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Genius Brands International, Inc. Issues Shareholder Letter

BEVERLY HILLS, Calif., April 16, 2019 (GLOBE NEWSWIRE) -- Genius Brands International, Inc. "Genius Brands" (NASDAQ: GNUS), the global brand management company that creates and licenses multimedia entertainment content for children, released a letter to shareholders from Chairman & CEO Andy Heyward. The complete letter follows:



GENIUS BRANDS INTERNATIONAL PROVIDES FINANCIAL FORECASTS LED BY RAINBOW RANGERS SEASON TWO PICKUP FROM NICKELODEON

Dear Genius Brands Shareholders, Friends, and Family:

Yesterday morning we held an investor conference call where for the first time in the history of Genius Brands International we provided forecast revenue numbers and financial guidance going forward.

We decided to do so, notwithstanding having done our quarterly 10K conference call only two weeks earlier, because of extraordinary and transformational events in the company, triggered by the season two pickup by Nickelodeon of *Rainbow Rangers* on the Nick Jr., preschool channel and the significant positive impact to our P&L.

- For 2019, we expect \$9.6 million in gross revenue, given that licensed products will begin to come to market in the second half of the year with many more being introduced in 2020.

- For 2020, we expect \$50 million in gross revenue.
- For 2021, we expect \$247 million in gross revenue.

Netted from royalties to wholesale revenues these become:

- \$6.4 million for 2019
- \$8.1 million for 2020
- \$16.3 million for 2021.

This will represent an annual percentage growth of 546% in 2019, 27% in 2020, and 101% in 2021, as both engines of *Rainbow Rangers* and *Llama Llama* hit their stride.

Additionally, though we didn't reveal forecasts for 2022 and 2023 yesterday, we believe the growth in those years can be even greater, and we will share those numbers as we gain greater visibility later this year.

These numbers were prepared conscientiously, and we consider them conservative. They can be easily exceeded and exceeded substantially.

Hits such as *Paw Patrol*, also on Nick Jr. have already exceeded 10X this number.

We believe the downside risk is de minimis. Much of our team comes from Hasbro Toys or the Walt Disney Company (including myself), which lives by the adage, 'under promise and over deliver.'

And while the bulk of these revenues will come from *Rainbow Rangers*, substantial and growing amounts will come from our other engine of growth, *Llama Llama*, the hit preschool series, now in the production of its second season on Netflix. We expect additional and growing contributions to come from the *Kid Genius Network*, continuously gaining viewership and now in over 80 million U.S. TV households across Comcast, Cox, Roku, Amazon Fire, Amazon Prime, and a medley of important OTT platforms.

As a backdrop to the revenue forecasts, I remind our shareholders that **Genius Brands has contracted for more than 350 unique *Rainbow Rangers* licensed products with the first wave available to consumers beginning in Q3, with additional products slated to launch in Q4 and throughout 2020.**

All products are being manufactured by top-tier companies, including Mattel for toys via its preschool division Fisher Price, undoubtedly the best preschool brand in the business; Bentex Group for apparel; Macmillan for publishing, and many more.

In my more than 30+ years in children's programming, I have produced several animated brands yielding hundreds of millions of dollars and even billions of dollars in retail sales, and I have never seen a consumer product licensing program with so many product SKU's contracted in just the first year of an animated series going on air, as with *Rainbow Rangers*.

When I produced *Strawberry Shortcake*, for example, we were able to secure a similar number of SKU's, but *Rainbow Rangers* has greater distribution with Nickelodeon than *Strawberry Shortcake* did at this production stage.

***Strawberry Shortcake* generated more than \$6 billion in retail sales over approximately five years. I consider *Rainbow Rangers* to have this level of potential.**

Consider the creative pedigree.

- **Rob Minkoff** was the director of Disney's *The Lion King*. He was one of our creators.
- **Shane Morris** was the co-writer of *Frozen*, who along with his talented partner, Tim Mansfield, was the other creator.
- **Ruben Aquino**, who designed virtually every Disney animated feature from *The Little Mermaid* through *Frozen*, designed all the characters.
- **Elise Allen**, multi-Emmy Award-nominated writer, story editor, was co-creator and co-producer.

Rainbow Rangers is the product of a creative DREAM TEAM.

Our Senior Vice President of Worldwide Consumer Products, Lloyd Mintz shared specifics about product roll out on our call yesterday, which I want to share as well with you now.

Lloyd spent his entire career in kid's consumer product licensing, first at Disney Consumer Products where he managed relationships with master toy partners, such as Mattel Toys, during the time of such blockbuster launches as *The Lion King*, *Aladdin*, and *Toy Story*.

He then joined Hasbro Consumer Products where he oversaw the dramatic growth of that division, which became the fastest growing and most profitable division in Hasbro.

Lloyd provided specific details on product launches for both *Llama Llama* and *Rainbow Rangers*.

Today, we have over a dozen licensed partners on *Llama Llama*, who have about 100 SKUs in development, in production, or on shelves.

During the initial launch of the merchandise program in the back half of last year, we had seen retailers test the brand, and more recently place reorders for this holiday season based on a successful sell-through last year.

Some of our most notable new licensees are Bendon Publishing, who is the market-share leader in the craft and activity book category, and Scholastic Publishing under its Book Fair Division.

Bendon is shipping its first items to retail now, which will continue throughout this year into a wide range of accounts, including craft stores and the value channel.

