

# JAKKS Pacific, Inc.

Large Q1 upside. 2022 outlook remains positive even as supply chain issues weigh. Raising P/T to \$19.

## COMPANY UPDATE

### Rating: BUY

Ticker: JAKK

Price: \$11.95

Target: \$19.00  
(from \$18)

**Large Q1 upside:** JAKKS recently (on April 28) reported its fiscal Q1 2022 (ending March) results. Revenue was \$121 million (+44% y-o-y), compared with our estimate of \$86 million and consensus \$82 million. Pro forma EPS was \$(0.28), compared with our estimate of \$(1.49) and consensus of \$(1.16). There was no Q1 guidance.

**Strong toy industry demand:** JAKKS benefited from strong consumer demand that started with SIP pandemic rules that has continued even as the pandemic is about over. The company had broad growth across a wide range of brands and categories. U.S. toy retail POS at JAKKS top three accounts were up 40% vs. Q1 2021. The company had strong sales of movie toys Sonic the Hedgehog 2 and Disney's Encanto toys in Q1.

**But supply chain issues continue to weigh:** The company had weaker margins in Q1 as supply issues added significant costs. The company had elevated freight costs and extended timelines to deliver inventory into U.S. and European warehouses. The company expects this to continue through 2022.

**Profitability improved:** Cost controls, inventory management, and operating leverage were able to offset the higher supply chain costs to gross margins (25% vs 31% y-o-y). This resulted in much higher operating income (\$1 million versus \$(3) million y-o-y though % margins were weaker).

**Building inventory:** Q1 inventory was +133% versus last year (at \$85 million, from \$84 million in Q4 and \$37 million in Q1 2021) vs. a sales increase of 44%. We believe the large inventory levels increases are reasonable to manage the current supply chain issues (delays and higher freight costs).

**No guidance:** The company declined to provide 2022 guidance.

**Raising estimates:** We are raising our 2022 estimates for revenue to \$665 million, from \$640 million, and for EPS to \$3.50 from \$3.00. We are raising our 2023 estimates for revenue to \$680 million, from \$665 million, and for EPS to \$3.80 from \$3.72.

**Toy industry growth helping JAKKS:** NPDI reported that U.S. sales of toys rose +13% in 2021 (+16% in 2020). The toy industry benefited from SIP and kids staying home which has continued even as the pandemic is about over. We expect 10% toy industry growth in 2022.

**Solid Q1 execution:** Q1 revenue were strong (reversing declining revenues over the past several years) and helps alleviate investors' concerns that the negative momentum (from the prior three year's bad misses and significantly lowered guidance) is over. 2020 revenue were -14%, but rebounded to +20% in 2021.

**Should drive 2022:** We believe the strong Q1 results and higher inventory levels should drive momentum through 2022. We also note that the company has significantly reduced its costs structure, so profitability has improved and has significant operating leverage as revenue growth returns.

**Risk/reward attractive:** Maintaining our BUY rating, but raising our 12-month price target to \$19 from \$18, which reflects a P/E multiple of ~5x our 2023 EPS estimate of \$3.80. This is below the peer group median for toy companies to reflect higher execution risks but also represents significant upside from the current share price.

#### Company Description

Based in Santa Monica, CA, JAKKS Pacific is a multi-brand company that designs and markets a broad range of toys and consumer products.

#### Stock Data

Exchange:	NasdaqGS
52-week Range:	\$7.50 –16.91
Shares Outstanding (million):	10
Market cap (\$million):	\$120
EV (\$million):	\$176
Debt (\$million):	\$95
Cash (\$million):	\$39
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	7
Short Interest (million shares):	0.3
Dividend, annual (yield):	\$0.00 (NA%)

#### Revenues (US\$ million)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	121A	86E	122E	90E
Q2 Jun	114E	116E	116E	120E
Q3 Sep	242E	244E	249E	254E
Q4 Dec	<u>188E</u>	<u>194E</u>	<u>194E</u>	<u>201E</u>
Total	<b>665E</b>	<b>640E</b>	<b>680E</b>	<b>665E</b>
EV/Revs	0.3x		0.3x	

#### Earnings per Share (pro forma)

	<u>2022E</u> (Cur.)	<u>2022E</u> (Old)	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)
Q1 Mar	(0.28)A	(1.49)E	(1.86)E	(1.49)E
Q2 Jun	(0.43)E	(0.32)E	(0.23)E	(0.23)E
Q3 Sep	3.48E	3.57E	4.18E	3.88E
Q4 Dec	<u>0.62E</u>	<u>1.13E</u>	<u>1.60E</u>	<u>1.45E</u>
Total	<b>3.50E</b>	<b>3.00E</b>	<b>3.80E</b>	<b>3.72E</b>
P/E	3x		3x	

#### Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 7.

