



First Quarter 2022
Earnings Conference Call Presentation
April 28, 2022, 5:00 PM Eastern Time

Participant Dial in: 1(833) 423-0496
International Dial in: 1(918) 922-2390

Conference ID: 3951819





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 2022, as well as any other forward-looking statements concerning 2022 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





EXECUTIVE SUMMARY

Highest Q1 Net Sales & Earnings per Share in 14 years

- Q1 Net Sales were \$121 million, 44% increase over prior year, highest Q1 level since 2008
- Q1 Toy/Consumer Products (CP) business up even when excluding Sonic the Hedgehog® and Disney's Encanto™
- Q1 gross margins were negatively impacted by higher freight costs
- Retail Toy/CP POS at Top 3 US customers was up over 40% in Q1
- Q1 Adjusted EBITDA of \$1.9 million, compared to negative \$2.4 million in the first quarter of 2021





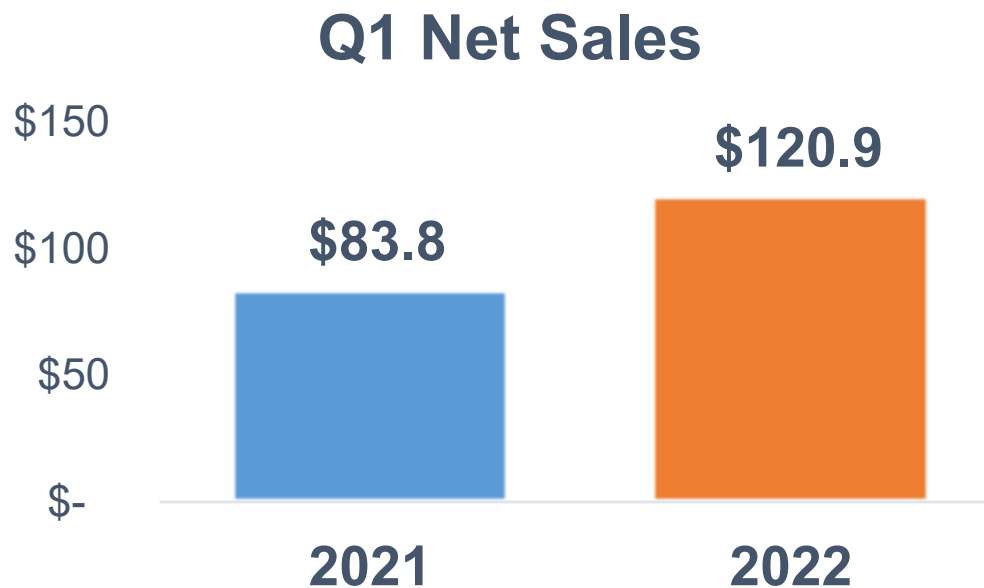
CEO OVERVIEW





2022 Q1 Net Sales

\$ Millions



YoY % Change:

44%

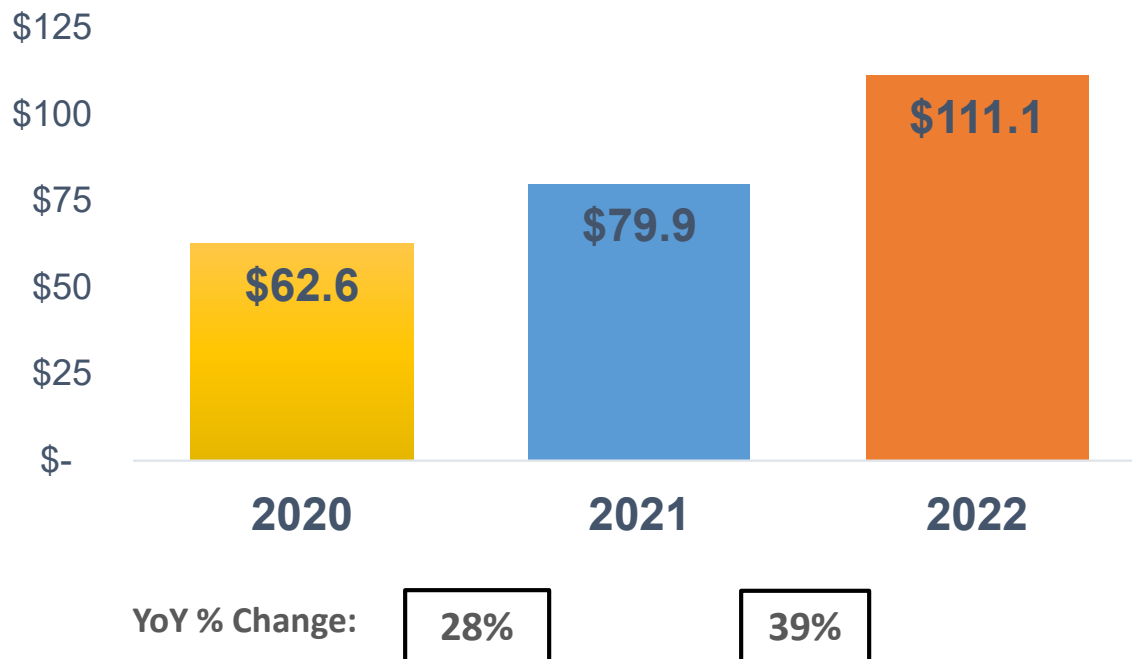




2022 Q1 Toy/CP Net Sales

\$ Millions

Toy/CP Q1 Net Sales

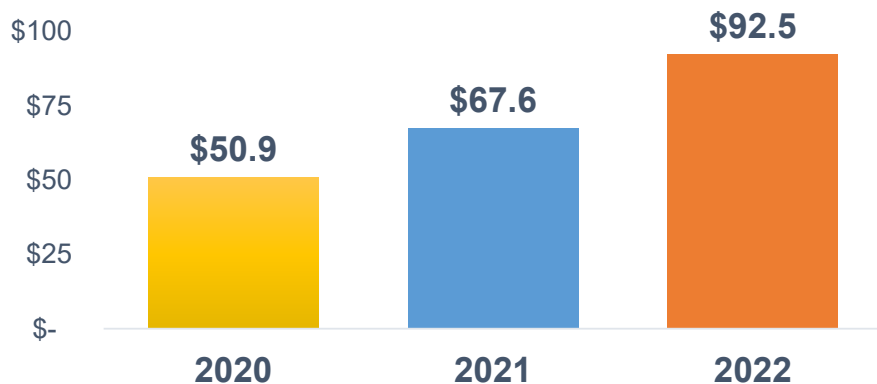




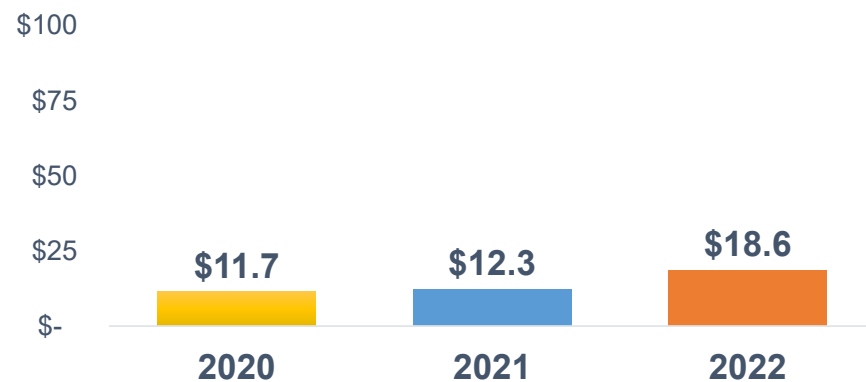
2022 Q1 Toy/CP Net Sales

\$ Millions

North America Q1 Net Sales



International Q1 Net Sales



YoY % Change:

33%

37%

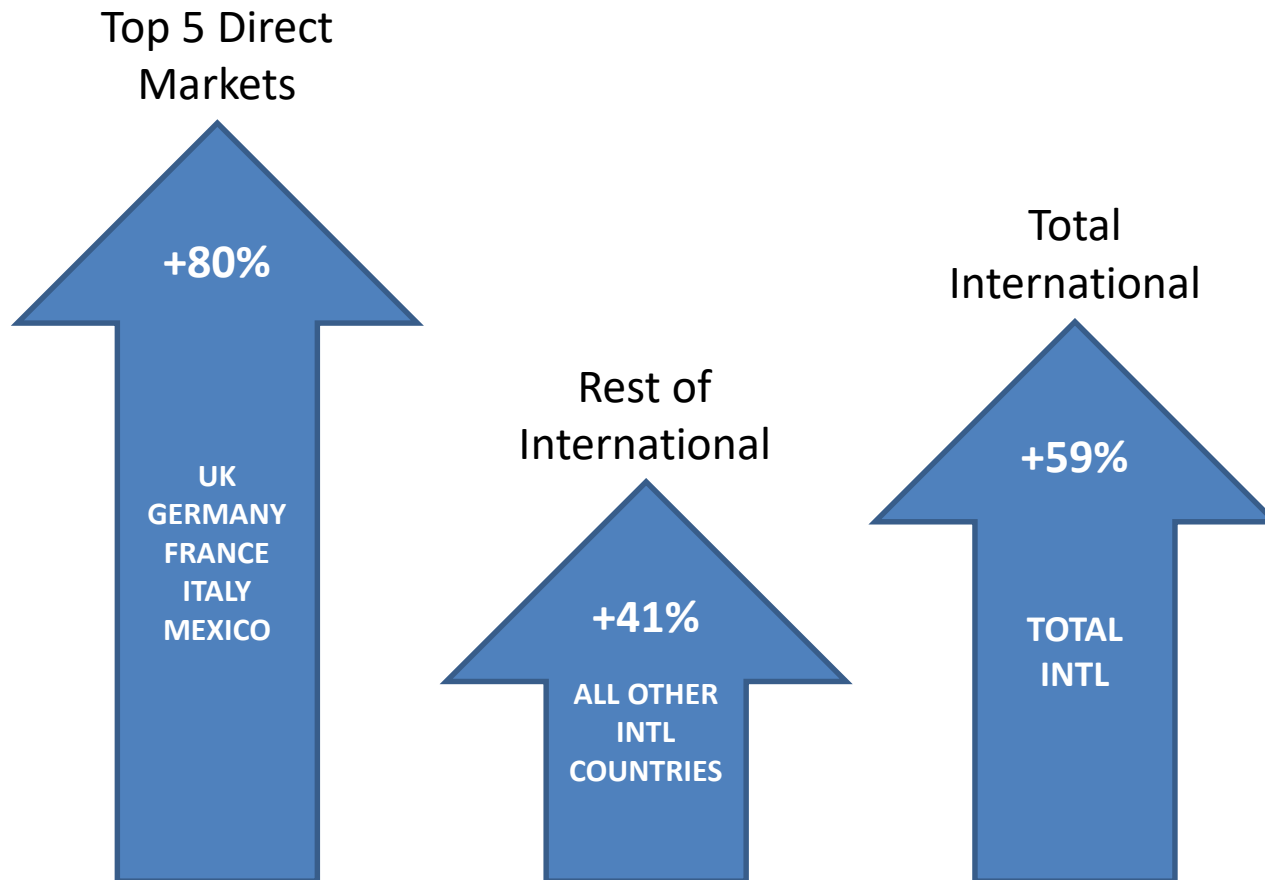
5%

52%





International Expansion

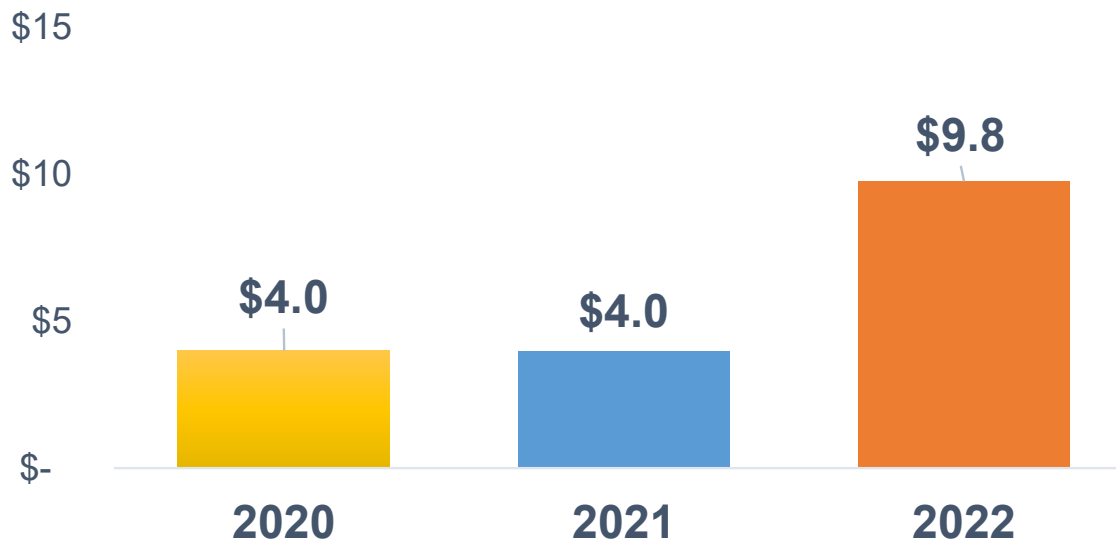




2022 Q1 Costume Net Sales

\$ Millions

Costume Q1 Net Sales



YoY % Change:

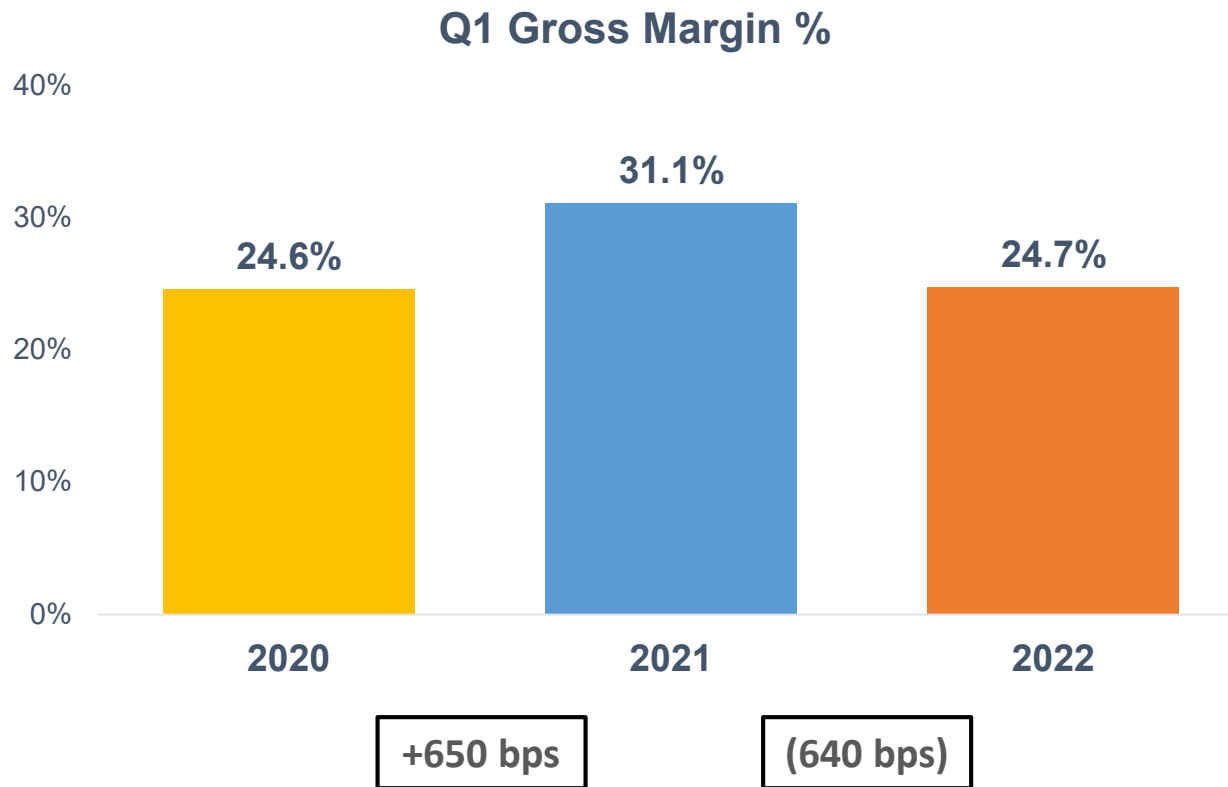
(1%)

