

November 4, 2021

Third Quarter 2021 Earnings



Cautionary Notes

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts contained in this presentation, including statements regarding our future results of operations and financial position, industry dynamics, our mission, growth opportunities, business strategy and plans and our objectives for future operations, including expanding into new product categories, our e-commerce business, the underlying trends in our business, including supply chain constraints, inflation and other macroeconomic trends, and the ongoing impact of COVID-19 on our business and expected recovery are forward-looking statements. The words “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “targets,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this presentation are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including without limitation risks related to the impact of COVID-19 on our business, financial results and financial condition; our ability to execute our business strategy; our ability to maintain and realize the full value of our license agreements; changes in the retail industry and markets for our consumer products; our ability to maintain our relationships with retail customers and distributors; our ability to compete effectively; fluctuations in our gross margin; our dependence on content development and creation by third parties; the ongoing level of popularity of our products with consumers; our ability to manage our inventories; our ability to develop and introduce products in a timely and cost-effective manner; our ability to obtain, maintain and protect our intellectual property rights or those of our licensors; potential violations of the intellectual property rights of others; risks associated with counterfeit versions of our products; our ability to attract and retain qualified employees and maintain our corporate culture; our use of third-party manufacturing; risks associated with our international operations; changes in effective tax rates or tax law; foreign currency exchange rate exposure; the possibility or existence of global and regional economic downturns; our dependence on vendors and outsourcers; risks relating to government regulation; risks relating to litigation, including products liability claims and securities class action litigation; any failure to successfully integrate or realize the anticipated benefits of acquisitions or investments; reputational risk resulting from our e-commerce business and social media presence; risks relating to our indebtedness and our ability to secure additional financing; the potential for our electronic data or the electronic data of our customers to be compromised; the influence of our significant stockholder, ACON, and the possibility that ACON’s interests may conflict with the interests of our other stockholders; risks relating to our organizational structure; volatility in the price of our Class A common stock; risks associated with our internal control over financial reporting; and the important factors discussed under the caption “Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 and our other filings with the Securities and Exchange Commission.

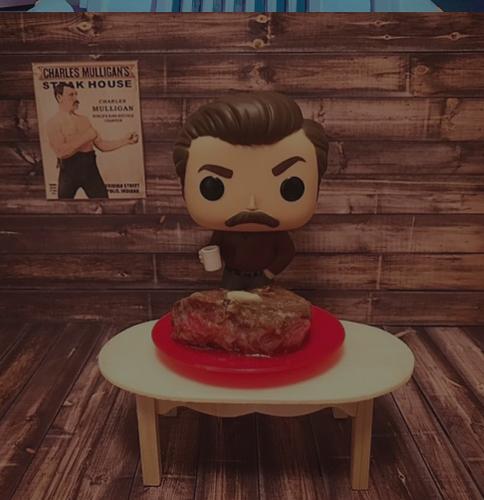
Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date hereof, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. You should read this presentation with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this presentation, and except as otherwise required by law, we do not plan to publicly update or revise any forward-looking statements contained in this presentation, whether as a result of any new information, future events or otherwise.

Unless otherwise indicated, information contained in this presentation concerning our industry, competitive position and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and other third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data, and our experience in, and knowledge of, such industry and markets, which we believe to be reasonable. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in the estimates made by independent parties and by us.



Funko

*is built on the principle that
everyone is a fan of something...*



... and Funko Has Something for Every Fan

Movies



TV



the office



Music



Sports



Anime



Games



Q3 Summary and Recent Operational Highlights

Q3 2021 Financial Summary

- Net sales increased 40.0% to \$267.7 millions
- Net income increased 17.8% million to \$18.4 million
- Net income margin contracted 130 bps to 6.9%
- Adjusted EBITDA⁽¹⁾ increased 11.0% to \$40.2 million
- Adjusted EBITDA margin⁽¹⁾ contracted 390 bps to 15.0%
- Cash flow from operations of \$78.8 million
- Total liquidity⁽²⁾ increased 80.8% to \$193.2 million

Q3 2021 Operational Highlights

- **Exceeded Q3 expectations and raised full year guidance** despite unprecedented supply chain headwinds.
- **All-time high demand driving broad-based strength**
 - U.S. net sales increased 35.7% y/y
 - Europe net sales increased 65.7% y/y
 - Other International net sales increased 19.1% y/y
- **Direct-to-consumer sales increased 88% y/y** and now comprise 11% of net sales, driven by sustained traffic growth and increased e-commerce efficiency.
- **Launched multiple Digital Pop! NFT collections**, all of which sold out in minutes.
- In partnership with TokenWave, **Funko officially opened our new digital marketplace, Droppp.io**. Droppp.io creates a more accessible, user-friendly interface as we build out our digital products business.

1. Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Please see the Supplemental Financial Information section for a reconciliation to the most directly comparable US GAAP measures for Adjusted EBITDA. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by net sales.

2. Total liquidity is calculated as cash and cash equivalents plus availability under the Company's \$100 million revolving credit facility.

Q3 & YTD Earnings Summary

\$ millions, except per share amounts, unaudited

	Q3'21	Q3'20	% Change	YTD'21	YTD'20	% Change
Net sales	\$267.7	\$191.2	40.0%	\$693.0	\$426.0	62.7%
Gross profit⁽¹⁾	\$96.4	\$73.7	30.8%	\$267.1	\$164.9	61.9%
<i>Gross margin %⁽¹⁾</i>	36.0%	38.6%		38.5%	38.7%	
SG&A	59.9	41.2	45.5%	166.0	127.6	30.1%
D&A	10.3	11.9	(13.1)%	30.8	33.9	(9.3)%
Income from operations	\$26.2	\$20.7	26.7%	\$70.3	\$3.4	nm
<i>Operating margin %</i>	9.8%	10.8%		10.1%	0.8%	
Net income (loss)	\$18.4	\$15.6	17.8%	\$50.4	\$(5.1)	nm
<i>Net income (loss) margin %</i>	6.9%	8.2%		7.3%	(1.2)%	
Adjusted net income⁽²⁾	\$21.1	\$16.1	31.3%	\$55.7	\$3.6	nm
<i>Adjusted net income margin %⁽²⁾</i>	7.9%	8.4%		8.0%	0.9%	
Adjusted earnings per share⁽²⁾	\$0.39	\$0.31	25.8%	\$1.04	\$0.07	nm
Adjusted EBITDA⁽²⁾	\$40.2	\$36,191	11.0%	\$111.0	\$47.0	136.1%
<i>Adjusted EBITDA margin %⁽²⁾</i>	15.0%	18.9%		16.0%	11.0%	

1. Gross Profit and Gross Margin are calculated exclusive of depreciation and amortization.

2. Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income (Loss), Adjusted Net Income (Loss) Margin and Adjusted Earnings per Share are non-GAAP measures. Please see the Supplemental Financial Information section for a reconciliation to the most directly comparable US GAAP measures for Adjusted EBITDA, Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Net Sales. Adjusted Net Income (Loss) Margin is defined as Adjusted Net Income (Loss) divided by Net Sales.

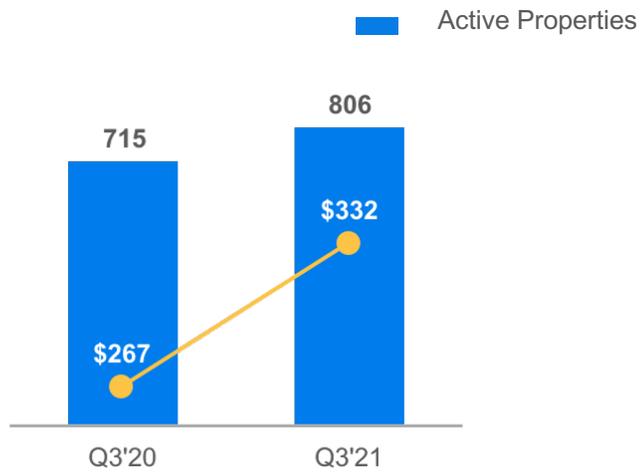
Q3 Active Properties & Net Sales per Active Property

Active Properties & Net Sales per Active Property

Third Quarter

Year-to-Date

\$ in thousands, unaudited



Active Properties up 12.7%
Net Sales per Active Property up 24.2%



Active Properties up 11.3%
Net Sales per Active Property up 46.1%

Funko is built on having a **large and diverse set of licenses** with the **ability to leverage evergreen content**
Net sales per active property increased in the quarter reflecting **record demand levels**



Top Properties Breakout

	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
1	7%*	6%*	4%*	6%*	6%*
2					
3					
4					
5					
6					
7					
8					
9					
10					
	Top 10 Properties % of Net Sales: 40%	33%	30%	31%	33%

