UBIKA ALPHA

January 8, 2020

QYOU Media Inc. (TSXV:QYOU | $0.06 | BUY $0.30)

Equity Research: Technology—Media

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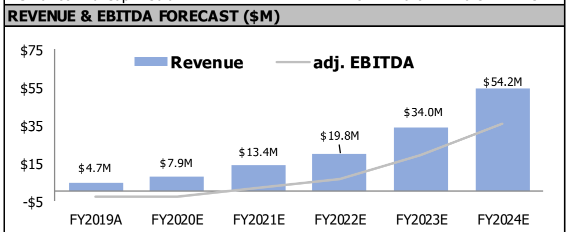
QYOU MEDIA INC.						TSXV:QYOU
(Currency is CAD$, unless noted otherwise)						
(Fiscal year-end is as of June 30)						
Last Price (January 7, 2020)						$0.06
Target Price						$0.30
Potential Return						400%
52 Week Low / High					$0.05 /	$0.11
Average Daily Volume (30-Day)						144.0K
CAPITALIZATION						
Basic Shares Outstanding (M)						172.8
Warrants Outstanding (M)						74.3
Weighted Average Excise Price Warrants ($)						*$0.10*
Fully Diluted Shares Outstanding (M)						247.2
Market Capitalization ($M)						$10.4
Cash ($M)*						$1.5
Debt ($M)						$0.0
**Ubika Research estimated cash balance*						
FINANCIALS	**F19A**	**F20E**	**F21E**	**F22E**	**F23E**	**F24E**
Revenue ($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	2.0x	1.1x	0.7x	nm	nm	5.2x
Small-to-Mid Cap Media	2.2x	2.1x	1.8x	6.8x	6.5x	5.4x

REVENUE & EBITDA FORECAST ($M)



DISCLOSURE CODE: None (See back page for details)

QYOU Media Inc, 1-Year Share Price

QYOU Media—Built for the Third Age of Television

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.

Investment Thesis

The Q India is on track with respect to its Four-Phase Strategy to create a powerful media brand appealing to Young Indians (20 to 30 years old). The Q India was launched in 2017 after the Company identified a massive opportunity in India. The *four phases* of this strategy include: 1) Identify a massive opportunity (no dominate media brand for Young Indians exists today); 2) build a localized (initially Hindi) linear television channel by curating and licensing high quality and entertaining short form video content from India's top digital creators; 3) secure pan-Indian distribution of the channel and its library of VOD onto cable, satellite, mobile and OTT platforms; 4) monetize via advertising sales. *QYOU Media is currently entering the 4th step in its India strategy.*

Until now, only major media companies and Hollywood studios have had the opportunity to exploit the bonanza media market of India. For years, large-cap media has been pulling hundreds of millions of dollars in profits out of India. In fact, the broadcast television network groups are now each worth billions (e.g. Star, US$10-14B, Zee Networks, US$5.5B). QYOU Media allows investors a way to immediately participate in the explosive TV, digital media, OTT/streaming industries that would otherwise be unavailable.

Large market opportunity - explosive media & video growth in India is coming. 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.

Investment Thesis Continued

An Indian lifestyle and entertainment brand for the up and coming young Indian Millennial/Gen Z consumer. India has more than 400M Millennials making up roughly 46% of the country's workforce and have become India's largest demographic in terms of spending power. According to Morgan Stanley, by 2020, Millennials are expected to contribute 70% of total household income. Young Indian Millennials have become the new consumers, as they have a lower savings rate than previous generations (10% vs. 25%+). This new consumer is spending their disposable income on entertainment, brands, eating out, accessories, and electronics.

Rapidly-expanding distribution agreements to drive revenue growth. As of calendar Q1/20, The Q India is included as part of the BARC India ratings system (Page 8). The Q India can use these BARC ratings to negotiate traditional broadcast advertising revenue via broadcast and cable distribution, as advertisers use BARC ratings to gauge viewership data for media providers. Currently, The Q India has distribution to ~32M households via Direct to Home (DTH) television (Tata Sky and Airtel), ~155M mobile monthly active users (MAU), and ~330M OTT users. Additionally, by the end of CY2020, QYOU is expecting to have a distribution network for its content of ~90M cable households, ~430M OTT, and 680M mobile users, for total of ~1B households/devices.

Young Indians consume content over a wide range of devices including: OTT and mobile. According to MoMAGIC, more than 55% of India's Millennials prefer consuming content on OTT platforms over traditional broadcast television channels and ~90% are paying for OTT content. OTT and mobile are also a key element of QYOU's distribution strategy, as ad revenue opportunities continue to grow in these segments.

Don't forget about traditional broadcast TV. In management's view, the key to reaching the young Indian audience is ubiquitous reach, being available everywhere, on every device, anytime. But to build a powerful media brand, traditional TV and broadcast are key, in addition to: OTT and mobile. This is driven by the inability of young digital social stars and creators to get onto TV. This is where QYOU Media comes in; with its ubiquitous reach, QYOU helps to put creators on traditional TV, as well as OTT and mobile. QYOU can help the best content creators and social stars who want to build their brand, and TV is still the gold standard. In addition, being on TV helps QYOU to get carriage onto all the major OTT and mobile platforms as well as helping its brand identity grow.

Global companies will pay advertising dollars to access the Indian Millennial audience. This is because of the newfound spending power of Indian Millennials/Gen Z. In our view, with an expected combined total reach of ~1B devices across India (Figure 9, Page 8), 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.

Strong management team with 80+ years of experience in the media and entertainment industry. QYOU Media was founded and created by media industry veterans (G. Scott Paterson and Curt Marvis) with experienced leading executives from Lionsgate, MTV, Disney and Sony. Mr. Paterson has 35 years of capital markets experience and is well connected in the media space, having served on the Board of Directors of Lionsgate Entertainment from its inception for 21 years as well as having co-founding NeuLion/JumpTV, which was sold to Endeavour for $325 million in 2018, amongst other media initiatives. Additionally, The Q India was co-founded by Sunder Aaron, an India-based veteran of Sony Pictures India and has former President of Sony Pictures Worldwide Networks, Andy Kaplan, as its Non-Executive Chairman, The Q India has a growing Indian team of ad sales executives led by veteran Krishna Menon from Sakal Media Group to run and scale ad sales for The Q India.

With The Q India, management's plan is to create the new MTV for the digital generation of consumers and viewers, becoming the leading entertainment brand for Young Indians. QYOU has already begun its plan by building out The Q India brand, the business, and securing distribution via the broadcast TV channels while concurrently expanding reach via mobile and OTT platforms. By F2021, we estimate mobile/OTT revenues to contribute 30% of the overall revenue mix (Figure 20, Page 16), with growth being supported on the back of the traditional broadcast TV linear channel. With steps one through three already completed, QYOU Media has reached the tipping point for mass adoption and monetization.

Figure 1: QYOU Logo

Source: Company website

Figure 2: Pranks by UngliBaaz

Source: Company website

Figure 3: Home Sweet Office

Source: Company website

Valuation

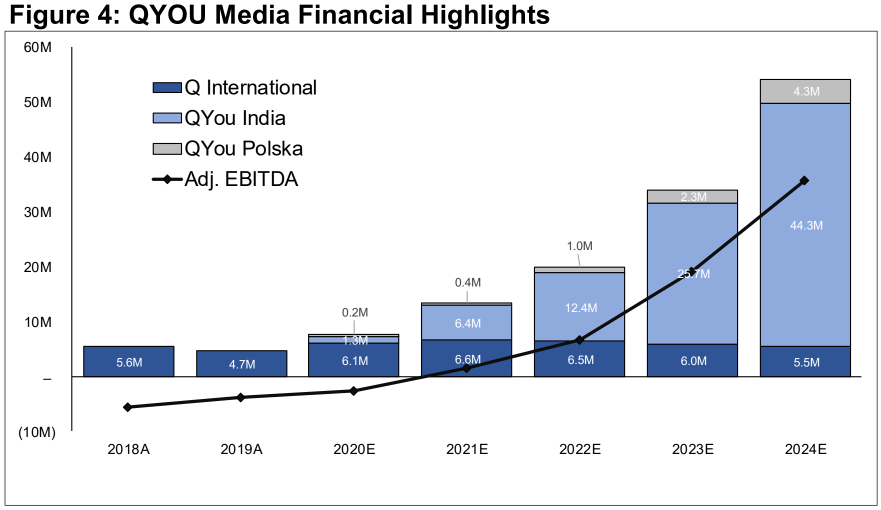
We are initiating coverage with a BUY recommendation and $0.30 price target. Our $0.30 price target is based on an average of three valuation methodologies (Figure 12, Page 11). We utilized a comparables valuation with a F2022E EV/Sales multiple of 2.5x discounted at 15%. We used a 15% discount rate to take into consideration the riskiness of the start-up nature of the company doing business in an emerging-markets environment. We used a 5% terminal growth rate, which is supported by India's historical GDP (6.1% annually since 1951).

