



Q4 2020 Earnings
February 18, 2021





Fourth Quarter 2020
Earnings Conference Call Presentation
February 18, 2021, 5:00 PM Eastern Time

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

Conference ID 4134788





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 2021, as well as any other forward-looking statements concerning 2021 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

Three Steps Toward Sustained Performance Improvement

- (1) Reduce Product Costs and Operating Expenses
 - Achieve and Improve profitability on core revenue

- (2) Reduce Low-Margin Products
 - Evaluate total product profitability, not just gross margin

- (3) Fix the Balance Sheet
 - Reduce average interest rate
 - Stretch out maturities





CEO OVERVIEW (continued)

Pleased With Performance In Face of Challenges

- Q4 gross margins percentage at highest level in nearly 10 years
- Positive Q4 operating income for first time since 2013
- Full year operating income highest level since 2016
- Full year Adjusted EBITDA was \$28.1 million up nearly 50% vs. 2019
- POS of toy products at top three retailers up double digits (including Frozen)
- JAKKS year-end inventories down 29%, lowest level since 2009
- Year-end inventories at top three retailers down 25% vs. 2019
- Ended year with \$93 million in cash
- Lowest level of net debt since 2013





CEO OVERVIEW (continued)

Sales down for both Q4 and Full-Year, but....

- Excluding Frozen, sales were up 16% in Q4 vs Q4 '19
- Disguise up over 90% in Q4
 - Down 26% for the year, but not surprising after weak Easter sales in Spring.
- Excluding Frozen and Disguise, sales up 13% in Q4

Toy Industry Not Hurt By Pandemic

- NPD reported US retail toy sales up 16% in 2020, best year in decades
- Some categories did well: activities, games/puzzles, outdoor/sports
- Others did not do as well – action figures, plush, dolls
- Basic toys in proven play patterns with top licenses sold best
- The increase cited by NPD was entirely driven by price





CEO OVERVIEW (continued)

Several Products Performed Well

- Disney Princess up nearly 33%
- Video game toy sales up nearly 65% for the year, up 74% in Q4;
- Proven licenses did well in Seasonal
- Outdoor and Sports was one of the best categories
 - Redo Skateboards up 600%+ for 2020, 300% in Q4

Shift to Online Sales Accelerated

- Online POS at top three retailers up over 40% in 2020
- At these retailers, online represented 25% of POS, up from 19%

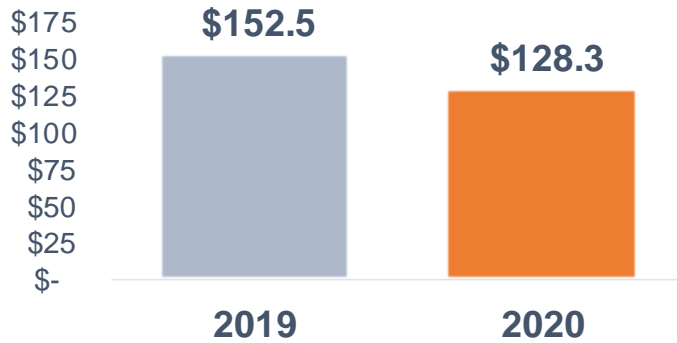




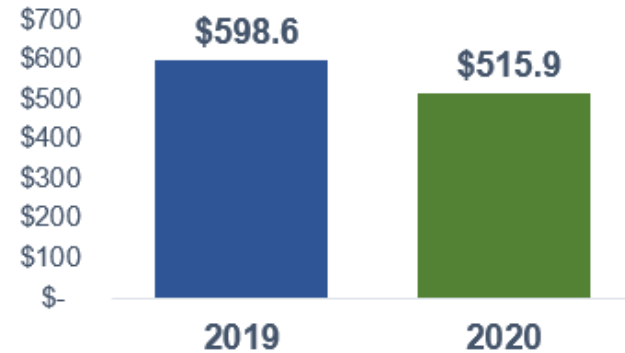
2020 Q4 and FY Net Sales and Adjusted Net Income

