



Q3 2020 Earnings
Revised November 3, 2020





Third Quarter 2020
Earnings Conference Call Presentation
November 2, 2020, 5:00 PM Eastern Time

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

Conference ID 8283204





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.

Note: Following presentation includes unaudited information





CEO OVERVIEW

Performed Better than Internal Expectations Despite Challenges

- Year-to-date EBITDA up over 50%;
- Grew gross margins to highest level in over three years;
- POS at top accounts up 28% Sept. inventory down mid-teens
- Year-to-date Operating profit positive for first time since 2016
- Amended loan agreement provides greater flexibility

Sales Growth Excluding Frozen, Disguise

- Net sales down 14%; Up 13% excluding Frozen and Disguise
 - Toy/Consumer Products segment down 8%
 - Disguise down 27%
 - Release of Frozen 2 in 2019 created difficult comparisons
 - Disguise hurt by COVID-driven retailer caution, tighter credit





CEO OVERVIEW (continued)

Several Products Performed Well

- Disney sales up 18% excluding Frozen;
- Nintendo sales up 60%;
- Sonic up 5x
- Xtreme Power Dump Truck off to good start
- Perfectly Cute Baby/Home up double digits
- Cute Girls Hairstyles off to strong start

Encouraging Retail POS and Inventory Trends

- POS at top three retailers up 28% through September
- Retail inventory down 16% at top retailers as of September 30

Focus on Profitability Will Continue

- Gross profit over sales
- Not chasing low margin sales
- Sustainable OpEx cuts





Q3 2020 RESULTS

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

	Q3		Favorable/(Unfavorable)	
	2019	2020	Δ \$	Δ %
Net Sales	280,130	242,290	(37,840)	(13.5%)
Gross Profit %	28.9%	30.8%	193 bps	
Profit (Loss) from Operations	35,662	37,513	1,851	5.2%
Profit (Loss) from Operations %	12.7%	15.5%	275 bps	
Earnings (Loss) Per Share - Diluted	5.08	3.19	(1.89)	(37.2%)
Adjusted EBITDA	44,128	42,729	(1,399)	(3.2%)

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CFO SALES REVIEW

Balancing Evergreens and Licenses

Girls Products down 11% vs. Q3 2019

Up 24% Excluding Frozen

Lines that performed well:

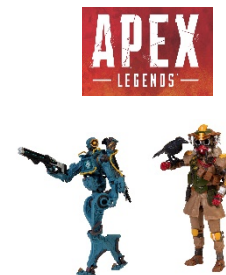
- Perfectly Cute Baby/Home
- Disney Princess
- Kitten Catfe



Boys' Products up 9% vs. Q3 2019

Lines that performed well:

- Nintendo Super Mario
- Sonic retail sell-through very strong
- Apex Legends
- Xtreme Power Dump Truck





CFO SALES REVIEW cont'd

Seasonal Products down 12% vs. Q3 2019

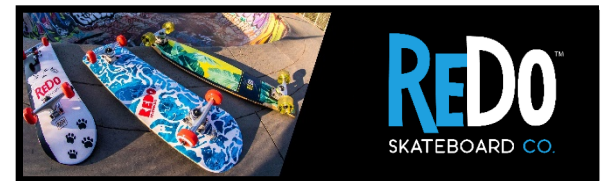
- MorfBoard down, replaced by ReDo
- Kids Only – cut low margin programs

Lines that performed well in Q3:

