

## Content Aggregators

### Leaders & Visionaries Series: Jason Flick, CEO of You.i TV

One of the most interesting private companies we've come across in 2019 is You.i TV. Co-founded in 2007 by Jason Flick, CEO, and Stuart Russell, CTO. You.i TV is a B2B software company that lowers the cost and time to market for IP owners that want to launch direct-to-consumer streaming services to every consumer-facing device. Increasingly, sports leagues and video library owners want their content available on every consumer device including set top boxes, smart TVs, smartphones, tablets, game consoles, etc. You.i TV's products lower the cost and time to market of achieving this goal.

What we like most about You.i TV includes:

1. There are many IP owners (sports teams and owners, TV and film library owners, etc) that must make their video content available on every consumer-facing device. This is costly and growing in complexity as new platforms and types of content get announced every day. For example, AR and VR will accelerate complexity.
2. You.i TV sells software as a service to IP owners that have in-house development teams. You.i TV has a software interface called You.i Engine that helps development teams deploy video apps across mobile, tablet, game consoles, streaming devices, set-top boxes, Smart TVs, etc. using a single codebase. In effect, You.i TV's product helps development teams create unified cross-platform user interfaces for a broad range of consumer devices which enables faster development times, longer engagement times, and new ways to generate revenue from the subscriber base.
3. You.i TV's clients include Disney/National Geographic, Fox, AT&T/Time Warner. You.i TV's partners also include the owners of the Boston Celtics, San Francisco 49ers and a variety of other NBA, NFL and MLB teams. We believe that most sports IP owners globally will want to take their IP content direct-to-consumer, which is a key You.i TV upside driver.
4. We estimate that You.i TV will achieve a \$38mm annual run rate of revenue by 4Q19, of which 30%-40% will be international.
5. We are most excited to watch You.i TV's innovations around ad units. Streaming services generally have audiences that are 15-20 years younger, on average, than TV viewers. We believe that younger viewers are bothered more by commercial breaks. We believe that the future of advertising is about getting more creative with placements. For example, Flick suggests making the loading bar a Coke bottle that pops its lid with a promo code when the show is done buffering.

**Investments:** You.i TV is based in Ottawa, Canada and has about 200 employees. In 4Q18, You.i TV raised US\$23mm (about \$30mm Canadian) in a Series-C round from Massachusetts-based Causeway Media Partners. Over the prior 4 years You.i TV raised about US\$27mm between its Series A and Series B rounds from Kayne Anderson Capital Advisors, Vistara Capital Partners, and AT&T/Time Warner (the lead investor in its Series-B round).

### Companies Mentioned in Report:

■ FOXA: \$34.01, PT: NA

■ DIS: \$138.04, PT: NA

Relevant disclosures begin on page 7 of this report.

### Topic of Discussion:

Interview with Jason Flick, Co-Founder and CEO of You.i TV.

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### Sector Chart

S&P (SP50)

06/10/19



## **Answers by Jason Flick, Co-Founder & CEO of You.i TV**

**Contact:** Trisha Cooke, CMO, trisha.cooke@You.i TV

### **1. Laura Martin: What are the macro drivers that create upside for You.i TV?**

**Jason Flick, CEO:** At the highest level, as in all businesses today, the user is in the driver seat. Across generations and geographies, users are telling organizations every day how they expect to buy, be entertained, and be informed. The opportunity is for organizations to create a closer, scaled relationship with users and their wallets.

In video, there are several macro trends that create the need for You.i TV:



- **Device Fragmentation.** Audience fragmentation is being driven by the proliferation of hardware devices and operating systems that force applications to be written and re-written to achieve deployment at scale. Even in the most basic case of taking an app experience and delivering it to your customer base, reaching all those eyeballs is both hard and costly when all those eyeballs are *fragmented* across dozens of devices running 8+ different OSes. Adding to this complexity, getting that content on to all those platforms demands integration into authorization systems, monetization systems, analytics systems, etc. Going forward, AR & VR platforms add a broader range of platforms (ie, more fragmentation). Enter personalization and monetization - a marketer's dream but a CTO's nightmare given the challenges this presents at scale. The complexity of video delivery continues to compound, while market dynamism encourages the content side to keep pumping out new DTC services and each service needs to scale across all devices to drive adoption.
- **Application Fragmentation.** The notion of what an app is today is breaking down. The future of apps will no longer be about a big monolithic hardwired thing being dropped onto a device that is updated every six months. It will be more about micro experiences that are delivered contextually to the right user at the right time. Deep linking into the perfect spot in a video experience, contextual to the user, with a voice interface are here to stay. Apps are moving toward hyper-personalized user experiences using analytics to give users the right content at the right time, A/B tested, and optimized for that user. This changes the tooling stack needed to power this workflow.