Q3'21 Commentary

The top property in Q3'21 represented **6% of sales**

Evergreen properties accounted for **66% of sales** in Q3'21

*% of net sales



Q3 & YTD Product Category Performance

Figures

Third Quarter

Year-to-Date

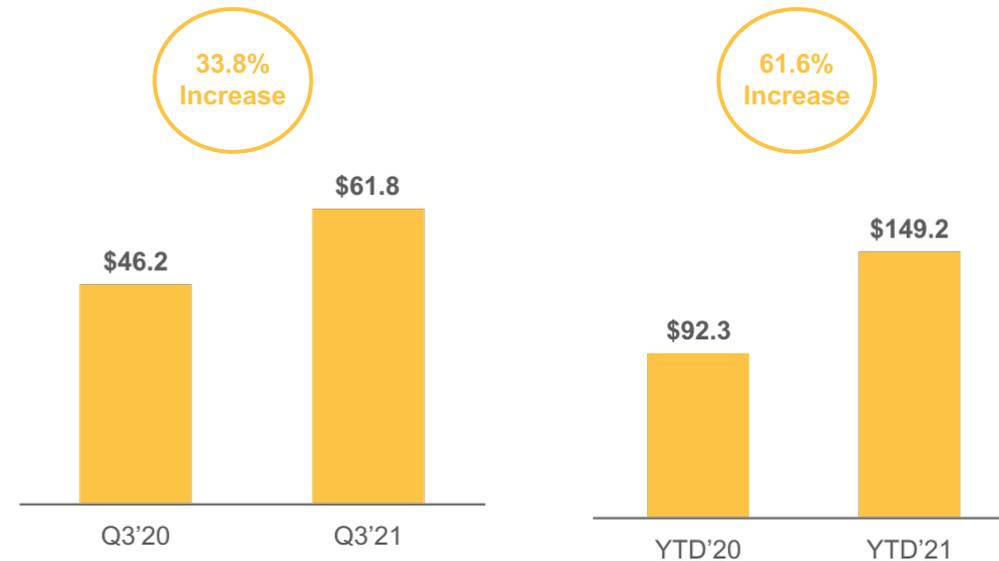
\$ in millions, unaudited



Other (Non-figures)

Third Quarter

Year-to-Date



The **Figures** category grew 42.0% in Q3 driven by recovery in the specialty channel as well as strength in DTC and third party e-commerce; Funko's **Other** product category grew 33.8% in Q3, driven by strength within our Loungefly branded products as well as board games and plush.



Something for Everyone

Funko is providing fans with an increasingly diverse array of products and categories

FIGURES

76.9% of Sales*

OTHER (NON-FIGURES)

23.1% of Sales*

*% of net sales for Q3 '21



Q3 Product Brand Performance

Pop!

\$ in millions, unaudited

41.3%
Increase



Loungefly

36.3%
Increase



Other

37.3%
Increase



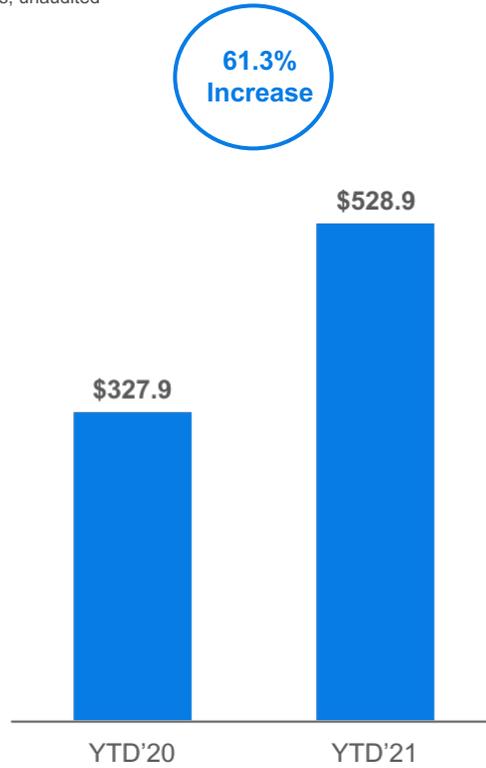
Both **Pop!** and **Loungefly** branded products generated strong growth in the Specialty channel, as well as continued strength in direct-to-consumer and third-party e-commerce channels;
Other branded products growth was driven by games, plush and action figures



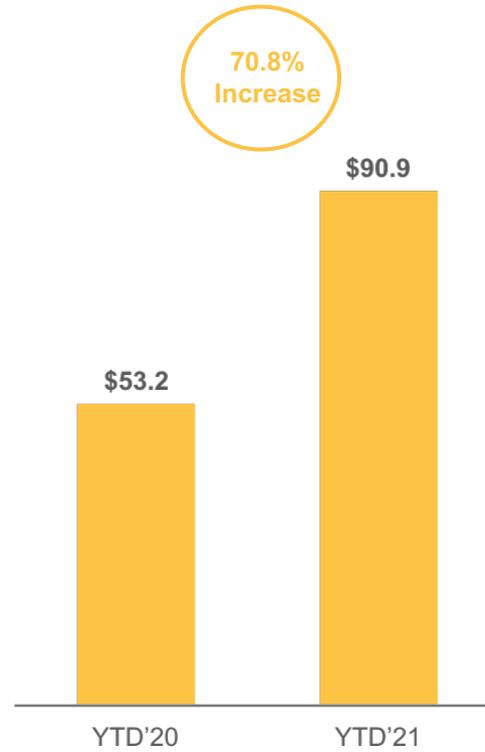
YTD Product Brand Performance

Pop!

