
QYOU Media provides corporate update and signs multiple new distribution and partnership agreements

Company Description

QYOU Media Inc. is a media company focused, via its 88% owned subsidiary QYOU Media India Pvt. Ltd., 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 with a growing VOD content library, with over 800 programs and counting, that is now available to approximately 610M users via 55M television homes with partners including TATA Sky, Airtel DTH & SitiNetworks; 355M OTT users via platforms including MX Player, ZEE5 and Dish Watcho; and 200 million users on mobile and digital platforms including JioTV, Airtel Xstream, SNAP and Chingari.

Corporate Update

Andy Kaplan Chairman of QYOU Media provides shareholder update. On October 14, 2020, Chairman Andy Kaplan provided an update on current and prospective activities along with key business initiatives.

Key points included.

- 1) **Explosive growth in India expected over the next decade.** According to E&Y, the Indian Media and Entertainment sector is expected to grow at an annualized rate of 12.4% through to 2021E, compared with the global average of 4.2%. The over-the-top (OTT) sector in India is expected to grow at 24.9% per year until 2021E. QYOU Media launched "The Q India" to take advantage of this explosive growth opportunity
- 2) **Indian demographics are favorable.** The typical 20-30-year-old Indian has not one but two devices in their hands. This is the audience that Indian Advertisers want to target, and The Q India provides advertisers with direct access to this demographic.
- 3) **Monetization via advertising sales.** QYOU has spent the last 3-years building out The Q India platform and now is laser focused to become India's premier brand for young Indians which we believe will lead to top advertising dollars.
- 4) **Among the leading distribution partners for The Q India is the app-based platform Jio TV and their recently launched broadband service Jio Fibre.** Jio Platforms has recently received investment of over \$20 billion from a list of investors that includes Google, Facebook, Intel, Qualcomm, KKR, General Atlantic, Silver Lake, Vista and the UAE Sovereign Wealth Fund. Jio Platforms now houses an array of media operations including music streaming service JioSaavn, fibre-to-the-home service JioFibre, on-demand live television service JioTV, and payments service JioPay. It also has a 5% stake in Bollywood streaming service Eros International.

Recent Highlights

The Q India's viewership grows 7-fold over 5-weeks. Q India's linear channel achieved viewership growth of 664% over 5-weeks as measured by Broadcast Audience Research Council (BARC). Time spent viewing is up nearly 4-fold from 9min per session to 35min per session. Recent viewership statistics have even surpassed major networks such as MoviesNow, HBO, SonyPix, WB, and Epic. BARC is considered the Indian equivalent audience measurement service to Nielson ratings in the United States. In our view, this increases in viewership adds validity and proves The Q India's business model. Recall, from our Initiating Coverage Report, that global companies will pay top advertising dollars to reach in the Indian Millennial audience. QYOU Media can uniquely position itself as the middleman between global companies and the Indian Millennial, which are looking to target the Indian Millennial audience in a truly integrated advertising campaign that reaches across both TV and digital platforms.

Recent Highlights Continued

Figure 1: Q India Viewership Statistics Snapshot

| | Gross Rating Points | | | | | Impressions'000 | | | | | Average Time Spent Viewing (Minutes) | | | | |
|------------|---------------------|--------|--------|--------|--------|-----------------|--------|--------|--------|--------|--------------------------------------|--------|--------|--------|--------|
| | W32'20 | W33'20 | W34'20 | W35'20 | W36'20 | W32'20 | W33'20 | W34'20 | W35'20 | W36'20 | W32'20 | W33'20 | W34'20 | W35'20 | W36'20 |
| The Q | 0.14 | 0.21 | 0.39 | 0.72 | 1.07 | 780 | 1,187 | 2,228 | 4,160 | 6,166 | 9 | 11 | 19 | 27 | 35 |
| Movies Now | 0.80 | 0.79 | 1.08 | 0.70 | 0.72 | 4,592 | 4,546 | 6,227 | 4,040 | 4,179 | 34 | 37 | 45 | 28 | 30 |
| HBO | 0.54 | 0.60 | 0.70 | 0.86 | 0.71 | 3,107 | 3,447 | 4,043 | 4,946 | 4,090 | 39 | 42 | 44 | 55 | 47 |
| Sony PIX | 0.55 | 0.54 | 0.75 | 0.62 | 0.62 | 3,168 | 3,120 | 4,307 | 3,608 | 3,574 | 40 | 39 | 52 | 38 | 45 |
| WB | 0.24 | 0.18 | 0.21 | 0.20 | 0.26 | 1,408 | 1,067 | 1,227 | 1,160 | 1,477 | 26 | 18 | 20 | 23 | 25 |
| Epic | 0.40 | 0.39 | 0.38 | 0.37 | 0.29 | 2,312 | 2,248 | 2,203 | 2,162 | 1,651 | 16 | 18 | 16 | 17 | 14 |

