



Morgan Stanley TMT Conference Recap

March 2019

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## AT&T Is Prioritizing Profitability Over Subscriber Growth For The DirecTV And DirecTV Now Platforms

### OTT

- **Have about 500,000 AT&T Watch customers signed up to use the product right now and are learning from the data**
  - Going through the process to understand those that are engaged, how engaged are they, what are they doing, and what the opportunities are
  - if the product isn't used, they don't have to pay for the content for that month, so there is a natural control mechanism there
- **Have stopped doing really aggressive expensive promotions and expect to continue to see some pressure on the customer counts**
  - Will continue to work on costs from all aspects to make sure that they get the best deals for their consumers

### WARNER MEDIA

- **Really excited about their opportunities for SVOD, AVOD, and DTC as they now have this really quality set of assets from Warner**
  - Whether it includes movies, other library content or live programming, they have the ability to offer it through owned and operated assets
  - Have an opportunity to use it for retention purposes by bundling it with an unlimited wireless package
- **Opportunity to take merger savings and reinvest in the business to provide HBO with the ability to produce more content**
  - Gives them the opportunity to extend the value of that total franchise for years to come and that's really important

### ADVERTISING

- **Selling data-driven addressable advertising through linear channels is working and are optimistic about the growth rates**
  - Have brought Altice and Frontier into their distribution system and now have a bigger slice of data and a more national footprint
  - Over time, they hope to solve the digital advertising for video OTT services because that is a holy range that really nobody has perfected
- **They can create a marketplace and are going to invest in the resources needed to establish this platform and be a major player**
  - Putting all AT&T advertising demand on the platform, giving credibility to other big advertisers

### 5G

- **Will be 5G nationwide for their customer base and give them the choice of upgrading equipment when its most appropriate**
  - Samsung is coming out with 2 phones that will not only run on the 5G but will also be backward-compatible
- **For the 5G transformation, the first applications are going to be in the business and IoT segments in the 2020 - 2021 time frame**
  - Very important to have Business Wireline relationships to be able to cross-sell all their products and services
  - Will see growth in the consumer segment as well, but that will not be an immediate 2019 revenue driver

*After replacing the top executives across WarnerMedia, how much change will new management try to implement?*

## Charter Is Starting To Offer Skinny OTT Packages To Their Broadband-Only Customers

### VIDEO

- **Primary goal is to sell Expanded Basic video packages to their consumers because it has all the content**
  - There are segments where they try to attach to niche parts of the market for non-video, broadband-only subscribers
  - It's really about enhancing their connectivity relationship and making the right amount of content at the right price available for customers
- **Scale and size allows them to have an impact in programming negotiations around grades and carriage requirements**
  - There has been a proliferation of virtual MVPDs, but those operators have been willing to sell their product at a loss in the marketplace

### MOBILE

- **Mobile can accelerate the growth of broadband penetration and the goal is to create a sustainable model for the long term**
  - By saving customers money, they have the ability to sell more of their other products, such as connectivity services and broadband
  - The larger the mobile business becomes, the better that payback is, so they are incentivized to introduce new and competitive products
- **Verizon has been a good partner so far and the plan is to have a stand-alone profitable MVNO business**
  - Want to have options available to keep things competitive, but there are ways that the relationship with Verizon could develop in a symbiotic way

### BROADBAND

- **In an environment where broadband is a staple product, the overall penetration rate of 80% is going to continue to go up**
  - Can drive that adoption by having attractive pricing, fast speeds, and making it easy to enter into the product
- **There are more and more devices that are inside the home and there's a dramatic increase in the amount of bandwidth usage**
  - New products on the horizon, including gaming, where not only bandwidth becomes important, but low latency, high compute networks
  - If they need to increase speeds beyond 1 gig, they already have a path to 10 gig and that can take place either in increments or geographically

### INTEGRATION

- **The integration isn't done, but the bulk of customer-facing impacts that they've had along the way are essentially complete**
  - Every area of their product development has been intentionally stunted by the fact that they were so focused on integration
  - It was very hard to roll out brand new products in the midst of all that noise that was already taking place
- **No longer doing hard disconnects across the footprint and are seeing increasing rates of self-installation**
  - Historically, for every new customer, they were buying and placing about 2.5 boxes, and on a churning customer, only getting back 1.5 boxes

*How will quickly will customers switch their wireless carrier to take advantage of triple play bundle pricing?*

