



Second Quarter 2023 Earnings Presentation

July 27, 2023

5:00 PM Eastern / 2:00 PM Pacific

Webcast link [2Q23 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

Long-term debt retired; Second highest first half net sales in 15 years

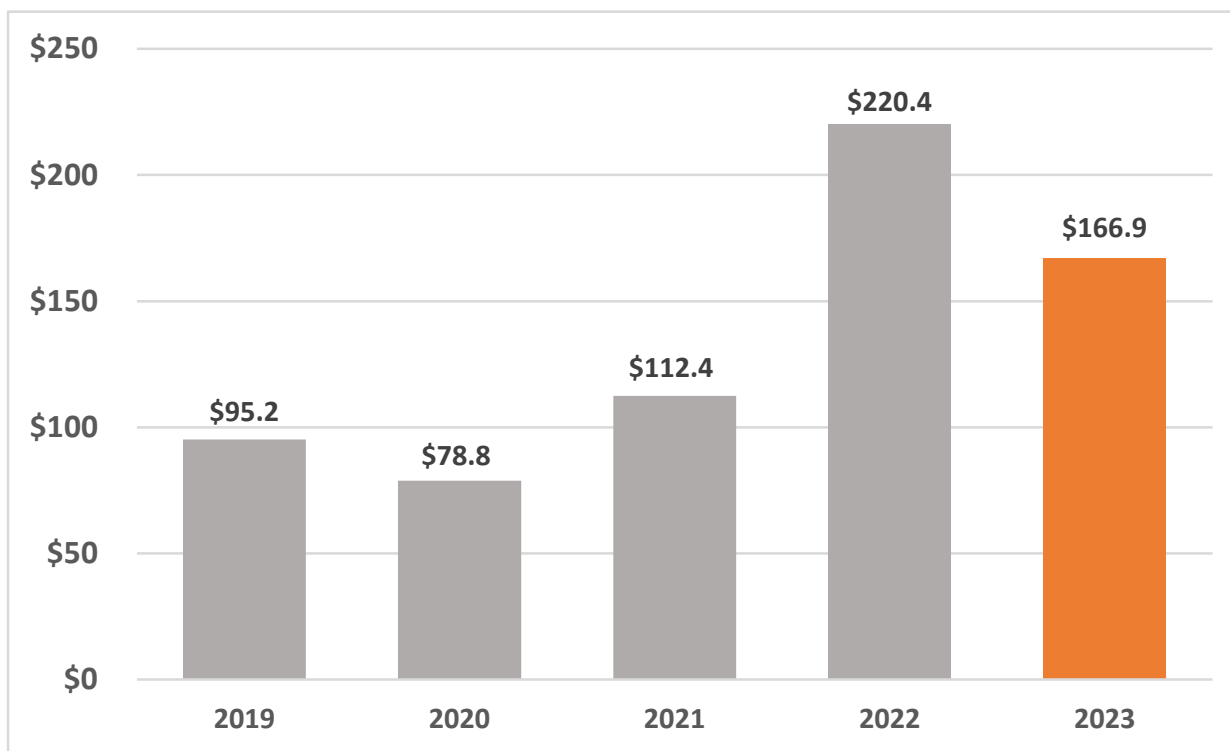
- Q2 Net Sales were \$166.9 million, 24.3% decrease versus prior year
- Gross margin of 30.7%, up 310bps vs Q2 2022
- Retired debt of \$30.2M four years prior to maturity
- Adjusted EBITDA was \$20.7M versus \$27.1M in the second quarter of 2022
- TTM Adjusted EBITDA of \$66.9M was down 12% from \$75.7M a year ago





2023 Second Quarter Net Sales

\$ Millions



YoY % Change:

(17%)

43%

96%

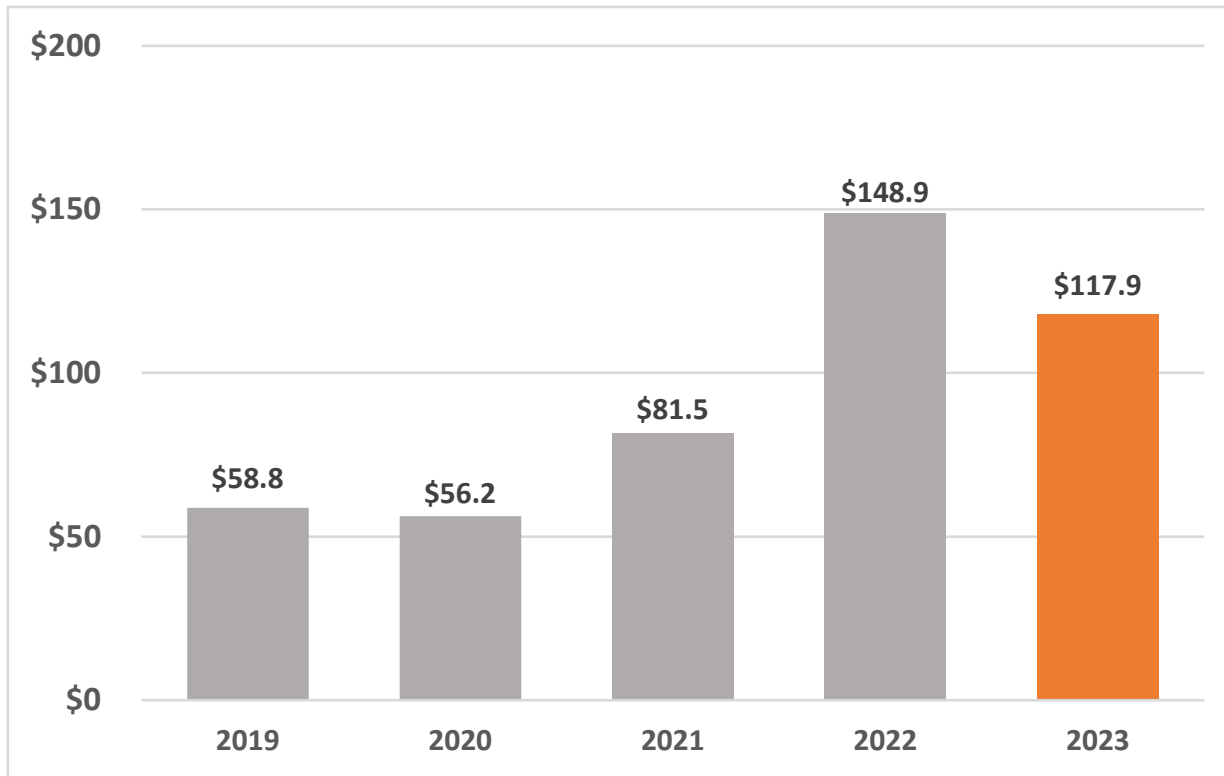
(24%)





2023 Second Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

(4%)

