Content Galaxy

Content Marketplace Platform (CMP)

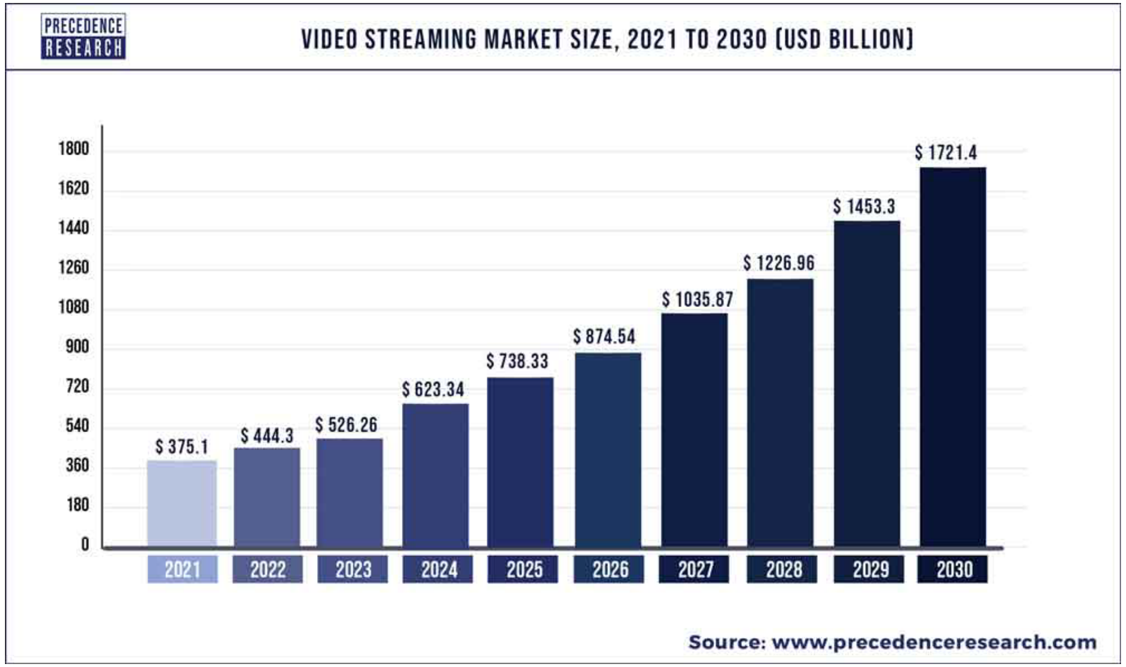
September 2023

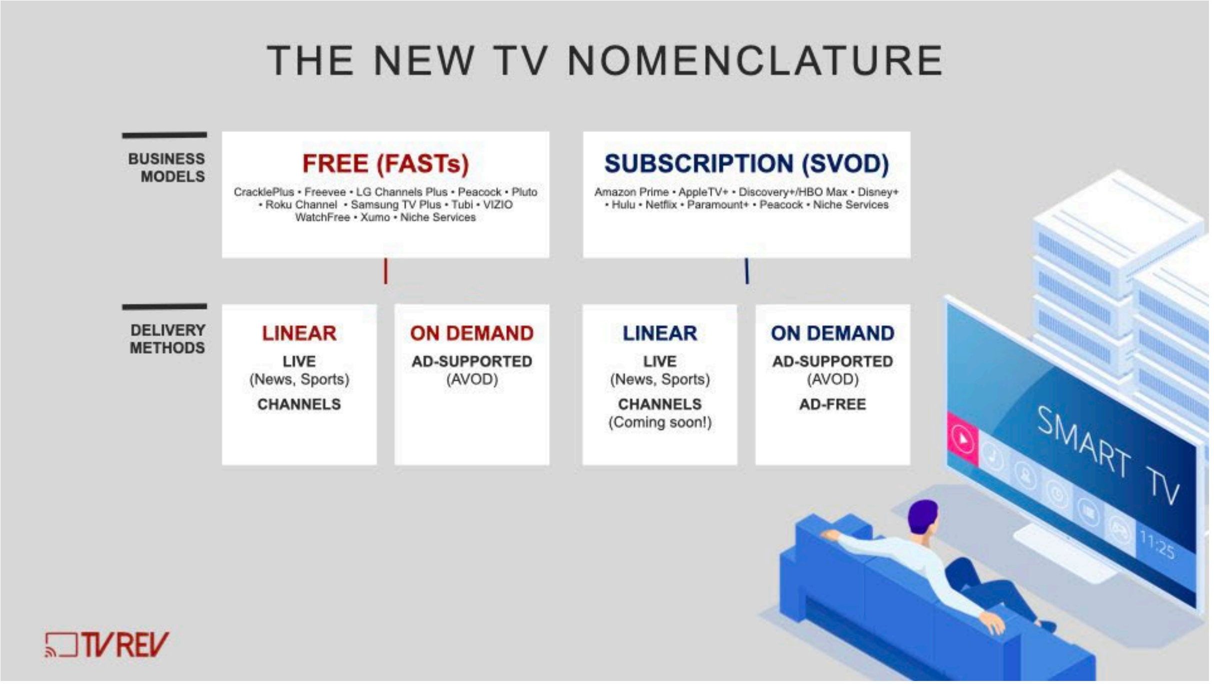
Contents

Streaming Video Overview

The strong growth in streaming video revenue, which is projected to continue for several years, presents many options for content monetization

There are a variety of delivery methods and business models in the streaming environment





Subscription Video on Demand (SVOD) – major platforms

- Most major SVOD services are deeply unprofitable

"According to IndieWire, Netflix and Hulu are the only two major streaming services that made a profit by the end of 2022."

From Movieweb.com, "Are Streaming Services Actually Profitable?"

- Huge growth in content spend is starting to taper off due to operating losses

Ampere adds that economic headwinds across the globe will put pressure on household spending and advertising investment, leading companies to implement cost-saving measures and reduce content expenditure.
From Broadband TV News, "Huge slowdown in content investment growth in 2023"

- Price of subscriptions is rising rapidly
- Momentum toward hybrid subscription/ad-supported model
- Content is being removed from platforms to save licensing/streaming costs
- Increased experimentation with content/service bundling
- Huge growth in free AVOD and linear FAST channels

This is why streaming Netflix, Disney Plus, and HBO Max keeps getting more expensive

The Rise of Dual Revenue Streams in Premium SVOD

Streaming services are removing tons of movies and shows — it's not personal, it's strictly business

The Secret Sauce for SVoD Success in 2023? Bundling and Discounts

Subscription Video on Demand (SVOD) – niche services

Niche SVOD services are growing faster, and have less churn, than major SVOD offerings

> *"The growth of specialized platforms — with cohesive and tailored content models and unparalleled engagement — is outpacing that of the established streaming giants."*
>
> From Variety, VIP+

Sample categories:

Sports	Travel	Lifestyle	Financial/Business	Science
Documentaries	Destination content	Jazz	Investing	Nature
Instructional videos	Cruise/yachting	Diet/exercise	Alternative asset investments	Climate change
Martial arts	Museums of the world	Non-profits	Financial planning	Archaeology
Cricket	National parks	Anti-racism	Insurance	Evolution
Classic games	Local cuisines	Wines	Real estate	Astronomy

