



Fourth Quarter and Full Year 2022
Earnings Conference Call Presentation
March 9, 2023, 5:00 PM Eastern Time

Webcast link [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 2023, as well as any other forward-looking statements concerning 2023 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





CEO OVERVIEW

Tremendous quarter, and a tremendous year

- Q4 Net Sales were \$132 million, 30% decrease versus prior year
- Q4 gross margins were negatively impacted by lower capitalization of warehouse costs, higher tooling amortization, obsolete inventory and royalty expense
 - Full Year Gross Margins at 26.5% negatively impacted by higher freight and inbound expenses, lower capitalization of warehouse costs, obsolete inventory and royalty expense
- Retail Toy/CP POS at top customers was up 20% in Q4 and up 23% for the year
- Full Year Net Sales were \$796 million, up 28% from 2021
- Full Year Operating Income was \$61.0 million, up 57%
- Full Year Adjusted EBITDA of \$76.4 million, up 55% compared to last year





CEO OVERVIEW *(continued)*

Strong Calendar Year Sales Across Core Business Categories

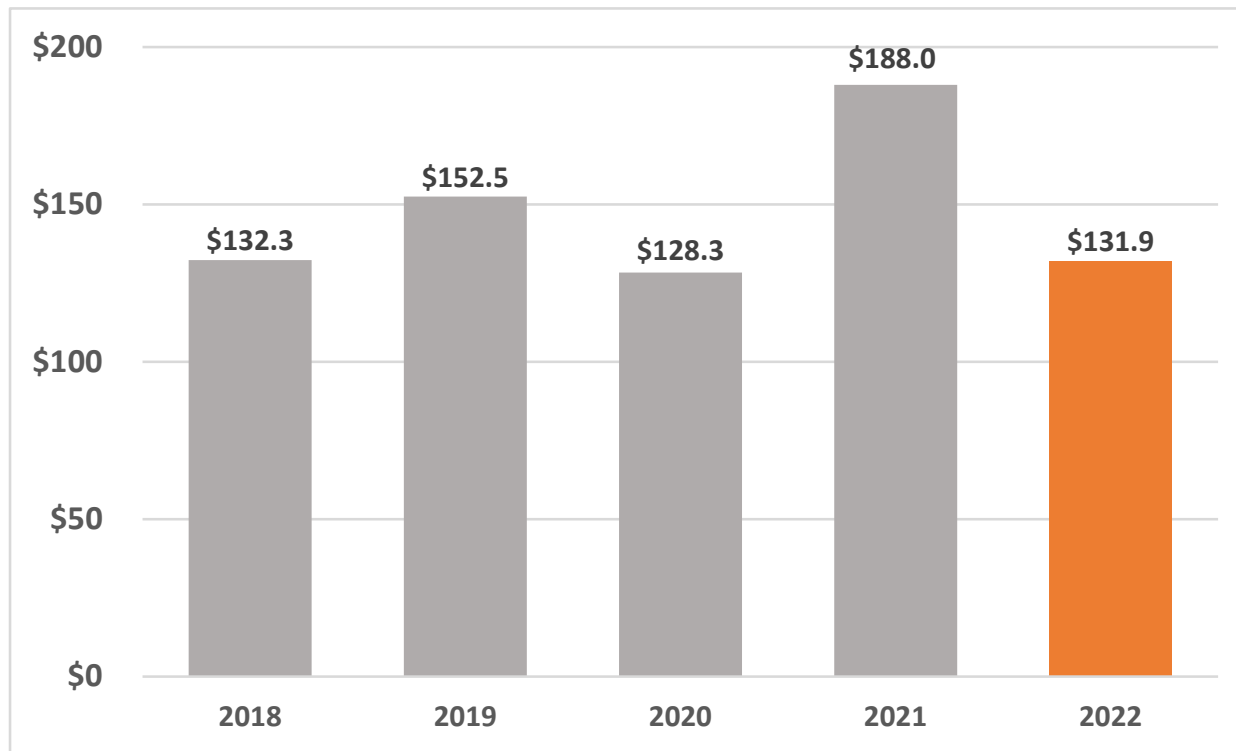
- Full-year sales up 28%; Toy/Consumer Product sales up 26%
 - Disney Encanto™ led growth
 - Excitement around Sonic® movie continued all year
 - Continued strong growth in Disney® Princess & Style Collection
 - Nintendo® continues to perform well ahead of 2023 film
- Full-year Costume sales up 38%
 - Increased International distribution led increase





2022 Q4 Net Sales

\$ Millions



YoY % Change:

15%

(16%)

47%

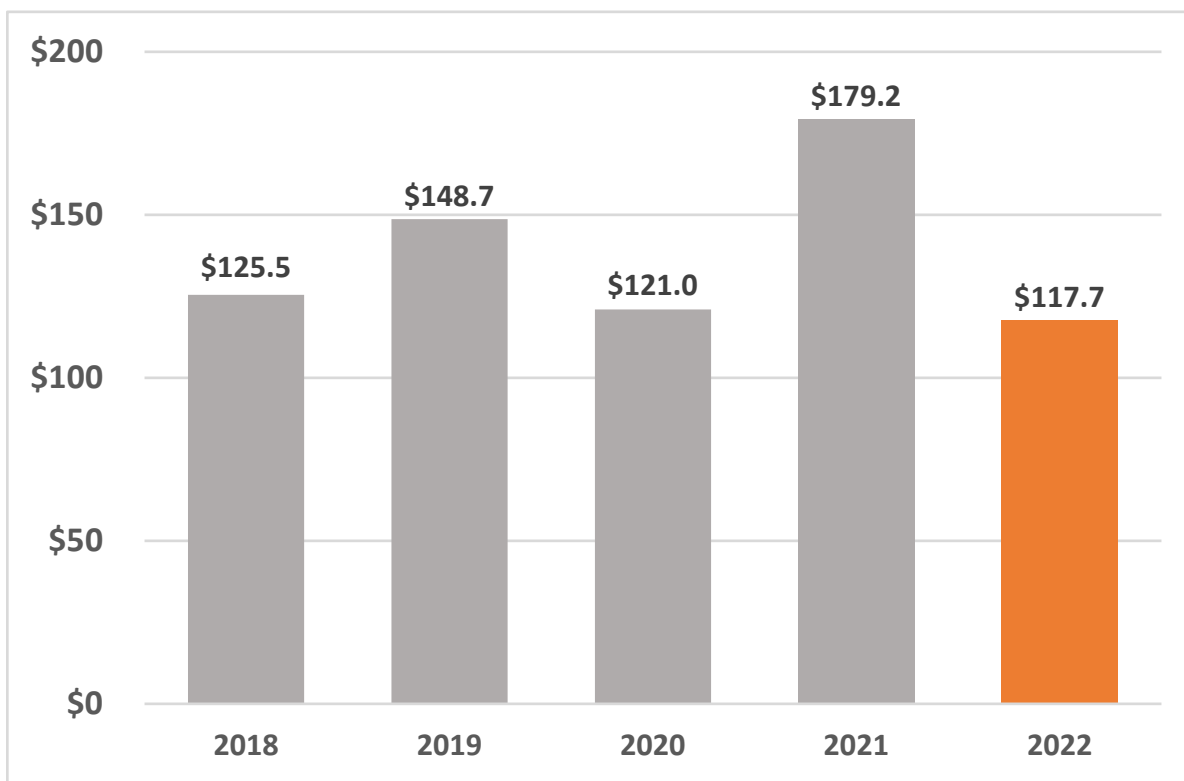
(30%)





