



Fourth Quarter 2021
Earnings Conference Call Presentation
February 17, 2022, 5:00 PM Eastern Time

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

Conference ID: 4789542





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: Following presentation includes unaudited information





CEO OVERVIEW

Tremendous quarter, and a tremendous year

- Q4 Net Sales were \$188 million, 47% increase over prior year, highest Q4 level in 7 years
- Q4 gross margins were negatively impacted by increased ocean and inbound freight expenses
- Retail Toy/CP POS at top customers was up 10% in Q4 and up 10% for the year
- Full Year Net Sales were \$621 million, up 20% from 2020
- Full Year Operating Income was \$38.8 million, highest level in over 10 years
- Full Year Adjusted EBITDA of \$49.2 million, up over 75% compared to last year, highest level since 2015
- Full Year Gross Margins remained strong at 29.5%, 50-basis point improvement over 2020





CEO OVERVIEW (continued)

Strong Fourth Quarter Sales Across Core Business Categories

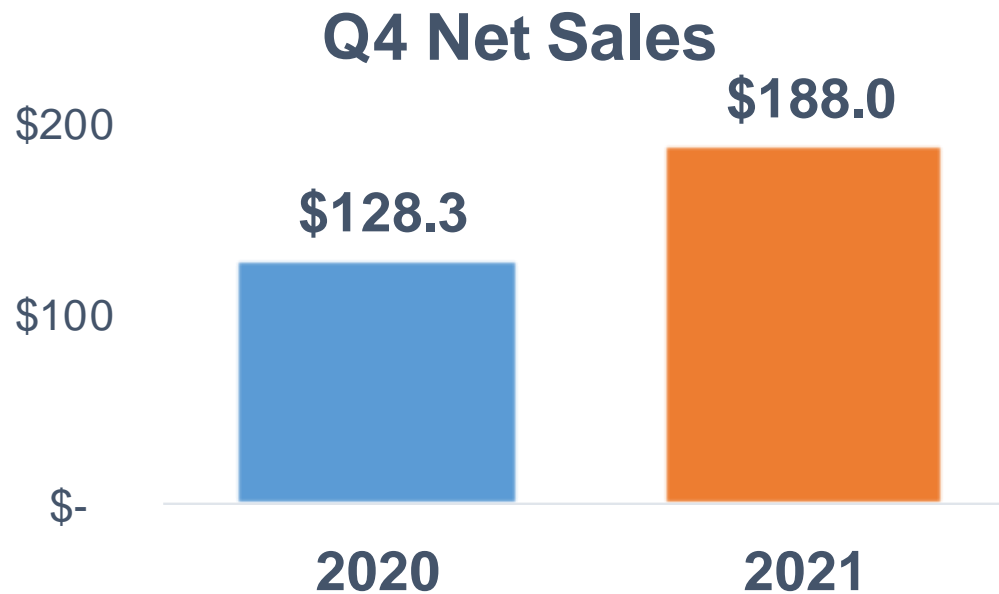
- Total Fourth Quarter sales up 47%; Toy/CP sales were up 48%
 - Doll program in the U.S. at Target, branded Disney ILY 4EVER™
 - Strong growth in Disney® Princess/Style Collection
 - Gaming branded toys, Nintendo® and Sonic®, continue to perform well
 - Excitement around Disney Encanto™
- Q4 Costume sales up 22% and retail sell-through rates higher than 2019
 - fewer logistic challenges due to shipments taking place earlier in the year





2021 Q4 Net Sales

\$ Millions



YoY % Change:

47%



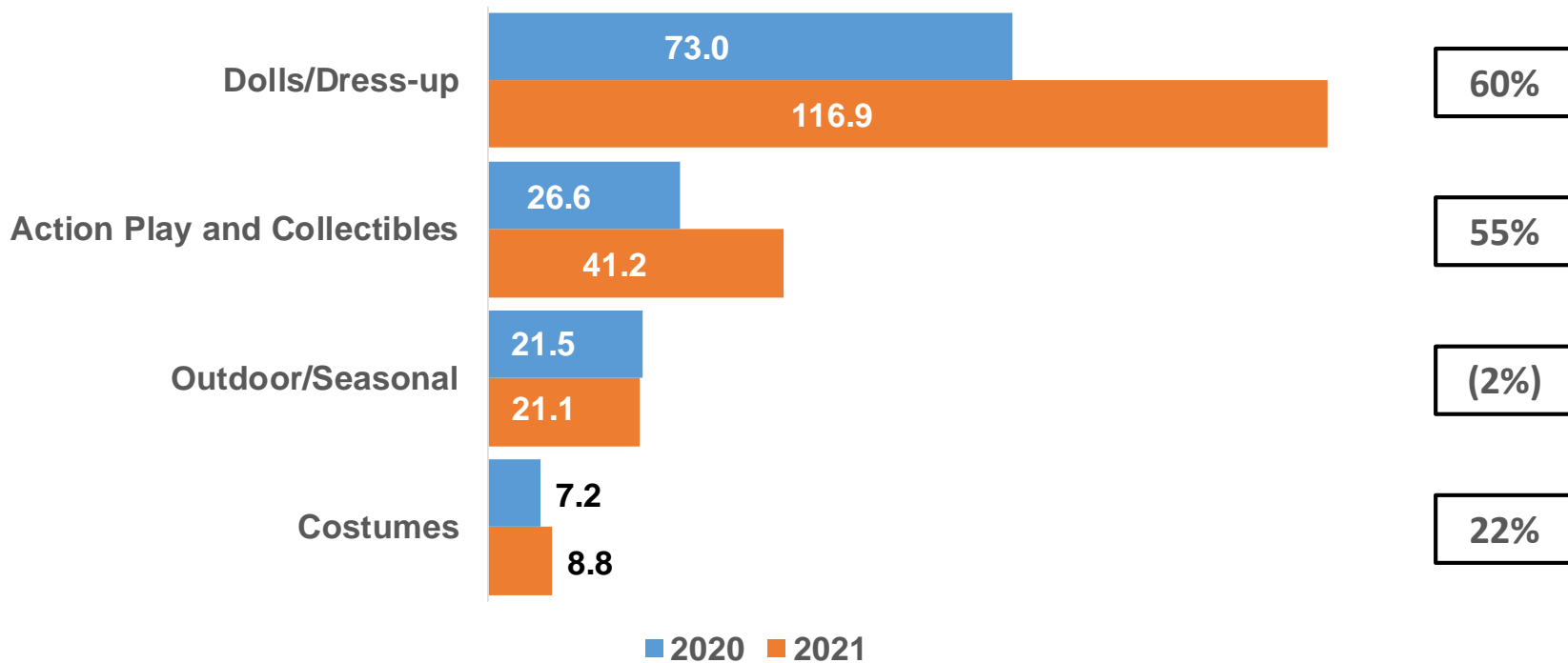


2021 Fourth Quarter Net Sales

\$ Millions

Q4 Net Sales

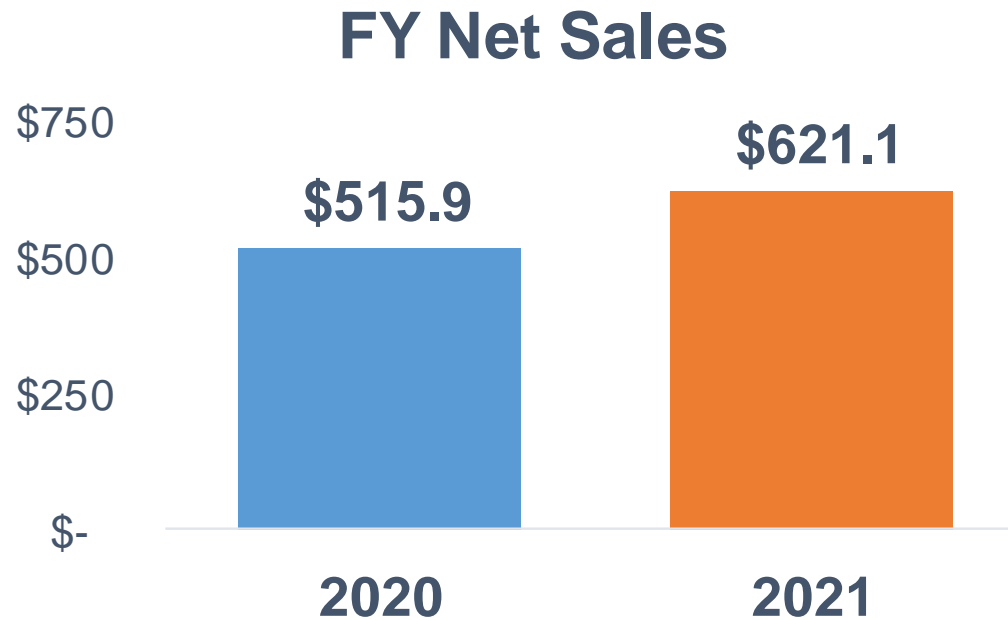
YoY % Change:





2021 FY Net Sales

\$ Millions



YoY % Change:

20%



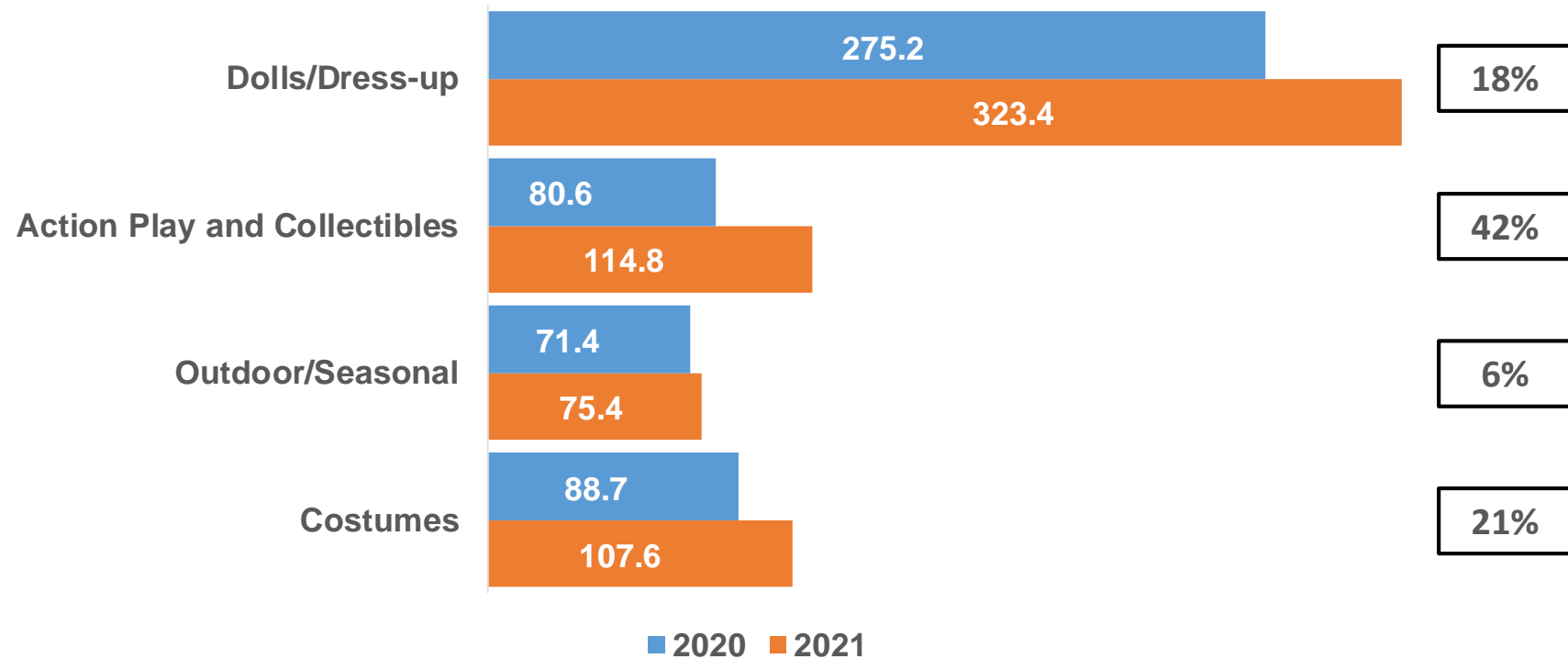


2021 FY Net Sales

\$ Millions

FY Net Sales

YoY % Change:

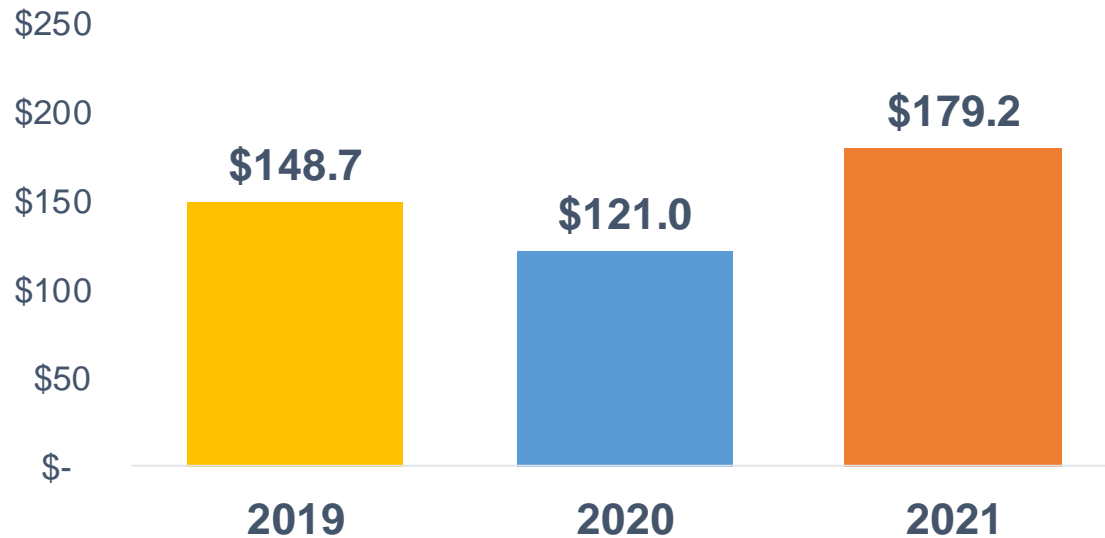




2021 Fourth Quarter Toy/CP Net Sales

\$ Millions

Toy/CP Q4 Net Sales



YoY % Change:

(19%)

48%

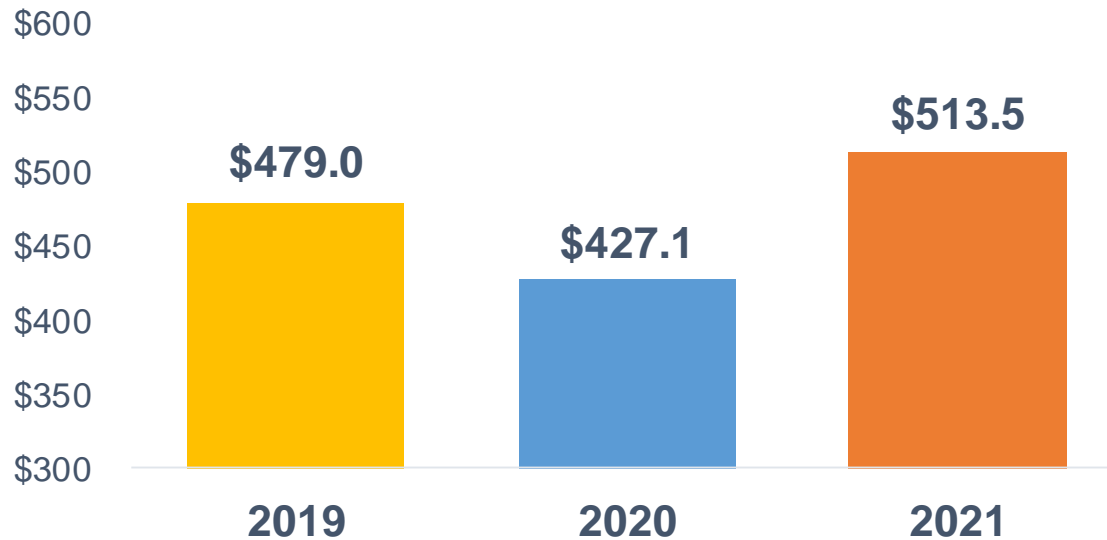




2021 FY Toy/CP Net Sales

\$ Millions

Toy/CP FY Net Sales



YoY % Change:

(11%)

