



First Quarter 2024
Earnings Presentation
April 24, 2024
5:00 PM Eastern / 2:00 PM Pacific

Webcast link [1Q24 Registration link](#)





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 2024, as well as any other forward-looking statements concerning 2024 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





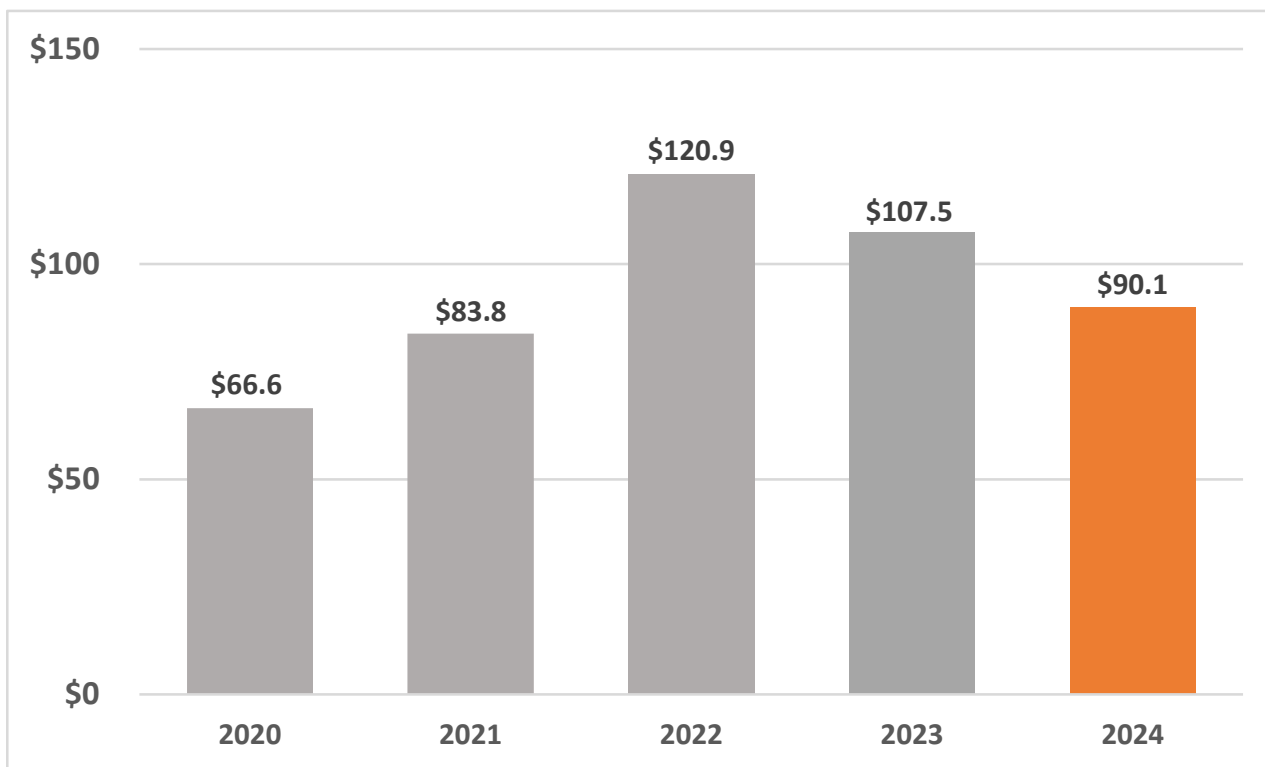
- Net sales were \$90.1 million, a year-over-year decrease of \$17.4 million or 16%, driven by a lack of new film releases vs. prior year
- Gross margin of 23.4%, down 580 basis points vs. Q1 2023, led by higher inventory obsolescence expense, and retailer markdowns
- Gross profit of \$21.1 million, down \$10.4 million compared to \$31.4 million in Q1 2023
- Operating loss of \$21.3 million, compared to an operating loss of \$4.4 million in Q1 2023
- Adjusted net loss attributable to common stockholders (a non-GAAP measure) of \$11.3 million (or \$1.09 per diluted share), compared to an adjusted net loss attributable to common stockholders of \$4.0 million (or \$0.40 per diluted share) in Q1 2023
- Adjusted EBITDA (a non-GAAP measure) of \$(17.2) million vs. \$(1.1) million in Q1 2023





2024 First Quarter Net Sales

\$ Millions



YoY % Change:

