



Second Quarter 2021
Earnings Conference Call Presentation
July 28, 2021, 5:00 PM Eastern Time

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

Conference ID: 6568680





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 Second Quarter

- Second quarter positive operating margin
- Q2 net sales up 43% year over year
- Q2 gross margins up 710 bps, improved product margins and lower royalty expense
- Refinancing our long-term debt and credit facility
- Adjusted net loss attributable to common stockholders of \$2.3M, vs. adjusted net loss attributable to common stockholders of \$13.4M in Q2'20
- Adjusted EBITDA was positive \$5.0M vs. negative \$4.6M in Q2'20
- Trailing 12 month adjusted EBITDA of \$49.1M vs. \$29.0M in the twelve months ended 6/30/20





CEO OVERVIEW (continued)

Solid Results with Consistent Themes

(1) Navigating Logistical/Supply-chain Challenges

- Working with long-standing partners and achieving solutions
- Looking ahead, we increased inventory levels for the quarter to \$60.6M

(2) Evergreen Businesses Continue to Perform

- Double-digit sales growth across our Girls, Boys and Costumes businesses; Outdoor/Seasonal flat compared to YoY
- Results not event driven

(3) Continued Focus and Execution

- Expanding gross margins
- Improving profitability by reducing costs
- Driving down debt





CEO OVERVIEW (continued)

Strong Sales Across Core Business Categories

- Total sales up 43%; Toy/CP segment sales up 45% compared to 2020
- Double Digit Sales Growth – Girls, Boys, and Costume
- Video game-related toys delivered majority of growth in boy-targeted division
- Disguise sales up 37% and well-positioned for growth

Timeless Brands Are Positioned to Find Consumers

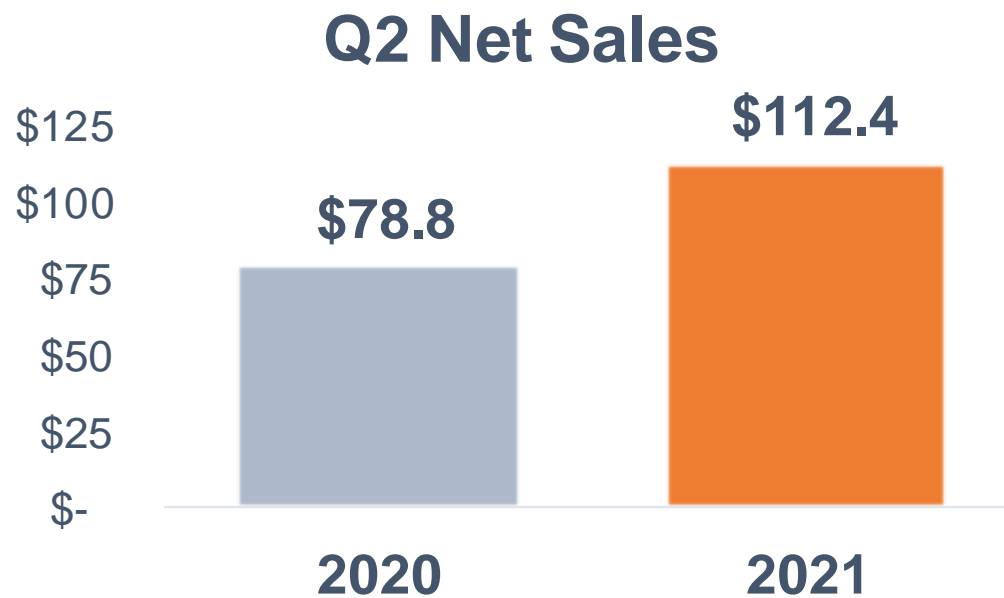
- Gradually seeing improvements in retail traffic/audiences in theaters
- Strong demand for streaming content across new and established channels





2021 Q2 Net Sales

\$ Millions



YoY % Change:

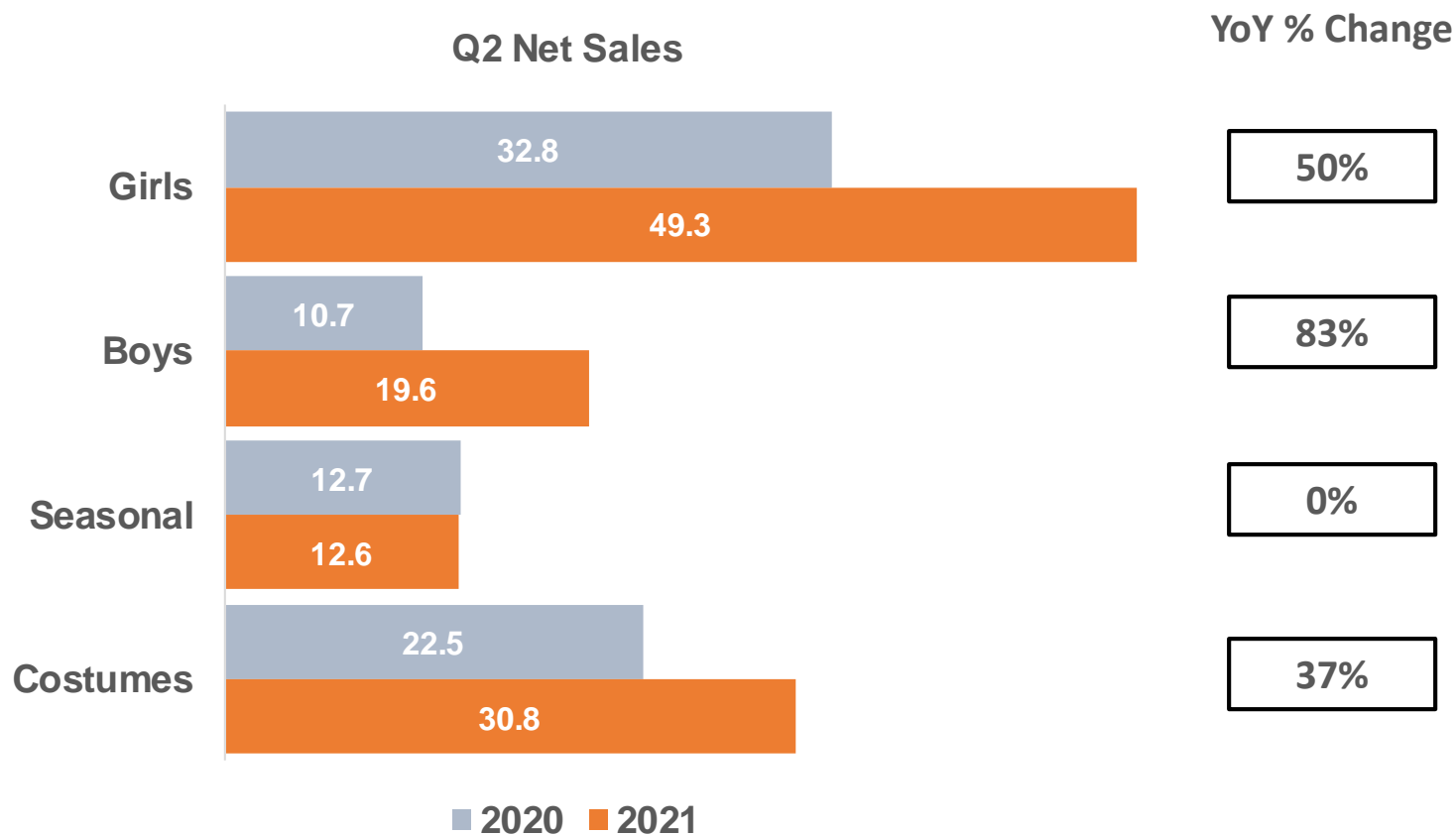
43%





2021 Second Quarter Net Sales

\$ Millions

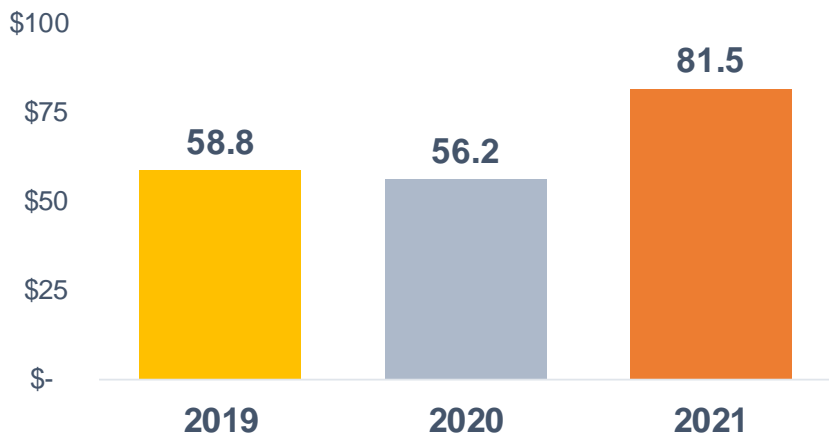




2021 Second Quarter Segment Net Sales

\$ Millions

Toy/CP Q2 Net Sales

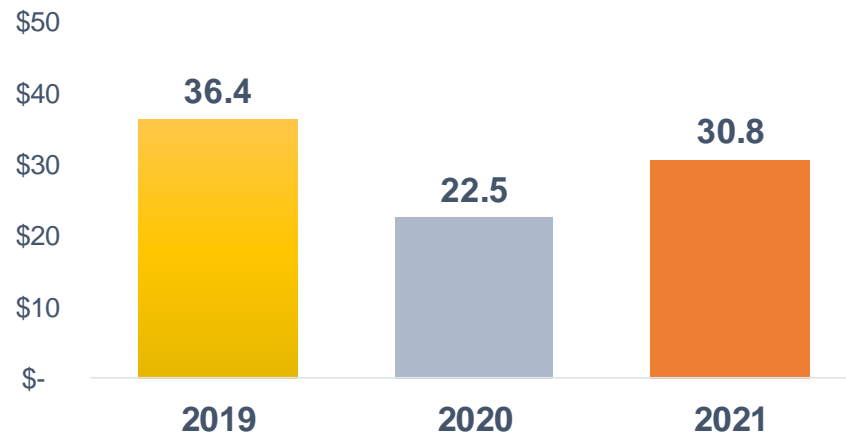


