



# FIRST QUARTER 2021

May 10, 2021

# Q1 2021 Key Takeaways

- Total Sales increase of 3.1% vs. Q1 2020
  - Q1 2021 performance included one month of international results versus three months in the prior year period
- Comparable Sales increase of 35.9% vs. Q1 2020 or 0.4% vs. Q1 2019
- Continued strong core category performance and better than expected results in seasonal categories
- Cash from Operations improvement of \$25.2 million versus Q1 2020
- Remain encouraged by Q1 results and sales momentum, which continued into April



# Retail Performance Update

- Total Retail sales increased 10% on both a reported and constant currency basis versus Q1 2020
- Brand comparable sales up 35.9% vs. Q1 2020 or up 0.4% vs. Q1 2019
  - Core categories up 11.2% vs. 2019, driven by strong momentum in Balloons, Birthday and Entertaining
- 751 Party City corporate stores at the end of Q120 versus 757 in prior year



# Wholesale Performance Update

- Net third-party Wholesale revenues decline (15.8%) reported and (16.8%) constant currency, including sale of a significant portion of international operations in January 2021
- Wholesale business continued to be impacted by:
  - Declines in Canadian business, driven by government mandated lockdowns throughout the quarter
  - Softer store performance at franchisees and independents who have lagged corporate stores, though trends improved meaningfully in March and April, consistent with Retail performance dynamics
- Anagram domestic third-party revenue increase of 49.7%



# 2021 Strategic Initiatives

## Product Innovation

- Continue to leverage consumer insights and data, reinforcing position of authority when it comes to celebrations
- Intend to introduce an increased level of innovation and deliver better quality
  - Repositioned Birthday Favors category injecting innovation
  - Plan to deliver better quality across products that can carry higher price points at similar or expanded margins

## In-store Experience

- Opened or remodeled 19 NXTGEN stores, bringing total to 41 to-date
  - Generating strong ROIs and plan to open another 16 NXTGEN stores in Q2, totaling 57 by end of 1H21, with targeted payback period on each store of less than 3 years
  - Will continue to execute NXTGEN stores with new stores and remodels throughout 2H21 and assess long-range plans for conversion of majority of store fleet within historical annual capital spend range



# 2021 Strategic Initiatives

## Be Celebration Occasion Obsessed

- Pleased with performance of core categories including entertaining, birthdays and balloons
- Innovation and quality product upgrades will impact both NXTGEN stores and existing stores, strengthening overall shopping experience
- Intend to stay disciplined and lean on inventory in 2021

## Focus on North America vertical model

- Leverage streamlined core North American party platform
- Improve our supply chain
  - Continue to find alternatives and work through minimal disruption and receipt delays from industry supply chain headwinds





# FINANCIAL SUMMARY



# Financial Summary

	Q1 2021 Actual	Q1 2020 Actual
Total Revenues	\$426.8 million	\$414.0 million
Brand Comp	+35.9%	-17.1%
Adjusted EBITDA*	\$32.4 million	\$11.9 million
GAAP Net Income (Loss)	(\$14.1 million)	(\$541.5 million)
Adjusted Net Income (Loss)*	(\$5.4 million)	(\$26.4 million)
GAAP EPS (LPS)	(\$0.13)	(\$5.80)
Adjusted EPS (LPS)*	(\$0.05)	(\$0.28)
Free Cash Flow**	\$10.2 million	\$1.1 million
Party City Corporate Stores	751	757

\*Please refer to appendix for reconciliation of GAAP to Non-GAAP measures

\*\*Free cash flow defined as Adjusted EBITDA less capital expenditures





# Q1 2021 Revenue Performance



Total Reported Revenues Increased 3.1% and 2.7% in Constant Currency

Wholesale	
Total	
Revenue Decline	-15.8%
Constant Currency Decline	-16.8%
Ex. Sale of International Business and 2020 Gifting Businesses Exit	~ Flat

Retail	
Net Sales Growth	
Constant Currency Growth	+10.0%

Domestic	
Revenue Decline	-24.9%

Comparable Brand Sales	+35.9%
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International	
Revenue Decline	-36.2%
Constant Currency Decline	-38.4%

