

# Zacks Small-Cap Research

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## Genius Grp Ltd

(GNS-NYSE)

**GNS: An online company changing education.**

GNS in an online education company the is attempting to make the online learning experience better. Using discounted cash flow analysis and discount rate of 11%, we arrive at a valuation on \$18.40.

## OUTLOOK

Genius Group is on a mission to change the way people experience online education by making it more about the student. Through technology, vision, and a unique approach, Genius is bringing AI-involved learning to the masses.

The company has a great management team in place and a solid balance sheet. The aggressiveness the company has shown in expanding their offerings are encouraging and the integration of acquisitions is vital to the company's success.

Current Price (06/28/22) **\$6.33**  
Valuation **\$18.40**

## SUMMARY DATA

52-Week High **\$36.75**  
52-Week Low **\$5.05**  
One-Year Return (%) **N/A**  
Beta **N/A**  
Average Daily Volume (sh) **184,826**

Shares Outstanding (mil) **22**  
Market Capitalization (\$mil) **\$136**  
Short Interest Ratio (days) **N/A**  
Institutional Ownership (%) **0**  
Insider Ownership (%) **N/A**

Annual Cash Dividend **\$0.00**  
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates  
Sales (%) **N/A**  
Earnings Per Share (%) **N/A**  
Dividend (%) **N/A**

P/E using TTM EPS **N/A**  
P/E using 2022 Estimate **N/A**  
P/E using 2023 Estimate **63.3**

Zacks Rank **N/A**

Risk Level **High**  
Type of Stock **N/A**  
Industry **N/A**

## ZACKS ESTIMATES

### Revenue

(in millions of \$)

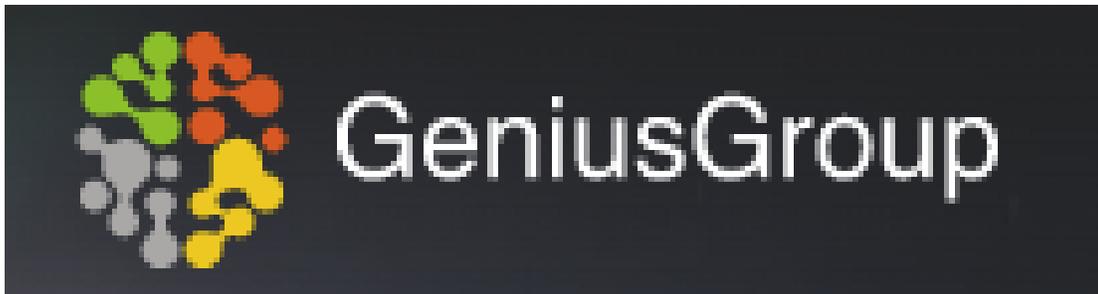
	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	N/A	N/A	N/A	N/A	\$7.6A
2021	N/A	N/A	N/A	N/A	\$12.8A
2022	N/A	\$9.1E	\$9.0E	\$9.2E	\$34.3E
2023	\$9.5E	\$10.5E	\$10.5E	\$10.7E	\$41.2E

### Earnings

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	N/A	N/A	N/A	N/A	-\$0.25
2021	N/A	N/A	N/A	N/A	-\$0.28
2022	N/A	-\$0.06E	-\$0.05E	-\$0.01E	-\$0.20E
2023	-\$0.05E	\$0.00E	\$0.02E	\$0.04E	\$0.01E

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## INITIATING COVERAGE



Source: GeniusGroup—[www.geniusgroup.net](http://www.geniusgroup.net)-June 16, 2022

We are initiating coverage of Genius Group (GNS) with a valuation of \$18.40. Genius Group is an online learning provider that believes it is “a world leading entrepreneur Edtech and education group.” The stated mission is, “to disrupt the current education model with a student-centered, lifelong learning curriculum that prepares students with the leadership, entrepreneurial and life skills to succeed in today’s market.”

Genius Group was founded by entrepreneur and best-selling author Roger James Hamilton and went public on the NYSE in April of 2022. Genius appears to be aiming to be a “one-stop” online education platform that has offerings for people from 0-100. Before the IPO in April 2022, Genius consisted of four companies (referred to by the company as “Pre-IPO Companies”) that were largely dedicated to entrepreneurial ventures and will be described in detail below. But in an effort to expand its offerings and broaden its portfolio, coinciding with the IPO, Genius acquired four more companies (referred to as “IPO Acquisitions”) to give Genius a total of eight companies under its umbrella and a roster of offering that can reach people at virtually any stage of life.

### **The Market**

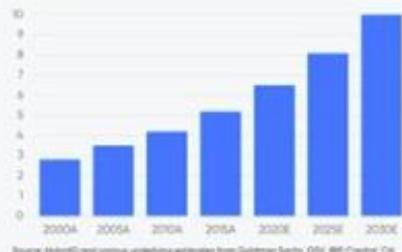
Why is Genius aggressively expanding its offering? The size of the potential market is enormous and the interest in virtual learning has undoubtedly increased as a result of the remote lives many people have been forced to live over the last couple of years. According to the company, education market intelligence firm HolonIQ is forecasting the global education and training industry to grow to \$10 trillion by 2030.

## A \$10 Trillion Market Ready for Disruption

This is a life long learning opportunity, from early learning through primary, secondary and tertiary education, to adult learning and corporate training.

