

First Quarter 2020 Earnings

May 7, 2020



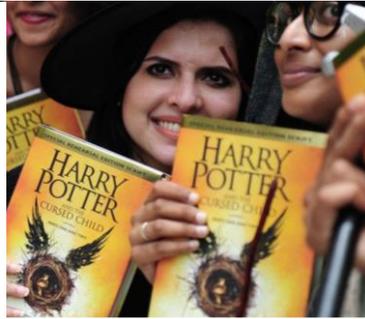
Cautionary Notes



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, broadening our retailer network and increasing international sales, the underlying trends in our business, the anticipated impact of COVID-19 on our business, and our expected liquidity 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 our ability to execute our business strategy; risks related to the impact of COVID-19 on our business, financial results and financial condition; our ability to maintain and realize the full value of our license agreements; the ongoing level of popularity of our products with consumers; 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; our ability to manage our inventories; our ability to develop and introduce products in a timely and cost-effective manner; increases in tariffs, trade restrictions or taxes; risks related to Brexit; counterfeit product risks; risks relating to intellectual property; 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; risks related to the recent coronavirus outbreak; changes in effective tax rates; foreign currency exchange rate exposure; economic downturns; our dependence on vendors and outsourcers; risks relating to government regulation; risks relating to 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, risks relating to our organizational structure; risks associated with our internal control over financial reporting; and the important factors discussed under the caption “Risk Factors” in our Form 10-Q for the quarter ended March 31, 2020 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.

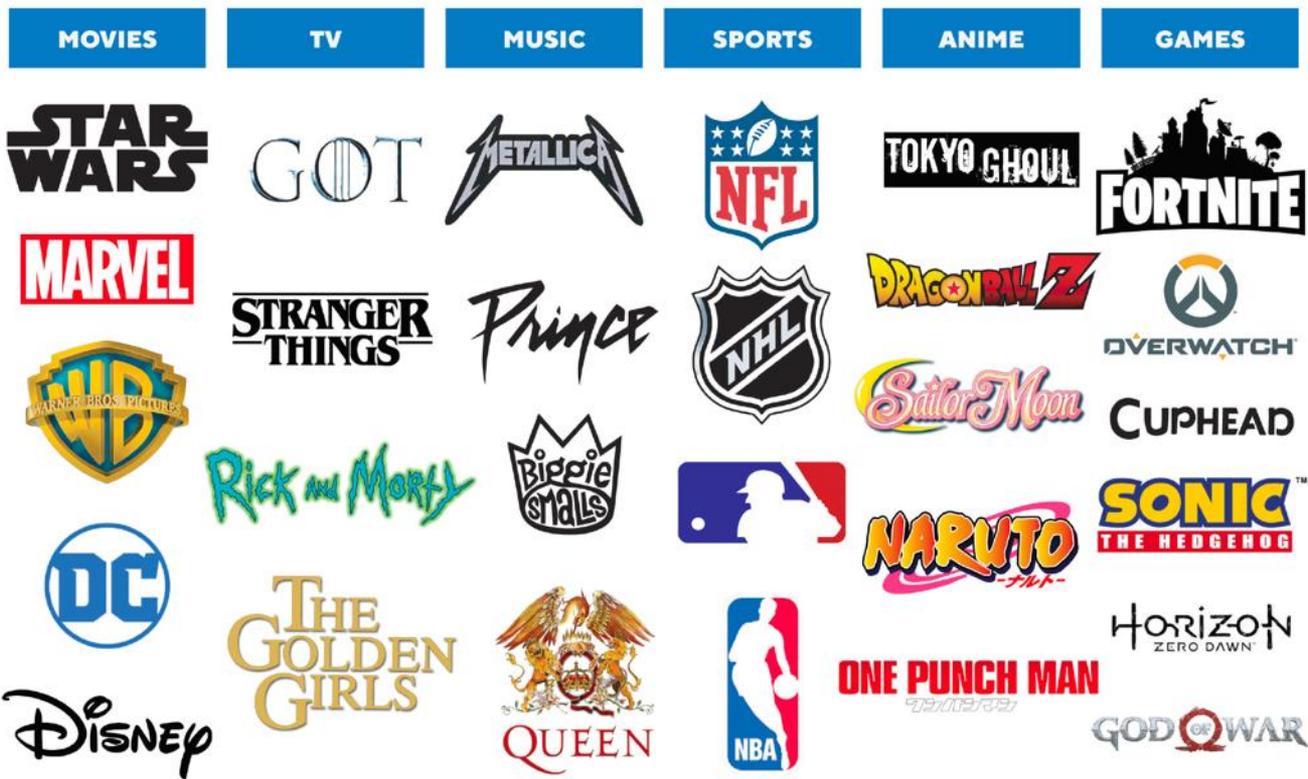
Unless otherwise indicated, information contained in this presentation concerning our industry, competitive position and the markets in which we operate is based on information from independent industry and research organizations, other third-party sources and management estimates. Management estimates 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