26%

44%

(11)%

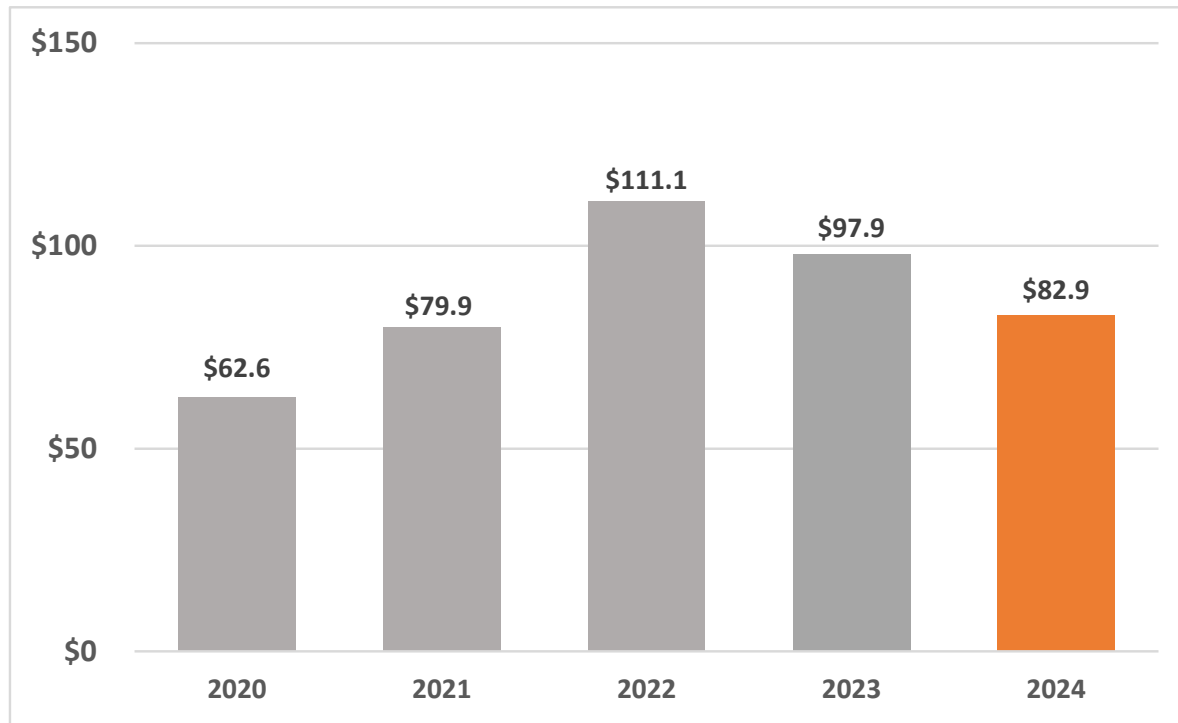
(16)%





2024 First Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

28%

39%

(12)%

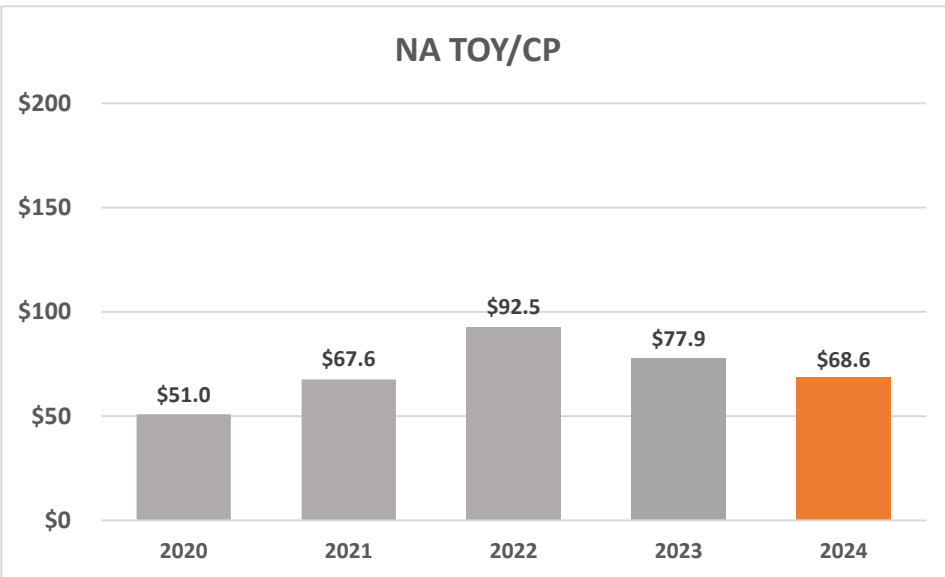
(15)%



