



Q1 2021 Earnings
April 28, 2021





First Quarter 2021
Earnings Conference Call Presentation
April 28, 2021, 5:00 PM Eastern Time

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

Conference ID 2188217





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 2021, as well as any other forward-looking statements concerning 2021 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: Following presentation includes unaudited information





CEO OVERVIEW

Pleased With Performance In the First Quarter

- Fifth straight quarter where results exceeded internal projections
- Q1 Sales up 26%, highest year-over-year first quarter growth since 2015
- Q1 gross margins up 650 bps and highest Q1 GM% since 2017
- Adjusted net loss of \$9.5M, vs. adjusted net loss of \$21.9M in Q1'20
- Adjusted EBITDA was negative \$2.4M vs. negative \$13.9M in Q1'20
- Trailing 12 month adjusted EBITDA was \$39.5M vs. \$22.1M in the twelve months ended 3/31/20
- POS of toy products at top three retailers up over 20%
- Ended March with \$84M in cash





CEO OVERVIEW (continued)

Three Steps Toward Sustained Performance Improvement

(1) Reduce Product Costs and Operating Expenses

- Achieve and Improve profitability on core revenue
- COGS and Op Ex have been reduced significantly
- Operating expenses at lowest Q1 dollar level since Q1 2004

(2) Reduce Low-Margin Products

- Evaluate total product profitability, not just ex-factory cost

(3) Fix the Balance Sheet

- Net debt at 3/31/21 was \$78M, vs. \$127M at 3/31/20
- Inventories and PPE at multi-year lows
- Reduce average interest rate
- Stretch out maturities





CEO OVERVIEW (continued)

Sell-in and Sell-Through Both Strong

- Total sales up 26%; Toy/CP sales up 28%.
- POS at top customers up over 20% both online and through B&M
- Retail inventories at top customers down ~25%
- Sales strength was broad – Girls, Boys, Seasonal all up strong double digits
- Video game toy sales up sharply – bigger than larger licensed brands
- Disguise flat but set up nicely for full year

Toy Industry Continues to be Strong

- NPD reported US retail toy sales up 41% in Q1
- Entertainment content releases returning to normal





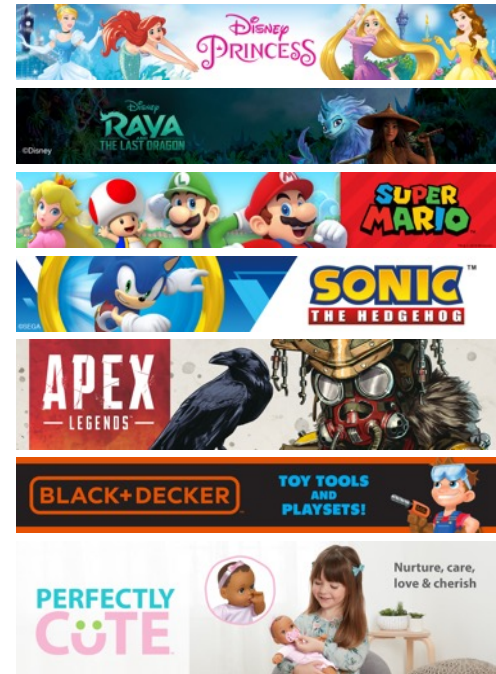
CEO OVERVIEW (continued)

Many Products Performed Well

- Disney Princess nearly doubled
- Raya and the Last Dragon off to strong start
- Video game toy sales more than doubled
- Black+Decker more than tripled
- Perfectly Cute nearly tripled