\$ Millions

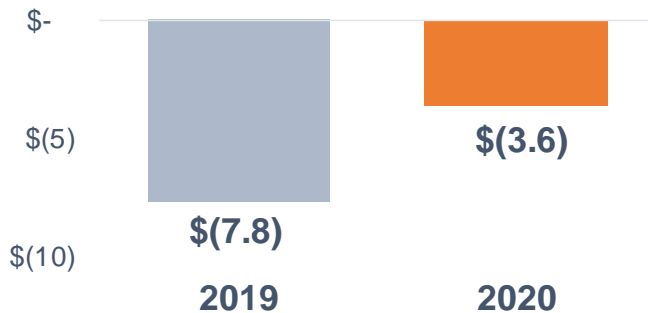
Q4 Net Sales



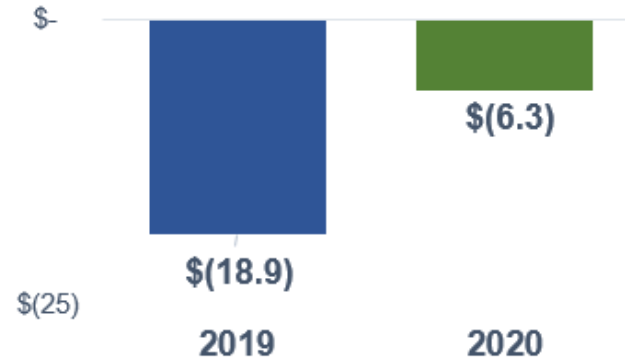
Full Year Net Sales



Q4 Adj Net Income



Full Year Adj Net Income

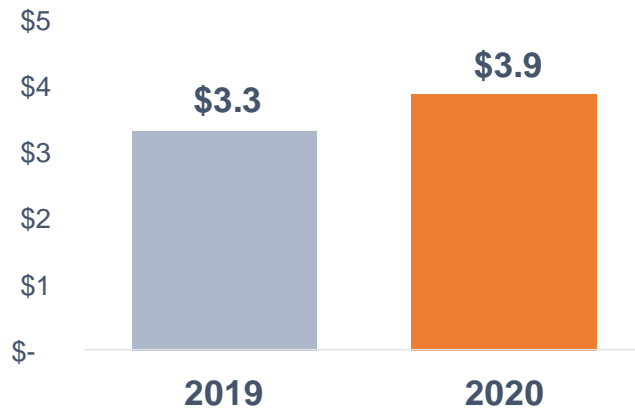




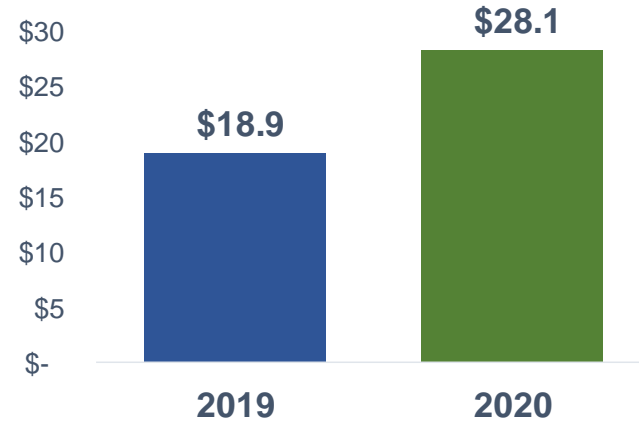
2020 Fourth Quarter and Full Year EBITDA

\$ Millions
Adj EBITDA as % of Net Sales

Q4 Adj EBITDA



Full Year Adj EBITDA



Adjusted EBITDA
Margin (%)

