



Fourth Quarter 2023
Earnings Presentation
February 29, 2024
5:00 PM Eastern / 2:00 PM Pacific

Webcast link [4Q23 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 2024, as well as any other forward-looking statements concerning 2024 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





CEO OVERVIEW

Fiscal Year Gross Margin dollars up 6% vs 2022

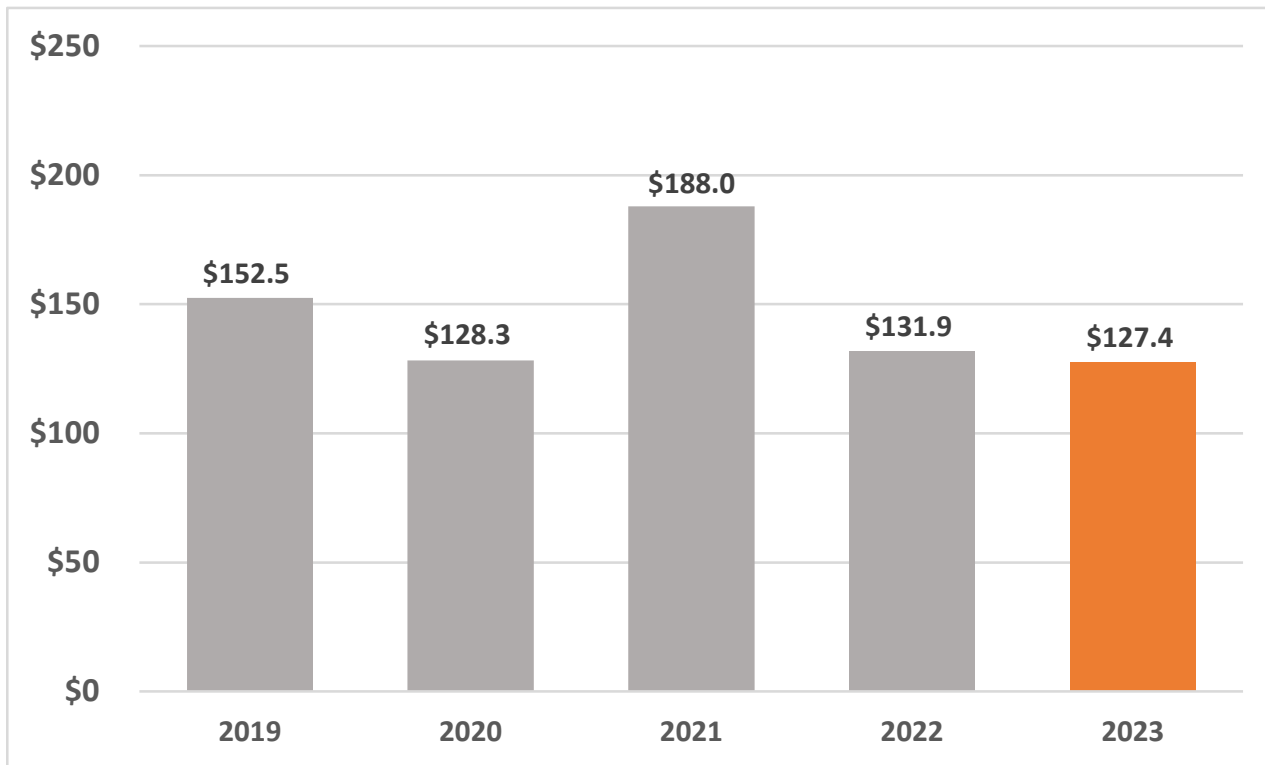
- Q4 Net Sales were \$127.4 million, 3% decrease versus prior year
- Q4 Gross margin of 26.5%, up 480bps vs Q4 2022
- Fiscal Year Results compared to prior year:
 - Net Sales of \$711.6 million vs. \$796.2 million, an 11% decrease
 - Gross margin of 31.4% vs. 26.5%
 - Operating income of \$59.1 million vs. \$61.0 million, a 3% decrease
 - Adjusted EBITDA of \$75.7M vs. \$76.4M, a 1% decrease





2023 Fourth Quarter Net Sales

\$ Millions



YoY % Change:

(16)%

(47)%

(30)%

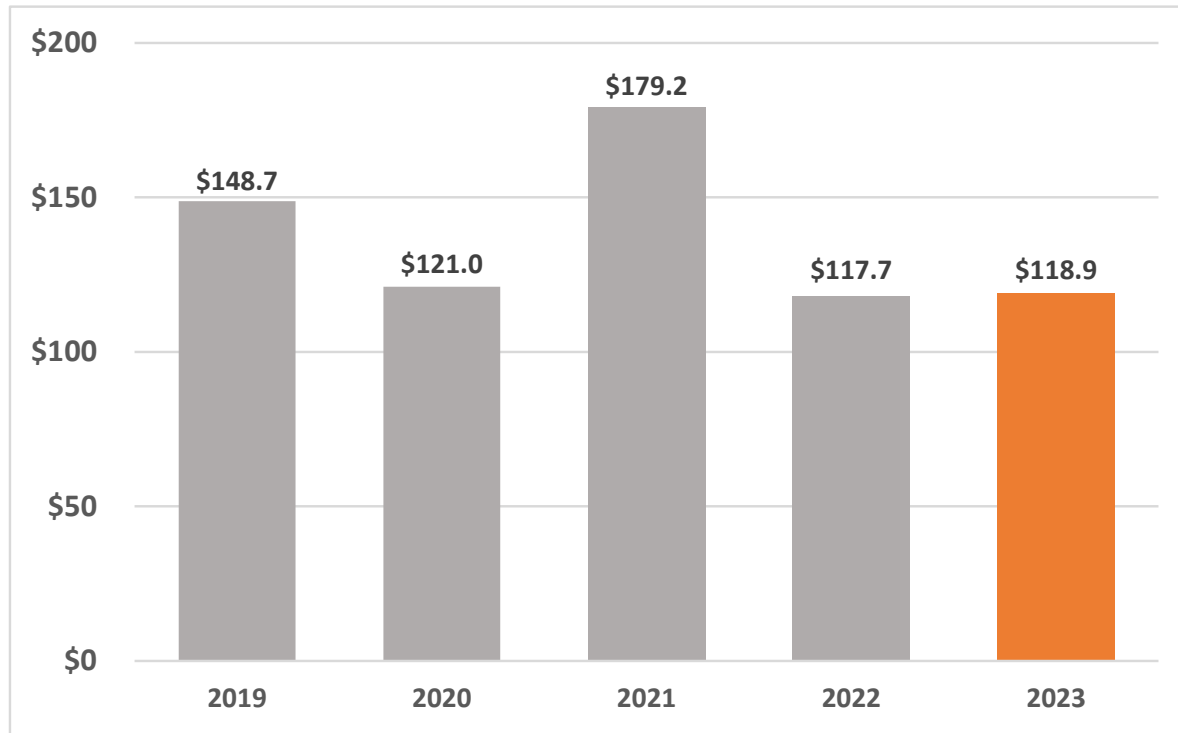
(3)%





2023 Fourth Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

(19)%

48%

(34)%

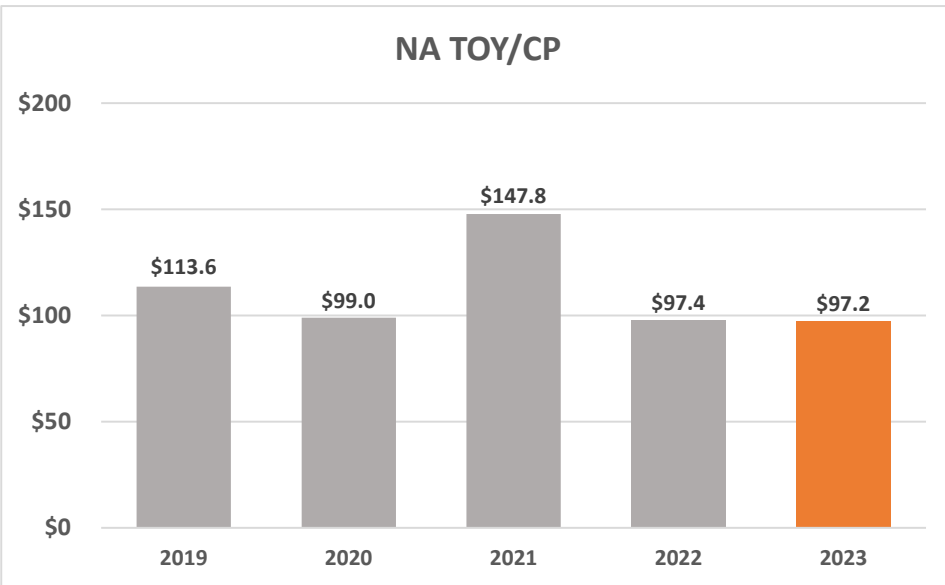
1%



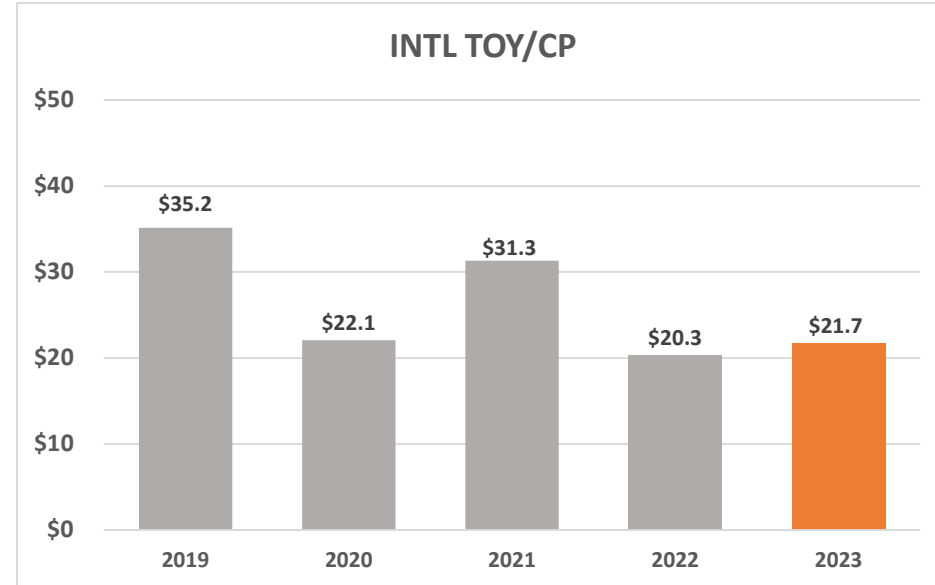


2023 Fourth Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change



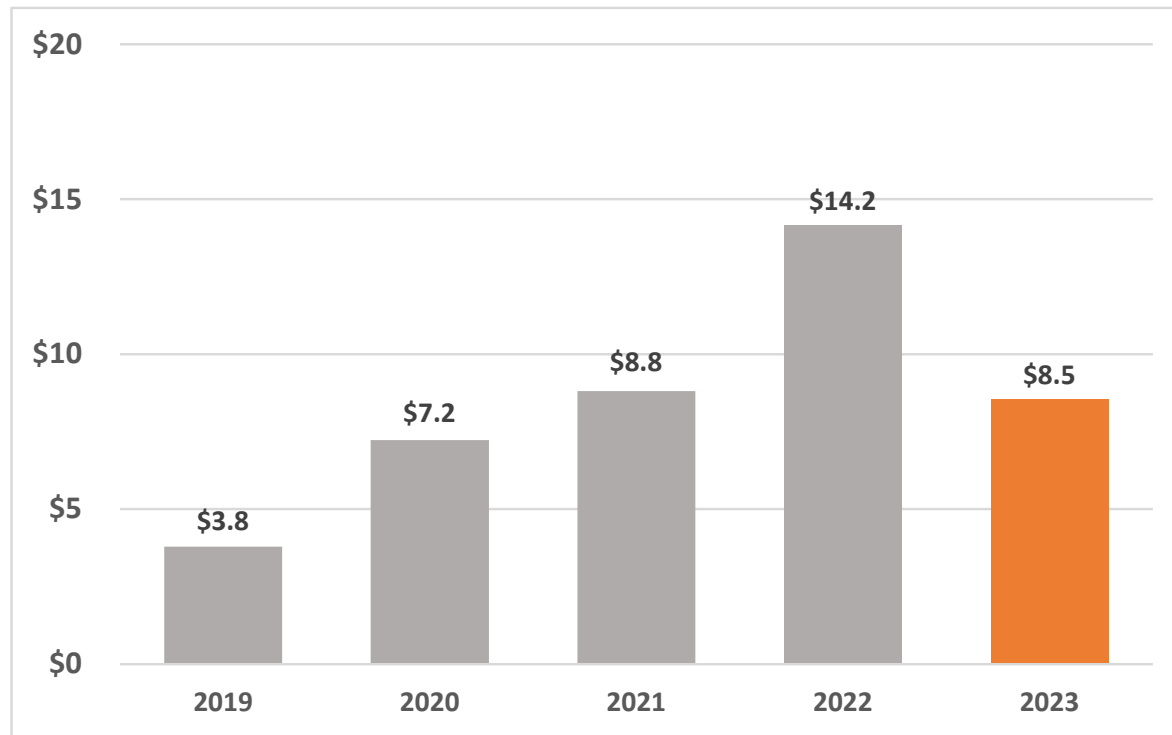
YoY % Change





2023 Fourth Quarter Costumes Net Sales

\$ Millions



YoY % Change:

91%

22%

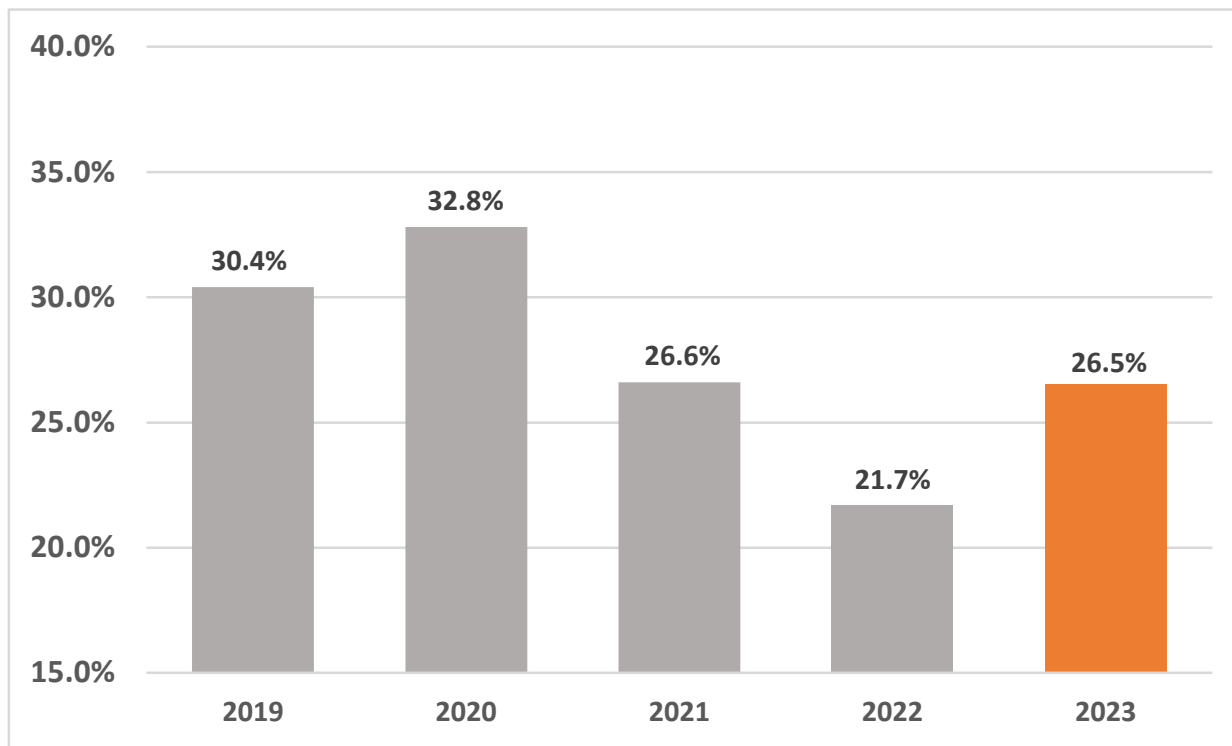
61%

(40)%





2023 Fourth Quarter Gross Margin %



YoY % Change:

240 bps

(620) bps

(490) bps

480 bps

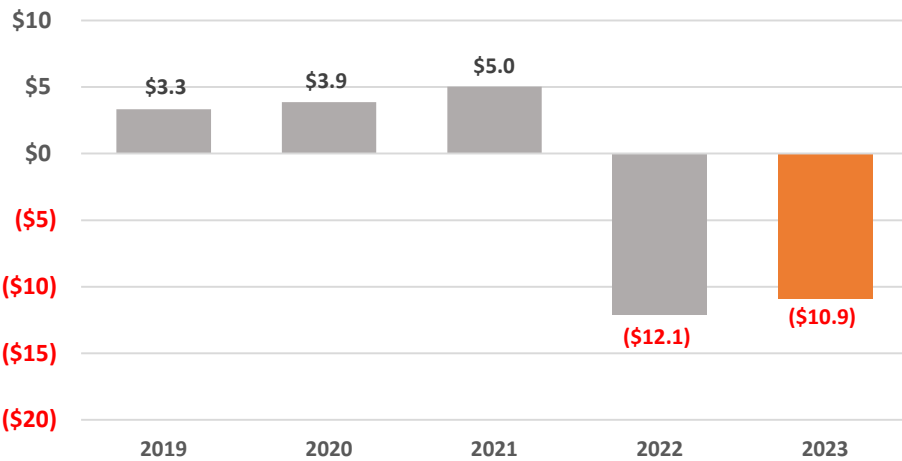




2023 Fourth Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

Q4 ADJ EBITDA



2.2%

3.0%

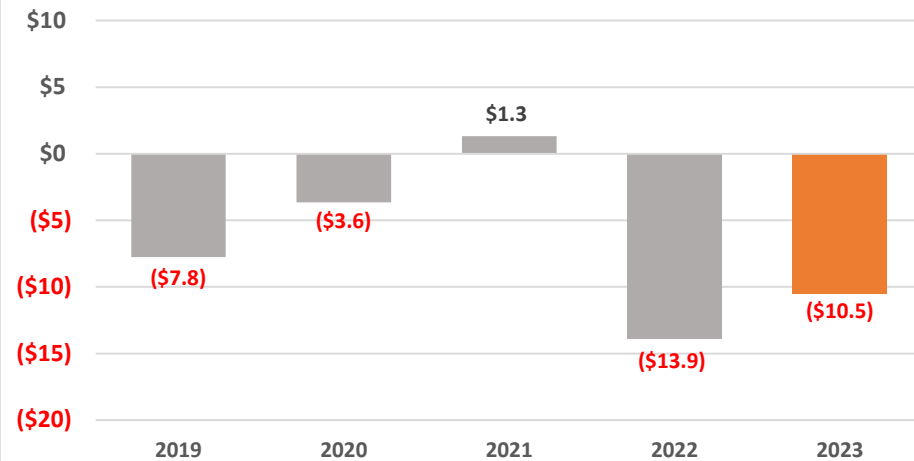
2.7%

(9.2)%

(8.6)%

Adj. EBITDA Margin %

Q4 ADJ NET INCOME



(5.1)%

(2.8)%

0.7%

(10.5)%

(8.2)%

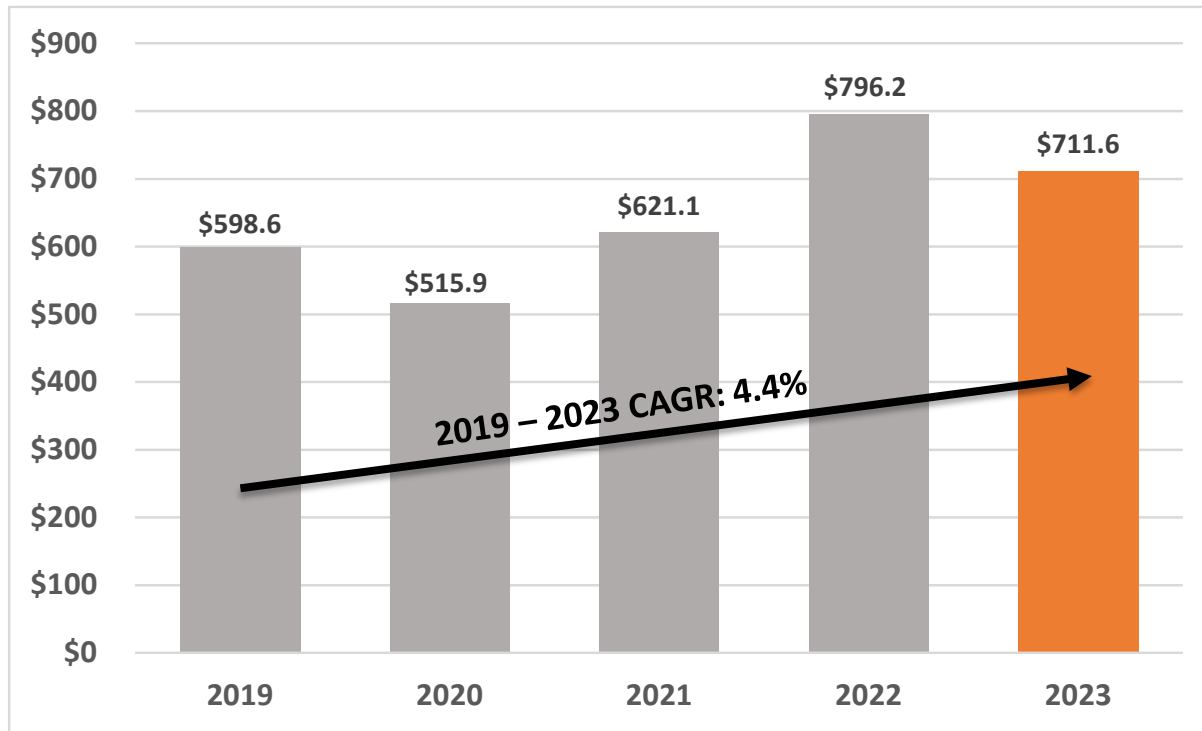
Adj. Net Income Margin %





2023 Full-Year Net Sales

\$ Millions



YoY % Change:

(14)%

20%

28%

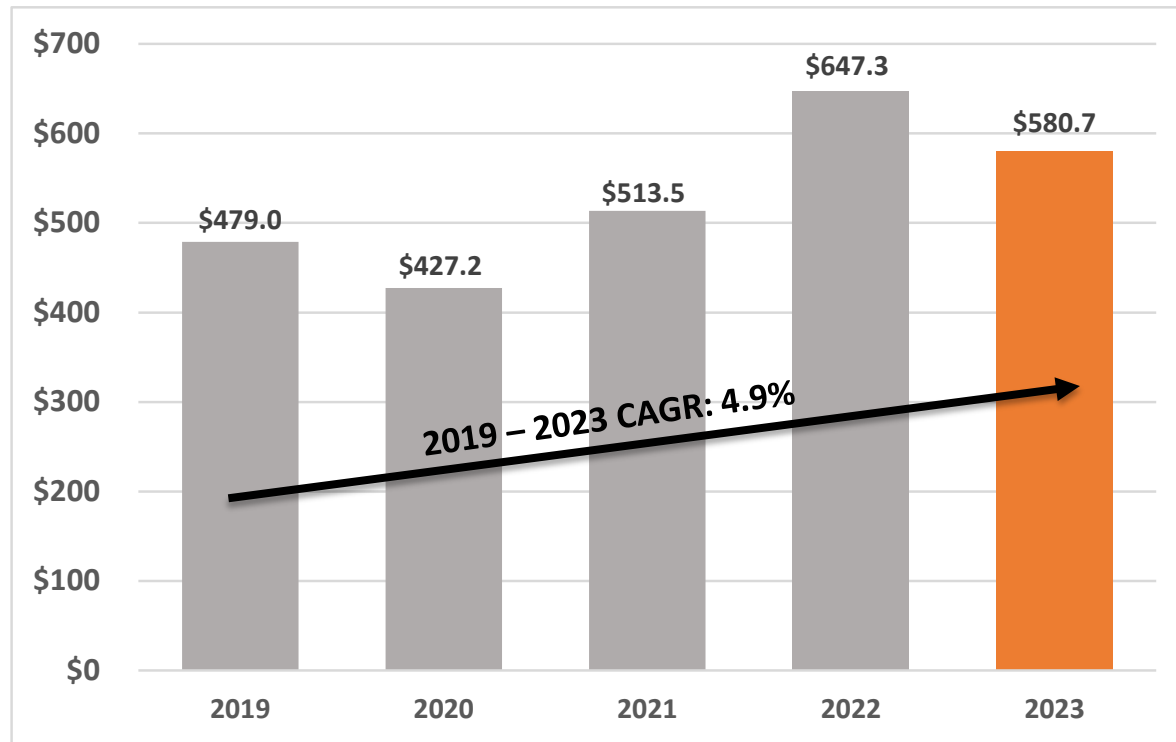
(11)%





2023 Full-Year Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

(11)%

20%

26%

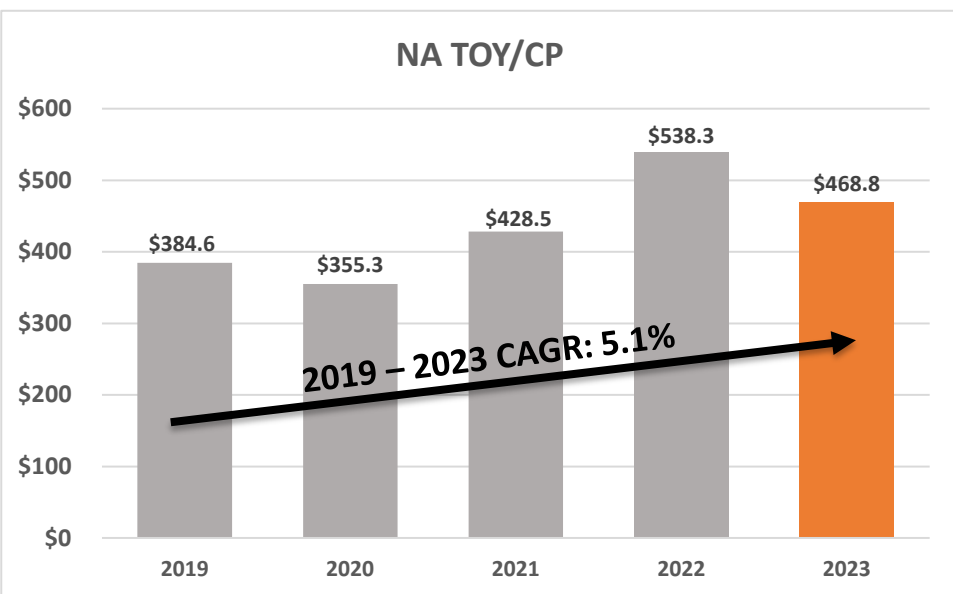
(10)%



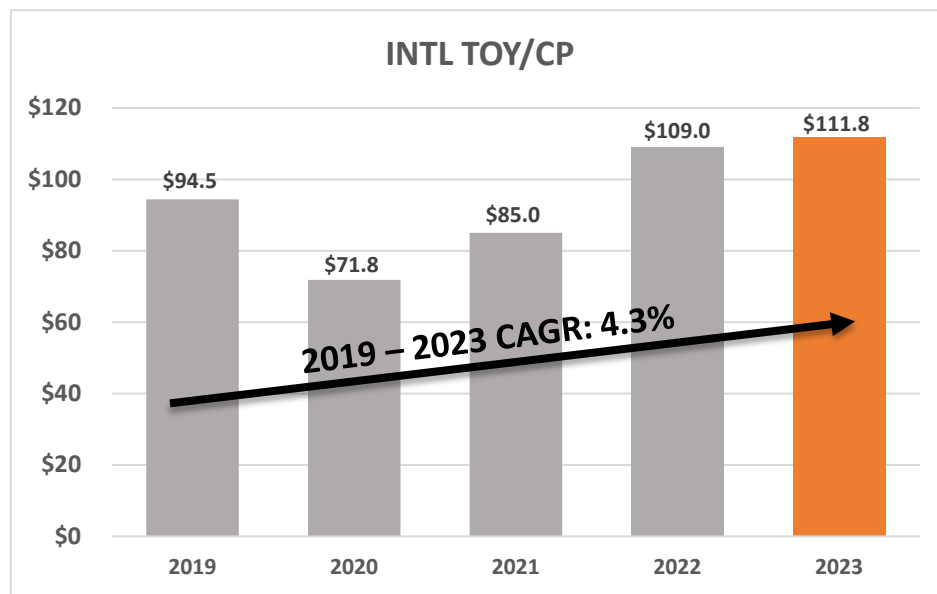


2023 Full-Year Toys/Consumer Products Net Sales