2022 Fourth Quarter Toy/Consumer Product Net Sales

\$ Millions



YoY % Change:

18%

(19%)

48%

(34%)

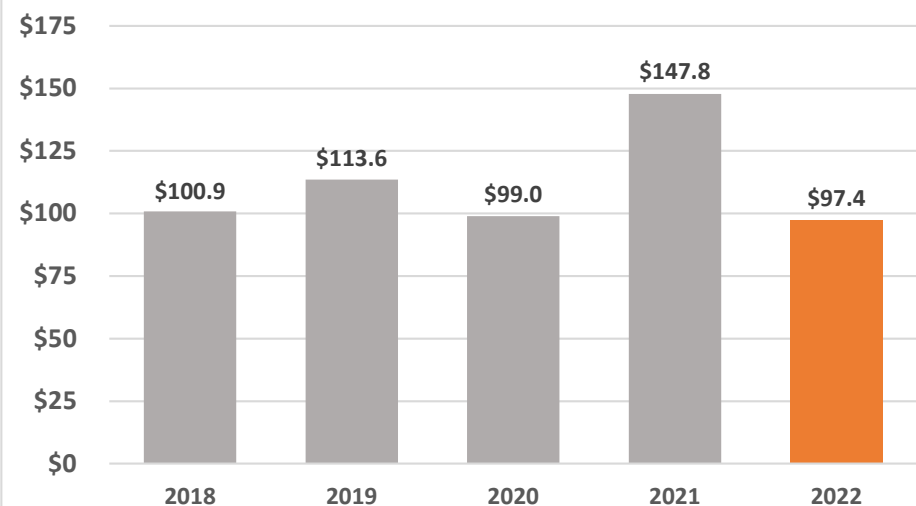




2022 Fourth Quarter Toy/Consumer Product Net Sales

\$ Millions

NA TOY/CP



13%

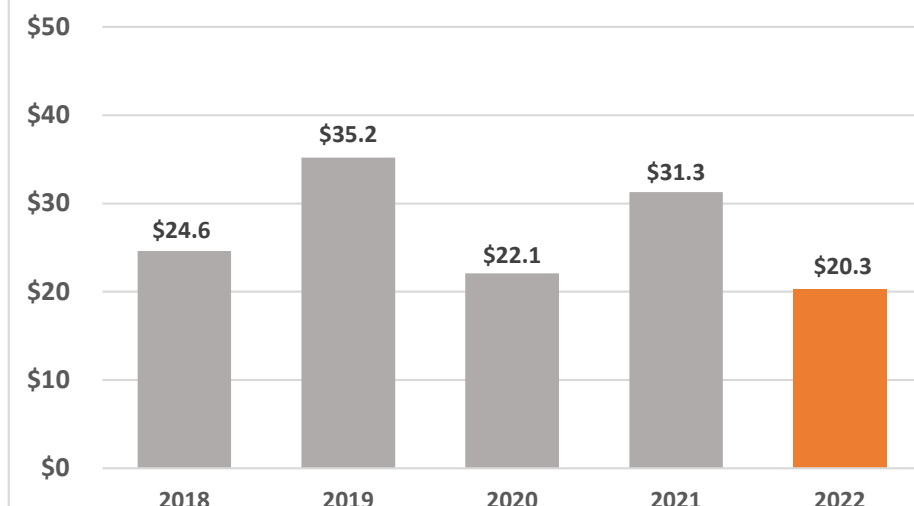
(13%)

49%

(34%)

YoY % Change

INTL TOY/CP



43%

(37%)

42%

(35%)

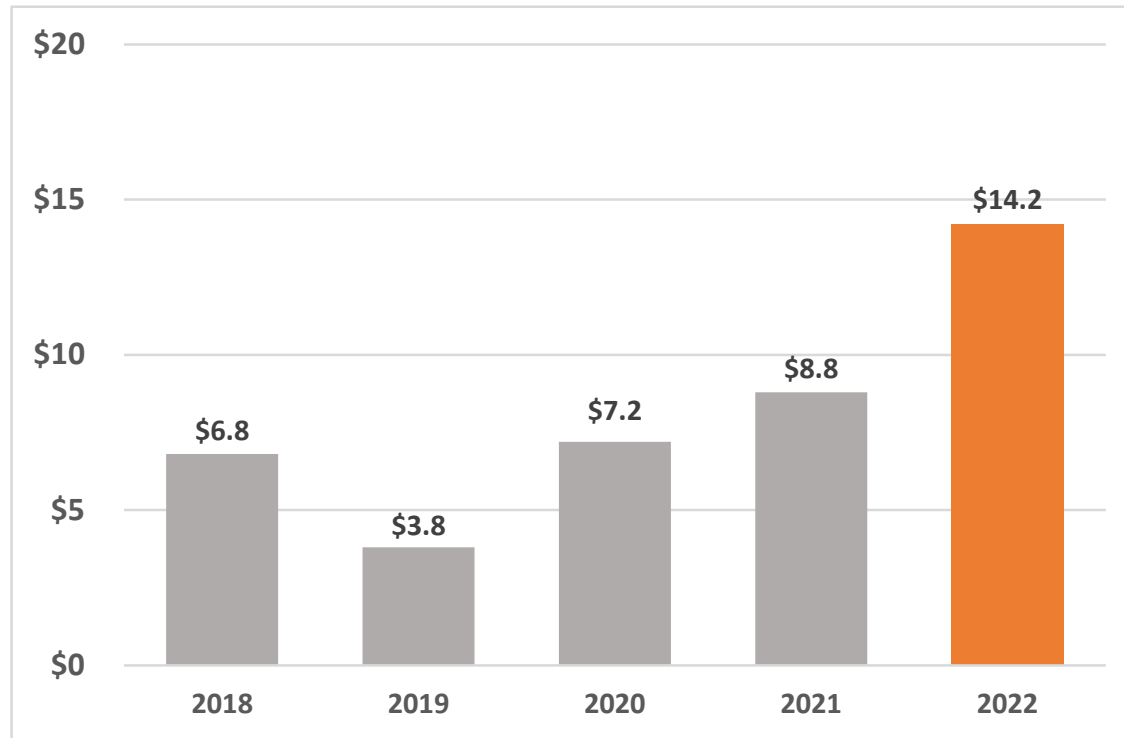
YoY % Change





2022 Fourth Quarter Costume Net Sales

\$ Millions



YoY % Change:

(44%)

