1. LionTree 2023 Year-End Letter

Over the last several years, it's become a tradition at LionTree to write a year-end letter — to our employees, to our clients, and our friends. Those letters, which began as a means to communicate our year in business, evolved into something more — a way to express not just what had happened during the year (the what) but also the meaning behind it all (the why) as well as the lessons we had drawn from our experience that were showing us (hopefully) the way to the future (the how).

While the letters were nominally written by me, they were, in actuality — like everything at LionTree — the product of a group effort. We count ourselves lucky to be a firm of approximately 100 talented individuals. But while we are many in number, we are one in essence. We are a team in the best sense of the word. While I am the founder of this firm, LionTree was never meant to be — and never has been — a simple extension of myself. I have always considered myself a vessel for LionTree, its essence, and potential.

With that idea in mind, along with the understanding that change is always good, we are doing things a little differently this year. There are nine named authors in this year's missive — none of them named Aryeh B. Bourkoff — and five individual letters. While each letter shows a different type of self-awareness, they all reveal a shared understanding that we exist to make choices.

What choices? Well, that depends on our individual essences. The majority of us have good intentions, of course, and the desire to do good deeds. But our destinies belong to each of us alone. How do we know what those destinies are? We have to do the work. Some of that work comes in private; some in public. Some is revealed; some is concealed. But in the end, if we are to matter, we must all jump into the fray. To be chosen is to have chosen. We are not what we think we are. We are what we have done … and what we intend to do. Together, we see the world as we want it to be. To do this, we must all jump into the gaps that exist today. Without fear … and with kindness.

Of course, we remain our own work-in-progress; we are still working on our masterpiece. But we're also immensely proud of what we do. The singer Jessie J says it quite right: we are perfectly incomplete. And we have gratitude — nothing but gratitude — for every moment, through every lifetime.

These letters are all a little different, just like the people who work here. But when put together, they add up to something I am thrilled for you to see, something that I have the privilege of seeing every single day — they are the story of LionTree told from many angles, the outlook from LionTree seen from many points of view. But there is unity beneath the diversity. As I said, we are many in number, but we are one at our core. If you are like me, you will come away from a reading of them with a better understanding of who we are, what we do, and what we hope to be.

We will tell you some stories about the business of LionTree — the transactions, the advisory work, and the investments. But we will also tell you stories about the people of LionTree. Because it's the latter that even allows us to participate in the former. We are our people.

You will find several resonant themes throughout. But the most important have to do with what it means to be in the relationship business. This whole edifice is built on love and trust. In a year such as this past one, where it seemed like one painful conflict after another was coming at us, it's that love and trust that allow us — whether it's as people, as companies, industries, or entire countries — to reinvent ourselves so that we can all continue, prosper, and find meaning in our journeys, both individual and collective. When we clash, as we sometimes do, the dissonance can be numbing. But all we need to do is listen carefully, to pay attention to what is happening, without bias or selfish intent, and we will once again hear the harmony behind it all.

After all, as both the physicists and the mystics tell us, the universe is, at its core, nothing more than vibrations. Harmonized properly, we have song. We hope you enjoy the song of LionTree in 2023 and wish you nothing but good grooves in 2024.

With Peace and Blessings,
Aryeh Benjamin Bourkoff
CEO | LionTree

2. Love + Trust = Flow

By Alex Michael & Avi Sutton

Why do some things endure? Whether we're talking about a business, a government or even a sports organization, some are built to last and some just fade away. What separates the two? From where we sit at LionTree, we have observed that those organizations that demonstrate long stretches of outperformance and organizational excellence all have what we call "flow." What is flow? It derives from the creation and perpetuation of a common set of foundational principles which also allow for the maximum amount of individual freedom. When an organization is in flow, it enables and accentuates an overarching, collective purpose that harmonizes a system of localized pursuits. It is the ability to respond to the situation at hand.

We have found — time and again — that to succeed over the long-term, organizations must be built in this way. The most enduring are fixed in their principles, but flexible in execution; they can adjust to changing circumstances with resolute courage and grace.

So how do we achieve flow? How do we instill coherent unity into disparate entities? We start with foundations of love and trust. When we build things together, whether we're talking about a sports team or a multinational franchise, a shared understanding of a mission, vision, and desired outcome quite literally light the way—toward success, toward fulfillment of vision. The power of a unified ethos harnessed with the unwavering love and trust of and from one's "teammates" is the key to the door of the future.

Love and trust can exist as singularities — you can love your child, but not trust them to drive a car; you can trust your government to do what is right although you do not love your President. But when love and trust exist simultaneously, everything — pure potential itself — gets unlocked.

Mind you, the opposite is also true. While love and trust engender conviction and courage, the absence of either can lead to fearful behavior. This concept is Biblical. Consider the Torah portion of "Shoftim" (Judges):

And it will be, when you approach the battle, that the kohen shall come near, and speak to the people…and say, "What man is there who is fearful and fainthearted? Let him go and return to his house, that he should not cause the heart of his brothers to melt, as his heart."
(Deuteronomy, 20: 2,8)

In times of crisis, when the instinct is to retreat to one's corner, to protect what we call ours and fight for our share, the organization that is built upon a foundation of love and trust—an organization that flows—is going to stand apart.
We can also consider this a leadership imperative: special leaders, who themselves are loved and trusted, must use their individual essence to perpetuate value and generate flow. In the words of Lord Rabbi Jonathan Sacks, "Good leaders create followers, but great leaders create leaders." We would supplement this with: "flow creates more flow."

These are the principles that LionTree has leveraged over the last eleven years. We have endeavored to build a flexible platform on top of a rock-solid mission. The vision for that platform extends well beyond the walls of our offices. We seek to create cohesion across our entire community of relationships—and then to leverage that cohesion to achieve transformative value for everyone involved. This is flow truly unlocked.

