United States
Consumer Products and Services

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JAKKS Pacific, Inc.

Initiating Coverage with BUY and $20 Target

Stock attractive as Monsuno and other new 2012 toys likely to drive upside to expectations. We recommend the stock and believe its valuation will increase as the company's sales and earnings rebound.

COVERAGE INITIATION

Rating: Buy

Ticker: JAKK

Price: $15.15

Target: $20.00

Leading position as #3 U.S. toy company: JAKKS Pacific is a leading designer and marketer of a broad range of toys and related consumer products. We believe that JAKKS is well positioned in a relatively stable and profitable toy products industry.

Monsuno likely to drive 2012: Monsuno is JAKKS's first owned IP TV entertainment venture, and we believe that this will be a major property when it launches in Spring 2012. The TV show will debut on Nicktoons in the U.S. on February 23, 2012, with toys launching at retail at the same time.

Recent weak results: JAKKS recently reported weak Q4 (December) 2011 results. The difficult retail and consumer sales environment for toys, and a lack of top selling products resulted in JAKKS significantly missing its financial guidance. While the company expects 2012 to be much better, its initial 2012 guidance (revenue of $720 - 728 million, and EPS of $1.01 - 1.07) is well below its prior 2011 guidance (revenue of $770 - 775 million and EPS of $1.32 - 1.35).

Competition and changes in demand are concerns: Competition in the toy business is high from companies such as Hasbro and Mattel. The toy industry is tied closely with consumer preferences which, particularly for kids, are constantly changing and hard to predict.

However, concerns outweighed by new products and valuation: We believe that JAKKS is at a crossroads as an investment story. After the past three years of tempered results, the company is now poised to seize the opportunity with Monsuno along with its other 2012 new products to drive revenue and earnings growth.

Potential acquisition target: In September 2011, JAKKS received a proposal to be acquired by Oaktree Capital for $20 per share ($560 million at 6-8x EBITDAS) though the offer was rejected. There has been a recent uptick in M&A activity in the toy industry (RC2 and HIT Entertainment) at valuations well above JAKKS's current valuation.

Strong balance sheet: JAKKS has a strong balance sheet with $258 million in cash and $92 million in debt (gross cash of $10/share and net cash of $6/share). In 2011, the company instituted a dividend at an annual rate of $0.40/share and completed a $30 million stock buyback.

Current valuation attractive: We looked at JAKKS's valuation four ways (P/E, EV/Revenue, EV/EBITDAS, M&A value) and each suggested that JAKKS's current valuation is attractive compared with its peers. Our $20 price target is calculated by applying a forward multiple of 6x our 2012 EBITDAS estimate of $58 million plus $166 million in net cash. This multiple is an approximate 20% discount to the peer group median (7.2x) and recent M&A transaction multiples for toy companies (8-10x), as we believe this appropriately balances out the risks and recent poor execution with its growth prospects.

Company Description

Based in Malibu, 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:	$13.29 - 21.21
Shares Outstanding (million):	25.8
Market cap ($million):	$391
EV ($million):	$225
Debt ($million):	$92
Cash ($million):	$258
Avg. Daily Trading Vol. ($million):	$3.0
Float (million shares):	24
Short Interest (million shares):	3.8
Incorporation:	Delaware
Public auditor:	BDO USA, LLP

Revenues (US$ million)

	2010A	2011A	2012E	2013E
Q1 Mar	77A	72A	71E	76E
Q2 Jun	123A	132A	137E	146E
Q3 Sep	349A	332A	363E	381E
Q4 Dec	198A	141A	164E	172E
Total	**747A**	**678A**	**735E**	**775E**
EV/Revs	0.3x	0.3x	0.3x	0.3x

Earnings per Share (pro forma)

	2010A	2011A	2012E	2013E
Q1 Mar	(0.19)A	(0.39)A	(0.60)E	(0.31)E
Q2 Jun	0.11A	0.16A	0.10E	0.14E
Q3 Sep	1.23A	1.10A	1.23E	1.40E
Q4 Dec	0.30A	(0.77)A	0.25E	0.32E
Total	**$1.52A**	**$0.32A**	**$1.09E**	**$1.60E**
P/E	10x	47x	14x	9x

EBITDAS* (US$ million)

	2010A	2011A	2012E	2013E
Q1 Mar	(10)A	(12)A	(18)E	(8)E
Q2 Jun	5A	5A	4E	6E
Q3 Sep	58A	55A	58E	66E
Q4 Dec	14A	(33)A	15E	18E
Total	**67A**	**14A**	**58E**	**82E**
EV/EBITDAS	3x	16x	4x	3x

**EBITDAS defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation.*

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 19.

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Exhibit 1: JAKKS Pacific Stock Price (Five Years)

Source: Nasdaq.com

INVESTMENT THESIS

We are initiating coverage of JAKKS Pacific with a BUY rating and a 12-month price target of $20.
JAKKS Pacific is the 3rd largest U.S. toy company (with ~2% U.S. market share). After tremendous growth since its founding in 1995, the company has struggled over the past three years. In 2011, the company suffered from poor sales (particularly in the Q4 holidays) as the retail environment remains weak and the company did not have any top selling toys. However, 2012 should be a much better year for JAKKS. The company has a much stronger lineup of new toys, led by its own newly developed Monsuno boys action toy line. The success of its own brands and products should provide a strong rebound in sales and earnings, and drive growth over the next several years.

Our $20 price target is calculated by applying a forward multiple of 6x our 2012 EBITDAS estimate of $58 million plus $166 million in net cash. This multiple is an approximate 20% discount to the peer group median (7.2x) and recent M&A transaction multiples for toy companies (8-10x). We believe this appropriately balances out the risks and recent poor execution with its growth prospects.

We believe the current valuation is attractive.
We looked at JAKKS's valuation four ways, and most suggested that JAKKS is undervalued:

1) EV is at 0.3x 2011 revenues and 0.3x 2012E revenues, versus a comp group median of 1.3x (2011) and 1.3x (2012E);
2) EV is at 3.9x 2012E EBITDAS, versus a comp group median of 7.2x (2012E);
3) P/E of 13.9x (2012E), versus a comp group median of 13.4x (2012E); and
4) Recent M&A transactions multiples of ~10x trailing EBITDAS and ~8x forward EBITDAS.

INVESTMENT HIGHLIGHTS

Leading Position As #3 U.S. Toy Company
JAKKS Pacific is a leading designer and marketer of a broad range of toys and related consumer products. Through a combination of internal growth and acquisitions, the company has grown significantly over the past decade to become the 3rd largest U.S. toy

company. We believe that JAKKS is well positioned in a relatively stable and profitable toy products industry. We believe the company's diverse product lines, strategic acquisitions, and history of innovation should alleviate concerns regarding industry growth rates, retail and consumer weakness, and recent poor execution by the company. We believe that JAKKS is near a crossroads as an investment story, and that 2012 should be a much better year as the company has a much stronger lineup of new toys that should provide a strong rebound in sales and earnings and drive growth over the next several years.

2012 New Products

The company's 2012 lineup looks much better than products over the past three years and are led by Monsuno, Disney's Princess and Fairies, Pokemon, SpyNet, Winx Club, and CDI dress/accessories. Other new properties include Original Big Wheel Ride-On Toy, toys based on the movie Men In Black 3, figures and plush based on the movie The Dark Knight Rises, and the Action Cam video camera. By having a robust and diverse set of new products, the company increases the chance it will have hit products that resonate with consumers.