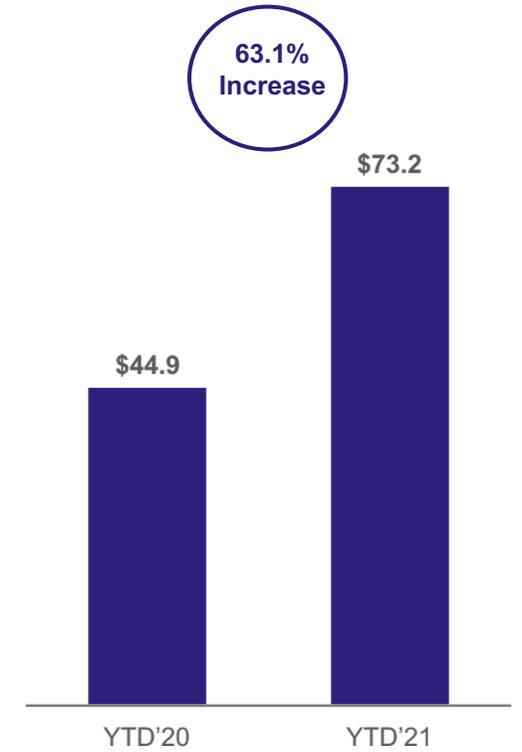
\$ in millions, unaudited



Loungefly



Other



Q3 Geographic Performance

United States

\$ in millions, unaudited

35.7%
increase



Europe

65.7%
increase



Other International

19.1%
increase



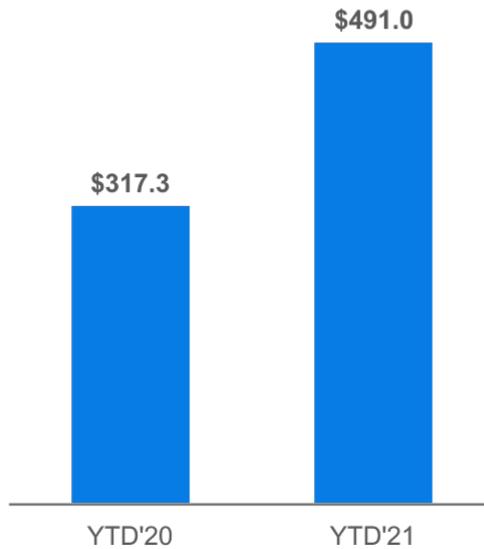
The **United States** region grew **35.7%** and **Europe** grew **65.7%**, with strength across all channels and product categories; **Other International** grew **19.1%** with all regions generating growth in the quarter

