

AMERICAN GREETINGS CORP  
Form DEFA14A  
July 18, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**American Greetings Corporation**

(Exact name of Registrant as specified in its charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

## Edgar Filing: AMERICAN GREETINGS CORP - Form DEFA14A

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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The following presentation was delivered to Institutional Shareholder Services today.

American Greetings  
Investor Presentation  
July 18, 2013

1.  
Transaction Summary
  2.  
Strategic Rationale
  3.  
Process
  4.  
Valuation  
Topics
- 1

- 1.  
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- 2.  
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- X
- X
- X
- X

Transaction Summary

Merger Price:

3

Offer Premium:

Shareholder Meeting:

Required Vote:

On April 1, 2013, American Greetings Corporation announced that it had signed a definitive agreement

under

which

the

Weiss

Family

would

acquire

the

Company

for

\$18.20

in

cash.

On

July

3,

2013,

AG

announced

that

it

had

signed

an

amendment

to

the

merger

agreement

providing

for

an

increased per share price of \$19.00 in cash

Funding:

\$19.00 per share in cash for all shares not owned by the Family and related entities

In addition, a regular quarterly dividend of \$0.15 paid in July 2013

32.5%  
to  
the  
9/25/12  
stock  
price  
(unaffected  
closing  
price  
prior  
to  
the  
Family s  
initial offer); **33.1%** to the average stock price for 45-days prior to initial offer

18.0%  
to  
the  
3/28/13  
stock  
price  
(last  
trading  
day  
prior  
to  
the  
public  
announcement  
of a definitive merger agreement)

26.5%  
to  
the  
LTM  
EBITDA  
multiple  
over  
average  
LTM  
EBITDA  
at  
9/25/12

4.4%  
to the \$18.20 price per share under the original merger agreement

Transaction financed through:

Contributions of American Greetings shares owned by the Family

~\$240 million non-voting preferred stock investment from Koch AG Investment

\$600 million in committed debt financing (\$350 million funded term loan and \$250 million partially funded revolving credit facility)

August 7, 2013

Affirmative vote of holders of a majority of the common stock not held by the Family and related entities or any director or executive officer ( Majority of the Minority )

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Strategic Rationale  
Executive Summary

American Greetings is at an inflection point

Paper greeting cards and gift packaging constitute ~88% of our business, and the market is shrinking we are experiencing persistent year-over-year declines in sales of the core greeting card business, due to combination of a number of factors, including:

A shrinking base of card and gift shops

Increasing distribution through the value channel

The effects of the explosion of social media

Opportunities in the electronic social expressions channel of distribution exist, but require substantial investment and entail significant execution risk

Substantial  
required  
deferred  
maintenance  
spending  
on  
IT  
systems  
and  
new  
or  
substantially rehabilitated headquarters

Company requires capital investment at roughly 3x normal levels over next three years

Transaction transfers all business risk to the Family; gives public shareholders certainty of cash at a significant premium

Strategic Rationale  
Executive Summary (cont d)

The Company's stock has consistently underperformed in trading markets

Strategy of returning cash to shareholders (over \$1 billion to Class A public shareholders through dividends and repurchases since FY2005) has not been successful in driving share price performance

The following are likely contributing to weak stock performance: core market shrinking, revenue growth challenges, margin pressures, complex changes in portfolio of businesses, lack of comparable companies, virtually no analyst coverage and necessary investments

Many investors are under pressure to produce short-term and intermediate returns, especially in today's low-yield environment, making it difficult to hold shares through business transformations,

and  
creating  
further  
downward  
pressure  
on  
share  
price

During this period, share prices will likely be put under pressure

Transformational expenses will detract from AG's results of operations

The  
Family  
has  
controlled  
AG  
for  
over  
100  
years,  
and  
wants  
to  
do  
what  
is  
best  
for  
AG  
while being fair to public shareholders the Family does not think the required  
transformation can realistically be achieved as a public company  
6

If the transaction is voted down, the capital that must be redeployed into the business for  
the foreseeable future will not be available to shareholders

American Greetings engages in the design, manufacture and sale of greeting cards and other social expression products in the United States and internationally

Segments include:

North American Social Expression Products (includes Cardstore.com)

International Social Expression Products

Interactive or internet brands (e.g., AmericanGreetings.com, BlueMountain.com, egreetings.com)

UK Retail (Clintons)

Other, including in-store display fixture business and licensing of intellectual properties (e.g., Care Bears and Strawberry Shortcake)

The Company distributes its greeting card products through mass merchandisers, dollar stores, chain drug stores, supermarkets, card and gift shops

Business Overview

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FY2013 Revenue Breakout by Segment / Product Category

74% of FY2013

Revenue came from

Core Paper Greeting

Card sales

2.6  
2.5  
2.5  
2.4  
2.3  
2.3  
2.0  
2.2  
2.4  
2.6  
2.8  
3.0  
CY07  
CY08  
CY09  
CY10  
CY11  
CY12  
6.2  
6.1  
6.0  
6.0  
5.9  
5.9  
5.7  
5.8  
5.9  
6.0  
6.1  
6.2

6.3

CY07

CY08

CY09

CY10

CY11

CY12

Greeting Cards Industry Faces Persistent,  
Accelerating Decline

Mature greeting cards industry experiencing long-term and accelerating unit decline (2%-4% decline / year since CY 2007)

Pace of decline meaningfully accelerated in 2011 and 2012, despite improved economy

Most lucrative heavy user  
customer base saw declining volume in 2012 (-1.5%)

Social media, including Facebook and other e-greeting technologies, have exerted competitive pressure on American Greetings and the industry overall

While price increases have softened the revenue impact, sustainability is uncertain given absolute prices, emergence of mass retailers/dollar stores and increasing electronic pressures

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Source:

IRI

scan

data,

AG

proprietary

consumer

surveys,

management

estimates.