Education a \$10 Trillion industry in 2030.  
Growing at 4.5% CAGR and making up over 6% of Gross World Product (GDP)

Global Education and Training Expenditure (Trillion USD)



K12 over \$5 Trillion by 2030

2030E Global Education and Training Expenditure (Trillion USD)



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

While the global pandemic did expose many people to virtual work and learning, the experience often left much to be desired. Genius is aiming to change that. Through the company's Edtech platform, the company is developing its "Genie AI" virtual assistant that aims to give each student a personalized learning path at every stage of their education—with the intention for this solution to be delivered at every age from 0 to 100 years old.

Through the combination of cutting-edge technology and engaging educational techniques, Genius is endeavoring to change, and improve, the way people learn. The company's Pre-IPO group is already delivering a "full entrepreneur education system" to adults and is being used around the world, with 90% of Pre-IPO revenue coming from outside of the United States. The company notes that a "critical part of our curriculum is the way it is designed to ignite the genius of each student by being personalized to their unique talents, passions and purpose." And while some may raise their eyes at that statement, the fact that Genius had 2.7 million students at the end of 2021 mean to us that Genius Group is worth a further look.

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## INVESTMENT CASE

There are many online education companies in the world, especially after the last couple of years. So why should investors consider Genius along with, or above, all the other competitors? This is not to denigrate any online education provider, but rather, point out that Genius Group may be doing things in a different way that might be able to connect in a more effective way with students, both adult and children, who have had a lack of success with some of the existing providers out there. It's no secret that people learn in different ways, and from our point of view, Genius appears to be offering a different way of learning—one that engages students by learning what they love and teaching them in that way.

The best way to understand why we think GNS is worth a look is to first understand the educational point of view, and how it is delivered, that Genius offers. Let's start with a look at what Genius views as the differences between a Genius School and a Traditional School:

- Student-based and Personalized vs. Classroom-based and Standardized
- 21st Century Leadership Skills vs. Teaching to the Test
- Collaborative vs. Competitive
- Challenge-based vs. Course-based
- Accelerated learning vs. Rote learning
- Global and flexible vs. Local
- Tech-based vs. Textbook-based
- Multiple Mentors per challenge vs. One teacher per class.

Genius management points out the company's methodology differs from many learning methodologies. Many methodologies are based on pedagogy—which refers to the science and practice of teaching and guiding a student to achieve specific outcomes in education. Genius is based on andragogy—which refers to the science and practice of how students develop self-directed learning to guide their own development.

Andragogy is already commonly adopted as a practice by children as well as adults when they learn computer games or new applications on the internet. It is also how children and adults develop skills they are interested in such as learning a new sport, musical instrument or language, and it is the same practice that self-employed individuals, business owners and entrepreneurs use to “learn by doing”.

Genius Group has ten guiding principles that are worth understanding because it shapes the decisions made and the actions taken:



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

- Personalized Learning:** A part of Campus curriculum is the way it is designed to ignite the genius of each student by being personalized to their unique talents, passions and purpose. GeniusU takes the metaphor further with the use of an AI-powered “Genie” which the company is developing to be a personal mentor to each student on the GeniusU platform, guiding them to the courses, Mentors and opportunities best suited to their personal path. Students take assessments such as the Genius Test, Passion Test and Purpose Test, or progress tests such as the Entrepreneur Quizor Impact Test which gives both them and Genie AI insights into the best connections, courses and pathway to recommend to them.
- Challenge Based Courses:** The company claims to have found that students are more engaged when the learning experience is ‘gamified’, with the ability to compete for rewards and prizes. All of the live education that takes place on GeniusU has a challenge component. For example, the Young Entrepreneur Academy ends with a competition for the best business plan submission, or the Investor Microschool ends with a competition for the best investment portfolio submission. All submissions are shared between students, providing a knowledge bank from which the community learns from each other.
- Impact Focused Learning:** All courses on GeniusU are also purpose driven, with students defining their future vision early on in the pathway they choose, so that they can define why they are learning the skills or competencies that they are learning and how the learning will have a direct benefit to their future. The company also says it aligns the learning to global citizenship and each students’ chosen purpose that they choose to make an impact towards. This makes it easier for them to find the mentors and opportunities to work with, aligned to their purpose.
- Positive Credit System:** Students are rewarded with digital credits called GEMs (Genius Entrepreneur Merits) for the actions that they take during their learning and for the courses and certifications that they complete. They are then able to redeem these GEMs for discounts and specials on further learning.
- Global Classroom:** The company claims to have found that the most engaged learning takes place when students and faculty are able to learn with other students and faculty from multiple countries at the same time. Events and courses will often be attended by students from over 20 countries at the same time. The company has also found the most effective and active learning takes place when combining video tuition with global Mentors (who address all students in all countries on a live course simultaneously), local hosts (who host students in a particular city or location during the breakout and feedback sessions) and Mentors who can work with students one-to-one. This combination of guidance provides a high level of variety and engagement.

