

# Thoughtful Media Group Inc.

NASDAQ - TMGX (IPO pending)

## Initiation Report – August 23, 2024

### Social Media Marketing in the Fastest-Growing Region Globally

Analyst: Barry M. Sine, CFA, CMT

We initiate coverage of Thoughtful Media Group Ahead of its Upcoming IPO

- Thoughtful Media is a digital, social media advertising company headquartered in Bangkok, Thailand serving clients in Thailand, Vietnam, Indonesia, and the Philippines. It is currently a wholly-owned subsidiary of Society Pass (SOPA – Buy).
- It primarily offers two services and plans more. Under its Multi-Channel Network (MCN) services offering it manages the business of creators who post videos on their own YouTube channels and receive a portion of the advertising revenue.
- Under its Premium Digital Advertising (PDA) business, it creates and runs advertising campaigns for clients. TMG represents several major brands such as Pepsi and Nestle.
- We value TMG more highly than traditional advertising agencies since it only focuses on the fast-growing social media market, and not the declining legacy advertising media such as print and linear TV. Additionally, TMG only serves clients in the Southeast Asia (SEA) market, which we believe is the fastest-growing regional economy globally.
- We value TMG at an enterprise value of \$87.5 million or 5x our 2025 revenue estimate of \$17.5 million. This valuation is unchanged from when we first published it in our Society Pass initiation report in December 2023 as the company still appears on track to achieve our estimated revenue. This translates into a \$5.29 share price, under the pro forma terms of the IPO. The \$4.50 mid-point of the IPO price represents a 4.2x EV/EBITDA multiple, using our 2025 revenue estimate.

		Pro forma using 17.25 million shares outstanding after IPO				
		Earnings Per Share				
		FYE - December	2023	2024E	2025E	2026E
Proposed Ticker Symbol	TMGX	1Q - March	\$0.00	\$0.00	A	
Market	NASDAQ	2Q - June	(\$0.01)	(\$0.01)	A	
Filing range price - average price	\$4.50	3Q - September	\$0.00	\$0.03		
Filing range - high	\$5.00	4Q - December	\$0.02	\$0.10		
Filing range - low	\$4.00	Year	\$0.02	\$0.12	\$0.15	\$0.20
Pro forma Shares Outstanding:	17.3 M	Revenue (\$mm)	\$6.8	\$12.0	\$17.5	\$21.9
Pro forma Market Capitalization	77.6 M	EV/Rev	73.8X	6.1X	4.2X	3.4X
Pro forma Enterprise Value	73.8 M	EBITDA (\$mm)	\$0.3	\$1.7	\$2.7	\$3.6
		EV/EBITDA	211.2X	43.1X	27.5X	20.3X

### Risks/Valuation

- We see two key risks for investors in the shares, post IPO. First, the company may fail to achieve our estimates. TMG has added significant new resources via acquisitions, new sales hires, and new products, and these are still ramping. The customer base required to achieve our forecast is not yet fully signed. However, the company's two established anchor countries, Thailand and Vietnam, comprise 75% of our 2024 forecast, so this mitigates the risk of missing our estimate.
- With the IPO, 4.8 million shares will be registered and free to trade. Of these, 2.0 million are held by Society Pass, who we expect to receive roughly \$1.6 million in repayment of inter-company debt with the offering, so we don't see them as an immediate seller. The other 2.8 million shares represent the potential conversion of a \$5 million convertible bond private placement done in July. As the \$1.80 conversion price is well below the expected offering price, they will have a paper profit and may be motivated to sell, putting pressure on the shares if they do so.

**Company description:** Thoughtful Media Group (TMG) is a digital, social media advertising company headquartered in Bangkok, Thailand serving clients in Thailand, Vietnam, Indonesia, and the Philippines. It offers two services and plans more. Under its Multi-Channel Network (MCN) services offering it manages the business of creators who post videos on YouTube. Under its Premium Digital Advertising (PDA) business, it creates and runs advertising campaigns for clients.

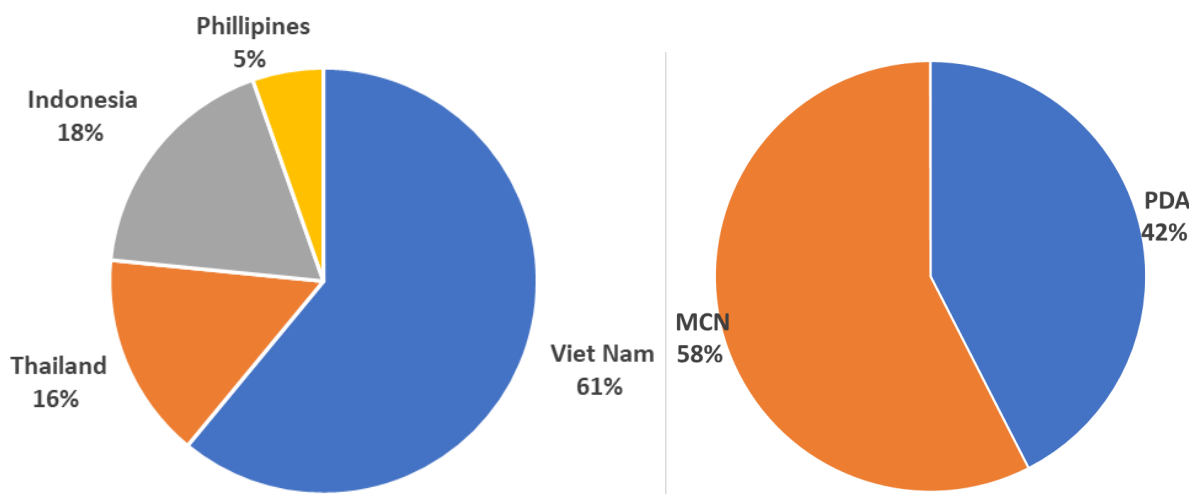
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### Initiating Thoughtful Media Ahead of IPO – Social Media Marketing in the Fastest-Growing Region Globally

We initiate coverage of Thoughtful Media Group (TMG). As announced by 100% parent Society Pass (SOPA – BUY) the company is planning to conduct an IPO of this business and it just filed an S-1 with the SEC, making its financials and other information public. It was founded in 2010 and acquired by Society Pass in July 2022. TMG has two core services: Multi-Channel Networks (MCN) at around 57.5% of revenue, and Premium Digital Advertising (PDA) and around 42.5% of revenue. PDA is growing faster than MCN. MCN consists of managing the business of roughly 300 creators who post videos to their YouTube channels with both TMG and the creator sharing advertising revenue with YouTube. PDA provides social media advertising for corporations such as consumer products, financial services, and gaming.

