



First Quarter 2018  
Earnings Conference Call Presentation  
April 26, 2018

Participant Dial in: 1(800) 708-4539  
International Dial in: 1(847) 619-6396  
Passcode #: 46816079





## EXECUTIVE TEAM ON THE CALL

**STEPHEN BERMAN**

Chairman & Chief Executive Officer

**BRENT NOVAK**

Executive Vice President & Chief Financial Officer







# CEO OVERVIEW

---

## Q1 Results in line with internal expectations

### Toys R Us:

- TRU bankruptcy/liquidation had a significant adverse impact on Q1 results.
- TRU declines were mostly offset by increases to other retailers

## Overall POS is encouraging - up vs. Q1 2017

### Sales to Customers in US were actually up

- Online sales up double digits.

### International:

- Declines in EMEA offset increases in LATAM.
- Bankruptcy of TRU UK a major factor;
- Lower sales to other units of TRU
- Declines in Smurfs and Tsum Tsum, which overindexed in Europe





# CEO OVERVIEW

---

## Q1 Product Performance

### Products that performed well in 1Q:

- Incredibles 2
- Squish-Dee-Lish
- MorfBoard
- Perfectly Cute Baby and Perfectly Cute Home (private label at Target)
- Tangled – The Series
- DC Toddler Dolls

### Products that declined:

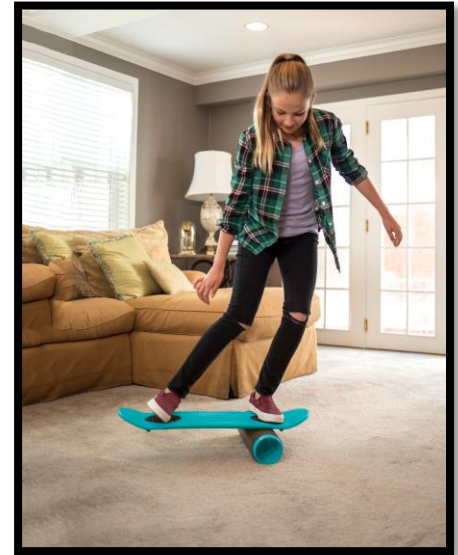
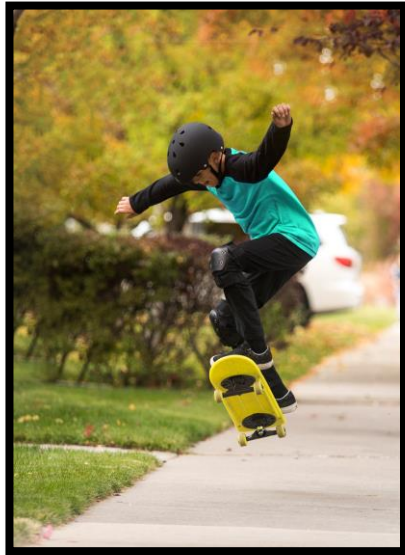
- Beauty and The Beast (vs. film release in 1Q17)
- Moana (vs. DVD release in 1Q17)
- Seasonal (special program with clubs that did not repeat)
- Smurfs (vs. film release in 1Q17)
- Tsum Tsum (normal life cycle)
- Gift 'Ems (normal life cycle)





# CEO OVERVIEW

---



# MORFBOARD





# CEO OVERVIEW

---



# C'EST MOI





# CEO OVERVIEW

---



# ONLINE RETAILERS







## STRATEGIC BALANCE OF PRODUCT LAUNCHES

---

- **Evergreen properties; partner brands and licenses**
  - DC Toddlers
  - Disguise
- **Promotional opportunities**
  - Incredibles 2
  - Squish-Dee-Lish
- **Owed IP**
  - Squish-Dee-Lish
  - Perfectly Cute
  - MorfBoard
- **Private label**
  - Perfectly Cute Baby and Perfectly Cut Home.
- **New Categories**
  - C'est Moi
  - MorfBoard
- **Online sales**
  - Amazon up over 25% YoY in 1Q18
  - Total sales to online retailers are up double digits despite decline in overall sales
  - Up 15% excluding TRU





# Q1 2018 RESULTS

(In US \$ millions except per share data)

	Q1			
	2018	2017	\$ Δ	% Δ
Net Sales	93,004	94,505	(1,501)	(2%)
Gross Profit %	24.7%	31.8%	(710) bps	
Net Income (Loss) Attributable to JAKKS	(36,244)	(18,316)	(17,928)	(98%)
Diluted Earnings (Loss) Per Share	(1.57)	(1.01)	(0.56)	(55%)
Adjusted EBITDA	(14,624)	(10,596)	(4,028)	(38%)