YTD Geographic Performance

United States

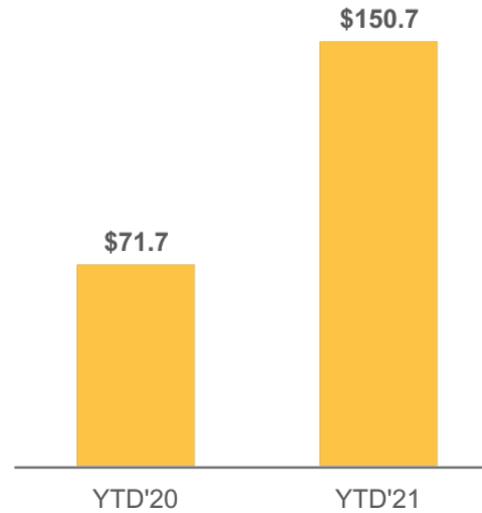
\$ in millions, unaudited

54.7%
increase



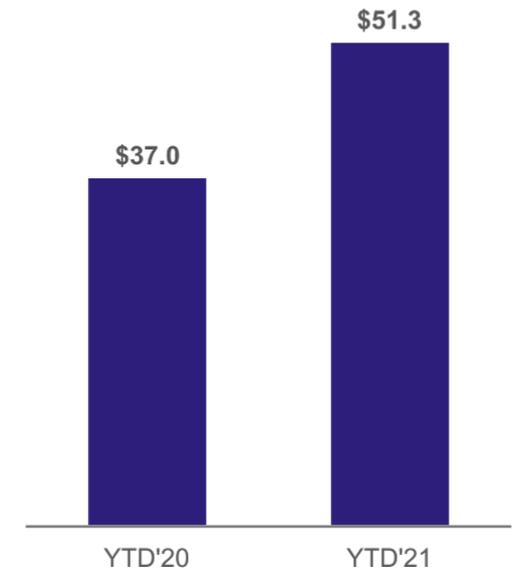
Europe

110.2%
increase



Other International

38.8%
increase



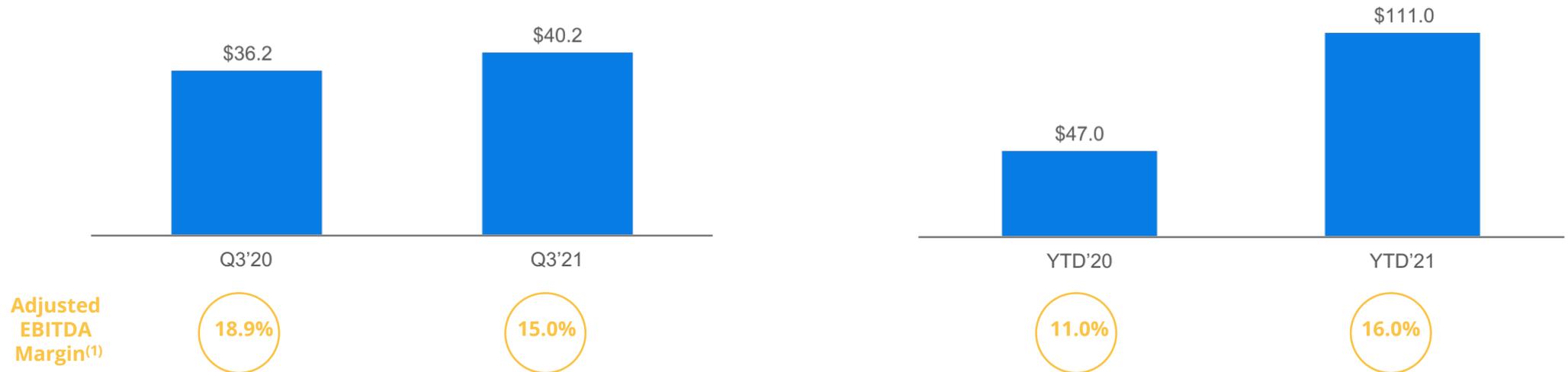
Q3 & YTD Adjusted EBITDA⁽¹⁾

Adjusted EBITDA⁽¹⁾

Third Quarter

Year-to-Date

\$ in millions, unaudited



Inflationary supply chain pressures reduced Adjusted EBITDA margin⁽¹⁾ 390 basis points y/y to 15.0% in Q3

1. See Supplemental Financial Information section for a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the most directly comparable US GAAP measure. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by net sales.

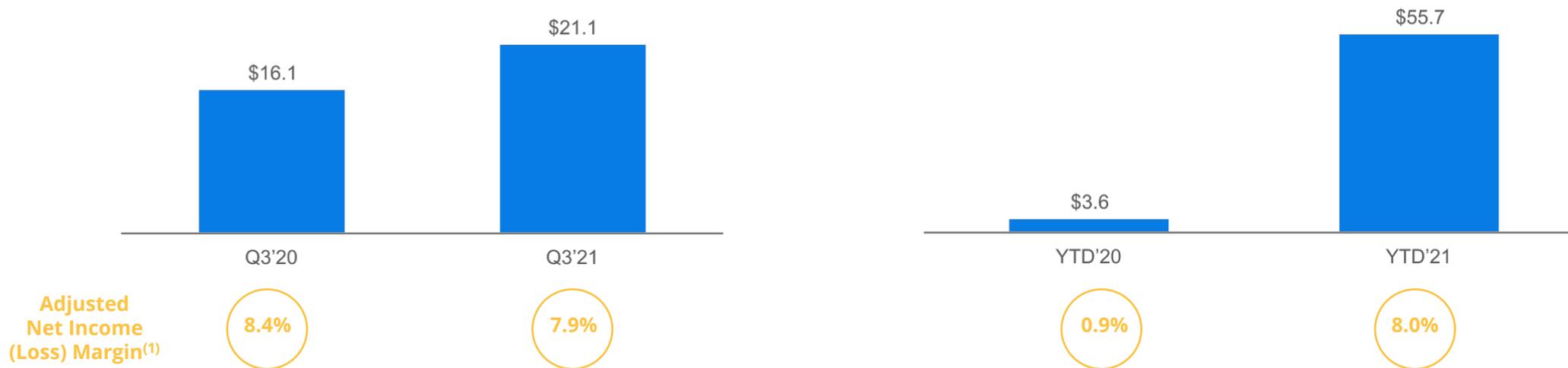
Q3 & YTD Adjusted Net Income (Loss)⁽¹⁾

Adjusted Net Income (Loss)⁽¹⁾

Third Quarter

Year-to-Date

\$ in millions, unaudited



Q3 Adjusted Net Income (Loss) margin⁽¹⁾ declined 50 basis points y/y reflecting higher supply chain costs, partially offset by much operating leverage

