



JPMorgan TMT Conference Recap

May 2020

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Altice USA Is Starting To Push Up Their ARPU As They Upsell Customers Into Higher Speed Broadband

PROGRAMMING

- **Conversations with programmers today is all about having a lot more options on the menu, including the contract**
 - To the extent the platform does not have an OTT service today, need to make sure that they can get it at the same time as anyone else
 - For those that are actively preparing it or about to launch, they are in active economic discussions on how to be a partner with them
- **Most RSNs are going into negative growth territory and distributors are not going to deal with much higher affiliate fees**
 - Once local sports transition to OTT platform optionality, that will be the big change for everyone, and expect it to occur over the next few years

ADVERTISING

- **News 12 ratings are up, but CPM rates have come down because local and regional advertisers don't have as much money**
 - Cheddar is really more of a national platform, so they are not seeing a lot of the national advertisers or the branded content
 - People are holding off until they see a real opening from a national standpoint or a lot more volume before starting to advertise again
- **It's really about local advertising and when is that going to come back in any significant strength**
 - Assuming there is many more re-openings as they go into Q3, and are already starting to see some decent presidential activity already

VIDEO

- **Acceleration in recent quarters has been driven by lower attachment rates, which gives them comfort it's not cord-cutting**
 - Attachment rates in the Optimum footprint have typically been around 60% in terms of gross adds, and that number has fallen down to 45%
 - Not a bad thing from a financial standpoint because gross adds side is an economically challenging for 3 years, particularly on free cash flow basis
- **E-commerce activity is directed by the consumer, and those tend to be very much lower attachment rates on the video product**
 - About 40% of subscribers are e-commerce driven, and then another 40% typically are doing inbound calls and the rest is door-to-door and retail

BROADBAND

- **Have seen a large uptick in the activity levels in their noncompetitive areas or competitive areas relative to DSL**
 - Not surprising at all given the activity levels from home, and there is a significant opportunity to increase penetration levels in those areas
- **Upgrading the entire Optimum footprint to fiber-to-the-home, and have a product road map that is lengthy for speed capacities**
 - Continue to have a great upside in up-selling their tiers since 2/3 of their broadband subscribers today are doing 200 megabits or less
 - Going to be able to push those ARPUs nicely, particularly since the average income levels here are 20% higher than the rest of the U.S.

Can they take learnings from their sister company in Europe to implement a better 5G strategy for their mobile business?

AT&T Is Reorganizing WarnerMedia To Put All Their Muscle Behind The Upcoming Launch Of HBO Max

HBO MAX

- **Going to be available on a broad cross-section of distributors, which will help the momentum of the product coming out the door**
 - They are going to be in virtually all app stores, but it looks like they may not be in the Amazon Fire app store when all of this is said and done
- **Distributors, to the extent that they want to incorporate this into their user interface, can allow people to navigate into Max**
 - Allows a customer to come to one place to aggregate content and not have to leave the HDMI input to navigate through it off of the set-top box
 - There's a wholesale construct that's attractive to them, just like there was with HBO, where they, on a monthly basis, can participate in the value

ADVERTISING

- **Restructured Xandr within Warner Media to make sure there's high affinity for how they build audiences in media**
 - Want to augment the reach of linear TV with more targeted products, possibly addressable, possibly through digital-owned and operated
- **Next rendition of their distribution platform after Max comes out is to add in that AVOD supporting capability**
 - Don't want to build a tech stack that's distinct and unique on that platform from the tech stack they are building in the advertising business
 - Jason Kilar is the leader of both their advertising and their entertainment tech stacks, and he has great software expertise and skills to do that

VIDEO

- **Max and AT&T TV are both software-based and independent of proprietary hardware, allowing customers access over any device**
 - Going to see these two bundled together and packaged together, and they want a platform that can distribute both
 - They can be deployed literally by a flick of a computer switched somewhere in a back office, and that's an important aspect
- **There's going to be some economic hardship through parts of the country and discretionary spend will come under review**
 - There will be people on the margin in the pay TV world that decide this is the time to make the decision to get entertainment in another fashion

5G

- **Own broad spectrum holdings and having the flexibility of allocating traffic is allowing a very effective transition to 5G**
 - Since the end of '17, have added over 70% capacity into their network, and that is starting to show its dividends and performance
 - Over index on Apple products, so they are not as consumed right now on a 5G offering because there won't be a 5G Apple product until later this year
- **Seeing unique use cases pop up in enterprise, especially given the current dynamics where workforces are more distributed**
 - Allows enterprise to think about a highly managed wide area network with incredible levels of security that supports the kind of environments today

Will the launch of AT&T TV services be enough to stem the rapid decline of subscribers from DirecTV and DirecTV Now?