Trades at discount to peers. QYOU Media currently trades at a 0.7x F2022E EV/Sales multiple and at 5.2x F2022E EV/EBITDA multiple, a discount to peers, which trade at mean multiples of 1.8x and 5.4x, respectively. We believe that this valuation gap should narrow as QYOU successfully executes on its Q India strategy.

Comparable transactions analysis suggests potential takeout multiples of ~5.4x revenue and ~29.9x EBITDA. We selected transactions in the media and entertainment, distribution, and content production space, which we believe to be representative of QYOU Media (Figure 17, Page 14). Based on analysis of comparable transactions over the past 10 years, the average LTM revenue and EBITDA takeout multiples are 5.4x and 29.9x, respectively. Management believes that if they successfully execute on their strategy to become India's premier Millennial brand—the QYOU could become a potential acquisition target.

Cheddar Inc is a case-study example of a Millennial focused online digital media channel (Figure 18, Page 14). Cheddar Inc has been dubbed "the CNBC of Millennials," streaming 19 hours of content per day, and has a distribution network of ~40M homes via OTT platforms. We view Cheddar as the single best comparable transaction based on target demographics, similar distribution channels, and device reach. Of note, Cheddar's valuation increased by ~13x from its Series A round in February 2016 ($15M), to its acquisition by Altice in August 2019 ($200M).

Figure 4: QYOU Media Financial Highlights



Source: Company Reports, Ubika

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Business Overview

QYOU's strategy is to become the premier Millennial brand in India by targeting a 20 to 30 year old Young India audience with premium digital content, featuring India's biggest social stars and available on any device.

The four main steps of this strategy include:

1) Identify a massive opportunity (no dominate media brand for Young Indians exists today);
2) Build a localized (initially Hindi) linear television channel by curating and licensing high quality and entertaining short form video content from India's top digital creators;
3) Secure pan-Indian distribution of the channel and its library of VOD onto cable, satellite, mobile and OTT platforms;
4) Monetize via advertising sales.

QYOU Media is currently entering the 4th step in its India strategy.

QYOU Media was incorporated in Ontario, in June 2015, and is a global media company focused primarily in India targeting the 20 to 30 year old Young Indian demographic. QYOU is focused on the curation and programming of premium short-form video content featuring leading social stars of India that can be accessed through linear programming and Video on Demand.

The Company had originally tried to launch "The Q International" with globally-sourced content, albeit with limited success. After a change in strategy, the Company decided to target the Indian market because it is the largest and fastest-growing market outside of China, and has one of the fastest-growing economies globally, with ~600M people under the age of 35 and ~400M Millennials. QYOU has spent the last 12-18 months building out The Q India and is now laser focused on its goal to turn this into India's premier platform for young Indians.

QYOU's main offerings are as a linear channel, via subject-specific and localized programs, as Video on Demand, via mobile apps and by other means of content distribution based on distribution partners and customer requirements. The linear channel initially focuses exclusively on distribution outside of North America with a localized version of the channel available in India and Poland. QYOU Media content is also available via app-driven OTT and mobile distribution, custom show development, and influencer marketing services.

Online streaming of video content is expected to increase into the foreseeable future, driven mainly by the trend of cord-cutting. This has resulted in consumers demonstrating a desire to view content on the device of their choosing. QYOU Media programming is focused on Millennial and Gen-Z consumers, who have grown up on both short form and socially relevant video content and watch video on an anytime/anywhere/any screen basis. All QYOU Media programming is designed to appeal to this segment of consumers.

QYOU Media bridges the gap between traditional TV and streaming TV. QYOU Media curates and packages premium content from top digital creators and social stars around the world and localizes its programming with content from the home country where distribution is occurring. It then uses the content to offer traditional linear programming that can be broadcast and streamed or delivered via Video on Demand. QYOU Media's content is available over three platforms, which include broadcast, OTT and mobile.

Business Overview

Don't forget about traditional broadcast TV. In management's view, the key to reaching the young Indian audience is ubiquitous reach, being available everywhere, on every device, anytime. But to build a powerful media brand, traditional TV and broadcast are key, in addition to: OTT and mobile. This is because young digital social stars and creators cannot get onto TV. This is where QYOU Media comes in; with its ubiquitous reach, QYOU helps to put creators on traditional TV, as well as OTT and mobile. QYOU can help the best content creators who want to build their brand, and TV is still the gold standard. In addition, being on TV helps QYOU to get carriage onto all the major OTT and mobile platforms as well.

QYOU envisions itself as an Indian lifestyle brand for the up-and-coming Millennial/Gen Z consumer. India has more than 400M Millennials, making up roughly 46% of the country's workforce and have become Indian's largest demographic in terms of spending power. According to Morgan Stanley, by 2020, Millennials are expected to contribute 70% of total household income. Additionally, Indian Millennials have become the new consumers, as they have a lower savings rate than previous generations (10% vs. 25%+), spending disposable income on entertainment and eating out, accessories, and electronic products. As such, many brands are trying to target this demographic given their vast size and spending power.

Global companies will pay advertising dollars to access the Indian Millennial audience. This is because of the spending power of Millennials. In our view, with an expected combined total reach of ~1B devices across India (Figure 9, Page 8), QYOU Media can uniquely positions itself as the middleman between global companies and the Indian Millennial, which is looking to target the Indian Millennial audience in a truly integrate advertising campaign.

A key feature of QYOU Media produced content is the ability to integrate advertising and marketing campaigns across both the broadcast, OTT and mobile platforms in which it is distributed, while also having the influencers and creators it works with feature that campaign across their social channels. For example, The Q India has a popular automotive show where the creator of the show ("influencer") has a strong following on social media. An advertiser, such as Castrol Motor Oil, could pay for the content creator to film a segment on "How to Change Your Oil" using Castrol Oil and to share it among their social media network while having that same content featured on the distribution platforms that carry The Q India. This is a unique opportunity for brands and advertisers that are attempting to reach the elusive Millennial and Gen Z consumer, who increasingly identifies with the content of short-form digital content creators and social media stars.

Figure 5: OK Cupid Ad - The Q India

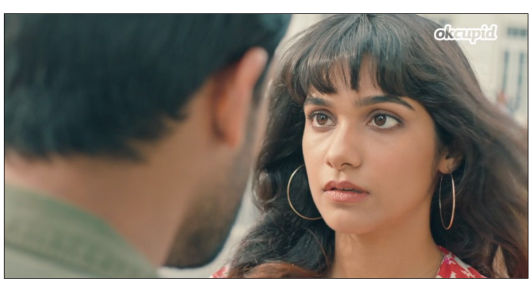


Figure 6: Curly Tales - The Q India

Source: Company website

The Indian Opportunity

"The Q India" curates and packages premium content from top digital creators and leading social stars for linear broadcast, mobile & OTT. These Indian creators and social media stars have hundreds of millions of subscribers and fans on social media. This popularity translates directly into enhanced viewership and audience growth. Importantly, The Q India provides its audience with an interactive multiscreen universe on a variety of connected platforms from televisions to tablets to mobile phones. For example, The Q India will find six different 2-3 minute clips on how to cook curry available online from popular food category social and digital video stars, and package that into a 20-minute episode called: Six Different Ways to Cook Curry.

The Q India advantage - no established brand focal point for young Indians to view content. This dichotomy provides a significant opportunity for Q India to become the focal point for advertisers/sponsors who want to reach young Indians. Additionally, scaling The Q India's distribution footprint allows The Q India brand to be built on the back of extremely popular content and local social superstars in India.

Explosive media & video growth in India is coming. The Indian media and entertainment sector is expected to grow at an annualized rate of 11.6% through to 2020E (Figure 27, Page 25), compared with the global average of 4.2%. The VOD sector in India is expected to grow at 7.9% per year until 2021E. Additionally, management expects that there will be ~1.4B mobile-connected devices in India by 2021 and streaming is expected to represent 75% of all mobile data by 2021, a 11x increase from 2017. Digital Media and Online gaming are expected to drive growth in the Indian Media and Entertainment Sector. As such, QYOU Media launched "The Q India" to take advantage of this explosive growth opportunity in India. In addition, according to recent reports from WPP/GroupM, ad revenue in India is expected to realize similar rapid growth that projects India ad spend growing at a rate of 14.3% annually as compared to a global average of 3.6%.

