



Morgan Stanley TMT Conference Recap

March 2020

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## Altice USA Is Adding New Features To Their Mobile Offering, But Taking A Gradual Approach To Growth

### M&A

- **Recent acquisition was extremely attractive and will look at those things regularly, but not sure there's a ton of those out there**
  - Depending on the backbone, if they could do one of those a year, outside of some of the larger ones that are out there, that would be great
  - Getting very strong early adoption, particularly on the SMB side, and will become more popular as more devices are attached to the network
- **There are more opportunities in the Suddenlink footprint where there are a lot of local operators who may be tired of rising costs**
  - Overlapping capital decisions between multiple operators make no sense and that tends to lead to rationality in consolidation

### BROADBAND

- **Giving Smart WiFi away for free, and it is a much better customer experience in terms of controlling the throughput of the signal**
  - Product has been very successful, particularly in the SMB world, and there will be a residential revenue opportunity at some point
- **Everything out there in the mobile world on 4G, 4G+, is nowhere close to the levels of their consumption and average speeds**
  - They are multiple steps ahead, at least from a fixed line perspective, by the time 5G or something else competitive is out there
  - Growing the business in terms of ARPU by up-tiering to higher speeds, rather than increasing prices on existing products

### MOBILE

- **Have 7 years to formulate a strategy as they work with new T-Mo as they start transitioning Sprint clients onto their network**
  - Not in capital allocation thoughts to start spending a lot of money on infrastructure even if could marginally help on some roaming costs
  - Would rather focus on working very closely with partners and getting better economics or finding other ways to help them
- **Have over 100,000 mobile subscribers and clipping 2x to 2.5x faster on launch in terms of penetration relative to their peers**
  - Continuing to enhance the user experience, which means giving more options relative to headset financing, unlimited packages, and insurance

### NETWORK

- **Will launch triple-play fiber product in the next 3 months and everything they expect in terms of performance has been there**
  - Servicing clients will come down significantly because the incidence rates relative to cable are significantly lower
  - One CapEx cycle will lead to a significant reduction in long-term CapEx going forward as maintenance and new builds come down significantly
- **They are 10-gig ready already when they are fiber-to-the-home and it's really a question of the software more than anything**
  - Have a road map of consistent up-tiering of speeds that are available, so they don't have to wait on a DOCSIS 3.1

*How much will their recent, and significant, price increases accelerate cord cutting trends across their customer base?*

## AT&T Has Launched Their Eventual DirecTV Replacement With Significant Promotional Pricing Across Tiers

### HBO MAX

- **The strength of HBO Max is that all members of the household will get utility from the service**
  - Just released the second beta version with new features such as profiling of customers and content download
- **Trying to give MVPDs incentives to put more HBO out because those customers naturally roll into HBO Max at the time of launch**
  - Pretty confident that there will be more distributors at time of launch that will have that path to migrate their customers into Max that will give them good customer growth on day 1

### AT&T TV

- **Software products are their lead products, and they are most focused on markets where they can bundle with broadband**
  - Will continue to offer satellite where it has a rightful place in the market, such as more rural areas where broadband is not prevalent
  - It is a more feature-rich product and are getting higher attach rates than what they would traditionally get in selling broadband with satellite
- **By the latter part of the year, Pay TV declines will be more consistent with what was going on in the industry in aggregate**
  - Gross improvement will be more competitive now that they have an updated product and can get more aggressive with some of the bundling

### WARNER MEDIA

- **They are obviously not happy about what's happening in the Pay TV space, but it's been fairly consistent with their planning assumptions**
  - Advertising numbers have been strong, as expected in an election year, and the pre-sales on everything in the spot market have also been good
- **As they move customers onto software-based pay TV, it opens up more opportunities to sell more inventory in the over-the-top streaming segment of the advertising market**
  - Large quality brand advertisers really like that dynamic of data-informed advertising placed alongside premium content and video streaming

### 5G

- **As they get into a 5G device upgrade cycle, that will open up opportunities to talk to customers about their service plans**
  - While there's a lot of discussion about 5G, when the consumer rolls into the store, they're not looking at the stable of appealing handsets
- **Finished February at 80 million POPs covered for 5G and continuing their march to be nationwide by Q2 of this year**
  - The vast majority of it is by laying up new spectrum that is set up on 5G, and that's probably the purest and best way to do that
  - Infrastructure and fiber base will provide the foundation to move to 5G+ or millimeter wave deployments that take them to the next level

*How many MVPDs will risk cannibalizing their linear customer base by promoting HBO Max at the time of its launch?*

## Charter Remains Committed To Keeping Linear Video As A Key Component Of Their Customer Offering

### VIDEO

- **Despite what people say about video economics, everybody wants it because it is a sticky service for selling connectivity products**
  - 95% of the time somebody takes the video product, they are taking it together with Internet service, which means it's important to customers
  - Will continue to invest to keep the application, STB and software stack, fresh and competitive in the marketplace
- **Putting themselves in a position to be an aggregator of content is the job that they have always performed for the customer**
  - Can essentially resell SVOD services, upsell to their own video services and have it inside of a consolidated package for the customer

