EMC

Evolution Media Capital

Goldman Sachs TMT Conference Recap

September 2019

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Key Takeaways

Altice USA Is Partnering With OTT Services To Distribute Their Content Through Their Alice One Set-Top Box

VIDEO

- **There are finite economics of video bundle as programming costs continue to rise, and they don't push through price increases**
  - Not a sustainable equation because at some point, they don't care about the economics of video anymore
  - On the Altice One product, live TV usage is up so people are watching more TV than they used to relative to legacy box
- **One of the ways to think about replacing video gross margin is by aggressively distributing some of the OTT platforms out there**
  - Pushing to be one of the first partners on Disney+, and will continue to expand with the new platforms that are looking for quick penetration

MOBILE

- **Mobile strategy is to get a lot of volume and drive profitability as quickly as possible by hitting as many homes as they can**
  - Quad-play consumer has no real desire to go after a promo because they won't save any money because they'll have to step up on mobile pricing
  - Making sure they get as much mind share and free advertising and great benefits from consumers who like the product at a cheap price point
- **Ultimately, they are in the connectivity business, which is about the whole broadband experience inside and outside the home**
  - Not only are the mobile economics very attractive, but the ancillary potential benefits could be substantive

ADVERTISING

- **Spending quite a bit of money and time developing an app-based ordering system for both linear and digital advertising**
  - Will be able to grow quicker as they are automating the whole system that used to be kind of a pounding the pavement and shaking hands business
  - Only have 7,000 fee-paying clients in local ad sales today, but have 300,000 SMB clients in the New York tri-state area
- **Very bullish that over time they can develop a much better in-market strategy and out-market strategy to drive top line growth**
  - Jon Steinberg and his team at Cheddar primarily only spend their time with the top 100 CMOs

BROADBAND

- **Have the best broadband in their footprint, and continuing to invest in the quality of the network is going to drive a lot of value**
  - Most of the broadband expansion is price-driven, so consumers are proactively upgrading to higher tiers
  - Will offer 2 or 3 price points and see where people want to be, rather than giving a Chinese menu of about 10 different price points
- **Already working to get their whole network 10 gig prepared and ready, and will be able to start commercializing it next year**
  - Not because there's a lot of demand for 10 gig, but because it establishes mind share with consumers, small businesses, and enterprises

As wireless and fixed line converge, how much expertise from their sister company can be applied domestically?

Key Takeaways

AMC Networks Is Concentrating On Building Out Their Small Group Of Niche Direct-to-Consumer Products

DIRECT TO CONSUMER

- **For the past several years, have been developing a group of SVOD services with a strategy and approach that is radically different**
  - Seeing a pattern of consumers complementing general entertainment services with specialized services that cater to very distinct tastes
  - Leverages very favorable subscriber acquisition and churn characteristics of focused services
- **SVOD services are benefiting from efficiencies by being operated on a shared tech platform with shared data and delivery functions**
  - Brings them closer to the content manufacturing that allows them to window and share content between SVOD and linear channels

CUSTOMER ACQUISITION

- **General SVOD services are more show-driven, so new subscriber growth is tied more closely to originals rather than library content**
  - Less the case with niche services, where consumers want the constant availability of material, and easy access to an authoritative world
- **There is a both an art and science to subscriber acquisition that is a different skill set than operating a B2B channels business**
  - Can find horror/suspense fans more easily than you can find someone who might like something for the whole household
  - It's a substantially, easier and more focused marketing effort to get them to come in if you're doing it properly and can keep churn at low levels

STUDIO

- **Created a content studio, which gave them the ability to own content and monetize it in new and increasingly different ways**
  - Not as reliant on the traditional U.S. ecosystem as they used to be, particularly as new initiatives continue to scale
- **Utilizing more materials for themselves, but are taking a cautious approach as they do not want to forgo revenue opportunities**
  - It's not a binary decision and they will make choices about what to do for each show on a domestic and international basis
  - All these new services need material and they tend to want scripted dramas, that are engaging, that is sequential, and that keep you interested

ADVERTISING

- **More upside for them as technology advances and as the organization of the entire industry works to take advantage of it**
  - Moving to take advantage of better analytics through their Aurora product that creates great specificity for buying
  - Part of industry consortiums that allow for greater demographics directly from the screen with television set manufacturers
- **One of the few places that has prestigious, scripted, and immersive material that also has advertising insertion**
  - While there's money increasing in different pockets, they are in a pretty good competitive position and in a somewhat unique position

Do they have the requisite scale to compete/survive, or will they be an acquisition target for larger media companies?