Units

Dollars

U.S. Greeting Card Industry Units and Dollar Sales Trends

Billions

CY07-CY12 CAGR: (2.6%)

Billions

CY07-CY12 CAGR: (0.8%)

### Declining Industry Trends

Consumer purchases driven more by selection and convenience than by brand

Adult participation in social networking and media has grown to ~52% in 2012 from ~11% in 2006

Retailer consolidation increases retailer purchasing power

Channel shift

Mass retailers and dollar stores growing share as card and gift shops  
(specialty retail) decline

More volume sold at lower price points and lower margins

Electronic channels of social expression have emerged as potentially major disruptors to our  
core industry

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Source: IRI scan data, AG proprietary consumer surveys, management estimates.

(a) Does not include e-cards

Card Category History and Projections by Channel

Units

Dollars

Stock Price Performance

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Source: Capital IQ as of 7/2/13.

(a) Represents closing price as of 9/25/12, unaffected for announcement of Initial Offer, which was made after the market close

In the two years prior to the initial Family offer, AG's stock price was **down 30%** despite having returned over \$180 million of capital to shareholders in that period

In  
the  
same  
period,  
the  
S&P  
400  
Consumer  
Discretionary  
Index  
was

up  
40%

Correlation  
between  
AG's  
stock  
price  
and  
the  
broader  
market  
has  
been  
very  
low  
over  
both  
short-  
and long-term periods

Trading Ranges Nearly Always Below Final Offer

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30-Days

Between 9/25 Initial Proposal and 7/2 (191 Days)

180-Days

1-Year

Source: Capital IQ as of 7/2/13.

99% of shares traded over the one-year period prior to the Family's initial proposal traded below \$19.00

100% of shares traded below \$16.50 in the six months prior to the initial proposal  
(Period ending September 25, 2012, except where noted)

American Greetings 15-Year Stock Price Chart  
Marked Decline in Equity Value  
American Greetings 15-Year Total Shareholders' Equity Value History  
Source: Capital IQ.  
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Lackluster Stock Price Performance Despite  
Major Return of Capital to Shareholders

Since FY2005, AG has returned over \$1 billion of capital to Class A public shareholders through share repurchases and dividends

Despite major share repurchases and dividends, AG's unaffected stock price has declined 38% since 2005 and 82% since 1997; the Company's strategy of returning significant capital to shareholders has not been successful

Deployment of Capital to Class A Shareholders (\$ in millions)

13

Source: Company's public filings. Class A dividends calculated by applying ratio of average Class A shares outstanding to av

Limited Benefit to Being Public

Source: Bloomberg, Capital IQ, ThomsonOne

(a) ADTV calculated as averaged trading volume over 30 consecutive trading days

Lack  
of  
comparable  
public  
companies  
discourages investment in equity research and  
investor education

Largest competitor (Hallmark Cards) is privately owned

Social expressions is an adjacent market to consumer goods, limiting interest from institutions focused on the consumer goods markets

Many of the standard benefits enjoyed by public companies do not exist for American Greetings

Limited institutional support  
only one equity coverage  
analyst

Industry fundamentals do not support future equity research coverage or institutional investment

Average daily trading volume and declining public share float further hinder liquidity and appetite for public investment

On average over the six months prior to the Family's initial offer, short interest accounted for 40% of AG's share float

investors have recognized that our core market is shrinking

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Shares Outstanding and Average Daily Trading Volume ("ADTV")

(a)

Industry Fundamentals

Limited

Institutional

Support

AG

Equity

Coverage

Analysts

American Greetings is at a Significant Competitive Disadvantage as Long as it is Publicly Traded

American Greetings

largest competitor is privately held and able to invest and re-invest in its business without the pressure to produce period-over-period revenue, earnings and cash flow growth

Expanding business with retail customers can require significant upfront expenses before revenue and profit are generated, thereby putting substantial pressure on short-term results and causing earnings volatility

American

Greetings

recently

developed

a

significant

new

customer

relationship

with a national retailer; however, assuming a contract is signed, the relationship would require substantial investment in the early years and has a negative NPV over the first five years

After American Greetings publicly reports strong operating results, commercial negotiations become more difficult as retail customers push contract terms

As

a

private

company,

American

Greetings

will

be

subject

to

less

commercial

negotiating stress, and be better able to optimize its retail partner negotiations much like its largest competitor

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Industry Challenges and Necessary Redirection of  
Capital Increase Downside Risks for Public Holders

Persistent decline in the core paper greeting cards industry of 2%-4% unit volume annually (including 3.7% decline in most recent year)

Intensifying risks to the core paper greeting cards industry posed by transition to the use of social media, decrease in number of specialty retailers and growing proportion of value channel sales

Material costs associated with investments in online/digital social expression products with uncertain return

Increasing concentration of retailers exacerbates pressure on commercial terms

The Company will continue to support investment in the value channel as a source of potential unit growth, despite negative implications on margins

Alternatives evaluated, such as a substantial special dividend or leveraged recapitalization transaction, would reduce the Company's flexibility and jeopardize the equity value of the Company

Substantial investments required over the next several years (restructuring Clinton Cards, modernization of IT systems, new or significant rehabilitation of headquarters) will adversely affect earnings and cash flow

These factors, taken collectively, evidence significant challenges facing the Company were it to remain public, and support the recommendation to deliver certain value to shareholders

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Process  
Executive Summary

Fully independent Special Committee advised by nationally recognized independent advisors

Financial advisor's fees not conditioned on rendering a favorable opinion as to the transaction

Special Committee empowered to consider/pursue alternatives and to reject any proposed transaction

The Family did not participate in any board deliberations concerning the proposal

Transaction  
conditioned  
on  
majority  
of  
the  
minority  
vote

Standstill after public announcement of Family proposal to ensure negotiating leverage and adequate time for a third party to express interest (no such interest was expressed)

Special Committee negotiated a substantial increase in Family's offer price

Special Committee continued to evaluate the Company after the March 28, 2013 agreement was reached, and extracted additional value for shareholders

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Experienced / Independent Special Committee  
and Independent Advisors

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The Special Committee:

Dr.  
Scott  
S.  
Cowen:  
President  
of  
Tulane  
University,  
former  
Dean  
of  
Case  
Western  
Reserve  
University,  
former  
Chairman  
of  
Special  
Committee  
for  
Jo-Ann  
Stores  
going-private  
LBO

