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Zacks Small-Cap Research

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Genius Grp Ltd (GNS-NYSE)

GNS: Using AI to improve student outcomes.

GNS in an online education company and is attempting revolutionize the online learning experience. Using discounted cash flow analysis and discount rate of 10%, we arrive at a valuation on $6.00.

Current Price (06/05/23)	$1.02
Valuation	**$6.00**

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 announced its full-year 2022 results that showed accelerating student growth and looked forward to the integration of recent acquisitions and further growth in students and revenue.

SUMMARY DATA

52-Week High	**$10.68**
52-Week Low	**$0.32**
One-Year Return (%)	**-87.71%**
Beta	**19.87**
Average Daily Volume (sh)	**1,309,238**
Shares Outstanding (mil)	**22**
Market Capitalization ($mil)	**$22**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**51**
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 2023 Estimate	**N/A**
P/E using 2024 Estimate	**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	N/A	N/A	N/A	$18.2A
2023	$12.0E	$12.0E	$12.0E	$12.0E	$48.0E

Earnings

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	N/A	N/A	N/A	N/A	-$0.25A
2021	N/A	N/A	N/A	N/A	-$0.28A
2022	N/A	N/A	N/A	N/A	-$2.44A
2023	-$0.20E	-$0.21E	-$0.20E	-$0.21E	-$0.82E

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Update

Genius Group, the educational company that we believe is at the cutting edge of a new wave of education, which will include artificial intelligence as a benefit to students and not simply as a way for students to cheat, released its official 2022 full-year earnings today. Due to the long delay in getting the results out, we aren't going to spend a lot of time reviewing them but looking more toward the current year and the future potential. Briefly, here are the highlights of the 2022 fiscal year:

- Revenue grew 119% over 2021 to $18.2 million and pro forma revenues, which would include the acquisitions we have detailed that occurred in 2022, would have come in at $28.1 million.
- The company's gross margin expanded to 47% in 2022, up from 33% in 2021, and while that growth is impressive, the pro forma margin would have been 53%.
- The company made adjustments to its goodwill and intangible asset valuations, which contributed to a larger net loss but is not concerning to us in terms of operating results.
- Cash on hand ended the year at $5.7 million, up from $1.8 million.
- Most importantly to us, the company maintained its guidance for 2023, while noting that management is focusing on "larger strategic acquisitions."

We are extremely excited about the 2023 year, when the crucial acquisitions the company made last year will be more fully integrated into the Genius way of doing business. As we've noted before, education in all phases of life is changing on an almost daily basis and our view is that Genius is the one company we've seen that is attempting to get ahead of those changes and drive the change instead of react to it. For example, artificial intelligence is the hot idea gripping the market at the present time, and in some ways has frustrated educators for a variety of reasons. Earlier this year, Genius announced that it was releasing Genius AI—using artificial intelligence to assist students through their learning process.

We're also encouraged by the focus that management appears to have regained after a lot of energy, understandably, was focused on fighting what the company believed was manipulation of its stock. The company continues to make efforts to fight manipulation, but management has settled certain legal issues, which we believe allows management to do what it does best, providing a cutting-edge education experience for its students.

We have written about this in previous reports but want to reiterate that the number of students enrolled in Genius U grew exponentially in 2022, something we believe will continue in 2023 as marketing and word of mouth campaigns ramp up. The number of paying students grew roughly 130% in 2022 vs. 2023—and while we believe that trajectory is reasonable to assume for at least the next couple of years at a minimum. That growth could accelerate depending on the acquisitions that the company may enter into over the coming years and given the history of the current management those acquisitions seem certain to happen.

