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April 8, 2022

Genius Brands International, Inc. (NASDAQ: GNUS)

Buy: 2022 Will be a Transformational Year for Genius.

Genius Brands closed on the acquisition of WOW! Unlimited Media Inc., and combined with its investment in YFE, and purchase of Ameba TV, has transformed itself into a fully integrated global developer, producer and distributor of animated children's content. We reiterate our Buy recommendation and \$5 price target.

With the consummation of the WOW! Unlimited acquisition, Genius now has in-house content creation from the original Genius Brands organization, the talent acquired from WOW!, independently created content from WOW!'s YouTube multi-channel network and global distribution capabilities contributed by YFE and AmebaTV. WOW! brings animation production expertise that will be used to produce in-house content and for customers such as Dreamworks and Mattel. Genius also operates a marketing and media agency, the largest media buyer within the Kids 2-11 age group, with annual media spending exceeding \$100 million. In a very short period of time Genius has transformed itself into a global developer, producer and distributor of animated children's content. We expect the company to continue adding to its portfolio of assets and capabilities over the coming years.

WOW! generated \$64.2 million in revenue in 2021 and \$6.3 million in EBITDA. Revenue is generated from animation services provided to third parties, licensing internally developed films and television programs, advertising revenues (primarily YouTube), and merchandising and licensing sales. WOW!'s Animation Production segment includes animation services for third parties and licensing of internally developed content and the Networks and Platforms segment includes advertising revenues, merchandising and licensing sales. We expect 10% revenue growth from WOW! this year.

Genius owns 5.9 million shares, or 45.6% of the total common shares outstanding, of Your Family Entertainment (YFE) which controls over 3,500 animated episodes, and a global network of cable, satellite, and digital streaming channels. This investment will leverage both company's content and distribution assets.

Earlier this year Genius purchased Ameba TV, a Winnipeg-based children's video streaming service. 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. A subscription channel, launching this month, will be curated and designed to be responsive to parents' desire to provide their children with positive, engaging and safe content.

Valuation: We believe the shares should trade at the high-end of the historical 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 underutilized 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.

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Current Price	\$0.90		
Price Target	\$5.00		
Estimates	F2021A	F2022E	F2023E
Revenues (\$000s)	\$ 7,873	\$ 62,168 E	\$ 82,207
1Q March	\$ 1,064	\$ 1,636 E	\$ 16,112
2Q June	\$ 2,342	\$ 18,178 E	\$ 19,832
3Q September	\$ 1,871	\$ 19,401 E	\$ 21,177
4Q December	\$ 2,595	\$ 22,954 E	\$ 25,086
	F2021A	F2022E	F2023E
EBITDA (\$000s)	\$ (20,273)	\$ (17,266)E	\$ (12,671)
1Q March	\$ (3,994)	\$ (6,209)E	\$ (4,793)
2Q June	\$ (4,339)	\$ (4,641)E	\$ (3,677)
3Q September	\$ (4,249)	\$ (4,274)E	\$ (3,273)
4Q December	\$ (7,691)	\$ (2,142)E	\$ (928)
EV/Sales	37.6 x	4.8 x	3.6 x
EV/EBITDA	(14.6) x	(17.1) x	(23.4) x
Stock Data			
52-Week Range	\$0.75	-	\$2.32
Shares Outstanding (mil.)	315.4		
Market Capitalization (mil.)	\$284		
Enterprise Value (mil.)	\$296		
Debt to Capital	39%		
Cash (mil.)	\$73.9		
Cash/Share	\$0.23		
Average Three Months Trading Volume (K)	3,535		
Insider Ownership	5.5%		
Institutional Ownership	20.5%		
Short interest (mil.)	13.9%		
Dividend / Yield	\$0.00/0.0%		



Pro forma for the announced acquisitions, Genius has \$74 million of cash, which we estimate will allow for further acquisitions, acceleration of production activities and funding of operations until cash-flow breakeven is achieved. The substantial amount of cash Genius raised in 2020 has been partially deployed with 1) the acquisition of media buyer ChizComm, 2) the 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 acquisitions of WOW!, the investment in YFE and the purchase of Ameba also bring 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 2.2x FTM sales, but the range is wide, from 0.8x to 5.3x driven by growth and margins. Genius is trading at 4.4x FTM sales, but at 3.6x our 2023 revenue estimate, which includes a full year of WOW!