### MOBILE

- **Goal is to make money on a stand-alone basis, but got into mobile because of the benefits to their overall customer relationship**
  - The definition for consumers of Internet connectivity is changing, and it's moving from the inside of the house to outside
  - Use macro cell tower coverage to pick up ancillary traffic that becomes increasingly important for people to have ubiquitous Internet connectivity
- **Wholesale relationship with Verizon is good but that doesn't mean that there won't be opportunities to improve that relationship**
  - Bring value through the number of service interactions and upgrade opportunities that they have with customers on an annual basis

### INTEGRATION

- **Reaping the benefits of all the investment that they put into the integration as well as the operating strategy**
  - Designed not just for revenue growth but to get additional penetration on a fixed set of assets, which means they are more profitable per passing
- **Self-installations are taking places over 50% of the time and see the early stage benefits of that cost of service improvement**
  - Customers are becoming much more interested in self-serve, whether it's on an online portal or whether it's through chat
  - Increases customer satisfaction and lower churn, and they actually have to do less physical work, either picking up the phone or doing a truck roll

### COMPETITION

- **Cable industry has had irrational competition pop up at different points in time and traditionally that comes with overbuilders**
  - Trying to compete against many new entrants, selling content at a loss and distributing without security has been a challenge
- **There will be some edge cases for 5G fixed but don't think it's going to be a ubiquitous deployment at scale**
  - They are in the best position from a network architecture standpoint since their network is already there and they have done those projects already
  - Spectrum is valuable, and you don't want to be using it the way that you would need to use it for a fixed broadband product

*Will they look to acquire spectrum in order to capitalize on the long-term growth of mobile data usage on their network?*

## Comcast Is Replicating Their Strategy With Sky, As It Looks To Distribute All Of The New DTC Services

### FLEX

- **Taking all the R&D they have for their cable video service and bringing it over to more broadband-only products**
  - X1 voice remote has made the user interface, the design and the guide all much easier to experience, so it was easy to bring that to Flex
- **Customers that were not that valuable in video but want to go buy and swap and try things are now more easily able to do that**
  - 50% of sales last year were broadband-only and want to give them a road map to consume video, lower churn, and have a better experience
  - Started at the end of the year, around November, and nearly ran out of inventory right away and have had to slow it back down

### NBCU

- **Spend north of \$35B on content between Sky, Comcast Cable and NBCU, whether they make it, buy it, rent it, or partner with it**
  - Will repurpose that spend over time in different relationships, but that scale is unprecedented, and allows them to control some of their destiny
- **Most sophisticated rights holders understand what they can deliver is pretty unique, and many leagues now want global**
  - Have walked away from deals when the price got beyond what they were prepared to pay, and it will happen again, but hope to retain relationships
  - Optimistic that the Olympics are going to happen, but have insurance, so there wouldn't be any losses, it just wouldn't be a profit

### THEME PARKS

- **Single largest investment they have made will be the new gate in in Orlando, which will double the size of their footprint**
  - There will be attractions and technology that showcase their films, recurring franchises and all of their brands from Universal and NBC
- **The least friction is building a park in a town where you already have people coming, and they just need to extend their stay**
  - Have a heavy capital upfront investment, but there is much lower maintenance capital, and it turns into more recurring revenue
  - Beijing should open next summer and that will be the largest theme park built in the world that they have been associated with

### SKY

- **Want to accelerate Sky Q because it reduces churn, which allows them to sell more PPV and increase customer lifetime value**
  - Italy has been a little more affected by coronavirus, but hopeful that's going to be a significant line of business for them over time
  - In the U.S., they are ramping up ads for sports betting, but in the UK they are putting on restrictions to reduce the amount of sports betting ads
- **Almost every major company wants a relationship with Sky and it is great that OTT services are available in their packages**
  - Q Box, which is their version of the X1 cable box, is half as penetrated, give or take, as what they have in the US

*If the Olympics are cancelled, will there be any changes to the rollout of Peacock to ensure maximum exposure?*

## Google Has Raised External Capital For Waymo As It Looks To Frame The Next Stage Of Its Growth

### YOUTUBE

- **Have been leaning meaningfully into investing to support users, content creators, and the entire ecosystem**
  - Biggest part of ad revenue is brand, and excited about the upside there, but direct response is growing at an even faster rate
  - Extremely focused on providing advertisers the tools they need to really present their brand in the way they want, and to protect and measure that
- **Primary business is obviously the advertising business, but they want to make sure that they give users a choice of subscription**
  - Experience with short-form content can be applied to long-form content to bring the best of all viewership to audiences in one place

### PRODUCTS

- **In Maps, thinking about particular ad formats, like bumps or pins, that make it easier for local merchants and helpful for users**
  - In the early days, the concern has been that it would be intrusive, so trying to focus first and foremost on the user experience
- **Opportunity to continue to enhance the user experience, what advertisers can do, whether through AI or other things**
  - 40% of ad budgets and 90% of commerce are still off-line, so there is a good amount of runway there
  - Discover Ads are really a video format feed that is additive to what advertisers can otherwise do across the platform

### CLOUD

- **Started later than they should have, but have the core pillars for this business and can bring truly differentiated capabilities**
  - Increasing their sales force 3x, and investing meaningfully to build out new verticals and additional requirements
- **Customers are looking for digital transformation, so they can provide an opportunity not just in the cloud, but across Google**
  - Opportunity to operate seamlessly in a multi-cloud environment, where there is an integrated approach
  - Machine learning and AI can be transformative across businesses, whether its new revenue opportunities, efficiencies or better analytics