- **Economics.** The challenge becomes the economics of this reinvention of the user experience. The tech stack must be written so that it does not require ground-up authoring for every device or for every variation of every OS, or for content personalization, or for the reinvention of how online video is monetized. Monetization in this world is different. By that I mean commercial advertising units within, on top of, or around the interface that complement (but don't replace) content, or micro experiences that are delivered contextually to the right consumer at the right time, or other ways of monetization that are consistent with viewing interests. One of the trends we've seen – sports is a great example of this – is how the organizations that own the content became video companies so they could monetize the product all the way to the end user. Today, those same organizations are becoming tech companies so they can own the consumer relationship all the way to the app, player and experience levels.

The result of these 3 key trends is that, in the video landscape, a key business decision for every stakeholder (device manufacturers, content owners, content distributors, etc) is whether to own their own tech stack or to pay for out-of-house. You.i TV helps companies that own their own tech stack meet the growing complexity of devices and OSes at a lower cost and faster.

## 2. **Laura Martin: Can you talk about financial trends?**

**Jason Flick, CEO:** We're a private company, so we don't disclose financial information. I can say that we've doubled revenue every year for the past five years and last year we closed more business than in every prior year *combined*. The biggest constraint to growth historically has been keeping up with demand and scaling deployment, but we raised \$23 million in growth capital last fall to help us address that.

We expect to double our size every year for the next three years to be over \$150MM in revenue by the end of 2021. [LM note: This math implies that You.i TV will reach about \$38mm of annual revenue by the end of 2019E.]

Longer term, our most obvious revenue upside opportunity is app deployment, but there's a long-tail of ad monetization for us as well. We're a couple of decades into the internet era and Madison Avenue still hasn't broken free of interruptive advertising formats that date back to the dawn of television. Our approach enables aggregation of viewers across every silo and the ability to create ads within, on top of, or around the user experience – without interrupting the consumer experience.

### 3. Laura Martin: Can you talk about trends in client adoption?

**Jason Flick, CEO:** Our customers are rethinking their content distribution strategies for three key reasons: a) new patterns of consumer behavior across multi-screen; b) the competitive need for technology differentiation; and, c) opportunities for monetizing new ad formats consistently on every platform across their entire addressable audience.

All companies are looking for nimble, differentiated experiences – and they see that the most efficient and most effective route is owning the tech stack in-house. They are bringing development back in-house. We've seen this shift worldwide - be it for D2C, operators, or digital-first organizations. Technology is becoming an integral part of viewing and interacting with a video company and therefore central to their business, brand and strategy. The user interface is the gateway to galvanizing a relationship with their viewers so controlling that – top to bottom - is becoming table stakes in this attention economy. You.i TV makes each client's user interface quicker, cheaper, and easier to develop.

### 4. Laura Martin: What ROI do you deliver to your clients?

**Jason Flick, CEO:** At a high level, once a potential customer has wrestled with the headaches and high costs of scaling services via in-house app development, our value proposition becomes clear. Benefits of hiring You.i TV include a lower cost of development, faster time to market, and the ability to reach every supported device.

Results differ according to each individual situation, but ROI benefits (as articulated by our clients) include:

- *"I need a way of reaching users no matter what platform they are on"*
  - **User Acquisition based on 3:1 efficiency when You.i TV hired**
- *"I need to maintain my scale of service across my entire user base but at a much reduced cost"*
  - **Cost Savings of 30% when You.i TV hired**
- *"I have an aggressive roadmap of innovative features that I need in-market as fast as humanly possible"*
  - **User Retention based on delivery that is 2X Faster when You.i TV hired**

## 5. Laura Martin: What Do Clients that Adopt your Products say they Like Most?

**Jason Flick, CEO:** The control they have over their business. By being able to manage all interactions with their users - how it can be crafted, created, and adjusted – they have the ability to build a closer relationship with their viewers/consumers/users.

Other customers say what they like most is that, with You.i TV, there are no second-class citizens. Once the underlying code base is created, every supported device can quickly be a point of contact with consumers, plus every new feature can be available without costly, time consuming retooling of the app for each device.

## 6. Laura Martin: What are your core competencies?

**Jason Flick, CEO:** Our core competency is not unlike what has powered the success of the video game industry - a single code base that supports rapid development and deployment of a consistent user experience across multiple devices.

Customers' values, intellectual property and brands are all tied together. Too often in the app development process, some of these get lost in the negotiation between the vision of the designers and the limitations of development. We allow our clients to use the React Native framework or C++ and our supporting toolset to write lightweight and highly performant apps with the capacity to embed unique features right to the metal.

## 7. Laura Martin: What are you most excited about over the next 3 years?

I love it that the barrier to entry for Direct-to-Consumer services continues to drop, not just for giants like Disney and AT&T, but for everybody. More and more content owners and aggregators are becoming video companies. That plays right into our core competency.

## 8. Laura Martin: What are the key impediments to new client adoption?

**Jason Flick, CEO:** The biggest hurdles often relate to technical skills and tooling inside organizations. Fielding an engineering team with the broad range of skill sets across the entire app ecosystem is not an insignificant cost and management challenge. Defining a roadmap and business case for what your investment needs to be to bring your tech stack in-house and the changes required is not for the faint of heart.

