

JAKKS Pacific, Inc.

Large Q4 upside. 2022 outlook positive even as supply chain issues weighs. Raising P/T to \$18.

COMPANY UPDATE

Rating: BUY

Ticker: JAKK

Price: \$13.94

Target: \$18.00
(from \$16)

Large Q4 upside: JAKKS recently (on February 17) reported its fiscal Q4 2021 (ending December) results. Revenue was \$188 million (+47% y-o-y), compared with our estimate of \$130 million and consensus \$138 million. Pro forma EPS was \$0.14, compared with our estimate of \$(0.86) and consensus of \$(0.66). There was no company 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 10% vs. Q4 2020.

But supply chain issues weighs: The company had weaker margins in Q4 as supply issues added significant costs. The company had continuing logistical delays in customers picking up FOB China orders and extended timelines to deliver inventory into U.S. and European warehouses. It also had a 950+ basis-point increase in ocean and inbound freight expenses. In addition, input and raw material costs have also increased with higher general inflation.

So profitability tempered: Cost controls, inventory management, and operating leverage were able to offset some but not all of the higher supply chain costs to gross margins (27% vs 33% y-o-y). This resulted in higher operating income (\$3 million versus \$1 million y-o-y though % margins were weaker).

Building inventory: Q4 inventory was +117% versus last year (at \$84 million, from \$90 million in Q3 and \$39 million in Q4 2020) vs. a sales increase of 47%. We believe the large inventory levels increases are reasonable and necessary to manage the current supply chain issues.

No guidance: The company declined to provide 2022 guidance.

Raising estimates: We are raising our 2022 estimates for revenue to \$640 million, from \$570 million, and for EPS to \$3.00 from \$0.47. We are initiating our 2023 estimates for revenue of \$665 million, and for EPS of \$3.72.

Toy industry growth helping JAKKS: NPD 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.

Solid Q4 execution: Q4 and 2021 revenue were strong (reversing declining revenues over the past several years) and helps alleviate investors' concerns that the negative momentum (from the last three year's bad misses and significantly lowered guidance) is over. 2020 revenue were -14%, but has rebounded to +20% in 2021.

Should drive 2022 outlook: We believe the strong Q4 results and higher inventory levels should drive momentum into 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 \$18 from \$16, which reflects a P/E multiple of ~5x our 2023 EPS estimate of \$3.72. 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.

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Stock Data

Exchange:	NasdaqGS
52-week Range:	\$5.83 –16.62
Shares Outstanding (million):	10
Market cap (\$million):	\$139
EV (\$million):	\$190
Debt (\$million):	\$96
Cash (\$million):	\$45
Avg. Daily Trading Vol. (\$million):	\$1
Float (million shares):	7
Short Interest (million shares):	~0.2
Dividend, annual (yield):	\$0.00 (NA%)

Revenues (US\$ million)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	86E	85E	90E	
Q2 Jun	116E	114E	120E	
Q3 Sep	244E	239E	254E	
Q4 Dec	194E	132E	201E	
Total	640E	570E	665E	
EV/Revs	0.3x		0.3x	

Earnings per Share (pro forma)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	(1.49)E	(1.96)E	(1.49)E	
Q2 Jun	(0.32)E	(0.73)E	(0.23)E	
Q3 Sep	3.57E	2.99E	3.88E	
Q4 Dec	1.13E	(0.02)E	1.45E	
Total	3.00E	0.47E	3.72E	
P/E	5x		4x	

