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By Swiss Growth Forum

EVERGREEN RESEARCH BRIEF

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# CLUBHOUSE MEDIA GROUP (CMGR)

## THE VALUE OF INFLUENCE

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*25<sup>th</sup> AUGUST 2021*

[www.swissgrowthforum.org](http://www.swissgrowthforum.org)

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## CLUBHOUSE MEDIA GROUP THE VALUE OF INFLUENCE



**Clubhouse Media Group, Inc. (CMGR) appears well positioned, in our view, to be successful as a social media influencer with substantial reach both in terms of people and its unique profiles in key TikTok and Instagram channels. Clubhouse Media Group arguably benefits from a proven concept, growing addressable market and strong management team. Moreover, the company's stock market valuation can currently be inferred to be comfortably less than US\$1 per reachable person.**

Clubhouse Media Group offers investors a chance to participate in the increasingly attractive space of social media influencing. The company boasts a desirable combination of functional Clubhouse infrastructure for its influencers, demonstrable growth in reachable numbers and a brand development strategy.

Social media influencing is an attractive, well recognized business activity and one which continues to grow. However, it is potentially hard for investors to find an SEC reporting vehicle through which to participate in this technology sub-segment's potential. Moreover, the CMGR business model benefits from the operation of an actual physical footprint – i.e. its four Clubhouse premises of which three are in the US and one in Europe. The Clubhouse concept delivers what could be described as “orchestrated serendipity” whereby influencers feed off each other to expand and improve the quality of their social media content.

## CLUBHOUSE MEDIA GROUP (CMGR) *Description*

Clubhouse Media Group, Inc. (CMGR) is a fast-growing and up and coming influencer which currently boasts a potential reach of 500 million persons. Clubhouse Media Group represents a best-in-class and first of its kind company. The company includes “The Clubhouse,” an integrated social media influencer incubator with a physical and digital footprint in Southern California and Europe, Doiyen – a talent management company, and WOH Brands, a brand incubator, content creator and technology developer. The company actively participates in key social media – notably TikTok and Instagram – through its growing community of influencers.

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Key social media channels remain in growth mode, which argues in favour of CMGR being able to sustain the company's rapid growth rate. As recently as February 2021 the company's social media "reach" was 100m individuals. This grew to 150m in the following month and is currently estimated to be around 500m according to a 17th August 2021 company press release.

Moreover, the underlying product propositions for social media influence are sizable. For example, the US apparel and footwear market was estimated by statista.com to be worth US\$368bn in 2019.

Clubhouse Media Group operates with a focused structure which tends to underscore its ability to deliver a growing, relevant, social media driven business. The company's activities include the Clubhouses, talent management services and brand development and content creation.

CMGR's leadership team boasts a useful combination of modern technological talent and financial and corporate experience. The business is spearheaded by CEO Amir Ben-Yohanan and President and co-founder Chris Young.

The simplest valuation method is arguably one based on market cap per individual reached. Right now, investors in Clubhouse Media Group pay less than US\$1 per such individual. Furthermore, it should be noted that revenue expansion tends to trail reached numbers. As the influence footprint expands, we expect revenue and, ultimately profitability, to follow. The company generated US\$1.0m in revenues in 2020 having been at essentially zero the previous year.

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## **BUSINESS OVERVIEW**

Clubhouse Media Group ([www.clubhousemediagroup.com](http://www.clubhousemediagroup.com)) operates a global network of professionally run content houses, each of which has its own brand influencer cohort and production capabilities. The company offers management, production and deal-making services to its hand-picked influencers, a management division for individual influencer clients and an investment arm for joint ventures and acquisitions for companies in the social media influencer space.

CMGR's management team consists of what the company argues are successful entrepreneurs with financial, legal, marketing, and digital content creation expertise.

## **INVESTMENT CASE**

This SGF Evergreen report explores the key components of the investment case for Clubhouse Media Group (CMGR) based on it being a proven concept with addressable market growth potential that meets entry level due diligence requirements. Moreover, there is a strong leadership team and the company's shares appear to trade at what could be argued to be an acceptable valuation. We explore all five of these investment case criteria in the body of this report.