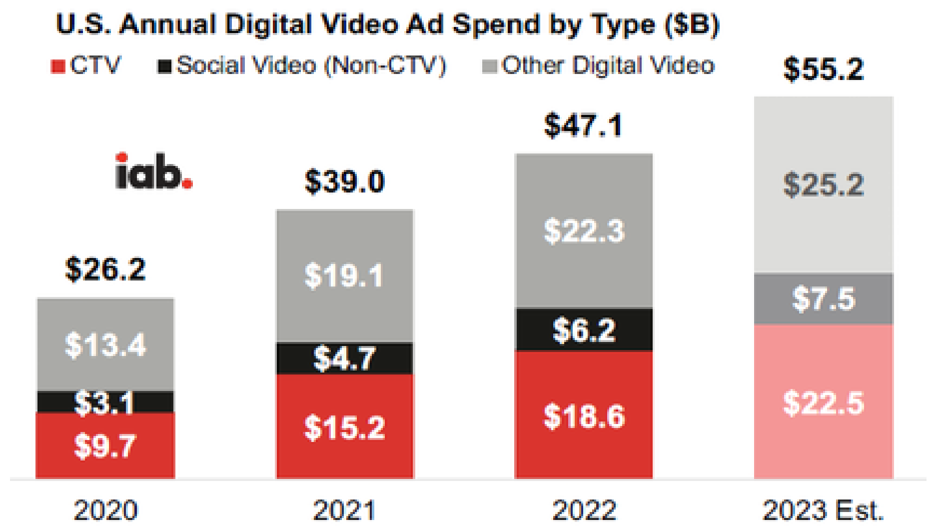
Free ad-supported (VOD/linear)

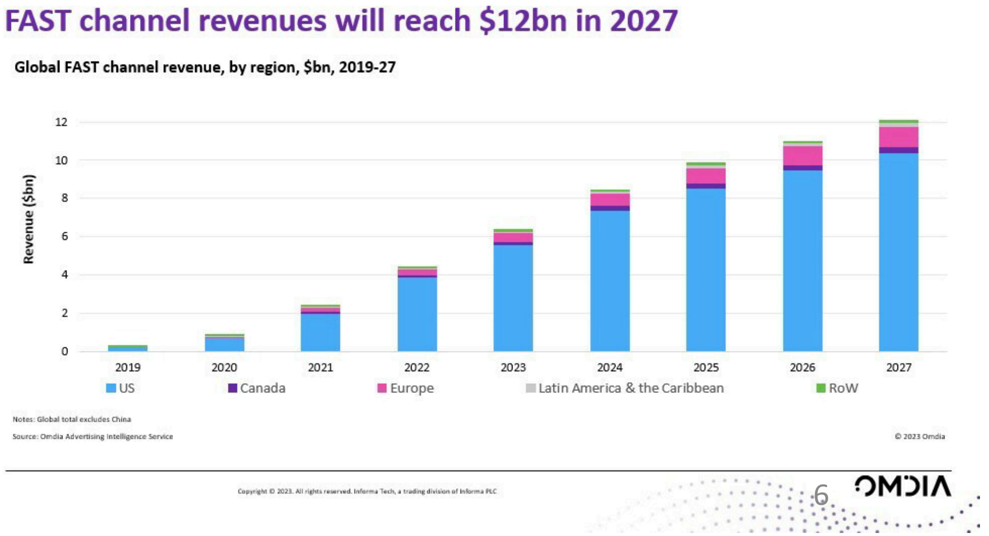
Undergoing significant growth and forecast to continue for several years

- PwC forecasts AVOD revenue growing by 13.8% CAGR from 2023 – 2027
- Connected TV (CTV) ad spend rose from $9.7B in 2020 to $18.6B in 2022 (per IAB)
- Explosion in number of FAST linear streaming channels
  - Over 1,500 available in the US (Omdia)
- YouTube a major player in TV advertising
  - Almost half of YouTube viewing now occurs on TV sets
  - Despite a YOY decline in Q1 2023 due to soft advertising market, YouTube ad revenue increased by 30% CAGR between 2018 and 2022

But profitability remains elusive

- High rate of churn
- Cost to serve video streams





Options for owners of video content

Business Model	Issues
Licensing	Reduced demand from big SVOD platforms for all but the most premium outside content and creators
Ad-supported – self-published	CTV platforms expected to be more discerning with FAST channel access going forward, concentrating on biggest suppliers and most viewed channels
Ad-supported – YouTube	YouTube keeps a significant (45%) portion of ad revenue generated by content owners, and engagement driven by algorithms
SVOD offering	Few content companies own enough content to sufficiently feed a subscription offering by themselves

How can existing content libraries and new content best be monetized in the future?