Monsuno Opportunity

Monsuno is JAKKS's first owned IP (intellectual property) TV entertainment venture, and we believe that this will be a major property when it launches in Spring 2012. The TV show will debut on Nicktoons in the U.S. on February 23, 2012, with toys launching at retail at the same time. The Monsuno line consists of boys action figures and collectible battle toys that kids discover, collect, command, and battle various creatures and characters. We note that JAKKS already has TV and toy distribution in place for major markets around the world. JAKKS, which will distribute Monsuno toys in North America and international territories, is working with a Japanese advertising and production company (Dentsu), a global TV distribution company (FremantleMedia), and a trading card partner (Topps). Currently, JAKKS is working on 52 animated episodes of the show.

Exhibit 2: Monsuno

Source: Company reports

Potential Acquisition Target

JAKKS has been mentioned over the years as a good acquisition candidate for larger toy companies (such as Mattel and Hasbro) to expand their toy offerings. We note that there has been a recent uptick in M&A activity in the toy industry (RC2 and HIT Entertainment) at valuations well above JAKKS's current valuation. In April 2011, RC2 (previously the #4 toy company in the U.S.)

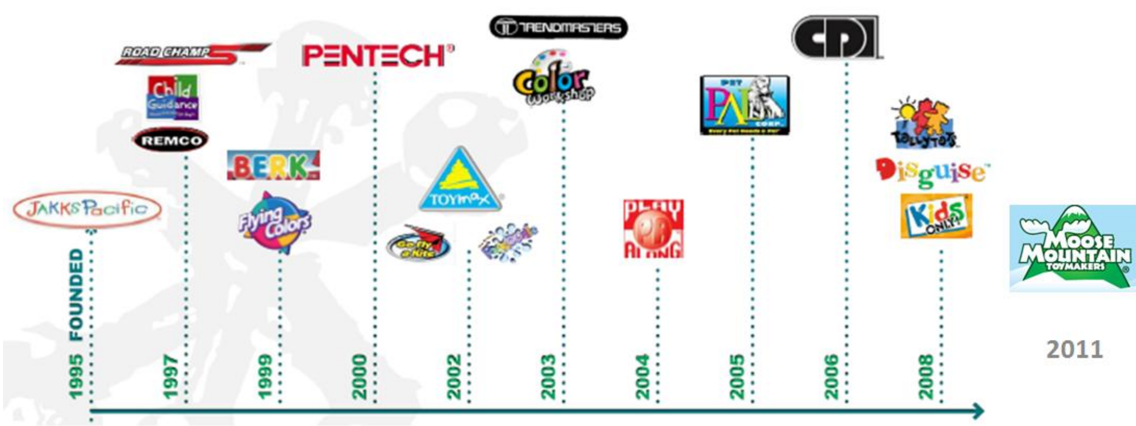
was acquired by Japanese toy company TOMY for $650 million (8-10x EBITDAS). In January 2012, Mattel acquired HIT Entertainment for $680 million (9-10x EBITDAS) to acquire key preschool properties such as Thomas & Friends.

In September 2011, JAKKS received a proposal to be acquired by Oaktree Capital for $560 million (6-8x EBITDAS) though the offer was rejected. The proposed offer was for $20 per share in cash, and followed a previous offer by Oaktree (reported by various media) at $22.50 per share (made in March 2011) that was also turned down.

Positive Acquisition History

JAKKS has been successful in making strategic acquisitions to fill and complement its product line. Since its founding in 1995, JAKKS has completed and integrated 18 acquisitions of companies and trademarks. Most recently, in October, JAKKS acquired Hong Kong-based Moose Mountain Toymakers Limited, a leader in the sale and manufacture of foot to floor ride-ons, wagons, tents, safe soft play environments, arcade pinball games and sports arcade products. JAKKS typically derives revenue synergies from leveraging its existing retailer relationships, along with costs synergies from reducing overhead.

Exhibit 3: Acquisition History



Source: Company reports

Strong Balance Sheet

JAKKS has a strong balance sheet with $258 million in cash and $92 million in debt (gross cash of $10/share and net cash of $6/share). In 2011, the company instituted a dividend at an annual rate of $0.40/share and completed a $30 million stock buyback.

Solid Growth Prospects in Europe

85% of JAKKS's sales are in the U.S., with only 15% abroad (primarily Europe). However, its international business has been growing quickly (and relatively faster than the rest of its business) (+1% in 2011). As the toy industry in Europe is similar in size to the U.S., we believe that there are significant market opportunities for JAKKS to grow.

INVESTMENT CONCERNS

Recent Weak Results

JAKKS recently reported weak Q4 (December) 2011 results (which was inline with its negative preannouncement in December). The difficult retail and consumer sales environment for toys, and a lack of top selling products for JAKKS resulted in the company significantly missing its financial guidance. 2011 guidance provided in October was for revenue of $770 - 775 million and EPS of $1.32 - 1.35, but the company's actual results were revenue of $678 million and EPS of $0.32. While the company expects 2012 to be much better, its initial 2012 guidance (revenue of $720 - 728 million, and EPS of $1.01 - 1.07) is well below its prior 2011 guidance.

Dependence on New Product Introductions

The toy industry is tied closely with consumer preferences which, particularly children's, are continuously changing and difficult to predict. The development of new toys and products requires innovation and marketing investments which can be lengthy and costly. JAKKS constantly introduces new products and brands to drive growth. Ultimately, it will be in the hands of consumers to decide if these products are successful or not.

Competition Is High

Competition in the toy business is intense from companies such as Mattel and Hasbro (the two leading U.S. toy companies), along with a wide range of companies including international, privately-held, smaller, or new companies. Many competitors are significantly larger and have more resources than JAKKS, but we believe that smaller companies can continue to actively compete in this sector by offering innovative and new products (particularly as fads and changing consumer preferences are normal in the toy industry).

Stagnant Toy Industry Growth

According to The NPD Group, the U.S. toy industry had retail sales in 2011 of $21.2 billion, which was down 2% from 2010. U.S. toy sales have been relatively flat for the past several years. While the U.S. birth rate has been relatively flat, we believe that per child spending may increase as parents are having children later (and at more affluent stages of their lives) and as the population ages, more people are becoming grandparents (another significant toy buying group). However, offsetting this is age compression as children grow out of toys and move to electronic products or games at an earlier age. Overall, we expect 1-2% dollar sales annual growth for the U.S. toy market over the next several years.

Retail Consolidation

The market for toy retailers continues to see consolidation, with the mass merchants (Wal-Mart and Target) dominating the toy retailing industry and taking U.S. market share from specialty toy retailers (including Toys "R" Us). JAKKS' sales to Target and Wal-Mart (its top two customers) accounted for 39% of 2010 sales. The mass merchants have competitive advantages in the highly seasonal toy market, because they have the ability to allocate a significant amount of shelf space to toys during the holiday season, and then reduce the shelf space for toys during the rest of the year. Since mass merchants tend to focus on selling toy products during the holiday selling period, the seasonality (and financial volatility) for suppliers such as JAKKS is increased. More focus on the holidays also tends to influence consumer behavior, as consumers are likely to purchase fewer toy products year round if product offerings are lean. We believe as JAKKS continues to diversify its product lines, it should provide more diversity to its customer base and seasonality trends.