		Price	FTM EPS	P/E	Mkt Cap (M)	TEV (M)	FTM Sales (M)	EV/ Sales	FTM EBITDA	EV/ EBITDA
CIDM	Cinedigm Corp	\$ 0.80	\$ (0.05)	(17.8)	\$ 140.4	\$ 121.0	\$ 55.6	2.18	\$ (0.3)	(379.3)
DLPN	Dolphin Entertainment Inc	4.27	0.18	23.7	34.5	36.3	43.1	0.84	3.4	10.8
EDR	Endeavor Group Holdings, Inc. Class A	27.49	1.31	21.0	7,384.0	12,728.4	5,280.1	2.41	1,085.2	11.7
IDW	IDW Media Holdings, Inc. Class B	1.78	0.01	178.0	23.1	6.1	36.5	0.17	0.6	10.2
LGF.A	Lions Gate Entertainment Corp Class	15.82	0.69	23.0	3,562.7	7,314.1	3,989.1	1.83	439.4	16.6
NFLX	Netflix, Inc.	362.15	10.99	33.0	160,781.2	177,001.7	33,379.2	5.30	7,246.5	24.4
NTE-CA	Network Media Group Inc.	C\$ 0.12			C\$ 10.7	C\$ 11.0				
ROKU	Roku, Inc. Class A	117.17	(1.11)	(105.3)	15,853.4	14,974.9	3,720.3	4.03	167.6	89.4
SALM	Salem Media Group, Inc. Class A	3.24	0.34	9.4	88.1	308.2	268.8	1.15	38.5	8.0
TBRD-CA	Thunderbird Entertainment Group Inc	C\$ 4.09	C\$ 0.16	26.4	C\$ 201.9	C\$ 247.3	C\$ 148.9	1.66	C\$ 24.3	10.2
VIACA	Paramount Global Class B	35.31	2.81	12.6	22,901.5	37,168.1	30,553.5	1.22	3,891.0	9.6
DIS	Walt Disney Company	131.87	4.80	27.5	240,086.5	294,472.4	88,051.6	3.34	16,638.4	17.7
WILD-CA	WildBrain Ltd.	C\$ 3.36	C\$ 0.14	24.4	C\$ 581.0	C\$1,368.2	C\$ 502.6	2.72	C\$ 96.0	14.2
WOW-CA	Wow Unlimited Media Inc.	C\$ 1.47			C\$ 46.9	C\$ 98.1				
	Mean			21.3				2.24		(13.0)
GNUS	Genius Brands International, Inc.	\$ 0.90	\$ (0.13)	(7.0)	\$ 270.9	\$ 296.0	\$ 67.5	4.38	\$ (16.0)	(18.5)

Source: Factset and Dawson James Securities estimates

We believe an EV/Sales ratio at the higher end of the historical comp range, which has reached 8x sales, 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 Kartoon 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 historical 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

(\$ in 000's) (except per share data)	2019 A	2020 A	2021 A	2022 E	2023 E
Genius Brands	5,908	2,482	7,873	6,542	6,542
WOW!	0	0	0	55,626	75,665
Revenue	\$ 5,908	\$ 2,482	\$ 7,873	\$ 62,168	\$ 82,207
Genius Opex	12,414	20,364	71,626	53,346	53,346
WOW Opex	0	0	0	49,421	65,321
Operating Expense	12,414	20,364	71,626	102,767	118,667
Operating Income	\$ (6,506)	\$ (17,882)	\$ (63,753)	\$ (40,599)	\$ (36,460)
Genius finance and other	(4,975)	(383,787)	(62,614)	380	380
WOW finance and other	0	0	0	(1,080)	(1,440)
Pretax Income	\$ (11,481)	\$ (401,670)	\$ (126,367)	\$ (41,299)	\$ (37,520)
Income Taxes	0	0	0	0	0
Net Income	\$ (11,481)	\$ (401,670)	\$ (126,367)	\$ (41,299)	\$ (37,520)
Beneficial Cv. Of Pfd.	(3,380)	0	0	0	0
Non-controlling interests	0	0	76	300	300
Net to Common	\$ (14,862)	\$ (401,670)	\$ (126,291)	\$ (40,999)	\$ (37,220)
Basic Shares	11,907	142,452	297,513	311,282	316,427
Diluted Shares	11,907	142,452	297,513	311,282	316,427
Basic EPS	\$ (1.25)	\$ (2.82)	\$ (0.42)	\$ (0.13)	\$ (0.12)
Diluted EPS	\$ (1.25)	\$ (2.82)	\$ (0.42)	\$ (0.13)	\$ (0.12)
Operating Income	(6,506)	(17,882)	(63,753)	(40,599)	(36,460)
D&A	341	379	599	2,010	2,466
Stock Comp	184	8,929	16,451	21,323	21,323
Other	0	0	26,430	0	0
EBITDA	(5,981)	(8,573)	(20,273)	(17,266)	(12,671)

