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Genius Brands International Responds to Misleading Short Seller Criticisms

BEVERLY HILLS, Calif.--(BUSINESS WIRE)-- Genius Brands International, Inc. "Genius Brands" (NASDAQ:GNUS) today released the following statement from CEO and Chairman Andy Heyward, in response to recent short seller criticisms published online and on certain social media platforms:

"Genius Brands has carefully reviewed the report and social media comments published by two short seller funds last week. These materials contain numerous misleading statements, omissions of key facts, and red herrings. More importantly, the short sellers themselves demonstrate a fundamental misunderstanding of the unique potential of Genius Brands and our position of strength given the current dynamics of our industry.

It is also important to keep in mind how these short sellers make money and what they are trying to do. Make no mistake, their intention – and indeed *how they make their money*– is to manipulate the stock price of companies like ours in order to profit at the expense of other shareholders. Their interests are directly opposed to shareholders' interests. In contrast, as one of the largest investors in the Company myself, my interests are fully aligned with those of my fellow shareholders – and will remain so.

With that in mind, I submit the following:

- **We are well positioned to create substantial value**– With Kartoon Channel! launching on June 15 and to be available in more than 100 million U.S. TV households and 200 million mobile devices, we are positioned to be one of the preeminent ad-supported kids' digital networks. The service referred to as a 'Netflix for kids' is made even stronger by the distinct fact that it is a free service. There are no subscriptions fees, it is ad-supported. Further, we do not anticipate being impacted by COVID-19. The business of cartoons has historically had an appeal that is timeless, and is a rare asset class which has historically been resistant to typical market forces (e.g., the price of gold, oil, interest rates, elections, etc.). While the rest of Hollywood is grinding to a stop during the COVID-19 crisis, we're creating new products for an audience that is growing now out of the new technologies and streaming services. This is especially true at a time when there are more kids at home and in front of their devices during the pandemic. We believe we will see robust and accelerated revenue growth coming forth in this arena for the foreseeable future.
- **Our balance sheet is strong** – We have \$9.75 million of debt; in excess of \$45 million of cash, significant receivables from a diverse array of companies across our industry with strong credit profiles, and low overhead. Today, Genius Brands has enough cash on our balance sheet to meet our existing obligations and execute on our business

plan for at least 60 months, *and still fund continuing new production and content acquisitions each year*. Conveniently, last week when one of the short sellers stated we weren't at the same revenue point as one of our Canadian-based competitors, he neglected to mention that the other company has *more than 60 times* (\$600 million) as much debt as Genius Brands. We think identifying this omission is important to understanding the whole story. Finally, to clear up market confusion that we believe has been generated as a result of one short seller's report, the shelf registration on form S-3 filed on June 4th was related to our capital raise in March 2020. We registered the resale of shares underlying the warrants we issued in March, and the S-3 filing does not in any way represent a new capital raise, nor is it related to recent changes in our stock price.

- **The short sellers' criticisms of our Programs highlight their own industry ignorance** – *Llama Llama* is an industry-recognized tremendous asset that we have on great terms, which are mutually beneficial with the IP's author/book publisher and ourselves. We are also confident in the appeal of the soon to be launched *Stan Lee's Superhero Kindergarten*, one of the last creations of Stan Lee, creator of *Spider-Man*, *X-Men*, *Iron Man*, *Incredible Hulk*, *Thor*, *Fantastic Four*, *Black Panther*, and the *Avengers*, among others. Similarly, we are happy with the outlook for *Rainbow Rangers*. The fact is that the show's airings on Nick Jr. have been scaled back while we are currently producing new episodes, which is a standard industry practice known as "resting." We expect the airings to ramp back up in August when the new episodes are completed and this will be timed with the launch of toys from Mattel hitting the shelves of Walmart in August. We are confident Nick Jr.'s interests are aligned with ours – after all, *they have a stake in the consumer products merchandising royalties related to this asset*.
- **The track record of our leadership team speaks volumes**– Our senior management comes largely from the Walt Disney Company, DreamWorks Animation, and Hasbro Toys, and has been responsible for many of the biggest and most profitable hits in children's television history, as well as toy and consumer product programs generating Billions of dollars of program sales and royalty income. The management team and board have had creative, licensing, production, broadcasting, and sales roles in some of the biggest animated hits in children's history, including *Lion King*, *Toy Story*, *Strawberry Shortcake*, *Care Bears*, *Power Rangers*, *My Little Pony*, *Spider-Man*, *Batman*, *X-Men*, *Transformers*, *Muppet Babies*, *Fraggle Rock*, *Real Ghostbusters*, and *Inspector Gadget*. Collectively, we have *more than 150 years of experience in children's media*, and have helped generate literally tens of billions of dollars of content and consumer products sales.