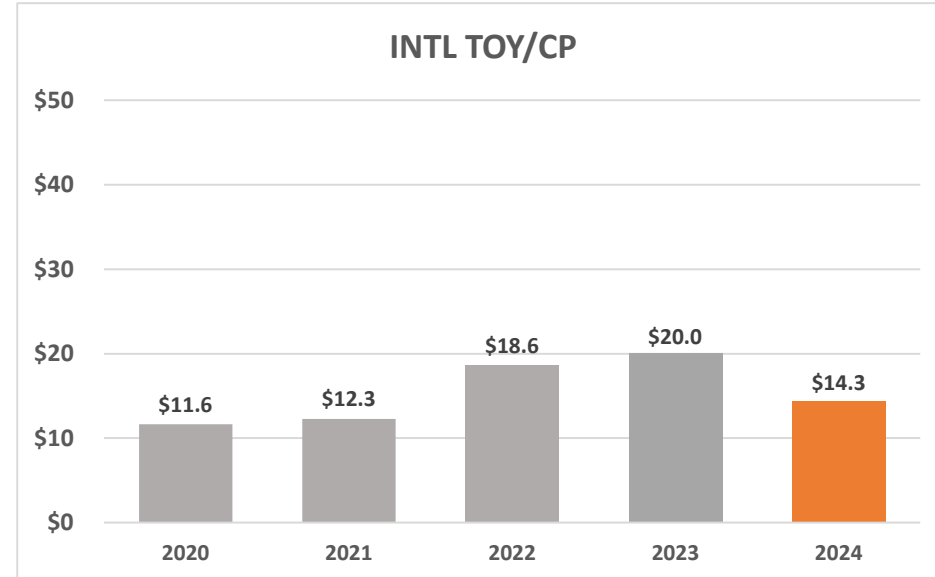


2024 First Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change



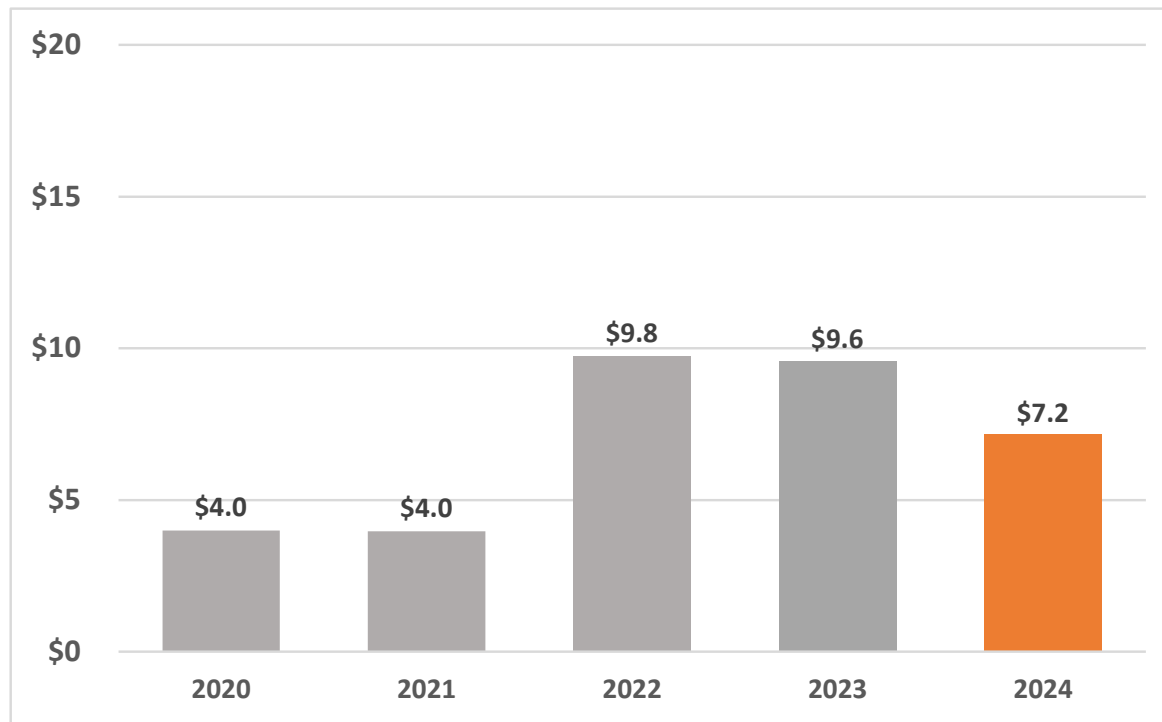
YoY % Change





2024 First Quarter Costumes Net Sales

\$ Millions



YoY % Change:

0%

146%

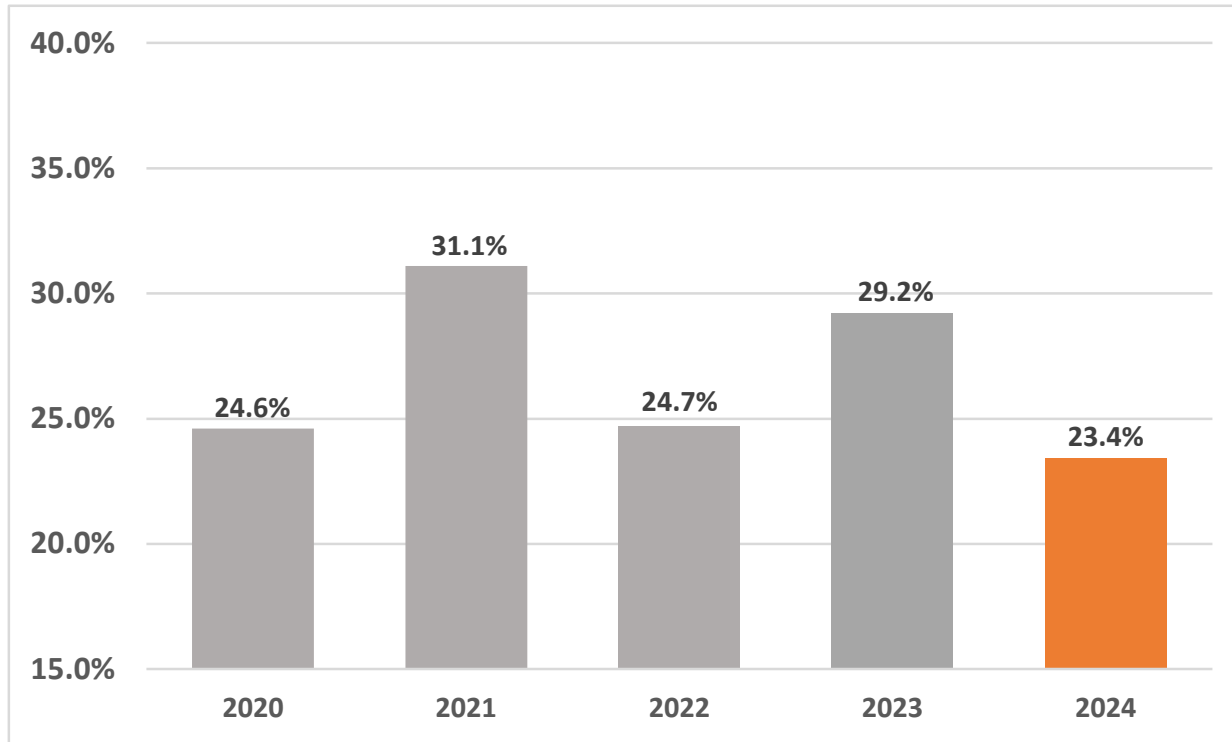
(2)%

(25)%





2024 First Quarter Gross Margin %



YoY % Change:

650 bps

(640) bps

450 bps

(580) bps

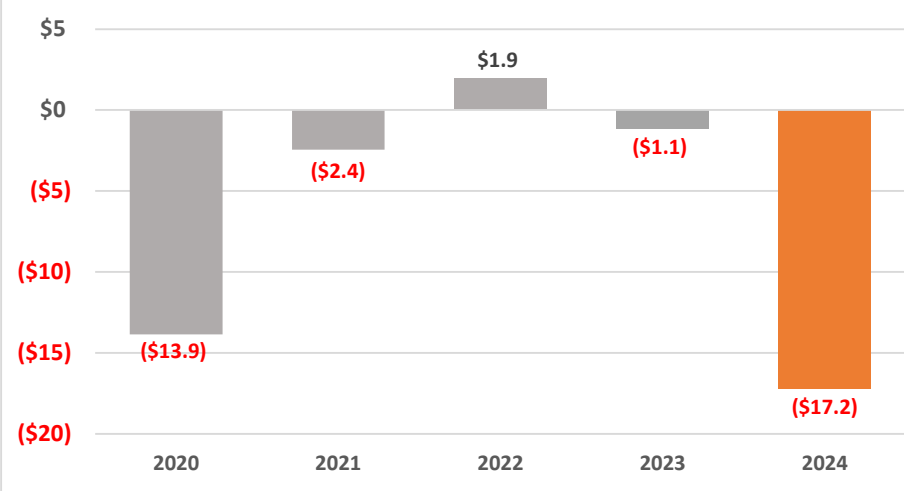




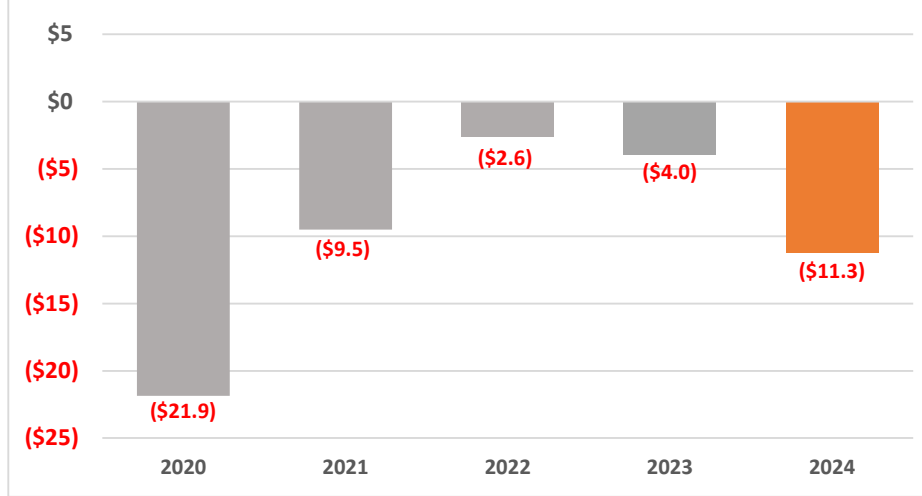
2024 First Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