## **PROOF OF CONCEPT**

Clubhouse Media Group's core concept is the use of physical premises – i.e. its clubhouses - which the company operates as workplaces in which its influencers are able, on a collegiate basis, to enhance and grow their social media messages and profiles to positive commercial effect. Clubhouse Media Group is in turn rewarded by brand owners in key areas where influence is a vital component of consumer decision making.

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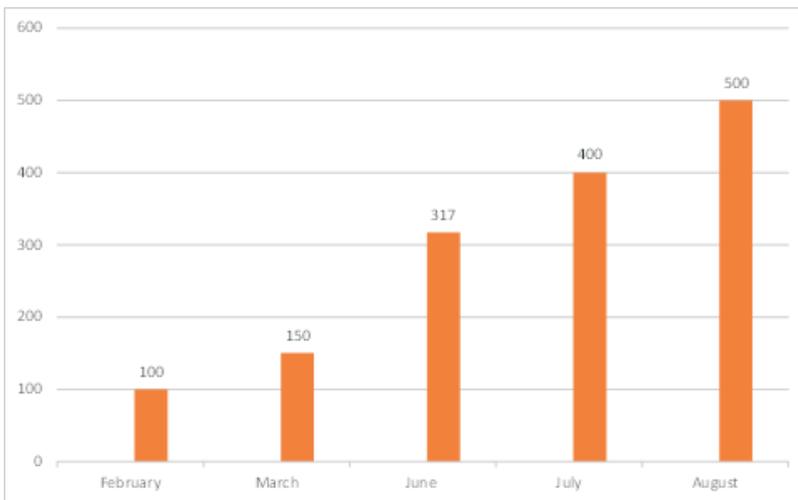
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The Clubhouses' success in expanding social media reach is evident from the company's recorded data for the reach of its influencers – i.e. the aggregate number of their followers. This progression has been rapid, with the latest estimate being 500 million. We illustrate recent growth in followers in Figure 1.

**Figure 1 – CMGR follower growth in 2021**



Source: Company press release data. (Note - link to latest filing is [sec.report/Document/0001493152-21-016956](https://sec.report/Document/0001493152-21-016956) and link to latest press release is [www.nasdaq.com/press-release/clubhouse-media-group](https://www.nasdaq.com/press-release/clubhouse-media-group))

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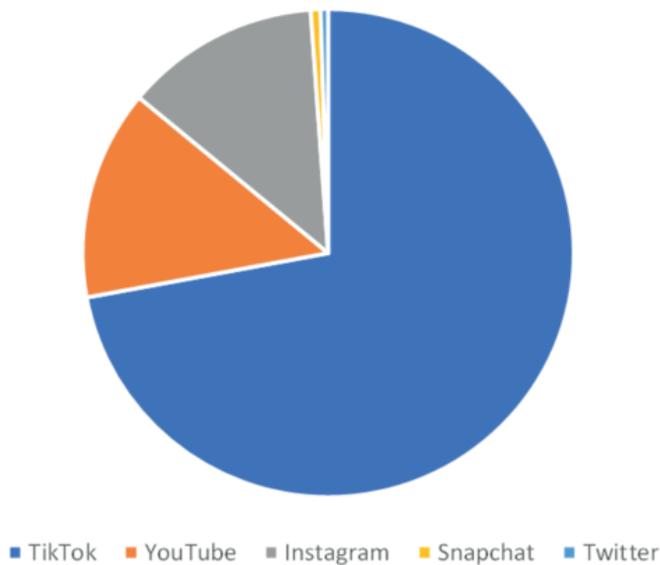
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The importance of apparel and fashion for Clubhouse Media Group's media influence growth tends to be confirmed by the breakdown of followers by social media channel. In a CMGR press release, which was dated 14th July 2021, TikTok – where clothing accounts for a sizable portion of content – was comfortably the largest source of followers at 290 million out of a then total 400 million. YouTube and Instagram were the second most important while Snapchat and Twitter were relatively small. The breakdown is summarised in Figure 2.

