

JAKKS Pacific, Inc.

Large Q3 upside. 2022 outlook more positive even as supply chain issues weighs. Lowering P/T to \$30.

COMPANY UPDATE

Rating: BUY

Ticker: JAKK

Price: \$18.49
(intraday)

Target: \$30.00
(from \$33)

Large Q3 upside: JAKKS recently (on October 27) reported its fiscal Q3 2022 (ending September) results. Revenue was \$323 million (+36% y-o-y), compared with our estimate of \$246 million and consensus \$261 million. Pro forma EPS was \$3.80, compared with our estimates of \$2.81 and consensus of \$2.95. There was no Q3 guidance.

Strong toy industry demand: JAKKS benefited from broad growth across a wide range of brands and categories, in the U.S. and international. JAKKS's top three customers in the U.S. had point of sale (POS) growth in the high teens in Q3.

Strong Disguise YTD: YTD, JAKKS's costume business (Disguise) revenue was \$135 million (+36% y-o-y), the highest YTD revenue since Disguise joined JAKKS in 2008.

But supply chain issues continue to weigh: The company had weaker margins in Q3 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 did note that freight costs and supply chain issues have improved significantly recently.

Profitability improved: Cost controls, inventory management, and very large operating leverage were able to offset the higher supply chain costs to gross margins (28.5% vs 31.6% y-o-y). This resulted in significantly higher operating income (\$54 million versus \$37 million y-o-y).

Building inventory: Q3 inventory was +22% versus last year (at \$109 million) vs. a sales increase of 36%. We believe the large inventory levels increases are reasonable to manage the current supply chain issues (delays, inflation, and higher freight costs) and higher revenue levels.

+20% 2022 revenue guidance: The company provided initial 2022 revenue guidance to be "around" +20% from 2021 (equating to ~\$745 million). We do note that the company is guiding for ~-57% revenue declines (y-o-y) in Q4 due to tough comps in Q4 2021 along with sales pulled forward YTD 2022 and retailers taking a more conservative sales outlook due to weakening macro and consumer issues.

Raising estimates significantly: We are raising our 2022 estimates for revenue to \$763 million, from \$738 million, and for EPS to \$4.75 from \$4.22.

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.

Strong 2022 execution so far: Q3 revenue were very 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, and is +53% YTD.

Should drive 2022: We believe the strong Q3, Q2, and Q1 results and higher inventory levels should drive momentum through 2022.

Risk/reward attractive: Maintaining our BUY rating, but lowering our 12-month price target to \$30 from \$33, which reflects a P/E multiple of ~6x our 2023 EPS estimate of \$4.95. 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 – 27.87
Shares Outstanding (million):	10
Market cap (\$million):	\$185
EV (\$million):	\$175
Debt (\$million):	\$68
Cash (\$million):	\$76
Avg. Daily Trading Vol. (\$million):	\$3
Float (million shares):	7
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0.00 (NA%)

Revenues (US\$ million)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	121A		122E	122E
Q2 Jun	220A		223E	223E
Q3 Sep	323A	246E	326E	249E
Q4 Dec	99E	150E	104E	152E
Total	763E	738E	775E	746E
EV/Revs	0.2x		0.2x	

Earnings per Share (pro forma)

	2022E (Cur.)	2022E (Old)	2023E (Cur.)	2023E (Old)
Q1 Mar	(0.28)A		(1.63)E	(1.70)E
Q2 Jun	2.10A		0.03E	(0.01)E
Q3 Sep	3.80A	2.81E	5.44E	4.27E
Q4 Dec	(1.11)E	(0.60)E	0.92E	1.66E
Total	4.75E	4.22E	4.95E	4.40E
P/E	4x		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 8.

OVERVIEW

- JAKKS recently (on October 27) reported its fiscal Q3 2022 (ending September) results.
- Revenue was \$323 million (+36% y-o-y), compared with our estimate of \$246 million and consensus \$261 million.
- Pro forma EPS was \$3.80, compared with our estimates of \$2.81 and consensus of \$2.95.
- There was no Q3 guidance.
- The company provided initial 2022 revenue guidance to be “around” +20% from 2021 (equating to 2022 revenue of ~\$745 million).
- This implies Q4 guidance for revenues of \$81 million.
- We are raising our 2022 estimates for revenue to \$763 million, from \$738 million, and for EPS to \$4.75 from \$4.22.
- We are raising our 2023 estimates for revenue to \$775 million, from \$746 million, and for EPS to \$4.95 from \$4.40.