#### Vietnam is TMG's Largest Market and MCN is its Main Revenue Stream



Source: Company reports and Litchfield Hills Research

TMG was profitable in both 2022 and 2023 and we expect it to be profitable going forward. 2023 revenue was \$6.8 million, up 11%. SOPA itself went public in 2021 and it has invested significant resources into TMG including two acquisitions to start its Indonesia business and key hires including its two core sales leaders in the Philippines. They are also expanding into new areas and developing new services. As a result, we expect revenue to increase 75% this year to \$12 million, with the bulk of revenue coming in the latter half of the year due to the normal seasonality of the business and the fact that so many of its new assets are early in the ramp-up phase with, for example, several country heads telling us that they are working on new customers that, if landed, would be their largest.

We previously published a valuation estimate of TMG in our December 2023 initiation report on SOPA estimating a value of \$87.5 million. This represented a multiple of 5X our 2025 revenue estimate of \$17.5 million. Our multiple represents a premium versus the three major publicly traded ad agents who are still largely focused on declining legacy media like print and linear TV and who don't focus on the fast-growing Southeast Asia market (the fastest-growing region globally) as TMG does. Our 2024 and 2025 revenue



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estimates are unchanged from our SOPA initiation after visiting the region recently and conducting follow-up Zoom calls with representatives from each of the four countries TMG operates.

According to the prospectus, the IPO is to have a price range of \$4.00 to \$5.00 and the company will have 17.25 million shares outstanding and \$10 million in cash after the IPO. The midpoint of the pricing range would represent a valuation of 4.2x on an enterprise to revenue basis, versus our 5.0x estimate, so we view it as reasonable.

We break the risk factors of investing in TMGX into two categories. First, from a business perspective, TMG has assembled a relatively new team, with lofty growth ambitions. We have met with all of them and discussed their business plans in some detail and we believe that they are achievable. We note, however, that the country revenue contributor, Vietnam, already has successful MCN and PDA business units with PDA anchored by key customers Pepsi and Nestle. Vietnam accounts for \$7 million of our \$12 million revenue estimate.

The other risk will be post-IPO trading. As regulators have noted, recent IPOs, including some from this region, have been quite volatile. The good news is that this volatility often includes a positive post-IPO spike of over a thousand percent. However, many of these shares have quickly fallen below their IPO price. With TMG reporting results quarterly, versus the semi-annual cycle of F-1 filers, the market will get fundamental data more frequently, and if positive, this should support the shares.

The other risk factor is that the shares of two groups of investors are being registered along with the IPO which would be greater than the number of shares sold in the offering. First, Society Pass owns and will continue to own 16 million shares after the IPO. Of these, 14 million are locked up for 90 days and are not being registered and 2 million are being registered and available for sale. Our model shows that SOPA is currently cash flow negative, but the S-1 also shows it is due \$1.6 million from TMG, so while they may be sellers, we don't see it being due to an immediate need for cash.

The other parties are six Hong Kong and Chinese investors who invested \$5 million into a convertible note in July 2024 to fund TMG's continued growth in the lead-up to the IPO. The convertible notes convert into roughly 2.8 million shares or about \$1.80 per share. Having a substantial paper gain, these investors might be motivated to sell and if so, this could temporarily depress the price of TMGX shares.

### **Thoughtful Media Thriving with Renewed Asian Focus**

Society Pass (SOPA) acquired Thoughtful Media Group (TMG) in July 2022 for \$2.1 million and, in our opinion, it has proven to be the company's best acquisition. TMG is well positioned both industry-wise as a social media advertising agency and geographically serving the same five countries targeted by the SoPa group. We see TMG growing to \$12 million in revenue in 2024, versus \$6.6 million in 2023, and to \$17.5 million in 2025. It is profitable in standard GAAP terms generating \$275k in operating income in 2022 and \$330k in 2023.

At 5x 2025 revenue, the valuation comes to roughly \$88 million. While our multiple is higher than that of traditional ad agencies, we would argue that TMG will achieve far faster growth for five reasons:

1. It solely targets the social media subset of advertising which is growing faster than the traditional ad categories also targeted by larger agencies such as print and broadcast.
2. It solely serves the high-growth Southeast Asia region. Today it operates in the high-growth countries of Thailand, Vietnam, Indonesia, and the Philippines. With two planned new markets, it

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will operate across all of the countries in the region with reasonably modern economies in an area encompassing over 600 million people that advertisers are eager to reach.

3. TMG organically moved into new countries, such as the Philippines in 3Q 2023. It plans to enter Singapore and Malaysia with the IPO proceeds, following its customers.
4. TMG is acquisitive. Its second largest country market, Indonesia, is the result of two acquisitions: More Media for \$10,000 in December 2022 and Newave for \$130,000 in June 2023. These acquisitions have been sourced, due diligenced, and funded by parent SoPa's balance sheet, but with the IPO, it expects to have its own balance sheet and publicly traded shares.
5. Through the acquisition of Newave, TMG now has over 10,000 influencers or creators registered on its platform.

Since SOPA acquired TMG it has dramatically transformed from a company operating out of California and Thailand to a Southeast Asia-centric company. At the time of the acquisition, it had just 17 employees and \$5.8 million in 2021 revenue compared to 75 employees now, and our forecast for \$12 million in revenue in 2024 and \$18 million in 2025. TMG was founded in 2010 in Los Angeles by Dan Thorman who ran it until the 2022 acquisition. It entered the Thai market in 2014 and the Vietnamese market in 2016. The pandemic was beneficial for the company as commerce and advertising moved online due to the lockdown of the offline economy.

We recently visited the company's headquarters in Bangkok meeting CEO Kriangkrai Chaimongkol, the company's sizable Indonesia office meeting country manager Ilham Nizam and team, and its Philippines office meeting country manager Billy Soo and team.

### **MCN Operates as a Talent Agent and Producer for Influencers**

Its largest business is its multi-channel marketing (MCN) business at roughly 58% of revenue in 2023. Under this model, it essentially acts as an agent and production company for influencers or key opinion leaders (KOLs) as they are known in Southeast Asia. Its original SEA MCN market was Thailand but last year, Vietnam was its largest market. It has roughly 300 creators under contract for MCN services, and it is constantly adding more, partially offset by about 10% annual churn. TMG manages 235 YouTube channels which collectively had 240 million subscribers last year.

The term Multi-Channel Network is a YouTube invention brought over from former cable TV channel executives who used the same language as in their prior roles. According to Omnicore, today there are over 38 million active YouTube channels. According to Statista, YouTube has over 2.5 billion users, second only to Facebook. It generated \$31.5 billion in advertising revenue in 2023. Advertising revenue is dependent on the popularity of content uploaded by creators, such as those managed by TMG, so we view it as a symbiotic ecosystem. If YouTube were to cut off their creators, and/or substantially lessen their 45% payout, we believe it would harm YouTube's business so we believe YouTube needs its creators as much as they need YouTube. So, we discount the potential risk factor of YouTube pulling the plug on the business.

