



Q2 2020 Earnings
July 29, 2020





Second Quarter 2020
Earnings Conference Call Presentation
July 29, 2020

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

Conference ID 4594426





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 2020, as well as any other forward-looking statements concerning 2020 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

Performed In Line With Expectations In Spite of COVID-19 Disruptions

- Net Sales down 17% vs. Q2'19;
- Toy Segment down 4%, but up 3% excluding discontinued Funnoodle line;
- Toy Segment down 2% in No. America, down 14% internationally
- Disguise down 38% vs. strong Q2'19 amid retailer caution and our tighter credit hurdles
- POS at top accounts up mid-teens through June; inventory down mid-high-teens

Substantial improvement in profitability:

- Gross margins of 21.3% up from 18.6% in Q2'19
- Operating expenses (excluding one time items) down 27% vs. Q2'19
- Adjusted EBITDA was loss of \$4.6 million, vs. loss of \$11.5 million in Q2'19

Industry Cross Currents:

- Massive shift to online channels, even as stores reopen;
- Some categories still benefiting from “stay at home,” others hurt

JAKKS has Evergreens, Strong Licenses and Healthy Partners

- Ride-Ons, Role Play, Nintendo
- Top customers very strong; Healthy relationships with Licensors and Manufacturers





Q2 2020 RESULTS

(in US \$000s except per share data)

	Q2		Favorable/(Unfavorable)	
	2019	2020	Δ \$	Δ %
Net Sales	95,182	78,758	(16,424)	(17.3%)
Gross Profit %	18.6%	21.3%	265 bps	
Loss from Operations	(18,649)	(9,746)	8,903	47.7%
Loss from Operations %	(19.6%)	(12.4%)	722 bps	
Loss Per Share - Diluted	(9.55)	(7.70)	1.85	19.4%
Adjusted EBITDA	(11,488)	(4,601)	6,887	59.9%





CFO SALES REVIEW

Balancing Evergreens and Licenses

Girls Products up 5% vs. Q2 2019

Lines that performed well in Q2:

- Frozen 2
- Disney Princess
- Perfectly Cute Baby
- Kitten Catfe



Boys' Products up 2% vs. Q2 2019

Lines that performed well in Q2:

- Fly Wheels
- Nintendo / Super Mario and Sonic
- Black & Decker





CFO SALES REVIEW cont'd

Seasonal Products down 26% vs. Q2 2019

- Funnoodles discontinued last year

Lines that performed well in Q2:

- Minnie Mouse and Frozen2 Rideons
- ReDo Skateboards

Disguise down 38% vs. Q2 2019

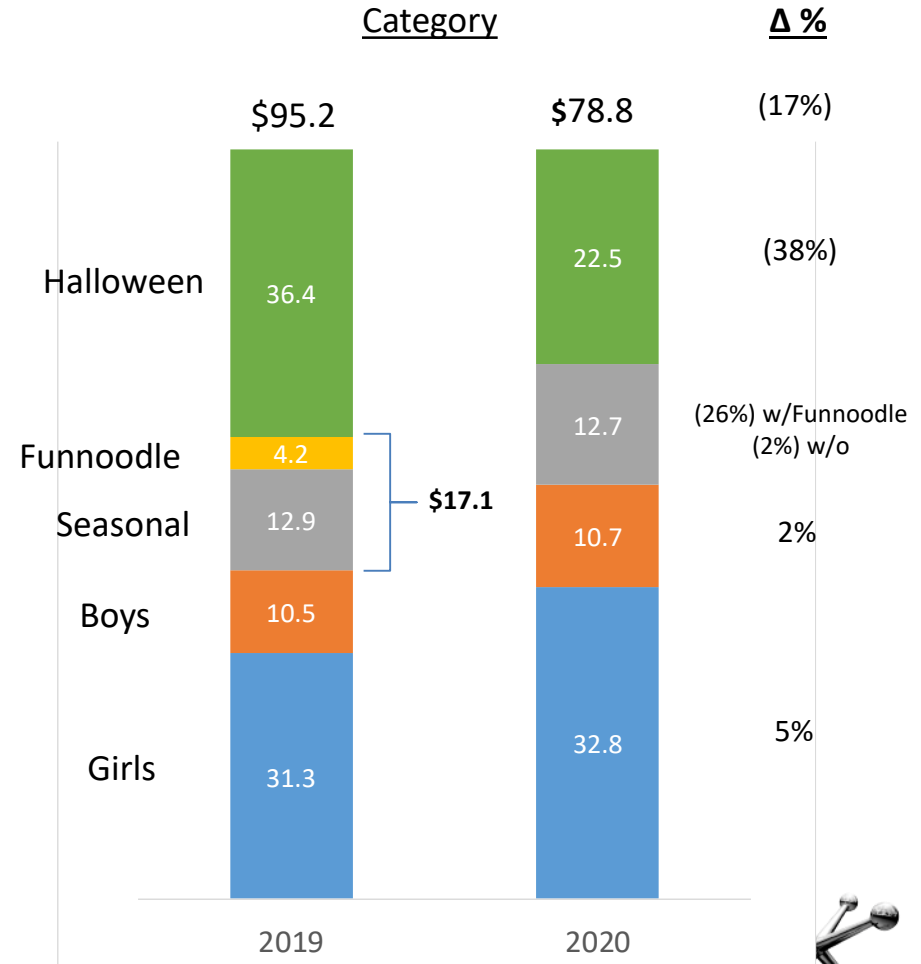
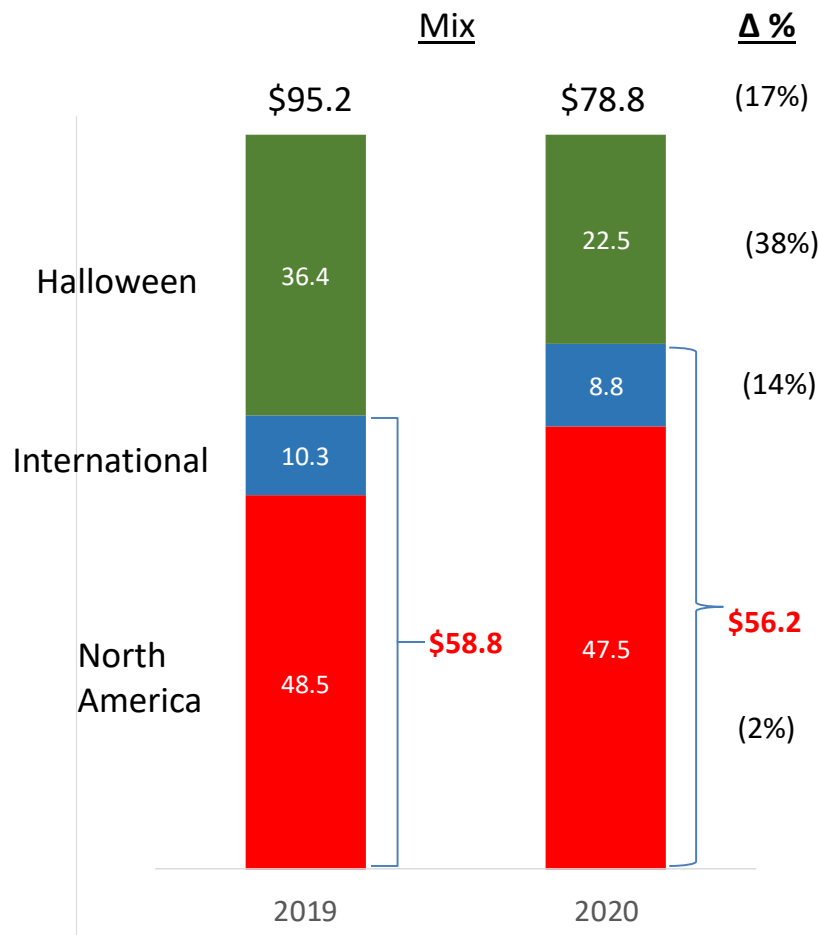
- Q2'19 Unusually strong
- Retailers cautious on Halloween
- JAKKS reducing credit risks





Q2 Net Sales by Segment & Category

(In US \$ millions)





Q2 2020 RESULTS

(in US \$000s except per share data)

	Q2				Favorable/(Unfavorable)	
	2019	% of Sales	2020	% of Sales	Δ \$	Δ %
Net Sales	95,182	100.0%	78,758	100.0%	(16,424)	(17.3%)
Cost of Sales	77,436	81.4%	61,988	78.7%	(15,448)	(19.9%)
Gross Profit	17,746	18.6%	16,770	21.3%	(976)	(5.5%)
Direct Selling Expenses	8,115	8.5%	3,908	5.0%	(4,207)	(51.8%)
General & Administrative Expenses	24,136	25.4%	19,971	25.4%	(4,165)	(17.3%)
Loss from Operations	(18,649)	(19.6%)	(9,746)	(12.4%)	8,903	47.7%
Interest Expense, net	(2,919)	(3.1%)	(5,543)	(7.0%)	(2,624)	(89.9%)
Other Income (expense), net	(242)	(0.3%)	16	0.0%	258	106.6%
Provision for (benefit from) income taxes	589	0.6%	272	0.3%	(317)	(53.8%)
Net Income Attributable to non-controlling interests	57	0.1%	8	0.0%	(49)	(86.0%)
Net Loss Attributable to Jakks Pacific, Inc.	(22,542)	(23.7%)	(23,276)	(29.6%)	(734)	(3.3%)
Net Loss Attributable to Common Stockholders	(22,542)	(23.7%)	(23,588)	(29.9%)	(1,046)	(4.6%)
Loss Per Share - Diluted	(9.55)		(7.70)		1.85	19.4%
Adjusted EBITDA	(11,488)	(12.1%)	(4,601)	(5.8%)	6,887	59.9%