## OVERVIEW

- JAKKS recently (on April 28) reported its fiscal Q1 2022 (ending March) results.
- Revenue was \$121 million (+44% y-o-y), compared with our estimate of \$86 million and consensus \$82 million.
- Pro forma EPS was \$(0.28), compared with our estimate of \$(1.49) and consensus of \$(1.16).
- There was no Q1 guidance.
- The company did not provide 2022 guidance.
- We are raising our 2022 estimates for revenue to \$665 million, from \$640 million, and for EPS to \$3.50 from \$3.00.
- We are raising our 2023 estimates for revenue to \$680 million, from \$665 million, and for EPS to \$3.80 from \$3.72.

## ADDITIONAL DETAILS

- Gross profit for the quarter was \$30 million, compared with our estimate of \$26 million.
- Gross margin for the quarter was 25%, versus 31% last year and our expectation of 30%.
- Operating expenses were \$31 million, versus our expectation of \$38 million.
- Operating loss was \$1 million, versus our expectation of a loss of \$12 million.
- Pro forma net loss was \$3 million, versus our expectation of a loss of \$14 million.
- EBITDA was \$2 million, compared to our estimate of \$(9) million and \$(2) million last year.

The company's balance sheet remains relatively seasonally steady with \$39 million in cash and \$95 million in debt, compared with \$45 million in cash and \$96 million in debt as of December. JAKKS has ~\$4/share in cash (~\$6/share in net debt).

The company's Q1 inventory was +133% versus last year (at \$85 million, from \$84 million in Q4 and \$37 million in Q1 2021) vs. a sales increase of 44%. We believe the large inventory levels increases are reasonable to manage the current supply chain issues (delays and higher freight costs).

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## Exhibit 1: Q1 2022 Overview

# EXECUTIVE SUMMARY

## Highest Q1 Net Sales & Earnings per Share in 14 years

- Q1 Net Sales were \$121 million, 44% increase over prior year, highest Q1 level since 2008
- Q1 Toy/Consumer Products (CP) business up even when excluding Sonic the Hedgehog® and Disney's Encanto™
- Q1 gross margins were negatively impacted by higher freight costs
- Retail Toy/CP POS at Top 3 US customers was up over 40% in Q1
- Q1 Adjusted EBITDA of \$1.9 million, compared to negative \$2.4 million in the first quarter of 2021

Source: Company report.

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**Exhibit 2: JAKKS Pacific Stock Price (Five Years)**



Source: <https://bigcharts.marketwatch.com/>

**Exhibit 3: Consensus Expectations (as of April 28, 2022)**

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$82E		Q1 Mar	\$(1.16)E	
Q2 Jun	\$119E		Q2 Jun	\$(0.31)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
<b>Total</b>	<b>\$626E</b>	<b>\$648E</b>	<b>Total</b>	<b>\$2.61E</b>	<b>\$3.06E</b>