Shift to Online Sales Continued

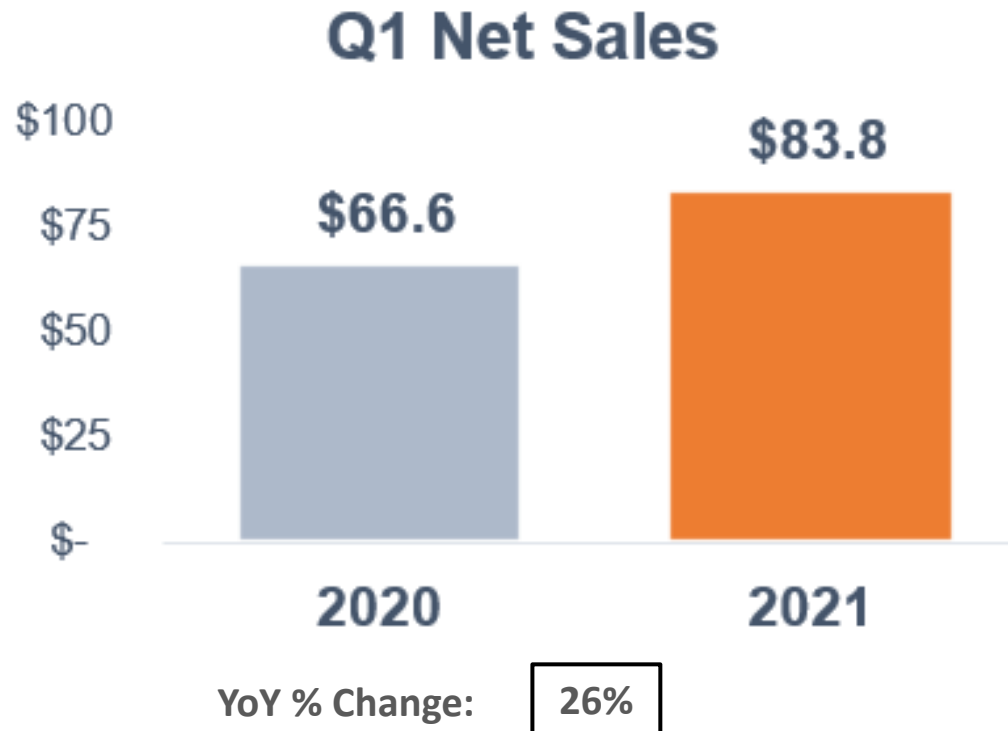
- Online POS at top retailers up over 20% in Q1
- At these retailers, online represented 17% of POS, flat with 2020 (but most segments were up)





