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May 30, 2012

Stock Rating
Equal-weight

Industry View
In-Line

Teavana Holdings, Inc. Store Openings Ramp, But Comps Stain TEA's Growth

TEA reports \$0.10 1Q EPS in-line with consensus and beats MSe \$0.09. However, negative store-only comps (-0.1%) and negative transactions (-3.0%) worry investors who drove the stock down 18% to \$13.78 from \$16.81.

We adjust our 2Q12 EPS from \$0.02 to \$0.03 and FY12 EPS from \$0.58 to \$0.59. We forecast operating margins to decline 150bps on a full year basis. We expect 2Q GM to remain relatively flat while SG&A deleverages 340bps on public company costs, store pre-opening expenses and added compensation expense.

Investors drove the stock down 18% on negative store comps and transactions. TEA reported -0.1% store-only comps and -3.0% transactions for 1Q. We were disappointed by negative store transaction trends re-emerging and were surprised by negative store comps. Typically, TEA has generated respectable +M-HSD comp growth. Given TEA's new store base, we would expect a large number of new stores in its comp base would provide a consistent and reliable comp lift.

Long-term outlook appears less rosy. Given significant comp deceleration, we revisited our bull/base/bear case scenarios and lowered our base case valuation to \$16. While store openings are likely to continue to generate top line growth, we are concerned about EPS expansion after TEA reaches saturation (which we estimate is about 300-500 stores). We revise our base case price with our updated 2015 EPS estimate of \$1.20. We believe TEA's multiple may continue to contract unless the company is able to show stable positive transaction trends and strong consistent comp growth.

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Key Ratios and Statistics

Reuters: TEA.N Bloomberg: TEA US
Retail, Softlines / United States of America

Price target	NA
Shr price, close (May 30, 2012)	\$13.78
Mkt cap, curr (mm)	\$543
52-Week Range	\$29.35-13.78

Fiscal Year ending	01/12	01/13e	01/14e	01/15e
EPS (\$) **	0.46	0.59	0.75	0.95
Consensus EPS (\$) §	0.47	0.60	0.80	1.03
Div yld (%)	0.0	0.0	0.0	0.0
ModelWare EPS (\$) e	0.39	0.50	0.65	0.83

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

§ = Consensus data is provided by Thomson Reuters Estimates.

** = Based on consensus methodology

e = Morgan Stanley Research estimates

Quarterly ModelWare EPS

Quarter	2011	2012e	2012e	2013e	2013e
		Prior	Current	Prior	Current
Q1	0.09	0.09	0.10	-	-
Q2	0.03	0.02	0.03	-	-
Q3	0.02	0.02	0.01	-	-
Q4	0.32	0.45	0.45	-	-

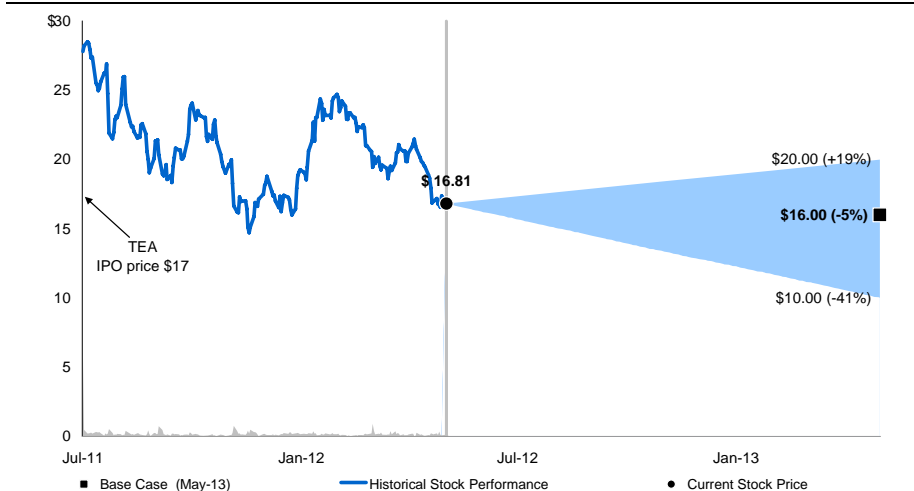
e = Morgan Stanley Research estimates

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

Risk-Reward Snapshot: Teavana (TEA, \$13.78, EW)