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 February 17) reported its fiscal Q4 2021 (ending December) results.
- Revenue was \$188 million (+47% y-o-y), compared with our estimate of \$130 million and consensus \$138 million.
- Pro forma EPS was \$0.14, compared with our estimate of \$(0.86) and consensus of \$(0.66).
- There was no company guidance.
- The company declined to provide 2022 guidance.
- We are raising our 2022 estimates for revenue to \$640 million, from \$570 million, and for EPS to \$3.00 from \$0.47.
- We are initiating our 2023 estimates for revenue of \$665 million, and for EPS of \$3.72.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$50 million, compared with our estimate of \$41 million.
- Gross margin for the quarter was 27%, versus 33% last year and our expectation of 31%.
- Operating expenses were \$47 million, versus our expectation of \$48 million.
- Operating income was \$3 million, versus our expectation of a loss of \$7 million.
- Pro forma net income was \$1 million, versus our expectation of a loss of \$8 million.
- EBITDA was \$5 million, compared to our estimate of \$(4) million and \$4 million last year.
- In June 2021, JAKKS refinanced its long-term debt due in 2023 (~\$129 million) into a new term loan maturing in 2027 (~\$99 million). The company used a portion of its cash to lower its long-term debt, and lowered its interest rate from 10.5% to 7.5%.

The company's balance sheet remains relatively seasonally steady with \$45 million in cash and \$96 million in debt, compared with \$26 million in cash and \$96 million in debt as of September. JAKKS has ~\$5/share in cash (~\$5/share in net debt).

The company's Q4 inventory was +117% versus last year (at \$84 million, from \$90 million in Q3 and \$39 million in Q4 2020) vs. a sales increase of 47%. We believe the large inventory levels increases are reasonable to manage the current supply chain issues (delays and higher freight costs).

Exhibit 1: JAKKS Pacific Stock Price (Five Years)



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

Exhibit 2: Consensus Expectations (as of February 17, 2022)

	Revenue (mils)			EPS	
	2021E	2022E		2021E	2022E
Q1 Mar	\$84A	\$83E	Q1 Mar	\$(1.77)A	\$(1.17)E
Q2 Jun	\$112A		Q2 Jun	\$(0.38)A	
Q3 Sep	\$237A		Q3 Sep	\$3.76A	
Q4 Dec	\$138E		Q4 Dec	\$(0.66)E	
Total	\$572E	\$593E	Total	\$1.52E	\$1.78E

