



Citi TMT Conference Recap

January 2019

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AMC Entertainment Is Raising Prices On Its Subscription Offering Less Than 1 Year After Its Debut

SUBSCRIPTION

- **Subscription pricing continues to be an opportunity for the business, not just to their side, but to the studios as well**
 - Anything they can do to drive attendance is positive, but need to make sure that it's profitable for everyone
 - MoviePass pricing model has kind of emerged, and will play itself out, but it definitely had an impact in 2018, as attendance is growing again
- **Early adopters are the most avid of groups, but each cohort is trending down to a lower level of frequency**
 - Have raised membership prices so that should help the economics as they go forward and the program is turning in the right direction

TICKETING

- **There is a real opportunity to use data with content providers to target audiences and grow the box office for both of them**
 - A lot of different ways that someone outside of their business can help, and there might be even more motivation if they are invested
- **Technology, whether it be how tickets are bought or when they are bought, can really help the fundamentals of the business**
 - Trying to do as much advance/online ticketing because it lowers the amount of labor costs they have to dedicate to that function
 - Easier way to convert intent to go to the movies to actually moviegoing because they do not have to rely on consumers to show up first

BOX OFFICE

- **Over the last couple of years, the G and PG product hasn't been as strong but expecting that to change in 2019**
 - Those type of films tend to have the biggest impact to overall bookings in rural and European markets
- **All movies are important from tentpoles down to the smaller films because moviegoing kind of builds on itself**
 - There's always a slate of big movies that's going to drive people to the theaters, but the success of those other movies remains crucial
 - Trailers are the best advertising for moviegoing as customers will pick their next movie that they might not otherwise have become aware of

RENOVATIONS

- **Movie theaters are an important part of entertainment as landlords look to re-concept their developments**
 - Always have theaters that are approaching the end of their base term, so they have the optionality to renew or not
 - If they can bring higher levels of foot traffic through some of these pricing programs, they become even more important to landlords
- **Market is becoming kind of stabilized because not every theater will reap the requisite ROI to justify a remodel**
 - Focusing more on harvesting those investments and other things they can do to sustain the viability of older theaters

As remodels slow down, how can they generate more on-site spending from their slowly declining audiences?

AT&T Is Raising Prices At DirecTV In Order To Improve Profitability Of Their Low-Margin OTT Products

OTT

- **Will be much more thoughtful about promotional pricing and will get away from the traditional 2-year price locks**
 - There will be customer count impacts, but there's going to be profitability and they are certainly focused on that profitability piece
- **A key component of AT&T Watch is the WarnerMedia assets and the ability to provide, on an owner's economics, an additional distribution point for them**
 - Also provides an additional attraction point for wireless customers where they can increase market share, depending upon the demographics and the age groups

ADVERTISING

- **Can continue to increase advertising revenues because they have this data that shows them what people want and what they watch**
 - Already partnering with Altice and Frontier and would welcome opportunities to add a whole lot more of the distributors
 - Taking that activity and providing those data products and capabilities to Turner for them to use
- **Opportunity to lay out a really high quality supply side platform, with a developing and growing demand side platform**
 - The product development, data analytics, and growing the platform is going to continue to take time and investment and effort

WARNER MEDIA

- **The ability to utilize their treasure trove of IP properties is really important as it puts them in a different spot than many others when you talk about exclusive content**
 - HBO is still the highest quality brand, recognized name, wonderful property and is already providing benefit in their wireless business
- **Continue to manage it kind of as a standalone operational aspect, not too different than when it was managed by the prior owners**
 - Working towards integrating it to really give a different opportunity for WarnerMedia to increase the value of their assets

5G

- **Have a significant lead in what they are doing with regard to 5G, based on their rollout and what they do in the IoT industry today**
 - May not lead to significant 2019 revenues, but have already identified opportunities to work with customers to provide 5G solutions
 - Expect that it will impact churn and their ability to attract new customers in markets that they participate in today
- **Going in to greenfield markets like the first responder market, but also into greenfield geographies**
 - Even though 5G is available in 12 of their markets, this will allow them to get to full implementation of 5G on a very capital-efficient basis

Will their upcoming direct-to-consumer platform be an essential service without high quality, exclusive content?