## Cinemark Is Using Their Transactional Subscription Plan To Drive On-Site Spending At Theaters

### MOVIE CLUB

- **The rollover plan was probably a better concept simply because it satisfies the itch of subscription for much larger group of people**
  - Tried to talk to the studios beforehand of what the model was and they liked the fact that it's transactional
  - Put elements in there that were an incentive to the consumer on the food and beverage side as well as the ticket side
- **Even with the 20% concession discount, the basket size has been essentially equal between club members and non-club members**
  - Have not increased the price but will certainly consider that as time goes on this year just like they do on all regular ticket prices

### STUDIOS

- **PVOD is not even discussed anymore, but release windows will always be discussed, especially on movies that play quick**
  - Most important thing is great content coming from the studios and their job is to make the moviegoing experience better than ever before
  - People that go outside of their home to the cinema tend to watch more streaming as well as vice versa
- **Don't see any big significant changes coming down the road to the film rental costs that are based on a sliding scale**
  - Would prefer to have more \$500 million movie even if they have to pay the extra percent because it's good for the overall business

### FOOD AND BEVERAGE

- **Nothing's going to have better margin than popcorn or soda, but they are finding that new offerings are incremental**
  - Pizza Hut initiative has been launched in over 60 theaters and it will be well over 100 by the end of this year
  - 70% of theaters have expanded food offerings which are targeted specific to each region
- **It's been important to think of the theater lobbies, not as necessarily theater lobbies, but as retail environments**
  - Installed merchandising racks in all of their theaters to cross-promote to the movies as well as have incremental sales on movie-themed product

### BOX OFFICE

- **There are fluctuations in content, but the theater is not dead – it's gone through VHS, DVD, and now it's going through streaming**
  - Combination of great products and their ability to improve the guest experience is what is driving the box office growth
- **It usually doesn't happen this way where there are really strong content years back-to-back, but 2019 could cross that \$12 billion mark**
  - In most of the country, they are in suburban markets more than they are in city centers and family product tends to play very well there

*As recliners reach a saturation point, how else can they differentiate a cinema experience from watching films at home?*

## Comcast Is Beginning To Incorporate Sky Into Products To Take Advantage Of Their Increased, Global Scale

### DIRECT TO CONSUMER

- **A platform that is free and supported by a light ad load that is of a higher value per spot can be appealing to other content producers**
  - Allows another outlet for their content creators and gives them flexibility to better monetize the great content that they are producing
  - Have still not achieved targeted direct-to-advertising to consumers where they can deliver intelligent ads to viewers
- **Own a lot of content and some will monetize best on their own platform while others will monetize better on 3<sup>rd</sup> party platforms**
  - Mindset at the moment is not to completely go cold turkey and take their content off all these others platforms

### NBCU

- **Produce or purchase \$24 billion worth of content exclusively for their platforms and sports properties across the globe**
  - Have seen content costs from American media companies come down to retain the same market position
  - The market sometimes gets overheated in the bidding, competition ebbs and flows and goes higher and lower at different moments in time
- **A big part of live television is the big event strategy that has powered their advertising platform**
  - Sports is a big part, and there's going to be ups and downs and times when they are sitting it out and times when they are doubling down

### SKY

- **In the content business and the procurement of that content, nobody has a footprint that is quite like Sky**
  - It's not illogical to produce more of their own content and purchase less and give the customer that localized experience that's happening
  - At the same time, localized content has more value to be sold around the ecosystem of the globe
- **Have the best market position to connect consumers to things they love and that is not different than the position for Comcast**
  - Operate in 4 big markets that represent 15% of the world's broadband and video customers and 50% of broadband and video revenues

### BROADBAND

- **Market growth will be less capital intensive as customers are using broadband in ways that were unimaginable a few years ago**
  - Broadband innovation is a key tenet and they have built a road map to go from 1 gigabit today to 10 gigs in the not-too-distant future
- **Business in broadband is a big part of a suite of offerings that is for the best customers who need a lot of capacity**
  - Power users today consume 100x more per month than the average mobile wireless user does today
  - There's nothing more reliable than a wire, so the trend of increasing consumption per home is a positive for the fixed broadband business

*How important will exclusive content be to accelerate the growth of their ad-supported OTT platform?*

# Key Takeaways



## Facebook Is Integrating Their Suite Of Apps In Order To Facilitate More Interaction Across Their User Base

### VIDEO

- **Facebook Watch and IGTV are different ways for creators to do longer-form video content and reach audiences**
  - It's good to have 2 products out there in the market, because it enables them to reach more creators, but also iterate and learn what works best
  - 2019 will be the year where Watch become more mainstream as they have 75 million users spending over 20 minutes per day on the product
- **The core of what they want to do is, not just get people to watch longer-form video, but make the experience social and interactive**
  - Have tried to feed the market with some shows that they have helped create and helped to pay for, and are going to continue to invest