45%

83%

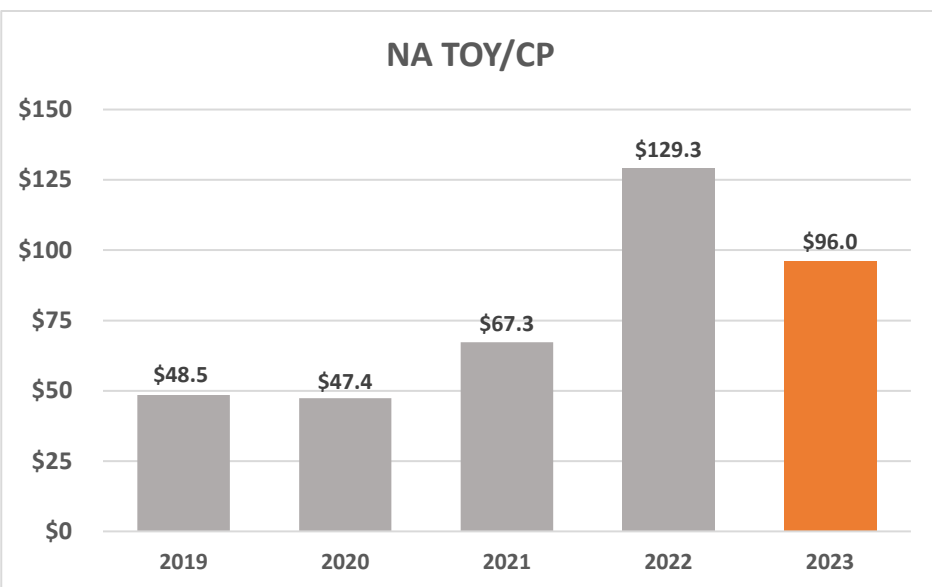
(21%)



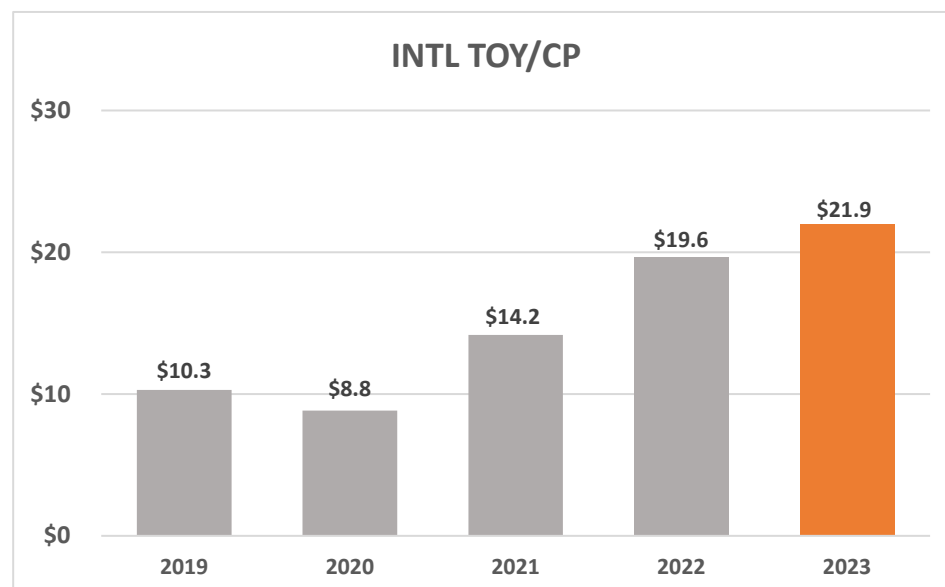


2023 Second Quarter Toys/Consumer Products Net Sales

\$ Millions



YoY % Change



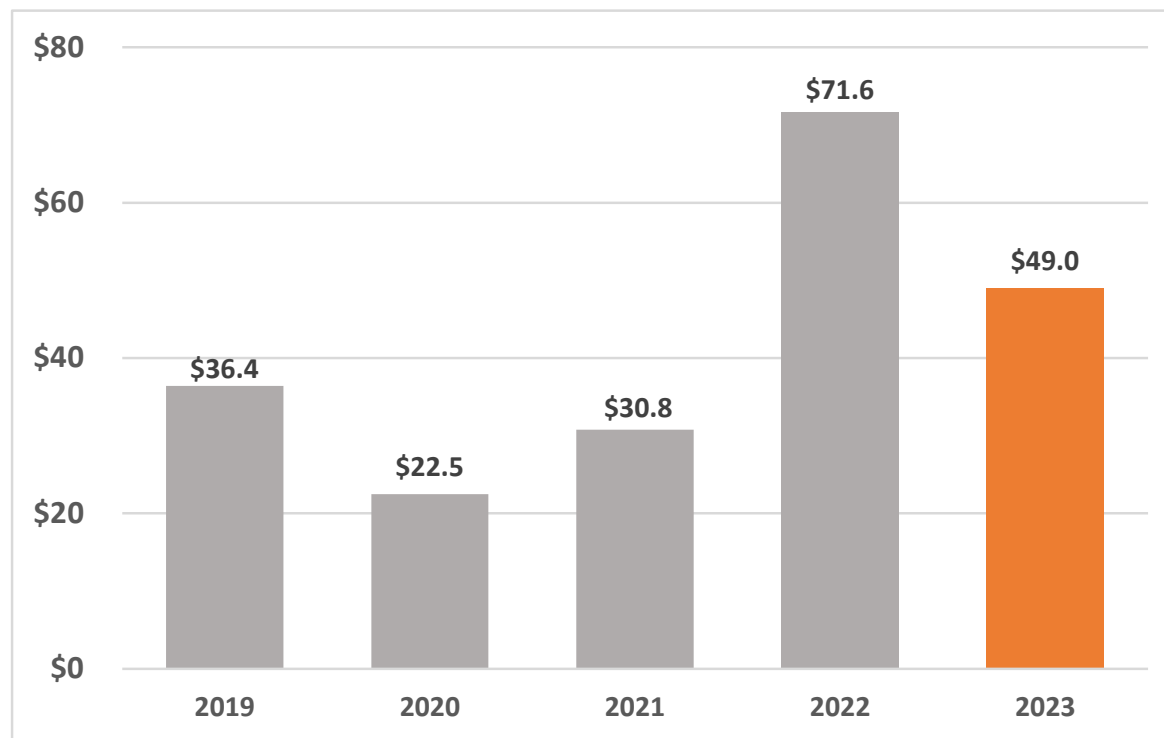
YoY % Change





2023 Second Quarter Costumes Net Sales

\$ Millions



YoY % Change:

(38%)