Q2 2020 CASH FLOW

(in US \$ millions)

	Q2		Favorable/(Unfavorable)	
	2019	2020	$\Delta \$$	$\Delta \%$
Cash Flow From Operations	(7.0)	7.0	14.0	nm
Free Cash Flow	(9.7)	4.2	13.9	nm





BALANCE SHEET SUMMARY

(in US \$ millions)

	June 30, 2019	June 30, 2020	Inc/(Dec) Δ \$
Cash, Cash Equivalents and Restricted Cash	37.0	52.7	15.6
Accounts Receivable, net	85.1	69.0	(16.1)
Inventory	53.5	57.7	4.2
Prepaid Expenses & Other Assets	28.5	28.4	(0.1)
<i>AP, Accrued Expenses & Other Current Liabilities</i>	131.7	120.7	(11.0)
<i>Short Term Debt</i>	1.9	1.8	(0.1)
Working Capital	70.6	85.3	14.7





WORKING CAPITAL

<i>(in US \$ millions)</i>	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2020</u>	<u>Inc/(Dec)</u> <u>Δ \$ / Δ %</u>
Net Sales	95,182	78,758	(16,424)
Working Capital w/ Cash	70,623	85,307	14,684
<i>% Net Sales</i>	74%	108%	34%
Working Capital w/o Cash	33,575	25,192	(8,383)
<i>% Net Sales</i>	35%	32%	-3%





CEO OVERVIEW

Managing Through an Unprecedented Business Environment

- Supply chain back to normal
- Retail opening up, but COVID cases still rising
- Categories that benefit include Activity toys and Games
- Categories that get hurt are Action Figures, some Dolls and Collectibles

Factors That Help During The Challenges

- Toys tend to be resilient in tough economic times
- Highly recognizable brands from world-class licensing partners
- Top retail customers among the most healthy in the world
- High percentage of sales from evergreen products, including owned IP
- Robust online channel in many markets

Cost Initiatives

- Cost reductions in 2019 and earlier this year significantly lowered cost base





Considerations for Second Half of 2020

JAKKS has in its favor:

- Strong position in categories with proven play patterns
- Powerful licenses from top Entertainment IP holders
- Success with new, owned IP
- Long term, stable relationships with top retailers
- Established and reliable supply chain