**Figure 2 – CMGR follower breakdown in July 2021**



Source: Company press release 14th July 2021  
[www.finance.yahoo.com/news/clubhouse-media](http://www.finance.yahoo.com/news/clubhouse-media)



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**THE GROWTH CASE FOR SOCIAL MEDIA**

Social media network usage, the driving force behind the commercial importance of social media influencers, is expected to continue to advance at a rapid pace. According to Statista data, the number of users is estimated to advance at a 4% compound annual growth rate between 2020 and 2025.

(Source: [www.statista.com/statistics/278414/number-of-worldwide-social-network-users](http://www.statista.com/statistics/278414/number-of-worldwide-social-network-users)).

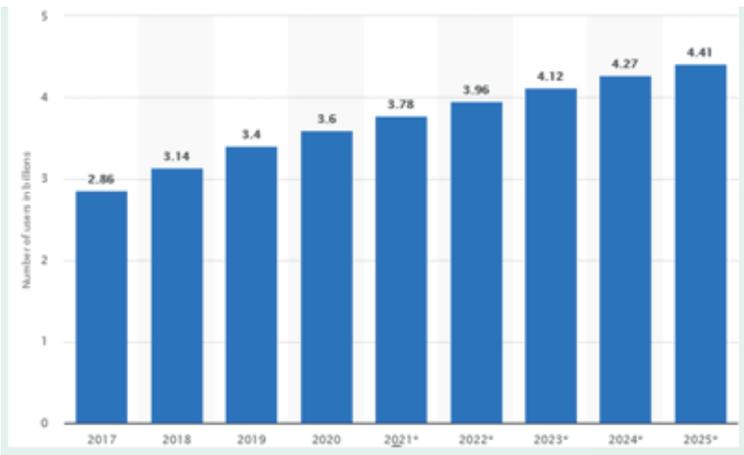
However, the way in which social media are used and the associated ability of influencers to perform their role is not static. For example, Facebook remains the dominant social media channel with 2.85 billion of the world’s estimated 3.78 billion estimated social network users in 2021 – i.e. around 75% of users are on Facebook, according to Statista data. (Source: [www.statista.com/statistics/278414/number-of-worldwide-social-network-users](http://www.statista.com/statistics/278414/number-of-worldwide-social-network-users)).

As a result, the faster growing networks seem likely to be those which are more amenable to social influencers. In particular, we note the rapid growth of TikTok in the past two years. According to data reported on Wallaroo, the number of active TikTok users increased from 680 million to 1,100 million between November 2018 and February 2021 – i.e. a compound growth rate in excess of 20%. (Source: [www.wallaroomedia.com](http://www.wallaroomedia.com)).

Moreover, on 14th July 2021 Sensor Tower reported total TikTok downloads of around 3.0bn which implies growth headroom for active users even within the social media company’s existing ecosystem. (Source: [sensortower.com/blog/tiktok-downloads-3-billion](http://sensortower.com/blog/tiktok-downloads-3-billion) ).

In summary, the most important contributor to Clubhouse Media Group’s addressable market growth is comfortably outperforming the social network category as a whole. We summarise recent brisk growth and projected expansion in the social network and media sector in Figure 3.

**Figure 3 – Worldwide social network users - 2017 to 2025**



Source: Statista

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## THE BUSINESS IN MORE DETAIL

Clubhouse Media Group's activities include the Clubhouses, Doiyen talent management services and West of Hudson (WOH) brand development and content creation. We look at the Clubhouses first.

### THE CLUBHOUSES

In contrast to technology and content providers where there is minimal physical presence, due diligence on Clubhouse Media Group is facilitated by the Clubhouse structure itself. The company currently operates from three US locations and one in Europe, which are illustrated in Figure 4.

Aside from providing CMGR with a physical presence, the Clubhouses give the company a clear advantage relative to other more virtual businesses. In particular, they present the opportunity for individual influencers to interact by creating what could be referred to as "orchestrated serendipity."

