

Equity Research: Technology—Media
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QYOU Media Announces Partnership with Airtel Xstream

On January 13, 2020, QYOU Media Inc. (TSXV:QYOU) announced the launch of The Q India on Airtel India's Airtel Xstream platform. This is a significant milestone for QYOU, as Airtel India has a reach of 384M customers across mobile, broadband, and OTT. Specifically, the Airtel Xstream app currently has ~50M users out of Airtel India's total subscriber base of 384M users (~13%). The addition of Airtel Xstream solidifies The Q India's reach to ~517M devices, and could theoretically add an additional 334M devices to The Q India's reach, if all of Airtel India subscribers download the Airtel Xstream app. This is the first of many major steps in QYOU Media's Phase 4 monetization plan.

The addition of Airtel Xstream ads validity to The Q India's business strategy of becoming the top brand for India's Millennial/Gen Z audience. In our view, this is major step forward, as Airtel is a Top 3 mobile, OTT, and broadband carrier in India with a market cap of ~US\$33.9B, and F2019 revenues of ~US\$11.1B. Recall, from our initiating report ([link here](#)) that ubiquitous reach through all platforms' broadband, mobile, and OTT is paramount to QYOU Media's India strategy, as it provides The Q India with the most amount of exposure, which translates into higher advertising spends.

Airtel is looking to target advertisements to the Millennial/Gen Z audience. This is because it views them as the key demographic to target and a critical component of their go-forward strategy; due primarily to the increased spending power of India's Millennial/Gen Z audience. With this partnership, Airtel views The Q India as the key platform to reach and advertise to this audience. Under the terms of the agreement, Airtel sells advertising on behalf of QYOU, and offers a 50/50 revenue share. In addition, there is also the possibility for brands to partner with The Q India's content creators and Airtel on targeted ad campaigns. This partnership is also beneficial for The Q India's content creators, who want their content to have access to the broadband, mobile, and OTT devices across India.

We estimate that this partnership could add between \$2.25M to \$4.2M to QYOU Media's topline by F2021 (Figure 1, Page 2). The revenue projections assume that by F2021:1) 25% to 35% of Airtel India's subscribers will have downloaded the Airtel Xstream app; 2) with 15% to 20% of Airtel Xstream's app users watching The Q India content on the app; and 3) CPM rates of \$1.00.

Maintain BUY recommendation and \$0.30 price target. We believe the partnership with Airtel is a significant milestone, as it helps to diversify The Q India's ubiquitous reach and positions QYOU Media well on track to accomplish their goal to reach ~1B devices across India by the end of 2020. To remain conservative, we have made no changes in our estimates or timelines; we maintain a BUY recommendation and a \$0.30 price target.

QYOU MEDIA INC.		TSXV:QYOU					
<i>(Currency is CAD\$, unless noted otherwise)</i>							
<i>(Fiscal year-end is as of June 30)</i>							
Last Price (January 13, 2020)		\$0.075					
Target Price		\$0.30					
Potential Return		300%					
52 Week Low / High		\$0.05 / \$0.11					
Average Daily Volume (30-Day)		215.0K					
CAPITALIZATION							
Basic Shares Outstanding (M)		172.8					
Warrants Outstanding (M)		74.3					
Weighted Average Excise Price Warrants (\$)		\$0.10					
Fully Diluted Shares Outstanding (M)		247.2					
Market Capitalization (\$M)		\$13.0					
Cash (\$M)*		\$1.5					
Debt (\$M)		\$0.0					
<i>*Ubika Research estimated cash balance</i>							
FINANCIALS							
	F19A	F20E	F21E	F22E	F23E	F24E	
Revenue (\$M)	\$4.7	\$7.9	\$13.4	\$19.8	\$34.0	\$54.2	
Growth YoY		67%	70%	48%	71%	60%	
Production Costs (\$M)	\$4.2	\$5.3	\$7.3	\$8.4	\$11.1	\$15.2	
Gross Profit (\$M)	\$0.5	\$2.6	\$6.1	\$11.5	\$22.8	\$38.9	
Gross margin	10%	33%	46%	58%	67%	72%	
SG&A (\$M)	\$6.6	\$7.7	\$8.3	\$8.6	\$9.0	\$10.1	
EBITDA	-\$6.1	-\$5.1	-\$2.1	\$2.9	\$13.8	\$28.9	
EBITDA Margin	nm	nm	nm	14%	41%	53%	
Net income (loss) (\$M)	-\$6.1	-\$5.3	-\$2.5	\$2.6	\$13.1	\$21.4	
adj. EBITDA (\$M)	-\$3.1	-\$2.7	\$1.6	\$6.6	\$19.1	\$35.7	
RELATIVE VALUATION							
	EV/SALES			EV/EBITDA			
Median Estimates	2020E	2021E	2022E	2020E	2021E	2022E	
QYOU Media	2.4x	1.4x	0.9x	nm	nm	6.5x	
Small-to-Mid Cap Media	2.1x	2.0x	1.7x	6.6x	6.2x	5.1x	
REVENUE & EBITDA FORECAST (\$M)							
DISCLOSURE CODE: None (See back page for details)							

