

July 17, 2019



Genius Brands International Issues Shareholder Letter

BEVERLY HILLS, Calif., July 17, 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 and to view in browser, please visit [Genius Brands International](#).



Genius Brands International (Nasdaq:GNUS) begins debuting new merchandise for its two flagship preschool properties, Rainbow Rangers and Llama Llama, at retail nationwide. Over the next 12 months, over 450 SKUs combined will be launched into the marketplace across key categories.

HOW DOES AN ANIMATED CARTOON BECOME A BILLION DOLLAR BRAND, AND HOW DO GENIUS BRANDS CARTOONS BECOME BILLION DOLLAR BRANDS?

Dear Friends and Shareholders:

It is a great question, and with two of our series now certified hits, it is more pertinent than ever.

It takes four years to launch an animated TV series. From idea to animated production, to merchandise on shelf, it takes four years. It can't be done any quicker. We now have a hit show on Nickelodeon's Nick Jr. (*Rainbow Rangers*) and a hit show on Netflix (*Llama Llama*). We are launching a 3rd property which we believe has the same if not greater hit potential, *Stan Lee's Superhero Kindergarten*, and will shortly announce a broadcast partner. We are about to realize the results from the first consumer products based on *Llama Llama* and *Rainbow Rangers*, both of which we started working on four years ago.

For the last four years, I have done a lot of quoting of Warren Buffett because we work closely with Warren on the *Secret Millionaires Club* series and have produced the opening film for the annual Berkshire Hathaway (BRK.A) shareholders meeting. I have had the privilege of receiving invaluable advice from him. One thing he has always said is to "...not focus on your stock price but focus on building your business. The stock price will eventually come." Another thing Warren has said is that, "The investor with a 160 IQ has no advantage over the investor with a 120 IQ. The single most important attribute for successful investing is *patience*." But the one quote from Warren, which I feel is most relevant for Genius Brands today is, "*Someone's sitting in the shade today because someone planted a tree a long time ago.*" (see image [here](#))

FOUR YEARS AGO, WE AT GENIUS BRANDS, METICULOUSLY BEGAN PLANTING TREES.

At Genius Brands, we take pride in making cartoons, which not only provide children's entertainment, but which also provide enrichment. The enrichment in our cartoons is what Warren calls our "moat." It is what makes us different from all the other purveyors of children's entertainment. If we do our job right, our cartoons will last a long time in the marketplace. *Tom & Jerry*, *The Flintstones*, and *Scooby-Doo* are three great examples of animated programs which have longevity, global appeal, and multiple income streams through licensed consumer products featuring the characters. I know them well, because I worked on all three. That trifecta of being "evergreen, international, and merchandisable", is what has made them not just successful cartoons, but BILLION dollar businesses.

Before Genius Brands, I have had the privilege to work at three cartoon studios. The Walt Disney Company (DIS), Hanna-Barbera Productions, and my own company, DIC Entertainment. All three started off with one single cartoon and grew to become very, very valuable. It is a well-known fact that many cartoon studios have been sold for large amounts of money. This occurs because value has been created.

To go from million-dollar brands to BILLION dollar brands, requires one thing only. The cartoons must be able to generate massive consumer products licensing programs. When kids like a show, they want to own the products that feature the series' characters on them. Those are the pajamas, the sneakers, the toys, the books, the video games, the bedding, the bikes and ride-ons, the vitamins, the cereals, and the innumerable other kids' products. Without merchandising, there can be no billion-dollar brand, but with a strong licensing program, the numbers can become staggering. *Power Rangers*, *Teenage Mutant Ninja Turtles*, *Pokémon*, and *Strawberry Shortcake*, are a few examples of the many that have crossed that threshold.

Today, we have two such properties that we believe will get there, *Llama Llama* and *Rainbow Rangers*. And our 3rd property we just announced, *Stan Lee's Superhero*

Kindergarten, albeit early, has every element to do so as well ([link here](#)). That confidence might sound bold, but we have a lot of very smart people in our company and on our Board of Directors who all share something in common. They have, throughout their careers, all been associated with massive value creation in the entertainment business. They know the road to the promised land. One of our Board Directors, MARGARET LOESCH, for example, was President of Marvel Productions, President of Jim Henson Productions, President of FOX Kids, and Head of Production at Hanna-Barbera Productions. She was in some form or another responsible for the success of *Power Rangers*, *Spider-Man*, *X-Men*, *Jim Henson's Muppet Babies*, and *The Smurfs*... all billion-dollar businesses. Margaret is representative of the level of experience and success that is behind what we are building today at Genius Brands.

Before we look at what's arriving into the marketplace on shelves from our two tentpole hits, *Llama Llama* and *Rainbow Rangers*, let's first have a peak at why we are so enthusiastic about our upcoming *Stan Lee's Superhero Kindergarten* ([link here](#)).

Consider for a moment, that Stan Lee has created more billion-dollar properties than anyone, including Walt Disney, Steven Spielberg, George Lucas, or J.K. Rowling.

They include among others, *Spider-Man*, *The Incredible Hulk*, *Thor*, *Captain America*, *Fantastic Four*, *Black Panther*, *X-Men*, *Iron Man*, *Guardians of the Galaxy*, *Captain Marvel*, and the *Avengers: Endgame*, which opened last month to record-breaking box office of a \$1.2 billion-dollar weekend!!! The latest *Spider-Man* opened this weekend breaking its own box office records as the 2nd largest July opening of all time.

Stan Lee's Superhero Kindergarten is one of the very last properties created from the gifted mind of the great Stan Lee. He collaborated on it with another icon, Arnold Schwarzenegger, who will play the role of "Arnold Armstrong" (secretly *Captain Courage*), who teaches a special group of young kids how to use their superpowers. Amazing and unusual powers, they are, which come from the actual kindergarten classroom (white glue, wooden blocks, crayons, putty, etc.). ([link here](#))

Today, we stand on the verge of our "4 years" from when we first created the *Llama Llama* animated series and *Rainbow Rangers*. We have a multitude of products, which are now coming into the market this year. The licensees/manufacturers are among the best in the business. Most of them are the same Disney (DIS) licensees that produce products for *Toy Story* and *Star Wars* and the Warner Brothers licensees of *Harry Potter*.

Thank you to our shareholders who have shown patience as products are now coming to market.

With each product sold, Genius enjoys a 10% on average gross royalty payment.

Here they come ([link here](#))...

Sincerely,
Andy Heyward
Chairman & CEO
Genius Brands International, Inc.

A photo accompanying this announcement is available at
<https://www.globenewswire.com/NewsRoom/AttachmentNg/9133017b-ae9d-417f-b2f3-7c3a7d06a06d>

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