**Figure 4 – Clubhouse Media Group Clubhouses**



*Locations shown are Beverly Hills, CA (top left and right),  
Bel Air, CA (bottom left) and Malta (bottom right)*

*Source: (<https://www.sec.gov/Archives/edgar/data/1389518/000149315221014370/form253g3.htm>)*

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The Clubhouse is an established network of social media content creation houses, which include three scenic mansions in Southern California, USA and a location in Malta, Europe. The stated aim is for each Clubhouse to provide a picturesque living environment for the company's band of social media influencers, complete with in-house media production teams, including photographers and videographers.

The company argues that this enables the influencers living at these houses to maximize the depth, breadth and scale of followers that those influencers can build across popular social media platforms. CMGR's influencers include content creators, entertainers and style icons.

Moreover, while the influencers themselves operate on an individual franchise basis they benefit within the Clubhouse system from shared ideas and the constant ability to be aware of new trends and fresh approaches to their roles, which not only enhances influencer quality but contributes to their ongoing loyalty.

An illustrative example of the Clubhouse's success was disclosed in the company's 11th June 2021 Offering Circular.  
([www.sec.gov/Archives/edgar/data/1389518/000149315221014370/form253g3.htm](http://www.sec.gov/Archives/edgar/data/1389518/000149315221014370/form253g3.htm)).

The company cited that one of the influencers who was living in one of the company's Clubhouses experienced in 4 months growth from 3.22 million followers on Instagram to 5.2 million followers on Instagram.

Another influencer who lived in one of the Clubhouses experienced in the same period, growth from 1.5 million followers on Instagram to 2.3 million followers on Instagram.

Clubhouse Media Group's longer term intention is to expand the number of Clubhouses, which makes sense in our view. Not only do the Clubhouses enhance influencer quality and loyalty but they also build a significant barrier to entry relative to other influencer organizations.

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## DOIYEN

Doiyen is a talent management company for social media influencers. Through Doiyen, the company seeks to represent some of the world’s top talent in the world of social media. CMGR plans to hire experienced talent and management agents as well as build its support and administrative resources seeking to expand operations. As a talent management company, Doiyen generates revenues based on the earnings of its influencer-clients by receiving a percentage of the earnings of its influencer-clients.

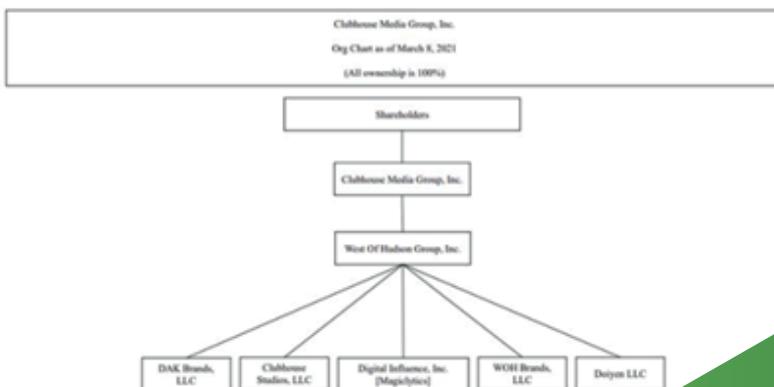
As of June 2021, through Doiyen, CMGR represented more than 24 social media influencers, with a combined number of followers on Instagram, TikTok, and YouTube of over 70 million. The company is dedicated to helping Doiyen’s influencer-clients build their brands, maintain creative control of their destinies and diversify and grow their businesses through “The Clubhouse.” This provides them with opportunities to increase their monetization potential and amplify their reach.

## WOH BRANDS

Since May 2020, WOH Brands has engaged in brand development, with a focus on creating apparel, beauty and other lifestyle brands with quality product offerings. The company intends to use WOH Brands to acquire or enter into joint ventures or launch best-in-class brands.

