



First Quarter 2017  
Earnings Conference Call Presentation  
April 25, 2017





## EXECUTIVE TEAM ON THE CALL

STEPHEN BERMAN

Chairman & Chief Executive Officer

JOEL BENNETT

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 2017 estimates of sales and/or EBITDA growth, as well as any other forward-looking statements concerning 2017 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.





## Q1 2017 RESULTS IN LINE WITH EXPECTATIONS

*(in US\$ millions except per share data)*

	Q1			
	2017	2016	\$ Δ	% Δ
Net Sales	\$ 94.5	\$ 95.8	\$ (1.3)	(1%)
Gross Profit %	31.8%	32.5%	(70) bps	
Net Loss Attributable to JAKKS	\$ (18.3)	\$ (17.4)	\$ (0.9)	(5%)
Diluted EPS	\$ (1.01)	\$ (1.01)	-	-
Adjusted EBITDA	\$ (10.6)	\$ (9.2)	\$ (1.4)	(15%)





## STRATEGIC GOALS SCORECARD

---

- Build on solid base of evergreen properties
  - Nintendo: Collectible character figures
  - Seasonal: Paw Patrol, PJ Masks ride-ons strong licenses, Outdoor products doing well
- Augment base with promotional opportunities
  - Licensed: Moana, Beauty and the Beast, Smurfs, Power Rangers
  - Original IP: Gift 'ems, Cuppatinis
- Build up our IP, including animated content through Studio JP a JV with Meisheng
  - Real Workin' Buddies Dusty, Chocolate Egg Surprise Maker
- Develop exclusive private label lines for customers
  - Honestly Cute solid contributor
- Enter new categories organically and through acquisitions
  - C'est Moi on track to ship late 2017 for an early 2018 consumer launch
- Broaden geographic reach with new offices and new licenses
  - Continue to make progress with new offices in France and Germany
- Grow business with online retailers
  - Sales to online retailers up 43%





## CONVERTIBLE NOTES & COMMON STOCK

- In Q1 exchanged and retired total of \$39.1 million principal amount of 2018 Notes for approximately 2.9 millions shares of common stock and \$24.1 million in cash
- Expect to soon complete sale of approximately 3.7 million shares of common stock to Chinese distribution and animation joint venture partner for \$19.3 million in cash





## Q1 2017 RESULTS

(in US\$ millions except per share data)

	Q1			
	2017	2016	\$ Δ	% Δ
Net Sales	\$ 94.5	\$ 95.8	\$ (1.3)	(1%)
Gross Profit %	31.8%	32.5%	(70) bps	
Net Loss Attributable to JAKKS	\$ (18.3)	\$ (17.4)	\$ (0.9)	(5%)
Diluted EPS	\$ (1.01)	\$ (1.01)	-	-
Adjusted EBITDA	\$ (10.6)	\$ (9.2)	\$ (1.4)	(15%)





## PRODUCT CATEGORIES – NET SALES

(in US\$ millions)

	<u>Q1 2017</u>	<u>Q1 2016</u>	<u>\$ Δ</u>	<u>% Δ</u>
Girls	\$46.4	\$ 43.0	\$3.4	8%
Boys & Other	15.9	17.5	(1.6)	(9%)
Seasonal	27.5	30.5	(3.0)	(10%)
Halloween	3.7	3.4	0.3	9%
Preschool	1.0	1.4	(0.4)	(29%)
<b>Total</b>	<b>\$94.5</b>	<b>\$95.8</b>	<b>\$ (1.3)</b>	<b>(1%)</b>