2021 Q1 Net Sales

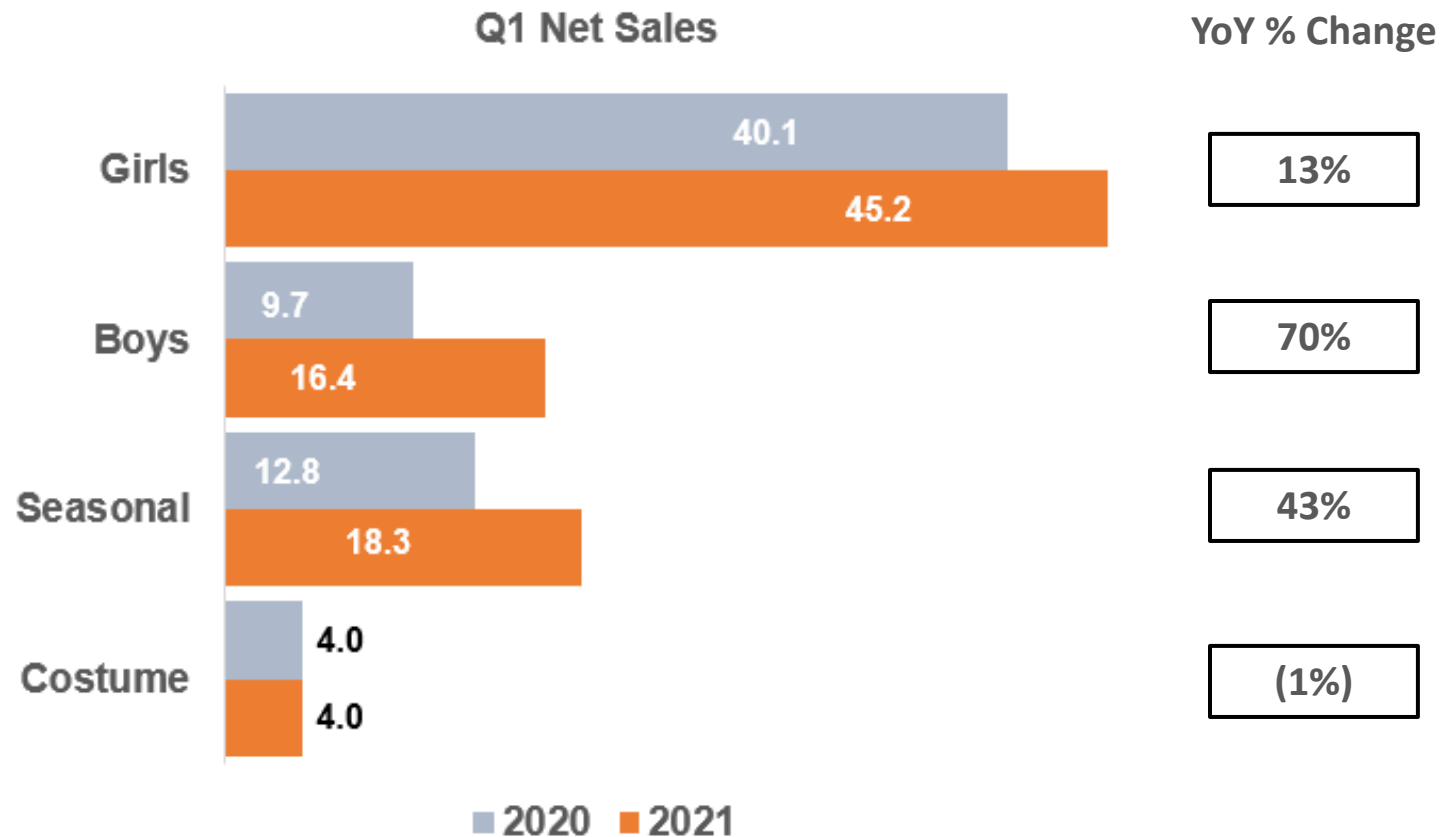
\$ Millions





2021 First Quarter Net Sales

\$ Millions

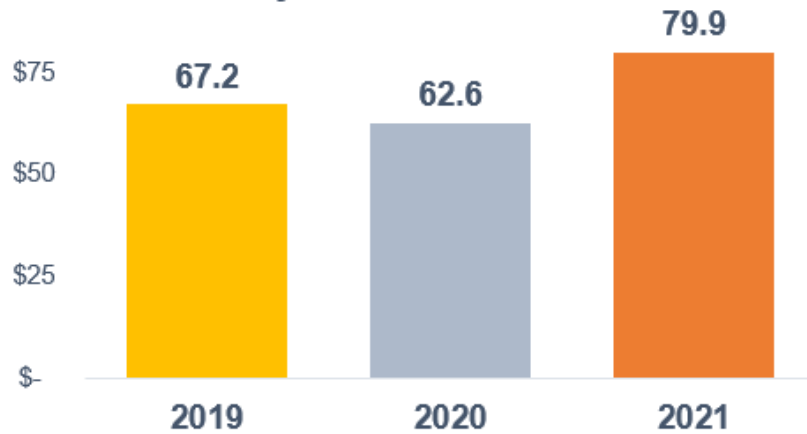




2021 First Quarter Segment Net Sales

\$ Millions

Toy/CP Q1 Net Sales

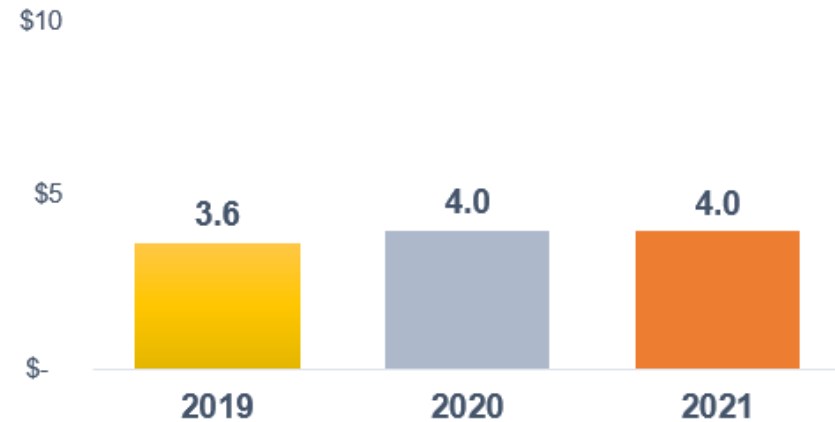


YoY % Change:

(7%)

28%

Costume Q1 Net Sales



10%

(1%)