Key Takeaways

AT&T Should Be Focusing More Attention On Their Core Telco Business Ahead Of Launching 5G Networks

VIDEO

- **Everybody bemoans cord cutting, but it's a phenomenon that is going to be rampant and it's not going to change**
  - The industry is its own culprit in this regard because programming costs are just ballooning and the cost of the average bill continues to grow
- **To stabilize the business, they are going to have to make some really hard choices as it relates to the programming costs**
  - Can't sign these price escalators and still create an attractive environment for the consumer to stay in, while remaining profitable over the long haul
  - As retrans takes more of the money, it's going to put more pressure on the ability to continue carrying fringe content in these packages and so forth

STRATEGY

- **A company that can put together premium media content creation with networks has significant strategic advantages**
  - Over the last 10 years, people have been spending more of their day watching premium content and see no indication that it will change
  - People are going to expect and demand more bandwidth and more connectivity to watch that content.
- **It is difficult to take a legacy company on legacy business models and make a pivot into a digital distribution model**
  - Viewership was growing, but they have to reorient the Time Warner business to drive towards standing up a digital platform

WIRELESS

- **Uncertainty in terms of how M&A will be treated by regulators makes it really hard to predict where the industry goes**
  - There are a lot of areas where it would make sense for industry consolidation to occur, but they don't intend to participate in any of that
- **There's a new promotion every day, but by and large, the industry has been as stable as they have seen it for quite some time**
  - The next 2 or 3 years doesn't get radically different as each companies works on putting their unique value proposition together
  - Everybody is in an aggressive build cycle for 5G, so a lot of capital is being deployed as well

5G

- **Over the course of about 3 years, have increased the entire nationwide capacity of their wireless network by 50%**
  - This is really important when they are entering a world of distributing premium video to consumers over wireless networks
- **5G brings a different level of speed, as well as a different level of imagination in terms of what do form factors start to look like**
  - Rather than a lot of little consumer apps, these are going to be big business applications that change how society works
  - Instead of thousands, millions of simultaneous connections are now feasible within a given square mile area on this technology

After struggling to integrate DirecTV, will they have better success building up the WarnerMedia platform?

Key Takeaways

Charter Is Aggressively Promoting Their Mobile Service As They Look To Build New Customer Relationships

MOBILE

- **Very excited by the value of a mobile product and are excited by the way it can drive their core business, which is connectivity**
  - Fully integrating mobile into essentially everything they do, and it should be included in every kind of relationship with the customer
  - It's just another way of connecting, and enhances their overall connectivity relationship, but is not actually a business in itself
- **Can be very successful with the current relationship, but not opposed to doing other MVNOs if there's an opportunity**
  - Testing dual SIM technology that allows the customer to use the MVNO and use their network whenever it's best from an economic perspective

VIDEO

- **The real opportunity is to help sell new over-the-top products in packages or individually, with their relationship with the customer**
  - Doing deals with traditional media companies to sell their DTC products and have an economic relationship with them that's beneficial for both
  - Don't see the big sports entertainment packages falling apart, but they are going to continue to get more expensive
- **Very hard to get deep penetration and get economies of scale in a DTC marketplace like there was in the historic business**
  - Have to start billing people, dealing with their service issues, and have to constantly remarket them and minimize churn and retain them

SUBSCRIBERS

- **Strategy is to grow customer relationships as their primary revenue driver, rather than pricing**
  - Connected to 48% of homes that they pass, but there are still 24 million homes that they have no relationship with, and that's the opportunity
  - Most of the growth they are getting right now is really housing growth from new construction around the United States
- **Service strategy is to create an infrastructure that delivers high-quality service to drive longer-term, long-lived customers**
  - Same dollar of revenue has a lower cost of transaction because of the continued increases in customer satisfaction from lower churn

BROADBAND

- **Network strength is a valuable resource from a marketing perspective, but also an opportunity for new products to be developed**
  - 10 years from now, people will communicate in a completely different environment with products that are low latency and high compute
- **Real benefit of their infrastructure is that it can be easily upgraded for the continuous data growth that is happening**
  - The average wireless mobile customer uses about 7 gigs a month
  - The average video and data customers use about 250 gigs a month
  - The average data-only customers use 450 gigs a month

Will they look to secure distribution partnerships with OTT platforms that are not connected to linear channels?

Key Takeaways

Cinemark Is Revamping Their Lobbies To Feel Like A Retail Environment With Premium F&B Options

PRICING

- **Cautious about price increases because some consumers already have the perception that the ticket price is too high**
  - Try and look at what inflation is going to be and have their ticket price increase come in slightly lower than that
- **Have not experimented yet with any kind of blockbuster pricing but will certainly look at it and consider it**
  - They are going to be cautious because there isn't a uniformed opinion among all the content providers
  - Going to research it, get input from studios and test it before going broad with anything

BOX OFFICE

- **Box office is predominantly driven by the strength of content and other fundamentals, rather than ebbs and flows of the economy**
  - Moviegoing attendance and the ability to get out of the house to go to a movie still remains the most affordable part of family entertainment
  - It's about the quality and the timing of film and the great marketing and distribution plans that the studios put behind it
- **Have multi-year deals with the content providers, and are happy to pay the higher percentage rates on the big mega blockbusters**
  - 2019 will probably be slightly down off of the record year 2018, but don't see anything on the horizon for 2020 or '21 that would cause concern

MOVIE CLUB

- **The studios are very happy about how transparent it is and how transactional it is and that their interests are completely aligned**
  - Whole goal of this program is to increase attendance, and by doing so, they increase box office and the studios are fully sharing in that
- **There is a place in the industry for plans based on the rollover model, as well as an unlimited model**
  - There is a much greater audience that goes to the movies 6 to 12 times a year, and that's who they are targeting
  - Operating several loyalty programs in Latin America and each one has their own unique nature because of the way tickets are bought and sold