### ADVERTISING

- **Advertisers want ROI and every business has a limited amount of money, whether they're the largest in the world or the smallest**
  - Want to help measure all the way through from seeing an ad on Facebook, all the way through to purchase, or another outcome
- **Stories are engaging and interesting, but do not get monetized at the rate of News Feed so they have a lot of work to do ahead**
  - There will be slower growth from Feed because it's getting more challenging to grow ad load, especially in the developed markets
  - Opportunities to make the Stories product much better for advertisers by adding more format types and making it easier to make that transition

### PRIVACY

- **Taking a very different approach to how they run the company and are making massive investments in safety and security**
  - Systematically over the course of many years, they didn't put enough resources and enough investment into preventing harm
  - Privacy is a headwind in 2019 and one of the factors that is contributing to their expected deceleration of revenue growth throughout the year
- **Working with other people in their industry and regulators around the world about what is the right kind of regulation**
  - Do not want an internet that's too tightly controlled where people don't have a voice and the ability to express themselves

### USERS

- **They have a very compelling set of products and now have 2.7 billion people using any one of their family of app services**
  - Have 500 million people participating in Stories on Instagram, 450 million on WhatsApp, 300 million on Facebook and Messenger
- **Seeing higher levels of growth in in the developing world such as Asia, while the European and U.S. markets are relatively stable**
  - Top 3 growth countries for Facebook are India, Indonesia and the Philippines, which are all roughly on peak with each other
  - Building capacity more for Asian demand and that has different ARPU characteristics and different capital intensity characteristics

*How will they balance the need for increased privacy of user data and the desire to continue their targeted advertising?*

## Glu Is Improving The Quality Of Gameplay To Drive In-Game Monetization From Their Biggest Spenders

### IP

- **Moved away from celebrity licenses where they were dependent upon having a blockbuster to be profitable**
  - Focused on games that have more predictable and repeatable revenues that they can depend on and can really build a sound business around
- **Used to be very top-down around IP decisions, but have pivoted away from that, and put that decision-making at a creative leader**
  - They're allowed to choose whether they want to pursue a license, grow something from scratch or reboot an existing franchise
  - Original IP is more accretive and rich in terms of the bottom line, but licenses come with established brands that help with user acquisition

### GAME MODELS

- **They have lots of different types of games, but have definitely seen a move towards what they call meta games**
  - Depth of systems create the opportunity to engage in a more deeper way and that also leads to much more spending and increased lifetime value
  - Separates leaders in the industry from the followers in terms of being able to cultivate deep economies in these more deeply rooted games
- **Free to play is a viable model that does work, especially at scale and it's been interesting to see console companies adopting it**
  - Strengthens what they are doing inside of the mobile space because it takes tremendous depth of understanding how to construct these games

### USER ACQUISITION

- **The first 2 weeks the game goes live globally, the focus is more non-ROI advertising to get escape velocity into the ecosystem**
  - After that, everything they do is ROI based so there is more of a great read going into global launch as to the cost and the return
  - There are finite dollars, and so they try to reallocate their spending to the titles that perform the best
- **Have got really strong data analytics that support their teams and they've got pretty good at VIP churn prediction**
  - If they have got a spender, they do everything they can to keep them around and not irritate them with ads

### ADVERTISING

- **Don't have games that are really deeply rooted in advertising because it can really alienate the big spenders that they cater to**
  - Advertising is around 15% of their bookings, and they actually like it around there even though it is very margin rich
  - Bleed heavily into the rewarded video advertising, which provides immediate value for the user and even spenders will opt for it
- **Advertising team is 8 people, and their entire job internally is to make the game be more optimized for the ad units that they have**
  - Finding that one level where they are seeing a big drop off and maybe injecting an ad unit to help people get through that level

*As cloud gaming approaches, is there an opportunity to successfully transport their titles onto consoles and PCs?*



## Google Is Rapidly Incorporating AI Into Their Products To Improve The User Experience And Monetization

### E-COMMERCE

- **Spending a lot of time and energy thinking about how to make this a richer visual experience and a better consumer experience**
  - Have seen a 7x increase in the number of merchants participating and have somewhere in the area of 10 billion-plus transactions
- **Most interesting piece from the payments perspective is driving up conversation rates by improving the transaction process**
  - It's worthwhile spending time in emerging markets because that is where most of the exciting development is happening
  - In order to really make it successful, they need to create new value propositions that actually goes significantly beyond traditional payment