It has taken us more than a decade to get to this point, but we are still in motion; our effort is its own renewable commodity. We believe that it is our unified ethos of "love and trust" that has established deep roots and expanded the branches of our tree. But it has taken time and care and constant self-reflection to make sure that foundation remains rooted in our authentic essence.
When we look at the business world around us, sports provide some of the easiest analogies for these principles—both in the games themselves and as an industry. Games — and championships! — are won on account of a shared mission, vision, love, and trust. Winning teams flow. The sports industry, if harmonized using these same principles, can and will continue its breathtaking ascension in value.

Thanks in large part to the expansion of media rights over the last two decades, we see a sports industry at an absolute watershed moment in its flow. For the first time, streaming is at the heart of the sports value equation. Subscription "over-the-top" (OTT) services that deliver streamed content over the Internet spent $1.8 billion[1] on global sports rights in 2019. That number skyrocketed to $8.5 billion[2] in 2023. And streaming's prevalence with the younger audience underscores a staying power—58% of sports fans between the ages of 18-34 used at least one sports-focused streaming service in 2022, compared to 34% for those 35 years and older[3].

We've already realized some tangible, tectonic shifts in sports viewing norms in American football. Thursday Night Football is thriving on Prime Video, notching double-digit, year-over-year increases this season. Similarly, YouTube's NFL Sunday Ticket package is estimated to already have 1.3 million sign-ups in year one[4]—almost on par with DirecTV's previous customer base.
Looking ahead, the current NBA media rights renewal process will undoubtedly contain major streaming elements, Netflix has started to signal live sports ambitions with the launch of "The Netflix Cup" live golf match during this year's Vegas F1, and the question of whether ESPN will go direct to consumer has shifted from an if? to a when? Add to this a legion of newer sports and/or more long-tail leagues going direct to consumer on platforms like Flo Sports, PlayOn, and DAZN, and we can begin to grasp the panoramic effects of streaming on the entire industry.

We have observed the emergence of a perfect storm of rights buyers—on the one side, still-formidable broadcast and linear incumbents; on the other, a new universe of deep-pocketed big tech streaming bidders. The results speak for themselves: The value of an average NBA franchise has swelled over the last decade from roughly $509 million in 2013 to $3.85 billion in 2023[5]. NBA team values are not alone in experiencing that explosion in value; nearly every major pro sports team has grown its price tag enormously over the past decade. This growth is very much powered by a competitive American sports media rights landscape that has more than doubled over this time period from $12.26 billion in 2013 to $25.27 billion in 2023[6].

While streaming affords breakthroughs in story-telling, fan engagement, and monetization, it lacks the aforementioned economics of the linear cable world—and maybe always will. Something has to give. There needs to be flow again.
To that end, we ask a few questions:

(1) Can the entire sports ecosystem coalesce to allow for a harmonious future with all players benefitting, over the long term, from the interactivity and efficiency of streaming to serve younger audiences? Or will disparate agendas overwhelm the value chain and threaten to disrupt what has been a breathtaking run for nearly all involved?

(2) Can the owners of major sports properties leave enough reward in the ecosystem so as to allow the rest of the industry to succeed, and can streaming-first distribution providers create and share enough value for newer and smaller sports properties to thrive?

(3) Can the sports industry adapt and evolve alongside attendant technologies or will streaming ultimately unravel it in the long-term? As the centrality of cable diminishes, a reduced base of viable distribution outlets could cause media rights to falter in the absence of a commensurate make up in other forms of monetization. In other words, if big tech swallows sports as streaming swallows cable and broadcast, the value of the overall sports ecosystem might ultimately decline due to a lack of tension amongst distribution outlets.

These are just some of the existential questions facing the sports industry over the next five-to-ten years. We at LionTree endeavor to both ask and help shape the answers to these questions with the hope of helping both our clients and the community achieve flow, together.

So let's return to our opening question: What is flow? It is the ability to live in the unity, to fill in the gaps between our apparent differences. We are not separate; we are one single thing. When we get distracted, it can feel as if we are at odds with those around us—both those with whom we collaborate and those with whom we feel that we compete.
When it all comes down to it: What we want—all of us—is to be a constructive piece of a coherent whole—part of a team. We don't want to feel separate. We want to feel part of something bigger than ourselves. We can all carve out our identities—that's the whole point of being individuals—but there's nothing special about standing all alone. When we flow, we flow together, into something much greater than any single one of us could ever be.

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[1] Ampere Analysis: Media Rights – "Streaming services will spend over $8bn on sports rights in 2023"
[2] Ampere Analysis: Media Rights – "Streaming services will spend over $8bn on sports rights in 2023"
[3] The Current – "58 Percent of Young Sports Fans Rely on a Streaming Service"
[4] Bloomberg Intelligence – "Sunday Ticket Draws About 1.3 Million Fans to YouTube"
[5] Statista – "Average franchise value of NBA teams from 2001 to 2023"
[6] Statista – "Sports media rights market size in North America from 2006 to 2023"

3. The Universe in a Song

By James Lindsay & Caryl Stern

History comes in waves. Sometimes, things feel stable. And then they don't. When that happens, the distribution and balance of power moves into flux. We are living through one of those shifts. For some, it feels like chaos, for others, opportunity. But for all, it feels like change. The onset of turbulence has many sources, including technological advancements, changing consumer behavior, and shifts in societal values. It can take an entire industry into its grip — witness the tumult in the media and entertainment industry today — but we can also see it in ourselves, and the efforts we make to solve the problems that plague us.