STREAMING

- **It's in Disney's interest to have movies open up big theatrically and then move down the chain of EST, VOD and DTC**
  - They have been very committed to continuing to provide a significant number of high-profile theatrical products
- **Streaming is extremely competitive among content providers and that's where the discussion is happening now rather than PVOD**
  - Welcome Netflix products to play in their theaters, but only if they agree to the same window designation as other major content providers
  - Don't believe it's having a major impact on their business, rather it's impacting time and other activities in the home such as traditional TV

How soon will they introduce new features and options into their Movie Club program to continue subscriber growth?

Key Takeaways

COMCAST

Comcast Is Catering To Cord-Cutters By Providing A Free Streaming Box To Broadband-Only Customers

PEACOCK

- **Wanted to do something different than the increasingly crowded field and get to profitability with the least amount of investment**
  - A light ad load with the premium content that will be on this network will be unlike any advertising inventory available
  - Investment will be significant but not in a way that's going to materially impact both NBC and Comcast and their ability to grow
- **Drawing on the expertise of Sky and 80% of the people working on this are in Europe and were repurposed to this project**
  - Not planning to launch until 2Q 2020 but already engaging in conversations on how to get to as many people as quickly as possible

VIDEO

- **Said years ago when streaming started to look more technically viable, is that video over the internet is more friend than foe**
  - People are consuming more video than ever, but doing it differently, and they want to have the best product for customers in each category
- **Not all video customers are profitable, so instead of fighting the trend, they are trying to react and lower the bill to the consumer**
  - Programming costs can be lumpy, and some years, they're going to go up more than they would like or can control
  - Have taken tremendous costs out of the business through truck rolls, phone calls, capital expenditures

BROADBAND

- **Broadband is a great swim lane, and are not even at 50% penetration and they like their competitive offering, and are going to make it better every day**
  - Will be the 14th straight year where they will easily pass 1 million net adds in broadband
- **Want to spend time innovating on broadband beyond just speed, so it becomes a relationship**
  - Initially focused on coverage because customers have all these different devices throughout the house, and want those devices to work everywhere
  - Pivoting to the next platform, which is control

FLEX

- **Flex is reconnecting the broadband service with the feature side of video but without requiring consumers to take on significant costs**
  - Leveraging the investment they have made in X1, they can give a set-top box and remote for free to broadband only customers
  - On the X1 platform, Netflix and Amazon represent the most consumption within the first 90 days on the service
  - Television speakers are now becoming an important speaker in the house so having all the music services available real easily was pretty important
  - It's a frictionless experience to buy a service that the consumer is not currently subscribed to

How many subscribers outside of their cable footprint will sign up for their ad-supported OTT service?

Key Takeaways

Discovery Wants To Utilize Their Direct-to-Consumer Platforms To Convert Viewers Into Purchasers

DIRECT TO CONSUMER

- **Focusing on affinity groups where they can aggregate audiences that will transact and can build real value-creation opportunities**
  - Have this massive library of content, and all these great experts that can change the way people think about the kitchen or the home
- **Traditional media people weren't able to run DTC platforms so they hired different people that are in a whole different business**
  - Need great product people and engineers who can think about stack, churn, or the flexibility of the consumer screen
  - Building a global central platform that allows people to view, transact, social, short form, long form

EUROSPORT

- **The Eurosport Player is a pretty nice business, but it's got enough churn that it's not breaking out**
  - Rather than trying to buy IP that nourishes people generically like a broad cable channel, they'll be more successful going very deep in a category
- **Not interested in getting a small package of sports rights, so they will only move forward if they can own the majority of rights**
  - If they have all of it, then it's much easier to market and they can actually nourish the people that love it
  - Don't want to buy anything that's too expensive where they are competing against a number of players that are looking to buy IP to build a platform

ADVERTISING

- **The advertising market in the U.S. is very strong, probably the strongest it's been in 8 years**
  - The best place to move product is still TV, by a lot, and that's why more money was coming in
  - This whole idea that you can replace TV money with digital money is just not happening, at least at the moment, but maybe at some point they'll get it fixed
  - Have real upside because they have scale, an engaged audience, and an audience that a lot of advertisers need to have

IP

- **They are a little bit different than everyone else but think there will be meaningful additional consolidation**
  - 50% of what people watch is still unscripted and they own almost the whole pie in their affinity groups that have a lot of passion
  - There is a lot of competition for a general entertainment platform that has a lot of content because they are trying to please everybody
- **There is going to be a movement to decommoditize a lot of the pipes and the winners will be the content players**
  - Global IP is becoming more valuable and see this opportunity to continue to scale because they have brands that people love to spent time with

After golf and cycling, what will be the next popular, but niche sport that they can acquire global rights for?

