

Member FINRA/SIPC

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

May 24, 2023

Genius Brands International, Inc. (NASDAQ: GNUS)
Buy: Q1 Results.

Q1 revenue of \$14.2 million was significantly higher than the year ago revenue of \$1.4 million reflecting the acquisition of WOW. Shaq's Garage, the company's animated series starring Shaquille O'Neal is scheduled to launch in June on Pluto TV. That, and a licensing program for Bee and Puppycat should drive higher revenue in the second half.

Q1 revenue of \$14.2 million was significantly higher than the year-ago \$1.4 million, driven by the acquisition of WOW. Production services (the company's animation production for third parties) revenue of almost \$10 million was in line with our expectations, as was media and advertising revenue of \$1 million. Content distribution revenue of \$3.3 million fell short of our estimate.

The company recognized an impairment of goodwill of \$11.3 million, reflecting challenges at the WOW content production and distribution unit. We have adjusted our content distribution revenue estimate as a result.

Cash and marketable securities at quarter-end was \$74 million. About \$49 million in debt is secured by the investment in marketable securities, so net cash is about \$25 million. Operating cash flow burn averaged \$3.6 million over the past three quarters, giving the company an 18-month runway at current expense levels. However, the company has implemented a comprehensive cost-reduction program that will improve cash needs for the rest of the year.

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 5x sales over the past few years. Using 4.5x sales and our Q4 2024 run rate revenue estimate of \$72 million results in a \$10.00 price target, down from \$12.50 to reflect the lower revenue outlook.

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.

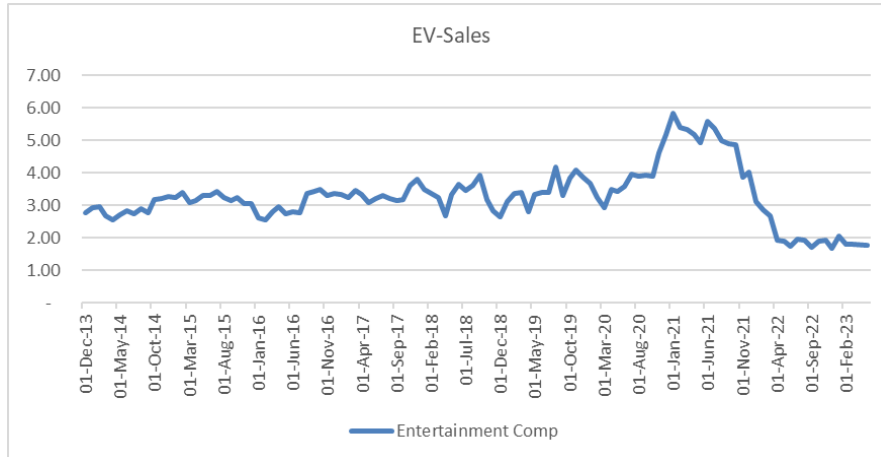
James McIlree, CFA
561-237-2709
jmcilree@dawsonjames.com

Current Price	\$2.78		
Price Target	\$10.00		
Estimates	F2022A	F2023E	F2024E
Revenues (\$Ms)	\$ 62.3	\$ 59.8 E	\$ 65.8
1Q March	\$ 1.4	\$ 14.2 A	\$ 15.6
2Q June	\$ 22.1	\$ 15.0 E	\$ 16.5
3Q September	\$ 19.7	\$ 14.5 E	\$ 16.0
4Q December	\$ 19.1	\$ 16.1 E	\$ 17.7
	F2022A	F2023E	F2024E
EBITDA (\$M's)	\$ (11.1)	\$ (13.6)E	\$ (11.5)
1Q March	\$ (5.2)	\$ (5.0)A	\$ (4.4)
2Q June	\$ (0.3)	\$ (3.4)E	\$ (2.9)
3Q September	\$ (3.5)	\$ (3.4)E	\$ (2.9)
4Q December	\$ (2.2)	\$ (1.8)E	\$ (1.2)
EV/Sales	1.5 x	1.6 x	1.5 x
EV/EBITDA	(8.7) x	(7.1) x	(8.4) x
Stock Data			
52-Week Range	\$2.43	-	\$12.40
Shares Outstanding (mil.)	32.1		
Market Capitalization (mil.)	\$89		
Enterprise Value (mil.)	\$96		
Debt to Capital	47%		
Cash (mil.)	\$74.4		
Cash/Share	\$2.32		
Institutional Ownership	9.4%		
Short interest (mil.)	9.7%		
Dividend / Yield	\$0.00/0.0%		



Valuation

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 \$10.00 assumes an EV/Sales multiple of 4.5x our Q4 2024 run rate revenue estimate of \$72 million.