*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	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	66.6	78.8	242.3	128.3	515.9	83.8	112.4	237.0	188.0	621.1	86.3	115.8	244.1	193.6	639.8	89.8	120.4	253.8	201.4	665.4
Cost of Goods	37.7	46.3	122.6	68.3	274.9	44.0	61.5	126.1	111.5	343.1	46.6	62.5	131.8	99.3	340.2	48.0	65.4	137.8	102.3	353.5
Royalty expense	11.5	13.9	41.2	16.6	83.2	12.5	16.8	32.3	25.6	87.2	12.1	17.4	34.2	27.1	90.7	12.6	16.9	33.0	26.2	88.6
Amortization of tools	1.0	1.8	3.9	1.3	8.1	1.2	2.2	3.7	0.8	7.8	1.7	2.3	4.9	3.9	12.8	1.8	2.4	5.1	4.0	13.3
Total Cost of sales	50.2	62.0	167.7	86.2	366.1	57.7	80.5	162.0	137.9	438.2	60.4	82.2	170.8	130.3	443.7	62.4	84.6	175.8	132.5	455.4
Gross Profit	16.4	16.8	74.6	42.0	149.8	26.1	31.9	74.9	50.0	183.0	25.9	33.6	73.2	63.4	196.1	27.4	35.8	78.0	68.9	210.0
Direct Selling expenses	8.5	3.9	13.5	15.7	41.6	6.8	6.3	10.7	19.3	43.1	8.6	8.1	12.2	19.4	48.3	9.0	8.4	12.7	20.1	50.2
Selling, general, admin expenses	23.0	20.0	22.9	24.6	90.4	21.4	23.2	26.8	27.3	98.7	28.5	25.5	22.0	29.0	105.0	29.6	26.5	22.8	30.2	109.2
Depreciation and amortization	0.9	0.8	0.6	0.6	2.8	0.6	0.6	0.6	0.6	2.4	1.0	1.0	1.0	1.0	4.0	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	0.0
Operating expenses	32.3	26.5	37.1	40.9	136.9	28.8	30.1	38.2	47.1	144.2	38.1	34.6	35.2	49.4	157.3	39.6	35.9	36.5	51.3	163.4
Operating Income	(16.0)	(9.7)	37.5	1.1	12.9	(2.7)	1.8	36.7	2.9	38.8	(12.2)	(1.0)	38.1	14.0	38.8	(12.2)	(0.1)	41.5	17.5	46.6
Interest expenses (income)	5.5	5.5	5.6	4.9	21.5	4.9	4.4	2.7	2.2	14.1	2.6	2.6	2.6	2.6	10.2	2.6	2.6	2.6	2.6	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	2.6	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	2.1	2.1	2.1	1.5	7.6	2.1	2.1	2.1	1.5	7.6
Pretax Income	(11.8)	(23.0)	31.8	(10.9)	(13.9)	(24.3)	(15.5)	36.3	(3.6)	(7.1)	(14.3)	(3.1)	36.0	12.5	31.2	(14.3)	(2.2)	39.4	16.1	39.0
Provision for income taxes	0.3	0.3	(0.3)	0.5	0.7	0.1	(0.1)	0.3	(0.1)	0.2	(0.1)	(0.0)	5.0	1.8	6.6	(0.1)	(0.0)	5.5	2.3	7.6
Net Income	(12.0)	(23.3)	32.1	(11.3)	(14.6)	(24.4)	(15.4)	36.0	(3.5)	(7.3)	(14.1)	(3.0)	30.9	10.8	24.6	(14.2)	(2.2)	33.9	13.8	31.4
Nonrecurring/noncash adjustments	(9.7)	9.9	1.1	7.7	8.3	14.9	13.1	(1.8)	4.8	31.6	0.0	0.0	3.0	0.0	4.0	0.0	0.0	3.0	0.0	4.0
Net Income (as reported)	(21.7)	(13.4)	33.1	(3.6)	(6.3)	(9.5)	(2.4)	34.2	1.3	24.2	(14.1)	(3.0)	33.9	10.8	28.6	(14.2)	(2.2)	36.9	13.8	35.4
EBITDA	(13.9)	(4.6)	42.7	3.9	28.1	(2.4)	5.0	41.7	5.0	49.2	(9.2)	2.0	41.1	17.0	50.8	(9.2)	2.9	44.5	20.5	58.6