89%

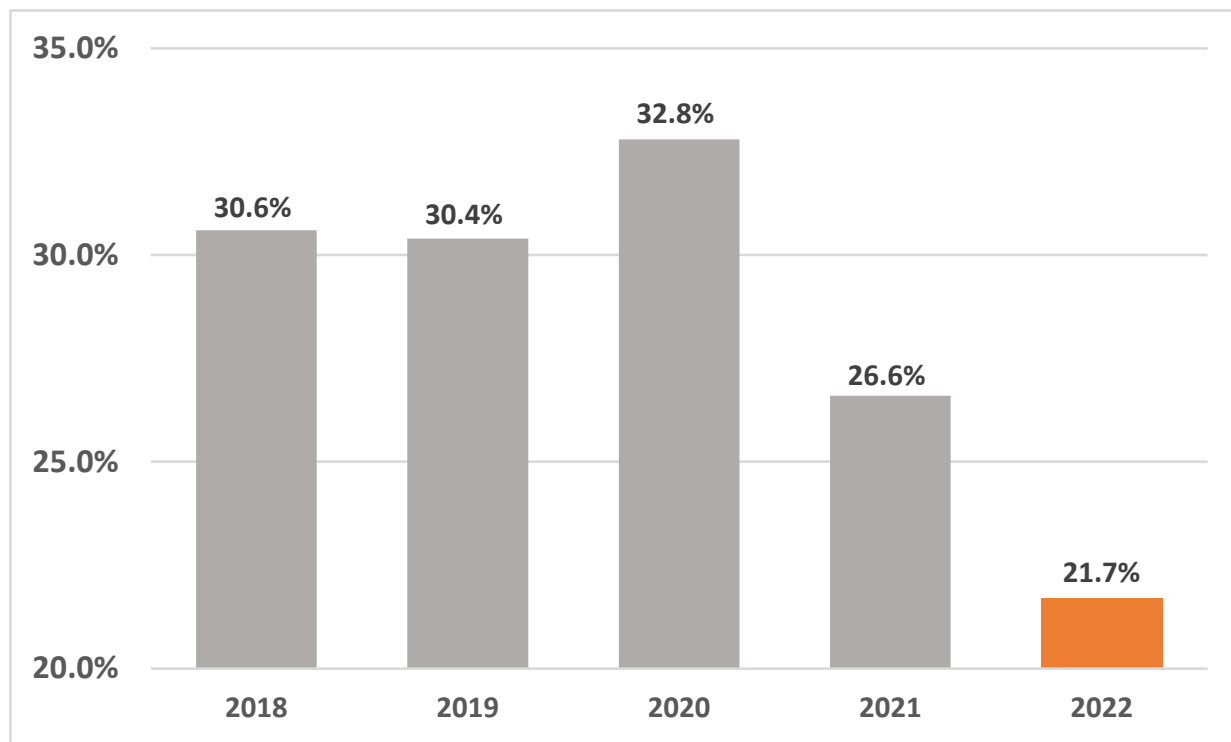
22%

61%





2022 Fourth Quarter Gross Margin %



YoY % Change:

(20) bps

240 bps

(620) bps

(490) bps

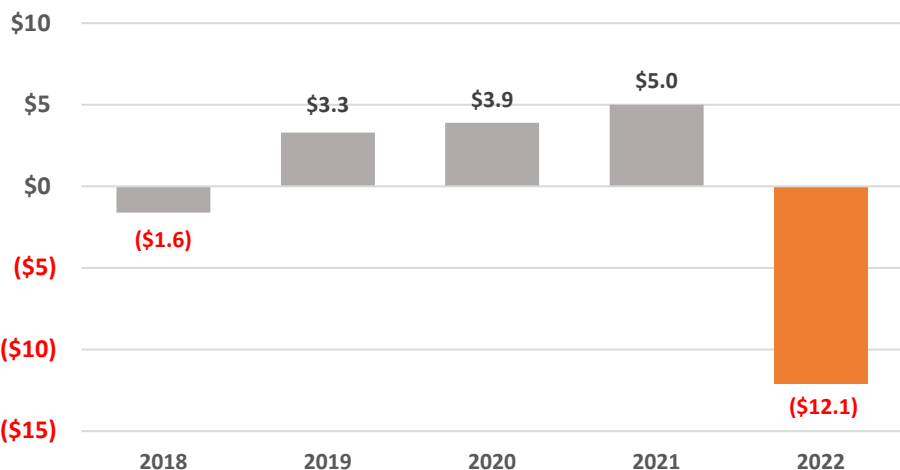




2022 Fourth Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

Q4 ADJ EBITDA



(1.2%)

2.2%

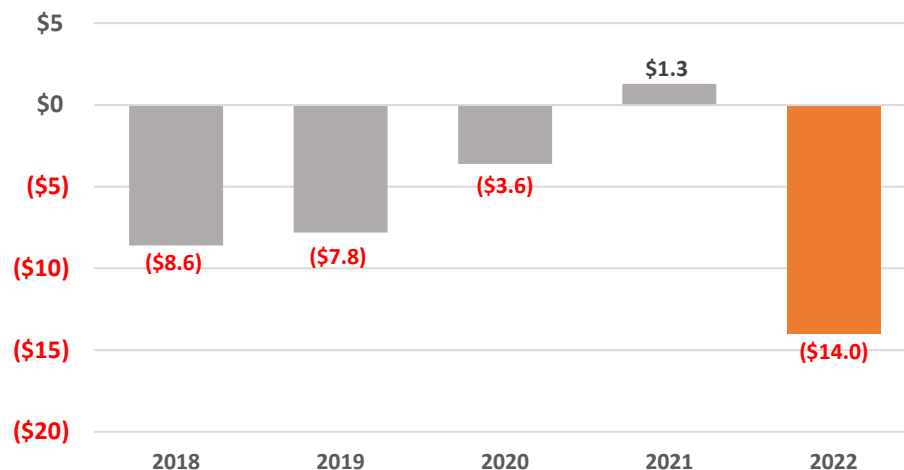
3.0%

2.7%

(9.2%)

Adj. EBITDA Margin %

Q4 ADJ NET INCOME



(6.5%)

(5.1%)

(2.8%)

0.7%

(10.6%)