Funko is like an “index fund” for pop culture

Q1 Summary & Recent Developments



First Quarter 2020 Financial Summary

- Net sales decreased 18% to \$136.7 million
- Gross profit⁽¹⁾ decreased 13% to \$55.3 million
- Gross margin⁽¹⁾ increased 240 basis points to 40.4%
- Net loss of \$5.7 million
- Adjusted EBITDA of \$10.6 million and Adjusted EBITDA Margin of 7.8%
- Cash flow from operations increased 35% to \$37.0 million
- Total liquidity of \$101.7 million as of March 31, 2020⁽²⁾

Existing Credit Facility Amendment

- On May 5, 2020, certain of the Company's subsidiaries entered into an amendment to their existing credit facilities, which, among other changes, includes the following:
 - Leverage ratio and fixed charge coverage ratio covenants for the second and third quarter of 2020 have been waived;
 - Leverage ratio thresholds have been increased for the fourth quarter of 2020 through the fourth quarter of 2021;
 - New minimum liquidity covenant of \$30.0 million until Funko's leverage ratio is below 2.50x; and
 - Increased interest rate and certain applicable fees.
- Additional details regarding the amendment will be set forth in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission.

(1) Gross profit is calculated as net sales less cost of sales (exclusive of depreciation and amortization). Gross margin is calculated as net sales less cost of sales (exclusive of depreciation and amortization) as a percentage of net sales.
(2) Total liquidity is calculated as cash and cash equivalents plus availability under the Company's \$75.0 million revolving credit facility.



Q1 Earnings Summary



\$ in millions, except per share amounts,
unaudited

	1Q'20	1Q'19	% Change
Net Sales	\$136.7	\$167.1	(18.2%)
Gross Profit⁽¹⁾	\$55.3	\$63.4	(12.8%)
<i>Gross Margin %⁽¹⁾</i>	40.4%	38.0%	
Operating (Loss) Income	\$(3.0)	\$12.7	(123.8%)
<i>Operating Margin %</i>	(2.2)%	7.6%	
Net (Loss) Income	\$(5.7)	\$7.1	(180.2%)
Adjusted Net (Loss) Income⁽²⁾	\$(2.3)	\$8.3	(127.6%)
<i>Adjusted Net (Loss) Income Margin⁽²⁾</i>	(1.7)%	5.0%	
Adjusted (Loss) Earnings per Share⁽²⁾	\$(0.04)	\$0.16	(125.0%)
Adjusted EBITDA⁽²⁾	\$10.6	\$25.3	(58.2%)
<i>Adjusted EBITDA Margin %⁽²⁾</i>	7.8%	15.2%	