The internet and globalisation have created great efficiencies. But along with those efficiencies comes that which might be described by economists as a "negative externality". Namely, that the ability to scale globally at an unprecedented pace has the simultaneous effect of generating massive inequality between the haves and have nots. Alan Krueger describes this phenomenon of "Superstar Markets" in his insightful book *Rockonomics: How the Music Industry can Explain the Modern Economy*. In a world where product can be both unique (one song is like no other), and efficiently distributed (music distribution is largely frictionless and increasingly borderless), there is a natural tendency to gravitate towards a winner-take-all model.

Krueger poses a few follow-on questions: *What happens when your product becomes so ubiquitous that it commoditizes itself? How does the Superstar Market dynamic change?*

Music is one of the areas most impacted by the phenomenon of the *creator economy*. The historical barriers to entry in the music business — the creation, marketing, and distribution of music — have fallen away. More artists than ever are creating and distributing music. To illustrate how long the "long tail" is in music, consider Spotify alone: The company has an estimated 10 million-plus artists on platform, but only 1,060 of them earn more than $1 million annually in royalties and only 57,000 generate more than $10,000[1].

AI will further accelerate this phenomenon. There are already numerous AI tools that facilitate the creation process, allowing artists to create work more efficiently (e.g., AI-powered creative tools from Google DeepMinds, Bandlab, Splice, to name a few). AI can also be used to effortlessly replicate existing tracks and create different versions — allowing fans to "collaborate" with artists in creating bespoke versions of their music. And that's before even mentioning the conceptual black-hole that is the prospect of entirely AI-Generated music.

AI itself introduces a paradox — after all, it is both capable of giving incredible power, access, and productivity to the common person, but simultaneously creates power concentration. After all, AI is dependent on massive computation processing power, leaving the control of AI in the hands of very few.

Here is where the divergence creeps in. Yes, more people than ever are creating music and finding audiences through social media and self-serve music distribution. At the same time, though, we see power concentrated in the hands of a few and we are seeing a battle play out — colloquially dubbed "music vs noise". Major distributors of music such as Spotify, Soundcloud, and Deezer have agreed to royalty constructs that exclude the very long tail. Spotify, for example, removes artists with under 1,000 streams from the royalty pot. As the argument goes, this is to protect real artists and musicians — the streaming algorithm is not un-hackable. The populist counterpoint is that if music creation can be democratized and royalty tracking technology is improving, why can we not pay all artists for their output, no matter how few streams they generate?

Like Krueger, we think that music can explain a lot. But where he stops short in suggesting it can explain the modern economy, we will go one step further and say that music explains everything. Many things divide us, but music tends to bring us together. Music stands as a universal language. Some things retard progress, but new music is progress itself.

This is one of history's waves: There is change afoot, and while many are finding new opportunity through newly opened doors, at the same time, those with the power to do so are busy (as they always are) designing bigger and better locks for their doors, to keep the intruders out.

Even if we do see a concentration of power at the top, there is also a groundswell of influence bubbling up from the bottom. This tension creates white spaces. We see this not only in music, but across multiple corporate sectors and even in philanthropy. Fueled by technology, the borders are falling away. Everywhere you look, you can see the emergence of new, truly global, markets for ideas and innovations.

Allow us to pivot ourselves, from music to philanthropy: With a great generational shift taking place amongst many of the 20th century's high-net wealth families, the same tensions we see in the music business are finding their way into philanthropic decision making. It is estimated that in the U.S. alone, baby boomers and the silent generation will pass down $84.4 trillion in assets through 2045[2]. In doing so, newer generations will change not only the priorities of philanthropy (20 years ago climate change was not on the agenda in the way it is today) but also the form of that philanthropy (witness the rise of Impact Investing). In the process of this mass generational succession, a few ultra-wealthy individuals and families have emerged as major players in philanthropy, eclipsing traditional foundations and organizations as they go. Technology billionaires such as Bill & Melinda Gates and Mark Zuckerberg have directed substantial resources toward global challenges like healthcare, education, and poverty. Their philanthropic endeavours have had a significant impact on shaping global agendas. But their influence on funding priorities and decision-making has raised questions about accountability and transparency. Meanwhile, technological advances are enabling closer scrutiny of non-profits, calling into question their levels of effectiveness and impact.
At LionTree, we look at corporate, government and philanthropy through the same lens. Milton Friedman famously wrote that a company has no social responsibility to the public or society; its only responsibility is to its shareholders. He was correct insofar as there were — and are — many who agreed with that sentiment. But times change — today, more and more consumers expect alignment on social issues from the corporations whose products they buy — and they have shown their capacity to spend elsewhere if that alignment is not apparent. So, in a circular way, Friedman is indeed correct: today, to fulfil its responsibility to its shareholders, a corporation must demonstrate its responsibility to society itself. This explains the surge in ESG agendas and impact investing, but to be effective, a corporation's social mission needs to be both effective and profitable.

The rise of impact investing has allowed individuals and organizations to blend traditional philanthropy with financial returns. This approach has the potential to reshape how social and environmental issues are addressed. New products and services, aimed at solving social problems, are finding their way into the for-profit arena, across every industry, every day. Often driven by ESG requirements, companies are seeking and finding products and services that directly address social problems. Whether it's new forms of plant-based (and healthier!) baby formula, platforms that address the accessibility of travel and hospitality for specific disabilities, or AI support of blind individuals, we are seeing a rise in companies aimed at social good. The result is a new intersection between profit and purpose. You will find us there as well: LionTree is actively exploring models for sustainable long-term impact, by marrying purpose with profit.