\$ Millions



YoY % Change



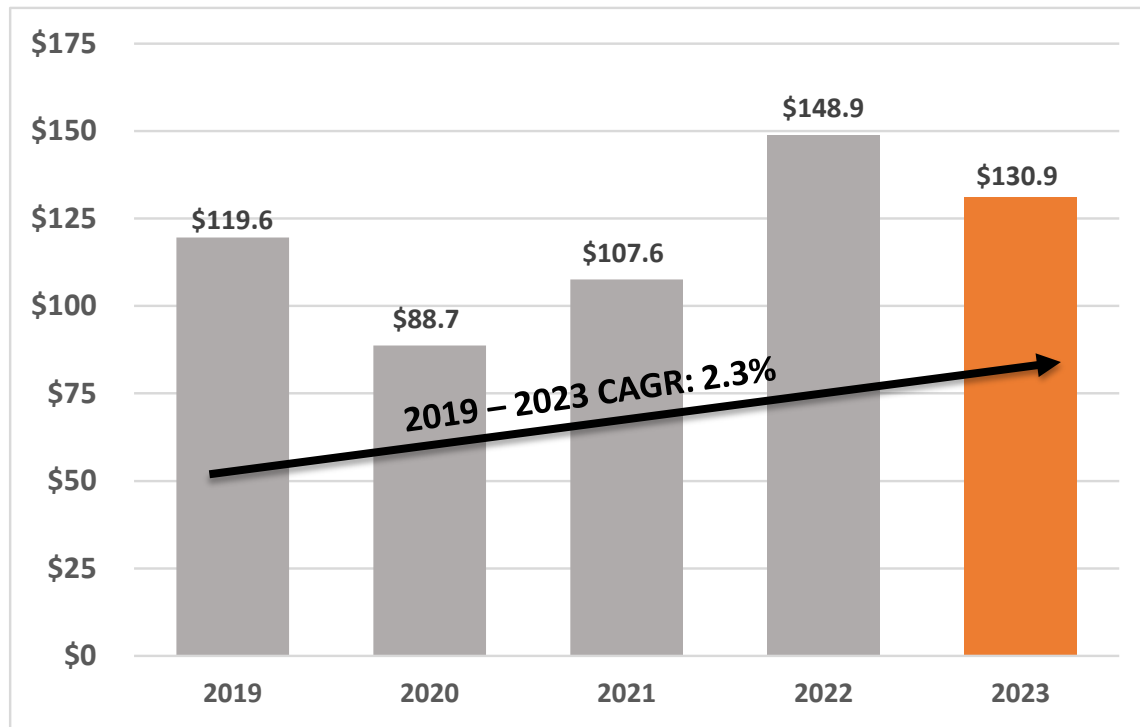
YoY % Change





2023 Full-Year Costumes Net Sales

\$ Millions



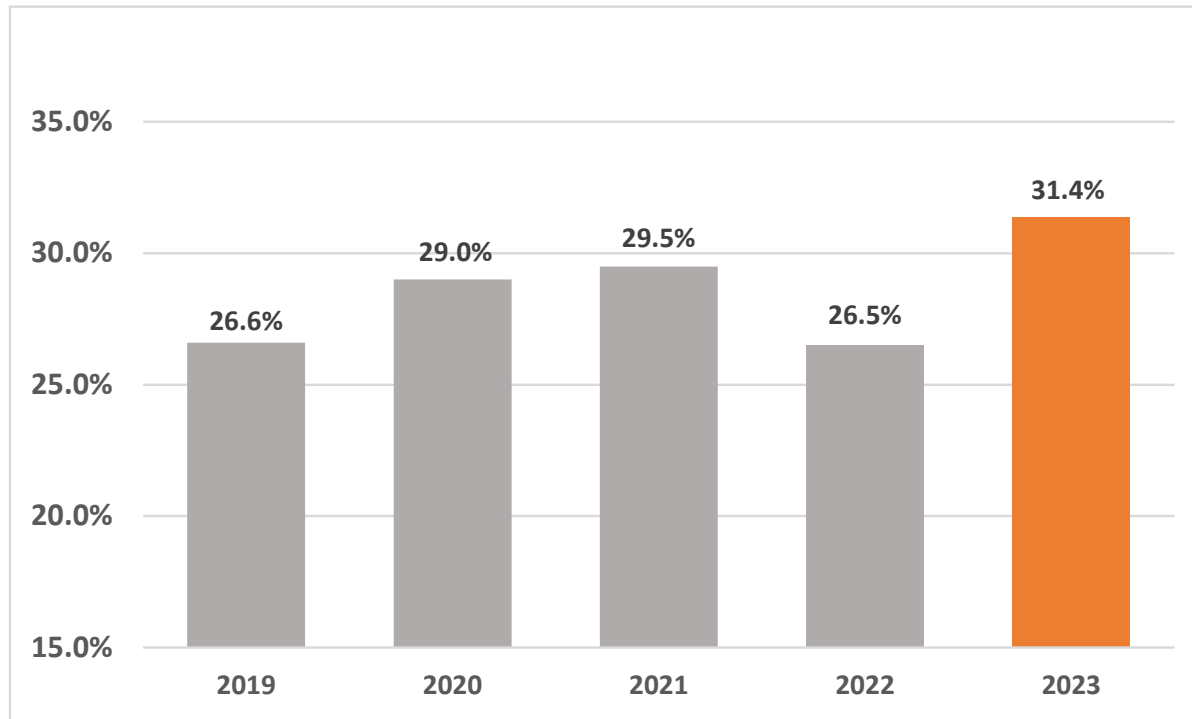
YoY % Change:

- (26%)
- 21%
- 38%
- (12%)





2023 Full-Year Gross Margin %



YoY % Change:

240 bps

50 bps

(300) bps

490 bps

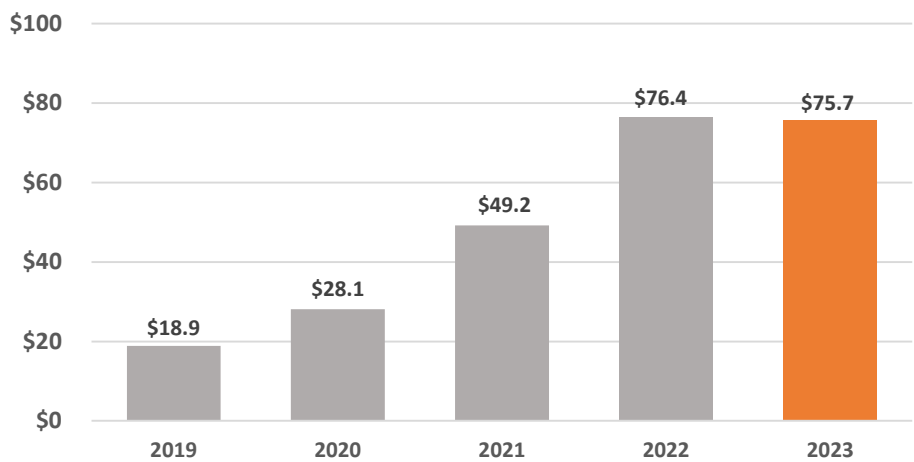




2023 Full-Year Adj. EBITDA and Adj. Net Income (non-GAAP)

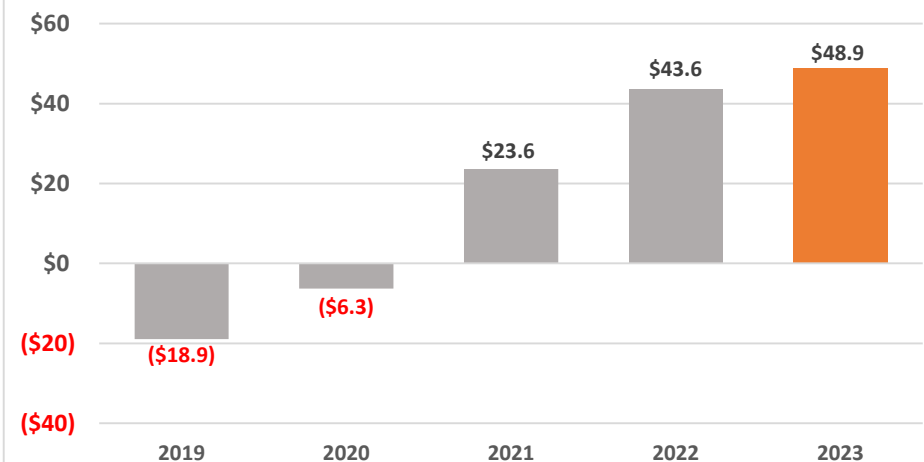
\$ Millions

FY ADJ EBITDA



Adj. EBITDA Margin %

FY ADJ NET INCOME



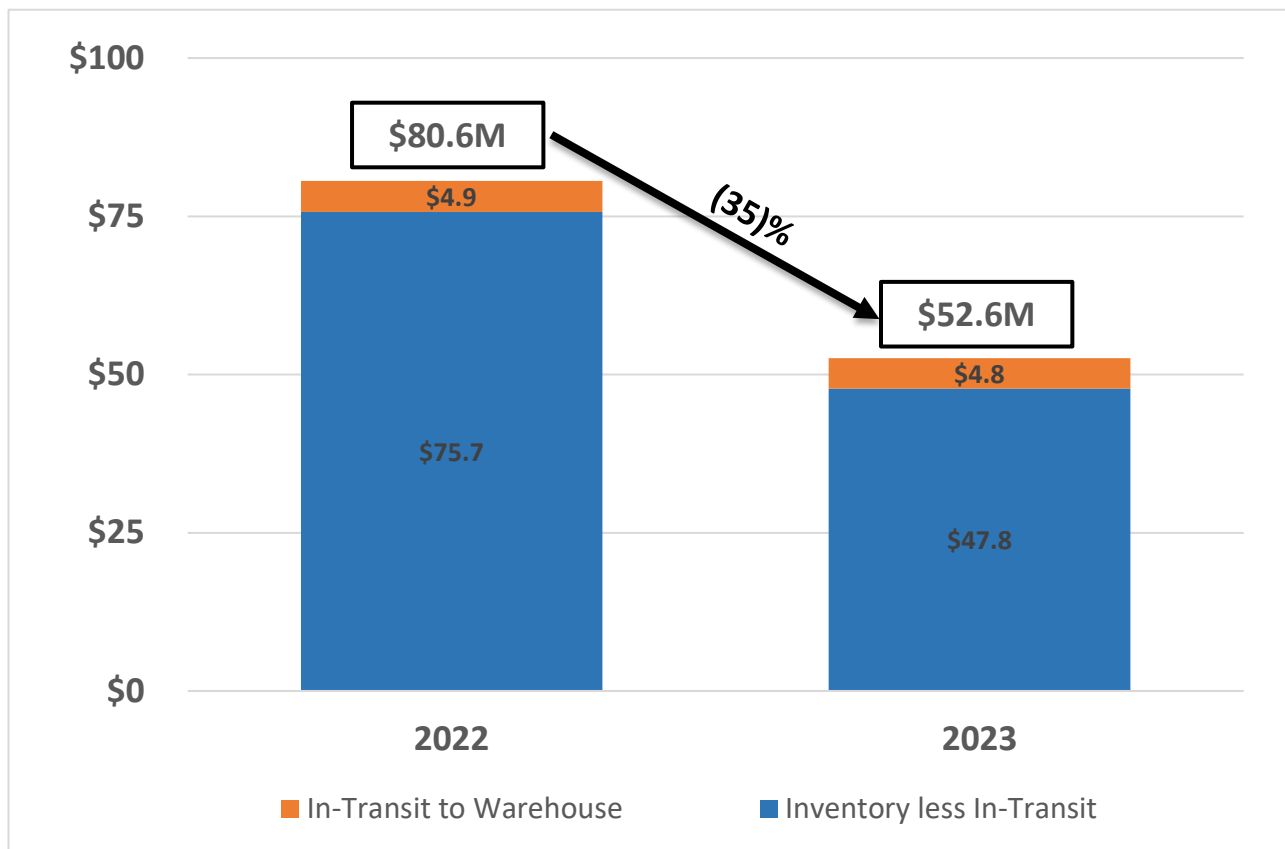
Adj. Net Income Margin %





Fourth Quarter Inventory - 2023 vs 2022 *(Worldwide)*

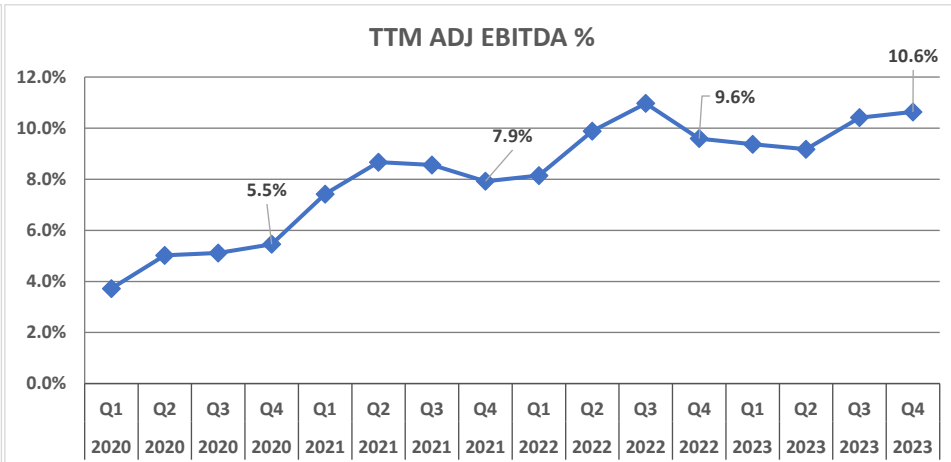
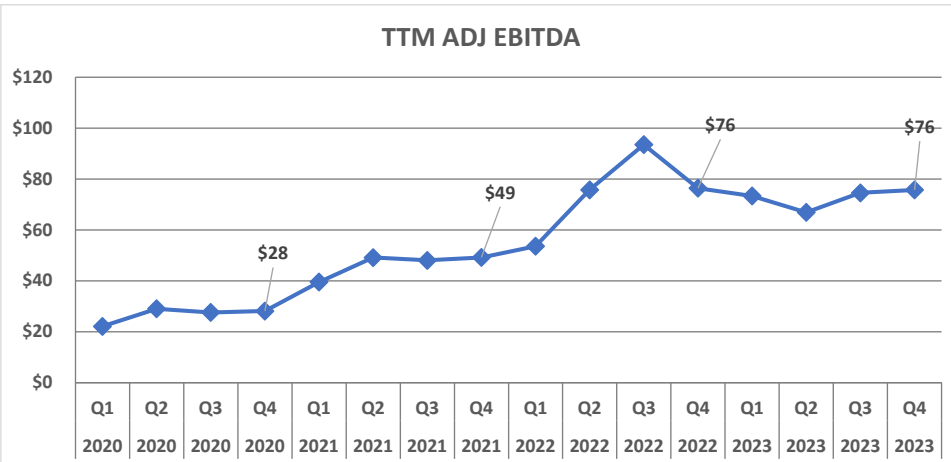
\$ Millions





Trailing-Twelve-Month (TTM) Adjusted EBITDA (non-GAAP)