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

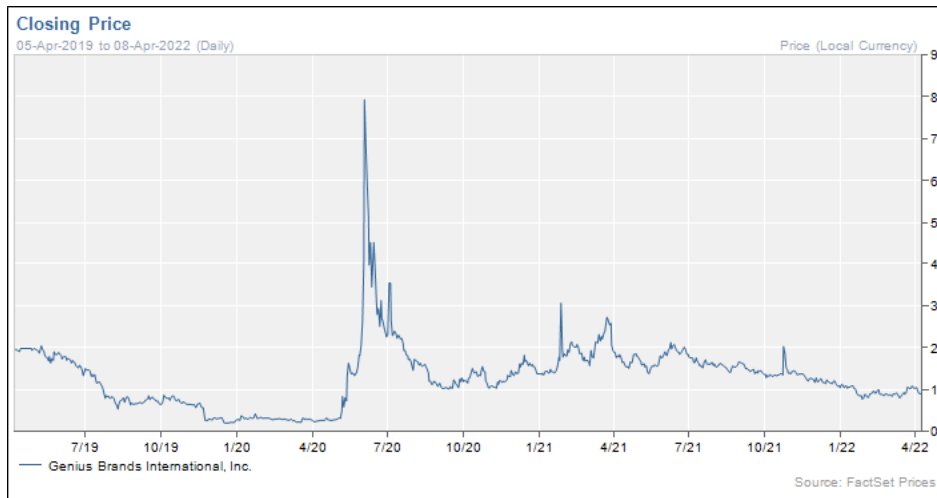
Exhibit 2. Balance Sheet & Cash Flow Statements

(\$ in 000's)	2019 A	2020 A	2021 A	2022 E	2023 E
Cash	\$ 305	\$ 100,456	\$ 2,058	\$ 6,058	\$ 6,058
Marketable Securities	0	0	112,523	31,016	7,265
Restricted Cash	0	0	8,002	0	0
A/R	4,102	1,731	7,632	43,721	47,782
Note Receivable	0	0	1,276	0	0
Other Receivables	0	0	969	969	969
Prepaid Expenses & Other	239	6,378	3,725	5,995	6,552
Current Assets	\$ 4,646	\$ 108,566	\$ 136,185	\$ 87,759	\$ 68,626
PP&E, net	65	96	449	12,429	14,649
Right of Use Assets	4,010	1,972	2,785	2,785	2,785
Film & TV Costs	9,907	11,828	2,940	24,983	30,323
Lease Deposits	368	43	69	69	69
Investment in Chizcomm	0	301	0	0	0
Investment in Stan Lee	0	1,000	0	0	0
Investment in YFE	0	0	6,695	13,384	13,384
Intangibles	52	29	9,733	9,327	8,241
Goodwill	10,366	10,366	15,227	61,027	61,027
Total Assets	\$ 29,413	\$ 134,201	\$ 174,083	\$ 211,763	\$ 199,104
Accounts Payable	946	786	7,192	12,290	13,431
Accrued Production Costs	0	0	1,733	1,733	1,733
Accrued Expenses	125	408	535	4,732	5,172
Participations Payable	2,272	3,160	2,438	2,438	2,438
Deferred Revenue & Advances	665	684	432	18,832	18,832
Margin Loan	0	0	6,392	0	0
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	855	855	855
Lease Liability	599	146	664	664	664
Due to Related Party	1,084	2	63	63	63
Accrued Salaries & Wages	231	429	799	7,067	7,724
WOW Bank Debt	0	0	0	2,400	2,400
WOW ST Lease	0	0	0	2,400	2,400
WOW Production Financing	0	0	0	16,000	16,000
Current Liabilities	\$ 8,296	\$ 7,179	\$ 21,131	\$ 69,502	\$ 71,740
Deferred Revenue & Advances	4,444	3,748	3,492	3,492	3,492
Lease Liability	3,569	2,053	2,460	12,060	12,060
Production Facility Credit Line	3,092	1,100	0	0	0
Contingent Earn Out	0	0	1,340	1,340	1,340
Notes Payable	0	0	82	82	82
Disputed Trade Payable	925	925	925	925	925
Equity	9,087	119,197	144,653	124,362	109,465
Total Liabilities & Equity	\$ 29,413	\$ 134,201	\$ 174,083	\$ 211,763	\$ 199,104
	2019 A	2020 A	2021 A	2022 E	2023 E
Net Income	\$ (11,481)	\$ (401,670)	\$ (126,921)	\$ (40,999)	\$ (37,220)
D&A	341	379	599	2,010	2,466
Stock Comp	184	8,929	16,451	21,323	21,323
Other	5,053	384,476	91,888	(4,043)	(5,340)
Working Capital	(349)	40	(5,760)	(3,120)	(2,380)
Operating Cash Flow	\$ (6,251)	\$ (7,845)	\$ (23,743)	\$ (24,829)	\$ (21,151)
Investment in Fixed Assets	(27)	(76)	(302)	(2,640)	(3,600)
Acquisition/Other	0	(1,327)	(11,175)	(48,646)	0
Investing Activities	\$ (27)	\$ (1,403)	\$ (127,456)	\$ (51,286)	\$ (3,600)
Equity	4,367	104,458	57,265	1,000	1,000
Debt	(869)	4,941	3,554	(6,392)	0
Financing Activities	\$ 3,498	\$ 109,399	\$ 60,819	\$ (5,392)	\$ 1,000
Foreign Exchange	\$ -	\$ -	\$ (16)	\$ -	\$ -
Change in Cash	\$ (2,780)	\$ 100,152	\$ (90,396)	\$ (81,507)	\$ (23,751)

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

Update – Buy – April 8, 2022 – Price Target \$5.00

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- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
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Current as of... 7-Apr-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	42	100%	4	10%

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