- Activity tables
- Foot-to-floor
- ReDo Skateboards

Disguise down 27% vs. Q3 2019

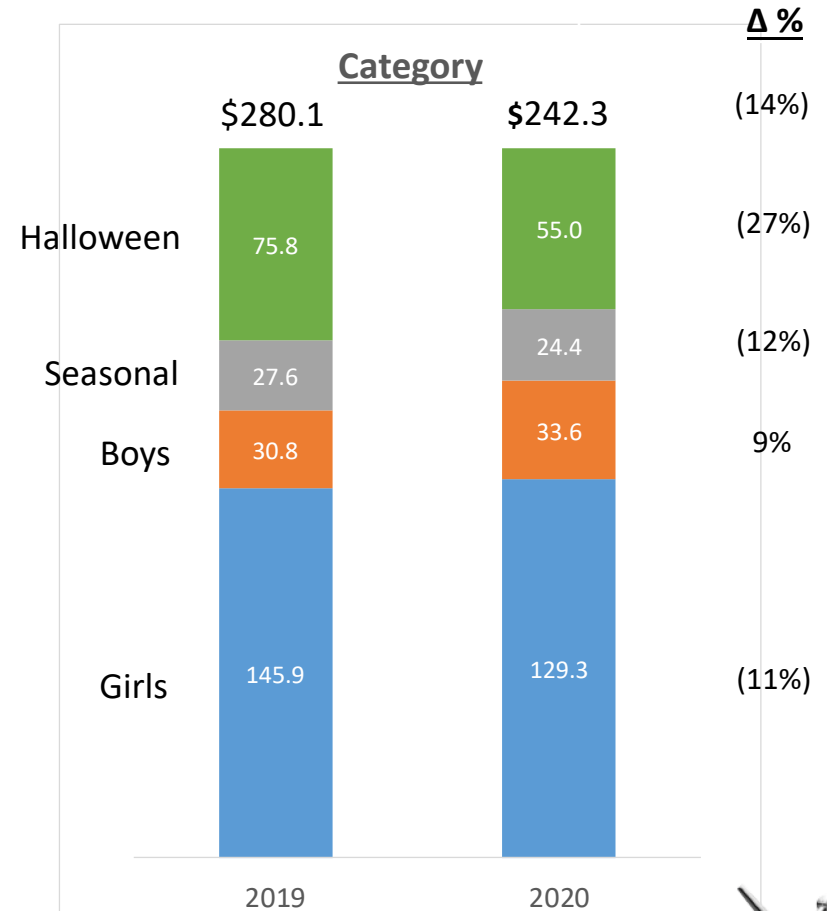
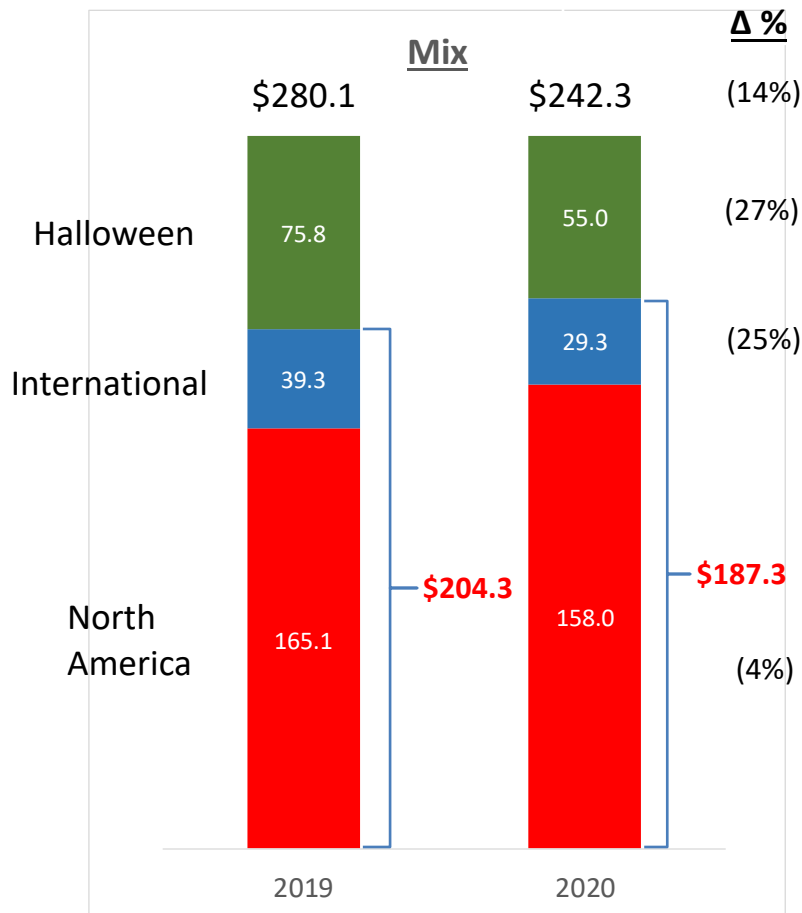
- Retailers cautious on Halloween
- JAKKS reducing credit risks





Q3 NET SALES BY SEGMENT & CATEGORY

(In US \$ millions)