- **Leading Learners:** GeniusU is designed with a rating and recognition system that enable the best students, mentors and courses to be easily discoverable. This takes place either through a rewards and recognition system or through a ratings and ranking system. This enables the best student achievements and success stories, and the highest rated mentors and courses to be promoted via our Genie AI to the most relevant students. Management believes such a system that enables the education to evolve at the pace led by the recommendations trust of the community is important to stay relevant and up-to-date in rapidly changing times.
- **Decentralized System:** Company management notes growth has been largely led by the momentum of the student and partner community, and they have largely expanded the Group based on the interests of students and partners. The company believes the challenges of the more traditional education system is partly due to the centralized nature of how the curriculum and grading system is created. The Genius plan is to develop the Genius Curriculum such that it can constantly evolve and improve with the courses that rank highest replacing older courses on a year-by-year basis, with the most innovative partners and faculty being rewarded for the best new courses and products that they introduce.
- **Inclusive Entry:** By providing free courses at entry level and enabling students and partners to begin their learning journey on GeniusU, which is itself a fully scalable Edtech platform with minimal incremental cost per student, Genius is able to provide inclusive entry without the need to reject any students. They believe this is an important part of a more equitable education system, in which students are driven more by the rewards of success than the fear of failure. Students can then progress to higher level programs including vocational certifications and university degrees based on achieving minimum proficiency levels as would be expected in traditional education institutions, with the support of mentors in the event they require additional tuition and guidance.
- **Life and Leadership Skills:** In addition to the academic skills that more traditional schools and universities focus on, the company also believes an important factor of success in the Genius curriculum are life and leadership skills, and it plans to introduce these through the IPO Acquisitions mentioned above. For example, providing students at University of Antelope Valley with additional entrepreneurial, financial literacy, communication and technology skills. Management believes this is an important responsibility of the education system and the company has experienced a far higher demand for these skills from adult learners than additional academic skills.
- **Lifelong Learning:** The final principle of Genius, that of lifelong learning, is a principle that is already embraced by most leaders, business owners and entrepreneurs today. However, the company notes that most academic institutions do not provide easy access to a structured lifelong learning pathway. Genius is building an expectation with students that they can build an ongoing learning pathway with Genius Group which can serve them at every level of their lifelong learning journey, and that they can continually return, get recommendations from Genie and add to their learning profile on GeniusU. Management also believes the company will also benefit from a long-term relationship with students as a result of this principle.

These principles feed into the course designs offered by Genius, which are also informed by the business model—which is widely known as the so-called “freemium” model. Using this business model, which is quite popular in the online world, a company offers basic services for free, with the expectation that at least some of those users will upgrade to more premium offerings. Genius has a product range that is divided into what they refer to as their “six stages of education.” At each stage of education, the company has product offerings that divide into four product groups. Three of these product groups are for students, each at different levels of time and cost commitment:

- **FREE COURSES:** The first step that most students take is to join a free course. Genius notes the company operates on a “freemium” model (as described above) where students join and learn for free, build their learning profile, connect with circles and are guided by the company’s AI Genie.
- **PAID COURSES:** The second step that Genius students take, for those that chose to, is to purchase a one-off paid course. These vary in time and cost commitment from \$15 to \$5,000.
- **DIPLOMA COURSES:** The third step that students can take is a diploma course that spans over one or more years. These range from \$1,000 to \$30,000 per year. Examples of diploma courses include:
  - **Memberships:** The company hosts membership programs on GeniusU for their own companies and for their partners. These are delivered through a mix of digital, live and in-person. They provide monthly training, connection and information for the members who join, with prices ranging from \$1,000 to \$20,000 per year.
  - **Diploma Certificates:** Coinciding with the company’s IPO Acquisitions, Genius is adding vocational certifications and plan to extend this to primary and high school diploma programs. These will be delivered through a mix of digital, live and in-person. Prices range from \$2,500 to \$10,000 per year.
  - **Degree Certificates:** Due to the Genius acquisition of UAV, the company is also adding bachelor’s and master’s degree certificates. These will be delivered through a mix of digital, live and in-person. Prices range from \$10,000 to \$30,000 per year.

The company notes that GeniusU had grown to 2.66 million students as of December 31,2021, crediting their “freemium” model, which is common in industries such as gaming and social networking, but not all that common in the traditional education world. Below is an example of what the prospective student will encounter from the company:



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

Before we get into how many students move from the free courses into the paid category, which is what really matters, it's helpful to look at how Genius divides up its potential customers, how it looks to reach each category of learner and how much each category contributes to the overall revenue of the company—on a pro forma basis that includes the recent acquisitions:

- **PREP-0 to 7 years old:** The company's IPO Acquisition, Education Angels, provides education services to this stage of education. With \$0.9 million in 2021 revenue and 732 paying students, this represents 3% of pro forma Group revenue and 1% of total paying students in 2021.
- **PRIMARY-6 to 14 years old:** Another IPO Acquisition, E-Square, provides courses and a full primary school program to this stage of education. \$0.4 million in 2021 revenue and 245 paying students at primary school level, this represents less than 1% of pro forma Group revenue and less than 1% of total paying students in 2021.
- **SECONDARY - 12 to 18 years old:** E-Square also provides courses and a full secondary school program to this stage of education. With \$0.4 million in 2021 revenue and 190 paying students at secondary school level, this also represents less than 1% of proforma Group revenue and less than 1% of total paying students in 2021.
- **APPRENTICE - 16 to 22 years old:** IPO Acquisition, UAV, provides vocational certifications and degree level programs to this stage of education. With \$9 million in 2021 revenue and 3,102 paying students, this represents 32% of pro forma Group revenue and 4% of total paying students in 2021.
- **ENTREPRENEUR - 16 to 80 years old:** The company's Group Edtech company, GeniusU and entrepreneur education company, Entrepreneurs Institute, has been providing courses and products to adult learners. With \$9.6 million in 2021 education revenue, 2.6 million students and 37,361 paying students, this represents 34% of pro forma Group revenue and 52% of total paying students in 2021. IPO Acquisition, PIN, also provides courses and products to adult learners. With \$5.1 million in 2021, 157,599 students and 30,792 paying students, this represents 18% of pro forma Group revenue and 43% of total paying students in 2021. When combined, this education stage represents 52% of pro forma Group revenue and 95% of our students in 2021. Management notes that the company is planning for the percentage of revenue and students from this stage to fall as the percentage of revenue and students in the other stages increase.
- **MENTOR - 18 to 100+ years old:** Currently GeniusU provides mentor certifications for partners (discussed down below) who build their education businesses on the Edtech platform. While Entrepreneurs Institute and PIN are both utilizing GeniusU to grow their mentors, the plan is for the other IPO Acquisitions to also attract, train and grow their faculty through GeniusU.
- **ENTREPRENEUR RESORTS - All Ages:** Entrepreneurs Institute operates a campus model in the form of resorts, cafes and coworking spaces, and has plans to grow these campuses by connecting local partners with the Genius global community, Genius Curriculum and GeniusU platform. It delivers revenue from accommodation, food and beverage. With \$3.1 million in campus revenue in 2021, this represents 11% of pro forma Group revenue.

