

JAKKS Pacific, Inc.

Large Q4 revenue upside. 2023 outlook more positive on positive momentum. Lowering P/T to \$25.

COMPANY UPDATE

Rating: BUY

Ticker: JAKK

Price: \$14.82

Target: \$25.00
(from \$30)

Large Q4 revenue upside: JAKKS recently (on March 9) reported its fiscal Q4 2022 (ending December) results. Revenue was \$132 million (-30% y-o-y), compared with our estimate of \$99 million and consensus \$95 million. Pro forma EPS was \$(1.44) (excluding ~\$5.47 in a special tax valuation recognition gain), compared with our estimates of \$(1.11) and consensus of \$(1.37). Q4 guidance was for revenues of ~\$81 million (guidance was for 2022 revenue to be "around" +20% from 2021 (equating to 2022 revenue of ~\$745 million)).

Solid execution: JAKKS benefited from solid results from the majority of its product lines. Disney Encanto, Sonic, Disney Princess, and Nintendo were strong.

Strong Disguise in 2022: In 2022, JAKKS's costume business (Disguise) revenue was \$149 million (+38% y-o-y), the highest revenue since Disguise joined JAKKS in 2008.

But margin pressures continued: The company had weaker margins in Q4 (22% vs. 27% y-o-y) as supply issues continued to weigh. Gross margins were negatively impacted by lower capitalization of warehouse costs, higher tooling amortization, obsolete inventory and royalty expense, offset by lower inbound freight expenses.

Reasonable inventory: The company's Q4 inventory was -4% versus last year (at \$81 million, from \$109 million in Q3 and \$84 million in Q4 2021) vs. a sales decrease of -30%. We believe inventory levels increases are reasonable.

No 2023 guidance: The company did not provide any forward guidance.

Adjusting 2023 estimates: We are adjusting our 2023 estimates for revenue to \$804 million, from \$775 million, and for EPS to \$4.47 from \$4.95. We are initiating our 2024 estimates for revenue of \$812 million, and for EPS of \$5.00.

Toy industry growth flat in 2022: NPD reported that U.S. sales of toys was about flat in 2022 (-0.2%) after rising +13% in 2021, and +16% in 2020. The toy industry's boom during the pandemic is over and now has challenges from weaker macro economic factors and high inflation.

Strong 2022 execution: 2022 revenue were very strong at +28% (y-o-y) and was on top of the +20% growth in 2021 (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.

Should drive 2023: We believe the strong 2022 results should drive momentum in 2023. Most of 2022's top sellers should sell well in 2023.

Risk/reward attractive: Maintaining our BUY rating, but lowering our 12-month price target to \$25 from \$30, which reflects a P/E multiple of ~5x our 2024 EPS estimate of \$5.00. 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:	\$10.65 – 27.87
Shares Outstanding (million):	10
Market cap (\$million):	\$148
EV (\$million):	\$130
Debt (\$million):	\$67
Cash (\$million):	\$85
Avg. Daily Trading Vol. (\$million):	\$2
Float (million shares):	7
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0.00 (NA%)

Revenues (US\$ million)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	122E		123E	
Q2 Jun	223E		225E	
Q3 Sep	326E		330E	
Q4 Dec	<u>133E</u>	<u>104E</u>	<u>135E</u>	
Total	804E	775E	812E	
EV/Revs	0.2x		0.2x	

Earnings per Share (pro forma)

	<u>2023E</u> (Cur.)	<u>2023E</u> (Old)	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)
Q1 Mar	(1.66)E	(1.63)E	(1.47)E	
Q2 Jun	0.05E	0.03E	(0.14)E	
Q3 Sep	5.01E	5.44E	5.16E	
Q4 Dec	<u>0.89E</u>	<u>0.92E</u>	<u>1.26E</u>	
Total	4.47E	4.95E	5.00E	
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 8.