Figure 7: QYOU Creator-Malini Agarwal

Figure 8: Awesome Sauce - The Q India

Source: Company website

User Acquisition and Content Distribution Strategy

QYOU has created a multiscreen approach, which includes working with many Pay TV, mobile, and OTT providers. Figure 9 below outlines some of QYOU's distribution agreements.

Figure 9: QYOU India Subscriber Base

Pay TV

Current		2020 Targets		
Network	**House Holds**	**Network**	**House Holds**	**Target Quarter**
Tata Sky	18M	Dish	17M	Q2/Q3
Airtel Digital	14M	Other	40M	Q2

Mobile

Current		2020 Targets		
Network	**Subscribers**	**Network**	**Subscribers**	**Target Quarter**
JIO	100M	Vodafone	100M	Q3
Airtel Xstream	50M			
Snapchat Show	5.0M			

Over-the-top (OTT)

Current		2020 Targets		
Network	**Subscribers**	**Network**	**Subscribers**	**Target Quarter**
MX Player	175M	Hotstar	300M	Q2
Sony Liv	75M	Other (HOOQ, AltBalagi, Voot)	50M	Q3
Watcho	5M			
ZEE5	75M			
Total Current:	**517M**	**Total 2020 Targets:**	**507M**	

Note: Management estimates an average of 3 viewing devices per person (TV, mobile, and OTT)

Source: Company Reports, Ubika

Inclusion into the Broadcast Audience Research Council (BARC) India ratings obtained in Q1/20, which is India's equivalent of Nielsen TV ratings in the United States, is a significant catalyst. With BARC ratings, The Q India can begin to drive advertising revenue, as advertisers use BARC ratings to gauge viewership data for media providers. Additionally, The Q India is planning to reach ~1.0B active subscribers with near ubiquitous reach across all Indian platforms by the end of 2020. Of note, management estimates that each person in India has an average of three devices to view content with, typically: broadband/cable TV, mobile, and OTT.

Currently, QYOU Media has distribution to ~32M Households via DTH (satellite) and cable television: (Tata Sky and Airtel), ~155M mobile monthly active users (MAU), and ~330M OTT monthly users. By the end of CY2020, The Q India is expecting to have a distribution network for its content of ~90M Households (Broadband/Cable), ~430M OTT, and ~680M mobile users monthly for a combined total reach of ~1B devices across India.

The Q India Ad Sales Advantage

Targeting the 20 to 30 year old Indian Audience. The Indian digital advertising market is forecast to grow at a CAGR of 32% by 2020E, according to QYOU. Additionally, management has identified a niche opportunity in the space targeting young Indians between the ages of 20-30 years old. We believe this could have significant potential, as there currently is no comparable brand targeting of this age demographic. By curating the best short video content in India, The Q India has established itself as the focal point for advertisers wishing to target young Indians.

Unique daypart strategy for linear TV to drive recurring viewers. With diverse content and uniquely packaged short-form programming, The Q India's linear schedule is intuitive and is entertaining a wide majority of Indians ranging in age from 20 to 30 years old.

Figure 10: Sample Schedule for The Q India

THE Q INDIA

EARLY MORNING: (6am - 9am)	Devotional / Spiritual, Fitness, Astrology, DIY
MORNING: (9am - 12 pm)	Youth Engagement, Travel, Lifestyle, Sports Infotainment
AFTERNOON: (12 pm - 5 pm)	Cooking, Fashion, Bollywood, Personal Development
PRIMETIME: (5 pm - 9 pm)	Comedy, Digital Series, Drama, Reality, Shorts
LATE NIGHT: (9 pm - 12 am)	Pranks, Street Interviews, Automotive, Dating, Music
OVERNIGHT: (12 am - 6 am)	Infotainment, Tele Shopping, Talks, Repeats

Source: Company Reports, Ubika

The Q Ecosystem: Creators are Influencers – A Virtuous Cycle. The Q India is comprised of leading digital content from top digital creators and social superstars who are also influencers. These relationships create a virtuous cycle - The Q India programs and distributes the creator's content to millions of additional viewers on many devices. As well, the creator organically promotes the content on The Q India via their social platforms. Tapping into its already enormous social followings, The Q India can reach 20 to 30 year old Indians with minimal marketing spend.

The Q India Ad Sales Advantage

Figure 11: The Q India Social Media Mentions

Source: Company Reports, Ubika

Engaged creators and fans driving social media impressions across all platforms. Since The Q India content lives in a multiscreen network, social engagement can be cross promoted. As an example, QYOU can send out a call to action on Instagram and have the results of the social promotion air on TV. With a linear feed plus VOD episodes and clips, The Q India can explore a multitude of creative and interactive social engagements between the content, creators, and viewers.

Influencer Marketing

Influencer marketing is expected to generate $15B in annual revenue by 2022E (PWC, 2018). Influencers have the ability to form deep, organic connections with audiences by creating engaging content; sharing stories, images, and videos with dedicated always-on fans, multiple times a day. Influencers also can diversify across numerous social platforms and provide brands with the opportunity to amplify their marketing campaigns and cross-promote through the vast, ever-growing networks they have built.

QYOU Media plans to utilize influencer marketing through product placements. For example, The Q India has an automotive segment where a local mechanic (influencer) makes a short 5-10 minute tutorial video on changing oil. A brand such as Castrol Motor Oil pays for the influencer to use its product in the tutorial video. Additionally, the influencer could share this among their network and The Q India could run ads for Castrol during the automotive segment of the linear channel. The Holy Grail of advertising is to create a truly integrated marketing campaign across all media, including all social channels. Brands are looking for a full-spectrum ad package with a traditional 30-second linear ad among traditional broadcasting spots, in addition to an OTT and AVOD ads that play before content is streamed plus an influencer marketing campaign that can be targeted directly to their fan base. This is something that The Q India began in a small way with the brand Storytel in late 2019 and expects to increase significantly in 2020. QYOU Media is one of the only pure-play opportunities in India that can offer its brand partners integrated marketing campaigns across all four major platforms (broadcast, mobile, social media, and OTT) simultaneously.

Valuation

Our $0.30 per share price target is based on an average of three valuation methodologies (Figure 12). We utilized a comparables valuation with a F2022E EV/Sales multiple of 2.5x discounted at 15% (Figure 16, Page 13). The 2.5x multiple is supported by QYOU's peer group with similar revenue growth, which trade at a median to high F2022E EV/Sales multiples of between 1.0x and 3.8x (Figure 15). We used a DCF valuation utilizing the perpetuity growth method, with a 15% discount rate to take into consideration the riskiness of the start-up nature of the business operating in an emerging-markets environment. We used a 5% terminal growth rate, which is supported by India's historical GDP growth that has grown on average at 6.1% annually since 1951. We also valued QYOU using the EBITDA exit multiple method and used a conservative 4.0x 2024 EBITDA exit multiple. We used an adjusted EBITDA metric that adds back non-cash expenses, such as: content amortizations costs and share-based compensation.

Our price target is supported by a five-year DCF analysis that utilizes a 15% discount rate, and a 5% terminal growth rate. We are initiating with a BUY rating and an implied upside of 400% to the last close. We assume that the Company's cash balance (~$2.3M), as well as potential cash raised from warrants (~$7.1M), is to be used by the business and excluded cash from net debt in our valuation calculations. We excluded the $0.37 warrants (expiry July 2020) in our calculation of fully-diluted shares outstanding (Figure 13).

Figure 12: QYOU Media Valuation Methodology

Current Share Price as at Valuation Date		$0.065
Market Cap Fully Diluted		$16.1M
Fully Diluted Outstanding		247.2M
DCF - Perpetuity Growth Method		$0.40
DCF - EBITDA Multiple Method		$0.31
Relative Valuation EV/Sales		$0.16
	Average:	$0.29
	QYOU Price Target:	**$0.30**

Source: Company Reports, Ubika

Figure 13: QYOU Media Cap Table

Basic Shares Outstanding 172,819,060

Warrants Outstanding

Expiry	# of Warrants	Exercise Price	Potential Raise
31-Mar-20	19,167,625	$0.10	1.9M
19-Jul-20	8,762,500	$0.37	3.2M
30-Sep-20	18,000,000	$0.06	1.1M
30-Apr-21	19,167,625	$0.12	2.3M
30-Sep-21	18,000,000	$0.10	1.8M
Total	83,097,750		10.3M
Total (ex. $0.37 warrants)	**74,335,250**		**7.1M**
Weighted average excise price		$0.12	
Weighted average excise price (ex $0.37 warrants)		$0.10	
Fully Diluted Shares Outstanding	255,916,810		
Fully Diluted Shares Outstanding (ex $0.37 warrants)	**247,154,310**		

