

**Mitu could draw interest as Latino network starts to scale – industry sources**  
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- Millennial Hispanic demographic seen as attractive
  - Time Warner, Disney, America Movil among logical buyers
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**Mitu**, a Latino digital media network, is expected to draw buyout interest from large traditional media and telecom groups as the startup begins to scale, industry sources said.

The Santa Monica, California-based company, whose network of creators produce Latino-focused content for YouTube, Facebook Video, Vine and other digital media platforms, announced it had raised USD 27m in Series C funding in January.

New investors **AwesomenessTV**, **WPP Digital**, and **Verizon Communications** (NYSE:VZ) as well as existing investors, including **Upfront Ventures** - the largest investor in **Maker Studios** - all participated.

Interest in Mitu comes amid increased investor appetite for digital media companies that focus on aggregating original content online for millennial audiences. "All the dollars are moving to digital, trying to chase those eyeballs," said one sector advisor. "Within that there are large communities where you're going to see vertical networks forming, such as Latino."

Several companies that have relationships with YouTube stars have been sold in the last couple of years: in March 2014, Culver City-based Maker Studios sold to **The Walt Disney Company** (NYSE:DIS) for USD 675m, including earnouts. Los Angeles-based AwesomenessTV sold to **DreamWorks Animation** (NASDAQ:DWA) for USD 120m in 2013 and then earlier this month Verizon bought a 24.5% stake which valued the tween-centric network at USD650m. Culver City-based **Fullscreen**, which sold to **AT&T**-backed (NYSE:T) **Otter Media** in September 2014, this month launched a USD 5 per month video streaming service aimed at teens and young adults.

Valuations are typically based on monthly active viewers – not revenue – and because they tend to be high, potential buyers for Mitu likely would feature traditional media companies — such as **Time Warner** (NYSE:TWC) or Disney – who could manage such a large deal, said the advisor.

Interest could also come from some of the big telecom companies looking to provide original content, said Ignacio Cepeda, a Mexico-based telecom consultant. Mexico's **America Movil** (NYSE:AMX), which recently set up its own digital content production unit, **America Movil Contenidos** (AMCO), is one logical buyer, he said. Another is Spain's telecom company **Telefonica** (BME:TEF), which also owns a digital content production unit, he said.

Yet another logical suitor for Mitu is **Tigo**, a unit of Luxembourg-based **Millicom** (STO:MIC-SDB), which has been investing in digital apps and content geared towards Latin America's millennials, said Cepeda.

Mitu has about 100 employees and more than 6,000 Latino creators racking up 2bn monthly video views.

The company is still small by revenues, noted the advisor. "There's still a lot they need to do. But they're gaining traction in a demographic that's interesting to a lot of people."

### Scaling beyond YouTube

Mitu started off providing Latino-focused content for YouTube. It will need to expand beyond those roots into other platforms, such as Vine or Instagram, as it has been doing, said Lee Vann, co-founder and president of Captura Group, a Hispanic digital ad agency. “In making sure they have distribution beyond YouTube, they’re both working with partners and building their own platform. You really want to own your own platform,” said Vann.

Advertisers like platforms such as Mitu because it allows them to reach a very specific demographic – the millennial Hispanic audience, said Vann. Some brands are also willing to tailor campaigns around some of Mitu’s edgier shows and creators.

Mitu makes money not just by selling adverts, but also producing branded content, and Vann has noticed advertisers use Mitu either as an advertising partner or a content producer. “You can buy a 30-second pre-roll video ad, but you can also work with them, to produce branded entertainment. I know they’ve seen growth in both areas,” he said.

“It is a beautiful business model because the cost of content production is basically zero,” said Vann. “The content is created for free, and then Mitu can aggregate and split revenue with [the creators].”

Mitu has also benefited from good timing. Because it was one of the first Latino-focused content networks it is “really strong in the US, as well as Mexico,” said Liz Castells-Heard, CEO of the ad agency Castells & Asociados. The company is tapping into a greater desire from millennial US Hispanics to embrace the language and culture of their parents, she said.

“They’ve figured out how to appeal to advertisers, and forged a lot of partnerships with companies like Univision,” said Castells-Heard.

While Mitu is currently the leader, it faces challenges in the next one to three years from the established Hispanic networks, such as **Univision** and **Telemundo**, which both have launched “influencer networks” in the last two years, cautioned Vann.

Castells-Heard said she expects to see Mitu continue to expand, but the company may also find that a sale could help it do so.

“Historically, at this kind of stage, you see companies look at a merger or a buyout,” she said. Mitu may find “that it makes sense to become part of a larger network.”

Mitu did not respond to a request for comment.