Charter Is Including More OTT Services To Their Offerings To Better Serve Their Customer Relationships

CUSTOMERS

- **Operating strategy is to acquire as many customer relationships as they can, by having competitive products at an attractive price**
 - Have longer life customers, which means they have higher profitability per customer relationship despite having lower prices at the outset
- **Opportunity to do real good in the community by offering a product that was extremely needed and provide it free for 60 days**
 - Not just providing a low-bandwidth product at a low price but providing the type of Internet product that the customer would ultimately want
 - Some will come off on the back end after the free promotional period, but most of these customers are going to stay with Charter

VIDEO

- **Single-play video is not the target as they focus on a volume-based strategy to acquire connectivity services**
 - It has been declining for a decade, and yet they have been able to grow because they really don't sell any products as a single product service
- **Looking to carry OTT products as well and be a good distributor of video content attached to connectivity services**
 - If it's an attractive product that customers want, then it behooves them to make sure they carry it and provide search and discovery functionality
 - Want to continue to have good content available so that they can provide that as a way to drive more connectivity relationships

MOBILE

- **Have visibility to where significant LTE usage is occurring inside their footprint and could deploy small cells at very low costs**
 - Becomes a simple financial equation and most of that is just having a better ROI of the investment tied to the offload rate versus the lease rate
- **Getting better at selling and attaching the product to connectivity sales and improving their messaging in the marketplace**
 - Q1 mobile net additions would have been higher had it not been for COVID-19 and would have had 25,000 more mobile lines
 - Retail is an important channel for people to touch different devices, but the vast majority of sales still take place through traditional sales channel

BUSINESS

- **Most of the way through repricing enterprise packaging, but the real opportunity is to sell more product into baseline relationship**
 - Need to do a better job on selling voice and unified communication services and reducing the complexity around higher-ARPU products
 - Making sure that when they are in a customer's premise, that they are taking all of that business and improving what's already a great ROI
- **In the short term, have seen a flurry of activity to add additional products and services that are needed in this environment**
 - Additions are down because getting on site to sell new product to consumers is tough, and being on site to install that new product is tough

How will they build mobile business to capture better economics from all the data that flows through their fixed assets?

Comcast Is Providing Many Video Solutions To Add Value To Their Growing Broadband-Only Customer Base

THEME PARKS

- **Watching Disney and how it's going for them at Shanghai, and it's very encouraging to see the consumer demand that's there**
 - Have to wait till the later for when authorities say it's okay to open and when they are actually comfortable that they can do so safely
 - Wouldn't expect a scenario where they would be opening with such limited capacity that it would be worse than if the parks were just closed
- **Bullish about the parks business over the long term and there will be a steady ongoing stream of investments in existing parks**
 - It's one of the success stories in the company, and obviously a nice diversifier away from some other aspects of the media business

FILM

- **It's difficult to take a big franchise movie and release it when theaters aren't open, so they shifted to release them next year**
 - It will drain from the opportunity to make later-window profitability as things went into home release and later windows
 - It's probably a 2-year story until they get back into releasing the big movies and then have some follow-on from that
- **Trolls was already being marketed and ready to go, PVOD release was a success because otherwise they would have lost money**
 - There's a lot of industry stuff to work through to bring PVOD window to fruition, but it was a nice innovation in the midst of crazy times

OLYMPICS

- **The delay of the Olympics is primarily a shifting of the opportunity to make a profit on the Olympics from 2020 to 2021**
 - Haven't spent much on getting ready for the Olympics in any material way, and anything that they have spent will get covered by insurance
 - Will revert back to what otherwise would have been aired, which is a bunch of unscripted stuff together with some returning scripted programs
- **Have to restart on the sale of advertising for the 2021 Olympics, but a number of advertisers are rolling over and reupping**
 - Business-wise, it will help get their advertising back going again, having that kind of 12-month window on the horizon once they get into 2021

VIDEO

- **Not going to chase unprofitable video subs and really trying to have broadband be the center-of-the-plate product**
 - Through a variety of other offerings, whether it be mobile, video, security or otherwise, can add to the stickiness and protect the client lifetime value
- **Flex has now crossed the milestone of having 1 million devices out in the system, and the product's resonating well**
 - At a stage now where, on a daily basis, they are just about adding as many active Flex customers as they are losing bundled video customers
 - Economics might be different, as Flex is designed for those who already decided to be an HSD-only subscriber, so they are not cannibalizing video

Will the advertising market snap back in time for their slate of big event programming starting in the summer of 2021?

