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Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

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Genius Brands International, Inc. (NASDAQ: GNUS)

James McIlree, CFA
561-237-2709

jmcilree@dawsonjames.com

Buy: Building a Global Entertainment Business.

Genius Brands has a unique set of entertainment assets selling at a significant discount to the company's intrinsic value.

Genius Brands closed 2022 with \$62.3 million in revenue, driven by the acquisitions of WOW Unlimited and Ameba TV. For 2023 we are projecting revenue of \$81.3 million and an EBITDA loss of \$11.7 million.

In 2022, the company generated \$30 million in animation production services, \$25 million in content distribution, \$3 million in licensing and royalties, and \$5 million from advisory and advertising services.

With a full year's contribution from WOW, in 2023 we are projecting \$41 million in revenue from animation production services, \$35 million from content distribution, and \$5 million from advisory and advertising services. In 2022 the company generated over \$2 million from the licensing of Stan Lee assets. We have not included additional licensing deals this year.

At the end of 2022, the company had \$91.1 million in cash and marketable securities, and less obligations tied to its cash balances, they ended with net cash of \$30 million. We have assumed the company will invest about \$10 million annually for content creation. As operational cash needs decline, more will be spent on content creation and distribution to accelerate growth.

Over the past 12 months, Genius has transformed itself into a global developer, producer and distributor of animated children's content. The acquisitions of WOW Unlimited and Ameba TV and the investment in YFE have resulted in scaled-up content creation, access to independently created content from WOW's YouTube multi-channel network and global distribution capabilities contributed by YFE and Ameba TV. The company's animation studio produces in-house content and for customers such as Dreamworks and Mattel. Genius also operates the largest marketing and media agency within the Kids 2-11 age group, with annual media spending exceeding \$100 million.

The company is unique among entertainment companies of its size with a global distribution reach enabled by its ownership of Kartoon Channel!, a children's video streaming service acquired with Ameba TV, YFE's distribution, which includes international linear TV channels on free and pay TV, AVOD and SVOD channels. YFE's reach is global, with children's channels in Europe, Asia, Latin America, Africa, and Australia.

Valuation: A comparable group of entertainment companies has traded at 3x to 4x sales over the past few years. Using 4x sales and our \$100 million revenue estimate for 2024 results in a \$12.50 price target. Our prior price target of \$5, before the company's stock split, used a higher sales multiple when comparable multiples were higher as well as attributed value to the company's library, which we now include in our revenue projections.

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	\$3.00		
Price Target	\$12.50		
Estimates	F2022A	F2023E	F2024E
Revenues (\$Ms)	\$ 62.3	\$ 81.3 E	\$ 89.5
1Q March	\$ 1.4	\$ 18.6 E	\$ 20.5
2Q June	\$ 22.1	\$ 20.7 E	\$ 22.8
3Q September	\$ 19.7	\$ 21.3 E	\$ 23.4
4Q December	\$ 19.1	\$ 20.7 E	\$ 22.7
	F2022A	F2023E	F2024E
EBITDA (\$M's)	\$ (11.1)	\$ (11.7)E	\$ (8.5)
1Q March	\$ (5.2)	\$ (4.6)E	\$ (4.0)
2Q June	\$ (0.3)	\$ (2.5)E	\$ (1.7)
3Q September	\$ (3.5)	\$ (2.0)E	\$ (1.1)
4Q December	\$ (2.2)	\$ (2.6)E	\$ (1.8)
EV/Sales	1.4 x	1.1 x	1.0 x
EV/EBITDA	(8.0) x	(7.6) x	(10.4) x
Stock Data			
52-Week Range	\$2.47	-	\$12.40
Shares Outstanding (mil.)	32.2		
Market Capitalization (mil.)	\$97		
Enterprise Value (mil.)	\$89		
Debt to Capital	42%		
Cash (mil.)	\$91.1		
Cash/Share	\$2.83		
Institutional Ownership	9.0%		
Short interest (mil.)	9.4%		
Dividend / Yield	\$0.00/0.0%		