QYOU Media Inc, 1-Year Share Price


Figure 1: Airtel Xstream Potential Revenues

<u>Airtel Xstream</u>	<u>Units</u>	<u>Calculation</u>	<u>Low</u>		<u>High</u>	
			<u>2021E</u>	<u>2021E</u>	<u>2021E</u>	<u>2021E</u>
Airtel Subscriber Reach	devices per month	1	385m	385m		
Percentage users with Airtel Xstream app	%	2	25.0%	35.0%		
Airtel Xstream devices		= 1 x 2	A	96m	135m	
Viewership Conversion Rate	%		B	15.0%	20.0%	
Airtel Xstream Users	devices per month	= A x B	C	14.4m	27.0m	
Average Monthly Impressions	impressions per user / month		D	10	10	
Total Impressions	monthly impressions	= C x D	E	144.4m	269.5m	
Indian OTT/Mobile Net CPM Rates	dollars \$USD per thousand impressions		F	\$1.00	\$1.00	
Total Impressions per Net CPM Rate	monthly impressions divided by 1,000	= E / 1,000	G	144.4k	269.5k	
Monthly Airtel Revenues	thousands \$USD	= F x G	H	\$144.4k	\$269.5k	
Annual Airtel Revenues	millions \$USD	= H x 12 months	I	\$1.7m	\$3.2m	
CAD/USD Exchange Rate	\$		J	\$1.30	\$1.30	
Annual Airtel Revenues	millions \$CAD	= I x J	K	\$2.25m	\$4.20m	

Source: Ubika estimates

Figure 2: QYOU Media Comps Table

<u>Company Name</u>	<u>Last Price</u>	<u>Mrkt Cap (\$'Mm)</u>	<u>EV (\$'Mm)</u>	<u>'16 - '19 Rev</u>		<u>LTM Gross Margin</u>	<u>EV/Revenues</u>			<u>EV/EBITDA</u>		
				<u>Growth CAGR</u>	<u>Growth</u>		<u>2020E</u>	<u>2021E</u>	<u>2022E</u>	<u>2020E</u>	<u>2021E</u>	<u>2022E</u>
Small-to-Mid Cap Media												
World Wrestling Entertainment, Inc.	\$61.40	4,823	5,170	12.2%	30.5%	4.0x	3.7x	3.6x	12.0x	11.1x	10.1x	
Eros International Plc	\$3.63	395	644	-0.5%	48.7%	2.9x	2.5x	n/a	7.2x	6.3x	n/a	
Gaia, Inc.	\$8.13	149	156	48.2%	86.7%	1.8x	n/a	n/a	7.4x	n/a	n/a	
Chicken Soup for the Soul Entertainment, Inc.	\$8.22	99	145	161.2%	32.9%	1.3x	1.2x	1.0x	4.3x	3.6x	3.2x	
Cinedigm Corp.	\$0.71	28	69	-20.0%	64.1%	0.6x	0.6x	0.5x	2.0x	3.6x	2.1x	
Mean				40.2%	52.6%	2.1x	2.0x	1.7x	6.6x	6.2x	5.1x	
Median				12.2%	48.7%	1.8x	1.9x	1.0x	7.2x	5.0x	3.2x	
High				161.2%	86.7%	4.0x	3.7x	3.6x	12.0x	11.1x	10.1x	
Low				-20.0%	30.5%	0.6x	0.6x	0.5x	2.0x	3.6x	2.1x	
QYou Media	\$0.075	18.5	18.5	37.9%	10.1%	2.4x	1.4x	0.9x	nm	nm	6.5x	

Source: Ubika, Capital IQ

Trades at discount to peers. QYOU Media currently trades at a 0.9x F2022E EV/Sales, a discount to peers, which trade at average F2022E EV/Sales multiples of ~1.7x. We believe that this valuation gap should narrow as QYOU Media continues to execute on its Q India strategy.

Company Description

QYOU Media Inc. is a media company focused, via its 82% owned subsidiary QYOU India, on 'Young Indians' being the approximately 400M 20 to 30-year old's who are a subset of the Millennial and Gen Z market in India. QYOU Media produces 'The Q India', a Hindi-language television channel and VOD library that is now available to approximately 500 million device holders (satellite and cable distribution footprints as well as mobile phone and OTT (over-the-top streaming portals) of which we estimate 65% of device holders are 'Young Indians'. The Q India was launched three years ago by industry veterans from Lionsgate, MTV, Sony and Disney with a four-part strategic plan and is now, after having successfully executed Phases One to Three, poised to enter Phase Four of its plan --- the monetization phase via advertising sales. We believe investors have completely overlooked what has been built in the last three years and the massive potential that is about to be exploited.

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Buy: Recommendation: stock is expected to appreciate from its current price beyond 20% in the next 12 months.

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