Looking globally, while YouTube is the most popular in India and the United States, three of the four countries where TMG operates are in YouTube's top ten country rankings: Indonesia (#4), Viet Nam (#8) and the Philippines (#10) in terms of users. YouTube's users are young (36% age 34 and under) and 90% of views are from mobile devices, making it attractive to advertisers as these demographics are hard to reach via traditional means. Yet its penetration of small businesses is still low, only 30 million small businesses globally advertise on YouTube, out of a total of 400 million. So, it's an advertising medium that works and has ample room for growth.



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TMG has a full-time in-house team of influencer “hunters” who are constantly scouring the internet for up-and-coming influencers who would benefit from the company’s services and who the company believes can generate significant revenue. TMG acts as a super-agent and producer for its influencers providing three key services:

1. Creator revenue sharing – under this model, TMG helps creators produce their content, introduces them to brand sponsors, reviews content for compliance with copyright laws and social media rules, and distributes it through the creators’ channel or channels. While the influencers are the real customers in our view, from a GAAP perspective the social media platform is the customer so SoPa and TMG show YouTube as a large customer. However, the real value is in acquiring, servicing, and retaining influencers. YouTube is merely the platform used to distribute this content. Under this model, TMG retains a portion of revenue, typically 15%, and distributes the rest to the influencer. Once influencers learn the tricks of the trade from TMG, they often realize they can operate independently without paying a commission to an intermediary, so TMG is constantly refreshing its pool of influencers.
2. Talent management – for a fixed fee, TMG will work with creators to develop their strategy. The digital advertising market is constantly changing in terms of what the best distribution platform is, what trends viewers are interested in, how to attract brand sponsors, how to produce content, and how to attract viewers. Since TMG does this thousands of times every day across its business and markets, it offers its talent an unparalleled perspective on how to grow their businesses.
3. Production – TMG runs its own in-house production team, including a large production studio at its Bangkok headquarters as well as studios in Jakarta and Ho Chi Minh City. They tailor the storytelling process and cutting-edge visuals to what is working with consumers in each of their markets. As we discuss later, the company is looking to leverage the tools and team it has built to create online content, television programs, and movies.

In 2023, MCN was \$3.9 million, or 42% of revenue. It declined 30% in 2023 due to the transition from the pre-acquisition Los Angeles focus to the more Southeast Asia-centric focus and the loss of some creators. This has been more than offset by phenomenal (483%) growth in its PDA business and with the renewed focus of the influencer hunter teams, MCN grew sequentially in 2Q 2024. The MCN business generated a 14.7% gross margin for 2023 versus 23.2% in 2022. YouTube keeps 55% of all ad revenue on MCN channels, and distributes 45%. This 45% is booked as revenue by TMG. Terms differ by creator, but on average it keeps about 15% of the amount it receives from YouTube, or 6.75% of what YouTube took in, and distributes the rest to its creators. This 85% payout is the reason for the relatively low gross margin, especially compared to the PDA business.



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### YouTube MCN User Instruction Page

## Multi-Channel Network (MCN) overview for YouTube Creators

Multi-Channel Networks (“MCNs” or “networks”) are third-party service providers that affiliate with multiple YouTube channels to offer services that may include audience development, content programming, creator collaborations, digital rights management, monetization, and/or sales.

All channels that are part of a MCN must also have their channel reviewed and follow [YouTube monetization policies](#).

### Affiliate and Owned & Operated channels

MCNs can have two different types of channels under their YouTube network:

- **Affiliate channels** are managed at scale by their MCN and reside in an Affiliate Content Owner.
- **Owned & Operated (O&O)** channels are owned and operated by the partner. This means the partner has obtained exclusive rights to the channel's YouTube content and actively manages the operation of the channel (e.g. uploading videos) on a day to day basis. To the extent that the partner has less than perpetual, worldwide exclusivity to the O&O channel's uploaded content, it is the partner's responsibility to use appropriate features to manage the availability of the content on the platform.

Differentiating between these two types of channels allows YouTube to apply our policies and channel features with clarity and fairness.

MCNs and other third-party service providers are not endorsed by YouTube or Google, but you can view a [list of YouTube Certified](#) service providers in the [Creator Services Directory](#) .



Interested in becoming a MCN partner? Fill out our [Enterprise Intake Form](#) and we'll be in touch!

### Key aspects of working with MCNs

**Joining an MCN is an important choice for any YouTube creator.** Before you join, make sure you understand what services and/or results the MCN will deliver in exchange for your payment. You should also make sure you understand when your payments will be distributed, and what protections you have if your MCN fails to pay you on time or fails to pay you what you are owed. While some creators may choose to partner with an MCN, you don't need to join an MCN to be successful on YouTube.

Source: [YouTube.com](#)



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### **Premium Digital Advertising (PDA) Serves Major Consumer Brands**

PDA was 8% of revenue in 2022 but with both business and personnel acquisitions revenue has increased 483% in 2023 and now comprises 42% of revenue. It provides digital ad agency services to major corporations such as Nestle, Pepsi, Toyota, and LG. The advertising world has changed dramatically from the 1960s portrayal of ad agency McMann and Tate in the popular Bewitched TV series. While many of the large-cap comps to TMG still provide such services, TMG is on the bleeding edge of ad technology solely providing these services. That's one of the key reasons why we believe that TMG ought to command a sizable premium to old-school ad agencies like Omnicom (OMC – FactSet consensus rating Hold) or Interpublic (IPG – FactSet consensus rating Overweight).

#### TMG PDA Services:

- Influencer Marketing
- Social Listening and Reputation
- Social Media Advertising
- Video Advertising
- Content Marketing
- Search Engine Advertising
- Display Advertising
- Native Advertising
- Email Marketing

Now the big advertising agencies can do these things too, but digital is all TMG does, whereas large traditional companies also do old-school media such as billboards, radio, and broadcasting just like in the HBO Series Mad Men.

One thing that has not changed from the days of McMann and Tate or Mad Men is the importance of personal relationships in winning ad contracts. Brands are still trusting their reputation to the agency and want to know their contact at the agency. We met some of TMG's superstar PDA salespeople like Ilhamka Nizam, country manager in Indonesia, and Billy Soo who is the TMG country manager and top salesperson in the Philippines. Mr. Soo's specialty is video games and his first hire specializes in music, with relationships with the three major record labels. Both are doing business with the customers they brought over and Mr. Soo is actively recruiting sales reps with live contact lists for other industry verticals. In one example Mr. Soo gave us, the company has been retained by a major record label for one song on a new album of a major, globally known music star. Their assignment, in this case, was to hire a dozen well-known food influencers to play the artist's song in the background of their next social media video post. TMG gets dozens of such assignments daily so while it may not be considered recurring revenue from a GAAP basis, the brands keep coming back to them because they know that TMG performs.

While MCN and PDA make up nearly all of the company's historical revenue, it also has four fledgling revenue lines it is working on: social commerce, music entertainment, content production, and sports marketing. Of these, it has only generated minimal revenue to date from music in 1Q 2024 in Indonesia.

