



Third Quarter 2023
Earnings Presentation
November 1, 2023
5:00 PM Eastern / 2:00 PM Pacific

Webcast link [3Q23 Registration link](#)





EXECUTIVE TEAM ON THE CALL

STEPHEN BERMAN

Chairman & Chief Executive Officer

JOHN KIMBLE

Executive Vice President & Chief Financial Officer





SAFE HARBOR STATEMENT

The Company would like to point out that any comments made about JAKKS Pacific's future performance, events or circumstances, including the estimates of sales and/or Adjusted EBITDA in 2023, as well as any other forward-looking statements concerning 2023 and beyond are subject to Safe Harbor protection under Federal securities laws. These statements reflect the Company's best judgment based on current market trends and conditions today, and are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected in forward-looking statements. For details concerning these and other such risks and uncertainties, you should consult JAKKS' most recent 10-K and 10-Q filings with the SEC, as well as the Company's other reports, subsequently filed with the SEC from time to time. As a reminder, this conference is being recorded.

Note: The following presentation includes unaudited information





Year-to-date Gross Margins above 32%, highest level since 2011

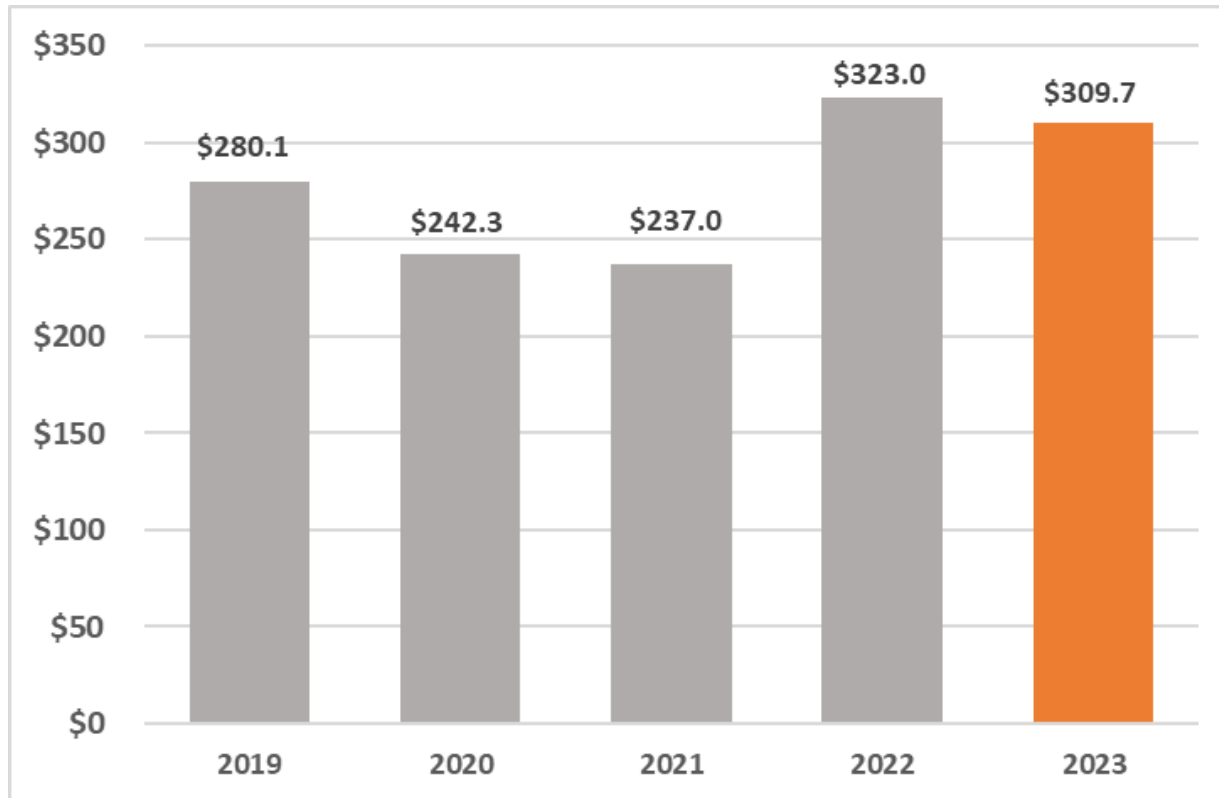
- Q3 Results versus prior year
 - Net Sales were \$309.7 million, a 4% decrease
 - Dolls, Role-Play/Dress Up down 27%
 - Action Play and Collectables up 43%
 - Outdoor/Seasonal Toys down 2%
 - Costumes up 19%
 - Gross margin of 34.5%, up 600bps
 - Operating income of \$62.4 million (20.1% of net sales), up from \$53.7 million (16.7% of net sales)
 - Adjusted EBITDA was \$67.1 million versus \$59.4 million in the third quarter of 2022
 - Trailing-twelve month (TTM) Adjusted EBITDA of \$74.5 million down 20% from \$93.5 million in the trailing twelve months ended September 2022





2023 Third Quarter Net Sales

\$ Millions



YoY % Change:

(14%)

(2%)

36%

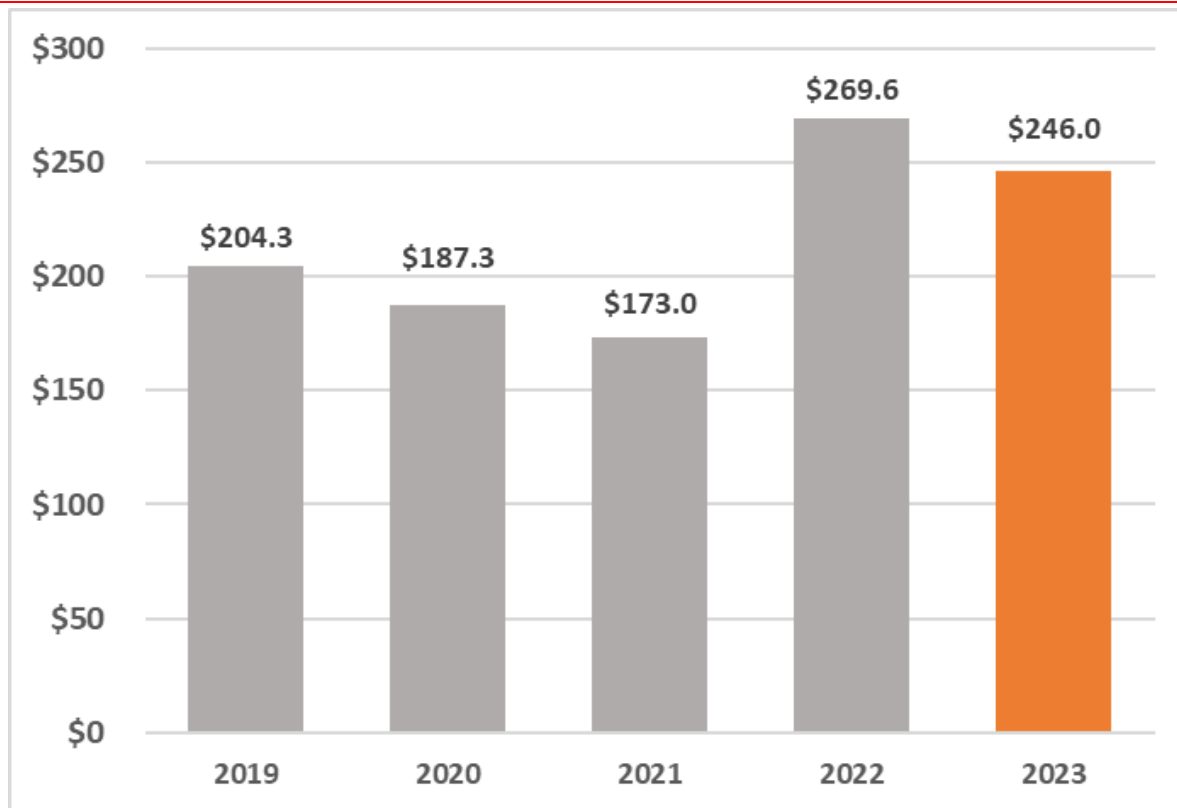
(4%)