Risk-Reward View: TEA Is Currently Fully Valued

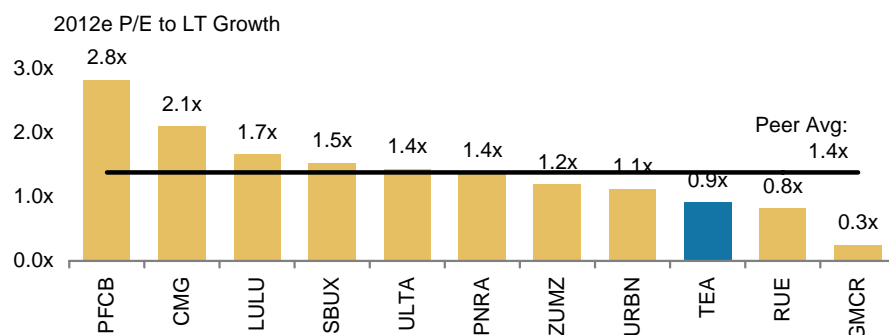


Source: Company Data, Morgan Stanley Research

Valuation Methodology – We derive our scenarios based on 2015 earnings potential and apply a P/E multiple reflecting maturity. The price is discounted back 2 years.

Bull Case	15x Bull Case 2015e EPS of \$1.50	Teavana achieves retail nirvana. Positive traffic and store transactions push comps to +HSD. Gross margins rise on sales leverage on new store occupancy costs to achieve a 25% op marg. We apply a 15x multiple in 2015 and discount back at 7%.
Base Case	14x Base Case 2015e EPS of \$1.20	Steady as TEA goes. Teavana continues on its current trajectory with +MSD comps, 30% store growth and op marg expansion to 21%. We apply a 14x multiple in 2015 and discount back at 7%.
Bear Case	13x Bear Case 2015e EPS of \$0.90	TEA taps out. Store transactions continue negative trend, slowing comp growth to flat to +LSD. Merchandise mix lowers GM and lower sales results in less than expected SGA leverage leading to flat operating margins. We apply a 13x multiple in 2015 and discount back at 10% on greater execution risk.

As Comps Decelerate, TEA's PEG Ratio Is Below Peer Average



Source: Morgan Stanley, Thomson Reuters.

Investment Thesis

- **Following the Whole Foods/lululemon model.** TEA follows Whole Foods and lululemon in the healthy lifestyle focus, a growing market with high margins.
- **TEA has room to grow.** In our universe, TEA has the lowest saturation rate in our coverage (2011 stores vs. LT plan) at 40% vs. the 74% sector average. Our analysis supports 300-500 total potential stores.
- **Slowing comp trends.** Given recent momentum slowdown, we think Teavana may have difficulty sustaining +MSD comps.

Risks

- Declining store transaction trends signal the concept may have difficulty growing at maturity
- Weakening / strengthening economy and mall traffic
- Increased competition (stores, online)
- Positive margin mix shift fails to materialize
- Smaller than anticipated addressable market

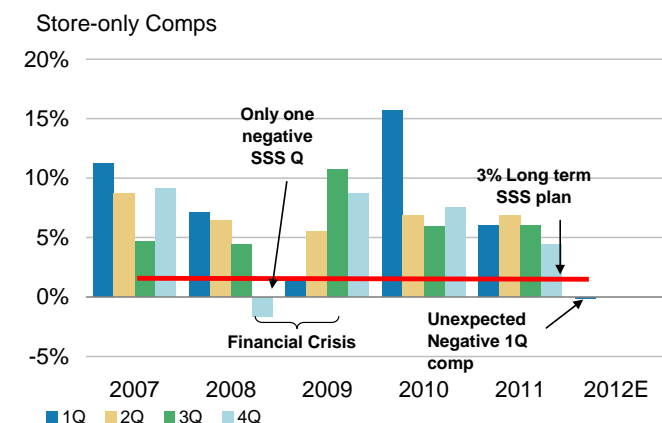
Valuation

- Current valuation reflects growth: At 28x our \$0.59 2012e EPS (and 0.9x our 31% long-term growth rate), we think Teavana's shares largely reflect its current sales and earnings potential.
- We look for 1) a more attractive entry point or 2) sustained >MSD% same store sales growth in addition to improved store transaction trends.

