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Genius Brands International, Inc. (NASDAQ: GNUS)

Buy: Purchase of AmebaTV. Another Step in Creating Global Children's Entertainment Platform.

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The acquisition of Ameba TV is another significant step in Genius Brands' development of an integrated global children's entertainment platform. Ameba is a children's video-streaming service specializing in high-quality kids' programming. Ameba brings a large library of licensed content, a proprietary streaming platform and technical talent that will create the next-generation of digital content. We are projecting rapid revenue and EBITDA growth for Genius that will result in margin and multiple expansion. We reiterate our Buy recommendation and \$5 price target.

Genius Brands announced the acquisition of Ameba TV, a Winnipeg-based children's video streaming service and the launch of Kartoon Channel! and Kidaverse, a subscription channel scheduled to launch on April 15, 2022 for \$3.99 per month. These are additional steps taken by the company to create an integrated global children's entertainment platform. Ameba brings important streaming technology for the entire Genius portfolio of content, and over the coming months it will add digital content such as NFTs, custom avatars, branded VR goggles, and digital cards of the company's popular characters. The channel will be curated and designed to be responsive to parents' desire to provide their children with positive, engaging and safe content.

The acquisition of Ameba adds 13,000 episodes to the Genius portfolio, and includes brands such as *Casper The Friendly Ghost*, *Donkey Kong Country*, *Gummy Bears*, and *Rescue Heroes*. In combination with the pending acquisition of Wow Unlimited and the investment in Your Family Entertainment (YFE), Genius will have over 20,000 animated titles under license, which it believes makes it the largest children's animation portal in the world.

After consummation of all announced acquisitions and investments, Genius will have in-house content creation from the original Genius Brands organization, the talent acquired from Wow, and the independently created content from Wow's YouTube multi-channel network. The company will have global distribution capabilities contributed by YFE and Ameba. Wow brings animation production expertise that will be used to produce in-house content and for customers such as Dreamworks, Mattel and others. The company also owns and operates a marketing and media agency, the largest media buyer within the Kids 2-11 age group, with annual media spending exceeding \$100 million.

Valuation: We believe the shares should trade at the high-end of the range of a comparable group of media companies, or 7x to 8x 2023E sales. This puts the valuation for the revenue generated predominantly by the Genius and Wow content at around \$2.50 per share. We estimate the replacement value of the company's library of content, primarily from YFE, which has been under-utilized because of its weak balance sheet, is over \$800 million, or an additional \$2.50 per share. Combined, this results in a price target of \$5 per share.

Risks: Risks to achieving our price target include challenges in integrating the operation of Wow and YFE, competition from larger companies, ability to attract creative talent, attracting and retaining management necessary to manage a global organization and changes in consumer behavior and viewing patterns brought on by the COVID-19 pandemic.

Current Price	\$1.07		
Price Target	\$5.00		
Estimates	F2021E	F2022E	F2023E
Revenues (\$000s)	\$ 7,149 E	\$ 49,959	\$ 87,492
1Q March	\$ 1,064 A	\$ 2,719	\$ 17,433
2Q June	\$ 2,342 A	\$ 2,719	\$ 21,153
3Q September	\$ 1,871 A	\$ 20,484	\$ 22,498
4Q December	\$ 1,871 E	\$ 24,037	\$ 26,407
	F2021E	F2022E	F2023E
EBITDA (\$000s)	\$(16,704)E	\$(4,470)	\$ 9,540
1Q March	\$ (3,994)A	\$(4,081)	\$(202)
2Q June	\$ (4,339)A	\$(4,081)	\$ 914
3Q September	\$ (4,249)A	\$(544)	\$ 1,317
4Q December	\$ (4,122)E	\$ 1,668	\$ 3,662
EV/Sales	NM	6.0 x	3.4 x
EV/EBITDA	NM	(66.8) x	31.3 x
Stock Data			
52-Week Range	\$1.00	-	\$3.12
Shares Outstanding (mil.)	314.6		
Market Capitalization (mil.)	\$337		
Enterprise Value (mil.)	\$298		
Debt to Capital	0%		
Cash (mil.)	\$130.2		
Cash/Share	\$0.41		
Average Three Months Trading Volume (K)	2,273		
Insider Ownership	5.2%		
Institutional Ownership	19.6%		
Short interest (mil.)	18.3%		
Dividend / Yield	\$0.00/0.0%		



At the end of September, Genius had a \$130 million mountain of cash. The company's investment in YFE will require \$11 million in cash (before funds needed to strengthen YFE's balance sheet), and \$39 million in cash will be required to acquire Wow. The terms of the Ameba purchase have not been disclosed but we estimate the deal could be a combination of stock and cash and likely less than \$10 million. This still leaves Genius with \$70 to \$80 million to accelerate product development, expand YFE's distribution and grow its distribution outlet, Cartoon Channel!

