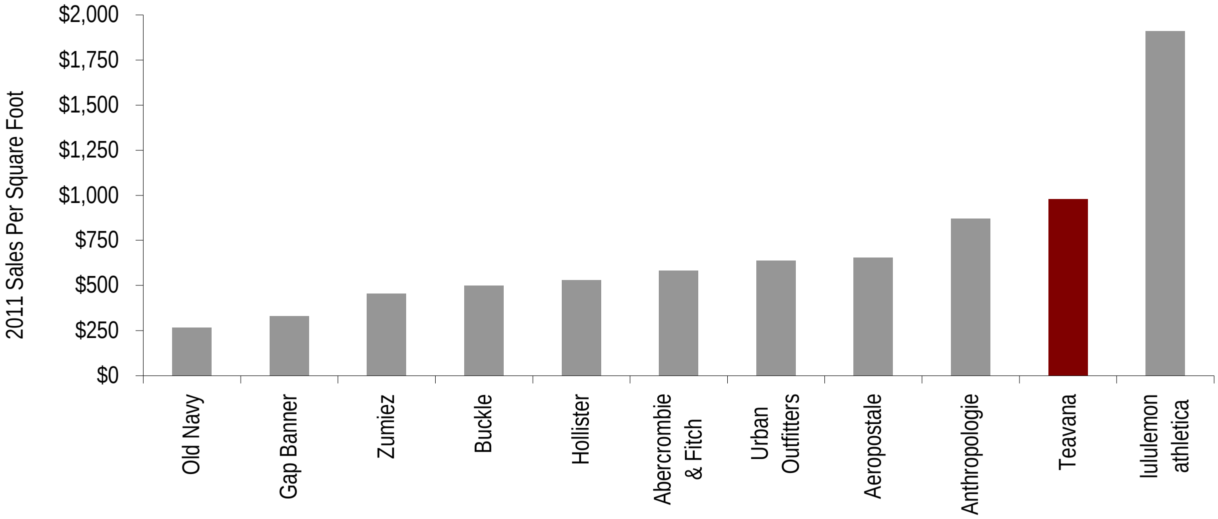
20%+ growth looks sustainable. The Company continues to drive strong revenue growth via a combination of mid single-digit comps as well as 15%+ square footage growth. The Company has seen some weakness in traffic due to a deliberate move away from prepared beverages. We think this move helps refocus the business as a purveyor of loose tea and the corresponding merchandise. Finally, the Company is well positioned within the secularly attractive healthy lifestyle space. As awareness of the health benefits of tea drinking increase, we think that the premium tea market will see accelerating growth.

Exhibit 6: Strong Double-Digit Sales Growth



Source: Company reports and KeyBanc Capital Markets Inc.

Exhibit 7: Teavana Has Impressive Sales Productivity



Source: Company reports and KeyBanc Capital Markets Inc.

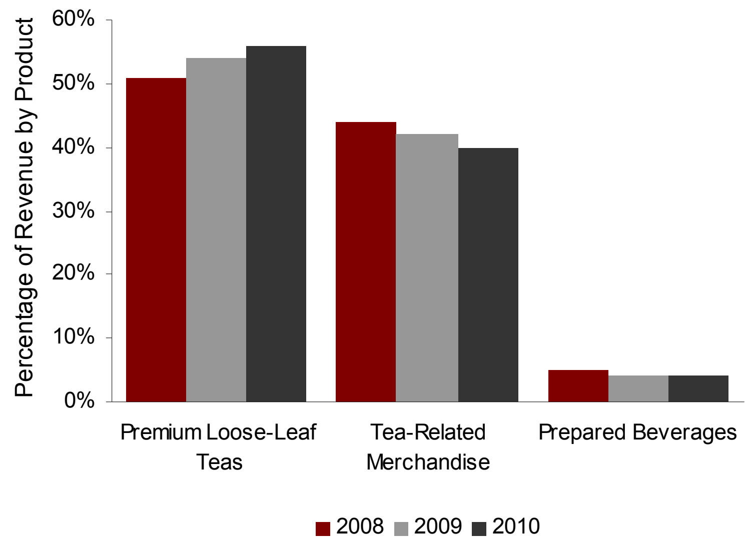
Exhibit 8: Teavana Dominates Its Market Niche in the Mall

Enclosed Mall	State	Total Stores	Shoes	Women's	Teens	Home	Jewelry Watch	Burgers	Pretzels	Tea
Mall of America	MN	520	34	67	21	14	26	12	3	3
King of Prussia	PA	400	45	63	15	9	24	4	1	2
The Galleria	TX	375	42	73	22	12	35	8	2	1
Garden State Plaza	NJ	345	40	49	25	7	19	6	2	1
Woodfield	IL	300	43	69	21	12	9	9	2	1
Roosevelt Field	NY	290	34	41	20	11	16	7	2	1
South Coast Plaza	CA	280	19	69	20	18	26	9	-	2
Aventura	FL	275	42	46	15	8	23	6	2	1
Fashion Square	AZ	250	30	54	15	12	27	4	2	1
Natick	MA	250	19	34	14	7	14	4	1	1
Fashion Valley	CA	200	23	37	16	8	14	3	1	1

Source: Company reports and KeyBanc Capital Markets Inc.

Gross margin expansion expected to continue despite three consecutive years of roughly 200+ bps growth. With the Company's move to direct sourcing fully anniversaried in the 3Q, we expect gross margin improvement from here to be driven by the natural sales mix shift away from merchandise toward higher margin loose tea as new stores mature. With 54 new stores expected in 2011, 60 planned for 2012, 70 planned for 2013 and an estimated 80 openings per year through 2015, we think there is a long runway for steady gross margin expansion as new stores enter the comp base and ramp to maturity (a four-year time frame). New stores generally open with higher than average sales in the first few months; sales begin to normalize after the first three months. Upon opening, purchases of loose tea typically make up a little over 50% of sales; tea-related merchandise (such as teapots, cups, brewers, kettles, timers, spoons, trays) and beverages make up the remaining sales. As stores mature, customers graduate from buying teaware to replenishing their favorite teas and trying new blends – a much more profitable sale. At maturity, loose tea purchases make up about 60% of sales. This evolution provides a natural margin lift, given gross margins on tea sales typically run about 1,000 bps higher than non-tea product sales. With an accelerated store opening cadence over the next four years, we expect the Company will see a sales mix shift benefit of about 600-800+ bps per class of new stores over the next decade. At the end of 2010, loose tea made up 56% of total sales.

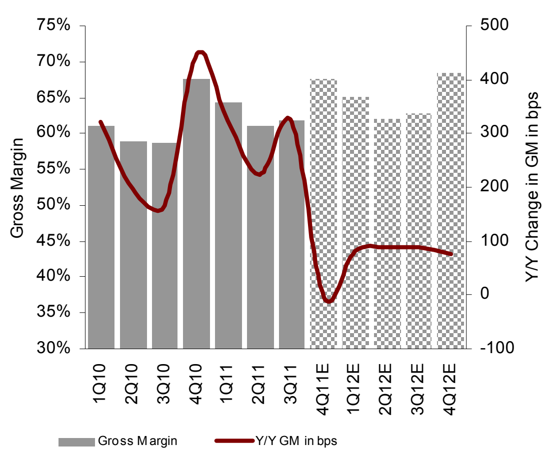
Exhibit 9: Increased Sales Focus on Loose-Leaf Teas



Source: Company reports

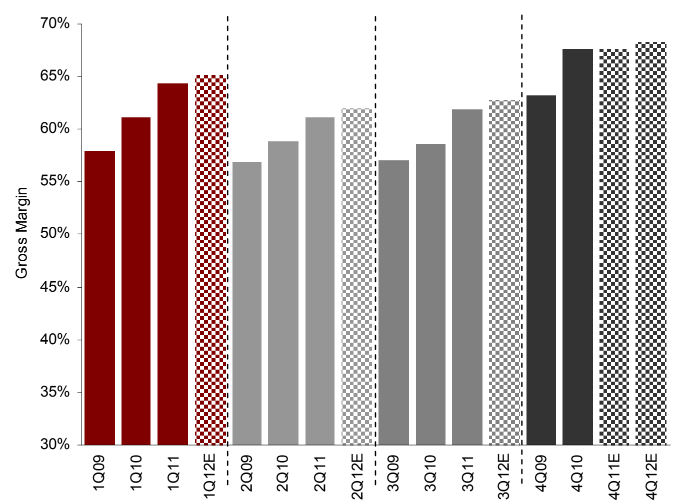
We also believe TEA's continued de-emphasis of beverage sales (as a percent of total sales) has and will continue to positively impact gross margins. Beverage sales have come down dramatically from 8-10% of total sales in 1997 to 4% today. We believe beverage sales will likely stay at this low single-digit percentage level going forward. We expect gross margins in 2011 to reach a new peak, expanding by 165 bps year-over-year to 64.5%. Margins over the last four quarters have grown significantly year-over-year (4Q10 +448 bps; 1Q11 +325 bps; 2Q11 +223 bps; 3Q11 +323 bps) as a result of the Company's move to a direct sourcing model, which drove improved product margins in non-tea merchandise categories. In addition, gross margins benefited slightly over the last year due to an increased sales mix shift toward loose tea and reduction in beverage sales.