2023 Third Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

(8%)

(8%)

56%

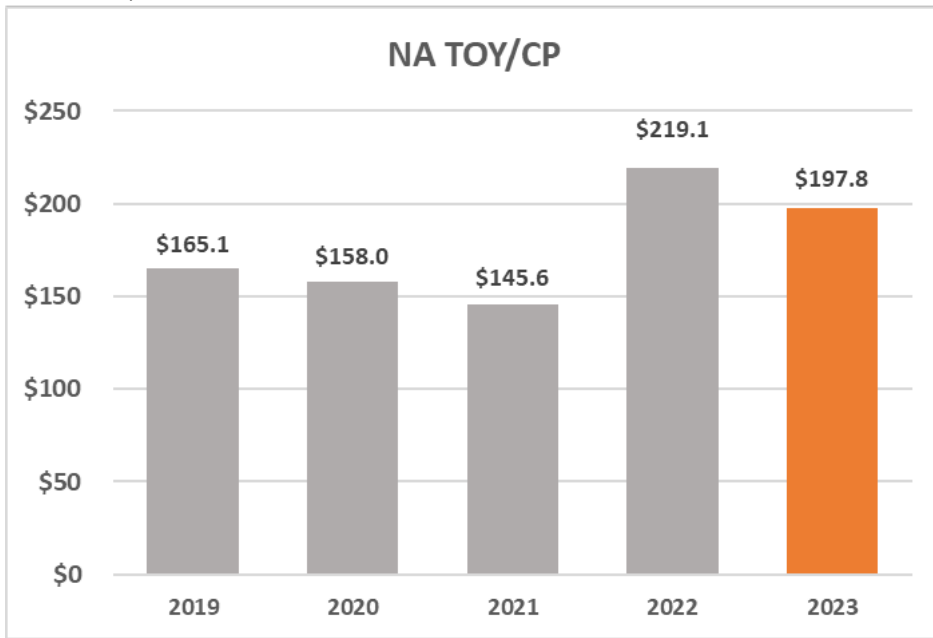
(9%)



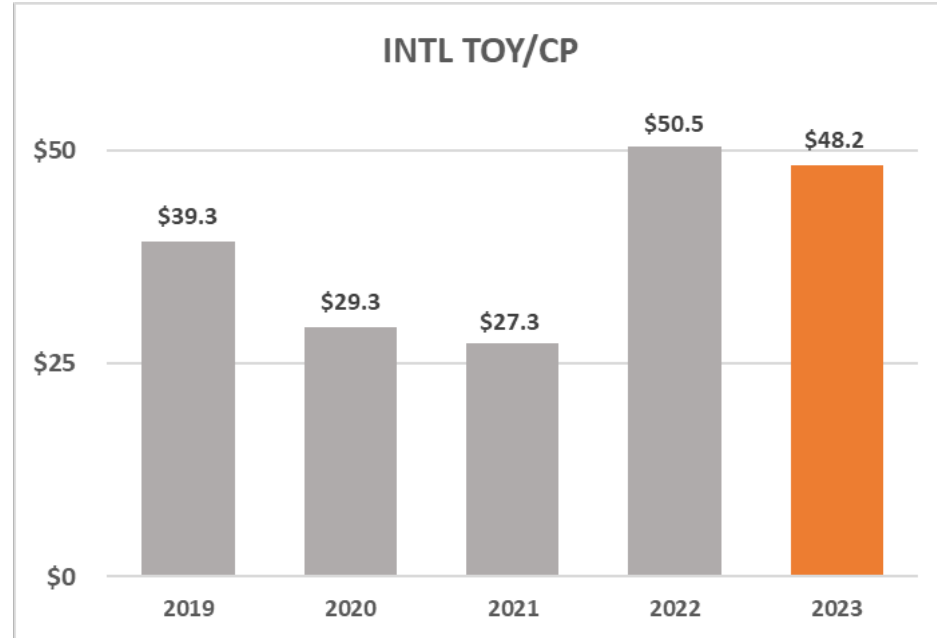


2023 Third Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change



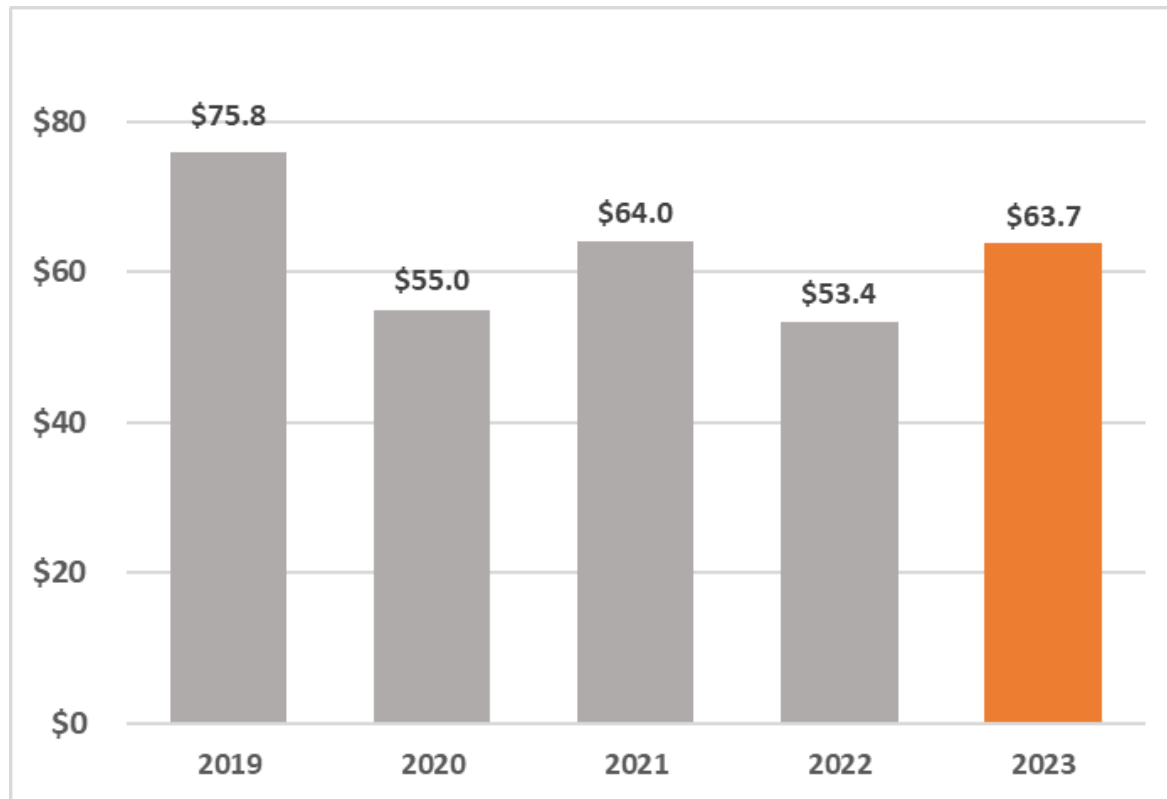
YoY % Change





2023 Third Quarter Costumes Net Sales

\$ Millions



YoY % Change:

(28%)