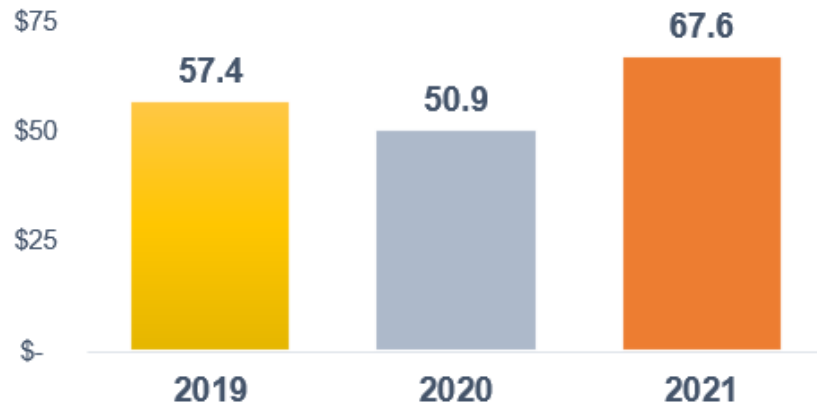




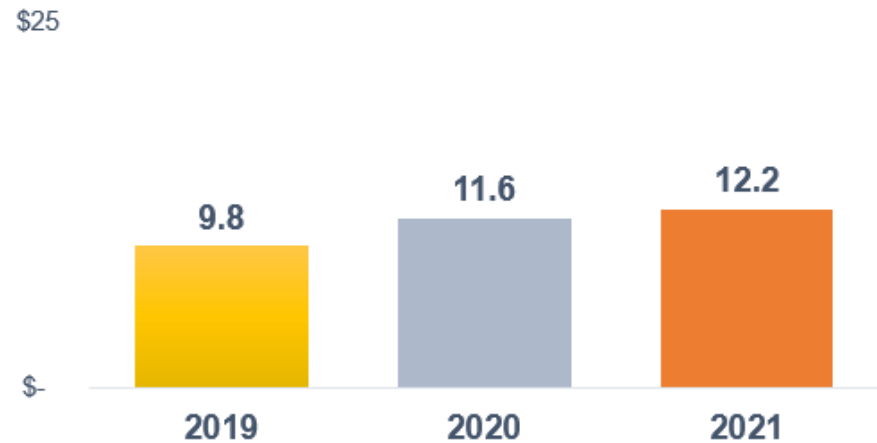
2021 First Quarter Segment Net Sales (cont'd)

\$ Millions

North America Q1 Net Sales



International Q1 Net Sales



YoY % Change:

(11%)