1. See Supplemental Financial Information section for a reconciliation of Adjusted Net Income (Loss), a non-GAAP measure, to the most directly comparable US GAAP measure. Adjusted Net Income Margin is defined as Adjusted Net Income (Loss) divided by net sales.

Key Balance Sheet Highlights

<i>\$ in millions, unaudited</i>	9/30/21	9/30/20	YoY % Change
Cash & Cash Equivalents	\$93.2	\$31.9	192.3%
Accounts Receivable, net	\$153.7	\$136.3	12.7%
Inventory	\$140.8	\$72.6	94.0%
Total Debt ⁽¹⁾	\$177.6	\$208.1	(14.7)%
Total Liquidity ⁽²⁾	\$193.2	\$106.9	80.8%

1. Total Debt is defined as the amount outstanding under the Company's Line of Credit plus Current Portion of Long-Term Debt, Net of Unamortized Discount plus Long-Term Debt, Net of Unamortized Discount
2. Total liquidity is calculated as cash and cash equivalents plus availability under the Company's \$100.0 million revolving credit facility.

Liquidity Overview

Total Liquidity⁽¹⁾

2020

2021

\$ in millions, unaudited



Funko's liquidity position remains strong and increased 80.8% from Q3'20 levels to \$193.2 million

1. Total liquidity is calculated as cash and cash equivalents plus availability under the Company's \$100.0 million revolving credit facility.

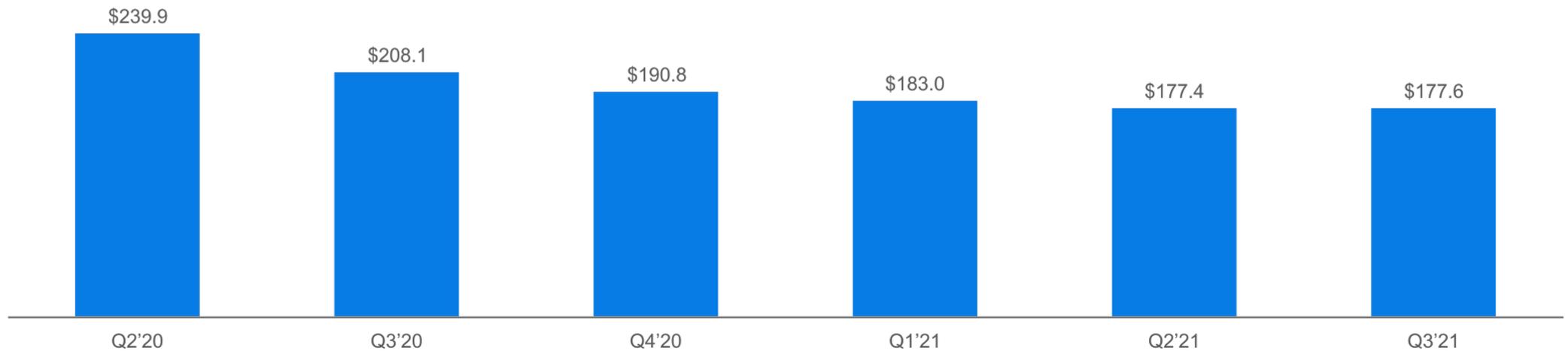
Debt Overview

Total Debt⁽¹⁾

2020

2021

\$ in millions, unaudited



Total debt decreased 14.7% from Q3'20

1. Total Debt is defined as the amount outstanding under the Company's Line of Credit plus Current Portion of Long-Term Debt, Net of Unamortized Discount plus Long-Term Debt, Net of Unamortized Discount

