

March 31, 2017



Genius Brands International, Inc. Announces 2016 Financial Results and Business Update

BEVERLY HILLS, CA -- (Marketwired) -- 03/31/17 -- Genius Brands International, Inc. (NASDAQ: GNUS) announced today its financial results for the year ended December 31, 2016:

Business Highlights:

- Deferred revenue increased by over 220% in FY 2016
- To date \$2.5 million has been invested in the development and production of animated content
- In production and development of four animated series to be delivered throughout 2017 and 2018
- Currently have over 50 worldwide licensees with over 500 SKUs in over 10,000 retail locations
- Licensed content to over 20 broadcasters in nearly 90 territories globally as well as several VOD and online platforms
- Kid Genius Cartoon Channel generated first advertising sales in the fourth quarter 2016
- Expanded our long term strategic partnership with our shareholder Sony Pictures Home Entertainment from a domestic to a global partnership in January 2017

Management Commentary:

Andy Heyward, Chairman and CEO of Genius Brands International, Inc. ("Genius") commented, "2016 represented a highly productive year for the Company in creating value to be realized. It is marked by both increasing investment in our brands and properties and increasing activity around those brands and properties. Two key financial metrics highlight this investment and activity -- our investments in film and televisions costs and our deferred revenue.

The production of original content generally entails a three-year cycle from the inception of an idea, through production of the animated content, to the distribution of that content, and finally the development and distribution of a range of consumer products based on content to be sold at retail. This can create a lag between the creation of the intellectual property to the realization of economic benefit of those assets. This is no different from Marvel, Nickelodeon, or the Walt Disney Company.

In the three years since the merger with A Squared Entertainment, the Company has spent

roughly \$2.5 million on the development and production of animated content. Our investment in these assets has steadily increased year over year beginning in 2014 when we had only one property in production (*Thomas Edison's Secret Lab*) to where we closed 2016 with two properties in active production (*SpacePop* and *Llama Llama*) and two properties in development (*Rainbow Rangers* and *Stan Lee's Cosmic Crusaders*).

Just as important as the investments we've made in animated content is the activity around them. While our 2016 revenue declined by a nominal 5% from the prior year, our deferred revenue increased by over 220% in that same time frame to \$3.1 million, and in the three years since the creation of the new post-merger Genius Brands, our deferred revenue increased over 500%. We believe deferred revenue is a good measure of activity as it represents deal flow and monies we have collected or can immediately collect that, per GAAP, are not yet able to be recognized as revenue. Our already released properties, such as *Thomas Edison's Secret Lab*, Warren Buffett's *Secret Millionaires Club*, and *Baby Genius*, continue to do well in the market place and generated roughly 50% of our 2016 revenues.

Understanding that 2014 and 2015 represented periods of transition as we integrated businesses and became the public company we are today and undertook various strategic initiatives to build and enhance our business, and that 2016 has been a year of increasing investment in and activity around our brands and properties, we believe 2017 will be a very strong year in the Company's post-merger history.

Notably in 2017, *SpacePop* production is ongoing with viewership on YouTube growing week after week with nearly 14 million views and nearly 48,000 subscribers. We are outperforming both of our benchmark competitors, the billion dollar brands *Monster High* (Mattel) and *My Little Pony Equestria Girls* (Hasbro) at the same stage in those brands lifecycles. During 2016, we expanded the series' distribution beyond YouTube by licensing distribution rights in Spain, Italy, and Portugal. We anticipate that we will begin generating revenue in those territories in the first half of 2017. At retail, sell-thru on key items either met or exceeded our and our retail partners' expectations. As is customary within the licensing space, the realization of revenues due is delayed as retailers finalize sales figures and report those to licensees and licensors. We anticipate delivering *Llama Llama* to Netflix in the fourth quarter of the year which should trigger the collection of a portion of substantial license fees from them as well as the recognition of the associated revenue. At the beginning of February, we were pleased to announce that Mattel's Fisher-Price Toys is our master toy partner for *Rainbow Rangers*. Shortly, we will be announcing our broadcast partner as well and anticipate beginning production later this year.

