



Bank of America TMT Conference Recap

September 2018

[Sign Up For Additional Research From Evolution Media Capital](#)



Bank of America TMT Conference Recap

September 2018

Altice USA Is Rolling Out The Altice One Platform To Be A Distributor For All Types Of OTT Platforms

VIDEO

- **Focus on trying to make a transition from an ARPU base that has been very video-dependent to something more data-dependent**
 - Continuously focused on entry-level pricing to get people inside the door and then looking to drive pricing power going forward
 - The bundled effect of a video subscriber and a data subscriber substantially enhances the churn rates
- **Video is core to the business and remains profitable with gross margins in the 40% range depending on the type of product**
 - Looking to reduce their exposure to certain content providers that are not as helpful as others

OTT

- **The whole linear cable bundle is going to evolve to an IP-based bundle in the next 3 to 5 years**
 - Seeing that already with vMVPDs coming in and other big programmers announcing DTC type products
- **Video is increasingly about allowing consumers to have more choice, even if it means coming off the linear bundle**
 - Can be incentivized to onboard and sell vMVPDs or other OTT applications, which can replenish gross margin and gross profit
 - One of the key aspects of Altice One platform is the ability to integrate OTT apps and seamlessly move between them using voice control

ALTICE ONE

- **Altice One is fully available on the entire Optimum footprint and available on about half of the Suddenlink footprint**
 - Pricing is very straightforward and the whole experience from a user interface standpoint is as advanced as you can get today
 - The integration of the 3 units (set-top box, modem, WiFi router) into 1 really reduces the amount of clutter in the home
- **Going to completely bypass the in-house coax infrastructure, which creates massive issues and increased service calls**
 - Customers will no longer be tethered to the wall as data and video will be distributed over WiFi throughout the home

ADVERTISING

- **Made 2 small acquisitions over the last 18 months that allow them to have targeting capabilities on a national and local basis**
 - Bought Place Media, which is effectively a repository exchange for unused inventory amongst all the MVPDs and programmers
 - Bought Audience Partners, which sits behind MVPDs in their modem that allows them to target each one of the IP devices in that home
- **They will have more effectiveness by partnering with more distributors who are thinking the same way**
 - Going to spend a lot of time and attention growing their ability to truly target customers on an addressable linear basis and on an IP-basis

Can they find enough partners to get the most value out of their newly acquired ad-tech businesses?

AMC Networks Has Made Acquisitions To Increase Their Presence Outside The Linear Ecosystem

SCALE

- **Size is a real advantage and puts them in a great position for the traditional distributors and all the new and emerging ones**
 - Having brands and shows that really resonate with passionate viewers matters a lot
 - Don't think that scale is the determining factor in the marketplace and they have a great collection of assets that allows them to be very agile
- **They are not in the volume business, so they take a different approach to the discovery of shows and ideas**
 - There are no shortage of ideas, so it's really about how you intend to develop, curate and promote the show

STUDIO

- **Ramped up the studio dramatically over the last 7 years, and the more they own and control, the more they can monetize their content both domestically and abroad**
 - In production with 12 or more shows not only for AMC, but other channels like BBC AMERICA and Sundance
- **Continue to believe that there's a lot of synergy in having the studio and the network operating it together**
 - Focused on great shows, not all of which they can own and produce at the studio
 - Strategy is not based on the need to own and control X% of the slate

OTT

- **Expecting a Q4 close of the acquisition of RLJE, which operates 2 distinct SVOD services – Acorn and UMC**
 - RLJE has a collection of great dramas that they control and have exclusive on the platform that has really driven acquisition and retention
 - **Want to support them by giving them the balance sheet and the flexibility to properly invest and really enhance those 2 businesses**
 - Strategically fits nicely into what they are trying to achieve with their 3 owned and controlled OTT SVOD services
- **There will be a more holistic approach to the windowing and content monetization across their respective platforms**

VIRTUAL MVPDS

- **Certainly seeing some modest declines in traditional Pay-TV subs, but on a less severe basis than their peer group**
 - With each key renewal with a traditional operator, they have been successful in getting further penetration and packaging of the less distributed networks beyond AMC
- **Important to get ubiquitous distribution on the platforms as they emerge, and as they evolve, they will adapt their strategy**
 - Carriage on the majority of virtual MVPDs has allowed them to mitigate a meaningful amount of the moderation that has occurred in the traditional sense

Can their niche OTT offerings gain enough scale on their own, or will they eventually be bundled together?