Social media commerce consists of selling products through social media postings. In one example TMG's CEO showed us, a TikTok influencer was touting a perfume brand with a sales link below. There has been some news in the media about social commerce in Indonesia, including a recent Wall Street Journal article. We just completed an extensive round of emails with SoPa and TMG management, as well as the team in

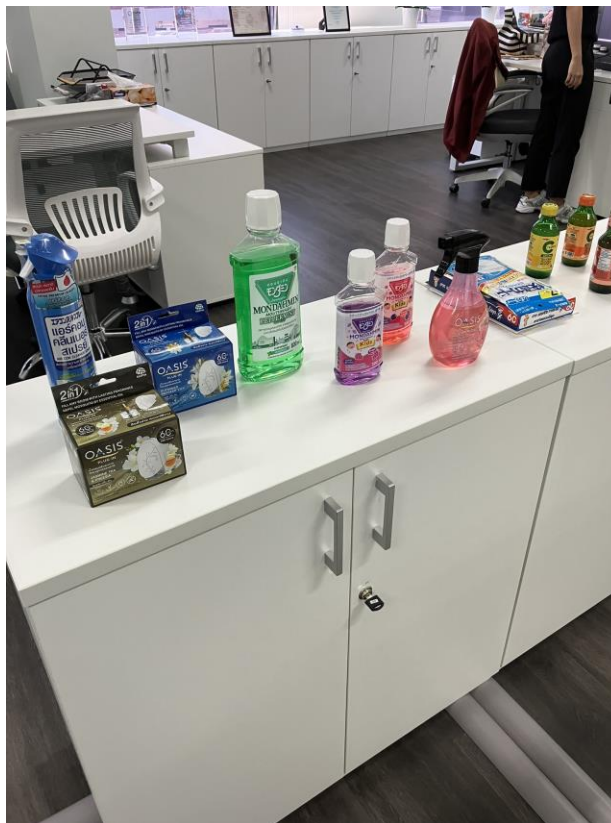
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Indonesia on this topic. The bottom line is that the changes are unlikely to impact outside of Indonesia and for Indonesia, it should be a net positive now that TikTok has implemented a workaround.

What happened was TikTok's e-commerce unit (TikTok Shop) was doing so much business and undercutting local merchants, that the Indonesian government passed regulations banning direct sales within social media apps. This could have impacted TMG but TikTok partnered with Tokopedia for online sales, so now it can resume this business. This is important for TMG since it receives a percentage of the revenue its influencers generate from product sales. Rapid growth for its influencers on the TikTok shop means rapid revenue growth for TMG. Instagram Shop and Facebook markets were not impacted since they only provided a link to a sales website and did not sell in their app. Management does not see any potential similar legislation in its other markets.

### TMG PDA Customer Products



Source: Litchfield Hills Research LLC

Thoughtful also has early plans to produce music events using its array of influencers, social media tools, and corporate clients to make these events successful. The first such event was held in Jakarta in the first quarter. While this business is being incubated in Indonesia, we are curious to see if it will also be adopted

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in the Philippines, where the number two sales rep has a strong relationship with all three major music labels and is already doing business with them.

While it already produces short videos for its brand customers with its content production facilities, Thoughtful also expects to produce TV shows and movies on its own. We were a little hesitant to hear that the company would be producing movies, given the multi-million-dollar production costs in the U.S., but the country manager, Ilham Nizam, assured us that they could produce quality movies for under \$200,000. TMG Indonesia has partnered with nationally famous Indonesian actor Ario Bayu, and he happened to be in their offices during our recent visit. He is very cordial and brimming with ideas for projects. Mr. Bayu is perhaps best known for his on-screen portrayal of Sukarno, the founding president of Indonesia (their George Washington) in two successful movies. The major buyers of content today are streaming platforms like Netflix, and they are looking for productions that cater to local audiences, in addition to showing Hollywood blockbusters.

Lastly, the company is planning a sports marketing business for 2024. It currently has nothing confirmed, but has made proposals to clients.

### **TMG Production Studio at Bangkok Headquarters**






Source: Litchfield Hills Research LLC

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## TMG Has Strong Teams in Five Fast-Growing Southeast Asia Countries

Core Markets		Population	Median Age	GDP 2023	GDP/Capita	vs. USA GDP/Cap	GDP Growth	GDP Growth	Country Manager	2024E Revenue	MCN / PDA split	Largest customers	TMG Employees	Influencers
		millions		billions			2022	2024E		\$ mills				
	Vietnam	104.8	32.7	\$433.7	\$4,138	5.0%	8.0%	6.2%	Ngo Thao	7.00	80% MCN 20% PDA	Nestle	12	1,000
	Indonesia	275.5	31.2	\$1,371.0	\$4,976	6.1%	5.3%	6.3%	Ilhamka Nizam	1.79	100% PDA	Korea Inv. FHI 360	22	20,000
	Thailand	71.7	41.0	\$515.0	\$7,182	8.7%	2.6%	3.6%	Issaree Pimpkhan	1.55	20% MCN 80% PDA	Pepsi Earth (Thai) Potato Corner Big C	15 local 7 parent	10,000
	Philippines	115.6	25.4	\$437.2	\$3,782	4.6%	7.6%	5.9%	Billy Soo	0.53	100% PDA	SportsPlus ArenaPlus Karofi	7	10
Existing Markets		452.0	35.0	\$2,319.7	\$5,132	6.3%	5.2%	5.4%						
Expansion Markets														
	Malaysia	33.9	31.4	\$399.7	\$11,775	14.3%	8.7%	4.5%						
	Singapore	5.6	28.9	\$501.4	\$88,953	108.4%	3.6%	2.7%						
TMG Markets		485.9	31.8	\$2,719.3	\$5,596	6.8%	5.7%	5.0%						
For Comparison														
	USA	333.3	38.5	\$27,360.0	\$82,088	100.0%	1.9%	1.2%						
	China	1,412.0	39.8	\$17,700.0	\$12,535	15.3%	3.0%	4.6%						

Sources: Population - CIA World Factbook, Economic - World Bank

## Vietnam Should Generate 58% of our 2024 Revenue Estimate, Mainly from MCN

As noted, Vietnam is by far TMG's largest country revenue generator responsible for \$7 million of our \$12 million in total estimated revenue for 2024, or 58% of the total. The Vietnam business is roughly 80% MCN, and 20% PDA, and both are historically healthy. The MCN business is run by TMG's marketing chief, Quynh Vo. Ms. Vo has been with TMG since 2014 running this business. She is a native of Vietnam and was educated at Cal State Northridge, joining TMG right out of college, so she brings impressive experience and consistency, assuring us of the stability of the Vietnam MCN business. The Vietnamese PDA business is run by country manager Ngo Thai and is responsible for one of TMG's largest customers, the chocolate malts drink brand Milo, which is owned by Nestle. She joined the company in 2021, prior to the acquisition



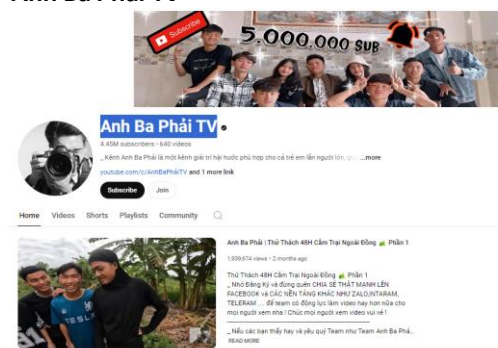
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by SOPA, and brought a track record of success with major advertising agencies including well-known U.S. agency Ogilvy. The Vietnam business is profitable.

