



Second Quarter 2017
Earnings Conference Call Presentation
July 25, 2017





EXECUTIVE TEAM ON THE CALL

STEPHEN BERMAN

Chairman & Chief Executive Officer

JOEL BENNETT

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 2017 estimates of sales and/or EBITDA growth, as well as any other forward-looking statements concerning 2017 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.





CEO OVERVIEW

First Half:

Faced difficult headwinds in sales comparisons and timing of expenses - sales down 10%

Second Half:

Expect to have some tailwinds in sales and more favorable cost comparisons

Q2 in line with internal forecasts

- Q2 saw declines in several entertainment-licensed product lines
- Consequence of suspending sales major U.S. retailer
- Did not anniversary retailer blitz promotion for outdoor products
- New and continuing properties performing strong include:
 - Disney: Moana, Beauty and the Beast, Elena of Avalor, Cars and Tangled
 - Warner Bros: DC Superhero Girls
 - Nintendo
 - Gift 'ems

Continue to expect increases in Full Year Net Income, EPS and Adjusted EBITDA despite lower sales





STRATEGIC GOALS SCORECARD

- Build on solid base of evergreen properties; partner brands and licenses
 - Aggregate sales of Preschool, Kids Only!, Moose Mountain and Disguise up YOY
- Augment base with promotional opportunities
 - Capitalized on popularity of licensed properties: Moana, Beauty and the Beast, Elena of Avalor, Nintendo and DC Superhero Girls
 - Original IP: Gift 'ems, Cuppatinis
- Build up our IP, including animated content through Studio JP a JV with Meisheng
 - Now shipping Real Workin' Buddies Mr. Dusty, Squish-Dee-lish for Fall launches
 - Developing content to coincide with launch of Power Rippers
- Develop exclusive products and/or private label lines for customers
- Enter new categories organically and through acquisitions
 - Cosmetics: C'est Moi on track to ship late 2017 for an early 2018 consumer launch
 - Sporting goods: Morf, an outdoor product as part of our "active play" initiative
- Broaden geographic reach with new offices and new licenses
 - Office in France now open
- Grow business with online retailers
 - Sales to online retailers continue to rise strongly: up more than 50% YOY in Q2





Q2 2017 RESULTS

(in US\$ millions except per share data)

	Q2			
	2017	2016	\$ Δ	% Δ
Net Sales	\$ 119.6	\$ 141.0	\$ (21.4)	(15%)
Gross Profit %	28.2%	31.8%	(360) bps	
Net Loss Attributable to JAKKS	\$ (16.7)	\$ (4.4)	\$ (12.3)	(280%)
Diluted EPS	\$ (0.77)	\$ (0.27)	\$ (0.50)	(185%)
Adjusted EBITDA	\$ (5.4)	\$ 4.0	\$ (9.4)	(235%)





PRODUCT CATEGORIES – NET SALES

(in US\$ millions)

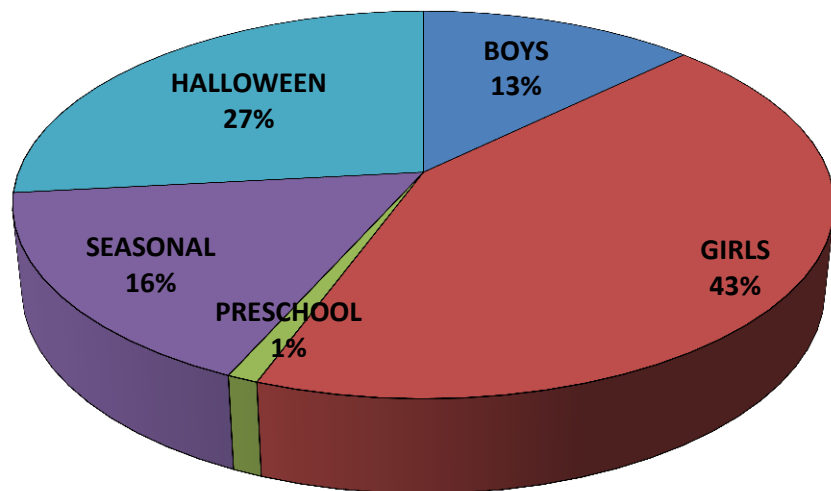
	<u>Q2 2017</u>	<u>Q2 2016</u>	<u>\$ Δ</u>	<u>% Δ</u>
Girls	\$51.3	\$ 61.6	(\$10.3)	(17%)
Boys & Other	15.2	22.4	(7.2)	(32%)
Seasonal	19.9	23.9	(4.0)	(17%)
Halloween	31.9	31.3	0.6	2%
Preschool	1.3	1.8	(0.5)	(28%)
Total	\$119.6	\$141.0	\$ (21.4)	(15%)