### OTHER BETS

- **Have put more governance and rigor around Other Bets, and looking at defining metrics and milestones to measure progress**
  - If they are really striving for moonshots across the portfolio, they better not be deeming themselves to have succeeded in everything
  - There is always an opportunity for reinvestment to make sure that they are leaning heavily enough into the things that they need to be leaning into
- **Bringing in external capital can actually be additive to this intense focus on their long-term value creation**
  - There is a valuable added sort of governance discipline when there are additional voices at the table, between private, independent, and public

*With a new focus on integration, will they offer a consumer subscription that spans all of their entertainment services?*

# Key Takeaways



## Liberty Media Is Expanding Their Investments In Audio Streaming, With A Focus On Advertising Capabilities

### F1 MEDIA

- **What drives them to get the best broadcast deals besides interest in the sport, besides their competitiveness, is competition**
  - Longer term, one of the best upsides is the entry of new, perhaps larger digital players who may bid for the sport
- **Digital rights are valuable, and are largely additive, but don't think it is going to be a massive revenue stream on its own**
  - So much of the races are already shown on air, so there is not that much content that they are holding back compared to other sports
  - Have a bunch of shoulder program, camera angles, and archives that will truly be for the dedicated fans

### FORMULA 1

- **Huge opportunity to increase exposure and demand for broadcast revenue in the U.S. and that should also help sponsorship as well**
  - Have gone up to 22 races, but there is an opportunity to improve the monetization of those races from promoters over time
  - Hospitality and other types of on-site spending that are race-related and race-tied haven't performed as well as hoped
- **Parts of the Concorde Agreement that relate to FIA are complete, but the revenue splits with teams is not**
  - Have changed how the cars will look for the '21 season to create more on-track parity and a less drag off the back of the car, a lot more overtaking

### SIRIUS

- **They are the largest digital audio ad player in the world and the acquisition of Pandora added a new revenue capability**
  - The most negative part is the decline in MAUs and they are going to attack that and see how they can slow or change that trajectory
- **Feel better about their position, resources and trends in this space compared to the video side**
  - Biggest players in audio are in the distribution side, and like being in a space where they are not going to get overwhelmed
  - Google and Apple are all playing in the space, but haven't really concentrated since they're seeing much more focus on spending in video

### PODCASTS

- **There's a whole issue around the platform side who hosts, tools, monetization, ad monetization, that are really underdeveloped**
  - Podcast monetization in ads has been mostly poor and there's very little protection that high-quality advertisers want about where ads are going
  - There has been some attractive things about authors reading ads within their podcast but that doesn't scale
- **Most podcasts are going to want the largest exposure possible, so they will not be exclusive**
  - Less convinced that there is podcast content that's going to change the world; it's much more likely to be long tail audio content of various forms

*Can Formula 1 use ancillary channels, such as digital media, to successfully develop a younger, global fan base?*



## Lionsgate Is Experiencing A Bumpy Transition From A Premium Linear Channel To An DTC Product

### INTERNATIONAL

- **Have rolled out in almost 50 countries worldwide with multiple partners that have huge scale and present opportunity**
  - Apple started later, but will see more of their marketing approach and the build-out coming full force in the future
  - Have local distributors partners as well and the ability to go direct-to-consumer because none of those are exclusive arrangements
- **More and more, the offering will be aligned with the domestic programming, but in some cases they license internationally early**
  - Output deal with Sony is a domestic deal, so naturally, it will be weighted more towards original programming on an international basis

### STUDIO

- **Value of library is not only the discounted cash flows, but also the ability to drive subscriber growth through STARZ**
  - SVODs are very competitive and aggressive and library is an essential element of retaining subscribers
  - Have very efficient and risk-reduced production companies, both for TV and film, constantly refreshing that library
- **Continue to be platform agnostic and will sell to third parties, and there's fewer and fewer people doing that, which is great**
  - Know what the costs are when they greenlight a production so they make sure that it can be passed on to generate the appropriate profit

### STARZ

- **Consumer habits are changing and business models are transitioning from a fixed model to an à la carte model**
  - There is going to be some pain in some of that transition, but are glad to have reached an arrangement with Comcast
  - Most of their major distributors are already in that à la carte world, but will there be more transitioning for smaller MVPDs
- **Business model is fully aligned and benefits from consumer consumption trends and where the consumer wants to go**
  - Have better margins, ARPU, and data, which is very helpful, when the consumer buys directly in OTT or à la carte

### OTT

- **People are mistaken thinking that they are competing with Netflix and Disney+, but see themselves more as a companion product**
  - Their business model works fantastically off of 25 million domestic subs, plus or minus, and then the international opportunity is really huge
- **They know how to find viewers that come back for programming, so just need to get better at managing that in the long-term**
  - Target audiences that are underserved, particularly women, urban, African-American, Latinx and premium scripted programming without ads
  - In OTT, the churn's higher because it's easier to click off, but as they get more data, there's more ways to fill the programming holes

*Will they be the next media company acquired in the quest for scale, or can they can unlock value in another way?*

## Live Nation Is Increasing Efforts Around Its Mobile Platform In Order To Have Direct Relationships With Fans

### MOBILE TICKETING

- **Underlying logic behind the merger of Live Nation and Ticketmaster was the desire to shift from a B2B business to B2C**
  - Underestimated the lift that they had with the state of technology to get it to a point where they could start doing things that they can do today
  - Opportunity is first in their venues because they have more control over the entire ecosystem and can demonstrate it
- **There's a huge premium on, not just the purchase process, but on how to effectively manage, transfer or resell tickets on mobile**
  - It is a mobile-first world out there and over half of their customers are buying on mobile, and 75% of traffic is from mobile

