

JAKKS PACIFIC INC
Form 8-K/A
April 23, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
April 23, 2002 (March 11, 2002)

JAKKS PACIFIC, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

0-28104
(Commission
File Number)

95-4527222
(I.R.S. Employer
Identification No.)

22619 Pacific Coast Highway, Malibu, California
(Address of principal executive offices)

90265
(Zip Code)

Registrant's telephone number, including area code:

(310) 456-7799

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

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This Form 8-K/A is an amendment to the registrant's current report on Form 8-K filed on March 11, 2002 (relating to the registrant's acquisition of Toymax International, Inc.) to file the financial statements and pro forma financial information omitted from the initial filing of the current report, in accordance with Items 7(a)(4) and (b)(2), respectively.

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

For a description of the Registrant's acquisition of Toymax International, Inc. (Toymax), refer to Item 2 of the Registrant's Current Report on Form 8-K, filed on March 11, 2002, which Item 2 is incorporated in its entirety herein by reference.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Business Acquired.

1. Toymax's audited consolidated financial statements as of March 31, 2001 and 2000 and for the three years ended March 31, 2001
Incorporated by reference to the financial statements included in Toymax's Annual Report on Form 10-K for its fiscal year ended March 31, 2001, pages F-1 to F-19, inclusive.
2. Toymax's condensed consolidated balance sheets as of December 31, 2001 (unaudited) and March 31, 2001 and condensed consolidated statements of operations for the three and nine month periods ended December 31, 2001 and 2000 (unaudited) and statements of cash flows for the nine month periods ended December 31, 2001 and 2000 (unaudited)
Incorporated by reference to the financial statements included in Toymax's Quarterly Report on Form 10-Q for its quarter ended December 31, 2001, pages 2 to 11, inclusive.

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(b) Pro Forma Financial Information.

INDEX TO PRO FORMA FINANCIAL INFORMATION

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

The following unaudited pro forma consolidated financial statements as of December 31, 2001 and for the year ended December 31, 2001 give effect to the acquisition of Toymax. The pro forma consolidated balance sheet presents our financial position as if the acquisition of Toymax had occurred on December 31, 2001. The pro forma consolidated statement of operations presents our results as if the acquisition of Toymax had occurred on January 1, 2001. Our fiscal year end is December 31 and Toymax's fiscal year end is March 31. The fourth quarter for our most recent fiscal year ended December 31, 2001, while the third quarter of Toymax's fiscal year ended December 31, 2001. The pro forma consolidated balance sheet as of December 31, 2001 is based upon our historical consolidated balance sheet as of December 31, 2001 which has been adjusted for the effects of the Toymax acquisition. The pro forma consolidated statement of operations for the year ended December 31, 2001 is based on our historical consolidated statement of operations and the statement of operations of Toymax for the year ended December 31, 2001.

The pro forma consolidated financial statements include, in our opinion, all material adjustments necessary to reflect the acquisition of Toymax. The pro forma consolidated financial statements do not represent the Company's actual results of operations, including the acquisitions, nor do they purport to predict or indicate our financial position or results of operations at any future date or for any future period. The pro forma consolidated financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the related notes thereto and Toymax's consolidated financial statements and the related notes thereto incorporated herein by reference.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES
Pro Forma Consolidated Balance Sheet