May 30, 2012
Teavana Holdings, Inc.

TEA reports negative SSS growth for the first time since 4Q 2008. TEA's 1Q report revealed a -0.1% store-only comp causing concern over the company's sustainable growth profile. The previous -1.6% SSS decline in 4Q 2008 can be explained by consumers cutting back during the financial crisis. We have more difficulty understanding 1Q12's negative trend. While topline growth remained strong at 27% driven by 39% y/y door growth, visibility into sustained growth after stores reach saturation appears more challenging than previously thought. While average ticket increased +2.7%, number of transactions in the quarter declined -3.0%, signaling that fewer customers are purchasing at the store.

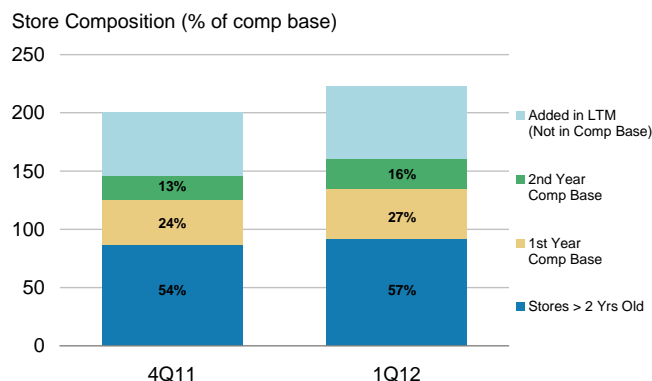
Exhibit 1 1Q Delivered An Unexpected Negative Store Comp



We are puzzled most about comp deceleration in light of the large number of new stores. Rolling a large number of new stores into the comp base should provide a consistent and reliable comp lift. Given that TEA's new stores open at approximately 75% productivity, they should comp 10% annually for 3 years to achieve mature store volumes 4 years after opening. Stores in their first year are not in the comp base and generate approximately 75% productivity (TEA reported 77% new store productivity in 1Q). In the second year, stores should enter the comp base and achieve 82.5% productivity with a 10% comp, then 91% the following year, assuming another 10% comp. Finally, stores should reach 100% productivity after another 10% in the fourth year. Our analysis of TEA's store base shows 43% of stores in 1Q12 were in their

first two years in the comp base. Given the large percentage of stores below full productivity, this implies that the company should generate much stronger comps than the current trend.

Exhibit 2 Slightly Less Than Half TEA's Stores Are In The First Two Years In the Comp Base



Inventory Per Square Foot Declines As New Store Openings Ramp

TEA ended 1Q12 with 25.9% total inventory growth year over year. This compares to 1Q's +26.8% sales increase and our forecast for +28.1% sales growth in 2Q12. We calculate inventory per square foot declined -7.7% primarily due to a 39% increase in TEA's store base (from 161 to 223 stores). Inventory turns for the quarter decreased to 0.65x vs. 0.71x last year. Looking ahead, we forecast a +2% y/y increase in 2Q inventory per square foot with total inventory dollars rising +58.2% vs. LY.

Valuation

We revise our Base Case price target from \$17 to \$16 based on our updated 2015 estimate of \$1.20. We apply a 15x multiple to 2015 earnings and discount back 2 years at a 7% to arrive at our 12-month price target.

May 30, 2012
Teavana Holdings, Inc.

Exhibit 3

Summary Operating Results & Management Guidance (\$ millions)