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	\$ 59,776	\$ 65,754
Marketing & Sales	818	5,442	1,834	980	1,029
Direct Operating Costs	2,124	21,987	49,360	42,319	44,435
G&A	17,423	35,967	45,851	36,900	38,745
Impairment	0	8,230	8,974	15,430	0
Operating Expense	20,364	71,626	106,019	95,629	84,209
Operating Income	\$ (17,882)	\$ (63,753)	\$ (43,720)	\$ (35,853)	\$ (18,455)
Finance and other	(383,787)	(62,614)	(704)	(6,052)	(4,340)
Net Income	\$ (401,670)	\$ (126,367)	\$ (44,529)	\$ (41,905)	\$ (22,795)
Beneficial Cv. Of Pfd.	0	0	0	0	0
Non-controlling interests	0	76	(1,066)	124	124
Net to Common	\$ (401,670)	\$ (126,291)	\$ (45,595)	\$ (41,781)	\$ (22,671)
Diluted Shares	14,245	29,751	31,388	33,317	38,176
Diluted EPS	\$ (28.20)	\$ (4.24)	\$ (1.45)	\$ (1.25)	\$ (0.59)
Operating Income	(\$17,882)	(\$63,753)	(\$43,720)	(\$35,853)	(\$18,455)
D&A	379	599	2,711	3,208	3,337
Stock Comp	8,929	16,451	10,895	3,640	3,640
Other	0	26,430	18,974	15,430	0
EBITDA	(\$8,573)	(\$20,273)	(\$11,140)	(\$13,575)	(\$11,478)

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	\$ 4,657	\$ (5,576)
Restricted Cash	0	8,002	0	0	0
Marketable Securities	0	112,523	83,706	69,650	69,650
A/R	1,731	7,632	15,558	7,138	7,851
Tax Credits Receivable	0	0	26,255	23,523	23,523
Note Receivable	0	1,276	2,844	2,896	2,896
Other Receivables	0	969	1,162	868	868
Prepaid Expenses & Other	6,378	3,725	2,568	2,476	2,724
Current Assets	\$ 108,566	\$ 136,185	\$ 139,525	\$ 111,208	\$ 101,937
PP&E, net	96	449	2,400	4,678	7,792
Right of Use Assets	1,972	2,785	10,844	11,313	11,313
Film & TV Costs	11,828	2,940	7,780	8,238	10,038
Investments	1,301	6,695	16,247	15,660	15,660
Intangibles	29	9,733	29,167	26,316	23,465
Goodwill	10,366	15,227	31,807	20,520	20,520
Other	43	69	148	149	149
Total Assets	\$ 134,201	\$ 174,083	\$ 237,918	\$ 198,082	\$ 190,874
Accounts Payable	786	7,192	11,436	6,341	6,975
Participations Payable	3,160	2,438	2,965	2,591	2,591
Accrued Expenses	408	2,268	895	1,158	1,274
Accrued Salaries & Wages	429	799	2,484	3,230	3,553
Deferred Revenue & Advances	684	432	9,065	6,316	6,316
Margin Loan	0	6,392	60,810	48,894	48,894
Production Facilities	0	0	18,282	16,711	16,711
Bank Indebtedness	0	0	1,741	3,865	3,865
Other Debt	366	28	0	0	0
Lease Liability	146	664	2,425	2,583	2,583
Derivative Valuation	1,197	855	548	159	159
Other	2	63	257	161	161
Current Liabilities	\$ 7,179	\$ 21,131	\$ 110,908	\$ 92,009	\$ 93,082
Deferred Revenue & Advances	3,748	3,492	3,369	3,369	3,369
Lease Liability	2,053	2,460	9,115	9,444	9,444
Production Facility Credit Line	1,100	0	0	0	0
Contingent Earn Out	0	1,340	0	0	0
Other	0	0	1,657	1,641	1,641
Notes Payable	0	82	0	0	0
Disputed Trade Payable	925	925	0	0	0
Equity	119,197	144,653	112,869	91,619	83,338
Total Liabilities & Equity	\$ 134,201	\$ 174,083	\$ 237,918	\$ 198,082	\$ 190,874