\*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

## FINANCIAL MODEL

JAKKS Pacific Inc.																				
Income Statement (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	<b>66.6</b>	<b>78.8</b>	<b>242.3</b>	<b>128.3</b>	<b>515.9</b>	<b>83.8</b>	<b>112.4</b>	<b>237.0</b>	<b>188.0</b>	<b>621.1</b>	<b>120.9</b>	<b>114.3</b>	<b>241.9</b>	<b>188.0</b>	<b>665.1</b>	<b>122.1</b>	<b>115.5</b>	<b>249.1</b>	<b>193.6</b>	<b>680.3</b>
Cost of Goods	37.7	46.3	122.6	68.3	274.9	44.0	61.5	126.1	111.5	343.1	72.1	64.0	135.4	105.3	376.8	65.0	62.7	135.2	98.4	361.2
Royalty expense	11.5	13.9	41.2	16.6	83.2	12.5	16.8	32.3	25.6	87.2	17.7	17.1	33.9	26.3	95.0	17.1	16.2	32.4	25.2	90.8
Amortization of tools	1.0	1.8	3.9	1.3	8.1	1.2	2.2	3.7	0.8	7.8	1.2	2.3	4.8	3.8	12.1	2.4	2.3	5.0	3.9	13.6
Total Cost of sales	50.2	62.0	167.7	86.2	366.1	57.7	80.5	162.0	137.9	438.2	91.0	83.5	174.1	135.4	483.9	84.5	81.2	172.6	127.4	465.7
<b>Gross Profit</b>	<b>16.4</b>	<b>16.8</b>	<b>74.6</b>	<b>42.0</b>	<b>149.8</b>	<b>26.1</b>	<b>31.9</b>	<b>74.9</b>	<b>50.0</b>	<b>183.0</b>	<b>29.9</b>	<b>30.9</b>	<b>67.7</b>	<b>52.6</b>	<b>181.1</b>	<b>37.6</b>	<b>34.3</b>	<b>76.6</b>	<b>66.2</b>	<b>214.7</b>
Direct Selling expenses	8.5	3.9	13.5	15.7	41.6	6.8	6.3	10.7	19.3	43.1	4.9	8.0	10.9	16.9	40.7	12.2	8.1	11.2	17.4	48.9
Selling, general, admin expenses	23.0	20.0	22.9	24.6	90.4	21.4	23.2	26.8	27.3	98.7	25.2	24.0	18.5	26.3	94.0	40.3	25.4	19.2	28.6	113.4
Depreciation and amortization	0.9	0.8	0.6	0.6	2.8	0.6	0.6	0.6	0.6	2.4	0.6	1.0	1.0	1.0	3.6	1.0	1.0	1.0	1.0	4.0
Restructuring and other		1.9	0.1		2.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating expenses	32.3	26.5	37.1	40.9	136.9	28.8	30.1	38.2	47.1	144.2	30.7	33.0	30.4	44.2	138.3	53.5	34.5	31.4	47.0	166.4
<b>Operating Income</b>	<b>(16.0)</b>	<b>(9.7)</b>	<b>37.5</b>	<b>1.1</b>	<b>12.9</b>	<b>(2.7)</b>	<b>1.8</b>	<b>36.7</b>	<b>2.9</b>	<b>38.8</b>	<b>(0.7)</b>	<b>(2.1)</b>	<b>37.3</b>	<b>8.4</b>	<b>42.9</b>	<b>(15.9)</b>	<b>(0.2)</b>	<b>45.2</b>	<b>19.2</b>	<b>48.3</b>
Interest expenses (income)	5.5	5.5	5.6	4.9	21.5	4.9	4.4	2.7	2.2	14.1	2.2	2.5	2.5	2.5	9.8	2.5	2.5	2.5	2.5	10.2
Other income/ JV income	9.8	(7.7)	(0.2)	(7.1)	(5.2)	(16.7)	(13.0)	2.2	(4.3)	(31.8)	(0.5)	0.5	0.5	1.1	1.6	0.5	0.5	0.5	1.1	2.6
Total non-operating (income)/expense	(4.2)	13.3	5.7	12.0	26.8	21.6	17.3	0.4	6.5	45.9	2.7	2.0	2.0	1.4	8.2	2.0	2.0	2.0	1.4	7.6
<b>Pretax Income</b>	<b>(11.8)</b>	<b>(23.0)</b>	<b>31.8</b>	<b>(10.9)</b>	<b>(13.9)</b>	<b>(24.3)</b>	<b>(15.5)</b>	<b>36.3</b>	<b>(3.6)</b>	<b>(7.1)</b>	<b>(3.4)</b>	<b>(4.2)</b>	<b>35.3</b>	<b>7.0</b>	<b>34.7</b>	<b>(18.0)</b>	<b>(2.2)</b>	<b>43.1</b>	<b>17.8</b>	<b>40.7</b>
Provision for income taxes	0.3	0.3	(0.3)	0.5	0.7	0.1	(0.1)	0.3	(0.1)	0.2	0.4	(0.0)	4.9	1.0	6.3	(0.2)	(0.0)	6.0	2.5	8.3
<b>Net Income</b>	<b>(12.0)</b>	<b>(23.3)</b>	<b>32.1</b>	<b>(11.3)</b>	<b>(14.6)</b>	<b>(24.4)</b>	<b>(15.4)</b>	<b>36.0</b>	<b>(3.5)</b>	<b>(7.3)</b>	<b>(3.8)</b>	<b>(4.1)</b>	<b>30.3</b>	<b>6.0</b>	<b>28.4</b>	<b>(17.8)</b>	<b>(2.2)</b>	<b>37.1</b>	<b>15.3</b>	<b>32.4</b>
Nonrecurring/noncash adjustments	(9.7)	9.9	1.1	7.7	8.3	14.9	13.1	(1.8)	4.8	31.6	1.2	0.0	3.0	0.0	5.2	0.0	0.0	3.0	0.0	4.0
