



Q4 2019 Earnings
February 19, 2020





Fourth Quarter 2019
Earnings Conference Call Presentation
February 19, 2020

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Passcode 49386015





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 2020, as well as any other forward-looking statements concerning 2020 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.





CEO OVERVIEW

Performed Well vs. Industry and vs. Internal Expectations

- Net Sales up 15% vs. Q4'18; Full year sales up 5%
- The strongest year-over-year sales growth rate we have posted in nearly five years.
- International sales up 43% vs. Q4'18
- Sales Frozen 2 were very strong
- Solid base of evergreens – Seasonal up 16% vs. Q4'18

Substantial improvement in profitability:

- Gross margins of 30.4% comparable to Q4'18
- Adjusted EBITDA was positive \$3.3 million, up from a loss of \$1.6 million in Q4'18
- Full year Adjusted EBITDA was \$18.9 million, up from \$2.3 million in 2018.

Industry Weakness:

- Retail toy sales in US down single digits; down 4% for the year according to NPD





CEO OVERVIEW

Balancing Evergreens and Licenses

Products that performed well in Q4 include:

- Frozen 2
- Nintendo
- Xtreme Power Dozer
- Fly Wheels
- Minnie Mouse

Evergreen Seasonal Products up 16%

- Tents, Ball Pits, Ride Ons, Kids Only
- Redo – new skateboard product

Solid Performance from owned IP

- Fly Wheels, TP Blaster, Kitten Catfe



Frozen 2



Disguise



Nintendo



Godzilla



Fly Wheels



Sonic the Hedgehog



Minnie Mouse





CEO OVERVIEW

Driving Innovation and Creativity

- Employees encouraged to bring ideas forward
- 25% of employees have been JAKKS more than 5 years
- More than 15% have been with JAKKS for more than 10 years.

Modern Advertising

- Increasing use of social media
- In-game advertising
- Influencers

Cost Initiatives

- Consolidated Canadian Ops into JAKKS US DC
- New European distribution hub in Rotterdam, to drive efficiencies.
- Service agreement with 3PL warehouse in Yantian China





Q4 & FULL-YEAR 2019 RESULTS

(In US \$000s except per share data)

	Q4				Full Year			
	2018	2019	Favorable/(Unfavorable)		2018	2019	Favorable/(Unfavorable)	
			Δ \$	Δ %			Δ \$	Δ %
Net Sales	\$ 132,326	\$ 152,511	\$ 20,185	15%	\$ 567,810	\$ 598,649	\$ 30,839	5%
Gross Profit %	30.6%	30.4%	(20) bps		27.4%	26.6%	(80) bps	
Loss Attributable to Common SH	\$ (3,247)	\$ (20,596)	\$ (17,349)	NM	\$ (42,368)	\$ (56,031)	\$ (13,663)	(32%)
Diluted Loss Per Share	\$ (0.14)	\$ (0.70)	\$ (0.56)	NM	\$ (1.83)	\$ (2.16)	\$ (0.33)	(18%)
Adjusted EBITDA	\$ (1,572)	\$ 3,330	\$ 4,902	NM	\$ 2,279	\$ 18,896	\$ 16,617	NM





WORLDWIDE NET SALES

(by Category)

(In US \$ millions)