Q3 2020 RESULTS

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

	Q3				Favorable/(Unfavorable)	
	2019	% of Sales	2020	% of Sales	Δ \$	Δ %
Net Sales	280,130	100.0%	242,290	100.0%	(37,840)	(13.5%)
Cost of Sales	199,271	71.1%	167,674	69.2%	(31,597)	(15.9%)
Gross Profit	80,859	28.9%	74,616	30.8%	(6,243)	(7.7%)
Direct Selling Expenses	17,993	6.4%	13,477	5.6%	(4,516)	(25.1%)
General & Administrative Expenses	24,979	8.9%	22,876	9.4%	(2,103)	(8.4%)
Income (Loss) from Operations	35,662	12.7%	37,513	15.5%	1,851	5.2%
Interest Expense, net	(4,617)	(1.6%)	(5,566)	(2.3%)	(949)	(20.6%)
Other Income (expense), net	36	0.0%	112	0.0%	76	nm
Provision for (benefit from) income taxes	1,016	0.4%	(267)	(0.1%)	(1,283)	nm
Net Income (Loss) Attributable to non-controlling interests	(31)	(0.0%)	49	0.0%	80	nm
Net Income (Loss) Attributable to Jakks Pacific, Inc.	16,445	5.9%	32,382	13.4%	15,937	96.9%
Net Income (Loss) Attributable to Common Stockholders	16,265	5.8%	32,066	13.2%	15,801	97.1%
Earnings (Loss) Per Share - Diluted	5.08		3.19		(1.89)	(37.2%)
Adjusted EBITDA	44,128	15.8%	42,729	17.6%	(1,399)	(3.2%)

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Q3 2020 CASH FLOW

(in US \$ millions)

	Q3		Favorable/(Unfavorable)	
	2019	2020	$\Delta \$$	$\Delta \%$
Cash Flow From Operations	35.0	27.8	(7.1)	(20%)
Free Cash Flow	32.6	26.0	(6.5)	(20%)





BALANCE SHEET SUMMARY

(in US \$ millions)

	<u>Dec 31,</u> <u>2019</u>	<u>Sept 30,</u> <u>2020</u>	<u>Inc/(Dec)</u> <u>Δ \$</u>
Cash, Cash Equivalents and Restricted Cash	66.3	79.8	13.5
Accounts Receivable, net	117.9	166.8	48.8
Inventory	54.3	54.6	0.3
Prepaid Expenses & Other Assets	21.9	22.1	0.2
<i>AP, Accrued Expenses & Other Current Liabilities</i>	<i>151.0</i>	<i>194.9</i>	<i>43.9</i>
<i>Short Term Debt</i>	<i>1.9</i>	<i>22.5</i>	<i>20.6</i>
Working Capital	107.5	105.9	(1.6)





WORKING CAPITAL

<i>(in US \$000s)</i>	<u>Dec 31,</u> <u>2019</u>	<u>Sept 30,</u> <u>2020</u>	<u>Inc/(Dec)</u> <u>Δ \$ / Δ %</u>
Net Sales	280,130	242,290	(37,840)
Working Capital w/ Cash	107,461	105,856	(1,605)
<i>% Net Sales</i>	38%	44%	5%
Working Capital w/o Cash	41,175	26,036	(15,139)
<i>% Net Sales</i>	15%	11%	-4%





CEO OUTLOOK

Review of Evergreens

- Moose Mountain play environments: ball pits and pop-up tents
- Toys tend to be resilient in tough economic times
- ReDo Skateboards
- New segments coming



Disguise poised for rebound



Boys

- Nintendo, Sonic the Hedgehog figures and toys
- Apex Legends figures and Playsets
- Black and Decker



Girls

- Disney evergreens
- Princess Style Collection
- New films coming





CEO OUTLOOK

Toy Industry – Best of Times, Worst of Times

- Princess Style Collection
- Games, Puzzles, Activities benefited
- Categories tied to social activities got hurt
- Outdoor products and video game themed products thrived
- Seasonal products did not do as well
- “Essential” retailers benefited
- Specialty stores have been hurt

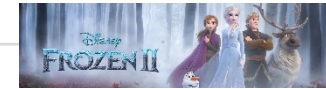




2020 HOLIDAY DRIVERS

Girls:

- Disney Style Collection - kitchen and vanity
- Frozen 2
- Kitten Catfe
- Cute Girls Hairstyles



Boys

- Nintendo / Super Mario
- Sega, Sonic
- Xtreme Power Dump Truck
- Fly Wheels

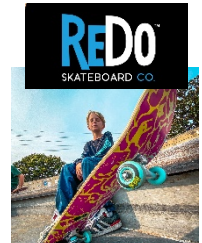




2020 HOLIDAY DRIVERS

Seasonal:

- Full year of Indoor Tents, Inflatables & Ride-Ons
- Redo skateboards
- Eyeclops



EYECLOPS™



Disguise

- Retail inventories clean





ONGOING PROFIT ENHANCEMENT INITIATIVES

- Thorough review of every aspect of the business in extreme detail
- Continued growth of direct sales to retailers outside US
- Expect 2021 to see strength in categories that were weak in 2020
- Continued focus on keeping costs down and preserving cash.





CONCLUSION

- We know challenges lie ahead, but we are facing them
- Preparing business for safe return to normal operations
- Managing costs, conserving cash and focusing on evergreens
- Positioned to emerge stronger than before





THANK YOU