Comparable Brand Sales vs. Q119	+0.4%
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# Balance Sheet and Free Cash Flow

	Mar 31, 2021	Dec 31, 2020
Cash	\$83.8 million	\$119.5 million
Inventories, net	\$428.3 million	\$412.3 million
Accounts Payable	\$127.8 million	\$118.9 million
Net Principal Amount Debt*	\$1,303 million	\$1,254 million
Leverage Ratio**	11.2x	13.1x
LTM Free Cash Flow***	\$52.9 million	\$44.3 million

\*Net of cash

\*\*Defined as principal debt (net of cash) to adjusted EBITDA

\*\*\*Free cash flow defined as Adjusted EBITDA less capital expenditures



# Bridge of Balance Sheet Debt to Principal Balance of Debt



(in Thousands)	March 31, 2021			
	Principal Amount	Party City Credit Group Net Carrying Amount	Anagram Holdings, LLC Net Carrying Amount	PCHI Consolidated Net Carrying Amount
8.75% Senior Secured First Lien Notes – due 2026	\$ 750,000	\$ 730,508	\$ -	\$ 730,508
6.125% Senior Notes – due 2023	22,924	22,792	-	22,792
6.625% Senior Notes – due 2026	92,254	91,483	-	91,483
First Lien Party City Notes – due 2025	161,669	202,657	-	202,657
First Lien Anagram Notes – due 2025	112,979	-	150,568	150,568
Second Lien Anagram Notes – due 2026	86,981	-	148,159	148,159
Finance lease obligations	13,687	13,687	-	13,687
Total long-term obligations	1,240,494	1,061,127	298,727	1,359,854
Less: current portion	N/A	(1,359)	-	(1,359)
Long-term obligations, excluding current portion	\$ 1,240,494	\$ 1,059,768	\$ 298,727	\$ 1,358,495
Loans and notes payable	146,275	146,275	-	146,275
Less: Cash	(83,806)	(66,796)	(17,010)	(83,806)
Principal balance net of cash	\$ 1,302,963	\$ 1,139,247	\$ 281,717	\$ 1,420,964



# Outlook

	Q2 2021 Outlook
Revenue	\$475 to \$490 million
Brand Comparable Sales	92% to 97% versus Q2 2020 Mid to high single digit percentage increase versus Q2 2019
Adjusted EBITDA*	\$60 to \$70 million
GAAP Net Income	\$10 to \$20 million with assumed tax rate of 27%