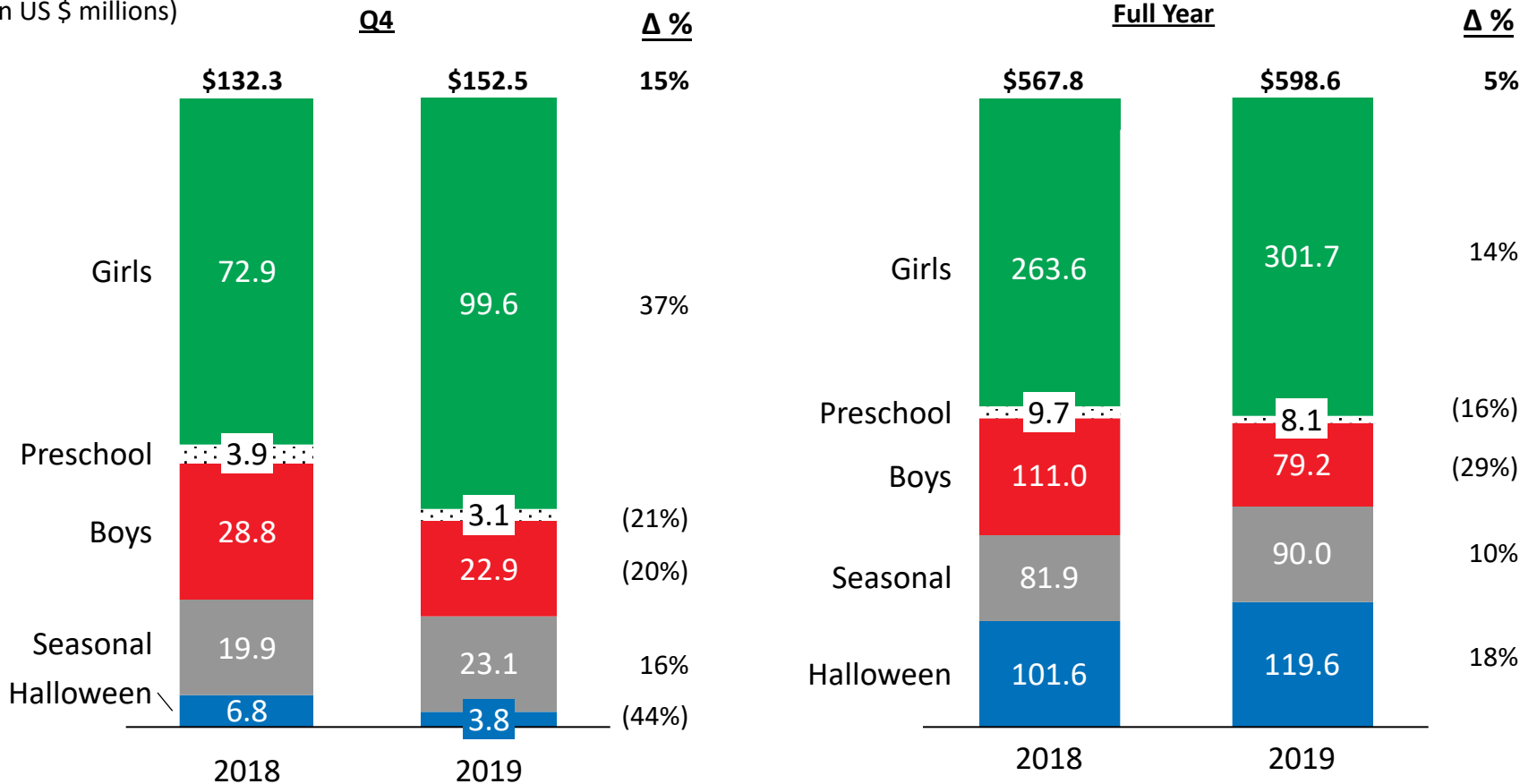
	Q4				Full Year			
	2018	2019	Favorable/(Unfavorable)		2018	2019	Favorable/(Unfavorable)	
			Δ \$	Δ %			Δ \$	Δ %
Girls	\$ 72.9	\$ 99.6	\$ 26.7	37%	\$ 263.6	\$ 301.7	\$ 38.1	14%
Boys	28.8	22.9	(5.9)	(20%)	111.0	79.2	(31.8)	(29%)
Seasonal	19.9	23.1	3.2	16%	81.9	90.0	8.1	10%
Halloween	6.8	3.8	(3.0)	(44%)	101.6	119.6	18.0	18%
Preschool	3.9	3.1	(0.8)	(21%)	9.7	8.1	(1.6)	(16%)
Total	\$ 132.3	\$ 152.5	\$ 20.2	15%	\$ 567.8	\$ 598.6	\$ 30.8	5%