20%

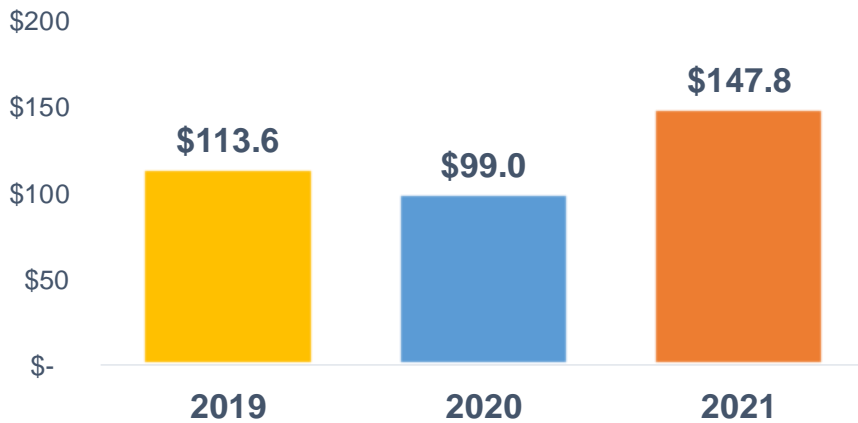




2021 Fourth Quarter Toy/CP Net Sales

\$ Millions

North America Q4 Net Sales

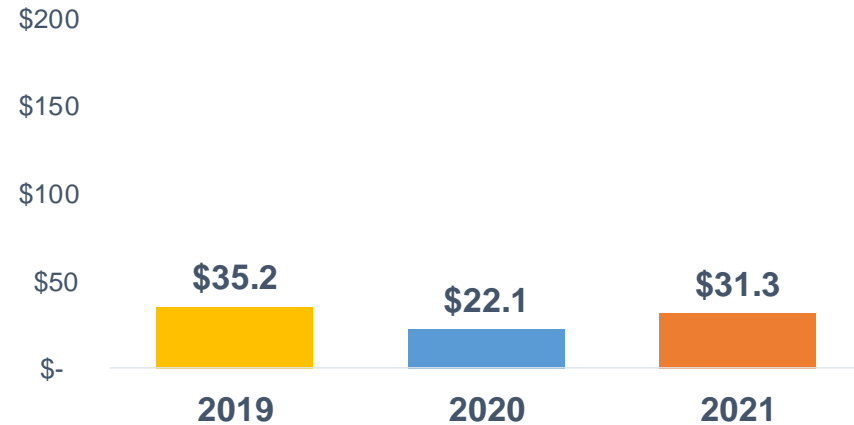


YoY % Change:

(13%)

49%

International Q4 Net Sales



(37%)

42%

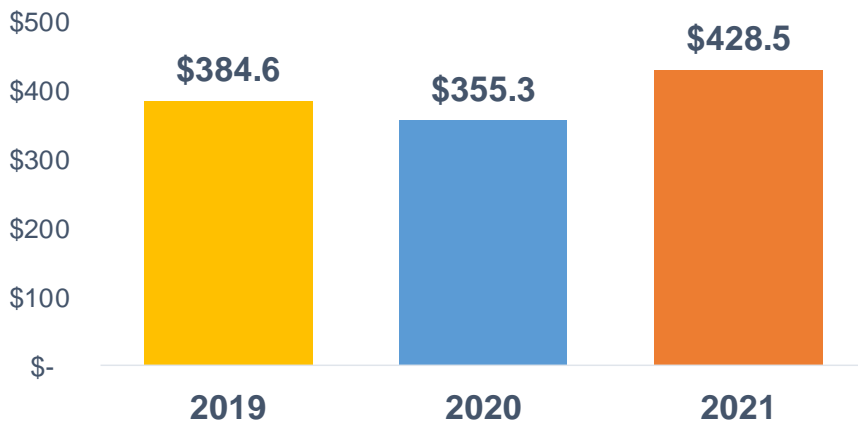




2021 FY Toy/CP Net Sales

\$ Millions

North America FY Net Sales

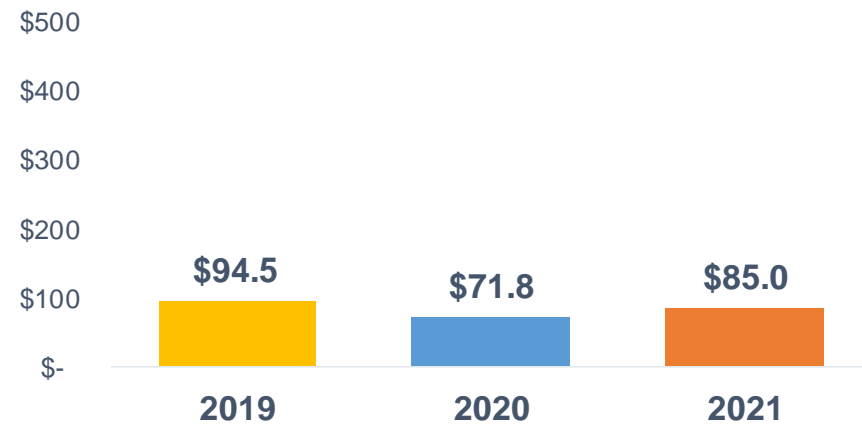


YoY % Change:

(8%)

21%

International FY Net Sales



(24%)

