



Third Quarter 2017
Earnings Conference Call Presentation
October 26, 2017





EXECUTIVE TEAM ON THE CALL

STEPHEN BERMAN

Chairman & Chief Executive Officer

JOEL BENNETT

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 2017 estimates of sales and/or EBITDA growth, as well as any other forward-looking statements concerning 2017 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

Q3 Performance below original expectations

Toys R Us:

- On 9/20/17 preannounced Toys R Us bankruptcy adverse impact on sales in Q3 and Q4 due to lower than expected shipments
- Working closely with Toys R Us management on Critical Vendor Status, holiday 2017 and new 2018 initiatives

International:

- Lower than expected sales in U.K. combined with TRU resulted in cash charges related to minimum royalty guarantees and bad debt, and non-cash charges related to the impairment of certain assets, including goodwill from acquisitions

Overall POS is encouraging - up strongly vs. Q3 2016

New and continuing properties performing strong include:

- Disney: Moana, Tangled
- Warner Bros: DC Superhero Girls
- Seasonal Business
- JAKKS IP: Real Workin' Buddies Mr. Dusty, Squish-Dee-Lish





STRATEGIC GOALS SCORECARD

- **Build on solid base of evergreen properties; partner brands and licenses**
 - Strong increase in sales of seasonal products, large-scale toddler dolls, and Disguise
- **Augment base with promotional opportunities**
 - Strong Moana sales; selling better at retail than competitive products
 - Total sales of Disney girls' products up in Q3; strong POS increases despite the continued decline of Frozen
- **Build up our IP, including animated content through Studio JP a JV with Meisheng**
 - Some of the biggest contributions to Q3 were from Real Workin' Buddies Mr. Dusty, Squish-Dee-lish, Unicore Rainbow Swirl Maker and Chocolate Egg Surprise Maker
- **Develop exclusive products and/or private label lines for customers**
- **Enter new categories organically and through acquisitions**
 - Reformulated C'est Moi product line on track to ship December 2017 for early 2018 consumer launch
 - Phase 1 of consumer-facing website is now live
 - High margin category
- **Diversify and develop product offerings for alternative channels**
 - US and International successes
- **Broaden geographic reach with new offices and new licenses**
 - Global master toy license for Incredibles 2
 - Mr. Dusty and Squish-dee-lish - strong domestic product launches Internationally in Q4
- **Grow business with online retailers**
 - Growth in Sales to Amazon in Q3
 - Total sales to online retailers are up modestly through the first nine months, despite decline in overall sales
 - Continue to work on increasing online sales as percentage of total





LOOKING AHEAD TO 2018

- **Expect several licensed brands to be drivers**
 - Disney's Incredibles 2, Moana, Tangled: The Series, DC Super Hero, Star Wars, and Nintendo
- **Continue to grow owned IP**
 - Squish-Dee-Lish: New territories and new licenses such as Nintendo and Disney's Tsum Tsum
 - Real Workin' Buddies: New Mr. Hosey the fire engine for Spring 2018 and possibly other new products
 - Morf: Full distribution in early 2018
 - Games: Entering the category with Pull My Finger
 - Collectibles: Chicks with Wigs (cute line of little chicks wearing different style of wigs)
 - Expand retail private label and exclusive product initiatives
- **Studio JP**
 - In development of a new franchise slated for Fall 2018
- **Continue to look for new avenues of growth and new ways to redefine play**
 - Studio JP and C'est Moi investments





Q3 2017 RESULTS

(in US\$ millions except per share data)

	Q3			
	2017	2016	\$ Δ	% Δ
Net Sales	\$ 262.4	\$ 302.8	\$ (40.4)	(13%)
Gross Profit %	23.5%	31.4%	(790) bps	
Net Income (Loss) Attributable to JAKKS	\$ (17.6)	\$ 30.6	\$ (48.2)	(158%)
Diluted Earnings (Loss) Per Share	\$ (0.77)	\$ 0.82	\$ (1.59)	(194%)
Adjusted EBITDA	\$ 38.6	\$ 42.8	\$ (4.2)	(10%)





