

JW S03E06 Jon Dwyer

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SPEAKERS

Pat Bolland, Jon Dwyer

Pat Bolland 00:15

Welcome back to the Just Word and you know sometimes here on the Just Word we do personal finance, we do investing, those kinds of things and we stumble across interesting companies and situations. Well, we found another one John Dwyer is going to join us. He's the chairman and CEO of Gamelancer Media Corporation. He joined us in season one to explain what an NFT is, a non fungible token. You might remember that episode, and we found an another interesting subject with him. He'll join us after this word from our sponsor. John, great to see you again.

Jon Dwyer 01:10

Thanks for having me on. It's great to see you too.

Pat Bolland 01:12

Okay, tell me about Gamelancer Media Corp. What is that?

Jon Dwyer 01:16

Yeah, so Gamelancer is a media and entertainment company. We own one of the largest networks on Tik Tok and Snapchat in any category globally. And we own the largest gaming network. So if you go on to Tik Tok, Instagram, Snapchat, and you enter the word gaming, gamer, Gamelancer, you're gonna start to come across channels. And it's important, no, people are seeing a paradigm shift happening in social media. People used to go on social media to see pictures of your friends. Now people are going on social media to consume content, typically short form videos. So we're seeing it slowly and slowly, now quickly and quickly replace television. And it's definitely replaced TV for that younger demographic, especially Tik Tok. So we're in the business of producing content and distributing it on our network. So we own our own studio called Joy Box. So we have a studio in Vancouver and one here in Toronto. We produce campaigns for ESPN, Monday Night Football, we were the TikTok partner for ESPN for the Stanley Cup Finals. We do RBCs financial literacy, we built RBCs custom Roblox universe, we're the agency of record for Samsung Canada, also, we're nationwide and with Samsung US. So we work with all the big brands and you know, we're really showing the world that TikTok is not only a platform where

people are spending a tremendous amount of time, it is by far the most advantageous advertising vehicle for brands and agencies. Okay,

Pat Bolland 02:43

OK, talk to me about Tik Tok in particular, because as I know, you're the first gaming partner that they have. And you do a lot more with them as you're kind of explaining there. But talk to me about that relationship. Do they have a partial ownership and Gamelancer?

Jon Dwyer 03:00

No they do not, so TikTok is owned by Bytedance. It's important to note, everybody's talking about Tik Tok recently, it's obviously been very central in the news. I think even since Donald Trump tried to ban it during his administration, which of course failed, we're now seeing the Biden administration attempt to do the same thing. That's not making it through the legislative process, perhaps as they want. We've seen representatives like Rand Paul and others are really pushing back against the notion that Tik Tok can be banned in the United States for reasons attributed to the First Amendment and others. But all things equal, and I think it's really important to tackle this off the hock ... what's going to happen in the United States. And this is what's been communicated to us by those in the intelligence community and the business community, obviously at Tik Tok and elsewhere. There's a board in the United States or group I should say, it's completely autonomous from the government called Cepheus. The acronym is C, F, I, U, S - I suggest everybody take a look at it - They are they are the group that essentially governs foreign direct investment in the United States. So if you have a cap table that has over 9.99% exposure to a foreign resident, especially from regions like China, Cepheus has the ability to go in and take over your business until you rectify what they would describe as an error on your cap table. So what Cepheus is going to do here in the coming months, as we see it, is they're going to render a decision that Tik Tok either has to or should, I should say, Bytedance has to divest ... force the Chinese Communist Party to divest their interest, which I think will be unlikely ... or Bytedance needs to host the financing in the United States to dilute the CCPs interest in Tik Tok or in sorry, in the broader Bytedance below 9.99%. It's important to note that Goldman Sachs has hosted three financings for Bytedance since 2014. The lead investor on a majority of those was Sequoia Capital, we see some of the largest financial institutions in the United States have been investing in bytedance since 2014. So this is an issue that's going to be resolved. The battle for Tik Tok is in shrouded in the geopolitical issues and I think quite justifiably, I think obviously, China has made a significant pivot that is not in keeping with the, with where I think the rest of the world especially here in North America, places like Australia, the UK, are not in in in line with China's strategy, especially over the past five years. And so that disembarkment that we're going to see ... Tik Tok is going to be one of many. You look at other assets. And again, I don't mean to digress, but it's important. You see assets, like Ubisoft, which are nearly majority owned by Tencent, which is another asset that has strong ownership by the CCP. So we're going to see this unrolling in a variety of industries over the next 10 years. There's disembarkment of Chinese foreign investment into US assets. And Tik Tok is really at the forefront of it right now. But what we're either going to see as a divestiture or you're going to see a financing where where the CCP is not offered their pro rata, and they'll get diluted. And that's what's going to happen throughout the balance of the next six to 12 months as we see it. But as far as Tik Tok is concerned, it's business as usual.