Exhibit 10: Gross Margin Expansion to Continue



Source: Company reports and KeyBanc Capital Markets Inc.

Exhibit 11: Gross Margins Expand Over Time

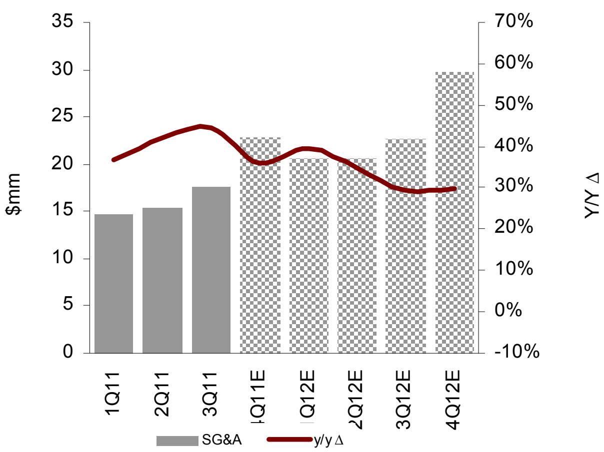


Source: Company reports and KeyBanc Capital Markets Inc.

Look for continued SG&A investments. We expect SG&A as a percent of sales to rise by 187 bps to 42.4% in 2011 and 82 bps to 43.2% in 2012 (following 100+ bps of year-over-year leverage in each of the last four years) primarily due to a significant increase in pre-opening and training costs (driven by planned acceleration of new store openings over the next few years) as well as infrastructure-related costs (including new corporate office rent, setup costs for Canada, distribution center expansion and continued investments in IT). Moreover, we expect SG&A to be incrementally pressured through 1H12 due to higher corporate costs associated with being a public company; this includes additional costs for increased personnel in finance, legal and compliance, as well as stock-based compensation. Beginning in 2013, we expect SG&A costs to normalize, as this will be the first year the Company fully anniversaries public company costs.

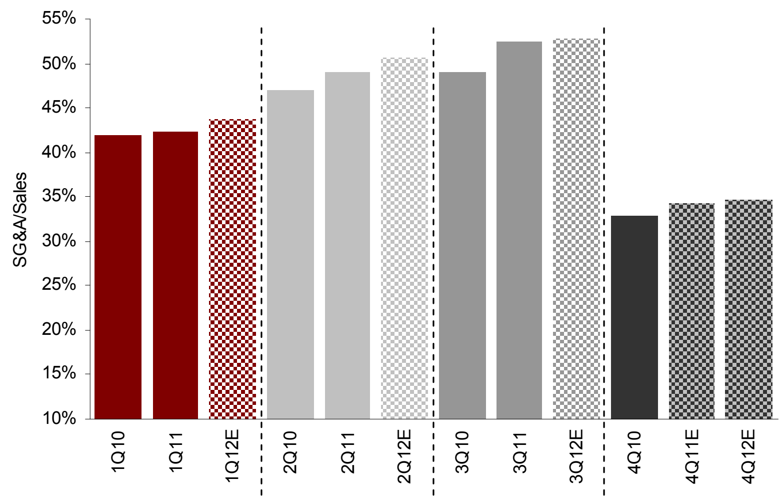
Teavana has significant opportunities in marketing and understanding customer loyalty. The Company has been aggressively looking for a VP of Marketing for the past three to six months, and hopes to have someone in place shortly, prior to the anticipated launch of its CRM system in 2012. Despite having very little customer-specific data, TEA does have a significant amount of store level and SKU level data, which we think will be very useful in building a loyalty program to further drive the average ticket and increase the number of transactions (the bigger opportunity today). The Company's ecommerce platform has been in operation for four years now, which has helped educate consumers on tea; however, this channel still represents a small portion of total sales (7% as of FY10) and will likely grow at a steady pace to 10% of the business in 2015. Though management does not have a stated target for marketing spend as a percent of sales, we believe this will be a material increase in 2012 and 2013 (as the Company starts to build out the marketing department and CRM program from nothing).

Exhibit 12: SG&A Dollars Rise as TEA Invests for Long-Term Growth



Source: Company reports and KeyBanc Capital Markets Inc.

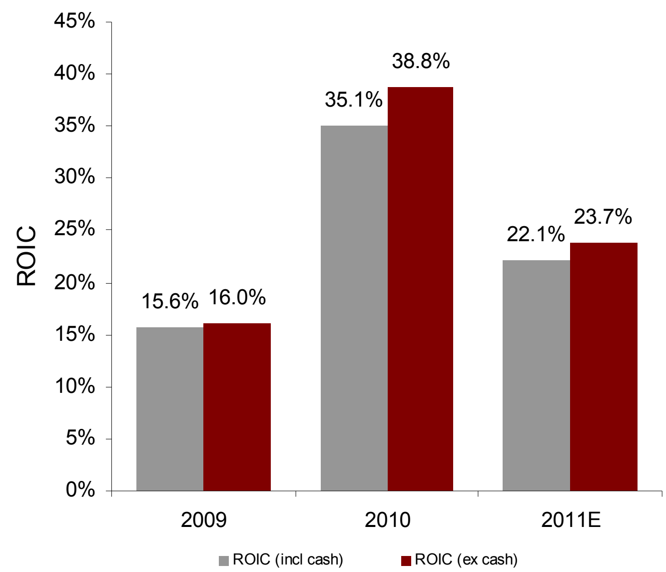
Exhibit 13: Expect SG&A/Sales to Moderate



Source: Company reports and KeyBanc Capital Markets Inc.

We see long-term operating margin expansion opportunity. After four consecutive years of 100-600+ bps of year-over-year expansion, we expect Teavana's operating margins to contract modestly in 2011 and 2012, before delivering expansion in 2013 and beyond, as the Company begins to cycle its increased spending on infrastructure investments and public company costs. We currently model an operating margin of 18.5% in 2011, and believe the Company could reach its stated 21% operating margin goal over the next five years on a more mature business platform.

Exhibit 14: Return on Invested Capital



Source: Company reports and KeyBanc Capital Markets Inc.

Exhibit 15: 2011 Guidance

2011 Guidance	
Net Sales	$162-$166mm
Net income	$16.5-$17.3mm
EPS	$0.43-$0.45
4Q 2011 Guidance	
Net Sales	$62-$66mm
Comps (including e-comm)	increasing in the mid-single digits
Net income	$11.2 - $12.0 mm
EPS	$0.29 - $0.31
2012 Guidance	
Store Openings	60 planned openings 2012; 1st international store opening later in 2012

Source: Company reports

Exhibit 16: Long-Term Financial Targets

Longer Term (thru 2015)	
Sales CAGR	25%
Annual comp (incl. ecomm)	4-5%
Annual comp (excl. ecomm)	3%
Operating margin	300 bp expansion
Net income CAGR	at least 30%

Source: Company reports

INITIATION CHECKLIST = BUY

Teavana has a strong combination of a distinctive store environment, attractive secular trends, and a visible gross margin tail – we initiate with a BUY rating. The Company's 19% operating margin is one of the highest in our coverage universe. We believe the Company has continued margin expansion opportunity as the penetration of loose tea increases from store maturation. Also, our proprietary field work points to a unique performance management and compensation model; we think this helps institutionalize the highly consultative nature of the business. Finally, and perhaps most importantly, the store's "theater" differentiates it from other mall-based retailers, and we think evokes the best from our lifestyle-focused retailers (including lululemon athletica and Zumiez).

Exhibit 17: Initiation Checklist

Differentiated retail environment	✓	**We think that Teavana has one of the most differentiated retail offerings in our coverage universe. The Wall of Tea adds to the theatrical element of the retail environment – we think it is as unique as our best-in-class retail environments (lululemon, Tiffany and Zumiez).**
Higher priced premium products	✓	**There is a very wide product and pricing breadth, which makes the offering both accessible and aspirational. The premium teas are certainly a luxury item, but are much more affordable on a per cup basis – see Exhibit 27.**
Healthy living	✓	**Tea has proven health benefits and has little or no calories.**
Strong management team	✓	**We think the Teavana management team is one of the strongest in our coverage universe. Inside ownership, particularly by CEO Andrew Mack (56% holding) is very high.**
U.S growth	?	**The Company has at least a 500 store U.S. opportunity. However, more growth will come from less productive B mall locations. In addition, the Company has not embarked on street locations.**