Vietnam has a rapidly growing economy, a young population, and a mobile-first internet. Despite the government being ostensibly communist, we have found it to be remarkably pro-business. In our travels to Vietnam, we found it to have a vibrant economy with many workers working late in the modern buildings of Ho Chi Minh City, which is still often referred to as Saigon. Vietnam was once a French colony and it retains much of its French charm with wide, tree-lined boulevards and about half the buildings comprising restored, classical French architecture and as such, Saigon is known as the Paris of Asia.

## TMG Vietnam Managed MCN Channels

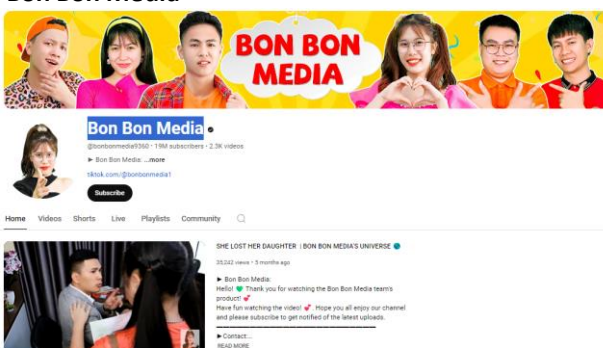
**Anh Ba Phải TV**



## QUÀ TẶNG CUỘC SỐNG



## Bon Bon Media



## Fun Family



Source: YouTube.com

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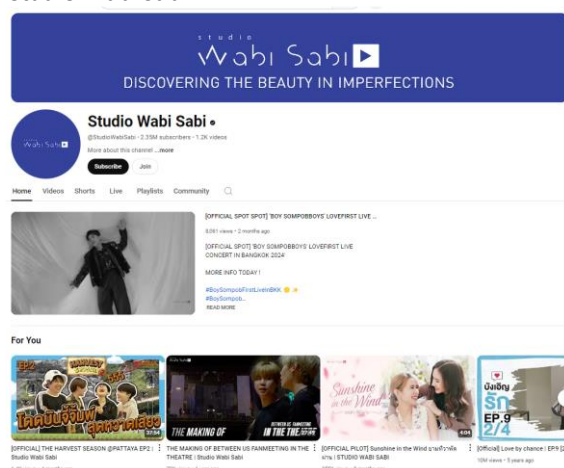
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## Thailand Was TMG's First International Market and Should Provide 20% of Our 2024 Revenue Forecast

Thailand was the company's first international market entering in 2014 after having been founded in 2010 with solely U.S. operations. Thailand operates a smaller MCN business at around 20% of revenue and is mainly PDA. We expect it to generate \$2.0 million in revenue in 2024 or 17% of total revenue. The most prominent customer in Thailand to date has been Pepsi for whom TMG set up a highly successful ad campaign with K-pop all-girl band Blackpink. The country manager Issaree Pimpkhan also joined the company in 2021. She brings a strong MCN background in Thailand, having worked with one of YouTube's largest partners in the country. Thailand is also the corporate headquarters and location of CEO Kriangkrai (Nueng) Chaimongkol and several staff. With established operations and experienced executives in Vietnam and Thailand, 75% of our 2024 revenue estimate, in our opinion, carries lower risk.

## TMG Thailand Managed MCN Channels

### Studio Wabi Sabi



Studio Wabi Sabi  
DISCOVERING THE BEAUTY IN IMPERFECTIONS

Studio Wabi Sabi •  
30K subscribers • 12K videos  
Show about this channel...more

Home Videos Shorts Live Playlists Community

OFFICIAL SPOT SPOTS BOY SUPERHERO'S LOVETEST LIVE...  
10K views • 2 months ago

OFFICIAL SPOTS BOY SUPERHERO'S LOVETEST LIVE  
CONCERT IN BANGKOK 2024

MORE INFO TODAY!  
#BoySuperhero #lovetestlive #BKK2024

For You

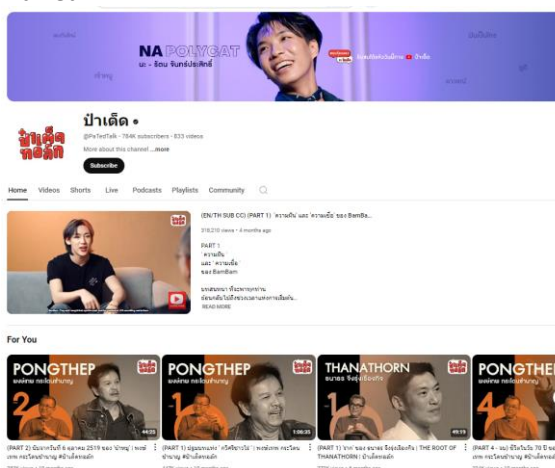
OFFICIAL THE HARVEST SEASON (PHATTAYA EP1)  
Studio Wabi Sabi  
1.4K views • 4 months ago

THE MAKING OF  
AN THE THEATRE  
Studio Wabi Sabi  
12K views • 1 year ago

OFFICIAL PILOTS Sunshine in the Wind (Part 1)  
Studio Wabi Sabi  
10K views • 1 month ago