WORLDWIDE CATEGORY MIX

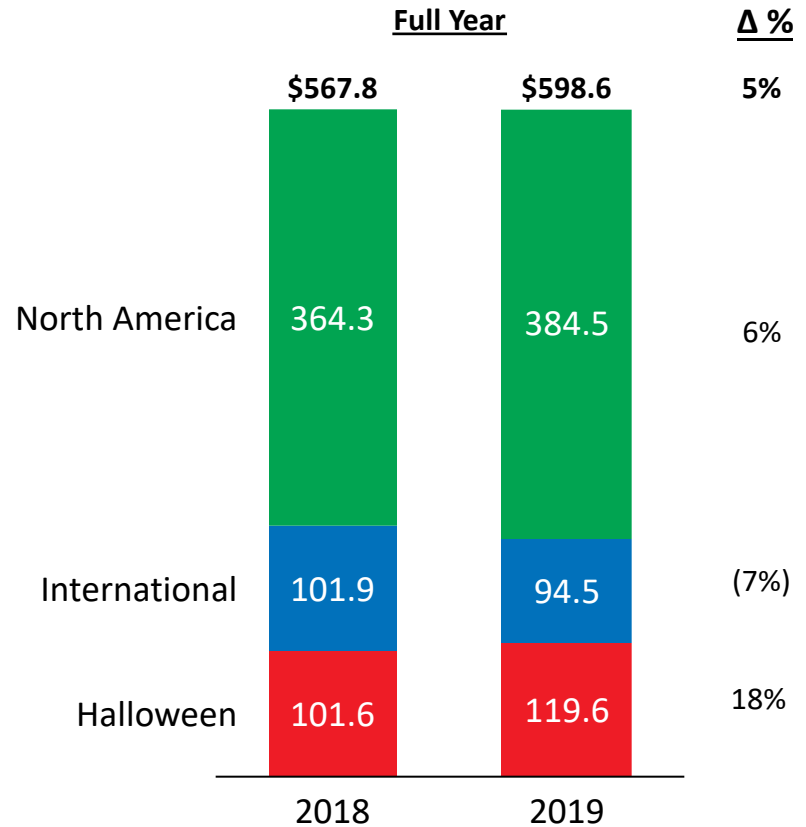
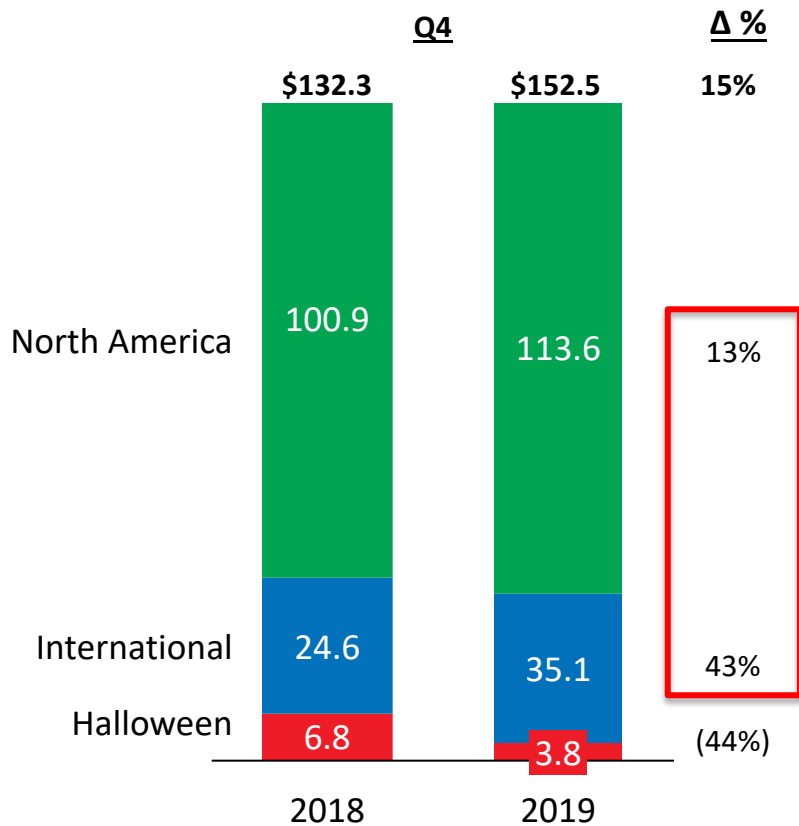
(In US \$ millions)





SEGMENT RESULTS

(In US \$ millions)





Q4 2019 RESULTS

(In US \$000s except per share data)

	Q4				Fav/(Unfav)	
	2018	% of Sales	2019	% of Sales	Δ \$	Δ %
Net sales	\$132,326	100%	\$ 152,511	100%	\$ 20,185	15%
Cost of sales	91,840	69%	106,111	70%	(14,271)	(16%)
Gross profit	40,486	30.6%	46,400	30.4%	5,914	15%
SG&A	44,904	34%	57,161	37%	(12,257)	(27%)
Loss from operations	(4,418)	(3%)	(10,761)	(7%)	(6,343)	NM
Interest expense, net	(2,992)	(2%)	(5,360)	(4%)	(2,368)	(79%)
Other income (expense), net	5,310	4%	(3,508)	(2%)	(8,818)	NM
Provision for income taxes	1,243	1%	552	0%	691	56%
Net Income (loss) attributable to non-controlling interests	(96)	(0%)	112	0%	(208)	NM
Net loss attributable to JAKKS Pacific, Inc.	\$ (3,247)	(2%)	\$ (20,293)	(13%)	\$ (17,046)	NM
Net loss attributable to common stockholders	\$ (3,247)	(2%)	\$ (20,596)	(14%)	\$ (17,349)	NM
Loss per share - diluted	\$ (0.14)		\$ (0.70)		\$ (0.56)	NM
Adjusted EBITDA	\$ (1,572)	(1%)	\$ 3,330	2%	\$ 4,902	NM