OVERVIEW

- JAKKS recently (on March 9) reported its fiscal Q4 2022 (ending December) results.
- Revenue was \$132 million (-30% y-o-y), compared with our estimate of \$99 million and consensus \$95 million.
- Pro forma EPS was \$(1.44) (excluding ~\$5.47 in a special tax valuation recognition gain), compared with our estimates of \$(1.11) and consensus of \$(1.37).
- Q4 guidance was for revenues of ~\$81 million (guidance was for 2022 revenue to be "around" +20% from 2021 (equating to 2022 revenue of ~\$745 million)).
- The company did not provide any forward guidance.
- We are adjusting our 2023 estimates for revenue to \$804 million, from \$775 million, and for EPS to \$4.47 from \$4.95.
- We are initiating our 2024 estimates for revenue of \$812 million, and for EPS of \$5.00.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$29 million, compared with our estimate of \$73 million.
- Gross margin for the quarter was 22%, versus 27% last year and our expectation of 26%.
- Operating expenses were \$44 million, versus our expectation of \$38 million.
- Operating loss was \$16 million, versus our expectation of a loss of \$12 million.
- Pro forma net loss was \$14 million, versus our expectation of a loss of \$11 million.
- EBITDA was \$(12) million, compared to our estimate of \$(9) million and \$5 million last year.

The company's balance sheet remains relatively seasonally steady with \$85 million in cash and \$67 million in debt, compared with \$76 million in cash and \$68 million in debt as of September. JAKKS has ~\$8/share in cash (~\$2/share in net cash). The company in the current Q1 has paid down debt and as of March 3, 2023 has cash of ~\$40 million and debt of ~\$31 million.

The company's Q4 inventory was -4% versus last year (at \$81 million, from \$109 million in Q3 and \$84 million in Q4 2021) vs. a sales decrease of -30%. We believe inventory levels increases are reasonable.

Exhibit 1: Q4 2022 Overview

Tremendous quarter, and a tremendous year

- Q4 Net Sales were \$132 million, 30% decrease versus prior year
- Q4 gross margins were negatively impacted by lower capitalization of warehouse costs, higher tooling amortization, obsolete inventory and royalty expense
 - Full Year Gross Margins at 26.5% negatively impacted by higher freight and inbound expenses, lower capitalization of warehouse costs, obsolete inventory and royalty expense
- Retail Toy/CP POS at top customers was up 20% in Q4 and up 23% for the year
- Full Year Net Sales were \$796 million, up 28% from 2021
- Full Year Operating Income was \$61.0 million, up 57%
- Full Year Adjusted EBITDA of \$76.4 million, up 55% compared to last year

Source: Company report.

Exhibit 2: 2023 Outlook

Key Themes for 2023 – Continue to...

- Focus on timeless brands and categories - “singles and doubles”
- Actively pursue the most relevant IP rights for our model
- Expand North America distribution beyond major customers
- Methodically grow International presence by going deeper into largest markets
- Work closely with our factories to insure we are securing the best prices and on-time deliveries
- Work with our customers and licensing partners to develop the right promotional programs to generate robust sell-through for this year’s product while we simultaneously develop next year’s
- And.... be talking to everyone all-the-time about brand new product line extensions and opportunities to continue to layer on the newness and excitement that our business requires

Source: Company report.

Exhibit 3: JAKKS Pacific Stock Price (Five Years)



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

Exhibit 4: Consensus Expectations (as of March 9, 2023)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$121A	\$100E	Q1 Mar	\$(0.28)A	\$(0.81)E
Q2 Jun	\$220A		Q2 Jun	\$2.10A	
Q3 Sep	\$323A		Q3 Sep	\$3.80A	
Q4 Dec	\$95E		Q4 Dec	\$(1.37)E	
Total	\$759E	\$716E	Total	\$4.37E	\$4.19E