2.2%

3.0%

3.2%

5.5%

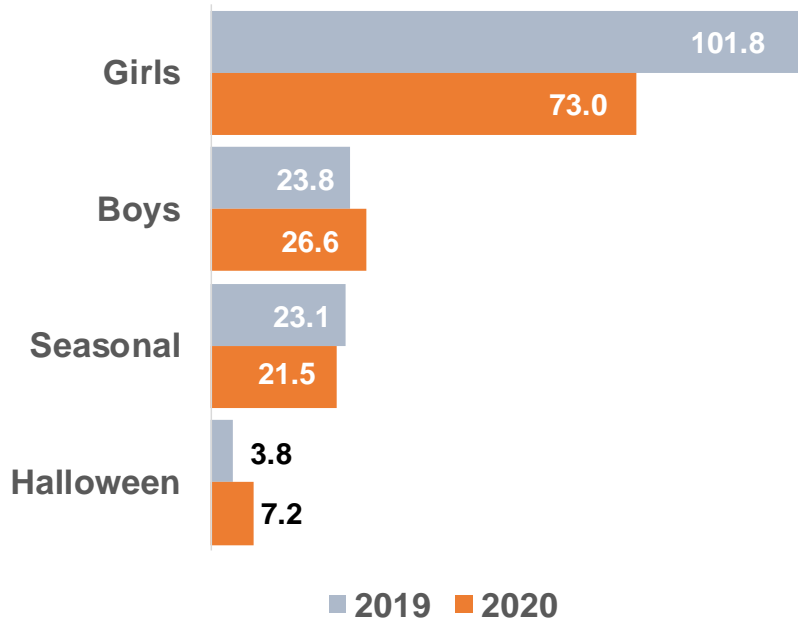




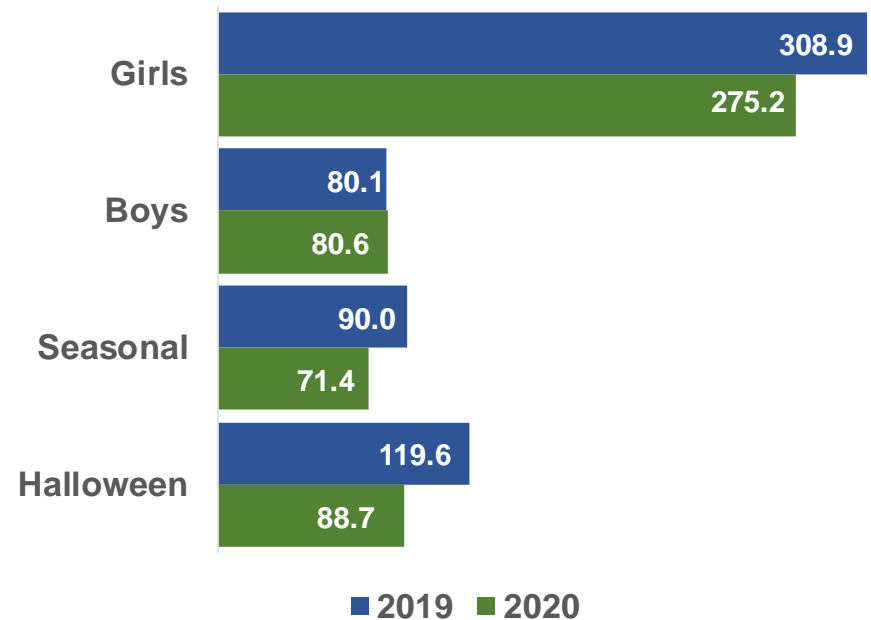
2020 Fourth Quarter and Full Year Net Sales