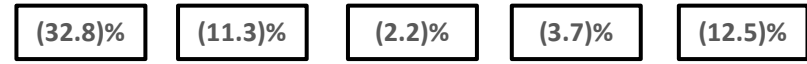
Q1 ADJ EBITDA



Q1 ADJ NET INCOME



Adj. EBITDA Margin %



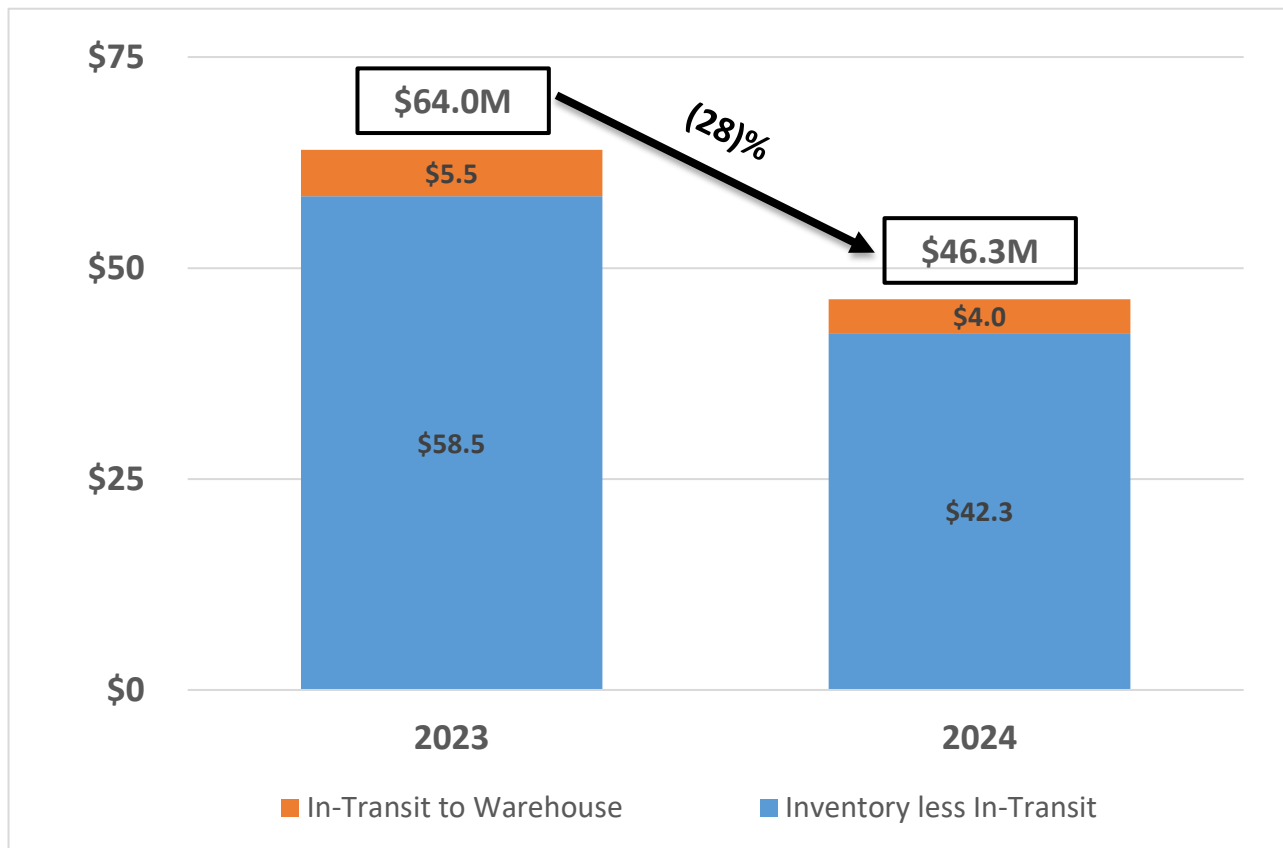
Adj. Net Income Margin %





First Quarter Inventory - 2023 vs 2024 (Worldwide)