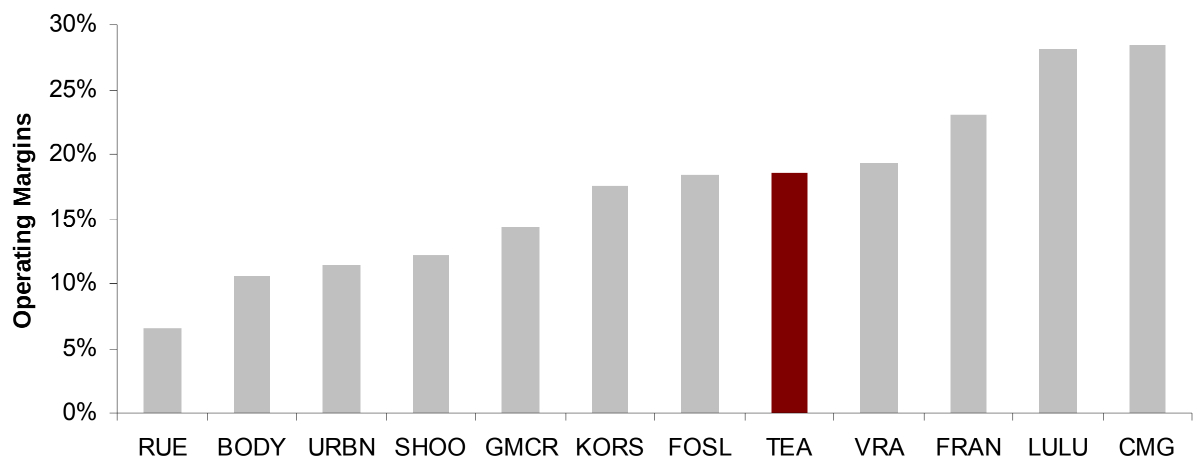
Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 18: 2011 Financial Peer Comparison

	BODY	CMG	FOSL	FRAN	GMCR	KORS	LULU	RUE	SHOO	URBN	VRA	TEA
Revenues ($mm)	$297	$2,270	$2,567	$202	$2,651	$803	$992	$760	$955	$2,474	$459	$166
% growth y/y	**22%**	**24%**	**26%**	**49%**	**95%**	**58%**	**39%**	**20%**	**50%**	**9%**	**25%**	**33%**
Gross margin	33%	40%	56%	53%	34%	52%	57%	28%	38%	35%	56%	65%
SG&A/sales	23%	12%	38%	30%	20%	35%	29%	21%	26%	23%	37%	46%
Operating margin	**11%**	**28%**	**18%**	**23%**	**14%**	**18%**	**28%**	**7%**	**12%**	**12%**	**19%**	**19%**
Inventory/COGS	11%	1%	43%	15%	38%	31%	35%	30%	10%	16%	29%	60%

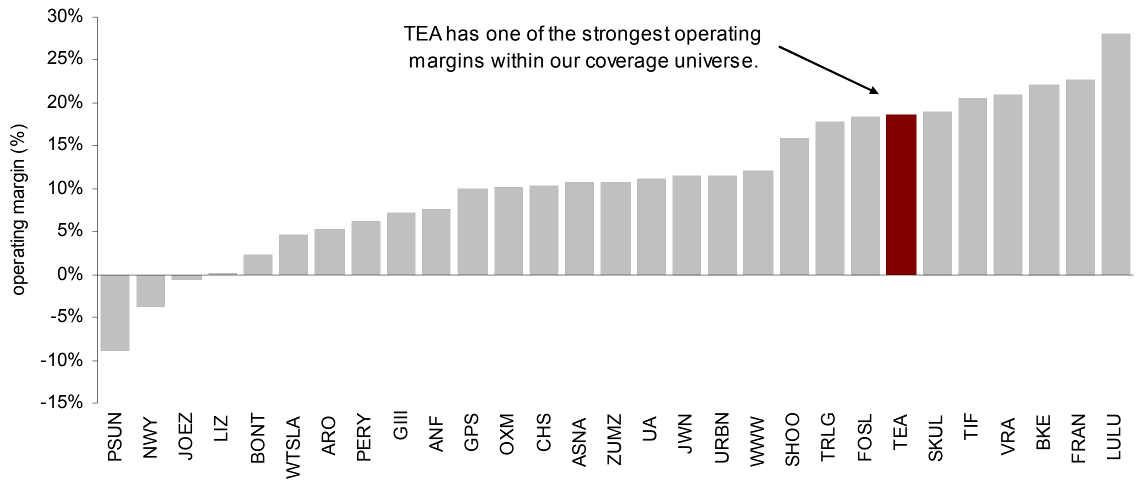
Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 19: 2011 Operating Margin Comparison of High Growth Peer Group



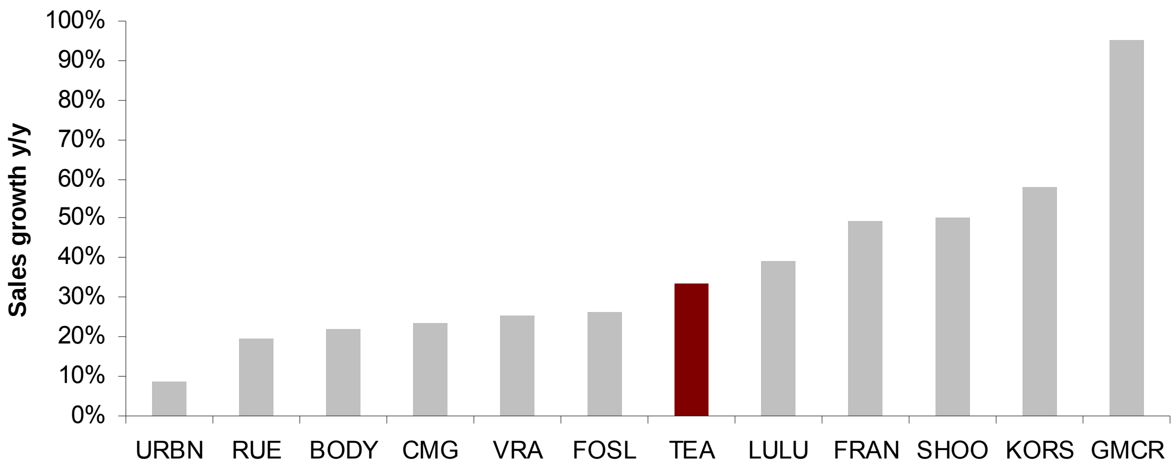
Note: Operating margins for BODY, LULU, RUE and TEA represent full FY11 estimates based upon YTD 3Q11 actuals, as these companies have not yet reported full year FY11 financials.
Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 20: 2011 Operating Margin Comparison of KBCM Coverage Universe



Note: Operating margins for WTSLA, PERY, GIII, OXM, TEA, TIF and LULU represent full FY11 estimates based upon YTD 3Q11 actuals, as these companies have not yet reported full year FY11 financials.
Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 21: 2011 Sales Growth Comparison of High Growth Peer Group

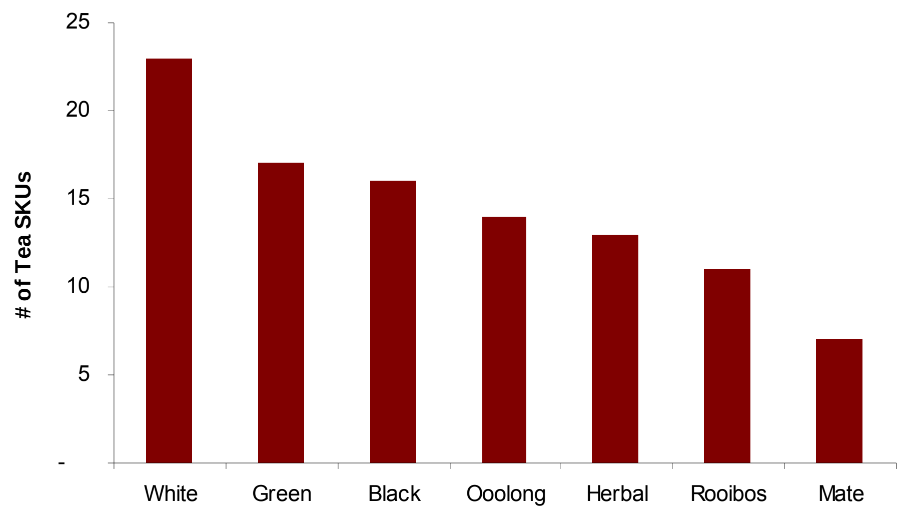


Note: 2011 sales for BODY, LULU, RUE and TEA represent full FY11 estimates based upon YTD 3Q11 actuals, as these companies have not yet reported full year FY11 financials.
Source: Company reports and KeyBanc Capital Markets Inc. estimates

TEAVANA PRESENTS A HIGHLY DIFFERENTIATED PRODUCT OFFERING

Teavana's focus on differentiated flavor combinations makes its product "sticky." We like that approximately 85% of Teavana's offering are blends, and over 30% are what we would characterize as complex blends.

Exhibit 22: Number of Teas by Category



Source: Company website

STRONG FOCUS ON STORE PERFORMANCE DRIVES A CONSULTATIVE ENVIRONMENT

Teavana has an unusually disciplined focus on store operations. Our field work uncovered a very elaborate system of weekly grades for employees.