16%

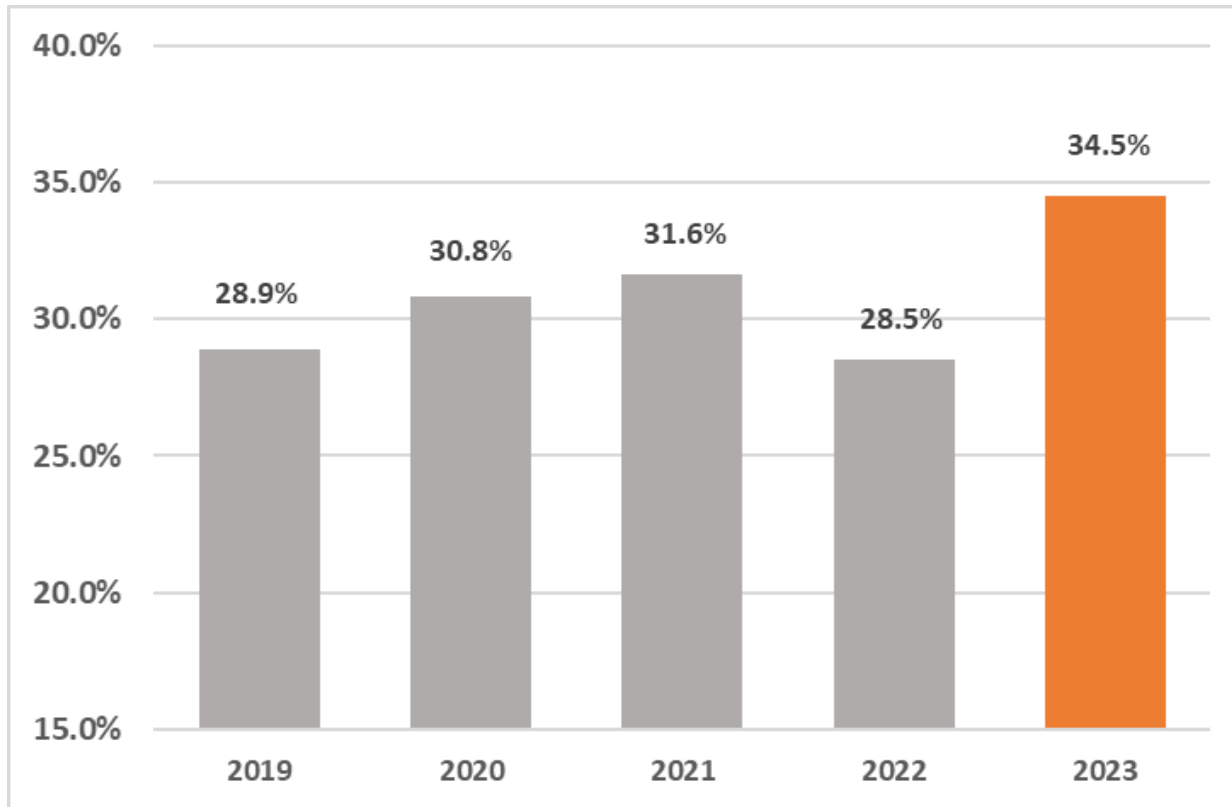
(17%)

19%





2023 Third Quarter Gross Margin %



YoY % Change:

190 bps

80 bps

(310) bps

600 bps

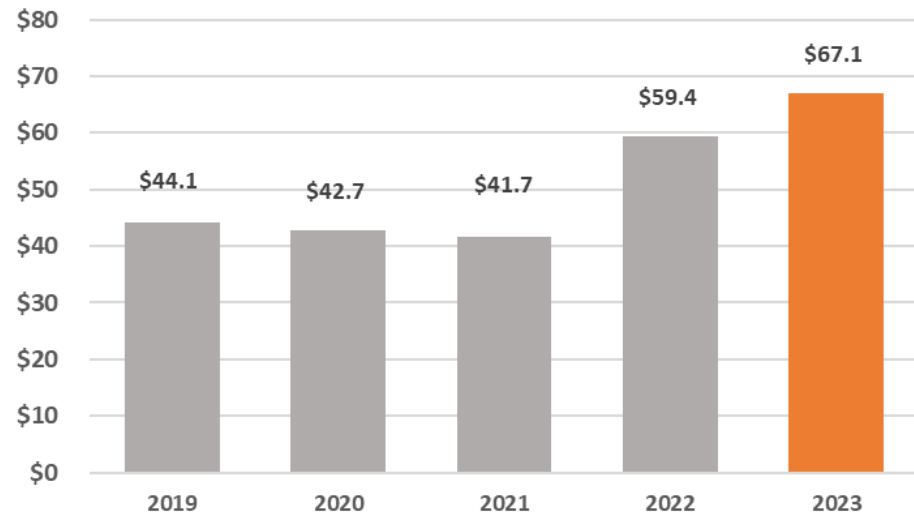




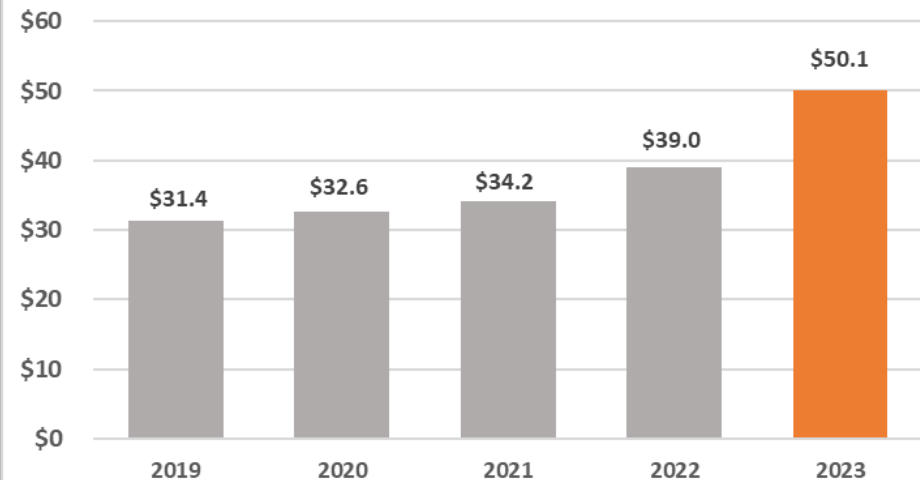
2023 Third Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