146%





2022 Q1 Gross Margin %

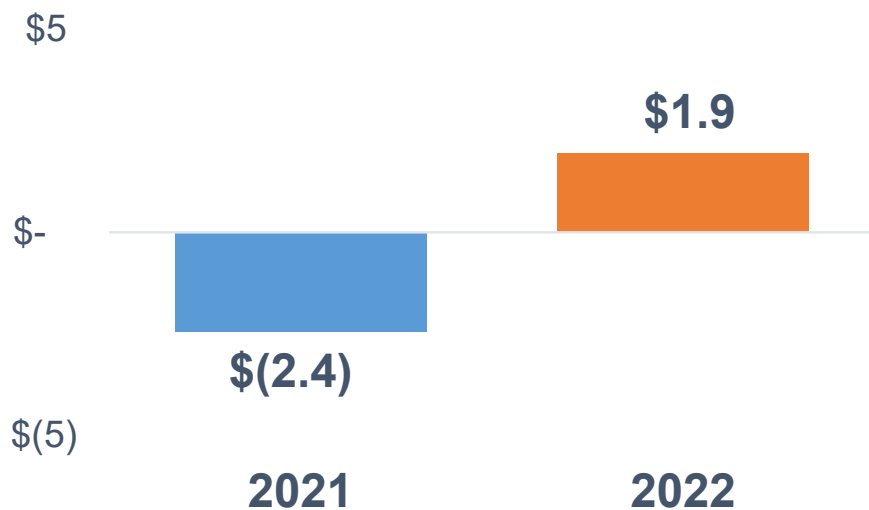




2022 Q1 Adj. EBITDA and Adj. Net Income

\$ Millions

Q1 Adj EBITDA



2021

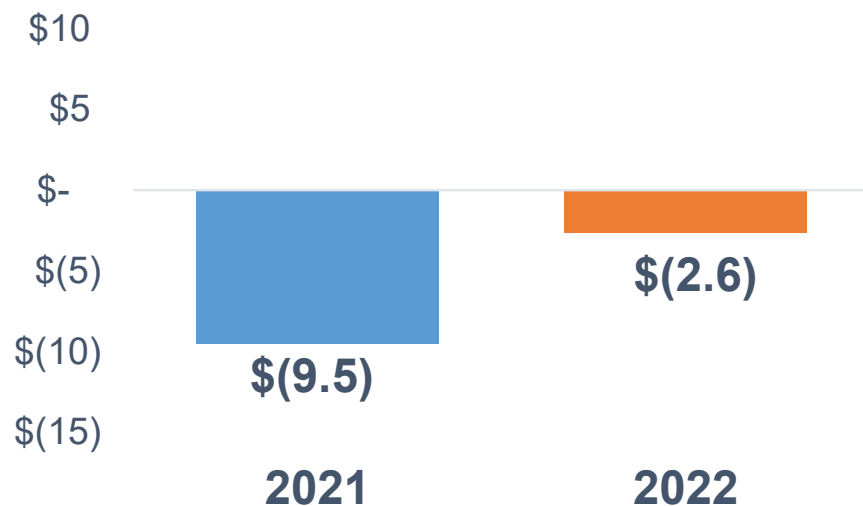
2022

(2.9%)

1.6%

Adj. EBITDA Margin %

Q1 Adj Net Income



2021

2022

(11.3%)

(2.2%)