AT&T's Acquisition Of Time Warner Has Created A Modern Media Company

DIRECT TO CONSUMER

- **Very important to be in a position where they have a direct relationship with a customer and the platform needs to be scaled**
 - Need to allow for customers to assemble the content in a way that makes sense for them and their household
 - Clearly needs to have brand distinction as a customer navigates through different types of content and different levels of engagement
- **HBO is a unique brand and a very important part of the portfolio, but is not enough on it's own to be a scaled DTC product**
 - **There needs to be other assets around that, which will probably come under other brands that are bundled together**

ADVERTISING

- **The addressable market will start to take off as consortiums occur within the industry now that the technology is in place**
 - Variety of distribution companies are bringing their inventory into one place so that marketers can buy on a more national basis
 - The longer play over the next 12-18 months is moving this inventory to complete programmatic where it can better compete with digital
- **Opportunities for innovation for things like on-demand stacked content, which can bring ad-supported capabilities**
 - Robust targeting capabilities provide opportunities for much more effective advertising, rather than the traditional pre-roll or mid-roll

HBO

- **Prepared to make incremental investments that are accretive to the product and the construct**
 - **Going to find ways to have direct customer relationships outside of the U.S., but it will be a market-by-market assessment**
- **Goal is to get the continuity in the customer experience throughout an entire year without stretching the model**
 - Have got projects in the funnel that aren't about going out and finding new ideas or new talent or new creatives to go work on it
 - HBO team is highly motivated to go work on them, it's a matter of saying let's go and putting the money up to do that

WARNER MEDIA

- **Even though they've been profitable, think they can improve on some of their franchises, in particular, DC**
 - To the extent they find another gear, it can have a significant impact on the overall returns and profitability of that operation
 - Television production entity is hitting on all 8 cylinders, and is at record levels of production and that has to sustain itself
- **Want to start to drive more efficiency in marketing and promotion, and this is where data and integration comes in**
 - Single largest buyer of advertising in the marketplace and will get efficiencies that will help the cost and expense line on movie promotion

How much can they invest into the HBO platform without diluting the brand?

Charter Is Nearly Completed With The Integration Of Its 3 Companies Into 1 Singular Platform

BROADBAND

- **The biggest driver of customer growth is going to be connectivity services, which really goes towards broadband**
 - Using other attributes like voice and video to drive more connectivity relationships in broadband where it's of value to the customer
 - Want to make sure that customers feel not only the speed, but the ability to put multiple devices on the network
- **Want to grow penetration very fast and are only about 50% penetrated today despite having the best-priced product**
 - Cable has always responded to DSL enhancements by taking an outsized increase in speed to regain a competitive advantage

PROGRAMMERS

- **As disruptive as things have been over the past 5 years, the relationship with programmers hasn't changed that dramatically**
 - Doing well in terms of rate negotiations or flexibility, but a lot of that has to do with the fact that Charter is a much larger provider now
 - If programmers continue to unbundle themselves, they are in a pretty good position to repackage that for the consumer along the way
- **Can integrate DTC offerings, OTT platforms, vMVPD platforms, and internet content to become a bigger aggregator of content**
 - Can enable search and discovery for consumers and actually provide security as a service to the programmers

OTT

- **Structural headwinds in the video space and stand-alone product margin is declining, but the transition is manageable**
 - It is still profitable today, but they are becoming more indifferent to whether they grow a bit or lose a bit over time
 - All of their video losses have come out of the basic limited plan, where the expanded video relationships have actually grown
- **Need to have a high quality video product because it has the ability to sell additional connectivity services**
 - All the mobile operators are in one shape or another trying to get into the video space or have content available on their platform

MOBILE

- **Goal is to provide the full suite of connectivity services into the home, and mobile increasingly is one of those**
 - Mobile is going to have stand-alone profitable margin but will drive really meaningful benefits to cable in the form of churn reduction
 - Will be using this not only as a tool to sell mobile into existing customer base, but also into new sales to deepen penetration
- **Have a good MVNO partner, but could be even more disruptive in the U.S. marketplace if they had core control of the network**
 - Still have the opportunity to continue to offload traffic through WiFi which will essentially reduce the lease cost on the macro cell towers

Will the mobile offering be more effective in acquiring new subscribers or improving monetization of current ones?