Source: Company Reports, Ubika

Valuation

Figure 14: DCF Valuation Methodology

(millions $CDN)	2019A	2020E	2021E	2022E	2023E	2024E
Revenues	4.7	7.9	13.4	19.8	34.0	54.2
Growth	NA	*67.2%*	*70.2%*	*47.7%*	*71.1%*	*59.5%*
Content & Production Costs	4.2	5.3	7.3	8.4	11.1	15.2
Gross Profit	0.5	2.6	6.1	11.5	22.8	38.9
Gross margin	*10.1%*	*33.3%*	*45.7%*	*57.8%*	*67.3%*	*71.9%*
SG&A	6.6	7.7	8.3	8.6	9.0	10.1
% revenues	*139.7%*	*97.7%*	*61.6%*	*43.4%*	*26.6%*	*18.6%*
EBITDA	(6.1)	(5.1)	(2.1)	2.9	13.8	28.9
Content Amortization	1.4	1.1	1.9	1.7	2.9	4.2
Share-based compensation	0.9	1.3	1.8	2.1	2.4	2.6
Impairment	0.7	–	–	–	–	–
Adj. EBITDA	(3.1)	(2.7)	1.6	6.6	19.1	35.7
% revenues	*(65.8%)*	*(34.0%)*	*11.6%*	*33.4%*	*56.3%*	*65.9%*
EBIT - Operating income (loss)	(6.3)	(5.2)	(2.4)	2.5	13.5	28.6
% revenues	*(132.6%)*	*(66.2%)*	*(17.7%)*	*12.8%*	*39.8%*	*52.9%*
(–) Taxes	0.1	–	–	–	(0.6)	(7.9)
NOPAT	(6.1)	(5.2)	(2.4)	2.5	12.9	20.7
(+) Depreciation & Amortization**	1.5	1.3	2.1	2.0	3.2	4.4
(–) Capital expenditures**	(2.0)	(1.4)	(3.0)	(3.1)	(6.4)	(6.9)
(–) Change in working capital	(1.1)	(0.3)	(0.4)	(0.7)	(1.1)	(0.4)
FCF	(7.7)	(5.6)	(3.6)	0.8	8.6	17.8
Discount factor		1.0	2.0	3.0	4.0	5.0
(+) Terminal cash flow (5.0% Terminal Growth)						186.5
Total cash flow - Perpetuity Growth Method		(5.6)	(3.6)	0.8	8.6	204.3

DCF - Perpetuity Growth Method	
Sum of PV of FCF	6.7
PV terminal value	92.7
Implied enterprise value	99.4
Percent EV from terminal value	*93.3%*
Net debt*	–
Equity value	99.4
Fully diluted shares outstanding (millions)	247.2M
Fair Value Share Price	**0.40**

**Note: We assume that the Company's cash balance (~$2.3M), as well as potential cash raised from warrants (~7.1M), is to be used by the business. Thus is excluded from net debt.*

		2020E	2021E	2022E	2023E	2024E
(+) Terminal cash flow 4.0x exit multiple						142.8
Total cash flow - EBITDA Multiple Method		(5.6)	(3.6)	0.8	8.6	160.6
Discount factor		1.0	2.0	3.0	4.0	5.0

DCF - EBITDA Multiple Method	
Sum of PV of FCF	6.7
PV terminal value	71.0
Implied enterprise value	77.7
Percent EV from terminal value	*91.4%*
Net debt*	–
Equity value	77.7
Fully diluted shares outstanding (millions)	247.2M
Fair Value Share Price	**0.31**

**Note: We assume that the Company's cash balance (~$2.3M), as well as potential cash raised from warrants (~7.1M), is to be used by the business. Thus is excluded from net debt.*

Source: Company Reports, Ubika

Comparable Companies Analysis

We compare QYOU Media to small-to-mid-cap media companies. As noted on Page 11, our price target is based on a blended average of three valuation methods. Currently, QYOU Media is trading at 0.7x 2022E revenue, which is at the multiple of its lowest peer. We believe that as management executes on their Q India strategy over the next year, the valuation gap should close. The QYOU Media business model could be seen as similar to building a cell phone business. Once everything has been built and distribution channels established, all the platform needs to do is scale up with users. As QYOU Media's platform scales, we expect gross margins to improve significantly.

Figure 15: QYOU Media Comparable Company Analysis ($USD)

Company Name	Last Price	Mrkt Cap ($'Mm)	EV ($'Mm)	'16 - '19 Rev Growth CAGR	LTM Gross Margin	EV/Revenues 2020E	EV/Revenues 2021E	EV/Revenues 2022E	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBITDA 2022E
Small-to-Mid Cap Media											
World Wrestling Entertainment, Inc.	$66.40	5,216	5,563	12.2%	30.5%	4.3x	4.0x	3.8x	12.9x	11.9x	10.9x
Eros International Plc	$3.91	426	674	-0.5%	48.7%	3.1x	2.7x	n/a	7.5x	6.6x	n/a
Gaia, Inc.	$8.04	148	155	48.2%	86.7%	1.7x	n/a	n/a	7.3x	n/a	n/a
Chicken Soup for the Soul Entertainment, Inc.	$8.19	98	145	161.2%	32.9%	1.3x	1.2x	1.0x	4.3x	3.6x	3.1x
Cinedigm Corp.	$0.73	29	69	-20.0%	64.1%	0.6x	0.6x	0.5x	2.0x	3.6x	2.1x
Mean				40.2%	52.6%	2.2x	2.1x	1.8x	6.8x	6.5x	5.4x
Median				12.2%	48.7%	1.7x	1.9x	1.0x	7.3x	5.1x	3.1x
High				161.2%	86.7%	4.3x	4.0x	3.8x	12.9x	11.9x	10.9x
Low				-20.0%	30.5%	0.6x	0.6x	0.5x	2.0x	3.6x	2.1x
QYou Media	**$0.06**	**14.8**	**14.8**	**37.9%**	**10.1%**	**2.0x**	**1.1x**	**0.7x**	**nm**	**nm**	**5.2x**

Source: Company Reports, Ubika

Trades at a discount to peers. QYOU Media currently trades at a 0.7x F2022E EV/Sales multiple and at a 5.2x F2022E EV/EBITDA multiple, a discount to peers, which trade at mean multiples of 1.8x and 5.4x, respectively. We believe that this valuation gap should narrow as QYOU successfully executes on its Q India strategy.

Figure 16: QYOU Media Relative Valuation (F2022 EV/Sales multiple)

Relative Valuation EV/Sales	
EV/Sales Multiple	**2.5x**
QYou Metric - FY22 Revenue	19.8
Enterprise Value	49.6
(–) Net Debt*	–
Equity Value	49.6
Fully diluted shares outstanding (millions)	247.2M
Implied Share Price	0.20
Discount Rate	*15.0%*
Fair Value Share Price	**0.16**

**Note: We assume that the Company's cash balance (~$2.3M), as well as potential cash raised from warrants (~7.1M), is to be used by the business. Thus is excluded from net debt.*

Source: Company Reports, Ubika

Comparable Transactions Analysis

We selected transactions in the media and entertainment, distribution, and content production space, which we believe to be representative of QYOU Media. Based on analysis of comparable transactions over the past 10 years, the average LTM revenue and EBITDA takeout multiples are 5.4x and 29.9x, respectively.

Figure 17: QYOU Media Comparable Transaction Analysis ($USD)

Date	Target	Acquirer	EV ($USD)	LTM Revenue ($USD)	EV/sales	LTM EBITDA ($USD)	EV/EBITDA
20-Dec-19	Miramax	ViacomCBS	306M	30M*	10.2x	NA	NA
22-Aug-19	Entertainment One Ltd.	Hasbro Inc	4,374M	1139M	3.8x	119M	36.8x
30-Apr-19	Cheddar Inc	Altice USA, Inc.	200M	35M*	5.7x	NA	NA
22-Jan-19	Pluto TV	ViacomCBS	340M	55M*	6.2x	NA	NA
26-Mar-18	NeuLion	Endeavor, LLC	325M	120M	2.7x	NA	NA
28-Apr-16	DreamWorks	NBC Universal	4,240M	940M	4.5x	123M	34.5x
29-Sep-15	Rentrak Corporation	comScore, Inc	770M	100M	7.7x	NA	NA
22-Jun-15	Martha Stewart Living Omni Media	Sequential Brands Group, Inc.	370M	148M	2.5x	10M	36.1x
09-Oct-14	Competitive Media Reporting, LLC	Rentrak Corporation	80M	15M	5.3x	NA	NA
31-Aug-09	Marvel Entertainment	The Walt Disney Company	4,000M	741M	5.4x	331M	12.1x
				Mean	**5.4x**	**Mean**	**29.9x**
				Median	**5.4x**	**Median**	**35.3x**
				High	**10.2x**	**High**	**36.8x**
-----				**Low**	**2.5x**	**Low**	**12.1x**

*Note: *Ubika Estimates*

Source: Company Reports, Ubika

Figure 18: Case Study – Cheddar Inc: VC Financing Rounds

Date	Round	Amount Raised ($USD)	Pre-Money	Post-Money	Premium Over Previous Round
February-2016	Series A	3M	NA	15M	NA
September-2016	Series B	10M	15M	40M	167%
May-2017	Series C	19M	40M	84M	110%
March-2018	Series D	23M	84M	160M	90%
May-2019	Altice Takeover	NA	160M	200M	25%

Source: techcrunch.com, Ubika

Cheddar Inc is a Millennial-focused digital news network, dubbed the "CNBC for Millennials," which was founded by Jon Steinburg, the former president of BuzzFeed. Cheddar focuses on business news and top headlines, and is available through over-the-top devices (online, SmartTVs, tablets, phones, etc), with 19 hours of programming per day. Cheddar has a distribution network that includes 40M homes via OTT platforms, and is available on 60% of all SmartTVs, attracting 400M video views per month. Cheddar raised ~$55M in funding across four venture financing rounds with an average premium of ~100% for each round. Cheddar was acquired by Altice in August 2019, at a 25% premium over its Series D round.