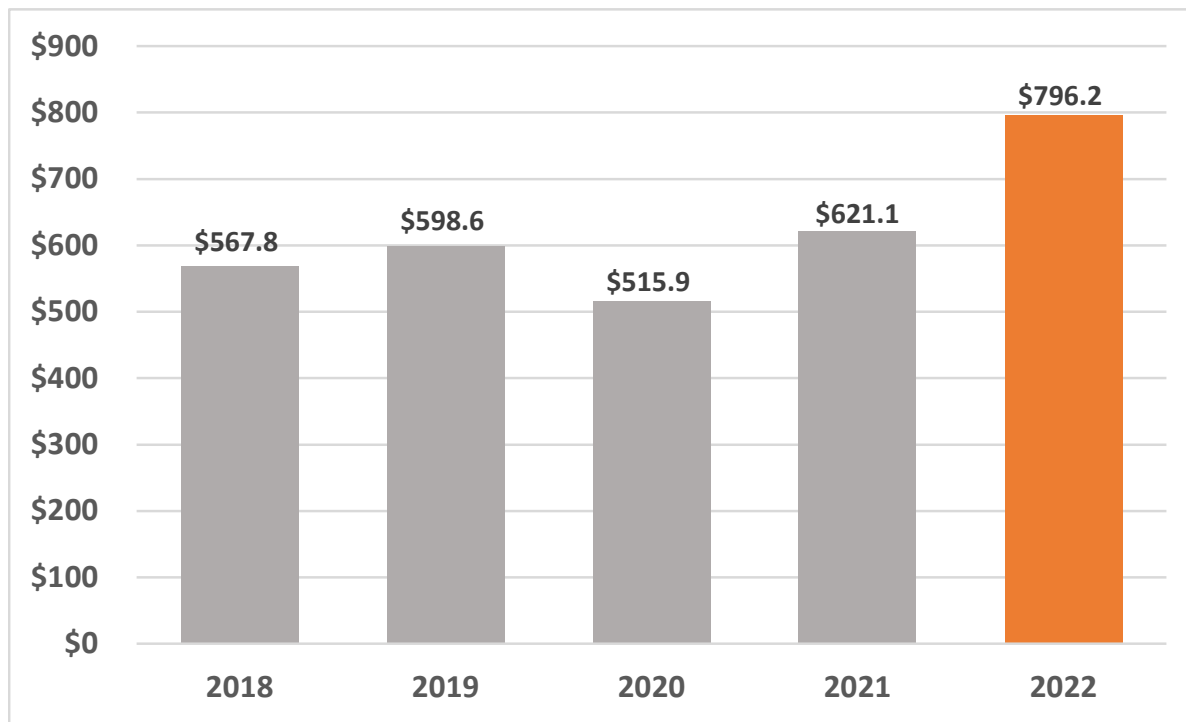
Adj. Net Income Margin %





2022 Full-Year Net Sales

\$ Millions



YoY % Change:

5%

(14%)

20%

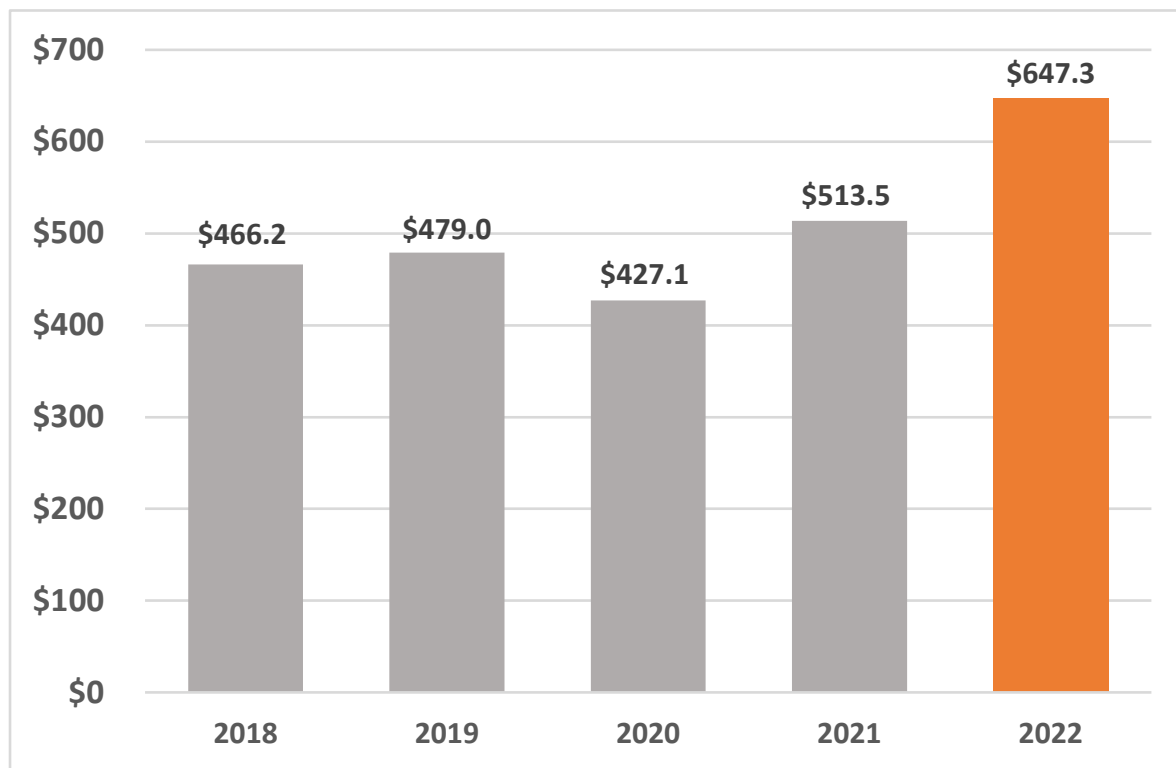
28%





2022 Full-Year Toy/Consumer Products Net Sales

\$ Millions



YoY % Change:

3%

(11%)

20%

26%

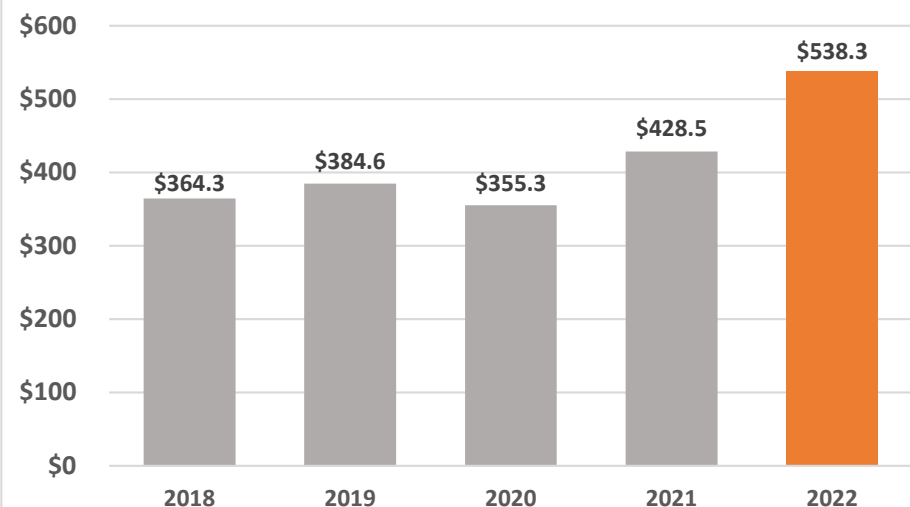




2022 Full-Year Toy/Consumer Products Net Sales

\$ Millions

NA TOY/CP



6%

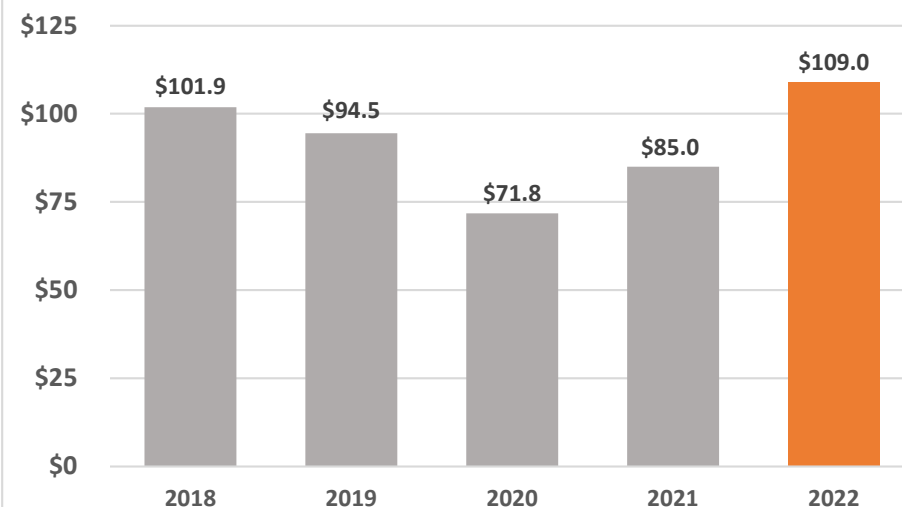
(8%)