YoY % Change:

(4%)

45%

Costumes Q2 Net Sales



(38%)

37%

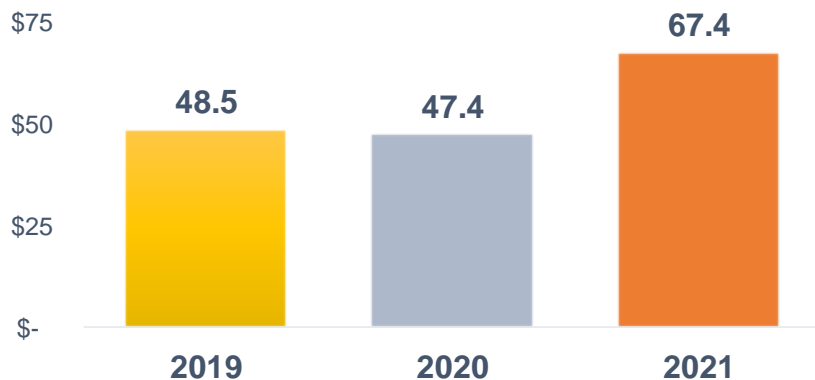




2021 Second Quarter Toy/CP Net Sales (cont'd)

\$ Millions

North America Q2 Net Sales

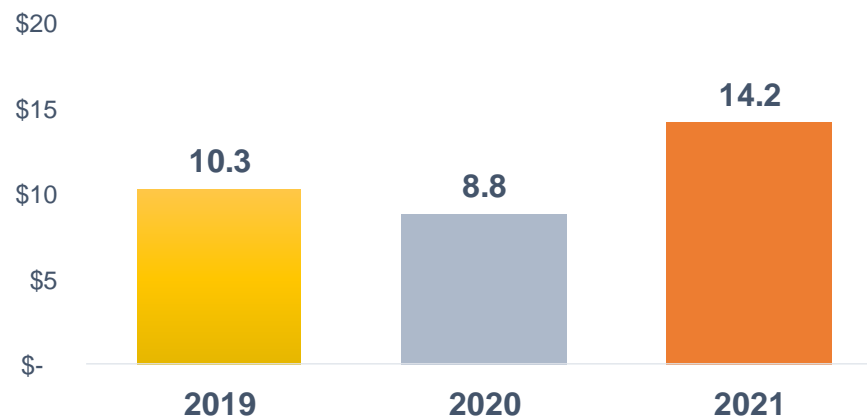


YoY % Change:

(2%)