Jeffrey D. Dunn:  
Former President and Chief Executive Officer and director of  
HIT Entertainment Limited

William  
E.  
MacDonald,  
III:  
Former  
Vice  
Chairman  
of  
National  
City  
Corporation

Michael  
J.  
Merriman,  
Jr.:  
Former  
CEO  
of  
Lamson  
&  
Sessions  
Corporation  
Advisors to the Special Committee:

Peter J. Solomon Company, financial advisor

Sullivan & Cromwell, legal advisor

### Key Process and Proposal Highlights

American Greetings was founded by Jacob Sapirstein in 1906, and has remained controlled by descendants of Jacob Sapirstein (now the Weiss Family) throughout the Company's existence

A/B voting structure in existence since 1955; public shareholders invested knowingly into Family-controlled company with an A/B voting structure

During the six-month public process, prospective parties interested in contacting the Special Committee or PJSC were able to do so

On  
10/19/12,  
the  
Company  
issued  
a  
press  
release  
stating  
that  
the  
Special  
Committee was authorized to review and evaluate other options, signaling openness to third-party approaches

No third party expressed interest in acquiring or entering into any other transaction with the Company during that six-month period (or to date)

A  
standstill  
provision  
prohibited  
the  
Family  
from  
pursuing  
a  
bid  
(or  
taking  
certain  
other related actions) without the consent of the Special Committee

Record reflects extensive negotiation by the Special Committee

The  
Family  
did  
not  
participate  
in  
any  
deliberations  
of  
American  
Greetings  
Board  
of  
Directors regarding the proposal

Special Committee actively controlled Family access to company management

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### Robust Special Committee Process

Board of Directors delegated to the Special Committee the exclusive power and authority to recommend what action, if any, should be taken with respect to the Family's proposal

The Committee could have just said no, or approved a financial alternative

Counsel for Special Committee and Family negotiated confidentiality agreement with standstill

Contained 22-week standstill provision that limited the ability of the Family to make a proposal directly to the Company's shareholders or to purchase shares

Special Committee also obtained a 12-month standstill from the Family's potential financing sources, effectively limiting the ability of the Family to acquire the Company without Special Committee approval

Special Committee of four independent directors also empowered to consider and recommend that the Board take action with respect to strategic alternatives, including the ability to reject the Family's proposal and remain a public company or pursue a financial alternative

The Special Committee met 27 times between its formation and original announcement of the transaction and evaluated alternatives, including:

Continuing as a stand-alone public company

Undertaking a recapitalization (including share repurchases and/or dividends)

Sale of Company to the Family

The Special Committee met an additional seven times between the original announcement of the transaction and the announcement of the amendment to the merger agreement

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Robust Special Committee Process (cont d)

The Board fully considered and adopted the Special Committee's recommendation in making its decision to unanimously recommend the transaction to the shareholders

The  
Special  
Committee  
demanded  
and  
secured

Majority  
of  
the  
Minority  
shareholder

approval requirement; shares beneficially owned by directors, officers and the Family not counted in Majority of Minority vote

Negates voting interest of Family and other officers and directors

Remaining Class B shares receive only one vote

Enables public shareholders to determine whether transaction will occur

The Special Committee continued to evaluate the Company after the original merger agreement

was  
signed,  
and  
demanded  
and  
secured  
an  
enhancement

in  
the  
per  
share  
merger consideration

The Family Shareholders believe that the financial developments during the Company's first fiscal quarter of 2014 were neither material nor reflective of any

fundamental  
improvement  
in  
the

trajectory  
of  
American  
Greetings  
business;

nevertheless, the Special Committee was able to extract an additional 4.4% premium  
(\$0.80 per share) for the public shareholders

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### Arm s-Length Legal Negotiations

On behalf of the Family, Jones Day delivered the first draft of the Merger Agreement on January 19, 2013, and the agreement was negotiated by Jones Day and Sullivan & Cromwell until March 29, 2013. As compared to Jones Day s initial draft of the agreement, the final version reflects several key concessions secured by the Special Committee, including:

The Majority of the Minority shareholder vote

A \$7.3 million joint and several guaranty from the Family with respect to the obligations of the purchasing entities

The  
Special  
Committee's  
ability  
to  
change  
its  
recommendation  
due  
to  
an  
intervening  
event  
affecting AG s prospects as a publicly traded company

The obligation of the Family Shareholders to deliver a fully executed preferred stock purchase agreement for the preferred equity concurrently with the execution of the Merger Agreement, as opposed to simply providing a commitment letter

More favorable language on customarily negotiated items such as representations, warranties, covenants and other provisions affecting closing certainty

The cancellation, without consideration, of the various equity awards held by the Family Shareholders with an aggregate value of over \$9.3 million

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## Valuation

### Valuation Overview

Special Committee believes that the \$19.00 per share consideration (reached after prolonged negotiations) represents the highest per share consideration it could obtain from the Family

\$19.00 proposal represents a 32.5% premium to the 9/25/12 unaffected closing price prior to the Family's initial proposal

Company's financial results in recent years have been significantly affected by non-recurring, one-time and other special items

~40% of FY2013E Adjusted EBIT was related to one-time adjustments

Makes it difficult to identify clear trends in the Company's business and the Company's likely future financial performance

Results in inconsistent cash flows

Company's EBIT has consistently underperformed relative to strategic plans, raising concerns about certainty of future EBIT forecasts

25

\$12.50  
\$15.25  
\$13.00  
\$16.00  
\$16.75  
\$17.00  
\$19.50  
\$25.00  
\$22.50  
\$23.25  
\$25.50  
\$23.00  
\$10.00

\$12.50

\$15.00

\$17.50

\$20.00

\$22.50

\$25.00

\$27.50

52-Week Trading Range Prior  
to 9/25/13 Offer

Comparable Companies

Precedent Transactions

Present Value of Future Share

Price (a)

Sum of the Parts

DCF

26

(a)

Includes

present

value

of

future

quarterly

dividend

payments

of

\$0.15

per

share.