Key Takeaways

New York Times Is Focusing On First-Party Data For Ad Products And Avoiding Potential Privacy Concerns

SUBSCRIBERS

- **This is an absolutely horrible disease, but as quite often happens with very big news stories, there's a very big audience reaction**
 - Some people never came to The Times before, but many who became subscribers knew them, but decided to get more engaged
- **Excited about bundling multiple things in different packages that ultimately helps get good value out of subscribers who want more**
 - Crossword is a very attractive high-margin business, and has got great growth potential itself as they roll out new games
 - Cooking will be very highly profitable because of the evergreen quality of the basic content, and the product costs significantly reduce over time

INTERNATIONAL

- **The surprise is how big the domestic opportunities turned out to be, and still feel they are really underpenetrated in the U.S.**
 - In 2012, 8% of the subscriptions were from subscribers outside the U.S. and today, the number is over 18%
 - In the first quarter of 2020, net new subscribers from outside the U.S., was between 20% and 30%
- **Experimenting with more aggressive introductory offers in different markets, and trying to begin to fit pricing to market**
 - Active in markets where there is no established local tradition or market in digital subscriptions and where disposable income may be much lower

PRODUCT

- **Trying to learn through data science and experimentation how to get more effective at each stage in the customer journey**
 - Having more success with optimization than anyone in news publishing, but that isn't an industry anywhere near the frontier
 - Getting closer to the frontier of what players like Netflix and Spotify are doing and there's more to do
- **Have no sense of a plateau arriving where economics become more marginal as they run out of good customers**
 - Audience scale ambitions they had 3 years ago have been reset, so the challenge now is holding churn down as they massively expand the base

PRICING

- **Have taken a pause after giving an increase in sticker price to this first substantial cohort of tenured subscribers**
 - That's not for fear of churn or it's a worry about the next cohort at all, but it's really just the sensitivity to the moment
- **Not an established subscription business where they are fighting for share in a mature subscription market and ARPU is everything**
 - Digital subscription revenue is growing exponentially at a time when huge numbers of new subscribers are coming in at introductory prices
 - Feel very confident that they have all the tools necessary to step people up to higher prices when they need to really focus on ARPU

How aggressively will they use promotional offers ahead of a contentious presidential election at the end of the year?

Sinclair Expects To Renew Their Distribution Agreement With Comcast This Summer When Sports Return

RSN

- **RSN model is remarkably well-hedged and idea of a season not being delivered or being missed had already been contemplated**
 - These types of events were largely driven by the notion of labor disputes and strikes, and that has happened in the past
 - Expect some rebates to the MVPDs, and then there will also be rebates from the teams to them, and those two very closely offset each other
- **If games don't end up happening, then there is going to be less ad revenue because they tend to be the main reason for placing ads**
 - There are offsetting costs related to direct production that go away when there are no games and they are pretty close to the advertising revenue

ADVERTISING

- **January and February were going quite well for them but Q2 is not going to be good and there's no way to get around that**
 - Core advertising will be down 32% to 39% and that's assuming some amount of uplift in the back half of the quarter with the states reopening
- **Try their best to sell every spot, but demand is way down, so the additional engagement will not come through in the numbers**
 - Use those extra impressions for promotional purposes and give spots away to their best advertisers to keep them loyal
 - Even using some of their empty spots to promote the benefits of the Pay-TV Bundle so the inventory doesn't go to waste

PRODUCTION

- **Working on many things for the long term, like, for instance, redoing their entire production infrastructure, which is currently outsourced to Disney**
 - That will essentially rewire the company into the cloud and will make them much more efficient, and that's probably more like a 3-year process
 - Some of the learnings that they are getting out of COVID-19 on how to work remotely, especially from a production perspective, which is generally not done on a remote basis, can be applied to these next-generation systems

LINEAR

- **COVID has removed some of the urgency to their negotiations, but it will renew once it becomes clear when sports will return**
 - If the regular baseball season had started already, they would have already had a renewal with Comcast done
 - Since that hasn't happened, will do it on sort of a more normal time frame of around when the expirations happen this summer
- **Sports are a pillar within the schedule, but they have other pillars, so don't see it affecting the negotiation position of their stations**
 - Go from strength to strength in terms of audiences when you look across the schedule with local news, syndicated talk shows and game shows

Will they be able to force carriage of their RSNs on DISH Network when their broadcast stations come up for renewal?