*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-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	Mar-24	Jun-24	Sep-24	Dec-24	2024
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
Total Revenue	83.8	112.4	237.0	188.0	621.1	120.9	220.4	323.0	131.9	796.2	122.1	222.6	326.2	133.2	804.2	123.3	224.9	329.5	134.6	812.2
Cost of Goods	44.0	61.5	126.1	111.5	343.1	72.1	121.9	174.3	81.4	449.6	68.4	122.4	179.4	71.9	442.2	65.6	122.2	178.5	68.3	434.5
Royalty expense	12.5	16.8	32.3	25.6	87.2	17.7	35.7	52.9	20.4	126.6	18.3	33.4	45.7	18.7	116.0	17.3	31.5	42.8	17.5	109.1
Amortization of tools	<u>1.2</u>	<u>2.2</u>	<u>3.7</u>	<u>0.8</u>	<u>7.8</u>	<u>1.2</u>	<u>2.0</u>	<u>3.9</u>	<u>1.6</u>	<u>8.7</u>	<u>2.4</u>	<u>4.5</u>	<u>6.5</u>	<u>2.7</u>	<u>16.1</u>	<u>2.5</u>	<u>4.5</u>	<u>6.6</u>	<u>2.7</u>	<u>16.2</u>
Total Cost of sales	57.7	80.5	162.0	137.9	438.2	91.0	159.5	231.1	103.3	584.9	89.1	160.3	231.6	93.3	574.3	85.4	158.1	227.9	88.4	559.8
Gross Profit	26.1	31.9	74.9	50.0	183.0	29.9	60.9	91.9	28.6	211.3	33.0	62.3	94.6	40.0	229.9	37.9	66.7	101.6	46.1	252.4
Direct Selling expenses	6.8	6.3	10.7	19.3	43.1	4.9	6.8	8.4	13.2	33.3	11.0	14.5	14.0	12.0	51.5	11.1	15.7	16.5	13.5	56.8
Selling, general, admin expenses	21.4	23.2	26.8	27.3	98.7	25.2	29.5	29.4	30.8	114.8	36.6	46.8	22.8	17.3	123.5	40.7	51.7	26.4	17.6	136.3
Depreciation and amortization	0.6	0.6	0.6	0.6	2.4	0.6	0.6	0.4	0.4	1.9	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	4.0	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	4.0
Restructuring and other					<u>0.0</u>		<u>0.3</u>			<u>0.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating expenses	28.8	30.1	38.2	47.1	144.2	30.7	37.2	38.2	44.3	150.3	48.6	62.2	37.9	30.3	179.0	52.8	68.5	43.8	32.0	197.1
Operating Income	(2.7)	1.8	36.7	2.9	38.8	(0.7)	23.7	53.7	(15.7)	61.0	(15.7)	0.1	56.7	9.7	50.9	(14.8)	(1.7)	57.8	14.1	55.3
Interest expenses (income)	4.9	4.4	2.7	2.2	14.1	2.2	2.3	4.3	2.2	11.1	1.1	0.1	1.0	0.1	2.3	0.1	0.1	0.1	0.1	0.5