Basic Shares	3.0	3.1	3.8	4.6	3.6	5.4	6.2	8.8	9.5	7.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Diluted Shares	6.1	6.1	9.3	9.3	7.7	9.1	9.1	9.1	9.5	9.4	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
Basic EPS (as reported)	(7.20)	(4.38)		(0.80)	(1.72)	(1.77)	(0.38)				(1.49)	(0.32)				(1.49)	(0.23)			
Diluted EPS (as reported)			3.56					3.76	0.14	2.59			3.57	1.13	3.00			3.88	1.45	3.72
Income Statement Ratios																				
Gross margin	24.6%	21.3%	30.8%	32.8%	29.0%	31.1%	28.4%	31.6%	26.6%	29.5%	30.0%	29.0%	30.0%	32.7%	30.6%	30.5%	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%	10.0%	7.0%	5.0%	10.0%	7.5%	10.0%	7.0%	5.0%	10.0%	7.5%
Selling, general, admin expenses	34.5%	25.4%	9.4%	19.2%	17.5%	25.5%	20.6%	11.3%	14.5%	15.9%	33.0%	22.0%	9.0%	15.0%	16.4%	33.0%	22.0%	9.0%	15.0%	16.4%
Depreciation and amortization	1.3%	1.0%	0.2%	0.5%	0.6%	0.7%	0.5%	0.3%	0.3%	0.4%	1.2%	0.9%	0.4%	0.5%	0.6%	1.1%	0.8%	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%	-14.2%	-0.9%	15.6%	7.2%	6.1%	-13.6%	-0.1%	16.3%	8.7%	7.0%
Net margin	-18.1%	-29.6%	13.2%	-8.8%	-2.8%	-29.1%	-13.7%	15.2%	-1.9%	-1.2%	-16.4%	-2.6%	12.7%	5.6%	3.8%	-15.8%	-1.8%	13.4%	6.9%	4.7%
Tax Rate	20.0%	20.0%	20.0%	20.0%	-5.3%	20.0%	20.0%	20.0%	20.0%	-3.2%	1.0%	1.0%	14.0%	14.0%	21.2%	1.0%	1.0%	14.0%	14.0%	19.5%
Year-over-Year Changes																				
Net Sales	-6.0%	-17.3%	-13.5%	-15.9%	-13.8%	26.0%	42.7%	-2.2%	46.5%	20.4%	2.9%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Gross Profit	14.0%	-5.5%	-7.7%	-9.4%	-6.0%	59.6%	90.2%	0.4%	19.1%	22.2%	-0.8%	5.3%	-2.3%	26.7%	7.2%	5.7%	6.6%	6.5%	8.7%	7.1%
Direct Selling expenses	3.3%	-51.8%	-25.1%	-24.4%	-24.5%	-20.0%	60.8%	-20.4%	22.6%	3.6%	26.9%	28.9%	13.7%	0.6%	12.2%	4.0%	4.0%	4.0%	4.0%	4.0%
Selling, general, admin expenses	-9.3%	-17.3%	-8.4%	-2.1%	-9.2%	-6.8%	16.1%	17.4%	10.8%	9.2%	33.0%	9.8%	-18.2%	6.5%	6.3%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Income	-33.5%	-47.7%	5.2%	-110.5%	-172.6%	-83.0%	-118.7%	-2.1%	159.6%	200.3%	348.8%	-154.9%	3.6%	377.7%	0.1%	0.2%	-85.7%	9.0%	25.4%	20.1%
Net Income	-5.6%	-31.3%	-27.9%	-53.3%	-56.5%	-56.3%	-82.4%	3.1%	-136.6%	-486.4%	48.7%	28.0%	-0.6%	708.9%	17.9%	0.1%	-28.1%	8.7%	28.4%	23.9%
Diluted EPS	-28.3%	-47.8%	-53.2%	-69.6%	-69.9%	-70.8%	-88.2%	5.8%	-135.8%	-417.5%	42.2%	22.5%	-5.2%	708.9%	16.1%	0.1%	-28.1%	8.7%	28.4%	23.9%
Diluted Shares Outstanding	31.8%	31.7%	54.2%	53.7%	44.3%	49.8%	49.3%	-2.5%	2.2%	21.7%	4.5%	4.5%	4.8%	0.0%	1.6%	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