\$ Millions

Q4 Net Sales



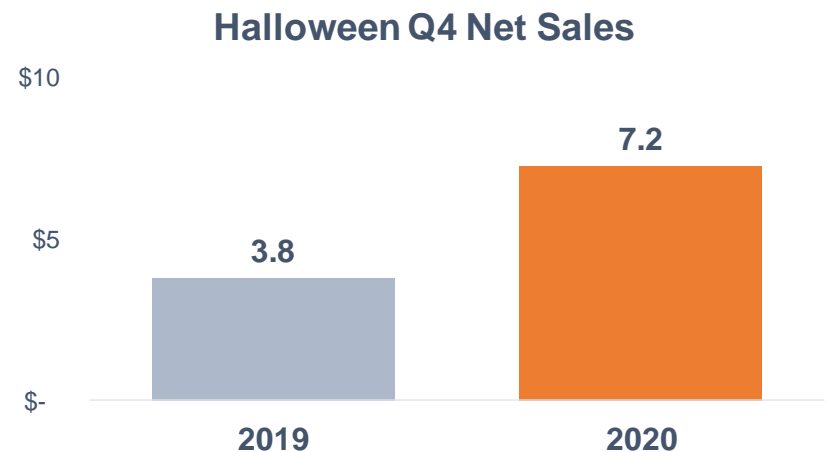
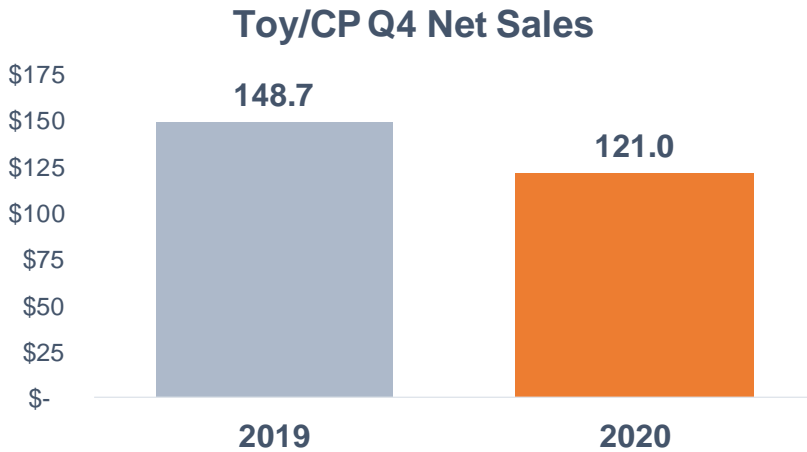
Full Year Net Sales





2020 Fourth Quarter Segment Net Sales

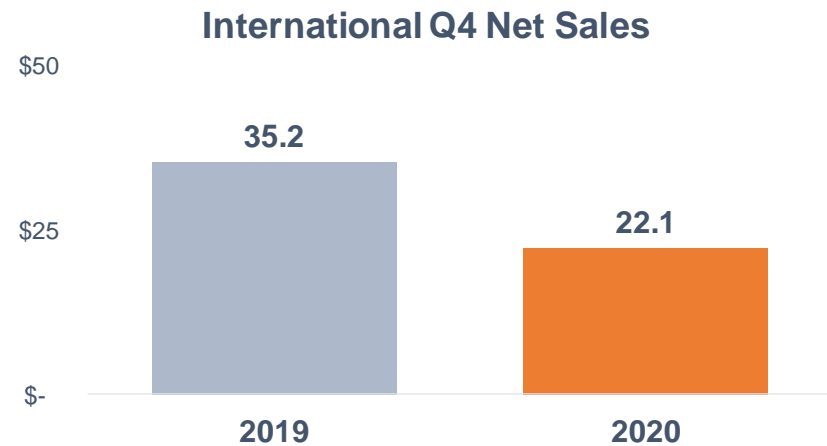
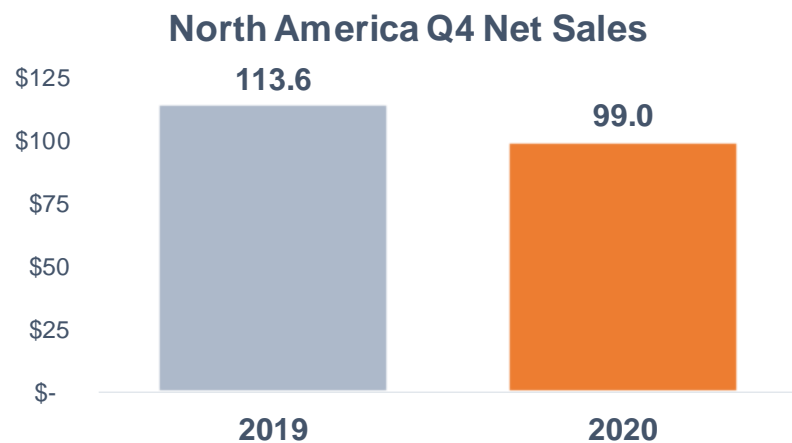
\$ Millions