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

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

Top Properties Breakout



	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
1	FORTNITE 10%*	AVENGERS ENDGAME 6%*	Harry Potter 9%*	Harry Potter 6%*	STAR WARS 4%*
2	AVENGERS ENDGAME	FORTNITE	DC	FROZEN 2	POKÉMON
3	GAME OF THRONES	DRAGON BALL Z	FORTNITE	AVENGERS ENDGAME	STAR WARS THE MANDALORIAN
4	Harry Potter	Harry Potter	MARVEL	STAR WARS THE RISE OF SKYWALKER	AVENGERS ENDGAME
5	STAR WARS	STRANGER THINGS	AVENGERS ENDGAME	DRAGON BALL Z	Harry Potter
6	CAPTAIN MARVEL	GAME OF THRONES	STAR WARS THE RISE OF SKYWALKER	DC	NARUTO
7	DC	DC	STAR WARS	FORTNITE	DC
8	DRAGON BALL Z	MARVEL STUDIOS SPIDER-MAN Far From Home	NIGHTMARE BEFORE CHRISTMAS	MY HERO ACADEMIA	STAR WARS THE MANDALORIAN
9	Disney PIXAR TOY STORY 4	Disney PIXAR TOY STORY 4	FROZEN 2	STAR WARS	DRAGON BALL Z
10	OVERWATCH	OVERWATCH	DRAGON BALL Z	GAME OF THRONES	FORTNITE
	Top 10 Properties % of Net Sales 41%	37%	38%	38%	31%

The top property in Q1'20 represented only **4% of sales**

Evergreen properties accounted for **58% of sales** in Q1'20

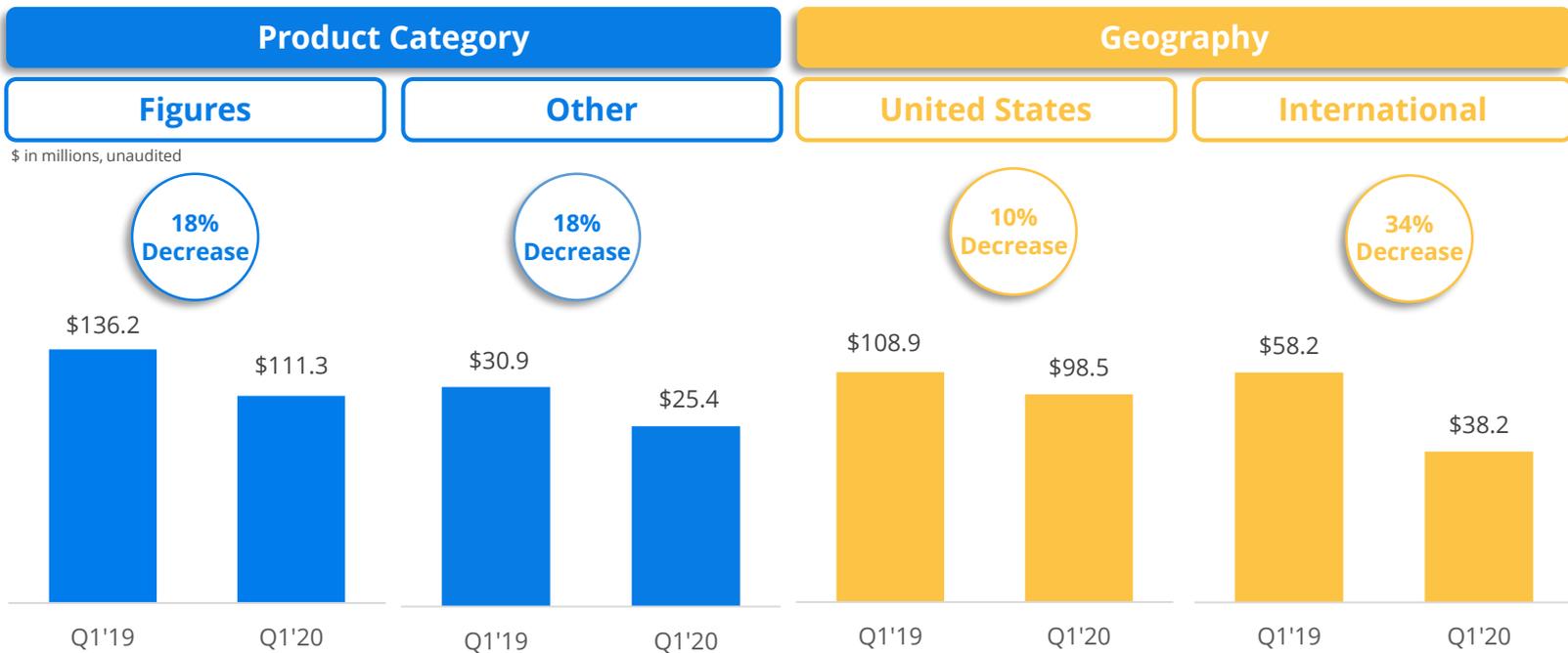
In Q1'20 **active properties increased 11%** year-over-year, to 681