We can look back to the music industry for inspiration on this topic — an industry where purpose and profit have often been intertwined. Musicians/songwriters have long used their craft to reflect and address social problems. Often referred to as a cultural right, music can and often does aid in the promotion and protection of other human rights. As early as 1971, with the Concert for Bangladesh, which raised $12 million in relief funds for Bangladesh[3], and numerous “concerts for good” that followed, we have seen the industry use its power (actually, its magic) to support those in need, typically in response to a natural disaster or war.

But artists and music companies are increasingly using their platforms to raise awareness and support non-emergency social causes. Whether it’s through charity concerts, fundraising campaigns, or individual “ambassador” spokespersons advocating for particular causes, individual artists are using the power of their podiums to deliver messages and engage fans. Many have also used their personal philanthropy to move the needle on particular issues — witness Bono on HIV/Aids, AJR on sustainability, Beyoncé on Equity. We have seen musicians’ fanbases grow in both size and avidity when that musician takes on a social cause that fans identify with. In those cases, and many more, purpose has led directly to profit.

The industry itself has joined individual artists in these efforts, leading to the emergence of music and healthcare as just one example of a growing sector. UMG has partnered with wellness app Vera, while Warner Music has invested in AI firm LifeScore to use music for wellness. Aiming to use music as a means of easing pain and anxiety, Abbey Road Red launched the music for medicine platform MediMusic, a MedTech start-up which is already reporting up to 22% reduction in heart rate in patients with dementia using their program.

The music industry is looking internally as well, forming collaboratives to address how the industry impacts our lives and our planet. Many venues have introduced recycling, reduced the used of plastics, and now offer reusable alternatives. In November 2023, in advance of the opening of the United Nations’ Climate Change Conference, COP28, the three major music companies — Universal Music Group, Sony Music Group and Warner Music Group — announced the establishment of the Music Industry Climate Collective, a new, music industry alliance to address changes in global climate. The collective aims to amplify environmental stewardship by offering practical strategies, designed for the unique needs of music companies.

So it’s all happening, all at the same time. The lines between profit and purpose are being blurred. Power dynamics are shifting between the gatekeepers and the masses. AI is super-charging all of it, while the social media megaphone typically makes it harder to hear the music above the noise. It may seem a chaotic backdrop, but chaos and opportunity ride in tandem. The challenge for all of us is how to stay both useful and relevant amidst all that change.

At LionTree, we appreciate the fact that our firm thrives in this duality. We both serve industry leaders and discover and fuel the disruptors (or, the “Upsetters,” to quote the great Lee “Scratch” Perry). We see our role as trying to connect and bring harmony into an increasingly chaotic world, through relationships, ideas, and purpose. We take inspiration from illuminated artists — after all, most great music is the product of collaboration and of the willingness to bend away from the straight lines.

Playlist:
A Change Is Gonna Come – Sam Cooke
For the Love of Money – The O'Jays
Imagine – John Lennon
The Times They Are A-Changin' – Bob Dylan
Waiting on the World to Change – John Mayer
Wind of Change – Scorpions
Changes – 2Pac, Talent
Courage to Change – Sia
What About Us – P!nk
If You're Out There – John Legend
Numb/Encore – Jay Z, Linkin Park
Beat Down Babylon – Lee "Scratch" Perry
Redemption Song – Bob Marley & The Wailers
Selfish Soul – Sudan Archives
People – Libianca Fonji
Ella Baila Sola – Eslabon Armado & Peso Pluma

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[1] Loud&Clear by Spotify (2022)
[2] Cerulli and Associates, "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021"
[3] The two Madison Square Garden concerts raised $243,000 for UNICEF, but by 1985 "nearly $12 million [had] been sent to Bangladesh as a result of the concert proceeds and subsequent investments" (LA Times, June 2, 1985)

4. Through Conflict Comes Reinvention

By Jake Donavan & Rosie Kurmaniak

Let's face it. Along the way (and we're talking about the most recent economic cycle here), we didn't need to have too many difficult conversations. In times of abundance, we usually find our interests converging rather than diverging, and there are fewer instances where we have the need to disagree. In a zero-interest rate environment with capital readily available, we competed for opportunities to deploy it — leading to more deals, easier access to capital and ever-increasing valuations. Dealmaking often started with a "Yes!" The only question was, "Yes to what?" As a result, deal-making in the bull market exuberance was relatively conflict free.

And, truth be told, communicating itself has gotten a little weird in some regards. The pandemic, social media and technology overall have changed the nature of how we approach each other. An increasing proportion of our conversations are now conducted with our thumbs — over email, text, comments. We now spend almost half of our (32-hour-multi-tasking) day using technology and media [1]! We are short and to the point, rarely deep or nuanced. And when we do talk to each other, it's usually through a screen. We all know — the feeling is palpable if not explicitly stated — that the way we interact with each other today is not what it once was. Technology has not been the complete supplement to person-to-person, face-to-face engagement – How many life-long friends do the deal-makers among us still have from the days we sat in law firms into the late hours and physically negotiated transaction terms? Back then, we did it out of necessity. Since then, technology has made it seem less and less important to have "real" in-person conversations, but the digital-only approach can struggle when the going gets tough.

Of course, both communications and deal-making took a turn at some point during the past year. Rather, many things took many turns, and most of them appear directionally for the worse. One: The world is grappling with numerous extremely difficult geopolitical challenges. Two: While we're not sure whether we're indeed in the middle of a soft landing as it increasingly appears, we are definitely not experiencing the continuous upside momentum of a growth cycle and the deal-making ease that comes with it. Three: Interest rates are up and capital is being deployed cautiously. This means hard conversations on where to deploy it, which fundamentally means rationalizing the competitive landscape and focusing on the likely winners. Four: Traditional "dealmaking" (the result of a back-and-forth communication in the hopes of alignment) — whether between investors and companies via capital discussions or between owners, boards and management teams through strategic decisions and M&A — is happening less and with more conflict.

