



CINEWAV

1.0 Executive Summary

Cinewav: Film Festival Revolution

The key differentiator between Cinewav and the many other competitors in the ~\$25B video-on-demand (VoD) market¹ is our pursuit of the position of de facto *festival film* VoD provider: our content will be drawn exclusively from premier film festivals, our (initial) target audience is film festival audiences, and our passion is to connect these two, via partnerships with film festivals, (national) film institutes and filmmakers.

Cinewav's goal is worldwide distribution, with content streamed to a multiplicity of device types, and a hybrid revenue model, based primarily on monthly subscription fees (SVoD), but also including direct-to-sales.

We further differentiate ourselves from more conventional profit-driven start-ups as *insiders* – via our team's experience from filmmaking and film festival administration – and have expressed our *everyone wins* philosophy via the creation of a *symbiotic ecosystem*: our goals are to (1) empower the filmmaker, by offering global distribution and a highly-competitive (70%) revenue-sharing strategy; (2) empower the film festivals, by providing them with sponsorship, revenue and post-festival VoD platform of their catalog; and (3) provide film festival audiences with access to what they couldn't take in at the festival, and to the festivals they can't attend in person. We conservatively estimate a market potential of 30 million subscribers, with the goal of subscribing 5 million (\$300M/year) within the first 5 years of operation; this will still represent less than 1% of market share (\$50billion/year). Fandor - operating only in North America - is closing in on 1 million; MUBI is already at 6 million.

Our ethos? *The Festival Revolution!* We've chosen to champion the film festivals, their filmmakers and their film enthusiasts because we want to disrupt the status quo: the major players in the film industry churn out product for the masses, lacking the courage to offer the content festivals fill the vacuum for: Independent. Provocative. Edgy. Thought-provoking. We're guided by a passion for transformation, disruption and empowerment, and are driven by the conviction that the body of films we champion has the power to change how people see the world.

2.0 Company Summary

Cinevest Inc., the parent company, was founded in December of 2013 in New York City, dba "Cinewav." Its founder and chairman, German Rodriguez, was inspired by his own experiences as a filmmaker; he perceived (1) a severe gap between demand for film festival content and the distribution market's ability to fill it, and,

¹ \$21.08 billion in 2013, and estimated to grow to \$45.25 billion in 2018, at a CAGR of 16.5% during the forecast period.

conversely, (2) the market's inability to offer effective distribution and compensation to filmmakers. He conceptualized Cinewav as a means to remedy these problems.

The Cinewav family is a team of professionals who have been drawn together by both love of cinema and by the challenge of creating solid concepts – then executing them as profitable business scenarios. Their combined professional experience – including CTO, CFO, marketing director, festival director, legal partner, creative director, business owner, business founder and filmmaker – creates a very diverse skillset and perspective; and their placement in both the United States and Europe provides Cinewav with a more global perspective.

3.0 Services

Film Festival Audiences

Festival audiences - a subset of our prospective market - take in only a few of the hundreds offered at the festival, and only a few of the more-than 4000 festivals offered each year. VoD offers a remedy, and the Cinewav festival-focus model gives access to the specific content audiences want, with inclusion in a community of their peers, in an subscriber video-on-demand (SVoD) risk-free environment, at a price they can afford:

- *Subscriber video-on-demand (SVoD) model:* Pay-per-view puts the subscriber in a pressure-cooker situation, and runs contrary to the prevailing ethos that *content should be free or nearly free*. Cinewav's monthly subscription model allows the subscriber unlimited viewing and the freedom to start-stop-try something else as they please.
- *Festival film content:* By our singular focus on festival films, Cinewav-ers get only what they want, and are spared from wading through what they don't - i.e. sub-standard independent film and/or blockbuster mainstream film.
- *Peer power and the moustached crowd:* in a world of nearly limitless content, we recognize the value of the curatorial process: Cinewav *subscribers* will curate content for each other; and Cinewav will cultivate a group of *experts* whose function will mimic that of traditional film critics - also leading the subscriber to the content they have affinity for.
- *Two thumbs up:* Like the movie you just saw and want to become an activist for its maker? Cinewav will provide a purchase option, or the ability to make a donation directly.
- *Progressive pricing:* Festival attendees include a broad range of income profiles; Cinewav envisions tiered pricing plans - e.g. *Third World vs EU/US rates* - in an attempt to make film available to all.

Filmmakers

Fewer than 10% of the films screened at festivals ever end up with distribution deals. Cinewav offers an alternative path to both distribution and revenue.