### SECONDARY MARKET

- **Continue to educate the artists and make sure they are the ones that decide how to price a ticket or ensure it stays with the fans**
  - Resell is a reality in ticketing, heavily because of the arbitrage nature, and it is over \$1 million of arbitrage on concerts from artists they work with
- **Need to solve the fan problem of how to get a ticket to the show, rather than thinking about it as a specific secondary agenda**
  - Can utilize tools that make sure tickets are getting into the hands of fans, and not going to be wildly speculated on in the secondary market
  - Sometimes they will have the secondary market integrated with the primary market so that people have all of their options in one place

### SPONSORSHIPS

- **Focus is on working with the brands to enhance the fan experience at their amphitheaters and festivals**
  - Sponsors are trying to figure out how to move from just fire and forget advertising to actually something that can be measured
  - As they talk to them, it's about delivering a value proposition because there isn't a limit on ad units as long as they are creating value to the fan
- **Continue to create new ad units, particularly around what gets unlocked with digital and with identity**
  - Doing a better job delivering a fan on a Wednesday night that the brands want to reach out and directly connect with

### CONCERTS

- **If an emerging artist can get to the right sweet spot, they can take off because the distribution platforms today are so global**
  - Demand gets unlocked much more rapidly as there is a full diversity of artists that are able to tap into a global demand for live entertainment
  - The limiting factor becomes how many nights a week can these artists perform and keep their voices more than anything else
- **Competing against the market and what the market can pay them, but also with the desire to say they want to pay artists the most**
  - Not the least bit worried about costs for the top artists because they are making the majority of their money on the other pieces of the flywheel

*Will increasing government scrutiny on ticketing practices eventually lead to new regulations that limit their flywheel?*

# Key Takeaways

## The New York Times Is Building Out A Suite Of Digital Products To Further Expand Their Audience

### DIGITAL SUBSCRIPTION

- **Standalone products are part of the strategy of redeveloping and reshaping that broader offering to fit with consumer needs**
  - The hope is products are sufficiently compelling and have the individual economics to justify their existence
  - Eventually may become part of bundling solutions and richer value for subscribers to start seeing upward pressure on that demand curve
- **Have a fixed cost base of a newsroom and investments in digital products allow for operating leverage to scale pretty quickly**
  - If content is made by one journalist, for 250 million people, that's enough leverage given the cost of IP creation to make for fabulous margins

### INTERNATIONAL

- **In most of these environments, they are probably going to be #2, #3, #4 and #5 in a lineup of news consumption**
  - A lot of news is local so the first protocol will be a national or a regional source of news before they turn to a broader global external perspective
  - There will be a very small number of successful, ubiquitous, high-quality news brands for the world and they want to be one of those
- **Experimenting with significantly more aggressive introductory offers in some international markets than they do in the U.S**
  - Strategy is not based on vast numbers of additional boots on the ground because they cover the world for the world rather than local for local

### PAYWALL

- **Have dramatically increased and are still increasing the pool of registered logged-on users**
  - Use a whole range of tactics to persuade them to become subscribers and the conversion ratios are much higher than for anonymous users
  - Utilize more data because they can now track them from device to device since they're registered and logged on
- **Increasingly moving to measures of weekly consumption as being more predictive of success rather than the ComScore numbers**
  - Can keep a very broad funnel and, yet, still be very efficient at the business of conversion down to significant groups of people into subscribers

### DISTRIBUTION

- **Relationships are extremely dynamic and they are supporter of Facebook News because they paid them a lot of money**
  - They are making a genuine effort to try to find a place where 2 billion or so Facebook users know they can find high-quality news
  - When Facebook users click on a Times story, they come to their website in order to consume journalism
- **Benefit of Apple News is that it has significant global distribution and there is a natural affinity between iPhones and their audience**
  - On the downside, it is an alternative experience because users consume those stories within Apple News rather than at The Times

*Do they need to embrace 3<sup>rd</sup> party distribution in order to achieve their stated goal of 10M global subscribers by 2025?*

## Netflix Introduced A Daily Top 10 List As A New Feature To Highlight The Depth Of Their Content Offering

### CONTENT

- **For every piece of content, look at how impactful it can be in terms of member acquisition, retention, and relative efficiency**
  - Have a point of view based on the metrics and the science, and then folks like Ted, have to judge that overlay with their creative judgment
- **Have been moving more and more to Netflix originals, which can be licensed from other studios or self-produced originals**
  - To some degree, have to move more to self-produced originals because they can't necessarily count on accessing product from third-party studios
  - Licensed second-run content is not a future driver of the business, and it still works for them, but they will be pretty selective about it

### LOCAL LANGUAGE

- **There are subtleties by market, but the model is pretty similar in that it starts with great content and a great product experience**
  - Certain parts of the world are just more attuned to local and regional content, so they are getting better and better at that content market fit
  - Similarity runs through all of these regions and countries, but they are at a different place in each market
- **Expanding local language originals around the world and they have roughly doubled from where they were this this past year**
  - This area is super important to them and believe it's a fundamental part of their value proposition as they grow their global service