33%

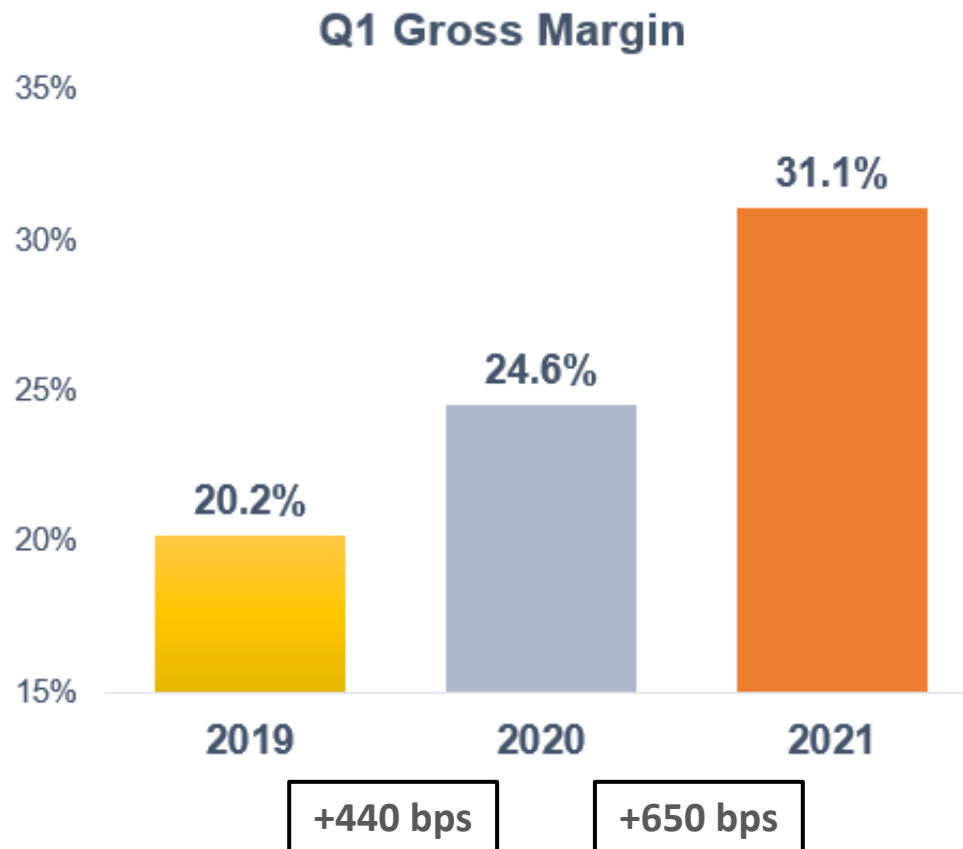
19%

5%





2021 First Quarter Gross Margin %

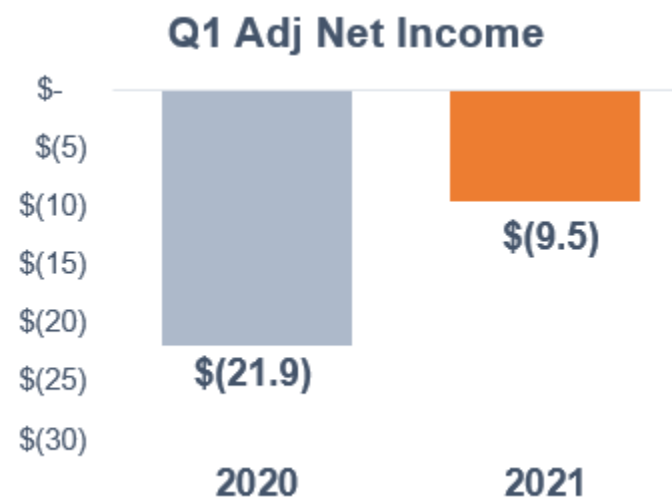
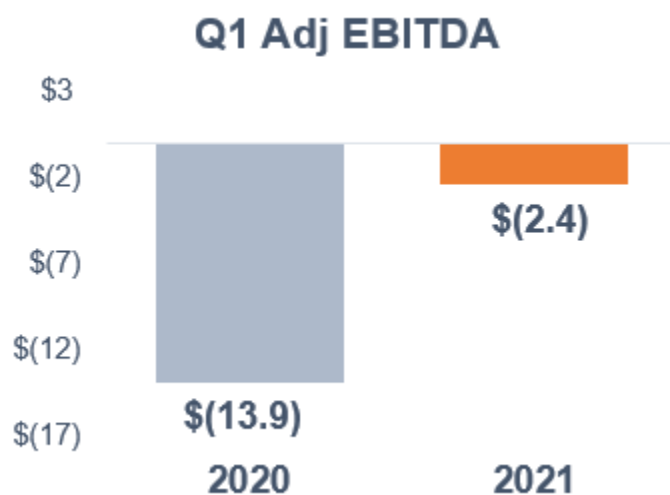




2021 First Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

Adj EBITDA as % of Net Sales



Adj. EBITDA Margin %

(20.8%)

(2.9%)

