2021 MID-YEAR UPDATE

AS OF: JULY 2, 2021

STIG BRODERSEN

Thank You

Thank you for your hard work so far in 2021. Thank you as well for enlightening the world with financial literacy. Thank you to Bianca, Cyril, Camille, Alvin, Oasis, Kristine, Noelle, Jedidiah, Justin, Chazel, Bernice, Richard, Robert, and Trey for having joined the TIP journey going into 2021. And thank you, Denise, Iza, Agnes, Patricia, Katrina, Ryan, and Christina, for joining our journey this year.

Most importantly, thank you for making TIP a wonderful place to work.

January 1 – June 30 of 2021 in Numbers

If I had to sum up the financial performance of TIP in the first 6 months of TIP in one word, it would be "Satisfactory." In my previous letter, I outlined why the goal for 2021 was $1,000,000 in profit before tax measured on a cash basis. I also underlined why the exact number was less important and why the number short term is underestimating the true earnings power of TIP.

So how have we done so far? Well, so far, so good! It requires a few accounting gymnastics to evaluate the performance. **If you're not into the whole accounting exercise, please feel free to skip this section!**

Are you still reading? All right, here we go! **The first 6 months yielded a profit before tax of $475,301 on a cash basis, but we need to make multiple adjustments to this number**. It also does not account for the small but growing payments that flow directly to my Danish bank account from YouTube that we, for different legal reasons, cannot direct to our US account.

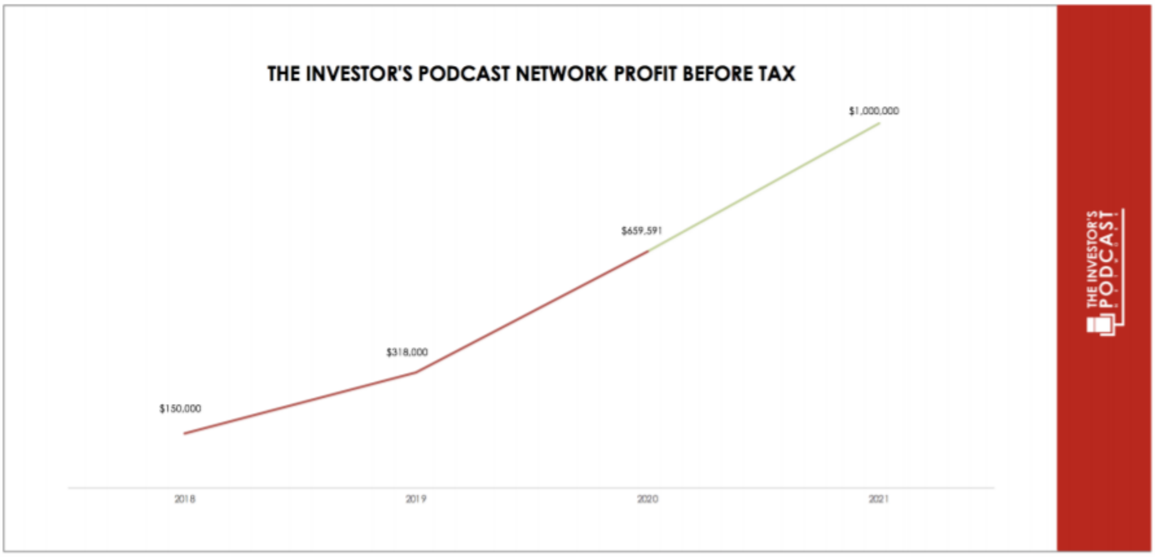
Also, our profit before tax could have been much higher if we didn't reinvest large sums into scaling the team. These are funds that diminish profit before tax in the short run but are expected to grow our earning potential significantly in the future.

Most importantly, the number is measured on a cash basis and not on the signed sales. We have, for example, signed $1,345,619 in advertising sales alone for the year (as of June 30), but that won't appear as "profit before tax" just yet. Partly because some of that is not payable before 2022, but also because of the payment cycle. Just because an advertiser has agreed to pay, for example, $20,000 on January 15, unfortunately, doesn't mean that we will receive the money on that date. We would, of course, refuse to work with that brand or agency; however, the sad truth is that it's better to "collect $20,000 months later than $0 right on time." **It's also important to keep in mind that even though many advertisers pay too late, we never had an advertiser defaulting on their payments.**

If you want to track how well TIP is doing financially, "revenue" is what you should be looking at short-term (from a month on month basis). In my weekly updates, I always include the revenue numbers from our various business units. **On a year-over-year basis, you should be looking at "profit before tax" since it's an indicator that includes the actual cash flows and includes costs.**

More than the actual number, TIP now can sell 3,000,000 advertising impressions per week which are expected to increase our future earning potential. In Q1 2021, we received payments from only 520,000 impressions per week!

