CEO CFO

YANGAROO INC

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YANGAROO Inc. with Their Revolutionary Cloud Based Digital Media Distribution System (DMDS), is Allowing Music Production and Advertising Companies to Distribute their Audio and Video Files in a Faster, Easier and More Cost Effective Manor

Technology
Digital Media
(YOO-TSXV, YOOIF-OTC: BB)

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Scott Wambolt
Chief Executive Officer

BIO:
Scott Wambolt, CEO of YANGAROO, a proven leader and General Manager with a specialty in sales and marketing execution, cultural change and valuation improvement. Having lead large and small teams in every customer segment from retail and direct consumer to direct large corporate and government in the technology/telecom, local search and advertising industries, Scott has consistently delivered best of breed results over the last 15 years with companies like Dell, Yellow Pages Group and Bell Mobility. Scott has worked in North America, The UK and Europe.

Most recently, working with Bell Mobility to reorganize and revitalize the sales channels and on improving the working relationship between sales and marketing while helping prepare the organization for the launch of Bell's new HSPA+ network and the iPhone. Resulting in record year on year 2009 Q3 growth of 15.5% in net activations, reduced the cost of acquisition by 15.3%, and operating income increase of 4.7%.

Scott has worked successfully in the past with private equity having been on the management team that led the LBO/MBO of the Yellow Pages Group from BCE and the subsequent IPO creating approximately $1B in incremental shareholder value in less than one year. Scott enjoys working with organizations with an executive team that have made personal investments in the firm and where the culture and organizational structure enables rapid movement and a combined focus on results.

Scott holds a degree in Law from Carleton University and an MBA from the Rotman School of Management at the University of Toronto.

Company Profile:
YANGAROO's patented Digital Media Distribution System (DMDS) is a leading secure B2B digital delivery solution for the music and advertising industries. DMDS replaces the physical distribution of audio and video content for music, music videos, and advertising to television, radio, media, retailers, and other authorized recipients with more accountable, effective, and far less costly digital delivery of broadcast quality media via the Internet. The DMDS Awards platform powers the world's major music industry awards shows.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Wambolt, what attracted you to YANGAROO?
Mr. Wambolt: What attracted me to YANGAROO was the technology. Our product is called DMDS (Digital Media Distribution System). When I looked into the company I found that the technology is an enhanced product and would be able to handle the one to many distribution of broadcast quality video media files. The company had been around for ten years and has become the standard for broadcast quality music distribution files in Canada. However, it has enhanced the product to now be able to handle broadcast

DMDS
Digital Media Distribution System

quality video files. This enables the company to address a much larger target market. Specifically, we can now apply our technology to the distribution of television advertising content. We enable the fast and efficient distribution of TV ads from the advertising agency or production house directly to the television station. I did a little bit of research into that market and determined that it was much larger than the music industry distribution market. I also discovered that the TV advertising distribution market was dominated by one large player that had arguably outdated technology, very expensive technology, and a track record for perhaps not the best customer service. Therefore, there seemed to be an opening in the market for a disruptive technology that can provide an easier to use and less expensive solution.

CEOCFO: Would you explain the YANGAROO DMDS technology and how it compares to what has been used in the past?

Mr. Wambolt: What is currently used in the industry is a satellite based system, so most of the television ads that you see on TV now, at some stage, get relayed off the satellite down into a server in the basement of the target television station. That requires somebody specially trained to go down and pull that ad out of the server, get it into a format that is broadcast ready and get it into the on-air play system. So it is a multi-step process that quite often breaks down. This is why when watching a high definition program you might see an ad step down to standard definition. The advertiser is not happy about that, because they paid a lot of money to get that ad shot and distributed in HD.

Our technology by contrast is cloud based, and is as easy and fast to use as email. So all the advertising agency or production company has to do is simply click on the file that they want to send, select whom they would like to send it to and press "send". It is basically like sending an email. The file goes up into the cloud, where it is stored. We then take a look at where it is going and transpose the file into a format that is acceptable to each various target destinations. We send that target destination an email that says, "you have content ready in the DMDS cloud". They then log in to the cloud from any computer, so they do not have log into a special server in the basement, nor do they require any special training to use the system. They can preview the video to make sure it is the spot that they are waiting for. There are traffic instructions attached to it. Then if they want to they hit the download the file button, it comes down into their system in a format that is ready to go on air. They can then drag and drop it or move it through their station system and get it onto their on air play system in a completely electronic file format. Therefore, there is no need to revert to tape, no need to do anything to it, basically you just drag and drop it into the on-air play system and it is ready to go. It is much faster, much more reliable and much less expensive, because we are taking advantage of the economies of scale of the cloud.

Advertising is the largest growth opportunity we have right now. We are also experiencing significant growth out of the fact that we are now penetrating the music video distribution market quite aggressively. That has really contributed to our Q4 numbers being up 40% year-on-year and our Q1 numbers are trending well, as well as our Q2 numbers, and that is coming predominantly from music video. We expect the advertising revenues to start kicking in back half of 2011 and well into 2012. We are going to get a lot of growth from the work that we have done in establishing our footprint in the advertising space. - Scott Wambolt

CEOCFO: You mentioned different formats; how much customization is involved?