Metric	1Q12	1Q11	% / Bps change	EPS Variance vs. MS	1Q Comments	Guidance
Sales	\$44.3mm	\$34.9mm	+26.8%	+1c	Total sales increased +27%, to \$44.3mm vs. \$34.9mm LY. Comparable store sales increased +1.7% (including eCommerce), driven by a +0.2% increase in average ticket and a +1.5% growth in the number of transactions. Excluding beverage sales, the average ticket increased +2.0% and transactions decreased -0.5%.	2Q12: We estimate +28.1% total sales growth on flat to +LSD comp growth. 2Q12: Expect total net sales to be \$38mm to \$40mm on +L-MSD comp growth. FY12: Expect total net sales to be \$208mm to \$215mm on +MSD comp growth.
Gross Margin	64.1%	64.4%	-30 bps	+1c	Gross margin for the quarter was 64.1% vs. 64.4% LY. The -30bps decline was due to a lower tea mix and less leveraged store occupancy costs. Sales mix in 1Q12 was tea 59%, merchandise 37%, and beverage 4% (vs. 60%, 36% and 4%, respectively LY).	2Q12: We estimate gross margin to be 61.4% vs. 61.1% LY.
SG&A Rate	46.2%	42.2%	+400 bps	-1c	SG&A dollars increased 39% to \$20.5mm vs. \$14.8mm. SG&A rate increased +400bps due to store openings, stock compensation and higher costs for being a public company vs. being a private company LY.	2Q12: We estimate SG&A as a % of sales to be 52.5% vs. 49.1% LY.
Operating Margin	13.9%	18.5%	-460 bps			
Net Interest Expense (Income)	\$0.1mm	\$0.7mm	-89.6%			
Tax Rate	38.9%	42.4%	-350 bps			
Net Income	\$3.7mm	\$3.3mm	+11.8%			2Q12: Expect net income to be \$0.6mm to \$1.0mm. FY12: Expect net income to be \$23mm to \$24mm.
Shares Outstanding	39.1mm	36.7mm	+6.4%			
EPS	\$0.10	\$0.09	+5.1%			2Q12: We estimate EPS \$0.03 vs. same LY. 2Q12: Expect EPS \$0.02-\$0.03 vs. \$0.03 LY. FY12: Expect EPS \$0.58-\$0.61 vs. \$0.46 LY.
Cash& Equivalent	\$20.0mm	\$3.7mm	+435.8%			FY12: Expect capex of ~\$20mm.
Inventory	\$23.0mm	\$18.3mm	+25.9%		Inventory at the close of the quarter increased +26% to \$23.0mm from \$18.3mm LY. We calculate inventory psf decreased -8% vs. LY.	
Inventory Turn	0.65x	0.71x	-8% slower			
Net Store Openings	+62	+43	+36.5% square footage		During the quarter the company opened 23 stores, ending the quarter with 223 Company-owned stores.	2Q12: Expect to open 13-14 new stores. FY12: Expect to open 60 new stores.

Source: Company Data, Morgan Stanley Research

May 30, 2012
Teavana Holdings, Inc.

Exhibit 4

Teavana Income Statement (adjusted for Teapopia Transaction)