Monthly bonuses and "grading" instill accountability. Generally speaking, the trigger for bonus payment, as well as the amount paid, is a function of each salesperson's weekly performance grades (i.e., "A," "B," "C," etc.) to determine the average monthly performance grade. An average target sales/hour goal is determined each week and is essentially a function of the expected run rate of the store as compared to other stores (i.e., higher volume stores have higher sales targets). Based upon the expected/planned sales volume for each store, a per hour sales goal is identified each month for the respective stores' salespeople. For example, if the goal was $100/hour and the actual average weekly sales per hour attributed to a given staff member was greater than $100/hour, then a top grade, such as an "A+," would be given to that salesperson for the week. At the end of the month, individual performance reviews are conducted with each salesperson to determine if he/she will receive a monthly bonus payout and the corresponding bonus amount. In order to be eligible for bonus payout, the weekly performance grade average must be an "A." Additionally, if the weekly average for a given month is an "A," a bonus is paid on only those sales from the weeks when an "A" grade was achieved.

A focus on internal promotion drives a strong culture. The Company gives its employees further incentive for top performance by making internal promotion a key focus and strategy, particularly with its aggressive new store opening plans through 2015. Of the 50 stores opened in 2011, through 3Q11, 48 of them (or 96%) opened with general managers who were promoted from within the Company. Management believes that opening stores with internally promoted general managers is critical, as this has historically improved consistency of service and store performance. This 96% internal promotion rate for new stores continues to improve; the 2011 run-rate is above the 87% rate achieved in FY10 and 39% rate achieved in FY09.

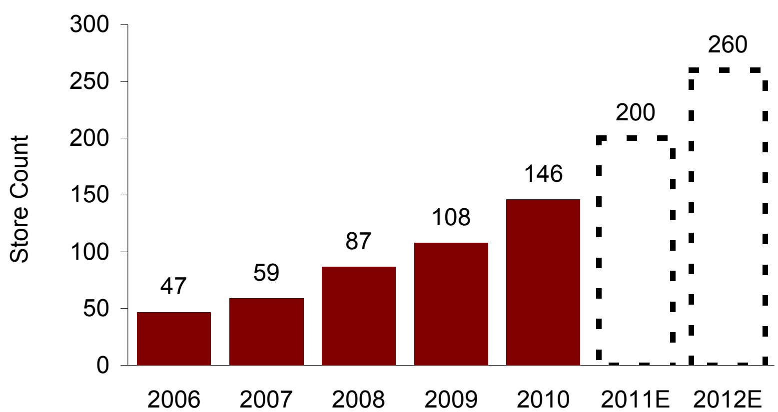
Exhibit 23: New Store Economics Looking Forward

New Store Economics	
Average Store Size	900-1,000 sq. ft.
Annual Sales	$600,000 - $700,000
4 wall contribution	~25%
Net Cash Investment*	$200,000 - $250,000
Cash-on-cash return	~75%
Payback period	~18 Months

Note: Includes store build out (net of tenant allowances), inventory and cash pre-openings costs.
Source: Company reports

Expect new store model to remain profitable. We believe new store openings will drive the majority of year-over-year EPS growth for the next four to five years, at 60-80 stores per year. Despite the Company's high penetration in "A" malls across the United States, we think TEA has an adequate amount of quality, lower rent locations in "B" malls and street locations it could tap to complete its 500-store goal by 2015. We believe this lower leverage point on occupancy expense is key to the Company's store growth plan, which also assumes lower than historical average sales in year one. Though the average size of the stores opened in 2011 is about 15% higher than the average size for stores opened in 2010 and prior, occupancy cost as a percent of sales for the 2011 class is slightly lower than the class of 2010 and prior, and occupancy cost per gross square foot is much lower than the class of 2010 and prior. In addition, TEA's new store model requires a lower amount of capital investment to open (at $200,000-$250,000) compared to the Company's historical average for new stores, thanks to a lower average buildout cost and higher average tenant allowances per new store. Despite a four-year ramp period to maturity, a new store typically has a payback period of 18 months on its initial investment.

Exhibit 24: Store Growth Plans



Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 25: 2011 Stores Compared to Existing Stores

2011 Stores Compared to Existing Stores	
Average Gross Square Feet	15% higher 1,023 vs 888 sq. ft.
Occupancy Cost as a % of Sales	Slightly lower
Total Occupancy Cost $	Lower
Occupancy Cost per Gross Square Foot	Much lower

Note: Existing stores represent stores opened in 2010 and prior. Sales are projected on an annualized basis.
Source: Company presentation

Exhibit 26: Unique Ambiance and Design in Every Store

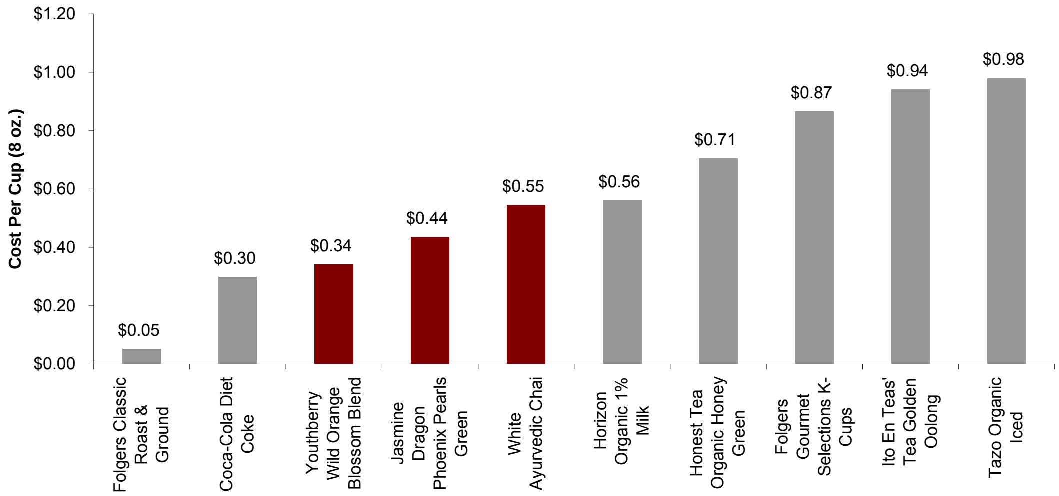
Source: KeyBanc Capital Markets Inc.

Exhibit 27: "Wall of Tea"

Source: KeyBanc Capital Markets Inc.

TEAVANA OFFERS A WIDE PRICING SPECTRUM

Exhibit 28: A Cup of Premium Tea Isn't That Expensive



Note: Based on 8 fl. oz. servings.
Source: Company reports, freshdirect.com, SymphonyIRI Proprietary Data (52 weeks ended 1/22/12)

Exhibit 29: Cost of a Cup of Teavana's Tea

Tea Name	Cost per 2 oz.	Cost per Cup
Earl Grey Black	$3.80	$0.14
Honeybush Vanilla Herbal	$4.80	$0.26
Toasted Nut Brulee Oolong	$8.00	$0.29
Rooibos Tropica	$5.80	$0.32
MateVana Herbal	$5.80	$0.32
Youthberry Wild Orange Blossom Tea Blend	$9.40	$0.34
Dragonwell	$10.20	$0.37
White Ayurvedic Chai	$10.00	$0.55
Monkey Picked Oolong	$25.00	$0.91
Silver Yin Zhen Pearls White	$22.00	$1.20

Note: Suggested amount of tea leaves (in teaspoons) varies based on tea. Cost per cup is based on 8 fl. oz.
Source: Company reports

Exhibit 30: Top Loose-Leaf Tea SKUs by Category

Type	Tea Name	$ / 2OZ.
White	Silver Yin Zhen Pearls	$22.00
	White Ayurvedic Chai	$10.00
Green	Jasmine Dragon Phoenix Pearls	$12.00
	Gyokuro Imperial	$20.00
Oolong	Monkey Picked	$25.00
	Maharaja Chai	$12.00
Black	Golden Monkey	$18.50
	Black Dragon Pearls	$15.00
Rooibos	Rooibos Tropica	$5.80
	Blueberry Bliss	$6.80
Maté	Samurai Chai	$6.20
	Rapberry Riot Lemon	$6.80
Herbal	Wild Orange Blossom	$6.80
	Pineapple Kona Pop	$7.20

Source: Company reports and Company website

Exhibit 31: Top Tea Merchandise/Accessories SKUs by Category

Category	Product	Price
Teapots	Cast-iron teapots from Japan	$69.95 - $279.95
	Yixing clay teapots	$19.95 - $29.95
Tea cups & mugs	Handcrafted tea cups	$8.95 - $14.99
	Tea set	$29.98 - $189.95
Tea Access.	Teavana Perfect TeaMaker	$19.95 - $29.95
	Zojirushi Hybrid Water Heater	$199.95
Décor, Food & Media	Asian inspired statues	$29.95 - $149.95
	Artisanal honeys	$14.95 - $19.99

Source: Company reports and Company website

COMPETITIVE LANDSCAPE

Teavana operates in a very fragmented competitive landscape. The U.S. tea market has grown consistently in recent years, which has attracted numerous entrepreneurs and competitors into the growing tea market. According to the U.S. Tea Association, the U.S. tea market has grown at a CAGR of 7.4% during the last 20 years. As of 2010, the U.S. tea market was estimated to be $7.7 billion (wholesale value), which is up from $1.84 billion in 1990. However, the U.S. tea market is immature and competitors tend to be tea rooms, which grew from 200 to 400 in the last decade (source: U.S. Tea Association), coffee houses offering specialty teas, and many different stand alone tea stores, which offer a wide assortment of tea products. Teavana currently has 196 owned stores in the United States alone and holds a significant market share of the growing U.S. tea market. David's Tea, a Canadian-based tea company, executes a similar strategy to Teavana with more than 40 Canadian stores and two stores in New York City; expansion into the U.S. market began at the end of 2011. Through our proprietary fieldwork, we discovered that David's Teas has plans in place to expand to six stores in the NYC area in the very near term and has plans for aggressive growth throughout the United States during 2012. We believe David's Tea could quickly become one of Teavana's more significant competitive threats in the U.S. market.