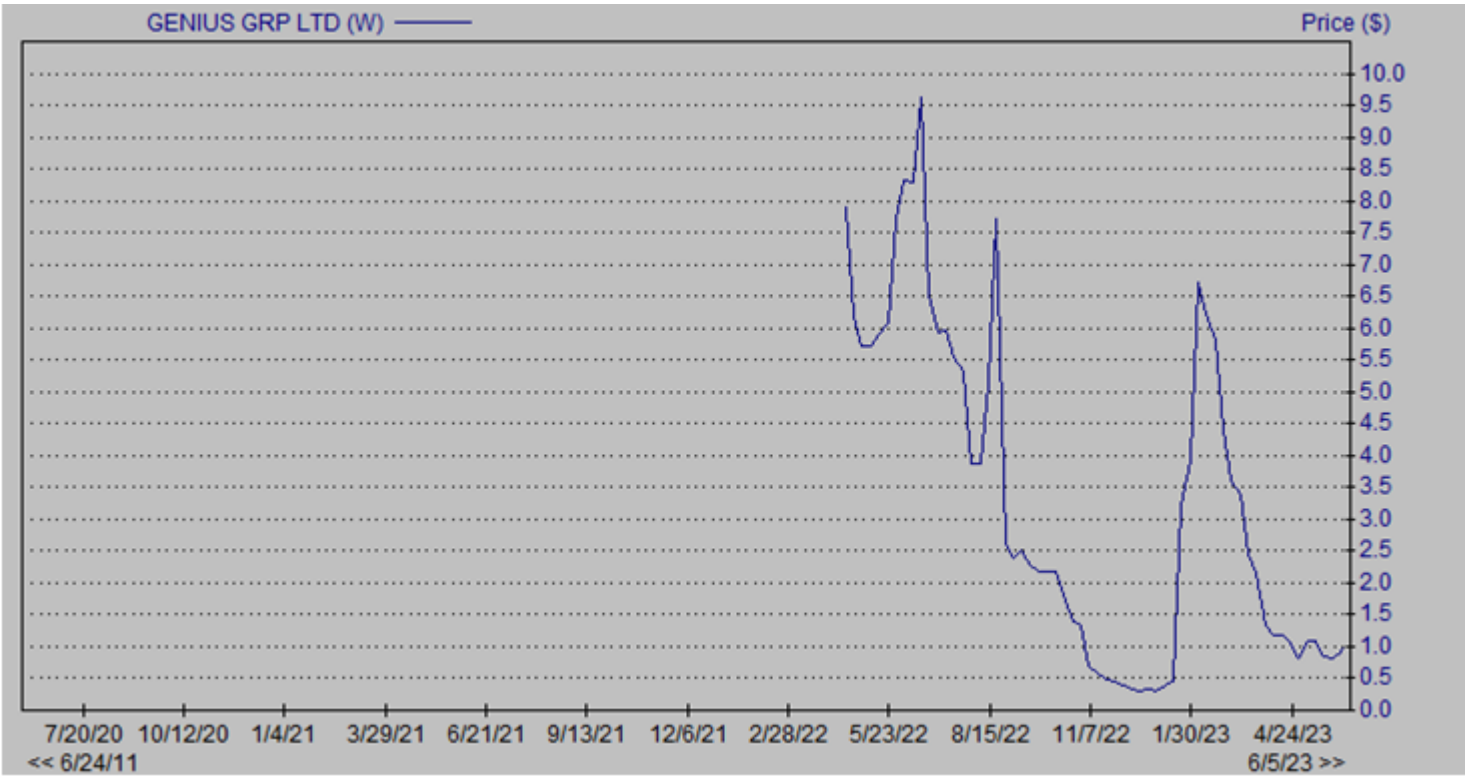
Providing potential additional fuel to GNS stock, the company's board, earlier this year, approved a share buyback and consolidation, which we are anxious to find out the details of and believe will benefit shareholders in the coming months.

Finally, we are adjusting the valuation of GNS stock to reflect modestly higher expenses in the coming years than we had projected previously as well as a changing market environment with higher interest rates, a higher cost of capital and increased technology cost that are plaguing all companies at the present time. As a result of all of these issues, we are moving the valuation to $6.00 per share, which represents a premium to the current price and represents our continued positive view of GNS stock

We continue to believe that Genius is transforming the educational process and preparing students for the 21st century economy that is developing. We suggest investors with a slightly higher risk tolerance, take a look at GNS. We believe GNS is vastly underpriced and that accelerating student growth will propel the stock forward in the foreseeable future.