Income Statement	2010				2011				2012E				2006	2007	2008	2009	2010	2011	2012E	2013E	2014E	2015E
	Apr	Jul	Oct	Jan	Apr	Jul	Oct	Jan	Apr	Jul	Oct	Jan										
Total Sales	\$26	\$23	\$25	\$51	\$35	\$31	\$33	\$68	\$44	\$40	\$43	\$97	\$34	\$47	\$64	\$90	\$125	\$168	\$224	\$271	\$327	\$385
Cost of Goods Sold	10	9	10	17	12	12	13	24	16	16	17	34	\$16	\$20	\$27	\$36	\$46	\$61	\$82	\$98	\$116	\$134
Gross Profit	16	14	15	35	22	19	21	45	28	25	26	63	\$18	\$27	\$37	\$54	\$78	\$107	\$142	\$173	\$211	\$251
SG&A Expense	11	11	12	17	15	15	18	22	20	21	24	31	16	22	29	38	51	70	96	113	135	156
Depr. & Amort.	1	1	1	1	1	1	2	2	2	2	2	2	2	2	3	3	4	6	7	9	12	14
Operating Income	4	2	1	17	6	2	2	21	6	2	1	30	(\$0)	\$3	\$5	\$12	\$23	\$32	\$39	\$51	\$64	\$81
Interest Income/(Expense)	(0.6)	(0.7)	(0.7)	(0.6)	(0.7)	(0.7)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(1)	(2)	(2)	(2)	(3)	(2)	(0)	(1)	(1)	(1)
Pretax Income	3.4	1.0	0.6	16.0	5.8	1.6	1.5	21.1	6.1	1.7	0.7	30.1	(\$1)	\$1	\$3	\$10	\$21	\$30	\$39	\$50	\$63	\$80
Taxes	1	0	0	7	2	1	1	9	2	1	0	12	(0)	1	2	4	9	12	15	20	26	32
Net Income from Operator	1.9	0.6	0.3	9.2	3.3	1.0	0.9	12.5	3.7	1.0	0.4	17.9	(\$1.3)	\$0.4	\$1.2	\$5.3	\$12.0	\$17.8	\$23.0	\$29.8	\$37.7	\$47.6
Earnings Per Share	\$0.05	\$0.02	\$0.01	\$0.24	\$0.09	\$0.03	\$0.02	\$0.32	\$0.10	\$0.03	\$0.01	\$0.45	(\$0.04)	\$0.01	\$0.03	\$0.14	\$0.32	\$0.46	\$0.59	\$0.75	\$0.95	\$1.20
Average Shares	37.5	37.6	38.0	37.7	36.7	37.8	39.0	39.1	39.1	39.2	39.4	39.5	36.7	36.8	37.1	37.3	37.7	38.4	39.3	39.7	39.7	39.7
EBITDA	\$5	\$3	\$2	\$18	\$8	\$4	\$3	\$23	\$8	\$4	\$3	\$32	\$1.3	\$5.0	\$7.4	\$15.7	\$27.9	\$37.5	\$46.3	\$60.1	\$75.6	\$94.8
Margin Analysis																						
Gross Margin	61.1%	58.9%	58.6%	67.7%	64.4%	61.1%	61.9%	65.6%	64.1%	61.4%	61.3%	65.0%	52.8%	57.7%	57.4%	59.6%	62.9%	63.8%	63.5%	64.0%	64.5%	65.2%
Expense Ratio	41.9%	47.0%	49.0%	32.9%	42.2%	49.1%	52.4%	32.2%	46.2%	52.5%	55.1%	31.8%	48.9%	47.1%	45.8%	42.3%	40.6%	41.5%	42.8%	41.8%	41.4%	40.6%
Operating Margin	15.5%	7.2%	5.2%	32.4%	18.5%	7.4%	4.8%	31.0%	13.9%	4.4%	1.7%	31.1%	-0.5%	6.3%	7.5%	13.5%	18.8%	18.8%	17.3%	18.7%	19.5%	20.9%
Pretax Margin	13.0%	4.4%	2.4%	31.2%	16.5%	5.1%	4.5%	30.8%	13.7%	4.2%	1.5%	31.1%	-4.3%	2.9%	4.2%	10.8%	16.8%	17.8%	17.2%	18.5%	19.3%	20.8%
Tax Rate	42.6%	42.6%	42.4%	42.6%	42.4%	35.2%	37.2%	40.8%	38.9%	39.0%	40.0%	40.5%	7.1%	72.7%	55.7%	45.8%	42.6%	40.6%	40.2%	40.5%	40.5%	40.5%
Net Margin	7.5%	2.5%	1.4%	17.9%	9.5%	3.3%	2.8%	18.2%	8.4%	2.5%	0.9%	18.5%	-4.0%	0.8%	1.9%	5.9%	9.6%	10.6%	10.3%	11.0%	11.5%	12.3%
EBITDA Margin	19.2%	11.8%	9.7%	34.8%	22.1%	12.0%	9.5%	33.4%	17.9%	8.9%	6.2%	33.2%	4.0%	10.6%	11.6%	17.4%	22.3%	22.3%	20.6%	22.2%	23.1%	24.6%
Year-Over-Year Growth																						
Sales	43.3%	33.1%	32.4%	41.0%	35.6%	36.3%	35.1%	33.6%	26.8%	28.1%	28.3%	41.7%		39.8%	35.3%	41.3%	38.2%	34.8%	33.4%	20.8%	20.7%	17.7%
Comp. Store Sales	15.7%	6.9%	5.9%	7.5%	6.0%	6.9%	6.0%	4.4%	6.0%	6.9%	6.0%	4.4%		8.4%	3.0%	6.9%	8.7%	5.5%	0.4%	4.0%	4.0%	4.0%
SG&A Expense	26.2%	26.1%	33.2%	41.4%	36.6%	42.2%	44.5%	30.9%	38.8%	37.1%	35.0%	39.8%		34.8%	31.5%	30.4%	32.6%	37.8%	37.8%	17.9%	19.6%	15.5%
Operating Income	276.7%	338.1%	100.5%	63.8%	62.1%	40.8%	26.0%	27.8%	-4.7%	-24.9%	-54.2%	42.4%		NM	59.9%	156.2%	92.6%	34.4%	22.9%	30.5%	25.9%	26.2%
Earnings Per Share	674.2%	-567.6%	NM	75.0%	75.5%	77.5%	169.2%	31.6%	5.1%	-4.4%	-57.9%	41.9%		NM	213.7%	339.0%	124.6%	45.3%	26.8%	28.2%	26.2%	26.3%
EBITDA	166.7%	117.6%	54.3%	61.3%	56.1%	38.4%	32.5%	28.4%	2.6%	-5.5%	-16.7%	40.8%		273.9%	48.5%	111.2%	77.6%	34.7%	23.4%	29.9%	25.6%	25.4%