# PRODUCT CATEGORIES – NET SALES

*(In US \$ millions except per share data)*

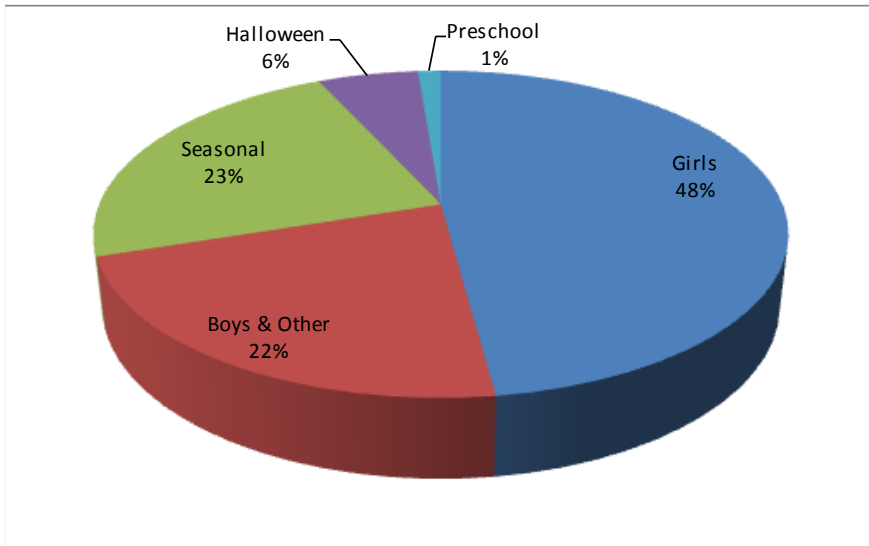
	Q1			
	2018	2017	\$ Δ	% Δ
Girls	44.5	46.4	(1.9)	(4%)
Boys & Other	20.5	15.9	4.6	29%
Seasonal	21.6	27.5	(5.9)	(21%)
Halloween	5.2	3.7	1.5	41%
Preschool	1.2	1.0	0.2	20%
<b>Total</b>	<b>93.0</b>	<b>94.5</b>	<b>(1.5)</b>	<b>(2%)</b>