OFFICIAL Love by chance (EP 12)  
Studio Wabi Sabi  
10K views • 1 month ago

### Pa-Ted



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or - ลอย ลอย ลอย ลอย

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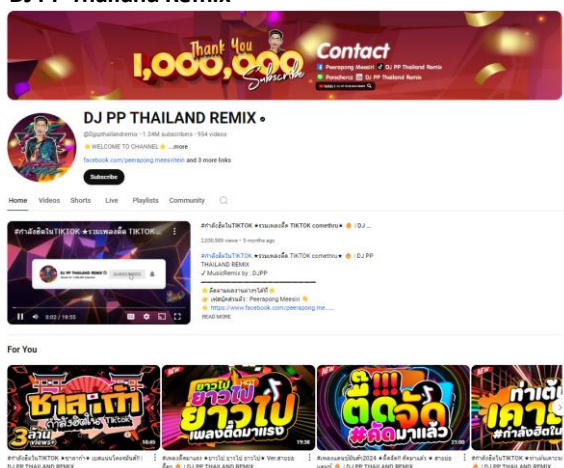
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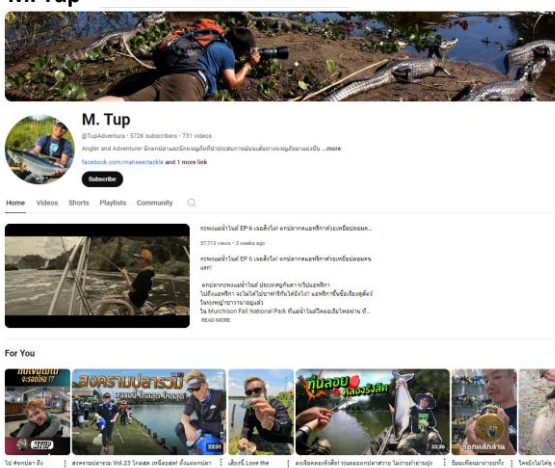
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## Thoughtful Media Group Inc.

NASDAQ - TMGX (IPO pending)

### **TMG's Indonesian Business Was Created via Two 2023 Acquisitions and is Experimenting with New Products**

TMG re-entered the large Indonesian market in 2023 with two small acquisitions, one of which was the company owned by current country manager Ihamka Nizam. Our forecast has Thailand generating \$2.5 million in revenue in 2024 or 21% of revenue. Indonesia has the largest headcount of any TMG market at 22 and has several innovations including its own production studio and a company-sponsored music concert in the first quarter. The Indonesia business is all PDA and the company is making great progress in meeting with large prospective customers. Its lack of experience in the market is an issue for customers, by Mr. Nizam bridges that with his impressive array of contacts. Indonesia generated less than 10% of our 2024 full-year projected revenue in the first half but we expect significant acceleration due to the long lead time to pitch, negotiate with, and win customers and the sizable sales funnel in place.

As noted, Indonesia is by far the largest country in the region with a population of 276 million, or over half the size of TMG's overall market territory. Like the other countries in the region, Indonesia has a booming economy with a significant amount of new construction either recently completed or underway in Jakarta. We find Indonesia to be an interesting blend of cultures with the influence of its former Dutch colonizers, but a majority Muslim population, that has significant influence on the government. While some outlying areas are more fundamentalist Muslim, the capital seems to be a modern blend of cultures. On our last visit the sounds of Muslim prayers rang out at midday on Friday, while that night, traffic was paralyzed by crowds heading for a Cold Play concert.

### **The Small Philippines Team is Focusing on Gaming and Music Verticals for Now**

The Philippines is the smallest market by revenue with our estimate at half a million for 2024 or just 4% of the company total. The Philippines operation is led by country manager Billy Soo. We have spoken with him several times and he comes across as having a very solid understanding of the need to generate profit, and not grow too quickly, and he has a very shareholder-friendly attitude. He is also the sales lead in the country with his specialty in gaming. He explained to us the two types of gaming: iGaming, which is online casinos, and eGaming, which are online games that users play against others. Mr. Soo brings extensive relationships with gaming companies. Since their own businesses are web-based, they rely heavily on internet advertising. Mr. Soo has also recruited a sales executive with relationships with the major music record labels, and since he joined the company is doing regular, small contracts to promote songs or albums. For example, in one recent campaign, the record label paid TMG to recruit influencers in other areas (cooking in this case) to use one of their artist's new songs as background music in their videos on YouTube, Facebook, and TikTok. The Philippines market can use additional sales reps who bring relationships in other industries such as consumer products and food and beverage. But until revenue from the first two verticals ramps, and is enough to cover the cost of additional headcount, they are holding off.

### **We Think TMG Can Profitably Generate \$12 Million in Revenue in 2024 and \$18 Million in 2025**

The following table summarizes our country-by-country forecast for 2024 revenue which is based on the above country descriptions and recent discussions with a representative from each country. There are several key points to reiterate. First, our top-line forecast for \$12.0 million in revenue in 2024 and \$17.5 million in revenue in 2025 have not changed since we first published them in our SOPA initiation report in December 2023, as we see the company making sufficient progress toward achieving these estimates. Second, we note that revenue from the established Vietnam and Thai markets comprises 75% of our



## Thoughtful Media Group Inc.

### NASDAQ - TMGX (IPO pending)

revenue forecast and is thus, in our opinion, less at risk of missing than the newer markets of the Philippines and Indonesia. Third, we also note that the company's business tends to be highly seasonal, weighted toward the fourth quarter, and should be even more so this year. The company has recently made acquisitions, completed key hires, and added new products, and these take time to ramp up. However, several country managers told us that they are in discussions with new customers that, if signed, would be their largest customer.

### TMG 2024E Revenue and Gross Profit Estimates by Country

Dollars in thousands, except per share data		2024E				
Fiscal years ended Dec. 31		1QA	2QA	3Q	4Q	YEAR
<b>Revenue</b>						
Viet Nam		1,232,781	1,027,493	1,658,904	3,080,822	7,000,000
Percent of total						58.3%
Thailand		445,329	281,376	445,653	827,642	2,000,000
Percent of total						16.7%
Indonesia		70,329	169,466	791,072	1,469,133	2,500,000
Percent of total						20.8%
Phillipines		50,958	16,180	151,502	281,360	500,000
Percent of total						4.2%
<b>Total</b>		<b>1,799,397</b>	<b>1,494,515</b>	<b>3,047,131</b>	<b>5,658,957</b>	<b>12,000,000</b>
<b>Opex</b>						
Viet Nam		1,169,781	1,001,493	1,410,068	2,464,658	6,046,000
As a percent of rev		94.9%	97.5%	85.0%	80.0%	86.4%
Thailand		262,329	391,376	356,523	537,967	1,548,195
As a percent of rev		58.9%	139.1%	80.0%	65.0%	77.4%
Indonesia		195,329	247,466	632,857	714,733	1,790,386
As a percent of rev		277.7%	146.0%	80.0%	48.7%	71.6%
Phillipines		71,958	46,180	160,895	253,224	532,257
As a percent of rev		141.2%	285.4%	106.2%	90.0%	106.5%
<b>Total</b>		<b>1,699,397</b>	<b>1,686,515</b>	<b>2,560,343</b>	<b>3,970,582</b>	<b>9,916,838</b>
As a percent of rev		94.4%	112.8%	84.0%	70.2%	82.6%
<b>Net profit</b>						
Viet Nam		63,000	26,000	248,836	616,164	954,000
Margin		5.1%	2.5%	15.0%	20.0%	13.6%
Thailand		183,000	(110,000)	89,131	289,675	451,805
Margin		41.1%	-39.1%	20.0%	35.0%	22.6%
Indonesia		(125,000)	(78,000)	158,214	754,400	709,614
Margin		-177.7%	-46.0%	20.0%	51.4%	28.4%
Phillipines		(21,000)	(30,000)	(9,377)	28,179	(32,198)
Margin		-41.2%	-185.4%	-6.2%	10.0%	-6.4%
<b>Total</b>		<b>100,000</b>	<b>(192,000)</b>	<b>486,804</b>	<b>1,688,418</b>	<b>2,083,222</b>
Margin		5.6%	-12.8%	16.0%	29.8%	17.4%

Source: Company reports and Litchfield Hills Research

Our income forecast is at the end of this report. For our December SOPA report, we did not have TMG financial statements, but the company just filed this week an S-1 with up-to-date financials through June 30, 2024. We think it is notable that the company was profitable in 2022 and 2023 and the first quarter of 2024 (although not the second quarter). Our forecast calls for positive net income in 2024, 2025, and 2026.