We view Cheddar as the single best comparable transaction based on the target demographic, similar distribution channels, and device reach. Of note, Cheddar's valuation increased by ~13x from its Series A in February 2016, to its takeover by Altice in August 2019. With an even larger distribution reach (~1B combined), similar demographics (Millennial/Gen Z Indians 20-30 years old), and existing in an emerging market with M&A growth expected to outpace that of the United States, we believe that QYOU could be a prime candidate for a similar takeover by a large-cap media player once the Company executes on its India strategy within the next two to three years.

Financial Analysis

Revenue Model

QYOU Media reports revenue from three geographic segments – Q India, Q International, and Q Polska – and three business segments: broadcast revenues, OTT/mobile revenues, and influencer marketing revenues. Revenue is generated through the carriage fees associated with the distribution of content or the sale of advertising. In addition, a growing influencer marketing business has driven revenues in FY2019 and this is expected to continue to grow. In 2020E, we are expecting $7.6M in revenue, which implies strong YoY growth of 61%. We anticipate most of this revenue to be generated through Q International ($6.1M of $7.6M) with a contribution of $1.3M from Q India. However we believe the following year, 2021E, that revenue from Q India segment will contribute to ~45% of the revenue and will overtake as QYOU's highest revenue segment by 2022E. We expect this to continue to be QYOU's highest-generating revenue stream, reaching $12.4M in 2022E (of a total of $19.8M) and $44.3M in 2024E (of a total of $54.2M).

Figure 19: QYOU Segmented Revenues

(millions $CDN)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Q International	$5.6	$4.7	$6.1	$6.6	$6.5	$6.0	$5.5
QYou India			$1.3	$6.4	$12.4	$25.7	$44.3
QYou Polska			$0.2	$0.4	$1.0	$2.3	$4.3
Total	**$5.6**	**$4.7**	**$7.6**	**$13.4**	**$19.8**	**$34.0**	**$54.2**
YoY Growth		*(15.2%)*	*60.9%*	*77.0%*	*47.7%*	*71.1%*	*59.5%*

Source: Company Reports, Ubika

Broadcast revenues are generated through viewership of the linear channel. QYOU currently has distribution agreements with Tata Sky (18M subs), Airtel Digital (14M subs), and is anticipating an agreement with Dish Network (17M subs), and Other cable carriers (40M subs) in 2020E. In aggregate, QYOU can reach 89M households in India and with BARC ratings it can negotiate terms with advertisers based on: number of viewers, time, geographic or demographic segmentation.

Over-the-top (OTT) revenues are derived from impressions (ads running before or during streaming video) through various platforms. QYOU has distribution agreements with partners such as: Sony Liv, Snapchat, JIO, DISH Watcho, ZEE5 and MX Player, which combined reach 255M+ consumers. QYOU works with the platforms to have its available content as a streaming linear channel or on-demand content offerings. The platform would negotiate a cost per thousand (CPM) impressions on video streams with brands, which is also based on viewership and demographic data. QYOU receives a 50/50 revenue split with the platform for providing the content.

The influencer marketing division of the business uses influencers from both inside and outside of QYOU programming to promote the products and services. Additionally, QYOU Media also leverages it relationships with multi-channel video programming distributors to market and promote the content on their services to generate additional revenue from influencer-driven contacts.

Revenue Model

Figure 20: QYOU Revenue Mix

India OTT/Mobile	Units	Calculation		2020E	2021E	2022E	2023E	2024E
Q India Device Reach (Mobile/OTT)	*devices per month*		A	500m	600m	700m	800m	900m
Viewership Conversion Rate	*%*		B	0.5%	1.9%	3.2%	6.5%	9.9%
Q India Mobile/OTT Users	*devices per month*	*= A x B*	C	2.3m	11.2m	22.2m	51.6m	88.7m
Average Monthly Impressions	*impressions per device / month*		D	9	10	11	12	13
Total Impressions	*monthly impressions*	*= C x D*	E	20.3m	111.9m	244.5m	619.2m	1,152.5m
Indian OTT/Mobile Net CPM Rates	*dollars $USD per thousand impressions*		F	$1.01	$1.02	$1.03	$1.04	$1.05
Total Impressions per Net CPM Rate	*monthly impressions divided by 1,000*	*= E / 1,000*	G	20.3k	111.9k	244.5k	619.2k	1,152.5k
Monthly Mobile/OTT Revenues	*thousands $USD*	*= F x G*	H	$20.5k	$114.1k	$251.8k	$644.0k	$1,210.1k
Annual Mobile/OTT Revenues	*millions $USD*	*= H x 12 months*	I	$0.2m	$1.4m	$3.0m	$7.7m	$14.5m
CAD/USD Exchange Rate	*$*		J	$1.30	$1.30	$1.30	$1.30	$1.30
Annual Mobile/OTT Revenues	*millions $CAD*	*= I x J*	K	$0.32m	$1.8m	$3.9m	$10.0m	$18.9m
Revenue per addresable device	***$***	***= K / A***		**$0.001**	**$0.003**	**$0.006**	**$0.013**	**$0.021**

India Broadcast	Units	Calculation		2020E	2021E	2022E	2023E	2024E
Q India Household Reach (Broadcast)	*households per month*		A	60m	80m	90m	100m	110m
Viewership Conversion Rate	*%*		B	1.3%	4.5%	7.0%	11.1%	15.3%
Q India Broadcast Users	*households per month*	*= A x B*	C	0.8m	3.6m	6.3m	11.1m	16.8m
Average Monthly Impressions	*impressions per household / month*		D	10	10	10	10	10
Total Impressions	*monthly impressions*	*= C x D*	E	7.6m	35.6m	62.6m	110.5m	168.0m
Indian Broadcast Net CPM Rates	*dollars $USD per thousand impressions*		F	$7.75	$8.00	$8.25	$8.50	$8.75
Total Impressions per Net CPM Rate	*monthly impressions divided by 1,000*	*= E / 1,000*	G	7.6k	35.6k	62.6k	110.5k	168.0k
Monthly Broadcast Revenues	*thousands $USD*	*= F x G*	H	$58.6k	$284.8k	$516.0k	$939.3k	$1,469.7k
Annual Broadcast Revenues	*millions $USD*	*= H x 12 months*	I	$0.7m	$3.4m	$6.2m	$11.3m	$17.6m
CAD/USD Exchange Rate	*$*		J	$1.30	$1.30	$1.30	$1.30	$1.30
Annual Broadcast Revenues	*millions $CAD*	*= I x J*	K	$0.9m	$4.4m	$8.1m	$14.7m	$22.9m
Revenue per addresable household	***$***	***= K / A***		**$0.015**	**$0.056**	**$0.089**	**$0.147**	**$0.208**

The Q India Segmented Revenue	2020E	2021E	2022E	2023E	2024E
Broadcast	$0.9m	$4.4m	$8.1m	$14.7m	$22.9m
Broadcast % Total Q India	*72%*	*70%*	*65%*	*57%*	*52%*
OTT/Mobile	$0.3m	$1.8m	$3.9m	$10.0m	$18.9m
OTT/Mobile % Total Q India	*25%*	*28%*	*32%*	*39%*	*43%*
Influencer Marketing	$0.0m	$0.2m	$0.4m	$1.0m	$2.5m
Influencer Marketing % Q India	*2%*	*3%*	*3%*	*4%*	*6%*
Total Revenue Q India	**1.3m**	**6.4m**	**12.4m**	**25.7m**	**44.3m**

Note: Management estimates an average of 3 viewing devices per person

Source: Ubika

We estimate the revenue mix to be led by broadcast advertising, as most households in India are still connected to cable or broadband through a TV box. As the industry changes, adopting new technologies such as 5G, we believe that the revenue mix will shift in favour of OTT and influencer marketing, with ~43% of the revenue coming from OTT and influencer marketing by F2024E. Cost per thousand, also called cost per mille (CPM), is an advertising term used to denote the price of 1,000 advertisement impressions on one webpage or mobile.

