

JAKKS PACIFIC INC
Form 10-Q
May 10, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-28104

JAKKS Pacific, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 95-4527222
(State or Other Jurisdiction of Incorporation or Organization)(I.R.S. Employer Identification No.)

2951 28th Street 90405
Santa Monica, California
(Address of Principal Executive Offices)(Zip Code)

Registrant's Telephone Number, Including Area Code: (424) 268-9444

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The number of shares outstanding of the issuer's common stock is 29,169,913 as of May 10, 2018.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES
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QUARTER ENDED MARCH 31, 2018
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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. For example, statements included in this report regarding our condensed consolidated financial position, business strategy and other plans and objectives for future operations, and assumptions and predictions about future product demand, supply, manufacturing, costs, marketing and pricing factors are all forward-looking statements. When we use words like “intend,” “anticipate,” “believe,” “estimate,” “plan,” “expect” or words of similar import, we are making forward-looking statements. We believe that the assumptions and expectations reflected in such forward-looking statements are reasonable and are based on information available to us on the date hereof, but we cannot assure you that these assumptions and expectations will prove to have been correct or that we will take any action that we may presently be planning. We are not undertaking to publicly update or revise any forward-looking statement if we obtain new information or upon the occurrence of future events or otherwise.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

JAKKS PACIFIC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$46,779	\$64,977
Accounts receivable, net of allowance for doubtful accounts of \$24,730 and \$10,940 at March 31, 2018 and December 31, 2017, respectively	93,928	142,457
Inventory	53,997	58,432
Prepaid expenses and other assets	20,812	16,803
Total current assets	215,516	282,669
Property and equipment		
Office furniture and equipment	15,171	15,043
Molds and tooling	116,920	115,378
Leasehold improvements	10,945	10,936
Total	143,036	141,357
Less accumulated depreciation and amortization	120,080	118,130
Property and equipment, net	22,956	23,227
Intangible assets, net	21,023	22,190
Other long term assets	18,504	6,579
Goodwill	35,592	35,384
Trademarks	300	300
Total assets	\$313,891	\$370,349
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$39,072	\$49,916
Accrued expenses	37,145	42,145
Reserve for sales returns and allowances	15,343	17,622
Short term debt	—	5,000
Convertible senior notes, net	21,119	21,075
Total current liabilities	112,679	135,758
Convertible senior notes, net	134,716	133,497
Other liabilities	4,426	4,537
Income taxes payable	1,327	1,261
Deferred income taxes, net	781	783
Total liabilities	253,929	275,836
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$.001 par value; 5,000,000 shares authorized; nil outstanding	—	—
Common stock, \$.001 par value; 100,000,000 shares authorized; 29,169,913 and 26,957,354 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	30	27

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Treasury stock, at cost; 3,112,840 shares	(24,000)	(24,000)
Additional paid-in capital	216,398	215,809
Accumulated deficit	(121,477)	(85,233)
Accumulated other comprehensive loss	(12,009)	(13,059)
Total JAKKS Pacific, Inc. stockholders' equity	58,942	93,544
Non-controlling interests	1,020	969
Total stockholders' equity	59,962	94,513
Total liabilities and stockholders' equity	\$313,891	\$370,349

See accompanying notes to condensed consolidated financial statements.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except per share data)

	Three Months Ended March 31, (Unaudited)	
	2018	2017
Net sales	\$93,004	\$94,505
Cost of sales	70,045	64,484
Gross profit	22,959	30,021
Selling, general and administrative expenses	58,617	45,745
Loss from operations	(35,658)	(15,724)
Income from joint ventures	22	—
Other income	50	23
Change in fair value of convertible senior notes	(1,021)	—
Interest income	14	4
Interest expense	(1,936)	(2,932)
Loss before benefit from income taxes	(38,529)	(18,629)
Benefit from income taxes	(2,336)	(344)
Net loss	(36,193)	(18,285)
Net income attributable to non-controlling interests	51	31
Net loss attributable to JAKKS Pacific, Inc.	\$(36,244)	\$(18,316)
Loss per share - basic and diluted	\$(1.57)	\$(1.01)
Shares used in loss per share - basic and diluted	23,100	18,104
Comprehensive loss	\$(35,143)	\$(17,754)
Comprehensive loss attributable to JAKKS Pacific, Inc.	\$(35,194)	\$(17,785)

See accompanying notes to condensed consolidated financial statements.