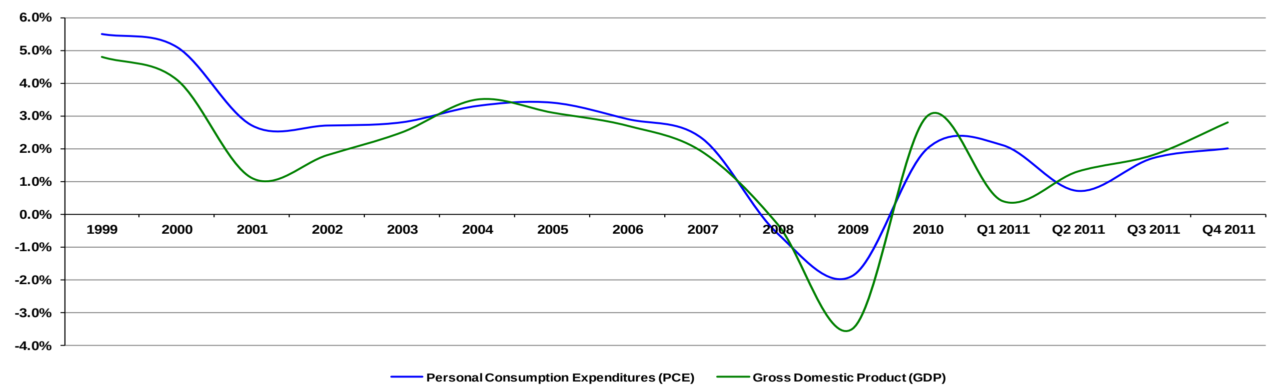
Rising Costs

JAKKS product costs are rising as plastics and other raw materials used in toy products are increasing (most correlate with the price of oil and other commodities), as are labor costs and negative F/X (weakening US$ to the Chinese Yuan) in China, where most of its products are manufactured. We believe that moderate increases in prices are manageable for JAKKS (as it has been dealing with rising costs over the past several years), but any significant increases would negatively affect its business if it cannot raise its prices accordingly.

Economic Uncertainty

Consumer spending is highly correlated with economic activity and discretionary income levels. Deterioration in economic conditions tends to result in an overall decline in consumer spending, as was demonstrated during the 2008 and 2009 Great Recession and global economic slowdown. While consumer spending levels have improved relatively in 2010 and 2011, the global macroeconomic environment remains fragile (particularly in Europe). Further economic weakness may result in depressed consumer spending levels, which may have a negative impact on JAKKS's business.

Exhibit 4: U.S. Consumer Spending and U.S. Economic Growth (GDP)



Source: U.S. Bureau of Economic Analysis

OAKTREE CAPITAL'S BID FOR JAKKS

On September 13, 2011, Oaktree Capital announced a proposal to acquire JAKKS for $20 per share in cash. Oaktree made the offer public after JAKKS Board's continued refusal (since March) to discuss an acquisition by Oaktree. We believe this offer was serious as Oaktree is a major investment firm ($80 billion in assets) and owns 5% of JAKKS. The offer price was a 25% premium to JAKKS's average stock price over the previous month, and prior two years. The total offer for the company was ~$670 million.

Based on 2011 EPS guidance (at the time of the offer) of $1.32 – 1.35, this deal valued JAKKS at 15x P/E, or 10.5x P/E (ex. $6/share net cash), and was at the high end of its historical P/E of 7 – 10x (ex. net cash). On an EBITDAS basis, this deal valued JAKKS at an estimated 6.5x 2011 EBITDAS. Oaktree stated that it was willing to increase the offer price based on due diligence, and was reported to have originally offered $22.50/share in March 2011.

On October 5, 2011, JAKKS formally responded to Oaktree's offer to buy JAKKS at $20/share as inadequate. JAKKS has not commented on its valuation in detail, but we believe that the company believes it is worth well north of the $20/share offer price. There has been no update from Oaktree regarding its interest in JAKKS. We note that Oaktree is a financial buyer and not a strategic buyer, so they will likely be very careful in their bid not to overpay.

Ultimately though, it is JAKKS's investors that will decide the outcome. Since October, JAKKS has had a much weaker than expected 2011, and its current share price is well below the $20/share Oaktree bid. However, even at this point, we believe most investors would agree with JAKKS that a bid of $20 per share is too low (even with the current share price at ~$15) for a takeout and will not accept Oaktree's bid. Even without a buyout, we believe investors believe that JAKKS value should rebound with earnings (which are currently depressed, after earning over $2/share annually from 2005 to 2008).

Although JAKKS management owns a small percentage of the company (~2%), we believe that Oaktree needs the cooperation of management to make this deal successful. As JAKKS is not an asset or IP rich company, we believe most of the value in the business is in its business relationships, which we believe are tied to current management.

So in conclusion, we believe the gap between the valuations Oaktree would be willing to pay and the price at which JAKKS would be interested in selling will ultimately cause JAKKS to remain an independent company. However, the prospects of a deal may provide some support to JAKKS's share price.

VALUATION

We are initiating coverage of JAKKS with a BUY rating and a 12-month price target of $20, which reflects a target EBITDAS (operating income plus depreciation, amortization, and stock compensation) multiple of 6x our 2012 EBITDAS estimate of $58 million plus $166 million in net cash. The 6x forward EBITDAS multiple is a ~20% discount with its peer group median for toy companies (7.2x), which we believe is reasonable given its recent poor execution compared with its peers offset by its growth prospects. This multiple is also below (~25% discount) the last major public toy company acquisition in this industry, the acquisition of RC2 by TOMY in April 2011, which was completed at ~7.9x forward EV/EBITDAS.

On an EV/Revenue basis, JAKKS is trading well below its peers (at 0.3x 2012E revenue compared with the median of 1.3x). On a P/E basis, JAKKS is trading slightly above its peers (at 13.9x 2012E EPS compared with the median of 13.4x) but we believe this may be distorted by JAKKS high net cash balance ($6/share). Adjusting for cash, JAKKS is trading at a P/E of 8x 2012 EPS, well below its peers.

Exhibit 5: Comparable Companies

In millions (unless otherwise noted), excluding per share data

	Ticker	FYE	Rating	Price Target	Price as of close 2/22/12	52 Week Range		Diluted Shares	Market Cap	Enterprise Value (EV)	Earnings / Share		Price / EPS		Revenues		Ent Val (EV) / Rev		EBITDAS		Ent Val (EV) / EBITDAS	
						Low	High				2011A	2012E	2011A	2012E	2011A	2012E	2011A	2012E	2011A	2012E	2011A	2012E
JAKKS Pacific	**JAKK**	**Dec**	**Buy**	**$20**	**$15.15**	**$13.29**	**$21.21**	**26**	**391**	**225**	**$0.32**	**$1.09**	**47.3x**	**13.9x**	**678**	**735**	**0.3x**	**0.3x**	**14**	**58**	**15.6x**	**3.9x**
Hasbro	HAS	Dec	Not Rated	N/A	$34.52	$31.36	$48.43	135	4,660	5,599	$2.78	$2.99	12.4x	11.5x	4,286	4,363	1.3x	1.3x	758	779	7.4x	7.2x
LeapFrog Enterprises	LF	Dec	Strong Buy	$8	$7.24	$2.57	$7.90	67	483	408	$0.30	$0.50	24.1x	14.5x	455	515	0.9x	0.8x	49	60	8.3x	6.8x
Mattel	MAT	Dec	Not Rated	N/A	$32.01	$22.70	$32.79	339	10,864	11,053	$2.18	$2.39	14.7x	13.4x	6,266	6,541	1.8x	1.7x	1,200	1,313	9.2x	8.4x
Median													14.7x	13.4x			1.3x	1.3x			8.3x	7.2x
Average													17.1x	13.1x			1.3x	1.3x			8.3x	7.5x