\$ Millions







THANK YOU





Supplemental Financial Information





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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2023	2022	Δ (%)	2023	2022	Δ (%)
	(In thousands, except per share data)			(In thousands, except per share data)		
Net sales	\$ 127,396	\$ 131,886	(3) %	\$ 711,557	\$ 796,187	(11) %
Less: Cost of sales						
Cost of goods	68,866	81,355	(15)	362,378	449,597	(19)
Royalty expense	22,533	20,371	11	117,607	126,633	(7)
Amortization of tools and molds	2,264	1,592	42	8,219	8,671	(5)
Cost of sales	<u>93,663</u>	<u>103,318</u>	<u>(9)</u>	<u>488,204</u>	<u>584,901</u>	<u>(17)</u>
Gross profit	33,733	28,568	18	223,353	211,286	6
Direct selling expenses	14,582	13,153	11	36,987	33,290	11
General and administrative expenses	34,401	30,752	12	126,893	114,819	11
Depreciation and amortization	90	360	(75)	366	1,907	(81)
Selling, general and administrative expenses	49,073	44,265	11	164,246	150,016	9
Intangibles impairment	-	-	-	-	300	nm
Income from operations	(15,340)	(15,697)	(2)	59,107	60,970	(3)
Other income (expense):						
Loss from joint ventures	-	-	-	(565)	-	nm
Other income (expense), net	139	277	(50)	563	797	(29)
Change in fair value of preferred stock derivative liability	(1,361)	1,429	nm	(8,029)	(636)	nm
Loss on debt extinguishment	-	-	-	(1,023)	-	nm
Interest income	757	63	nm	1,344	127	nm
Interest expense	(710)	(2,294)	(69)	(6,451)	(11,183)	(42)
Income (loss) before provision for (benefit from) income taxes	(16,515)	(16,222)	2	44,946	50,075	(10)
Provision for (benefit from) income taxes	(5,643)	(54,331)	(90)	6,833	(41,008)	nm
Net income (loss)	(10,872)	38,109	nm	38,113	91,083	(58)
Net income (loss) loss attributable to non-controlling interests	(4)	140	nm	(293)	(330)	(11)
Net income (loss) attributable to JAKKS Pacific, Inc.	<u>\$ (10,868)</u>	<u>\$ 37,969</u>	<u>nm %</u>	<u>\$ 38,406</u>	<u>\$ 91,413</u>	<u>(58) %</u>
Net income (loss) attributable to common stockholders	<u>\$ (11,252)</u>	<u>\$ 37,607</u>	<u>nm %</u>	<u>\$ 36,904</u>	<u>\$ 89,997</u>	<u>(59) %</u>
Earnings (loss) per share - basic	<u>\$ (1.12)</u>	<u>\$ 3.86</u>		<u>\$ 3.70</u>	<u>\$ 9.33</u>	
Shares used in earnings (loss) per share - basic	<u>10,084</u>	<u>9,732</u>		<u>9,962</u>	<u>9,651</u>	
Earnings (loss) per share - diluted	<u>\$ (1.12)</u>	<u>\$ 3.66</u>		<u>\$ 3.48</u>	<u>\$ 8.86</u>	
Shares used in earnings (loss) per share - diluted	<u>10,084</u>	<u>10,263</u>		<u>10,590</u>	<u>10,155</u>	





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

	December 31,	
	2023	2022
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 72,350	\$ 85,297
Restricted cash	204	193
Accounts receivable, net	123,797	102,771
Inventory	52,647	80,619
Prepaid expenses and other assets	6,374	6,331
Total current assets	255,372	275,211
Property and equipment	135,956	130,437
Less accumulated depreciation and amortization	121,357	115,575
Property and equipment, net	14,599	14,862
Operating lease right-of-use assets, net	23,592	19,913
Deferred income tax assets, net	68,143	57,804
Goodwill	35,083	35,083
Intangibles and other assets, net	2,162	2,469
Total assets	\$ 398,951	\$ 405,342
Liabilities, Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 42,177	\$ 33,687
Accounts payable - Meisheng (related party)	12,259	9,820
Accrued expenses	45,102	37,998
Reserve for sales returns and allowances	38,531	51,877
Income taxes payable	3,785	8,165
Short term operating lease liabilities	7,380	10,746
Short term debt, net	-	25,529
Total current liabilities	149,234	177,822
Long term operating lease liabilities	16,666	9,863
Accrued expenses - long term	3,746	-
Debt, non-current portion, net	-	41,622
Preferred stock derivative liability	29,947	21,918
Income taxes payable	3,245	2,929
Deferred income tax liabilities, net	-	-
Total liabilities	202,838	254,154
Preferred stock accrued dividends	5,992	4,490
Stockholders' equity:		
Common stock, \$.001 par value	10	10
Additional paid-in capital	278,642	275,187
Accumulated deficit	(73,612)	(112,018)
Accumulated other comprehensive loss	(15,627)	(17,482)
Total JAKKS Pacific, Inc. stockholders' equity	189,413	145,697
Non-controlling interests	708	1,001
Total stockholders' equity	190,121	146,698
Total liabilities, preferred stock and stockholders' equity	\$ 398,951	\$ 405,342





Supplemental Balance Sheet and Cash Flow Data (Unaudited)

Key Balance Sheet Data:

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

December 31,	
2023	2022
89	72
52	72

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

Twelve Months Ended	
December 31,	
2023	2022
\$ 66,404	\$ 86,099
(8,907)	(10,387)
(70,433)	(35,554)
<u>\$ (12,936)</u>	<u>\$ 40,158</u>
<u>\$ (8,906)</u>	<u>\$ (10,389)</u>

Capital expenditures





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

	<u>Three Months Ended December 31,</u>			<u>Twelve Months Ended December 31,</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	\$ (10,872)	\$ 38,109	\$ (48,981)	\$ 38,113	\$ 91,083	\$ (52,970)
Interest expense	710	2,294	(1,584)	6,451	11,183	(4,732)
Interest income	(757)	(63)	(694)	(1,344)	(127)	(1,217)
Provision for income taxes	(5,643)	(54,331)	48,688	6,833	(41,008)	47,841
Depreciation and amortization	2,354	1,952	402	10,336	10,578	(242)
EBITDA	<u>(14,208)</u>	<u>(12,039)</u>	<u>(2,169)</u>	<u>60,389</u>	<u>71,709</u>	<u>(11,320)</u>
Adjustments:						
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	-	-	-	276	-	276
Loss from joint ventures (Meisheng - 49%)	-	-	-	289	-	289
Other (income) expense, net	(139)	(277)	138	(563)	(797)	234
Restricted stock compensation expense	2,057	1,646	411	8,027	5,082	2,945
Change in fair value of preferred stock derivative liability	1,361	(1,429)	2,790	8,029	636	7,393
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
Adjusted EBITDA	<u>\$ (10,929)</u>	<u>\$ (12,099)</u>	<u>\$ 1,170</u>	<u>\$ 75,719</u>	<u>\$ 76,381</u>	<u>\$ (662)</u>
Adjusted EBITDA/Net sales %	<u>(8.6) %</u>	<u>(9.2) %</u>	<u>60 bps</u>	<u>10.6 %</u>	<u>9.6 %</u>	<u>100 bps</u>





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

	<u>Three Months Ended December 31,</u>			<u>Twelve Months Ended December 31,</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 (loss) attributable to common stockholders	\$ (11,252)	\$ 37,607	\$ (48,859)	\$ 36,904	\$ 89,997	\$ (53,093)
Restricted stock compensation expense	2,057	1,646	411	8,027	5,082	2,945
Change in fair value of preferred stock derivative liability	1,361	(1,429)	2,790	8,029	636	7,393
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	-	-	-	150	525	(375)
Molds and Tooling capitalization	-	-	-	(1,751)	-	(1,751)
Valuation allowance release/adjustments	(2,577)	(51,178)	48,601	(2,577)	(51,178)	48,601
Tax impact of additional charges	(96)	(511)	415	(1,175)	(1,208)	33
Adjusted net income (loss) attributable to common stockholders	<u>\$ (10,507)</u>	<u>\$ (13,865)</u>	<u>\$ 3,358</u>	<u>\$ 48,906</u>	<u>\$ 43,605</u>	<u>\$ 5,301</u>
Adjusted earnings (loss) per share - basic	<u>\$ (1.04)</u>	<u>\$ (1.42)</u>	<u>\$ 0.38</u>	<u>\$ 4.91</u>	<u>\$ 4.52</u>	<u>\$ 0.39</u>
Shares used in adjusted earnings (loss) per share - basic	<u>10,084</u>	<u>9,732</u>	<u>352</u>	<u>9,962</u>	<u>9,651</u>	<u>311</u>
Adjusted earnings (loss) per share - diluted	<u>\$ (1.04)</u>	<u>\$ (1.42)</u>	<u>\$ 0.38</u>	<u>\$ 4.62</u>	<u>\$ 4.29</u>	<u>\$ 0.32</u>
Shares used in adjusted earnings (loss) per share - diluted	<u>10,084</u>	<u>9,732</u>	<u>352</u>	<u>10,590</u>	<u>10,155</u>	<u>435</u>