### PARTNERSHIPS

- **Partnerships are a meaningful part of their business and have always been, even from the earliest days of device partnerships**
  - Continued to evolve over time, now with more cable bundled partnerships and even mobile partnerships
  - Trying to provide access in a way that appeals to various consumer tastes and try to differentiate while also keeping their choices simple
- **Doing it in a way that maintains the branding and connection, which is important in terms of the delivery of the service**
  - Want to make sure that there's healthy engagement and it's not bundled in a way that folks may be getting the product without being cognizant of it

### INTERNATIONAL

- **Outside China, there are 800 million broadband households, and they only have about 167 million paying members**
  - Ranging from a little over 50% penetrated in the U.S. to less than 10% penetrated in the APAC region
  - Over 90% of subscriber growth recently has been coming from outside of the U.S., in the EMEA, APAC and LATAM regions
- **In some markets, there is a bit more learning to get the content right and scale over time, but it's sort of localized to each region**
  - Have had some more time to work on it in Latin America because it was one of the earliest markets they went into after the U.S.

*As more of their content gravitates towards self-productions, how will they try to monetize their IP off-screen?*

## Roku Is In The Beginning Phases Of Its International Rollout As It Seeks To Become The Dominant TV OS

### CONTENT PARTNERS

- **Tend to sign shorter deals because as their scale has been growing significantly, in general, they can get better economics**
  - Will get an inventory split from a content publisher that has a stand-alone ad-supported app on the platform
  - Within The Roku Channel, it is roughly a 50-50 revenue share split, similar to other digital distribution models like YouTube
- **The Roku Channel is a more efficient way to monetize because they know who's watching versus a stand-alone AVOD app**
  - Have a lot of data on behavioral trends, so they can sell that same ad impression that might show up in a stand-alone AVOD for a premium CPM

### INTERNATIONAL

- **International expansion has been around longer, but it's been very opportunistic since the priority has always been to win in the U.S**
  - Put hardware in different markets via third-party distributors but didn't spend a lot of time on the other aspects of creating a thriving ecosystem
- **Just starting to really push on international and believe that a lot of the same differentiators in the U.S. will port to international**
  - Have been looking at how to bring differentiators to bear in terms of being able to drive accounts, ideally through both players and TVs
  - Focused on being able to sign up relevant local content providers, and then over time, build scale so that they can light up ad sales and TRC

### ADVERTISING

- **Shifting the conversation from buying Roku inventory specifically to a broader OTT-wide conversation**
  - Being able to retarget viewers off-platform, following them to mobile and desktop, using the omnichannel capabilities of dataxu
  - OTT is so new that there's such a disconnect between the capabilities on different platforms and with different people in the ecosystem
- **Historically focused on talking to large advertisers to bring their budgets over from traditional television to streaming**
  - Dataxu's focus was on the small- to mid-sized advertisers, which makes up a surprising portion of revenues at Facebook and Google

### SMART TV

- **Main competitive set they are facing is actually getting the OEMs to actually switch from their own proprietary operating systems**
  - The concern is if they adopt the licensed operating system that reduces differentiation and may have an issue for their pricing premiums
  - It is cheaper to build a Roku TV because of the purpose-built OS and there's lower return rates, which is important to thin economics of OEMs
- **Many of their OEMs have increased their market share, but most notably, TCL because they went in from the get-go**
  - Leverage player relationships with retailers to get their TV OEMs placement at key retailers that they haven't been able to get on their own

*Is it smart for them to enter the competitive world of original programming to increase their streaming ad inventory?*

## SiriusXM Will Utilize Their 360L Dashboard To Enhance Their Relationship With In-Vehicle Subscribers

### PODCASTS

- **Podcasts really aren't that different than talk entertainment, it's just produced and packaged a little differently**
  - The North American public has shown how they want to consume audio and it's about an 85-15 split between music and talk
  - It's not like the emergence of podcast is going to move the overall audio pie split to a 50-50 split
- **Follows a very similar playbook to satellite radio, where they make a content investment and then sell advertising against it**
  - Have a basic content fee and then share of advertising with the content creator, but the real key is if it engages with an audience

### PANDORA

- **Pandora audience has been on the decline for a long time and turning that around is a very difficult thing to do**
  - There are basic investments and marketing disciplines, as well churn management, that the Pandora team really didn't have a conception of
  - Working on making the product sound better and programming it differently with broader content that goes well beyond music
- **A lot of audio players don't have the scale to deliver the reach and frequency of audience that advertisers require**
  - Off-platform business is a harbinger of things to come because they use tech stack to combine their audiences together and sell additional reach

### INVESTMENTS

- **In the last few years, have not been shy in investing heavily across the business and the right thing to do is to push the tech**
  - Developing a device in the vehicle that provides all sorts of information to the dealer and the consumer through which they can provide service alerts
  - Can automate a higher level of service calls than they've experienced before and doing little things like that, tightens up the relationship
- **Always looking for ways to optimize terms, where it's not just them buying more production because they don't want to do that**
  - The biggest single thing they still work hard at, and that's a struggle, is making sure the radios are on when they're sitting on the lot