The table below was first published in my previous letter. We're currently on track to hit $1,000,000 this year on a pure cash basis and likely safely exceed that measured on a non-cash basis.



How to Think About Trombone Oil

I've recently read a wonderful business book called "What a Ride" written by former Disney CEO Bob Iger. One of the many memorable passages in the book is this beautiful quote that Bob Iger's old boss told him: **"Avoid getting into the business of manufacturing trombone oil. You may become the greatest manufacturer of trombone oil in the world, but in the end, the world only consumes a few quarts of trombone oil a year."**

This wonderful quote applies to TIP as it is for Disney and any other for-profit businesses in the world. TIP has many opportunities, and my main job description is to be the capital allocator for TIP (prioritizing time and money). For instance, we have a limited number of programming hours, and at the end of the day, together with Bianca, I have to answer questions like:

- Should we add more programming hours to the team (buy more time for money)?
- Which projects should Alvin and Justin work on for TIP Finance? Is that even the right thing to do, or should they work on the website?
- Should Robert be making the statement of work?

The point that I'm trying to drive home is not so much what the answer to the questions above should be, but rather that no matter what we set out to do, we have to look for "big potential." Even though TIP Finance is not making a lot of money right now, it's not a "trombone oil" type of bet. I honestly believe that TIP Finance, in time, can generate $1,000,000 in annual revenue.

Consider another option: We could most likely get to $1,000-3,000 per month in revenue from merchandise sales if we sold it hard to our audience. However, it could never get to $1,000,000 annually. While you can't compare merchandise sales and TIP Finance one-on-one, the example is clear. Even if merchandise could generate $30,000 in revenue annually, the opportunity costs of doing something else are just too high. Every time we ask our audience to buy a t-shirt, we could also serve them an ad, asking them to buy a course or access to TIP Finance.

As a rule of thumb, we need to see an annual $1,000,000 revenue potential before setting up an entire team to work on a project solely. Examples include GI, TIP Finance, and the design team working on YouTube (more to follow on this in the letter's next section). We only have one business unit so far that has achieved the $1,000,000+ mark (podcast advertising), but I would be surprised if we don't have multiple business units just a few years from now.

TIP can allocate resources to a single person pursuing a project with a bit of support from the team if the potential is only $100,000 to $200,000 annually. One example is Trey looking into working with the "National Association for Campus

Activities" (NACA) or working directly with the schools themselves. While it might require a little assistance from our sales or design team from time to time, it would not be material. Again, $100,000 to $200,000 in annual revenue is too little for TIP to set aside an entire team working on that type of project. It simply does not pass the "trombone test."

YouTube to $1,000,000 in Revenue?

You've likely noticed that I've continuously been focusing on YouTube in my weekly updates. It might seem a little contradictory at face value compared to my previous argument. When we look at the numbers, we typically do not make more than $3,000 or so in monthly revenue split between Prestons' and the official TIP YouTube channel. When combined, we only have 400,000 monthly views. So why do I believe that we can take it to $1,000,000 annually?

Robert and Preston have long urged me to allocate more resources towards YouTube, but as you know, I, unfortunately, tend to be a slow learner. I shouldn't be. Both Robert and Preston have brilliant business minds, whereas I tend to sit on my hands for too long.

My "excuse" has been twofold. First, I wanted to make sure that we had a stronger organization in place, effectively changing the organization into a "VP-driven organization." TIP had to have the right people with the right competencies to lead the respective teams and onboard new people in Web Development, GI, Operations Support, and Design. **It has not been easy, but with the help of Bianca, Robert, Cyril, and Camille, we have a stronger organization than ever!**

My other "excuse" is that I wanted to make sure that "podcast advertising" would be a $1,000,000 annual revenue business unit. To make that happen, we needed to onboard Christina, Ryan, and Trey, set up Bitcoin Fundamentals, and ensure that we had the sales processes in place both in the US and in Manila to make that happen. So far, so good. With $1,345,619 in confirmed advertising sales in 2021 by June 30, and the expectation of significantly higher ad sales in 2022 and beyond, we are where we need to be.