ADDITIONAL DETAILS

- Gross profit for the quarter was \$92 million, compared with our estimate of \$67 million.
- Gross margin for the quarter was 29%, versus 32% last year and our expectation of 27%.
- Operating expenses were \$38 million, versus our expectation of \$36 million.
- Operating income was \$54 million, versus our expectation of \$31 million.
- Pro forma net income was \$39 million, versus our expectation of \$28 million.
- EBITDA was \$59 million, compared to our estimate of \$34 million and \$42 million last year.

The company’s balance sheet remains relatively seasonally steady with \$76 million in cash and \$68 million in debt, compared with \$62 million in cash and \$85 million in debt as of June. JAKKS has ~\$7/share in cash (~\$1/share in net cash).

The company’s Q3 inventory was +22% versus last year (at \$109 million, from \$124 million in Q2 and \$90 million in Q3 2021) vs. a sales increase of +36%. We believe the large inventory levels increases are reasonable to manage the current supply chain issues (delays, inflation, and higher freight costs).

Exhibit 1: Q3 2022 Overview

EXECUTIVE SUMMARY

Net Sales through September exceed full-year 2021

- Q3 Net Sales were \$323.0 million, 36% increase over prior year
- Q3 Toy/Consumer Products (CP) business up 56% while Costumes business decreased 17% versus Q3 2021
- Q3 gross margins were negatively impacted by higher import/freight costs
- Q3 Adjusted EBITDA of \$59.4 million, compared to \$41.7 million in the third quarter of 2021
- YTD Net Sales \$664.3M, 53% increase over prior year
- YTD Net Sales are 7% higher than FY21 Net Sales of \$621.1M
- YTD Toy/Consumer Products (CP) business up 58% while Costumes business increased 36% vs. YTD 2021
- YTD Retail Toy/CP POS at Top 3 US customers up over 20%

Source: Company report.

Exhibit 2: Q2 2022 Conclusions (as of July 2022)

Conclusions

- Four defining elements of our business:
 - Innovation within categories to maintain freshness and relevance
 - Addition of relevant brands -- new and existing IP -- and licensor relationships
 - Geographic expansion to reach the rapidly expanding global market
 - Migration into adjacent categories to fulfill the needs of consumers and our retail buyers
- Focused on continuing to improve margins and bottom-line profitability
- Continued thoughtful overhead cost management
- Steadily improve the balance sheet

Source: Company report.

Exhibit 3: JAKKS Pacific Stock Price (Five Years)



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

Exhibit 4: Consensus Expectations (as of October 27, 2022)

	Revenue (mils)			EPS	
	2022E	2023E		2022E	2023E
Q1 Mar	\$121A		Q1 Mar	\$(0.28)A	
Q2 Jun	\$220A		Q2 Jun	\$2.10A	
Q3 Sep	\$261E		Q3 Sep	\$2.81E	
Q4 Dec	\$132E		Q4 Dec	\$(0.60)E	
Total	\$734E	\$717E	Total	\$3.82E	\$3.95E