Key Takeaways

FOX

Fox Is Focusing Their Efforts On The Linear TV Ecosystem Through Live Sports And News Programming

STRATEGY

- **Focused on appointment television for mass audiences that can continue to drive growth in subscription and advertising revenue**
  - Have made no bones about the fact that they would like to expand their television station distribution footprint in this country
- **Looking to expand brands outside of just linear channels, through extensions that come out of the investments that they are making**
  - Big, engaged audiences are a tremendous asset, especially as audiences in general are fragmenting
  - Thinking of new and unique ways to monetize that scale as opposed to just driving price increases on CPMs

SPORTS

- **Broadcast television is really important to the NFL from a reach standpoint and they have been an amazing partner**
  - Last year, 95% of the viewing of a Thursday night game was on television and the other 5% was on Amazon
- **By 2024, the legalized sports wagering business in the country will be $8 billion business, with 70% of it digital**
  - Will explode at the local level and there will be massive advertising as there's competition for market share as these states roll out licensing
  - It's not a one-legged opportunity because the engagement level that flows back to their linear programming is very significant

LINEAR

- **Do not control volume so they are reliant entirely on distributors for the 80 million subscribers that they get paid on every month**
  - Feel good about their affiliate pricing and have quietly executed on a good number of renewals
  - AT&T accounts for 25% of their volume, yet over the trailing 12 months, they've accounted for 75% of the decline in subs
- **Can see a world in the future, not the near term but in the future, where cable operators don't provide video**
  - They become a utility providing broadband, and will support any product/service consumers want to buy

OTT

- **They kept all of their technology around OTT because they have been building it for a more complete suite of products and library**
  - Ready to deploy it if consumer behavior changes more rapidly where they want to buy every single product direct
  - Risk of breaking that universe of 80 million subscribers is very significant and they don’t see the right kind of return for doing it
- **There will be a lot of DTC sampling where people will go, but there will still be a core smaller bundle that likely will be offered**
  - Their channels will primarily be distributed in a bundled fashion but that bundle won't be the same as it's traditionally been

Will they continue to be acquisitive for companies that benefit from access to their established and engaged audience?

Key Takeaways

IMAX Is Increasing Their Efforts To Work Closely With Studios To Ensure They Are Using Their Technology

INTERNATIONAL

- **Taking multiple local language films and having flexibility so they can ramp up the showings of the film that's working best in IMAX**
  - Very focused on delivering value for the exhibitor and see further opportunities to grow with them
- **Can create better local content because of their ability to recruit more expensive movies through the bigger theater network**
  - The studios get a smaller take rate in China, they only get 25% rather than an average of 50% worldwide
  - Box office in China this year is up 30% year-over-year, and it's been up 8 quarters in a row

TICKETING

- **Not sure how the subscription plans shake out, and in time they will see which one works best, but it's only net positive for them**
  - AMC plan arose partly from the concern about the impact of MoviePass, so that's why they devised it a little bit differently
- **They don't set any pricing, that's left to the exhibitors, but the dynamic pricing model in China has been an incredible success**
  - One of the pushbacks the studios have had on dynamic pricing is that they are afraid that it signals which film is better and which is worse
  - They are in the blockbuster business, and there's so much demand for a lot of these movies that it would be a good thing for them

STREAMING

- **The rapid growth of streaming content is an opportunity because they are capable of eventicizing it**
  - Somebody has to curate for the consumers which content they want to see, and they definitely serve that function in the feature film business
  - As long as they are housed in those theaters, they are going to respect the windows that they agree to
- **Launching a film online does not create the same kind of global buzz as releasing a blockbuster through traditional means**
  - For the studios, it's about creating franchises and long-term value, but for streaming services, their economics are based on selling subscriptions

TALENT

- **Have a conscious strategy going on to try and get more films using IMAX cameras, and it's working empirically**
  - Recently put together a program that made it easier for filmmakers to use their favorite digital cameras through a suite of lenses they put together
  - Across all the studios, people want to do more IMAX releases than they have the capability to do
- **Employing the same strategy in China and going through the process of developing relationships and educating filmmakers**
  - There are a few films that will come out in the next little while that use IMAX cameras for local language films in China

Are there ways to work with streaming platforms without upsetting their traditional partners of studios and exhibitors?

Key Takeaways

LIONSGATE

Lionsgate Has Turned Around Their Struggling Film Business And Wants To Focus On Horror And Comedy

INTERNATIONAL

- **It's about gaining market share internationally and as the markets mature, they will move into a more focused programming strategy**
  - Gone from 3 territories 14 months ago to about 50 now, making them the third-largest SVOD player in the world, only behind Netflix and Amazon
  - Supporting the global partners with local partners and when they have a country with multiple distribution partners, the subs really start to take off
- **Know where other folks are going to be internationally because they're either not taking the rights or carving out certain markets**
  - Gives them a good road map of who their competitors are going to be long term and when they're going to get there

STARZ

- **They are not a fully distributed, ad-supported network, so there's a lot of subscribers that don't have Starz**
  - Have around 25 million North American subs, and the target over the next few years is get to 50 million worldwide subs
  - Gone back and renegotiated deals so they could be packaged much lower, and on broadband only bundles
- **There's a real opportunity to continue to make a lot of money on the traditional side by becoming a quasi OTT on cable platforms**
  - Negotiations always start off long and costly but they get to a good place because there's a real consumer desire for their product