The substantial amount of cash Genius raised in 2020 has been partially deployed with 1) the acquisition of media buyer ChizComm, 2) the pending purchase of Wow Unlimited, an owner of animation studios, manager of a YouTube multi-channel network, owner and operator of YouTube channels, and developer and producer of animated content 3) the investment in YFE, which has a global distribution network and control of thousands of episodes of animated and live action productions and 4) the acquisition of Ameba TV. We expect the company to expand its development pipeline and remain an active buyer of media properties to grow its scale and scope.

The acquisition of ChizComm, the pending purchase of Wow, the investment in YFE and the purchase of Ameba also brings significant management talent to the organization, and we believe the scale and capabilities of the combined enterprise will attract additional creative and professional talent. We believe this will help sustain a high growth rate, high multiple and strong stock price that can be used for additional acquisitions.

Valuation

A comparable group of media and entertainment companies trades on average at 3.2x FTM sales, but the range is wide, from 1.2x to almost 8.0x driven by growth and margins. Genius is trading at 5.8x FTM sales, but this includes the contribution from Wow for only about half of the forecast period. Using our 2023 revenue estimate instead, which includes a full year of Wow, results in an EV/Sales ratio for Genius of 3.4x. We have adjusted enterprise value for the cash and shares needed to consummate the acquisitions of both Wow and YFE.

		Price	FTM EPS	P/E	Mkt Cap (M)	TEV (M)	FTM Sales (M)	EV/ Sales	FTM EBITDA	EV/ EBITDA
CIDM	Cinedigm Corp	\$ 1.10	\$ (0.05)	(22.0)	\$ 201.1	\$ 183.1	\$ 49.3	3.71	\$ (2.9)	(63.2)
DLPN	Dolphin Entertainment Inc	6.86	0.18	38.1	58.2	60.0	43.1	1.39	3.4	17.8
EDR	Endeavor Group Holdings, Inc. Class A	32.21	1.12	28.8	8,601.6	13,910.2	5,403.4	2.57	1,063.4	13.1
IDW	IDW Media Holdings, Inc. Class B	2.38			29.6	14.6				
LGF.A	Lions Gate Entertainment Corp Class	18.35	1.04	17.7	4,134.8	7,696.4	4,125.9	1.87	487.9	15.8
NFLX	Netflix, Inc.	519.20	11.56	44.9	237,962.7	254,874.7	32,904.5	7.75	7,352.8	34.7
NTE-CA	Network Media Group Inc.	C\$ 0.22			C\$ 21.3	C\$ 19.9				
ROKU	Roku, Inc. Class A	168.30	1.06	158.6	23,841.3	23,587.8	3,453.8	6.83	427.3	55.2
SALM	Salem Media Group, Inc. Class A	3.34	0.29	11.7	90.7	328.4	266.4	1.23	38.5	8.5
TBRD-CA	Thunderbird Entertainment Group Inc	C\$ 4.27	C\$ 0.14	31.6	C\$ 209.2	C\$ 260.9	C\$ 141.2	1.85	C\$ 22.7	11.5
VIACA	ViacomCBS Inc. Class B	36.19	3.53	10.3	22,608.9	37,791.5	28,636.1	1.32	4,422.2	8.5
DIS	Walt Disney Company	155.44	4.21	37.0	286,826.8	344,480.4	82,509.8	4.18	14,718.4	23.4
WILD-CA	WildBrain Ltd.	C\$ 3.18	C\$ 0.03	106.0	C\$ 681.6	C\$1,344.5	C\$ 497.1	2.70	C\$ 93.6	14.4
WOW-CA	Wow Unlimited Media Inc.	C\$ 1.45			C\$ 50.2	C\$ 97.5				
	Mean			42.0				3.22		12.7
GNUS	Genius Brands International, Inc.	\$ 1.07	\$ (0.11)	(9.9)	\$ 319.0	\$ 299.6	\$ 51.6	5.81	\$ (4.0)	(74.9)