*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	Q2A	Q3A	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	120.9	220.4	323.0	98.8	763.1	122.1	222.6	326.2	103.7	774.6
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	121.9	174.3	57.3	425.5	65.0	120.9	176.7	52.7	415.3
Royalty expense	11.5	13.9	41.2	16.6	83.2	12.5	16.8	32.3	25.6	87.2	17.7	35.7	52.9	13.8	120.1	17.1	31.2	42.4	13.5	104.2
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	2.0	3.9	2.0	9.1	2.4	4.5	6.5	2.1	15.5
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	159.5	231.1	73.1	554.7	84.5	156.6	225.6	68.3	535.0
Gross Profit	16.4	16.8	74.6	42.0	149.8	26.1	31.9	74.9	50.0	183.0	29.9	60.9	91.9	25.7	208.4	37.6	66.1	100.6	35.4	239.7
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	6.8	8.4	18.8	38.9	11.0	14.5	14.0	9.3	48.8
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	29.5	29.4	17.8	101.8	40.3	49.0	22.8	13.5	125.6
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	0.6	0.4	1.0	2.5	1.0	1.0	1.0	1.0	4.0
Restructuring and other		1.9	0.1		2.0					0.0		0.3		0.0	0.3	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	37.2	38.2	37.5	143.6	52.3	64.4	37.9	23.8	178.4
Operating Income	(16.0)	(9.7)	37.5	1.1	12.9	(2.7)	1.8	36.7	2.9	38.8	(0.7)	23.7	53.7	(11.9)	64.8	(14.7)	1.6	62.7	11.6	61.3
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	2.3	4.3	1.8	10.6	1.8	1.8	1.8	1.8	7.1
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)	6.6	(7.5)	1.1	(0.3)	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	(4.2)	11.8	0.7	10.9	1.3	1.3	1.3	0.7	4.5
Pretax Income	(11.8)	(23.0)	31.8	(10.9)	(13.9)	(24.3)	(15.5)	36.3	(3.6)	(7.1)	(3.4)	27.9	41.9	(12.5)	53.9	(16.0)	0.3	61.4	11.0	56.8
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	1.3	11.6	(1.8)	11.6	(0.2)	0.0	8.6	1.5	10.0
Net Income	(12.0)	(23.3)	32.1	(11.3)	(14.6)	(24.4)	(15.4)	36.0	(3.5)	(7.3)	(3.8)	26.6	30.3	(10.8)	42.3	(15.8)	0.3	52.8	9.4	46.8
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	(5.5)	8.7	0.0	5.4	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	(2.6)	21.1	39.0	(10.8)	47.7	(15.8)	0.3	55.8	9.4	50.8
EBITDA	(13.9)	(4.6)	42.7	3.9	28.1	(2.4)	5.0	41.7	5.0	49.2	1.9	27.1	59.4	(8.9)	79.6	(11.7)	4.6	65.7	14.6	73.3