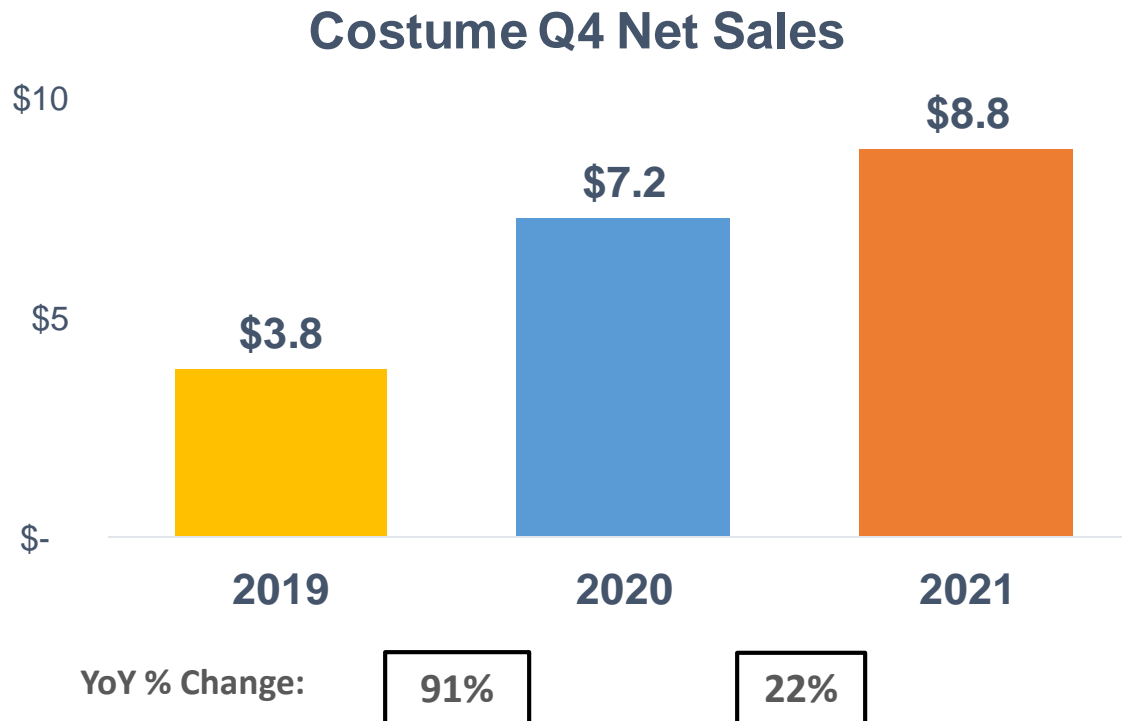
18%





2021 Fourth Quarter Costume Net Sales

\$ Millions

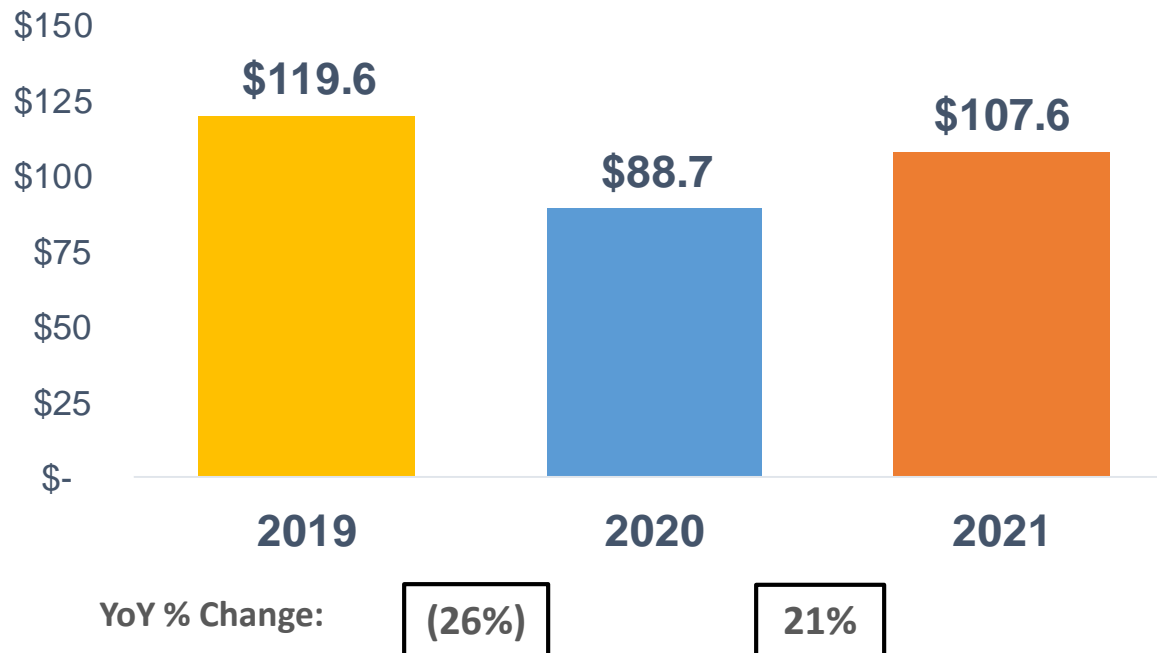




2021 FY Costume Net Sales

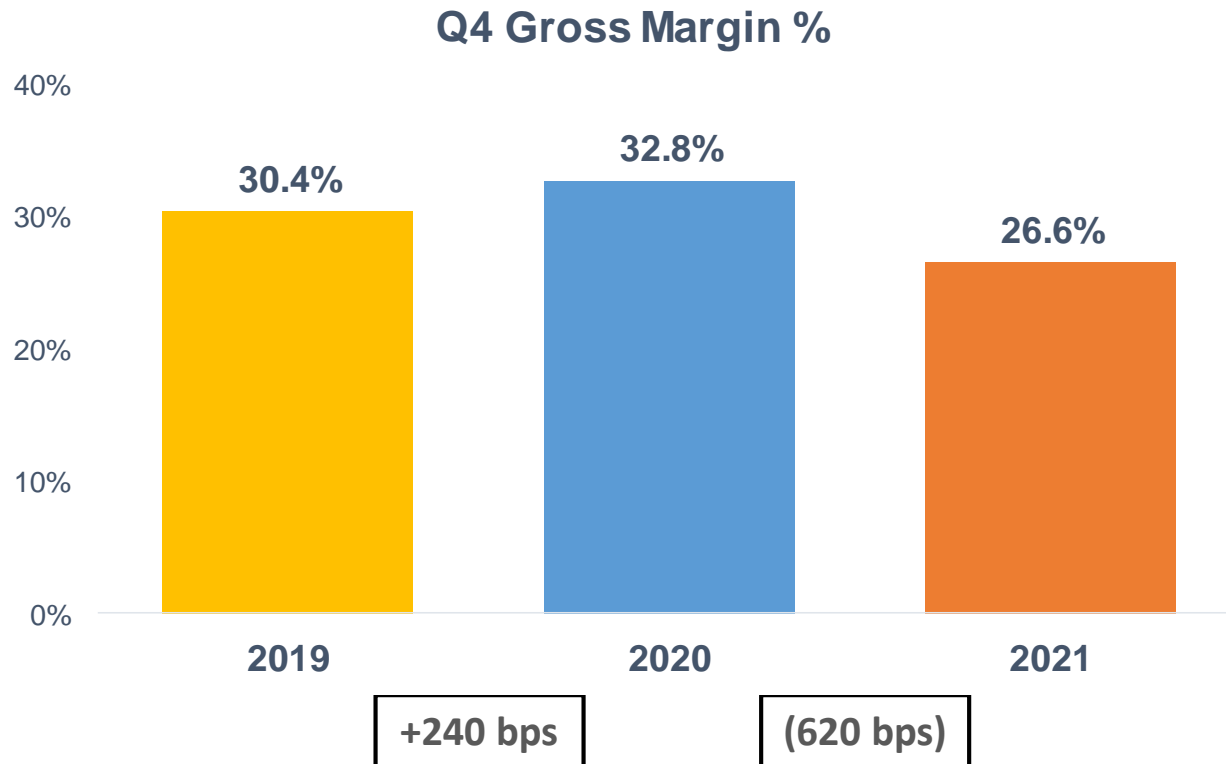
\$ Millions

Costume FY Net Sales



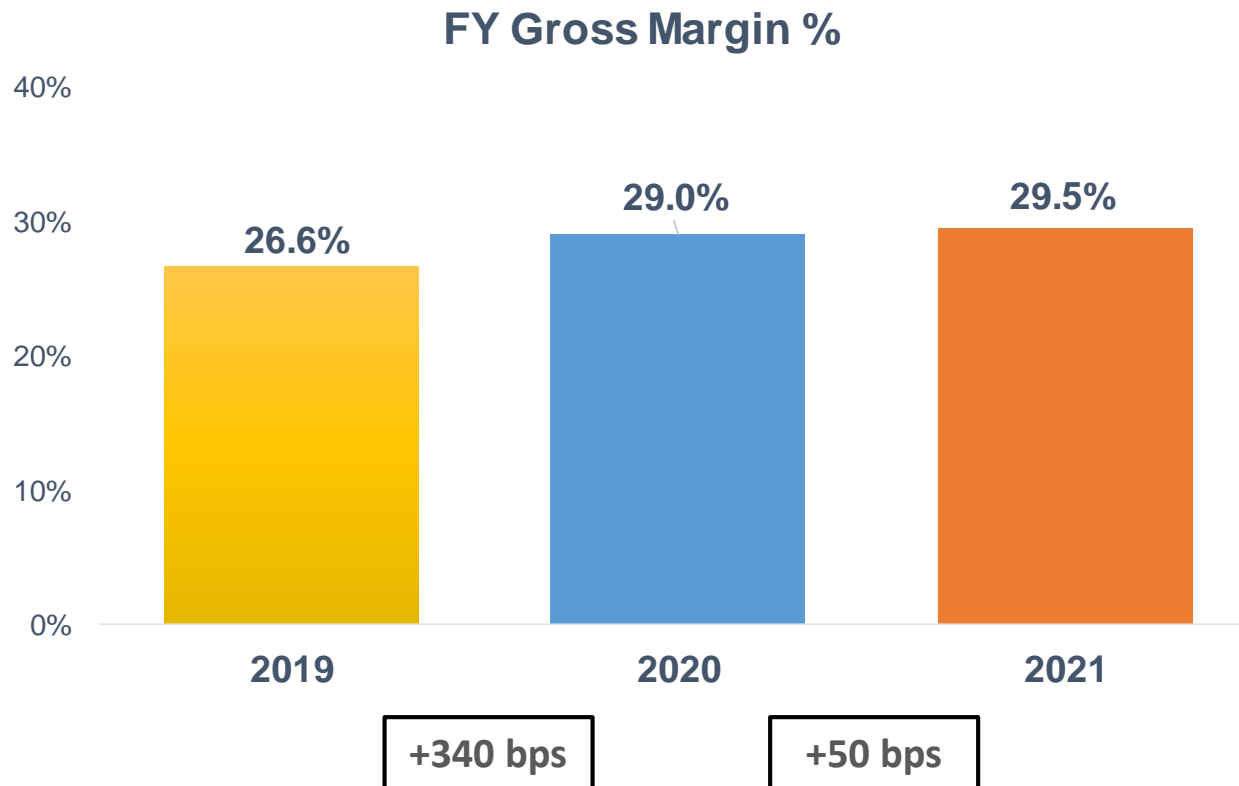


2021 Fourth Quarter Gross Margin %





2021 FY Gross Margin %

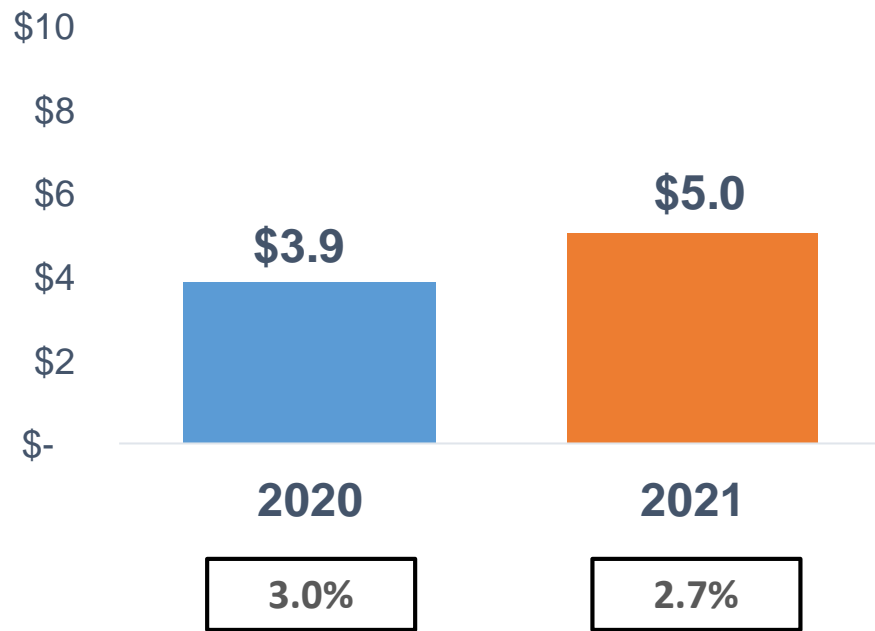




2021 Fourth Quarter Adj. EBITDA and Adj. Net Income