2020 Fourth Quarter Segment Net Sales (cont'd)

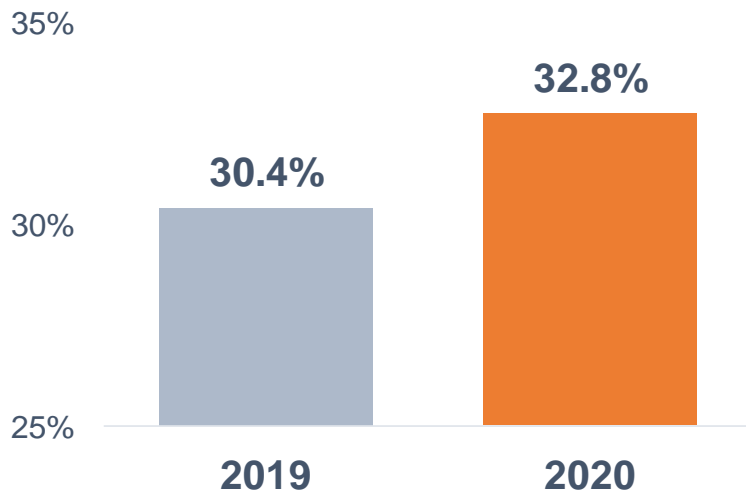
\$ Millions



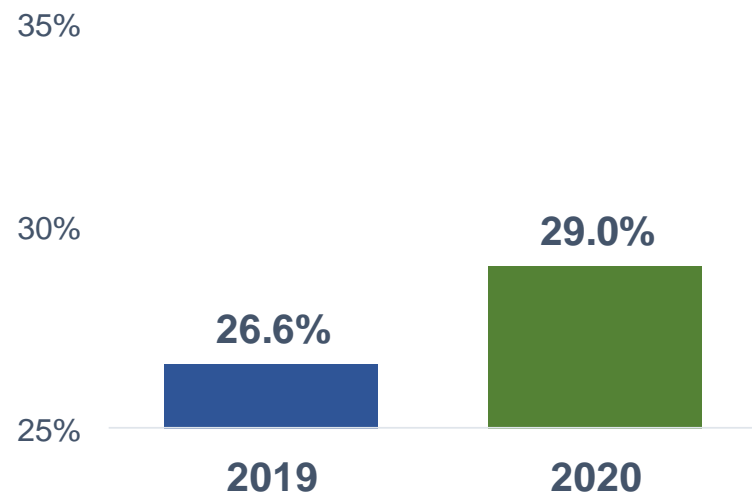


2020 Fourth Quarter and Full Year Gross Margin %

Q4 Gross Margin



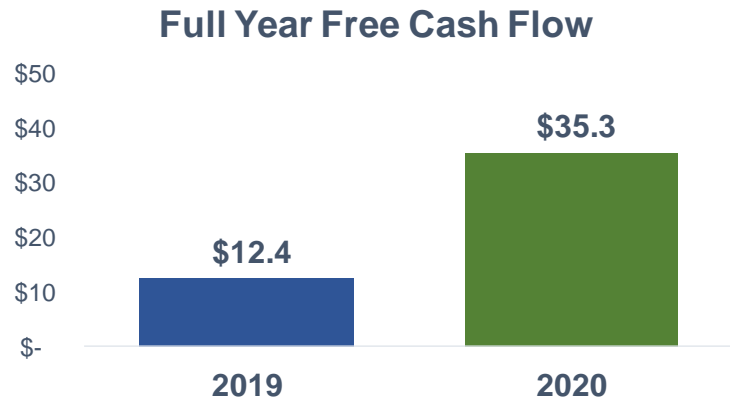
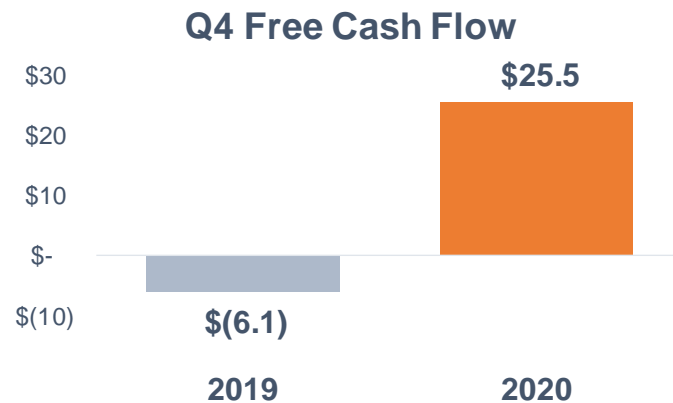
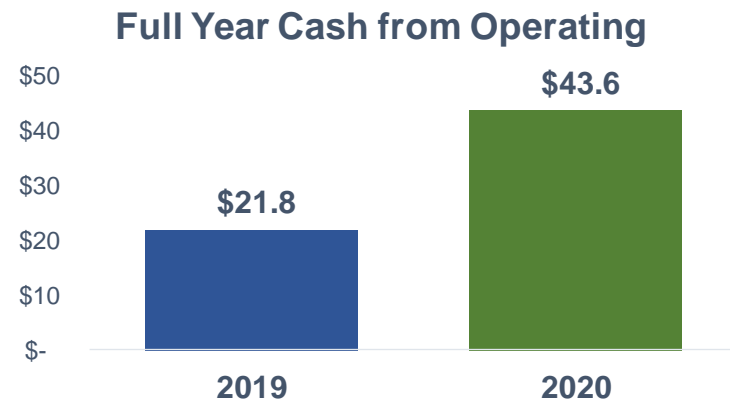
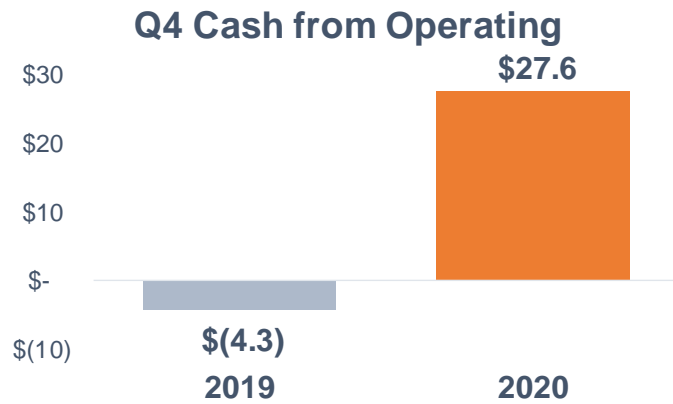
Full Year Gross Margin





2020 Q4 and FY Cash from Operations and FCF

\$ Millions





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

| | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|--------------------------------------------------------------|------------------------------------|------------------------------------|
| ASSETS | (In thousands) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 87,953 | \$ 61,613 |
| Restricted cash | 4,740 | 4,673 |
| Accounts receivable, net | 102,254 | 117,942 |
| Inventory | 38,642 | 54,259 |
| Prepaid expenses and other assets | 17,239 | 21,898 |
| Total current assets | <u>250,828</u> | <u>260,385</u> |
| Property and equipment | 114,045 | 121,821 |
| Less accumulated depreciation and amortization | <u>100,534</u> | <u>106,562</u> |
| Property and equipment, net | 13,511 | 15,259 |
| Operating lease right-of-use assets, net | 24,393 | 32,081 |
| Goodwill | 35,083 | 35,083 |