The U.S. tea market remains immature relative to other countries. The Company's business is highly concentrated on a single, discretionary product category, premium loose teas and tea-related merchandise, and is dependent upon significant growth of the U.S. Tea market as well as healthy consumer spending. These discretionary purchases may decline during recessionary periods or at other times when disposable income is lower. According to the Tea Association of the USA, Inc., the U.S. tea market is expected to grow from $7.7 billion in 2010 to nearly $15 billion by the end of 2014, and the specialty tea portion of the tea market will be the fastest growing segment, with annual increases in the 10-20% range (source: U.S. Tea Association). The ability of the Company to educate U.S. consumers on the many positive attributes of tea as compared to other drink options, such as soda or coffee, and help drive growth of the overall U.S. tea market is critical to the future growth prospects of the business in spite of the robust outlook for the U.S. tea market and specialty tea growth projections. In addition to beverage alternatives to tea, competition looms from other specialty retailers who offer products that vie for consumers' disposable income dollars.

Exhibit 32: Teavana Has a Broad Product Offering

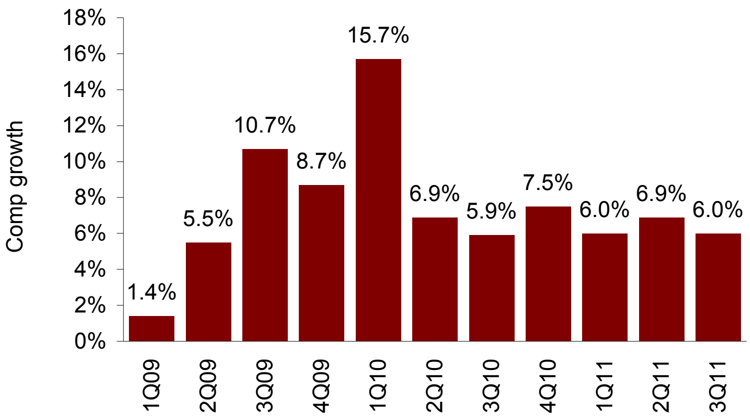
		Teavana		David's Tea		The Republic of Tea		Mighty Leaf Tea	
Tea Type	Price Point	Tea Name	Price / 2OZ.	Tea Name	Price / 2OZ.	Tea Name	Price / 2OZ.	Tea Name	Price / 2OZ.
White	Low	Weal Grey White Tea	$10.00	Cherry Potion	$6.80			White Lotus	$5.08
	Middle	Lavender Dreams White Tea	$15.00	Organic Gold Rush	$13.04	Silver Rain	$24.57	White Orchard	$8.47
	High	Silver Yin Zhen Pearls White Tea	$22.00	Organic Spring White Pearls	$22.68			Chrysanthemum Silver Needle	$14.14
Green	Low	Moroccan Mint	$4.50	Genmaicha	$5.67	Blueberry Green	$6.00	Vibrance	$4.66
	Middle	Peachberry Jasmine Sutra	$9.00	Lime Gelato	$7.94	Sky Between the Branches	$9.14	Sencha Deep Roast	$8.48
	High	Huang Shan Mao Feng Reserve	$20.00	Ceremonial Matcha	$83.63	Jasmine Pearls	$24.67	Gyokuro	$22.64
Oolong	Low	Toasted Nut Brulee	$8.00	Carrot Cake	$8.50	Milk Oolong	$7.43	Orchid Oolong	$5.93
	Middle	Jasmine	$12.50	Happy Kombucha	$10.77	Osmanthus Rare Estate	$22.64	Wuyi Oolong	$12.73
	High	Phoenix Mountain Dan Cong	$25.00	Organic High Mountain	$22.68	Monkey Picked	$24.67	Honey Orchid Phoenix Bird	$40.23
Black	Low	Earl Grey	$3.80	English Breakfast	$4.54	Ginger Peach	$5.71	Russian Caravan	$4.23
	Middle	Taj Masala Chai	$9.80	Organic Buttered Rum	$7.37	Republic Darjeeling	$7.14	Organic Breakfast	$5.08
	High	Darjeeling De Triomphe	$20.00	Nepal Black Tea	$11.34	Imperial Republic Pu-Erh	$20.67	Golden Monkey	$10.17
Rooibos	Low	Rooibos Chai	$4.80	Organic Rooibos	$5.67	Caramel Red Apple	$4.50	Organic Rooibos	$4.66
	Middle	Blueberry Bliss	$6.80	Orange Blossom	$7.37	Good Hope Vanilla Red	$6.00	Chocolate Mint Truffle	$5.08
	High	Opus Rouge	$8.00	Jolly Jellybean	$7.94	Apricot Honey Red	$7.14	Coco Chai	$5.51
Maté	Low	MateVana	$5.80	Organic Green Mate	$4.54			Organic Yerba Mate	$4.66
	Middle	Raspberry Riot Lemon	$6.80	Jumpy Monkey	$7.37				
	High	Acai Matetini	$8.00	Chocolate Rocket	$7.94			Rainforest Mate	$5.51
Herbal	Low	Honeybush Vanilla	$4.80	Organic Peppermint Amour	$5.67	Cardamon Cinnamon	$4.00	Chamomile	$4.21
	Middle	Sweet Fruit Garden	$6.80	Shanti Ayurvedic	$7.37	Chamomile Lemon Herbal	$11.43	Ginger Twist	$5.51
	High	Citrus Lavender Sage	$10.00	Mulberry Magic	$10.21	Snow Rose	$26.96	Tulsi Rose	$6.36

Source: Company reports, Company website, and competitors' company websites.

EXPECT STRONG DOUBLE-DIGIT SALES GROWTH TO CONTINUE

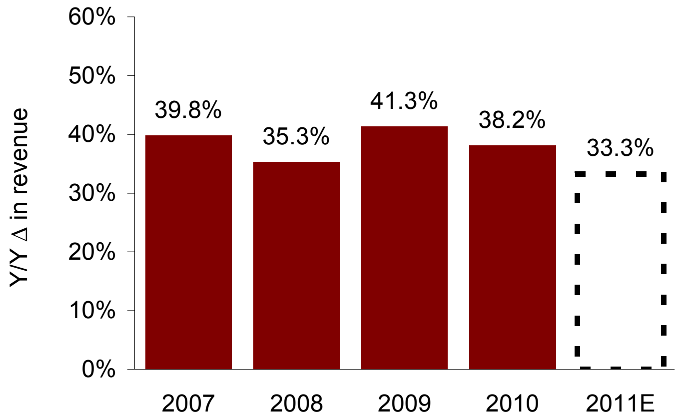
We believe strong sales trends should continue. In 3Q11, sales increased 35% year-over-year following four consecutive years of 35%+ increases year-over-year, despite macroeconomic pressures in 2008-2009. Sales growth over the last four years has benefited from a significant number of new store openings (admittedly off a small base of 47 stores in 2006) and a consistently rising average ticket. We expect sales to grow in the 20-30% range over the next several years, aided by new store openings, increasing average ticket, greater traffic and transactions, as well as improved product offerings.

Exhibit 33: Consistent Comp Growth



Source: Company reports and KeyBanc Capital Markets Inc.

Exhibit 34: 2011E Sales Growth of 33%



**Data represents January FYE.*
Source: Company reports and KeyBanc Capital Markets Inc.

THREE COMPELLING TOP-LINE GROWTH OPPORTUNITIES

#1 Accelerated New Store Openings in the United States

Expect 60-80 openings per year. We believe that TEA can maintain one of the highest growth rates in our coverage universe over the next four to five years, with new store openings to drive the majority of year-over-year EPS growth. Despite the Company's high penetration in "A" malls across the country, we think TEA has an adequate amount of quality, lower rent locations in "B" malls as well as some street locations it could tap to complete its 500-store goal by 2015. We think the lower rent structure should more than offset the lower than historical average sales PSF in year one, thereby helping to maintain the profitability of the new store base. Additionally, we think expansion should become easier as the store base grows because the Company will be able to leverage a bigger pool of store managers and trained sales associates as well as its upgraded information systems to help with future openings. Finally, we think TEA's sales should benefit over time from a new CRM and marketing program, which should drive higher traffic, transactions and new customers to the concept.