DECEMBER 31, 2001

| | HISTORICAL JAKKS | PRO FORMA ADJUSTMENTS | PRO FORMA BALANCE SHEET |
|---|----------------------|--------------------------|----------------------------|
| | (AUDITED) | | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 25,036,203 | (\$10,998,471)(1),(2) | \$ 14,037,732 |
| Marketable securities | 37,119,071 | (10,000,000)(1) | 27,119,071 |
| Accounts receivable, net | 54,880,240 | 23,258,743(2) | 78,138,983 |
| Inventory, net | 32,023,960 | 12,913,188(2) | 44,937,148 |
| Prepaid expenses and other current assets | 4,735,059 | 8,051,151(2) | 12,786,210 |
| | <u>153,794,533</u> | <u>23,224,611</u> | <u>177,019,144</u> |
| Property and equipment, at cost | 33,515,574 | 5,535,176(2) | 39,050,750 |
| Less accumulated depreciation and amortization | 17,762,905 | | 17,762,905 |
| | <u>15,752,669</u> | <u>5,535,176</u> | <u>21,287,845</u> |
| Notes receivable Officers | 2,224,000 | | 2,224,000 |
| Goodwill, net | 89,863,415 | 32,073,058(3) | 121,936,473 |
| Trademarks, net | 11,567,679 | | 11,567,679 |
| Investment in joint venture | 7,893,312 | | 7,893,312 |
| Other | 2,945,075 | 4,136,167(2) | 7,081,242 |
| | <u>\$284,040,683</u> | <u>\$ 64,969,012</u> | <u>\$349,009,695</u> |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 35,714,426 | \$ 26,246,150(4) | \$ 61,960,576 |
| Short term debt including current portion of long term debt | 22,560 | 20,566,914(4) | 20,589,474 |
| Income taxes payable | 1,570,973 | 806,174(4) | 2,377,147 |
| | <u>37,307,959</u> | <u>47,619,238</u> | <u>84,927,197</u> |
| Long term debt | 72,510 | 354,571(4) | 427,081 |
| Deferred income taxes | 2,256,817 | | 2,256,817 |
| Minority interest | | 4,862,575(4) | 4,862,575 |
| | <u>39,637,286</u> | <u>52,836,384</u> | <u>92,473,670</u> |
| STOCKHOLDERS EQUITY | | | |
| Common stock | 20,320 | 646(1) | 20,966 |
| Additional paid-in capital | 168,114,819 | 12,131,982(1) | 180,246,801 |
| Treasury stock | (12,911,483) | | (12,911,483) |
| Retained earnings | 89,179,741 | | 89,179,741 |

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| | | | |
|---|-----------------------|----------------------|-----------------------|
| Total stockholders equity | <u>244,403,397</u> | <u>12,132,628</u> | <u>256,536,025</u> |
| Total liabilities and stockholders equity | <u>\$ 284,040,683</u> | <u>\$ 64,969,012</u> | <u>\$ 349,009,695</u> |

See notes to unaudited pro forma consolidated financial statements.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations

YEAR ENDED DECEMBER 31, 2001

| | ACTUAL | | PRO FORMA COMBINED | ADJUSTMENTS | PRO FORMA RESULTS |
|---|----------------|-----------------|-----------------------|--------------------|----------------------|
| | JAKKS | TOYMAX | | | |
| | (AUDITED) | (UNAUDITED) | | | |
| Net Sales | \$ 284,309,021 | \$ 102,894,216 | \$ 387,203,237 | \$ (3,655,610)(5) | \$ 383,547,627 |
| Cost of sales | 164,222,261 | 75,893,456 | 240,115,717 | (6,822,612)(5),(6) | 233,293,105 |
| Gross Profit | 120,086,760 | 27,000,760 | 147,087,520 | 3,167,002 | 150,254,522 |
| Selling, general and administrative expenses | 89,574,503 | 36,366,509 | 125,941,012 | (971,375)(5),(7) | 124,969,637 |
| Acquisition shutdown & product recall costs | 1,214,101 | | 1,214,101 | | 1,214,101 |
| Income (loss) from operations | 29,298,156 | (9,365,749) | 19,932,407 | 4,138,377 | 24,070,784 |
| Interest, net | (2,056,526) | 827,069 | (1,229,457) | 489,923(8) | (739,534) |
| Other (income) expense | (6,675,428) | 7,783,336 | 1,107,908 | (5,257,725)(5) | (4,149,817) |
| Income (loss) before provision for income taxes | 38,030,110 | (17,976,154) | 20,053,956 | 8,906,179 | 28,960,135 |
| Provision for (benefit from) income taxes | 9,797,209 | (3,574,398) | 6,222,811 | 1,886,027(5),(9) | 8,108,838 |
| Minority interest | | (858,297) | (858,297) | (2,421,815)(10) | (3,280,112) |
| Income (loss) from continuing operations | 28,232,901 | (13,543,459) | 14,689,442 | 9,441,967 | 24,131,409 |
| Loss from discontinued operations | | (1,210,145) | (1,210,145) | 1,210,145(5) | |
| Gain on disposal of discontinued operations | | 500,000 | 500,000 | (500,000)(5) | |
| Net income (loss) | \$ 28,232,901 | \$ (14,253,604) | \$ 13,979,297 | \$ 10,152,112 | \$ 24,131,409 |
| Basic earnings per share | \$ 1.55 | | | | \$ 1.28 |
| Weighted average shares outstanding | 18,199,108 | | | 646,384(1) | 18,845,492 |
| Diluted earnings per share | \$ 1.45 | | | | \$ 1.20 |
| Weighted average shares and equivalents outstanding | 19,409,925 | | | 646,384(1) | 20,056,309 |

See notes to unaudited pro forma consolidated financial statements.