Supplemental Financial Information

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands, except per share data)			
Net sales	\$ 267,733	\$ 191,229	\$ 693,020	\$ 426,028
Cost of sales (exclusive of depreciation and amortization shown separately below)	171,320	117,504	425,929	261,103
Selling, general, and administrative expenses	59,890	41,167	166,032	127,590
Depreciation and amortization	10,328	11,887	30,778	33,947
Total operating expenses	241,538	170,558	622,739	422,640
Income from operations	26,195	20,671	70,281	3,388
Interest expense, net	1,711	2,875	5,921	8,221
Loss on debt extinguishment	675	—	675	—
Other (income) expense, net	(505)	779	466	1,450
Income (loss) before income taxes	24,314	17,017	63,219	(6,283)
Income tax expense (benefit)	5,939	1,420	12,814	(1,139)
Net income (loss)	18,375	15,597	50,405	(5,144)
Less: net income (loss) attributable to non-controlling interests	6,474	5,801	18,177	(229)
Net income (loss) attributable to Funko, Inc.	\$ 11,901	\$ 9,796	\$ 32,228	\$ (4,915)
Earnings (loss) per share of Class A common stock:				
Basic	\$ 0.30	\$ 0.28	\$ 0.85	\$ (0.14)
Diluted	\$ 0.28	\$ 0.27	\$ 0.80	\$ (0.14)
Weighted average shares of Class A common stock outstanding:				
Basic	39,448	35,483	37,856	35,155
Diluted	41,796	35,904	40,079	35,155



Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2021	December 31, 2020
	(In thousands, except per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 93,245	\$ 52,255
Accounts receivable, net	153,655	131,837
Inventory	140,834	59,773
Prepaid expenses and other current assets	23,790	15,486
Total current assets	411,524	259,351
Property and equipment, net	54,831	56,141
Operating lease right-of-use assets	52,831	58,079
Goodwill	126,612	125,061
Intangible assets, net	193,666	205,541
Deferred tax asset	70,339	54,682
Other assets	5,104	4,735
Total assets	\$ 914,907	\$ 763,590
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt, net of unamortized discount	\$ 17,378	\$ 10,758
Current portion of operating lease liabilities	15,187	13,840
Accounts payable	63,936	29,199
Income taxes payable	10,544	425
Accrued royalties	47,611	40,525
Accrued expenses and other current liabilities	89,019	43,949
Total current liabilities	243,675	138,696
Long-term debt, net of unamortized discount	160,172	180,012
Operating lease liabilities, net of current portion	50,495	57,512
Deferred tax liability	769	780
Liabilities under tax receivable agreement, net of current portion	80,787	60,297
Other long-term liabilities	5,135	3,848
Commitments and Contingencies		
Stockholders' equity:		
Class A common stock, par value \$0.0001 per share, 200,000 shares authorized; 39,749 and 35,657 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	4	4
Class B common stock, par value \$0.0001 per share, 50,000 shares authorized; 10,856 and 14,040 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	1	1
Additional paid-in-capital	245,859	216,141
Accumulated other comprehensive income	1,114	1,718
Retained earnings	56,631	24,403
Total stockholders' equity attributable to Funko, Inc.	303,609	242,267
Non-controlling interests	70,265	80,178
Total stockholders' equity	373,874	322,445
Total liabilities and stockholders' equity	\$ 914,907	\$ 763,590

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2021	2020
	(In thousands)	
Operating Activities		
Net income (loss)	\$ 50,405	\$ (5,144)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and other	30,356	35,929
Equity-based compensation	9,869	7,494
Amortization of debt issuance costs and debt discounts	893	1,006
Loss on debt extinguishment	675	—
Deferred tax expense	994	1,237
Other	(93)	1,715
Changes in operating assets and liabilities:		
Accounts receivable, net	(22,223)	13,507
Inventory	(81,770)	(11,115)
Prepaid expenses and other assets	(1,582)	15,163
Accounts payable	33,933	(1,595)
Income taxes payable	10,135	(465)
Accrued royalties	7,086	(3,045)
Accrued expenses and other liabilities	40,114	5,658
Net cash provided by operating activities	78,792	60,345
Investing Activities		
Purchases of property and equipment	(17,434)	(14,704)
Acquisitions of businesses and related intangible assets, net of cash	199	—
Other	84	—
Net cash used in investing activities	(17,151)	(14,704)
Financing Activities		
Borrowings on line of credit	—	28,267
Payments on line of credit	—	(55,103)
Debt issuance costs	(1,055)	(569)
Issuance of long-term debt	180,000	—
Payments of long-term debt	(193,875)	(8,814)
Contributions from continuing equity owners	—	177
Distributions to continuing equity owners	(9,284)	(3,496)
Payments under tax receivable agreement	(6)	(165)
Proceeds from exercise of equity-based options	3,726	41
Net cash used in financing activities	(20,494)	(39,662)
Effect of exchange rates on cash and cash equivalents	(157)	687
Net increase in cash and cash equivalents	40,990	6,666
Cash and cash equivalents at beginning of period	52,255	25,229
Cash and cash equivalents at end of period	\$ 93,245	\$ 31,895