#2 International Expansion

International expansion through both franchise and owned stores. With franchise royalty income representing less than 1% of total sales in FY10 (ended January 30, 2011), we believe that the international segment could become a meaningful contributor to earnings over time. Since the end of 2010, the Company added three franchise stores in Mexico; TEA now operates a total of 18 franchise stores, including 16 in Mexico (via Casa Internacional) and two in the United States. The Company also signed a multi-year franchise agreement with Alshaya in September 2011, to develop mall-based Teavana stores in eight countries across the Middle East (including Bahrain, Kuwait, Saudi Arabia, Qatar, the UAE, Egypt, Lebanon and Jordan). The first store in the Middle East is expected to open later this year. The Company's franchise agreements provide franchise rights for a period of 10-15 years and require franchisees to sell products solely purchased from TEA. These stores carry a similar selection of tea and non-tea merchandise but have a higher percentage of beverage sales than TEA's owned stores. In addition, the Company entered Canada during 4Q11 by opening a directly owned retail store. We believe that while the majority of TEA's international expansion will be through franchise stores, the Company will open directly owned stores in select markets. Over the near term, we believe TEA will look to enter Western Europe;

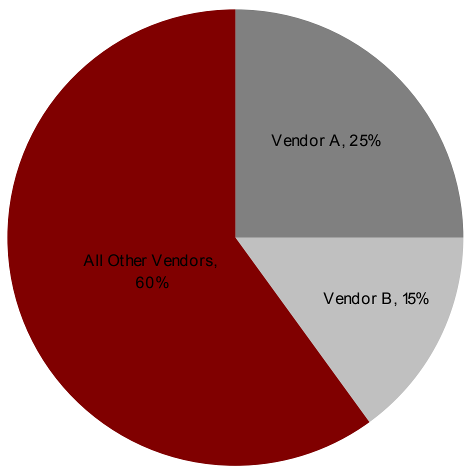
and over the longer term, TEA will likely look to enter South America, Russia, India, China, Australia and Africa.

#3 Potential Entrance into CPG

Over time, Teavana could enter the CPG market. We think the Company will tread carefully in this arena given the premium positioning in the market. The current iteration of single-cup brewer machines is not ideal for tea preparation given that they do not steep, rather, they focus on passing hot water quickly. However, a number of companies have added innovation to their tea machines, including Breville's automatic tea maker. A second potential offering is a ready-to-drink product. There have been a number of offerings in this space (Tea's Tea, Tazo, Honest Tea, among others). However, given the strength of Teavana's brand as well as its proprietary tea blends, we think this could provide a long-term opportunity.

SUPPLY CHAIN AND INVENTORY MANAGEMENT

Exhibit 35: 2010 Vendor Concentration

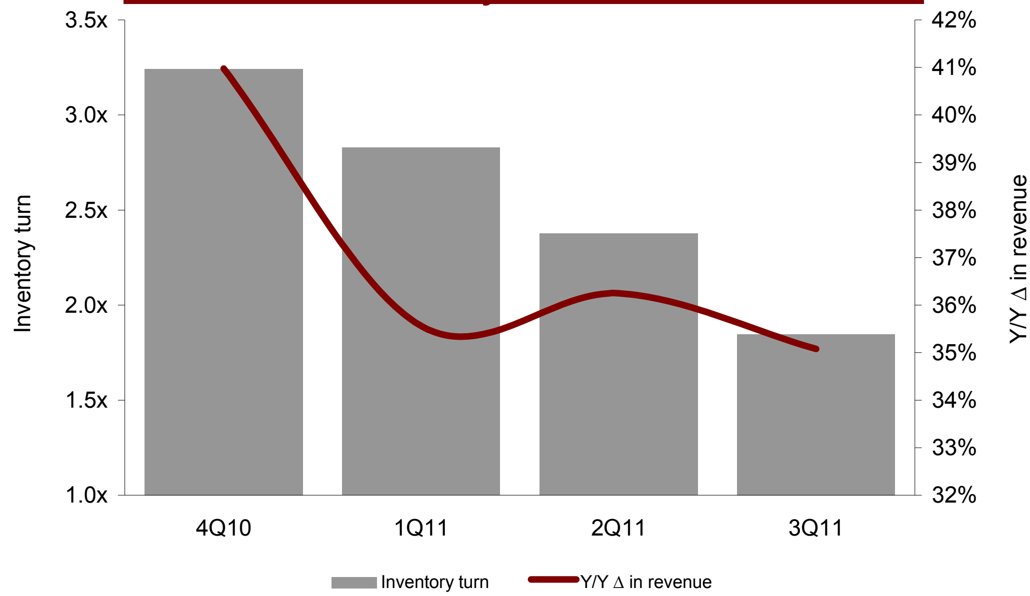


Source: Company reports and KeuBanc Capital Markets Inc.

The Company is highly reliant on a small number of vendors. The Company does not own or operate any tea estates, blending operations or manufacturing facilities. Instead, the Company relies on more than 100 vendors to supply single-estate and specially blended teas as well as tea-related merchandise on a continuous basis. TEA does not have long-term purchase contracts with the vendors or other contractual assurances of continued supply, pricing or exclusive access to products; any of the Company's suppliers or manufacturers could discontinue supplying Teavana with loose-leaf tea or tea-related merchandise in sufficient quantities. During FY10, the Company's two largest vendors supplied 40% of its total inventory purchases. The Company could be adversely affected if any of its vendors entered into arrangements with Teavana's competitors to sell similar tea products, including giving competitors exclusive licensing arrangements or exclusive access to tea blends and other products or limiting TEA's access to such arrangements or blends or other products. In addition, TEA would be adversely affected if other natural/macro events occurred, such as weather, crop disease, labor relations, import/export and customs difficulties. We believe TEA has a very seasoned merchandising team who has very well-established relationships with some of the industry's most experienced and influential tea brokers and tea gardens around the world. As such, we think the quality and blends of tea that Teavana offers are not easily duplicable.

A move to direct sourcing for non-tea merchandise has helped improve gross margins. The Company's move to direct sourcing for non-tea merchandise late in 3Q10 has led to significant year-over-year increases in gross margin over the last four quarters as well as substantial increases in inventory (both in the warehouse and in-transit). With this strategy shift, TEA not only gained greater control of the production and distribution of its non-tea merchandise categories, but also captured the distributor margin and forged stronger direct relationships with the factories. We believe the improved factory relationships should help TEA greatly in the future as the Company continues to develop innovative, customized products to sell on an exclusive basis. On the flipside, the procurement of loose tea continues to be sourced primarily through tea brokers, which we believe may be the most efficient manner to garner the product.

Exhibit 36: Y/Y Inventory Turns vs. Y/Y Sales Growth



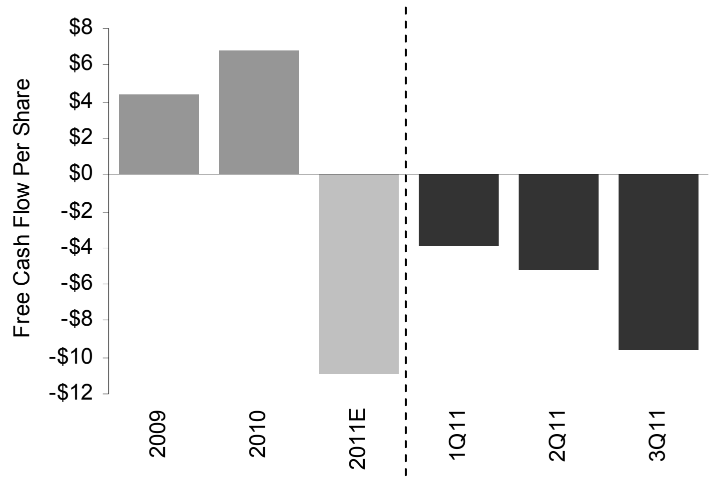
Source: Company reports and KeyBanc Capital Markets Inc.

HEALTHY BALANCE SHEET

Liquidity remains strong. Teavana maintains an amended $40 million revolving credit facility (maturing on April 22, 2016), which includes a $5 million sublimit for the issuance of letters of credit. This facility is secured by substantially all of the assets of the Company. On July 27, 2011, the Company used net IPO proceeds of $15 million to redeem all outstanding shares of its Series A redeemable preferred stock (valued at $10.7 million as of the IPO date) and to repay the $1.0 million outstanding balance (as of May 1, 2011) on its amended revolving credit facility with Fifth Third Bank.

As of October 30, 2011, the Company had an outstanding balance of $4.5 million on its revolver, $0.2 million of undrawn face amounts on letters of credit, and $35.3 million of availability for future borrowings. Working capital at quarter-end totaled $29.9 million compared to $1.9 million at the end of FY10 (ended January 30, 2011); note: current liabilities in 2010 included $13.0 million of Series A redeemable preferred stock. TEA had no additional long-term debt outstanding outside of the $4.5 million on the above-mentioned revolver. Cash balances at the end of 3Q11 were low, at $0.036 million, due to the seasonality of its business – with the greatest increase in working capital spend in the 2Q and 3Q in anticipation of the peak holiday selling season in the 4Q. We think cash balances at the end of 2011 (estimated at $7.6 million) should return to similar levels as the end of last year ($7.9 million). Moreover, we believe the Company should generate positive free cash flow in 2012 and going forward.