Genius Group Income Statement						
		2020A	**2021A**	**2022A**	**2023E**	**2024E**
Revenue		7,633,776	12,778,262	18,194,000	48,000,000	57,600,000
	Cost of revenue	(4,134,108)	(10,020,804)	(9,555,000)	(34,080,000)	(40,320,000)
	Gross profit	3,499,668	2,757,458	8,639,000	13,920,000	17,280,000
Operating (Expenses)/Income						
	General and administrative	(6,151,221)	(7,211,204)	(21,073,794)	(22,127,484)	(23,233,858)
	Depreciation and amoritazation	(40,906)	(38,864)	(705,651)	(776,216)	(853,838)
	Other operating income	11,610	324,126	(28,442,555)	(14,221,278)	(3,555,319)
	Total operating (expenses)/income	(6,180,517)	(6,925,942)	(50,222,000)	(37,124,977)	(27,643,015)
Gain/(loss) from Operations		(2,680,849)	(4,168,484)	(41,583,000)	(23,204,977)	(10,363,015)
(Expense)/Income						
	Interest expense, net	(853,983)	(449,566)	(1,312,000)	(1,443,200)	(1,587,520)
	Other income	411,763	0	(13,420,000)	(6,710,000)	(3,355,000)
	Total other income/(expense)	(442,220)	(449,566)	(14,732,000)	(8,153,200)	(4,942,520)
	Loss Before Income Tax	(3,123,069)	(4,618,050)	(56,315,000)	(31,358,177)	(15,305,535)
	Income Tax Benefit (Expense)	(69,245)	128,852	1,064,000	0	0
	Net Loss	(3,192,314)	(4,489,198)	(55,251,000)	(31,358,177)	(15,305,535)
	Other Comprehensive Loss	0	(230,000)	1,045,000	0	0
Earnings (loss) per share from cont. operations		($0.25)	($0.28)	($2.44)	($0.82)	($0.39)
Wtd Avg Number of Shares Outstanding		12,575,605	16,155,812	22,634,366	38,100,000	38,862,000
Assets						
Current Assets						
	Cash and cash equivalents	2,273,151	1,784,938	5,720,569	5,892,186	6,068,952
	Accounts receivable, net	948,341	1,018,003	4,856,637	5,002,336	5,152,406
	Other current assets	1,715,111	3,693,221	13,673,241	14,083,438	14,505,941
Total Current Assets		4,936,603	6,496,162	24,250,447	24,977,960	25,727,299
	Property and Equip., net	7,596,990	6,776,116	563,131	580,025	597,426
	Operating lease right-of-use asset	1,663,881	1,077,241	12,573,710	12,950,921	13,339,449
	Other non-current assets	2,760,239	3,245,888	53,872,339	55,488,509	57,153,164
Total Assets		16,957,713	17,595,407	91,259,627	93,997,416	96,817,338
Liabilities and Stockholder Equity						
Current Liabilities						
	Account payable	821,820	1,078,381	1,672,306	1,722,475	1,774,149
	Accrued exp. and other cur. liab.	1,810,222	2,064,302	3,809,540	3,923,826	4,041,541
	Deferred Revenue	1,546,712	2,561,912	6,391,993	6,583,753	6,781,265
	Other current liabilities	1,200,245	1,435,002	11,503,615	11,848,723	12,204,185
Total Current Liabilities		5,378,999	7,139,597	23,377,454	24,078,778	24,801,141
	Non-current liabilities	3,872,625	2,469,814	53,927,337	55,545,157	57,211,512
Total Liabilities		9,251,624	9,609,411	77,304,791	79,623,935	82,012,653
Stockholder Equity						
	Contributed Capital	50,630,439	50,924,276	110,534,000	111,639,340	112,755,733
	Subscription Receivable	(1,900,857)	(1,900,857)	(1,900,857)	(1,900,857)	(1,900,857)
	Reserves	(32,112,799)	(31,888,638)	(32,933,714)	(32,689,275)	(37,089,275)
	Accumulated Deficit	(9,167,848)	(13,493,684)	(68,539,210)	(79,571,976)	(72,364,816)
Capital and reserves attributable to Genius Group Ltd		7,448,935	3,641,097	7,160,219	(2,522,768)	1,400,785
	Non-controlling interest	257,154	4,344,899	6,794,617	4,344,899	4,344,899
Total Stockholder Equity		7,706,089	7,985,996	13,954,836	1,822,131	5,745,684
Total Liabilities and Stockholder Equity		16,957,713	17,595,407	91,259,627	81,446,065	87,758,337

HISTORICAL STOCK PRICE



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