PRODUCT CATEGORIES – NET SALES

(in US\$ millions)

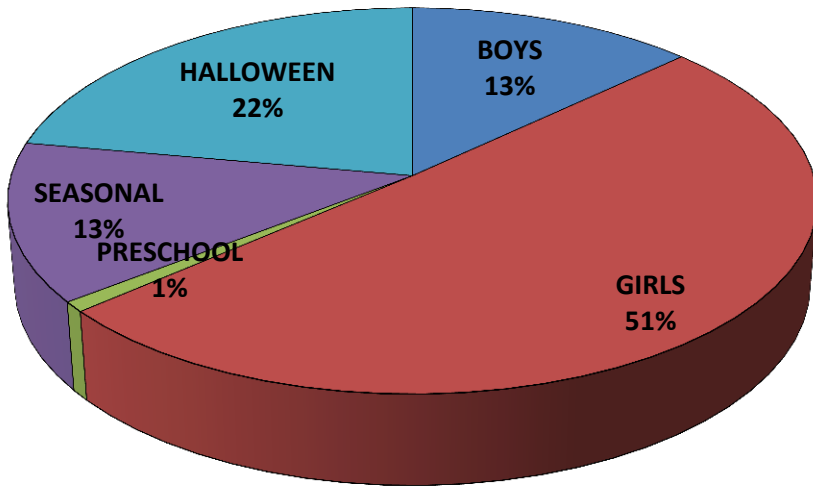
	<u>Q3 2017</u>	<u>Q3 2016</u>	<u>\$ Δ</u>	<u>% Δ</u>
Girls	\$132.8	\$ 149.0	(\$16.2)	(11%)
Boys & Other	34.2	59.1	(24.9)	(42%)
Seasonal	34.9	30.3	4.6	15%
Halloween	58.2	57.1	1.1	2%
Preschool	2.3	7.3	(5.0)	(68%)
Total	\$262.4	\$302.8	\$ (40.4)	(13%)



