

MIGO TAKES FMCG APPROACH TO OTT

HIGHLIGHTS

- » **Temasek-invested venture focused on growth in the Philippines, launch in Indonesia**
- » **Aims to bring mass market into paid entertainment ecosystem with last-mile delivery**

Scalable consumer gateways remain one of the most attractive prospects for media and telecoms investors. Temasek-invested Migo is aiming to fill a longstanding distribution gap in Asia's emerging markets, starting with the Philippines and Indonesia, with a unique last mile service supplying large volumes of digital content to low-ARPU customers. Rather than using telco networks, content is delivered via local WiFi networks in neighborhood stores.

Migo has raised about US\$50 mil. so far, including capital from Singaporean sovereign wealth fund Temasek. The company is opening with digital video, before extending its D2C offering to include services such as commerce, games and music in the medium term. It launched its first service in the Philippines earlier this year.

Corner stores are an integral part of daily life for prepaid consumers, Migo's main target segment, notes Migo founder & CEO Barrett Comiskey. "In our two focus territories – the Philippines and Indonesia – there are 10 times more potential subscribers in the prepaid segment than in postpaid, over 200 million people, and they haven't been touched by the paid entertainment ecosystem for 20 years," he says.

Most prepaid consumers can only afford to spend about US\$1 on entertainment each week, covering content as well as access costs, Comiskey adds. Migo's initial offering in the Philippines offers three days of unlimited downloads and viewing for P25 (US\$0.5). Retail partners take a 15% share. Content consumption has been strong since commercial launch, with each three-day pass driving six hours of viewing on average. Migo users can add titles to their playlists when they are offline, which are then automatically downloaded to their mobile devices at any Migo hotspot (i.e. in or near a partner store).

Migo has built up and tested its technology over a number of years, with the goal of supporting sustainable distribution to the mass market. The technology bypasses telco networks by using satellite backhaul, a rack of hard drives and a small powerful local server installed at retail outlets. This enables WiFi transfer at partner stores without the need for an internet connection.

FUTURE SCALE

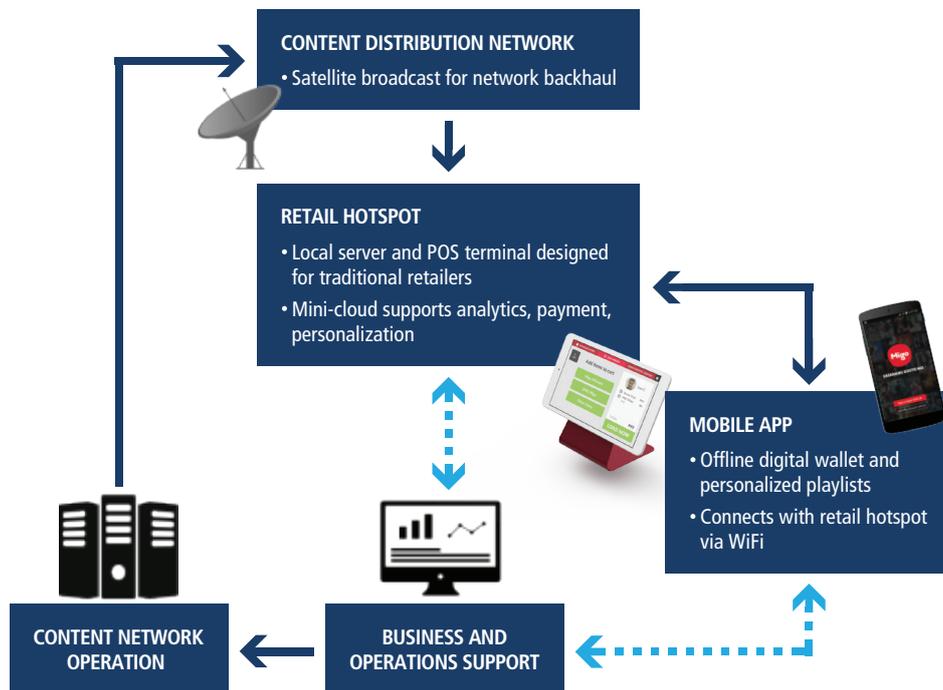
Retail partnerships are key, supporting an FMCG-type model of distribution. Comiskey feels this should work well in markets such as the Philippines, Indonesia and India. "Our retail distribution model looks like Coca-Cola," he explains. "We put our capex in the store (Coke's fridge, Migo's hotspot), and stock it with digital products that the retailer sells for an FMCG-level retailer margin."

Management are targeting expansion to 10,000 hotspots in the Philippines in the near term. The company intends to capitalize on this reach by branching out into services including e-books, music and games to supplement its video offering over the next one to two years. Comiskey sees potential to build a US\$500 mil. revenue business in the Philippines by 2022.

To get there, Migo plans to raise up to a further US\$100 mil. over the next one to two years, to fund expansion in the Philippines as well as launch in Indonesia. The company is also scaling up its content investment to deepen its library of local, Asian and global titles to meet the tastes of its target audience. Its main content partners today include Korean majors CJ E&M, KBS, SBS and JTBC as well as local Philippine players ABS-CBN, GMA, Viva, TV5 and Regal in addition to key international suppliers in kids and movies.

LOCAL STORES CONNECT THE LAST MILE

Migo's model for content distribution



Source: Migo

The content proposition needs to develop further, which Comiskey plans to accelerate as Migo's distribution grows. "We've worked with local free-to-air players and global production houses to build an initial library that's being well-received by our mass market audience," he says. "As we bring the mass demo deeper into the paid ecosystem – beyond daily free TV and frequent DVD piracy – we are excited to work with partners to invest in audience development. That journey is just beginning."

Competition could come from the telcos, which are looking to drive internet consumption across the mass segment. Alternately, Migo's last mile approach could prove complementary to telecom players, delivering bulky long-form video without congesting data networks, effectively reducing telco capex requirements while building the mobile habit.

"The \$50 Android phone has brought the mass market fully into the smartphone era," Comiskey says. "Today, they are just beginning to enjoy internet access through the telcos' infrastructure, but last-mile delivery economics remain challenging. In the long term, we see a highly complementary dynamic," he adds. "There will be strong partnership and bundling opportunities, to serve high-volume content through Migo's hotspots and serve as a complement to premium, real-time services through cellular internet."

Comiskey co-founded his first big startup, E Ink 20 years ago, after inventing electronic ink technology at MIT. The company grew to over US\$1 bil. in annual revenues, and was acquired by Taiwanese tech company Prime View International. Electronic ink remains a core component of e-readers, including Amazon's Kindle.

Migo's predominantly local teams operate in Manila and Taipei.

ASIA

MEDIA & TELECOMS DIGEST

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