Scholastic has two SKU's in development for shipment this coming fall into all school book fairs that take place in tens of thousands of schools across the country.

Our master toy partner will be shipping its production run into retail starting in Q4.

Based on buyer enthusiasm, initial sell-through, and the high awareness levels for *Llama Llama*, we expect these initial programs will meet with success and expand significantly in 2020.

Lloyd described *Rainbow Rangers* as what many in the retail and licensing industry see as the next “must-have” girl’s preschool property.

Lloyd explained that *Rainbow Rangers* emanated from discussions we held with our licensing and retail industry partners like Walmart and Target, and dozens of leading licensed manufacturers across both hard and soft goods.

A show where superhero girls are the centerpiece of the action.

Today, our licensees are the same licensees that Disney has and which Nickelodeon has. They are the industry leaders.

We even have a live stage show coming from Gershwin Entertainment that will tour throughout North America starting next year.

With a second season renewal confirmed and with many licensed products entering the marketplace in time for the upcoming holiday season, speaking from experience, we expect many more licensees who have been eagerly monitoring the show’s progress and waiting for word on the second season to begin coming on board.

We are literally at the beginning of the rapid ascent of Rainbow Rangers.

When we started this process, we pitched *Rainbow Rangers* as the “girl version” of *Paw Patrol*, which as most of you know has been the top-rated children’s animated show for the last five years and has become a multi-billion-dollar franchise.

We believe *Rainbow Rangers* will follow a similar trajectory.

Here are some of the exciting products coming on shelf this year and beyond.

In April & May:

- *Llama Llama* Coloring and Activity Sets from Bendon Publishing will be hitting store shelves at craft stores and the value channel.

In June:

- A *Rainbow Rangers* Bathing Suit from Bentex will be released via direct to consumer and a major mass market retailer’s online store.

In July:

- *Rainbow Rangers* first Bike from Dynacraft will debut via direct to consumer.
- *Llama Llama* Best Summer Ever DVD from NCircle Entertainment will be at major mass market retailers.

In August:

- *Rainbow Rangers* Vitamins from Integrity Vitamins will be available via direct to consumer.

- A *Rainbow Rangers* T-Shirt set from Bentex will be available via direct to consumer and a major mass market retailer's online store.
- Four *Rainbow Rangers* folders and four notebooks from Inkology will become available at specialty retail and online.

In September:

- Four different *Rainbow Rangers* storybooks from Macmillan Publishing will be hitting bookshelves both in digital and physical formats.
- Two *Rainbow Rangers* Halloween Costumes from Disguise of Rosie Redd and Floof, the unicorn, will be available at approximately a major mass market retailer.
- Two *Rainbow Rangers* Halloween Costumes of Rosie Redd and Lavender Laviolette and one Candy Bucket will be at the leading Halloween seasonal pop-up retailer.
- A *Llama Llama* Halloween costume will be available via the largest online supplier of Halloween costumes.

In October & November:

- A whole host of items such as *Llama Llama* Puzzles, plush toys, Jack-in-the-Box, and even play balls will be launched from Kids Preferred at various retailers including the leading book chains, baby stores, online retail, and specialty retailers.
- Our *Llama Llama* master toy licensee, PhatMojo will begin shipping its first items to retailers including major book channels among many others.
- A *Rainbow Rangers* apparel two-piece set from Bentex will be available via direct to consumer and a major mass market retailer's online store.
- A *Llama Llama* Animatronic Plush from Cuddle Barn will be back on store shelves including a major DIY home improvement retailer in time for the holidays.

And as exciting as these are, they are just a small portion of the total products already contracted for, and which we are confident will additionally be contracted for as well.

As I said at the beginning, this is the first time in our young company's life that we have given public guidance and financial forecasts. We are confident these numbers will be met, and we are optimistic they will be exceeded.

Genius Brands we see now at an inflection point and on a fast track to extraordinary growth. We have powerful new properties coming through a robust pipeline of new shows, one of which will be announced in the days leading up to Licensing Expo, which occurs annually in early June, and we see as a 3rd possible blockbuster.

The value that we are creating at Genius Brands is not just in retail, where growth will be highly significant, but in the very heart of our business, a coveted and valuable asset class

proven time and time again:

EVERGREEN ANIMATED PROGRAMS FOR CHILDREN

We look forward to continued growth and value creation as we move into this new and exciting phase.

Sincerely,

Andy Heyward
Chairman & CEO
Genius Brands International, Inc.

Forward-Looking Statements:

Certain statements in this notice constitute "forward-looking statements" within the meaning of the federal securities laws. Words such as "may," "might," "will," "should," "believe," "expect," "anticipate," "estimate," "continue," "predict," "forecast," "project," "plan," "intend" or similar expressions, or statements regarding intent, belief, or current expectations, are forward-looking statements. While the Company believes these forward-looking statements are reasonable, undue reliance should not be placed on any such forward-looking statements, which are based on information available to us on the date of this release. These forward-looking statements are based upon current estimates and assumptions and are subject to various risks and uncertainties, including without limitation those set forth in the Company's filings with the Securities and Exchange Commission (the "SEC"), not limited to Risk Factors relating to its patent business contained therein. Thus, actual results could be materially different. The Company expressly disclaims any obligation to update or alter statements whether as a result of new information, future events or otherwise, except as required by law.

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A photo accompanying this announcement is available at
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