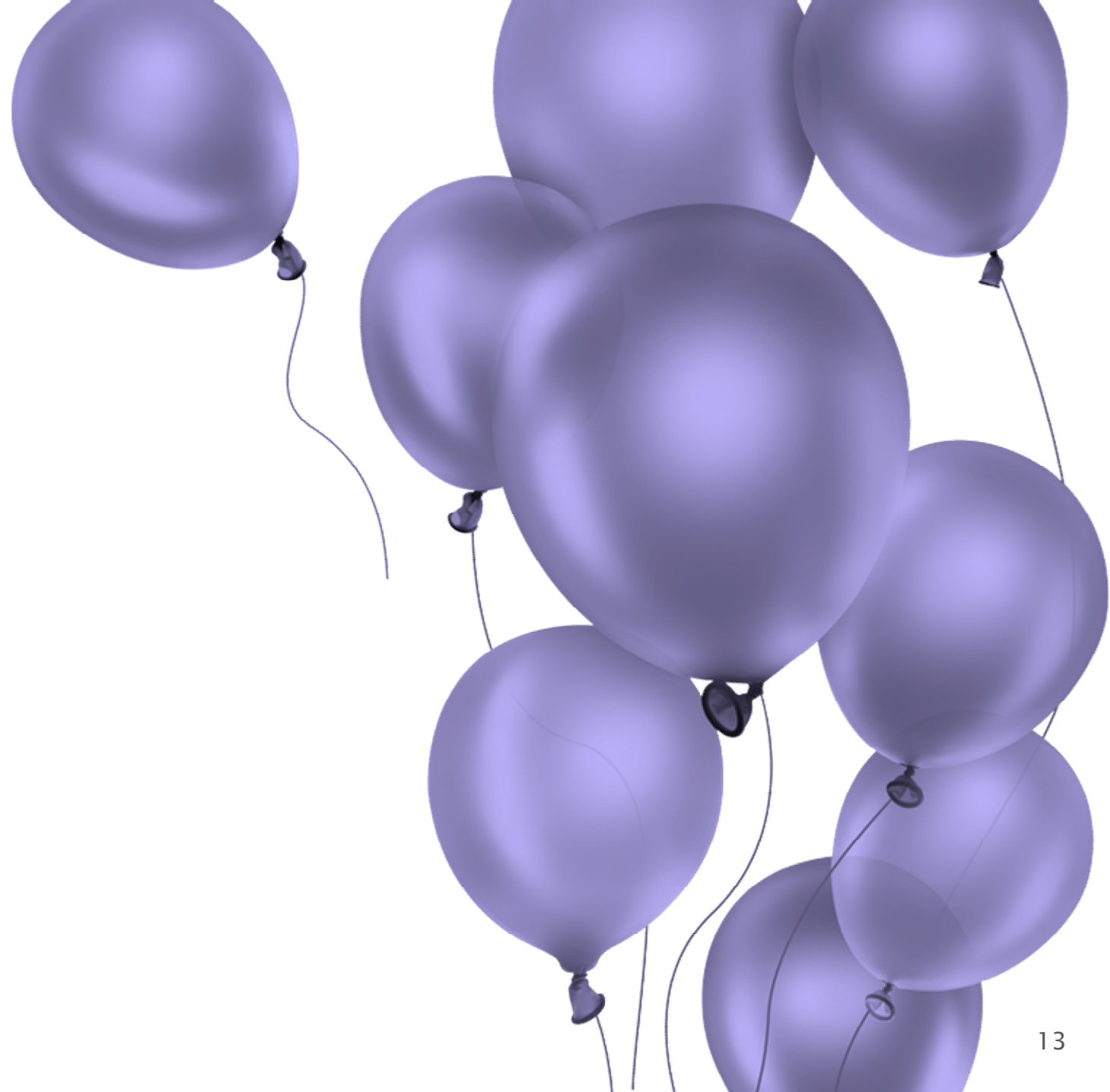
\* Please refer to appendix for reconciliation of GAAP to Non-GAAP measures

Note: This outlook is subject to potential consumer and marketplace volatility due to the COVID-19 pandemic





# APPENDIX



# Reconciliation of Non-GAAP Financial Measures to GAAP Measures

**PARTY CITY HOLDCO INC.**  
**RECONCILIATION OF ADJUSTED EBITDA**  
**(Unaudited)**

	Three Months Ended March 31,	
	2021	2020
<b>(Dollars in thousands)</b>		
<b>Net (loss)</b>	\$ (14,118)	\$ (541,668)
Interest expense, net	17,214	25,120
Income tax (benefit)	(3,469)	(100,498)
Depreciation and amortization	17,944	17,752
<b>EBITDA</b>	<b>17,571</b>	<b>(599,294)</b>
Store impairment and restructuring charges (a)	—	27,761
Early lease terminations	3,138	—
Other restructuring, retention and severance (b)	2,051	3,047
Goodwill, intangibles and long-lived assets impairment (c)	—	536,648
Deferred rent (d)	1,526	(1,384)
Closed store expense (e)	1,593	1,235
Foreign currency losses/(gains), net	(539)	4,255
Stock option expense – time-based	113	354
Restricted stock unit and restricted cash awards expense – performance-based	817	—
Restricted stock units – time-based	352	621
Non-employee equity-based compensation (f)	—	1,033
Undistributed loss (income) in equity method investments	336	(144)
Corporate development expenses (g)	—	2,969
Non-recurring legal settlements/costs	—	6,321
COVID - 19 (l)	615	26,180
Loss on disposal of assets	3,211	—
Net loss on debt repayment	226	—
Other	1,409	2,272
<b>Adjusted EBITDA</b>	<b>\$ 32,419</b>	<b>\$ 11,874</b>