PROGRAMMING

- **Serving premium content to women with a secondary focus on African-American women and Hispanic women**
  - Women are really driving this transition to SVOD, and they are leaning into it more than anybody else
  - Women are twice as likely to buy apps under $10, and their lifetime value and their brand loyalty was much stronger
- **Building a programming slate to be on air with something every month in order to bring the churn down**
  - When a subscriber watches 2 or more originals on the Starz app, their lifetime value is 4x than it is if they watch one

STUDIO

- **When somebody else is pulling back, that creates an opportunity and all of a sudden, everybody needs their content**
  - It's a balancing act between licensing their product around the globe and domestically and then, at the same time, carving out windows
- **Not seeing some of the price escalation because they are not chasing that golden goose that everybody else is**
  - Not everything fits for Starz so Lionsgate can go sell and monetize that while they are actually pulling stuff that fits their programming mandate
  - Really trying to find these fresh voices and pieces of content that serve premium content for women

Do they have the quantity and quality of content to entice subscribers around the world to sign up for their OTT service?

Key Takeaways

Live Nation Is Employing Digital Ticketing Across Their Venues To Establish Direct Relationships With Fans

PRESENCE

- **Over the next couple of years, the entire business will move to a digital ticket, much like the airlines have done**
  - The big test over the last few weeks has been the NFL stadiums as they all went to a digital access point
- **Can start offering communication, information, updates, and things that can make the experience better**
  - Historically have been in the e-mail blast business, but now can start a rewards program that they have always wanted to get done
  - Just in security overall, it's going to change the game because they will know exactly how to talk to 70,000 people in a stadium

DYNAMIC PRICING

- **Every team, every artist is in a different place in their life cycle and therefore has a different agenda**
  - There's huge pricing opportunity to price it better, not necessarily higher, but to optimize it so it sells through
  - Digital ticketing will help advance that because the barcode has been the hole in the bucket forever
- **Ticketmaster's strategy over the last 5 years was to move from a kind of utility to a much more enterprise platform**
  - Having price analytics, dynamic pricing, and being able to move the pricing much more like airlines and hotels, all of that is new to the industry

SECONDARY

- **For all of the hype about the ticket prices, it's still a very affordable outing and there's incredible value in concerts**
  - They are very diverse, so if one market maybe is having a rougher time, other markets are not, it tends to be able to balance out on a global basis
  - The experience economy will continue to drive that need to want to get out no matter what position the economy is in
- **All for transparency on the secondary market and their concern has always been that many companies are not regulated**
  - Working with all these team owners and artists so there is a very fragmented supply base, that you need to move in unison with

INTERNATIONAL

- **Continuing to build, organically or through bolt-ons, their global presence because they have low market share in many regions**
  - Goal is to bring concerts to these markets where they can drive their 3 pillars of sponsorship, on-site spending and market share
  - Promotion through a partner is the least profitable path because they don't have much insight and don't control the venue
- **As they build out their platform in South America, the acquisition of OCESA helps immensely to be competitive on a global basis**
  - Synergies provide great upside and sponsorship tends to be the easy place because brands are looking more and more for global solutions

Will additional regulatory scrutiny into the ticketing market lead them to change the way they conduct business?

Key Takeaways

SiriusXM Is Starting To Add More Non-Music Content To Pandora In Hopes Of Stabilizing The Listener Base

PANDORA

- **Acquisition was based on the need to get bigger to be able to play in this business going forward**
  - Want to have a subscription business and a free business and monetize listeners no matter where they are
- **Core to the thesis is the need to stem the decline of listeners and it's going to take work but it's a solvable problem**
  - Will add more content and curation to complement the algorithmic-driven stuff
  - The brand has not been invested in very well in the last 3 years as it fought its way through significant financial issues

SUBSCRIBERS

- **As they get people into the free funnel, they will promote to them on a fairly regular basis, the value of a subscription to SiriusXM**
  - Really focusing on more and more engagement with the primary goal of finding that next stair-step reduction in churn
- **Still see good growth in the satellite radio subscription business because they have never been stronger positioned in the car**
  - Used car business is really hitting its drive and ultimately, opportunities from the used car funnel ought to get bigger than the new car funnel
  - Have a steady and reliable funnel of trials coming that they have had good success converting over

STREAMING

- **Didn't move early enough on streaming but moving quickly now and can expect to see more from them over the coming months**
  - First and foremost, have to make the app functionally better and make it easier to find content
- **Video will be all about enhancing the audio experience and really aimed at trying to create more value for customers**
  - Trying to make them engage more with the product because customers that both listen in the car and stream at home churn less
  - Not going to get into the television business or the movie business because that's not what they do

ADVERTISING

- **Comfortable with the ad load and doing a better job of optimizing the ad space that they have and delivering that to customers**
  - Done really well with video advertising which has a much higher monetization than some of the other ads that they have run
- **Would like to test their pricing power and will experiment some to see what they can do**
  - Still need to learn a little more and want to be careful that they don't lose any of their momentum
  - Want to grow and expand the off-platform business, which is a clever way to use their skillset

How many people will port from Spotify or Apple Music to sign up for their new audio streaming app?