### VOICE

- **Voice search is the next evolution after the mobile and is not only emerging but is also already happening at a very significant scale**
  - Have 20% of queries in the U.S. on the Android mobile app coming already from voice
- **People are comfortable with visual results so they actually think voice input and display output is a more interesting use case**
  - Can really do amazing discovery experiences and then there is also room for advertising
  - If this assistant environment with computing interfaces becomes easier to use and more ubiquitous, they will see a lot of visual output factors

### AI

- **Have completely revolutionized some of their apps and products so they are fundamentally built around machine learning**
  - On the user experience, there is everything from how Google Photos operates to what they do under the hood for spam detection
- **Can use machine learning to be better at finding audiences in general so they have the right message for the right audience**
  - Machine learning algorithms are significantly better at bidding than most humans and most traditional systems

### INTERNATIONAL

- **Primary focus is actually making existing core products even more successful in the emerging markets**
  - Seeing transition growth rates from offline to online in the 30%-plus rate in the overall market
  - In the business of connecting businesses, and there is big focus on SMBs to consumers over time
- **There's obviously local monetization opportunities that are probably evolving differently than in the mature markets**
  - Have a lot of investments because they don't miss anything, and in some cases, might be able to transfer them to more mature markets

*How will they innovate around the burgeoning voice search sector to capitalize on their digital advertising expertise?*

## Lionsgate Is Planning To Use Their Existing Movie Library And Future Films To Drive Starz OTT Growth

### OTT

- **Were slow to go digital wholesale, but feel really good about how they are now positioned on top of all these operators in the space**
  - They are great sources of volume because they have frictionless click-ins with a large bases of customers so it is very easy to scale quickly
  - Wanted to build the retail business of scale so that they had a digital product that they controlled in case carriage negotiations did not go well
- **Have built data capabilities in the backend of their product, so they can look at the content and match it to their viewer segments**
  - Can be much more efficient in their marketing spent because they know exactly who their audiences are

### CONTENT

- **Have an opportunity now to help guide their motion picture slate so that it really helps drive the OTT business on the Starz side**
  - Current slate will come on the service in '22 so they can use the data to help drive that slate to really embrace the consumer base
  - Viewership of movies is about 60% on linear, but only 30% on the digital side, because people go to the app to look for something
- **Ultimately look at the combination of the cost of the show and the marketing costs to determine the cost per minute watched**
  - Use that on a rating scale against all of their shows to determine whether it's successful or not, and whether they should renew it

### STARZ

- **Scale is important in terms of content acquisition, but scale can actually get yourself in trouble in terms of size**
  - Being small and agile and being able to make quick decisions to move in this period of disruption is really important
  - People will have 3 or 4 premium services in their home, and if they can be the #3 spot, that's a really great place to be
- **Have gone back and renegotiated their deals with traditional cable partners to give them more flexibility in carriage terms**
  - Willing to trade rate for subs so they now have a lot of opportunity to be packaged on broadband-only as well as basic cable plans

### INTERNATIONAL

- **Launched 6 international markets and have said that they will launch 15 markets over the next 3 years**
  - Never licensed any of their content overseas so they can really expand on a branded channel business overseas quickly
- **Own under 40% of STARZ PLAY Arabia, which is a broader non-premium type service where they buy content from 3rd parties**
  - Have figured out how to connect into the local telcos so that they have a great billing system with connection there
  - It's multi-tenanted, and it's built to fly so they can push it into South Africa very quickly and are going to push it into India very quickly

*As they expand internationally, will they try and partner with traditional telcos or emerging digital platforms?*

# Key Takeaways

## The New York Times Is Concentrating On High Quality Content To Attract Advertisers And Subscribers

### PRODUCT

- **Legacy news organizations left money on the table when they decided to focus entirely on a thesis about digital advertising**
  - It was obvious early on that most of the economics from digital display advertising was going to accrue to the underlying platforms
- **To get people to pay, they have to offer something distinctive and valuable to them and that they can't get entirely for free**
  - A lot depends on having a direct relationship, not just with advertisers, but also really understanding the end user
  - Need to present journalism and newsroom experiences which are deeply engaging, and bring people back day after day to really build a habit

### CONTENT

- **Their core journalism is not fully exploited and there are many ways of taking incredible stories and driving new expressions**
  - The way they think about content is to begin with great talent, listen, and give them the creative space to do great work and build that way
  - Had a real breakthrough with The Daily, and this year they are looking at how to expand their podcasting business and possibly extend into TV
- **Podcasts provide a way of reaching out with their brand to entirely new audiences and through other distribution platforms**
  - Not doing that in a marketing expenditure heavy way, but in a way which can actually be cash positive