Other income/ JV income	<u>(16.7)</u>	<u>(13.0)</u>	<u>2.2</u>	<u>(4.3)</u>	<u>(31.8)</u>	<u>(0.5)</u>	<u>6.6</u>	<u>(7.5)</u>	<u>1.6</u>	<u>0.1</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>1.1</u>	<u>2.6</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>1.1</u>	<u>2.6</u>
Total non-operating (income)/expense	21.6	17.3	0.4	6.5	45.9	2.7	(4.2)	11.8	0.7	10.9	0.6	(0.4)	0.5	(1.0)	(0.3)	(0.4)	(0.4)	(0.4)	(1.0)	(2.1)
Pretax Income	(24.3)	(15.5)	36.3	(3.6)	(7.1)	(3.4)	27.9	41.9	(16.4)	50.0	(16.3)	0.5	56.3	10.6	51.1	(14.5)	(1.4)	58.1	15.1	57.4
Provision for income taxes	0.1	(0.1)	0.3	(0.1)	0.2	0.4	1.3	11.6	(55.6)	(42.3)	(0.2)	0.0	7.9	1.5	9.2	(0.1)	(0.0)	8.1	2.1	10.1
Net Income	(24.4)	(15.4)	36.0	(3.5)	(7.3)	(3.8)	26.6	30.3	39.3	92.3	(16.1)	0.5	48.4	9.1	41.9	(14.3)	(1.3)	50.0	13.0	47.3
Nonrecurring/noncash adjustments	14.9	13.1	(1.8)	4.8	31.6	1.2	(5.5)	8.7	(53.3)	(48.9)	0.0	0.0	3.0	0.0	4.0	0.0	0.0	3.0	0.0	4.0
Net Income (as reported)	(9.5)	(2.4)	34.2	1.3	24.2	(2.6)	21.1	39.0	(14.0)	43.5	(16.1)	0.5	51.4	9.1	45.9	(14.3)	(1.3)	53.0	13.0	51.3
EBITDA	(2.4)	5.0	41.7	5.0	49.2	1.9	27.1	59.4	(12.1)	76.4	(12.7)	3.1	59.7	12.7	62.9	(11.8)	1.3	60.8	17.1	67.3
Basic Shares	5.4	6.2	8.8	9.5	7.5	9.6	9.6	9.7	9.7	9.7	<u>9.7</u>	<u>9.7</u>	<u>9.7</u>	<u>9.7</u>	9.7	<u>9.7</u>	<u>9.7</u>	<u>9.7</u>	<u>9.7</u>	9.7
Diluted Shares	9.1	9.1	9.1	9.5	9.4	9.6	10.0	10.3	10.3	10.2	<u>10.3</u>	<u>10.3</u>	<u>10.3</u>	<u>10.3</u>	10.3	<u>10.3</u>	<u>10.3</u>	<u>10.3</u>	<u>10.3</u>	10.3
Basic EPS (as reported)	(1.77)	(0.38)				(0.28)			(1.44)		(1.66)					(1.47)	(0.14)			
Diluted EPS (as reported)			3.76	0.14	2.59		2.10	3.80		4.28		0.05	5.01	0.89	4.47			5.16	1.26	5.00
Income Statement Ratios																				
Gross margin	31.1%	28.4%	31.6%	26.6%	29.5%	24.7%	27.6%	28.5%	21.7%	26.5%	27.0%	28.0%	29.0%	30.0%	28.6%	30.8%	29.7%	30.8%	34.3%	31.1%
Direct Selling expenses	8.1%	5.6%	4.5%	10.2%	6.9%	4.1%	3.1%	2.6%	10.0%	4.2%	<u>9.0%</u>	<u>6.5%</u>	<u>4.3%</u>	<u>9.0%</u>	6.4%	<u>9.0%</u>	<u>7.0%</u>	<u>5.0%</u>	<u>10.0%</u>	7.0%