Note: For companies not under coverage, First Call estimates are used

Source: Company reports, Thomson Reuters, and Ascendant Capital Markets estimates

Exhibit 6: Valuation Metrics of RC2 Acquisition by TOMY

Announced March 10, 2011
Closed April 28, 2011

Total Price	$650 million	$27.90/share

	2010A	2011E
Revenue	$427 million	$525 million
EBITDAS	$63 million	$82 million
EPS	$1.34	$1.95

Implied Multiple	2010A	2011E
EV/Sales	1.5x	1.2x
EV/EBITDAS	10.3x	7.9x
P/E	20.8x	14.3x

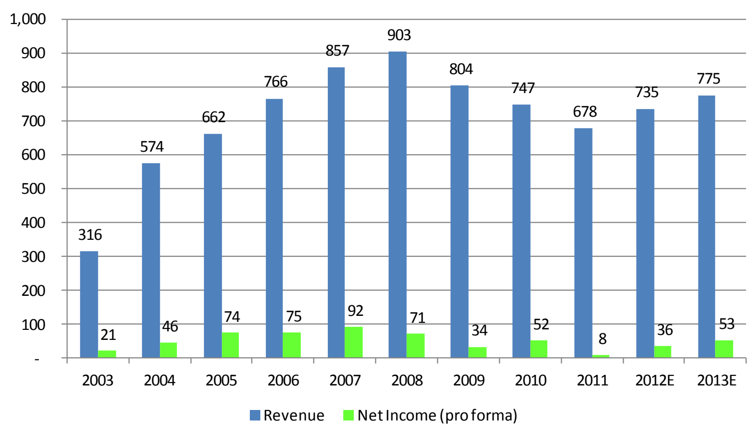
Source: Company reports and Ascendant Capital Markets estimates

COMPANY HIGHLIGHTS

Based in Malibu, CA, JAKKS Pacific is the third largest U.S. toy company. JAKKS designs and markets a broad range of toys and related consumer products with over 5,000 products in over 21 product categories (including Action Figures, Art Activity Kits, Stationery, Writing Instruments, Performance Kites, Water Toys, Sports Activity Toys, Vehicles, Infant/Pre-School, Plush, Construction Toys, Electronics, Dolls, and Pets).

JAKKS has grown significantly since its founding in 1995 by Jack Friedman and Stephen Berman through product development, licensing agreements and strategic acquisitions. JAKKS sells mainly in the U.S., with international sales accounting for approximately 15% of 2011 sales. As of February 28, 2011, JAKKS had 828 employees.

Exhibit 7: JAKKS's Revenue and Net Income ($ millions)



Source: Company reports and Ascendiant Capital Markets estimates

MANAGEMENT TEAM

Stephen Berman, President and Chief Executive Officer, age 46. Mr. Berman co-founded JAKKS Pacific in 1995, serving as the company's executive vice president, CEO, secretary and director. In April 2010, Mr. Berman was appointed as CEO. From October 1991 to August 1995, Mr. Berman was a vice president and managing director of THQ International, Inc., a subsidiary of THQ, Inc. Prior to his position at THQ, from 1988 to 1991, Mr. Berman was president and an owner of Balanced Approach, Inc., a distributor of personal fitness products and services.

Joel Bennett, Chief Financial Officer, age 49. Mr. Bennett joined JAKKS Pacific in September 1995 as CFO. From August 1993 to September 1995, Mr. Bennett served in several financial management roles at Time Warner Entertainment Company, L.P. From June 1991 to August 1993, he was CFO of TTI Technologies, Inc., a direct-mail computer distribution company. From 1986 to June 1991, Mr. Bennett worked at The Walt Disney Company. Mr. Bennett holds a Bachelor of Science degree in Accounting and a Master of Business Administration degree in Finance and is a Certified Public Accountant (inactive).

John (Jack) McGrath, Chief Operating Officer, age 45. Mr. McGrath joined JAKKS Pacific in 1999 as VP of Marketing and Product Development, and then Senior VP of Operations in 2000, Executive VP of Operations in 2008, and Chief Operating Officer in 2011. From January 1992 to December 1998, Mr. McGrath was Director of Marketing at Mattel Inc. Prior to that, he was a PFC in the U.S Army. He holds a Marketing Degree from California State University of Long Beach.

Exhibit 8: JAKKS Management Team

Stephen Berman **Joel Bennett**

Source: Company reports

PRODUCT MIX

JAKKS' products are primarily sold to toy and mass-market retail chain stores, but also to department stores, office supply stores, drug and grocery store chains, club stores, toy specialty stores and wholesalers in the U.S. and international. JAKKS has two major product lines: 1) Traditional Toys and Electronics; and 2) Role Play, Novelty and Seasonal Toys. 70% of its revenues are from products retail priced at $25 or less.

Exhibit 9: Sales to Top 3 Customers

	2008	2009	2010
Wal-Mart	30%	27%	23%
Target	13%	17%	16%
Toys R Us	13%	11%	15%
Total	57%	56%	53%

Source: Company reports

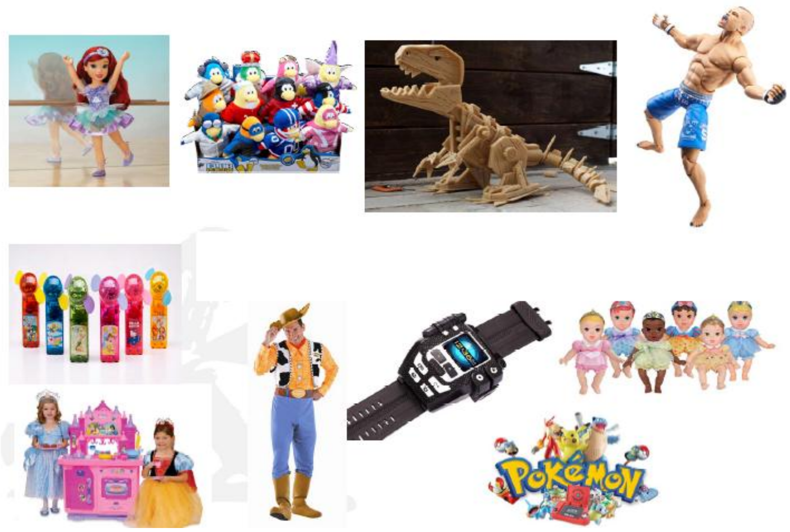
JAKKS' product development process typically takes three to nine months from concept to production and shipment to customers. We believe that as a smaller company, JAKKS can move more quickly and be more innovative than its larger competitors, such as with the success of its interactive TV Games Plug & Play devices.