42%

International Q2 Net Sales



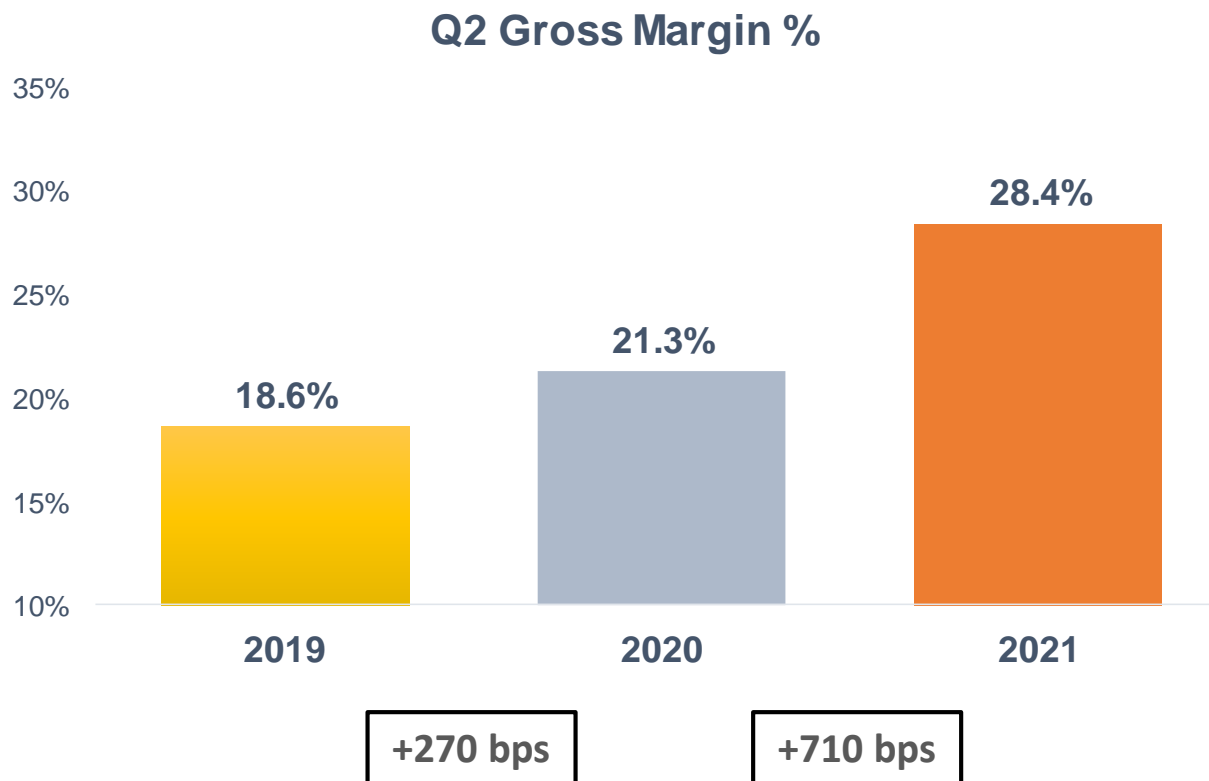
(14%)