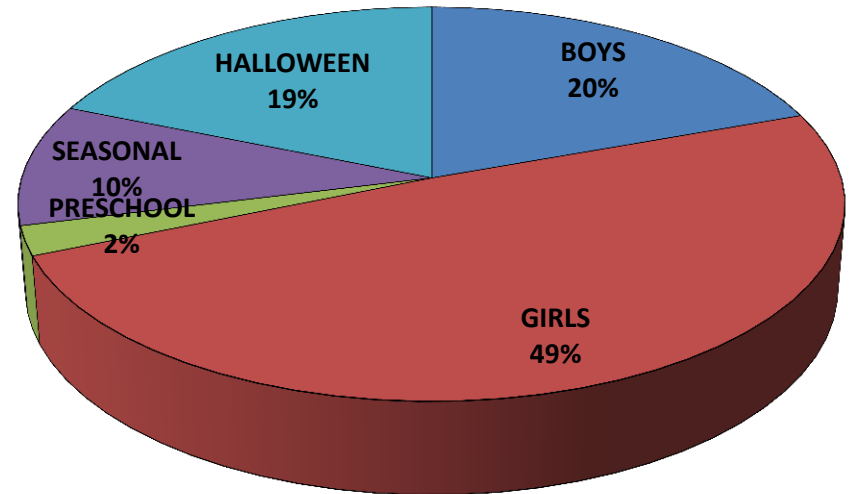


PRODUCT CATEGORIES

Q3 2017 Net Sales as % Total



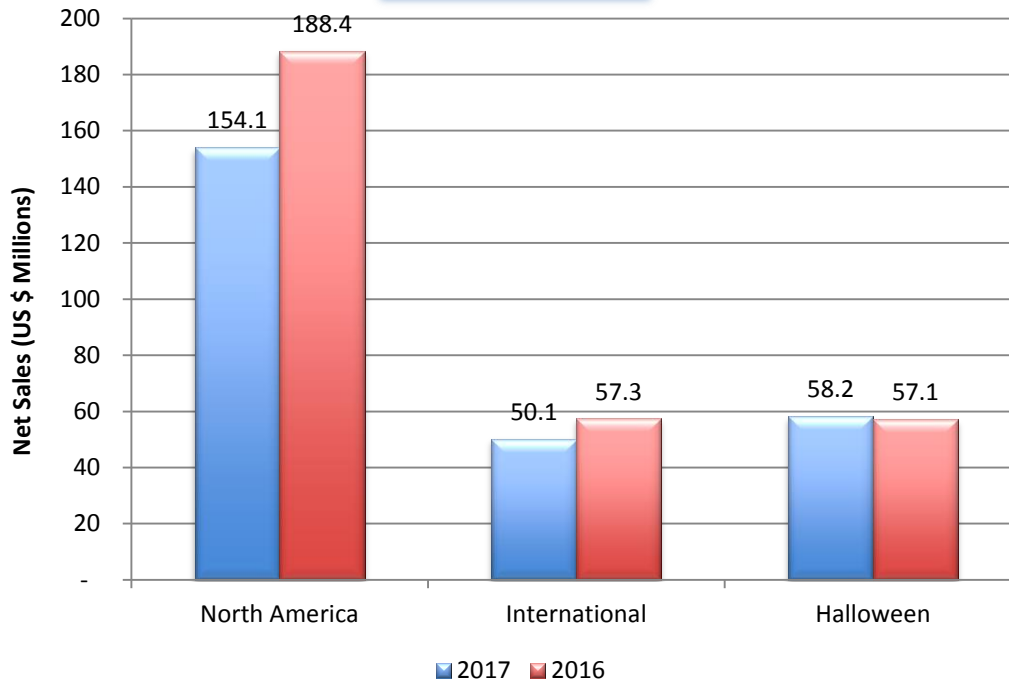
Q3 2016 Net Sales as % Total





SEGMENT RESULTS

Q3 Net Sales





Q3 2017 RESULTS

(in US\$ millions except per share data)

	2017		Q3 2016		% Δ
	\$	% of Sales	\$	% of Sales	
Net Sales	\$ 262.4	100.0%	\$ 302.8	100.0%	(13%)
COGS	<u>200.6</u>	<u>76.4%</u>	<u>207.9</u>	<u>68.6%</u>	4%
Gross Profit	61.8	23.6%	94.9	31.4%	(35%)
SG&A	<u>69.5</u>	<u>26.5%</u>	<u>60.5</u>	<u>20.0%</u>	(15%)
Operating Income (Loss)	(7.7)	-2.9%	34.4	11.4%	(122%)
Interest Expense, net	(2.0)	-0.8%	(3.0)	-1.0%	33%
Other/Write-off of Investment in Dreamplay LLC	(7.0)	-2.7%	0.3	0.1%	n/m
Provision for Income taxes	<u>(0.9)</u>	<u>-0.3%</u>	<u>(1.1)</u>	<u>-0.4%</u>	18%
Net Income (Loss) Attributable to JAKKS	\$ (17.6)	-6.7%	\$ 30.6	10.1%	(158%)
Diluted Earnings (Loss) Per Share	\$ (0.77)		\$ 0.82		(194%)
Adjusted EBITDA	\$ 38.6	14.7%	\$ 42.8	14.1%	(10%)





Q3 2017 RESULTS

(in US\$ millions)

	Q3			
	2017	2016	\$ Δ	% Δ
Cash Flow used by Operations	\$ (19.4)	\$ (39.4)	\$ 20.0	51%
Free Cash Flow	\$ (22.3)	\$ (44.5)	\$ 22.2	50%





BALANCE SHEET HIGHLIGHTS

Q3 2017 Results

(in US\$ millions)

	as of September 30		
	2017	2016	\$ Δ
Cash & Cash Equivalents and Restricted Cash	\$ 48.8	\$ 48.2	\$ 0.6
Accounts Receivable, net	\$ 224.1	\$ 272.3	\$ (48.2)
Inventory, net	\$ 80.1	\$ 75.1	\$ 5.0
Accounts Payable and Accrued Liabilities	\$ 166.3	\$ 176.3	\$ (10.0)
Working Capital	\$ 160.6	\$ 247.6	\$ (87.0)