<b>Net Income (as reported)</b>	<b>(21.7)</b>	<b>(13.4)</b>	<b>33.1</b>	<b>(3.6)</b>	<b>(6.3)</b>	<b>(9.5)</b>	<b>(2.4)</b>	<b>34.2</b>	<b>1.3</b>	<b>24.2</b>	<b>(2.6)</b>	<b>(4.1)</b>	<b>33.3</b>	<b>6.0</b>	<b>33.5</b>	<b>(17.8)</b>	<b>(2.2)</b>	<b>40.1</b>	<b>15.3</b>	<b>36.4</b>
<b>EBITDA</b>	<b>(13.9)</b>	<b>(4.6)</b>	<b>42.7</b>	<b>3.9</b>	<b>28.1</b>	<b>(2.4)</b>	<b>5.0</b>	<b>41.7</b>	<b>5.0</b>	<b>49.2</b>	<b>1.9</b>	<b>0.9</b>	<b>40.3</b>	<b>11.4</b>	<b>54.5</b>	<b>(12.9)</b>	<b>2.8</b>	<b>48.2</b>	<b>22.2</b>	<b>60.3</b>
Basic Shares	3.0	3.1	3.8	4.6	3.6	5.4	6.2	8.8	9.5	7.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Diluted Shares	6.1	6.1	9.3	9.3	7.7	9.1	9.1	9.1	9.5	9.4	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
<b>Basic EPS (as reported)</b>	<b>(7.20)</b>	<b>(4.38)</b>		<b>(0.80)</b>	<b>(1.72)</b>	<b>(1.77)</b>	<b>(0.38)</b>				<b>(0.28)</b>	<b>(0.43)</b>			<b>3.50</b>	<b>(1.86)</b>	<b>(0.23)</b>			
<b>Diluted EPS (as reported)</b>			<b>3.56</b>					<b>3.76</b>	<b>0.14</b>	<b>2.59</b>			<b>3.48</b>	<b>0.62</b>				<b>4.18</b>	<b>1.60</b>	<b>3.80</b>
<b>Income Statement Ratios</b>																				
Gross margin	24.6%	21.3%	30.8%	32.8%	29.0%	31.1%	28.4%	31.6%	26.6%	29.5%	24.7%	27.0%	28.0%	28.0%	27.2%	30.8%	29.7%	30.7%	34.2%	31.6%
Direct Selling expenses	12.8%	5.0%	5.6%	12.2%	8.1%	8.1%	5.6%	4.5%	10.2%	6.9%	4.1%	7.0%	4.5%	9.0%	6.1%	10.0%	7.0%	4.5%	9.0%	7.2%
Selling, general, admin expenses	34.5%	25.4%	9.4%	19.2%	17.5%	25.5%	20.6%	11.3%	14.5%	15.9%	20.8%	21.0%	7.7%	14.0%	14.1%	33.0%	22.0%	7.7%	14.8%	16.7%
Depreciation and amortization	1.3%	1.0%	0.2%	0.5%	0.6%	0.7%	0.5%	0.3%	0.3%	0.4%	0.5%	0.9%	0.4%	0.5%	0.5%	0.8%	0.9%	0.4%	0.5%	0.6%
Operating margin	-24.0%	-12.4%	15.5%	0.9%	2.5%	-3.2%	1.6%	15.5%	1.6%	6.2%	-0.6%	-1.9%	15.4%	4.5%	6.4%	-13.0%	-0.2%	18.1%	9.9%	7.1%
Net margin	-18.1%	-29.6%	13.2%	-8.8%	-2.8%	-29.1%	-13.7%	15.2%	-1.9%	-1.2%	-3.2%	-3.6%	12.5%	3.2%	4.3%	-14.6%	-1.9%	14.9%	7.9%	4.8%
Tax Rate	20.0%	20.0%	20.0%	20.0%	-5.3%	20.0%	20.0%	20.0%	20.0%	-3.2%	20.0%	1.0%	14.0%	14.0%	18.1%	1.0%	1.0%	14.0%	14.0%	20.4%
<b>Year-over-Year Changes</b>																				
Net Sales	-6.0%	-17.3%	-13.5%	-15.9%	-13.8%	26.0%	42.7%	-2.2%	46.5%	20.4%	44.2%	1.8%	2.1%	0.0%	7.1%	1.0%	1.0%	3.0%	3.0%	2.3%
Gross Profit	14.0%	-5.5%	-7.7%	-9.4%	-6.0%	59.6%	90.2%	0.4%	19.1%	22.2%	14.7%	-3.2%	-9.6%	5.2%	-1.0%	25.6%	11.2%	13.0%	25.8%	18.5%
Direct Selling expenses	3.3%	-51.8%	-25.1%	-24.4%	-24.5%	-20.0%	60.8%	-20.4%	22.6%	3.6%	-27.9%	27.3%	1.4%	-12.1%	-5.5%	149.1%	1.0%	3.0%	3.0%	20.2%
Selling, general, admin expenses	-9.3%	-17.3%	-8.4%	-2.1%	-9.2%	-6.8%	16.1%	17.4%	10.8%	9.2%	17.5%	3.5%	-31.1%	-3.5%	-4.8%	60.2%	5.8%	3.7%	8.5%	20.7%
Operating Income	-33.5%	-47.7%	5.2%	-110.5%	-172.6%	-83.0%	-118.7%	-2.1%	159.6%	200.3%	-73.0%	-217.7%	1.6%	187.1%	10.6%	#####	-91.8%	21.0%	129.0%	12.7%
Net Income	-5.6%	-31.3%	-27.9%	-53.3%	-56.5%	-56.3%	-82.4%	3.1%	-136.6%	-486.4%	-72.2%	75.4%	-2.4%	349.6%	38.5%	573.8%	-47.0%	20.2%	155.8%	8.5%
Diluted EPS	-28.3%	-47.8%	-53.2%	-69.6%	-69.9%	-70.8%	-88.2%	5.8%	-135.8%	-417.5%	-73.6%	66.5%	-7.6%	346.0%	35.3%	573.8%	-47.0%	20.2%	155.8%	8.5%
Diluted Shares Outstanding	31.8%	31.7%	54.2%	53.7%	44.3%	49.8%	49.3%	-2.5%	2.2%	21.7%	5.4%	5.4%	5.7%	0.8%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%