Exhibit 37: Free Cash Flow



Source: Company reports and KeyBanc Capital Markets Inc.

BRINGING A SENSE OF ADVENTURE TO THE MALL

Founded in 1997, Teavana offers premium loose teas and tea-related merchandise through a distinctive store ambiance, knowledgeable staff and healthy living lifestyle. Inspired by their international travels and passion for tea, CEO Andrew Mack and his wife, Nancy Mack, wanted to make high-quality teas easily accessible and opened their first store in Atlanta, Ga. To expand its store base, Teavana targeted high traffic locations within malls, lifestyle centers and other high sales volume retail venues. In 2004, the Company partnered with Parallel Investment Partners for capital resources and strategic advice to support accelerated growth plans. From 2006 to 2011, the Company grew from 47 to 196 (as of 3Q11) stores, more than tripling its store base. Each store offers a unique “Heaven of Tea” environment, equipped with highly interactive and well-trained teaologists to guide customers in understanding tea and its health benefits.

TENURED MANAGEMENT TEAM

Teavana’s management team is highly entrepreneurial. With his comprehensive knowledge of the retailing business, Andrew Mack founded and served as CEO of Teavana since 1997. In 2005, Daniel Glennon joined to serve as CFO. He has extensive experience serving as CFO or VP of Finance for three small or early stage corporations. Peter Luckhurst serves as EVP of Operations and was promoted within the Company after serving as VP for Stores from 2005-2010. With tenured executives, we believe the management team will strongly execute Teavana’s growth strategy. **Insider ownership remains very high, as founder Andrew Mack still owns roughly 56% of the Company.**

Exhibit 38: Management Overview

Name	Age	Position	Joined Position	2010 Compensation	% Ownership
Andrew T. Mack	46	CEO and Chairman of the Board	1997	$473,419	56.3%
Daniel P. Glennon	42	EVP and CFO	2005	$320,253	<1%
Peter M. Luckhurst	56	EVP, Operations	2010	$320,249	<1%
Juergen W. Link	50	VP, Distribution	2005	$265,011	3%
Robert A. Shapiro	64	VP, Real Estate	2005	$252,514	<1%

Source: Company reports

Exhibit 39: Board of Directors Overview

Name	Age	Joined	Background
Andrew T. Mack	46	2010	Held various management positions in the restaurant industry.
F. Barron Fletcher III	44	2004	Founder of Parallel Investment Partners. Currently: Serves as a member of the Board of Mealey's Furniture, Inc., The Fragrance Outlet, Inc. and USA Discounters, Inc. Previously: Served as partner with Saunders Karp & Megrue, worked actively with Dollar Tree, Inc. and Hibbett Sporting Goods, Inc. during the firm's ownership.
Michael J. Nevins	48	2004	Served as a SVP-Leasing for The Macerich Company.
Thomas A. Saunders III	75	2011	President of Ivor & Co., LLC, and was a founder of Saunders Karp & Megrue Partners, once a major investor in Dollar Tree, Inc. Previously: Served as a Managing Director of Morgan Stanley & Co. Currently: Serves as a member of the Board of Directors of Dollar Tree and Hibbett Sporting Goods.
John E. Kyees	64	2011	Currently: Serves as a Director and member of the Audit Committee of Casual Male Retail Group, Inc., and a Director and Chairman of the Audit and Compensation Committees of Vera Bradley, Inc. Previously: Served as the CIR Officer of Urban Outfitters, Inc. and previously as CFO. Has over 30 years of experience as a CFO, including nine years of experience serving as CFO for a public company.
Robert J. Dennis	57	2011	Currently: Serves as a Chairman of the Board of Directors of Genesco Inc., and as President and CFO. Previously: Served as President and COO of Genesco Inc. Has over 25 years of experience in the retail industry, including tenure at Genesco Inc., three years as CEO of Hat World, Inc. prior to its acquisition by Genesco Inc., three years in a senior position with Asbury Automotive and 13 years with McKinsey & Company.

Source: Company reports

Exhibit 40: Summary Quarterly Income Statement ($ in millions, except per share data)

	2009	2010			2011A/E					2012E			2013E
	Year	Year	1QA	2QA	3QA	4QE	Year	1Q	2Q	3Q	4Q	Year	Year
Revenues	90.3	124.7	34.9	31.3	33.4	66.6	166.2	47.1	40.9	42.9	85.7	216.6	274.4
Cost of goods sold	36.4	46.3	12.5	12.2	12.7	21.6	59.0	16.4	15.6	16.0	27.1	75.1	92.3
Gross profit	53.8	78.4	22.5	19.1	20.7	45.0	107.3	30.7	25.4	26.9	58.6	141.6	182.2
Selling, general & administrative expense	38.1	50.6	14.8	15.4	17.5	22.9	70.5	20.6	20.7	22.7	29.7	93.7	118.5
Depreciation and amortization expense	3.5	4.4	1.3	1.4	1.6	1.7	6.0	1.8	1.9	2.1	2.4	8.2	11.0
Operating income	12.2	23.5	6.5	2.3	1.6	20.4	30.8	8.3	2.7	2.2	26.5	39.7	52.7
Interest expense, net	2.4	2.6	0.7	0.7	0.1	0.1	1.7	0.1	0.1	0.1	0.1	0.5	0.5
Earnings before income taxes	9.8	20.9	5.8	1.6	1.5	20.3	29.1	8.2	2.6	2.0	26.4	39.2	52.2
Income tax expense	4.5	8.9	2.4	0.6	0.6	8.3	11.9	3.5	0.9	0.8	10.8	15.9	21.2
Net earnings	5.3	12.0	3.3	1.0	0.9	12.0	17.3	4.7	1.7	1.3	15.6	23.2	31.0
Weighted average shares outstanding - diluted	37.3	37.7	37.7	37.8	39.0	39.1	38.4	39.1	39.1	39.1	39.1	39.1	39.1
Earnings per share - diluted	$0.14	$0.32	$0.09	$0.03	$0.02	$0.31	$0.45	$0.12	$0.04	$0.03	$0.40	$0.59	$0.79
EBITDA	15.7	27.9	7.7	3.8	3.2	22.1	36.8	10.1	4.7	4.2	28.9	47.9	63.6
Comparable store sales	6.9%	8.7%	6.0%	6.9%	6.0%	5.0%	5.8%	6.0%	5.0%	5.0%	6.0%	5.6%	5.4%
Y/Y Inventory Growth		45.7%					103.8%					4.8%	21.3%
Margin analysis													
Cost of goods sold/revenue	40.4%	37.1%	35.6%	38.9%	38.1%	32.4%	35.5%	34.8%	38.0%	37.2%	31.6%	34.7%	33.6%
Y/Y change in bps	(222)	(326)	(325)	(223)	(323)	5	(165)	(80)	(90)	(90)	(75)	(81)	(103)
Gross margin	59.6%	62.9%	64.4%	61.1%	61.9%	67.6%	64.5%	65.2%	62.0%	62.8%	68.4%	65.3%	66.4%
Y/Y change in bps	222	326	325	223	323	(5)	165	80	90	90	75	81	103
Selling, general & administrative expense/sales	42.3%	40.6%	42.2%	49.1%	52.4%	34.4%	42.4%	43.7%	50.6%	52.9%	34.6%	43.2%	43.2%
Y/Y change in bps	(353)	(170)	34	204	341	150	187	150	150	50	25	82	(5)
Depreciation and amortization expense/sales	3.9%	3.5%	3.6%	4.6%	4.6%	2.6%	3.6%	3.8%	4.8%	4.8%	2.8%	3.8%	4.0%
Y/Y change in bps	(3)	(37)	(13)	(5)	16	20	10	20	20	20	20	20	20
Operating margin	13.5%	18.8%	18.5%	7.4%	4.8%	30.6%	18.5%	17.6%	6.6%	5.0%	30.9%	18.3%	19.2%
Y/Y change in bps	606	533	304	24	(34)	(175)	(32)	(90)	(80)	20	30	(21)	88
EBITDA margin	17.4%	22.3%	22.1%	12.0%	9.5%	33.2%	22.1%	21.4%	11.4%	9.9%	33.7%	22.1%	23.2%
Y/Y change in bps	575	496	291	19	(18)	(155)	(22)	(70)	(60)	40	50	(1)	109
Effective tax rate	45.8%	42.6%	42.4%	35.2%	37.2%	41.0%	40.8%	42.4%	35.2%	37.2%	41.0%	40.7%	40.6%
Y/Y change in bps	(986)	(320)	(20)	(746)	(548)	(160)	(184)	0	0	0	0	(6)	(6)
Y/Y growth													
Revenues	41.3%	38.2%	35.6%	36.3%	35.1%	30.0%	33.3%	34.8%	30.8%	28.3%	28.7%	30.3%	26.7%
Cost of goods sold	34.0%	27.0%	24.2%	28.9%	24.5%	30.2%	27.4%	31.8%	27.7%	25.2%	25.8%	27.3%	22.9%
Gross profit	46.8%	45.7%	42.8%	41.4%	42.5%	29.9%	36.8%	36.5%	32.7%	30.1%	30.2%	31.9%	28.7%
Selling, general & administrative expense	30.4%	32.6%	36.6%	42.2%	44.5%	35.9%	39.5%	39.6%	34.8%	29.5%	29.7%	32.8%	26.5%
Depreciation and amortization expense	30.9%	25.0%	30.9%	34.7%	40.0%	40.9%	37.0%	42.2%	36.5%	33.8%	38.7%	37.7%	33.4%
Operating income	156.2%	92.6%	62.3%	40.7%	26.1%	23.0%	31.1%	28.3%	16.7%	33.6%	30.0%	28.8%	32.8%
Net earnings	342.0%	126.9%	72.4%	78.1%	175.3%	30.6%	43.7%	41.5%	63.5%	36.3%	30.2%	34.7%	33.3%
EPS	339.3%	124.4%	71.3%	77.2%	165.9%	26.2%	41.2%	36.5%	58.1%	35.9%	30.2%	32.3%	33.3%
EBITDA	111.2%	77.6%	56.1%	38.4%	32.6%	24.2%	32.0%	30.6%	24.2%	33.7%	30.7%	30.3%	32.9%