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	9.7	9.7	9.6	9.7	9.7	9.7	9.7	9.7
Diluted Shares	6.1	6.1	9.3	9.3	7.7	9.1	9.1	9.1	9.5	9.4	9.6	10.0	10.3	10.3	10.0	10.3	10.3	10.3	10.3	10.3
Basic EPS (as reported)	(7.20)	(4.38)		(0.80)	(1.72)	(1.77)	(0.38)				(0.28)			(1.11)		(1.63)				
Diluted EPS (as reported)			3.56					3.76	0.14	2.59		2.10	3.80		4.75		0.03	5.44	0.92	4.95
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%	24.7%	27.6%	28.5%	26.0%	27.3%	30.8%	29.7%	30.8%	34.2%	30.9%
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%	3.1%	2.6%	19.0%	5.1%	9.0%	6.5%	4.3%	9.0%	6.3%
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%	13.4%	9.1%	18.0%	13.3%	33.0%	22.0%	7.0%	13.0%	16.2%
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%	0.3%	0.1%	1.0%	0.3%	0.8%	0.4%	0.3%	1.0%	0.5%
Operating margin	-24.0%	-12.4%	15.5%	0.9%	2.5%	-3.2%	1.6%	15.5%	1.6%	6.2%	-0.6%	10.7%	16.6%	-12.0%	8.5%	-12.0%	0.7%	19.2%	11.2%	7.9%
Net margin	-18.1%	-29.6%	13.2%	-8.8%	-2.8%	-29.1%	-13.7%	15.2%	-1.9%	-1.2%	-3.2%	12.0%	9.4%	-10.9%	5.5%	-13.0%	0.1%	16.2%	9.1%	6.0%
Tax Rate	20.0%	20.0%	20.0%	20.0%	-5.3%	20.0%	20.0%	20.0%	20.0%	-3.2%	20.0%	20.0%	20.0%	14.0%	21.5%	1.0%	1.0%	14.0%	14.0%	17.6%
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%	44.2%	96.2%	36.3%	-47.5%	22.9%	1.0%	1.0%	1.0%	5.0%	1.5%
Gross Profit	14.0%	-5.5%	-7.7%	-9.4%	-6.0%	59.6%	90.2%	0.4%	19.1%	22.2%	14.7%	90.9%	22.7%	-48.7%	13.9%	25.6%	8.5%	9.4%	38.0%	15.0%
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%	8.8%	-21.7%	-2.5%	-9.7%	124.2%	111.6%	67.1%	-50.3%	25.5%
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%	27.3%	9.5%	-34.8%	3.2%	60.2%	65.9%	-22.3%	-24.2%	23.3%
Operating Income	-33.5%	-47.7%	5.2%	-110.5%	-172.6%	-83.0%	-118.7%	-2.1%	159.6%	200.3%	-73.0%	1199.3%	46.3%	#####	67.2%	#####	-93.2%	16.7%	#####	-5.5%
Net Income	-5.6%	-31.3%	-27.9%	-53.3%	-56.5%	-56.3%	-82.4%	3.1%	-136.6%	-486.4%	-72.2%	-992.0%	14.2%	#####	96.9%	499.0%	-98.4%	43.1%	#####	6.5%
Diluted EPS	-28.3%	-47.8%	-53.2%	-69.6%	-69.9%	-70.8%	-88.2%	5.8%	-135.8%	-417.5%	-73.6%	-908.7%	1.0%	#####	83.7%	459.8%	-98.5%	43.1%	#####	4.2%
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%	10.3%	13.1%	7.9%	7.2%	7.0%	2.2%	0.0%	0.0%	2.2%