Further, last Friday, we announced the addition of two of our industry's most accomplished executives overseeing the new channel: Margaret Loesch as Executive Chairman of *Kartoon Channel!* (former President of Marvel Entertainment, FOX Kids, and Henson Television), and David Neuman as Chief Content Officer of *Kartoon Channel!* (former President of Walt Disney Television). Margaret was founding CEO of FOX Kids, and built it from zero to the most successful and profitable kids program service, and what was eventually sold to the Walt Disney Company for \$5.5 billion dollars. None of us claim to be experts at 'short selling'. But we also think it's a stretch for short sellers to claim to know more about this industry than those of us who have

been industry leaders and spent decades making money for investors while building some of the sector's most successful brands and companies.

- **Genius Brands is a long-term growth story**— We have a number of hit brands and shows today – but we are even more excited about what is coming, and the synergies with the newly announced *Kartoon Channel!*. We have over 450 licensed products contracted (with advances and guarantees) to come into the marketplace in the coming months. Our pipeline of new animated products, soon to be announced, is robust and pre-sold with significant brand equity. Our partners, licensees, and retail customers include Alibaba, Amazon, Mattel, Netflix, Target and Walmart, among others. *Rainbow Rangers* toys from Mattel, based on our hit series on Nick Jr., will hit Walmart stores in August beginning with a multipack of *Rainbow Rangers* figures. Over 350 other licensed consumer product SKUs are due as well, including publishing, room décor, bedding, footwear, apparel, health and beauty, bicycles, toothpaste, touring shows, among others, some of which are now already on Amazon.com, Walmart.com, and Target.com.

Above all else, we are focused on *long-term value*. After working with Warren Buffett for 25 years and producing the children's animated series with Warren to teach financial literacy (*Warren Buffett's Secret Millionaires Club*), I've learned to focus on the importance of the basics: asset creation and value-building for our shareholders.

On a personal note, *I have not sold a single share, and in fact, have materially increased my holdings in the Company in the last two years*. We take the views of all our investors seriously, and we and our board are committed to maintaining the highest standards of corporate governance and transparency."

The Company is not suggesting that any particular trading price for the Company's securities is appropriate, whether in the short- or long-term. However, we would like to seek to clarify certain facts as it relates to the short seller information that has been put into the marketplace.

Finally, the Company reserves the right to take appropriate legal action against Hindenburg Research and Citron Research, as we will always do what we can to protect our shareholders' interests.

About Genius Brands International

Genius Brands International, Inc. (Nasdaq: GNUS) is a leading global kids media company developing, producing, marketing and licensing branded children's entertainment properties and consumer products for media and retail distribution. The Company's award-winning 'content with a purpose' portfolio includes *Stan Lee's Superhero Kindergarten*, starring Arnold Schwarzenegger; *Rainbow Rangers* for Nick Jr.; *Llama Llama*, starring Jennifer Garner, for Netflix; award-winning toddler brand *Baby Genius*; adventure comedy STEM series *Thomas Edison's Secret Lab*; entrepreneurship series *Warren Buffett's Secret Millionaires Club*; and *Stan Lee's Cosmic Crusaders*, created with Stan Lee's Pow! Entertainment. Through licensing agreements with leading partners, characters from Genius Brands' IP also appear on a wide range of consumer products for the worldwide retail marketplace. The Company's Genius Brands Network of channels, including Kid Genius Cartoon Channel, Baby Genius TV, and Kid Genius Cartoons Plus!, are available in over

100 million U.S. television households via a multitude of distribution platforms, including Comcast, Cox, DISH, Amazon Prime, Sling TV, Apple TV, Roku, Amazon Fire and more. For additional information, please visit www.gnusbrands.com.

Forward Looking Statements

Certain statements in this press release 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, our ability to generate revenue or achieve profitability; our ability to obtain additional financing on acceptable terms, if at all; our ability to repay our outstanding debt; the potential issuance of a significant number of shares to our convertible note holders which will dilute our equity holders; fluctuations in the results of our operations from period to period; general economic and financial conditions; our ability to anticipate changes in popular culture, media and movies, fashion and technology; competitive pressure from other distributors of content and within the retail market; our reliance on and relationships with third-party production and animation studios; our ability to market and advertise our products; our reliance on third-parties to promote our products; our ability to keep pace with technological advances; our ability to protect our intellectual property and those other risk factors set forth in the "Risk Factors" section of the Company's most recent Annual Report on Form 10-K and in the Company's subsequent filings with the Securities and Exchange Commission. 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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Sloane & Company

Dan Zacchei / Joe Germani

dzacchei@sloanepr.com / jgermani@sloanepr.com

Porter, Levay & Rose

T: 212-564-4700

ir@gnusbrands.com

Source: Genius Brands International, Inc.