Source: Factset and Dawson James Securities estimates

We believe an EV/Sales ratio in the higher end of the comp range is appropriate because of the high-growth potential for Genius. The content from Genius and Wow will benefit greatly, we believe, from the ability to utilize the YFE network in Europe and the rest of the world. Genius's Cartoon Channel! will benefit from the addition of content from YFE's library and the company's media buying power can leverage the stronger content with ad buyers. Results at Wow's MCN (multi-channel network) and O&O (owned and operated) networks have been improving and with additional capital and expanded distribution we expect an acceleration in growth. Plus, the addition of two animation production studios should allow the entire Genius organization to produce higher-quality content at lower costs than it is currently capable of doing. All of these factors, we believe, suggest the shares should trade at the high-end of the comparable range or 7x to 8x 2023E sales. This puts the valuation for the revenue generated predominantly by the Genius and Wow content at around \$2.50 per share. We estimate the replacement value of the company's library of content, primarily from YFE, which has been under-utilized because of its weak balance sheet, is over \$800 million, or an additional \$2.50 per share. Combined, this results in a price target of \$5 per share.

Risk Analysis

Risks to achieving our price target include challenges in integrating the operation of Wow and YFE, competition from larger companies, ability to attract creative talent, attracting and retaining management necessary to manage a global organization and changes in consumer behavior and viewing patterns brought on by the COVID-19 pandemic.

Exhibit 1. Income Statement
Genius Brands International, Inc. Income Statement

(\$ in 000's) (except per share data)	2019	2020	2021 E	2022 E	2023 E
Genius Brands	5,908	2,482	7,149	7,486	7,759
WOW!	0	0	0	39,083	75,665
YFE	0	0	0	3,390	4,068
Revenue	\$ 5,908	\$ 2,482	\$ 7,149	\$ 49,959	\$ 87,492
Genius Opex	12,414	20,364	41,112	46,824	46,824
WOW Opex	0	0	0	33,992	65,321
YFE Opex	0	0	0	4,520	4,520
Operating Expense	12,414	20,364	41,112	85,335	116,665
Operating Income	\$ (6,506)	\$ (17,882)	\$ (33,963)	\$ (35,376)	\$ (29,173)
Genius finance and other	(4,975)	(383,787)	(68,673)	380	380
WOW finance and other	0	0	0	(720)	(1,440)
YFE Finance and other	0	0	0	(262)	(262)
Pretax Income	\$ (11,481)	\$ (401,670)	\$ (102,636)	\$ (35,978)	\$ (30,496)
Income Taxes	0	0	0	0	0
Net Income	\$ (11,481)	\$ (401,670)	\$ (102,636)	\$ (35,978)	\$ (30,496)
Beneficial Cv. Of Pfd.	(3,380)	0	0	0	0
Net to Common	\$ (14,862)	\$ (401,670)	\$ (102,636)	\$ (35,978)	\$ (30,496)
Basic Shares	11,907	142,452	297,266	307,155	314,553
Diluted Shares	11,907	142,452	297,266	307,155	314,553
Basic EPS	\$ (1.25)	\$ (2.82)	\$ (0.35)	\$ (0.12)	\$ (0.10)
Diluted EPS	\$ (1.25)	\$ (2.82)	\$ (0.35)	\$ (0.12)	\$ (0.10)
Operating Income	(6,506)	(17,882)	(33,963)	(35,376)	(29,173)
D&A	341	379	576	3,168	4,448
Stock Comp	184	8,929	16,673	24,780	26,060
EBITDA	(5,981)	(8,573)	(16,714)	(7,428)	1,335

Source: Genius Brands International, Inc. and Dawson James Securities estimates

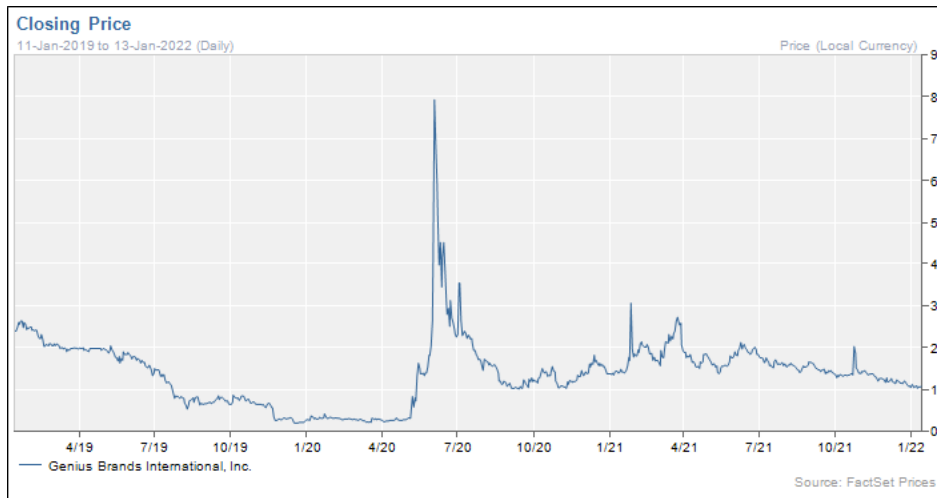
Exhibit 2. Balance Sheet & Cash Flow Statements
Genius Brands International, Inc. Balance Sheet & Cash Flow Statements