No discussion of investment and activity in 2016 is complete without mention of our Kid Genius Cartoon Channel. Early in 2016, we made the key hire of Deb Pierson, President of the Kid Genius Cartoon Channel. During the fourth quarter of 2016, we engaged Margaret Loesch, founder and former CEO of Fox Kids Worldwide, as the channel's executive chairman. Our video on demand channel is currently available on Comcast Xfinity on Demand, Roku, Apple TV, Amazon and Google reaching approximately 42 million homes. The fourth quarter marked the beginning of the monetization of the channel as it has now just started generated advertising sales, with prominent advertisers such as General Mills coming on board. As the channel grows and continues its roll-out in 2017 expanding its reach to an anticipated level of 80 million homes, we expect to continue earning revenue from advertising sales.

We remain confident in and committed to our mission of delivering 'content with a purpose' to toddler, tweens and families. 2017 is shaping up to be a pivotal year in the growth of Genius Brands. We anticipate revenue to grow and improve in 2017, compared to fiscal year 2016. However, due to the nature of our business and certain limitations around revenue recognition, this will likely not be reflected sequentially in quarterly results until we report fiscal year 2017."

Content in Production and Development:

Llama Llama : In production for fifteen half-hour animated episodes to premiere on Netflix in 2017, as a NETFLIX ORIGINAL. *Llama Llama's* creators include Oscar-winning director Rob Minkoff (*The Lion King*), director Saul Blinkoff (*Doc McStuffins*), Emmy winning head writer and showrunner Joe Purdy, art director Ruben Aquino (*Frozen*) and Emmy-winning producers Jane Startz and Andy Heyward. Based on the *NY Times* #1 best-selling children's books of the same name, the animated series centers on young Llama Llama's first steps in growing up and facing childhood milestones. Each episode will be structured around a childhood milestone coupled with a life lesson learned by Llama Llama and his friends, told with a sense of humor, vitality, and understanding. The global licensing program was unveiled in June 2016 at the Licensing Expo held in Las Vegas.

SpacePop : *SpacePop* is a music and fashion driven animated property that has garnered over 14 million views and over 48,000 subscribers since its launch in May 2016. With 108 three-minute webisodes greenlit for production, *SpacePop* has a best-in-class development and production team on board including Steve Banks (head writer and story editor of *Sponge Bob Square Pants*) as content writer; Han Lee (*Pink Fizz*, *Bobby Jack*) for original character designs; multiple Grammy Award-winning producer and music veteran Ron Fair (Fergie, Mary J. Blige, Black Eyed Peas, Pussycat Dolls, Christina Aguilera and more), singer-songwriter Stefanie Fair (founding member of RCA's girl group Wild Orchid with Fergie) for the original *SpacePop* theme music; and veteran music producer and composer John Loeffler (*Kidz Bop*, *Pokemon*) for original songs. Current promotional partners include Six Flags, Dippin' Dots, and Camplified. We have collaborated with licensing partners throughout North America, including Taste Beauty (beauty and bath products), Bare Tree Media (emoticons), Canal Toys (craft and activity kits), Yowie Group, Ltd. (confections), Jaya Apparel (apparel), and Sony Pictures Home Entertainment (home entertainment). Additionally, *SpacePop* products ranging from apparel and accessories, to beauty, cosmetics, candy, books and music became available at select Claire's and Kohl's in October 2016. We added a program at Toys "R" Us® in December 2016 with a dedicated feature space merchandising over 20 *SpacePop* items from our various licensees creating the ultimate *SpacePop* destination in time for the December 2016 holiday season.

Stan Lee's Cosmic Crusaders : *Stan Lee's Cosmic Crusaders* is a co-production between us, Stan Lee's POW! Entertainment, and The Hollywood Reporter of an adult-themed animated series whose launch coincided with "Stan Lee's 75 Years in Business" salute in The Hollywood Reporter's Comic-Con issue. *Stan Lee's Cosmic Crusaders* is based on a concept by Stan Lee and written by *Deadpool* co-creator Fabian Nicieza. With 52 eleven-minute episodes greenlit for production, the first four episodes premiered exclusively on THR.com with one episode that aired during Comic-Con International 2016. *Stan Lee's Cosmic Crusaders* is the first series to launch on THR.com and will be promoted through *The Hollywood Reporter's* YouTube channel, Facebook, Twitter and Instagram pages. The

global consumer products program was introduced at Licensing Expo 2016 with national retailer Hot Topic secured as anchor retail partner.