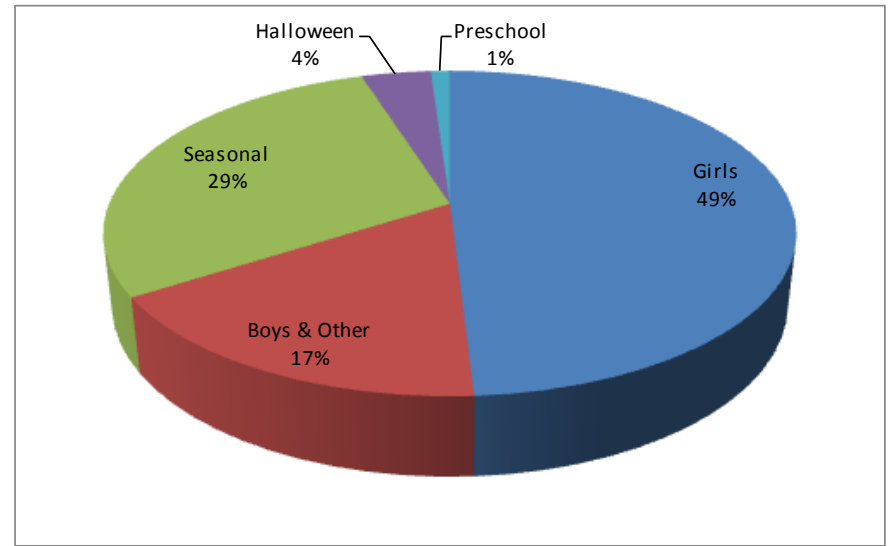


# PRODUCT CATEGORIES

Q1 2018 Net Sales As % of Total



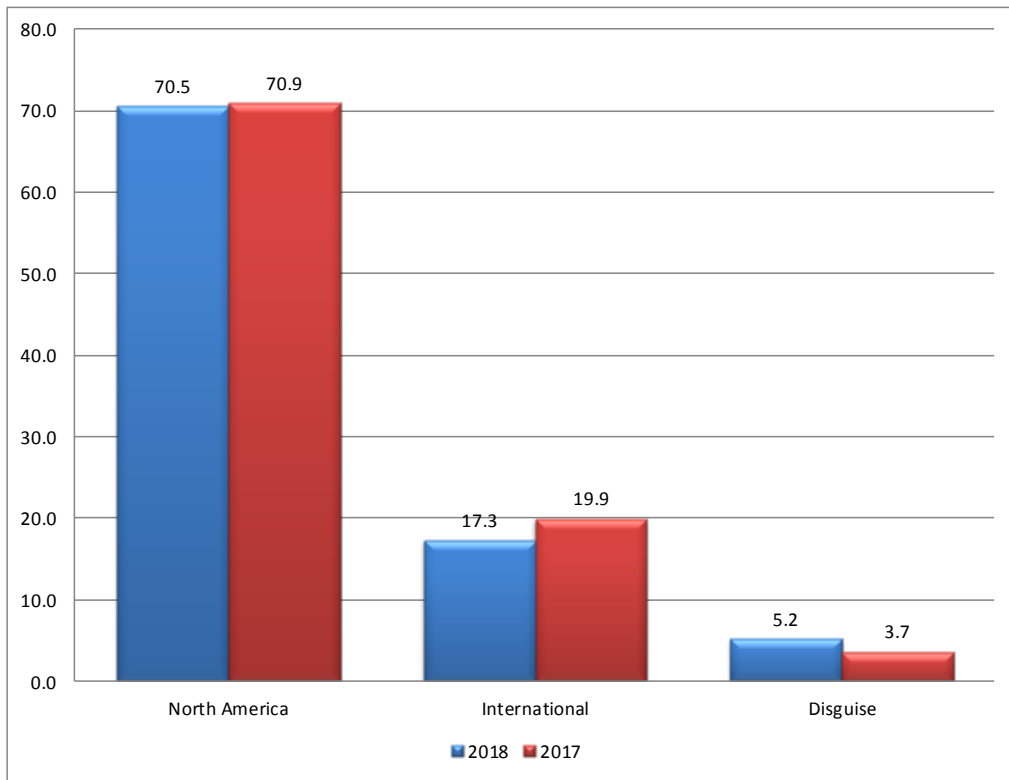
Q1 2017 Net Sales As % of Total





# SEGMENT RESULTS

### Q1 Net Sales





# Q1 2018 RESULTS

(In US \$ millions except per share data)

			Q1		% Δ
	2018	% of Sales	2017	% of Sales	
Net sales	93.0	100.0%	94.5	100.0%	-1.6%
Cost of sales	70.0	75.3%	64.5	68.2%	8.5%
Gross profit	23.0	24.7%	30.0	31.8%	-23.3%
SG&A	58.6	63.0%	45.7	48.4%	28.2%
Operating Income (Loss)	(35.6)	-38.3%	(15.7)	-16.6%	126.8%
Interest Expense	(1.9)	-2.1%	(2.9)	-3.1%	-34.5%
Other	(1.0)	-1.1%	0.0	0.0%	NM
Benefit from income taxes	(2.3)	-2.5%	(0.3)	-0.4%	NM
Net income (loss) attributable to JAKKS Pacific, Inc.	(36.2)	-39.0%	(18.3)	-19.4%	97.8%
Earnings (loss) per share - diluted	\$ (1.57)		\$ (1.01)		55.4%
<i>Adjusted EBITDA</i>	(14.6)	-15.7%	(10.6)	-11.2%	37.7%





# BALANCE SHEET HIGHLIGHTS

*(In US \$ millions)*

	As of March 31		\$ Δ
	2018	2017	
Cash & Cash Equivalents and Restricted Cash	46.8	68.0	(21.2)
Accounts Receivable, net	93.9	98.5	(4.6)
Inventory	54.0	67.5	(13.5)
Accounts Payable and Accrued Liabilities	91.6	59.3	32.3
Working Capital	102.8	198.2	(95.4)





## Q1 2018 RESULTS

*(in US \$ millions)*

	Q1			
	2018	2017	\$ Δ	% Δ
Cash Flow From Operations	(11.4)	9.9	(21.3)	(215.2%)
Free Cash Flow	(14.0)	5.6	(19.6)	(350.0%)







# 2018 PRODUCT DRIVERS



Incredibles 2



Fancy Nancy



Disguise



MorfBoard



Studio JP





## 2018 OUTLOOK

---

- **Well positioned for healthy year and beyond**
  - Incredibles 2 hits theaters on June 15 accompanied with a broad line of products
  - MorfBoard momentum is building
  - C'est Moi is building at retail
  - New license and international growth for Disguise
  - Expecting a strong output from Studio JP
  - New license properties for Fall 2018 and 2019
- **Expect continued negative impact from Toys R Us**
  - Sharply lower sales to TRU
  - Industry "pipeline" disrupted by liquidation sales
  - Disney's Incredibles 2, Moana, Tangled: The Series, DC Super Hero, Star Wars, and Nintendo
- **Increased sales to other retailers**
  - All other major customers are clamoring to grab the share
  - Online sales growth
- **Improved financial results**





THANK YOU