Source: Company Data, Morgan Stanley Research

May 30, 2012

Teavana Holdings, Inc.

Exhibit 5

Teavana Balance Sheet

	2006A	2007A	2008A	2009A	2010A	2011A	2012E	2013E	2014E	2015E
Assets										
Cash and cash equivalents	\$1.1	\$0.8	\$1.2	\$1.3	\$7.9	\$17.8	\$12.1	\$27.2	\$35.7	\$63.1
ST investments	0.0	0.0	0.0	0.0	0.0	0.0	5.0	10.0	15.0	20.0
Accounts receivable	0.0	0.0	0.0	0.3	0.3	0.4	0.5	0.6	0.8	0.9
Merchandise inventories	4.9	6.2	8.0	11.6	16.9	25.7	33.6	32.5	39.3	46.2
Prepaid minimum rent	0.0	0.0	0.0	1.1	1.4	1.9	2.5	3.0	3.6	4.3
Other	0.0	0.0	0.0	1.8	3.7	3.9	4.9	5.9	6.9	7.9
Total Current Assets	\$5.9	\$6.9	\$9.1	\$16.0	\$30.2	\$49.7	\$58.7	\$79.2	\$101.3	\$142.4
Net property and equipment	11.0	13.2	19.4	22.5	31.0	42.8	55.3	70.2	87.9	108.3
Goodwill, net	0.0	0.0	0.0	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Deferred income Taxes	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Other	5.3	5.4	6.8	0.6	0.5	0.8	0.8	0.8	0.8	0.8
TOTAL ASSETS	\$22.2	\$25.5	\$35.4	\$41.8	\$64.1	\$95.6	\$117.2	\$152.6	\$192.3	\$253.9
Liabilities and Shareholders' Equity										
Accounts payable	\$0.0	\$0.0	\$0.0	\$2.6	\$3.6	\$3.9	\$5.1	\$4.9	\$6.0	\$7.0
Line of credit	1.4	0.9	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred revenue	0.0	0.0	0.0	1.1	1.3	1.8	1.8	1.8	1.8	1.8
Other liabilities	7.7	9.8	12.0	7.6	23.3	1.8	11.2	13.5	16.4	19.3
Accrued expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distributions payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable & accrued exp - related parties	0.0	0.0	0.0	0.0	0.0	5.0	6.9	8.2	11.3	2.3
Total Current Liabilities	\$9.1	\$10.7	\$17.6	\$11.3	\$28.3	\$12.6	\$25.1	\$28.5	\$35.4	\$30.4
Deferred Rent & Tenant Allowances	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$12.9	\$20.0	\$25.3	\$29.7	\$29.7
Long-term debt	0.0	0.0	0.0	1.0	1.0	2.6	2.6	2.6	2.6	2.6
Preferred Stock	6.3	7.6	9.1	10.8	0.0	0.0	0.0	0.0	0.0	0.0
Retirement Benefit Plan Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	4.5	8.0	0.6	10.0	10.0	10.0	10.0
Deferred taxes	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Total Long-Term Liabilities	\$6.3	\$7.6	\$9.1	\$16.3	\$9.5	\$16.1	\$32.5	\$37.9	\$42.3	\$42.3
Shareholders' Equity:										
Common stock	\$10.1	\$12.2	\$15.8	\$21.9	\$81.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Additional paid-in capital	0.0	0.0	0.0	0.0	0.0	276.8	276.8	276.8	276.8	276.8
Retained earnings	(3.3)	(4.8)	(7.1)	(7.7)	(55.1)	(209.8)	(217.2)	(190.5)	(162.2)	(95.6)
Notes receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders' Equity	\$6.8	\$7.3	\$8.7	\$14.2	\$26.3	\$67.0	\$59.6	\$86.3	\$114.6	\$181.2
TOTAL LIABILITIES AND S/H EQUITY	\$22.2	\$25.5	\$35.4	\$41.8	\$64.1	\$95.6	\$117.2	\$152.6	\$192.3	\$253.9

Source: Company Data, Morgan Stanley Research

May 30, 2012

Teavana Holdings, Inc.