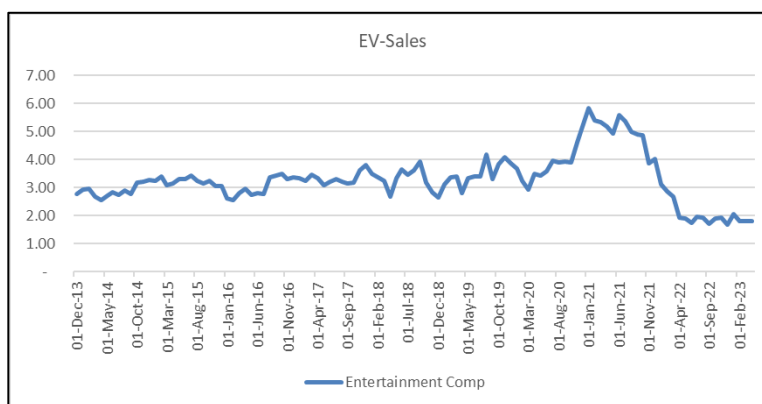
Valuation

A comparable group of media and entertainment companies trades on average at 1.9x FTM sales, but the range is wide, from less than 1.0x to almost 5.0x driven by growth and margins. Genius is trading at 1.1x FTM sales.

		Price	FTM EPS	P/E	Mkt Cap (M)	TEV (M)	FTM Sales (M)	EV/ Sales
CIDM-US	Cinedigm Corp	\$ 0.44	\$ (0.01)	(44.0)	\$ 78.8	\$ 77.1	\$ 67.6	1.14
DLPN-US	Dolphin Entertainment Inc	1.75	0.03	58.3	22.1	32.0	48.9	0.65
EDR-US	Endeavor Group Holdings, Inc. Class	24.23	1.23	19.7	7,062.7	13,874.3	5,886.6	2.36
LGF.A-US	Lions Gate Entertainment Corp Class	11.47	0.02	702.5	2,623.4	4,623.5	3,974.9	1.16
NFLX-US	Netflix, Inc.	346.19	11.40	30.4	154,174.7	167,105.2	34,336.1	4.87
ROKU-US	Roku, Inc. Class A	63.32	(5.15)	(12.3)	8,871.7	7,474.5	3,276.5	2.28
SALM-US	Salem Media Group, Inc. Class A	1.05	(0.25)	(4.2)	28.6	238.7	261.4	0.91
TBRD-CA	Thunderbird Entertainment Group Inc	C\$ 3.54			C\$ 175.1	C\$ 198.2		
PARA-US	Paramount Global Class B	22.14	0.89	25.0	14,402.4	29,642.0	30,818.5	0.96
DIS-US	Walt Disney Company	100.84	4.41	22.9	184,215.5	236,867.7	91,464.1	2.59
WILD-CA	WildBrain Ltd.	C\$ 2.26	C\$ 0.13	17.8	C\$ 397.6	C\$1,241.2	C\$ 569.1	2.18
	Mean			81.6				1.91
GNUS-US	Genius Brands International, Inc.	\$ 3.00	\$ (0.63)	(4.8)	\$ 96.5	\$ 88.6	\$ 83.9	1.06

Source: Factset and Dawson James Securities estimates

Prior to the pandemic, the comparable group of entertainment companies traded in a range of 3x to 4x estimated forward-twelve-month sales estimates.



Source: Factset and Dawson James Securities estimates

Our price target of \$12.50 assumes an EV/Sales multiple of 4x, at the high end of the range, and reflects the company's content library, distribution reach and content creation capabilities. We believe the company is unique in the scope of its capabilities and global reach of its distribution, and merits the high end of the comparable multiple range.