* 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	Q2A	Q3A	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	39.2	62.3	76.4	94.4	50.6	19.9	123.6	149.8
Short term investments												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			0.2	0.2	0.2	0.2	0.2	0.2
Accounts Receivable	64.8	69.0	166.8	102.3	79.7	107.9	209.2	147.4	103.7	164.0	204.9	62.6	78.1	106.9	156.6	49.8
Inventories	48.2	57.7	54.6	38.6	36.7	60.6	89.8	84.0	85.3	123.7	109.2	36.7	67.6	125.8	77.7	33.7
Prepaid expenses/other current assets	18.8	28.4	22.1	17.2	23.5	32.5	12.4	10.9	17.4	14.5	11.1	4.0	24.4	44.5	26.1	4.1
<u>Deferred Income Tax</u>												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	245.7	364.5	401.7	197.8	220.9	297.2	384.2	237.6
Property and equipment, net	15.4	17.0	14.2	13.5	13.0	14.7	12.8	13.1	13.9	16.2	15.4	33.7	35.7	37.7	40.7	43.7
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	3.2	2.8	2.8	2.8	2.8	2.8	2.8
Investments In Related Parties												0.0	0.0	0.0	0.0	0.0
<u>Other</u>	<u>29.8</u>	<u>27.6</u>	<u>25.5</u>	<u>24.4</u>	<u>22.3</u>	<u>20.7</u>	<u>21.6</u>	<u>17.0</u>	<u>17.1</u>	<u>24.6</u>	<u>22.2</u>	<u>22.2</u>	<u>22.2</u>	<u>22.2</u>	<u>22.2</u>	<u>22.2</u>
Total Assets	\$276.9	\$300.4	\$407.6	\$329.4	\$298.4	\$315.1	\$409.1	\$357.0	\$315.8	\$443.6	\$477.1	\$291.5	\$316.6	\$394.9	\$484.9	\$341.3
Liabilities and Shareholders' Equity																
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	128.9	105.4	39.5	73.3	133.6	143.5	41.5
Accrued expense	9.6	9.6	9.7	9.9	10.1	10.5	68.6	10.5	57.1	68.4	84.7	7.9	12.2	17.8	32.6	8.3
Reserves	31.7	32.3	44.2	42.1	39.5	42.3	47.7	46.3	39.4	45.6	59.2	11.9	14.7	26.7	39.1	12.4
<u>Income Tax Payable</u>	<u>0.3</u>	<u>0.5</u>	<u>1.6</u>	<u>0.5</u>	<u>0.2</u>	<u>0.7</u>	<u>0.6</u>	<u>1.0</u>	<u>1.2</u>	<u>2.3</u>	<u>14.1</u>	<u>14.1</u>	<u>14.1</u>	<u>14.1</u>	<u>14.1</u>	<u>14.1</u>
Total Current Liabilities	88.4	122.5	217.5	138.3	116.0	193.4	224.1	173.1	136.6	247.8	265.9	75.8	116.7	194.7	231.9	78.8
Long Term debt	169.4	174.2	151.4	150.4	155.0	95.7	93.9	93.4	92.9	82.5	65.2	65.2	65.2	65.2	65.2	65.2
Deferred Tax and other	28.1	25.8	25.4	26.0	31.0	29.6	27.4	29.6	29.6	31.6	36.0	36.0	36.0	36.0	36.0	36.0
<u>Minority Interest</u>	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>	<u>1.3</u>	<u>1.2</u>	<u>0.9</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>
Total Liabilities	287.1	323.6	395.5	315.9	303.2	320.0	346.7	297.4	260.4	362.7	367.5	177.4	218.2	296.2	333.4	180.4
Preferred stock	0.8	1.1	1.4	1.7	2.1	2.4	2.7	3.1	3.4	3.8	4.1	4.1	4.1	4.1	4.1	4.1
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	272.8	273.6	274.0	274.0	274.0	274.0	274.0	274.0
Deferred Comp												0.0	0.0	0.0	0.0	0.0
Treasury Stock												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)	(180.7)	(150.0)	(160.8)	(176.6)	(176.2)	(123.4)	(114.0)
<u>Accumulated other loss</u>	<u>(16.1)</u>	<u>(16.0)</u>	<u>(14.8)</u>	<u>(12.4)</u>	<u>(12.5)</u>	<u>(12.1)</u>	<u>(12.6)</u>	<u>(13.0)</u>	<u>(13.6)</u>	<u>(15.8)</u>	<u>(18.6)</u>	<u>(3.3)</u>	<u>(3.3)</u>	<u>(3.3)</u>	<u>(3.3)</u>	<u>(3.3)</u>
Stockholders' Equity	(10.2)	(23.2)	12.1	13.5	(4.8)	(4.9)	62.4	59.6	55.4	81.0	109.6	114.1	98.3	98.6	151.5	160.9
Tot. Liabilities/Stockholders' Equity	\$276.9	\$300.4	\$407.6	\$329.4	\$298.4	\$315.1	\$409.1	\$357.0	\$315.8	\$443.6	\$477.1	\$291.5	\$316.6	\$394.9	\$484.9	\$341.3
Activity Ratios																
A/R Days Sales Outstanding	88	79	62	72	86	86	79	71	77	67	57	57	58	43	43	43
Inventory Turnover	3.1x	3.2x	9.0x	7.1x	4.8x	4.1x	5.6x	5.3x	3.4x	3.9x	6.4x	6.3x	3.8x	3.8x	9.1x	6.3x
Reserves as % of A/R	49%	47%	27%	41%	50%	39%	23%	31%	38%	28%	29%	19%	19%	25%	25%	25%
A/P Days Payable	107	152	102	105	122	156	75	91	46	95	54	62	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	\$5.78	\$8.07	\$10.68	\$11.12	\$9.58	\$9.61	\$14.76	\$15.68
Net cash per Share (diluted)	(\$21.70)	(\$20.97)	(\$10.61)	(\$7.35)	(\$8.93)	(\$10.09)	(\$7.71)	(\$5.36)	(\$5.86)	(\$2.26)	\$0.85	\$2.61	(\$1.67)	(\$4.66)	\$5.45	\$8.00
Cash per Share (diluted)	\$6.50	\$7.90	\$8.08	\$9.45	\$8.84	\$4.12	\$2.85	\$4.68	\$4.09	\$6.21	\$7.45	\$9.20	\$4.93	\$1.94	\$12.05	\$14.60