21%

26%

YoY % Change

INTL TOY/CP



(7%)

(24%)

18%

28%

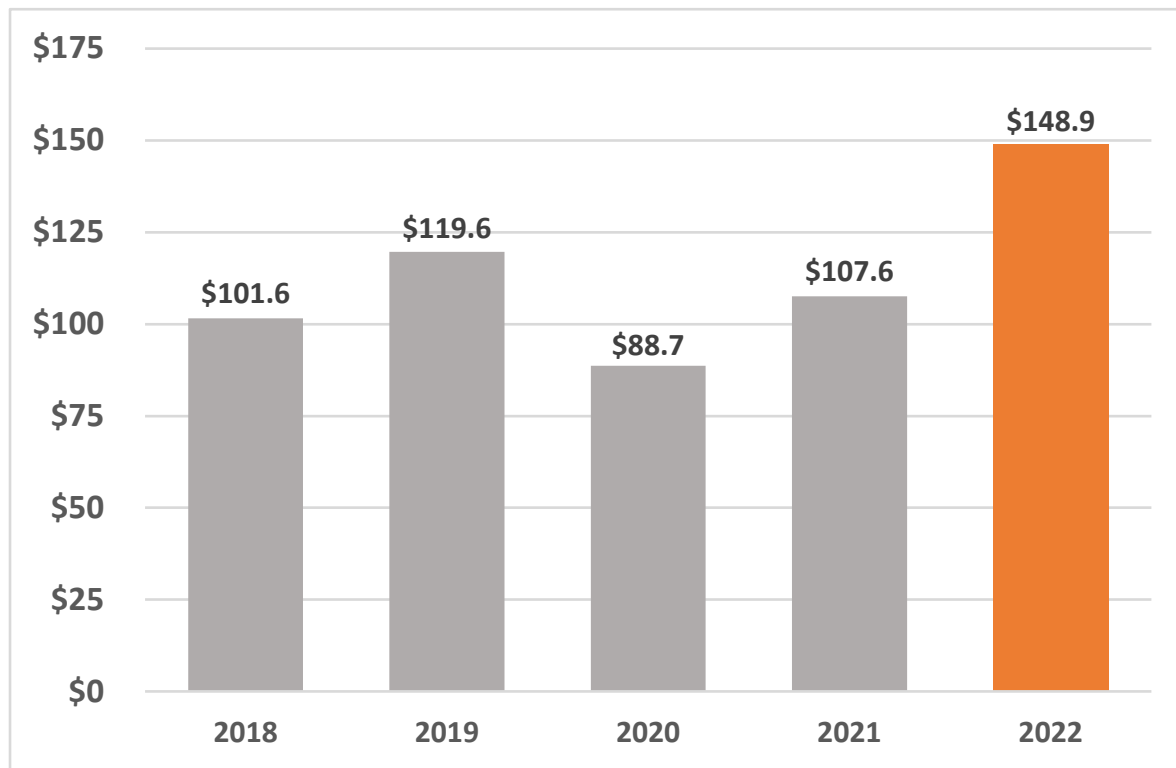
YoY % Change





2022 Full-Year Costume Net Sales

\$ Millions



YoY % Change:

18%

(26%)

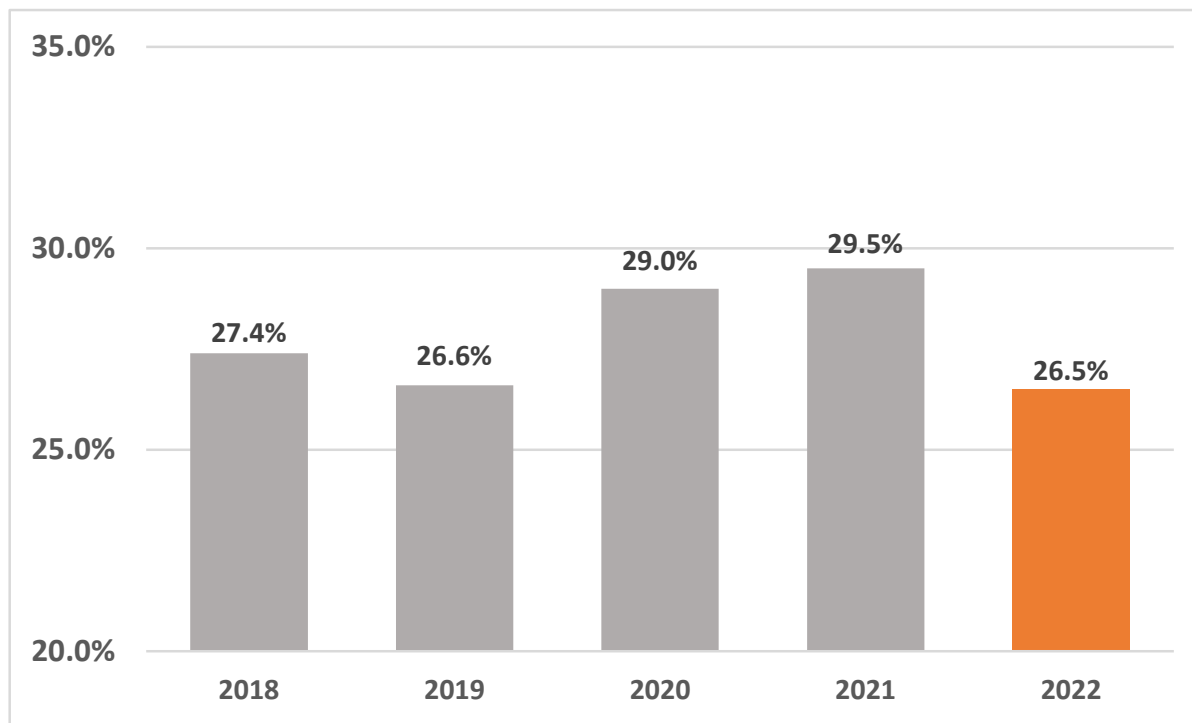
21%

38%





2022 Full-Year Gross Margin %



YoY % Change:

(80) bps

240 bps

50 bps

(300) bps

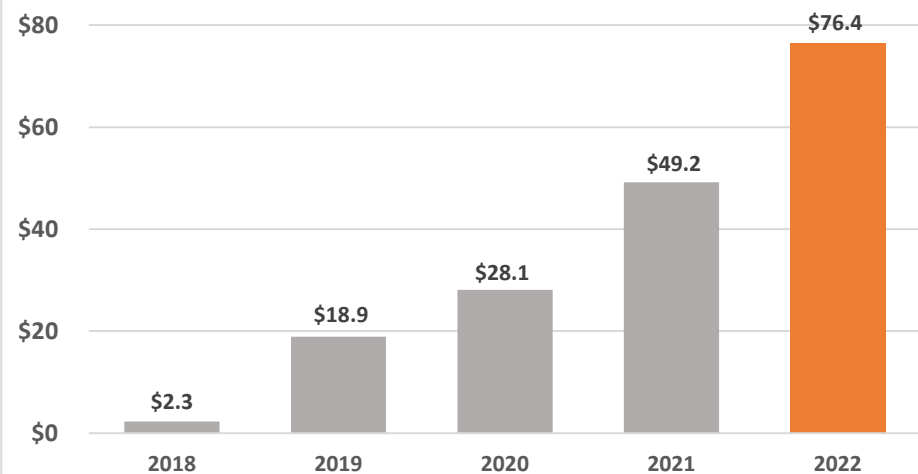




2022 Full-Year Adj. EBITDA and Adj. Net Income

\$ Millions

FY ADJ EBITDA



0.4%

3.2%

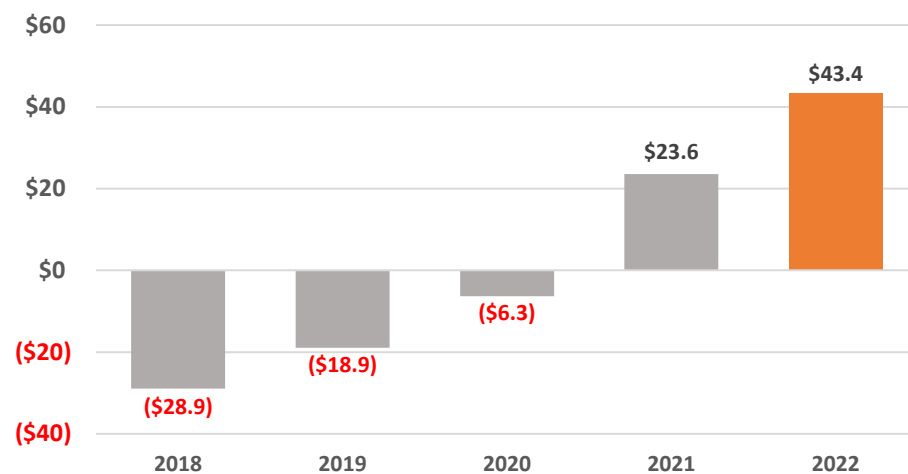
5.4%

7.9%

9.6%

Adj. EBITDA Margin %

FY ADJ NET INCOME



(5.1%)

(3.2%)

(1.2%)