Key Takeaways



Snapchat Is Leveraging User Insights To Guide Their Investments In Premium Mobile Video Content

USERS

- **Key focus over the past couple of years is reducing the friction to get to that aha moment people have with visual communication**
 - When you can transition to communicating visually, it just unlocks this whole range of human expression that's not possible via text
 - Letting the community lead their investments because they're very vocal and they tell them what they're interested in and passionate about
- **Really hard to get a foothold in markets that were mainly Android and grow because the product just simply wasn't performing**
 - Markets that were closer to 50-50 or even close to majority iOS, those iOS users were so engaged that they were helping engage the Android users

ADVERTISING

- **Investing a lot in sophisticated optimization because they want to be able to help advertisers find their customers really efficiently**
 - Creates more opportunity for more advertisers while also improving the user experience because there's a much greater variety of ads overall
 - Have a full product suite across AR and video that is very compelling for advertisers whether it's brand advertising or DR advertising
- **At a high level, they are demand constrained, not supply constrained, and see a huge amount of potential going forward**
 - Still a tiny fraction of the overall digital ad market and there is so much headroom to grow, especially relative to their audience and engagement

AR

- **For the next 3 to 5 years, AR will be focused on the smartphone, but over the next 10 years it will evolve beyond it**
 - Make their own AR authoring tools available to the wider community and helped them get distribution for their AR experiences
- **The camera understands you and your friends, but is getting better every day at understanding the world around you**
 - Can recommend different experiences and help solve problems, which will be part of this big shift away from input-based computing
 - Vast majority of AR experiences are around entertainment, but over the next few years, AR experiences are going to be used to save time

CONTENT

- **Exciting to see younger generations engage in new ways and be able to build a totally new style of video entertainment**
 - Community helps them figure out where to invest in terms of growing their content business and what sorts of content are going to be appealing
 - Really try to personalize that experience because, folks that are over the age of 35 want to watch different things than maybe folks who are 18
- **Important to always learn from amazing innovations that other people build and integrate those learnings into their products**
 - TikTok leverages machine learning instead of friend connections, and can filter a larger amount of content and surface stuff that's really compelling

How quickly can they turn new product features, such as gaming and maps, into platforms that can be monetized?

Twitter Is Using This Opportunity To Take A Bigger Step Towards Building A Decentralized Workforce

DIRECT RESPONSE

- **In the rapidly growing market for app install ads, they have a tiny fraction even though they have the signals from people using it**
 - Know that so much more of those budgets would be available to them if it were easier to launch a campaign and if they perform better
 - Believe the work to complete the enhancements to the MAP product will be done this year, but its impact ought to be felt gradually
- **They know that they don't have enough DR advertising because their app install product is not as performing as it should be**
 - Two of their most popular ad formats can be bought with a brand or a DR objective, so it's challenging to declare they are X% DR or X% brand

PRODUCT

- **Can accelerate the pace at which they add topics that people can follow and can make the experience better around them**
 - There's still opportunities to improve relevance of topics and bring them more into onboarding process, but that will play out over years
- **There's still so much they can do to make it less intimidating and to give people more choice around how they converse**
 - Giving people a choice about who sees their tweets, or who might reply to them
 - Organizing replies in a way that allows people to perhaps remove some of the friction that may have prevented them from tweeting in the past

STRATEGY

- **Shifted engineers to revenue product work and looking for ways to accelerate time frames on the road map because it's so vital**
 - Important in a more challenging economic environment where advertisers want to measure and attribute everything that they do
 - There's a lot of work that they have been doing to rebuild their ad server and to make sure that they are better positioned to do that
- **Will have to continue to invest in health, but feel really good about the work they have done and the levels they have come to**
 - Will grow alongside other things as opposed to perhaps surging the way they had a couple of years ago when they made this a top priority

OPERATIONS

- **Need to be nimble and adapt to the environment, whether it's adjusting travel or how they are thinking about resourcing things**
 - There are some things that are more challenging to do from home, but have been able to navigate much better than they may have thought
- **Have long had the desire to decentralize, which means being less reliant on people needing to be near their large offices**
 - Want to hire the best people and put them into places where they can do their best work and have gained the confidence to let people choose where they work going forward
 - Will discern different patterns and learn from these and adjust over time

Can they find the right balance between performance and brand advertising to optimize total spending on the platform?