Key Takeaways

Snapchat Is Increasing Their Efforts In Augmented Reality, Both Through Software And Hardware Products

CONTENT

- **Have been able to evolve formats and monetization and find new ways to tell stories, including more recently their Shows product**
  - What brands are finding is that they can take their existing assets and make them relevant to a younger audience
  - Can create totally new media products, because they have a lot of the folks engaging with that content represent new customers
- **Generally create their own content to test new ideas and get the format right before working more broadly with partners**
  - Time spent in premium content grew 60% YoY, and audience is growing 35% because there's so much demand for high-quality mobile content

AUGMENTED REALITY

- **Seeing the beginning of this next phase where developers are using AR to help solve business and consumer problems**
  - First generation of Lenses product was basically used as a way to have more fun with filters and make snaps more appealing to friends
  - Brands spend a lot of time and money trying to get people to try out things and AR provides a really low-friction way for customers to do that
- **Creating new tools all the time to help make lenses more compelling, and that lets them provide differentiated experiences**
  - Will continue to invest in the platform strategy because if competitors try and copy the products, it's very hard to replicate the service

ADVERTISING

- **In the next couple of years, revenue growth will be more closely correlated with active advertiser growth**
  - Reorganized the sales force to go really deep with advertisers, and rolled out new tools to help the longer tail of advertisers
  - Learning how to grow the demand side of the business, not just through sales efforts, but also marketing, communications, product, engineering
- **As they onboard more advertisers, they are going to have more advertising options they can show to their community**
  - The investments they have made over the last 2 years on the product side and the platform side have allowed them to really drive ROI for advertisers

PRIVACY

- **All that work they did upfront is really benefiting them today because customers are showing they care about their privacy**
  - View this as an opportunity and something that's strategically important for the company, and they have been able to innovate around things
  - The most important thing is a slow, deliberate and thoughtful approach to privacy in order to get it right
- **There seems to be a gray area today with this idea that anyone in the world can say whatever they want to millions of people**
  - There aren't a lot of alternatives today to user-generated content on social media, but as the ecosystem evolves, it may be less of an issue

Despite being out of the crosshairs, will the increased regulatory scrutiny on big tech platforms impact their business?

Key Takeaways

Spotify Has Made Another Acquisition, This Time Looking To Enhance Their 2-Sided Marketplace

ADVERTISING

- **Have always been big believers in the freemium model and know it's a really good funnel into their subscriber business**
  - 30% of their business now comes in either through programmatically or through their self-service tool
  - Have some markets and geographies where they just don't monetize enough yet to really get those gross margins where they'd like them to be
- **Continue to innovate on the personalization attribution, but still have a ways to go in terms of getting where they really want to be**
  - Gives them an advantage in building out podcasting on the ad side and innovation in terms of how to monetize the different streams

MARKETPLACE

- **2-sided marketplace is about enabling creators and labels and Spotify to all benefit together and grow the ecosystem together**
  - There's a lot of opportunities from the marketing and promotion side to really benefit the label community in growing their business
  - There are ways to use data and analytics to help the artist community learn more about who's listening to them and what they're doing
- **Important to provide tools and services that are really going to benefit the artist community and benefit their label partners**
  - Recently made acquisitions that are about connecting artists with other artists, with producers, with mixers, with session artists

PODCASTS

- **Non-music content is a way to add real value into the ecosystem, and differentiate their product**
  - As opposed to having a separate music app and a separate podcasting app, having it built together is a big strength because of the data
- **Have an opportunity to really shift the dynamic and help people discover what's available, that just doesn't exist right now**
  - If they can own discovery and the demand generation, then over time, they can end up owning more gross margin
  - There's an opportunity to really innovate on the advertising side on podcasts and add things like dynamic ad insertion

CONTENT COSTS

- **This round is really about enabling the marketplace services into working with the labels, and getting those cards into the contract**
  - From an economic standpoint, don't expect any change to the music side of the equation, but want to build out the non-audio and podcasting sides
  - Received much improved terms in the last round of negotiations and were able to expand their gross margins over the last couple of years
- **There's always a question of how much is flowing to the labels and what percentage each artist is getting**
  - In a lot of instances, they feel like they are paying a fair amount and there's other leakage among the ecosystem

What have been the key points delaying the signing of the licensing agreements with the remaining 2 major labels?