As mentioned above, another form of revenue being generated for Genius comes from the company's relationship with their "partners." The company partners with companies that have courses, faculty and communities that provide a valuable addition to the Group. As of December 31,

2021, partnership revenues contribute 32% of the revenue of the Education company, while the other 68% came from fully owned courses and curriculum. No partner or product makes up more than 5% of revenues.



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

Of course, the “freemium” model can only go so far, what really matter is how many of those free students can be converted into paid students? The company reports that, as of December 31, 2021, out of its 2.66 million students, 2.62 million were free students and 37,361 were paying students, with a 1.4% conversion rate in 2021 converting 3,441 new paying students out of a total of 859,784 new free students.

The company tracked activity over a 24-month period from January 2019 to December 2021, and found that every \$1,000 in marketing cost delivered 7,703 new visitors and 1,326 new free students who registered on GeniusU as a result of this marketing. From these free students, just over 1% convert to paying students, generating \$1,860 in revenue in the first 12 months as they purchase their first courses or events, and \$20,501 in revenue in the first 24 months as they upgrade to higher priced courses and diploma programs. According to the company, this equates to a \$0.76 marketing cost per student and \$15.46 revenue per student within 24 months. Below is the company’s pictorial representation of the process:



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

The company also tracks its Partner conversions and as of December 2021 Genius had 10,317 partners on the platform. The company reports that, for its main partner marketing activity for the period from January 2019 to December 2021, every \$1,000 in marketing cost delivered 1,540 new visitors and 38 new faculty and partners on GeniusU as a result of this marketing. From these partners, Genius also saw just over 1% pay for certification courses on GeniusU, generating \$46,702 in partner revenue for GeniusU in the first 24 months. We also saw these partners attract an additional 1,520 new students during this period. According to the company, this equates to a \$26 marketing cost per partner and \$1,229 revenue per partner within 24 months. Again, below is pictorial representation of the company's partner program:



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

Of course, these results don't include the so-called "IPO Acquisitions", but management has laid out how the company plans to integrate these four new pieces to the puzzle into the Group:

- Education Angels**-According to the company, prior to the completion of the acquisition, Education Angels' revenues have been limited to delivering its home childcare and education program in New Zealand. Genius will now be integrating Education Angels' parenting courses, educator certification on GeniusU. This will enable them to provide an education offering for parents of children up to 5 years old, while linking Genius's conversion model to Education Angel's products. Management believes this integration with Education Angels' updated product range and GeniusU's student and partner conversion model to include the following benefits:
  - By launching the Young Genius Test, Parent Genius Test and Parenting microdegrees based on Education Angels' education principles and programs, Genius plans to grow the global intake of parents with children up to 5 years old joining free education products and courses.
  - By launching online certifications on GeniusU for Angel Guides and Angel Educators, Genius plans to attract partners and faculty around the world who will be using Education Angels' education tools and courses via GeniusU.
  - By integrating Education Angels' early learning courses into Genius curriculum and partner pathway, Genius plans to attract a similar growth in community partners for EducationAngels as seen for Entrepreneurs Institute. This includes in country

partners, where they have already attracted partners for Genius School courses and certifications in Australia, New Zealand, Thailand, England and the United States.

- **E-Square Education**—Again, according to the company, prior to the completion of the acquisition, E-Square Education’s revenues have been limited to delivering its primary school, secondary school and vocational college offerings in South Africa. Following the acquisition of E-Square Education, Genius notes it will integrate E-Square Education’s individual courses, Microsoft certifications and full year-by-year primary and secondary school curriculum on GeniusU. This will enable Genius to provide an education offering for parents of children up to high school diploma and vocational certification level, while linking their conversion model to E-Square Education’s courses. Management believes this integration of online versions of E-Square’s courses and teaching methodology with GeniusU’s student and partner conversion model will result in the following benefits:
  - By integrating E-Square’s most popular courses with Genius School curriculum on GeniusU, they plan to grow the global intake of parents and students to free education products and courses suited for primary school and secondary school.
  - By extending Genius School online certifications on GeniusU for Genius Guides and Genius Educators to include facilitating and teaching E-Square courses, including Microsoft certifications, Genius plans to attract partners and faculty around the world who will be able to deliver this expanded offering via GeniusU. This can further be extended into a teacher pathway leading to teacher certification and up to a master’s degree in education at the University of Antelope Valley.
  - The company will be integrating E-Square’s teaching methodology, where students meet in person or virtually and track all their learning on their mobile phones while being supervised by a group of faculty members, into the GeniusU platform. This will enable Genius to provide faculty with the option of teaching courses to students at all ages either online, via virtual live microschoools, or in person with a small group, or at one of the campus venues with a large group. Management notes this flexibility in delivery for both faculty and students is an important part of their vision for Genius curriculum.
  