\* Numbers may not add up due to rounding and "if converted" accounting. Reflects a 1-for-10 reverse stock split in July 2020  
Source: Company reports and Ascendant Capital Markets estimates

JAKKS Pacific Inc.

Balance Sheet (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and equivalents	39.5	48.1	75.2	88.0	80.4	37.5	25.9	44.5	39.2	30.9	55.0	50.7	47.1	38.5	67.6	77.0
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restricted cash	4.6	4.6	4.6	4.7	3.7	0.8	0.8	0.8		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	64.8	69.0	166.8	102.3	79.7	107.9	209.2	147.4	103.7	77.7	159.6	124.1	78.1	78.5	164.4	127.8
Inventories	48.2	57.7	54.6	38.6	36.7	60.6	89.8	84.0	85.3	66.6	59.6	67.4	67.6	65.2	59.5	63.0
Prepaid expenses/other current assets	18.8	28.4	22.1	17.2	23.5	32.5	12.4	10.9	17.4	22.9	19.3	7.5	24.4	23.1	19.9	7.7
Deferred Income Tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Current Assets</b>	<b>175.8</b>	<b>207.8</b>	<b>323.3</b>	<b>250.8</b>	<b>223.8</b>	<b>239.3</b>	<b>338.1</b>	<b>287.6</b>	<b>245.7</b>	<b>198.1</b>	<b>293.6</b>	<b>249.7</b>	<b>217.2</b>	<b>205.3</b>	<b>311.4</b>	<b>275.5</b>
Property and equipment, net	15.4	17.0	14.2	13.5	13.0	14.7	12.8	13.1	13.9	26.6	29.6	32.6	34.6	36.6	39.6	42.6
Goodwill	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1	35.1
Intangibles, net	20.8	12.9	9.5	5.6	4.2	5.4	1.6	4.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Investments In Related Parties										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	29.8	27.6	25.5	24.4	22.3	20.7	21.6	17.0	17.1	17.1	17.1	17.1	17.1	17.1	17.1	17.1
<b>Total Assets</b>	<b>\$276.9</b>	<b>\$300.4</b>	<b>\$407.6</b>	<b>\$329.4</b>	<b>\$298.4</b>	<b>\$315.1</b>	<b>\$409.1</b>	<b>\$357.0</b>	<b>\$315.8</b>	<b>\$280.8</b>	<b>\$379.3</b>	<b>\$338.5</b>	<b>\$308.0</b>	<b>\$298.1</b>	<b>\$407.2</b>	<b>\$374.3</b>
<b>Liabilities and Shareholders' Equity</b>																
Short Term debt	1.9	1.8	22.5	6.0	6.7	33.6	1.9	2.1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Accounts Payable	44.8	78.3	139.4	79.8	59.5	106.4	105.3	113.2	36.4	68.6	106.4	75.2	73.3	69.3	109.6	77.5
Accrued expense	9.6	9.6	9.7	9.9	10.1	10.5	68.6	10.5	57.1	9.1	24.2	15.0	12.2	9.2	24.9	15.5
Reserves	31.7	32.3	44.2	42.1	39.5	42.3	47.7	46.3	39.4	13.7	29.0	22.6	14.7	13.9	29.9	23.2
Income Tax Payable	0.3	0.5	1.6	0.5	0.2	0.7	0.6	1.0	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Total Current Liabilities</b>	<b>88.4</b>	<b>122.5</b>	<b>217.5</b>	<b>138.3</b>	<b>116.0</b>	<b>193.4</b>	<b>224.1</b>	<b>173.1</b>	<b>136.6</b>	<b>95.1</b>	<b>163.3</b>	<b>116.5</b>	<b>103.8</b>	<b>96.1</b>	<b>168.1</b>	<b>119.9</b>
Long Term debt	169.4	174.2	151.4	150.4	155.0	95.7	93.9	93.4	92.9	92.9	92.9	92.9	92.9	92.9	92.9	92.9
Deferred Tax and other	28.1	25.8	25.4	26.0	31.0	29.6	27.4	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6	29.6
Minority Interest	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
<b>Total Liabilities</b>	<b>287.1</b>	<b>323.6</b>	<b>395.5</b>	<b>315.9</b>	<b>303.2</b>	<b>320.0</b>	<b>346.7</b>	<b>297.4</b>	<b>260.4</b>	<b>218.9</b>	<b>287.1</b>	<b>240.2</b>	<b>227.6</b>	<b>219.8</b>	<b>291.9</b>	<b>243.6</b>
Preferred stock	0.8	1.1	1.4	1.7	2.1	2.4	2.7	3.1	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additional paid-in capital	200.2	210.2	211.6	221.6	227.1	241.4	272.6	272.9	272.8	272.8	272.8	272.8	272.8	272.8	272.8	272.8
Deferred Comp										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury Stock										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings(deficit)	(195.2)	(218.5)	(186.1)	(197.4)	(221.5)	(236.6)	(200.3)	(203.4)	(207.2)	(211.4)	(181.0)	(175.1)	(192.8)	(195.0)	(158.0)	(142.7)
Accumulated other loss	(16.1)	(16.0)	(14.8)	(12.4)	(12.5)	(12.1)	(12.6)	(13.0)	(13.6)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)	(2.9)
Stockholders' Equity	(10.2)	(23.2)	12.1	13.5	(4.8)	(4.9)	62.4	59.6	55.4	61.9	92.3	98.3	80.5	78.3	115.4	130.7
<b>Tot. Liabilities/Stockholders' Equity</b>	<b>\$276.9</b>	<b>\$300.4</b>	<b>\$407.6</b>	<b>\$329.4</b>	<b>\$298.4</b>	<b>\$315.1</b>	<b>\$409.1</b>	<b>\$357.0</b>	<b>\$315.8</b>	<b>\$280.8</b>	<b>\$379.4</b>	<b>\$338.5</b>	<b>\$308.0</b>	<b>\$298.1</b>	<b>\$407.2</b>	<b>\$374.3</b>
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	88	79	62	72	86	86	79	71	77	61	59	59	58	61	59	59
Inventory Turnover	3.1x	3.2x	9.0x	7.1x	4.8x	4.1x	5.6x	5.3x	3.4x	3.8x	9.1x	6.3x	3.8x	3.8x	9.1x	6.3x
Reserves as % of A/R	49%	47%	27%	41%	50%	39%	23%	31%	38%	18%	18%	18%	19%	18%	18%	18%
A/P Days Payable	107	152	102	105	122	156	75	91	46	96	71	64	101	99	73	71
<b>Book &amp; Cash Value (per share)</b>																
Book Value per Share (diluted)	(\$1.67)	(\$3.80)	\$1.30	\$1.45	(\$0.53)	(\$0.54)	\$6.88	\$6.27	\$5.78	\$6.46	\$9.62	\$10.25	\$8.39	\$8.16	\$12.03	\$13.63
Net cash per Share (diluted)	(\$21.70)	(\$20.97)	(\$10.61)	(\$7.35)	(\$8.93)	(\$10.09)	(\$7.71)	(\$5.36)	(\$5.86)	(\$6.73)	(\$4.22)	(\$4.66)	(\$5.04)	(\$5.93)	(\$2.90)	(\$1.92)
Cash per Share (diluted)	\$6.50	\$7.90	\$8.08	\$9.45	\$8.84	\$4.12	\$2.85	\$4.68	\$4.09	\$3.22	\$5.74	\$5.29	\$4.91	\$4.02	\$7.05	\$8.03