Q3 ADJ EBITDA



Q3 ADJ NET INCOME



15.8%

17.6%

17.6%

18.4%

21.7%

Adj. EBITDA Margin %

11.2%

13.5%

14.4%

12.1%

16.2%

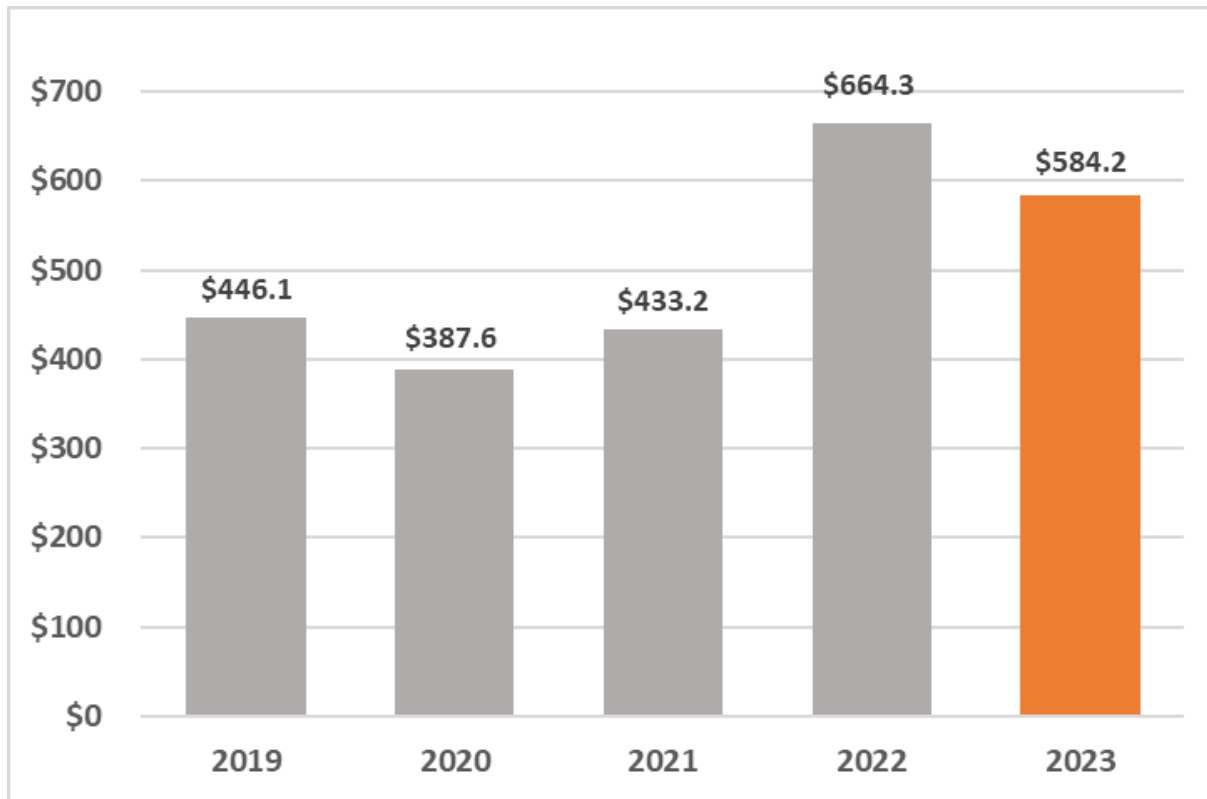
Adj. Net Income Margin %





2023 YTD Net Sales

\$ Millions



YoY % Change:

(13%)

12%

53%

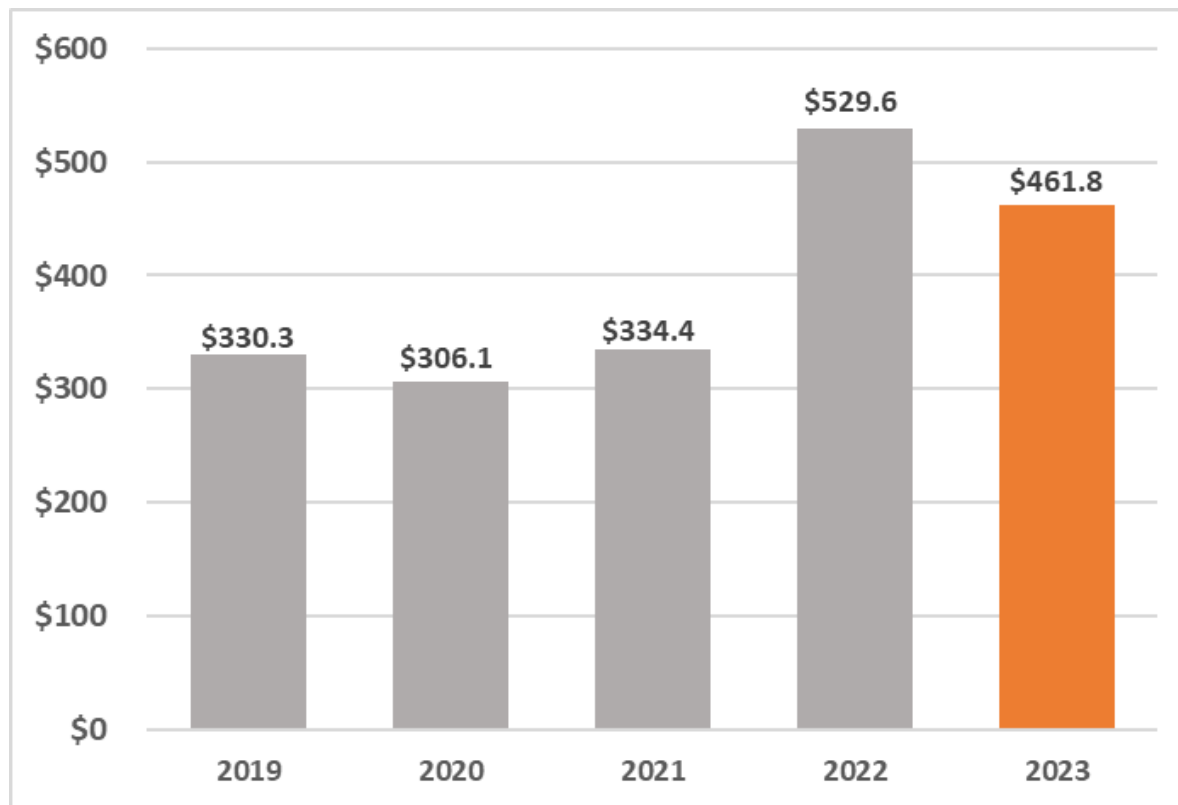
(12%)





2023 YTD Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

(7%)

9%

58%

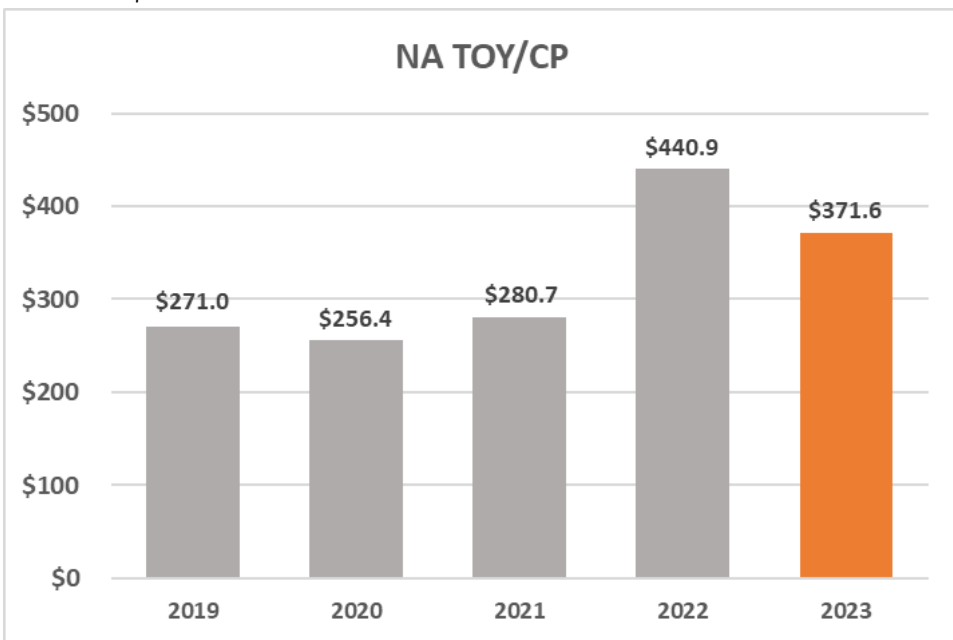
(13%)