This context has made dealmaking over the past two years more challenging and in need of fresh thinking, collaboration, and win-win solutions. We will need to overcome our bull and bear market cycle divides. We know (from both business and life) that we sometimes need to start with what seems like a hard conversation in order to resolve mis-alignment or to at least cultivate those human or business relationships we want to preserve over the long term. Difficult conversations, in our view, are not only the gateway to a re-alignment of strategic relationships, but, as the notable podcaster Tim Ferriss and his guest Sheila Heen recently said in their podcast on communications: "It's not just that you have difficult conversations in a relationship – it's that difficult conversations are the relationship." [2] (That is, the courage it takes to begin a hard conversation is the first indication of our dedication to the partnership overall.)

We need to communicate our conflict, so that we can have challenging dialogue, so that we reinvent or refurbish the conditions or the ecosystem that created the conflict in the first place. Conflict makes us better. Conflict leads to re-invention. Conflict brings us resolution (unity), leaders (and our trust in them), and, in the best cases, an outcome that neither party saw before they were faced with reconciling someone else's views with their own. In short, from conflict can come new and fresh perspectives. That's the hopefulness in dealmaking via difficult conversations — it brings us more and with greater understanding than we had when we began.

With his recent passing, we are reminded of and honor Henry Kissinger, who said: “The great tragedies of history occur not when right confronts wrong but when two rights confront each other.” The challenge for us as humans and as dealmakers (who are arbiters and negotiators of capital and shareholder constituencies) is to hold two (or more) “rights” or “truths” (held individually) as sacred, but still manage to bridge those truths into a natural combination that either aligns, positively partners, or uplifts an entire ecosystem and its constituents. Dealmakers have the courage to smooth and spread rights and truths (also known as economics and budgets for the pragmatists reading this) into a wider white space of alignment. We saw certain notable dealmakers of 2023 do just that. For example:

- Instead of what might have been a typical “blackout” affiliate fee renegotiation standoff between Disney and Charter this summer, we witnessed a more ground-breaking difficult conversation as Charter publicly noted it had reached an economic crossroads on its video product altogether. The resolution path for these parties (and perhaps the resolution for the remainder of the linear ecosystem) came from evolving the video package and keeping some skin in the game for both the distributor and the content provider, with a glide path for both parties to facilitate the consumer’s package preferences (heavily influenced by sports viewing) as they change over time.

- We also saw this summer one of the longest-ever actors, writers and directors strike in Hollywood history. As a challenge of collectivism versus corporate-ism, this mis-alignment of Hollywood talent and budgets tested the ongoing conversation of the value of our individual human creative contributions in the face of developing technologies (e.g., Artificial Intelligence) versus the leverage of a consolidated industry facing an increasingly-challenging macro environment. Aligned by our common love of art, creativity and expression, the strike eventually was resolved.

- Just recently, we were bystanders to the surprising and abrupt termination of Sam Altman by OpenAI’s (legacy) board. The white smoke moment of resolution came when stakeholders prioritized the stability of the platform by re-constituting the board and reinstating Altman. Continued leadership via stakeholders will be required to balance (1) long-term alignment of capitalist and altruistic models against (2) billions of dollars of capital required to support the scale and velocity of the OpenAI model overall.

- In Italy, we witnessed the first full scale fixed / fiber telecom incumbent network separation under completely distinct ownership [3]. While there was clearly a de-leveraging rationale to the transaction, there is also a business model and ownership question of infrastructure overall in terms of public-versus-private when it comes to capex-intensive, long-term investment cycle assets. In this case, KKR is leading a consortium of private infrastructure investors (including potential participation from the Italian state) to acquire the fixed network assets whereas the mobile and customer business will continue to be publicly traded. This is one form of resolution of the conflict between public and private market ownership of communications assets.

- We also saw the resolution of a nearly two-year stand-off between global regulatory entities and the tech giant Microsoft in its ultimately successful bid to acquire Activision. While the proposed merger was met with lawsuits in jurisdictions across the globe, Microsoft assuaged concerns and addressed anti-competitive arguments by offering to make Call of Duty available on competing platforms and making streaming rights available via Ubisoft. In this instance, the resolution was a win for the consumer and the industry.

We note, as you probably have, that none of the "reinventions" above resemble the large-scale mergers of the period from 2000 to 2021, where simply putting two complementary businesses together constituted a solution. Of course, we acknowledge not only that the current regulatory climate is challenging for those kinds of deals, but we also observe a shift from dealmaking-for-efficiencies (a discussion of premiums paid and shared) to dealmaking-for-solutions (a discussion of benefits created and distributed) and/or dealmaking-for-capabilities as a potential continuing trend going forward. In these times, we at LionTree emphasize our nature as a firm to orient our communications and dealmaking (either through advisory or investing) to spark, facilitate, advise, and architect such solutions. We see the necessity to either partner with or have ideas for the dealmakers and titans of the companies and industries who want to transition asset portfolios through this cycle into the next period of realignment and growth.

As we look to 2024, but more importantly, as we look to the long-term solutions that shape our thinking as advisors, we are encouraged by the questions we are asking of each other (internally) and of the questions our clients are asking of us (externally). We are having the hard conversations. While LionTree's shareholder letters of the past have sometimes offered more specific predictions of what is to come, we share the current collective sentiment of hopeful uncertainty. But we also consider this a moment to engage in meaningful conversation as to how we might create what is to come, such as:
· Political: Will the outcome of not just our own, but several key elections around the world (e.g., India & Taiwan) shift an already delicate global balance into more political, financial, and social protectionism? Or might it lead to more cooperation and alliances? Will a change in political climate bring some pragmatism to a pent-up M&A market awaiting a more constructive government stance on consolidation?