- **University of Antelope Valley**—The company notes that, prior to the completion of the acquisition, UAV’s revenues have been limited to delivering its certifications and degree programs to the students who physically enroll at their location in Lancaster, California. Following the acquisition of UAV, Genius will integrate UAV’s various certification and degree programs on GeniusU. This will enable Genius to provide an education offering at a college and university level, while linking the conversion model to UAV’s courses. Management believes this integration of UAV’s most relevant courses with GeniusU’s global community and student and partner conversion model will result in the following benefits:
  - By providing free courses and low-cost certifications delivered with UAV’s faculty and course content, Genius plans to grow a strong community of students globally experiencing UAV’s programs, with the option to progress to paid diploma courses either online or on campus in UAV. In time, Genius also plans to make UAV’s courses available via certified faculty and campus venues around the world.
  - Genius is extending the Education Festival model to high demand industries including Fintech, Edtech, Medtech, Greentech and Spacotech. Genius plans to utilize the university campus at UAV to deliver live portions of the summits, microschoools and microcamps related to this model, which can then be either attended live in Lancaster, virtually on GeniusU or in a city circle with community partners.
  - By integrating UAV’s business and medical certifications and degrees into Genius curriculum the company believes it can develop concentrations in high demand areas

including entrepreneurship, education, technology and health, together with a focus towards high demand industries including those mentioned above.

- **Property Investors Network**—The company reports that, prior to the completion of the acquisition, PIN’s revenues have been limited to delivering its events and education programs to property investors in England. Genius is now integrating PIN’s event model and property investment education programs on GeniusU. According to management, PIN’s model and bottlenecks to growth are very similar to those faced by Entrepreneurs Institute prior to Genius Group’s acquisition. As the acquisition of PIN has been consummated, management expects PIN’s growth to grow in a similar way, with students being able to join from anywhere at any time, PIN courses will be digitized to be delivered part-recorded and part-facilitated, and faculty will be able to join and get certified to deliver the courses from anywhere around the world. Management believes this integration of PIN’s community, events and courses with GeniusU’s student and partner conversion model will result in the following benefits:
  - By launching the Investor Genius Test together with free courses, Genius will grow the global intake of students interested in PIN’s courses, including financial literacy and property investing.
  - PIN already has a successful Event Host model in the United Kingdom, with 50 Event Hosts managing monthly events for the property investor communities in their cities. By extending this model to cities globally and migrating their event management system to GeniusU, the company plans to scale what has proven to be a successful model in the UK to other countries where students are seeking a like-minded community and an effective education in property investing.

We’ll finish up this outline of the way Genius is structured and what makes them a unique and interesting investment candidate by looking at the four companies known as the “Pre-IPO” companies, those that have been part of Genius and whose results are reflected in the actual, not pro forma, 2021 financial results:

**Genius Group Ltd**--Genius Group Ltd refers specifically to the holding company, Genius Group Limited, the Singapore public limited company which owns the other companies in the Group. Prior to a corporate name change in July 2019, it was known as GeniusU Pte Ltd. Genius Group Ltd is the holding company that is now listed on the NYSE as of April 2022. According to the company, the primary activities of Genius Group are:

- Setting the overall strategic direction of the Group
- Oversight on the operational and financial management of each company in the Group
- Overseeing growth opportunities, mergers and acquisitions
- Managing financing activities and investor relations
- Ensuring all Group companies are aligned to the overall mission and culture.

The company provides strategic management, accounting, legal and human resources services to the companies within the Group.

**GeniusU Ltd**--GeniusU Ltd operates as the Edtech company within Genius Group, providing the technology that enables the company to grow acquisitions as Edtech companies with its Edtech platform, AI digital assistant, personalized learning and global community. GeniusU manages all design, development, data, content, community and commerce related to the Edtech platform.

**Entrepreneurs Institute**-- In August 2019, Genius Group Ltd acquired Entrepreneurs Institute for \$8 million. The company owns and develops the entrepreneur education curriculum and tools in the Group.

