



GENIUS BRANDS INTERNATIONAL, INC. ISSUES SHAREHOLDER LETTER

BEVERLY HILLS, CA-- January 19, 2017 - Genius Brands International ([GNUS](#)) recently released a letter to shareholders from Chairman & CEO Andy Heyward. The complete letter follows:

Dear Friends and Shareholders,

Today, we announced not only a broader global distribution agreement between Sony Pictures Home Entertainment and ourselves, but also the fact that Sony has taken an equity stake inside Genius Brands International (GNUS).

As we stand on the eve of inaugurating a new President, and live in a changing and increasingly unpredictable world, we believe Sony's relationship with Genius Brands underscores the simple reliability and timeless value of animated cartoons.

Concurrent with their now shareholdings in Genius Brands, a liability with Sony affiliate company DADC, has now been extinguished, further strengthening the Genius Brands balance sheet. Unlike the Walt Disney Company, Warner Brothers, Viacom and Universal Pictures, Sony is one of the major studios which does *not* have a big presence in kid's entertainment. That will now change with the robust schedule of content development and production of Genius Brands properties, and for which Sony will now also become the global physical and digital home entertainment distributor.

Over the years, I have had the privilege to write on and/or produce many of the most successful and profitable animated cartoons, including Flintstones, Jetsons, Scooby Doo, Smurfs, Yogi Bear, Dennis the Menace, G.I. Joe, Inspector Gadget, Care Bears, Strawberry Shortcake and Ghostbusters, among many others.

They share two threads. Firstly, they all continue to be broadcast and continuously earn money from content licensing and product merchandising. Secondly, they were all sold as parts of cartoon catalogues for substantial sums of money: to Disney, to Warner Brothers, to General Mills. Cartoons remain impervious to the turbulence of global politics and world markets. Cartoons and the companies that make them are highly desirable assets for the major studios and content users such as advertisers, cereal companies and phone companies. A fact underscored by the sale of DreamWorks Animation to Universal Studios this last year for \$3.8 billion dollars. A company that fundamentally does exactly what Genius Brands does... they make, distribute and merchandise cartoons.

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At Genius Brands, we continue at our knitting and are growing both our cartoon catalogue and our Kid Genius Cartoon Channel. After only four short years, we expect our catalogue to have over 500 episodes by end of 2017. Our cartoon channel, which started with Comcast, is already in almost 50 million homes, and we expect it will be in over 75 million homes in 2017, enabling us to reach 3 out of every 4 kids in America. Other than Disney, Warner Brothers, Viacom and Universal Studios, there is no other company that has this package of assets, including animated content; a channel to broadcast them; and a fully developed in-house licensing and merchandising unit to bring them to retail. Our current lead brand, SpacePOP, is showing strong sales in several major categories during its first weeks out at Toys”R”Us, Kohl’s and elsewhere, and we have 6 other brands staged to enter the market as well. In fact, based on the early success of the first two SpacePOP books, Macmillan will be looking to expand the publishing program into other formats and future books.

And as a special recognition in the new year, we had the privilege yesterday to ring the closing bell of the NASDAQ stock exchange to which we recently moved, and have all our characters appear on the jumbotron in Times Square! What an honor!

I like to underscore the simple reliability of cartoons as a predictable asset category, which remains perennially in demand, and in particular, the powerful growing asset base of Genius Brands in making, licensing and broadcasting those cartoons. Whatever happens in a changing world or whatever new technologies arrive, as long as there are kids, there will always be cartoons, and companies who seek those assets.

Andy Heyward
Chairman & CEO
Genius Brands International

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