Our revenue assumptions assume that The Q India can gain ~10% viewership of its total addressable market of 900M OTT/Mobile devices by F2024E. We are using conservative assumptions of a CPM rate of ~$1.00 to ~$1.05. For the broadcast segment, we are assuming The Q India can gain 15% viewership of Indian households by F2024E with conservative CPM rates of ~7.75 to ~$8.75. Our forecast assumes The Q India generates ~2.1 cents per device and ~20.8 cents per household by F2024. We believe that this could prove to be incredibly conservative, if the Q indeed becomes the Young India Brand that management envisions, which we believe is achievable.

As "The Q India's" increases its total addressable market (TAM) by adding additional languages, such as Hindi, Punjabi, Tamil, and expands it service offering to additional countries (Philippines, Malaysia), the Company gains a larger device/household reach. As the Company's device/household reach increases, the CPM fees that it charges advertisers also increases.

Revenue Model

Figure 21: EBITDA to Adjusted EBITDA Reconciliation

(millions $CDN)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
EBITDA	(7.0)	(6.1)	(5.1)	(2.1)	$2.9	$13.8	$28.9
Content Amortization	$0.3	$1.4	$1.1	$1.9	$1.7	$2.9	$4.2
Share-based compensation	$1.2	$0.9	$1.3	$1.8	$2.1	$2.4	$2.6
Impairment	–	$0.7	–	–	–	–	–
Adj. EBITDA	(5.5)	(3.1)	(2.7)	$1.6	$6.6	$19.1	$35.7

Source: Company reports, Ubika

Adjusted EBITDA is a non-IFRS measure, which adds back non-cash expenses, such as content amortization and share-based compensation. Management believes that this metric is a better measure of cash flow generated through the daily operations of the business.

Cost Drivers

Content Production Costs

Content production costs are treated as cost of revenue and are expected to increase on an absolute dollar standpoint but should decrease as a percentage of total revenue, expanding gross margins.

Figure 22: QYOU Content Production Costs and Gross Margin

(millions $CDN)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Content Production Costs	$3.4	$4.2	$5.3	$7.3	$8.4	$11.1	$15.2
YoY Growth	*NA*	*26.5%*	*24.0%*	*38.7%*	*14.7%*	*32.9%*	*37.0%*
Gross margin	*39.7%*	*10.1%*	*30.7%*	*45.7%*	*57.8%*	*67.3%*	*71.9%*
Content Amortization	$0.3	$1.4	$1.1	$1.9	$1.7	$2.9	$4.2

Source: Company Reports, Ubika

Content production costs are incurred primarily for shows and program offered by QYOU that are for a specific subject matter, such as Food, Fashion, Pranks, Gossip, Sports, etc. and then QYOU sells these shows as part of its linear channel. QYOU also has editors who search the internet and curate content for its channel, and developers that use a proprietary stack of search tools to look for the best content on the internet. Once the content is found, it needs to be licensed, packaged and edited into a format in which ads can be run. We expect QYOU's gross margins to expand as the Company becomes more efficient in curating and editing content.

Embedded within the content production costs line is amortization of content programing assets. QYOU's content productions are capitalized and amortized on an accelerated basis with 60% in the first year, 30% in the second year, and 10% in the third year. This approach is indicative of the way most subscribers consume content, of which the majority occurs right as the content has been released.

General and Administrative

General and administrative consist mainly of employee-related costs, including salaries, benefits, professional and legal expenses, HR, IT, and other admin costs. We expect modest-to-high leverage on the G&A line over the next few years, as a majority of QYOU costs are fixed and the Company can scale its operations significantly with modest additional investments in personal.

Figure 23: QYOU General and Administrative Expenses

(millions $CDN)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
General and administrative	$1.6	$1.5	$2.3	$2.4	$2.5	$2.6	$3.0
YoY Growth	*NA*	*(9.2%)*	*54.7%*	*4.1%*	*4.1%*	*4.6%*	*16.7%*
% of revenue	*29.1%*	*31.2%*	*30.0%*	*17.6%*	*12.4%*	*7.6%*	*5.6%*

Source: Company Reports, Ubika

Cost Drivers

Sales, Marketing and Promotion

Sales and marketing expenses consist primarily of personal-related costs, including salaries, benefits, and other related expenses. They also include costs for public relations and investor relations, trade shows and other events, professional services, and travel costs.

Figure 24: QYOU Sales, Marketing, and Promotion Expenses

(millions $CDN)	2018A	2019A	2020E	2021E	2022E	2023E	2024E
Selling, marketing and promotion	$2.5	$2.0	$2.1	$2.3	$2.4	$2.6	$3.1
YoY Growth	*NA*	*(17.5%)*	*1.5%*	*9.3%*	*7.0%*	*8.8%*	*18.9%*
% of revenue	*44.3%*	*43.1%*	*27.2%*	*16.8%*	*12.2%*	*7.7%*	*5.8%*

Source: Company Reports, Ubika

We estimate QYOU will continue to invest in sales and marketing, as it looks to scale its business and add additional country-specific channels, such as The Q Malaysia or The Q Philippines in future years following success in India.

Management Team

G. Scott Paterson, Chairman & Co Founder

Mr. Paterson co-founded QYOU Media in 2014, and has 35+ years capital markets experience in the media and entertainment industry. He was the second investor in Lions Gate Entertainment Canada and is well connected in the media space, having served on the Board of Directors of Lionsgate Entertainment from its inception for 21 years. Additionally, Mr. Paterson co-founded NeuLion/JumpTV, which sold to Endeavour for $325 million in 2018 amongst other media initiatives. With his 35+ years experience and a diverse base of global connections in the media and entertainment industry, Mr. Paterson is uniquely positioned to build QYOU into a global brand.

Curt Marvis, CEO & Co Founder

Mr. Marvis is CEO and is responsible for the day-to-day operations of QYOU Media. Previously, Mr. Marvis served as President of Digital Media at Lionsgate. Prior to joining Lionsgate, Mr. Marvis was Co Founder and CEO of CinemaNow, a leader in digital distribution and technology and he helped the Company receive investments from Microsoft Corporation, Cisco Systems, Lionsgate, Dish Network Corp and Menlo Ventures. In addition, Mr. Marvis has successfully launched original content channels on YouTube, including an original series in partnership with Hulu and Machinima. He is a recipient of the MTV's Lifetime Achievement Award for his work in the 1980's and 1990's, producing many of MTV's most-popular videos.

Sunder Aaron, Co Founder & General Manager, The Q India

Mr. Aaron has 17 years experience in the Indian media and entertainment sector. Prior to joining QYOU. he served as Executive Vice President for Sony Pictures Television Networks India. From 2005 to 2008, he served as Country Manager for both AXN and Animax. In addition, Aaron has produced several original TV series while working with Sony Television Networks, including: The Man's World Show, Gateway, and Chick on Flicks.

Krishna Menon, Chief Revenue Officer, The Q India

Mr. Menon has 19 years experience in media and advertising, including experience in business development, marketing and content partnerships, with Indian television networks, Internet video providers, content distributers, and Ad Agencies. Previously, Mr. Menon served as Chief Revenue and Marketing Officer at Sakal Media Group, and National Head of Entertainment at Dainik Bhaskar Corp.

Investment Risks

Highly-Competitive Landscape: QYOU Media faces significant competition on a number of fronts, mainly from global media platforms such as Pluto TV (Viacom) and TubiTV and Cheddar, which have begun curating content and distributing it through VOD, OTT and DTH platforms. That said, we believe that QYOU's strategy of targeting young Indians can help the Company to differentiate itself from the listed media platforms. While platforms such as Pluto TV, TubiTV, and Cheddar offer free curated content, this content is geared towards an international audience and not targeted at a specific demographic.

Technological Change Risk: The media and entertainment space has been undergoing major changes. Traditional broadcast and cable content providers have been disrupted by the emergence of streaming Video on Demand. There may be a future technology that could render QYOU Media's method of curating content obsolete.

Currency Risk: The Company reports in Canadian Dollars, however most of its revenues are expected to be derived in Indian Rupees as well as Euro, and US Dollars. QYOU is exposed to foreign-currency fluctuations and a drastic change in exchange rates between Rupees, CAD Dollars, US Dollars, and Euros, could result in a loss recorded in other comprehensive income.