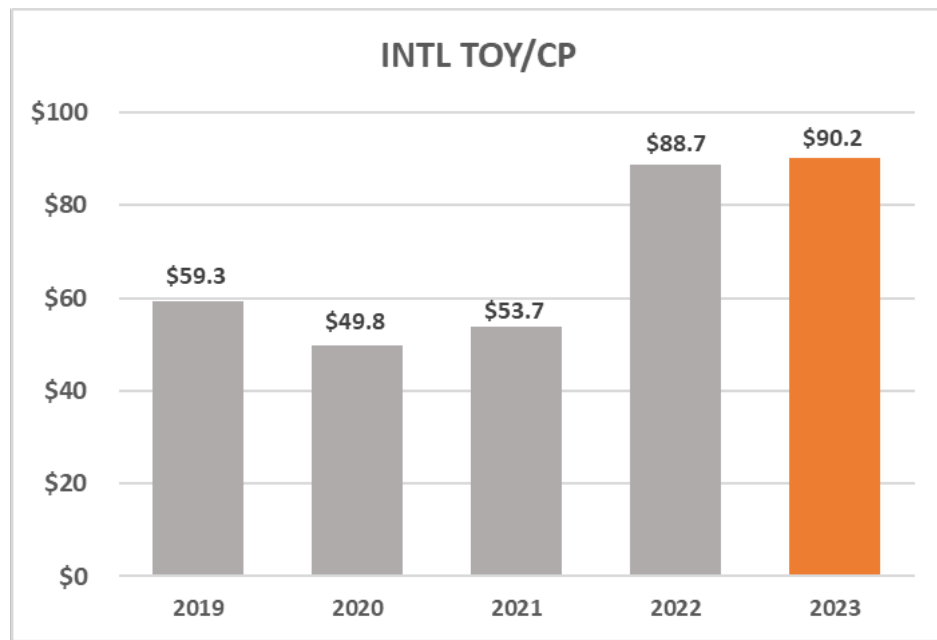


2023 YTD Toys/Consumer Products Net Sales

\$ Millions



YoY % Change



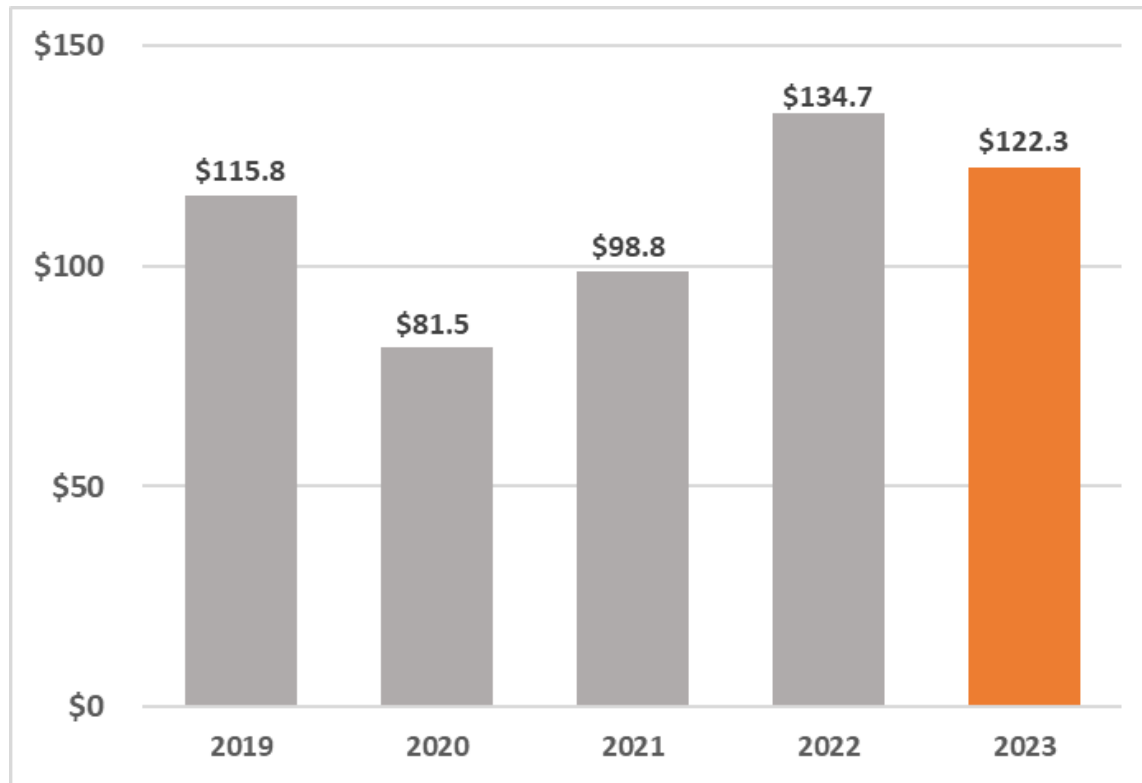
YoY % Change





2023 YTD Costumes Net Sales

\$ Millions



YoY % Change:

(30%)

21%

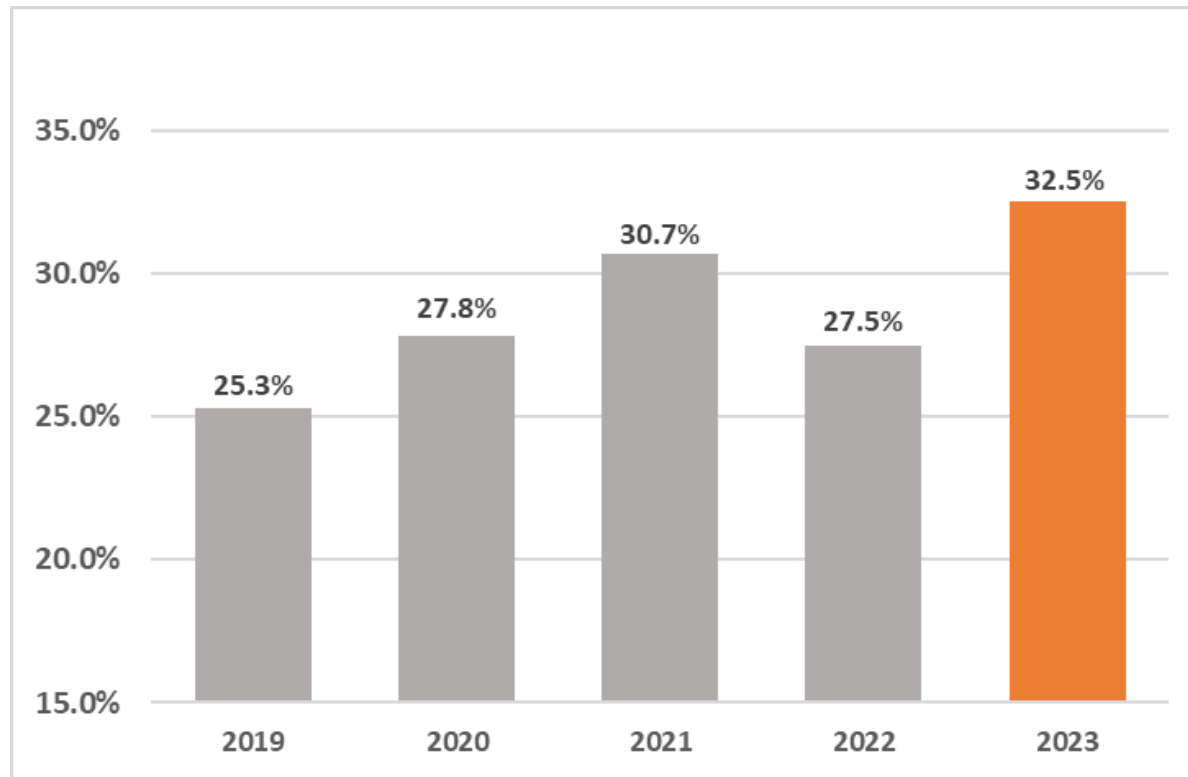
36%

(9%)





2023 YTD Gross Margin %



YoY % Change:

250 bps

290 bps

(320) bps

500 bps

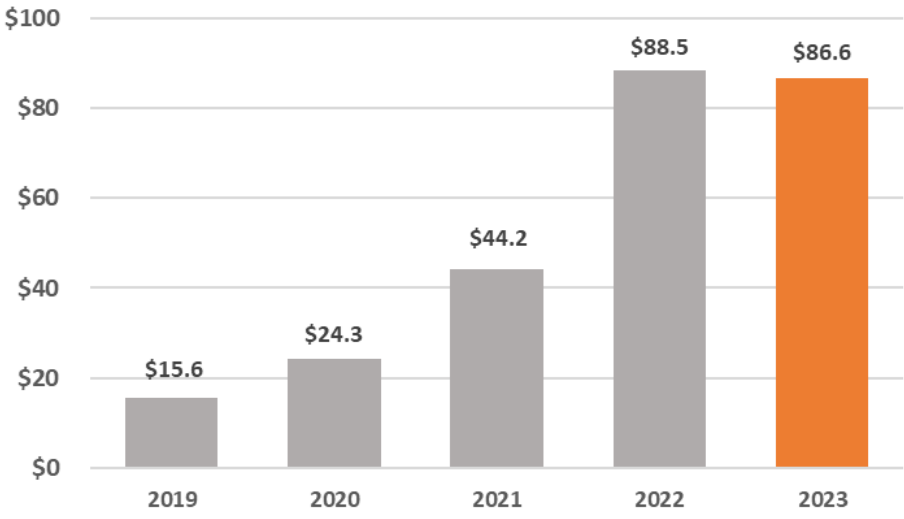




2023 YTD Adj. EBITDA and Adj. Net Income

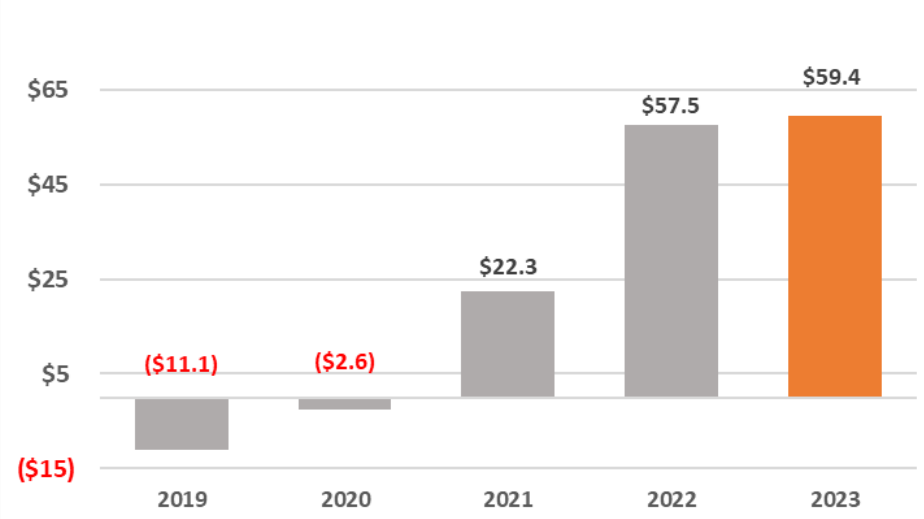
\$ Millions

YTD ADJ EBITDA



Adj. EBITDA Margin %

YTD ADJ NET INCOME



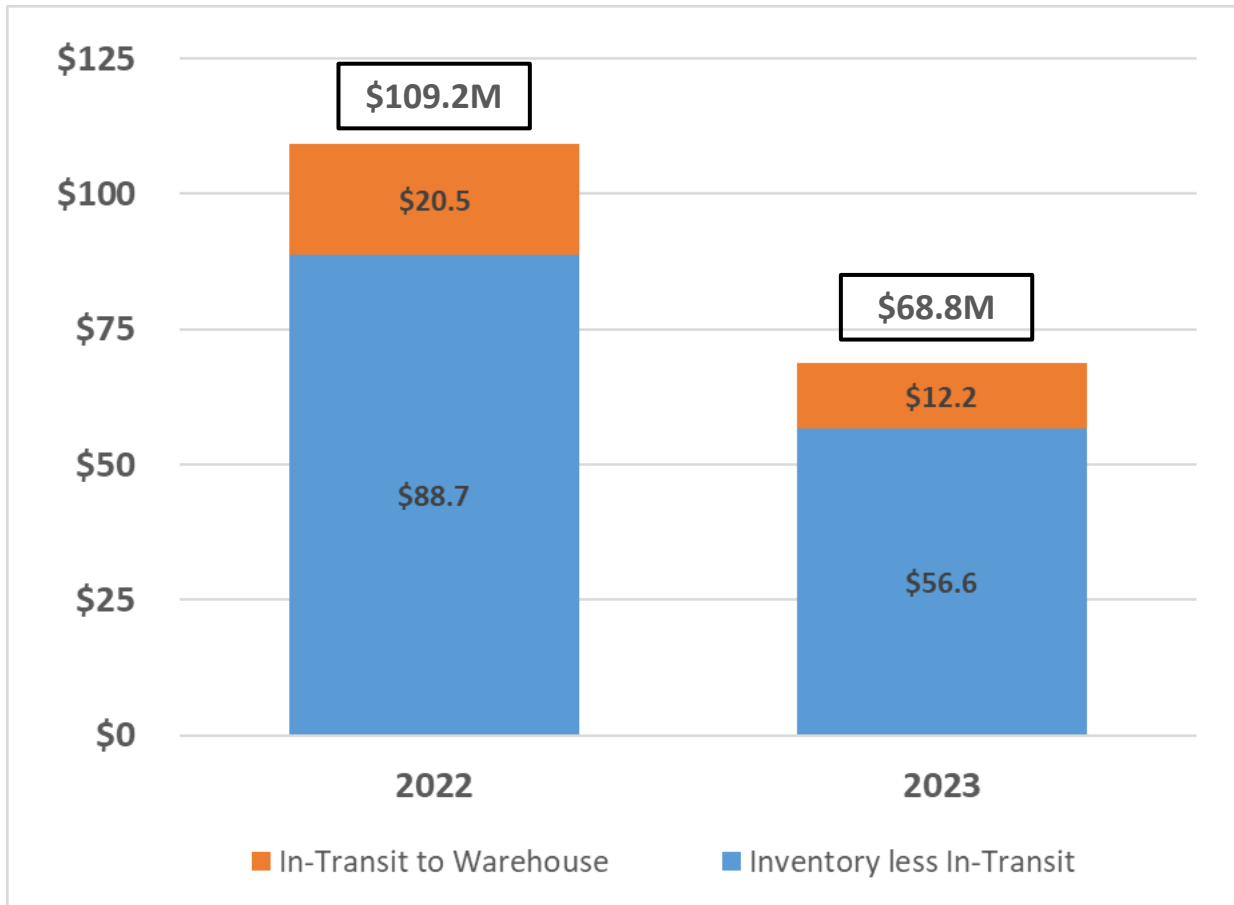
Adj. Net Income Margin %





Third Quarter Inventory - 2023 vs 2022 (Worldwide)

\$ Millions

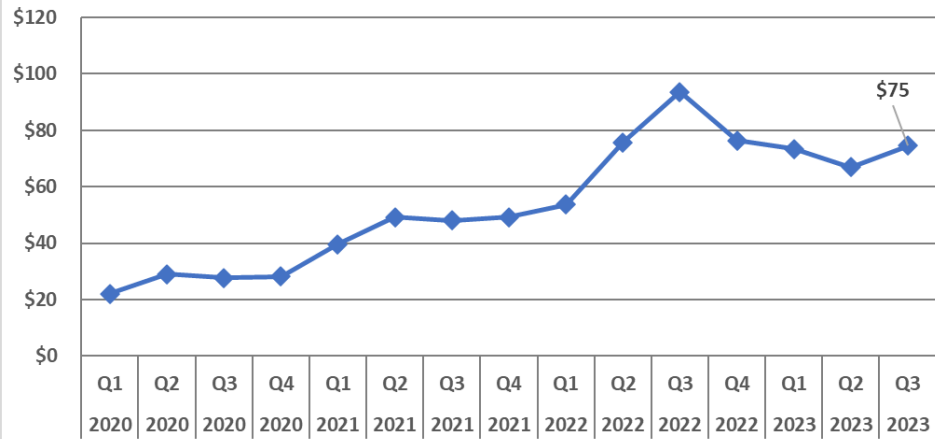




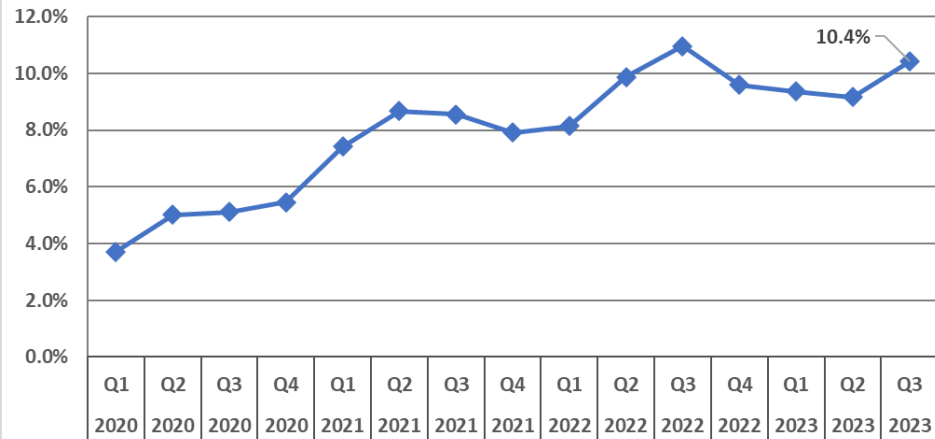
Trailing-Twelve-Month (TTM) Adjusted EBITDA