Hindsight is always 20/20, and looking back, I'm satisfied with the result but feel we could have gotten there much faster. Time is, after all, the ultimate opportunity costs.

Despite my shortcomings, the focus for TIP has, over the past few months, turned to the growth of YouTube. However, as mentioned in the previous section of the letter, we only want to build up a team around a business unit if we think it can generate $1,000,000 in revenue annually.

How will we get to $1,000,000 in annual revenue? Admittedly, just as I didn't know how we get to $1,000,000 in podcast advertising in 2017 when we ran the first podcast campaign for Freshbooks, I don't have the entire roadmap in place for YouTube. It is, however, quite possible to get to 7-figures annually when you consider our starting point and growth potential. Consider the following:

- Though we've been successful in podcasting and now have a decent following on YouTube, we're still producing podcast content, which by definition isn't ranking as well on YouTube. So, the solution is straightforward, TIP is going to create native YouTube content.
- Robert has already started testing it. Not so much because he is intended to be the leading content creator, but to test the set-up, and for TIP to learn more about the process. As soon as Robert gives the green light, we will start looking for a US-based YouTube host. My best guess is that we will onboard the person in the fall.
- TIP's new YouTube host will produce at least two native videos per week. The goal is ultimately to reach 100,000+ views per video regularly.
- The YouTube host will also be the Community Manager for TIP and engage in conversations with our audience and drive traffic to YouTube.
- Given the extra content we need to create for YouTube, we will most likely also hire a new designer to join Kristine, Noelle, and Camille.

The above bullet points are expected to drive the viewer and subscriber growth for YouTube, which is necessary to reach our goal of $1,000,000 in annual revenue. To finance the growth, we're looking into different ways to optimize our content. It's much needed as we're currently monetizing through AdSense, which, as mentioned, typically yields in the

$3,000 ballpark in monthly revenue. In other words, we will be burning thousands of dollars every month on YouTube in the months to come.

We plan to sell premium advertising space on our episode videos as soon as possible. **We will go to market with one baked-in ad per interview. We hope to sell the rights for $25,000 per month and increase the price as we grow the channel.**

In time, one can imagine various ways we can monetize our content even more.

- TIP can sell advertising on our native YouTube videos.
- TIP can hire an additional YouTube host.
- New ideas that we haven't thought of yet. As with almost every new business idea, you often do not consider the most profitable opportunities when you start out. For example, when we started in podcast advertising, we didn't consider using dynamically inserted ads and having multiple episodes per week in our main feed, which eventually gave us 10x+ revenue potential.

Robert's Role and A Growing Team in the US

Two years ago, Robert applied for the position of "show host" with The Investor's Podcast Network. In all fairness, we were not a network at the time but only had WSB and no clue about how to set up a network in the first place.

I remember being worried about Robert taking on such an essential role in the company given how inexperienced he was and because I thought that the "Real Estate Show" would be the most important show aside from WSB on our network.
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If you didn't know already, I tend to be wrong a lot, and with Robert more so than almost everyone else. From the first day, Robert has impressed everyone on TIP and is working 170 hours per month with TIP and running GI on the side.

For TIP, Robert primarily focuses on running the investing side of TIP Finance, coordinating with Bianca, Alvin, and Justin which tools we should build and upgrade. Aside from that, Robert is also heavily involved in getting YouTube off the ground. While I am confident that Robert will continue working on TIP Finance, I'm unsure if Robert will continue working on YouTube once our new YouTube host is onboarded. Robert is so talented and hardworking that you can ask him to do anything, and you know you will get an extraordinary result.