Mr. Wambolt: There is significant customization required and that is why we find that the status-quo process breaks down. Many destination or many TV stations have a very defined format for how they receive content and in particular High Definition content. Each broadcaster has their own specifications based on the numerous variants of audio and video formats. Some stations like a certain amount of time before the ad and a certain amount of time after the ad and in terms of black screen, some prefer certain information in certain places on the file. We have done our homework and know each destinations preferences and we make sure that the content arrives in the format they prefer. That is making a big *difference* in our rate of acceptance at the station level. When we go and talk to stations about it, they will say, "Yes, but can you deliver a file in my format". The odds are we have done all the groundwork to be able to convert the file in the cloud and be able to deliver it to them in the format that they require in order to move the content on air quickly.

CEOCFO: Is your customer the broadcaster as opposed to the agency that is creating the ad?

Mr. Wambolt: It is the other way around. The agency or the advertiser pays the cost to get the content to the television stations. The television stations needs to buy into the whole process because they need to install our software. It is a very simple maybe fifteen minutes to half an hour install to get the software up and running and to get them trained on it. The way we get them to buy in is we show that we will deliver a file in a format that is easy for you to use, as opposed to requiring somebody special trained and requiring somebody else's server in your data room or on your premises. It is very self contained, very easy to use and they really buy in quickly when they understand how streamlined we make the workflow. We really are starting to talk to people more about the workflow aspect of what we do, versus just the distribution aspect of what we do. Getting files from one place to another is certainly the core of our business, but really what we are finding is the big benefit is that we are streamlining the workflow, streamlining the process of how files get moved around both inside of an agency and

inside of a destination. There are a number of people that have to review the file before it goes out and there are a number of people at the station that need to review the file before it gets on air. In the past that was a rather slow and cumbersome process, but now with our system it is a very simple, easy-to-use workflow.

CEOCFO: How do you coordinate all of this?
Mr. Wambolt: You need a network of senders and receivers. The content owners agree to send files via our system and in order for them to do that you need to have a critical mass of destinations for people to send it to. It is like when the telephone or fax machine first came out. If you were the only person in your network that had a fax machine it did not do you much good, so you needed everybody else in your network to have a fax machine and all of a sudden it became a significant productivity enhancing device. It is the same with our system. Therefore, we went and talked to ad agencies around this time last year; perhaps fall of 2010. We ran the technology by them, they said fantastic, this is so much easier to use than the current system that we have, but who can we send it to. So we asked them to tell us who they would like to send it to. We then developed a list of the most commonly distributed to destinations. We then targeted those destinations to the people that we needed to get up on our technology. We told them that the people at the agencies and production companies have agreed to send the content on through our system if they agreed to get it installed in their TV stations.

CEOCFO: What is YANGAROO's current geographic footprint?
Mr. Wambolt: The U.S. and Canada. We are probably three or four months ahead in the U.S. than we are in Canada. We are making progress in Canada as well.

CEOCFO: Is the focus going forward going to be the advertising, or is it going to be a piece of what YANGAROO does?
Mr. Wambolt: It is a piece of what we do. However, advertising is the largest growth opportunity we have right now. We are also experiencing significant growth out of the fact that we are now penetrating the music video distribution market quite aggressively. That has really contributed to our Q4 numbers being up 40% year-on-year and our Q1 numbers are trending well, as well as our Q2 numbers, and that is coming predominantly from music video. We expect the advertising revenues to start kicking in back half of 2011 and well into 2012. We are going to get a lot of growth from the work that we have done in establishing our footprint in the advertising space.

CEOCFO: Is the advertising community aware of the DMDS from your other applications or is it a new concept for them?
Mr. Wambolt: In Canada, most of the broadcasters are familiar with DMDS because we are so prevalent on the music side. There has been some aggregation in the media space in Canada where organizations own radio and television stations. A lot of engineers on TV have spent some time in radio and they recognize the DMDS brand and they are happy to get back to us about what we can do for video. In the U.S. it is a little different. We are installed in a number of radio stations across the U.S., but there has not been that same level of consolidation in the media space as there has been in Canada. Therefore, it really is up to us to tell all of the TV stations as well as the advertising agencies about us. At one level a lot of advertising agencies are aware of us because they know that this technology is out there, it is disruptive, and it represents potential significant savings for them. We spent a lot of time working with one or two partners developing our product and services. Now it is up to us to go into that phase and talk to add agencies and letting them know exactly how the product works and what it can do for them in terms of time and money savings as well as helping their brands move faster into the HD format.

CEOCFO: Are there many more broadcasters that YANGAROO could reach?
Mr. Wambolt: There are about 4,500 destinations in North America. We handle standard definition, but our sweet spot is in HD, where we really have a significant cost and productivity savings. Therefore, we focus on those destinations that are most likely to receive HD content.