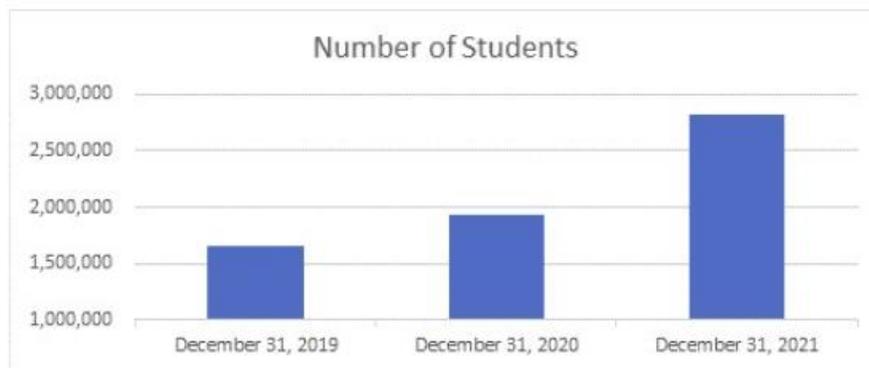
**Entrepreneur Resorts**-- Entrepreneur Resorts was acquired by Genius Group in July 2020. The company in turn wholly owns and operates five subsidiary companies: Entrepreneur Resorts Pte Ltd (Singapore); Genius Central Singapore Pte Ltd, Vision Villa Resorts Pte Ltd (Indonesia); Tau Game Lodge (South Africa); and Matla Game Lodge (South Africa). Entrepreneur Resorts operates a range of resorts, retreats and co-working cafes for entrepreneurs operating as campus venues for GeniusU's education courses. The company currently owns and operates venues in three countries: Singapore, Indonesia and South Africa. In Singapore, it owns Genius Central, an entrepreneur co-working hub, bar, restaurant and event space. In Bali, Indonesia, it owns Vision Villa Retreat and Genius Café, an entrepreneur beach club. In South Africa, it owns Tau Game Lodge and Matla Lodge, both safari lodges on the Madikwe Game Reserve. Each venue operates as a local campus for events and courses that take place on GeniusU.



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

## THE COMPANY

As seen above, Genius has a lot going on and has been fairly aggressive about expanding the offerings in their portfolio and has stated that further acquisitions are always on the table as the company looks to grow its business. To this point, as mentioned above, Genius reported that it had a student base of 2.7 million students at the end of 2021—and 90% of those were from outside of the United States. The company expects that ratio to drop to 50% in 2022 after the acquisitions are integrated into the company.



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

As seen in the chart—student growth has been stellar over the past couple of years but the keys to the company’s future in our view will be continuing to grow the student count, especially in the United States which is largely an untapped market for Genius, integrate the acquisitions in an efficient manner and cut some of the overlapping costs, while also growing those business lines under the Genius umbrella, and working to raise the conversion rate of free students that move into paying students.

We can also look at the recent trends in revenue for Genius, which roughly mirror the student trends, and also include proforma numbers that include the IPO acquisitions:



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

According to the company, the four IPO Acquisitions would have added \$15.8 million in revenue to the Group in the year ended December 31, 2021, which represents 55% of the \$28.6 million proforma Group revenue during this period, while the Pre-IPO Group generated \$12.8 million. This represents a 68% growth year-on-year in Pre-IPO Group revenues compared to \$7.6 million in the year ended December 31, 2021.



Source: GeniusGroup—www.geniusgroup.net-June 16, 2022

Note in the financials provided below, the numbers are actual results in 2020 and 2021, which do not include the IPO acquisitions, but the following years, of course, do include projections with those companies included, but with no additional potential acquisitions reflected.

## Management

In a business like this, which there are few of that we're aware of, leadership makes an enormous difference and is likely going to the determination of the success or failure of the company. Having a vision of where the company is going and how it's going to get there is vital, but just as important is the ability to execute these plans in an efficient and well-choreographed manner. This is an area that gives us confidence in the plans outlined above as it appears to us that the leadership in place for Genius is exceptional:

Roger James Hamilton is the Chief Executive Officer and Chairman and has been since 2015. He is also the founder and Chief Executive Officer of Entrepreneur Resorts Limited, a hospitality company and a subsidiary of Genius Group Ltd, since 2017, where he is responsible for the growth of the company's resorts and beach clubs and led the company through its initial public offering in 2017. Mr. Hamilton is also founder and Chairman of Entrepreneurs Institute and GeniusU Ltd, which are both companies within Genius Group. Mr. Hamilton is a New York Times bestselling author and entrepreneur who mentors other entrepreneurs to grow their enterprises.

Michelle Clarke is the company's Chief Marketing Officer. Ms. Clarke founded Talent Dynamics in Partnership with Roger James Hamilton in 2009. Talent Dynamics is an extension of Wealth Dynamics for large teams and corporates. It grew into over 20 countries with over 500 mentors,

before integrating into Entrepreneurs Institute in 2015. Ms. Clarke is now the Chief Marketing Officer for GeniusU Ltd, where she mainly works with the top-level partners, to grow their businesses and communities on GeniusU.

Suraj Naik is the company's Chief Technology Officer. Prior to joining Genius, Mr. Naik created an online event ticketing and registration platform, which he later sold to Idea WaveLabs. After successfully launching Wealth Dynamics and Millionaire Master Plan, where he was responsible for executing a 4-month campaign to ensure placement of The Millionaire Master Plan book on the bestsellers lists of the New York Times, USA Today, Amazon and Barnes & Noble, Suraj led the launch of GeniusU.

Brad Warkins is the company's Chief Operating Officer. Prior to joining Genius Group, Mr. Warkins served as President of publicly traded Gaia, Inc. (Nasdaq: GAIA), one of the world's largest on-demand video service producing and curating original content in the conscious media space, serving 821,000 subscribers in 185 countries. In his role as President, from 2015 through 2021, Mr. Warkins drove digital transformation, led all acquisition integrations and international expansions, and negotiated and managed Gaia's most valued cross-platform partnership deals, in addition to leading all technology and operations. Previously, Mr. Warkins served as VP and COO of Gaia's predecessor company, Gaiam, Inc., from 2006 to 2015, President of Conscious Media, Inc. from 1999 to 2006, Director of Ecommerce for Corporate Express from 1998 to 1999, and Manager at Accenture from 1991 to 1998.