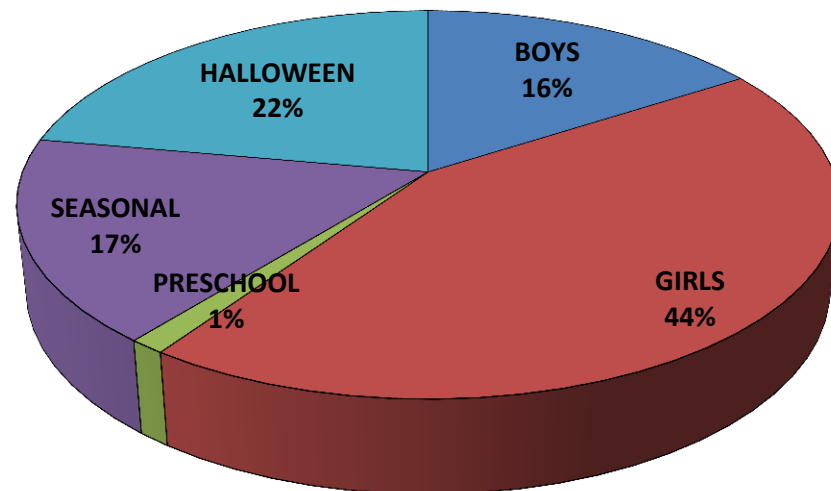


PRODUCT CATEGORIES

Q2 2017 Net Sales as % Total



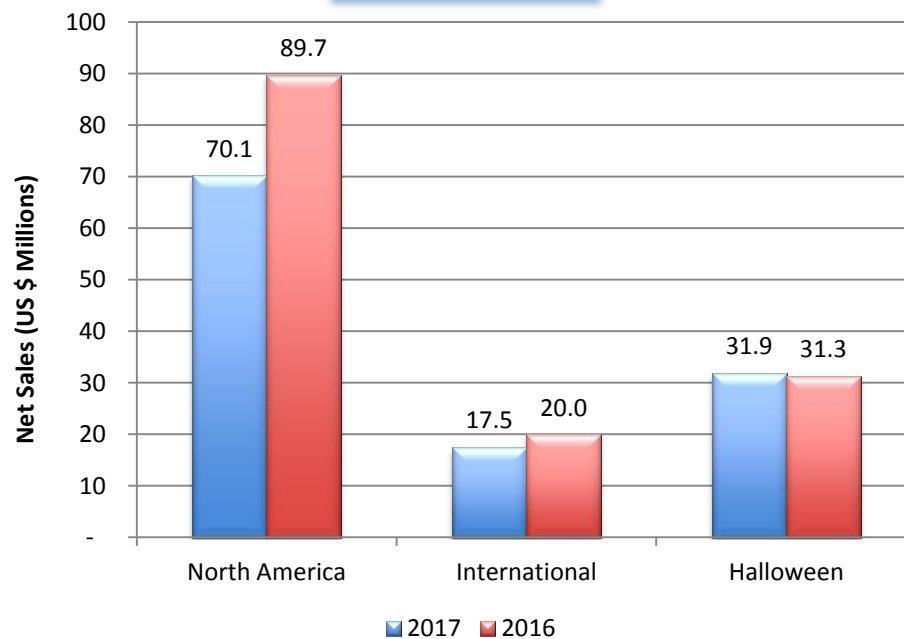
Q2 2016 Net Sales as % Total





SEGMENT RESULTS

Q2 Net Sales





Q2 2017 RESULTS

(in US\$ millions except per share data)

			Q2		% Δ
	2017	% of Sales	2016	% of Sales	
Net Sales	\$ 119.6	100.0%	\$ 141.0	100.0%	(15%)
COGS	<u>85.8</u>	<u>71.8%</u>	<u>96.2</u>	<u>68.2%</u>	11%
Gross Profit	33.7	28.2%	44.8	31.8%	(25%)
SG&A	<u>47.8</u>	<u>40.0%</u>	<u>45.9</u>	<u>32.6%</u>	(4%)
Operating Loss	(14.1)	-11.8%	(1.1)	-0.8%	(1182%)
Interest, net	(2.5)	-2.1%	(3.2)	-2.3%	21%
Other income	0.2	0.2%	0.6	0.4%	(67%)
Provision for Income Taxes	<u>0.3</u>	<u>0.3%</u>	<u>0.7</u>	<u>0.5%</u>	55%
Net Loss Attributable to JAKKS	\$ (16.7)	-14.0%	\$ (4.4)	-3.1%	(280%)
Diluted EPS	\$ (0.77)		\$ (0.27)		(185%)
Adjusted EBITDA	\$ (5.4)	-4.5%	\$ 4.0	2.8%	(235%)