Source: Company filings

Q India and leading social app Chingari enter content and marketing partnership. On October 1, 2020, QYOU Media announced that The Q India and Chingari have entered into a collaboration agreement. Chingari is a rapidly growing short video platform in India which is comparable to the TikTok Video App. The Chingari App was initially launched in 2018 and saw its grow exponentially after TikTok was banned by the Indian government in June 2020, when it immediately become the “go to” app for Indian millennials. The app is expanding its content library to include games, news and short form VOD. Chingari has been one of the fastest growing apps in India driving millions of views across the platform.

The Q India launches on Shemaroo. QYOU Media and Shemaroo Entertainment announced on September 14, 2020, a partnership to distribute both The Q India channel and VOD content on the fast growing ShemarooMe streaming platform. Additionally content will be offered on an ad supported basis. Shemaroo Entertainment was founded in 1962, with a content library of over 3,700 titles, recently the Company has expanded into traditional linear television with its flagship Hindi General Entertainment Channel ShemarooTV and other channels and via digital distribution with the freemium platform ShemarooMe. This partnership adds further credibility to The Q India’s distribution strategy which currently reaches an audience of 610M subscribers.

The Q India and Lone Ranger Productions Announce Distribution Agreement. Last August, The Q India entered into a distribution agreement with LoneRanger Productions to distribute a web-based series from

Valuation

Figure 2: QYOU Media Comps Table
QYOU Media Comps Table

| Company Name | Last Price | Mrkt Cap (\$'Mm) | EV (\$'Mm) | '16 - '19 Rev | | EV/Revenues | | | EV/EBITDA | | | |
|---|----------------|------------------|-------------|---------------|------------------|-------------|-------------|-------------|-----------|--------------|-------------|--|
| | | | | Growth CAGR | LTM Gross Margin | 2020E | 2021E | 2022E | 2020E | 2021E | 2022E | |
| Small-to-Mid Cap Media | | | | | | | | | | | | |
| World Wrestling Entertainment, Inc. | \$41.72 | 3,156 | 3,409 | 9.6% | 41.8% | 3.0x | 2.8x | 2.7x | 10.7x | 10.0x | 9.3x | |
| Gaia, Inc. | \$11.33 | 219 | 228 | 46.3% | 86.9% | 2.8x | n/a | n/a | 11.8x | n/a | n/a | |
| Chicken Soup for the Soul Entertainment, Inc. | \$13.91 | 174 | 225 | 89.6% | 21.6% | 2.4x | 2.2x | 1.8x | 11.0x | 19.8x | n/a | |
| Cinedigm Corp. | \$0.58 | 65 | 98 | -24.2% | 54.3% | 2.6x | 2.3x | n/a | 18.8x | 15.0x | n/a | |
| Mean | | | | 30.3% | 51.1% | 2.7x | 2.4x | 2.2x | 13.1x | 14.9x | 9.3x | |
| Median | | | | 27.9% | 48.1% | 2.7x | 2.3x | 2.2x | 11.4x | 15.0x | 9.3x | |
| High | | | | 89.6% | 86.9% | 3.0x | 2.8x | 2.7x | 18.8x | 19.8x | 9.3x | |
| Low | | | | -24.2% | 21.6% | 2.4x | 2.2x | 1.8x | 10.7x | 10.0x | 9.3x | |
| QYOU Media | \$0.065 | 16.1 | 16.1 | 37.9% | 10.1% | 2.1x | 1.2x | 0.8x | nm | 10.3x | 2.4x | |

Source: Capital IQ, Ubika

Trades a discount to peers. QYOU Media currently trades at a 0.8x F2022E EV/Sales multiple and a 2.4x 2022E EBITDA multiple, a discount to peers, which trade at a mean multiples of 2.0x and 9.3x respectively. We believe that this valuation gap should narrow as QYOU successfully executes on its Q India strategy.

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