37%

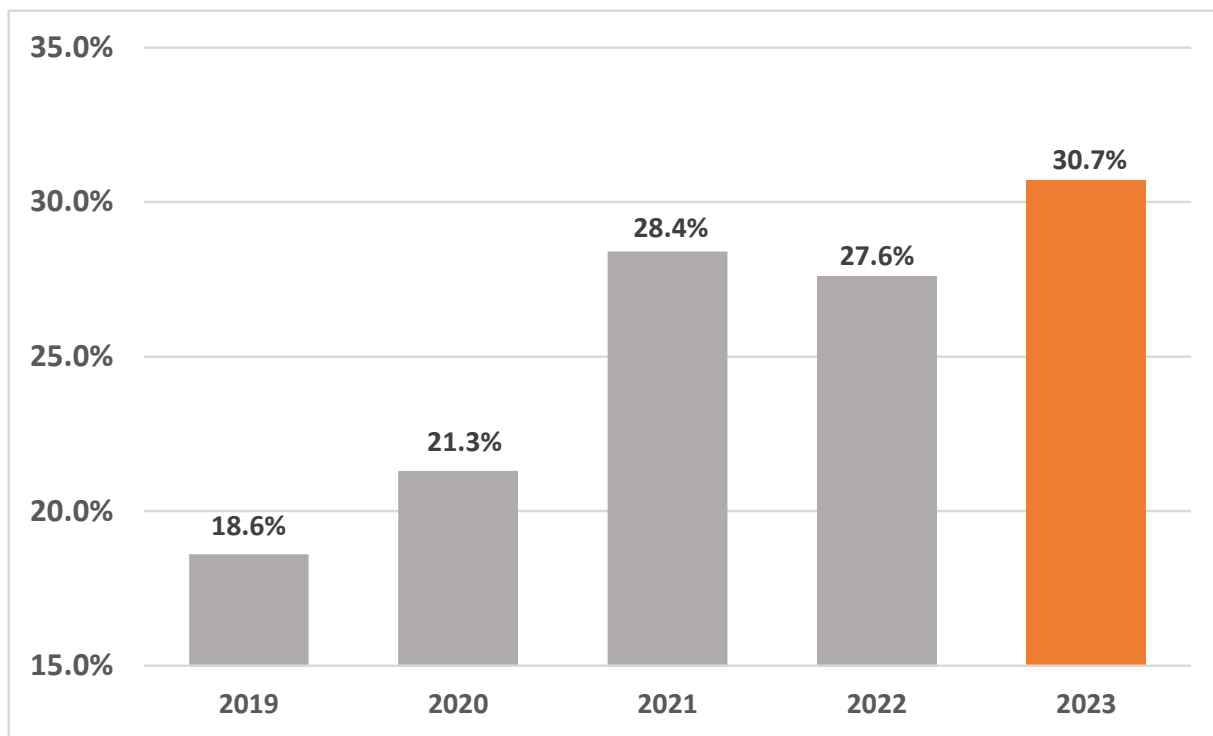
132%

(32%)





2023 Second Quarter Gross Margin %



YoY % Change:

270 bps

710 bps

(80) bps

310 bps

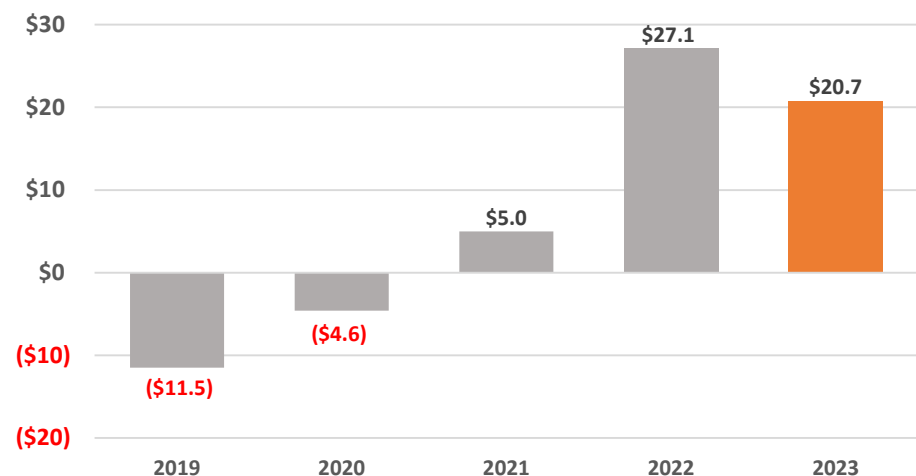




2023 Second Quarter Adj. EBITDA and Adj. Net Income

\$ Millions

Q2 ADJ EBITDA



(12.1%)

(5.8%)

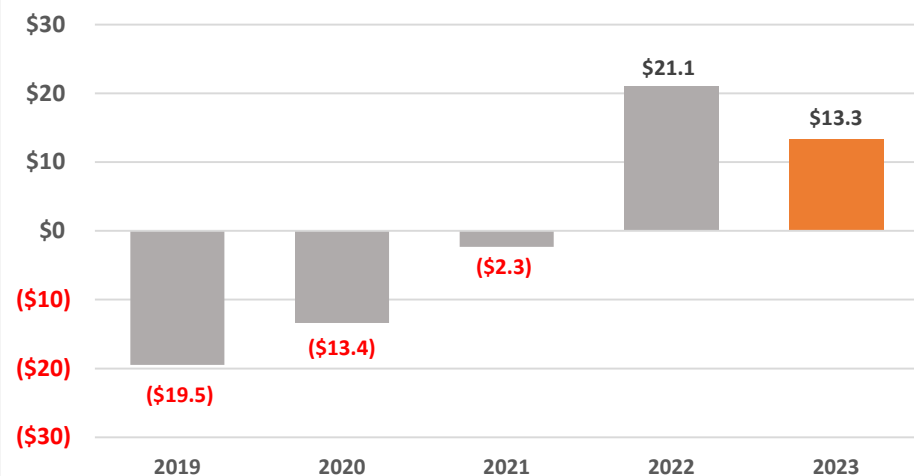
4.4%

12.3%

12.4%

Adj. EBITDA Margin %

Q2 ADJ NET INCOME



(20.5%)

(17.0%)

(2.1%)

9.6%

8.0%

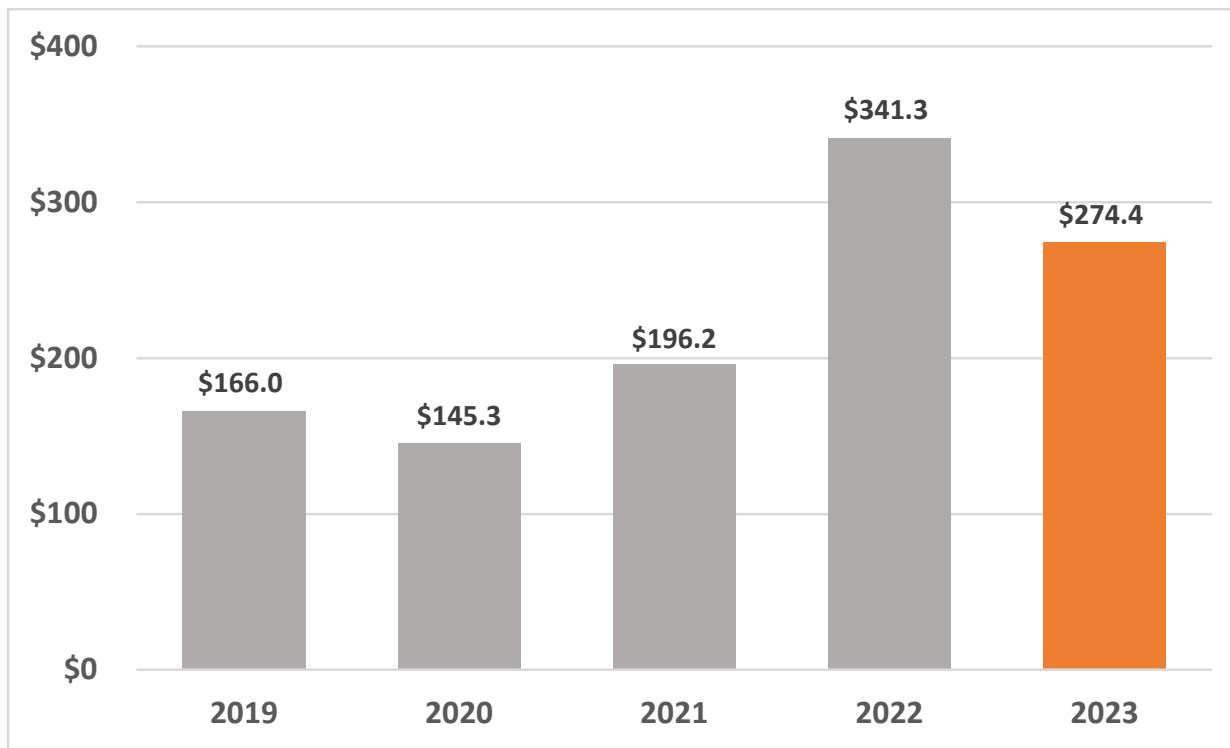
Adj. Net Income Margin %





2023 First Half Net Sales

\$ Millions



YoY % Change:

(12%)

35%

74%

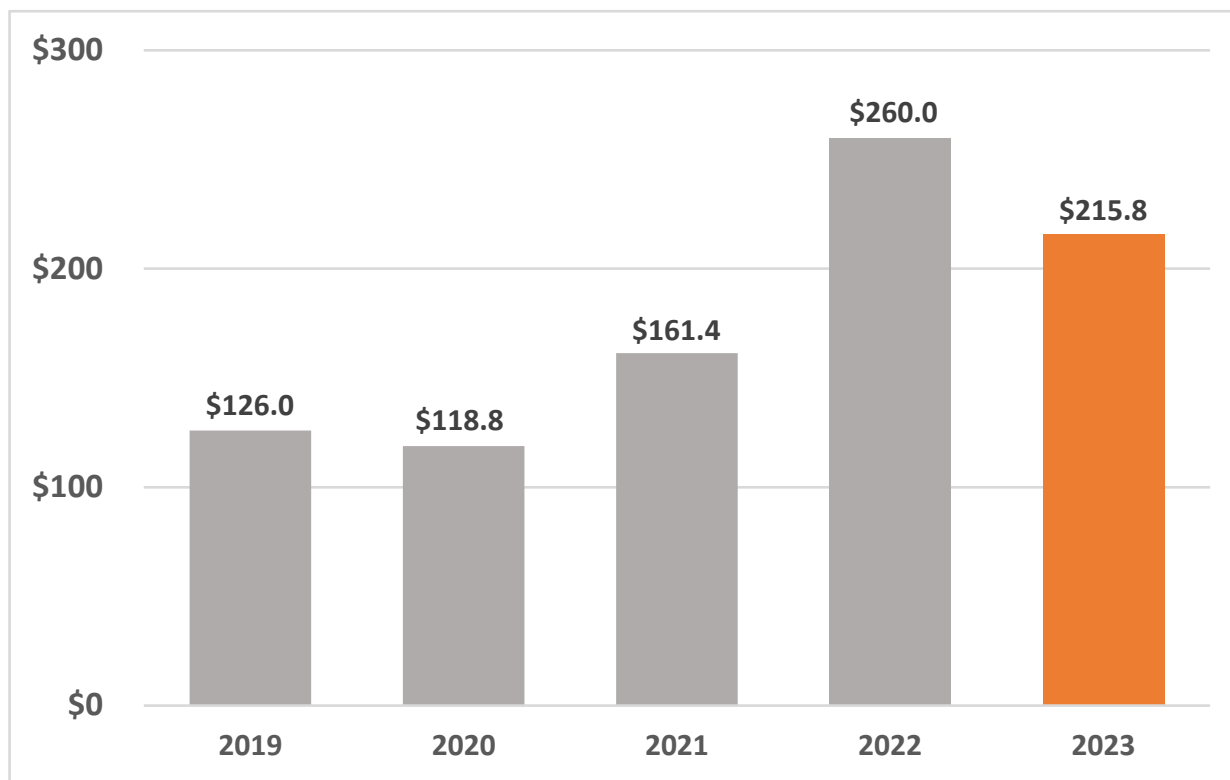
(20%)





2023 First Half Toys/Consumer Products Net Sales

\$ Millions



YoY % Change:

(6%)

36%

61%

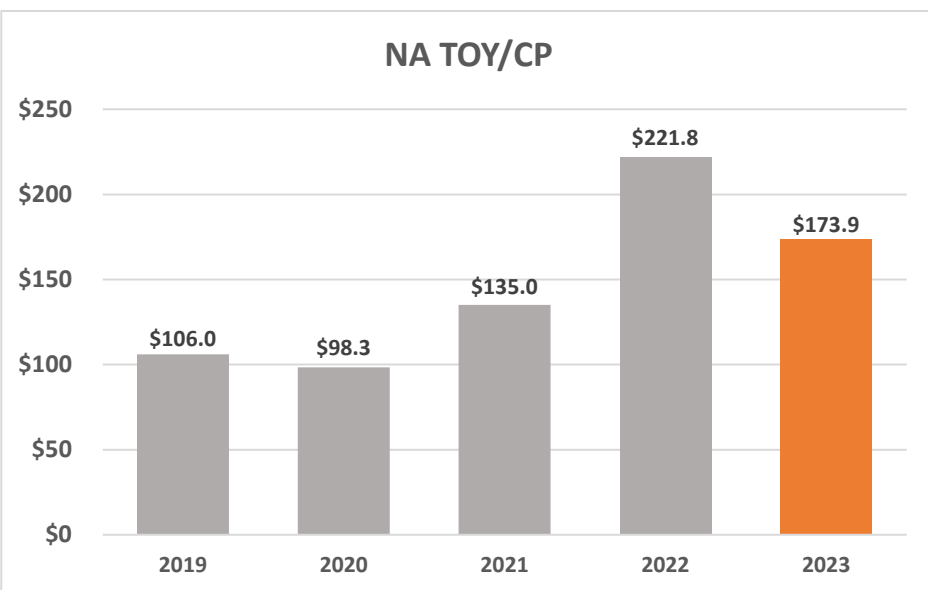
(17%)





2023 First Half Toys/Consumer Products Net Sales

\$ Millions



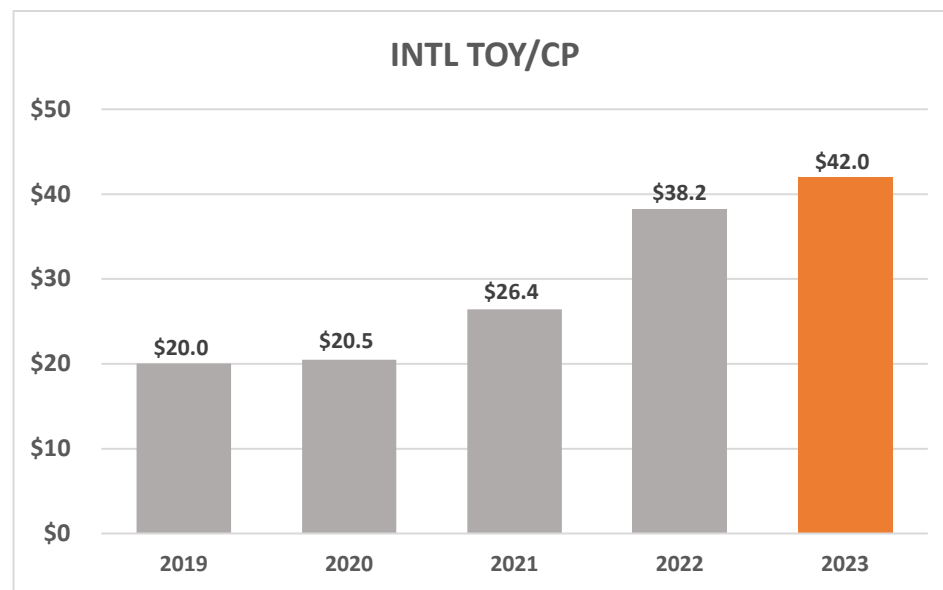
(7%)