Source: Company reports and Ascendant Capital Markets estimates

JAKKS Pacific Inc.

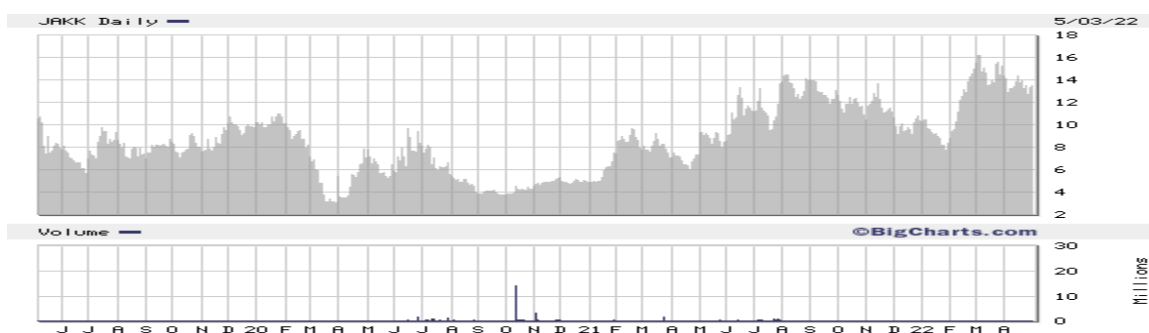
Cash Flow Statement (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Net Cash Flows from Operating Activities</b>																					
Net earnings	(12.0)	(23.3)	32.4	(11.3)	(14.1)	(24.1)	(15.1)	36.4	(3.2)	(5.9)	(3.8)	(4.1)	30.3	6.0	28.4	(17.8)	(2.2)	37.1	15.3	32.4	
Depreciation and amortization	1.9	2.6	4.5	1.9	10.9	1.8	2.8	4.3	1.4	10.3	0.6	1.0	1.0	1.0	3.6	1.0	1.0	1.0	1.0	4.0	
Amortization of debt	2.2	2.2	(1.2)	5.4	8.6	2.0	1.7	0.5	0.1	4.2					0.0					0.0	
Compensation stock option	0.3	0.7	0.5	0.8	2.3	0.4	0.4	0.6	0.7	2.1	2.0	2.0	2.0	2.0	8.0	2.0	2.0	2.0	2.0	8.0	
Investment in JV					0.0					0.0					0.0					0.0	
Deferred Comp					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred Taxes / Other				(0.1)	(0.1)				(0.1)	(0.1)	0.3	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	
Reserves	(6.8)	1.2	13.3	(2.3)	5.4	(3.4)	1.9	6.2	(1.9)	2.8	(6.9)	(25.7)	15.3	(6.5)	(23.7)	(7.9)	(0.8)	16.0	(6.7)	0.7	
Deferred Rent					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Debt adjustments/change in fair value	(9.8)	7.7	3.3	3.8	5.1	16.4	12.7	3.8	(3.2)	29.6					0.0					0.0	
Tax benefit of stock options					0.0					0.0	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)	(2.0)	(2.0)	(2.0)	(2.0)	(8.0)	
Other gains and losses		(0.1)	(0.0)	0.3	0.2	(0.1)	(0.0)	(6.2)	7.4	1.1					0.0					0.0	
Impairment					0.0					0.0					0.0					0.0	
Changes in net working capital:																					
Accounts Receivable	53.4	(4.9)	(99.2)	64.7	14.1	23.4	(27.5)	(101.9)	62.3	(43.7)	43.7	26.0	(81.9)	35.6	23.3	45.9	(0.4)	(85.9)	36.6	(3.7)	
Inventories	6.0	(9.4)	3.1	15.9	15.6	2.0	(23.9)	(29.2)	5.8	(45.3)	(1.4)	18.7	7.0	(7.8)	16.6	(0.2)	2.4	5.7	(3.5)	4.4	
Prepaid expenses and other current assets	4.2	(2.1)	9.4	8.5	20.0	(5.2)	(9.1)	20.2	1.5	7.3	(6.5)	(5.5)	3.5	11.8	3.4	(16.9)	1.3	3.2	12.2	(0.2)	
Accounts payable	(38.5)	29.2	42.7	(54.3)	(20.8)	(8.7)	35.6	36.9	(38.8)	25.0	(76.8)	32.2	37.8	(31.2)	(38.0)	(1.9)	(4.0)	40.3	(32.2)	2.3	
Accrued liabilities	(17.5)	3.1	18.7	(4.6)	(0.2)	(11.1)	9.3	20.6	(11.1)	7.8	46.6	(48.0)	15.0	(9.1)	4.6	(2.8)	(3.0)	15.7	(9.4)	0.5	
Income Tax Payable and other	(2.4)	0.0	0.3	(1.3)	(3.4)	(0.4)	(0.3)	(0.5)	0.1	(1.1)	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	
<b>Net cash from Operating Activities</b>	<b>(18.9)</b>	<b>7.0</b>	<b>27.8</b>	<b>27.6</b>	<b>43.567</b>	<b>(7.0)</b>	<b>(11.6)</b>	<b>(8.4)</b>	<b>21.1</b>	<b>(5.9)</b>	<b>(3.9)</b>	<b>(5.4)</b>	<b>28.1</b>	<b>(0.2)</b>	<b>18.6</b>	<b>(0.6)</b>	<b>(5.6)</b>	<b>33.1</b>	<b>13.4</b>	<b>40.3</b>	