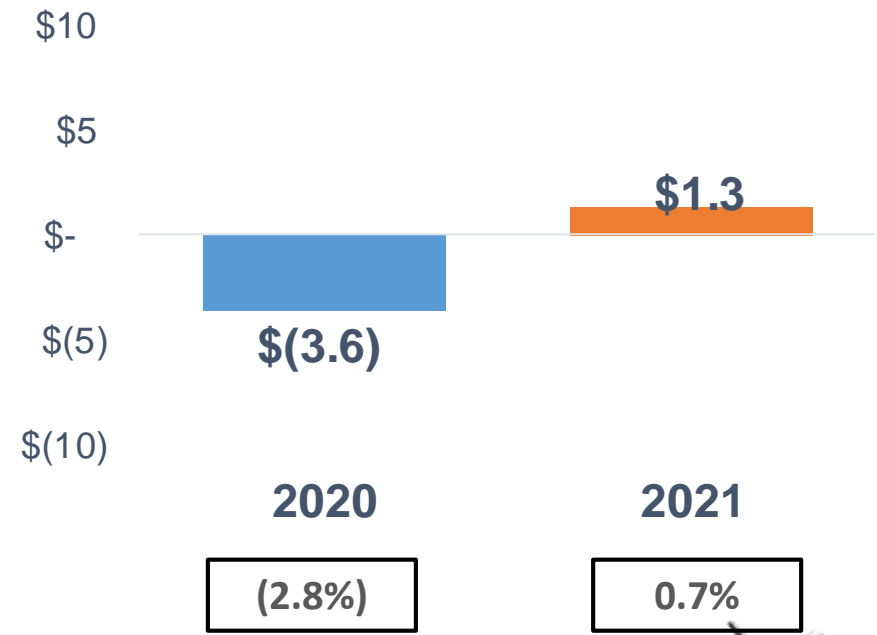
\$ Millions

Q4 Adj EBITDA



Adj. EBITDA Margin %

Q4 Adj Net Income



Adj. Net Income Margin %

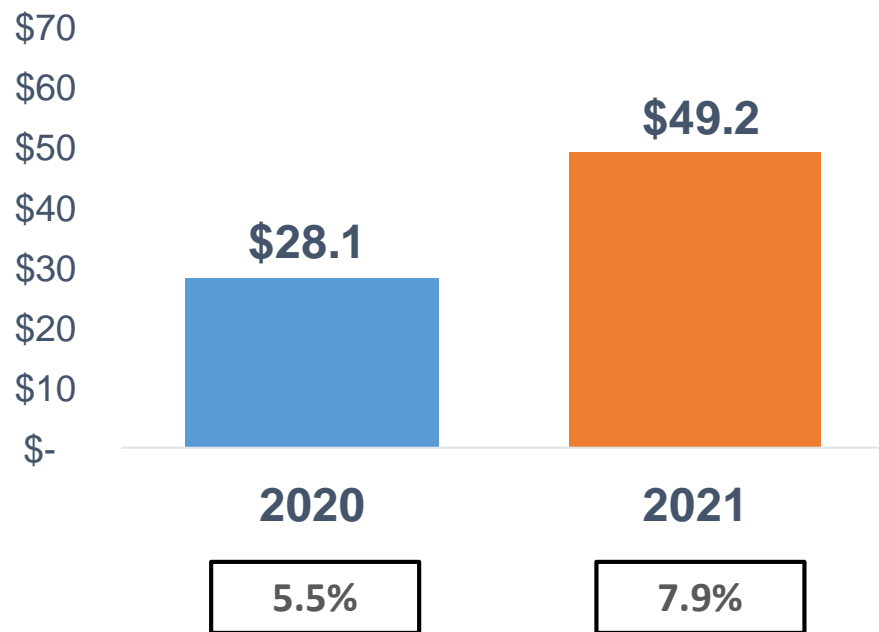




2021 FY Adj. EBITDA and Adj. Net Income

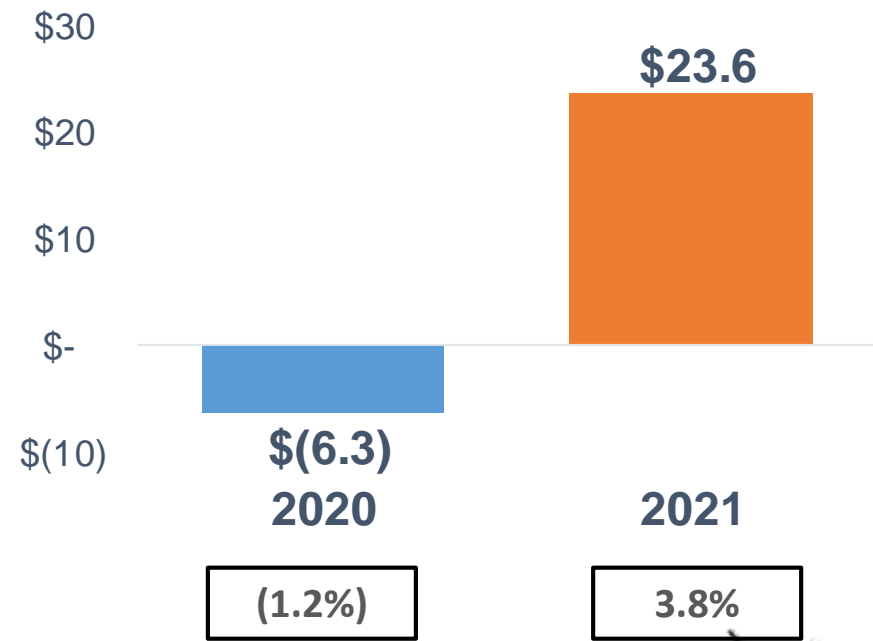
\$ Millions

FY Adj EBITDA



Adj. EBITDA Margin %

FY Adj Net Income



Adj. Net Income Margin %





CEO OUTLOOK

Disney

- Princess Style Collection
- Disney ILY 4EVER™



Action Play & Collectibles

- Nintendo® – Super Mario®
- Sonic the Hedgehog®



Outdoor/Seasonal

- WEEE-DO™ Trampoline line
- Redo Skateboard Co.®



Disguise Costumes

- Disney® EMEA
- Cocomelon®
- Squid Game™





CEO OUTLOOK

Conclusion

- Strong suite of “singles and doubles”
- Positive momentum from movie properties:
 - Disney Encanto™
 - Upcoming Sonic the Hedgehog® 2
 - Upcoming AirTitans™
- Continue to add additional licenses to our Costume business
- Managing supply chain costs
- Thanks to our incredible team!