Discovery Is Looking To Replicate Their GolfTV Model With Cycling After Recently Acquiring Play Sports

SKINNY BUNDLES

- **Optimistic with skinny bundles and are now probably as good or better than any other media company in terms of distribution**
 - People are consuming more content than they ever have, but they're definitely consuming less in traditional TV and more on other platforms
- **Have done more with authenticated TV Everywhere than anyone in the US, and have had a lot of success with it**
 - Generating a huge amount of free cash flow out of their GO apps because it attracts a younger demo
 - They're spending as much time watching their content as linear viewers and they are getting a much higher CPM on that platform

IP STRATEGY

- **Attracting passion groups is much more sustainable than the big baskets of broad entertainment with scripted and movies**
 - That's a commoditized side of the business that is very expensive and constantly requires new hit shows
 - Much easier to hold onto those that are attracted to the interest itself, rather than the nature of the content
- **When it comes to the IP, the overwhelming majority of their content, they own above the globe, and they own optionality**
 - Want to get on platforms and be in people's everyday lives, powering people's passions and have all these different baskets to drive from

LINEAR

- **They are the second biggest player in TV, in total eyeballs and total reach in the US, and have very sticky viewership**
 - Last year, they declined 4% and the rest of the industry declined 8% to 10%, so they are gaining share
- **One of the hardest things to do is get people to watch your content on TV because you can't promote day and date**
 - Repeats are increasing because they are able to tell all these different audiences about what's going on at their other networks
 - Audiences aren't necessarily coming in for a show, they are coming to these channels to satisfy their passion

SPORTS

- **Invested in a business called Play Sports about 2 years ago to own 20% and recently increased it to 71% to acquire the company**
 - They built a global platform for people who are passionate about cycling, but it's right now only in English
 - For them IP is reading all about where to go cycling and hearing from coaches in cycling so their focus was nourishing people that love cycling
- **The US is the one country where you have to buy regional sports, which doesn't even exist in other countries**
 - If they can make the bundle break, their small subscriber decline could gravitate toward where the rest of the world is, which is slight growth

As the linear ecosystem erodes, does the increased scale from Scripps become beneficial in distribution negotiations?

Sirius XM Will Soon Offer A Free Radio Service In Order To Gain More Market Share From Terrestrial Radio

PANDORA

- **Combined company will reach over 100 million people and that is a powerful platform for both content creators and advertisers**
 - Have a stack of products that go from sort of a high-margin premium service to the entry level sort of ad-based service
- **Pandora has shown a lot of success at being able to convert loyal listeners into their higher-margin subscription products**
 - They're doing a great job monetizing the ad hours and the sell-through of the inventory is great, but the growth hasn't been there
 - There is a leg of growth that can go on the ad-based side both in terms of expanding the listening locations as well as the content available

IN-VEHICLE

- **People are getting over this tipping point of being resistant to using their phones in car for audio**
 - There is already a dramatic expansion of the ability to easily use Android Auto and Apple CarPlay in-vehicle
 - Everything moves a little bit slowly in terms of automotive integrations and it will probably take multiple years to gain traction
- **OEMs have found that their customers want options and they certainly encourage them to consider increases in penetration**
 - There could come a point where an OEM just decides it's easier from a supply chain perspective to just have their radio product as standard

INTERNATIONAL

- **From a capital perspective, they would have to go upside down billions for several years to launch in Europe or any other territory**
 - Culturally, there are all these different sort of people, so they are not delivering that many unique cultural channels in each market
 - It would certainly absorb a bolt load of executive time because it's hard to start a business, which is effectively what they'd be doing
- **There is no compulsory license as they move around the world, so they would have to negotiate licenses in each territory**
 - Music labels are going to look for the interactive rates even though they might not be getting interactive rights

TERRESTRIAL RADIO

- **Growth is hopefully going to come from being able to garner more listening away from terrestrial radio**
 - Hopefully will be able to have advertisers that come over as well because it's a \$17 billion pile of revenue out there
 - Investment in Pandora and the strategy that goes along with it are used against the value of AM and FM radio
- **Most people want to listen to free and that's where most of the money is, so it is something that they've looked at for a long time**
 - As the business matures, then maybe a radio acquisition makes sense but it's just a little bit further away

As vehicles integrate mobile operating systems, will consumers prefer to use their current on-demand music service?