CEOCFO: YANGAROO has a list of customer names that everyone knows!
Mr. Wambolt: Yes, exactly and we are going to continue to work to get our application installed at all the other destinations. However, we wanted to focus first on the 20% of destinations that receive 80% of the high value content that is distributed in the industry.

CEOCFO: How protected is the YANGAROO DMDS product; is it patented?
Mr. Wambolt: We have a number of patents that protects our distribution method. It is both a system and method patent. Our patents are registered in the U.S and Canada and we feel confident that our intellectual property it is well protected.

CEOCFO: Does YANGAROO do much on R&D development and do you have concerns about new technologies?
Mr. Wambolt: Our product is always getting better. We originally went to market with the product back in October of 2010 and found that the solution was well received, but if we did something just a little different, we would see the adoption rate increase dramatically. So we enhanced and tested our enhanced product over the next three months and we where able to significantly increase the benefit to both the advertiser by this rework. Therefore, we are constantly making our product better. We have a staff of developers. All they do is keep track from senders and receivers on what they like and what they do not like. We measure the system inside and out everyday, with every transaction. If we start to see that there is a trend that would lead us to conclude that our product can be better, then we will make a change.

CEOCFO: Why the YANGAROO name?

Mr. Wambolt: It happened before I joined the company, as I have been with the company for about a year. The company used to be called Music Crypt, and that implied that the company just did music. Therefore, the team decided to rebrand the company and the name YANGAROO was proposed in one of those roundtable meetings. It sounded kind of cool, so that is the direction the team decided to go. It also implies that kangaroo bounce up into the cloud and down to the destination.

CEOCFO: How big a factor is the trend toward cloud in general helping YANGAROO to get acceptance?
Mr. Wambolt: Oh, it is helping big time. When the team was kicking the technology around in the music business, nobody really knew what the cloud was. In fact, we did not know what the cloud was. I did not see it in any of our sales material and marketing collateral. However, now when we say that you load it up into the cloud and it gets distributed, people get it right away. So we do not have to go through a lot of architectural selling about how the solution works; people usually get it now. The time is right for this solution because what we are seeing is that it is actually a great economic model. The more of the cloud resources we consume, the cheaper our cost structure gets. It really does make our economic model work much better as we start scale the solution up.

CEOCFO: What is the financial picture like today for YANGAROO?
Mr. Wambolt: We are still in start-up, turn around mode. The company has been doing great things on the music side, but we invested heavily in resources to get us into the music video and advertising space. Currently in our last financial statements, we noticed that we experienced a loss and a lot of that was due to the cost associated with developing the advertising product. However, revenues are ramping. Our Q-4 revenues were up 40% year-on0year and our Q-1 and Q-2 projection is similar. We expect to get to a sustainable position back half of 2011.

CEOCFO: Is the investment community starting to pay attention to YANGAROO?
Mr. Wambolt: Yes, the investment community is very interested in what we do. Once they see how our financial model works, how it gets better as the company grows and once we cover our fixed cost how our margin profile is significant, it is a very compelling model. Everybody recognizes that the company has come this far. We just now need to take it into the next phase, which is telling people who are going to pay the bills about the solution. We are fortunate enough to have lots of interest from the investment community and some very committed long time investors.

CEOCFO: Why should potential investors look into YANGAROO and what might they miss that they need to understand about the company?
Mr. Wambolt: It is the scalable nature of the cloud business model. Anybody that has done any research into the cloud model will know that the cost model is largely based on hard-drive space and broadband. Those are relatively commoditized and those two commodities are coming down rapidly in terms of their unit costs. Therefore, over time, our cost structure should become less expensive as a percent of our revenues. So as we scale our business model, it just starts to generate significant amounts of free cash flow. We do not need a heck of a lot of revenue to generate free cash flow. We are not a head count driven organization because we have automated most of the processes. We have some headcount required for things like customer service, invoicing and accounting. However, it is not a significant cost driver and when you compare that to the fixed cost structure that some of these incumbents in the space have. It really is significantly different. We estimate the global advertising distribution market to be in excess of half a billion dollars. This large incumbent space does anywhere from $200 to $300 million in the space predominantly just in North America. We have already demonstrated our solution can work globally, as we are distributing content in Australia. We decided to test our solutions to see how far we could make it work and Australia was a great target market for us. We have proven that our solution works very well irrespective of where it is located around the globe. Therefore, we can expand globally without a lot of cost, and we can expand globally relatively quickly. It just opens up a huge market for us and provided we just get minimal share we will generate significant cash flow. If an organization is valued on a multiple of the free cash flow, you can do the math.

CEOCFO: Final thoughts, what should people remember most about YANGAROO?
Mr. Wambolt: We are at a very exciting stage. We put a lot of time and effort into building a product based on customer input. Now we are at the point where we can take that customer centric business model and scale it up by bringing more content into the cloud and ramping up the revenue stream.

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