- *Capital:* Will historically long-term and patient sovereign capital dive further into asset ownership with bold moves in sports, media, entertainment, gaming or otherwise that not only assists funding of many domestic (including the U.S. and Europe) growth efforts but also synergistically modernizes and revolutionizes its own local economies and cultures?

- *Artificial Intelligence (AI):* How will the anticipated tidal wave of efficiency impact each industry (and society overall) and create scale, velocity, and progress without the impact of the technology becoming … well, inhuman?

- *Succession:* Many of the iconic deal-makers of the '90s and '00s that have demonstrated historic, monumental returns have aggregated diverse portfolios with market values now below their fundamental values. Now, as the time horizon of their capital allocations has shifted, will they re-orchestrate and align their portfolios with the next-generation of long-term constituencies?

- *Big Tech:* Will the large technology companies with flexible balance sheets and vested interests in expanding their own consumer monetization strategies become the most aggressive bidders for content, such as sports rights, that are the cornerstone of legacy media viewership? Is technology the new media?

- *Intellectual Property (IP):* We think of media companies as content companies, but they are fundamentally IP companies. Will "media" (legacy or otherwise) continue to evolve from a one-dimensional format (e.g., on-screen-viewing) to a rich portfolio of experiences (both virtual and physical) and monetization portals? Outside of traditional dealmaking, can media (e.g., streaming) forge the necessary partnerships to achieve sufficient scale for profitability while retaining the consumers' eyeballs?

- *Experiential:* If 2023 was the Year of the Experience (or more precisely, The Taylor Swift Experience), how will capital, talent, and services (including technology solutions) scale local, physical moments into franchises that unite geographies and demographics across common themes and interests?

- *Communications Infrastructure*: Will global infrastructure continue to be further disaggregated and in what way will it rightfully re-aggregate with bundles, services and technologies, as divergent capital sources align and match with underlying cash flows?

We'd note that by far the most difficult conversations of 2024 and beyond may be those one does not endeavor to have. We don't think there should ever be a missed opportunity for unity, leadership, and reinvention. It's time to start having real conversations again, even if they're not as easy as hitting "send" … On a tailored velvet couch at 745 5th Avenue … With a well-poured cocktail in a venue just off the Place Vendome in Paris … In a boardroom at the top of a Manhattan skyscraper … In your own office or that of your negotiating counterparty … Real and in-person …

There is and never will be a replacement for the warmth, compassion, integrity, honest thoughtfulness, quiet confidence, advocacy, friendship, conviction, and steady-hand of a long-standing, trusted or even potentially new partner to engage you in any conversation (difficult or not) that reinvents you, your relationships, your company, your industry and, ultimately, your world.

That is the essence and quintessence of our Founder and CEO, Aryeh Bourkoff, whose sentiment says it perfectly: "Never underestimate the power of your vibrations." That is LionTree.

[1] Activate Consulting's "Technology & Media Outlook 2024," using Average Day by Activity Per Adult Aged 18+, U.S., 2022, Hours:Minutes.
[2] Episode #703: Sheila Heen, The Tim Ferriss Show podcast.
[3] Note: LionTree served as financial advisor to the Independent Directors of Telecom Italia (TIM) in the assessment of KKR's Binding Offer for NetCo in this transaction.

5. The Journey

By Taylor Ramsey

Life tends to appear as a collection of separate and distinct moments, but when viewed from a broader perspective, these moments interconnect to form the greater journey of our lives. Our journeys shape who we are and how we perceive the world around us. While our paths are all unique, each of them holds within it a profound opportunity for personal evolution and growth.

Of course, insight comes at a cost. To understand the world around us, the first step can seem counterintuitive. To understand what lies *out there*, we must start by understanding what's *in here* — we must begin with a program of self-reflection and internal deliberation that propels us beyond our current understanding. It is this introspective process that urges us to defy boundaries, confront our beliefs, challenge our assumptions, and embrace the unfamiliar. When done correctly, it can be completely transformative. It can deepen our grasp of the truth of our own existence.

My own personal journey took a significant turn when I joined LionTree just a little over two years ago. Working closely with Aryeh Bourkoff, our founder and CEO, has opened a new realm of insight for me. In my supporting role, I have been entrusted to coordinate and orchestrate important meetings around the world, across a multitude of industries, countries, and cultures. Each trip has served as a mini-journey that teaches me about my place inside of LionTree, and outside in the world.

What my time at LionTree has shown me, above all, is that the true power of personal relationships lies in our ability to inspire change and serve as a catalyst for action. From inception, the emphasis has been on the profound importance of trust and meaningful interactions. These connections between individuals hold a special significance, as they can transcend borders, cultures, and ideologies. However, the role of a catalyst also calls for great humility. Through these experiences, I have come to understand that the best use of our talents is not to our own ends, but to that of the society of which we are a part. I have seen how a relentless focus on the interconnection of the business and the personal has value that extends well beyond the walls of any one institution. I count myself lucky to be part of an organization that values such reflection as a part of its core.

Since its inception, LionTree has followed its own path, defying boundaries along the way to establishing itself as a leading investment and merchant bank of the 21st century. LionTree focused first on cultivating an intricate root system at its core, like that of a tree. Our culture has been developed carefully, over time, through internal reflection and meaningful personal growth. These roots, unseen by many, continue to provide the essential foundation that has allowed us to grow along a unique trajectory towards modern banking success. As we continue to evolve, we remain steadfast in our pursuit of excellence, grounded in the belief that inner transformation fuels the external impact we can make in the world.