THANK YOU





Supplemental Financial Information





JAKKS Pacific, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
Net sales	\$ 187,964	\$ 128,267	\$ 621,116	\$ 515,872
Less: Cost of sales				
Cost of goods	111,497	68,277	343,130	274,867
Royalty expense	25,641	16,619	87,187	83,150
Amortization of tools and molds	784	1,342	7,842	8,090
Cost of sales	137,922	86,238	438,159	366,107
Gross profit	50,042	42,029	182,957	149,765
Direct selling expenses	19,252	15,703	43,069	41,590
General and administrative expenses	27,262	24,597	98,712	90,424
Depreciation and amortization	602	602	2,409	2,846
Restructuring charge	-	-	-	1,631
Pandemic related charges	-	-	-	366
Income from operations	2,926	1,127	38,767	12,908
Other income (expense):				
Income from joint ventures	-	-	-	2
Other income (expense), net	190	135	446	301
Change in fair value of convertible senior notes	76	(5,022)	(16,419)	(2,265)
Change in fair value of preferred stock derivative liability	(4,207)	(2,191)	(13,220)	(2,815)
Gain on loan forgiveness	-	-	6,206	-
Loss on debt extinguishment	-	-	(7,351)	-
Interest income	3	2	13	22
Interest expense	(2,201)	(4,906)	(14,104)	(21,562)
Loss before provision for (benefit from) income taxes	(3,213)	(10,855)	(5,662)	(13,409)
Provision for (benefit from) income taxes	(60)	454	226	735
Net loss	(3,153)	(11,309)	(5,888)	(14,144)
Net income attributable to non-controlling interests	19	33	120	130
Net loss attributable to JAKKS Pacific, Inc.	\$ (3,172)	\$ (11,342)	\$ (6,008)	\$ (14,274)
Net loss attributable to common stockholders	\$ (3,513)	\$ (11,664)	\$ (7,342)	\$ (15,531)
Loss per share - basic and diluted	\$ (0.37)	\$ (2.55)	\$ (0.98)	\$ (4.27)
Shares used in loss per share - basic and diluted	9,511	4,575	7,498	3,634





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

	December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,521	\$ 87,953
Restricted cash	811	4,740
Accounts receivable, net	147,394	102,254
Inventory	83,954	38,642
Prepaid expenses and other assets	10,877	17,239
Total current assets	<u>287,557</u>	<u>250,828</u>
Property and equipment	121,945	114,045
Less accumulated depreciation and amortization	<u>108,796</u>	<u>100,534</u>
Property and equipment, net	13,149	13,511
Operating lease right-of-use assets, net	16,950	24,393
Goodwill	35,083	35,083
Intangibles and other assets, net	4,308	5,554
Total assets	<u>\$ 357,047</u>	<u>\$ 329,369</u>
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 113,202	\$ 79,799
Reserve for sales returns and allowances	46,285	42,108
Income taxes payable	1,004	484
Short term operating lease liabilities	10,477	9,925
Short term debt, net	2,104	5,950
Total current liabilities	<u>173,072</u>	<u>138,266</u>
Long term operating lease liabilities	8,039	16,883
Debt, non-current portion, net	93,415	150,410
Preferred stock derivative liability	21,282	8,062
Income taxes payable	215	947
Deferred tax liability, net	51	123
Total liabilities	<u>296,074</u>	<u>314,691</u>
Preferred stock accrued dividends	3,074	1,740
Stockholders' equity:		
Common stock, \$.001 par value	10	6
Additional paid-in capital	272,941	221,590
Accumulated deficit	(203,431)	(197,423)
Accumulated other comprehensive loss	(12,952)	(12,446)
Total JAKKS Pacific, Inc. stockholders' equity	<u>56,568</u>	<u>11,727</u>
Non-controlling interests	1,331	1,211
Total stockholders' equity	<u>57,899</u>	<u>12,938</u>
Total liabilities, preferred stock and stockholders' equity	<u>\$ 357,047</u>	<u>\$ 329,369</u>





JAKKS Pacific, Inc. and Subsidiaries
Reconciliation of Non-GAAP Financial Information (Unaudited)
(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2021	2020	2021	2020
<u>EBITDA and Adjusted EBITDA</u>				
Net loss	\$ (3,153)	\$ (11,309)	\$ (5,888)	\$ (14,144)
Interest expense	2,201	4,906	14,104	21,562
Interest income	(3)	(2)	(13)	(22)
Provision for (benefit from) income taxes	(60)	454	226	735
Depreciation and amortization	1,386	1,944	10,251	10,936
EBITDA	371	(4,007)	18,680	19,067
Adjustments:				
Income from joint ventures	-	-	-	(2)
Other (income) expense, net	(190)	(135)	(446)	(301)
Restricted stock compensation expense	713	797	2,093	2,303
Change in fair value of convertible senior notes	(76)	5,022	16,419	2,265
Change in fair value of preferred stock derivative liability	4,207	2,191	13,220	2,815
Employee retention credit	-	-	(1,900)	-
Gain on loan forgiveness	-	-	(6,206)	-
Loss on debt extinguishment	-	-	7,351	-
Restructuring charge	-	-	-	1,631
Pandemic related charges	-	-	-	366
Adjusted EBITDA	\$ 5,025	\$ 3,868	\$ 49,211	\$ 28,144
<u>Adjusted net income (loss) attributable to common stockholders</u>				
Net loss attributable to common stockholders	\$ (3,513)	\$ (11,664)	\$ (7,342)	\$ (15,531)
Restricted stock compensation expense	713	797	2,093	2,303
Change in fair value of convertible senior notes	(76)	5,022	16,419	2,265
Change in fair value of preferred stock derivative liability	4,207	2,191	13,220	2,815
Employee retention credit	-	-	(1,900)	-
Gain on loan forgiveness	-	-	(6,206)	-
Loss on debt extinguishment	-	-	7,351	-
Restructuring charge	-	-	-	1,631
Pandemic related charges	-	-	-	366
Tax impact of additional charges	-	13	-	(116)
Adjusted net income (loss) attributable to common stockholders	\$ 1,331	\$ (3,641)	\$ 23,635	\$ (6,267)
Adjusted earnings (loss) per share - basic	\$ 0.14	\$ (0.80)	\$ 3.15	\$ (1.72)
Shares used in adjusted earnings (loss) per share - basic	9,511	4,575	7,498	3,634
Adjusted earnings (loss) per share - diluted	\$ 0.14	\$ (0.80)	\$ 2.59	\$ (1.72)
Shares used in adjusted earnings (loss) per share - diluted	9,762	4,575	9,365	3,634