Selling, general, admin expenses	25.5%	20.6%	11.3%	14.5%	15.9%	20.8%	13.4%	9.1%	23.3%	14.4%	<u>30.0%</u>	<u>21.0%</u>	<u>7.0%</u>	<u>13.0%</u>	15.4%	<u>33.0%</u>	<u>23.0%</u>	<u>8.0%</u>	<u>13.1%</u>	16.8%
Depreciation and amortization	0.7%	0.5%	0.3%	0.3%	0.4%	0.5%	0.3%	0.1%	0.3%	0.2%	0.8%	0.4%	0.3%	0.8%	0.5%	0.8%	0.4%	0.3%	0.7%	0.5%
Operating margin	-3.2%	1.6%	15.5%	1.6%	6.2%	-0.6%	10.7%	16.6%	-11.9%	7.7%	-12.8%	0.1%	17.4%	7.2%	6.3%	-12.0%	-0.8%	17.5%	10.5%	6.8%
Net margin	-29.1%	-13.7%	15.2%	-1.9%	-1.2%	-3.2%	12.0%	9.4%	29.8%	11.6%	-13.2%	0.2%	14.8%	6.9%	5.2%	-11.6%	-0.6%	15.2%	9.6%	5.8%
Tax Rate	20.0%	20.0%	20.0%	20.0%	-3.2%	20.0%	20.0%	20.0%	20.0%	-84.5%	<u>1.0%</u>	<u>1.0%</u>	<u>14.0%</u>	<u>14.0%</u>	18.0%	<u>1.0%</u>	<u>1.0%</u>	<u>14.0%</u>	<u>14.0%</u>	17.6%
Year-over-Year Changes																				
Net Sales	26.0%	42.7%	-2.2%	46.5%	20.4%	44.2%	96.2%	36.3%	-29.8%	28.2%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Gross Profit	59.6%	90.2%	0.4%	19.1%	22.2%	14.7%	90.9%	22.7%	-42.9%	15.5%	10.2%	2.4%	2.9%	39.9%	8.8%	15.1%	7.0%	7.4%	15.4%	9.8%
Direct Selling expenses	-20.0%	60.8%	-20.4%	22.6%	3.6%	-27.9%	8.8%	-21.7%	-31.7%	-22.7%	124.2%	111.6%	67.1%	-8.8%	54.6%	1.0%	8.8%	17.4%	12.2%	10.3%
Selling, general, admin expenses	-6.8%	16.1%	17.4%	10.8%	9.2%	17.5%	27.3%	9.5%	12.8%	16.3%	45.6%	58.4%	-22.3%	-43.7%	7.6%	11.1%	10.6%	15.4%	1.4%	10.4%
Operating Income	-83.0%	-118.7%	-2.1%	159.6%	200.3%	-73.0%	1199.3%	46.3%	-636.5%	57.3%	#####	-99.5%	5.6%	#####	-16.6%	-5.2%	#####	1.8%	46.0%	8.7%
Net Income	-56.3%	-82.4%	3.1%	-136.6%	-486.4%	-72.2%	-992.0%	14.2%	-1153.6%	79.5%	510.3%	-97.8%	31.7%	#####	5.6%	-11.2%	#####	3.1%	41.9%	11.8%
Diluted EPS	-70.8%	-88.2%	5.8%	-135.8%	-417.5%	-73.6%	-908.7%	1.0%	-1076.4%	65.5%	470.1%	-97.8%	31.7%	#####	4.5%	-11.2%	#####	3.1%	41.9%	11.8%
Diluted Shares Outstanding	49.8%	49.3%	-2.5%	2.2%	21.7%	5.4%	10.3%	13.1%	7.9%	8.4%	7.0%	2.3%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%