### ADVERTISING

- **Plan is to ultimately move away from the programmatic display advertising because they don't like the fundamental economics**
  - Don't like the way environment works, the way user data is passed around and there is a loss of quality of the content
  - People are playing in the native advertising space but they are seeing very little competition at the moment
- **Have got a thesis of strategically offering their environment and some of their creative skills in deep partnerships with big brands**
  - The very big digital platforms can be cost effective, but advertisers worry immensely about public trust in those environments

### DISTRIBUTION

- **Wherever possible they want users to experience Times' content in their own environment where they have a direct relationship**
  - Many people use social platforms, so as a discovery strategy they are happy that much of their content is very widely distributed
  - Not a big supporter of Instant Articles because they prefer people to discover content on Facebook, but experience it on The Times
- **Been characteristically far less willing than other publishers to go all-in on building somebody else's platform**
  - Big platforms are so hungry for high-quality content that if at any point, the balance of advantage changes, they can get into those platforms

*To achieve their goal of 10 million subscribers in 2025, how much growth will need to come from international markets?*

## SiriusXM Wants To Utilize Pandora To Offer A Tiered Product That Can Increase Their Subscriber Funnel

### PANDORA

- **Can fill out their product stack and acquire expertise that allows them to optimize the modernization of audio entertainment**
  - Opportunity to expand content as well as expand listening locations and it is going to take time to do that
  - Should benefit the ad-based products with increased ad capacity without having to necessarily increase ad loads
- **Most of the North American population is looking for a free alternative and they did not have a product that fits that need**
  - Incorporating it into the dashboard of the connected vehicle should be widely embraced by OEM customers

### OUT-OF-VEHICLE LISTENING

- **Radio in the home has been going down for a long time and smart speakers are making other audio options in the home accessible**
  - Everybody wants to be built into those platforms because the more your subscribers listen, the deeper the engagement is, the more likely they are not to churn
  - Devices are really proliferating out there in consumer homes, and they certainly want their consumers to be using them
- **Love the idea of streaming-only subscribers because they have slightly higher contribution margin, although it's a small but growing channel for them**

### CONTENT

- **Want to enrich the experience for subscribers around their existing content, talent, and areas of interest**
  - Video is certainly a piece of content people want to engage with and they have the ability to offer that through the app
  - Don't have podcasts, but have talk programs that are available through their app on an on-demand basis
- **It actually isn't so much how much time people spend listening to anything, it's what brings them to the platform**
  - If they come because they want to listen to 15 minutes of news, and then they stay, then they have accomplished their purpose

### IN-VEHICLE LISTENING

- **The biggest problem to solve is going to be how to make these user interfaces flow nicely for the driver of the car**
  - Conceptually it is a really simple thing, but practically, it's unbelievably difficult because of all the different configurations that go into cars
- **360L is an opportunity to diversify the content lineup with features and functionality that incorporate interactive capabilities**
  - OEMs have a vested interest in keeping as many people subscribed to the product as possible so sharing that data will benefit everybody
  - Can see the change in the profile of how the customer is listening so they can increase ARPU, increase conversion and reduce churn

*Does video content add value for their subscribers or is it just an expensive distraction from their core product?*

# Key Takeaways



## Snapchat Is Expanding Their Initiative Around Short-Form Premium Content Designed For Mobile Viewing

### REDESIGN

- **Had to separate content created by friends from professional content so people would feel comfortable expressing themselves**
  - Communication drives the frequency of use of their product, so when it is harder to talk with friends, people come back less often
  - Felt like influencers would be frustrated, but that they, over time, would understand the value of this transition
- **In order to have a personalized content experience they needed more content creators and a longer tail of content to choose from**
  - Onboarded more content partners and created an environment where there is basically an infinite scroll of content

### PRODUCT

- **The next evolution is that computing will be integrated with the world around you rather than sort of some isolated concept**
  - Have been investing a ton in hardware and believe that's a really important piece of this, but it's going to take 10+ years to get there
  - Really well positioned because of their leadership in the camera because that's really attractive to developers who want their products to be used
- **Maps really have not been personalized, despite the fact that most of what users do on their phone is personalized**
  - Can add friends or events that are interesting to them to make it more reflective of the way that people understand the world around them