Lionsgate Is Looking For Partners To Launch The Starz OTT Platform Around The World

STARZ

- **Sign ups through their website are advantageous because they have a direct relationship with the consumer and get all the data**
 - Receive 70-80% of the economics through their wholesale relationship with Amazon, but don't get as much of the data
 - With Apple, they get more data than from Amazon but it's not quite wholesale and not quite direct
- **The data is incredibly important because it's going to hone their advertising, and drive down the subscriber acquisition costs**
 - Have reached enough critical mass to know exactly what consumers are watching and how long they're staying and what their demo is

INTERNATIONAL

- **In a unique position where they control their own content and their own windows so they can pick the best partner in each individual territory**
 - Launching in 15 new territories relatively soon and there will be more
 - Have to get some local content to make it as much as a Starz play, as it is a local channel play
- **Prefer to go with a partner that will give them enormous exposure very quickly and have its brand behind theirs**
 - Might differ by region, but a lot of the digital players and some big giant market cap companies, all want to be partners

FILM

- **Based on their slate going forward, feel like they are in very good shape and can run the Motion Picture business more efficiently**
 - In a normalized year, the film business should be a \$200 million a year contribution margin
 - When they have lightning in a bottle with a hit franchise, that can bring it up to \$500 million contribution margin
- **Staying more focused on financial discipline and on movie areas where they think they can win**
 - Emphasis on comedy, horror and other specific verticals

TALENT

- **They are not going to do the big \$300 million showrunner deal, but instead looking to find showrunners that are on the cusp of greatness**
 - Not going for the already established talent with 15 shows on the air
 - Focusing on underserved markets or demos where there are a lot of choices to try and capture the upside potential
- **In the near term, expecting to have probably a dozen shows together with 3 Arts because of their talent relationships**
 - Will get better participation and back end and create enormous upside not only for the management company and studio, but also for the talent

How willing are they to trade consumer data for increased economics and distribution?

NBC Universal Is Focusing On Animation Content To Drive Revenues To Other Parts Of The Business

PVOD

- **There's no question the way movies are distributed today is probably not optimal for the consumer**
 - Exhibitors have invested a lot of capital in bricks and mortar, and their business is dependent on a lot of the current system
- **No doubt that windows are going to change in the future, but the key is how to do it in a way that is additive to the ecosystem**
 - Disney has already publicly announced they're making movies for their OTT platform and that's a form of compression of windows
 - It's coming, but it's just a question of when because in the media business what the consumer wants, the consumer eventually gets

ANIMATION

- **One key part of the acquisition of DreamWorks was to get another 1 or 2 movies a year in a high-quality event way**
 - **Goal is to have 4 animated movies per year and now have the IP and the capabilities to do that**
 - Animation is going to be a big driver for success in the next couple of years and it also tends to be a real driver of consumer products
- **Beautiful thing about animation is the ability to make every movie local in all the big territories**
 - Can actually re-voice in a local territory with the local stars, which is a huge advantage and makes it much more profitable

INTERNATIONAL

- **Latin America and Southeast Asia are the 2 most prominent places for their profitability**
 - Southeast Asia is the most exciting area for movies because it's very underscreened and very underserved by SVOD
 - Latin America tends to be a place that actually is more profitable per dollar of box office than most places in Asia
- **In China, they try to cultivate some relationships with filmmakers there and really do one-off basis and learn**
 - This is a different strategy than other studios are doing a big deal on doing lots of movies

PRODUCTION

- **Unlike the TV business where you really need distribution, there are all sorts of film makers trying to launch their content**
 - 2,000 films last year were produced in the United States, and studios only released 130 of those films
- **The opening of platforms is going to make the economics of the business better for them and less volatile**
 - Some of the players right now are chasing volume for volume's sake and that doesn't make a lot of sense
 - There is a real risk of sacrificing the quality and creative passion that is needed to make a good movie

Do they have the requisite scale to build out a robust direct-to-consumer platform?

Pandora Can Serve As A Funnel For SiriusXM Subscriptions And Increase Engagement In And Out Of The Car

NON-MUSIC

- **Launching a whole new podcast platform later this year, which will help add new users as well as deepen engagement**
 - Have to develop a content library that goes well beyond music, but also need the discovery tools and the marketing tools to drive awareness
- **Over time, the cost of podcast content as a percent of revenue should be lower than what they incur in music**
 - It's an accretive trade to go from an hour of listening on music to an hour of listening on podcast
 - **Can do deals more along the lines of satellite radio, where it's fixed fee and, at some point, your incremental cost is 0**

MARKETING

- **In the middle of testing a number of different approaches on marketing and figuring out where the most effective channels are**
 - The company has been pretty unsophisticated with respect to marketing, and wasn't doing any targeting or measurements
 - As part of becoming a more mature business, they have had to get much more proactive about marketing
- **Focused on 3 types of populations and are going to keep learning more over the next few months about how to optimize**
 - There is the pursuit of new listeners, recapturing lapsed listeners who stopped using the service, and retaining current active users