Data represents January FYE.
Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 41: Quarterly Balance Sheet ($ in millions, except per share data)

	2009	2010			2011A/E			2012E	2013E
	Year	Year	1QA	2QA	3QA	4QE	Year	Year	Year
Balance Sheet Statement									
Current assets:									
Cash and cash equivalents	1.3	7.9	3.7	1.6	0.0	7.6	7.6	20.1	38.6
Accounts receivable	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory	11.6	16.9	18.3	22.7	32.5	34.5	34.5	36.2	43.9
Prepaid assets	1.0	3.4	0.0	9.5	4.1	4.5	4.5	5.8	7.2
Income tax receivable	0.0	0.0	0.0	0.0	6.0	6.0	6.0	6.0	6.0
Other current assets	1.8	1.9	5.8	2.2	2.1	2.5	2.5	3.2	4.0
Total current assets	16.0	30.2	27.9	36.0	44.7	55.0	55.0	71.3	99.8
Property and equipment, net	22.5	31.0	34.8	38.0	40.7	41.7	41.7	55.1	66.2
Goodwill	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Other non-current assets	0.8	0.5	0.8	0.7	0.7	0.7	0.7	0.9	1.1
Total assets	41.8	64.1	65.8	77.1	88.5	99.8	99.8	129.6	169.5
Current liabilities:									
Accounts payable	2.6	3.6	0.0	5.8	6.8	7.4	7.4	7.8	9.4
Income tax payable	4.0	4.8	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Series A redeemable preferred stock	0.0	13.0	13.6	14.2	0.0	0.0	0.0	0.0	0.0
Other current liabilities	4.7	6.9	9.7	6.9	8.1	8.9	8.9	11.5	14.5
Total current liabilities	11.3	28.3	25.4	26.8	14.9	16.3	16.3	19.3	23.9
Deferred rent	3.9	7.5	8.9	11.1	12.1	9.8	9.8	12.6	15.8
Deferred tax liability, non-current	0.0	0.4	0.0	0.0	2.5	2.5	2.5	2.5	2.5
Long-term debt	1.0	1.0	1.0	5.4	4.5	4.5	4.5	4.5	4.5
Other long-term liabilities	11.4	0.5	0.9	3.0	0.6	0.7	0.7	0.9	1.1
Total liabilities	27.6	37.8	36.2	46.3	34.6	33.9	33.9	39.8	47.9
Class B redeemable common stock	21.9	81.4	87.3	253.9	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	(7.7)	(55.1)	(57.6)	(223.2)	53.8	65.9	65.9	89.8	121.6
Total liabilities and shareholders' equity	41.8	64.1	65.8	77.1	88.5	99.8	99.8	129.6	169.5

Source: Company reports and KeyBanc Capital Markets Inc. estimates

Exhibit 42: Annual Cash Flow Statement ($ in millions, except per share data)

	2009	2010			2011A/E			2012E	2013E
	Year	Year	1QA	2QA	3QA	4QE	Year	Year	Year
Cash Flow Statement									
OPERATIONS									
Net earnings	5.3	12.0	3.3	1.0	0.9	12.0	17.3	23.2	31.0
Impact of other operating activities on cash flows:									
Depreciation and amortization expense	3.5	4.4	1.3	1.4	1.6	1.6	5.8	7.6	9.9
Non-cash interest expense	1.9	2.3	0.6	0.6	0.0	0.0	1.3	0.0	0.0
Stock-based compensation	0.2	0.2	0.0	0.0	0.5	0.0	0.5	0.0	0.0
Excess tax benefit from stock option exercises	0.0	0.0	0.0	0.0	(2.6)	0.0	(2.6)	0.0	0.0
Other	0.0	0.1	0.1	(0.0)	0.1	0.0	0.2	0.0	0.0
Impact of other operating activities on cash flows:									
Accounts receivable	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventory	(3.6)	(5.3)	(1.4)	(4.4)	(9.8)	(2.0)	(17.6)	(1.7)	(7.7)
Income tax receivable	0.0	0.0	0.0	0.0	(6.0)	0.0	(6.0)	0.0	0.0
Prepaid and other assets	(0.1)	(1.4)	(0.1)	(3.9)	3.6	(0.4)	(0.8)	(1.3)	(1.5)
Accounts payable	(1.6)	0.7	0.0	1.2	1.7	0.6	3.5	0.4	1.7
Income taxes payable	2.8	0.8	(2.7)	(2.1)	2.6	0.0	(2.2)	0.0	0.0
Deferred rent	1.1	3.7	1.4	2.2	1.0	(2.4)	2.3	2.8	3.2
Deferred income taxes	0.5	(0.3)	0.0	0.0	1.9	0.0	1.9	0.0	0.0
Other liabilities	1.2	2.3	(1.5)	2.6	(0.0)	0.9	1.9	2.8	3.2
Net change in working capital	*0.2*	*0.5*	*(4.3)*	*(4.5)*	*(5.1)*	*(3.2)*	*(17.0)*	*3.0*	*(1.1)*
Net cash provided by operating activities	11.1	19.4	1.1	(1.5)	(4.6)	10.4	5.5	33.8	39.7
Free Cash Flow	4.4	6.8	(3.9)	(5.2)	(9.5)	7.8	(10.9)	12.8	18.7
INVESTING									
Purchase of property and equipment	(6.6)	(12.6)	(5.1)	(3.8)	(4.9)	(2.6)	(16.4)	(21.0)	(21.0)
Net cash provided by investing activities	(6.6)	(12.6)	(5.1)	(3.8)	(4.9)	(2.6)	(16.4)	(21.0)	(21.0)
FINANCING									
Proceeds from revolving credit facility	94.0	132.2	35.5	38.8	38.8	0.0	113.2	0.0	0.0
Payments on revolving credit facility	(98.3)	(132.2)	(35.5)	(34.5)	(39.7)	0.0	(109.7)	0.0	0.0
Proceeds from initial public offering, net	0.0	0.0	(0.2)	(0.9)	16.4	0.0	15.3	0.0	0.0
Proceeds from stock option exercises	0.0	0.0	0.0	0.0	0.6	0.0	0.6	0.0	0.0
Payment to redeem Series A redeemable preferred stock liability	0.0	0.0	0.0	0.0	(10.7)	0.0	(10.7)	0.0	0.0
Cash paid for financing costs	0.0	0.0	0.0	(0.4)	0.0	0.0	(0.4)	0.0	0.0
Excess tax benefit from stock option exercises	0.0	0.0	0.0	0.0	2.6	0.0	2.6	0.0	0.0
Other	0.0	(0.3)	0.0	0.1	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)
Net cash provided by financing activities	(4.3)	(0.3)	(0.2)	3.1	8.0	(0.3)	10.6	(0.3)	(0.3)
Impact of foreign exchange on cash			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net increase in cash	0.1	6.6	(4.2)	(2.1)	(1.6)	7.5	(0.3)	12.6	18.5
Cash and cash equivalents at the beginning of period	1.2	1.3	7.9	3.7	1.6	0.0	7.9	7.6	20.1
Cash and cash equivalents at the end of period	1.3	7.9	3.7	1.6	0.0	7.6	7.6	20.1	38.6

Source: Company reports and KeyBanc Capital Markets Inc. estimates

KeyBanc Capital Markets Disclosures and Certifications

Teavana Holdings, Inc. (TEA)
We expect to receive or intend to seek compensation for investment banking services from Teavana Holdings, Inc. within the next three months.

Reg A/C Certification
The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Rating System:
BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.
HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.
UNDERWEIGHT - The security is expected to underperform the market over the next six to 12 months; investors should reduce their holdings opportunistically.

Rating Disclosures:

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY [BUY]	227	44.42	48	21.15
HOLD [HOLD]	272	53.23	50	18.38
SELL [UND]	12	2.35	4	33.33

CONSUMER

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY [BUY]	59	45.04	7	11.86
HOLD [HOLD]	70	53.44	2	2.86
SELL [UND]	2	1.53	0	0.00