For that reason, Robert's contract was renewed after just five months and included several significant improvements. **TIP has big plans for Robert, and in a very TIP way of operating, we're not entirely sure what those plans are! However, we know that TIP is showing no sign of slowing down, and we need top-quality team members. We get that 110% by teaming up with Robert.**

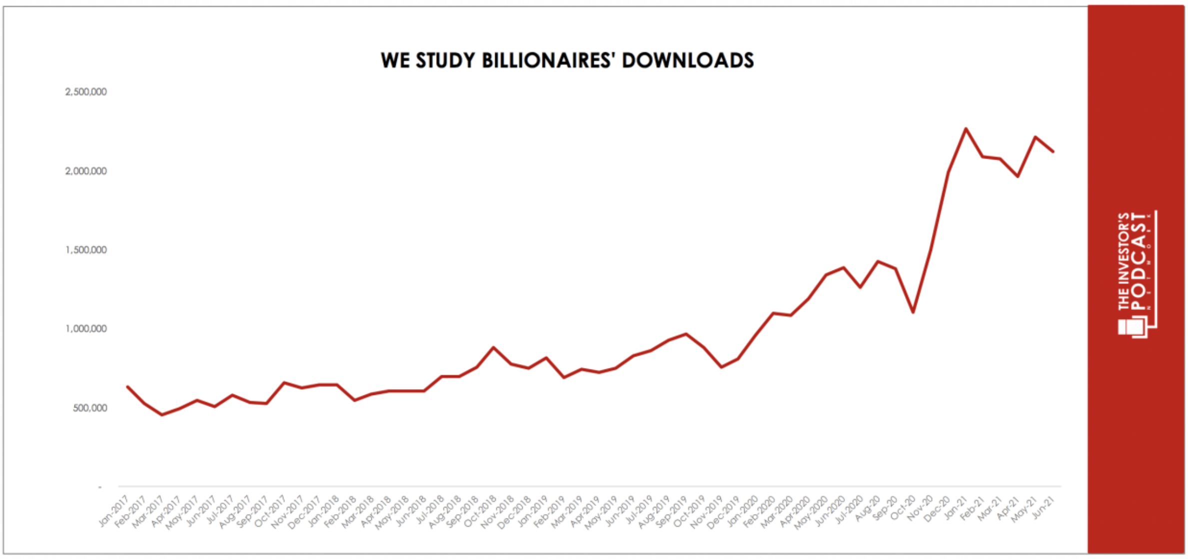
On top of that, we're also looking to add another three people to the team in the US. While they will all be reporting to me, it's likely that Robert will, in the future, take on a more senior role not only for GI, but also for the main unit with a focus on the US.

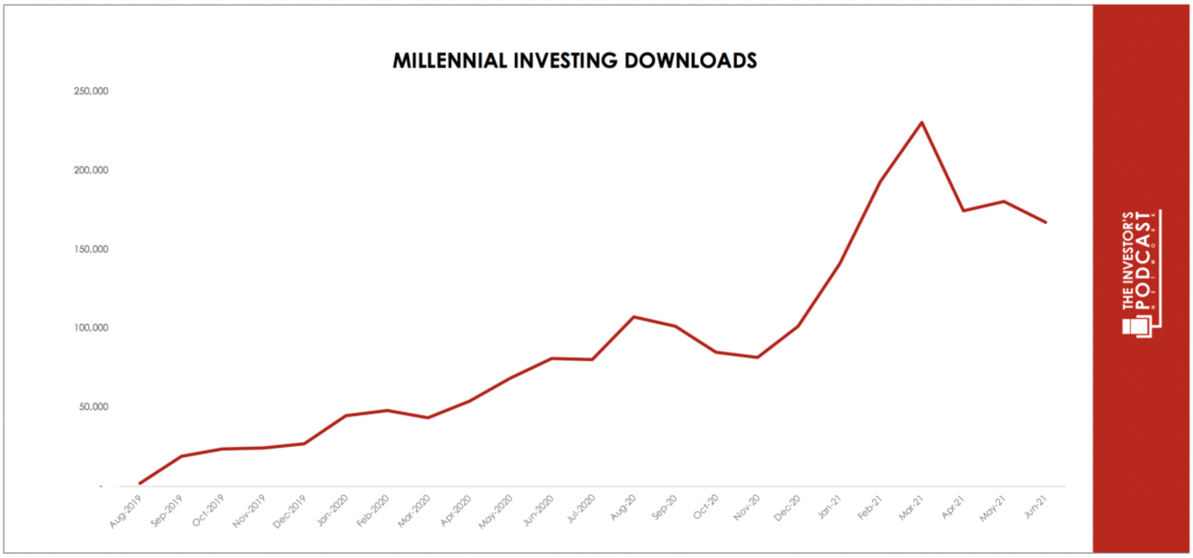
Christina, Ryan, Trey, Robert, Bianca, Camille, and Cyril, are already reporting to me, and when the new hires are onboarded, I will have ten team members reporting to me. So far, it's been working by having a very decentralized approach, but from a business scaling perspective, it's the recipe for disaster if we continue to let the number grow.