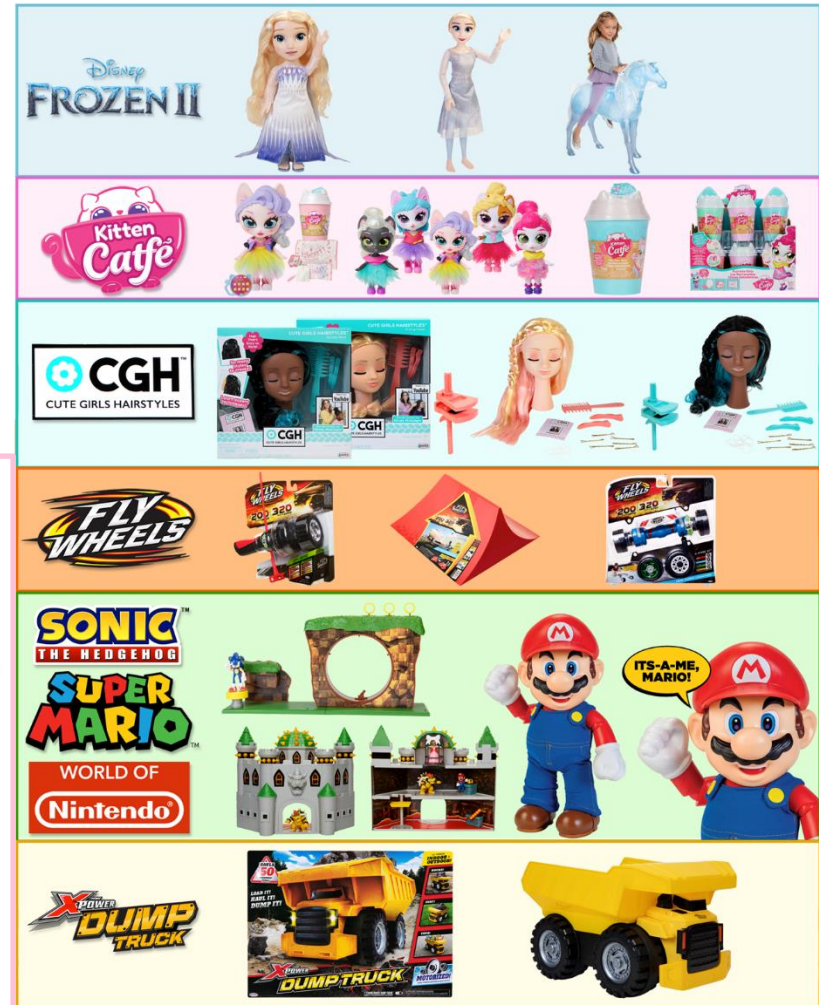
2020 PRODUCT DRIVERS

Girls:

- Frozen 2
- Disney Style Collection - kitchen and vanity
- Kitten Catfe
- Cute Girls Hairstyles

Boys

- Fly Wheels
- Nintendo / Super Mario
- Sega, Sonic
- Xtreme Power Dump Truck





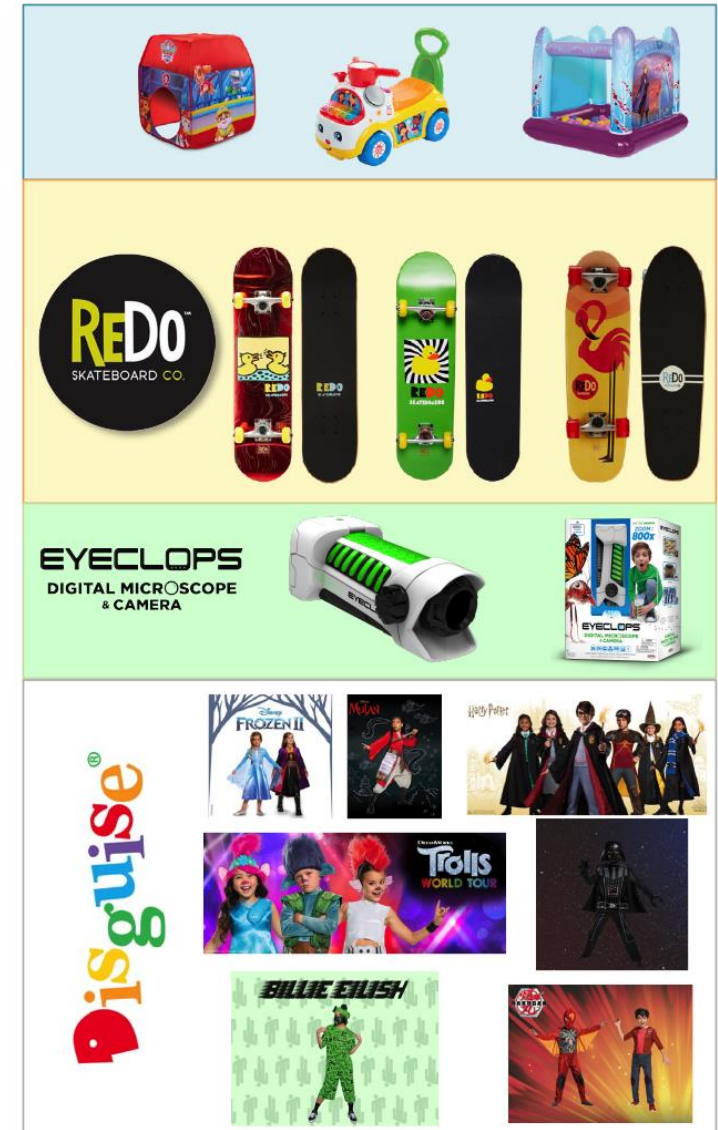
2020 PRODUCT DRIVERS

Seasonal:

- Full year of Indoor Tents, Inflatables & Ride-Ons
- Redo skateboards
- Eyeclops

Disguise

- Frozen 2
- Billie Eilish
- Trolls 2
- Mulan
- Harry Potter
- Bakugan





CONCLUSION

- We know challenges lie ahead, but we are facing them
- Preparing business for safe return to normal operations
- Managing costs, conserving cash and focusing on evergreens
- Positioned to emerge stronger than before





THANK YOU