* Numbers may not add up due to rounding and "if converted" accounting.
Source: Company reports and Ascendant Capital Markets estimates

JAKKS Pacific Inc.

Balance Sheet (\$ millions) Fiscal Year End: December 31	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Assets																	
Cash and equivalents	80.4	37.5	25.9	44.5	39.2	62.3	76.4	85.3	2.6	4.0	73.7	90.8	39.1	6.5	107.9	130.6	
Short term investments									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Restricted cash	3.7	0.8	0.8	0.8			0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Accounts Receivable	79.7	107.9	209.2	147.4	103.7	164.0	204.9	102.8	78.1	106.9	156.6	63.9	78.9	107.9	158.2	64.6	
Inventories	36.7	60.6	89.8	84.0	85.3	123.7	109.2	80.6	71.1	127.3	78.9	46.0	68.3	127.0	78.5	43.7	
Prepaid expenses/other current assets	23.5	32.5	12.4	10.9	17.4	14.5	11.1	6.3	24.4	44.5	26.1	5.3	24.7	45.0	26.4	5.4	
Deferred Income Tax									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Current Assets	223.8	239.3	338.1	287.6	245.7	364.5	401.7	275.2	176.5	282.9	335.5	206.3	211.2	286.6	371.2	244.4	
Property and equipment, net	13.0	14.7	12.8	13.1	13.9	16.2	15.4	14.9	36.3	38.3	41.3	44.3	46.3	48.3	51.3	54.3	
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	4.2	5.4	1.6	4.3	4.0	3.2	2.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	
Investments In Related Parties									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	22.3	20.7	21.6	17.0	17.1	24.6	22.2	71.7	71.7	71.7	71.7	71.7	71.7	71.7	71.7	71.7	
Total Assets	\$298.4	\$315.1	\$409.1	\$357.0	\$315.8	\$443.6	\$477.1	\$399.3	\$322.0	\$430.5	\$486.1	\$359.8	\$366.7	\$444.1	\$531.7	\$408.0	
Liabilities and Shareholders' Equity																	
Short Term debt	6.7	33.6	1.9	2.1	2.5	2.5	2.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	
Accounts Payable	59.5	106.4	105.3	113.2	36.4	128.9	105.4	43.5	73.3	133.6	143.5	53.3	74.0	134.9	145.0	53.8	
Accrued expense	10.1	10.5	68.6	10.5	57.1	68.4	84.7	48.7	12.2	17.8	32.6	10.7	12.3	18.0	32.9	10.8	
Reserves	39.5	42.3	47.7	46.3	39.4	45.6	59.2	51.9	14.7	26.7	39.1	16.0	14.8	27.0	39.5	16.1	
Income Tax Payable	0.2	0.7	0.6	1.0	1.2	2.3	14.1	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	
Total Current Liabilities	116.0	193.4	224.1	173.1	136.6	247.8	265.9	173.3	129.3	207.3	244.5	109.1	130.3	209.1	246.6	109.9	
Long Term debt	155.0	95.7	93.9	93.4	92.9	82.5	65.2	41.6	5.0	35.0	5.0	5.0	5.0	5.0	5.0	5.0	
Deferred Tax and other	31.0	29.6	27.4	29.6	29.6	31.6	36.0	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9	31.9	
Minority Interest	1.2	1.3	1.3	1.3	1.2	0.9	0.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
Total Liabilities	303.2	320.0	346.7	297.4	260.4	362.7	367.5	247.8	167.2	275.2	282.4	147.0	168.2	247.0	284.5	147.8	
Preferred stock	2.1	2.4	2.7	3.1	3.4	3.8	4.1	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	
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	227.1	241.4	272.6	272.9	272.8	273.6	274.0	275.2	275.2	275.2	275.2	275.2	275.2	275.2	275.2	275.2	
Deferred Comp									0.0	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	0.0	
Retained earnings(deficit)	(221.5)	(236.6)	(200.3)	(203.4)	(207.2)	(180.7)	(150.0)	(110.7)	(126.8)	(126.4)	(78.0)	(68.8)	(83.1)	(84.5)	(34.5)	(21.5)	
Accumulated other loss	(12.5)	(12.1)	(12.6)	(13.0)	(13.6)	(15.8)	(18.6)	(17.5)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	
Stockholders' Equity	(4.8)	(4.9)	62.4	59.6	55.4	81.0	109.6	151.5	154.8	155.3	203.7	212.8	198.5	197.2	247.2	260.2	
Tot. Liabilities/Stockholders' Equity	\$298.4	\$315.1	\$409.1	\$357.0	\$315.8	\$443.6	\$477.1	\$399.3	\$322.0	\$430.5	\$486.1	\$359.8	\$366.7	\$444.1	\$531.7	\$408.0	
Activity Ratios																	
A/R Days Sales Outstanding	86	86	79	71	77	67	57	70	58	43	43	43	58	43	43	43	
Inventory Turnover	4.8x	4.1x	5.6x	5.3x	3.4x	3.9x	6.4x	4.0x	3.8x	3.8x	9.1x	6.3x	3.8x	3.8x	9.1x	6.3x	
Reserves as % of A/R	50%	39%	23%	31%	38%	28%	29%	50%	19%	25%	25%	25%	19%	25%	25%	25%	
A/P Days Payable	122	156	75	91	46	95	54	48	96	98	72	67	101	99	73	71	
Book & Cash Value (per share)																	
Book Value per Share (diluted)	(\$0.53)	(\$0.54)	\$6.88	\$6.27	\$5.78	\$8.07	\$10.68	\$14.76	\$15.08	\$15.13	\$19.85	\$20.74	\$19.34	\$19.21	\$24.08	\$25.35	
Net cash per Share (diluted)	(\$8.93)	(\$10.09)	(\$7.71)	(\$5.36)	(\$5.86)	(\$2.26)	\$0.85	\$1.77	(\$2.72)	(\$5.51)	\$4.21	\$5.87	\$0.84	(\$2.34)	\$7.54	\$9.75	
Cash per Share (diluted)	\$8.84	\$4.12	\$2.85	\$4.68	\$4.09	\$6.21	\$7.45	\$8.31	\$0.25	\$0.39	\$7.18	\$8.85	\$3.81	\$0.63	\$10.52	\$12.72	