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JAKKS PACIFIC, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated financial statements have been adjusted for the items relating to the acquisition of Toymax as set forth below:

BALANCE SHEET**(1) Consideration paid on or about the closing of the Toymax acquisition:**

| | |
|---|----------------------|
| Cash paid to Principal Stockholders | \$ 24,300,217 |
| 46,330 shares purchased in the open market | 159,967 |
| Other acquisition costs | 1,500,000 |
| | <u>\$ 25,960,184</u> |
| 646,384 shares of JAKKS common stock issued to Principal Stockholders | <u>\$ 12,132,628</u> |

(2) Assets acquired in Toymax acquisition**(3) Excess of consideration paid over fair market value of Toymax assets acquired****(4) Liabilities and minority interest in net assets assumed in the Toymax acquisition****STATEMENT OF OPERATIONS****(5) Adjustments to reflect the divestiture of the discontinued operations of Toymax:**

| | |
|--|--|
| Net Sales | \$ (3,655,610) |
| Cost of sales | (3,195,028) |
| | <u>Gross Profit (460,582)</u> |
| Selling, general and administrative expenses | (1,189,622) |
| | <u>Loss from operations 729,040</u> |
| Other (income) expense | (5,257,725) |
| | <u>Loss before benefit from income taxes 5,986,765</u> |
| Benefit from income taxes | 219,179 |
| Minority interest | |
| | <u>Loss from continuing operations 5,767,586</u> |
| Loss from discontinued operations | 1,210,145 |
| Gain on disposal of discontinued operations | (500,000) |
| | <u>Net loss \$ 6,477,731</u> |

| | |
|--|-----------------------|
| (6) Cost of sales is adjusted to reflect the elimination of Hong Kong agency fees | <u>\$ (3,627,584)</u> |
|--|-----------------------|

(7) Selling, general and administrative expenses are adjusted to reflect:

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| | |
|--|----------------|
| Adjustment in salaries and fees paid or payable to Toymax officers and directors | \$ (697,544) |
| Amortization of goodwill | 915,791 |
| | <u>218,247</u> |

(8) Other (income) expense is adjusted to reflect:

| | |
|---|----------------|
| The elimination of interest expense related to borrowings made by Toymax as if they had been repaid on January 1, 2001 | \$ (950,077) |
| The elimination of interest income related to the cash consideration paid by JAKKS as if it had been disbursed on January 1, 2001 | 1,440,000 |
| | <u>489,923</u> |

(9) Provision for income taxes is adjusted to reflect the tax effect of the pro forma adjustments

\$ 1,666,848

(10) Minority interest in Toymax adjusted net loss

\$ (2,421,815)

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(c) Exhibits.

| <u>Number</u> | <u>Description</u> |
|---------------|--|
| 2.1 | Stock Purchase Agreement dated as of February 10, 2002 among JAKKS, Toymax and the Principal Stockholders(1) |
| 2.2 | Agreement of Merger dated as of February 10, 2002 among JAKKS, JP/TII Acquisition Corp. and Toymax(1) |
| 2.3 | Letter Agreement dated March 11, 2002 among Toymax, JAKKS and the Principal Stockholders(1) |
| 10.1 | Termination and Replacement of Manufacturing Agreement dated March 11, 2002 among Toymax, Toymax (H.K.) Limited, Jauntway Investments Limited, et al.(1) |
| 23 | Consent of Independent Certified Public Accountants(2) |
| 99 | First Amendment to Loan Agreement and Consent and Waiver dated as of March 8, 2002(1) |

(1) Incorporated by reference to the Schedule 13D filed by JAKKS on March 20, 2002.

(2) Filed
herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: April 23, 2002

JAKKS PACIFIC, INC.

By: /s/ JOEL M. BENNETT

Joel M. Bennett
Executive Vice President

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