FULL-YEAR 2019 RESULTS

(In US \$000s except per share data)

	Full Year				Fav/(Unfav)	
	2018	% of Sales	2019	% of Sales	Δ \$	Δ %
Net sales	\$567,810	100%	\$598,649	100%	\$ 30,839	5%
Cost of sales	412,094	73%	439,304	73%	(27,210)	(7%)
Gross profit	155,716	27.4%	159,345	26.6%	3,629	2%
SG&A	187,889	33%	177,134	30%	10,755	6%
Loss from operations	(32,173)	(6%)	(17,789)	(3%)	14,384	45%
Interest expense, net	(10,175)	(2%)	(15,850)	(3%)	(5,675)	(56%)
Other income (expense), net	2,874	1%	(19,828)	(3%)	(22,702)	NM
Provision for income taxes	2,951	1%	1,912	0%	1,039	35%
Net Income (loss) attributable to non-controlling interests	(57)	(0%)	169	0%	(226)	NM
Net loss attributable to JAKKS Pacific, Inc.	\$ (42,368)	(7%)	\$ (55,548)	(9%)	\$ (13,180)	(31%)
Net loss attributable to common stockholders	\$ (42,368)	(7%)	\$ (56,031)	(9%)	\$ (13,663)	(32%)
Loss per share - diluted	\$ (1.83)		\$ (2.16)		\$ (0.33)	(18%)
Adjusted EBITDA	\$ 2,279	0%	\$ 18,896	3%	\$ 16,617	NM





Q4 & FULL-YEAR 2019 CASH FLOW

(in US \$ millions)

	Q4		Favorable/(Unfavorable)		Full Year		Favorable/(Unfavorable)	
	2018	2019	Δ \$	Δ %	2018	2019	Δ \$	Δ %
Cash Flow From Operations	(3.2)	(4.3)	(1.1)	(34%)	(0.6)	21.8	22.4	NM
Free Cash Flow	(5.4)	(6.1)	(0.7)	(13%)	(12.4)	12.4	24.8	NM





BALANCE SHEET SUMMARY (12/31/2019)

Q4 2019 Results

(In US \$ millions)

	As of Dec 31		Inc/(Dec)
	2018	2019	Δ \$
Cash, Cash Equivalents and Restricted Cash	58.2	66.3	8.1
Accounts Receivable, net	122.3	117.9	(4.4)
Inventory	53.9	54.3	0.4
Accounts Payable and Accrued Liabilities	116.9	139.1	22.2
Working Capital	106.0	107.5	1.5





2020 PRODUCT DRIVERS

Girls:

- Frozen 2
- Kitten Katfe
- Cute Girls Hairstyles



Frozen 2



Kitten Katfe



Cute Girls Hairstyles

Boys

- Fly Wheels
- Sega, Nintendo
- Last Kids on Earth



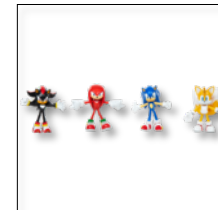
Fly Wheels



Last Kids on Earth



Nintendo



Sonic the Hedgehog





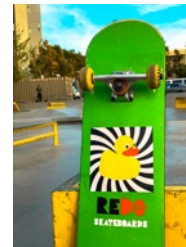
2020 PRODUCT DRIVERS (cont'd)

Seasonal:

- Full year of indoor tents
- Redo skateboards
- Eyeclops



Ball Pits



Redo Skateboards



Eyeclops

Disguise

- Trolls 2
- Mulan
- Harry Potter
- Bakugan
- Frozen 2
- Billie Eilish



Trolls 2



Mulan



Harry Potter



Bakugan





CONCLUSION

- Performed well in a difficult industry climate
- Best revenue momentum in five years
- Balance of evergreens, licenses, owned IP, and opportunistic lines
- Continued disciplined approach to spending
- Adjustments to mitigate impact of coronavirus on production and shipping





THANK YOU