- *Revenue:* Our 70%-30% (95%-5% for direct sales) revenue-sharing scheme is highly competitive within the industry; although a number of VoDs offer a higher percentage to the artist, their context is one of D-I-Y, with the onus of marketing on the artist, without a pre-screened target audience, and without inclusion in a library of similar titles. We also project a larger revenue base, via global reach.
- *Revenue:* Our post-festival 30-day VoD platform will offer the filmmaker/producer 40% of all revenue, thereby initiating a revenue stream, which (2) they can continue with by becoming a permanent part of the Cinewav library or use to negotiate with another VoD provider.

- *Audience Base:* Festival attendees are the festival filmmaker’s target audience. We initiate a business relationship between the two via two proposed schemes: (1) a free trial subscription offered at the festival to all existing films in the Cinewav library; and (2) a post-festival single-fee month-long plan to view the catalog of the festival.
- *Marketing:* Cinephiles love to spread the word to their peers about the transformative films they’ve seen, thus initiating a free marketing-and-promotions campaign.
- *Legal:* Few distributors (and even fewer filmmakers) have the capacity to negotiate multi-country or multi-regional deals. With Cinewav’s global distribution network we offer a “Gordian Knot” approach to the tangle of legal restrictions in place. Also: Cinewav will offer a non-binding, non-exclusive 1-month contract – initiated at the film festival – which honors pre-existing agreements, and includes country and regional on-off filtering.
- *Tools:* Our model envisions the most sophisticated tools for not only delivering their content to a multiplicity of devices but also for gathering metrics of usage. If the filmmaker chooses to “negotiate up” with a distributor they feel offers a more promising arrangement, we’ll provide them with a dataset that can be used to make a more compelling argument for their next deal.
- *Translation:* To those filmmakers who sign an exclusive, long-term contract, Cinewav will provide subtitling into German, French, Spanish and Portuguese.

Film Festivals

- *Revenue:* To our festival partners we offer a platform for providing post-festival access to their attendees of the festival’s catalog, as well as access to audiences who weren’t at the festival. The 40% (of total revenue) sharing scheme helps festivals with their limited budgets.
- *Reputation:* To our festival partners we offer a platform for providing post-festival access to their attendees of the festival’s catalog, as well as access to audiences who weren’t at the festival. This promotes the films they curate, and their brand.
- *Promotion:* Just as we champion the unconventional, unknown, off-the-map filmmaker, Cinewav will champion and promote lesser-known, more obscure international film festivals via partnerships, established either directly or via national film institutes.
- *Platform:* As Cinewav becomes established as the de facto film festival VOD, our goal is to offer to be a service provider to the festivals by handling the creation of their library each year – for a competitive fee, based on economies of scale and efficiencies we’ll realize through streamlining the preparation and processing of films pre-festival.

4.0 Market Analysis Summary

Overview

From our [Competitive Analysis](#) we view a VoD market already populated with hundreds of players, many already well established with infrastructure, brand recognition, substantial subscriber bases and deep pockets. We’ve come to the conclusion that our success rests on turning our focus to *festival films* and branding ourselves as the *de facto festival film VoD*.

Film Festival Audiences

The audiences for festival films are linking up to film festival content in hit-or-miss style, finding a handful of the award-winning films on mainstream VoD providers - e.g. Netflix, Amazon, MUBI, Fandor - and able to locate others via an extremely fragmented collection of do-it-yourself (DIY) providers - e.g. Reelhouse, Vimeo-on-

Demand, Indieflix, Distrify, etc - who rely exclusively on a pay-per-view model. This affords Cinewav an opportunity: (1) become an aggregator of festival films using (2) a subscription-based - i.e. all you can view - model.

Filmmakers

Approximately 90% of festival films are leaving the festivals without a distribution contract, and are thus relegated to obscurity, with their films lacking audience and/or revenue stream. The do-it-yourself (DIY) model provides an alternative outlet, via self-publication, yet each of these platforms are either offering poor or limited functionality - e.g. discovery tools - or have too specific a demographic in too fragmented a market to be effective.

For those 10% who do strike a distribution deal, the problems are two-fold: (1) the distributors attempt to strike country-by-country deals, thus once again leading to a fragmented market; and (2) they extract usurious fees, yielding the content creator with minimal revenue - e.g. Netflix offers a fixed sum amount often representing only 20% of total revenue.

Film Festivals

At present we're aware of only 3 festivals - Tribeca>[Online Festival](#) (28 films), Venice>[Online](#) (23 films) and Vimeo>[TIFF](#) (18 films, 2013 only) offering a VoD platform. All 3 use a pay-per-view model, with only one (Venice) operating during the festival (as a sort of *virtual theater* to expand limited viewing space). Legal studies will most likely highlight one of the major reasons for this scarcity of festival-specific VoDs: for the *premium* festivals, at least, films that have previously screened on a VoD platform are excluded from the festival catalog.