TTM Adjusted EBITDA Margin at 7.4% is the company's highest level since Q3 2015

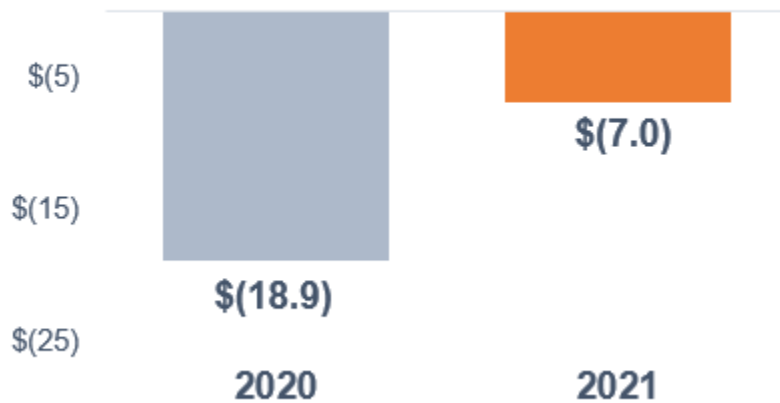




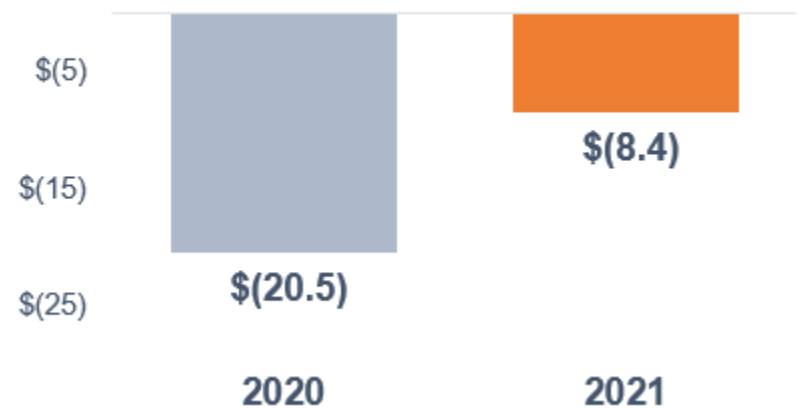
2021 Q1 Cash from Operations and FCF

\$ Millions

Q1 Cash From Operations



Q1 Free Cash Flow





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

	March 31, 2021 (Unaudited)	2020	December 31, 2020
Assets			
Current assets:			
Cash and cash equivalents	\$ 80,406	\$ 39,467	\$ 87,953
Restricted cash	3,653	4,561	4,740
Accounts receivable, net	79,657	64,761	102,254
Inventory	36,653	48,233	38,642
Prepaid expenses and other assets	23,480	18,802	17,239
Total current assets	223,849	175,824	250,828
Property and equipment	115,068	122,095	114,045
Less accumulated depreciation and amortization	102,043	106,696	100,534
Property and equipment, net	13,025	15,399	13,511
Operating lease right-of-use assets, net	22,283	29,824	24,393
Goodwill	35,083	35,083	35,083
Intangibles and other assets, net	4,165	20,783	5,554
Total Assets	\$ 298,405	\$ 276,913	\$ 329,369

LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable and accrued expenses	\$ 59,540	\$ 44,841	\$ 79,799
Reserve for sales returns and allowances	39,499	31,743	42,108
Income taxes payable	175	347	484
Short term operating lease liabilities	10,109	9,592	9,925
Short term debt, net	6,721	1,905	5,950
Total current liabilities	116,044	88,428	138,266
Long term operating lease liabilities	14,475	23,120	16,883
Debt, non-current portion, net	154,960	169,397	150,410
Other liabilities	15,438	3,319	8,062
Income taxes payable	947	1,471	947
Deferred tax liability, net	123	226	123
Total liabilities	301,987	285,961	314,691
Preferred stock	2,066	790	1,740
Stockholders' equity (deficit):			
Common stock, \$.001 par value	6	36	6
Additional paid-in capital	227,113	200,248	221,590
Accumulated deficit	(221,509)	(195,187)	(197,423)
Accumulated other comprehensive loss	(12,504)	(16,056)	(12,446)
Total JAKKS Pacific, Inc. stockholders' equity (deficit)	(6,894)	(10,959)	11,727
Non-controlling interests	1,246	1,121	1,211
Total stockholders' equity (deficit)	(5,648)	(9,838)	12,938





CEO OUTLOOK

Disney Properties Expected To Do Well

- Disney Princess Style Collection
- Dress Up and Large Dolls
- Raya And The Last Dragon
- Encanto

Other Girls Toys

- Perfectly Cute
- Haribo
- Interactive item – to be announced



PERFECTLY
CUTE





CEO OUTLOOK

Boys – Category Could See a Rebound

- Apex: Legends – broader distribution
- Super Mario – broader product line
- Sonic – broader product line
- Black+Decker
- Creepy Crawlers