### ANDROID

- **Have learned a lot over the last 1.5 years, and they have been taking their time, but are starting to roll out the new Android app**
  - Incremental approach to improving that product didn't work and had to rebuild it from the ground up
  - Can move a lot faster now since they have a common platform that all of the features can sit on top of, and allocates resources more effectively
- **In the U.S., there are network effects where highly-engaged iOS users can bring Android users into the product**
  - In international markets where the user base is almost 100% Android, it's hard to see the same network effects

### MANAGEMENT

- **Went from leading a team of 2 to a team of 1,000 and needed to transition the leadership capability because the job is different**
  - Over the last 1.5 years they have tried to find experienced leaders who love leading really big teams and structuring large organizations
- **There has been a push towards distributed decision-making by being very clear about whether or not a decision is reversible**
  - Allows people to move really quickly and innovate really quickly because most mistakes are correctable in a short period of time
  - If it's irreversible, the leadership team will have a conversation together, but they will continue to take really big bets on product

*After a lengthy delay, will their new Android app be able to bring in new users from international and emerging markets?*

## Spotify Is Using Podcasts To Shift From A Music Streaming Service To The Leader In Audio Entertainment

### CONTENT COSTS

- **The last round of label negotiations was about elevating the margins to a point where the business would self-sustain**
  - There was an economic self-interest of the record labels because streaming has been their main source of renewed revenue growth
  - On a go-forward basis, that's not going to happen again because it's not in their economic interest to allow it to happen again
- **Margin improves by providing labels with value-added services that don't exist today that makes their business more profitable**
  - Structuring the agreements to give them the ability to pursue developments with this 2-sided marketplace

### PODCASTS

- **Podcasts have been growing exponentially on their platform and convinced them to invest aggressively in the category**
  - There is a lot more firepower they can bring there and will pace the level of investments with feedback they are getting in the marketplace
  - Success will be measured by engagement in the content that they have licensed and created
- **Acquisition of Gimlet Media was part of the strategy of creating their own content and adding important expertise**
  - Part of a landgrab in order to pursue their strategy of investing in growth by investing in the user experience

### DISCOVERY

- **Really good at owning demand creation, helping content find its audience and helping audiences find content they like**
  - Potential to add value by driving discovery of music is infinitely greater than it ever was in video
  - The reason they have success is because it's the only thing they do and they continue to invest more in being better at finding those things
- **Have predictive algorithms that inform them about what future engagements are going to be in the content that they licensed**
  - Get successful at predicting how much to spend because they are able to extract insights from the data they have accumulated on users' taste

### ADVERTISING

- **Trying to extract information from customer data in order to create a more relevant user experience so they engage more**
  - They are going to have many free subs, but they are indifferent between preferences, they just want users so they can monetize engagement
- **U.S. ad revenues grew faster than the rest of the world, and that was a driver of the overall margin expansion in the business**
  - Has a much more highly developed ad market than most of the rest of the world, and they are relatively small outside of their top 5 markets
  - Have been pushing self-serve and programmatic in part because the markets move very aggressively

*Is there any chance of reducing music licensing costs during the next round of negotiations with record labels?*

## Twitter Is Improving The Health Of The Platform In Order To Stimulate More Conversations And Engagement

### SAFETY

- **Health is the #1 priority for the business and it will ultimately be a growth vector, both around audience and around advertisers**
  - Purpose of the company is to serve the public conversation, and in order to do that people need to be able to trust the information that they see
  - Want to keep spamming and suspicious behavior off of the service because they may inappropriately amplify messages
- **Engaging with regulators and policymakers all over the world because it's important for them to understand their business, and it's important for them to hear their concerns**

### ADVERTISING

- **Have become much more clear with advertisers that they have the most valuable audience when they're most receptive**
  - Works well with launches where there is an ecosystem of advertising and people talking and engaging with the brands around that event
  - Great place to amplify a message that was already somewhere else, such as broadcast television
- **As they demonstrate ROI to advertisers, they start to embrace these use cases and think about them for their ad spend**
  - Delivering better relevance in the ads that they show people, but there is just a ton more work to do around all of those things

### USERS

- **The top of the funnel has been consistent which is encouraging, but also shows how many people don't return for over a month**
  - Have the opportunity to make it easier to find things, so they will come back more frequently and stay longer when they're there
  - Haven't really focused on a specific metric because there are so many different ways to look at engagement
- **Don't have to come to Twitter to find what people are saying on Twitter because you can turn on the news or open a newspaper**
  - View that as really just more top of funnel opportunity and creates ways for people to know about all the amazing things that are on the platform