| Intangibles and other assets, net | 5,554 | 22,414 |
| Total assets | <u>\$ 329,369</u> | <u>\$ 365,222</u> |
| LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 79,799 | \$ 100,711 |
| Reserve for sales returns and allowances | 42,108 | 38,365 |
| Income taxes payable | 484 | 2,492 |
| Short term operating lease liabilities | 9,925 | 9,451 |
| Short term debt, net | 5,950 | 1,905 |
| Total current liabilities | <u>138,266</u> | <u>152,924</u> |
| Long term operating lease liabilities | 16,883 | 25,632 |
| Debt, non-current portion, net | 150,410 | 174,962 |
| Other liabilities | 8,062 | 5,409 |
| Income taxes payable | 947 | 1,565 |
| Deferred tax liability, net | 123 | 226 |
| Total liabilities | <u>314,691</u> | <u>360,718</u> |
| Preferred stock | 1,740 | 483 |
| Stockholders' equity: | | |
| Common stock, \$.001 par value | 6 | 4 |
| Additional paid-in capital | 221,590 | 200,507 |
| Accumulated deficit | (197,423) | (183,149) |
| Accumulated other comprehensive loss | (12,446) | (14,422) |
| Total JAKKS Pacific, Inc. stockholders' equity | 11,727 | 2,940 |
| Non-controlling interests | 1,211 | 1,081 |
| Total stockholders' equity | <u>12,938</u> | <u>4,021</u> |
| Total liabilities, preferred stock and stockholders' equity | <u>\$ 329,369</u> | <u>\$ 365,222</u> |