Source: Company reports and Ascendant Capital Markets estimates

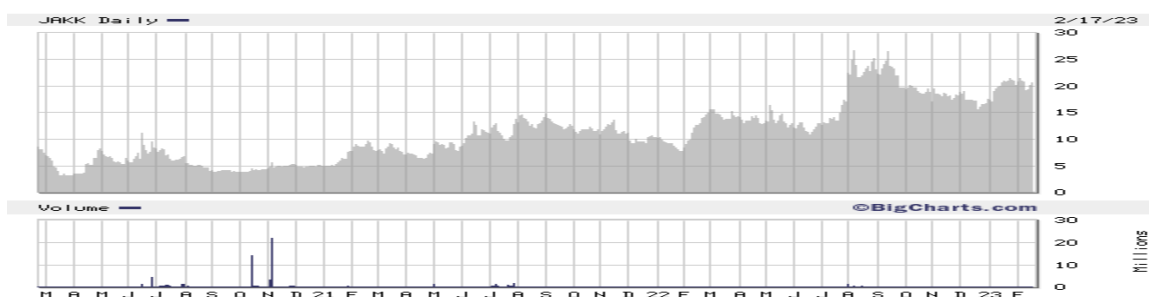
JAKKS Pacific Inc.																					
Cash Flow Statement (\$ millions)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Net Cash Flows from Operating Activities																					
Net earnings	(24.1)	(15.1)	36.4	(3.2)	(5.9)	(3.9)	26.2	30.7	39.3	92.2	(16.1)	0.5	48.4	9.1	41.9	(14.3)	(1.3)	50.0	13.0	47.3	
Depreciation and amortization	1.8	2.8	4.3	1.4	10.3	1.8	2.6	4.3	0.4	9.0	1.0	1.0	1.0	1.0	4.0	1.0	1.0	1.0	1.0	4.0	
Amortization of debt	2.0	1.7	0.5	0.1	4.2	0.2	0.2	0.9		1.4					0.0					0.0	
Compensation stock option	0.4	0.4	0.6	0.7	2.1	0.9	1.2	1.4	2.0	5.4	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	0.0	
Deferred Taxes / Other				(0.1)	(0.1)			0.0	(3.8)	(3.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Reserves	(3.4)	1.9	6.2	(1.9)	2.8	(6.9)	6.5	13.7	(7.3)	6.0	(37.2)	12.1	12.4	(23.2)	(35.9)	(1.2)	12.2	12.6	(23.4)	0.2	
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	0.0	
Debt adjustments/change in fair value	16.4	12.7	3.8	(3.2)	29.6	0.6	(0.6)	2.1		2.1					0.0					0.0	
Tax benefit of stock options					0.0				(2.0)	(2.0)	(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)	(6.2)	7.4	1.1	(5.4)	5.4			(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	
Impairment					0.0		0.3			0.3					0.0					0.0	
Changes in net working capital:																					
Accounts Receivable	23.4	(27.5)	(101.9)	62.3	(43.7)	43.7	(60.5)	(41.0)	102.1	44.3	24.6	(28.7)	(49.7)	92.6	38.8	(15.0)	(29.0)	(50.2)	93.6	(0.6)	
Inventories	2.0	(23.9)	(29.2)	5.8	(45.3)	(1.4)	(38.4)	14.5	28.6	3.3	9.5	(56.2)	48.4	32.9	34.6	(22.2)	(58.8)	48.5	34.8	2.4	
Prepaid expenses and other current assets	(5.2)	(9.1)	20.2	1.5	7.3	(6.5)	3.0	3.5	4.8	4.8	(18.1)	(20.1)	18.4	20.8	1.0	(19.3)	(20.3)	18.6	21.0	(0.1)	
Accounts payable	(8.7)	35.6	36.9	(38.8)	25.0	(14.7)	75.9	(23.8)	(61.9)	(24.6)	29.7	60.3	10.0	(90.3)	9.8	20.7	60.9	10.1	(91.2)	0.5	
Accrued liabilities	(11.1)	9.3	20.6	(11.1)	7.8	(16.5)	27.6	15.5	(36.0)	(9.3)	(36.5)	5.6	14.8	(22.0)	(38.1)	1.7	5.7	15.0	(22.2)	0.1	
Income Tax Payable and other	(0.4)	(0.3)	(0.5)	0.1	(1.1)	(0.0)	0.9	11.5	(10.4)	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net cash from Operating Activities	(7.0)	(11.6)	(8.4)	21.1	(5.9)	(2.7)	39.3	38.7	55.5	130.8	(43.1)	(25.6)	103.7	21.1	56.1	(48.7)	(29.7)	105.5	26.6	53.8	
Net Cash Flows From Investing Activities																					