60%





2021 Second Quarter Gross Margin %



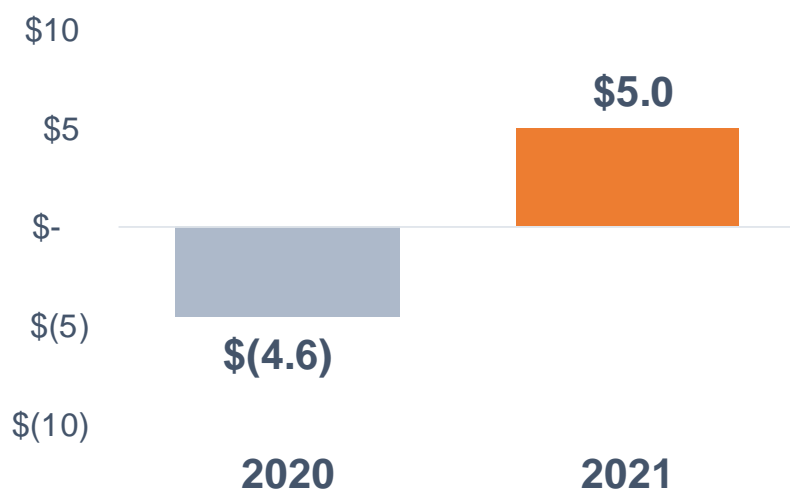


2021 Second Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

Adj EBITDA as % of Net Sales

Q2 Adj EBITDA

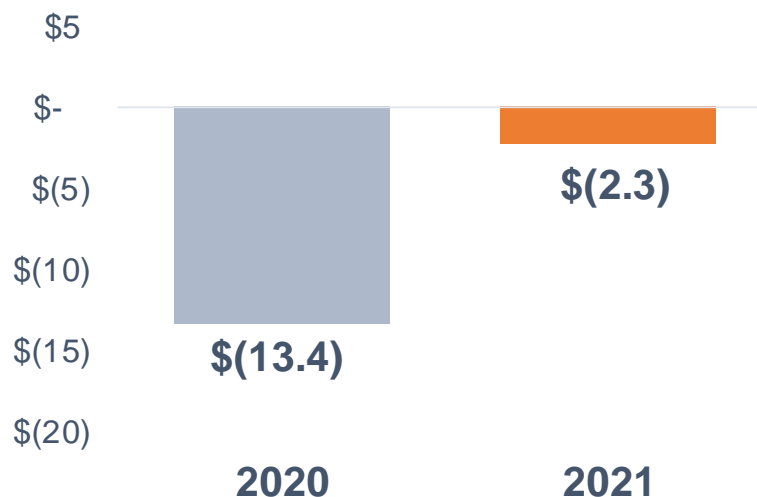


(5.8%)

4.4%

Adj. EBITDA Margin %

Q2 Adj Net Income





CEO OUTLOOK

Disney Properties Continue To Do Well

- Strong demand for Disney Princess Style Collection
- New distribution at Walmart, including Playdate Dolls, Core Dresses and low-priced dress up accessories will also contribute to YoY gains
- Anticipating great reaction to Encanto





CEO OUTLOOK

Boys

- Nintendo – Super Mario
- Sonic the Hedgehog
- Black+Decker



Seasonal

- Continued growth for Redo Skateboard brand
- Heart Supply launch



Disguise Costumes

- New license acquisitions
- Halloween on Sunday
- Return to pre-pandemic celebration norms
- Increase in gaming costumes
- International expansion





CEO OUTLOOK

Conclusion

- Positive Q2 operating margin for the first time in many years
- Performance driven by strong sales across core business categories
- Excited for 2nd half initiatives and return to in-person meetings with customers and partners
- Thanks to our incredible team!





THANK YOU





Supplemental Financial Information





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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	(In thousands, except per share data)		(In thousands, except per share data)	
Net sales	\$ 112,352	\$ 78,758	\$ 196,195	\$ 145,315
Less cost of sales				
Cost of goods	61,489	46,309	105,538	84,013
Royalty expense	16,784	13,885	29,295	25,360
Amortization of tools and molds	2,182	1,794	3,371	2,822
Cost of sales	<u>80,455</u>	<u>61,988</u>	<u>138,204</u>	<u>112,195</u>
Gross profit	31,897	16,770	57,991	33,120
Direct selling expenses	6,286	3,908	13,088	12,410
General and administrative expenses	23,193	19,971	44,604	42,951
Depreciation and amortization	597	785	1,201	1,639
Restructuring charge	-	1,631	-	1,631
Pandemic related charges	-	221	-	221
Income (loss) from operations	1,821	(9,746)	(902)	(25,732)
Other income (expense):				
Income from joint ventures	-	-	-	2
Other income (expense), net	72	16	127	54
Change in fair value of convertible senior notes	(3,797)	(7,727)	(12,844)	(52)
Change in fair value of preferred stock derivative liability	(1,539)	1	(8,914)	2,083
Loss on debt extinguishment	(7,351)	-	(7,351)	-
Interest income	4	3	6	17
Interest expense	(4,370)	(5,543)	(9,245)	(11,090)
Loss before provision for (benefit from) income taxes	(15,160)	(22,996)	(39,123)	(34,718)
Provision for (benefit from) income taxes	(100)	272	(12)	548
Net loss	(15,060)	(23,268)	(39,111)	(35,266)
Net income attributable to non-controlling interests	24	8	59	48
Net loss attributable to JAKKS Pacific, Inc.	<u>\$ (15,084)</u>	<u>\$ (23,276)</u>	<u>\$ (39,170)</u>	<u>\$ (35,314)</u>
Net loss attributable to common stockholders	<u>\$ (15,415)</u>	<u>\$ (23,588)</u>	<u>\$ (39,827)</u>	<u>\$ (35,933)</u>
Loss per share - basic and diluted	<u>\$ (2.48)</u>	<u>\$ (7.70)</u>	<u>\$ (6.86)</u>	<u>\$ (11.81)</u>
Shares used in loss per share - basic and diluted	<u>6,220</u>	<u>3,064</u>	<u>5,802</u>	<u>3,043</u>