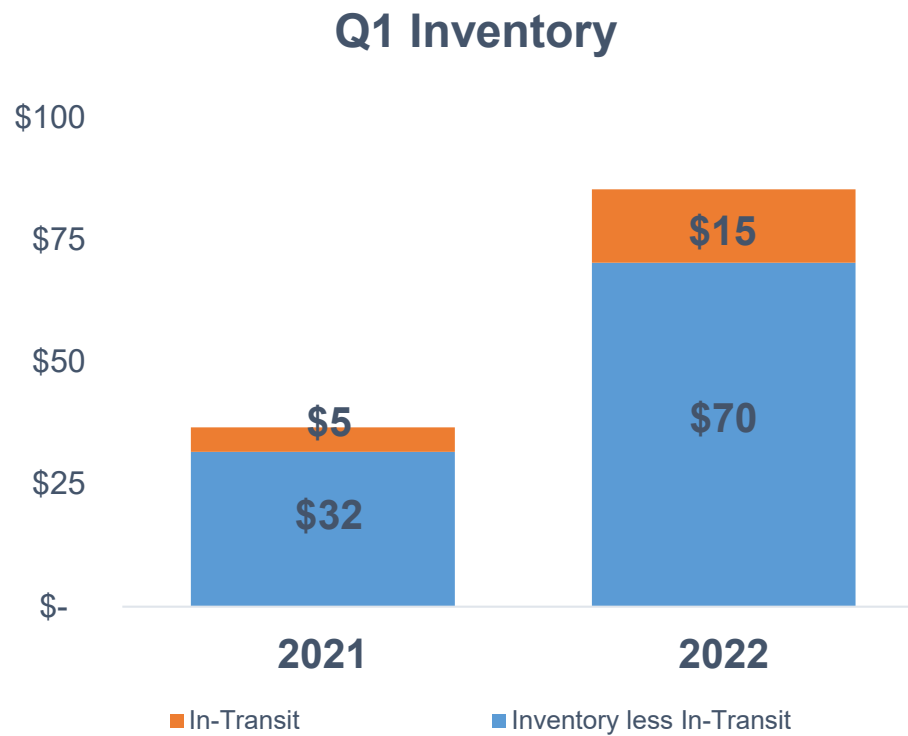
Adj. Net Income Margin %





Q1 '22 vs '21 Inventory

\$ Millions

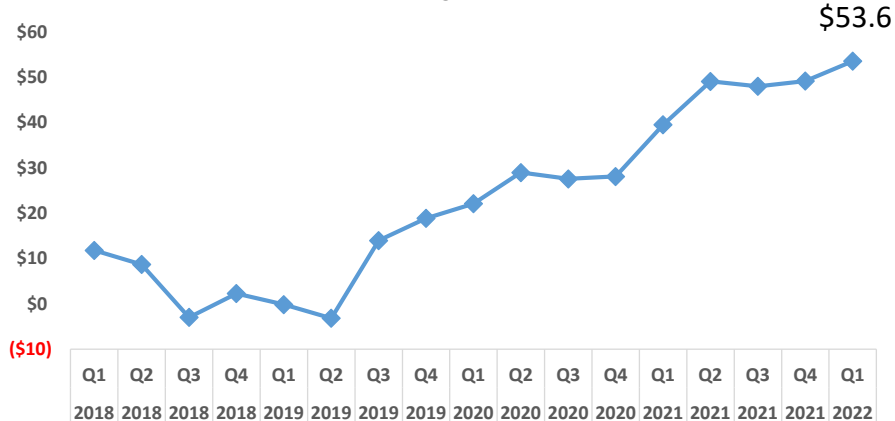




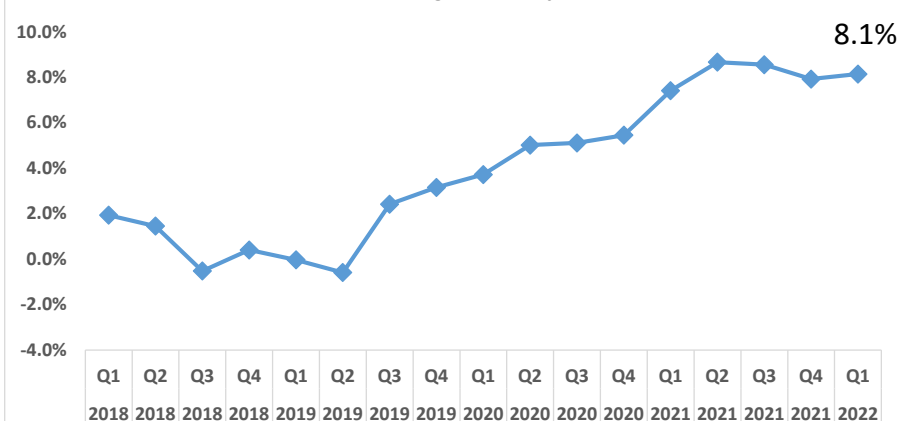
TTM Adjusted EBITDA

\$ Millions

TTM ADJ EBITDA

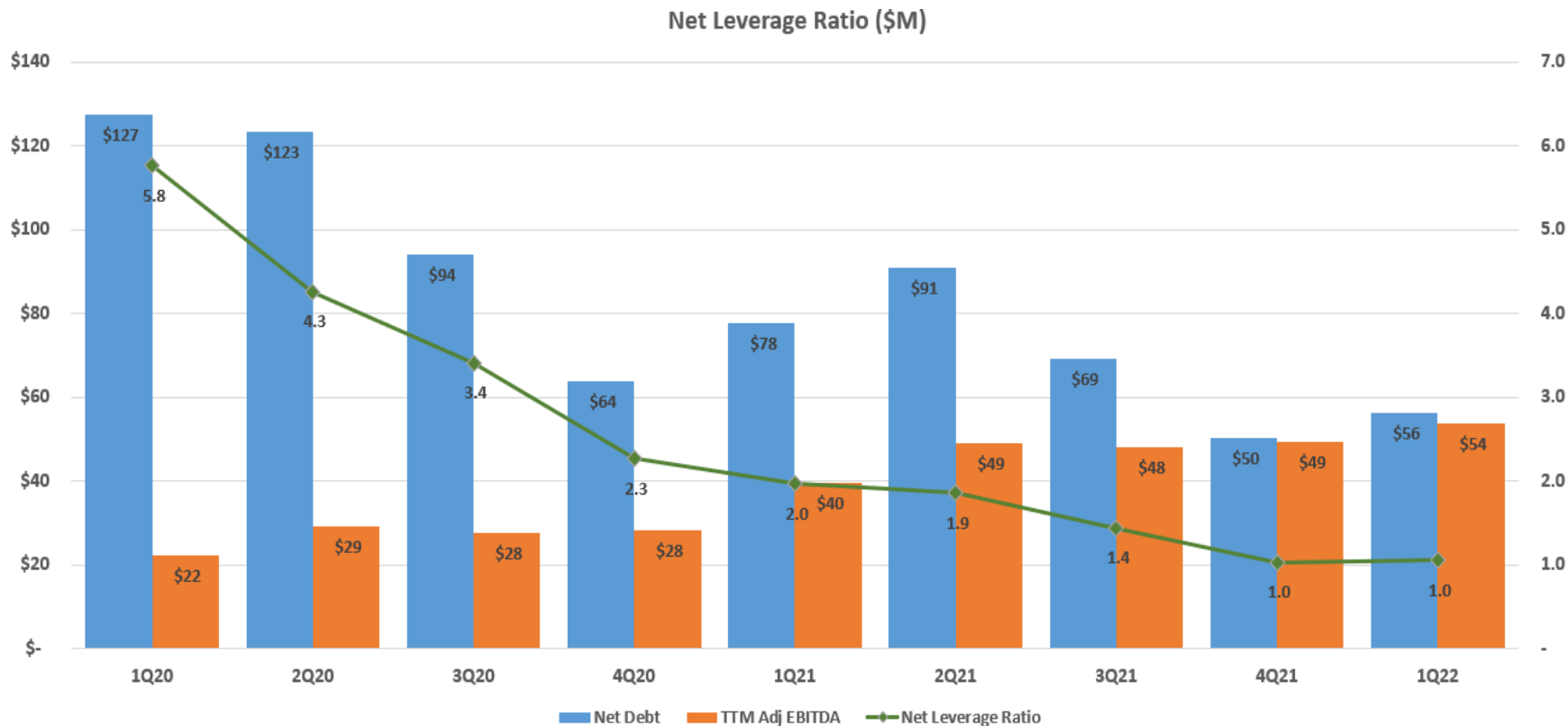


TTM ADJ EBITDA %





Net Leverage Ratio



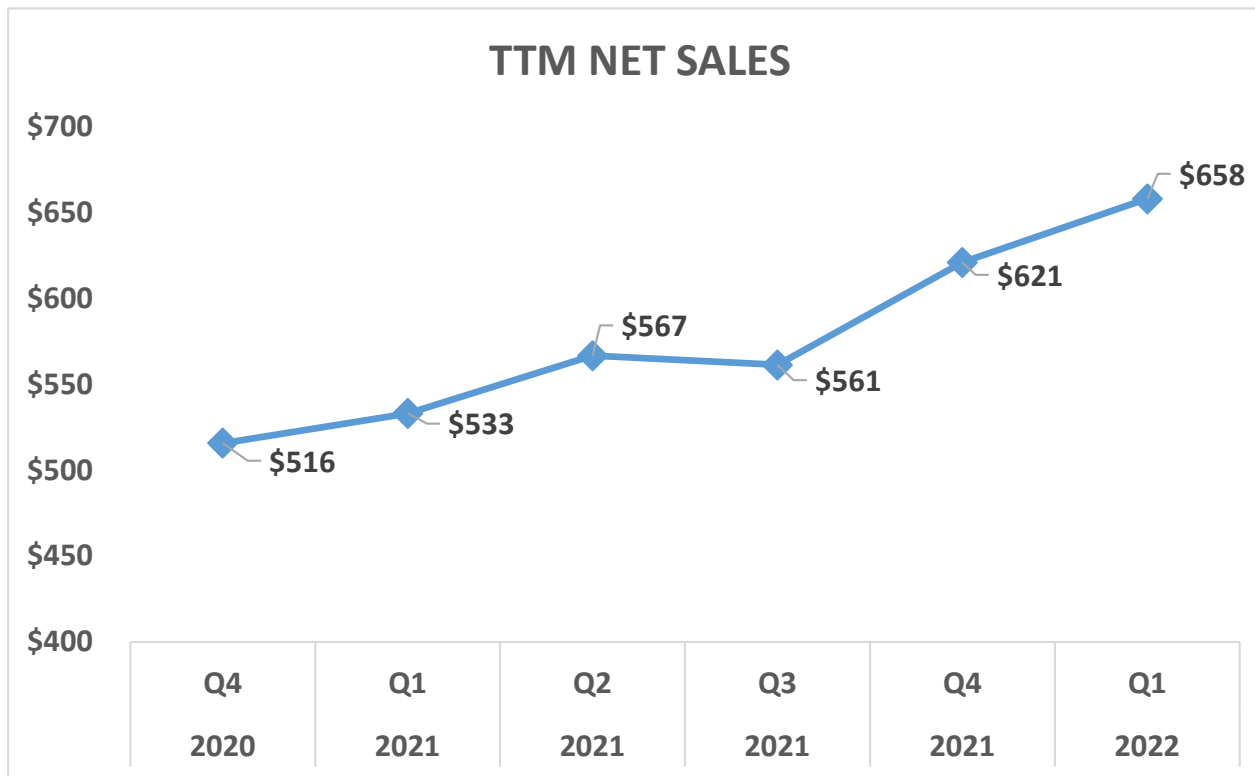
- (1) Net Leverage Ratio is defined as Net Debt / TTM Adjusted EBITDA
- (2) Net Debt is defined as Total Debt less Cash & Cash Equivalents





TTM Net Sales

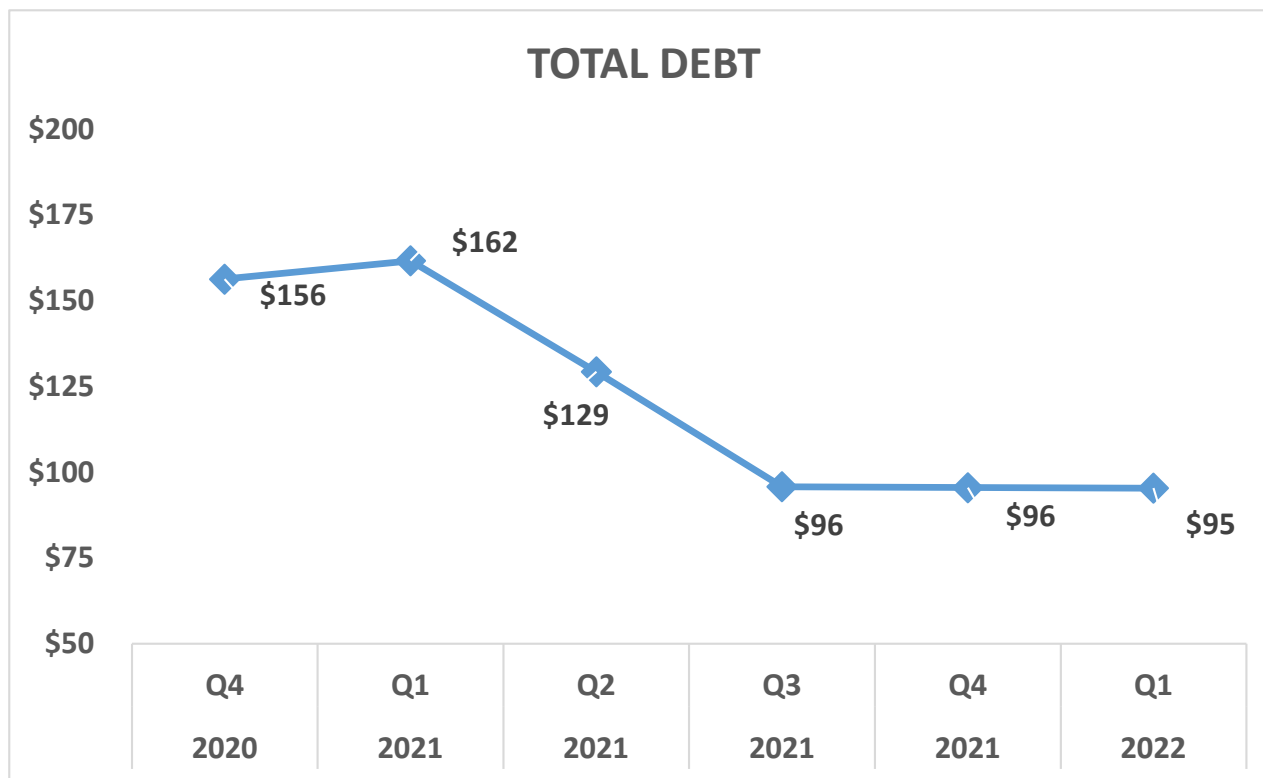
\$ Millions





Total Debt

\$ Millions





Disney ENCANTO







SONIC 2

THE HEDGEHOG





AIR TITANS



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Conclusions

- Tremendous opportunity with Disney Encanto™ and Sonic the Hedgehog® 2
- Strong suite of “singles and doubles”
- International growth
- Continue to add additional licenses to our Costume business
- New categories and expanding product lines:
 - AirTitans™ Jurassic World Massive Attack T-Rex R/C
 - Wow!Stuff products distribution
 - MOVIE MATES ®
 - Jurassic World Real FX Baby Blue
- Thanks to our incredible team!