T-Mobile Is Targeting The Cable Industry As They Plan To Launch Their Streaming Video Service In 2019

VIDEO

- **Convergence is starting to happen and home broadband strategy is to sell excess capacity, fully funded by the mobile strategy**
 - Even in the 4G LTE era, a lot of consumers are starting to use their mobile phone as their only internet connection
 - The new company plans to market home broadband in 52% of the U.S. zip codes
- **It will be very synergistic with video because when they are the broadband provider, it's important to also be a video provider**
 - Will be more of a partnership strategy and don't plan to create a copycat, skinny bundle when customers already have great ones to choose from

WIRELESS

- **They are able to very reliably deliver growth in their wireless business because they are able to deliver historic lows in churn**
 - 2.4 million additions in 2018 Q4 was the biggest customer connections gain they have ever had in a quarter
- **Strategy laid out 2016 is in full swing now and are seeing the effects of those investments flowing through into their results**
 - Have expanded distribution, expanded the segments that they went after and are going to add a very serious focus on business
 - Overall, grew by 7 million connections this year, but there is lots of runway behind this strategy left to go

NETWORK

- **They are the only ones that have a plan to bring 5G nationwide in 2020 and that's a real differentiator for them**
 - Unlocking the massive capacity gains that this new company can create is going to take a couple of years
 - The math of it is 1 plus 1 of putting these companies together equals about 8 in terms of the capacity created once you put 5G on top
- **Have the same coverage as Verizon and AT&T, so the geographical expansion of the network has been accomplished**
 - Have a superior network versus what AT&T and Verizon can provide and still have a fairly nice pricing umbrella between them as well

SPRINT MERGER

- **There has been tremendous interaction at the federal and state level and they remain confident in a H1 2019 close**
 - Received national security approvals which was a big step as there was some questions about the ownership from DTE and SoftBank
- **Creates more competition and will break down the trade-offs that customers and businesses have been forced to make for years**
 - Creating a network that Americans have never seen and won't see for years to come, and that has massive benefits for society as well
 - Will bring more competition, better service, lower prices and can drive value from unlocking synergies

Will the merger and integration with Sprint inhibit their ability to continue to grow wireless subscribers?

Verizon Has Launched Their Own 5G Network In Preparation For The Global Standards In 2019

UNLIMITED

- **Have moved from a one-size-fits-all model towards delivering an increasingly personalized experience to customers**
 - Using a network that supports 130 million to deliver an individual 1-to-1 service to each of those customers rather than a 1-to-130 million service
 - Within the mix-and-match, an increasing number of customers are taking lines at different plan levels
- **Liberated engagement through a combination of better plans, but also because Unlimited gives people the comfort to really dive in**
 - Seeing more people taking connected devices, whether that be watches, more tablets and/or other things

VIDEO

- **Not building another linear content model because they don't anticipate building a new business that looks like the old one**
 - Lots of people won't have a traditional wireline relationship, in which case, they don't need to buy 600 channels that they don't watch
 - A new model will evolve through a combination of what's happening in the content space itself and the way people are accessing connectivity
- **About 90% of the traffic on their network ultimately is driven by video, so video consumption is an important consideration**
 - There will be a development of new genres of short format content, which is so natural to the mobility spaces

5G LEARNINGS

- **Performance of the product is higher than anticipated as most customers are actually seeing closer to 1GB rather than 300MB**
 - Half of the customers are new to Verizon so there is an additional opportunity to increase ARPA by selling them additional products
- **Having a 5G network in place gives them more insight than anybody else, which helps them be smarter in future deployment**
 - Building the tools and the mapping to understand how to build a 5G coverage map and propagation map
 - Every week, their ability to identify signal strength and location for the nodes is improving, which reduces false positives

5G STRATEGY

- **5G mobility network allows them an incremental opportunity of covering residential and have an ambition of 30 million homes**
 - Initial focus is going to be in the urban environment and campuses such an educational and retail establishments
- **5G is a fundamental transformational capability and they are on the cusp of the fourth industrial revolution**
 - Have the opportunity to transform the residential environment so they are not just looking to give people a slightly cheaper alternative to cable
 - Customers will be largely technology-agnostic so go-to-market strategy was oriented around responding to customer demand

After several iterations that resulted in a reduction of revenue projections, what exactly is the plan to monetize Oath?