The Future of Podcasting?

Famous investor Bill Miller once told us that you should typically only focus on 2-3 key variables when you track a company's performance. The rest is just noise. Warren Buffett tends to agree. For example, when investing in airlines, he urges investors to focus on revenue and costs per seat mile when comparing the competitiveness of different carriers.
It has challenged me to think about TIP and what our key metrics are. **If you have to point to just one metric, it should be the "number of downloads we have across our network."** In time, other metrics could be "Sales to Impressions Ratio," "Active Subscribers on TIP Finance," and "Monthly views on YouTube." Still, "downloads" are more important than all our other key metrics combined at the moment.

More downloads are not only a question of more ad sales potential (though it's the most important one!). With more downloads, we can also attract better guests, get more press, attract talent to the team, lower our cost per download, and on the flywheel goes.





So, knowing that the key metric to optimize for is "downloads," the natural question to ask is: “How do we get more downloads?”

I've discussed this question with multiple people. Both internally within TIP and with people on the outside. So far, the score is something along the lines of 10-1 against my approach.

What billionaire Ray Dalio would call "highly believable people" tells me is that the way to grow your download number is to set up new podcast shows. While that makes sense for companies like Wondery and iHeartMedia, given their strategy, I would argue that it’s not a one size fits all world. For a company like TIP, **I'm of the firm opinion that the right approach is to double down on WSB (the shrewd reader would have counted the high number of times I've acknowledged that I've been wrong just so far in this letter!).**

Today, more podcast content is created than ever before (and of higher quality than ever before). On top of that, the demand for podcasts is soaring. So, keeping that in mind, why do I believe that we should double down on the existing WSB feed? These are my arguments:

1. **It's tough to set up a new feed**. Aside from WSB, we have started up four feeds, and only Millennial Investing has reached a satisfactory number of downloads. Even with merging with Real Estate 101, it still accounts for less than 10% of the download numbers of WSB. By producing more content in the WSB feed, we know that we have people already subscribing to the content.

2. **You know what you are getting.** With so much content out there, podcast listeners are trying just to keep up. As a podcast listener, it used to be great to get podcast recommendations, but now it's almost like, "Don't give me any recommendations as I don't have time to listen to new podcasts anyway." Instead, what I think will happen is that podcast listeners will stay with the subscriptions they already have and primarily test the highest recommended shows. Just like you know what you're getting when we publish a "mastermind episode," podcast listeners are less likely to experiment across the same feed; they will be even less excited to experiment across different feeds. I have 0 empirical data to back me up—only my intuition, experience, and understanding of how humans develop habits.

3. **Our listeners followed our feed for a reason.** Let me give you an example of my podcast consumption. I follow a football podcast and have done so for years. The content is excellent, and content creation has been growing rapidly for years. Unfortunately, the podcast hosts made the (wrong decision) to talk about handball and cycling because of the success. I never listened to those episodes, and I don't think anyone else did because they stopped doing it after a few months. Football is and was what they did well and what the listeners wanted to hear about.

   So how is that applicable for WSB? Well, our listeners followed WSB for a reason. That is also why Bitcoin Fundamentals have gotten so many negative reviews. However, that was not why listeners followed us to begin with, and it's only because Preston was one of the original hosts and because bitcoin is so popular that it has been the right decision. If it has been any other type of content, it would have been nearly impossible to pull off.

   I envision WSB to eventually publish 7 episodes per week, starting with hiring a host that can take us from 3 to 5 weekly publications sometime in 2022. We started publishing the third weekly episode in the WSB feed on June 21, and I think we can eventually get well above 1,000,000, downloads per week once we turn the WSB feed into a daily show.

   I don't expect that many will listen to every episode, but most, if not all, didn't do that when we had one episode per week. We make it easy for the listener to go to the feed they already subscribed to and download the episodes they like.