Valuation Analysis Summary

1/17/13

Offer

Unaffected Share

9/25/12

\$14.34

\$17.18

9/25/12

Initial Offer

3/28/13

Offer

\$18.20

7/1/13

Offer

\$19.00

### Compelling Offer to Shareholders

#### Attractive Premium

32.5% premium to unaffected share price prior to Family's initial proposal (9/25/12)

33.1% premium to 45 trading day average prior to Family's initial proposal

18.0% premium to closing stock price prior to announcement of original definitive merger agreement (3/28/13)

4.4% premium to the price per share contained in the original March 29, 2013 merger agreement

#### Premium Multiple

4.0x FY13E EBITDA based on Management Treasury Model dated 11/30/12 with certain adjustments based on Management guidance

Represents a 29.3% premium to the average LTM EBITDA multiple over American Greetings prior year average LTM EBITDA multiple

More favorable to the Company's shareholders than the status quo or other strategic and financial alternatives given the operational and/or financial risks associated with the status quo or other alternatives

\$19.00 per share compared to valuation methodologies

Discounted cash flow: \$17.00 to \$23.00

Selected public company analysis: \$15.25 to \$25.00

Precedent transactions: \$13.00 to \$22.50

Present value of future share price: \$16.00 to \$23.25

Sum of the parts: \$16.75 to \$25.50

Company shares have not historically correlated with broader equity markets and it cannot be assumed that recent positive trends in overall market conditions would similarly affect the Company's shares in absence of an offer

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Note:

American

Greetings

has

no

substantially

similar

publicly

traded

comparable

companies

Premium Valuation Achieved

28

\$14.34

\$17.18

\$17.50

\$18.20

\$19.00

10.00

12.00

14.00

16.00

18.00

\$20.00

\$14.34

\$17.18

\$17.50

\$18.20

\$19.00

10.00

12.00

14.00

16.00

18.00

\$20.00

8.6% premium to

Revised

Proposal on 1/17

(a)

Revised Proposal on 1/17/13 would eliminate regular quarterly dividends of \$0.15 per share.

(b)

Revised Proposal on 3/28/13 also includes one regular quarterly dividend of \$0.15 per share payable July 2013 (not included a

Unaffected

Share Price

Initial

Proposal

On 9/25/12

Revised

Proposal on

1/17/13 (a)

Revised

Proposal on

3/28/13 (b)

10.6%

premium to

Initial Proposal

32.5%

premium to

unaffected

share price

Premium

to

Unaffected

Trading

Price

and

Earlier

Proposals

by

the

Family

Final Offer

4.4% premium to

Revised Proposal

on 3/28

Premium Valuation Achieved

29

\$12.50

\$14.25

\$14.34

\$16.10

\$18.20

\$19.00

10.00

12.00

14.00

16.00

18.00

\$20.00

Unaffected

Share Price

18%

premium to

prior day

closing

stock price

(a) Revised Proposal on 3/28/13 also includes one regular quarterly dividend of \$0.15 per share payable July 2013 (not include

52-Week

Low Prior to

Initial

Proposal

Closing

Stock Price

on 3/28/13

32.5%

premium to

unaffected

share price

33.3%

premium to 30

calendar days

prior to Initial

Proposal

30 Calendar

Days Prior

to Initial

Proposal

52.0%

premium to

52-week low

prior to Initial

Proposal

Revised

Proposal on

3/28/13 (a)

Premium to Various Historical Stock Prices

Final Offer

4.4% premium to

Revised Proposal

on 3/28

Offer Represents Significant Premium

Source:

Capital

IQ.

Capital

IQ

calculation

of

enterprise

value

does

not

include

restricted  
stock  
units  
or  
performance  
shares  
and  
may  
have  
different  
adjustments  
for  
EBITDA  
than  
those  
used  
in  
other  
analyses  
in this  
presentation. Data as of 7/2/13.

(a) CapIQ calculates LTM EV/EBITDA multiple using EBITDA of \$150.1mm for period ended 2/28/13 compared to adjusted

(b) Current multiple assumes LTM EBITDA of \$212.3mm and net debt of \$200.3mm for the period ended 2/28/13 based on Co

guidance. Current multiple calculated using diluted share count including restricted stock units and performance shares and tre

30

EV / LTM EBITDA

2 years prior to Initial Proposal

50%  
75%  
100%  
125%  
150%  
175%  
200%  
Sep-09  
Mar-10  
Sep-10  
Mar-11  
Sep-11  
Mar-12  
Sep-12  
American Greetings  
S&P 400 Consumer Discretionary  
0%  
25%  
50%

75%  
100%  
125%  
150%  
Sep-07  
Sep-08  
Sep-09  
Sep-10  
Sep-11  
Sep-12  
American Greetings  
S&P 400 Consumer Discretionary  
0%  
50%  
100%  
150%  
200%  
250%  
300%  
Sep-97  
Sep-00  
Sep-03  
Sep-06  
Sep-09  
Sep-12  
American Greetings  
S&P 400 Consumer Discretionary  
0%  
50%  
100%  
150%  
200%  
250%  
Sep-02  
Sep-04  
Sep-06  
Sep-08  
Sep-10  
Sep-12  
American Greetings  
S&P 400 Consumer Discretionary  
10-Year Relative Stock Chart  
15-Year Relative Stock Chart  
5-Year Relative Stock Chart  
Comparative Stock Price Performance  
3-Year Relative Stock Chart  
Source: Capital IQ.  
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While the broader market has provided significant returns on equity investments over time, American

Greetings  
has  
significantly  
underperformed  
and,  
in  
most  
periods,  
has  
not  
provided  
positive  
return

Furthermore, in all observed time periods, American Greetings has demonstrated a lack of correlation with the broader consumer discretionary market

41.9%

253.9%

87.4%

223.6%

55.0%

134.0%

75.6%

168.1%

(Period ending September 25, 2012)

R

: 0.213

R

: 0.292

R

: 0.322

R

: 0.068

2

2

2

2

0.172  
0.026  
0.029  
0.021  
0.106  
0.016  
0.126  
0.012  
0.022  
0.051  
0.033  
0.084  
0.097  
0.076  
0.288  
0.304  
0.155  
0.178  
0.202  
0.217