Key Takeaways

T-Mobile

T-Mobile Has Grown Their Wireless Subscriber Base Over The Last Few Years Through Uncarrier Initiatives

DISH

- **DISH is going to come in and they are going to be a viable competitor, but on the other hand there are opportunities for them in that competition**
  - Made sure that the arrangement they have with DISH simultaneously accomplishes both of their goals
- **Losing the revenue and margin associated with the prepaid business of Sprint, but replacing it with a wholesale arrangement**
  - Certainly a different type of characterization, but looking at the overall economics of the new T-Mobile, it is largely an offset

SPRINT

- **Thought the deal would close 3 months ago, so they are in uncharted territory and are working hard to get federal approvals**
  - Have been very confident that this is positive for the economy and consumers and creates more competition
- **Changes from divesture allowed their business plan, aspirations and every dollar of their synergies to remain intact**
  - Vast majority of the synergies comes from not burdening consumers to pay for the fully redundant cost of 2 networks that sit right by each other
  - Bringing those together into 1 larger network that's much more cost-efficient and has a multiplicative capacity

5G

- **Caught up with AT&T and Verizon and their intention is to move ahead of them incredibly quickly, starting in 2020**
  - Laying down the network that moves from 30 MB per second today to 400 MB per second, a transformative increase in speed and capacity
- **Consumers have an insatiable demand for speed and capacity and they are nowhere near where it's fast enough for consumers**
  - Can't discount the 300 million consumers with smartphones because that's where the money is and where it's going to be for years to come
  - Will have both breadth and depth to provide transformational experiences and be a testbed for all the innovation that's going to develop

UNCARRIER

- **Most of their new customers over the past few years came to them because they loved the Un-carrier value proposition**
  - At the time, they were probably wondering if they were trading something off to get that great Un-carrier value proposition
- **Consumers are reassessing because 5G is causing them to ask and answer the question and that creates a fantastic opportunity**
  - Will launch a unified value proposition across all of the Sprint and T-Mobile existing customer bases and distribution relatively quickly
  - Able to invest in value for their customers because of the falling costs from the merger and rapidly rising capacity

After the divestiture to DISH Network, will there be further roadblocks to closing the merger with Sprint?

EMC

Key Takeaways

Take-Two Is Not Steering Away From Their Tentpole Strategy Around High-Priced, Premium Console Titles

SUBSCRIPTIONS

- **It's not clear that a consumer wants to pay for a sort of all-you-can-eat offering in interactive entertainment**
  - The average American household watches 150 hours of linear programming a month, but it's across 100 different programs or more
  - The average American household consumes about 45 hours a month of interactive entertainment, but it's across 1 or 2 titles
- **Have a robust subscription offering but it will be much more of a catalog offering than a frontline offering**
  - There'll be a limited number of big tentpole releases that consumers will pay a premium for and there will be a robust free-to-play market as well

RELEASE STRATEGY

- **Strategy is to annualize sports properties and have 3 to 5 strong frontline releases every year, combined with recurring spending**
  - Only bring to market top-tier properties when they're ready to give consumers a chance to anticipate those titles
  - In more years than not, have been able to develop new intellectual properties as well as bringing sequels to the market
- **Have a blockbuster strategy because that's how you win, but that means there will be variability in their release schedule**
  - Have profit sharing arrangements with their developers that align everyone's activities in the company

CLOUD GAMING

- **Expect cloud gaming, assuming it's a high-quality offering, will expand the market, but not sure how much bigger it actually gets**
  - Will still pursue the same business models by selling the frontline product for $60 in the U.S. and more than that outside the U.S.
  - Casual mobile titles are already available all over the world on current technology, so not sure if streaming will change that
- **Any new technology that allows consumers a greater opportunity to consume the products is a good thing**
  - Availability and immediate access matter, but cross-platform play really matters more than anything else.

INDUSTRY

- **Usually see consolidation when industries are challenged, but interactive entertainment is a rapidly growing industry**
  - Fastest growing business in the entertainment industry and will be probably for the next 30 years as the cohort continues to expand
  - Average age of consumers is 37 and those people don't stop playing games as new people are coming into the marketplace
- **Business is rapidly moving from what was an oligopoly to a very open competitive economy**
  - Don't have any trouble with distribution partners charging a fair price for access to the consumer, and expect prices will come down meaningfully

Can their Private Division capitalize on the creative and new style of games being built by independent developers?

Key Takeaways

Verizon Is Offering Multiple Unlimited Options To Encourage Subscribers To Step Up From Metered Plans

5G

- **Going to turn 5G on when their customers are ready for it and the market has the ecosystem for it**
  - It has to be good coverage, but it also have to be superior experience compared to 4G because 4G is reasonably good today
- **There is going to be enormous innovation from developers once they understand what they can do with that coverage and speed**
  - Definitely see a lot of new use cases for consumers, but at the moment, much of the design of 5G is for enterprise
  - It's a little bit more slow moving for enterprise to make a change of the utilization, so it will take until 2022 before there is any significant revenue

VIDEO

- **They are best equipped to really leverage their strong network and will partner with others to provide products and services**
  - Have more than 100 million wireless subscribers as well as a Fios footprint that can be attractive to content providers
- **Verizon Media Group has been very prudent on cost and at the same time, starting to invest in new areas, as they see a good increase on usage and subscribers**
  - Have their 4 content super channels that they have been repositioning and they can bundle into Fios offerings

WIRELESS

- **They are coming from a position of strength and constantly continue to innovate to give their customers a great experience**
  - Giving maximum flexibility to customers, which is a compelling and unique offer in the market
  - Just need to stick to their main strategy, build the best network, and see that their customers are getting value for the service
- **Customer should have an easy journey from the metered plan to unlimited, and then can move up to 5G new experiences**
  - Roughly 50% of customers are still on metered so focusing on making the path to unlimited easier

BROADBAND

- **The value proposition of wireless broadband is very clear as it is a totally different way of delivering home broadband**
  - A big portion of the cost to do home broadband today is digging the last mile to the house and having the engineers coming to the house
  - Want to make it much more simple so that customers can do self-setup to get a signal into the house
- **There will continue to be a sequential decline on the traditional core wireline product over time**
  - Excitement over 5G mobile edge compute and what you can do with that are great things, but the transition takes some time

After the write-down of Oath, how will the newly structured Verizon Media Group enhance the overall network strategy?