Viacom Is Leveraging Their Deep Library To Create New Content On All The Emerging Distribution Channels

DIRECT TO CONSUMER

- **Taking a multifaceted approach to supplementing their traditional business by developing targeted direct-to-consumer experiences**
 - Working with distributors for a standalone product and as a funnel and entry point for an upgrade path to various subscription products
- **Understand that there will be other companies that will have a connection with consumers and provide entertainment for them**
 - Pivoted to an original production strategy, which gives people in that space a product that they can talk about from a marketing basis
 - It is a positive margin business that can coexist and can also be an important part of having their brands out there in the space

M&A

- **Don't want to do the type of M&A that is occurring elsewhere such as a massive trends transformation or vertical integration deal**
 - Have done 3 smaller deals with a combined cost less than \$100 million and continue to be on the lookout for these kind of accelerants
- **Significantly increased activity at Paramount Television, which wasn't in the business 4 years ago and will do \$600M in 2019**
 - It is capital light because it is a cost plus business rather than a deficit financing model
 - The negatives ultimately revert to Paramount and thus Viacom on an ownership basis so it's very high growth

LINEAR

- **Everyone doesn't have the same TV product anymore and as a content/network owner, they need to evolve their strategy**
 - 85% of the people had access to the same product, which was basic television, but now there is more choice and more fragmentation
- **Focused on making sure that their product is value added to the consumer and to all the people that they do business with**
 - Make sure that the consumer has a more compelling product by making sure that they grant the sufficient rights (i.e. video on demand)
 - Opportunity to jointly create value in the advertising space by accessing certain data to target specific ads to specific people and increase yields

FLAGSHIP NETWORKS

- **Flagship concept they rolled out in 2017 focused on prioritization of key brands and building true multi-platform expression**
 - Wanted to ensure that their brands maintained a highly visible and top-of-mind status when people thought about entertainment
 - Further along in this and probably better suited to it based on their assets and IP, compared to most competitors
- **Created Viacom Digital Studios whose mandate is to develop short form, made-fresh-daily original content for flagship brands**
 - Not only have traditional linear networks. original programming, and digital content but they also have a piece of the Paramount film slate

Can they execute their plan on a long-term basis, or are these short-term fixes to accommodate an acquisition by CBS?

WWE Is In A Unique Position To Capitalize On The Growing Value And Demand For Live Sports Content

MEDIA RIGHTS

- **Pay TV continues to be the place where they have the most scale economically and in terms of reach**
 - Core content of Raw and SmackDown broadcasts 5 hours of live event content, 52 weeks a year, 260 hours a year
 - 75% of their video consumption is from Pay TV and think there's a lot of value to live content in the bundle, especially in the U.S
- **Middle East, Latin America, India, UK, China, deals are all active and they need to come to closure on their distribution plans**
 - Have a couple that'll expire in 2020, but most of them expire starting middle of 2019 through the end of 2019

NON-LINEAR CONTENT

- **Transitioned from a transactional pay-per-view business to an SVOD service that's grown 17% per year over the last 3 years**
 - Create about 300 hours of content for that service and it is the second largest sports service in the world
- **Now in the third iteration of reimagining WWE, which is the social digital direct-to-consumer transformation**
 - Largest social and digital sports property in the world with 950 million accounts across all the major platforms
 - They are the #1 sports channel in the history of YouTube and have 27 billion lifetime video views

DATA

- **Data and technology are more important to them today as they are a fundamentally different company from 5 years ago**
 - So far behind compared to the digital-first companies, like Netflix, but like where they are relative to the legacy media companies
 - Big believers in data and think over the next 10 years it becomes central to value creation
- **Can help monetize NXT because viewing data allows them to target exact DMA where people were watching it on the network**
 - Have over 10 million direct connections with their fans where they can really understand them better

FUTURE INVESTMENTS

- **Digital and social right now is primarily in English and they want a significant portion of that to be in as many languages as possible**
 - Create 600 hours of digital short form content, and 95% of that is in English only, as opposed to Raw and SmackDown, which available in 28 languages
- **Want to expand their training academies internationally to develop a local 365-day a year presence in their biggest markets**
 - Can create media from those tours and put it on the DTC network to ensure their future success

After substantial domestic rights increases, will they get the same type of bump in their major foreign markets?