<b>Net Cash Flows From Investing Activities</b>																					
Capital expenditures	(1.6)	(2.8)	(1.8)	(2.1)	(8.3)	(1.5)	(2.3)	(2.7)	(1.8)	(8.2)	(3.0)	(3.0)	(4.0)	(4.0)	(14.0)	(3.0)	(3.0)	(4.0)	(4.0)	(14.0)	
Acquisitions					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Increase in other non-current assets		0.1	(0.0)	0.0	0.1	0.0	0.0			0.0	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	
<b>Net cash from Investing Activities</b>	<b>(1.6)</b>	<b>(2.7)</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>(8.2)</b>	<b>(1.5)</b>	<b>(2.2)</b>	<b>(2.7)</b>	<b>(1.8)</b>	<b>(8.2)</b>	<b>(3.1)</b>	<b>(3.0)</b>	<b>(4.0)</b>	<b>(4.0)</b>	<b>(14.1)</b>	<b>(3.0)</b>	<b>(3.0)</b>	<b>(4.0)</b>	<b>(4.0)</b>	<b>(14.0)</b>	
<b>Cash Flows From Financing Activities</b>																					
Proceeds from credit agreement				(15.1)	(15.1)		96.3		(2.6)	93.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from notes		4.3	0.0	0.0	4.3		(128.6)	(0.1)	2.4	(126.3)	(0.1)	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	
Issuance (Purchase) of common stock					0.0					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Issuance of shares for stock options	(0.2)	(0.0)			(0.2)	(0.2)				(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Dividends					0.0					0.0					0.0					0.0	
<b>Net Cash From Financing</b>	<b>(0.2)</b>	<b>4.3</b>	<b>0.0</b>	<b>(15.1)</b>	<b>(10.9)</b>	<b>(0.2)</b>	<b>(32.3)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(32.8)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash	(1.6)	0.1	1.1	2.4	2.0	(0.1)	0.4	(0.5)	(0.3)	(0.5)	1.1	0.0	0.0	0.0	1.1	0.0	0.0	0.0	0.0	0.0	
<b>Net Increase (Decrease) in Cash</b>	<b>(22.3)</b>	<b>8.7</b>	<b>27.1</b>	<b>12.9</b>	<b>26.4</b>	<b>(8.6)</b>	<b>(45.7)</b>	<b>(11.6)</b>	<b>18.6</b>	<b>(47.4)</b>	<b>(6.1)</b>	<b>(8.4)</b>	<b>24.1</b>	<b>(4.2)</b>	<b>5.4</b>	<b>(3.6)</b>	<b>(8.6)</b>	<b>29.1</b>	<b>9.4</b>	<b>26.3</b>	
Cash at beginning of period	66.3	44.0	52.7	79.8	66.3	92.7	84.1	38.3	26.7	92.7	45.3	39.2	30.9	55.0	45.3	50.7	47.1	38.5	67.6	50.7	
<b>Cash at end of period</b>	<b>\$44.0</b>	<b>\$52.7</b>	<b>\$79.8</b>	<b>\$92.7</b>	<b>\$92.7</b>	<b>\$84.1</b>	<b>\$38.3</b>	<b>\$26.7</b>	<b>\$45.3</b>	<b>\$45.3</b>	<b>\$39.2</b>	<b>\$30.9</b>	<b>\$55.0</b>	<b>\$50.7</b>	<b>\$50.7</b>	<b>\$47.1</b>	<b>\$38.5</b>	<b>\$67.6</b>	<b>\$77.0</b>	<b>\$77.0</b>	