EMC

Key Takeaways

The Merged ViacomCBS Is Looking To Utilize Their Scale To Increase Monetization Of Existing Assets

MERGER

- **The merger creates a formidable, yet not fully understood, content asset that has a strategy to realize revenue synergies that can drive value creation**
  - Improves their position, both in the big bundle and skinnier bundles, to get fair value for their content and to maximize penetration
  - There are ad sales synergies from having the #1 aggregate audience position and will be #1 in every key demographic
  - Can license film product and television product on a combined basis, particularly in the international marketplace
  - Accelerates their participation in the streaming space and thereby create value both in the ad-supported component and subscription component

OTT

- **There is a substantial opportunity to create an ecosystem by uniting both Viacom's free strategy and CBS's pay strategy**
  - Can bring people in through the free tier, and monetize them there, as well as upsell into the pay products
  - If consumers pause their subscription, they are in a position to remarket to them when their situation changes or new content comes available
- **Don't see this as only a D2C business and believe there's tremendous power in working with distribution partners**
  - Already engaging with distributors like Comcast and Cox to have them distribute it not only to broadband-only, but through video bundles

ADVERTISING

- **Audience share combined with advanced marketing solutions, positions them as the go-to marketing problem solver**
  - Have products that can improve the yield on traditional linear advertising by enabling the delivery of non-Nielsen demographics on linear
- **The aggregation and curation of 1 campaign across a mix of platforms is very valuable because they can deliver more reach**
  - Can move some linear buys, where there are inventory constraints and therefore very inflationary pricing, to nonlinear
  - Able to deliver a campaign without running into frequency caps on the component pieces

STUDIO

- **ViacomCBS has a $13 billion content spend which enables the growth of creative capabilities across multiple business lines**
  - Can feed a very strong demand from third parties who lack either the capability or the capacity to produce it themselves
  - Ensures that they have a compelling pipeline of the talent they are working with, both in front of and behind the screen
- **The real opportunity here is monetizing that content asset, which is reflective of not only the ongoing spending but also the library**
  - Improving utilization across owned and operated platforms and third-party partnerships to access the widest possible total addressable market

Does the combined company now have enough resources to compete in the rapidly evolving media landscape?

Key Takeaways

Zynga Takes A Data-Driven Approach To Releasing New Titles To Ensure Games Can Become Franchises

DISTRIBUTION

- **Cross-platform play is a valuable thing and it's exciting to see the total addressable market of games continuing to grow**
  - The audience that they are serving is very unique and different than what Stadia is going after or what the typical PlayStation 4 game does
- **Console business model is not sustainable outside of a few epics, but other AAA games will learn how to do free-to-play at scale**
  - There's a lot of last-mile issues in trying to figure out the right kind of design for a AAA game coming over to mobile
  - Can bring product management, data science and free-to-play expertise and marry that with a AAA developer on PC or console

ACQUISITIONS

- **Have some balance sheet room to be able to go out and find additional teams that they can bring into the company**
  - Will never write the biggest check, so have to bring in these deals asymmetrically, and it starts with the relationship and culture of the team
- **Have been on the hunt for teams that have great talent, great leadership, and have the beginnings of a forever franchise**
  - With their leveraged model, they try to find another 40-person studio with a hit product that's subscale, and plug it in their infrastructure
  - Data science, product management and marketing teams are there to help multiply success

NEW TITLES

- **The worst thing is hard release dates that you have to make happen because that's usually a recipe for franchise failure**
  - 90% of revenue over the last couple of years has come from live and keeping new revenues at a small level gives them flexibility
- **The key in mobile is to deliver long-term engagement and they want to build games that can last for 5 years or more**
  - Take a very rigorous approach in soft launch to test a lot of different ideas to make sure that they have that long-term engagement in place
  - Want to bring proven mechanics, make them better and then add new twists, whether it's property, the universe or new additional ways to play

DEVELOPMENT

- **When they are building a mobile game, they have the opportunity to test it with real people very early on**
  - In console games, you spend tens of millions of dollars in development before ever getting any real market feedback
  - R&D is actually the lowest part of the overall investment, it's really the marketing that is required for the vast scale that mobile brings to bear
- **Mobile games sometimes will come out to a slow start and they'll chug along for a few quarters and then all of a sudden they'll pop**
  - Once they get comfortable with the overall KPIs on retention, engagement, monetization, that's when they'll start to roll it out to the worldwide market

Will they look to acquire PC or console game developers to capitalize on the transition to cross-platform play?