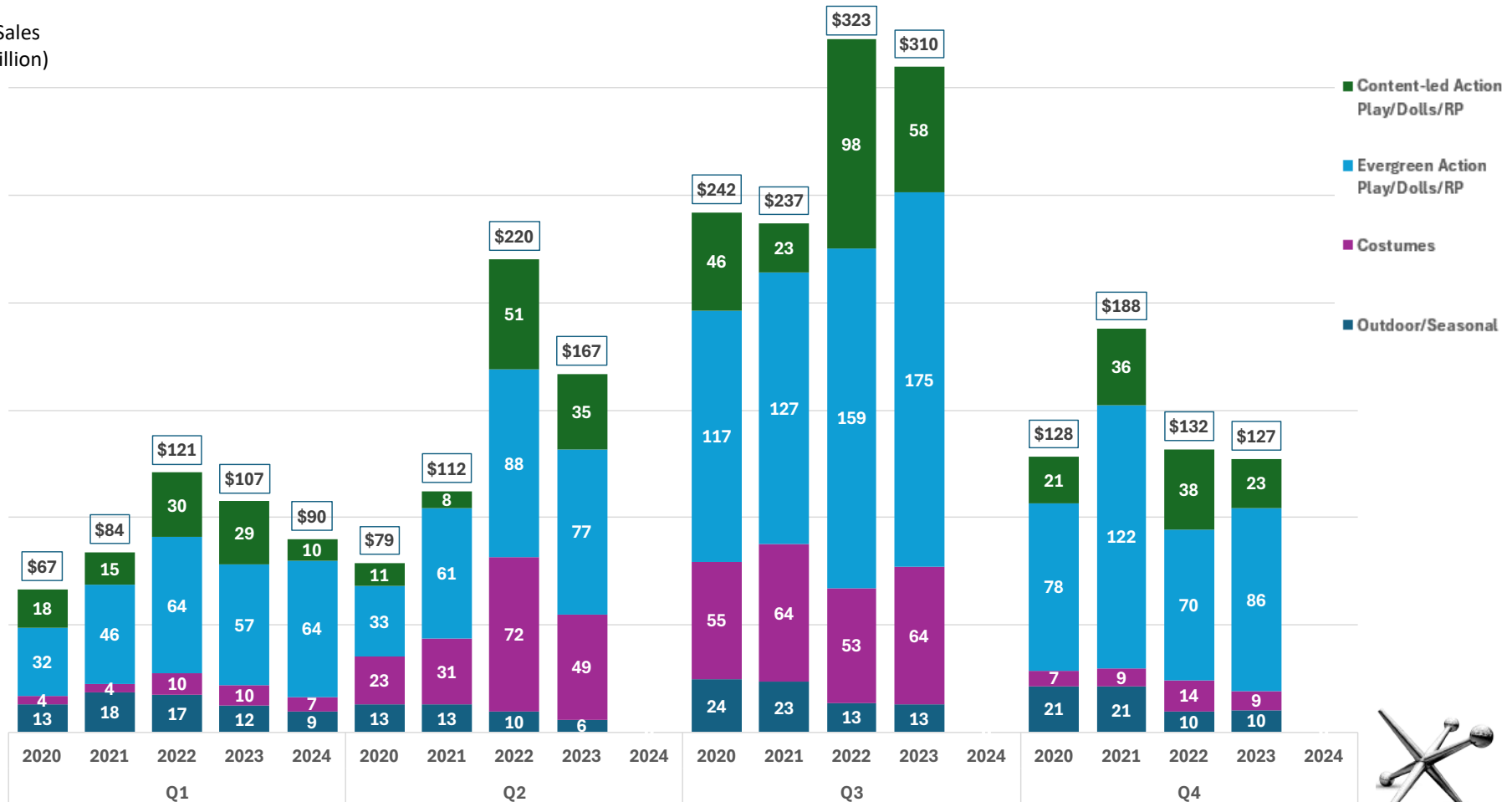
\$ Millions





Core, evergreen business has steadily increased over the past 4 years...

Net Sales
(\$ Million)



Note: Content-led sales represent those products branded to support a theatrical, television or streaming film/TV release and reported in either the company's Action Play or Dolls, Dress-up, Role Play divisions.

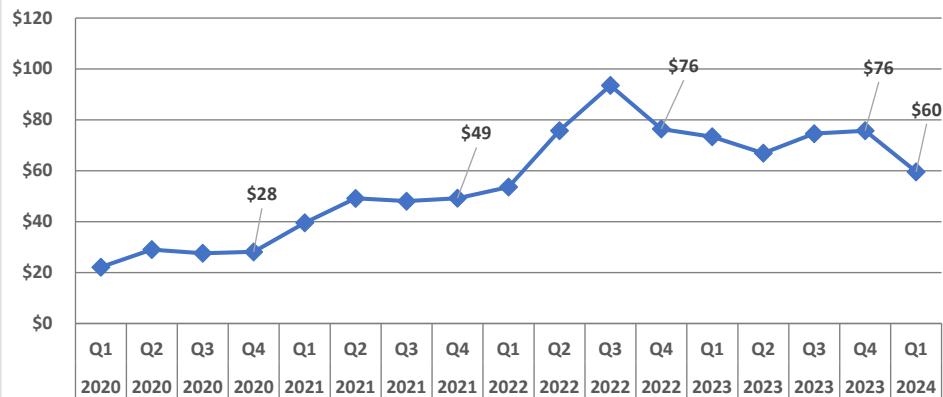




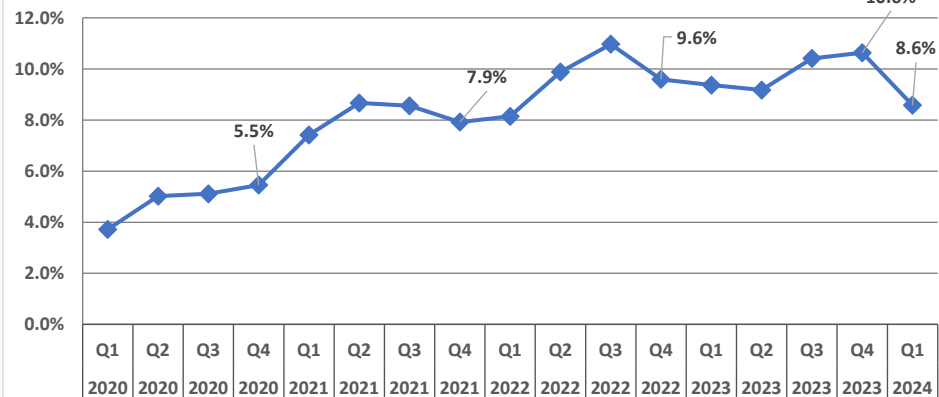
Trailing-Twelve-Month (TTM) Adjusted EBITDA (non-GAAP)