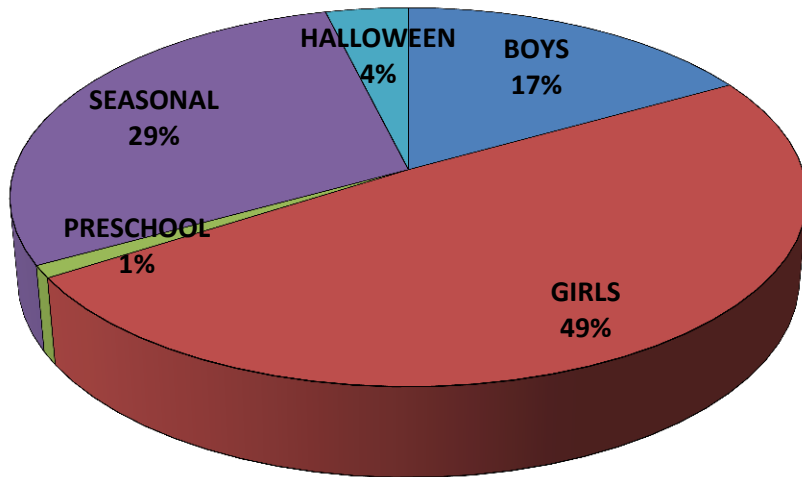




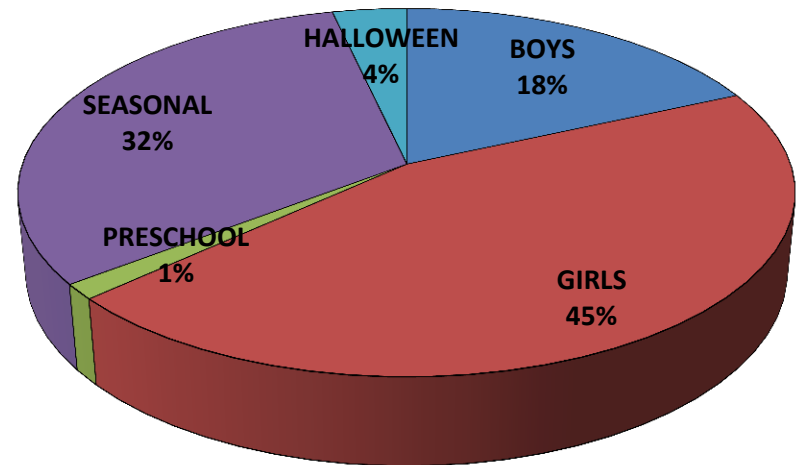


## PRODUCT CATEGORIES

**Q1 2017 Actual Net Sales as %  
Total**



**Q1 2016 Actual Net Sales as %  
Total**





## PRODUCT CATEGORIES

Gross Profit vs Company Average, 2017 vs. 2016

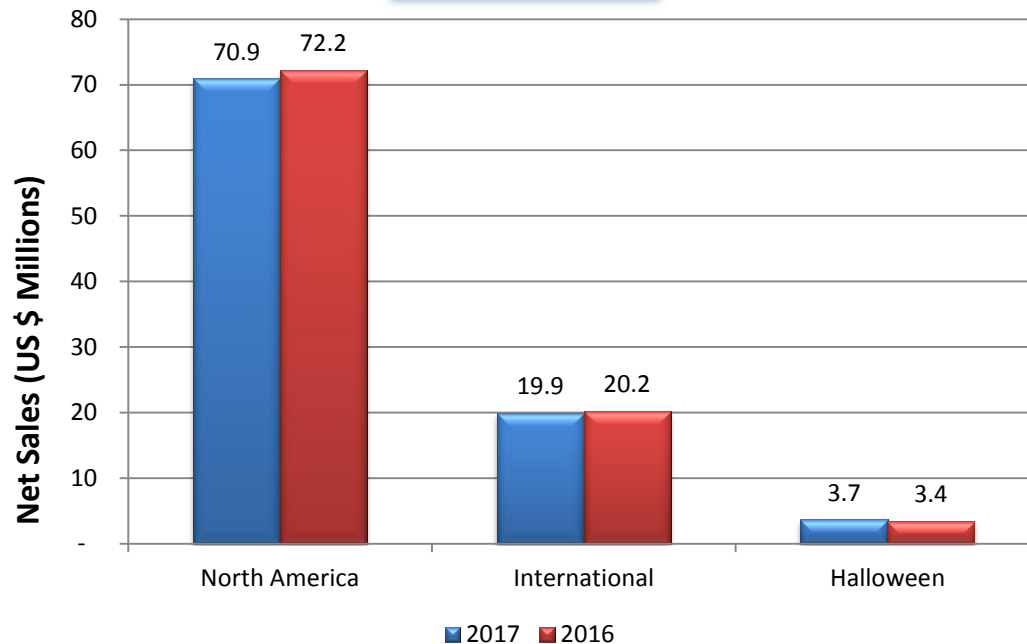
	Q1 2017	Q1 2016
Girls	Above	Below
Boys & Other	Above	Above
Seasonal	Below	Above
Halloween	Below	Above
Preschool	Below	Below
<b>Total</b>	<b>31.8%</b>	<b>32.5%</b>





## SEGMENT RESULTS

Q1 Net Sales





# Q1 2017 RESULTS

(in US\$ millions except per share data)