3.8%

5.5%

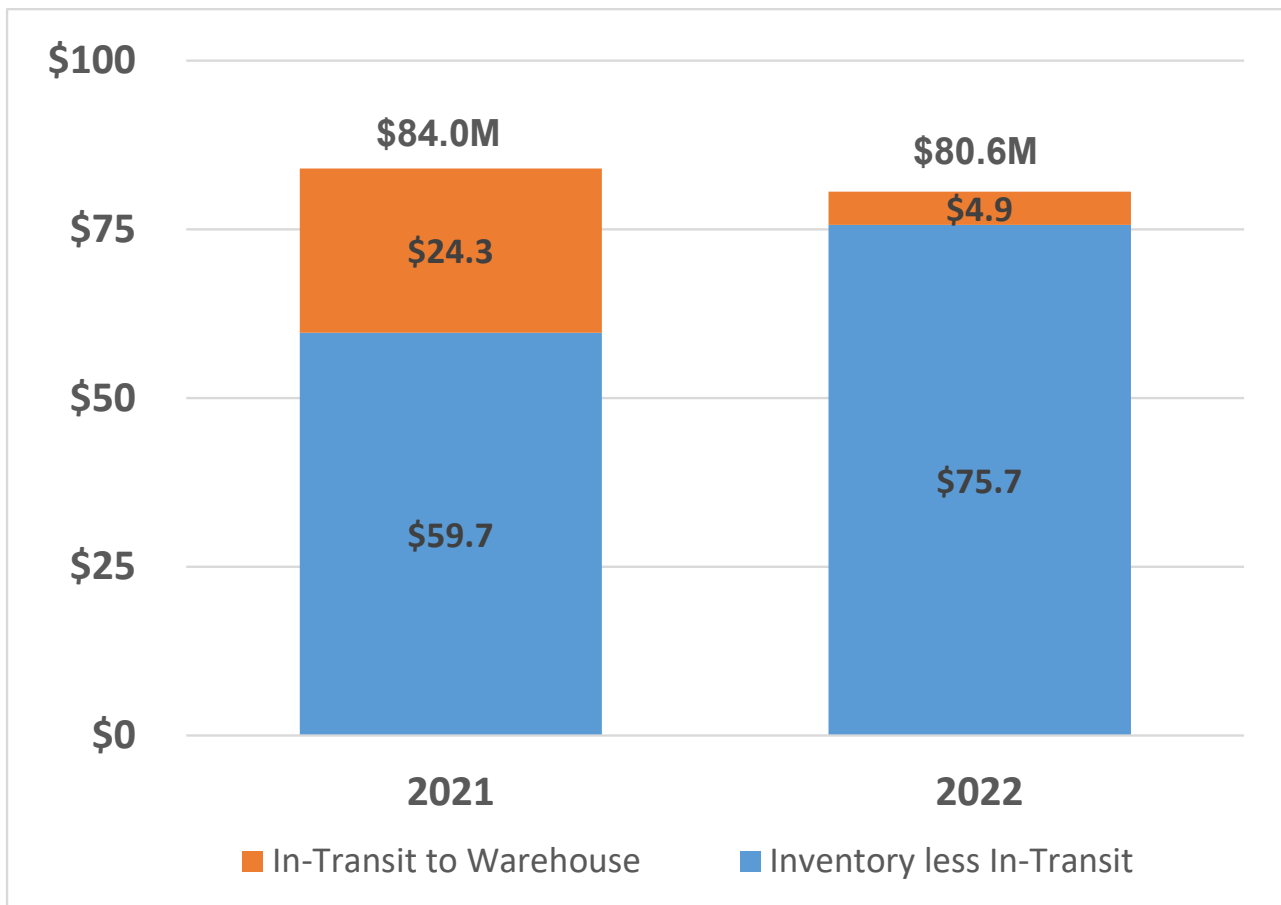
Adj. Net Income Margin %





Year-end Inventory - 2021 vs 2022 *(Worldwide)*

\$ Millions

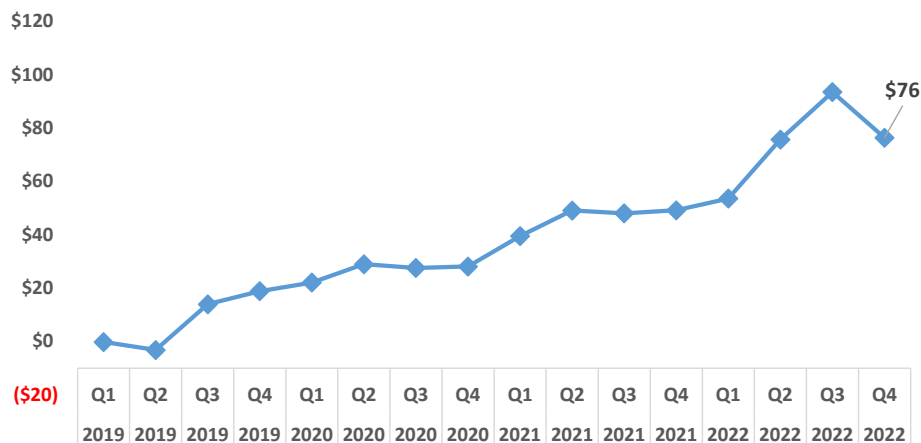




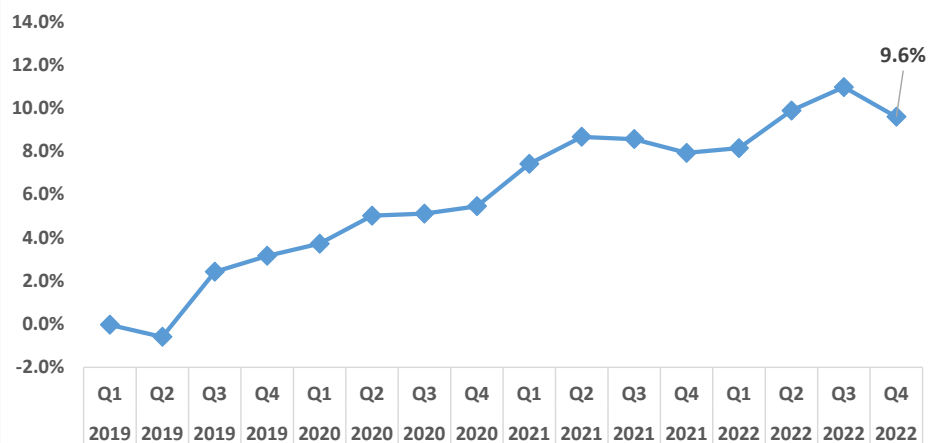
Trailing-Twelve-Month (TTM) Adjusted EBITDA

\$ Millions

TTM ADJ EBITDA



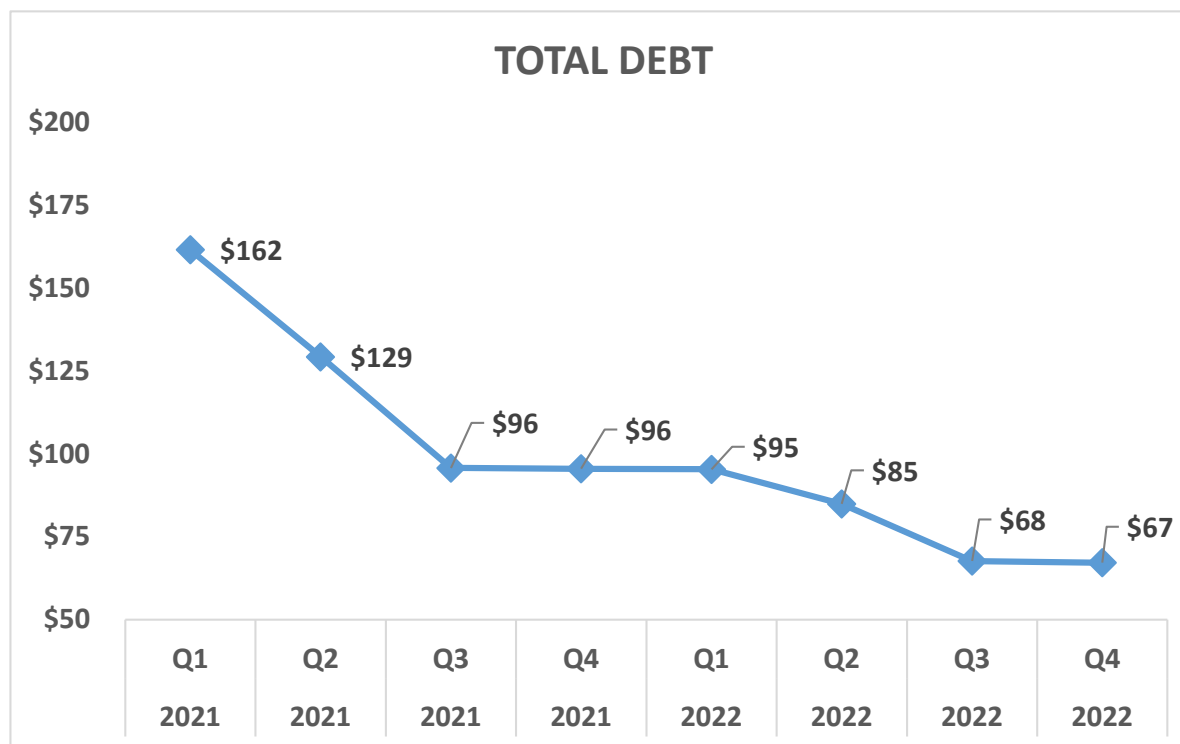
TTM ADJ EBITDA %





Total Debt

\$ Millions



\$30.8M
(debt as of
3/9/23)



*Short-term and long-term debt, net of discounts and deferred issuance costs



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Disney ILY 4EVER™ Fashion Dolls





Key Themes for 2023 – Continue to...

- Focus on timeless brands and categories - “singles and doubles”
- Actively pursue the most relevant IP rights for our model
- Expand North America distribution beyond major customers
- Methodically grow International presence by going deeper into largest markets
- Work closely with our factories to insure we are securing the best prices and on-time deliveries
- Work with our customers and licensing partners to develop the right promotional programs to generate robust sell-through for this year’s product while we simultaneously develop next year’s
- And.... be talking to everyone all-the-time about brand new product line extensions and opportunities to continue to layer on the newness and excitement that our business requires





THANK YOU





Supplemental Financial Information





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

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2022	2021	Δ (%)	2022	2021	Δ (%)
	(In thousands, except per share data)			(In thousands, except per share data)		
Net sales	\$ 131,886	\$ 187,964	(30) %	\$ 796,187	\$ 621,116	28 %
Less: Cost of sales						
Cost of goods	81,355	111,497	(27)	449,597	343,130	31
Royalty expense	20,371	25,641	(21)	126,633	87,187	45
Amortization of tools and molds	1,592	784	103	8,671	7,842	11
Cost of sales	103,318	137,922	(25)	584,901	438,159	33
Gross profit	28,568	50,042	(43)	211,286	182,957	15
Direct selling expenses	13,153	19,252	(32)	33,290	43,069	(23)
General and administrative expenses	30,752	27,262	13	114,819	98,712	16
Depreciation and amortization	360	602	(40)	1,907	2,409	(21)
Selling, general and administrative expenses	44,265	47,116	(6)	150,016	144,190	4
Intangibles impairment	-	-	-	300	-	nm
Income (loss) from operations	(15,697)	2,926	nm	60,970	38,767	57
Other income (expense):						
Other income (expense), net	277	190	46	797	446	79
Change in fair value of convertible senior notes	-	76	nm	-	(16,419)	nm
Change in fair value of preferred stock derivative liability	1,429	(4,207)	nm	(636)	(13,220)	(95)
Gain on loan forgiveness	-	-	-	-	6,206	nm
Loss on debt extinguishment	-	-	-	-	(7,351)	nm
Interest income	63	3	nm	127	13	nm
Interest expense	(2,294)	(2,201)	4	(11,183)	(14,104)	(21)
Income (loss) before provision for (benefit from) income taxes	(16,222)	(3,213)	405	50,075	(5,662)	nm
Provision for (benefit from) income taxes	(55,620)	(60)	nm	(42,297)	226	nm
Net income (loss)	39,398	(3,153)	nm	92,372	(5,888)	nm
Net income (loss) attributable to non-controlling interests	140	19	nm	(330)	120	nm
Net income (loss) attributable to JAKKS Pacific, Inc.	\$ 39,258	\$ (3,172)	nm %	\$ 92,702	\$ (6,008)	nm %
Net income (loss) attributable to common stockholders	\$ 38,896	\$ (3,513)	nm %	\$ 91,286	\$ (7,342)	nm %
Earnings (loss) per share - basic	\$ 4.00	\$ (0.37)		\$ 9.46	\$ (0.98)	
Shares used in earnings (loss) per share - basic	9,732	9,511		9,651	7,498	
Earnings (loss) per share - diluted	\$ 3.79	\$ (0.37)		\$ 8.99	\$ (0.98)	
Shares used in earnings (loss) per share - diluted	10,263	9,511		10,155	7,498	