0.144  
0.098  
0.212  
0.088  
0.138  
0.076  
0.176  
0.070

--  
0.100  
0.200  
0.300  
0.400  
0.500  
0.600  
0.700  
0.800  
0.900  
1.000

BTH  
CSS  
SCHL  
MDP  
ICON  
CHKE  
FLWS  
SFLY  
RRD  
QUAD  
HGG  
GME  
BBY  
BKS

Low Trading Price Correlation to Comparables

Source: Bloomberg. R-squared is calculated as the weekly correlation between week over week change of the stock and American  
32

In addition to the lack of correlation between AG's stock price and the S&P 400 Consumer Discretionary Index, movement in AG's stock price has a very low correlation with the selected comparable public companies

While we believe the selected group of comparable companies is as similar as possible to AG, there simply are not substantially similar comparable companies in the public market

1-Year (9/26/11 - 9/25/12)

5-Year (9/25/07 - 9/25/12)

### Short Interest

Prior to the announcement of the Family's initial proposal, approximately 44% of AG's float was short

Similarly high short interest likely to return if transaction not consummated

AG Short Interest as Percent of Float

May 2012 to June 2013

33

Source: Short interest data from NYSE; float number from FactSet

### A Leveraged Recap is Not a Viable Alternative

The Special Committee, after careful consideration, concluded that a leveraged recapitalization was not likely to lead to superior value.

Substantially greater debt levels would significantly increase AG's business risks by reducing (1) the Company's flexibility, (2) its ability to respond to adverse business developments, and (3) its ability to fund necessary deferred capital expenditures—all of which is likely to jeopardize the equity value of the Company.

The common equity of a recapitalized, more indebted Company might trade at lower multiples of EBITDA than it has traded in the recent past.

The Company's resulting small equity capitalization could impair the liquidity and trading value of the Company's publicly held Class

A common shares

The potential economic benefits of such a dividend/recapitalization transaction are not likely to provide a value superior to the \$19.00 per share merger consideration and the risks to realizing any superior value are considerable.

AG's track record of substantial capital return to shareholders has not been correlated with creation of value in the stock price (over \$1bn returned since FY2005; stock price down 35%); there is no reason to believe that markets would react differently to further capital return.

It is likely that the very high level of short interest in AG (44% of share float prior to the Family's offer) would return.

A leveraged recapitalization would not address the basic challenges of reshaping our business for the future as a public company.

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35

Future Stock Price Analysis Based on Illustrative  
Levered Recap

Source:

Share

count

for

LTM

based

on

diluted

shares

outstanding

as

of

5/31/13

per

Management;

FY14-FY18

based  
on  
diluted  
shares  
outstanding  
from  
Updated  
Management  
Treasury  
Model  
dated  
6/23/13.

(Amounts in Millions, Except Per Share Data)

Fiscal Year

LTM

2014E

2015E

2016E

2017E

2018E

Adjusted EBITDA (c)

\$216.9

\$218.8

\$230.9

\$238.7

\$245.5

% Growth

4.4%

(1.2%)

5.5%

3.4%

2.8%

Net Debt

461.6

475.5

423.6

391.1

268.4

116.0

Total Debt / EBITDA

2.4 x

2.1 x

1.9 x

1.7 x

1.1 x

0.5 x

Adj. EBITDA

Stock Price at End of Fiscal Year

Multiple

LTM

2014E  
2015E  
2016E  
2017E  
2018E

Projected Stock Price at Illustrative EV/Adjusted EBITDA Multiples:

3.4  
x  
\$8.32  
\$8.42  
\$9.58  
\$11.60  
\$15.76  
\$20.56  
3.6  
9.63  
9.77  
10.88  
12.96  
17.15  
21.96  
3.8  
10.94  
11.11  
12.19  
14.32  
18.53  
23.37  
4.0  
12.24  
12.46  
13.50  
15.68  
19.92  
24.77  
4.2  
13.55  
13.80  
14.81  
17.04  
21.30  
26.18  
4.4  
14.86  
15.14  
16.12  
18.40  
22.69  
27.58  
4.6

16.17  
16.49  
17.42  
19.76  
24.07  
28.98  
4.8  
17.48  
17.83  
18.73  
21.11  
25.46  
30.39

Present Value at May 31, 2013

Present Value of Stock Price Assuming 13.5% Cost of Equity:

3.4  
x  
\$8.32  
\$7.66  
\$7.67  
\$8.19  
\$9.81  
\$11.27  
3.6  
9.63  
8.88  
8.72  
9.15  
10.67  
12.04  
3.8  
10.94  
10.11  
9.77  
10.11  
11.53  
12.81  
4.0  
12.24  
11.33  
10.82  
11.07  
12.39  
13.58  
4.2  
13.55  
12.55  
11.87  
12.03  
13.25

14.35  
4.4  
14.86  
13.77  
12.92  
12.99  
14.12  
15.12  
4.6  
16.17  
15.00  
13.96  
13.95  
14.98  
15.89  
4.8  
17.48  
16.22  
15.01  
14.91  
15.84  
16.66  
Present Value at May 31, 2013  
Total Shareholder Value Including Present Value of Stock Price and  
3.4  
x  
\$16.32  
\$15.66  
\$15.68  
\$16.19  
\$17.81  
\$19.27  
\$8.00 Dividend, Assuming 13.5% Cost of Equity:  
3.6  
17.63  
16.89  
16.72  
17.15  
18.67  
20.04  
Assuming 100.0% Cost of Equity:  
3.8  
18.94  
18.11  
17.77  
18.11  
19.53  
20.81  
4.0  
20.25

19.33  
18.82  
19.07  
20.39  
21.58  
\$221.5(d)  
4.2  
21.55  
20.55  
19.87  
20.03  
21.25  
22.35  
4.4  
22.86  
21.78  
20.92  
20.99  
22.12  
23.12  
4.6  
24.17  
23.00  
21.96  
21.95  
22.98  
23.89  
4.8  
25.48  
24.22  
23.01  
22.91  
23.84  
24.66