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

	(Unaudited) June 30,		December 31,
	2021	2020	2020
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 37,511	\$ 48,133	\$ 87,953
Restricted cash	830	4,555	4,740
Accounts receivable, net	107,898	69,003	102,254
Inventory	60,580	57,681	38,642
Prepaid expenses and other assets	32,495	28,448	17,239
Total current assets	239,314	207,820	250,828
Property and equipment	118,804	112,977	114,045
Less accumulated depreciation and amortization	104,147	95,998	100,534
Property and equipment, net	14,657	16,979	13,511
Operating lease right-of-use assets, net	20,688	27,644	24,393
Goodwill	35,083	35,083	35,083
Intangibles and other assets, net	5,389	12,894	5,554
Total assets	<u>\$ 315,131</u>	<u>\$ 300,420</u>	<u>\$ 329,369</u>
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable and accrued expenses	\$ 106,382	\$ 78,295	\$ 79,799
Reserve for sales returns and allowances	42,282	32,312	42,108
Income taxes payable	703	502	484
Short term operating lease liabilities	10,481	9,632	9,925
Short term debt, net	33,596	1,772	5,950
Total current liabilities	193,444	122,513	138,266
Long term operating lease liabilities	12,276	20,743	16,883
Debt, non-current portion, net	95,735	174,164	150,410
Other liabilities	16,976	3,333	8,062
Income taxes payable	215	1,491	947
Deferred tax liability, net	123	226	123
Total liabilities	318,769	322,470	314,691
Preferred stock	2,397	1,102	1,740
Stockholders' equity (deficit):			
Common stock, \$.001 par value	7	5	6
Additional paid-in capital	241,405	210,152	221,590
Accumulated deficit	(236,593)	(218,463)	(197,423)
Accumulated other comprehensive loss	(12,124)	(15,975)	(12,446)
Total JAKKS Pacific, Inc. stockholders' equity (deficit)	(7,305)	(24,281)	11,727
Non-controlling interests	1,270	1,129	1,211
Total stockholders' equity (deficit)	(6,035)	(23,152)	12,938
Total liabilities, preferred stock and stockholders' equity (deficit)	<u>\$ 315,131</u>	<u>\$ 300,420</u>	<u>\$ 329,369</u>





EBITDA and Adjusted EBITDA

Net loss		
Interest expense		
Interest income		
Provision for (benefit from) 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		
Loss on debt extinguishment		
Restructuring charge		
Pandemic related charges		
Adjusted EBITDA		

Three Months Ended June 30,		
2021	2020	
(In thousands, except per share data)		
\$ (15,060)	\$ (23,268)	
4,370	5,543	
(4)	(3)	
(100)	272	
2,779	2,579	
(8,015)	(14,877)	
-	-	
(72)	(16)	
383	714	
3,797	7,727	
1,539	(1)	
-	-	
7,351	-	
-	1,631	
-	221	
\$ 4,983	\$ (4,601)	

Six Months Ended June 30,		
2021	2020	
(In thousands, except per share data)		
\$ (39,111)	\$ (35,266)	
9,245	11,090	
(6)	(17)	
(12)	548	
4,572	4,461	
(25,312)	(19,184)	
-	(2)	
(127)	(54)	
765	966	
12,844	52	
8,914	(2,083)	
(1,900)	-	
7,351	-	
-	1,631	
-	221	
\$ 2,535	\$ (18,453)	

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		
Loss on debt extinguishment		
Restructuring charge		
Pandemic related charges		
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		

\$ (15,415)	\$ (23,588)	
383	714	
3,797	7,727	
1,539	(1)	
-	-	
7,351	-	
-	1,631	
-	221	
-	(117)	
\$ (2,345)	\$ (13,413)	
\$ (0.38)	\$ (4.38)	
6,220	3,064	

\$ (39,827)	\$ (35,933)	
765	966	
12,844	52	
8,914	(2,083)	
(1,900)	-	
7,351	-	
-	1,631	
-	221	
-	(117)	
\$ (11,853)	\$ (35,263)	
\$ (2.04)	\$ (11.59)	
5,802	3,043	