			Q1		% Δ
	2017	% of Sales	2016	% of Sales	
Net Sales	\$ 94.5	100.0%	\$ 95.8	100.0%	(1%)
COGS	<u>64.5</u>	<u>68.2%</u>	<u>64.6</u>	<u>67.5%</u>	0%
Gross Profit	30.0	31.8%	31.2	32.5%	(4%)
SG&A	<u>45.7</u>	<u>48.4%</u>	<u>45.0</u>	<u>46.9%</u>	(2%)
Operating Loss	(15.7)	-16.6%	(13.8)	-14.4%	(14%)
Interest Expense, net	(2.9)	-3.1%	(3.2)	-3.4%	9%
Provision (Benefit) for Income taxes	<u>(0.3)</u>	-0.3%	<u>0.4</u>	<u>0.4%</u>	n/m
Net Loss Attributable to JAKKS	\$ (18.3)	-19.4%	\$ (17.4)	-18.2%	(5%)
Diluted EPS	\$ (1.01)		\$ (1.01)		-
<i>Adjusted EBITDA</i>	\$ (10.6)	-11.2%	\$ (9.2)	-9.6%	(15%)





# ADJUSTED EBITDA RECONCILIATION

(in US\$ millions)

	Q1	
	2017	2016
<b>Net Loss Attributable to JAKKS</b>	<b>\$ (18.3)</b>	<b>\$ (17.4)</b>
Interest expense	2.9	3.2
Provision (benefit) for income taxes	(0.3)	0.4
<b>Loss from Operations</b>	<b>\$ (15.7)</b>	<b>\$ (13.8)</b>
Depreciation and amortization	4.4	4.0
Restricted stock compensation expense	0.7	0.6
<b>Adjusted EBITDA</b>	<b>\$ (10.6)</b>	<b>\$ (9.2)</b>





## Q1 2017 RESULTS

*(in US\$ millions)*

	Q1			
	2017	2016	\$ Δ	% Δ
Cash Flow provided by Operations	\$ 9.9	\$ 33.4	\$ (23.5)	(70%)
Free Cash Flow	\$ 5.6	\$ 29.6	\$ (24.0)	(81%)





## BALANCE SHEET HIGHLIGHTS

### Q1 2017 Results

(in US\$ millions)

	as of March 31		
	2017	2016	\$ Δ
Cash & Cash Equivalents and Restricted Cash	\$ 68.0	\$ 118.9	\$ (50.9)
Accounts Receivable, net	\$ 98.5	\$ 85.5	\$ 13.0
Inventory, net	\$ 67.5	\$ 53.5	\$ 14.0
Accounts Payable and Accrued Liabilities	\$ 59.3	\$ 66.1	\$ (6.8)
Working Capital	\$ 196.5	\$ 226.9	\$ (30.4)





## CONVERT SUMMARY ACTIVITY

2018 Convertible Senior Notes Transactions

*(\$ in millions, except share amounts)*

	Principal Amount Outstanding	Net Decrease in Diluted Shares
Balance, 12/31/16	\$ 93.865	
January/February 2017 Exchanges	(39.138)	(1,611,111)
Current balance, 3/31/17	<u>\$ 54.727</u>	<u>(1,611,111)</u>







## SUMMARY OF 2017 OUTLOOK

vs. 2016

Sales

Lower

Adjusted EBITDA

Higher

Interest Expense

Lower

EPS

Higher

Basic Shares

Lower (~ 18 million)

Diluted Shares

Lower (~ 38 million)





## 2017 LICENSES – CORE DRIVERS





## 2017 PROMOTIONAL DRIVERS

### OWNED IP



### LICENSES





## GEOGRAPHIC EXPANSION

Grow Sales - Grow Profit Margins - Access to Attractive Licenses

- In 2017 direct sales offices operating in the U.K., France, Germany and Mexico
- Joint Venture in China supports expansion efforts
- Extended and expanded Disney licenses for China market





## ONLINE RETAIL SALES

- Continue to strengthen efforts to increase sales to online retailers
- JAKKS Distribution Centers
  - Able to move goods promptly and efficiently
  - Warehouse employees in the U.S. and abroad, including in-house custom clearing
  - Utilize innovative technologies for fast deliveries to customers and consumers





## SUMMARY

---

- Build solid base of evergreen products
- Augment with promotional opportunities
- Build own IP, digital, and animated content through Studio JP JV with Meisheng
- Develop exclusive private label lines for customers
- Enter new categories organically and through acquisitions
- Broaden geographic reach
- Grow business with online retailers