Capital expenditures	(1.5)	(2.3)	(2.7)	(1.8)	(8.2)	(1.8)	(3.5)	(2.8)	(4.0)	(12.1)	(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	0.0	
Increase in other non-current assets	0.0	0.0			0.0				(49.5)	(49.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net cash from Investing Activities	(1.5)	(2.2)	(2.7)	(1.8)	(8.2)	(1.8)	(3.5)	(2.8)	(53.5)	(61.6)	(3.0)	(3.0)	(4.0)	(4.0)	(14.0)	(3.0)	(3.0)	(4.0)	(4.0)	(14.0)	
Cash Flows From Financing Activities																					
Proceeds from credit agreement		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	0.0	0.0	
Proceeds from notes		(128.6)	(0.1)	2.4	(126.3)	(0.2)	(10.6)	(18.1)	(0.5)	(29.5)	(36.6)	30.0	(30.0)	0.0	(36.6)	0.0	0.0	0.0	0.0	0.0	
Issuance (Purchase) of common stock					0.0	(0.6)		(0.6)	0.0	(1.3)	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)				(0.2)			7.4		7.4	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	
Net Cash From Financing	(0.2)	(32.3)	(0.1)	(0.2)	(32.8)	(0.9)	(10.6)	(18.8)	6.9	(23.4)	(36.6)	30.0	(30.0)	0.0	(36.6)	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash	(0.1)	0.4	(0.5)	(0.3)	(0.5)	(0.7)	(2.2)	(2.8)	0.0	(5.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Increase (Decrease) in Cash	(8.6)	(45.7)	(11.6)	18.6	(47.4)	(6.1)	23.1	14.3	8.9	40.2	(82.7)	1.4	69.7	17.1	5.5	(51.7)	(32.7)	101.5	22.6	39.8	
Cash at beginning of period	92.7	84.1	38.3	26.7	92.7	45.3	39.2	62.3	76.6	45.3	85.5	2.8	4.2	73.9	85.5	91.0	39.3	6.7	108.1	91.0	
Cash at end of period	\$84.1	\$38.3	\$26.7	\$45.3	\$45.3	\$39.2	\$62.3	\$76.6	\$85.5	\$85.5	\$2.8	\$4.2	\$73.9	\$91.0	\$91.0	\$39.3	\$6.7	\$108.1	\$130.8	\$130.8	

Source: Company reports and Ascendant Capital Markets estimates

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JAKKS Pacific, Inc.



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

Report	Report Date		Price	
	Date	Rating	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	
68	6/1/2022	BUY	19.00	
69	8/6/2022	BUY	33.00	
70	11/8/2022	BUY	30.00	

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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.

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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 Distribution of Investment Ratings (as of January 15, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	44	98%	18	41%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	45	100%	18	40%

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