# Reconciliation of Non-GAAP Financial Measures to GAAP Measures

**PARTY CITY HOLDCO INC.**  
**RECONCILIATION OF ADJUSTED EBITDA, Continued**  
(In thousands, unaudited)

	Three Months Ended March 31, 2021 EBITDA Adjustments										March 31, 2021 Non-GAAP basis
	March 31, 2021 GAAP Basis (as reported)	Early lease terminations	Net loss on debt repayment	Stock Option Expense/Non-Employee Equity Compensation/ Restricted stock units	Deferred Rent (d)	Other restructuring, retention and severance (b)	Closed store expense (e)	COVID-19 (l)	Foreign currency losses	Other	
Net sales	\$ 426,807										\$ 426,807
Cost of sales	274,521	(1,382)								124	273,263
Gross Profit	152,286										153,544
Wholesale selling expenses	9,116										9,116
Retail operating expenses	88,896	(1,756)			(1,568)		(1,562)	(590)		(718)	82,703
General and administrative expenses	46,038			(1,282)	42	(2,052)	(31)	(25)		(650)	42,041
Art and development costs	4,971										4,971
Loss on disposal of assets in international operations	3,211									(3,211)	—
Income from operations	54										14,713
Interest expense, net	17,214									(54)	17,160
Other expense, net	427		(226)						539	(449)	292
(Loss) before Income Taxes	(17,587)										(2,739)
Interest expense, net	17,214										17,214
Depreciation and amortization	17,944										17,944
<b>EBITDA</b>	17,571										32,419
Adjustments to EBITDA	14,848	(3,138)	(226)	(1,282)	(1,526)	(2,052)	(1,593)	(615)	539	(4,957)	(0)
<b>Adjusted EBITDA</b>	<b>\$ 32,419</b>	<b>\$ (3,138)</b>	<b>\$ (226)</b>	<b>\$ (1,282)</b>	<b>\$ (1,526)</b>	<b>\$ (2,052)</b>	<b>\$ (1,593)</b>	<b>\$ (615)</b>	<b>\$ 539</b>	<b>\$ (4,957)</b>	<b>\$ 32,419</b>



# Reconciliation of Non-GAAP Financial Measures to GAAP Measures

**PARTY CITY HOLDCO INC.**  
**RECONCILIATION OF ADJUSTED EBITDA, Continued**  
(In thousands, unaudited)

	Three Months Ended March 31, 2020 EBITDA Adjustments												March 31, 2020 Non-GAAP basis
	March 31, 2020 GAAP Basis (as reported)	Goodwill, intangibles and long-lived assets impairment (c)	Store impairment and restructuring charges (a)	Corporate development expenses (h)	Legal	Stock Option Expense/Non-Employee Equity Compensation/Restricted stock units (f)(g)(i)(m)	Deferred Rent (d)	Other restructuring, retention and severance (b)	Closed store expense (e)	COVID-19 (l)	Foreign currency gains	Other	
Net sales	\$ 414,043												\$414,043
Cost of sales	296,757		(10,033)							(12,804)		(429)	273,491
<b>Gross Profit</b>	<b>117,286</b>												<b>140,552</b>
Wholesale selling expenses	15,458			(736)						(114)			14,608
Retail operating expenses	88,166						1,336		(1,166)	(10,178)			78,158
General and administrative expenses	65,334			(2,129)	(6,321)	(975)	48	(3,047)	(69)	(3,084)			49,757
Art and development costs	5,322												5,322
Store impairment and restructuring charges	17,728		(17,728)										—
Goodwill, intangibles and long-lived assets impairment	536,648	(536,648)											—
(Loss) from operations	(611,370)												(7,293)
Interest expense, net	25,120												25,120
Other expense, net	5,676			(104)		(1,033)					(4,255)	(1,699)	(1,415)
(Loss) before income taxes	(642,166)												(30,998)
Interest expense, net	25,120												25,120
Depreciation and amortization	17,752												17,752
<b>EBITDA</b>	<b>(599,294)</b>												<b>11,874</b>
Adjustments to EBITDA	611,168	(536,648)	(27,761)	(2,969)	(6,321)	(2,008)	1,384	(3,047)	(1,235)	(26,180)	(4,255)	(2,128)	—
<b>Adjusted EBITDA</b>	<b>\$ 11,874</b>	<b>\$ (536,648)</b>	<b>\$ (27,761)</b>	<b>\$ (2,969)</b>	<b>\$ (6,321)</b>	<b>\$ (2,008)</b>	<b>\$ 1,384</b>	<b>\$ (3,047)</b>	<b>\$ (1,235)</b>	<b>\$ (26,180)</b>	<b>\$ (4,255)</b>	<b>\$ (2,128)</b>	<b>\$ 11,874</b>

Note: Due to rounding, certain numbers may not add up precisely to the totals provided.