37%

64%

(22%)

YoY % Change



2%

29%

45%

10%

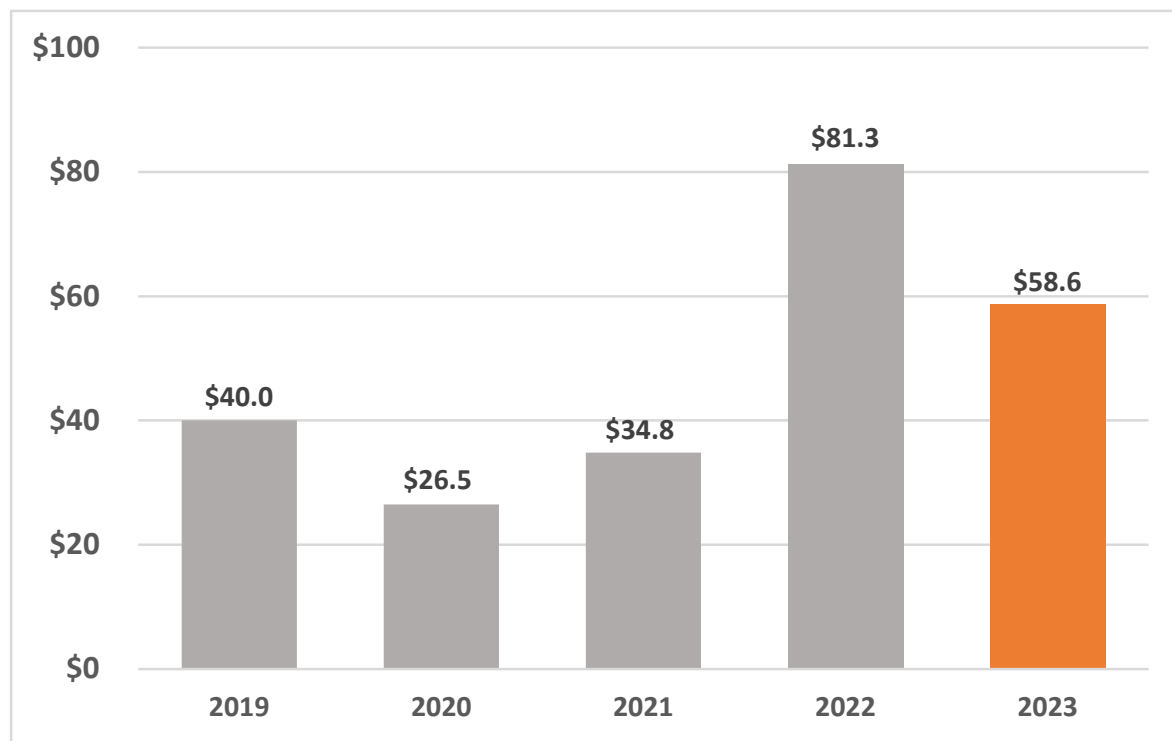
YoY % Change





2023 First Half Costumes Net Sales

\$ Millions



YoY % Change:

(34%)

31%

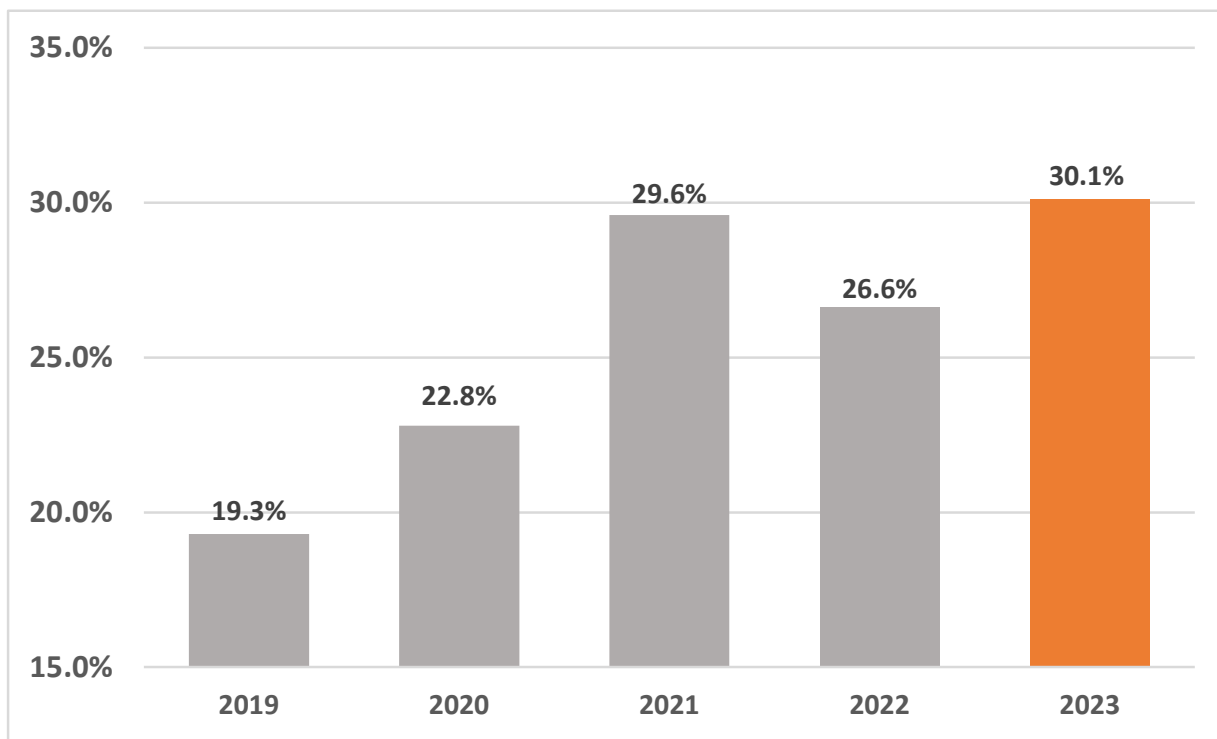
134%

(28%)





2023 First Half Gross Margin %



YoY % Change:

350 bps

680 bps

(300) bps

350 bps

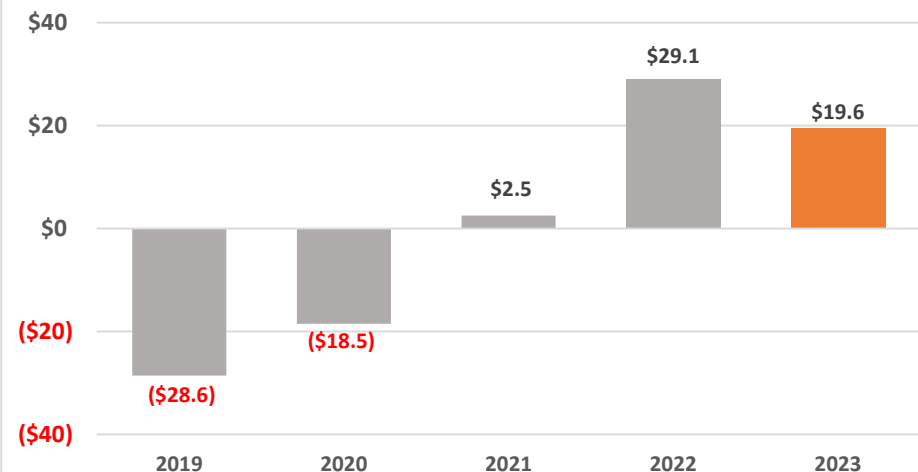




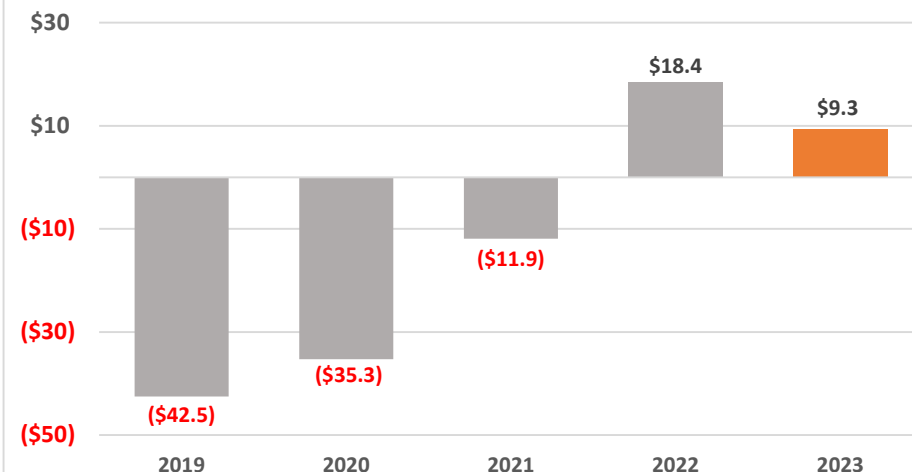
2023 First Half Adj. EBITDA and Adj. Net Income

\$ Millions

1H ADJ EBITDA



1H ADJ NET INCOME



(17.2%)

(12.7%)

1.3%

8.5%

7.1%

Adj. EBITDA Margin %

(25.6%)

(24.3%)

(6.0%)