Reflects a 1-for-10 reverse stock split in July 2020

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	Q1E	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and equivalents	39.5	48.1	75.2	88.0	80.4	37.5	25.9	44.5	50.4	21.3	46.1	48.4	63.4	33.4	61.0	67.1
Short term investments									0.0	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	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Accounts Receivable	64.8	69.0	166.8	102.3	79.7	107.9	209.2	147.4	55.2	78.7	161.1	127.8	57.5	81.9	167.5	132.9
Inventories	48.2	57.7	54.6	38.6	36.7	60.6	89.8	84.0	48.5	65.0	58.0	63.5	50.0	68.0	60.6	65.5
Prepaid expenses/other current assets	18.8	28.4	22.1	17.2	23.5	32.5	12.4	10.9	17.3	23.2	19.5	7.7	18.0	24.1	20.3	8.1
Deferred Income Tax									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	175.8	207.8	323.3	250.8	223.8	239.3	338.1	287.6	172.2	189.0	285.5	248.3	189.6	208.1	310.2	274.4
Property and equipment, net	15.4	17.0	14.2	13.5	13.0	14.7	12.8	13.1	24.2	26.2	29.2	32.2	34.2	36.2	39.2	42.2
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	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Investments In Related Parties									0.0	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	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Total Assets	\$276.9	\$300.4	\$407.6	\$329.4	\$298.4	\$315.1	\$409.1	\$357.0	\$252.8	\$271.6	\$371.0	\$336.9	\$280.2	\$300.7	\$405.8	\$372.9
Liabilities and Shareholders' Equity																
Short Term debt	1.9	1.8	22.5	6.0	6.7	33.6	1.9	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Accounts Payable	44.8	78.3	139.4	79.8	59.5	106.4	105.3	113.2	51.8	69.5	107.4	77.5	53.9	72.2	111.7	80.6
Accrued expense	9.6	9.6	9.7	9.9	10.1	10.5	68.6	10.5	8.6	9.3	24.4	15.5	9.0	9.6	25.4	16.1
Reserves	31.7	32.3	44.2	42.1	39.5	42.3	47.7	46.3	10.4	13.9	29.3	23.2	10.8	14.4	30.5	24.2
Income Tax Payable	0.3	0.5	1.6	0.5	0.2	0.7	0.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Current Liabilities	88.4	122.5	217.5	138.3	116.0	193.4	224.1	173.1	73.9	95.7	164.2	119.3	76.7	99.4	170.6	123.9
Long Term debt	169.4	174.2	151.4	150.4	155.0	95.7	93.9	93.4	93.4	93.4	93.4	93.4	93.4	93.4	93.4	93.4
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	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Total Liabilities	287.1	323.6	395.5	315.9	303.2	320.0	346.7	297.4	198.2	220.1	288.5	243.6	201.0	223.8	295.0	248.3
Preferred stock	0.8	1.1	1.4	1.7	2.1	2.4	2.7	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
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	272.9	272.9	272.9	272.9	272.9	272.9	272.9	272.9
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)	(195.2)	(218.5)	(186.1)	(197.4)	(221.5)	(236.6)	(200.3)	(203.4)	(217.6)	(220.6)	(189.6)	(178.9)	(193.0)	(195.2)	(161.3)	(147.5)
Accumulated other loss	(16.1)	(16.0)	(14.8)	(12.4)	(12.5)	(12.1)	(12.6)	(13.0)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)	(3.9)
Stockholders' Equity	(10.2)	(23.2)	12.1	13.5	(4.8)	(4.9)	62.4	59.6	54.6	51.6	82.5	93.3	79.1	76.9	110.8	124.7
Tot. Liabilities/Stockholders' Equity	\$276.9	\$300.4	\$407.6	\$329.4	\$298.4	\$315.1	\$409.1	\$357.0	\$252.8	\$271.6	\$371.0	\$336.9	\$280.2	\$300.7	\$405.8	\$372.9
Activity Ratios																
A/R Days Sales Outstanding	88	79	62	72	86	86	79	71	58	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	3.8x	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%	19%	18%	18%	18%	19%	18%	18%	18%
A/P Days Payable	107	152	102	105	122	156	75	91	100	100	73	70	101	99	73	71
Book & Cash Value (per share)																
Book Value per Share (diluted)	(\$1.67)	(\$3.80)	\$1.30	\$1.45	(\$0.53)	(\$0.54)	\$6.88	\$6.27	\$5.74	\$5.42	\$8.67	\$9.81	\$8.32	\$8.09	\$11.65	\$13.11
Net cash per Share (diluted)	(\$21.70)	(\$20.97)	(\$10.61)	(\$7.35)	(\$8.93)	(\$10.09)	(\$7.71)	(\$5.36)	(\$4.74)	(\$7.80)	(\$5.20)	(\$4.95)	(\$3.38)	(\$6.53)	(\$3.63)	(\$2.99)
Cash per Share (diluted)	\$6.50	\$7.90	\$8.08	\$9.45	\$8.84	\$4.12	\$2.85	\$4.68	\$5.30	\$2.24	\$4.84	\$5.09	\$6.67	\$3.51	\$6.41	\$7.06