CEO OUTLOOK

Finished 2020 In Great Shape

- Core business strong
- Inventories low
- Operating costs much lower
- Parents still focused on basic toys





CEO OUTLOOK

Disney+ Could Be A Big Benefit

- Nearly 95 million subs
- Year-round access to content
- Repeat viewing drives sales

New Disney Content

- Raya and the Last Dragon
- Encanto

Other Girls Toys

- Perfectly Cute Baby
- Perfectly Cute Home
- Haribo
- ...more to come



HARIBO





CEO OUTLOOK

Boys – Category Could See a Rebound

- Apex: Legends – broader distribution
- Super Mario – broader product line
- Sonic – broader product line
- Black+Decker
- Creepy Crawlers
- Bladesaw



Seasonal

- Redo continues to grow
- New - Trampolines
- Other staples



Disguise poised for rebound

- Low retail inventories
- Halloween on a Sunday





CEO OUTLOOK

Conclusion

- Continued focus on core, basics, driven by top licenses
- Leverage leaner cost structure
- Fix balance sheet

Thanks to our incredible team





THANK YOU





Supplemental Financial Information





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

| | <u>Three Months Ended December 31,</u> | | <u>Year Ended December 31,</u> | |
|--------------------------------------------------------------|----------------------------------------|--------------------|---------------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| | (In thousands, except per share data) | | (In thousands, except per share data) | |
| Net sales | \$ 128,267 | \$ 152,511 | \$ 515,872 | \$ 598,649 |
| Less cost of sales | | | | |
| Cost of goods | 68,277 | 80,916 | 274,867 | 335,450 |
| Royalty expense | 16,619 | 22,657 | 83,150 | 91,775 |
| Amortization of tools and molds | 1,342 | 2,538 | 8,090 | 12,079 |
| Cost of sales | <u>86,238</u> | <u>106,111</u> | <u>366,107</u> | <u>439,304</u> |
| Gross profit | 42,029 | 46,400 | 149,765 | 159,345 |
| Direct selling expenses | 15,703 | 20,767 | 41,590 | 55,103 |
| Selling, general and administrative expenses | 24,597 | 25,124 | 90,424 | 99,580 |
| Depreciation and amortization | 602 | 1,597 | 2,846 | 6,527 |
| Intangibles impairment | - | 9,379 | - | 9,379 |
| Restructuring charge | - | 47 | 1,631 | 341 |
| Pandemic related charges | - | - | 366 | - |
| Acquisition related and other | - | 247 | - | 6,204 |
| Income (loss) from operations | <u>1,127</u> | <u>(10,761)</u> | <u>12,908</u> | <u>(17,789)</u> |
| Other income (expense): | | | | |
| Income from joint ventures | - | - | 2 | - |
| Other income (expense), net | 135 | (1,035) | 301 | (1,158) |
| Change in fair value of convertible senior notes | (5,022) | (2,120) | (2,265) | (5,112) |
| Change in fair value of preferred stock derivative liability | (2,191) | (353) | (2,815) | (353) |
| Loss on extinguishment of debt | - | - | - | (13,205) |
| Interest income | 2 | 21 | 22 | 85 |
| Interest expense | <u>(4,906)</u> | <u>(5,381)</u> | <u>(21,562)</u> | <u>(15,935)</u> |
| Loss before provision for income taxes | <u>(10,855)</u> | <u>(19,629)</u> | <u>(13,409)</u> | <u>(53,467)</u> |
| Provision for income taxes | 454 | 552 | 735 | 1,912 |
| Net loss | <u>(11,309)</u> | <u>(20,181)</u> | <u>(14,144)</u> | <u>(55,379)</u> |
| Net income attributable to non-controlling interests | 33 | 112 | 130 | 169 |
| Net loss attributable to JAKKS Pacific, Inc. | <u>\$ (11,342)</u> | <u>\$ (20,293)</u> | <u>\$ (14,274)</u> | <u>\$ (55,548)</u> |
| Net loss attributable to common stockholders | <u>\$ (11,664)</u> | <u>\$ (20,596)</u> | <u>\$ (15,531)</u> | <u>\$ (56,031)</u> |
| Loss per share - basic and diluted | <u>\$ (2.55)</u> | <u>\$ (6.95)</u> | <u>\$ (4.27)</u> | <u>\$ (21.57)</u> |
| Shares used in loss per share - basic and diluted | <u>4,575</u> | <u>2,962</u> | <u>3,634</u> | <u>2,598</u> |