Small Business Risk: The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization and cash shortages. Whether the Company can attain profitability and positive cash flow from operations is uncertain and the Company may require additional financing to reach profitability. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future.

Appendix A

QYou Media Income Statement

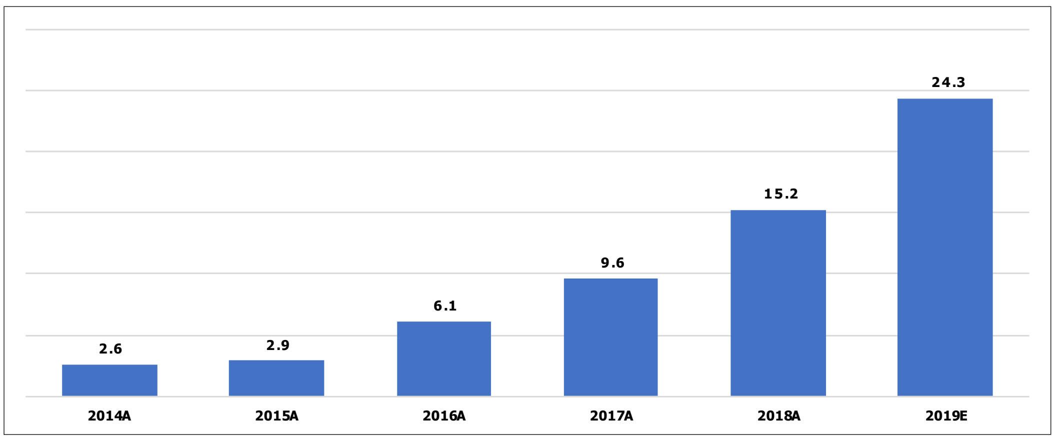
(thousands $CAD)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**
Net revenues	**$5,565**	**$4,718**	**$7,891**	**$13,433**	**$19,841**	**$33,957**	**$54,170**
Growth	*33.0%*	*(15.2%)*	*67.2%*	*70.2%*	*47.7%*	*71.1%*	*59.5%*
Content & Production Costs	3,354	4,242	5,262	7,296	8,366	11,115	15,223
Gross profit	2,211	476	2,629	6,137	11,475	22,842	38,947
Gross margin	*39.7%*	*10.1%*	*33.3%*	*45.7%*	*57.8%*	*67.3%*	*71.9%*
Operating Expenses:							
General and administrative	3,503	1,472	2,278	2,370	2,466	2,579	3,010
Selling, marketing and promotion	2,464	2,032	2,063	2,255	2,414	2,626	3,123
Share-based compensation	1,188	892	1,273	1,785	2,088	2,383	2,649
Professional fees and other	2,040	2,197	2,100	1,859	1,646	1,457	1,290
Total SG&A	9,195	6,593	7,713	8,269	8,614	9,045	10,072
SG&A % revenues	*165.2%*	*139.7%*	*97.7%*	*61.6%*	*43.4%*	*26.6%*	*18.6%*
EBITDA	**(6,984)**	**(6,118)**	**(5,084)**	**(2,132)**	**2,861**	**13,796**	**28,875**
EBITDA margin	*(125.5%)*	*(129.7%)*	*(64.4%)*	*(15.9%)*	*14.4%*	*40.6%*	*53.3%*
Depreciation	78	139	139	246	325	280	240
EBIT	(7,056)	(6,256)	(5,223)	(2,378)	2,536	13,516	28,635
Interest Expense (Income)	12	6	72	97	(43)	(250)	(665)
Taxes (Recovery)	139	(139)	–	–	–	627	7,940
Net income (loss)	**(7,213)**	**(6,123)**	**(5,294)**	**(2,475)**	**2,579**	**13,139**	**21,360**
Net income margin	*(129.6%)*	*(129.8%)*	*(67.1%)*	*(18.4%)*	*13.0%*	*38.7%*	*39.4%*
Adj. EBITDA Reconciliation							
EBITDA	(6,984)	(6,118)	(5,084)	(2,132)	2,861	13,796	28,875
Content Amortization	258	1,396	1,125	1,901	1,678	2,945	4,180
Share-based compensation	1,188	892	1,273	1,785	2,088	2,383	2,649
Impairment	–	725	–	–	–	–	–
Adj. EBITDA	**(5,538)**	**(3,104)**	**(2,686)**	**1,554**	**6,627**	**19,125**	**35,705**

Appendix B

Industry Overview

Price Waterhouse Coppers (PWC) estimates that, globally, the Entertainment and Media (E&M) industry is valued at US$2.1T (PWC, 2018). Advertising revenue represents ~25% of global E&M spend. Advertising has been done traditionally through newspapers, magazines, billboards, radio, and broadcast TV. However, by 2021E marketers are expected to allocate >50% of their budgets to digital advertising (Internet and mobile). Internet advertising is already the single largest segment of digital advertising, contributing to 40% of all ad-revenue in 2018. As mobile phones continue to be adopted throughout the world, and cellular technologies such as 5G are adopted, smartphone data consumption, especially video content, is expected to overtake fixed broadband within a few years.

Figure 25: Global Monthly Mobile Data Consumption



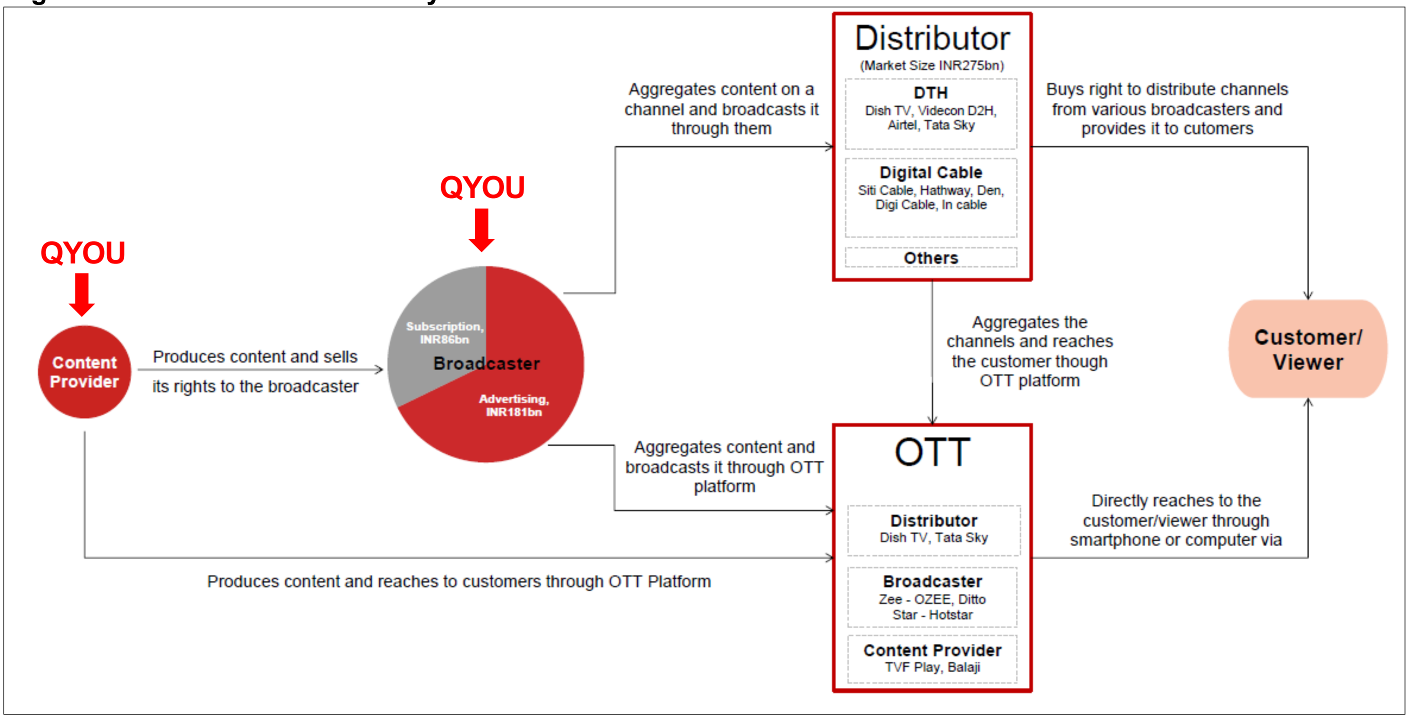
Source: Deloitte – Digital Media: Rise of On-demand Content

Since 2014, global monthly data consumption has increased at an annualized rate of 56% per year with ~75% of the data consumed via smartphone. Mobile Internet has been, and continues to be, a disruptive force impacting consumption of Video on Demand, coupled with an increase in the number of smartphones and network services that can process and download VOD content. Deloitte estimates that Video and Audio content generates 89% of consumer Internet traffic as of 2018. Smartphone penetration and low data costs, as well as investments in original and regional digital content, were identified by Deloitte as favourable factors for digital access and content supply, respectively, and these factors are expected to continue to drive up online consumption. With the global launch of 5G, this is expected to increase at an accelerating rate.