Net sales per active property declined 27% year-over-year to \$201,000



*% of net sales

Q1 Category and Geographic Performance



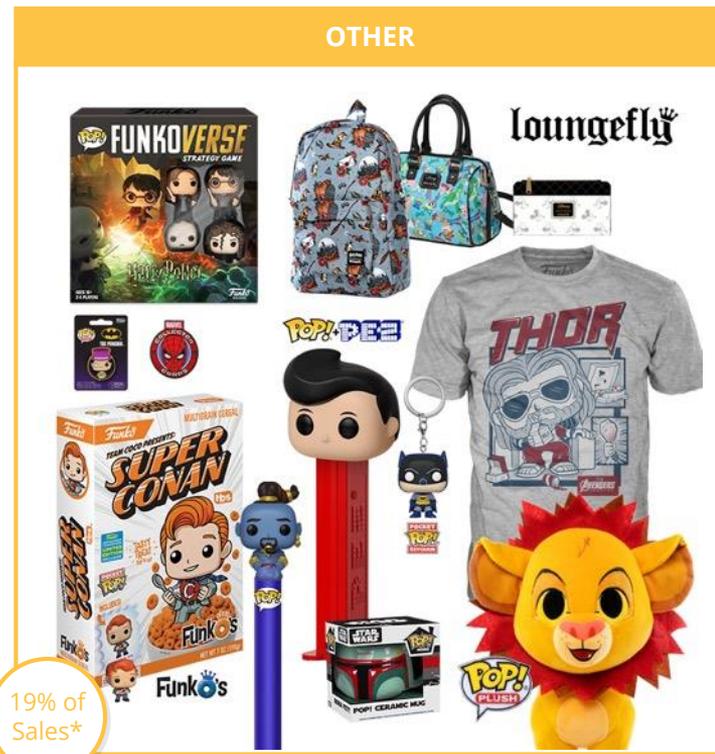
- In Q1'20, the Pop! Brand declined 16% compared to Q1'19
- Other category driven by decreased sales in accessories, plush and other items, partially offset by growth in Loungefly and apparel products.

- U.S. sales driven by weaker content lineup as well as supply chain and retail customer disruption from COVID-19
- International decline primarily reflects a weaker content lineup as well as more significant impacts from COVID-19 as non-essential business closures effected overseas markets earlier in the quarter, especially within Europe

Something for Everyone



Fans can find their something as the world of Funko continues to expand with new product categories.