Pat Bolland 06:17

Okay, but is it a riskier business, if that doesn't go forward?

Jon Dwyer 06:21

Yeah, and look, the end of the day, in the event that Bytedance refuses to divest of the Chinese of the CCP, then they don't have a leg to stand on. This is going to come down to a moment with a very binary outcome, you're either going to agree to consent to the rules that Cepheus has laid out before, or the app is going to get banned. It's important to note when you talk to tik tok employees, these are all people from you know, in any country. They're all from here, Josh Bloom, who's the number one guy Tik Tok Canada, Nik Djukic, all came from Facebook, these are incredible people, the brightest minds in advertising and media and creative here in the country that are running tick tock, the same experience down in the US. So from an employee standpoint, from an investor standpoint, you look at the cap table of Bytedance. It's 60%, owned by US interests, we're talking about diminishing the CCPs interest to below 9.99%. So that's functionally what we're going to see achieved here. And we have from all of the stakeholders that we've engaged with see that there's going to be a path towards a solution that keeps all of the shareholders of bytedance happy, and it's probably going to come at the expense of the CCP. But I think that's something that's going to going to set the company off in the right direction. We feel that the growth coming out of it is going to be like Google buying YouTube in '06.

Pat Bolland 07:42

No kidding. That was huge. And let's get back to Gamelancer, though. Are there other venues that you use, like I don't know, Instagram or something else in the Meta family?

Jon Dwyer 07:53

Sure, our distribution on Tik Tok is throughout the UK, Canada, the US and Australia. And that's the same for Instagram and Snapchat as well. We tend to resonate very well on these four areas. It's important to note that content that performs really well on Tik Tok. So, when when videos are distributed well on these platforms, especially Tik Tok, and Instagram reels, it's because they have indicators within them, such as the music, it's playing, the topics that's being discussed the colors of the clothes that the individuals are wearing, these are all things that will inform how they are rewarded by the algorithm. And so what makes Tik Tok and Instagram so fascinating is content that performs really well on Tik Tok performs almost identically as well on Instagram reels, you have a lot of the same constituency of people that are watching with very similar preferences. And so what we do is we take our highest performing videos on Instagram reels and on Tik Tok, and we edit it into two and a half to three minutes short-form content, and then that lives on our Snapchat channels. And so we monetize primarily, we have direct revenue, which is we're curating campaigns for brands like RBC, and a countless others, Samsung, ESPN and some of the others that I've named, where we're producing campaigns to help them get new depositors to open bank accounts, or get a new credit card, watch ESPN football. And then the secondary part of our business is on Snapchat and Snapchat works on what's called OTT, which is over the top video... long form over the top video is Netflix, short form over the top video is basically video over the internet is going to be Snapchat. So we're taking content and redistributing it on multiple platforms and earning a revenue share from that. So that's really where you're seeing our economics being driven from ... is owned and operated channels on these platforms.

Pat Bolland 09:42

Okay. Do you have a team of influencers because it seems to me that influencers are really important to social media.

Jon Dwyer 09:50

influencers have definitely become the most cost effective and Vogue way for brands to connect with young people. And when we talk about the demography nowadays that essentially 14 to 28 is Gen Z, Gen Z is getting older, it used to be, you know, 10 to 24. And of course, our young millennials are now getting into their 40s. And we're seeing these Gen Xers. So the experience of people that are native to social media are getting older, they're in their 40s. Now, in five years, some of them are going to be in their 50s. These are people that are natively watching this content consistently. And so what we're seeing is just a massive engagement on these platforms. And all of that is coming at the cost of linear broadcast television, people are slowly slowly watching less and less television. If you're any of these large organizations, whether it be in Canada, we know who the largest distributors of television programs are, they understand they've got a 40 year window of TV left, and then it's up. It's over. And 40 years from now, the demographic of people that consistently watch TV and the style that they're being advertised to, it's no longer going to exist. We're seeing platforms like CBC, CBC is on its way to becoming a native digital production outlet. So it's only going to produce content that's going to live natively online. And so that is really going to drive a whole new platform for how advertisers are connecting with their audience.

Pat Bolland 11:16

Yeah, well, I'm a baby boomer and I was raised on TV at the very beginning of it, I'm actually surprised you say 40 years, I would say closer to 10, that this would all change. But that's just my opinion. Listen, how big is your audience? And the one thing you can say about broadcasters is their audiences massive? How big is yours?

Jon Dwyer 11:36

Yeah, so we have a little under 39 million people that tune in every day, they spend an average of 95 minutes with us,

Pat Bolland 11:44

An hour and a half.