USERS

- **Look a lot at engagement metrics because that is more important than just having a lot of listeners that are less engaged**
 - Bringing more interactivity into the ad-supported service so that it can be a full alternative to things like YouTube or Spotify's free services
 - Teenage listeners are less valuable in an ad-supported context, but are more important in terms of building brand awareness
- **Still have international ambitions and there's a ton of growth in audio consumption outside the U.S**
 - Want to be smart about expanding internationally rather than just spend a ton of money to acquire content and customers across regions

IN-CAR LISTENING

- **Increasingly focused on reigniting adoption in the car because it is still significantly easier to use terrestrial radio than any digital service**
 - Emergence of voice technology is a very good thing in helping solve the ease-of-use problem
 - There is non-music content on terrestrial radio which is really valuable to people but has not existed in a digital platform
- **The evolution of mobile networks will be quite impactful when cars are directly connected to the network**
 - It is available, but requires consumers to pay incremental subscriptions

How much market share will the combined company be able to take from terrestrial radio?

Roku Is Utilizing Their Tech Capabilities To Build An Ad Platform That Attracts More Content Partners

VIRTUAL MVPDS

- **Virtual MPVDs have been good for them in terms of monetization and are one of the drivers of increasing ARPUs**
 - vMVPDs are in heavy account acquisition mode and they can help them build their audience
 - **Receive a revenue share for the life of the subscription for all new subscribers they sign up**
- **In a lot of cases, they are the biggest distribution platform, especially in the battle of all these virtual MVPDs**
 - Competitors have lots of content, but they're also conflicted with each other, so there's no official YouTube on Amazon, for example

ADVERTISING

- **Historically, they were more focused on SVOD, but have started to really push on getting access to ad inventory**
 - **About 2/3 of the platform business is ad-related, with the majority being video advertising**
 - Biggest lever on the ad inventory is The Roku Channel because that's given them a significant source of supply
- **Have one of the most advanced streaming TV ad platforms and every ad is targeted and delivered programmatically**
 - Measurement and the research is critical because it's a premium CPM versus a kind of untargeted CPM for traditional TV

SMART TVS

- **Licensing to TV companies is their fastest-growing way of acquiring accounts and market share is doing well on smart TVs**
 - There's a transition from homegrown operating systems that were developed by the TV OEMs into a licensed operating system
 - Samsung, LG and Vizio, who have traditionally been the big 3, they've all been losing market share over the last couple of years
- **Retailers are the most powerful players, so providing reasons for them to carry Roku TVs is important**
 - Approach building scale on TVs with all points of contact: retailers, factories and in the brands.

INTERNATIONAL

- **Primary objective has been to win in the U.S. and maintain and grow their leadership position**
 - Increasingly, streaming is a global phenomenon and Netflix has proven that there's a significant opportunity internationally
 - TAM in the U.S., especially on a per cap basis, is quite a bit higher than the rest of the world
- **International expansion has been a bit opportunistic and tactical, but increasingly they are being more focused on it**
 - Historically have gotten into different markets either through player sales or Roku Powered programs

How quickly will they become the dominant market leader in Smart TV operating systems?

New Fox Is Building Its Strategy Around The Demand For Premium Sports Content

SPORTS

- **Sports is predictable, and the priority is figuring out how to get the best content to give them the most distribution**
 - Almost 150 scripted or reality series last year have been canceled or not returning, but professional sports league play every year
 - **There is not enough sports to fill every night of the week, but they will own the customer from Thursday through Sunday**
- **Don't know how the marketplace is going to behave in the next few years but doubt that sports rights are going to go down**
 - The tech giants are nibbling at live content right now, and it is interesting how there is increasing competition

BETTING

- **Whether it's legal or not, there has been a tremendous amount of sports gambling already impacting their business**
 - Have been pretty active at figuring out what their role can be in the sports wagering marketplace beyond just taking advertising
 - Will take a little while for that tipping point to happen before you start to see a material amount of advertising revenue come through
- **There is clearly a benefit on the advertising side, but there is also going to be opportunities for other revenue streams**
 - Can get into the pick-and-shovel side of sports wagering that they've done in other countries

OTT

- **Cord cutting impacts some businesses, mainly MVPDs, but it doesn't dictate how many consumers they can reach**
 - Today more consumers are paying for more content through more cords than ever before, it's just more customized
 - Have been able to incubate some of the new vMVPDs, and have been successful at getting their entire portfolio in those base packages
- **Direct-to-consumer in the live space still has not grown to be a material impact in the relation to the entire pay TV ecosystem**
 - Looking at the next iteration now that that direct-to-consumer is kind of out there and people are experimenting with it

ESPORTS

- **Have been big believers in Esports for a long time but figuring out how to make a living in Esports just in media has been difficult**
 - Consumption on television is not huge so it doesn't make sense to go buy rights and treat it like the NFL or Major League Baseball
 - **Games kind of come and go in popularity, so hitching your wagon on the media side to any 1 property is going to be tough**
- **Lead the latest round for Caffeine, which will primarily focus on Esports initially, but has huge promise beyond Esports**
 - **Will use their JV studio to acquire rights, incubate creators and try new things, mainly to funnel content to that platform**

As sports rights increase, will they be able to successfully monetize them in the declining linear ecosystem?