Verizon Is Finding New Ways To Get Licenses From Municipalities To Continue To Build Their 5G Network

PARTNERSHIPS

- **Have found a model for long-form media partnerships, and they are exclusive, and leverage their network, brand and distribution**
 - Partners brought in have leveraged their strength, which is usually a superior content like Disney+ or superior music from Apple Music
 - When they do something, they want to find a company that have the same brand values, and do it above the line for all their customers
- **This is how they will work to find more value, instead of investing in an area that they don't have confidence that they will succeed**
 - Decided not to continue building their own OTT solution because they didn't see the owner's economics, and didn't see them succeeding in it

5G MOBILE

- **The evolution of the technology and the software is going to drive much more improvements on different spectrum over time**
 - Early on, going to see the throughput in latency and the speed, and everything from gaming to AR/VR will be possible in the beginning
 - People tend to not move between Android and iOS, so it's going to have to wait for the moment when Apple decides to have a 5G phone
- **Important to come out with something high quality and are prudent when planning their technology and software**
 - Already have the best 4G network, and will keep that up, and need to remember that many customers will continue to have a 4G phone as well

MOBILE EDGE COMPUTE

- **5G mobile edge compute is a great opportunity to use their multipurpose network and already have different use cases**
 - It's a unique way of monetizing, and the reason they can do it is because of all their customer groups, from consumers, to enterprises, to SMB
- **On the forefront of working with the most advanced enterprises in this country to see how they can use a private 5G network**
 - Can fortify factories by having 5G compute and storage and processing all the data from the work floor to make much more real-time decisions
 - It's a longer time to develop these type of models and get revenues from it with enterprises and the 5G mobile edge compute for the public

5G HOME

- **They are already out in 34 markets where they need to win, and theoretically, can have 5G fixed wireless access in all of them**
 - Need the next-generation chipset in order to have a product that is really giving the right type of intelligence with the network and that will be in Q4
 - Aim is to have coverage for 30 million households, and that ambition still is there, but it's going to take a couple of years
- **Have 4 cities with their own 5G software and learned a lot about mmWave and how the network and self-installations are working**
 - Nothing has changed how they think about doing 5G Home or 5G fixed wireless access and it has only sort of reinforced that is a great solution

Will they look to create a new media partnership with a gaming company in conjunction with the rollout of 5G handsets?

Zynga Is Increasing The Pace Of The New Releases And Testing Quickly Before Putting Spend Behind It

ENGAGEMENT

- **Engagement curves and retention curves have been really strong, but monetization is one of those elements that lags that**
 - Didn't see any monetization contribution in the second half of March, but it really started to take hold in April
- **Have been enhancing games because they saw the quarantine was creating the need for people to be able to chat more in games**
 - Optimized some of the chat features inside Zynga Poker and saw a 40% increase in the number of chats inside the service
 - The number of messages were longer, they were more frequent and it really enhanced the engagement component

M&A

- **Overall M&A environment has been stable, and there have been a large number of deals that have been done since January**
 - Going to continue to see the consolidation wave in mobile and gaming in general will continue in 2020 and beyond
 - Have a lot of industry relationships just by virtue of fact that they have been around for a while, so they continue to take and initiate meetings
- **They are always looking for mash-ups or games that reach across categories and appeal to a very broad audience**
 - Hyper-casual is interesting because of the ad model, audience size, and the social nature of it with different engagement and retention curves

ADVERTISING

- **User pay is driving most of the growth but advertising is a good business, and it's an vital part of the overall gaming ecosystem**
 - Important part of continuing to open up more markets because it is an opportunity to have very accessible free-to-play experiences
- **In early May, started to see a return from brand advertising because it's one of the best ways to reach folks right now**
 - For big brands, interactive games was in the experimental part of the budget, but now they're starting to see good data on who they can reach
 - Some of the other channels have started to dry up or become less effective, so the vibrancy of the ad networks within gaming is a positive

INTERNATIONAL

- **looking at Asia as a substantial part of their business, and they've been out of position relative to that over these last several years**
 - Still have huge sections of the globe, whether it's South America, Middle East, or parts of Asia, that have yet to come online at-scale
- **As they shifted their portfolio to include new IP, their content has become more appealing and interesting to those Asian markets**
 - Everything they are greenlighting is based on consumer research and partner testing early on in Asia to make sure that the appeal is there
 - Thinking beyond the localization of the titles, meaning just language translations, and starting to customize UI flows and monetization

Can they sustain momentum in their ad network once other channels open back up after stay-at-home orders are lifted?