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

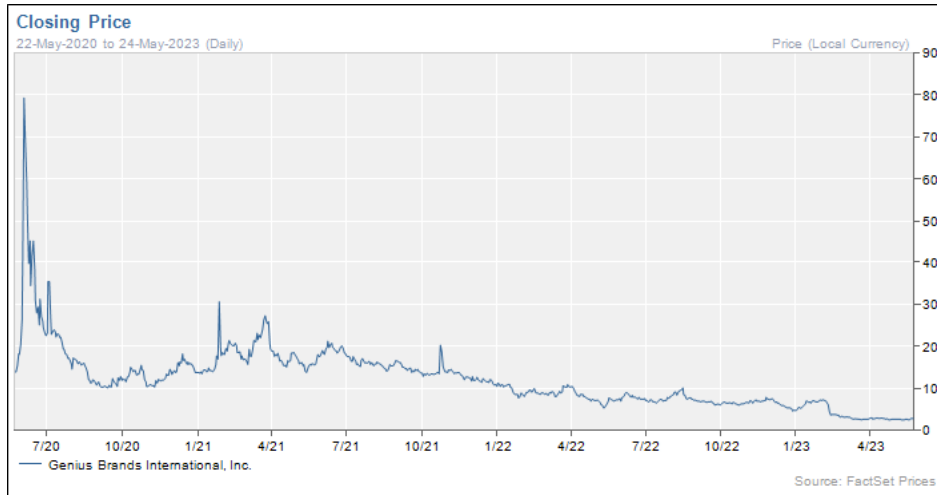
Exhibit 3. Cash Flow Statement

(\$ in 000's)	2020 A	2021 A	2022 A	2023 E	2024 E
Net Income	\$ (401,670)	\$ (126,921)	\$ (44,529)	\$ (41,781)	\$ (22,671)
D&A of Prop., Equip., Intangibles	379	599	2,711	3,208	3,337
Amort. of Film and TV Costs	980	19,538	6,180	1,003	4,200
Stock Comp	8,929	16,451	10,895	3,640	3,640
Other	384,476	72,350	20,265	18,444	(6,000)
Working Capital	(940)	(5,760)	(19,175)	2,852	111
Operating Cash Flow	\$ (7,845)	\$ (23,743)	\$ (23,653)	\$ (12,634)	\$ (17,382)
Investment in Intangibles	0	(1,008)	(22)	0	0
Investment in Marketable Securities	0	(114,971)	21,988	14,717	0
Investment in Fixed Assets	(76)	(302)	(592)	(2,717)	(3,600)
Acquisition/Other	(1,327)	(11,175)	(52,311)	(52)	0
Investing Activities	\$ (1,403)	\$ (127,456)	\$ (30,937)	\$ 11,948	\$ (3,600)
Equity	104,458	57,265	(540)	10,241	10,750
Debt	4,941	3,554	52,714	(12,306)	0
Financing Activities	\$ 109,399	\$ 60,819	\$ 52,174	\$ (2,065)	\$ 10,750
Foreign Exchange	\$ -	\$ (16)	\$ (212)	\$ 7	\$ -
Change in Cash	\$ 100,152	\$ (90,396)	\$ (2,628)	\$ (2,744)	\$ (10,232)

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

Price Target Change – Buy – May 24, 2023 – Price Target changed from \$12.50 to \$10.00

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has not engaged in investment banking relationships with the subject company in the prior twelve months, as a manager or co-manager of a public offering and has not received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has not received other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director, or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of April 17, 2023, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts, or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

- 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 1-May-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	72%	2	6%
Market Perform (Neutral)	10	28%	1	3%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.