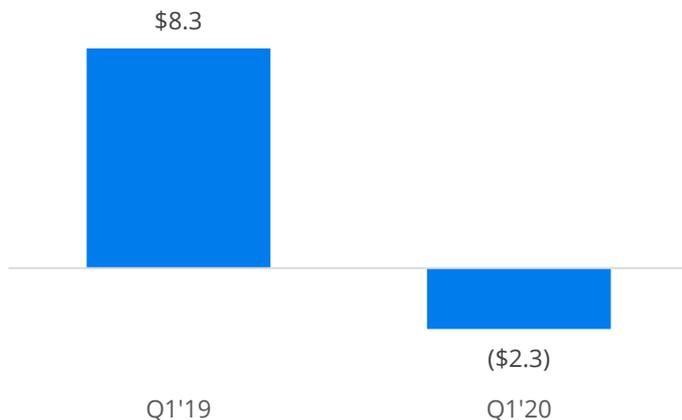


Q1 Non-GAAP Financial Metrics⁽¹⁾



Adjusted Net (Loss) Income

\$ in millions, unaudited



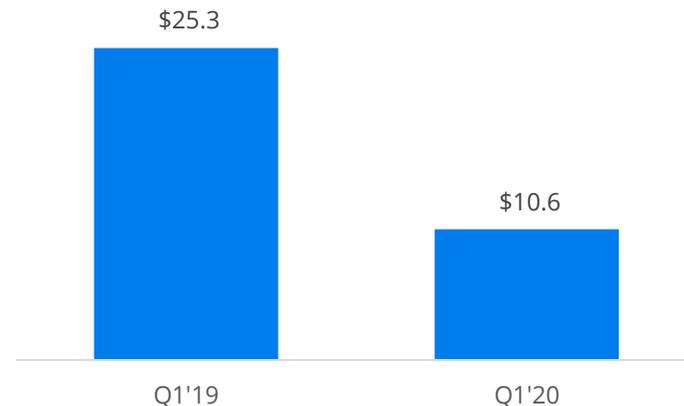
**Adjusted
Net (Loss)
Income Margin**

5.0%

(1.7%)

Adjusted EBITDA

\$ in millions, unaudited



**Adjusted
EBITDA
Margin %**

15.2%

7.8%

Decline in Adjusted Net (Loss) Income and Adjusted EBITDA is primarily due to the decrease in net sales and increase in SG&A expenses in the quarter

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

Key Balance Sheet Highlights



\$ in millions, unaudited	3/31/2020	3/31/2019	YoY % Change
Cash & Cash Equivalents	\$55.4	\$22.5	145.8%
Accounts Receivable, net	\$105.2	\$117.9	(10.8%)
Inventory	\$53.3	\$75.9	(29.8%)
Total Debt ⁽¹⁾	\$242.5	\$247.1	(1.8%)
Total Liquidity ⁽²⁾	\$101.7	\$75.1	35.4%

(1) Total Debt is defined as Line of Credit Outstandings 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 \$75.0 million revolving credit facility.

Supplemental Financial Information



Q1 Condensed Consolidated Statements of Operations



\$ in thousands, unaudited

	Q1'20	Q1'19	% Change
Net Sales	\$136,700	\$167,065	(18.2%)
Cost of Sales ⁽¹⁾	81,417	103,656	(21.5%)
Gross Profit⁽¹⁾	55,283	63,409	(12.8%)
<i>Gross Margin⁽¹⁾</i>	<i>40.4%</i>	<i>38.0%</i>	
Selling, General and Administrative Expenses	47,313	40,468	16.9%
Depreciation and Amortization	10,989	10,230	7.4%
(Loss) income from Operations	(3,019)	12,711	(123.8%)
Interest Expense, net	2,655	4,072	(34.8%)
Other Expense, net	914	65	nm
(Loss) income before Income Taxes	(6,588)	8,574	(176.8%)
Income Tax (Benefit) Expense	(856)	1,429	(159.9%)
Net (Loss) income	(5,732)	7,145	(180.2%)
Less: Net (Loss) Income Attributable to Non-Controlling Interests	(1,606)	4,950	(132.4%)
Net (Loss) Income Attributable to Funko, Inc.	\$(4,126)	\$2,195	(288.0%)

(1) Cost of Sales, Gross Profit and Gross Margin are shown exclusive of depreciation and amortization.