New model - SVOD revenue sharing

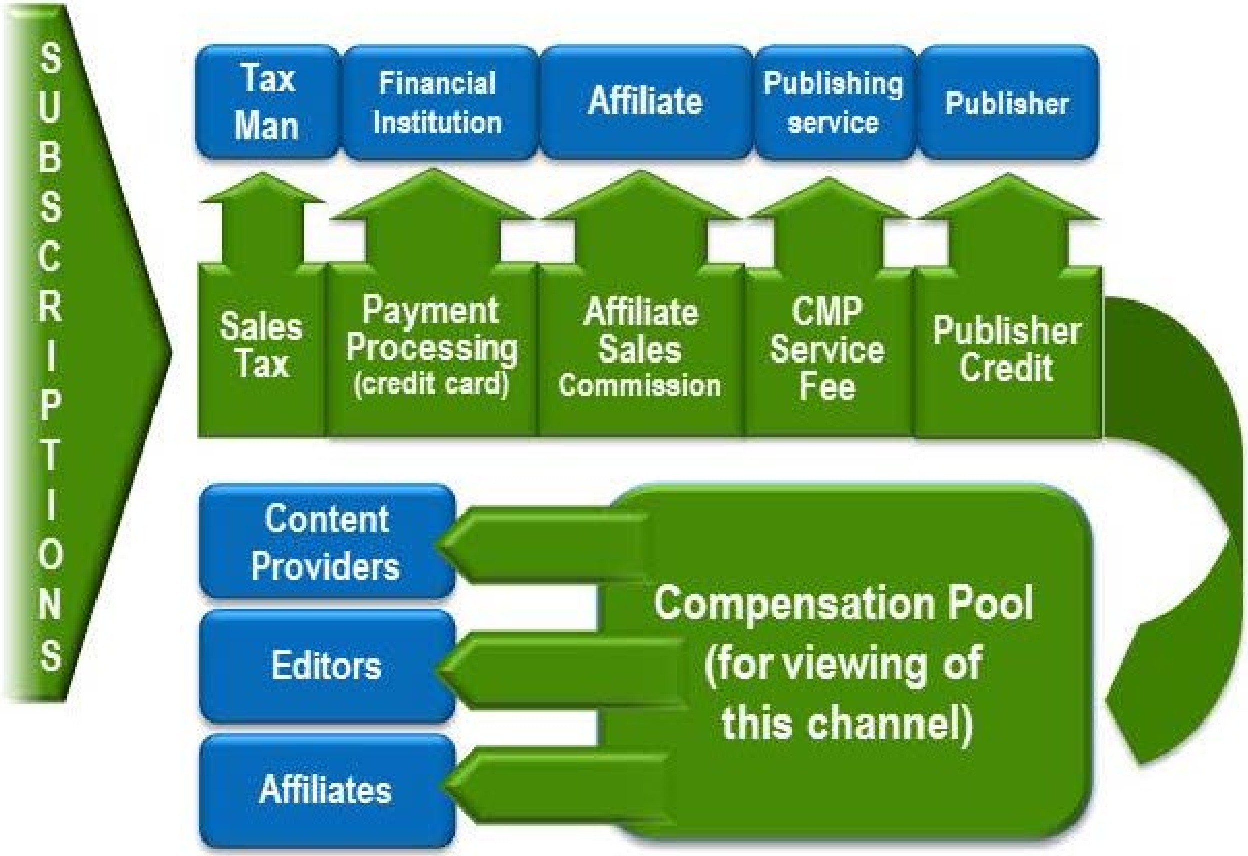
- A revenue-share model is a way to significantly reduce the cap ex required to launch a niche SVOD service
- Niche SVOD offerings can co-exist nicely with FAST channels, which are not on demand and can create brand awareness, particularly if upfront licensing and subscriber acquisition costs can be minimized
- Requires a secure, auditable platform that divides subscription revenue based on viewership metering and customer acquisition
- Transparent split of revenue enabling aggregation of content from different sources without the upfront cost of license fees
- Incentivizes all stakeholders to promote content and provides rewards for subscriber acquisition and viewing

