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Zacks Small-Cap Research

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Genius Grp Ltd (GNS-NYSE)

GNS: Results show online education company is rapidly growing and improving execution.

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 $19.20.

Current Price (10/18/22)	$1.94
Valuation	**$19.20**

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.

Genius released its first half 2022 results and showed rapid growth in revenues and improved margins. The company plans to continue growth internally through effective marketing campaigns, while also pursuing additional acquisitions to bolster their offerings.

SUMMARY DATA

52-Week High	**$1.78**
52-Week Low	**$2.20**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**62,221**
Shares Outstanding (mil)	**22**
Market Capitalization ($mil)	**$42**
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	**17.6**
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	$9.5E	$10.5E	$11.0E	$38.0E
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	-$0.10E	$0.01E	$0.02E	-$0.07E
2023	$0.02E	$0.03E	$0.03E	$0.04E	$0.12E

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Update

We continue to be excited about Genius Group and the company's approach to online education and enthusiasm for entrepreneurship. The company recently gave an update on the first half 2022 performance and updated guidance for the full year. Genius management expressed enthusiasm about the prospects of the company's platform and expects to continue to grow organically through aggressive marketing and word of mouth, while also pursuing acquisitions. We are maintaining our valuation estimate of $19.20 and believe the innovative way Genius is approaching online education will prove to be beneficial to both students and investors in GNS.

As mentioned, the company released first half results that showed growing revenues, better margins and solid cash balances:

- First half 2022 revenue grew to $7.44 million, which represents a 17% growth rate over first half 2021 levels.
    - The company also announced pro forma revenue of $16.57 million when taking into account revenues from acquisitions.

- First half 2022 gross margin grew to 29.97%, right at our forecasted level, and up from 25.85% in the first half of 2021.
    - Pro forma gross margins for Genius were a robust 48.49%.

- The company had a first half 2022 loss of $3.5 million, roughly inline with our expectations, and we believe keeps the company on the trend toward profitability by year end 2022.

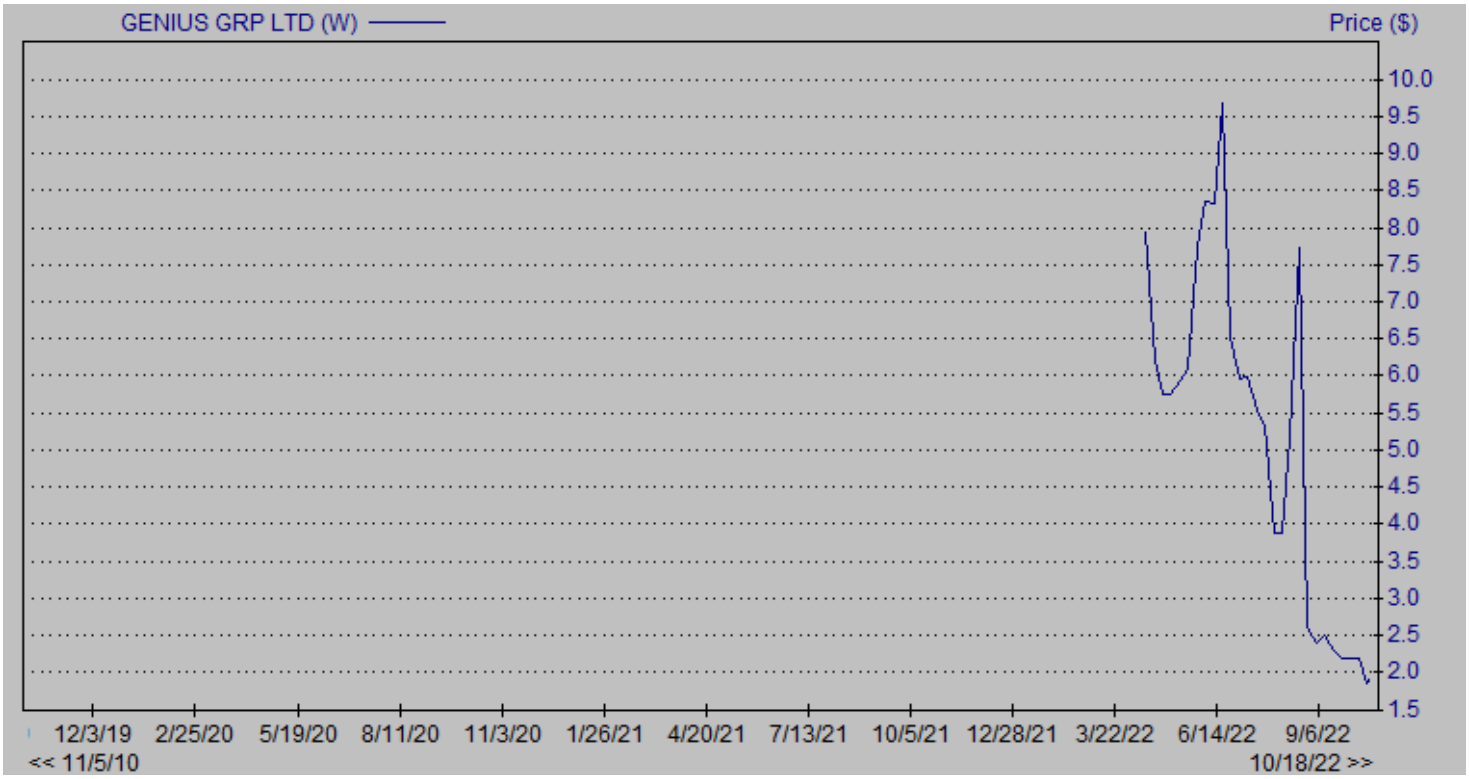
- Cash and equivalents as of June 30, 2022 were up to $7.58 million from $1.78 million as of December 31, 2021.

- Genius grew the provider's student numbers 13% (annualized) to 2.8 million, while on a pro forma basis the company had a user base of 4.2 million students.
    - The number of paying students grew at a 9.44% annualized basis to 39,124.

The company also detailed the announced acquisition of Revealed Films Inc., which is a media production company that produces documentaries. Management noted that Revealed is expected to attract even more students and provide more value through the company's high quality documentaries featuring well-knows public figures that have proven to drive viewing interest. Genius purchased Revealed for $10 million, with terms that we found very attractive, with claw back clauses in place in the event that Revealed doesn't produce the revenue expected, while also providing for additional funds should Revealed exceed expectations—a deal that we believe incentives growth and protects Genius.

The company also issued full-year 2022 guidance. Genius reduced the company's pro forma revenue guidance back down to a range of $35.0-$38.0 million but maintained the company's pro forma adjusted EBITDA guidance at $0.5-$1.5 million. This guidance is roughly inline with our expectations for the year and we believe represents the continued growth and efficiency that makes GNS worth a look by investors. Online education is a growing industry, and we believe Genius is delivering it in a better and more effective way, which should prove to be valuable educationally and financially.

HISTORICAL STOCK PRICE



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