## Thoughtful Media Group Inc.

NASDAQ - TMGX (IPO pending)

We think it's important to understand that TMG's business carries high positive operating leverage. They incur very little capital expenditures and have little in the way of fixed costs. The MCN business has a lower margin (14.7% gross margin in 2023) due to the high payout to creators but as this business scales, income increases faster than revenue. The PDA business has even higher margins (44.9% in 2023) and the sales headcount to add significant new business is already in place.

We forecast \$2.0 million in net income this year and \$4.6 million in 2025. EBITDA is largely similar to net income but with a small add-back for minor depreciation expense. We have included an estimate for stock-based compensation, but until the company is public, and we see its compensation plan in action, this is just a rough estimate. We also emphasize that our share count number, and thus our EPS calculation, is based on the number of shares to be outstanding post the IPO, per the S-1, so if this changes, our EPS number would change.

Putting all of this together, and using the pro forma capitalization table from the S-1, TMGX shares would be valued at an EV/EBITDA multiple of 4.2x at the midpoint of the pricing range and our estimates. Given the valuation of large, old-school ad agencies, we view this as reasonable and we use a 5x multiple in valuing the company.

### **At the Midpoint of the IPO Price Range, and Our Estimates, TMGX Shares Are Valued at 4.2x EV/Revenue**

	<u>Pro Forma</u>
Shares outstanding	17.25
Price	<b>\$4.50</b>
Market capitalization	77.63
Cash	<b>10.40</b>
Debt	<u>6.60</u>
Enterprise value	73.82
2025E revenue	\$17.50
EV/revenue	4.2x

Source: Company reports and Litchfield Hills Research LLC

### **Comparable M&A Transactions Have Been All Over the Map**

Dating back roughly a decade, there have been a handful of notable MCN acquisitions with the two largest MCNs, Maker Studios and BroadbandTV, changing hands. Data on the companies and the deals is spotty and, in our opinion, does not offer much useful information in the way of valuing MCNs. Note that this data is for MCNs only, while MCN is only one of two core businesses of TMG at around 58% of revenue. The

## Thoughtful Media Group Inc.

NASDAQ - TMGX (IPO pending)

high-water mark in MCN acquisitions was the 2014 acquisition of industry leader Maker Studios by Disney for \$500 million upfront, with up to \$450 million in potential earnouts. The actual earnout paid turned out to be \$175 million. Maker is a sizable company, managing over 55,000 YouTube channels. Awesomeness also traded hands and investors several times with Verizon investing at one point but Viacom eventually acquiring it for \$25 million in 2018. It also had 55,000 channels. The other transaction of note was the 2020 acquisition of BroadbandTV which valued it at \$235 million or 18.9x sales according to the FactSet database. Its business morphed via M&A subsequently, it then went public in Canada in 2020 and was just taken private at a substantial discount to the IPO price. Today, Disney, Sony, Amazon, and Paramount all offer some form of MCN, but none has the focus of TMG. We note that many of the acquired MCNs appeared to lose focus after they were acquired and lost their independence. So possibly, being spun out and again made independent will be a positive for TMG.

### There Have Been Several Notable MCN Transactions Over the Last Decade, but These Deals Offer Little Insight into Valuing TMG

Year	Acquirer	Target	Valuation \$millions	Channels millions	Subs millions
2014	Disney	Maker Studios	675	55,000	380
2014	Comcast	Big Frame	15	300	39
2018	Viacom	Awesomeness	25	55,000	14
2020	BBTV Holdings	BroadbandTV	235 18.9x sales		

Sources: Company reports, FactSet and Wikipedia



# Thoughtful Media Group Inc.

## NASDAQ - TMGX (IPO pending)

### Thoughtful Media Group – Revenue and Segment Forecast

Dollars in thousands, except per share data  
Fiscal years ended Dec. 31

	YEAR	1Q	2Q	2023 3Q	4Q	YEAR	1QA	2QA	2024E 3Q	4Q	YEAR	2025E YEAR	2026E YEAR
<b>Revenue</b>													
Premium digital advertising	497,386	240,412	527,251	1,046,984	1,084,124	2,898,771	891,015	566,627	1,330,877	2,309,227	5,097,746	8,750,000	13,125,000
YoY growth						482.8%	270.6%	7.5%	27.1%	113.0%	75.9%	71.6%	50.0%
As a percent of revenue	8.1%	18.5%	35.2%	53.2%	35.6%	42.4%	49.5%	37.0%	43.7%	40.8%	42.5%	50.0%	60.0%
Multi-channel networks	5,661,647	1,057,665	969,406	920,495	1,958,573	3,936,733	906,128	963,352	1,716,254	3,314,266	6,900,000	8,750,000	8,750,000
YoY growth						-30.5%	-14.3%	-0.6%	86.4%	69.2%	75.3%	26.8%	0.0%
As a percent of revenue	91.9%	81.5%	64.8%	46.8%	64.4%	57.6%	50.4%	63.0%	56.3%	58.6%	57.5%	50.0%	40.0%
Subscribers	209,000,000					240,000,000							
Revenue per subscriber	\$0.03					\$0.02							
Channels	280					235							
Revenue per channel	\$20,220					\$16,752							
Music entertainment revenue							2,254	-	-	-	2,254		
YoY growth													
As a percent of revenue							0.1%				0.0%		
<b>Revenue</b>	6,159,033	1,298,077	1,496,657	1,967,479	3,042,697	6,835,504	1,799,397	1,529,979	3,047,131	5,658,957	12,000,000	17,500,000	21,875,000
YoY growth						11.0%	38.6%	2.2%			75.6%	45.8%	25.0%
Seq growth			15.3%	31.5%	54.6%		-40.9%	-15.0%	99.2%	85.7%			