However there are a remarkably high percentage of festivals without this prohibition; we have ample insider knowledge that many, many festivals are anxious to expand their reach and revenue base through use of a VoD platform (either intra- or post-festival) yet the story is that most are too cash-starved and technologically understaffed to put a platform in place.

5.0 Strategy and Implementation Summary

Organizational Strategy for Target Marketing and Sales and Marketing Activities

Possibly the greatest early-stage challenge is that of achieving *critical mass*: with comparatively limited funds we must populate a library, establish film festival partnerships and gather a sufficiently-large subscriber base to generate a revenue stream that keeps us afloat and makes us attractive to Series A investors. These are intrinsically intertwined, in that the partnership with festivals facilitates partnerships with filmmakers and subscriber base. Furthermore we pursue a more global strategy: engage people who love festival films *in general*, via crowdfunding platforms. Perhaps, most importantly, we brand Cinewav as a *movement*.

Leverage the credibility of the festival

The film festival venue represents the "*perfect storm*" in which filmmaker and film enthusiasts are brought together in a charged environment. Thus the most efficient methodology for simultaneously growing a subscriber base *and* populating our library is through symbiosis with the festivals: in exchange for providing a VoD platform (during- or post-festival) with which the festival can expand its reach and revenue, Cinewav will propose several provisions designed to grow our subscriber base:

1. *Virtual theater 1*: For festival attendees unable to procure seats at a screening, reduced-price tickets will be offered for access to the Cinewav VoD-based content *during festival dates*, with 40% of revenue to the festival and 40% to the filmmaker.
2. *Virtual theater 2*: For non-attendees, Cinewav will host a (voluntary) post-festival VoD for filmmakers offering - at a flat rate - unlimited viewing for a 30-day window - again with 40% of revenue to the festival and 40% to the filmmaker. Cinewav begins to establish itself as the *de facto* film festival platform, expanding the audience base for their lovingly-curated content.
3. *Give It Away*: On-the-ground operations will target 50-100k festival attendees with Cinewav Black Cards, offering a 1- to 3-month free trial subscription to all Cinewav movies *not* currently in the festival.

In Year 1 (2015) Cinewav will select 6-12 “premier” film festivals in the in the EU and US, for field-testing concepts and procedures.

Crowdfunding

In exchange for a \$10 donation our Kickstarter campaign will offer 3 months free. By setting a modest goal - e.g. \$50,000 - we can insure success in the campaign, gain revenue and build our a subscriber base. If our campaign goes viral, we’ll we’ll be able to more expansively fund Cinewav operations until we ramp up to full functionality and a large enough library to keep subscribers on board.

Additionally we can use Kickstarter as a mechanism for growing the library by engaging filmmakers to become early adopters: *offer your film early into our library and we’ll up the royalty cut from 70% to 80%*.

Cinewav as a Movement

To Audiences:

The success of a business idea is predicated just as much on *brand loyalty* as a well-designed product, and we envision Cinewav as much more than your average VoD service. If we can harness the energy that comes from branding ourselves as *friend of the filmmaker, liberator of the lost and forgotten films, invigorator of the film festival, advocate for film enthusiasts* we do just that, identifying ourselves as a *cause* or *movement*. Thus - in parallel to and preceding the building of the platform - Cinewav has initiated a Twitter-based campaign focused on 3 themes: (1) *We love film festivals*, (2) *The lost and forgotten gems of indie films* and (3) *The broken distribution system*. By connecting with industry/culture influencers, our goal is to become a recognized voice, a *champion of festival film and film festivals* such that when our platform goes live we can convert the 10- or 20- or 40k followers into subscribers - i.e. *Cinewav is the solution to the problems we’ve been shedding light on over the past 6 months*.

We also want to be able to bring film to a *neglected* audience: those in the low-income bracket across the globe without the ability to access film festivals directly or film festival content online. Our bottom-tier pricing (EU2/month) and global distribution platform are both designed to access this potentially huge market.

To Filmmakers:

90% of a festival’s entrants leave the festival without a distribution deal. To these *neglected* artists we offer a chance for distribution – and revenue – they’d otherwise be without. This exposure offers an increased ability to negotiate up - i.e. our X-month non-exclusive contract will include comprehensive metrics for building a more

persuasive argument with more mainstream distribution - though we imagine, over time, most content creators finding a greater value proposition for staying onboard the Cinewav platform.