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)	2020 A	2021 A	2022 A	2023 E	2024 E
Revenue	\$ 2,482	\$ 7,873	\$ 62,299	\$ 81,333	\$ 89,466
Marketing & Sales	818	5,442	1,834	2,000	2,100
Direct Operating Costs	2,124	21,987	49,360	56,000	58,800
G&A	17,423	35,967	45,851	42,000	44,100
Impairment	0	8,230	8,974	0	0
Operating Expense	20,364	71,626	106,019	100,000	105,000
Operating Income	\$ (17,882)	\$ (63,753)	\$ (43,720)	\$ (18,667)	\$ (15,534)
Finance and other	(383,787)	(62,614)	(704)	(4,296)	(4,296)
Net Income	\$ (401,670)	\$ (126,367)	\$ (44,529)	\$ (22,963)	\$ (19,830)
Beneficial Cv. Of Pfd.	0	0	0	0	0
Non-controlling interests	0	76	(1,066)	292	292
Net to Common	\$ (401,670)	\$ (126,291)	\$ (45,595)	\$ (22,671)	\$ (19,538)
Diluted Shares	14,245	29,751	31,388	33,330	37,674
Diluted EPS	\$ (28.20)	\$ (4.24)	\$ (1.45)	\$ (0.68)	\$ (0.52)
Operating Income	(\$17,882)	(\$63,753)	(\$43,720)	(\$18,667)	(\$15,534)
D&A	379	599	2,711	3,079	3,079
Stock Comp	8,929	16,451	10,895	3,908	3,908
Other	0	26,430	18,974	0	0
EBITDA	(\$8,573)	(\$20,273)	(\$11,140)	(\$11,681)	(\$8,547)

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

Exhibit 2. Balance Sheet

(\$ in 000's)	2020 A	2021 A	2022 A	2023 E	2024 E
Cash	\$ 100,456	\$ 2,058	\$ 7,432	\$ 8,210	\$ 1,418
Restricted Cash	0	8,002	0	0	0
Marketable Securities	0	112,523	83,706	80,000	80,000
A/R	1,731	7,632	15,558	9,180	10,098
Tax Credits Receivable	0	0	26,255	26,255	26,255
Note Receivable	0	1,276	2,844	2,844	2,844
Other Receivables	0	969	1,162	1,162	1,162
Prepaid Expenses & Other	6,378	3,725	2,568	2,784	3,062
Current Assets	\$ 108,566	\$ 136,185	\$ 139,525	\$ 130,435	\$ 124,840
PP&E, net	96	449	2,400	5,940	9,312
Right of Use Assets	1,972	2,785	10,844	10,844	10,844
Film & TV Costs	11,828	2,940	7,780	9,580	11,380
Lease Deposits	43	69	0	0	0
Investment in Chizcomm	301	0	0	0	0
Investment in Stan Lee	1,000	0	0	0	0
Investment in YFE	0	6,695	16,247	16,247	16,247
Intangibles	29	9,733	29,167	26,316	23,465
Goodwill	10,366	15,227	31,807	31,807	31,807
Other	0	0	148	148	148
Total Assets	\$ 134,201	\$ 174,083	\$ 237,918	\$ 231,318	\$ 228,043
Accounts Payable	786	7,192	11,436	12,397	13,636
Participations Payable	3,160	2,438	2,965	2,965	2,965
Accrued Expenses	408	535	895	970	1,067
Accrued Salaries & Wages	429	799	2,484	2,693	2,962
Deferred Revenue & Advances	684	432	9,065	9,065	9,065
Margin Loan	0	6,392	60,810	60,810	60,810
Production Facilities	0	0	18,282	18,282	18,282
Bank Indebtedness	0	0	1,741	1,741	1,741
Lease Liability	146	664	2,425	2,425	2,425
Derivative Valuation	1,197	855	548	548	548
Due to Related Party	2	63	2	2	2
Other	0	0	255	255	255
Accrued Production Costs	0	1,733	0	0	0
Notes Payable	0	28	0	0	0
Sr. Secured Cv. Notes	0	0	0	0	0
Payroll Protection Program	366	0	0	0	0
Current Liabilities	\$ 7,179	\$ 21,131	\$ 110,908	\$ 112,153	\$ 113,759
Deferred Revenue & Advances	3,748	3,492	3,369	3,369	3,369
Lease Liability	2,053	2,460	9,115	9,115	9,115
Production Facility Credit Line	1,100	0	0	0	0
Contingent Earn Out	0	1,340	0	0	0
Other	0	0	1,657	1,657	1,657
Notes Payable	0	82	0	0	0
Disputed Trade Payable	925	925	0	0	0
Equity	119,197	144,653	112,869	105,024	100,143
Total Liabilities & Equity	\$ 134,201	\$ 174,083	\$ 237,918	\$ 231,317	\$ 228,043