Reconciliation of Non-GAAP Financial Metrics (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(In thousands, except per share data)			
Net income (loss) attributable to Funko, Inc.	\$ 11,901	\$ 9,796	\$ 32,228	\$ (4,915)
Reallocation of net income (loss) attributable to non-controlling interests from the assumed exchange of common units of FAH, LLC for Class A common stock ⁽¹⁾	6,474	5,801	18,177	(229)
Equity-based compensation ⁽²⁾	3,658	2,456	9,869	7,494
Certain severance, relocation and related costs ⁽³⁾	—	1,178	81	2,184
Loss on debt extinguishment ⁽⁴⁾	675	—	675	—
Foreign currency transaction (gain) loss ⁽⁵⁾	(505)	778	466	1,449
Income tax expense ⁽⁶⁾	(1,097)	(3,937)	(5,764)	(2,350)
Adjusted net income	\$ 21,106	\$ 16,072	\$ 55,732	\$ 3,633
Adjusted net income margin ⁽⁷⁾	7.9 %	8.4 %	8.0 %	0.9 %
Weighted-average shares of Class A common stock outstanding-basic	39,448	35,483	37,856	35,155
Equity-based compensation awards and common units of FAH, LLC that are convertible into Class A common stock	14,634	16,047	15,882	15,770
Adjusted weighted-average shares of Class A stock outstanding - diluted	54,082	51,530	53,738	50,925
Adjusted earnings per diluted share	\$ 0.39	\$ 0.31	\$ 1.04	\$ 0.07

1. Represents the reallocation of net income (loss) attributable to non-controlling interests from the assumed exchange of common units of FAH, LLC for Class A common stock in periods in which income (loss) was attributable to non-controlling interests.
2. Represents non-cash charges related to equity-based compensation programs, which vary from period to period depending on the timing of awards.
3. For the nine months ended September 30, 2021, represents severance, relocation and related costs associated with residual payment of global workforce reduction implemented in response to the COVID-19 pandemic. For the three and nine months ended September 30, 2020, represents severance, relocation and related costs associated with the consolidation of our warehouse facilities in the United Kingdom and charges related to the global workforce reduction implemented in response to the COVID-19 pandemic.
4. Represents write-off of unamortized debt financing fees for the three and nine months ended September 30, 2021.
5. Represents both unrealized and realized foreign currency losses on transactions denominated other than in U.S. dollars, including derivative gains and losses on foreign currency forward exchange contracts.
6. Represents the income tax (expense) benefit effect of the above adjustments. This adjustment uses an effective tax rate of 25% for all periods presented.
7. Adjusted net income margin is calculated as Adjusted net income as a percentage of net sales.

Reconciliation of Non-GAAP Financial Metrics (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(amounts in thousands)			
Net income (loss)	\$ 18,375	\$ 15,597	\$ 50,405	\$ (5,144)
Interest expense, net	1,711	2,875	5,921	8,221
Income tax expense (benefit)	5,939	1,420	12,814	(1,139)
Depreciation and amortization	10,328	11,887	30,778	33,947
EBITDA	\$ 36,353	\$ 31,779	\$ 99,918	\$ 35,885
Adjustments:				
Equity-based compensation ⁽²⁾	3,658	2,456	9,869	7,494
Certain severance, relocation and related costs ⁽³⁾	—	1,178	81	2,184
Loss on debt extinguishment ⁽⁴⁾	675	—	675	—
Foreign currency transaction (gain) loss ⁽⁵⁾	(505)	778	466	1,449
Adjusted EBITDA	\$ 40,181	\$ 36,191	\$ 111,009	\$ 47,012
Adjusted EBITDA margin ⁽⁸⁾	15.0 %	18.9 %	16.0 %	11.0 %

2. Represents non-cash charges related to equity-based compensation programs, which vary from period to period depending on the timing of awards.
3. For the nine months ended September 30, 2021, represents severance, relocation and related costs associated with residual payment of global workforce reduction implemented in response to the COVID-19 pandemic. For the three and nine months ended September 30, 2020, represents severance, relocation and related costs associated with the consolidation of our warehouse facilities in the United Kingdom and charges related to the global workforce reduction implemented in response to the COVID-19 pandemic.
4. Represents write-off of unamortized debt financing fees for the three and nine months ended September 30, 2021.
5. Represents both unrealized and realized foreign currency gains and losses on transactions denominated other than in U.S. dollars, including derivative gains and losses on foreign currency forward exchange contracts.
8. Adjusted EBITDA margin is calculated as Adjusted EBITDA as a percentage of net sales.