5.4%

3.4%

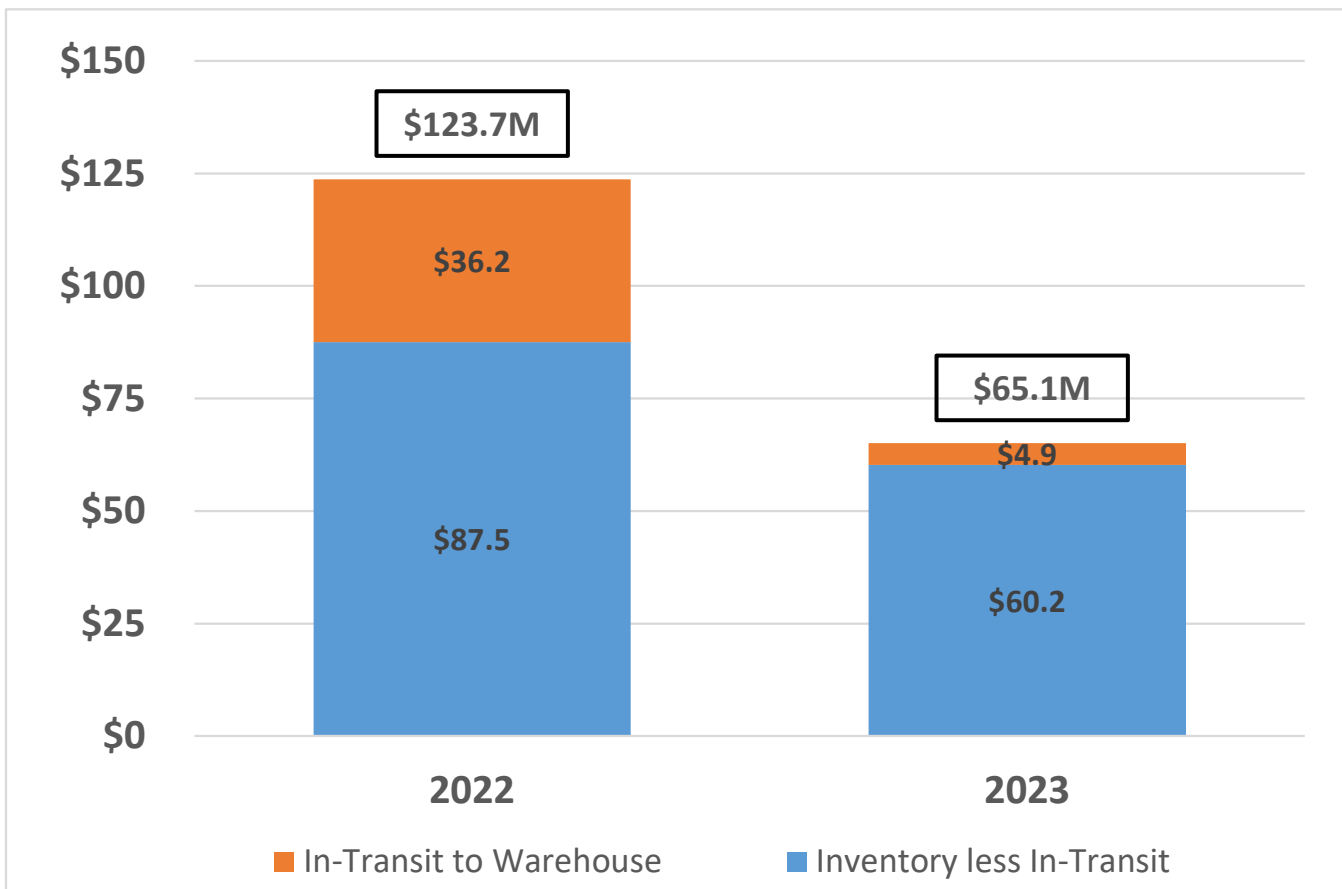
Adj. Net Income Margin %





Second Quarter Inventory - 2023 vs 2022 *(Worldwide)*

\$ Millions

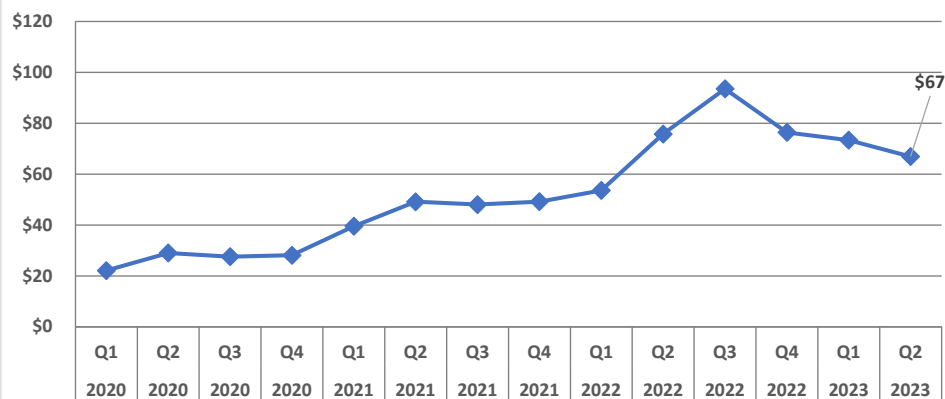




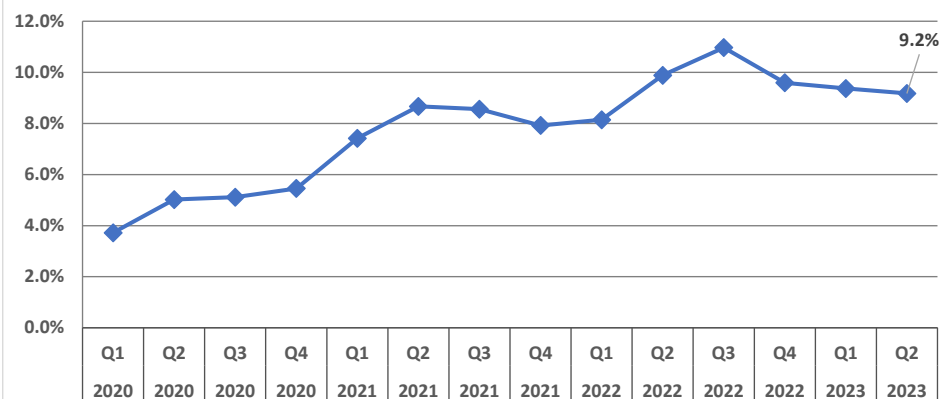
Trailing-Twelve-Month (TTM) Adjusted EBITDA

\$ Millions

TTM ADJ EBITDA



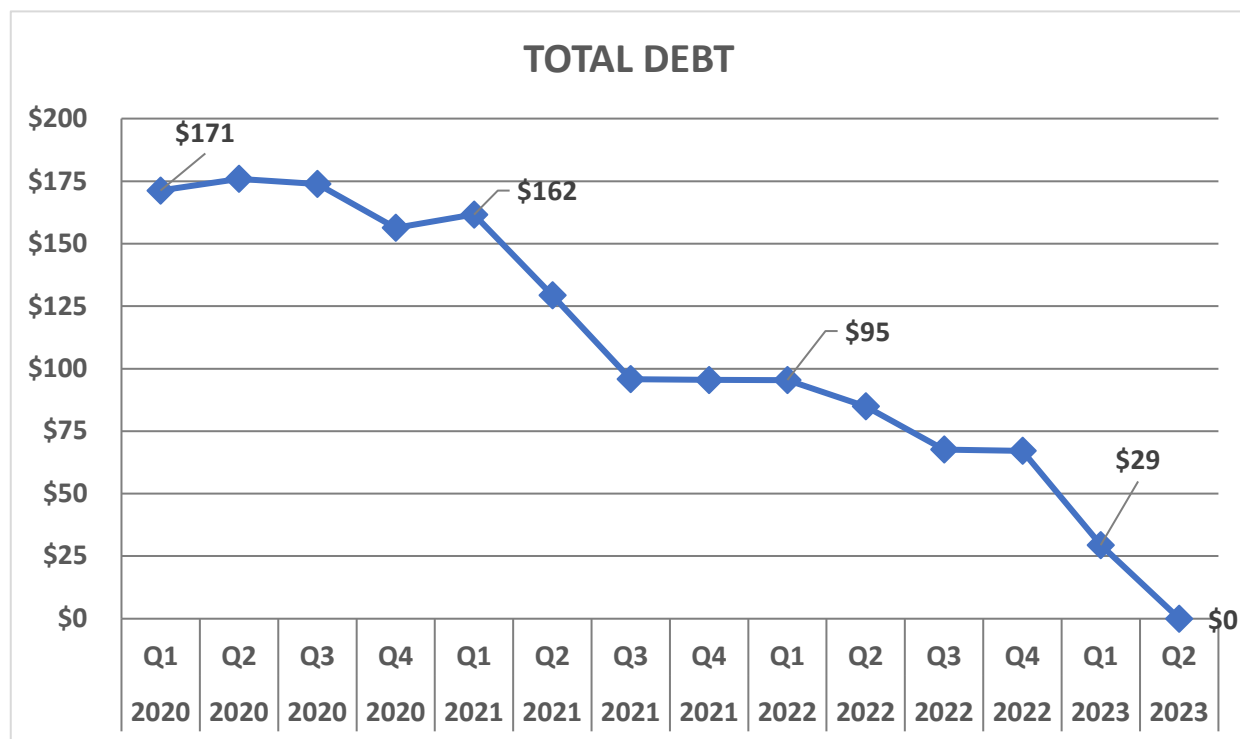
TTM ADJ EBITDA %





Total Debt*

\$ Millions



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







Disney THE LITTLE MERMAID









SONIC™
PRIME



SONIC™
THE HEDGEHOG





SHELF TALKERS

I'm not Mr.
Lebowski, I'm
the Dude!





THANK YOU





Supplemental Financial Information





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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Δ (%)	2023	2022	Δ (%)
	(In thousands, except per share data)			(In thousands, except per share data)		
Net sales	\$ 166,933	\$ 220,422	(24) %	\$ 274,417	\$ 341,303	(20) %
Less: Cost of sales						
Cost of goods	86,156	121,850	(29)	144,460	193,908	(26)
Royalty expense	27,279	35,704	(24)	43,933	53,394	(18)
Amortization of tools and molds	2,300	1,978	16	3,389	3,194	6
Cost of sales	115,735	159,532	(27)	191,782	250,496	(23)
Gross profit	51,198	60,890	(16)	82,635	90,807	(9)
Direct selling expenses	3,980	6,838	(42)	11,721	11,740	(0)
General and administrative expenses	30,677	29,514	4	58,671	54,667	7
Depreciation and amortization	93	578	(84)	195	1,174	(83)
Selling, general and administrative expenses	34,750	36,930	(6)	70,587	67,581	4
Intangibles impairment	-	300	nm	-	300	nm
Income from operations	16,448	23,660	(30)	12,048	22,926	(47)
Other income (expense):						
Loss from joint ventures	(565)	-	nm	(565)	-	nm
Other income (expense), net	38	183	(79)	476	269	77
Change in fair value of preferred stock derivative liability	(6,022)	6,029	nm	(5,875)	5,384	nm
Loss on debt extinguishment	(1,023)	-	nm	(1,023)	-	nm
Interest income	86	6	nm	203	9	nm
Interest expense	(1,302)	(2,337)	(44)	(4,305)	(4,539)	(5)
Income before provision for income taxes	7,660	27,541	(72)	959	24,049	(96)
Provision for income taxes	1,478	1,334	11	95	1,751	(95)
Net income	6,182	26,207	(76)	864	22,298	(96)
Net loss attributable to non-controlling interests	(273)	(353)	(23)	(278)	(453)	(39)
Net income attributable to JAKKS Pacific, Inc.	\$ 6,455	\$ 26,560	(76) %	\$ 1,142	\$ 22,751	(95) %
Net income attributable to common stockholders	\$ 6,082	\$ 26,209	(77) %	\$ 402	\$ 22,054	(98) %
Earnings per share - basic	\$ 0.62	\$ 2.73		\$ 0.04	\$ 2.30	
Shares used in earnings per share - basic	9,871	9,588		9,871	9,588	
Earnings per share - diluted	\$ 0.58	\$ 2.61		\$ 0.04	\$ 2.21	
Shares used in earnings per share - diluted	10,532	10,037		10,428	9,978	