Exhibit 6

Teavana Cash Flow Statement

	2008A	2009A	2010A	2011A	2012E	2013E	2014E	2015E
Net income	\$1.2	\$5.3	\$12.0	\$17.8	\$23.0	\$29.8	\$37.7	\$47.6
Depreciation and amortization	2.7	3.5	4.4	5.9	7.5	9.5	11.8	14.3
Deferred income taxes	(0.6)	0.5	(0.3)	1.9	0.0	0.0	0.0	0.0
Other	1.9	2.1	2.6	(0.6)	1.0	(1.0)	(1.0)	(1.0)
TOTAL OPERATING SOURCES	\$5.2	\$11.4	\$18.7	\$25.0	\$31.5	\$38.3	\$48.4	\$60.8
Capital expenditures	8.8	6.6	12.6	17.6	20.0	24.4	29.4	34.7
Increase (decrease) in								
Inventories	\$1.8	\$3.6	\$5.3	\$8.7	\$8.0	(\$1.1)	\$6.7	\$7.0
Receivables	(0.2)	0.1	0.0	0.0	0.1	0.1	0.1	0.1
Prepaid expenses	0.7	(0.2)	1.1	0.1	0.6	0.5	0.6	0.6
Other assets	0.2	0.3	0.3	0.5	1.0	1.0	1.0	1.0
(Increase) decrease in								
Accounts payable, deferred revenue, accrued expenses, and ot	2.0	2.7	5.4	0.5	(10.6)	(2.2)	(3.8)	(4.0)
Income taxes paid, and deferred rent	0.0	0.0	0.0	5.3	(1.9)	(1.2)	(3.1)	9.0
Other assets and liabilities	0.4	0.9	2.1	(0.5)	0.0	0.0	0.0	0.0
Total working capital uses	\$0.2	\$0.3	(\$0.7)	\$4.0	\$22.2	\$3.9	\$15.4	\$3.7
TOTAL OPERATING USES	\$9.0	\$7.0	\$11.8	\$21.6	\$42.2	\$28.3	\$44.9	\$38.4
INTERNAL CASH GENERATION (FUNDS NEEDED)	(\$3.8)	\$4.4	\$6.8	\$3.4	(\$10.7)	\$10.0	\$3.5	\$22.4
Short-term investments, net	0.0	0.0	0.0	0.0	5.0	5.0	5.0	5.0
Increase in long-term debt	(0.6)	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0
Net borrowings under credit facility	5.3	(4.3)	0.0	(1.0)	0.0	0.0	0.0	0.0
Distributions paid to members	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock options exercised	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0
Common / preferred stock adjustments	0.0	0.0	0.0	4.4	0.0	0.0	0.0	0.0
Share repurchase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment and redemption of dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financing costs	(0.4)	(0.0)	0.0	(0.4)	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL EXTERNAL SOURCES	\$4.3	(\$4.3)	(\$0.3)	\$6.5	\$5.0	\$5.0	\$5.0	\$5.0
Effect of exchange rates on cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Beginning cash balance	0.8	1.2	1.3	7.9	17.8	12.1	27.2	35.7
Increase (decrease) in cash	0.4	0.1	6.6	9.9	(5.7)	15.0	8.5	27.4
Ending cash balance	1.2	1.3	7.9	17.8	12.1	27.2	35.7	63.1
Total External Sources & Cash	(\$3.8)	\$4.4	\$6.8	\$3.4	(\$10.7)	\$10.0	\$3.5	\$22.4

Source: Company Data, Morgan Stanley Research



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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1115	38%	459	42%	41%
Equal-weight/Hold	1254	43%	474	44%	38%
Not-Rated/Hold	100	3%	25	2%	25%
Underweight/Sell	471	16%	124	11%	26%
Total	2,940		1082		