Source: Company reports and Ascendant Capital Markets estimates

JAKKS Pacific Inc.

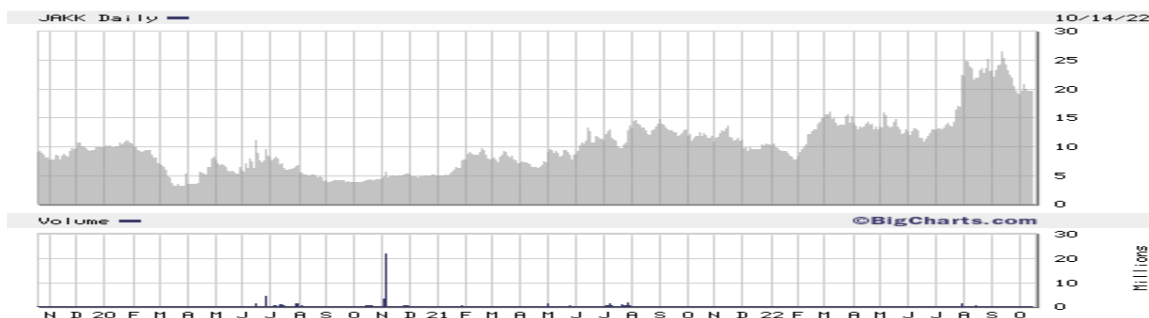
Cash Flow Statement (\$ millions)	Mar-20	Jun-20	Sep-20	Dec-20	2020	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Net Cash Flows from Operating Activities																					
Net earnings	(12.0)	(23.3)	32.4	(11.3)	(14.1)	(24.1)	(15.1)	36.4	(3.2)	(5.9)	(3.9)	26.2	30.3	(10.8)	41.9	(15.8)	0.3	52.8	9.4	46.8	
Depreciation and amortization	1.9	2.6	4.5	1.9	10.9	1.8	2.8	4.3	1.4	10.3	1.8	2.6	0.4	1.0	5.7	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	0.2	0.2			0.4					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	0.9	1.2	2.0	2.0	6.0	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	
Deferred Taxes / Other				(0.1)	(0.1)				(0.1)	(0.1)					4.9	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)	6.5	13.6	(47.4)	(34.2)	2.8	12.1	12.4	(26.7)	0.6	
Deferred Rent					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	0.6	(0.6)			0.0					0.0	
Tax benefit of stock options					0.0					0.0					(4.0)	(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		(5.4)			(5.4)					0.0	
Impairment					0.0					0.0		0.3			0.3					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	(60.5)	(40.8)	142.2	84.6	(15.5)	(28.7)	(49.7)	106.8	12.9	
Inventories	6.0	(9.4)	3.1	15.9	15.6	2.0	(23.9)	(29.2)	5.8	(45.3)	(1.4)	(38.4)	14.5	72.5	47.3	(30.9)	(58.2)	48.0	44.0	2.9	
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	(6.5)	3.0	3.4	7.2	7.0	(20.5)	(20.1)	18.4	22.0	(0.2)	
Accounts payable	(38.5)	29.2	42.7	(54.3)	(20.8)	(8.7)	35.6	36.9	(38.8)	25.0	(14.7)	75.9	(23.5)	(65.9)	(28.3)	33.7	60.3	10.0	(102.1)	2.0	
Accrued liabilities	(17.5)	3.1	18.7	(4.6)	(0.2)	(11.1)	9.3	20.6	(11.1)	7.8	(16.5)	27.6	16.3	(76.8)	(49.4)	4.3	5.6	14.8	(24.3)	0.4	
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)	(0.0)	0.9	11.8	0.0	12.6	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)	21.1	(5.9)	(2.7)	39.3	30.8	22.0	89.4	(40.8)	(27.7)	107.8	30.1	69.3	
Net Cash Flows From Investing Activities																					
Capital expenditures	(1.6)	(2.8)	(1.8)	(2.1)	(8.3)	(1.5)	(2.3)	(2.7)	(1.8)	(8.2)	(1.8)	(3.5)	(4.0)	(4.0)	(13.3)	(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	
Increase in other non-current assets		0.1	(0.0)	0.0	0.1	0.0	0.0			0.0					2.4	0.0	2.4	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)	(1.8)	(8.2)	(1.8)	(3.5)	(1.6)	(4.0)	(10.8)	(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	(2.6)		93.7				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)	(0.2)	(10.6)	(17.3)	0.0	(28.1)	0.0	0.0	0.0	0.0	0.0	
Issuance (Purchase) of common stock					0.0					0.0	(0.6)			0.0	(0.6)	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	
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)	(0.2)	(32.8)	(0.9)	(10.6)	(17.3)	0.0	(28.8)	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)	(0.3)	(0.5)	(0.7)	(2.2)	2.3	0.0	(0.5)	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)	(6.1)	23.1	14.3	18.0	49.3	(43.8)	(30.7)	103.8	26.1	55.3	
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	62.3	76.6	45.3	94.6	50.7	20.0	123.8	94.6	
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	\$39.2	\$62.3	\$76.6	\$94.6	\$94.6	\$50.7	\$20.0	\$123.8	\$149.9	\$149.9	

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
67	3/21/2022	BUY	18.00
68	6/1/2022	BUY	19.00
69	8/6/2022	BUY	33.00

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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 October 7, 2022)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	43	98%	17	40%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	44	100%	17	39%

Other Important Disclosures

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