Verizon Will Be The First U.S. Wireless Provider To Launch A 5G Broadband Service

5G

- **No reason why 5G should be significantly different from Fios, when they went from 3G to 4G on the wireless side**
 - They've got a lot of people more comfortable that the technology really works and that it can be transformational
- **Intent of the launch in those 4 cities is to refine the customer proposition in a commercial model that can stress test the network on the proprietary standard**
 - At the same time, starting to deploy the network on the global standard
 - Will have a level of knowledge as they move into the global standard next year that really nobody else will have that same level of experience

OATH

- **Commitment to Oath is as strong today as it's ever been**
 - Original goal of taking it from a \$7 billion to a \$10 billion business by 2020 remains
 - Looking to provide more transparency around the financial information of the business
 - Want to make sure it's something that provides value to people on a consistent basis and helps understand the whole story
- **Integration of ad tech platforms should be completed by year end**
 - Will increase the efficiency of going to market and working with partners versus having to interact across multiple platforms

COMPETITION

- **There seems to be this narrative that the competitive market has kind of stabilized and maybe it has at a national service level but what seems to have happened is it's become a little bit more of a guerrilla war**
 - In the past 6 to 9 months, it's got a little more surgical in-house and remains a competitive marketplace
 - AT&T has a very specific and different offers in metro markets where they under-index
 - T-Mobile has more aggressive promotions for elderly and military

SUBSCRIBERS

- **They have taken the original unlimited offer and put layers in there so the customers have more choices**
 - In the past few months, given families the opportunity to say not everyone in the family needs to be on the same unlimited plan
 - Will continue to evolve the offering in order to perform well across areas they over-index in and under-index
- **Overall size of the market will not change drastically, although the next step function change will be when 5G mobility starts up**
 - Industry has moved from a subsidy model to device payment model, so the difference between postpaid and prepaid has reduced substantially

Will they partner with other vMVPDs to steal market share from the incumbent cable companies?

Viacom Is Ramping Up Its Production Business Across Film, Television And Digital

FILM

- **In the past, Paramount licensed out some of its titles, but are now focusing on driving their library to its highest levels**
 - Looking at \$1 billion in library revenues, which is up 25% over just the past few years, driven, in part, by the new entrants in the marketplace
- **Moving from 9 releases to 14 next year and then 19 in 2020 and building it both in the large tentpoles as well as branded films**
 - Branded side allows them to approach targeted audiences which are driven in part and in concert with its verticals at Viacom
 - 5-year exclusive deal with Hasbro brings them the Transformers properties, and many other very popular properties and IP

PVOD

- **At this point, it's not dead, but it's going through a period of stasis in which, at some point, those discussions will be active again**
- **One of the benefits has been that the exhibitors have recognized that it doesn't really make sense to have a 3-month dark zone**
 - They have incrementally improved the windows closer to the theatrical release, although not by very much
 - Delivery systems need to incorporate some of the copyright protections to enable experimentation

SVOD

- **Look at OTT players as partners and there's no reason why they can't find more ways to do things together**
 - Occasionally they are competitors for content in the film festival market where OTT players might reach down and overpay for something
 - Television division is producing shows for all the major platforms and they are hungry buyers for their content
- **Trend is to differentiate by exclusivity and when a service seeks to buy out the marketplace, there is a higher cost of exclusivity**
 - Opportunities to monetize their library and also reap the benefits of differentiation creating a market premium

FLAGSHIP BRANDS

- **Confident in animation because they have all the resources, all the promotional capability, and all the reach of Nickelodeon**
 - **Mandate is to get to 2 animated films a year and some of them may be in concert with their partners**
- **Making films in concert with these brands is a great opportunity because they know who the audience is and how to reach them**
 - These verticals have distinct audiences with an established respect and affection equity in the marketplace
 - Can take advantage of a property and reinventing it for an audience that grew up on it and parents that know and admire the underlying property

How much content can they provide to the emerging platforms without cannibalizing its linear audiences?