   We're already losing if we think we can create content that is always interesting for everyone. Instead, we can offer high-quality content published daily and let our audience pick and choose when and what they have time to listen to in their busy life – but all within the WSB ecosystem. **I think the future of podcasting for a company our size (huge compared to almost all other podcasts but tiny compared to the big networks) is to have a "podcast channel" and not as a conventional podcast.**

The key is, of course, not to dilute the quality. For that reason, we're also looking for a new host that can bring in fresh energy to the show and essentially "do more of the same." It will be traditional WSB episodes and not be related to bitcoin.

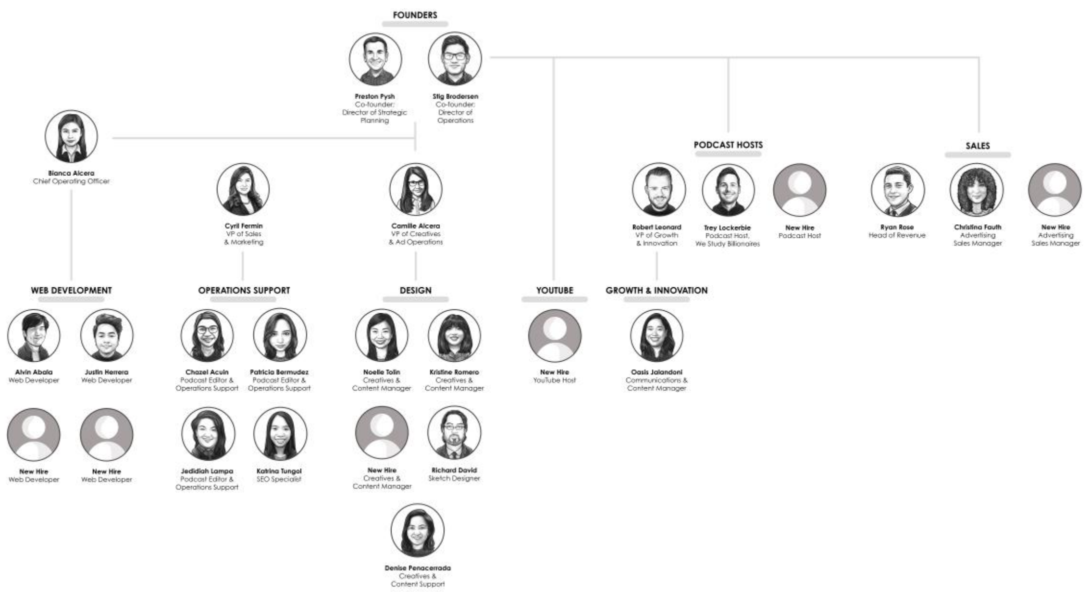
One should not confuse our "Podcast Channel Strategy" with the "YouTube Channel Strategy." They are two different mediums. Podcasting is a medium you diligently follow and regularly browse through the content from trusted publishers. On the other hand, YouTube material is frequently found through "search" and YouTube's recommendations.

Expected Organizational Chart

In this letter, I've mentioned many potential new hires. To provide an overview, I've listed down the expected new hires below.

- **Web developer.** The main tasks are to maintain and update the website.
- **Web Developer for TIP Finance.** The primary responsibility is to work alongside Alvin and Justin to upgrade and build new tools for our subscribers
- **YouTube Host.** The new hire will, as mentioned above, be the talent on the native YouTube content and engage with the audience as our community manager.
- **Designer.** Given the added workload of video production from native YouTube content, the new design hire will work alongside Camille, Noelle, and Kristine to continuously improve our YouTube content.
- **Podcast Host.** The new hire is expected to eventually publish two episodes weekly in the WSB feed, bringing TIP to 5 episodes per week.
- **Advertising Sales Manager.** As we will have significantly more podcast inventory available and new avenues of sales, including YouTube, live events, with more to come, we have to consider bringing in more sales talent.

When you consider that we've added several people since the previous letter from January 2021, with Camille's help, I also find it helpful to illustrate below what TIP could look like soon. Please do not be surprised if it doesn't. More than looking for new hires, TIP is looking for the "right hires who live the TIP values." If we can't find the right candidates, we would much rather leave the position vacant.



Thank you for entrusting The Investor's Podcast Network with your employment. It's truly an honor to be given the opportunity to share my life with you. Luckily, our journey together has just begun.

Warmly,