WOH Brands is primarily focused on creating brands on CMGR’s behalf and may consider joint-ventures with other established companies in the consumer-packaged goods space for purposes of brand and production creation within the Clubhouse system – i.e. not to third parties. To date, WOH Brands has only sold a minimal amount of products and has only generated mini-

**Figure 5 – Clubhouse Media Group organizational chart**



Source: Clubhouse Media Group 2020 10-K (<https://sec.report/CIK/0001389518>)

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## LEADERSHIP TEAM

The Clubhouse Media Group leadership team represents a strong combination of creative, financial and technological skills. In addition, management has international awareness and experience, which augurs well for growth outside the US.

The team, which we summarise in Figure 6, is spearheaded by Amir Ben-Yohanan, Chris Young, Simon Yu, and Harris Tulchin. The relatively young age of the leadership team is complemented by the significant business experience of its directors, Harris Tulchin and Gary Marenzi.

**Figure 6 – Clubhouse Media Group board membership**

Name	Age	Position
Amir Ben-Yohanan	50	Chief Executive Officer and Director, Principal Executive Officer and Principal Financial and Accounting Officer
Christian J. Young	39	President, Secretary, and Director
Simon Yu	40	Chief Operating Officer and Director
Harris Tulchin	69	Director
Gary Marenzi	66	Director

Source: Clubhouse Media Group 2020 10-K (<https://sec.report/CIK/0001389518>)

**Amir Ben-Yohanan** was appointed as the company's Chief Executive Officer and as a member of the company's Board of Directors on June 18, 2020. Mr. Ben-Yohanan worked for over 15 years for large multinational corporations, such as AT&T and the Associated Press.

**Chris Young** co-founded CMGR and serves as the company's President and as a member of the company's Board of Directors on June 18, 2020. Prior to joining the Company, Mr. Young was a partner at Venture Funds LPG and Amplify, a YouTube Partner Creator, and has held positions as a tech entrepreneur, having founded and sold multiple venture backed e-commerce businesses. He holds an MBA from USC, a BA from Occidental College and is a Southwestern Law Alumnus.

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**Simon Yu** co-founded CMGR and was appointed as the Company's Chief Operating Officer and as a member of the Company's Board of Directors on June 18, 2020. Mr. Yu is also the chief executive officer of Cannabis Strategic Ventures (OTC: NUGS) and has served in this position since 2017 when he successfully completed a reverse takeover with an OTC company. With Mr. Yu's prior experience, he led the charge in CMGR's reverse merger, corporate governance and capital markets strategy. Throughout his career, Mr. Yu has launched startups in e-commerce, import/export, medical devices, and staffing. Mr. Yu was also a Startup Advisor at the University of Southern California's Business Incubator and was an Adjunct Professor of Entrepreneurship at California State University, Los Angeles.

**Harris Tulchin** was appointed as a member of the Company's Board of Directors on August 5, 2020. Mr. Tulchin is an entertainment lawyer, producer, author, and producer's representative and has been practicing entertainment, transactional, and labour law since 1978. He is the Chairman, founder and owner of Harris Tulchin & Associates LTD, an international entertainment and multimedia law firm that provides legal services to its clients in the motion picture, television, music, and multimedia industries.

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## FINANCIALS & VALUATION

Clubhouse Media Group generated revenue for the first time in 2020 when sales were US\$1,010,405 and remains a pre-EBITDA company. However, we believe there is a growth case behind the business and expect profitability in the future.

In our view, investors should note the rapid growth of the number of its influencers' followers and how valuation looks in relation to these. In particular, there appears to have been little stock market reward for the rapid growth in follower numbers.

**Figure 7 – Clubhouse Media Group – Valuation ratios**

<b>Market cap (23rd August 2021) in US\$m</b>	<b>192</b>
Sales revenue 2020 in US\$	1,010,405
Followers (July 2020) in millions of persons	500
<b>Market cap: sales revenue (x)</b>	<b>190.0</b>
<b>Market cap/follower in US\$</b>	<b>0.38</b>

Sources: <https://sec.report/CIK/0001389518> and <https://finance.yahoo.com/news/clubhouse-media-group-secures-unique-162400069.html>

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