Source: Company reports and Ascendant Capital Markets estimates

## ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

## JAKKS Pacific, Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
51	2/22/2018	BUY	30.00
52	4/27/2018	BUY	27.50
53	7/27/2018	BUY	28.50
54	10/28/2018	BUY	27.50
55	2/27/2019	BUY	22.50
56	5/17/2019	BUY	15.00
57	8/12/2019	BUY	10.00
58	11/12/2019	BUY	11.00
59	2/21/2020	BUY	11.50
60	5/19/2020	BUY	11.00
61	8/5/2020	BUY	8.00
62	11/29/2020	BUY	7.50
63	2/21/2021	BUY	11.00
64	5/13/2021	BUY	12.00
65	8/7/2021	BUY	17.00
66	12/21/2021	BUY	16.00
67	3/21/2022	BUY	18.00

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

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## Risks & Considerations

Risks to attainment of our share price target include changes to product release timing, the effects of competition, changes in macroeconomic factors, and changes in consumer demand for toys.

## Ascendant Capital Markets, LLC Rating System

**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

## Ascendant Capital Markets, LLC Rating System

*Prior to January 31, 2014, ASCM used the following rating system:*

**Strong Buy:** We expect the stock to provide a total return of 30% or more within a 12-month period.

**Buy:** We expect the stock to provide a total return of between 10% and 30% within a 12-month period.

**Neutral:** We expect the stock to provide a total return of between minus 10% and plus 10% within a 12-month period.

**Sell:** We expect the stock to provide a total return of minus 10% or worse within a 12-month period.

**Speculative Buy:** This rating is reserved for companies we believe have tremendous potential, but whose stocks are illiquid or whose equity market capitalizations are very small, often in the definition of a nano cap (below \$50 million in market cap). In general, for stocks ranked in this category, we expect the stock to provide a total return of 50% or more within a 12-month period. However, because of the illiquid nature of the stock's trading and/or the nano cap nature of the investment, we caution that these investments may not be suitable for all parties.

Total return is defined as price appreciation plus dividend yield.



### Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of April 17, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	41	98%	13	32%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	42	100%	13	31%

### Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

### Dissemination of Research

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