Jon Dwyer 11:44

Yeah, they're spending 95 minutes, on average. What are you the unique things and by the way, that's a multi platform experience that we're seeing, these people are coming to our channels. And so again, if you go on to if you don't have Tik Tok as the app, you can go on and actually view it without having an account. It's important to know you can be on a lot of these platforms now without having to disclose a tremendous amount of information. But in the event that you have the app, or you're interested to learn more about game Lancer, go on to tick tock and just enter the word gaming, and you'll come to act gaming. That's one of our largest channels. 10 point 3 million followers. 56% of those people are in the United States, and we can geo locate specifically to where they are. And so that's really important when working with partners, like for instance, ESPN, ESPN comes to us and says, on Labor Day weekend, we've got a bowl game between Texas State and Oklahoma State, we're expecting to have you know,

14 million people tuning into this, we want to run a campaign on Gamelancer in the week leading up to it to get young people who aren't watching TV, who come to watch Gamelancer every day and say, Hey, click on this link, go to ESPN +, you're only missing football because you don't like TV, you can watch it on a stream. That's what's happening. So what we're doing is curating an experience. And we're helping this younger generation of people realize that it's not so much that they are not interested in the content that they're seeing on linear broadcast television. It's the way in which it's being broadcast, right, so we're gonna see streaming really take over. And just to go back to what you said earlier, the reason why these organizations and I won't name their names because we work with so many of them here in Canada and in the US, but are looking at the finite nature of TV as being 40 years old. Because the 40 year old demographic today with the average life expectancy of Canada, let's say I think for males around 76 years old, we're seeing about 36 to 40 years of the lifespan of native television watchers, in that period of time, we will no longer have people that are native to the TV experience, which is a fascinating new reality. And we're seeing that play itself out again, tick, tock, and Instagram have become creator platforms, they're no longer social media. Within two years from now, we're not going to describe the experience of viewing video and interacting on these platforms as social media, that terminology is quickly going to fade into obscurity. And we're going to find new ways to describe what we're watching because it's now constituting the entire viewing experience.

Pat Bolland 14:16

Okay, now, publicly, again Gamelancer is publicly traded, why did you go that route in the first place? And and secondly, are you profitable?

Jon Dwyer 14:23

Yeah, I mean, we will be profitable this year, we released guidance. Yes. Last Monday, we'll do 8.6 million in top line, we feel very strongly we're going to exceed the guidance that we've provided. You know, that's going to see us cash flowing to the extent that the business will kick off a little under \$200,000 in earnings this year. So nothing to write home about. But I think it's important in the context of all of our competitors, and across the landscape of new media, especially new media and the vertical of gaming, nobody cashflows everybody hemorrhages money, and we just went through an era I would describe it mostly as a 12 year error, but certainly since 2016, where we've seen such massive froth, and bankers and funds just continuing to invest and finance new rounds, in my opinion for the purposes of just ripping their fees, not for the purposes of growing smart businesses. So you're seeing now at the conclusion of all this, in the absence of a zero rate environment, we've seen what's happened, all of these companies can no longer go back to the market continue to raise money and just be bloated and hemorrhage cash. And so we were built Gamelancer went to market as a public company in May the seventh 2021 is when we started trading. And we chose a public vertical because a we were able to use our equity as a vehicle in order to acquire these assets, the operators of both joy box and game Lancer, which are the two assets that we functionally acquired as a public asset to make this aggregate play have both said, you know, we would not have have seen this opportunity being as appealing in the event that we were taking back shares in a private company, I think, you know, people want to be part of, of seeing a creative growth in a meaningful way. Sure, it's also fraught with a lot of complexities, I mean, being a public company on a junior exchange, like the CSC or the Neo or the TSX-V, I mean, down ticking at the end of the day, the list of reasons why being on a junior exchange is not a nice experience, or certainly plentiful. But it's also important to note in Canada, venture capital on the private

equity sector is very difficult to attain, especially for multiple rounds when you're trying to build out an acquisition vehicle like we have. So I would suggest that capital formation in Canada or the lack thereof, is one of the reasons why we went the public route. And I think the secondary piece is, it's just from an acquisitive standpoint, it's easier to roll up these companies. We are currently on the CSC. I indicated in a press release, maybe two months ago, I think a little bit less than that, that we are in the midst of uplisting to a senior exchange. So I'm really excited for all of our investors to see that and, and for people that are new to the story.

Pat Bolland 17:05

Well, it's a great story, John, you always have great stories. Thanks so much for sharing it.

Jon Dwyer 17:10

Thank you so much for having me on ...

Pat Bolland 17:12

Jon Dwyer, he's the chairman CEO of GameLancer Media Corp.