Assumes  
an  
\$8.00  
dividend  
is  
paid  
on  
5/31/13,  
(a)  
using  
incremental  
borrowing  
of  
\$265  
million,

resulting  
in  
2.4x  
Debt / LTM EBITDA

Assumes  
no  
make-whole  
payment  
on  
existing  
7.375%  
Senior  
Notes  
(b)

Assumes suspension of regular \$0.15 / quarter dividend

- (a) Assumes \$265mm of incremental leverage using Term Loan B at L + 450bps with 125bps floor (2.4x Total Debt / LTM EBITDA)
- (b) Does not factor in potential consent fees or changes to interest rate.
- (c) Source: LTM EBITDA as of 5/31/13 per Management on 6/25/13, with certain adjustments, including normalizing for 365-day model dated 6/26/13, with certain adjustments to FY2014E EBITDA based on Management guidance.
- (d) FY2014E Adjusted EBITDA includes \$8.0 million of additional adjustments made in connection with the analyses performed.

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Pro Forma Effect of Special Dividend

Mkt Cap Post Dividend

Stock Price Post Dividend

Proforma 5/31/13 Stock

Price Plus Dividend

(Amounts in Millions, Except Per Share Data)

Special

Dividend

Total \$

Pro Forma

EV / Adj. LTM EBITDA Multiple (a)

Per Share

Distributed

Debt / EBITDA

3.4 x

3.6 x  
3.8 x  
4.0 x  
4.2 x  
4.4 x  
4.6 x  
4.8 x  
\$16.32  
\$17.63  
\$18.94  
\$20.25  
\$21.55  
\$22.86  
\$24.17  
\$25.48  
\$2.00  
\$66.3  
1.5 x  
\$474.9  
\$518.2  
\$561.6  
\$605.0  
\$648.4  
\$691.7  
\$735.1  
\$778.5  
\$14.32  
\$15.63  
\$16.94  
\$18.25  
\$19.55  
\$20.86  
\$22.17  
\$23.48  
\$4.00  
132.6  
1.8 x  
\$408.5  
\$451.9  
\$495.3  
\$538.7  
\$582.1  
\$625.4  
\$668.8  
\$712.2  
\$12.32  
\$13.63  
\$14.94  
\$16.25  
\$17.55

\$18.86  
\$20.17  
\$21.48  
\$6.00  
199.0  
2.1 x  
\$342.2  
\$385.6  
\$429.0  
\$472.4  
\$515.7  
\$559.1  
\$602.5  
\$645.9  
\$10.32  
\$11.63  
\$12.94  
\$14.25  
\$15.55  
\$16.86  
\$18.17  
\$19.48  
\$8.00  
265.3  
2.4 x  
\$275.9  
\$319.3  
\$362.6  
\$406.0  
\$449.4  
\$492.8  
\$536.2  
\$579.5  
\$8.32  
\$9.63  
\$10.94  
\$12.24  
\$13.55  
\$14.86  
\$16.17  
\$17.48  
\$10.00  
331.6  
2.7 x  
\$209.6  
\$253.0  
\$296.3  
\$339.7  
\$383.1  
\$426.5

\$469.9  
\$513.2  
\$6.32  
\$7.63  
\$8.94  
\$10.25  
\$11.55  
\$12.86  
\$14.17  
\$15.48

Source: Share count based on diluted shares outstanding as of 5/31/13 per Management guidance.

Calendar Days

Prior to Initial Offer

Mean

Median

30 Days

3.2 x

3.2 x

60 Days

3.1 x

3.1 x

90 Days

3.1 x

3.1 x

6 Months

3.0 x

3.0 x

12 Months

3.1 x

3.1 x

18 Months

3.4 x

3.3 x

24 Months

3.5 x

3.5 x

In the 24 months preceding the Family's initial offer, the average EV/Adjusted LTM

EBITDA multiple was 3.5x

EV / LTM EBITDA

2 years prior to Initial Proposal

Note: Market capitalization calculated using the enterprise value based on LTM EBITDA of \$216.9mm multiplied by the adjusted multiple per Management on 6/25/13, less cash used to issue dividends.

(a) Source: LTM EBITDA as of 5/31/13 from Management, with certain adjustments, including normalizing for 365-day period.

## Conclusion

Growth in the paper greeting card space has been negative and this trend is likely to continue

Growth in electronic channels may increase rapidly

American Greetings is at an inflection point; capital will be dramatically redirected

Capital must be redirected from a focus on returning capital to shareholders to investments in the core business including information technology and the electronic channel of distribution

AG's normal capital expenditures are approximately \$50 million per year. In light of the conditions faced by the Company, up to \$446 million (over 1.75x historical patterns) is estimated to be required over the next five years for:

Deferred expenditures in information systems technology;

Substantial rehabilitation of the current headquarters or investment in a new headquarters (current facility ~60 years old);

Investment in emerging channels of distribution for social expressions products (through Cardstore or other emerging channels of distribution)

A substantial portion of this required capex is not growth-focused, but rather is deferred maintenance necessary to support the Company's core business in the declining paper greeting card industry

The proposed transaction transfers all business risk to the Family, giving public shareholders certainty of cash at a significant premium

Conclusion (cont d)

A premium cash offer at a time when industry trends show declining sales

Significant premium above stock's trading levels over the months leading up to announcement and premium multiple

More favorable to the Company's shareholders than the status quo or other strategic and financial alternatives available

No third party has provided any indication of interest in pursuing a transaction involving the Company

The proposal is the culmination of a process that ultimately leaves shareholders with the decision:

The  
merger  
agreement  
must  
be  
approved  
by  
a  
Majority  
of  
the  
Minority  
vote  
38  
\$19.00  
per  
share  
in  
cash  
is  
fair  
to  
and  
in  
the  
best  
interests  
of  
the  
Company  
and

its  
unaffiliated shareholders based on:

Appendix

Chronology of Negotiation Process

Special Committee Qualifications

Forward-Looking Statements

Additional Information and Where to Find It

Participants in the Solicitation

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12/7/12

Special Committee told the Family that it would only negotiate if and when the Family presented a firmer and more detailed financing structure