In addition, traditional television broadcast industry continues to be a strong growth business in India with a CAGR of 10% from 2016 - 2021. The Q India forecasts strong ad sales in this broadcast segment of the market as digital advertising continues to shift in the coming years increasingly towards OTT and Mobile distributors.

Industry Overview

Figure 26: Indian TV M&E Industry Value Chain



Source: Nomura Research, Ubika

In the Indian M&E value chain there are content providers, broadcasters, DTH and cable providers and distributors, OTT and Mobile providers and distributors, and advertisers. QYOU Media and The Q India is a content provider and broadcaster that curates and packages premium content from leading digital video creators for multiscreen distribution. The Indian Media and Entertainment industry is going through a transitionary phase primarily as a result of evolving technology, regulatory changes, and changing consumer preferences. Going forward, we expect the more non-traditional content providers and broadcasters, such as QYOU Media, will fill the void for consumer demand for fresh content coming from a new generation of hugely popular digital creators and social media stars.

As a content curator that provides a linear channel as well as on demand content. QYOU acts as both a content provider and broadcaster in the media and entertainment value chain. Additionally, the distributors that are seen in the value chain (Dish TV, Tata Sky, etc) are all distributors in which QYOU Media has distribution agreements for The Q India.

Industry Overview

Figure 27: The Indian Media and Entertainment Sector ($USD)

Segment	2016A	2017A	2018A	2019E	2020E	2021E	'16 - '21 CAGR
Television	8.3B	9.2B	10.4B	11.4B	12.1B	13.4B	*10.0%*
Print	4.1B	4.2B	4.3B	4.4B	5.2B	4.7B	*2.7%*
Filmed Entertainment	1.7B	2.2B	2.5B	2.7B	2.7B	3.3B	*14.1%*
Digital Media	1.3B	1.7B	2.4B	3.1B	3.1B	5.0B	*30.9%*
Animation and VFX	0.8B	0.9B	1.1B	1.3B	1.6B	1.8B	*18.8%*
Live Events	0.8B	0.9B	1.1B	1.2B	1.5B	1.6B	*14.9%*
Online Gaming	0.4B	0.4B	0.7B	1.0B	1.0B	1.7B	*35.8%*
Out of Home Media	0.4B	0.5B	0.5B	0.6B	0.6B	0.7B	*8.9%*
Radio	0.3B	0.4B	0.4B	0.5B	0.5B	0.5B	*10.2%*
Music	0.2B	0.2B	0.2B	0.2B	0.3B	0.3B	*9.6%*
Total (Indian Rupees - INR):	**18.3B**	**20.7B**	**23.5B**	**26.4B**	**28.5B**	**32.9B**	***12.4%***

Source: EY – Re-imagining India's M&E Sector (March 2019)

The Indian E&M sector was valued at US$26.4B in 2019. The sector is expected to grow at a compound annual growth rate (CAGR) of 12.4% until 2021E (from 2016), reaching a value of US$32.9. The fastest-growing segments are expected to be digital media and online gaming, growing at CAGRs of 24.9% and 27.2%, respectively. However, television is the largest segment of the Indian E&M sector (~44%, 2018A), and remains the gold standard in India to attract advertising dollars. As such QYOU Media and The Q India strategy is to target broadcast television advertisers while offering full spectrum packages that include; mobile, OTT, influencer marketing.

There are two main distribution channels in which advertisers can use to target customers: Broadcast Television and Video on Demand (VOD). Broadcast Television is your traditional style television delivered via satellite (DTH) and cable television providers. Broadcast television advertising is based on television ratings, which can provide data on how many people watch a particular channel or TV show, as well as demographic information such as age, nationality, and language. In the U.S., Neilson provides this service, while in India the Broadcast Audience Research Council (BARC) gathers this data. Inclusion in BARC, anticipated in Q1/20, is a key catalyst in The Q India's content distribution strategy. This is because advertisers use BARC ratings to determine

Figure 25: Main Direct to Home (DTH) in India (June 2019)

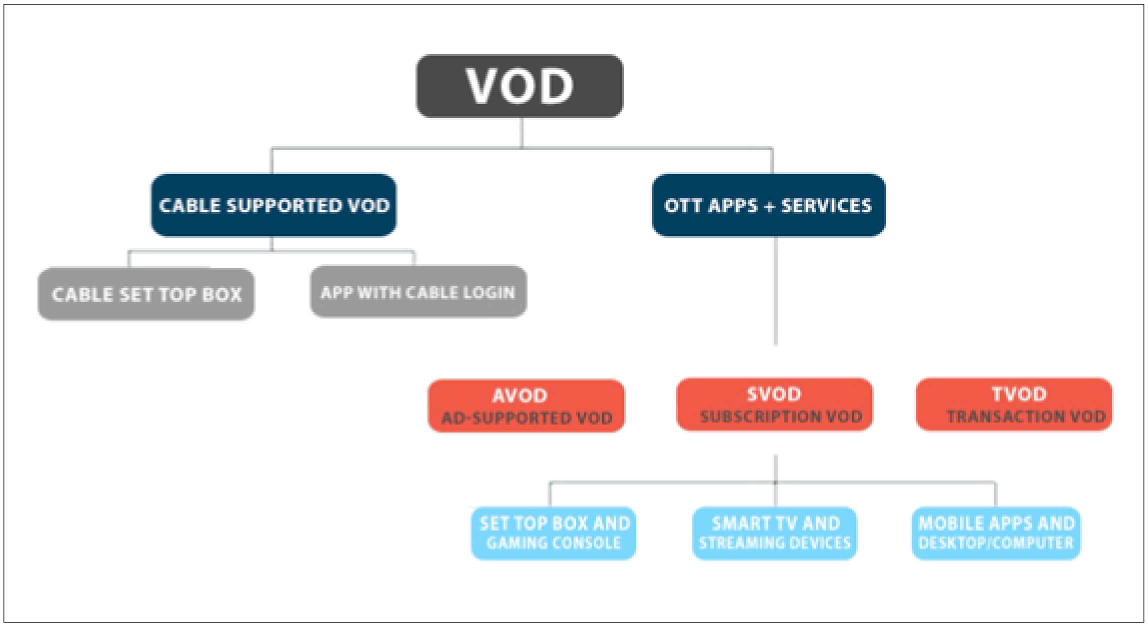
Indian DTH Players	Launch Year	Market Share	Net Subscribers
Tata Sky	2006	*32%*	17.4M
DishTV	2003	*31%*	16.9M
Airtel	2008	*23%*	12.5M
Sun Direct	2007	*14%*	7.6M
Total:		***100%***	**54.4M**

Source: Telecom Regulatory Authority of India

According to the Telecom Regulatory Authority of India (TRAI), the DTH sector in India is highly consolidated, with the Top 3 players controlling 86% market share. Tata Sky is the market leader at 32% market share, with about 17.4M net subscribers as of June 30, 2019. There are now four main DTH providers in India after the merger between Dish TV and Videocon was completed in March 2018. QYOU Media currently has distribution agreements with Tata Sky and Airtel Digital and is working on a distribution agreement with Dish TV that is expected to launch in the second half of 2020. With BARC ratings and a content distribution reach of 85% of India's broadcast subscribers, QYOU is well prepared to attract television advertising spend.

Industry Overview

Figure 28: Video on Demand (VOD) Organizational Chart



Source: clipbucket.com

Video on Demand is defined as content, distributed over the Internet, typically via web browser or on mobile phones. There are two main VOD business models: subscription video on demand (SVOD) and advertising video on demand (AVOD). SVOD is like Netflix, where the user pays a monthly subscription fee but does not see ads as they watch content. YouTube is an example of an AVOD model, where the content is free, but the user must watch an ad to view the content. There is also transactional video on demand (TVOD), where the user pays for content based on how much is watched.

Additionally, over-the-top (OTT) is a subset of the overall VOD category and it is transmitted to the viewer via the Internet without requiring users to subscribe to a traditional cable or satellite pay TV service. Adoption of VOD and OTT has been increasing due to the trend of cord-cutters, people who are choosing to get rid of traditional DTT subscriptions in favour of VOD and OTT content. Indian OTT providers include: MX Player, Sony Liv, Watcho, ZEE5, Hotstar, and HOOQ.

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