(\$ in 000's)	2019	2020	2021 E	2022 E	2023 E
Cash	\$ 305	\$ 100,456	\$ 4,884	\$ 8,884	\$ 8,884
Marketable Securities	0	0	120,024	45,343	21,176
A/R	4,102	1,731	4,991	45,785	50,298
Other Receivables	0	0	644	644	644
Prepaid Expenses & Other	239	6,378	7,266	15,204	16,703
Current Assets	\$ 4,646	\$ 108,566	\$ 137,808	\$ 115,860	\$ 97,705
PP&E, net	65	96	474	11,894	13,794
Right of Use Assets	4,010	1,972	2,221	2,221	2,221
Film & TV Costs	9,907	11,828	17,789	38,934	44,274
Lease Deposits	368	43	79	79	79
Investment in Chizcomm	0	301	0	0	0
Investment in Stan Lee	0	1,000	2,000	2,000	2,000
Intangibles	52	29	9,175	8,905	5,648
Goodwill	10,366	10,366	19,977	63,100	63,100
Total Assets	\$ 29,413	\$ 134,201	\$ 189,523	\$ 242,993	\$ 228,821
Accounts Payable	946	786	4,605	13,953	15,328
Accrued Expenses	125	408	155	1,995	2,192
Participations Payable	2,272	3,160	3,948	3,948	3,948
Deferred Revenue & Advances	665	684	750	19,150	19,150
Notes Payable	0	0	28	28	28
Sr. Secured Cv. Notes	2,374	0	0	0	0
Payroll Protection Program	0	366	0	0	0
Derivative Valuation	0	1,197	1,094	1,094	1,094
Lease Liability	599	146	568	568	568
Due to Related Party	1,084	2	231	231	231
Accrued Salaries & Wages	231	429	612	7,861	8,636
WOW Bank Debt				2,400	2,400
WOW ST Lease				2,400	2,400
WOW Production Financing				16,000	16,000
Current Liabilities	\$ 8,296	\$ 7,179	\$ 11,992	\$ 69,628	\$ 71,975
Deferred Revenue & Advances	4,444	3,748	3,573	3,573	3,573
Lease Liability	3,569	2,053	1,945	11,545	11,545
Production Facility Credit Line	3,092	1,100	0	0	0
Contingent Earn Out	0	0	7,210	7,210	7,210
Notes Payable	0	0	88	88	88
Disputed Trade Payable	925	925	925	925	925
YFE Convertible				4,944	4,944
YFE Bank Loan				3,944	3,944
Equity	9,087	119,197	163,790	150,024	133,505
Total Liabilities & Equity	\$ 29,413	\$ 134,201	\$ 189,523	\$ 242,993	\$ 228,821
	2019	2020	2021 E	2022 E	2023 E
Net Income	\$ (11,481)	\$ (401,670)	\$ (102,636)	\$ (35,978)	\$ (30,496)
D&A	341	379	586	3,558	8,806
Stock Comp	184	8,929	16,673	22,211	22,211
Other	5,053	384,476	68,065	(1,168)	(5,340)
Working Capital	(349)	40	(3,860)	(11,896)	(3,665)
Operating Cash Flow	\$ (6,251)	\$ (7,845)	\$ (21,171)	\$ (23,272)	\$ (8,484)
Investment in Fixed Assets	(27)	(76)	(309)	(1,840)	(3,600)
Acquisition/Other	0	(1,327)	0	(50,212)	0
Investing Activities	\$ (27)	\$ (1,403)	\$ (309)	\$ (52,052)	\$ (3,600)
Equity	4,367	104,458	57,265		
Debt	(869)	4,941	(1,350)	0	0
Financing Activities	\$ 3,498	\$ 109,399	\$ 55,915	\$ -	\$ -
Change in Cash	\$ (2,780)	\$ 100,152	\$ 34,434	\$ (75,324)	\$ (12,084)

Source: Genius Brands International, Inc. and Dawson James Securities estimates

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

Initiated – Buy – December 15, 2021 – Price Target \$5.00

Update – Buy – January 14, 2022 – Price Target \$5.00

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Current as of... 10-Jan-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	27	69%	6	22%
Market Perform (Neutral)	12	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	39	100%	6	15%

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