Exhibit 10: Sales by Product Category

	2009	2010	2011
Traditional Toys and Electronics	55%	48%	51%
Role Play, Novelty and Seasonal Toys	45%	52%	49%
	100%	100%	100%

Source: Company reports

Exhibit 11: JAKKS's Products



Source: Company reports

Exhibit 12: JAKKS's Brands

Source: Company reports

Traditional Toys and Electronics

● Action figures and accessories, including licensed characters from Ultimate Fighting Champion (UFC), Total Non-Stop Action (TNA) wrestling, Pokémon and until December 31, 2009, World Wrestling Entertainment franchises;

● Toy vehicles, including Road Champs, Fly Wheels and MXS toy vehicles and accessories;

● Electronics products, including SpyNet spy products, EyeClops Bionic Eye products, and Plug It In & Play TV Games;

● Dolls and accessories, including small dolls, large dolls, fashion dolls and baby dolls based on licenses, including Disney Princess, Disney Fairies, Cabbage Patch Kids, Taylor Swift, Fancy Nancy, Hello Kitty, Graco and Fisher Price; plush, infant and pre-school toys;

● Private label toy products for retail customers; and

● Pet products, including toys, consumables, and accessories.

Role Play, Novelty and Seasonal Toys

● Food play and activity kits, including Girl Gourmet, Creepy Crawlers, and BloPens;

● Role-play, dress-up, pretend play and novelty products for boys and girls based on proprietary brands and entertainment properties such as Disney Princess, Disney Fairies, and Barbie;

● Indoor and outdoor kids' furniture, activity trays and tables and room décor, kiddie pools, seasonal and outdoor products; and

● Halloween and everyday costumes for all ages based on licensed and proprietary non-licensed brands.

INDUSTRY HIGHLIGHTS

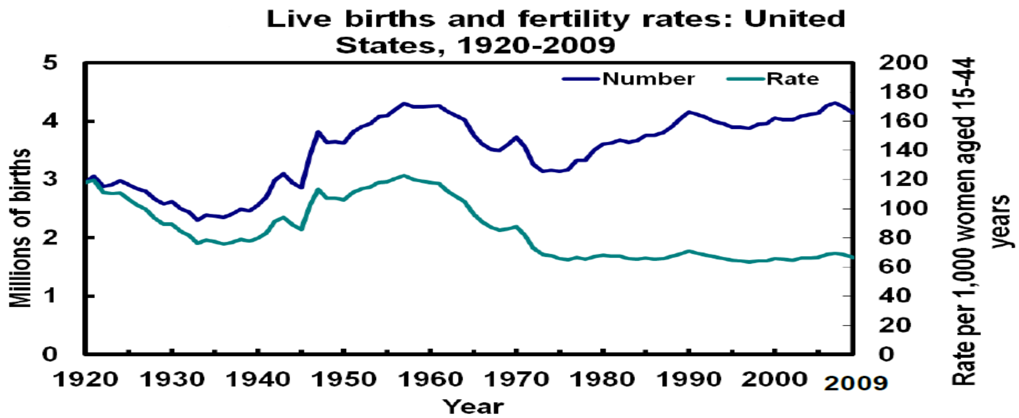
According to The NPD Group, the U.S. toy industry had retail sales in 2011 of $21.2 billion, which was down 2% from 2010. U.S. toy sales have been relatively flat for the past several years. While the U.S. birth rate has been relatively flat, we believe that per child spending may increase as parents are having children later (and at more affluent stages of their lives) and as the population ages, more people are becoming grandparents (another significant toy buying group). However, offsetting this is age compression as children grow out of toys and move to electronic products or games at an earlier age. Overall, we expect 1-2% dollar sales annual growth for the U.S. toy market over the next several years.

Exhibit 13: U.S. Toy Industry Sales

	ANNUAL DOMESTIC SALES DATA							
SUPERCATEGORY	2010	2009	2008	2007	2006	2005	2004	2003
Action Figures, Accessories and Role Play	$1.4 B	$1.6 B	$1.5 B	$1.5 B	$1.4 B	$1.5 B	$1.3 B	$1.3B
Arts & Crafts	$2.8 B	$2.8 B	$2.6 B	$2.6 B	$2.7 B	$2.6 B	$2.6 B	$2.6B
Building Sets	$1.2 B	$1.1 B	$0.9 B	$0.7 B	$0.7 B	$0.7 B	$0.6 B	$0.6 B
Dolls	$2.8 B	$2.6 B	$2.7 B	$3.0 B	$3.1 B	$3.2 B	$2.8 B	$2.9B
Games/Puzzles	$2.2 B	$2.4 B	$2.3 B	$2.3 B	$2.4 B	$2.5 B	$2.7 B	$2.7B
Infant/Preschool Toys	$3.2 B	$3.0 B	$3.1 B	$3.2 B	$3.4 B	$3.3 B	$3.1 B	$3.1B
Youth Electronics	$0.6 B	$0.7 B	$0.9 B	$1.0 B	$1.0 B	$0.9 B	$0.9 B	$0.8 B
Outdoor & Sports Toys	$2.8 B	$2.6 B	$2.7 B	$2.9 B	$3.0 B	$2.9 B	$2.9 B	$2.9B
Plush	$1.7 B	$1.5 B	$1.7 B	$1.4 B	$1.4 B	$1.4 B	$1.6 B	$1.7B
Vehicles	$1.8 B	$1.8 B	$1.9 B	$2.3 B	$2.1 B	$2.1 B	$2.1B	$2.2B
All Other Toys	$1.5 B	$1.4 B	$1.3 B	$1.4 B	$1.6 B	$1.6 B	$2.3 B	$2.1B
TOTAL TRADITIONAL TOY INDUSTRY*	$21.9 B	$21.5 B	$21.6 B	$22.2 B	$22.7B	$22.7B	$23.0B	$22.9B
Video Games**	$18.6 B	$19.7 B	$21.4 B	$18.0 B	$12.5B	$10.5B	$9.9B	$10.0B

Source: The NPD Group and Toy Industry Association

Exhibit 14: U.S. Birth Rates



Source: U.S. Department of Health and Human Services

COMPETITION

JAKKS competes primarily in the toy industry. On a broad level, JAKKS competes for the leisure time of children and the discretionary spending of parents against a wide variety of products including computer products, electronic and online games, mobile platforms, and entertainment products. JAKKS's principal competitors in the toy industry include Hasbro and Mattel.

Hasbro [NASDAQ: HAS; Not rated]
Based in Pawtucket, RI, Hasbro is a global toy company that designs, manufactures and markets games and toys ranging from traditional to high-tech. Its core brands include PLAYSKOOL, TONKA, SUPER SOAKER, MILTON BRADLEY, PARKER BROTHERS, TIGER and WIZARDS OF THE COAST. Hasbro recently acquired the Sesame Street license, and started to produce Sesame Street toys for young children in 2011. Hasbro had FY:11 (ending December 31, 2011) sales of $4.3 billion (of which $2.3 billion was from its U.S. and Canada business).

Mattel [NASDAQ: MAT; Not rated]
Based in El Segundo, CA, Mattel is a global toy company whose products are sold worldwide. Mattel's business is segregated by its Mattel, Fisher-Price and American Girl categories. Its brands include Barbie, Hot Wheels, Matchbox, Fisher-Price, and American Girl. Mattel recently (in January) completed its acquisition of privately-held HIT Entertainment for $680 million, bringing it key preschool intellectual properties, including Thomas & Friends, Barney, Bob the Builder, Fireman Sam and Angelina Ballerina. Mattel had FY:11 (ending December 31, 2011) sales of $6.3 billion (of which approximately 50% was from its U.S. business).

FINANCIALS

JAKKS business is highly seasonal with a significant portion of revenue occurring in the second half of the year (70 – 75%). Most of its products are manufactured in China by 3rd party contract manufacturers. JAKKS owns the majority of the tools, dyes and molds used in the manufacturing process, and these are transferable if JAKKS switches manufacturers. The majority of sales are FOB (Free On Board) China or Hong Kong, meaning the products are sold and transferred in those locations, and are typically denominated in US dollars. Consequently, JAKKS has very limited foreign exchange gains or losses.