Rav Karwal is the company's Chief Revenue Officer. Mr. Karwal is an entrepreneurial executive with a track record leading revenue, sales, and other go-to-market strategies at early to later-stage tech ventures, including HGM, Hyrekar, Exela, Apprion, and Scholast iSoft.

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## VALUATION

With a company such as Genius we would often look to comparable companies for valuation metrics but with the market conditions as of late and the fact that we view, and think the above information backs up our view, that Genius is a unique company. As such, we used the discounted cash flow method to come up with what we believe is a fair, and fairly conservative, valuation for GNS.

Of course, with the discounted cash flow model assumptions about the future have to be made, which can be cloudy at times. How the online education environment is going to develop over the next ten years is likely something we can't really imagine at this point in time. However, we believe that Genius is on the cutting edge of that industry and appreciate the aggressiveness in attempting to provide a one-stop solution for people and their education needs and wants. As such, we start with the pro-forma numbers discussed above and grow revenues by 20% over the next three years as the acquisitions are integrated and expanded and as the company gets further entrenched into the United States. After that, we assume a 10% growth rate for revenue, as online education gains popularity in both the corporate and educational worlds.

Importantly, on the cost front, costs of revenue right now are reported by the company to be 80% of revenues, but pro forma costs are closer to 50%. We split the difference and start with 70%. After remaining at 70% for the balance of 2022, we assume a drop to 65% in 2023, 60% in 2024 and then leveling off at 60% after that. We also assume that general and administrative costs will not double with the addition of four companies to the portfolio this year. Due to efficiencies realized and redundancies eliminated we assume that those costs rise by 75% instead of 100% and then raise those by a relatively modest 5% a year thereafter.

The last piece is the discount rate. We would usually use a 10% discount rate for a company such as this with revenues coming in, a large market to tap and solid management, but the risk factor in the market has gone up quite a bit this year. We don't think investors will continue to be as averse to risk as they are now but we are going to tick up the discount rate to 11% to acknowledge that the environment has changed and may stay slightly more risk averse for the foreseeable future than it has been over the past couple of years.

All of this results in a valuation of \$18.40, which is above the \$9-10 it has been trading at recently.

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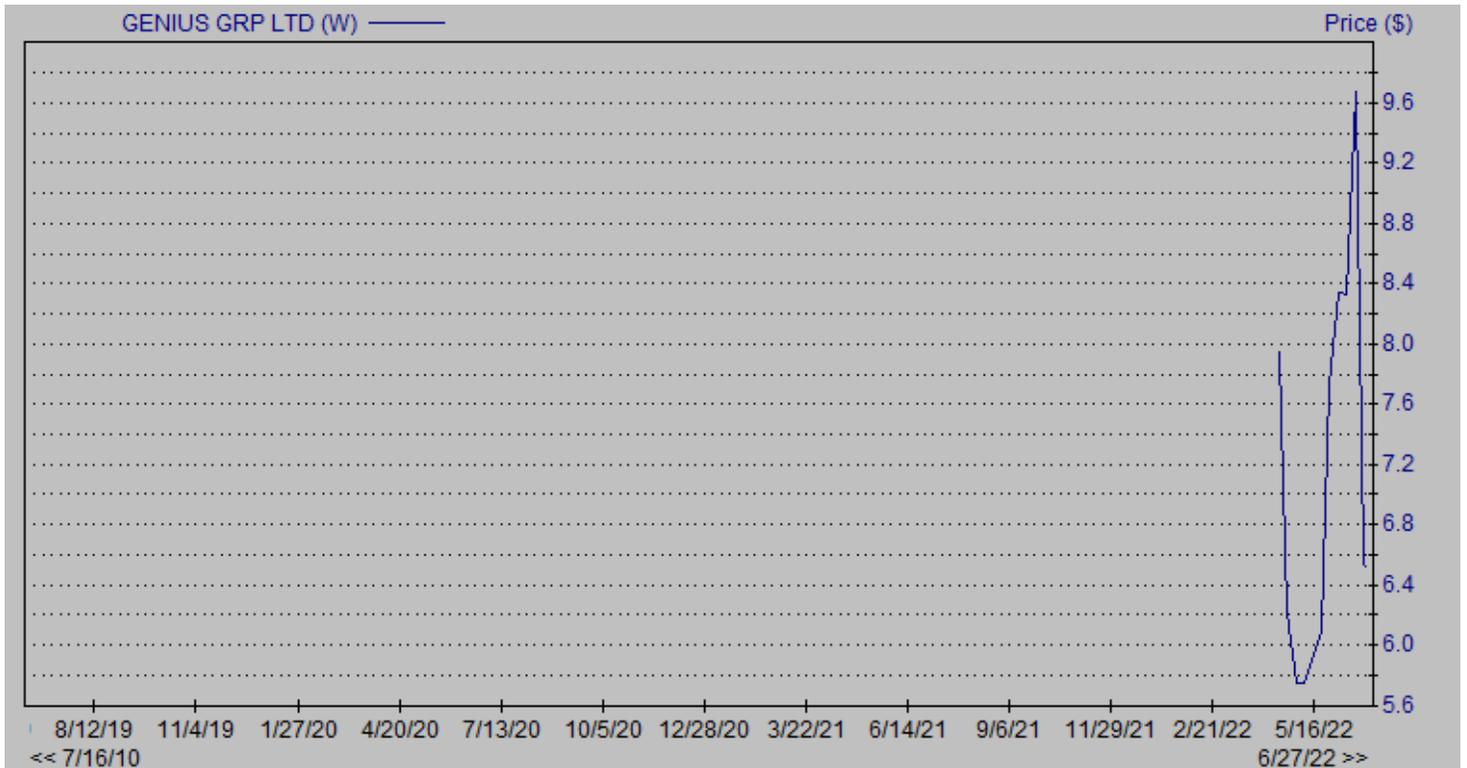
## **RISKS**