Condensed Consolidated Balance Sheet



\$ in thousands, unaudited

	3/31/2020	12/31/2019
Cash and Cash Equivalents	\$55,413	\$25,229
Accounts Receivable, net	105,176	151,564
Inventory	53,284	62,124
Prepaid Expenses & Other Current Assets	15,031	20,280
Total Current Assets	228,904	259,197
Property & Equipment, net	64,470	65,712
Operating Lease Right-Of-Use Assets	60,309	62,901
Goodwill & Intangible Assets, net	341,512	346,327
Deferred Tax Asset	58,008	57,547
Other Assets	4,730	4,783
Total Assets	\$757,933	\$796,467
Line of Credit	\$28,731	\$25,822
Current Portion of Long-Term Debt, net	16,642	13,685
Current Portion of Operating Lease Liability	11,949	11,314
Accounts Payable	29,806	42,531
Income Taxes Payable	138	637
Accrued Royalties	20,400	34,625
Accrued Expenses & Other Current Liabilities	28,080	28,955
Total Current Liabilities	135,746	157,569
Long-Term Debt, net	197,175	202,816
Operating Lease Liabilities, net	59,345	61,622
Deferred Tax Liability & Liabilities under TRA	61,867	61,895
Deferred Rent & Other Long-Term Liabilities	7,202	7,421
Total Liabilities	461,335	491,323
Total Shareholders' Equity Attributable to Funko, Inc.	222,105	225,411
Non-Controlling Interests	74,493	79,733
Total Liabilities & Stockholders' Equity	\$757,933	\$796,467

Reconciliation of Non-GAAP Financial Metrics



	Three Months Ended March 31,	
	2020	2019
	(In thousands, except per share data)	
Net (loss) income attributable to Funko, Inc.	\$ (4,126)	\$ 2,195
Reallocation of net (loss) income attributable to non-controlling interests from the assumed exchange of common units of FAH, LLC for Class A common stock ⁽¹⁾	(1,606)	4,950
Equity-based compensation ⁽²⁾	2,413	2,748
Acquisition transaction costs and other expenses ⁽³⁾	—	(350)
Certain severance, relocation and related costs ⁽⁴⁾	213	—
Foreign currency transaction loss ⁽⁵⁾	914	65
Income tax expense ⁽⁶⁾	(94)	(1,330)
Adjusted net (loss) income	<u>(2,286)</u>	<u>8,278</u>
Adjusted net (loss) income margin ⁽⁷⁾	(1.7%)	5.0%
Weighted-average shares of Class A common stock outstanding - basic	34,944	26,640
Equity-based compensation awards and common units of FAH, LLC that are convertible into Class A common stock	<u>15,927</u>	<u>24,994</u>
Adjusted weighted-average shares of Class A stock outstanding - diluted	50,871	51,634
Adjusted (loss) earnings per diluted share	<u>\$ (0.04)</u>	<u>\$ 0.16</u>

	Three Months Ended March 31,	
	2020	2019
	(amounts in thousands)	
Net (loss) income	\$ (5,732)	\$ 7,145
Interest expense, net	2,655	4,072
Income tax (benefit) expense	(856)	1,429
Depreciation and amortization	10,989	10,230
EBITDA	<u>\$ 7,056</u>	<u>\$ 22,876</u>
Adjustments:		
Equity-based compensation ⁽²⁾	2,413	2,748
Acquisition transaction costs and other expenses ⁽³⁾	—	(350)
Certain severance, relocation and related costs ⁽⁴⁾	213	—
Foreign currency transaction loss ⁽⁵⁾	914	65
Adjusted EBITDA	<u>\$ 10,596</u>	<u>\$ 25,339</u>
Adjusted EBITDA margin ⁽⁸⁾	7.8%	15.2%

- 1) Represents the reallocation of net (loss) income 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 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 timing of awards.
- 3) Represents legal, accounting, and other related costs incurred in connection with acquisitions and other potential transactions. For the three months ended March 31, 2019, includes a \$0.4 million reversal of a pre-acquisition contingent loss related to our Loungefly acquisition.
- 4) For the three months ended March 31, 2020, represents severance, relocation and related costs associated with the consolidation of our warehouse facilities in the United Kingdom.
- 5) Represents both unrealized and realized foreign currency losses on transactions other than in U.S. dollars, including derivative gains and losses on foreign currency forward exchange contracts.
- 6) Represents the income tax expense 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.
- 8) Adjusted EBITDA margin is calculated as Adjusted EBITDA as a percentage of net sales.