Source: Company reports and Litchfield Hills Research LLC



# Thoughtful Media Group Inc.

## NASDAQ - TMGX (IPO pending)

### Thoughtful Media Group – Income Forecast

Dollars in thousands, except per share  
Fiscal years ended Dec. 31

	2022 YEAR	1Q	2Q	2023 3Q	4Q	YEAR	1QA	2QA	2024E 3Q	4Q	YEAR	2025E YEAR	2026E YEAR
<b>Revenue</b>	<b>6,159,033</b>	<b>1,298,077</b>	<b>1,496,657</b>	<b>1,967,479</b>	<b>2,073,291</b>	<b>6,835,504</b>	<b>1,799,397</b>	<b>1,529,979</b>	<b>3,047,131</b>	<b>5,658,957</b>	<b>12,035,464</b>	<b>17,500,000</b>	<b>21,875,000</b>
YoY growth						11.0%	38.6%	2.2%	54.9%	172.9%	76.1%	45.4%	25.0%
Seq growth			15.3%	31.5%	5.4%		-13.2%	-15.0%	99.2%	85.7%			
Cost of Revenue	4,813,707	967,031	1,303,814	1,456,415	1,226,241	4,953,501	1,272,959	1,231,204	2,038,442	3,344,181	7,922,250	10,062,500	11,375,000
<b>Gross Margin</b>	<b>1,345,326</b>	<b>331,046</b>	<b>192,843</b>	<b>511,064</b>	<b>847,050</b>	<b>1,882,003</b>	<b>526,438</b>	<b>298,775</b>	<b>1,008,689</b>	<b>2,314,776</b>	<b>4,113,214</b>	<b>7,437,500</b>	<b>10,500,000</b>
As a percent of revenue	21.8%	25.5%	12.9%	26.0%	40.9%	27.5%	29.3%	19.5%	33.1%	40.9%	34.2%	42.5%	48.0%
Operating Expenses													
Sales and marketing	367	14,074	7,103	5,347	6,434	32,958	4,959	71,928	121,885	226,358	425,131	875,000	1,093,750
As a percent of revenue	0.0%	1.1%	0.5%	0.3%	0.3%	0.5%	0.3%	4.7%	4.0%	4.0%	3.5%	5.0%	5.0%
General and administrative	1,070,459	293,318	344,869	433,794	448,034	1,520,015	467,688	412,337	400,000	400,000	1,680,025	4,000,000	6,000,000
As a percent of revenue	17.4%	22.6%	23.0%	22.0%	21.6%	22.2%	26.0%	27.0%	13.1%	7.1%	14.0%	22.9%	27.4%
<b>Operating Income</b>	<b>274,500</b>	<b>23,654</b>	<b>(159,129)</b>	<b>71,923</b>	<b>392,582</b>	<b>329,030</b>	<b>53,791</b>	<b>(185,490)</b>	<b>486,804</b>	<b>1,688,418</b>	<b>2,008,059</b>	<b>2,562,500</b>	<b>3,406,250</b>
34,430,556									486,804	1,688,418		-	
Other Income													
Interest income	60	3	120	57	185	365	114	205	-	-	319	-	-
Gain on early lease termination	-	1,064	-	-	-	1,064	-	-	-	-	-	-	-
Other income	482,034	31	34	391	6,491	6,947	170	1,180	-	-	1,350	-	-
Interest expense	(7,437)	-	-	-	-	-	-	(279)	-	-	(279)	-	-
Pretax Income	749,157	24,752	(158,975)	72,371	399,258	337,406	54,075	(184,384)	486,804	1,688,418	2,009,449	2,562,500	3,406,250
Taxes	-	-	403	202	(7,830)	(7,225)	52	810	810	810	2,482	4,000	10,000
<b>Net Income</b>	<b>749,157</b>	<b>24,752</b>	<b>(159,378)</b>	<b>72,169</b>	<b>407,088</b>	<b>330,181</b>	<b>54,023</b>	<b>(185,194)</b>	<b>485,994</b>	<b>1,687,608</b>	<b>2,006,967</b>	<b>2,558,500</b>	<b>3,396,250</b>
Diluted S/O pro forma		17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000	17,250,000
<b>EPS - pro forma</b>		<b>\$0.00</b>	<b>(\$0.01)</b>	<b>\$0.00</b>	<b>\$0.02</b>	<b>\$0.02</b>	<b>\$0.00</b>	<b>(\$0.01)</b>	<b>\$0.03</b>	<b>\$0.10</b>	<b>\$0.12</b>	<b>\$0.15</b>	<b>\$0.20</b>
<b>Adjusted EBITDA</b>													
Operating income	274,500	23,654	(159,129)	71,923	392,582	329,030	53,791	(185,490)	486,804	1,688,418	2,008,059	2,562,500	3,406,250
Addback: depreciation and amortization	2,373	1,257	5,013	5,544	8,619	20,433	6,172	6,003	6,000	6,000	24,175	25,000	30,000
Addback: stock based compensation		-	-	-	-	-	-	-	-	20,000	20,000	100,000	200,000
<b>EBITDA</b>	<b>276,873</b>	<b>24,911</b>	<b>(154,116)</b>	<b>77,467</b>	<b>401,201</b>	<b>349,463</b>	<b>59,963</b>	<b>(179,487)</b>	<b>492,804</b>	<b>1,714,418</b>	<b>2,052,234</b>	<b>2,687,500</b>	<b>3,636,250</b>

Source: Company reports and Litchfield Hills Research LLC



## Thoughtful Media Group Inc.

NASDAQ - TMGX (IPO pending)

### Thoughtful Media Group – Advertising Agency Comparables

Ticker		Price Last	Cap \$ millions	EV \$ millions	LTM Rev \$	2022 Revenue	Growth vs. 2021	2023E Rev \$	Growth vs. 2022E	2024E Rev \$	Growth vs. 2023E	EV/Rev. 2024
TMGX	Thoughtful Media	\$4.50	77.6	73.8	7,370	6.16	6%	6.84	11%	12.0	76%	6.13x
<b>Advertising Comps</b>												
OMC	Omnicom Group Inc	\$96.58	18,895.78	24,143	15,123.30	14,692	3%	14,692	0%	15,574	6%	1.55x
IPG	Interpublic Group of Companies, Inc.	\$31.22	11,725.95	13,517	10,907.70	10,889	0%	9,401	-14%	9,389	0%	1.44x
STGW	Stagwell, Inc. Class A	\$6.38	751.12	3,035	2,589.46	2,529	-6%	2,527	0%	2,789	10%	1.09x
UCPA	United Communications Partners Inc.	\$0.00	4.53	2.075	55.43	55	9%					
VSME	VS Media Holdings Limited Class A	\$1.14	8.44			9	-17%					
<b>Average</b>							<b>1%</b>		<b>-5%</b>		<b>5%</b>	<b>1.36x</b>

Source: FactSet Research Systems, Company reports and Litchfield Hills Research LLC



## Thoughtful Media Group Inc.

### NASDAQ - TMGX (IPO pending)

#### Disclosures:

##### Analyst Certification

We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110.

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##### Litchfield Hills Research LLC Rating System

**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

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