\$ Millions

TTM ADJ EBITDA



TTM ADJ EBITDA %







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

	Three Months Ended March 31,		Δ (%)
	2024	2023	
	(In thousands, except per share data)		
Net sales	\$ 90,076	\$ 107,484	(16) %
Less: Cost of sales			
Cost of goods	53,821	58,304	(8)
Royalty expense	13,776	16,654	(17)
Amortization of tools and molds	1,427	1,089	31
Cost of sales	<u>69,024</u>	<u>76,047</u>	<u>(9)</u>
Gross profit	21,052	31,437	(33)
Direct selling expenses	8,097	7,741	5
General and administrative expenses	34,192	27,994	22
Depreciation and amortization	87	102	(15)
Selling, general and administrative expenses	<u>42,376</u>	<u>35,837</u>	<u>18</u>
Loss from operations	(21,324)	(4,400)	385
Other income (expense):			
Other income (expense), net	138	438	(68)
Change in fair value of preferred stock derivative liability	-	147	nm
Interest income	376	117	221
Interest expense	<u>(143)</u>	<u>(3,003)</u>	<u>(95)</u>
Loss before benefit from income taxes	(20,953)	(6,701)	213
Benefit from income taxes	<u>(6,728)</u>	<u>(1,383)</u>	<u>386</u>
Net loss	(14,225)	(5,318)	167
Net income (loss) attributable to non-controlling interests	280	(5)	nm
Net loss attributable to JAKKS Pacific, Inc.	<u>\$ (14,505)</u>	<u>\$ (5,313)</u>	<u>173 %</u>
Net loss attributable to common stockholders	<u>\$ (13,175)</u>	<u>\$ (5,680)</u>	<u>132 %</u>
Loss per share - basic & diluted	<u>\$ (1.27)</u>	<u>\$ (0.58)</u>	
Shares used in loss per share - basic & diluted	<u>10,354</u>	<u>9,871</u>	





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

	March 31,		December 31,
	2024	2023	2023
	(In thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 35,290	\$ 38,103	\$ 72,350
Restricted cash	202	198	204
Accounts receivable, net	79,875	85,171	123,797
Inventory	46,341	63,988	52,647
Prepaid expenses and other assets	19,087	12,849	6,374
Total current assets	180,795	200,309	255,372
Property and equipment	138,066	130,668	135,956
Less accumulated depreciation and amortization	122,694	114,499	121,357
Property and equipment, net	15,372	16,169	14,599
Operating lease right-of-use assets, net	22,965	17,634	23,592
Deferred income tax assets, net	68,142	57,804	68,143
Goodwill	34,997	35,083	35,083
Intangibles and other assets, net	2,063	2,387	2,162
Total assets	\$ 324,334	\$ 329,386	\$ 398,951





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

Liabilities, Preferred Stock and Stockholders' Equity

Current liabilities:			
Accounts payable	\$ 31,683	\$ 27,714	\$ 42,177
Accounts payable - Meisheng (related party)	8,689	8,024	12,259
Accrued expenses	36,994	27,006	45,102
Reserve for sales returns and allowances	27,859	41,064	38,531
Income taxes payable	-	6,241	3,785
Short term operating lease liabilities	8,237	10,009	7,380
Short term debt, net	-	2,475	-
Total current liabilities	<u>113,462</u>	<u>122,533</u>	<u>149,234</u>
Long term operating lease liabilities	15,961	8,095	16,666
Accrued expenses - long term	3,183	-	3,746
Debt, non-current portion, net	-	26,969	-
Preferred stock derivative liability	-	21,771	29,947
Income taxes payable	3,295	2,941	3,245
Total liabilities	<u>135,901</u>	<u>182,309</u>	<u>202,838</u>
Preferred stock accrued dividends	-	4,857	5,992
Stockholders' equity:			
Common stock, \$.001 par value	11	10	10
Additional paid-in capital	292,231	275,695	278,642
Accumulated deficit	(88,117)	(117,331)	(73,612)
Accumulated other comprehensive loss	(16,192)	(17,150)	(15,627)
Total JAKKS Pacific, Inc. stockholders' equity	<u>187,933</u>	<u>141,224</u>	<u>189,413</u>
Non-controlling interests	500	996	708
Total stockholders' equity	<u>188,433</u>	<u>142,220</u>	<u>190,121</u>
Total liabilities, preferred stock and stockholders' equity	<u>\$ 324,334</u>	<u>\$ 329,386</u>	<u>\$ 398,951</u>





Supplemental Balance Sheet and Cash Flow Data (Unaudited)

Key Balance Sheet Data:

Accounts receivable days sales outstanding (DSO)
Inventory turnover (DSI)

March 31,	
2024	2023
81	71
61	76

Condensed Cash Flow Data:

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

Three Months Ended	
March 31,	
2024	2023
\$ (7,938)	\$ (4,116)
(3,634)	(3,472)
(25,490)	(39,601)
<u>\$ (37,062)</u>	<u>\$ (47,189)</u>