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

	December 31,	
	2022	2021
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 85,297	\$ 44,521
Restricted cash	193	811
Accounts receivable, net	102,771	147,394
Inventory	80,619	83,954
Prepaid expenses and other assets	6,331	10,877
Total current assets	275,211	287,557
Property and equipment	130,437	121,945
Less accumulated depreciation and amortization	115,575	108,796
Property and equipment, net	14,862	13,149
Operating lease right-of-use assets, net	19,913	16,950
Deferred income tax assets, net	51,762	-
Goodwill	35,083	35,083
Intangibles and other assets, net	2,469	4,308
Total assets	\$ 399,300	\$ 357,047
Liabilities, Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 33,687	\$ 50,237
Accounts payable - Meisheng (related party)	9,820	15,894
Accrued expenses	37,999	47,071
Reserve for sales returns and allowances	51,877	46,285
Income taxes payable	3,648	1,004
Short term operating lease liabilities	10,746	10,477
Short term debt, net	25,529	2,104
Total current liabilities	173,306	173,072
Long term operating lease liabilities	9,863	8,039
Debt, non-current portion, net	41,622	93,415
Preferred stock derivative liability	21,918	21,282
Income taxes payable	114	215
Deferred income tax liabilities, net	-	51
Total liabilities	246,823	296,074
Preferred stock accrued dividends	4,490	3,074
Stockholders' equity:		
Common stock, \$.001 par value	10	10
Additional paid-in capital	275,187	272,941
Accumulated deficit	(110,729)	(203,431)
Accumulated other comprehensive loss	(17,482)	(12,952)
Total JAKKS Pacific, Inc. stockholders' equity	146,986	56,568
Non-controlling interests	1,001	1,331
Total stockholders' equity	147,987	57,899
Total liabilities, preferred stock and stockholders' equity	\$ 399,300	\$ 357,047





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

EBITDA and Adjusted EBITDA

	Three Months Ended December 31,		Δ (\$)		Twelve Months Ended December 31,		Δ (\$)	
	2022	2021			2022	2021		
	(In thousands)				(In thousands)			
Net income (loss)	\$ 39,398	\$ (3,153)	\$ 42,551		\$ 92,372	\$ (5,888)	\$ 98,260	
Interest expense	2,294	2,201	93		11,183	14,104	(2,921)	
Interest income	(63)	(3)	(60)		(127)	(13)	(114)	
Provision for (benefit from) income taxes	(55,620)	(60)	(55,560)		(42,297)	226	(42,523)	
Depreciation and amortization	1,952	1,386	566		10,578	10,251	327	
EBITDA	<u>(12,039)</u>	<u>371</u>	<u>(12,410)</u>		<u>71,709</u>	<u>18,680</u>	<u>53,029</u>	
Adjustments:								
Other (income) expense, net	(277)	(190)	(87)		(797)	(446)	(351)	
Restricted stock compensation expense	1,646	713	933		5,082	2,093	2,989	
Change in fair value of preferred stock derivative liability	(1,429)	4,207	(5,636)		636	13,220	(12,584)	
Change in fair value of convertible senior notes	-	(76)	76		-	16,419	(16,419)	
Employee Retention Credit/gov't employment support	-	-	-		(249)	(1,900)	1,651	
Gain on loan forgiveness	-	-	-		-	(6,206)	6,206	
Loss on debt extinguishment	-	-	-		-	7,351	(7,351)	
Adjusted EBITDA	<u>\$ (12,099)</u>	<u>\$ 5,025</u>	<u>\$ (17,124)</u>		<u>\$ 76,381</u>	<u>\$ 49,211</u>	<u>\$ 27,170</u>	
Adjusted EBITDA/Net sales %	<u>(9.2) %</u>	<u>2.7 %</u>	<u>-1190 bps</u>		<u>9.6 %</u>	<u>7.9 %</u>	<u>170 bps</u>	

Adjusted net income (loss) attributable to common stockholders

	Three Months Ended December 31,		Δ (\$)		Twelve Months Ended December 31,		Δ (\$)	
	2022	2021			2022	2021		
	(In thousands, except per share data)				(In thousands, except per share data)			
Net income (loss) attributable to common stockholders	\$ 38,896	\$ (3,513)	\$ 42,409		\$ 91,286	\$ (7,342)	\$ 98,628	
Restricted stock compensation expense	1,646	713	933		5,082	2,093	2,989	
Change in fair value of preferred stock derivative liability	(1,429)	4,207	(5,636)		636	13,220	(12,584)	
Change in fair value of convertible senior notes	-	(76)	76		-	16,419	(16,419)	
Loss on debt extinguishment	-	-	-		-	7,351	(7,351)	
Gain on loan forgiveness	-	-	-		-	(6,206)	6,206	
Employee Retention Credit/gov't employment support	-	-	-		(249)	(1,900)	1,651	
2021 BSP Term Loan prepayment penalty	-	-	-		525	-	525	
Valuation allowance release	(52,644)	-	(52,644)		(52,644)	-	(52,644)	
Tax impact of additional charges	(511)	-	(511)		(1,208)	-	(1,208)	
Adjusted net income (loss) attributable to common stockholders	<u>\$ (14,042)</u>	<u>\$ 1,331</u>	<u>\$ (15,373)</u>		<u>\$ 43,428</u>	<u>\$ 23,635</u>	<u>\$ 19,793</u>	
Adjusted earnings (loss) per share - basic	<u>\$ (1.44)</u>	<u>\$ 0.14</u>	<u>\$ (1.58)</u>		<u>\$ 4.50</u>	<u>\$ 3.15</u>	<u>\$ 1.35</u>	
Shares used in adjusted earnings (loss) per share - basic	<u>9,732</u>	<u>9,511</u>	<u>221</u>		<u>9,651</u>	<u>7,498</u>	<u>2,153</u>	
Adjusted earnings (loss) per share - diluted	<u>\$ (1.44)</u>	<u>\$ 0.14</u>	<u>\$ (1.58)</u>		<u>\$ 4.28</u>	<u>\$ 2.59</u>	<u>\$ 1.69</u>	
Shares used in adjusted earnings (loss) per share - diluted	<u>9,732</u>	<u>9,762</u>	<u>(30)</u>		<u>10,155</u>	<u>9,365</u>	<u>790</u>	