\$ Millions

TTM ADJ EBITDA



TTM ADJ EBITDA %







Target Shopping Cart and Cash Register











Nintendo + ILLUMINATION

THE SUPER MARIO BROS. MOVIE





Advent Calendars

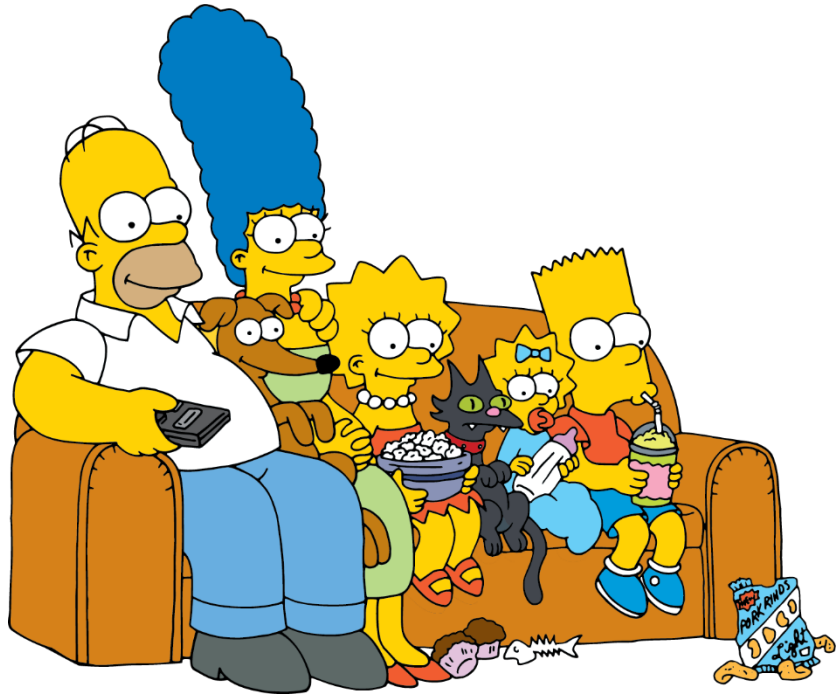






Looking ahead to 2024...

THE
SIMPSONS™





THANK YOU





Supplemental Financial Information





JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Δ (%)	2023	2022	Δ (%)
	(In thousands, except per share data)			(In thousands, except per share data)		
Net sales	\$ 309,744	\$ 322,998	(4) %	\$ 584,161	\$ 664,301	(12) %
Less: Cost of sales						
Cost of goods	149,052	174,334	(15)	\$ 293,512	368,242	(20)
Royalty expense	51,141	52,868	(3)	95,074	106,262	(11)
Amortization of tools and molds	2,566	3,885	(34)	5,955	7,079	(16)
Cost of sales	202,759	231,087	(12)	394,541	481,583	(18)
Gross profit	106,985	91,911	16	189,620	182,718	4
Direct selling expenses	10,684	8,397	27	22,405	20,137	11
General and administrative expenses	33,821	29,400	15	92,492	84,067	10
Depreciation and amortization	81	373	(78)	276	1,547	(82)
Selling, general and administrative expenses	44,586	38,170	17	115,173	105,751	9
Intangibles impairment	-	-	-	-	300	nm
Income from operations	62,399	53,741	16	74,447	76,667	(3)
Other income (expense):						
Loss from joint ventures	-	-	-	(565)	-	nm
Other income (expense), net	(52)	251	nm	424	520	(18)
Change in fair value of preferred stock derivative liability	(793)	(7,449)	(89)	(6,668)	(2,065)	223
Loss on debt extinguishment	-	-	-	(1,023)	-	nm
Interest income	384	55	nm	587	64	nm
Interest expense	(1,436)	(4,350)	(67)	(5,741)	(8,889)	(35)
Income before provision for income taxes	60,502	42,248	43	61,461	66,297	(7)
Provision for income taxes	12,381	11,572	7	12,476	13,323	(6)
Net income	48,121	30,676	57	48,985	52,974	(8)
Net loss attributable to non-controlling interests	(11)	(17)	(35)	(289)	(470)	(39)
Net income attributable to JAKKS Pacific, Inc.	\$ 48,132	\$ 30,693	57 %	\$ 49,274	\$ 53,444	(8) %
Net income attributable to common stockholders	\$ 47,754	\$ 30,336	57 %	\$ 48,156	\$ 52,390	(8) %
Earnings per share - basic	\$ 4.77	\$ 3.13		\$ 4.85	\$ 5.44	
Shares used in earnings per share - basic	10,021	9,695		9,922	9,624	
Earnings per share - diluted	\$ 4.53	\$ 2.96		\$ 4.58	\$ 5.18	
Shares used in earnings per share - diluted	10,542	10,260		10,503	10,111	

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Δ bps	2023	2022	Δ bps
	Fav/(Unfav)			Fav/(Unfav)		
Net sales	100.0 %	100.0 %	-	100.0 %	100.0 %	-
Less: Cost of sales						
Cost of goods	48.2	54.0	580	50.2	55.4	520
Royalty expense	16.5	16.3	(20)	16.3	16.0	(30)
Amortization of tools and molds	0.8	1.2	40	1.0	1.1	10
Cost of sales	65.5	71.5	600	67.5	72.5	500
Gross profit	34.5	28.5	600	32.5	27.5	500
Direct selling expenses	3.5	2.6	(90)	3.8	3.0	(80)
General and administrative expenses	10.9	9.1	(180)	15.9	12.7	(320)
Depreciation and amortization	-	0.1	10	0.1	0.2	10
Selling, general and administrative expenses	14.4	11.8	(260)	19.8	15.9	(390)
Intangibles impairment	-	-	-	-	-	-
Income from operations	20.1	16.7	340	12.7	11.6	110
Other income (expense):						
Loss from joint ventures	-	-	-	(0.1)	-	-
Other income (expense), net	-	0.1	-	0.1	-	-
Change in fair value of preferred stock derivative liability	(0.3)	(2.3)	-	(1.1)	(0.3)	-
Loss on debt extinguishment	-	-	-	(0.2)	-	-
Interest income	0.1	-	-	0.1	-	-
Interest expense	(0.4)	(1.4)	-	(1.0)	(1.3)	-
Income before provision for income taxes	19.5	13.1	-	10.5	10.0	-
Provision for income taxes	4.0	3.6	-	2.1	2.0	-
Net income	15.5	9.5	-	8.4	8.0	-
Net loss attributable to non-controlling interests	-	-	-	-	-	-
Net income attributable to JAKKS Pacific, Inc.	15.5 %	9.5 %	-	8.4 %	8.0 %	-
Net income attributable to common stockholders	15.4 %	9.4 %	-	8.2 %	7.9 %	-





JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

	September 30,		December 31,
	2023	2022	2022
	(In thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 96,252	\$ 76,418	\$ 85,297
Restricted cash	195	178	193
Accounts receivable, net	206,751	204,856	102,771
Inventory	68,832	109,171	80,619
Prepaid expenses and other assets	6,721	11,124	6,331
Total current assets	378,751	401,747	275,211
Property and equipment	135,821	131,918	130,437
Less accumulated depreciation and amortization	121,193	116,558	115,575
Property and equipment, net	14,628	15,360	14,862
Operating lease right-of-use assets, net	25,743	22,154	19,913
Deferred income tax assets, net	57,856	-	57,804
Goodwill	35,083	35,083	35,083
Intangibles and other assets, net	2,220	2,770	2,469
Total assets	\$ 514,281	\$ 477,114	\$ 405,342
Liabilities, Preferred Stock and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 94,409	\$ 77,126	\$ 33,687
Accounts payable - Meisheng (related party)	27,977	28,301	9,820
Accrued expenses	65,609	73,723	37,998
Reserve for sales returns and allowances	43,512	59,216	51,877
Income taxes payable	17,422	14,084	8,165
Short term operating lease liabilities	6,415	10,515	10,746
Short term debt, net	-	2,475	25,529
Total current liabilities	255,344	265,440	177,822
Long term operating lease liabilities	19,283	12,555	9,863
Accrued expenses - long term	3,750	-	-
Debt, non-current portion, net	-	65,195	41,622
Preferred stock derivative liability	28,586	23,347	21,918
Income taxes payable	2,994	66	2,929
Deferred income tax liabilities, net	-	53	-
Total liabilities	309,957	366,656	254,154
Preferred stock accrued dividends	5,608	4,128	4,490
Stockholders' equity:			
Common stock, \$.001 par value	10	10	10
Additional paid-in capital	277,546	274,040	275,187
Accumulated deficit	(62,744)	(149,987)	(112,018)
Accumulated other comprehensive loss	(16,808)	(18,594)	(17,482)
Total JAKKS Pacific, Inc. stockholders' equity	198,004	105,469	145,697
Non-controlling interests	712	861	1,001
Total stockholders' equity	198,716	106,330	146,698
Total liabilities, preferred stock and stockholders' equity	\$ 514,281	\$ 477,114	\$ 405,342





Supplemental Balance Sheet and Cash Flow Data (Unaudited)

Key Balance Sheet Data:

Accounts receivable days sales outstanding (DSO)
Inventory turnover (DSI)

September 30,	
2023	2022
61	58
31	44

Condensed Cash Flow Data:

Cash flows provided by operating activities
Cash flows used in investing activities
Cash flows used in financing activities and other
Increase (Decrease) in cash, cash equivalents and restricted cash

Nine Months Ended September 30,	
2023	2022
(In thousands)	
\$ 89,421	\$ 75,261
(7,427)	(8,087)
(71,037)	(35,910)
<u>\$ 10,957</u>	<u>\$ 31,264</u>
<u>\$ (7,464)</u>	<u>\$ (8,089)</u>

Capital expenditures





JAKKS Pacific, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Information (Unaudited)

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>Δ (\$)</u>	<u>2023</u>	<u>2022</u>	<u>Δ (\$)</u>
	(In thousands)			(In thousands)		
<u>EBITDA and Adjusted EBITDA</u>						
Net income	\$ 48,121	\$ 30,676	\$ 17,445	\$ 48,985	\$ 52,974	\$ (3,989)
Interest expense	1,436	4,350	(2,914)	5,741	8,889	(3,148)
Interest income	(384)	(55)	(329)	(587)	(64)	(523)
Provision for income taxes	12,381	11,572	809	12,476	13,323	(847)
Depreciation and amortization	4,398	4,258	140	7,982	8,626	(644)
EBITDA	<u>65,952</u>	<u>50,801</u>	<u>15,151</u>	<u>74,597</u>	<u>83,748</u>	<u>(9,151)</u>
Adjustments:						
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	-	-	-	276	-	276
Loss from joint ventures (Meisheng - 49%)	-	-	-	289	-	289
Other (income) expense, net	52	(251)	303	(424)	(520)	96
Restricted stock compensation expense	2,025	1,411	614	5,970	3,436	2,534
Change in fair value of preferred stock derivative liability	793	7,449	(6,656)	6,668	2,065	4,603
Employee Retention Credit/gov't employment support	-	-	-	-	(249)	249
Molds and tooling capitalization	(1,751)	-	(1,751)	(1,751)	-	(1,751)
Loss on debt extinguishment	-	-	-	1,023	-	1,023
Adjusted EBITDA	<u>\$ 67,071</u>	<u>\$ 59,410</u>	<u>\$ 7,661</u>	<u>\$ 86,648</u>	<u>\$ 88,480</u>	<u>\$ (1,832)</u>
Adjusted EBITDA/Net sales %	<u>21.7 %</u>	<u>18.4 %</u>	<u>330 bps</u>	<u>14.8 %</u>	<u>13.3 %</u>	<u>150 bps</u>





JAKKS Pacific, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Information (Unaudited)

	Trailing Twelve Months Ended		
	September 30,		
	2023	2022	Δ (\$)
	(In thousands)		
<u>TTM EBITDA and TTM Adjusted EBITDA</u>			
TTM Net income	\$ 87,094	\$ 49,821	\$ 37,273
Interest expense	8,035	11,090	(3,055)
Interest income	(650)	(67)	(583)
Provision for (benefit from) income taxes	(41,855)	13,263	(55,118)
Depreciation and amortization	9,934	10,012	(78)
TTM EBITDA	<u>62,558</u>	<u>84,119</u>	<u>(21,561)</u>
Adjustments:			
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	276	-	276
Loss from joint ventures (Meisheng - 49%)	289	-	289
Other (income) expense, net	(701)	(710)	9
Restricted stock compensation expense	7,616	4,149	3,467
Change in fair value of convertible senior notes	-	(76)	76
Change in fair value of preferred stock derivative liability	5,239	6,272	(1,033)
Employee Retention Credit/gov't employment support	-	(249)	249
Molds and tooling capitalization	(1,751)	-	(1,751)
Loss on debt extinguishment	1,023	-	1,023
TTM Adjusted EBITDA	<u>\$ 74,549</u>	<u>\$ 93,505</u>	<u>\$ (18,956)</u>
TTM Adjusted EBITDA/TTM Net sales %	<u>10.4 %</u>	<u>11.0 %</u>	<u>-59 bps</u>





JAKKS Pacific, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Information (Unaudited)

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2023</u>	<u>2022</u>	<u>Δ (\$)</u>	<u>2023</u>	<u>2022</u>	<u>Δ (\$)</u>
	<u>(In thousands, except per share data)</u>			<u>(In thousands, except per share data)</u>		
<u>Adjusted net income (loss) attributable to common stockholders</u>						
Net income attributable to common stockholders	\$ 47,754	\$ 30,336	\$ 17,418	\$ 48,156	\$ 52,390	\$ (4,234)
Restricted stock compensation expense	2,025	1,411	614	5,970	3,436	2,534
Change in fair value of preferred stock derivative liability	793	7,449	(6,656)	6,668	2,065	4,603
Loss on debt extinguishment	-	-	-	1,023	-	1,023
Employee Retention Credit/gov't employment support	-	-	-	-	(249)	249
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	-	-	-	276	-	276
2021 BSP Term Loan prepayment penalty	-	525	(525)	150	525	(375)
Molds and Tooling capitalization	(1,751)	-	(1,751)	(1,751)	-	(1,751)
Tax impact of additional charges	1,268	(697)	1,965	(1,079)	(697)	(382)
Adjusted net income attributable to common stockholders	<u>\$ 50,089</u>	<u>\$ 39,024</u>	<u>\$ 11,065</u>	<u>\$ 59,413</u>	<u>\$ 57,470</u>	<u>\$ 1,943</u>
Adjusted earnings per share - basic	<u>\$ 5.00</u>	<u>\$ 4.03</u>	<u>\$ 0.97</u>	<u>\$ 5.99</u>	<u>\$ 5.97</u>	<u>\$ 0.02</u>
Shares used in adjusted earnings per share - basic	<u>10,021</u>	<u>9,695</u>	<u>326</u>	<u>9,922</u>	<u>9,624</u>	<u>298</u>
Adjusted earnings per share - diluted	<u>\$ 4.75</u>	<u>\$ 3.80</u>	<u>\$ 0.95</u>	<u>\$ 5.66</u>	<u>\$ 5.68</u>	<u>\$ (0.03)</u>
Shares used in adjusted earnings per share - diluted	<u>10,542</u>	<u>10,260</u>	<u>282</u>	<u>10,503</u>	<u>10,111</u>	<u>392</u>