Recent Results (Q4 ending December 2011)

JAKKS's recent financial performance has been weak. In February 2012, JAKKS reported Q4 results inline with its negative preannouncement in December. The difficult retail and consumer sales environment for toys, and a lack of top selling products for JAKKS resulted in the company significantly missing its financial guidance and consensus expectations. 2011 guidance provided in October was for revenue of $770 - 775 million and EPS of $1.32 - 1.35, but the company's actual results were revenue of $678 million and EPS of $0.32 ($0.41 excluding $0.09 in special legal and financial costs related to Oaktree).

Revenue was down 29% year-over-year due to underperformance of several products, including private label role play, Pokemon, and Golden Tee TV Games. Gross margin was down significantly to 13.4% from 33.1% in Q4 2010 due to higher markdown allowances and higher royalty expenses relating to license guarantee shortfalls. Operating expenses were relatively flat compared with Q3, but were up significantly as a percentage of revenue due to the revenue shortfall. This resulted in a significant EPS shortfall of $(0.77) compared to $0.30 in Q4 2010.

While the company expects 2012 to be much better, its initial 2012 guidance (revenue of $720 - 728 million, and EPS of $1.01 - 1.07) is well below its prior 2011 guidance. Its Q1 2012 guidance is for revenue of $63 - 70 million, and EPS of $(0.61) – (0.64).

Our 2012 estimates are slightly above guidance, and reflect our belief that JAKKS is poised for a much better year. Key products are expected to include: Disney dolls, Winx Club, Spy Net, and plug-and-play video games, along with three movie properties this year (Men In Black 3, but also limited toys based on The Dark Knight Rises and Brave). In addition, this will be the year of the launch of its first owned IP TV entertainment venture, Monsuno.

Exhibit 15: Consensus Expectations

	Revenue			EPS	
	2012E	2013E		2012E	2013E
Q1 Mar	$71E		Q1 Mar	$(0.56)E	
Q2 Jun	$138E		Q2 Jun	$0.15E	
Q3 Sep	$349E		Q3 Sep	$1.32E	
Q4 Dec	$176E		Q4 Dec	$0.02E	
Total	$733E	$777E	Total	$1.13E	$1.31E

Source: Company report, First Call, and Ascendiant Capital Markets estimates

We have modeled a rebound in growth in 2012 (revenue growth of +8% compared with 2011's -9%). We have modeled significant gross margin improvement and operating costs leverage, resulting in increased operating income margins to 6.0% from 2011's 0.2%. Our 2012 estimates are for revenue of $735 million and EPS of $1.09. Despite this improvement, we note that JAKKS's 2012 earnings are still expected to be depressed (as has been the case for the past several years after earning over $2/share annually from 2005 to 2008).

We believe that the biggest potential variable in our financial model is the success of Monsuno. If Monsuno has a good year with the launch of the television show and toys, then earnings will likely grow significantly. However, if Monsuno has a weak or poor start, then earnings growth will likely be much more moderate. Given our current channel checks of strong initial interest for Monsuno, we believe that the former scenario is more likely than the latter.

The company's balance sheet is very strong with $258 million in cash (~$10/share), and $92 million in debt as of December (~$6/share in net cash). The company's Q4 inventory was higher versus last year (+9% from last year, to $47 million) vs. a sales decrease of 29% due to the weaker than expected Q4 sales. In 2011, the company instituted a dividend at an annual rate of $0.40/share and completed a $30 million stock buyback.

FINANCIAL MODEL

JAKKS Pacific Inc.