Rainbow Rangers : From Shane Morris, the writer of *Frozen*, and Rob Minkoff, the director of *The Lion King*, *Rainbow Rangers* is an animated series about the adventures of seven heroic pixies from Kaleidoscopia, a magical land on the other side of the rainbow. The Rangers serve as Earth's guardians and first-responders. When danger arrives, these seven pixie girls ride a rainbow across the sky and land wherever they are needed most. In February of 2017, we announced that we had partnered with Mattel Inc.'s Fisher Price Toys as the master toy partner for the new series, and we will shortly announce our broadcast partner.

Already Released Content:

Thomas Edison's Secret Lab : *Thomas Edison's Secret Lab* is a STEM-based comedy adventure series by Emmy-nominated writer Steve Banks (*SpongeBob Square Pants*), multi-Emmy Award-winning writer Jeffrey Scott (*Dragon Tales*), and Emmy Award-winning producer Mark Young (*All Dogs Go To Heaven 2*). The series includes 52 eleven-minute episodes as well as 52 original music videos produced by Grammy Award winning producer Ron Fair. The animated series follows the adventures of Angie, a 12-year-old prodigy who, along with her young science club, discovers Thomas Edison's secret lab. A robust licensing program is currently being put in place, and will be announced shortly.

Warren Buffett's Secret Millionaire's Club : With 26 thirty-minute episodes and 26 four-minute webisodes, this animated series features Warren Buffett who acts as a mentor to a group of kids who have international adventures in business. *Secret Millionaire's Club* empowers kids by helping them learn about the business of life and the importance of developing healthy life habits at an early age. Guest stars in each episode include Bill Gates, Shaquille O'Neal, and Jay Z among others.

Baby Genius : For more than ten years, Baby Genius has earned worldwide recognition for creating award-winning products for toddlers. Its catalogue of 500 songs, 125 music videos, and toys feature classic nursery rhymes, learning songs, classical music, holiday favorites and more.

Kid Genius Cartoon Channel:

In April 2015, we partnered with Comcast to launch the new Kid Genius Cartoon Channel on Xfinity on Demand. With Xfinity, Kid Genius Cartoon Channel is currently in over 22 million homes. In November 2016, we partnered with a leading kids' app distributor adding Over-The-Top ("OTT") distribution expanding the channel onto platforms such as Roku, Apple TV, Amazon and Google thus reaching an additional 20 million homes. Our plans are to continue this roll-out into 2017 adding additional reach with the goal of being in over 80 million homes. Kid Genius Cartoon Channel combines the powerful value of owning a channel in its own right with the ability to promote our brands and products.

ABOUT GENIUS BRANDS INTERNATIONAL, INC.

Headquartered in Beverly Hills, California, Genius Brands International, Inc. (NASDAQ: GNUS) is a publicly traded global children's media company that creates and licenses

animated multimedia entertainment content. Led by award-winning creators and producers, the company distributes its content worldwide in all formats, as well as a broad range of consumer products based on its characters. In the children's media sector, Genius Brands International's portfolio features "content with a purpose" for toddlers to tweens, which provides enrichment as well as entertainment, including the hit music-driven series **SpacePOP**; preschool property debuting on Netflix **Llama Llama**, starring the voice talent of Jennifer Garner; **Rainbow Rangers**, a preschool property produced by Rob Minkoff (Disney's *Lion King*); award-winning **Baby Genius**, re-launched with new entertainment and over 40 new products; adventure comedy **Thomas Edison's Secret Lab**®, available on Netflix, public broadcast stations and Genius Brands' Kid Genius Cartoon Channel, which is currently available in over 50 million U.S. households; **Warren Buffett's Secret Millionaires Club**, created with and starring iconic investor Warren Buffett. The company is also co-producing an all-new adult animated series, **Stan Lee's Cosmic Crusaders**, with Stan Lee's Pow! Entertainment and The Hollywood Reporter. Additionally, under Genius Brands International's wholly owned subsidiary, A Squared Entertainment, the company represents third-party properties, including **From Frank**, a humor greeting card and product line, and **Celescence Technologies**, the world's leading micro encapsulation company, across a broad range of categories in territories around the world. For additional information please visit www.gnusbrands.com.