Content Marketplace Platform (CMP)

- Software-as-a-Service (SaaS) platform enabling subscription video on demand, handling content processing and streaming, viewership metering, payment processing, subscriber authentication, accounting, reporting and payments to content providers
- Can be overlaid onto existing and prospective websites, enabling quick Go-To-Market and minimal startup costs
- Affiliate structure reserves a portion of subscription revenue to incentivize content owners, partners and even fans to both sign up new subscribers and encourage viewer engagement
- Auditable, secure tracking of revenue and its distribution via back-end financial platform Blockchain Billing Service

CMP business model

- Subscription revenue divided up in a transparent, auditable and secure manner
- Payment pool can include affiliates and other content creation participants



Tai Chi channel

- As a proof-of-concept, Content Galaxy created a subscription Tai Chi channel, consisting of feature length and short-form on-demand content from a variety of Tai Chi masters, for a $29.95 annual fee
- Available on Content Galaxy website via browser viewing
- Regular royalty reports sent to content owners and affiliates like Tai Chi schools (sample report shown here), who also have online access to see daily royalty calculations

Supplier: William C. C. Chen (1131)
Customer: Content Galaxy Revenue Sharing Service (933)
Invoice Code: 28

Content Galaxy

Invoice Date: 06/27/2023
Streaming payment for 2023-04-28 to 2023-06-26, William C. C. Chen (1131)
Invoice Amount($): 226.42

Code / Remark	Caption	Original Supplier	Date / Original Customer	Amount($)
1	Paid usage to content provider		06/27/2023	156.38
144 hours viewing.		William C. C. Chen (1131)	Essential Sports and Fitness (Tai Chi) Video Channel	
2	Subscription sales to affiliate		06/27/2023	35.94
6 one-year subscriptions.		William C. C. Chen (1131)	Essential Sports and Fitness (Tai Chi) Video Channel	
3	Paid usage to content provider		06/27/2023	24.35
50% share of $48.70. 34 hours viewing.		William C. C. Chen and Nils Klug (1143)	Essential Sports and Fitness (Tai Chi) Video Channel	
4	Paid usage to affiliate		06/27/2023	5.61
47 hours viewing.		William C. C. Chen (1131)	Essential Sports and Fitness (Tai Chi) Video Channel	
5	Paid usage to content provider		06/27/2023	3.73
1 hour viewing.		Tiffany Chen (1138)	Essential Sports and Fitness (Tai Chi) Video Channel	
6	Paid usage to content provider		06/27/2023	0.41
50% share of $0.81. 1 hour viewing.		William C. C. Chen and Manolo Mazon (1178)	Essential Sports and Fitness (Tai Chi) Video Channel	

Content Galaxy

- Content Galaxy’s CMP can be utilized under a SaaS model, or Content Galaxy can be retained as a consultant to customize the CMP for specific content/business model needs
- Highly experienced in building secure, scalable enterprise-class software applications for a variety of industries
  - Banks
  - Securities firms
  - Insurance companies
  - Car dealerships
  - Airlines
  - Emergency response
  - Government
- Team:
  - Steven Asherman – President/CTO – founder of Base One International Corp.
  - Neal Rothman – VP, Business Development
  - Michael Asherman – VP, Research

Summary

- The big impediment to creating SVOD services has been the high cost of content and subscriber acquisition
- By adopting a revenue-share model in place of upfront license fees, the cap-ex and risk can be minimized
- Niche SVOD content offerings can provide relevant content to its users at much lower price points than the big general interest SVOD platforms
- Niche SVOD services can complement FAST channels by being able to monetize the same content in a different way
- Content Galaxy’s Content Marketplace Platform is an end-to-end software platform that tracks viewership and splits subscription revenue among a diverse set of stakeholders (which can include participants like content editors, talent, and subject matter experts)