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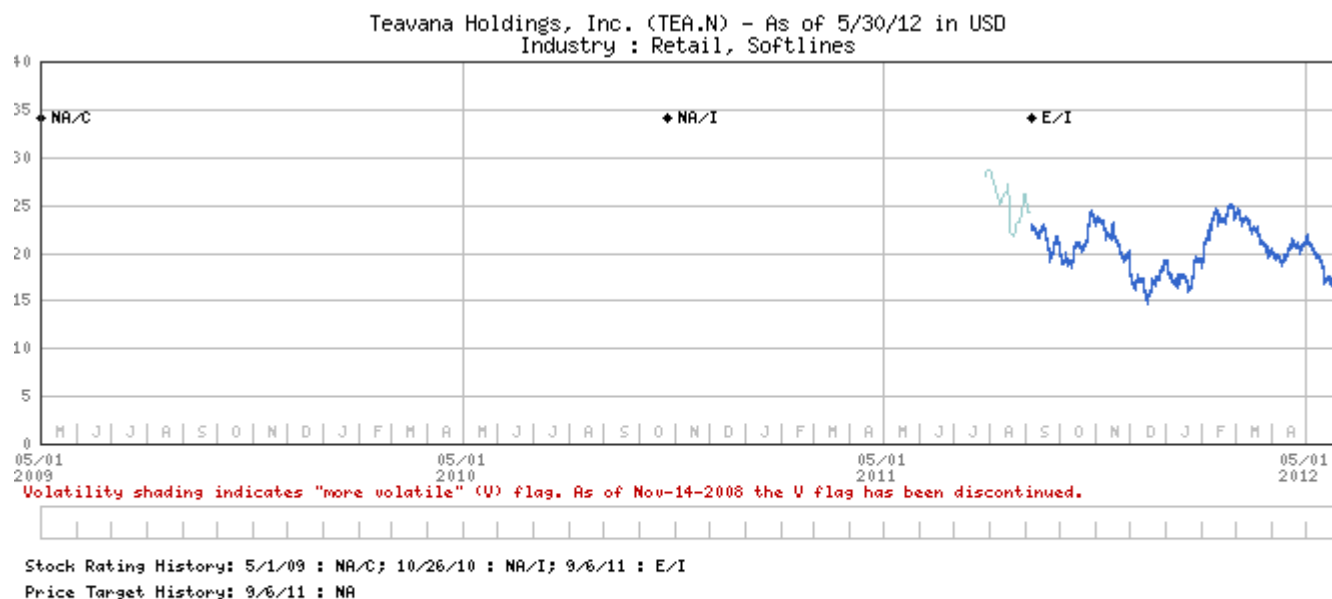
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Stock Price, Price Target and Rating History (See Rating Definitions)

May 30, 2012

Teavana Holdings, Inc.



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage: Retail, Softlines

Company (Ticker)	Rating (as of)	Price* (05/30/2012)
Kimberly C Greenberger		
ANN Inc. (ANN.N)	O (10/26/2010)	\$27.74
Abercrombie & Fitch Co. (ANF.N)	E (10/26/2010)	\$33.89
Aeropostale Inc (ARO.N)	U (10/26/2010)	\$18.6
American Eagle Outfitters, Inc. (AEO.N)	E (12/05/2011)	\$19.62
Chico's FAS Inc. (CHS.N)	E (10/26/2010)	\$14.95
Children's Place Retail Stores Inc. (PLCE.O)	E (10/26/2010)	\$46.41
Coach Inc (COH.N)	E (11/04/2011)	\$68.6
Express, Inc. (EXPR.N)	O (01/31/2011)	\$18.95
Gap Inc (GPS.N)	E (10/26/2010)	\$26.67
Limited Brands Inc (LTD.N)	O (10/26/2010)	\$45.84
Lululemon Athletica Inc. (LULU.O)	E (01/20/2010)	\$72.98
Michael Kors Holdings Ltd (KORS.N)	O (01/24/2012)	\$40
Ross Stores Inc. (ROST.O)	E (10/26/2010)	\$62.55
Skullcandy Inc (SKUL.O)	O (08/29/2011)	\$13.15
TJX Companies Inc. (TJX.N)	E (10/26/2010)	\$41.33
Teavana Holdings, Inc. (TEA.N)	E (09/06/2011)	\$13.78
Tiffany & Co. (TIF.N)	E (11/04/2011)	\$56.59
Urban Outfitters Inc. (URBN.O)	O (07/07/2011)	\$28.19

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