### FEATURES

- **Video is a great medium to help people find out what's happening in the world, they don't think about video as a destination**
  - Highlights are great for engagement and brand extension for the leagues and teams because people are going to be talking about them anyways
- **Need to keep doing a better job of highlighting topics and events that users care about instead of showing the largest accounts**
  - Using notifications at the top of the timeline to notify users and bring them into an experience around those topics and events
  - Can go back and forth between reverse chronological and algorithmic in an easier and more transparent way

*How can they make the onboarding process better for new users to find topics of interest?*

## Verizon Has Launched 5G Coverage And Are Gaining New Customers As A Result Of Being The First Mover

### 5G NETWORK

- **Have been putting the global standard into the network since the end of last year and will turn it on as they get devices this year**
  - Starting in big cities and because of the densification they did in 4G, a lot of the network foundation is already in place
- **In a 5G world, the ability to deliver more of the end service that the customer wants becomes important to fully take advantage of**
  - Working with numerous partners to develop the necessary applications in a real-time enterprise environment
  - There are capabilities that make more sense to acquire rather than develop organically just from a time standpoint

### 5G HOME

- **Will have 5G up and running in 30+ cities this year, and even after they turn them on, they will increase the coverage and capacity**
  - Expect to see revenue scale on the consumer businesses next year, and then more meaningfully contribute to revenue growth in 2021
  - Over half of installs will be self-install over time, but need to change the mindsets of consumers because they aren't condition to expect that
- **To date, over 50% of customers are new to Verizon and that's been a little surprising in a positive way**
  - Creates new opportunities to broaden the relationship with them and sell other wireless products

### WIRELESS

- **Will continue to grow the core wireless business and believe there's sustainable growth there**
  - Still have less than half of the base on Unlimited, so during the course of the year, they are continuing to step customers up to Unlimited
  - Even once they get into Unlimited, there are 3 different levels of pricing within Unlimited, so they can grow even within there
- **Adding connections to each account, whether that be watches or other devices, helps deepen the relationship with the customer**
  - Tablets continue to be an important part of their business, but that's flattened off in terms of the growth profile

### REORGANIZATION

- **The reorganization within the business is about really being focused on making sure their #1 priority is how they go to market with customers**
  - As technologies have converged, it is the right time to bring together the solutions that a customer wants, irrespective of technology behind it
  - Allows them to provide the best service to customers in the various marketplaces and not have channel conflict between the different businesses
  - The core piece of their business will be the retail postpaid base and it's the largest part their base by a long way, and they will continue to be very focused there

*How will they decide which 5G services to provide themselves and which ones they should rely on external partners?*



## Viacom Is Producing Content For Other Platforms As A Way To Extend The Reach Of Their Key IP

### PLUTO

- **Pluto is going to accelerate their strategy on multiple dimensions and will be the cornerstone of their D2C strategy**
  - Feeds the Advanced Marketing Solutions business as it adds billions of video impressions per month out of the gate
  - It feeds their expanding distribution partnerships as they add a product that can serve the entire subscriber base
- **Opportunity to unlock library value through revenue sharing agreements and it's a very scalable business model**
  - Will focus on the U.S., but will also get into U.S. Hispanic, Latin America and in the early stages of building out a plan for the world

### STUDIO

- **Have ramped up their studio production initiative, which is on track to be a \$1 billion business by 2020**
  - Making product for traditional players, OTT players and domestic as well as international
  - View it as an incremental economic and promotional opportunity that drives value in consumer product but does not cannibalize TV viewers
- **Telefe has a full production studio that produced 3,000 episodes of shows per year, but it was only for Argentina**
  - Now producing 800 to 1,000 hours of Latin programming for use, not only in Argentina, but across Latin America and globally

### LINEAR

- **Focused on U.S. distribution business, by getting incremental distribution and broadening partnerships with current distributors**
  - Working together on advanced advertising, allowing them to get dynamic ad insertion into operators plans in both VOD and national feeds
  - Entered into co-production relationships where an operator might be interested in exclusive first-window product
- **If you look at the pressures on people's home finances, there is a set of people that really can't afford traditional \$80 bundles**
  - Roughly 30%, 40% of people say they don't value sports, which is a very material slice of the pay tv ecosystem

### FLAGSHIP NETWORKS

- **In today's media landscape, they want to have a real multi-platform expression and Nickelodeon will be no exception to that**
  - New management is focused on bringing exciting new franchises to the network and creating new product from existing IP
- **MTV was focused too much on scripted content which caused it to have fewer programming hours, given the per-hour expense**
  - Pivoted back to unscripted, which allowed for an increase in the number of fresh hours and hours that fundamentally fit the brand
  - Tremendous case study of what it means to be a flagship brand and the impact that a new management and strategy can have