### 360L

- **360L puts them in a place where they can begin to develop a competitive advantage over these other competitors in the car**
  - Had to compete with their unlimited service potential with a product that is inherently limited in the number of audio channels they can deliver
  - Able to begin to see exactly what people are doing with the radio and that enhanced information set allows them to optimize performance
- **With Apple CarPlay and Android Auto, the distribution footprint for service providers is far bigger than what they currently have**
  - There's over 250 million smartphones on the street in the U.S., and every single one of them can plug into a car pretty easily

*How quickly can they turn around the struggles at Pandora in order to better compete against digital streaming services?*

# Key Takeaways



## Snapchat Is Rapidly Developing New Augmented Reality Features That Enhance The User Experience

### CONTENT

- **Consumer taste for mobile content will evolve rapidly, similar to TV, where audiences demand higher-quality content over time**
  - Linear television is really collapsing, especially for the 13 to 34 demo, so there's just this massive opportunity around video
- **Social media content has started to feel very repetitive, and users are moving to more compelling content on other platforms**
  - There is a general step forward towards more premium user-generated content, away from sort of status-oriented content
  - TikTok, in particular, focuses much more on the engagement around a piece of content rather than who created it

### MAPS

- **Find it odd that the map has not yet been personalized the way that so many of the tech products people use today have been**
  - People get the exact same map even if they live in different places, have different friends, and/or go to different places
  - Most maps today are really used for getting direction from point A to B, and they're not really used to find B
- **Building a map that is used for exploration and discovery because user engagement drives the success of an advertising business**
  - A big opportunity for a lot of the platforms is monetizing local, and the map is sort of almost the underlying architecture behind all that

### USERS

- **Trying to remove as much friction as possible from people coming into the service and experiencing that value**
  - Partnered with tons of carriers all around the world to make data free if they are using Snapchat, which is really important to their community
  - Have been investing a lot in improving the back end so that it's really fast to send a Snap, which is part of what makes visual communication so fun
- **Desire to reach a giant community outside of their historically core markets and the vast majority of those people use Android**
  - A lot of new features start on Android because all of their investments have made it easier to build for Android, and have sped up innovation

### ADVERTISING

- **For people who've never tried Snapchat before, their perception of the platform and how much value it can drive is very low**
  - Invested really heavily against many verticals to make direct response advertisers as successful as possible to drive revenue growth
- **Advertisers are looking for lots of different things and it's important to have a full product suite to meet their needs**
  - Some ads can be a really compelling product for DR and, increasingly, for brands who are thinking about their advertising campaigns that way
  - Other advertisers really care about where their ad lives, what content it's adjacent to, and whether or not users can skip that ad

*How aggressively will they target older audiences that use the platform for consumption rather than communication?*

## Spotify Has Launched New Marketplace Tools For Artists To Actively Promote Their Music To Listeners

### PODCAST

- **Believe they are the podcast leader in over 20 markets around the globe right now and feel like it's being additive to the business**
  - Given their experience in music and all the resources dedicated to AI they can actually create a similar type of experience in the podcasting world
  - There's been very little innovation in the podcasting space over the last 15 years so they're focused on influencing discovery and demand generation
- **Will continue to have things they need to own, things to license, and things on their platform that will be ubiquitous everywhere**
  - Sports is a great category to dominate because listeners of sports podcasting are much more engaged and they stay on the platform longer

### PRODUCT

- **Developing marketplace tools that produce an environment where creators are able to better connect with the fans and users**
  - Sponsor tool is still very small at this point, but it has click-through rates that are 10x what they see in a normal type of a click environment
  - Not only do people not view it as an advertisement, but they're actually viewing it as something that is really helping their experience improve
- **Have a massive advantage in terms of the amount of data, but also the resources dedicated to using that data for the product**
  - Make product innovation and improvements all the time, but sometimes it takes a while to actually see it through the entire process of the company

### SUBSCRIBERS

- **Saw acceleration across all of their 3 largest regions, as well as some of their most mature markets, like the Nordics**
  - About 3/4 of the decline in ARPU has really been around product and promotion and a much smaller part around geographic mix
  - Know that when top-of-funnel growth is growing and MAU is growing, it's a really good sign for the health of the business
- **Balancing all the investments, marketing, spending, and pricing to hopefully grow profitable subscribers**
  - LTV to SAC hovers around 3 and has been pretty consistent for the last couple of years

### ADVERTISING

- **Don't think anyone else in the podcasting space is spending the resources or the time to actually innovate on the advertising side**
  - There is an opportunity over time where the creators of content come to them to help embed the right advertising in their podcast
  - Have launched streaming ad insertion but right now it's only for Spotify-owned content
- **As the platform expands, start to hit a critical mass where they have enough scale that they can attract even bigger global buys**
  - Programmatic is about 1/4 of the advertising business and over time, more self-serve products will enable the advertising business to grow

*What are the key factors to determining what podcasts from The Ringer and others owned networks will be exclusive?*



## Take-Two Has Recently Reduced Recurrent Spending Expectations Around One Of Their Key Franchises

### M&A

- **Consolidation in linear entertainment has been lately, largely, driven by challenges more than success**
  - Businesses that consolidate, either are challenged as you're seeking to find cost synergies typically, or where there's a massive benefit to scale
- **What could drive the gaming business towards consolidation would be sector challenges, but don't really expect that to happen**
  - If the business became heavily catalog-driven then the property has already been made, so you could strip out overhead related to operating it
  - Intend to gain scale successfully by preserving their success rate, hit ratio, and gross margin, but improve their highly competitive operating margins