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	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Net Cash Flows from Operating Activities																				
Net earnings	(12.0)	(23.3)	32.4	(11.3)	(14.1)	(24.1)	(15.1)	36.4	(3.5)	(6.2)	(14.1)	(3.0)	30.9	10.8	24.6	(14.2)	(2.2)	33.9	13.8	31.4
Depreciation and amortization	1.9	2.6	4.5	1.9	10.9	1.8	2.8	4.3	0.6	9.5	1.0	1.0	1.0	1.0	4.0	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		4.1					0.0					0.0
Compensation stock option	0.3	0.7	0.5	0.8	2.3	0.4	0.4	0.6	2.0	3.4	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)				(0.5)	(0.5)	0.0	0.0	0.0	0.0	0.0	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	(1.4)	3.3	(35.9)	3.5	15.4	(6.1)	(23.0)	(12.5)	3.7	16.0	(6.3)	0.9
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	(9.8)	7.7	3.3	3.8	5.1	16.4	12.7	3.8		32.9					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)	0.3	0.2	(0.1)	(0.0)	(6.2)		(6.3)					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)	61.8	(44.3)	92.2	(23.5)	(82.4)	33.3	19.6	70.4	(24.4)	(85.7)	34.6	(5.1)
Inventories	6.0	(9.4)	3.1	15.9	15.6	2.0	(23.9)	(29.2)	5.8	(45.3)	35.5	(16.5)	7.0	(5.5)	20.4	13.6	(18.0)	7.4	(4.9)	(1.9)
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	(6.4)	(5.9)	3.6	11.8	3.1	(10.2)	(6.1)	3.8	12.3	(0.3)
Accounts payable	(38.5)	29.2	42.7	(54.3)	(20.8)	(8.7)	35.6	36.9	7.9	71.7	(61.4)	17.7	37.9	(29.9)	(35.7)	(23.6)	18.4	39.4	(31.1)	3.1
Accrued liabilities	(17.5)	3.1	18.7	(4.6)	(0.2)	(11.1)	9.3	20.6	(58.1)	(39.2)	(1.8)	0.6	15.1	(8.9)	5.0	(6.5)	0.7	15.8	(9.3)	0.6
Income Tax Payable and other	(2.4)	0.0	0.3	(1.3)	(3.4)	(0.4)	(0.3)	(0.5)	0.4	(0.8)	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	(18.9)	7.0	27.8	27.6	43.567	(7.0)	(11.6)	(8.4)	14.5	(12.5)	8.9	(26.1)	28.7	6.4	17.9	18.0	(27.0)	31.6	10.1	32.7
Net Cash Flows From Investing Activities																				
Capital expenditures	(1.6)	(2.8)	(1.8)	(2.1)	(8.3)	(1.5)	(2.3)	(2.7)	(4.0)	(10.4)	(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		0.1	(0.0)	0.0	0.1	0.0	0.0		4.7	4.7	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	(1.6)	(2.7)	(1.9)	(2.1)	(8.2)	(1.5)	(2.2)	(2.7)	0.7	(5.7)	(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				(15.1)	(15.1)		96.3		0.0	96.3	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)	(0.3)	(129.0)	0.0	0.0	0.0	0.0	0.0	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	0.0
Issuance of shares for stock options	(0.2)	(0.0)			(0.2)	(0.2)			0.0	(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
Net Cash From Financing	(0.2)	4.3	0.0	(15.1)	(10.9)	(0.2)	(32.3)	(0.1)	(0.3)	(32.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Effect of exchange rate on cash	(1.6)	0.1	1.1	2.4	2.0	(0.1)	0.4	(0.5)	3.8	3.6	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	(22.3)	8.7	27.1	12.9	26.4	(8.6)	(45.7)	(11.6)	18.6	(47.4)	5.9	(29.1)	24.7	2.4	3.9	15.0	(30.0)	27.6	6.1	18.7
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	51.3	22.2	46.9	45.3	49.2	64.2	34.2	61.8	49.2
Cash at end of period	\$44.0	\$52.7	\$79.8	\$92.7	\$92.7	\$84.1	\$38.3	\$26.7	\$45.3	\$45.3	\$51.3	\$22.2	\$46.9	\$49.2	\$49.2	\$64.2	\$34.2	\$61.8	\$67.9	\$67.9

Source: Company reports and Ascendant Capital Markets estimates

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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

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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 January 15, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	40	98%	16	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	41	100%	16	39%

Other Important Disclosures

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