THANK YOU





Supplemental Financial Information





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

(In thousands)		Q1			
Divisions	2022	2021	2020	2022-2021	2021-2020
Toys/Consumer Products	\$111,123	\$79,875	\$62,565	39.1%	27.7%
Dolls, Role-Play/Dress Up	62,006	45,155	40,074	37.3%	12.7%
Action Play & Collectibles	31,698	16,405	9,654	93.2%	69.9%
Outdoor/Seasonal Toys	17,419	18,315	12,837	-4.9%	42.7%
Costumes	9,758	3,968	3,992	145.9%	-0.6%
Total	\$120,881	\$83,843	\$66,557	44.2%	26.0%

(In thousands)		Q1			
Regions	2022	2021	2020	2022-2021	2021-2020
United States	\$97,050	\$68,916	\$51,918	40.8%	32.7%
Europe	13,389	7,337	7,618	82.5%	-3.7%
Canada	3,379	2,101	2,348	60.8%	-10.5%
Latin America	2,385	2,455	1,000	-2.9%	145.5%
Asia	2,076	1,415	1,770	46.7%	-20.1%
Australia & New Zealand	1,491	1,188	1,531	25.5%	-22.4%
Middle East & Africa	1,111	431	372	157.8%	15.9%
Total	\$120,881	\$83,843	\$66,557	44.2%	26.0%

(In thousands)		Q1			
Regions	2022	2021	2020	2022-2021	2021-2020
North America	\$100,429	\$71,016	\$54,266	41.4%	30.9%
International	20,452	12,827	12,291	59.4%	4.4%
Total	\$120,881	\$83,843	\$66,557	44.2%	26.0%





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

	Three Months Ended March 31,		
	2022	2021	Δ (%)
	(In thousands, except per share data)		
Net sales	\$ 120,881	\$ 83,843	44 %
Less: Cost of sales			
Cost of goods	72,058	44,049	64
Royalty expense	17,690	12,511	41
Amortization of tools and molds	1,216	1,189	2
Cost of sales	<u>90,964</u>	<u>57,749</u>	<u>58</u>
Gross profit	29,917	26,094	15
Direct selling expenses	4,902	6,802	(28)
General and administrative expenses	25,153	21,411	17
Depreciation and amortization	596	604	(1)
Selling, general and administrative expenses	<u>30,651</u>	<u>28,817</u>	<u>6</u>
Loss from operations	(734)	(2,723)	(73)
Other income (expense):			
Other income (expense), net	86	55	56
Change in fair value of convertible senior notes	-	(9,047)	(100)
Change in fair value of preferred stock derivative liability	(645)	(7,375)	(91)
Interest income	3	2	50
Interest expense	<u>(2,202)</u>	<u>(4,875)</u>	<u>(55)</u>
Loss before provision for income taxes	(3,492)	(23,963)	(85)
Provision for income taxes	417	88	374
Net loss	(3,909)	(24,051)	(84)
Net income (loss) attributable to non-controlling interests	(100)	35	nm
Net loss attributable to JAKKS Pacific, Inc.	<u>\$ (3,809)</u>	<u>\$ (24,086)</u>	<u>(84) %</u>
Net loss attributable to common stockholders	<u>\$ (4,155)</u>	<u>\$ (24,412)</u>	<u>(83) %</u>
Loss per share - basic and diluted	<u>\$ (0.43)</u>	<u>\$ (4.54)</u>	
Shares used in loss per share - basic and diluted	<u>9,588</u>	<u>5,379</u>	





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

	Three Months Ended March 31,		Δ bps Fav/(Unfav)
	2022	2021	
Net sales	100.0 %	100.0 %	-
Less: Cost of sales			
Cost of goods	59.6	52.5	(707)
Royalty expense	14.6	15.0	29
Amortization of tools and molds	1.1	1.4	41
Cost of sales	<u>75.3</u>	<u>68.9</u>	<u>(637)</u>
Gross profit	24.7	31.1	(637)
Direct selling expenses	4.1	8.1	406
General and administrative expenses	20.8	25.6	473
Depreciation and amortization	0.5	0.7	23
Selling, general and administrative expenses	<u>25.4</u>	<u>34.4</u>	<u>901</u>
Loss from operations	(0.7)	(3.3)	265
Other income (expense):			
Other income (expense), net	0.1	0.1	
Change in fair value of convertible senior notes	-	(10.8)	
Change in fair value of preferred stock derivative liability	(0.5)	(8.8)	
Interest income	-	-	
Interest expense	<u>(1.8)</u>	<u>(5.8)</u>	
Loss before provision for income taxes	(2.9)	(28.6)	
Provision for income taxes	0.3	0.1	
Net loss	<u>(3.2)</u>	<u>(28.7)</u>	
Net income (loss) attributable to non-controlling interests	(0.1)	-	
Net loss attributable to JAKKS Pacific, Inc.	<u>(3.1) %</u>	<u>(28.7) %</u>	
Net loss attributable to common stockholders	<u>(3.4) %</u>	<u>(29.1) %</u>	





JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited) March 31,		December 31,
	2022	2021	2021
	(In thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 39,225	\$ 80,406	\$ 44,521
Restricted cash	-	3,653	811
Accounts receivable, net	103,730	79,657	147,394
Inventory	85,306	36,653	83,954
Prepaid expenses and other assets	17,412	23,480	10,877
Total current assets	<u>245,673</u>	<u>223,849</u>	<u>287,557</u>
Property and equipment	124,289	115,068	121,945
Less accumulated depreciation and amortization	<u>110,345</u>	<u>102,043</u>	<u>108,796</u>
Property and equipment, net	13,944	13,025	13,149
Operating lease right-of-use assets, net	17,089	22,283	16,950
Goodwill	35,083	35,083	35,083
Intangibles and other assets, net	3,980	4,165	4,308
Total assets	<u>\$ 315,769</u>	<u>\$ 298,405</u>	<u>\$ 357,047</u>





JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited) March 31,		December 31,
	2022	2021	2021
	(In thousands)		
Liabilities, Preferred Stock and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 36,439	\$ 25,262	\$ 50,237
Payable to Meisheng	15,511	6,045	15,894
Accrued expenses	30,596	28,233	47,071
Reserve for sales returns and allowances	39,375	39,499	46,285
Income taxes payable	1,205	175	1,004
Short term operating lease liabilities	11,014	10,109	10,477
Short term debt, net	2,475	6,721	2,104
Total current liabilities	136,615	116,044	173,072
Long term operating lease liabilities	7,399	14,475	8,039
Debt, non-current portion, net	92,934	154,960	93,415
Preferred stock derivative liability	21,927	15,438	21,282
Income taxes payable	215	947	215
Deferred income taxes, net	51	123	51
Total liabilities	259,141	301,987	296,074
Preferred stock accrued dividends	3,420	2,066	3,074
Stockholders' equity:			
Common stock, \$.001 par value	10	6	10
Additional paid-in capital	272,821	227,113	272,941
Accumulated deficit	(207,240)	(221,509)	(203,431)
Accumulated other comprehensive loss	(13,614)	(12,504)	(12,952)
Total JAKKS Pacific, Inc. stockholders' equity	51,977	(6,894)	56,568
Non-controlling interests	1,231	1,246	1,331
Total stockholders' equity	53,208	(5,648)	57,899
Total liabilities, preferred stock and stockholders' equity	\$ 315,769	\$ 298,405	\$ 357,047





JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

	(Unaudited) March 31,		December 31,
	2022	2021	2021
	(In thousands)		
Supplemental Balance Sheet and Cash Flow Data (Unaudited)			

Key Balance Sheet Data:

Accounts receivable, net days of sales outstanding (DSO)
 Inventory Turnover (DSI)

	March 31,	
	2022	2021
	77	86
	84	57

Condensed Cash Flow Data:

Cash flows used in operating activities
 Cash flows used in investing activities
 Cash flows used in financing activities and other
 Decrease in cash, cash equivalents and restricted cash

Capital expenditures

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
	\$ (2,736)	\$ (6,961)
	(1,817)	(1,451)
	(1,554)	(222)
	\$ (6,107)	\$ (8,634)
	\$ (1,817)	\$ (1,472)





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

Reconciliation of GAAP to Non-GAAP measures:

This press release and accompanying schedules provide certain information regarding Adjusted EBITDA and Adjusted Net Income (Loss), which may be considered non-GAAP financial measures under the rules of the Securities and Exchange Commission. The non-GAAP financial measures included in the press release are reconciled to the corresponding GAAP financial measures below, as required under the rules of the Securities and Exchange Commission regarding the use of non-GAAP financial measures. We define Adjusted EBITDA as income (loss) from operations before depreciation, amortization and adjusted for certain non-recurring and non-cash charges, such as reorganization expenses and restricted stock compensation expense. Net income (loss) is similarly adjusted and tax-effected to arrive at Adjusted Net Income (Loss). Adjusted EBITDA and Adjusted Net Income (Loss) are not recognized financial measures under GAAP, but we believe that they are useful in measuring our operating performance. We believe that the use of the non-GAAP financial measures enhances an overall understanding of the Company's past financial performance, and provides useful information to the investor by comparing our performance across reporting periods on a consistent basis.

Investors should not consider these measures in isolation or as a substitute for net income, operating income, or any other measure for determining the Company's operating performance that is calculated in accordance with GAAP. In addition, because these measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies.

	<u>Three Months Ended March 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>Δ (\$)</u>
	(In thousands, except per share data)		
<u>EBITDA and Adjusted EBITDA</u>			
Net loss	\$ (3,909)	\$ (24,051)	\$ 20,142
Interest expense	2,202	4,875	(2,673)
Interest income	(3)	(2)	(1)
Provision for income taxes	417	88	329
Depreciation and amortization	1,812	1,793	19
EBITDA	519	(17,297)	17,816
Adjustments:			
Other (income) expense, net	(86)	(55)	(31)
Restricted stock compensation expense	870	382	488
Change in fair value of convertible senior notes	-	9,047	(9,047)
Change in fair value of preferred stock derivative liability	645	7,375	(6,730)
Employee retention credit	-	(1,900)	1,900
Adjusted EBITDA	<u>\$ 1,948</u>	<u>\$ (2,448)</u>	<u>\$ 4,396</u>
TTM Adjusted EBITDA	<u>\$ 53,607</u>	<u>\$ 39,548</u>	<u>\$ 14,059</u>
Adjusted EBITDA/Net sales %	1.6 %	(2.9) %	
TTM Adjusted EBITDA/TTM Net sales %	8.1 %	7.4 %	

36 %
453 bps
73 bps





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	Three Months Ended March 31,		
	2022	2021	Δ (\$)
	(In thousands, except per share data)		
<u>Adjusted net income (loss) attributable to common stockholders</u>			
Net loss attributable to common stockholders	\$ (4,155)	\$ (24,412)	\$ 20,257
Restricted stock compensation expense	870	382	488
Change in fair value of convertible senior notes	-	9,047	(9,047)
Change in fair value of preferred stock derivative liability	645	7,375	(6,730)
Employee retention credit	-	(1,900)	1,900
Tax impact of additional charges	-	-	-
Adjusted net loss attributable to common stockholders	<u>\$ (2,640)</u>	<u>\$ (9,508)</u>	<u>\$ 6,868</u>
Adjusted loss per share - basic and diluted	<u>\$ (0.28)</u>	<u>\$ (1.77)</u>	<u>\$ 1.49</u>
Shares used in adjusted loss per share - basic and diluted	<u>9,588</u>	<u>5,379</u>	<u>4,209</u>