Income Statement ($ millions) Fiscal Year End: December 31	Mar-11 Q1A	Jun-11 Q2A	Sep-11 Q3A	Dec-11 Q4A	2011 FY-A	Mar-12 Q1E	Jun-12 Q2E	Sep-12 Q3E	Dec-12 Q4E	2012 FY-E	Mar-13 Q1E	Jun-13 Q2E	Sep-13 Q3E	Dec-13 Q4E	2013 FY-E
Total Revenue	**72.3**	**131.9**	**332.4**	**141.1**	**677.8**	**71.4**	**136.6**	**363.0**	**164.0**	**734.9**	**76.4**	**145.5**	**381.1**	**172.2**	**775.2**
Cost of Goods	39.8	70.6	182.3	86.9	379.6	39.5	71.8	187.5	80.9	379.7	38.7	74.3	194.6	82.1	389.7
Royalty expense	6.9	14.1	39.0	32.9	92.8	7.9	15.0	43.6	23.0	89.4	8.4	16.0	41.9	24.1	90.4
Amortization of tools	1.4	2.2	5.5	2.3	11.4	1.4	2.7	7.3	3.3	14.7	1.5	2.9	7.6	3.4	15.5
Total Cost of sales	48.1	86.8	226.7	122.1	483.8	48.7	89.6	238.3	107.2	483.8	48.6	93.2	244.1	109.7	495.7
Gross Profit	24.3	45.1	105.7	19.0	194.0	22.6	47.0	124.7	56.8	251.2	27.8	52.2	137.0	62.5	279.5
Direct Selling expenses	8.2	9.6	14.6	20.6	53.1	10.7	10.2	26.1	13.1	60.2	8.4	11.6	28.6	13.8	62.4
Selling, general, admin expenses	29.2	30.6	36.5	32.2	128.5	30.7	33.5	41.4	29.5	135.1	27.5	35.6	43.4	31.0	137.6
Depreciation and amortization	1.7	2.9	4.5	2.1	11.1	3.0	3.0	3.0	3.0	12.0	3.0	3.0	3.5	3.5	13.0
Restructuring and other	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
Operating expenses	39.1	43.1	55.6	55.0	192.7	44.4	46.7	70.5	45.6	207.3	38.9	50.3	75.5	48.3	213.0
Operating Income	(14.8)	2.0	50.1	(36.0)	1.3	(21.8)	0.3	54.2	11.2	43.9	(11.1)	2.0	61.5	14.2	66.5
Interest expenses (income)	1.9	1.9	2.0	2.0	7.8	1.3	1.3	1.3	1.3	5.3	1.3	1.3	1.3	1.3	5.3
Other income/ JV income	0.0	6.0	(0.0)	0.0	6.0	0.0	4.0	0.0	0.0	4.0	0.0	4.0	0.0	0.0	4.0
Total non-operating (income)/expense	1.9	(4.1)	2.0	2.0	1.8	1.3	(2.7)	1.3	1.3	1.3	1.3	(2.7)	1.3	1.3	1.3
Pretax Income	(16.7)	6.1	48.1	(38.0)	(0.5)	(23.1)	3.0	52.9	9.9	42.6	(12.4)	4.7	60.1	12.9	65.3
Provision for income taxes	(6.1)	1.8	13.3	(18.0)	(9.0)	(5.8)	0.7	13.2	2.5	10.7	(3.1)	1.2	15.0	3.2	16.3
Net Income	(10.6)	4.2	34.8	(20.0)	8.5	(17.3)	2.2	39.6	7.4	32.0	(9.3)	3.5	45.1	9.7	48.9
Nonrecurring/noncash adjustments	0.0	0.0	1.5		0.0	1.0	1.0	1.0	1.0	4.0	1.0	1.0	1.0	1.0	4.0
Net Income (as reported)	**(10.6)**	**4.2**	**36.3**	**(20.0)**	**8.5**	**(16.3)**	**3.2**	**40.6**	**8.4**	**36.0**	**(8.3)**	**4.5**	**46.1**	**10.7**	**52.9**
EBITDAS	(12.3)	5.1	55.0	(33.4)	14.4	(18.3)	3.8	57.7	14.7	57.9	(7.6)	5.5	65.5	18.2	81.5
Basic Shares	27.2	27.1	32.0	25.8	26.9	27.0	32.0	32.0	32.0	32.0	27.0	32.0	32.0	32.0	32.0
Diluted Shares	27.2	27.1	32.9	25.8	26.9	27.0	33.0	33.0	33.0	33.0	27.0	33.0	33.0	33.0	33.0
Basic EPS (GAAP)	(0.39)	0.16	1.09	(0.77)	0.32	(0.64)	0.07	1.24	0.23	1.00	(0.35)	0.11	1.41	0.30	1.53
Diluted EPS (GAAP)	(0.39)	0.16	1.06	(0.77)	0.32	(0.64)	0.07	1.20	0.22	0.97	(0.35)	0.11	1.37	0.29	1.48
Basic EPS (as reported)	**(0.39)**	0.16	1.14	**(0.77)**	0.32	**(0.60)**	0.10	1.27	0.26	1.12	**(0.31)**	0.14	1.44	0.33	1.65
Diluted EPS (as reported)	(0.39)	**0.16**	**1.10**	(0.77)	**0.32**	(0.60)	**0.10**	**1.23**	**0.25**	**1.09**	(0.31)	**0.14**	**1.40**	**0.32**	**1.60**
Income Statement Ratios															
Gross margin	33.6%	34.2%	31.8%	13.4%	28.6%	31.7%	34.4%	34.4%	34.7%	34.2%	36.4%	35.9%	35.9%	36.3%	36.1%
Direct Selling expenses	11.3%	7.3%	4.4%	14.6%	7.8%	15.0%	7.5%	7.2%	8.0%	8.2%	11.0%	8.0%	7.5%	8.0%	8.0%
Selling, general, admin expenses	40.4%	23.2%	11.0%	22.8%	19.0%	43.0%	24.5%	11.4%	18.0%	18.4%	36.0%	24.5%	11.4%	18.0%	17.7%
Depreciation and amortization	2.3%	2.2%	1.3%	1.5%	1.6%	4.2%	2.2%	0.8%	1.8%	1.6%	3.9%	2.1%	0.9%	2.0%	1.7%
Operating margin	-20.4%	1.5%	15.1%	-25.5%	0.2%	-30.5%	0.2%	14.9%	6.8%	6.0%	-14.6%	1.3%	16.1%	8.3%	8.6%
Net margin	-14.6%	3.2%	10.5%	-14.2%	1.3%	-24.2%	1.6%	10.9%	4.5%	4.3%	-12.2%	2.4%	11.8%	5.6%	6.3%
Tax Rate	36.7%	30.3%	27.6%	47.3%	1674.7%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Year-over-Year Changes															
Net Sales	-6.5%	7.0%	-4.7%	-28.7%	-9.3%	-1.3%	3.5%	9.2%	16.2%	8.4%	7.0%	6.5%	5.0%	5.0%	5.5%
Gross Profit	-3.8%	4.3%	-4.8%	-71.1%	-20.8%	-6.7%	4.2%	18.0%	199.8%	29.5%	22.6%	11.2%	9.9%	10.0%	11.3%
Direct Selling expenses	-15.4%	22.8%	-15.4%	-16.1%	-10.6%	31.1%	6.2%	78.7%	-36.4%	13.4%	-21.5%	13.6%	9.4%	5.0%	3.6%
Selling, general, admin expenses	8.0%	-1.4%	-1.6%	16.5%	4.6%	4.9%	9.4%	13.4%	-8.3%	5.1%	-10.4%	6.5%	5.0%	5.0%	1.9%
Operating Income	8.5%	56.8%	-2.9%	-428.1%	-97.4%	47.1%	-86.3%	8.2%	-131.1%	3330.0%	-48.9%	614.3%	13.4%	27.1%	51.5%
Net Income	105.0%	42.5%	-13.0%	-293.0%	-83.8%	54.2%	-24.1%	11.9%	-142.0%	324.4%	-48.9%	39.5%	13.4%	27.2%	47.3%
Diluted EPS	106.3%	45.6%	-10.2%	-357.8%	-79.3%	55.4%	-37.7%	11.6%	-132.9%	245.9%	-48.9%	39.5%	13.4%	27.2%	47.3%
Diluted Shares Outstanding	-0.6%	-2.1%	-3.1%	-25.1%	-22.1%	-0.8%	21.8%	0.3%	27.7%	22.7%	0.0%	0.0%	0.0%	0.0%	0.0%

JAKKS Pacific Inc.

Balance Sheet ($ millions) Fiscal Year End: December 31	Mar-11 Q1A	Jun-11 Q2A	Sep-11 Q3A	Dec-11 Q4A	Mar-12 Q1E	Jun-12 Q2E	Sep-12 Q3E	Dec-12 Q4E	Mar-13 Q1E	Jun-13 Q2E	Sep-13 Q3E	Dec-13 Q4E
Assets												
Cash and equivalents	274.5	246.8	232.2	257.3	258.2	217.3	201.1	281.9	299.0	255.3	242.6	330.2
Short term investments	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Accounts Receivable	57.4	109.3	239.7	103.6	45.7	92.9	239.6	108.2	48.9	98.9	251.5	113.6
Inventories	45.2	55.3	55.8	47.0	41.0	74.7	112.5	51.8	40.2	77.3	116.8	52.6
Prepaid expenses/other current assets	31.2	34.1	27.1	30.7	14.3	27.3	29.0	6.6	15.3	29.1	30.5	6.9
Deferred Income Tax	42.9	42.8	40.4	58.7	58.7	58.7	58.7	58.7	58.7	58.7	58.7	58.7
Total Current Assets	451.4	488.5	595.5	497.5	418.1	471.1	641.1	507.3	462.2	519.5	700.3	562.2
Property and equipment, net	18.2	20.7	17.6	16.2	16.1	16.1	16.1	16.0	16.0	16.0	15.5	15.0
Goodwill	7.0	7.0	7.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Intangibles, net	37.4	38.0	26.9	27.7	27.7	27.7	27.7	27.7	27.7	27.7	27.7	27.7
Investments In Related Parties	1.8	1.8	1.8	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Other	58.9	58.9	58.8	47.1	47.1	47.1	47.1	47.1	47.1	47.1	47.1	47.1
Total Assets	**$574.7**	**$614.9**	**$707.6**	**$615.2**	**$535.8**	**$588.8**	**$758.7**	**$624.9**	**$579.8**	**$637.1**	**$817.3**	**$678.8**
Liabilities and Shareholders' Equity												
Accounts Payable	22.0	89.4	146.0	77.2	42.8	81.9	159.7	65.6	45.8	87.3	167.7	68.9
Short Term debt					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued expense	33.1				7.1	10.9	36.3	13.1	7.6	11.6	38.1	13.8
Reserves	18.0	16.9	26.4	43.4	8.6	16.4	43.6	19.7	9.2	17.5	45.7	20.7
Income Tax Payable	12.2	9.4	21.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total Current Liabilities	85.2	115.7	194.1	122.8	60.7	111.4	241.7	100.6	64.8	118.6	253.7	105.5
Long Term debt	90.1	90.8	91.5	92.2	92.2	92.2	92.2	92.2	92.2	92.2	92.2	92.2
Deferred Tax and other	1.6	6.1	6.3	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Total Liabilities	177.0	212.6	291.9	221.6	159.5	210.2	340.6	199.4	163.6	217.4	352.5	204.3
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
Additional paid-in capital	292.7	293.1	274.1	274.5	274.5	274.5	274.5	274.5	274.5	274.5	274.5	274.5
Deferred Comp												
Treasury Stock				0.1		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained earnings(deficit)	109.3	113.5	145.8	123.2	105.9	108.1	147.7	155.1	145.8	149.3	194.4	204.1
Accumulated other loss	(4.3)	(4.3)	(4.2)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)
Stockholders' Equity	397.7	402.3	415.7	393.7	376.3	378.5	418.1	425.5	416.2	419.7	464.8	474.5
Tot. Liabilities/Stockholders' Equity	**$574.7**	**$614.9**	**$707.6**	**$615.3**	**$535.8**	**$588.8**	**$758.7**	**$624.9**	**$579.8**	**$637.1**	**$817.3**	**$678.8**