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Where does a journey start? Where does it end? You could argue that it starts when we become aware of our path, our experiences, and challenges. However, they never actually end. As we witness the turbulent shifts in the Israeli–Palestinian conflict, we are forced to evaluate the notion of reconciliation during a time of devastation and moral reckoning. Journeys never follow a straight line, and this time is no different. At a time when borders are being challenged, lives are being lost, and hurt has ripped its path through all sides, the "evolving" nature of our collective existence gives us some semblance of hope that there may be a chance for a significant shift toward peace and justice in the future.

In a society dominated by the deafening roar of social media and viral videos that seek to elicit an immediate response, we find ourselves trapped in the ‘loud spaces’. These echo chambers amplify division rather than foster unity. The concept of evolution is relevant here — the idea that we can (and do) still grow against the grain of life’s challenges. Resistance itself can serve as a necessary accelerator, forcing each and every one of us to look inward to recognize the opportunity that lies underneath.

Introspection breeds perspective, and perspective shows us not the ‘loud,’ but the ‘white’ spaces — the quiet opportunities that allow us the room to explore the intricacies of our personal beliefs. When they reveal themselves to us, they bring with them a deeper understanding of who we are, what we stand for, and how we choose to show up in difficult situations. If we continue to do the work and take advantage of the quiet moments of reflection, we stand a chance of emerging not as polarized factions, but as a society enlightened by our shared experiences.

For many among us, navigating this conflict has been an important personal journey as we find our footing. We still hope that it can, against all odds, lead us to becoming a more connected and empathetic society, but we are obviously not there yet. The journey continues.

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Shifting our focus back to the work that we do every day, and the industries that have captivated our attention this year, we find it difficult to avoid the topic of artificial intelligence, or AI. When AI first entered the scene, naysayers labeled it as an unknowable force poised to reshape industries and redefine human existence. The fear of automation and job displacement cast a pall over the prospect of any and all potential benefits. Fast forward to 2023, and we see a vastly different landscape: AI is no longer (for the most part) considered an ominous figure lurking in the shadows; it is a valuable tool that has enhanced our daily routine without fear of erasing the need for human contribution.

At the forefront of the AI narrative this year, we find OpenAI and the enigmatic journey of Sam Altman — whose recent departure and return serve as a reminder that no matter how much technology is involved, we are still human beings at the end of the day. Altman’s firing and subsequent rehiring at OpenAI over the course of a single weekend in November serve as a poignant reflection of the complex dance between human decision-making and the advancement of technology. The dynamic conflict between a board and its CEO — an innately human experience — served as confirmation that no matter what, most of the time, a journey is unpredictable and ever-evolving.

Where is the lesson here? It is, perhaps, a reminder, of the fact that whatever path we are on, we will always be responsible for finding that elusive and delicate balance. At the end of the day, we live to experience an ever-unfolding narrative, a symphony of growth and evolution. Every pit we encounter is a test—an opportunity to learn and grow, even when the lessons are not immediately apparent. Every challenge we conquer will be a testament to our resilience and adaptability. And every relationship we nurture serves as proof of the forward motion of our journey.

6. The Harmony of Dissonance

By Aviva Roumani with Rachel Kraus

Earlier this year, after much postponement in favor of a mostly singular focus on career for the past fifteen years — ten that flew by at LionTree — I became a mother. To say parenthood changes you is an understatement. But you don't know what you don't know, and the "arrival" and sense of new responsibility prompted an awakening. Amidst the chaos of those first few weeks, the physical recovery, lack of sleep, the cloudiness of mind, my concept of control first shifted, and then crystalized with intense focus. The center had moved. And the bullseye expanded.

A few months later, on a trip to Israel to celebrate a marriage in the family, I felt the center moving again. But this time felt like contraction. It was October 7, and as I sheltered in a Jerusalem stairwell with my family, I fell into the proverbial "pit" — maniacally refreshing my news feed as events unfolded. For weeks, I could not see beyond, questioning what kind of world our children will inherit and what dominion we have to change it. But control is highly individualistic. Me? I doubled down on my work, leading client development across people, products and builds as the firm served as a ballast of safety, community, and truth, both for me and many others as well.

At LionTree, we are privileged to operate in what investor Jeremy Giffon calls the perfect business — a classic merchant bank. We are valued for our advice, our insights, our experience, and our ability to connect people in a borderless world. The choreography of a deal is like an elegant dance, both in success and failure; there is a beauty to analyzing the qualities of a business, understanding the meta story, and uncovering the incentives and psychology driving a CEO and stakeholders. Our role is to separate the signal from the deafening noise.

It's pretty noisy out there. The pursuit of news "without fear or favor" is no longer being honored. Today's revolutionary platform technology companies have shrunk our experience of time and space, making it easier for people to connect. At the same time, though, those same companies have facilitated — encouraged? — the bifurcation and disintegration of the virtues of trust and human touch. In previous generations, Norman Lear's Archie Bunker would have railed at the TV screen; today, we scream at each other through social media posts and devices that we seem unable to put down. In all of human history, we've never been this connected, and yet we've never felt so far apart.

Where is the exit door from all this madness, this separation? How can we find our way back to a unified now, to the place where possibility resides? The answer lies within. Understand yourself, and then share that understanding with others. LionTree may be a merchant bank, but we aspire, first and foremost, to be a hub of understanding. Our distinct platform is built on trust, with a focus on clients, capital, and creativity. And we lean on that trust to expand opportunity, bind, restore, and reinforce the power of the collective and collective values. We aim to connect the dots among the constellations of our clients — the stars.