### DIRECT TO CONSUMER

- **Haven't seen the value proposition of DTC for gaming and don't expect it to be an important part of anyone's business**
  - Players consume about 45 hours a month, and it's typically clustered around 3 titles, so it's tough to envision subscription as a great model
- **The propositions to succeed are the intersection of what's great for the consumer and what works for the provider**
  - Pursuing direct-to-consumer in a way that they can be smart about it and The Take-Two store is cheaper than having other distributors
  - The reason to create a consumer offering is because you're going to benefit consumers and therefore, they'll pay you

### NEW TITLES

- **As demand for quality grows, there are fewer titles on the shelves because "B" titles will fail and lose money**
  - Puts a finer point on their strategy, which has been the same for 12 years, which is a smaller number of the best releases in the business
- **Making the biggest investment they have ever made in their pipeline and that will be expressed over the next 5 years**
  - Year in, year out, the goal is to have this basis of great catalog, and great live games in addition to their annual releases and new frontline releases
  - Focused on building up their mobile business, where they are still a relatively small player and are focused on doing that through Social Point

### FRANCHISES

- **For years, have been expecting Grand Theft Auto Online to moderate, but it's going to set a new record this fiscal year**
  - There's a big community of people who enjoy being inside that world and as long as they give them more things to do, they stay engaged
- **Had originally expected NBA 2K '20 to set a lifetime record, and no longer expect that**
  - One part of the game is generating somewhat less recurrent consumer spending than projected
  - There are times when they make an innovation that has different monetization characteristics, sometimes better, sometimes worse

*Do they need to develop expertise in new genres in order to successfully build out their mobile gaming portfolio?*

## Twitter Is Rebuilding Their Tech Infrastructure To Allow For Rapid Experimentation Around Monetization

### VIDEO

- **Short-form video does extremely well and it fits their model very well because it allows people to skim before diving into it**
  - Everything they look at is based on how it can really have a direct correlation to the tweets, where people spend the majority of their time
  - If they get too over-rotated on more video or more text or more images, they miss a significant opportunity, and put themselves in a box of it
- **Strength versus competitors is that element of conversation, and they focus on having video that is a lot more conversational**
  - It's how to better integrate that and how it's not just an after-effect reaction, but actually fuels it and is seen within it

### ADVERTISING

- **Completing the rebuild of the ad server in Q2, which is the start of getting the business to be much more performance-oriented**
  - Can work with advertisers to test new things, learn very quickly and then integrate those learnings into a product that is long-lasting and durable
  - See a lot of developers out there wanting to promote their apps, and focus a lot of their energy on just making that a great experience
- **Advertising strategy thus far, mainly on the brand side, has been to launch something new which resonates deeply with advertiser**
  - There might be a conversation already going on about a particular product that advertisers can then match because the conversation is happening

### HEALTH

- **Health has been a priority for a few years now and the #1 initiative is the integrity of the conversation around the elections**
  - Have a lot of experience with elections around the world that they have learned from, and benefited from in terms of their approach going forward
- **A lot of the significant points they are dealing with right now is misleading information but this is an internet-wide problem**
  - The challenge here is that the technology to create misleading information content is moving much faster than the technology to detect it
  - Looking for opportunities to better inform people about when information is contested and give them sources to make up their own mind as well

### PRODUCT

- **Needed to simplify the service along their one core job of keeping people informed**
  - Removed a bunch of features from the product, and evolved it to make it much more simpler to approach
  - Were somewhat scattershot with how they inform people but have gotten much greater discipline around that work
- **Have done so much work on their tech foundation that they are finally in a position where they can start experimenting more**
  - Can start asking the questions around things like contribution models, tipping models, commerce models, and payment models

*As activist investor pressure continues to build, how long will Jack Dorsey remain as the CEO of the company?*

## Verizon Is Utilizing Entertainment Partnerships In Order To Differentiate Their Unlimited Wireless Plans

### SUBSCRIBERS

- **At year end, 53% of wireless consumers were on unlimited plans, and the vast majority of the other 47% have a lower ARPU**
  - The people who had the opportunity to step to unlimited and reduce their bill, they did that pretty quickly 3 years ago
- **When they went to unlimited, the way to differentiate offers went away, so had to create different kinds of differentiation**
  - Putting these types of offers out there allow them to extend the relationship with existing customers, which is where a lot of value lies
  - Helps to accelerate that pace of step up from a customer who's on a metered plan and they step up to an unlimited plan and increase the ARPU

### 5G HOME

- **Expect to deploy 5x as many 5G cell sites this year and as the network build ramps so will the sales channels**
  - Launched 31 markets last year and will do another 30 mobility markets this year, but it's not just adding new cities, it's increasing the coverage
- **The ramp will start to be significantly more noticeable as they get to the back end of next year and then throughout 2021**
  - More customers have selected the self-serve than they would have thought, and the success rate of those customers has also been strong
  - Need the network build to accelerate to increase the open for sale and then get the next-generation hardware, which they will get later this year

### ENTERPRISE

- **To grow the business, need to make investments that hadn't been the priority for the company for a number of years**
  - As they get excited about those opportunities, there's a lot of back office things that are nowhere near as efficient and effective as they should be
- **Excited about the opportunity by looking at customers holistically across the products, but especially in the B2B space**
  - In the past, wasn't as big an issue because what the wireline products fulfilled versus what the wireless products fulfilled were very different
  - Not being able to interact with enterprise customers holistically would definitely have been suboptimal in a 5G world