Activity Ratios												
A/R Days Sales Outstanding	71	75	65	66	58	61	59	59	58	61	59	59
Inventory Turnover	3.5x	5.1x	13.1x	7.4x	3.8x	3.8x	6.7x	6.3x	3.8x	3.8x	6.7x	6.3x
Reserves as % of A/R	31%	15%	11%	42%	19%	18%	18%	18%	19%	18%	18%	18%
A/P Days Payable	50	114	72	80	98	103	77	73	107	106	78	75
Book & Cash Value (per share)												
Book Value per Share (diluted)	$14.61	$14.85	$12.63	$15.24	$13.94	$11.47	$12.67	$12.90	$15.42	$12.72	$14.09	$14.38
Net cash per Share (diluted)	$6.78	$5.77	$4.28	$6.40	$6.16	$3.80	$3.31	$5.75	$7.67	$4.95	$4.56	$7.22
Cash per Share (diluted)	$10.09	$9.12	$7.06	$9.96	$9.57	$6.59	$6.10	$8.55	$11.08	$7.74	$7.36	$10.01

Source: Company reports and Ascendiant Capital Markets estimates

JAKKS Pacific Inc.

Cash Flow Statement ($ millions)	**Mar-11**	**Jun-11**	**Sep-11**	**Dec-11**	**2011**	**Mar-12**	**Jun-12**	**Sep-12**	**Dec-12**	**2012**	**Mar-13**	**Jun-13**	**Sep-13**	**Dec-13**	**2013**
Fiscal Year End: December 31	**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	($10.6)	$4.2	$34.8	($20.0)	$8.5	($17.3)	$2.2	$39.6	$7.4	$32.0	($9.3)	$3.5	$45.1	$9.7	$48.9
Depreciation and amortization	3.9	5.9	10.8	2.1	22.7	3.0	3.0	3.0	3.0	12.0	3.0	3.0	3.5	3.5	13.0
Compensation stock option	0.8	0.3	0.4	0.5	2.0	0.5	0.5	0.5	0.5	2.0	0.5	0.5	0.5	0.5	2.0
Investment in JV	(1.7)	(0.0)	1.8		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	(0.3)	0.5	2.0	(17.5)	(15.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	(10.4)	(1.1)	9.5	17.0	15.1	(34.9)	7.8	27.2	(23.9)	(23.8)	(10.5)	8.3	28.3	(25.1)	1.0
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
Tax benefit of stock options				(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(2.0)	(0.5)	(0.5)	(0.5)	(0.5)	(2.0)
Other gains and losses	(0.0)	(0.3)	0.3		(0.0)					0.0					0.0
Changes in net working capital:															
Accounts Receivable	65.0	(51.9)	(130.4)	136.0	18.8	58.0	(47.2)	(146.7)	131.3	(4.6)	59.4	(50.0)	(152.6)	137.9	(5.4)
Inventories	(1.9)	(10.1)	(0.6)	8.8	(3.8)	6.0	(33.7)	(37.8)	60.7	(4.8)	11.6	(37.1)	(39.5)	64.2	(0.8)
Prepaid expenses and other current assets	(6.2)	(5.9)	14.1	(3.6)	(1.7)	16.4	(13.0)	(1.7)	22.5	24.1	(8.7)	(13.8)	(1.4)	23.6	(0.3)
Accounts payable	(10.3)	29.5	33.8	(68.8)	(15.8)	(34.4)	39.1	77.8	(94.1)	(11.6)	(19.8)	41.5	80.4	(98.8)	3.3
Accrued liabilities	(21.4)	4.8	22.8	0.0	6.2	7.1	3.8	25.4	(23.2)	13.1	(5.5)	4.0	26.5	(24.3)	0.7
Income Tax Payable	1.0	1.7	12.5	(19.5)	(4.3)	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	**7.9**	**(22.4)**	**12.0**	**34.6**	**32.0**	**3.9**	**(38.0)**	**(13.2)**	**83.7**	**36.5**	**20.1**	**(40.7)**	**(9.7)**	**90.6**	**60.3**
Net Cash Flows From Investing Activities															
Capital expenditures	(3.2)	(5.4)	(3.0)	(3.0)	(14.6)	(3.0)	(3.0)	(3.0)	(3.0)	(11.8)	(3.0)	(3.0)	(3.0)	(3.0)	(12.0)
Acquisitions	(3.5)			0.0	(3.5)	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)	0.1	(1.6)	10.8	9.3	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	**(6.8)**	**(5.3)**	**(4.6)**	**7.9**	**(8.8)**	**(3.0)**	**(3.0)**	**(3.0)**	**(3.0)**	**(11.8)**	**(3.0)**	**(3.0)**	**(3.0)**	**(3.0)**	**(12.0)**
Cash Flows From Financing Activities															
Proceeds from credit agreement				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	(0.0)			0.7	0.7	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	(5.0)	(1.0)	(18.3)	0.0	(24.4)	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	0.1	1.2	(1.2)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends			(2.6)		(2.6)					0.0					0.0
Net Cash From Financing	**(5.0)**	**0.1**	**(22.0)**	**0.7**	**(26.2)**	**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	(0.0)	0.0	0.0	(18.1)	(18.1)	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	**(3.9)**	**(27.6)**	**(14.6)**	**25.0**	**(21.1)**	**1.0**	**(40.9)**	**(16.2)**	**80.8**	**24.6**	**17.1**	**(43.7)**	**(12.7)**	**87.6**	**48.3**
Cash at beginning of period	278.4	274.5	246.9	232.2	278.4	257.3	258.2	217.3	201.1	257.3	281.9	299.0	255.3	242.6	281.9
Cash at end of period	**$274.5**	**$246.9**	**$232.2**	**$257.3**	**$257.3**	**$258.2**	**$217.3**	**$201.1**	**$281.9**	**$281.9**	**$299.0**	**$255.3**	**$242.6**	**$330.2**	**$330.2**

Source: Company reports and Ascendant Capital Markets estimates

Public Companies Under Coverage Mentioned in this Report (priced as of close 2/22/12)

COMPANY	TICKER	RATING	PRICE	PRICE TARGET
LEAPFROG ENTERPRISES	LF	STRONG BUY	$7.24	$8

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

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