| | <u>Three Months Ended December 31,</u> | | <u>Year Ended December 31,</u> | |
|------------------------------------------------------------------------------|----------------------------------------------|-------------------|----------------------------------------------|--------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| | <u>(In thousands, except per share data)</u> | | <u>(In thousands, except per share data)</u> | |
| <u>EBITDA and Adjusted EBITDA</u> | | | | |
| Net loss | \$ (11,309) | \$ (20,181) | \$ (14,144) | \$ (55,379) |
| Interest expense | 4,906 | 5,381 | 21,562 | 15,935 |
| Interest income | (2) | (21) | (22) | (85) |
| Provision for income taxes | 454 | 552 | 735 | 1,912 |
| Depreciation and amortization | 1,944 | 4,135 | 10,936 | 18,606 |
| EBITDA | (4,007) | (10,134) | 19,067 | (19,011) |
| Adjustments: | | | | |
| Income from joint ventures | - | - | (2) | - |
| Other income (expense), net | (135) | (165) | (301) | (42) |
| Acquisition related and other | - | 247 | - | 6,204 |
| Restricted stock compensation expense | 797 | 996 | 2,303 | 2,868 |
| Change in fair value of convertible senior notes | 5,022 | 2,120 | 2,265 | 5,112 |
| Change in fair value of preferred stock derivative liability | 2,191 | 353 | 2,815 | 353 |
| Loss on extinguishment of debt | - | - | - | 13,205 |
| Intangibles impairment | - | 9,379 | - | 9,379 |
| Bad debt write-offs (recoveries) | - | (713) | - | (713) |
| Unclaimed property liability (1999-2014) | - | 1,200 | - | 1,200 |
| Restructuring charge | - | 47 | 1,631 | 341 |
| Pandemic related charges | - | - | 366 | - |
| Adjusted EBITDA | <u>\$ 3,868</u> | <u>\$ 3,330</u> | <u>\$ 28,144</u> | <u>\$ 18,896</u> |
| <u>Adjusted net income (loss) attributable to common stockholders</u> | | | | |
| Net loss attributable to common stockholders | \$ (11,664) | \$ (20,596) | \$ (15,531) | \$ (56,031) |
| Acquisition related and other | - | 247 | - | 6,204 |
| Restricted stock compensation expense | 797 | 996 | 2,303 | 2,868 |
| Change in fair value of convertible senior notes | 5,022 | 2,120 | 2,265 | 5,112 |
| Change in fair value of preferred stock derivative liability | 2,191 | 353 | 2,815 | 353 |
| Loss on extinguishment of debt | - | - | - | 13,205 |
| Intangibles impairment | - | 9,379 | - | 9,379 |
| Bad debt write-offs (recoveries) | - | (713) | - | (713) |
| Unclaimed property liability (1999-2014) | - | 1,200 | - | 1,200 |
| Restructuring charge | - | 47 | 1,631 | 341 |
| Pandemic related charges | - | - | 366 | - |
| Tax impact of additional charges | 13 | (786) | (116) | (816) |
| Adjusted net loss attributable to common stockholders | <u>\$ (3,641)</u> | <u>\$ (7,753)</u> | <u>\$ (6,267)</u> | <u>\$ (18,898)</u> |
| Adjusted loss per share - basic and diluted | <u>\$ (0.80)</u> | <u>\$ (2.62)</u> | <u>\$ (1.72)</u> | <u>\$ (7.27)</u> |
| Shares used in adjusted loss per share - basic and diluted | 4,575 | 2,962 | 3,634 | 2,598 |