Seasonal

- Redo continues to grow
- New – Trampolines
- Other staples



Disguise poised for rebound

- New licenses
- Low retail inventories
- Halloween on a Sunday





CEO OUTLOOK

Conclusion

- Cost and working capital tailwinds may reverse somewhat
- But most cost reductions will persist
- Toy industry categories that were strong last year may face tough comps
- Those that lagged last year (dolls, action figures) doing well this year
- We can grow sales by focusing on basic toys driven by top licenses
- Leverage leaner cost structure
- Fix balance sheet

Thanks to our incredible team





THANK YOU





Supplemental Financial Information





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

	Three Months Ended March 31,	
	<u>2021</u>	<u>2020</u>
	(In thousands, except per share data)	
Net sales	\$ 83,843	\$ 66,557
Less cost of sales		
Cost of goods	44,049	37,704
Royalty expense	12,511	11,475
Amortization of tools and molds	1,189	1,028
Cost of sales	<u>57,749</u>	<u>50,207</u>
Gross profit	26,094	16,350
Direct selling expenses	6,802	8,502
General and administrative expenses	21,411	22,980
Depreciation and amortization	604	854
Loss from operations	<u>(2,723)</u>	<u>(15,986)</u>
Other income (expense):		
Income from joint ventures	-	2
Other income (expense), net	55	38
Change in fair value of convertible senior notes	(9,047)	7,675
Change in fair value of preferred stock derivative liability	(7,375)	2,082
Interest income	2	14
Interest expense	<u>(4,875)</u>	<u>(5,547)</u>
Loss before provision for income taxes	(23,963)	(11,722)
Provision for income taxes	88	276
Net loss	(24,051)	(11,998)
Net income attributable to non-controlling interests	35	40
Net loss attributable to JAKKS Pacific, Inc.	<u>\$ (24,086)</u>	<u>\$ (12,038)</u>
Net loss attributable to common stockholders	<u>\$ (24,412)</u>	<u>\$ (12,345)</u>
Loss per share - basic and diluted	<u>\$ (4.54)</u>	<u>\$ (4.09)</u>
Shares used in loss per share - basic and diluted	5.379	3.021





EBITDA and Adjusted EBITDA

Net loss
Interest expense
Interest income
Provision for income taxes
Depreciation and amortization
EBITDA

Adjustments:

Income from joint ventures
Other income (expense), net
Restricted stock compensation expense
Change in fair value of convertible senior notes
Change in fair value of preferred stock derivative liability
Employee retention credit
Adjusted EBITDA

Three Months Ended March 31, **2021** **2020** **(In thousands, except per share data)**

\$	(24,051)	\$	(11,998)
	4,875		5,547
	(2)		(14)
	88		276
	1,793		1,882
	(17,297)		(4,307)
	-		(2)
	(55)		(38)
	382		252
	9,047		(7,675)
	7,375		(2,082)
	(1,900)		-
\$	(2,448)	\$	(13,852)

Adjusted net income (loss) attributable to common stockholders

Net loss attributable to common stockholders
Restricted stock compensation expense
Change in fair value of convertible senior notes
Change in fair value of preferred stock derivative liability
Employee retention credit
Tax impact of additional charges
Adjusted net loss attributable to common stockholders
Adjusted loss per share - basic and diluted
Shares used in adjusted loss per share - basic and diluted

\$	(24,412)	\$	(12,345)
	382		252
	9,047		(7,675)
	7,375		(2,082)
	(1,900)		-
	-		-
\$	(9,508)	\$	(21,850)
\$	(1.77)	\$	(7.23)
	5,379		3,021





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Total stockholders' equity (deficit)	<u>(5,648)</u>	<u>(9,838)</u>	<u>12,938</u>