FORWARD LOOKING STATEMENTS

This press release may contain forward-looking statements, including information about management's view of Genius Brands' future expectations, plans and prospects, within the safe harbor provisions under The Private Securities Litigation Reform Act of 1995 (the "Act"). In particular, when used in the preceding discussion, the words "believes," "hopes," "expects," "intends," "plans," "anticipates," or "may," and similar conditional expressions are intended to identify forward-looking statements within the meaning of the Act, and are subject to the safe harbor created by the Act. Any statements made in this news release other than those of historical fact, about an action, event or development, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, which may cause the results of Genius Brands to be materially different than those expressed or implied in such statements. These risk factors and others are included from time to time in documents Genius Brands files with the Securities and Exchange Commission, including but not limited to, its Form 10-Ks, Form 10-Qs and Form 8-Ks. Other unknown or unpredictable factors also could have material adverse effects on Genius Brands' future results. The forward-looking statements included in this press release are made only as of the date hereof. Genius Brands cannot guarantee future results, levels of activity, performance or achievements. Accordingly, readers should not place undue reliance on these forward-looking statements. Finally, Genius Brands undertakes no obligation to update these statements after the date of this release, except as required by law.

Tables to follow

The following tables should be read in conjunction with the footnotes accompanying the consolidated financial statements contained with the 2016 Form 10K issued on March 31, 2017.

Genius Brands International, Inc.

Consolidated Balance Sheets
As of December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
ASSETS	(As Revised - See Note 2)	
Current Assets:		
Cash and Cash Equivalents	\$ 1,887,921	\$ 5,187,620
Restricted Cash	1,000,000	-
Accounts Receivable, net	122,910	171,867
Inventory, net	6,562	7,080
Prepaid and Other Assets	359,395	65,464
Total Current Assets	3,376,788	5,432,031
Property and Equipment, net	90,461	150,948
Film and Television Costs, net	2,260,964	1,003,546
Intangible Assets, net	1,845,650	1,918,206
Goodwill	10,365,805	10,365,805
Total Assets	\$ 17,939,668	\$ 18,870,536
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 648,638	\$ 359,433
Accrued Expenses	249,482	509,477
Deferred Revenue	410,662	305,850
Accrued Salaries and Wages	132,827	96,385
Disputed Trade Payable	925,000	925,000
Service Advance	1,489,583	-
Short Term Debt - Related Party	-	410,535
Total Current Liabilities	3,856,192	2,606,680
Long Term Liabilities:		
Deferred Revenue	2,695,946	652,689
Production Loan Facility	1,332,004	-
Service Advance	-	1,489,583
Total Liabilities	7,884,142	4,748,952
Stockholders' Equity:		
Preferred Stock, \$0.001 par value, 10,000,000 shares authorized, respectively; 4,895 and 5,290 shares issued and outstanding, respectively	5	6
Common Stock, \$0.001 par value, 233,333,334 shares authorized, respectively; 4,010,649 and 3,753,179 shares issued and outstanding, respectively	4,011	3,753
Common Stock to Be Issued	24	24
Additional Paid in Capital	46,697,005	44,547,427

Accumulated Deficit	(36,642,761)	(30,429,626)
Accumulated Other Comprehensive Income (Loss)	(2,758)	-
Total Equity	10,055,526	14,121,584
Total Liabilities and Stockholders' Equity	\$ 17,939,668	\$ 18,870,536

Genius Brands International, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2016 and 2015