Capital expenditures

<u>\$ (2,228)</u>	<u>\$ (3,490)</u>
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JAKKS Pacific, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Information (Unaudited)

EBITDA and Adjusted EBITDA

	Three Months Ended March 31,		Δ (\$)
	2024	2023	
	(In thousands)		
Net loss	\$ (14,225)	\$ (5,318)	\$ (8,907)
Interest expense	143	3,003	(2,860)
Interest income	(376)	(117)	(259)
Provision for income taxes	(6,728)	(1,383)	(5,345)
Depreciation and amortization	1,514	1,191	323
EBITDA	(19,672)	(2,624)	(17,048)
Adjustments:			
Other (income) expense, net	(138)	(438)	300
Restricted stock compensation expense	2,575	2,089	486
Change in fair value of preferred stock derivative liability	-	(147)	147
Adjusted EBITDA	\$ (17,235)	\$ (1,120)	\$ (16,115)
Adjusted EBITDA/Net sales %	(19.1) %	(1.0) %	-1810 bps

TTM EBITDA and TTM Adjusted EBITDA

	Trailing Twelve Months Ended		Δ (\$)
	2024	2023	
	(In thousands)		
TTM net income	\$ 29,206	\$ 89,674	\$ (60,468)
Interest expense	3,591	11,984	(8,393)
Interest income	(1,603)	(241)	(1,362)
Provision for (benefit from) income taxes	1,488	(42,808)	44,296
Depreciation and amortization	10,659	9,957	702
TTM EBITDA	43,341	68,566	(25,225)
Adjustments:			
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	276	-	276
Loss from joint ventures (Meisheng - 49%)	289	-	289
Other (income) expense, net	(263)	(1,149)	886
Restricted stock compensation expense	8,513	6,301	2,212
Change in fair value of preferred stock derivative liability	8,176	(156)	8,332
Employee Retention Credit/gov't employment support	-	(249)	249
Molds and tooling capitalization	(1,751)	-	(1,751)
Loss on debt extinguishment	1,023	-	1,023
TTM Adjusted EBITDA	\$ 59,604	\$ 73,313	\$ (13,709)
TTM Adjusted EBITDA/TTM Net sales %	8.6 %	9.4 %	-80 bps





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

	Three Months Ended March 31,		Δ (\$)
	2024	2023	
	(In thousands, except per share data)		
<u>Adjusted net loss attributable to common stockholders</u>			
Net loss attributable to common stockholders	\$ (13,175)	\$ (5,680)	\$ (7,495)
Restricted stock compensation expense	2,575	2,089	486
Change in fair value of preferred stock derivative liability	-	(147)	147
2021 BSP Term Loan prepayment penalty	-	150	(150)
Tax impact of additional charges	(657)	(368)	(289)
Adjusted net loss attributable to common stockholders	<u>\$ (11,257)</u>	<u>\$ (3,956)</u>	<u>\$ (7,301)</u>
Adjusted loss per share - basic & diluted	<u>\$ (1.09)</u>	<u>\$ (0.40)</u>	<u>\$ (0.69)</u>
Shares used in adjusted loss per share - basic & diluted	<u>10,354</u>	<u>9,871</u>	<u>483</u>





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

(In thousands)

Divisions	QTD Q1				
	2024	2023	2022	% Change 2024 v 2023	% Change 2023 v 2022
Toys/Consumer Products	\$82,910	\$97,893	\$111,123	-15.3%	-11.9%
Dolls, Role-Play/Dress Up	40,574	47,843	62,006	-15.2%	-22.8%
Action Play & Collectibles	33,008	37,846	31,698	-12.8%	19.4%
Outdoor/Seasonal Toys	9,328	12,204	17,419	-23.6%	-29.9%
Costumes	\$ 7,166	\$ 9,591	\$ 9,758	-25.3%	-1.7%
Total	\$90,076	\$ 107,484	\$120,881	-16.2%	-11.1%

(In thousands)

Regions	QTD Q1				
	2024	2023	2022	% Change 2024 v 2023	% Change 2023 v 2022
United States	\$70,430	\$80,443	\$97,050	-12.4%	-17.1%
Europe	5,735	10,162	13,389	-43.6%	-24.1%
Latin America	7,996	9,204	2,385	-13.1%	285.9%
Canada	3,370	4,054	3,379	-16.9%	20.0%
Asia	965	1,380	2,076	-30.1%	-33.5%
Australia & New Zealand	1,346	1,608	1,491	-16.3%	7.8%
Middle East & Africa	234	633	1,111	-63.0%	-43.0%
Total	\$90,076	\$107,484	\$120,881	-16.2%	-11.1%

(In thousands)

Regions	QTD Q1				
	2024	2023	2022	% Change 2024 v 2023	% Change 2023 v 2022
North America	\$73,800	\$84,497	\$100,429	-12.7%	-15.9%
International	16,276	22,987	20,452	-29.2%	12.4%
Total	\$90,076	\$107,484	\$120,881	-16.2%	-11.1%