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

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
	(In thousands, except per share data)		(In thousands, except per share data)	
Net sales	\$ 128,267	\$ 152,511	\$ 515,872	\$ 598,649
Less cost of sales				
Cost of goods	68,277	80,916	274,867	335,450
Royalty expense	16,619	22,657	83,150	91,775
Amortization of tools and molds	1,342	2,538	8,090	12,079
Cost of sales	86,238	106,111	366,107	439,304
Gross profit	42,029	46,400	149,765	159,345
Direct selling expenses	15,703	20,767	41,590	55,103
Selling, general and administrative expenses	24,597	25,124	90,424	99,580
Depreciation and amortization	602	1,597	2,846	6,527
Intangibles impairment	-	9,379	-	9,379
Restructuring charge	-	47	1,631	341
Pandemic related charges	-	-	366	-
Acquisition related and other	-	247	-	6,204
Income (loss) from operations	1,127	(10,761)	12,908	(17,789)
Other income (expense):				
Income from joint ventures	-	-	2	-
Other income (expense), net	135	(1,035)	301	(1,158)
Change in fair value of convertible senior notes	(5,022)	(2,120)	(2,265)	(5,112)
Change in fair value of preferred stock derivative liability	(2,191)	(353)	(2,815)	(353)
Loss on extinguishment of debt	-	-	-	(13,205)
Interest income	2	21	22	85
Interest expense	(4,906)	(5,381)	(21,562)	(15,935)
Loss before provision for income taxes	(10,855)	(19,629)	(13,409)	(53,467)
Provision for income taxes	454	552	735	1,912
Net loss	(11,309)	(20,181)	(14,144)	(55,379)
Net income attributable to non-controlling interests	33	112	130	169
Net loss attributable to JAKKS Pacific, Inc.	\$ (11,342)	\$ (20,293)	\$ (14,274)	\$ (55,548)
Net loss attributable to common stockholders	\$ (11,664)	\$ (20,596)	\$ (15,531)	\$ (56,031)
Loss per share - basic and diluted	\$ (2.55)	\$ (6.95)	\$ (4.27)	\$ (21.57)
Shares used in loss per share - basic and diluted	4,575	2,962	3,634	2,598





EBITDA and Adjusted EBITDA

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
	(In thousands, except per share data)		(In thousands, except per share data)	
Net loss	\$ (11,309)	\$ (20,181)	\$ (14,144)	\$ (55,379)
Interest expense	4,906	5,381	21,562	15,935
Interest income	(2)	(21)	(22)	(85)
Provision for income taxes	454	552	735	1,912
Depreciation and amortization	1,944	4,135	10,936	18,606
EBITDA	(4,007)	(10,134)	19,067	(19,011)
Adjustments:				
Income from joint ventures	-	-	(2)	-
Other income (expense), net	(135)	(165)	(301)	(42)
Acquisition related and other	-	247	-	6,204
Restricted stock compensation expense	797	996	2,303	2,868
Change in fair value of convertible senior notes	5,022	2,120	2,265	5,112
Change in fair value of preferred stock derivative liability	2,191	353	2,815	353
Loss on extinguishment of debt	-	-	-	13,205
Intangibles impairment	-	9,379	-	9,379
Bad debt write-offs (recoveries)	-	(713)	-	(713)
Unclaimed property liability (1999-2014)	-	1,200	-	1,200
Restructuring charge	-	47	1,631	341
Pandemic related charges	-	-	366	-
Adjusted EBITDA	<u>\$ 3,868</u>	<u>\$ 3,330</u>	<u>\$ 28,144</u>	<u>\$ 18,896</u>

Adjusted net income (loss) attributable to common stockholders

Net loss attributable to common stockholders	\$ (11,664)	\$ (20,596)	\$ (15,531)	\$ (56,031)
Acquisition related and other	-	247	-	6,204
Restricted stock compensation expense	797	996	2,303	2,868
Change in fair value of convertible senior notes	5,022	2,120	2,265	5,112
Change in fair value of preferred stock derivative liability	2,191	353	2,815	353
Loss on extinguishment of debt	-	-	-	13,205
Intangibles impairment	-	9,379	-	9,379
Bad debt write-offs (recoveries)	-	(713)	-	(713)
Unclaimed property liability (1999-2014)	-	1,200	-	1,200
Restructuring charge	-	47	1,631	341
Pandemic related charges	-	-	366	-
Tax impact of additional charges	13	(786)	(116)	(816)
Adjusted net loss attributable to common stockholders	<u>\$ (3,641)</u>	<u>\$ (7,753)</u>	<u>\$ (6,267)</u>	<u>\$ (18,898)</u>
Adjusted loss per share - basic and diluted	<u>\$ (0.80)</u>	<u>\$ (2.62)</u>	<u>\$ (1.72)</u>	<u>\$ (7.27)</u>
Shares used in adjusted loss per share - basic and diluted	4.575	2.962	3.634	2.598