Q2 2017 RESULTS

(in US\$ millions)

	Q2			
	2017	2016	\$ Δ	% Δ
Cash Flow From Operations	\$ 3.3	\$ (14.7)	\$ 18.0	122%
Free Cash Flow	\$ 0.1	\$ (17.0)	\$ 17.1	101%





BALANCE SHEET HIGHLIGHTS

Q2 2017 Results

(in US\$ millions)

	as of June 30		
	2017	2016	\$ Δ
Cash & Cash Equivalents and Restricted Cash	\$ 67.6	\$ 96.6	\$ (29.0)
Accounts Receivable, net	\$ 110.5	\$ 132.9	\$ (22.4)
Inventory, net	\$ 81.2	\$ 71.5	\$ 9.7
Accounts Payable and Accrued Liabilities	\$ 98.4	\$ 114.1	\$ (15.7)
Working Capital	\$ 191.0	\$ 216.5	\$ (25.5)





CONVERTIBLE NOTES & COMMON STOCK

- In Q2 exchanged and retired total of \$12.0 million principal amount of 2018 Notes for \$11.4 million in cash and 112,400 shares of common stock
- In April 2017, completed the sale of approximately 3.7 million shares of common stock to affiliate of Chinese distribution and animation joint venture partner for \$19.3 million in cash





CONVERT SUMMARY ACTIVITY

2018 Convertible Senior Notes Transactions
 (\$ in millions, except share amounts)

	Principal Amount Outstanding	Net Decrease in Diluted Shares
Balance, 3/31/17	\$ 54.727	
June 2017 Exchanges	(11.999)	(1,259,894)
Current balance, 6/30/17	<u>\$ 42.728</u>	<u>(1,259,894)</u>





BALANCE SHEET HIGHLIGHTS

Q2 2017 Results

(in US\$ millions)

	as of June 30		
	2017	2016	\$ Δ
Cash & Cash Equivalents and Restricted Cash	\$ 67.6	\$ 96.6	\$ (29.0)
Accounts Receivable, net	\$ 110.5	\$ 132.9	\$ (22.4)
Inventory, net	\$ 81.2	\$ 71.5	\$ 9.7
Accounts Payable and Accrued Liabilities	\$ 98.4	\$ 114.1	\$ (15.7)
Working Capital	\$ 191.0	\$ 216.5	\$ (25.5)





SUMMARY OF 2017 OUTLOOK

vs. 2016

Sales

Lower

Adjusted EBITDA

Higher

Interest Expense

Lower

EPS

Higher

Basic Shares

Higher (~ 21 million)

Diluted Shares

Lower (~ 39 million)





Headwinds/Tailwinds 2H 2017 vs. 1H 2017

	First Half 2017	Second Half 2017
Headwinds		
Sales	Lack of sell-through from 2H'16 products Sales in 1H'16 to major customer later suspended Promotional programs with major retailer in 1H'16	Frozen Star Wars
Profits	New International offices only partially open 1H'16 Operating costs for C'est Moi, acquired 2H'16 Operating costs for Studio JP, JV formed 2H '16 Non-cash charge for accounts receivable write-down	
Tailwinds		
Sales	Moana Beauty and the Beast Nintendo	Moana Nintendo Squish-Dee-lish Pull My Finger Dusty
Profits		One time legal/audit expenses in 2H'16 4Q'16 sales shortfall made ad spending inefficient





2017 LICENSES – CORE DRIVERS





2017 DISGUISE – CORE DRIVERS

Disney
PRINCESS



WORLD OF
Nintendo®



MINECRAFT

PJ MASKS





2017 JAKKS IP – CORE DRIVERS





NEW CATEGORIES





NEW CATEGORIES

The Morf Board logo, consisting of a yellow stylized icon of three slanted bars followed by the text "morf BOARD" in white lowercase letters, all set against a black rectangular background.





SUMMARY

MOMENTUM BUILDING IN SECOND HALF **Better Sales Performance & Better Cost Management**

- Bigger global footprint = more and more global master toy licenses
- Innovative new products coming Fall 2017
- Balance sheet has been significantly improved
- Collaborative partnership with Meisheng
- Progress on strategic goals