Special Committee communicated to the Family the possibility of pursuing alternative transactions (e.g., recapitalization) to enhance value

Special  
Committee  
also  
communicated  
to  
the  
Family  
that  
it  
sought  
a

bid in  
the \$20 s  
Chronology of Special Committee s Efforts to  
Maximize Shareholder Value

Family submitted Initial Proposal of \$17.18 to acquire all Class  
A and Class  
B common shares not owned by the Family  
40  
9/25/12  
9/30/12

Special Committee formed by the Company s Board of Directors  
10/7/12 -  
10/14/12

Special Committee appointed Sullivan & Cromwell as its legal advisor and  
Peter J. Solomon Company as its financial advisor

Chronology of Special Committee's Efforts to  
Maximize Shareholder Value (cont'd)

Special Committee, upon review of 1/17/13 Revised Proposal, informed the Family that the updated proposal remained insufficient

Special Committee also emphasized that any proposal must include quarterly dividends, reverse break-fees and majority of minority shareholder approval condition

41

1/30/13

1/17/13

Family sent a letter to the Special Committee increasing its merger price to \$17.50

Draft merger agreement included suspension of \$0.15 quarterly dividends

Dr. Cowen and Zev Weiss met to discuss price; Mr. Weiss indicated that the

Family may be willing to consider \$18.00 per share plus regular quarterly dividend, but no such proposal was made

Dr. Cowen stated that he did not believe that price would be acceptable to the Special Committee

2/27/13

12/19/12

Zev Weiss stated that the Family had significant concerns about obtaining financing on terms acceptable to them that would support the proposed \$17.18 per share price

Chronology of Special Committee's Efforts to  
Maximize Shareholder Value (cont'd)

Special  
Committee  
and  
representatives  
of  
Sullivan  
&  
Cromwell  
and  
PJSC  
negotiated  
price  
and  
transaction  
agreements  
with  
the  
Family  
and its  
advisors

Zev Weiss indicated that the Family had no ability and no intention to pay more than \$18.00 per share, plus regular quarterly dividends

Dr. Cowen, on behalf of the Special Committee, indicated that the Special Committee's desired that shareholders receive \$18.75 per share plus ordinary course dividends

Zev Weiss indicated the Family could pay \$18.25 per share with no dividend

Dr. Cowen communicated a proposal of \$18.20 plus one quarterly

dividend, which was accepted by the Family

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3/2/13 -

3/28/13

Parties executed the merger agreement and related agreements

3/29/13

Chronology of Special Committee's Efforts to  
Maximize Shareholder Value (cont'd)

Zev Weiss indicated that the Family would be willing to consider raising the price to \$19.00 per share, with an increase in the cap on expenses payable to the Family if the merger were not approved by shareholders

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6/23/13

Dr. Cowen, on behalf of the Special Committee, communicated to Zev Weiss that the Special Committee had received new financial information pertaining to AG's operating results, and was therefore revisiting its recommendation of the deal at \$18.20 per share

The Special Committee did not make any decision to modify or withdraw its recommendation

Mr. Weiss communicates to Dr. Cowen that the financial improvements cited by the Special Committee were neither material nor reflective of any fundamental improvement in the trajectory of AG's business

6/26/13

Chronology of Special Committee's Efforts to  
Maximize Shareholder Value (cont'd)

The  
Family  
obtained  
all  
required  
consents  
from  
financing  
sources  
to  
raise  
offer  
price

The Family delivered a letter to the Special Committee offer to \$19.00 per  
share, with an increase in the cap on payable expenses

44  
6/27/13

Dr. Cowen, on behalf of the Special Committee, reiterated the Special  
Committee's position of \$19.50 per share

Zev Weiss reiterated that the Family would not pay additional consideration above \$19.00 per share, but indicated that it would be willing to keep the payable expenses cap unchanged from the original maximum amount, if the Special Committee agreed to consider in its sole discretion expense reimbursements in excess of that amount for documented expenses

7/1/13

Dr.  
Cowen,  
on  
behalf  
of  
the  
Special  
Committee,  
communicated  
to  
Zev  
Weiss  
that  
the  
Special  
Committee  
would  
be  
willing  
to  
recommend  
a  
price  
increase  
to  
\$19.50  
per  
share  
and  
a  
reciprocal,  
proportionate  
increase  
in  
the  
amount  
of  
the  
expense reimbursement cap

Zev Weiss indicated that the Family would not be supportive of an increase to \$19.50

7/2/13

Chronology of Special Committee's Efforts to  
Maximize Shareholder Value (cont'd)

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7/3/13

PJSC gave the Special Committee an oral fairness opinion (subsequently confirmed in writing) as to the price of \$19.00 per share, and the Special Committee accepted the Family's proposal (including the unchanged expense reimbursement cap with excess amounts reimbursed at the Special Committee's sole discretion)

Parties executed the amendment to the merger agreement

Special Committee Qualifications

Dr. Scott S. Cowen

Dr. Cowen has been a director since 1989. Dr. Cowen is President and Seymour S Goodman Professor of Management and Professor of Economics, Tulane University, a position he has held since 1998. Prior to that, Dr. Cowen served as Dean and Albert J. Weatherhead, III Professor of Management, Weatherhead School of Management at Case Western Reserve University. Dr. Cowen has served as a director of Forest City Enterprises, Inc. since 1989 and Newell Rubbermaid Inc. (a publicly-held consumer home products company) since 1999.

He was a director of Jo-Ann Stores, Inc. (a publicly-held specialty store retailer) from 1987 until its sale in 2011.

Dr. Cowen has been a member of the Board of Overseers of TIAA-CREF (a private financial services company) since 2010. Dr. Cowen participates as a board member of a number of civic organizations, including as Chair of the Southeast Louisiana Regional Airport Authority, and as a member of

the  
New  
Orleans  
Business  
Council,  
New  
Orleans  
Public  
Belt  
Railroad and Greater New Orleans Inc.  
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Special Committee Qualifications (cont d)

William E. MacDonald, III

Mr. MacDonald has been a director since 2007. Mr.