# Reconciliation of Non-GAAP Financial Measures to GAAP Measures

PARTY CITY HOLDCO INC.  
RECONCILIATION OF ADJUSTED NET INCOME  
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
<b>(Dollars in thousands, except per share amounts)</b>		
<b>(Loss) before income taxes</b>	\$ (17,587)	\$ (642,166)
Intangible asset amortization	2,477	2,866
Amortization of deferred financing costs and original issuance discounts	863	1,202
Store impairment and restructuring charges (a)	—	27,973
Other restructuring charges (b)	1,936	922
Goodwill, intangibles and long-lived assets impairment (c)	—	536,648
Non-employee equity-based compensation (f)	—	1,033
Non-recurring legal settlements/costs	—	6,321
Stock option expense – time-based	113	354
Restricted stock unit expense – performance-based	817	—
COVID - 19 (l)	615	26,180
Loss on disposal of assets	3,211	—
Inventory disposals	764	—
<b>Adjusted (loss) before income taxes</b>	(6,791)	(38,667)
Adjusted income tax (benefit) (h)	(1,382)	(12,284)
<b>Adjusted net (loss)</b>	\$ (5,409)	\$ (26,383)
<b>Adjusted net (loss) per common share – diluted</b>	\$ (0.05)	\$ (0.28)
Weighted-average number of common shares-diluted	110,917,349	93,395,609



# Reconciliation of Non-GAAP Financial Measures to GAAP Measures

## Reconciliation of Second Quarter 2021 forecasted GAAP Net Income to Adjusted EBITDA

(in thousands)	Q2 2021 High	Q2 2021 Low
Net Income	\$ 19,929	\$ 10,439
Provision for Income Taxes	7,371	3,861
Interest Expense	23,600	24,600
Depreciation and Amortization Expense	16,200	17,200
EBITDA	\$ 67,100	\$ 56,100
EBITDA Add-Backs	2,900	3,900
<b>Adjusted EBITDA</b>	<b>\$ 70,000</b>	<b>\$ 60,000</b>



# Notes to Reconciliation of Non-GAAP Financial Measures to GAAP Measures

- a) The Company performed a comprehensive review of its store locations aimed at improving the overall productivity of such locations (“store optimization program”). After careful consideration and evaluation of the store locations, the Company made the decision to accelerate the optimization of its store portfolio with the closure of stores, which are primarily located in close proximity to other Party City stores. For further detail, refer to Note 3 – Store Impairment and Restructuring Charges of Item 1, “Condensed Consolidated Financial Statements (Unaudited)” in this Quarterly Report on Form 10-Q 2021.
- b) Amounts expensed principally relate to severance due to organizational changes.
- c) As a result of a sustained decline in market capitalization, the Company recognized a non-cash pre-tax goodwill and intangibles impairment charge at March 31, 2020.
- d) The “deferred rent” adjustment reflects the difference between accounting for rent and landlord incentives in accordance with GAAP and the Company’s actual cash outlay.
- e) Charges incurred related to closing and relocating stores in the ordinary course of business.
- f) The acquisition of Ampology’s interest in Kazzam, LLC in an equity transaction. See Note 17 – Kazzam, LLC in Item 1 for further discussion.
- g) Primarily represents costs for Kazzam (see Note 17 – Kazzam, LLC in Item 1 for further discussion).
- h) Represents income tax expense/benefit after excluding the specific tax impacts for each of the pre-tax adjustments. The tax impacts for each of the adjustments were determined by applying to the pre-tax adjustments the effective income tax rates for the specific legal entities in which the adjustments were recorded.
- i) Represents COVID-19 expenses for employees on temporary furlough for whom the Company provides health benefits; non-payroll expenses including advertising, occupancy and other store expenses.