*After repairing the relationship with traditional MVPDs, will the acquisition of Pluto be viewed as a competitive threat?*

# Key Takeaways



## WWE Is Upgrading Their OTT Network To Make It A One-Stop Shop For All Of Their Content

### MEDIA RIGHTS

- **Hope to get key markets like the Middle East, China, UK, Latin America, India, locked down by the middle of the year**
  - Splitting Raw and Smackdown is their preferred model, but they can't always accomplish that because the market may not allow it
  - Have their eye on their core content becoming available again in 2025 and want to make sure they are investing to maximize that opportunity
- **In India, they created a successful highlights show and it is a model that they want to do in as many markets as possible**
  - There's a scope of rights discussion that they need to have with partners but it exposes WWE to a broader audience than just a sports audience

### OTT NETWORK

- **Moving their DTC service to 2 new partners and have been hard at work over the last year rearchitecting that experience**
  - Will see the free digital content more richly integrated so it's one experience for subscribers and nonsubscribers
  - Opportunity to create a premium tier as well as localize a lot of the content in different languages
- **There's a grand thesis of Pay TV declining and obviously they see the numbers, but there's always going to be a content bundle**
  - Have built up the fan base and engagement levels so they have the optionality and capabilities to succeed however it shakes out

### ACADEMY

- **There is an opportunity to broaden the pipeline of talent and create more monetization opportunities in the market**
  - NXT has developed a pretty passionate fan base so they can have a presence in markets 365 days a year as opposed to coming in and out
- **First foray outside the U.S. is in the UK and they are going to learn how to operate the model, see what the benefit is**
  - It's only several days per month, but if their general thesis is correct, they will start evolving it into a full year presence in certain markets
  - Able to create new media content and have been surprised by how much viewership they got from outside the UK

### INTERNATIONAL

- **Continuing to deepen their presence in a lot of these local markets, and are going to do that in a variety of ways**
  - Create 600 hours of digital short-form content a year, and 99% of that is in English and it should be in more languages
  - Core content is available in almost 30 languages around the world and that should be in more languages
- **Putting social, digital producers, editors people in different markets to take localize the content they create digitally**
  - Might be a voice over with a local talent from that region, subtitling, or a slightly different format with local talent

*Is the prolonged negotiations for media rights in international markets a signal of weakening demand for their content?*

## Zynga Is Using Their Live Service Infrastructure To Accelerate The Release Schedule Over The Next 2 Years

### ADVERTISING

- **Advertising has better margins than in-app purchase, because they don't have to pay their partners like Google and Apple**
  - Advertising experience must enhance engagement because they don't always want to be in front of folks trying to grind them for money
  - Hard to compete with the social networks because they don't gather as much user profile data
- **Generate very large audiences and have a lot of ad inventory and but are going to be very selective about how they do it**
  - Rather than have a big direct sales team, they built real-time systems that constantly look at the impact of an ad on engagement

### DISTRIBUTION

- **There's a lot of disruption coming, whether it's streaming or 5G, that will shift how people engage with mobile content**
  - If they are going to be successful in the gaming business, they have to embrace the idea that platform transition is their friend
  - Have very good relationships with Apple, Google, Epic and Steam, but are keeping an eye out for how things are starting to shift
- **Messaging is a platform within a platform on mobile and in Asia, it is has been a great gaming platform**
  - Eventually it'll take in the West and if they are able to get low weight kind of hyper-casual games they can create great businesses there

### INTERNATIONAL

- **Mobile is it's a huge market globally, and is hard to saturate so they can always find new players, and open up new markets**
  - When they started they were way over indexed in North America versus rest of the world and so are starting to see that shift
- **Typically, they enter a new market with a local publisher that they can bring their IP to, but they might have to change it to a degree**
  - China, as a market, is very different than Korea and Japan so they need to have multiple single-country targeted strategies
  - Longer term, there could be developer opportunities and inorganic partnerships, but not really thinking that far ahead

### LIVE SERVICES

- **It's a very quantitative exercise and they have started to marry that science with the art of gaming**
  - Have key metrics that they want to inflect quarter by quarter and are constantly applying that learning across the portfolio
  - The players have a lot of power and can make or break things so they have to embrace the fact that they are part of the process
- **The process and infrastructure is very scalable and they easily were able to add 2 more franchises without breaking a sweat**
  - Very appealing to potential acquisitions because they don't have to build out those capabilities, they can just plug into their ecosystem

*Will they be able to create a new "forever franchise" or will they look to acquire a small but growing title or developer?*