	Year Ended	
	December 31, 2016	December 31, 2015
		(As Revised - See Note 2)
Revenues:		
Licensing & Royalties	\$ 469,527	\$ 492,134
Television & Home Entertainment	356,150	400,676
Advertising Sales	27,330	-
Product Sales	13,868	15,173
Total Revenues	<u>866,875</u>	<u>907,983</u>
Expenses:		
Marketing and Sales	1,035,128	420,399
Direct Operating Costs	279,217	200,418
General and Administrative	6,017,391	3,823,510
Total Expenses	7,331,736	4,444,327
Loss from Operations	<u>(6,464,861)</u>	<u>(3,536,344)</u>
Other Income (Expense):		
Other Income	6,651	18,870
Interest Expense	(2,675)	(2,576)
Interest Expense - Related Party	(8,503)	(24,757)
Gain on Distribution Contracts	258,103	115,811
Loss on Impairment of Assets	(1,850)	(7,500)
Loss on Deferred Financing Costs	-	(9,313)
Unrealized Loss on Foreign Currency Translation	-	(37,313)
Other Income	<u>251,726</u>	<u>53,222</u>
Loss before Income Taxes	(6,213,135)	(3,483,122)
Income Tax Expense	-	-
Net Loss	<u>(6,213,135)</u>	<u>(3,483,122)</u>

Beneficial Conversion Feature on Preferred Stock	-	(3,783,850)
Net Loss Applicable to Common Shareholders	<u>(6,213,135)</u>	<u>(7,266,972)</u>
Net Loss per Common Share (Basic And Diluted)	\$ (1.59)	\$ (2.91)
Weighted Average Shares Outstanding (Basic and Diluted)	<u>3,915,178</u>	<u>2,500,854</u>

Genius Brands International, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2016 and 2015

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash Flows from Operating Activities:		
Net Loss	\$ (6,213,135)	\$ (3,483,122)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Amortization of Film and Television Costs	167,788	127,552
Depreciation and Amortization Expense	142,687	133,911
Imputed Interest Expense - Related Party	8,503	24,757
Bad Debt Expense / (Recovery)	-	42,739
Stock Issued for Services	39,000	-
Share-based Compensation Expense	1,581,797	31,919
(Gain) Loss on Distribution Contracts	(258,103)	(115,811)
(Gain) Loss on Impairment of Assets	1,850	7,500
(Gain) Loss on Deferred Financing Asset	-	9,313
(Gain) Loss on Foreign Currency Translation	-	37,313
Change in Operating Assets:		
Accounts Receivable	294,792	65,317
Inventory	518	4,611
Prepaid Expenses & Other Assets	(314,754)	142,846
Film and Television Costs	(1,390,450)	(827,145)
Accounts Payable	289,205	(946)
Accrued Salaries and Wages	36,442	46,097
Deferred Revenue and Advances	2,146,998	117,212
Other Accrued Expenses	(249,415)	239,356
Net Cash Used in Operating Activities	<u>(3,716,277)</u>	<u>(3,396,581)</u>
Cash Flows from Investing Activities:		
Investment in Intangible Assets	(5,650)	(111,221)
Investment in Fixed Assets	(5,844)	(182,986)
Net Cash Used in Investing Activities	<u>(11,494)</u>	<u>(294,207)</u>

Cash Flows from Financing Activities:

Proceeds from Exercise of Warrants	110,000	-
Proceeds from Production Loan Facility	1,318,072	-
Sale of Common Stock	-	3,827,782
Proceeds from Service Advance	-	750,000
Proceeds of Short-Term Debt - Related Party	-	1,661
Payments to Short-Term Debt - Related Party	-	(2,134)
Net Cash Provided by Financing Activities	<u>1,428,072</u>	<u>4,577,309</u>
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(2,299,699)	886,521
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	<u>5,187,620</u>	<u>4,301,099</u>
Cash, Cash Equivalents, and Restricted Cash - End of Period	<u>\$ 2,887,921</u>	<u>\$ 5,187,620</u>

GENIUS BRANDS INTERNATIONAL, INC. INVESTOR RELATIONS:

Michael Porter

PLR Investor Relations

212.564.7000

[Email contact](#)

Source: Genius Brands International, Inc.