This is a never-ending project: Jonathan Haidt's prescient 2022 essay in The Atlantic put forth the argument that we are living in a Tower of Babel era, one that is characterized by profound misinformation and social media cacophony. Building the tower higher won't solve our dilemma, either. If we consult the scripture, it's all going to sound familiar. The Biblical version of this story begins with alignment — a people, united in purpose and language, with a singular intention to create a name for themselves. But their tower was built of self-aggrandizement, ego, and power — an edifice dedicated to their own ambition. So God confounded their language and challenged their self-interest by rendering them unable to communicate with one another. All of which ultimately led to the abandonment of the tower, confusion, and the disintegration of society.

Fast-forward to 2023, and you can hear the echoes: Ambition, hubris, the failure of language and communication. Globalization and technology were supposed to enhance collaboration and connectivity, to allow us to find our shared values and work in the overlap. But the reality is far from the ideal: The political horseshoe has never been worse. When the far left and far right are so diametrically opposed that they end up meeting in the middle, we should take a long look in the mirror.

The concept of harmony in dissonance may seem paradoxical. But we would also argue that it reflects a profound truth — that certain types of tension and contrast, when managed with insight, patience, and humility, can contain the seeds of breakthrough possibilities. Consider how dissension can be used to hone our collective wisdom, to find truths, discover values, and protect future generations from repeating our mistakes. It never seems so at the time, but there is always a lesson in conflict.

Technology tends to promise us easier and better ways to tackle our day-to-day lives. But the only parts of us that we can really automate are the superficial ones — our schedules, our contacts, or our news feeds. If you want the truth, the real meaning that sits beneath the surface — if you want the essence — you will need to return to the humanity of it all: Face-to-Face…Person-to-Person…Parenthood…Couplehood…Peoplehood.

We are never going to agree about everything. If we did, stories would disappear. But we do need to find agreement about the things that matter. Dissonance — whether experienced personally, professionally, or across industries and geographies — typically presents itself to us as chaos or conflict. But there is no paradox that doesn't yield to a widening of perspective. There is — and always will be — a unity behind all that diversity. We are talking about the skillful navigation of the opposing forces between ideas, industries, personalities and even within the self. That's not a job our phone can do for us; we must do it for ourselves.

The complexities of the sectors that LionTree inhabits — technology, media, telecom, and consumer — demand a holistic approach that transcends silos of traditional thinking. Earlier this year our team was discussing Authentic Brands Group (David Beckham, Elvis, SI, Reebok, Prince), a portfolio that reimagines mature yet still-iconic brands by embracing the flywheel of consumer channels with storytelling, experiential, social, hospitality, and fashion. What we want — what we're always after — is the opportunity to break down barriers and create interconnected ecosystems where knowledge flows seamlessly between advocates. Just as water flows from mountains down to the oceans, our approach has to cascade and nourish the ever-changing landscape so that opportunities may continue to grow. In the world of finance, just as in nature, stagnation is decay.

We take our morning cues from the east, and in service of structural boundaries to create borderless opportunities, the East has certainly trailblazed a landscape of redeclared possibility. While we witness the height of conflict in the Israel-Hamas War, we see parts of the Middle East, specifically the Gulf Cooperation Council—Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates (UAE)—as emblematic of a new white space, where existing paradigms don't have constraining gravity, where the power of possibility can show its face, weightless with seemingly endless capital.

A region once defined by shifting borders which provided structure, definitions, and separate ecosystems is now flirting with a borderless paradigm. According to Bloomberg, the UAE is the new “hotbed” for billionaires. As of October, in 2023 UAE’s ADX generated just shy of $7 billion in IPO value, in comparison to USA’s $8 billion[1]. In the first quarter of 2023, 14% of the world’s IPOs came from Abu Dhabi alone[2]. It just goes to show that diplomacy and partnership can yield calm, investment, trust, and opportunity. The responsibility that comes from being on the world stage will show us what’s next; the region now faces a meaningful test of its true nature, longevity, and cultural sustainability.

LionTree’s hallmarks are matching relationships to ideas, unlocking those ideas through execution, and, most importantly, the one-to-one. Done right, we can create what our CEO calls “scaled intimacy.” We serve as a bridge connecting capital to situations, the value of which we help unlock. Over the last eleven years, our Advisory arm has helped transform over 335 companies, 182 of which were repeat engagements. Our Asset Management platform emerged from the stifling of the pandemic to complement our advisory capabilities; through LionTree funds and affiliated vehicles, we now represent capital alongside a bespoke group of long-term partners whose values align with our own. The promise is ours to deliver.

I was able to revisit Israel this week, along with a group of influential leaders, for the first time since October 7th — back to a region that has modulated from acute crisis to prolonged crisis. “Crisis doesn't build character, it reveals it.” Our true values, our moral consciousness, and our humanity are all on display, with transparency. The power of possibility, of healing and of return, resides in the essence of who we are, individually and collectively. It lies in our unity—not our uniformity, but in our unity.

The way out of the pit comes courtesy of the well of living waters. And while it may seem dark at the bottom, there is, and always will be, light at the top. Those who see that light first and lead the rest of us toward it will be rewarded with the responsibility of setting the course to a new destination. With accountability and dignity, and an ear to wisdom and intention, we can watch that water flow again, from inside to outside, from the self to the other, from behind borders to the unity of partnership and community. It is worth the work, it is worth the climb, for each of us, and for each other.

[1] https://circuit.news/2023/10/20/uae-leads-continuing-ipo-frenzy-in-the-gcc-amid-global-value-correction/
[2] https://www.thenationalnews.com/business/markets/2023/05/07/abu-dhabi-accounts-for-14-of-global-ipos-in-first-quarter-of-2023/

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