- The key risk we see would be if the leadership structure, especially at the very top, would change—the vision would likely suffer.
- The entrance in a bigger way to the US could be less successful than planned.
- If costs aren't cut and revenues don't accelerate, current cash wouldn't sustain the company for an extended period.
- Competitors could copy the model that Genius has created.
- Public companies are always at risk of lawsuits from clients and shareholders.
- Online education could lose favor and result in less demand than expected.

## PROJECTED INCOME STATEMENT & BALANCE SHEET

Genius Group Income Statement and Balance Sheet						
		<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>	<u>2024E</u>
Revenue		7,633,776	12,778,262	34,320,000	41,184,000	49,420,800
	Cost of revenue	(4,134,108)	(10,020,804)	(24,024,000)	(26,769,600)	(29,652,480)
	Gross profit	3,499,668	2,757,458	10,296,000	14,414,400	19,768,320
Operating (Expenses)/Income						
	General and administrative	(6,151,221)	(7,211,204)	(12,975,000)	(13,623,750)	(14,304,938)
	Depreciation and amortization	(40,906)	(38,864)	(85,501)	(94,051)	(103,456)
	Other operating income	11,610	324,126	0	0	0
	Total operating (expenses)/income	(6,180,517)	(6,925,942)	(13,060,501)	(13,717,801)	(14,408,393)
Gain/(loss) from Operations		(2,680,849)	(4,168,484)	(2,764,501)	696,599	5,359,927
(Expense)/Income						
	Interest expense, net	(853,983)	(449,566)	(494,523)	(543,975)	(598,372)
	Other income	411,763	0	0	0	0
	Total other income/(expense)	(442,220)	(449,566)	(494,523)	(543,975)	(598,372)
	Loss Before Income Tax	(3,123,069)	(4,618,050)	(3,259,023)	152,624	4,761,554
	Income Tax Benefit (Expense)	(69,245)	128,852	0	0	0
	Net Loss	(3,192,314)	(4,489,198)	(3,259,023)	152,624	4,761,554
Earnings (loss) per share from cont. operations		(\$0.25)	(\$0.28)	(\$0.20)	\$0.01	\$0.28
Wtd Avg Number of Shares Outstanding		12,575,605	16,155,812	16,478,928	16,808,507	17,144,677
Assets						
Current Assets						
	Cash and cash equivalents	2,273,151	1,784,938	1,838,486	1,893,641	1,950,450
	Accounts receivable, net	948,341	1,018,003	1,048,543	1,079,999	1,112,399
	Other current assets	1,715,111	3,693,221	3,804,018	3,918,138	4,035,682
	Total Current Assets	4,936,603	6,496,162	6,691,047	6,891,778	7,098,532
	Property and Equip., net	7,596,990	6,776,116	6,979,399	7,188,781	7,404,445
	Operating lease right-of-use asset	1,663,881	1,077,241	1,109,558	1,142,845	1,177,130
	Other non-current assets	2,760,239	3,245,888	3,343,265	3,443,563	3,546,869
	Total Assets	16,957,713	17,595,407	18,123,269	18,666,967	19,226,976
Liabilities and Stockholder Equity						
Current Liabilities						
	Account payable	821,820	1,078,381	1,110,732	1,144,054	1,178,376
	Accrued exp. and other cur. liab.	1,810,222	2,064,302	2,126,231	2,190,018	2,255,719
	Deferred Revenue	1,546,712	2,561,912	2,638,769	2,717,932	2,799,470
	Other current liabilities	1,200,245	1,435,002	1,478,052	1,522,394	1,568,065
	Total Current Liabilities	5,378,999	7,139,597	7,353,785	7,574,398	7,801,630
	Non-current liabilities	3,872,625	2,469,814	2,543,908	2,620,226	2,698,832
	Total Liabilities	9,251,624	9,609,411	9,897,693	10,194,624	10,500,463
Stockholder Equity						
	Contributed Capital	50,630,439	50,924,276	51,074,572	50,924,276	50,816,892
	Subscription Receivable	(1,900,857)	(1,900,857)	(1,900,857)	(1,900,857)	(1,900,857)
	Reserves	(32,112,799)	(31,888,638)	(28,540,331)	(28,295,892)	(32,695,892)
	Accumulated Deficit	(9,167,848)	(13,493,684)	(16,752,707)	(16,600,083)	(11,838,529)
	Capital and reserves attributable to Genius Group Ltd	7,448,935	3,641,097	3,880,677	4,127,444	4,381,614
	Non-controlling interest	257,154	4,344,899	4,344,899	4,344,899	4,344,899
	Total Stockholder Equity	7,706,089	7,985,996	8,225,576	8,472,343	8,726,513
	Total Liabilities and Stockholder Equity	16,957,713	17,595,407	18,123,269	18,666,967	19,226,976

# HISTORICAL STOCK PRICE



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