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

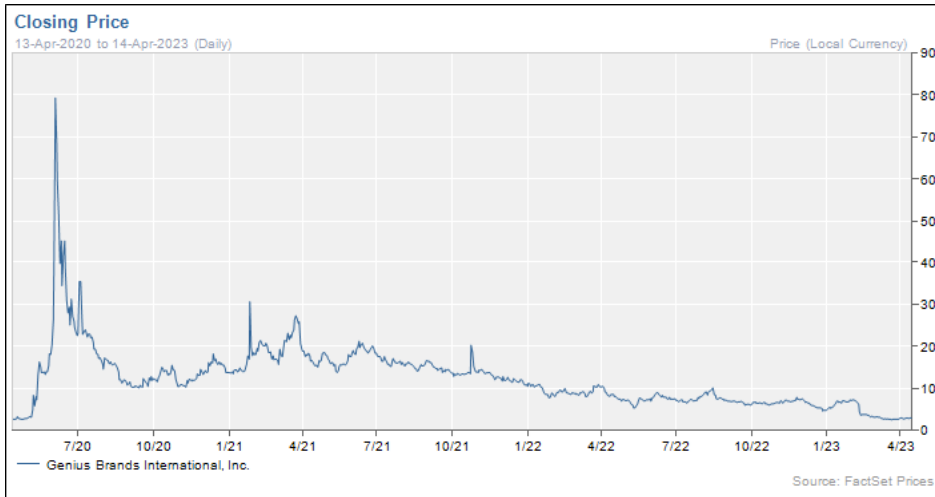
Exhibit 3. Cash Flow Statement

(\$ in 000's)	2020 A	2021 A	2022 A	2023 E	2024 E
Net Income	\$ (401,670)	\$ (126,921)	\$ (44,529)	\$ (22,671)	\$ (19,538)
D&A of Prop., Equip., Intangibles	379	599	2,711	3,079	3,079
Amort. of Film and TV Costs	980	19,538	6,180	4,200	4,200
Stock Comp	8,929	16,451	10,895	3,908	3,908
Other	384,476	72,350	20,265	(6,000)	(6,000)
Working Capital	(940)	(5,760)	(19,175)	7,407	410
Operating Cash Flow	\$ (7,845)	\$ (23,743)	\$ (23,653)	\$ (10,078)	\$ (13,942)
Investment in Intangibles	0	(1,008)	(22)	0	0
Investment in Marketable Securities	0	(114,971)	21,988	3,706	0
Investment in Fixed Assets	(76)	(302)	(592)	(3,600)	(3,600)
Acquisition/Other	(1,327)	(11,175)	(52,311)	0	0
Investing Activities	\$ (1,403)	\$ (127,456)	\$ (30,937)	\$ 106	\$ (3,600)
Equity	104,458	57,265	(540)	10,750	10,750
Debt	4,941	3,554	52,714	0	0
Financing Activities	\$ 109,399	\$ 60,819	\$ 52,174	\$ 10,750	\$ 10,750
Foreign Exchange	\$ -	\$ (16)	\$ (212)	\$ -	\$ -
Change in Cash	\$ 100,152	\$ (90,396)	\$ (2,628)	\$ 778	\$ (6,792)

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
- Update – Buy – May 19, 2022 – Price Target \$5.00
- Update – Buy – June 15, 2022 – Price Target \$5.00
- Update – Buy – June 23, 2022 – Price Target \$5.00
- Update – Buy – August 18, 2022 – Price Target \$5.00
- Update – Buy – October 18, 2022 – Price Target \$5.00
- Update – Buy – November 15, 2022 – Price Target \$5.00
- Price Target Change – Buy – February 14, 2023 – Price Target \$12.50 (reflecting 1:10 reverse split and other factors)
- Update – Buy – April 14, 2023 – Price Target \$12.50

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- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 17-Mar-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

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