Additionally, some companies are still struggling with how they go-to-market, how they staff up, where they see the future of their business, etc. This can make for some very hard conversations. If you're already there and moving with the market, it's not hard. If you have to start that thinking and strategy based on our conversations, it gets complicated. You.i TV is not the reason for your change management; we're the answer to your change management.

#### **9. Laura Martin: How do you set prices for your products & services?**

**Jason Flick, CEO:** Our basic formula is an annual subscription licensing fee that scales based on volume.

#### **10. Laura Martin: Who are your competitors?**

**Jason Flick, CEO:** Our biggest competitor would still be native bespoke app development. Unified Development exists for game engines like Unity, but that's like comparing apples to oranges.

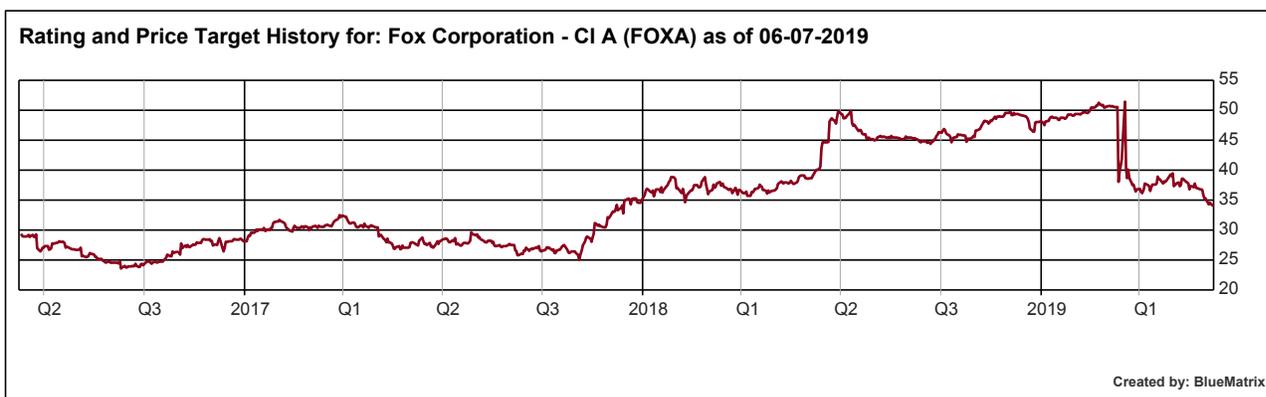
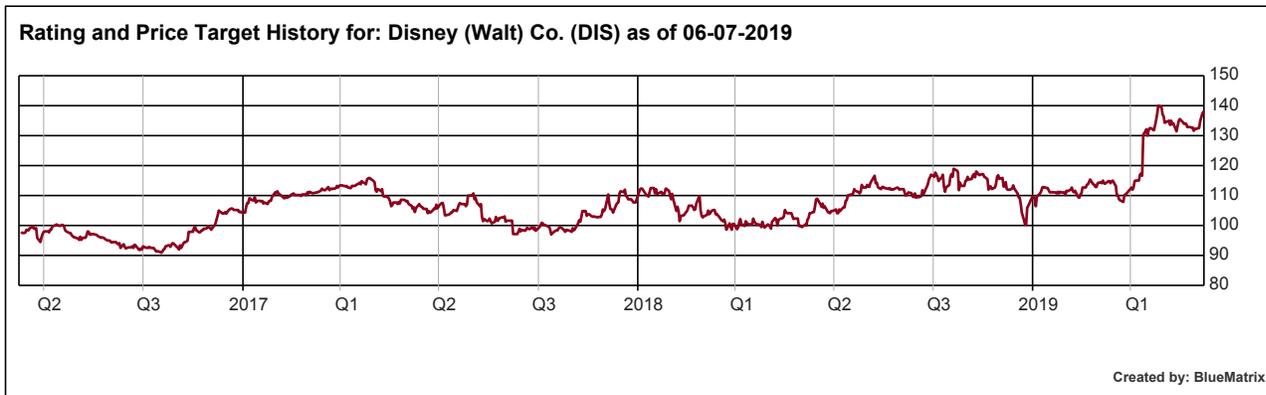
#### **11. Laura Martin: What are You.i TV's key barriers to entry?**

**Jason Flick, CEO:** The biggest one is that we wrote an operating system that gets clients on to 12+ different operating systems. This gives our customers the market scale and performance they need at lower prices and faster. We looked at how bespoke apps and web stacks fall short and decided we needed to own all three pillars of the platform: a single codebase value proposition; native-like performance through the GPU architecture; and a design tool that allows our customers' teams to build high fidelity experiences.

#### **12. Laura Martin: What are your 3 biggest challenges?**

**Jason Flick, CEO:** Our 3 biggest challengers are:

- Satisfying global market demand
- Scaling up our global ecosystem (partners, client developers, etc.) as we fulfill that demand
- Pushing our products deeper into video



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