An even-stronger case can be made to the filmmakers from *previous* years of the film festival whose work languishes unseen and whose bills are unpaid. We offer exposure and revenue to the *forgotten* artists – with few (if any) acquisition costs. Via our contacts within film festivals and film institutes, we'll engage festival entrants from 2010-2014 to join our movement.

To Film Festivals:

A festival like the Berlinale pours enormous energy into curating some 300 finalists from 6,000 films, then has the ability to deliver these to audiences under strict limitations of time (festival duration) and space (seating capacity). Except for a handful of festivals, most operate under strict limitations of budget, and the challenge of offering a VoD platform is out of reach. Yet they are all thinking of it. Through our partnerships with festivals, we'll offer the capacity to expand their reach and revenue and better fulfill their mission: promoting the best of independent film and independent filmmakers.

Organizational Strategy for Product/Service Development

Beta Website

Product Development Overview

The Cinewav platform will be developed using Agile methodology by a team initially consisting of the partners plus a digital agency. Week One will be devoted to defining the features for the minimum viable product (MVP) and brainstorming for the product backlog and future roadmap; identifying user personas and user stories to express features; and determining which technologies will be employed for product development.

From here the team will proceed with one-week sprints, where features are designed and implemented in order of priority, and product backlog will be expanded and refined. At the end of each sprint there should be something new to test, either by the internal team or by external testers.

At key junctions throughout the process, we'll conduct user testing on specific features and flows to create a feedback loop in the design process. In this manner, the MVP should be feature-complete within 3 months of the team kick off. The initial focus will be on the responsive web experience, but native applications will eventually be built for a variety of mobile and connected TV platforms.

Design Approach

The user experience for each of the MVP features will be modeled very early in the process, likely using an InVision-like tool to stitch together wireframes or designs to create prototypes, and with which to validate user flows. Comprehensive studies of competitor platforms (already completed) will inform our UI/UX/IA.

The front end will be responsive. While a mobile-first approach typically yields the best results, desktop and TV experiences are likely the primary experiences. Tablet is still important, and we may find that people are increasingly using mobile, especially for short films viewed while in transit.

In parallel the branding and look-and-feel will be established, ideally in the form of a style guide. These two work streams will overlap several weeks into the process when the first screens are fully designed as layered PSD or INDD files.

Technology Approach

During the first week, key technology decisions will include front-end framework, backend framework, database technology, and infrastructure selection. We favor open source technologies with vital communities.

In terms of development process we will adopt a SCRUM-like methodology, with sprint planning, daily standups, and burn-down tracking. We will also utilize Test Driven Development.

It is important to consider the main site is just one of many clients that the backend will support. In addition to mobile apps, there will be clients for many connected TV platforms. Thus, we need to ensure that the front end and back end are loosely coupled from the outset.

As a video-centric experience, two of the most critical aspects for our development are the player itself, and the CDN used to stream the video content. For the player, it's likely that we'll start with an open source solution (e.g. video.js). DRM isn't a priority for us due to the nature of the films and the viewer, but this may evolve over time.

At present we envision these technology decisions:

- *Front-end Framework*: AngularJS, it should be very app-like and fast .
- *Back-end Framework*: Ruby on Rails or Laravel, and possibly node.js for some components.
- *Database*: hybrid approach - nosql (e.g. mongodb) for the bulk of the content plus mysql for more structured data, Solr for search.
- *Infrastructure*: AWS for almost everything, but set up in a portable way, CDN: Fastly or CloudFront. Caching is key - multi-tiered caching architecture.

Optimization Approach

Once the beta has launched, we'll use a number of techniques to optimize the experience. We'll analyze user behavior – with standard tools like Google Analytics, and more specialized tools like Crazy Egg. We will also use A/B and multivariate tests, using a tool such as Optimizely, to test out variations in functionality or messaging.

From a technical standpoint, we'll monitor core system metrics and application profiles to continue to optimize the speed, stability, and scalability of the experience.

6.0 Management Summary

Executive Team

[German Rodriguez](#) (Founder) synthesizes 15 years plus experience as a creative director, producer and filmmaker to bring together a strategic group of talent, from around the world, to lay the foundations for Cinewav. He believes that Cinewav is more than just another VoD platform: a revolution to re-energize the world of independent film and disrupt the blockbuster/Hollywood-centric status quo.

[Mark Swindle](#) (CEO, Co-Founder) is former co-owner/co-founder of Chicago's number 1 record store, whose design-based, IT-based and business-based career has included 3 start-ups; and roles of senior-level designer, software architect, IA, UID, project manager, owner and digital strategist developing websites, software, publications and marketing-and-promotions material for a client base including top-tier university, NGOs/NFPs, corporations and creatives. He is passionate about film, music and upending the status quo.