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

	June 30,		December 31,
	2023	2022	2022
	(In thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 32,228	\$ 62,283	\$ 85,297
Restricted cash	203	-	193
Accounts receivable, net	132,479	164,020	102,771
Inventory	65,059	123,666	80,619
Prepaid expenses and other assets	11,227	14,519	6,331
Total current assets	241,196	364,488	275,211
Property and equipment	134,091	128,844	130,437
Less accumulated depreciation and amortization	116,813	112,601	115,575
Property and equipment, net	17,278	16,243	14,862
Operating lease right-of-use assets, net	15,249	24,584	19,913
Deferred income tax assets, net	57,804	-	57,804
Goodwill	35,083	35,083	35,083
Intangibles and other assets, net	2,331	3,239	2,469
Total assets	\$ 368,941	\$ 443,637	\$ 405,342
Liabilities, Preferred Stock and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 57,768	\$ 86,660	\$ 33,687
Accounts payable - Meisheng (related party)	18,612	42,254	9,820
Accrued expenses	46,448	58,189	37,998
Reserve for sales returns and allowances	37,851	45,625	51,877
Income taxes payable	5,808	2,333	8,165
Short term operating lease liabilities	9,226	10,239	10,746
Short term debt, net	-	2,475	25,529
Total current liabilities	175,713	247,775	177,822
Long term operating lease liabilities	6,220	15,406	9,863
Debt, non-current portion, net	-	82,453	41,622
Preferred stock derivative liability	27,793	15,898	21,918
Income taxes payable	2,971	215	2,929
Deferred income tax liabilities, net	-	51	-
Total liabilities	212,697	361,798	254,154
Preferred stock accrued dividends	5,230	3,771	4,490
Stockholders' equity:			
Common stock, \$.001 par value	10	10	10
Additional paid-in capital	277,178	273,625	275,187
Accumulated deficit	(110,876)	(180,680)	(112,018)
Accumulated other comprehensive loss	(16,021)	(15,765)	(17,482)
Total JAKKS Pacific, Inc. stockholders' equity	150,291	77,190	145,697
Non-controlling interests	723	878	1,001
Total stockholders' equity	151,014	78,068	146,698
Total liabilities, preferred stock and stockholders' equity	\$ 368,941	\$ 443,637	\$ 405,342





Supplemental Balance Sheet and Cash Flow Data (Unaudited)

Key Balance Sheet Data:

Accounts receivable days sales outstanding (DSO)
Inventory turnover (DSI)

June 30,	
2023	2022
72	68
51	71

Condensed Cash Flow Data:

Cash flows provided by operating activities
Cash flows used in investing activities
Cash flows used in financing activities and other
Increase(Decrease) in cash, cash equivalents and restricted cash

Six Months Ended June 30,	
2023	2022
(In thousands)	
\$ 20,805	\$ 36,549
(4,893)	(5,274)
(68,971)	(14,324)
<u>\$ (53,059)</u>	<u>\$ 16,951</u>
<u>\$ (4,918)</u>	<u>\$ (5,276)</u>

Capital expenditures





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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Δ (\$)	2023	2022	Δ (\$)
	(In thousands)			(In thousands)		
<u>EBITDA and Adjusted EBITDA</u>						
Net income	\$ 6,182	\$ 26,207	\$ (20,025)	\$ 864	\$ 22,298	\$ (21,434)
Interest expense	1,302	2,337	(1,035)	4,305	4,539	(234)
Interest income	(86)	(6)	(80)	(203)	(9)	(194)
Provision for income taxes	1,478	1,334	144	95	1,751	(1,656)
Depreciation and amortization	2,393	2,556	(163)	3,584	4,368	(784)
EBITDA	11,269	32,428	(21,159)	8,645	32,947	(24,302)
Adjustments:						
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	292	-	292	287	-	287
Loss from joint ventures (Meisheng - 49%)	273	-	273	278	-	278
Other (income) expense, net	(38)	(183)	145	(476)	(269)	(207)
Restricted stock compensation expense	1,856	1,155	701	3,945	2,025	1,920
Change in fair value of preferred stock derivative liability	6,022	(6,029)	12,051	5,875	(5,384)	11,259
Employee Retention Credit/gov't employment support	-	(249)	249	-	(249)	249
Loss on debt extinguishment	1,023	-	1,023	1,023	-	1,023
Adjusted EBITDA	\$ 20,697	\$ 27,122	\$ (6,425)	\$ 19,577	\$ 29,070	\$ (9,493)
Adjusted EBITDA/Net sales %	12.4 %	12.3 %	10 bps	7.1 %	8.5 %	-140 bps





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

	Trailing Twelve Months Ended		
	June 30,		
	2023	2022	Δ (\$)
	(In thousands)		
<u>TTM EBITDA and TTM Adjusted EBITDA</u>			
TTM Net income	\$ 69,649	\$ 55,521	\$ 14,128
Interest expense	10,949	9,398	1,551
Interest income	(321)	(16)	(305)
Provision for (benefit from) income taxes	(42,664)	1,989	(44,653)
Depreciation and amortization	9,794	10,047	(253)
TTM EBITDA	47,407	76,939	(29,532)
Adjustments:			
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	287	-	287
Loss from joint ventures (Meisheng - 49%)	278	-	278
Other (income) expense, net	(1,004)	(588)	(416)
Restricted stock compensation expense	7,002	3,353	3,649
Change in fair value of convertible senior notes	-	3,575	(3,575)
Change in fair value of preferred stock derivative liability	11,895	(1,078)	12,973
Employee Retention Credit/gov't employment support	-	(249)	249
Gain on loan forgiveness	-	(6,206)	6,206
Loss on debt extinguishment	1,023	-	1,023
TTM Adjusted EBITDA	<u>\$ 66,888</u>	<u>\$ 75,746</u>	<u>\$ (8,858)</u> (12) %
TTM Adjusted EBITDA/TTM Net sales %	<u>9.2 %</u>	<u>9.9 %</u>	<u>-70 bps</u>





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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2023	2022	Δ (\$)	2023	2022	Δ (\$)
	(In thousands, except per share data)			(In thousands, except per share data)		
<u>Adjusted net income (loss) attributable to common stockholders</u>						
Net income attributable to common stockholders	\$ 6,082	\$ 26,209	\$ (20,127)	\$ 402	\$ 22,054	\$ (21,652)
Restricted stock compensation expense	1,856	1,155	701	3,945	2,025	1,920
Change in fair value of preferred stock derivative liability	6,022	(6,029)	12,051	5,875	(5,384)	11,259
Loss on debt extinguishment	1,023	-	1,023	1,023	-	1,023
Employee Retention Credit/gov't employment support	-	(249)	249	-	(249)	249
Loss from joint ventures (JAKKS Pacific, Inc. - 51%)	292	-	292	287	-	287
2021 BSP Term Loan prepayment penalty	-	-	-	150	-	150
Tax impact of additional charges	(1,979)	-	(1,979)	(2,347)	-	(2,347)
Adjusted net income attributable to common stockholders	\$ 13,296	\$ 21,086	\$ (7,790)	\$ 9,335	\$ 18,446	\$ (9,111)
Adjusted earnings per share - basic	\$ 1.35	\$ 2.20	\$ (0.85)	\$ 0.95	\$ 1.92	\$ (0.96)
Shares used in adjusted earnings per share - basic	9,871	9,588	283	9,871	9,588	283
Adjusted earnings per share - diluted	\$ 1.26	\$ 2.10	\$ (0.84)	\$ 0.90	\$ 1.85	\$ (0.95)
Shares used in adjusted earnings per share - diluted	10,532	10,037	495	10,428	9,978	450