### 5G MOBILE

- **They are in the early stages of 5G evolution and the technology is going to continue to develop very quickly**
  - If 5G doesn't offer a differentiated experience to 4G, there's limited upside to charging a customer more
  - Building 5G in a way that gives people 10x improvement in performance delivers a differentiated service that justifies a price differential
- **Dynamic spectrum sharing gives them the opportunity to use the same piece of spectrum for 2 different generations of technology**
  - Should have that fully in the network during the middle part of the year and then it'll be a commercial decision when to bring that into the market

*Will there be strong demand for 5G broadband on a standalone basis or will they need to bundle it into wireless services?*

## ViacomCBS Is Moving Quickly To Incorporate All Their Content Into 1 General Entertainment OTT Service

### OTT

- **Have real momentum and growing scale in streaming, and Pluto TV is the wheelhouse of it and is very working capital efficient**
  - It is largely revenue sharing with third-party content, but also uses a lot of library product, which is essentially already amortized
- **Tremendous opportunity outside the U.S. with respect to streaming because it gives access to a larger addressable market**
  - Pluto entered the U.K., Germany, Austria and Switzerland in late 2019 and is launching all of Spanish-speaking Latin America this month
  - Once they transition to this house of brands in the U.S., then they will start to make moves to expand it outside the U.S.

### CONTENT

- **Fundamentally focused on serving both their owned and operated platforms as well as third-party demand**
  - Allows them to serve the largest addressable market from a consumer perspective and creates opportunities to drive their brands and franchises, including ancillary businesses like consumer products and recreation
- **Improving content ROI by prioritization, deciding where they are going to lean in and spend more and where they will spend less**
  - Moving cash content spend of mid-teens in '19 to mid-singles in '20, by allocating spending towards higher growth areas, such as streaming and studio, and keeping other lower growth areas like linear cable, flat

### LINEAR

- **As a combined company, they have even more levers to pull to get mutually attractive deals done against this difficult backdrop**
  - Have broadened the aperture around how they do business with distributors, rather than staying in this grinding linear rate discussion
- **Can aggregate this linear position with digital inventory in a way that that makes them a first choice solution for advertisers**
  - Provide clients a holistic solution that makes them easier to do business with, which particularly in the agency world is very important
  - It really is about driving volume outside of linear television in a package which helps advertisers get reach and manages problems with frequency

### SPORTS

- **Sports is fundamental to CBS and a place where they have consistently created value through distribution and advertising**
  - Benefiting from a relatively unique set of platforms in the U.S., which now include not only linear leadership but also their OTT products
- **Have great linear television reach, which is important to the NFL, but now have a broader platform in the context of ViacomCBS**
  - Doesn't necessarily mean airing games on OTT, but can do other things, to leverage those platforms with respect to events, players and narratives
  - They also have international reach, including broadcast reach in a number of markets, and that is important for long-term brand development

*As the competition for live sports intensifies, will they be able to hang on to their highly coveted NFL Sunday package?*

## Zynga Is Focusing On Casual Games As A Way To Introduce New Users To Their Forever Franchises

### NEW RELEASES

- **Have started to adopt more around this high-low mix, where they have a few tent-pole games that they are executing against**
  - Breaking the teams down into smaller groups, prototyping quickly, spending a little bit of money in UA to see how it does on a core loop basis
  - Feel like they have got the right amount of money in R&D, but they have changed the configuration and gotten sharper, smaller teams, faster
  - Going to see a lot more testing of elements against these different brands that they have, but also some new intellectual properties
  - Might see some new games that are more ad-driven, could be 80% ad revenue, than what they have typically been doing

### CASUAL GAMES

- **Tremendous opportunity because the share of installs inside the app stores over the last several years has grown dramatically**
  - It will evolve rapidly, but it's here to stay and certainly in a place where players are spending a tremendous amount of time
  - These aren't crappy little games, and there are opportunities to embrace that part of the mobile market, especially in emerging markets
- **They are shorter, sharper experiences, driven largely from advertising, but are very complementary to the games they make**
  - Can add engagement to those types of games and elongate them, and it could be a very interesting way to bring players into their network

### INTERNATIONAL

- **Historically, the company has not had much of a business in Asia, but they know they have to be successful in Asia long term**
  - Given the status of China right now with some of the government regulation, they are just taking a bit of a wait and see approach
- **Asia is becoming much more performance-based marketing and don't really need partners to bring the games to market**
  - With the right type of creative in your advertising and the right type of organic plans you could actually self-publish
  - In these countries, they do see changes in user flows, monetization schemes, and some heroes are more popular than other heroes

### CUSTOMER ACQUISITION

- **The best games in the world are the ones that have solved engagement first and then monetization is a secondary exercise**
  - On consoles, you run a beta close to launch and hope it rolls rather than getting to test the market in a highly predictable way
  - On mobile games, can go quickly and cheaply because the important thing is to get in the market and really understand how predictive the results are
- **Customer acquisition is the most capillary intensive part of the business and still has room to get efficient and generate leverage**
  - Once the game has good metrics, then can scale marketing, and see how many they can install and what the lifetime values are

*Can they continue to successfully release adjacent games within a franchise without cannibalizing their player base?*