[Karin Hoffinger](#) (Co-Founder, Content Strategy & Acquisition Director) has been working in the Berlin Film Festival or Berlinale for nearly two decades. Now head of the International Relations and Programme Organisation departments, she brings a deep understanding of film festival world, including guideline creation, oversight and organization of the film selection process, coordination of official delegates and scouts, and the Berlinale's relationship to national film institutes, international film festivals, production companies and world sales.

[Joseph Jorgensen](#) (CTO) is a digital agency veteran and an entrepreneur. He has experience building large technology teams and managing them across multiple offices. He has a passion for highly scalable systems and rapid product iteration. He is currently the Partner/CTO at a boutique digital agency called HYPERHYPER, and at PHHHOTO, a unique image sharing and social media startup. PHHHOTO started by providing a highly addictive photo booth experience to high profile events. The booth takes moving pictures that are fully brandable and instantly shareable. PHHHOTO has expanded into the consumer app space with the launch of its iPhone app

[Matthieu de Genevraye](#) is a veteran financial officer. He began his career as a business planner for international groups. He then jumped into the world of startups as the CFO of several businesses in various sectors such as food industry and 3D printing, and is currently COO at [Le FabShop](#), and in the early 2000s was creator of a Chilean-French wine company. Fascinated by the potential of VOD, he joined the Cinewav venture from its beginning.

Advisory Board

[Henry Bienen](#) is President-emeritus of Northwestern University (1995-2009) is an American academic administrator and former president of Northwestern University. During his tenure, Northwestern faculty and students received numerous academic awards, the endowment quintupled, applications for admission skyrocketed, and the University's reputation grew both nationally and internationally.

[Omar Pierre-Soubra](#) is currently acting Director of the Collaboration Community at Trimble, and President of the French-American Chamber of Commerce (Rocky Mountain Chapter), where he is deeply involved in developing economic ties between the Rocky Mountain region and Europe, as well as strengthening the community of Francophile entrepreneurs in Colorado.

[Cory McAbee](#) is an American writer and director, and lead singer of the band Billy Nayer Show. Film critic, Simon Abrams, writes *"It's hard to describe Cory McAbee's ingenious films. And it's impossible to convey their ingeniousness without sounding as crazy as the films he makes."*

[Nikolaj Nikitin](#) serves as Eastern European Delegate for the Berlinale, and is Founder of SOFA, The School of Film Agents.

Our Phase II collaborators include experts in sales, film production, global marketing strategy, legal, design and advertising.

7.0 Financial Plan

CINEWAV	2015	2016	2017	2018	2019
Summary 2015-2019	k USD	k USD	k USD	k USD	k USD
Revenues	160	6 895	33 562	105 662	211 808
Revenues sharing	-140	-5 171	-24 204	-76 199	-152 746
Gross margin	20	1 724	9 359	29 464	59 062
% revs	13%	25%	28%	28%	28%
SACs / Marketing	-70	-1 000	-2 263	-6 445	-10 640
Staff Cost	-170	-1 575	-2 772	-3 985	-5 292
Overhead	-115	-788	-1 386	-1 992	-2 646
Technical Cost	-50	-321	-982	-2 765	-4 114
Uncertainties	-40	-368	-740	-1 519	-2 269
Total other OPEX	-445	-4 052	-8 143	-16 706	-24 962
EBITDA	-425	-2 328	1 216	12 758	34 100
% revs	-266%	-34%	4%	12%	16%
CAPEX - R&D	-205	-1 000	-5 000	-5 000	-5 000

5-Year Projections (2019)

Subscriber base

Our target is 3.5M subscribers within five years. This should be considered within the context of growth - 6M subscribers within 5 years - by a similar platform, MUBI, reached after six years with a comparable price plan and a curated library of (mostly) independent film.

Revenues

Our target is \$200M+ for the fifth year. Taken within the context of the projected growth of the VoD market from \$25B to \$50B over the same period, Cinewav's revenue target represents merely:

- 0.5% of the global VoD market
- 1.0% of the market increase

OPEX : content

Content purchases are based on a re-distribution scheme of subscriber-generated revenues :

- 70% for content providers
- 5% for film festivals
- potentially 5% to intermediaries : 3% from content providers + 2% from Cinewav

As a consequence, the gross margin on subscriber generated revenues is 23 to 25%.

Other revenues such as content resell and derivative product might marginally increase the overall gross margin.