MacDonald was Vice Chairman and member of the Office of the Chairman of National City Corporation from 2001 until his retirement in 2006. Prior to that, Mr. MacDonald held various

management

positions

within

National

City

over

more

than

30

years

including

Senior

Executive

Vice

President

of

National

City

Corporation

and

President

and

Chief

Executive Officer of National City's Ohio Bank. Mr. MacDonald has served as a director of Lincoln Electric Holdings, Inc. (a publicly-held manufacturer and reseller of welding and cutting products) since 2007. He was a director of The Lamson & Sessions Co. (a publicly-held manufacturer of thermoplastic conduit, fittings and electrical switch and outlet boxes) from 2006 to 2007 and MTC Technologies, Inc. (a publicly-held provider of technical and professional services and equipment integration for the U.S. military and intelligence agencies) from 2002 to 2007, when in each case the boards were dismantled as a result of divestiture. Mr. MacDonald has served as a director of Segmint Inc. (a privately held technology-based company helping financial institutions and their marketing partners build digital customer relationships) since 2008. Mr. MacDonald participates

as

a

board

member

of

a

number

of

civic,

health

care

and

other

non-profit

organizations including The Cleveland Clinic Foundation and is Trustee Emeritus of The Diversity Center and WVIZ/PBS and 90.3 Ideastream.

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Special Committee Qualifications (cont d)

Jeffrey D. Dunn

Mr. Dunn has been a director since 2007. Mr. Dunn served as president and chief executive officer and was a director of HIT Entertainment Limited (a children's entertainment company), from 2008 until the company was sold in February 2012. Before that, Mr. Dunn was a private investor, and was employed by MTV Networks (an entertainment company and a division of Viacom, Inc., a publicly-held company) as Chief Operating Officer of the Nickelodeon Networks Group and the President of Nickelodeon Film Enterprises from 1993 to 2006. Prior to that time, Mr. Dunn was employed as Director of Marketing, Arthur D. Little (a publicly-held management consulting firm), from 1991 to 1993, Director of Marketing, Bank of Boston (a Boston, Massachusetts banking institution) from 1986 to 1991, and Associate International Director, Time Magazine (a weekly news magazine) and General Manager, Discover Magazine (monthly general science magazine) from 1977 to 1986.

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Special Committee Qualifications (cont d)

Michael J. Merriman, Jr.

Mr. Merriman has been a director since 2006. Mr. Merriman has been an operating advisor with Resilience Capital Partners, LLC (a private equity firm) since 2008. From 2006 until its sale in 2007, Mr. Merriman served as Chief Executive Officer of The Lamson & Sessions Co. Prior to joining Lamson & Sessions, Mr. Merriman served as the Senior Vice President and Chief Financial Officer of American Greetings from 2005 until 2006. He served as the President and Chief Executive Officer of Royal Appliance Mfg. Co. (a publicly-held manufacturer and marketer of Dirt Devil vacuum cleaners) from 1995 until 2004, was its Chief Financial Officer from 1992 to 1995, and served on the board of directors from 1993 to 2004. Mr. Merriman served as a director of RC2 Corporation (a publicly-held manufacturer of pre-school toys and infant products) from 2004 until its sale in 2011. Mr. Merriman has served as a director of Nordson Corporation (a publicly-held manufacturer of equipment used for precision dispensing, testing and inspection, surface preparation and curing) since 2008; OMNOVA Solutions Inc. (a publicly-held innovator of emulsion polymers, specialty chemicals, and decorative and functional surfaces) since 2008; and Regis Corporation (a publicly-held operator of beauty salons in North America and Europe, including Supercuts, Smart Style Salons in Wal-Mart stores and Regis Salons in malls) since 2011. Mr. Merriman is also a director of Boys Hope Girls Hope of Northeast Ohio, True Hero,

Inc. and John Carroll University.

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### Forward-Looking Statements

Statements about the expected timing, completion and effects of the proposed transaction and all other statements in this communication, other than historical facts, constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on these forward-looking statements and any such forward-looking statements are qualified in their entirety by reference to the following cautionary statements. All forward-looking statements speak only as of the date hereof and are based on current expectations and involve a number of assumptions, risks and uncertainties that could cause the actual results to differ materially from such forward-looking statements. The Company may not be able to complete the proposed transaction on the terms described above or other acceptable terms or at all because of a number of factors, including the failure to obtain shareholder approval or the failure to satisfy other closing conditions. Factors that may affect the business or financial results of the Company are described in the risk factors included in the Company's filings with the SEC, including the Company's 2013 Annual Report on Form 10-K. The Company expressly disclaims a duty to provide updates to forward-looking statements, whether as a result of new information, future events or other occurrences.

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#### Additional Information and Where to Find It

In connection with the proposed merger transaction, the Company filed with the SEC a definitive proxy statement and other relevant documents, including a form of proxy card, on July 10, 2013. The definitive proxy statement and a form of proxy card have been mailed to the Company's shareholders. This investor presentation does not constitute a solicitation of any vote or approval. Shareholders are urged to read the proxy statement and any other documents filed with the SEC in connection with the proposed merger or incorporated by reference in the proxy statement because they contain important information about the proposed merger.

Investors will be able to obtain a free copy of documents filed with the SEC at the SEC's website

at  
<http://www.sec.gov>.

In  
addition,  
investors  
may  
obtain

a  
free  
copy  
of  
the  
Company's filings with the SEC from the Company's website at  
<http://investors.americangreetings.com>

or  
by  
directing  
a  
request

to  
the  
Company's  
Corporate Secretary at our World Headquarters at One American Road, Cleveland, Ohio  
44144-2398, or via email to [investor.relations@amgreetings.com](mailto:investor.relations@amgreetings.com).

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### Participants in the Solicitation

The Company and its directors, executive officers and certain other members of management and employees of the Company may be deemed participants in the solicitation of proxies from shareholders of the Company in favor of the proposed merger. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the shareholders of the Company in connection with the proposed merger is set forth in the definitive proxy statement and the other relevant documents filed with the SEC. You can find information about certain of the Company's executive officers and its directors in its Annual Report on Form 10-K for the fiscal year ended February

28, 2013.

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