JAKKS Pacific, Inc. and Subsidiaries
Net Sales by Division and Geographic Region

(In thousands)

Divisions	QTD Q4				
	2023	2022	2021	% Change 2023 v 2022	% Change 2022 v 2021
Toys/Consumer Products	\$118,855	\$117,727	\$179,152	1.0%	-34.3%
Dolls, Role-Play/Dress Up	73,272	68,937	116,877	6.3%	-41.0%
Action Play & Collectibles	35,312	38,909	41,164	-9.2%	-5.5%
Outdoor/Seasonal Toys	10,272	9,881	21,111	4.0%	-53.2%
Costumes	\$ 8,541	\$ 14,159	\$ 8,812	-39.7%	60.7%
Total	\$127,396	\$ 131,886	\$187,964	-3.4%	-29.8%

(In thousands)

Divisions	FY				
	2023	2022	2021	% Change 2023 v 2022	% Change 2022 v 2021
Toys/Consumer Products	\$580,686	\$647,317	\$513,517	-10.3%	26.1%
Dolls, Role-Play/Dress Up	319,962	423,581	323,360	-24.5%	31.0%
Action Play & Collectibles	219,446	173,529	114,778	26.5%	51.2%
Outdoor/Seasonal Toys	41,279	50,207	75,379	-17.8%	-33.4%
Costumes	130,870	148,870	107,599	-12.1%	38.4%
Total	\$ 711,557	\$ 796,187	\$ 621,116	-10.6%	28.2%

(In thousands)

Regions	QTD Q4				
	2023	2022	2021	% Change 2023 v 2022	% Change 2022 v 2021
United States	\$96,304	\$100,907	\$148,876	-4.6%	-32.2%
Europe	17,988	19,437	22,322	-7.5%	-12.9%
Latin America	4,434	2,626	4,483	68.8%	-41.4%
Canada	4,686	4,795	5,596	-2.3%	-14.3%
Asia	2,140	1,698	3,018	26.0%	-43.7%
Australia & New Zealand	1,486	1,822	2,496	-18.4%	-27.0%
Middle East & Africa	358	601	1,173	-40.4%	-48.8%
Total	\$127,396	\$131,886	\$187,964	-3.4%	-29.8%

(In thousands)

Regions	FY				
	2023	2022	2021	% Change 2023 v 2022	% Change 2022 v 2021
United States	\$ 557,865	\$ 644,295	\$ 512,193	-13.4%	25.8%
Europe	76,464	85,348	60,425	-10.4%	41.2%
Latin America	32,024	18,338	12,606	74.6%	45.5%
Canada	26,992	26,515	17,999	1.8%	47.3%
Asia	8,543	10,431	9,232	-18.1%	13.0%
Australia & New Zealand	7,542	8,836	6,423	-14.6%	37.6%
Middle East & Africa	2,127	2,424	2,238	-12.3%	8.3%
Total	\$ 711,557	\$ 796,187	\$ 621,116	-10.6%	28.2%

(In thousands)

Regions	QTD Q4				
	2023	2022	2021	% Change 2023 v 2022	% Change 2022 v 2021
North America	\$100,990	\$105,702	\$154,472	-4.5%	-31.6%
International	26,406	26,184	33,492	0.8%	-21.8%
Total	\$127,396	\$131,886	\$187,964	-3.4%	-29.8%

(In thousands)

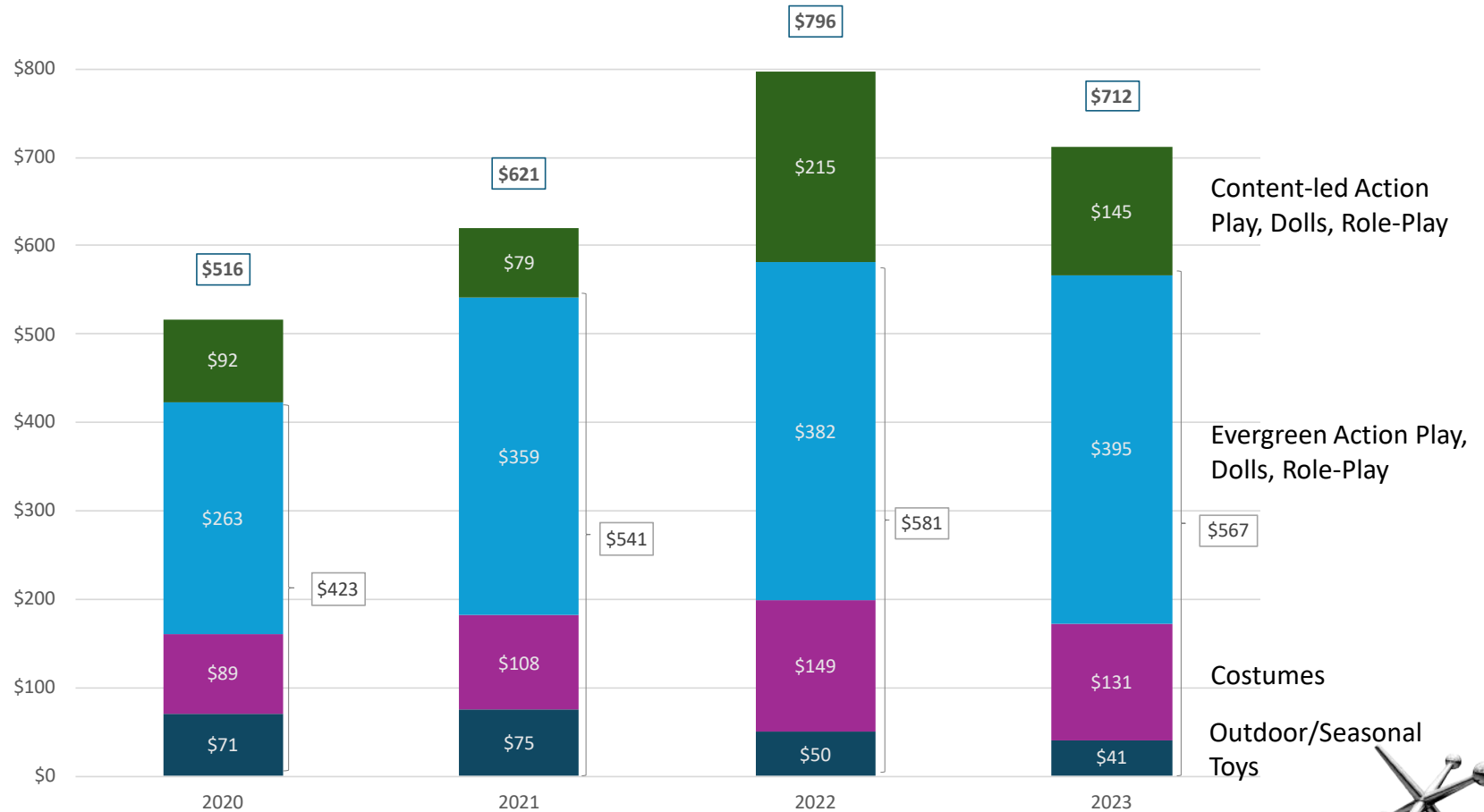
Regions	FY				
	2023	2022	2021	% Change 2023 v 2022	% Change 2022 v 2021
North America	\$ 584,857	\$ 670,810	\$ 530,192	-12.8%	26.5%
International	126,700	125,377	90,924	1.1%	37.9%
Total	\$711,557	\$796,187	\$621,116	-10.6%	28.2%





Strong, Evergreen Base of Business

Net Sales
(\$ Million)



Note: Content-led sales represent those products branded to support a theatrical, television or streaming film/TV release and reported in either the company's Action Play or Dolls, Dress-up, Role Play divisions.

